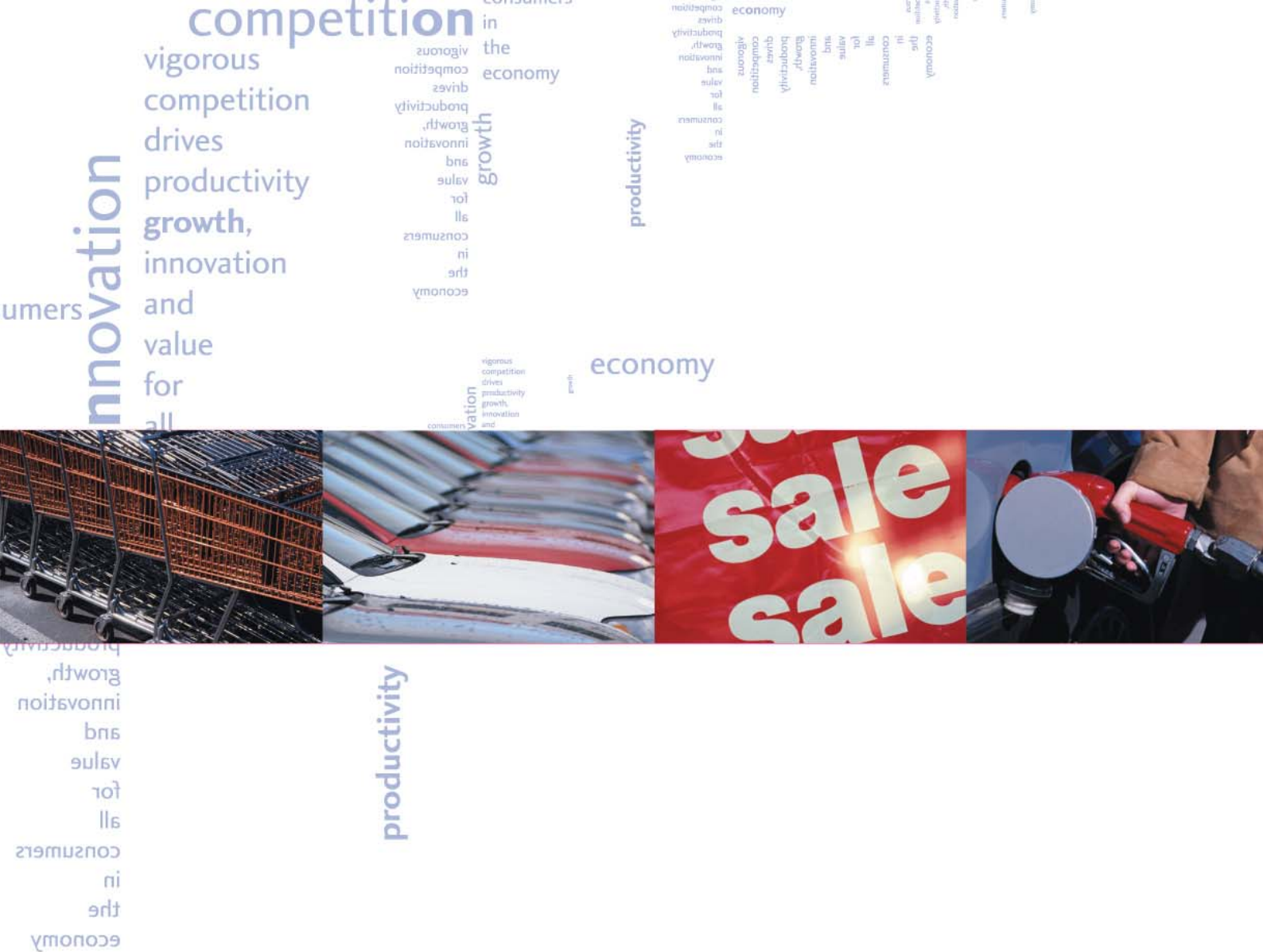




A Description of the Structure and Operation of Grocery Retailing and Wholesaling in Ireland: 2001 to 2006

Grocery Monitor: Report No. 1

March 2008



The Competition Authority
An tÚdarás Iomaíochta

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EXECUTIVE SUMMARY

Introduction

The Competition Authority has undertaken the *Grocery Monitor* project at the request of the Minister for Enterprise, Trade and Employment to monitor the grocery sector for the foreseeable future in light of recent changes in the legislative and regulatory environment. The request was made following the repeal of the Restrictive Practices (Groceries) Order, 1987 (the 'Groceries Order') on March 20th 2006 and the insertion of sections 15A, 15B and 15C in the Competition Act, 2002 which addresses certain business practices in the grocery sector.

The Competition Authority decided, given available resources, to prepare an initial set of three reports that together provide a comprehensive description of the evolution of the grocery sector with respect to market structure and competition at the wholesale and retail levels, retail pricing trends and the effects of the planning system on expansion and entry at the retail level.

This *Report* (Report No. 1) examines market structure and competition at the wholesale and retail levels of the grocery sector from 2001 to 2006. A second report, which is being published at the same time, describes retail pricing trends in the grocery sector from 2001 to 2007. The third report (Report No. 3), which will be published later in the Spring, considers the planning system as applied to expansion and entry of retailers in the grocery sector from 2001 to 2006.

Overview

For the purposes of this *Report*, the term 'grocery goods' is used to refer to food and drink for human consumption and household necessities. The Competition Authority believes this definition corresponds closely to what households consider as groceries.

For the purposes of this report, three types of operators are identified at the retail level:

- Vertically-integrated retailers who own and operate multiple retail outlets across the State (and in effect, carry on their own wholesaling);
- Affiliated retailers who typically own and operate one retail outlet (and in limited cases, several outlets) under a retail brand or fascia which is

used by other retail outlets and is under license from a wholesaler-franchisor (as defined in this report); and

- Independent retailers who own and operate a retail outlet under a unique retail brand or fascia and who are not affiliated with a wholesale-franchisor.

For the purposes of this report, two types of wholesale operators are identified:

- Wholesaler-franchisors who engage in the traditional function of buying goods from suppliers for resale to retailers and who license one or more retail brands or fascias to retailers; and
- Wholesalers who are engaged in the traditional function of buying goods from suppliers for resale to retailers (and by definition, do not license a brand or fascia to retailers).

Based on information gathered for the project, the Competition Authority has estimated the size of the wholesale and retail levels of the grocery sector in Ireland. For 2006 these estimates are as follows:

- Wholesale: Turnover of €4.7 billion of which €3.6 billion is attributable to grocery goods (as defined in this *Report*); and
- Retail: Turnover of €14.6 billion of which €11.6 billion is attributable to grocery goods (as defined in this *Report*).

The Wholesale Level: Market Structure and Competition

The Competition Authority estimates that over 95% of the wholesale turnover in the Irish grocery sector is attributable to seven groups of operators. There are six wholesaler-franchisors (as defined in this *Report*): ADM Londis, Barry Group, BWG Foods, the Gala Wholesalers, Mangan Wholesale and Musgrave. There is also a group of 12 independent cash and carry wholesalers. This group, along with Barry Group, the Gala Wholesalers and Mangan Wholesale, forms the Stonehouse buying group. In this *Report*, the group of 12 independent wholesalers is referred to as the 'Other Stonehouse Members'.

Given the overwhelming importance of the seven major wholesale groups, the Competition Authority ignores for the purpose of this *Report* the activity of the wholesalers who account for less than 5% of wholesale turnover.

Each of the six wholesaler-franchisors licenses the use of a retail brand or fascia under a franchise agreement to retailers (its affiliated retailers) and sells goods at wholesale predominantly to its affiliated retailers. For example, Musgrave licenses the use of the Centra and SuperValu brands, BWG Foods licenses the use of the SPAR brand and ADM Londis licenses the use of the Londis brand.

In 2006, the combined turnover of the seven major wholesale groupings was €4.7 billion. This represented growth of 56% in nominal terms from 2001 (35% in real terms). Over the entire period from 2001 to 2006, the share of wholesale turnover attributable to the sale of grocery goods was relatively constant at 76%.

The wholesale level of the grocery supply chain is highly concentrated. Musgrave and BWG Foods, two wholesale-franchisors, together account for almost 80% of the €3.6 billion grocery wholesale turnover generated in 2006. Over the period 2001 to 2006, the relative market position of each of the wholesale groupings remained unchanged with shares of turnover being relatively stable.

The wholesalers differ in a number of respects. Firstly, wholesalers differ with respect to the importance of different types of customers. The wholesalers have three main customer types: their affiliated retailers, other retailers and other customers, who are principally involved in catering.

For most of the wholesalers, their affiliated retailers are their most important customers. In 2006, affiliated retailers accounted for just over 78% of grocery wholesale turnover on average across all wholesalers. For ADM Londis, affiliated retailers accounted for almost all grocery wholesale turnover, while for the Gala Wholesalers sales to affiliated retailers accounted for just 29% of the grocery wholesale turnover.

Secondly, wholesalers have different distribution capacities. Wholesalers make use of three different distribution channels: delivery of goods that have been stored at the wholesaler's warehouse, direct delivery by suppliers to retailers and goods that are collected by customers from cash and carry centres. Distribution capacity principally involves warehousing. For 2006, on average across the wholesalers, approximately 62% of wholesale grocery goods turnover came from goods delivered by wholesalers; 34% came from

goods delivered directly by suppliers; and 4% of grocery goods turnover came from goods that were collected by customers.

Musgrave, with the greatest amount of warehousing floor space of all the major wholesale groups, derives 79% of its grocery wholesale turnover from sales of goods delivered to their customers, 19% from sale of goods delivered directly by suppliers and just and 2% from the sale of grocery goods that are collected by retail customers. At the other end of the spectrum is ADM Londis which, with the smallest amount of warehousing floor space, derives approximately 15% of its grocery wholesale turnover from the sale of grocery goods that are delivered to customers with the remainder of wholesale grocery turnover coming from goods that are delivered directly by suppliers.

Finally, wholesalers differ with respect to their geographic scope. While each of the wholesaler groups has customers located across the State, as of 2006 some wholesalers had more of a regional presence than a national presence. Customers of Mangan Wholesale, for example appear to be more concentrated in Connacht and Ulster regions. Customers of BWG Foods and Musgrave appear to be distributed relatively evenly throughout the State.

Given this market structure in which over 78% of wholesale turnover is derived from sales to affiliated retailers, competition at the wholesale level in the grocery sector over the period 2001 to 2006 is focussed on the efforts by wholesaler-franchisors to compete for retailers to become or remain their affiliated retailers and to increase sales of goods to these affiliated retailers.

At its core, wholesaling involves the purchase of goods from suppliers for resale to retailers and other customers. Wholesalers have traditionally been involved in varying degrees in the provision of storage, distribution and other services in connection with the sale of goods.

The principal innovation of modern wholesaling is the emergence and growth of wholesaler-franchisors, that is, wholesalers which sell predominantly to retailers who are affiliated to them. The development of the relationship with affiliated retailers has been the main focus of wholesaler-franchisors in order to increase wholesale turnover from sales of goods. The relationship between a wholesaler-franchisor and its affiliated retailers consists principally of an agreement to license a retail brand or fascia to retailers and to require or to encourage the affiliated retailers to buy all or most of their requirements from the wholesaler-franchisor. To develop and reinforce this relationship, the

wholesaler-franchisor strives to offer attractive wholesale prices and rebate policies to its retailers as well as to provide various types of support services to its affiliated retailers to improve their profitability.

Thus, modern wholesaling is very much involved with developments at the retail level. Under the franchise agreement with its affiliated retailers, the wholesaler-franchisor offers these retailers the opportunity to operate their outlets under a common brand. From the perspective of the affiliated retailer, it believes that its outlet will operate more profitably than if it operated under its own brand (as an independent retailer) or under a brand of another wholesaler-franchisor. The success of affiliated retailers would be expected to enhance the profitability of the wholesaler-franchisor.

Thus, the wholesaler-franchisors offer a wide variety of support services to their affiliated retailers which are designed to improve the viability and profitability of the outlets of the affiliated retailers.

The licensing of a retail brand implies that wholesalers as wholesaler-franchisors are now involved in the branding of retail outlets and the marketing of the brand. They assist affiliated retailers with the choice of products they retail and recommend the prices at which they sell those products. Wholesalers are also involved in a variety of the logistical aspects of retailing including product ordering, stock management, billing and business planning, particularly with newly-affiliated retailers.

The net effect of the emergence and development of the wholesaler-franchisor in the wholesaling of grocery goods is that wholesalers and retailers have become more integrated and in some respects mimic the business models of the vertically-integrated retailers who combine wholesaling and retailing in a single business entity.

The trend toward the deepening of the wholesaler-retailer relationship explains, in part, the relative stability of turnover shares. While the modern wholesaler-retailer relationship holds advantages for both sides, the principal advantage from the point of view of the wholesaler is that it helps ensure a stable and ongoing demand for the products that it wholesales. In this regard it is noteworthy that switching rates among affiliated retailers are relatively low.

A further explanation for the relative stability of turnover shares of the main wholesaling groups may relate to the nature of distribution logistics and their

potential to inhibit entry. The Competition Authority is not aware of any new entrant of any material size at the wholesale level over the period 2001 to 2006.

The use of a proprietary distribution network appears to be an important barrier to entry. It is not an essential requirement for entry; however, the absence of a proprietary distribution network together with other factors such as economies of scale, economies of density and switching costs for retailers who are affiliated with wholesaler-franchisors, make entry difficult at the wholesale level.

The Retail Level: Market Structure and Competition

The Competition Authority estimates that there were over 6,400 grocery retail outlets in the State as of December 31st 2006 of which 55% are operated by independent retailers (3,498 outlets), 40% by affiliated retailers (2,569 outlets) and about 5% by vertically-integrated retailers (337 outlets). There has been considerable expansion by the main retailer groups in the State over the period 2001 to 2006. The number of retail outlets belonging to the vertically-integrated retailers has almost doubled since 2001, as has the number of retail outlets belonging to affiliated retailers. In contrast, the number of retail outlets belonging to independent retailers fell by 44% between 2000 and 2006 reflecting a much longer-term trend.

The Competition Authority estimates that vertically-integrated retailers together account for 46% of the €11.6 billion retail turnover in grocery goods in the State for 2006. The retailers which are affiliated to the four largest wholesaler-franchisors account for 40% of retail grocery turnover while the other retailers, independent retailers and retailers affiliated to smaller wholesaler-franchisors account for 14%.

The six vertically-integrated retailers are ALDI, Dunnes Stores, Marks & Spencer, Lidl, Superquinn and Tesco.

Six wholesaler-franchisors license 18 retail brands or fascias in the grocery sector. ADM Londis has two brands: Londis and Londis Topshop. The Barry Group has two brands: Costcutter and Quikpick. BWG Foods has three brands: MACE, a group of interrelated brands under the names SPAR, EUROSPAR and SPAR Express, and XL Stop & Shop. Gala Retail Services has the brands Gala, Gala Superstore, Gala Xpress and Checkout. Mangan

Wholesale operates three brands: MACE, Vivo and Xpress Stop. Musgrave has four brands: Centra, Daybreak, DayToday and SuperValu.

By definition, independent retailers are neither vertically-integrated retailers nor affiliated retailers and operate under their own unique brand or fascia.

The Competition Authority was able to gather historical information for the period 2001 to 2006 about the vertically-integrated retailers and about affiliated retailers which are associated with the four largest wholesaler-franchisors.

For 2006, the combined turnover of those retailers was €12.6 billion which was 86.1% of estimated total turnover for that year (€14.6 billion). This represented a nominal growth in turnover of 70%, from €7.4 billion in 2001. For 2006, the combined grocery goods turnover of those retailers, for which historical information was available, was €10.0 billion which was 85.9% of estimated total grocery goods turnover for that year (€11.6 billion). The proportion of grocery goods turnover as a share of overall turnover fell during the period 2001 to 2006, from 82.3% to 79.1%, indicating the growing importance of non-grocery items for grocery retailers.

During 2006, among the vertically integrated retailers, Tesco and Dunnes Stores had the greatest shares of turnover, between them accounting for almost 33% of total grocery goods turnover in the State. Across all fascias, that is, fascias operated by both vertically-integrated and affiliated retailers, Tesco, Supervalu and Dunnes Stores had the greatest shares of turnover, accounting for approximately half of grocery goods turnover in the State. Between 2001 and 2006, the relative market positions of each of the major retailing groups remained unchanged, though all lost some share to the recent entrants Lidl and ALDI.

As of year-end 2006, the vertically-integrated retailers and affiliated retailers had combined grocery net retail floor space of 1.1 million m². While the Competition Authority was unable to gather reliable historical information about all retailers on retail floor space, it appears that the total figure for retail floor space in the State has grown considerably since 2001. This increase is largely attributable to the growth of the vertically-integrated retailers. Floor space belonging to the vertically-integrated retailers increased by almost 62% in the period between 2001 and year-end 2006.

Generally speaking, the retail groups with the highest share of turnover have the highest volume of retail floor space and the greatest number of outlets.

In varying degrees, all retailer groups have a presence across the State. As of year end-2006, Tesco and Dunnes Stores had the widest geographic distribution of the vertically-integrated retailers, though the rapid expansion of ALDI and Lidl over the period 2001 to 2006 implies a growing national presence. Among the affiliated retailers, affiliated retailers of the two largest wholesaler-franchisors, Musgrave and BWG Foods, had an even distribution of outlets across the State. The other groupings of affiliated retailers tend to be more regionally concentrated.

At the retail level, retailers are faced with consumers with a diverse set of characteristics and tastes. Among the important differences are differences in location, purchasing patterns, product preferences and brand preferences. In response, retailers have evolved in different ways to seek the custom of these consumers, principally through choice of pricing and promotional policies, product range and location of retail outlets.

The vertically-integrated retailers tend to pursue national pricing and promotional policies, offer a broad range of products including well developed lines of own-label products that cater for a variety of tastes and to locate in more urban areas with larger retail outlets often in shopping centres. Notwithstanding these general tendencies of the vertically-integrated retailers, there are some notable differences.

Lidl and ALDI tend not to locate within shopping centres, opting instead for standalone locations. Dunnes Stores, Tesco and Superquinn offer a comparable product range. Lidl, ALDI and Marks & Spencer all tend to have very focused product ranges with own-label (including exclusive label) goods featuring prominently. These retailers have a similar number of product categories but more limited product depth than the other vertically-integrated retailers. Unsurprisingly, outlet size appears to be closely related to the extent of product range on offer. Accordingly, Lidl and ALDI, whose outlets tend to be relatively uniform in terms of size, are somewhat smaller than those of the other vertically-integrated retailers.

The affiliated retailer groups differ fundamentally from the vertically-integrated retailers. Affiliated retailers tend to have a much wider geographic dispersion than the vertically-integrated retailers, locating in both urban and

rural locations. They tend to carry a narrower product range than the vertically-integrated retailers and operate smaller outlets. Affiliated retailers also tend to have longer opening hours. While wholesaler-franchisors recommend prices to their affiliated retailers, they are legally prevented from enforcing their recommendations. The affiliated retailer groups therefore tend to exhibit price variation across outlets, in part, because outlets operating under the same brand are owned by retailers who are independent of each other and the wholesaler-franchisor to which they are affiliated.

The SuperValu group of affiliated retailers is exceptional. In many respects, the outlets of SuperValu retailers are similar to outlets operated by the vertically-integrated retailers. Outlet size, product range and the extent of development of their own-label offering all imply that SuperValu retailers are comparable to those of the vertically-integrated retailers. Unlike the vertically-integrated retailers, SuperValu affiliated retailers are present in less urbanised areas. One implication of this is that on an outlet to outlet basis, SuperValu retailers tend to face the least number of similar competitors relative to outlets of the vertically-integrated retailers.

The vertically-integrated retailers and the affiliated retailers appear to satisfy different consumer requirements. The offering of the vertically-integrated retailers is targeted primarily at one-stop shoppers. In contrast, affiliated retailers satisfy top-up or convenience requirements. The exception is the SuperValu group of affiliated retailers.

Apart from the SuperValu exception, there are two other important exceptions. Firstly, the vertically-integrated retailers have begun to serve top-up or convenience shoppers, for example, the opening by Tesco of outlets under the Tesco Express brand, to serve city centre convenience shoppers. A number of the other vertically-integrated retailers have made similar moves.

Secondly, some affiliated retailers also target the one-stop shopper. The principal driving factor behind grocery retailing is population density. The population density required to support a typical outlet of a vertically-integrated retailer is greater than that required to support a smaller outlet of an affiliated retailer. While this explains the wider geographic distribution of affiliated retailers, it also explains why, in more rural locations where population densities are lower, affiliated retailer often serve the one-stop shopper as well.

1. INTRODUCTION AND BACKGROUND

Introduction

- 1.1 Following the removal of the Restrictive Practices (Groceries) Order, 1987 ('the 1987 Order') on March 20th 2006, the Competition Authority was asked by the Minister for Enterprise, Trade and Employment ('the Minister') to monitor the grocery sector. In response to this request, the Competition Authority undertook the *Grocery Monitor* Project ('the Project').
- 1.2 This *Report* is the first of an initial set of three reports arising from the Project and describes the structure and operation of grocery retailing and wholesaling in Ireland between 2001 and 2006.

The Grocery Monitor Project

Background

- 1.3 The *Grocery Monitor* Project was undertaken by the Competition Authority following a Government decision to abolish the 1987 Order by means of the Competition (Amendment) Act 2006 ('the Amendment Act'), which entered into force on March 20th 2006.
- 1.4 In addition to abolishing the 1987 Order, the Amendment Act introduced a number of enforcement provisions to the Competition Act, 2002, which relate specifically to the grocery sector.
- 1.5 With the coming into force of the Amendment Act, the Minister asked the Competition Authority, in cooperation with the Director of Consumer Affairs:

"to review and monitor the structure and operation of the grocery trade for the foreseeable future to see how it responds to the new legislative environment".

- 1.6 The request was further elaborated in the Government's Social Partnership Framework Agreement, *Towards 2016*, published in June 2006.¹ The Competition Authority was:

"asked to assess, over time, the impact of the new regulatory environment in the context of abuse of a dominant position including both excessive and predatory pricing. As part of this process the Authority will be asked to report to Government

¹ See *Towards 2016: Ten Year Framework Social Partnership Agreement 2006-2015*, available at: http://www.taoiseach.gov.ie/attached_files/Pdf%20files/Towards2016PartnershipAgreement.pdf

periodically and to make any recommendations it considers appropriate having regard to its findings".²

Objectives

- 1.7 Given the broad terms of the Minister's request, the Competition Authority initially sought to define the scope of the Project. Consideration was given to the context in which the request had been made, the mandate of the Competition Authority under the Competition Act, 2002, and the available resources of the Competition Authority.
- 1.8 An investigation of possible breaches of any part of the Competition Act or of EU competition law does not come within the scope of this report. Any such investigation would fall to be carried out by the appropriate enforcement division of the Competition Authority.
- 1.9 The Competition Authority decided to initially focus on three aspects of the grocery sector.
- 1.10 Firstly, the Competition Authority is of the view that any assessment of the impact of the new regulatory environment on the structure and operation of the grocery sector requires an understanding of the grocery supply chain and how it, and the various constituent operators, have evolved over time. The Competition Authority recognised that there is a paucity of publicly available information about the grocery sector. The Competition Authority concluded in the early stages of the Project that it would be preferable to devote its resources to compiling a comprehensive description of the grocery sector. In order to facilitate the manageability of the Project, the Competition Authority decided to focus on the retail and wholesale levels of the grocery sector and to consider the period from 2001 to 2006. It is expected that the supply level of the grocery sector will be the subject of a future report.
- 1.11 Secondly, in light of the direct impact on consumers, the Competition Authority is of the view that an analysis of aggregate trends in retail grocery prices is valuable. It is expected that additional aspects of pricing in the grocery sector will be the subject of a future report.

² *Ibid*, p. 21.

1.12 Finally, the Competition Authority is of the view that a preliminary examination of the retail planning process and how it affects grocery retailing in particular is warranted. From a consumer perspective, markets typically underperform when entry is restricted. The Competition Authority recognises that the retail planning system may have the effect of restricting entry to various retail sectors. It is expected that the preliminary examination of the retail planning system, as applied to the grocery sector, will inform the future work of the Competition Authority.

1.13 Accordingly, the Competition Authority is publishing a set of three reports addressing three aspects of grocery sector:

- *A Description of the Structure and Operation of Grocery Retailing and Wholesaling in Ireland: 2001 to 2006* (this Report, Report No. 1);
- *Price Trends in the Irish Retail Grocery Sector: A Description of the Evolution of Retail Grocery Prices :2001 to 2007* (Report No. 2); and
- *The Retail Planning System as Applied to the Retail Grocery Sector: 2001 to 2006* (Report No. 3).

1.14 Reports No. 1 and 2 are being released together. Report No. 3 will be published in Spring 2008.

Methodology

1.15 During the initial phases of the Project, the Competition Authority met with representatives of the Department of Enterprise, Trade and Employment, the National Consumer Agency (as the successor agency of the Office of the Director of Consumer Affairs), major participants in the grocery sector, trade associations and other relevant parties to inform them of the objectives of the Project, to gather any views or concerns they might have about the development of the methodology for monitoring the grocery sector and to explore what information (data or research) was currently available.³

1.16 The Competition Authority also acknowledges the assistance of the UK Competition Commission. It met with the UK Competition Commission

³ A list of stakeholder meetings is provided in Appendix A.

with respect to their investigation of the UK grocery sector pursuant to a reference in May 2006 by the Office of Fair Trading. Although the mandate of the Commission's reference is significantly different from that of the Competition Authority under the *Grocery Monitor* project, the Commission was able to provide helpful advice.

- 1.17 These meetings highlighted the limited amount of information, in the public domain, concerning the grocery sector. At this point, the Competition Authority decided that the major retailers and wholesalers in the grocery sector would be asked to provide information about their operations.
- 1.18 In January and early February 2007, the Competition Authority met with senior executives from the 13 largest retailers and wholesalers in the Irish grocery sector.⁴ The focus of these meetings was to share with retailers and wholesalers the objectives of the Project and to review a draft questionnaire that would seek specific information from the companies.
- 1.19 In February 2007, the Competition Authority delivered a questionnaire to each of the 13 retailers and wholesalers requesting detailed information about their retailing and/or wholesaling operations, as well as, their experience of the planning system. Further details of the two questionnaires are provided in Appendix B.
- 1.20 The Competition Authority is appreciative of both the high level of commitment and cooperation demonstrated by each of the 13 retailers and wholesalers in providing the requested information and the helpful comments about the conduct of the work under the Project.
- 1.21 The 13 retailers and wholesalers were able to provide only a limited amount of information about the experiences of small and independent retailers in the grocery sector. To supplement the information the Competition Authority had about this group, a second questionnaire was compiled and sent to 230 small retailers, from which 75 responses were received. The Competition Authority is appreciative of assistance provided by RGDATA in this regard.

⁴ The list of the 13 retailers and wholesalers is provided, along with the list of other stakeholders, in Appendix A.

1.22 To supplement the information obtained from the two questionnaires, the Competition Authority retained the services of AC Nielsen, a market research firm, to provide information about the independent retail sector along with consumer preferences and trends. The information obtained from AC Nielsen is integrated, where possible, with the information obtained from other sources. The Competition Authority also retained the services of CACI Ltd., an information systems consultancy firm, to provide geographical mapping services and a socio-demographic database of Ireland for the analysis of the catchment areas of grocery outlets.⁵

1.23 As noted, the Competition Authority received extensive and comprehensive responses to two sets of questionnaires. Concerns were expressed about the commercial sensitivity of some of the information provided by the vertically-integrated retailers and the wholesaler-franchisors. The Competition Authority advised the questionnaire respondents with such concerns that the Competition Authority is entitled to use and publish commercially sensitive information to discharge its functions under the Competition Act, 2002. In the final stages of the preparation of this report, the Competition Authority met with senior executives of all vertically-integrated retailers and wholesaler-franchisors to give them the opportunity to raise any concerns about the information that the Competition Authority intended to publish. The meetings were helpful. The Competition Authority is of the view that the presentation and format of any commercially sensitive information published or referred to in this *Report* minimize any potential adverse impact on competition in the marketplace, having regard to the objectives of this report to examine the market structure and competition at the wholesale and retail levels of the grocery sector.

Boundaries of this Report

1.24 The wholesale and retail levels of the grocery sector are the principal focus of this *Report*. However, the issues presented here should not be regarded as exhaustive. Information updates on the wholesale and retail levels will be provided in subsequent outputs of the Project. Furthermore, as the Competition Authority's picture of the supply chain

⁵ For more information about the services provided by AC Nielsen and CACI Ltd, see the Appendix B.

becomes more complete (e.g. in relation to the supply level), competitive issues that span all levels of the supply chain may arise and will be dealt with accordingly. The final section of this *Report* gives some indication of issues that may arise where future work is identified.

- 1.25 As previously indicated, levels of the grocery supply chain above the wholesale and retail levels, generically referred to as the 'supply' level, are not described in this *Report*. The supply level is expected to be the subject of future work.
- 1.26 It should be noted that this *Report* is essentially descriptive in nature. While competition at the retail and wholesale levels is described in some detail, the *Report* does not offer any conclusions as to whether any conduct or practice in the sector is in breach of Irish or EC competition laws. Any such conclusions can only be made as part of an investigation and enforcement action undertaken by the Competition Authority and decided by the Courts.

Structure of this Report

- 1.27 The structure of the remainder of this *Report* is as follows:
- Section 2 sets the context for the remainder of the Report. A brief history of the Groceries Orders and the events leading up to the removal of the 1987 Order is first provided. The current legislative environment is then described. The section concludes with a 'bird's eye view' of the grocery supply chain which establishes the terminology that will be employed throughout the remainder of the *Report*;
 - Section 3 examines the structure of the Irish grocery sector at wholesale level and its evolution between 2001 and 2006;
 - Section 4 examines the structure of the Irish grocery sector at retail level and its evolution between 2001 and 2006;
 - Section 5 examines competition at wholesale level of the grocery sector and focuses in particular on the extent of integration of wholesalers and their retailer customers;

- Section 6 examines competition at retail level of the grocery sector with respect to three dimensions: retailer services, retailer location choice and price competition; and
- Section 7 presents a summary of the main findings of the *Report* and potential future work.

2. THE GROCERY SECTOR: OVERVIEW

Introduction

- 2.1 This section provides the background, methodology, definitions and terminology used in this *Report*. A brief history of the various Groceries Orders is provided, as well as, a short account of the events leading up to the removal in March 2006 of the final Groceries Order, the 1987 Order. The current legislative environment is then described.
- 2.2 Following the removal of the 1987 Order, a number of provisions relating to the grocery sector were enacted. These 'new' provisions are presented along with a note on the definition of "grocery goods" as used in this *Report*. The grocery sector, like all other sectors of the economy, was and continues to be subject to sections 4 and 5 of the Competition Act, 2002. Finally, a 'bird's eye view' of the grocery supply chain is presented which identifies three levels of the grocery supply chain and establishes the terminology that will be employed throughout the remainder of the *Report*.

The Groceries Orders

- 2.3 The first Groceries Order was introduced in 1956. The Order applied rules and regulations to the groceries sector with the aim of ensuring fair trading conditions. These included a ban on resale price maintenance along with provisions relating to the collective fixing of prices by suppliers and wholesalers, and unfair discrimination against retailers. The Fair Trade Commission, the forerunner of the Competition Authority, had considered a ban on below-cost selling, but instead recommended that suppliers be legally allowed to withhold supplies from retailers who sold goods at or below the wholesale price.⁶
- 2.4 Since 1956, there have been several additional or amending Orders. The most recent Order, the 1987 Order, introduced a ban on below-cost selling.⁷

⁶ During April and May 1955, the Fair Trade Commission conducted an enquiry into "*the conditions which obtain in regard to the supply and distribution of grocery goods and provisions*". It reported its findings to the Minister of Industry and Commerce in June 1956.

⁷ A comprehensive history of the Groceries Orders is provided in Department of Enterprise, Trade and Employment (2005), *The Restrictive Practices (Groceries) Order 1987: A Review & Report of the Public Consultation Process*.

The 1987 Groceries Order

2.5 The 1987 Order applied to producers, wholesalers and retailers of 'grocery goods', which were defined as:

*"Grocery goods for human consumption (excluding fresh fruit, fresh vegetables, fresh and frozen meat, fresh and frozen fish without the addition of preservatives) and intoxicating liquor not for consumption on premises and such household necessities (other than foodstuffs) as are ordinarily sold in grocery shops, and includes grocery goods designated as 'own label', 'generic' or other similar description."*⁸

2.6 Despite some controversy over what constituted 'household necessities', it followed from the above definition that the 1987 Order applied to all food items subject to processing other than freezing, as well as to alcoholic and non-alcoholic beverages other than those purchased for consumption on licensed premises.

2.7 The 1987 Order belongs to a class of laws and regulations often referred to as below-cost selling laws. For the purposes of the 1987 Order, the relevant cost benchmark was the net invoice price. Accordingly, the main provision of the 1987 Order, Article 14, prohibited the sale of groceries products below their net invoice price. This cost benchmark did not allow, for example, for the inclusion of end-of-year off-invoice discounts offered by wholesalers and suppliers. In practice, the 1987 Order placed a floor (i.e. the invoice price) on the price at which grocery undertakings could resell grocery goods, which need not have borne a straightforward relation to cost.

2.8 Other provisions of the 1987 Order included:

- Provisions prohibiting various horizontal and vertical anti-competitive agreements, such as price fixing and resale price maintenance (Articles 3, 4, 5 and 6)⁹;
- Provisions relating to the trading conditions within the grocery sector, including a ban on money paid to retailers by suppliers for shelf space – a practice known in the trade as 'Hello Money' or 'slotting allowances' (Article 18); and

⁸ Article 2, Restrictive Practices (Groceries) Order 1987.

⁹ This section of the 1987 Order was rendered obsolete by the introduction of competition law in 1991. Section 4 of the Competition Act, 2002, prohibits (horizontal and vertical) agreements between undertakings, decisions of associations of undertakings and concerted practices which have as their object or effect the prevention, restriction or distortion of competition in trade in any goods or services in the State or in any part of the State.

- A ban on the payment of money by suppliers to wholesalers and retailers, or the receipt of money by wholesalers and retailers, for carrying out advertising in respect of goods purchased by the wholesaler or retailer from the supplier (Article 18).

The Removal of the 1987 Groceries Order

2.9 The 1987 Order was the subject of several reviews, including a recommendation in 1991 by the Restrictive Practices Commission that it be repealed. It was the subject of reviews by international bodies such as the Organisation for Economic Co-operation and Development (OECD), by Irish bodies such as the Mergers and Monopolies Review Group and the Consumer Strategy Group, as well as internal reviews by the Department of Enterprise, Trade and Employment. The April 2005 report of the Consumer Strategy Group, *Make Consumers Count*, recommended that the 1987 Order be revoked in its entirety. The Government then initiated a public consultation process before deciding the future of the 1987 Order. During the course of the consultation process, 561 submissions were received, including a submission from the Competition Authority advocating the removal of the 1987 Order.

2.10 The results of the public consultation were published by the Department of Enterprise, Trade and Employment in November 2005, in a report entitled *The Restrictive Practices (Groceries) Order 1987: A Review & Report of Public Consultation Process* (the "Groceries Order Report").¹⁰ The report found that there was no evidence that the 1987 Order protected fair competition in the grocery sector; moreover, there was substantial evidence that consumers were paying higher prices because of the 1987 Order. Having considered the Groceries Order Report, the Government decided to repeal the 1987 Order in its entirety. In response to concerns that unfair trading practices would develop following removal of the 1987 Order, the Government proposed the introduction of amending legislation to strengthen the provisions of the Competition Act, 2002, in relation to the grocery trade.

¹⁰ Department of Enterprise, Trade and Employment (2005), *The Restrictive Practices (Groceries) Order 1987: A Review & Report of Public Consultation Process*.

The Current Legislative Environment

- 2.11 On March 20th 2006, the Amendment Act came into force. The principal effect of the Amendment Act was to repeal the 1987 Order in its entirety. Retailers in the groceries sector are no longer subject to *ex ante* regulatory constraints in determining the price at which they wish to sell groceries.
- 2.12 In addition, the Amendment Act had a secondary aim: to prohibit, subject to a competition test¹¹, certain practices in the grocery sector.

The Amendment Act – Provisions and Definitions

- 2.13 The Amendment Act inserts a new Part 2A entitled *Competition in the Grocery Goods Trade* immediately after Part 2 of the Competition Act, 2002.¹²
- 2.14 Section 15A defines 'grocery goods' as food and drink sold for human consumption intended to be sold as groceries. This definition does not include so-called 'household necessities', as defined by the 1987 Order, but includes intermediate goods, that is, additives, ingredients and processing aids used in the preparation or production of food or drink for human consumption.
- 2.15 The main operative portions of the Amendment Act are found in Section 15B which prohibits, subject to a competition test, the following conduct by grocery goods undertakings (as defined in the Act):
- Attempts to compel or coerce another grocery goods undertaking to resell or advertise for resale any grocery goods at a fixed price or above a minimum fixed price;¹³
 - The application of dissimilar conditions to equivalent transactions with any grocery goods undertaking;¹⁴ and,

¹¹ Section 15B (5) states that conduct described in section 15B shall not be prohibited unless that conduct has as its object or effect the prevention, restriction or distortion of competition in the trade of any grocery goods in the State or in any part of the State.

¹² Part 2A operates without prejudice to Part 2 of the Competition Act, 2002. It is therefore possible for a grocery goods undertaking to infringe both sections 4 or 5 and section 15B by the same behaviour.

¹³ Section 15B (1).

¹⁴ Section 15B (2).

- Compelling or coercing another grocery goods undertaking to make any payment or grant any allowance for the advertising or display of grocery goods.¹⁵

2.16 In addition, section 15B prohibits a retailer from compelling or coercing another grocery goods undertaking to make a payment or grant an allowance to the retailer for providing space for grocery goods within the first 60 days of the opening of a new retail outlet, the opening of a newly expanded or extended retail outlet or, the opening of a store to the public under new ownership.¹⁶

Definition of “Grocery Goods” used in this Report

2.17 For the purposes of this *Report*, we define ‘grocery goods’ as *food and drink sold for human consumption and household necessities*.

2.18 Table 1 below shows the items that fall within this definition of grocery goods. Grocery goods have been classified according to seven categories: fresh fruit and vegetables, meat and fish which has not been cooked or cured, dairy products and eggs, household necessities (non-durables), other food products, alcoholic drinks and non-alcoholic beverages. This definition excludes items such as newspapers, cigarettes, durable goods and clothes that are sold in some retail grocery outlets.

2.19 This definition corresponds more closely with the consumer or household usage of the words ‘grocery goods’.

2.20 The definition of grocery goods found in the 1987 Order has not been employed, as that definition does not include fresh produce such as fruit, vegetables, meat and fish. While the exclusion of these items is understandable in the context of the 1987 Order, their exclusion from the definition of ‘grocery goods’ from this *Report* would make the *Report* less meaningful.

2.21 Also, the definition of ‘grocery goods’ contained in the Amendment Act has not been employed. The Amendment Act defines ‘grocery goods’ as “*food and drink sold for human consumption that is intended to be sold as groceries*”. As noted in paragraph 2.14 this definition excludes household necessities such as toothbrushes, shampoo and washing-up

¹⁵ Section 15B (3).

¹⁶ Section 15B (4).

liquid which are normally considered to be grocery goods by final consumers. The definition in the Amendment Act includes intermediate goods that are used in the production of grocery goods for retail to consumers.¹⁷ The inclusion of intermediate goods in the definition of 'grocery goods' in this *Report* would also make the *Report* less meaningful.

Table 1: Definition of Grocery Goods

Category No.	Description*
1	Fresh fruit and vegetables
2	Meat and fish - not cooked or cured
3	Dairy products and bread
	Bread
	Breakfast cereals
	Dairy products (milk, cheese etc.) and eggs
	Butter, margarine and other oils
4	Household necessities (non-durables)
	Automatic washing powder/liquid
	Dishwasher detergent, washing-up liquid
	Household cleaning cream/liquid
	Other cleaning materials
	Toilet paper, soap
	Shower gel, toothpaste
	Shampoo, shaving foam, deodorant
	Baby powder, disposable nappies
	Sanitary towels, tissues
5	Other food products
	Meat and fish – cooked, cured and frozen
	Flour
	Biscuits and cakes
	Sugar, sweeteners and preserves
	Sweets and chocolate, desserts and ice cream
	Condiments and sauces, soups and miscellaneous items
6	Alcoholic drinks (consumed at home)
7	Non-alcoholic drinks
* For a full definition of Grocery Goods, see Appendix D.	

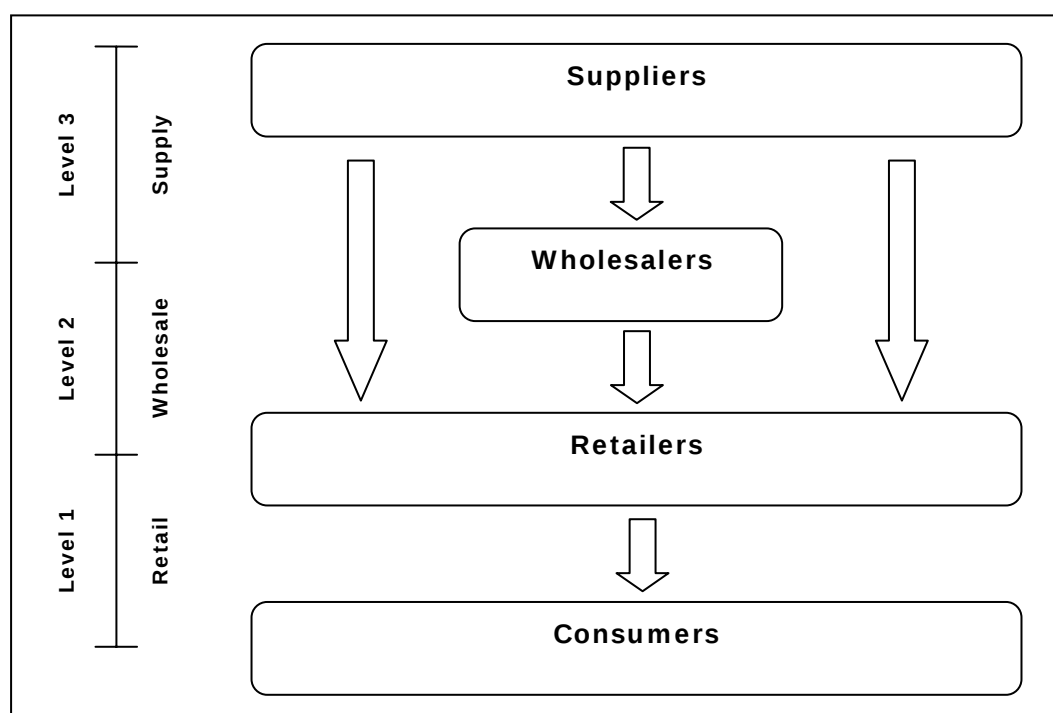
¹⁷ See section 15A of the Competition Act, 2002 (as amended).

The Grocery Supply Chain

Initial Observations

2.22 The grocery supply chain was traditionally broken down into three clearly identifiable and distinct levels: retail, wholesale and supply. At the lower end of the supply chain, the retail level consisted of grocery stores that sold goods directly to consumers. In the middle of the chain, the wholesale level consisted of grocery wholesalers that procured grocery goods directly from producers, manufacturers or importers for resale to retailers. At the upper end of the supply chain, the supply level included a variety of operators that produced, manufactured or imported goods that were sold both to wholesalers and directly to retailers. A stylised picture of the traditional grocery supply chain is provided in Figure 1 below.

Figure 1: Grocery Supply Chain



2.23 The modern picture of the grocery supply chain is much more complex. Some operators are active across more than one level. An operator may span two levels of the chain. For example, some retailers combine the retail and wholesale levels. Some retailers operate across all three levels, selling own-branded products and having very close relationships with suppliers. The variety of business structures and

arrangements that have developed implies a complex interaction of incentives through the supply chain. To understand the Irish grocery sector a clear understanding of business structures and arrangements is required.

- 2.24 The remainder of this subsection provides a 'bird's eye view' of the grocery supply chain. This is intended to identify the variety of business structures and arrangements that exist in the Irish grocery sector.

The Retail Level

- 2.25 The Irish grocery sector is characterised by the presence of a variety of retail outlets which differ in terms of ownership, store formats, store size, geographic presence and brand (symbol or fascia). A detailed profile of the main grocery retail operators is provided in Appendix C.

- 2.26 For the purpose of understanding the grocery supply chain, three principal types of operators at the retail level of the grocery supply chain are identified:

- Vertically-integrated retailers;
- Affiliated retailers; and
- Independent retailers.

- 2.27 The three types of retail operators can be distinguished by the extent of their integration with the wholesale level of the grocery supply chain. The vertically-integrated retailers secure integration through common ownership of retail and wholesale operations.¹⁸ Affiliated retailers are the next most integrated; this is achieved by franchise agreements between such retailers and wholesalers rather than through common ownership. The independent retailers have no integration at all. Their dealings with wholesalers are limited to the purchase of goods for resale.

Vertically-integrated Retailers

- 2.28 There are six major vertically-integrated retailers in the Irish grocery sector: ALDI, Dunnes Stores, Lidl, Marks & Spencer, Superquinn and Tesco. Each owns and operates multiple outlets across Ireland under a

¹⁸ Wholesale operations include negotiating trades with multiple suppliers as well as distribution operations (see paragraph 2.43 below).

common name, usually offering a range of products broad enough to satisfy a typical consumer's weekly grocery requirements in a single visit. These retail outlets are often described as 'one-stop shops'. These operators often sell own-label grocery goods in addition to branded grocery goods which are available at retail outlets operating under different brands. Own-label grocery goods are grocery goods that are branded by the retailer and sold only by that retailer. For example, Dunnes Stores sells the 'St. Bernard' brand, while Tesco sells the 'Tesco Value' brand. Marks & Spencer, however, sells only own-label goods. Branded grocery goods are grocery goods that are branded by the supplier and sold to multiple retailers. For example, Glanbia supplies retailers with brands such as 'Avonmore', 'Yoplait' and 'Premier'.

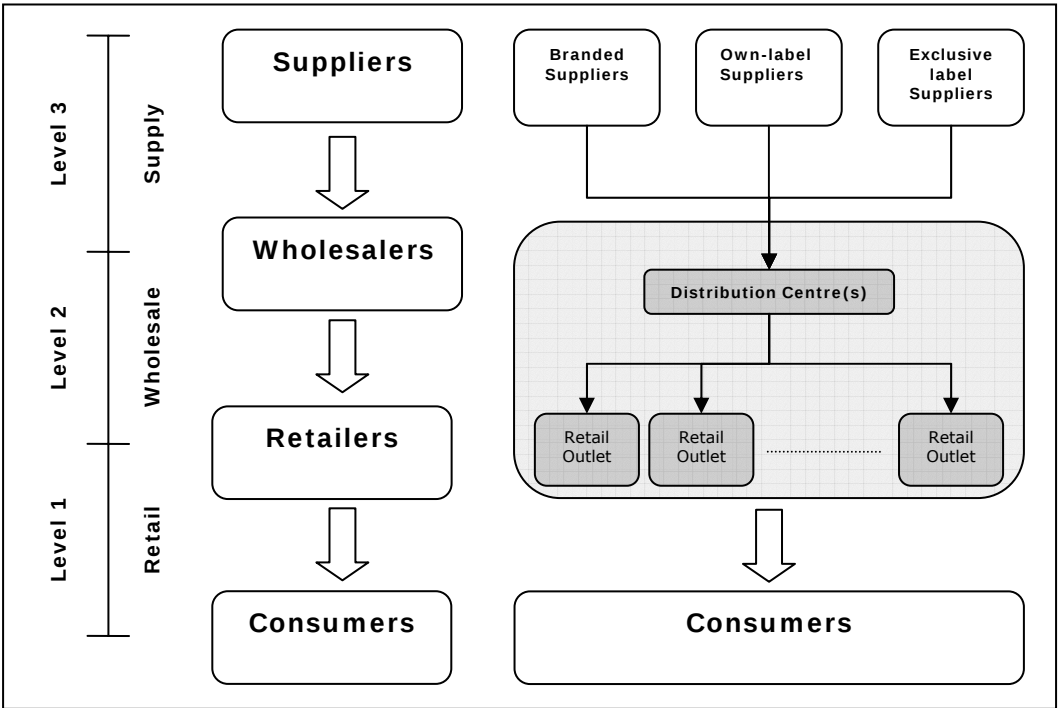
- 2.29 Recently, two large international grocery retailers, ALDI and Lidl, entered the Irish market. They are similar to other major retailers such as Tesco or Dunnes Stores insofar as they operate a large number of outlets across the State. ALDI and Lidl differ from other vertically-integrated retailers by offering a narrower range of product categories, with fewer product lines within each product category, and selling relatively few 'branded' grocery goods. Instead, they offer an extensive range of 'exclusive' branded grocery goods (sometimes referred to as non-brands). They are similar to own-label goods because the brand is available exclusively to the retailer. Unlike own-label goods, the purpose of the exclusive branded products is not intended to create a permanent association between the brand and the retailer in the eyes of the consumer.
- 2.30 In this *Report*, the six major retailer groups are referred to as the 'vertically-integrated' retailers on the basis of two structural features. Firstly, they internalise the 'wholesale function' by purchasing grocery goods directly from producers, manufacturers and importers and storing them in distribution centres and warehouses prior to distribution to the retail outlets. Secondly, these retailers own and operate multiple retail outlets (and hence have commonly been referred to as 'multiples').
- 2.31 Operating multiple outlets allows the vertically-integrated retailers to self-supply the wholesale function. By operating multiple outlets, each of which generates a large turnover, the retailer is able to achieve

sufficient scale in terms of overall turnover to make vertical integration worthwhile.

2.32 Vertical integration enables retailers to benefit from efficiencies associated with centralised distribution. Central distribution involves the delivery of a variety of grocery goods to retail outlets in a single visit.¹⁹ Often a single delivery route is able to service a number of outlets. The centralised model of distribution is more cost effective than the traditional distribution model whereby a retail outlet is restocked through many deliveries from various suppliers and wholesalers. Vertically-integrated retailers can also benefit from the economies of scale and scope associated with volume-based discounts from suppliers and producers.

2.33 Figure 2 below presents a stylised representation of the vertically-integrated retailer business model. As illustrated, vertically-integrated retailers span the wholesale and retail levels of the chain of distribution and operate multiple outlets.

Figure 2: Vertically-integrated Retailers



¹⁹ It should be noted that not all grocery goods bought by retailers from various suppliers are stored in the retailers' distribution centres. For example, perishable grocery goods are delivered to retailers' outlets directly from suppliers or their distributors.

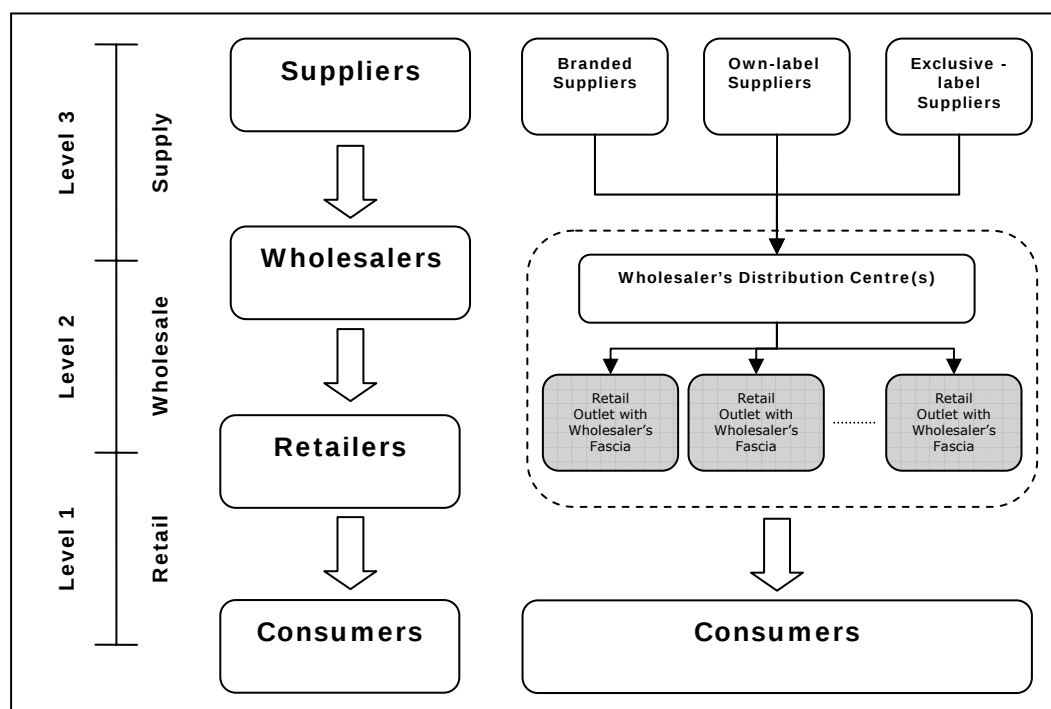
Affiliated retailers

- 2.34 In addition to vertically-integrated retailers' outlets, a large number of retail outlets operate in the Irish grocery sector under common brands (symbols or fascia). These retail outlets trade under a common brand, but unlike outlets of the vertically-integrated retailers are not under common ownership. Typically, each retail outlet under a brand is owned by one person. From the perspective of the grocery supply chain, these retail outlets are connected with the wholesale level through an affiliation with wholesalers. These wholesalers provide goods to the retailers for resale as well as a licence to use the symbol or fascia under which the retailer trades. Thus in this *Report*, these retailers are referred to as 'affiliated retailers'. From the perspective of the final consumer, there may be no material distinction between an outlet of a vertically-integrated retailer and an affiliated retailer, since both operate under a symbol or fascia used by other retail outlets.
- 2.35 Currently, the best known symbols or fascias of affiliated retailers include Centra, Costcutter, Gala, Londis, MACE, SPAR, SuperValu and Vivo. Typically, affiliated retailers operate a single outlet with a more limited range of products and in a smaller retail floor space than outlets of vertically-integrated retailers.
- 2.36 In sum, affiliated retailers have two defining characteristics. Firstly, they are aligned or affiliated with the owner of the fascia that they operate under, which is shared with other retail outlets. Affiliation generally takes the form of a franchise agreement with a franchise group. Secondly, affiliated retailers typically own the store they operate. In only a small number of cases do the wholesaler-franchisors own retail outlets. In 2006, of the 2,790 stores affiliated to franchise groups, only 6% (160) were owned by a franchise group. Some franchisees own more than one store operating under the same brand or fascia.
- 2.37 The term 'symbol group' is often used to refer to the franchise groups who license retailers to operate under store brands, for example, Centra, Gala and Vivo. This terminology can be misleading. Consumers recognise fascias and not the ownership structures behind them: from the consumer point of view, an outlet belonging to one of the 'multiples' may be viewed similarly to an outlet of a retailer affiliated to

a wholesaler-franchisor. In this sense, 'symbol groups' are like 'multiples'.

- 2.38 Many affiliated retailers operate retail outlets in 'convenient' locations where there is considerable pedestrian traffic (or vehicular traffic in the case of garage forecourts). Consequently, they have been labelled as 'convenience' stores, as opposed to the 'supermarkets' operated by vertically-integrated retailers. However, this terminology can also be misleading.
- 2.39 Not all affiliated retailers operate convenience outlets. For example, a grocery outlet in a small village may have a broader range of products than an outlet (of the same fascia and similar size) in a town or city centre. The latter may be more likely to be used by consumers for top-up shopping or for 'impulse' purchases whereas the former may have the capability of satisfying a typical consumer's weekly grocery requirements in a single visit. In addition, some vertically-integrated retailers have moved into the 'convenience' retail sector operating smaller outlets in high traffic areas. For example, Tesco entered this segment of the retail market through its 'Tesco Express' fascia. Therefore, this *Report* avoids classification of retailers in terms of functions, such as, 'one-stop', 'top-up' or 'convenience'.
- 2.40 Figure 3 below shows a stylised representation of the affiliated retailer business model. As illustrated, affiliated retailers operate outlets under a fascia belonging to a franchisor. The affiliated retailers are distinct from the vertically-integrated retailers in the sense that, unlike the vertically-integrated retailers for whom integration with the wholesale level is achieved through ownership, in the case of affiliated retailers, vertical integration is achieved through an agreement with a franchisor. The characteristics of a franchisor are described in some detail in the following section.

Figure 3: Affiliated Retailers

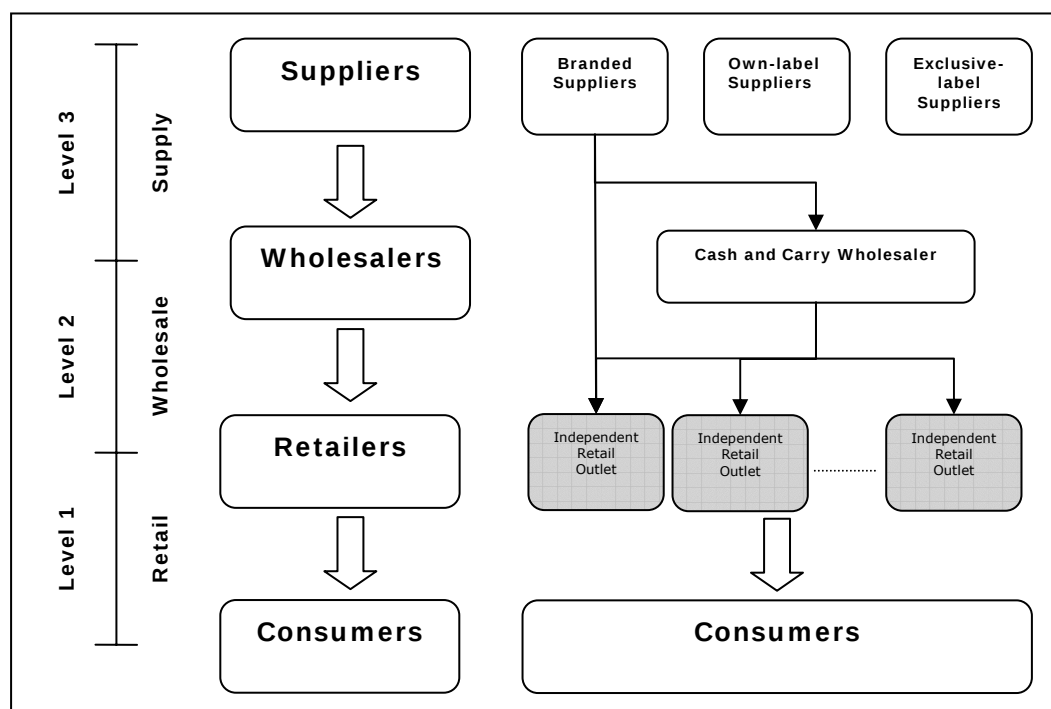


Independent retailers

2.41 There are also grocery retail outlets that are not owned by a vertically-integrated retailer or an affiliated retailer as described above. These retailers have no formal connection with the wholesale level. These retailers are referred to as 'independent retailers' or 'non-affiliated retailers' to distinguish them from 'affiliated retailers', that is, independent retailers operating a store under a fascia belonging to a franchisor. Typically, non-affiliated retailers operate small outlets offering a limited range of grocery products.

2.42 Figure 4 below shows a stylised representation of the independent retailer business model. As illustrated, the independent retailer typically sources its supplies from wholesalers or directly from suppliers. Independent retailers are distinct from affiliated retailers in that, apart from lines of supply, there are no links with upstream operators, that is, there is no integration with the wholesale level.

Figure 4: Independent Retailers



The Wholesale Level

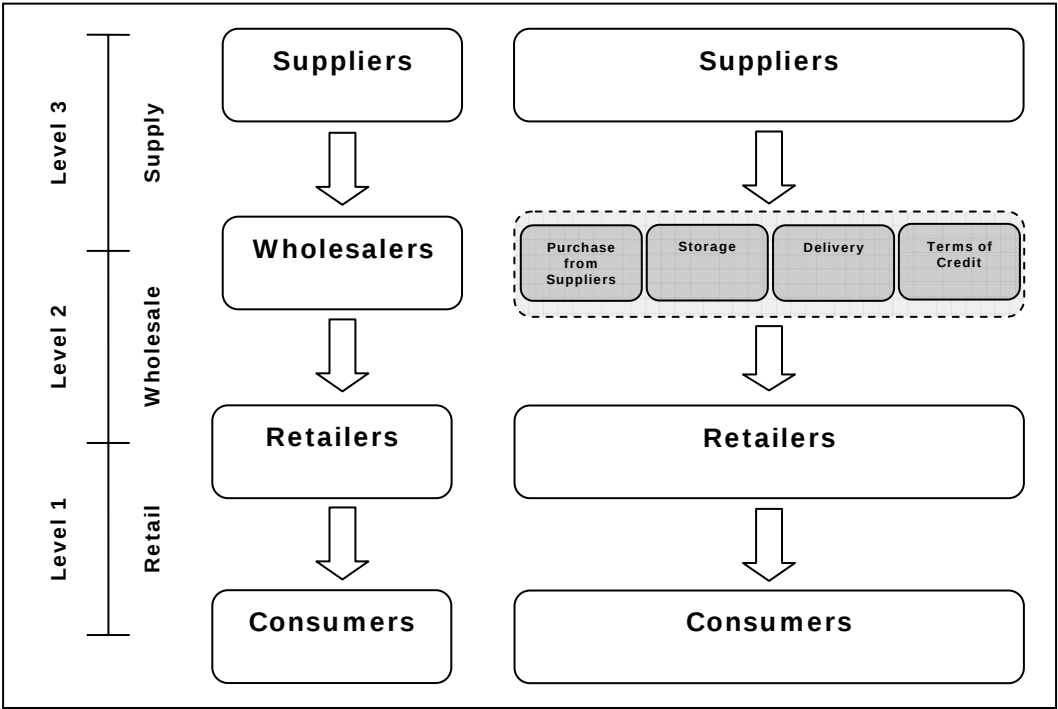
2.43 Wholesaling traditionally consists of four basic activities:

- Sale to retailers (and other customers) of a broad range of goods purchased from a number of different suppliers;
- Storage of goods;
- Delivery/distribution of goods; and
- Provision of credit.

2.44 The wholesaler purchases goods from producers, manufacturers or importers on terms which are normally more favourable than those that retailers are able to achieve directly. The goods are resold to retailers at a margin above the wholesaler's cost. A wholesaler typically has at least one warehouse or depot where goods are stored until they are resold. Distribution of goods is carried out either through delivery from the suppliers (producers, manufacturers or importers) direct to the retailers, or through the wholesaler's warehouses. Generally, wholesalers provide credit to their retailers for

their purchases. Figure 5 below is a stylised representation of the traditional wholesaling model.

Figure 5: Traditional Wholesaling Model



2.45 Excluding the vertically-integrated retailers who run their own wholesale operations, there are three types of operators at the wholesale level of the supply chain:

- Cash and Carry wholesalers;
- Wholesaler-franchisors; and
- Buying groups.

2.46 A detailed profile of the main grocery wholesale operators is provided in Appendix C.

Cash and Carry wholesalers

2.47 Many wholesalers offer so-called cash and carry services to retailers, but mainly to independent retailers. Originally, 'cash and carry' wholesaling, as its name implies, consisted of a customer paying for the goods in cash, and self-supplying the delivery service. The attraction of this form of wholesaling for retailers is that by paying

cash and transporting the goods themselves, more favourable purchasing terms are available from the wholesaler.

2.48 In terms of the stylised representation of the traditional wholesaling model in Figure 5 above, cash and carry services historically involved only two activities, selling and storage. Today, many wholesalers provide credit to their cash and carry customers and may even provide a delivery service as well. As a result, the term 'cash and carry' in wholesaling refers to sales to retailers who do not have an established relationship with the wholesaler.

2.49 Thus, cash and carry service is typically availed of by independent retailers but also occasionally by affiliated retailers for top-up or emergency requirements. These affiliated retailers may make use of cash and carry services from wholesalers with whom they are not affiliated. Other customers of cash and carry services include food service operators, such as restaurants, pubs, caterers, and public institutions, such as schools, prisons and hospitals.

2.50 The Competition Authority was able to gather information about the 12 independent cash and carry wholesalers that are members of the Stonehouse buying group. This group of wholesalers are referred to as the 'Other Stonehouse Members' to distinguish them from the other members of the Stonehouse buying group (i.e., the Barry Group, Mangan Wholesale and the Gala Wholesalers, described below).

Wholesaler-franchisors

2.51 In the previous subsection, 'affiliated retailers' were identified as retailers who are integrated with the wholesale level through an agreement with a wholesaler-franchisor that supplies goods for resale as well as the brand under which the retailer operates.

2.52 The main wholesaler-franchisors in Ireland are ADM Londis, the Barry Group, BWG Foods, Mangan Wholesale and Musgrave. There is also a group of 14 independent wholesalers that jointly own Gala Retail Services: in this *Report*, these wholesalers are treated as a single entity and are referred to as the 'Gala Wholesalers'. The *Report* therefore considers the structure and the activities of these six wholesaler-franchisors.

- 2.53 Each of the six wholesaler-franchisors licenses more than a single fascia. ADM Londis license the Londis and Londis Topshop fascias, while the Barry Group licenses the Costcutter and Quikpick fascias. BWG Foods license the SPAR, MACE and XL Stop & Shop fascias. The Gala Wholesalers license the Gala, Gala Superstore, Gala Xpress and Checkout brands. Mangan Wholesale licenses the MACE (West of Ireland), Vivo and Xpress Stop fascias. Musgrave license the Centra, SuperValu, Day Today and Daybreak fascia. In this *Report*, fascias licensed by ADM Londis and the Gala Wholesalers are treated as a single fascia, 'Londis' and 'Gala' respectively.²⁰
- 2.54 The wholesaler-franchisors have two defining characteristics. Firstly, wholesaler-franchisors are involved in the wholesaling of grocery goods, principally to their affiliated retailers. Some wholesaler-franchisors provide a cash and carry service for independent retailers, retailers who are affiliated to other wholesaler-franchisors and other types of customers. Secondly, wholesaler-franchisors license their fascia to affiliated retailers. Typically, a wholesaler-franchisor is principally focussed on its wholesaling and franchising relationship with its affiliated retailers. Franchising enables the wholesaler-franchisor to develop and maintain a steady customer base for its wholesale operations. Affiliated retailers are attracted to a franchise arrangement with a specific wholesaler-franchisor because of both the wholesaling services and the value of the associated brand under which they will be permitted to sell products to consumers.
- 2.55 Distribution of goods from the wholesaler-franchisor to its affiliated retailers is achieved through 'central distribution' and 'central billing'. Typically, wholesaler-franchisors negotiate terms and conditions with upstream suppliers for the supply of goods for resale to retailers. In most cases, the wholesaler-franchisor takes physical possession of goods purchased from the supplier, stores the goods in its warehouse and then delivers them to affiliated retailers who purchase these goods. These are the centrally distributed goods. In other cases, the wholesaler-franchisor never takes physical possession of the goods from suppliers. Instead, the suppliers deliver directly to retailers. However, as with centrally distributed goods, orders are placed by retailers with the wholesaler-franchisor. These are centrally billed

²⁰ This approach is taken because of the way information was provided by the respective wholesalers.

goods. The balance between centrally distributed goods and centrally billed goods depends, *inter alia*, on the distribution and warehouse capability of the relevant wholesaler-franchisor.

2.56 All retail outlets operating under a fascia licensed by a wholesaler-franchisor have a similar appearance in terms of layout and branding. Affiliated retailers are expected by agreement or by custom to source a significant portion of their requirements from the wholesaler-franchisor. As a result, affiliated retailers operating under the same fascia carry similar products and similar brands. Some of the wholesaler-franchisors also supply own-label goods to their affiliated retailers. In contrast to traditional wholesaling, the wholesaler-franchisors offer a broad range of retail support services to their affiliated retailers. Retail support services include brand management, marketing and advertising, information technology (IT) services, environmental services, assistance with the retail planning process, financial advice and general legal compliance.

2.57 The wholesaler-franchisors differ according to ownership arrangements. There are three different types of arrangement:

- A single wholesaler-franchisor owning one or more fascias, as is the case with the Centra and SuperValu fascias owned by the Musgrave Group and the SPAR and MACE fascias owned by BWG Foods;
- Several wholesalers may jointly own a fascia, as is the case with the Gala brand, which is operated by Gala Retail Services and owned by 14 wholesalers;²¹ and
- A group of retailers may jointly own a fascia, as is the case with the Londis brand, which is owned by ADM Londis, a company owned by a subset of retailer members who operate under the Londis fascia.

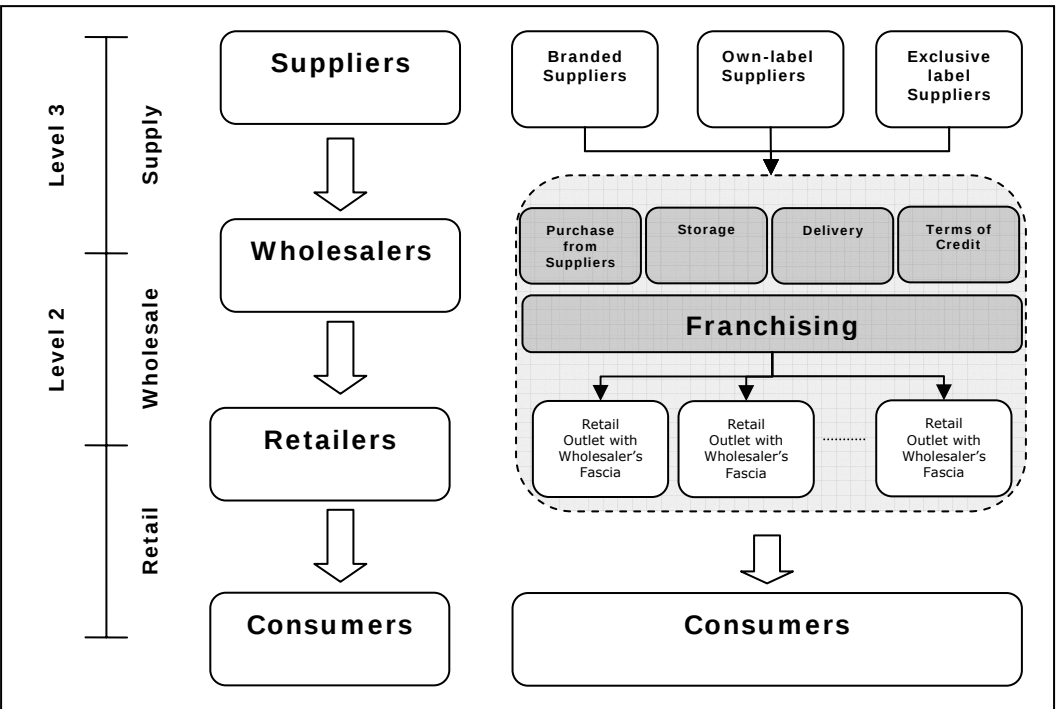
2.58 The wholesaler-franchisors may also choose to structure their businesses under a variety of operational arrangements. Typically, franchise operations are run either as separate entities, such as Gala Retail Services, or as part of the corporate structure, as in the case of the Barry Group, BWG Foods, Musgrave and Mangan Wholesale. As

²¹ See Appendix C for a profile of Gala Retail Services.

noted above, ADM Londis, the owner of the Londis fascia, is different insofar as it is owned by a subset of the member retailers. Unlike the other wholesaler-franchisors, ADM Londis has vertically-integrated 'up' rather than 'down'.

2.59 Figure 6 below is a stylised representation of the wholesaler-franchisor business model. This figure corresponds closely with Figure 3 above which depicted the affiliated retailer model. As can be observed from a comparison, the affiliated retailer business model and the wholesaler-franchisor model are complementary business models, or opposite sides of the same business model. As with the vertically-integrated retailers, the wholesaler-franchisors span the retail and wholesale levels of the chain of supply. In contrast to vertically-integrated retailers, whose wholesale operations are internalised, the wholesaler-franchisors achieve integration through licence or franchise agreements with operators at the retail level, rather than outright ownership of their retailers. The licensing or franchising of fascia is the principal innovation or extension of the traditional wholesaling model.

Figure 6: Wholesaler-franchisors



Buying groups

- 2.60 Unlike the wholesaler-franchisors who license fascias and offer a range of services to affiliated retailers, buying groups are a looser form of association. In terms of the stylised representation of the traditional wholesaling model depicted in Figure 5 above, buying groups are only partially involved in the purchasing activity. The principal function of a buying group is to centrally negotiate terms with suppliers on behalf of its members.
- 2.61 There are two major grocery buying groups operating in Ireland. Stonehouse Marketing Ltd ('Stonehouse') is a buying group owned by 28 entities: two wholesaler-franchisors (Barry Group and Mangan Wholesale), 14 wholesalers which constitute Gala, and 12 independent cash and carry wholesalers.²² Stonehouse, which was established in early 2000, negotiates some terms and conditions with suppliers on behalf of its members. Stonehouse does not negotiate prices with suppliers; rather, it focuses on terms such as discounts and rebates. Every member of Stonehouse, regardless of its size, has access to the terms and conditions negotiated by the association. Stonehouse has a retail brand of grocery goods called 'Homestead', which is made available to all retailers who deal with Stonehouse members.
- 2.62 Aontas is the second buying group operating in Ireland and is comprised of the buying group Stonehouse and the vertically-integrated retailer Superquinn. The joint buying venture, which commenced in 2003 and has a collective annual turnover approaching €2 billion, was established to increase effectiveness for both wholesaler and retailer alike. Aontas negotiates terms with suppliers on behalf of both Superquinn and Stonehouse for those goods which each firm wishes to source in common.

Supply

- 2.63 The supply level of the grocery chain is composed of a wide spectrum of operators active in the production and/or manufacturing and/or distribution/importation of grocery products sold to consumers, either directly or indirectly through intermediaries such as wholesalers. It is possible to distinguish between producers, such as farmers,

²² See Appendix C for a profile of the two buying groups.

manufacturers (including multinational companies producing well known brands) and importers, licensed distributors and agents.

- 2.64 Some producers and manufacturers invest heavily in marketing, advertising and the promotion of their produce by creating and developing brand names. These suppliers often own a portfolio of brands. For example, Procter & Gamble is a global manufacturer with brands in various consumer product categories, such as 'Pampers' in the baby and child care category and 'Flash' in the household cleaners category. Other examples include Diageo, Nestlé and Unilever. Irish examples include Kerry Group which produces brands such as 'Denny' and 'LowLow', and Jacob Fruitfield Food Group with brands like 'Tuc' and 'Mikado'. As noted above, grocery goods merchandised by these companies are referred to as 'branded grocery goods'.
- 2.65 Other suppliers sell to operators, including the vertically-integrated retailers and the wholesaler-franchisors, who then resell the products using their own-labels or brands (for example, 'Tesco value' and 'Tesco Finest' for Tesco and 'Homestead' for Stonehouse members). These goods are referred to as 'own-label' goods. In contrast to branded goods, it is typically the vertically-integrated retailers or wholesaler-franchisors who invest in the marketing of own-label goods. Products sold with retailers' labels are sometimes supplied by the same producers or manufacturers of 'branded' goods.
- 2.66 A third category of supplier includes those suppliers who produce 'non brands', 'secondary brands', or as described above, 'exclusive brands'. Suppliers producing this category of goods are typically involved in exclusive dealing arrangements. For example, a wine producer may enter an exclusive agreement to supply wine only to a particular retailer who would resell the wine with the supplier's brand or label. In some cases, retailers will specify that this brand of wine is exclusively produced for retail at their outlets.
- 2.67 It is evident that the distinction between own-labels, exclusive brands, non brands or secondary brands may not be clear cut. The distinction between own-labels and exclusive brands may be found in the degree of association between the label and the retailer. Retailers develop and promote own-label goods to highlight the association of those goods with the retailers. Exclusive brands, on the other hand, are

most likely not intended to establish a high degree of association between the brand and the retailer. In this *Report*, we treat exclusive brands, non-brands and tertiary brands as own-label goods.

Summary

2.68 This section of the *Report* has provided the context for the remainder of the *Report*.

2.69 Firstly, some background information on the regulation of the groceries sector was presented. A high level description of the grocery supply chain was then provided. The section also established definitions, terminology and methodology.

2.70 For the purposes of this *Report*, 'grocery goods' are defined as "*food and drink sold for human consumption and household necessities*"; this excludes items, such as clothes or pet food, which are sold in some retail grocery stores.²³ The definition of grocery goods corresponds broadly with the common usage of the term.

2.71 Secondly, three levels of the grocery supply chain are identified: the supply level, the wholesale level and the retail level. At the supply level, there are a wide variety of producers, manufacturers and importers, which are referred to generically as 'suppliers'. These operators supply three types of grocery goods:

- 'Branded' grocery goods – Grocery goods carrying the label or brand of the producer. The producer typically invests in brand development and promotion;
- 'Own-label' grocery goods – Grocery goods produced by a supplier but carrying the label of an intermediate operator such as a retailer, wholesaler-franchisor group or buying group; and
- 'Exclusive' label grocery goods – Grocery goods carrying the label or brand of the producer. The producer typically supplies a retailer on an exclusive basis. Throughout the *Report* exclusive grocery goods are considered as own-label grocery goods.

2.72 At the wholesale level three types of operator are defined:

²³Appendix D lists the goods included in the Competition Authority definition of 'grocery goods'.

- The 'wholesaler-franchisors' – Intermediaries who procure grocery goods for resale to retailers and who operate franchise arrangements by contract or agreement with affiliated retailers (as defined below);
- The 'independent wholesalers' – Intermediaries who procure grocery goods for resale to retailers and who do not otherwise have any other business relations with retailers; and
- The 'vertically-integrated retailers' – Retailers who self-supply or internalise the wholesale function by procuring grocery goods directly from suppliers for resale to consumers.

2.73 At the retail level three types of operator are defined:

- The 'vertically-integrated retailers' – Retailers who self-supply or internalise the wholesale function by procuring grocery goods directly from suppliers for resale to consumers;
- The 'affiliated retailers' – Retailers who have aligned themselves with a wholesaler-franchisor by contract; and
- The 'independent retailers' – Retailers who procure grocery goods from suppliers or wholesalers for resale to consumers, but who have not affiliated themselves with a wholesaler-franchisor.

2.74 Table 2 below summarises the classification of operators provided in this section. Two points should be noted. Firstly, the classification of market participants provided in this section is functional. The classification is based on types of business models and activities, and allows different classes of operators to be distinguished for the purposes of subsequent analyses. The stylised description of the classifications over-simplifies the diversity of operators falling into any particular classification. This diversity emerges in later sections of the *Report*. Secondly, the classifications do not indicate which operators are in competition with each other. Again, this aspect of the sector emerges in later sections of the *Report*.

Table 2: Classification of Market Operators

Market Operators*	
Vertically-Integrated Retailers	
	ALDI
	Dunnes Stores
	Lidl
	Marks & Spencer
	Superquinn
	Tesco
Wholesaler-Franchisors	
Associated Affiliated Retailers	
ADM Londis	Londis**
Barry Group	Costcutter
	Quikpick
BWG Foods	MACE
	SPAR /EUROSPAR /SPAR Express
	XL Stop & Shop
Gala Wholesalers (14)	Gala***
Mangan Wholesale	MACE
	Vivo
	Xpress Stop
Musgrave	Centra
	Daybreak
	DayToday
	SuperValu
Independent Wholesalers	
	Other Stonehouse Members (12): i.e., Members of Stonehouse buying group (excluding Barry Group, Mangan Wholesale and Gala Wholesalers)
Buying Groups	
	Stonehouse (Barry Group, Mangan Wholesale Gala Wholesalers, independent wholesalers (12))
	Aontas (Stonehouse and Superquinn)

* For a profile of each of the market operators, see Appendix C.

** ADM Londis license two retail brands or fascias: Londis and Londis Topshop. In this *Report*, they are treated as one retail brand: Londis.

*** Gala Wholesalers, through Gala Retail Services, license four retail brands or fascias: Gala, Gala Superstore, Gala Xpress and Checkout. In this *Report*, they are treated as one retail brand: Gala.

3. GROCERY SECTOR STRUCTURE: WHOLESALE LEVEL

Introduction

3.1 This section describes the evolution of the structure of the Irish grocery sector at the wholesale level from 2001 to 2006. Building on the 'bird's eye view' of the grocery supply chain presented in section 2, it provides a more detailed picture of the wholesale level. Firstly, the grocery sector is described in terms of the types of operators and the commercial activities in which they are involved. Secondly, the sector is described in terms of its size, including a breakdown of turnover by operator, customer type and distribution channel. Thirdly, the distribution networks operated by the wholesaler-franchisors and the vertically-integrated retailers are described. Finally, the geographic presence of the wholesaler-franchisors is considered.

Grocery Good Wholesaling

3.2 As outlined in section 2 above, there are three categories of operators at the wholesale level of the grocery supply chain: wholesaler-franchisors, cash and carry wholesalers and buying groups. This section focuses principally on the wholesaler-franchisors and the cash and the carry operators. As buying groups are essentially arrangements made at the wholesale level for interaction with the supply level, the buying groups are considered only briefly.

Wholesaler-Franchisors

3.3 The six wholesaler-franchisors in this *Report* are ADM Londis, the Barry Group, BWG Foods, Mangan Wholesale, Musgrave and the Gala Wholesalers. As described in section 2, there are 14 independent wholesalers owning Gala Retail Services which franchise brands like 'Gala', 'Gala superstore', 'Gala Xpress' and 'Checkout': these wholesalers are treated as a single entity under the name 'Gala Wholesalers'. Similarly, the fascias are treated as a single fascia, 'Gala'. As indicated in section 2, the wholesaler-franchisors have two defining characteristics. Firstly, the wholesaler-franchisors are involved in the wholesaling of grocery goods. Secondly, they licence a fascia to a number of retailers who typically own their own retail outlets. These retailers are referred to as 'affiliated retailers'. Most of the wholesaler-franchisors license more than one fascia to affiliated

retailers. Table 3 below lists the wholesaler-franchisors and the fascias they license.

Table 3: The Wholesaler-franchisors and Fascias

Wholesaler-Franchisors	Fascias
ADM Londis	Londis*
Barry Group	Costcutter
	Quikpick
BWG Foods	MACE
	SPAR /EUROSPAR /SPAR Express
	XL Stop & Shop
Gala Wholesalers	Gala**
Mangan Wholesale	MACE
	Vivo
	Xpress Stop
Musgrave	Centra
	Daybreak
	DayToday
	SuperValu

* ADM Londis license two retail brands or fascias: Londis and Londis Topshop. In this *Report*, they are treated as one retail brand: Londis.

** Gala Wholesalers, through Gala Retail Services, license four retail brands or fascias: Gala, Gala Superstore, Gala Xpress and Checkout. In this *Report*, they are treated as one retail brand: Gala.

- 3.4 The licensing of a fascia to a group of affiliated retailers means that, at a minimum, the retail outlets of the affiliated retailers operating under a particular fascia will look similar and carry similar products. The modern wholesaler-franchisor also typically offers a range of other services to its affiliated retailers, which are referred to collectively as 'retail support services'. Retail support services include brand Management (e.g. supply of signage, uniforms, posters), marketing/advertising, IT services (e.g. back office and payroll software, central billing systems), environmental services (e.g. assistance with waste management practices), assistance with retail planning process, financial advice (e.g. business planning) and general legal compliance (e.g. food safety regulations, employment law).

- 3.5 The package of retail support services offered by each wholesaler-franchisor varies and forms part of their competitive strategy for attracting new retailers and continuing trading relationships with their existing affiliated retailers. This aspect of wholesaler-franchisor activity is considered in some detail in section 5.

Cash and Carry Wholesalers

- 3.6 As previously indicated, the wholesale level of the grocery supply chain also includes the supply of cash and carry services. These services are provided by wholesaler-franchisors as well as by wholesalers that provide only cash and carry services.
- 3.7 Originally, cash and carry wholesaling was a variant of the conventional wholesaling model, whereby customers (i.e. retailers) would self-supply the delivery service and forgo credit terms, that is, pay the wholesaler in cash. The advantage of cash and carry wholesaling for retailers is that, by paying cash and transporting the goods themselves, more favourable purchasing terms are available from the wholesaler. Modern cash and carry wholesalers generally maintain accounts with customers and offer limited terms of credit.
- 3.8 Cash and carry services are typically used by independent retailers. Affiliated retailers may also use these services but usually only for top-up or emergency requirements. Other customers of cash and carry services include food services operators and public institutions such as schools, prisons and hospitals.
- 3.9 Five of the six wholesaler-franchisors in the State operate a cash and carry business in addition to wholesaling to their affiliated retailers. There is a relatively small number of wholesalers which provide cash and carry services only. This *Report* only considers in detail the 12 independent cash and carry wholesalers under the umbrella of the Stonehouse buying group: they are treated collectively under the name 'Other Stonehouse Members'.

Vertically-Integrated Retailers

- 3.10 By definition the vertically-integrated retailers internalise the wholesaling function. That is, the vertically-integrated retailers both own and operate their retail outlets and manage their own distribution networks, dealing directly with suppliers and by-passing intermediaries

such as wholesalers. For this reason, the discussion of the vertically-integrated retailers' activities at the wholesale level of the grocery supply chain is limited to a description of their methods of distribution.

Grocery Goods Wholesale Turnover

- 3.11 This section describes the size of the grocery goods wholesale channel as captured by the six wholesaler-franchisors and the Other Stonehouse Members. Two channels to market are therefore excluded. Firstly, deliveries made by suppliers directly to retail and non-retail customers in which wholesaler has no role (suppliers will often deliver directly to retailers and other customers on behalf of wholesalers and this channel is captured, see paragraph 3.21 below). Secondly, deliveries made by suppliers to vertically-integrated retailers are not captured in the wholesale channel.
- 3.12 The six wholesaler-franchisors and Other Stonehouse Members account for almost all of the turnover from the wholesaling of grocery goods in the State:²⁴ ADM Londis, the Barry Group, BWG Foods, Mangan Wholesale, Musgrave and Stonehouse.
- 3.13 Based on information provided by wholesaler-franchisors, the Competition Authority estimates that other wholesalers (usually small cash and carry wholesalers) account for less than 5% of grocery goods wholesaling turnover in the State.
- 3.14 As of year-end 2006, the six wholesaler-franchisors and the group of Other Stonehouse Members had a combined turnover of €4.7 billion, of which €3.6 billion (or approximately 76%) was derived from the sale of grocery goods (food and drink for home consumption and household necessities, as defined in section 2) to grocery retailers, restaurants, pubs and public institutions (for example, prisons and hospitals).
- 3.15 The combined overall turnover of the wholesaler-franchisors grew by 56% from €3 billion to €4.7 billion between 2001 and 2006 (this is equivalent to 35% in real terms), as Table 4 shows. Over the same period, combined turnover derived from the sale of grocery goods has grown by approximately 58% (this is equivalent to 36% in real terms). The share of overall turnover attributable to the sale of grocery goods grew marginally, from 75.7% in 2001 to 76.4% in 2006.

²⁴ A detailed profile of the main grocery goods wholesaler-franchisors is provided in Appendix C.

Table 4: Aggregate Wholesaling Turnover (billion €) for 2001 – 2006

	2001	2002	2003	2004	2005	2006
1 Aggregate Turnover*	3.0	3.3	3.5	3.7	4.3	4.7
2 Grocery Goods Turnover**	2.3	2.5	2.7	2.8	3.3	3.6
As % of 1	75.7	75.8	75.8	75.8	75.9	76.4

* Turnover figures are in billions of euro and are exclusive of VAT. Aggregate wholesaling turnover combines turnover figures for ADM Londis, the Barry Group, BWG Foods, Mangan Wholesale, Musgrave, Gala Wholesalers and Other Stonehouse Members. 'Gala Wholesalers' are Stonehouse members serving retailers affiliated to the Gala fascias. 'Other Stonehouse Members' are Stonehouse members excluding the Barry Group and Mangan Wholesale and the Gala Wholesalers. For the Gala Wholesalers, only 2005-2006 figures were available; for Other Stonehouse Members only 2005 figures were available and are used as a proxy for 2006.

** Turnover figures are based on the Competition Authority definition of 'Grocery Goods' (see Table 1 and Appendix D).

Breakdown of Grocery Good Turnover by Wholesaler-Franchisor

- 3.16 Over the period 2001 to 2006, almost 80% of grocery goods turnover is accounted for by two operators. As shown in Table 5 below, in 2006, Musgrave accounted for 55-60% of grocery good wholesaling turnover. BWG Foods had the second largest share, with 20-25% of grocery goods wholesaling turnover. Gala Wholesalers, ADM Londis, the Barry Group and Mangan Wholesale follow, in that order.
- 3.17 The relative ranking of the five wholesaler-franchisors about which we have information for the entire period since 2001, in terms of share of grocery turnover, remained unchanged with the shares of grocery goods turnover being relatively stable over the period.
- 3.18 As presented in Table 4 above, approximately 76% of overall turnover across the wholesaler-franchisors is attributable to the sale of grocery goods. There is, however, substantial variation among the wholesaler-franchisors. As of year-end 2006, the sale of grocery goods accounted for the majority of turnover for each of the wholesaler-franchisors surveyed: see Table 6. Nevertheless, the range was wide; the lowest proportion of turnover accounted for by grocery goods was 58% for Mangan Wholesale, while the Barry Group had the highest proportion, at 95% of wholesaling turnover.

Table 5: Shares of Aggregate Wholesaling Turnover by Wholesaler-Franchisor for 2006

	Turnover Share Rank	Turnover Share Bands (%)
ADM Londis	4	5-10
Barry Group	5	5-10
BWG Foods	2	20-25
Mangan Wholesale	6	0-5
Musgrave	1	55-60
Gala Wholesalers**	3	5-10
Other Stonehouse Members	7	5-10

* Turnover figures are in billions of euro and are exclusive of VAT.

** 'Gala Wholesalers' are Stonehouse members serving retailers affiliated to the Gala fascias. Data for Gala Wholesalers are based on 14 of 25 distribution centres of Gala Wholesalers and central billing figures are not included. 'Other Stonehouse Members' are Stonehouse members excluding the Barry Group and Mangan Wholesale and the Gala Wholesalers.

Table 6: Grocery Goods Wholesaling Turnover as a Proportion of Aggregate Turnover by Wholesaler-Franchisor for 2006

	ADM Londis	Barry Group	BWG Foods	Mangan Wholesale	Musgrave	Gala Wholesalers*	Other Stonehouse Members	Average**
Grocery Goods as % of Aggregate Wholesale Turnover	66	95	71	58	79	n/a	n/a	76

* 'Gala Wholesalers' are Stonehouse members serving retailers affiliated to the Gala fascias. 'Other Stonehouse Members' are Stonehouse members excluding the Barry Group and Mangan Wholesale and the Gala Wholesalers.

** The average is a weighted average over wholesalers.

Breakdown of Turnover by Customer Type

3.19 Table 7 below shows how grocery goods wholesaling turnover breaks down by customer type, namely affiliated retailers, independent retailers and 'other customers'. As of year-end 2006, sales to affiliated retailers represented the highest share of turnover at 78% across the wholesaler-franchisors. Sales to non-affiliated retailers accounted for

the second largest share, while sales to 'other' customers accounted for the smallest share (e.g. pubs, restaurants and schools).

3.20 There is, however, considerable diversity among the wholesaler-franchisors. For example, sales to affiliated retailers by ADM Londis accounted for 99% of the company's grocery goods turnover. This is probably explained by the ownership structure of ADM Londis, in which the retailers are the shareholders. Musgrave has the second highest percentage derived from sales to affiliated retailers, at 86% of grocery goods turnover. Sales to non-affiliated retailers (that is, independent retailers and possibly retailers affiliated to another wholesaler-franchisor) and 'others' are relatively more important for BWG Foods, the Barry Group and Mangan Wholesale. Sales to non-affiliated retailers accounted for 74% of grocery goods turnover for BWG Foods, 73% of grocery goods turnover for the Barry Group and 60% of grocery goods turnover for Mangan Wholesale.

Table 7: Wholesale Grocery Goods Turnover by Customer Type in 2006

	ADM Londis	Barry Group	BWG Foods	Mangan Wholesale	Musgrave	Gala Wholesalers*	Other Stonehouse Members	Average**
% of Grocery Goods Wholesaling Turnover from:								
Sales to Affiliated Retailers	99	73	74	60	86	29	0	78
Sales to Non-affiliated Retailers	1	14	7	18	6	71	100	12
Sales to Other Customers*	0	13	19	22	8	0	0	10

* 'Gala Wholesalers' are Stonehouse members serving retailers affiliated to the Gala fascias. 'Other Stonehouse Members' are Stonehouse members excluding the Barry Group and Mangan Wholesale and the Gala Wholesalers. For these two groups, percentages are based on total wholesaler turnover, including non-grocery goods.

** The average is a weighted average over wholesalers.

Breakdown of Turnover by Distribution Channel

3.21 Although retailers receive goods via a variety of distribution channels, there are two principal channels of distribution. Firstly, retailers

receive goods *via* a wholesaler distribution centre. Secondly, retailers receive goods directly from suppliers.

- 3.22 In the case of the first distribution channel, wholesalers take physical possession of goods from upstream suppliers and store them prior to resale to retailers. In terms of delivery to retailers, there are two options. Firstly, the wholesaler may deliver the goods to retailers. This is the option typically used by affiliated retailers of the relevant wholesaler. Secondly, retailers may collect goods from a wholesaler's distribution centre. This is the cash and carry option, which as already noted, is typically used by independent retailers, and to a limited extent, by affiliated retailers for top-up or emergency requirements. Other customers, such as public institutions and restaurants, frequently use this option as well. With both options, goods are 'centrally distributed' because wholesalers take physical possession of goods from suppliers and payments are made by retailers to their wholesaler-franchisors directly.
- 3.23 In the case of the second distribution channel, the wholesaler-franchisor never takes physical possession of goods from suppliers. Instead, goods are delivered directly to retailers by the suppliers. As with centrally distributed goods, orders are typically placed electronically by affiliated retailers with the wholesaler-franchisor. However, affiliated retailers accomplish their payments to suppliers in a 'single' bill through their wholesaler-franchisors: this is the 'central billing system', under which retailers are relieved of the burden of dealing with multiple suppliers. Therefore, 'centrally billed goods' refer to those goods delivered by suppliers on behalf of the wholesaler-franchisors. Goods delivered by suppliers directly, without any wholesaler intermediation, are excluded from this definition and are not considered in the description of the wholesale sector in this *Report* (see paragraph 3.11).
- 3.24 At this point, it is worth noting that the difference between the two distribution channels, i.e., between 'centrally distributed goods' and 'centrally billed goods', is only in terms of physical movement of goods, not in terms of financial flows. In both cases, payments to suppliers are accomplished through the wholesaler-franchisors.

- 3.25 Whether goods are centrally distributed or merely centrally billed depends on a number of factors. Certain goods may be supplied locally, that is, their point of production is close to the point of retail. Other goods may have a short shelf-life and therefore routing them via a distribution centre may not be practical. Certain categories of goods may involve high storage costs. This is frequently the case with cigarettes for example which present a security risk. The physical capacity of the wholesaler's storage space and delivery capability are additional factors. The decision to invest in distribution capability depends on how efficiently the wholesale-franchisor can carry out that function, compared to the option of direct delivery by suppliers. Scale factors are therefore likely to be determinative.
- 3.26 There is considerable diversity among the wholesaler-franchisors as to the use of different distribution channels for the distribution of grocery goods, as Table 8 below shows. For example, only 15% of the grocery goods turnover of ADM Londis is attributable to grocery goods physically passing through its distribution centres. Affiliated retailers instead rely mainly on deliveries made directly by suppliers. At the other end of the spectrum, 79% of the grocery goods turnover of Musgrave is attributable to grocery goods passing through its distribution centres, with only 19% attributable to grocery goods delivered directly by suppliers. The other wholesalers fall between these two extremes. About half of the turnover of each of Mangan Wholesale and the Barry Group pass through each of the two channels.
- 3.27 The cash and carry option, where retailers collect goods from a wholesaler's distribution centre, is becoming less common with wholesalers now typically delivering goods. In many respects the cash and carry option, as a distinct distribution channel is disappearing and the term cash and carry has become relatively meaningless. While many distribution centres are still referred to as cash and carry centres, in practice, most goods are delivered as is evident from Table 8 below.

Table 8: Wholesale Grocery Goods Turnover by Distribution Channel in 2006

	ADM Londis	Barry Group	BWG Foods	Mangan Wholesale	Musgrave	Gala Wholesalers*	Other Stonehouse Members	Overall**
% of Grocery Goods Wholesaling Turnover								
Delivered by Wholesaler	15	44	31	48	79	61	76	62
Delivered by Suppliers (incl. central billing)	85	55	60	46	19	29	0	34
Collected by Retailers	0	1	9	6	2	10	24	4

* 'Gala Wholesalers' are Stonehouse members serving retailers affiliated to the Gala fascias. 'Other Stonehouse Members' are Stonehouse members excluding the Barry Group and Mangan Wholesale and the Gala Wholesalers. For these two groups, percentages are based on total wholesale turnover, including non-grocery goods.

** The average is a weighted average over wholesalers.

Composition of Wholesale Level of the Grocery Sector

3.28 The distribution networks of the wholesaler-franchisors and the vertically-integrated retailers make extensive use of distribution centres, warehouses and depots (referred to collectively as 'distribution centres'). The networks vary in terms of number, size and type of distribution centre. In this subsection we consider the composition of the wholesale level of the grocery sector in terms of the number and size of distribution centres and warehouses belonging to both the vertically-integrated retailers and the wholesaler-franchisors.

Wholesaler-Franchisors

3.29 The operation and management of distribution centres is an established feature of grocery goods wholesaling, as Table 9 below shows.

3.30 Some wholesaler-franchisors have a single distribution centre and others operate multiple centres. ADM Londis and the Barry Group each have one distribution centre, while the other wholesaler-franchisors have multiple centres. BWG Foods has the greatest number of

distribution centres with 31, followed by the Gala Wholesalers with 25, 'Other Stonehouse' members with 12, Musgrave with 12 and Mangan Wholesale with 8.

- 3.31 In terms of size, Musgrave has the greatest amount of floor space when aggregated over their distribution centres, with almost 37% of the total wholesaler-franchisor distribution centre floor space. BWG Foods has the second largest share of distribution centre floor space with 20%, while ADM Londis has the smallest share with 3%. Among those wholesalers operating more than one distribution centre, Musgrave centres are on average much larger, at almost three times the size of the closest comparable wholesaler.
- 3.32 The underlying structure of distribution networks differs across the wholesaler-franchisors. For example, BWG Foods with 20% of overall distribution centre floor space has 31 distribution centres while Musgrave with 37% of overall distribution centre floor space has just 12. This is as a result of the differing nature of distribution centres. Specifically, some distribution centres predominantly serve a distribution function while other centres serve a dual function, that is, a cash and carry function and a distribution function.
- 3.33 The size of distribution centres varies across the wholesaler-franchisors, as Table 9 shows. The two largest wholesaler-franchisors, BWG Foods and Musgrave differ in terms of average size and number of distribution centres. BWG Foods operate 31 centres while Musgrave have 12. The average size of a BWG Foods centre is 1,737m², for Musgrave, 8,239m². The difference can be explained by their approaches to cash and carry services. BWG Foods use 25 of 31 distribution centres for cash and carry centres. The cash and carry centres have an average size of 1,337m² of floor while the other 6 have on average 3,239m² of floor space. By contrast Musgrave have 7 of 12 distribution centres serving a cash and carry function with an average size of 7,486m². The other centres have an average size of 9,294m².
- 3.34 Of the other wholesaler-franchisors, ADM Londis and Barry Group have one distribution centre each. Mangan Wholesale, the Gala Wholesalers and Other Stonehouse have multiple centres with smaller average floor space.

Table 9: Number and Size of Wholesaler-Franchisor Distribution Centres in 2006

	ADM Londis	Barry Group	BWG Foods	Mangan Wholesale	Musgrave	Gala Wholesalers*	Other Stonehouse Members	Others**
Number of Distribution Centres***	1	1	31	8	12	25	12	16
Total Size (m²)	7,432	12,500	53,851	26,100	98,870	50,146	20,275	n/a
Average Size (m²)	7,432	12,500	1,737	3,263	8,239	2,005	1,690	n/a
Distribution of Size:								
≤1,000m ²	0	0	7	0	0	3	6	n/a
≤3,000m ²	0	0	21	6	0	19	5	n/a
≤5,000m ²	0	0	2	1	3	2	1	n/a
≤7,000m ²	1	0	1	1	3	0	0	n/a
≤10,000m ²	0	0	0	0	1	1	0	n/a
>10,000m ²	0	1	0	0	5	0	0	n/a

* 'Gala Wholesalers' are Stonehouse members serving retailers affiliated to the Gala fascias.
 'Other Stonehouse Members' are Stonehouse members excluding the Barry Group and Mangan Wholesale and the Gala Wholesalers.

** 'Others' are other wholesalers are typically small cash and carry wholesalers, often principally involved in wholesaling to the catering trade.

*** 'Distribution Centres' include distribution centres, warehouses and depots for all customer channels: affiliated and non-affiliated retailers, delivered foodservice and cash and carry customers.

3.35 Table 10 below shows the monthly average number of stock keeping units (SKUs) and the grocery good SKUs carried by each wholesaler-franchisor. Every product that a wholesaler carries has an SKU. An SKU is a set of numbers that identifies a product according to a predefined set of characteristics. An SKU will typically contain information about product line, the manufacturer's brand and package size.

3.36 The Barry Group appears to carry the greatest number of SKUs, at almost 10,000, followed by closely by Musgrave. The other wholesaler-franchisors each carry between one half and two-thirds of the number of SKUs carried by the Barry Group and Musgrave.

3.37 In terms of the number of grocery goods SKUs carried by the wholesaler-franchisors, the Barry Group carries the greatest number; virtually all of the SKUs carried by the Barry Group are grocery goods. Musgrave follows with approximately 6,000 grocery goods SKUs. The remaining wholesaler-franchisors carry between them approximately 4,000 to 5,000 grocery goods SKUs. The 'Other Stonehouse' members, who principally serve independent retailers, may carry as few as 2,000 grocery goods SKUs.

Table 10: SKUs stocked at Wholesaler-Franchisor Distribution Centres in 2006

	ADM Londis	Barry Group	BWG Foods	Mangan Wholesale	Musgrave	Gala Wholesalers*	Other Stonehouse Members
Monthly Average SKUs Stocked	4,700	9,500	4,003	5,443	8,712	5000-6000	4,000-5,000
Monthly Average Grocery Goods SKUs stocked	4,700	9,300	3,901	5,150	6,005	4,000-5,000	2,000-4,000

* 'Gala Wholesalers' are Stonehouse members serving retailers affiliated to the Gala fascias. 'Other Stonehouse Members' are Stonehouse members excluding the Barry Group and Mangan Wholesale and the Gala Wholesalers.

3.38 The number of SKUs reported in Table 10 mixes different types of distribution centres, i.e., distribution centres with storage capability for ambient²⁵ and/or chilled produce. There is typically a difference between dedicated chilled goods distribution centres and distribution centres with limited capability to store chilled goods. The latter class of distribution centres may simply have a number of freezers, and may not be that dissimilar to a chilled goods section of a supermarket for example. A dedicated chilled goods distribution centre, in contrast, would include large scale freezer rooms. Two of Musgrave's 12 distribution centres are dedicated chilled distribution centres. Of the 31 BWG Foods distribution centres, 15 have limited capacity for the

²⁵ Ambient goods are goods that can be stored at room temperature.

storage of chilled goods while one is a dedicated chilled goods distribution centre. Each of Mangan Wholesale's distribution centres has some capability for storage of a small amount of chilled goods. Neither ADM Londis nor the Barry Group has chilled storage. All 25 of the Gala Wholesalers have chilled sections while seven of the 12 other Stonehouse members also have chilled sections.

Vertically-Integrated Retailers

3.39 As of year end 2006, each of the vertically-integrated retailers, except Dunnes Stores, operated a proprietary distribution network as Table 11 below shows. Tesco had the greatest number of distribution centres with six, followed by Lidl with two and the other vertically-integrated retailers with one each, excluding Dunnes Stores. Tesco also had the greatest amount of distribution floor space, followed by ALDI and Lidl.

Table 11: Number and Size of Vertically-Integrated Retailer Distribution Centres in 2006

	ALDI	Dunnes Stores	Lidl	Marks & Spencer	Superquinn	Tesco
Number of Distribution Centres	1	0	2	1	1	6
SKUs	850	-	1,120	300	52,000	1,800 – 5,000
Total Size (m²)	33,708	-	61,676	3,251	16,363	150,868
Average Size (m²)	33,708	-	30,838	3,251	16,363	25,145
Distribution of Size:		-				
≤10,000m ²	0	-	0	1	0	0
≤30,000m ²	0	-	1	0	1	5
≤50,000m ²	1	-	1	0	0	0
> 50,000m ²	0	-	0	0	0	1

3.40 Like the wholesaler-franchisors, the vertically-integrated retailers appear to rely on a combination of direct delivery by suppliers and central distribution. Lidl and ALDI are exceptional in the sense that

that virtually all grocery goods pass through their distribution centres before being shipped to their retail outlets.

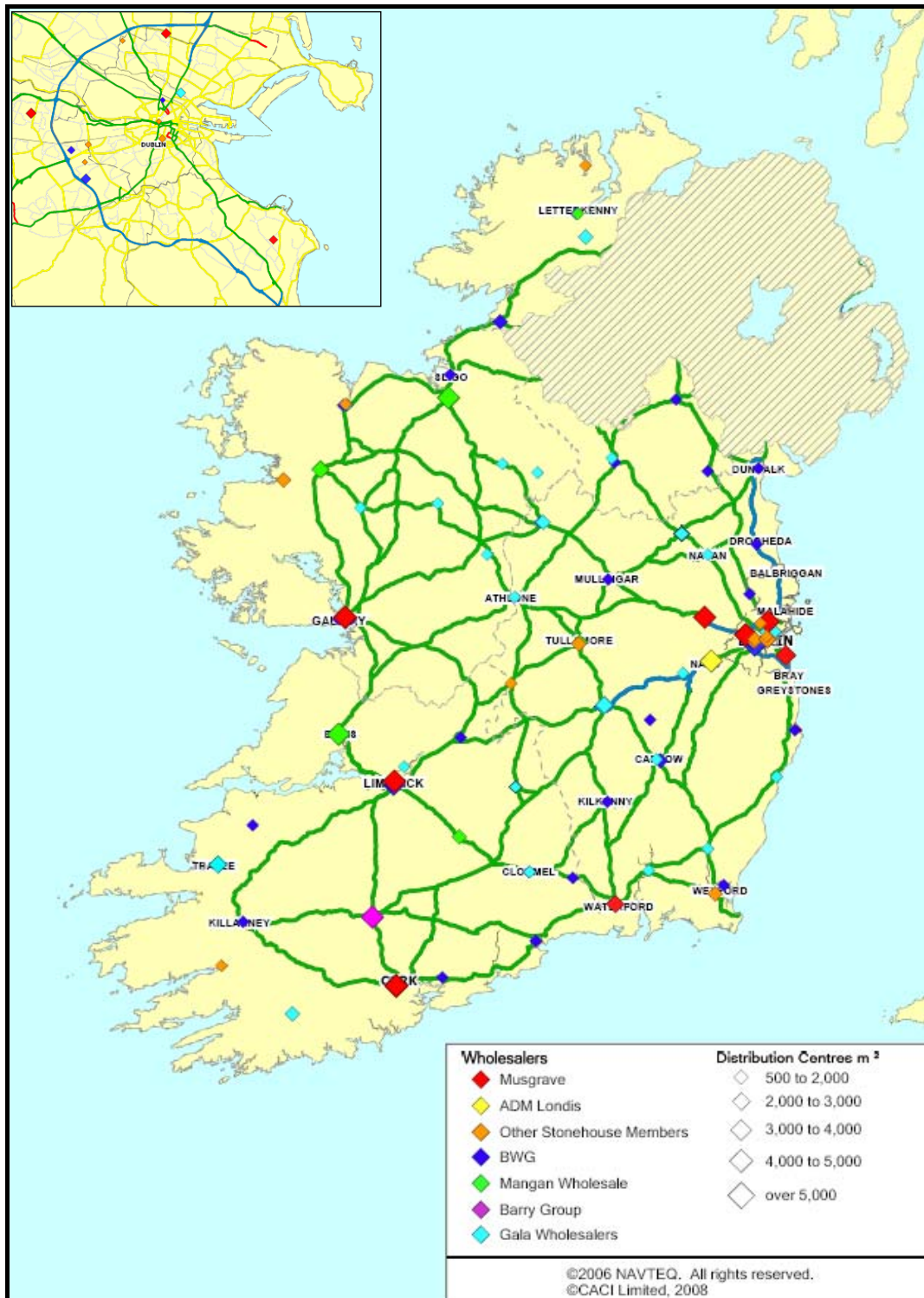
- 3.41 Marks & Spencer is somewhat different from other vertically-integrated retailers in the sense that its distribution system is an extension of its UK distribution network. That is, outlets are stocked primarily by drop shipments from vehicles coming from the UK. Its single, relatively small, distribution centre is principally for peak period storage.

Geographic Distribution of Distribution Centres

Wholesaler-franchisors

- 3.42 The distribution centres of wholesaler-franchisors are located mainly around major population centres and transport routes (ports and major roads), as Figure 7 below shows.
- 3.43 The greatest proportion of distribution centres and the greatest proportion of distribution centre floor space are found in and around Dublin City. Cork, Limerick, Galway and Sligo are also served by larger distribution centres. Mallow in County Cork (Barry Group) and Ennis in County Clare (Mangan Wholesale) are outliers insofar as larger distribution centres are located in these towns, even though the population of each is relatively small. However, these centres are located along major national routes.
- 3.44 A number of smaller distribution centres are located across the rest of the State. Section 6 contains further analysis of the geographic distribution of wholesaler-franchisors' distribution centres.

Figure 7: Wholesaler-Franchisor Distribution Centres (2006)



Cash and Carry Centres

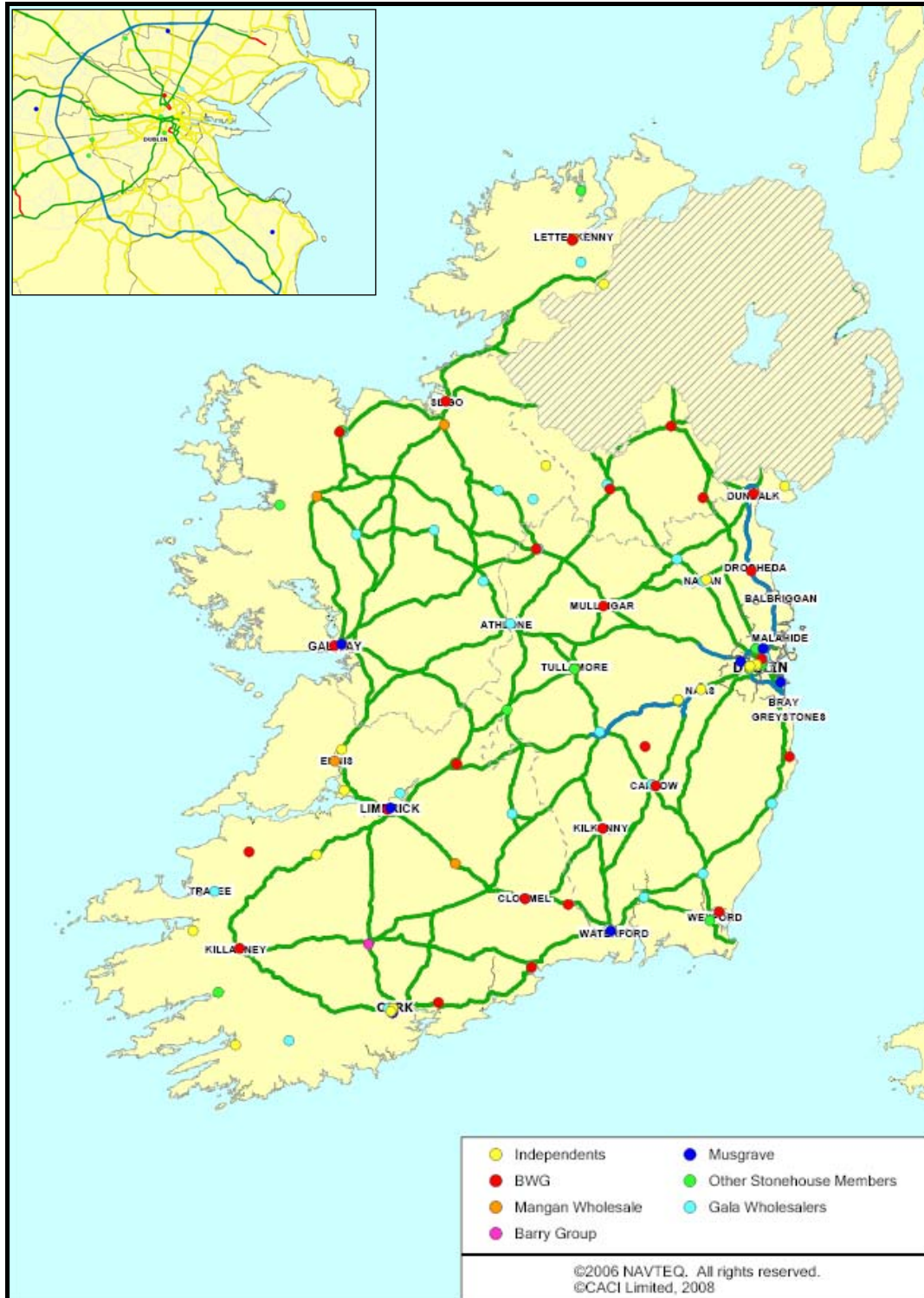
3.45 There are approximately 94 cash and carry centres in the State, serving mainly independent retailers, food service operators and public

institutions. Affiliated retailers also make limited use of cash and carry centres, typically for top-up or emergency requirements.

- 3.46 The cash and carry centres operated by the six wholesaler-franchisors (Barry Group, BWG Foods, the Gala Wholesalers, Mangan Wholesale and Musgrave) are shown in Figure 8 together with the 12 centres operated by the Other Stonehouse Members and an additional 16 independent cash and carry centres ('Independents').²⁶ As shown in the figure, there are cash and carry centres throughout the State. The majority of distribution centres belonging to the six wholesaler-franchisors also provide cash and carry services: 66 of 78.
- 3.47 BWG Foods and the Gala Wholesalers operate the greatest number of cash and carry centres, with 25 each. The majority (25 of 31) of BWG Food's distribution centres provide a cash and carry service. For the Gala Wholesalers, all 25 distribution centres serve a cash and carry function. The 'Other Stonehouse' members have 12 cash and carry centres.
- 3.48 Musgrave's network of 12 distribution centres is divided into five Musgrave Retailer Partners Ireland distribution centres and seven Musgrave Wholesale Partners (MWP) centres. The seven MWP centres provide a cash and carry service.
- 3.49 Each of Mangan Wholesale's eight distribution centres offers a cash and carry service. The Barry Group has one cash and carry centre, located at its main distribution centre. ADM Londis is the only wholesaler-franchisor that does not operate a cash and carry centre.
- 3.50 There is some evidence that since 2001, a number of independent cash and carry businesses have been bought by or have become affiliated with the larger wholesale groupings. For example, in November 2006, Mangan Wholesale purchased the assets and goodwill of McCambridge's Cash & Carry in Galway. This cash and carry business was then merged with another of Mangan Wholesale's cash and carry businesses in Galway. Similarly, in June 2006, the Barry Group acquired the trade of Kilkenny Wholesale Cash & Carry. This cash and carry centre was closed and its customers are now being supplied by the Barry Group's main distribution centre in Mallow, County Cork.

²⁶ *Checkout*, "The Buyers Guide 2007-2008", Listed Independent Cash and Carry Stores, pg 127, December 2007.

Figure 8: Cash and Carry Centres (2006)

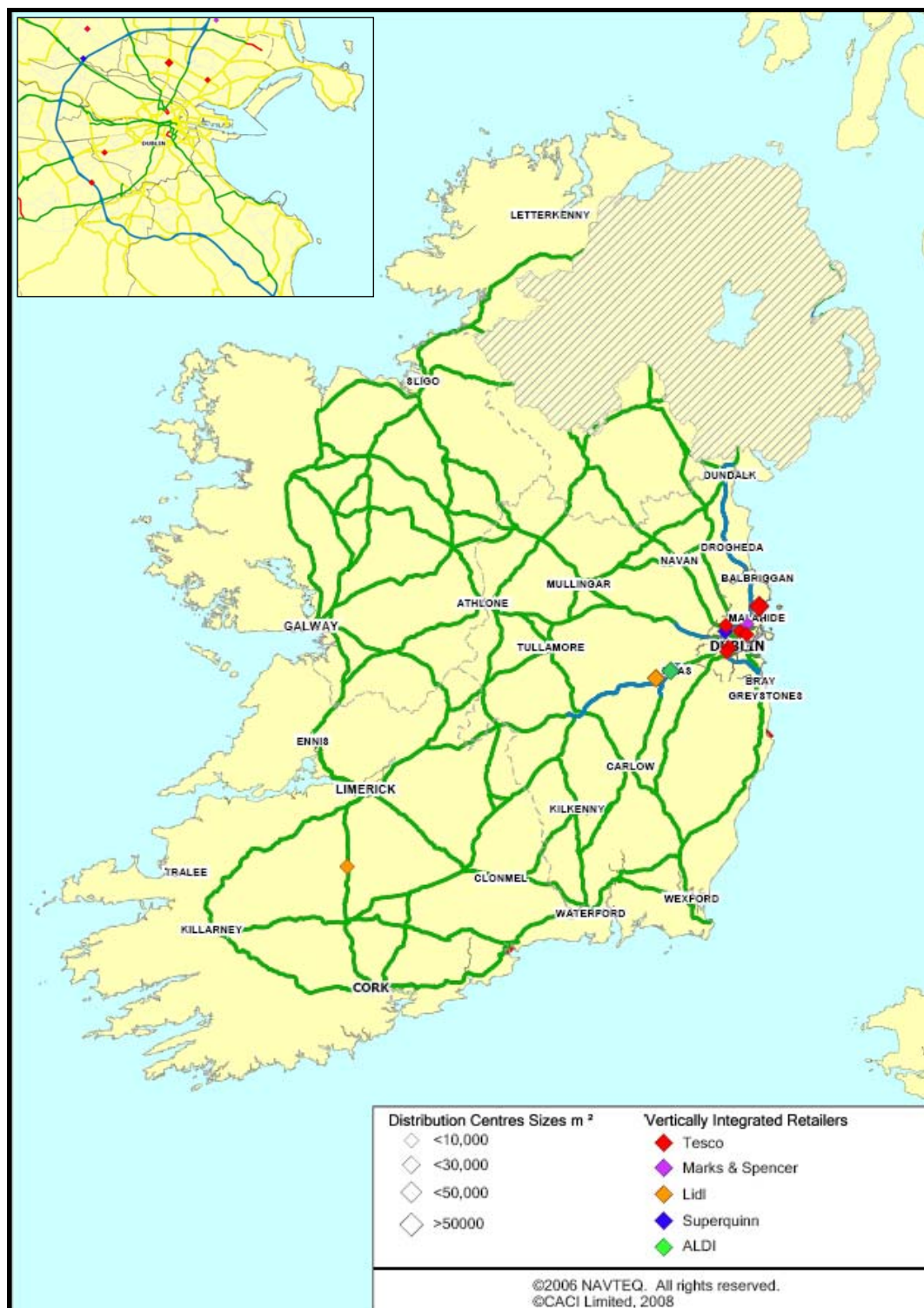


Vertically-Integrated Retailers

3.51 Similar to the wholesalers-franchisors, vertically-integrated retailer distribution centres tend to be located around major population centres and transport routes (ports and major roads) but particularly in and

around the Dublin region, as Figure 9 indicates. All six of Tesco's distribution centres are located within the Dublin region. The newest and largest of these is the Tesco distribution centre in Donabate, County Dublin. Superquinn and Marks & Spencer have also located their distribution centres in North Dublin. ALDI has one distribution centre located in Naas, Co. Kildare. Lidl has two distribution centres, the larger centre in Newbridge, County Kildare and the other in Charleville-Ballyhea, County Cork. Lidl is currently the only vertically integrated retailer to have a distribution centre outside Leinster.

Figure 9: Vertically-Integrated Retailers' Distribution Centres (2006)



Buying Groups

3.52 As discussed at paragraph 2.61, the Competition Authority is aware of two buying groups in Ireland. The first is Stonehouse Marketing Ltd ('Stonehouse') which is an association of 28 wholesalers: the Barry

Group, Mangan Wholesale, the 14 wholesalers that make up Gala and 11 independent cash and carry wholesalers. Aontas is the other buying group and consists of the members of Stonehouse, as well the vertically-integrated retailer Superquinn. Aontas negotiates terms with suppliers on behalf of Superquinn and Stonehouse for those goods that the two entities source in common.

- 3.53 The emergence of buying groups such as these over the last number of years reflects the need for operators in the grocery sector to enhance their competitiveness by driving down input costs. Combining buying power allows buying groups to negotiate better terms with suppliers. In terms of interaction with the supply level, the emergence of buying groups implies concentration on the purchasing side and will be relevant to any further analysis of the supply level of the grocery supply chain.

Summary and Comment

- 3.54 This section of the *Report* has considered the structure of the wholesale level of the grocery supply chain from 2001 to year-end 2006.
- 3.55 Over the period, the combined wholesale turnover of the six main wholesaler-franchisors in the State grew, in nominal terms, by approximately 53% from €3 billion to €4.7 billion. Of the €4.7 billion generated in the State during 2006, €3.6 billion, or 76%, was attributable to the sale of grocery goods. Over this period, the share of overall wholesale turnover attributable to the sale of grocery goods grew only marginally.
- 3.56 The Competition Authority estimates that other wholesalers account for less than 5% of the wholesale turnover in the grocery sector. Accordingly, in this *Report*, the combined turnover of the six main wholesaler-franchisors should be regarded as being a close approximation of the wholesale turnover in the grocery sector.
- 3.57 Of the €3.6 billion wholesale turnover of grocery goods generated in the State during 2006, the two largest wholesalers, Musgrave and BWG Foods, accounted for almost 80% of the total. The relative market position of each of the wholesaler-franchisors remained

unchanged between 2001 and year-end 2006. Indeed, shares of turnover were relatively stable over the period.

- 3.58 This section has also considered the break down of grocery wholesale turnover by customer type and delivery channel. Several differences emerged between the wholesalers. For 2006, on average across the wholesalers, grocery sales to affiliated retailers accounted for the majority of all sales, at just over 78% of the total; grocery sales to independent retailers accounted for just under 12% of grocery sales; and grocery sales to other customers, predominantly catering, accounted for just under 10%. There is, however, considerable diversity across the wholesalers, and this provides an indication of the relative importance of different customer groups. For example, at one end of the spectrum, affiliated retailers account for almost all (99%) of the wholesale grocery goods turnover of ADM Londis. At the other end of the spectrum, sales to affiliated retailers account for just 29% of the grocery goods wholesaling turnover of the Gala Group.
- 3.59 The wholesalers also differ in terms of distribution logistics and, in particular, in terms of the balance of turnover attributable to goods delivered by the wholesaler, goods delivered directly by suppliers and goods sold on a cash and carry basis which are collected by the customer. For 2006, on average across the wholesalers, approximately 62% of wholesale grocery goods turnover came from goods delivered by wholesalers; 34% of wholesale grocery goods turnover came from goods delivered directly by suppliers; and 4% of grocery goods turnover came from goods that were collected by customers. As previously discussed, the significance of the cash and carry distinction has greatly declined, as the majority of cash and carry sales are now delivered. The diversity among wholesalers in terms of distribution mechanisms is even more pronounced than the breakdown by customer type. At one end of the spectrum, approximately 79% of Musgrave's wholesale grocery goods turnover is delivered, 19% is attributable to grocery goods delivered directly by suppliers, and just 2% comes from cash and carry. At the other end of the spectrum, approximately 15% of ADM Londis' wholesale grocery goods turnover comes from goods that are delivered, with the remainder of being delivered directly by suppliers.

- 3.60 The underlying structure of distribution networks differs across wholesalers. Two principal differences can be discerned. Firstly, distribution centres differ in character. Some distribution centres serve a pure distribution function, whereas other centres serve a dual function, that is, a cash and carry function and a distribution function. Cash and carry distribution centres are typically significantly smaller than pure distribution centres. Secondly, as previously indicated, where wholesalers have less extensive distribution networks, they tend to rely more on direct delivery by suppliers for distribution to their customers. These differences imply different cost structures.
- 3.61 Like the wholesaler-franchisors, the vertically-integrated retailers rely on a combination of direct deliveries by suppliers to grocery retail outlets and delivery via their distribution centres. Lidl and ALDI are extreme in the sense that all their grocery goods pass through their distribution centres.
- 3.62 The concept of a cash and carry centre has become less meaningful as most goods are now delivered. Cash and carry centres typically serve independent retailers, as well as affiliated retailers for top-up and emergency requirements. Of the 94 cash and carry centres involved in wholesaling grocery goods only 16 centres are independent of the major wholesale groupings identified in this *Report*. This implies that, in addition to being the main source of supply for affiliated retailers, the wholesaler-franchisors are also the main source of supply for independent retailers.
- 3.63 Some trends are apparent. Firstly, the wholesale grocery sector appears to be concentrated, in the sense that only a few operators account for a large share of turnover. Moreover, shares of turnover have remained remarkably stable over the period since 2001, despite expansion by all players.
- 3.64 Secondly, the extent of concentration at the wholesale level may have implications for competition at the retail level. The degree of vertical integration between the wholesaler-franchisors and their affiliated retailers is of particular relevance. The greater the degree of vertical integration between the wholesaler-franchisors and their affiliated retailers, the greater the extent to which the affiliated retailers relinquish elements of their potential set of competitive strategies, and

the more uniform their behaviour. This suggests that the affiliated retailers of a given fascia or group of fascias have a tendency to behave more like a single undertaking than a series of independent undertakings.

- 3.65 Finally, the number of independent wholesalers is limited. The wholesalers that supply the affiliated retailers are, by and large, the same wholesalers that supply independent retailers. This has implications for the degree of freedom available to independent retailers, as well as their ability to compete with affiliated retailers.

4. GROCERY SECTOR STRUCTURE: RETAIL LEVEL

Introduction

- 4.1 This section describes the evolution of the structure of the Irish grocery sector at the retail level from 2001 to 2006. A comprehensive description of market structure that traces the number and identity of players as well as their relationships, provides the factual basis for the analysis of competition at the retail level contained in section 6. It should be noted that much of the information about the market structure at the retail level is currently not publicly available.
- 4.2 Building on the 'bird's eye view' of the grocery supply chain presented in section 2, we firstly describe the sector in terms of the types of operators and the activities in which they are involved. Secondly, retail turnover, including a breakdown of turnover by operator, is considered. Thirdly, the composition of the retail level in terms of the number, size and location of retail outlets is assessed. Finally, the geographic distribution of retail outlets across the State is examined.

Grocery Good Retailing

- 4.3 In section 2 above, we identified three categories of operators at the retail level of the grocery supply chain: vertically-integrated retailers, affiliated retailers and independent retailers. This section focuses principally on the vertically-integrated and affiliated retailers. Information on these retailers was gathered directly by the Competition Authority in the case of the vertically-integrated retailers and from the relevant wholesaler-franchisors in the case of affiliated retailers. Information on independent retailers was supplied by AC Nielsen in a report commissioned by the Competition Authority.²⁷

Vertically-Integrated Retailers

- 4.4 As discussed in section 2, vertically-integrated retailers are defined by two common structural features. Firstly, they internalise the wholesale function, by purchasing grocery goods directly from producers, manufacturers and importers. Secondly, they own and operate multiple retail outlets.

²⁷ See Appendix B for a brief description of the AC Nielsen Report.

- 4.5 The vertically-integrated retailers typically offer a range of products broad enough to satisfy a typical consumer's weekly grocery requirements in a single visit and often sell both own-label grocery goods and branded grocery goods.
- 4.6 Six vertically-integrated retailers operate in the State: ALDI, Dunnes Stores, Lidl, Marks & Spencer, Superquinn and Tesco.

Affiliated Retailers

- 4.7 As discussed in section 2, two characteristics define the affiliated retailers. Firstly, they are aligned with the owner of the fascia they operate under. Affiliation typically takes the form of a franchise agreement with a franchise group. Secondly, affiliated retailers typically own the retail outlet that they operate. Only eight percent of the retail outlets operated by affiliated retailers are owned by a wholesaler-franchisor.
- 4.8 From the perspective of the final consumer, there may be no material distinction between an outlet of a vertically-integrated retailer and an outlet of an affiliated retailer since both operate under a brand or fascia also used by other retail outlets. In other words, consumers may only recognise fascias and not the underlying ownership structure.
- 4.9 Retail outlets of affiliated retailers typically have a more limited range of products and smaller retail floor space than outlets of vertically-integrated retailers.
- 4.10 Six wholesaler-franchisors licence a total of 19 fascias under which retail outlets operate, with one fascia being licensed by two wholesaler-franchisors in different geographic areas, as Table 12 indicates.

Table 12: Affiliated Retailers and their Wholesaler-Franchisors

Wholesaler-Franchisors	Fascias
ADM Londis	Londis*
Barry Group	Costcutter
	Quikpick
BWG Foods	MACE
	SPAR /EUROSPAR /SPAR Express
	XL Stop & Shop
Gala Wholesalers	Gala**
Mangan Wholesale	MACE
	Vivo
	Xpress Stop
Musgrave	Centra
	Daybreak
	DayToday
	SuperValu

* ADM Londis license two retail brands or fascias: Londis and Londis Topshop. In this *Report*, they are treated as one retail brand: Londis.

** Gala Wholesalers, through Gala Retail Services, license four retail brands or fascias: Gala, Gala Superstore, Gala Xpress and Checkout. In this *Report*, they are treated as one retail brand: Gala.

Independent Retailers

4.11 As noted in section 2, independent retailers, like affiliated retailers, own their own retail outlets, but unlike affiliated retailers, they do not operate under a fascia used by other retail outlets. Independent retailers are generally smaller than the vertically-integrated retailers and often specialise in the retail of a narrow range of products: a few grocery goods and a wider range of non-grocery goods such as newspapers, magazines, confectionery and tobacco.

Grocery Goods Retail Turnover

4.12 In this subsection we consider turnover at the retail level of the grocery sector, under the following headings:

- Aggregate turnover for both grocery goods and own-label grocery goods for the period 2001 to 2006;

- Shares of turnover by product category; and
- Shares of grocery goods turnover by operator.

Estimated Aggregate Retail Turnover in Grocery Sector

4.13 The aggregate retail turnover of operators in the grocery sector (consisting of vertically-integrated retailers, affiliated retailers and independent retailers) is estimated to be approximately €13.2 billion for 2005 and €14.6 billion for 2006, as Table 13 indicates. The estimates are based on information provided by the vertically-integrated retailers on their retail turnover, by the wholesaler-franchisors about the retail turnover for their affiliated retailers (where available) and information about independent retailers provided by AC Nielsen.²⁸

4.14 There are several qualifications that should be noted regarding these estimates. Firstly, unlike the information provided by the vertically-integrated retailers, most of the wholesaler-franchisors were only able to provide best estimates about the turnover of their affiliated retailers. The four largest wholesaler-franchisors were able to provide estimates. The turnover of the remaining two groups of affiliated retailers is considered as part of the turnover of independent retailers. Secondly, as noted in section 2, information about independent retailers (and the smaller affiliated retailer groups) was obtained from AC Nielsen since it was not feasible for this group to be surveyed directly. Thirdly, while it is recognised that specialist grocery retailers such as butchers, bakeries and greengrocers should be included as independent retailers in this *Report*, the information obtained from AC Nielsen does not include this group. Fourthly, the information from AC Nielsen includes items which are outside grocery goods as the term is defined in this *Report*.²⁹ In arriving at an estimate of the grocery good turnover (as defined) of the independent retailers, items that fall outside this definition have been excluded. For all of the above reasons, the estimates of retail turnover in the grocery sector should be regarded as best available approximations, given the circumstances.

²⁸ See Appendix B for a brief description of the AC Nielsen Report.

²⁹ For example, newspapers, tobacco, compact discs, books or pet food are included in the information provided by AC Nielsen. These items are excluded from our definition of grocery goods.

4.15 Approximately 80% of aggregate retail turnover for 2006, €11.6 billion, is derived from the sale of grocery goods as defined in this *Report*. In addition to branded products, many grocery retailers sell own-label grocery goods. Turnover derived from the sale of own-label grocery goods is approximately €2.9 billion, representing nearly 25% of turnover from grocery goods in 2006.

Table 13: Estimated Aggregate Retail Turnover (billion €) for 2005 and 2006 (incl. Independent Retailers)

	2005	2006
1 Aggregate Turnover*	13.2	14.6
2 Grocery Goods Turnover**	10.5	11.6
As % of 1	79.9	79.3
3 Own-label Grocery Goods Turnover***	2.5	2.9
As % of 1	19.1	19.7
As % of 2	23.9	24.8

*Figures are in billions of euro and are inclusive of VAT. Estimates are based on information provided by the vertically-integrated retailers and wholesaler-franchisors surveyed by the Competition Authority and integrated with AC Nielsen Ireland total grocery turnover figures for independent retailers and other small franchise groups. Total turnover excludes petrol for all retailers, as well as, clothing for Dunnes Stores.

** Turnover figures are based on the Competition Authority definition of grocery goods (see Table 1 and Appendix D). Grocery goods turnover for independent retailers is approximately 80% of their total turnover.

*** Own-label grocery goods of independent retailers are assumed to be nil.

Source: The Competition Authority and AC Nielsen, *Retail Market Report*, 2007.

4.16 Based on information provided by the vertically-integrated retailers and the four largest wholesaler-franchisors, aggregate retail turnover and grocery goods turnover for the period 2001 to 2006 has been estimated, as detailed in Table 14. These estimates exclude the independent retailers and smaller affiliated retailer groups for which data were only available from AC Nielsen for 2005 and 2006. In 2006, total turnover for the vertically-integrated retailers and affiliated retailers was approximately €12.6 billion of which 79%, or €10 billion, was derived from the sale of grocery goods only. Contrasting this turnover information with that contained in Table 13 indicates that

retailers surveyed by the Competition Authority account for approximately 86% of aggregate 'retail turnover' as well as grocery goods turnover.

- 4.17 AC Nielsen information on sector turnover appears to be broadly consistent with the Competition Authority's own estimates. According to AC Nielsen, in 2006 total grocery turnover was approximately €13.7 billion. The difference between the AC Nielsen estimate and the Competition Authority figures of €12.6 billion (excluding independent retailers) and €14.6 billion (including independent retailers) arises due to differences in classification and unavailability of scanner data to estimate turnover for certain retailers.

Table 14: Estimated Aggregate Retail Turnover (billion €) for 2001 – 2006 (excl. Independent Retailers)

		2001	2002	2003	2004	2005	2006
1	Aggregate Turnover*	7.4	8.4	9.2	10.1	11.1	12.6
2	Grocery Good Turnover**	6.1	6.9	7.5	8.2	8.9	10.0
	As % of 1	82.4	82.1	81.5	81.0	79.9	79.1
3	Own-label Grocery Good Turnover	1.4	1.8	2.0	2.3	2.5	2.9
	As % of 1	19.6	21.3	22.2	22.5	22.7	22.9
	As % of 2	23.8	25.9	27.2	27.7	28.4	28.9

* Figures are in billions of Euro and are inclusive of VAT. Estimates are based on information provided by retailers surveyed by the Competition Authority and exclude independent retailers, i.e., independent grocery stores and other small franchise groups for the years 2001-2006. Total turnover excludes petrol for all retailers, as well as, clothing for Dunnes Stores.

For some retailers, the breakdown of turnover figures is not available for some years: in these cases, the breakdown for the most recent year available has been used. Turnover figures were not available for retailers affiliated to the Barry Group and Mangan Wholesale.

** Turnover figures are based upon the Competition Authority definition of grocery goods (see Table 1 and Appendix D).

Breakdown of Grocery Retail Turnover by Product Category

- 4.18 AC Nielsen breaks down grocery retail turnover or so called Fast Moving Consumer Goods (FMCG) into a number of product subcategories. These are Grocery, Health & Beauty, Household, Confectionery, Alcohol and Tobacco. In 2007, Grocery, Confectionery

and Alcohol accounted for approximately 78.7% of total FMCG value (30%, 24.6% and 24.1% respectively). The remaining 21.3% of total FMCG value was accounted for by Tobacco (9.6%), Household (6%) and Health & Beauty (5.7%).

- 4.19 AC Nielsen provided figures on the composition of FMCG categories in terms of branded and own-label goods. Table 15 below shows the share of FMCG value for branded and own-label products, both overall and for product subcategories for 2006 and 2007. Turnover from branded goods grew by nine percent between 2006 and 2007, reaching an 89.3% value share of total turnover (excluding Tobacco) for the year ending November 2007.
- 4.20 Turnover from own-label goods grew at a similar rate to that of branded goods between 2006 and 2007, reaching an eleven percent value share of the total turnover (excluding Tobacco) for the year ending November 2007. The AC Nielsen estimate of the share of own-label goods is much lower than the Competition Authority's estimates in provided in Table 13 (incl. independent retailers) and Table 14 (excl. independent retailers) above due to the exclusion of certain products from the various categories (e.g., the category 'Grocery' excludes own-label fresh fruit and fresh vegetables).
- 4.21 The penetration rate of own-label goods is relatively high in the Household and Grocery categories compared to the Alcohol, Health & Beauty and Confectionery categories. Within product categories, turnover from own-label goods is growing faster on a year-on-year basis when compared with branded goods. The exception to this trend is Alcohol which tends to lower the overall rate of growth of turnover from own-label goods so that it is very close to that of branded goods.

Table 15: Breakdown of Branded versus Own-label Goods by Category for 2006 and 2007 (AC Nielsen)

	% Value Share per basket 2006		% Value Share per basket 2007		Growth rate 2006 – 2007*	
	Branded	Own-label	Branded	Own-label	Branded	Own-label
AC Nielsen Categories						
Grocery	83.8	16.2	83.6	16.4	8.3	9.6
Health & Beauty	93.2	6.8	93.2	6.8	7.9	7.9
Household	76.4	23.6	75.7	24.3	10.7	15.1
Confectionery	92.8	7.2	92.7	7.3	6.7	8.9
Alcohol	94.9	5.1	95.4	4.6	11.4	1.1
All baskets (excl. tobacco)			89.3	10.7	9.1	9.0

* Moving annual change from the period Nov 05 – Nov 06 to the period Nov 06 – Nov 07.

Source: AC Nielsen, *Retail Market Report*, 2007.

Breakdown of Grocery Retail Turnover by Operator

4.22 Table 16 below presents the shares of turnover, as of year-end 2006, attributable to the sale of grocery goods and own-label grocery goods based on estimates that include independent retailers (see paragraph 4.14 above).

4.23 Table 17 below presents the same information but excludes independent retailers (see paragraph 4.16 above). Values for affiliated retailers are presented by fascia and by grouping all fascias belonging to the same wholesaler-franchisor. For example, turnover shares are presented for retailers affiliated to Musgrave both separately (i.e. for each of the Musgrave fascias, 'Centra', 'SuperValu', 'DayToday', and 'Daybreak') and collectively (i.e. shares are summed over the relevant fascias). Among vertically-integrated retailers, only Tesco appears to operate under two fascias: 'Tesco' and 'Tesco Express'. The smaller format outlets were introduced in 2004 as part of Tesco's move into the 'convenience' sector. However, for the rest of this section,

information on both 'Tesco' and 'Tesco Express' are reported together (i.e. as 'Tesco').

- 4.24 In 2006, vertically-integrated retailers accounted for approximately 46% of grocery goods turnover in the State (€5.3 billion), affiliated retailers approximately 40% (€4.6 billion) and independent retailers approximately 14% (€1.6 billion), as Table 16 shows. With approximately 15-20% of turnover, Tesco accounts for the largest share of grocery goods sales, followed by SuperValu (10-15%), Dunnes Stores (10-15%), SPAR /EUROSPAR /SPAR Express (5-10%) and Centra (5-10%). Superquinn and Lidl have a similar share (5-10%).
- 4.25 When the turnover shares are grouped according to ownership of fascias, a different picture emerges. The Musgrave fascias together account for approximately 20-25% of grocery goods turnover, placing it first overall ahead of Tesco. The combined turnover of BWG Foods' fascias account for nearly 5-10% of overall turnover, placing it fourth overall, between Dunnes Stores and Superquinn. The significance of affiliated retailers at the retail level of the grocery sector is apparent. When the turnover of the affiliated retailers of BWG Foods and Musgrave are combined, they account for one third of the aggregate retail turnover for grocery goods in 2006. The ranking is unchanged when independent retailers are excluded, but the shares are higher, as Table 17 demonstrates.

Table 16: Share of Retail Turnover of Grocery Goods per Fascia in 2006 (incl. Independent Retailers)

Grocery Goods Retail Turnover*		Share Bands (%)	Retailer Category Ranking	Overall Ranking
Vertically-Integrated Retailers				
	ALDI	0-5	5	11
	Dunnes Stores	10-15	2	4
	Lidl	5-10	4	8
	Marks & Spencer	0-5	6	12
	Superquinn	5-10	3	7
	Tesco	15-20	1	1
	Sub Total	46.0		
Wholesaler-Franchisor	Affiliated Retailers			
ADM Londis	Londis	0-5	4	9
Barry Group	Costcutter	n/a		
	Quikpick	n/a		
	<i>Sub Total</i>	<i>n/a</i>		
BWG Foods	MACE	0-5	6	13
	SPAR /EUROSPAR /SPAR Express	5-10	2	5
	XL Stop & Shop	0-5	7	14
	<i>Sub Total</i>	<i>5-10</i>		
Gala Wholesalers	Gala	0-5	5	10
Mangan Wholesale	MACE	n/a		
	Vivo	n/a		
	Xpress Stop	n/a		
	<i>Sub Total</i>	<i>n/a</i>		
Musgrave	Centra	5-10	3	6
	Daybreak	0-5	8	15
	DayToday	0-5	9	16
	SuperValu	10-15	1	2
	<i>Sub Total</i>	<i>20-25</i>		
	Sub Total	39.9		
Independent Retailers		14.1		3

* Figures are based on Competition Authority definition of Grocery Goods. For independent retailers and smaller franchise groups such affiliated retailers of Barry Group and Mangan Wholesale, figures are based on AC Nielsen data.

Source: The Competition Authority and AC Nielsen, *Retail Market Report*, 2007.

Table 17: Share of Retail Turnover of Grocery Goods per Fascia in 2006 (excl. Independent Retailers)

Grocery Goods Retail Turnover*		Share Bands (%)	Retailer Category Ranking	Overall Ranking
Vertically-Integrated Retailers				
	ALDI	0-5	5	10
	Dunnes Stores	15-20	2	3
	Lidl	5-10	4	7
	Marks & Spencer	0-5	6	11
	Superquinn	5-10	3	6
	Tesco	20-25	1	1
	Sub Total	53.5		
Wholesaler-Franchisor	Affiliated Retailers			
ADM Londis	Londis	5-10	4	8
Barry Group	Costcutter	n/a	-	-
	Quikpick	n/a	-	-
	<i>Sub Total</i>	<i>n/a</i>	-	-
BWG Foods	MACE	0-5	6	12
	SPAR /EUROSPAR /SPAR Express	5-10	2	4
	XL Stop & Shop	0-5	7	13
	<i>Sub Total</i>	<i>10-15</i>		
Gala Wholesalers	Gala	0-5	5	9
Mangan Wholesale	MACE	n/a	-	-
	Vivo	n/a	-	-
	Xpress Stop	n/a	-	-
	<i>Sub Total</i>	<i>n/a</i>	-	-
Musgrave	Centra	5-10	3	5
	Daybreak	0-5	8	14
	DayToday	0-5	9	15
	SuperValu	15-20	1	2
	<i>Sub Total</i>	<i>25-30</i>		
	Sub Total	46.5		
* Figures are based on the Competition Authority definition of grocery goods.				

- 4.26 For own-label grocery goods, the vertically-integrated retailers account for approximately 81.3% of sales while affiliated retailers account for 18.7%, as shown in Table 18 below. Among the affiliated retailers, the biggest retailers of own-label grocery goods are retailers affiliated with the Centra and SuperValu fascias. Centra and SuperValu retailers together account more than 90% of own-label grocery goods sold by affiliated retailers.
- 4.27 In terms of a relative ranking of shares, the vertically-integrated retailers predominate. The exceptions are affiliated retailers operating under the SuperValu fascia who together rank third after Tesco and Lidl. Compared with shares of turnover from all grocery goods (i.e. branded and own-label), shares of own-label grocery goods turnover increase substantially for retailers such as ALDI, Lidl, Superquinn and Marks & Spencer.

Table 18: Share of Retail Turnover of Own-label Grocery Goods per Fascia in 2006 (for both excl and incl. Independent Retailers)

Own-label Grocery Goods Retail Turnover		Share Bands (%)	Retailer Category Ranking	Overall Ranking
Vertically-Integrated Retailers				
	ALDI	5-10	5	6
	Dunnes Stores	5-10	3	4
	Lidl	15-20	2	2
	Marks & Spencer	5-10	6	7
	Superquinn	5-10	4	5
	Tesco	25-30	1	1
	Sub Total	81.3		
Wholesaler-Franchisor	Affiliated Retailers			
ADM Londis	Londis	0-5	4	10
Barry Group	Costcutter	n/a		
	Quikpick	n/a		
	<i>Sub Total</i>	<i>n/a</i>		
BWG Foods	MACE	0-5	5	11
	SPAR /EUROSPAR /SPAR Express	0-5	3	9
	XL Stop & Shop			
	<i>Sub Total</i>	<i>0-5</i>		
Gala Wholesalers	Gala	0-5	6	12
Mangan Wholesale	MACE	n/a		
	Vivo	n/a		
	Xpress Stop	n/a		
	<i>Sub Total</i>	<i>n/a</i>		
Musgrave	Centra	0-5	2	8
	Daybreak	0		
	DayToday	0		
	SuperValu	10-15	1	3
	<i>Sub Total</i>	<i>15-20</i>		
	Sub Total	18.7		

* Figures are based on the Competition Authority definition of grocery goods.

Composition of the Retail Level of the Grocery Sector

4.28 In this subsection we consider the composition of the retail level of the grocery sector in terms of:

- Numbers of grocery retail outlets;
- Size of grocery retail outlets; and
- Retail floor space.

Grocery Retail Outlets

4.29 The following section examines the number of outlets retailing grocery goods, by classification (vertically-integrated retailers, affiliated retailers and independent retailers) and by operator.

Number of grocery retail outlets

4.30 According to AC Nielsen, since 1977 the total number of grocery stores has declined by 54%, from 13,775 to 6,293 stores: see Table 19. The decline is driven by the closure of independent retailer outlets, the movement of independents to affiliation with a wholesaler-franchisor and new openings for vertically-integrated retailers.

4.31 The decline in the number of grocery outlets operated by independents is most pronounced. Since 1977, there has been a 63% decline in the number of independent retailers. There has also been a decline in the number of retailers of 'symbol groups' (in AC Nielsen's classification, 'symbol group' retailers are retailers operating the Londis, MACE (BWG), SPAR /EUROSPAR /SPAR Express and Centra fascias) over the entire period. However, there has been a sharp increase in the number of symbol group retailers since 2000. The number of stores operated by the 'multiples' (in AC Nielsen's classification, the multiples are Dunnes Stores Tesco, Superquinn and the SuperValu affiliated retailers) has increased by 170% since 1977, the bulk of that increase occurring since 2000.

Table 19: Number of Grocery Sector Retail Outlets for 1977 – 2006 (AC Nielsen)

Retailer Type*	1977	1983	1988	1994	1998	2000	2005	2006
Discounters						79	90	120
Independents	11,832	9,694	9,387	8,494	7,699	7,739	4,979	4,328
Symbol Groups	1,802	1,715	1,134	1,015	959	975	1,433	1,464
Multiples	141	161	149	160	157	155	373	381
Total	13,775	11,570	10,670	9,669	8,815	8,948	6,875	6,293

* Discounters: ALDI, Lidl; Independents: Costcutter, Quikpick, XL Stop & Shop, Gala fascias, MACE (Mangan Wholesale), Vivo, Daybreak, DayToday, other small chains and independent grocery retailers; Symbol Groups: Londis, MACE (BWG), SPAR /EUROSPAR /SPAR Express and Centra; Multiples: Dunnes Stores Tesco, Superquinn and SuperValu.

Source: AC Nielsen, *Retail Market Report*, 2007.

Breakdown of number of retail outlets by operator

- 4.32 Using the data provided by AC Nielsen together with the Competition Authority's information, the number of retail outlets by fascia in the grocery sector for the period 2001 to 2006 can be determined, as shown in Table 20. For comparison purposes, the number of independent retailers for 2005 and 2006 has also been estimated.
- 4.33 As of year-end 2006, there were just over 6,400 grocery retail outlets in the State.³⁰ Almost 55% are operated by independents retailers, while 40% are operated by retailers affiliated to a wholesaler-franchisor. Only 5.3% of the retail outlets belong to vertically-integrated retailers.
- 4.34 Among vertically-integrated retailers, Tesco, with 95, has the greatest number of retail outlets in the State followed by Dunnes Stores with 90, and Lidl with 79. ALDI, Superquinn and Marks & Spencer follow, with 39, 21 and 13 retail outlets, respectively.

³⁰ The Competition Authority's estimate of the total number of grocery retail outlets is higher than that of AC Nielsen. The reason is that outlets operating fascias like Marks & Spencer and Xpress Stop are not included in AC Nielsen estimates.

- 4.35 Among the affiliated retailers, those operating the SPAR fascia (SPAR/EUROSPAR/SPAR Express) are the most numerous, with 447 retail outlets, followed by retailers operating the Centra fascia, with 407. Londis, Gala and SuperValu retail outlets are the next most numerous with 349, 312 and 180, respectively. The remaining fascias have retail outlets ranging between 140 and 52.
- 4.36 When affiliated retailers are grouped by their respective wholesaler-franchisors, the Musgrave fascias together account for the greatest number of retail outlets, with 740 (11.6% of the total) followed by BWG Foods' fascias with 697 (10.9% of the total). ADM Londis, the Gala Wholesalers, Mangan Wholesale and the Barry Group follow with 349, 312, 254 and 217 retail outlets, respectively.
- 4.37 The 61% increase in the number of retail outlets belonging to the vertically-integrated retailers for the period 2001 to 2006 can be attributed to the expansion of ALDI and Lidl. Since 2002, ALDI has opened 30 new retail outlets while Lidl has opened 51 outlets. As of year-end 2006, ALDI and Lidl together operated 118 retail outlets, approximately 35% of the 337 outlets operated by the vertically-integrated retailers.
- 4.38 Each of the other vertically-integrated retailers has also increased its number of stores in the State. After ALDI and Lidl, Dunnes Stores has been the most active in terms of expansion, opening 22 new retail outlets in the State between 2001 and year-end 2006. Tesco, Marks & Spencer and Superquinn follow, opening 19, 9 and 2 new retail outlets, respectively.

Table 20: Number of Grocery Retail Outlets by Fascia for 2001 – 2006

Year-end		2001	2002	2003	2004	2005	2006
Vertically-Integrated Retailers							
	ALDI	9	10	12	22	30	39
	Dunnes Stores	68	70	72	75	83	90
	Lidl	28	36	42	56	64	79
	Marks & Spencer	4	4	7	8	11	13
	Superquinn	19	19	19	20	21	21
	Tesco	76	75	80	86	92	95
	Sub Total	204	214	232	267	301	337
Wholesaler-Franchisor	Affiliated Retailers						
ADM Londis	Londis	n/a	283	294	313	338	349
Barry Group	Costcutter	63	78	88	103	107	120
	Quikpick	75	92	105	102	98	97
	Sub Total	138	170	193	205	205	217
BWG Foods	MACE	98	115	132	138	138	140
	SPAR/EUROSPAR /Spar Express	362	383	407	412	428	447
	XL Stop & Shop	n/a	109	113	110	113	110
	Sub Total	460	607	652	660	679	697
Gala Wholesalers	Gala	165	200	235	270	300	312
Mangan Wholesale	MACE	143	143	142	136	134	128
	Vivo	19	42	47	48	50	52
	Xpress Stop	48	54	63	71	74	74
	Sub Total	210	239	252	255	258	254
Musgrave	Centra	317	320	335	353	374	407
	Daybreak	-	-	-	-	-	93
	DayToday	88	100	109	118	135	60
	SuperValu	171	176	183	177	170	180
	Sub Total	576	596	627	648	679	740
	Sub Total	1,549	2,095	2,253	2,351	2,459	2,569
Independent Retailers*		n/a	n/a	n/a	n/a	4,160	3,498
Total						6,920	6,404

* Estimated figures based on AC Nielsen data.

- 4.39 Between 2001 and 2006, the number of affiliated retailers increased by 66%, from 1,549 to 2,569. Among the affiliated retailers, it appears that the number of retailers operating stores under the various BWG Food fascias increased by the greatest amount. Together, this group of retailers grew by 237 retail outlets, accounting for approximately 23% of the increase in the overall number of affiliated retailers. The second largest increase in outlet numbers occurred among retailers operating the Musgrave fascias. Between 2001 and 2006 their numbers grew by 164 outlets, accounting for 16% of the total increase in stores of affiliated retailers. In 2006, Musgrave created a new fascia, 'Daybreak', and 72 stores were transferred from DayToday to this new fascia. Musgrave is followed by Gala fascias (Gala, Gala Xpress, Gala Super Store and Checkout): between 2001 and 2006, the number of Gala outlets increased by 147 outlets, accounting for approximately 14% of the overall increase in the number of stores belonging to affiliated retailers. The groups of affiliated retailers of the Barry Group, ADM Londis (since 2002) and Mangan Wholesale grew by 79, 66 and 44 retail outlets, respectively.
- 4.40 In terms of growth rates in outlets between 2001 and 2006, the highest growth rates were seen in Gala fascias and the Barry Group, with 89% and 57% respectively.

Size of Grocery Retail Outlets

- 4.41 The following section examines the size of grocery retail outlets, by classification (vertically-integrated retailers, affiliated retailers and independent retailers) and by operator. Firstly, the distribution of grocery outlets by 'size', (in terms of the net retail sales area) is described. Secondly, average net retail sales area by operator is examined. Finally, aggregate net retail sales area is considered.

Distribution of grocery retail outlets by size

- 4.42 In 2006, 80% of the retail outlets of vertically-integrated retailers and affiliated retailers in the State were less than 500m² in total floor space, as Table 21 below indicates. This reflects the fact that over 90% of retail outlets owned by affiliated retailers fall into this lower range. Retail outlets belonging to the vertically-integrated retailers are distributed around the middle and higher ranges. The size ranges used

in Table 21 are those used in the *Retail Planning Guidelines* issued by the Department of the Environment, Heritage and Local Government.³¹

Table 21: Size Distribution of Retail Outlets (net retail sales area) in 2006

Size Distribution of Retail Outlets*	Total	Vertically-Integrated Retailers	Affiliated Retailers
< 500m ²	80.6%	5.7%	90.0%
500m ² < store size < 1,000m ²	8.4%	25.0%	6.3%
1,000m ² < store size < 1,500m ²	5.3%	25.9%	2.7%
1,500m ² < store size < 2,500m ²	3.4%	23.2%	1.0%
2,500m ² < store size < 5,000m ²	2.2%	19.3%	0.0%
> 5,000m ²	0.1%	0.9%	0.0%

* Size is based on the net retail sale area of the stores (active during 2006) surveyed by the Competition Authority. Independent retailers and other small affiliated retailers are not included.

4.43 If the outlets of independent retailers and retailers affiliated to small franchise groups are included, 90% of retail outlets are less than 400m² in total floor space, as shown in Table 22 below.

³¹ See Annex 1 of the *Retail Planning – Guidelines for Planning Authorities*, January 2005. Available at: http://www.irishspatialstrategy.ie/Retail_Planning_guidelines_Jan_05.pdf

Table 22: Distribution of Retail Outlets by Size and AC Nielsen Categories in 2006

Category	Outlet Size	% Outlet Number
CTNs*		15%
Forecourts		25%
Traditionals	< 100m ²	28%
Superettes	100m ² < Store Size < 400m ²	22%
Small Supermarkets	400m ² < Store Size < 1,000m ²	5%
Large Supermarkets	1,000m ² < Store Size < 2,500m ²	4%
Hypermarkets	> 2,500m ²	1%

* CTNs are confectioners-tobacconists-newsagents. They differ from 'Traditionals' in that more than 50% of CTNs comes from sales of stores selling sweets, tobacco and newspapers.

Source: AC Nielsen, *Retail Market Report*, 2007.

Average net retail sales area by operator

4.44 Across all retailers for which the Competition Authority has information, the average size of retail outlet is just over 400m² (net retail sales area), as shown in Table 23. As expected, the average figure for store floor space for vertically-integrated retailers is much greater, by a factor of five, than the average floor space for affiliated retailers. Among vertically-integrated retailers, Tesco has the highest average store floor space, whilst among affiliated retailers SuperValu has the largest stores on average. Indeed, the average size of a SuperValu retail outlet is very close to that of retail outlets owned by vertically-integrated retailers and higher on average than for ALDI and Marks & Spencer retail outlets.

Table 23: Average Net Retail Sales Area (square metres) per Outlet per Fascia in 2006

Net Retail Sales Area (m ²)		Average	Std. Deviation
Vertically-Integrated Retailers*			
	ALDI	835	121
	Dunnes Stores	1,861	965
	Lidl	1,120	164
	Marks and Spencer	1,097	693
	Superquinn	1,920	661
	Tesco	2,334	1,240
	Average**	1,671	1,017
Wholesaler-Franchisor			
Affiliated Retailers			
ADM Londis	Londis	206	164
Barry Group	Costcutter	253	176
	Quikpick	98	11
	Average***	185	153
BWG Foods	MACE	138	68
	SPAR /EUROSPAR/ SPAR Express	256	216
	XL Stop & Shop	100	****
	Average***	208	188
Gala Wholesalers	Gala	126	85
Mangan Wholesale	MACE	176	105
	Vivo	214	109
	Xpress Stop	84	47
	Average***	158	105
Musgrave	Centra	249	133
	Daybreak	116	24
	DayToday	105	66
	SuperValu	1,031	434
	Average***	402	424
	Average**	247	282
Total		412	626

*For Dunnes Stores and Mark & Spencer, net retail sales area excludes clothing. For all affiliated retailers except Londis, Daybreak, DayToday and Gala, figures are based on total store size.

** Average over all retail outlets of the retailer category (vertically-integrated retailers and affiliated retailers).

*** Average net retail sales area of retail outlets the affiliated retailers of the relevant wholesaler-franchisor.

**** Standard deviation is zero for XL Stop & Shop because only averages were available.

4.45 Table 24 below shows, for the vertically-integrated retailers, the average overall size of retail outlets and the average net retail sales area per outlet devoted to the sale of grocery goods. Except for Lidl and Superquinn, the vertically-integrated retailers devote between 12% (Marks & Spencer) and 35% (Tesco) of average net retail sales area to the sale of non-groceries. ALDI and Dunnes Stores devote approximately 20% of the net retail area to non-grocery goods.

Table 24: Vertically-Integrated Retailers - Average Net Retail Sales Area (overall and grocery) in 2006 (square metres)

Net Retail Sales Area*	Overall Average	Average for Grocery Goods
Vertically-Integrated Retailers*		
ALDI	835	667
Dunnes Stores	1,861	1,461
Lidl	1,120	1,120
Marks & Spencer	1,097	967
Superquinn	1,920	1,920
Tesco	2,334	1,515
Total	1,676	1,314

*For Lidl, information on net retail sale area for grocery goods only was not available. For Superquinn, the area for non grocery goods is minimal. For Dunnes Stores and Marks & Spencer average net sales area does not include the clothing section.

Aggregate Retail Floor Space

4.46 The following subsection examines aggregate retail floor space. Aggregate retail floor space relates to the retailing capacity of the sector and specifically concerns floor space summed over outlets. Aggregate net retail sales areas are broken down by classification (vertically-integrated retailers, affiliated retailers and independent retailers) and by operator. The trend in aggregate retail floor space for the period 2001 to year-end 2006 is also considered.

Aggregate net retail sales area

4.47 Table 25 below shows aggregate net retail sales area broken down by classification of retailer (vertically-integrated and affiliated retailers only) for the period 2001 to 2006. These figures underestimate total net retail sales area because estimates are unavailable for the

independent sector. As of year-end 2006, there was over 1.1 million square metres of net retail sales area devoted to grocery goods in the State. Of this, 442,815m² or 40.5% was owned by vertically-integrated retailers, and approximately 651,432m² or 59.5% was owned by affiliated retailers.

Table 25: Estimated Aggregate Net Retail Sales Area (for Grocery Goods) for 2001 – 2006

Net Retail Sales Area for Grocery Goods	2001	2002	2003	2004	2005	2006
Vertically-Integrated retailers*	273,926	285,043	308,541	345,246	397,968	442,815
Affiliated Retailers**	448,022	547,502	580,423	593,134	607,216	651,432
Total***	721,948	832,545	888,964	938,380	1,005,184	1,094,247

* For vertically-integrated retailers, yearly figures are obtained by multiplying the average net retail sales area for grocery goods only by the number of stores at the end of the year.

** For affiliated retailers, estimated figures for the total net resale area are obtained by multiplying the number of stores at the end of each year by the average store net resale area in 2006.

*** Excluding independent retailers.

4.48 Retail floor space (for grocery goods only) belonging to the vertically-integrated retailers increased by 62% between 2001 and 2006 (close to the 65% increase in the numbers of retail outlets owned by vertically-integrated retailers: see Table 20 above). Retail floor space operated by affiliated retailers increased by 45% between 2001 and 2006 (less than the 66% increase in numbers of retail outlets over the same period, see Table 20 above). The overall increase in aggregate net retail sales area between 2001 and 2006 is due, in almost equal measure, to the vertically-integrated and affiliated retailers.

4.49 Commensurate with the decrease in the number of outlets operated by independent retailers, floor space belonging to independent retailers decreased between 2001 and 2006. In contrast to the number of retail outlets, it is estimated that the decline in floor space belonging to independent retailers is more than offset by the increase in floor space

belonging to the vertically-integrated retailers and affiliated retailers. Assuming that the average size of an outlet belonging to an independent retailer is 50m², total floor space belonging to independent retailers is estimated to have fallen by approximately 50% or 172,700m² between 2001 and 2006. Floor space belonging to vertically-integrated retailers increased by 62% or 168,900m² over the same period while floor space belonging to affiliated retailers increased by 45% or 203,400m². This implies a net increase in floor space of approximately 200,000m² over the period 2001 to 2006.³²

Breakdown of retail floor space by operator

- 4.50 Table 26 below shows the breakdown of floor space by operator, as measured by net retail sales area, for 2006. Among the vertically-integrated retailers, Tesco has the greatest share, with approximately 221,000m², followed by Dunnes Stores and Lidl, with approximately 167,000m² and 88,000m², respectively.
- 4.51 Affiliated retailers operating the SuperValu fascia together account for the greatest amount of retail floor space, with approximately 184,500m², placing them on a comparable footing with Tesco and Dunnes Stores. Affiliated retailers operating the SPAR fascias together account for approximately 118,000m² of retail floor space, placing them second among the affiliated retailers. Affiliated retailers operating the Centra fascia and Londis fascia follow with approximately 102,000m² and 76,000m², respectively. The other groups of affiliated retailers range between approximately 30,000m² and 6,000m² of retail floor space.
- 4.52 When affiliated retailers are grouped by their respective wholesaler-franchisors, retailers affiliated to Musgrave together account for the greatest amount of floor space, with approximately 304,000m² placing them ahead of the vertically-integrated retailer Tesco. Retailers affiliated to BWG Foods fascias together account for the next largest share of floor space, with approximately 148,000m². Retailers affiliated to ADM Londis, Mangan Wholesale, Barry Group fascias and

³² The estimate of the average size of an outlet belonging to an independent retailer is based on turnover per square meter. If it is assumed instead the average size an outlet belonging to an independent retailer is 70m², then the implied net increase in overall floor space is 130,500m². In other words the finding that overall amount of floor space has substantially increased over the period 2001 to 2006 is robust to different assumptions.

the Gala Wholesalers follow with approximately 76,000m², 42,000m², 40,000m² and 39,000m² of retail floor space respectively.

Table 26: Aggregate Net Retail Sales Area (square meters) per Fascia in 2006

		Net Retail Sales Area (m ²)	% of Total
Vertically-Integrated Retailers			
	ALDI	32,580	2.7
	Dunnes Stores	167,499	13.7
	Lidl	88,468	7.3
	Marks & Spencer	14,263	1.2
	Superquinn	40,326	3.3
	Tesco	221,751	18.2
	Sub Total	564,815	46.4
Wholesaler-Franchisor	Affiliated Retailers*		
ADM Londis	Londis	76,245	6.3
Barry Group	Costcutter	30,640	2.5
	Quikpick	9,405	0.8
	Sub Total	40,045	3.3
BWG Foods	MACE	20,153	1.7
	SPAR /EUROSPAR/SPAR Express	117,900	9.7
	XL Stop & Shop	10,900	0.9
	Sub Total	148,953	12.2
Gala Wholesalers	Gala	39,115	3.2
Mangan Wholesale	MACE	24,071	2.0
	Vivo	12,000	1.0
	Xpress Stop	6,365	0.5
	Sub Total	42,436	3.5
Musgrave	Centra	102,549	8.4
	Daybreak	11,237	0.9
	DayToday	6,307	0.5
	SuperValu	184,500	15.2
	Sub Total	304,638	25.0
	Sub Total	651,432	53.6
Total		1,214,627	100

* The figures are based on total store size for all affiliated retailers except Londis, Daybreak, DayToday and Gala. Only average store floor space values were available for XL Stop & Shop.

Geographic Distribution of Retail Outlets

4.53 The following subsections examine the geographic distribution of retail outlets. The vertically-integrated retailers, affiliated retailers and independent retailers are considered separately.

Geographic Distribution: Vertically-Integrated Retailers

4.54 Figure 10 below illustrates the distribution of outlets belonging to the vertically-integrated retailers that were active as of March 2007.³³ The figure shows that vertically-integrated retailers tend to be located in or around urban centres.

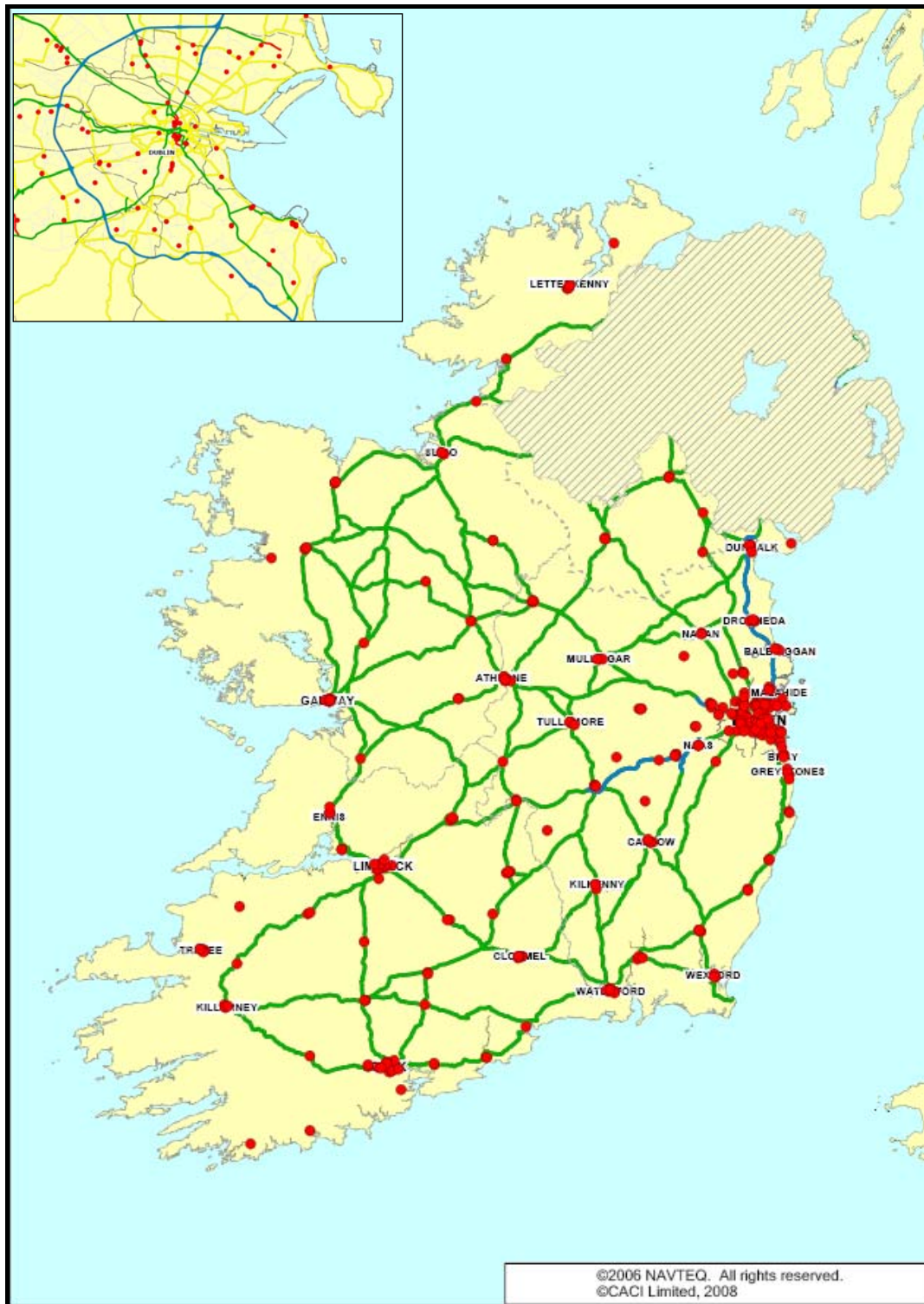
4.55 As of March 2007, Tesco and Dunnes Stores had the greatest number of grocery retail outlets in the State and had the widest geographic distribution. Tesco had 95 retail outlets and had a presence in every county with the exception of Kilkenny. Tesco had the highest presence in Dublin with 32 outlets, followed by Cork and Wicklow which both have eight retail outlets. Dunnes Stores had 90 grocery retail outlets in the State and has a presence in all counties in Ireland with the exception of Leitrim. Dunnes Stores had the highest number of retail outlets in Dublin with 30 outlets, followed by Cork with 13 and Limerick with six.

4.56 As of March 2007, Lidl had 79 retail outlets in the State. Retail outlets were widely distributed but the largest proportion, 15, were in Dublin. Lidl also have a significant presence in Cork which has nine retail outlets, six in Tipperary and five in Kildare. ALDI had 39 retail outlets in the State. ALDI had a presence in 18 of the 26 counties but had the greatest presence in Dublin with 10 retail outlets.

4.57 As of March 2007, Superquinn had 21 retail outlets in the State, 9 of which were located in Dublin. Superquinn also has retail outlets in Wicklow, Carlow, Kildare, Kilkenny, Limerick and Waterford. Marks & Spencer had 13 retail outlets in the State. The majority of these retail outlets are in Dublin. Marks & Spencer is also established in Cork, Galway, Kildare and Louth.

³³ Appendix C shows separately for each of the vertically-integrated retailers the distribution of outlets across the State.

Figure 10: Outlets of Vertically-Integrated Retailers active in March 2007



4.58 Figure 11 below illustrates the retail outlets opened by the vertically-integrated retailers between 2001 and March 2007. Of the 337 outlets owned by vertically-integrated retailers, 176 have opened since 2001.

There is further discussion of the entry patterns of vertically-integrated retailers in section 6.

Figure 11: Outlets of Vertically-Integrated Retailers opened since 2001



Geographic Distribution: Affiliated Retailers

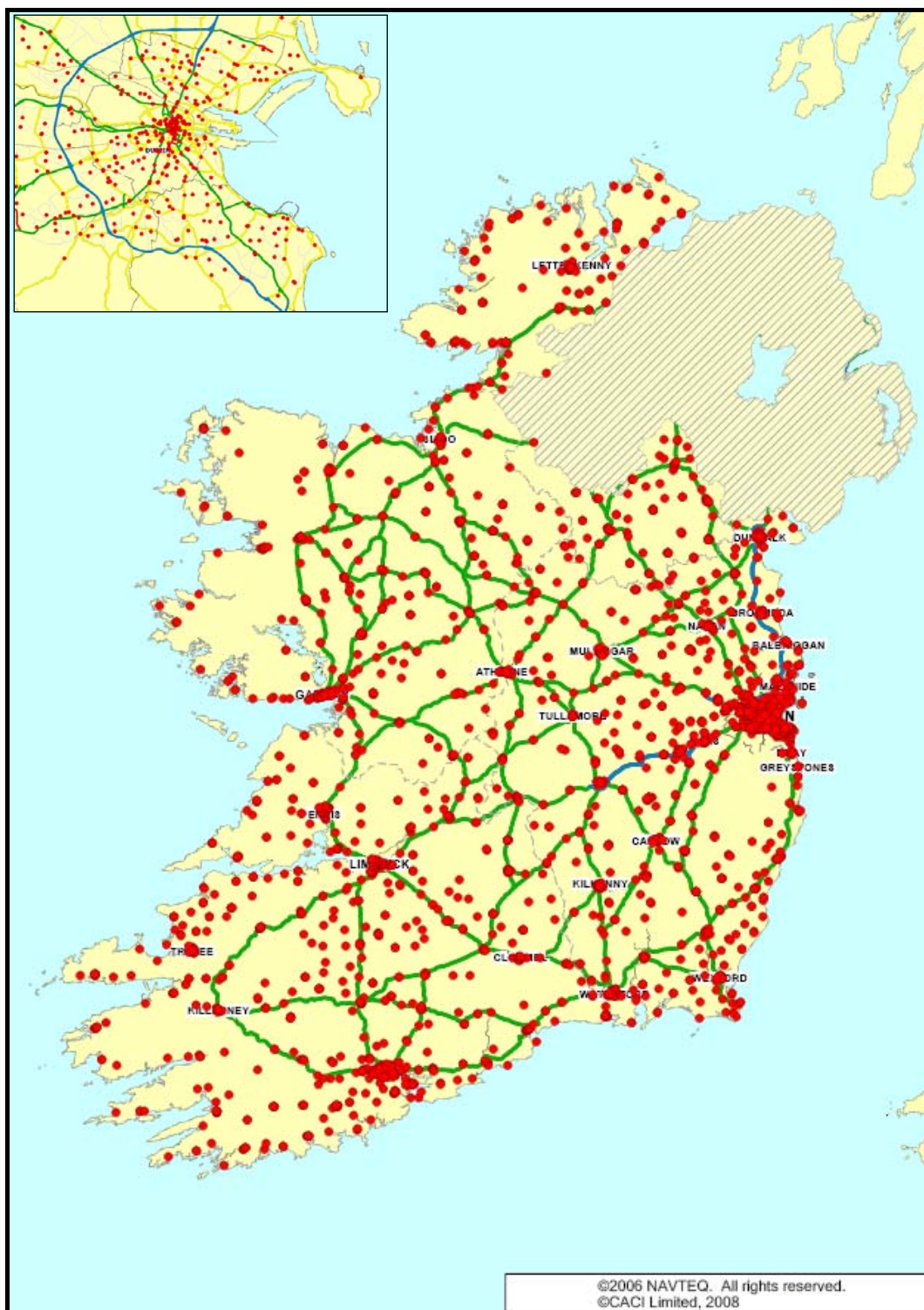
- 4.59 Figure 12 below shows the locations of outlets belonging to affiliated retailers active as of March 2007.³⁴ Like the vertically-integrated retailers, outlets belonging to affiliated retailers tend to be clustered around urban areas. However, the affiliated retailers are better represented outside the main urban areas than vertically-integrated retailers.
- 4.60 As of March 2007, there were 621 affiliated retailers of the Musgrave Group operating 740 outlets between them. 180 outlets are SuperValu outlets, 407 are Centra outlets, 93 are Daybreak outlets and 66 are DayToday outlets. Affiliated retailers of the Musgrave Group are widely distributed and are present in every county in the State. SuperValu outlets are present in all counties. Cork has the highest number of SuperValu outlets at 30, followed by Dublin with 24 outlets. However, compared to the vertically-integrated retailers, the distribution of SuperValu outlets is proportionally greater outside Dublin.
- 4.61 Centra stores are also present in all counties, but the most substantial presence is in Dublin with 80 outlets and Cork with 73 outlets. The majority of the 60 DayToday outlets are in Leinster and Munster while Connaught and Munster see the greatest concentration of Daybreak outlets.
- 4.62 As of March 2007, 537 affiliated retailers of BWG Foods operated 697 retail outlets between them. Affiliated retailers of BWG Foods are present in every county in the State. There are 447 SPAR stores (including EUROSPAR and SPAR Express) spread across every county. The greatest concentration of SPAR outlets, 163, is in the Dublin area. This is followed by Cork at 45 and Galway at 29. There are 140 MACE (BWG) stores in the State which appear to be concentrated in Leinster and to a lesser degree, Munster. There are 110 XL Stop & Shop outlets in the State which appear to be distributed relatively evenly across counties.
- 4.63 As of March 2007, there were 198 affiliated retailers of the Barry Group, operating 217 stores between them. Affiliated retailers of the

³⁴ Appendix C shows separately for each of the wholesaler-franchisors the distribution of outlets belonging to affiliated retailers across the State.

Barry Group are present in every county in the State, but the greatest concentration is in Munster.

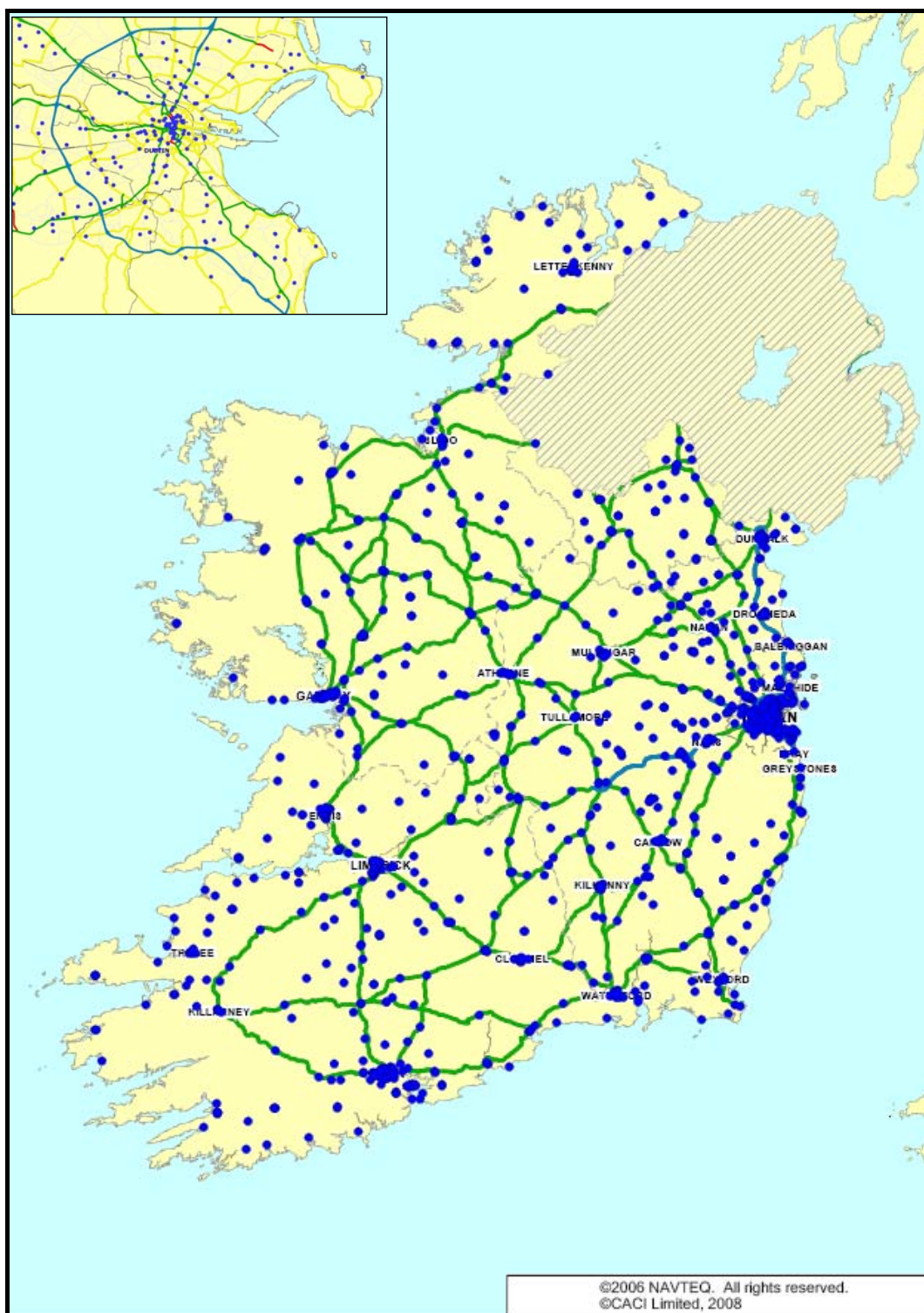
- 4.64 There were 304 affiliated retailers of ADM Londis, operating 349 outlets between them as of year-end 2006. Londis outlets are present in all counties but are prominent in Leinster, particularly in Dublin which has 79 outlets.
- 4.65 As of March 2007, there were 249 affiliated retailers of Mangan Wholesale, operating 254 stores between them. The majority of MACE (Mangan Wholesale) and Xpress Stop outlets are in the west of the country, while the majority of Vivo outlets are in the Leinster area.
- 4.66 There are 284 affiliated retailers of the Gala Wholesalers and as of March 2007 they operated 312 stores between them. Gala outlets are present in all counties except Waterford, but are concentrated mainly in the Leinster area.

Figure 12: Outlets of Affiliated Retailers active in March 2007



4.67 Figure 13 below illustrates the retail outlets opened by affiliated retailers since 2001. Of the 2,499 outlets owned by affiliated retailers, 1,295 have opened since 2001. There is further discussion of the entry patterns of affiliated retailers in section 6.

Figure 13: Outlets of Affiliated Retailers opened since 2001



Geographic Distribution: Independent Retailers

4.68 Table 27 below shows the distribution of independent retailers across the State, which, in the Competition Authority's definition, includes

retailers and garage forecourts affiliated to franchise groups not directly surveyed and those not affiliated to any group, such as, for example, newsagents. The table shows that while Independents and CTN/Garages are distributed relatively evenly across the four regions, independents in particular tend to be proportionately less present in the Dublin area.

Table 27 Distribution of Independent Retailers (AC Nielsen)

% of stores in	Dublin	Rest of Leinster	Munster	Connaught-Ulster
<i>AC Nielsen Classification</i>				
Independents	11	25	34	30
CTNs / Garages	22	30	27	21

* Independents are independent grocery retail outlets and small affiliated retailers (e.g., Gala, Costcutter and DayToday). CTNs/Garages are confectioners-tobacconists-newsagents for whom more than 50% of revenue comes from the sale of sweets, tobacco and newspapers.

Source: AC Nielsen, *Retail Market Report*, 2007.

Summary and Comment

- 4.69 This section of the *Report* has considered the structure of the retail level of the grocery supply chain in the State as of year-end 2006, and its evolution since 2001. The Competition Authority estimates that during 2006 €14.6 billion in turnover was generated by grocery retailers of which 80% or €11.6 billion was generated from the sale of grocery goods falling within the Competition Authority's definition.
- 4.70 The Competition Authority's estimate of the size of the retail grocery sector is a composite estimate based on information gathered directly from the vertically-integrated retailers, from the four largest wholesaler-franchisors on behalf of their affiliated retailers and from AC Nielsen for independent retailers and smaller groups of affiliated retailers. Of the €11.6 billion turnover derived from the sale of grocery goods in 2006, 46% was attributable to vertically-integrated retailers, 40% to affiliated retailers of the four largest wholesaler-franchisors and 14% to independent retailers and smaller groups of affiliated retailers.

- 4.71 The Competition Authority was able to gather historical information covering the entire period of analysis (2001 to 2006) from the vertically-integrated retailers and from the four largest wholesaler-franchisors on behalf of their affiliated retailers. Historical estimates of turnover covering the entire period of analysis were not available from AC Nielsen.
- 4.72 For 2006, the combined turnover of those retailers for which historical information was available was €12.6 billion (86.1% of estimated total turnover for that year). This represented a nominal growth in turnover of 70%, from €7.4 billion in 2001. For 2006, the combined grocery goods turnover of those retailers, for which historical information was available, was €10.0 billion (85.9% of estimated total grocery good turnover for that year). The proportion of grocery goods turnover as a share of overall retail grocery turnover, for those retailers for whom historical information was available, fell during the period 2001 to 2006, from 82.3% to 79.1% of total turnover, indicating the growing importance of non-grocery items for grocery retailers.
- 4.73 Among the vertically integrated retailers, Tesco and Dunnes Stores had the greatest shares of turnover, between them accounting for almost 30-35% of total grocery goods turnover in the State. Across all fascias, that is, fascias operated by both vertically-integrated and affiliated retailers, Tesco, SuperValu and Dunnes Stores together had the greatest shares of turnover, accounting for approximately 45-50% of grocery goods turnover at the retail level in the State.
- 4.74 As of year-end 2006, there were approximately 6,400 stores in the State selling grocery goods. Of these, 337 or 5.3% were owned by the vertically-integrated retailers, approximately 2,569 or 40.1% were owned by affiliated retailers and approximately 3,498 or 54.6% were owned by independent retailers. The number of retail outlets belonging to the vertically-integrated retailers has almost doubled since 2001. The number of retail outlets belonging to affiliated retailers has seen comparable growth over the same period. In contrast, the number of retail outlets belonging to independent

retailers fell by 44% between 2000³⁵ and 2006 and reflects a much longer-term trend.

- 4.75 In terms of the numbers of retail outlets by fascia, the position as of year-end 2006 mirrored that regarding turnover shares. Across all fascias, SPAR/EUROSPAR/SPAR Express, Centra and Lonsis had the greatest number of outlets. Among the vertically-integrated retailers, Tesco and Dunnes Stores had the greatest number of retail outlets. The retailers operating under the SuperValu fascia accounted for almost as many retail outlets as Tesco and Dunnes Stores combined.
- 4.76 All fascias showed growth in numbers of retail outlets between 2001 and 2006. Among the vertically-integrated retailers, recent entrants ALDI, Lidl and Dunnes Stores showed the greatest growth, while among the affiliated retailers, some fascias almost doubled in numbers of retail outlets. For example, affiliated retailers of the Gala fascia experienced growth of over 89% in the number of outlets between 2001 and 2006.
- 4.77 The situation regarding grocery retail floor space in the State stands in contrast to the numbers of retail outlets. As of year-end 2006, there was approximately 1.1 million square metres of grocery retail floor space (grocery net retail sales area) in the State, excluding the space used by independent retailers for which data was unavailable. Of this, approximately 46% belonged to the vertically-integrated retailers and 54% to affiliated retailers.
- 4.78 As of year-end 2006, vertically-integrated retailers Tesco and Dunnes Stores accounted for just under a third of all net retail sales area in the State, having shares of 18.2% and 13.7%, respectively. Across all fascias, the grouping of retailers operating the SuperValu fascia had the second largest share of floor space, with 15.2%.
- 4.79 While the Competition Authority was unable to gather reliable historical information from all groupings of retailers on retail floor space, it appears that the total figure for retail floor space in the State has grown considerably since 2001. This increase is largely attributable to the growth of the vertically-integrated retailers. Floor space belonging

³⁵ Information on the number of retail outlets belonging to independent retailers was provided by AC Nielsen. Information on 2001 was not available.

to the vertically-integrated retailers has almost doubled (increase of 86%) since 2001.

4.80 In terms of the geographic distribution of retailers, unsurprisingly, retailers tend to locate in and around population centres. As of March 2007, of the vertically-integrated retailers, Tesco and Dunnes Stores had the widest geographic distribution of grocery retail outlets, followed by Lidl and ALDI. Outlets of Superquinn and Marks & Spencer had a more limited geographic distribution. Among the affiliated retailers, affiliated retailers of the two largest wholesaler-franchisors, Musgrave and BWG Foods, were present in every county in the State. Affiliated retailers of the Barry Group were also present in every county in the State, but are concentrated more in Munster. Similarly, while affiliated retailers of ADM Londis were in every county, there was a greater concentration in Leinster, particularly in the Dublin area. Affiliated retailers of the Gala Wholesalers follow a similar pattern. Affiliated retailers of Mangan Wholesale were concentrated in the West (Xpress Stop and Shop) and in Leinster (Vivo).

4.81 Like section 3, section 4 has raised a number of issues requiring further consideration. Firstly, there appears to be a long-term trend toward consolidation in the retail market structure. While the overall number of retail outlets is decreasing, overall grocery retail floor space is increasing. This implies that floor space, as a measure of grocery retailing capacity, is becoming more concentrated in fewer outlets. This trend is driven by the growth of the vertically-integrated retailers, and reflects the underlying dynamics of the economics of grocery retailing. Specifically, the growth of the vertically-integrated retailers is driven by the pursuit of cost efficiencies associated with scale.

4.82 Secondly, in some respects, the affiliated retailers serve a different function to vertically-integrated retailers. As discussed above, with the exception of those retail outlets operating under the SuperValu fascia, the retail outlets of the affiliated retailers tend to be smaller in size, more widely distributed geographically and to have greater ease in locating in urban centres. On the one hand, this is driven by scale issues associated with population densities. Specifically, smaller retail outlets service lower population densities. This effect is more pronounced in rural areas. On the other hand, the relative scarcity of

suitable large sites in urban centres means that it is easier for the smaller retail outlets of the affiliated retailers to locate in urban areas.

- 4.83 A notable exception to the general characteristics of the affiliated retailers is the group of retailers operating under the SuperValu fascia. SuperValu retail outlets tend to be similar in many respects to those of the vertically-integrated retailers.
- 4.84 This *Report* has classified retailers according to ownership structures. As previously discussed in section 2, the retail outlets of the vertically-integrated retailers are under common ownership, while the retail outlets of affiliated retailers operate under common fascias but are owned by different retailers. Independent retailers are owned independently and operate under unique fascias. This distinction has been useful in terms of gathering and presenting information on the retail grocery sector, but as a means of describing competition within the sector, it is of limited value.
- 4.85 Finally, the description of market structure in this section clearly indicates that the number of unaffiliated independent retailers is in decline. This is driven by two principal factors. Firstly, as previously indicated, the economics of grocery retailing produce a tendency toward consolidation of floor space, as evidenced by the growth of the vertically-integrated retailers. Secondly, independent retailers appear, to some extent, to be re-emerging as affiliated retailers. This tendency is probably driven by the desire of independent retailers to access greater purchasing strength through affiliation with wholesalers and to access the perceived benefits of trading under a retail brand used by other retailers.
- 4.86 These issues are explored further in sections 5 and 6 below, where competition at the retail and wholesale levels and the extent of vertical links between the two levels are considered.

5. COMPETITION AT THE WHOLESALE LEVEL

Introduction

5.1 This section describes the relationship between wholesaler-franchisors and their affiliated retailers at the wholesale level of the grocery sector. In particular, it assesses the services offered by wholesaler-franchisors to retailers to attract their business and compete with other wholesaler-franchisors; the structure and content of the franchise agreements between wholesaler-franchisors and affiliated retailers; and the geographical location of wholesaler-franchisors in relation to their affiliated retailers. This section also considers switching dynamics, from affiliation with one wholesaler-franchisor to another, from independent retail to affiliation and from affiliation to independent retail.

Wholesaler-Franchisor Services

5.2 As considered briefly in section 3, the traditional wholesaling model consisted of four principal activities: the sale to retailers for resale of goods purchased from various suppliers; the storage of goods; the delivery of goods to retailers; and the provision of credit to retailers. Under this model, wholesalers compete for the custom of retailers by offering attractive terms for each of these services. The advent of modern wholesaler-franchisors has changed the nature of competition at the wholesale level of the grocery sector.

5.3 The modern wholesaler-franchisor offers a wide range of services to affiliated retailers. In addition to traditional wholesaling services, the modern wholesaler-franchisor offers a 'package' of other services to retailers, which, as noted in section 3 above, are collectively referred to as 'retail support services'. The package of retail support services offered varies across the different wholesaler-franchisor groups but typically includes the following category of services:

- *Brand Management*: supply of signage, uniforms, posters, overall look/standard of the store, packaging for own-label products;
- *Marketing/Advertising*: advertising, sales support, retail training;

- *IT Services*: back office and payroll software, central billing systems;
- *Environmental Services*: assistance with waste management practices, recommended cleaning services;
- *Assistance with Retail Planning Process*: referrals to external panel of planning consultants;
- *Financial Advice*: assistance with accountancy/payroll, future expansion development plans, business planning; and
- *General Legal Compliance*: assistance in complying with legislation including food safety regulations, employment law and store standards auditing.

5.4 Table 28 below illustrates the various retail support services offered by each of the wholesaler-franchisors, and, for each wholesaler-franchisor, the extent to which the services are availed of by affiliated retailers.

5.5 All wholesaler-franchisors offer three core categories of services: brand management, marketing/advertising and information technology services. They are used by affiliated retailers either 'always' or 'often'.

5.6 Brand management services are focused on ensuring that retail outlets operating under a fascia are identifiable under that fascia. Effective brand management means that a customer's experience of each retail outlet belonging to a particular fascia is relatively uniform. To achieve that objective, wholesaler-franchisors assist their affiliated retailers with store layout, product selection and product positioning within the outlet. Indeed, a number of the wholesaler-franchisors have developed own-label products, a traditional domain of the vertically-integrated retailers.

5.7 Services in the marketing/advertising category also reinforce brand identification through advertisement of the brand, sales support and retail training. Advertising of product promotions available at retail outlets of a fascia is probably the most important service in this category.

Table 28: Wholesaler-Franchisor Retail Support Services

	ADM Londis	Barry Group	BWG Foods	Gala Wholesalers	Mangan Wholesale	Musgrave
Brand Management	✓ Often	✓ Always	✓ Always	✓ Always	✓ Sometimes	✓ Always
Marketing / Advertising	✓ Often	✓ Always	✓ Always	✓ Always	✓ Often	✓ Always
IT Services	✓ Often	✓ Always	✓ Always	✓ Always	✓ Often	✓ Always
Assistance with Retail Planning Process	✓** Sometimes	✓ Sometimes	-	✓* Always	-	✓** Sometimes
Financial Advice***	✓ Sometimes	✓ Sometimes	✓ Often	✓ Always	✓ Sometimes	✓ Often
Other****	Customer Service Often	Store Design Always	Food Safety, Store Standards Audit, Store Fit-Out and Design Always	Retailer Support/ Development Support Always	Legal Compliance Sometimes	Store Development Always

* As required by the retailer.

** Refers application to panel of external consultants if requested.

*** Guidance only, retailers obtain own professional advice.

**** Wholesaler-franchisors were asked whether they provided 'other' services as part of the package of services offered to affiliated retailers. Respondents mentioned services such as general legal compliance with health and safety regulations, employment law etc.

5.8 The IT services category is broad and includes back office and payroll software and central billing systems. The wholesaler-franchisors typically do not provide these services themselves and instead recommend suitable providers. The wholesaler-franchisors recommend between two and seven service providers who provide systems that enable electronic ordering, central billing and price updating. A wholesaler-franchisor may provide specifications for those services that are to be integrated with the IT systems of the wholesaler-franchisor. The level of sophistication of these systems varies across the wholesale-franchisors. For example, one wholesaler-franchisor recommends a system that provides access to an information portal containing store-specific information on sales. Some of the

wholesaler-franchisors have access to the information systems of their affiliated retailers.

- 5.9 In addition to the three core categories of services, some wholesaler-franchisors may offer information or advice about a variety of matters such as financial management, environmental regulations, food standard regulations and employment law. Some wholesaler-franchisors also offer information or assistance to varying degrees with the retail planning process. In some instances, these services simply amount to wholesaler-franchisors providing a list of suitable providers to affiliated retailers.

Terms and Conditions of the Franchise Agreement

- 5.10 The relationship between wholesaler-franchisors and their affiliated retailers is governed by franchise agreements. This subsection considers the structure and content of these agreements in terms of:

- Duration and notice period;
- Franchise fee structure;
- Minimum purchase requirements;
- Recommended prices; and
- Exclusivity.

Duration and Notice Period

- 5.11 Table 29 sets out the minimum duration of franchise agreements and the notice period for their termination as well as the basis for the determination of fees payable by affiliated retailers to their wholesaler-franchisor. The franchise agreements of four of the six wholesaler-franchisors have duration of 60 months. All franchise agreements have a three month notice period for termination by either party.
- 5.12 Also, franchise agreements typically provide for termination by the wholesaler-franchisor in the event that an affiliated retailer defaults on its obligations. In these circumstances, the notice periods for contract termination vary from 'immediately' to seven days notice.

Table 29: Terms and Conditions of Franchise Agreements as of Year-end 2006

	ADM Londis	Barry Group	BWG Foods	Gala Wholesalers	Mangan Wholesale	Musgrave
Minimum Duration (Months)	60	60	60	None	60*	None
Notice Period for Termination (Months)	3	3	3	3	3	3
How are Fees Calculated?	Store Size	Store Size and Relevant Fascia	Set Fee per Fascia	Set Fee per Fascia	Store Size and Relevant Fascia	Store Size and Relevant Fascia

* For new contracts.

Franchise Fee Structure

5.13 Franchise agreements typically provide for some fee payable by the affiliated retailer to its wholesaler-franchisor. Typically a franchise fee covers a contribution toward the marketing of the fascia or the advertisement of product promotions offered at the outlets of affiliated retailers. In fact, many agreements describe the fee as a marketing or advertising fee. The fee amount is typically dependent on the size of the retail outlet and the relevant fascia (where the wholesaler-franchisor licenses more than a single fascia³⁶). The frequency of the franchise fee varies. Musgrave,³⁷ Mangan Wholesale,³⁸ BWG Foods³⁹ and ADM Londis⁴⁰ require a weekly payment. Gala⁴¹ levies a monthly charge. The Barry Group⁴² levies an annual charge. Some wholesaler-

³⁶ As described in section 3, a number of the wholesaler-franchisors license a number of different fascias. For example, Musgrave licenses the use of the Centra, SuperValu, DayToday and Daybreak fascias. See Appendix C for more detail on each of the wholesaler-franchisors.

³⁷ Under all Musgrave franchise agreements, affiliated retailers are obliged to pay a weekly contribution towards marketing costs.

³⁸ Mangan Wholesale requires a weekly advertising contribution and a weekly fee for product and price file downloads.

³⁹ In relation to all BWG franchise agreements, there is a weekly scanning pricing update service charge and a weekly symbol fee to cover national marketing and a 5-star standards programme. The amount of this fee varies from contract to contract.

⁴⁰ For ADM Londis, there is a weekly support levy for 'marketing and other support costs'.

⁴¹ Gala requires payment of a monthly advertising charge. In relation to the Gala Express contract, there is a monthly franchise charge and a monthly TV advertising charge.

⁴² In relation to the Barry Group's Costcutter agreement, there is an annual franchise fee and an annual promotional fee that is payable quarterly. In relation to the Barry Group's Quikpick agreement, a weekly advertising fee applies but retailers are invoiced quarterly.

franchisors also receive 'referral fees' for IT services from recommended IT companies.⁴³ One wholesaler-franchisor receives a compensation fee for development support services.

Minimum Purchase Requirements

5.14 The fundamental business objective of a wholesaler-franchisor is to sell to retailers goods that are purchased from a variety of suppliers. The development of the wholesaler-franchisor model can be seen as a means by which a wholesaler attracts and maintains a customer base of retailers. Franchise agreements typically require affiliated retailers to purchase a minimum volume of grocery goods from the relevant wholesaler-franchisor. The minimum purchasing requirements vary among the wholesaler-franchisors, from 90% to 100% of total volume of grocery goods purchased, as Table 30 shows.

Table 30: Minimum Purchasing Requirements for Wholesaler-Franchisors

	ADM Londis	Barry Group	BWG Foods	Gala Wholesalers	Mangan Wholesale	Musgrave
Recommended Amount Purchased	90%	95%	90%	100%	100%	95%

5.15 Minimum purchasing requirements are used by wholesaler-franchisors to encourage the loyalty of their affiliated retailers. Wholesaler-franchisors seek to maintain a sufficient volume of sales to justify their investment in wholesaling and franchising. The minimum requirements are qualified in two important respects. Firstly, they apply only to the goods that the wholesaler-franchisor has available. An affiliated retailer may sell grocery goods and non-grocery goods that are not available from its wholesaler-franchisor. Secondly, even if a wholesaler-franchisor wants its affiliated retailers to make 100% of its purchases from the wholesaler-franchisor, the minimum requirements are set lower so as to provide a degree of flexibility for

⁴³ These are the Barry Group and Musgrave.

the retailer. The degree of minimum purchasing requirements is a point of differentiation among wholesaler-franchisors. Some retailers may choose to affiliate with a specific wholesaler-franchisor because of its lower minimum purchasing requirements.

- 5.16 Minimum purchasing requirements are difficult to enforce. Some wholesaler-franchisors are more successful than others in encouraging the loyalty of their affiliated retailers. The Competition Authority's survey of small retailers broadly confirms the information provided by the wholesaler-franchisors. Musgrave, ADM Londis and BWG Foods appear to be the most successful at securing affiliated retailer loyalty. Given the origins of ADM Londis as a cooperative organisation of retailers, the high level of actual amounts purchased among affiliated retailers (80%–85% of volume of grocery goods purchased) might be expected. Musgrave also has a high success rate in encouraging loyalty among affiliated retailers of the SuperValu fascia, where actual amounts purchased are in excess of 95% of total volume of grocery goods purchased. BWG Foods, the second-largest wholesaler-franchisor after Musgrave, is also effective at encouraging loyalty, and reports actual amounts purchased by affiliated retailers in the range of 85-88% of total volume, on average, across its fascias. Loyalty to the relevant wholesaler-franchisor is encouraged or incentivised via rebate structures which, *inter alia*, reward affiliated retailers for reaching minimum purchasing requirements.

Recommended Prices

- 5.17 Table 31 below presents information on the wholesaler-franchisors' policies on recommended retail prices. Unlike the vertically-integrated retailers who can legally set uniform prices across their retail outlets, the wholesaler-franchisors cannot. The wholesaler-franchisors make price recommendations to their affiliated retailers which the affiliated retailers are under no legal obligation to follow.
- 5.18 Each of the six wholesaler-franchisors recommend retail prices to affiliated retailers. In one instance, the recommended retail price is a maximum retail price. Two of the wholesaler-franchisors reported that they do not know when an affiliated retailer deviates from recommended prices, while the others reported that affiliated retailers deviate 'sometimes' or 'often'. Section 6 of this *Report* considers the

ability of the different wholesaler-franchisors to observe with certainty the retail prices of their affiliated retailers. The Competition Authority survey of small retailers broadly confirms the information provided by the wholesaler-franchisors. Of those affiliated retailers that responded to the survey, 17% said they never deviated from recommended retail prices, 64% said they sometimes deviated, 11% reported that they often deviate while 5% reported that they always deviate.

Table 31: Wholesaler-Franchisors and the Practice of Recommending Prices

	ADM Lendis	Barry Group	BWG Foods	Gala Wholesalers	Mangan Wholesale	Musgrave
Recommend Final Selling Prices to Affiliated Retailers?	Yes	Yes	Yes	Yes*	Yes	Yes
Are these Minimum / Maximum Final Selling Prices?	No	No	No	No	No	Yes** Maximum
How often do Affiliated Retailers Deviate from Recommended Selling Prices?	Unknown	Unknown	Often	Sometimes	Unknown	Sometimes***

* With the exception of fresh fish/meat.

** Musgrave Wholesale Partners advises Daybreak and DayToday retailers of the manufacturer's recommended retail price but does not recommend maximum or minimum selling prices.

*** It is "often" for retailers affiliated to Daybreak and DayToday.

Exclusivity

5.19 Affiliation with two or more wholesale-franchise groups is typically discouraged by the wholesaler-franchisors. Five of the six wholesaler-franchisors require their affiliated retailers not to affiliate with another wholesaler-franchisor.⁴⁴

⁴⁴ BWG Foods appear not to require exclusivity.

Terms of Trade

5.20 The terms of trade offered by wholesaler-franchisors to their affiliated retailers are an important element of competition between the various wholesaler-franchisors for the business of retailers. Terms of trade are considered under two headings:

- Credit terms, and
- Rebate Structure.

5.21 Wholesaler-franchisors differentiate themselves in terms of credit arrangements. A number of wholesaler-franchisors offer preferential credit terms to affiliated retailers compared to non-affiliated or independent retailers. It is not a universal practice for the wholesaler-franchisors to offer better credit terms to their affiliated retailers. Those that offer better terms advise that this is made available on a case-by-case basis and are offered most frequently during the early stages of a new store opening.

5.22 The structure of the rebates offered by the various wholesaler-franchisors varies considerably. Volume purchasing is at the core of the wholesaler-franchisor business model. The wholesaler-franchisors secure rebates (and other terms) from upstream suppliers based on volumes purchased; these rebates are, in part, passed on to affiliated retailers to secure loyalty. The greater the volume of purchases made by the affiliated retailer through the relevant wholesaler-franchisor, the greater the volume of purchases the wholesaler-franchisor can make from the relevant suppliers. This results in better financial terms for the wholesaler-franchisor from the supplier. In other words, loyalty on the part of affiliated retailers to the relevant wholesaler-franchisor is critical to the success of the wholesaler-franchisor business model.

5.23 Depending on the distribution model of the relevant wholesaler-franchisor, affiliated retailers are rewarded for purchases made through central billing systems and central distribution. Centrally distributed products are those products for which the wholesaler-franchisor negotiates long-term agreements with suppliers, takes possession of them and distributes them. Other products (i.e. centrally billed products) are centrally ordered and invoiced, but delivered by the relevant supplier. For example, cigarettes are

frequently ordered centrally through the wholesaler-franchisor, but are delivered to the retailers directly by the suppliers for security reasons. See section 3 above for a detailed discussion of distribution channels.

- 5.24 While volume rebates are important, other forms of rebates are also available. Some of the wholesaler-franchisors base rebates on 'brand relevant' factors such as the extent to which the affiliated retailer fulfils the terms and conditions relating to store standards. The Competition Authority's survey of small retailers confirms that factors such as store standards feature in rebate structures, although loyalty to the wholesaler-franchisor in terms of volumes purchased remains the principal factor.

Geographic Scope of Wholesaler-Franchisor Activity

- 5.25 Figure 14 to Figure 19 below show, for each of the wholesaler-franchisors, the geographic locations of distribution centres and relevant affiliated retailers. The figures show that, while affiliated retailers of each fascia of the wholesaler-franchisors are present throughout the State, some retailers are concentrated regionally (section 3 discussed the geographic distribution of wholesaler-franchisors' distribution centres and section 4 discussed the geographic distribution of affiliated retailers).
- 5.26 Gala, for example, has a greater concentration in the Leinster/Ulster region but has distribution centres in both Connacht and Munster. Mangan Wholesale is concentrated mainly in the Connacht/Ulster region but has distribution centres in Leinster and Munster. While ADM Londis has a substantial presence in Dublin, it has affiliated retailers in each of the other regions, although it has only a single distribution centre, located in Leinster. Similarly, the Barry Group has only a single distribution centre, which is located in Munster, yet its affiliated retailers are distributed more widely. BWG Foods and Musgrave are more nationally distributed, each having distribution centres and affiliated retailers in all regions.
- 5.27 As previously discussed, the wholesaler-franchisors, like the vertically-integrated retailers, do not rely exclusively on their own distribution networks. Apart from the conventional cash and carry distribution channel, which appears to be dying out as a distribution method, the wholesaler-franchisors make use of two main distribution channels.

The first is central distribution, whereby goods pass through the warehouse of the wholesaler-franchisor and are delivered to affiliated retailers, and the second is central billing, which involves suppliers making direct deliveries to retailers. Different wholesaler-franchisors rely to different degrees on these two channels.

- 5.28 Those wholesaler-franchisors with more fully developed distribution networks have greater scope to exploit cost efficiencies associated with distribution and thereby realise some competitive advantage. The decision to invest in proprietary distribution networks depends, in part, on scale factors. The more affiliated retailers a wholesaler-franchisor has, the more likely it is that investing in proprietary distribution networks will prove profitable. There are also likely to be economies of density, that is, the more geographically concentrated the retailer customers are, the more efficiently the distribution network will operate. These factors explain, at least in part, the geographic allocation of the distribution centres of the wholesaler-franchisors and their affiliated retailers.
- 5.29 Mangan Wholesale, for example, has a number of distribution centres in the West, where the greatest concentration of its affiliated retailers is found. The Barry Group has a single distribution centre, situated in Cork, where the greatest concentration of its affiliated retailers is located. However, the Barry Group also has a concentration of affiliated retailers in the Dublin area, though to a lesser extent. This indicates that the geographic distance between distribution centres and affiliated retailers may not present a significant barrier to expansion. Musgrave, the largest wholesaler-franchisor, has a wide geographic dispersion of both distribution centres and affiliated retailers. This is not surprising, considering that Musgrave has 740 affiliated retailers across the country and can therefore take advantage of both economies of scale and density.
- 5.30 The existence of a mature distribution network may play a significant role with regard to competition within the grocery sector. The establishment of a distribution network represents, if not a barrier to entry, at least a substantial entry cost to the wholesale level of the grocery sector. A proprietary distribution network is not a prerequisite to wholesale operations in the grocery sector. For example, ADM Londis relies extensively on direct deliveries by suppliers. However,

when economies of scale and density are factored in, a proprietary distribution network affords the incumbent players at the wholesale level considerable advantages in terms of costs making it more difficult for a new entrant to attract the critical mass of customers necessary to sustain a business.

Figure 14: Gala Wholesalers' Distribution Centres and Affiliated Retailers (2006)

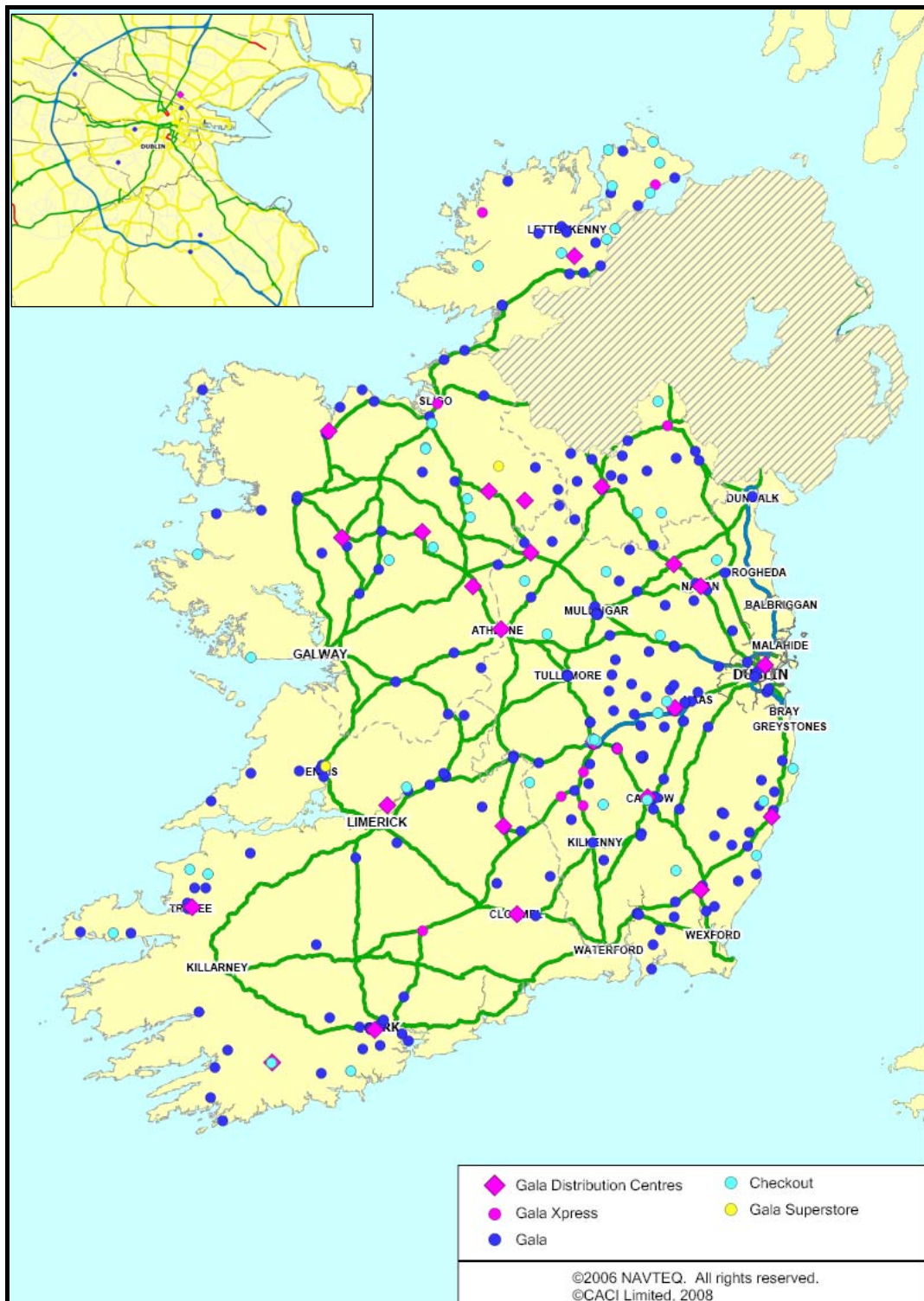


Figure 15: Mangan Wholesale Distribution Centres and Affiliated Retailers (2006)

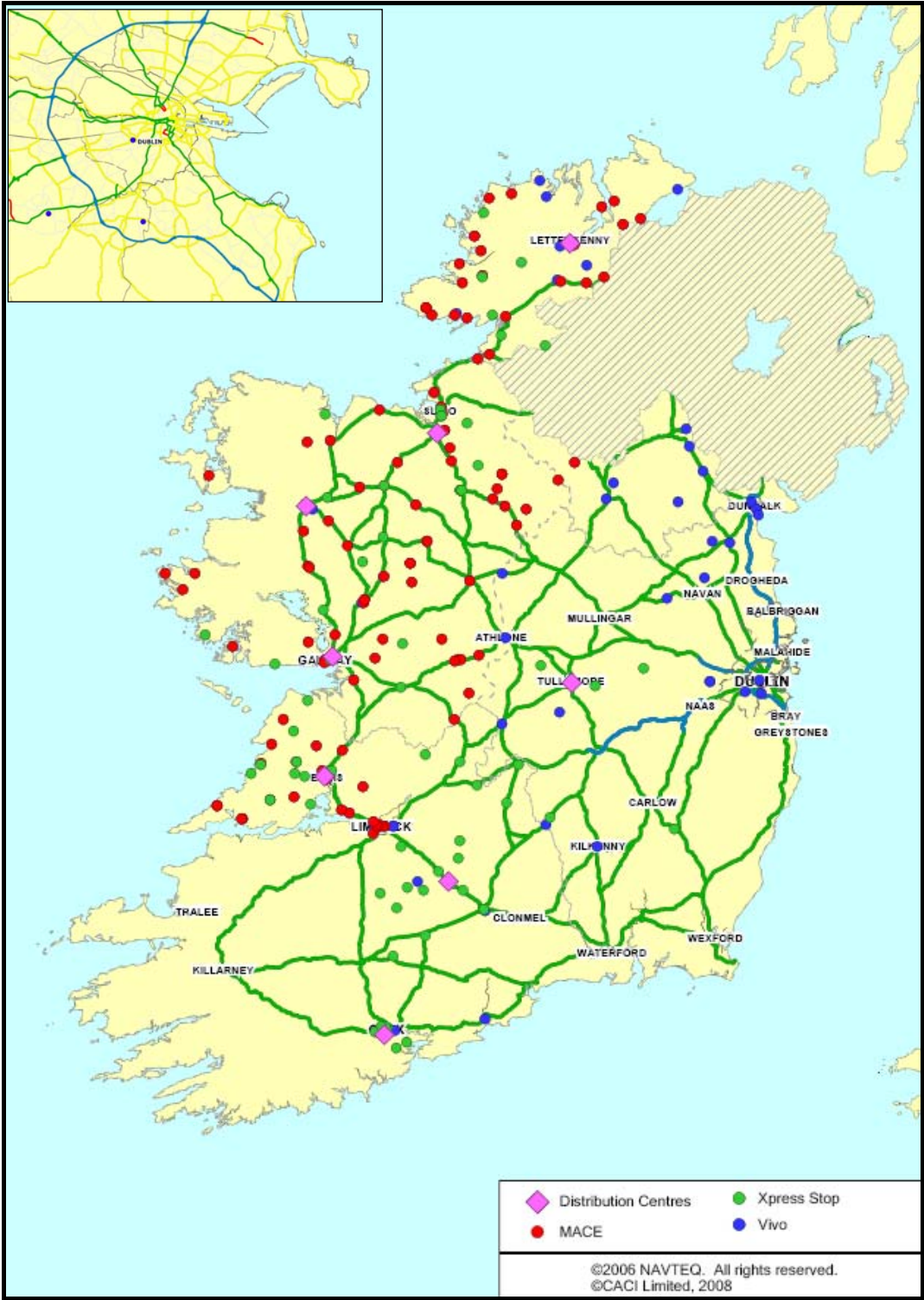


Figure 16: ADM Londis Distribution Centres and Affiliated Retailers (2006)

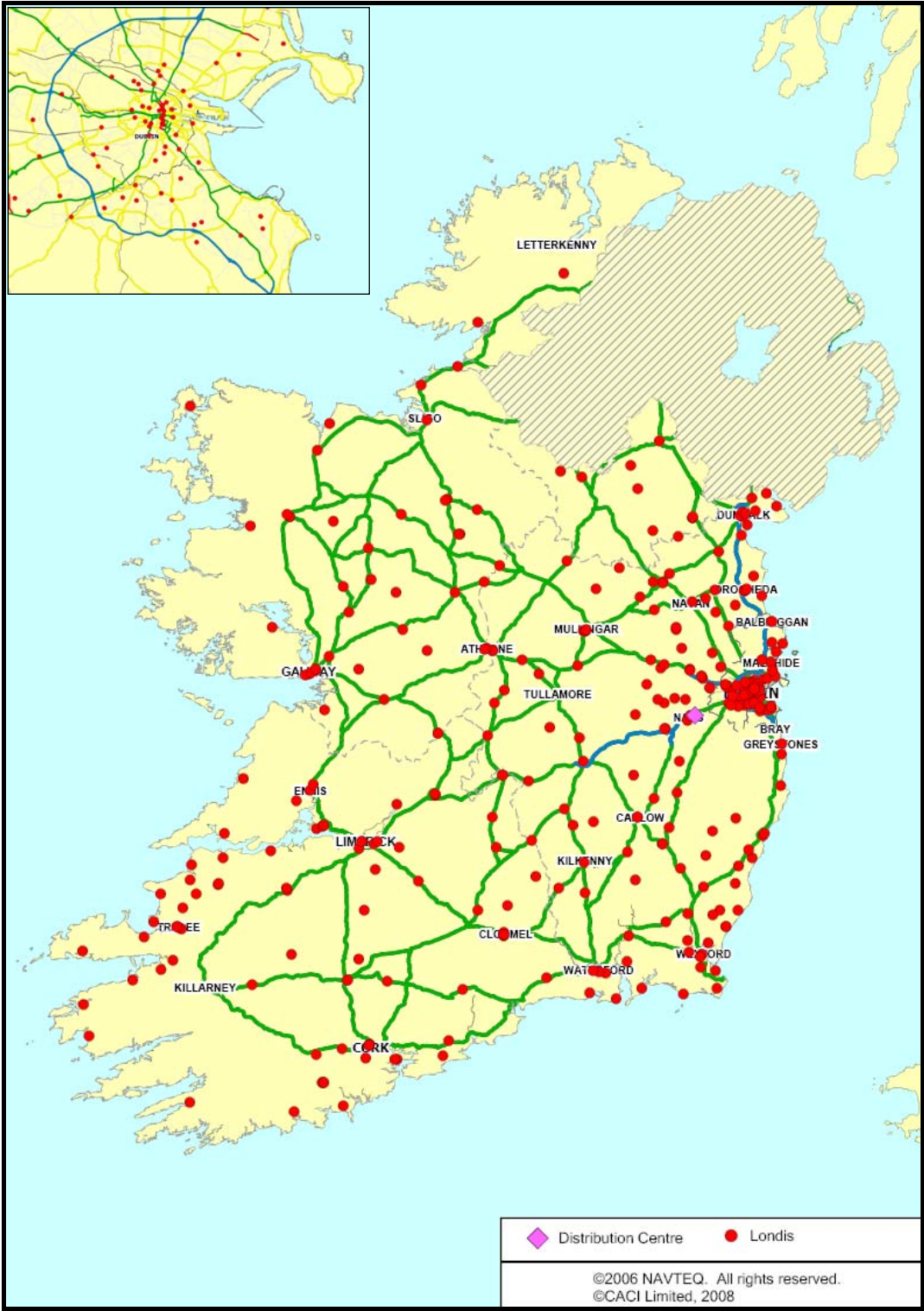


Figure 17: Barry Group Distribution Centres and Affiliated Retailers (2006)

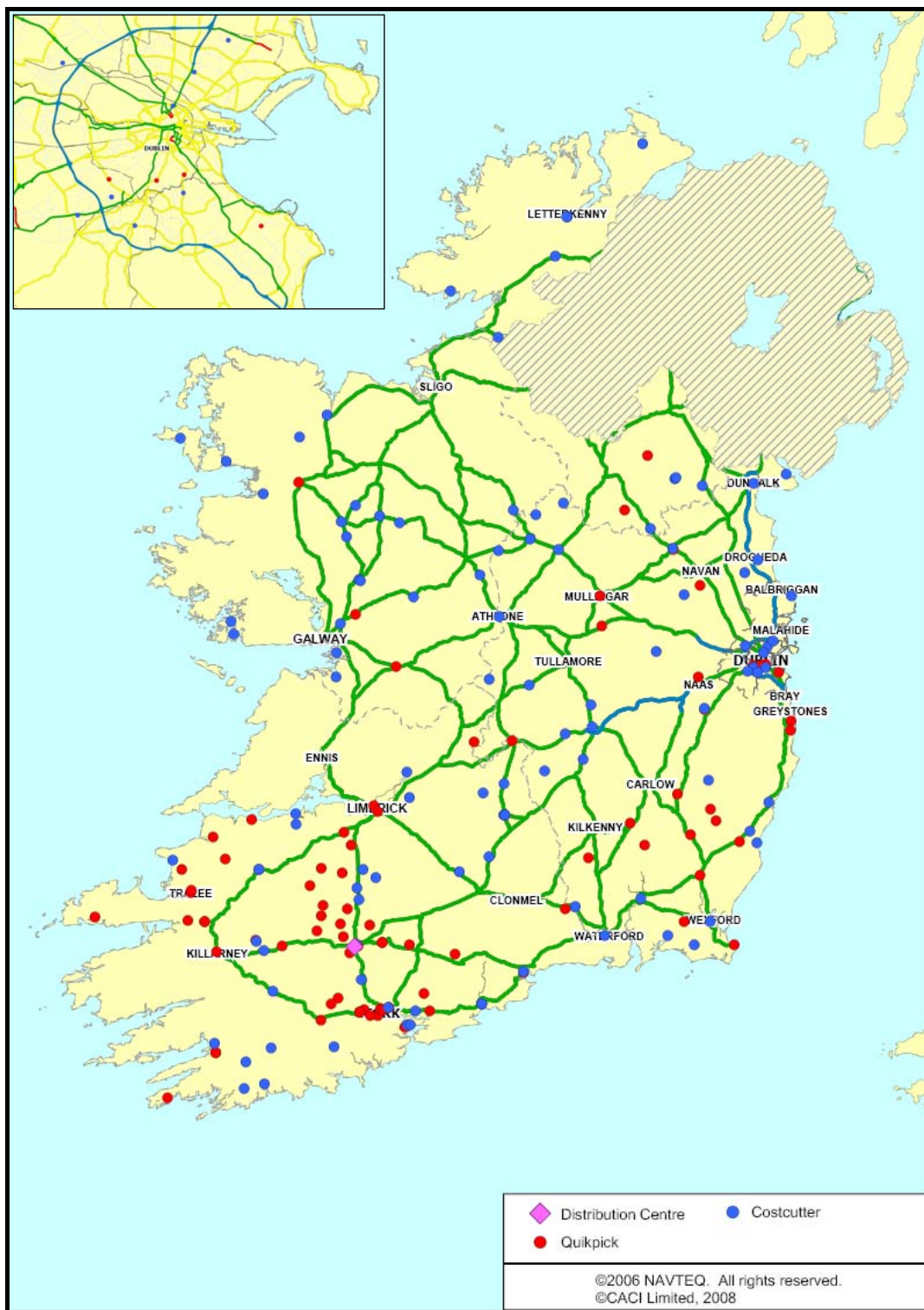


Figure 18: BWG Foods Distribution Centres and Affiliated Retailers (2006)

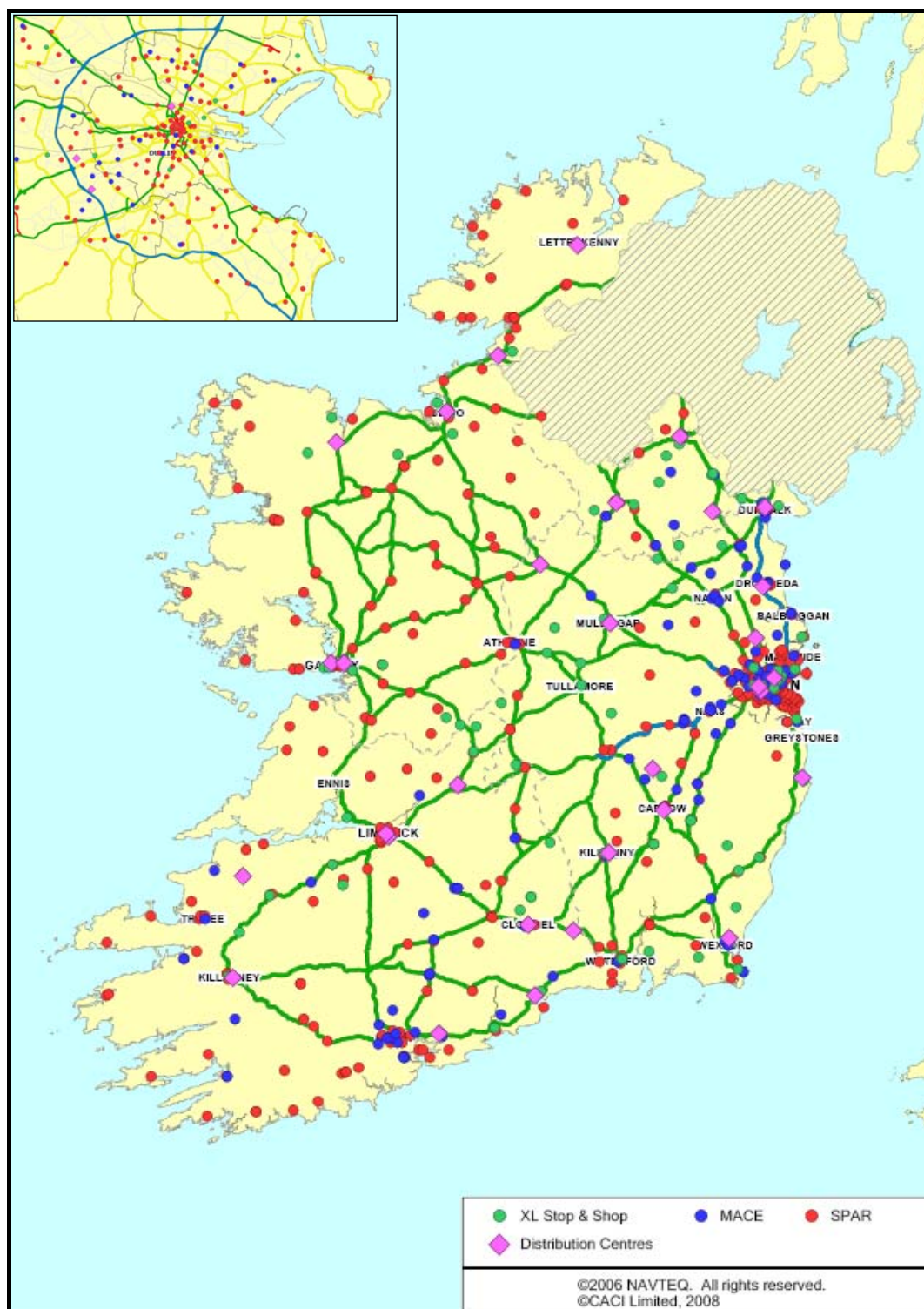
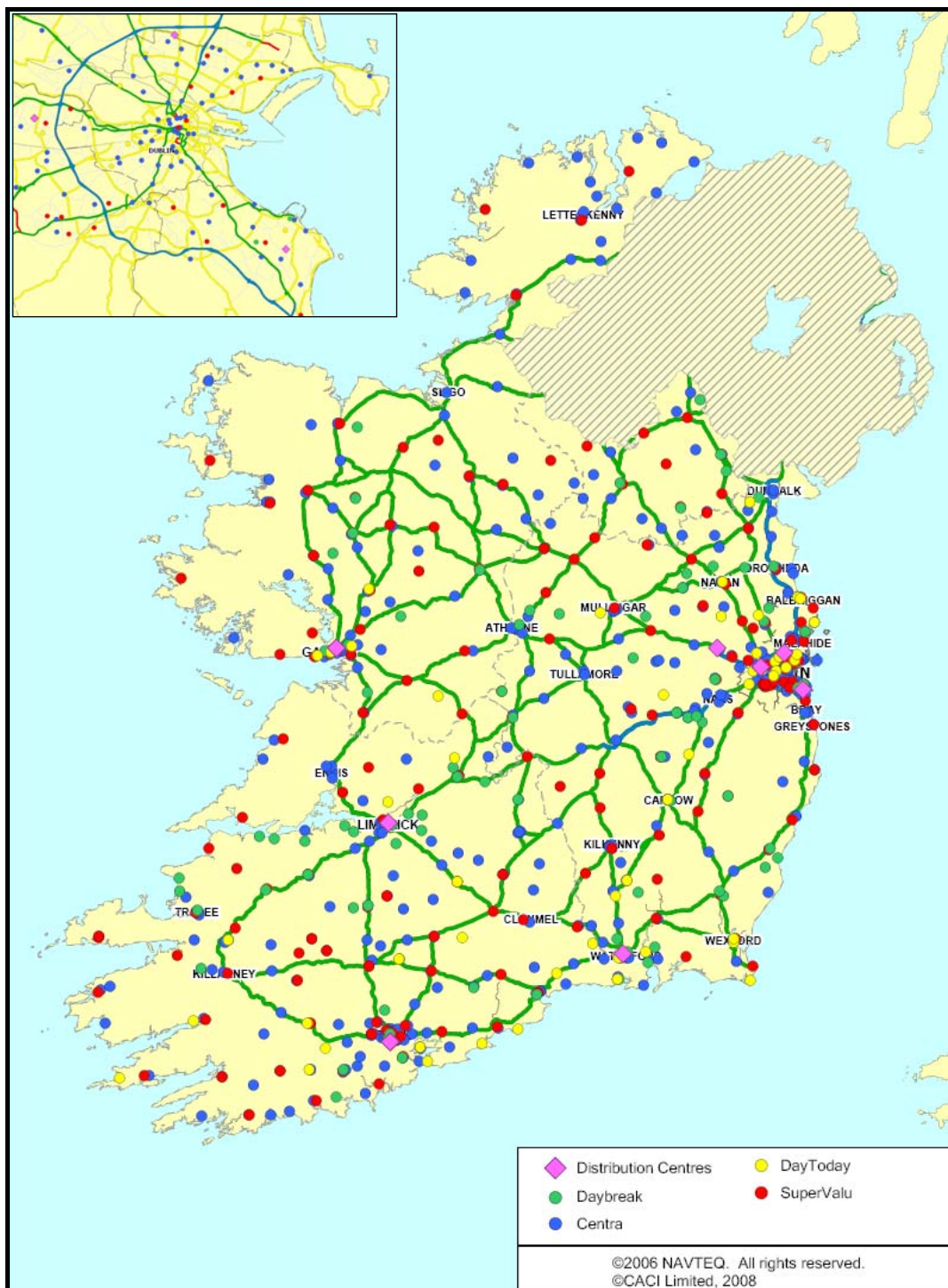


Figure 19: Musgrave Distribution Centres and Affiliated Retailers (2006)



Switching Behaviour

5.31 The extent of switching of affiliation by retailers is one measure of the vitality of competition between wholesaler-franchisors. Independent

retailers can choose to become affiliated or remain independent. Affiliated retailers can either switch affiliation or become independent.

5.32 Table 32 below shows for the period 2001 to 2006 the switching behaviour of retailers. The table shows the number of retail outlets that have switched from one wholesaler-franchisor's fascia to the fascia of another wholesaler-franchisor or other entity, such as an oil company in the case of garage forecourts, or from being affiliated to a wholesaler-franchisor to becoming an independent retailer. The table also shows the number of stores that switched from being independent to becoming affiliated with a wholesaler-franchisor or other another entity.⁴⁵

5.33 The data in Table 32 should be interpreted with caution for two reasons. Firstly, data on switching activity was not available for all affiliated retailers active during the period 2001 to 2006; therefore, the switching phenomenon may be underestimated. An attempt is made to account for this by adjusting the switching rate. Secondly, a retailer switching fascias, for example, from Centra to Londis would be captured both in the 'switching from' part and 'switching to' part of the table; in other words, it was not possible to control for double counting.

5.34 Between 2001 and 2006, of the 270 stores (approx.) that switched away from a wholesaler-franchisor, over 75% switched to another wholesaler-franchisor, 18% became independent retailers and only 7% moved to other entities. With regard to the 329 stores that switched to a wholesaler-franchisor, 58% of these stores came from another wholesaler-franchisor, while 32% were previously independent retailers.

⁴⁵ In the questionnaire, each wholesaler-franchisor was asked to provide, for each store affiliated to its fascia during the period 2001-2006, information on which, if any, fascia the store was operated under, prior to affiliation and relevant at the end of the affiliation. In other words, information on the switching behaviour to and from wholesaler-franchisors was requested for each store of affiliated retailers.

Table 32: Retailer Switching Behaviour (Annually from 2001 to 2006)

	2001	2002	2003	2004	2005	2006	2001-2006
Switching from Wholesaler Franchisor to							
Another Wholesaler-Franchisor	18	6	14	59	52	52	201
Independent Retailer	6	4	5	10	5	7	47
Others*	0	0	2	3	5	10	20
Total	24	10	21	72	62	79	268
<i>% of Outlets with no information</i>	20	40	44	36	29	24	
<i>Total Outlets of Affiliated Retailers</i>	1,549	2,095	2,253	2,351	2,459	2,569	-
% of Switching Outlets	1.5	0.5	0.9	3.1	2.5	3.1	-
% of Switching Outlets (adjusted)**	1.9	0.8	1.6	4.8	3.5	4.1	
Switching to Wholesaler-Franchisor from							
Another Wholesaler-Franchisor	28	21	33	30	36	44	192
Independent Retailer	15	10	31	17	18	15	106
Others*	9	9	6	6	1	0	31
Total	52	40	70	53	55	59	329
<i>% of Outlets with no information</i>	58	67	47	42	38	36	
<i>Total Outlets of Affiliated Retailers</i>	1,549	2,095	2,253	2,351	2,459	2,569	
% of Switching Outlets	3.4	1.9	3.1	2.3	2.2	2.3	
% of Switching Outlets (adjusted)**	8.1	5.8	5.8	4.0	3.5	3.6	

* Others include, for example, oil companies hosting a grocery outlet on their garage forecourts.

** Switching rates are adjusted to take account of the fact that switching information was not available for all outlets.

5.35 The breadth of the franchise agreements between wholesaler-franchisor and their affiliated retailers has been advantageous for both

groups. Firstly, an affiliated retailer should be able to obtain goods at a cheaper price from a wholesaler-franchisor than if it were to buy from other sources. To keep the custom of its retailers, the wholesaler-franchisor would need to pass on some of the benefits gained from bulk-buying from suppliers. Secondly, affiliation reduces the risk which would be faced by an independent retailer by benefiting from the goodwill of the retail fascia provided by the wholesaler-franchisor. Thirdly, the variety of retail support services provided by a wholesaler-franchisor further assists an affiliated retailer in its retail operations.

5.36 From the wholesaler-franchisor's perspective, a franchise arrangement with retailers helps to attract and maintain a stable base of demand for the goods it wholesales. The wholesale prices and rebate structures offered by a wholesaler-franchisor are probably the key factors that attract a retailer to a particular wholesaler-franchisor. The relationship is reinforced by the retail support services provided by the wholesaler-franchisor which assists the retail operations of its affiliated retailers.

5.37 The decision by a retailer to become affiliated with a particular wholesaler-franchisor requires some initial investment by the retailer, for example, in signage, store format and systems that permit effective interaction with the wholesaler-franchisor. To some extent, these investments are then sunk and have the effect of tying the affiliated retailer to a fascia. This effect is not permanent, insofar as retail outlets require periodic refurbishment, thereby presenting a natural opportunity to switch affiliation. Nevertheless, the requirement of upfront investment may have the effect of inhibiting switching.

5.38 The Competition Authority's survey of small retailers (both affiliated retailers and independent retailers) addressed switching behaviour. Reasons for switching included:

- Access to greater purchasing strength;
- Dissatisfaction with rebate structure (e.g. rebates withheld when purchases were made outside the wholesaler-franchisor group);
- Better terms and conditions; and
- Better brand awareness/perception.

5.39 Independent retailers were asked whether they had any desire to become affiliated with a wholesaler-franchisor group within the next five years. A minority, 18% of respondents, stated they were thinking of becoming affiliated, but the majority, 82%, claimed that they wanted to remain independent. Small retailers were asked what they saw as the major advantages of remaining independent as opposed to becoming affiliated with a wholesaler-franchisor. Reasons given for not aligning included:

- Independence allows greater flexibility;
- Independence allows individuality;
- Independence allows for greater speed of decisions-making; and
- Turnover is insufficient to qualify for membership.

Summary and Comment

5.40 This section of the *Report* considered the dimensions in which wholesaler-franchisors compete when seeking to attract the business of downstream retailers. The principal innovation of modern wholesaling is the emergence of the wholesaler-franchisors. Wholesaler-franchisors license to retailers a brand under which the retailer's outlet operates and in this connection, provide the package of retail support services to retailers who choose to align themselves with them. In contrast to the traditional wholesaling relationship, whereby the wholesaler simply sell goods to retailers, the modern wholesaler-franchisors are much more involved with the retailing business of their affiliated retailers

5.41 Wholesaler-franchisors are involved in the branding of retail outlets, as well as assisting affiliated retailers with the choice of products they sell and the positioning of products within stores. Affiliated retail outlets within a fascia typically have a similar appearance, layout and product selection. Wholesaler-franchisors market the brands under which their affiliated retailers trade; they recommend prices to affiliated retailers; they are involved in the logistical aspects of retailing, such as product ordering, stock management and billing; they provide assistance on business planning, particularly to new affiliated retailers and they

provide advice and assistance on human resource issues, environmental and health and safety compliance.

- 5.42 By involving themselves in improving the viability and profitability of their affiliated retailers, the wholesaler-franchisors are trying to build and maintain a stable customer base for the goods that they wholesale.
- 5.43 Wholesaler-franchisors are not identical. They differ in size, both in terms of the turnover they generate, and the numbers, geographic distribution and type of affiliated retailers they have attracted. They differ in the extent to which they have developed proprietary distribution networks or rely on suppliers to make direct deliveries. They also differ in the extent of their integration with their affiliated retailers. While most of the wholesaler-franchisors offer some form of the package of retail support services described above, the extent to which retailers routinely avail of these services differs. The wholesaler-franchisors have had different levels of success in encouraging loyalty among their affiliated retailers. The implication is that, through strengthening of their relationships with affiliated retailers, wholesaler-franchisors have, to differing extents, simulated the vertically-integrated business model.
- 5.44 Section 3 described the structure of the wholesale level of the grocery supply chain. Of the €3.5 billion turnover generated from the sale of grocery goods to affiliated retailers, independent retailers and other customers of the six wholesaler-franchisors in the State as of year-end 2006, almost 80% was attributable to the two largest wholesaler-franchisors. Moreover, during the period 2001 to 2006, the shares of turnover attributable to the wholesaler-franchisors were relatively stable and the market position of the six players remained the same. The trend towards the deepening of the wholesaler-retailer relationship explains, in part, the relative stability of turnover shares. In this regard it is noteworthy that switching rates among affiliated retailers are relatively low.
- 5.45 A further explanation for the relative stability in the market may relate to the nature of distribution and the potential to inhibit entry. No new wholesalers-franchisors, or as far the Competition Authority is aware, other wholesalers, have entered the sector over the period of our

analysis. While a proprietary distribution network is not a prerequisite to entry to the sector, when economies of scale and density are factored in, such a network may afford the incumbent players considerable advantages in terms of costs, making it more difficult for a new entrant to attract the critical mass of customers necessary to sustain a business.

- 5.46 As observed in section 4, the number of affiliated retailers grew substantially, from 1,461 retailers in 2001 to 2,569 retailers in 2006. In contrast, the number of independent retailers is declining. The growth in the number of affiliated retailers is only partially explained by the re-emergence of independent retailers as affiliated retailers. Much of the growth in the number of affiliated retailers has come from new entry, that is, the opening of new retail outlets by retailers interested in affiliation from start-up. While this reflects the success of the wholesaler-franchisor business model, it also raises implications for competition at the retail level of the grocery sector. This and other issues relating to competition at the retail level of the chain of distribution are explored in the following section.

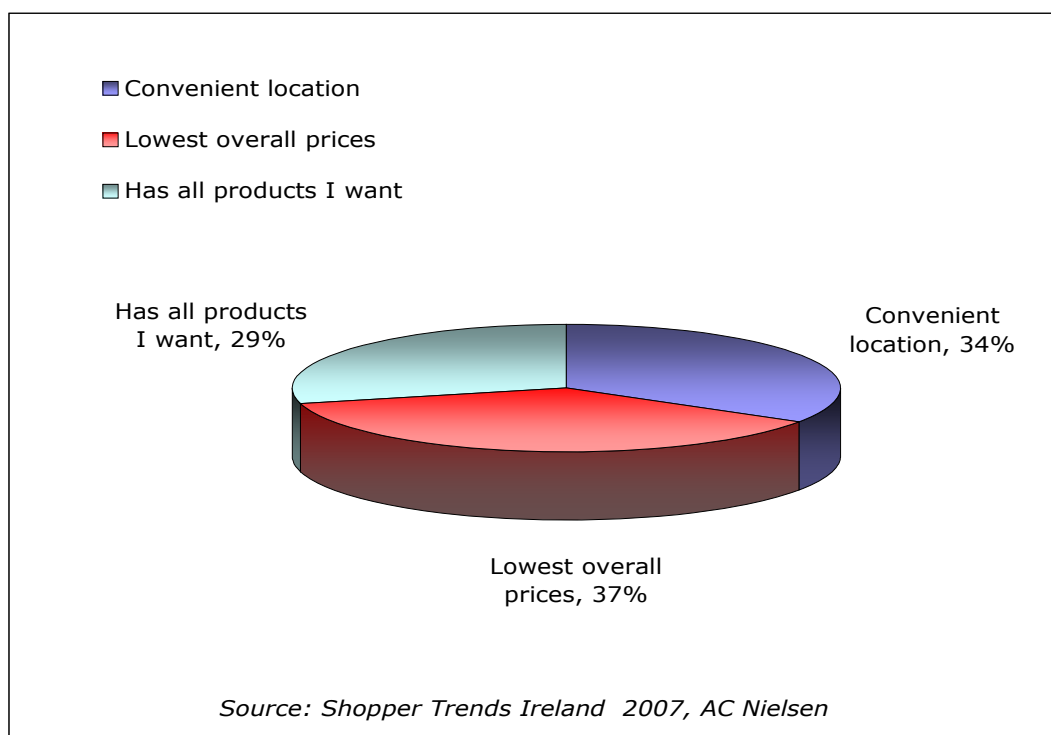
6. COMPETITION AT THE RETAIL LEVEL

Introduction

6.1 This section examines competition at the retail level of the grocery sector in terms of pricing behaviour, product range and location of retail outlets.

6.2 Price is the variable most keenly associated with competition by the general public. According to the AC Nielsen survey, *Shopper Trends Ireland* (the 'Shopper Trends survey'), conducted in 2006 and published in 2007, price is one of the most important factors for grocery consumers when selecting a regular location for grocery shopping (see Figure 20 below).⁴⁶ This section considers the pricing policies and promotional activities of the main grocery retailers.

Figure 20: Most Important Factors Considered When Selecting a Regular Place of Grocery Shopping



⁴⁶ The survey is based on face-to-face interviews with 500 shoppers, 86% of whom were the main shoppers in their households and the remaining 14% were the key influencers. Of the main household shoppers, 83% were female. However, the quota of women among respondents that were key influencers was lower (42%). The sample was chosen to represent shoppers on a national basis.

- 6.3 According to the Shopper Trends survey, product range is the third most important factor for Irish shoppers when selecting a regular place of grocery shopping. Product range concerns the availability of product lines, brands within product lines and package sizes.
- 6.4 According to the Shopper Trends survey, convenience of location was identified as the most important factor in selecting a regular place of grocery shopping. The location of a retail outlet is an important strategic choice for a retailer. The choice of location involves consideration of population densities and the demographic characteristics of the population residing in the outlet's catchment area as well as presence of outlets operated by competitors.

Irish Grocery Consumer Profile

- 6.5 The Shopper Trends survey provides a profile of Irish shoppers in terms of purchasing patterns, choice of retail outlet and choice of brands. This provides the background for consideration of the competitive factors of pricing, product range and location of retail outlet.

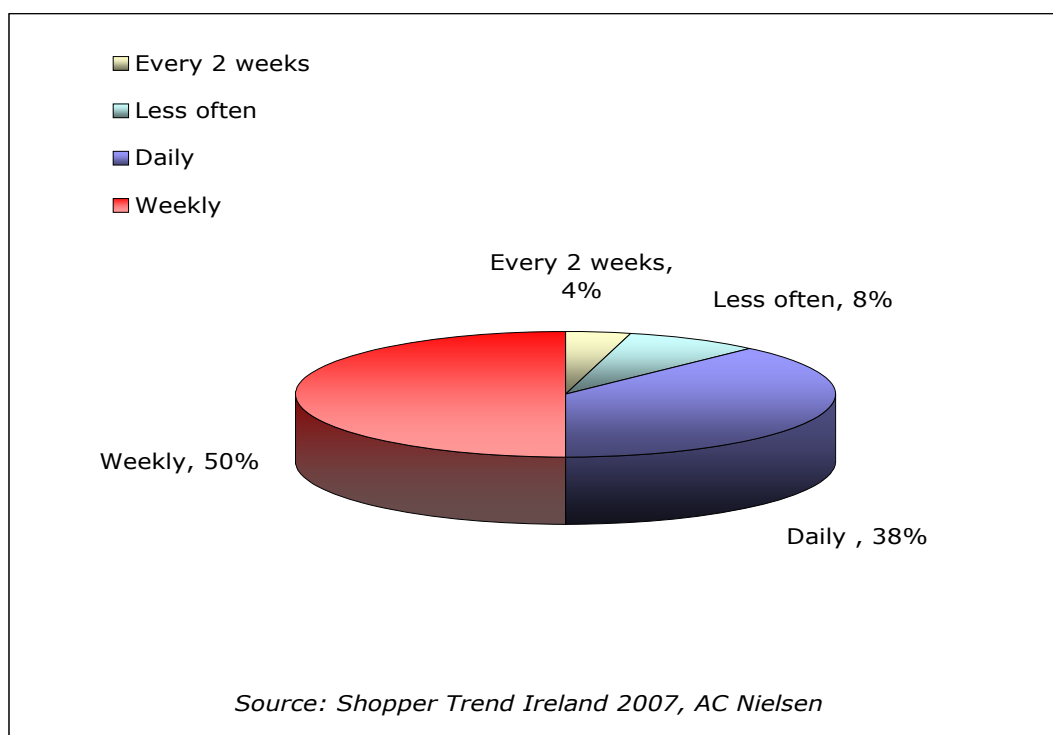
Purchasing Patterns

- 6.6 According to the Shopper Trends survey, 50% of shoppers do a substantial weekly 'main shop' while 38% of shoppers 'top up' daily (see Figure 21). The main driver of this pattern of behaviour is the need to top up on fresh items. For example, between 2005 and 2006, the proportion of respondents who regularly shopped in a bakery grew from 13% to 17%. The proportion of respondents who shopped occasionally in a fishmonger or butcher's shop increased from 74% in 2005 to 79% in 2006. Similarly, the proportion of respondents who had shopped in a fishmonger or butcher's shop in the four weeks prior to the Shopper Trends survey increased from 80% in 2005 to 86% in 2006.
- 6.7 Despite the fact that most people do a 'main shop' only once a week and 'top up' frequently at convenience stores, grocery consumers are tending to spend a greater proportion of their grocery budget at supermarkets, as opposed to other grocery retail outlets.⁴⁷ In 2005,

⁴⁷ The AC Nielsen definition of 'supermarket', 'convenience store' and 'traditional grocery store' is consonant with how consumers perceive these stores. Consumers perceive a supermarket as having multiple stores - Tesco, SuperValu and Superquinn. Convenience stores can include

84% of respondents to the Shopper Trends survey stated that they spent most of their money at supermarkets. This figure rose to 88% of respondents in 2006. Conversely, the proportion of respondents to the Shopper Trends survey who reported spending most of their money in a convenience store halved between 2005 and 2006, from 12% to 6%.

Figure 21: 'Top Up' Shopping



6.8 Grocery consumers are using convenience stores more frequently. In 2005, the proportion of respondents to the Shopper Trends survey who had shopped at a convenience store during the four weeks prior to the survey was 56%. The corresponding figure for 2006 was 68%. According to the Shopper Trends survey, the proportion of respondents who shopped regularly in a convenience store grew from 43% to 46%, between 2005 and 2006. The traditional grocery store is being used less frequently for regular shopping, falling from 16% of respondents in 2005 to 13% in 2006.

symbol groups and forecourts in consumers' minds - Spar, Londis, Centra etc. Consumers perceive independent grocers as independents retailers.

6.9 Table 33 below illustrates the distribution by size of grocery retail outlets and the share of turnover attributable to retail outlets falling into the various retail outlet categories.⁴⁸ Approximately 90% of grocery retail outlets have floor space of less than 400m². Together, these retail outlets accounted for 46.4% of the total grocery turnover in 2006, while the remaining turnover was accounted for by stores with floor space greater than 1,000m², representing only 10% of the total number of retail outlets. Therefore, it appears that, on aggregate, grocery consumers are spending the greater proportion of their total grocery budget in supermarkets/hypermarkets.

Table 33: Distribution of Stores in 2006 and Share of Turnover

Store Type & Size	% of Turnover*	% Store Number
Confectioners-Tobacconists-Newsagents (CTNs) **	0.8	15
Forecourts	14.3	25
Traditionals < 100m ²	12.9	28
100m ² < Superettes < 400m ²	18.4	22
400m ² < Small Supermarkets < 1,000 m ²	6.5	5
1,000m ² Large Supermarkets < 2,500m ²	27.0	4
2,500m ² < Hypermarkets	20.2	1

* Total Grocery Turnover according to the AC Nielsen definition of grocery goods.

** In AC Nielsen's definition, CTNs differ from independent grocers in that more than 50% of CTN revenue comes from sales of sweets, tobacco and newspapers.

Source: AC Nielsen, *Retail Market Report*, 2007.

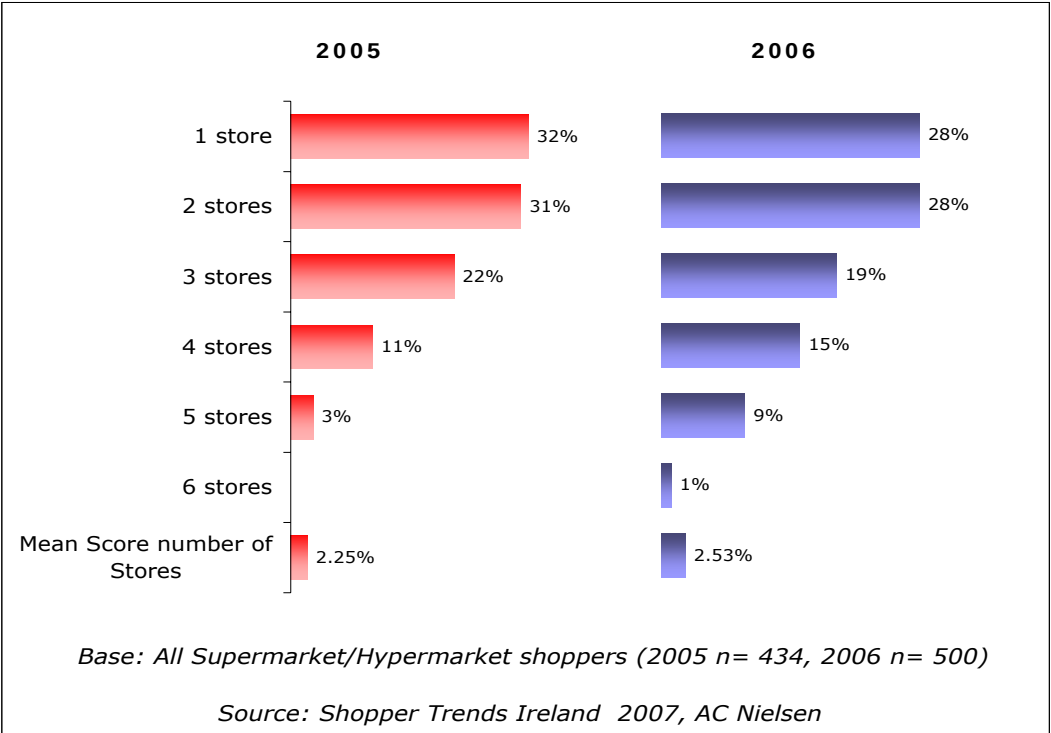
Choice of Grocery Retail Outlet

6.10 According to the Shopper Trends survey, 77% of respondents chose their principal grocery retail outlet out of habit, while 26% chose the closest retail outlet. Compared to the figures for 2005, however, Irish consumers appear to be shopping around more and using a greater number of retail outlets. Figure 22 below shows the number of

⁴⁸ The size categories are based on AC Nielsen definitions.

supermarkets/hypermarkets⁴⁹ that respondents to the Shopper Trends survey had visited in the previous four weeks. In comparison with 2005, fewer consumers had used only one or two grocery retail outlets in the four weeks prior to the Shopper Trends survey, while more consumers had used four, five or six grocery retail outlets. Overall, the average number of retail outlets visited by respondents in the preceding four week period increased from 2.25 to 2.53 outlets between 2005 and 2006.

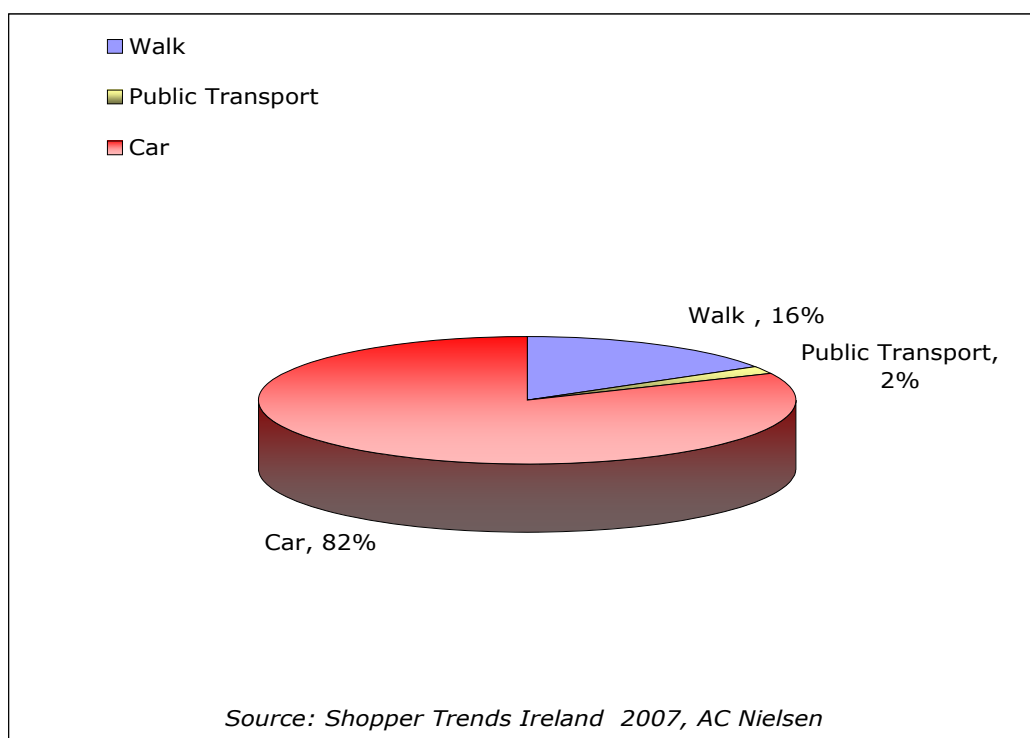
Figure 22: Number of Supermarkets / Hypermarkets visited in the Past Four Weeks



6.11 Figure 23 below shows the mode of transport typically used by consumers when conducting their main grocery shop. According to the Shopper Trends survey, the majority of the shoppers, at 82%, use a car for their main grocery shop. This compares with 16% of grocery consumers who walk, and just 2% of grocery consumers who take public transport. On average, Irish shoppers have a journey time of 22 minutes to the grocery retail outlet where they do their main shop.

⁴⁹ AC Nielsen’s definition of hypermarkets/supermarkets is based on consumer perceptions, i.e., multiple stores like Tesco, SuperValu and Superquinn.

Figure 23: Mode of Transport to the Main Shop



6.12 The majority of respondents to the Shopper Trends survey do not change their choice of grocery retail outlet based on the best promotions offered. Just 20% of respondents stated that they would alter their regular grocery retail outlet in response to a promotion. However, as discussed below, grocery retailers put considerable effort into running promotions in their stores. The Shopper Trends survey suggests that it is difficult for grocery retailers to compete for consumers other than on the basis of location. An Irish shopper requires a convincing reason, other than promotions or prices, to change his or her regular grocery retail outlet. This raises the question of which aspects of their competitive offering grocery retailers can focus on in order to attract customers.

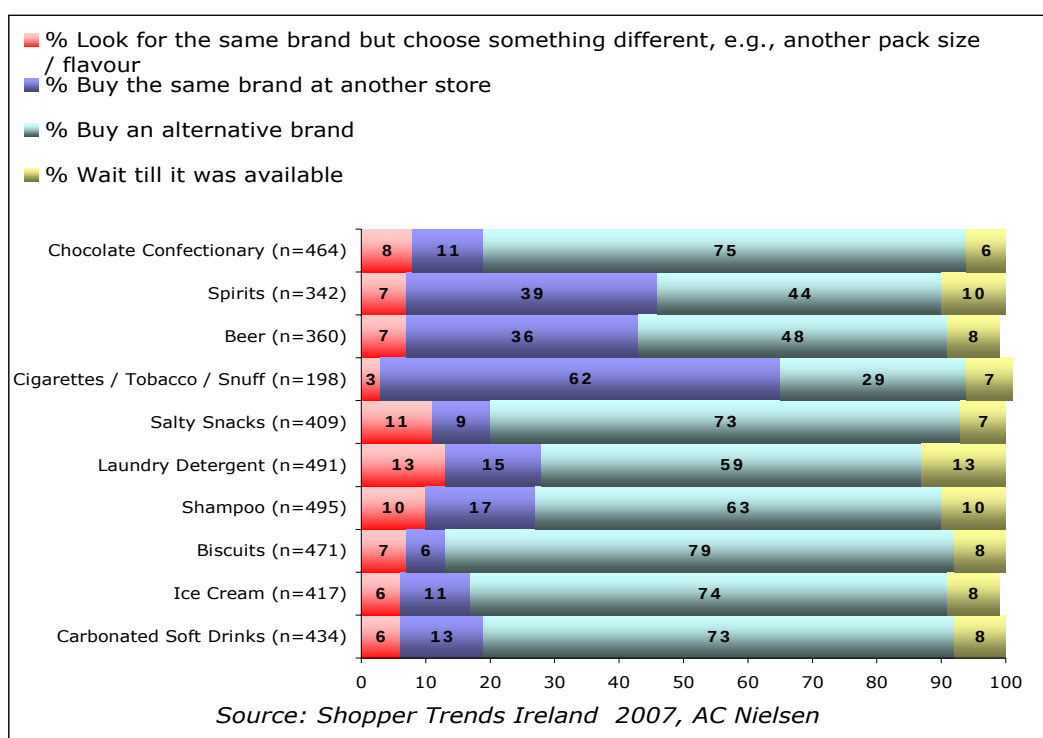
Choice of Brands

Brand Loyalty

6.13 This subsection considers the preferences of Irish grocery consumers in terms of brand choice and brand loyalty, and attitudes toward own-label products.

6.14 According to the Shopper Trends survey, the brand loyalty of Irish grocery consumers varies by product category. Respondents to the survey were asked what they would do if their normal brand were not available. Figure 24 below illustrates responses for various product categories. Carbonated soft drinks, ice cream, biscuits, salty snacks and chocolate confectionery are the product categories with the lowest brand loyalty. More than 70% of the respondents said that they would buy an alternative brand if their first preference were not available. Cigarettes and tobacco, beer and spirits showed the highest levels of brand loyalty with the highest proportions of respondents willing to look for their brand in another retail outlet.

Figure 24: Brand Loyalty: What Shoppers would do if their Normal Brand was not available?



Attitudes to Own-label Brands

6.15 Since 2001, own-label products have achieved greater penetration in the Irish grocery sector. This is reflected in a growing awareness of own-labels among grocery consumers. According to the Shopper Trends survey, only 2% of respondents were not aware of any own-label brands of the main retailers. The vast majority, 84% of respondents, had bought an own-label product in the four weeks preceding the Shopper Trends survey. Despite this growing

awareness, penetration of own-label products is relatively low compared to many other Western European countries.⁵⁰ In 2005, penetration of own-label products in Ireland stood at just 7% of total retail grocery sales. This compared with 45% of grocery sales in Switzerland, 30% in Germany, 28% in Great Britain, 22% in the Netherlands and 11% in Italy and Portugal.⁵¹

- 6.16 The Shopper Trends survey asked respondents to agree or disagree with a series of statements about own-label products. A similar survey was undertaken in other EU countries. Figure 25 below summarises the findings for Ireland. The statements relate to consumers' perception of the quality of own-label (or private label, 'PL') products, compared with the corresponding branded products, and whether price is the deciding factor when buying own-label products.
- 6.17 The majority of Irish respondents, 67%, perceive the quality of own-label products to be as good as branded products. This is above the EU average of 55%.⁵² The perception of own-label products appears to be greatly influenced by the perception of fascia image. A large majority of 60% of Irish respondents, compared to an EU average of 43%, indicated that they believe that the better the outlet, the better the own-label product.⁵³ Just over half of Irish respondents regard price as a deciding factor when buying own-label products which is lower than the EU average of 63%. Further, 43% of Irish grocery consumers think that manufacturer brands are better value for money, compared to an EU average of 35%.

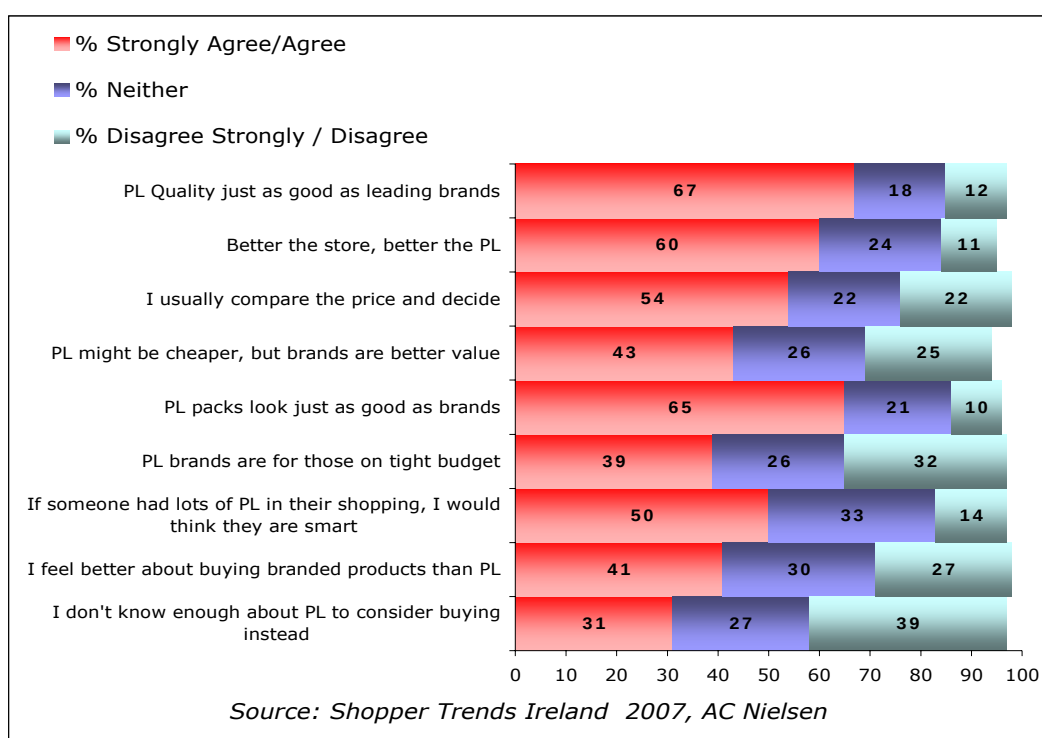
⁵⁰ At EU level (including Switzerland), the percentage of grocery consumers who had bought own-label products in the preceding four weeks was 83%. The highest shares were found in Austria (98%), Switzerland (96%), France (93%) and Finland (91%). The lowest shares were found in Poland (63%) and the Czech Republic (65%). Great Britain has the same share as Ireland (84%).

⁵¹ AC Nielsen Global Services, *The Power of Private Label*, 2005.

⁵² In an EU comparison (including Switzerland), the share of respondents that agreed with this statement was very high in those countries where own-label penetration is more advanced (Germany, Switzerland, France, Finland).

⁵³ Second highest percentage after France (65%).

Figure 25: Consumer Perception of Own-label versus Branded Goods



6.18 Irish grocery shoppers do not generally perceive own-label products as being targeted at consumers on a tight budget. Nevertheless, at 39% of respondents, the proportion of Irish grocery consumers who think that own-labels are intended for shoppers of limited means is higher than the EU average of 28%. Irish consumers have the strongest perception that a consumer of own-label products is a 'smart shopper', at 50% of respondents believing so, compared with an EU average of 31%.

6.19 The performance of own-label products compared with branded products is analysed in the section considering product range.

Competition and Retailer Pricing Behaviour

6.20 Price, a key component of any competitive strategy,⁵⁴ will be considered in terms of pricing behaviour and promotional behaviour.

⁵⁴ This subsection relies on information provided by vertically-integrated retailers. Because of the impracticability of surveying all affiliated retailers and independents, information provided by the wholesaler-franchisors and information gathered via a phone survey of a sample of affiliated retailers and independents is used (see Appendix B).

Pricing Behaviour

6.21 The pricing behaviour of the vertically-integrated grocery retailers and the affiliated grocery retailers is considered separately. The vertically-integrated retailers have direct control over pricing at their retail outlets. This section considers the manner in which they exercise this control. The pricing behaviour of affiliated retailers is more difficult to describe. All of the wholesaler-franchisors recommend prices, in some fashion, to their affiliated retailers. The ability of the wholesaler-franchisors to monitor the extent to which affiliated retailers adhere to these recommendations in practice is also considered. Finally, this section makes some comments on the results of a price survey carried out by the National Consumer Agency.

Vertically-Integrated Retailers

6.22 Table 34 below illustrates the pricing policies of the vertically-integrated retailers. Information on 'price setting' and 'price changes' is provided. 'Price setting' refers to the manner in which grocery goods are priced at the various outlets of the vertically-integrated retailers. It specifically concerns the issue of whether prices are set centrally for all retail outlets (i.e. at head-office level) and if so, whether they are applied uniformly across retail outlets.

6.23 All of the vertically-integrated retailers indicate that price setting is undertaken in a centralised manner, that items are typically, but not always, priced uniformly across the State and that this has been the situation for the period under analysis, that is, since January 2001. Thus, it appears that the vertically-integrated retailers adopt national pricing policies and store managers are allowed only limited discretion to deviate from the national prices. The vertically-integrated retailers report no difference between branded and own-label grocery goods.

6.24 The exceptions to the national pricing policies of the vertically-integrated retailers are typically short-life grocery goods, such as fruit and vegetables, or other grocery goods approaching their best before date. Two of the vertically-integrated retailers reported that prices may vary across retail outlets depending on local competitive conditions. For example, Superquinn stated that while a national pricing policy applies in general for its stores, it has a different price

policy for 'impulse goods in selected stores'. In this case, store managers can set prices in response to competitors' prices.

- 6.25 With regard to the frequency at which price changes occur, the norm for ALDI, Lidl and Tesco is weekly while for Marks & Spencer it is monthly. Dunnes Stores and Superquinn do not have a regular pattern to their price changes. With regard to factors that might trigger a price change, all of the vertically-integrated retailers state that price changes may be triggered by price changes of competitors. However, the role of competitors appears to be relatively more important for some of the vertically-integrated retailers than others. For example, Marks & Spencer states that price changes rarely occur in response to competitor behaviour, ALDI and Tesco report this is sometimes the case, whereas Superquinn reports that this is often the case. The vertically-integrated retailers report that price changes are matched by their competitors; rarely in the case of Marks & Spencer, sometimes for ALDI, nearly always and within a week for Superquinn while for Tesco, it depends on the competitor.
- 6.26 All vertically-integrated retailers report that price changes are independent of store size or location, which is consistent with the logic of a national pricing policy. Further, the vertically-integrated retailers report no difference in their treatment of branded versus own-label grocery goods and no difference in their pricing policies since 2001.

Table 34: Pricing Policies of the Vertically-Integrated Retailers

	ALDI	Dunnes Stores	Lidl	Marks & Spencer	Superquinn	Tesco
Price Setting						
Centralised Pricing	Yes	Yes	Yes	Yes	Yes	Yes
Uniform Pricing	Yes	Yes	Yes	Yes	Yes	Yes
Exceptions	No			No		
Yes but the store manager must obtain approval from head office		✓				
Yes, on end of life goods		✓	✓*		✓	✓
Yes, in response to competitors		✓			✓	
Yes, but it depends on other factors					Excess stock	
Price Changes						
Frequency: Weekly	✓		✓			✓***
Monthly				✓		
Quarterly						
Yearly						
Other	As required	✓**			In response to market	
Factors: Store size						
Store Location						
Competitor Prices	✓	✓	✓	✓	✓	✓
Other						Supplier Prices

*For own label ambient/chilled goods.

**With some variation; daily changes for a relatively small number of items.

***Only on ambient/fresh goods; every three weeks as per promotion cycle on all other goods.

Wholesaler-Franchisors (effected through Affiliated Retailers)

6.27 The wholesaler-franchisors have an influence on pricing at the retail level of the grocery supply chain via their association with their affiliated retailers.

6.28 Table 35 below (a reproduction of Table 31 from section 5) shows the pricing policies of the wholesale-franchisors. All of the wholesaler-franchisors make some form of price recommendation to their affiliated retailers. These recommendations are neither in the form of maximum nor minimum recommendations, except for Musgrave, which recommends maximum retail prices to its affiliated retailers.

Table 35: Wholesaler-Franchisors and the Practice of Recommending Prices

	ADM Londis	Barry Group	BWG Foods	Gala Wholesalers	Mangan Wholesale	Musgrave
Recommend Final Selling Prices to Affiliated Retailers?	Yes	Yes	Yes	Yes*	Yes	Yes
Are these Minimum / Maximum Final Selling Prices?	No	No	No	No	No	Yes** Maximum
How often do Affiliated Retailers Deviate from Recommended Selling Prices?	Unknown	Unknown	Often	Sometimes	Unknown	Sometimes* ***

* With the exception of fresh fish/meat.

** Musgrave Wholesale Partners advises Daybreak and DayToday retailers of the manufacturer's recommended retail price but does not recommend maximum or minimum selling prices.

*** It is "often" for retailers affiliated to Daybreak and DayToday.

6.29 Where price recommendations for a fascia are made by the wholesaler-franchisor, the recommended prices appear to be uniform across retailers operating under the fascia. The exception to this is Musgrave which furnishes affiliated retailers of the Centra fascia with a menu of

recommended price lists. Affiliated retailers of the Centra fascia choose which recommended price list to use depending on the store format/location, which ranges from city centre convenience to provincial supermarket. For Musgrave's SuperValu fascia, a national pricing policy is pursued. Section 5 contains further discussion of the practice of recommending prices.

- 6.30 Two principal differences between the wholesaler-franchisors emerge. The first difference is the frequency with which their affiliated retailers deviate from recommended prices. Musgrave (for the SuperValu and Centra fascias), and Gala report that affiliated retailers sometimes deviate from recommended prices. Musgrave (for the DayToday and Daybreak fascias) and BWG Foods (i.e. SPAR and MACE fascias) report that affiliated retailers often deviate from recommended prices. The other wholesaler-franchisors (ADM Londis, the Barry Group and Mangan Wholesale) report that they are unaware whether their affiliated retailers follow their recommendations.
- 6.31 The second, but related, difference is the extent to which the wholesaler-franchisors can determine with certainty actual retail prices charged by their affiliated retailers. Musgrave states that for affiliated retailers operating the SuperValu and Centra fascias, actual selling prices are reported to the wholesaler-franchisor. BWG Foods states that average selling prices can be obtained by the franchise group through analysis of point-of-sale data collected on bar-coded items.
- 6.32 None of the wholesaler-franchisors report any difference in pricing policies for branded versus own-label grocery goods.
- 6.33 The Competition Authority survey of small retailers found that 17% of respondent grocery retailers never deviate from recommended retail prices, 64% sometimes deviate, 11% often deviate and 5% always deviate. Retailers were asked about their main reasons for deviating from recommended prices. The majority, at 57% of respondents, replied that they deviate to beat or match the price of a competitor.

National Consumer Agency Price Survey

- 6.34 In July 2007, the National Consumer Agency (NCA) published the results of a pilot branded grocery price check.⁵⁵ The agency chose 58 products from the *Top 100 Brands* compiled by AC Nielsen for *Checkout Magazine*. The outlets surveyed were Dunnes Stores, Tesco, Superquinn, SuperValu, Centra, SPAR and EUROSPAR. The data is based on returns for 12 June 2007.
- 6.35 Three vertically-integrated retailers, Dunnes Stores, Tesco and Superquinn, were compared using a basket of 45 branded products. For 21 of these products, around 47% of the total basket, there was no difference in price between the retailers. Ten products (22%) had price differences greater than 5%. For the remainder of the products sampled, 31% of the basket had a price difference of less than 5%. The total cost of the products varied by €2.20 (1.62%) between the least expensive retailer, Dunnes Stores, and the most costly retailer, Superquinn.
- 6.36 Introducing SuperValu into the comparison increases the difference between the cheapest and dearest to €2.26 (2.21%). This comparison, which is based on a sample of 36 branded products, found Dunnes Stores to be the least expensive and Superquinn to be the most costly. While the samples differed and not all products were common, when comparing Dunnes Stores, Tesco and Superquinn with EUROSPAR, Centra and SPAR, the differences between the least and most expensive were €7.66 (7.4%), €7.44 (10.8%) and €3.76 (20.2%), respectively.⁵⁶
- 6.37 Comparisons were also carried out with stores of the same brand located in different parts of the State: SuperValu in Dublin and Cork, Centra in Dublin and Galway, SPAR in Dublin and Limerick, and EUROSPAR in Dublin and Drogheda. A comparison was made of 36 products in SuperValu in Dublin and Cork, 36 products in EUROSPAR in Dublin and Drogheda, 23 products in Centra in Dublin and Galway, and 13 products in SPAR in Dublin and Limerick.

⁵⁵ Full results of the National Consumer Agency price check survey are available at the following link: http://www.nca.ie/eng/Media_Zone/Press%20Releases/NCA%20grocery%20price%20survey.html

⁵⁶ The comparisons were made using a set of products common to Tesco, Dunnes Stores and Superquinn and then comparing separately for each of EUROSPAR, Centra and Spar, the subset of products that were in common with the comparator.

- 6.38 There were price differences between outlets in Dublin and outside Dublin for each fascia. With the exception of EUROSPAR (whose Dublin store was 1.0% less expensive than the Drogheda store), Dublin prices were more expensive. The price differences range from very small (0.5% for SuperValu stores) to substantial in the case of Centra stores (4.6%) and SPAR stores (10.3%).
- 6.39 Of 23 products compared, five products, or 22% of the total basket, were priced the same in Centra stores in Dublin and Galway. In SPAR, of the 13 products compared, two were priced the same, i.e. 15% of the basket. For all but four products, or 88% of the total basket of groceries, SuperValu prices in Dublin and Cork were the same. The difference amounted to 54c, and all products were more expensive in Dublin. With regard to EUROSPAR, 25 of 36 products sampled, or 69% of the total basket, differed in price between Dublin and Drogheda; 11 i.e. 31% of the total, were priced the same.
- 6.40 It is difficult to draw significant conclusions from the NCA survey, as it was based on a static comparison of a narrow basket of goods sold in a number of stores distributed in the main urban areas of the State. Nonetheless, the survey provides a useful insight into the price setting decisions of grocery retailers in Ireland. Indeed, from the NCA survey, it appears that prices across affiliated stores are not uniform. Among the affiliated stores surveyed, the relatively small differences between the SuperValu stores confirm that SuperValu adopts a national pricing policy.

Consumer Perception of Price

- 6.41 The role that price plays in determining a consumer's choice of retail outlet or fascia (or product brand, for that matter) is not straightforward. In fact, value, as opposed to price, appears to be a more important criterion for grocery consumers. Value combines price and quality and is difficult to measure in an objective fashion. Nonetheless, the Shopper Trends survey is informative in this regard.
- 6.42 Respondents to the Shopper Trends survey were asked to value the importance of certain attributes of two different categories of stores: supermarkets/hypermarkets (according to the AC Nielsen classification these are; Tesco, Dunnes Stores, Superquinn and SuperValu) and convenience stores (according to the AC Nielsen classification these

are; SPAR, Centra, Londis and MACE).⁵⁷ For supermarkets/hypermarkets, shoppers stated that low prices were an important attribute of this category of stores. However, consumers do not always mean what they say, something the Shopper Trends survey attempts to take into account. Low prices do not appear to affect consumers' ratings in practice. In contrast, the attribute 'good value for money' (that is, a good quality/price ratio) appears to be genuinely important in the sense that shoppers actually mean what they say.

- 6.43 For the second group of retailers, convenience stores, low prices do not appear in the list of attributes that respondents were asked to value: the most important attribute of this category of store is their convenient location.

Promotional Behaviour

- 6.44 The promotional activities of grocery retailers are now considered. Promotional behaviour is distinguished from pricing behaviour as follows. 'Promotions' refer to any type of non-permanent price-related or non-price related incentives, special offers or discounts that a retailer offers to customers, such as 'buy one, get one free' offers, vouchers or loyalty card points. Price discounts made with the purpose of clearing items with short shelf-life (for example, fresh fruit, vegetables, fresh meat and fish) will not be considered here. As before, vertically-integrated retailers and affiliated retailers are considered separately.

Vertically-Integrated retailers

- 6.45 Table 36 below illustrates the promotional policies of the vertically-integrated retailers. As with price setting policies, promotions are set in a centralised way and are uniform across retail outlets. There are some exceptions to this. Dunnes Stores, for example, states that promotions can be differentiated at the local level depending on the presence of competitors. For Tesco, promotions may vary across stores in certain circumstances, such as, when a store is under-

⁵⁷ The analysis is based on the rankings providing the so-called 'stated importance' and 'derived importance'. 'Stated importance' is a measure of response by asking respondents which attribute is important to them. 'Derived importance' comes from the correlation between each attribute score and the Store Equity Index (a measure of how shoppers react to the store). 'Derived importance' is a better way of understanding what is really important to the shopper. 'Stated importance' and 'derived importance' measures can give mixed messages and derived importance is generally preferred by market research companies. Indeed, when asked, everything is important to a shopper but using derived importance allows prioritisation of the list of attributes.

performing or has just opened. Another retailer, Lidl, states that exceptions to uniform promotions may occur to support a special store-specific event.

Table 36: Promotional Policies of the Vertically-Integrated Retailers

	ALDI	Dunnes Stores	Lidl	Marks & Spencer	Superquinn	Tesco
Centralised Promotions	✓	✓	✓	✓	✓	✓
Uniform Promotions	✓	✓	✓	✓	✓	✓
Exceptions		*	**			***

*The presence of competitors can be a differentiating factor.

**Promotions for one day to support a special store-specific event.

***Exceptions may occur in the case of the opening of a new store or where an existing store is under-performing.

6.46 Information on the promotional cycles of the vertically-integrated retailers is presented in Table 37. While there is a good deal of variation among the vertically-integrated retailers, cycles typically run back-to-back and last between one and four weeks. Accordingly, the vertically-integrated retailers run between 12 and 52 promotional cycles annually. A number of vertically-integrated retailers report differences across categories of goods especially with respect to ambient *versus* fresh produce. For example, fresh produce is typically on promotion with greater frequency but for a shorter duration. The number of products on promotion at any given time varies considerably across the vertically-integrated retailers, although this is not surprising given the variation in the number of products carried by the different retailers, as discussed below in paragraphs 6.59 to 6.67.

6.47 ALDI and Lidl are the only vertically-integrated retailers who do not have pre-set regular promotional cycles on grocery goods. ALDI has no promotional cycles apart from those in categories like fresh fruit and vegetables, fresh meat and fish and dairy products. For Lidl, promotions are mainly based on opportunities arising from market

conditions, and seasonal specifics are taken into consideration when it decides on specific promotions.

Table 37: Promotional Cycles on Grocery Goods of the Vertically-Integrated Retailers

Features of Promotion Cycle	ALDI	Dunnes Stores	Lidl	Marks & Spencer	Superquinn	Tesco
Length of each cycle (weeks)	4*	3	**	4	2 (fresh), 3 (ambient)	1 (fresh) *** 3-4 (all other)
Number of cycles per year	12	17	-	12	18 (ambient) 26 (fresh) ****	52 (fresh) 15 (all other)
Average number of SKUs	2-4	400	-	613	1000 (ambient) 300 (fresh)	10-15 (fresh) 335 (all other)

* ALDI only has promotion cycles on fresh fruit and vegetables, fresh meat and fish and on dairy products.

** Lidl's promotions are mainly based on opportunities arising from market conditions and can be driven by seasonal specifics.

*** Weekly promotions are mainly used for the promotion of fresh fruit and vegetables, and fresh fish and meat, with approximately 10-15 SKUs in each of these categories. The length of some cycles is also dependent upon where seasonal or other trading events fall in the calendar.

**** Cycles run back-to-back, without any breaks in between.

Wholesaler-Franchisors (effected through Affiliated Retailers)

6.48 Table 38 presents information on the promotional policies of the wholesaler-franchisors, as effected through affiliated retailers. As with promotions offered by the vertically-integrated retailers, the wholesaler-franchisors set promotions in a centralised fashion. However, unlike the vertically-integrated retailers, promotions do not apply uniformly across the retail outlets of affiliated retailers and tend to vary by store size (for example, affiliated retailers of the Barry

Group, BWG Foods and Mangan Wholesale), by location, consumer preferences and local competition (Mangan Wholesale). Affiliated retailers have a degree of discretion, especially when promotional activities involve own-label goods of the relevant wholesaler-franchisor and fresh produce.

Table 38: Promotional Policies of the Wholesaler-Franchisors (effected through Affiliated Retailers)

	ADM Londis	Barry Group	BWG Foods	Gala Wholesalers	Mangan Wholesale	Musgrave Retail Partners Ireland
Centralised Pricing	√	√	√	√***	√*****	√
Uniform Pricing	No	No	No	√	No	√
Exceptions	*	**	**	****	*****	

* Each affiliated retailer sets its own prices.

** Store size (or format) is a differentiating factor.

*** Promotions are set centrally for centrally billed items.

**** Own-label grocery goods promotions are also set by retailers.

***** Depends on supplier, availability, season and stocking policy.

***** Store location, store size, local consumer preference and local competition are all differentiating factors.

6.49 The exception to this assessment is Musgrave. For the SuperValu and Centra fascias, promotional behaviour is very similar to the vertically-integrated retailers, that is, promotions are set centrally and adopted uniformly.

6.50 Affiliated retailers tend to have greater discretion with regard to in-store promotions. Such promotions tend to reflect local characteristics of the trade, such as store format/size and location, newly built store opening or store revamping, local supplier promotions or seasonal events like festivals and fairs.

6.51 Newspapers, radio and local flyers are generally used for advertisement of promotions by the affiliated retailers and their franchisors. Only ADM Londis, BWG Foods and Musgrave use TV advertising. This indicates that these wholesaler-franchisors pursue a

strategy of promoting their brands at a national level, and is consistent with their policies of centrally setting and uniformly applying promotions across affiliated retailers.

6.52 Table 39 presents information on the promotional cycles of the affiliated retailers. The promotional cycles of affiliated retailers are, on average, longer, lasting for three to four weeks compared with one to four weeks for the vertically-integrated retailers, and are less frequent. The number of products on promotion is usually lower reflecting the narrower product range typically carried by affiliated retailers.

6.53 As with the vertically-integrated retailers, no variation in promotional policies, either by product category or product type (branded goods compared with own-label goods) was reported for promotional policies.

Table 39: Promotional Cycles of the Wholesaler-Franchisors (effected through Affiliated Retailers)

Features of Promotional Cycles	ADM Londis	Barry Group	BWG Foods	Gala Wholesalers	Mangan Wholesale	Musgrave Retail Partners Ireland
Length of each cycle (weeks)	3	3	4	4	4	2-3**
Number of cycles per year	17	17	13	13*	13	18 (ambient) 26 (fresh)
Average Number of SKUs	-	35-70	300-500	200	-	200-400

* Promotions on centrally billed items.

** In general, for ambient products there are 18 promotional cycles at store level over a 52-week period, of which 16 last for three weeks and 2 last for two weeks. For chilled products, in general there are 26 promotional cycles over a 52-week period.

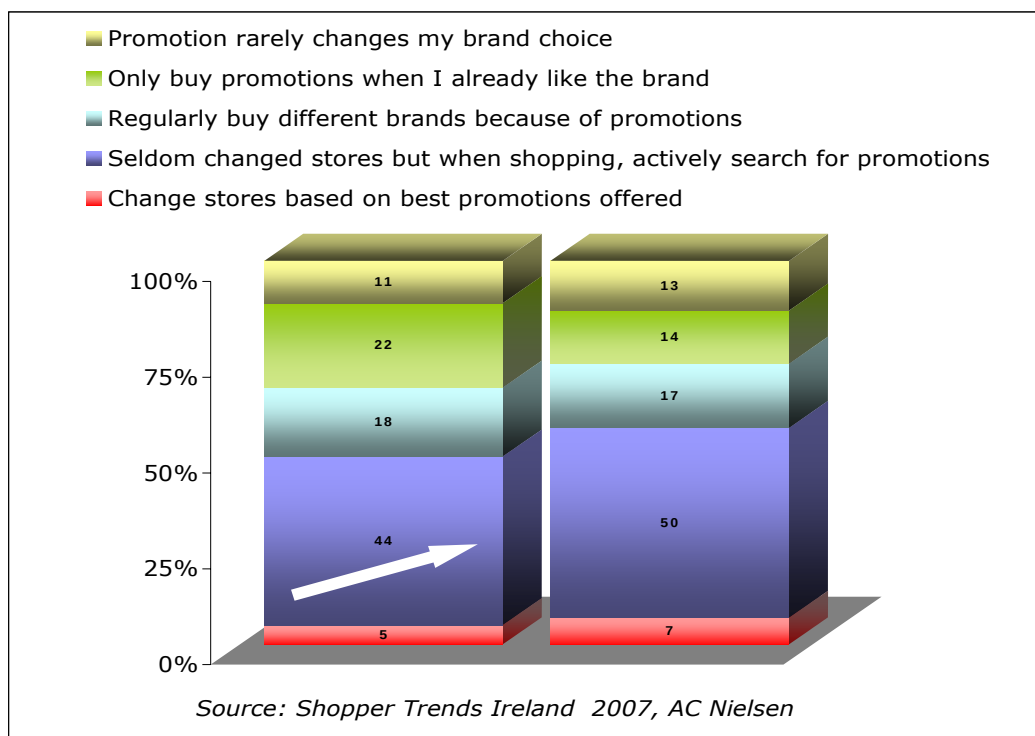
Consumer Perception of Promotions

6.54 According to the Shopper Trends survey, Irish shoppers are not generally affected by promotions when selecting grocery retail outlets. The proportion of respondents who seldom change stores but, when shopping, actively search for promotions rose from 44% in 2005 to 50% in 2006 (see Figure 26 below). The proportion of shoppers

sampled, who regularly buy different brands depending on which brands are on promotion, remained almost unchanged between 2005 and 2006. The proportion of grocery consumers who have strong brand loyalty increased slightly, from 11% to 13%.

- 6.55 When ranking attributes of supermarkets/hypermarkets by importance, respondents to the Shopper Trends survey did not report 'attractive promotions' as an important consideration. As noted above, the Shopper Trends survey attempts to allow for the fact the consumers do not always mean what they say. It appears that, in practice, promotions matter more to consumers than they are prepared to acknowledge.
- 6.56 Given that promotions are generally supplier-driven, the finding that promotions are not an important factor for Irish grocery consumers may suggest they function more as a means for suppliers to sponsor their own brands or products, as opposed to being a competitive tool by which retailers attract customers.
- 6.57 When considering convenience stores, shoppers did not list 'attractive promotions' as an important attribute. Nevertheless, according to the Shopper Trends survey, grocery consumers tend to understate the importance of promotions at convenience outlets, insofar as promotions appear to influence consumer behaviour in practice.

Figure 26: Consumer Attitudes to Promotions



Competition and Product Range

6.58 Grocery retailers compete with each other on the basis of their product range in which own-label goods play an increasingly important role.

Product Range

Stock Keeping Units (SKUs) as a proxy for product range

6.59 According to the Shopper Trends survey, grocery consumers consider the following as important attributes of supermarkets/hypermarkets: 'wide product range and variety', 'always well stocked' and 'everything in one shop'. In contrast, for convenience stores, 'wide product range and variety' is not considered an important attribute by consumers.

6.60 In this Report, the number of SKUs is used as the proxy for the product range offered at the retail outlets of the vertically-integrated retailers and affiliated retailers. Each product has an SKU which is a set of numbers that identifies the product according to a predefined set of characteristics. At a minimum, a grocery SKU typically contains information on the product line (e.g. milk), brand of the product, and package size. For processed goods, the manufacturer sets the SKU which is affixed as a bar code on the product package.

- 6.61 There are limitations on the number of SKUs as a proxy for a product range. Retailers carry 'product lines'; within each product line there is typically a variety of different brands, and for each brand, a variety of package sizes, flavours etc., each of which is regarded as a distinct SKU. The number of SKUs carried by a retailer therefore amalgamates information on the number of product lines, brands within product lines, packaging sizes, flavours and any other characteristics of interest to the supplier, wholesaler or retailer in the supply chain. With this limitation in mind, the number of SKUs carried by retailers in terms of; the overall numbers carried, the breakdown, sources of variation and own-label SKUs are all considered.

Number of Stock Keeping Units (SKUs)

- 6.62 Table 40 below shows the number of SKUs carried by the main retailer groupings. The information is presented in terms of the monthly average number of SKUs carried by a typical retail outlet for each fascia, and is broken down into overall number of SKUs, grocery goods SKUs (including own-label grocery goods) and own-label grocery goods SKUs.
- 6.63 Typically, the vertically-integrated retailers carry a higher number of SKUs, grocery goods SKUs and own-label grocery goods SKUs than the affiliated retailers. Several points should be noted.
- 6.64 Firstly, among the vertically-integrated retailers, the retail outlets of ALDI, Lidl and Marks & Spencer carry a similar, if not lower, number of grocery goods SKUs to that carried by the retail outlets of the affiliated retailers. For ALDI and Lidl, the measurement of product range in terms of number of SKUs understates the actual product range. In reality, ALDI and Lidl carry a similar product range to the other vertically-integrated retailers. The difference arises from the fact that ALDI and Lidl have limited depth of product range. That is, they tend to stock only a limited variety of products within each product line. Lidl and ALDI are not identical in terms of their product range. Lidl stocks more own-label (or exclusive brands) than ALDI. Indeed, almost 90% of Lidl grocery good SKUs are own-label (or exclusive brands) grocery goods.
- 6.65 Secondly, retail outlets of affiliated retailers operating the SuperValu fascia are more like the outlets of the vertically-integrated retailers.

That is, the numbers of SKUs, grocery goods SKUs and own-label grocery goods SKUs are comparable to the bigger vertically-integrated retailers.

- 6.66 Thirdly, the number of SKUs carried by the affiliated retailers likely understates the actual product range carried, for the same reason as for Lidl and ALDI. Retail outlets of the affiliated retailers may carry a similar product range in terms of the number of product lines as the vertically-integrated retailers, but the product lines have only limited depth, with limited variety of brands and limited package sizes within each line.
- 6.67 Finally, since 2001, ALDI, Lidl and Marks & Spencer have increased their monthly average number of grocery goods SKUs per store (ALDI from approximately 750 to 850, Lidl from 850 to 1,120 and Marks & Spencer from 2,400 to approx 2,700). An opposite trend can be observed for Dunnes Stores, which reduced its product range from 23,000-26,000 SKUs to 18,000-22,000 SKUs over the same period.

Table 40: Grocery Goods SKUs per Fascia in 2006

SKUs	Total Goods	Grocery Goods (branded and own-label)	Own-label Grocery Goods
Vertically-Integrated Retailers			
ALDI	1,054	854	97
Dunnes Stores	18,000 – 22,000	15,000 – 19,000	3,500-4,000
Lidl	1,350	1,120	1,010
Marks & Spencer	2,763	2,692	2,692
Superquinn	18,117	17,810	2,473
Tesco	14,735	10,234	2,748
Affiliated Retailers			
Londis	3,000 - 4,000	2,000 - 2,500	15 -20
Costcutter	2,300	1,840	50
Quikpick	2,300	1,840	0
MACE (BWG Foods)	5,000	4,500	100
SPAR /EUROSPAR*/SPAR Express	5,000	4,500	300
XL Stop & Shop	3,500	3,000	50
Gala	3,000 - 4,000	2,700 - 3,600	5
MACE (Mangan Wholesale)	n/a	n/a	n/a
Vivo	n/a	n/a	0
Xpress Stop	n/a	n/a	0
Centra	5,000 - 7,000	4,000 - 6,000	1,174
Daybreak	2,300	1,840	73
DayToday	1,700	1,360	73
SuperValu	12,000 - 14,000	10,000 - 12,000	2,871
* EUROSPAR would have respectively 7,500 / 6,500 / 300 SKUs.			

Sources of Variation in Product Range

6.68 The numbers of SKUs reported in Table 40 above are averages of the retailers operating under each fascia. There is variation across retail outlets of the same fascia. Sources of variation include the size and location of retail outlets.

6.69 In relation to the affiliated retailers, it is not possible to assess differences across geographic locations (for example, between rural and urban locations) and format, because only average numbers per store are available. For the vertically-integrated retailers, several

points can be observed. Firstly, there is no variation in the available range of products across the retail outlets of Lidl and ALDI.

6.70 Secondly, for most vertically-integrated retailers, the average number of SKUs tends to be higher in retail outlets located at the edge of or outside urban areas. This is not surprising since retail outlets at these locations tend to be larger in size and the size is the principal determinative factor governing the range of products available in a retail outlet. In this regard, it is noteworthy that the retail outlets of Lidl and ALDI have relatively similar product ranges.

6.71 Finally, although the number of SKUs carried by one retail outlet within a fascia may be the same as another within the same fascia, this does not necessarily imply that the actual range of products carried is identical. In the case of the vertically-integrated retailers excluding ALDI and Lidl, the actual products carried may depend upon the tastes and preferences of grocery consumers living within the catchment area of a retail outlet. In the case of the affiliated retailer fascias, there is another source of variation, namely each affiliated retailer makes the final decision on the range of products to stock at their outlet. The retail outlet of a particular affiliated retailer may stock, say, 2,000 to 7,000 products from a multiple of that number made available from its wholesaler-franchisor. While the choice of product remains that of the affiliated retailer, many of the wholesaler-franchisors provide assistance and advice to their affiliated retailers when choosing a suitable product range for their particular retail outlet.

Top Brands

6.72 AC Nielsen tracks the 'Top 100 Brands' sold in the Irish retail grocery sector. The analysis covers all grocery and confectionery product classes, and the rankings are based on sales values.⁵⁸ Retailers excluding ALDI, Dunnes Stores and Lidl are covered by the analysis. No own-label brands are included. The 'Top 100 Brands' analysis also provides information on the share of the top five brands within each category.

⁵⁸ Sales values are derived from the RSP (Retail Survey Panel) scanned or observed on the day of purchase or audit with the data relating to a Moving Annual Total (MAT) ending April 2007 and comes from AC Nielsen's Market Track Service.

Table 41: Share of Product Category Sales attributable to the Top Five Brands in the top 20 product categories

Top Five Brands Share (%) of the Total Category	Year ending 22 April 2007	Year ending 16 April 2006
Total Confectionery	24	23
Carbonated Drinks	86	86
Milk	55	56
Packaged Bread	70	66
Crisps & Snacks	77	73
Total Juices & Ready To Drink (RTD) Juices	44	47
Total Biscuits	73	71
Yoghurt & Yoghurt Drinks	80	77
Total Ice Cream	40	40
Mineral Waters	74	73
Sport & Energy Drinks	96	98
Pre-packed Sliced Meat	69	71
Total Breakfast Cereals	47	43
Total Cheese	39	40
Pre-packed Small & Large Cake/Pie/Pudding	39	.*
Toilet Tissues	56	55
Pre-packaged Bacon	59	61
Total Sauces	61	67
Total Detergents	84	85
Butter	76	75

* In 2006, this category was not among the top 20.

Source: AC Nielsen, *Retail Market Report*, 2007, and Checkout Magazine, Vol. 32, No. 8, 8 August 2006.

6.73 Table 41 above illustrates the share of sales accounted for by the top five brands within the top 20 product categories. In most of the cases, the top five brands account for more than 50% of the sales value. In a number of categories (for example, carbonated drinks, sports & energy drinks, yogurt drinks), the top five brands' share is 80% or higher. By contrast, the proportion of sales accounted for by the top five brands is less than 40% for categories like confectionery, cheese, and pre-packaged cakes/pies/puddings.

6.74 Since 2006, the share of sales attributable to the top five brands has increased within the product categories of Packaged Bread, Crisps &

Snacks and Total Breakfast Cereals. The share has decreased for Total Juices & Ready to Drink (RTD) Juices and Total Sauces categories. For the rest of the categories, only marginal changes have occurred since 2006.

Own-label

Own-label Penetration

- 6.75 Since 2001, own-label products have achieved greater penetration in the Irish grocery sector. The driving factors of this development are the entry and expansion of retailers such as ALDI, Lidl and Marks & Spencer, whose retail sales come from mainly own-label or exclusive brands, and the growth of the own-label businesses of more established retailers like Dunnes Stores and Tesco. This increase in own-label penetration is reflected in the growing awareness of these labels among grocery consumers. According to the Shopper Trends survey, only 2% of respondents were unaware of any of the own-label brands of the main retailers, and the vast majority, 84% of respondents, had bought an own-label product in the four weeks preceding the survey. Despite this growing awareness and increasing penetration, grocery consumers did not rank 'own-label' as an important attribute of the supermarkets/hypermarkets. The impact of own-label products may be understated because many consumers may not be aware that some retailers have exclusive access to certain brands and use these exclusive brands in a similar way to how other retailers use own-label brands (see paragraph 2.66 for a discussion of exclusive brands).
- 6.76 All vertically-integrated retailers, and most of the affiliated retailer groups, have one or more own-label or (exclusive brands), as Table 42 indicates. Moreover, the buying group Stonehouse has developed an own-label brand. Table 42 below indicates the own-label and exclusive brands of each fascia.

Table 42: Own-label (including Exclusive) Brands of the Irish Grocery Sector as of year end 2007

	Main	Special: Organic, etc	Premium brands
Vertically-Integrated Retailers			
ALDI	Specially Selected, Majority of ALDI goods are exclusive brands	Belight	
Dunnes Stores	Dunnes Stores, St Bernard	Better for you, Eat in/Eat out, Easy	Simply Better
Lidl	Lidl stock a large number of exclusive brands		
Marks & Spencer*	100% of goods are own-label. Ranges include 'M&S Count on Us', 'M&S Eat!' and 'M&S Eat Well'.		
Superquinn	Superquinn, Euro Shopper		SQ (Superior Quality)
Tesco	Tesco Value, Tesco	Free From, Organic, Healthy Living, Fairtrade	Tesco Finest
Affiliated Retailers			
Londis	Londis		
Costcutter	Costcutter		
Quikpick	None		
MACE (BWG Foods)	MACE		
SPAR /EUROSPAR*/SPAR Express	SPAR , a number of exclusive brands		Signature Selection
XL Stop & Shop	Family Value		
Gala	Gala		
MACE (Mangan Wholesale)	MACE brand		
Vivo	None		
Xpress Stop	None		
Centra	Centra, Centra Simply Cook	Centra Good to Go	
Daybreak	None		
DayToday	None		
SuperValu	SuperValu, SuperValu Nice Price	SuperValu Goodness, SuperValu Just Cook	SuperValu Supreme
* Marks & Spencer only retail own-label grocery goods which are commonly regarded as being premium.			

- 6.77 A number of retailers carry a range of own-label (or exclusive) brands for some product lines. Quality and price tend to be the differentiating factors between own-label brands within a product line. For example, for a given product line, a particular own-label brand product may be considered to be of a lower quality compared with the own-label brands designated to be 'premium'. Having a range of own-label brands that differ in quality within a product line allows a retailer to attract a broad spectrum of grocery consumers with different tastes and willingness to pay.

Own-label Growth and Composition by Product Category and Channel

- 6.78 Given the growing importance of own-label products within the Irish grocery sector, this subsection includes a brief discussion of the development and present composition of the retail grocery market for own-label goods. This is contrasted with the retail market for branded goods within the Irish grocery sector.
- 6.79 Table 43 below presents the findings of AC Nielsen on the composition and growth rates of branded and own-label product turnover by type of retail operators for the year ending November 4th 2007.
- 6.80 Within the AC Nielsen 'Grocery' category, the majority of sales of branded goods, at 74.4% of the total sales figure, are attributable to the Multiples (according to AC Nielsen, 'Multiples' are Dunnes Stores, Superquinn, SuperValu and Tesco). The Convenience operator type is the second most important retail operator type (according to AC Nielsen, 'Convenience' operators are SPAR/SPAR Express/EUROSPAR, Centra, MACE (BWG), Londis) for branded goods within the 'Grocery' category, with 19.6% of sales. The picture is somewhat different for own-label products. While the Multiples are the principal sellers of own-label products, with 66.5% of sales, the second most important retail operator type is the Discounters with 30.5% of sales Multiples (according to AC Nielsen, 'Discounters' are ALDI and Lidl). The Convenience operator type is relatively insignificant for own-label Grocery goods, accounting for just 2.8% of sales. Sales of branded Grocery products are growing at a slower rate than own-label Grocery products, recording an 8.3% increase in the year ending November 2007, compared with a 9.6% increase over the same period for own-label goods. Although the very high growth rate of 97.2% experienced

by the Discounter operators between 2006 and 2007 is significant, it should be noted that this figure is calculated from a very low base.

- 6.81 The situation within the AC Nielsen 'Health & Beauty' category is broadly comparable to the 'Grocery' category. Again, the Multiples account for the majority of sales, with 81% of sales of branded products and 66% of own-label products. The Convenience operators account for the second largest share of branded 'Health and Beauty' products, with 12.3% of sales, and are relatively insignificant for own-label products, with just 1.4% of sales. For own-label 'Health & Beauty' products, the Discounters are the second most important, with 31.9% of sales. In terms of year-on-year growth, branded 'Health & Beauty' products are growing at the same rate as own-label products, that is, an increase of 7.9% in the year ending November 2007. ALDI and Lidl have introduced some branded lines, and this is reflected in a 3-digit growth figure of 284.6% for the Discounter in the year ending November 2007. The 'Health & Beauty' sector is one of the least developed in terms of own-label penetration, and is dominated by Multiples and Discounters. The high growth figures shown by the Convenience operators and the Independents (according to AC Nielsen, 'Independents' are independent grocery stores, tobacconists and newsagents and smaller symbol chains like Gala, Costcutter, DayToday, Quikpick etc.) reflect the fact that these groups of retailers have only recently begun retailing in the own-label category.
- 6.82 Within the AC Nielsen 'Household' category, the Multiples and Convenience operators together account for over 95% of sales. Sales of own-label products in this category showed substantial increases, at a rate of 15.1%, in the year ending November 2007. Own-label penetration is relatively high in all channels, in particular for the Convenience operators and the Discounters.
- 6.83 Within the AC Nielsen 'Alcohol' category, Independents (which excludes off-licence operators) have the largest share of branded products, with 46.7% of sales, followed by the Multiples, with 37.8% of sales, and the Convenience operators, with 15.2% of sales. The branded segment showed 12% growth on the figures for 2006, with all channels benefiting. ALDI and Lidl have begun retailing some alcohol brands, which has boosted the growth rate of the Discounters. Sales of own-label alcohol products are accounted for principally by Multiples and

Discounters, but penetration is very low: the tiny growth figure of 1.1% confirms that Irish shoppers are extremely loyal to brands in the alcohol sector.

Table 43: Composition and Growth of Branded v Own-label Products in the year ending November 2007 (AC Nielsen)

Product Categories					
Branded Composition %	Grocery	Health & Beauty	Household	Alcohol	
Multiples	74.4	81.0	80.1	37.8	
Independents	5.8	6.6	3.6	46.7	
Convenience	19.6	12.3	15.9	15.1	
Discounters	0.2	0.1	0.4	0.4	
Total	100	100	100	100	
Own-label Composition %					
Multiples	66.5	66.0	64.3	61.8	
Independents	0.2	0.7	3.1	0.0	
Convenience	2.8	1.4	8.2	0.0	
Discounters	30.5	31.9	24.4	38.2	
Total	100	100	100	100	
Branded Growth Rate %					
Multiples	8.3	9.6	11.3	15.3	
Independents	2.3	-5.8	-4.9	9.5	
Convenience	9.7	5.4	9.6	10.8	
Discounters	97.2	284.6	284.8	70.5	
Total	8.3	7.9	10.7	12.0	
Own-label Growth Rate %					
Multiples	4.6	9.7	14.6	-3.8	
Independents	8.6	22.8	5.2	87.1	
Convenience	8.7	54.4	17.6	-66.5	
Discounters	22.4	2.9	17.3	10.2	
Total	9.6	7.9	15.1	1.1	

* In the AC Nielsen classification, Multiples include Dunnes Stores, Superquinn, SuperValu and Tesco; Independents represents independent grocery stores, tobacconists and newsagents and smaller symbol chains like Gala, Costcutter, DayToday, Quikpick etc.; Convenience: SPAR / SPAR Express / EUROSPAR, Centra, MACE (BWG), Londis; and Discounters are ALDI and Lidl.

Source: AC Nielsen, *Retail Market Report*, 2007.

- 6.84 Within the AC Nielsen 'Confectionery' category (not shown in Table 43 above), sales of branded products saw an increase of 12.7% for the Multiples and 11.7% for the Convenience operators for the year ending November 2007; these operator types accounted for almost 70% of total sales. The remainder of branded sales are equally divided between Independents and Tobacconists-Newsagents, but the shares of both operator types are declining (-8.1% and -1.3% respectively for year ending November 2007). This is mainly attributable to the closure of stores.
- 6.85 The overall growth of branded 'Confectionery' products was 6.7% for year ending November 2007, which was lower than the growth in own-label 'Confectionery' products (8.9%). Compared with the other product categories, Multiples have the smallest share of own-label 'Confectionery' products, at 56% of total sales, and when measured on a year-on-year basis, this share is in decline (-1.2% for year ending November 2007). Multiples and Discounters account for about 95% of sales within the own-label 'Confectionery' segment. Nevertheless, the own-label growth rate of the other operator types within the 'Confectionery' category grew substantially in the year ending November 2007, due to the introduction of new own-label lines.

Competition and Retailer Location Choice

- 6.86 Retailers locate so as to maximise profitability. The location of a retail outlet is therefore a strategic choice of the retailer. This section accordingly considers the location choice of grocery retailers with respect to market size, customer profile and competitive conditions.
- 6.87 To analyse each of these factors, the catchment areas surrounding retail outlets is assessed. A catchment area is the geographic area around a retail outlet in which the majority of the outlet's customer base is located. In the analysis that follows, catchment areas are defined by drive times. The advantage of this approach over a simple radii approach is that it incorporates the ease of access allowed by transport routes. The principal drawback of this approach is that it does not take into account transient population. For example, people may shop close to or en route to their place of employment, whereas

the catchment area analysis that follows is based only on the residential population of a given geographic area.

6.88 As discussed above, Irish consumers travel for approximately 22 minutes on average to do their primary grocery shopping, and the vast majority of grocery consumers, at 82%, make this journey by car.⁵⁹ The vertically-integrated retailers report that the catchment area drive times of their retail outlets are between 15 and 20 minutes on average, that is, the majority of customers frequenting their retail outlets are resident within a 15 to 20 minute drive of the outlet. Of those wholesaler-franchisors in a position to provide information about the catchments of their affiliated retailers, the corresponding figure was between seven and eight minutes. In what follows, catchment areas are based on 10 and 20 minute drive times for the vertically-integrated retailers, and five and 10 minute drive times for affiliated retailers. Retail outlets of the SuperValu fascia are treated like vertically-integrated retailers.

6.89 The analysis of catchment areas presented in this *Report* is based on location information provided by the vertically-integrated retailers and wholesaler-franchisors with respect to their affiliated retailers.

6.90 To provide a context in which to examine the location choice of grocery retailers, this section describes the size and location of retail outlets and their opening hours.

Outlet Size, Location and Opening Hours

6.91 Retailers differ in terms of size, location and opening hours. Retailer choices in this regard provide some indication of the different roles of the various retailers.

Outlet Size

6.92 Table 44 below shows the size distribution of retail outlets by fascia. Figures are based on net retail sales area. 90% of retail outlets for each group of affiliated retailers fall into the lowest band, that is, less than 500m². In contrast, for each of the vertically-integrated retailers, the proportion of retail outlets falling into the lowest band is less than

⁵⁹ The 22 minute average journey time is an average across the different means of transport (car, public transport or walking). Given that 82% of people use a car, the 22 minutes overestimates drive times.

10% (25% for Marks & Spencer). The exception is affiliated retailers operating the SuperValu fascia, who tend to have outlets in the middle size bands.

- 6.93 Among the vertically-integrated retailers, more than 60% of the retail outlets of Superquinn, Tesco and Dunnes Stores are greater than 1,500m² in size. Tesco has the highest proportion of retail outlets in the largest band, that is, greater than 5,000m² and in the two largest bands. 83% of outlets belonging to Dunnes Stores fall in the three bands between 1,000m² and 5,000m². The retail outlets of Lidl are almost equally split between the two middle size bands, whereas 85% of retail outlets belonging to ALDI fall within the 1,000m² to 1,500m² band.
- 6.94 With regard to retail outlets operating the SuperValu fascia, it is notable that the distribution of store size is such that the fascia fills the gap between the affiliated retailers, whose retail outlets are almost uniformly less than 500m², and the vertically-integrated retailers, whose retail outlets are typically in the intermediate and upper size bands. SuperValu has the highest proportion of stores in the second lowest band, that is, 500m² to 1,000m². It has the second highest proportion of stores in the next highest band, 1,000m² to 1,500m². This confirms why SuperValu stores are often called 'medium-size supermarkets'.

Table 44: Size (Net Retail Sales Area) Distribution of Retail Outlets by Retailer in 2006

% of stores in range	Number of Retail Outlets*							
		< 500 m ²	500 m ² < store size < 1,000 m ²	1,000 m ² < store size < 1,500 m ²	1,500 m ² < store size < 2,500 m ²	2,500 m ² < store size < 5,000 m ²	> 5,000 m ²	
Vertically-Integrated Retailers								
ALDI	39	0	85	15	0	0	0	
Dunnes Stores	90	9	9	21	40	21	0	
Lidl	79	0	41	59	0	0	0	
Marks & Spencer	13	23	23	31	15	8	0	
Superquinn	21	5	5	9	67	14	0	
Tesco	95	7	8	10	28	44	3	
Affiliated Retailers**								
Londis	343	96	4	0	0	0	0	
Costcutter	121	97	1	2	0	0	0	
Quikpick	96	100	0	0	0	0	0	
MACE (BWG Foods)	146	99	1	0	0	0	0	
SPAR / EUROSPAR / SPAR Express	460	90	9	1	0	0	0	
XL Stop & Shop	109	100	0	0	0	0	0	
Gala	311	100	0	0	0	0	0	
MACE (Mangan Wholesale)	137	98	2	0	0	0	0	
Vivo	56	98	2	0	0	0	0	
Xpress Stop	76	100	0	0	0	0	0	
Centra	407	93	7	0	0	0	0	
Daybreak	93	100	0	0	0	0	0	
DayToday	60	100	0	0	0	0	0	
SuperValu	179	7	44	36	13	0	0	

* Percentages are based on the number of stores active during 2006 for which information was available. These numbers may not necessarily coincide with the store numbers at end year 2006, reported in Table 20. Net retail sale area exclude clothing/home areas for Dunnes Stores and Marks & Spencer.

** For all affiliated retailers except Londis, Daybreak, DayToday and Gala, figures are based on total store area.

Outlet Location

- 6.95 Table 45 below shows the distribution of retail outlets by location using the categories of town centre, edge-of-centre, out-of-centre or out-of-town from the *Retail Planning Guidelines* (location categories refers to the position of an outlet with respect to an urban area or rural town).
- 6.96 The principal difference between the vertically-integrated retailers and the affiliated retailers emerging from this data is that the vertically-integrated retailers are more concentrated in town centres, where more than 50% of vertically-integrated retailer stores are located, whereas the affiliated retailers are more evenly distributed across all locations.
- 6.97 Among the vertically-integrated retailers, Lidl and ALDI are exceptions. The stores of both retailers are spread more evenly across all location categories.
- 6.98 Among the affiliated retailers, the Costcutter and Quikpick fascias are exceptions to the general pattern. Retail outlets belonging to these groupings are situated mainly in out-of-town locations. Conversely, affiliated retailers of the SuperValu fascia are distributed in a similar manner to the vertically-integrated retailers, that is, predominantly in town-centre locations.
- 6.99 The relationship between the location of retail outlets and the average size of retail outlets is noteworthy. Among the vertically-integrated retailers, there is a clear pattern: the further away from a town-centre the retail outlet is located, the larger it tends to be. There was a much weaker correlation between location and size, or no obvious relationship at all, for the affiliated retailers.

Table 45: Distribution of Location of Retail Outlets by Retailer in 2006

% of stores in	Number of Retail Outlets*	Town Centre	Edge-of-centre	Out-of-centre	Out-of-town
Vertically-Integrated Retailers					
ALDI	39	10%	39%	38%	13%
Dunnes Stores	90	48%	18%	34%	0%
Lidl	79	23%	34%	35%	8%
Marks & Spencer	13	54%	8%	0%	38%
Superquinn	21	67%	14%	5%	14%
Tesco	95	68%	21%	0%	11%
Affiliated Retailers					
Londis	222	49%	25%	13%	13%
Costcutter	120	29%	28%	7%	37%
QuikPick	96	6%	30%	0%	64%
MACE (BWG Foods)	-	n/a	n/a	n/a	n/a
SPAR / EUROSPAR / SPAR Express	-	n/a	n/a	n/a	n/a
XL Stop & Shop	-	n/a	n/a	n/a	n/a
Gala	308	39%	19%	12%	30%
MACE (Mangan Wholesale)	137	49%	0%	28%	23%
Vivo	50	44%	0%	38%	18%
Xpress Stop	76	50%	0%	33%	17%
Centra	410	44%	23%	23%	10%
Daybreak	97	43%	33%	0%	24%
DayToday	60	75%	10%	0%	15%
SuperValu	179	60%	17%	14%	9%

* Percentages are based on the number of stores active during 2006 for which information was available. These store numbers may not necessarily coincide with the store numbers as end year 2006, reported in Table 20.

6.100 Table 46 below classifies the locations of retail outlets using the terms 'shopping centres', 'garage forecourts' and 'standalone'. In some respects, this classification is of limited value because of the ambiguity of the terms 'shopping centre' and 'standalone'. For example, a shopping centre could indicate either a large retail park where many other types of retailers are located, or it might indicate a small neighbourhood community retail centre. Similarly, a retail outlet may be classified as 'standalone' but still be surrounded by other types of

retailers as would be the case with 'standalone' retail outlets located on high-streets.

Table 46: Retail Outlets Situated in Shopping Centres, Garage Forecourts or that are Standalone in 2006

% stores in	Number of Retail Outlets*	Shopping Centre	Garage Forecourt	Standalone
Vertically-Integrated Retailers				
ALDI	39	3%	0%	97%
Dunnes Stores	90	53%	0%	47%
Lidl	79	9%	0%	91%
Marks & Spencer	13	69%	0%	31%
Superquinn	21	71%	0%	29%
Tesco	95	63%	0%	37%
Affiliated Retailers				
Londis	349	6%	24%	70%
Costcutter	120	3%	33%	64%
QuikPick	96	0%	36%	64%
MACE (BWG Foods)	146	0%	36%	64%
SPAR / EUROSPAR / SPAR Express	460	0%	10%	90%
XL Stop & Shop	109	0%	39%	61%
Gala	348	0%	36%	64%
MACE (Mangan Wholesale)	137	1%	42%	57%
Vivo	54	2%	57%	41%
Xpress Stop	76	0%	38%	62%
Centra	410	7%	19%	74%
Daybreak	97	0%	45%	55%
DayToday	60	7%	33%	60%
SuperValu	179	34%	3%	63%

*Percentages are based on the number of stores active during year 2006 for which information was available. These store numbers may not necessarily coincide with the store numbers as end year 2006, reported in Table 20.

6.101 Nonetheless, location information is instructive. Across the vertically-integrated retailers, there is some balance between standalone retail outlets and retail outlets located in shopping centres, but the pattern is not uniform. For example, while there is an almost 50/50

standalone/shopping centre split for Dunnes Stores, both ALDI and Lidl outlets are predominantly standalone.

6.102 Location pattern varies among the affiliated retailers. Firstly, a large proportion of affiliated retailers are located on garage forecourts. Secondly, very few affiliated retailers are located in shopping centres. The exception is affiliated retailers of the SuperValu fascia, whose location pattern is similar to that of the vertically-integrated retailers.

Opening Hours

6.103 According to the Shopper Trends survey, grocery consumers consider 'long opening hours' an important attribute of the supermarkets/hypermarkets. The picture for convenience stores is less clear. Although shoppers state that they consider it an important attribute, the extent to which it matters in practice is not clear.

6.104 Table 47 below shows the opening hours of retail outlets by fascia. Among the vertically-integrated retailers, opening hours range from 10 to 13 hours per day. The exception is Tesco, whose stores open for a much longer period on average, at 18 hours per day. Tesco also has the highest number of stores open for 24 hours a day.

6.105 The concept of 'convenience store' implies not only a convenient location but also longer opening hours. The opening hours of retail outlets of the affiliated retailers are typically longer than is the case for the vertically-integrated retailers. Indeed, opening hours for affiliated retailers range from 13 to 15 hours on average, higher than the 10 to 13 hours of the vertically-integrated retailers (excluding Tesco). There are few affiliated retailers that open 24 hours a day.

6.106 Retailers operating the SuperValu and Centra fascias are the exception among the affiliated retailers, insofar as their opening hours are similar to those of the vertically-integrated retailers.

Table 47: Opening Hours of Retail Outlets by Fascia as of Year-End 2006

	Opening hours *	Number of 24-hour stores open
Vertically-Integrated Retailers		
ALDI	10	0
Dunnes Stores	14	9
Lidl	12	0
Marks & Spencer	10	0
Superquinn	13	0
Tesco	18	35
Affiliated Retailers		
Londis	16	7
Costcutter	15	3
Quikpick	15	0
MACE (BWG Foods)	15	19
SPAR / EUROSPAR / SPAR Express	15	9
XL Stop & Shop	15	0
Gala	15	2
MACE (Mangan Wholesale)	n/a	n/a
Vivo	n/a	n/a
Xpress Stop	n/a	n/a
Centra	16	15
Daybreak	15	6
DayToday	14	0
SuperValu	13	0
*Average daily number of opening hours.		

Market Size

6.107 'Market size' here refers to the number of potential customers available to a retailer. Intuitively, a retailer will locate in an area to maximise the number of potential customers.

6.108 Table 48 below illustrates, for each the vertically-integrated retailers and affiliated retailers of the SuperValu fascia, the average population, across all retail outlets within a fascia, living within 10 and 20 minute drives of retail outlets. The table shows populations within catchment

areas, for all retail outlets active as of March 2007 and for retail outlets opened since 2001.

Table 48: Average Population within 10 and 20 minute Drive Time by Fascia (Vertically-Integrated Retailers and SuperValu Retailers)

	For stores active in March 2007		For stores opened / active since 2001	
Average Population within Drive Time of:	10 mins	20 mins	10 mins	20 mins
ALDI	48,822	136,187	50,372	147,921
Dunnes Stores	44,782	123,735	21,440	72,355
Lidl	27,047	93,791	28,390	104,622
Marks & Spencer	77,448	236,371	59,617	205,738
Superquinn	58,115	224,548	27,735	206,704
Tesco	49,823	147,511	27,710	103,419
SuperValu (Musgrave)	20,861	72,605	31,951	94,717

Source: Data derived from CSO 2006 Census using CACI software.

6.109 There is a considerable similarity across most of the vertically-integrated retailers. Superquinn and Marks & Spencer are outliers, insofar as catchment populations for retail outlets active in March 2007 are greater than 200,000 people, based on a 20 minute drive time. This reflects both the fact that these retailers have fewer retail outlets and also that they tend to be located in or close to the main cities. The average catchment area population of the other vertically-integrated retailers appears lower as the retail outlets are geographically more widely distributed. SuperValu outlets have lower catchment area populations, on average, for the same reason. The picture is the same using a catchment area based on a 10 minute drive time.

6.110 The picture does not change dramatically when only retail outlets opened since 2001 are considered. For all retailers, catchment populations are lower for retail outlets opened more recently. This is intuitive, as retailers locate in more attractive locations first. The exceptions to this are ALDI and SuperValu, whose more recently-opened outlets are in more densely populated areas. The result for

ALDI may be explained simply by the fact that so few ALDI retail outlets were opened before 2001. For SuperValu, the result may be driven by a movement into the bigger cities or the increased urbanisation of previously rural areas. Historically, SuperValu had only a very limited presence, particularly within the Dublin area.

6.111 Table 49 below shows, for affiliated retailers of each fascia excluding SuperValu, the average population living within five and 10 minute drive catchment of retail outlets, across retail outlets of the same fascia. Again, the table shows populations living within catchment areas for all retail outlets active as of March 2007 and for retail outlets opened since 2001.

6.112 For retail outlets active in 2007, two categories of affiliated retailers can be distinguished. In the first group are affiliated retailers operating the Londis (ADM Londis), MACE (BWG Foods), SPAR (BWG Foods) and Centra (Musgrave) fascias. The catchment area figures for retail outlets operating these fascias are close to those of the vertically-integrated retailers. This is probably because many of these retailers are located in urban areas. The remaining retailers, for both five and 10 minute drive time catchment areas, have catchment populations that are approximately half the size of the first group. This is because retailers operating these fascias are typically situated outside densely-populated areas.

6.113 The trend observed with regard to the vertically-integrated retailers, whereby the size of catchment population tends to decrease for more recently opened retail outlets, is reversed for affiliated retailers. As noted above in connection with retailers operating the SuperValu fascia, this may be driven by two factors. Firstly, affiliated retailers may be locating more in larger towns and cities. Secondly, the increased urbanisation of previously rural areas may be a factor.

Table 49: Average Population within 5 and 10 minute Drive Times by Fascia (Affiliated Retailers)

		Outlets active in March 2007		Outlets opened since 2001	
Average Population within Drive Time of:		5 mins	10 mins	5 mins	10 mins
ADM Londis	Londis	9,666	35,746	10,546	40,065
Barry Group	Costcutter	4,594	15,373	4,074	13,747
	Quikpick	4,552	16,456	4,567	14,973
BWG Foods	MACE	10,384	39,093	10,535	38,477
	SPAR /EUROSPAR / SPAR Express	12,584	49,190	13,504	51,918
	XL Stop & Shop	6,655	22,285	6,297	19,441
Gala Wholesalers	Gala	4,356	11,267	4,611	17,106
Mangan Wholesale	MACE	4,628	10,871	6,007	15,079
	Vivo	5,658	19,229	5,644	19,956
	Xpress Stop	3,508	11,574	4,582	16,988
Musgrave	Centra	9,761	35,066	12,825	44,971
	Daybreak	3,857	12,134	2,859	11,161
	DayToday	8,006	24,488	11,157	31,737

Source: Data derived from CSO 2006 Census using CACI software.

Customer Profile

6.114 In the same way that retailers locate outlets so as to maximise the number of customers potentially available to them, they are also concerned with the type of customer potentially available to them. Factors important to a retailer when considering customer profile include the preferences of the potential customer base as well as its potential spending power. In this subsection, the customer profile of the populations resident within the catchment areas of retail grocery outlets is analysed.

6.115 Customer groups ranked according to degree of affluence are presented in Table 50 below. The ranking is based on demographic and lifestyle factors, such as age, type of employment, education, homeownership and other characteristics. Direct income characteristics were unavailable at the time of writing.⁶⁰

⁶⁰ The demographic profile of the population resident in the State is taken from CACI UK.

Table 50: Description of Demographic Types in CACI Irish Database

Demographic Type	Affluence Rank	Brief Description of Demographic Type
Affluent Families (8.9% of total population)	1	Affluent families tend to be middle-aged, and are more likely to have established careers. Rates of third-level education are up to twice the population average. Over half of households have at least two cars and own larger, often detached homes.
Young Couples with Mortgages (13.5% of total population)	2	This group exhibits high proportions of cohabiting couples and young families with children (parents aged 25-40, pre-school aged children). Occupations may be in middle or lower management. The proportion of women with full-time jobs is higher than in any other group.
Better-off Farming Areas (12.5% of total population)	3	These areas have the highest proportion of employment in agriculture and high levels of self-employment. Unemployment is low. These are areas of larger families, who often own their home outright.
Young Urbanites (11.2% of total population)	4	There is a relatively high numbers of flats and small, privately rented accommodation, typically occupied by singles, sharers and cohabiting couples. Younger people tend to predominate, but some single elderly people also live in these areas.
Older Singles (9.6% of total population)	5	There are high proportions of retired people in this cohort. Levels of older single people are well above average. Housing tends to be semi-detached or terraced. Rented accommodation is common and rents are at the low end of the market.
Middle of the road (12.3% of total population)	6	These are typically families in semi-detached houses. Overall, the profile of this group is close to the average.
Elderly Council Housing (6.1% of total population)	7	There are higher levels of elderly and persons retired living in these areas. Occupations tend to be unskilled. Unemployment is significantly above average.
Younger Council Housing (7.4% of the total population)	8	These are the areas with the most schoolchildren. Jobs are typically routine or unskilled. These areas have the highest levels of council housing and unemployment.
Poorer Rural Areas (18.4% of the total population)	9	These are rural areas, often in the more remote parts of Ireland. These areas have higher than usual levels of agricultural workers. Unemployment is often above average. These areas tend to have more elderly people and are a mix of large families and older single people.
Unclassified	10	This group represents 0.1% of the total population.

Source: CACI Irish Acorn Database.

6.116 Table 51 below illustrates the demographic profile of populations resident within 10 and 20 minute drive time catchment areas of the retail outlets of the vertically-integrated retailers and affiliated retailers of the SuperValu fascia which were active in 2007. Demographics are described in terms of the relative importance of a particular demographic group within the catchment areas of a fascia's retail outlets, compared with the importance of that demographic group within the overall population. For example, the table gives ALDI a figure of -5 for the demographic group 'Affluent Families'. This means that across the catchment areas of all ALDI retail outlets, the demographic group 'Affluent Families' is under-represented by a figure of 5%, compared with the number of 'Affluent Families' in the entire population resident in the State. In other words, the proportion of 'Affluent Families' within the resident population of the catchment areas of ALDI retail outlets is 5% less than the proportion of 'Affluent Families' within the overall population.

6.117 Table 51 indicates that, for both 10 and 20 minute drive times, the demographic types 'Poorer Rural Areas' and 'Better-off Farming Areas' are under-represented within the catchments of all the vertically-integrated retailers. This is to be expected, because the vertically-integrated retailers tend to locate in or around urban areas. Affiliated retailers of the SuperValu fascia are the exception to this trend; these demographic groups are relatively better represented in the catchment areas of SuperValu retailers.

6.118 Based on a 10 minute drive time, the more affluent consumer groups are relatively under-represented in Lidl and ALDI catchment areas when compared with other retailers. Conversely, for retail outlets of Superquinn and Marks & Spencer, affluent consumers are over-represented in catchment areas within a 10 minute drive time. For demographic groups falling in the middle of the affluence ranking, all retailers show a similar representation, which is close to the national average. For ALDI, Lidl and Superquinn retail outlets, the less affluent demographic groups are relatively over-represented, though there is generally little variation across retailers.

6.119 For a 20 minute drive time, the retailers are more homogeneous. This is to be expected since a greater variety of demographic types fall into catchment areas as drive times increase. Nonetheless, some variation

among retailers remains. Compared with the national average, the more affluent groups are over-represented within the catchment areas of all vertically-integrated retailers. For Superquinn and Marks & Spencer, the more affluent groups are also over-represented compared with the other retailers; the opposite is true for SuperValu and Lidl. Again, for demographic groups falling in the middle of the affluence ranking, all retailers show a similar representation, which is close to the national average. Among the less affluent demographic groups, there is considerable homogeneity across retailers. While the less affluent demographic groups are over-represented within the catchment areas of all retailers compared to the national average, for catchment areas surrounding the retail outlets of ALDI and Superquinn, their representation is particularly high, when compared with other retailers.

- 6.120 This analysis was repeated for the affiliated retailers, based on five and 10 minute drive time catchment areas. Each of the fascias followed a similar pattern. As with the vertically-integrated retailers, the demographic types 'Poorer Rural Areas' and 'Better-off Farming Areas' are under-represented within the catchments of the affiliated retailers, though to a lesser degree. This is to be expected as the affiliated retailers are more widely spread geographically. More and less affluent demographic types tend to be under-represented within the catchment areas of the affiliated retailers when compared with the national average, while demographic groups falling in the middle of the affluence ranking are relatively over-represented, when compared with the national average.

Table 51: Population Demographics within 10 and 20 minute Drive Time by Fascia (Vertically-Integrated Retailers and SuperValu Retailers - Outlets Active in 2007)

Proportion of*	Affluent Families	Young Couples with Mortgages	Better-off Farming Areas	Young Urbanites	Older Singles	Middle of the Road	Elderly Council Housing	Younger Council Housing	Poorer Rural Areas
Within 10 minute Drive Time Catchment of:									
ALDI	-5	+20	-79	+96	+13	+6	+95	+87	-95
Dunnes Stores	+25	+28	-72	+71	+16	+16	+62	+63	-93
Lidl	+3	+10	-59	+62	+36	+17	+75	+51	-83
Marks & Spencer	+36	+38	-97	+207	-33	-60	+62	+66	-98
Superquinn	+68	+62	-90	+54	+4	-6	+57	+78	-98
Tesco	+20	+42	-70	+67	+7	+10	+62	+65	-91
SuperValu	+15	+15	-40	+56	+25	-3	+33	+37	-62
Within 20 minute Drive Time Catchment of:									
ALDI	+39	+45	-52	+53	-20	+8	+35	+50	-76
Dunnes Stores	+37	+40	-34	+38	-9	+12	+24	+26	-69
Lidl	+21	+26	-25	+28	-1	+10	+20	+21	-50
Marks & Spencer	+43	+80	-87	+80	-23	-11	+30	+82	-93
Superquinn	+69	+61	-71	+67	-24	-1	+27	+70	-95
Tesco	+30	+36	-33	+32	-12	+11	+26	+30	-61
SuperValu	+8	+13	-9	+14	+3	+2	+5	+6	-23

* Proportion (in %) of population within catchment areas of each retailer relative to the proportion within the State. Example: +5 Affluent Families for ALDI means that there is 5% more of Affluent Families in ALDI catchment area compared to the national average.

Source: Data derived from CACI Irish Acorn Database using CACI software.

6.121 Table 52 below shows the demographic profile of populations resident within 10 and 20 minute drive times of the retail outlets of the vertically-integrated retailers and retailers operating the SuperValu fascia, opened since 2001. While there are no major changes in the

composition of the catchment areas compared to those outlets that were active in 2007 some differences do emerge.

Table 52: Population Demographics within 10 and 20 minute Drive Time by Fascia (Vertically-Integrated Retailers and SuperValu Retailers - Outlets Opened since in 2001)

Proportion of*	Affluent Families	Young Couples with Mortgages	Better-off Farming Areas	Young Urbanites	Older Singles	Middle of the Road	Elderly Council Housing	Younger Council Housing	Poorer Rural Areas
Within 10 minute Drive Time Catchment of:									
ALDI	-3	+31	-83	+86	21	-1	+88	+97	-95
Dunnes Stores	+48	+122	-59	+6	-10	-11	+29	-6	-85
Lidl	+1	+13	-58	+56	+32	+20	+64	+61	-82
Marks & Spencer	+69	+44	-95	+250	-50	-72	+26	+27	-100
Superquinn	+153	+161	-96	-88	-81	+73	-53	+89	-100
Tesco	+33	+44	-63	+40	+19	+33	+28	+41	-88
SuperValu	-18	+4	-66	+116	+14	-7	+59	+87	-78
Within 20 minute Drive Time Catchment of:									
ALDI	+45	+55	-57	+58	-21	+2	+40	+50	-84
Dunnes Stores	+71	+93	-42	-15	-24	+5	-16	+46	-70
Lidl	+17	+29	-27	+25	-2	+14	+14	+27	-50
Marks & Spencer	+51	+69	-87	+94	-21	-15	+33	+74	-93
Superquinn	+22	+91	-86	+28	4	+23	0	+113	-99
Tesco	+39	+50	-52	+45	-19	+6	+25	+42	-67
SuperValu	+33	+55	-54	+43	-19	-7	+21	+47	-57

* Proportion (in %) of population within catchment areas of each retailer relative to the proportion within the State. Example: +5 Affluent Families for ALDI means that there is 5% more of Affluent Families in ALDI catchment area compared to the national average.

Source: Data derived from CACI Irish Acorn Database using CACI software.

6.122 Firstly, the proportions of demographic types such as 'Affluent Families', 'Young Couples with Mortgages' and 'Young Council Housing' have generally increased across the catchment areas of retailers. Secondly and conversely, the demographic type 'Elderly Council Housing' is generally less represented. This can be explained by the population growth and housing boom of recent years.

Competitive Conditions

6.123 Competitive conditions also inform the location choices of retailers. While the number and type of potential customers is important to a retailer, the presence of other retailers is a factor which limits the ability to sell to potential customers in the catchment area.

6.124 Table 53 below shows the average number of other retail outlets within 10 and 20 minute drive time catchment areas for each of the vertically-integrated retailers, the SuperValu retailers and other affiliated retailers collectively, for retail outlets active in 2007. The 'Other Affiliated Retailers' category includes all affiliated retailers bar retailers operating under the SuperValu fascia. In the table, each row shows, on average for a retailer of a specific group, the profile of other competitors present within its catchment areas. For example, the first row of Table 53 shows that within a 10 minute drive of an ALDI retail outlet, there are an average of 1.6 other ALDI outlets, 2.2 Dunnes Stores outlets and so on. The table also shows that there are, on average across ALDI catchment areas, 7.6 outlets of other vertically-integrated retailers (including the SuperValu retailers), and on average of 31.1 affiliated retailers (excluding SuperValu retailers).

6.125 The columns are to be interpreted slightly differently. Continuing with the ALDI example, the first column of Table 53 indicates the number of ALDI outlets located, on average, within a 10 minutes drive of each the of outlets of other retailers. On average, there are 1.6 ALDI outlets located within a 10 minute drive of an ALDI outlet, 0.8 ALDI outlets within 10 minutes drive of a Dunnes Stores outlet and so on.

6.126 The final row indicates that there are on average 0.5 ALDI outlets located within a 10 minute drive time catchment area of all retailers included in the analysis. The columns, therefore, give some indication of the presence of a retailer, both within the catchment areas of other specific retailers and overall.

Table 53: Number of Retail Outlets within 10 and 20 minute Drive Time by Fascia (Vertically-Integrated Retailers, SuperValu Retailers and Other Affiliated Retailers - Outlets Active in March 2007)

Average Number of Retail Outlets of										
	ALDI	Dunnes Stores	Lidl	Marks & Spencer	Superquinn	Tesco Ireland	SuperValu	All previous minus own *	Other Affiliated Retailers	
Within 10 minute Drive Time Catchment of:										
ALDI	1.6	2.2	1.0	0.3	0.4	1.8	1.8	7.6	31.1	
Dunnes Stores	0.8	2.8	0.9	0.4	0.3	1.7	1.4	5.5	30.5	
Lidl	0.5	1.3	1.1	0.2	0.2	1.2	1.1	4.6	18.0	
Marks & Spencer	0.7	3.5	1.2	1.7	0.4	2.8	2.5	11.0	55.1	
Superquinn	0.7	2.0	0.8	0.5	1.0	1.3	1.7	6.9	26.9	
Tesco	0.8	2.2	1.0	0.4	0.4	1.8	2.0	6.8	30.9	
SuperValu	0.3	0.8	0.4	0.1	0.1	1.5	0.6	3.2	13.4	
Other Affiliated Retailers	0.4	1.3	0.5	0.3	0.2	1.1	0.9	4.7	21.0	
Average**	0.5	1.3	0.6	0.3	0.2	1.2	1.0	-	21.5	
Within 20 minute Drive Time Catchment of:										
ALDI	2.4	4.4	2.3	0.9	1.2	4.6	3.9	17.4	76.1	
Dunnes Stores	1.5	4.6	1.6	0.8	0.9	4.3	3.4	12.6	68.9	
Lidl	1.3	2.6	1.9	0.6	0.9	3.2	2.6	11.2	51.9	
Marks & Spencer	2.5	7.0	2.8	2.3	1.7	7.2	7.5	28.7	129.8	
Superquinn	2.9	6.2	3.3	1.7	2.8	6.3	6.7	27.0	106.5	
Tesco	1.7	4.6	2.1	1.1	1.3	4.7	4.5	15.3	80.1	
Supervalu	0.9	2.2	1.1	0.4	0.5	3.2	1.9	8.2	41.9	
Other Affiliated Retailers	1.0	2.7	1.3	0.6	0.7	3.3	2.4	11.7	52.6	
Average**	1.1	2.9	1.3	0.6	0.7	3.3	2.5	-	54.4	

* All outlets of vertically-integrated retailers and SuperValu outlets minus own outlets of the relevant fascia.

** For an outlet of any outlets included in the above groups.

Source: Data derived from CACI Irish Acorn Database using CACI software.

6.127 Table 53 also shows the degree to which an outlet of a particular fascia is located near outlets of the same fascia. Dunnes Stores has the greatest number of its own retail outlets within 10 and 20 minutes drive of each other, followed by Tesco. Given that Dunnes Stores and Tesco have the greatest number of retail outlets among the vertically-integrated retailers, and a similar geographic distribution of those outlets, this is not a surprising result. Affiliated retailers of the SuperValu fascia have the lowest number of other SuperValu retailers within 10 and 20 minute drive time catchment areas. This is unexpected, insofar as there is approximately the same number of SuperValu outlets as there are Tesco and Dunnes Stores outlets combined, yet there are still relatively few SuperValu outlets within the same catchment area. This reflects the fact that SuperValu outlets follow a different distribution pattern to the vertically-integrated retailers, that is, they are relatively evenly distributed across the State and are not located purely in more urbanised areas.

6.128 Table 53 also shows that the highest average number of retail outlets of other vertically-integrated retailers (including SuperValu affiliated retailers) is found in the catchment area of Marks & Spencer, with an average figure of 11 outlets, based on 10 minute drive time catchment areas. This is followed by ALDI with an average figure of 7.6 outlets, then Superquinn and Tesco. Affiliated retailers operating the SuperValu fascia find the lowest number of vertically-integrated retailer outlets within their catchment areas, with an average of 3.2 outlets within 10 minutes drive. Based on a 20 minute drive time, Marks & Spencer again has the highest number of other vertically-integrated retailer outlets (including SuperValu outlets) within its catchment areas, followed closely by Superquinn, with an average of 28.7 outlets and 27 outlets, respectively. ALDI, Tesco and Dunnes Stores have the next highest concentration of competitors in their catchment areas, with 17.4 outlets, 15.3 outlets and 12.6 outlets, respectively. Affiliated retailers of the SuperValu fascia again have the lowest number of vertically-integrated retailer outlets within a 20 minute drive time of their catchment areas, with an average of 8.2 outlets per area.

6.129 Based on both 10 minute and 20 minute drive times, affiliated retailers (excluding affiliated retailers of the SuperValu fascia) typically have the

lowest number of retail outlets belonging to the vertically-integrated retailers within their catchment areas, when compared with the vertically-integrated retailers.

- 6.130 Looking at the columns of Table 53, it is possible to gauge the average presence of each retailer within the catchment areas of other retailers. Based on both 10 and 20 minute drive times, Marks & Spencer has a relatively low presence in the catchment areas of other retailers. This is unsurprising given the relatively low number of retail outlets it operates. Interestingly, Marks & Spencer tends to have a higher presence within the catchment areas of Superquinn outlets, and *vice versa*.
- 6.131 Based on both 10 and 20 minute drive times, Dunnes Stores has a considerable retail outlet presence in the catchment areas of all retailers, with the exception of Lidl and SuperValu. The retail outlet presence of Lidl tends to be more significant within the 10 minute catchment area of Dunnes Stores, Tesco and ALDI. The retail outlet presence of Tesco and SuperValu within the catchment areas of the other retailers is quite similar, though typically more pronounced for Tesco. Both retailers have a stronger presence in the catchment areas of Marks & Spencer and ALDI, but are weaker in Lidl and Superquinn catchment areas.
- 6.132 Table 54 repeats this analysis but includes only outlets opened since 2001. The results derived are slightly different. For all vertically-integrated retailers with the exception of ALDI and Lidl, more recently opened outlets tend to be in catchment areas with fewer retail outlets of the same fascia. This indicates that there is a tendency for more recently opened vertically-integrated retailer outlets to be located further away from existing outlets of the same fascia. This is not the case for SuperValu outlets, which may reflect a degree of saturation, as opposed to a tendency to bunch so as to take advantage of distribution economies.

Table 54: Number of Retail Outlets within 10 and 20 minute Drive Time by Fascia (Vertically-Integrated Retailers, SuperValu Retailers and other Affiliated Retailers - Outlets Opened since 2001)

Average Number of Retail Outlets of										
	ALDI	Dunnes Stores	Lidl	Marks & Spencer	Superquinn	Tesco	SuperValu	All previous minus 'Own'*	Other Affiliated Retailers	
Within 10 minute Drive Time Catchment of:										
ALDI	1.6	0.6	1.0	0.1	0.0	0.7	0.7	3.2	24.1	
Dunnes Stores	1.8	1.9	2.2	0.5	0.1	1.6	1.4	7.6	60.6	
Lidl	0.6	0.4	1.2	0.1	0.0	0.3	0.4	1.9	12.6	
Marks & Spencer	0.6	0.7	1.6	1.4	0.0	1.2	0.3	4.3	51.6	
Superquinn	3.5	2.0	3.8	1.5	0.8	1.3	2.5	14.5	83.0	
Tesco	1.7	1.1	2.1	0.5	0.1	1.4	1.5	7.0	50.4	
SuperValu	0.9	0.8	1.5	0.3	0.1	1.6	1.0	5.1	32.7	
Other Affiliated Retailers	0.7	0.5	0.9	0.3	0.0	0.7	0.4	3.5	27.9	
Average**	0.7	0.5	1.0	0.3	0.0	0.8	0.5	-	28.8	
Within 20 minute Drive Time Catchment of:										
ALDI	2.6	1.2	2.6	0.5	0.2	1.6	1.3	7.5	59.5	
Dunnes Stores	3.9	3.1	4.4	1.2	0.6	3.4	2.8	16.1	133.4	
Lidl	1.4	0.8	2.1	0.4	0.2	1.0	0.9	4.7	36.6	
Marks & Spencer	2.9	1.3	3.9	2.0	0.1	2.4	1.9	12.6	114.1	
Superquinn	13.8	7.3	16.8	4.8	2.0	8.8	7.8	59.0	333.0	
Tesco	3.8	2.5	5.0	1.6	0.6	3.2	2.9	16.4	128.0	
Supervalu	3.0	2.0	4.1	0.9	0.3	3.0	2.2	13.4	103.8	
Other Affiliated Retailers	1.7	1.1	2.4	0.6	0.2	1.8	1.2	9.0	68.0	
Average**	1.9	1.2	2.6	0.7	0.2	1.9	1.3	-	71.6	

* All outlets of vertically-integrated retailers and SuperValu outlets minus own outlets of the relevant fascia.

** For an outlet of any outlets included in the above groups.

Source: Data derived from CACI Irish Acorn Database using CACI software.

6.133 Looking across the rows of Table 54, it appears that Superquinn has the highest number of retail outlets of other vertically-integrated retailers (including SuperValu) within the catchment areas of its retail outlets opened since 2001. In contrast, the more recently-opened ALDI and Lidl retail outlets have the lowest number of other vertically-integrated retailer outlets (including SuperValu outlets) within their catchment areas. This suggests that these retailers have expanded in 'new' areas, likely taking advantage of the recent population expansion.

6.134 Looking at the columns of Table 54 the only significant difference from the data for all outlets active in March 2007 considered above is that the presence of ALDI, Lidl and Dunnes Stores retail outlets which have opened since 2001 is more pronounced in Superquinn catchment areas.

Summary and Comment

6.135 This section of the *Report* looked at competition at the retail level of the grocery supply chain. The section began by providing a short profile of Irish grocery consumers' shopping habits. Approximately half of Irish grocery consumers do a substantial weekly main shop. A substantial and growing proportion of shoppers use convenience outlets for 'top up' requirements, especially with respect to fresh produce. More than four-fifths of grocery consumers spend most of their grocery budget at a supermarket, and this figure appears to be increasing. Overall, expenditure figures reflect this purchasing pattern, with approximately 55% of turnover being generated by supermarkets.

6.136 Grocery consumers appear to select their grocery retail outlet principally on the basis of convenience or proximity of location. On average, Irish grocery consumers travel for about 22 minutes to get to the retail outlet where they make their primary grocery purchases; this journey is typically made by car.

6.137 The brand loyalty of Irish consumers varies by product category. Although some products, such as ice cream and biscuits, show relatively low levels of brand loyalty, loyalty to branded products is generally strong among Irish grocery consumers. Penetration of own-label products is relatively low compared with other EU countries. To

some extent, Irish grocery consumers believe that own-label products are for the price conscious or thrifty.

6.138 This section also considered the price dimension of competition in the retail grocery sector. It was observed that all of the vertically-integrated retailers set prices and promotions centrally, and that they are applied uniformly across retail outlets. That is, all of the vertically-integrated retailers have a national pricing policy. Moreover, there are only limited exceptions to this policy and these typically relate to goods approaching the end of their shelf life. In these cases, managers at retail outlets have some scope to deviate from the national price.

6.139 For affiliated retailers, the situation is more complex. Retailers are legally independent and the wholesaler-franchisors are prevented from enforcing price recommendations. All wholesaler-franchisors recommend prices to their affiliated retailers. Half of the wholesaler-franchisors report that they do not know whether their affiliated retailers deviate from price recommendations; the other half, including the two largest wholesaler-franchisors, BWG Foods and Musgrave, report that affiliated retailers deviate 'sometimes' or 'often'. One wholesaler-franchisor, Musgrave, provides different menus of recommended prices to retailers affiliated with the Centra fascia; the appropriate menu depends on the location and format of the retailer. In contrast with the vertically-integrated retailers, pricing among affiliated retailers is more sensitive to local market conditions. This can be attributed to the fact that affiliated retailers can deviate from recommended prices, and secondly, the wholesaler-franchisors may recommend different prices depending on the characteristics of the retail outlet.

6.140 Retailers associated with Musgrave's SuperValu fascia are the exception among affiliated retailers. Musgrave pursues a national pricing policy in relation to these retailers. This policy is unique among the wholesaler-franchisors, insofar as Musgrave sets a maximum recommended price. This suggests that the principal difficulty in pursuing a national pricing policy for SuperValu is in keeping prices down. This reflects the tension between the pursuit of a national pricing policy and the demands of local market competition.

- 6.141 Wholesaler-franchisors market promotions on behalf of their affiliated retailers. Although affiliated retailers are under no obligation to follow these promotions, it may be presumed that if the affiliated retailer is contributing to the fascia's marketing expenses through the franchise fee, it is in its interest to follow promotions where possible.
- 6.142 The NCA price survey suggests that price variation among the main vertically-integrated retailers is limited. The affiliated retailers are the source of local price variation, excluding those affiliated retailers operating the SuperValu fascia. Moreover, the Shopper Trends survey indicates that value, as opposed to price, is the principal factor informing a consumer's choice of retailer, and grocery consumers appear to associate value with a particular fascia.
- 6.143 The product range of the various retailers was then examined. In terms of products available to consumers, the vertically-integrated retailers typically offer a much broader range, by about a factor of three, when compared with affiliated retailers. The exceptions to this pattern among vertically-integrated retailers are Lidl, ALDI and Marks & Spencer, all of which tend to have very focussed product ranges. Although the number of product categories covered by these retailers is comparable to that of the other vertically-integrated retailers, product depth is more limited. Among the affiliated retailers, operators of the Supervalu fascia are the exception, insofar as their product ranges are comparable to the product ranges carried by the vertically-integrated retailers, both in terms of breadth and depth of product selection.
- 6.144 Each of the vertically-integrated retailers sell own-label or exclusive label products. The selection of own-label products available from the vertically-integrated retailers varies from retailer to retailer. Tesco, Dunnes Stores and Superquinn each carry in excess of 2,500 own-label products. Marks & Spencer also carries in excess of 2,500 own-label products, but differs from other vertically-integrated retailers in that it only sells own-label products. Lidl is similar to Marks & Spencer, insofar as the vast majority of grocery goods it carries are exclusive label goods. Own-label offerings are less prevalent among the affiliated retailers. Most of the affiliated retailer groups do not carry any own-label grocery goods; where they do, the product range offered is more limited when compared with the product ranges offered

by the vertically-integrated retailers. Affiliated retailers of Musgrave's SuperValu fascia are again the exception; the own-label product range carried by these retailers is comparable to that of the vertically-integrated retailers.

6.145 These attributes help to explain the grocery consumer preference for supermarkets as the location for a main shop, that is, where the consumer intends to buy the largest number and greatest range of grocery goods and so benefits from having the most comprehensive product selection available. Consumer preference towards using supermarkets as the primary shopping location also explains why the bulk of total grocery expenditure in the State takes place in supermarkets.

6.146 Finally, this section looked at the location choices of retailers. The size of a retail outlet is closely related to both the location choice of the retailer and the product range carried. On the one hand, larger retail outlets are more difficult to locate in urban centres because of the scarcity of suitable sites. On the other, larger retail outlets are capable of carrying a greater range of products. Ninety percent of all retail outlets of the affiliated retailers fall in the lowest store size band, that is, less than 500m². The opposite is true of the vertically-integrated retailers, for which 90% of retail outlets fall into store size bands greater than 500m². Among the affiliated retailers, operators of the SuperValu fascia are the exception to this general pattern, with most retail outlets falling in the middle size bands. There is considerable diversity among stores in the zero to 500m² size band operated by affiliated retailers, with outlets varying from small city-centre convenience-type outlets to small rural or suburban supermarkets. This convenience aspect of the affiliated retailers is reinforced by the average number of opening hours of this group. The affiliated retailers typically open for between 13 and 15 hours a day on average while the vertically-integrated retailers open for between 10 and 13 hours a day on average. Tesco is the exception in that 35 of the retail outlets are open 24 hours.

6.147 The majority of the retail outlets of the vertically-integrated retailers fall in the middle (Lidl and ALDI) or upper store size bands (Dunnes Stores, Tesco, Superquinn and Marks & Spencer). However, a number of vertically-integrated retailers have begun to open smaller retail

outlets, suggesting a movement into city-centre convenience-type retail.

- 6.148 Differences between the affiliated retailers and the vertically-integrated retailers also emerge in relation to the location of retail outlets relative to other forms of retail. Affiliated retailers are generally located in town and village centres, or along transport routes as garage forecourts. In contrast, the vertically-integrated retailers tend to be located in town centres or edge-of-centre, and are often situated within shopping centres. Among the vertically-integrated retailers, Lidl and ALDI follow a somewhat different pattern, as that they tend to operate stores at standalone locations, rather than in shopping centres.
- 6.149 Based on an analysis of the catchment areas surrounding their retail outlets, the location choices of retailers were examined in greater detail. All outlets active as of March 2007 were assessed. Retail outlets opened since 2001 were considered separately so that changing entry patterns might be uncovered. Catchment areas were based on both 10 and 20 minute drive times for the vertically-integrated retailers, including retailers operating the SuperValu fascia, and on 5 and 10 minute drive times for the other affiliated retailers.
- 6.150 Considering first the market size available to retailers, there is a clear distinction between the vertically-integrated retailers and the affiliated retailers. Vertically-integrated retailers' outlets tend to be located within catchment areas with populations of 100,000 to 150,000 on average, based on a 20 minute drive time, and therefore tend to be more urban. This strongly suggests that the business model of the vertically-integrated retailers is driven by population density. The fact that more recently-opened outlets tend to have smaller populations within their catchment areas suggests that expansion of the vertically-integrated retailers may be naturally limited. When compared to vertically-integrated retailers, the catchment areas of affiliated retailers, excluding SuperValu, tend to have populations that are smaller by a factor of approximately three to four, indicating that smaller population densities are capable of supporting these retailers. However, retail outlets of the affiliated retailers of ADM Londis, BWG Foods and Musgrave (Centra) tend to have catchment areas closer in

population size to the vertically-integrated retailer, reflecting the fact that many of these outlets are located in urban and suburban areas.

6.151 Considering next the demographic profile of the populations resident within the catchment areas of retailers, there is a degree of diversity among the vertically-integrated retailers. Marks & Spencer and Superquinn appear to target more affluent demographic groups. Dunnes Stores and Tesco do not distinguish to any significant degree between demographic groups; the demographic profile of customers within their catchment areas is almost identical. Lidl and ALDI do not target the more affluent demographic groups, and it appears that ALDI, in particular, may target less affluent groups. There is little variation in the representation of different demographic groups within the populations resident in the catchment areas of SuperValu retail outlets. SuperValu catchment areas differ from the vertically-integrated retailers, insofar as rural demographic groups are better represented.

6.152 The number and profile of retail outlets located within the catchment areas of the various retailers were also examined. Marks & Spencer and Superquinn typically have the greatest number of outlets belonging to other retailers within the catchment areas of their outlets, followed by Dunnes Stores, Tesco and ALDI. SuperValu retail outlets face the lowest number of competitors within their catchment areas, on average. This reflects the fact that SuperValu outlets, while widely distributed geographically, are not predominantly located in urbanised areas. Marks & Spencer and Superquinn have the lowest presence within the catchment areas of other retailers. This reflects the relatively small number of retail outlets belonging to these retailers. In contrast, Dunnes Stores, Tesco and SuperValu have the greatest presence within the catchment areas of other retailers. When one considers retail outlets opened since 2001, it appears that Lidl and ALDI have pursued a policy of opening stores in newly-established urban areas.

6.153 This assessment of competition at the retail level of the grocery sector indicates that the grocery needs of consumers in the State are not identical in nature. The primary shopping needs of grocery consumers, which prioritise price and variety of products, are best met by the supermarkets operated by the vertically-integrated retailers. The 'top

up' needs of consumers, which prioritise immediacy and convenience, are best met by the retail outlets operated by affiliated retailers. Smaller scale affiliated retailer stores also appear to be the most efficient means of satisfying the grocery needs of consumers living in rural areas where population densities appear to be insufficient to support outlets of the vertically-integrated retailers. The emergence of the SuperValu fascia as a *sui generis* operator is a notable feature of the retail grocery sector in the State. Although SuperValu retail outlets appear to be targeted at all grocery consumers, their outlets face the lowest level of competition from other retailers within their catchment areas.

7. CONCLUDING COMMENTS

Principal Trends

Trends at Wholesale Level

- 7.1 Sections 3 and 5 of this *Report* looked at the wholesale level of the grocery supply chain. During 2006, €4.7 billion turnover was generated by the six wholesaler-franchisors. In nominal terms, this represented a growth in turnover of 56% since 2001.
- 7.2 Of the €4.7 billion turnover generated in 2006, approximately 76% or €3.6 billion was derived from the sale of grocery goods (as defined in this *Report*) by the six wholesaler-franchisors. The share of wholesale turnover attributable to the sale of grocery goods remained relatively constant over the period.
- 7.3 The wholesale level of the grocery supply chain appears concentrated. Of the €3.6 billion in grocery goods wholesale turnover generated in the State during 2006, the two largest wholesaler-franchisors, Musgrave and BWG Foods, accounted for almost 80%. Moreover, the relative market position of each of the six wholesaler-franchisors remained unchanged between 2001 and year-end 2006. Indeed, shares of turnover were relatively stable over the period.
- 7.4 The principal customer group of the wholesaler-franchisors is their affiliated retailers. During 2006, on average across the wholesaler-franchisors, over 78% of turnover derived from the sale of grocery goods was attributable to sales to affiliated retailers.
- 7.5 The wholesaler-franchisors have sought to deepen the relationships they have with their affiliated retailers. Indeed, the extent of integration between the wholesaler-franchisors and their affiliated retailers is substantial and in some cases, effectively mimics the complete integration of the vertically-integrated retailers. The wholesaler-franchisors are now involved in the branding of retail outlets, the marketing of the common brand, the choice of products that affiliated retailers sell and the price at which they sell them. The wholesaler-franchisors are also involved in a variety of the logistical aspects of retailing, such as product ordering, stock management, billing and legal compliance. The extent of integration between the wholesaler-franchisors goes some way toward explaining the relative

stability of turnover shares at the wholesale level. In this regard it is noteworthy that switching rates among affiliated retailers are relatively low.

- 7.6 No new wholesaler-franchisors, or as far as the Competition Authority can tell, other wholesalers, have entered the grocery sector over the period of analysis. Proprietary distribution networks are one potential barrier to entry. While a proprietary distribution network is not a prerequisite to entry to the sector, when considered along with other factors, such as economies of scale, economies of density and switching costs for affiliated retailers, entry to the sector does appear difficult. This structural feature also goes some way toward explaining the relative stability of turnover shares at the wholesale level.
- 7.7 Cash and carry wholesaling is an important source of supply for independent retailers. Of the 94 cash and carry centres involved in wholesaling grocery goods, that the Competition Authority is aware of, only 16 centres had no association with any of the major wholesale-franchisor groups identified in this *Report*. The implication is that, in addition to being the main source of supply for affiliated retailers, the wholesaler-franchisors are also an important source of supply, along with direct supply from upstream suppliers, for independent retailers.

Trends at Retail Level

- 7.8 Sections 4 and 6 of this *Report* looked at the retail level of the grocery supply chain. During 2006, approximately €14.6 billion turnover was generated by the grocery retailers. Of that €14.6 billion, approximately €11.6 billion was generated from the sale of grocery goods falling within the Competition Authority's definition: 46% was attributable to the vertically-integrated retailers, 40% to affiliated retailers of the wholesaler-franchisors and 14% to independent retailers.
- 7.9 The Competition Authority gathered historical information on turnover for the entire period from 2001 to 2006 from the vertically-integrated retailers and from the four largest wholesaler-franchisors (in terms of wholesale turnover) on behalf of their affiliated retailers. For 2006, this grouping accounted for 86% of total turnover in the State. Over the period, the combined turnover of this grouping grew by approximately 70%, from €7.4 billion in 2001 to €12.6 billion in 2006. The proportion of grocery goods turnover as a share of overall retail grocery turnover

fell during the period 2001 to 2006, from 82.3% to 79.1% of total turnover, indicating the growing importance of non-grocery items for grocery retailers.

- 7.10 The retail level of the grocery supply chain is relatively concentrated. Among the vertically-integrated retailers, Tesco and Dunnes Stores had the greatest shares of turnover in 2006, between them accounting for almost 30-35% of total grocery goods turnover in the State. Across all fascias, that is, fascias operated by both vertically-integrated and affiliated retailers, during 2006, Tesco, SuperValu and Dunnes Stores together had the greatest share of turnover, accounting for approximately 45-50% of grocery goods turnover in the State. Over the period 2001 to 2006, the relative position of the major retailers remained unchanged. However, due to the entry of ALDI and Lidl, the share of turnover of the other vertically-integrated retailers and the SuperValu retailers declined marginally.
- 7.11 There has been considerable expansion by the main retailer groupings in the State over the period 2001 to 2006. Over the period, the number of retail outlets belonging to the vertically-integrated retailers and affiliated retailers almost doubled. In contrast, the number of retail outlets belonging to independent retailers fell by 44% between 2000 and 2006, reflecting a longer-term trend in the independent sector. Between 1977 and 2006 the number of retail outlets belonging to independent retailers fell by 63%.
- 7.12 As of year-end 2006, there was approximately 1.1 million square metres of grocery retail floor space (net resale area) in the State, approximately 40.5% of which belonged to the vertically-integrated retailers and 59.5% to affiliated retailers (data on independent retailers was not available). The Competition Authority gathered historical information on floor space for the entire period from 2001 to 2006 only from the vertically-integrated retailers. Total floor space for this grouping of retailers almost doubled over the period.
- 7.13 There appears to be a long-term trend toward consolidation in the retail market structure. Grocery retailing capacity is becoming more concentrated in fewer and bigger outlets. This trend is driven by the growth of the vertically-integrated retailers, and reflects the underlying dynamics of the economics of grocery retailing. Specifically, the

growth of the vertically-integrated retailers is driven by the pursuit of cost efficiencies associated with scale and relies fundamentally on population density. Changing demographic, specifically the growth in the number of urbanised areas, has likely facilitated the expansion of the vertically-integrated retailers.

- 7.14 Along with changing demographics, an important factor when considering the expansion of the affiliated retailer groupings is changing purchasing patterns (e.g. the growing importance of top-up and convenience shopping). A substantial and growing proportion of shoppers use convenience outlets for 'top up' requirements, especially with respect to fresh goods. While this trend goes some way toward explaining growth of convenience type outlets, it begs the question as to why independent retailers, whose numbers are in decline, have not prospered.
- 7.15 The answer likely lies in the nature of the affiliated retailer business model. Affiliation with a wholesaler-franchisor offers the affiliated retailer access to a well known brand, assistance with many of the logistical aspects of retailing and access to the purchasing strength of the group. Moreover, in addition to offering affiliated retailers certain competitive advantages over remaining independent retailers, the risk that an affiliated retailer faces in the market place is reduced.
- 7.16 An additional aspect of the trend toward convenience shopping concerns the vertically-integrated retailers. Many of the vertically-integrated retailers now cater for the convenience shopper. This is not just reflected in the move toward smaller outlets in urban centres, as typified by Tesco's Tesco Express offerings, but also by the type of products carried by the vertically-integrated retailers. Marks & Spencer, for example, carries a wide range of convenience foods.
- 7.17 Finally, the importance of own-label (including exclusive label) grocery goods is growing. While the level of penetration of own-label grocery goods is relatively low by Western European standards, it is growing. Growth of own-label products is being driven by the more established vertically-integrated retailers such as Tesco and Dunnes Stores, by the recent entrants ALDI and Lidl as well as the SuperValu group of affiliated retailers. The Irish grocery consumers' perception of own-label products as being for the thrifty or price conscious is being

challenged by premium own-label offerings. In some respects consumers are beginning to recognise these own label offerings as being of at least equivalent quality to the corresponding branded products.

Price Trends

- 7.18 One effect of the Groceries Order was to limit the extent to which retailers could use price as a strategic competitive variable. Specifically, retailers were prohibited from selling below cost where the cost benchmark was the net invoice price. This limited the extent to which retailers could base product promotions on price enticements.
- 7.19 In light of the direct impact on consumers, the Competition Authority is of the view that an analysis of aggregate trends in retail grocery prices is valuable. Accordingly, the Competition Authority is publishing, at the same time as this *Report*, an analysis of aggregate retail price trends in the grocery sector.

Barriers to Entry at the Retail Level: Planning

- 7.20 Section 6 examined competition at the retail level of the grocery supply chain. While the location and entry strategies of retailers were discussed in some detail, barriers to entry or expansion were not considered explicitly.
- 7.21 As noted in section 4, there was considerable expansion by all the vertically-integrated retailers between 2001 and year-end 2006. Expansion in the context of grocery retailing refers not only to increasing the sales capacity of a given retail outlet, but also to entry to new local markets (i.e. the opening of a retail outlet of a given fascia in a new geographic area). Moreover, two new entrants to the Irish grocery sector first began opening retail outlets shortly before the period of our analysis. This suggests that substantial entry and expansion is at least possible in the grocery sector.
- 7.22 There has been considerable entry by affiliated retailers. This was in part explained by the movement of formerly independent retailers to alignment with a wholesaler-franchisor, but appears to have been predominantly driven by the opening of new retail outlets by retailers choosing from start-up to align themselves with a wholesaler-franchisor.

- 7.23 Evidence of entry or expansion is not in itself sufficient to disprove the existence of barriers to entry or expansion. Barriers to entry or expansion need not result in no new entry or expansion (i.e. need not be absolute barriers) to impact on competition. Barriers to entry and expansion need only delay, frustrate or otherwise increase the cost of entry or expansion to have an effect on competition.
- 7.24 Potential barriers to entry or expansion at the retail level of the grocery supply chain include the availability of suitably zoned sites for retail use and the process of gaining planning permission to build or expand existing retail outlets. The vertically-integrated retailers have indicated to the Competition Authority that these two issues represent significant barriers to entry and expansion.
- 7.25 The zoning of land for retail use is the responsibility of local authorities who must work within a complex system of planning development. The system involves a wide variety of bodies with differing roles and responsibilities that go beyond the narrower issue of grocery retailing. Similarly, the process of gaining planning permission for retail development is a complex one. Both of these issues fall within the realm of public policy and are beyond the scope of this *Report*. As noted in section 1, the Competition Authority will be publishing an analysis of issues relating to retail planning development during the Spring of 2008.

The Supply Level

- 7.26 As noted in section 1, the analysis contained in this *Report* has been limited to a consideration of issues arising at the wholesale and retail levels of the grocery supply chain. It is envisaged that the scope of the *Grocery Monitor* will be extended to include the supply level of the chain.
- 7.27 There are a wide variety of operators at the supply level of the grocery supply chain. These include producers such as farmers (both domestic and international), manufacturers (including multinational companies producing well known brands), importers, licensed distributors and agents.
- 7.28 Each of these operators (apart from some very exceptional circumstances) must trade with other operators such as retailers and

wholesalers, to get their products to market. As discussed in section 2, the range of grocery products that consumers can ultimately choose from includes branded grocery goods, own-label grocery goods and exclusive brand grocery goods. Whether the grocery goods that farmers, producers or manufacturers supply ultimately end up as branded grocery goods, own-label grocery goods or exclusive brand grocery goods depends on a number of factors and has a range of implications for players, at all levels, of the grocery supply chain. These and other issues will be the subject of a later output of the *Grocery Monitor*.

APPENDICES

A. LIST OF GROCERY MONITOR MEETINGS

Table A.1: Stakeholder Meeting Details

Stakeholder	Attendee(s)	Address	Date(s)
ADM Londis Plc	Joint Chief Executive Stephen O’Riordan, Joint Chief Executive Paddy McGarry	160a Crumlin Road, Dublin 12.	22 nd January 2007
Aldi Stores (Ireland) Limited	Chief Executive Donald Mackay	Newbridge Road, Naas Co. Kildare	1 st February 2007
James A Barry & Company Limited	Chief Executive Jim Barry, Chief Finance Officer Ray O’Driscoll	Upper Quaterstown, Mallow Co.Cork	19 th January 2007
BWG Foods Limited	Chief Executive Leo Crawford, Chief Finance Officer John O’Donnell	PO Box 1470, Greenhills Road, Walkinstown, Dublin 12	18 th February 2007
Central Statistics Office	Statistician Kieran Walsh, Statistician Gerry Foley, Statistician Kevin McCormack	Skehard Road, Cork	13 th June 2006
Department of Enterprise Trade & Employment	Gerry Donnelly, Gary Dixon,	Earlsfort Center, Lower Hatch Street, Dublin 2	23 rd March 2006 3 rd August 2006
Dunnes Stores	Director of Food Dick Reeves Tom Stratford	Beaux Lane House, Lower Mercer Street, Dublin 2	23 rd January 2007
Food and Drink Industry Ireland	Director of Food Paul Kelly, Kieran Fitzgerald	Confederation House 84/86 Lower Baggot Street, Dublin 2	22 nd June 2006
Gala Retail Services Ltd	Chief Executive Gary Desmond, Chairman Liam Linden, Head of IT Eamonn King	12 Dundrum Business Park, Dundrum, Dublin 14.	30 th January 2007
Lidl Ireland Gmbh	Chief Executive Patrick Kaudewitz	Great Connell Road, Newbridge, Co. Kildare	22 nd January 2007
Mangan Bros Group T/A Mangan Wholesale & Mangan Central Billing Ltd	Managing Director Terence Mangan, , CEO Peter Foley, Director and Financial Controller Shirley Mangan, Trading Manager John Nugent	Ashline, Kilrush Road, Ennis Co.Clare	19 th January 2007
Marks & Spencer (Ireland) Ltd	Divisional Head of Foods Malcolm Copeland	24-29 Mary Street Dublin 1	23 rd January 2007
Musgrave Group Plc	Chief Executive Chris Martin, Managing Director Musgrave Retail Partners Donal Horgan,	Ballycurreen, Airport Road, Cork.	24 th January 2007
National Consumer Agency	Chief Executive Anne Fitzgerald	Wilton Park House, Wilton Place, Dublin 2	1 st August 2006

	John Shine		
The Retail, Grocery, Dairy and Allied Trades Association	Director General Tara Buckley, Gareth Fennell	Rockhouse, Main Street, Blackrock Co. Dublin	21 st June 2006
Stonehouse Marketing Limited	Chief Executive Tom Shipsey, John Tuffey	12 Dundrum Business Park, Dundrum, Dublin 14.	29 th January 2007
Superquinn	Chief Executive, Simon Burke Chief Finance Officer Richard Collins	Lucan Support Office, Newcastle Road, Lucan, Co.Dublin	1 st February 2007
Tesco Ireland Ltd	Chief Executive Tony Keohane, Corporate Affairs Director Dermot Breen	Gresham House, Marine Road, Dub Laoghaire, Co. Dublin	31 st January 2007

Table A.2: Confidentiality Meeting Details

Company	Attendee(s)	Address	Date(s)
ADM Londis Plc	Joint Chief Executive Stephen O'Riordan, Joint Chief Executive Paddy McGarry	160a Crumlin Road, Dublin 12.	22 nd January 2008
Aldi Stores (Ireland) Limited	Chief Executive Donald Mackay	Newbridge Road, Naas Co. Kildare	21 st January 2008
James A Barry & Company Limited	Chief Executive Jim Barry, Chief Finance Officer Ray O'Driscoll	Upper Quartertown, Mallow Co.Cork	22 nd January 2008
BWG Foods Limited	Chief Executive Leo Crawford, Chief Finance Officer John O'Donnell, Finance & IT Director Aidan Keane, Peter Kealy	PO Box 1470, Greenhills Road, Walkinstown, Dublin 12	16 th January 2008
Dunnes Stores	Director of Food Dick Reeves Head of Commercial Finance Laurence Howard	Beaux Lane House, Lower Mercer Street, Dublin 2	18 th January 2008
Gala Retail Services Ltd	Chief Executive Gary Desmond, Head of IT Eamonn King	12 Dundrum Business Park, Dundrum, Dublin 14.	16th January 2008
Lidl Ireland Gmbh	Chief Executive Patrick Kaudewitz	Great Connell Road, Newbridge, Co. Kildare	11 th January 2008
Mangan Bros Group T/A Mangan Wholesale & Mangan Central Billing Ltd	Managing Director Terence Mangan, , Director and Financial Controller Shirley Mangan,	Ashline, Kilrush Road, Ennis Co.Clare	23 rd January 2008
Marks & Spencer (Ireland) Ltd	Head of Legal Robert Ivens, Head of Finance, Marks & Spencer, Ireland	24-29 Mary Street Dublin 1	21 st January 2008

	Ken Scully		
Musgrave Group Plc	Chief Executive Chris Martin, Managing Director Musgrave Retail Partners Donal Horgan, Group Finance Director Tim Kenny	Ballycurreen, Airport Road, Cork.	21 st January 2008
Stonehouse Marketing Limited	Chief Executive Tom Shipsey, John Tuffey	12 Dundrum Business Park, Dundrum, Dublin 14.	16th January 2008
Superquinn	Chief Executive Simon Burke, Chief Finance Officer Richard Collins	Lucan Support Office, Newcastle Road, Lucan, Co.Dublin	23 rd January 2008
Tesco Ireland Ltd	Chief Executive, Tony Keohane Corporate Affairs Director Dermot Breen	Gresham House, Marine Road, Dub Laoghaire, Co. Dublin	17 th January 2008

B. INFORMATION SOURCES

B.1 The three main information sources that have been used in the *Report* are described below:

- Original research by the Competition Authority including information supplied by the vertically-integrated retailers and the wholesaler-franchisors in response to a questionnaire;
- Original research by the Competition Authority including information supplied by small retailers in response to an invitation to participate in phone interviews or respond to a questionnaire; and
- Research commissioned by the Competition Authority and undertaken by AC Nielsen.

Questionnaire Issued to Vertically-Integrated Retailers, Wholesaler Franchisors and Buying Groups

B.2 The main source of information for the *Grocery Monitor* Project ('the Project') came directly from vertically-integrated retailers and the wholesaler-franchisors, in their response to the *Grocery Monitor* Questionnaire. Construction of the *Grocery Monitor* Questionnaire began in December 2007. The draft questionnaire focused on obtaining information on market structure, price competition and barriers to entry and expansion. Meetings with stakeholders were organised in early January 2007 with the intention of discussing the scope of the Project and the information and assistance that would be needed.

B.3 In all, the Competition Authority met with senior executives of the 13 largest retailers and wholesalers in the Irish grocery sector. A draft copy of the questionnaire was distributed at every meeting, in order to obtain comments and observations about the proposed questionnaire. Overall the meetings proved to be highly productive and resulted in a number of amendments being made to better meet the information resources of respondents and the requirements of the Project.

B.4 The *Grocery Monitor* Questionnaire was distributed to the companies on the 12th of February 2007. Respondents were given 30 working days to complete the questionnaire. Overall the majority of information was obtained within this deadline, but clarification of

responses and requests for additional information proceeded for a number of months. All information was provided voluntarily by respondents.

Table B.1: Questionnaire Respondents

Type	Company
Vertically-integrated Retailers	Aldi Stores (Ireland) Limited
	Dunnes Stores
	Lidl Ireland Gmbh
	Marks & Spencer (Ireland) Ltd
	Superquinn
	Tesco Ireland Ltd
Wholesaler-franchisors	ADM Londis Plc
	James A Barry & Company Limited
	BWG Foods Limited
	Gala Retail Services Ltd
	Mangan Bros Group T/A Mangan Wholesale & Mangan Central Billing Ltd
	Musgrave Group Plc
Buying Group	Stonehouse Marketing Limited

Questionnaire Issued to Sample of Small Retailers

- B.5 Meetings with stakeholders highlighted the fact that only a limited amount of information could be obtained from the wholesaler-franchisors about the experiences of the small and independent retailers in the grocery sector. In order to ensure that a complete picture of the market was obtained a second questionnaire was drafted. On the 3rd of August 2007, a further *Grocery Monitor* Questionnaire for Small Retailers was distributed to 230 small retailers across the country.
- B.6 The Competition Authority met with RGDATA to discuss the contents of the questionnaire. The questionnaire was then re-drafted taking account of the useful comments and observations provided by RGDATA.

B.7 Contact information on small retailers was provided by RGDATA. From a total of 2,131 members, 230 were selected, taking into account the following factors:

- The symbol group and its "market share".
- Areas that experienced a higher level of entry of Aldi, Lidl and Tesco since 2004
- Whether the retailer had switched from one symbol group to another, or had joined a symbol group for the first time, or had returned to being "independent".
- Geographic distribution: urban (Dublin, Cork, Waterford, Limerick, Galway) and rural (rest).

B.8 Table B.2 below illustrates the response rate to the questionnaire broken down by symbol group. The overall response rate was 33%. For affiliated retailers the response rate was 38.3% and for non-affiliated the response was 17.5%. Xpress Stop and Gala Checkout had the highest response rate at 100%. No responses were received from Costcutter or Quikpick retailers, BWG XL Stop and Shop, or Vivo. In the case of Vivo one questionnaire was sent to a Vivo retailer, however this retailer has since switched to BWG hence the response was attributed to BWG.

Table B.2: Response Rate by Symbol Group

	Total Number of Questionnaires Sent	Number of Responses	Response Rate
Total	230	75	33.0
Non-affiliated	63	11	17.5
Affiliated	167	64	38.3
ADM Londis	19	7	36.8
Barrys - Costcutter	2	0	0.0
Barrys - Quikpick	2	0	0.0
BWG / Mangan - Mace	13	2	15.4
BWG - Spar	40	10	25.0
BWG – XL Stop & Shop	1	0	0.0
Gala	9	3	33.3
Mangan - Vivo	0	0	0.0
Mangan - Xpress Stop	3	3	100.0
Musgrave - Centra	37	19	51.4
Musgrave - Daybreak	5	4	80.0
Musgrave - DayToday	2	0	0.0
Musgrave - SuperValu	33	15	45.5
Checkout	1	1	100.0

B.9 In total the Competition Authority received information on 75 small retailers. Retailers were asked to respond either via a phone interview or by completing the questionnaire themselves. Interviews were carried out by the Competition Authority over a two week period in August 2007. For those small retailers that did not wish to be interviewed, questionnaires were also returned by post and by email.

B.10 Table B.3 below gives an overview of the type of small retailer that responded to the questionnaire. The majority were rural⁶¹, and have been in the retail grocery business for over 20 years. The average approximate store size (net resale area in square metres) was 566m², and over 50% were situated in town centres.

⁶¹ The classification adopted in the Questionnaire is "Urban area" which refers to Dublin, Cork, Galway, Limerick and Waterford; "Rural area" refers to all the rest.

Table B.3: Description of Questionnaire Respondents

Breakdown of Responses Rural / Urban	
Rural	64%
Urban	36%
Number of Years in Retail Business	
Either as an employee or owner	27 years
As an owner	17 years
Operating this particular store	13 years
As a member of present symbol group	10 years
Retailers operating more than one store	
Percentage of retailers operating more than one store	22%
Average number of stores operated (of those that operate more than one)	4
Information about store and store products	
Average approximate size of store (net resale area in m ²)	566m ²
Average number of product lines sold	4906
Store Location	
Town centre	51%
Edge of Centre	35%
Out of Centre	9%
Out of Town	5%
Store Position	
Forecourt	23%
Shopping Centre	17%
Stand Alone	29%
High Street	31%

Other Information: AC Nielsen Ireland

B.11 In order to get as complete a picture of the market as possible, the Competition Authority commissioned a report from AC Nielsen Ireland that would fill in a number of gaps in the Competition Authority's picture of the sector. In particular, AC Nielsen's assistance was

required to estimate the size and composition of the independent retail sector.

B.12 Specifically AC Nielsen provided the Competition Authority with further information on:

- The number of “independent” stores (total, by store size, by geographical distribution, by turnover thresholds and SKUs levels);
- Aggregated estimates of
 - Overall turnover (including petrol, newspapers, cigarettes etc.)
 - Grocery goods turnover;
 - Branded grocery goods turnover; and
 - Own-label grocery goods

B.13 It was also necessary for the Competition Authority to understand the behaviour of grocery consumers in the State (e.g. trends in preferences and attitudes, brand loyalty etc.). As this information could not be obtained from the respondents, AC Nielsen provided this information through existing AC Nielsen consumer survey (i.e. The Shopper Trends survey).

Other Information: CACI Ltd

B.14 The Competition Authority retained CACI Ltd, a UK consultancy company, to provide geographical information services (GIS). CACI created a database allowing the geographic mapping of grocery retail outlets and distribution centres in the State and the analysis of socio-demographic conditions.

B.15 The database combines different types of data:

- Data from the Competition Authority’s grocery sector database which contains records of over 4,000 retail grocery stores and 100 distribution centres. These records have been geo-coded.
- Mapping data from Navteq Backcloth (Roads and towns) and Electoral District (ED) boundaries supplied by CACI;

- CACI socio-demographic databases (Irish Acorn 2007 and Retail Footprint Ireland 2007); and
- Data on the relevant demographic and lifestyle information at ED level supplied by CSO 2006 Census.

B.16 Using this integrated database, mapping services are generated through the CACI software InSite 7.0. Furthermore, this software allows the user to create stored catchments as well as both radii and drive time contours and run reports in order to analyse the socio-demographic conditions.

B.17 The Competition Authority has used InSite mapping capabilities throughout the *Report* to provide a geographical description of the grocery retail landscape during the period 2001-2006. Additionally, the Competition Authority has used InSite software in section 6 of this *Report* to describe the catchment areas (based on drive times) of the retail stores in terms of the market size (population), consumer profile (socio-demographic breakdown) and competitive conditions (number of stores of other retailers).

Independent Cash and Carry Centres

B.18 There are approximately 94 cash and carry centres in the State. 66 of these centres are operated by wholesaler-franchisors, and 12 by "Other Stonehouse" members. The remaining 16 cash and carry centres belong to independent wholesalers (that is, neither owned nor associated with any of the six wholesaler-franchisors). Information on these centres was sourced from Checkout, The Buyers Guide 2007-2008", Listed Independent Cash and Carry Stores, December 2007 (see Table B.4 below).

Table B.4: Independent Cash and Carry Centres

Independent Cash and Carry Centres
Keane's Wholesale Cash and Carry
Akay Ireland
Arthur F O' Leary
Central Distributions (Cork) Ltd
GW Biggs & Co Ltd (Catering Supplies)
Foodland Cash & Carry Ltd
AIM Cash & Carry
Eason & Son Ltd
Fitzpatrick Wholesale
P&D Cash & Carry
Coxs Cash & Carry Ltd
Petries Cash & Carry
Cumiskey Ballinamore Ltd
Deel Wholesale Co Ltd
Toyland
Tac Navan Cash & Carry

Source: Checkout, "The Buyers Guide 2007-2008", Listed Independent Cash and Carry Stores, pg 127, December 2007.

C. MARKET PLAYER PROFILES

C.1 The following section presents general profiles of the vertically-integrated retailers and the wholesaler-franchisor groups. For vertically-integrated retailers each profile contains some general company information, the company's geographical coverage, store sizes, average net resale areas and a list of own brand goods available. A geographical map is then presented illustrating geographic presence. Similarly for the wholesaler-franchisors, information presented is consistent where possible across groups. For each wholesaler, some general company information is given, then for each associated affiliated retailer, geographical coverage, store size and distribution centre characteristics are presented. A geographical map is also included, illustrating the combined geographical coverage of all affiliated retailers. Information is accurate as of March 2007.

Vertically-Integrated Retailers

Table C.1: Tesco Profile

Legal Name	Tesco Ireland Limited	
Commercial Name	Tesco	
General Company Information	Tesco Ireland Limited was formed in 1997 following the acquisition by Tesco plc of the Irish retailing operations of Powers Supermarkets Ltd (Quinnsworth and Crazy Prices). Tesco operates in 13 countries, either as sole operator or as a joint venture. They have a number of proprietary brands including "Finest", "Tesco" and "Value", together with "Free From" and "Organic". Tesco Ireland Ltd entered the petrol retailing market in 2003 and now has nine petrol filling stations across the country.	
Turnover Information 2006	Grocery goods turnover as a percentage of total turnover	80% - 90%
	Own-label grocery goods as a percentage of grocery goods turnover	30% - 40%
Geographical Coverage	Tesco Ireland Limited has 95 stores in the State. Stores are located in every county in Ireland with the exception of Kilkenny. Tesco Stores have the highest presence in Dublin with 32 stores, followed by Cork and Wicklow which both have 8 stores. Figure C.1 below illustrates the location of Tesco retail outlets.	
Percentage of Stores Located in:	Town centre	68%
	Edge-of-centre	21%
	Out-of-centre	0%
	Out-of-town	11%
Distribution of Stores by Size (Net Retail Sales Area)	< 500m ²	7%
	500m ² < store size < 1,000m ²	8%
	1000m ² < store size < 1,500m ²	10%
	1,500m ² < store size < 2,500m ²	28%
	2,500m ² < store size < 5,000m ²	44%
	> 5,000m ²	3%
Net Retail Sales Area	Average Net Retail Sales Area for grocery goods (m ²)	2,334
	Average % of Net Retail Sales Area for grocery goods	65%
	Average % of Net Retail Sales Area for non-grocery goods	35%
Own-labels	Tesco Value, Tesco, Tesco Finest, Free From, Organic, Healthy Living, Fairtrade,	

Figure C.1: Tesco Retail Outlets

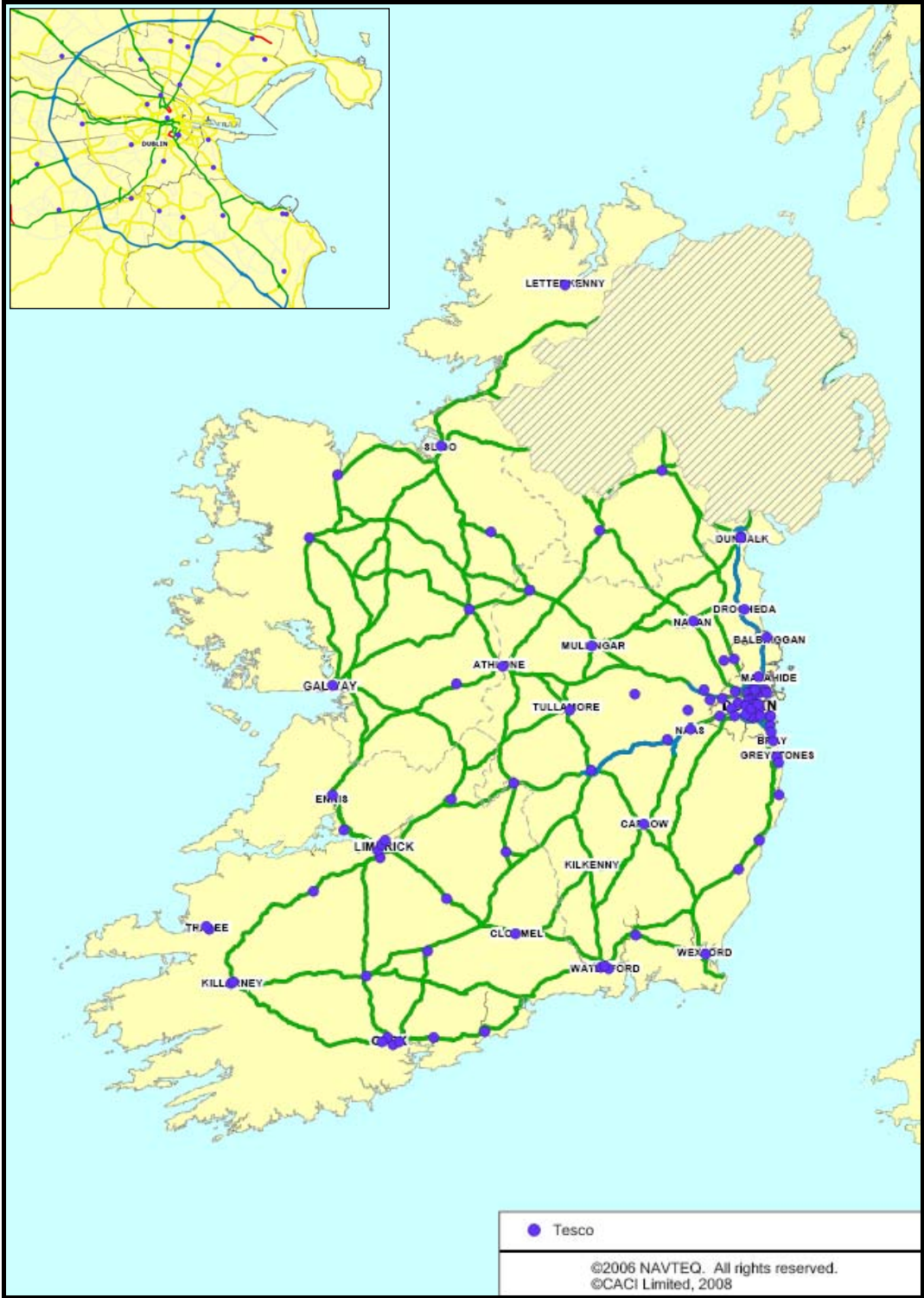


Table C.2: Superquinn Profile

Legal Name	Superquinn	
Commercial Name	Superquinn	
General Company Information	Feargal Quinn opened the first Superquinn store in 1960. Until 2005 Superquinn was a 100% owned subsidiary of Tokad Company, an unlimited company registered in Ireland and owned by the Quinn family. In 2005, Tokad Company was purchased by Select Retail Holdings and 100% control was assumed by the company. Select Retail Holdings is an unlimited company whose ultimate parent is Monteepea Holdings an unlimited company. Shareholders of Monteepea Holdings include Superquinn Chief Executive, Simon Burke. Since then a plan was put in place to transform all of Superquinn's stores. The first two to be replaced were the Blanchardstown store and the Lucan store. In 2004 Superquinn opened its first Superquinn Select store in Charlesland, a new format aimed at serving top up or convenience shoppers. A second Superquinn Select Store opened in Tyrellstown in 2005.	
Turnover Information 2006	Grocery goods turnover as a percentage of total turnover	90% - 100%
	Own-label grocery goods as a percentage of grocery goods turnover	40% - 50%
Geographical Coverage	Superquinn has 21 stores in the State. The largest proportion of these stores is in Dublin which has 9 stores. Superquinn also has a presence in Wicklow, Carlow, Kildare, Kilkenny, Limerick and Waterford. Figure C.2 below illustrates the location of Superquinn retail outlets.	
Percentage of Stores Located in:	Town centre	67%
	Edge-of-centre	14%
	Out-of-centre	5%
	Out-of-town	14%
Distribution of Stores by Size (Net Retail Sales Area)	< 500m ²	5%
	500m ² < store size < 1,000m ²	5%
	1000m ² < store size < 1,500m ²	9%
	1,500m ² < store size < 2,500m ²	67%
	2,500m ² < store size < 5,000m ²	14%
	> 5,000m ²	0%
Net Retail Sales Area	Average Net Retail Sales Area for grocery goods (m ²)	1,920
	Average % of Net Retail Sales Area for grocery goods	100%
	Average % of Net Retail Sales Area for non-grocery goods	-
Own-labels	SQ Superior Quality, Superquinn, Euro Shopper	

Figure C.2: Superquinn Retail Outlets

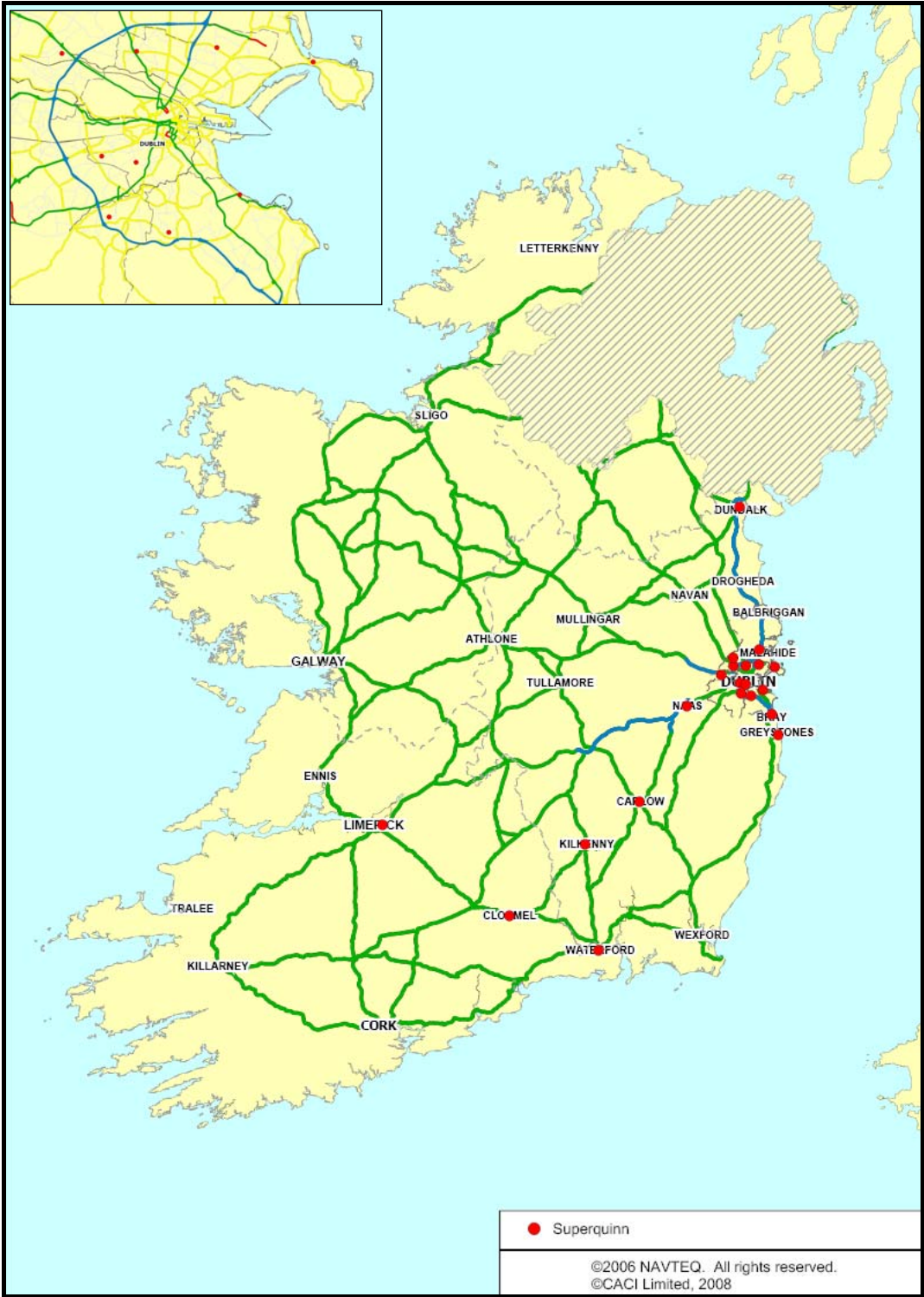


Table C.3: ALDI Profile

Legal Name	Aldi Stores Ireland (Limited)	
Commercial Name	ALDI	
General Company Information	ALDI first arrived in Ireland in 1999. It is a wholly owned subsidiary of Aldi Stores Limited, the UK incorporated company. Aldi tend to concentrate on own-label, or exclusive brands. As of March 2007 ALDI had a presence in 16 countries around the world.	
Turnover Information 2006	Grocery goods turnover as a percentage of total turnover	70% - 80%
	Own-label grocery goods as a percentage of grocery goods turnover	90% - 100%
Geographical Coverage	Aldi Stores Ireland currently operates 39 stores in the State. They are situated in all counties except Wicklow, Sligo, Roscommon, Monaghan, Leitrim, Laois, Kilkenny and Cavan. Figure C.3 below illustrates the location of ALDI retail outlets. They have the highest presence in Dublin with 10 stores.	
Percentage of Stores Located in:	Town centre	10%
	Edge-of-centre	39%
	Out-of-centre	38%
	Out-of-town	13%
Distribution of Stores by Size (Net Retail Sales Area)	< 500m ²	0%
	500m ² < store size < 1,000m ²	85%
	1000m ² < store size < 1,500m ²	15%
	1,500m ² < store size < 2,500m ²	0%
	2,500m ² < store size < 5,000m ²	0%
	> 5,000m ²	0%
Net Retail Sales Area	Average Net Retail Sales Area for grocery goods (m ²)	835
	Average % of Net Retail Sales Area for grocery goods	80%
	Average % of Net Retail Sales Area for non-grocery goods	20%
Own-labels	Specially Selected, BeLight. Majority of ALDI goods are exclusive brands.	

Figure C.3: ALDI Retail Outlets

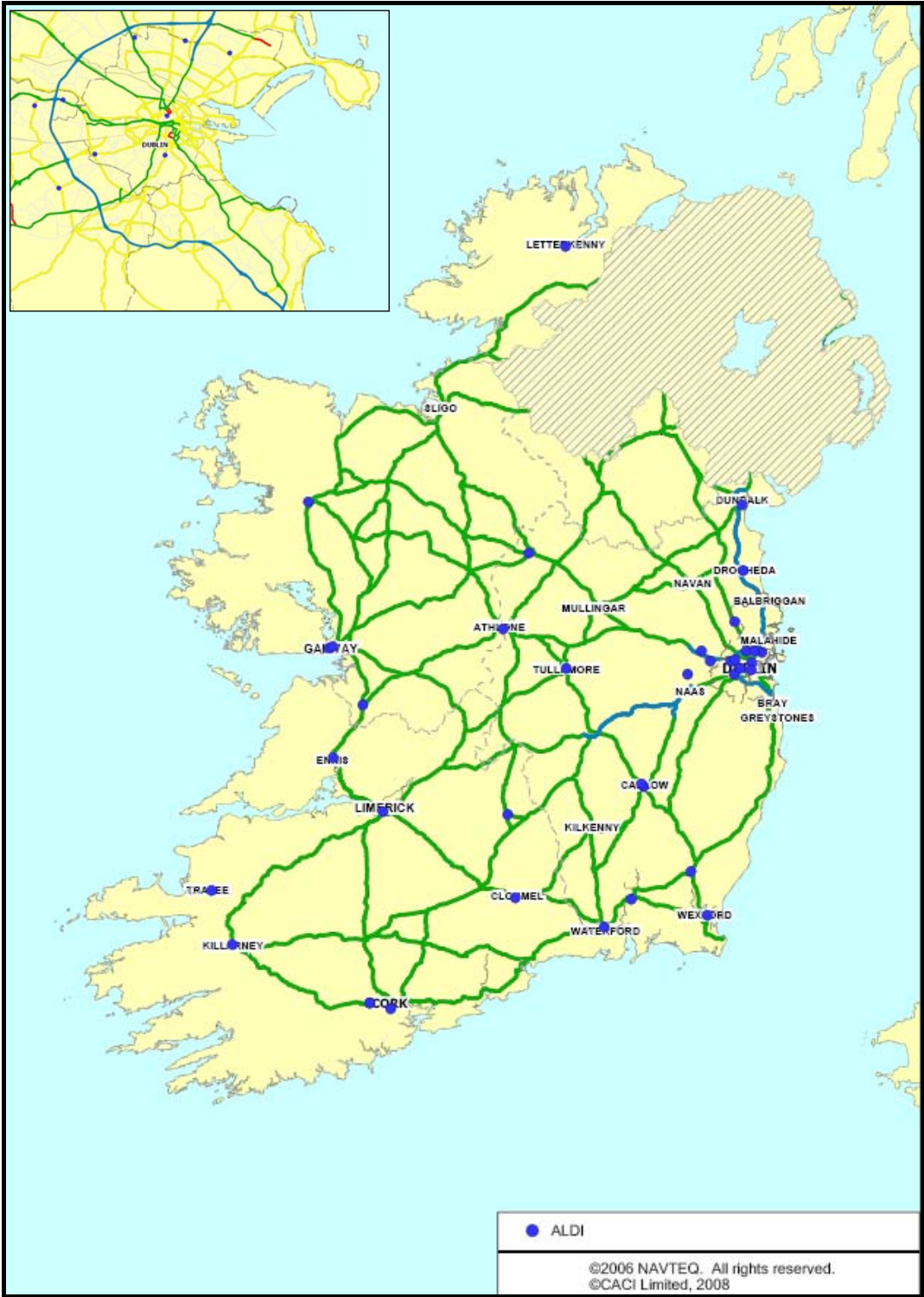


Table C.4: Marks & Spencer Profile

Legal Name	Marks and Spencer (Ireland) Limited	
Commercial Name	Marks & Spencer	
General Company Information	Marks and Spencer Ireland (Limited) is part of the Marks & Spencer Group. It introduced its first store in the Republic of Ireland in Dublin in 1979. It offers clothing, home and food products. The Marks & Spencer Group operates in over 34 territories around the world and comprises wholly- owned stores as well as franchise stores.	
Turnover Information 2006	Grocery goods turnover as a percentage of total turnover	40% - 50%
	Own-label grocery goods as a percentage of grocery goods turnover	100%
Geographical Coverage	Marks and Spencer (Ireland) Limited operated 13 stores in the Republic of Ireland at the end of 2006. Figure C.4 below illustrates the store locations at that time. The majority of these stores are in Dublin but Marks & Spencer also operate in Cork, Galway, Kildare and Louth. Marks & Spencer opened additional stores throughout the country during 2007. Further store openings throughout the country are planned for 2008.	
Percentage of Stores Located in:	Town centre	54%
	Edge-of-centre	8%
	Out-of-centre	0%
	Out-of-town	38%
Distribution of Stores by Size (Net Retail Sales Area)	< 500m ²	23%
	500m ² < store size < 1,000m ²	23%
	1000m ² < store size < 1,500m ²	31%
	1,500m ² < store size < 2,500m ²	15%
	2,500m ² < store size < 5,000m ²	8%
	> 5,000m ²	0%
Net Retail Sales Area	Average Net Retail Sales Area for grocery goods (m ²)	1,097
	Average % of Net Retail Sales Area for grocery goods	11.9%
	Average % of Net Retail Sales Area for non-grocery goods	88.1%
Own-labels	Marks & Spencer products are 100% own brand products. Ranges include 'Marks & Spencer Cook!' and 'Eat Well'.	

Figure C.4: Marks & Spencer Retail Outlets

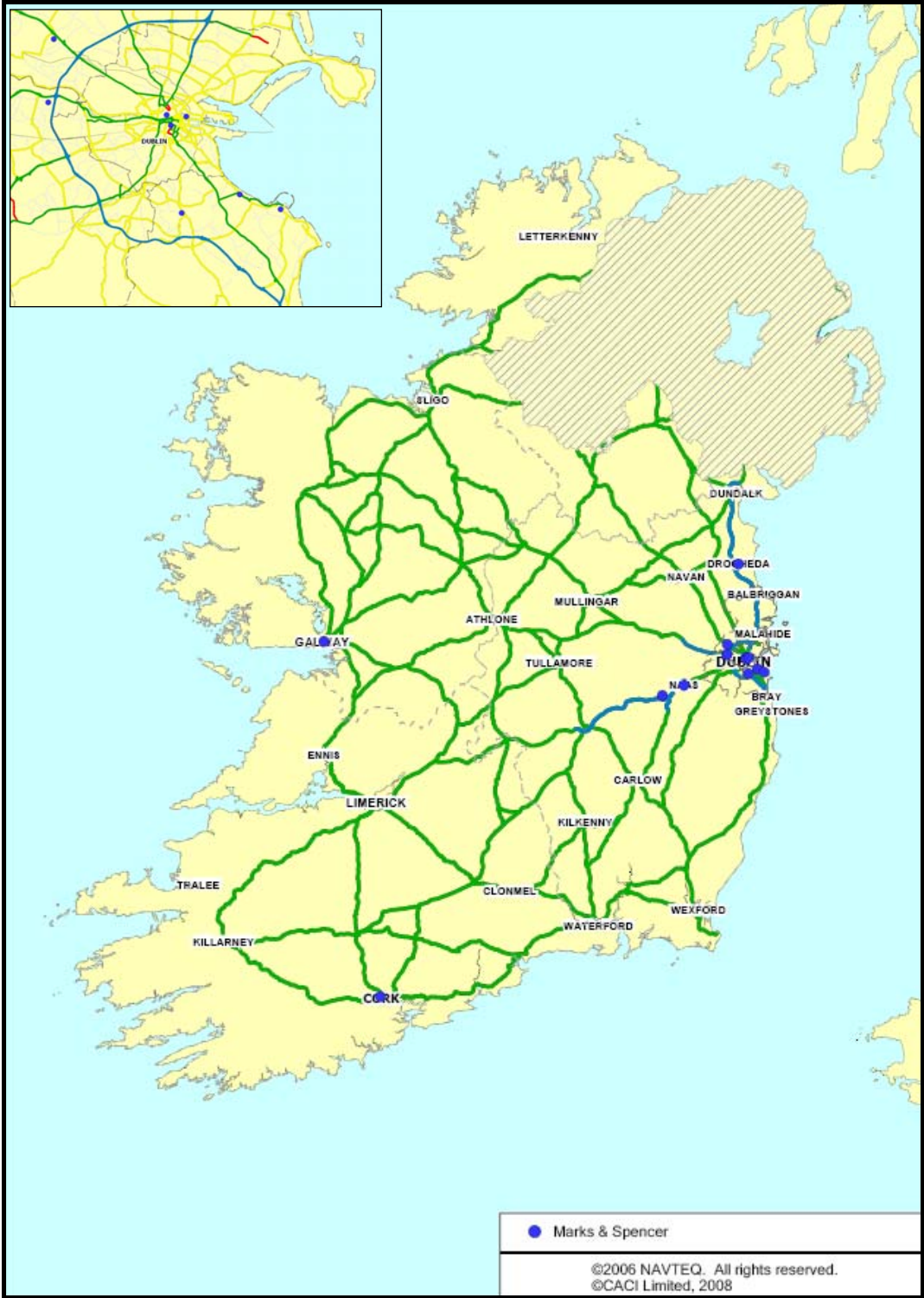


Table C.5: Lidl Profile

Legal Name	Lidl Ireland Gmbh	
Commercial Name	Lidl	
General Company Information	Lidl & Schwarz Stiftung is a discount supermarket chain operating around five thousand discount stores throughout Europe. Lidl Ireland Gmbh first arrived in Ireland in 1999 and is 100% owned by Lidl & Schwarz Stiftung.	
Turnover Information 2006	Grocery goods turnover as a percentage of total turnover	80% - 90%
	Own-label grocery goods as a percentage of grocery goods turnover	90% - 100%
Geographical Coverage	Lidl Ireland Gmbh currently operates 79 stores in the State. Figure C.5 below illustrates the locations of Lidl retail outlets. The stores are widely distributed but the largest proportion, 15, are in Dublin. They also have a significant presence in Cork with nine stores, six stores in Tipperary and five in Kildare.	
Percentage of Stores Located in:	Town centre	23%
	Edge-of-centre	34%
	Out-of-centre	35%
	Out-of-town	8%
Distribution of Stores by Size (Net Retail Sales Area)	< 500m ²	0%
	500m ² < store size < 1,000m ²	41%
	1000m ² < store size < 1,500m ²	59%
	1,500m ² < store size < 2,500m ²	0%
	2,500m ² < store size < 5,000m ²	0%
	> 5,000m ²	0%
Net Retail Sales Area	Average Net Retail Sales Area for grocery goods (m ²)	1,120
	Average % of Net Retail Sales Area for grocery goods	100%
	Average % of Net Retail Sales Area for non-grocery goods	0%
Own-labels	Lidl stock a large number of exclusive brands.	

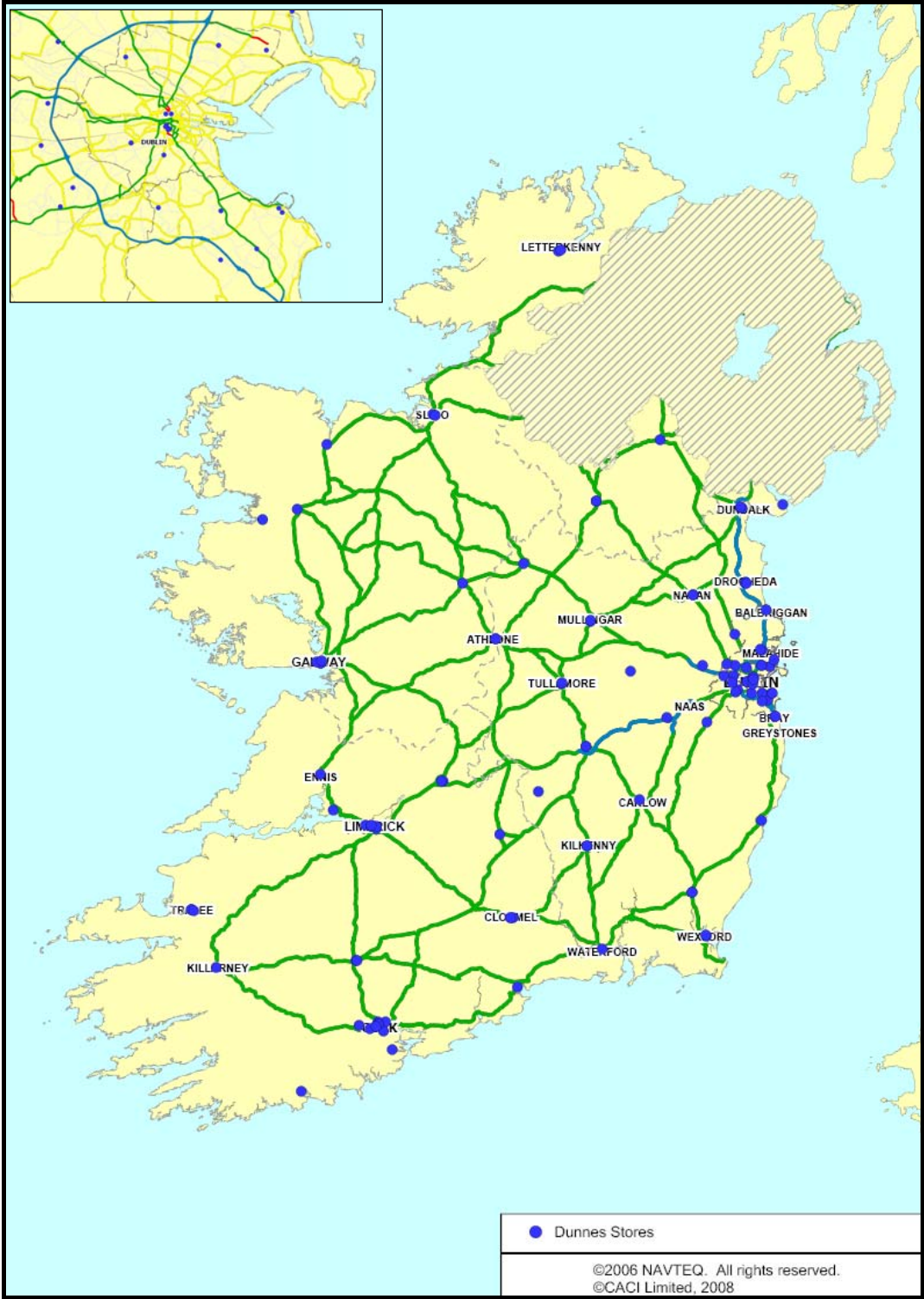
● Lidl

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Table C.6: Dunnes Stores Profile

Legal Name	Dunnes Stores	
Commercial Name	Dunnes Stores	
General Company Information	Dunnes Stores was founded in 1944 in Cork and remains a privately owned company. The chain primarily sells food, clothes and household wares. In addition to its main customer base in Ireland Dunnes Stores also has operations in Great Britain and Spain. 2007 saw Dunnes Stores move head offices from Beaux Lane House, Lower Mercer Street to a brand new premises on South Great Georges Street.	
Turnover Information 2006	Grocery goods turnover as a percentage of total turnover	90% - 100%
	Own-label grocery goods as a percentage of grocery goods turnover	10% - 20%
Geographical Coverage	As of March 1 st 2006 Dunnes Stores had 111 stores in the Republic, of which 90 retail grocery good. Figure C.6 below illustrates the locations of Dunnes Stores retail outlets. In 2007 Dunnes Stores planned to open a further 13 stores across the country. Dunnes Stores have a presence in all counties in Ireland with the exception of Leitrim. They have the highest number in Dublin with 30 stores, followed by Cork with 13 and Limerick with 6.	
Percentage of Stores Located in:	Town centre	48%
	Edge-of-centre	18%
	Out-of-centre	34%
	Out-of-town	0%
Distribution of Stores by Size (Net Retail Sales Area)	< 500m ²	9%
	500m ² < store size < 1,000m ²	9%
	1000m ² < store size < 1,500m ²	21%
	1,500m ² < store size < 2,500m ²	40%
	2,500m ² < store size < 5,000m ²	21%
	> 5,000m ²	0%
Net Retail Sales Area	Average Net Retail Sales Area for grocery goods (m ²)	1,882
	Average % of Net Retail Sales Area for grocery goods	78%
	Average % of Net Retail Sales Area for non-grocery goods	22%
Own-labels	Simply Better, Dunnes Stores, St. Bernard, Better for you, Eat in/Eat out, Easy.	

Figure C.6: Dunnes Stores Retail Outlets



Wholesaler-Franchisor Groups

Table C.7: Musgrave Group Profile

Legal Name	Musgrave Group Plc
Commercial Name	Musgrave
General Company Information	The Musgrave Group was founded in Cork in 1876 by brothers Thomas and Stuart Musgrave. They have operations throughout Ireland, Great Britain and Spain. In Ireland the overall business is divided into <i>Musgrave Retail Partners Ireland (MRPI)</i> and <i>Musgrave Wholesale Partners (MWP)</i>. MRPS own the brands to the SuperValu supermarket group and the Centra convenience group, which operate throughout Ireland. In 2007 Musgrave has re-positioned its divisional names from <i>Musgrave SuperValu – Centra</i> to <i>Musgrave Retail Partners Ireland</i>, and from <i>Musgrave Wholesale Services</i>, to <i>Musgrave Wholesale Partners</i>. The company introduced the SuperValu and Centra brands in the Republic in 1980 and expanded to the Northern Ireland market in 1996. Musgrave Wholesale Partners operates four brands in Ireland, Musgrave Cash and Carry, Musgrave Foodservices, Daybreak and DayToday. Daybreak and DayToday are convenience stores owned by independent retailers.
Geographical Coverage	By the end of 2006 there were 621 affiliated retailers of the Musgrave Group operating 740 stores between them. Affiliated retailers of the Musgrave Group are present in every county in the State.
Further Profiles for	Musgrave Retail Partners Ireland (see Table C.8 below) SuperValu (see Table C.9) Centra (see Table C.10) Musgrave Wholesale Partners (see Table C.11) DayToday (see Table C.12) Daybreak (see Table C.13)

Table C.8: Musgrave Retail Partners Ireland

Activity	Wholesale distribution to SuperValu and Centra	
Turnover Information 2006	Company's wholesale turnover derived from sales of grocery goods to affiliated retailers	100%
	Company's wholesale turnover derived from sales of grocery goods to non-affiliated retailers	-
	Company's wholesale turnover derived from sales of grocery goods to non-retailers	-
Distribution Centre Characteristics	Number of distribution centres	5
	Combined size of distribution centres in m ²	46,470
	Average number of SKU's in each distribution centre	4,810
	Average number of grocery goods SKU's	4,888
Serving	SuperValu, Centra	

Table C.9: Musgrave Retail Partners Ireland - SuperValu

Activity	Retailers carrying the brand SuperValu which is part of Musgrave Retail Partners Ireland.	
Turnover Information 2006	Grocery goods turnover as a percentage of total turnover	80% - 90%
	Own-label grocery goods as a percentage of grocery goods turnover	20% - 30%
Geographical Coverage	There are 180 SuperValu stores in the State. Figure C.7 below illustrates the locations of retail outlets belonging to affiliated retailers of Musgrave operating the SuperValu brand, as well as other affiliated retailers of Musgrave. They are present in all counties. Cork has the highest number of SuperValu stores at 30, followed by Dublin with 24 stores.	
Percentage of Stores Located in:	Town centre	60%
	Edge-of-centre	17%
	Out-of-centre	14%
	Out-of-town	9%
Distribution Stores by (Total Area) of Size	< 500m ²	7%
	500m ² < store size < 1,000m ²	44%
	1,000m ² < store size < 1,500m ²	36%
	1,500m ² < store size < 2,500m ²	13%
	> 2,500m ²	0%
Own-labels	SuperValu, SuperValu Supreme, SuperValu Goodness, SuperValu Just Cook, SuperValu Nice Price	

Table C.10: Musgrave Retail Partners Ireland - Centra

Activity	Retailers carrying the brand Centra which is part of the Musgrave Retail Partners.	
Turnover Information 2006	Grocery goods turnover as a percentage of total turnover	50% - 60%
	Own-label grocery goods as a percentage of grocery goods turnover	0% - 10%
Geographical Coverage	There are 407 Centra stores in the State. Figure C.7 below illustrates the locations of retail outlets belonging to affiliated retailers of Musgrave operating the Centra brand, as well as other affiliated retailers of Musgrave. Centra stores are present in all counties, the highest proportion are in Dublin with 80, followed by Cork with 73 stores and Galway with 22.	
Percentage of Stores Located in:	Town centre	44%
	Edge-of-centre	23%
	Out-of-centre	23%
	Out-of-town	10%
Distribution of Stores by Size (Total Area)	< 500m ²	93%
	500m ² < store size < 1,000m ²	7%
	1,000m ² < store size < 1,500m ²	0%
	1,500m ² < store size < 2,500m ²	0%
	> 2,500m ²	0%
Own-labels	Centra, Centra Good to Go, Centra Rite Price, Centra Simply Cook	

Table C.11: Musgrave Wholesale Partners Ireland

Activity	Wholesale cash and carry, food service, wholesale distribution	
Turnover Information 2006	Company's wholesale turnover derived from sales of grocery goods to affiliated retailers	10% - 20%
	Company's wholesale turnover derived from sales of grocery goods to non-affiliated retailers	30% - 40%
	Company's wholesale turnover derived from sales of grocery goods to non-retailers	50% - 60%
Distribution Centre Characteristics	Number of distribution centres	7
	Combined size of distribution centres in m ²	52,400
	Average number of SKU's in each distribution centre	11,500
	Average number of grocery goods SKU's	6,643
Serving	Daybreak, DayToday, Non-affiliated Retailers, Cash & Carry Customers, Delivered Foodservice	

Table C.12: Musgrave Wholesale Partners - DayToday

Activity	Retailers carrying the brand DayToday which is part of Musgrave Wholesale Partners.	
Turnover Information 2006	Grocery goods turnover as a percentage of total turnover	60% - 70%
	Own-label grocery goods as a percentage of grocery goods turnover	0% - 10%
Geographical Coverage	There are 60 DayToday stores in the State. Figure C.7 below illustrates the locations of retail outlets belonging to affiliated retailers of Musgrave operating the DayToday brand, as well as other affiliated retailers of Musgrave. The majority of DayToday stores are in Leinster and Munster. The highest numbers of stores are in Dublin at 15, followed by Cork with 8. Musgrave Wholesaler Partners introduced the Daybreak brand in 2005. Until then DayToday had serviced 135 independent retailers. Following this introduction, 75 DayToday retailers switched to Daybreak.	
Percentage of Stores Located in:	Town centre	75%
	Edge-of-centre	10%
	Out-of-centre	0%
	Out-of-town	15%
Distribution of Stores by Size (Net Retail Sales Area)	< 500m ²	100%

Table C.13: Musgrave Wholesale Partners - Daybreak

Activity	Retailers carrying the brand Daybreak which is part of Musgrave Wholesaler Partners.	
Turnover Information 2006	Grocery goods turnover as a percentage of total turnover	60% - 70%
	Own-label grocery goods as a percentage of grocery goods turnover	0% - 10%
Geographical Coverage	There are 93 Daybreak stores in the State. Figure C.7 below illustrates the locations of retail outlets belonging to affiliated retailers of Musgrave operating the Daybreak brand, as well as other affiliated retailers of Musgrave. Daybreak stores are mainly in Connaught and Munster. The largest numbers of stores are in Limerick at 11, followed by Cork with 9 and Kildare with 7.	
Percentage of Stores Located in:	Town centre	43%
	Edge-of-centre	33%
	Out-of-centre	0%
	Out-of-town	24%
Distribution of Stores by Size (Net Retail Sales Area)	< 500m ²	100%

Figure C.7: Musgrave Affiliated Retail Outlets

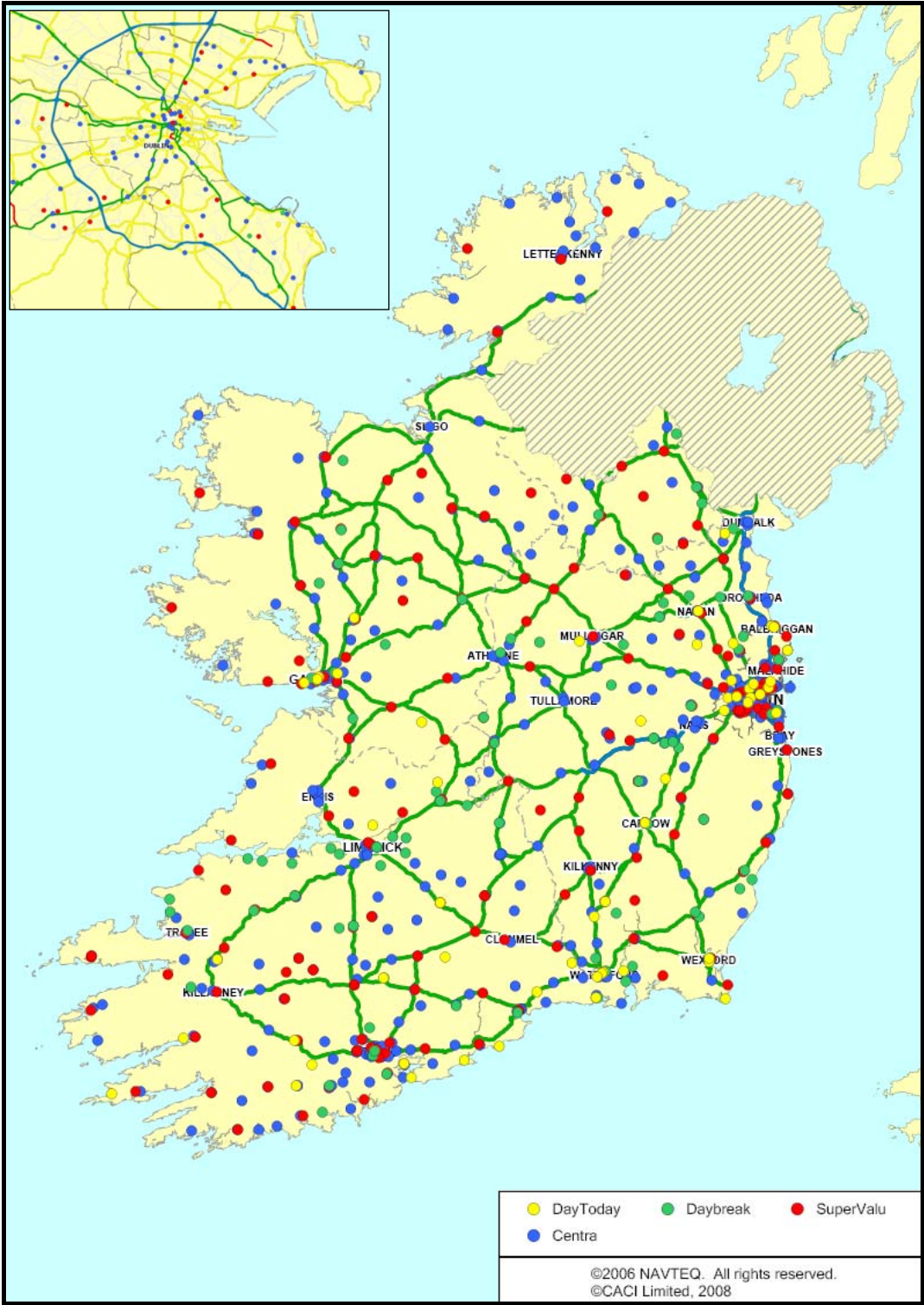


Table C.14: BWG Foods Profile

Legal Name	BWG Foods Ltd
Commercial Name	BWG Foods
General Company Information	Formed in 1973, BWG Foods Ltd is the owner and operator of the SPAR and MACE franchises in Ireland and is part of the BWG Group. BWG Group owns the wholesale distribution business and is the owner of the Value Centre chain of cash and carry outlets. Value Centres supply the independent retail sector, the licensed trade sector, the foodservice and hospitality sector and the XL Stop & Shop stores. In August 2002, Group Pernod Ricard sold BWG Group to Electra Partners/BWG Management. Then in October 2006, Electra Partners sold their shareholding to BWG Management through Triode Investments Ltd.
Geographical Coverage	There are 537 affiliated retailers of BWG Group, operating 697 stores between them. Affiliated retailers of BWG Group are present in every county in the State.
Further Profiles for	BWG Foods - Wholesaling (see Table C.15 below) BWG Foods – SPAR (see Table C.16 below) BWG Foods – MACE (see Table C.17 below) BWG Foods – XL Stop & Shop (see Table C.18 below)

Table C.15: BWG Foods - Wholesaling

Activity	Wholesale cash and carry and distribution	
Turnover Information 2006	Company's wholesale turnover derived from sales of grocery goods to affiliated retailers	70%- 80%
	Company's wholesale turnover derived from sales of grocery goods to non-affiliated retailers	0% - 10%
	Company's wholesale turnover derived from sales of grocery goods to non-retailers	10% - 20%
Distribution Centre Characteristics	Number of distribution centres	31
	Combined size of distribution centres in m ²	53,851
	Average number of SKU's in each distribution centre	4003
	Average number of grocery goods SKU's	3,901
Serving	MACE, SPAR fascias, XL Stop & Shop and BWG Foodservice, independent retailers, non-retailers (e.g. catering, pubs)	

Table C.16: BWG Foods – SPAR

Activity	Retailers carrying the brand Spar which is part of the retail franchise division of BWG group. SPAR fascias are SPAR, EUROSPAR and SPAR Express.	
Turnover Information 2006	Grocery goods turnover as a percentage of total turnover	70%-80%
	Own-label grocery goods as a percentage of grocery goods turnover	0% - 10%
Geographical Coverage	There are 447 Spar stores in the State. Figure C.8 below illustrates the locations of retail outlets belonging to affiliated retailers of BWG Foods operating the Spar fascia, as well as other affiliated retailers of BWG Foods. Spar stores are active in all counties across the country. The majority of these stores at, 163 are in Dublin. This is followed by Cork at 45, and Galway 29.	
Percentage of Stores Located in:	Garage forecourt	10%
	Other	90%
Distribution of Stores by Size (Total Area)	< 500m ²	90%
	500m ² < store size < 1,000m ²	9%
	1,000m ² < store size < 1,500m ²	1%
	1,500m ² < store size < 2,500m ²	0%
	> 2,500m ²	0%
Own-labels	SPAR, Signature Selection plus a number of exclusive brands.	

Table C.17: BWG Foods - MACE

Activity	Retailers carrying the brand MACE which is part of the retail franchise division of BWG group.	
Turnover Information 2006	Grocery goods turnover as a percentage of total turnover	70%- 80%
	Own-label grocery goods as a percentage of grocery goods turnover	0% - 10%
Geographical Coverage	There are 140 BWG Mace stores in the State. Figure C.8 below illustrates the locations of retail outlets belonging to affiliated retailers of BWG Foods operating the Mace (BWG) fascia, as well as other affiliated retailers of BWG Foods. The highest proportion of BWG Mace stores are situated in Leinster, the highest number of these are in Dublin which has 32. Cork with 17, has the second highest number of stores followed by Louth with 16.	
Percentage of Stores Located in:	Garage forecourt	36%
	Other	64%
Distribution of Stores by Size (Total Area)	< 500m ²	100%
Own-labels	MACE	

Table C.18: BWG Foods - XL Stop & Shop

Activity	Retailers carrying the brand XL Stop & Shop which is part of the retail franchise division of BWG group	
Turnover Information 2006	Grocery goods turnover as a percentage of total turnover	70% - 80%
	Own-label grocery goods as a percentage of grocery goods turnover	0% - 10%
Geographical Coverage	There are 110 XL Stop and Shop stores in the State. Figure C.8 below illustrates the locations of retail outlets belonging to affiliated retailers of BWG Foods operating the XL Stop and Shop fascia, as well as other affiliated retailers of BWG Foods. XL Stop and Shop are situated in all counties except for Laois, Leitrim and Roscommon.	
Percentage of Stores Located in:	Garage forecourt	39%
	Other	61%
Distribution of Stores by Size (Total Area)	< 500m ²	100%
Own-labels	Family Value	

Figure C.8: BWG Foods Affiliated Retail Outlets

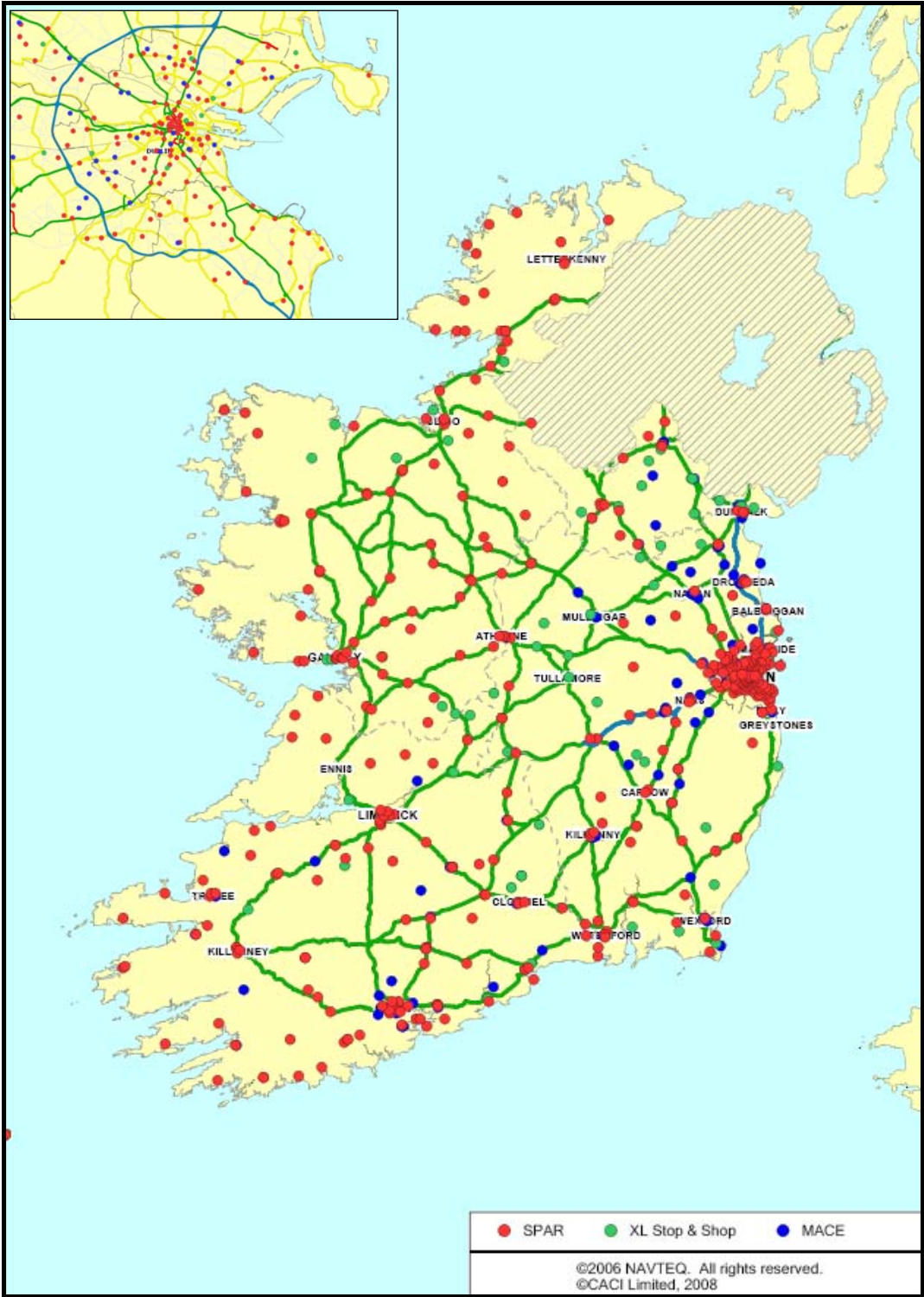


Table C.19: Barry Group Profile

Legal Name	James A Barry & Company Ltd
Commercial Name	Barry Group
General Company Information	Barry Group was established in 1955 in Mallow, Co. Cork as a wholesale and distribution company. The company was named Barry's of Mallow until January 2007, when it was changed to support their national and international development. Barry Group launched Quikpick in 1996 and acquired the Costcutter franchise in 2000. Recent expansion saw the Barry Group acquire the trade of Kilkenny Wholesale Cash & Carry in June 2006. Barry Group has been a member of the Stonehouse Group since March 2000.
Geographical Coverage	There are 198 affiliated retailers of the Barry Group, operating 217 stores between them. Affiliated retailers of the Barry Group are present in every county in the State.
Further Profiles for	Barry Group - Wholesaling (see Table C.20 below) Barry Group - Costcutter (see Table C.21 below) Barry Group - Quikpick (see Table C.22 below)

Table C.20: Barry Group - Wholesaling

Activity	Wholesale distribution and cash and carry	
Turnover Information 2006	Company's wholesale turnover derived from sales of grocery goods to affiliated retailers	70% - 80%
	Company's wholesale turnover derived from sales of grocery goods to non-affiliated retailers	10% - 20%
	Company's wholesale turnover derived from sales of grocery goods to non-retailers	10% - 20%
Distribution Centre Characteristics	Number of distribution centres	1
	Combined size of distribution centres in m ²	12,500
	Average number of SKU's in each distribution centre	9,500
	Average number of grocery goods SKU's	9,300
Serving	Costcutter, Quikpick, Cash and Carry, independent retailers, non-retailers (e.g. catering, pubs)	

Table C.21: Barry Group - Costcutter

Activity	Retailers carrying the brand Costcutter which is part of the retail franchise division of the Barry Group.	
Turnover Information 2006	Grocery goods turnover as a percentage of total turnover	50% - 60%
	Own-label grocery goods as a percentage of grocery goods turnover	0% - 10%
Geographical Coverage	There are 120 Costcutter stores in the State. Figure C.9 below illustrates the locations of retail outlets belonging to affiliated retailers of the Barry Group operating the Costcutter fascia, as well as other affiliated retailers of the Barry Group. Costcutter stores are located in all counties with the exception of Sligo. The highest number of stores is located in Cork which has 15.	
Percentage of Stores Located in:	Town centre	29%
	Edge-of-centre	28%
	Out-of-centre	7%
	Out-of-town	37%
Distribution of Stores by Size (Total Area)	< 500m ²	97%
	500m ² < store size < 1,000m ²	1%
	1,000m ² < store size < 1,500m ²	2%
	1,500m ² < store size < 2,500m ²	0%
	> 2,500m ²	0%
Own-labels	Costcutter	

Table C.22: Barry Group - Quikpick

Activity	Retailers carrying the brand Quikpick which is part of the retail franchise division of the Barry Group.	
Turnover Information 2006	Grocery Good Turnover as a percentage of Total Turnover	50% - 60%
	Own-label Grocery Goods as a % of Grocery Goods Turnover	0% - 10%
Geographical Coverage	There are 97 Quikpick stores in the State. Figure C.9 below illustrates the locations of retail outlets belonging to affiliated retailers of the Barry Group operating the Quikpick fascia, as well as other affiliated retailers of the Barry Group. The highest proportion of Quikpick stores is located in the Munster region. The highest numbers of stores are in Cork with 31, followed by Kerry with 12 stores and Limerick with 8.	
Percentage of Stores Located in:	Town centre	6%
	Edge-of-centre	30%
	Out-of-centre	0%
	Out-of-town	64%
Distribution of Stores by Size (Total Area)	< 500m ²	100%
Own-labels	-	

Figure C.9: Barry Group Affiliated Retail Outlets

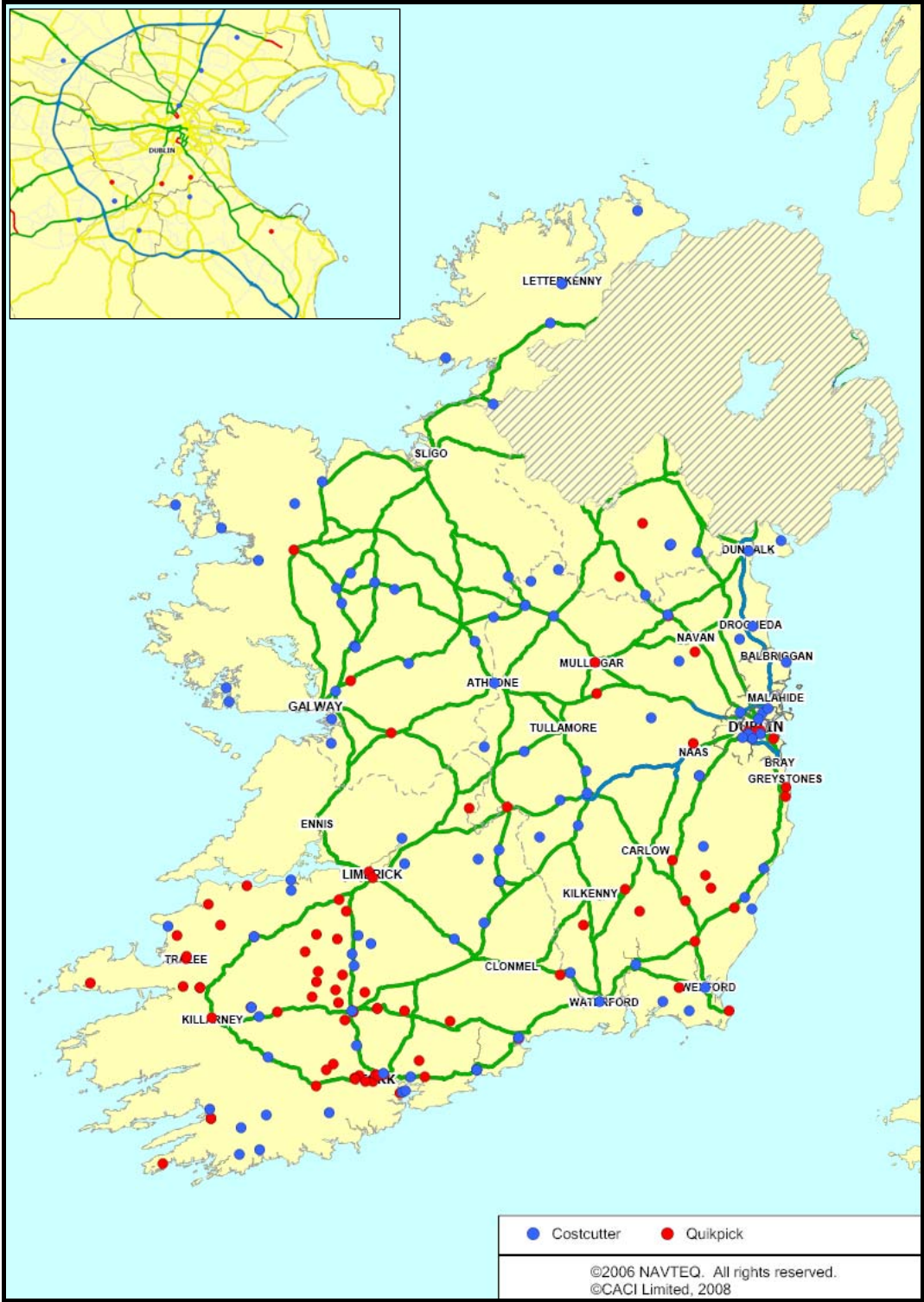


Table C.23: ADM Londis Profile

Legal Name	ADM Londis Plc
Commercial Name	Londis
General Company Information	Allied Dublin Merchants Ltd (ADM Ltd) was formed in 1954, by a co-operative society of 100 grocers. 1970 saw ADM Londis Ltd acquire the use of the Londis Franchise for Ireland and launch 33 of its existing stores under the Londis Franchise. In 1998 ADM Londis Ltd formed an association with Tedcastles Ltd to promote Londis Top Shop but ultimately bought Londis Top Shop in 2003. The company consisted of approximately 90 retail franchisees who were independently owned. Londis Topshop Ltd is 100% wholly- owned subsidiary of ADM Londis plc and is now dormant. In October of 2004, ADM Londis changed its corporate structure from a co-operative to an unlisted plc.
Geographical Coverage	There are 304 affiliated retailers of ADM Londis, operating 349 stores between them.
Further Profiles for	ADM Londis - Wholesaling (see Table C.24 below) ADM Londis – Londis (see Table C.25 below)

Table C.24: ADM Londis Wholesaling

Activity	Wholesale distribution	
Turnover Information 2006	Company's Wholesale Turnover derived from sales of grocery goods to affiliated retailers	90% - 100%
	Company's Wholesale Turnover derived from sales of grocery goods to non-affiliated retailers	0% - 10%
	Company's Wholesale Turnover derived from sales of grocery goods to non-retailers	0% - 10%
Distribution Centre Characteristics	Number of distribution centres	1
	Combined size of distribution centres in m²	7,432
	Average Number of SKU's in each distribution centre	4,700
	Average Number of Grocery Good SKU's	4,700
Serving	Londis, Londis Topshop	

Table C.25: ADM Londis - Londis

Activity	Retailers carrying the brand Londis which is part of the retail franchise division of ADM Londis.	
Turnover Information 2006	Grocery goods turnover as a percentage of total Turnover	60% - 70%
	Own-label grocery goods as a percentage of grocery goods turnover	0% - 10%
Geographical Coverage	There are 349 ADM Londis stores in the State. Figure C.10 below illustrates the locations of retail outlets belonging to affiliated retailers of ADM Londis operating the Londis fascia. Londis stores are active in all counties, and are particularly prominent in Leinster. The highest numbers of stores at 79 are in Dublin.	
Percentage of Stores Located in:	Town Centre	49%
	Edge-of-centre	25%
	Out- of-centre	13%
	Out-of-town	13%
Distribution of Stores by Size (Net Retail Sales Area)	< 500m ²	96%
	500m ² < store size < 1,000m ²	4%
Own-labels	Londis	

Figure C.10: ADM Londis Affiliated Retail Outlets

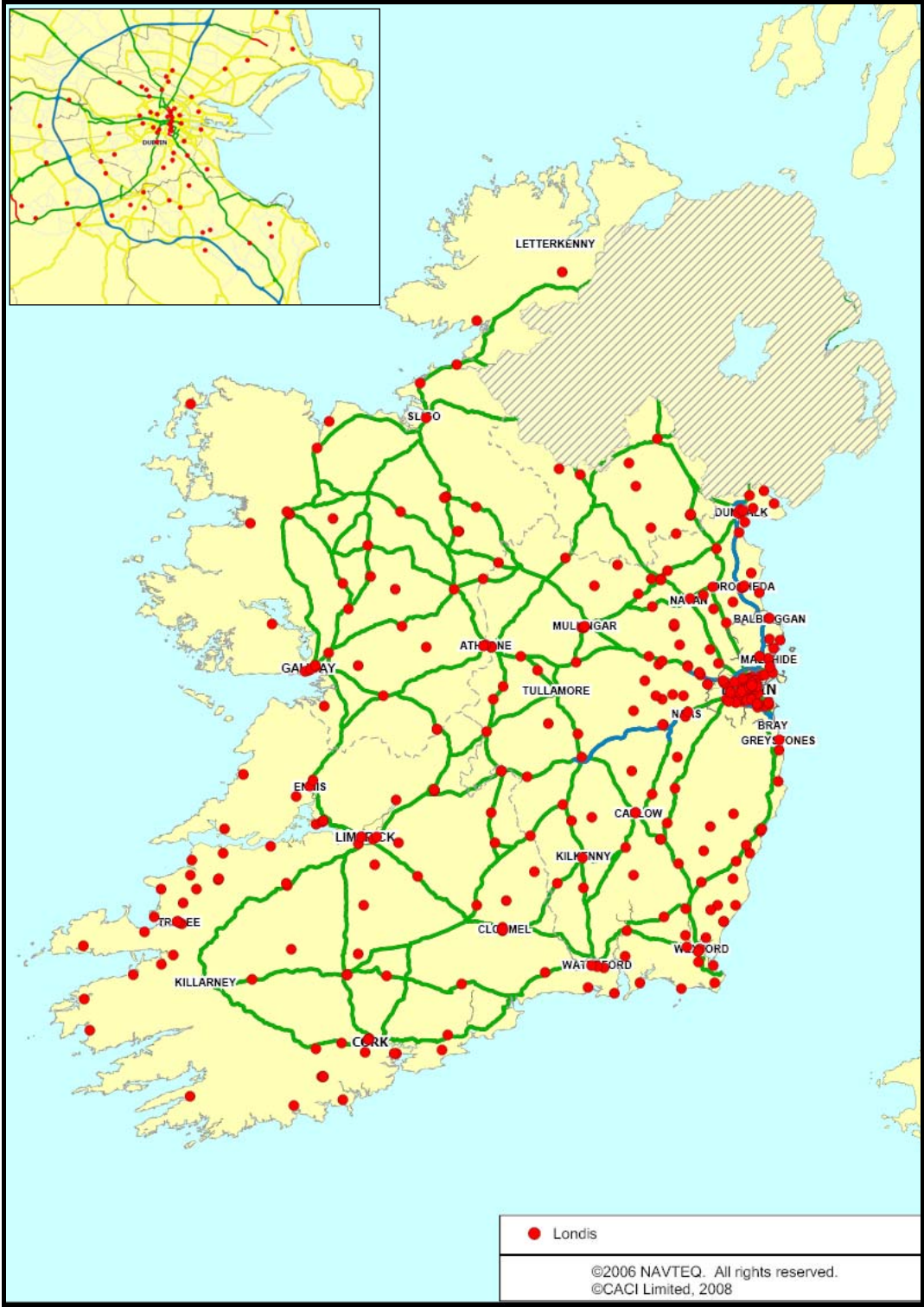


Table C.26: Mangan Wholesale Profile

Legal Name	Mangan Bros Group T/A, Mangan Wholesale & Mangan Central Billing Ltd.
Commercial Name	Mangan Wholesale
General Company Information	Mangan Wholesale was established in 1932 and remains a family owned company jointly run by brothers Terence, Gabriel and Leo Mangan. As well as their cash and carry outlets, Mangan Wholesale is affiliated to retail outlets incorporating Mace (in the west of Ireland), Vivo and Xpress Stop franchise. In June 2004 Mangan purchased the assets of Lapadar No 2 Limited, which was connected to Banard Cash & Carry Limited in Cork. In November 2006, Mangan purchased the assets and goodwill of McCambridges Cash & Carry in Galway.
Geographical Coverage	There are 249 affiliated retailers of Mangan Wholesale, operating 254 stores between them.
Further Profiles for	Mangan Wholesale - Wholesaling (see Table C.27 below) Mangan Wholesale - MACE (see Table C.28 below) Mangan Wholesale - Vivo (see Table C.29 below) Mangan Wholesale - Xpress Stop (see Table C.30 below)

Table C.27: Mangan Wholesale - Wholesaling

Activity	Wholesale Distribution, Cash and Carry	
Turnover Information 2006	Company's wholesale turnover derived from sales of grocery goods to affiliated retailers	60% - 70%
	Company's wholesale turnover derived from sales of grocery goods to non-affiliated retailers	10% - 20%
	Company's wholesale turnover derived from sales of grocery goods to non-retailers	20% - 30%
Distribution Centre Characteristics	Number of distribution centres	8
	Combined size of distribution centres in m ²	26,100
	Average number of SKU's in each distribution centre	5,443
	Average number of grocery goods SKU's	5,150
Serving	MACE, Vivo, Xpress Stop, independent retailers, non-retailers(e.g. catering, pubs)	

Table C.28: Mangan Wholesale - MACE

Activity	Retailers carrying the brand Mace which is part of the retail franchise division of Mangan Bros Group	
Turnover Information 2006	Grocery Good Turnover as a percentage of Total Turnover	Unknown
	Own-label Grocery Goods as a % of Grocery Goods Turnover	Unknown
Geographical Coverage	There are 128 Mangan Mace stores in the State. Figure C.11 below illustrates the locations of retail outlets belonging to affiliated retailers of Mangan Wholesale operating the Mace (Mangan Wholesale) fascia, as well as other affiliated retailers of Mangan Wholesale. The majority of Mace stores are in the West of the country. Galway and Donegal have the greatest number of stores with 27, followed by Sligo with 15.	
Percentage of Stores Located in:	Town centre	49%
	Edge-of-centre	0%
	Out- of-centre	28%
	Out-of-town	23%
Distribution Stores by (Total Area) of Size	< 500 m ²	98%
	500m ² < store size < 1,000m ²	2%
Own-labels	MACE Brand	

Table C.29: Mangan Wholesale - Vivo

Activity	Retailers carrying the brand Vivo which is part of the retail franchise division of Mangan Bros Group	
Turnover Information 2006	Grocery Good Turnover as a percentage of Total Turnover	Unknown
	Own-label Grocery Goods as a % of Grocery Goods Turnover	Unknown
Geographical Coverage	There are 52 Vivo stores in the State. Figure C.11 below illustrates the locations of retail outlets belonging to affiliated retailers of Mangan Wholesale operating the Vivo fascia, as well as other affiliated retailers of Mangan Wholesale. The highest proportion of Vivo stores are in the Leinster area. Donegal has the greatest number in one county with 10 stores, followed by Louth with 5, and Dublin, Meath, Monaghan and Cavan all with 3 stores.	
Percentage of Stores Located in:	Town centre	44%
	Edge-of-centre	0%
	Out- of-centre	38%
	Out-of-town	18%
Distribution Stores by (Total Area) of Size	< 500m ²	98%
	500m ² < store size < 1,000m ²	2%
Own-labels	-	

Table C.30: Mangan Wholesale – Xpress Stop

Activity	Retailers carrying the brand Xpress Stop which is part of the retail franchise division of Mangan Bros Group		
Turnover Information 2006	Grocery Good Turnover as a percentage of Total Turnover		Unknown
	Own-label Grocery Goods as a % of Grocery Goods Turnover		Unknown
Geographical Coverage	There are 74 Xpress Stop stores in the State. Figure C.11 below illustrates the locations of retail outlets belonging to affiliated retailers of Mangan Wholesale operating the Vivo fascia, as well as other affiliated retailers of Mangan Wholesale. The majority of Xpress Stop stores are in Munster and Connaught regions. Clare has the largest number of stores at 14, followed by Tipperary with 12.		
Percentage of Stores Located in:	Town centre		50%
	Edge-of-centre		0%
	Out- of-centre		33%
	Out-of-town		17%
Distribution of Stores by Size (Total Area)	< 500m ²		100%
Own-labels	-		

Figure C.11: Mangan Wholesale Affiliated Retail Outlets

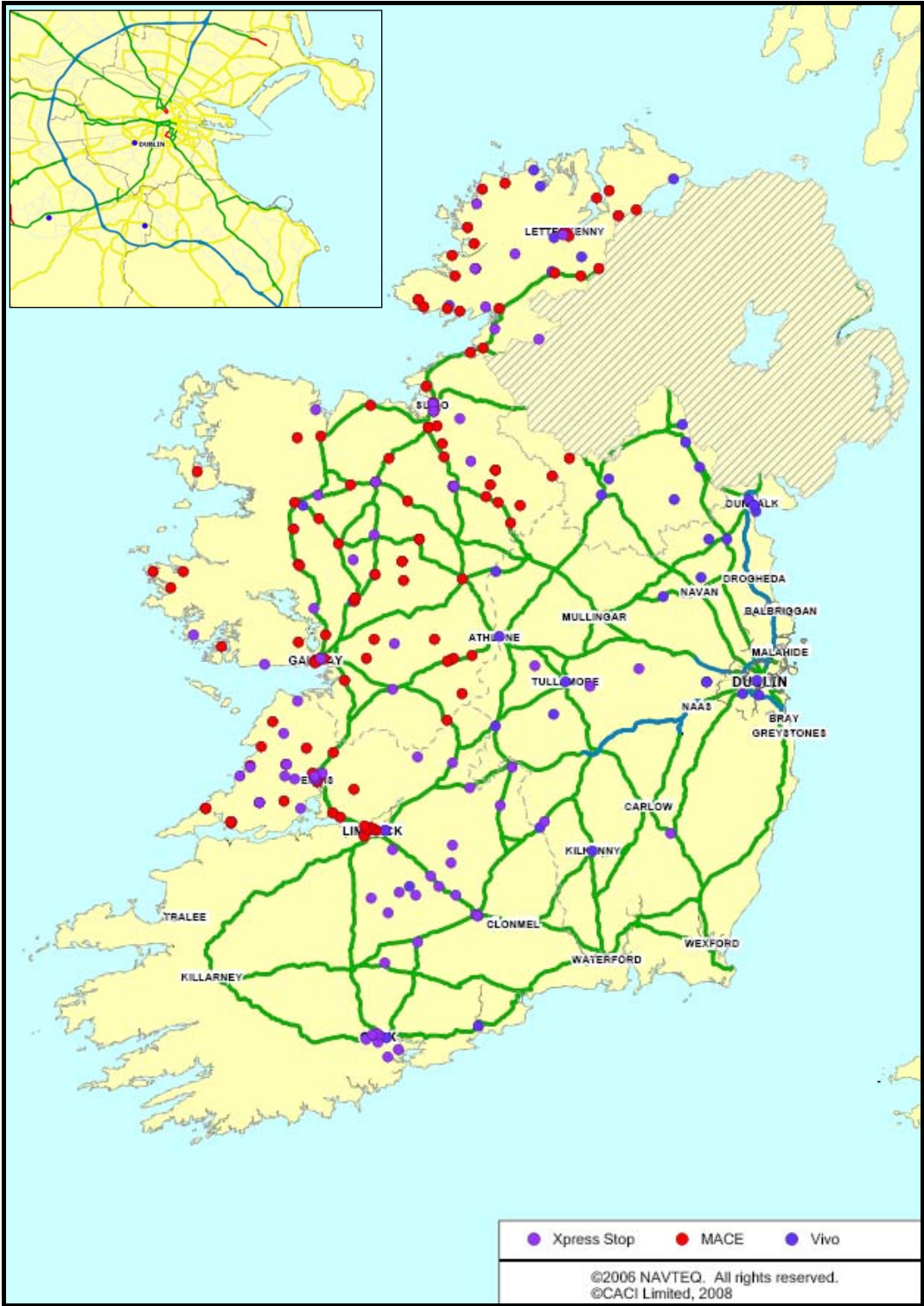


Table C.31: Gala Retail Services Profile (Gala Wholesalers)

Legal Name	Gala Retail Services Ltd
Commercial Name	Gala Retail Services
General Company Information	Gala Retail Services Ltd was formed by a group of 17 independent food wholesalers in 1998. The wholesalers own the brand Gala. It has grown quickly and now operates under three brands: Gala, Gala Superstore, and Checkout. However the Checkout franchise is currently being phased out so that all Checkout stores will become Gala Xpress Stores. There are now 14 independent wholesalers that make up Gala. As a member of Stonehouse (see Table C.34 below for more information) all retailers have access to the Homestead brand, and to deals made through Aontas (see Table C.35 below for more information).
Geographical Coverage	There are 284 affiliated retailers of Gala Retail Services, operating 312 stores between them.
Further Profiles for	Gala Wholesalers (see Table C.32 below) Gala Retail Services- Gala (see Table C.33 below)

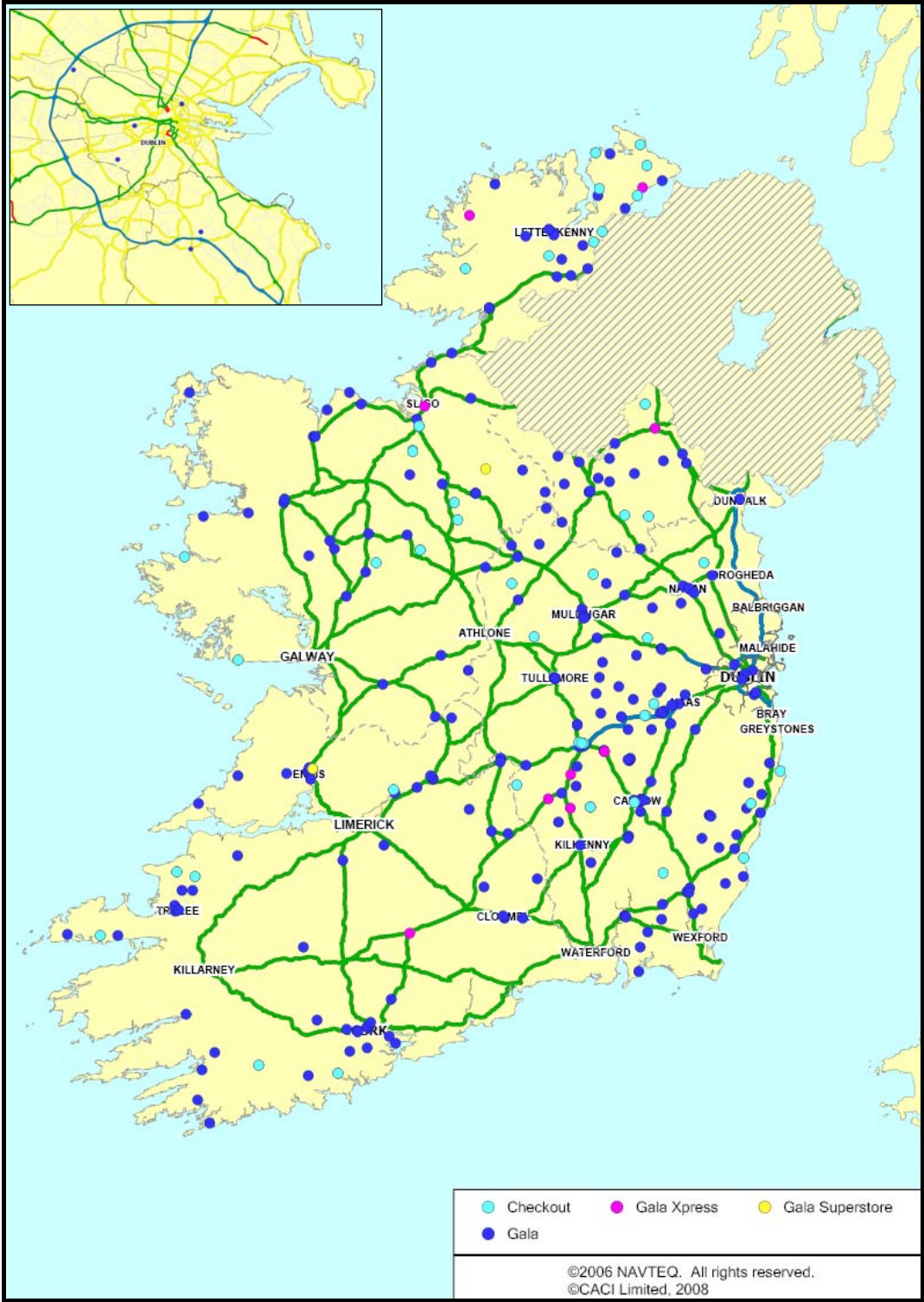
Table C.32: Gala Wholesalers

Activity	Wholesale Distribution, Cash and Carry	
Turnover Information 2006 (total are combined for the 14 Gala wholesalers)	Turnover volume of grocery goods delivered to affiliated retailers from the DC's as % of total turnover of DC	10% - 20%
	Turnover volume of grocery goods delivered to non-affiliated retailers from the DC's as % of total turnover of DC	50%- 60%
	Turnover volume of grocery goods that is picked up by affiliated retailers or on behalf of affiliated retailers from the DC's as % of total turnover of DC	0% - 10%
	Turnover volume of grocery goods that is picked up by non-affiliated retailers or on behalf of non-affiliated retailers from the DC's as % of total turnover of DC	10% - 20%
Distribution Centre Characteristics	Number of distribution centres	25
	Combined size of distribution centres in m ²	50,146
	Average number of SKU's in each distribution centre	5,000 – 6,000
	Average number of grocery good SKU's	4,000 - 5,000
Serving	Gala, independent retailers, non-retailers (e.g. catering, pubs)	

Table C.33: Gala Retail Services – Gala (Gala, Gala Xpress, Gala Superstore, Checkout)

Activity	Retailers carrying the brand Gala.	
Turnover Information 2006	Grocery good turnover as a percentage of total turnover	70% - 80%
	Own-label grocery goods as a % of grocery goods turnover	0% - 10%
Geographical Coverage	There are 312 Gala stores in the State. Gala stores are present in all counties except Waterford. Figure C.12 below illustrates the locations of retail outlets belonging to affiliated retailers of Gala Retail Services. The majority of these stores are in the Leinster area. Kildare has the greatest number of stores at 22, followed by Cork which has 21 stores.	
Percentage of Stores Located in:	Town centre	39%
	Edge-of-centre	19%
	Out- of-centre	12%
	Out-of-town	30%
Distribution of Stores by Size (Net Retail Sales Area)	< 500m ²	99.7%
	500m ² < store size < 1,000m ²	0.3%
Own-labels	Gala	

Figure C.12: Gala Affiliated Retail Outlets



Buying Groups

Table C.34: Stonehouse Profile

Legal Name	Stonehouse Marketing Limited
Commercial Name	Stonehouse
General Company Information	Stonehouse was established in early 2000, following the merger between wholesalers Keencost Centres (Ireland), trading since 1975, and the National Wholesale Groceries Alliance, established in 1961. Stonehouse Marketing Ltd is a Trade Association owned equally by 28 Wholesale Cash & Carry businesses in the Republic of Ireland. The association is owned by 12 independent wholesale cash & carry businesses and 16 wholesaler- franchisor groups (these are the Barry Group, Mangan Wholesale and the 14 wholesalers that own Gala Retail Services). Stonehouse is effectively a buying group. The association negotiates terms and conditions with suppliers on behalf of its members. Stonehouse supply three own-label goods; Homestead, White Hat and Peter Pan.
Stonehouse Membership	1. 4 Aces Wholesale Ltd (Gala) 2. Sean Barrett Ballina Ltd 3. Barry Group 4. FJ Byrne & Co 5. JR Byrnes & Sons Ltd 6. Owen Clarke & Son Ltd (Gala) 7. Cliffords Tralee (Gala) 8. George Cooke & Co Ltd 9. Cox's Cash & Carry (Gala) 10. Joseph Dugdale & Co (Gala) 11. G Elliott & Sons Ltd 12. Fegan's Cash & Carry 13. J Gilmartin & Co Ltd (Gala) 14. Sean Glennon & Sons Ltd 15. Hallissey & Co Ltd 16. Michael J Hanley Ltd (Gala) 17. Leydens Ltd (Gala) 18. Lumleys Cash & Carry 19. Mangan Wholesale Ltd 20. Morris Brothers Ltd (Gala) 21. John P McBride 22. McCarrick Brothers Ltd (Gala) 23. Murphy's Cash & Carry (Gala) 24. O'Connells Cash & Carry 25. M & P O'Sullivan Ltd (Gala) 26. Perrys Cash & Carry Ltd (Gala) 27. Sheehans Cash & Carry Ltd 28. Padraic Tuffy Ltd (Gala)
Geographical Coverage	The 28 Stonehouse Members are located throughout the country. Six wholesalers are located in Dublin, three in Mayo and Cork, Leitrim, Kerry, Donegal, Offaly and Wexford each have two centres. The remaining wholesalers are in Meath, Carlow, Kildare, Clare, Longford, Laois, and Westmeath.

Table C.35: Aontas Profile

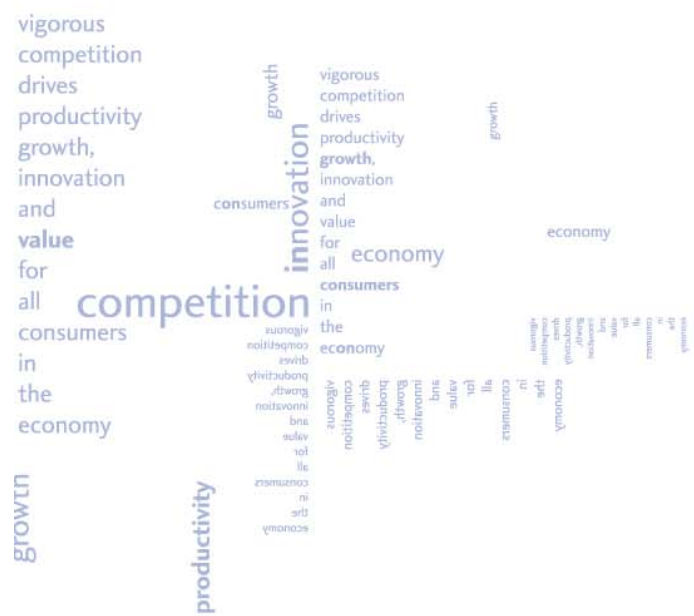
Legal Name	Aontas Grocery Food and Services Limited
Commercial Name	Aontas
General Company Information	Aontas was established in April 2003, when Superquinn and Stonehouse formed a joint buying venture. The joint buying venture, which amounts to a collective annual turnover approaching €2 billion, was put in place to increase effectiveness for both wholesaler and retailer alike. Aontas and Stonehouse are completely separate legal entities. Aontas negotiates terms with suppliers on behalf of Superquinn and Stonehouse for those goods that are in common.

D. GROCERY GOODS

Table D.1: Definition of Grocery Goods

No.	Category	Description
1	Fresh Fruit and Vegetables	
2	Meat & Fish	
	Meat - not cooked, cured	
		Beef
		Lamb
		Pork
		Poultry
		Other Meat Products
	Fish - not cooked, cured	
		Fish
3	Dairy Products and Bread	
	Bread	
	Breakfast cereals and other breads	
		Breakfast cereals
		Other cereals
		Other bread & cereals
	Dairy products and eggs	
		Milk
		Other milk products
		Cheese
		Eggs
	Butter, margarine and other oils	
		Butter
		Margarine & low fat spreads
		Other oils & fats
4	Household Necessaries (Non-Durables)	
	Household necessities	Automatic washing powder/liquid
		Dishwasher detergent
		Washing-up liquid
		Fabric conditioner
		Household cleaning cream/liquid
		Disinfectant
		Air -freshener
		Other cleaning materials
		Toilet paper
	Personal non-durables	Toilet soap
		Shower gel

	Toothpaste
	Dental floss
	Mouthwash
	Shampoo
	Shaving foam
	Deodorant
	Sun tan oil/cream
	Baby powder
	Cleansing cream/lotion
	Lipstick
	Perfume
	Aftershave
	Handcream
	Moisturiser
	Foundation – (make-up)
	Mascara
	Tampons
	Sanitary towel
	Disposable nappies
	Tissues
	Cotton wool
	Toothbrush
	Razor blades
5	Other Food Products
	Meat – cooked, cured and frozen
	Frozen fish
	Fish tinned, smoked or frozen
	Prepared fruit and vegetables, tinned, dried, frozen,
	Flour
	Biscuits and cakes
	Sugar, sweeteners and preserves
	Sweets and chocolate, desserts and ice cream
	Condiments & sauces, soups and miscellaneous
6	Alcoholic Drinks (Consumed At Home)
7	Non-Alcoholic Drinks
	Tea and coffee and cocoa drinks
	Soft drinks and water



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