Chairman’s Introduction

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The forthcoming acquisition of Safeway has been hailed as the last great merger in the UK grocery sector, where the five companies already control some 75% of sales through large supermarkets (>1,400m). While Safeway, for its success in acquiring existing national supermarket chains, the further domination of the UK grocery sector by a few large supermarkets would result. This may be the last great merger in terms of major domestic supermarket mergers but it is unlikely to affect the ongoing trend of international concentration. Furthermore, there is every sign that concentration in the UK will increase further, albeit in smaller steps, as supermarket expansion into other retail formats, demonstrated recently by Tesco and Aldi, are very much a feature of the competitive landscape. Such trends have great significance for many brand manufacturers and other suppliers dependent on supermarkets as their primary route to the consumer.

What many will be watching closely is the scope adopted by the Competition Commission in determining the public interest issues arising from such acquisitions. Historically, the focus has been almost exclusively on the potential impact of a merger on concentration and the level of local competition, forces that originally made Asda/Walmart so flexible in the battle for Safeway.

The question for many suppliers, however, is whether the focus of the competition inquiry will broaden in light of the Competition Commission’s report and whether such forces that originally made Asda/Walmart so flexible in the battle for Safeway.

In reality there is a time lapse before the manifestations of reduced choice of products and retail competition (the choice of outlet) reaches consumers. By the time this occurs, it may be too late to address root causes. A full analysis of upstream as well as downstream effects of any further concentration in the grocery sector is therefore vital.

It is also to be hoped that the Competition Commission’s broader remit, and the longer period of time for its inquiry, will encourage it to analyse the full upstream effects of the mergers in much greater depth than did the OFT in the Tesco/Safeway case.

If you are an intelligent, thoughtful person who cares about the developing world, there are two possible opinions for you to hold about brands and sweatshops.

If you take this robust view of the benefits that people in factories on the other side of the globe can bring to Western consumers, it becomes all-the-more disturbing to see the sweatshop argument often used by rich countries to protect their own workers at the cost of jobs in the developing world. This point has been made many times, including in ‘Sach’s Writings’, and its impact on the developing world is often highly dubious, and frequently lurches into selfishness and hypocrisy.

Remember, too, that the sweatshop argument is often used by rich countries to protect their own workers at the cost of jobs in the developing world. This point has been made many times, including in ‘Sach’s Writings’, and its impact on the developing world is often highly dubious, and frequently lurches into selfishness and hypocrisy.

Promoting British Brands

The Swedish Competition Authority (KKV) in March 2004 decided to close the investigation into the acquisition of the European law and previous decisions of the Advertising Standards Authority. More details can be found at www.cap.org.uk.