Chapter Five
Structure of the Grocery Trade

5.1 Introduction

As with previous reviews of the operation of the Groceries Order undertaken by the Restrictive Practices Commission, we have found it extremely difficult to obtain sufficiently up to date data to enable us to express the structure of the grocery trade in Ireland in reliable statistical form.

The grocery trade does not publish detailed turnover or net profit figures which make it difficult to establish precise market share for individual operators.

This was recognised by the Joint Oireachtas Committee on Enterprise & Small Business in the March 2005 Report on the Grocery Sector when they called for greater transparency and recommended that firms in the sector be required to publish turnover and net profit figures.

Figures on store numbers are available, as indeed are trends in such numbers over the years but they can, in our opinion be misleading, as individual grocery stores vary considerably in size and presumably in turnover thus not telling us a great deal about the statistical size of the market.

In this Chapter, we have relied for the purposes of examining the structure of the market on the market share figures provided by the Joint Oireachtas Committee in their March 2005 Report as we believe these to be an accurate indication of current standings.

5.2 Comparison with UK

A large number of submissions received as part of the consultation process have drawn comparisons between Ireland and the UK. Musgraves and many others have referred to the fact that in the UK, four multiples control *"more than 80%" of the retail food market."*

We have undertaken an analysis of the standings in the respective markets, although we have compared the Irish market with available figures for Great Britain rather than for the UK.

In this respect, we have used a measure of market concentration called the Four Firm Concentration Ratio ("4CR"). This simple calculation is the percentage of the value of total sales accounted for by the four largest firms in an industry. In general terms, it is the market share of the four largest firms in an industry. From a market structure standpoint, if the 4CR is greater than 60%, the market is deemed to be oligopolistic - an oligopoly is essentially a market dominated by a few large players.

The relative figures for Ireland and Great Britain are as follows:

Table 1 Market Share – Ireland & the UK[1]

Ireland	**%**	**Great Britain**	**%**
Tesco	25.0	Tesco	30.3
Dunnes Stores	22.0	Asda	16.4
Musgraves (SuperValu/Centra)	21.7	Sainburys	15.9
Superquinn	8.6	Morrisons	11.7
BWG (SPAR/Mace)	7.5	Somerfield	5.8
Marks & Spencer	1.9	Waitrose	3.7
Others	13.3	Iceland	1.9
		Others	14.3
TOTAL	**100.0**		**100.0**
4CR	**77.3**		**74.3**

(Sources: Ireland – March 2005 Interim Report of Joint Oireachtas Committee on Enterprise and Small Business on the Impact of Grocery Multiples on the Grocery and Retail Markets and its Effects on Consumers, Small Grocery Retailers and Small Grocery Suppliers. Great Britain – TNS Till Role Data, June 2005).

The above table shows that the level of concentration in these markets is high and indicates that oligopolies may exist in both cases.

An alternative and more sophisticated measure of market concentration is the Herfindahl-Hirschman Index (HHI). The HHI is widely used by regulatory bodies such as the Competition Authority and the US Department of Justice for evaluating the impact of mergers and acquisitions on competition in relevant markets. [2]

The HHI is the sum of the squares of the shares of all firms in a market and it is generally regarded as being a better measure of market concentration than the 4CR.

However, in order to apply this test successfully, it is necessary to know the market share of all firms in an industry. That information is not available to us particularly for the British Market. For example, in the table above, we have aggregated the market share for Musgraves (SuperValu & Centra). To compare like with like, we would have had to analyse the "others" category in

[1] This analysis compares national markets for grocery products as if each was a single homogenous whole. In fact, as we argue elsewhere, the definition of relevant market (whether geographical or otherwise) is critical to determining issues related to competition policy and competition law.

[2] The US Department of Justice uses the HHI to classify markets into three categories as follows. Where the HHI is below 1000 the market is considered to be unconcentrated; where the HHI lies between 1000 and 1800 the market is considered to be moderately concentrated; and where the HHI exceeds 1800 the market is regarded as highly concentrated.

Britain and similarly aggregate the market share of symbol groups in common ownership.

Nonetheless, using a limited HHI analysis it appears that both markets are very similar in structure. If anything, the British market (with an estimated HHI below 1,700) is less concentrated than the Irish market where the HHI is over 1,700. Both markets, however, would appear to fall into the moderately concentrated category.

5.3 Market Share Trends in Ireland

At the time of their 1987 Report, the Restrictive Practices Commission indicted that there were six multiples operating in the Irish market. They were Quinnsworth, Dunnes Stores, H. Williams, Superquinn, L&N and Roches Stores. No reliable estimates of market shares were available to the Commission at that time but they concluded that the share held by these multiples was likely to be between 40% and 50%.

The balance would have included the market share of buying groups existing at that time (the Commission referred to both ADM/Londis and SuperValu in this regard), but the Commission do not seem to have regarded the market share of such organisations as significant and made no attempt to quantify it.

Of course, soon after the 1987 Report was published, H. Williams went out of business and their 33 stores and estimated 6% of the market was divided among existing players leading, one would imagine, to increased concentration in the market.

However, overall, the number of multiple outlets in the country declined as a result of the H. Williams closure and one of the biggest beneficiaries was the SuperValu group, which acquired 15 of these stores. According to the Fair Trade Commission in 1991, SuperValu as a result became a more significant force in the market than H. Williams had been.[3] In 1990, the Commission estimated market shares in the trade as follows:

Table 2 Market Share 1990

Quinnsworth	20.9%
Dunnes Stores	20.4%
Musgraves	14.2%
SPAR	4.6%
Superquinn	4.2%
Mace	2.8%
L&N	2.5%
Roches Stores	1.7%
Others	28.7%

[3] FTC 1991 Report of the Review of the 1987 Groceries Order, para 2.78, Pgs 22 & 23

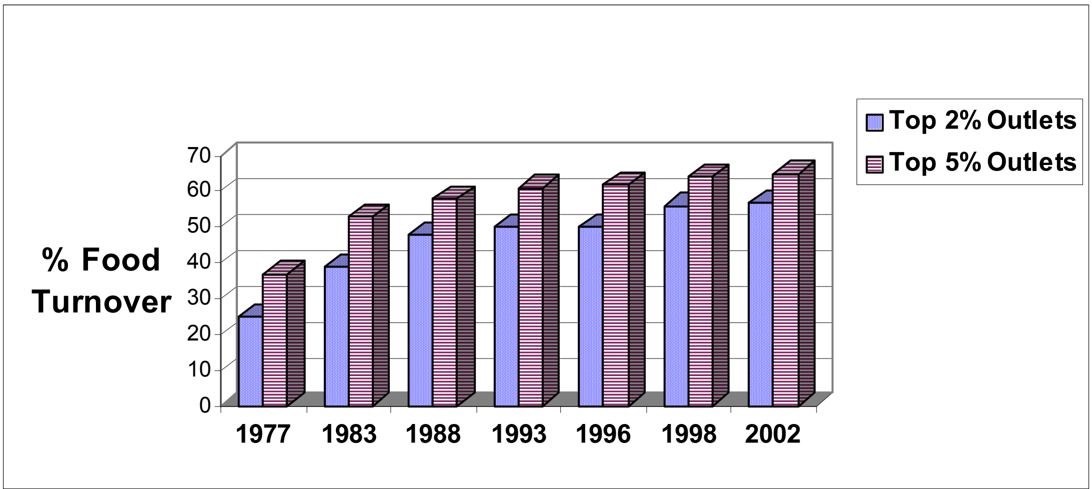
If we apply the 4CR rule to the above figures we get a total concentration of 60.1% (compared to 77.3% today). Furthermore, the market share of the two largest multiples then and now has grown from 41.1% to 47%

A limited application of the HHI test would suggest a concentration figure in 1990 of less than 1,200 as compared to an estimated 1,700 plus today.

This allows us to conclude that the grocery market, while it might have been considered an oligopoly in 1991, has become more concentrated in the meantime – notwithstanding the existence of the Groceries Order.

This trend is clearly evidenced by the analysis of turnover in the retail food business as illustrated in Table 3.[4]

Table 3 Food Turnover 1997 - 2002



*1998 and 2002 are based on actual counts of stores but market share estimates based on the relative size (turnover) of Multiples, Symbols and Independents in 1996

We see that in 1977 the top 2 per cent of retailers had just over 20% of the market, while the top 5 per cent of retailers had a little over 30 per cent of the market. In contrast to the structure of earlier decades, grocery retailing in 2002 is highly concentrated with the top 2 per cent of retailers carrying over 50 per cent of sales in the market, while the top 5 per cent of retailers carry over 60 per cent of the market.

[4]Based on analysis in "A Rationale for Repealing the 1987 Groceries Order" by Patrick Paul Walsh, Trinity College Dublin and Katholeike Universteit Leuven and Ciara Whelan, London School of Economics and Katholeike Universteit Leuven - published in The Economic and Social Review, Vol. 30, No. 1, January, 1999, pp. 71-90

5.4 Store Number Trends

This gradual rise in concentration is not just driven by having more sales in larger stores but as demonstrated in Table 4, we also see a dramatic decline in the number of stores - from 20,971 in 1966 to 10,670 in 1988 and 8,335 in 2002. Clearly, over-time grocery sales have become increasingly concentrated into a lesser number of bigger stores.

Table 4 Store Numbers 1966 - 2002

STORE TYPE	1966	1977	1983	1988	1991	1994	1996	1998	2000	2002
Grocers	16968	11352	9213	7848	7087	6827	6231	5747	5280	5076
TSNs/Kiosks	4003	2428	2357	2149	1864	1863	1942	1812	1717	1612
Garages with shop				673	1186	979	1282	1449	2121	1647
TOTAL	**20,971**	**13,780**	**11,570**	**10670**	**10137**	**9669**	**9455**	**9008**	**9118**	**8335**

Source: AC Nielsen[5]

Furthermore, the decline seems to represent a trend that began some time before the 1987 Order came into effect and that has continued to the present day. So, the existence of the Groceries Order has not halted the decline in the number of grocers' stores in the country.

However, what the table above does show is a startling increase in the number of garage forecourt retailers (the decline in 2002 is attributable to methodology – see footnote). This suggests a significant growth in the convenience sector in the intervening years and is no doubt a reflection, amongst other things, of increasing car usage.

If we analyse the figures by outlet type we get the results in Table 5:

Table 5 Store Types 1994 - 2002

Store Type	1994	1996	1998	2000	2002
Multiples	160	149	157	155	161
Symbols	1015	1084	959	975	955
Independents	5652	4997	4631	4150	3970
TSNs	1863	1942	1812	1717	1602
Garages with Indpt Shop	979	1282	1256	1872	1426
Garages with Symbol Group			193	249	221
TOTAL	**9669**	**9454**	**9008**	**9118**	**8335**

Source: AC Nielsen[6]

[5] AC Nielsen indicate that the decline in the number of garages with a shop in 2002 is attributable to a change in methodology and the use of more external data. The figures for 2000 are believed to be too high but they will not be restated. The figures for 1966, 1977 and 1983 are taken from the RPC's 1987 Report, Appendix IV, Table 3, P.108.

This shows that the number of multiple outlets has remained fairly static while symbols on their own have declined from 1015 stores in 1994 to 955 stores in 2002 - a fall which AC Nielsen states is attributable to a change in methodology and sample variance in rural areas.

Notwithstanding this, when symbols attached to garages are included, we find that the numbers have grown by about 160 stores to 1,176 in 2002. Based on what Nielsen have said about the change in methodology, we assume that the actual increase is much greater than is shown in these figures.

Meanwhile, while independents have declined from 5,652 stores in 1994 to 3,970 stores in 2002, there has been a very significant increase in the number of convenience stores attached to garages – up from 979 to 1426 stores. Again, a change in methodology may impact on the actual figures.

Bearing in mind the changes in methodology highlighted by AC Nielsen, these figures point to a significant growth in the convenience/symbol sector in the period since 1994.

This is borne out by an examination of the store numbers operated by the main symbol groups.

SuperValu (operated by Musgraves) grew from having 30 stores in 1980 to 80 in 1987. Today, Musgraves who operate the Centra chain as well, supply a total of 530 stores across Ireland and market share has grown by 50% from an estimated 14.2% in 1990 to almost 22% today.

ADM Londis as described by the RPC in 1987 as having 110 stores in 1987[7] now operates over 300 stores.

BWG, which was formed in the early 1970's by the amalgamation of four independent wholesale companies, now operates in excess of 550 SPAR and Mace[8] stores around the country.

These three symbol groups between them operate almost 1,400 stores around the country. This compares to 1,175 symbol group stores in total in 2002 as indicated by the AC Nielsen figures above (including garage forecourts with a symbol shop).

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[6] Multiples include Tesco, Dunnes & Superquinn; Symbols include Centra, Londis, Mace, SPAR, SuperValu; Other chains include Aldi, Costcutters, Gala, Iceland, Lidl, Londis Top Shop, Vivo, & XL Stop and Shop.

[7] RPC 1987 Review, Para 3.14, P.24

[8] BWG owns the SPAR symbol brand for the Republic of Ireland and also the Mace symbol brand for Leinster and Munster

5.5 Regional Variations

To properly understand market structure, however, we need to think in terms of urban and rural areas. In Table 6 we examine the structure of the market across four regions, Dublin, Rest of Leinster, Munster and part of Ulster/Connaught, respectively.

Table 6 Regional Variations in Store Numbers

1	Category / Region	Dublin	Rest of Leinster	Munster	Ulster/ Connaught
2	Population	1.12m	0.98m	1.10m	0.71m
3	All Multiples	58	41	43	19
4	All Symbols	249	256	333	336
5	All Independents	973	1652	2512	1861
6	Multiples per 1m People	52	42	39	27
7	Symbols per 1m People	222	261	302	474
8	Independents per 1m People	865	1680	2282	2626
9	All Symbols & Independents per 1m People	1087	1941	2584	3100
10	All Grocery Stores per 1m People	1139	1983	2623	3127

Source: A.C. Nielsen

We have far less grocery stores in Dublin per 1 million people (Row 10). Yet, there is a much higher number of multiple outlets per million of the population in Dublin than in regional locations (Row 6). Clearly, this is driven by population density and the fact that multiples are attracted to those areas with a sufficiently large catchment market to justify their presence.

Nonetheless, it is clear that multiples and symbols/independents co-exist both within Dublin and within the wider Leinster region – much of which now operates as a suburb of the capital.

We believe that this can happen because many of the smaller symbols and independents are operating in a different market niche and are essentially servicing the convenience market.

Previous price surveys undertaken in 2000 by the Office of the Director of Consumer Affairs in cooperation with the Consumers Association of Ireland have tended to show that consumers are willing to pay a premium to shop in convenience stores.

> *"Centra and Spar were generally more expensive than Dunnes Stores and Tesco – the variations were very large in some cases. The emphasis in these stores is on the convenience element of shopping.*

Some goods prices matched those of the larger chains e.g. Donegal Catch, in some stores.

SuperValu prices either matched Dunnes Stores and Tesco or were slightly more expensive, but not as expensive as Spar and Centra."

Shopping in local convenience stores Spar and Centra is more expensive across the board, on both staples and luxury items. Consumers are benefiting from the convenience element of shopping in these stores and as the stores are generally smaller it is understandable that such a variation exits. SuperValu falls between these stores and the bigger chains in terms of price, and may be viewed as a supermarket with convenience store characteristics. In many cases the gap in prices is alarming…"[9]

"The larger players have fixed their prices so closely that the current situation is seriously anti-competitive, and we strongly urge the Competition Authority to investigate.

The smaller convenience stores showed higher prices and poorer availability. Consumers will pay the price for greater convenience, and it appears they are willing to do so."[10]

"There seems to very little choice between the larger supermarkets. The smaller convenience stores continue to show higher prices and poorer availability. Centra and Spar were significantly more expensive in nearly all comparisons."[11]

If all the prices were the same in all types of store, it would be impossible to draw any conclusion because the explanation could be that there was no competition or there was huge competition which had caused prices to converge to the lowest possible level.

However, the fact that prices were universally found to be more expensive in convenience stores is significant. That of itself suggests that they are operating in a different market niche. This clearly would not be the case if both types of store were servicing the same market.

Very recent research into consumer attitudes has revealed a perception among consumers that convenience stores are more expensive than supermarkets generally rating up to 4 on a scale of 1-5 compared with just over three for supermarkets.[12]

Anecdotal evidence also supports this theory as revealed by a survey conducted in September 2004 by shoppingbill.com which showed the lowest

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[9] "Report on findings of Supermarket Price Checks 20th September 2000", ODCA
[10] Report on findings of Supermarket Price Checks 18th October 2000
[11] "CAI report on findings of Supermarket Price Check 6th December 2000", ODCA
[12] "Behaviour & Attitudes in Irish Grocery 2005" published by Insight Research, UK

price for a list of branded products in convenience stores to be more expensive than corresponding prices in supermarkets.[13]

This is borne out too by independent research which suggests, in regard to the urban grocery market, significant product differentiation between convenience and "one-stop" stores.

> *"Independent retailers now target a specific "convenience" niche of the market, providing longer opening hours and greater locational convenience for the consumer. In addition, these outlets tend to specialise in a range of products which can be described as non-routine items purchased on "impulse" such as confectionery, daily routine purchase items such as newspapers, and other non-routine "top-up" items bought at irregular hours in small quantities between supermarket visits. Consumers do not tend to buy a weekly supply of these types of good in a "one-stop" supermarket shop. Independents are an important distributing outlet for these commodities, as exemplified by the sale of confectionery where it is estimated that 60 per cent of adult purchases are on impulse and 67 per cent of total confectionery sales are through Independent outlets (Checkout, 1996). A market niche has therefore evolved for the smaller independent outlets in the urban grocery market. It is clear that Multiples offer an entirely different product and target a different consumer base from the Independent sector. As a result, the grocery market in urban areas has evolved to a mature efficient dual structure where competition between Multiples in the "one-stop-trolley" market is largely separable from the smaller independent retail outlets who operate in their own "convenience" niche."*[14]

As might be expected, what Table 6 also shows (Rows 7, 8 & 9) is that there is a greater number of symbol and independents per million people in regional locations and this is largely because of the lesser density of population outside the main urban areas.

Multiples have not entered many regional areas where the catchment market in the surrounding areas is insufficient to justify their entry on a large scale. In these areas, symbols and independents cater for both "one-stop" and "convenience" shopping.

Consequently, we believe that outside of Dublin and the main urban areas of the country, the multiples and the symbols/independents are not competing because they are simply not located in the same areas.

To illustrate this point further, we rely on three maps included with the Musgraves submission which show very clearly the distribution of (a)

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[13] www.shoppingbill.com/special_report_convenience.html.

[14] "A Rationale for Repealing the 1987 Groceries Order" by Patrick Paul Walsh, Trinity College Dublin and Katholeike Universteit Leuven and Ciara Whelan, London School of Economics and Katholeike Universteit Leuven - published in The Economic and Social Review, Vol. 30, No. 1, January, 1999, pp. 71-90

SuperValu and Centra stores, (b) Tesco stores and (c) Dunnes Stores. These maps are attached at Appendix Eleven.

These confirm that the grocery market in rural areas is not characterised by competition between multiples and smaller independent retail outlets due to the geographic spread of consumers.

Many proponents of the Groceries Order argue that it is independent operators in rural areas who are most at risk from the pricing strategies of the multiples. Given current market and location structures, we consider this to be very unlikely.

Furthermore, there is no reason to believe that if multiples did decide to enter the regional market in a significant way that a dualistic structure would not develop in much the same way as it has in urban areas.

5.6 Convenience Retailing in the UK

In their submission to the public consultation process, Musgraves have dealt extensively with the experience of the grocery retail trade in the UK. Their submission is the only one to include a presentation on CD-Rom – dealing specifically with this issue. Making such comparisons is valid to a point as the UK does not have a ban on below cost selling.

Musgraves have referred to both the Ghost Town Britain and Clone Town Britain phenomena and we deal with our concerns in regard to the figures presented to us in this regard, by Musgraves and others, in some detail in Chapter 10.

Musgraves state in their submission as follows:

> *"A recent new Economics Foundation (NEF)[15] report said that 42% of UK towns are clone towns with few local retailers and a further 26% were under threat of going the same way. The latest figures from the IGD[16] show that there are over 1,500 less convenience stores in the UK in 2005 than there were in 2004."*

We have not researched the provenance of this figure and cannot say whether it is accurate or not. However, we interpret the statement as suggesting that the UK convenience sector is in decline.

Musgraves also quoted the Rural Shops Alliance (RSA) in the UK as saying that there are, *"…in total, 12,000 shops left in Britain."*

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[15] We deal with the NEF Report in Chapter 10

[16] IGD is a UK based market research company which operates as a registered charity with over 500 corporate members drawn from across the food and grocery industry including farming, manufacturing, wholesaling, retailing, foodservice, distribution and those with a specific interest in the sector.

We are not quite sure what this figure is intended to represent but our research suggests that it is inaccurate, at least in the way that it is presented here. Elsewhere in their submission Musgrave acknowledge that between the Londis and Budgens chains in the UK, they themselves operate 2,400 stores in Britain - 20% of the total number of stores left in the country according to the RSA estimate.

In fact, according to AC Nielsen,[17] there are almost 5,000 multiple stores in Britain, and some 78,000 "impulse" stores. This latter grouping includes co-ops, convenience stores, symbols, forecourt shops, and independents.

Musgraves also argue that in local areas in Britain, *"…retailers with deep pockets can, in the short term, push prices down below cost to put a competing retailer out of business."* They say that the issue of "targeted temporary below cost selling" in being taken up by independent retailers in Britain including the Association of Convenience Stores (ACS).

And they say that the UK has *"paid dearly"* for less regulation *"in terms of the widespread practice of targeted below cost selling which has the effect of taking out independent stores."*

These claims are not supported by the UK Competition Commission who reported in 2000 that:

> *"We did not find any evidence that multiples had engaged in short-term inter-temporal predatory behaviour, i.e. supermarkets selectively lowering and then raising prices in response to the presence and subsequent exit of local competitors"* [18]

Furthermore, in August 2005 the Office of Fair Trading (OFT) in the UK (in a review of the operation of the statutory code of practice for the large UK multiples which was introduced on the recommendation of the Competition Commission following their 2000 Report) concluded as follows (emphasis added):[19]

> *"Since the publication of the CC's 2000 report,* ***consumers have benefited from competition in grocery retailing which has secured lower food prices overall and a greater choice of product lines in supermarkets*** *with no evidence of reduction in the quality of the produce available.*
>
> *Inevitably, competition brings about change. That has manifested itself in the increased competitive pressure faced by smaller retailers as the large supermarkets have diversified into convenience retailing; and in changes in the respective market shares of the major supermarkets. It*

[17] AC Nielsen Retail Pocket Book, 2005, Published by the World Advertising Research Centre. ISBN 1 84116 163 2 (Pg 44)
[18] See Footnote 17, Pg 157
[19] www.oft.gov.uk

is not for the competition authorities to deny any players in a market opportunities for organic growth where they arise out of a perceived need and ability to meet consumer demand. We do, however, consider merger proposals very carefully and have acted and will act where these might give rise to a substantial lessening of competition.

We have received no firm evidence to show that below-cost selling and price flexing[20] are affecting competition adversely. *The opinion has been expressed to us that price-flexing has decreased since 2000, driven no doubt by the increasing importance of the internet (which, by its nature, reflects national rather than regional prices) as a source of price data.*

There is no evidence that, as a result of supermarkets' entry into the convenience store sector, there has been any consumer detriment.

We are not aware that any of the other practices which the CC's 2000 report identified as adversely affecting competition are continuing or of the emergence of any new practices with such an effect."

Independent evidence obtained as part of our research suggests that the convenience sector in the UK is a growth business. In an article from September, 2004, Raphael Moreau, Retailing Analyst at Euromonitor International, comments:[21]

"Diversifying into convenience stores is on the agenda for the UK's top hypermarket chains because this retail format offers good growth prospects. At Euromonitor International we have seen that convenience stores have increased their share of the UK food retailing market from 20% to 21.9% between 1999 and 2003. Clearly these stores are appealing to UK consumers, thanks to their convenient locations and extended opening hours. Hypermarket retailers want to make sure they don't miss out on this growing area of the UK market."

Danielle Tolson, external communications manager, ACNielsen, comments as follows:[22]

On average there are more shopping trips being taken per year. Between 2002 - 2004 there has been a 2.5% point jump in households shopping on average more than once a week – now at 88%. This is directly driven by the convenience shopping trip.

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[20] Charging different prices in different areas for the same groceries

[21] "Consolidation re-shapes UK retailing" - 29 Sep 2004, Euromonitor Archive (http://www.euromonitor.com/article.asp?id=4003)

[22] "Convenience Retailing is more than a format" AC Nielsen (UK) Trends & Insights-Market Insights-Convenience Retailing (first published Checkout Magazine, March 2005) (http://www.acnielsen.co.uk/insights/convenienceretailing.shtml)

Basket sizes are getting smaller with the greatest growth being seen in the 1-5 items basket, now accounting for just over 28% of all shops (+4% YoY). All other basket sizes have lost share with the exception of the 50+ item basket (+0.2% pts to 7.2%). This means that we have seen less top-up shops than previous years, and less weekly shops but more big monthly shops and many more convenience shops. With trends like these it is clear there is a demand for the convenience buy so it is a sound strategy for retailers to follow, be it by having a convenience offering within a Superstore or having a stand-alone convenience format.

According to information provided by the IGD Convenience Retailing Report[23] 2004, the UK convenience market is worth £23 billion, which represents a 7.3% increase on the previous year – representing 20% of the overall UK grocery market. Indeed the convenience sector is outperforming the total grocery market, which grew by 3.3% over the same period.

According to IGD, there are 53,653 convenience stores in the UK, including co-op, forecourts, multiples, symbols and truly independents. IGD forecasts that by 2009 the market will have grown to £29 billion and have experienced a small decline in the number of stores – to 51,950

Undoubtedly, there has been considerable consolidation of the convenience sector in the UK with many UK multiples buying into the market. Raphael Moreau, Retailing Analyst at Euromonitor International says:[24]

"High Street convenience stores are also particularly attractive to hypermarket retailers, due to strict planning rules restricting the opening of new out-of town hypermarkets. It is for this reason that both Tesco and Sainsbury's have focused on developing their Tesco Express/Tesco Metro and Sainsbury's Central fascias. Euromonitor International believes that this trend is likely to intensify in the next five years.."

IGD provide the following details of acquisitions in the market in the period since 2002, resulting in, they say, fewer larger operators:

Table 7 Convenience Chain Acquisitions in UK

Business Acquired	Acquisition by	Number of stores acquired
Budgens	Musgrave	235
Europa	Tesco	45
T&S Stores	Tesco	1,215
Local plus	Co-op	64
Bells Stores	Sainsbury's	54

[23] Obtained from www.thelocalshop.com - website of the UK Association of Convenience Stores
[24] "Consolidation re-shapes UK retailing" - 29 Sep 2004, op. cit.

Balfour	Co-op	111
Alldays	Co-op	603
Aberness	Somerfield	36

Furthermore, in 2004, since these figures were produced, Musgraves acquired Londis GB, a convenience group with 2,200 stores in England Scotland and Wales. Reports we have seen suggest that Musgraves paid Stg£60m (c. €90m) for the group[25].

This is in addition to Musgraves Budgens stores listed above which operate mainly in the south east of England.

According to Musgraves' own submission they operate over 2,400 stores in Britain, owned principally by independent retailers.

> *"With the acquisition of Londis GB we now have the ability to establish a business across Britain which supports the independent retailer. The combination of Budgens and Londis has annualised retail sales of £1.5 billion and will now need to be supported by a major programme of investment in supply chain and systems, which will take several years."*
>
> ***- Musgrave Group Plc[26]***
>
> *"MBL[27] is embarking on a process to develop a franchise business that is at least as good as anywhere else in the Group. The rapidly growing UK convenience market is estimated at some £21.5 billion in annual sales. Investing in this market will ensure that Musgrave's unique selling proposition - its close relationships with local consumers - allows its UK business to grow and prosper".*
>
> ***- Chris Martin, Musgraves' Group Chief Executive Officer[28]***

5.7 Conclusions

The Irish grocery market shows a high degree of concentration.

Market concentration has grown in the period since the Groceries Order was introduced. Much of this increased concentration has taken place below the level of the multiples and, particularly in the period since 1994, would seem to have been driven by consolidation in the symbol/independent segment.

The Irish market demonstrates similar structures and levels of concentration to the UK market, where, of course, no ban on below cost selling exists. If anything, we believe that the Irish market is marginally more concentrated.

[25] http://www.rte.ie/business/2004/0623/londis.html
[26] Results for the year ended 31 December 2004 , Group Highlights (www.musgrave.ie)
[27] Musgraves Budgens Londis
[28] Group Chief Executive Officer's Annual Review, 2004

We believe that within the main urban areas, a dualistic structure exists with multiples catering for the "one-stop" shopper and the smaller symbols/independents catering for the convenience "niche" market.

This dualistic structure does not appear to be a characteristic of the trade in more rural locations due to the fact that many multiples are not attracted to areas of low population density. Thus the symbols/independents are servicing both the "one-stop" and the convenience markets in these locations.

In the UK, the convenience sector is the fastest growing sector of the grocery market as is evidenced by the recent entry into the market by many multiples and by Irish symbol group operator, Musgraves. Turnover in the convenience sector is expected to grow by 25% over the next four years.

Consequently, and given the similar market structures that operate, there is no reason to believe that the convenience market in Ireland would suffer as a result of the removal of the ban on selling below net invoice price.