York Student Think Tank

HOW CAN REGULATION AROUND SUPERMARKET LOYALTY SCHEMES BE IMPROVED TO BENEFIT CONSUMERS DURING THE COST OF LIVING CRISIS?

2024 Policy Project

By Roma Beke, Megan Blore, Chloe Crawford, Victoria Ellison, Tom Fordyce, Geena Patel, Ramakrishnan Ravi, Maddie Shone, and Olivia Wood.



TABLE OF CONTENTS

01 Executive Summary

02 Introduction

03 Current Policy

04 Case Studies

05 Recommendations

06 Bibliography

07 Acknowledgements

EXECUTIVE SUMMARY

This report examines the rise of supermarket loyalty schemes and the potential issues this may have in relation to transparency over prices and questions over accessibility for consumers. This is especially relevant in the context of the cost of living crisis as these schemes can be seen to be inflating it's effects, impacting the most vulnerable groups in society. This paper begins by introducing what the cost of living crisis is as well as the rise in the use of supermarket loyalty schemes, and to what extent these schemes have been helpful and accessible to consumers.

This report continues by providing the current policy context surrounding supermarket loyalty schemes, as well as investigations that have taken place looking into them. Unit pricing and its critiques are briefly discussed as well as the use of price caps in other European countries, at least for the short term. The use of VAT as a way to influence food pricing is also discussed, as well as the role it could play in helping us define essentials. This section demonstrates how the UK government is capable of creating policies which influence and regulate supermarket pricing, and how this could be replicated regarding loyalty schemes.

Two case studies are provided. Tesco's and Sainsbury's loyalty schemes, Clubcard and Nectar, are analysed in further detail to assess the way in which they operate, the real benefits they provide to customers and the ways in which they can be accessed. For example, it examines the digitisation of these schemes and how physical cards are becoming harder to access. This creates an unequal impact in the way people experience the cost of living crisis, if their access to cheaper supermarket prices is reliant on their access to technology.

This report concludes with six policy recommendations, to improve the use of supermarket loyalty schemes to help consumers best navigate the cost of living crisis. The proposals include:

1. Update the current Price Market Order legislation on unit pricing
2. Review the way in which VAT is used to define essentials
3. The creation of a government run website (or alternative platform) to share transparent information on food pricing
4. Mandate every supermarket to have well-signposted in-store options for signing up for loyalty schemes
5. Encourage all supermarket chains to offer ‘junior membership’ loyalty schemes for under-16s
6. Work with supermarkets to introduce price caps on essentials

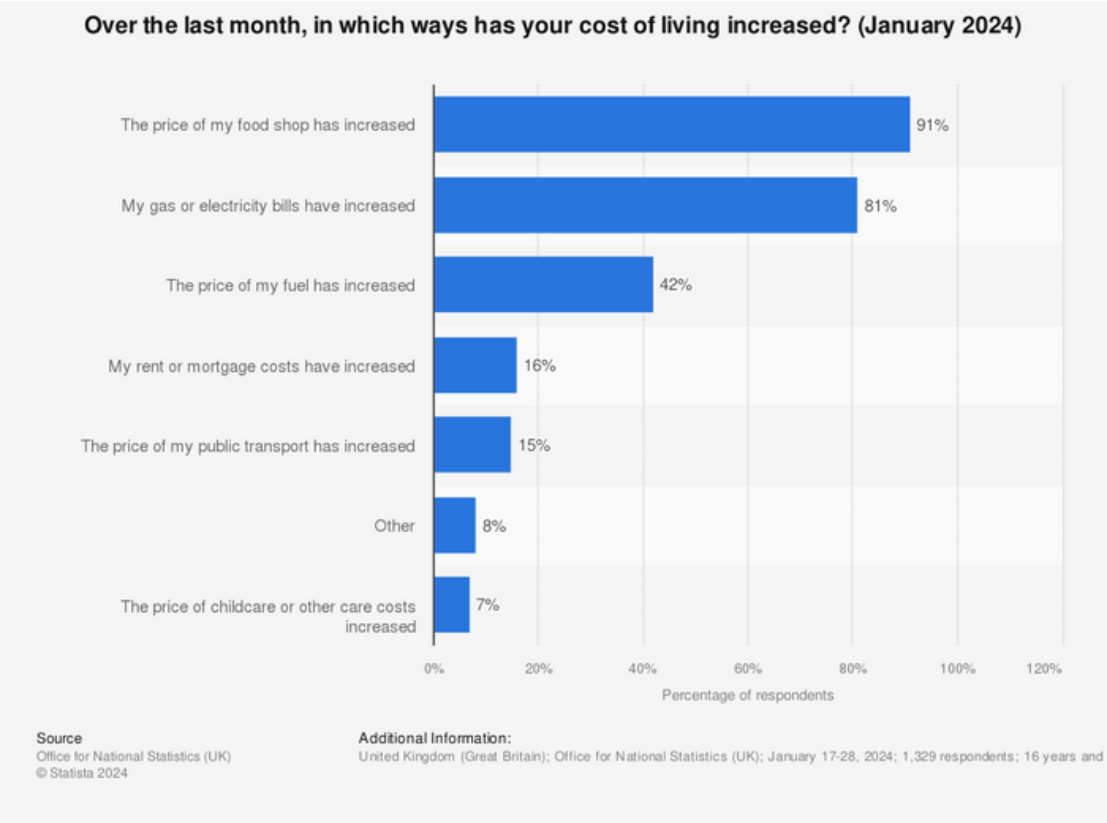
The hope is that through the implementation of these policies, consumers will be in a better and more informed position to access these loyalty scheme prices, and have confidence in the benefits these schemes bring them.

INTRODUCTION

THE BASICS

What is the cost of living crisis?

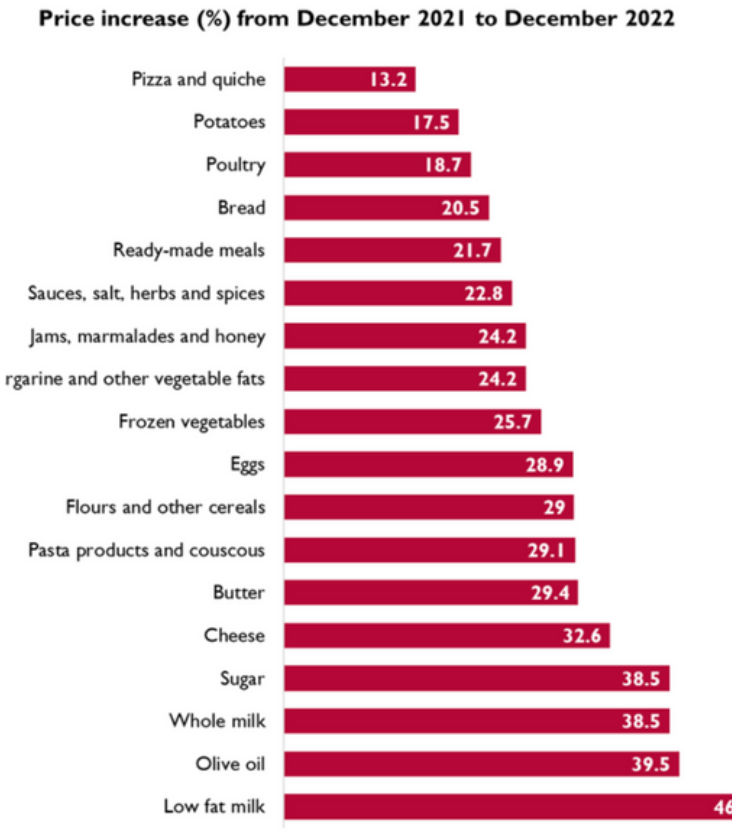
The cost of living crisis refers to the fall in disposable incomes that the UK has been facing since late 2021 (Hourston, 2022). The cost of living "increased sharply" (Francis-Devine et al, 2024) during this period, with inflation reaching a 41-year high of 11.1% in October 2022. The cost of living crisis has affected people in many different ways. However, one of the greatest impacts it has is on the cost of essentials, such as food, gas and electric, fuel, and housing (ONS, 2024a).



Source: Ways the cost of living has increased over the last month (ONS, 2024a)

Inflation means that the cost of essential food items are being severely impacted. Essential foods are foods that form a large proportion of the population's diet, being eaten daily to provide a major proportion of a person's nutritional needs (Su et al, 2016). This price increase impacts upon products such as pastas, tea, and bread (ONS, 2024b). This appears to impact the most vulnerable in society, with 61% of those who live in the most deprived areas buying less food compared to last year (ONS, 2022).

This demonstrates how the cost of living crisis is having an unequal impact on different social groups, and even deepening existing inequalities. This is because although households on lower incomes spend less in total than those on higher incomes, they spend a significantly higher proportion of their household income on food and energy (Skiada, 2023). In light of this, the ways people interact with supermarkets is of increasing importance, and with the rise in supermarket loyalty schemes it becomes important to assess their impact.



Source: Percentage increase in food prices from December 2021 to December 2022 (ONS, 2023)

A rise in supermarket loyalty schemes

Supermarket loyalty schemes are rewards programmes used by supermarkets that allow customers to receive benefits in the form of discounts, cashback or vouchers. They aim to encourage shoppers to return to the supermarket to purchase more items, as they may get money off these future purchases, thereby encouraging customer loyalty and allowing supermarkets to glean insights into customer shopping habits. These schemes may not be just limited to in store rewards, but could be set up to be used at partners of the supermarket (Nectar, 2023).

Loyalty schemes are typically accessed by signing up online, in store or via app; a physical card, scanned at the checkout, may be distributed but in recent years they have become highly digitalized. Now, online cards and barcodes via apps are the most common ways to access a loyalty card.(MSE, 2022). Supermarket loyalty schemes are incredibly popular, with more than eight in ten people in the UK holding at least one loyalty card (Mintel, 2023). Most people subscribe to supermarket loyalty schemes in order to benefit from in store discounts and offers, to get discounts and rewards from other retailers and brands and to benefit from free products, services and experiences (Mando-Connect and YouGov, 2023).



Source: Mando-Connect and YouGov, 2023

The vast majority of UK supermarkets now offer a loyalty scheme; Tesco, Lidl, Morrisons, Asda, Iceland, Waitrose, Marks and Spencer, Co-op, and Sainsburys. Some of these supermarkets have expanded their loyalty schemes to include exclusive discounted prices on a range of goods available only to loyalty card members (CMA, 2024a). Tesco was the first to do so, introducing clubcard pricing in honour of its Centenary celebrations in May 2019 (Tesco, 2019) before being more widely rolled out in September 2020 (Tesco, 2020). Many other supermarkets have followed suit with both Sainsburys and Co-op beginning to offer exclusive discounts to loyalty members in April 2023 (Co-op, 2023; Sainsbury's, 2023). These exclusive discounts can range across all items including branded products and essential items such as milk, bread and eggs. Discounts can also range in the amount customers are saving, but can reach up to 50%. For example, Nectar card holders could get a leg of lamb for half the price of regular customers (Guardian, 2023).

In the context of the cost of living crisis, access to these discounted prices could be extremely vital for those navigating rising costs, especially those most vulnerable in society. Therefore, it's important to assess the transparency and accessibility of these schemes as well as any potential adverse implications to make sure that all consumers are able to fairly access the best prices.

THE PROBLEM

With increasing inflation and external factors such as the Russian-Ukrainian War, Brexit, poor harvests in Europe and Africa, and the Covid-19 pandemic, supermarket prices were bound to rise. Inflation had caused the pound to weaken making imports expensive: this is particularly relevant as the UK imports about 45% of its food (Sky News, 2023). Overall, retailers are having to pay more for supplies and are passing this increase in costs onto consumers, hence the current cost of living crisis. However, there has been a debate about to what extent supermarkets have actually needed to raise prices for consumers.

Despite cost increases, supermarkets have continued to achieve soaring profits. For Sainsbury's, 2021/2 was their most profitable year since 2013, and for Tesco since 2011/2. The combined 2021 net profits of the big 3 supermarkets was £3.2billion, double the £1.6billion made in 2019 before the pandemic. This clearly calls into question whether or not supermarkets need to be passing on their costs onto consumers as much as they currently have. This accusation of profiteering - "the act of taking advantage of a situation in order to make a profit, usually by charging high prices for things people need" (Cambridge Dictionary) - has been coupled with a greedflation narrative peddled in the media disparaging the increase in prices for consumers. Although the Competition and Markets Authority (CMA), a non-governmental body in charge of promoting competitive markets and tackling unfair behaviour, issued a report in July 2023 effectively clearing supermarkets of profiteering, this has raised questions over the existence and transparency of membership pricing.

Consumer watchdog ‘Which?’ highlighted a potential issue on whether supermarkets are raising prices in order to make it seem as if loyalty scheme customers are getting “a better deal than they already are " (Simmonds, 2023). Investigation found that over a period of six months, 29% of the member-only promotions across both supermarkets were at their so-called ‘regular’ price less than half the time. For example, Quaker ‘Oat So Simple Original Sachets’ (10 x 27g) at Sainsbury's were given a Nectar price £2.50, and a stated ‘regular price’ of £3.50. However, its regular price had been £2.50 just 23 days before the Nectar Price launched. This potential artificial inflation of prices (only to discount them to their regular prices and sell it to customers under the frame of offers and discounts) means that consumers not signed up to loyalty schemes could be paying a lot more than they should for products. More needs to be done to assess and ensure transparency over prices and justifying the different prices on offer. The Competition and Markets Authority initiated an ongoing review of supermarket loyalty schemes in January 2024. This investigation is the latest in a series of CMA initiatives forming part of their work to “help tackle cost of living pressures in the groceries sector.” (Sutcliffe, 2023) This is especially important to assess in the name of accessibility, whereby many, particularly those who are most vulnerable, may find themselves without the means to access discounted prices.

With the rise in digitalisation of loyalty schemes, accessibility is a concern as populations without access to an electronic device could face difficulties in accessing discounts. Most of the loyalty schemes run by major UK supermarket chains have age and address-based requirements, making the reduced prices inaccessible to many groups of consumers such as young carers and those who are unhoused. Furthermore, many schemes also require

an email address, mobile phone app, or credit card, reducing accessibility for the elderly, visually impaired, and/or people with disabilities. Physical cards are still distributed, and consumers can register in-store and online (Nectar, 2023). However, reduced Nectar Price products are available only on the app. Tesco Clubcard now operates almost exclusively in-app, with new users having to order a physical card rather than receiving one as default (Tesco, 2023). Thus, regulations on the accessibility of these schemes, particularly by enforcing the use of physical cards and having publicised options on how to access schemes in store with trained staff to help would help ensure equitable access. This is especially relevant with the notable increase in self-checkouts across stores, with reduced visible staff to help particularly in smaller stores (Houlton, 2023).

[1]

Given the context of the cost of living crisis, it is now more important than ever to ensure that consumers are able to access the best prices. Therefore, better consideration needs to be given to the transparency and accessibility of loyalty schemes and their increasing use of membership prices.

METHODOLOGY

In order to create policy recommendations, we will first look at how current UK policy regulates supermarket loyalty schemes. We look at gaps in government policy surrounding accessibility to these schemes, and how this impacts upon vulnerable groups who may be discriminated against in accessing these schemes. Then we consider how price caps could be utilised to mitigate the impacts of the cost of living crisis, following their successful implementation in other European countries. Then, we will investigate a case study of Tesco's clubcard, and Sainsbury's nectar card to demonstrate the prominence of loyalty schemes. We consider both the benefits they can bring to consumers in the cost of living crisis, as well as the transparency and accessibility issues faced by them as customers are being forced into exchanging their personal data for cheaper prices. Finally, we will use our research to recommend policies to suggest how governments can work with supermarkets to help consumers navigate the cost of living crisis to help better regulate these schemes, ensuring that all consumers have equal access to these schemes, and that supermarkets provide transparent information about pricing to the public.

CURRENT POLICY

UK CURRENT POLICY

Currently, there is no enforceable government legislation regarding the regulation of supermarket loyalty schemes across the UK. At present, one of the only policies that regulates loyalty schemes is Northern Ireland's Licensing and Registration of Clubs (Amendment) Act. This solely prohibits the award or redemption of loyalty or bonus points for the purchase of intoxicating liquor in all licensed premises and does not regulate pricing of essential goods, but includes only Northern Ireland (Licensing and Registration of Clubs (Amendment) Act (Northern Ireland), 2021). As a result of this lack of price regulation, customers continue to be vulnerable to challenges posed by loyalty pricing programmes, including misleading advertisements and potential disadvantages for shoppers who are not loyalty card members (CMA, 2024a).

Existing legislation designed to protect consumers from unfair trade practices in regards to pricing is arguably outdated. The 2008 Consumer Protection from Unfair Trading Regulations applies to both goods and services and prohibits giving misleading information to consumers about prices. Traders must also make sure pricing information is given clearly if it would affect a consumer's decision to buy. It directly discusses the need for transparency over price advantages but does not make mention of accessibility to price advantages in terms of fairness, which, given the recent rise of loyalty schemes, is an important dimension to consider.

Additionally, the 2004 Price Market Order pertains directly to the display of pricing and mandates that in retail settings, including catalogues, shop, and online platforms, sellers must provide consumers with the written selling price and, when applicable, the unit price of goods offered for sale. This again, in the current context, is outdated; there is a lack of clarity over how unit pricing should be provided for different promotions, including that it should be provided for loyalty card pricing and ambiguous terms left open to individual supermarket interpretation in regards to how it should be displayed. A recent 'Which?' policy paper explored these limitations, stating that they are unclear and can be confusing as a way for customers to be able to compare prices of various products. They stress the need for clarity and comparability of pricing as particularly important given the cost of living crisis and rapid increases in the prices of foods and other consumer goods Their research found that unit pricing "can be very difficult to identify, let alone read" and that uniformity among supermarkets would make shopping easier and more fair for consumers. They also emphasise the importance of enforcing compliance amongst the various stores (Davies, Simmonds and Jooshandeh, 2023).

The government has recently taken steps to investigate the rise of supermarket loyalty schemes and the possible need for policy change. Rather than an enforceable policy, a watchdog - the Competition and Markets Authority (CMA) - has been asked to investigate the effect that the rise of loyalty card price cuts have on consumers, amid concerns that "they could limit competition and lead to price rises" for those not signed up to marketing schemes (Butler, 2023a). Although the main price regulators in the UK are Ofgem (which regulates and sets price controls for energy companies), Ofwat (for water companies), Ofcom (which regulates and sets price controls for Royal Mail, the UK's main postal service provider), the Civil Aviation Authority (for airlines), and the Office of Rail and Road for rail transport, the CMA is the principal authority regarding the carrying out of regulatory appeals in relation to

issues such as price controls. For the CMA, price controls are a critical aspect of their work to promote competitive markets and tackle unfair treatment on behalf of consumers.

Given the current lack of price regulation in this area, the CMA initiated a review of supermarket loyalty schemes in January 2024. This investigation is the latest in a series of CMA initiatives forming part of their work to "help tackle cost of living pressures in the groceries sector." Nevertheless, the CMA is still interested in exploring if loyalty scheme members actually save money through scheme prices, or whether prices for non-members are being inflated to "create the illusion of a discount" and thus create an artificial two-tiered system (Sutcliffe, 2023). In addition, other issues which the CMA will investigate through this programme include the following: the extent to which loyalty schemes affect consumer behaviour; the role of loyalty schemes on competition between different supermarket chains; and the potential losses that non-loyalty member customers may experience. The investigation is expected to be finished by the end of 2024, while an update regarding progress and possible findings for consumers will be published in July 2024.

Current gaps in government policy also include age and address-based requirements, which pose a barrier to accessibility for certain groups (Butler, 2023a). For example, shoppers must be at least 18 years old to be a member of schemes at Asda, Iceland, Lidl, M&S, Tesco, and Waitrose, and 16 and over at Morrisons (Butler, 2023a). Despite the fact that a statutory minimum age for co-operative membership was removed in 2012 and co-ops can now sign up members below 16 years of age, Co-op is the only chain which offers a loyalty scheme for under-16s through a 'junior membership' category if a parent or guardian helps sign them up for a temporary card. The result of this barrier to access in most supermarket chains means that

vulnerable populations, such as adolescent parents, young carers, and school children who might need to purchase their own meals, are unable to utilise discounts that were once available for all prior to the introduction of loyalty schemes (Butler, 2023).

Moreover, because supermarkets generally require consumers to provide an address in order to access loyalty schemes, groups that would benefit the most from these services, such as unhoused people and populations in temporary accommodation, cannot access the reduced prices either. Furthermore, many schemes also require an email address, mobile phone app, or credit card, reducing accessibility for the elderly, visually impaired, and/or people with disabilities.

PRICE CAPS & REGULATIONS

In the absence of price limits on the rising costs of goods, UK ministers have previously discussed "voluntary price limits for basic foods" but they ruled out imposing caps (Jones and Walker, 2023). Jones and Walker (2023) reported that ministers insisted that they would not be imposing price caps, but instead the emphasis would be on voluntary moves from supermarkets in order to try to ease the impacts of the country's cost of living crisis. However, even just voluntary price limits carried with it much criticism. Jones and Walker explain how economist and former Bank of England adviser Tony Yates said that voluntary price caps would "create uncertainty in the market" as it would be unclear whether retailers would want to take part, with the neoliberal think tank, the Institute of Economic Affairs, claiming that caps on food prices can be "harmful" to the people "they are supposed to help" (Jones and Walker, 2023). However, as will be explained below, price caps have been demonstrated to have net positive impacts when put in place elsewhere in Europe.

In spite of the opposition to price caps, regulations have been put into place regarding food and drink prices. One of the most significant policies put into place by the government regarding supermarkets does not have a focus on loyalty schemes; instead, the emphasis is on reducing levels of obesity in the UK (Pugh and MacDougal, 2020). The announcement was made on 28th December 2020, and would affect businesses employing more than 50 people in stores larger than 2000 square feet, in an attempt "at helping the nation lose weight", thereby impacting the country's supermarkets, such as Tesco, Aldi, Asda, Sainsbury's Morrisons and Lidl, among others (Pugh and MacDougal, 2020). The focus was on special offers and promotions, such as "buy one get one free", as the Department of Health and Social Care (DHSC) stating that, while promotions may seem to be saving people money, they "actually encourage people to buy more than they need or desire" (Pugh and MacDougal, 2020). Restrictions were to be placed on foods which were high in fat, salt or sugar, such as cakes, crisps, and ready meals, among others. The emphasis of this policy, therefore, was not on regulating supermarket loyalty schemes, but instead on trying to stop people from buying more than they supposedly need. This, the government believed, would lead to people living healthier lives, thereby decreasing obesity, as a result of buying less. This also shows that the government is capable of putting policies into place which are able to control part of how supermarkets price their food, focusing specifically on promotions; this could therefore be replicated in the control of supermarket loyalty schemes.

In spite of the opposition to price caps, regulations have been put into place As well as this, Johnston and Dunai (2023) explain how the implementation of price caps has been shown to be a successful short-term solution to Europe's excessive rise in food prices. It was found that between April 2022 and April 2023 essential EU food items had risen in price by up to 55%.



For example, essentials such as milk, eggs and sugar have risen by 25 per cent, 22.7 percent and 54.9 percent, respectively. They say that Hungary has experienced the highest food inflation in the EU, followed by Lithuania, Estonia, Bulgaria and Latvia, which are all above the EU average. They explain how, although maybe not effective as a long-term solution, price caps and price regulation measures have been “successful in keeping a lid on the cost of essentials”, thereby allowing customers to buy their essential items at a cheaper price.

For example, France in 2023 worked with retailers to introduce price caps on certain basic food products to ease the impact of inflation on consumers. Retailers were asked to freeze the prices of a variety of food items of their choice, likely their own-brand products with which they hold the most control over prices (Holland, 2023). The French Finance Minister even threatened financial sanctions if companies failed to comply (Butler, 2023b). This serves as a good example of how a price cap scheme could be replicated in the UK, with many UK politicians referring to this French scheme when discussing ways to address the rising cost of living (Andrews, 2024. Though it is worth noting that France is unique in that while most countries' retailers and producers regularly adjust prices of food and other products, France legislates a three-month time window between December and March when such negotiations can take place and prices agreed are locked in for the year (De La Hamaide, 2023). Therefore, price cuts or a re-opening of price negotiations is the only way to take action on conflated food prices in the interim.

VAT

Another way in which government policy is currently used to impact food pricing is through VAT. HM Revenue & Customs (2022) has published guidance for producers, manufacturers, wholesalers and retailers regarding which food can be zero-rated (be taxed at 0 per cent). They state that "all supplies of unprocessed foodstuffs" can be zero-rated, such as raw meat and fish, vegetables, fruit, cereals, nuts, and culinary herbs. They also explain how all products which are sold to be used as an ingredient when cooking or baking at home can be zero-rated if it has "some measurable

nutritional content". Although food such as biscuits covered in chocolate and all drinks containing alcohol must be standard-rated, the government has published guidance that most essential food items do not need to be taxed in the same way. This shows that the government can regulate the prices of essential food items through their (lack of) taxation. It is interesting to note that many non-food essential supermarket items such as soap and toilet roll are subject to the standard rate VAT of 20% (Martins, 2022).

CASE STUDIES

TESCO CLUBCARD



Tesco is the United Kingdom's largest supermarket chain, with a market share of 27.4% as of October 2023 (Bedford, 2023). Its 4169 stores nationwide and yearly revenue of £65.8 billion in 2023 (Tesco, 2023) highlights its dominance in the supermarket field. Tesco in particular has seen extensive success from its loyalty scheme known as Tesco Clubcard, introduced in 1995. As of February 2024, Tesco had over 21 million British households as active members of the scheme, contributing to 95% of its promotional sales (Statista Research Department, 2023; Davey, 2022). Turner and Wilson's (2006) study on grocery loyalty schemes concluded that Clubcard made 55% of their respondents shop there more frequently, thereby aiding its widespread reach and continuously successful commercial performance (Tesco, 2023). Therefore, the prominence of the Clubcard for many in the UK and their grocery shopping indicates the need for proper oversight of loyalty schemes to ensure best practice for consumers.

Tesco Clubcard operates in a number of ways to benefit its members. Since its inception in 1995, Clubcard points can be collected through purchasing products at Tesco and spent by Clubcard members at Tesco or through external "Rewards Partners". Since 2019, a new feature of discounted prices for Clubcard members has become the primary benefit of being a Clubcard member, with 66% of

Clubcard holders citing this as their primary reason for being a member (Ink Research, 2023). This Clubcard pricing offers reduced prices exclusively to those who are part of the scheme, frequently offering discounts of up to 50% (Which, 2023).

SAINSBURY'S NECTAR

The prominence of loyalty schemes is further evidenced by its expansion into other supermarkets, including Tesco's primary market rival Sainsburys. Sainsbury's market share as of October 2023 was 14.8%, the second highest in the UK, making it a clear comparison against Tesco. The Nectar loyalty scheme was founded in 2002 and included Sainsbury's as one of its partners (BBC, 2002). It was acquired in its entirety by Sainsbury's in 2018, with its reasoning being greater access to its customer's data (Reuters, 2018). In 2023 Sainsbury's introduced Nectar Prices, a reduction in price for Nectar Card holders similar to Tesco's Clubcard pricing (Ink Research, 2023). This introduction is a clear reaction to the success of Clubcard and its discounted pricing, especially considering Nectar is shown to be the second biggest loyalty scheme with 18 million members nationwide as of 2023 (Good Growth, 2023).

A number of other supermarkets have adopted loyalty scheme discounted pricing, including Waitrose and Morrisons (Ink Research, 2023). Thus, a clear trend towards this strategy has been observed in wake of the success of the Clubcard prices. While it may be effective in profit-generation, the dominance of this loyalty-discounting approach has a number of possible implications for consumers.

A CAUSE FOR CONCERN?

Both Sainsbury's and Tesco have reduced prices for products, offering discounts to those registered on to their respective loyalty schemes. These reduced prices are frequently for products that can be considered essential, which according to Su (et al., 2016) is a food that forms a large proportion of the population's diet or daily use. For instance, Tesco increased its price of laundry detergent by 20% before implementing the discounted price, which was evidently higher than the original price of £10 (Which, 2023). Thus, all customers must become loyalty scheme members or risk spending significantly more on basic groceries. Both Sainsbury's and Tesco tend to reduce their own-brand products, which has shown to be the preference for lower-income areas in recent years (Kurt and Gino, 2023). This only highlights how reduced loyalty scheme pricing is particularly relevant to lower-income customers, as the current cost of living crisis encourages greater reliance on own-brand products. Modern loyalty schemes thus affect lower-income customers more heavily than higher-income customers who prefer or can afford private-brand products.

Furthermore, Sainsbury's Nectar has become significantly mobile-centric, and the use of an app is encouraged. Physical cards are still distributed, and consumers can register in-store and online (Nectar, 2023). However, reduced Nectar Price products are available only on the app. Tesco Clubcard now operates almost exclusively in-app, with new users having to specifically order a physical card rather than receiving one as default (Tesco, 2023). Customers can register in-store and reduced Clubcard prices can be accessed without the app. Nonetheless, as physical cards are phased out and more difficult to acquire, Tesco Clubcard is primarily online. As these reduced prices are frequently essential products like fruit and vegetables this app-centric approach disproportionately affects those unable or unwilling to use mobile devices, such as older generations (Sainsbury's, 2024; Vulpe and Ilinca, 2017).

Conditions to join loyalty schemes are frequently restrictive and have specific requirements for becoming a member (Which, 2023). Tesco Clubcard specifies the need for a U.K. based address and the age requirement of 18 years or older (Tesco, 2023), with Sainsbury's Nectar echoing these requirements (Sainsbury's, 2024). This can negatively impact a number of consumer groups, with the address requirement disproportionately affecting both homeless people and displaced groups such as migrants or refugees. The age requirement impacts younger people, especially considering the significant role of the young carer in grocery shopping for their dependents (Wepf, 2022). While junior membership for supermarket loyalty schemes does exist including with the Co-op (2024), this is not consistent across the UK. Thus, regulations on the accessibility of these apps, particularly by enforcing the use of physical cards and ways to sign up in store, would help ensure equitable access amongst all.



RECOMMENDATIONS

IMMEDIATE IMPLEMENTATIONS

01

Update Price Market Order

To update the current Price Market Order legislation on unit pricing to give clearer guidance on how unit pricing should be displayed, including on promotions such as loyalty card pricing.

02

Review use of VAT to define essentials

To review the way in which VAT is used to define essentials. While the tax system provides a foundational framework for identifying essentials, it is imperative to extend this scope to non-food essentials, ensuring comprehensive coverage for the benefit of consumers. It is vital to encompass other vital items like hygiene items such as soap. This will mean there is a universal list of essentials for supermarkets and consumers to refer to when implementing our recommendations and their own “essential ranges”.

IMPLEMENTATION

1. The Competition and Market Authority and the Department of Business and Trade should work together to draw up the necessary legislation for clearer guidance on unit pricing, to be passed through Parliament with the inclusion of a risk of fines for non-compliance.
2. Ask HM Revenue and Customs to complete a review of current zero rate VAT items over a period of 6 months, to assess the need to add items considered essentials not currently included such as hygiene products like soap and toilet roll.

MEASURING SUCCESS

To measure success of these policies, legislation will be passed through Parliament updating current legislation on current pricing practice to better reflect current consumer context and needs. This would show key support for jurisdictional measures and solutions for the cost of living crisis. Success will also mean that guidance and use of unit-pricing has been made clear and consistent across all supermarkets and will encompass promotional pricing. Consumers will be able to better assess and compare prices. Additionally, success will mean that the items given zero-rate VAT status will better reflect what consumers consider to be essentials. This will then help in defining a clear list of essential items when implementing further policies.

TRANSPARENT PRICING

03

Create government run website to track and compare prices of essentials

To create a government-run website or alternative online application freely available to consumers that shares current and historic price data of essential products from supermarkets. The aim of the website is to provide a centralised, trusted source that promotes transparency. The department responsible for developing this website would be the Competition and Markets Authority (CMA). The website would allow supermarkets to advertise their deals as an incentive for businesses to share this data with the public.

IMPLEMENTATION

This project should be overseen by the Competition and Markets Authority. This would allow the CMA to commission the design and development of a government branded website capable of tracking the current and historic pricing of a list of essential items (see recommendation 2) across supermarkets. Most of the pricing data should be readily available across supermarket websites but should plan to work with supermarkets to increase efficiency in keeping this data accurate. Supermarkets are being allowed free space to advertise their exclusive deals as

incentive to participate. There should be potential for this to be expanded in the future into an app and/or a government finance education/budgeting tool for the public. The aim is for the development and initial launch of the above to take place within a 9 month period, with the budget recommendations detailed below:

- A budget of £1.5 million for the development of website based on similar projects
- £1 million allocated to campaign and advertise the website to the public and for 2 year upkeep costs.
- If the potential to be expanded into an app is compounded, we recommend the budget is to be increased to £4 million

MEASURING SUCCESS

To measure the success of this policy, a review of the website should be conducted 3 months after launch to measure traffic data, and to reflect on whether tangible impact on consumers is being made. This will mean that consumers are better able to compare prices of essential goods, and that access to historic pricing data will mean that supermarkets can be held better accountable to fluctuations in prices not necessarily in line with inflation.

ACCESSIBILITY

04

Mandate In-store Loyalty Scheme Access

Mandate every supermarket to have well-signposted in-store options for signing up for loyalty schemes and accessing full range of scheme benefits, including express stores of chains.

05

Introduce “Junior Membership” for loyalty schemes

Encourage all supermarket chains to offer ‘junior membership’ loyalty schemes for under-16s (potentially 13+) that parents or guardians (children's social services and family support networks) can sign them up for to provide access until they reach 16 years of age.

IMPLEMENTATION

1. The Competition and Markets Authority should propose reforms for new regulations, to be passed through Parliament, which would mandate specific accessibility standards for how supermarkets are allowed to operate their loyalty schemes. This would mean, for instance, that supermarkets must provide in-store options for sign-up, and all the benefits provided through the scheme - i.e. reduced prices - must be available to in-store users who do not possess a mobile phone, and therefore the loyalty scheme cannot function exclusively through an app. These standards must be equally applied to all supermarkets, including express stores of chains.
2. Following the example of the supermarket chain Co-op, all supermarkets are encouraged to establish a 'junior membership' category for their loyalty schemes for under-16s (13 year olds and above to comply with GDPR regulations). Through this scheme, parents or legal guardians (i.e. representatives of children's social services) can sign young people for these schemes to ensure equitable access until they reach 16 years of age and can apply for a permanent membership.

MEASURING SUCCESS

To measure success of the new regulations, the Competition and Markets Authority could carry out feedback sessions or surveys with consumers belonging to vulnerable populations (persons with disabilities, adolescents, people without mobile phones) following a one year period after the new regulations have gone into effect. It would be determined that success was achieved if all members of these groups convey that they have the same levels of equitable access to the loyalty schemes as the general public. The success of the junior membership loyalty schemes would be determined when all adolescents, ages 13+, have equitable access to supermarket loyalty schemes, regardless of their status as lower income, young carers, foster children, etc, so long as supermarkets allow legal guardians to help them sign up for these schemes.

COST OF LIVING

06

Introduce Price Caps on Essential Items

Work with supermarkets to introduce price caps on essentials. Every supermarket required by law to offer at least one version of an essential product at a price equal to or lower than a specified threshold. While challenging and susceptible to backlash, most UK supermarkets already maintain competitive pricing for their own brand essential ranges. Despite initial discussions of a voluntary scheme, there is a need for a mandatory measure so consumers don't miss out based on their relative location to a supermarket taking part.

IMPLEMENTATION

Recommended policy to the government for consideration among MPs to be enacted into law. The Competition and Markets Authority (CMA) should conduct investigations into the proposed scheme, enabling the establishment of price thresholds for essential goods. The initial stage of this proposal will take around 9-14 months before being rolled out to the public. Essential goods can only remain out of stock for a maximum period of one month, beyond which stores face the risk of fines presuming there are no extenuating circumstances e.g. international supply chain problems. The scheme requires an initial allocation of £500,000 to fund the CMA's investigation and to establish the price thresholds. Figure based on the price of a smaller government investigation (National Audit Office, 2018) or a larger investigation by the CMA (CMA, 2024b).

MEASURING SUCCESS

The success of this initiative can be gauged by ensuring that consumers consistently have access to cost-effective alternatives for essential goods, regardless of their shopping locations. It is important to note that the success of this policy also relies on the policy being passed through parliament. This will particularly benefit individuals facing challenges in accessing budget-friendly supermarkets due to their relative location. Moreover this could be measured by monitoring the amount of these "capped essentials" being sold in each area. The effectiveness of fines to enforce this recommendation could also be measured by looking at how often "capped essentials' are unavailable to the public.

BIBLIOGRAPHY

Andrews, K. (2024). Stephen Flynn pushes for French-style price cap on food. The Times. [online] 12 Apr. Available at: https://www.thetimes.co.uk/article/flynn-pushes-for-french-style-price-cap-on-food-vtrwrhf75 [Accessed 8 Apr. 2024].

BBC News (2002). UK to get "biggest" loyalty card scheme. [Online]. BBC News. Last updated: 5 June 2002. Available at: http://news.bbc.co.uk/1/hi/business/2026217.stm [Accessed 16 March 2024].

Bedford, E. (2023). Grocery market share in Great Britain 2017-2023. [Online]. Statista. Last updated: 14 November 2023. Available at: https://www.statista.com/statistics/280208/grocery-market-share-in-the-united-kingdom-uk/ [Accessed 16 March 2024].

Butler, S. (2023a) Watchdog to investigate price cuts for UK supermarket loyalty cardholders. The Guardian. Available at: https://www.theguardian.com/business/2023/nov/29/watchdog-to-investigate-price-cuts-for-uk-supermarket-loyalty-card-holders [Accessed 11 February 2023].

Butler, S. (2023b). France's food industry pledges to cut prices after government pressure. The Guardian. [online] 9 Jun. Available at: https://www.theguardian.com/world/2023/jun/09/frances-food-industry-pledges-to-cut-prices-government-pressure.

Cambridge Dictionary (n.d.). PROFITEERING | meaning in the Cambridge English Dictionary. [online] dictionary.cambridge.org. Available at: https://dictionary.cambridge.org/dictionary/english/profiteering

Co-op (2023). Co-op set to turbo charge its membership proposition with £240M investment and launch of new member prices. [online] Co-operative.coop. Available at: https://www.co-operative.coop/media/news-releases/co-op-set-to-turbo-charge-its-membership-proposition-with-gbp240m-investment.

Co-op (2024). Membership terms and conditions. [online]. Co-op. Last updated: 24 January 2024. Available at: https://www.coop.co.uk/terms/membership-terms-and-conditions [Accessed 21 March 2024]

Competition and Markets Authority (2024a). Loyalty pricing in the groceries sector. Competition and Markets Authority. [Online]. Available at: https://www.gov.uk/cma-cases/loyalty-pricing-in-the-groceries-sector [Accessed 12 February 2024].

Competition and Markets Authority (CMA) (2024b). Merger fees information . [online] pp.1–3. Available at: https://assets.publishing.service.gov.uk/media/64b94dfd06f78d000d74260d/Merger_fees_information__July_2023__A.pdf.

Davey, J. (2022). Focus: Loyalty pays off for Tesco as Britons feel the pinch. [Online]. Reuters. Last updated: 23 February 2022. Available at: https://www.reuters.com/business/retail-consumer/loyalty-pays-off-tesco-britons-feel-pinch-2022-02-23/ [Accessed 16 March 2024].

Davies, S., Simmonds, E. and Jooshandeh, J. (2023). Opportunities to improve unit pricing and modernise the Price Marking Order. [Online]. Available at: https://www.which.co.uk/policy-and-insight/article/opportunities-to-improve-unit-pricing-and-modernise-the-price-marking-order-aRMOS9s37Wwk [Accessed 21 February 2024].

De La Hamaide, S. (2023). Explainer: How France Secured a Fall in Food Prices. Reuters. [online] Available at: https://www.reuters.com/markets/europe/how-france-secured-fall-food-prices-2023-06-12/.

Francis-Devine, B et al. (2024). Rising Cost of Living in the UK. [Online]. House of Commons Library. Last Updated: 08 March 2024.Availablleat: https://commonslibrary.parliament.uk/research-briefings/cbp-9428/ [Accessed 13 March 2024].

Good Growth (2023). The data-driven rise of supermarket loyalty cards and the risk of data blindness. [Online]. Good Growth. Last updated: May 2023. Available at: https://goodgrowth.co.uk/articles/the-data-driven-rise-of-supermarket-loyalty-cards-and-the-risk-of-data-blindness/ [Accessed 16 March 2024].

HM Revenue & Customs (2022). Food products (VAT Notice 701/14). HM Revenue & Customes. [Online]. Available at: https://www.gov.uk/guidance/food-products-and-vat-notice-70114#general-food-products [Accessed 17 March 2024].

Holland, F. (2023). Retailers in France to put price cap on staple foods. [online] Food Matters Live. Available at: https://foodmatterslive.com/article/government-price-cap-on-staple-foods-supermarkets-france/ [Accessed 26 Mar. 2024].

Houlton, C. (2023). Supermarket jobs take a hit amid rise of self-checkouts . [online] Grocery Gazette. Available at: https://www.grocerygazette.co.uk/2023/10/30/supermarket-jobs-self-checkout/.

Hourston, P. (2022). Cost of Living Crisis. [Online]. Institute for Government. Last Updated: 07 February 2022. Available at: https://www.instituteforgovernment.org.uk/explainer/cost-living-crisis [Accessed 13 March 2024].

Ink Research (2023). Nectar vs. Clubcard - the numbers behind the UK loyalty card battle. [Online]. LinkedIn. Last updated: 18 April 2023. Available at: https://www.linkedin.com/pulse/nectar-vs-clubcard-numbers-behind-uk-loyalty-card-battle/ [Accessed 16 March 2024].

Johnston, I. and Dunai, M. (2023). Europe's politicians impost price caps to address soaring food costs. Financial Times. [Online]. 21 May 2023. Available at: https://www.ft.com/content/133ca49d-b25a-47ee-9bfa-d8c2f62a5f3b [Accessed 19 March 2024].

Jones, R. and Walker, P. (2023). UK ministers discuss voluntary price limits for basic foods but rule out imposing caps. The Guardian. [Online] 28 May 2023. Available at: https://www.theguardian.com/business/2023/may/28/uk-voluntary-price-limits-basic-foods-rule-out-caps [Accessed 15 December 2023].

Kurt, D. and Gino, F. (2023). Income inequality and consumer preference for private labels versus national brands. Journal of the Academy of Marketing Science, 51 (2), pp.463–479. [Online]. Available at: doi:10.1007/s11747-022-00890-7.

Licensing and Registration of Clubs (Amendment) Act (Northern Ireland) 2021 section 20 (via legislation.gov.uk)
Martins, A.T. (2022). Is There VAT on Cleaning Products in UK in 2023? [online] ProfitableVenture UK. Available at: https://www.profitableventure.com/uk/vat-cleaning-product-uk/

Mugo, S. (2023). UK government to review supermarket loyalty schemes. LeapRate. [Online 29 November 2023. Available at: https://www.leaprate.com/live-market-news/uk-government-to-review-supermarket-loyalty-schemes/ [Accessed 15 December 2023].

Mando-Connect and YouGov (2023). What the British want from loyalty programmes 3.0. [online] Mando. Available at: https://mando.co.uk/what-the-british-want-from-loyalty-programmes-3/.

National Audit Office (2018). Investigation into government-funded inquiries. [online] pp.1–3. Available at: https://www.nao.org.uk/wp-content/uploads/2018/05/Investigation-into-government-funded-inquiries-press-release.pdf

Nectar (2023). Registration. [online] Nectar. Available at: https://www.nectar.com/help [Accessed 8 Feb. 2024].
Nectar (2024). Nectar - Terms and Conditions. [online] https://www.nectar.com/about/privacy-and-legal/i2c/cs-terms. [Accessed 15 February 2024].

ONS. (2022). Rising cost of pasta, bread and other everyday foods leaves most vulnerable the worst off. [Online]. ONS. Last Updated: 22 December 2022. Available at: https://www.ons.gov.uk/economy/inflationandpriceindices/articles/risingcostofpastabreadandothereverydayfoodsleavesmostvulnerabletheworstoff/2022-12-22 [Accessed 13 March 2024].

ONS (2023). Chart 1: Percentage increases in food prices from December 2021 to December 2022. [Online]. ONS. Available at: https://lordslibrary.parliament.uk/cost-of-living-food-price-inflation/ [Accessed 13 March 2024].

ONS. (2024a). Over the last month, in which ways had your cost of living increased? [Online]. Statista. Last updated: January 2024. Available at: https://www.statista.com/statistics/1304937/great-britain-reasons-for-cost-of-living-increase/ [Accessed 13 March 2024].

ONS. (2024b). Cost of living insights: Food. [Online]. ONS. Last Updated: 14 February 2024. Available at: https://www.ons.gov.uk/economy/inflationandpriceindices/articles/costoflivinginsights/food [Accessed 13 March 2024].

Public Health England (2021). Better Health programme mobile app development delivery partner - Digital Marketplace. [online] www.digitalmarketplace.service.gov.uk. Available at: https://www.digitalmarketplace.service.gov.uk/digital-outcomes-and-specialists/opportunities/14672 [Accessed 26 Mar. 2024].

Quinn, I. "CMA begins investigation into supermarket loyalty prices." Thegrocer.co.uk (2024) Available at: https://www.thegrocer.co.uk/loyalty/cma-begins-investigation-into-supermarket-loyalty-prices/687680.article

Reuters (2018). UK's Sainsbury's buys Nectar from Aimia for 60 million sterling. [Online]. Reuters. Last updated: 1 February 2018. Available at: https://www.reuters.com/article/idUSKBN1FL55W/ [Accessed 16 March 2024].

Sainsbury's (2023). Sainsbury's customers can save big with new 'Nectar Prices'. [online] www.about.sainsburys.co.uk. Available at: https://www.about.sainsburys.co.uk/news/latest-news/2023/11-04-2023-sainsburys-customers-can-save-big-with-new-nectar-prices#:~:text=From%20today%2C%20Sainsbury%27s%20is%20introducing.

Simmonds, E. (2023). Which? uncovers dodgy-looking supermarket loyalty discounts. Which? https://www.which.co.uk/news/article/which-uncovers-dodgy-looking-supermarket-loyalty-discounts-a4vrY7w7nVNh. [Accessed 21 February 2024].

Skiada, N. (2023). London's Cost of Living Tracker - the unequal impact of inflation. [online] Trust for London. Available at: https://trustforlondon.org.uk/news/the-unequal-impact-of-inflation/.

Statista Research Department (2023). Key data on I Love my Tesco Clubcard loyalty program in Central Europe, the Republic of Ireland, and in the United Kingdom (UK) as of February 2023. [Online]. Statista. Last updated: 24 July 2023. Available at: https://www.statista.com/statistics/1400244/tesco-clubcard-data/ [Accessed 16 March 2024].

Su, W.-H., He, H.-J. and Sun, D.-W. (2016). Non-Destructive and rapid evaluation of staple foods quality by using spectroscopic techniques: A review. Critical Reviews in Food Science and Nutrition, 57(5), pp.1039–1051. doi:https://doi.org/10.1080/10408398.2015.1082966.

Sutcliffe, C. "Competition watchdog to open investigation into supermarket loyalty schemes." (2023) Marketingweek.com Available at: https://www.marketingweek.com/cma-loyalty-schemes/ Accessed 11 February 2023.

Tesco (2019). Tesco introduces special 'Clubcard Prices' for customers to celebrate 100 years of great value. [online] www.tescoplc.com. Available at: https://www.tescoplc.com/tesco-introduces-special-clubcard-prices-for-customers-to-celebrate-100-years-of-great-value/.

Tesco (2020). Tesco offer hundreds of exclusive deals for Clubcard customers. [online] www.tescoplc.com. Available at: https://www.tescoplc.com/tesco-offer-hundreds-of-exclusive-deals-for-clubcard-customers/.

Tesco (2023). Tesco Annual Report 2023. Tesco PLC. [Online]. Available at: https://www.tescoplc.com/media/u1wlq2qf/tesco-plc-annual-report-2023.pdf [Accessed 16 March 2024].

Tesco (2024). Tesco special offers and grocery deals - Tesco Groceries. [online] https://www.tesco.com/groceries/en-GB/promotions. [Accessed 15 February 2024].

The Consumer Protection from Unfair Trading Regulations 2008. [online] Available at: https://www.legislation.gov.uk/uksi/2008/1277/contents/made.

The Price Marking Order 2004. [online] Available at: https://www.legislation.gov.uk/uksi/2004/102/article/9/made.

Vulpe, S.-N. and Ilinca, C. (2017). Types of phone usage: Age differences between younger and older persons. Journal of comparative research in anthropology and sociology, 8 (2), pp.103–113.

Weng-Hao et al. (2016). Non-Destructive and rapid evaluation of staple foods quality by using spectroscopic techniques: A review. Critical Reviews in Food Science and Nutrition, 57(5), 1039-1051. Available at: doi: 10.1080/10408398.2015.1082966

ACKNOWLEDGEMENTS

The contributors of this policy project:

- Chloe Crawford, PPE Undergraduate [Policy Lead]
- Roma Beke, Law (LLB) Undergraduate
- Megan Blore, Political Theory Postgraduate
- Victoria Ellison, Politics with IR Undergraduate
- Tom Fordyce, History and Politics Undergraduate
- Geena Patel, History and Politics Undergraduate
- Ramakrishnan Ravi, International Strategic Management Postgraduate
- Maddie Shone, Politics Undergraduate
- Olivia Wood, Social and Political Science Undergraduate

In collaboration with York Student Think Tank Society, who we thank for their continued support.

We thank you for taking the time to support our work.

Contact

York Student Think Thank Society
University of York
Instagram: @ystt_ _
email: thinktank@yusu.org