

# Supermarket Promotions and Food Prices

**KEYWORDS:** food retailing, promotional discounting

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## INTRODUCTION

- Food retailing in the UK is dominated by national grocery multiples, with the sector attracting unparalleled levels of scrutiny by the competition authorities in recent years.
- The use of promotional activity or ‘sales’ has emerged as a key area of focus, with sales being an increasingly important means of consumer budgeting amidst rising food prices and economic recession.
- It is reported that 68% of consumers always look out for sales, and almost 40% of all groceries purchased in supermarkets are under some form of promotion.

## METHODOLOGY

- The authors evaluate two claims relating to retail practice that have been the subject of media attention:
  - the use of sales to disguise price rises, whereby sales occur immediately prior to price rises, thereby distancing the new higher regular price from its previous level in the mind of consumers
  - the artificial inflation of prices prior to a promotion, thereby exaggerating the depth of the subsequent discount.
- The analysis draws on a large and comprehensive dataset containing the weekly prices of commonly purchased grocery products sold in the UK’s seven largest retail chains over the period 2001 to 2004.

## KEY FINDINGS

- There is no evidence of a general tendency for sales to disguise rises in the regular price of products. On the contrary, results indicate that post-sale prices tend to be lower than those immediately prior to a sale. The result is robust to sales threshold, supermarket chain, product format and brand status, and it most probably reflects the deflationary environment of the time.
- There is some evidence for prices to rise prior to sales in a manner that is consistent with the exaggeration of the discount. The strongest evidence is found in a single discount chain.

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working paper 14-2

W: [www.ccp.uea.ac.uk](http://www.ccp.uea.ac.uk)  
 T: +44 (0)1603 593715  
 A: UEA, Norwich, NR4 7TJ

  
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## FOR MORE INFORMATION

The full working paper 14-2 and more information about CCP and its research is available from our website: [www.ccp.uea.ac.uk](http://www.ccp.uea.ac.uk)

## ABOUT THE AUTHORS

- Hao Lan is a Research Associate at the Centre for Competition Policy, University of East Anglia
- Tim Lloyd is Associate Professor of Economics at the University of Nottingham, a Research Fellow in the Centre for Research in Economic Development and International Trade (CREDIT) and a member of the Centre for Policy Evaluation
- Wyn Morgan is Professor of Economics at the University of Nottingham

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