

UK supermarkets minimise price rises for the cheapest alcohol when taxes are increased

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Supermarkets in the UK could be hindering efforts to reduce harmful drinking by not fully passing tax increases onto the price of the cheapest beers and spirits, according to health and business researchers.

A pioneering study, led by the University of Sheffield's School of Health and Related Research (ScHARR) with business experts from the University of East Anglia and Loughborough University and funded by the Medical Research Council, discovered retailers appear to respond to increases in [alcohol taxes](#) by 'under-shifting' their cheaper products (raising prices below the level implied by the [tax increase](#)) and 'over-shifting' their more expensive products (raising prices beyond the level implied by the tax increase).

Using weekly product-level supermarket prices for 254 [alcohol products](#), the researchers analysed how prices changed in response to tax changes. They examined drinks sold at different price points and in four categories: beers, ciders, spirits and wines.

The findings, published today (Tuesday 24 June 2014) in the journal *Addiction*, showed that supermarkets responded to tax increases by subsidising prices of cheaper products. Price rises for cheaper products were up to 15 per cent below the level expected if the tax increase had been passed on fully.

Although under-shifting affected around one in six of all product lines, these drinks account for a large proportion of total sales: approximately

68 per cent of beer, 38 per cent of spirits and 31 per cent of cider sales.

There is a likely implication on health with previous research showing the heaviest five per cent of drinkers in the UK population, classified as higher-risk drinkers according to NHS guidelines, buy 33 per cent of all shop-bought alcohol and favour cheaper supermarket products.

Subsidising cheaper alcohol when taxes are increased is likely to lead to smaller reductions in [excessive alcohol consumption](#), and consequently smaller reductions in the harms caused by excessive alcohol than if tax rises were passed on in full.

Professor Petra Meier, Principal Investigator from Sheffield Alcohol Research Group (SARG) at the University of Sheffield said: "The Government has identified the ready availability of cheap alcohol as a key influence on the UK's high rates of alcohol-related harm.

"Alcohol duty increases can be part of a mix of measures to tackle this problem. Our new research shows that, after a tax increase, supermarkets appear to subsidise those cheaper products and pass more of the tax increases onto the mid-range and more expensive products. Because these cheaper products are the ones which tend to be favoured by high risk drinkers, the implication is that this could hinder efforts to reduce harmful drinking".

Paul Dobson, Professor of Business Strategy and Public Policy at the University of East Anglia, added: "Subsidising cheap alcohol might be attractive to supermarkets in their efforts to increase the number and frequency of store visits that shoppers make but is socially irresponsible when it encourages excessive consumption. It is imperative that the Government take a much closer look at how taxes and duty are applied on alcohol and consider more targeted measures to address dangerous levels of consumption of cheap alcohol."

Last year ScHARR reported that the Government's introduction of the ban on below cost selling, which would prevent retailers selling alcohol cheaper than the cost of the [tax](#) payable on the product, would have a negligible impact on the consumption of alcohol and related harms in comparison with a 45p minimum unit price for [alcohol](#).

More information: Alcohol tax pass-through across the product and price range: Do retailers treat cheap alcohol differently? *Addiction*, 2014.

Provided by University of Sheffield

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