

Tesco-Booker deal poses serious price threat to independent retailers

By Liz Wells in Industry News 22nd September 2017

Rival symbol groups and independent retailers could be priced out of the market by the massive buying power of a combined Tesco and Booker operation, the Competition and Markets Authority (CMA) probing the proposed £3.7bn merger deal has been told by a symbol operator.



The symbol group has urged the CMA to “block this merger outright”. It said: “Tesco’s overwhelming wholesale price advantage will enable it to attract retailers to its symbol(s) by offering them prices that will be unmatched by any competitor, even with the most competitive will in the world.

“Tesco will only be able to do this because it can leverage its buying power from its supermarkets into the wholesaling and convenience sectors.”

[The CMA is conducting a full investigation into the merger](#) and it is due to publish its provisional findings next month (October), with the full report due to be revealed in mid-December.

The identity of the symbol group that has made a submission to the CMA is being kept under wraps for confidential commercial reasons. It claimed the supermarket giant could use its increased buying power for several reasons, including paying higher dividends to Tesco shareholders or reducing prices in its company-owned stores.

Tesco might reduce prices across the board to include its own stores as well as the Booker symbol groups and franchisees. "With the respect of the latter, it is far from certain that these savings would be passed on to the consumer. Retailers are likely to retain some or all of the benefits."

The symbol operator said Tesco would be able to extract better prices from suppliers, which might have to pass costs on to the supermarket giant's competitors, including the independent sector, forcing them in turn to increase prices for shoppers. "This will make those wholesalers and retailers less competitive."

A merged Tesco and Booker set-up would also "raise barriers" for new franchises or symbol groups aiming to enter the convenience market. "Depending on location," said the symbol group, "Tesco could also introduce lower retail prices at a targeted local level, so as to undermine the ability of the new entrant's symbol retailers to compete."

Established in 2007, TalkingRetail.com brings you the latest news, analysis and information across the UK convenience and independent grocery retail sectors.

Established in 1995, sister publication Independent Retail News is a fortnightly magazine for owners of independent convenience stores.