



Evaluating the impact of alcohol minimum unit pricing in Scotland: Observational study of small retailers

Introduction

Minimum unit pricing (MUP) came into effect in Scotland on 1 May 2018. From that date, every drink containing alcohol has a minimum price based on the amount of alcohol it contains. The minimum price for alcohol in Scotland is currently set at 50 pence per unit (ppu).

The Monitoring and Evaluating Scotland's Alcohol Strategy (MESAS) MUP evaluation portfolio comprises a number of research studies that are being undertaken to assess the impact of MUP. The portfolio contains studies assessing compliance with and implementation of MUP, its impact on the alcoholic drinks industry in Scotland, changes in alcohol consumption, and changes in health and social harms.

This briefing summarises the report from the study led by the Institute for Social Marketing and Health at the University of Stirling, looking at the impact of MUP on small retailers in Scotland.

What is this report about?

This study aimed to understand if and how alcoholic drink price, marketing and product range changed in small retailers in Scotland in response to the implementation of MUP. It also aimed to gain an understanding of small retailers' experiences of MUP implementation and subsequent effects. Small retailers were defined as small owner-operated businesses, usually comprising a single store or small number of stores owned by the same individual or family, which may be

independently operated or affiliated to a symbol group such as Nisa, Premier or Best-one.

This study contributes to the understanding of the impact of MUP on the alcoholic drinks industry in Scotland.

What the researchers did

The researchers carried out a study covering three main areas:

- 1** Analysis of Electronic Point of Sale (EPoS) data provided by the Retail Data Partnership to monitor changes in product availability, product characteristics and pricing for a sample of 2,000 different alcoholic drink products (measured at the individual barcode level) sold among small retailers in Scotland. Monthly data came from a sample of 200 small retailers across Scotland, including different geographical regions, retailer types (such as independently operated and symbol-group affiliated), and different levels of deprivation. The study did not look at changes in sales volume. The data covered the period from August 2017 to January 2019 inclusive.
- 2** An audit of 20 small retail stores from a range of relatively deprived postcodes in central Scotland. The research team used photographs to record the products that were available and how they were marketed, and interviewed the retailers about their experience of MUP implementation. They visited the stores in October and November 2017 and the same period in 2018.
- 3** A review of the retail trade press, including five UK-wide and three Scotland- specific publications. The researchers captured information on changes to pricing, customer behaviour, product range, and experiences of MUP implementation as well as perspectives on MUP before and after it was introduced. They reviewed relevant articles from 297 issues published from August 2017 to January 2019 inclusive.

The research team used these three work packages to answer the following questions:

- What happened to the price of alcoholic drinks sold below and above 50 ppu following the implementation of MUP?
- What happened to the price differential between alcoholic drinks at different points in the price distribution?
- What happened to the product range offered to consumers?
- What happened to low-cost, high-strength alcoholic drinks after becoming significantly more expensive?
- What happened to the way previously low-cost, high-strength alcoholic drinks were marketed?

The researchers also conducted five case studies that brought together data across all three work packages. Each case study focused on all the different size and packaging variants of one product (for example all the size variants that a vodka product was sold in, or all the different size variants and multipack combinations that a beer product was sold in). These case study products were selected using EPoS data from the previous year of sales data from Scotland to identify the top five products based on sales value and volume, sales across a wide range of retailers, and number of alcohol units sold. The case study products were Buckfast (15% ABV fortified wine), Frosty Jack's (7.5% ABV cider), Glen's (37.5% ABV vodka), Tennent's (4% lager) and Strongbow Original (5% ABV cider).

What the researchers found

Taken together, the findings from all three work packages suggest the following changes to alcoholic drink price, product range and marketing in small retailers following MUP implementation.

Price

Alcoholic drink products previously sold below 50 ppu either increased in price to be in line with MUP or retailers stopped selling them. The EPoS data showed that at the end of the study (January 2019), 98% of all discrete products had a monthly average sales price across all retailers of at least 50 ppu. Interviews with retailers found that they took compliance seriously and there were few observed instances of products priced below MUP in the retailer audit after implementation.

The largest increases in category average sales price were seen in cider, particularly for non-multipack products (those sold in single containers), and perry. These were the categories with the lowest average sales price prior to MUP (Figure 1).

Many categories and products were already sold above 50 ppu before MUP was introduced. The average sales price for these products generally increased but to varying extents and substantially less than those products sold below 50 ppu prior to MUP being implemented. It was not clear to what degree these increases were a response to MUP or were greater than the level of inflation that might be expected due to other contextual factors. The researchers observed no strong or consistent evidence of higher-priced products decreasing in price towards the implementation of MUP.

The price increases for those products previously sold below 50 ppu resulted in a narrowing of the price differential between some products and an increase in the number of products sold around 50 ppu after MUP implementation. This narrowing of the price range occurred both within alcoholic drink categories (such as ciders) and between different types (for example between cider and both spirits and beers). For example, in August 2017 Frosty Jack's and Strongbow Original cider both had an average sales price considerably lower than Tennent's 4% lager and Glen's 37.5% vodka. After MUP implementation, all four brands were sold between 50 to 55 ppu. It was suggested in the retailer interviews and retail trade press that this narrowing or

elimination of the price difference between products, along with the removal of some products, had caused some consumers to switch products or brands.

Product range

The researchers observed several changes in the alcoholic drink product range following MUP implementation, although not all were necessarily related to the policy. Changes that appeared to be linked to MUP included the introduction of some lower-strength products and/or smaller container sizes for products, such as Frosty Jack's and Lambrini Original (both of which had previously been sold well below 50 ppu). The introduction of lower-strength products resulted in a decrease in average strength (in ABV) for non-multipack cider and perry (Figure 2). Glen's vodka, which had some variants previously sold below MUP, was also observed to have introduced a 500 ml bottle.

The most marked change in product range was in cider, with both the retailer audit and the EPoS data observing decreases in the number and range of different cider products sold, particularly larger single-unit bottles.

At interview, and in the trade press reports, a number of retailers reported that they had reduced or stopped stocking the products with the largest increases in price, such as the largest three-litre bottle of 7.5% Frosty Jack's (average price £4.18 in Aug 2017 and £11.32 in Aug 2018). There was some evidence that retailers were splitting a greater range of cider multipacks to sell as separate products, thus lowering the ticket price while remaining MUP compliant. During interviews, small retailers suggested that customers had moved from higher- to lower-strength alcohol products, to alcohol products in smaller container sizes or to different products now perceived to offer better value at similar prices.

Marketing

The store audit found the most frequent form of promotion used by small retailers to attract customer attention was price marking on packaging. The store audit and trade press suggested there was a reduction in the use of price marking, particularly for ciders and perries such as Lambrini. Minor changes in other types of promotion were also observed.

Other impacts

The study also provided evidence on attitudes to and experiences of MUP through the store audit and the retail trade press. Before implementation, the retailers interviewed had varying awareness and understanding of MUP, with some being completely unaware. After implementation, retailers had varying perceptions of the impacts of MUP: some reported that there had been little change in sales overall, while others felt that sales had declined, particularly for high-strength cider. Some retailers felt that sales had improved for some products such as spirits and multipacks for beer and lager. Several retailers described increased profit margins for some products making up for the lower volumes sold. Many also felt they were better able to compete with prices in supermarkets following the implementation of MUP.

In the retail trade press, prior to implementation, both positive and negative predictions were made about the impact of MUP on small retailers and consumers. Following implementation, there were multiple articles reporting that MUP had enabled small retailers to compete with supermarkets, increased small retailer alcohol sales (by value) and improved profit margins. There were fewer articles expressing concern about the policy and its implications for the alcohol industry after implementation.

In interviews, retailers reported very few hostile customer reactions. There were few descriptions, either in retailer interviews, or in the retail trade press, of an increase in theft or local illicit trade. There was no indication in the trade press of a shift towards online or cross-border shopping activity.

What do we already know about the impact of MUP on the alcoholic drinks industry?

We have published three other studies that provide some evidence relevant to this study and the impact of MUP on the alcoholic drinks industry more widely:

- 1 A study on compliance with MUP from the perspective of licensing practitioners ('compliance study').
- 2 A study on the economic impact of MUP on the alcoholic drinks industry in Scotland ('economic impact study').
- 3 A study evaluating the impact of minimum unit pricing (MUP) on sales-based consumption in Scotland: a descriptive analysis of one year post-MUP off-trade alcohol sales data ('off-trade alcohol sales' report).

In the [compliance study](#)¹ licensing practitioners reported that compliance up until six months after implementation had been high in both large and small retailers.

The [economic impact study](#)² reported on short-term impacts to the alcoholic drinks industry after around nine months of implementation based on eight case studies in different parts of the alcoholic drinks industry. Retailers reported the price of high-strength cider (such as Frosty Jack's) had increased the most, with less abrupt but still notable increases for lower-strength ciders such as Strongbow. The economic impact study found that the proportion of products affected and the impact that increased prices of these products had on retailers varied by retailer, reflecting differences in product mix and prices prior to MUP. Some case study retailers described de-listing particular products, such as large-format containers of strong

¹ Dickie E, Mellor R, Myers F and Beeston C. Minimum Unit Pricing (MUP) Evaluation: Compliance (licensing) study. Edinburgh: NHS Health Scotland; 2019.

www.healthscotland.scot/publications/minimum-unit-pricing-evaluation-compliance-study

² Frontier Economics. Minimum Unit Alcohol Pricing: Evaluating the impacts on the alcoholic drinks industry in Scotland: baseline evidence and initial impacts. London: Frontier Economics; 2019. www.healthscotland.scot/media/2810/frontier-economics-mup-evaluating-the-impacts-on-the-alcoholic-drinks-industry-in-scotland.pdf

white ciders, and switching to smaller sizes and formats for these products. However, none of the case study retailers described stopping stocking white ciders or other product categories altogether.

Recognising that MUP may have particular impacts for retailers near the border with England, where MUP does not apply, the economic impact study included interviews with a sample of large and small retailers on both sides of the Scotland–England border. These interviews found that the majority of retailers in the border areas in Scotland reported they had stopped stocking some sizes and formats of products that had substantially increased in price, with Lambrini and a number of cider products mentioned.

Overall, the economic impact study concluded that the effect on retailers' revenue was small but variable depending on the main products the retailer offered, with any fall in volume sales being largely offset by the increase in price.

The [off-trade alcohol sales report](#)³ found that the average price of alcohol rose by approximately 5 ppu immediately following MUP implementation, and in the 12 months post-MUP, per-adult sales fell by 3.6%. Not all drink categories were affected in the same way. In keeping with the small retailers study, the greatest increase in average price and decrease in sales was in the cider category. Spirits followed a similar pattern but with a smaller relative change in average price and sales. While the average price of beer increased noticeably, sales stayed broadly stable post-MUP. The average price of wine increased slightly and sales fell slightly. The average price of fortified wine did not change following MUP implementation and sales increased. As stated above, overall price increased and per-adult sales fell.

³ Giles L, Robinson M and Beeston C. Minimum Unit Pricing (MUP) Evaluation: Sales-based consumption: A descriptive analysis of one year post-MUP off-trade alcohol sales data. Edinburgh: NHS Health Scotland; 2020.

www.healthscotland.scot/publications/evaluating-the-impact-of-minimum-unit-pricing-mup-on-sales-based-consumption-in-scotland-a-descriptive-analysis-of-one-year-post-mup-off-trade-alcohol-sales-data

What other evidence on the impact of MUP on the alcoholic drinks industry is still to come?

The final report on the economic impact of MUP on the alcoholic drinks industry in Scotland is expected to be published in 2022.

Statistical analysis of the alcohol sales data, which takes into account underlying trends and the impacts of other things that may influence sales (such as the heatwave in 2018), is due to be published later in 2020 and again in 2022.

Other studies that will help to understand the impact of MUP on the alcoholic drinks industry:

- A price distribution study, investigating how the volume and proportion of off-trade alcohol in different price bands may have changed in the first 12 months post-MUP. Comparison will be made with Scotland pre-MUP and with England & Wales. This study is due to report in late 2020.
- A price and product range study, providing evidence on the extent of change in the characteristics, such as ABV and container size, of products available in the retail and wholesale sectors. This study will report in late 2021.

Conclusions

The results from this study suggest that within small retailers, MUP has had the expected impacts on the price of alcoholic drink products previously sold below 50 ppu, with these products increasing in price in line with MUP after implementation. There was no consistent evidence of MUP-driven price change for those products already above the minimum unit price. MUP appears to have led to some changes in product range, with some retailers ceasing to stock the products that experienced the largest price increase and some examples of new variants of products introduced with lower ABV or in smaller containers or pack sizes.

The findings of the small retailers study builds on previous studies that showed high compliance with MUP, that industry stakeholders reported cider and perry being the drink categories most affected and that the impact on small retailers' business varied depending on their product and price mix pre-MUP. Further studies will add to our understanding of the impact of MUP on the alcoholic drinks industry in Scotland.

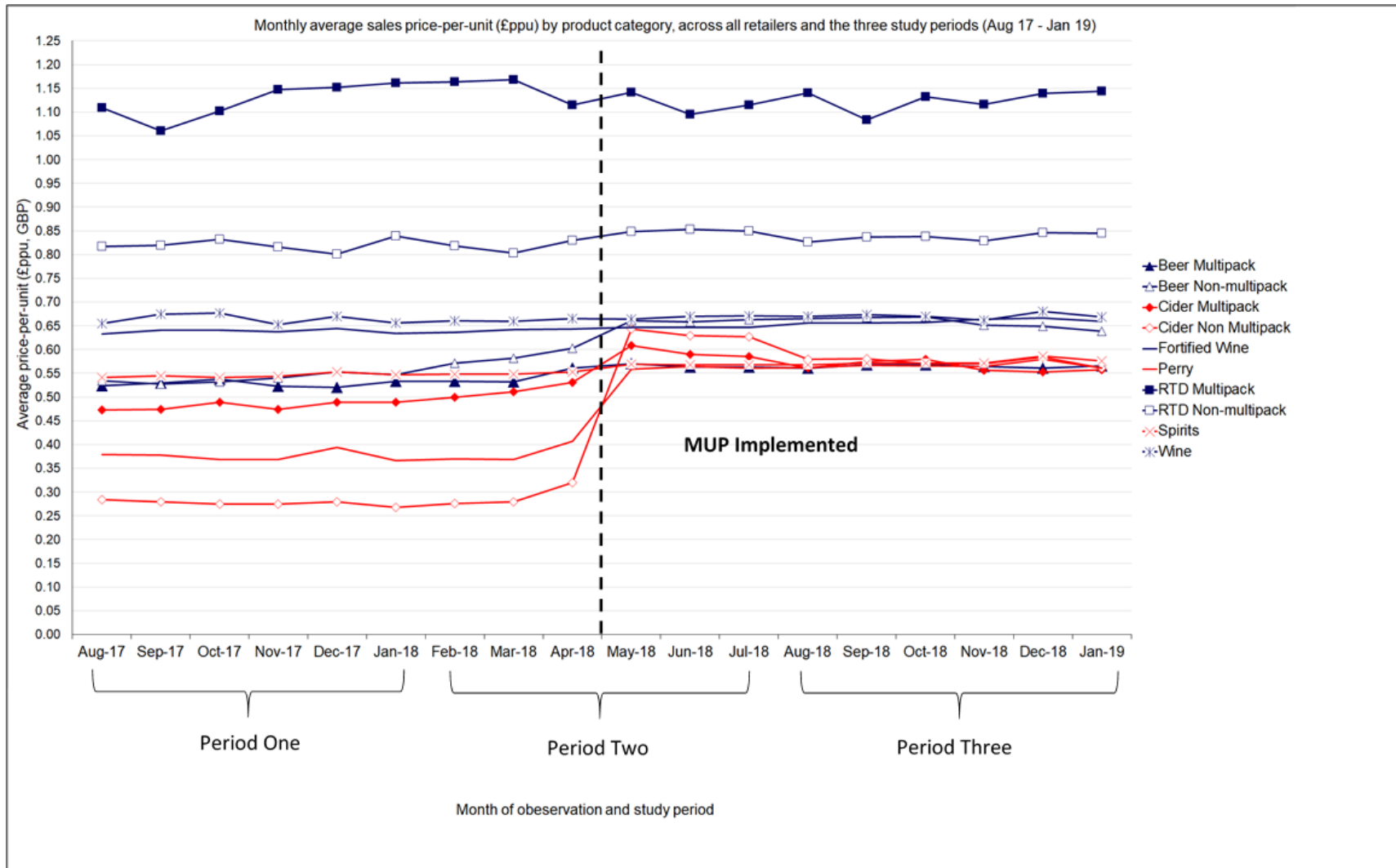


Figure 1: Average sales price-per-unit (£ppu, GBP) in product categories and across the three study periods (Aug 17 – Jan 19); unadjusted for inflation

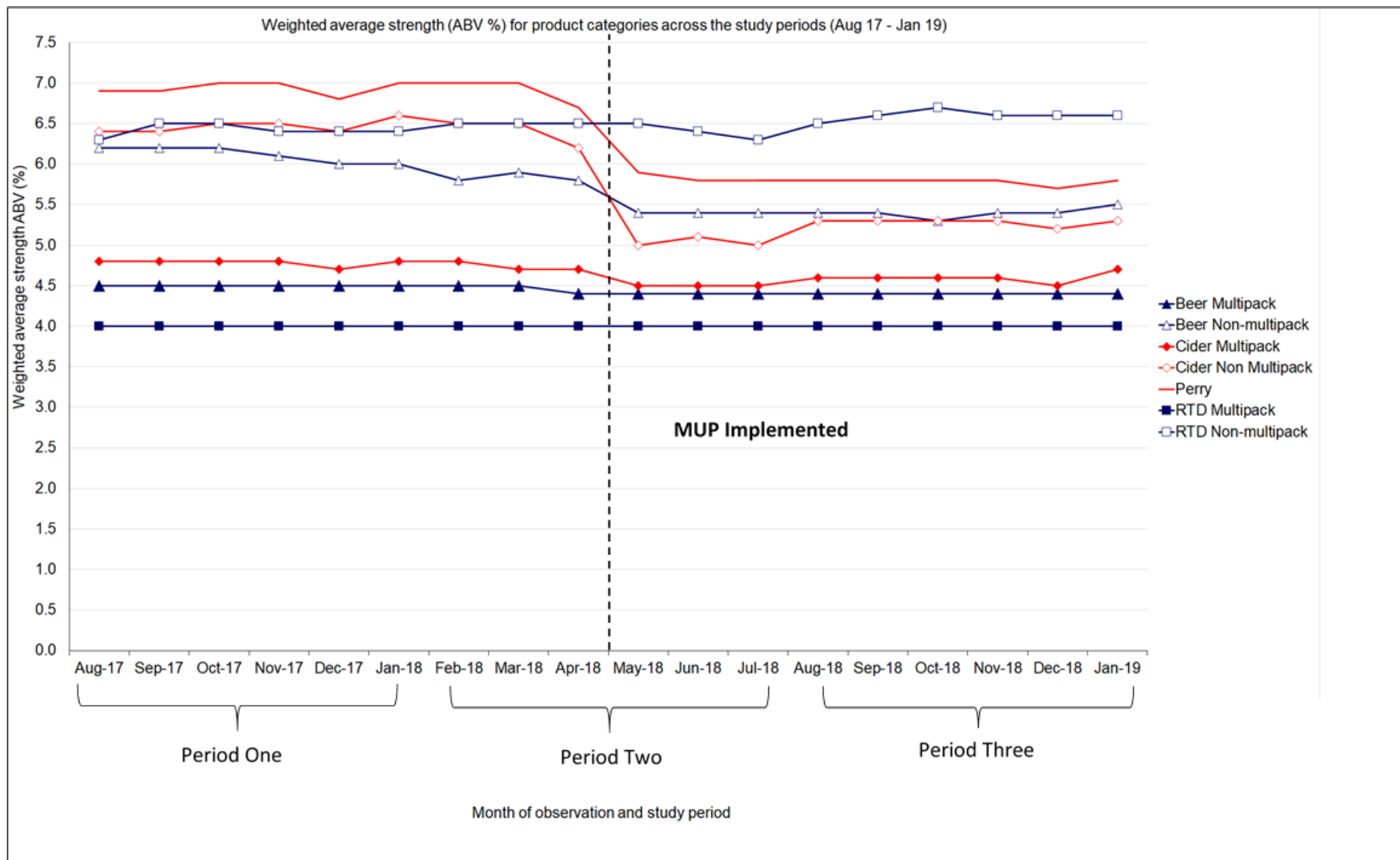


Figure 2: Weighted average product strength (in ABV %), by product category and across the three study periods (Aug 17 – Jan 19)