Alcohol Healthwatch
Whakatūpato Waipiro

31 August 2021

Hon Dr David Clark, Minister of Commerce and Consumer Affairs,
Freepost Parliament, Private Bag 18 888,
Parliament Buildings,
Wellington 6160.

## Supermarkets dominate as retailers of cheap alcohol

Tēnā koe,

I strongly welcome your commitment to investigating factors that may affect competition for the supply or acquisition of groceries by retailers in Aotearoa New Zealand. As the director of a charity funded by the Ministry of Health, I am deeply concerned about the purchasing power of supermarkets and the effects in relation to the retail of very cheap alcohol products. It is without doubt that cheap alcohol contributes to very serious alcohol harms in Aotearoa New Zealand and drives long-standing health inequities, particularly experienced by Māori.

At Alcohol Healthwatch, we are committed to honouring Te Tiriti o Waitangi and utilising the highest quality evidence to reduce alcohol harm and its inequities. Evidence is overwhelmingly clear that the real price and affordability of alcohol are among the strongest drivers of alcohol use and harm in the population.[1]

The market study into the grocery sector provides an important opportunity to consider the role of supermarkets in alcohol-related harm. We previously provided the Market Studies team with the preliminary results of an audit of prices for alcohol products at 22 off-licences (10 supermarkets, 12 bottle stores) across Tāmaki Makaurau / Auckland. In our study, supermarkets were restricted to those owned by the supermarket duopoly, Foodstuffs and Woolworths, given their large size and purchasing power. Off-licences were selected as they represent around 75% of all alcohol sales (by volume) in Aotearoa New Zealand (with a higher proportion among young people),[2] with products considerably cheaper than that found in bars and pubs. Research also shows that supermarkets are among the most widely-used channels for alcohol products, despite alcohol sales being limited to wine, beer, and cider.[3]

We are pleased to now enclose our final report, providing a comprehensive examination of alcohol prices across 743 alcohol products. The study reports 1) the cheapest alcohol products available for sale; 2) the lowest price to purchase the country’s most popular alcohol products, and 3) the price of alcohol products sold in multi-buy promotions. Prices were examined across the majority of beverage types: beer, wine (cask and bottled), cider, Ready to Drinks (RTDs), light spirits and spirits (gin, vodka, dark rum and bourbon).


Level 1, 27 Gillies Ave, Newmarket, Auckland 1023 | PO Box 99407, Newmarket, Auckland 1149
phone 09 520 7036 | email ahw@ahw.org.nz | web www.ahw.org.nz

The key findings are as follows:

**The cheapest alcohol products were sold for less than $1 per standard drink**

- **cask wine was the cheapest alcohol product (sold for as little as 77c per standard drink)**; followed by bottled red and white wine (at ~86c per standard drink);
- the cheapest beer and light spirits were sold for less than $1.00 per standard drink;
- the cheapest RTDs and spirits were sold for $1.20 or less per standard drink;
- in multi-buy offers, bottled wine could be purchased for 81c per standard drink, and beer at 85c per standard drink; and
- many of Aotearoa New Zealand's most popular brands of beer, wine, RTDs and spirits were sold for $1.30 or less per standard drink.

**Supermarkets dominate as retailers of cheap alcohol**

- **supermarkets generally offered the lowest price for beer, wine and cider,** often at considerably lower prices than the same product found in bottle stores;
- around 90% of cheap bottled wines were found on price promotion, and almost half of the cheapest beers, ciders and cask wines were on price promotion, with many sold at low prices on a daily basis (e.g. 'Everyday Low Price (EDLP)', 'Low price' or 'Special'). As most of the cheapest alcohol products were found in supermarkets, the majority of price promotions for these products were also found in supermarkets. Less than one-quarter of the cheapest spirits and RTDs were on price promotion; and
- price promotion was also common for Aotearoa New Zealand's most popular alcohol brands. Among the cheapest of the most popular brands, one-half (50%) were sold on promotion and these promotions were also mainly found in supermarkets.

Findings from our study support previous reports of the strong market power of the two major supermarkets operators over the domestic alcohol market[3,4] and market for general groceries.[5] The strong market power of the two supermarket chains renders strong bargaining power and use of pricing strategies to attract consumers.[4]

This bargaining power is evident in the New Zealand Winegrowers Association submission to the Tax Working Group[6], in which they stated:

> *"New Zealand wine producers have very little bargaining power with the two supermarket groups, which – through their supermarket stores and owned liquor retail chains –are by far the dominant force in the domestic wine market."*

Previous Nielsen research has found that supermarkets in Aotearoa New Zealand are more reliant on promotions to drive alcohol sales, when compared to bottle stores.[7] In the year ending 31 March 2018, 71% and 70% of dollars spent in supermarkets on beer and wine sales, respectively, were for products on promotion.[8]

**Harm from cheap alcohol to drinkers and others**

As the price of alcohol and its affordability are key drivers of consumption in Aotearoa New Zealand[1], it is of particular concern that, in 2017, **alcohol had become more affordable than ever before**.[9] This situation enables moderate drinkers becoming heavy drinkers, and heavy drinkers becoming dependent drinkers. The accessibility of cheap alcohol hinders the efforts of many drinkers in Aotearoa New Zealand to successfully cut down on their drinking and reap the many benefits from this.

Cheap alcohol is more likely to be purchased by those that experience the **most serious harms from alcohol,** including heavy drinkers[10] and Pasifika and Māori drinkers.[11] Allowing the current situation of increasing alcohol affordability to continue will only perpetuate inequities in alcohol harm.

Our findings concur with statements made by the Law Commission in 2010 – that the budget-end of the retail market has witnessed only minimal price increases over the past two decades.

Our results mean that:

| |
|---|
| A woman would only need to pay $3.85, and a man $4.62, to exceed the Health Promotion Agency's low-risk drinking advice for a single drinking occasion.<br><br>For the price of a coffee, a New Zealander can purchase enough of the cheapest alcohol to binge drink (i.e. 6+ drinks). |

Given the very low price of wine in our study (2L cask wine for $17, bottled wine for $6.79), it should be no surprise that research in Aotearoa New Zealand shows that **almost half of dependent drinkers exclusively drink wine**[12] and that **cheap wine is a key beverage consumed in very heavy drinking occasions**.[11] Aotearoa New Zealand's alcohol excise tax structure significantly **under-taxes wine** compared to other beverages (it is taxed as if the alcohol content is 10%, far below its average alcohol content). This must be urgently addressed to reduce the harms from our cheapest alcohol product.

**Alcohol pricing policies represent the strongest and most cost-effective approach** to reducing alcohol use and harm. From an examination of the wealth of research evidence, together with the attached audit of alcohol prices, we recommend the Government adopt the following evidence-based alcohol pricing policies:

- substantive increases (beyond inflation adjustment) to alcohol excise tax rates;
- implementing Minimum Unit Pricing; and
- implementing s397(1d) of the Sale and Supply of Alcohol Act 2012 to require submission of industry sales data.

The Government's increased investment in addiction services will support the effectiveness of alcohol pricing policies. We strongly recommend that the mildly regressive nature (from a financial perspective) of alcohol tax increases must be considered in light of the substantial and positive health, economic and social justice impacts resulting from reduced alcohol use and related inequities. Furthermore, increases in alcohol excise tax can be made more progressive by redirecting increased tax revenue to fund by-Māori, for-Māori alcohol harm reduction services and programmes.

We have also attached our more comprehensive report into alcohol pricing policies, should you wish to seek further information. We will send hardcopies when we return to the office. Please do not hesitate to contact me if you have any questions.

Nāku noa, nā

Dr Nicki Jackson,
Executive Director of Alcohol Healthwatch

## References


1 Wall M, Casswell S. Affordability of alcohol as a key driver of alcohol demand in New Zealand: A co-integration analysis. *Addiction* 2013; 108: 72–9.

2 Insight Economics. Economic analysis of Auckland council's draft local alcohol policy. [Internet]. Auckland, New Zealand: Author, 2015 http://insighteconomics.co.nz/wp-content/uploads/2015/01/Insight-Economics-Economic-Analysis-of-Auckland-Councils-Local-Alcohol-Policy.pdf (accessed Feb 18, 2020).

3 White, Jane, Lynn, Robert, Ong, Su-Wuen, Whittington, Phil, Condon, Clare, Joy, Susan. The effectiveness of alcohol pricing policies: reducing harmful alcohol consumption and alcohol-related harm. Wellington, New Zealand: Ministry of Justice, 2014 https://www.justice.govt.nz/assets/Documents/Publications/effectiveness-of-alcohol-pricing-policies.pdf (accessed Feb 18, 2020).

4 New Zealand Law Commission. Alcohol in our lives: an issues paper on the reform of New Zealand's liquor laws. Wellington, N.Z: Author, 2009 https://www.lawcom.govt.nz/sites/default/files/projectAvailableFormats/NZLC%20IP15.pdf (accessed Feb 18, 2020).

5 Commerce Commission New Zealand Te Komihana Tauhokohoko. Market study into the retail grocery sector Draft report. Wellington, New Zealand: Author, 2021 https://comcom.govt.nz/__data/assets/pdf_file/0025/260377/Market-study-into-the-retail-grocery-sector-Draft-report-29-July-2021.pdf (accessed Aug 25, 2021).

6 New Zealand Winegrowers. Public submission to the Tax Working Group. Auckland, New Zealand: Author, 2019 https://taxworkinggroup.govt.nz/sites/default/files/2018-09/twg-subm-3983325-new-zealand-wine.pdf (accessed July 30, 2019).

7 Voice, N., Miller, B. Discounting drinks: The importance of price in the specialist liquor channel. Insight. 2018. https://www.nielsen.com/nz/en/insights/article/2018/discounting-drinks-the-importance-of-price-in-the-specialist-liquor-channel/ (accessed April 8, 2020).

8 Miller B. The $470m Opportunity: Changing The Game With Price And Promotions. http://www.nielsen.com/nz/en/insights/news/2018/the-470m-opportunity-changing-the-game-with-price-and-promotions (accessed May 30, 2018).

9 Health Promotion Agency. Trends in affordability of alcohol in New Zealand. Wellington, New Zealand: Author, 2018 https://www.hpa.org.nz/research-library/research-publications/trends-in-affordability-of-alcohol-in-new-zealand (accessed Nov 2, 2020).

10 Casswell S, Huckle T, Wall M, Yeh LC. International alcohol control study: pricing data and hours of purchase predict heavier drinking. *Alcoholism: clinical and experimental research* 2014; 38: 1425–31.

11 National Research Bureau. The alcohol purchasing patterns of heavy drinkers in New Zealand. Auckland, New Zealand: Author, 2012 https://www.health.govt.nz/system/files/documents/publications/research-report-alcohol-purchasing-patterns-heavy-drinkers-nrb-june14.pdf (accessed Aug 1, 2019).

12 Falkner C, Christie G, Zhou L, King J. The effect of alcohol price on dependent drinkers' alcohol consumption. *NZ Med J* 2015; 128: 9–17.




Level 1, 27 Gillies Ave, Newmarket, Auckland 1023 | PO Box 99407, Newmarket, Auckland 1149
**phone** 09 520 7036 | **email** ahw@ahw.org.nz | **web** www.ahw.org.nz