

Business and Trade Committee

Oral evidence: Pricing, competition and consumer protection, HC 1073

Tuesday 24 June 2025

Ordered by the House of Commons to be published on 24 June 2025.

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Members present: Liam Byrne (Chair); Antonia Bance; John Cooper; Sarah Edwards; Alison Griffiths; Charlie Maynard; Mr Joshua Reynolds; Matt Western.

Culture, Media and Sport Committee member present: Dr Rupa Huq.

Questions 1 – 59

Witnesses

[I](#): Dominic Morrey, Commercial Director for Fresh Food, Tesco; and Ed Anderson, Director of Legal (Regulatory and Commercial), Sainsbury's.

Examination of witnesses

Witnesses: Ed Anderson and Dominic Morrey.

Q1 Chair: Welcome to today's session of the Business and Trade Committee as we pursue our inquiry into dynamic pricing and the Competition and Markets Authority. Today, we are looking at the role of dynamic pricing in the space of food, flights and fun. Thank you very much to Dominic and Ed for joining us from Tesco and Sainsbury's. Dominic, I appreciate that you are a long way away, but can you spot any obvious difference between these two 12-packs of Weetabix?

Dominic Morrey: From this distance, I am afraid that I cannot tell you. They are both Weetabix, but I could not say much more than that.

Q2 Chair: They are identical, except this one was bought in the Castle Bromwich store in my constituency yesterday at £2.20, and this one was bought in the Quinton superstore in the nice, leafy, middle-class bit of Birmingham for £2. There is a 10% difference between those two packets of Weetabix. I suppose the question that I have to ask is why my constituents in a poorer constituency are being charged 10% more for the same product.

Dominic Morrey: One of those stores is what we would call an Express store, and the other would be called a superstore. In our business we have differential pricing models that reflect the costs of operation, so superstore prices, grocery home shopping prices and Express stores prices. We charge a slightly different price in Express store formats. That is ordinarily because those formats incur different costs.

A large retail environment may have three or four large lorries a day making entire drops to one location. In small, high street locations, we might make multiple drops to smaller stores. You also have things such as rents and rates, which sometimes differ in different locations.

As a business, we operate differential pricing. We have a price for our main store, large store estate, which is the same across the entire country. We reflect prices for grocery home shopping, because clearly there are additional costs there. In Express stores, we price differently to reflect that cost. In addition, our principle is that the prices are clear and transparent at the time of shopping in all those stores. It is paramount that the tickets accurately reflect the price of those products. We offer in some instances a difference in price.

On Express stores, if that is what you are mainly pushing on, in 2023, at the height of the cost of living crisis, we listened to customer feedback and swapped out more than 200 branded items in those stores for cheaper own-brand alternatives. In some instances the products we swapped them out for were 40% cheaper than the branded alternatives. In the last year to 18 months we have also introduced price parity in those stores on certain products, such as milk. I have just been to the



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Express store in Westminster, and milk is the same price in there as it would be in a large store where I live in Ealing.

Q3 Chair: My constituents have much poorer access to transport and to cars. It is much harder for them to get to a superstore, even in Birmingham, than it is to get to the Express store. Why should they be paying 10% more than everybody else just because they live in a poorer neighbourhood?

Dominic Morrey: We operate a differential pricing model because there are differences in operating those two store formats. In a large store format, wherever it is across the country, there will be a price file. In Express stores, because there are differences in the cost of running those, along the lines that I have just outlined, we therefore charge a different premium. There will be other items in those stores, such as milk and bread, so standard items, that trade at the same price. The differential is to reflect the differences in the cost of running those locations.

Q4 Chair: The corporate values on your website, which I checked this morning, say, "We build trust, by being honest and fair". It does not seem to me that it is fair to charge poorer places more because they are only able to access a smaller store rather than a superstore.

Dominic Morrey: We build trust by being transparent and clear about what we are doing. Everything is ticketed and clearly understandable for our customers when they engage with us, either online or in a branch, to understand what they are paying for products. Some items will be priced on parity, as I have already said. That pricing is not based on demographics or location. The Express store format in what you might refer to as a more affluent area will also have that differential. There are different running costs incurred by our business in the small store estate and the large store estate, which I have outlined. The differences in price will be consistent in that format, rather than by geography.

Q5 Chair: You would therefore accept that the impact of Tesco's "honest and fair" policy is that people in the poorer parts of my community will be paying more for their weekly, or daily, shop at Tesco than if they were lucky enough to live in Quinton.

Dominic Morrey: I have already said to you that those store formats incur different costs. We look at prices across all our formats and compare them against our competitive set several times during the week. Across the number of SKUs that we range, we will always look to remain competitive in the store environment we are operating in, but, as I said, we operate a large store price file to reflect the costs of running that estate and a price file to reflect the Express store estate, as well as online, because of the additional costs incurred for online shopping. At all times, we ensure pricing is transparent at the point of purchase, so customers are clear on what they are paying

Q6 Chair: How much extra do you think it is reasonable to charge people



who are only able to shop in a smaller store?

Dominic Morrey: As I said earlier, we constantly review the format of the products we are selling in small stores—we call them Express stores. In the last 18 months to two years alone, we have acted to swap out branded goods to own-brand goods, which in some instances led to prices being 40% cheaper than they were before. We have also taken action in areas such as bread, milk and pasta—staple items that your constituents will buy on a regular basis—to have price parity. We also run promotions in those stores around healthy eating products, as well as on produce.

As I said, there is a difference in terms of running those store formats. Our job is to make sure we remain competitive in every environment and format that we operate in, which is what we seek to do. Also, we aim to build trust wherever we trade by being clear and transparent about our pricing

Q7 **Chair:** Let us look at some of the prices we found in different stores yesterday. Slide 1 shows the differential pricing of chicken breasts between a Tesco superstore and a Tesco Express store. That is a 15% premium. We then looked at, say, lean diced beef. That is a 10% premium.

We then ran a similar exercise for Sainsbury's on slide 2. You can see that Cheerios were 38% more expensive, and Shreddies 11% more expensive, in a Sainsbury's Local store.

If we then look at slide 3, showing a fairly standard basket, the Tesco basket in an Express store was 11% more expensive than in a larger store. The basket was 13% more expensive in a Sainsbury's store. Ed, how do you justify this?

Ed Anderson: As has already been mentioned, there are very different operating costs involved in running a convenience chain. Each part of our business has to stand on its own two feet. An additional point to bear in mind is that convenience stores will often have longer hours. We now also have additional costs with guarding. As has also been mentioned, they have a smaller product range—maybe around 4,000 products, whereas a supermarket would have 35,000. They are replenished more often, which incurs extra costs.

We have worked really hard at this. We were the first supermarket to launch Aldi price match in convenience. At the moment, we have about 800 products in Aldi price match. These are the staples that people need to make meals, so tuna, pasta, milk, et cetera. That is one of the ways in which we are ensuring that people shopping in convenience stores can access the same value.

Q8 **Chair:** That is not the same value—it is 13% more expensive.

Ed Anderson: It depends how customers choose to shop. We have just under 300 products in our Aldi price match scheme that are available in our convenience stores, so those products are the same price as you



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would find in a supermarket. In addition, we make sure we have a suitable range of entry-price products. So we have a Stamford Street range to make sure that we are offering our customers the best value.

Q9 Chair: You are arguing that smaller stores, often in poorer places, are more expensive because they are more expensive to run.

Ed Anderson: They are more expensive to run. One point I would make is that there are many different kinds of convenience store. You sometimes have convenience stores in city centres, where it is more of a "grab and go" for people working locally. You might have a convenience store in a more residential area. We will try to flex the ranging based on the intended customer mission.

We have every incentive to ensure that our customers feel they are getting the best value on price. In a business where we are on a 3% operating margin, we have seven or eight key competitors who will very happily take those customers away from us, whether it is in convenience or the supermarket.

Q10 Chair: Sainsbury's made a profit of nearly £1 billion last year. Tesco's profit was nearly £2.8 billion, so both businesses are extremely profitable. The question for us is why you are charging higher prices for people who can only shop in smaller stores when there is not a profit problem at either of your companies. The dividends paid out by Sainsbury's last year were £306 million. Tesco paid out dividends of £778 million. Most people, looking at the premium you are charging for baskets in poor places and at this financial data, could only conclude that you are profiting from poorer places when there is not an acute financial need to do that. Is that not the case, Dominic?

Dominic Morrey: No, it is not the case. Our profits last year reflect the fact that we did the right things by our customers and delivered year-on-year growth. As I said, any price differential we operate is not based upon the demographics as you described. It is based upon operating those smaller store formats, as I have explained in relation to Tesco, and Ed has explained for Sainsbury's. There are different costs involved in operating smaller stores, just as there are online.

Before I came here today, I went to two Express stores in Westminster and Piccadilly Circus. The differential was the same, but milk is 85p in Piccadilly Circus today, as it would be if you went to a store elsewhere. The differential is based on the fact that those stores have longer trading hours, take different approaches to maintaining, updating and supplying them, and can often be in locations that are more expensive to run than an out-of-town superstore. We have to reflect those price differentials, and that is what we do.

Q11 Chair: What percentage of your smaller stores are in the poorest neighbourhoods in the country?



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Dominic Morrey: That would depend on your definition of small stores in poorer areas.

Q12 **Chair:** Let us say Tesco Express stores, which are 11% more expensive.

Dominic Morrey: We operate the stores irrespective of local demographics or their area of the country. There is an additional cost to running those stores, which is why we have a pricing premium to reflect those costs wherever we trade.

Q13 **Chair:** Ed, what percentage of your smaller stores are in poorer places?

Ed Anderson: I do not have data to indicate which of our stores are in poorer areas. I am happy to look into that and follow up to the Committee in writing.

Q14 **Chair:** Would you accept that both of your companies have a reasonable profit margins to give you the wherewithal to lower prices in your smaller stores in poorer places?

Dominic Morrey: We work on prices seven days a week within the business. We would not be a successful business, or have achieved the growth we have, if customers did not think our pricing as competitive—whether in small stores or out-of-town locations stores. We monitor prices on a daily basis to make sure we are competitive.

Q15 **Chair:** Do you think it is an important mission for your company to ensure that those who are really feeling the cost of living squeeze—such as those who have had very limited pay rises in the last few years—have ready access to your lowest prices, rather than, as the data implies, being charged the highest?

Dominic Morrey: As I said, across the store estate we have a base price for the 45,000 SKUs that we range. On top of that, we list 650 SKUs that are Aldi price-matched, which we monitor forensically each week to make sure that customers can be confident that we have the lowest price on the market for the lines that matter most to them. We also have other promotions and mechanisms to offer good prices.

There are cost differences between operating our large store estate, our grocery home shopping and our Express store format. We act consistently in all those environments to make sure we remain competitive and keenly priced. If we were not, quite frankly, our stores would no longer exist because other people would perform better in a very low-margin area. We are probably the most competitive food retail scene anywhere in the world. Indeed, the CMA itself would class it as a vibrant and competitive retail environment, and that is what we trade in every day of the week.

Q16 **Chair:** You think it is basically fine as it is, as far as Tesco is concerned?

Dominic Morrey: As I have said, where there are cost differences in operating a particular model, we reflect those in our pricing. This enables



us to maintain the availability of good-quality food for customers in those communities seven days a week.

Q17 **Chair:** That sounds like “no change foreseeable”. Ed, what is your view?

Ed Anderson: I do not think it is fine. There is zero complacency on this. We at Sainsbury’s are fully live to the challenges some families are facing in relation to food. We have to keep fighting every day to be as price competitive as we can be. Indeed, our corporate purpose is to make good food accessible and affordable to everybody, every day. All our actions have to sit beneath that.

Q18 **Matt Western:** For the last three years, I have been comparing the prices of a 17-item basket at the Tesco in Leamington town centre with those at an out-of-town Tesco store. We have just heard from the Chair about the significant price differences consumers face between those two types of store. I have not done it for Sainsbury’s, but I could do it just as easily, and I am sure it would yield very similar results.

To give a couple of examples, milk was the same price. You have argued that prices reflect the operational costs of each store format. However, you do not do that in the case of milk. On a bottle of wine, I came across a 50% premium on the cost in the town centre store. Of course, this hugely disadvantages those who do not have great mobility, such as senior citizens and young people who do not have access to a car.

When you look in your stores, you see that there are, say, certain oranges priced by the 100 grams alongside others priced per kilo, so you cannot make a straight comparison. Why is it so complicated for the consumer? Listening to so many previous chairs of supermarket groups, they have always claimed that the consumer needs to be provided with choice and information. Why are they not?

Dominic Morrey: First and foremost, you are correct. As I said a moment ago, we have made sure that certain key items are exactly the same price. On the lines that matter most to customers—the ones they shop for every day, such as milk—there will be price parity to ensure value in those areas.

Q19 **Matt Western:** There is a price difference on a packet of basic pasta

Dominic Morrey: There will be a pasta SKU in those environments, although I cannot speak to the full assortment—I cannot comment on the wine. We talk about the lines that matter most, the ones for which customers most frequently shop.

All our price tickets display unit pricing, which we think is completely right. We also support the forthcoming legislation, currently under review, that will eventually result in kilos and litres being the lead units to ensure consistency in ticketing.

Q20 **Matt Western:** Why do you not do that today?



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Dominic Morrey: We do elements of it, and all our tickets display unit pricing today.

Q21 **Matt Western:** What is so complicated about producing tickets that use the same base unit? It used to be that greengrocers would display the price per 100 grams, per kilogram or per pound. In your stores, however, one orange is priced per 100 grams and another is priced per kilogram. That does not aid consumer choice, does it?

Dominic Morrey: We definitely believe in unit pricing, and it is displayed on all our tickets.

Q22 **Matt Western:** You do not do anything about it.

Dominic Morrey: All our in-store tickets include unit pricing, in compliance with current legislation. Our unit pricing is clear and transparent when customers shop, either in store or online. We support the legislation currently under review to move to kilograms and litres. When that becomes effective, we will look at enabling it. I will take it away to see whether we can tech enable it.

Ed Anderson: At Sainsbury's, we engaged with the CMA on unit pricing a year or so ago. We provided a range of pricing data to enable the CMA to verify our compliance, and we were pleased that we were. I echo the view that there is scope for improvement in the current regulations. Our plea, as a business, is that any future regulation we land on should be intuitive for the customer. It is right that customers should be able to easily compare prices in store, which we support.

Q23 **Matt Western:** You could do that yourselves. You do not need regulation.

Ed Anderson: We comply with existing rules, which as you may be aware, are somewhat archaic. For example, they define which weights have to be applied based on the food type. We agree that there is scope for improvement in the existing legislation and would be fully supportive of working with Government to make sure that lands.

Q24 **Matt Western:** Which? found that a whole load of basic product lines, are not offered in your Local stores, despite being offered in out-of-town stores. What are you doing about that? It disadvantages the people I have just mentioned.

Ed Anderson: As I mentioned earlier, convenience stores typically carry around 4,500 products, whereas a supermarket typically carries around 35,000. One has to consider the customer mission you are serving in a particular convenience store. I go back to the fact that you might have some in a residential area, so you would be thinking more about an emphasis on fresh food and those making meals. You might have those in city centres, where there are more lunchtime workers who grab and go. There are a number of factors that we will take into account when



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ranging in a convenience store, but we are driven by how consumers want to shop.

Dominic Morrey: I will give a very similar response, as you would expect. Where we operate an Express store format, we have to reflect the customer type and their needs. If any of us went there today, the Express stores at Piccadilly Circus and next to Westminster tube station are more focused on food to go and food missions for tonight, whereas a store in a housing community or a local urban environment would have to meet the needs of a more rounded shop.

It is not in our interest to operate stores where customers do not think the range on offer is what they are looking to buy. That is under constant review, in case we see ranges that are not working. That is why, again, we looked at the branded offering in some of the estate and swapped it for own brand. It is constantly under review, but everything we range is there to meet the needs of the core customer base a store serves.

Q25 **Matt Western:** Finally, why can you not align product prices between your out-of-town and in-town stores, recognising the cost of living crisis and its impact on those who can ill afford it?

Ed Anderson: As I mentioned, there are different operating costs for convenience stores and supermarkets.

Q26 **Chair:** There is not a profit problem at Sainsbury's or Tesco.

Ed Anderson: The different parts of our business need to be able to stand on their own two feet. We charge a slight premium to reflect the increased costs of operating a convenience channel.

Q27 **Matt Western:** Are there different prices in the north of Scotland compared with, say, the south-east?

Ed Anderson: We have a national price file for our convenience channel.

Q28 **Matt Western:** So it is not based on delivery costs?

Ed Anderson: No.

Q29 **Charlie Maynard:** Ed, I would like to ask about gendered price disparities. According to the data I have, women's shower gel is sold, on average, at £5.49, whereas men's shower gel averages £1.04—five times less. Obviously, the cost difference is nothing. There might be the odd difference in ingredients, but very small amounts. What do you think explains that enormous gap?

Ed Anderson: I am not familiar with that particular example. On the broader principle, charging a customer more because she is female is not something we would engage in. It would not be acceptable.

Q30 **Charlie Maynard:** Looking down the list—shower gel, shampoo, deodorant, fragrance, razors, moisturiser, face wash and cleanser—it is throughout the whole gamut. Are you saying that this does not happen in



your stores?

Ed Anderson: Categorically, we do not set prices higher on the basis that a product may be bought by a woman rather than a man.

Q31 **Charlie Maynard:** It does not happen in your stores. Dominic, what about yours?

Dominic Morrey: To be absolutely clear, at Tesco we are guided by doing what is right for all our customers and being transparent around it. That is why we have committed to having exactly the same prices for female-use and male-use products, where they are like-for-like. For example, our own-brand razors for men and women are priced the same. Even though the school holidays have not begun, back to school will be on us before long. We charge the same prices for socks, shorts and tops in that area, so boys and girls pay the same price.

Our overarching principle on any gender pricing is that we will always have like-for-like pricing, where those products exist. There can be reasons why products may have differential pricing. From a branded perspective, there may be smaller runs of a product. There could be ingredient differences, so it could read the same at the top-line level. The overarching principle is that like-for-like products will be the same price at Tesco, and we work to review that every week.

Q32 **Charlie Maynard:** You are saying that this does not happen with your own-brand products, unless there is an incredibly good reason such as a difference in ingredients. What about other people's brands? Do you have no role in that? Do you have a discussion with those manufacturers?

Dominic Morrey: We engage with other manufacturers on seeking to achieve that. Ultimately, it will be driven by the cost prices we are presented by a brand. Where no strong reason for a price differential, is presented to us, we will not operate one.

For every own-brand products, we have price parity on a like-for-like basis. In the case of branded products, we will challenge any price difference unless we are presented with a reason for it to be different. Even then, we will push towards price parity. We were the first to cover the taxation on sanitary products to ensure that female customers have access to the products they need.

Q33 **Charlie Maynard:** Do you track those gaps over time to see whether they are narrowing? Would it not be a good idea that both of your companies track those gaps? These gaps are obviously something that you do not want to happen, but this is what we are hearing. Are you actively tracking and trying to narrow those gaps between men's and women's products?

Dominic Morrey: At Tesco, our pricing team is independent of our category team. We have more than 45,000 SKUs across the business, which we monitor for competitiveness across the market seven days a



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week. We also monitor pricing in the product categories you referred to. Where we see an issue, we act so that like-for-like prices have parity. Yes, teams monitor it.

Q34 **Charlie Maynard:** Are the gaps narrowing?

Dominic Morrey: We do not have gaps on like-for-like products.

Q35 **Charlie Maynard:** Okay, but we have a massive discrepancy between men's and women's costs. If this data is correct, which I believe it is, it would be good to hear, "We acknowledge that this is a problem, and we are tracking this thing and working with our suppliers to close this gap". I am not really hearing that.

Dominic Morrey: That is 100% what I am saying to you. We acknowledge that we would not want to have any disparity on pricing between products for men or women. Where products are like-for-like, Tesco will always match them at the same price. That is something we actively look to do. We constantly review those areas. If we see gaps, we challenge why they are there and look to close them.

Q36 **Charlie Maynard:** We will share this information with you so that you can see these gaps.

Dominic Morrey: That would be helpful. Thank you.

Q37 **Antonia Bance:** Thank you very much for your answers so far. In my constituency, the child poverty rate after housing costs is running at nearly 50%. One of the major cost items in many family budgets is infant formula. What are you doing to bring down the cost of infant formula? Why does neither Tesco nor Sainsbury's offer an own-brand infant formula product?

Ed Anderson: We have engaged with the CMA on this as part of its recent investigation. There are significant challenges in introducing an own-brand alternative, particularly given the reassurance that new parents sometimes feel with pre-existing brands. We have looked into it, but we have found it challenging to make it work.

Q38 **Antonia Bance:** What attention are you giving to bringing the costs down?

Ed Anderson: As you would expect, across our entire range for new parents, we have very robust discussions with our suppliers to deliver best value for our customers. We know that families, and particularly families with newborns, struggle financially, and we will continue to push on that.

Dominic Morrey: The CMA recently concluded a report into infant formula, which I believe was published at the end of February. We are actively considering the report's implications to see how we can adjust our operations to meet more of its recommendations. This includes grouping comparable products to improve price transparency. We are



fully aware of the report's findings from the report, and we are actively working to implement its recommendations in short order.

Q39 **Antonia Bance:** Why do you not have an own-brand formula product?

Dominic Morrey: We currently do not have an own-brand product, and it is not something we are actively working on at the moment. It is an area where we believe we will continue to challenge the price of the branded providers. It is an area where consumers are, understandably, strongly brand-driven. It is an area we will look to address with recommendations from the CMA, rather than necessarily working on an own-brand alternative.

Q40 **Antonia Bance:** You have both noted the CMA's report in February, which found that the infant formula market is not a well-functioning market. It made 11 recommendations, two of which were for retailers. It hopes to start with voluntary pilots. What progress have you made on ensuring that there is clear, accurate and impartial information on the nutritional sufficiency of all infant formula products on retail shelves and online shopping channels? What progress have you made on displaying all brands of infant formula together, in a separate cluster from other products such as follow-on milks?

Ed Anderson: I will need to defer to the relevant buying team on that, but I would be very happy to provide a full written response to the Committee.

Dominic Morrey: As I said a moment ago, we are working to implement product clustering in our next range reset. We are looking at how we communicate some of the information referred to, be it on ticketing or online.

Q41 **Antonia Bance:** Are you prepared to implement those changes voluntarily before being forced to do so by the Government's response to the CMA report?

Dominic Morrey: There are certainly elements of it that we believe will go ahead before that, such as grouping things together.

Ed Anderson: We will fully set that out in our response.

Q42 **Sarah Edwards:** Both of your companies offer loyalty schemes. I am sure that many people benefit from some of the savings, but there are groups of people who are not able to benefit, specifically younger people, homeless people and those with no fixed abode. There are also issues for people who do not have access to a smartphone. Why do we have those barriers, and what are you doing about them?

Dominic Morrey: Clubcard was launched in 1995 and is now in its 30th year. Its survival and continued flourishing surviving suggests that, overall, we are doing a good job and our customers engage with it.



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In terms of how you interact with it, you do not need to have a smartphone or a fixed address to join Clubcard, but you do need a valid UK address. Hundreds of thousands of customers receive their Clubcard communication via post, so you are not required to have a smartphone. If customers have any concerns or do not understand something, colleagues in stores can help them or refer them to the website for information.

Over 20 million households in the United Kingdom currently have a Clubcard, and that is how they interact with us. If customers have challenges, there are non-digital solutions, even going down to address level. You do not need to have a permanent address, just a valid UK address, to have a Clubcard.

Q43 **Sarah Edwards:** Why do you need to have an address to have one?

Dominic Morrey: You need to have a valid address, which could be a hostel or a place of multiple occupation.

Q44 **Sarah Edwards:** Why?

Dominic Morrey: It is a requirement under the terms and conditions. You do not have to have a permanent address.

Q45 **Sarah Edwards:** Could someone not come into the store and just say, "I would like one of these cards" and sign up?

Dominic Morrey: Over 20 million households have them, which shows their accessibility. In terms of specific details, the challenge for us was whether you have a fixed address or a valid address, and we use the valid address route. If you require more details, we would be happy to write to you specifically on valid addresses.

Ed Anderson: We have given quite a lot of thought to this. There are 18 million Nectar members. Likewise, if you want a Nectar card but do not have a smartphone, you are able to contact one of our customer centres by phone, provide a temporary address and be sent a plastic Nectar card to use in store.

I should say that Nectar, as with loyalty schemes generally, is just one way in which customers can access value in store. The majority of products sold by Sainsbury's are not at Nectar prices, but there are a range of other schemes available—such as Aldi price match and entry-tier products—to help those who are budget-constrained.

Q46 **Sarah Edwards:** To follow up on that point, the Competition and Markets Authority published a report last year, as I am sure you are aware, examining the accessibility of loyalty schemes, and it made several recommendations to improve them. I have not heard that it is necessarily happening. The report cited these issues and suggested, for example, that people should not need an address. Why is it necessary to have that information to offer somebody a discount or loyalty-based



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pricing, particularly if they are vulnerable? There are quite a number of recommendations in the report, but I have not yet heard your response. Could you give one now?

Dominic Morrey: I have given an answer on addresses, but we will review that and come back. Another area challenged by the CMA was access to Clubcards for under-18s, which we have been active reviewing. In response to the CMA's findings, we plan to enable access for under-18s within the next 12 months.

Ed Anderson: At Sainsbury's, someone aged between 16 and 18 can be added to an existing Nectar account to use the card. There are a couple of things that we have been live to. There are specific Information Commissioner's Office rules around using the data of children, including individuals aged between 16 and 18. We have to think further about whether that is possible, and whether there is any advertising to Nectar member that would not be appropriate for someone between the ages of 16 and 18.

Q47 **Mr Reynolds:** I want to talk to you about AI in your supermarkets. Before I do, Dominic, in answer to Mr Western's question, you said that you believe in unit pricing. That is not technically completely true, though, is it? Last year, Which? shamed Tesco into putting unit pricing on Clubcard, which it was not previously doing. You only started doing that after Which? threatened you under the Consumer Protection from Unfair Trading Regulations. It is not really accurate to say that you believe in unit pricing, because you were not doing it.

Dominic Morrey: It is accurate to say that we have unit pricing on all our tickets.

Q48 **Mr Reynolds:** It is now, but Which? shamed you into doing it.

Dominic Morrey: We have unit pricing on all our tickets in stores. Last year, concerns were raised about unit pricing on Clubcard. When that happened, we acted and ensured it was applied. I can now say that every ticket in Tesco includes unit pricing, even though there are still inconsistencies in legislation regarding weight labelling, but that will come in time. Yes, we have unit pricing on all tickets.

Q49 **Mr Reynolds:** You do now, but you did not.

Dominic Morrey: When it was recommended, we enacted it and put it on Clubcard.

Q50 **Mr Reynolds:** You could argue that it should not have needed to be recommended. You should have just done it anyway because you believe in unit pricing. The actual question that I wanted to ask is about AI in your supermarket. Some supermarket chains have started using AI for yellow sticker reductions, using time of day, seasonality and how well those products have sold over several years or weeks. Do you guys use AI to determine your reduction pricing?



Dominic Morrey: No, not our reduction pricing. The only reduction pricing we have is actioned in stores. It is based on a store manager's understanding of what products he or she thinks are not going to be sold within their use-by date. That is why, if you went to any of our stores, there could be products left in one store that get priced down that might not be stocked by another store. We call this process "reduced in price, just as nice", and it is implemented in store by staff familiar with stock levels.

Ed Anderson: I am not aware of any AI being used to carry out that particular task. Again, I am happy to take that away and verify it, and report back to the Committee.

Q51 **Mr Reynolds:** Both of your companies are now trialling electronic shelf-edge labelling. That has been rolled out by the discounters, and the Co-op Group has announced plans to do the same. Do you see a role for electronic shelf-edge labelling in reducing the prices of end-of-life products?

Dominic Morrey: At the moment, we have a very limited trial on digital ticketing. It is quite commonplace in other retail markets around the world. We are doing a trial at the moment to understand how it works and how our customers interact with digital ticketing. When we see the benefits of that trial, we will look at that.

The entire reason we are looking at it is on an efficiency basis. You can imagine that, if you have 45,000 SKUs, routine price changes are quite labour intensive. Our primary concern is understanding how customers engage with digital shelf-edge labels. It is a small trial and active review, and that is what we are doing at the moment.

Ed Anderson: Similarly, we are carrying out a trial in Witney to see how this works. We have 35,000 products across 1,400 stores, so making price changes is particularly labour intensive. We will explore all types of technology, as you would expect, to see whether we can become more efficient.

Q52 **Mr Reynolds:** How long does it take to change the price on an electronic label? Is it immediate—can a button simply be clicked and the change happens?

Ed Anderson: I am not familiar with the output of the trial, but again, I would be happy to report to the Committee in writing.

Q53 **Mr Reynolds:** Are yours immediate, Dominic?

Dominic Morrey: Yes, the purpose of doing it is to allow you to make relatively immediate changes.

Q54 **Mr Reynolds:** In France, for example, some supermarkets have started using their electronic shelf-edge labelling for dynamic surge pricing. The sun comes out, the price of a barbecue goes up and the store team do



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not have to do anything, but consumers get hit because of the good weather. Can you foresee a future in which Tesco or Sainsbury's would use electronic labelling for surge pricing in response to demand, or can you rule that out?

Dominic Morrey: On behalf of Tesco—I cannot speak on behalf of Sainsbury's—I cannot imagine, in probably the most competitive retail market in Europe, that we would ever do that. We do not currently engage in surge pricing, and we have no plans to do so. We have the most canny customers of any retail market in the world. I think the customer who thought their barbecue products were costing more because the sun had come out would quickly decide to shop elsewhere. It is something I can categorically state we will not be looking at.

Ed Anderson: Likewise, we do not do dynamic or surge pricing, and we have no plans to do it. As the CMA described, grocery retail customers are savvy and will spot the difference quickly.

Q55 **Mr Reynolds:** An end-of-life reduction is an example of dynamic pricing though, surely.

Dominic Morrey: It is the opposite. It is a case of variable pricing, but we reduce products to ensure that they do not go to waste.

Q56 **Mr Reynolds:** Dynamic pricing can go up and down though, surely. Dynamic is not just up.

Dominic Morrey: Reducing price to ensure it does not go to waste is beneficial to our business because we do not incur waste. It is also beneficial to a customer because they get a product at a cheaper shelf-life price.

Mr Reynolds: That might be an answer, but it is not an answer to the question I asked.

Dominic Morrey: If you consider reducing the price of a product as a form of dynamic pricing, then yes—we do dynamically reduce prices to prevent them from going to waste. We do not dynamically price anything to increase in price due to the surge-like conditions that you referred to.

Q57 **Mr Reynolds:** Ed, you said that you do not do dynamic pricing, but you have confirmed that you have dynamic pricing for reductions.

Ed Anderson: Yes, exactly.

Q58 **Chair:** You have left us with more questions than answers, unfortunately. It is just not clear to us how much you really care about people living under real cost pressures having access to the best prices. This is probably an area that the Committee is going to have to look at further. Can we at least see whether we have some kind of moral agreement? Do you think that people who live in the poorest communities in our country should have access to the best possible prices from Tesco?

Dominic Morrey: As I said, we operate three different pricing models—



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Chair: I just want a yes or no.

Dominic Morrey: —to reflect the costs of those areas. Some large out-of-town stores will be in areas that could be more economically challenged, and therefore they will get those prices.

Q59 **Chair:** That sounds to me like a denial of the problem. What about Sainsbury's?

Ed Anderson: As I set out at the beginning, our corporate purpose is to deliver good food that is accessible and affordable for everybody, every day. All our decisions that follow are about what we will keep fighting for, for customers.

Chair: That would be a yes.

Ed Anderson: We will constantly push to get the best price we can for customers.

Chair: Thank you very much indeed to both of you for your evidence and your time, which is much appreciated.