

CAVEAT EMPTOR!

(Or - Is it really value for money?)

Earlier this century Henry Ford introduced the concept of mechanisation on assembly lines to enable his company to churn out motorcars of, quite literally, the same design, shape, colour and characteristics. Through mass production and mass marketing Ford could reach a greater number of people and a customer in any part of the United States could purchase a Ford motorcar and pay exactly the same price as someone else in another State or county. This was standardization of product but, more importantly, it was standardization of pricing so that all customers were treated in exactly the same manner.

Nowadays, marketing hype has seen fit to confuse, apparently, even the most astute of British shoppers. Supermarkets and other large retail chains encourage us to purchase through such slogans as "2 for the price of 1"; "Buy 2 get a 3rd Free"; "Buy this item and get another item free"; "Buy 1 get the 2nd at half price"; and, "3 for the price of 2". Tempted by such apparent bargains we rush headlong into filling our shopping basket or trolley with not only more than we need but, often, with some items that we do not really want simply because the advertisement and markings screamed 'bargain', even when it might be something we do not really want or need.

Given such deliberately confusing, perhaps even misleading, information how on earth can any shopper reasonably compare prices? How can people determine whether or not the product, or a similar item, is better value in another store based purely on price? And, how can one really begin to determine what is the 'added value' on a product if there is no apparent price competition, especially in foodstuffs?

And yet British farmers, who supply the foodstuffs, lamb, beef, pork, chickens, vegetables and cereal produce, to the supermarkets state, quite clearly, that the major food retail chains have driven down the prices paid to them such that their livelihood has been reduced! Apparently, in France in the 1950's and 1960's, similar circumstances prevailed. Then, shopkeepers were obliged to display 2 prices on every item; one was the price the customer was being charged and the other the price the retailer had paid to the wholesaler or farmer for the goods on display. This was meant to indicate, perhaps, to customers that the retailer was not making unacceptably high mark-ups.

Clearly it really is a case of 'caveat emptor' but, is it not time that the British consumer demanded a fairer deal from retail companies be it clothing, foodstuffs, electrical goods or even luxury items? Not only do we pay much more for bigger items like motorcars but, we are being ripped off on furniture, food and electrical retail purchases. Goods like washing-machines, televisions, recorders, camcorders, mobile phones, refrigerators and personal computers (PC's) are much more expensive and so are CD's, books, wine, videos, designer clothing and personal organizers.

Figures from the European Commission (EC) clearly indicate that the British are the 'mugs' of Europe when it comes to purchasing motorcars because we pay so much more than our European neighbours. For example, a Fiat Bravo, with right-hand drive, is 50 per cent more expensive in Britain than it is in southern Ireland; a Ford Mondeo motorcar cost 40 per cent more in Britain than an identical model in Spain; Ford Focus costs 40 per cent more in UK than in Belgium. In general, car prices for standard makes such as Ford, Fiat, Honda, Rover, Audi and Volkswagen, are 35 - 60 per cent more expensive in Britain than in other European countries. Perhaps the time has come for motor manufacturers to open their own showrooms, or, sell directly from their factories and do away with the middlemen.

And, the British government, far from punishing manufacturers or car-dealerships with heavy fines for price fixing and insisting on price stability throughout Europe by referring investigations to the Monopolies and Mergers Commission (MMC), have been singularly inactive. Any concerns to the Department of Trade and Industry (DTI) are passed on to the Office of Fair Trading (OFT) where paperwork is lost in the dust of bureaucracy. When will the government begin to act in the best interests of the general public, the consumers, rather than, as so often appears to be the case, in the interests of big business?

Problem appears to be that, having discarded a commitment to workers rights, in favour of big business, government is reluctant to 'ruffle the duvet' by tackling overpricing and overcharging. All that we have heard is rhetoric from many, and successive, government departments but no real action. After all, one does not bite the hand that feeds it!

More recently, the senior management of a well-known supplier of component parts to the computer industry stated, vociferously, that one reason why more computers are not sold for personal use in Britain is because high street retailers are adding too high profit margins. A personal computer in the United States that sells for US\$1200 cost something like £1200 in Britain, a cost increase in excess of 40 per cent. And, the best way to control prices is, of course, to own or buy out any competition. These price differentials were proven by a study undertaken by a computer magazine that showed that desktop and handheld systems were between 35 and 45 per cent more expensive in UK than in the USA. Even peripheral equipment, such as printers, is slightly more expensive. However, prices for computer systems purchased direct on the Internet were very similar.

A recent programme on British television highlighted the disparity in prices paid for furniture from a well-known Swedish store. In Holland, Belgium, Germany and Sweden prices for the same item of furniture were between 30 and 50 per cent less than in Britain. According to a spokesperson for the firm the reason is that they were pricing their products on not only what the market would take, and by that it is assumed what the British householder would pay, but also on what prices were charged by similar manufacturers. Mugged yet again!

In other instances it has been proven that some of America's most prestigious designers are deliberately fixing British prices at something like 40 per cent above the prices charged for the same items in the United States. They are doing so because it is widely accepted retailers can charge much higher prices in Britain and, more importantly, get away with it.

Similar problems exist in the field of radio and telecommunications. Britain was one of the earlier countries, within the EU, to deregulate and privatise telecommunications and radio communication services but, apparently, we pay more than the majority of our European neighbours not only for fixed landline services but also for mobile phones and for mobile phone connections. Even though price-fixing is illegal it does seem unusual that charges for mobile connections are strangely identical.

And, in the area of financial services, a survey, by The Sunday Times, which compared annual fees charged by unit trust managers with their US equivalents found that, in the US, management fees were in the region of 0.6% per annum but, in UK, they are 1.2% per annum.

In the US and Europe it is widely accepted that profit in supermarkets and other large retail food chains is in the order of 2 - 3 per cent; in Britain, the likes of Tesco, Sainsbury and Asda regularly post profit levels of between 5 and 7 per cent. Surely that should indicate to even the most uninterested shopper that he or she is, clearly, being overcharged for products and basic foodstuffs such as bread, milk, eggs and protein like chicken.

Despite claims by British retailers that they are offering better value the simple facts are that the gap between prices paid in America and Continental Europe with those paid in UK for the same or similar products has gradually increased. Comparing the price of foodstuffs, like meat and vegetables, there is a difference of between 11 and 20 per cent on grocery items. Further, wholesalers are now indicating that the standard 'mark-up' rate in UK for fresh foodstuffs, like milk, eggs, fruit and vegetables, is 40 to 50 per cent; other items such as coffee have a mark-up figure of 50 per cent. Surely there can be no excuse for such blatant profiteering? It is no wonder that people travel across to France on day trips to stock up on wines, beers, cheeses and other foodstuffs.

There are many large retail companies, providing high-service and low-cost food and general merchandise products, in Europe and many more in the USA. I would have thought that the opportunity to gain even 'richer pickings' in the UK, because of the apparent higher 'mark-up' on goods and foodstuffs, would have tempted one or more to join in the 'feeding frenzy' and help to relieve UK consumers of their harder earned cash. Forays by the likes of CostCo, Aldi and Lidl have failed, for the moment, to make much of a dent in the profits of the big 4 UK food retailers. So, perhaps, it is time for one of the bigger discount players, for example WalMart, to take a 'quantum leap' into the UK food retailing business.

In the meantime, some shoppers who live in English counties nearest to Europe now, regularly, do their shopping in France for the very simple reason that most food items and household products are vastly cheaper across 'La Manche' and besides, it is always cheaper to fill up with petrol or diesel whilst over there; indeed, prices in Europe tend to be 20 - 30 per cent cheaper in other countries.

Why do the British public put up with such obvious profiteering and why is there not a stronger regulatory framework that allows regulators and consumers to challenge this blatant over-charging and impose punitive fines? Bearing in mind that we work longer hours for less money than our European neighbours and pay more for our goods and services, motor-cars and other electronic and electrical goods, utility services and clothing spring to mind, and public transport systems especially rail travel, is it not time that we 'signed up' to the idea of standardization within the EU? Or, will we continue to accept that Britain is one of Europe's most frustrating and expensive places to live?

There is a need for much more stringent application of the EU rules governing competition and pricing or perhaps there is a need to review the bureaucratic process that determines and dictates prices of goods, and more especially foodstuffs, and services throughout Europe. Perhaps it is time, yet again, for the British public to learn how to bargain and to insist on price reductions or take their custom elsewhere. This is important to retailers for the simple reason that it is widely accepted it costs four times as much to gain a new customer as it does to retain an established one. If enough people take the time and make the effort to travel across to our European neighbours on a regular basis then, perhaps, UK retailers will get the message!

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