

# A statistical imbalance

The Guardian's diatribe against Tesco and Asda is based on a partial reading of the available data

Last weekend *The Guardian* launched another of its attacks on British supermarkets, accusing both Tesco and Asda of aggressive and unfair pricing policies.

According to the paper's analysis of the two stores' pricing in the two weeks leading up to Christmas, Asda increased its charges for 2000 lines, while Tesco did so across 1500 lines. *The Guardian* also noted that, during the period in question, the prices went up by an average of 35p at Tesco and 48p at Asda.

The title then turned to Professor John Bridgeman, former director-general of the Office of Fair Trading, for his expert analysis. He claimed the data showed both Tesco and Asda were engaged in 'systematic, cynical and aggressive' attempts to 'exploit demand'.

Both retailers, according to Professor Bridgeman, had used their sales and loyalty card data to identify the categories usually purchased at Christmas and had raised prices 'to extract maximum profit' from shoppers.

Wow! What a scoop. Supermarkets using their CRM data to maximise profits. You read it in *The Guardian* first. In other headlines, Benedict XVI is apparently Catholic and, as today's nature section reports, some bears have been found defecating in the forest.

A closer look at the data, however, reveals that the story is not just overblown; it is, in my view, plain wrong. While it is true Tesco increased the prices of 1500 lines during these two weeks, it also dropped its prices on

2600 other lines in that period. Moreover, while Tesco's price rises averaged 35p, the average price cut (on more products) was 54p. Rather than a concerted attempt to exploit shoppers, the data simply reveals British supermarkets are engaged in multiple promotional activities that allow them both to make profits and also maintain market share in the face of stiff competition.

It seems that Professor Bridgeman's 'expert' contribution to *The Guardian* was equally flawed. Of course retailers use store data to set prices to maximise profits and customer acquisition. That isn't cynicism – it's capitalism.

In his role as the director of the British Horseracing Authority does he condemn bookmakers who 'cynically' use their knowledge of a horse's past form 'systematically' to adjust the odds they offer on its next race? Or when he

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worked as a consultant for Granada, during its 2003 merger submission to the OFT, did he 'aggressively' charge the broadcaster a higher daily rate than the one he had earned previously while he was in charge of the regulator?

I find *The Guardian's* efforts to make supermarkets look like cynical manipulators of the public hilariously naive. Look at the quality and choice, the stiff competition between the big four, and the keenly priced own-label ranges; it is hard not to conclude that Britain has some of the most profitable and consumer-friendly supermarkets in the world. (Yes, you can have both.)

There is absolutely nothing wrong with making a profit – I'm sure the Guardian Media Group, which is losing £100,000 a day, would rather be in the black. Maybe *The Guardian* should start replicating, rather than resenting, Tesco's methods if it wants to stay in business.

In Professor Bridgeman's resumé he says he possesses 'particular expertise' in aluminium, transportation, defence, media, sports, aerospace and food retail. That long list makes me feel very inferior. I know only about one thing – marketing – but at least I have a PhD in the discipline and the expertise to see the most cynical and aggressive thing affecting UK supermarkets right now is this tawdry, ill-founded campaign.

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## 30 seconds on... The Guardian's assault on Tesco and Asda

- The initial story ('How supermarkets can cut "thousands of prices" but your bills may go up') appeared on the front page of Friday's *Guardian*. The paper also published online a list of all Tesco and Asda price increases between 9 to 22 December but omitted a similar, longer list of the price decreases over the same period.



Tesco accused *The Guardian* of using 'a skewed and unrepresentative sample of products'

- During the analysis period, the Asda products that doubled, or nearly doubled, in price included Duracell AA batteries, Walkers crisps and Coca-Cola. Asda countered that many of these products had been on a four-week promotion that finished before Christmas. The lines had then reverted back to 'their original, low price'.

- At Tesco, Beefeater gin was up 38% and Nurofen 33%. In response, it said its average basket of goods for Christmas 2009 was much cheaper than the average in 2008 – in spite of rising inflation. Tesco accused *The Guardian* of using 'a skewed and unrepresentative sample of products to make a series of partial and misleading accusations'.