

The Scrutiny Panel re Supermarkets,  
Scrutiny Office,  
States Greffe,  
Morier House,  
St. Helier,  
Jersey, JE1 1DD.

re Suggested New Supermarket at St. Peter.

You have advertised, seeking views on matters related to the above proposal and I reply under the headings suggested in your advert.

A. Will this destroy local businesses or lower prices to customers?

To answer one has only to look at places in the U.K. where a new supermarket, or an additional supermarket in an area already adequately shopped, has been opened. After a period of competition, one can notice that many of the smaller shops, particularly family-type business, are looking less prosperous and subsequently there are shop closures - such closures not easily being replaced by new businesses. The premises are then occupied by charity shops or even left empty.

You ask whether a new supermarket at St. Peter would result in lower prices to customers, but it must not be forgotten that all supermarket groups are in business for one reason only - to make a profit and their aim is to achieve a higher level of profitability than their competitors. They are not in business to sell at cheap prices unless by doing so they can drive others out of business - at which stage, of course, they no longer have to sell at low prices.

It is, of course, usual practice for a new supermarket to advertise very cheap petrol and a number of other loss leaders" e.g. bread and milk in order to attract new customers. In the U.K. people will drive many miles to "try out" a new shop - their car journey will cost them very little as the saving on a full tank could be significant. It does not follow that all the other prices in the shop will be equally cheap or that they will be maintained long-term; the shop will still have to achieve a level of profit on its capital investment sufficient to satisfy its corporate objective.

The opening of a new supermarket with its cheap offers may well force other business to lower their own price levels in order to stay in business, but their loss of profitability may eventually mean their ultimate closure.

B. Will this increase customer choice or make Jersey another U.K. clone town.

It is not clear to me that the opening of a new supermarket would increase customer choice. Supermarkets are, by and large, very similar to each other in terms of the stock they keep; they may differ slightly in the way they display them or they may be more convenient to where people live but that seems to be the limit of choice available. In relation to St. Peter, there are already two supermarkets, one either side of the possible site; do we really need another between them?

With regard to Jersey becoming another "clone town", we already have most of  
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the main U.K. market names in King St. and Queen St. and a new name near the Airport at St. Peter will not greatly affect the situation in St. Helier.

C. Will this create new jobs or force local businesses to cut staff?

The opening of a new supermarket would obviously create a demand for staff to run it and this will put additional pressures on an already competitive market. The supermarket will have a "long pocket" which will enable it to bid up wage rates in order to acquire the staff it needs.

This may not force local businesses to cut staff - they could go anyway if the supermarket offers higher pay. The real questions ought to be (i) "How will local businesses recruit new staff to replace those leaving?" (ii) "Will their profit margins be sufficient to compete for staff?" and (iii) Will the effect of a new major store be to attract staff new to the Island, whether to work in the supermarket or in smaller shops who have lost their own staff?

D Will this help local business or destroy the town centre?

As implied above, the aim of any new supermarket will not be to help local business - their aim is always to overcome local competition, whether by existing supermarkets or smaller independent retailers.

If the new supermarket is to be sited in St. Peter, it is unlikely to destroy the town centre, but it could well have an impact on the two existing supermarkets at Red Houses and St. Peter as well as the smaller outlets in the Quennevais Parade.

Nevertheless one should not ignore the impact on the town centre of a major new supermarket in an out-of-town site. Supermarkets operate as a base for one-stop shopping and they do this by selling every type of goods that they can. They are no longer purely food shops (if indeed they ever were) and one has only to look round, say, Chequers at Longueville to see the extent that this store now competes with practically every other type of retailer in town. In addition to traditional food items they now offer pharmaceuticals, sports goods, hardware, clothes, luggage, stationery, newspapers and magazines, electronics etc. Each item under these headings sold, can only be a potential loss of a sale by a smaller competitor in town and it is a fair guess that any new supermarket will do likewise. Many existing retailers in town are bound to lose part of their trade to such an operator.

E With the Waterfront to be built, haven't we got enough retail space?

Regardless of whether additional retail space will be created on the Waterfront and, if so, how much, it is a fair question to ask whether the Island needs a major new supermarket presence.

All supermarket chains work on the basis that they need a potential shopping population of X thousand in the area around a new shop site, if they are to have a chance of achieving their desired level of return on their investment. They build into their calculations, as implied above, a significant number of customers likely to travel quite long distances to shop with them and people are willing to do this. However, Jersey is different; people are very unlikely to want to travel from outside the Island just to go to this new shop and therefore the level of available population is virtually fixed at around 100,000 (allowing for summer visitors). There are already five or six supermarket-type shops serving that market plus a number of smaller offshoots of those shops, thus giving the Island a fairly good coverage.

On the face of it, it seems that we have enough retail space to serve the Island already and a major newcomer must lead to a general reduction in profitability, possibly forcing some of the existing traders out of business; alternatively it may compete by taking over one or more of them.

I do not think it should be the policy of the States to protect Island businesses against all-comers, but possibly the States might be concerned if the advent of a major new store were to lead to a decline in the profitability of the retail trade in town, especially if, under the new Income Tax system, the profit of the new retailer escapes local taxation because the business is owned elsewhere.

My overall view is that despite the attraction one of the major names would have if they were able to open here, I really doubt whether there is the market potential to satisfy them in the face of existing competition and I have no doubt that such a new retailer would have a significant <sup>effect</sup> on a number of existing retailers and not only those in the food and grocery trades.

Yours faithfully,



J.A.R.Green.