



Evaluation of the Minimum Price for Alcohol in Wales – Interim report on Research with Retailers and Quantitative Analysis

Executive Summary

1. Research aims and methodology

- 1.1 This is the interim report from mixed methods research with retailers evaluating the experiences and impacts of the Minimum Price for Alcohol (MPA) in Wales since implementation on 2nd March 2020.
- 1.2 The research was commissioned by the Welsh Government to collect feedback from retailers on the implementation and impact of the MPA, and to examine the impact on alcohol sales and purchases using secondary data analysis.

Methodology

Qualitative methods

- 1.3 Qualitative interviews were conducted with 30 retailers from across five Welsh regions approximately two years since baseline. Fifteen retailers were interviewed at baseline and participated in the second wave, and 15 new participants were recruited in this first follow-up. The sample included independent and chain retailers; micro, small, and medium-sized retailers; and a mix of on-trade, off-trade, or both on-trade and off-trade licensees.

Quantitative methods

- 1.4 Controlled Interrupted Time Series (CITS) analyses were conducted to explore the impact of the MPA policy on a series of alcohol sales and purchasing outcome measures. Using England as a control group, the analysis sought to disentangle the effects of the Minimum Unit Price (MUP) from those of Covid-19 mitigation measures, which were implemented almost concurrently with the MPA in Wales.
- 1.5 Point-of-sale data from small retailers and purchasing data from a large panel of shoppers were used for the quantitative analysis. Monthly sales data ran from September 2019 until February 2022. Four-weekly purchasing data covered the period from March 2015 to February 2022.

Context of Covid-19 and cost of living

- 1.6 It should be noted that retailers' experience and views of the implementation and impact of the MPA were affected by the wider context of the Covid-19 restrictions and the recent cost of living increases:
- The Covid-19 restrictions, first introduced in the same month that the MPA took effect, had significant effects on retailers' businesses and customers, especially for on-trade retailers. This had implications for some retailers' preparedness for implementation and the MPA's impact on alcohol sales;
 - Cost of living increases were found to overshadow changes resulting from the MPA between February and June 2022, which retailers said made increases in alcohol prices less noticeable. Retailers also considered the rise in cost of living when articulating their views of the policy's effects on their customers and sales.

2. Key findings

Qualitative findings

Awareness and understanding of the MPA

- 2.1 Retailer's levels of awareness and understanding of the policy had moderately improved since baseline, with all demonstrating a basic understanding. Knowledge gaps included how individual prices were calculated, how the MUP affected promotional offers and discounts and how the policy was enforced. Factors that contributed to retailers' level of awareness included whether retailers were closed during the pandemic, whether they already charged above the minimum price per unit and if they were primarily responsible for making pricing decisions.
- 2.2 Those with higher levels of awareness at this stage tended to have actively sought out one or multiple sources of information about the policy at baseline. Sources of information were accessed via the internet, media, social media; national and Local Government communications; trade sources; or word of mouth. While some viewed these sources to be enough, others lacked awareness of existing information on how promotional offers and discounts should be priced or where to access it. Policy reminders and updates, and evidence on whether the policy had positive results were also desired.

Views of the MPA

- 2.3 Retailers who viewed the likely effectiveness of the policy positively, saw 'problem drinking' as an illness, not a choice, and believed that it would prevent illness and improve public health. Mixed views on whether the policy was effective reflected broad agreement with the policy, but also concerns that it would disproportionately affect the poorest and most vulnerable in society. These concerns were exacerbated by the recent cost of living increases. Negative views on likely effectiveness were found among retailers who believed people would always drink as much as they wanted, and that the policy was futile.
- 2.4 On-trade retailers believed the policy had a levelling effect on competition between themselves and off-trade retailers, especially supermarkets who were thought to undersell their products. Others were positive or neutral about the policy because they found – contrary to expectations pre-implementation – that it only affected the prices of a few or none of the products they sold. Independent shops operating at the cheaper end of the market were concerned that they sometimes could not discount to compete with on-trade retailers, supermarkets and chains of shops. This meant some believed they should be able to sell at whatever price they liked.
- 2.5 Retailers who said they needed to be responsible when selling alcohol most supported the policy. They believed that excessive drinking associated with a retailer put other customers off using them, or thought they had a role in promoting public health. Others thought continued support for the

policy would only work alongside education to promote responsible drinking and government support for alcohol addiction services. Those who argued for individual responsibility and consumer choice were the least supportive of the MPA.

Preparations for and experiences of implementation

- 2.6 Retailers who had prepared the most before implementation were the most prepared to address any necessary changes once the policy was implemented. Actions taken post-implementation included training staff on the policy and raising awareness among customers. Reasons given by retailers who had not prepared for implementation were that they were not responsible for decisions on pricing, they already sold alcohol above the MUP, or they had only recently re-opened post-Covid-19 and the MPA policy was not front of mind.
- 2.7 The main difficulty retailers experienced was the pricing of promotions, offers and discounts, especially those who were unaware of the Welsh Government's Guidance and MUP app for calculating what the minimum by volume of alcohol should be. For those who had used the MUP app, calculating the price of alcohol helped verify their calculations and avoid pricing issues.

Perceived impacts

- 2.8 Retailers' reflections at this stage that they thought all, or most prices would go up significantly due to the policy were not met. Rather, they found that price increases were limited to two or three litre bottles of strong, cheap cider; cheaper wines; and some spirits served in bars and restaurants. All other products sold by retailers were reportedly already within the permitted range or had a high mark-up, which meant price increases were able to be absorbed within existing profit margins.
- 2.9 The positive effects of these changes, in terms of the desired outcomes of the MPA, were that customers were buying less of the cheaper, higher strength alcohol; or that retailers said they stopped stocking these products altogether and replaced them with lower volume alcohol, or high quality and higher priced alcohol. These effects in turn were thought by on-trade retailers to have created a 'more level playing field' on alcohol pricing between on-trade and off-trade retailers.
- 2.10 The negative effects of the changes on retailers included: (a) product wastage because they were unable to discount cheaper, higher strength alcohol when close to their best before dates; (b) difficulties for UK-wide retailers dealing with different regulations and pricing regimes across Wales, Scotland, England, and Northern Ireland; and (c) what some retailers perceived as additional costs incurred in training staff.
- 2.11 Regarding the perceived effects on customers, some retailers believed that customers were unaware of the price changes, while others observed some 'grumbles' by customers. Once retailers informed their customers about the policy and its purpose, they said that those who had expressed dissatisfaction tended to accept the price increases. The effects of the MPA on problem drinkers were unclear to retailers, who either assumed that this group would substitute cheap alcohol with drugs or prioritise their spending on stronger alcohol over other costs such as food.

Quantitative findings

Is the MPA policy associated with a change in alcohol retail sales in Wales, compared to England?

- 2.12 In the available data on a sample of smaller retailers (excluding supermarkets), the implementation of the MPA policy in Wales in March 2020 was not associated with changes in the alcohol-related sales revenue and transactions. The data indicate a strong upward shift in alcohol sales in both Wales and England in March 2020. That is, off-trade alcohol sales and transactions increased, but because this was also observed in England it is presumably due to Covid-19 restrictions. There is no evidence that the MPA influenced retail sales (in small retailers) over and above the changes in alcohol retail and consumption brought about by Covid-19 mitigations.

How is the implementation of the MPA policy affecting alcohol sales in border stores in Wales?

- 2.13 Importantly, the available data suggest small retailers in Welsh-border stores were not differentially affected by the MPA in terms of overall revenue and transactions relating to alcohol.

What is the impact of the MPA on consumer purchasing in Wales?

- 2.14 The MPA policy change appears to have been implemented by retailers as there were generally increases in the average price paid for a litre of alcoholic beverages in March 2022. More specifically, the average price paid for a litre of alcoholic beverage was 68 pence higher in Wales in comparison to England in March 2020. However, there were no observable effects on the two outcomes more relevant to consumer behaviour. Specifically, the implementation of the MUP was not associated with changes in average household spend (£) or average household volume (litres) of alcoholic beverage purchased.

Does the impact of the MUP on purchasing vary by beverage type in Wales in comparison to England?

- 2.15 Analyses by beverage type show that most alcohol types had a statistically significant increase in the average price of a litre of alcohol in March 2020, while cider was the only alcohol type that reported a decrease in average volume (litres) purchased in Wales (in comparison to England). Price increases for lager were accompanied by increased household spending, suggesting these costs were absorbed by consumers.

3. Recommendations

- 3.1 Recommendations for the next and final stage of the research are that the interviews with retailers should focus on the effects of any changes to the MUP, further campaigns to promote the policy, to improve awareness of existing guidance, and ongoing impacts. This might include: effects of any further information and advice campaigns targeting retailers; experiences of compliance and enforcement; capturing views on how the MUP level may change, and further disentanglement of impacts from Covid-19 and the context of higher inflation; and perceived effects on customers and problem drinkers over time. The quantitative analysis may also be improved by expanding the data on outcome measures assessing sales and purchases of alcohol, alcohol sales from all retailers, and longer periods of time series data.

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Views expressed in this report are those of the researchers and not necessarily those of the Welsh Government

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