



**Consumers are driving competition and lower retail prices**

The Competition Authority today published its report on the Retail-related Import and Distribution sector. It finds that increasingly price-conscious consumers are shopping around for the best prices and spurring more competition between retailers and their suppliers. This is causing prices to fall. For example, between January and May 2009 grocery prices fell by over 2%.

Now that prices are coming down on a range of goods, the Competition Authority urges Government to reduce the cost of doing business in Ireland to help Irish suppliers compete and survive.

According to Bill Prasifka, the Chairperson of the Competition Authority: *"Falling retail prices are proof that competition works. Retailers and their suppliers are responding to consumers' changing shopping patterns. Reducing the cost of doing business in Ireland is key to helping suppliers of retail goods to be competitive."*

The Irish retail sector, and the supply chain that feeds it, is undergoing a major and necessary adjustment. The large numbers of consumers travelling to Northern Ireland in 2008 and early 2009 exposed the fundamental problems of the Irish retail sector. The Government can no longer devalue Ireland's currency but addressing the high cost of doing business in Ireland will help all types of businesses as well as consumers.

The Report's key findings are that many factors contribute to differences in prices between Northern Ireland and the Republic of Ireland. The response of retailers and suppliers to these price differences varies across different sectors:

Groceries sector

- Retailers are pressuring suppliers for better deals and finding alternatives.
- Prices to consumers have fallen as a result.
- Encouraging more competition at retail level - through changes to the planning system - would benefit consumers further.

Clothing sector

- It is more difficult for clothing retailers to find alternative suppliers and renegotiate prices, compared to the grocery sector.
- Consumers are benefiting from more and bigger discounts in sales.

Pharmaceutical sector

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## The Competition Authority

An tÚdarás Iomaíochta

- Medicines are highly regulated to protect public health and so imports are extremely limited.
- Price reductions for consumers must come from the State leading the way and reducing the prices it pays for medicines.

The Competition Authority also recommends adjustments to the planning process to encourage more competition in grocery retailing. The Competition Authority welcomes the Government's announcement that the very high mark-up paid to pharmacies by the State will be reduced.

### NOTES TO THE EDITOR

The Competition Authority's report follows a request by the Tánaiste and Minister for Enterprise, Trade and Employment Ms Mary Coughlan, TD, on 25<sup>th</sup> February 2009.

The terms of reference given by the Tánaiste were for the Authority to examine:

- how the retail-related import/distribution sector operates and how competition works in that sector;
- whether any practice or method of competition affects the supply and distribution of goods within that sector;
- the impact on competition within the sector of direct importation from source countries, rather than indirectly through the UK;

and to report to her by 30<sup>th</sup> April 2009.

The Competition Authority completed this study and delivered a draft confidential version to the Tánaiste on 30th April 2009. The final version was sent to the Tánaiste on 14th May 2009.

The Minister's request was made in the context of a Forfás report which suggested that *"the fact that the strong euro does not appear to be translating into lower import costs may be indicative of a lack of competition in the import, distribution and retail sectors"*.

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