

Alcohol pricing and promotions market study Frequently Asked Questions

Key takeaways

- Following a request from the Attorney General, the Jersey Competition Regulatory Authority (the Authority) will be carrying out a market study of the local Alcohol market.
- A market study is the analysis of a market as a whole, or features of a market, using a variety of evidence to assess how well it is working and if any changes should be recommended to make it work better.
- The study will focus on a specific feature of the Jersey alcohol market, which is the Attorney General's Guidance (Licensing (Jersey) Law 1974) on Drinks pricing and promotions (**Guidance**)¹.
- The study will examine the economic impact of the Guidance on licensed outlets and consumers and comparable international experience of similar policies. It will also consider any actions that could help improve market outcomes and support broader policy objectives.
- The study will start in October 2021 and take approximately four months to complete.
- The outcome of the study will be a report which explains the approach, findings and, if identified, recommendations. The report will be published on the Authority's website.

Frequently Asked Questions

What is a market study?

A market study is a flexible tool to explore whether a market, or a feature of a market, is working well for Jersey consumers. It considers the relationship between consumer behaviour in a market, the behaviour of businesses in that market, and the market's structure. By looking at these relationships, the Authority can determine whether action that will encourage changes to consumer behaviour, business behaviour, or both, will help address any market problems found.

An important point to note is that the focus of a market study is not the actions of any specific business or firm.

¹The Guidance is available at:

<https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/ID%20Attorney%20General%E2%80%99s%20Statement%20Drinks%20Promotions%2020130328%20JB.pdf>

What is the Alcohol Market?

In Jersey it is a requirement to have a licence to sell alcohol. The framework is set in the Licensing (Jersey) Law 1974. This sets out different licence types, including different licence categories for sales in bars, clubs, restaurants and nightclubs, commonly known as ‘on-licence’ premises, and through supermarkets and shops, commonly known as ‘off-licence’ premises. The formal Licence categories used are:

- First category – Taverner’s Licence
- Second category – Residential Licence
- Third category – Restaurant Licence
- Fourth category – Comprehensive Licence
- Fifth category – Club Licence
- Sixth category – Off Licence
- Seventh category – Entertainment Licence

What will this market study examine?

The study will focus on a specific feature of the Alcohol market, which is Guidance relating to drinks pricing and promotion.

The Guidance is issued by Jersey’s Attorney General. Its purpose is protecting against promotions or pricing strategies intended to encourage consumers to increase their drinking of alcohol.

Examples of this in on-licence premises include offering alcoholic drinks at discounted prices, buy one drink get one free and lower priced ‘happy hours’. Examples of this in off-licence premises are selling alcoholic drinks at a price lower than the established 50 pence per unit of alcohol.

The study’s purpose is analysing the economic impact of the Guidance and how it may affect competition between Licensed premises, and consumer choice. This assessment will be made with reference to international experience of similar policies and a wide range of other research methods.

Why has the Authority chosen to carry out a market study of Alcohol pricing and promotions?

The Attorney General has requested the study take place in view of several factors:

- The Alcohol market is a significant and important one for Jersey, contributing considerable government revenues through duties and taxes paid by companies operating in the market and consumers buying its services;
- The Guidance was introduced a number of years ago, and while it has been updated through time, there have been significant changes in the alcohol market and in international best practice which merit consideration; and
- The States of Jersey debated alcoholic drinks promotions in 2020², agreeing to allow them for a limited time. The proposition also called for a study into the local Alcohol market to be carried out by the Authority, though this was not passed.

² Proposition 2020 P105, available at:
<https://statesassembly.gov.je/AssemblyPropositions/2020/P.105-2020.pdf>

Taking the above into account, it is clear that a market study into this area is well aligned with the Authority's prioritisation principles. Moreover, it is consistent with the Authority's Business Plan, which set out that market studies are important tools to evaluate issues in particular markets and raise awareness of competition policy and its benefits among businesses, consumers and public institutions.

What will the study consider?

The study will be carried out against the published terms of reference, which have been set by reference to an initial analysis of the market and discussions with the Attorney General's Office.

This identified the Guidance as the key focus and within this two key areas to consider:

1. Impact of the Guidance on competition within and between the on and off-licence trade and the impact on consumers
2. Comparable international experience of similar policies

Focused on these two areas, the study seeks to understand:

- Whether there are any unintended consequences from the Guidance; and/or
- If any actions can be identified to help support broader policy objectives.

What is excluded from the study?

While the Authority recognises the health/social impact of the alcohol market, the focus of the study will be on the economic impact. This is consistent with the Authority's expertise as an economic regulator.

The focus of the study is on the impact of the Guidance. Other features of the alcohol and related markets, such as the relationship between retailers and wholesalers, any vertical arrangements present in the sector and sales of soft drinks in licensed premises, are outside the scope of the study.

What will happen during the study?

Based on the published terms of reference, the Authority will gather and analyse information on the Alcohol market to understand the impact of the Guidance. This will be done through various methods and is likely to include:

- The consideration of comparable international experience;
- The analysis of past precedent or case studies;
- The use of surveys, either consumer and/or business focused;
- Interviews with stakeholders with an interest in the market;
- Consideration of economic theory and/or use of econometrics; and/or
- The request of specific information from market participants.



What will the study outcome be?

Until completed, it is not possible to say what the outcome will be, but potential outcomes could be:

- A view that the Guidance does not have any unintended consequences;
- A proposal for business or consumer focused action, for example there may be scope for businesses to operate differently to mitigate any unintended consequences of the Guidance; and
- Non-binding recommendations, these could suggest changes in the Guidance or its application, or consideration of alternative or enhanced methods to achieve improved outcomes.

Note, if as part of the study, evidence was found of a business or businesses breaking Competition Law, the appropriate tool would be competition enforcement, not a market study. In this scenario a formal investigation would be launched as a follow up to the market study.

When will the study start and how long will it take to complete?

The study will formally start in October 2021. The planned timeline is four months from starting information gathering to publication of final study, which is due to be issued in early 2022. This timetable may be subject to change if issues are encountered.

Who will carry out the review?

A JCRA case officer will project manage the review, with the support of independent technical expertise.

How will the Authority handle confidential information provided to it as part of the study?

Given the study is focused on a market as opposed to individual businesses, it is not expected that significant confidential information will be requested from market participants. However, the Authority recognises that some of the information that stakeholders may want to share could be commercially sensitive and highly confidential. As a matter of course anyone who has information relevant to the study can ask the Authority to keep their identity and/or the information provided confidential.

Where is more information available?

The market study will be an open case on the Authority website and updates will be made available during the study. Background information on market studies is available at: <https://www.jcra.je/competition-and-regulation/market-studies/>