

Business Strategies: UK shops reduce food bills - if you eat what they want you to eat.

The cut-price tin of beans or loaf of bread has long been at the heart of the drive to lure shoppers into one supermarket rather than another. Loss leaders are a long established marketing tool. As inflation bites into the food budget of every UK household, chains are spending a fortune on advertising in print and broadcast media. And selectively cutting prices.

Despite the platitudes of the UK Treasury's Gordon Brown (who as the UK's first effective president still controls the Treasury even though he is Prime Minister and Alistair Darling is his puppet Chancellor or Finance Minister) the truth of the matter is that the UK economy is in a desperate state.

Having squandered the healthy economy and stable strategy bequeathed to him by the Conservatives in 1997, by rash and extravagant government spending, Brown baled from the Chancellor's job just in time to be able to take credit for anything good but pass the buck for anything bad. It was the same tactic he adopted for ten years when problems were always attributed to Bank of England monetary policy but good things were always due to government efforts.

Darling is now collecting the blame for the UK's worst inflation since long before Labour took over: since 1992, in fact.

Some say that the average four-person family's weekly groceries have risen by 25% in the past year and now cost GBP127.00.



Maybe your author is not a typical shopper: in a recent visit to a UK supermarket, four days' food for two persons (allowing for two meals out in that time) cost almost GBP70 - including some special offers. There is no way that a week's bill for four would have cost so little without some serious rethinking of the standard and quality of food purchased.

For the past two decades, supermarkets have driven looks above taste as a sales pitch. They say, simply, better looking vegetables sell better.

They have driven "value added" product - Marks and Spencer sold ready-to-eat salad meals and prepared high quality dishes for cooking at home in the late 1970s: their success has led to all the supermarkets mass producing ready-meals that far surpass the rather nasty "tv dinners" of earlier times with their hard mashed potato and beef slices that would have proved to be excellent shoe soles.

Supermarkets have created "premium brand" sauces and meals, often with the name of a celebrity (or someone who thinks he is one) on the packaging.

And lastly, they have increased the range of organic produce - for which they have charged a substantial - and, for many, discouraging - premium.

But low-cost entrants such as Aldi, Lidl and Netto, traditionally box-shifters with little heard of brands selling from secondary sites have seen a surge in their visitor numbers - and have capitalised by preparing "food boxes" to feed a family for around GBP10 per day. That sector has seen its sales grow by more than a quarter in the past year.

The supermarkets have now started what some commentators are calling "price war" between the big supermarket chains Sainsbury's, Tesco, Asda and Morrisons. It started on the chains' filling stations: Asda and Morrisons took 2p from a litre of fuel for all comers last weekend. Sainsbury's response yesterday was to offer 5p per litre for customers spending GBP50 in the shop.

The supermarkets say that it's the middle ranking products that are suffering as wallets empty faster than before. It's the cheap "value" products that are shifting - but so are those high added value "premium" ready meals. That means, simply, the cooks are finding somewhere else to shop.

And milk is the biggest battlefield this week: in Asda, a two pint bottle has been reduced to GBP0.5 down from GBP0.8 - the lowest for seven years. A two *litre* bottle (confusing isn't it?) of low fat milk cost GBP99 in both Asda and Sainsbury's - in response to Tesco's GBP1.06 offer. Farmers say that the cost of production for milk is getting close to GBP30 per litre. But Asda is also offering bread, butter, eggs and some meat and vege products at 50p. But it's a short term thing: for three days only from today until Sunday.

Tesco is trying to get the cooks back into its shops with a 25% reduction in organic produce. It says it's reducing the price of some 18,000 products for a week, including school uniforms (the new term starts in a month) and bread, sausages and pizza.

And that inflation rate? In June it was 3.8 percent. In July, it was 4.4%.