



Evaluating the impacts of minimum unit pricing for alcohol on the alcoholic drinks industry in Scotland: baseline evidence and initial impacts

Introduction

Minimum unit pricing (MUP) came into effect in Scotland on 1 May 2018. From that date every drink containing alcohol has a minimum price based on the amount of pure alcohol it contains. The minimum price for alcohol in Scotland is currently set at 50 pence per unit (ppu).

The Monitoring and Evaluating Scotland's Alcohol Strategy (MESAS) MUP evaluation portfolio comprises a number of research studies that are being undertaken to assess the impact of MUP. The portfolio contains studies assessing compliance with and implementation of MUP, its impact on the alcoholic drinks industry in Scotland, changes in alcohol consumption, and changes in health and social harms.

This briefing summarises a report on the first stage of a study being undertaken by Frontier Economics, looking at the economic impact of MUP on the alcoholic drinks industry in Scotland. The second and final report from this study will be published in late 2022.

What is this report about?

This report presents findings on the initial economic impacts of MUP on the alcoholic drinks industry in Scotland. It also reports findings from interviews with retailers on



either side of the border between Scotland and England about whether, in their view, MUP has affected cross-border purchasing of alcoholic drinks. Finally, it describes work looking at potential sources of data for establishing a baseline for measuring longer-term economic impacts that could be used in the final report in 2022.

What the researchers did and what they found

Working with experts from the alcoholic drinks industry, the researchers developed a theory of change that shows the potential effects of MUP on different parts of the industry. Figure 1 (see page 8) presents a summary of the theory of change. The researchers then assessed whether these changes had happened as expected approximately nine months after the introduction of MUP.

The researchers carried out three main areas of work for this report.

1. They interviewed a range of organisations representing different parts of the alcoholic drinks industry.

The interviews form part of eight case studies, which will also involve follow-up interviews in the second wave of the study in 2022. The case studies include specialist and non-specialist retailers, an on-trade retailer, spirits producers including one supplying own-label products, and two brewers, one large and one small. The interviews reported here assessed the initial impacts of MUP.

The organisations interviewed in the case studies reported that MUP has led to decreased volumes being sold, offset by increased prices leading to little overall impact on retailer revenue. Prices were most likely to increase for high-strength cider and own-label products, which means the impact of MUP on retailers depends on how much of these products they sold before MUP was implemented.



Respondents suggested that consumer demand changed in a number of ways, such as switching to products sold in smaller pack sizes, switching to low-alcohol products or demanding more premium products less affected by price increases, accelerating a trend that existed before MUP came into force.

They also reported that effects on producer revenues and profits were negative but small. MUP reduced the amount of alcohol sold in Scotland (compared with what they would have expected without MUP) without impacting wholesale prices (i.e. producers didn't benefit from the increased retail price). However, only a small proportion of producers' total output was affected. As a result, few products were withdrawn entirely and there were few examples of changes to the alcoholic strength of products. Changes to bottle, can or pack sizes were more common.

No retailers or producers reported closing stores or production facilities, reducing staff numbers or reducing investment as a result of MUP. Nor did the case studies find a significant impact on the on-trade.

It is important to remember that some of the short-term impacts of MUP on the Scottish alcoholic drinks industry observed in this study may be difficult to differentiate from other factors affecting the alcoholic drinks market, such as changes in preferences or one-off events like the football World Cup or periods of good weather. These may have had a positive impact on sales following the introduction of MUP. In addition, the Scottish market is relatively small so any impact of MUP will be small relative to the global factors affecting national retailers and multinational producers.

2. The researchers conducted ten telephone interviews with retailers on either side of the England/Scotland border.

Based on these interviews and information from the case studies, the researchers concluded there is some evidence of Scottish consumers purchasing alcohol from stores on the English side of the border. Retailers noted that much of this activity predated MUP, because of where people work and shop or because of the pre-existing regulatory differences between Scotland and England. It was thought that any cross-border purchase was for individuals rather than engaging in bulk buying for others. There was no evidence of MUP having a substantial impact on the profitability, turnover or employment of Scottish retailers located near the border.

3. The researchers examined the sources of routine quantitative data available to see how useful they would be for measuring the impact of MUP.

The measures looked at were the number of businesses, employment, the total value of sales (turnover), value of output and gross value added (GVA) in the alcoholic drinks industry in Scotland. GVA measures the contribution to the economy of individual businesses, industries or sectors based on the income they generate minus the value of the goods and services they use in producing their output.

Time lags in the production of these data mean that none are yet available for looking at the impact of MUP so far but the work in this report assesses how useful they will be in the second wave of the study.

The researchers found that there are a number of limitations with the routinely available quantitative data. These mean that in the second wave of the study, the researchers will only be able to observe large changes in the economic performance of the alcohol industry in Scotland as a whole arising from MUP. Smaller changes, or changes in particular parts of the industry, are unlikely to be detectable using these data.



What do we already know about the impact of MUP on the alcoholic drinks industry?

This is the second report from the MUP Evaluation Portfolio. In the first study, published in August 2019, we reported on our findings about compliance with MUP from the perspective of licensing practitioners six months after implementation. These practitioners reported that compliance had been high in both large and small retailers, and that the on-trade had been unaffected. They felt that smaller, local retailers had benefited from the reduced price difference between themselves and larger retailers. Practitioners highlighted the potential for alcohol that is consumed in Scotland to be purchased in England either directly or via home delivery, but they had limited direct experience or knowledge of such activity and none of those interviewed were aware of vans being filled up in English stores for re-sale, illegally, in Scotland.

We are continuing to explore different ways of measuring whether cross-border purchases of alcohol have increased and we will report any evidence we find in due course.

What other evidence on the impact of MUP on the alcoholic drinks industry is still to come?

This briefing focuses on the findings from the first phase of the Frontier Economics study of the economic impact of MUP on the alcoholic drinks industry in Scotland. The second and final report in 2022 will compare industry statistics in Scotland and England where adequate data are available to do so. It will also include findings on longer-term outcomes from a repeat of the case studies.



The MUP evaluation includes several other studies that will help to understand the impact of MUP on the alcoholic drinks industry. These are:

- An alcohol price distribution study, providing quantitative evidence of the proportion of alcohol sold at different price bands through the off-trade in Scotland pre- and post-MUP, and compared with England & Wales. This study will report in late 2020.
- A small-retailers study, providing quantitative evidence on the extent of change in the price, characteristics and marketing of products available in the small and independent retailer sector. This study will report in early 2020.
- A price and product range study, providing quantitative evidence on the extent of change in the characteristics of products available in the retail and wholesale sectors. This study will report in late 2021.
- A sales-based consumption study. The study will statistically analyse pre- and post-MUP trends in alcohol sales to provide quantitative evidence of any change in population alcohol consumption (total, by market sector and by drink category) over the 12-month and three-year period following the implementation of MUP. This study will report in mid-2022. In addition, a report presenting descriptive analysis of pre- and 12 months post-MUP off-trade sales data will be published in late 2019.



Conclusions

Case studies from across the retail and production sectors of the alcoholic drinks industry suggest that, in general, the short-term economic impacts of MUP over the first nine months have been modest. This is due in part to the small proportion of total production and sales accounted for by the Scottish market for many of the national and multinational players that make up the industry in Scotland. Some sectors have seen more substantial effects than others.

This builds on evidence from the first MESAS study suggesting that compliance with MUP has been high in both large and small retailers and that cross-border purchasing has not been substantial.

It is important to note that these are short-term findings based on interviews in a small number of case study organisations and may not generalise to the industry as a whole. The wider and longer-term impacts will be explored in a second wave of this study in 2022, which will include a follow-up of the case studies and analyses of quantitative data on a range of indicators of how the industry as a whole is performing.

Figure 1: Summary theory of change

