

Want a simpler energy deal? You'll need some bottle



- When shopping around, too much choice can be daunting for some customers Ulrik Tofte/Getty

Stephen Littlechild Viewpoint

Published 25 minutes ago

The Government seems to be contemplating a mechanism that would simplify the number of energy tariffs ([The Times, November 2](#)). This follows Ofgem's latest Retail Market Review proposal to restrict all energy suppliers to a maximum of four tariffs.

The Milk Regulator has recently implemented a similar idea, so I popped down to my local supermarket to see how it was working out.

I find shopping for milk a bit daunting. I think I want semi-skimmed own label in a two-pint carton. But I have to wade through shelves of skimmed and whole milk, one-pint and four-pint cartons, branded and own label — not to mention organic, soya, almond and goat's milk. It is not only tedious, it makes me worry. Should I buy a four-pint carton to save money and help save the planet? Would fully skimmed be healthier for me? Should

I try almond in case I might like it? Would the special offers with porridge oats or muesli be a good deal? The prospect of comparing what another supermarket has to offer would be a nightmare. How does anyone cope?

At last, these worries are over. It will no longer be complicated as there will be only four options to compare. I can even face driving around to compare the deals in a few more supermarkets.

But wait, there is no longer any semi-skimmed own label in a two-pint carton. “Sorry,” says the manager, “but you can have skimmed in a one-pint carton or whole milk in a two-pint carton. Or this branded semi-skimmed in a four-pint carton. Or a one-pint carton of own label semi-skimmed on a special price for two.”

“Don’t you have any demand for your own brand semi-skimmed in a two-pint carton?”

“Yes, but the Milk Regulator only allows us four products, and those are the ones that are in most demand.”

“What about soya and goat’s milk? What about innovation?”

“No, we don’t stock them now. We can’t afford to give up one of our best-selling four. New products are too risky to introduce on a large scale.”

“Don’t you get a lot of complaints?”

“Yes, but we just blame the Milk Regulator. The product line is not really our decision any more.”

“Wait, you’ve got a fifth product tucked away: a two-pint bag of organic milk that reduces packaging waste.”

“Oh yes, the Milk Regulator has made an exception for that. The Milk Minister is rather keen on it. But ministers change pretty frequently, so we don’t know what the special exception will be next year.”

“I see there is a vacant shelf here. What’s that for?”

“We’re negotiating at the moment. The Milk Minister wants us to extend our branches in the inner city, but we say investment on that scale would only be viable if we were granted a derogation to provide six products.”

“Well, with only four products at least your costs must be lower. So you can keep your prices down.”

“Not really. We need a bigger customer complaints team. The Milk Regulator makes a weekly inspection to make sure we are not breaching the rules, and we have to pay for

that. We spend a lot of time arguing about whether plastic and cardboard cartons are different products. We get fined when the Regulator doesn't agree with us. Then there is the cost of lobbying for derogations. All these costs get passed on to customers."

"At least it's easier for customers to compare supermarkets, so you must be subject to more competition."

"Again, not really. Other supermarkets face the same regulation as us, so they stock roughly the same products. We don't have to worry about them changing their product line now. As long as we keep prices in line with our rivals, we're OK."

"Is there no competition from smaller supermarkets offering different products?"

"Yes, but as long as they stick to soya, goat's milk and lactose-free, they don't constitute a threat to us. If they want to grow they'll find that they need to stock the same products as we do and cut out the specialist milks."

"Does this reduced competition mean your profits and prices are actually higher than they used to be?"

"You might well think that. I couldn't possibly comment. "

I go home to consider. This milk regulation needs a bit of refinement. Clearly we can't leave it all to the supermarkets. The Milk Regulator must ensure that each product is stocked in each area by at least one supermarket. Make that two, to avoid a monopoly. And we need more innovation; each supermarket should be required to change one of its products every three months. We'll need rules to make sure they don't just rotate the same five; they must have at least one brand new product every year. Now, would a new label or bottle shape constitute a new product? No. What about a three-pint carton? Hmm, needs further consideration.

This business of the profit margins is worrying. Better have the Milk Regulator approve the mark-ups. And while it's at it, better check the purchasing costs for milk too.

OK, that's milk regulation sorted. Now for energy.

- *Stephen Littlechild, Principal Research Fellow at Judge Business School, University of Cambridge, was Director-General of Electricity Supply, 1989-98*