

Shoppers 'overcharged' for branded goods

Suppliers of branded goods including baked beans and pet food have "pushed up prices by more than their costs", according to the competition watchdog.

The Competition and Markets Authority (CMA) has been examining 10 product categories in a bid to see if shoppers, already struggling amid the continuing [cost of living crisis](#), are being ripped off.

It said that while some increases were justified, to cover rising costs from elements such as energy and ingredients, there was clearly some profiteering – a finding the consumer group Which? described as "shocking".

"The evidence collected by the CMA indicates that, over the last two years, around three-quarters of branded suppliers in products such as infant formula, baked beans, mayonnaise, and pet food – have increased their unit profitability and, in doing so, have contributed to higher [food price inflation](#)", the regulator's statement said.

It went on to explain, however, that the shifts were likely to have backfired somewhat as shoppers had clearly switched to cheaper, supermarket own brand, alternatives in a bid to save cash.

The regulator will hope that the competition will help prices of branded goods come down.

But brands told the inquiry that when their costs started to fall they would offer promotions to customers, rather than cut the standard costs of their products.

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‘This cannot carry on’

The CMA said that more study was needed, including in the baby formula sphere that has been the subject of work by Sky News and seen the World Health Organisation declare that [families were being “exploited”](#).

However, it did find evidence of unjustified price increases, with costs to consumers up by 25% over two years, and cited concern that two companies, Danone and Nestle, control 85% of the market.

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Calls for baby formula price cap will rise



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By laying out the simple fact that the formula milk price rises parents face in the shops do not equate with the “input costs” of making the product, the CMA is putting the formula industry firmly in the spotlight.

It’s already being called out as profiteering by campaigners, but the regulator is now singling out the formula industry for further interrogation.

It says quite clearly: “Evidence suggests that branded suppliers of baby formula have also increased their prices by more than their input costs.”

This year Sky News has tracked the desperate measures some families are having to take to feed their babies – it’s upsetting, stressful and ultimately unsafe for babies.

Experts have warned the high prices have put the nation on the brink of a “public health crisis” and earlier this month the World Health Organisation told Sky News that families were being “exploited” on pricing.

The CMA also highlights that the formula milk market is different to other food products – it is dominated by two multinational manufacturers – and that the public health messaging around it needs improvement for parents.

All the brands on the market meet minimum nutritional standards. Whether you buy the cheapest brand from Aldi for just under £10 or the most expensive at nearer £20.

The next stage of the CMA’s work will take months, but it appears determined to establish what needs to change. The calls for a price cap are only likely to increase.

A spokesperson for Danone UK & Ireland, the makers of the Cow & Gate and Aptamil brands, said it had minimised price increases and launched smaller, lower-priced pack sizes to help parents' budgets.

"In Danone's experience the formula milk market is competitive. We are committed to best practices to maintain this and will work constructively on ways we can continue to deliver value and innovation to parents. We will also continue to engage with the CMA over the coming months," they said in a statement.

A Nestle spokesperson told Sky News: "Our goal has always been to keep products affordable and accessible for parents while still paying fair prices to our suppliers, including farmers.

"There have been significant increases in costs but we have been working to cut our costs wherever possible and only increase prices as a last resort."

The CMA also declared that it was going to review supermarket loyalty schemes in the next phase of its investigation.

Front and centre of that is the offering of promotions only to customers who sign up to their loyalty cards.

The industry group for manufacturers responded to the CMA's conclusions by suggesting that the pricing reflected value.

Karen Betts, chief executive of The Food and Drink Federation said: "Across our sector margins are at a 40-year low, insolvencies have doubled and investment has dropped by more than a third.

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“Shoppers in the UK can take some comfort from the fact that, even with the levels of inflation we’ve seen in recent months, food and drink prices here remain lower than average EU grocery prices.

“The UK grocery market is highly competitive and offers a wide choice of products at a range of prices.

“Where branded products are more expensive than own-brand, this is because of the constant investment in quality and innovation that brand-owners make.

“If that investment doesn’t happen here in the UK, the amount of imported food and drink will certainly go up – with consequences for jobs, competitiveness and food security.”

But Sue Davies, head of food policy at Which?, said of the CMA’s findings: “Its evidence reinforces Which?’s concerns that shoppers relying on convenience store branches of the big supermarkets, which rarely stock the cheapest own-brand ranges, may struggle to find more affordable food.”

She added: “It’s positive that the CMA is set to review supermarket loyalty pricing as a recent Which? investigation

found these deals aren't always as they seem.

“In September we asked the regulator to look at whether supermarkets could be hiking ‘regular’ prices to make it appear that loyalty scheme customers are getting a better deal than they really are.”

The regulator issued its update after previously finding that higher prices in stores were [not the result of weak competition](#) between supermarket chains.

The watchdog did, however, demand tighter rules over so-called unit pricing – costs per item covering versions of the same product – to bolster price transparency.

It also previously found that supermarket fuel operators had [charged motorists an extra £900m](#) in 2022 by raising their margins on both petrol and diesel sales.