

### **Extract A : UK shoppers cutting back even on essentials, warns Poundland owner**

The cost of living crisis is prompting UK shoppers to cut back even on essential items as wages fail to keep pace with inflation, the owner of Poundland says.

Pepco Group, which owns Poundland in the UK, Dealz in Ireland and the Pepco chain across Europe, says that while the absolute levels of inflationary pressure are greater in central and eastern European markets, higher wage growth of about 10% in those regions compared with others is substantially offsetting this.

However, the company added: "In western European markets the acute spike in inflation in a stagnant wage growth environment has quickly resulted in absolute lower spending by consumers. Specifically, in the UK, the cost of living crisis has impacted customers' disposable income as they scale back even on essential purchases in the short term."

UK inflation hit 9% in April, its highest level for more than 40 years, as food and energy costs soared. Meanwhile, wage growth, excluding bonuses, is running at a little over 4%.

The discounter's warning came as the furniture retailer DFS said its orders had taken a knock since April – with order numbers down by about 2% on pre-pandemic levels, which analysts said was about 50% down on last year. Shares in the sofa specialist fell almost 16% as analysts said they were cutting the profit expectations by more than a third.

Pepco said its profit margins had taken a hit as it tried to absorb some cost increases. It added that it was looking to make cutbacks so it could keep down prices for "cost-conscious customers". Sales rose almost 19% in the six months to 31 March and profits were up nearly 29% as it opened 235 new stores across Europe.

Trevor Masters, the chief executive of Pepco Group, said: "We have maintained our market-leading position on prices and through our continued focus on reducing the cost of doing business, we have been able to shield customers from price rises on some of our products at a time of significant inflationary pressure on household budgets."

*Adapted from:*

*<https://www.theguardian.com/business/2022/jun/09/uk-shoppers-cutting-back-even-on-essentials-warns-poundland-owner>*

### **Extract B: Lidl accuses Tesco of copying its logo to ‘ride on discounter coat-tails’**

In a High Court dispute, Lidl has claimed Tesco’s Clubcard Prices logo, featuring a solid yellow circle on a blue background, is too similar to its own.

Lidl has argued the yellow and blue design forms “wordless” trademark, according to details of the case first reported by The Telegraph. As evidence, the discounter has presented findings from a survey in which “numerous” responses identified a connection between the background alone and Lidl.

Tesco uses its Clubcard logo in stores to highlight prices only available to members of its loyalty scheme. Lidl wants to ban the supermarket from using the symbol. It claims it is “seeking deliberately to ride on the coat tails of Lidl’s reputation as a discounter supermarket known for the provision of value”.

Tesco has claimed the “wordless mark” is “a figment of Lidl’s legal imagination”.

*Adapted from:*

*<https://www.thegrocer.co.uk/lidl/lidl-accuses-tesco-of-copying-its-logo-to-ride-on-discounter-coat-tails/668452.article>*

### Questions

With reference to figure 1, explain the term ‘normal good’

With reference to the information provided, assess one reason a firm might want to ‘ride on discounter coat tails’