

Discounts

1. Suppliers have a standard discount which they give on orders above a certain minimum level, with certain customers receiving additional discounts. Unless otherwise stated, the discounts below refer to reductions to the suppliers' trade prices.

2. In 1992 Allergan gave the following discounts to particular trade channels: 15 per cent to small independent opticians for all orders over £750; 15 per cent to both optical and pharmaceutical wholesalers; a range of between 15 and 25 per cent on all orders for optical groups and large independent opticians; 30 per cent to D&A; 32.5 per cent to Boots.

3. Allergan's minimum order levels for pharmaceutical wholesalers are currently £250 for solutions and £250 for pharmaceutical products, the latter receiving a discount of 12.5 per cent.

4. Allergan told us that it had increased the minimum order level at which it gives a discount to small independent opticians. In 1988 and 1989, the minimum order level was £300, in 1990 it was £450, and in 1991 it was £550. Allergan told us that it had raised the limits in order to discourage small orders which it believed were better handled by the wholesaler.

5. Alcon told us that it currently offers the following discounts to direct retail customers other than Boots and D&A: 10 per cent when between 10 and 24 dozen units are bought; 15 per cent for between 25 and 99 dozen units; 20 per cent for between 100 and 149 dozen units; and 25 per cent when 150 or more dozen units are bought. Discounts to other trade channels are: 12.5 per cent to pharmaceutical wholesalers; 23.5 per cent to optical wholesalers; 34 per cent to D&A (on Alcon brands); and between 33 and 46 per cent to Boots.¹ Alcon told us that between 1988 and 1992 there has been no change in its discounts apart from those to Boots.

6. B&L said that its discount structure was as follows: 15 per cent on solutions orders of £300 or more; 20 per cent on solutions orders of £500 or more (and key accounts); 25 per cent on solutions orders to wholesalers; and 30 per cent on solutions orders to D&A. B&L told us that its policy on discounts had not changed since 1988.

7. M&L's discounts are: 10 per cent on solutions orders of between 6 and 15 dozen units; 15 per cent on solutions orders of between 18 and 27 dozen units; 20 per cent on solutions orders of between 30 and 39 dozen units; and 25 per cent on solutions orders of 42 dozen units or more.

8. Sauflon told us that in general its four discount bands are based on total purchases. These are: 6 per cent when between 8 and 12 dozen units are bought; 16 per cent when between 13 and 17 dozen units are bought; and 22 per cent when 18 or more dozen units are purchased.² Sauflon also said that it negotiates special terms with multiple outlets which are capable of buying in much greater volumes. For these customers Sauflon gives discounts of between 28 and 44 per cent.³ Sauflon told us that there had been no change in the size of its discounts between 1988 and 1992.

¹Alcon told us that discounts to Boots range from 50 to 57 per cent off RRP, and that this is graduated depending on the product range being supplied. Alcon said that the 57 per cent discount (first introduced in September 1990) is given if a full range of major products (Softab, Pliagel, Salette, Clen-zym, and Soaclens) is taken. We have recalculated these discounts as a percentage of Alcon's trade prices in order to make them consistent with the other information given to us by Alcon.

²Sauflon told us that it has four buying bands which give practitioners certain percentage gross margins. These percentage gross margins are: 20 per cent when less than 8 dozen units are bought; 25 per cent for between 8 and 12 dozen units; 33 per cent when between 13 and 17 dozen units are bought; and 38 per cent for 18 or more dozen units. We have recalculated these gross margins as discounts to ensure consistency with the information given to us by other suppliers.

³Sauflon told us that it gives gross margins of between 42.5 and 55 per cent to multiple outlets which are capable of buying much greater volumes. We have again recalculated these gross margins as discounts to make them consistent with the information given to us by other suppliers.

9. Table 1 shows the change in S&NP's discounts to opticians and pharmacies and their minimum order requirement between 1988 and 1992.

TABLE 1 **S&NP's discounts and their minimum order requirement between 1988 and 1992**

<i>Minimum order requirements</i>	<i>per cent</i>		
	<i>January 1988</i>	<i>August 1990</i>	<i>April 1991</i>
<i>Dozens</i>			
24-47	5		
24-59		7.5	5
48-71	7.5		
60-119		10	7.5
72-143	10		
120-287		12.5	
120-299			10
144-287	12.5		
288 and over	15	15	
300 and over			15

Source: S&NP.

10. S&NP gives a discount of 15 per cent to optical and pharmaceutical wholesalers, 30 per cent to D&A, and between 36 and 40 per cent to Boots. Discounts to Boots have increased by between six and ten percentage points between 1988 and 1992 whereas the discounts to D&A and wholesalers have remained unchanged.

11. PBH has the following standard discount structure for opticians: 7.5 per cent when between 6 and 19 dozen units are bought; and 15 per cent when 20 dozen units or more are bought. Pilkington told us that it does occasionally offer discounts of up to 25 per cent for customers who wish to purchase a substantial quantity of solutions. It said that it offers large optical wholesalers like Mid-Optic and Martin approximately 25 per cent discounts so they can offer volume discounts to opticians. It also said that there had been no change to its discount policy since 1988.

12. Aspect told us that it gives a discount on its branded solutions of 15 per cent when 36 or more of its one-month packs, or 12 or more of its three-month packs, are bought. It said that it had not changed its discounts since it introduced its branded solutions.