Britain's Most Dynamic Sector? Competitive Advantage in Multiple Food Retailing

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The explosive growth of the retailing sector has been one of the most important changes to have taken place within the British economy in the post-war era. It is not simply that the shopping experience has changed beyond recognition. The revolutionary impact, upon business organization, of changes occurring within the retailing sector is a regular theme within the literature [Akehurst and Alexander, 1995, p. 4; Birchall, 1994, p. 142; Gardner and Sheppard, 1989, p. 14]. Simultaneously, we are also led to believe that post-war changes in consumption and retailing have had an enormous anti-revolutionary social impact, defusing class tensions in "a culture of consolidation" [Benson, 1994, p. 227].

Business historians have, until recently, had little to say regarding modern retailing. The focus of much of the literature is upon the predominance of small scale, family-owned and -run operations, and often even itinerant, independent shopkeepers in the nineteenth century. These were increasingly undermined by the emergence of multiple retailing organizations, variety, and department stores along with Co-operative retailing by the mid-twentieth century [Davis, 1966; Jeffreys 1954; Mathias 1967; Winstanley 1983]. More recently, however, business historians interest in organizational capabilities and the nature of competition have led to a focus upon the growth of retailer's own-brands [Williams, 1995], logistics and distribution [Sparks, 1995], market structure [Moir and Dawson, 1990; Winstanley, 1994] and the post-war challenge to manufacturer-imposed resale price maintenance [Morelli, 1997].

One area of consensus within the literature is on the ability of large scale retailing organizations to rapidly develop innovative solutions to the growing complexity of modern retailing [Akehurst and Alexander, 1996]. The large multiple food retailers, in particular, have proved to be highly innovative in their response to changing patterns of consumer demand. The abolition of resale price maintenance saw multiple food retailers attempt to redraw the balance between price and non-price competition in the 1960s [Eliot, 1988; Morelli, 1997]. This approach was combined with a widening of firms' product

[1] I am grateful to Steve Jones and Helen Mercer for helpful comments along with Bridgette Williams at J. Sainsbury and Jenny Curtis at Tesco for the use of their company's archives in the preparation of this work.

BUSINESS AND ECONOMIC HISTORY, Volume Twenty-six, no. 2, Winter 1997.
 ISSN 0894-6825.

range. Multiple food retailers moved into non-food items and responded to the subsequent fragmentation of product markets by developing niche marketing in areas including health foods, vegetarian products and still more recently ready made foods [Thomas, 1996].

Food retailers have also proved to be equally dynamic and innovative over questions related to their own organizational approach to retailing. From the adoption of self-service in the 1950s and supermarket retailing in the 1960s to the development of still larger superstores, computerisation, stock control systems and sub-contracting out of warehousing and distribution in the 1980s, the modern supermarket retailer has been prepared to rapidly develop new organizational approaches. Multiple food retailers have in sum proved capable of extending their capabilities, routines, and idiosyncratic knowledge both forward into retailing aspects of the grocery trade and backwards into the food manufacturing and wholesaling trades as a whole [Langlois and Robertson 1995].

However, such an innovative approach has created significant problems for larger firms, as they attempt to maintain their competitive advantage within the industry. While they have matched each other's prices on a daily basis for many years, they are now increasingly turning to matching each others services too. Loyalty cards and banking services, crèches, dry-cleaning, and one-stop shopping have or are becoming a hallmark of the modern multiple food retailer. As idiosyncratic knowledge has become tacit and transferable, firms' capabilities have become contestable, resulting in British multiple food retailing becoming increasingly characterised by a remarkable degree of similarity between firms [Langlois and Robertson 1995, pp. 40-41]. Indeed the starting point for firms' strategic discussions on achieving a competitive advantage is the very danger of homogeneity. Thus the discussion of the competitive environment at Tesco's 1995 Chairman's Conference began with the recognition that "we have learnt from experience that we cannot afford to be complacent, superficially, all superstores are looking more similar, and unique differentiation is a prize that can only be won by *continually* being first" [Tesco Archive, 1995, p. 1 (original emphasis)].

Business historians recognize these sentiments immediately as conforming to Lazonick's model of an emergent competitive equilibrium in which adaptation rather than innovation becomes the mode of competition. Innovative investment strategies aim at creating competitive advantage based upon turning high fixed cost into low unit cost while simultaneously raising adaptive firms' costs of adaptation as a barrier to entry [Lazonick, 1991, pp. 95-101]. However, in a rapidly moving and innovative sector, such as retailing, the danger for the innovative firm is that fixed costs for adaptive firms will fall rather than rise. Schumpeterian "perennial gales of destruction" rapidly undermine barriers to entry bringing into the question the ability of firms to continually innovate [Schumpeter, 1965].

Within food retailing this model can be readily identified. Sainsbury's has traditionally been the market leader, and in terms of sales per square foot of sales area continues to be so [Kay, 1993, table 2.1; IGD, 1996a, p. 115, p. 151;

Tesco, 1995, p. 55], while Tesco's strategy of volume-led growth has overtaken Sainsbury's position of Britain's largest food retailer by market share. Yet Tesco's innovative attempt to differentiate itself from other multiples through the introduction of loyalty cards and banking services, despite the cost of 0.5% of sales [IGD, 1996b, p. 6], has been rapidly imitated by all the major multiple retailers.

This paper wishes to examine the origins of the competitive advantage in multiple food retailing and in so doing highlight the pressures leading to the creation of a competitive environment characterized by a tendency to adaptation, despite the industry's innovative history. In particular, the focus of the paper is the development of strategies underpinning the rise to dominance of multiple food retailers. The paper presents an analysis which emphasizes multiple retailers as active agents forming and re-forming their competitive environment. The paper maintains that firms' dynamic and innovative approach to supply chains, the utilization of new technology and investment strategies derived from their recognition that competitive advantage originates in their own ability to extract rents through the structuring of their market environment. The cost of doing so, however, the paper concludes, is that multiple retailers have since the mid-1980s increasingly faced an environment characterized by adaptation and homogeneity as opposed to innovation and heterogeneity.

The following sections of the paper examine the organizational responses to food retailing from the 1960s onwards focusing upon the multiples redefinition of the shopping environment, supply chain relationships, and finally the use of information technology to increase control over market information. The sections also use the experience of the country's two leading grocery retailers, J. Sainsbury Plc. and Tesco Plc., to highlight broad similarities and differences among multiple food retailers.

Characteristics of Multiple Food Retailing

While modern multiple food retailers appear today to be very similar to one another, stress must be placed upon the relatively recent occurrence of this similarity. Although J. Sainsbury has a 128-year history, with its first shop opening in 1869, the same cannot be said of the other market leader Tesco, whose first store was not opened until 1931, nor the sixth largest food retailer Kwik Save whose first store opened in 1959 [Powell, 1991, p. 33; Sparks, 1993; p. 75; Williams, 1994, p. 10]. Indeed, although the term "multiple retailer" is a generic term for retailers with more than ten stores, the differences between the two largest multiple food retailers strategies appear extremely stark until well after 1945.

Sainsbury's emergence as a multiple retailer derived from its origins as a provisions dealer; a retailer of fresh unpackaged goods. Sainsbury's success lay in its ability to purchase wholesale, fresh unpackaged goods and package them into Sainsbury's own-brand produce. Thus Sainsbury's, from the beginning and until World War II, was a company which dealt almost exclusively with own-brand groceries and provisions [Williams, 1996, p. 86]. It was Sainsbury's development of capabilities in both wholesaling, processing, and retailing that provided it with the ability to undercut price-maintained branded goods, resist wholesalers attempts at cartelisation, and importantly win a reputation among customers for quality before 1914. Own-brand groceries were at the root of Sainsbury's sustained strength after 1945, accounting for 63% of sales in 1977 [Euromonitor, 1986, table 5.3, p. 28]. Thus Sainsbury's success lies in creating capabilities through the integration of manufacturing, wholesaling and retailing functions. Own-branding provided the company with the ability to establish control over both quality and supply.

In contrast, Tesco's was a store which from the beginning specialized in the sale of dry packaged branded goods. Although initially established through price cutting, Tesco's rapidly adopted agreements over prices with manufacturers in order to maintain supplies in the 1930s [Powell, 1991, pp. 33-41]. It was not until the challenge to manufacturer-imposed Resale Price Maintenance in 1958 that Tesco's began to reestablish a reputation for "pile it high: sell it cheap" food retailing. After 1964, following the announcement of the Resale Prices Act to outlaw individual resale price agreements, Tesco further challenged price maintenance in non-food goods [Corina, 1972, pp. 30-31; Pickering, 1966]. Like most other grocery retailers apart from Sainsbury's, Tesco's specialized in retailing, rather than wholesaling and manufacturing, and as a result did not develop extensive own-brand capabilities. A concentration on own-brand groceries began to develop from the 1960s onwards, but even as late as 1980 Tesco's own-brand share, as a proportion of turnover, was only 22%, in line with the industry average [Tesco, 1990, p. 5; Euromonitor, 1986, table 5.3, p. 28].

A final area of contrast for the two firms was the mechanism used for growth. Both firms have developed a large branch network extending to 291 Sainsbury's stores and some 371 stores in the case of Tesco's by 1990 [Tesco Archive, 1990, Williams, 1994, p. 219]. While Sainsbury's traditionally grew by incremental expansion, utilizing retained earnings for investment in new stores, Tesco's adopted share floatation's to gain the necessary capital for takeovers of rival firms [Corina, 1972; Williams, 1994]. Tesco's earlier use of capital markets and Sainsbury's unwillingness to utilize leasing as an alternative ensured that Tesco led Sainsbury's in the adoption of self-service and supermarket retailing from the late 1950s [Morelli 1996, p. 281]. However, as Kay has noted, both firms keenness to retain ownership of store sites for expansion has giving them greater control over store development and the value added to retail sites by the company's presence [Kay, 1993, p. 23].

The differences between firms such as Sainsbury's and Tesco's hides two important similarities, namely the influence of family control and the use of regional business strategies. Both Sainsbury's and Tesco's were dominated by two very influential families. The Sainsbury family always maintained managerial control over the firm through a highly centralised and tightly controlled management structure dominated by family membership and ownership. It was not until 1941 that the first non-family member joined the board of directors and not until 1973 that the company became a public limited company [Williams, 1994, pp. 160, 221]. Beyond senior management a strong paternalistic labour strategy was developed linking high levels of training with career development.

Conversely Tesco's board of directors had always been joined by non-family members. Although Tesco became a public limited company in 1949 [Corina, 1972, p. 127], it was still the case that the Cohen family, particularly the founder Jack Cohen, dominated the running of the company as a highly centralised family firm. Family connections also played an important part in the management of stores, with Jack Cohen using family members as managers for Tesco's stores.

In essence both Sainsbury's and Tesco's were, and arguably still continue to be, entrepreneurial firms [Kirby and Rose, 1994; Jones and Rose, 1993]. Perhaps still more importantly, however, both firms adopted what Casson has described as custom-based contracting arrangements for the reduction of principal agent problems in managing labour contracts [Casson, 1995]. Whether through direct family membership or paternalism, both firms attempted to bind workers to the firm.

The second similarity between the major food retailers was their allegiance to regional expansion. The competitive advantage of both companies was linked to a business strategy which focused upon a highly concentrated geographical area, within the South East and South West of England. Even today 64% of Sainsbury's stores are located within these two regions while 49.5% of Tesco stores are located there [IGD, 1996b, pp. 61-2]. Winstanley has maintained that the "intense affinity" for family control and regional concentration reflected imperfect competition between retailers, due in part to the restrictions upon price competition imposed by manufacturers until the late 1950s, restricting multiples exploitation of economies of scale [Winstanley, 1994, p. 255]. However the passing of restrictive trade practices acts in 1948, 1956, 1964, and 1965, and both firms adoption of public liability status by 1973, has been followed by neither a diminution of family control nor a rapid shift away from regional concentration. It was still the case, for example, that as late as 1995 neither Sainsbury's nor Tesco's were operating within Northern Ireland [IGD 1996b, p. 65; Raven, Lang, and Dumonteil, 1995, pp. 37-41].

In summary then, both Sainsbury's and Tesco's have adopted markedly differing strategies in their development. However, in so doing both have highlighted a series of specific characteristics common to the emergence of multiple food retailers. Multiple food retailers' initial competitive advantage derived from the creation of centralization of head office functions, around family control, which allowed for the development of economies of scale in bargaining and purchasing with manufacturers and capital raising for the development of new retail outlets. This centralization was reinforced by the utilization of regionally based growth strategies for the multiplication of retailing outlets, allowing for economies of scale in distribution and marketing along with opportunities for coordinated competition, on price or service, against competitors [Jeffreys, 1954, pp. 21-39; McClelland, 1966, pp. 151-164].

Innovation and Competitive Advantage

Despite the wide divergence of experience in the development of multiple food retailers organizational capabilities it is still possible to emphasize important similarities between the different firms. It is in the innovative use of new technologies and techniques that the similarities between multiple food retailers become apparent. Firms were able to use these innovations to consciously alter their market relationships, both with consumers and suppliers. Crucially it is in a changing balance of information asymmetry that the competitive advantage of the multiple retailers is most easily understood.

Most obviously multiple food retailers have recognised the advantages to be gained by changing the retail environment. The United States experience of self-service and supermarket shopping in stores of over 2,000 square feet provided the model for British retailers after 1945 [AACP, 1950; AACP, 1952; Collins, 1945]. The Co-op was at its height of influence in food retailing immediately after the Second World War and dominated the movement toward the conversion of existing outlets to self-service shopping, operating almost 50% of all self-service stores in 1960 [EIU, 1965, p. 8; Birchall, 1994]. However, when it came to the opening of supermarkets, the multiple food retailers with access to capital markets and centralised financial control, as opposed to decentralised Co-ops, were quick to seize the opportunities available. Thus by 1964 multiple retailers operated 1,080 supermarkets, 66% of the total opened [EIU, 1965, p. 9]. This development of increasingly large scale, high street based, supermarket retailing, involving heavy investment in retailing outlets, continued still further into the 1970s. By 1980 the floor space of new Sainsbury's stores had increased to 14,800 square feet, while the average selling space across all Tesco's stores had increased to 9,900 square feet [Gardner and Sheppard, 1989, p. 177; Williams, 1994, p. 219]. From the late 1970s a new movement emerged with the largest multiple food retailers beginning to build superstores, of over 25,000 square feet, in locations on the edge of towns.

Each step to increasing the size of retail outlets enabled the multiple food retailers to maximize the degree of control over the retailing market in a number of differing ways. First, and again most obviously, there has been a revolution in shopping habits. The spread of consumer durables such as refrigerators, freezers, and cars provided the multiples with the opportunity to increase the scale of retailing outlets as daily shopping became less of a necessity. With the emergence of superstores, and the still further diversification into the retailing of consumer durables and services, has come the development of one-stop shopping. This changing pattern of shopping has also brought with it a segmentation of the food retailing market itself, with the more affluent consumers having greater access to less accessible out-of-town sites, while at the local, convenience, and discount ends of the market, independent and new retailing organizations have emerged such as Seven Eleven and Kwik-Save [Sparks, 1993; 1995]. With this segmentation has also come a new concern, among the largest multiples, for influence over a particular type of customer, the "primary shopper". The primary shopper, spending over 50% of their grocery budget in one store, is now increasingly important for the success of these larger, less accessible, out-of-town superstores [Tesco Archive, 1988, section 3.3].

The second area of influence achieved by multiple food retailers over their environment was over their supply chains. The buying power of the large multiple grocers allowed them to rapidly alter the balance of influence between manufacturers, wholesalers, and retailers after the ending of rationing in Britain in 1954. Larger retailers established direct relationships with manufacturers, cutting out wholesalers, and from 1958 successfully challenged the restrictive practices manufacturers introduced to prevent price competition [Pickering, 1966, pp. 115-138; Yamey, 1966]. An equally important change within the manufacturer/retailer relationship has been undertaken within the physical warehousing and distribution of the supply chain itself. Whereas, with the exception of Sainsbury's, manufacturers delivered some 70% of produce direct to stores during the mid-1960s, the development of larger stores has required increased centralisation in the distribution process itself, in order to physically manage the through-put of goods [Carter, 1986]. From the mid-1980s onwards centralisation of warehousing grew so rapidly that today at least 95% of goods, by value, pass through centralised, retailer controlled distribution warehouses for both Sainsbury's and Tesco's [IGD, 1996a, p. 14]. Multiple retailers now undertake warehousing and distribution operations traditionally carried out by manufacturers and wholesalers [McKinnon, 1996]. However, as the complexity of the retailing environment has increased, with firms product lines increasing to almost 20,000 for Sainsbury's and over 31,000 items in the case of Tesco's, and the need to achieve more rapid stock turnover has grown, multiple retailers have turned to partnerships with specialised, independent logistics companies for the management of these processes [Carter, 1986; IGD, 1996a, p. 115, 151]. By 1992 an average of 51% of stocks, by volume, were supplied to the four leading retailers direct from third party's warehousing operations [IGD, 1996a, p. 6].

The benefits of these partnerships can be seen in that British grocery retailers are now ahead of U.S. and European firms (with the exception of the Netherlands) in developing just-in-time arrangements for stock handling and delivery. While it takes on average 104 days for dry grocery goods to pass from the supplier's packing line to the consumer at the check-out within the United States, supply chains within the UK are on average 29 days [Fernie, 1995, pp. 134, 146]. Stock turnover rates of 20 and 24 times per annum for Sainsbury and Tesco respectively are the highest in the industry [Kay, 1993, table 2.1]. With the grocery trade virtually wholly reliant upon road transportation, issues of costs and infrastructure have become of central importance to the food and drinks industry [NEDC, 1990].

The increasing power of multiple retailers over manufacturers also reflected itself in the spread of own-brand products. Using own-brand products had before 1958 been a method of introducing price discounts without undermining manufacturer imposed price maintenance on branded products [Williams, 1995, p. 300]. Grocers were able to gain higher profit margins from own-brand products than from branded goods; however, although Sainsbury's had established itself as an own-brand grocery firm, only an estimated 6-7% of supermarket's turnover was accounted for by own-brand groceries in the early 1960s [Pickering, 1966, p. 137]. Part of the explanation for this low penetration of own-brand groceries lies with their reputation for low quality; although the growth of own own-brands, accounting for 20% of packaged groceries by 1971, indicates that the difficulties of overcoming a poor reputation were not insurmountable [Euromonitor, 1986, table 5.1]. More important to the growth of own-brands was the multiples' greater market power. The multiples were examining all mechanisms, including the expansion of own-brand products, for gaining greater control over supply chains and, with the reduction in profit margins following the abandonment of resale price maintenance, own-brand groceries provided a mechanism for maintaining profit margins [National Board, 1971, p. 11]. While the development of own-brand products stabilised at between 20-23% throughout the 1970s, from the early 1980s own-brand products again began to increase their market share, exceeding 35% of the dry packaged groceries market by 1995 [Mintel, 1996, figure 4]. In this period, again, the link between increasing own-brand penetration and the maintenance of profit margins needs to be made. As can be seen from Table 1, high own-brand shares for firms such as Marks & Spencer and J. Sainsbury have provided consistently high pre-tax profit margins. Similarly data for 1994 suggests that increasing own-brand penetration had a positive correlation with higher operating margins and as McGrath notes; "own-brands have certainly been responsible for an uplift in retailers' profits throughout the late 80s–early 90s" [McGrath, 1995, p. 7]. Thus by 1995 Sainsbury's lead in own-brand groceries over rival retailers had diminished greatly with both Tesco and Safeway achieving own-brand sales of 40% and above [Mintel, 1996, figure 13]. Indeed Sainsbury's reduced its own-brand grocery sales from 63% in 1977 to 53% in 1983 in order to ensure a wider mixture of brands were stocked within its stores [Euromonitor, 1986, p. 28].

Table 1: *Pre-Tax Profit Margins and Own-Label Percentage Share of Dry Packaged Grocery Market, 1985-90*

	Marks & Spencer		Sainsbury		Tesco		Argyll*	
	Pre-Tax Profit Margin	Own-Label Share	Pre-Tax Profit Margin	Own-Label Share	Pre-Tax Profit Margin	Own-Label Share	Pre-Tax Profit Margin	Own-Label Share
1985	9.7	100	5.6	56.0	3.7	36.2	3.6	35.7
1986	10.3	100	6.4	55.8	4.7	36.7	4.0	34.7
1987	11.1	100	6.4	55.4	5.6	34.0	5.5	36.0
1988	11.0	100	6.6	55.1	5.9	36.4	6.0	35.8
1989	11.2	100	6.5	54.8	6.7	38.0	6.2	33.5
1990	10.7	100	6.5	53.4	6.9	39.4	6.5	33.1

Sources: Institute of Retail Studies (1992), table 54 and IGD (1991), table 4.3

Notes: *Figures for Argyll Group Own-Label share refer to Safeway only.

The growing importance of close relationships to sub-contracting firms, based upon relational contracting, has clearly been one of the major developments within grocery retailing since the 1960s. These relational contracts, whether for the improvement of just-in-time techniques and wider logistical considerations or for the production of own-brand products, was one of the necessary elements used by the larger multiple grocery retailers to develop their competitive advantage. In order for multiple retailers to develop these relational contracts, and to maintain a balance of power favorable towards themselves, they have also been required to develop asymmetric information flows. It is the ability to utilize these information flows that is also becoming crucial to the multiples' continued success.

Transaction cost minimization lies at the heart of successful retailing [Williamson, 1986]. The use of information collection and processing systems by food retailers in recent years have also mirrored the changes they have made to their own environment.

At the retailer/customer interface, the use of bar-coding groceries had spread to over 80% of goods sold by 1983, leading retailers to move towards the introduction of electronic scanning at check-outs and the use of Electronic Fund Transfer Point of Sale (EFTPoS) technology. Tesco's was the most innovative British retailer in making a commitment to electronic scanning, operating 38 of the 75 food stores equipped for scanning, compared to two operated by Sainsbury's [IGD, 1984, figure 3.3].

The introduction of Loyalty Cards in 1995 opened a new chapter in the retailers control over information flows. Multiple retailers, again led by Tesco, are able to collect unique computerized information on customers purchasing patterns. In return customers collect points, based upon spending within stores, which can then be redeemed against future spending on a range of other goods and services. These "electronic Green Shield Stamps," as Sainsbury's initially dubbed them, allow for detailed marketing information to be targeted at customers. Already Tesco produces five separate magazines for its eight million Clubcard members, based upon the categories students, young adults, families, older adults, and pensioners [Retail Week, 1996, p. 3]. As Tesco's Director of Corporate Marketing acknowledged, the company has "only scratched the surface" with the accumulated data [IGD, 1996b, p. 94].

From 1985 Tesco's recognized the need to focus upon primary shoppers and "who they are" [Tesco Archive, 1985; Tesco Archive, 1989, p. 3]. They were already aware that primary shoppers represented 2.5 million (33%) of Tesco's weekly shoppers and that they were responsible for 80% of sales. Below this key group were the 1.6 million (22%) secondary shoppers who were spending over 10% of their weekly food budget within the store but only accounted for 16% of turnover and the 3.4 million (45%) of tertiary shoppers accounting for 4% of turnover. Tesco's also estimated that of Sainsbury's shoppers 40% were primary shoppers and 22% secondary. Tesco's research therefore recognized the "key importance (of the primary shopper) to the business" and the need to "increase the percentage of primary shoppers" [Tesco Archive, 1989, conclusion]. The central importance for retailers in using loyalty cards derives from the necessity to win as high a share of primary shoppers as possible in order to promote relational contracting relationships.

Multiple food retailers have also utilized increased control over information flows to create further advantages within supply chains. In the supply chain itself, retailers are introducing contract pricing arrangements with sole suppliers based upon exacting quality, quantity, and delivery criteria [IGD, 1996b, pp. 10, 79]. Elsewhere manufacturers of branded goods find multiple retailers' demands to produce an own-brand good increasingly difficult to resist. Only a small handful of manufacturers, namely Coca Cola, Kellogg, and Mars, are big enough to resist such approaches but simultaneously even these large manufacturers and others constituting the British Brands Group are finding it difficult to stop retailers introducing what has become known as "copy-cat" own-brands [Euromonitor, 1996; Mintel, 1996]. Brand owners are also finding themselves called upon to invest heavily on brand marketing as this pushes forward both brand and own-brand sales [IGD 1994, p. 51].

Conclusion

This paper has highlighted the origins of British multiple food retailers competitive advantages in the post-war era. It has maintained that the similarities between retailers today are an extremely recent occurrence and that a varying picture for the origins and establishment of multiple retailers exists. Nevertheless, some characterisations do emerge, namely in the role played by family control and unusually strong affinities for regional business strategies. More importantly, however, the paper has suggested that a greater emphasis should be placed upon examining the way in which firms developed relational contracting arrangements with suppliers and have attempted to increase the loyalty of their customers. Information flows, transaction costs, and market power seem to be key determinants of these processes.

Multiple retailers proved highly effective in using new technologies and techniques for altering the balance of information flows. This allowed the firms involved to change their own environment in order to exploit economies of scale and influence changing consumer habits. However, this innovative approach, it was also suggested, has been relatively easily copied by other large retailers leading to an undermining of first mover advantages. Thus the paper suggested that the similarities between multiple retailers emerging today highlights not just the strength of multiple retailing organizations but also the problems firms face as they attempt to continue to innovate.

Unfortunately, the creation of a competitive equilibrium is unlikely to lead to a more stable environment for food retailers. There are two issues which threaten to break the influence of the established multiple retailers. First, the movement towards the internationalization of retailing has already seen the entry of large scale European retailers into the British market with discounting food retailing firms including Aldi and Netto [Raven, Lang, and Dumonteil, 1995]. Of the 135 non-domestic retailers operating in Britain, only 12 were operational prior to 1980 [Akehurst and Alexander, 1995, p. 5].

The second pressure acting to reduce stability within the food retailing sector is the rapid politicization of the food manufacturing and retailing industry. From the 1970s multiple food retailers were being criticized for exploiting their market position at the expense of manufacturers and smaller retailers. As the Chief Executive of the National Food and Drink Association, Leonard Reeves-Smith, maintained "the purchasing power of the large multiple grocers is such that they can exert undue pressure on manufacturers, pressure that amounts to little more than blackmail" [Grocer, 18th June 1977, p. 59]. This power was again criticized in 1980s, and in 1995 one group of trenchant critics called for the monopoly investigation into the large multiples regional dominance [Gardner and Sheppard, 1989; Raven, Lang, and Dumonteil, 1995]. However, since the Bovine Spongiform Encephalopathy (BSE) crisis within the British beef industry and the outbreak of E. coli food poisoning in Scotland during 1997, this very same market power is now seen, by the very same authors who called for monopoly investigation, as a positive influence protecting consumer health interests against large scale, deregulated agricultural industry [Land et al., 1996].

Without doubt, food safety is becoming an increasingly important issue for food retailers. The possibility of institutional change within the food manufacturing and retailing market following the formation of a new food safety body, independent of Ministry for Agriculture Fisheries and Food, is likely to further increase uncertainty.

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