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Retail Planning and Food Retailing Competition Issues

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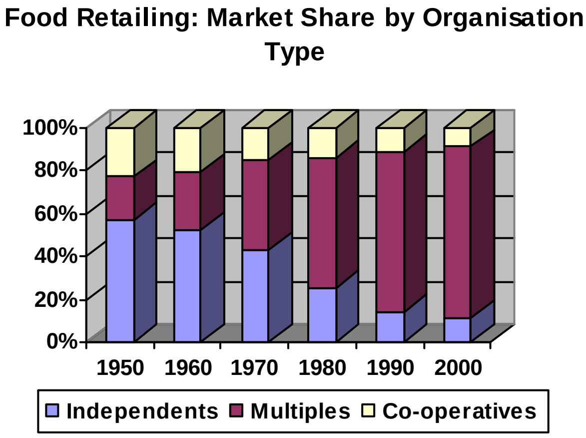
'*It is not the role of the planning system to restrict competition, preserve existing commercial interests or to prevent innovation*'. (PPS6)

'*Legislation is to protect competition not competitors. Difficulty for individual or groups of competitors does not necessarily equal damage to competition or mean consumers are worse off. In many scenarios consumers benefit from increased productivity and efficiency in terms of choice, wider availability, greater innovation and lower prices'* J. Fingleton, Office of Fair Trading, 2006.



The grocery sector was investigated by the Competition Commission at the end of the 1990s. The over-riding conclusion was that the sector was working in the interests of consumers. In 2003 the Competition Commission again examined the sector as it decided which retailers should takeover Safeway. Subsequent lesser investigations have considered the sell-off of stores and the takeover of convenience sector chains. These changes since 2000 and the continuing market share dominance of Tesco built pressures for another investigation of the sector. This is now underway and is due to report in late 2007.

The issues involved in the current investigation can be seen through contrasting if not competing viewpoints. To what extent should efficiency and productivity in retailing be privileged over less tangible social aspects of 'town centres' and 'high streets'? What is the appropriate balance between consumer welfare (generally seen as low prices) and farmers' livelihoods? Should there be a limit to market share of one retailer even if they are delivering productivity increases, lower prices and are clearly meeting the needs of consumers? How should we define 'market' and 'market share' boundaries and limits?

Central to these debates is the planning system as it essentially controls the use of land and sites for retail development. The planning system is assailed from all sides. Major retailers condemn it for being too slow and not allowing the developments or the form of developments they want. Smaller retailers chastise it for allowing too many new developments that compete with their existing businesses. Economists see planning as a brake on productivity growth and innovation, yet politicians see their town or local centre as a social 'good' to be defended at all costs. Consumers see planning as unfair for not providing the 'right' shops, though often not if these shops are in their own back yard. Lobby groups and single issue causes view planning as in then pocket of the large developers. Can planners ever win?

Perhaps the best that can be hoped for is that it will be recognised that the planning system and the planners who operate it are trying to do the best they can in a fluid situation where there are contrasting views about what is valued and what is important for the future. Understanding the current debate on competition is thus important to planners. This brief provides details on the planning issues under consideration, a selection of the key documents and a selection of research papers on some of the issues.

Key Retail Planning Issues being examined by the Competition Commission

The Commission will examine a range of issues including supply chain, market concentration and planning issues. Retail planning issues under examination are:

1. Whether the planning regime constrains a grocery retailer seeking to enter or expand in an area including possible barriers resulting from the 'needs' test, the 'sequential' test, land availability, and the planning process itself.

2. Whether any barriers to entry disadvantage particular retailers or types of retailer

3. Whether there are significant differences in how the planning system is implemented in different parts of the UK that could impact on barriers to entry

4. Whether any retailers or groups of retailers are using the planning system or land ownership in such a way as to restrict entry of others e.g. land banks, restricting use of land on sale, paying excessive prices to prevent other operators from obtaining land.

5. Whether there are any other barriers related to scale or form of entry

Key Documents

Barker, K. (2006)
Barker Review of Land Use Planning – Interim Report. (The retail section is 5.27-5.51, p.110) Norwich: HMSO (Available online at www.hm-treasury.gov.uk/independent_reviews/barker_review_land_use_planning/barkerreview_land_use_planning_index.cfm)

Although the remit of this review was the broad spectrum of land use planning it sets the context for planning and hence retail planning by outlining attitudes, approaches and aims of planning within the contemporary regulatory ethos. Sections 5.27-5.51 give a commentary on retail planning in the broader regulatory context.

Competition Commission
A report on the supply of groceries from multiple stores in the United Kingdom, London: The Stationery Office, 2000. 3vols.(Cm 4842).

Volume 1 gives a summary and the conclusions to the investigation. Volume 2 includes the reports and survey results obtained in the process of compiling the report. Chapter 12 is entitled land and planning issues. It has sections on the planning system in practice, views on the planning system, comparative information on planning systems in other European countries, costs of land and lease and rental issues. Volume 3 comprises the appendices where the detailed survey results are given. These include procedure, policies and surveys of planning authorities (pp.454-490).

Competition Commission
Safeway PLC,
London: Competition Commission, 2003 (Available online at www.competition-commission.org.uk/inquiries/completed/2003/safeway/index.htm

This report includes all the documentation relating to the acquisition of Safeway PLC. It outlines the competition position of Safeway and those interested in acquiring it. The way that the competition issues are addressed and the conclusions reached demonstrate the commission's evaluation that in this case that an acquisition by Wm Morrison would create a more competitive grocery retail market.

Competition Commission
Somerfield plc/Wm Morrison Supermarkets plc. A report on the acquisition by Somerfield plc of 115 stores from Wm Morrison,
London: Competition Commission, 2005 (Available online from www.competition-commission.org.uk/inquiries/ref2005/Somerfield/index.htm

The findings of the Competition Commission on the purchase by Somerfield of 115 Wm Morrison stores. This includes sections on how local competitive effects were assessed and also planning and store growth.

Competition Commission
Groceries market investigation
London, Competition Commission, 2006 (Available online from www.competition-commission.org.uk/inquiries/ref2006/grocery/pdf/issues_statement.pdf)

The documents relating to the current investigation are available including for example a list of members of the investigation, a timetable of events and submissions to the investigation from a range of individuals, pressure groups, industry spokespeople, local authorities. Results are to be published in October 2007.

Department of Trade and Industry
The Retail Strategy Group report: driving change,
London: DTI, 2004, 108p. (Available from: www.dti.gov.uk)

The role of the Retail Strategy Group is to assist the UK government and the retail industry to identify key issues that impact on the competitiveness and productivity of the industry. A key part of the report includes chapters on the value of retail, retail productivity, regulatory burdens on retail, retail crime, planning and retail development and commercial property and leasing.

Fingleton, J.
Statement by OFT Chief Executive to All Party Small Shops Group,
London: Office of Fair Trading, 2005, 2p.(Available from www.oft.gov.uk)

This statement makes clear the areas that fall under the remit of the Office of Fair Trading in connection with the debate over the competition issues surrounding small shops. It is not the role of the competition authorities to protect sectors of the economy which are failing or which have failed to change in response to consumer demands. The All Party Small Shops Group is concerned with social and cultural issues which go beyond the remit of the Office of Fair Trading. The Office of Fair Trading whilst turning down the August demand by the Association of Convenience Stores to review the competitive position of the multiples in the convenience sector agreed to think again about the matter in this statement.

House of Commons, All-Party Parliamentary Small Shops Group
High Street Britain: 2015,
London:APPSSG, 2006, 91p.

The All Party Small Shops Group was set up to address issues relating to the competitive position of the small shop sector in UK retailing. The report includes written and oral evidence submitted to the Inquiry. The topics covered includes supply chain issues as well as the structure of UK retailing in terms of the multiple and independent sectors, small retailers and larger retailers. A number of recommendations are made by the report including a moratorium on mergers, the establishment of a retail regulator, revision of the two market ruling, new codes of practice, review of tax, VAT and rates, new planning initiatives and implementation of the Hampton Review.

Office of the Deputy Prime Minister
Memoranda
London: ODPM, 2002.

Memoranda from interested parties were submitted to House of Commons Select Committee on Planning, Competitiveness and Productivity. Of specific relevance were the memoranda from **The British Retail Consortium (PCP31), Tesco (PCP27), Sainsbury's Supermarkets Ltd (PCP16), Accessible Retail, Marks & Spencer Plc (PCP03), B&Q (PCP08), Ikea Property Investments Limited (PCP15)**.

These addressed problems both with the implementation of the planning system and the planning policies themselves. A greater awareness of the need to encourage retail competition and innovation through format development was required. A better understanding of the assumptions about shopping behaviour which underlie existing planning policy was also needed.

Office of the Deputy Prime Minister: Housing, Planning, Local Government and the Regions
Planning, competitiveness and productivity, 4th report.
London: Stationery Office, 2003.

The select committee report concluded that planning policy was not impeding productivity in across industry sectors in the UK. Only passing reference to the evidence received from the retail industry is made with note that improved speed in handling applications was required.. Other factors and not the planning system were seen to be more influential on productivity in UK industries.

Office of Fair Trading
The grocery market: the OFT's reasons for making a reference to the Competition Commission,
London: Office of Fair Trading, 2006, 95p. Available from
www.oft.gov.uk/NR/rdonlyres/1A2D7FA2-FEA3-4459-9B25-4A737A20023D/0/oft845.pdf

A review of the sector and an outline of the main concerns of the Office for Fair Trading. The aspects relating specifically to planning are on pages 56-67.

Office of Fair Trading
Grocery market: proposed decision to make a market investigation reference,
London: Office of Fair Trading, 2006, 71p. (Available online at www.oft.gov.uk)

An analysis of the convenience market sector for reference to the Competition Commission. There are specific planning issues raised in the report concerning need and also the ease with which new entrants can establish themselves in the market.

Office of Fair Trading
Supermarkets: the code of practice and other competition issues,
and **Supermarkets: the code of practice and other competition issues: conclusions,**
London: Office of Fair Trading, 2005 (OFT 783 and OFT807).

The report is an audit of the degree of compliance of supermarkets with the code of practice for supermarkets (Office of Fair Trading, **The Supermarkets' code of practice**, London: OFT, 2004, 55p). Section 4 of the conclusions deals specifically with issues of competition, price, quality and choice. The concept of organic growth is distinguished from that of mergers and takeovers. It is concluded that the move of major multiples into the convenience sector has not been detrimental to consumers.

Key Web Sites

www.oft.gov.uk
www.competition-commission.org.uk

Key Research Topics

- Safeway takeover and competition issues
- Entry of Wal-Mart and competition impacts
- Regional monopolies
- Competition versus choice
- Competition and productivity
- Defining food shopping
- Implications of Competition Commission Report 2000

Key Research Articles

Burt, S. and Sparks, L.
Power and competition in the UK retail grocery market,
British Journal of Management, 14, 2003, 237-254.

An assessment of the way the locus of power has changed in the distribution channel to favour the retail sector. The impact of this on the competitive environment and the importance of different price and non-price based competition are considered. Understanding the changes within this context is important in considering the implications of different types of regulatory control on competition.

Burt , S. and Sparks, L.
Asda: Wal-Mart in the United Kingdom, in Brunn S. D. (ed), **Wal*Mart World: The World's Biggest Corporation in the Global Economy**, New York: Routledge, 2006, 27-43.

The takeover of Asda by Wal-Mart in the UK represented an important change in the UK grocery market and an important development for Wal-Mart. The chapter considers how Wal-Mart has developed the retailer in the UK consumer and business environment with reference to store portfolio, supply chain and merchandise mix. The way that Wal-Mart has positioned Asda within the UK food retail sector is discussed and how it competes in that market with varying success is analysed.

Clarke, I., Hallsworth, A., Jackson, P., de Kervenoael,R., Perez del Aguila, R. and Kirkup, M.

Retail restructuring and consumer choice. 1. Long term changes in consumer behaviour: Portsmouth 1980-2002,
Environment and Planning A, 38(1), 2006, 25-46.

This article presents the quantitative results of a three year project to study retail change in Portsmouth. The way that retail restructuring ahs impacted on consumer choices and satisfaction with shopping provision are studied. The match between provision and lifestyle changes is assessed with conclusions relating to the complexity which exists in the conceptualisation of what choice means in the context of different household types. The concept of choice is viewed as the degree to which competitiveness exists at the local level.

Colla, E.
The outlook for European grocery retailing: competition and format development,
International Review of Retail, Distribution and Consumer Research, 14(1), 2004, 47-69.

The article contrasts the ways in which grocery retailing has developed in different European countries. Critical to this is the role of legislation and this is identified. It seems likely that it will be necessary to regulate to defend consumers against excessive prices by preventing the achievement of monopoly positions at local or national levels.

Dobson, P.
Retail performance indicators in the nation of shopkeepers,
International Review of Retail, Distribution and Consumer Research, 15(3), 2005, 319-327.

Dobson addresses the issue of the relationship between size and productivity in the retail sector. He concludes that whilst productivity improvements may be linked to size it is the source of competition which encourages retailers to make changes to their operations that allow productivity improvements. There are important consequences of this for government policy on competition which should not prevent competition, restrict new entry and innovation or tilt the competitive playing field whilst at the same time ensuring that market power is not abused in any way that prevents, restricts or distorts competition.

Friends of the Earth
Calling the shots: how supermarkets get their way in planning decisions,
London: Friends of the Earth, 2006, 39p.

An example of the types of pressure group activity contributing to the current investigation by the Competition Commission. The paper suggests that multiple retailers are finding ways of achieving their goals regardless of the planning system and that they are using or abusing their power to achieve these goals. Local councils do not have sufficient power to withstand the pressures put on them by the major retailers as they cannot afford the appeals process. The paper calls for a market review by the Office of Fair Trading and the Competition Commission to examine PPS6.

Guy, C.
Choice cuts,
Town and Country Planning, 73(10), 2004, 276-277.

The Competition Commission, in its decision making on recent acquisitions in food retailing, has taken the position that there are two food retail markets, main and top up shopping. Thus the acquisition of convenience retailers by major operators such as Tesco has not been a competition issue. Guy shows that the situation is in fact more complex with different types of store being used by different consumers for different purposes. Some consumers have started using superstores for top up items whilst others for whom accessibility is an issue may use convenience stores for their main shopping.

Guy, C. and Bennison, D.
Retail planning policy, superstore development and retailer competition,
International Journal of Retail and Distribution Management, 30(9), 2002, 431-434.

This article describes research commissioned by the British Council for Out of Town Retail (BCOTR/ Accessible Retail). It examines the case in favour of superstore development. In particular it was concerned to ask whether planning policies were adversely affecting particular format development and reducing competition. Property developers, planners and retailers responded to a survey which included questions relating to their views on the difficulties created by the planning regime. The findings showed that retail planning policy had become opposed to particular types of retail development as the preferred locations were incompatible with preferred formats. It is concluded that this is inconsistent with government policy to promote competition. Superstores bring benefits to consumers and enhance retail competition and are therefore in the consumer interest.

Hallsworth, A. and Evers, D.
The steady advance of Wal-Mart across Europe and changing attitudes towards planning and competition,
Environment and Planning C, 20(2), 2002, 297-310.

There is a balance between allowing competition within the retail sector and controlling land use. Pressure on this balance arises when new competitive forces such as Wal-Mart enter a market. In both the UK and The Netherlands competition policy has been re-evaluated. Although in the UK the industry was found to allow fair competition the pressure in The Netherlands on competition policy has been greater. A change in competition policy demands changes in land use policy. Any such changes in The Netherlands might open the way for new out of town development or changed use of existing centres thus making The Netherlands more attractive to a company such as Wal-Mart.

Hollingsworth, A.
Increasing retail concentration,
British Food Journal, 106(8), 2004, 629-638.

An examination of the impact of the Competition Commission Report on the competitiveness of the UK food retailing sector. The article concludes that although concentration was not currently an issue further concentration is likely. The article focuses on the bids for Safeway and the role of the Competition Commission. Whilst written prior to Morrison's takeover of Safeway the article argues that although the outcome will be likely to increase concentration in the sector the Competition Commission outcomes are unable to prevent this.

Jackson, P., Perez del Aguila, R., Clarke, I., Hallsworth, A., de Kervenoael, R. and Kirkup, M.
Retail restructuring and consumer choice. 2. Understanding consumer choice at the household level,
Environment and Planning A, 38(1), 2005, 47-68.

This article presents the qualitative results of study of retail change in Portsmouth between 1980 and 2002. The concept of cultural capital is used to differentiate consumer responses to choice. Choice between and within stores are differentiated in an attempt to better understand the factors which influence per captions and meanings of choice. Shopping is embedded in domestic routines and takes on meaning relative to these routines.

Poole, R., Clarke, G.P, Clarke, D.
The battle for Safeway,
International Journal of Retail and Distribution Management, 31(5), 2003, 280-289.

Values for regional market share are calculated under various scenarios for the future of Safeway. The lack of organic store development has heightened the battle for Safeway and the potential to prevent competitor increases in market share is shown to be as important as an increase in market share.

Wood, S., Lowe, M., Wrigley, N.
Life after PPG6 – Recent UK food retailer responses to planning regulation tightening,
International Review of Retail, Distribution and Consumer Research, 16(1), 2006, 23-41.

This article discusses the ways that retailers have adapted to changing retail policies. Four particular adaptations are considered – investment in regeneration areas, involvement in convenience store retailing, opening of non-food stand alone stores, mezzanine development. These adaptations reflect both creative ways of working in the planning environment and the ways that retailers will test the regulatory environment to the limit.

Wrigley, N.
Local spatial monopoly and competition regulation: reflections on recent US and UK rulings,
Environment and Planning A, 33, 2001, 189-194.

A brief commentary on the findings of the Competition Commission. The specific focus is on the relationship between issues of spatial competition and the role of planning. Some contrasts with the US are offered.