Grocery Retailing in Scotland: The next 10 years

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Where Do We Start From?

- 1961 - 26,000 food shops in Scotland
- Since 1990 - a period of enormous change
- The pace of change will continue to quicken
- How can we form a view of the future?

What is Causing the Changes?

- The consumer
- Technology
- The financial institutions
- Government

Consumer Changes

She is:

- More confused and irritated
- More knowledgeable
- More difficult to please

Consumer Changes

- More likely to have the 5pm problem
- More Scottish
- More concerned about product safety

Percentage[1] of respondents answering 'safe' and 'unsafe' the question
'For each of the following food products, please tell me
if you think it is safe or not safe'

	Pre-cooked meals		Frozen foods		Eggs		Fresh meat	
	safe	**unsafe**	**safe**	**unsafe**	**safe**	**unsafe**	**safe**	**unsafe**
U.K.	**61**	**27**	**86**	**9**	**78**	**16**	**67**	**23**
EU 15	39	49	58	34	73	22	60	34

[1] The difference between the 'safe' and 'unsafe' and 100% is the 'Don't Know' group

Source: European Commission 1998

Technology

- On the sales floor: scanning, shelf-layout systems, customer cards
- In the back store: supply chain technologies, business to business e-commerce
- Home based electronic shopping: interactive TV, internet

Financial Groupings

- The city
- The bank

Government

- Competition policy: more intervention
- Land use planning policy: limiting new out-of-town stores, protecting existing out-of-town stores

The Effects of These Driving Forces on Grocery Retailing

- Influence will increase rather than decrease
- Firms
- Formats

Firms

- Big European companies: Carrefour-Promodes, Tesco, Ahold, Metro & ??, Wal*Mart plus ??
- Big firms increase sales faster than the market grows
- More retail diversification

Firms

- Small firm alliances: with food retailer and with non-food retailers
- Specialist small firms

Formats

- Present formats still dominant
- Large firms operating several formats
- Threat from internet

Internet Retailing

- More likely initially with packaged than fresh product
- Potential to offer choice, location and convenience to consumers
- Technology is present
- A 30,000 sq m warehouse can generate sales of 8 superstores <10% of the cost

Internet Retailing

- With controls on new stores e-retail allows the expansion of sales space
- Present problem is cost of delivery
- e-retail will impact the out-of-town superstores in the way they impacted in-town supermarkets

New Formats

- Meal centres
- Specialists
  - with internet access kiosk for the everyday goods
- Food boutiques
- Brand shops

The customer

Primary shop	Secondary shop	Top up shop	Specialist shop
Superstore	Discount store	Convenience store	Specialist store
Hypermarket	Town centre supermarket	Petrol station store	Food centre
Discount store	Local small supermarket	Town centre supermarket	Internet shop
Internet shop	Internet shop		

The Shape of Grocery Retailing in Scotland in 2010

- Market shares: 15% by internet, 60% in big stores, 25% in small stores
- 90% market share by 10 companies/ organisations including at least 5 names now not present in Scotland
- Large firms with several formats including meal centres & food service

The Shape of Grocery Retailing in Scotland in 2010

- Chains of specialist organic shops, vegetarian shops, food boutiques, and brand shops
- Tighter food safety regulations
- Grocery store will be a household service centre, bank, internet café, etc
- Food ingredient's share of stomach will fall by 20%