CENTRE FOR THE STUDY OF RETAILING IN SCOTLAND

CENTRE FOR THE STUDY OF RETAILING IN SCOTLAND

RESEARCH PAPERS IN RETAILING

NO. 0402

Retail change in Britain during 30 years: The strategic use of economies of scale and scope

www.csrs.ac.uk

ISSN 1743-0321 (print)
ISSN 1743-033X (online)

TITLE: Retail change in Britain during 30 years: The strategic use of economies of scale and scope

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ABSTRACT: Change in British retailing over 30 years is reviewed in terms of its changed role within the economy. As it has moved to become responsible for an increased share of added value in the economy so the retailers have exploited economies of organisational scale and establishment scope. The crises of the mid 1970s marked a major watershed in the strategic approach of British retailers. A general framework is provided in which to consider the nature of the changes.

Paper prepared for SIG Retailing meeting at BAM Conference, 1 September 2004

Retail change in Britain during 30 years: The strategic use of economies of scale and scope

British retailing over the last 30 years has changed fundamentally in its role in the UK Economy. It has moved from being an agent for the passive display and sales for manufacturing output to take on an active role in determining what is consumed and what is manufactured. It is estimated that within the next few years the total value added in the retailing and wholesaling sector will be greater than that of manufacturing. By 2002 value added in retailing and wholesaling was already 90% of that of manufacturing and converging rapidly.[1] In this paper I wish to explore how retailers have used economies of scale and scope to change their role and contribution in the UK economy over the last 30 years.

The situation in 1970

In the early 1970s British retailing was emerging from a period of adaptation to increasing consumer wealth. Between 1954 and 1970 the volume of goods sold by retailers increased at an annual rate of 2.5% per year. Consumer income and spending had increased steadily over the two decades from 1950 and consumers had been expanding their domestic inventories of consumer goods. The advent and spread of commercial television in the 1950s and 1960s, the abolition of Resale Price Maintenance in 1964 and the widespread adoption of self-service in

[1] Value added in distribution has increased strongly whilst in manufacturing it has stagnated during the 1990s. The gap in capital expenditures has also closed There are over a million more employees in distribution than in manufacturing.

Comparison of manufacturing and distribution within the UK economy

	Value added £bn					Net capital expenditure £bn		Employment million: average during year	
	1986	1990	1994	1998	2002	1998	2002	1998	2002
Manufacturing	82	140	131	150	144	20.4	13.6	4.4	3.8
Distribution	37	75	72	107	129	12.5	13.0	4.7	4.9

Sources: Office of National Statistics, Blue Book and Annual Business Inquiry the food sector, with two thirds of grocery sales through self-service by 1970, were important factors that helped the expansion of the retail sector and provided the basis for growth (Fulop 1964; Stacey and Wilson 1965, Pickering 1966, 1974). The largest 6 grocery retailers increased sales by over 100% between 1968 and 1974 but the sector was still fragmented in structure. Whilst sales were rising there was a reduction in labour input in the sector as new sales methods were introduced and small inefficient shops ceased trading. There was a net decrease of 60,000 shops between 1961 and 1971. Most of these were small shops, many of which were operated by the owner. Employee productivity across the sector increased substantially in real terms[2]. Retailer net profit margins in this period were considerably higher than those of manufacturers as is shown in table 1. This was due mainly to lack of horizontal competition with manufacturers still in control of vertical channel relationships. By the early 1970s retailing had benefited from the increasing affluence of consumers and retailers had an emerging base for substantial expansion[3].

By the early 1970s consumers were seeking more products and starting to look for better quality products and different products. The knowledge that consumers were able to apply to their purchase decisions was starting to increase and become more sophisticated. By this time a few retailers had become large and influential with networks of stores across all the major towns of the UK. For example, Marks and Spencer in clothing, Boots in pharmaceutical and toiletry items, W H Smith in newspapers and books, Dewhurst in specialist meat products, and House of Fraser in Department stores all had nationwide networks of stores. In general, however, through the 1960s the major retailers had developed regionally but nonetheless had grown strongly. Regional variations in

[2] Sales at 1971prices per full-time equivalent employee in grocers rose 48% between 1961 and 1971; for women and girls clothing retailers the corresponding figure was 64% (NEDO 1979). Smith and Hitchens (1985) show that for the period 1951-81, 'the highest rate of productivity improvement was registered in the late 1960s' (p59)

consumer demand remained strong (Allen 1968). By the early 1970s, for example, the emerging supermarket chains of Sainsbury and Tesco[4] were strong in the South of England and had relatively few stores outside this region, regional chains of clothing stores existed centred on the major cities of London, Bristol, Birmingham, Manchester, Cardiff, Leeds, Glasgow, and Newcastle. Consumer co-operatives were organised locally with a plan to consolidate the smaller co-operatives into a regionally based network. This regional structure of retailing meant that concentration ratios fell as the medium sized regional firms grew in strength within their region[5]. Studies suggested that there were few scale economies of organisation but larger stores, notably in the food sector coupled with self-service, did generate limited scale economies (EIU 1972, Hall 1971). The period of rising incomes had enabled retailers to create regional expansion programmes that provided more floorspace to satisfy the increased demand from consumers[6]. Inter-firm competition, nationally, was relatively weak in the expanding market although there was substantial competition in regional and local markets. The commentaries at the time (for example NEDO 1971, NBPI 1971) anticipated continuing growth and gradual change in the sector. The primary objective of the retailers, until this time, was to respond to the increase in mass and broadly segmented consumer demand. Retailers had increasingly bypassed wholesalers in order to reduce costs and so retailers were negotiating directly with manufacturers for goods that manufacturers had developed in response to their market surveys.

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[3] Retail sales in 1972 and 1973 increased by 5.8 and 4.6 respectively at 1971 prices with durable goods retailers having increases of 15.0% and 10.4%

[4] Sales of Tesco for example increased from £24.5 million in 1961 to £191.5 million in 1968 but with a strong concentration in the South of England

[5] Within the group of largest grocery retailers [28 in total] Cr4 in the grocery sector fell from 54.4% to 50.1% between 1969 and 1975 and Cr8 fell from 74.5% to 70.7%. (Development Analysts 1977)

[6] A net 65.6 million sq feet of gross space in shops was added between 1964 and 1971 in England and Wales

The economic maelstrom of mid 1970s

The increase in oil prices in 1973/4, the explosion in commodity prices in 1972-74, the introduction of price controls in 1972 and margin controls in 1974, the subsequent recession of 1974/5 through to 1980, and period of high inflation caused a major change in the competitive activity of retailers[7]. The changed economic conditions and the consumer response to them triggered a major shift in the strategic approach of the retailers and heralded the start of a fundamental change in the structure of the sector. Not only was there greater concern over costs in the inflationary environment but also retailers were required to compete more strongly for the attention of consumers (Euromonitor 1979). Consumers were 'shopping around' in order to search for lower prices, to seek better value for money from different retailers, and consumers became less willing to buy what was provided by their usual retailers. Increased car ownership gave consumers a potentially wider choice of stores. The retailers thus had to change from passively allowing manufacturers to display items to which consumers were naturally attracted to actively marketing the total retail offer and competing for customers. In retailing, the idea of marketing, largely absent through the 1960s[8], became, from the mid 1970s, a more widely accepted managerial function by the more progressive and successful firms. This change, beginning in the mid 1970s, had profound implications for the development of retailing over the subsequent 25 years.

The effect of the changed conditions in the mid 1970s was a re-assessment by major retailers of their strategies and particularly their relationships with suppliers. The overt use of economies of scale and scope became part of retailer strategy. There was a widespread acceptance of a dual paradigm in the strategy

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[7] Retail sales in 1974 (at 1971 prices) fell by 0.7% over the previous year and durable goods retailers moved from 10.4% increase in 1973 to 3.1% decrease in 1974. The effects of the recession on different sectors is reviewed in Gower (1976).

of retailers that comprised taking control of marketing to consumers and taking control of the supply chain. In this way the retailers have been able to change their role within the UK economy. Table 2 provides some summary statistics on the changes in the sector since 1970.

The changes in retail structure that began in the mid 1970s can be characterised as the result of two major managerial processes. First, the hiatus in economic conditions in the second half of the 1970s made managers more deliberate in their decision making which in turn led them to develop a more strategic approach to retailing. A growing market and little competition had meant that short-term operational considerations were uppermost in the minds of managers. The changing environment of more difficult trading conditions starting in the mid 1970s and extending through to the early 1980s forced managers to take a more strategic approach alongside consideration of operational issues (Tanburn 1972). Secondly, there was recognition that local competition forced store operations to meet more closely, the needs of consumers. The first resulted in a strategy to become the dominant firm in a national market. The second resulted in a strategy for the development of new store formats.

Pursuit of a strategy to become the dominant firm in the national market

Retailers, from the mid 1970s, adopted a more strategic approach to competition, focusing on ways to increase market share within the national market. The consequence of this was an increase in market concentration through the 1980s and 1990s as merger and acquisition and expansion of store networks increased the scale of individual firms. As seen in Table 2 the shares of the large firms increased steadily. In the grocery sector the market share of multiple retailers, based on Neilsen data, increased from 44.3% in 1971 to 66.8% in 1983. Using

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[8] The notable exception was the first habitat store opened in 1964 by Terence Conran.

AGB data the increase was from 49.6% in 1973 to 72.5% in 1984. Across all retailing the EIU (1981) estimated that 'large firms' [undefined] increased their market share from 61% to 69% between 1976 and 1980.The mechanism to achieve this increased share was to expand sales space by a combination of new store development and merger and acquisition. The large firms grew, consistently, at a faster rate than the market and so market concentration increased across most sectors. Smaller retailers closed in large numbers. The benefits of being large became numerous as is shown in table 3. The studies of the 1960s suggesting few scale related benefits considered a very different set of managerial processes in the distribution channel in which manufacturers were more influential compared to the situation in the 1980s. The over-riding benefit to retailers of the growth in size and the moves to oligopolistic market relationships is increased power in channel relationships; the increased power that retailers gain over the supply chains and therefore over suppliers of goods and services provides a basis for changes in cost structures that added value from manufacturer to retailer[9]. Retailers moved to administered supply chain relationships with suppliers (Dawson and Shaw 1989,1990), - not only suppliers of the goods for re-sale but also with suppliers of various services used by the retail firm, including logistics services, advertising services and even financial services. In these administered relationships retailers used their superior power, emanating from their large scale:

- to move the locus of the branding activity from manufacturer to retailer through retail brand product development;
- to take responsibility for logistics through the operation, directly or through outsourcing, of distribution centres and delivery networks;
- to specify the quality of items being produced;

[9] The change in relative contributions, of manufacturing and distribution, to GDP shows how this micro level change affects the macro economy.

- to take control of shelf-space [display fixture] management and use access to it as an aspect of negotiations with suppliers;
- to negotiate, directly with manufacturers, trading conditions including prices, payment periods, discounts, delivery conditions, etc, that are more favourable to the retailer.

Details of how this power base has shifted are recorded in reports of the competition authorities in the UK, notably the report of 1981 on Discounts to Retailers (Monopolies and Mergers Commission 1981) and the more recent report on competition in Supermarkets (Competition Commission 2000). The objective of being the dominant firm has been implemented by becoming a large firm measured in terms of sales, not of having the highest return on investment or of having the highest service level, or other potential measure of success. Thus the strategy has been based on the exploitation of a range of scale economies of the retail firm, as shown in Table 3.

Market concentration has risen since the mid 1970s as retailers pursued this aspect of their strategy. By the late 1990s all the major retail sectors had a small number of firms that in effect dominated their respective sectors. The food sector became one of the most strongly concentrated with over 65% of the market controlled by the largest five firms[10]. The largest five retailers had over 50% of the market in DIY, electrical and jewellery sectors and even in traditionally fragmented sectors of furniture and clothing the largest five firms had over 30% of the market. Scale economies at the level of the firm facilitated the creation of significant national market shares through national networks of stores. Operational competition survived for consumers at a local level but there emerged, throughout the 1980s and 1990s, store level competition at the national level, competition in supply chains and competition for access to

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[10] Even higher figures of market concentration, in excess of 75%, are evident if packaged grocery items are considered as the market.

strategic resources, such as development land and capital. This growing competition for national market share, based on exploiting economies of scale, differentiates the period after the mid 1970s from that before.

The development of new retail formats

The second approach adopted by retailers in response to the changed conditions after the mid 1970s was the creation of new shop formats. A retail format is a co-ordinated mechanism to exploit a particular mix of economies of scope. Increased awareness of the power of the marketing concept led retailers to look afresh at their retail operations. Retailers began to use marketing concepts, particularly market segmentation, target marketing, range planning (Thorpe and McGoldrick 1975) and behavioural research, to develop new types of shop that used focussed rather than mass merchandising. It came to be realised through the 1980s that the shop was the 'selling machine' of the retailer and that in effect it was the 'product' of the retailer (Gardner and Sheppard 1989). Retailers became more involved in the design of the store and in consequence began to explore branding of the store (Eastbury 1986). Design of the store was undertaken in parallel with the design of the ranges of items in the store. Retailers, in all sectors, moved strongly into retail branding of the items[11] (Gapps 1986). Stores became designed to be responsive to consumer needs (Lucas 1986) and store location moved up the scale of importance within the retail marketing mix (Guy 1980). Achieving economies of scope therefore became important in generating cost effective stores. These economies of scope were obtained through:

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[11] AGB data show that retail brand shares in the packaged grocery sector increased from 27% in 1983 to 32% a decade later with the share of sales in multiple retailers increasing from 27% to 35% over the same period. There was, however, considerable difference from firm to firm:

	J Sainsbury	Tesco	ASDA	Co-ops
1983	56.2	34.2	6.3	32.1
1992	53.1	41.8	29.3	25.0
Share of total market 1992	20.5	17.4	10.7	10.1

Source: AGB (1994) Packaged Grocery Private Label 1983-92. Taylor Nelson AGB, London

- Implementing tighter control of item ranges in stores with a greater emphasis on range planning and merchandising, culminating in the use of category management techniques in the 1990s[12];
- Providing a mix of services in the store to complement the mix of items on sale;
- Using store level branding to gain economies in promotion activity generally and advertising particularly.

Whilst the store format, for example supermarket, grocery superstore, convenience store, DIY superstore, niche specialist, etc. provided the basis for these scope economies the more substantial benefits came as retailers branded the format to create their own store formulae. From the mid 1970s and through the 1980s the large retailers rationalised their portfolios of stores to move towards operation of a more tightly controlled store formula. Through the late 1970s Tesco, for example, closed small stores and opened larger supermarkets. In 1972 they had 790 grocery stores in total with 518 stores of less than 5,000 sq ft but by 1981 only 131 of these smaller stores were left. But in 1972 there were only 5 superstores over 25,000 sq ft compared with 66 in operation by 1980. By the mid 1990s Tesco had 566 stores of which 264 were superstores of over 25,000 sq ft. This shift to operating larger stores enabled Tesco, and other firms who followed a similar approach, not only to gain the scope economies at store level in these larger more standard units, but also, because of the larger volume of sales they were able to gain scale economies at the firm level. The development of formats and formulaic 'sales machines' enabled increases in productivity across a range of assets of retailers.

[12] The widespread adoption of EPOS and barcodes from the mid 1970s was a significant facilitator for this change

The superstore format that emerged into general use after the mid 1970s had come, by 2000, to dominate the retailing of food and grocery items because it generates cost economies of scale and scope. From 42 stores of this format in 1972 there were 239 in 1980, 644 by 1990, over 1000 by 1995 and 1200 by 2000. The scale economies are mainly at the firm level as each new store adds a large sales volume to the firm's total buying power[13]. Yet there are some scale economies at the level of the store. For example a flat employment hierarchy reduces employment costs as a percentage of sales in the larger stores. More importantly at store level, however, are the economies of scope that come from having extensive co-ordinated ranges of items and extensive store level branding. Similar, though less dramatic, growth was seen in large non-food superstores, for example in DIY, electrical items, furniture and office products. By the mid 1980s there were some 2000 superstores across all sectors accounting for an estimated 7% of retail sales.

Some retailers extended the formula idea such that they were operating several formulae, each addressing a specific market. Table 4 shows the approach of Burtons in the late 1980s and of Tesco in the late 1990s. In these cases the separate formulae were designed to target different segments, but with Burtons several brands were developed and in Tesco the same brand identity is used for each of the different formulae. This multi-format and multi-formulae approach has become widely adopted by larger firms as they sought to gain economies of scope. The different formats and formulae required different types of property and locations. The commercial property sector responded through the 1980s and 1990s by extensive development of shopping centres. These provided different types of retail property in different locations to meet the varied needs of niche formats, lifestyle formats, superstores, department stores, category killers and

[13] By the late 1990s, for example many of the superstores had individual store sales in excess of £50 million per year.

several other formats. An alternative approach to formula development in the mid 1980s was undertaken by Next [Table 5]. In this case the same consumer segment was targeted with different ranges sold through different formulae. In effect this was a dis-aggregation of the department store into multiple formulae. This approach to formula development proved to be much less successful than that of Burtons.

Conclusions

By using strategies that combined the cost economies of scale and scope around 100 retailers have come to dominate British retailing over the last 30 years and together account for over 70% of the UK total of £181 billion retail sales [exVAT] in 2000. In 1971 70% of sales were generated by the largest 29,000 retailers[14]. The degree of market concentration over 30 years has been intense. By 2000 the retail structure had changed, from that of 1970, to one characterised by:

- Some 100 or so large firms creating increasingly concentrated national markets
- Small independent retailers under considerable competitive pressure but surviving by operating in increasingly specialist local markets
- Retailers taking control of supply chain relationships
- Retailers in control of branding of items and stores
- Retailers operating multi-format and multi-formula approaches to store operations
- Consumers accumulating knowledge and seeking different products rather than more products

[14] Retail Week's Top 500 2002 Edition; Business Monitor SD22 Report of the Census of Distribution and other Services 1971 Part 13 table 5. Although not directly compatible the data from these two sources illustrates the degree to which concentration has occurred.

The general model that we can use to understand the evolution of UK retailing over the last 30 years is shown in figure 1 (Dawson 2001). Development has been based on the retailer taking control of the two major aspect of retailing: control of the channel of distribution [driven by economies of scale] and control of the marketing to consumers [driven by economies of scope]. In 1970 retailers controlled neither of these aspects of retailing. By 2000 retailers controlled both. Control has moved into the realm of the retailer through their gradual use and exploitation of economies of scale, to control the channel relationships, and economies of scope, to control marketing relationships to consumers. Within this model, innovation has resulted from managerial knowledge and technological change and this innovation has acted as the driving force that has created the possibilities for retailers to gain control over the two cycles, respectively of channel relationships and marketing relationships. Innovation became necessary from the mid 1970s when the environment change to become more uncertain and turbulent. The result has been, for the firms who have been successful innovators, growth in sales that has provided the feedback mechanism to stimulate more innovation and so a greater level of control by the retailer over the whole system.

By the late 1990s an adjustment to this model was starting to emerge and promises to generate the next major phase in the development of the strategies of retailers in the UK. Although the basic model remains intact a new factor is introducing a change that will affect UK retailers through the next 20 years. This is the effect of convergence of information and communication technologies giving a new set of cost economies that can be exploited by the retailer. This new set of cost economies is at an early stage of understanding by retailers but promises to have a significant role in shaping retailing over the next 20 years. The economies of information and communication enable the creation of large networked firms spanning diverse markets both internationally and sectorally. For example, it becomes feasible for retailers to consider the substantial internationalisation of store operation and to extend operations into new areas of retail services, such as financial services, health services and specialist leisure services. Cost effective management of a network of stores operating different formula in different countries becomes possible with the cost economies resulting from the convergence of information and communication technologies and from cost sharing within corporate multi-format networks. The economies of information and communication convergence also affect marketing activities of retailers. Retailers are able to obtain and use information on the behaviour of individual consumers, rather than only having information on the items in the store. These new cost economies, associated with the convergence of information and communication can create new virtual formats and formulae served by internet channels. This new phase will not replace the importance of the role of economies of scale and scope but will add new dimensions to them. In considering the evolution of British retailing since 1970 we can see the power of economies of scale and scope but as we look towards the next 30 years we will see, in addition to scale and scope, the power of the cost economies associated with convergence of information and communication technologies.

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Table 1: Net profit margin as percentage of sales 1970-1976

	Retail distribution	Manufacturing	Food manufacturing
1970	14.8	5.8	6.5
1971	16.9	7.2	6.6
1972	21.1	8.9	9.8
1973	18.4	7.1	1.3
1974	11.4	3.5	3.5
1975	11.3	2.1	5.5
1976	10.0	4.4	5.3

Source: Monopolies and Mergers Commission (1981) p197

Table 2: Summary statistics of the retail sector in UK

	1971	1976	1980	1986	1990	1995	2000
Retail organisations'000 Retail outlets '000	368 509	261 391	256 368	244 343	241 349	209 328	215 320
Number of organisations with over 500 employees	404	392	320	255	270		285
Number of organisations with over 100 stores	176	179	150	119	125	150	
% sales in organisations with over 500 employees	43.8	50.0	54.4	59.6	61.4		62.1
% sales in organisations with over 100 stores	29.9	32.8	36.9	45.6	47.5	53.9	
% sales of 10 largest firms	13	15	19	27.3	30.4	32.3	38.1
Gross margin as % sales	29.2	27.4	26.9	28.3	29.7	30.7	32.9
Sales:end year stocks	9.0	8.1	7.9	8.6	8.9	9.9	10.2
% Part time workers	36.1	41.0	42.2	44.9	46.3		59.5
Capital expenditure as % sales	2.1	2.3	2.9	2.6	3.8	3.4	3.1
Wages as % gross margin	34.8					31.3	32.3

Sources: Official statistics from various annual reports of retailing. It should be noted that due to changing definitions and survey methods the figures are not totally comparable period to period. The figures have been re-worked wherever possible to make them as comparable as possible and so they give a reasonably accurate indication of the nature of change over the 30 years

Table 3: Some sources of scale related benefits in retail firms

Functional area	**Activity**	**Selected benefits related to larger organisations**
Sourcing	Discounts from suppliers	Volume related Additional discounts negotiated
	Search costs	Spread over more products
	Buyer expertise	More buyers with specialist knowledge
	Transaction costs	Volume related
	Buying organisation	Foreign buying offices become cost effective
	Logistics costs	Better terms -Volume related
	Quality management	Reduced unit cost with larger volumes
Product Development	Retail brand products	Lower unit development costs with more products
Procurement	IT equipment	Volume discounts
	Advertising rates	Volume discounts
	Professional services	Volume discounts
Marketing	Support from suppliers	Promotions with better terms New store opening Special packaging due to volume
	Advertising effectiveness	Wider exposure
	Corporate branding	More public relations
	Market research	Larger customer base
	Pricing	More flexibility over the range
R&D	NPD	More information on market response
	Site evaluation	More experience
	New format design	Economies of replication
Finance	Cash-flow	Capital projects from revenue
	Loan capital	Lower cost
Operations	IT	Hardware costs shared Bespoke software More responsive support
	Maintenance, security, etc.	Volume discounts
HRM	Training and development	Volume related costs
	Labour scheduling	More flexibility
	Management development	More flexibility and internal transfers of know-how
Logistics	RDCs	Lower unit cost logistics
	Outsourcing	Open book accounting

Table 4: Formulae of Burtons and Tesco

Clothing retailing formulae of Burtons – mid 1987

	Sector	Positioning	Target age group	Outlets			Store size range (sq.ft.)
				Total	Solus	Concess-ions	
Burton	Menswear	Mainstream/ mid-price	20-44	502	454	48	1000-15000
Top Man	Menswear	Young male street fashion	13-30	239	212	27	1000-25000
Principles for Men	Menswear	High quality sophisticated	25-45	81	41	40	850-3000
Alias	Menswear	Leisurewear/ high price	25-40	10	2	8	Experimental
Radius	Menswear	Individualistic	25-30	1	1	1	Experimental
Champion Sport	Leisure and sportswear	Popular price	15-45	72	20	52	500-3500
Dorothy Perkins Top Shop	Womenswear	Mainstream Street fashion	25-40 13-25	392	333	59	530-8500
Principles for Women	Womenswear	Executive	25-45	154	95	59	1000-5000
Evans	Womenswear	Larger sizes	25-60	173	130	43	1000-5000
Secrets	Womenswear	Lingerie	All ages	8	8		Experimental
Harvey Nichols	Fashion Department store	Upper price ranges	All ages	1	1		
Debenhams	Department store	Mainstream	All ages	67	67		10000-160000
Total				1968	1565	403	

Tesco store network at end of 1999

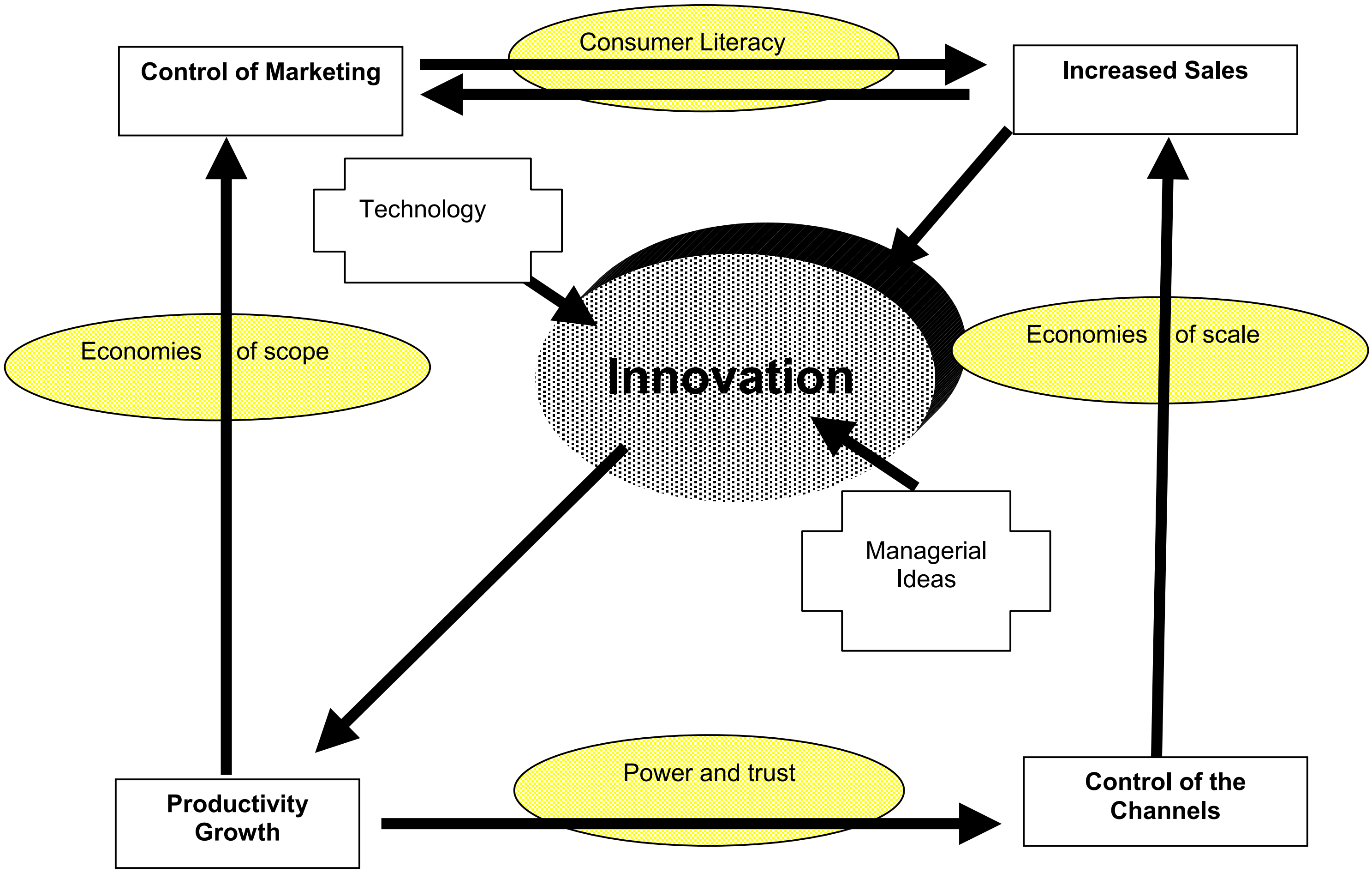
Formula	Characteristics	Number of Stores	Average sales area (sq ft)
Tesco Extra	Very large stores including an extensive range of non-food categories	5	80,600
Tesco Superstore	Large stores offering a full food range and many non-food products	269	38,600
Tesco Compact Superstore	Core superstore range, but within a more compact environment	67	20,700
Tesco Supermarkets	Supermarkets selling food ranges and household goods	240	13,800
Tesco Metro	City-centre stores providing convenience foods	41	11,100
Tesco Express	Petrol station forecourt shops selling a limited range of everyday products	17	2,100
Tesco Direct	Non-store 'internet' service based on full store ranges with delivery	South-east England	
Tesco Financial services	Internalised concession accessed through the fixed store network		
Total		639	

Table 5: Store formulae operated by NEXT in UK 1985-1988

	Outlets by formula				Floorspace '000 sq. ft.			
	Aug 1985	Aug 1986	Nov 1986	Feb 1988	Aug 1985	Aug 1986	Nov 1986	Feb 1988
NEXT Too	210	112	117	97	284	160	177	132
NEXT Collection		109	114	115		164	174	172
NEXT Originals				74				88
NEXT for Men	114	162	174	202	152	236	245	279
NEXT Lingerie		5	42	85		2	12	25
NEXT Accessories		3	8	62		4	10	25
NEXT Jewellery				17				2
NEXT Interior	14	36	40	41	25	72	83	79
NEXT BG				40				40
NEXT Cafe	5	9	10	*	9	21	23	*
NEXT Expresso Bar	1	6	8	*	1	3	5	*
NEXT Florist	5	8	8	*	2	2	2	*
NEXT Hairdressers		3	3	*		5	5	*
NEXT to Nothing	2	15	23	151	5	44	57	195
Sailisburys				184				168
Hepworths	84				115			
Zales				127				123
Dillons/Allens				370				228
Total	435	468	547	1535	593	713	793	1376

* included in other formulae as concessions

Figure 1: A model of the growth process adopted by British retailers



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