10 The rise of supermarkets in twentieth-century Britain and France

Isabelle Lescent-Giles, University of Paris – Sorbonne

This chapter deals with the rise of large-scale food retailing in twentieth-century Britain and France. By the end of the twentieth century, these two countries were competing with the US at the leading edge of world retailing. Since the 1960s, they pioneered many of today's trends in technology, strategy and business organisation, such as scanning technology at point of sale or the automation of central warehouses. This leading edge is partly historical: in the second half of the nineteenth century, the rise of the middle classes and gradual improvements to average standards of living in both countries provided opportunities for the rise of department stores (Bon Marché, Selfridges) and retailing chains (Sainsbury's, Boots). But France and Britain, like most European countries, fell behind the US in the first half of the twentieth century. America became the land *par excellence* of mass markets and large-scale retailing. It is remarkable that France's and Britain's food retailers were able to catch up from the 1950s onwards, to the point where, in the 1980s and 1990s, they were introducing technological innovations, such as electronic points of sale and integrated logistics, at the same pace as their US counterparts. They also pioneered new ways of selling food. In the United Kingdom (UK), Marks & Spencer was the first to introduce imports of fruit and vegetables by plane so as to offer ripe tomatoes and green beans in winter. It is also credited with developing industrially produced ready meals, such as Indian curry, Italian pasta and French chicken *chasseur*. As for France, its leading retailers pioneered the hypermarket format (larger units selling both food and textiles) in the 1960s, then exported it to the rest of Europe, and, with mixed success, to the US in the 1970s.

One may therefore argue that food retailing is one area where old Europe, led by France and Britain, did not trail behind the US in terms of technology and size. This chapter looks at the evolution of leading French and British retailers' strategy and organisation in order to understand why they achieved world-class status in the late twentieth century. It starts by an overview of the historical factors that shaped these two countries' retailers since the nineteenth century. It then focuses on the impact of new technology in three key areas (product innovation, sales and marketing, and business organisation) since the 1960s.

I. The rise of large-scale retailing in France and Britain from the 1860s to the 1990s

I.1. The emergence of mass markets in the nineteenth century

Some of the patterns of today's food distribution can be traced back to nineteenth-century Britain and France. With the Industrial Revolution came the rise of the urban middle classes. In the second half of the nineteenth century, they started to integrate the upper echelons of the skilled working class to form a mass market for food, textile and household goods. Several entrepreneurs jumped on the bandwagon and created the first multi-unit retailers. This period saw the rise of Boots the chemist, Sainsbury the grocer and Marks & Spencer's penny bazaars. They catered for the urban middle classes and an aspiring working class, driving down prices. This in turn helped diversify eating habits, with increased consumption of goods that had been luxury items until then, such as tea, sugar, chocolate and beef.

Food manufacturers were the other beneficiaries, and strove to find new, cheaper ways to produce food industrially, in order to create a mass market for their goods. This trend was particularly marked in confectionary, with the rise of a spate of new firms such as Cadbury's, Fry or Rowntree. They pioneered both new food technology and new marketing methods, including branding and advertising. Indeed, the end of the nineteenth century saw the balance of power between food retailers and manufacturers tip in favour of manufacturers. Consumers gave their trust to brands rather than relying on shopkeepers for advice and information about provenance. From the 1890s to the 1970s, food manufacturers were the driving force behind technological change and product innovation.

Innovation in manufacturing did not stifle innovation in retailing though. The second half of the nineteenth century saw the rise of the department store, such as France's Bon Marché and Britain's Selfridges. Although mainly focused on textiles and household goods, they created a shop format and marketing ethos that most multi-unit food retailers followed. The family-owned small and medium size shop, with most goods in drawers, was replaced by wider outlets with several counters specialising in different types of goods. Each counter had its own specialised staff. Most of the goods were on display. How best to display foodstuffs, household goods or clothing became the key to success, and was central to the rise of the new science of marketing. Pricing was the other key to success: in the old days, pricing was something you discussed with the shop owner, and could prove very intimidating for the lower middle classes. The new generation of multi-unit chains promoted price 'transparency': goods on display had price tags, so as not to force modest customers to ask for it. Prices were fixed, and bargaining was on the way out. Marks & Spencer pushed this to the extreme with its penny bazaar. Founded by an immigrant with little knowledge of English, its formula borne out of necessity, 'don't ask the price, it's a penny', soon proved central to its extraordinary success. Bargaining was replaced in non-food retailing by the new concept of 'seasonal sales'. In food retailing, 'promotions' on goods reaching the end of their shelf life or seasonal foodstuffs, became a tool for attracting new customers.

The third characteristic of food retailing to have emerged in the nineteenth century is the domination of family firms and, thanks to a low-entry level, the rise of new major players at each generation. Food retailing was in the nineteenth century a land of many opportunities for young aspiring men with little capital and little or no education. It remained so until the late twentieth century.

Last but not least, nineteenth-century Britain pioneered a new form of retailing aimed specifically at the struggling working classes: the co-operative movement. It was in part a reaction to the hated practice of truck-shops, outlawed in the early nineteenth century but still practised in many parts of the country until the 1850s. Lack of existing shops in many new industrial districts gave manufacturers the possibility of paying their staff partly in nature, with foodstuff that was often overpriced and of poor quality. The 'coop' provided an alternative for these isolated communities. It aimed to pool the buying power of the local working class in order to negotiate lower prices with wholesalers and manufacturers. Some of these co-ops even became manufacturers themselves to push prices even lower. The 'coops' became a driving force in British retailing until the 1960s. They then started to decline through the rise of supermarkets that strove to make food shopping enjoyable and seduced the younger, more affluent housewives. It was never as popular in France, although it accounted for a reasonable share of the market. Ironically enough, the concept of 'co-operatives', exported to the US, came back to Europe in the 1970s under the new form of discounters and 'buying clubs' that are strangely reminiscent of the Rochdale pioneers.

I.2. 'Back to basics': food consumption in the age of two world wars and a major depression

From the 1890s onwards, manufacturers took the upper hand on retailers. Thanks to growing consumer loyalty towards well-known brands, manufacturers influenced prices and decided on discounts for bulk buying. From the 1930s onwards, marketing science gave them the new power of influencing the way their goods were displayed in the shops: shelf allocation (place in shop, height, and space devoted to its brand) became central to the power game between manufacturers and retailers in the larger units (department stores and multi-unit retailers).

In this period, Europe fell behind the US in term of innovation in food retailing. Two world wars and the 1930s depression hit Europe even harder than the US. The rise of mass consumption that can be seen in the US from the early 1920s onwards, exemplified by the rise of Ford and GM motorcars, did not happen in Europe until the late 1950s. The first half of the twentieth century was for European retailers a time for returning to basics: hard-pressed consumers wanted fewer trimmings and focused on lower prices. This helped the rise of the multi-unit retailers in Britain, such as Sainsbury and Tesco in food retailing. Consumers moved increasingly towards industrially produced foodstuffs, from bread to canned vegetables and meat. The 1930s–1950s were a golden age for corned beef, tinned salmon and tinned peas. France stood apart from this trend, though: unlike Britain, France remained a largely rural country, attached to traditional home cooking and local specialised shops (bakers, butchers and so on). Retailing, therefore, remained more traditional in France, and multi-unit food retailers did not really take off in France until the 1950s. In both countries, change was slowed by the two world wars: rationing froze rationalisation in retailing, both in food and non-foodstuff. In France, many small shopkeepers' profits rose and gave them a new lease of life. In the UK, the black market was less developed, but government fixed prices and quantities, which discouraged concentration of the food market. Change was delayed until after the end of rationing and the return to affluence.

I.3. The age of affluence: adapting the American model of mass consumption to European tastes

Food retailing entered a period of far-reaching change from the end of the Second World War, with the rise of major supermarket chains in all European countries. Pioneered in the United States, the concept of self-service and large retail units was not adopted in Europe before the late 1950s. But from then on, both countries started to catch up on the

US. Change was driven by some owners of existing multiple food chains, such as Tesco and Sainsbury in the UK, as well as new entrants, such as Associated Dairies. In France, several entrepreneurs built major food retailing empires, such as Leclerc and Carrefour, in less than two decades. In the 1970s, they were given a new boost by the introduction of information technology. Electronic points of sale and computer data analysis gave retailers a privileged access to a mass of information about consumer habits and behaviour. This tipped the balance of power back in favour of retailers. Manufacturers increasingly relied on retailers to give them information about the market that marketing firms could not produce. But this change is only the tip of the iceberg.

Changes in post-war services mirrored changes in industry, in scale and nature. The business of retailing was completely transformed by the introduction of information technology, from the electronic tills of the 1960s and the Electronic Points of Sales (EPOS) and scanning in the late 1970s and 1980s, to the integrated management software systems of the 1990s. Automation was not confined to car, steel, or chemical plant, but rapidly spread in services too. In retail, this push for automation focused on points of sales until the late 1970s, and then spread to stock management, deliveries, and shelf stocking. It had the same effect as in industry: an increase of repetitive work and pressures for increased speed at check-out in the 1960s and 1970s, with a move back to flexibility, diversity and 'softer' notions of consumer service from the late 1980s onwards. Many historians consider this change to amount to a 'third industrial revolution', heralding the move to the 'Age of Information Technology' (IT).

Along with new processes came new products, with a constant tension between ongoing standardisation and pressures for differentiation of products along geographical and sociological lines. For retailing, that meant constant arbitrage between a reduction in the number of product lines and global sourcing, and a customer yearning for differentiation that increased in the 1980s and 1990s. From the same sources (customers, consumer associations, and governments) came conflicting pressure for better quality, better service, but reduced or at least stable prices. Product innovation was one major answer. In came convenience food, such as frozen foods and chilled ready meals, so-called 'healthy food', ranging from fresh fruit and vegetables in the 1960s to organic food in the 1990s, and more diversified foods including foreign dishes and regional produce. With increased sophistication in sales and marketing techniques, these new products quickly became part of every day life for the European consumer.

These changes in processes and products were matched by a new business organisation. Everywhere in Europe, retailers copied the Americans in a search for growth to achieve economies of scale and enhanced market share. All European countries saw the consolidation of food retailing into a handful of major players and the concentration of operations into bigger units. In the 1990s, the introduction of integrated management slowly translated into an increased centralisation of operations, with many decisions removed from the shop floor. That meant a redefinition of the role of supermarket manager, transformed into a 'team leader', and the development of support personnel in the form of experts, in IT, marketing and sales, financial management (in particular in property management) and public relations (PR).

These trends were not specific to retailing. The issue of Americanisation is as pervasive here as in other industrial or service sectors, but probably more controversial and more 'visible' in retail. And retail does indeed provide an ideal vantage point from which to assess the impact of Americanisation in Europe. As a consumer industry, it experienced at first hand the impact of socio-economic change. Spiralling urbanisation, rising average incomes, and increases in female employment led to new trends in consumers' behaviour. Although the percentage of household expenditure devoted to food fell, net food expenses rose with the rise in living standards. Food expenditure moved away from basic items, such as bread, tea and sugar, and increased on formerly 'luxury' items, in particular on alcohol, fruit and vegetables.[1] But the single most important new trend in retailing since the 1960s is the rise of convenience food in the form of prepared meals.

Retailing has been at the front line of negative reactions to Americanisation from governments, producers and consumers. It is also at the heart of the battle between modernising and conservative forces in European societies. Supermarkets have come to embody all that is good or bad in Americanisation: on the one hand, cheaper baskets of goods, increased access to fresh fruit and meat, ability to do a 'one stop shop' and extra leisure time; on the other hand, increased standardisation of food and decreased personal contact with retailers, not to mention the hotly-debated topics of choice, access, and quality.

But the experiments of the supermarket chains to find suitable answers reflect the ambiguity built into the 'Americanisation debate'. In the 1990s, one saw a move away from standardisation, large units and out-of-town shopping, towards store segmentation according to the sociological composition of the area, and, within the supermarket giants themselves, the reintroduction of smaller centre of town stores. In the same way, one sees a return to 'traditional values' in the design and outlay of stores, that include an attempt at 'fitting architecturally' into the environment, the reintroduction of fish, vegetables or deli counters, and the return of packers at point of sales. This, however, must not be interpreted as a move away from the American model, as one sees the same trends sweeping through American market chains in the same 1990s. Besides, both European and American food retailers are now focusing on surviving a new and more worrying challenge, that of the discount stores, in particular that of Wal-Mart.

I.4. The benefits of comparing the development paths of French and British retailing since the 1850s

In this context, what is the specificity of European supermarkets in the last 50 years? The first answer is the rapid catch up of Europe on America in the field of retailing. From the mid-1970s onwards, technological leadership is shared between Europe and America. EPOS and scanning were introduced in Europe only a few years after America, and today, Tesco and Carrefour are amongst the leading retailers in the field of fleet management, stock management, and systems integration. European retailers are amongst world-class players in terms of size, profitability and multi-nationalisation, with the 1970s and 1980s seeing a reverse flow of European investment into the US retailing market (often with mixed results, given the difficult competitive market there). The story of European retailing since the 1950s is therefore not one of traditional 'catch up' on America, but rather one of crossing influences between two continents. It is also one

[1] See for example the Economist Intelligence Unit's publication *Marketing in Europe*, for regular updates on the spread of household expenses and shares of particular foodstuff.

of success (in terms of innovation and company profits) matched with constant controversy: supermarkets in Europe have been at the heart of ideological debates on the future of European societies. The debate on Americanisation touches on many issues, including the wider debate on globalisation, the benefits and dangers of capitalism (the battle of the giants versus the small producers and retailers), the quality of food (most of all genetic engineering) and ethical trading, to cite but a few.

These issues are common to all supermarket chains across the world. This chapter focuses on France and Britain, though. These two countries were chosen because they have consistently been leaders in the field of European food retailing since the 1850s. The comparative approach is necessary, as they have followed radically different approaches in terms of business organisation and strategies. It highlights some of the pitfalls of purely 'national histories' of a specific branch. It also helps in identifying common challenges and answers, and assessing how far strategies and structures are shaped by national histories and development paths dating back to the middle of the nineteenth century.

France and Britain differ in their responses to the emergence of mass markets and global retailing in four key areas. The first one is in store format: the impact of hypermarkets has been limited in Britain by the importance of strong existing multiples in clothing (Marks & Spencer), drugs (Boots), furniture/DIY (BHS) and electrical goods (Currys). France, by contrast, has pushed the hypermarket format to a form of art. The second difference lies in ownership structure: licensing is more developed in France. There, most major players (such as Leclerc) are no more than a centralised purchasing organisation for independently held shops. Carrefour is the most notable exception. Britain, on the other hand, has been dominated by four or five major supermarket chains that own all their stores. Again, this has been shaped by history. British supermarkets have been developed by retailers that built their store capacity over several generations. France did not have major multi-unit retailers in food until the 1950s, and the need to build store capacity quickly meant that the licensing form was probably the easiest way forward.

The third and fourth differences are in marketing strategy. British supermarkets have been a major force behind the internationalisation of customer tastes, in the field of food and wine, whilst French ones have often played the 'terroir' card, actively promoting regional produce, as a PR gesture proving their 'good food practice'. This must be replaced in the wider context of consumer tastes: the British middle class increasingly turned outward in the last 40 years, and travelled the world for business and pleasure (the dreaded 'package holiday'). This trend is less marked in France. One of the possible explanations is that French society went through a faster sociological change since the 1950s, with a rapid change from a rural to an urban society. Its response was to turn to its cultural roots and reinvent them (a process also seen today in fast changing Asian countries, such as Japan and Korea). The fourth major difference lies in geographical markets. British retailers concentrated on their home markets. French retailers moved across borders aggressively. This reflected the continuing lobbying strength of France's small retailers, who successfully managed through their MPs to block the expansion of major supermarket chains through tough planning laws. French supermarket chains therefore sought expansion abroad. British retailers had no such need until the mid-1970s, when toughened planning legislation produced the same effects: they in turn looked at other countries (America first, and later on Central Europe) to boost their profits.

These differences must not be exaggerated though, and one can see a slow convergence of European supermarket practices in the 1990s. This chapter will now look in more detail at three areas where the nature and spread of innovation was shaped by the conflict between international convergence of international information technology since the 1950s and national historical factors: product innovation, sales and marketing, and business organisation.

II. Product innovation since the 1960s

The two key words of the last 40 years in product innovation are convenience and quality, mitigated by a constant pressure to keep costs low. Lifestyle changes have favoured food that is both easier and quicker to prepare. Hence the rise of two new major markets, those for frozen food and ready chilled meals. From the 1970s onwards, though, a sizeable segment of the market has succumbed to a new fashion for 'healthy' food. Most of the new products launched in the 1980s and 1990s, from yoghurts to cereals through to mineral water, stress the 'healthy diet' element. Marketing campaigns started by stressing the low-fat (margarine) and low sugar (particularly in soft drinks) quality of the products and has now turned towards added vitamins and nutrients (iron, magnesium...).

II.1. The search for convenience: frozen foods and ready chilled meal

New techniques for freezing food were developed as early as the late nineteenth century and first used to transport food over long distances, such as Argentinean meat to the UK on specially equipped boats. By the 1890s, refrigerated and frozen beef already dominated the Smithfield food market in London. The well-loved ice-cream van appeared on the streets of London.[2] But fridges and freezers were tools of the trade and did not enter most households before the last third of the twentieth century. Churn freezers for households were invented in the USA in the mid-1860s and became available in Britain soon afterwards. But they remained a luxury item until the late 1960s (Oddy and Oddy, 1998: 298).

Change came in the 1970s, driven by supply. Prices of domestic freezers dropped dramatically. But the key element in the development of the frozen food market was the creation of the combined fridge/freezer. In 1974, 88 percent of French households had a fridge but only 12 percent had freezers. But in the 1970s, prices fell and many households acquired a combined fridge/freezer. For once, rural households had a higher rate of penetration than urban households: in 1974, 40 percent of French farmers owned a freezer (*Marketing in Europe*, March 1975: 39). At the same time, frozen foods became widely available in Europe and started to compete successfully with canned and dried foods. French consumption of frozen foods rose to 36,000 tons in 1971, creating a market worth 331 million francs (Table 10.1). This was a remarkable increase of 32 percent in volume and 38.5 percent in value over the previous year, but still well behind the US. Sea fish was the fastest growing item, accounting for 52 percent of all sales of frozen

[2] See for example Thomson, 1994.

foods, with vegetables coming next with about 1/3 of the frozen food market. On the other hand, sales of frozen meat, poultry and rabbit remained low.

Table 10.1 Household consumption of canned and frozen food in France in the early 1970s (million French francs)

	1969	1970	1971	% Δ 1971/1970
Frozen foods	172	239	331	+38.5
Of which fish	129	174	266	+52.9

Sources: *Marketing in Europe*, 25 April 1973: 10.

In the UK, frozen foods were distributed both by specialist freezer centres, such as Iceland, and by supermarket chains, who promoted frozen food as a quality alternative for canned and dried meals in the semi-prepared and prepared meals sectors. By the 1980s, frozen foods were a common feature in European weekly purchases of food. Most of the major food manufacturers entered the frozen food market in the 1960s. From 1957, for example, Unilever re-entered the European frozen food market under the Iglo brand (Oddy and Oddy, 1998: 296–297). Supermarkets also developed their own brands.

The story of frozen foods is a classic 'catching up' story of Europe on the US. In the chilled meal sector, however, European food retailers were amongst the pioneers. In the 1970s, Marks & Spencer were the first to introduce a chilled ready meal range in their shops. Marcus Sieff believed that the convergence of European lifestyles towards the American model, in particular rising rates of female employment and increasing numbers of single households, created new market opportunities. This was a stroke of genius. Marks & Spencer had identified a relatively upmarket niche that was occupied in the States by small family deli shops but did not exist in Europe. They invested heavily in food quality in order to replicate by industrial means, in large quantities, the taste of family cooking. Marks & Spencer was in that sense the Henry Ford of family cooking. Food was manufactured in their own factories, or subcontracted to major food manufacturers on the basis of detailed specification of sourcing, manufacturing methods, quality control, and price. Thus started a tradition of close partnership that mirrored the relationship Marks & Spencer had with its suppliers in the clothing sector.

Product innovation in chilled ready meals included technological breakthroughs in food manufacturing, in order to replicate industrially the essence of home cooking. The first dishes on offer included the well-loved shepherd's pie. But innovation also laid in the introduction of dishes imported from abroad. Marks & Spencer pioneered the introduction of Italian, Indian, French, and Chinese dishes, at a time when most supermarkets stuck to basics like bangers and mash or steak and chips. Marcus Sieff, then leader of Marks & Spencer, recognises the increasing internationalisation of Britain's middle classes, thanks to the explosion in package holidays abroad. Foreign dishes became Marks & Spencer's top selling lines, as well as sandwiches. Standard food supermarkets soon realised the potential of the ready meal, and produced their own version at a lower cost, usually through own-brands. By the 1990s, a survey of British cooking habits revealed that curry had become the national dish of Britain, thanks to the multiplication of Indian take-away, but also to supermarkets' 'ready to heat' versions. Unfortunately, research into the importance of chilled ready meals to food retailing and its impact on other forms of ready meals (canned, dehydrated, frozen) remains largely confined to market research and needs to be reassessed in an historical perspective.

II.2. The explosion of the 'healthy food' segment

The first advertising campaigns promoting 'healthy foods' started in Europe in the 1960s. Governments teamed up with producers' association, such as the UK's Milk Board, and launched advertising campaigns for milk, fresh fruit and vegetables. They had little impact. In the 1970s, attention focused on labelling. British and French consumers' associations lobbied Parliament for legislation imposing the disclosure of the nature and quantity of all ingredients. This was argued on grounds of consumer choice, on medical grounds (allergies, in particular to peanuts), and on more general health grounds (to spot fatty, sugary foods or those with undesirable additives). That battle was won by the introduction of new legislation and successful consumer pressure on manufacturers.

Supermarkets in France and the UK played a leading role in relaying consumer pressures in favour of food labelling in the late 1970s. Their motives are clear: at a time of tightening planning regulations and rising consumer militancy on prices and quality of food in supermarkets, this was a golden opportunity to foster a more 'consumer-friendly image' amongst consumers and their organisations, and government departments. Supermarkets also seized the opportunity to create own-brand 'healthier ranges' in order to compete with established brands. But this new, winning strategy was partly the consequence of new technology: the recently introduced electronic points of sales (EPOS, see below) gave the supermarkets' marketing teams early warnings of rising consumer demands for 'healthy products'. This gave them a leading edge on manufacturers. More research needs to be done on this issue, though.

The trend in favour of healthier foods then moved on to a new issue in the 1990s: that of 'local' versus 'global' sourcing. Supermarkets have been instrumental in changing European eating habits. They popularised international brands, such as America's Heinz ketchup sauce and Coca Cola drinks, Britain's Cadbury chocolates and France's Perrier water. They tempted middle class consumers into trying new 'exotic' foods, such as bananas in the 1960s, mangoes in the 1980s. Overall, food-buying habits converged in Europe and the US. For many consumers, major international brands offered the best guarantees in terms of information, traceability and enhanced hygiene. Only large-scale firms could offer the food hygiene standards inspired by the pharmaceutical industry. This obsession with hygiene started in the US in the 1930s and slowly spread to Europe from the 1960s onwards. One example is cellophane packing for fruit and vegetables, popular in Northern European countries and shunned in Mediterranean ones, where consumers like to poke their fingers in search of ripeness and freshness.

This debate resurfaced in the 1980s and '90s, with a succession of food scares, from salmonella in eggs to BSE and genetically modified foods. They revealed a clear split in European population between partisans of maximum hygiene and partisans of 'authenticity'. The 'salmonella in eggs' rumpus in the UK was typical of consumer attitudes to food safety. The former argued that low standards of hygiene in small units were responsible for the infection, while the other half argued that the standard use of antibiotics in large-units had contributed to the spread of the disease. Cunningly, UK supermarkets sought to capitalise on both attitudes by offering standard '*fresh farm* eggs' and 'free range' eggs. This is but one example of a wider trend. In France, and to a lesser extent in Britain, supermarkets, best known for offering a wide range of international brands since the 1950s, started to promote 'regional products' from the 1970s onwards. France led the way in the 1970s. Many supermarket chains installed colourful temporary counters of *produits du terroir*, such as foie gras, sauerkraut and dried sausage. Consumers were attracted by free tasting and 'special deals'. British supermarkets followed these trends in the 1990s, in particular Tesco, which seems to have its ear closer to the ground than its once big rival Sainsbury, and installed permanent 'deli' counters selling fresh produce such as fish, unpacked meat or cheese. This policy is now widespread in Europe and has now reached the US itself.

Temporary counters are rented out to local producers of semi-industrial size for a short period of time, so as to create novelty for the consumer. Permanent 'deli' counters are usually staffed in house. But occasionally, they are contracted out to small operators with experience in a particular trade, to attract new customers or more frequent trips to the supermarket. This is often the case of fishmongers. The Deauville small 'Champion' supermarket, on the French Normandy coast, has eaten into the larger edge of town clientele of the Leclerc and SuperU by farming out a fish counter to an old-established local fishmonger. It now attracts a wide clientele from permanent residents and weekenders. They come for the high quality fish and the local accent, and come out with the weekly shopping. In the UK, Morrison has adopted a 'Market Street' format for the layout of its food halls (Competition Commission, 2000, II, 89). And this strategy has long been that of small supermarket chain Waitrose. The development of organic food and of regional 'quality labels', such as France's *Appellations d'Origine Contrôlée* (AOC) and 'label rouge' are part of the same search for healthier 'authentic' produce. It stems from the conviction that 'traditional' food is healthier than its modern version.

But the search for healthier food is only part of the explanation for the success of 'local produce'. According to some sociologists[3], consumers react to rapid socio-economic change by clinging to brands that remind them of bygone days. This lies at the heart of the 'Bonne Maman' (i.e. 'granny' in Belgium) jam's success. The label pictures a granny hand-stirring jam in an old fashioned copper cauldron. Industrial groups have been quick to exploit this nostalgia. For example, most battery eggs sold in France and Britain are packed into boxes adorned with pictures of old-fashioned farms that remind the buyer of farming as pictured in children's books. The appeal of food safety increased with the various food scares of the 1990s. Many consumers reacted by joining the ranks of the 'nostalgic' in search of yesterday's farming. Britain saw in the 1990s a spectacular revival of old-style cheeses and breeds of cows and pigs. France brought some old animal breeds, such as the blacklegged pig of the Pyrenees, back to life. Organic farming also falls within this trend.

[3] Such as those of *Cofremca*, a European research institute on socio-economic trends.

III. Innovation in sales and marketing since the Second World War

III.1. The parallel introduction of self-service and supermarkets in the 1960s

Undoubtedly, self-service has been the most dramatic innovation in European grocery shopping since the Second World War. Pioneered in the US before the War, it was introduced in Europe in the mid-1950s. By 1973, it had achieved dominant market share. Britain led the way. By the mid-1960s, 7,000 UK self-service shops controlled 20 percent of national grocery sales. But only 400 of these shops were supermarkets. The remaining 6,600 were convenience stores (*Marketing in Europe,* 1960, General notes: 690). 'Supermarkets', defined as large outlets selling food and basic household goods, were the second major retail innovation in post-war Europe. In the 1950s, the multiple food retailers that had appeared in Europe from the late nineteenth century started to convert their shops into larger self-service outlets. Their aim was to provide a one-stop shop for both food and basic household goods. Between 1961 and 1971, the number of outlets owned by British multiples (food and non-food) shrank by 4.7 percent whilst turnover increased by 130.5 percent (Tucker, 1978: 15). The table below charts the development of supermarkets in the UK:

Table 10.2 Numbers of supermarket outlets in the UK

1958	1959	1960	1961	1962	1963	1972
175	286	367	572	996	1,366	2,110

Source: *Retail Business*, September 1964: 3, derived from *Self-service and Supermarket Directory,* and *Marketing in Europe*, 1973.

Supermarkets were a huge success in France too. But since multiples were not as well established, newcomers such as Leclerc and Carrefour led the way. Carrefour, created in 1959 by the merger of two medium-sized family retailers, opened its first supermarket in 1960 in the alpine town of Annecy ('How Carrefour', 1978: 331). By 1973, it had 21 hypermarkets (giant supermarkets selling a wider range of non-food goods). But the Royer legislation, which toughened planning regulations, slowed its expansion, so that by 1977, they opened only 6 new stores, bringing its hypermarkets to a total of 27.

Differences in Europe remained high. For example, supermarkets' share of fruit and vegetable sales in 1972 ranged from 3–4 percent in Italy to 90 percent in Sweden. Britain lagged behind Sweden but remained in the top segment, with about a third. France, with 17 percent, was close to the bottom segment (*Marketing Review*, 1973). Overall, small food retailers fared better in Southern Europe. Marketing Office attributed these to the more demanding consumers in terms of meat, fruit, and vegetable quality, and to more protectionist legislation, particularly in France and Italy. Supermarket share of food sales also varied according to product type. In France, fresh produce such as fruit and vegetable, meat and bread were bought by a majority of customers in specialist shops, but supermarkets controlled a third of the processed foods segment, with a dominant position in prepared meals and baby foods (*Marketing Review*, 1973). In other words, the supermarket share was highest in new products such as convenience food. On the contrary, supermarkets in Britain soon came to dominate sales of bread and, but to a lower extent, meat and fruit.

The rise of supermarkets was driven by market change rather than technological change. A 1969 survey of French shoppers conducted by Marketing Office, a French market research organisation, concluded that speed of service was the main motivation behind supermarket shopping. Next came the fact that one could buy both food and non-food lines in the same shop. However, by 1973, cheaper prices had become the customers' first motivation in visiting superstores, unsurprisingly when one considers the then rate of inflation and the looming economic crisis (*Marketing in Europe*, 25 April 1973: 2). The motivations were roughly similar all over Europe. Speed of service and an attractive environment were two other key features in taking customers away from traditional shops (*Marketing in Europe*, 1973: 691). British consumer surveys of the 1970s suggest that part of the decline of the British co-ops can be attributed to the feeling amongst the younger middle and lower middle class housewives that the co-ops were downmarket, cheap, and frumpy.

By 1972, Germany had the highest number of supermarkets (2,802), followed by France (2,060) and the UK (2,110). However, this is a reflection of the size of these countries. When one considers the number of supermarkets per head, Denmark and Belgium took the lead. Britain and Switzerland followed. France belonged to a third group, together with the Netherlands and Germany, but well ahead of Southern Europe.

Table 10.3 Supermarket penetration in Europe in January 1972

	Total numbers	Million of square meters	Outlet per million inhabitants
West Germany	2,802	2.026	46
Great Britain	2,110	1.435	58
France	2,060	1.462	40
Netherlands	622	0.7	47
Belgium	606	0.473	62
Italy	600	0.41	11
Switzerland	335	n.a.	55
Denmark	325	0.11	65

Source: Marketing in Europe, March 1974: 3.

In most of Europe, supermarkets sold only food and basic household goods. France, however, imagined a different format in the 1960s. Hypermarkets were characterised by larger sales space and a wider range of products, most notably textiles (clothes, bedding, towels etc). By 1972, France had 209 hypermarkets with between 25,000 and 200,000 square feet of selling space each, as against 2,334 supermarkets (officially defined, as most things in France, as shops of between 4,000 and 25,000 square feet. According to *Libre Service Actualités*, both formats controlled 21.9 percent of total food sales; a big increase compared with the 1960s, but still only one fifth of the market.[4]

[4] The hypermarkets accounted for 7.4 percent of food sales and 4.75 percent of all retail sales, with the supermarkets controlling a further 14.5 percent of food sales and 6.5 percent of all retail sales (LSA, *Atlas des supermarchés en France*, quoted by *Marketing in Europe*, 23 February 1973: 2).

Table 10.4 Hypermarket penetration in Europe at 1/1/1972

	Total numbers	Total square mile (million)	Outlet per million inhabitants
West Germany	370	2.07	6
Belgium	46	0.309	5
France	147	0.83	3
Great Britain	22		0.4
Italy	1	0.08	0.006

Source: Marketing in Europe, March 1974: 3.

In the 1970s, hypermarkets spread to Germany and Belgium, and by 1972, France, who had pioneered the concept, was trailing behind Germany and Belgium in terms of number of outlets per head (Table 10.4).

Tables 10.3 and 10.4 prove that France's more stringent planning regulations did not succeed in stemming the rise of supermarket shopping. By 1972, France had as many supermarkets per head as Germany and the Netherlands. In the long term, customer pressures proved more powerful than the vested interests of small retailers (Ogenyi, 1999: 43), in spite of the poujadist movement and the lobbying of small retailers. Consumers voted with their feet. French consumers surveyed in 1973 by the *Centre d'Information Civique*, said they preferred to shop in supermarkets, followed, in descending order, by chain stores, co-operatives and independent retailers (*Marketing in Europe*, May 1974: 1).

In Britain, planning regulations made the opening of hypermarkets difficult, so that supermarkets remained the multiples' favoured format (Ogenyi, 1999: 141). Sainsbury, Tesco and Safeway were the biggest players, but Marks & Spencer fared well in some areas, in particular fruit, and preserved the position gained in 1964 as Britain's largest fruit retailer (*Retail Business,* September 1964). Supermarket development in the UK exhibited marked regional variations, though. Greater London, the South, the Southeast, and the Northwest had the highest levels of supermarkets. The lowest levels were found in the East and West Riding, the North, Scotland and Wales. This roughly reflected patterns of urbanisation and wealth, with the exception of the Northwest. Initially situated near city centres, supermarkets soon targeted the suburbs, where they could open larger outlets with increased parking space.

The 1980s and '90s saw a continuation of some of the trends that emerged in the 1950s. The share of the small independent food shop (grocers, specialised butchers, fishmongers etc) continued to decline. By the end of the 1980s, independent food retailers accounted for only 37 percent of the French food market, against 56 percent for all supermarkets, 6 percent for department stores and less than 1 percent for the coops. This supermarket 'revolution' was driven by changes in consumers' aspiration rather than by new technology. But the concentration of food retailing into a handful of large supermarket groups has had profound repercussions on both marketing techniques and business organisation, through the use of new technology. The most significant is Electronic Points of Sales (EPOS), introduced in the 1970s. This allowed supermarkets to cut down queues, reduce the number of empty shelves through better information about real sales, and, up to a point, cut prices.

III.2. The EPOS revolution from the 1970s to the 1990s

The major complaint of supermarkets' shoppers from the 1960s to the 1990s was queues at the tills. Supermarkets looked at new technology to automate points of sales. In 1973, *The Economist* estimated that only about 100 (mostly non-food) retail organisations in the UK had electronic registers (usually Sweda 700 terminals), and that out of the 700,000 cash registers in operation, only about 10,000–15,000 had a throughput sufficient to justify the switch to electronic registers. But their adoption was accelerated by the introduction of VAT following Britain's entry into the European Economic Community (EEC) in 1973 (*Marketing in Europe*, May 1973, 3).

The major innovation in till automation, though, was the import, in the late 1970s, of American scanning technology. French and British supermarkets led the way, ahead of non-food retailers and manufacturers. In 1978, a mere 6 years after scanning was first introduced in US retailing, Tesco introduced a pilot scheme in its Wellingborough store. Scanners at the till were linked to the central stock control computer and to the minicomputers in the group's warehouses ('Tesco searches', 1978: 957; Walsh, 1993: 94). Sainsbury followed in the same year. Continental Europe quickly caught up: by 1981, Germany had 38 stores with optical scanners, France and Sweden 11, Italy 10, Switzerland 9, the UK 8, Austria and the Netherlands 3, Norway 2 and Belgium 1. By the mid-1980s, Europe still lagged behind the US for EPOS density, but by the late 1980s, all major European supermarket chains had converted to EPOS. The primary aim was to cut down the time it took the operator to tally the purchases. Scanning relied on the co-operation of food manufacturers, as goods had to be coded first, but this was completed in the 1980s. It worked so well that goods moved through the till faster than the customer's ability to pack them. This in turn brought experiments in European supermarkets in the 1990s to introduce partly automated packing or to bring back the packers of yesteryear at peak times.

By the mid-1980s users began to realise the potential of EPOS beyond increased speed at checkout. In this race for best use of computer technology, European retailers were neck to neck with American retailers, accrediting the hypothesis of technological convergence between Europe and the US. By then, microcomputers had appeared at store level. One application was in staff management. New computer software was developed to analyse the flow of customers at the till throughout the day and allowed store managers to calculate the number of tills needed at different times and on different days (Maggart, 1981). Tills and stores were also redesigned to speed up operations. Operators were often checked, whether officially or unofficially, for speed. This amounted to a new form of taylorism, at the very moment taylorism was dying in industry.

But the impact of EPOS was not limited to points of sale. By bringing together information provided by individual checkouts at store or head office level, sales staff accessed new information on customer purchases that helped with marketing and supply management. In fact, EPOS only improved on the possibilities offered by the first electronic tills of the late 1960s. As early as 1968, the UK's National Computing Centre stressed the possible applications of computers in retailing (National Computing Centre 1968). Its survey of UK trade (food and non food, wholesale and retail) showed that 178 retailers already used electronic applications for sales analysis, 177 for invoicing, 163 for stock recording, 157 for sales ledgers. 39 companies used critical path analysis, a higher rate than in other industries. 33 companies experimented with electronic applications for choosing the location of warehouses, in spite of the teething problems of this very new technology (National Computing Centre 1968). Still, it was food and household goods manufacturers, such as Procter and Gamble, Kimberly-Clarke, Littlewoods, Unigate and Petrofina, that led the field, well ahead of supermarket chains. The Lewis Partnership was the only supermarket chain to invest in this technology by 1968 (National Computing Centre 1968, appendix 4). By 1973, however, all major French and UK supermarket chains used information provided by electronic tills to optimise shelf-allocation. That year, a UK working group headed by the Institute of Grocery Distribution and supported by 11 food retailers co-operated with equipment and systems manufacturers to produce a report on existing and future methods to optimise shelf allocation in food stores (Marketing Review, 31 October 1973: 3). By the 1980s, EPOS data was helping in the process.

Paradoxically, whilst computerisation is often associated with decentralisation in heavy industry, it increased centralisation in retailing. Up to the 1980s, store managers had a high degree of control over contracts for fresh foods, deliveries, and shelf allocation. In the 1990s, the search for a balance between increased flexibility and cost cutting led all major supermarket chains to centralise information produced at point of sales and analyse it at head office. There, experts in marketing redefined store strategy and decided on shelf allocation and product mix (Spilsbury et al., 1993: 4). The first software packages analysing stores' customer base went on sale in the early 1970s. Produced by Los Angeles's firm Urban Decision Systems, they studied local demographic patterns to help firms select the best sites for new stores (Reynolds, 1992: 270). The 1980s saw the development of new software analysing the customer profile of existing stores, under the name 'category management' (Competition Commission, 2000, II: 91). They allowed top management to see which products sell in which shop and which don't. They also produced figures of sales per employee, per square metre and per shelf, enabling comparisons within each store as well as between all stores. British and American food retailers were the first to develop and adopt this new type of software.

It has had two major consequences. First, store managers came under increased pressure to match best practice within the group, making managers more accountable to head office than ever before. They also lost the authority to decide on shelf allocation, product mix and stock levels. The managers' empirical experience of what was sold in the shop, who were its clients, and what they wanted has superseded by a more scientific and efficient tool. But this tool is too complex and too costly to be left at store level, at least for the time being. The job of store manager has therefore changed beyond all recognition. His job is not to make decisions on stock, shelf allocation, product mix, and stock any more, but has been refocused on customer relations and team leadership. Its main task is now to keep a well-motivated workforce that understands the importance of keeping consumers happy. A third consequence of customer profiling has been an overhaul of supermarket formats to reflect local differences. Tesco now offers six different supermarket formats, from the petrol station cum convenience store through to the hypermarket.

Still, category management has had its drawbacks. Data interpretation proved more difficult than expected. And front line staff has not always accepted change easily. It proved particularly difficult in the UK, where qualifications are lower than on the continent and a greater proportion of the workforce is made of pensioners returning to work for a few hours a week to top up their pensions. While perfectly happy at stocking up shelves and putting up prices, they were more reluctant to adopt technological innovations such as hand held scanners for stock control on the shelves. They also quietly resisted moves towards increased customer service and somehow don't quite fit into the new face of supermarket assistants dreamed of by top management and marketing experts (Spilsbury et al., 1993: 4). Still, since many UK supermarkets are unwilling to increase levels of permanent staffing and increase pay, they will have to work round this problem. Maybe training opportunity directed towards early school leavers will provide an answer. It is already experimented by French and, to a lesser extent, UK supermarkets.

III.3. The search for differentiation in the 1990s

Americanisation was supposed to create a standardised mass market in Europe. European integration was to lead to the emergence of the 'euro consumer'. This, at least, was the received wisdom of the 1970s. In fact, marketing gurus and, before them, supermarkets realised that the European market, in spite of some convergence, remains for the time being a myth. For a start, the size of the total food market and per capita revenues still varied widely in European countries. In 1988, West Germany and France were by far the biggest markets, with 96 and 89 billion dollars respectively; Britain was in the 'medium-sized market' group, just behind Italy, with 50 billion dollars. Followed a group of small markets (less than 16 billion dollars), comprising all the countries of Northern Europe. There are also major differences in the rate of female employment. In 1988, 51 percent of Danish women worked, 40 percent of British women and nearly as many in Portugal, but less than a third in Italy and just over a quarter in Spain. Female working patterns affect household wealth and consumption of convenience foods, so that supermarkets offered different product mix in each country. Finally, tastes still vary widely across borders: the British consume more canned pasta than the French, and still favour one brand (Heinz) above own-label brands.

But national differences do not paint the whole picture. Sociologists and retailers increasingly segment societies beyond national differences, according to life style. The London upper-middle class is not so different from the New York or Paris ones. Supermarkets have always adapted product mix to the sociological composition of their catchment areas: olive oil, avocado pears and melons remain a quaint luxury in the industrial heart of the Midlands, whilst in London it has become part of the weekly shopping list for the affluent upper middle classes. In the same way, the 'bobos' (*bourgeois bohèmes*) of Paris echo the 'Islington set' of London and the Heights-Ashbury crowd of San Francisco in their choices of food and shopping venues.

These national and sociological differentiations have been reinforced in the 1990s by a new taste for differentiation. In the affluent Western societies, the consumer of the 21st century wants to be made to feel 'special' and yearns for the village of yesteryear. Without relinquishing the lower prices, car parks and long opening hours. Retailers have tried to turn this trend to their advantage. Locally sourced or products bearing quality labels are bought at a premium by consumers eager to differentiate themselves and buy a sense of 'authenticity'. The success of French *foie gras* on the East Coast of America or the world-wide boom in demand for premium olive oil from Tuscany and Provence are testimonies to these trends. Some will be sold on the Internet, but most will be bought in deli counters of the local supermarkets. Globalisation in the food industry will see two coexisting trends: one for cheaper standardised goods, the other for top quality 'speciality' products that sell world-wide thanks to a local label.

This search for so-called 'authenticity' goes beyond products, into supermarkets' buildings and layout. Retailers have now moved away from the 'utilitarian shed', left to hard discounters, to seek inspiration in traditional buildings. Tesco has adopted a 'mock-Tudor style', complete with black beams. In France, retailers are experimenting with regional styles. The 'Mistral 7' edge-of-town shopping centre in Avignon replicates a market town environment, with half the surface occupied by an Auchan hypermarket and the other half let to small non-food multiples and two-storey 'boutiques' made to look like a typical Provencal town. Shop windows on the ground floor are shaped in half-circles like medieval shops and the first floor boasts blind windows overlooking a small Mediterranean balcony complete with iron railings and potted olive trees. In Normandy, black beams are painting on the outside to fit in with local style. Inside, the layout of supermarkets increasingly seeks to create a 'market-like' feel. Counters, once considered as a dangerous waste of space and labour, are now appearing everywhere. This trend first appeared in France as early as the late 1970s, but is now spreading to Europe and some US towns. One feels a move away from uniformity and size towards product customisation and increased service levels, in retailing as in most other consumer industries (cars, kitchen equipment etc.).

IV. The impact of new technology on organisations: reinventing the business of distribution

Product innovation and changes in sales and marketing strategies are a reflection of the changing business structure of retailing. It is led by changes in both technology and the business environment. The relationship with suppliers has seen some of the most radical changes.

IV.1. The manufacturer/retailer relationship: who won the power struggle?

In the late 1960s, British supermarkets followed America's lead in centralising food buying at either regional (Tesco) or head office level (Sainsbury). Smaller convenience stores themselves formed joint buying groups. In 1973, for example, the 11 Spar voluntary chain organisations, led by the British, German and Dutch Spar groups, formed Intergroup Trading, with a buying power estimated at $34 million (Marketing in Europe July 1973: 2). This eliminated the middlemen and gave them an advantage in price and quality, as goods arrived faster on the shelves. Some went further: Marks and Spencer, having pioneered central buying techniques in the UK, became famous for their exacting food standards: buying direct from the farms meant they could impose their standards and quality requirements. European retailers such as Carrefour, Sainsbury, or Ahold pushed central buying further in the 1990s with the reinforcement of foreign investment. This went hand in hand with another trend that started in the 1950s and accelerated in the 1990s: that of the globalisation of food sourcing. Increasingly, brands are sold under the same name all over the world and local brands have to go global to survive. French and British food manufacturers, such as Danone and Cadbury's, have recognised this and invested aggressively abroad over the last 15 years.

Still, the supermarket chains have had the upper hand over manufacturers since the late 1970s. Centralisation means that the majority of food manufacturers' products now sell through only a handful of negotiators, who can – up to the point that consumers won't miss the brand – go elsewhere. This has been shown by all inquiries instigated by governments worried about competition, one of the most comprehensive being the 2000 inquiry of Britain's Competition Commission into supermarkets (2000 II, chpt.2: 229–259). It showed, for example, that Britain's top four retailers made 70 percent of the UK sales of the two leading washing powder brands, Ariel and Persil (Competition Commission, 2000: 231). But the power of supermarkets must not be exaggerated: individually, most UK and French retailers still represent only a fraction of the sales of leading food multinationals. For example, Tesco accounts for Procter and Gamble's biggest UK supermarket sales but that represents just 0.85 percent of the group's total sales worldwide (Competition Commission, 2000: 231). But this is changing. Today, all major retailers are moving towards international sourcing deals negotiated at head office level with the major multinational food manufacturers. They also try to take advantage of food manufacturers' differentiated price policy across countries to buy supplies for all their supermarkets in the cheapest country. For example, Asda, bought in 2000 by the wonder child of US discounting Wal-Mart, now sources some of its branded goods in Germany to take advantage of cheaper prices there. And although Asda by itself only takes 0.47 percent of Procter and Gamble's total sales, the Wal-Mart group, owner of Asda, now represents 13 percent of Procter and Gamble's global sales (Competition Commission, 2000: 231).

To increase their negotiating power, major retailers are also joining forces with other retailers in international consortium to take advantage of B2B (Business to Business) Internet dealing and online auctions. Britain's Tesco, John Lewis, Marks & Spencer and Safeway and France's Auchan, Casino and Cora are now all members of the World Wide Retail Exchange (WWRE). Created in March 2000 to allow Web-based transactions between retailers and suppliers, it kicked off by organising several online auctions for canned goods.[5] WWRE adds to B2B auctions software for collaborative planning, forecasting, and replenishment (CPFR). But again, this does not represent the whole picture of supermarkets' supply strategies. Increasing local sourcing for some produce mitigates this increasing globalisation. In fact, what is happening is a split in the market between 'commodity'-type goods, such as golden apples, sugar and canned vegetables, bought through these modern channels, and upmarket 'niche products', such as old-fashioned species of fruit, vegetables or cattle, bought in a more traditional way.

But two new factors have reinforced the power of supermarket chains in the last decade. Internet sourcing via auctions allows retailers to compare prices internationally and push them down as long as there is no shortage of that particular produce. Last but foremost, the introduction of EPOS has given retailers a wealth of free information on consumer behaviour that food manufacturers don't have. The latter depend on expensive market research bought in, that is usually less comprehensive. Retailers can therefore anticipate future market trends before manufacturers. The latter are seeking to react by striking partnerships with supermarkets, but this is being watched carefully by European regulators worried about price fixing.

[5] Competition Commission 2000, May–June 2001: 5 and 23. Two other such exchanges are *GlobalNetXChange* and *Transora*.

IV.2. The redesign of supply chains since the 1970s

It is not only the balance of power that has changed since the 1960s between food manufacturers and retailers. The whole supply chain has been redesigned in order to reduce stocks. In retailing, a key component of store profitability is the sales space as a proportion of total space. Reducing stocks allows more shelf space to be installed within any given store. But reduction of stocks may increase the risk of having these empty shelves that so infuriate customers. Again, EPOS data electronically transferred to head office has provided some answer to this long-term conundrum for all shopkeepers. It allows head office to judge in real time what is being bought and send targeted orders to suppliers. Some retailers are even moving to a direct transfer of data from store to suppliers, in a wide ranging review called 'Efficient customer response' (ECR).

But as French industrialists and retailers found to their cost when transporters went on a national strike a few years ago, passing on information to suppliers is not enough. The real key to reducing stocks and coincidentally to offering fresher goods is faster delivery of goods from suppliers to retailers. This has been a priority for all retailers, with French and UK leading supermarket chains at the forefront of innovation. Since the early 1990s, logistics systems and transport fleets have been radically transformed. Sainsbury was one of the pioneers of such moves when it created its first central distribution systems in the late 1980s. Suppliers delivered to a central warehouse from which goods were dispatched to individual stores.

Centralisation went hand to hand with increased automation. The major innovation of the 1980s was the use of pallets. Goods thus packaged moved from the suppliers' lorries to the warehouse, back into the company's lorries, and then directly onto the shelves, thus cutting substantially the need for manhandling. These trends were pioneered in the States, but quickly introduced in the UK and then in continental Europe. The 1990s brought the extension of bar coding from individual items to pallets. Wrapped in cellophane and bar-coded, pallets are moved in warehouses by automated forklifts with scanning equipment. The latest innovation in the field of warehouse management is the use of hand scanners, carried by forklift truck operators. They enable head office to assess stocks in warehouses in real time and track their every move from factory to store.

These central distribution systems, once confined to dry groceries, were extended in the 1990s to fresh goods. This not only reduces costs but also allows retailers to provide fresher goods than most small shopkeepers. Most leading supermarket chains now have three deliveries a day from central warehouses. They take into account changing shopping patterns during the day. In the morning, old pensioners and housewives with children are in a majority, so that items such as baby food, milk and nappies are essential. In the afternoon, shopping patterns are more varied, but the evening sees the dash of young professionals in search of top ups and ready meals. The leading edge retailers of today are now experimenting with 'mixed deliveries' in consolidated warehouses, where several suppliers combine pallets for store deliveries. They are also investing heavily into fleet management, whereby lorries are fitting with satellite positioning systems, that enables head office to redirect them to respond to changing store needs as the day progresses. Warehouses and stores are given advance notice of the precise arrival times of lorries, cutting down of waiting times.

Tesco has been one of the most enthusiastic defender of these new trends in logistics. Experts now admit that this has been a major driver of its increased market share, as customers came to value the freshness of its goods and the reduction in empty shelves. On the other hand, Sainsbury suffered from being first mover. Warehouses set up in the 1980s were inadequate for the storage of fresh foods and automated handling. Still, one cannot but be surprised by its lack of reaction as Tesco and Asda reaped major competitive advantage from their rapid adoption of the new technologies. Recently though, Sainsbury has been, with Tesco, at the forefront of in-house collaborative systems with suppliers to improve information flows and reduce lead times, with, respectively, the TIE and SID systems (Distribution and Logistics, 2001: 9).

IV.3. Technology and economies of scale

Constant pressure from customers for lower prices, particularly in times of economic crisis, such as the 1970s, proved a potent stimulus for mergers in Europe. Consolidation occurred in all Western European markets in the 1960s, and even more in the 1970s. According to A.C. Nielsen, the number of grocery outlets dropped between 1965 and 1972 by 38 percent in Belgium, 35 percent in Sweden, 29 percent in Germany, 27 percent in the Netherlands, 25 percent in the UK and 24 percent in France. This led to high levels of concentration on the American model: the top 2 percent of grocery stores in France and Belgium accounted for half of total turnover.[6] But Nielsen stressed that the 'rationalisation' of shop numbers in relation to population still lagged in Europe in comparison to the US. Northern Europe, and in particular Sweden, was closer to the American model than Southern Europe. Sweden's average turnover for grocery outlets was £373,000, very close to the US figure of £389,000, whilst the figures for Spain and Portugal were £17,000 and £14,000 respectively (*Marketing in Europe*, January 1975: 1–2). Concentration accelerated in the 1980s and 1990s. Table 10.5 suggests that by 1999, Germany had the highest levels of concentration, followed by Austria, Belgium, the UK, and France.

Table 10.5 Share of top five food retailers in Europe in 2000

European country	% of food retailers' sales
Germany	80.3
Austria	74.3
Belgium	70.8
UK	64.8
France	58.1
Ireland	57.1
Netherlands	51.8
Switzerland	49.6

Source: Competition Commission, 2000, II: 94.

[6] Still according to Nielsen, quoted in *Marketing in Europe*, January 1975: 2.

At the same time, companies started to look beyond national borders. The 1970s saw the rise of the first food retailing multinationals, with varying degrees of success. The Americans were the first to cross the Atlantic, driven by ferocious competition at home. They invested first in the UK, then in Germany and France. The Southland Corporation, for example, linked up with Cavenham Foods in the UK, which gave it a 50 percent share in several food multiples in the UK, before looking for potential investment in France and Germany (Marketing in Europe, 22 January 1973: 3). European retailers soon followed suit. In 1973, Marks & Spencer, one of Britain's most successful retailers and definitely a trend setter and a pioneer at that time, decided to open its first continental store in Brussels, planning for a three storey building selling textiles and food, complete with a restaurant and a hairdresser. But in the end it was the Paris store that opened first, followed by Brussels and Lyons (Marketing in Europe, 23 February 1973: 3; February 1974; May 1975: 2). Carrefour was the first French retailer to internationalise. It looked to Southern Europe first, then to neighbouring countries such as Belgium, usually through 50/50 joint ventures with local partners. For example, it bought 50 percent in Italmare, which opened its first hypermarket near Milan in September 1972, offering 35,000 lines, as well as banking services and a travel agency (the latter a joint venture with Club Méditerranée). Carrefour's first hypermarket in the UK, near Cardiff was so successful its manager had to go on television and ask customers to defer their next visit as access roads became saturated (Marketing in Europe, December 1972: 1). By 1977, Carrefour had 26 hypermarkets abroad, including 10 in Spain and 3 in Brazil (How Carrefour, 1978: 331). It then tried to import the 'hypermarket' format into the US, with mixed fortunes (European retailers, 1985: 33). The US market had become a priority for European retailers. Their acquisitions from 1973 to 1984 are summarised in Table 10.6.

Table 10.6 American acquisitions by European food retailers 1973–1984

Year	European buyer	Nationality	Acquisition	percent held	Initial investment ($ million)
1975	Delhaize Frères	Belgian	Food Town Stores	52	27
1977	Franz Haniel & Cie	German	Scrivner	100	27.7
1977	Ahold NV	Dutch	Bi-Lo	100	60
1978	Docks de France	French	Lil-Champ	35	3
1979	Tengelmann	German	A&P	50	80
1980	Promodes	French	Red Food	100	36
1980	Delhaize Frères	Belgian	Food Giant	100	36
1980	Albrecht	German	Albertson's	6.6	18
1981	Ahold NV	Dutch	Giant Foods	100	35
1983	Sainsbury	British	Shaw's Supermarkets	21	20.1
1984	Casino	French	Thriftmart	>50	n.a.

Source: Compiled from Kacker, 1985: 30–31.

By 1990, European (food and non-food) retailers' investment in the US was valued at $13 billion (Sternquist and Kacker, 1994: 4). The top ranking international operators in the US by value of grocery turnover were, in descending order, Tengelmann (Germany), Delhaize Le Lion (Belgium), Ahold (Netherlands), Carrefour (France), Albrecht (Germany), Promodès (Halley, 1985) (France), and J. Sainsbury (UK) (Burt, 1991). By then, France had 24 retailers with 2,336 outlets in 11 other Western European countries, 320 outlets in the US, 35 in Japan and 102 elsewhere, mainly East Asia and South America (see Table 10.7). Carrefour was the most international. UK supermarkets, which had lagged behind in the internationalisation process of the 1970s and '80s and kept their investment to one market, the US for Sainsbury, Ireland for Tesco had caught up by 1990 (Investors Chronicle, 22 December 1978: 957). The top 30 British retailers owned 1,335 retail outlets in Western Europe, 350 in the US, none elsewhere.

Table 10.7 International network of major European retailers in 1990 (food and non-food)

	Number of retail firms involved	Number of Western European countries covered	Number of retail outlets in Western Europe	Number of Eastern European countries covered	Number of retail outlets in Eastern Europe	Number of retail outlets in the USA	Number of retail outlets in Japan	Number of retail outlets in other regions
Germany	14	9	670	5	64	2,050	2	
France	24	11	2,336			320	35	102
UK	30	11	1,335			350		
Sweden	16	11	337	3		4		21
Netherlands	8	8	423			644		
Belgium	5	7	2,911	1		810	520	1

Source: Sternquist and Kacker, 1994: 9.

Consolidation and internationalisation were only two of the tools used by supermarket chains vying for survival in the increasingly competitive environment of Europe since the 1960s. Their most important tool remained price cuts. This was particularly true in the 1970s, with consumers pressed with inflation and recession. Tesco's price cutting initiative, 'Operation Check-Out', in the summer of 1977, was an astounding success that went beyond its promoters' expectations and established it as a dangerous competitor for the then market leader Sainsbury (Investors Chronicle, 23 November 1977: 645 and 5 May 1978: 393). Sainsbury was forced to follow a few months later with its 'Discount 78' operation, which raised its market share from 7.3 to 7.8 percent and more than offset its cost (Investors Chronicle, 9 June 1978: 968).

Food retailers have also diversified into petrol, medicine, and books, forcing the hand of government and manufacturers in the process. Edouard Leclerc in France, and Tesco in the UK, have been at the forefront of this battle. Sainsbury developed own-label over the counter medicine such as paracetamol and plasters, claiming they were on average 40 percent cheaper (quoted in Ogenyi, 1999: 247). Increasingly, these retailers have used the non-official 'grey market' to buy designer jeans, electrical products, and designer sportswear and flog them in their shops at a fraction of the price (Ogenyi, 1999: 247).[7] European retailers also followed the US lead in own label, which aimed to provide customers with equivalent or better quality goods at lower prices. Tesco tried to erase the memory of its low price, low quality own label goods of the 1960s. It relaunched in the 1980s its Tesco label, then declined it in the 1990s into a low price, medium price and higher priced upmarket range of own label (Tesco Value, Tesco, Tesco Finest) (Competition Commission, 2000, II, 87). Following figures testify to this, with the UK closest to the US, with 23.8 percent of total retail sales in 1990, versus 11.9 percent, 11.6 percent and 10.6 percent in Germany, France and the Netherlands, and only 5.1, 2.9 and 2.6 percent in Spain, Sweden and Italy (Hakansson, 2000: 7). By 1999, own labels represented 35.3 percent of all food retail sales, ranging from 28 percent at Somerfield to 41.8 percent at Asda and 42.4 percent at Sainsbury (Competition Commission, 2000, II: 88).

These strategies came increasingly under attack in the 1990s by the rise of hard discounters. Discounting first originated in the UK and Germany after the Second World War, although one might consider that the co-operative movement was in many ways a precursor of discounting techniques (in particular buying clubs). Discounting was more developed in these two countries by the 1970s than elsewhere in Europe. Britain's leading discounter of the 1970s, Kwik Save, was typical. But the threat was contained by the fact that discounters sold only a limited range of goods in small town centre stores (Investors Chronicle, 16 December 1977: 889). Shopping centres in the 1970s explicitly excluded discounters from becoming tenants on the grounds that it took these centres downmarket, with their largely working class customer base, whilst suburban shopping centres targeted the more affluent middle classes. It was the case in Birmingham New Street, which refused access to interested discounters. France was the exception, maybe because most French discounters belonged to 'normal' supermarket chains such as Carrefour. In 1971, Carrefour opened a discount store within the Caen-Mondeville shopping centre (Retail business, February 1971: 2). But the real threat of discounting came in the 1990s with the arrival of American hard discounters such as America's giant Wal-Mart. Its take-over of Britain's Asda sent shivers down the spine of all European supermarket chains, although it is still too early to assess its impact on the structure of European food distribution.

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[7] Tesco sold Levi 501 jeans, Calvin Klein underwear, Adidas sportswear.

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