



1403608097



**SWP 12/92 "THE RESPONSE OF BRITISH SUPERMARKET
COMPANIES TO THE INTERNATIONALISATION OF
THE RETAIL GROCERY INDUSTRY"**

KEITH THOMPSON
Department of Marketing and Business Management
Silsoe College
Cranfield Institute of Technology
Silsoe
Bedfordshire MK45 4DT
United Kingdom
(Tel: 0525 60428)

Copyright Thompson 1992



ABSTRACT

The major British supermarkets are confident and successful businesses which have combined an enviable growth record with margins which are three times as high as those of their mainland European counterparts. However, they are in danger of being marginalised within Europe by their reluctance to respond to the creation of the Single European Market, and the increasingly international nature of their industry.

This paper investigates the reasons for the apparent parochialism of these otherwise competent and innovative companies, and concludes that the causes may be structural with much wider implications for British industry in the increasing global business environment.

L'ANGLETERRE EST UNE NATION DE BOUTIQUIERS.

Bonaparte may well have been right, Randlesome identifies British shopkeepers as a major national strength, and probably the most efficient in Europe. So successful have British retailers been that it is said that they are a contributory factor in the UK's trade deficit, as through them importers have easy access to British markets. By comparison the limited horizons of foreign retailers protect their markets from international competitors; the inefficiencies of the Japanese distribution system amounting to a form hidden protectionism.

The success of British supermarkets is in welcome contrast to the difficulties suffered by firms in the manufacturing industries where performance has continued to decline. As Doyle pointed out in 1988; the 'economic miracle' of the 1980's does not appear to have reversed the long-term trend, and gains in international competitiveness by British manufacturers have not led to export success. Over the last two decades Britain's share of world trade has halved, growth in manufacturing output was the lowest of all the advanced nations and Britain is the only industrial nation to have experienced an absolute decline in manufacturing output since 1973.

Unlike the manufacturers Britain's major supermarket groups (Argyll, Asda, Sainsbury & Tesco) continued to make significant gains in market share and profitability throughout the 1980's.

Bold innovative moves such as the implementation of centralised distribution and electronic point of sale (EPoS), product mix enhancements and increased superstore development helped them to gain market share whilst at the same time improving their margins to levels far beyond those of their international counterparts (table 1). In many industries the simultaneous achievement of both these goals would be tantamount to defying gravity. Nevertheless, the supermarkets are hoping to repeat their success during the 1990's and are implementing massive capital expenditure programmes to that end.⁴

=====

INSERT TABLE 1 ABOUT HERE.

=====

Given the declining balance of trade and the continuing problems of British manufacturers in world markets, it is encouraging to know that British supermarkets are world class competitors, well placed to take advantage of the Single European Market and the trend towards the globalization of industries and markets.

THE CHALLENGE OF EUROPE.

The increasing internationalisation of retailing identified by for instance Hamill and Crosbie,⁶ Treadgold,⁷ Dawson,⁸ Williams⁹ and others, is reinforced within Europe by the advent of the Single European Market. Consequently, expansion minded, internationally

experienced European grocers are already building strong cross-border trading positions throughout the Common Market. Their targets include Britain, where the high margins available to food retailers are particularly attractive to competitors from other parts of Europe; Aldi (German) opened its first store in Britain in 1990 and plans to open a further 200 by 1993.¹⁰ Dansk Supermarkd (Danish), is to open 30 'Netto' stores by the end of 1991, while GIB (Belgian), Carrefour (French), Tengelmann and Norma and Metro (German) are all said to be showing interest in the UK market¹¹ (figure 1).

=====

INSERT FIGURE 1 ABOUT HERE.

=====

British supermarkets are potentially strong international competitors. They are more concentrated and more profitable than their European counterparts, who are particularly concerned to note that, compared to a similarly sized mainland European company, British retailers have twice to three times as much money available to spend on taking over a competitor.¹³ Even so, none of the major British grocers have a presence in any other EC market. More surprisingly they apparently have no intention at all of competing in the wider EC market; Killen and Lees,¹⁴ Thompson and Knox,¹⁵ and Alexander¹⁶ all found that on the eve of the Single European Market none of the UK's major supermarket

operators plan to enter any other European market. According to A.C. Nielsen, British retailers are the most insular of any among the sixteen European countries which they surveyed.¹⁷ Asda and the Argyll Group have limited their participation in Europe to membership of buying groups and show no intention of extending their European presence to actually compete in mainland markets. Tesco chairman Sir Ian MacLaurin has said that it is unlikely that Tesco's expansion plans will include Europe, and that the company is more likely to enter the US market.¹⁸ Sainsbury has also decided to ignore Europe in favour of America. In the opinion of Ian Coull, Sainsbury's development director, 'North America with its Anglo-Saxon structure, presents a much more exciting opportunity' (than Europe).¹⁹

British supermarket companies have shown themselves to be innovative, confident and willing to invest large amounts of money on new stores and new technology. Above all they have been successful in profitably expanding their businesses over many years. Now, faced with the opportunity of a Single European Market, they are failing to respond to the challenge. Far from grasping the opportunities offered by 1992, they are digging themselves in to defend the home market against more aggressive, internationally minded competitors. The danger for British food retailers is that those competitors will build a commanding lead in the most desirable European markets and effectively shut them

out of what will be their 'home' market.

THE REASONS WHY

The main reasons advanced by the major supermarket groups for their reluctance to compete in Europe are:

- 1) Sufficient opportunities in Britain.
- 2) Doubts about the exportability of food retailing,
- 3) Lack of European market opportunities.
- 4) Better opportunities in the US Market.
- 5) The profit gap between the British and other EC retail food markets.

These issues are addressed in the following sections.

1) Sufficient opportunities in Britain.

Disregarding the prospect of complete diversification Ansoff's tried and tested matrix offers the supermarkets three major intensive growth strategies; market penetration, product development and market development (figure 2).

=====

INSERT FIGURE 2 ABOUT HERE

=====

Market Penetration.

The salutary experience of price war in the 1960's led the major food retailing companies to concentrate on offering convenience,

ease of parking and a wide range of choice as a means of 'de-sensitizing' consumers to price. It has been in the interest of the second division companies such as Gateway, Waitrose and Morrisons to go along with this. However, convenience, range and the perceived superiority of the major food retailers' brands has not been sufficient in recent years to increase market share at anything like the rate required by the current investment plans of the biggest supermarkets. As is common in maturing industries, each competitor appears to be planning for gains which are cumulatively well beyond the capacity of the market. Consumer expenditure on food has grown at a compound rate of 0.4% over the last seven years and is not expected to markedly improve during the 1990's. It is quite inadequate to sustain the ambitions of the biggest four food retailers. Industry analysts estimate that to achieve the targets implicit in their current investment plans the big four supermarkets will have to make market share gains of 5.2% each year, an enormous task when compared with the annual gain of 1.6% achieved in recent years. Such an aggressive market penetration strategy is likely to prompt a vigorous riposte from the intended victims - the middle ranking supermarket chains.²¹

Up until now the major supermarkets have managed to expand in a static market by taking business from small grocers and food shops (table 2). However, the number of corner grocers is

approaching an irreducible minimum, and the bigger supermarket operators appetite for market share will soon force the second division supermarket companies to vigorously defend their share of the market. Since the main weapon at their disposal is to cut prices the lasting effect of the market penetration strategies of the major supermarkets is likely to be a re-emergence of price-based competition and, consequently, lower margins.

=====

INSERT TABLE 2 ABOUT HERE.

=====

Product Development.

In such an open and easily imitated industry as food retailing most of the radical product development gains have already been made and absorbed. The presence of fresh produce, wet fish, in-store bakeries, fresh meat, wine and beer now do no more than meet customer expectations.

Market Development.

The front runners are now moving beyond the simple addition of new food product lines and into newspapers, petrol, toiletries, cosmetics and (if allowed) prescription services. This is a not a continuation of the practice of adding new products, it is a market development strategy which takes food retailers into new,

non-food markets in which they have little expertise or competitive advantage. Petrol is a commodity sold on price rather than convenience, while newspaper sales require convenience of a sort not offered by supermarkets. Neither offers much opportunity to add value or, therefore, margin. Toiletries and cosmetics offer good margins but, as with petrol, newcomers to the market face stiff opposition from some very tough competitors like Boots and Superdrug or Shell and BP, for which these markets are life or death. Such markets do offer new opportunities to food retailers, though they will be hard pressed to gain substantial market shares. The strategy rests on the dubious assumption that the lure of one-stop shopping will revolutionise consumer shopping behaviour, whereas the evidence suggests that shoppers actively seek to separate grocery from other shopping. Both Tesco and Argyll acknowledge that shopping trips for food and clothing are separate occasions, while Marks & Spencer go further, admitting to different types of customer for food and for clothes.²⁴ Meanwhile Asda's struggle to keep up with the other three major food retailers is attributed in part by city analysts to the firm's exposure to non-food markets.²⁵

Some supermarkets are engaged in geographically based market development strategies within the UK with, for instance, Asda moving into the south, while Sainsbury moves into the north. A sign, perhaps, that the majors continued quest for expansion in a

market showing signs of saturation is obliging them to confront one another. Certainly many commentators, both academic and commercial, consider that the rate of superstore opening programmes and static food expenditure make saturation in grocery retailing inevitable.²⁶⁻³⁰ In response to this Duke uses market leakage analysis to identify a number of differentiation strategies by which he suggests that UK grocery retailers can compete in a post-saturation market.³¹ Duke makes some timely and interesting observations to help individual firms to maintain a competitive edge in an overcrowded market. However, the internationalisation of food retailing during the 1990's will require an added, more pro-active dimension.

2) Doubts about the exportability of food retailing.

For service companies, out-of-country expansion is never simply a case of exporting marginal product. They must actually go to the country, face the customer and produce the service. The commitment needed to undertake this, combined with the problems of sourcing, training and quality control mean that cross-border expansion involves greater risk for service than it does for manufacturing companies.³² Furthermore, van der Ster claims that food choice is simply too nationalistic for the export of store concepts to be successful in the short term.³³ However, Segal-Horn³⁴ disputes this and Dawson³⁵ has identified broad trends in shopping behaviour common to all European countries. Even van der

Ster expects to see the eventual emergence of a 'Euro-lifestyle', leading to the development of pan-European store concepts.

Ultimately, the success of cross-border operations already undertaken by many European supermarkets must dispel the contention that food retailing does not export (see fig.1).

3) Lack of European Market Opportunities.

Many mainland European countries (notably the biggest markets of France, Italy and Germany but also Belgium) have restrictive land use laws, which serve to protect small shopkeepers³⁶. Therefore, supermarkets in those countries have been less successful than their British counterparts in increasing their market share at expense of small shops, and have instead been obliged to compete directly with their peers. For this and other reasons these markets have experienced fierce competition and a lack of development opportunities. As a result many major grocers in northern Europe have chosen to look outside their national borders for expansion.

British supermarket operators may well view mainland European markets with suspicion, especially when compared with the relatively favoured status they enjoy in their home market. Nevertheless, opportunities in Europe do exist. Treadgold observes, with particular reference to French domination of

Spanish food retailing, that, 'For an increasing number of retailers, developing internationally has emerged in the 1980's as a favoured growth strategy. A number of leading retailers from the north European states are seeking to establish, through direct investment, a presence in the relatively undeveloped retail markets of the southern states.'³⁷ (See figure 1).

The Single European Market will become the 'home' market for all British businesses, and food retailers are no exception. By delaying their entry into mainland markets British supermarkets risk missing the windows of opportunity already being exploited by their competitors, and are in danger of being marginalised in the 10% of the community's food market represented by the United Kingdom.

4) Better opportunities in the US market.

Sainsbury does at least have an international presence, having acquired Shaws Supermarkets in the USA in the late 1980's. However, even in the USA Sainsbury is dwarfed by European competitors (table 3). For many British firms the choice of the US market for international expansion is frequently the result of a common (but misplaced) faith in export market selection based upon psychological proximity.³⁸ Misconceptions of Anglo-saxon cultural similarity between Britain and America have caused severe problems for British retailers in the difficult North

American market; including such retailing stars as W.H. Smith, Sock Shop and Marks & Spencer. Hamill and Crosbie take the view that, although the US market may be attractive, British retailers should reduce their US orientation and concentrate on Europe in order reap the benefits of the Single European Market.³⁹ Marks and Spencers' experiences appear to confirm this view, the company is reported to be ready to cut its losses and pull out of the USA and Canada for good in order to concentrate on the European market.⁴⁰

=====

INSERT TABLE 3 ABOUT HERE

=====

5) The profit gap between the British and other EC retail food markets.

The major attraction of the UK market is the very high margins achieved by the big food retailers. It follows that the much lower margins earned in the rest of the EC are a major short term deterrent for the managers of any British supermarket which might consider emulating the export successes of supermarket operators from mainland Europe (see table 1). However, it is argued that high margins are only achieved in Britain because the market is uncritical and consumers do not realise that they are paying high prices.⁴² Consequently, a number market analysts question whether the margins currently being achieved by British

supermarkets are sustainable: Mintel,⁴³ in a recent report, suggests that the profitability bubble may already have burst; Salomon Bros.⁴⁴ point out that the market share gains implicit in the big fours' current investment plans will have to be bought by price promotions, and warn investors that this will lead to lower returns from the sector; Corporate Intelligence Group⁴⁵ considers that the Single European Market will result in an averaging of returns throughout the Community. Clearly, if margins in Britain are expected to drop to near the same level as those in the rest of the Community then, in the long term, lower returns are not a deterrent to European expansion by British grocers.

Balancing the risks and opportunities.

The major supermarkets are faced with radical changes in their operating environment which will result in a completely different set of opportunities and threats: and they do not appear to be adapting well. The primary long-term need of food retailers to establish themselves in the European Community market is being sacrificed to their short-term need to continue to earn the exceptionally high margins which are only available in Britain. However, attempts to continue in the same old way to gain margin and market share seem certain to accelerate the deterioration of the home market, if not into price war, then into more price-based competition - the successful avoidance of which has done so

much for supermarket margins. Furthermore, the opportunities identified by some British retailers in North America are illusory, being based upon an impression of psychological proximity which has caused even the best of them to make profound and damaging errors of judgement. Whether they choose to or not, British supermarkets will be operating in a Europe-wide market, within an increasingly internationalised industry. Consequently, none of the reservations which they have about competing in Europe are, in the long term, as dangerous as the risk which they run of missing out on the opportunities available in mainland European markets, and of becoming marginalised in one small corner of the Single European Market.

SUMMARY

The governor of the Bank of England has expressed the view that the successful British industries are those which have always operated in an international environment, and that those which failed in the past operated on the basis of a guaranteed and uncritical home market.⁴⁶ Unfortunately, supermarkets seem to fit the latter profile, having achieved years of profitable growth by taking market share from small shops in an economic, social and legal environment which heavily favoured the major chains, and which enabled them to avoid competing directly with each other. This situation has been exploited with considerable skill by the management of the big four supermarkets. But, as the

internationalisation of food retailing gathers pace, the question which remains is whether such 'hothouse' conditions have resulted in soft growth, producing firms which are international in stature, but which have not been forged in the heat of international competition.

An uncritical home market has allowed British supermarkets to avoid price competition and persuade consumers to finance margins three or four times higher than international norms. The methods chosen to exploit this; increased services, improved store interiors, better locations and higher prices are classic wheel of retailing 'trading up' strategies which have resulted in the opening up of a competitive flank to European competitors.⁴⁷ Significantly, both of the EC food retailers currently entering the UK market are price-based, low status, minimal service, limited product offering competitors, who must be eagerly anticipating the possibility of a price war triggered by overambitious expansion plans (figure 3).

=====

INSERT FIGURE 3 ABOUT HERE

=====

In a tougher, international environment the lucrative home market has become the Achilles heel for which the supermarkets must now pay. Accustomed to high, and increasing, profitability from the

food retail sector the city will swiftly punish any company whose profits falter. Any supermarket which dared to accept the international norm for food retail margins, so as to strengthen its position in the EC while market opportunities still exist, would face the certainty of a depressed share price. In consequence the assets of the company would become available cheaply, and the likely result of such a far sighted, pro-active policy would be a predatory takeover.⁴⁹ The supermarkets have therefore evolved a stay-at-home strategy which makes a virtue out of necessity. It is based upon the assumption that the favourable trading conditions of the last decade will carry on throughout the 1990's, enabling them to continue to simultaneously gain market share - and improve profitability. That scenario is extremely unlikely: the over-optimistic expansion plans of the big supermarkets are more likely to hasten market saturation, followed by price-based competition and declining margins. The unfolding scenario resembles the space race in the stores sector during the 1980's. On that occasion also retailers added space to feed ambitious, and jointly incompatible, expansion plans, and were then surprised by the inevitable crash. Perhaps lulled by the inherent stability of the food sector supermarkets do not appear to have heeded the warning.

The relatively favoured market situation enjoyed by British food

retailers has spared them from the pressures which have driven many European competitors to seek markets abroad. However, this is a far from unmixed blessing as failure to participate in European markets will eventually leave them in an untenable competitive position. Defence of the home market is simply not a winning strategy for British supermarkets because the UK retail food market is much smaller than those of Germany, Italy or France, and similar in value to that of Spain. Even a successful defence of the home market by supermarket operators would leave them isolated; niche operations confined to 10% of the European market. Ultimately, they would be confronted by competitors which have grown and matured in a Europe-wide market ten times the size of their home market (figure 4).

=====

INSERT FIGURE 4 ABOUT HERE.

=====

CONCLUSIONS

British business has had a difficult time in world markets over several decades, as is verified by the loss of world markets and a chronic balance of trade deficit. Successful industries have wilted under international competition. The current state of food retailing presents an example of a British industry which has been highly successful in the home market, and which is about to be tested in the international market place as the

internationalisation of retailing gathers pace. In this paper the opportunity has been taken to explore the response of food retailers to the imminent internationalisation of their industry, and finds them wanting. The findings are instructive, indicating that even such successful and well managed British firms are faced with major in-built obstacles in the international arena. The uncritical nature of the UK market has not prepared the supermarkets for international markets any more than it did (say) the car manufacturers. Exceptionally high margins, available only in the UK, and the short-term requirements of institutional fund managers, effectively trap food retailers in the home market. The demands of the capital market lead the directors of British supermarkets to pretend that, if ignored, the Single European Market will go away. All of this supports Doyle's argument that enforced financial orientation is a key factor in the continued difficulties experienced by British exporters, leading British managers to, '...too often oversimplify the task and fail to sustain the long term commitment required to sustain long term competitive marketing performance'.⁵¹

REFERENCES

1. Randlesome, C. et al, (1990), "Business Cultures in Europe", Heinemann, Oxford, p.209.
2. The Sunday Times, 22 April 1990.
3. Doyle, P. (1988), "What Happened to Britain's Economic Miracle?", The Director, April 1988.
4. Salomon Bros. (1991), UK Equity Research, UK Food Retailing, April 26th, Salomon Bros., London.
5. Banque Paribas (1989), "The Outlook for UK and Continental Food Retailers", Paribas Capital Markets Group, London.
6. Hamill, J, & Crosbie, J, (1990), "British Retail Acquisitions in the US", International Journal of Retail & Distribution Mangement, Vol.18 No.5.
7. Treadgold, A, (1989), "Pan-European Retail Business: Emerging Structure", European Business Review, Vol.'89 No.4.
8. Dawson, J.A., Shaw, S.A. and Rana, J. (1988), "Future Trends in Food Retailing: Results of a Survey of Retailers", British Food Journal Vol. 90.2.
9. Williams, D.E. (1991) 'Retailer Internationalisation: Strategic Implications, Proceedings of MEG Conference, Cardiff.
10. Supermarketing, 17 August 1990.
11. The Grocer, 21 April 1990.
12. Debenham, Tewson and Chinnocks (1989), "1992 - The Retail Dimension", Debenham, Tewson and Chinnocks, London.
13. Delort, J-J. (1990), "French retailing and its Prospects Within 1993 Europe", Marketing and Research Today, November.
14. Killen, V. and Lees, R. (1988), 'The Future of Grocery Retailing in the UK part II', Retail and Distribution Management Nov/Dec.
15. Thompson, K.E. and Knox, S. (1991), "The Single European Grocery Market: Prospects for a Channel Crossing", European Management Journal, vol.9 No.1.

16. Alexander, N. (1989), "The Internal Market of 1992 - Attitudes of Leading Retailers", Retail and Distribution Management, Vol.16.5, Jan/Feb.
17. Nielsen (1990), "European Passport, a Strategic Assessment of the New Grocery Marketplace", A.C. Nielsen, Oxford.
18. Supermarketing, 29 March 1991.
19. Retail Week, 19 February 1991.
20. Ansoff, I. (1957), 'Strategies for Diversification', Harvard Business Review, Sept/Oct.
21. Salomon Bros. (1991), op.cit.
22. Euromonitor (1987), "Grocery Distribution in Western Europe", pp24-25 and pp31. Euromonitor Publications Ltd., London.
23. Mintel (1991), Retail Intelligence, Vol.1, 1991, p.10 & 13, Economist Intelligence Unit, London.
24. Salomon Bros. (1991), op.cit.
25. The Times, 1st October 1991.
26. Killen, V. and Lees, R. (1988), 'The Future of Grocery Retailing in the UK part I', Retail and Distribution Management July/Aug.
27. Verdict Research (1990), 'The Space Report', Verdict Research, London.
28. Ogbanna, E. (1989), "Strategic Changes in UK Grocery Retailing", Management Decision, Vol.27 No.6.
29. Randall, G. (1990), "Marketing to the Retail Trade", Heinemann, Oxford, pp136-149.
30. Treadgold, A. (1990), 'The Developing Internationalisation of Retailing', International Journal of Retailing & Distribution Management, Vol.18 No.2.
31. Duke, R. (1991), "Post Saturation Retailing in UK Grocery Retailing", Journal of Marketing Management, Vol.7.
32. Carman, J.M. and Langeard, E. (1980), "Growth Strategies for Service Firms", Strategic Management Journal, Vol.1, 7-22.

33. van der Ster, W. (1989), "Food Retailing in the 1990's: a Dutch View", Proceedings of the Albert Heijn Conference, Noordwijk, Koninklijke Ahold nv, Zaandam, Netherlands.
34. Segal-Horn, S. and Davison, H. (1990), "Global Markets, the Global Consumer and International Retailing", working paper SWP41/90, Cranfield School of Management, Cranfield.
35. Dawson, J.A., Shaw, S.A. and Rana, J. (1988), op.cit.
36. Dawson, J.A. and Burt, S. (1988), 'The Evolution of European Retailing', The University of Stirling Institute for Retail Studies.
37. Treadgold, A. (1989), "Pan-European Retail Business: Emerging Structure", European Business Review, No.4.
38. Dichtl, E., Leibold, M., Koglmayr, H. and Mueller, S. (1983) 'The foreign Orientation of Management as a Central Construct in Export - Centred Decision Making Process', Research for Marketing, Vol 10, No.1.
40. The Sunday Times, 8 September 1991.
41. Treadgold (1990), op.cit.
42. The Sunday Times, 11 August 1991.
43. Mintel (1991), op.cit.
44. Salomon Bros. (1991), op.cit.
45. Corporate Intelligence Group (1990), Retail Research Report, December, Corporate Intelligence Research Publications, London.
46. The Sunday Times, 22 April 1990.
47. For an up-to-date discussion of McNair's theory see; Brown, S. (1991) 'Variations on a Marketing Enigma: The Wheel of Retailing Theory', Journal of Marketing Management' Vol.7.
48. Brown, S. (1991), op.cit.
49. Eccles, T. (1989), "If We're so Smart, Why Are They Winning?" Long Range Planning, Vol.22 No.5.
50. Euromonitor (1987), op.cit.
51. Doyle (1988), op.cit.

TABLE 1. Average Net Margin by Country: European Grocery Retailers.

	%
UK	5-7
France	0.5 - 2.0
Holland	0.5 - 1.5
Belgium	0.5 - 1.5
Germany	0.5 - 1.5

Source: Banque Paribas (1989).⁵

Table 2. UK Food Sales. % by Outlet Size/Type.

	1980	1982	1984	1986	1988	1990(est)
Large Grocers	40.8	46.5	51.3	55.1	59.4	64.2
Small Grocers	18.2	16.1	12.6	11.4	10.3	9.8
Cooperatives	16.9	14.9	13.9	12.9	11.2	10.9
Others	24.9	22.5	22.2	20.6	19.0	15.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

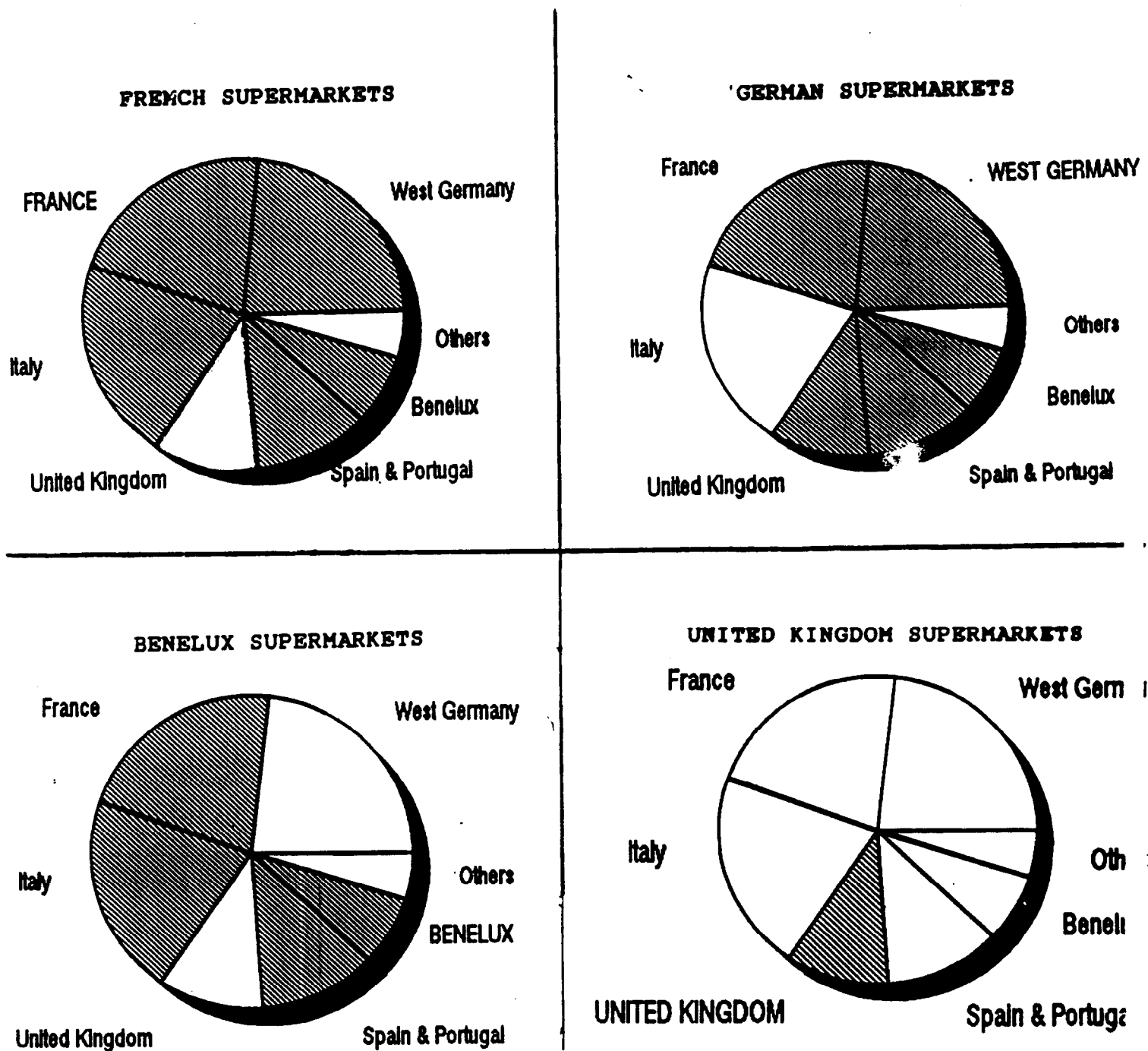
Source: Adapted from Euromonitor (1987)²²
 Mintel (1991)²³

Table 3. Turnover of Some US Food Retailers in Foreign Ownership.

Company	Country of Origin	US Turnover
Tengelmann	Germany	\$10.0bn.
Ahold	The Netherlands	\$6.0bn.
Delhaize "le Lion"	Belgium	\$3.8bn.
Sainsbury	UK	\$1.4bn.

Source: Adapted from Treadgold (1990).⁴¹

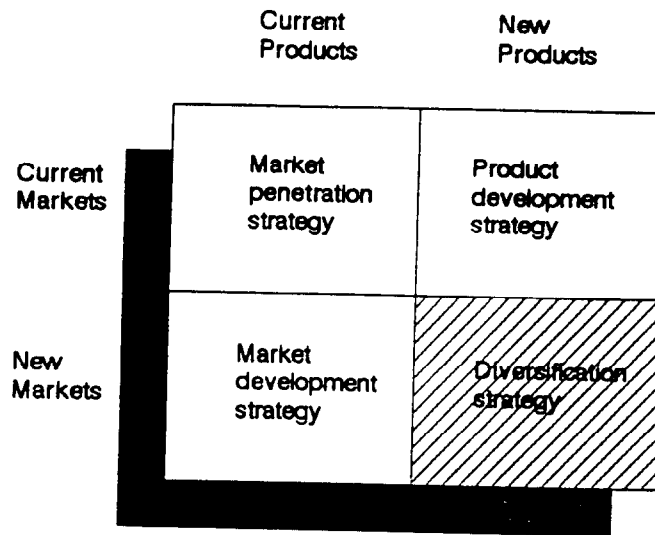
Figure 1. EC Markets Entered by Supermarket Operators from Selected EC Member Countries.



Legend: Segments indicate size of national food markets.
Shading indicates market entered.

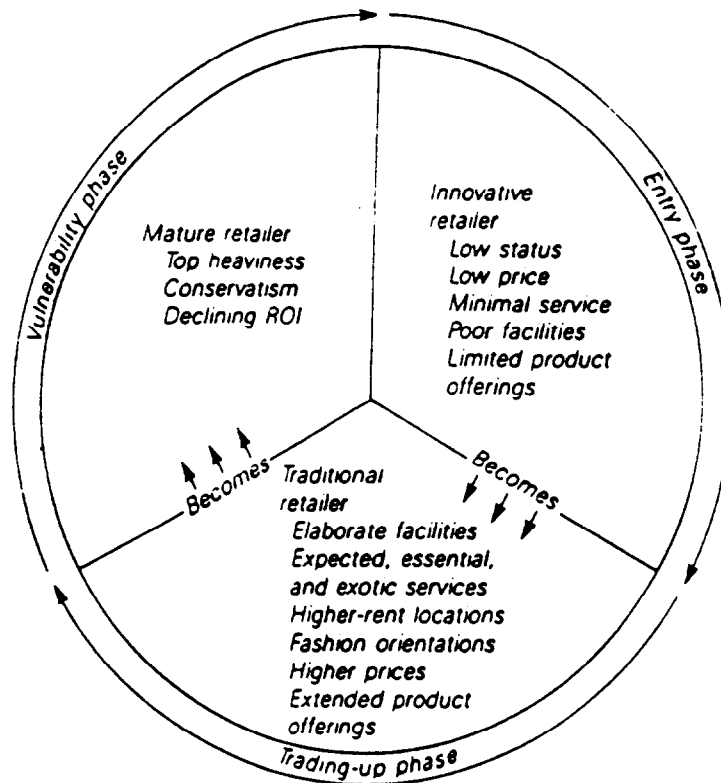
Source: Adapted from Debenham, Tewson, Chinnocks (1989)¹².

Figure 2. Ansoff's Product/Market Expansion Grid.



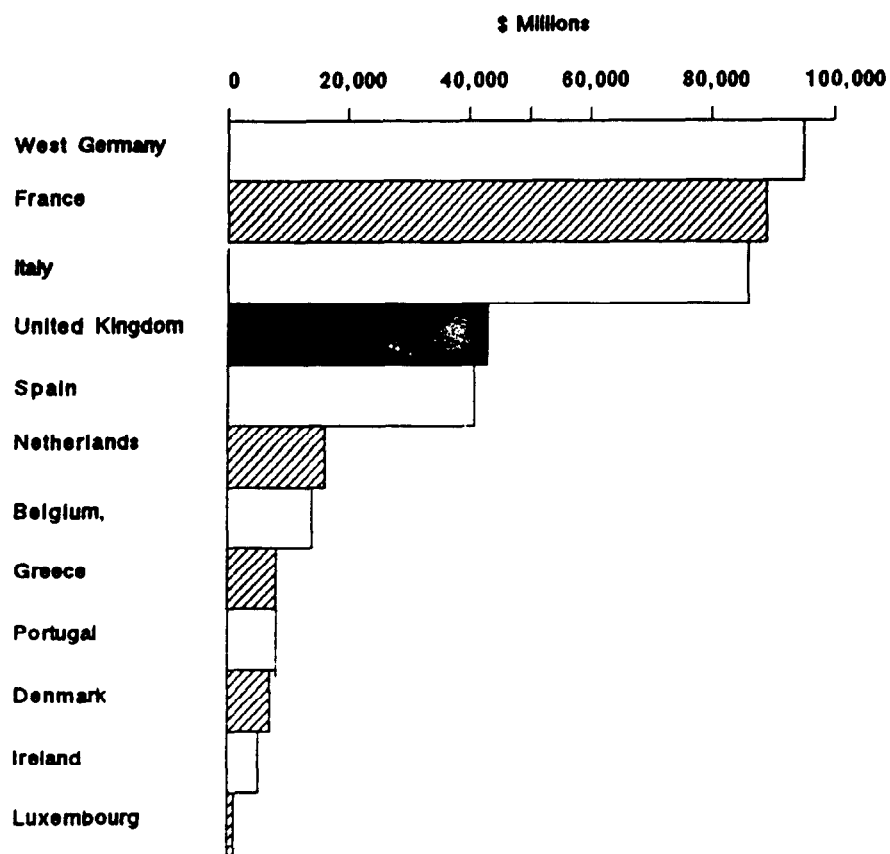
Source: Adapted from Ansoff, I. (1957).²⁰

Figure 3. The Wheel of the Wheel of Retailing.



Source: Brown, S. (1988).⁴⁸

Figure 4. Value of Food Markets - EC Members.



(1986 exchange rates - some figures include VAT)

Source: Euromonitor (1987).⁵⁰

Cranfield School of Management

Cranfield Institute of Technology

Cranfield Bedford MK43 0AL England

Telephone National Bedford (0234) 751122

International +44 234 751122

Telex 826559 CITMAN G

Telefax (0234) 751806



The Cranfield School of Management Working Papers Series has been running since 1987, with approximately 300 papers so far coming from the seven major academic subject areas of the School: Enterprise and Small Business Development in the UK and overseas; Finance, Accounting and Economics; Human Resources and Management Development; Information Systems Management; Marketing and Logistics; Operations and Project Management; and Strategic Management. In 1991, the School merged with the Cranfield School of Policy Studies, resulting in two new subject areas, the Social Policy faculty being re-formed into the new Public Sector Management Group, and a Centre for Logistics and Transport Studies. From 1992, papers from all groups will be included in the Series. From 1992, papers are reviewed by senior members of faculty before acceptance into the Series.

For copies of papers (up to three free, then £2 per copy, cheques to be made payable to the Cranfield School of Management), please contact Mrs Val Singh, Research Administrator, at the above address.

February 1992

SCHOOL WORKING PAPER SERIES

List No 4, 1990

SWP 1/90 Sue Birley, David Norburn, Kingsley Manning
"Developing a New Ventures Strategy"

SWP 2/90 Sue Birley
"The Small and Medium-sized Enterprise - Is there a European Dimension?"

SWP 3/90 David Ballantyne
"Management of the Diagnostic Review Process in Service Quality Management: ANZ Bank - A Case Outline"

SWP 4/90 David Ballantyne
"Turning the Wheel of Quality Improvement - Continuously"

SWP 5/90 Bob Spink
"Overtime: The Problem that won't go away."

SWP 6/90 Sue Birley & Paul Westhead
"Growth and Performance Contrasts between Types of Small Firms"

SWP 7/90 David Parker
"The 1988 Local Government Act and Compulsory Competitive Tendering"

SWP 8/90 Sue Davison

"Cultural Mapping - What is it, and How does it relate to Previous Research?"

SWP 9/90 Andrew Myers, Ian Oram, Michael Sweeney, Alan Warr
"Managing Learning the Need to Change - Some General Findings from a Study of Applying Information Technology to Aid Learning in a Business School"

SWP 10/90 David Parker
"The Importance of Ownership"

SWP 11/90 John Hailey
"Financing Small Enterprise in Developing Ministates"

SWP 12/90 Malcolm Harper & John Hailey
"Management Development for Enterprise Promotion: NGOs and the Development of Income Generating Enterprise"

SWP 13/90 John Grierson
"Sustainability, Self-Sufficiency and Management Simplicity"

SWP 14/90 Sue Birley & Paul Westhead
"Private Business Sales Environments in the UK"

SWP 15/90 Malcolm McDonald & Hugh Wilson
"State of the Art Developments in Expert Systems and Strategic Marketing Planning"

- SWP 16/90 Yochanan Altman
"The Organisational Culture of the Armed Forces: The Case of the Israeli Army"
- SWP 17/90 Paul Burns
"Managing a Partnership for Business Success"
- SWP 18/90 Sue Birley & Paul Westhead
"Spatial Variations in Private Advertised Sales in the UK, 1983-1988"
- SWP 19/90 Keith Ward, Sri Srikanthan, Richard Neal
"Strategic Brand Accounting"
- SWP 20/90 Yochanan Altman
"The Relocations of Companies: The Human Resources Perspective"
- SWP 21/90 Sue Birley & Kingsley Manning
"Public Sector Venturing"
- SWP 22/90 Malcolm McDonald
"Marketing Technique Interrelationships and the Pursuit of Relevance in Marketing Theory"
- SWP 23/90 Sue Birley, Stan Cromie & Andrew Myers
"The Relationships between Incubator Experience Entrepreneurial Networks in Northern Ireland - Some initial findings."
- SWP 24/90 Sue Birley, Stan Cromie, & Andrew Myers
"Entrepreneurial Networks: Their Creation and Development in Different Countries"
- SWP 25/90 Sue Birley & Paul Westhead
"Discriminating Factors in the Strategic Profile of 'Small' and 'Large' Small Firms"
- SWP 26/90 Andy Bytheway
"Electronic Data Interchange: The Longer Term Effects on International Trade - A Selected Glossary of EDI Terms and Acronyms"
- SWP 27/90 Andy Bytheway
"Electronic Data Interchange: Technical Opportunity or Business Necessity?"
- SWP 28/90 Andy Bytheway & Chris Barrington-Brown
"Survey of Electronic Data - Interchange Users and Service Providers in the UK"
- SWP 29/90 Andy Bytheway
"An Update Report from the EDI 1989 Conference in London"
- SWP 30/90 Andy Bytheway
"Electronic Data Interchange and Advanced Information Processing - The Way Ahead"
- SWP 31/90 Andy Bytheway
"EDI Standards and the Single European Market"
- SWP 32/90 Andy Bytheway
"The Effects of EDI on the Financial Sector"
- SWP 33/90 Mike Sweeney & S Carter
"JIT (Just in time) Manufacturing - But at What Cost?"
- SWP 34/90 Mike Sweeney
"CIM (Computer Integrated Manufacture) - Buy Now or Pay Later"
- SWP 35/90 Paul Westhead
"Managing the Construction of a Manufacturing Establishment Data-Bank"
- SWP 36/90 Yochanan Altman
"The Role of Personal Social Support Networks in Soviet Type Centralised Command Economies: Social Networks at Work in Soviet Georgia"
- SWP 37/90 David Parker, Keith Hartley, & Stephen Martin
"Organisational Status, Ownership and Productivity"
- SWP 38/90 Mike Sweeney
"Breakthrough to World Class Manufacturing - A Strategy for the Transformation"
- SWP 39/90 Colin Armistead & Graham Clark
"After Sales Support Strategy"
- SWP 40/90 Colin Armistead
"Competitive Service Strategy and the Service Operations Task"
- SWP 41/90 Susan Segal-Horn & Heather Davison
"Global Markets, The Global Consumer and International Retailing"
- SWP 42/90 John McGee & Susan Segal-horn
"Strategic Space and Industry Dynamics"
- SWP 43/90 David Parker, Keith Hartley, & Stephen Martin
"Do Changes in Organisational Status Affect Financial Performance?"

SWP 44/90 Keith Ward, Sri Srikanthan, Richard Neal
"Life-Cycle Costing in the Financial
Evaluation and Control of Products and
Brands"

SWP 45/90 Adrian Payne, Deborah Walters & Gordon
Foxall
"A Study of the Cognitive Styles of Australian
Managers"

SWP 46/90 Graham Elkin
"Organisational Behaviour: People, Groups
and Organisations at Work"

SWP 47/90 Graham Elkin
"Physical Therapy and Management
Consulting"

SWP 48/90 Graham Elkin
"Executive Challenge: Using the Outdoors to
Develop the Personal Action Skills of MBA
Students"

SWP 49/90 Graham Elkin
"Career - A Changing Concept"

SWP 50/90 Graham Elkin
"Competency Based Human Resource
Development - Making Sense of the Ideas"

SWP 51/90 Graham Elkin
"The Admission of Mature Adult Students to
Executive MBA Programmes"

SWP 52/90 Graham Elkin
"Exploring the Environment, Discovering
Learning Resources and Creating Low Cost
Training & Development - Part 1"

SWP 53/90 Graham Elkin
"Exploring the Environment, Discovering
Learning Resources and Creating Low Cost
Training & Development - Part 2"

SWP 54/90 Kim James & Donna Lucas
"Managing Learning in an Organisation that
Understands Teaching"

SWP 55/90 Graham Elkin
"Eldercare: A Growing Issue for Employee
and Employer"

SWP 56/90 Robert Brown & Andy Burnett
"Graduate Enterprise Programme IV, 1990 -
Recruitment and Selection Report, East
Midlands Region"

SCHOOL WORKING PAPERS

LIST NO 5, 1991

SWP 1/91 Colin Barrow
"How Green are Small Companies? A Survey
by Cranfield School of Management"

SWP 2/91 Graham Clark
"Strategies for Product and Customer Support
- A Research Report"

SWP 3/91 David Parker
"Tackling Tax Evasion in the UK"

SWP 4/91 John McGee and Susan Segal-Horn
"Strategic Space and Industry Dynamics: The
Implications for International Marketing
Strategy"

SWP 5/91 Chris Brewster
"Culture: The International Dimension"

SWP 6/91 Chris Brewster and Helen Peck
"Management Changes in China and Eastern
Europe: Dubious Parallels"

SWP 7/91 Keith Ward, Sri Srikanthan, Richard Neal
"Marketing Investment Analysis: The Critical
Success Factors for Financially Evaluation and
Effectively Controlling Marketing Investment
Decisions."

SWP 8/91 Andy Bytheway and Bernard Dyer
"Electronic Data Interchange: Persuading
Senior Management"

SWP 9/91 Alan Warr
"Strategic Opportunities and Information
Systems Management"

SWP 10/91 Alan Warr
"Bridging the Gap - Implementing Information
Systems Strategies"

SWP 11/91 Alan Warr
"Mapping the Applications Portfolio onto the
Projects Portfolio"

SWP 12/91 Siobhan Alderson & Andrew Kakabadse
"The Top Executive Competencies Survey - A
Literature Review"

SWP 13/91 Mike Sweeney
"Determining a Technology Strategy for
Competitive Advantage"

- SWP 14/91 Len Holden and Helen Peck
"Bulgaria, Perestroika, Glasnost and Management"
- SWP 15/91 Robert Brown & Andy Burnett
"Do we need Enterprising Graduates?"
- SWP 16/91 Ian Oram & Clare Tagg
"Using an IS Strategic Model to give a Strategy for Teaching IS"
- SWP 17/91 Len Holden
"Employee Communications in Europe"
- SWP 18/91 Susan Segal-Horn
"The Globalisation of Service Industries"
- SWP 19/91 David Ballantyne
"Coming to Grips with Service Intangibles, using Quality Management Techniques"
- SWP 20/91 Colin Armistead
"Resource Productivity in the Services Sector"
- SWP 21/91 David Parker & John Burton
"Rolling back the State? : UK Tax and Government Spending Changes in the 1980s"
- SWP 22/91 Simon Knox & David Walker
"Involvement, Cognitive Structures and Brand Loyalty: The Empirical Foundations for a Unifying Theory"
- SWP 23/91 David Ballantyne
"Internal Marketing, Collaboration and Motivation in Service Quality Management"
- SWP 24/91 Chris Brewster
"Starting again: Industrial Relations in Czechoslovakia"
- SWP 25/91 Cliff Bowman & Gerry Johnson
"Surfacing Managerial Patterns of Competitive Strategy: Interventions in Strategy Debates"
- SWP 26/91 Malcolm Harper
"Cooperatives and Other Group Enterprises: What are the Critical Factors for Success? A Survey of Informed Opinion."
- SWP 27/91 Mike Sweeney
"The Strategic Management of Manufacturing: From Waste to Haste"
- SWP 28/91 Mike Sweeney
"How to Achieve Competitive Edge by Simultaneous Process Engineering"
- SWP 29/91 Mike Sweeney
"Towards a Unified Theory of Strategic Manufacturing Management"
- SWP 30/91 David Ballantyne, Martin Christopher & Adrian Payne
"The Pathology of Company-Wide Quality Initiatives: Seven Prescriptions for Failure"
- SWP 31/91 Martin Christopher, Adrian Payne & David Ballantyne
"Relationship Marketing: Bringing Quality, Customer Service and Marketing Together"
- SWP 32/91 Mike Fleming & Joe Nellis
"The Development of Standardised Indices for Measuring House Price Inflation Incorporating Physical and Locational Characteristics"
- SWP 33/91 Cliff Bowman
"Charting Competitive Strategy"
- SWP 34/91 Roland Calori, Gerry Johnson & Philippe Sarnin
"French and British Top Managers' Understanding of the Structure and the Dynamics of their Industries: A Cognitive Analysis and Comparison"
- SWP 35/91 Michael Sweeney
"Manufacturing-Led Competitiveness: Use Maths not Myths"
- SWP 36/91 Robert Brown, Andrew Norton & Bill O'Rourke
"Case Study - Beverley plc"
- SWP 37/91 Malcolm Harper & John Hailey
"Management Development for Enterprise Promotion: Non-Governmental Organisations and the Development of Income Generating Enterprise"
- SWP 38/91 Shaun Tyson & Noeleen Doherty
"The Redundant Executive: Personality and the Job Change Experience"
- SWP 39/91 Yochanan Altman
"On Managing Volunteers - Absence of Monetary Compensation and its Implication on Managing Voluntary Organisations: The Issues of Motivation, Control and Organisational Structure."
- SWP 40/91 David Parker
"Privatisation Ten Years On: A Critical Analysis of its Rationale and Results."

- SWP 41/91 Ian Oram
"Implications of an IS Strategic Model for IS Development"
- SWP 42/91 Shaun Tyson
"1992: An Investigation of Strategies for Management Development"
- SWP 43/91 Malcolm McDonald
"The Changing Face of Marketing"
- SWP 44/91 Malcolm McDonald
"Teaching by Degrees"
- SWP 45/91 Malcolm McDonald & John Leppard
"Marketing Planning and Corporate Culture"
- SWP 46/91 Colin Barrow & Andy Burnett
"The Single Market and Small Growing Companies in the UK: A Survey by Cranfield School of Management"
- SWP 47/91 Colin Barrow
"Key Staff Recruitment in Small Firms in the UK: A Survey by Cranfield School of Management"
- SWP 48/91 Yochanan Altman
"Organisational Consultancy and Clinical Psychology - The Meeting of Two Worlds"
- SWP 49/91 John Hailey & Jon Westborg
"A New Role for Development Agencies: Non-Government Organisations and Enterprise Development"
- SWP 50/91 Paul Burns & Christine Choisne
"The Attitudes of Small and Medium-Sized Companies in Britain and France to the Business Environment in the First Half of 1991"
- SWP 51/91 Paul Burns
"The European Market"
- SWP 52/91 Shailendra Vyakarnam
"The Mismatch between Academic and Practitioner Constructs of Ethics : Implications for Business Schools"
- SWP 53/91 Cliff Bowman
"Managerial Perceptions of Porter's Generic Strategies"
- SWP 54/91 Adrian Payne and Flemming Poufelt
"Increasing the Effectiveness of Mergers and Acquisitions within the Management Consulting Industry"
- SWP 55/91 John Hailey
"The Small Business Sector in Developing Economies"
- SWP 56/91 Colin Armistead & Graham Clark
"Capacity Management in Services and the Influence on Quality and Productivity Performance"
- SWP 57/91 Colin New
"World Class Manufacturing versus Strategic Trade Offs"
- SWP 58/91 Colin Armistead & John Mapes
"Supply Networks and the Changing Role of Operations Managers"
- SWP 59/91 Brett Collins & Adrian Payne
"Internal Services Marketing"
- SWP 60/91 Andrew Myers, Mairi Bryce & Andrew Kakabadse
"Business Success and 1992: The Need for Effective Top Teams"
- SWP 61/91 Malcolm McDonald
"Strategic Marketing Planning: A State of the Art Review"
- SWP 62/91 Malcolm McDonald
"Excellent Selling can Seriously Damage a Company's Health"
- SWP 63/91 Graham Clark & Colin Armistead
"After Sales Support Strategy: A Research Agenda"
- SWP 64/91 Graham Clark & Colin Armistead
"Barriers to Service Quality: The Capacity, Quality, Productivity Balance"
- SWP 65/91 Ariane Hegewisch
"European Comparisons in Rewards Policies: The Findings of the First Price Waterhouse/Cranfield Survey"
- SWP 66/91 Andy Bailey & Gerry Johnson
"Perspectives of the Process of Strategic Decision-Making"
- SWP 67/91 Collin Randlesome
"East German Managers - From Karl Marx to Adam Smith?"
- SWP 68/91 Paul Burns & Christine Choisne
"High Performance SMEs: A Two Country Study"

SWP 69/91 David Parker
"Ownership, Managerial Changes and Performance"

SWP 70/91 Graham Elkin (Visiting Fellow)
"Socialisation and Executive MBA Programmes"

SWP 71/91 Shai Vyakarnam
"The New Europe from the Third World"

SWP 72/91 John Hailey
"Small Business Development in the Developing World: An Overview of Contemporary Issues in Enterprise Development"

SWP 73/91 Paul Burns
"Training Within Small Firms"

SWP 74/91 Paul Burns & Christine Choise
"High Performance SMEs in Britain and France: Strategies and Structures"

SWP 75/91 Robert Brown et al
"UK Tax Implications for the Small Business"

SCHOOL WORKING PAPERS LIST NO 6, 1992

SWP 1/92 Mike Sweeney
"How to perform simultaneous process engineering"

SWP 2/92 Paul Burns
"The Management of General Practice"

SWP 3/92 Paul Burns
"Management in General Practice: A Selection of Articles"

SWP 4/92 Simon Knox & David Walker
"Consumer involvement with grocery brands"

SWP 5/92 Deborah Helman and Adrian Payne
"Internal marketing: myth versus reality?"

SWP 6/92 Simon Knox & Leslie de Chernatony
"Brand price recall and the implications for pricing research"

SWP 7/92 Shai Vyakarnam
"Social Responsibility in the UK Top 100 Companies"

SWP 8/92 Susan Baker, Dr Simon Knox and Dr Leslie de Chernatony
"Product Attributes and Personal Values: A Review of Means-End Theory and Consumer Behaviour"

SWP 9/92 Mark Jenkins
"Making Sense of Markets: A Proposed Research Agenda"

SWP 10/92 Michael T Sweeney and Ian Oram
"Information Technology for Management Education: The Benefits and Barriers"

SWP 11/92 Keith E Thompson (Silsoe College)
"International Competitiveness and British Industry post-1992. With Special Reference to the Food Industry"

SWP 12/92 Keith Thompson (Silsoe College)
"The Response of British Supermarket Companies to the Internationalisation of the Retail Grocery Industry"

SWP 13/92 Richard Kay
"The Metaphors of the Voluntary/Non-Profit Sector Organising"

SWP 14/92 Robert Brown and Philip Poh
"Aniko Jewellers Private Limited - Case Study and Teaching Notes"

SWP 15/92 Mark Jenkins and Gerry Johnson
"Representing Managerial Cognition: The Case for an Integrated Approach"

SWP 16/92 Paul Burns
"Training across Europe: A Survey of Small and Medium-Sized Companies in Five European Countries"

SWP 17/92 Chris Brewster and Henrik Holt Larsen
"Human Resource Management in Europe - Evidence from Ten Countries"

SWP 18/92 Lawrence Cummings
"Customer Demand for 'Total Logistics Management' - Myth or Reality?"

SWP 19/92 Ariane Hegewisch and Irene Bruegel
"Flexibilisation and Part-time Work in Europe"

SWP 20/92 Kevin Daniels and Andrew Guppy
"Control, Information Seeking Preference, Occupational Stressors and Psychological Well-being"

SWP 21/92 Kevin Daniels and Andrew Guppy
"Stress and Well-Being in British University
Staff"

SWP 22/92 Colin Armistead and Graham Clark
"The Value Chain in Service Operations
Strategy"

SWP 23/92 David Parker
"Nationalisation, Privatisation, and Agency
Status within Government: Testing for the
Importance of Ownership"

SWP 24/92 John Ward
"Assessing and Managing the Risks of IS/IT
Investments"

SWP 25/92 Robert Brown
"Stapleford Park: Case Study and Teaching
Notes"

SWP 26/92 Paul Burns & Jean Harrison
"Management in General Practice - 2"

SWP 27/92 Paul Burns & Jean Harrison
"Management in General Practice - 3"

SWP 28/92 Kevin Daniels, Leslie de Chernatony &
Gerry Johnson
"Theoretical and Methodological Issues
concerning Managers' Mental Models of
Competitive Industry Structures"

SWP 29/92 Malcolm Harper and Alison Rieple
"Ex-Offenders and Enterprise"