PROJECT SERVEMPLOI

Final Thematic Report

Retail Sector

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January 2002

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This paper integrates the findings of the SERVEMPLOI national reports presented by the seven national research teams (Denmark, Germany, Ireland, Italy, Spain, Sweden, UK)[1] concerning the inquiries about the main external pressures and the main developments in the retail trade sector and their possible consequences for the employees in this sector.[2]

Introduction

The starting point for this report is the question of how retail trade has developed in Europe in the years immediately preceding and following the turn of the millennium. Have the structures changed in this sector, and have there been changes in the composition and level of employment that lead us to expect contributions from this sector to the solution of the employment problems in the countries of the EU in the future, as is often assumed?

There are basically two levels at which the answers to these questions can be sought: the level of the EU as a whole and the level of the individual countries. At the level of the EU as a whole, attempts have recently been made to identify "European trade" structures[3]. However, there is much to be said for placing the individual EU countries at the centre of attention first rather than focusing on the EU as a unified economic space. One important reason for this is the data situation: There are very few detailed data homogeneously presenting the structure and development of the sector and of employment at the Europe-wide level and making it possible to investigate them (cf. also Schüttpelz 2001 and EC 1997). Any attempt to do that would therefore involve major uncertainties and would run the risk of being very general. There is another methodological reason for approaching the question at the level of the individual countries. The empirical study that is the basis of this contribution does not cover all countries of the EU; only eight countries were examined: Denmark, France, Germany, Ireland, Italy, Spain, Sweden and the United Kingdom. But the decisive reason for concentrating on the country level is one of content: The structures and devel-

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[1] *France is included on the basis of the French national report from June 1999.*

[2] *Text passages directly quoted from these reports are written in italics. I thank my colleagues Grainne Collins, Gunilla Rapp, Elisabeth Sundin, and Juliet Webster for their comments and annotations on a previous version of this paper.*

[3] *An initial outline for such an investigation has been provided by Anne Schüttpelz (Schüttpelz 2001).*

opments in the sector in the individual countries have to be examined before we can judge to what extent it is reasonable to speak of European retail trade. When considering the EU level, it is all too easy to lose sight of the fact that there are substantial differences between the individual countries in the structures and development of trade. And it is all too easy to assume, implicitly or explicitly, that trade is becoming more similar in the different countries. While there are without doubt parallels in national developments, it does appear inadmissible to assume automatically that there is a dominant trend towards implementation of a specific type of retail services and that all one has to do is identify the characteristics of that type in order to determine the direction in which trade is likely to develop in the European countries in future. The differences between national trade structures that can still be seen today would then be the expression of differing stages in a process of development that in principle is moving in one direction. The empirical results of the study on which this contribution is based partially refute that assumption. They imply instead that there will continue to be substantial differences in the commercial landscapes of the countries examined and that it is useful to inquire into the different national and institutional embeddings of trade.

In the following this strained relationship between what the national trade structures have in common and what distinguishes them will be examined with the goal of creating a basis for a sophisticated analysis of the situations in the retail sector in the countries considered. As a first step the general development trends and common influencing factors will be outlined (1). Then the differences at the country level will be looked into (2). Finally, conclusions will be drawn (3).

1. Development trends in European retail trade

General factors in the social and economic situation have a decisive influence on the development of retail trade. The *overall economic situation,* i.e. economic stability and/or the way enterprises and consumers expect the economy to develop in the future is of foremost importance. Other external influences include *population development* and changes in *consumer behaviour* as well as *legislative intervention*.[4] In this study these external factors

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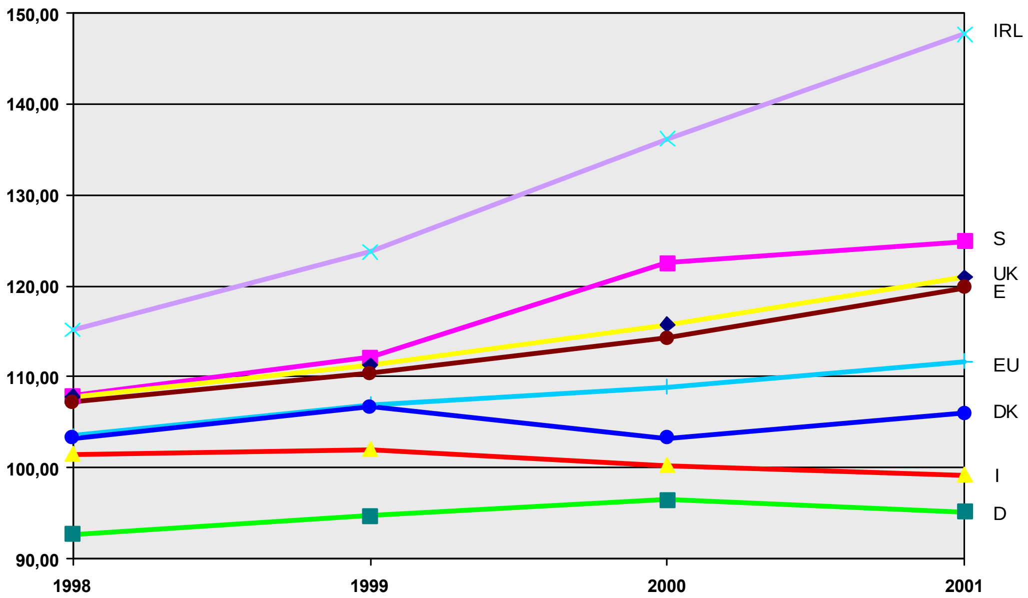
[4] *On this differentiation of external factors cf. Glaubitz 2001.*

have not been examined in a systematic manner.[5] Data has been compiled only on the general legal frameworks within which commercial enterprises operate and the way they have changed since the mid-nineties (see below). For that reason, with the exception of these instruments regulating the product market, the external factors relevant to retail trade are not explicitly dealt with below.

Instead, the starting point for this study is the economic development of the sector: A glance at the development of retail turnover in the EU shows that sales increased by a total of ten per cent in the second half of the nineties. The national differences were considerable:

[5] *Cf. for further details the only systematic study to date on structures of retail trade in Europe from a national economy viewpoint: Costa et al.1997, abridged in Täger 1998.*

Figure 1: Level of Sales in European Retail Trade 1995=100

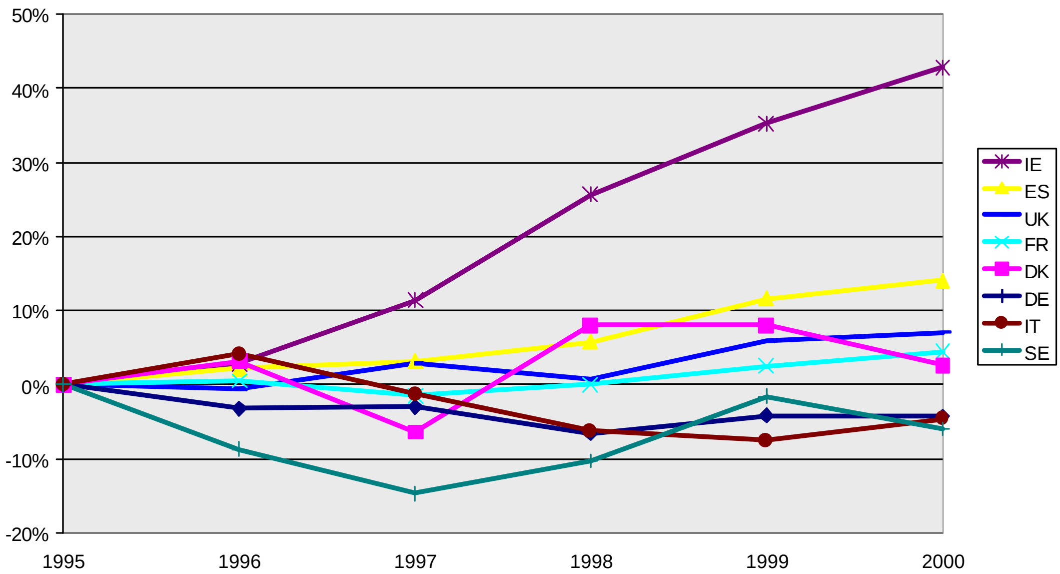


Turn over, deflationated, retail in total, June each year
Source: Eurostat: Euro-Indikatoren, press release Nr. 91/2001, 4.9.01
France 2001 missing

The development of retail trading was better than average in Ireland in particular, but also in Sweden, the United Kingdom und Spain. It was below average in Germany, Italy and Denmark.

A comparison of these data with data on the development of employment reveals only partial parallels at first glance:

Figure 2: Development of Retail Employment in European Countries 1995-2000



Source: European Labour Force Survey, Eurostat Luxembourg, special tabulation

Among the countries where the sales trend was especially positive, there was a positive trend in employment as well only in Ireland, the UK and Spain; in Sweden, on the other hand, employment fell despite increased sales. In the countries with a below-average sales trend, employment mostly dropped even more sharply than the economic development in this sector might have led us to expect. Job losses were disproportionately high in Italy and Germany in particular.

These are initial indicators that the relationship between sales and employment trends is affected by factors specific to the sector and the enterprises. These internal trade development factors include the *competition situation*, *structural change, technical and organisational rationalisation, entrepreneurial and sales concentration* and the *internationalisation of enterprises and markets* (cf. Glaubitz 2001). Some data on these factors were acquired in the course of the empirical work of this study, and they are synoptically outlined below for all countries.

1.1 Competition, Concentration, Structural Change

Increasing intensity of competition in retail trade is reported from all countries. The general trend shows that the large enterprises set themselves off from one another and that it is becoming more and more difficult for small and medium-sized enterprises to hold their positions on the market. This intensification of competition manifests itself in a drop in the total number of enterprises.

Another consequence of the growing intensity of competition is the increasing concentration of turnover. In all countries, the largest enterprises have a greater share in total retail turnover now than they had in the past. In the year 2000 the ten largest food chains accounted for 42 per cent of total European retail food turnover. The five largest still accounted for 26 per cent; ten years earlier they only had 13 per cent and five years earlier 17 per cent. Thus the second half of the nineties brought the European food trade an extraordinary concentration boost.[6]

A recent study of the concentration process in retail trade makes the assumption that "in mature markets" only the three largest enterprises can expect to have real economic success in the future (LZ No. 40, 5.10.2001, p. 55). The study also assumes that the concentration process encourages price-oriented strategies: "In mature markets more efficient accounting is increasingly required, because the market leaders convert cost leadership into price leadership (...) Eliminated costs are for the most part reinvested in price cuts." (ibid.) Germany already has many years of experience with this; it is expected that France and the UK are getting into this situation at the present time.

In the long run, price orientation means that the sales basis has to be expanded, and this can be done in "mature markets" not so much through organic growth as through displacement or mergers. As the size of the enterprises increases, the costs of mergers and takeovers become astronomic. Sector experts estimate that enterprises will need a sales vol-

[6] *The food trade dominates the headlines and reports in specialised economics publications. In connection with concentration processes in particular, reports deal almost exclusively with the retail food trade. This comes as no surprise considering that this is where concentration is most advanced in all countries as well as at the EU level. Differentiation by retail trade branches is complicated by the fact that the integration of "food" and "non-food" under one roof is a dominant strategy. The few comparisons of degrees of concentration that exist in these two branches indicate that in both cases it is largely the same enterprises that hold the leading positions.*

ume of 150 to 200 billion euros in future if they are to assert themselves as global players in the competition. That is more than twice the amount (about 70 billion euros in the year 2000) earned at present by Carrefour, the European food retailer with the biggest turnover. Against this background, it seems to be very likely that the world-wide concentration process in the retail food trade will be considerably stepped up in the future. For European traders, this could mean becoming candidates for takeover by US groups (Wal Mart achieved a turnover of 200 billion dollars in the year 2000). It is assumed that this trend will continue in the future and that "an oligopoly of trading enterprises operating world-wide will emerge in the next few years in which annual sales of 150 or 200 billion euros will be the norm" (M&M Eurodata, press release, 15.11.2000).

Below the level of concentration of enterprises, structural effects of competition are manifested in shifts in market share among the types of outlets and among locations. There are reports of the more rapid growth of large scale area retail outlets – hypermarkets, superstores, supermarkets – in comparison to traditional or small-area outlets - specialised stores, department stores. In the locations competition, non-urban agglomerated locations are increasing in importance in comparison to inner-city and village businesses.

These structural changes have for the most part a direct effect on employment, since in large-area retail outlets and large enterprises less personnel is deployed in relation to turnover.[7] This might explain part of the discrepancy between sales and employment trends.

Does this trend entitle us to expect a future in which "an increasing share of retail employees are working for an even smaller number of companies that are themselves becoming ever larger" (Jany-Catrice/Lehndorff 2001, p. 5)? Owing to the state of the data it is quite out of the question to conduct a comparative examination of this thesis in detail and in all countries. It cannot be ruled out that such a concentration can be traced, with reference to employment as well, over a longer period of time. The declining number of small and very small enterprises and of self-employed persons in retail trade in all the countries examined certainly argues in favour of that assumption. However, the country-specific differences specifically in this structural dimension are so great that it was possible to note a uniform trend in this regard only at a very abstract level. The question arises what the implications

[7] *Glaubitz mentions the estimate that 1.7 times as much staff is required in traditional specialised retail trade as in large-area outlets (Glaubitz 2001).*

of such an abstract thesis are. It is only logical that the authors cited above concretise their thesis in that they perceive the predominance of a few large international groups on the horizon: "The concentration of capital in the European retail trade has led to the distribution of goods being reshaped in accordance with the technical and organisational rationalisation strategies of a few large companies" (ibid., p. 10). This convergence thesis implies that all that is still required is to study these large enterprises in order to estimate the direction development will take in other companies as well and in all countries. That would mean that increasing internationalisation in trade is the precondition and consequence of the concentration process. A few aspects of internationalisation in trade are outlined below.

1.2 Process of Internationalisation

The transnational commitment of trade enterprises is likewise to be seen in connection with the state of competition and in part with the concentration of sales. The internationalisation activities of trade enterprises have increased considerably and cross-border commitments and activities of trade enterprises can be expected to become much more natural in the future than they have been in the past. Akehurst/Alexander go so far as to assume that in future studies on trade development will be studies on its internationalisation: "In the next ten years international retailing will become a tautologous phrase." (Akehurst/Alexander 1996b, p. 204) In principle international activities in trade are not a new phenomenon. What is new is that in the current period internationalisation seems to have become the culminating point of past economic and organisational development processes in the sector and the enterprises and that accordingly it is not the companies that have been active transnationally for a long time (e.g. Woolworth, C&A and IKEA) whose activities are producing special effects but that the companies that have been internationalising in the past 10–15 years are exerting an especially strong influence on foreign markets (Akehurst/Alexander 1996a). The authors of current studies on the future internationalisation activities of the sector expect future transnational expansion to take place almost exclusively in the shape of the acquisition of domestic companies. In Europe at least, there will be scarcely any possibility any more of "organic growth" through the establishment of new businesses in other countries (LZ No. 40, 5.10.2001). European trade will probably experience a lot of mergers and acquisitions.

The only really „international" European food retail company is the netherlands company *Ahold*; it is the only company which gains more than half of its turn-over in foreign countries. *German Aldi* and *American Wal-Mart* are two of the most important „players" in the internationalisation of retailing, and both are highly price competitive. *Aldi* extended its business to foreign countries during the last four years. It is one of those companies which doesn't buy foreign firms but expands by building up its own branches. To some national markets *Aldi* is a pioneer in discounting, and in this respect it is an innovative impulse. *Wal-Mart* is less price-competitive than *Aldi* but it may seem more frightening to indigenous firms because Wal Mart is expanding by acquisitions, because they offer a wide range of brand items sold also by indigenous competitors, and probably because this company is known worldwide as an America based „global player" with considerable capital.

There is little information about the process of internationalisation in retailing. In order to draw conclusions on the research questions about employment and work conditions it would be useful to have a closer look at those case studies which cover multinational firms.

1.3 Electronic Commerce – Horizontal Competition between High Street Retailing and Online Retailing?

Electronic Commerce might be one of the most discussed issues in the media (and in research on organisations and work) today. Diverse surveys have been published which give rise to more or less „optimistic" estimations of the potential lying in business via the internet. After a period of extremely high expectations this year, it came out that Electronic Commerce with the private customers doesn't seem to be expanding as much as Electronic Commerce between firms[8]. Internet access in private households as a prerequisite to Electronic Commerce with the private customer is also an issue of diverse surveys. The tendencies show an increase in private internet accounts with remarkable national diversity, but of course the existence of phonelines doesn't necessarily lead to online shopping[9].

In the national reports, E-Commerce is mainly discussed under two aspects: as a possible future threat, making it important for retail managers' strategic considerations, and sometimes as a new channel to the customer. The scepticism about the potential for a fast and considerable increase in e-commerce (as it is mentioned in the *Danish* and *German* report) is supported by a study recently undertaken by the McKinsey Company which investigates

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[8] *As an example one of these surveys is enclosed in the annex.*

[9] *This gap is shown by a diagram in the annex submitted by the Danish team.*

the performance of electronic retailing for various types of suppliers.[10] Today the success of e-commerce seems remarkably questionable: "Most e-tailers lose money on every transaction" (p.3). However, profitable electronic transactions should be the most important aim of electronic retailers. Prerequisites for successful e-commerce seem to be difficult to obtain for most of the companies engaged in this business today: "To post comfortable contributions on each transaction, e-tailers would need efficient order fulfilment, average order sizes of at least one hundred US-Dollars, and gross margins of at least 25 percent" (p.5). Obviously these conditions are difficult to fulfil in transactions with private customers, which may be one of the arguments against high expectations in this business. Business-to-business transactions seem to be much more likely to be successful, as estimated by Forrester Research.[11]

In addition to this, it is striking that those retailers which already run successful "high street" business are more likely to gain profits from e-commerce than "e-tailers" originally founded for this purpose. Established retailers can use their existing marketing channels for attracting on-line customers. Furthermore, customers can use their online presence to browse before they buy "off-line". In this way, transaction costs are reduced and the customer relationship is strengthened, e-commerce is then only an additional channel to the customer and not a stand-alone solution.

We still know very little about the quantitative and qualitative effects of E-Commerce on employment and work conditions.[12]

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[10] *Barsch, Joanna, Blair Crawford, Chris Grosso (2000): How e-tailing can rise from the ashes. McKinsey&Co.*

[11] *See the table in the annex. The data of a Forrester survey are quoted from EHI (EuroHandelsinstitut) (2000): Handel aktuell 2000. Struktur, Kennzahlen und Profile aus dem deutschen und internationalen Handel, Köln*

[12] *The lack of reliable and substantial information about work related outcomes of ongoing E-Commerce activities in single European countries and even more on a European level has recently been subject of a literature review prepared for the project ‚Impact of the Development of Electronic Commerce on Training Needs in Commerce', Copenhagen Business School, Athens University, Landesinstitut Sozialforschungsstelle Dortmund: Bjoern-Andersen, N. and Butt, H. (2000) The Impact of E-Commerce/E-Business on Structure, Job Content and Employee Skills in the Commerce Sector in Europe, Copenhagen, July 2000, mimeo*

1.4 Changing Regulatory Frameworks – an Answer to Fierce Competition?

As far as the results of this study show, retail trade is not being controlled in the individual countries with the aid of a consistent set of regulations. What was noted more than a quarter of a century ago, in the first years of the development of the types of outlets that are now the norm in the countries of Europe, with their substantial space requirements, still seems to apply: "Government policies toward retailing are usually fragmentary, unconnected and even inconsistent" (Hollander/Boddewyn 1974, p. 55, cited in Alexander 1999, p. 191).

In general, there are two main fields of regulation in retailing, which are very particular for this economic activity – regulation of opening hours and regulation of location and size of stores. In both areas substantial changes have taken place in the last years in nearly all European countries.[13]

1.4.1 Opening Hours

The legislation on opening hours is still an issue of political and public discussion in some European countries in spite of the fact that these regulations were liberalised nearly all over Europe during the nineties (see Jacobsen and Webster 1999). In some of the countries legislation on opening hours interferes with legislation on working time effective for labour in general

It would be interesting to investigate which societal, institutional and cultural dimensions influence the political discussion and the policy on opening hours and its liberalisation in diverse countries. For the *German* case we can consider it as, among other dimensions, a highly symbolic question which affects the path to a “service society” with more flexibility in everyday life and in individual careers.

Deregulating legislation on opening hours has given rise, however, to real extensions of opening hours in the last years; in all EU-Countries with the exception of Greece, Spain and Portugal the average business hours for shops have been increased over the last five years[14]. In 1999, shops were open for an average of 56 hours, which is 6 hours more than

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[13] *Some information on changes in regulatory frameworks have been described in the Literature Review for SERVEMPLOI, Jacobsen, H. and Webster, J. (1999)*

[14] *The following data derive from a survey by the European Commission (EC 2000b)*

in 1994, when an EU-survey was previously taken. The most remarkable extension was observed in Italy and Germany: 60% of the Italian and 38% of the German respondents answered that they had extended opening hours remarkably during the last five years. The longest opening hours have been found in Belgium, France and Ireland (more than 60 hours on average). Few further extensions are expected in Europe in the future (8 percent on average), but more than a third of the responding Italian firms still envisage further extensions.

Longer opening hours can directly affect employment and working conditions depending on the solutions chosen to bridge the gap between individual hours and store hours. The concrete solutions for this may differ according to the companies' employment strategies and most importantly, with the national institutional context. In some countries legislation on opening hours interferes with legislation on working hours in general.[15] Whether part time work or flexible work is deployed and how individual schedules are tied to the employees interests is a matter of already existing or newly created employment relations and the institutions connected with them.

In addition to these direct connections between opening hours and labour, there are indirect effects of liberalisation resulting from structural changes that are to be expected. Generally, deregulation of opening hours enables retailers to better supply their customers. Through risk taking and possible of profit gains, this marketing strategy influences the competitive situation which in turn affects employment. In fact, deregulation of opening hours enhanced structural changes in retailing at least in Germany.

1.4.2 Regulations of Spatial Structures of the Retail Sector

The spatial distribution of retail outlets is a matter of legislation in several if not all European countries. In some of these countries, there are restrictions on the size of single stores, in some, what kinds of stores can be established in which regional settings is also regulated.

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[15] *This is reported by a Swedish respondent, expert of the Swedish Commercial Employees' Union. Information from other countries on this topic has not been available for this report. In general it is an important question wether the intentions of employment regulations and opening hours regulations are compatible or not.*

Towards the middle of the nineties almost all European countries stepped up their efforts to limit the increase in retail floor space by legislative means; only Spain and Germany declined to undertake such regulation, or such limitations were not consistently enforced there. Since 1995 at the latest, a "cannibalisation effect" has been observed in those countries, that is, profitability is reduced by an oversupply of floor space (LZ No. 40, 5.10.2001; Jacobsen 1998).

2. Country-specific Structures of the Retail Trade

"The retail structure of a market is a product of public policy, economic development, social conditions and cultural assumptions in that market" (Alexander 1999, p. 272).

In the following, the retail structures specific to the countries examined in this study will be outlined. For that purpose, the data at hand will as far as possible be structured according to the framework of analysis provided by Hollingsworth for differentiating national social systems of production. This framework of analysis distinguishes between variables of market reference, the organisational forms of enterprises, the deployment of labour and the institutional environment (Hollingsworth 1997, p. 274, 2000, p. 304).

The following data on the structure of retail trade in the selected countries provide an initial impression of the existing country-specific differences, but tell us nothing about relationships between the structural features or about existing developments or those to be expected in the future:

	UK	Germany	France	Denmark	Sweden	Ireland	Italy	Spain	EU 15
Enterprises per 1 000 inhabitants[2]	3,4	5	5,9	7,4	6,3	8,2	15,6	14,2	8,4
Number of persons employed per enterprise[2]	12,1	7,02	4,7	4,8	4	5,4	2,2	2,3	4
Turnover in Hypermarkets (ov. 2.500 qm) in the food sector (%) [3]	41	23	41	15	11	22	5	25	
Turnover in small outlets (und. 100 qm) in the food sector[3]	9	7	5	4	5	/	28	32	
Turnover of the three biggest companies (%) [3]	39,8	42,7	40	68,7	78,2	50,6	33,1	47,1	
GNP per capita (Tsd. $)[4]	18,7	27,5	25	29,9	24	14,7	20	13,6	
Share of tradable consumption in private consumption (%) [2]	39	26	37	37	37	53	45	28	36
persons employed in retail trade per 100 inhabitants[2]	4	4,2	2,7	3,5	2,5	4,4	3,6	3,3	
Self-employed (%) [3]	14,3	15,4	25,4	14,9	24,3	25,7	66,5	49,4	31,5
Part-Time (%)[6]	48,8	35,9	25,6	34,5	40,2	34,5	10,1	10,4	29,8
Female (%)[6]	60,5	66,8	58,4	57,1	61,8	61,8	45,6	56,2	58,5
Employees with a lower education (%)[5]	56,5	17,2	32	40,4	34,2	37,5	63,3	64,6	43,7
Employees with a higher education (%)[5]	10,5	11,6	13,5	9,5	11,8	15,2	3,5	13,9	9,9

[1] Data partly for different years (1994 - 1998)
[2] EC 1998
[3] 1997/98, Costa u.a. 1997
[4] 1996, Sternquist 1998
[5] EC 2000
[6] Labour Force Survey, Eurostat, special tabulation; data for 1999

Table: Structures of the Retail Trade in European Countries

In this overview, the countries are placed in three groups which, according to the available comparative accounts of trade in Europe[16], differ in the ratio of retail enterprises to population ("retail trade density") and in the average size of the enterprises in terms of the number of employees:

- The *UK* and *Germany* together with Austria and Finland comprise the countries in Europe where the number of retail enterprises operating is particularly small in proportion to the population and their average size is very large.

- *Italy* and *Spain* on the other hand, together with the other southern European countries *Greece* and *Portugal* as well as *Belgium,* form a group of countries in which the number

[16] *See footote 1 above and Täger 1998*

of active retail enterprises is especially large in proportion to the population and the enterprises are especially small in terms of the number of employees.

- *Sweden, Denmark*, *France* and *Ireland* together with the smallest countries *Luxembourg* and *The Netherlands* form a third group in which retail trade assumes an intermediate position when compared to other European countries with regard to retail trade density and size.

2.1 UK

In the UK, fewer retail enterprises are operated in proportion to the population than in any other EU country, and the stores are the largest in the EU in terms of both number of employees and volume of sales. Stores with large sales areas have a larger share of total retail turnover than in many other countries, but small-scale stores have their market significance as well. British consumers have lower incomes than many other EU citizens, and they spend a slightly above-average proportion of their disposable resources in retail outlets. This suggests that prices are relatively high in the UK.

The fact that multiples, that is, companies with more than one outlet, began to operate in the UK much sooner than in most other European countries is probably a major factor in the development of British retailing. A study carried out some time ago indicates that more than 20% of British retail firms were already multiples in 1960, whereas by comparison only 0.1% of the firms in Italy had more than one store at that time (Jefferys/Knee 1962, in: Alexander 1999, p. ...). Enterprises with several stores have more opportunities to accumulate and strategically place capital. That could well be one of the reasons why a greater concentration of enterprises was visible relatively early in the UK and it is now observed that: "The UK has higher than average retail concentration in almost all subsectors and the 10 largest retailers combine to have 37-38 per cent of all retail sales (1994). Grocery, alcoholic drinks, DYI, mixed goods, chemnists and mail order all have retail concentrations where the top 5 players enjoy more than 50 per cent of sector sales" (CIR 1997, p. 313).[17]

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[17] *This is an assessment by a British market research institution (Central Intelligence on Retailing). What benchmarks were used for the comparison is not clear. The assessment tends to contradict the dimensions of concentration obtained from the European Commission's comparative data (cf. Täger 1998). Further research is needed on this.*

Despite the high degree of sales concentration there are very many very small firms: Even in 1994, 97% of the firms had sales of less than one million pounds sterling (ibid.). Possibly this polarisation in the size of enterprises is connected with the development of economic policy in the past 20 years, which has resulted in an economy characterised by "small firms, free trade and free markets" (Graham 1997, p. 119). The market for trading activities in the UK can be regarded as basically free of statutory regulation. There are neither legal restrictions on opening hours nor restrictions on the establishment of large-area retail businesses in and outside of towns.[18]

The large British commercial enterprises are vertically integrated to a particularly large extent and sell a larger proportion of house brands than those in most other countries. The large firms tended in the past to be accused of keeping prices high to their advantage and cheating the consumers.

Although a UK Competition Commission report, published in October 2000, concluded that the UK food retailing sector does not overcharge or profiteer excessively (and indeed was found to be less profitable than counterparts elsewhere in Europe), it did note the fact that the supermarkets' ability to sell below cost rests on their practice of squeezing their suppliers, and is extremely harmful to their smaller rivals.[19] There has been a long-standing charge against UK supermarkets that they wield excessive power over small suppliers, notably farmers, by squeezing wholesale prices while leaving retail prices unchanged, by delaying payments to them and even by demanding payments from suppliers for contracts. The report recommended the establishment of a code of conduct to ban such practices.

In the food business, four enterprises – Tesco, Sainsbury, Safeway and Asda – have been in an oligopoly for years. "They are highly competitive, but the focus is on non-price competition" (Sternquist 1998, p. 259). It is assumed that Tesco's success is due partly to the greater customer loyalty resulting from the introduction of the "Club Card" in 1995 – "more

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[18] *18 Page: 17*
[0]Actually, in the UK there has been some re-regulation of large out-of-town developments in the last years in order to curb the rampant development of the countryside which took place under the Conservative Government of 1979-97. In any case, large developments are still very much allowed, but there is slightly less freedom than there used to be under the Conservatives.

[19] *Competition Commission (2000) Supermarkets: A report on the supply of groceries from multiple stores in the United Kingdom, London, Competition Commission.*

than 70 % of Tesco's customers base now use the card (...) Clubcard information will be very useful in micro-marketing and product-extension such as extension into banking" (Sternquist 1998, p. 261). Page: 18
But today Tesco's leading market position is due to more complex factors, in particular, its approach to customer service, its store design, its marketing, product range and product quality/price ratio. So the company has pursued a multi-faceted and integrated strategy to achieve market share (see SERVEMPLOI, national reports). This topic is on the agenda again now, but no common strategy of its major competitors is discernible:

Sainsburys, once the UK's leading supermarket chain, suffered a 30% drop in profits which it blamed on the cost of participating in the price war, while Tesco and Safeway gained market share and profitability. Further discounting was continuously pursued by the major supermarkets, and in the summer of 2001, Tesco, Asda and Safeway all announced price cuts estimated at £120m (¤200m) on each store's branded goods. In addition, in 2000 Asda and Safeway abandoned their loyalty card schemes in order to concentrate on luring customers through selected price cuts. This led Tesco to run a series of press advertisements stating that "Safeway are the first to admit that it is pointless shopping there" (Independent, 13 May 2000).

The indications of an upheaval in British retailing include the looming end of British retailers' high price strategy and the announcements of staff cutbacks. In the British discussion, responsibility for the recent turbulence is attributed in large measure to WalMart's appearance on the British retailing scene through the purchase of Asda.

The entry of Wal-Mart into the UK with the purchase of Asda in 1999 is widely thought to have prompted a price war among the supermarkets in food, clothing and household goods. When it opened the first UK store in Bristol, Asda Wal-Mart set its prices around 60% lower than those of its rivals. The other leading supermarket chains – Sainsbury, Tesco, Safeway – joined this price war.

If this trend continues it will indeed signal the beginning of a new era in British retailing in which not only the current concentration process will reach new heights but price-oriented strategies will acquire new significance. This in turn should have direct significance for the organisation of work and for employment trends. Employment trends in the second half of the nineties do not justify such a critical assessment.

The fact that the British economy is regarded as the most highly "internationalised" economy in Europe is one good reason to expect that international competition will have a stronger influence on British commercial structures in the future; this was formulated by Hirst and Thompson as follows: "The UK is an over-internationalised economy in an under-globalised world" (Hirst/Thompson 2000, p. 335). On the other hand, there have recently been indications of active government efforts to re-regulate the sector:

Nor is the locus of competition in the sector simply around economies of scale. Although the major supermarkets have in the past concentrated their development strategies in out-of-town developments which provide the space to buy and sell products in bulk and therefore at lower cost, recent restrictions on building in greenfield areas have led them and middle market grocery retailers to a rediscovery of the competitive potential of the high street. Out-of-town shopping developments during the 1980s and 1990s meant that the share of high street retail sales in the UK dropped from 25% to 18% between 1989 and 1999. The number of local shops also declined by 15% between 1990 and 1999, with specialist retailers like butchers and greengrocers particularly adversely affected. This trend is now being partially reversed, although it is not the former small independents shops which are returning to city centres, but rather the large retail multiples. Tesco and Sainsbury have re-entered the market in small convenience stores, and market themselves as offering consumers 'top-up shopping' between supermarket visits. Verdict Research sees the high street as the current site of retail competition with a potentially huge untapped market.

2.2 Germany

Next to the UK, Germany is the country with the largest average size of outlets and the lowest retail density. Stores with large sales areas have a larger share of total retail turnover than in many other countries, while small-area stores are less successful than elsewhere. These structures of retail trade oriented towards large-area stores and large enterprises have developed in the last two decades in the course of a highly dynamic process of change in the sector. The dynamics of change in the types of outlets, accompanied by the emergence of new types of outlets (specialised large-area stores, discount stores) seem to be more pronounced than in other EU countries. German unification gave further impetus to the dynamisation of commercial structures (Jacobsen 1998).

Despite the highly "bigness"[20]-oriented commercial landscape, German retailing is not very highly concentrated so far in comparison to that in other EU countries. However, there are three German firms among the world's ten largest trading companies[21]. The shares of the large-area markets in turnover, however, are relatively small. German consumers are among the most affluent in the EU and they spend far less money in retail outlets than other EU citizens.

Some of the above-mentioned structural features of retail trade are readily interpreted as part of such a production concept, while others appear to contradict it. The *diversification* of this sector, like other sectors, and the ability to succeed with new types of outlets in the medium and long term are of special importance. Diversified production is to be found in German commerce to the extent that very different types of outlets, namely specialised stores on the one hand and discount stores on the other, are particularly successful. And it is not primarily the large groups but above all medium-sized companies that are expanding with these types of outlets. To the extent that these medium-sized companies belong to the groups, they operate with a high degree of independence as "distribution lines" with various degrees of connectedness to the holding.

These medium-sized companies are especially innovative from the point of view of both the development of new types of outlets and technical reorganisation[22]. They are innovative in that they try to link the quality orientation of these types of outlets with the price orientation of another form of outlet developed in Germany, the discount store. Specialised stores see themselves primarily as in competition with classical specialist shops and department stores in traditional high street trading. It is a typical feature of the specialised store firms, developed and operating with particular success in Germany, that they continue to pursue their initial strategy of gradually expanding rather than purchasing other companies in order, for instance, to get a foothold in certain markets[23].

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[20] *This concept, a combination of "big" and "business", was coined by Michael Dawson to describe the current paradigm of commercial development (cf. Dawson 2000).*

[21] *Metro, Tengelmann, Aldi (Sternquist 1998, pp. 44f).*

[22] *For more on the technical, organisational, business and personnel policy strategies of specialized market enterprises at the beginning of the nineties, see in particular Goldmann/ Jacobsen 1994.*

[23] *Between 1981 and 1990 the number of large drugstores rose by 300 per cent to just under 5000 and that of DIY centres by 130 per cent to just under 2 000. Their turnover more than tripled, from 2.4 to 7.4 billion for drugstores and from 3.7 to 14.1 billion for DIY centres. In the*

For some time German traders have seen their situation as especially problematical in comparison to that in some other countries. The fact that rates of profit are lower in Germany than in any other country in the world often gives rise to critical comment[24]. The other side of the coin is that prices can be seen as relatively low and that German households devote a smaller proportion of their spending for private consumption in retail outlets than consumers in any other country. As a rule, the enterprises react to this situation with *price-oriented* rather than quality-oriented tactics. The legislator contributes to *consolidation* in the sector by indirectly limiting competition to the advantage of smaller firms without fundamentally impeding innovation: The ordnance of 1977 on the use of buildings made the construction of outlets with more than 1 500 square metres of sales area subject to local government approval. This limited the room for manoeuvre of those types of outlets that operate on particularly large areas[25]. Specialised stores and discount stores, on the other hand, were less affected by this arrangement owing to the limited space required.

The times when commercial services are offered are also determined in part by legislation: The shop closing act of 1956, even in the new version in effect from November 1996, uniformly stipulates up to what time of day the stores may stay open. Originally this law was intended to protect wage and salary earners from "overlong" working hours, and in the meantime it has come to play something of a role as a *guarantee of competition* for small enterprises and for stores outside the top locations[26]. The regulation of space and time for commercial activity tends to give the smaller and medium-sized enterprises an advantage over large enterprises.

1990s the dynamism of this expansion increased considerably with the incorporation of the New Federal Lands (6 000 more drugstores and 1 000 more DIY centres by 1999) (EHI 2000).

[24] *Profits of 0.6 to 1.3 per cent depending on the sector are expected for the year 2001. The average profit of German joint stock trading companies is 3 per cent, while those in the USA average 8 per cent (findings of a study by Kurt Salmon Associates, cited in the Frankfurter Rundschau, 15.5.01).*

[25] *This regulation was not applied in the New Federal Lands at first because it had not been considered in the Unification Agreement. For that reason among others, West German commercial enterprises found far more opportunities here than in the Old Federal Lands to expand with large-area outlets after the fall of the Berlin Wall (cf. Jacobsen 1998).*

[26] *Studies on the effects of relaxation of the statutory opening hours restrictions in Germany after November 1996 show that the chance to stay open longer has accelerated structural change in the sector to the advantage of the large-scale enterprises and large-area types of outlets and to the disadvantage of the medium-sized and small enterprises (cf. Täger et al. 2000 and Jacobsen/Hilf 1999.*

The deployment of personnel in German commerce is affected in large measure by the dominant cost cutting strategies, that is, the rationalisation of processes and reduction of resources deployed in the interest of more efficient performance[27]. Increasing the numerical flexibility of personnel deployment, especially through deregulation of employment – cutbacks in full-time employment and increased employment below the limit of regular part-time employment are the main methods – and heightening the flexibility of working hours, even at the expense of the planning security of the employees, have for some time been the main themes in company personnel policy[28]. Initial and further training, on the other hand, play only a minor role. The fact that almost half those now employed in sales are still persons who have completed vocational training in a commercial trade[29] strongly suggests that in this regard German commerce is living on the capital accumulated in the past.

It is worth noting that despite the obviously efficient trading structures there are more persons as a proportion of the population working in retailing in Germany than in the EU countries on average. Before we take this to be an indication of less efficient manpower deployment, however, we need to bear in mind that the average volume of labour of those employed in retailing in Germany is probably lower than in most other countries because the proportion of self-employed persons is especially small and that of part-time employees is especially large. Although there are accordingly more people working in retailing in Germany than in other countries, on the average each person works fewer hours.

For a long time it has been the tradition for a high proportion of workers to have specialised training. This corresponds to the great importance attached to skills in the production concept. This aspiration is increasingly coming into conflict with the tendencies that are now asserting themselves to make employment more flexible through more part-time work and petty employment, because the loss of vocational development prospects this entails is not acceptable on a broad basis for those working in commerce today. The newly created jobs requiring fewer skills are less attractive for them than for those persons who have not been gainfully employed up to now or have dropped out of earlier jobs. The relative importance of

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[27] *On the problems German commercial enterprises have in adapting their personnel policy to long-term requirements cf. Baethge/Oberbeck 1992.*

[28] *On the importance of "institutionalised improvisation" as the dominant personnel deployment pattern in German food retailing cf. Kirsch et al. 1999.*

[29] *A representative survey of persons employed in German retail outlets showed that 49 per cent had completed vocational training in retail trade (cf. Jacobsen/Hilf 1999).*

retailing for overall employment up to now could fall off in future. The fact that specifically in Germany an especially large number of jobs in this sector were lost in the nineties seems to confirm this expectation.

Germany was very late, but very active and successful in participating in the internationalisation of commerce. It exports its innovative "formats" – specialised stores and discount stores – to other countries in Europe and to America. In the course of the nineties, German retail enterprises almost tripled their direct investments abroad, from just under DM 3.6 billion (1990) to DM 9.4 billion (1998) (direct investment statistics of the Deutsche Bundesbank, cited in Schüttpelz 2001). Conversely, Germany is a difficult expansion target for foreign companies. They have been able to succeed best when they had a contribution to make to the diversity of the commercial landscape, as IKEA had. Attempts to beat Germans at their own game, on the other hand, as in the case of Wal Mart, for instance, are more likely to fail. Germany is not an attractive location for such endeavours because the price level and profit rates are low.

2.3 France

In France, too, relatively few companies are active, which are, however, significantly smaller than in the UK and Germany. The big hypermarkets enjoy a share of the groceries retail turnover that is well above average. The French consumers are economically relatively strong, but spend more than a third of their disposable income in retail stores – nearly just as much as the less well-off British, as it appears that retailers in France have been fairly successful in applying a high price level.

In 1973 the first attempt was made in France to place legal restrictions on the amount of sales floor space in order to control the growth of the hypermarkets (Loi Royer). This was, however, not very successful, because in the first ten years of this law being in force, the hypermarkets were nevertheless able to double their market share to 12 percent (Burt 1984 after Alexander 1999, p. 178). A recent attempt to give the state some influence over the expansion of floor space was undertaken in 1996 (Loi Raffarin). At the same time, a ban was placed on selling products at below their introductory price (Loi Gallard). A current study of retail in France shows that neither of these laws succeeded to any great extent in weakening the oligopolistic structure of the market, and conversely strengthened it, because they made it more difficult for competitors to set up their own large-floored stores (LZ No. 40, 5.10.2001).

The oligopolists on the French market are five companies/ groups: Leclerc, Carrefour, Intermarche, Casino and Cora. These generate 95 percent of the total value of the retail market. Only Carrefour and Casino, however, are publicly listed companies, whose strategies are more or less directly controlled by their investors. Leclerc and Intermarche (together representing 40 percent of the retail market in terms of turnover) are cooperatives of retailers and relatively less centralised. In the recent past, Leclerc, by introducing a customer loyalty card, has succeeded in gaining market share from Carrefour and significantly further improving its yields. Much stronger price competition is expected in the future in France than in the past, contributing to the deterioration of the extraordinarily favourable yields (LZ No. 40, 5.10.2001).

The French grocery retailers Carrefour and Promodes are some of the most experienced companies in Europe in terms of international expansion. At the end of the 1960s, Carrefour began to expand into Austria, Belgium, Germany and Switzerland, predominantly through joint ventures. From the mid-1970s, however, the focus was on the less developed markets in the south of Europe, particularly in Spain but later also in Italy (Alexander 1999, pp. 148 ff.). In Spain, Carrefour dominates the hypermarkets.

The involvement in the French retail market was only very slightly expanded in the second half of the 1990s. As in most of the other countries, full-time work was scaled down in favour of part-time work, leading to an overall decrease in the volume of work.

2.4 Sweden

Sweden, as one of the smaller countries of the EU (around 8.5m inhabitants), lies at the centre of this discussion. In retail there, far fewer companies are active on the market in relation to the size of the population than on average in the EU countries, but however somewhat more than in Germany. It should be borne in mind that Sweden is much more sparsely populated than Germany and most other EU countries. Each retail store has on average a smaller density of appeal and a larger catchment area than in many of the other countries. In this context, the current density of retail stores appears relatively even smaller. The outlets are on average twice as large as those in Italy, but much smaller than in Germany. Outlets with large floor space have a share of the (grocery) retail market that is twice as large as in Italy, and half the size of that of Germany. These figures paint the following picture: there are relatively few shops, which on average are large in terms both of number of employees and of floor space. On the basis of this it can be assumed that Swedish retail is particularly efficient. This is confirmed by the fact that in no other countries observed is the number of people employed in retail so small in relation to the size of the population of the country. In addition to this, Swedish retail companies achieve much higher profits than those in other European countries[30]. In the very recent past, the Swedish retail market has developed very positively – in the first half of 2001 total turnover rose by 3.3 percent (Handelns Utrdnings Institut HUI, in: SERVEMPLOI, national reports)

Data regarding the concentration of the companies and turnovers shows that these announcements of success could be linked to a particularly high concentration: in Sweden the retail market is more concentrated than in any other EU country (excluding Finland); the three largest companies on the retail market generate more than three-quarters of the turnover. This market structure has arisen particularly over the past two decades from a very dynamic development of this sector[31]. The market shares of the various forms of companies shifted in parallel with the changes to the type of companies: hypermarkets doubled their share of the market to 10 percent, supermarkets and superstores raised their share by almost a half to 67 percent, and traditional grocery retailers saw their share fall dramatically, by a third to only 22 percent in the mid-1990s.

The largest commercial enterprise, ICA, has a 34 percent share of the market and is hence the strongest market-leading company of any European country. ICA can be traced back to a cooperative founded at the beginning of the 20th century. Even today the individual markets are still legally independent; ownership is shared between the respective local proprietors and by ICA headquarters. ICA combines all three functions (production, wholesale and retail) and as such is vertically integrated, so that the company represents an integrated structure, thanks to its nature as a cooperative, at the same time as not being fully centralised. At the beginning of this year, the Dutch company Ahold became co-owner of ICA.

The second largest company in Sweden, KF, is also a cooperative. However, not the individual independent retailers share ownership of the company, but the consumers. The com-

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[30] *For 1995 a profit rate (return of total capital) of 8.5 percent was reported (Handelns Planinstitut AB, Handeln i Sverige, 1998, after SERVEMPLOI, national reports).*

[31] *In grocery retail the number of outlets fell from 9,000 in 1985 to 7,000 in 1996. The number of smaller grocery stores dropped (minus 2,300) as did the number of grocery sections in department stores (minus 170), while the number of hypermarkets grew by about 50 percent to 79 and that of the supermarkets and superstores by a quarter to 1,950 (Statistical Yearbooks of Sweden, after SERVEMPLOI, national reports).*

pany itself has the structure of a chain store company, and in this way is comparable in terms of structure to other chain store companies, and hence is more centralised than ICA.

Despite the dominance of large companies in Swedish retail, there are also very many small stores, which have no employees and are run by the owner and their family. In 1996 33,300 out of a total of 62,000 businesses, i.e. more than half, had no employees. The majority of the 28,700 businesses with employees were very small: in 18,500 businesses there were only between one and four staff, while only 350 stores had more than 50 staff (SERVEMPLOI, national reports).

The number of employees has clearly fallen over the past 30 years. Between 1988 and 1995, job losses were particularly drastic (minus 15 percent). The number of women employed is roughly equal to the EU average. The number of part-time workers is, however, twice as high as the average figure. The number of people with higher qualifications is rather higher than the EU average, while the number with limited qualifications is somewhat below average. It is noteworthy that, after Italy, Sweden has the highest rates of pay in the whole of the EU (EC 2000). Employees in Swedish retail thus receive comparatively very high incomes, even though they very often work part-time.

The way in which Swedish retail is structured, with its high concentration of companies and the dominance of the cooperatives can plausibly be viewed as a sign of mass production: both of the two biggest cooperatives were already market leaders back in the 1960s. It was significant that they were seen by the state planning authorities as competent players in providing for the people, when in the 1950s it was necessary to equip state-subsidised housing estates for around a million people with service provisions. In each of these estates, one store was planned for each of the two cooperatives (Forsberg 1998). In this way it was possible for them to build large stores as early as the 1960s, and hence to save costs. At the beginning of the 1970s the restrictions on opening times were abolished, and at the beginning of the 1990s the state's influence over the building of retail stores was taken away. Both of these deregulating measures further strengthened the concentration in the context of the structures that were already in place.

In the retail business today, numerical flexibility is a key focal point in the organisation of work. In this respect, the long opening times place very high demands on the recruitment managers. In addition, the staff costs are not inconsiderable. The trade unions have succeeded in negotiating very large supplements to their pay for working at socially inconvenient hours[32]. Therefore, when the stores are opened in the evenings and at the weekends, considerably higher wage costs are incurred than during normal working hours. At the same time, customers appreciate stores being open outside their own working hours. This situation has generated a pressure to save on wage costs on the sales floor. Moreover, attempts are being made to cut down the number of staff through technical means: self-service is virtually the only way in which customers are served[33].

The qualifications of sales staff have declined in recent years. Arrangements with regard to higher education requirements have been made, but are having little effect (SERVEMPLOI national reports). According to existing reports, the present policy with regard to company recruiting is leading to falling levels of qualification at the point of sale. The quality of service in Swedish retail is therefore rated as rather low. From the point of view of the consumers, this is not a problem if they do not like to pay for personal service and qualified advice, but rather if it is self-service and free access to the goods (avoiding sales staff) that determines the quality of their shopping experience. Whether this really is the case is worth checking.

The fact that e-commerce in Sweden has so far been much more successful than in the other countries we are discussing may prove this assumption true: already in 2000, 2.3 percent of the total value of the retail market (354 bn SEK) was generated over the internet. In addition, there appear to be less marked profitability problems in Sweden. In a survey, 58 percent of the retailers involved in the Swedish market indicated that their business was profitable: 9,000 out of 60,000 retail firms offer shopping over the internet (SvD, 2001-08-03, Näringsliv, pp.13, in: SERVEMPLOI, national reports). The future prospects in Sweden are also estimated very optimistically: 3 percent growth rates are expected for the next few years (ebd.).

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[32] *For work on Sundays, a supplement of 100 percent was agreed upon, for work on weekday evenings from 18.00 to 20.00 h 50 percent, after 20.00 h 70 percent (SERVEMPLOI, national reports). For comparison: in Germany, the parties in the trade union talks agreed upon supplementary pay of 20 percent for the time between 18.30 and 20.00 h and between 14.00 and 16.00 h on Saturdays (Jacobsen/Hilf 1999).*

[33] *Self-service, through the use of new technologies, is being extended for use in previously work-intensive applications. Most recently, Sweden was one of the first countries to test a so-called Shop And Go System: customers serve themselves, register the items themselves using a scanner at the checkout, and pay electronically at the pay point (SERVEMPLOI, national reports).*

2.5 Denmark

In Denmark, relative to the size of the population there are slightly more businesses operating than in Sweden, and these are slightly larger. Grocery hypermarkets have a similarly small share of the market. Danish consumers are the best off of all the inhabitants of the countries discussed here. Even they spend more than a third of their disposable income in retail stores.

The process of concentration has reached a new level very recently; in particular, competition between the two main Danish grocery retail businesses, FDB and DS, has increased considerably over the past two years. This has also led to intense price competition compared to that of the past, and a trend towards the suppression of small businesses: "From 1996-1999 the total number of retail shops decreased by 2 percent. The number of shops with less than 5 employees decreased by 5 percent, and the number of shops with (5 to 9) employees decreased by 10 percent." (SERVEMPLOI, national reports).

In the very recent past, Danish retail activity in the rest of Scandinavia has intensified considerably. Firstly, the Swedish company ICA – which recently became Ahold's joint venture partner – set up a joint venture with ISO, a still-young company which in the coming years is set to expand out of the Copenhagen area into the rest of Denmark and Norway. Secondly, FDB, the largest Danish company, is – together with KF (Sweden) and Coop (Norway) – a founding member of Coop-Nordic, a new amalgamation with a total turnover of 13 bn Euro (SERVEMPLOI National Report).

The Danish Shops Closing Act of 1995 has been renegotiated this summer: now all shops are allowed to open four Sundays per year and the turnover limit for regular Sunday opening has been increased to an annnual turnover of 2,6 million Euro (SERVEMPLOI, national reports). Nowadays retail firms are more likely to open longer hours, but they probably are getting problems with finding employees for flexible working at relatively low costs. The Danish Employment Protection Act was amended by reducing the hours necessary to be covered by this Act and ist entitlements to pension rights, maternity leave and training from 15 to 8 hours per week (SERVEMPLOI, national reports).

The development of employment was more positive in Danish retail than in many other EU countries. Most recently, however, it is reported that retail companies have had difficulties finding sufficient staff in the current climate of full employment and falling numbers of young people on the job market (SERVEMPLOI, National Reports).

2.6 Ireland

In Ireland there is a relatively large number of stores operating, and these are somewhat larger than in the centre of the EU. Irish consumers are some of the least prosperous EU citizens, and are forced to spend more than half of their disposable income on retail goods.

The Irish retail landscape has for a long time been characterised by the presence of foreign, i.e. British, companies. For British companies, expansion into Ireland appears almost completely problem-free on first glance however several UK companies have had problems adjusting to the stronger role of unions in Ireland [34], although the big British food retailers did not succeed in gaining a foothold there in the 1980s. In the 1990s Tesco has beenn more successful on its second attempt to enter the irish Market. Many British companies are also active in Ireland and see this market almost as an extension of their home market, in the same way that French hypermarkets see Spain as an extension of their own market. Increasingly Irish companies are looking to expand into the UK, for example O'Briens sandwiches, Dunnes Sores and Penny's have all expanded into the UK. (SERVEMPLOI, National Reports).

Particular trends towards strong price competition in Ireland seems to stem above all from the entry of German discount grocery stores Aldi and Lidl However the competition on price is not strong, probably because Ireland has such a high economic growth rates and an expanding population. In addition competiton rules prevent loss-leadign on food necessities (such as bread, butter and milk)(expand). I This has not stopped some of the food retailers who ostensibley compete on price trying to violate laws forbidding the discounting of basic necessities. And one of the largest food retailers has been implicated in 'swetteheart deals' – this is where suppliers contribute to the cosat of building stores in return for good product placements within the stores. .

The boom in the Irish economy that continued until very recently has clearly had not only positive effects for retailers. Servemploi respondents report high rates of absenteeism as a result of illness and disenchantment with retail work and in particular its low pay. Retail workers are seen as having lost out form the partnership agreements between Government buiness and the unions. Changes in wages and taxation have tenede to favour middle in-

[34] *(...) the (Irish) market has appeared one into which British retailers might relatively easily – even absent-mindedly – expand (..) (Alexander 1999, p. 152).*

come earners at the expense of low income earners. (SERVEMPLOI, National Reports). Nevertheless, the incomes of full-time workers in Irish retail have increased by a third between 1998 and 2001 – from on average 400 euros to 530 euros per week (Earnings in Distribution and business Services, various years, in: SERVEMPLOI, National Reports). In part this was a result of union pressure and in part athe desparate attempt to recruit and retain staff in a tight economy.

2.7 Italy

In relation to its population, there are a particularly large number of businesses active in the retail trade sector in Italy, many of which are particularly small. Compared to the rest of the EU, businesses with small sales areas represent a very large proportion of overall retail sector turnover, whereas large companies' contribution to the turnover is well below the average. The Italian market has until now been very non-competitive as regards prices, and also extremely fragmented and inefficient (CIR 2000). Furthermore, there is a great deal of discrepancy from region to region, between the highly developed regions of the north and the less developed south. While in the northern parts of the country the economic power more or less matches that of its neighbouring countries France and Austria, in the southern areas it is more comparable to that of Greece. Italian consumers on average are some of the less prosperous EU citizens; they spend much of their income on retail goods.

The fact that there is a very large number of companies, many of which are very small, shows that the Italian trading landscape has not experienced the drastic changes that many other countries have seen. The dynamism essential for this change tends to come from the trend towards large sales floors. Over the course of the last decade, however, many more companies with large sales floors were established in Italy and a large number of small shops were closed[35]. But despite this development, large shops in Italy still play a considerably less important role than in almost any other country in Europe[36]. With regard to this "backwardness", not only within the grocery market, one market research institute

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[35] *1991-1997 – 29 percent more stores of less than 400 m^2 (i.e. more than 200,000 small stores were closed), 49 percent (1,700) more supermarkets and 37 percent (70) more hypermarkets (Confcommercio 1996, 1997, after SERVEMPLOI, National Reports).*

[36] *For example, in Denmark, which is far smaller in terms of floorspace and number of inhabitants, there were four times as many stores with more than 2 500 m^2 floor space in 1999 (EC 2000).*

made the following remark: "The Italian grocery market is a traditional and underdeveloped sector that is ripe for change." (CIR 2000)

The structure of Italian retail, with its primarily small businesses, has caused companies and profits until now to be comparatively less concentrated[37]. Even the largest companies in the market – compared to most other EU countries – play a relatively small part in the overall turnover within the retail sector. Vertical integration of the levels of trade and the dominance over the manufacturers has only played a small role until now. Interlinked types of organisation are more typical than vertical integration. Not least, the great significance of horizontal coordination is shown in the fact that even the largest Italian retail companies are not vertically integrated chain store companies, but rather two purchasing alliances (Crai and Sicom) and a purchasing cooperative (Co-op). These are divided by a large gap from the largest chain store company (La Rinascente).

The legal *regulating* of trade in Italy, which has been maintained for such a long time, is clearly responsible for this trading structure. The law to regulate retail trade (R.D. Legge N. 2174) was declared in 1926, in order to protect people from dishonest practices by traders in times of crisis and of war. Until this point, traders had been able to build close relationships with their customers, by granting them personal credit and thus binding them to their business. This new law to regulate trading made it necessary to have a license for the business of purchasing, which set requirements regarding range of goods as well as the equipping of the shop and the minimum qualifications of the owners. This meant that private retail trade was subjected to very comprehensive checks by the local authorities[38].

After the Second World War these checks carried out by the state changed from an instrument to protect consumers from traders to one protecting the (small) trader from competition. The end of fascism meant that the small traders were once again able to protect their own interests and use their weight to gain considerable protection against competition[39].

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[37] *Only 16 percent of total turnover was generated by "modern groups" in 1995 (Sternquist 1998)*

[38] *This result stood in contrast to the original intentions of the fascist government, to continue deregulating retail markets and to strengthen the private retailers in competition against the consumer cooperatives supported or set up by the communists and community joint provident schemes (cf. The Creation of the Italian Licensing System, Morris 1996)*

[39] *The extent of the retailers' power is shown quantitatively in a comparison with the USA: from 1881 to 1971 the percentage of independent retailers compared to all economically active*

Only very recently (1998) was this law eradicated, and only recently (Spring 2001) did this changed law become accepted in all regions of Italy by the regional administrations and the effects of these changes brought about by deregulation can only now be observed. “The overall situation in 2000 is one of a changing retail system beginning to feel the effects of the recent law” (Ministero dell‘ Industria, 2000, in: SERVEMPLOI, national reports)

The most noted effects of this changed structure are on the one hand the closing of small businesses and on the other the increasing importance of large-scale outlets. There was a big increase in the number of large-scale businesses at the end of the 1990s: the number of supermarkets increased by 10 percent (from 5,892 to 6,432), hypermarkets by 80 percent (from 251 to 451), large stores/specialist superstores by 15 percent (from 971 to 1,100). (Centro Studi Confcommercio, in: SERVEMPLOI, national reports).

The arrival of foreign companies has become increasingly important in the “modernisation process” of trade in Italy. Internationalisation in Italy has mostly been felt quite passively because, for one thing, the capital necessary for foreign involvement is only available as an exception to large Italian businesses from the sale of shares: only La Rinascente (1,859 m euros), Coin (1,034 m euros) and the petrol station/restaurant chain Autogrill (3,462 m euros) are quoted on the stock market. The other reason is the fact that Italian trading concerns have hardly developed any specific know-how that could be applied elsewhere. Italy, however, is very attractive for foreign investors, because the native suppliers appear to be inferior and price levels are high. Foreign employers in Italy are, however, confronted with a few peculiarities of the Italian institutional system, from the importance of informal and personal relations, for example, through to “clientelism”, which can be a very difficult barrier for foreign competitors, preventing them from achieving success quickly[40].

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people in the USA rose only slightly from 2.1 to 2.7 percent. In Italy it tripled over the same time period from 2.8 to 8.7 percent (Morris 1996, p. 285).

[40] *In the (German) retail trade press, there has been lively discussion with regard to the internationalisation of Italian retail. Thus we hear that “the retail companies worth millions with all their experience of international trade come rolling onto the Italian retail market. Especially in the self-service warehouse sector, they drag everything along with them.“ (Dawson in LZ-net, 22.3.01). The Chairman of the Board of Directors of the German Rewe Group, which has already joined the "leading Italian retailers“ (ibid.) with around 320 outlets and around DM 2.8 bn, is quoted in this sceptical appraisal of his experience: "in Italy it is extremely important to know which are the right paths to take.“ (ibid.)*

Here, cultural factors come into play, which demand tailored strategies by foreign companies. An example of the cultural embedding of retail is the situation seen in the DIY sector in Italy:

Do it youself is relatively unpopular in Italy. Large departments of building materials , plumbing, bathroom fittings are not very promising in a country where people prefer to spend their leisure time on a lot of leisure activities (including cooking) but not on working within an outside their houses and flats. These are the experiences made by foreign firms expanding with their large scale do-it yourself formats to Italy since the beginning of the eighties (SERVEMPLOI, national reports).

The small Italian retailers also make efforts to react to changing competition by introducing new strategies, for example the reduction of stock is seen by many as particularly important (Centro Studi Confcommercio 2000, in: SERVEMPLOI, National Reports).

E-commerce has been developed less successfully in Italy than in than in several other European countries. In 1999, less than a tenth of one percent (0.09 percent) of total retail turnover was generated over the internet, and of this turnover, almost half (45 percent) went to foreign web sites. However, a considerable increase in the number of companies offering online services was at least noted between 1999 and 2000, increasing from 1,350 to more than 6,000.

Increasing competition and the continuing trend towards larger companies seems above all to heighten concerns regarding cost cutting. From the employees' point of view, the increased intensity of the work is the main effect of this. There is also a strong sense of precariousness, because relations at company level as well as in the sector as a whole appear less stable than in the past.

Only a quarter of those active in this sector are permanently employed. This employment structure is what led to the other characteristics of the work landscape: very little part-time work, relatively few men working in retail, the overwhelming majority of workers having no formal qualifications, and only very few having finished higher education. After considerable workforce cuts in the 1990s, the level of employment remained stable up until the end of the decade, and in the year 2000 increased considerably (by some 8 percent). After a change in the law, the level of atypical employment grew by 45 percent between 1992 and 2000, while regular employment increased by only 0.7 percent. In 1999 almost two thirds of employment contracts signed were atypical, and many of these were temporary contracts (ISTAT 1999 after SERVEMPLOI, National Reports).

2.8 Spain

In Spain, there are almost as many shops operating in relation to the size of the population as in Italy, and they are just as small. The share of the market for large-scale outlets is however five times higher than in the next-door country and even higher than in France, the "homeland" of the hypermarket. This extraordinary polarization of the food retailing turnover can be attributed to Spain's very traditional retail structure at the beginning of a Europe-wide phase of European cross-border mergers by powerful retail companies, and was thus aggressively "attacked" by foreign companies setting up large-scale outlets. At the same time, the state, unlike all other European countries, ceased to regulate the growth in sales floors (LZ, No. 40, 5.10.2001).

In Spain, seasonal and daily closing times are still very widespread: a third of shops open only seasonally, and almost all (95 percent) close for lunch. In June 2000, the law on opening hours was liberalised so far that shops with less than 300m² sales floor are allowed to open on Sundays and public holidays. Stores with more than 300m² are allowed to open on eight Sundays per year. The maximum opening time was extended from 72 hours to 90.

Roughly 1 percent of turnover from retail (including travelling expenses) was generated over the internet last year (SERVEMPLOI, National Reports). In this way, e-commerce is at the moment at a similar level of development to what it is in Italy.

The number of jobs available in Spain increased noticeably in the second half of the 1990s. In contrast to all other countries discussed here, the number of full-time workers increased as well as the number of part-time workers, meaning that we can now speak of a real increase in the level of employment in this sector.

3. Conclusions

The way in which retail is structured in the countries of Europe continues to vary very widely. This conclusion has been made on the basis of a fairly superficial comparison of a few key structural data. Also, the rather more detailed information regarding a number of aspects of the development of the sector, as presented in this report, show that we must consider a series of national peculiarities in order to assess the current state of the sector. Nevertheless, there are a number of common key points in the structural development that can be observed in all of the countries.

This is first of all the trend towards increases in *size* in a number of senses: the size of companies in terms of turnover, market shares, number of employees, and the size of the outlets measured in square meters. Judging from this it appears that "bigness" is the option of the future (cf. Dawson 2000). However, is it not undisputed that the players in "mature markets" are becoming ever larger, gaining power in the market as a result of placing their competitors and suppliers under pressure? And where should we look for an opposite trend towards "small is beautiful," that we can then take advantage of?

Perhaps bringing in the consumer as a player on the market will help. Initially, we can only speculate: consumers with different cultural backgrounds make use of the advantages presented to them by retail in different ways. On closer inspection, consumerism in each of the countries of Europe means something at least slightly different in each case, and consumer behaviour in each country follows different coordinate systems. We cannot expect these differences to disappear in the near future; perhaps in the medium term they will diminish in the sense that consumers will act in a more "European" way and less according to their national characteristics. But, what would be a 'European way' of acting as a consumer? Would it be a more 'American' way – with increasing amounts of disposable income spent in the retail trade, and would that also mean that Europeans will be treated by institutions more as consumers and less as citizens? However, similar trends in the development of retail structures should not be seen as the cause of this. Rather, we should conclude that in retail, as in other economic activities, not only economically active individuals take efficiency-raising individual decisions, but social and cultural factors determine decision-making, including decision-making by consumers. The convergence of the retail landscapes of the different countries is at least closely linked to the convergence of the social and cultural structures around Europe.

In this sense, the internationalisation of retail is not first and foremost a movement in which large companies widen their areas of activity and expand over borders, making the product range identical everywhere, but rather one in which international companies interact with local cultures and structures. They do conceivably also have a modifying effect, but they are not in a position to assert their influence unchallenged in foreign countries. Nevertheless internationalisation – because of the financial power behind a few international/multinational companies bound to the capital markets – seems to represent such a strong economic force, that at least in the less “mature markets” of Europe, domestic companies could fall behind, despite their being in what is in principle a favourable position from the point of view of the consumer. Thus the same seems to be happening now and in the future in the south-west European countries, though with a certain hesitancy and in a less extreme way, what took place over the past ten years in the central and eastern European countries and in the former East Germany: the transition from the closed supply systems and local, regional and national markets, to open markets which place few limits on the origins of the players.

Of course it is no coincidence that a US company – and not, for example, a Japanese one – is feared as a potential “intruder” entering what until now have been more or less stable retail landscapes. In Wal Mart we see the economic might of a successful publicly-listed company from the economically most powerful country in the world, with its generally inexhaustible capital combined with the well-known characteristics of American “cultural imperialism.” Who will be able to resist it? The problems experienced by Wal Mart in its European “trial markets” of Germany and England, so carefully observed in the economic press, show that the motto “all business is local” has not yet been proved wrong. Wal Mart’s problems in achieving success in Germany from the inside present a very concrete example of how strong the inertia is that comes from national institutions.

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Annex

Important Acquisitions in Retail 1996-2000

Overtaking Company	Overtaken Companies/Year of Acquisition	
Wal Mart (USA)	Wertkauf (G)	1997
	Interspar (G)	1998
	Asda (U.K.)	1999
Metro (G)	Makro (NL)	1997
	Allkauf (G)	1998
	Kriegbaum (G)	1998
Ahold (NL)	Giant Food (USA)	1998
	ICA (S)	2000
Somerfield (GB)	Kwik Save (GB)	1998
Kingfisher (GB)	But (F)	1998
	Wegert (G)	1998
Intermarché (F)	Spar Handels AG (G)	1997
Carrefour (F)	Promod+B45és (F)	1999
	Comptoirs Modernes (F)	1999
Rewe (G)	BML (A)	1996
	Stinnes (G)	1998
	Götzen (G)	1998
	Meinl (A)	1999
	DEF (G)	2000
	LTU (G)	2000
Pinault-Printemps-Redoute (F)	Ellos (S)	1997
	Brylane (USA)	1999
	Gucci (I)	1999
Otto (G)	Baur (G)	1997
	Crate & Barrel (USA)	1998
	Freemans (GB)	1999
	Peacock (G)	1999
Sainsbury (G)	Star Markets (USA)	1999
Karstadt (G)	Quelle (G)	1999
ICA (S)	Hakon (N)	1999

Source: EHI 2000

Business-to-Business an Business-to-Consumer Turnover in Europe						
		Turnover in Mrd. Euro				
		2000	**2001**	**2002**	**2003**	**2004**
Business-to-Consumer		9	22	55	123	232
Business-to-Business		74	164	357	727	1.318
Total		83	186	412	850	1.550
Quelle: Forrester Research 1999