Retailing Management

RETAILING MANAGEMENT

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‘Without distribution there would be no civilised life.’

**M. D. H. Ross, *Organisation of Retail Distribution*
(London: Macdonald, 1955) p. 18.**

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My wife and family too have been aware that I have been involved for some time in producing a book on 'shopping', despite a manifest reluctance to engage in practical aspects of such activity. They wonder what next. I express my sincere thanks to all of the above for their assistance and contributions, but accept the author's usual responsibility for the standard of the work as a whole.

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Dundee

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The individual chapters in the text were contributed as follows: Chapters 1–6 and 11, Dr Howe; Chapter 7, Dr Sparks; Chapter 8, Mr Couch; Chapter 9, Professor Kirby; and Chapter 10, Mr Ervine and Dr Davidson.

Introduction

Retailing, or retail distribution, is an essential and not insignificant part of total economic activity in industrially developed countries. The activities covered in this text, which exclude the retailing of services such as banking and the work of building societies, or the utilities of gas and electricity, contributed total sales of £95 782m (excluding VAT) and net output or value added of £24 472m in the UK economy in 1987. The latter figure comprised 7.5 per cent of the UK total. In the same year the contribution of retailing to employment was 2 319 000 which was about 10 per cent of total employment in the economy.¹ A further indication of the importance of retailing to employment in the UK is the fact that in 1984 the distributive trades provided the first employment destination for 18 per cent of male and 26 per cent of female school-leavers.²

In addition to these magnitudes, another significant feature of the retailing sector of the economy is the large number of independent decision-making units which it comprises. Thus although in common with much of manufacturing industry some sectors of retailing are characterised by high levels of market concentration, the retail sector as a whole is still today (1987 data) made up of 240 853 individual business decision-making units. This sector is thus one which deserves particular study in the context of Professor Mathias's view that:

The dynamics of many key processes which determine change in the 'macrocosm' – such as innovation, capital formation, entrepreneurship, changes in organisation and structure – involve the summation of change within the 'microcosm' of individual units of enterprise and cannot be effectively understood without analysis at the level of the individual firm.³

It is, of course, true that as a result of high levels of market concentration in, for example, grocery retailing, many significant decisions for the economy as a whole are made by a relatively small number of multiple supermarket store

groups. But, as we shall see in Chapter 5 of the text, the small firm in retailing is still very significant, particularly in certain trades.

One special attraction of retail distribution as an area of study is that it is a part of the workings of the economy which affects almost everyone on a daily basis. In addition to this, the 1970s and 1980s saw significant changes taking place in the way in which retailing is carried out in the UK. A *Financial Times* survey of retailing referred to the industry as 'one of the most dynamic sectors of the UK economy'.⁴ Changes have occurred most obviously in the geography of retailing as seen in the growth of edge-of-town and out-of-town shopping facilities as well as in the development of city centre shopping complexes. Equally obvious has been the increase in the scale of individual retail establishments, both in city centres and out-of-town sites. Less obvious but none the less important have been changes in the nature of competition among retailers and in the competitive balance between manufacturers and distributors. As an example of structural changes in retailing, when this Introduction was first drafted one could look back at the year 1985 during which major acquisitions alone in retailing amounted to £3542m: a year which saw the takeover of Debenhams by the Burton Group, the amalgamations of British Home Stores with Habitat–Mothercare and Asda with MFI, and the further expansion of Guinness into retailing through acquisition of the confectioner–tobacconist–newsagent chain R. S. McColl.⁵ It is equally a measure of the dynamism of this sector that within less than two years serious questions were being asked in the financial press regarding the strategy and management of Sir Terence Conran's Storehouse (the holding company of BHS, Habitat and Mothercare), Asda had sold off MFI in the largest management buyout to date, and in the wake of wider trouble within the Guinness group McColl and the other components of Guinness's retailing subsidiary Martins had been sold to an Australian consortium.⁶

These and other changes have been responsible for some of the more obvious physical developments in retailing; and the changing nature of competition in retail markets has equally resulted in new strategies being adopted by many retailing firms. In addition to these structural developments, information technology is likely to impose further changes upon the retailing scene for both shops and shoppers as electronic funds transfer at point of sale (EFTPOS) is added to existing EPOS (electronic point of sale) developments in this sphere. Furthermore, although the 1986 Shops Bill providing for a relaxation of the present restrictions on Sunday trading failed in its passage through the House of Commons it is unlikely that the present inconsistent law on this matter will remain long unchanged, with possibly quite significant implications for retailing strategies.

It is in this dynamic and complex environment that, along with the independent shopkeeper, retailing organisations are developing which are not only large but also sophisticated in their strategy and operations: organisations such as W. H. Smith or Storehouse which are collections of distinct

product groups or strategic business units, and which in an increasing number of instances are trading multinationally. It is organisations such as these that require to be increasingly professionally managed.

The purpose of this text is to offer the reader an insight into the major dimensions and issues in retailing today, with a strong emphasis upon retailing management. The text is therefore designed to be of value both to undergraduate students and practitioners of retailing: to offer students of economics and marketing an insight into the working of the retail sector of the economy, to provide businessmen (including independent retailers) and students of business with an understanding of the practice of corporate strategy in retailing, and to give all retailers a basis on which to improve the management of their businesses. Part Two of the text in particular is concerned specifically with management issues in retailing, and has been written with both students and practitioners in mind. This latter part of the text thus considers in some detail merchandising and marketing decisions in retailing, physical distribution management in this sector, government policy and requirements in retailing, organisation structure and personnel matters, and specific legal issues which arise for retailers in dealing with their suppliers, employees and customers.

The choice and order of the material in the text reflects this concern to relate to students and practitioners of retailing, and to contribute to management practice in the sector. Part One of the text analyses the retail environment through a consideration of the economics of retailing, the historical development of the retail trade, the nature of competition in this sector, strategic decision making, and the particular role of the small or independent retailer. These are considered to be the major dimensions of the retailing environment which indicate its role in the economy, the impact of recent developments, the factors determining the efficiency with which the sector operates, and policy or strategic decision making within retailing organisations.

Part Two of the text is concerned with administrative or operational issues in retailing organisations which determine the efficiency of individual firms. Five major areas are highlighted: merchandising and retail marketing decisions, distribution management, government control, retail organisation and personnel management matters, and legal issues in retailing. Part Two is directed especially at retailing practitioners and undergraduate students planning to make a career in retailing management.

A text such as this has to be selective. In particular it is concerned exclusively with the retailing of goods and not services. No reference is made to financial institutions such as banks, building societies or insurance companies. Nor is reference made on any scale to non-shop forms of retailing such as garage sales of petrol and other goods, or sales through public houses. It is hoped, none the less, that the text covers the vast proportion of the retail trade as recognised by shoppers, and that it will be of interest and practical

value to all concerned with the operation and management of this sector of the UK economy.

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4. *Financial Times*, 30 July 1986.
5. See data in S. Shamoon, 'High Noon on the High Street', *Business*, April 1986, p. 87.
6. See *Financial Times*, 21 August 1987; 5 October 1987; and 29 September 1987.

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