Spatial-Structural Relationships in Retail Corporate Growth: A Case-Study of Kwik Save Group P.L.C.

by

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Retail companies develop and expand by combining both structural attributes and spatial awareness. The spatial-structural development and growth of individual retail companies has been neglected in the growing retail literature. Through examining in detail the growth and development of retail companies, concentrating on both the spatial and structural dimensions of development and using the concepts and ideas emerging in cognate fields such as entrepreneurship, competitive strategy and innovation diffusion, it is postulated that a better understanding of the complexities of retail growth will be produced. A case-study of Kwik Save Group P.L.C. is used here to explore these concepts, to build a spatial-structural theory of retail change and to demonstrate the relevance and usefulness of detailed study of individual firms.

INTRODUCTION

'Every marketing strategy leaves a spatial imprint' [Jones and Simmons, 1987: 331].

Retail companies operate in both a business and a spatial environment. It has often been claimed that location is crucial to retailing, but it is equally true that the retail offering and operation has to fit both the marketing and the wider competitive environment. Retail businesses develop by considering both the spatial and the structural elements of the company and the environment. Retailers have to determine what and how they are going to retail, where outlets are to be located in respect of the market and the competition and how the retail operations are going to be organised. These questions and decisions are magnified when placed in the context of expanding a retail business. How do retail companies grow in terms of location and operations? Why are certain

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companies successful at certain times and places? Why do apparently very similar companies have widely differing results? How are the dispersed elements of a retail company organised and controlled? As McNee [1974] pointed out, there are a considerable number of structural and spatial questions to be asked about any multi-point organisational system. There are also spatial-structural questions to be asked.

The aims of this article are two-fold. The first aim is to suggest that a detailed approach to corporate development combining not only managerial and strategic decision-making but also spatial aspects of development can help in an understanding of the processes of the management of change and of retail company growth. This can be seen as a preliminary step towards the development of a spatial-structural understanding of retail change. It is founded on the belief that the structural and spatial elements of retail change need not operate in isolation and that business practice clearly suggests that they operate in harness. Within this approach there is a need to understand also how companies combine these spatial and structural attributes in order to develop and expand. The second aim is to demonstrate that conceptual and theoretical development in retailing requires a detailed understanding based on specific retail cases. Specifically, a case-study of Kwik Save Group P.L.C. is used. The choice of company here is designed to demonstrate how valuable lessons can be drawn from company-specific studies, and how theory or concept development is aided by such detailed work. The case-study demonstrates in particular how structural and spatial concerns are indivisible. This study of Kwik Save Group P.L.C. provides material for use both in managerial and geographical disciplines and also aids understanding of the process of managing change and in particular the change from entrepreneur to fully corporate status.

In order to meet these extensive and complex aims the article is structured into five sections. These provide a review of previous research, resumés of retail theory and retail development, a brief analysis of food retailing in Great Britain, the specific case-study of Kwik Save Group P.L.C. and a conclusion based on the lessons learnt from this analysis. The nature of the topic, the breadth of the aims and the integral case-study mean that this article is not a short one.

PREVIOUS RESEARCH

Retailing has come under close scrutiny in recent years from a variety of viewpoints and academic subjects and disciplines. As Dawson [1988: 1] states:

the sociologists have undertaken studies of status and roles of ethnic retailers, political scientists have studied the influence of trade associations on public policy, operational researchers have
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modelled supermarket checkout queues, economists, anthropologists, planners, historians, accountants, engineers, and even the meteorologists ... have research interests in retail activities.

It is, however, the subjects of geography and business studies (including management and marketing) in their widest senses that are perhaps at the forefront of retail analysis. As Dawson [1988] further points out, there is a considerable volume of academic literature on retailing available. This is demonstrated by the source material in Jefferys [1954], Scott [1970], Davies [1976], Beaujeu-Garnier and Delobez [1979], Dawson [1979], Dawson [1980], Guy [1980], Dawson [1982], Potter [1982], Davies [1984], Davies and Rogers [1985], Gayler [1985] and Johnson [1987a] in particular. Among the topics relevant to this analysis and case-study are theories of retailing [Stampfl and Hirschman, 1981], institutional change or theories of institutional change [Martenson, 1981; Brown, 1987a, 1987b, 1988b], analyses of retail forms [Dawson, 1983; Dawson and Lord, 1985], strategy in retailing [Knee and Walters, 1985; Johnson, 1987a, 1987b; Laulajainen, 1987; Walters, 1988], retail location [Davies and Rogers, 1984; Ghosh and McLafferty, 1987; Jones and Simmons, 1987; Berry, et al., 1988; Wrigley, 1988], planning for retailing [Davies, 1984; Gayler, 1984] and the internationalisation and globalisation of retailing [Kacker, 1985; Kaynak, 1988]. Specific review articles such as Brown [1988a] on the 'theory' of the wheel of retailing and McGoldrick [1987] on pricing or the bibliography produced by Kirby [1988] further emphasise the volume of retail research that is available. Academic journals both within and across academic disciplines and also the trade press demonstrate this diversity of work on retail topics.

It is relevant to consider how much of this material has in fact aided our understanding of retailing [Warnes and Daniels, 1980], especially at the level of corporate development. There is a surprising dearth of studies of the development and evolution of retail firms. This has been commented upon particularly by Savitt [1982, 1984] who has argued cogently for greater attention to be paid to the 'history' of retail development at both the firm and institutional levels. Savitt's attempt to introduce company-specific studies to aid theoretical development has itself attracted criticism [Hollander, 1986]. Such detailed company studies, however, could improve the understanding of retail change and development by linking the realities of practical business experience with the academic rigour of detailed study, and by combining relevant approaches and considerations across subjects and disciplines. As Savitt [1982: 22] has claimed, 'the theories of retail change are the antithesis of historical research because they are based on generalisation', and it follows that 'if retail change theories are going to become more valuable in structuring marketing strategy, more attention must be paid to ... specific retail firms' [Savitt, 1984: 53].
The lack of study of and research into the development of individual retail companies has been to the detriment of the concepts of retail theory and retail analysis as an academic discipline, and maintains an artificial barrier between academics and practitioners. Retail companies are mainly used as examples or small illustrations to reinforce a single point. There is much that is useful and illuminating in this method, but it is important that more detailed study is also attempted that provides a much fuller understanding of the processes involved in retail change and development. While it is understandable that much of the work in retailing is developed implicitly from an understanding and awareness of the processes of retail change, it is equally important that detailed work is used to provide a base for knowledge and to test existing understanding. Retail theory, for example, can suggest reasons and models for the introduction of food superstores in Great Britain. It is not able as yet, however, to say much about the spatial spread of the introduction nor of the companies involved.

In particular there would not appear to be any combination of spatial and structural elements in retail analysis. For example, there is a geographical strand to retail study that is concerned with form and changing form but excludes much consideration of the companies, entrepreneurs and managers driving the processes of change. This provides a spatial axis for understanding. There is also a managerial and business approach which is strong on the corporate and strategic dimensions, including markets and competition, to retailing. This provides a structural axis for understanding. This structural approach however generally ignores any spatial considerations of retailers at both the macro- and micro-(store) levels, while the spatial approach often ignores the structural realities of corporate life. Retail companies themselves clearly incorporate both spatial and structural approaches in their tactics and strategy and grow through a harnessing of both aspects. This combination is at the heart of the approach of Jones and Simmons [1987]. Similarly Laulajainen [1987: 1] comments that ‘space matters in business ... space steers business activity’, while Ghosh and McLafferty [1987: 1] broaden the influence of location strategy to be ‘an integral and important part of corporate strategy’.

Of particular interest therefore is the possibility of combining a spatial approach, i.e. geography, with a structural approach, i.e. the managerial and operational focus of the business, management and marketing subjects. Such a spatial-structural approach has been suggested before [Dawson, 1984] although not in any detail. This approach has also been stated as the theoretical justification for a recent important textbook [Jones and Simmons, 1987] which has attempted to show the links between the geographical and the managerial perspectives at a variety of spatial scales. Such a spatial-structural approach, however, is not often easy to identify and carry through, and much work remains to be undertaken in combining these
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elements, particularly at the levels of retail theory and the retail company. A better understanding of the structural and spatial imperatives of retail companies would begin to provide the detailed work necessary to produce a spatial-structural theory of retail development. This is the overriding objective of this study.

The potential of such an approach has been partially recognised before. From the geographical background Kivell and Shaw [1980: 147] made a plea for 'more thought ... to be given to the measurement of locational change ... through examining the spatial dynamics of retail firms'. This plea has fallen largely on deaf ears. Jones [1981] responded by examining Asda, focusing on the spatial diffusion of an innovation (food superstores). The result, however, is really only a description of the spatial pattern of trading stores rather than an understanding. His study is one of pattern but not process. He followed this up by examining MFI in a similar vein [Jones, 1982]. Davies and Sparks [1986] took these to a logical conclusion by analysing the merged Asda–MFI, and in the same series Burt [1986] has reviewed the development of Carrefour. Bird and Witherick [1987] added immeasurably through their examination of Marks and Spencer but tellingly felt it necessary to justify in their introduction a geographical interest in corporate affairs. By examining the spatial strategies of a large number of retailers in Sweden and particularly the USA, mainly in historical terms but across many retail trades and organisation forms, Laulajainen [1987] appears to have attempted to incorporate spatial decision-making with structural and corporate realities. On closer examination, however, it is clear that these very short case-histories merely identify spatial outcomes of processes rather than place the spatial decision-making within the corporate context. Laulajainen [1987] is a start but no more. There is scope, however, to 'mine' these case-studies and investigate specific aspects of retail change and test specific hypotheses. In this way Laulajainen [1988a, 1988b] is moving towards developing a spatial-structural understanding of corporate growth.

Where Laulajainen [1987, 1988a, 1988b] is useful is in making a link with the earlier work of Watts [1974] and Schiller [1981]. Both these works, Watts on Boots' development in an historical context and Schiller on Mothercare, suggest that spatial development is the progress of an innovation within a hierarchy of urban centres or towns and cities. Laulajainen [1987] finds similar patterns for some retailers but not others, and concludes that while some companies follow similar growth paths and even locations there is no one spatial strategy for retail growth. It has to be remembered, however, that all this work tends to study spatial strategy independently to other strategies. This work also raises a number of questions about retail growth and diffusion as a function of a number of factors such as outlet size, retail type, distribution requirements and facilities, management policy, micro-location (street level) and other elements of location (urban-
suburban). Doubt is also thrown on the validity of retail hierarchies identified by retail branch counts [e.g. Schiller and Jarvett, 1985].

Apart from these works, there has been silence on the geographical side in terms of any explicit spatial analysis of corporate development, although there is a respectable literature on spatial changes in retailing in terms of historical studies [e.g. Jones, 1979; Shaw, 1978; Shaw and Wild, 1979; Wild and Shaw, 1974, 1975], retail forms [e.g. Bennison and Davies, 1980; Davies and Sparks, 1989; Dawson, 1984; Jones, 1988; Knox, 1981] and individual locations [e.g. Brown, 1984; Davies, 1971; Giggs, 1972; Guy, 1976; Parker, 1962; Pocock, 1968; Whysall, 1974, 1989], which contain some structural elements but relatively little on individual retail companies.

On the managerial or business side the literature is perhaps more rich, but generally has been limited to being tied to one aspect of a company. For example, Akehurst [1984] examined Tesco's Operation Checkout, and Savitt [1984] used Comet to explore anew the wheel of retailing. Knee and Walters [1985] incorporated case studies of GB-Inno-BM, Habitat/Mothercare and Magasin du Nord to illustrate the diversity of strategic thinking in retailing, an approach also used in Walters [1988]. Green [1987] produced John Collier as an illustrative case-study of failure to adapt to change. Similarly Johnson [1987b] has developed a detailed strategic analysis of Foster Brothers. The rationale for this work is that Johnson (an ex-manager turned academic) felt strongly that academic theory ignores the practical realities of managers and decision-making. His method of bringing the two closer together was a detailed case-study of Foster Brothers. Some studies have taken an historical/geographical approach in a business context as for example Watts [1974] in his study of the spatial development of Boots or Osborne [1975] for the Greater Nottingham Cooperative Society. Other more general business accounts of retail companies and retail entrepreneurs can be found in Thil [1966], Havenhand [1970], Smethurst [1974], Ornstein [1976], Goldsmith and Clutterbuck [1984] and Kay [1985].

One exception to this single aspect brand of study is Mintzberg and Waters [1982] who tried to examine strategy in an entrepreneurial retail company. This article is important for two reasons. First, it clearly places spatial strategy within the context of the retail company and identifies spatial strategies, not always successful, over a period of 60 years, as one aspect of corporate strategy. Second, the article is important in the context of the company-specific study (Kwik Save) developed here. Mintzberg and Waters identify the 'split' between entrepreneurialism and planning as the two aspects in the growth of this retail company and focus on the transition from one to another. They conclude:

the danger is that the planning mode forces out the entrepreneurial one; procedure tends to replace vision, so that strategy
making becomes more extrapolation than invention ... the success of the entrepreneurial mode evokes the forces ... that weaken it [Mintzberg and Waters, 1982: 498].

Within the management strand of research there is also the approach of company histories, either authorised versions by the company or journalistic accounts. In the main these tend to concentrate on personalities and within-company issues, and while interesting and occasionally illuminating they often give a summarised and 'squeaky-clean' picture. A list of many of these can be found in Goodall [1987]. A notable exception to this is the work on Allied Suppliers by Mathias [1967]. Such works also often ignore the spatial development and changing offering of the company at the expense of developing a broad-brush personality cult. Among others [Goodall, 1987] books have been produced on Empire Stores [Beaver, 1981], W.H. Smith [Wilson, 1985], Marks and Spencer [Rees, 1969; Tse, 1985], Currys [Lerner, 1984], Tesco [Corina, 1971], Sainsbury [Boswell, 1969] and the John Lewis Partnership [MacPherson, 1985]. There is also a vast body of literature of variable rigour and quality on co-operative development [Smethurst, 1974]. American examples run from classics such as the study of Macy's [Hower, 1943] through to the recent tome on MacDonalds [Love, 1987]. A number of retail entrepreneur biographies can be found in Jeremy [1984–86], but these in the main, while interesting, are of historical figures and again concentrate on personality rather than practice.

Both the geographical and the managerial literature have considered the process of retail change. The concern of this article is to link the spatial and structural elements of development. The questions that need to be posed include the topics of how companies grow in both spatial and structural terms, how companies choose broad locations for outlets and why companies are structured and located how and where they are. In considering location decisions, the focus is not on the detailed site location choice decisions which are explicitly and well covered elsewhere [for example, Davies and Rogers, 1984; Ghosh and McLafferty, 1987; Wrigley, 1988] but on the general strategic patterns of spatial development. Such considerations need of necessity to be linked to the body of retail theory that has been developed and to wider theories of corporate change.

RETAIL THEORY AND RETAIL DEVELOPMENT

Retail theory contains a considerable number of elements, many of which have attracted enormous criticism over their specification and validity [Stampfl and Hirschman, 1980; 1981; Martenson, 1981; Rosenbloom and Schiffman, 1981; Savitt, 1982, 1984; Klein and Roth, 1987]. There is no need here to detail all the strands of retail theory that have been identified. The concentration instead can be on the most
pervasive of those theories concerning retail change. Retail change theory has concentrated on the theories of organisational change as the comprehensive listing of the literature in Brown [1987a, 1987b] shows. Brown [1987b] has detailed the theories of retail institutional change under the broad heading of environmental, cyclical and conflict theories. He has broadly suggested that there needs to be an overlay of a spatial dimension to these theories [Brown, 1987c], again pointing to the need to combine structural and spatial issues.

The most well-known 'theory' is that of the wheel of retailing [Brown, 1988a; Savitt, 1988]. This states that new retail institutions begin with crude facilities, little prestige and a price- and margin-cutting reputation. As they progress, they acquire more expensive trappings and techniques and thus become vulnerable to the next low-cost competition. The problems with the wheel of retailing are debated more fully elsewhere [Brown, 1988a; Savitt, 1984, 1988; Klein and Roth, 1987]. It can be suggested that such simplistic notions are really only a basic description of a standard progression and that the wheel of retailing has its 'validity' in that it describes one aspect of the entrepreneurial process. Other retail theories [Stampfl and Hirschman, 1981] similarly describe elements of the entrepreneurial process without providing any understanding of the growth element of retail change. As Brown [1988b: 11] notes, '(these theories) do not explain ... change' (original emphasis). Having developed a new formula for retailing how, where and why does that formula or that company develop? Retail theory as it stands at present is wholly unable to answer such questions. Part of the difficulty may lie in trying to generalise theories without first undertaking the detailed and specific work from which understanding will be forthcoming. In addition it is clear that much of the theory development in retailing has failed to address the spatial and structural elements of retail change concentrating instead on the institutional forms themselves rather than seeing the institutional forms as one element only.

The growth of businesses has also been the focus of study in other subjects and disciplines. In particular industrial geography has developed a considerable body of theory ranging from neoclassical theory through behavioural location theory and the geography of enterprise to structuralist theories [Hayter and Watts, 1983; Lever, 1985; Chapman and Walker, 1987]. Much of the detailed work, however, appears not to be applicable to retail growth.

Retail growth strategists have demonstrated that there are a number of ways in which retail businesses can grow and develop [Ghosh and McLafferty, 1987; Jones and Simmons, 1987; Knee and Walters, 1985; Worzel, 1987; Miller 1981]. Figure 1 shows some of the avenues through which growth can be achieved. What is suggested by the figure is the link between spatial and structural elements of development. Implicit within the figure is the recognition that retail expansion could be by organic or by takeover mechanisms. In either case spatial-
structural questions will be raised [Laulajainen, 1988a, 1988b]. Such growth strategy considerations are relevant for established retail firms as well as newly emergent ones. It is worthwhile, however, to begin with the entrepreneurial process in retailing. Retailing as an industry has relatively low entry barriers. Although it can be argued that entry barriers are now rising, this is a relatively recent phenomenon associated with the investment needed to operate large stores. Certainly, entry barriers in retailing are usually considered as significantly lower than for many other sectors of the economy. If an entrepreneur has an idea for a new retail format, then the entry barriers are such that it is likely that introduction will occur. The problems arise in controlling the business, becoming successful and in expanding from a small, independent business into a larger company. The process of moving from an entrepreneurial company to a managed one is often hazardous, and particular problems emerge when the goals of the entrepreneur and the business come into conflict [Churchill and Lewis, 1983; Mintzberg and Waters, 1982; Scott and Bruce, 1987]. Drucker [1985] has suggested that entrepreneurs in a new business venture require four elements to be successful:

i. the need to focus on the market and to identify and satisfy customers capitalising on unexpected opportunities;

ii. the requirement for financial foresight, especially planning for

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**FIGURE 1**

**RETAIL GROWTH STRATEGIES**

<table>
<thead>
<tr>
<th>New outlets</th>
<th>Existing Merchandise</th>
<th>New Merchandise</th>
</tr>
</thead>
<tbody>
<tr>
<td>New market areas</td>
<td>Increase market coverage</td>
<td>Geographical expansion and store diversification</td>
</tr>
<tr>
<td>Existing market areas</td>
<td>Expand network of outlets</td>
<td>Store diversification</td>
</tr>
<tr>
<td>Existing outlets</td>
<td>Increase market share</td>
<td>Scrambled merchandising</td>
</tr>
</tbody>
</table>

cash-flow and capital needs and the control systems to support these;
iii. the requirement for a top management team to be produced early and ahead of needs, a requirement that leads to
iv. the need for the entrepreneur to define his own responsibilities within the business.

For retailing, there is a requirement in particular to have a focus on and to understand the market and satisfy customer needs. Developing mainly out of the work of Porter [1980; 1985], there have therefore been a number of attempts to link the successful growth of retail companies with the elements of competitive advantage (Miller, 1981; Knee and Walters, 1985; Omura, 1986; Johnson, 1987a, 1987b; Ghosh and McLafferty, 1987; Laulajainen, 1987 and Walters, 1988). This concentration on retail strategy has in the main been concerned with established companies rather than examining the development and growth of companies from new business ventures and entrepreneurship through to established large businesses.

Porter [1980] argues that success in an industry is due to a sustainable competitive advantage. This competitive advantage is of two basic types: low-cost or differentiation. Porter [1980] also discusses a third ‘strategy’ – the focus strategy – which involves following one or other strategy but focused on only a narrow market segment. Porter [1980] argues that the low-cost strategy requires sustained capital investment and access to capital, process engineering skills, intense supervision of labour, products designed for ease of use and a low-cost distribution system. Organisational requirements include tight cost control, frequent detailed control reports, structured organisation and responsibilities and incentives based on meeting strict targets. The second strategy, differentiation, is where a firm seeks to be unique along some dimension that is widely valued by buyers. The company selects one or more attributes that buyers perceive as important and uniquely positions itself to meet these needs. This strategy requires strong marketing, product engineering, creative flair, basic research, corporate reputation for quality, long tradition in the industry and strong co-operation from channels. In organisational terms strong co-ordination, incentives based on status and subjective criteria and social amenities are required. Porter [1980, 1985] views these two strategies as being very different, but recently they have been seen as acting in association and together providing the firms ‘value platform’, or competitive advantage [Kamani, 1984; Ghosh and McLafferty, 1987]. Certainly cost leadership and the implications this has for operational style and retail offering can produce a highly differentiated retail unit and company.

These concepts of Porter [1980, 1985] have been applied in analysing the retail industry. Knee and Walters [1985] examine how companies can make themselves different by following product-market strengths
or productivity advantages. Similar themes are pursued in Walters [1988] and Johnson [1987a]. Porter [1985] has extended the concepts of strategies for competitive advantage further by introducing the concept of the value chain for a company. The value chain stems from the realisation that competitive advantage can only be understood by examining the many discrete activities a firm undertakes, as each of these activities contributes to cost and can form a basis for differentiation. The value chain is thus composed of primary activities such as logistics, operations, marketing and sales, and service combined with the support activities of firm infrastructure, human resources management, technology development and procurement. This concept has again been used by other authors [e.g. McGee, 1987] to understand competitive advantage and to underpin detailed study of aspects of retail strategy [Ghosh and McLafferty, 1987]. Johnson and Scholes [1988: 92] provide a brief example of value chain analysis applied to Kwik Save.

There are therefore two strands or elements raised here. First is the role of decision-makers and entrepreneurs in developing new retail concepts and formats, making these profitable and successful and expanding from an owner-operated shop to full company or corporate status. The second interlinked element is the strategy adopted by entrepreneurs and companies in developing retail businesses and gaining and holding a competitive advantage. Competitive strategy can be understood as deriving from a consumer base and being dependent on the configuration of markets, operations and the product and service offered. Expansion of a company has therefore to be founded on a competitive advantage, but with spatial components to expansion and structural considerations both within the firm (organisational) and outside the firm (competition). It is the combination of these that decides the performance level of the company.

Once a company is firmly settled as a successful retailer, the problems of expansion remain. Expansion of large and successful companies requires a knowledge of the market, spatial awareness and structural organisation. Expansion in only one sphere (existing business in an existing area) may be much less risky than expansion in several spheres (new products in an overseas market). Decisions have also to be made about the mode of expansion which is generally seen as being either organic or through acquisitions and take-overs, although of course these modes can be combined to a greater or lesser extent. All these decisions about expansion have both a spatial and a structural component [Dreesmann, 1980; McGee, 1987; Kacker, 1985; Knee and Walters, 1985].

It can be suggested that there are deficiencies in retail theory particularly in the consideration of the growth and success of companies. One way forward is to examine spatial and structural elements separately before trying to combine them in an overall analysis. A number of ideas about spatial development have been produced. The
most relevant would seem to be the theories of innovation diffusion. Studies of innovation diffusion have generated a considerable literature in a variety of fields [Rogers, 1983; Brown, 1981]. Some of this work has concerned retail institutions or formats [e.g. Cohen, 1972; Sheppard, 1976; Dawson, 1981]. Most of this work is not applicable to company-specific studies, but the body of work reported particularly in Brown et. al., [1981], Brown [1981], and Meyer and Brown [1979], relating to diffusion agency establishment is especially useful. Brown et. al., [1981] sought to explain the links between innovation diffusion and entrepreneurial activity in a spatial context. By laying particular emphasis on the role of innovators and diffusion agencies a model of innovation diffusion based on four major criteria was developed. These criteria as shown in Figure 2 are the availability of capital, the sales potential of the innovation, the logistics requirements and the elasticity of profitability with reference to urban size. The combinations of these criteria predict the relative importance of neighbourhood (local) or hierarchy diffusion processes. The analysis is supported by a retail case showing classical neighbourhood diffusion. This retail case is also examined in Brown [1981] and Meyer and Brown [1979].

This model provides a link to the work of Watts [1974], Jones [1981, 1982] and Schiller [1981]. For Boots, for example, the criteria would be a significant logistics effect, a significant elasticity of agency profitability and initially a low capital availability, within an innovation whose sales potential was related to the number of persons in an urban area. The model suggestion of hierarchical diffusion constrained by a neighbourhood effect accords well with the findings of Watts [1974]. Similar assessments could be made of the companies detailed in Jones [1981, 1982], Schiller [1982] or even Laulajainen [1987]. Such an assessment is beginning to be made by Laulajainen [1988a], although he has reservations about the use of this model alone.

The innovation diffusion theory thus provides a useful interpretation of spatial development. It does not, however, cover the structural development of companies. For analysis of models and theories of business growth recourse has to be made to managerial texts. There are a number of recent attempts to link strategy and retailing [Knee and Walters, 1985; Johnson 1987a, 1987b, Walters, 1988]. In the main, beyond emphasising the importance of the market (a structural factor) these do not provide any real help. An exception perhaps is where Knee and Walters [1985] point to the importance of the strategy-structure links and in particular the problems companies can have in mastering the transition from entrepreneur to corporate status [Knee and Walters, 1985: 112]. In the same vein, Mintzberg and Waters [1982] show how spatial growth and organisational structure change through time as a business develops. They too, emphasise the problems of entrepreneurial resistance to 'letting go' or to structural change.

These concerns have been brought together by Churchill and Lewis [1983] who first review the literature on business growth and in
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FIGURE 2
EXPECTED PATTERNS OF DIFFUSION

<table>
<thead>
<tr>
<th>Characteristics of the Innovation</th>
<th>Market or Sales Potential Related to the Number of Persons in an Urban Area</th>
<th>Market or Sales Potential Not Related to the Number of Persons in an Urban Area</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Logistics Effect</td>
<td>Significance</td>
</tr>
<tr>
<td>Characteristics of the Firm</td>
<td>Sig</td>
<td>Min</td>
</tr>
<tr>
<td>Low Capital Availability</td>
<td>Hierarchy Effect, Neighborhood Effect</td>
<td>Hierarchy Effect, Slightly Slightly Constrained by a Neighborhood Effect</td>
</tr>
<tr>
<td>High Capital Availability</td>
<td>Hierarchy Effect, Neighborhood Effect, with Slight Effects</td>
<td>Slight Neighborhood Effect and Hierarchy Effects</td>
</tr>
</tbody>
</table>


particular the models of business development. From this review a five-stage model of business growth was developed. Each of these stages has implications for management style, organisational structure, the extent of formal systems, the strategy followed and the relationship between the business and the owner. These are detailed in Figure 3. Churchill and Lewis [1983] go further and identify a number of critical factors in the success or failure of a company as it moves through these
five stages. For the company these are the financial position, personnel resources, system resources and general business resources or position in the market. For the entrepreneur the factors are the entrepreneur’s goals, organisational abilities, willingness to delegate and strategic awareness. In particular they argue that these factors vary in importance in each stage of the business development and that critical points can emerge, as for example when the entrepreneur’s goals become inconsistent with the company’s goals. These characteristics accord well with those put forward by Drucker [1985].

**FIGURE 3**

**THE CHARACTERISTICS OF SMALL BUSINESS DEVELOPMENT**

<table>
<thead>
<tr>
<th>Stage I</th>
<th>Stage II</th>
<th>Stage III-D</th>
<th>Stage III-G</th>
<th>Stage IV</th>
<th>Stage V</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existence</td>
<td>Survival</td>
<td>Success- Disengagement</td>
<td>Success- Growth</td>
<td>Take-off</td>
<td>Resource Maturity</td>
</tr>
</tbody>
</table>

Management Style and Organisation

<table>
<thead>
<tr>
<th>Extent of Formal Systems</th>
<th>Minimal to Nonexistent</th>
<th>Minimal</th>
<th>Basic</th>
<th>Developing</th>
<th>Maturing</th>
<th>Extensive</th>
</tr>
</thead>
</table>

Major Strategy

<table>
<thead>
<tr>
<th>Business and Owner Relationship</th>
<th>Core</th>
<th>Core</th>
<th>Sharing</th>
<th>Sharing</th>
<th>Sharing</th>
<th>Periphery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existence</td>
<td>50:50</td>
<td>10:90</td>
<td>50:50</td>
<td>60:40</td>
<td>75:25</td>
<td>90:10</td>
</tr>
</tbody>
</table>

Source: Adapted from Churchill and Lewis, 1983: 38.

The model put forward by Churchill and Lewis has clear attractions in its linking of structural changes with business development. Where it is at its weakest is in terms of strategy where a major strategy is stated (see Figure 3) but the more detailed strategies that the company uses are not presented. This omission would seem to be reduced if the ideas of Brown et al. [1981] are wedded to those of Churchill and Lewis [1983]. This occurs particularly in terms of the development of a spatial strategy developing with the stages of growth and the more common business strategy. Thus in Figure 3, in addition to the major strategy identified there should be other elements of business strategy including a spatial growth strategy. It has also to be noted that different spatial patterns and strategies may be exhibited by different parts of one company and that many of the arguments presented here in terms of a
A CASE-STUDY OF KWIK SAVE GROUP P.L.C.

Retail company may apply to retail formats or concepts within a company.

The suggestion is that the beginnings of a spatial-structural theory of retail development can be found by linking the spatial models of innovation diffusion to the corporate models of business development. Underpinning this combination is the strategy and market opportunity of the entrepreneur and the notions of sustainable competitive advantage. For example, it can be assumed that a new retail formula has been developed and that it will successfully enter the market. The growth of that company will depend on the characteristics of the new formula (affects spatial development) and the entrepreneurial drive (affects structural change). The actual characteristics of the formula and thus competitive advantage it is assumed will be provided by the entrepreneur’s ability to examine the market and to spot opportunities. The nature of the innovation is itself therefore an element of structural and spatial decision-making and development.

These concepts are examined by analysing the growth of one food retailer in Great Britain: Kwik Save. A brief general review of food retailing trends in Great Britain is first necessary in order to provide the background and context to this company-specific study.

FOOD RETAILING IN GREAT BRITAIN

Food and grocery retailing in Great Britain has developed into a very competitive market in the last 30 or so years. The sector has changed considerably over this period. One of the major trends has been a growing concentration in the sector [Akehurst, 1983]. This has been associated with the increasing power of multiple retailers and a decline in the strength of co-operatives and independents [Davies, Gilligan and Sutton, 1985]. Table 1 provides overall figures for the period since 1961 and a clear growth in domination of firms with over 50 units can be found. The process of concentration has gone further in grocery retailing with the multiple retailers’ share of the grocery market increasing from 42 per cent to 70 per cent between 1970 and 1985 [Beaumont, 1987].

The rise of the multiple retailers [Baden-Fuller, 1984] through economies of scale and replication has produced only a handful of retail companies who dominate many of the regional food and grocery markets [Davies, Gilligan and Sutton, 1984, 1985]. Companies such as Tesco, Sainsbury, Asda, Gateway (Dee) and Safeway (Argyll) are dominant, although the total strength of the co-operative movement must not be under-estimated. Behind these first rank multiples are regionally based companies such as Wm Low and Wm Morrisons and the limited range discounter Kwik Save. Table 2 provides details of market share for packaged groceries in Great Britain. The figures show the dominance of the leading multiples, but also the importance of the co-operative movement. Scotland has been used here as an illustration.
TABLE 1
GENERAL COMPARISON OF RETAILING IN GREAT BRITAIN

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Businesses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total '000</td>
<td>394</td>
<td>351</td>
<td>240</td>
<td>216</td>
</tr>
<tr>
<td>With Single Store '000</td>
<td>356</td>
<td>327</td>
<td>210</td>
<td>180</td>
</tr>
<tr>
<td>With Over 10 Stores</td>
<td>1900</td>
<td>1270</td>
<td>1200</td>
<td>900</td>
</tr>
<tr>
<td>50 Stores</td>
<td>430</td>
<td>330</td>
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<td>280</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total '000</td>
<td>540</td>
<td>480</td>
<td>356</td>
<td>310</td>
</tr>
<tr>
<td>In Businesses With Over 10 Stores</td>
<td>96</td>
<td>79</td>
<td>73</td>
<td>64</td>
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<tr>
<td>50 Stores</td>
<td>66</td>
<td>60</td>
<td>55</td>
<td>54</td>
</tr>
<tr>
<td>Percent of Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In Businesses With Over 10 Stores</td>
<td>40</td>
<td>44</td>
<td>51</td>
<td>64</td>
</tr>
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<td>50 Stores</td>
<td>31</td>
<td>36</td>
<td>46</td>
<td>58</td>
</tr>
<tr>
<td>Percent of Capital Expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In Businesses With Over 10 Stores</td>
<td>63</td>
<td>73</td>
<td>70</td>
<td>73</td>
</tr>
<tr>
<td>50 Stores</td>
<td>31</td>
<td>36</td>
<td>45</td>
<td>54</td>
</tr>
</tbody>
</table>

NB: Precise comparisons for 1961 and 1971 with later years are not possible but an attempt has been made to make the data as comparable as possible.

Primary Sources: Business Monitors, Retail Inquiry 1991 figures based on estimates of trends.
Sources: Dawson and Broadbridge, 1988: 18.

of how a regional market can differ from the national market. This shows how national figures mask regional differences and local dominance. As a further example Davies, Gilligan and Sutton [1984] quote Audits of Great Britain (AGB) figures which give Kwik Save a national market share of packaged groceries in 1982 of 5.4 per cent; this hides a 23.2 per cent market share in Lancashire and a zero share in Scotland. There is clearly a regional locational strategy at work here.

Kwik Save are the focus of study here. Kwik Save were one of the pioneers of the limited range discount format in food retailing in the UK. This format basically involves high volume sales of a limited range of goods at discounted prices in a low cost retail environment. The aim is to offer convenience to consumers. At the same time as Kwik Save was emerging, a number of other discount food retailers, including Asda, Wm Morrisons, Grandways, Pricerite and KD Discount, were beginning to develop chains of stores. Some of these were limited-range food-discount store operators in their own right whereas others were main-line multiples offering a range of price cuts or emerging
TABLE 2
MARKET SHARES FOR PACKAGED GROCERIES*
SCOTLAND AND GREAT BRITAIN COMPARED 1985

<table>
<thead>
<tr>
<th></th>
<th>Scotland</th>
<th>Great Britain</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Value of Sales £m</strong></td>
<td>740</td>
<td>7600</td>
</tr>
<tr>
<td><strong>% Breakdown By Outlet</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multiples</td>
<td>72.5</td>
<td>76.1</td>
</tr>
<tr>
<td>of which</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tesco (excl Hillards)</td>
<td>8.7</td>
<td>13.7</td>
</tr>
<tr>
<td>Asda</td>
<td>8.2</td>
<td>8.9</td>
</tr>
<tr>
<td>Argyll (inc Safeway)</td>
<td>22.5</td>
<td>8.8</td>
</tr>
<tr>
<td>Dee (inc Fine Fare)</td>
<td>9.5</td>
<td>12.8</td>
</tr>
<tr>
<td>Sainsbury</td>
<td>-</td>
<td>17.2</td>
</tr>
<tr>
<td>Wm Low</td>
<td>12.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Kwik Save</td>
<td>1.5</td>
<td>5.8</td>
</tr>
<tr>
<td>Other Multiples</td>
<td></td>
<td>7.7</td>
</tr>
<tr>
<td>Co-ops</td>
<td>15.2</td>
<td>13.8</td>
</tr>
<tr>
<td>Symbol Independents</td>
<td>5.6</td>
<td>4.5</td>
</tr>
<tr>
<td>Other Independents</td>
<td>6.7</td>
<td>5.6</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

* Packaged groceries include food in cans and packets including frozen food (except ice cream), dairy foods, yoghurt, detergents, household cleansers.

Note: While the data refer to 1985, the figures for Argyll and Dee Corporation have been recalculated to include their subsequent takeovers. This has not been possible in the case of Tesco.

Source: Dawson, Shaw and Harris, 1987.

...retailers developing early forms of the superstore concept [Thorpe, 1972]. There was thus a developing divergence into limited-range discounters and supermarkets. Most of these discount operations existed, however, either as one format of a larger company or as independent retailers. In many cases, these companies were unable to maintain their position and ceased trading. This left Kwik Save in the late 1970s as the pre-eminent limited-range food-discount operator.

Since the late 1970s there have been four major operators (Figure 4). Kwik Save are the largest, followed by Lo-Cost (a part of the Safeway [Argyll] Group). Victor Value were once part of Tesco, but were purchased by Bejam in 1986. In 1989 Iceland Frozen Foods took over Bejam and sold the Victor Value chain to Kwik Save, thus reinforcing their position (see later). The other competitor was Shopper's Paradise which was part of Fine Fare [Allan, 1980], but has now been dismantled by Gateway (Dee). Figure 4 shows for these four companies the
changes in store numbers since 1981. Figures before this date and financial figures are very difficult to obtain because of mergers and take-overs and the subsidiary nature of all the companies other than Kwik Save. What is clear from the figure is, with the exception of Kwik Save, the lack of sustained growth by these companies and trading fascias. The rise in Lo-Cost numbers is to a great extent a function of its role as a depository for those stores which did not fit the other trading names in the Safeway (Argyll) group, such as Presto and now Safeway. There would seem to be a lack of concerted management attention to the opportunities with the format. This may be due both to the presence of 'better' opportunities elsewhere in retailing and the difficulty in successfully running such an operation. This exception is Kwik Save which is the leading retailer in the field of food discounters.

Similar success stories in limited-range food discounting are found elsewhere in the world (Lord et al., 1988), including the USA and Australia [Tieck, 1985]. Within Europe the pre-eminent operator of this retail format is the German company, Aldi. It should be emphasised, however, that despite its apparent simplicity it is not an easy retail format in which to succeed.

A review of changes in food retailing over the last 20 years suggests that a number of common themes can be identified.

1. There has been a massive rise in the average size of stores, associated particularly with the growth of the food superstore [Dawson, 1984], although the same trend is found in non-food retailing [Gibbs, 1987]. The average sales floorspace of new food stores for many multiples is now over 30,000 sq ft. For example, in 1988 the average sales area of Tesco and Sainsbury store openings was 34,250 and 30,650 sq ft respectively. This increase in unit size in food retailing has been associated with a ruthless pruning of small shops in established companies. For example Tesco have reduced their number of stores from 790 in 1972 to 337 in 1987, but in the process have extended sales floorspace from 3.7m sq ft to 7.0m sq ft, increasing average store size from 4,700 sq ft sales area in 1972 to 20,000 sq ft in 1987. Sainsbury have increased their proportion of stores over 20,000 sq ft sales area from 10 per cent in 1977 to 44.5 per cent in 1988. The average sales area of an Asda superstore in 1988 is 39,000 sq ft.

2. There has been a move towards out-of-town or off-centre locations [Dawson, 1988; Gayler, 1984; Kivell and Shaw, 1980]. This again is linked to the superstore [Davies and Sparks, 1989; Rowley, 1985] and the requirement for ample car parking to meet customers' needs. Food retailing by mainline food multiples has been withdrawn from the majority of UK high streets [Dawson, 1988].

3. There has been a steady increase in the percentage of own-brand food products [Davies, Gilligan and Sutton, 1986; McGoldrick, 1984; Morris, 1979]. Sainsbury always had a high level of such products but Tesco, and the forerunners of Safeway (Argyll) and Gateway moved
4. Sufficient finance has been provided to enable expansion to occur. Most retailers, and especially the food multiples, carry a high level of debt on their balance sheets and often trade out of leaseholds. This is common among the dominant food retailers. Obtaining access to this finance and the sums needed for development when one superstore can cost upwards of £15 million and an average figure of £7–8 million is seen, is difficult, and in general only successful and established retailers can compete in this market.

5. The physical distribution systems of the major food retailers have undergone massive changes, particularly in the last five years. This process of change is still not complete. In particular, physical distribution systems have been increasingly centralised with a high level of subcontracting. This process was started by Sainsbury [Quarmby, 1989] and Kwik Save but the other major food retailers such as Asda, Tesco [Sparks, 1986], Safeway (Argyll) and Gateway (Dee) all moved in the same way in the 1980s [McKinnon, 1985, 1989; Sparks, 1988].

6. Major food retailers have become increasingly reliant on service and added value to sell to customers, rather than through a strict reliance on price competition. Prices are generally competitive, but it is the quality, the value, the environment [Larkham, 1988] and the service provided that have become important. The concept of customer service and customer care are now crucial to most food retailers. This is seen in staff development and training, but also in product development and the addition of previously 'exotic' lines. This is the result, it is argued, of changing customer preferences and requirements.

These trends are found not only in the main-line food multiples but also in the regional multiples such as Wm Low and Wm Morrisons and, before their takeover, Hillards and Lenmons. The emphasis may be less on service and more on price, although all these companies have extended the service they offer in recent years. The remaining trends are all present, however. The implication of these trends has been that companies have taken decisions to concentrate on large food supermarkets or supermarkets (a structural decision) particularly in off-centre locations (a spatial decision). This has polarised much food retailing along both a structural axis (size of shop, range of goods) and a spatial axis (off-centre, neighbourhood stores). The exception perhaps is that of Kwik Save, a company which has been successful in British food retailing by going against many of the trends and occupying a niche left open by these general corporate strategies. Kwik Save claim that they offer the 'antidote' to superstore shopping [Kwik Save Annual Report, 1987: p.9], through their 'no-nonsense food stores' [Kwik Save Annual Report, 1988]. The specific case-study below will explain how this success has been achieved and draw lessons from the growth and
practice of Britain’s foremost limited-range discount food retailer. These lessons will concentrate on the spatial-structural dimensions of retail change.

KWIK SAVE GROUP P.L.C.

As will become clear, the history of Kwik Save is best described in two main phases, Gubay and post-Gubay. This is the format followed here. A brief section on the future is also presented. A fuller study of the retailing operations of Albert Gubay across the world can be found in Lord et al. [1988].

Entreprenurial Flair and Hiatus, 1959–73

On 11 May 1959 a private company was registered that eventually became the largest and most successful limited range discount food retailer in Great Britain. The company, Value Foods Ltd, had as its founder a Welsh entrepreneur named Albert Gubay. Albert Gubay was born in 1928 in Rhyl, North Wales, the son of an Irish mother and a Middle East Jewish emigrant father from Baghdad. After national service, Gubay returned to Rhyl and began a business career involving a variety of activities including selling non-sugar sweets during confectionery rationing. His main companies were Norwales Confections Ltd and Norwales Development Ltd. The confectionery business began to have difficulties in the late 1950s as rationing ended, and Gubay moved into retailing via market stalls and then a rented grocery shop in Rhyl. Value Foods Ltd represented a further step down a retail path.

Value Foods Ltd was based in Prestatyn in North Wales and opened its first traditional-style grocery shop in Rhyl in July 1959. By 1962 further shops were open in Chester and Wrexham. A disagreement between Gubay and his partners saw the rented stores at Rhyl and Wrexham remain with Gubay and the Chester store being briefly retained by his partners before being sold on. The first supermarket operated by the company opened in Prestatyn in 1962 and was claimed to be the first drive-in supermarket in the United Kingdom. Supermarkets then became the main business of the company. These supermarkets, trading as Value Foods, were approximately 2,000 sq ft, a standard size for new self-service supermarkets being developed at this time, although the Prestatyn store was somewhat larger at 7,000 sq ft. These stores therefore were mainly nothing exceptional in size or turnover, although there was a reliance on the provision of car parking and the (then) dubious activities of late night opening and price-cutting below the manufacturers recommended resale price [Fulop, 1964].

The real starting point for Value Foods Ltd, however, came after a trip by Albert Gubay, Ken Nicholson (another Value Foods director) and Ian Howe to the United States in late 1964/early 1965. In the USA they learnt about ‘baby shark’ retailing, the selling at very low prices but high volume of a limited range of nationally branded goods, from small
'stripped-down' stores, particularly in the drugstore market. Enthused by the possibilities Gubay translated the idea, together with some operating ideas gained from Aldi food stores in West Germany, into a 2,000 sq ft food supermarket trading as Kwik Save Discount at Colwyn Bay. So successful was this unit that the remaining stores were converted to the format and the company moved over totally to limited range food discount retailing. With growth coming in the next five years from new stores in converted garages, cinemas, showrooms and churches the company moved steadily forward. Growth was aided by the abolition of resale price maintenance in the mid-1960s, which helped retail entrepreneurs develop their skills in buying and selling. The size of store also increased towards an average of 7,000 sq ft. By 1967 there were 13 discount stores trading as Kwik Save, based particularly in North Wales and Cheshire (Figure 5). This is clearly a neighbourhood expansion strategy based on maximising local market share. Table 3 provides details of the product groups that each of these stores carried and shows the concentration on groceries, household/soaps/cleaners, toiletries, sweets, bakery and textiles. It is likely that the butchery and fruit and vegetable sections in some stores represent the beginnings of the use of concessions in the stores to retail certain goods [Singer and Friedlander, 1970].

The company's conversion into a public company in November 1970 was preceded by a name change in July 1970 from Value Foods Ltd to

<table>
<thead>
<tr>
<th>TABLE 3</th>
<th>PRODUCT RANGE IN KWIK SAVE DISCOUNT STORES 1967</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Group</td>
<td>Store</td>
</tr>
<tr>
<td>Groceries</td>
<td>*</td>
</tr>
<tr>
<td>Butchery</td>
<td></td>
</tr>
<tr>
<td>Fruit &amp; Veg</td>
<td>*</td>
</tr>
<tr>
<td>Soaps/Household</td>
<td>*</td>
</tr>
<tr>
<td>Toiletries</td>
<td>*</td>
</tr>
<tr>
<td>Sweets</td>
<td>*</td>
</tr>
<tr>
<td>Bakery</td>
<td>*</td>
</tr>
<tr>
<td>Hardware</td>
<td></td>
</tr>
<tr>
<td>Frozen</td>
<td></td>
</tr>
<tr>
<td>Off Licence</td>
<td></td>
</tr>
<tr>
<td>Delicatessen</td>
<td></td>
</tr>
<tr>
<td>Textiles</td>
<td>*</td>
</tr>
</tbody>
</table>

* Product Group present in store.
NA - Information on Prestatyn store not available.
FIGURE 5
THE LOCATION OF KWIK-SAVE DISCOUNT STORES, 1967

Source: Adapted from Singer and Friedlander, 1970.
Kwik Save Discount Group Ltd [Stock Exchange Yearbook 1986/7]. Gubay’s earlier companies of Norwales Developments Ltd and Norwales Confections Ltd which had operated with Value Foods Ltd as a group for some years were formally acquired in May 1970. Norwales Confections Ltd was used as a wholesaler for the retail operation while Norwales Developments Ltd was used to build, correct and repair properties to be used by the group. At the time of flotation Kwik Save Discount Group Ltd had 24 stores based in North Wales, Cheshire and Shropshire (Figure 6). The 24 outlets in the chain at this time totalled 115,000 sq ft of selling space and made profits of £643,000 on turnover of £11m. Albert Gubay and his family retained effective control of the company at flotation with 45 per cent of the shares, while Ken Nicholson owned a further 15 per cent of the shares.

The basic idea behind the Kwik Save retail operation was classically simple. The company believed that customers could be attracted and their needs satisfied by offering basic goods at very competitive prices [Watkin and Joseph, 1976]. This pricing stance was particularly appealing to low-income consumers. It is difficult to obtain price data for this early period, but figures from a variety of sources [Thorpe, 1972; Livesey, 1979], including ‘Which’ surveys of the early 1970s, mention Kwik Save as being cheap, while since 1977 when ‘Which’ included Kwik Save in their surveys for the first time, the company has always been at or very near the top (cheapest). Thorpe [1972] in a study of prices in discount stores and superstores found Kwik Save to be the cheapest. This is shown in Table 4 which provides details of a number of surveys of prices in discount stores. More recent price data from other sources confirm that Kwik Save remains amongst the cheapest retailers (Table 5). The competitive pricing policies were enabled by a number of inter-connected factors. The first element was the ‘stripped-to-basics’ approach of the stores. Fixtures, fittings and fascias were basic with the goods sold from manufacturers’ cardboard boxes placed on wooden shelving designed, built and fitted in-house. Stock was held above the shelves allowing easy re-stocking and minimising warehouse and storage space. There was nothing sophisticated or fancy about the stores. As Tanburn [1974: 51] notes, ‘Kwik Save offer a very limited range of products ... and literally dump them in opened outers for customers to help themselves. The grocery area ... looks like a warehouse or shed’. Many of these early outlets were in converted buildings. Even at an early stage, however, it was recognised that such conversions were not wholly satisfactory.

The second element was that of control with the company dedicated to tight control of operations. Computers were an integral part of the company almost from the beginning, and the company also moved early into central distribution, a process enabled by the technology. Both centralised distribution and extensive computerisation were innovations in food retailing at this time. In particular the company introduced a sophisticated computer-based stock control system, again
FIGURE 6
THE LOCATION OF KWIK SAVE DISCOUNT STORES, 1970

Source: As for Figure 5.
### TABLE 4
SHOPPING BASKETS COMPARISONS* – PERCENTAGE SAVING OVER

<table>
<thead>
<tr>
<th>A Cheapest Multiple</th>
<th>FT</th>
<th>CA/TBN</th>
<th>Which</th>
<th>TV Audit</th>
<th>NW Survey</th>
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<tbody>
<tr>
<td></td>
<td>Groceries</td>
<td>Groceries</td>
<td>Median</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kwik Save</td>
<td>7.3</td>
<td>1.2</td>
<td>10.2</td>
<td>5.1</td>
<td>4.2</td>
</tr>
<tr>
<td>Whelan</td>
<td>7.3</td>
<td>5.2</td>
<td>7.1</td>
<td>3.1</td>
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<td>7.0</td>
<td>2.4</td>
<td>8.8</td>
<td>6.1</td>
<td>2.7</td>
</tr>
<tr>
<td>Discount Foods</td>
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<td>3.8</td>
<td>9.6</td>
<td>5.1</td>
<td>3.3</td>
</tr>
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<td>6.4</td>
<td>7.1</td>
<td>3.1</td>
<td>0.7</td>
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<td>6.9</td>
<td>1.5</td>
<td>-0.4</td>
</tr>
<tr>
<td>Cee-N-Cee</td>
<td>4.6</td>
<td>2.8</td>
<td>4.1</td>
<td>4.8</td>
<td>1.0</td>
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<tr>
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<td>-0.8</td>
<td>5.4</td>
<td>-0.9</td>
<td>-1.8</td>
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<tr>
<td>U-Save</td>
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<td>-1.2</td>
<td>4.2</td>
<td>-1.0</td>
<td>-1.9</td>
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<table>
<thead>
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<th>B Average of Multiples</th>
<th>FT</th>
<th>CA/TBN</th>
<th>Which</th>
<th>TV Audit</th>
<th>NW Survey</th>
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<tbody>
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<td>4.6</td>
<td>13.1</td>
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<td>Whelan</td>
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<td>8.5</td>
<td>9.5</td>
<td>5.0</td>
<td>5.2</td>
</tr>
<tr>
<td>Asda</td>
<td>8.2</td>
<td>5.8</td>
<td>11.5</td>
<td>8.0</td>
<td>5.5</td>
</tr>
<tr>
<td>Discount Foods</td>
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<td>6.7</td>
<td>12.4</td>
<td>7.0</td>
<td>5.9</td>
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<tr>
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<td>9.6</td>
<td>9.5</td>
<td>5.0</td>
<td>3.3</td>
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<td>3.5</td>
<td>9.3</td>
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<td>2.4</td>
</tr>
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<td>Cee-N-Cee</td>
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<td>6.2</td>
<td>6.2</td>
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</tr>
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* FT = Financial Times basket  
CA/TBN = Consumer's Association/Times Business News  
Which = Pricing Survey – Which November 1971  
NW Survey = Distribution Research Ltd

**Note:** Median column was calculated not on the overall price of the basket but by taking the median value of lines in the basket, with lines expressed relative to recommended price.

**Source:** Thorpe, 1972: 12.

...developed in-house which enabled stock levels to be kept to a minimum and orders and deliveries to be computer processed. Centralised buying and particularly centralised distribution produced further cost savings through better deals, less pilferage, lower stock levels and better use of stock space. Materials handling revolved around layers on
TABLE 5

PRICE SURVEYS OF MAJOR FOOD RETAILERS

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<th>(a) Top Brand Price Basket</th>
<th>(b) Own-Label Price Basket</th>
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<td>than average by (%)</td>
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Notes:
1. For Kwik Save the cheapest brand in each product group was chosen as an own-label equivalent.
2. 7.0 per cent if M & S is excluded from the calculations.

pallets and where possible pallets were sent untouched direct to the store from the warehouse and merchandised by the pallet-load on to the shop floor. Goods were picked on pallets according to the store layout which was approximately standard across all stores. The result was an efficient and cost-effective operation. Control of costs produced low overheads, low operating costs, low staffing costs including management and a dedication to low levels of shrinkage [Singer and Friedlander, 1970]. Kwik Save also operated its own fleet of vehicles, garage facilities, joinery and waste-paper baling station, further reducing costs. By controlling centrally as much of the business as possible and by standardising operating procedures across the outlets, Gubay de-skilled the store management task. This allowed the recruitment of store managers from a variety of previous occupations and reduced costs while improving performance.

The third element was that of buying muscle combined with a reliance on manufacturer branded goods. In spite of being small, the company had considerable buying muscle through the very rapid stockturn and large volume on a small number of items. This was linked
to a decision not to use own-brand or generic products but to buy aggressively from manufacturers and pass on the savings to the customers. Only a very limited range of packaged goods (c.450 lines), all manufacturer brands but mainly second-line national brands, was sold. Stocking policy for goods was dependent on the price deal to be obtained. If this was not good enough then the line was not stocked. Cheapness was the driving motivation. There were no tailored promotions or special offers in the stores, and manufacturers’ representatives were not permitted to merchandise. The strategy of ‘loss leaders’ was not often pursued but rather prices were discounted across the entire range, with all goods being sold very cheaply [Singer and Friedlander, 1970; Thorpe, 1972] at a price equivalent or better than other companies ‘specials’. The idea was, as Gubay stated, ‘not to sell cheap groceries but to sell groceries cheaply’. The limited range approach allowed the removal of item pricing, replacing it with shelf-edge pricing or hand-written price cards pinned to a wooden rail running above the stock. This system required the checkout operators to memorise the prices, through the use of a limited number of pricing points. Staff costs were kept low and the trolley-to-trolley checkout operation allowed rapid flow through the check-out. As Watkin and Joseph [1976] show in comparing two discount stores in Wales, Kwik Save employed fewer people than smaller stores run by competitors. Indeed, nationally the Kwik Save operation has for many years had the highest sales per employee figures for food retailing companies. The limited range was also important for efficient distribution, merchandising, buying and computerisation.

The final element was that of risk reduction through the use of concessions in the store to cover the goods that Kwik Save itself did not want to and could not handle, that is, the non-packaged sectors such as fresh meat, fruit, vegetables and bread. This approach reduced the risk by allowing Kwik Save to concentrate on the procedures it did best, but also provided the company with a range of products in the store and, as importantly, with rental income. In 1970 this income comprised 10 per cent of pre-tax profits. The rental paid to Kwik Save by a concession was based on the turnover of the Kwik Save unit, which was an unusual practice. In the main the concessions were run by independent traders or small companies. However, there was a notable experiment at the Rochdale Shopping Centre, which Albert Gubay, chairman of Kwik Save, termed Britain’s first Discount Shopping Centre. At this 72,500 sq ft (gross) centre, Kwik Save took 16,000 sq ft, letting the remainder to non-food concessions. Of this 16,000 sq ft, 3,000 sq ft was beyond the checkouts and 2,500 sq ft was in a loading bay. Greengrocery and butchery were counter service concessions within the Kwik Save unit [Thorpe and McGoldrick, 1974]. The non-food concessions in the centre included Kettering Tyres, Allied Carpets [Davies and Sparks, 1986], Newhome Status (later Status Discount) [Livesey, 1979; Davies and Sparks, 1986] and Comet Discount Electrical [Savitt, 1984] all of
which became major companies in their own right. Status took space in several Kwik Save developments [Tanburn, 1974], as Kwik Save and Albert Gubay began to act as a property developer.

It is important to realise that Kwik Save introduced discount food retailing as an innovation in Great Britain, although discounting itself was being practised by several food retailers. The difference for Kwik Save and other northern-based discounters was that they offered price cuts on far more products than established retailers and did not use selective price cuts, loss leaders or trading stamps [Thorpe, 1972]. At a time of high inflation this was to give them a clear advantage over other food retailers which were changing and were forced to change prices regularly [Livesey, 1979]. Several companies became ‘leaders’ of the discount operation, although as noted before a polarisation was emerging between superstores on the one hand and discount stores on the other. What seems clear is the northern base of discounters [Fulop, 1964; Thorpe, 1972] perhaps because of the relative lack of modern food outlets in the north of England, the greater requirement for urban renewal and the working-class, lower-paid orientation.

By 1970, Kwik Save had emerged as a limited range discount operation while Asda and Wm Morrison were moving towards superstores. Other limited range discounters in the north of England at this time included Discount Foods and Cee-n-Cee. As can be seen in Figure 7 there was a degree of spatial separation of these chains which enabled them to co-exist. The main areas of conflict were in Leeds between Asda and Wm Morrison and Liverpool/Cheshire between Kwik Save and Discount Foods. To some extent, therefore, the initial development years were not ones of conflict. It must be remembered, however, that at this time these companies were very minor parts of the national British food retailing scene [Akehurst, 1983, 1984; Thorpe, 1972; Davies and Sparks, 1986; Livesey, 1979], although their neighbourhood expansion strategies aimed at local market share and penetration gave them a high local profile. Such a pattern of spatial separation and the relative lack of conflict between companies has been seen as important in the progress of innovations [Dawson, 1984] both in Great Britain and Continental Europe. A similar pattern has been identified in Sweden by Laulajainen and Gadde [1986], a process described by them as a ‘locational avoidance’ strategy.

At the time of flotation, therefore, Kwik Save though small had a proven formula that apparently suited the needs of consumers in North Wales, Merseyside and Lancashire. The problem was to translate that success into a retail company for the 1970s and 1980s. Much of this success in the 1960s can be attributed to the chairman, Albert Gubay. His retailing know-how had started and driven the company, overcome problems of operation, as shown in the data for 1961–71 in Figures 8, 9 and 10, and the flotation was as much a statement of the Stock Exchange’s confidence in ‘the controversial Welshman’ Gubay as in Kwik Save which at this time was still only a very small retail company.
Source: Adapted from Thorpe, 1972.
A CASE-STUDY OF KWIK SAVE GROUP P.L.C.

FIGURE 8
KWIK SAVE GROUP P.L.C. – NET MARGIN

FIGURE 9
KWIK SAVE GROUP P.L.C. – PRE-TAX PROFITS
Albert Gubay was a very high-profile and controversial director, perhaps too individual, forthright and independent to be 'shackled' by institutional investors. He very much wanted to be his own boss. At the same time he wanted to turn his paper profits into capital and also felt alienated and penalised by the tax structure. At the time of flotation, control of Kwik Save rested firmly in Albert Gubay's hands with his family retaining c.45 per cent of the shares. In April/May 1972 the Gubay family sold c.27 per cent of the total Kwik Save shares worth c.£7.4 million, although Albert Gubay remained as a director and declared his intention to retain the remaining shares (c.15 per cent) as a permanent holding. In December 1972, Gubay stepped aside from the chairmanship and became a non-executive director. This move was symptomatic of Gubay distancing himself from the business. The bombshell, however, struck later in the same month and in early January 1973 when it became clear that Gubay's remaining shareholding had been disposed of and he had left the country to go to New Zealand [Moir, 1973]. These moves apparently came as a shock to the company and their financial advisers.

It is difficult now to convey the impact of Gubay's departure. His high-profile, controversial and successful style had made Kwik Save
well-known and indelibly associated with his name. Gubay’s walk-out caused personal difficulties for him in that his departure and share dealings were investigated by the Department of Trade and Industry under the Companies Act and he also had to fight a long legal battle over his tax bill. The Department of Trade and Industry report (1974) found Albert Gubay to be in default of the Companies Act and found his explanations ‘not acceptable’. The report however continued that Gubay’s explanations ‘involve a question of interpretation ... which does not fall within our functions as inspectors’ [Department of Trade and Industry, 1974: 10]. Gubay’s tax case eventually reached the House of Lords in 1984 where he won his case that his gift of his shares to his wife, who was by then an Isle of Man resident, meant that he had to pay almost no tax on the share deals (Lord et al., 1988). The effect of both the tax judgement and the inspectors’ report was that Albert Gubay succeeded in obtaining his profit from the founding of Kwik Save and also in avoiding the majority of British tax on his gains. His position as the ‘bête noire’ of British food retailing was confirmed. Since leaving Britain, Albert Gubay has founded, run and sold discount food retail chains (3 Guys) in New Zealand, Ireland and the USA. He is now resident in the Isle of Man where he owns and runs a major bank, the Celtic Bank Limited, and a large private property company, Montrose Holdings Limited, which are investors in retail property [Lord et al., 1988].

For the Kwik Save Discount Group the immediate problem in 1973 was that the company was seen as synonomous with Gubay and few institutions or shareholders believed that there was life after the founder. Gubay’s ‘walk-out’ forced Kwik Save to manage a crisis of confidence if not operations where control was really invested in the system. It took several years for the company to convince the City that Kwik Save could survive and, more importantly, prosper. Gubay’s departure also came at the time of the peak per cent profit margin (Figure 8) and its subsequent decline reinforced the City’s suspicions. In the longer term Kwik Save had to convince investors and the public that their brand of retailing could be developed beyond the North Wales/Cheshire area, and that the company could manage this expansion. The strategic management of growth was therefore also a management of spatial expansion.

The Maturing of Kwik Save, 1973 to date

The company that Gubay left behind had to convince the City of its value and its operating performance. Figure 8 presents the net profit margin of Kwik Save. The net margin in the figure is an over-statement of operating efficiency in that it includes the income derived from concessions, which could be a considerable component of the profit figure. For example, in 1970 this revenue comprised 10 per cent of the pre-tax profits, a figure which had risen to 26 per cent by 1974 (Figure 10). What Figures 8 and 9 show is an inconsistent performance in the
early stages of development, but increasing margins and profit during
the entrepreneurial phase of the 1960s. This inconsistency in the early
1960s is shown by the fluctuating net margin and the underlying profit
figures which fell from £31,000 in 1962 to £14,000 in 1964. Immediately
after flotation and Gubay’s departure, the net margin was driven lower
as Kwik Save came under pressure both within the company and
through the more difficult and government restricted trading condi-
tions of the 1970s. In one sense the 1970s were beneficial to Kwik Save’s
brand of discount retailing as consumers were more price-conscious,
but on the other hand inflation and product shortage as well as
government controls made trading difficult. Food price inflation was
above 10 per cent per annum for the majority of the period 1972–82,
being particularly high in 1974–77 when annual food inflation reached
25 per cent (Figure 11). Price-consciousness among customers rose
considerably at this time, especially among the lower-paid.

These initial years after the hiatus also saw the income from conces-
sions contribute a very high share of pre-tax profits, emphasising the
trading difficulties. By the 1980s, however, as Figures 8, 9 and 10 show,
consistent growth rather than fluctuation is the pattern with net margin
and rental income as a percentage of pre-tax profits remaining at
relatively stable levels. It has to be noted that during the 1970s and early
1980s the margin produced by Kwik Save was ahead of most, if not all
food retailers [Akehurst, 1984; Manchester Business School, 1987a;

FIGURE 11
YEAR ON YEAR CHANGE IN RETAIL PRICE INDEX (FOOD) 1961–1988
A CASE-STUDY OF KWIK SAVE GROUP P.L.C.

Institute of Grocery Distribution, 1987]. This can be seen in Table 6, which emphasises this aspect of Kwik Save’s performance.

### TABLE 6
NET MARGINS OF MAJOR UK FOOD RETAILERS 1970–88

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1979–88 Annual Reports of Companies

Note: There are considerable difficulties in reconciling these various sources and this table should be seen as indicative of broad trends only.
The growth of Kwik Save is clearly demonstrated by Figures 12 and 13 which show the number of stores and the sales floorspace respectively. Figure 12 shows that the number of stores grew steadily in the early 1970s and then with increasing pace. In the late 1980s for example Kwik Save have been opening on average almost one store per week. This expansion has been mainly organic in nature. The exceptions are a 1978 take-over of the 49 unit-strong Cee-n-Cee supermarket chain, the 1986 acquisition of Tates which brought twelve food shops, fourteen wine shops and six convenience stores, the 1987 purchase of 23 Dee Corporation units, and in 1989 the purchase from Iceland Frozen Foods of the 53-strong Victor Value chain. Iceland Frozen Foods had acquired Victor Value as an unwanted part of their Belgian takeover. This latter purchase removed a minor rival from the market place, gave Kwik Save valuable presence in a particular regional market and, it is rumoured, stopped, temporarily at least, Aldi the German discount chain from entering the British market. From Figures 12 and 13 it can be argued that the takeover of Cee-n-Cee supermarkets, while reasonable in spatial terms (see below), actually slowed growth for the following few years and reduced Kwik Save's expansion. Certainly Kwik Save took their time in assimilating the Cee-n-Cee chain and learnt valuable lessons.

The changeover in the company is marked. From its entrepreneurial beginnings, Kwik Save had grown to have a turnover of £15.0 million and net profits before tax of £1.02 million in 1971. It retailed from

Figure 12
KWIK SAVE GROUP P.L.C. - NUMBER OF KWIK SAVE STORES
A CASE-STUDY OF KWIK SAVE GROUP P.L.C.

only 24 outlets with a sales floorspace of 115,000 sq ft. There were approximately 450 employees. By 1988 Kwik Save Group had a turnover of £974.1m, made profits of £55.2m, retailed from almost 575 locations, with 3.25m sq ft of floorspace and over 8,400 FTE employees. The management of change from the entrepreneurial beginnings, through the hiatus of Gubay's goodbye to the present mature retail chain had been safely and profitably achieved. It is important to consider how this process was managed. This can be undertaken in three ways: first, through a brief overview of the general food industry in the 1970s and 1980s; secondly, through examining Kwik Save's spatial expansion, and thirdly, through a review of Kwik Save's business operation.

Akehurst [1984] has examined food retailing in the 1970s in particular and has pointed to the difficulties many retailers were facing. Such problems led to the abandonment of trading stamps and the introduction of Operation Checkout by Tesco in 1977 which as Bamfield [1980: 41] states:

marks a change in retail techniques, particularly promotional methods, rather than being a temporary phenomenon after which retail prices might return to normal ... the response to a change in consumer buying habits as reflected in the rapid growth of low cost discounters.

FIGURE 13
KWIK SAVE GROUP P.L.C. – SALES FLOORSPACE (000 sqft)
The success of discounters such as Asda with superstores and Kwik Save with discount stores brought conflict to food retailing. Their success produced imitators from established food retailers such as Tesco with superstores and Shoppers Paradise [Allan, 1980] and Key Discount with discount stores. Expansion of Asda and Kwik Save brought conflict through spatial expansion of trading areas and traditional selective price cutters began to stand still in market share terms [Akehurst, 1983, 1984]. Across the board discount pricing while attractive to consumers also provided business efficiencies which in turn enabled expansion. The market share discounters gained was at the expense of independents and co-operatives rather than the big multiple groups. Previously, however, this gain would have gone to companies like Tesco and Sainsbury. Hence the need for Tesco and Sainsbury to respond through a price-war based on across the board discounting. The success of Kwik Save at this time is well marked by the adoption of its pricing stance by major companies in the late 1970s and its style of operation in the 1970s and 1980s.

Imitation is claimed to be the sincerest form of flattery, and Kwik Save was imitated by many operators. Some were limited-range discounters from the 1960s. Most of these did not expand as fast as, or manage their expansion as well as, Kwik Save and were taken over or failed; for example, Discount Foods Ltd became one of the bases for Oriel Foods and thus Argyll (Safeway). A review of the discount operators listed by Thorpe [1972] and shown in Table 4 shows that only three of the nine companies remain in operation, and two of these operate superstores. Other imitators were set up as trading arms of major retailers. This does not mean that imitation brought success as the demise of KD Discount (Key Markets), Pricerite (International), Shoppers Paradise (Fine Fare) and Victor Value (Tesco then Bejam then Iceland Frozen Foods then Kwik Save!) among others show. All of these operations have been sold or closed down. Limited-range discount operations are difficult to run profitably and successfully and the success of Kwik Save is impressive.

The expansion of the Kwik Save Discount Group can also be viewed in spatial terms. In 1967, when the discount store format had been fully accepted by the company, as has been seen (Figure 5) there were 13 branches trading as Kwik Save Discount, mainly in North Wales, but with some expansion into Cheshire. By 1971 the company had 24 units trading in North Wales, Cheshire and Shropshire (Figure 6) with the headquarters and distribution depot remaining at Prestatyn. In 1973, a new depot was added to the Group at Ashton-in-Makerfield in Lancashire. The purchase of this depot was explicitly designed to allow for easier distribution to existing stores in Lancashire and to proposed new stores in both Yorkshire and the Midlands. The sites for these stores had been purchased in 1973 to allow for phased opening in the following 18 months. This period was important for the company as they now had to make their system work via a multiple depot situation.
Future expansion if the systems worked at the second depot would be easier. This expansion was also aided by the further extension of the motorway network. It is often forgotten that at this period physical distribution could not rely on good infrastructure and spatial expansion was often geared to infrastructure investment. This infrastructure investment can be public (e.g., motorways) or private (e.g., distribution warehouses). The spatial pattern of stores in 1974 is given in Figure 14. The beginnings of the move away, enabled by this investment, from the ‘heartland’ of Prestatyn, North Wales can be clearly discerned.

By 1975, the Annual Report stated that ‘in order to maintain planned expansion into the Midlands, we are constructing a new distribution warehouse at Tipton, Staffs’. A clear strategy of careful, planned spatial expansion was in place. Being a very centralised distribution-driven company, Kwik Save used the locations of their distribution depots, and the motorway expansion programme, to open up the targeted areas for growth. Structural investment was taking place to allow planned spatial development. Thus the development at Tipton produced expansion plans for the Midlands, the South-West and South Wales which began to see stores opening wider afield in 1976-77. The position at 1977 shows clearly this drive southwards and into South Wales (Figure 15), continuing the spatial transformation of the company. At the same time Figure 15 shows the extent to which Kwik Save’s strategy encompassed the ‘in-filling’ of existing trading areas with newer and more stores. Thus developments occurred as well in North Wales and Lancashire.

It was the opportunity to ‘in-fill’ existing target areas that attracted Kwik Save to Cee-n-Cee supermarkets in 1978. The purchase of this 49 unit chain gave further representation in Lancashire, Cheshire, and the Potteries. While the grasping of this opportunity is perfectly understandable it can be argued that the purchase disrupted Kwik Save’s progress (see above). Certainly it took a considerable period to incorporate the chain fully into operations. Further evidence of this disruption is seen on the distribution side of the business. In 1977 plans were announced for a new warehouse at Swindon to serve expansion in the South-West, South and South-East. However, Cee-n-Cee also had a depot, although in Kwik Save’s main area, at Winsford. The takeover of the Winsford depot led to the Swindon warehouse being sold in 1979. Kwik Save’s fifth depot then opened in Newport in late 1979, clearly linked to major expansion into South Wales.

A similar pattern for development has also occurred in the 1980s. Minor changes to the distribution warehouse network in the early 1980s preceded the opening of a new warehouse at Sherburn in Elmet in North Yorkshire. This was clearly aimed at providing for expansion in the North-East of England. Such expansion is demonstrated in Figure 16 which shows the position in 1985. The locations can be clearly contrasted with the locations in the entrepreneurial phase and demonstrate the advance Kwik Save has made towards being a national
chain. Again, the figure shows the pressure Kwik Save maintains to 'in-fill' existing areas. Since 1985 expansion has continued with openings for example of stores in Southampton, Bournemouth, Carlisle and Newcastle. Opportunities to 'in-fill' existing areas of activities continue to be taken, the most notable being the purchase of 23 former Dee Corporation units in the Midlands to provide better sites and extend representation in the area.

However, the major change since 1985 has been the developments in the London and South-East area. This has included opening stores in Ilford and Tottenham, for example, and the purchase of a small number of Woolworth stores for conversion. These stores were fore-runners of a scheduled onslaught on the London market which will
probably have to be supported by further distribution centre developments. The location of stores in 1987 is given in Figure 17 which clearly shows the further spatial expansion since 1985, and the emerging presence in London and the South-East region. Since 1987 expansion, particularly into this region, has continued. This has been substantially advanced by the purchase of Victor Value which has most of its outlets in the South-East. This is an example of spatial expansion strategy aided by acquisition.

The company has also expanded from the 'traditional' food supermarket. Since 1984 a freezer centre chain (Arctic) has been operating, often adjacent to existing Kwik Save units. The introduction of scanning technology has now allowed these freezer centres to become part of the
Kwik Save operation at any location, and conversions are under way to phase out Arctic Freezer Centres as separate trading identities. In addition, by 1988 there were also 23 Late Shopper convenience stores which were part of the Tates chain. This convenience chain is set for expansion, and a new distribution centre opened in Grimsby in the first half of 1987. The previous reliance on outside concessions has been reduced particularly through a subsidiary company, Coleman's Meat (purchased in 1980). Coleman's retains the 'local touch' by operating almost 900 franchises for meat and delicatessen, fruit and vegetables and bakery products in many Kwik Save stores. In addition there are in-house Best of Cellars drinks units (off-licence sales) found in the larger Kwik Save developments, with 190 operating by the end of 1988. The
pattern of spatial development is therefore a strategically planned systematic one, concentrating on the core business and expanding in new areas and in-filling existing strongholds.

The transition from an entrepreneurial-led small company to a significant corporate retailer has also meant changes in structural elements of the business as well as spatial expansion. However at a broad level the company has remained faithful to Gubay’s original principles. This may be partly owing to the long-term presence on the board of several directors who started out with Gubay in the early 1960s or 1970s. For example, Ian Howe, the present chairman and chief executive, joined Gubay in 1963 and had responsibility for computerisation. In two particular aspects Kwik Save have remained
faithful to the original principles. First, Kwik Save still operates out of small units. The average selling space of a Kwik Save supermarket is only 5,700 sq ft. This is against the trend in food retailing which is for polarisation into very large units such as superstores and very small specialist stores [Dawson, 1985]. The average Tesco store in 1988, for example, was nearer 21,800 sq ft sales area, with new store openings approaching 35,000 sq ft sales area. Kwik Save occupies a middle size range which most other companies ignore. Secondly, the company maintains its reliance on manufacturer branded goods and avoids the widespread trend towards own brands. This has ensured that Kwik Save is welcomed by manufacturers and the brands now sold are generally top manufacturer brands rather than the earlier reliance on secondary names. These brands are sold at very competitive prices (Table 5). As the Annual Report of 1985 states, the trading policy is one ‘of offering the lowest possible prices on our range of top branded names’. By remaining faithful to these two principles, Kwik Save has isolated itself from two major trends in UK food retailing.

There is one other way in which Kwik Save has gone against the trends in UK food retailing: that is in its locational policy. Kwik Save is reliant on convenient locations which are often relatively central. This is against the general trend to segregate food shopping away from high streets into suburban superstores. The approach of Kwik Save is to take the shops to the customer, allowing Kwik Save to run several shops in a town where other retailers have been withdrawing to the edge-of-town or closing their presence completely. This also reflects the smaller catchment area and greater walk-in trade generated by Kwik Save compared with other food multiples. The site location strategy can be illustrated through a number of cases. Guy [1987] has shown how Kwik Save had three of the 42 multiple and co-operative grocery stores in Cardiff in 1982. By 1986 they operated four of the 30 such grocery stores trading. Their additional store was in fact a purchase from Argyll. In the same way, Lillywhite [1987] has shown how Kwik Save’s representation grew from 16 out of 225 supermarkets in the West Midlands in 1977 to 31 out of 200 supermarkets by 1986. This is a change from 7 per cent of the supermarkets with 6.7 per cent of the sales floorspace in 1977 to 15.5 per cent of the outlets and 9.6 per cent of the floorspace in 1986. With the 1987 purchase of Dee Corporation outlets in the Midlands it is likely that these figures have risen even further. This ability to trade successfully from other retailers’ former outlets has also been demonstrated by Rees [1987] in Swansea where a Kwik Save and an Arctic Freezer Centre trade out of part of a former Tesco unit in Morriston.

The approach is well summed-up by Ian Howe, the Chairman, in the Annual Reports of 1984 and 1986:

There is an increasing polarisation in the trade between retailers concentrating on major developments and relying on large
catchment areas, and others, like ourselves, who see the opportunity to fill the vacuum that is created by the shrinking number of outlets to offer the best in price and convenience to urban, suburban and rural customers. The flexibility of approach allowed by our trading methods will ensure our continued growth in a highly competitive market [Annual Report, 1984: 4].

The growth of superstores, and the resultant decline in first generation supermarkets, is tending to reduce the number of shopping alternatives available to customers. The ability of our Group to trade profitably in stores of a wide range of sizes and locations will give us increasing opportunities to exploit this situation [Annual Report, 1986: 5].

The polarisation of retailing and the move to out-of-town locations are seen as providing opportunities for Kwik Save to expand its operations and to fill a gap or niche in the market place. This again emphasises the spatial element to retail change, this time at a different spatial level.

In a number of other ways, however, the company has moved away from the principles of Albert Gubay and instead has followed developments in the market. First, the stores now have considerably more lines that in the past, often over 1,000 compared with the previous 450. This extension to the number of lines has caused problems with checkout operators’ abilities to memorise the prices. This is particularly acute in areas where it is difficult to ensure staff quality and reliability. The new stores therefore operate with a laser scanning system which allows price look-up and obviates the need for price memorisation. The freezer centres had EPOS as an integral part of its operations. Perhaps a more notable change however is the extension to service and design that has occurred in the 1980s. While it is not true to say that Kwik Save has moved completely up-market in its positioning, it certainly has ‘traded-up’ in response to consumer changes. There is a world of difference between the interiors of the original Gubay stores and the current Kwik Save offering, despite the company’s scathing comment that ‘we do not wish to indulge in the “designer” look which characterises the stores of many of our competitors’ [Kwik Save Annual Report, 1988: 7].

The consumer emphasis on quality and value and the new consumer perceptions which have steadily broadened have seen most firms in food retailing examine quality and value. The most notable change in Tesco’s drive up-market [Akehurst, 1984], but other chains, including Kwik Save, have moved in the same direction. For Kwik Save this has meant new design, decor and layout and refurbishment of stores and staff attitudes. While prices are still keen, the emphasis is less on discount, a fact recognised by a change in name in January 1986 to Kwik Save Group P.L.C. (from Kwik Save Discount Group P.L.C.) and the disappearance of ‘Discount’ from all store fascias. While Kwik Save now promote themselves as ‘no nonsense food stores’, the comparison
between the early Gubay-style Kwik Save and the modern stores shows just how far in design, style, decor and operating and merchandising practices Kwik Save have in fact moved.

There have also had to be changes in the management and operational structure of the company. In operational terms the company remains very centralised with most of the operations organised, controlled and carried out at head office. For example, computerisation is currently centralised in location although decentralised in format of machines. The company has now, however, expanded into divisions, hence the need for a group structure. The three divisions are Coleman Meat Company Ltd, Tates Ltd and Kwik Save Stores Ltd (which covers Kwik Save Stores, Arctic Freezer Centres and Best of Cellars). The group structure at August 1987 is shown in Table 7.

One of the interesting aspects of the table is the presence on the board of a number of directors who began with Albert Gubay. In particular, Ian Howe has spent over 25 years in the company. When Gubay left, Ian Hill became chairman with joint managing directors of Ian Howe and Michael Weeks. Weeks was in charge of all aspects of the business up to the opening of stores while Howe had responsibility for general administration. Other directors each had an area of responsibility; Mills for distribution, Edwards for sales and transport and Postlethwaite for buying [Manchester Business School, 1987b].

This young management team effectively managed the expansion of Kwik Save until 1983, since which ill-health and retirement have left Howe as chairman and chief executive and Postlethwaite as managing director. The links back to Gubay in terms of management are marked.

The final realisation that Kwik Save had moved from its entrepreneurial stage through to full corporate status came in 1987. Despite periodic rumours of possible takeovers, particularly during the two or three years after Gubay’s departure, Kwik Save remained independent until mid-1987 when Dairy Farm International Ltd, a Hong Kong company mainly owned by Jardine Matheson, and operators of retail chains in Hong Kong (Wellcome and 7–11) and Australia (Franklins) took, against the Kwik Save Board’s wishes, a 25 per cent stake in the company. There is a standstill agreement in operation which precluded a full bid being made until after April 1989. Kwik Save’s future is therefore less clear, although a foreign bid may be preferable to a UK one if it allows a devolved management approach and freedom of action in the UK. One effect of the agreement is to place members of Dairy Farm on the Kwik Save Group board and indeed Graeme Seabrook of Dairy Farm took over in 1988 as managing director, replacing Postlethwaite.

The Future

In the long term discount stores are likely to disappear. However the disappearance may not be quick and will conceivably be an evolution into a store with a wider but less deep range
of merchandise, an increase in service, and a declining price differential [Ornstein, 1976: 58].

The future of Kwik Save is therefore a little uncertain at the moment, depending to a considerable extent on the progress or otherwise of any bid, whether from Dairy Farm or any other third party. In trading terms, however, the future is somewhat clearer. Expansion into new geographical areas away from the company’s base continues and will be the main feature of the coming years.

The targeting of London and the South-East is potentially a high-risk strategy, but the rewards could be enormous. Sites in London are expensive and traditionally Kwik Save has purchased freeholds and avoided debt on the balance sheets [Thorpe, 1974]. There is also uncertainty whether the affluent south will take to Kwik Save’s ‘cheap and cheerful’ form of retailing, although international evidence with in particular Aldi suggests that middle-class urban dwellers can be attracted in such locations. Certainly there is likely to be a cost-
conscious, brand-oriented, convenience-style consumer segment in London. If this segment can be tapped then the rewards will be considerable.

In the other areas of expansion – the north-west and the south-east – the search for stores continues while in-fill stores or relocations are always sought by Kwik Save, whose advertisements for sites can often list well over 350 towns in which sites are required. There would seem to be scope for continued expansion. In addition experience is being gained with the Late Shopper convenience stores which are being expanded. The implication for the Group is that a portfolio of operations and trading experience is being developed which will be useful in future adaptations to circumstances. The spatial expansion of Kwik Save has, as has been demonstrated, progressed in a systematic and controlled fashion. Developments in distribution to service the extending number of stores can again be expected. The one area of Great Britain into which Kwik Save has not ventured is Scotland. In some respects this is surprising, as Scotland would appear to have no real limited-range discount competitors to Kwik Save, while seemingly having a considerable pool of likely customers, especially in the urban areas of Glasgow, Edinburgh and the Central Belt. To be really considered as a national chain, Kwik Save will have to overcome its reluctance to enter the Scottish market. Perhaps the Central Belt can expect to be the location for a distribution depot. One explanation for the reticence might be the considerable costs that would have to be incurred in distribution until a critical mass of stores developed. In other areas this has been less of a problem, but the distances involved to Scotland could cause difficulties. What is clear is the interlinking of spatial and structural elements of business developments.

If Ornstein, as quoted above, is correct, then the signs of decline in Kwik Save can already be discerned. The title 'discount' has been dropped from the fascia, the service level has increased, the range has widened, although importantly the price differential appears not to have decreased markedly. To that extent the true discount store is in decline and being replaced by a price leader. Such changes have been necessary as price has become less important overall to consumers and the potential Kwik Save market has shrunk. Dangers for Kwik Save in the future, therefore, are either that their market will continue to shrink despite 'trading-up' or that a new cost leader could emerge to challenge Kwik Save, taking their market share. Kwik Save's cost leadership position may be based on past performance not present systems and controls. Certainly it appears that Seabrook's role in Kwik Save is to galvanise the company, encourage new talent and to improve performance at all levels whilst maintaining the traditional strengths [Lester, 1989]. At present the emergence of a new UK-based low-cost leader seems unlikely, and Kwik Save appear to be in a reasonable position. An international danger might be Aldi which are rumoured to want to enter the British market. Aldi run stores which are strikingly
similar to the Gubay-style Kwik Save operation, and these could pose a threat to the new generation Kwik Save. The key will be Kwik Save's ability to keep on top of the business as before and to be successful in the London and south-east markets. The true limited range discount store may be a thing of the past but for Kwik Save it has been translated into the convenient and competitive food outlet with all the connotations both convenience and competition have to offer.

THE IMPORTANCE OF KWIK SAVE

Kwik Save Group P.L.C. are important for a number of reasons. First, they illustrate very clearly the transition from entrepreneur to corporation. In the initial stages, the concept was developed and put into practice by an entrepreneurial founder and a relatively young management team. This entrepreneurship and drive took the company from its small beginnings to being quoted on the Stock Exchange. It was at this stage that difficulties arose. Such difficulties and problems are not uncommon as companies try to bridge the gap between entrepreneurial roots and a corporate future [Churchill and Lewis, 1983; Mintzberg and Waters, 1982]. In this case the entrepreneur clearly felt the desire to return to the practice of entrepreneurship [Lord et al., 1988] rather than take Kwik Save forward. Kwik Save, however, retained many of the managerial staff who began with the company thus providing the continuity that is often deemed necessary in making this transition [Drucker, 1985]. Mintzberg and Waters' [1982] entrepreneurial vision was being replaced by corporate planning. The company therefore accords to the progression outlined by Churchill and Lewis [1983] and shown in Figure 3, although timings of discrete stages are difficult to ascertain. The transition was thus managed, not without a degree of difficulty, confusion or crisis management, but nevertheless successfully.

An important element in managing this transition and its aftermath is that the company have kept their 'eye on the ball' and were not tempted to expand into new operational areas until corporate success had been achieved. Kwik Save still see the general trends in food retailing as providing them with opportunities rather than threats. These opportunities are both structural (the polarisation of retailing) and spatial (the possibilities in the South-East and perhaps Scotland, and at the local level in terms of convenience). This is not to say that where general trends can be harnessed to the corporate good then they are ignored. Indeed, Kwik Save has changed and moved away from its original conception in line with changing consumer requirements and retail practice, and the company would see themselves as a convenient and competitive chain rather than a discounter per se. The focus, however, for a long time was solely on the core business.

The company managed change successfully for other reasons as well. Foremost among these was a clear view of the way forward and in
particular a strategic and systematically planned approach to store location and numerical and geographical expansion. Having centralised distribution at an early stage, ahead of most of the other food retailers, and having adopted computers and technology to enable tight control of the business, Kwik Save were well aware of the importance of physical distribution. The planned development and spatial expansion was thus dependent on good distribution and this became a key element of the planning. Centralisation and computerisation provided, together with detailed business control and aggressive buying, the basis for competitive advantage.

The model proposed by Brown et al. [1981] predicts for Kwik Save an initial neighbourhood and expansion pattern (Figure 2). The combination of sales potential (arguably related), logistics effects (significant), elasticity of agency profitability (minimal) and capital availability (initially low) produce a predicted neighbourhood effect. Figure 18, which is based on the earlier location maps of Kwik Save stores, shows this to be the case. As capital availability increases, the model prediction is for a neighbourhood effect with a slight hierarchy effect. It can be suggested that this is found to an extent, with some leapfrogging over markets with later in-filling. The hierarchy effect is very slight, however, as the location maps and Figure 18 suggest.

Secondly, Kwik Save stores are important because of their distinctiveness. In food retailing in the UK, they no longer have any real competitors in their sector of the market with the possible exception of Lo-Cost. With Safeway concentrating on their extension of the Safeway name to Argyll stores the future for Kwik Save seems positive. The polarisation of retailing has left a gap to be exploited and Kwik Save are doing just that. Spatially, there are clear potential markets for the company. Any company that succeeds by going against the trends must be worthy of study even if it is only as a counterpoint to received wisdom.

This distinctiveness of Kwik Save is found in several ways. At a macro-level, the company is one of a number of North Wales based retail companies that have expanded towards becoming national chains. Another example from the same area are Iceland Frozen Foods, which with the growth of freezer sections in Kwik Save may increasingly come into conflict with Kwik Save. This provincial base does mean, however, that Kwik Save are only now trying to break into the south-east of the country where there is a large market, but the entry costs and competition are high. A similar problem has confronted other provincial-based food chains, most notably Asda [Jones, 1981; Davies and Sparks, 1986]. At a micro-level, the company are exploiting their indentified market niche by operating out of relatively small stores in convenient locations. The concept of convenience has several different facets, but the Kwik Save version stresses an ability to attract walk-in trade and shoppers travelling to 'traditional' locations. Kwik Save stores are thus found in High Streets, suburban sites, purpose-
built precincts, near housing or close to workplaces and car parks. The emphasis is on bringing the stores to the public rather than relying on consumers travelling out to them. This goes against much of the superstore ethos and suggests an attempt to exploit a different consumer base or different consumer trips. This locational approach allows Kwik Save to operate in locations where other food retailers would not and also to place more stores in a given area than other retailers given their catchment areas. This is providing Kwik Save with a high profile, which is reinforced with a considerable spend on regional advertising.

This locational approach is important because it represents one of
the few successful attempts to fill the void that superstores are claimed to leave. One of the often-quoted worries about the polarisation and decentralisation of retailing, and especially food retailing, is that of providing facilities for those consumers unable to travel to superstores [Bowlby, 1985]. It has been argued that these consumers are forced to rely on declining shop numbers and lower quality in traditional locations. The prices in such shops, it is suggested, are often higher than in superstores, thus further penalising the disadvantaged consumers. If Kwik Save are able to use these locations then they can ease the position considerably for these disadvantaged groups. While never matching the product range of superstores, the price advantage of Kwik Save remains considerable. They offer a cheap and convenient food shopping facility.

Kwik Save began from a very simple idea: that a company can be developed and be successful by selling manufacturer branded goods to consumers at the lowest possible price. While this is an attractively simple idea, in practice discount food retailing is far from easy. The casualties on the way have been considerable, both in this country and, for example, in the USA. Kwik Save, however, have grown and prospered by taking the basic idea and developing a series of strategies around it. These strategies are in turn held in place by rigorous managerial control. The strategies adopted by Kwik Save are based on the tenets of low-price, manufacturer branded goods, limited range, convenient locations, centralised distribution, and planned spatial expansion. Most of these strategies are aimed at exploiting a structural and spatial niche in the market. While other companies have similarly seen the niche, few, if any, have been able to exploit it successfully. The management techniques provided a competitive advantage [Porter, 1980] that made Kwik Save the cost leader, and this, together with entrepreneurial drive, took the company forward.

The success of Kwik Save has been driven by commitment to make the strategies work and in particular by detailed control of the business. Discount food retailers need low costs and high turnover. The cost side is controlled by cutting shrinkage costs, through for example centralised distribution in which Kwik Save lead the way for many retailers; by cutting labour costs at all levels of the company, through for example de-skilling management, rapid checkout operation and a flexible labour force; by reducing overheads such as store furnishings and facilities; and through good buying deals with manufacturers enabled by bulk purchase. The effect has been a net margin higher than most other food retailers obtained from an industry low gross margin, that has been sustained for a number of years and sales per employee figures that are equally well-regarded.

Kwik Save may be considered to meet Drucker's [1980] four key elements for entrepreneurial success:

i. Kwik Save clearly had a focus on the market, although in very
general terms and believed totally that if they were the cheapest
then they would be successful.

ii. Kwik Save demonstrate sound financial management with control
systems to monitor cash flows in place from early days.

iii. The Kwik Save management team were set up early by the founder.
The effect was that when Albert Gubay left, the management and
the systems were in place.

iv. Gubay as founder clearly demonstrated his responsibility in the
business, and began to withdraw when no longer needed, although
his full reasons for withdrawing are clearly more complex than this.

Kwik Save are also a good example of Porter's [1980, 1985] cost
leadership strategy. The initial idea was to be a cost leader and the
business systems introduced produced the cost control and savings that
allowed cost leadership. Kwik Save had access to capital as they grew
and provided continued investment for expansion, standardised and
simplified operational procedures, supervised and controlled labour
rigorously, produced a low-cost and efficient distribution system and
redesigned the basic in-store system for retailing. In organisational
terms there was tight cost control, detailed reporting, a structured
organisation and management incentives based on targets. All these
attributes are those Porter [1980] describes as being needed for a cost
leadership strategy. Having this cost leadership Kwik Save appealed to
lower-income consumers and those wanting leading brand names.
Service, which can add cost, has not been part of the offer until recently.

CONCLUSIONS

What has to be recognised from the case-study is the spatial-structural
dimensions to the retail development of Kwik Save. Any analysis and
understanding of the process of retail change as for example through an
examination of corporate change has to include a spatial dimension.
This case-study of Kwik Save stresses the spatial element to retailer
decision-making. This spatial element, however, operates at a variety
of scales as it interacts with wider strategic decisions. The study of
retailing, it is argued, must consider the structural and spatial realities
of retail life in order to understand more fully the retail fabric and retail
decisions. This has not been fully appreciated in many of the studies
previously undertaken.

The case-study of Kwik Save has been used here to indicate both the
importance of spatial and structural considerations and their inter-
relationships when analysing retail change and also to stress the need
for company-specific studies to illuminate retail analysis and theory.
The previous work on retail change and retail theory can be seen to
address only weakly the structures, problems and events portrayed by
the selected company. The wheel of retailing or the other retail
'theories' can be seen as nothing more than basic descriptions of retail practice – they offer no real understanding and explanation.

On the other hand however, the issues raised by the case-study are far more applicable to the concepts of business growth and competitive advantage that are beginning to be developed [Porter, 1980; 1985; Churchill and Lewis, 1983; Drucker, 1985]. At the same time it is clear that extensions to these concepts are required if a general theory of corporate retail development is to emerge. One of the ways in which this work has to be extended is in terms of spatial strategy. One suggested model is that Brown et al. [1981] and indeed using the framework developed by these authors, the predicted developmental spatial strategy for Kwik Save was the neighbourhood spatial diffusion pattern that was followed. Work remains to be done, however, on exploring the links between these two conceptual strands and models [Laulajainen 1988a]. In particular there is a need now for far more detailed and extensive analysis of corporate growth patterns, initially at the individual company level, focusing on the spatial-structural interactions and underpinned by the detailed review of competitive advantage and business growth. It is only through the production of a body of detailed corporate development knowledge that understanding and explanation in the form of a retail theory of spatial-structural development can be produced. Much remains to be attempted.

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