14 Spatial-structural change in food retailing in the UK

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Keywords: food retailing, competition, policy, spatial-structural change, United Kingdom.

Introduction

This chapter aims to provide an evaluation of the development of the food retailing sector in the UK. It considers the rationale, implications and trajectory of the spatial-structural changes that have occurred. It situates retail businesses within a network of supply and demand chains and emphasizes dimensions of change, power and competition. This analysis then focuses on the implications of recent turbulence in the sector, before reflecting on future possible directions of change.

After the Second World War, the UK underwent a fundamental reconstruction of its food retailing sector. From a position of controlled prices, manufacturer dominance and small counter-service stores, food retailing has been transformed. A rise in retailer power at the expense of manufacturer power has seen retailers take control of the organization of the entire food chain (Marsden and Wrigley, 2006; Clarke et al., 2002; Clarke, 2000). At the store level, the end of the twentieth century saw an almost uniformity of approach through the dominance of the large-format, self-service, out-of-town, food store (superstore and hypermarket). Organizationally, an oligarchy with a dominant market leader had emerged (Burt and Sparks, 2003).

Food retailing in the UK is a major sector of the economy. The Institute of Grocery Distribution (IGD, 2014) valued the retail sales in UK grocery retailing in 2014 at £174.5 billion, with grocery sales accounting for 54.5p of every pound spent in retail in the UK. They estimate that hypermarkets account for 42 per cent of this spend, superstores 20 per cent, convenience stores 21 per cent, discounters 6 per cent and online 4.5 per cent. Tesco is the dominant retailer with around 28 per cent of the market, followed by Sainsbury and Asda with 15–16 per cent each. Table 14.1 attempts a classification of this market in terms of organizational forms, operational forms, store formats and motivation. The dominant form has become the hypermarket and superstore, operated by corporate retailers for profit. Recently this has been challenged by discount, convenience and internet retailing, but again multiple owned and profit oriented.

This 70-year transformation of the sector has not been uncontested; nor is it concluded. Since 2000, the themes of convenience and of digital shopping (the internet) have emerged strongly. There has also been a rising concern over the provenance of food and food products, driven not least by various food scares (including BSE and horsemeat), the continuing debate over access to (healthy) food for all, and the implications of potential abuses of retailer power in supply chains. There is a small but increasing development of operations that have social and equity motives and are independently operated, which can be locally significant.
Table 14.1 A classification of food retailing in the UK

<table>
<thead>
<tr>
<th>Organizational forms</th>
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<tr>
<td>Multiple/corporate</td>
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<tr>
<td>Cooperative</td>
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<td>Independent</td>
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<td>Affiliated</td>
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<th>Operational forms</th>
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<td>Virtual store</td>
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<td>Mobile store</td>
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<td>Market stall</td>
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<th>Store formats</th>
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<tr>
<td>Hypermarket</td>
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<tr>
<td>Superstore</td>
</tr>
<tr>
<td>Supermarket</td>
</tr>
<tr>
<td>Convenience store</td>
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<tr>
<td>Discount store</td>
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<tr>
<td>Specialist store</td>
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<tr>
<td>General food store</td>
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<th>Motivation</th>
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<tr>
<td>Profit motive</td>
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<td>Cooperative motive</td>
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<tr>
<td>Social motive</td>
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<td>Equity motive</td>
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In spatial-structural terms, these changes illustrate a growing challenge to the uniform dominance of the out-of-town superstore/hypermarket. Recent years have seen the rise of smaller discount stores such as Aldi and Lidl. Convenience retailing (local, metro, urban central stores) has become a major growth sector for food retailing. Internet ordering has increased spectacularly, focusing attention on customer collection/delivery of product and causing the emergence of so-called ‘dark stores’, satisfying high-density urban home delivery. There is thus an increasing rethink over the development and sustainability of large format stores. At the same time, local and specialist food retailers have exploited internet and physical opportunities to directly sell their products to consumers via farmers markets, local alternative supply networks, home delivery and socially oriented supermarkets. Food poverty issues, however, have also brought about a rapid expansion in the number and use of food banks.

This changing structure of food retailing has seen changes at sector, organization and store level. Understanding these is vital in comprehending the impacts of food retail sector change on communities, places and individuals.

Power and competition in the UK food retail sector

The immediate post-war period for the UK economy was a difficult one, not least for food retailers who were still struggling with rationing, other controls and constraints and a restricted consumer ability to purchase and consume. The food retailing landscape was one controlled by manufacturers, with food provided to consumers by a plethora of small shops – often independently or local cooperatively owned – and by local markets. The few multiple retailers of any size operated small-scale premises with counter-service. The contrast with the food retail industry of the early twenty-first century is dramatic.

Food retailing today is retailer dominated, with power having shifted from most manufacturers to retailers (Dobson and Waterson, 1999; Clarke et al., 2002). The dominant retail organizational form is the multiple retailer, which accounts for the vast majority of sales. Independent and cooperative retailing are seen as the exceptions and not the norm. Food retailing is delivered not through the ‘standard’ retail format of the small high street shop, but rather through a combination of the superstore, the modern convenience store and the internet. Place and locality in food retailing is no longer the bedrock of the sector, and the independent shopkeeper is no longer the bastion of the national or local economy.

This transformation has a number of dimensions, all associated with the transfer of channel power from the manufacturer to the retailer and the exercise of this power by the retailer to serve the changing needs of consumers. This transformation did not take place overnight, nor did it occur willingly. Retailers and manufacturers fought a number of legal battles over how to service the customer, most notably in the arenas of resale price maintenance, trading stamps, branding and supply chains.

From the 1950s onwards, manufacturers increasingly lost the ability to set and maintain retail prices (Mercer, 2014). The emergence of aggressive price-cutters led to an increasing sense that the retailer, rather than the manufacturer, was the ‘friend’ of the consumer. Consumers, as they became more affluent, sought to spend this money in different ways, but nonetheless retained a sense of thrift. As retailers increasingly undercut resale prices and price competition increased, so consumers transferred their loyalties to those ‘on their side’.

Second, retailers began to compete not only on price alone, but through marketing, including trading stamps, such as Green Shield. While focused on horizontal competition, the approach of using trading stamps further placed consumer attention on the retailer, as opposed to the manufacturer. This also extended, third, into the use of product-branding by the retailers.
By developing generics and other retailer-named or retailer-controlled brand-name products, the retailer began to develop a product relationship with the consumer, effectively replacing the manufacturer relationship (Burt, 2000; Burt and Davies, 2010; Burt and Sparks, 2015).

Finally, retailers also began to take more interest in, and ultimately control of, the supply chain to stores (Sparks, 2010). For a long period, retailers had been at the mercy of manufacturers in terms of store delivery schedules and thus product availability and quality, but as retailers became larger and took more control of price and branding issues, so they sought to reorganize flows and exert their power over channel operations.

These transformations took place mainly over the 1950s to 1970s. Resale price maintenance in food effectively collapsed in the late 1950s, although remnants persisted into the late 1960s. Trading stamps became a key marketing tool in the 1960s and survived until the mid-1970s. Retail branding became significant from the 1960s onwards, although it perhaps did not really reach its full potential until the 1990s. Supply chain control occurred in some retailers earlier than in others, but by the late 1970s retailers were focusing significant management attention on channel control and organization.

At the same time, retailers sought to reconfigure their store networks. Until the early 1960s, the food retail store was small-scale and often remained counter-service-based. Self-service techniques and technologies developed and became more widespread, and food product ranges became more extensive, encouraging an increase in store scale. Food shops became larger and developed into American-style supermarkets. As store size became a more important consideration for the retail operator, so the location of the stores altered. Often unable to find suitable retail premises in high streets, retailers began to look at alternative locations – for example, old cinemas, etc. – or increasingly to seek to build out-of-town in purpose-built stores, i.e., superstores and then hypermarkets (Dawson, 1988).

On the management side, retailers were beginning to utilize modern computing technology to help run their increasingly complex operations; the capability of both management (Alexander, 2015) and technology expanded rapidly (e.g., barcoding and scanning, electronic funds transfer, information and communications networks). Retailers’ abilities to control operations and especially to understand changing consumption patterns added to their knowledge at the expense of manufacturers. By the mid-1990s, the largest retailers were using the data collected by ‘loyalty’ cards to drive strategic and tactical change (Humby et al., 2003).

This long-run change in how food has been made available to consumers by retailers (from a dense network of independent, small, high street counter-service stores to a sparser network of multiple, large-format, out of town self-service superstores) occurred at a time of massive consumer, societal, economic and cultural change (Kynaston, 2007, 2009, 2014). Consumers and society of the 1950s and 1960s are far removed from their counterparts of only 20 years later, let alone today. The consumption revolution witnessed an increase in affluence and personal mobility and the introduction of a vast array of consumer durables, many related to food storage, preparation and consumption. Consumers have seen an increase in food choice and in exercising this choice, they have aided retailers in reconfiguring the food retail landscape (Clarke et al., 2006; Jackson et al., 2006; Guy, 2010).

Food retailing in the 1950s was often an everyday, female, housewife activity, focused on local, small independent stores. It is now more likely to be a shared responsibility carried out in a variety of ways and trips and focused around busy working lives. This time, poverty has witnessed a reduction in time to buy, prepare, cook and eat food in the home and a breakdown of traditional patterns and practices (Murcott, 1991). Speed and convenience have become the food bywords for many consumers, aided by technological developments such as ready meals, prepared foods and ‘fast food’. Eating out of the home, in quick-service restaurants or ‘grab ‘n’
go’ at retail and other outlets, including sandwich and coffee shops, are further reflections of these changing patterns and the changed role of food.

The accumulation of these tendencies and processes produced by the year 2000 an oligopolistic food retail system dominated by a highly powerful market leader (Tesco) and focused almost entirely on the superstore and hypermarket format. The oligopoly of Tesco, Asda, Sainsbury’s, Safeway and Morrisons – the ‘Big 5’ – was supported by other more specialist operations such as Waitrose, Marks & Spencer, the Co-operative, discounters such as Aldi and Lidl, and a large number of independent food retailers, although these had limited impact. This ‘Big 5’ had arisen through store and operational development that met consumers’ needs, and through the elimination of smaller rivals mainly, although not entirely, through takeover

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**Table 14.2** The UK’s largest retailers, 2013 and 1990/1991

(a) 2013

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>UK sales (billion pounds)</th>
<th>UK stores (number)</th>
<th>UK sales area (million sq. ft)</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Tesco</td>
<td>64.82</td>
<td>2948</td>
<td>37.59</td>
</tr>
<tr>
<td>2</td>
<td>Sainsbury’s</td>
<td>23.30</td>
<td>1106</td>
<td>20.34</td>
</tr>
<tr>
<td>3</td>
<td>Asda*</td>
<td>22.80</td>
<td>565</td>
<td>20.96</td>
</tr>
<tr>
<td>4</td>
<td>Morrisons</td>
<td>18.11</td>
<td>498</td>
<td>13.42</td>
</tr>
<tr>
<td>5</td>
<td>Kingfisher Group</td>
<td>10.57</td>
<td>1025</td>
<td>59.85</td>
</tr>
<tr>
<td>6</td>
<td>Marks &amp; Spencer</td>
<td>10.02</td>
<td>1253</td>
<td>22.48</td>
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<tr>
<td>7</td>
<td>Co-operative Group</td>
<td>7.44</td>
<td>2816</td>
<td>10.78</td>
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<tr>
<td>8</td>
<td>Alliance Boots</td>
<td>6.54</td>
<td>2476</td>
<td>8.54</td>
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<tr>
<td>9</td>
<td>Home Retail Group</td>
<td>5.47</td>
<td>748</td>
<td>2.74</td>
</tr>
<tr>
<td>10</td>
<td>John Lewis Partnership</td>
<td>3.04</td>
<td>40</td>
<td>4.58</td>
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</tbody>
</table>

* Owned by Walmart

(b) 1990/1991

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>UK sales (billion pounds)</th>
<th>UK stores</th>
<th>UK sales area (million sq. ft)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sainsbury’s</td>
<td>6.84</td>
<td>369</td>
<td>10.06</td>
</tr>
<tr>
<td>2</td>
<td>Tesco</td>
<td>6.35</td>
<td>384</td>
<td>9.66</td>
</tr>
<tr>
<td>3</td>
<td>Marks &amp; Spencer</td>
<td>4.89</td>
<td>288</td>
<td>9.47</td>
</tr>
<tr>
<td>4</td>
<td>Argyll Group*</td>
<td>4.49</td>
<td>1113</td>
<td>8.37</td>
</tr>
<tr>
<td>5</td>
<td>Asda</td>
<td>4.34</td>
<td>365</td>
<td>10.27</td>
</tr>
<tr>
<td>6</td>
<td>Ioseles**</td>
<td>3.11</td>
<td>758</td>
<td>7.31</td>
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<tr>
<td>7</td>
<td>Kingfisher</td>
<td>3.11</td>
<td>2095</td>
<td>19.20</td>
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<tr>
<td>8</td>
<td>Boots the Chemist</td>
<td>2.98</td>
<td>2266</td>
<td>N/A</td>
</tr>
<tr>
<td>9</td>
<td>John Lewis Partnership</td>
<td>1.97</td>
<td>116</td>
<td>3.51</td>
</tr>
<tr>
<td>10</td>
<td>Sears</td>
<td>1.87</td>
<td>3432</td>
<td>N/A</td>
</tr>
</tbody>
</table>

*Argyll Group became Safeway, which merged with Morrisons. ** Ioseles became Somerfield, which was taken over by the Co-operative Group

Spatial-structural change in food retailing in the UK

and merger (Wrigley, 1987). Tesco’s purchase of Wm Low is an example of a ‘regional’ multiple failing to compete (Sparks, 1996). The 2003 Morrisons and Safeway merger reflected the pressures even within the then ‘Big 5’. Scale and uniformity were the key components of the approach, seen most notably in the US Walmart-owned Asda, whose single format was the standard-sized, ‘cookie-cutter’ out-of-town superstore (Burt and Sparks, 2001). Table 14.2 shows the importance and scale of food retailers by 1990/1991, but more significantly illustrates the dominance and scale they had developed by 2013.

Within these sector changes, the power and scale dynamics reached their apogee in the dominance of Tesco (Burt and Sparks, 2003). In the 1960s, Tesco was a publicity-hungry, although somewhat dysfunctional chain of small stores, mainly centred around London. Through merger and takeover and championing of the abolition of resale price maintenance (RPM) and the use of trading stamps, Tesco prospered. A generational boardroom battle that ousted the family founder set in place the new strategy operationalized through ‘Operation Checkout’ in 1977 (Akehurst, 1984). This strategy focused explicitly on price, removed trading stamps and placed an overt emphasis on gaining and using scale and power. This saw Tesco develop very strongly through the 1980s. Its unidirectional focus on conforming superstores paid off in control, power and supply chain terms and resonated with the consumer. Even by the early 1990s, however, Tesco was still #2 behind Sainsbury’s. In 1992/1993, a series of strategic initiatives saw Tesco begin to gain market share at a phenomenal speed, become #1 in the UK and distance itself from competitors (Burt and Sparks, 2003; Sparks, 2011; Seth and Randall, 1999, 2005; Ryle, 2013). It is today, despite recent problems, a £60 billion business with more than 3,000 stores in the UK and a 28 per cent market share.

Tesco’s strategic initiatives included their first strategic internationalization, the development of Value lines and Finest as retailer brand positions, the opening of the first stores in a multi-format strategy based on the Tesco name (e.g., Express, Extra), the introduction of aspects of a corporate brand with the strapline ‘Every little helps’ and the development of the Tesco loyalty programme, Clubcard. This latter development, derided at the time by Sainsbury’s as ‘electronic Green Shield stamps’, became the most successful such scheme in the world, but most importantly the data captured was used to enhance both strategic decision-making and tactical responses to consumer behaviour changes (Humby et al., 2003) at corporate and store level. Very rapidly Tesco had 30 per cent of the UK grocery market share based on a strong understanding of the market, power to change processes and practices, and control of the supply chain from producer to consumer. Others, including Walmart-owned Asda, struggled to keep up and compete (Sparks, 2011). Figure 14.1 shows this remarkable shift.

This pattern of change towards a multiple retailer dominated sector and channel operating large-format, out-of-town stores raised a number of implications for consumers and producers. The consumer impact can be seen in concerns regarding the access to food products, most notably in the concept of the ‘food desert’ and regarding the choice of products available (Wrigley, 2002; Beaulac et al., 2009; Donald, 2013). The impact on producers has been seen in the long-running concerns over the exercise of power by large retailers and the pressures faced by manufacturers and producers, most vocally farmers.

Power and competition: the legislative framework

These changes in the food retailing market need to be set in the context of a public policy environment that has over time swithered over its approach to aspects of these changes (Findlay and Sparks, 2014), notably in terms of land-use planning policy and competition policy.
In land-use planning terms, the originators of large-format, out-of-town food retailing in the UK did not receive a warm welcome. The land-use planning system was used to curtail development, but a steady number of such stores were developed through the 1970s. The Thatcher government of the 1980s, however, effectively pushed planning aside (totally in some areas such as Enterprise Zones) or reduced its impact. Planning was not to be a brake on competition but was instead to be more welcoming to more effective and efficient land-uses.

In terms of food retailing, larger, purpose-built, out-of-town stores are more productive than the smaller ones they replace (Griffith and Harmgate, 2012). However, as superstores proliferated and as consumers increasingly patronized them, so the effects on existing traders and on high streets and town centres became more noticeable (Dawson, 1988). As a consequence, since the mid-1990s there have again been planning constraints on superstore development. This ‘town centre first’ policy has not really been able to address the situation of the differential costs and natures of different store types, although it has perhaps accelerated the development of smaller convenience stores by food retailers (Guy and Bennison, 2007; Wood et al., 2006; Wood and McCarthy, 2014). Others would argue that the ‘town centre first’ policy has adversely impacted retailer, store and national productivity (Cheshire et al., 2015).

In competition policy terms, the dominance of large multiple retailers has raised two main concerns over the past 30 or so years. First, there has been awareness that, as retailers became larger, so smaller competitors were squeezed out and diversity and choice reduced. Competition groups have debated whether in turn this leads to both adverse pressure on suppliers and producers and/or excess profit-taking by the retailers (Dobson and Waterson, 1999; Dawson, 2000). Despite a large number of official enquiries over this period (Competition Commission, 2000, 2007, 2008), the conclusion has tended to be that while there may have been some abuse of power, it has worked in the consumer’s favour (House of Commons, 2012). Nonetheless, the concerns about pressure on suppliers continue to reverberate (see discussion later in this chapter). Second, competition authorities have been wary of the monopolistic tendencies of these large food retailers. Morrisons and Safeway were allowed to merge in...
the early 2000s, although with some store sell-offs, but other larger retailers would not have received permission to takeover Safeway, despite their desires. National-level market concerns have thus played some part in limiting actions. At the local level, where some companies have been deemed to have too high a market share (colloquially ‘Tesco Towns’), even single-store acquisitions have been blocked. While there is no formal fascia test in land-use planning (Hughes et al., 2009), competition concerns have begun to intervene. The most surprising action of this period, however, was that in the early 2000s Tesco was allowed to purchase a number of convenience store chains, most notably One-Stop, without any concern from the competition authorities. The argument was that the main shop and the convenience markets were separate markets that did not compete or overlap and thus there were no competition issues arising. This has been challenged both by academics and also by events (Hallsworth et al., 2010; Hallsworth, 2010).

This policy framework has thus allowed major retailers to develop both their main formats – the superstore and the hypermarket – and to enter the convenience market, both by takeover and more organically site by site. Tesco, Sainsbury’s, Morrisons and latterly Asda, as well as the Co-operative Group, Waitrose and Marks & Spencer have all expanded their smaller convenience store estate in the past ten or so years, at the same time as many of them have also expanded their large-format stores.

**Recent trends**

The description above remains to some extent the situation in UK food retailing today. However, since the mid-2000s and especially with the onset of recession in 2008 compounding structural change through the take-off of the internet as a shopping channel, the sector has commenced considerable restructuring. The major recession from 2008 has focused attention on price and costs, and is most clearly seen in the rapid rise of discounters such as Aldi and Lidl. Internet shopping, meanwhile, has become very popular for UK food retailing and has altered shopping significantly, including assisting a revival of the convenient local store (Wrigley and Brookes, 2014).

Discount retailing is not new in the UK, and indeed, as noted earlier, Tesco made much in the 1950s and 1960s of its price-cutting, consumer-friendly approach. Through the 1970s and 1980s, the indigenous discounter Kwik Save had some success and was followed in the 1990s by Shoprite and the entry of foreign hard-line discounters such as Aldi, Netto and Lidl (Burt and Sparks, 1995). These were not overnight successes, due both to their own operational failings and to the responses of the major chains. Indeed Shoprite folded in 1995, being bought by Kwik Save, which itself went into administration in 2009. Netto exited the UK in 2010 by selling their stores to Asda, and Aldi and Lidl continued to struggle despite reconfiguring their offer to be more acceptable to British palates and shopping demands.

From 2008, as the global recession focused consumer attention firmly on price, discounters began to grow rapidly. With living standards under threat in a way not seen since the 1930s, the discounters sought to position themselves very differently to the (by now) ‘Big 4’. As a consequence, during 2008–2015, market shares for Aldi and Lidl have approached 5 per cent each, and Netto has re-entered the UK in a joint venture with Sainsbury’s.

Price, however, is not the only advantage that the discounters have. Their steady store chain expansion over 15-plus years has enabled them to build a dense store network that means their stores are often conveniently located, and certainly more so than the large off-centre hypermarkets. As the British consumer began to value convenience more strongly, so the discounters were able to focus on price and proximity. At a time when personal finances were tight and
The cost of fuel was rising rapidly, this proved attractive. In the early 1990s, the threat of the discounter had been fought off by the leading retailers through sound tactics, marketing and strategy. By the late 2000s, their armoury in this regard was threadbare and the multiples were locked into a very different store network base.

The convenience store sector in recent years has been seen as a major growth sector for all companies, reflecting the changed consumer desires and patterns of behaviour (ACS, 2014). The significance of convenience had been recognized in the early 2000s by the Co-operative Group and then by Tesco, who embarked on a major takeover spree to build a convenience chain (Tesco Express and One-Stop). Other leading food retailers, with the exception of Sainsbury’s, hesitated, to their detriment. The importance of convenience was only recognized more recently by Morrisons, Waitrose and to an extent Asda. More widely in the convenience market, the affiliated convenience store – such as Spar, Premier, Costcutter, Londis, etc. – also expanded at the expense of the truly independent store, reflecting the brand, range and price benefits of affiliation.

Convenience is also reflected in the other major change in food supply systems, the rise of the internet and its use as a shopping channel. As with a number of recent retail innovations, Tesco were the first to identify and then exploit the potential of the internet. By adopting a store-based order-picking model, Tesco enabled national coverage almost immediately. Competitors, choosing initially a distribution centre-based operation in high-density urban areas alone, were locked into a high-cost situation. Consumers quickly began to accept and then expect an online home delivery shopping service and retailers scrambled to match the Tesco offer. At the same time, however, as Tesco became more successful, it began to see pressure on stores in some locations and opted to switch to a dedicated ‘dark store’ picking model in very high-density locations (Fernie and Sparks, 2014).

There are many who question the profitability of internet-based food retailing, not least retailers such as Morrisons who were very late to the market. But, there can be little doubt that its convenience and fit with modern lives has made it a valuable additional channel for consumers. This has been expanded by rapidly growing ‘click and collect’ models, which see customers collecting orders from stores or via specialist collection sites at stores, transport hubs or other locations, rather than only receiving at-home delivery. To an extent, this reflects the movement of power away from retailers and towards consumers who are now more in control of supply operations than ever before.

This internet revolution (see national data of the growth in Figure 14.2) has, however, also had two other very important effects. First, consumers’ ability to use the internet for the bulk of the food shopping exercise has opened up ‘fill-in’ arrangements. This is in part linked to the rise of the convenience store, but has also helped to rejuvenate the role of other local stores and alternative channels such as farmers’ markets and local community stores. If the bulk shopping trip is online, then fewer trips to major, larger superstores and hypermarkets are needed, and more local behaviour ensues. Second, the internet enables food producers to deal directly with consumers. In the realm of specialist and high-quality products in particular, this has had a major effect, with fresh produce being available nationwide from even quite small producers. As a consequence, the market for local, responsibly sourced products has become more national and more interesting for many consumers and producers.

**Food retailing today**

The post-war story of food retailing in the UK and its spatial-structural change, for a long time was simply about the rise of the supermarket, superstore and the hypermarket. In corporate
terms, an oligopoly developed, with a single dominant chain at its head, Tesco. Food retailers in the UK are the largest retailers (and some of the largest companies) in the UK and have expanded dramatically over recent decades (Table 14.2). The most recent period, however, has seen a shift in this long-run narrative as consumer capabilities, opportunities and needs changed, stronger competitors emerged and the prevailing model of car-borne, weekly large shopping trips to out-of-town hypermarkets came under threat. With a number of food scares (e.g., BSE, horsemeat, etc.), various high-profile questioning of the quality and safety of some supermarket food (e.g., the campaign by Hugh Fearnley-Whittingstall over cheap chicken and fish sourcing/stocks) and the treatment of suppliers (Competition Commission, 2008; House of Commons, 2012), there has been a renaissance in local and traceable food products and retailers who provide these.

The tectonic plates of food retailing are shifting. While there is a danger of reading too much into this, the Christmas figures for 2014 for all the ‘Big 4’ retailers were again poor, in some cases disastrously so. Between January 2014 and February 2015, three of the four CEOs departed, and there is considerable bickering over where the blame lies for this performance. Nowhere is this most keenly felt, but also clearly seen, than in Tesco, who have endured a number of major profit warnings, declining sales, an accounting scandal focused on their treatment of their suppliers, and announced in April 2015 one of the largest corporate losses in UK history (£6.4 billion). The company’s international (mis)adventures such as Japan, the USA and China have failed and cost billions. The UK store portfolio is out of line with current consumer demands, and has had to be written down massively in the balance sheet. Job losses at head office and store management have been substantial.

Tesco is an illustrative case of the changed UK food retailing landscape. They called a halt to the extremes of the ‘space-race’ for out-of-town stores a couple of years ago, but have now gone further. Existing large stores are being forensically analysed regarding their profitability and are being closed where necessary, and even built but unopened hypermarkets are being mothballed. Land for stores is being written down or sold off for alternative uses. Even in the convenience market, Tesco is closing some stores and pulling out of some sites in a recognition that the headlong rush into convenience sites cannot be done at any cost. Within stores, the
focus is on raising standards and reducing prices, which is hard to achieve without a strong range edit (reduction in lines) and the closure of space. As with a number of the largest food retailers, Tesco now has too much space, of the wrong type, often in the wrong locations and is struggling to see how some of these sites make a profit in the changed consumer world of the internet, the discounter and convenience. Food retailing is changing quite considerably and the spatial construction of the past 50 years is coming under sustained questioning, not least through the changed behaviours of consumers.

There are other effects of the changing patterns that are worth reflecting on, however. There is little doubt that Aldi and Lidl have brought a focus on price to the market for their quite limited ranges. But there are questions to be raised over the consequences of this single focus on price despite the obvious attractions. It is hard to find products in such stores that could be considered ‘healthy’ in terms of salt and sugar levels and the focus on processed product implied by this. While ‘standard’ retailers are not necessarily paragons of virtue in this regard, the sector has been working towards reductions in content of some ingredients, better and clearer labelling of composition and guidance and the development of specialist ‘healthy’ ranges. This has not been an easy journey but some progress has been made. Retailers’ approaches generally to health and especially tobacco and alcohol have been widely questioned and encouraged the development of legislation to tighten control and reduce demand. There has been less success in positive uptake of healthy foods, although they have expanded.

There has also been rising concern more generally about the impact of the recession (and, in the eyes of some, the continued government-enforced policy of targeted austerity) on certain segments of society. While price has become more of a focus for retailers individually and the sector as a whole, there are still increasing numbers marginalized by food poverty. Despite deflation in food and our abundance of products in stores, food banks have been one of the fastest-growing components of the food supply sector and are at record levels in terms of numbers and usage (www.trusselltrust.org). This is an indictment on our food supply chain as a whole, although as ever many are seeking to blame the symptoms and not treat the causes.

The focus on price is also drawing attention again to the retailer–supplier relationship. For years this has been controversial and the subject of government inquiries, the development of codes and now an ombudsman/adjudicator (House of Commons, 2012). Evidence on exploitation has been hard to find due to the nature of the relationships and the power imbalance at the point of claim and counter-claim. The Tesco accounting scandal has exposed a number of the practices (Guardian, 2014). The response of Tesco and others to the discounters is focusing a reassessment on their need for as wide a range of products and suppliers. In some commodities – for example, milk – the price war among the food retailers has seen even further reductions in the price paid to producers and farmers and as a consequence, headlines about the demise of the milk-producing industry in the UK. The media, the government, the retailers and some consumers seem unable to make the necessary linkages between price, quantity and sustainability and ‘value’ as a concept has been effectively replaced by ‘cheap’ or ‘low price’.

Finally, it is worthwhile reflecting on the changed locational practices of the food retailing sector. For decades, the pursuit was of out-of-town large superstores and hypermarkets and as a consequence, food retailing became very limited in towns and high streets. The recent changes towards the internet and convenience have questioned such off-centre space but have also led to a redevelopment of food retailing in towns and high streets, around transport and footfall hubs and so on. Some of this has been the typical convenience store of old, some the new-style convenience stores of the major chains. But, other developments have seen the reintroduction of local and craft food retailing into high streets and units vacated by other
food retailers and sectors. While the hypermarket had huge adverse consequences for the numbers of greengrocers, bakers, butchers and fishmongers, the decline of the hypermarket trip is seeing more interest in the specialist store and its rather different, non-commoditized product (Wrigley and Dolega, 2011). In some cases, chains are realizing that they can localize their offer by association with local producers, an example is the award-winning collaboration between the artisanal bakery Breadwinner and the Scotmid chain of convenience stores in Scotland.

There is also a grassroots movement from the local level up, which is seeking to link local producers and/or social approaches with local communities. While at this point their market share is negligible, there appears to be an emerging stream of food retail stores that reject the corporate and large organizational model. Thus stores, sometimes on a local cooperative model, are serving small areas based on integrating small-scale producers at a local level with the immediate community. An Edinburgh example is Dig-In Bruntsfield (www.diginbruntsfield.co.uk), who describe themselves as ‘a community-owned and supported, not-for-profit greengrocer in Edinburgh who supply locally-sourced produce and foster community spirit’. Such operations provide a local challenge to the prevailing approaches of food retailing and appear likely to have some local success in the coming years.

Conclusion

Food is a major component of consumer spending and of consumer life, and food retailing is a reflection of the social culture of a community or a country. As society has changed and values alter in importance, so too food retailing reflect these changes. The professionalization of food retailing and its radical reinvention of the post-war trend provided a dynamic country with the retailing it desired and the product choices it valued. This expansion of possibilities has proved a boon in many ways for many consumers, although it is not without its adverse implications on choice and accessibility, especially in certain locations and for some categories of consumers.

But, economies and societies change and values continue to alter. Food retailing in the UK is at the moment on the edge of change with various competing tendencies. How these play out in the coming years will be a fascinating story, subtly (and in some cases not so subtly) configured by the decisions of governments (is ‘unhealthy’ food the next tobacco or alcohol?), retailers (can the hypermarket be reinvented?), technology (where can the internet, digital and other technologies take us?) and, of course, consumers (what price/quality balance will become dominant and how do we remove food poverty?). Food retailing is used by each and every one of us and its significance in our lives, and in patterning our lives, cannot be under-estimated. Food retailers’ (re)construction of this market is thus a vital component of our food lives and looks likely to be more differentiated than has been the case over the past 60 years.

References


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