



Competitive advantage in the UK food retailing sector: past, present and future

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Abstract

The aim of this paper is to review and critically analyse the internal and external sources of competitive advantage exploited by the major UK food retailers. This aim is designed to facilitate the generation of a chronological and historical explication of sustainable competitive advantage within the UK food retailing sector. The paper begins with a review of the five main theoretical explanations of superior organizational performance. This conceptual overview provides the basis for a more detailed examination of the factors influencing the competitive advantage of companies. This analysis entails a review of industry-level factors as well as the investigation of firm-level attributes. After a brief discussion of the factors influencing the sustainability of competitive advantage, attention is focused on the history of competitive advantage within the UK food retailing industry. Review and analyses suggest that, within this context, competitive advantage is best understood in terms of 'competitive eras'. The discussion of past, present and future competitive eras leads to a number of conclusions and implications pertinent to both competitive strategists and retail specialists. © 2001 Elsevier Science Ltd. All rights reserved.

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1. Introduction

As competitive conditions grow ever more turbulent, the importance of developing and sustaining competitive advantage appears to be increasing exponentially (Fulmer et al., 1998). The intensifying significance of establishing or exploiting competitive advantage is apparent in the rapidly expanding body of practitioner-oriented texts and theoretical treatise which expound the merit of acquiring or securing a sustainable competitive advantage (for example Hunt, 1997; Hooley et al., 1998; Crockett, 1999). Whilst it is recognized that the imperative of competitive advantage is applicable across industrial contexts (see, for example, McGahan and Porter, 1997), a number of observers have noted that the peculiarities of retail industry provide a fertile domain for the study of sustainable competitive advantage (see Hawes and Crittenden, 1984; Greenley and Shipley, 1995).

Furthermore, a range of recent studies have suggested that the food retailing sector constitutes a particularly dynamic field for the generation of enduring competitive advantage (see, for example, Uncles, 1998; Turock, 1999).

The aim of this paper is to review and critically analyse the internal and external sources of competitive advantage exploited by the major UK food retailers. This aim is designed to facilitate the generation of a chronological and historical explication of sustainable competitive advantage within the UK food retailing sector. This investigation should provide a solid basis for the identification of potential future sources of competitive advantage within the sector. Hence, the targeted audiences of this paper are those academics and practitioners interested in sustainable competitive advantage and the retailing industry as well as those researchers whose curiosity extends to the (tentative) prediction of future of competitive jostling within the sector.

The paper begins with a review of the five main theoretical explanations of superior organizational performance. This conceptual overview provides the basis for a more detailed examination of the factors influencing the competitive advantage of companies. This analysis entails a review of industry-level factors as well as the investigation of firm-level attributes. After a brief

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¹ Food retailing is used here to refer to retailers whose primary business is the retailing of food products but who also may have substantial interests in other non-food businesses.

discussion of the factors influencing the sustainability of competitive advantage, attention is focused on the history of competitive advantage within the UK food retailing industry. Review and analyses suggest that, within this context, competitive advantage is best understood in terms of ‘competitive eras’. The discussion of past, present and future competitive eras leads to a number of conclusions and implications pertinent to both competitive strategists and retail specialists.

2. Theoretical explanations of superior performance

Olavarrieta and Friedmann (1999) in a detailed study of firm performance suggest that five main general theoretical explanations of superior organizational performance have emerged as a response to the inadequacies of neo-classical theories of perfect competition. These explanations are (1) the Bain–Mason tradition of industrial organization, (2) the Chicago Revisionist school of industrial organization, (3) the Austrian school of economics, (4) the resource-based view of the firm, and (5) the emerging evolutionary strategy perspective. Each of these five views is briefly discussed below.

Olavarrieta and Friedmann (1999) argue that the Bain–Mason tradition of industrial organization and the market attractiveness view of strategy constitutes the earliest explanation of superior performance. Based on the studies of Mason (1939) and Bain (1951, 1956), research in this tradition contends that abnormal performance may only be found in industries characterized either by significant barriers to entry *or* high levels of concentration (leading to collusive arrangements). This tradition forms the conceptual base for much of Porter’s (1980, 1981) emphasis on industrial characteristics (discussed later in this paper).

Conner (1991) argues that the limitations of the Mason–Bain tradition led to the emergence of that which has become known as the Chicago revisionist school of industrial organization. Based on the suggestion that effective collusion is eroded over time by increasing costs and a growing propensity to cheat (Stigler, 1961, 1968), economists from the Chicago school reject the Bain–Mason assumptions as unrealistic. In contrast, the Chicago school tradition proposes that superior performance may be attributed to relative organizational efficiency, which is also referred to as the existence of rents (Rumelt et al., 1991; Peteraf, 1993).

Olavarrieta and Friedmann (1999) claim that, based on the arguments of Schumpeter (1950), “*the Austrian school of economics has provided a more dynamic view of competition*”. Schumpeter (1934, 1950) contends that the focus of organizations is not on the establishment of market power in an effort to acquire monopolistic rents but rather on innovation to weaken the position of competitors in a process perceptively labelled ‘creative

destruction’. Hence, from the Austrian economic tradition, superior performance accrues from market power gained via timely innovation.

The resource-based view of the firm rejects the view of organizations as identically resourced, homogenous entities and presents organizations as heterogeneous in the long term (see, for example, Wernerfelt, 1984; Day and Wensley, 1988; Barney, 1991; Day, 1994; Hunt and Morgan, 1997; Olavarrieta and Friedmann, 1999). Hence, from the resource-based perspective, superior performance is *not* accrued via market power but *rather* is derived because of the idiosyncratic mix of company resources (Rumelt et al., 1991; Barney, 1991). Research from this increasingly popular position forms much of the insight into firm-level sources of competitive advantage (see later).

Purported to be an extension of the resource-based view (Foss et al., 1995) or a neo-Austrian perspective (Hill and Deeds, 1996), the final theoretical explanation of superior performance, identified by Olavarrieta and Friedmann (1999) centres on the emerging evolutionary view of strategy. This perspective views markets equally as selection mechanisms, learning scenarios *and* pressures for innovation. Hence, superior performance may be derived via generating or imitating valuable market innovations, building barriers to imitation or by learning and changing more quicker than competitors (see Eliasson, 1994; Barnett and Burgelman, 1996; Hill and Deeds, 1996).

3. Factors influencing the competitive advantage of companies

Aided by the above conceptual explanations of superior company performance, a range of authors have suggested that factors influencing the competitive advantage of organizations may best be examined through the study of two categories of determinants; (1) industry-level factors and (2) firm-level attributes (Rumelt, 1991; Lado et al., 1992; Amit and Schoemaker, 1993; Dyer and Singh, 1998).

3.1. Industry-level factors

Despite an increasing concentration on firm-level attributes as sources of competitive advantage, many authors note that an appreciation of industry-level factors is crucial in understanding the sources of supernormal returns (see Porter, 1985; Schmalensee, 1985; Amit and Schoemaker, 1993; Dyer and Singh, 1998). Whilst firm attributes *may* constitute the main source of competitive advantage, organizations are still subject to market/industry failure or revolution which may redefine the nature and usefulness of their resources (Rumelt and

Wensley, 1981; Barney, 1991; Amit and Schoemaker, 1993). The potential for such ‘Schumpeterian Shocks’ (Barney, 1986a; Schumpeter, 1934, 1950) forms much of the rationale for the continued interest in industry-level factors.

Grounded in neo-classical economics (Chamberlain, 1933; Friedman, 1953) and the earlier discussed Bain–Mason tradition of industrial organization (Mason, 1939; Bain, 1951), arguably the most well-known research on industry-level competitive advantage is that of Porter (1980, 1981, 1985). Premised on the existence of industry imposed pressures (Lado et al., 1992), the industry structure view of Porter (1980) contends that five forces determine industry competition. These are (1) the threat of new entrants, (2) the threat of substitutes, (3) the power of suppliers, (4) the power of buyers and (5) the rivalry amongst the existing competitors. This suggests that successful adaptation to market/industry pressures leads to relative growth whereas deficiencies in adaptation may ultimately cause failure or exit. Hence, supernormal returns are principally a function of an organization’s presence within an industry and the ability of the organization to adapt to meet the structural characteristics of that market/industry. Consequently, Porter (1985) portrays competitive advantage as the organizational condition of superior performance which arises when a firm successfully competes either on price or by charging a premium for differentiation.

Whilst much of the focus of Amit and Schoemaker (1993, p. 37) is upon firm attributes, they explicitly recognize the importance of attention to such industry-level issues through the discussion of “*Strategic Industry Factors*”. Amit and Schoemaker (1993) consistent with Porter (1980) suggest that industry-level rivalry, threat of substitutes, power of buyers, threat of new entrants and power of suppliers all influence competitive advantage. However, Amit and Schoemaker (1993) add a final industry-level factor by including the effect of ‘environmental factors’, rapid changes to technology or regulation.

Empirical evidence in support of the predominance of industry-level factors as competitive advantage determinants is provided by Schmalensee (1985) in a study of profit variance. Schmalensee (1985) provides an analysis of rates of return and decomposes such returns into industry, market and organizational effects. This process leads Schmalensee (1985) to conclude that over 75% of the variance in industry returns are accounted for by industrial-level factors. The limitations of this conclusion are elucidated later in this paper.

Overall, an established body of literature (matched by limited empirical evidence) suggests that industry-level factors constitute a significant influence on the competitive advantage of organizations. However, a growing body of conceptual and empirical literature suggests that firm-level attributes constitute a more pervasive influence. This literature is reviewed below.

3.2. Firm attributes

The distinctive attributes of firms have been labelled *distinctive competencies* (Reed and DeFillippi, 1990; Fiol, 1991), *core competencies* (Prahalad and Hamel, 1990), *firm-specific competencies* (Pravitt, 1991), *organizational capabilities* (Ulrich and Lake, 1990; Stalk et al., 1992), *resources and capabilities* (Lado and Wilson, 1994; Barney, 1991) and *assets and capabilities* (Mahoney, 1995; Kamoche, 1996; Hooley et al., 1998). To avoid the sometimes narrow or blurred distinctions between these terms and to prevent confusion, this paper uses the label ‘attribute’ synonymously with ‘resource’ to denote both accumulated resource endowments (assets) and the capacity of the organization to deploy such resources (capabilities/competencies).

Whilst Schmalensee (1985) concludes that firm-level attributes are largely irrelevant, Rumelt (1991) rejects this conclusion. In an extension of Schmalensee’s (1985) study, Rumelt (1991) adopts a similar research design and methodology over a longer timescale. The culmination of such detailed analysis are findings that indicate that firm-level attributes are significantly more important than industry-level factors. The findings of Rumelt (1991) are supported by the earlier study of Hansen and Wernerfelt (1989) who find that firm-level factors explain over 30% of return-on-assets variation whilst industry factors explain a much lower percentage. Interestingly, a recent study by McGahan and Porter (1997) contributes similar findings.

In response to both the developing theoretical arguments which propound firm attributes as sources of competitive advantage and the increasing empirical evidence supplied by such studies as Hansen and Wernerfelt (1989) and Rumelt (1991), a range of studies have explored and described the scope of firm attributes which may act as sources of competitive advantage (see, for example, Amit and Schoemaker, 1993; Lado and Wilson, 1994; Hooley et al., 1998). Whilst a vast array of individual firm resources have been credited with the potential for generating competitive advantage (see Bharadwaj et al., 1993) and a number of categorisations of firm attributes have been forwarded (see Hooley et al., 1998), this paper suggests that ten main firm attributes are most frequently cited as potential sources of competitive advantage. These attributes are; economies of scale and scope, relationship development, quality, organizational learning, organizational culture, innovation, information technology, function-specific efficiency, environmental friendliness, and branding. These firm attributes are discussed in turn below.

A number of authors note that economies of scale and scope may accrue to organizations resulting in a competitive advantage. Bharadwaj et al. (1993) claim that scale effects, whilst applicable in all industries, have traditionally been viewed as modest within services. However,

Bharadwaj et al. (1993) suggest that whilst economies of scale within the service sector are relatively more varied, the scope for exploiting such resources is particularly feasible amongst equipment-intensive multi-unit firms.

The second frequently discussed firm source of competitive advantage is loosely labelled 'relational attributes'. Fuelled by the growing relational paradigm (O'Malley et al., 1997), a range of theorists advocate the acquisition and exploitation of relational attributes to attain competitive advantage (see Payne et al., 1995; Dyer and Singh, 1998). Briefly, strategists and general management theorists suggest that inter-organizational relationships may provide a source of competitive advantage (see Devanna and Tichy, 1990; Dyer and Singh, 1998) whilst marketing researchers promote the advantages of relationships with customers (see Bharadwaj et al., 1993; Hunt, 1997; Rowe and Barnes, 1997).

The third source of competitive advantage available to firms is the provision and delivery of superior product and service quality (Curry, 1985; Capon et al., 1990). Indeed, quality is considered an important component in achieving differentiation-based competitive advantage (see, for example, Phillips et al., 1983; Aaker, 1986), to the extent that quality has been forwarded as a basis for developing sustainable competitive advantage (for instance Ross and Shetty, 1985; Luchs, 1986).

Despite early criticisms regarding the conceptual underpinnings of organizational learning (Alberts, 1989) a number of theorists suggest that the learning attributes of firms constitute an important source of competitive advantage (see Prahalad and Hamel, 1990; Bharadwaj et al., 1993). Based on claims that organizational learning results in superior responses to stimuli and increased productivity (Bower and Hilgard, 1981; March, 1991), a range of practitioner-oriented studies have forwarded tools designed to increase organizational learning competitive advantages (see Fulmer et al., 1998; Lei et al., 1999).

Organizational culture is also forwarded a firm attribute with a potential to yield competitive advantage (Barney, 1986b; Fiol, 1991; Schoemaker, 1990; Ireland and Hitt, 1999). Briefly, it is argued that culture aids in unifying and regulating behaviours (Camerer and Vepsäläinen, 1988), reduces the costs imposed by human resource management (Williamson, 1981) and often leads to an unimitable firm attribute (see later).

Prokesh (1993) forwards the argument that the only real source of competitive advantage is remaining on the cutting edge of innovation, which Bharadwaj et al. (1993) notes may be product, process or management innovation. Through gaining first mover advantage (Day and Wensley, 1988; Liberman and Montgomery, 1998), Wernerfelt (1984) argues that resource positional barriers are created.

Information technology has also been forwarded as a firm resource for generating competitive advantage

(Bharadwaj et al., 1993; Lado and Zhang, 1998). Through providing new ways and structures of competition and through spawning new markets, information technology may constitute a rare source for competitive advantage (Porter and Millar, 1985; Ogbonna and Wilkinson, 1988).

A broad range of management disciplines and functions also claim that the route to competitive advantage lies in developing function-specific efficiencies (for example Bromwich, 1990; Smith et al., 1992). Hence, accountants claim advantage may be gained through 'strategic management accounting' (see Bromwich, 1990), human resource theorists link strategic human resource systems with competitiveness (see Pfeffer, 1994; Crockett, 1999), strategists link planning efficiency with advantage (Powell, 1992; Ireland and Hitt, 1999) and marketers link customers service and value with competitive advantages (for instance Woodruff, 1997).

The penultimate frequently espoused source of competitive advantage is that of environmental friendliness (see Hart, 1997). Thus, Porter and Van der Linde (1995) suggest that the incorporation of such issues into strategy making may act as triggers to innovation and productivity. This leads Hartman and Stafford (1998) to claim that an appreciation of ecological sustainability will be crucial to firm survival in the new millennium. Finally, branding issues have been argued to be firm attributes potentially generating competitive advantage by a number of theorists (see Bharadwaj et al., 1993). A strong brand name or reputation may act as a competitive buffer against threats, serve as a proxy for quality or aid to differentiation (Bharadwaj et al., 1993).

4. The sustainability of competitive advantage

Barney (1991) argues that organizations are said to exhibit a competitive advantage when they are "*implementing a value creating strategy not simultaneously being implemented by any current or future competitors*". However, Barney (1991) contrasts this with a *sustained* competitive advantage which adds the proviso that other firms are unable to duplicate the implemented strategy. The accepted distinction between competitive advantage and sustained competitive advantage is matched by a range of studies which forward and debate the factors determining the sustainability of a competitive advantage (see Coyne, 1985; Williams, 1992). Whilst many of the studies of advantage sustainability are conducted from a resource based view, Porter (1980, 1990) contributes a number of observations at a more macro level. Briefly, Porter (1980) suggests that competitive advantage can only be sustained over time if consistent strategy is developed and applied promptly. Subsequently, Porter (1990) notes that multiple competitive advantages are antecedent to sustained advantage and that constant strategic renewal is necessary to long term sustainability.

Adopting a resource based view, Barney (1986b) contends that the sustainability of competitive advantage is determined by the rarity, perceived value and imitability of organizational resources. Subsequently, Barney (1991), influenced by the work of Dierickx and Cool (1989) adds 'substitutability' to this list.

The requirement of rare, valued, non-imitable and non-substitutable advantages has led a number of theorists to study sustainability of barriers and in particular the impediments to imitation (Lippman and Rumelt, 1982; Dierickx and Cool, 1989; Reed and DeFillippi, 1990; Barney, 1991). Briefly, Bharadwaj et al. (1993), in a synthesis of extant research, notes that three main factors impede imitation. Firstly, dependent on the tacitness, complexity and specificity (Reed and DeFillippi, 1990) of firm attributes, 'causal ambiguity' may exist over the causes of competitive advantage with the firm. Secondly, imitation may be obstructed by the complexity of organizational resources preventing certainty in duplication or that which is often labelled 'uncertain imitability' (Bharadwaj et al., 1993). Finally, depending on the nature of resources required to accumulate advantage, the breadth of 'resources and skill stock' is also a barrier to imitation (see Dierickx and Cool, 1989).

5. Competitive advantage in the UK food retailing sector

A close examination of the trends in the sector suggests that a range of industry-level factors and firm attributes have influenced the competitive advantage of UK food retailers. The factors vary from shifts in power between retailers and manufacturers to the development of distinctive organizational culture attributes. Further analyses demonstrate that such factors became more prominent at different stages and time periods in the history of the sector. Thus, to facilitate a discussion of the sources of competitive advantage in the food retailing sector, this paper categorises critical developments into three eras: the 1950s to the 1970s, 1980s and 1990s.

It is recognized that the above classification is somewhat arbitrary in that there are potential overlaps in terms of specific developments in each company and for the different sources of competitive advantage discussed. Thus, whilst a number of competitive attributes may have been exploited by different managements at a given time period, similar activities may be noticeable to a greater or lesser degree during other eras. Indeed, it is arguable that each source of competitive advantage is present to a certain degree across each of the three eras. Hence, the aim of this paper is *not* to provide a conclusive chronology of competitive strategies in the food retailing sector, but rather to provide illustrative examples of broad sector trends in the exploitation of competitive advantage during different eras. However, it *is* argued that whilst there are a number of overlaps in the deploy-

ment of certain competitive attributes in all three eras, some tools were more prominently exploited during particular time periods.

The first era (up to 1970s) was chosen because it was during this period that the foundation was laid for many of the significant developments in the industry. Thus, the discussion of the broad trends during this era helps to set the scene for the analysis of subsequent changes in competitive positioning within the industry. The second era (the 1980s), characterized a period of polarization with the heightened importance of distinct trading formats, each being distinguished by the pursuit of specific sources of advantage. The third era (the 1990s), represents a mixture of initiatives with companies seeking to exploit various competitive tools to generate advantage. What follows is a discussion of the important developments in each era. The discussion is necessarily brief, as the intention is not to generate an exhaustive chronology of competitive advantage in the food retailing sector, but rather to highlight the key developments in order to provide a basis for the delineation of potential future sources of competitive advantage. It should also be noted that for reasons of parsimony, the discussion is curtailed to the activities of the top ten retailers, although examples will be drawn from other groups where relevant. For each of the three eras, both industry-level factors and firm attributes influencing competitive advantage are discussed.

5.1. Competitive advantage from the 1950s to the 1970s

Although it has been noted that serious interest in competitive positioning in the food retailing sector started in the 1970s, it is necessary to supply a brief discussion of the developments in the industry since the 1950s in order to provide the reader with an appreciation of many of the recent trends. Analyses of trade press, company annual reports and academic and practitioner articles on the UK food retailing sector suggest that consistent with the suggestions of a number of theorists (for example Rumelt, 1991; Lado et al., 1992; Amit and Schoemaker, 1993; Dyer and Singh, 1998) both industry and firm-level factors influenced competitive advantage. Briefly, three industry-level factors and two firm attributes influenced the competitive advantage of food retailers during this period.

The greatest industry-level factor to influence competitive advantage in the food retailing sector occurred during the 1960s. Before the 1960s, manufacturers exerted significant control over the food retailing industry (see McClelland, 1961). Manufacturing firms controlled the entire supply chain and legislation conferred upon them the power to control the prices that retailers could charge for their products through The Resale Price Maintenance Act (RPM). This regulatory mechanism created an artificial market wherein retail companies were powerless

significantly to differentiate or to compete on price. Consequently, competitive advantages were few and short lived (McGoldrick, 1990). However, by 1964, the RPM was abolished marking the start of free market trading and the initiation of genuine competition within the retail sector (Gabor, 1977; Burns et al., 1983; McGoldrick, 1990; Wrigley, 1992).

The abolishment of the RPM was a significant turning point in the balance of power in the industry (McClelland, 1967; Gabor, 1977; Pommering, 1979). Whereas, the RPM had artificially supported and maintained manufacturer control over retailers (McClelland, 1961), by the late 1970s food manufacturing firms were firmly controlled by the increasingly powerful major retail companies (Wrigley, 1988; McGoldrick, 1990). In a review of manufacturer–retailer power relations in various European countries, Pommering (1979) suggests that the shift in the balance of power moved through three distinct periods: from ‘manufacturers as kings’ built upon post-war shortages during the 1950s to ‘consumers as kings’ characterized by manufacturer branding in the 1960s to ‘trade is king’ during the 1970s where retailers became increasingly powerful and concentrated.

The influence of such industry-level factors was such that rivalry in the sector increased dramatically during the 1970s. Indeed, following the abolishment of the RPM, price became the most important competitive attribute in the industry. Almost all the major retailers sought to compete on price during this era and the phrase ‘pile it high sell it cheap’ came to guide all activities (Palmer and Beddall, 1997). Ogbonna and Wilkinson (1990: 10) quote a store manager who discussed the nature of the operating environment during this era:

... Customer service was way down the list of our priorities. All the company was really interested in was getting the shelves filled... The managers were just there to run the business in the best way and in those days, the best way was to stock at the cheapest price and sell at the cheapest price.

Interestingly, once in motion, the impact of low prices can become self-perpetuating as the attraction of customers to other retailers by low-prices forces other retailers to reduce their own prices. However, retailers were undeterred by this and a series of price wars broke out during this era (Howe, 1992). One illustration of the perceived importance of price is the frequently cited ‘operations checkout campaign’ run by Tesco in 1977 (Palmer and Beddall, 1997). Although the major multiples were able to increase their sales and market share during this era, they suffered the inevitable consequence of direct price competition. That is, the overall profit margins in the sector was squeezed as consumers enjoyed the benefits of low prices (Ogbonna, 1989). However, by the end of the 1970s, it had become clear to the major retailers that price alone was insufficient to secure

competitive advantage (Knee and Walters, 1985; de Chernatony, 1988, 1989).

The effect of industry-level factors on competitive advantage were exacerbated by the exploitation of two firm-level attributes: improvements to operational efficiency and increasing economies of scale. During this period, retailers recognized that advantages were to be found by improving operational efficiency, principally through controlling costs (somewhat impeded by the relative lack of sophistication in information technology). Control of cost was considered critical to competitiveness and head office managers generally tried to minimise the overall cost of running the businesses. Such control meant that minimum investment was directed at improving store design, layout and ambience. Indeed, the stores were generally spartan and run on stringent budgets with minimum emphasis on customer convenience (Beaumont, 1987). For example, it was common practice for merchandize to be moved from the delivery van onto the shop floor where customers were required to take the individual items from the cases.

The second firm-level attribute exploited during this period was the development of economies of scale. In the 1950s the food retailing sector was highly fragmented with many small organizations and localized competition (see Gabor, 1977). Such highly dispersed retailing environment meant that there was no real domination of the sector. This situation was to change in the 1960s with the prominence of a number of major groups and the development of different competitive tools. For example, size became a major source of advantage which some of the large retailers sought to exploit. In this regard, it is arguable that the revolution in the UK retail sector started with the rise to prominence of a few retailers which attempted to improve their competitiveness through economies of scale and scope. This was achieved in a number of ways. The first was the move by some companies to increase their representation across different geographic regions (see the case study of Sparks, 1990). This was an important development in the sector since food retailing was previously characterised by regional interests and domination of some regions by individual retail chains (for example Asda in the North and Sainsbury and Tesco in the South). By the end of the 1960s, a few large retailers had attempted to increase their scope of operations to cover the entire country. It is arguable that this process accelerated the emergence of a retail oligopoly in the UK food retailing industry (Cox and Brittain, 1996).

Another feature of the move to exploit economies of scale during this era was the development of large out-of-town stores which became known as superstores. Indeed, during the 1960s, increasing the size of stores was seen as an important facet of retail corporate strategy (Fernie, 1995). Asda was credited with pioneering the concept of superstore retailing in Britain in 1965

(Ogbonna, 1989). During this and subsequent eras, the format quickly became (1) popular with a growth from two superstores in 1963, to 210 in 1978 to well over 1000 in 1995 and (2) highly successful with the proportion of grocery sales increasing from 2.7% in 1986 to 7% in 1986 and to well over 50% by 1999. Large superstores offered retailers the opportunity to maximize a range of advantages. Of particular significance was the expansion of product lines and ranges with the offering of non-food merchandize in many stores.

5.2. Competitive advantage in the 1980s

The 1980s was a period of intense change in the food retailing industry and was characterized by the exploitation of a range of attributes for the generation of competitive advantage. In particular, two industry-level issues and six firm-specific attributes were prominent. The industry-level factors were power, and the intensity of rivalry whilst the firm-specific factors included economies of scale and scope, sophistication in distribution systems, information technology, customer service, managing organizational culture and branding. These are discussed more fully below.

An important change in the food retailing industry in the 1980s was an increase in the power of buyers. A number of studies into the industry during this period concluded that there was a major shift in the balance of power in favour of the retailers (for example, Akehurst, 1983; Baden-Fuller, 1986). This shift was facilitated by a concentration of the industry. Whilst this concentration was evident in the previous era, it was intensified in the 1980s and its effects were more prominent and resulted in an even bigger share of the market by a few large retailers and large manufacturers (Baden-Fuller, 1986; Grant, 1987; Wrigley, 1993a). Indeed, in 1986, the top ten food retailers controlled over 60% of the total market share and by 1988 the top five companies alone had around 50% share of the market (Retail Intelligence, 1987; Retail Business Quarterly, 1988).

Specific examples of the actual exercise of power are difficult to uncover. However, it has been noted that the mere *presence* of power is an important influence on the behaviours of both buyers and suppliers within an industry (Wrong, 1968; Gaski, 1984). One indication of the significance of power within the industry in the 1980s is provided by the shift in the lobbying position of manufacturers. Whilst manufacturers dominated the industry during the 1950s and opposed any government restriction on their freedom to negotiate business terms with retailers, by the 1980s, they changed their position and offered strong support for a code of conduct as a way of restricting the exploitation of power by the retailers (Grant, 1987).

The intensity of rivalry was another important industry-level factor in the competitive environment of the

food retailing sector in the 1980s. During this period, a key force that drove the intense rivalry was the forecast of anticipated saturation of the industry (Langston et al., 1997). In the mid-1980s, a number of specialists warned that the growth era of food retailing industry was ending with most forecasts predicting a mature phase of consolidation (see, for example, Davies et al., 1985; Financial Times, 1985). Consequently, throughout the 1980s it was generally *believed* that a restructuring of the industry would soon be necessary. Whilst to date, saturation has not actually occurred (see Meyers, 1993; Langston et al., 1997), during the 1980s this widespread 'macroculture' belief (see Abrahamson and Fombrun, 1994) led to sustained attempts by individual companies to maintain their position leading to an escalation of competitive rivalry (Palmer and Beddall, 1997). The rivalry in the sector was manifested in a number of ways. Principally, there were a series of merger, and acquisitions as the key players sought to strengthen their positions. Analysis of documented information on food retailing suggests that the 1980s was characterized by polarization of the market with the large retailers and large manufacturers further distinguishing themselves from the rest of the sector (see, for example, Dawson and Shaw, 1990).

The continued polarization of the food retailing and manufacturing sectors and the maturing power of retailers was fuelled by a favourable *laissez faire* regulatory environment (Wrigley, 1992, 1993b; Hughes, 1996). In 1981 the Monopolies and Mergers Commission (MMC) report *Discounts to Retailers* concluded that such practices were beneficial to competition as long as the industry did not become 'too' concentrated. Whilst politically sensitive (Carlisle, 1981), the years following the publication of the report witnessed (1) further concentration with the unregulated formation of two major corporations (the Argyll Group and the Dee Corporation) and (2) evidence of degenerating relationships between retailers and manufacturers (Davies et al., 1985; Wrigley, 1992). The state reaction via the 1985 Office of Fair Trading's report entitled *Competition and Retailing*, reached similar conclusions to the MMC (1981) *Discounts to Retailers* report and thus ended potentially intrusive regulatory authority investigation and ensured that the regulatory environment remained benign (see Wrigley, 1992).

As the above changes to the competitive environment influenced the food retailing market, extant literature indicates that, with varying degrees of success, food retailers attempted to exploit a range of firm-level sources of competitive advantage. Retail companies realized that their large size and enhanced power capacity could be employed to generate considerable advantage. However, unlike the previous era, the exploitation of economies during this era was not restricted to scale but was also noticeable in the scope of the operation of retailers. A particularly good example of this was the development

of the 'one stop shopping' concept wherein food retailers endeavoured to provide a complete shopping facility by offering non-traditional facilities ranging from dry cleaning booths to restaurant services.

During the 1960s and 1970s, retail branch location was not seen as a major strategic issue. However, by the 1980s, location emerged as an integral part of competitive strategy and was widely viewed as an important way for firms to achieve strategic advantage and improve financial results (see Shiret, 1992; Wrigley, 1994). Indeed, Fernie (1995) argues that the location advantages gained by the larger retailers in the 1980s were a significant determinant of their success. The importance of location was recognized by many of the major players in the sector who signalled their intention to compete via large stores in prime locations (Sparks, 1986) despite the fierce competition for such sites (see Penny and Bloom, 1988). The concentration on competing via the best sites led to some disposals of smaller stores (Sparks, 1986) matched by an explosion in the number of edge-of-town superstores and hypermarkets (Wrigley, 1988; Fernie, 1997). Thus, between 1979 and 1989 the number of superstores and hypermarkets almost tripled to 644 (see Fernie, 1997).

The transformation of the distribution systems was another factor which emerged as particularly significant during the 1980s (Sparks, 1986; Wrigley, 1988; Fernie, 1992). Although there were a number of incremental improvements in the channels of distribution prior to this era, researchers generally acknowledge that the 1980s was a period in which progress in distribution and logistics transformed the industry (see Sparks, 1997). A good example of the pervasive and profound nature of such changes was the development of extensive networks of information systems which were created to consolidate centralized purchasing and distribution (McKinnon, 1990; Fernie, 1992).

The growth and application of information technology in the 1980s also represented a major source of advantage to many retailers (Lynch, 1990). It has been argued that the basis of the information revolution in the food retailing industry is the application of electronic point of sale systems in the 1980s (Ogbonna and Wilkinson, 1996b). In the 1980s, retailers developed a huge information generation capacity through EPOS. In 1986, there were 58,000 EPOS units installed in the UK and by 1990 this had increased almost four-fold to reach 200,000 (Key Note, 1992, 1994). Investment in information technology enabled retailers to achieve operational control by centralizing their activities from purchasing to distribution. The data generated from the systems were also instrumental in extending the power capacity of retailers. In particular, retailers were able, for the first in the industry, to generate accurate data on customer buying habits which were used to refine the marketing mix. Some retailers maximised the opportunity offered by EPOS systems by

selling the data (in aggregate format) to manufacturers who needed the information to plan their production schedule (Knee and Walters, 1985).

A further firm-level attribute which was prominent in the 1980s was customer service. As the general standards of living across society increased in the 1980s, customers became more discerning, demanding greater levels of quality, service and convenience (see Donaldson, 1986; Poynor, 1987; Sparks, 1992; Nel and Pitt, 1993; Palmer and Beddall, 1997). To meet the perceived challenge arising from this, major retailers sought to differentiate themselves on customer service and transformed their activities in many respects. For instance, a rapid expansion of product line and improvement in product quality was used to cater for a range of tastes (including exotic and organic fruits, and quality wines). There were also attempts to reduce the queues at the checkout and the opening hours for stores were extended into the evenings to increase customer convenience. It was also noticeable that the top retailers generally changed their company image in an attempt to shake off their 'cheap and nasty' reputations (see Ogbonna and Wilkinson, 1988).

To meet the challenges associated with the changes in industry-level factors, top retailers sought to manage their organizational culture. The move by the major retailers to become more responsive towards their customers was set against a background of an industry in which customer service was considered an avoidable cost. For example, Ogbonna and Wilkinson (1990) report that employees generally referred to customers as *punters*, a term which reflected the values inculcated during the price wars of the previous era. The top retailers recognized that they must change their cultures in order to succeed in offering high levels of service to their customers (Ogbonna and Wilkinson, 1990; Marchington, 1993). The culture change programmes relied heavily on human resource management and it was noticeable that organizations sought to improve their capabilities by developing people and turning this into an important resource (Ogbonna and Wilkinson, 1988; Ogbonna, 1989). However, the extent to which this firm-specific attribute was translated into genuine advantage was questionable. Indeed, a study by Ogbonna and Wilkinson (1990) on culture management by top food retailers concluded that whilst employees changed their behaviours towards the customers, there was no evidence that this was based on internalized values. Instead, they argued that the change of behaviour was frequently generated under surveillance and threats of sanction by management (Ogbonna and Wilkinson, 1990).

Finally, as a result of industry-level changes, retailers recognized that they could generate advantages through branding (Williams, 1996; Mammarella, 1996). An illustrative example was the growth in private branding, wherein retailers positioned their own

products in competition with those of the main brand manufacturers (Burt, 1992; Doel, 1996; Hughes, 1996). The unprecedented growth in retailer private brands during this era is illustrated by comparing the growth across the eras discussed in this paper. For instance, private brands accounted for only 10% of the total packaged food retailing market in 1965, by 1979 this had increased to 22% and this rose to 27% in 1984 (Retailing World, 1985; Grant, 1987; West, 1988). The impact of such competitive moves by retailers was such that by the end of the 1980s over half of the sales of the top two retailers were private brands (Ogbonna and Wilkinson, 1996a). The significance is also demonstrated by surveys which indicated that many consumers regarded store brands *more* favourably than manufacturers' brands (Hewitt, 1993).

5.3. Competitive advantage in the 1990s

Whereas the generation of competitive advantage during the last two eras discussed in this paper was somewhat crude and frequently unsystematic, the attempt to secure competitive advantage in the 1990s was characterized by a greater degree of professionalism and sophistication. Thus, whilst the industry-level factors and firm-level attributes which were prominent in the 1990s were similar to those in the 1980s, the manner in which they were exploited as well as the degree of success achieved have differed. The industry-level factors which became prominent are power, rivalry and regulation; and the firm-level attributes are customer service, information technology, culture and branding.

Consistent with earlier era, an important industry-level factor in the 1990s was power (see Wrigley, 1993b). The foregoing sections have documented a shift in power from manufacturers to retailers which started in the 1960s and intensified in the 1980s. Furthermore, it has been argued that major retailers have been able to take direct and indirect advantage of their enhanced power capacity. However, whilst the application of power in the 1980s was somewhat clumsy and uncoordinated, the manipulation of power capacity was more subtle and sophisticated in the 1990s (Wrigley, 1993b). Despite clear power imbalances between UK food retailers and manufacturers (Wrigley and Marsden, 1993), both sides jockeyed to acquire and apply power. For example, rather than *direct conflict*, the concentrated larger manufacturing firms attempted to develop *countervailing power* (Wrong, 1968; Gaski, 1984) by emphasising and improving consumer perceptions their brand franchise (see Howe, 1990; Ogbonna and Wilkinson, 1996). At the same time, larger retailers covertly (and occasionally overtly) used their considerable size and political power to undermine new entrants and control manufacturers to the extent that commentators expressed concerns that retailers were abusing their powerful position (see

Wrigley, 1993b). The sophistication in the application of power was documented in a recent study which found the existence of *differentiated relationships* in which power was seen a vital resource which is applied differently depending on the circumstances (Ogbonna and Harris, 1998).

The simultaneous concentration of the retail and manufacturing sides of the industry also intensified the level of rivalry within the industry. This rivalry was accentuated by the economic downturn of the early 1990s (Buckley, 1993) and (combined with other factors) led some theorists to question whether the 'golden age' of retailing was reaching a watershed (Wrigley, 1991). Fuelled by fears of saturation (see Meyers, 1993; Langston et al., 1997), retailers jockeyed for position to maintain their market shares, a series of price wars broke out and there was a noticeable arrival into the UK retailing scene of a number of European organizations whose primary competitive tool was price discounting. Whilst early predictions of massive deep discounter growth (see The Grocer, 1993) have not been fulfilled, the modest success of mainland European discounters (such as Netto and Aldi) triggered market maintenance competitive moves by the major retailers. Such reactions include the development of discount food warehouse operations by Asda and Gateway plc. and the introduction of price sensitive product lines by other major retailers.

Interestingly, the intensification of industry rivalry was largely focused on new entrants to the UK food retailing sector many of whom publicly expressed their unease about the tactics of existing players. Indeed, as the major retailers and manufacturers tried to preserve their market shares, they were accused of acting in ways which were anti-competitive (see for example Smith and Bevan, 1998a,b). Allegations of collusion with manufacturers were made by the new entrants into the UK market who claimed that major retailers forced many manufacturers not to supply to them directly (see Wrigley, 1993b). However, there were also accusations of price fixing against the top retailers resulting in identical prices across different retail chains (Piercy, 1999) and there was the collective action of retailers to mount a legal challenge against the introduction of 'warehouse clubs' in Britain in the early 1990s (Wrigley, 1993b).

The extent of allegations of collusion reached the point in the late 1990s that some politicians, consumer groups, and industry observers increasingly called for the power of retailers to be curtailed (see Piercy, 1999). Although previous investigations into the industry have not found any evidence of collusion against the interest of consumers, a major investigation was launched towards the end of the 1990s to investigate this further (see Smith and Bevan, 1998b).

The increasing concentration of retailers and their burgeoning market power was facilitated by a continuation

of the favourable regulatory environment in which oligopolistic practices and mergers are rarely formally challenged by the state (Hughes, 1996). Indeed, it has been argued that by the early 1990s, not only had the major food retailers attained economic power but they had also been entrusted with much of the responsibility for the “*management and policing of the food system and in the social structuring of consumption*” (Wrigley, 1993b, p. 1545). Thus, Wrigley and Marsden (1993) suggest that food retailers have become defacto agents for the state. Whilst not directly related to the competitive advantage of individual firms, the retailer-regulatory state relationship appears ‘comfortable’, suggesting that state-inspired industry-wide Schumpeterian shocks were unlikely (although not impossible). Nevertheless, at a more micro-level, more severe town-planning regulations (DoE, 1993) restricted the growth in superstore developments (see Guy, 1996).

Interestingly, an important aspect of the competitive strategy of the large retailers in the 1990s was been internalization. The competitive pressures at home, the tightened planning regulations and the continuing forecasts of impending saturation led the top retailers to consider international expansion (Cox and Brittain, 1996). In particular, the top two food retailers (Tesco and Sainsbury) invested heavily into overseas markets including European, North American and East Asian markets. Although Tesco achieved mixed results with this strategy, Sainsbury’s expansion into the USA was been successful. Indeed, in 1997 it was estimated that Sainsbury could become one of the top ten food retailers by the end of the decade (Wrigley, 1997).

At the level of the firm, the 1990s witnessed a proliferation of sources from which competitive advantage could be secured. Indeed, the firm-level attributes which were developed in the 1980s but not fully utilized were transformed in the 1990s. An important attribute which was exploited successfully at the level of the firm was information technology. In the 1980s, the benefits of EPOS were restricted to operational efficiency. As the information provided in the annual reports of two of the top three retailers reveal, in the 1980s, EPOS systems were generally used to increase efficiency and throughput at the checkouts, to increase efficiency through better staff scheduling and minimization of pricing errors and better delivery planning and scheduling. The development of information-wide superstructures since the early 1990s (Lockett and Holland, 1991, Cunningham and Tynan, 1993) enabled retailers to develop more intimate knowledge of consumer behaviour which led to significant successes in attempts to change such behaviours (Key Note, 1994). The range of developments in information technology and their specific applications is beyond the scope of this paper, however, it is arguable that there was a major refinement in the generation, processing and

application of information technology and such sophistication helped to transform all aspects of food retailing. In particular, this helped to drive customer loyalty which is another firm-level attribute that was developed significantly in the 1990s (see later).

In terms of customer service, it has already been argued that the attempt to develop a customer service ethos in the 1980s received mixed results (see Ogbonna and Wilkinson, 1990; Sparks, 1992). In the 1990s, the customer service message had refined as the top retailers realised that they had to move from patronizing the customers to treating them seriously and establishing better relationships with them (see Cull, 1997). The early version of this relationship was the attempt to generate customer loyalty through the loyalty scheme which was initiated by Tesco in 1995 (Drummond, 1995). Although this was highly successful, the advantage it offered was not necessarily in terms of customer loyalty since many shoppers simply used multiple cards issued by different retailers (The Grocer, 1995). Instead, the major benefit was the opportunity it offered retailers to develop the efficiency of their marketing and to improve further the dialogue and relationship with customers through customized service.

The increased sophistication in customer service also acted as a spur to improvements in other firm-level attributes. In particular, the top retailers promoted their brand identities and utilized their growing franchise with the customers to maximise the value of their brands. The offering of financial services was a notable example in this area (Pring, 1997).

A final firm-level attribute which increased in sophistication in the 1990s was the management of organizational culture. The importance attributed to managing organizational culture in the 1990s was seen in the frequent efforts directed at this by many retailers. Indeed, culture change became a regular activity which was initiated by almost every top retailer to coincide with cycles of major changes in strategies. Whereas in the 1980s, retailers largely failed in their attempts to develop appropriate organizational culture, the 1990s was characterized by a higher degree of sophistication in this area. The emphasis was not merely on encouraging staff to smile and behave deferentially towards customers (Ogbonna and Wilkinson, 1988), rather, the focus shifted to developing a market oriented culture. Thus, managements became more advanced in the tools they used and they became more modest in their expectations. In a recent study of organizational culture change in the UK retail sector, Ogbonna and Harris, (1998) documented moderate successes in changing the values of some organizational members and attributed this to a refined management approach wherein attempts to elicit value adoption were based on persuasion rather than threat. Similar findings have also been documented by Rosenthal et al. (1997).

5.4. Competitive advantage in the millennium

The foregoing discussion has highlighted some of the key historical developments in competitive positioning within the food retailing industry and the ways through which firms have attempted to generate competitive advantage. In this section, this paper offers a series of speculations regarding the development and exploitation of competitive advantage during this millennium. It is suggested that the industry-level factors which are likely to be most prominent are government intervention and rivalry; and the corresponding firm-level attributes are likely to be technology, customer service and functional efficiency.

The first issue that is likely to become prominent in the industry in this millennium is the threat of government intervention to regulate power. As was noted earlier, the 1980s were characterized by an increased level of sophistication in the way that retailers exploited their power capacity. This has led to numerous calls for a curb in the excessive power of retailers by both manufacturers and consumer groups (see Piercy, 1999). Indeed, as the end of the 1990s approached, a series of popular press articles and documentaries warned that retailers were developing the capacity to control all aspects of our lives (see, for example, Smith and Bevan, 1998a,b). The Competition Commission is due to report on whether retailer power is used in ways which are against consumer interests shortly. Given that the present government has expressed its desire to promote competition, it is likely that government intervention (or the threat of it) will play a major role in shaping the future developments in the industry. One indication of how this is likely to develop can be derived from the cancellation of the proposed merger between Asda and Safeway which was thought to be related to a negative response from the government competition agencies (KeyNote, 1998).

A second industry-level factor which is likely to be prominent in the millennium is rivalry. The intensification of competition in the industry in the 1990s suggests that industry rivalry will increase in the millennium as both manufacturers and retailers will be vying to maintain their position in a mature industry. On the manufacturing side of the industry, it is likely that major organizations will seek to abandon their general policy of not supplying private brands as they seek to maximise capacity utilization and recapture the grounds lost to smaller manufacturers and dedicated private brand suppliers.

Industry rivalry is also likely to be intense on the retail side of the industry. Specifically, there is likely to be a proliferation of interest into the food retailing with organizations within and outside the food industry seeking to establish a presence. However, it is the anticipated arrival of new foreign entrants that is likely to have a more pervasive impact. In particular, it is likely that the

relatively high profitability will attract more European and North American-based discounting groups into the UK market (KeyNote, 1998). The recent take-over of Asda by the world's largest retail group, Wal-Mart, provides an interesting example of this. In response to these developments, it is likely that the trend towards internationalisation by UK retailers will increase as large retailers seek to reduce their dependence on the UK market. As Wrigley (1997) has demonstrated, a number of favourable factors make international expansion attractive to large UK food retailers. These include their access to capital and their significant knowledge and expertise in the areas of technology, branding and supply chain management.

Finally, the industry-level issue of sector saturation should be considered. The argument that saturation will befall the food retailing sector has haunted the industry since the 1980s (see for example, Duke, 1989; Guy, 1994). Nevertheless, during the same period large food retailers experienced spectacular growth in store numbers (Fernie, 1997). Although the 1990s were characterized by a decline in the numbers of superstores, analysis of this decline reveals that this trend is not solely attributable to saturation but rather to a variety of other reasons (see Wrigley, 1994). These issues lead Meyers (1993) to observe that there is a marked difference between the perception and the reality of saturation. Consequently, for two main reasons it is proposed that saturation is unlikely to be a major issue for food retailers in the immediate future. First, although there are many reports of continuing expansion in store space, these reports often overlook the decreases in net space as many retailers close less profitable stores or as mergers, acquisitions and other activities result in the changing of store fascias (Langston et al., 1997). Second, it is arguable that even if saturation becomes an issue, it is likely to have a differential impact on retailers. Indeed, this could present an opportunity for the large efficient retailers to acquire market share from the inefficient ones. The comments of a former Chief Executive Officer of Gateway lends credence to this point: "*Saturation is a company specific issue; that is, it will affect each company to a different degree, depending on [their] particular brand and fascia strengths*" (quoted in Langston et al., 1997 p. 83).

At the level of the firm, it is likely that three attributes will constitute the main sources of competitive advantage. These are information technology, managed customer relations and operational efficiency. Each of these factors is discussed briefly below.

It has already been argued that the rapid growth in the development and application of information technology is a key reason for the success of the major retailers (Lockett and Holland, 1991; Ogbonna and Wilkinson, 1996b). The further exploitation of this important resource is likely to be noticed in two main ways; in-store and externally. The in-store use of developed

technologies constitutes a presently under exploited resource for developing competitive advantage. Currently available and under-used intra-store technologies include self-scanning devices, customer and staff touch-screen appliances, intelligent trolleys and consumer smart cards (see Swinyard, 1997; Ody, 1998). Clearly, such technologies have the potential to generate considerable and potentially sustainable advantages. The potential of other, currently experimental or conceptual technological developments is immense. The precise manner in which these technologies are developed, infused and applied will undoubtedly vary from firm to firm in ways currently unpredictable. However, examples of potential applications of currently available technology include time differentiated pricing (see Cull, 1998), loyalty-based queue reduction schemes (see Ody, 1998), unstaffed stores and customer tracking and flow systems.

The second way in which technology is likely to influence the competitive nature of food retailing is via the exploitation of extra-store technology (for example, internet communication systems). Mandeville (1995) forecasts that between 10 and 15% of food sales will be via home shopping whilst between 20 and 25% of non-food sales will be conducted from home. Indeed, the continuing tightening of the planning regulations in the 1990s is likely to encourage large retailers to take this issue more seriously. Whilst such prospects constitute a threat to conventional retailers, the opportunity for innovative large retailers (rich in information and loyalty) is great (Hoskyns, 1995; Read, 1998; Doherty et al., 1999). However, the use of such internet technology as a source of competitive advantage is not limited to customer relations but also extends to supply chain management. Indeed, most of the major UK retailers are presently expanding their currently comparatively simplistic supplier information exchange systems (see Field, 1998).

The third way in which it is predicted that food retailers will attempt to develop firm attributes into sources of competitive advantage is via what has variously been called 'micromarketing' (Swinyard, 1997), 'relationship marketing' (O'Malley et al., 1997) or what this paper labels 'managed individual customer relations'. Briefly, in the context of this paper 'managed individual customer relations' is taken to involve the managed process of designing and delivering service tailored to each individual customer. Whereas, the 1980s imposed services and the 1990s rather synthetically attempted to generate loyalty, the millennium is likely to signal a totally different approach to customer relations. In the long-term, innovation in technology is likely to reduce the importance of retail location as a major competitive issue. Indeed, internet shopping could redefine the purpose of large food stores as these may become integrated centres catering for the physical, psychological and even spiritual needs of consumers in managed customer relationships.

Thus, anticipated improvements to technology, changes in the degree of customer and market oriented organizational cultures coupled with lessons learned during the 1990s relationship marketing should enable food retailers to create a retail experience tailored to the needs, wants and demands of individual customers. Indeed, the technology currently exists to analyse the lifestyle of customers and develop individually focused products and services.

Another firm attribute which is likely to be an important source of competitive advantage centres on the generation of further operational efficiencies. As the discussion of the past three competitive eras demonstrates, changes to the competitive environment in the food retailing industry over the last 40 years have been linked with increasing operational efficiency. As industry-level changes occur, rivalry in the sector is likely to intensify-driving retailers to reduce margins to gain advantage. Similarly, as information becomes more widely available, differentiating sources of competitive advantages are likely to become less important with the focus switching to price. Thus, cost efficiency will probably constitute one of the most important sources of competitive advantage.

6. Conclusions and implications

This paper began with a review of the prevailing theoretical explanations of superior organizational performance. This overview provided the basis for a more detailed examination of the industry-level and firm attributes that influence the competitive advantage of companies. After a brief discussion of the factors influencing the sustainability of competitive advantage, attention was focused on the history of competitive advantage within the UK food retailing industry. Review and analyses suggested that, within this context, competitive advantage is best understood in terms of three historical 'competitive eras' (the 1950–1970s, the 1980s and the 1990s). The examination of these eras provided some guidance to predicting how competitive advantage within the food retailing sector may evolve during the millennium.

The preceding review leads to a number of conclusions and implications for both retail and general practitioners and theorists. Firstly, an implication can be derived from the relative importance of industry and firm-level factors in influencing competitive advantage in a given industry. Whereas there has been significant recent academic attention directed to the resource based theories of competitive advantage at the level of the firm (see for instance, Reed and DeFillippi, 1990; Prahalad and Hamel, 1990; Barney, 1991; Fiol, 1991; Lado and Wilson, 1994), this has tended to be to the neglect of industry-level factors. Indeed, it is arguable that the most significant factor influencing competitive advantage in the food retailing

industry is power. This industry-level attribute has emerged as significant over the last three eras and is likely to continue to be the key issue influencing the future direction of the industry. Thus, not paying sufficient attention to issues of industry-level power may be an example of over-concentration on internal dynamics which may lead an organization to become strategically inert.

One practical implication arising from this study is that the fast pace of change in the industry requires organizations to be dynamic with a heightened emphasis on continuous innovation or imitation. The example presented in this paper can be used to argue that the response of organizations in the quest for competitive advantage can be categorized along a continuum ranging from innovators, quick followers, slow followers, to those who elect to do nothing. It is also arguable that it is not only lead organizations which innovate, but also those which are quick followers that are likely to succeed in intensely competitive industries. A specific illustration of this in the food retailing sector is the introduction of loyalty cards. This was pioneered by Tesco and although the company maximized the initial benefits arising from this, Safeway was a quick follower which refined this concept in a way which helped it to improve its service delivery to its niche market of young families. In contrast, it is arguable that Sainsbury's lateness in launching loyalty cards resulted in a considerable loss of competitiveness.

Whilst certain industry-level factors (such as power relations) exerted a prolonged influence on the competitive advantage of food retailing firms for all of the eras studied, no single firm level attribute was consistently exploited across all the periods examined. Nevertheless, an escalating pattern emerges from the analysis of the competitive periods. In short, the number of firm level attributes exploited to generate competitive advantage appeared to increase chronologically. That is, probably in an effort to generate non-imitable bundles of firm-specific attributes, the number of firm-level sources of competitive advantage exploited appears to have increased during the periods studied. Moreover, firms within the food retailing sector appear to be developing increasingly sophisticated attributes (a trend particularly evident in the comparison of the 1980s to the 1990s). However, interestingly, the firm attributes developed by UK food retailers during the periods studied appears to be somewhat selective when compared to the huge range of sources of competitive advantage identified and discussed earlier in this paper. The potential reasons for this selective use is clearly an area for future study.

Plotting and analysing the trends of competitive advantage in the food retailing sector also lead to a number of observations regarding the sustainability of competitive advantage. Barney (1991) reaffirms that the sustainability of competitive advantage should be viewed not in

terms of calendar time but in terms of competitive duplication. This appears to be confirmed in relation to the UK food retailing sector wherein apparently sustainable competitive advantages are rapidly eroded either by direct competitors (such as Tesco and Sainsbury's erosion of the store-level economies of scale advantage of Asda in the early 1960s) or by Schumpeterian shocks (such as the abolition of Resale Price Maintenance in 1964). Indeed, analysis of the discussed eras of competitive advantage suggests that the speed with which advantages are worn down or decay is increasing: advantages which in the 1960s were eroded over a decade were duplicated within months in the 1990s. These findings appear to suggest that the extent to which food retailers are currently developing valuable, rare, imperfectly imitable and non-substitutable advantages (Barney, 1991) is limited. Hence, those retailers able to generate advantages which are opaque (Grant, 1987) could gain significantly. Nevertheless, much of the possibility for the existence of sustainable competitive advantage is premised on the existence of imperfect information (that is, where information is imperfect individual firms are able to generate advantages over competitors). Interestingly, improvements in technology and the information super-highway coupled with the increasing willingness of consumers to use technology, seems to reduce the imperfection of information. That is, the information available to consumers is escalating to the extent that in some markets perfect information is conceivable (consider the market for home computers). Whilst a situation of perfect information is certainly not imminent, the possibility of the so-called 'bloodless capitalism' does exist.

The analysis of the trends in competitive advantage within the food retailing sector also highlights the *possibility* of some form of competitive advantage cycle. Whilst this paper is limited to the UK food retailing sector and thus not perfectly generalisable across sectors, the findings within this sector seem to suggest a degree of cyclical advantage. A particularly good example of this is the concentration of retailers on functional efficiencies during the 1960s coupled with predictions that similar actions will become increasingly important in the millennium. Similarly, the importance of regulation appears to be cyclical with (pro-retailing) legislation occurring during the 1960s whilst the late 1990s finds a range of sector specialists suggesting that further legislation or regulation is necessary to reduce the power of retailers (see Smith and Bevan, 1998a,b).

Clearly, the study of a single sector precludes any definitive claims of patterns or cycles of competitive advantage, however, the trends observed do suggest some pattern or cycle in need of additional research. Indeed, whilst the study of competitive advantage in this sector has proved interesting, additional research could prove valuable. In particular, four issues appear especially worthy of attention. Firstly, as previously stated,

the *potential* for cycles or patterns of competitive advantage needs further research across a range of industrial sectors and countries. Secondly, given that this study finds that in general the larger food retailers of the UK have merely selectively exploited firm level sources of competitive advantage, further research is needed to explain why certain sources are exploited and others overlooked or ignored. Thirdly, additional studies of the factors determining sustainability of competitive advantage within retailing could provide additional insight into the reasons or the comparatively transparency of competitive advantages within the sector. Finally, the associations (if any) between firm and industry level factors influencing competitive advantage require further study and empirical research. Indeed, until these issues are more fully understood, it seems likely that the topic of 'competitive advantage' will remain perplexing to theorists and continue to be elusive for practitioners.

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