FOOD RETAILING IN EUROPE - POST 1992

PROJECT II
THE COCA-COLA RETAILING RESEARCH GROUP
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FOOD RETAILING ALLIANCES : STRATEGIC IMPLICATIONS

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THE COCA-COLA RETAILING RESEARCH GROUP EUROPE

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Food Retailing Alliances : Strategic Implications

Introduction

Making generalisations about trends in EC consumer markets is especially hazardous given a population of 352m spread across the markedly diverse cultures of twelve nations. Such generalisations become even more risky when the upheavals in Eastern Europe, together with German unification, are taken into account. On the basis of OECD purchasing power parities, the GDP of the twelve EC nations is about 10% short of matching the GDP of the United States. The scale of opportunity for European food retailers, used to trading primarily within their own national borders, is great. The one generalisation that can be made comfortably, therefore, is that retailers are likely to become stronger as a result of this opportunity. However, having perceived the opportunity, they are not waiting until January 1st 1993 : planning and restructuring has already begun.

Executive Summary

- With the removal of trade barriers after January 1st 1993, the key to unlocking the benefits of "1992" relates to the "sourcing" of raw materials for food manufacturers and finished products for food retailers.

- This provides the opportunity for individual food manufacturers and food retailers to aspire towards being "lowest cost supplier/buyer". This will be the source of opportunity, challenge and conflict in the European food industry for the rest of the 'nineties.

- The concept of "1992" is here. Retailers and manufacturers have begun to organise: manufacturers are consolidating production facilities while retailers are forming pan-European buying groups and alliances.

- A surge of retailer buying group activity has developed since 1988. The centralisation of retail purchasing power will put pressure on manufacturers' price structures in four ways:

  – quantities ordered will rise so that volume discounts demanded will rise also (although discounts may be unrelated to cost savings, this is the treadmill the manufacturers will find hard to get off).

  – by opening order books to each other, members of retail buying consortia can quickly and easily determine their lowest cost source. Such price levels could become the starting point for negotiating (group) incremental volume to an even lower point.

  – while price differentials across some manufacturers exist, the opportunity for parallel importing (or diverting) will undoubtedly be taken advantage of, and

  – food retailers seeking new sources for own-label products should find plenty of choice amongst major brand manufacturers and their smaller counterparts with surplus capacity. Indeed, given the absence of Euro-consumers, the own label could develop faster than the Euro-brand.

- Food manufacturer/retailer relations will likely be strained in the short-term, while notions of co-operation/participation for the mutual longer run benefit of both sides could succeed eventually (eg. posture of Associated Marketing Services).

- The momentum of "1992" could be slowed because of cultural differences: Europeans will not magically become consumers of Euro-food overnight. However, new product development is certain to be stimulated with, as noted above, retailers' own labels driving those new product introductions.

- As both sides of the European food industry re-structure for post-1992 operations, the greatest uncertainty relates to the reaction of EC legislators to the retailers' push to be "lowest cost buyers": does the sharing of buyer price data among buying group members constitute an abuse of a dominant position that would be contrary to Articles 85 and 86 of the Treaty of Rome?

- The collapse of communism in Eastern Europe, together with unification of Germany, suggests an opportunity in these areas for pan-European food retailers and buying groups, and especially for the Germans, given that German is the second language of many ex-communist bloc nations.

The opportunity

In establishing the EC, the Treaty of Rome (1957) envisaged the creation of a single integrated market with specific provisions for the free movement of people, goods, services and capital between member states. The frustration of this process taking longer than anticipated led, in 1988, to the European Commission formulating a new strategy as a "White Paper on Completing Internal Markets". This document represents the corporate plan for the EC during the 1985-1993 period. It proposed around 280 measures to be adopted by each member state by December 31 1992. Hence, the concept of "1992".

"1992" reflects a process of de-regulation principally concerned with the removal of barriers to the introduction of a common internal trading market. The removal of constraints on the cross-border movement of goods is the source of opportunity for which European food retailers have already started to plan.

Background : Legislative Impact on retail structure

Leaving aside the upheavals in Eastern Europe, individual countries' legislation has had a major effect on shaping retail structures. Generally, the experience of the Continental European markets contrasts with that of the UK. This is characterised by the magnitude of net margin difference: around 6% in the UK versus 2.5% elsewhere in Europe. An explanation for the difference will be helpful.

Continental Europe
For most Western European countries there is some form of legislative control on the development of new shopping space, eg. Le Royer in France, The Baunutzungsverordnungsgesetz in Germany and Le Roi Cardenas in Belgium, and the Town and Country Planning Acts as the basis of legislation in the UK. For the most part these laws have been fairly rigidly applied in Continental Europe, especially in terms of restricting store size, location and, via additional decrees, shop opening hours. This has tended to favour smaller sized stores and relatively higher cost structures, limiting the opportunity to achieve the economies of scale from large store retailing. With saturation (in terms of stores per 100,000 inhabitants) being high (certainly compared with the UK) the prime focus on competition has been "price". Margins have been under pressure continually.

Table 1
Western Europe: Relative Supermarket/Hypermarket Saturation (1989)

Country	Supermarket/ Hypermarket Retail Space per Capita (sq ft/person)	Stores/100,000 Persons	Supermarket/ Hypermarket Sales Intensity (sales/sq ft/pa)
Belgium	2.4	18.1	£225
France	2.0	12.8	£260
West Germany	1.3	14.3	£210
Holland	1.3	15.3	£255
UK	0.7	5.3	£395
Spain	0.5	5.3	n.a
Italy	0.5	5.1	n.a

Notes: Supermarket defined as 4000 sq ft or over
Exchange rates as at 24.8.90

Source : Argyll Group Plc estimates, IGD, ISSO, AC Nielsen

United Kingdom
With the exception of a period of Government imposed price and margin controls in the 1970's, retail prices in the UK have been determined competitively. Following the price-wars of the late '70's-early '80's (the result of the "low growth – no growth" nature of industry volume, excess capacity and leading firm restructuring) the nature of competition between UK food retailers switched to non-price issues: product range, choice, service departments, car parking, location etc. With the Thatcher government coming to power in 1979, there followed through the '80's increasing amounts of land available for all kinds of retail development as industry re-structured itself under the burden of monetarist policies and as privatisation programmes saw the release of land banks held by nationalised industries. There was, therefore, no shortage of sites and with the adoption of generally more laisser-faire attitudes, especially in planning terms, 1989 was a record year for superstore openings*. In fact, of the 23 superstores opened by J Sainsbury in its 1988/89 financial year, only four were the result of planning appeals.

So, in the UK the underlying pressure has been to allow margins to move up. In the five years, 1986-90, the four largest UK food retailers invested in capital projects to the value of 1.5 times their pre-tax profits. This spending was directed at large stores that benefited from scale economies, the ability to sell wider ranges on higher gross margins, and on investments in distribution and information technology infrastructure. That the increasing capital intensity is paying off is no better confirmed than in the fact that gross margins grew by around 1% per year during the last half of the '80's and net margins pretty much doubled, to 6%. (For J Sainsbury, we estimate that over the past 10 years the supermarket's gross margin increased 25% and, of that, 60% came in the last five years).

Our "thumb-nail" sketch of these differences is useful because it highlights the different pressures and opportunities facing retail managements in Europe. Until recently, the UK food retailers were notable for their virtual total lack of interest in the "retail alliance/buying group" as a route to further expansion. This contrasts with the Continental European experience where, given the margin pressures, the growth options had to be faced much earlier:

- to either expand overseas (e.g. Delhaize's acquisition of Food Lion in 1974; Ahold's acquisition of Bi-Lo in 1977 etc),

** according to the UK's Institute of Grocery Distribution, 73 superstores (>25,000 sq ft) were opened in 1989 – the highest annual figure since records began in 1965.*

- acquire other companies (at great expense e.g. Casino-La Ruche Méridionale, Rallye-Genty Cathiard) or merge (with the risk of national cartel office intervention e.g. ASKO-Metro),

- or to join buying groups capable of enhancing market power and expanding margins.

But, buying groups are not new phenomena. In France, for example, Paridoc was formed sixty years ago and SOCADIP in 1966. "1992" has, however, provided the "raison d'être" for more groups to be founded. *

Current impetus to "1992"

Whether from the retailer's or manufacturer's point of view, the key to unlocking the benefits of "1992" relates to sourcing: the sourcing of raw materials for manufacturers and of finished products for retailers.

For multi-national manufacturers, "pan-European" is a sub-set of established global strategy. Operators such as BSN, Coca-Cola, Kelloggs, Kraft/General Foods, Mars, Nestlé, Proctor & Gamble, Unilever etc, have already started to organise for pan-European operation, particularly in terms of centralising and consolidating ("re-focusing" to use Unilever's terminology) production capacity relative to population centres and sources of supply.

The "1992" opportunity does not just lie with multi-national manufacturers. Probably fewer than ten multi-nationals are set up for pan-European operation, while the majority of other producers serve one or two national markets only. In any event, by removing trade barriers and allowing trans-national sourcing and distributing, the impetus for food manufacturing is focused clearly on re-establishing the ethos of "lowest cost producer".

For European food retailers, the removal of trade barriers between EC members also provides the opportunity of a wider range of choice for sources of supply for both brands and own label. (The latter are likely to experience rising sales penetration through the 'nineties.) With margin pressure undiminished the food retailers will aggressively focus on seeking to be "lowest cost buyer".

** We are aware of the cynical suggestion that the motivation for buying group membership is/has been associated with protection from unwelcome take-over approaches. But such protection could only be taken seriously if accompanied by more than just a token exchange of shares.*

What is clear is that neither retailer nor manufacturer is waiting until 1st January 1993 to act. While manufacturers' plant cannot be constructed, re-located or re-focused to come on-stream overnight, the food retailers have, since 1989, set up around a dozen alliances and buying groups. We go on to discuss these in terms of aims and objectives. But, what is certain is that the re-structuring of competition in Euro-food has begun : between manufactures' competing for retailers' business and between the retailers themselves. The retailer-manufacturer interface seems likely to remain as strained as ever.

Buying groups and alliances: a surge of activity

In Table 2 we summarise details of the major European buying groups and retail alliances formed since 1988.

Table 2

Retail Alliances and Buying Groups formed since 1988

Alliance/Buying Group	Members	
Sodei (Societe de Development International)	Paridoc/Docks De France	France
	GIB Group	Belgium
Eurogroupe	GIB Group	Belgium
	Rewe	Germany
	Vendex	Netherlands
European Retail Alliance (ERA)	Arygll Group	UK
	Ahold	Netherlands
	Casino	France
Associated Marketing Services (AMS)	Arygll Group	UK
	Ahold	Netherlands
	Casino	France
	Allkauf	Germany
	Dansk	Denmark
	Hagen-Gruppen	Norway
	ICA	Sweden
	Kesko	Finland
	La Rinascente	Italy
	Mercadona	Spain
	Migros	Switzerland
European Marketing Distribution (EMD)	Socadip	France
	Markant	Germany
	Markant Food Marketing	Netherlands
	Zev-Zentrale	Austria
	Selex Iberica	Spain
	Selex Gruppo	Italy
	Uni-arme	Portugal
Di-fra	Monoprix/ SCA	France
	Rallye Groupe	France
	Montlaur	France
	Arlaud	France
	Francap	France
	Louis Delhaize	Belgium
Interbuy*	Asko	Germany
	Massa	Germany
Spar AG et alia	Spar Handels AG	Germany
	Axel Johnson	Sweden
	Unigros	Netherlands
DeuroBuying	Asda	UK
	Carrefour	France
	Makro	Netherlands
	Metro	Swiss/German

* *currently canvassing additional members*

The concept of a buying group is not new : its origins can perhaps be traced back to the Cooperative movement with its political objective of enhancing the social and economic well being of individuals, and to groups like Spar and A&O, whose economic goals were to protect the fortunes of the independent grocer in the face of mounting competition from growing and acquiring multiple groups. Paridoc* was formed in France sixty years ago, and would claim benefits not only in terms of price advantage, but also in terms of broader ranges, especially the ability to offer non-foods. SOCADIP (Société d'Achat, de Diffusion et de Promotion) was formed in 1966, when three wholesalers and three chains got together, the first hypermarket was opened in 1969 under the name "Euromarché". Today there are 72 Euromarché's, (now spun off as a separate company) and the Mammouth chain of hypermarkets source through SOCADIP following a linking with Paridoc (owners of Mammouth) earlier this year. Under a variety of different store fascias and sizes, sales through SOCADIP outlets are equivalent to 23% of French supermarket sales.

The surge of activity in the formation of buying groups and alliances since 1988 reveals two key trends:

- first, cross-border pan-European combinations between retailers and,

- second, the beginning of a super-league of pan-European amalgamations of established buying groups eg. European Marketing Distribution (EMD).

A review of the marketing and public relations literature produced by the post 1988 alliances listed in Table 2 provides a useful guide to understanding their objectives. In this literature the most frequently used words are "partners/partnership", "co-operation" and "synergies". There appear to be three broad levels of objective:

- dissemination of market research, management information, and experiences amongst group/alliance members.

- the co-ordination of marketing, product development (quality standards and own-label opportunities), logistics, distribution and information technology.

- a search for European based suppliers accompanied by co-ordination and optimisation of purchasing agreements to lower the cost of goods and services, thereby raising the efficiency of the group(s). (It would be naive to assume that these groups are

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**After Casino joined the European Retail Alliance (May 1989) it withdrew from membership of Paridoc. In consequence, Paridoc is re-structuring but may struggle to regain its former strength.*

acting in a benevolent concerted way with the objective of reducing total industry costs to raise "total systems efficiency".)

There has to be a great deal of difference in the time-span for achieving these objectives. For example, on information technology, the incompatibility between retailers' systems, software and languages suggests little synergy will be achieved operationally in the near-term. Exchanging management information and market research may be "nice to know", but is it actionable for bottom line impact? Physical distribution capacity is unlikely to be rationalised in the absence of any major cross-share holdings. Managing the logistics of common sourcing is a pre-requisite if any success is to be achieved at all.

What this all points to is that it is one thing to put names to a piece of paper and call it a buying group or alliance, it is another to create an administrative and operational structure to make it all happen. This will take time and different languages and cultures will only slow things down. But, provided the participants are serious, there is much to be gained from combining the sales order volumes of group members. **Remember, the whole of the pricing structure of the grocery trade world-wide is one based upon volume related discounts. The fact that those discounts have become increasingly unrelated to the real cost savings is the treadmill the manufacturers are on and the retailers know it. This is why manufacturers remain rightly worried about the traditional balance of power which, in Continental Europe has, by and large, tended to favour the manufacturer, shifting to the retailer.**

The manufacturer faces a threat to his price structure in two ways. First, the retailers' expectation of a lower unit buying price for increased volume is taking place ahead of manufacturers' capacity development/rationalisation. Second : if members of a buying group open their order books to compare prices across suppliers, the lowest price will almost certainly become the price to be driven lower still in any bargaining with any given supplier.

This "you show me yours – I'll show you mine" posture will almost certainly have another effect; namely, it will foster the development of parallel importing (or "diverting" as it is known in the United States) by retail groups. This is a natural outcome of the retailers' desire to be lowest cost buyers. The pressure on manufacturers will prevail until different plant prices come into alignment : an unwelcome irritant while production capacity is being consolidated.

If the take-off in buying group/alliance formations in the last two years is seen as a response to food manufacturers' pan-European plans, then a solid block of countervailing power has already been established. The battle lines are drawn. The "rapport de force" (as the French would say) between food retailers and manufacturers is unlikely to get any easier.

Buying group vs retail alliance

We referred earlier to the emergence of a super-league of amalgamating buying groups (as opposed to amalgamations of retailers into one buying group). In August 1989 EMD AG (European Marketing Distribution) was formed by seven established buying groups joining together. SOCADIP of France and MARKANT AG (headquartered in Switzerland) each hold 25% of the share capital, with the five other members (from Austria, Spain, Italy, Holland and Portugal) holding 30%. The remaining shares are held in reserve by SOCADIP and MARKANT for new members. EMD's motto is "In unity there is strength, in international unity even more strength". Together EMD retail members comprise several million square meters of selling space and access to distribution capacity across Europe. They make very clear that the prime objective is to negotiate with suppliers to obtain the very best terms.

In addition to EMD, the most significant developments of greatest potential are the formation of the European Retail Alliance, which took place in May 1989 and Associated Marketing Services AG two months later. The objectives of the ERA and AMS are no less clear, but are expressed in slightly less aggressive terms than EMD: the word "partner" being linked frequently with "supplier".

The ERA was formed by Argyll Group (UK), Groupe Casino (France) and Koninklijke Ahold (Holland), each member holding a one-third share. Shortly after formation, the members, all public companies, took cross shareholdings in each other. The ERA objectives are : "To investigate areas of co-operation between the three partner companies, including marketing, distribution, production, development and exploitation of store formats as well as management information systems and other computer applications". Since foundation much has been done to set up the appropriate administrative structures. When Argyll in the UK reported its 1989/90 financial results it indicated that the ERA had already produced around £0.3m of cost savings in the combined purchase of computer hardware. In addition, working parties on Information Technology (chaired by Argyll), Distribution (Ahold) and Supplier Relationships and Category Management (Casino), have been established and meet frequently.

The ERA commands total sales of £12.6bn, all but £1.6bn deriving from food, and with £2.5bn in the USA via Ahold's three US food retailers. The total number of ERA food stores in Europe amounts to 3,700, plus 340 in the US.

The ERA is also the dominant partner of AMS, with Ahold, Casino and Argyll (the core members) each holding a 20% stake. The balance is split between the 'non-core" members: Allkauf (Germany), Dansk (Denmark), ICA (Sweden), Kesko (Finland), La Rinascente (Italy), Mercadona (Spain) and Migros (Switzerland). The AMS objectives are:"To work with manufacturers and suppliers of branded, non-branded and own-label goods and services to identify opportunities to improve the efficiency of the supply chain, to reduce the cost of goods and services and to share in the benefits from this cooperation". The AMS has a 12% share of the aggregate of the food markets in which it operates : ranging from 40% in Finland, to 26% in Holland to 1% in Italy. In terms of EC markets, its share is about 6/7%.

The AMS has identified the following fourteen "areas of opportunity":

1. Development of existing business.
2. Co-ordination of supplies.
3. Co-ordination of promotional support.
4. Introduction and market testing of new products.
5. Standardisation of product and packaging.
6. Introduction of suppliers to new markets.
7. Co-ordination of distribution.
8. Development of merchandising and promotional presentation materials.
9. Co-ordination of own label development.
10. Material sourcing for own label brand suppliers.
11. Assistance in production and distribution.
12. Optimisation of stock holding.
13. Management of temporary supply shortages.
14. Forum for retailer/supplier issues.

The general positioning of the AMS "areas of opportunity" suggests the prospect of partnership and cooperation with suppliers "to establish a programme which will yield progressive benefit as our businesses develop together". This win/win strategy is likely to have great appeal and attraction among suppliers. Indeed, manufacturers should view positively the fact that the conceptual founder of ERA/ AMS, Ahold's Fritz Ahlquist, is still at the helm and that AMS management goes to great lengths to stress that AMS is not a buying group. AMS insists that its central executive in Zug, Switzerland acts as a "door opener" and clearing house for deals, leaving price negotiations to individual members. It's still early days, with only a few deals concluded (eg. Scotch Whisky, wine, pet foods) and little public evidence so far of the scale of these mutual benefits.

What could go wrong?

While the AMS position on "partnership" suggests "1992" will not be a one way street of margin benefits totally in favour of food retailers, there are four areas which could slow down or radically effect the food retailers' growing strength:

- for buying groups to succeed, the right administrative structures have to be in place: to be really effective, communications have to be in a common language and buying staff in different companies have to be similarly motivated and rewarded.

- it has to be acknowledged that friction could emerge between members for the following reasons:

  – a clash of corporate cultures emerges, or

  – one member becomes more successful that others and, due to physical expansion, the spectre of intra-member competition emerges. (Tengelmann of Germany has cited this specifically as the reason why it prefers not to participate in alliances/buying groups).

- friction could also emerge within a member company if, say, there was disagreement between those executives who negotiated the way-in to an alliance, and those operationally responsible for implementation.

- with both retailers and manufacturers re-structuring operations for "1992" the populations of the countries of Europe will not, overnight, become pan-European consumers : differences in national tastes will remain as barriers for marketing men to overcome. There exist few truly Euro-brands. To develop more will take time.

- given the expanded scale of operations that a pan-European buying group embraces, it is critical that both flows of data and product are supported by first class information technology and logistics systems.

- the greatest area of uncertainty probably relates to the shape that EC legislation could take with regard to competition policy. This is governed by Articles 85 and 86 of the Treaty of Rome which is concerned with ensuring free and fair competition. Any abuse of dominant market power is unwelcome and likely to attract investigation. While under present EC competition policy discriminatory pricing and/or refusal by a supplier to sell to a customer without a valid, objective reason is prohibited, the issue of retail buying group members opening their order books to each other to determine the lowest price supplier/plant represents a "grey area". This could be why AMS is sensitive to describing itself as "not a buying group".

Eastern Europe

All the upheavals of the past eighteen months in Eastern Europe, as communist regimes have collapsed, and Germany has unified, spell opportunity for pan-European food retailers and buying groups. Established West German food retailers have been negotiating for the past year over sites and groups of stores in the former East Germany. Tengelmann of Germany is involved in Hungary, Ahold in Czechoslovakia, and Aldi has designs on Poland.

While for the Western European nations, English is the second language, for the Eastern bloc, German is the second language. This may tend more naturally, therefore, to see German food retailing interests look increasingly eastwards for buying combinations.

On German unification specifically, the prospect of rapid 'westernisation' of the former East German economy has provided the conditions which enable (west) German food retailers to establish a presence quickly:

- no viable food distribution system existed before 1990. The average size of an East German food retail store was 68 square metres (c. 680 sq. ft). The void must, and will, be filled.

- the legal restrictions placed on (west) German food retailers in opening new space (the Baunutzungsverordnung) will, for the time being, not be imposed on food chains in the (east) German länder despite the unification of West and East German law under the unification treaty.

- Deals are already being negotiated with the former East German cooperative organisations. Key (west) German food retailers – Aldi, Metro, Rewe, Tengelmann and Asko in particular – already have a "foot in the door" which can be opened further as the legal position becomes clearer.

Opportunity has a cost, however, in terms of:

- legal difficulties (ownership/tenure of property)/delay and drain on management time (ie. intangible costs).

- establishing a supply chain in order to service new stores profitably (ie. tangible costs), and

- higher cost structure for (east) German branches because of the poor infrastructure in the east (i.e indirect costs).

In the scramble for 'filling the void', those (west) German food retailers now in the east are established in 'non mainstream' premises such as old and disused warehouses, factories, and even under canvass tents and other temporary structures. The costs of upgrading to modern premises will not be insubstantial. Indeed, the President of the German Retail Institute (HDE) indicated recently that over Dm50bn was needed over the the next five years to "fill the east German retailing void".

Non-Participants in Buying Groups

In the table below, we have ranked, according to sales, the top 20 West European food retailers. Of these there are six that stand out as having no participation at all in any kind of buying group or alliance. Two of these are from the UK (Sainsbury and Tesco), and two from Germany (Aldi and Tengelmann), one from France (Promodes) and one from Belgium (Delhaize "Le Lion"). Sainsbury and Tesco presumably feel that their buying power is strong enough already and that the domestic market offers sufficient growth opportunities (both were approached to join the ERA). Tengelmann believes that to join a buying group could be competitively detrimental to its European expansion plans.

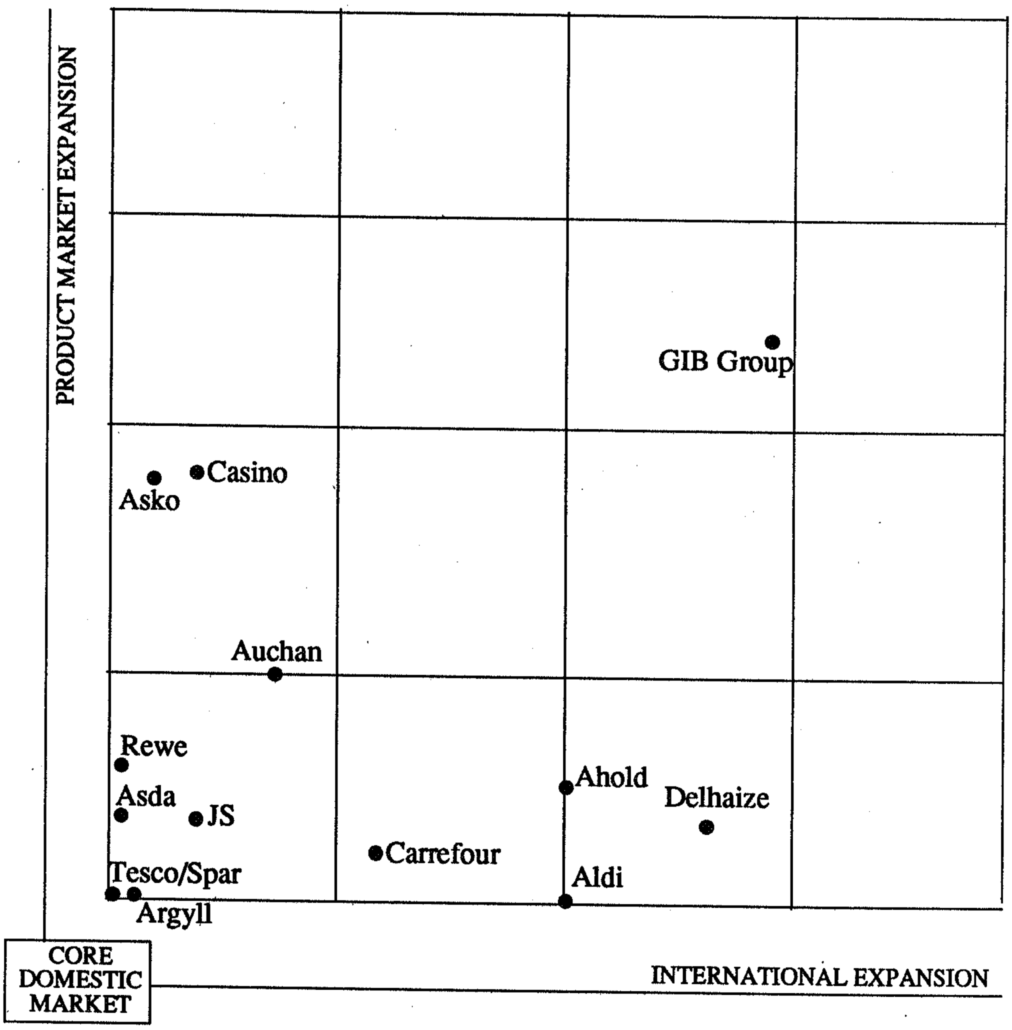
Table 3: Top 20 European Food Retailers

Company	Sales (local)	Sales (£m)	Year to	Share of National Market (%)	Source
Metro*	35.49DMbn	11.83	Dec 88	11.0	
Tengelmann	35.00DMbn	11.66	Dec 88	10.1 (2)	Nielsen
Rewe*	30.00DMbn	10.00	Dec 88	19.6 (2)	Nielsen
Leclerc*	87.00bnFF	8.68	Dec 89	5.44 (1)	IFLS
Intermarché*	85.00bnFF	8.48	Dec 89	5.00 (1)	IFLS
Carrefour*	73.866bnFF	7.37	Dec 89	397 (1)	IFLS
Aldi	22.06DMbn	7.35	Dec 88	12.0	
JS	£7.20bn	7.20	March 90	11.6	DTI-base
Tesco	£5.40bn	5.40	Feb 90	11.3	DTI-base
Asko*	15.8DMbn	5.27	Dec 89	4.5 (2)	Nielsen
Ahold*	17.66Dfl.bn	5.22	Dec 89	26.0	Co.
Promodes	51.859bnFF	5.18	Dec 89	2.76 (1)	IFLS
Edeka*	15.3bnDM	5.10	Dec 88	8.0 (2)(3)	Nielsen
Migros*	12.55bnSWFF	5.02	Dec 89		
Vendex*	14.927DMbn	4.97	Dec 88	9.2	
Spar*	13.00DMbn	4.33	Dec 88	9.5 (2)	Nielsen
Argyll*	£3.92bn	3.92	March 90	8.2	DTI-base
Asda*	£3.55bn	3.55	April 90	6.3	DTI-base
Casino*	33.055FFbn	3.50	Dec 89	2.31 (1)	IFLS
Delhaize "Le Lion"	210.7FB	3.41	Dec 88	30.0	IGD

(1) 1988
(2) 1989
(3) Edeka alone – does not include members of Edeka group
** Membership of Buying Group/alliance*

We present the following chart to depict the relative positioning of European food retailers in terms of product market and international expansion. This shows clearly that it is the UK based food retailers that appear the least internationally minded: Tesco occupying "home-base" with a virtually 100% food (non-diversified) business and no overseas interests.

Chart 1: European Food Retailers – Product and Overseas Market Expansion



Source: From "Only Engagements So Far". European Retail, September 1990
Dr Alan Treadgold. Oxford Institute of Retail Management, Templeton College, Oxford.

Conclusion

The spectre of '1992' is stimulating the growth of retail alliances and buying group membership. This, in combination with a number of other emerging trends (such as German unification) will be an important factor influencing continuing change in the structure of European food retailing into the 'nineties. The removal of trade barriers post -'1992' provides the impetus for both food retailers and food manufacturers to aspire towards being the 'lowest cost supplier/buyer'. This will no doubt be the source of much opportunity, challenge and conflict for the European food industry for the rest of the decade.

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