Not for quotation or citation
without the express permission
of the authors.

ISSN 0265-9778

Dr Leigh Sparks is a lecturer at the Institute for Retail Studies, Department of Business and Management, University of Stirling, STIRLING FK9 4LA.

Disclaimer

The opinions expressed in this working paper are the responsibility of the author alone.

Working Paper 8805
Strategy in Retailing : the

development of Kwik Save

Group P.L.C

Leigh Sparks

Paper prepared for presentation at Food Marketing conference, Silsoe College, Bedford, January 1989. Circulated as a working paper for discussion, November 1988.

Summary

Food superstores and limited-range discount food retailers emerged from a similar base during the 1960's with common themes. Since then the two concepts have diverged considerably such that Kwik Save - now the pre-eminent limited range discount retailer - claim to be the 'antidote' to the superstore and to occupy a niche left by the polarisation of retailing. This paper aims to identify the criteria on which Kwik Save have developed and the way in which they have adopted and adapted a locational and operational strategy that aims to provide a different choice to the consumer than other retailers. This analysis is undertaken through a brief review of changes in food retailing since the 1960's and a detailed case study of Kwik Save.

Introduction

The food superstore has received considerable interest from researchers into food retailing in Great Britain. Such interest reflects the emergence of this innovation and the major role food superstores play today in meeting consumer requirements. The original food superstores however were nothing like the present-day ‘palaces’. In the 1960’s the emergent superstore was based on the notions of price and accessibility. At the same time as superstores were being created, a second strand of price discounting was emerging. This was the limited range discount food retailer, the main operator of which now is Kwik Save. These two innovations in retailing in Great Britain had in fact much in common but as the innovations matured the two strands diverged. This divergence has progressed so far that Kwik Save now claim to offer ‘an antidote’ to superstore retailing.

Kwik Save can claim to be an antidote because the strategy that they have adopted has exploited a niche left by the superstores and their moves up-scale, up-market and out-of-town. Kwik Save compete on price and convenience, are locationally distinct from many other food retailers, and have different operational and merchandising practices. This paper aims to identify the criteria on which Kwik Save have developed and the way in which they have adopted and adapted a locational and operational strategy that aims to provide a different choice to the consumer than other retailers.

The analysis divides into three parts. First, is a brief overview of the changes in food retailing since 1960 with particular emphasis on the origins and development of the food superstore and the limited range discounter. Secondly, a case study of Kwik Save is presented focusing on locational strategy, pricing stance and product range and demonstrating how Kwik Save have taken advantage of the market opportunities available to provide locational and product choice to both consumers and manufacturers. The opportunity for companies like Kwik Save, provided initially by general behaviour in food retailing and subsequently by the superstore in the form of a market niche is analysed. The ways in which superstores and Kwik Save have altered since innovation are detailed. Finally, the various strands of the paper are drawn together in- the conclusions.

Food Retailing in Great Britain

Food and grocery retailing in Great Britain has developed into a very competitive market in the last thirty or so years. The sector has changed considerably over this period. One of the major trends has been increasing concentration in the sector (Akehurst 1983). This has been associated with a growing power of multiple retailers and a decline in the strength of co-operatives and independents (Davies, Gilligan and Sutton 1985). Multiple retailers share of the grocery market increased from 42% to 70% between 1970 and 1985 (Beaumont 1987). The rise of the multiple retailers (Baden-Fuller 1986) through economies of scale and replication has produced only a handful of retail companies who dominate many of the regional food and grocery markets (Davies, Gilligan and Sutton 1985). Companies such as Tesco, Sainsbury, Asda, Dee Corporation and Argyll are dominant, although the total strength of the co-operative movement must not be under-estimated. Behind these first rank multiples are regionally based companies such as Wm Low and Wm Morrisons and the limited range discounter Kwik Save.

Kwik Save is the focus of study here. Kwik Save were one of the pioneers of the limited range discount format in food retailing in the UK. This format basically involves high volume sales of a limited range of goods at discounted prices in a low cost retail environment. At the same time as Kwik Save was emerging, there were a number of other discount food retailers beginning to develop chains of stores including Asda, Wm Morrisons, Grandways, Pricerite and KD Discount. Some of these were limited range discount food store operators in their own right whereas others were main line multiples offering a range of price cuts or emerging retailers developing early forms of the superstore (Thorpe 1972). Superstores of this period bear little resemblance to present day superstores, being smaller, often in converted buildings and with a limited product range in a low-quality environment. Most of these discount operations existed as either one format of a larger company or as independent retailers. In many cases, these companies were unable to maintain their position and ceased trading. This left Kwik Save in the late 1970s as the pre-eminent limited range discount food operator. The only real competition currently comes from Lo-Cost (a part of Argyll) and the much smaller Victor Value (a part of Bejam).

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

First, there has been a massive rise in the average size of stores, associated particularly with the growth of the food superstore (Dawson 1984). As superstores developed so the product range extended and an emphasis on one-stop shopping emerged.

A second trend has been the move towards out-of-town or off-centre locations (Gayler 1984, Kivell and Shaw 1980). This again is linked to the food superstore (Davies and Sparks 1989, Rowley 1984) and the requirement for ample car parking to meet the needs of customers. Food retailing by main line food multiples has been withdrawn from the majority of UK high streets (Dawson 1988).

A third trend has been that of own-brands (Davies, Gilligan and Sutton 1986, McGoldrick 1984), which has seen a steady increase in the percentage of own-brand food products, as a method of improving margins and competitive position.

A fourth trend is that of the provision of sufficient finance to enable expansion to occur. Obtaining access to this finance is difficult, and in general only successful and established retailers can now compete in this market.

Fifthly, the physical distribution systems of the major food retailers have undergone massive changes particularly in the last five years. This process of change is still not complete. In particular, physical distribution systems have been increasingly centralised with a high level of sub-contracting (McKinnon 1985, Sparks 1988).

Finally, major retailers have been increasingly reliant on service and added value to sell to customers, rather than a strict reliance on price. Prices are generally competitive but it is the quality, the value, the environment and the service provided that has become important. The concepts of customer service and customer care are now crucial to most food retailers.

The exception perhaps to the trends is that of Kwik Save, a company which has been successful in food retailing by going against many of the trends and occupying a niche left open by these general corporate strategies. Kwik Save claim that they offer the ‘antidote’ to superstore shopping (Kwik Save Annual Report 1987, p9). The specific study below will explain how this success has been achieved and draw lessons from the growth and practice of Britain’s foremost limited range discount food retailer.

Kwik Save Group P.L.C.

As will become clear, the history of Kwik Save is best described in two main phases, Gubay and post-Gubay. This is the format followed here. A fuller study of the retailing operations of Albert Gubay on three continents can be found in Lord et al (1988).

(i) Entrepreneurial Flair and Hiatus, 1959-1973.

Kwik Save Group P.L.C. can be traced back to the 11 May 1959 when a private company. Value Foods Ltd was registered. The founder Albert Gubay was born in 1928 in Rhyl, North Wales, and began a business career in North Wales involving a variety of activities including selling non-sugar sweets during confectionery rationing. The confectionery business began to have difficulties in the late 1950’s as rationing ended and Gubay moved into retailing via market stalls and then a rented grocery shop in Rhyl. Value Foods Ltd represented a further step down a retail path.

Value Foods Ltd was based in Prestatyn in North Wales and opened its first traditional-style grocery shop in Rhyl in July 1959. By 1962 further shops were open in Chester and Wrexham. The first supermarket operated by the company opened in Prestatyn in 1962 and was claimed to be the first drive-in supermarket in the United Kingdom. Supermarkets then became the main business of the company. These stores were nothing exceptional in size or turnover, although there was a reliance on the provision of car parking and the (then) dubious activities of late night opening and price cutting below the manufacturers recommended re-sale price (Fulop 1964).

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

The company's conversion into a public company in November 1970 was preceded by a name change in July 1970 from Value Foods Ltd to Kwik Save Discount Group Ltd. Kwik Save Discount Group Ltd, at the time of flotation had 24 stores based in North Wales, Cheshire and Shropshire. These 24 outlets had 115,000 sq ft of selling space and made profits of £643,000 on turnover of £11m.

The basic idea behind the Kwik Save retail operation was a classically simple one. The company believed that customers could be attracted and their needs satisfied by offering basic goods at very competitive prices (Watkin and Joseph 1976). This pricing stance was particularly appealing to low income consumers. It is difficult to obtain price data for this early period, but figures from a variety of sources (Thorpe 1972, Livesey 1979), including 'Which' surveys of the early 1970s mention Kwik Save as being cheap, whilst since 1977 when 'Which' included Kwik Save in their surveys for the first time, the company has always been at or very near the top (cheapest). Thorpe (1972) in a study of prices in discount stores and superstores found Kwik Save to be the cheapest. More recent price data from other sources confirms that Kwik Save remains amongst the cheapest retailers. The competitive pricing policies were enabled by a number of inter-connected factors. The first element was the 'stripped-to-basics' approach of the stores. Fixtures, fittings -and fascias were basic with the goods sold from manufacturers' cardboard boxes placed on pallets or wooden shelving designed, built and fitted in-house. Stock was often held above the shelves allowing easy re-stocking and minimising warehouse and storage space. There was nothing sophisticated or fancy about the stores. As Tanburn (1974) notes "Kwik Save offer a very limited range of products .... and literally dump them in opened outers for customers to help themselves. The grocery area .... looks like a warehouse or shed " (p51). As with early superstores many of these early outlets were in converted buildings.

The second element was that of control with the company dedicated to tight control of operations. Computers were an integral part of the company from almost the beginning, and the company also moved early into central distribution, a process enabled by the technology. Both centralised distribution and extensive computerisation were innovations in food retailing at this time, later to be copied by superstore retailers. In particular the company introduced a sophisticated computer-based stock control system, again developed in-house which enabled stock levels to be kept to a minimum and orders and deliveries to be computer processed. Centralised buying and particularly centralised distribution produced further cost savings, through better deals, less pilferage, lower stock levels and better use of stock space. Materials handling revolved around layers on pallets and where possible pallets were sent untouched direct to the store from the warehouse and merchandised by the pallet-load on to the shop floor. Goods were picked on pallets according to the store layout which was approximately standard across all stores. The result was an efficient and cost-effective operation. Control of costs produced low overheads, low operating costs, low staffing costs including management and a dedication to low levels of shrinkage (Singer and Friedlander 1970). Kwik Save also operated its own fleet of vehicles, garage facilities, joinery and waste-paper baling station, further reducing costs. By controlling as much of the business centrally as possible and by standardising operating procedures across the outlets, Gubay de-skilled the store management task. This allowed the recruitment of store managers from a variety of previous occupations and reduced costs whilst improving performance.

The third element was that of buying muscle combined with a reliance on manufacturer branded goods. In spite of being small, the company had considerable buying muscle through the very rapid stockturn and large volume on a small number of items.

This was linked to a decision not to use own-brand or generic products but to buy aggressively from manufacturers and pass on the savings to the customers. Only a very limited range of packaged goods (c450 lines), all manufacturer brands but mainly second-line national brands, was sold. Stocking policy for goods was dependent on the price deal to be obtained. If this was not good enough then the line was not stocked. Cheapness was the driving motivation. There were no tailored promotions or special offers in the stores and manufacturers' representatives were not permitted to merchandise. The strategy of 'loss leaders' was not often pursued but rather prices were discounted across the entire range, with all goods being sold very cheaply (Singer and Friedlandler 1970, Thorpe 1972) at a price equivalent or better than other companies 'specials'. The idea as Gubay stated was 'not to sell cheap groceries but to sell groceries cheaply'. The limited range approach allowed the removal of item pricing, replacing it with shelf-edge pricing and requiring the checkout operators to memorise the prices, through the use of a limited number of pricing points. Staff costs were kept low and the trolley to trolley checkout operation allowed rapid flow through the check-out. As Watkin and Joseph (1976) show in comparing two discount stores in Wales, Kwik Save employed less people than smaller stores run by competitors. Indeed, nationally the Kwik Save operation has for many years had the highest sales per employee figures for food retailing companies. The limited range was also important for efficient distribution, merchandising, buying and computerisation.

The final element was that of risk reduction through the use of concessions in the store to cover the goods that Kwik Save itself did not want to and could not handle ie the non-packaged sectors such as fresh meat, fruit, vegetables and bread. This approach reduced the risk by allowing Kwik Save to concentrate on the procedures it did best, but also provided the company with a range of products in the store and as importantly, with rental income. In 1970 this income comprised 10% of pre-tax profits. The rental paid to Kwik Save by a concession was based on the turnover of the Kwik Save unit, which was an unusual practice. In the main the concessions were run by independent traders or small companies.

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

By 1970, Kwik Save had emerged as a limited range discount operation whilst Asda and Wm Morrison were moving towards superstores through the development of larger stores, with a greatly increased product range, in off-centre locations. Other limited range discounters in the north of England at this time included Discount Foods and Cee-n-Cee. There was a degree of spatial separation of these chains which enabled them to co-exist. The main areas of conflict were in Leeds between Asda and Wm Morrison and Liverpool/Cheshire between Kwik Save and Discount Foods. To an extent therefore the initial developmental years were not ones of conflict. It must be remembered however that at this time these companies were very minor parts of the British food retailing scene (Akehurst, 1983, 1984, Thorpe 1972, Davies and Sparks 1986, Livesey 1979).

At flotation in 1970 therefore Kwik Save whilst small had a proven formula that apparently suited the needs of consumers in North Wales, Merseyside and Lancashire. The problem was to translate that success into a retail company for the 1970's and 1980's. Much of this success in the 1960s can be attributed to the Chairman Albert Gubay. His retailing know-how had begun and driven the company, overcome problems of operation (as shown by the data in Figure 1 for the 1960's), and the flotation was as much a statement of confidence in 'the controversial Welshman' Gubay as in Kwik Save which was at this time still only a very small retail company.

Albert Gubay was a very high-profile and controversial director who was perhaps too individual, forthright and independent to be 'shackled' by institutional investors. He very much wanted to be his own boss. At the same time he wanted to turn his paper profits into capital and also felt alienated and penalised by the tax structure. At the time of flotation, control of Kwik Save rested firmly in Albert Gubay's hands with his family retaining c45% of the shares. In April/May 1972 the Gubay family sold c27% of the total Kwik Save shares worth c£7.4m although Albert Gubay remained as a director and declared his intention to retain the remaining shares (c15%) as a permanent holding. In December 1972, Gubay stepped aside from the Chairmanship and became a non-executive director. This move was symptomatic of Gubay distancing himself from the business. The bomb-shell however struck later in the same month and in early January 1973 when it became clear that Gubay's remaining share holding had been disposed of and he had left the country to go to New Zealand. These moves apparently came as a shock to the company and their financial advisers.

It is difficult now to convey the impact of Gubay's departure. His high-profile, controversial and successful style made Kwik Save well-known and indelibly associated Kwik Save with Gubay.

Gubay’s walk-out caused personal difficulties for him in that he was investigated by the Department of Trade and Industry under the Companies Act and also had to fight a long legal battle over his tax bill. The Department of Trade and Industry report (1974) found Albert Gubay to be in default of the Companies Act and found his explanations ‘not acceptable*. The report however continued that Gubay’s explanations ‘involve a question of interpretation ... which does not fall within our functions as inspectors’ (Department of Trade and Industry, 1974, p10). Gubay’s tax case eventually went to the House of Lords in 1984 where he won his case and had to pay almost no tax on his share deals. The effect of both the tax judgement and the inspectors’ report was that Albert Gubay had succeeded in obtaining his profit from the founding of Kwik Save and had also succeeded in avoiding the majority of British tax on his gains. His position as the ‘bete noir’ of British food retailing was confirmed. Since leaving Britain, Gubay has founded, run and sold retail chains in New Zealand, Ireland and the USA (Lord et al 1988).

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

(ii) The Maturing of Kwik Save, 1973-date.

The company that Gubay left behind had to convince the City of its value and its operating performance. Immediately after flotation and Gubay’s departure, the net margin was driven lower as Kwik Save came under pressure both within the company and through the more difficult and government restricted trading conditions of the 1970’s. In one sense the 1970’s was beneficial to Kwik Save’s brand of discount retailing as consumers were more price conscious, but on the other hand inflation and product shortages as well as government controls made trading difficult. Food price inflation was above 10% per annum for the majority of the period 1972-1982, being particularly high in 1974-1977 when annual food inflation reached 25%. Price-consciousness amongst consumers rose considerably at this time, especially among the lower-paid. These initial years after the hiatus also saw the income from concessions contribute a very high share of pre-tax profits, emphasising the trading difficulties (Figure 1). By the 1980’s however stability rather than fluctuation had been achieved with net margin and rental income as a percentage of pre-tax profits remaining at relatively consistent levels. It has to be noted that during the 1970's and early 1980's the margin produced by Kwik Save was ahead of most, if not all food retailers (Akehurst 1984, Manchester Business School 1987, Institute of Grocery Distribution 1987).

Kwik Save have steadily increased their store numbers (Figure 1); in 'the 1980's for example on average at least one store per fortnight. This has been mainly organic growth with the exception of a 1978 takeover of the 49 unit strong Cee-n-Cee supermarket chain and more recent acquisitions of Tates (1986) which brought twelve food shops, fourteen wine shops and six convenience stores and twenty-three Dee Corporation units (1987).

The changeover in the company is marked. From its entrepreneurial beginnings, Kwik Save had grown to have a turnover of £11m and net profits before tax of £0.64m in 1970. It retailed from only twenty-four outlets with a sales floorspace of 115,000 sq ft. There were approximately 450 employees. By 1987 Kwik Save had a turnover of £862.Om, made profits of £46.6m, retailed from almost 590 units, with 3.0m sq ft of floorspace and over 7,700 FTE employees. The management of change from the entrepreneurial beginnings, through the hiatus of Gubay's goodbye to the present mature retail chain had been safely and profitably achieved. It is important to consider how this process was managed. This can be undertaken through first, a brief overview of the general food industry in the 1970's and 1980's, secondly, an examination of Kwik Save's spatial expansion and thirdly, a review of Kwik Save's business operation.

Akehurst (1984) has examined food retailing in the 1970's in particular and has pointed to the difficulties many retailers were facing. Such problems lead to the introduction of Operation Checkout by Tesco in 1977 which as Bamfield (1980) states:-

> "marks a change in retail techniques, particularly promotional methods, rather than being a temporary phenomenon after which retail prices might return to normal .... the response to a change in consumer buying habits as reflected in the rapid growth of low cost discounters " (p41).

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

Kwik Save were imitated by many operators. Some were limited range discounters from the 1960's. Most of these did not expand as fast as Kwik Save and were taken over or failed, such as Discount Foods Ltd which became one of the bases for Oriel Foods and thus Argyll. Of the discount operators listed by Thorpe (1972) only three of nine companies remain in operation, and two of these operate superstores. Others imitators were set up as trading arms of major retailers. This does not mean that imitation brought success as the problems of KD Discount (Key Markets), Pricerite (International), Shoppers Paradise (Fine Fare) and Victor Value (Tesco then Be jam) amongst others show. All of these operations have been sold or closed down. Limited range discount operations are difficult to run profitably and successfully and the success of Kwik Save is impressive.

The expansion of the Kwik Save Discount Group can also be viewed in spatial terms (Figure 2). In 1967, when the discount store format had been fully accepted by the company, as has been seen there were 13 branches trading as Kwik Save Discount, mainly in North Wales, but with some expansion into Cheshire. By 1970 the company had 24 units trading in North Wales, Cheshire and Shropshire with the headquarters and distribution depot remaining at Prestatyn. Expansion was also aided by the further extension of the motorway network. It is often forgotten that at this period, physical distribution could not rely on good infrastructure and spatial expansion was often geared to infrastructure investment. By 1974 the beginnings of the move away from the 'heartland' of Prestatyn, North Wales can be clearly discerned and by 1977 there was a clear drive southwards and into South Wales, continuing the spatial transformation of the company. The late 1970's and the 1980's have seen further expansion southwards and northwards within England and Wales (Figure 2). At the same time Kwik Save's strategy encompassed the 'in-filling' of existing trading areas with newer and more stores.

It was the opportunity to 'in-fill' existing target areas that attracted Kwik Save to Cee-n-Cee supermarkets in 1978. The purchase of this 49 unit chain gave further representation in Lancashire, Cheshire and the Potteries. Whilst the grasping of this opportunity is perfectly understandable it can be argued that the purchase disrupted Kwik Save's progress as it took a considerable period to incorporate the chain fully into operations. The store locations in 1987 can be clearly contrasted with the locations in the entrepreneurial phase and demonstrate the advance Kwik Save has made towards being a national chain. Opportunities to 'in-fill' existing areas of activities continue to be taken with the most notable being the purchase of twenty-three former Dee Corporation units in the Midlands to provide better sites and extend representation in the area. Since 1985 Kwik Save have stated an intention to enter the London and South-East area. This has seen stores open for example in Ilford and Tottenham, and the purchase of a small number of Woolworth stores for conversion. These stores are forerunners of a scheduled onslaught on the London market.

Kwik Save also expanded away from the 'traditional' food supermarket. Since 1984 a freezer centre chain - Arctic – has been operating, often adjacent to existing Kwik Save units. By the end of 1987 there were 72 such freezer centres with in addition 14 Late Shopper convenience stores which were originally part of Tates. The previous reliance on outside concessions has been reduced with a subsidiary Colemans Meat (purchased in 1980) and an in-house drinks unit Best of Cellars being common concessions.

The transition from an entrepreneurial-led small company to a significant corporate retailer has also seen changes in structural elements of the business as well as spatial expansion. However at a broad level the company has remained faithful to Gubay's original principles. This may be due in part to the presence on the board of several directors who started out with Gubay in the early 1960's or 1970's. In two particular aspects Kwik Save have remained faithful to the original principles. First, Kwik Save still operates out of small units. The average selling space of a Kwik Save supermarket is only 5,300 sq ft and it is about 60% of that for a freezer centre. This is against the trend in food retailing which is for polarisation into large superstores and small specialist stores (Dawson 1985). Kwik Save occupies a middle size range which most other companies ignore. Secondly, the company maintains its total reliance on manufacturer branded goods and avoids the widespread trend towards own-brands. This has seen Kwik Save welcomed by manufacturers and the brands now sold are generally top manufacturer brands rather than an earlier reliance on secondary brands. As the Annual Report of 1985 states the trading policy is one 'of offering the lowest possible prices on our range of top branded names'. By remaining faithful to these two principles, Kwik Save has isolated itself from two major trends in UK food retailing and in particular from the superstore.

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

The approach is well summed-up by Ian Howe, the Chairman in the Annual Reports of 1984 and 1986:- "There is an increasing polarisation in the trade between retailers concentrating on major developments and relying on large catchment areas, and others, like ourselves, who see the opportunity to fill the vacuum that is created by the shrinking number of outlets to offer the best in price and convenience to urban, suburban and rural customers. The flexibility of approach allowed by our trading methods will ensure our continued growth in a highly competitive market ". (Annual Report, 1984, p4)

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

(Annual Report, 1986, p5)

The polarisation of retailing and the move to out-of-town locations are seen as providing opportunities for Kwik Save to expand its operations and to fill a gap or niche in the market place.

In a number of other ways however the company has moved away from the principles of Albert Gubay and -instead has followed developments in the market. First, the stores now have considerably more lines than in the past, often 1,000 compared to the previous 450. This is still however vastly fewer than in a food superstore. This extension to the number of lines has caused problems with checkout operators' abilities to memorize the prices. This is particularly acute in areas where it is difficult to ensure staff quality and reliability. The new

London stores therefore operate with a laser scanning system which allows price look-up. Perhaps a more notable change however is the extension to service and design that has occurred in the 1980's. Whilst it is not true to say that Kwik Save has moved completely up-market in its positioning or as far as most superstores, it certainly has 'traded-up' in response to consumer changes. The consumer emphasis on quality and value and the new consumer perceptions which have steadily broadened have seen most firms in food retailing examine quality and value. The most notable change is Tesco's drive up-market (Akehurst 1984), but other chains, including Kwik Save have moved in the same direction. For Kwik Save this has meant new design, decor and layout and refurbishment of stores and staff attitudes. Whilst prices are still keen, and the differential with other chains has probably been maintained the emphasis is less on discount, a fact recognised by a change in name in January 1986 to Kwik Save Group P.L.C. (from Kwik Save Discount Group P.L.C.) and the disappearance of 'Discount' from all store fascias.

The final realisation that Kwik Save had moved from its entrepreneurial stage through to full corporate status came in 1987. Despite periodic rumours of possible takeovers, particularly during the two or three years after Gubay's departure, Kwik Save remained independent until mid-1987 when Dairy Farm International Ltd, a Hong Kong company mainly owned by Jardine Matheson, and operators of retail chains in Hong Kong (Wellcome) and Australia (Franklins) took, against the Kwik Save Board's wishes, a 25% stake in the company. There is a standstill agreement in operation which aims to preclude a full bid being made until 1989 at least.

Conclusions

The superstore and the discount food retailer come from the same origins. Both offered consumers low prices in accessible locations. The common bond of a low price orientation however has been the only real common thread since the early 1960's and for many superstores now low price is no loner a main theme. In most ways the superstore and the limited range discount store have diverged. The divergence has taken place in store size, product range, merchandising policy, operational procedures and location. The differences are now such that Kwik Save can be seen as occupying a niche abandoned by other retailers in favour of superstore retailing.

Kwik Save are important because of their distinctiveness. In food retailing in Great Britain, they no longer have any real competitors in their sector of the market. With Argyll concentrating on their Safeway acquisition and Bejam being too small to expand Victor Value to too great an extent, the future for Kwik Save seems positive. The polarisation of retailing has left a gap to be exploited and Kwik Save are doing just that. Spatially, there are clear potential markets for the company.

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

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

References

Akehurst G (1983) Concentration in Retail Distribution: measurement and significance. Service Industries Journal, 3(2), 161-79.

Akehurst G (1984) Checkout: the analysis of oligopolistic behaviour in the UK grocery retail market. Service Industries Journal, 4(2), 189-242.

Allan J (1980) The Changing Retail Pattern. Retail and Distribution Management, 8(4), 21-6.

Baden-Fuller C W F (1986) Rising Concentration in the UK Grocery Trade 1970-80, in Tucker K and C W F Baden-Fuller (eds) Firms and Markets. Croom Helm: London.

Bamfield JAN (1980) The Changing Face of British Retailing National Westminister Bank Quarterly Review, May.

Beaumont J (1987) Trends in Food Retailing, p52-63 of McFadyen E (ed) The Changing Face of British Retailing. Newman Books : London.

Bowlby S (1985) Shoppers' needs : don't forget the old and careless. Town and Country Planning, 54(7), 219-21.

Davies B K and L Sparks (1986) ASDA-MFI: the superstore and the flat-pack. International Journal of Retailing, 1(1), 55-78.

Davies B K and L Sparks (1989) The Development of Superstore Retailing in Great Britain 1960-1986. Transactions of The Institute of British Geographers (forthcoming).

Davies B K, C Gilligan and and C Sutton (1985) Structural Changes in Grocery Retailing: the implications for competition. International Journal of Physical Distribution and Materials Management, 15(2), 1-48.

Davies B K, Gilligan C and Sutton C (1986) The Development of Own Label Product Strategies in Grocery and DIY Retailing in the UK. International Journal of Retailing, 1(1), 6-19.

Dawson J A (1984) Structural-Spatial Relationships in the Spread of Hypermarket Retailing, p156-182 of Kaynak E and Savitt R (eds) Comparative Marketing Systems. Praeger: New York.

Dawson J A (1985) Structural Change in European Retailing: the polarisation of operating scale, p211-229 of Kaynak E (ed). Global Perspectives in Marketing. Praeger: New York.

Dawson J A (1988) Futures for the High Street. The Geographical Journal, 154(1), 1-12.

Department of Trade and Industry (1974) Kwik Save Discount Group Limited. HMSO : London.

Fulop C (1964) Competition for Consumers. Andre Deutsch: London.

Gayler H S (1984) Retail Innovation in Britain. Geo Books: Norwich.

Guy C M (1987) Accessibility to Multiple-Owned Grocery Stores in Cardiff: a description and evaluation of recent changes. Planning Practice and Research, 2, 9-15.

Institute of Grocery Distribution (1987) Food Retailing Review 1987. Authors: Watford.

Jones P (1981) Retail Innovation and Diffusion - the spread of Asda stores. Area, 13(3), 197-202.

Kivell P and Shaw G (1980) The Study of Retail Location In Dawson J A (ed) Retail Geography. Croom Helm: London.

Lillywhite J (1987) Equity Considerations in the Location of Retail Food Outlets. Paper presented at Planning Practice and Research Conference, Cardiff, January.

Livesey F (1979) The Distributive Trades. Heinemann: London.

Lord J D, Moran W, Parker A J and Sparks L (1988) Retailing on Three Continents : The Discount Food Store Operations of Albert Gubay. International Journal of Retailing, 3(3), 1-54.

McGoldrick P J (1984) Grocery generics - an extension of the private label concept, European Journal of Marketing, 18(3), 63-76.

McKinnon A C (1985) The Distribution Systems of Supermarket Chains. Service Industries Journal, 5(2), 226-238.

Manchester Business School (1987) UK Grocery Retailing. Authors: Manchester.

Rees J (1987) Social Polarisation in Shopping Patterns: an example from Swansea. Paper presented at Planning Practice and Research Conference, Cardiff, January.

Rowley G (1984) Data bases and their integration for retail geography: a British example. Transactions of the Institute of British Geographers, 9 (4), 460-76.

Singer and Friedlander (1970) Offer for Sale : Kwik Save Discount Group Ltd.

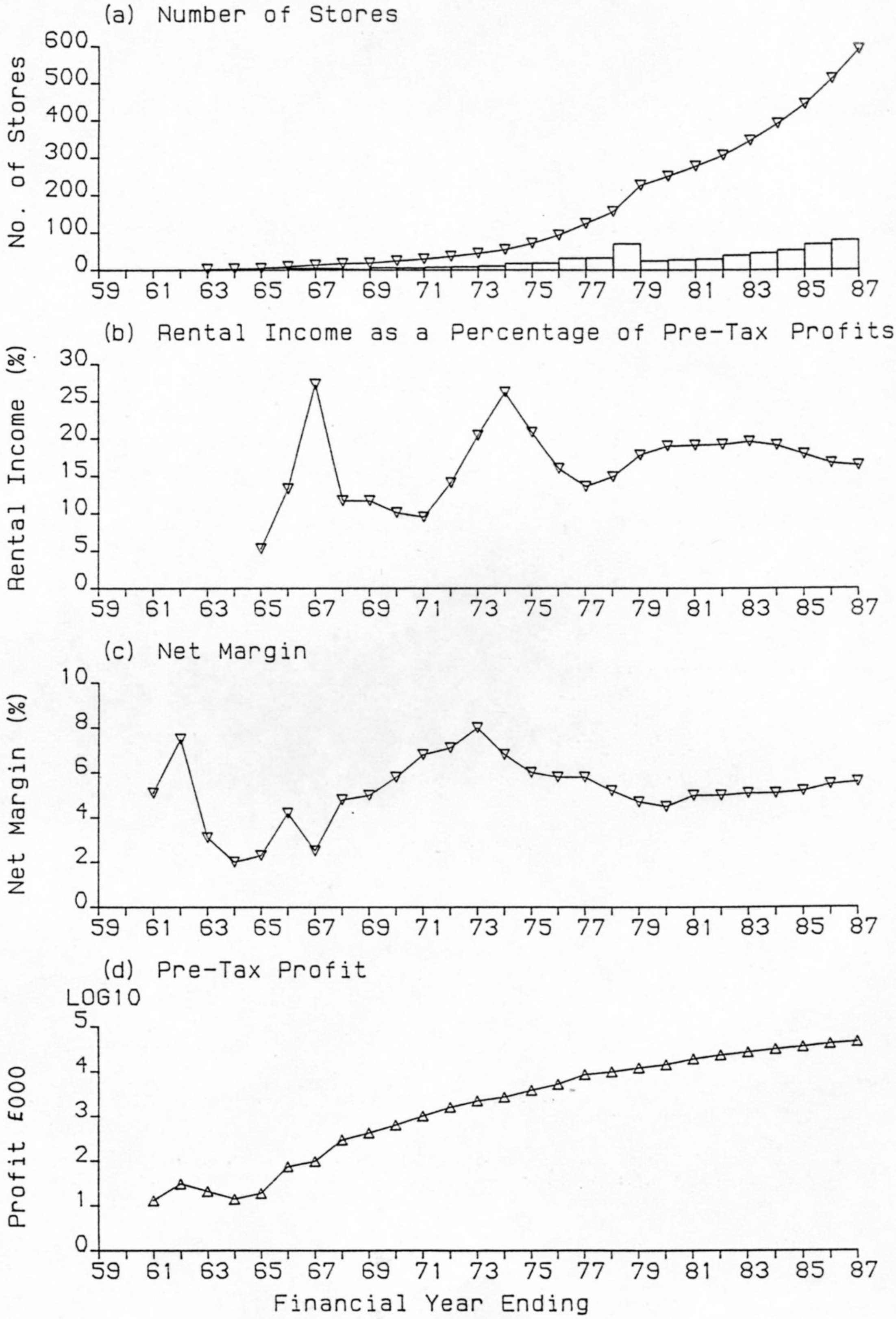
Sparks L (1988) Change in UK Retail Distribution. Focus on Physical Distribution and Logistics Management, 7(4), 10-16.

Tanburn J (1974) Retailing and the Competitive Challenge. Lintas : London

Thorpe D (1972) Food Prices: a study of some northern discount and superstores. Retail Outlets Research Unit Report No. 5.

Watkin D G and Joseph M E (1976) The Day of the Discounter. Retail and Distribution Management, 4(4), 24-29.

Figure 1 : Trading Aspects of Kwik Save Group plc



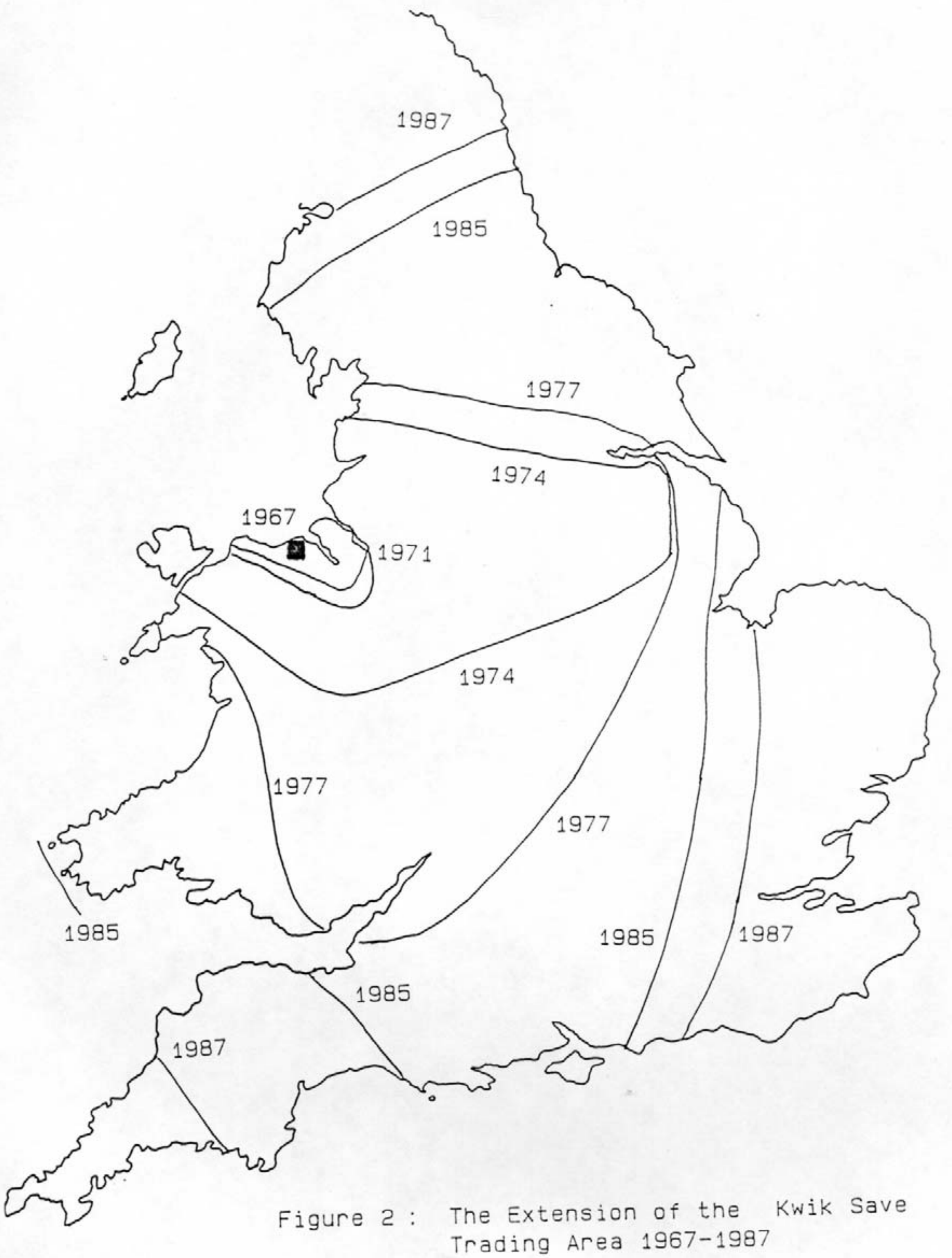


Figure 2 : The Extension of the Kwik Save Trading Area 1967-1987