STUDENTS BRIEF

Retail and Distributive Trades in Scotland

Historically the Scottish economy has been considered a region dependent on heavy manufacturing industry. For some time these industries have been contracting and today service sector* employment accounts for approximately 58% of total employment in Scotland. Over the decade of the 1970's services have risen to this level from around 51%. Despite this growth performance statistics relating to service sector activities are not so readily available as those for manufacturing industries, which in 1979 accounted for only 29% of total employment in Scotland. This Brief will examine a major component of the service sector - retailing and distribution.

Approximately 50% of consumer expenditure is channelled through retail outlets in Great Britain. The main sources of information providing a more detailed analysis of consumer expenditure are

(a) Census of Distribution
(b) Retailing Inquiry

The Census of Distribution has now been discontinued but was taken for the years 1950, 1957, 1961, 1966 and 1971, of which the 1957 and 1966 were sample surveys. A major problem with the full Census of Distribution was the lag between the actual survey and the publication of results. For example the results of the 1971 Census only became available in 1975 and 1976. In 1976 the first in an annual series of Retailing Inquiries was undertaken, based on a 10% sample of firms engaged in retailing activities from VAT registers. The 1977 and subsequent surveys have reduced the sample to 8%.

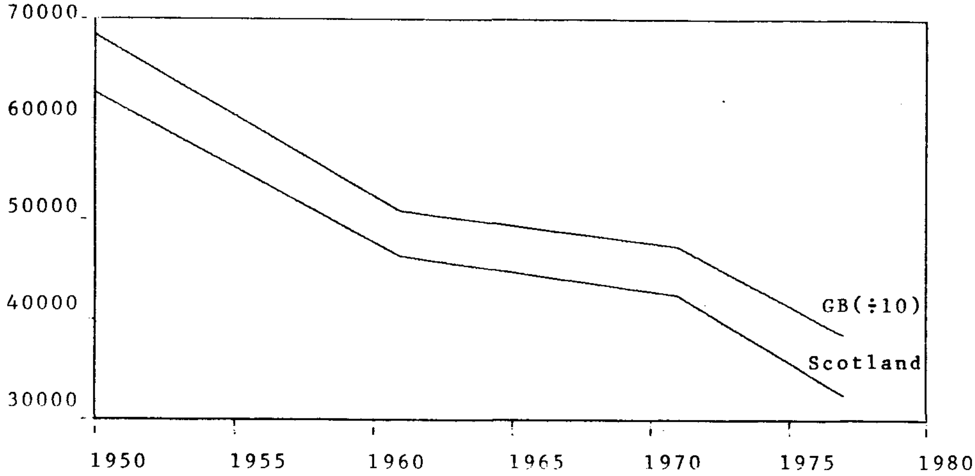
The results for the 1976 and the 1977 Retailing Inquiries have already been published. Consequently, policy makers, economists and industry observers now have a more up-to-date source of information with which to react to identifiable trends in retailing activities. In addition retailers and prospective retailers will now be able to gauge consumer demand for certain products or different types of stores over the country as a whole.

Changes in classifications and in some definitions make time series comparisons between the Census and the new Retailing Inquiry difficult. For example, the Census covered all retailers who were asked to describe their business in terms of its legal status, employment and form of trading (i.e. whether it is a self service establishment, mail order, credit trader etc.). Firms with a turnover in excess of £10,000 in 1971 were asked to supply more detailed information about their wages bill, stocks, capital expenditure, HP sales, book debts, total selling space, transport costs and a breakdown of sales by commodity type. The Retailing Inquiry on the other hand excludes small retailers who are not registered for VAT. In 1976 the VAT threshold was £5,000 and was, of course, raised in the 1980 budget to a turnover of £13,500.

* The service sector encompasses transport and communications, distributive trades, insurance, banking, and business services, professional and scientific services and a variety of miscellaneous services. These are Orders XXII - XXVI on the 1968 Standard Industrial Classification.

Figure 1

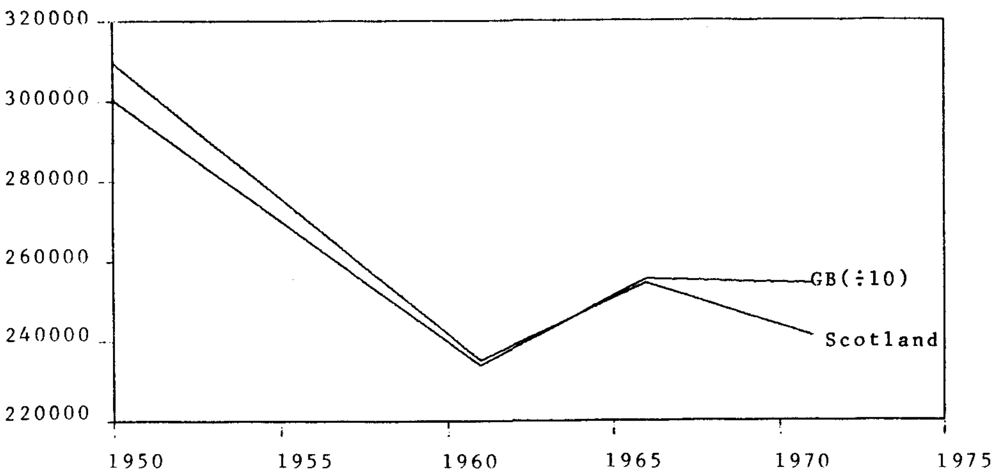
Number of Retail Outlets



Source: *Census of Distribution 1950, 1961, 1971*
Retailing Inquiry 1977

Figure 2

Retailing Employment (part time - full time)



Source: *Census of Distribution 1950, 1961, 1966, 1971*

In both Scotland and Great Britain the number of retail outlets has fallen continuously throughout the post war period. Within this trend Scotland's share of retailing establishments has gradually declined from around 9.2% in 1950 to approximately 8.5% in 1977. Balancing the decline in numbers of outlets has been an increase in the size of retailing establishments.

Retailing employment is difficult to measure since there is a large number of part-time workers, many of whom are school children who would not normally be considered part of the working population. Although employment in retailing has declined average employment per establishment has increased from around 4.9 in 1950 to 5.7 in 1971 in Scotland.

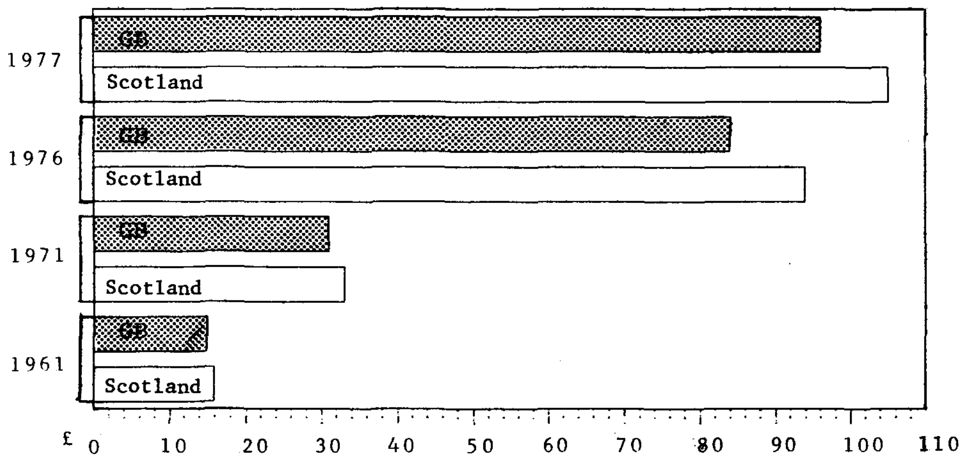
In 1976, approximately 41% of retailing employment was part-time and 61% was female employment. In Scotland, as in Great Britain, it has been the large multiple retailers * who have been the greatest beneficiaries from the trends identified in Figures 1 and 2. Even over the short period 1966-1971 multiples increased their share of total turnover from 28% to 35% in Scotland. This contrasts with the experiences of independent retailers who have seen their share decline from 57% to 54% over the same period. The growth of the multiple retailers in Scotland has lagged behind the experience in Great Britain as a whole, where in 1971 they had already obtained a market share of 46% and which had increased to 51% of total retailing turnover by 1976. This is partly explained by Scotland's isolated geographical location and relatively small, but dispersed market, making it relatively unattractive to the multiple chains, at least until they have extended their established distribution network. Indeed for some firms, and especially those with a national coverage and national pricing policy, Scottish outlets may operate at a loss due to the higher distribution costs. Paradoxically, evidence from both the Census and the Retailing Inquiries suggest that turnover per establishment (NB. this should not be confused with profit per establishment) has been consistently higher in Scotland relative to Great Britain since 1961. However, Scotland's higher turnover per establishment figure may be partly explained by a higher population per retail establishment. In other words, each establishment in Scotland has, on average, a larger number of potential customers. Unfortunately, figures for profitability of retail outlets are not available.

The trends outlined above reflect a social revolution in shopping habits. Throughout the 1970's for example supermarkets and their bigger brother, the hypermarkets, have moved out of the town centres and into the suburbs or modern shopping centres. These stores have encouraged weekly or monthly shopping expeditions rather than the traditional daily purchasing from local, probably independent, retailers. The higher profit margins on non-food items has encouraged these stores to diversify their product range. Similarly there has been a growth in "discount" warehouses specialising in a wide range of consumer durable goods. Success in the retail trade is quite clearly dependent on the bulk purchasing power of the retail groups, the reduced overheads from operating a small number of large stores, (rather than a large number of small stores), and the ability to undercut the smaller specialist stores in terms of price. The greatest single event leading to this retail revolution was the 1964 Resale Prices Act which abolished the right of manufacturers to specify to the retail trade the price at which their product must be sold.

* Multiple retailers are defined as those owning more than one outlet.

Figure 3

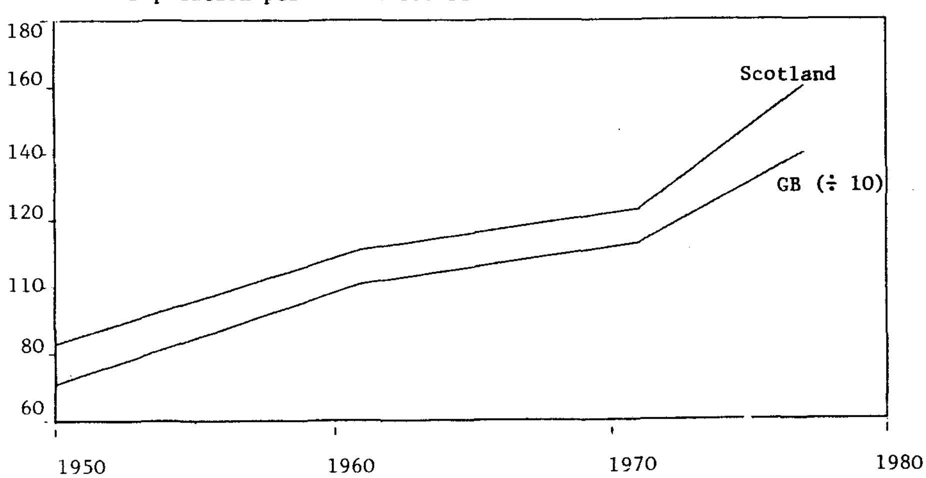
Turnover per retail outlet (£000's)



Source: *Scottish Economic Bulletin No.20 Spring 1980*

Figure 4

Population per retail establishment



Source: *Census of Distribution*
Retailing Inquiry

References

1. Business Monitors are published by the Business Statistics Office for each Census of Distribution. The majority are detailed reports of individual sectors within the retailing and distributive trades. Regional information can be obtained from:

Business Monitor SD11	- Area Tables for Scotland
Business Monitor SD21	- Area Summary Figures

2. Scottish Economic Bulletin No.18 Summer 1979
Retailing Inquiry 1976: Results for Scotland
Scottish Economic Bulletin No.20 Spring 1980
Retailing Inquiry 1977

3. (a) Retailing Inquiry for 1977 : final results
(b) Structure of the distributive trades

Both articles are in Trade and Industry 20 July 1979.

4. Distributive Trades EDC, A Structural Model of British Retail Trade. Published by NEDO, Millbank Tower, Millbank, London, April 1979. The model outlined in the study projects trends in distributive trades into the 1980's. There is however no regional breakdown of the projections.