

RETAILING - TODAY AND TOMORROW

By Owen Price, Sydney

(Mr. Price, Director and General Manager of Woolworths Limited, delivered this address to a luncheon meeting of the Society in Sydney on 12 September 1973.)

Before dealing with the subject of retailing today, it seems important to understand what retailing is, and how it developed over the years.

Most dictionaries define retailing as the distribution and sale of goods in small quantities. A simple and colourless definition for one of the oldest and most exciting forms of human endeavour.

Let us consider the origins of retailing - or marketing.

Early Retailing

When Fred Flintstone had his family to feed and clothe he picked up his club and went into the forest, and after a brief shopping expedition returned with a dinosaur and a bear or two. At this point his wife would explain that the refrigerator was too small to hold all that stuff and he would have to get rid of it as she had run out of room deodorant.

Being a resourceful fellow, Fred decided that the best thing he could do would be to persuade his neighbours to exchange some of their valuable furs and stones for his surplus food. He was so successful in these transactions that he quickly went out again and killed another dinosaur, then another and another. Fred had stumbled upon the fundamental principle of marketing, that you can prosper from supplying the needs of your neighbours. Fred of course went on to develop a team of hunters and a chain of market stalls, and it is a little known fact that he was ultimately responsible for the extinction of the dinosaur.

From these early beginnings the market place developed to the exotic bazaars of Arabia, to the travelling merchant princes, to the village square, to the modern regional shopping centre of today. Through all these stages the marketeer - the retailer - has existed for one reason alone, he has provided the community with the goods it wants at the time and place they are wanted.

Today's Retailing Environment

Retailing is a simple and personal business. The chain of production and distribution culminates in a personal situation at the counter where the goods are sold.

As compared with manufacturing and production the success of a retailer depends less on technical solutions, and the development of a retail business must take place in a social context and the retailer must provide for the changing needs of the society which it serves.

The outstanding feature of social changes in recent years has been the changing pattern of incomes and spending. The "pyramid shaped" pattern of incomes has been replaced by a "diamond shaped" distribution, with the middle income ranges swollen and the middle class pattern of living and spending representing the largest slice of the market. This transformation has been going on for years and makes the society of today much more homogeneous than it was even ten years ago.

The social mobility resulting from a much greater affluence more widely spread throughout society has been reinforced by vehicle mobility, brought about by greatly extended use of the motor car. The transport revolution was accompanied by a cultural revolution, wider education in primary, secondary and tertiary level, the

development of new media of communication, particularly television. All these helped to break down the barriers dividing society and created a great awareness in the consumer.

As a result retailers today face new social changes of great dimensions.

Vocal consumer demands are raised for:-

- . Increased parking facilities
- . More service at lower cost
- . Facilities to dispose of unwanted packaging
- . Reduction of wasteful packaging
- . Improved product quality
- . Unit pricing of goods
- . Nutritional labelling
- . Improved descriptive labelling

and above all, provide these things at a lower price.

The views of government too is heard through legislation and establishment of control bodies. Some of these are:-

- . Prices justification tribunal
- . Parliamentary committee on prices
- . Appointment of prices commissioners in federal territories
- . Weight and measures regulations
- . Packaging regulations
- . Food and drug regulations
- . Labelling laws
- . Consumer protection laws
- . Trade practices laws
- . Truth in lending laws
- . Tariff protections and import restrictions
- . Trading hour regulations.

There are laws on wages, working hours, pay-roll records, equal pay, there are union demands for membership, fee collection, credit union collection and so on. There are of course a lot more local laws including the need for a licence to sell fish, to sell tobacco, to sell milk, to sell liquor, and they go on ad infinitum. Do you begin to wonder how a retailer even manages to open the store. Things have certainly changed since Fred Flintstone's day.

However, we take heart from the certain conviction that as retailers we are closer to the consumer and have a better understanding of her wants and needs than any organised body, and as always her wishes will be met. I keep mentioning the element of consumer contact because this is where all the finest techniques of market research, production and distribution culminate, and get answers like this ... one of our managers was watching a customer at the diet bar in his store and moved across to ask if he could assist. She quickly replied, "No thanks I am not overweight - just too short for my weight - in fact I have a chart that indicates that I should be 12' 4" tall."

A human relations business!!!

Retail Development

Against this background retailing has undergone dramatic change

which is often referred to as a revolution.

1. In the food trade - Self service has spread through grocery stores and supermarkets, and cash and carry wholesalers have emerged as new forms of distribution. Price cutting has resulted in a collapse of resale price maintenance in many areas, and in the development of more private brands. Independent grocers have combined into voluntary chains and formed groups embracing both wholesaling and retailing. Specialists such as green-grocers, butchers and bakers have found themselves in competition with supermarkets.
2. Outside the food trade - A parallel development has taken place with large one-stop shopping outlets playing a permanent part in the distribution of goods previously sold through smaller speciality stores. Here too resale price maintenance is doomed.
3. Large trading outlets - Such as department stores, supermarkets and discount stores are now engaged in direct competition.
4. Department stores - Forced by the "trading up" policy of chain stores have resorted to "trading down" and in many fields the distinction between the marketing policy of department stores and chain stores has narrowed.
5. Discount stores - Represent the next form of retailing and are making a great impact on the market.

This retailing revolution has been based on the economies of scale made possible by the emergence of an homogenous national market through bigger shops, bigger chains of stores, and the development of central buying and administrative functions.

Scale in Retailing

The most significant trend in recent years has been the growth of scale in operation. In a mere ten years in Australia we have seen the food store of 2,000 sq. ft. develop into a supermarket of 10,000 sq. ft., into a combination store of 20,000 sq. ft., into a discount store of 70,000 sq. ft.

We have seen the growth of multiple stores in every field, department stores, supermarkets, discount houses and speciality stores. I cannot imagine that the progress towards large scale operation, whether it be in size of store or number of stores, will diminish in the next decade.

To be competitive a large store must offer keen prices and in many trades, notably clothing and food, general stores and supermarkets have kept the national level of prices down. A large volume of customers must be efficiently served at peak times, and this has prompted a better utilisation of labour through self selection and self service. Large scale retailing is a skilled trade, and despite the emphasis upon human relations there is room for research and modern management methods.

Independent Retailers

These comments have been concerned predominantly with large scale distribution because such has been the main trend. The big proportion of turnover is still in the hands of small men, whose shops numerically still dominate distribution. These shops fulfill a useful function and there should always be room for them. It would however, be no longer practicable to conceive the bulk of national distribution in terms of small shops any more than national production in terms of individual craftsmen.

Range of Goods

As a result of the growing size of individual outlets a much

wider range of goods is being offered under one roof, and this is being helped by developments in packaging and food technology, which makes possible the selling of such different commodities as clothing and meats alongside each other. Thus we have seen the development of supermarkets with wide ranges of dry goods and discount department stores with extensive food sections. In this new situation no combination of merchandise is any longer incongruous, and indeed a variety of goods in any combination under the same roof has become the norm rather than the exception. Large stores differ more in their merchandising and operational policy than in the range of goods they offer.

In an endeavour to create a distinctive element the larger retailers will expand house brand ranges. In so doing he must pay close attention to technology and the matter of quality control will play an increasingly significant role in retail operations. Quality and quality control are not only sound business considerations but also a social obligation, as the retailer provides the last net of quality control between the factory and the consumer even where in the midst of affluence there are people of limited means and there is demand for cheaper ranges, cheapness should be no excuse for shoddiness or poor inconsistent quality.

Market for Consumer Goods

Today there has emerged a vast, prosperous and relatively homogenous market for consumer goods reflecting the new affluent society appreciative of both quality and value. It is demanded by the working housewife and the person under 25 years of age, and is increasingly dependent on consumer credit. But the changes never cease, and the price of success is continuous adjustment and awareness of changing conditions. Each action brings forth a reaction.

1. The increased mobility brought about by the motor car has created serious problems of traffic congestion in large cities, which affect both the customer and the store manager.
2. The greater social and cultural homogeneity, together with the influence of mass communication, have resulted in a great search for individuality.
3. The social and income differentiation in demand is disappearing fast and the market today is segmented in quite a different way. The age difference is replacing social differences in its influence on the demand for consumer goods. Most people are seeking to express their individuality in way-out fashions and attitudes.
4. With increasing travel we are moving towards a global market.

The national market today is made up of the large middle sector with fragmented demand on the fringes. In these diversified tails of demand good quality and value are only one consideration. Demands of the rich, of the poor, of the way-out people, together with demand for out-sized garments, for the exotic, offer opportunities for the retailers who concentrate on these speciality markets, for the rest quality and value rule supreme.

Of the Future

It is against this broad canvas that the retailer must plan his strategy and business tactics. We hear of exciting prospects in retailing, some of which are:-

- . Arm-chair shopping by T.V. or 'phone
- . Honour system of payment at checkout
- . Mobile stores that take shopping to the home

- . Computerised shopping to reduce heavy loads
 - . Portable containerised meat departments that can be lowered into the stores daily
 - . Magic carpet conveyor systems of shopping
- and so on.

However, based on nearly 50 years of good chain store history, there is no foreseeable miracle, no major change in principle, but only in degree.

I would therefore confidently predict, and in so doing I recognise that confidence is the feeling that you have before you really understand the problem, that we will see:-

- . Introduction of the electronic computerised cash register which will provide the greatest step forward in retail management that the industry has known.
- . Continued growth of one-stop shopping and bigger stores offering a wide range of merchandise at reasonable prices.
- . Improved techniques in the processing and distribution of fresh foods.
- . Development of synthetic foods to supplement shortages in food supply
- . Automatic bagging devices for checkouts.
- . Marketing of frozen meats to provide economies of scale and stabilise price fluctuations.
- . Development of a cashless society.
- . More application of behavioural sciences to the understanding of customers and employees.

Beyond that it is only safe to predict that the future is unpredictable.

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ADDRESS BY THE HON. FRANK CREAN, M.P.

(Mr. Crean addressed the Institute in Sydney on 4 August, 1972 under the title "Business under Labor". His remarks were published in JASSA of September, 1972. His address of 5 September, 1973 to the Society in Melbourne was delivered under very different political and economic conditions and no doubt will be of considerable comparative interest.)

I welcome the opportunity to speak to you today.

I will be happy at the end of my talk to answer any questions which may stem from what I have to say.

I make this point because I believe it is important not only that Governments should communicate their ideas to those likely to be affected by them, but that a Government's intentions should be clearly understood.

I thought today I would touch on a number of matters that have been exercising our thoughts in recent times.

Taxation Philosophy

The first is taxation philosophy, especially in areas affecting companies and investors.

While the basic function of taxation is to transfer to the Government sufficient command over resources to finance its policies, there are many ways in which the revenue may be raised. The methods chosen can have effects, for good or ill, in other directions, depending on the choices made.