

Urban Food Distribution in Europe

**“Food into Cities” ” Collection DT/61-02E
Food and Agriculture Organization of the United Nations
Rome, 2002**

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Foreword

At the end of the Second World War, European countries were facing widespread poverty, hunger and unemployment, with millions of people homeless and unemployed. The industrial sector was heavily destroyed and agricultural production was lower than in 1938.

Thanks to state intervention, the opening up of free trade zones and the dramatic increase in birth rate (the 'baby boom') that stimulated demand and production, this difficult economic and social situation was soon replaced by thirty years of sustained growth (1945-1974). A "consumer society" evolved, characterized by technical and scientific innovation, with households gradually acquiring new appliances and goods such as refrigerators, washing machines, television sets and cars.

During this period, the importance of the primary sector (mainly agriculture) as a source of employment gave way to the tertiary sector (services). Women started leaving their homes to take up paid employment.

The "welfare state" and social security system led to a reduction in levels of poverty. Traditionally a rural phenomenon, this has become more and more an urban phenomenon, mostly following rural-urban migration. The urban population rose from 64 percent in 1950 to 79 percent in 2000. Poverty is now concentrated in those urban areas that the middle classes have abandoned in favour of greener and more spacious periurban areas.



All the changes and innovations of the last fifty years have significantly modified urban lifestyles, food consumption and purchasing habits, as well as food supply and distribution systems to cities.

This paper briefly discusses the development of urban food distribution arrangements in Europe during the last fifty years. It analyses the main factors that have either promoted or hindered the modernization of food distribution systems in Europe in the context of rapidly expanding urban markets, increasing incomes and technological developments.

The aim of the paper is to help policy-makers, responsible for the design of policies and programmes for the improvement of the structure, efficiency and performance of urban food marketing systems (wholesale and retail markets, associations, formal and informal food traders, etc.) in developing countries and countries in transition, to identify appropriate interventions.

The paper does not set out to suggest models or approaches to be followed by developing countries, but presents selected experiences in Europe and highlights their positive and negative aspects.

FAO hopes that this paper will be helpful to policy-makers. More technical documents dealing with various aspects of food supply and distribution to cities can be freely downloaded from:

www.fao.org/ag/sada.htm

Chapter 1 *Economic Growth and Development of Food Trade*

Economic growth and development of demand for commercial services

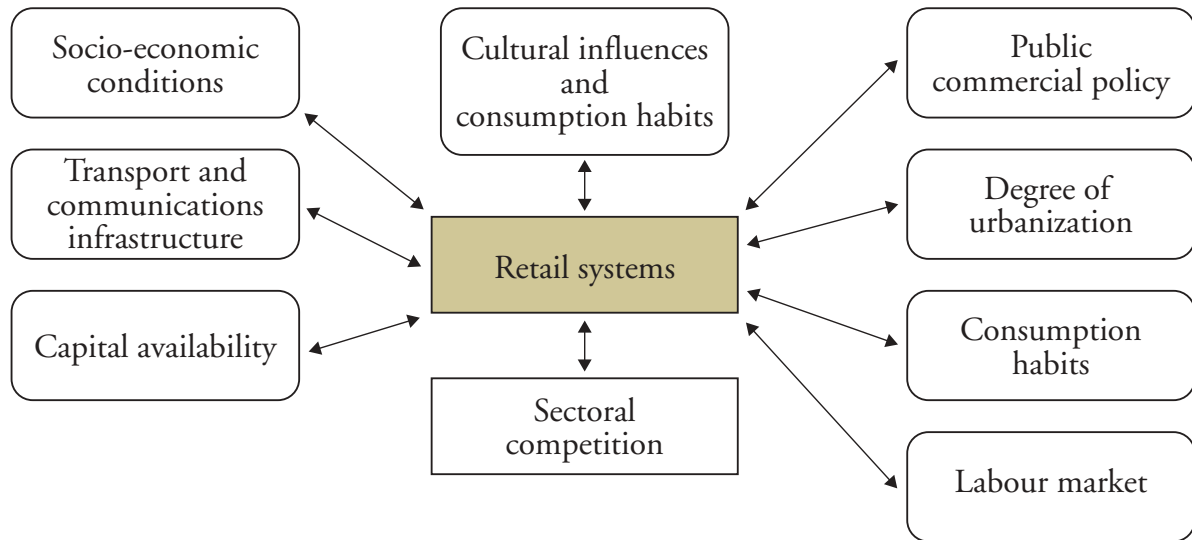
European countries have undergone rapid economic development since the end of the Second World War. This, coupled with radical improvements in the consumer living standards, has made it possible to revolutionize the food distribution system.

The factors which have most strongly influenced this transformation are (see figures 1 and 2 and table 1):

- **Household disposable income.** The increase in disposable income has encouraged the purchase of larger quantities of food, household appliances (refrigerators and freezers) and motorcars.
- **Urban population.** The increasing number of town-dwellers (due to natural population growth and rural-urban migration) has influenced food consumption and purchasing habits and led to widespread changes in food distribution systems.
- **Active population.** The growing number of people in work, particularly women, has changed cooking and consumption patterns. The need to save time has led consumers to concentrate purchases in fewer shopping expeditions.
- **Changes in expenditure.** As household disposable income has risen, non-food consumption has increased. Expenditure on food as a proportion of total expenditure has decreased.
- **Consumer mobility and household appliances.** Increasing use of motorcars, refrigerators and freezers has encouraged shopping in places far from home or workplace.



Figure 1: Factors affecting retail systems



Source: Zanderighi (2001).

Figure 2: Commercial density: cars per 1 000 people in the USA and the main European countries (1972)

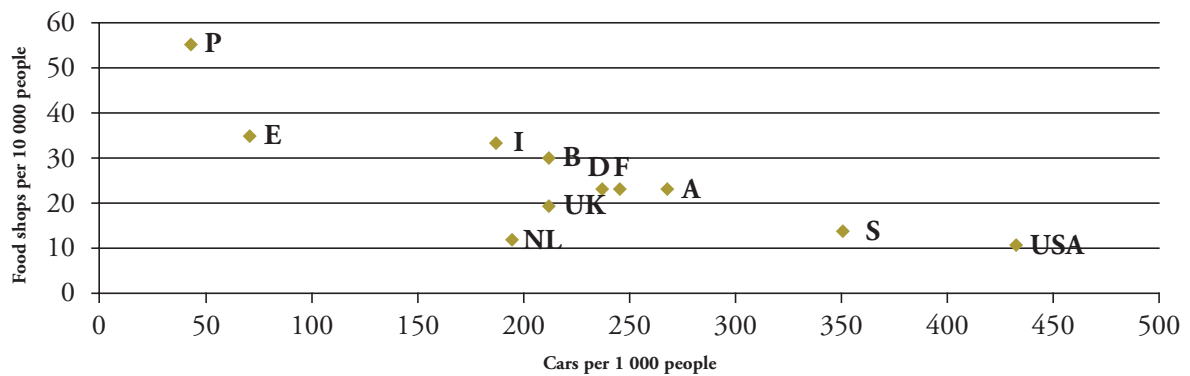


Table 1: Percentage of homes with refrigerator and car, and number of hypermarkets and supermarkets in Italy (1963-1990)

	1963	1970	1980	1990
Refrigerator	47.2	76.4	95.3	96.3
Car	17.9	51.5	69.7	75.3
Number of supermarkets and hypermarkets	136	538	1 398	3 474

Source: Zanderighi (2001).

Figure 3: Food purchasing patterns in different economic contexts

Consumer purchasing pattern ...	
... in a developed economy	... in a less developed economy
Little time available to buy food	Ample time to buy food
The desire to reduce time spent on shopping by purchasing more items and a wider range of products on each shopping expedition	High frequency of purchases of small quantities of a limited variety of food items due to low incomes and lack of refrigerators and freezers
High mobility (reduced demand for services near the home)	Limited mobility, due to a lack of private transport, expensive and inadequate public transport
The need to use less costly shopping systems to free resources for non-food purchases for which propensity to consume grows at a faster pace than incomes	Little opportunity to increase non-food consumption (home, leisure, clothing and culture), and above all no resources can be released for this purpose by using modern shopping systems

Figure 3 summarises the main differences in food acquisition patterns in different countries as they move to a more developed economy.

These aspects may differ widely between countries with different levels of per capita income, and follow different trends in relation to economic development.

Distribution cost trends and economic development

The process of modernization of the European food distribution system shows the following:

- a) no conclusive evidence of the impact of increased per capita income on food distribution costs;
- b) additional functions performed by modern commerce do not necessarily increase marketing costs;
- c) commercial margins cannot be compared between countries with different per capita incomes. Commercial functions performed by the distribution sector depend on consumption, purchasing and production patterns, and the breakdown of marketing functions between producers and distributors.

Development of the food trade has been uneven in European countries and has largely been the result of circumstances outside the food sector. This highlights the following:

- a) **Comparison of the structure and productivity of food trade in countries at different stages of development cannot provide useful indications of efficiency.** In developing market economy countries, trading through a large number of scattered outlets can also be efficient if, in addition to meeting a larger demand for commercial services, it employs labour - which is plentiful - rather than capital - which is scarce - and can more usefully be invested in other areas.

- b) The spread of new forms of distribution imposed by different levels of national economic development can be constrained by numerous factors. For example, differences in land, labour and capital endowment as well as in agricultural and industrial production features can prevent innovations from reducing distribution costs.
- c) Artificially creating demand for modern distribution systems by offering supply-side incentives is ineffective (see box 2). It is necessary to wait for this demand to arise spontaneously as a result of economic development and the changes this brings with it in terms of consumption patterns and consumers' shopping habits. At best, the supply-side can make consumers aware through advertising that alternative services are available.

The three phases in the process of modernizing the food distribution system (see figure 5)

Phase 1: traditional (subsistence or pre-capitalist) trade

The distribution trade in a subsistence economy is based on small and very small family businesses, (shops or stores) in a static environment protected against competition.

Phase 2: modernizing trade

As the demand for commercial services grows, the distribution system initially reacts by increasing the number of sales outlets, usually in the more highly developed and wealthier urban areas, where traditional retail outlets already exist. It subsequently becomes increasingly difficult for modern and traditional trading to coexist. Traditional trading is forced to compete with businesses operating according to a different rationale, in an environment in which technical and economic progress is creating scope for innovation. Finally,

Box 1: Features of supermarkets

- A non-specialized supply, with an extended range to include frequently-purchased, non-food, low unit value items;
- large sales outlets, adopting a policy of low margins to generate high sales volumes;
- self-service techniques to reduce staff levels and raise productivity;
- economies of scale in procurement, stock management and physical distribution.

Supermarkets have been an efficient and successful means of retailing only in countries where the demand for commercial services has already acquired the features indicated in figure 3.

traditional traders are obliged to withdraw from the areas in which modern commerce has become established.

Greater consumer mobility combined with increasing urbanization changes the spatial positioning of the retail markets. To contain increasing costs (labour), modern commercial competition resorts to innovative services, new forms of organization and the spatial regrouping of commercial outlets. The traditional businesses finally collapse.

Phase 3: modern (capitalist) trade

The modernization phase ends where the internal competition process in the modern system begins, in response to new consumer needs and an attempt to reduce distribution costs to foster price competition. The "modern" food trade stage is thus characterized by increasing concentration and continuous innovation.

Box 2: The government as a factor of innovation in the Spanish food distribution system

In 1958, the Spanish government drew up a plan called “Operation Supermarkets” to modernize food distribution. The main reason for this decision was that food prices had been rising in an economy in which 55% of consumer spending went on food. Furthermore, the conditions under which food was sold in traditional shops were considered unsatisfactory, mainly due to poor hygiene and fraudulent practices regarding weight and quality.

The plan was designed to cut food retail prices by introducing supermarkets. According to the Ministry of Trade, the high retail prices were mainly due to the following:

- at the retail level: too many small shops with low sales volumes and high profit margins;
- at the wholesale level: lack of competition among intermediaries applying high margins;
- large volumes of agricultural products going to waste because of a lack of refrigeration facilities; and
- speculative dealing in agricultural products.

The Spanish government intervened at two levels:

- a) by developing self-service stores through a 50% reduction in certain corporation taxes and the establishment of a Guarantee Fund to provide soft loans to shopkeepers adopting the self-service system;
- b) by developing a chain of publicly-owned supermarkets (Cabsa), as an example for the private sector to follow. Once all markets had adopted self-service methods, the chain of publicly-owned supermarkets was to be privatized.

The government intervention was not very effective. By 1962, only 44 sales outlets with a floor space of over 400 m² had been developed. This was due mainly to:

- a lack of supermarket managerial experience and skilled staff;
- high cost of development of new sales outlets;

with the result that the supermarket product range was too up-market and expensive for low-income customers.

Source: Guerin (1965).

The effects of the trade modernization process in Europe

- a) New shopping alternatives;
- b) labour-saving production arrangements and services that allow

- a) consumers to save time, effort and money – although at times with the sacrifice of convenience;
- c) the development of chains permitting economies of scale in organization,

Figure 4: The effects of supermarkets and critical factors for their development

Commercial effects	Critical factors
The supermarket develops high sales volumes, making it possible to generate adequate profits with small margins	If, for social or economic reasons, the supermarket cannot attract sufficient sales volumes, then turnover, margins and prices differ little from traditional shops
The supermarket procures in bulk, and with its greater purchasing power reduces the excessive margins of intermediaries	Greater purchasing power is not linked to any one sales outlet but to the establishment of a chain of commercial outlets
The supermarket runs departments with refrigeration units, which reduces food wastage and stabilises supplies	The problem of food conservation is not solved by having refrigeration units only in supermarkets but relates to the whole distribution chain (warehouse, transport, consumer's home)
The supermarket sells packaged and branded products, guaranteeing standard quality	Pre-selected, classified, packaged products must be available for their introduction into supermarkets. Similarly, brands of industrial products must be standardized and developed.

marketing, finance and procurement for the entire sales network;
d) a radical overhaul of the wholesale sector (see chapter 5);
e) vertical relationships between industrial and agricultural producers and distributors able to interpret consumer demand for services and commodities (branded goods), which drives the whole system to seek innovative and more efficient solutions (see table 2).

Figure 5: Economic development and the evolution of the food trade

	Traditional trade	Modernising trade	Modern trade
Economic indicators			
1. income spent on food:	<60%	30-60%	<30%
2. car ownership:	<10%	10-50%	>50%
3. refrigerator ownership:	<30%	30-70%	>70%
Commercial structure	No competition.	Competition between traditional commerce and modern commerce.	Competition within modern commerce.
Type of store	Small traditional outlets.	Small traditional outlets. Self-service sales outlets, (minimarkets, discount stores, supermarkets).	Specialized outlets. Supermarkets and superstores. Hypermarkets. Discount stores.
Commercial policy objectives	To guarantee the supply of food at fair prices and under acceptable hygiene conditions.	To foster the development of small/medium self-service outlets.	To guarantee a range of different modern distribution systems.

Table 2: Private labels in the main European countries: value of average market share in packaged groceries (1980-1991)

	1980	1991	Var. 80-91
United Kingdom	22.0	31.0	9.0
West Germany ⁽¹⁾	4.3	23.0	18.7
Sweden	21.2	20.0	-1.2
France	18.5	20.0	1.5
Netherlands	12.9	18.0	5.1
Belgium	14.0	18.0	4.0
Austria	13.3	11.0	-2.3
Spain	n.a.	7.0	-
Italy	3.7	6.7	3.0

⁽¹⁾ Excluded Aldi

Source: Pellegrini (1994).

Chapter 2 *Informal Food Retailing and Municipal Markets*

The role of informal retailing in the food trade

European countries have devoted particular attention to informal retailing. Their policy has been to create the right conditions to:

1. improve the quality of informal retailing;
2. regularize informal traders;
3. safeguard employment levels;
4. offer a basic commercial service in different parts of towns undergoing rapid development;
5. ensure supplies of safe food at accessible prices; and
6. prohibit retailing on unsuitable sites to avoid environmental damage (e.g. traffic congestion).

Municipal markets and itinerant markets

European experiences demonstrate the need for different market infrastructure and facilities and to plan itinerant municipal markets.

Covered markets in the main town districts were set up mainly by municipal authorities where market traders could rent stalls. To attract traders, the market managers - initially a municipal company or the municipal authorities themselves - may lease market stalls at controlled prices and require traders to sell a basket of basic foodstuffs at controlled prices at certain times of the year (see figure 6). The municipality, the trader associations and the local chambers of commerce may



provide soft loans, medium/long-term loans and training.

The local authorities may also use specific open-air urban areas as

Box 3: Markets and town plans

A municipal market system offers a major town planning opportunity because:

- it enhances the area of the town in which it is located;
- it acts as an economic pole to attract other business activities and services;
- it provides a neighbourhood service to the resident population; and
- it guarantees the maintenance of a local system of social relations.

itinerant street markets (daily or several times weekly). Such markets:

- offer periurban farmers an opportunity to sell their produce directly;
- offer market traders greater stability;
- remove organizational uncertainties and improve market access to traders;
- facilitate the enhancement of the professional skills and operational capacity of the market traders;
- facilitate the introduction and gradual expansion of municipal markets.

To create an itinerant market system, a specific plan must be designed to:

1. guarantee the function and role of the market traders;
2. set down criteria for issuing permits and licences;
3. set down criteria for regulating market lots and trading hours;
4. establish modalities for traders to work on permitted sites outside the markets.

Figure 6: The main features of municipal markets in the Madrid district (1999)

Food products	Sold on at least 65% of the stalls
Ownership	Municipal
Function of the municipal authorities	<ul style="list-style-type: none"> • Administration; • security; • technical health/hygiene inspections.
Management	<ul style="list-style-type: none"> • Direct: municipal management; • indirect: under licence.
Location	General town plan
Stall size	<ul style="list-style-type: none"> • Specialized food stalls (minimum 20 m² with 4 m² refrigeration unit); • Non-specialized food stalls (minimum 40 m² and 80 m² refrigeration unit).
Technical conditions	<ul style="list-style-type: none"> • Three areas: commercial, administrative, common facilities; • Refrigeration facilities, washbasins, etc.; • Car park; • Lighting, ventilation and possibility of air conditioning; • Loading and unloading bay; • Offices for administration, associations, municipal services, etc.
Administration	One administrator and a market council.

Source: Distribución y consumo (1999).

Box 4: Regulatory aspects of municipal markets in Italy

Type of market lots. The market lots, for which an annual public land occupancy licence is required, must be demarcated and can also be equipped with permanent sales fixtures. There must also be specific areas allocated to food producers and to traders operating from vans.

Rules for allocating lots. Market lots are allocated using a points system drawn up by a special committee based on the following criteria:

- regular traders with longest record of activity;
- traders in goods in short supply on the market;
- traders in the same goods as a previous occupant;
- traders working on fewer than four markets a week;
- in the case of two traders with the same points, the locally resident trader, and then in chronological order of application (if the applications are submitted on the same day, lots are drawn).

The role of the municipal authorities. The municipal authorities ensure the suitability of the health and hygiene conditions of the site and market stalls, and provide cleaning and sanitization services. Market traders must comply with all statutory health and hygiene rules and regulations.

Fees. Two types of fees are levied for municipal services: a public land occupancy fee and a parking fee.

Box 5: Market traders in the city of Palermo

There are six, mainly food, markets in the centre of Palermo. In the early phases of development of the city, these markets were improvised and unregulated, and were used by periurban farmers who sold their own agricultural produce directly.

To guarantee adequate conditions of hygiene, improve the overall organization of the market and prevent traffic congestion, the city authorities regulated these markets by:

- specifying sites for market traders;
- setting the overall number and the size of lots;
- assigning lots to market traders.

The markets are equipped with sanitary facilities, running water and special waste skips. The city authorities monitor the health and hygiene conditions in the area used and on the market stalls, and provide a cleaning and sanitization service.

The lots are marked out and specific areas are set aside for food producers and traders operating from vans.

However, the gradual exodus of the population from the city centre over the past twenty years has thrown these markets into crisis because their main customers used to be the local residents. As demand has shifted to the outskirts of the city, private motor cars need to be used to continue shopping on these markets but and the lack of adequate parking space has gradually weakened their economic importance.

Source: interviews by Zanderighi.

Chapter 3 *The Role of Small Food Retailers in the Modern Distribution System*

The economic and social importance of the small food retailer

Numerically speaking, small retailing enterprises (e.g. the small shop) are the main distribution activity in most European countries. Although their economic importance has been declining, they are still an important component of the supply side of the European food trade (see table 3).

Small retail enterprises have three main functions:

1. They serve areas neglected by large enterprises because not sufficiently large to accommodate a large store or because comparatively less profitable than other areas.
2. They offer different services and serve segments of demand that are ignored or poorly served on the same spatial market in which large retailing enterprises operate. Large enterprises aim to attract uniform segments of demand interested in a standardized service that may not suit the needs of consumers with



particular demands (e.g. very small quantities or high quality products), or preferring more personalized attention.

3. They create employment (particularly self-employment and family

Table 3: Number and turnover of small retailers with only one outlet in the U.K. (1976-1996) (%)

	1976	1996
Numbers of businesses	88.2	87.9
Number of outlets	59.1	56.7
Turnover	34.0	21.6

Source: Smith & Sparks (2000).

employment opportunities) and safeguard employment levels.

The weaknesses of small businesses

European small food businesses (ESFBs) have suffered the following three main disadvantages.

Weakness 1: Limited size

ESFB cannot reap the same economies of scale as large enterprises (see box 6). This may lead to significant differences in costs and, therefore, prices.

Weakness 2: Lack of economic and financial strength

Small businesses generally invest on a less continuous basis than larger enterprises. When they do, they have very high investment levels to finance as a proportion of their own capital.

Unlike large enterprises, ESFBs interact with the financial system mainly on the basis of personal wealth and trustworthiness of the proprietor. This not only limits their access to credit but also makes borrowing more costly, restricting investment options and increasing level of risk.

Small businesses are more vulnerable to changes in environmental conditions, because of the higher proportion of overall operating costs in total gross margin that cannot vary easily when conditions of competition change.

Small food businesses are vulnerable to credit squeezes accompanying cyclical recessions.

Weakness 3: Lack of professional and managerial skills

Small food enterprises are managed by a self-employed owner who regards commerce as a livelihood rather than a business to accumulate profit.

The lack of professional and managerial skills prevent entrepreneurs from recognizing commercial opportunities and implementing commercial policies and techniques needed to trade successfully.

Trader associations and their role

Associations of small independent businesses can be very useful in making up for the competitive disadvantage of their members. Associations include various forms of horizontal (procurement groups) or vertical (voluntary unions) organisations. Procurement groups are created by a group of retailers. Voluntary unions are implemented and steered by a wholesaler (see figure 7).

Box 6: Diseconomies of scale of small retail food businesses

Procurement: ESFBs are unable to exploit the purchasing economies which large enterprise can obtain by bulk buying. They also spend more time selecting suppliers and gathering and assessing market and commodity information.

Storage: ESFBs have to procure their products from wholesalers who supply a wide range of customers with differing requirements. This means they are also exposed to a greater incidence of irregular delivery, leading to more frequent stock shortages and negative repercussions on the service they offer and hence on their competitive capacity.

Sales/marketing: ESFBs cannot easily influence consumer preferences, as promotional strategies require a larger market to be profitable. This makes it difficult for them to expand their clientele and reduce unit costs.

Trader associations play a different role in a period when the distribution system is being modernised and when distribution is through a modern commercial system (see box 7).

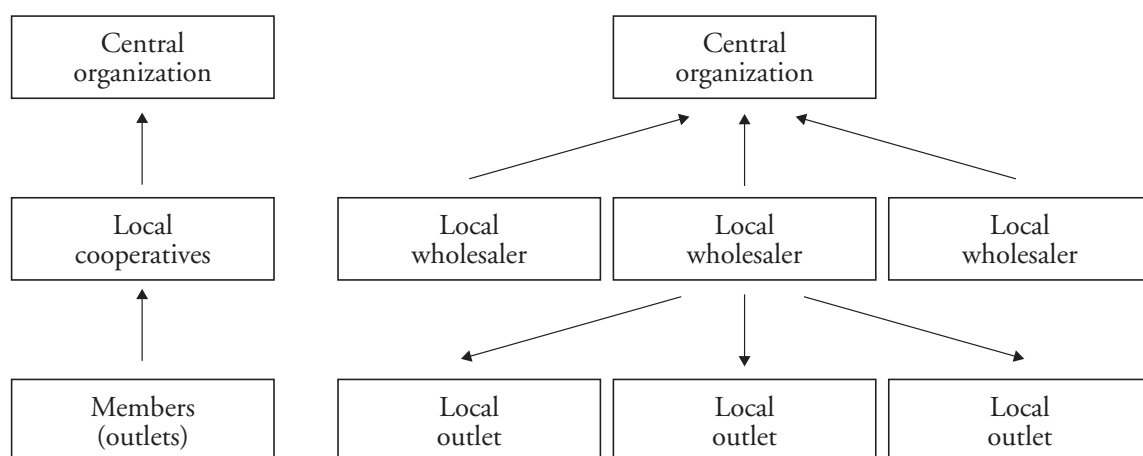
In a developing commercial system, associations combat the reluctance of traditional traders to change. European associations fostered the introduction and development of self-service retailing (minimarkets, small supermarkets and supermarkets). They are also useful to encourage the modernization of traditional trade.

In a modern commercial system, associations facilitate the economic existence of small businesses, offsetting their competitive disadvantages in comparison with large distribution companies.

The presence of group associations can have a radical effect on the economy of small associated members, who remain economically independent but are subordinate to majority decision. There is an internal selection process to prevent the membership of enterprises that might adversely influence overall group competitiveness.

Figure 8 The services most frequently supplied to small businesses by the main procurement groups and voluntary unions in Europe.

Figure 7: Structure of procurement groups and voluntary unions



Source: Zanderighi (2001).

Box 7: Phases in the development of trader associations

Trader associations develop in two phases.

The first phase is characterized by the need to enable small businesses to access the better procurement conditions that large companies enjoy. During this phase, the groups grow in size, leading to the constitution of a central grouping. This phase also sees the opening of the association's own distribution centres to supply small member businesses independently, and the recruitment of permanent managers to operate at both central and local levels and to carry out specialized tasks.

The main feature of the first stage is, however, **the type of association agreement** that binds the members. The co-operative relationship creates voluntary ties with no rules governing relations between members and the group and has no substantial effect on the managerial independence of individual members, although they group buy.

The **second phase** is characterized by a process of change because it establishes the principle that the individual can only have guaranteed existence in terms of the whole group. Safeguarding the market position of the small businesses belonging to the group it does not depend on membership but on the very existence of the group. But the need to face increasing competition requires regulation and a closer co-operative relationship to enable the wholesale function to be performed more effectively and efficiently, and to implement group marketing tools.

This intensification has far-reaching changes within the group, affecting it structurally, organizationally and institutionally. Initially, the co-operative group sets out to strengthen itself internally through greater cohesion and by rationalizing its structure in order to reduce membership costs and improve the competitiveness of its members. In this phase of development, there is a gradual involvement of members in the results and objectives of the group, causing individuals to identify more with the group. This process of identification fosters an active participation of the membership and makes it possible to regulate relations within the group. As the expression of the entrepreneurial nature of its individual members, the group gradually assumes on a stronger role that enables it to act as an entrepreneurial entity in its own right (see figure 8).

What is nowadays called "**Full Service Co-operation**" then develops: in order to offset their size-related disadvantages in other corporate functions, in addition to the supply function, the members vest the co-operative group with a number of other tasks relating to finance, management control and marketing.

Figure 8: The services most frequently supplied to small businesses by the main procurement groups and voluntary unions in Europe

General corporate assistance services

- Specific consultancy services to members
- Information system
- General commercial location plan

Training courses and regular meetings of traders

Marketing Services

- Group marketing plan
- Planning advertising and promotional campaigns
- Merchandising services
- Commercial branding

Financial and administrative services

- Supply credit
- Finance to open or restructure sales outlets
- Accounting
- Members' centralization payments system

Tax and legal assistance

Source: Distribución y consumo (1999).

Chapter 4 *Commercial Innovation and the Development of Medium - Large Distribution Systems*

Commercial innovation

When there is competition, commercial innovation is the process through which market forces adapt supply structures to meet changes in demand. Innovation can also be triggered by increased factor costs. However, factor cost increases are not often matched by higher productivity (see box 8).

Box 8: Productivity in the commercial sector

Factor productivity in the commercial sector falls below the average for all economic activities for reasons that include:

- the difficulty in the commercial sector of substituting capital for labour and thereby increase labour productivity, unlike agricultural and industrial production;
- the impossibility of accumulating service in the form of stocks. More labour is needed to deal with peaks in demand;
- the nature of the food market, which encourages the presence of numerous small operators who have little incentive to increase efficiency.

Enterprises thus have to adopt innovative methods which may involve:

- improving the organizational efficiency of the sales outlet;



- making greater use of technological progress;
- pursuing external economies of scale;
- breaking down the marketing functions differently among the parties involved in the distribution process.

The adoption of innovative methods depends on three main factors:

- the degree of competitiveness in the food industry;
- the type of commercial policy adopted;
- the existence of receptive entrepreneurs (this factor is critical, particularly in the early phases of modernization).

The efficiency and development of innovation in modern food distribution systems in Europe has largely depended on the existence of external conditions, technologies or infrastructure. For example, the spread of supermarket technology in Europe has been facilitated by:

- a self-service culture among consumers;
- standardized and packaged products;
- mass merchandising (branding as a vehicle for consumer information, communication and pre-sales).

In the absence of such external conditions, the introduction of self-service distribution arrangements increases costs which raises prices and/or reduces effectiveness.

The evolution of modern urban food retail distribution systems

Over the past few decades, Europe, not unlike the United States, has witnessed a gradual de-specialization in food distribution systems. There is an increasing range of items offered and purchased using similar procedures and occasions.

Various forms of modern distribution (supermarkets, hypermarkets, discount stores and convenience stores) are discussed in boxes 9, 10, 11 and 12.

In spite of different economic development patterns within Europe, modernization of distribution systems has converged towards distribution arrangements that have similar characteristics.

As far as food and staple commodities are concerned, the hierarchy of the different systems is dominated by the hypermarket which offers the widest range possible of commodities in one and the same place at very competitive prices. This makes life difficult for supermarkets which offer greater accessibility to the consumer and which

Box 9: Supermarkets

The first attempts to change the service offered to the consumer in contrast to traditional forms of commodity specialization were made by introducing the supermarket, a very large sales outlet (over 400 m² of floor space) able to offer a large number of different items in one and the same place, using the self-service method. There were three particular features that originally characterized the development of supermarkets:

- commodity despecialization, enabling consumer to concentrate their food purchases, mostly groceries;
- the absence of sales assistants;
- an unadorned but functional interior design (to help lower operating costs);
- attractive prices.

From the consumers' point of view, the supermarket has radically redefined purchasing habits, offering them ways of acquiring goods with the increased use of product storage resources and vehicles – and a reduced frequency of shopping (saving time, money and effort).

are turning into “integrated supermarkets” or “neighbourhood supermarkets”. The integrated supermarket offers both food and staple non-food items (products for the home and personal care). Neighbourhood supermarkets cater more specifically for a catchment area, concentrating on fresh food products (bread, fish, meat) that require high customer turnover, thereby intensify their relationship with the consumer.

Small self-service outlets (small supermarkets and mini-markets) and traditional specialized self-service stores

Box 10: Hypermarkets

The commercial innovation culminating this tendency towards despecialization has been the **hypermarket**. Pooling all staple commodities (food and non-food) in the same place, this distribution system, for which floor space is over 2 500 m² and in some cases above 20 000 m², makes it possible to concentrate purchases to a maximum and, since hypermarkets are usually located outside towns on low-cost land, prices can be extremely attractive.

are also redefining their role. The former emphasize the neighbourhood context, offering a high level of service on even smaller premises (extended opening hours, a range of products

Box 11: Discount stores

Discount stores are commercial outlets, with a floor space of about 600 m² which, in some cases, can also reach 1 000-1 500 m², whose sales system is based on two main elements: very low prices and complementarity with other types of commercial outlet with a wider offering. To keep prices low, discount stores cut back on all service elements relating to comfort of purchase and increase turnover of range of goods on offer. This means they have to concentrate sales on a very small number of items: the basic staple food items. Discount stores are not therefore designed to replace other distribution systems, but rather to stop them selling these particular commodities and leaving consumers to use them for the rest of their shopping.

designed to meet consumer needs between successive trips to supermarkets and hypermarkets. Traditional self-service stores specialize in fresh, specialty foods.

The increasing range of different distribution systems that exist in Europe has often followed different development patterns in different countries:

In France it is the hypermarket that has underpinned the development of the distribution trade. It was introduced in 1963 only a few years after the first supermarkets, and grew parallel to them until it achieved nationwide coverage unmatched in any other country.

In Germany the hard discount store plays a very special role. The hard discount store evolved from the neighbourhood distribution systems offering price discounts immediately after the Second World War under difficult economic conditions. Over the years, it has conditioned the

Box 12: Convenience stores

The convenience store also offers a broader range of products. Its rationale is that it reduces consumer costs by providing an opportunity to purchase something while purchasing something else. In the case of the convenience store, a sales outlet may have a floor space of between 150 and 200 m², and the typical case is that of a petrol station which offers other goods (and services) to motorists. Product standardization is completely absent in this case, with the range on offer includes car spare parts, food in competition with fast food outlets, and even banking and telecommunications services.

development of both the supermarket and the hypermarket.

In the United Kingdom, where the chain store and the department store are more firmly entrenched than on mainland Europe, there is a clear division between food and non-food despecialization. It is the supermarket that has underpinned the development of large-scale distribution enterprises. In the Eighties the supermarket gradually evolved into a superstore by incorporating an increasing proportion of staple non-food goods (see figure 9).

The socio-economic and territorial impact of large sales outlets

The opening of a large sales outlet, such as a large supermarket or hypermarket, has the following major economic and territorial impacts on the area in which it is established, with allied costs and benefits to local residents:

Employment. Temporary jobs are first created among companies contracted to design and build a sales outlet, provided they take on new personnel or use underemployed labour. Permanent jobs - relating to the food sales outlets (management, sales,

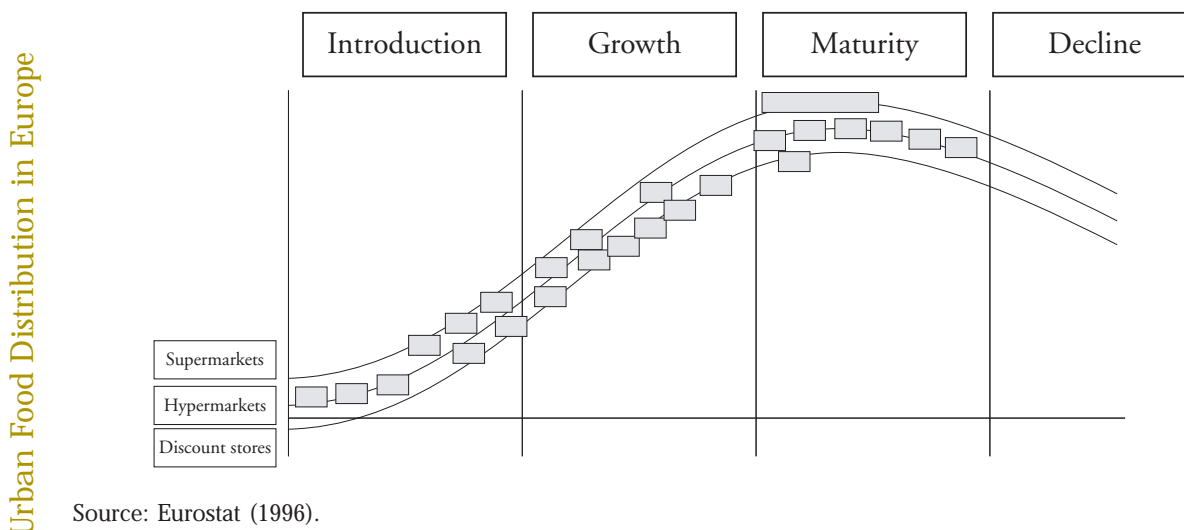
maintenance and surveillance, etc.) and ancillary activities (construction, local production of fresh and typical products, public and private transport, handicrafts and services, etc.) will then be created when the commercial outlet is opened for business.

Income and wealth. This relates to the changes in the wealth of the residents in the area in which a sales outlet operates due to increased employment, loss of employment or the transfer of people between different jobs.

Efficiency of the sales network and consumer welfare. Increased competition and greater efficiency lower the prices of food products and increase consumer purchasing power. However, when a large sales outlet leads to the disappearance of one or more smaller commercial outlets, the range of alternatives open to consumers is also reduced.

The marginalization of the weaker sections of the population. Large sales outlets outside towns can marginalize people who have mobility difficulties (the elderly, the disabled, and the poorer sections of the population). To overcome this, the activity can be sited in areas where

Figure 9: Life cycle of the three main forms of food retailing in Europe: the situation at the beginning of the 1990s



Source: Eurostat (1996).

there are public transport facilities, or where a private transport system can be laid on.

Tax revenues (local and national). When a large sales outlet is opened it can also increase tax revenues, particularly for local government (see the main types of taxes paid to Italian municipal governments during the construction and operation of a large sales outlet in box 13).

Rehabilitation and development of the area. Setting up a large retailing facility can help enhance the value of the area and improve the well-being of all residents, particularly in the case of run-down urban or peripheral areas. Beneficial effects can be obtained in terms of the following:

Box 13: Main types of taxes paid to Italian municipal governments during the construction and operation of a large sales outlet

- Urban development taxes, which, in the case of a commercial activity are proportionate to gross floor space to be built, payable in one single instalment;
- construction taxes, based both on gross floor space to be built, and on number of rooms in the buildings, payable again in one single instalment;
- a municipal tax for the issue of a commercial licence;
- an annual municipal tax to renew the commercial licence;
- an annual municipal tax on internal and external signs;
- an annual municipal buildings tax;
- an annual municipal tax on buildings used for production purposes.

- the physical environment (for example by creating parks or gardens within the area);
- the human environment (for example reducing the crime rate, because the area is busier, and thanks to the security guards and better lighting);
- the provision of services and infrastructure (in a commercial centre, for example, there will also be pharmacies, post offices, doctors' surgeries and consulting rooms, counselling services, recreational amenities).

Private and commercial traffic. Large commercial facilities generally tend to increase private motorcar use since consumers need to carry heavy and bulky provisions often over long distances. However, such facilities rationalize logistical flows unlike small sales outlets scattered across the territory. This rationalization reduces the commercial traffic. There is therefore a trade-off between private motorcar use and commercial vehicle use.

Security in the site area. A large retail facility often forms part of a commercial centre which contains other commercial activities that are only used during part of the day. This creates the risk that the facilities will encourage local crime in the evening and at night. This can be avoided by:

- extending opening times of the centre by incorporating non-commercial activities and facilities;
- locking up the covered areas and also the open areas if possible (car parks) outside business hours;
- ensuring a high level of illumination; organizing a surveillance service.

Chapter 5 *The Modernization of the Food Distribution System and the Crisis in Urban Wholesale Markets*

The functions of urban wholesale markets and the purpose of public intervention

Public investment in wholesale markets in Europe has focused on facilities (buildings, refrigeration units, transport, management and administrative facilities) and services (cleaning, monitoring, advertising, regulating) to concentrate producers, wholesalers, agents and retailers. The cost of the service is the fee paid to the management body.

Public investment was particularly effective in the economic development phase when both agriculture production and retailing were too fragmented to be able to organize their own marketing arrangements. In Italy, until 1959, wholesalers were obliged to use these public facilities. The construction and management of wholesale markets were entrusted in most cases to the local authorities, or at least to public entities.

Public investment in wholesale facilities is justified on three grounds:

- **to conduct hygiene and health controls** of products sold, ensuring compliance with regulations;
- **to ensure “fair” prices** within individual markets (through the concentration of supply and demand of a given product) and at national level (through a national system of integrated wholesale markets);
- **to stimulate the development of agriculture and the retail trade.** Wholesale markets allow farmers to



specialize by delegating the task of assessing the value of their produce and marketing it. Furthermore, wholesale markets intensify and expand trade activities, raising the productivity of resources used and consequently reducing costs.

The crisis in wholesale markets

The features and importance of the functions of wholesale markets change over time, following the industrialization of agriculture, the improvement of food conservation techniques, the development of industries and the modernization of retailing. When the food distribution system begins to develop more modern

and concentrated forms, the wholesale markets are eventually affected by competition from operators who are able to organize marketing services on their own. The crisis in the wholesale food trade can thus be explained in terms of two main factors:

1. **The disappearance of the economic conditions that give wholesaling a leading role in a developing economy.** In such economic contexts, the service provided by wholesalers consists of creating a range of products, keeping stocks, supplying goods to retailers and making it possible for commodities to circulate by providing credit to retailers.

This leading role played by the wholesale trade depends on the following factors:

- low concentration of production and retail distribution;
 - the financial weakness of small businesses;
 - the territorial scattering of production and retailing, coupled with unreliable transport;
 - low market transparency;
 - the standardized dimensions and types of retail sales outlets, which exclude any differentiation of wholesale service.
2. The national economic development process, on the one hand, and the modernization of the food distribution system, on the other, gradually weaken this strategic position of the wholesale trade. The wholesale function gets gradually incorporated into branch-based companies and, subsequently, into commercial and trader associations. The service offered by traditional wholesalers becomes too costly and no longer meets the new retailing needs (e.g.: pre-selection, conservation, packaging, pricing required for self-service shops, brand management).

Critical factors in the decline of wholesale markets in Europe:

The following three factors have gradually rendered obsolete some of the marketing functions of wholesale markets in Europe during the Seventies and Eighties:

1. the increasing inefficiency of services provided by the markets;
2. the low level of representation of prices formed in public markets;
3. the increasing degree of standardization/selection of food products and the resulting reduction in quality variability have increasingly ousted certain traditional functions of the wholesale market, such as displaying products;
4. the irreconcilability of efficiency of the information function, which demands an increasing concentration of activities in a minimum number of markets, and efficiency of the distribution function, which demands a decentralization of the structures in order to decrease the distance between wholesale markets and their users.

Survival of wholesale markets:

Under these circumstances, the public structures will survive only if they keep pace with the innovation and modernization imposed on the sector. Otherwise, even if prices are highly favourable, the markets will be populated mainly by small traders or will be left to trade in surpluses or leftovers from larger enterprises.

As far as the **distribution function** is concerned, wholesale markets in Europe have retained a major role, where they have managed to adjust by rationalizing their facilities, siting them near large urban centres, integrating loading/unloading, conservation, storage, weighing/pricing and transport services and new marketing techniques (cash and carry).

Box 14: The food and vegetable market in Milan

The new fruit and vegetable market in Milan “Ortomercato” opened in 1965, and in the first twelve months it increased volumes traded by almost 2 million quintals over the previous year (+32.6%). The reason for this growth can be put down to the better general conditions offered by the new market, such as its siting on the outskirts of the city, easy access, large parking areas for buyers and for unloading produce, and more rational and easily accessible stalls.

Its activities continued to grow until 1972 (over 10 million quintals of produce traded), after which they gradually declined. This downturn was accompanied by a fall in number of permanent stalls and market traders in correlation with the expansion of large distribution facilities (supermarkets and hypermarkets), which have increasingly placed fresh food products on their stalls but have not always managed to find the level of service they require on the wholesale market to meet their needs.

Ortomercato tried to foster commercial development in three directions:

- strengthening and modernizing the typical market services, such as the handling and delivery of commodities, internal information services and two-way flow of information with the outside world, commercial supervision and health and hygiene controls;
- rationalizing market working hours to meet varying customer needs;
- introducing structural changes, such as creating a conference centre with all necessary facilities such as security guards, goods control, market information and opening a cash-and-carry, namely, a self-service wholesaling facility at the disposal of all the operators.

Source: Zanderighi.

With regard to the **information function**, the disadvantage of wholesale markets being scattered throughout the territory has been overcome by moving towards a gradual specialization of certain large markets in price formation and the production of other strategic services (brand management, demand analysis, procedure standardization).

Nowadays, the use of computer networks makes it possible to quickly channel goods to areas of demand without interfering in price setting. Furthermore, the resumption of negotiations based on a description of the more standardized products can also take place by setting up commodity exchanges.

Public intervention in wholesale facilities may still be required to guarantee the trading conditions and publicise them as well as to facilitate the spreading of wholesale functions between the public and private sectors. Governments may provide incentives to entrepreneurs to form associations and facilitate market information.

Box 15: Multipurpose food centres

One solution for overcoming the wholesale market crisis adopted in Italy, the Netherlands and France has been the development of “multipurpose food centres”. These comprise a variety of markets (fruit and vegetable, fish, flowers and plants) or annexed areas to be used for ancillary activities, located in easily accessible non-urban areas, in which the services and available structures at the disposal of the wholesalers are more efficient and more cost-effective.

Chapter 6 *Public Intervention in Food Distribution*

Commercial policy in different development phases

There has been active public intervention in every European country in the modernization of their food distribution systems. The aims pursued and the means used for public intervention however differ.

Arguments in favour of public intervention in the modernization of food trading are the following:

- powerful political opposition from the commercial middle class, which is a large category with political influence;
- negative effects on the food marketing system due to excessive competition, with the resultant destruction of potentially sound small and medium enterprises which require time for reconversion.

Government intervention within an expanding modern trade

Governments can regulate the pace and modalities of the modernization process to guarantee competition or slow the process sufficiently to eliminate “harmful” competition. In both cases it is not only the pace of modernization that changes, but also its effects.

The **first type of commercial policy** is the one followed by most European countries. The commercial enterprises have acted as required by competition, and the whole food distribution system has been transformed on the basis of a market-oriented rationale. The task of



the government has been both to set up entry barriers to prevent the minimum threshold required by competition from being exceeded, and to provide a package of measures offering incentives and providing resources for the conversion of traditional traders and to neutralise undesired effects on employment and the community. In France, for example, a series of social measures were introduced to encourage marginal operators to leave the market, and others to benefit society from part of the profits that new modern commercial enterprises were able to exploit on what was still a poorly competitive market, using these funds to finance social measures.

The second type of policy has been adopted by Italy. The transfer of commercial activities from the traditional to the modern sector has occurred without competition, making it possible for modern distribution systems to be introduced solely to meet the incremental demand created. This transfer also took place by replacing traditional small-scale trading with modern small and medium-sized retail outlets (mini-markets, small supermarkets) as part of a policy which has prevented competition in the best locations, and also included a set of constraints and stringent regulations governing the larger distribution systems (large supermarkets, hypermarkets). As a result of the protection afforded to the traditional sector, modern commerce has managed to evade competition, giving it a kind of unchallenged status.

This commercial policy had the following consequences:

- **higher prices charged to consumers.** Italian consumers were unable to avail themselves of modern commercial services and benefit from prices which are usually 15% to 20% lower;
- **reduced corporate efficiency.** In the attempt to open as many new sales outlets as possible, companies have accepted licences for stores of sub-optimal dimensions, located far from their distribution centres, increasing the logistical costs of serving them. Furthermore, the slow consolidation of the sector has prevented companies from exploiting economies of scale;
- **reduced incentives to make suppliers more efficient.** The low level of competition in the distribution trade has removed incentives from suppliers to develop more efficient production systems, to innovate products and to try to exploit whatever economies are available.

Box 16: Measures to support small traders in France

Towards the end of the Sixties, in the wake of rapid modernization, of the whole of the food distribution system which had seen the opening in five years of some 300 supermarkets and 40 hypermarkets, the French authorities decided to introduce a number of measures to assist small traders, including:

- reducing income tax of traders with fewer than three employers;
- assisting traders adversely affected by the modernization of trade;
- assisting older traders;
- changing procedures for setting commercial rents, to prevent excessive increases;
- reducing taxes on transferring commercial outlets;
- offering tax relief;
- providing credit facilities for small traders;
- implementing a programme of government-financed training schemes for small enterprises.

Source: Spranzi (1990).

Government intervention within a modern trade system

Leading European countries have gradually adopted commercial policies that increasingly emphasize competition, control of abuse of dominant position, and protection of consumers and small business. In fact, the gradual increase in commercial concentration due to increasing economies of scale produces three consequences that justify government intervention:

- the squeezing-out of small independent businesses impoverishes the commercial offering and weakens

competition which has negative repercussions on consumers;

- concentration among retailers eliminates or reduces competition as a result of covert or overt agreements concluded between large commercial groups with very large market shares;
- possible abuse of market strength by large commercial groups in their dealings with producers, whom could be obliged to impose price discrimination against smaller purchasers.

Access regulation instruments used in Europe

A very wide range of different **commercial policy instruments** are used in Europe. Access to the commercial sector is generally regulated in three ways.

1. “Occupational entry barriers” include the requirement to attend training courses, to pass a qualifying examination and demonstrate sufficient practical business start-up experience. Entry barriers of this kind are justified at a time when commerce employs people who are unable to find work in other sectors of the national economy, or who have been made redundant by the restructuring of industry or agriculture. This “life-belt” function leads to inexperienced traders entering the market and the occupational filtering system is therefore designed to contain excess capacity.

In a modern commercial environment, conversely, the food trade no longer plays its traditional “life-belt” function, because of the professional skills that are required today to run modern self-service stores. This has led a number of countries to remove occupational entry barriers and retain only the requirement that food businesses be registered, as any other business activity.

2. “Economic barriers” can have the following main effects on the structure of trade:

- **Territorial imbalances.** Whenever the law is enforced by the local authorities, entry barriers tend to differ in different parts of the country. Pressure on local government officials by local traders opposed to the entry of new modern retailing facilities is stronger where they are likely to have more destabilizing effects on the local commercial fabric, and therefore be most effective.
- **Food and non-food.** These barriers create constraints that affect the development of the food trade and the non-food trade differently. In Italy’s experience, the effect is stronger on the food distribution system, not only because this is a sector in which the impact of the new retailing systems is felt more strongly, but also because consumption tends to grow less rapidly.
- **Chain companies and trader associations.** Whenever the local authorities are responsible for issuing licenses, it is at this level that businesses must bring pressure to bear to obtain them, and those with the strongest local connections have a greater probability of success. This encourages the market entry of locally-based businesses which have often concluded economic agreements with buying groups and voluntary unions.

Box 17 shows the types of entry barriers in Italy prior to the 1998 reform of the commercial sector.

3. “Town planning barriers”. Although they vary in intensity and method from one European country to another, such barriers have the same objectives:

- to contain concentration, and consequently defend small/medium-sized traders;
- to distribute retail outlets throughout the territory to prevent “commercial desertification”, inner-city degradation and external diseconomies;
- to control activity to prevent unfair and ruinous competition.

Town planning concerns when licensing retailing activities are particularly important in Germany and Spain, where the trading licence is for the site, not the individual trader. A trader wishing to close one retail outlet and open a new one elsewhere must follow the procedure for opening a new outlet.

Installation licences are issued in some countries for all retail outlets (the United Kingdom and Germany) and in others (France, Belgium) only for outlets above a certain size (see table 4). The size threshold is set because of the need to limit bureaucratic formalities, and because town planning considerations only apply to retail outlets above a certain size. The gravitation effect, infrastructure amenities and facilities, and the environmental impact on the area are all dependent on the size of the retail outlet. Normally speaking, town planning conditions depend on the size of the area in which these effects will occur: the only exception is Germany, where a threshold is set (1 200 m²) regardless of size of town, and even then only to differentiate between authorization procedures.

Table 4 – Urban planning thresholds for opening new sales outlets in main European countries

Measures to encourage small retail businesses

Policies to help small businesses are justified because when control of the

restructuring and development of commercial services is left to market forces alone, many small businesses are squeezed out, not because they are inefficient but by a series of size-related obstacles which prevent them from playing their role on the supply side. By enabling them to compete against large companies, policy measures are designed to regulate the market and ensure that it operates more effectively.

Government intervention is also justified because providing assistance to small businesses not only attracts new businesses to the market, with **positive fall-out in terms of competition**, but can simultaneously help **reduce the “mortality rate” of new small business initiatives** and prevent the resultant waste of economic resources.

There are three main types of measure to assist small food retail businesses:

1. **Direct measures:**
 - legislation against unfair competition and distortion of competition;
 - control of large corporations;
 - specific retail trade operation regulations (for example, opening hours, town planning constraints, etc).
2. **Financial and fiscal measures:**
 - soft loans for new sales outlets, or for modernization or technical innovation;
 - subsidies to cover part of the cost of business consultancy services;
 - subsidies for older retailers who close down;
 - tax relief to encourage co-operation between companies.
3. **Indirect measures:**
 - funding comparisons between companies and sector studies;
 - subsidies to set up specialized schools and vocational training centres.

Box 17: Government intervention and entry barriers in Italy

Italy's food distribution trade developed much later than in most other European countries, with variations in different parts of the country. It was characterized by a preponderance of companies belonging to trader associations over chain enterprises.

The declared intention of legislators was to foster the modernization of the retail trade gradually controlling its development through the government authorities.

Legislation hinged essentially on the following:

- **The trading licence.** The opening of a new retail outlet is conditional upon its being located in an area or in a part of a building earmarked for commercial activities under the development plan, and also requires specific authorization.
- **Commodity tables.** The licence does not confer a general right to sell goods to the public, but only those set out in the commodity table to which the licence refers. The purpose of these tables is to filter new businesses by commodity specialization, to guarantee specific protection to each one.
- **Registration on the Traders' Register.** To enter the market and apply for a licence, new traders must demonstrate their professional eligibility. To do this they must be on the Traders' Register after passing a qualifying examination. While this may seem to be a way of guaranteeing consumers a professional service, one problem with registration of this kind is that it ends up by being designed to protect existing traditional traders.
- **Regional clearance.** Before opening any retailing facility larger than 400 m² in towns with a population of below 10 000, or over 1 500 m² in larger towns, clearance is required from the regional authorities.

The **commercial plan** is the instrument that regulates this sector. Every municipality is required to draw one up, indicating the areas available for new commercial initiatives in each municipal sub-area and for each commodity table. If the planners do not allocate areas for new commercial ventures for a given commodity table in a given area based on the consumption trend during the period to which the plan applies, the only way to enter the market is to buy an existing retail outlet.

Source: Spranzi (1990).

Table 4: Urban planning thresholds for opening new sales outlets in main European countries

Country	Town population	Gross/net area (m ²)
France	< 40 000	3 000 / 1 500
	> 40 000	2 000 / 1 000
West Germany	All towns	1 1/4
United Kingdom	No threshold. Project appraised on own merits	
Italy	< 40 000	400 ⁽¹⁾
	All towns	1 500

⁽¹⁾ Only shops selling general staple commodities

Source: Pellegrini (1996).

Box 18: The promotion of small retail businesses in Germany

Government policy for small retailing businesses hinges on around assistance to adapt to economic and technical structural changes, enabling them to become more efficient and competitive.

The main instruments fall under three main headings:

- legislation to improve the political/economic environment, namely, all the laws which positively influence the position of small businesses in relation to large enterprises (special tax relief and specific tax exemptions, the Anti-Trust Law);
- financial assistance programmes;
- measures to improve the efficiency and competitiveness of small businesses by raising professional skill levels and improving information available to entrepreneurs.

Measures to promote corporate consultancy services account for about one-third of the resources allocated annually to improve the quality of businesses. This promotion takes the form of subsidies to reduce the cost of consultancy services, ranging between 25% and 75% of the overall cost, depending on the enterprise turnover.

Source: Zanderighi (1990).

Box 19: Financial aid programmes for small enterprises in Germany

Financial aid programmes are designed to reduce and/or offset the investment financing disadvantages faced by small businesses in comparison with large enterprises. These programmes, under which the entrepreneur pays part of the capital investment in the overall investment project, provide loans to existing companies and offer financing facilities for new, independent retailing business start-ups.

The first are long-term loans, mostly using resources from the special European Recovery Programme (ERP) fund. ERP loans are mainly designed to foster investment projects to:

- open a new retail outlet;
- modernize and/or enlarge retail outlets in specified regions, shopping centres or new zones created under urban planning regulations;
- introduce technological innovation.

These loans, ranging from 300 000 and 750 000 Marks are provided on a fixed interest rate several points below going market rates with a three-year grace period.

In the second case, the idea is to encourage new business activities by providing the necessary capital support. To obtain financial resources from third parties to open a commercial activity, some form of equity is needed. To make up for the initial shortage of equity an 'equity capital aid programme' has been instituted, to provide a subsidy in the form of a long-term loan (20 years).

This equity capital subsidy, which is limited to 400 000 Marks, can only be used to set up new retail outlets with a planned investment of at least 40 000 Marks.

Source: Zanderighi, based on Ministry of Industry data.

Annex 1
**ACTION GUIDELINES FOR THE DEVELOPMENT OF
 FOOD DISTRIBUTION SYSTEMS IN UNDERDEVELOPED ECONOMIES**

INTERVENTION LEVELS	INTERVENTION AREA	OBJECTIVES	ACTIONS
National/Regional	Wholesale trade	Network of urban wholesale markets.	Develop and manage urban public wholesale markets.
	Retail trade	Network of retail outlets selling food products in hygienic conditions.	Introduce legislation to regulate access to food trade through licences.
Urban	Informal trade	Qualitatively improved and more regular food supplies.	Develop district municipal markets. Plan a system of itinerant food markets.
	Retail trade	Simple food retail outlets throughout the whole urban area.	Adopt a plan for development of commercial “poles” in the most disadvantaged urban areas.

Annex 2
**ACTION GUIDELINES FOR THE DEVELOPMENT OF
 FOOD DISTRIBUTION SYSTEMS IN DEVELOPING ECONOMIES**

INTERVENTION LEVELS	INTERVENTION AREA	OBJECTIVES	ACTIONS
National/Regional	Wholesale trade	Growth of associations of wholesalers and retailers.	Introduce legislation to regulate the modernization of the distributive trade within an agreed time frame.
	Retail trade	<p>Development of small and medium sized self-service retail outlets.</p> <p>Growth of associations between retailers.</p>	<p>Facilities for obtaining permission to open self-service retail outlets.</p> <p>Economic incentives for setting up associative storage facilities for group buying.</p>
Urban	Retail trade	<p>Food distribution development plan for self-service small and medium food retail outlets.</p> <p>Professionally and managerially competent food traders to favour the modernisation process.</p>	<p>Identification of suitable urban areas for the development of small and medium self-service retail outlets.</p> <p>Organization by local Chambers of Commerce or relevant Associations of training courses on aspects such as: food product handling, storage, marketing and sale practices as well as enterprise management.</p>

Annex 3
**ACTION GUIDELINES FOR THE DEVELOPMENT OF
 FOOD DISTRIBUTION SYSTEMS IN MORE DEVELOPED ECONOMIES**

INTERVENTION LEVELS	INTERVENTION AREA	OBJECTIVES	ACTIONS
National/Regional	Retail trade	<p>Safeguard a fabric of efficient small food trade enterprises.</p> <p>Establishment of large surface food retail outlets.</p> <p>Various forms of food distribution outlets in operation.</p>	<p>Design and implement a technical assistance programme for small food trade enterprises.</p> <p>Define town planning criteria to facilitate the setting up of large surface food retail outlets.</p> <p>Introduce legislation to regulate competition among food retail enterprises.</p>
Urban	<p>Wholesale Trading</p> <p>Retail trade</p>	<p>Maintain role of wholesale markets.</p> <p>Clear and effective instruments for commercial planning at urban level.</p> <p>Clear and effective instruments for town and land management.</p> <p>Large surface food distribution outlets in operation.</p>	<p>Increase resources and efficiency of wholesale markets/food centres.</p> <p>Identification of the urban areas suitable for different large-surface retail outlets.</p> <p>Define plans for the development of food trade in selected urban areas.</p> <p>Evaluation of the economic, social and sectoral impact of food trade development initiatives.</p>

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