

How Cash and Carry Won the Day: the reconfiguration of British grocery wholesaling, 1948-1972

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This paper is drawn from research underway into the evolution since 1930 of grocery wholesaling in both Ireland and Britain. The aim of the broad research project is to identify the main explanatory drivers of industry evolution and delineate patterns of process. Inter alia the project aims to redress the research imbalance in this area that currently marginalizes distribution industries. The research project on grocery wholesaling in Ireland and Britain seeks to explore how context, social action and history interplay in driving and patterning the process of evolution in wholesaling over time. In doing so it employs a qualitative methodology based on multi-modal and multi-level approaches, focused on a long-time period. Few templates are available to guide inductive research into the dynamics of industry evolution using such approaches. This study adopted an approach akin in method and perspective to the contextualist research strategy developed for the Warwick studies on corporate change. It is thus informed by a number of principles:

- Multiple levels of analysis were used to connect context, process and outcome;
- An underlying theory of social action was employed;
- A longitudinal case-based research design was employed to allow patterns of continuity and change to be observed over time.

The data for Britain were gathered primarily from 2002 to 2008 and, in essence, replicated the approach adopted in Ireland. Fewer interviews have been completed at this time and the research programme remains active in that regard. Data collection was enhanced by the considerable volume of secondary material available from both academic and archival sources. A particular trade source (the Institute of Grocery Distribution reports on Grocery Wholesaling, started in 1979 and published almost annually since) has been assembled as a complete data source in one place, apparently, for the first time. The main source used has been the trade magazine *The Grocer*, which has been read in its entirety from 1930 onwards with all references to wholesalers or wholesaling extracted to form a core part of the narrative of the full case. The full cases have been developed by cross-analysing the interviews, data sources

and the contextual material to provide a long narrative on the evolution of the industry in each country. This narrative uses the structures of previous research in industry evolution and change as well as emerging themes from the cross analysis. This allows the cases to both provide new directions for consideration and to speak to the relevance of previous key themes in the research. The fully documented and referenced case on each country is substantial in length (each case runs to over 30,000 words).

This paper focuses on the British grocery wholesaling sector over the period 1948-1972. It draws on the broader research project but focuses on the particular "battle" between the voluntary group and the cash and carry formats. This was a period of major discontinuous change in the industry. The industry was altered over this period from a traditional full service wholesaler dominated sector to one where cash and carry and voluntary group trading had become far more significant. The key channel relationship had shifted from being manufacturer focused to retailer focused. In this changing situation cash and carry wholesaling gained the upper hand from the more favoured voluntary group wholesaling. This paper tells that story and investigates the factors behind the industry evolution during this period.

In the immediate post war period there was government inspired search for greater efficiencies in the distribution market. This affected retailers, but perhaps most significantly wholesalers and manufacturers. Wholesalers were seen as part of an inefficient supply chain. The search was on for new models of business and resulted in a major drive for industry change. In the retail sector this could be seen in terms of the introduction and maturation of self-service retailing in the 1950s, and the consequent requirement for larger scale retailing, both at store and corporate levels. In wholesaling the search for new ways of working led to the consideration of both voluntary group and cash and carry wholesaling.

Voluntary group wholesaling saw the development of symbol groups that became household names, such as Mace, VG and Spar. They rapidly gained market presence and were seen as providing great support for independent retailers. However the relationship between the wholesalers and their retailers was not always smooth. Many retailers

sought a different range of products than that supplied by the group wholesaler, whilst the wholesaler felt that the retailers did not adhere to group principles and operations. The questioning of what should constitute the relationship and the products and services therein, led to a decline in the format. At the same time, the cash and carry format was able to offer a different range, operational practices and services which accorded more closely with what many independent retailers wanted. Cash and carry thus expanded and began to take over the role of the dominant format. The paper explores this market structural change in detail and attempts to account for the evolution and market change that is demonstrated.

In addition to the interest in the cases and the industry itself, the paper may make a contribution to the wider literature and research in a number of ways.

The research agenda, to date, thus been limited at a number of levels. First, there has been a much stronger focus on studying industry demographics and to some extent industry dynamics rather than full blown studies of

structural evolution. Secondly, there has been a strong bias in the choice of industries studied. For the most part, manufacturing industries, particularly ones with a strong technology content have predominated. The non-manufacturing sector has been neglected, despite the growth of service industries and the prevalence and importance of commercial distribution industries like retailing and wholesaling in the modern global economy. The outcome has been that understanding of the process of industry level structural evolution has been limited.

Empirical studies of the structural evolution of whole industries are still quite rare. Within mainstream economics, industries are assumed to evolve quickly towards their most efficient or lowest cost configurations. Rarely is much interest taken in how industry structure changes from one configuration to another or how such transitions might be stimulated by factors other than technological breakthrough. This paper does not support technological breakthrough as a driving force.