THE POLITICAL ECONOMY OF RETAILING INTO THE EIGHTIES

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The Australian retail industry has been experiencing a dramatic rationalisation which has gathered considerable momentum in the last twelve months. The most publicised developments have been the takeover battles in New South Wales and Victoria : the battle between Grace Bros. and Waltons Bond for control of the consumer durable discounter Norman Ross, David Jones' successful takeover of the Melbourne department store operations of Georges and Buckley and Nunn, Woolworth's shortlived bid for Grace Bros., and, the battle for control of Grace Bros. between Myer, Waltons Bond and David Jones' parent, the Adelaide Steamship Company with Myer winning the battle. Almost as newsworthy were the major decisions by some of the large retail companies to withdraw from markets. In February, Myer announced plans to sell most of its department store operations in New South Wales. The company had made some earlier efforts to rationalise its activities, withdrawing from food retailing. Less surprising, was Waltons' announcement that it was closing its Melbourne stores. But, the retrenchment offer made to the company's employees brought a reaction from unions not previously encountered in the retail industry and subsequent black bans kept the Waltons' closure in the headlines for some time.

This shake-up in the retail industry reflects an ongoing struggle by the large retail companies to maintain profitability and market share. It is a struggle that is founded upon the many changes brought to retailing by retailers seeking to capture more of the market and which has become more intense as the economic crisis has eaten into consumer spending. Yet, this struggle is not one that the student might find discussed in the mainstream economics textbooks. Retailing is an important reference point for mainstream economic texts because the industry is the arena in which the demands of consumers for goods and the ambitions of producers and merchants for profits are seen to be finally resolved. For the mainstream economist it is the market place that

establishes the links in the production-distribution-consumption circuit and the retail market which closes the circuit. Further, in representing the exchange process as the aggregate outcome of many individual choices and, in particular, exchange between many individual consumers and many small traders, mainstream texts assert that this process provides for the most efficient allocation of resources. Exchange is regarded as being between equals.

A cursory glance at the present struggle in retailing highlights a contrast between the reality of the market place and that which mainstream economists present as archetypal of the ideal laissez-faire economy upon which the neo-classical economic theory is founded. This essay seeks to explore the might of the retail giants engaged in struggle. It examines the growing concentration of ownership of retail outlets by large companies, their dominance in the retail market, and the ramifications of this for smaller retailers, workers in the industry and consumers. Reference is also made to the means by which the state has sought to ensure the orderly operation of this market system.

Concentration in Retailing

Prior to World War Two, retailing remained very much a local affair. Retailing was dominated by family-owned outlets of a parochial nature. The great majority of retail enterprises generally restricted their operations to particular cities or, occasionally, to a number of country towns. Retail enterprises mostly conducted business within the boundaries of particular states, although there were some exceptions. The variety chain stores operated by G.J. Coles and Woolworths and the Foy and Gibson chain of stores were located in more than one State.

During the course of the long consumer boom of the post-war period this pattern of retailing changed markedly. The larger retailers sought to capture a greater share of the consumer dollar by extending their operations. This was realised with retailers establishing or extending their business on a national basis. It also brought some diversification into other retail activities. For instance, over the 1950s the Sydney-based retailer, David Jones, acquired the interests of a number of small retailers in Perth, Adelaide and Brisbane as well as in the New South Wales provincial cities of Newcastle and Wollongong. Myer, which had acquired the interests of an Adelaide retailer as early as 1928, did not conduct that enterprise under the Myer name until after the war when the company launched its presence interstate by

buying a Brisbane retail enterprise in 1956 and later, in 1961, establishing the Myer name in Sydney with the acquisition of Farmers. Waltons acquired a number of furniture stores during the 1950s. G.J.Coles extended its activities by buying a number of variety chain stores in the years following the War. It joined Woolworths in extending its retail interests to food retailing with the purchase of a number of food stores and supermarkets, appreciating that the demand for grocery goods was growing more rapidly than that for variety goods. In addition, the larger retailers were responsible for constructing a number of new outlets, especially in the grocery trade where increases in the number of self-service stores was one means of cheapening costs of operations. This also brought changes to the character of retailing by reducing the number of old style grocers who provided some personal service for customers.

Moves by retailers to capture the suburban consumer's wage brought more dramatic changes to retailing. Buying established outlets was an attractive option but piecemeal as well as limited given the growing decentralisation of a more mobile, car-owning population. The American retail giant, Sears Roebuck, saw advantage in modelling the future of Australian retailing along lines already being developed in the United States. Sears Roebuck proposed building suburban shopping complexes that would comprise various retail activities and, with the provision of ample parking space for cars, would enable "one-stop" shopping. It made its way into the local retail industry by joining Waltons in a partnership in 1955. But, its plans were too adventurous for the Australian partner which could see sales growth only in terms of takeovers and Sears Roebuck withdrew from Australian retailing in 1959. It was to be another two decades before there was any substantial foreign interest in Australian retailing.

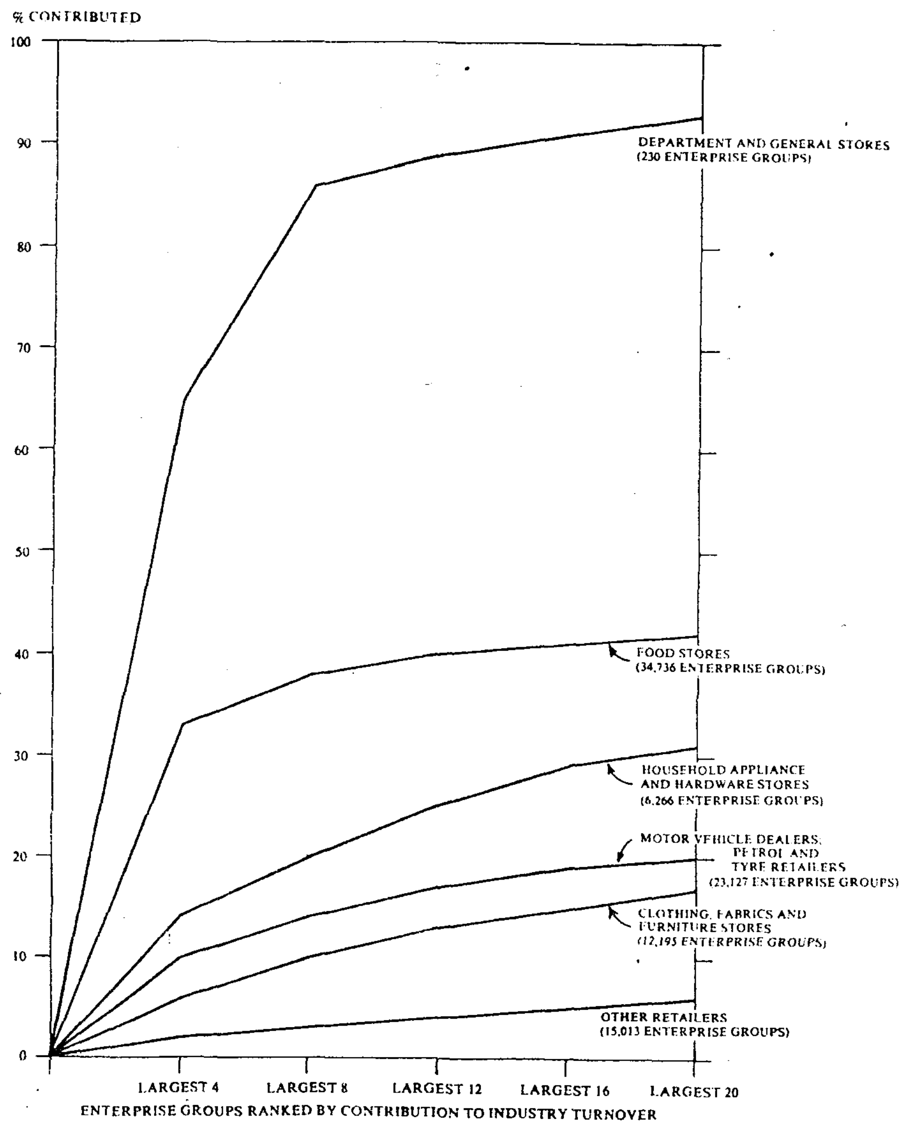
Despite Waltons' reluctance to seriously consider the American proposal some interest in the construction of suburban shopping centres was being expressed. The Chermside shopping centre near Brisbane was opened in 1958 and Myer began the building of the Chadstone shopping centre in Melbourne's eastern suburbs in the same year. The centre was completed in 1960 and its immediate success encouraged Myer to proceed with the building of several other suburban shopping centres in Melbourne. In Sydney, Grace Bros. introduced the north shore, at Chatswood, to the largest department store outside the central business district and, within

four years, its Roselands shopping centre was celebrated as the largest such centre in Australia. G.J. Coles and Woolworths also invested in the construction of suburban shopping centres during the 1960s as did some development companies, such as Westfield. But, the centres were particularly attractive to the large retail companies because, in providing for one-stop shopping, the department stores, the variety stores or the food supermarkets were planned as the focal points of the centres while smaller independent retailers attracted some of the passing trade. The effect of this development was to accelerate the declining proportion of the retail trade conducted in the central business district.

By the end of the 1960s another dimension was added to the history of retail expansion. This was the development of discounting. The practice of resale price maintenance had limited hitherto the extent to which independent retailers might undercut the sales of the larger companies in order to increase market share. Some of the larger distributors of consumer durables did endeavour to increase sales volumes by different forms of price cutting, but such attempts at volume sales were overshadowed by Coles' plans to join with the American retailer, SS Kresge, to construct the K-Mart discount stores. The K-Mart stores introduced even larger outlets, or hypermarkets, to Australian retailing. The first K-Mart store, built in 1969, was located in the suburbs and, with the first signs that there was a levelling out in the growth of retail sales, other large retailers moved to preserve their share of the market and began investing in opening the large discount stores. Myer opened the Target stores, Woolworths concentrated on expanding the Big W stores and the Melbourne hardware and home appliance retailer, McEwans, opened its Magnet stores. Large discount stores specialising in the selling of furniture and white goods were also established.

The initiatives demonstrated by the large retailers had the effect of concentrating more sales in stores owned by the companies. This is especially evident in the concentration of sales in the larger stores. For instance, in 1980 the "Census of Retail Establishments" recorded that 2,848 stores had sales of over $2,000,000 and, while these accounted for only 2.8 per cent of the total number of retail outlets, these stores accounted for over 40 per cent of all retail sales. This was a marked contrast with the sales pattern in 1961/62 when almost 5,000 stores accounted for an equivalent proportion of sales.[1]

Concentration of retail sales in the stores of a few companies was most evident among department and general store retailing. By 1980, the largest four department store companies held 68 per cent of sales made in all general stores.[2] A visual representation of the extent of concentration in the different areas of retailing can be evidenced by reference to the following graph :



Source : A.B.S. Census of Retail Establishments and Selected Service Establishments : Industry Concentration Statistics, Australia, 1979-80 Catalogue No. 8627.0.

As is evident, there is a marked concentration of the grocery trade in the stores of a few companies. The growing concentration in this area of retailing is not atypical of the history of the increasing dominance of a small number of retail companies. Coles and Woolworths, whose principal interests were in the selling of softgoods and other non-food items through their variety stores prior to the war, launched into food retailing in the late 1950s and early 1960s by buying a number of food-stores. Further takeovers and the development of the supermarket grocery outlets by the two companies, as well as by a number of other retailers, brought a reduction in the more service-oriented stores and an overall decline in the number of supermarkets, groceries and tobacconists over 1957 to 1969. Comparison with statistical details of retail establishments, collected in the 1974 Census, indicates that there was a rapid growth in the number of supermarkets at the expense of the old-style grocers and tobacconists and this trend has been maintained.[3] This can be verified by the marked reduction in the proportion of proprietors working in the grocery trade. Clearly evidencing the service-nature of the trade in 1962, there was one proprietor working for every two shop assistants. By 1980, this had decreased to one working proprietor for every five shop assistants.[4] The largest four companies engaged in the retail grocery trade control some 47 per cent of the trade and the American-owned Australia Safeway Ltd. is now the third largest food retailer following G.J. Coles and Woolworths. (This concentration is even more pronounced if one takes into account that the rapidly growing N.S.W. grocery wholesaler, Davids Holdings, presently accounts for some 11 per cent of the Australian grocery trade.)[5] Safeway's expansion has been particularly rapid of late having acquired a number of Myer's Target food supermarkets and the Jack the Slasher Foodbarns in Queensland.[6]

Hardware retailing has also become more concentrated with Burns Philp's drive to increase its presence in this area of retailing through its B.B.C. subsidiary. Burns Philp recently took over the Sydney hardware retailer, Nock & Kirby.

A clear indication of the extent to which the overall retail market is dominated by a small number of companies can be observed by examining the market shares of the eight largest retail companies, ranked according to total sales. These are listed in Table 1. Sales through the retail outlets owned by Coles, Woolworths and Myer, including Grace Bros., account for one quarter of all retail sales. Taking into account Waltons Bond's

TABLE 1

Total Value of Retail Sales of Goods (excluding Motor Vehicles, Parts, Petrol, etc.), Australia, and Total Value of Retail Sales by Major Retailers, at Current prices - $Million.

	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82
Total (percentage increase over previous financial year)	19045.2 (16.6)	21432.6 (12.5)	23643.4 (10.3)	26179.8 (4.8)	29097.9 (11.5)	33183.3 (14.0)	37157.7 (12.0)
(percentage increase in retail sales at constant prices)	(2.4)	(1.9)	(1.5)	(0.5)	(2.5)	(5.7)	(2.7)
G.J. Coles (percentage increase over previous financial year)	1138	1342 (17.9)	1554 (15.8)	2391 (53.4)	2662 (11.3)	3283 (23.3)	4040 (23.1)
Share of Market	6.0	6.3	6.6	8.9	9.1	9.9	10.9
Woolworths (percentage increase over previous financial year)	1019	1238 (21.5)	1495 (20.8)	1744 (16.7)	1992 (14.2)	2567 (13.8)	2616 (15.4)
Share of Market	5.4	5.8	6.3	6.7	6.9	6.8	7.0
Myer (percentage increase over previous financial year)	968	1017 (5.1)	1069 (5.1)	1152 (7.8)	1268 (10.1)	1441 (12.6)	1713 (18.9)
Share of Market	5.1	5.1	5.1	4.5	4.4	4.3	4.6
Grace Bros (percentage increase over previous financial year)	326.4	368.5 (12.9)	403.1 (9.3)	436.2 (8.2)	596.9 (36.8)	758.6 (27.1)	851.3 (12.2)
Share of Market	1.7	1.7	1.7	1.7	2.1	2.3	2.3
Safeway (percentage increase over previous financial year)				381	444.9 (16.8)	611.4 (37.4)	756.1 (23.7)
Share of Market				1.5	1.5	1.8	2.0
David Jones (percentage increase over previous financial year)	316.8	367 (15.8)	381.3 (3.4)	365.7 (-4.1)	374.6 (2.4)	451.2 (20.4)	525.0 (16.4)
Share of Market	1.7	1.7	1.6	1.4	1.3	1.4	1.4
Franklins (percentage increase over previous financial year)							c.500
Share of Market							1.3
Waltons Bond (percentage increase previous financial year)	283	291 (2.8)	296 (1.7)	306 (3.4)	334 (9.2)	352 (5.4)	392 (11.4)
Share of Market	1.5	1.4	1.3	1.2	1.1	1.1	1.1

recent takeover of the discount retailer, Norman Ross, the largest seven retail stores share over 30 per cent of the market in consumer goods. This compares with the 1962 estimate of six leading[7] retailers controlling only 10 per cent of retail sales.

One further indication of the measure of the extent to which retail sales were becoming concentrated in the stores of corporate retailers is the evidence of a diminution in the number of independent traders working in the industry. Even though consumer spending

expanded throughout the post-war period there has not been a corresponding growth in the number of independent retailers serving the industry. Although not entirely comparable, various censuses taken of retailing indicate a continuing decline in the number of working proprietors employed in retailing since the early 1960s. In 1962 there were 122,444 working proprietors, 113,716 of whom were full-time. The number of proprietors working in 1969 had declined to 118,131 with 105,519 of these working on a full-time basis. The number had declined still further by 1980, when only 100,370 working proprietors were recorded, 90,799 of whom were working full-time (although this number excludes proprietors employed in marginal enterprises).[8]

The End of the Retailers Boom ? - Expanding capacity and declinging demand.

Through the 1950s and 1960s consumer spending grew constantly and quite rapidly, averaging over 6 per cent per annum on all goods, excluding motor vehicles and related items. Following the onset of economic instability in the early 1970s, the real rate of growth in consumer spending fell to an average of less than two and a half per cent. Retail sales in 1974/75 increased by only 2.7 per cent over the previous financial year but, in subsequent years, the real rate of growth was much lower. There was some recovery in consumer spending in 1980/81, and this may have been an important factor in the dramatic growth in investment in expanding distribution capacity. However, the growth in retail sales dropped again in the following year, to 2.7 per cent and consumer spending remained depressed for the latter half of 1982 and there appears to have been little or no real growth in retail sales. The all important December sales were most disappointing and, in real terms, were less than retail sales in the previous December. Underlying this has been a marked downturn in retail sales by hire-purchase.[9]

The downturn in consumer spending highlighted the fact that the expansion in the capacity of the retail industry has been in excess of the growth of the market. This intensified the struggle to increase market shares, and discount stores set the pace in effecting what amounted to a price war that brought a marked reduction in profit margins. This was particularly evident in the grocery trade where much publicised price wars cut into profitability. Facing intense competition Myer withdrew from the retailing of food, selling its seven Target stores in New South Wales and Queensland to Safeway and its 14 Target food stores in Western

Australia and Victoria to Coles. Safeway sought to overcome significant profit set-backs by extending its operations and establishing a dominant position in the Queensland market with the purchase of the Jack the Slasher Food Barns. Rationalisation and further concentration in the grocery trade brought a further reduction in the number of grocery outlets operating in Australia by 1980.[10] Competition from the discount stores and the belief that the market share of discount stores would continue to grow at the expense of the department stores prompted some rationalisation of department store operations. For instance, David Jones closed six of its stores in Western Australia in 1978 and Waltons closed its Mark Foys' stores in 1981.[11]

Generally, there was much evidence to indicate that the downturn in consumer spending was having a damaging effect throughout the retail industry. All of the large retail companies, with the exception of Coles and Woolworths, have reported decreases in net profits over the last eighteen months despite increasing sales. Declining profitability is evident among other retailers. There have been more reports of small retail chains being forced to rationalise their activities and dispose of some stores or even go into liquidation. There was reported to be a marked increase in the number of small businesses being declared bankrupt, one report suggesting that there were some 10,000 fewer retailers operating at the end of 1982 than some fifteen years previously. The 1980 retail census indicated a reduction in the number of retailers selling fabrics and manchester, men's and boys' clothing, women's and girls' clothing and household appliances and domestic hardware since the 1974 census.[12]

Yet, while this process was underway, the large retail companies have undertaken massive investment programmes to increase their ability to capture larger shares of a static retail market. In addition, retail development was given a further boost with institutional investors, life-assurance companies and superannuation funds, supporting the development.[13] Investment accelerated quite substantially in 1981 as can be seen by reference to Table II. The investment was directed to three main areas : refurbishing existing stores, extending into new markets and takeovers.

Table II

Increases in Fixed Assets and Investments By Major Retailers - $Millions

	1977	1978	1979	1980	1981	1982
Coles	23.8	38.3	100.6	71.8	112.9	123.4
Woolworths	16.4	29.5	27.7	24.9	28.4	44.0
Myer	28.2	24.6	32.0	56.0	96.4	135.4
Grace Bros.	6.8	4.3	7.3	10.8	17.8	19.8
David Jones	7.5	5.8	10.9	4.2	8.1	45.3

Source : Annual reports of public companies.

There were major investments undertaken in expensive refurbishment programmes to modernise older stores, especially those in the central business districts, with a view to arresting the downward trend in sales. A key element in this refurbishment programme was a further re-organisation of the labour process.[14] Further expansion of retail outlets was a key element of company plans in the late 1970s and the retail giants ploughed ahead with building new stores and supermarkets. A substantial proportion of this redevelopment and new development was located in provincial cities and country towns.[15] The building of new shopping centres figured in this scheme of expansion but this highlighted a rather paradoxical situation. The rapid expansion programmes came at some expense. In particular, borrowings to fund development came at a time of rising interest rates and the majority of the large retail companies faced ever-mounting interest bills. Alongside falling profit margins, company liquidity was very quickly eroded. Fearful that a halt in expansion plans would threaten future market shares and, rather than reduce investment in building new outlets in order to reduce the need to borrow, the retail giants endeavoured to overcome liquidity problems by selling their interests in established shopping complexes on lease back arrangements. Given that the market was already over-serviced the practice has been criticised by some employer groups as being quite irrational.[16]

As is demonstrated by Myer's recent decision to sell the Chadstone shopping centre in order to buy into Grace Bros., another important aspect of moves to increase market share has been an acceleration in the number of takeovers. The takeovers have sought to extend a retailer's operations by strengthening the hold on a particular field of retailing or broadening activiites by means of diversification. Perhaps the most important in consolidating any one company's share of the market to date was Grace Bros.' acquisition of the J.B. Young business in 1979. The takeover gave Grace Bros. 132 additional stores, trading as J.B. Young, Fosseys and John Meagher in Canberra and country areas of New South Wales and Victoria and brought with it a dramatic increase in the company's sales and its share of the market. Table I indicates that Grace Bros.' sales increased by almost 75 per cent over 1978-79 to 1980-81, increasing its market share from 1.7 per cent to 2.3 per cent. The company subsequently endeavoured to break into the Queensland retail market by making an offer for the retail interests of McDonnell and East. Unsuccessful, Grace Bros. turned its attention to developing its own shopping complexes. Strathpine, which passed to the Myer company upon Myer's sale of its N.S.W. department store operation, was Grace Bros.' first such venture in Queensland.

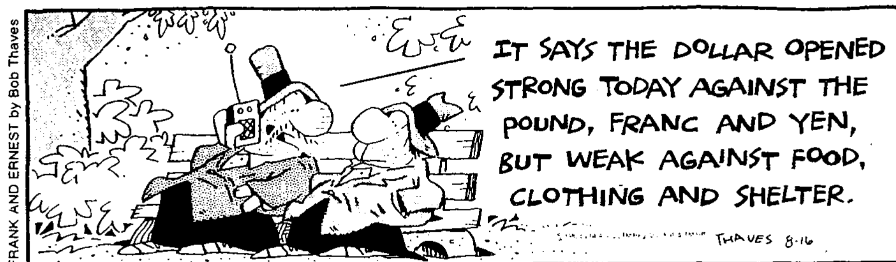
David Jones has also succeeded in extending its operations to another market by taking over Melbourne's prestige department store George's in 1981 and then another Melbourne department store, Buckleys, in 1982. Other important takeovers were made by the Permewan Wright group, which bought the interests of the Treasureway group of stores, totalling 22 in all, in 1980 and by the Ezywalkin group which secured the Adelaide retailer, John Martin, in 1981.

Some takeovers were planned to open new areas of retailing to the large retailers. Woolworths' acquisition of Dick Smith Electrics was one such example. A more unusual diversification involved Myer acquiring the Red Rooster Fast Food outlets in mid-1981 with plans to open another 70 outlets over five years.[18] Myer also sought to expand its share of the women's fashion trade by buying out a number of fashion boutique chains, acquiring the Country Road Clothing stores and then the Sydney-based Dynamite Clothing Company which gave the company some 60 outlets. Myer was also interested in increasing the number of liquor stores it operated and it bought a number of liquor store chains during its expansion phase over 1980-82. In this area of retailing, its two main competitors were Coles and Woolworths.

Coles had already embarked on an aggressive market drive in retailing liquor and, in addition to acquiring the interests of the Claude Fay liquor stores, numbering over 50, numerous independent outlets were also purchased. With Woolworths, it had the largest number of applications for liquor licences before the N.S.W. Liquor Commission in 1981.[19] Coles also established its pre-eminence in footwear retailing for, already possessing a significant share of the market, it bought out the Edward Fay and the Ezywalkin footwear chain stores giving it some 12 per cent of the trade.[20]

The crucial importance of these takeovers in ensuring that the market shares of the larger retailers would not be eroded is clearly demonstrated by sales growth within the Myer group. Without the contribution of its newly acquired enterprises Myer's total sales in 1981-82 would have been lower than in the previous year. What is also evident is that the rush to takeover other retail outlets as a means of securing sales brought some ill-considered takeovers. Myer, apparently hoping to forestall Coles' rapid growth as a liquor retailer, moved hastily to buy a number of outlets in Western Australia. The company subsequently withdrew its offers for the various enterprises upon realising that liquor licences were not automatically transferred with the title of the business.[21]

Smaller retail companies also endeavoured to survive by expanding their activities and rationalising others. This was particularly evident in the clothing trade. The Ezywalkin group's 36 Lowe's Menswear Stores were sold to the Manhattan menswear chain in late 1981. The jean store chain, Just Jeans, expanded its business into Victoria, New South Wales, Canberra and Queensland by opening new stores and buying out existing retailers



and has further consolidated its position in the market by successfully negotiating the rights to produce a brand-name jean in Australia.[22] Such examples demonstrate the pervasiveness of expansion and takeovers and the effect that this has had on forcing some rationalisation in retailing as well as heightening the concentration of sales in stores owned by fewer companies.

Many of these developments have, however been overshadowed by the dramatic events of late 1982 and early 1983 involving the major retailers. The effect of the downturn in consumer spending on company profits had become clear by the end of the year with the large retailers seeking to resolve their future by forcing major rationalisations in the industry, a situation which is complicated by the entry into retailing of corporate-raiders, the Bond Corporation and the Adelaide Steamship Company. Adelaide Steamship acquired a controlling interest in David Jones in June 1980. Bond took control of Waltons in March 1981. Waltons had been the subject of an unsuccessful takeover bid by the Permewan Wright group. Grace Bros. had acquired an interest in the New South Wales discounter, Norman Ross, in late 1981 and by mid-1982 had acquired a controlling interest. Bond also moved to takeover the Norman Ross business and sought to forestall Grace Bros.' takeover offer by seeking an injunction to prevent Grace Bros. from proceeding with its action and, at the same time, purchasing 18 per cent of Grace Bros.' share capital. This move precipitated a rush for Grace Bros.' shares and Adelaide Steamship also acquired an 18 per cent interest in the company. The Grace family were able to secure outside support to maintain their control over the company, getting a Singapore investor to buy an equivalent interest in the company. The family then endeavoured to consolidate its hold on the company by having Grace Bros. sell its interest in Norman Ross to the Bond Corporation. At the same time, Woolworths made an all-out bid for Grace Bros. to which the family acceded. However, the offer was subsequently withdrawn with reports of Grace Bros. experiencing a profit turnaround. Bond, Adelaide Steamship and the Grace family sought legal action to hold Woolworths to its offer.

Following Grace Bros.' reported profit slide, the major department store retailer in Australia, Myer, also reported a severe profit setback. Having borrowed heavily to fund expansion, the company faced a skyrocketing interest bill at the same time as its sales were faltering. It had hoped to overcome its liquidity problem by disposing of some of its property assets but the profit slide forced more drastic action upon the retail giant. In February,

Myer announced that it would sell its New South Wales department store interests to its major competitor, Grace Bros., although the deal did not include more profitable outlets conducted at Tweed Heads and Albury and the unprofitable north shore store at Gordon which was adjacent to a Grace Bros. store. The deal also secured Grace Bros.' withdrawal from Queensland, the Strathpine shopping complex passing to Myer. Some 600 of Myer's employees were expected to lose their jobs.[23]

Myer's consolidation plan was shortlived and may well have been a subterfuge for a much grander objective, the acquisition of Grace Bros., and was to set in train one of the more heated takeover battles in Australian business history. At the same time as Myer was determining how much it was to pay its retrenched workers in New South Wales the company was negotiating for the purchase of the shares in Grace Bros. held by the Singapore investor. Bond had also planned to increase its holding but Myer, having arranged the sale of its Chadstone shopping centre, was in the position to offer cash. The result was that four major retailers had substantial shareholdings in Grace Bros. Other parties also managed to secure an interest in Grace Bros., bidding up the value of shares but also making control of the company within the grasp of at least three interested retailers, Bond, Adelaide Steamship and Myer. Bond was the first to make an offer for all shares in Grace Bros., offering redeemable preference shares in the Bond Corporation in exchange for Grace Bros.' shares. Myer countered with an offer of cash and shares in Myer simultaneously announcing that it had acquired the interests of the Grace family. Bond moved to prevent the transfer of these shares arguing that Myer's action had contravened the Takeover code. Bond subsequently secured Adelaide Steamship's shareholding but Myer was the eventual victor by being the first to acquire a majority holding through the acquisition of shares held by Woolworths, Westfield, the shopping complex company, and other small shareholders. Bond conceded defeat and has since sold its 40 per cent interest in Grace Bros. to Myer and, in so doing, highlighted its precarious position in retailing. Myer has secured its place as the third largest retailer in Australia behind Coles and Woolworths. However, it should be noted that the future of Myer is not necessarily secure for control of the company is not firmly in the hands of the Myer family.

Waltons Bond's position in retailing has clearly been in a desperate state and expansion or closure of

some or all of its operations appeared to be the possible paths towards resolution. Waltons Bond had contemplated a marriage with Grace Bros. to improve its future in New South Wales but this was forestalled by Grace Bros.' acquisition of the Myer stores in February and then by its unsuccessful bid for the company. Its plan to rationalise operations through a takeover were obstructed. Its Melbourne operations could not await reorganisation through mergers or takeovers. These operations had been unable to establish a presence either as a department or discount store retailer. With a large investment in property, an inheritance from the Bond takeover, the Melbourne branch of Waltons Bond could not see a path to profits. In February, the company announced that it would cease retailing in Victoria and presented its 700 exmployees with retrenchment notices. Not satisfied with what was a rather parsimonious deal compared with other industry agreements and with the company refusing to negotiate, the shop assistants and clerical staff walked off the shop floor forty minutes after the Bourke Street store had commenced the closing down sale. The Chairman of Bond Corporation immediately dismissed all of the company's employees declaring that the company had no intention of negotiating on the retrenchment deal. A.C.T.U. intervention and a ban on the moving of any of Walton's stock brought a capitulation and a more generous retrenchment arrangement was made.[25] Waltons Bond's move to resolve its future in retailing have, thus far, been costly and no closer to resolution save the fact that Adelaide Steamship now has a holding in Bond Corporation which, through a possible takeover by David Jones (Adelaide Steamship's subsidiary), may provide the means by which Bond withdraws from retailing.

The Plight of the Independent Retailer

The growth of the large retail companies has been, in many respects, at the expense of the small, independent retailer. As has already been indicated, the small traders' share of the retail market has declined as have the number of working proprietors. The main reasons for this would seem to be twofold : the dominance of the major retail companies over distribution and over the supply of goods to the industry. The retail giants have been the major force in changing the pattern of retail distribution, particularly with the establishment of shopping centres and the hypermarket discount style of retailing. Both of these developments in distribution have caused much dislocation. With retail sales increasingly located in the large regional and provincial

shopping complexes, the fortunes of the independent retailers have become tied directly to those of the large companies. This dependence has been quite strikingly illustrated by Myer's decision to close its department store and sell the Gordon shopping centre, in Sydney's northern suburbs. The possibility of the closure of the main shopping attraction at the centre has raised a real fear among traders at the centre that an end to their future is in sight.[26]

But, the might of the retail giants extends beyond the attraction that they provide for business at these centres. As the large retailers directly manage or have a great influence over the management of the shopping centres, they are in a position to dictate the terms and conditions upon which small retailers may operate. Furthermore, as the profit margins of the large retailers have been reduced, they have sought to squeeze more out of the small retailers. Rents at centres have soared and this has forced some retailers to either close or to limit product ranges to high-margin lines.[27] This has prompted the Victorian Small Business Association and the N.S.W. Retail Traders' Association to examine the grievances of small traders and prompted the Victorian Chamber of Commerce and Industry to press the Trade Practices Commission to investigate the restrictions imposed by the shopping centre proprietors.[28] In Queensland, in response to the failure of the Government to enact rent control legislation, small retailers have found an ally in the Labor Party to fight its demands for laws tightening leasing arrangements.[29]

The large retail giants enjoy an ever-growing monopoly over the sale of consumer goods and this has given them a proportionately larger bargaining power in the purchase of goods from local manufacturers and importers. This has been enhanced by their direct interests in manufacturing and importing. Recent changes by the Federal Government to the import quota system, which called for tenders for the right to import a given quantity of particular items, and thus pay a rent for this right, were also aimed to encourage more importers. However, because the large retailers have been major and successful tenderers for quotas and have managed to purchase quotas from other successful tenderers, they have secured a disproportionately high share of quota rights for imports.[30] Retailers have also been increasing their direct interests in manufacturing, Myer, for example, having recently bought out a women's fashion goods manufacturer and Woolworths having invested in a softgoods manufacturing concern. This has enhanced

their bargaining position with local manufacturers, a position which some manufacturers have argued the retailers are abusing. For example, retailers are demanding that manufacturers meet a significant share of the costs of advertising the sale of their merchandise through particular outlets.[31] Retailers have been able to advise some manufacturers that they will not accept price increases and there have been instances of large retail companies advising manufacturers of changes in the price of goods or terms on which they had been purchased after the goods had been supplied.[32] More pointedly, the retail companies have been able to have manufacturers produce goods under retail "house brand" names or, increasingly, to produce generic products such as "No Names" or "No Frills", rather than under the manufacturers' own label.[33]

With the large retail companies monopolising supplies to retailers as well as dominating distribution, the small traders are being squeezed still further by the efforts of the retail companies to have shopping hours extended. Unable to provide consumer goods at a price to match those sold by the retail giants the livelihood of a large number of independent retailers is bound up with providing costly services during normal shopping hours or catching trade outside these hours. According to several small retailers' organisations, the removal of restrictions on shopping hours will increase the costs of the former group of traders and reduce the trade enjoyed by the latter.[34]

The response of small retailers to the growing concentration of retail sales in the stores of the large retail companies has been rather limited. The formation of cooperative buying arrangements has been an important factor in the survival of independent traders in the hardware, pharmacy and even grocery sectors of the industry. Franchising has been another response to the hold that the retail giants have over manufacturers and importing. Nevertheless, the bargaining power of the retail giants over manufacturers places them in an advantageous position in determining prices paid and charged, for goods and even in effecting supply agreements. High turnovers of merchandise and declining mark-ups, as the large retailers compete for sales, and lower costs makes profitable trading for the small traders all the more difficult. The small retailers have sought to challenge the right of the retail giants to determine the price at which goods should be sold, particularly when this is imposed on them. Complaints have been made to governments.

The second part of this article to be printed in the next issue of this journal will deal with the experiences of trade practices legislation and regulatory activity and its impact on the retail sector. It will also deal with the significance of finance institutions during the period of concentration of the sector, and the effect of industry concentration on retail employment and on the consumer.

FOOTNOTES

1. Table No. 35 'November of Retail Establishments, Value of Retail Sales of Goods and Value of Stocks as 30th June, 1962, by Total Retail Sales, Size and Type of Organization-, Commonwealth Bureau of Census and Statistics, Canberra, Bulletin No. 1: Census of Retail Establishments and Other Services, Year Ended 30th June, 1962; Table 1 - Retail Establishments - Selected Items by Retail Sales Size Group, 1979-80, Australia, A.B.S. Census of Retail Establishments and Selected Service Establishments, Industry and Commodity Details by Size, Australia 1979-80, 8626.0

2. Table 2. Retail Industries (A) - Selected Statistics and Concentration Ratios by Industry Class, Australia, 1979-80, A.B.S. Census of Retail Establishments and Selected Service Establishments, Industry Concentration Statistics, 1979-80, 8627.0

3. Table No. 35, Census of ... 1962, op.cit.; Table 1: Summary of Operations by Industry Class, States and Territories, Commonwealth Bureau of Census and Statistics, Canberra, Economic Consensus 1968-69: Retail Establishments and Selected Service Establishments, Ref. No. 11.18; Table 1: Summary of Operations by Industry Class, Australia, A.B.S. Census of Retail Establishments and Selected Service Establishments, 1973-74, Ref. No. 11.19; Table 1 - Retail Establishments (A) - Summary of Operations by Industry Class, 1979-80, A.B.S. Census of Retail Establishment and Selected Service Establishments, Details of Operations by Industry Class, Australia, 1979-80, 8622.0

4. Tables 39/40. Number of Males/Females Working Mainly in Retail Activities in Retail Establishments by Type of Business and Category of Employment, Australia, June 1962, _Census of ... 1962, op.cit._; Table 2 - Retail Establishments (A) Type of Employment at 30 June, 1980 by Industry Class, 1979-80 (Total Australia) _Census ... 1979-80_, 8622.0, _op.cit_.

5. Table 2. _Census of ... 1979-80_, 8627.0, _op.cit_.

6. Foreign Investment Review Board, _1981 Report_, p.16. The other important foreign-owned retailer is Foodland Holdings Ltd., recently taken over by the Singapore-based Cold Storage Holdings Ltd., _loc.cit_.

7. Dixon, D.F., "Australia", in _Public Policy Towards Retailing: An International Symposium_, Mass., Lexington Books, 1972, p.24, cited in Carol O'Donnell "The Sexual Division of Labour in the Retail Industry".

8. Tables 39/40. 'Census of ... 1962', _op.cit_; Table 2 - Persons Employed (including Working Proprietors) At End of June, 1969 by Type of Employment and Industry Class, Australia, _Economic Consensus 1968-69_, _op.cit._; Table 2, _Census of ... 1979-80_, _op.cit_.

9. For a brief discussion of this see: National Australia Bank, _Monthly Summary_, February, 1983; A.B.S. Monthly Retail Sales of Goods, Australia, 8501.0; Table 1 - Instalment Credit for Retail Sales - Summary in A.B.S. _Instalment Credit for Retail Sales Australia_, December 1982, 5631.0

10. See n.3

11. The department stores' share of retail sales had increased from 0.2 per cent in 1968-69 to 1.8 per cent in 1973-74 and 4.4 per cent in 1979-80 and one estimate suggested that market share would increase to 6.2 by 1983-84. By contrast the share of retail sales by department stores was estimated to fall to 10.3 per cent, having been 17.1 per cent in 1968-69. _Sydney Morning Herald_, 26 February, 1983

12. Inside Retailing No.523, 2 August, 1982; _The Age_, 28 January, 1983; _Australian Financial Review_ (hereafter _A.F.R._) 28 January, 1983, 22 May, 1981; Table 1, _Census of ... 1984_ _op.cit._; _Census of ... 1979-80_, 8622.0 _op.cit_.

13. M.T. Daly, _Sydney Boom Sydney Bust_, Sydney, George Allen & Unwin, 1982, p.34

14. *A.F.R.*, 19 March, 1981, 6 July, 1981; *S.M.H.*, 26 February, 1983

15. *The National Times*, 3 March, 1979; *The Australian*, 12-13 May, 1979; *A.F.R.*, 16 April, 1980; *The Age*, 20 December, 1980

16. *The Age*, 16 August, 1982; *Inside Retailing*, No.548, 21 February, 1983

17. *A.F.R.*, 13 November, 1980

18. *A.F.R.*, 10 July, 1981; *S.M.H.*, 28 April, 1981

19. *A.F.R.*, 13 July, 1981, 17 June, 1981

20. *Inside Retailing*, No. 520, 12 July, 1982

21. *Retail World*, Vol. 34 No.12, 28 October, 1981

22. *A.F.R.*, 20 October, 1981, 23 February, 1983

23. For some accounts of the Myer decision to sell most of its N.S.W. department stores, see *The Age*, 12 February, 1983; *S.M.H.*, 12 February, 1983

    Myer's retrenched employees in New South Wales have been offered two weeks' pay for those with up to four years' service, four weeks' pay for those with between 5 and 9 years service and 6 weeks' pay for those with between 10 and 14 years service.

24. On the Bond Corporation's approaches to Grace Bros., see Ian Porter, *The Age*, 23 March, 1983; "Chanticleer" *A.F.R.*, 23 March, 1983; *S.M.H.*, 13 February, 1983, 17 February, 1983

25. Waltons Bond offered employees one week's pay for each year of service up to 12 years of service, with one week's severance pay. The revised retrenchment deal was two weeks' pay for every year of service plus $200 for each year worked. *The Age*, 23, 25, 26 February, 1983, 1, 5, 11 March, 1983. *A.F.R.* 1 March, 1983

26. *S.M.H.*, 19 February, 1983

27. *A.F.R.*, 28 January, 1983

28. J. Maher, State Secretary and Federal President, S.D.A.E.A., *The Age*, 11 February, 1983; *Inside Retailing* No.533, 11 October, 1982, No. 535, 25 October, 1982, No. 455, 16 March, 1981

29. Inside Retailing No. 524, 9 August, 1982, No. 546, 7 February, 1983, No. 548, 21 February, 1983, No. 467, 8 June, 1981

30. For example, see A.F.R., 9 February, 1981

31. For manufacturers' complaints of this practice, see A.F.R., 26 March, 1981

32. Inside Retailing No. 500, 22 February, 1982, No. 544 24 January, 1983, A.F.R., 4 February, 1983, 24 February, 1983

33. Coles reported that national brand manufacturers were reluctant to comply with the company's request for generic products but that the presence of excess productive capacity brought a change of attitude, A.F.R., 7 December, 1982

34. Inside Retailing, No. 453, 2 March, 1981, No.452 23 February, 1981, The Age, 26 January, 1983; A.F.R., 27 April, 1981

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