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"THE LOI ROYER AND HYPERMARKET DEVELOPMENT IN FRANCE  
- A STUDY OF PUBLIC POLICY TOWARDS RETAILING".

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## PREFACE

For those unfamiliar with the geography of France, and to assist with the identification of areas specifically mentioned in the text, named départements are accompanied by a number in brackets (for example Aude (11)). These numbers correspond to those given on the map of départements provided in Appendix One.

## ABSTRACT

In 1973, the French government, in response to considerable pressure from small retailer interest groups, introduced legislation aimed at restricting the future growth of large area retail stores. The "Loi Royer" established a series of départemental planning commissions composed of retailer, locally elected, and consumer representatives. These commissions were given the power to authorise or reject planning applications for large retail units and extensions to existing stores, above certain size thresholds dependent upon the size of the commune in which development was to take place. The law allowed for an appeal procedure in which the Minister of Commerce and Crafts, advised by a national commission of similar composition, was the final arbiter.

This thesis examines the impact of the "Loi Royer", with particular reference to hypermarket development in France. The spatial and structural growth of large stores, and large retail organisations is assessed, with case studies undertaken on the application of the law in the Brittany region, and the growth of the Carrefour group. The role and form of public policy in the retail sector in general is also considered.

The composition of the commissions and procedures established by the legislation provided considerable potential for influencing the development of large stores in France. However, whilst the legislation has had some short term and localised impact upon hypermarket development, in the long term, the restrictive effects of the law must be questioned. By exploiting various loopholes and failings in the legislation, hypermarket openings have continued, and the large retail groups have maintained their growth largely at the expense of the small retailer, whom the law was intended to protect. The legislation may also have indirectly encouraged numerous strategic adaptations on the part of the larger retail organisations, which have served to further improve their position vis a vis smaller retailers, or introduced large retail groups into sectors traditionally dominated by independent traders.

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There is much more to postgraduate research than the resulting thesis alone, and throughout the four years taken to complete this study my sanity has been maintained (?) thanks to numerous relatives, friends and colleagues. This thesis is dedicated to my parents for their understanding and encouragement. I must also thank Wendy Hayes, Tim Marks and Leigh Sparks for their longsuffering friendship and tolerance; Mike Harmer, Rob Page, Mick Griffiths, and Rob Young for enlivening Lampeter; and the "boys from flat two" at Stirling - who must remain anonymous for fear of prosecution. Finally, Whitbread Breweries Ltd. and, most recently, Stirling Albion F.C. must be thanked for hours of entertainment - of variable quality !!

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## CHAPTER ONE : INTRODUCTION

"Conceivably town-planning and land use control may turn out to be among the most powerful external variables that help shape our forthcoming retail structures." (Hollander 1973)

Most sectors of the economy are influenced by state intervention of some form. In December 1973, in response to various political and economic pressures, the French government introduced legislation based upon land use control in an attempt to influence the growth of large store retailing which was perceived as an increasing threat to the small independent retailer. The Loi Royer established a system of départemental commissions consisting of retailer, local authority and consumer representatives to consider applications for new store developments and extensions to existing retail units above certain size thresholds. An appeal procedure allowed for recourse to the Minister of Commerce and Crafts who was the final arbiter of any proposal. This study analyses the effects of this legislation with particular reference to the development of hypermarkets, and to both large, and small scale retail organisations.

To interpret the impact of any public policy measure it is necessary to develop some understanding of the event or innovation at which the legislation is aimed, and in particular of the forces underlying it. With this in mind, Chapter Two provides a review of the traditional models of institutional change within the retail sector, which have been constructed in attempts to explain the appearance of an

innovation, its development, and the responses of others towards it. The role of the retail environment in generating such change and adaptation is considered, and the major trends in two influential features of this environment, the organisational and consumer components, are briefly discussed with regard to their role in the evolution of the hypermarket.

A definition of the hypermarket, emphasising the unique features and operating characteristics which distinguish it as a new concept of retailing and a major institutional innovation, is provided in Chapter Three. This section also considers the impact, both socially and physically, of this new institution upon the existing retail system. The particular retail system in which the hypermarket appeared and evolved is the subject of Chapter Four, which illustrates the importance, relationships, and relative positions of power, of the different types of retail organisations and the existing retail institutions in France.

Chapter Five examines the role of public policy in the retail sector, and contemplates the aims of such policy. The approaches that may be taken towards perceived problems in the sector are considered, alongside the variety of instruments and measures at the disposal of the state to attempt to achieve these aims. The forces which encourage state intervention, and determine the exact mix of policies chosen, are noted, with particular emphasis placed upon the

role of pressure groups in this process. In view of the apparent influence of these bodies in France, the role of interests groups is examined, and consideration is given to their access to power through conventional and non-conventional channels, and with regard to various models of state/pressure group relationships.

The specific development of retail legislation in France is discussed in Chapter Six. A change in government attitude towards large stores is noted, and the influence of particular retail pressure groups upon this change in policy is stressed. Finally, the text of the Loi Royer is examined, along with supporting government Circulars issued at later dates.

The Royer legislation imposed potentially restrictive conditions upon proposals for large store development in France. In view of this, the trends in hypermarket development both before and following government intervention are noted in Chapter Seven. Numerical development, size and other characteristics, spatial patterns, and other features likely to be influenced by the legislation are examined, alongside trends in ownership by different types of retail organisations. Explanations for the observed trends, and the consequences for various organisational sectors are suggested, and two noticeable developments, the growth of acquisitions, and extensions to existing units, are attributed specifically to the Loi Royer.

Chapters Eight and Nine provide an examination of the

applications made for development based upon new large stores, and for extensions to existing units at both the local and national (following appeal) level. The number, type, and spatial features of applications and their success rates are noted for proposals based upon different types of development, and by different types of organisation. Detailed discussion of the applications based upon hypermarkets and supermarkets, and extensions to existing stores of this type is undertaken, and the impact of Ministerial decisions upon those applications taken to appeal is examined. On the basis of the trends noted in these Chapters possible adaptations in the application policy of certain types of organisation are suggested.

An evaluation of the changing application policies of developers is to be found in Chapter Ten. The real effect of the commissions as a block on retail development is questioned, as is the role and motivation of the centralised decisions made by the Minister. A further level of control not accounted for by the legislation, the judicial courts, is also discussed. Finally, the operational effects of the law, in relation to development costs, the various loopholes in the legislation that have been exploited by applicants, and the apparent changes in application and development strategies are examined.

A case study of the Brittany region (Chapter Eleven) provides a specific example of the workings of the Loi Royer at the local level, and the issues raised by the preceeding

evaluation of the legislation are examined in the Brittany context. As a postscript to this section, and in the light of the suggested failings of the legislation, the debate concerning possible amendments to the Loi Royer is discussed. Attention is focused upon the composition of the commissions, the decentralisation of ministerial authority, and the size thresholds of applications required to be submitted to the commissions.

Finally, in Chapter Twelve, more strategic implications which may be partly attributed to the legislation, but over which the legislation has little control, are discussed. These issues, relating to the structural trends within the retail sector, such as increasing concentration, diversification, development abroad, and other changes and adaptations in operating strategies, are suggested to be a more direct and long term threat to the position of the independent trader. These developments are placed in the context of an individual firm in the case study of Carrefour, one of the leading retail groups in France, in Chapter Thirteen.

## CHAPTER TWO : THE DEVELOPMENT OF RETAIL INSTITUTIONS

Any attempt to evaluate the legislative response of the state to an event or development which disrupts the status quo should consider the way in which such an event or development occurs, and the forces which give rise to this development. The appearance of new retail innovations or institutions is no exception to this rule.

There are numerous theories attempting to explain institutional change in the retail sector, and Mårtenson (1981) has reviewed most of these. The scope of theoretical models available ranges from those which simply draw analogies with others developed for the sciences, to cyclical models which attempt to explain change over time, and to concepts that relate to the organisational reaction to change.

Dreesmann (1968) drew attention to similarities between retailing and biological systems, and presented various analogies between innovation in retailing and mutation in biology, illustrating that during periods of mutation, as can be the case with retail innovation, developments may be fast, violent, unexpected and revolutionary. Other analogies suggested by Dreesmann are those of convergence towards a common form, as a retail innovation is adopted and accepted by others; hypertrophy, which allows certain species or innovations to outgrow their competitors owing to a temporary lack of competition; regression or backward evolution in the shadow of main (and often contrasting)

developments, which explains how the growth of large out-of-town stores may provide opportunities for small local retailers; and finally assimilation, as existing species or forms mutate or convert into new ones. Whilst there may be a certain charm to these ideas, the applicability of much of Dreesmann's theory is somewhat limited, as the author himself acknowledged...

"The use of biological analogies can be promising in systematising the theory of evolution in retailing. The dangers and limits of this methodological aid are also obvious, especially in the possible mixture of causal and finalistic descriptions of reality."  
Dreesmann (1968)

More recently, Etgar (1984) has developed a retail ecology model, in which he argues that the emergence and survival of a new retail institution, defined as an organisational form through which various resources (human, financial, physical, and social) are combined to achieve organisational goals, is controlled by a natural selection process. If the new institution passes through this process it is likely to survive. The natural selection process involves three stages and commences with the variation appearance phase in which the new retail institution or species first appears. The second stage of the model, that of selection, ensures the survival of those new institutions which provide the best "fit" to the environment. Etgar emphasises the role that luck and random factors may play during this stage. Finally, the retention phase is reached when the institution is preserved and duplicated by other organisations.



Numerous mechanisms of change are identified in each of these stages. In the initial phase, change may be generated by factors relating to historical development, which may allow an old institution which is "dying" to find a new niche or role as the environment changes, or by horizontal competition between institutions for consumer patronage. Change may also occur during this variation appearance stage as a result of vertical conflict within the marketing channel (relating to Galbraith's concept of countervailing power as one actor in the channel responds to an increase in the power possessed by another), or through both planned attempts by entrepreneurs to develop new institutions, and random factors.

In the selection stage, survival is ensured by the adoption of those retail strategies which provide advantages over competitors. Etgar suggests that this is achieved by either a reduction in transaction costs, whether financial or temporal, or by improving efficiency through horizontal or vertical economies of scale. Finally, retention occurs as a result of such mechanisms as the diffusion process, in which the institution is adopted in its original form; through a dialectic mechanism, which sees the new innovation adopted by existing institutions and modified to suit their needs; or by external expansion, when the innovating organisation expands of its own accord and replaces older institutions.

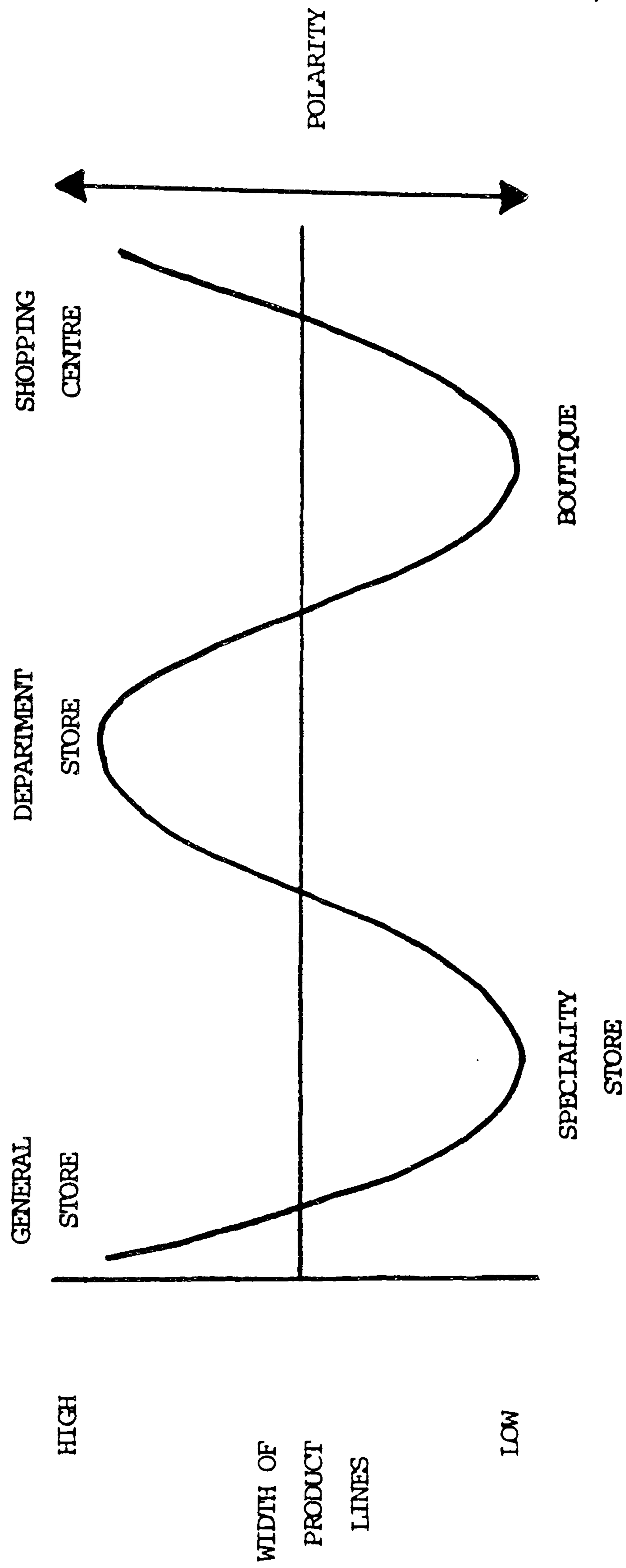
By far the greatest discussion, however, has centered

upon cyclical theories of retail change, which attempt to explain the growth and decline of specific retail institutions. The Accordion theory noted by Hall, Knapp and Winsten (1961), and elaborated by Hollander (1966), suggests that the retail sector experiences alternating market domination by stores with wide and narrow product assortments (figure 2.1). General, wide line stores create a vacuum for speciality stores within the sector, as they can not offer style and variety; whilst in turn, speciality stores in an attempt to improve sales tend to add other lines of merchandise. This model is useful in illustrating how the behaviour of one type of institution will create both the opportunity and need for complementary institutions.

Hollander (1966) argues that despite an increasing trend towards scrambled merchandising throughout retailing, openings will always exist for narrow assortment specialist retailers for a variety of reasons. Many traders will wish to remain as specialists, viewing themselves more as craftsmen rather than businessmen. Restraints will prevent a complete conversion to scrambled merchandising, whether on a voluntary basis, as traders will not enter other retail sectors for fear of retaliation by established traders, or owing to legislative blocks which prevent entry into certain fields, as is the case with pharmacy and alcohol retailing.

The capacity of different organisations, in particular with regards to their capital and other resources, may also prevent scrambling, and some diversifications may prove too

Figure 2.1 : The Retail Accordion.



costly for firms. Finally, Hollander suggests that the complex pattern of consumer preferences and habits will maintain contraction (specialisation) and expansion (scrambling) of the retail accordion. As a result opportunities will always exist for the specialist retail institution ...

"the retail population will continue to resemble the composition of a well-designed shopping centre. The developers of these centres have always recognised the way in which large, wide scale enterprises and small, specialised ones complement each other to provide the most attractive shopping combination." (Hollander 1966)

The most established cyclical model of retail change is the "wheel of retailing", developed by McNair in 1958. This theory suggests that new retail institutions enter the sector as low status, low margin, and low price operations, and then gradually trade up as they acquire more elaborate establishments and facilities which demand greater financial investment and incur increased operating costs. Consequently, the institution matures into a high cost, high price type, which itself becomes vulnerable to new low margin, low price institutions, as the "wheel" turns a full cycle.

Hollander (1960) suggests tentative explanations for the movement of the "wheel". New retail institutions are often pioneered by aggressive, cost-conscious entrepreneurs. So, as these individuals age and become wealthier, their commitment may wane, and their successors may be less competent. Hence, an associated deterioration in management may cause the "wheel" to turn. Alternatively, management

may be misguided by suppliers who persuade them to adopt unnecessary modernisations and over-elaborate facilities.

More plausible explanations for movement may be found in the theories of imperfect competition. Retailers often avoid direct price competition, either because of controls relating to resale price maintenance, or for fear of immediate retaliation by competitors. As a result they turn instead to improvements in service which are less susceptible to direct retaliation. McNair himself explained movement of the "wheel" through the development of excess capacity in conditions of imperfect competition as more and more operators adopt the innovation.

The adoption of certain innovations, such as scrambled merchandising techniques may also cause movement through the addition of higher margin lines. Finally, it has also been suggested that secular trends may account for movement. As the standard of living rises, opportunities are provided for trading up as the institution seeks to take advantage of the wealthier consumer segments. Meanwhile, because of the unequal distribution of standard of living increases, opportunities remain for the entry and development of low cost, low price institutions.

Criticisms of the "wheel of retailing" focus primarily upon its inability to explain all types of institutions or to be applicable in all environments. The model does not appear to explain retail development in developing economies, in which the new institutions, such as

supermarkets, enter as high margin, high cost operations. Similarly, whilst institutional developments in more developed economies, such as the department store and supermarket, may conform to the model, other innovations such as automatic merchandising, and shopping centres certainly do not, as they enter as high cost/price institutions. Further problems of justifying the "wheel" theory arise from the limitations of existing retail typologies (Hollander 1981), and the availability of data concerned with retail margins - both of which hamper analysis.

Goldman (1978) identifies four hypotheses within the McNair model. Firstly, that institutions enter the retail sector on the basis of price appeal; secondly, that the low prices offered by new institutions result from reduced operating costs by virtue of fewer services and lower store quality; thirdly, that after establishing itself, the new innovation will trade up; and finally, that trading up causes the appearance of new institutional innovations. However, according to Goldman, three of these hypotheses do not stand up to examination.

Evidence does not seem to support the idea that new institutions develop on the basis of price appeal alone, for as has been noted above, many new innovations are based upon other factors such as service and convenience. Similarly, numerous other reasons (other than reduced service and store quality) may be found for the lower operating costs noted in many new institutions. Economies of scale, the

standardisation/packaging of goods, and other technological advances, may provide more plausible explanations.

The fourth hypothesis, that trading up provides opportunities for the entry of low cost/price institutions assumes that either retailers that trade up provide services which consumers do not want, or that new low income consumers appear, and that established retailers do not fight back against new competition. Goldman argues that all of these assumptions are invalid as services are added because of consumer demand, new institutions take trade from existing consumers; and established retailers certainly do respond to and resist new institutions.

The only hypothesis supported by Goldman is that which states that trading up occurs, and he identifies three types of trading up; routine, which involves the addition of more of the existing services; non-routine, in which new services are added to existing ones; and innovative, whereby a new price-service combination is established, which differs from the established pattern. It is noted that innovative trading up will only be attempted if routine, and non-routine methods fail.

One major criticism of the McNair model is that the "wheel" concept does not explain, nor consider the response of established institutions to new developments. Izraeli (1973) attempts to overcome this problem, and provide some explanation for the entry of high margin, high price/service institutions, in a theory which considers three wheels of

retailing. Izraeli suggests that three (not one) "wheels" exist, and his model comprises of a high cost/price institution and a low cost/price institution "wheel", either side of a larger "wheel" representing established institutions (figure 2.2).

The entry of a new institution at either extreme provokes a reaction from the others, as the established institutions attempt to imitate the methods of the innovator to maintain or regain their market shares, and as innovating institutions are pressurised into becoming more conventional. Hence a low cost/price innovation (A) upgrades both its prices and services and moves along the margin/cost continuum, whilst the conventional low priced outlets (C) downgrade to meet the competition provided by A. As the differences between the rival institutions diminish the cycle of the "wheels" slows down and stops, thus ...

"the cycle, which began with conflict, ends with accommodation." (Izraeli 1973)

The new innovations (A and B), become part of the establishment which takes up a greater share of the continuum. This situation represents stability in the sector, and provides the conditions for the arrival of a new innovating institutions, at either end of the continuum, which in turn precipitates a new cycle of the three "wheels".

A further type of cyclical model explaining how new retail institutions may behave is that put forward by Davidson, Bates, and Bass (1976), who adapted the idea of



Figure 2.2 : The Three Wheels of Retailing.

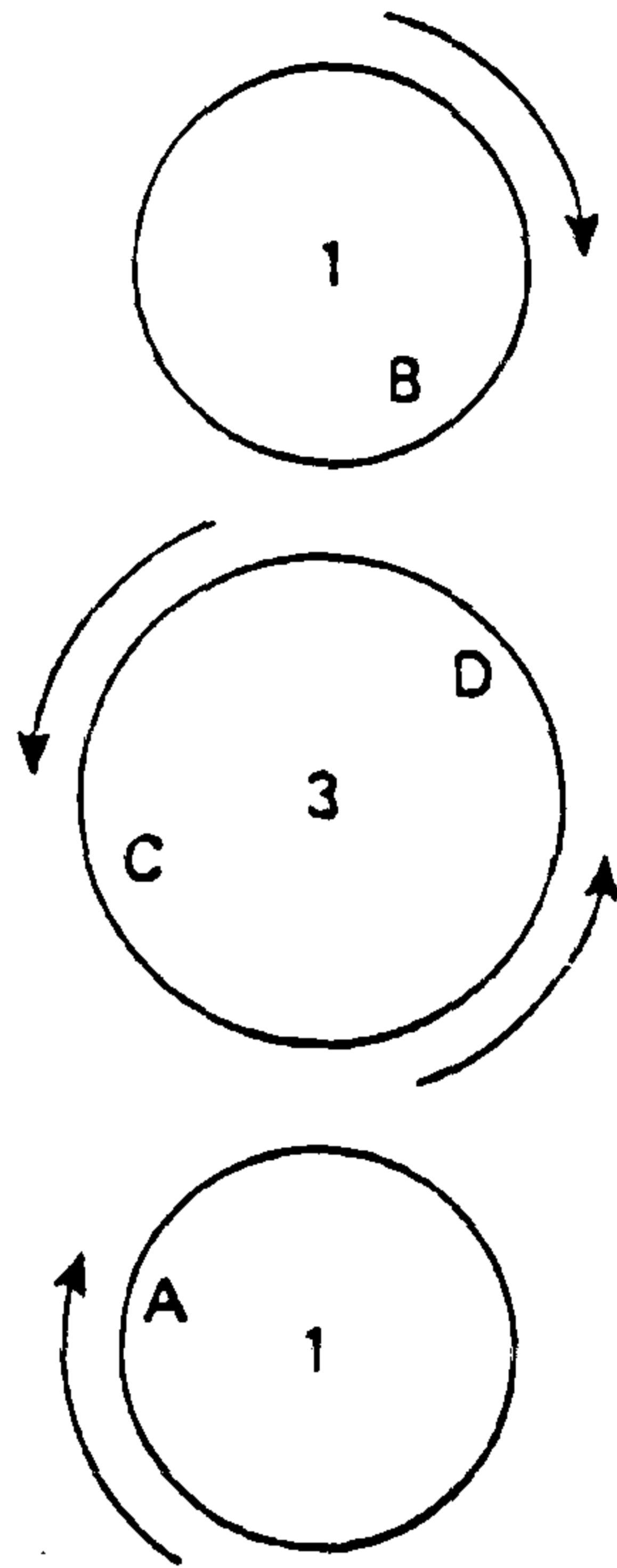
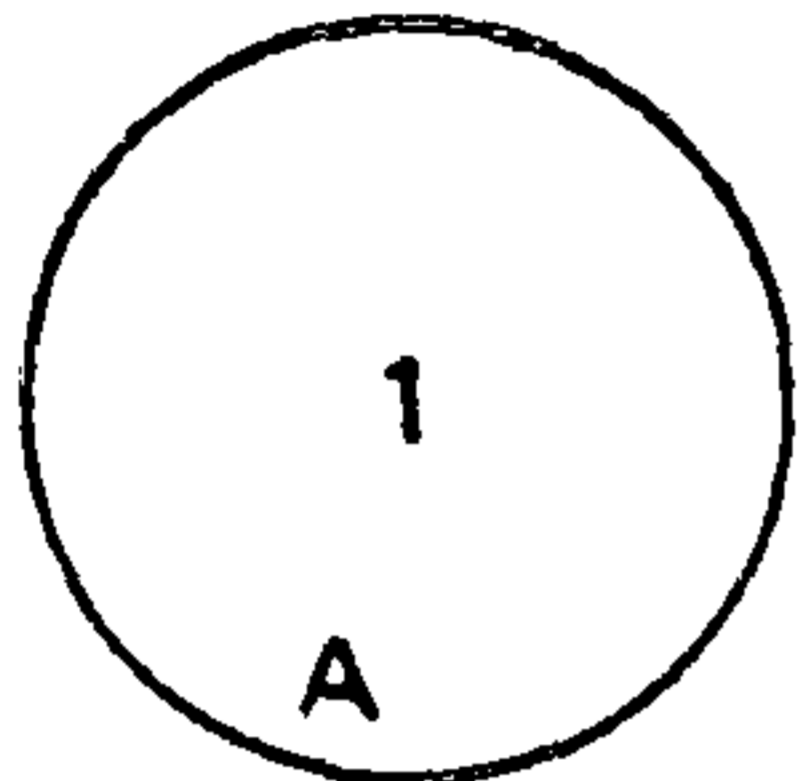
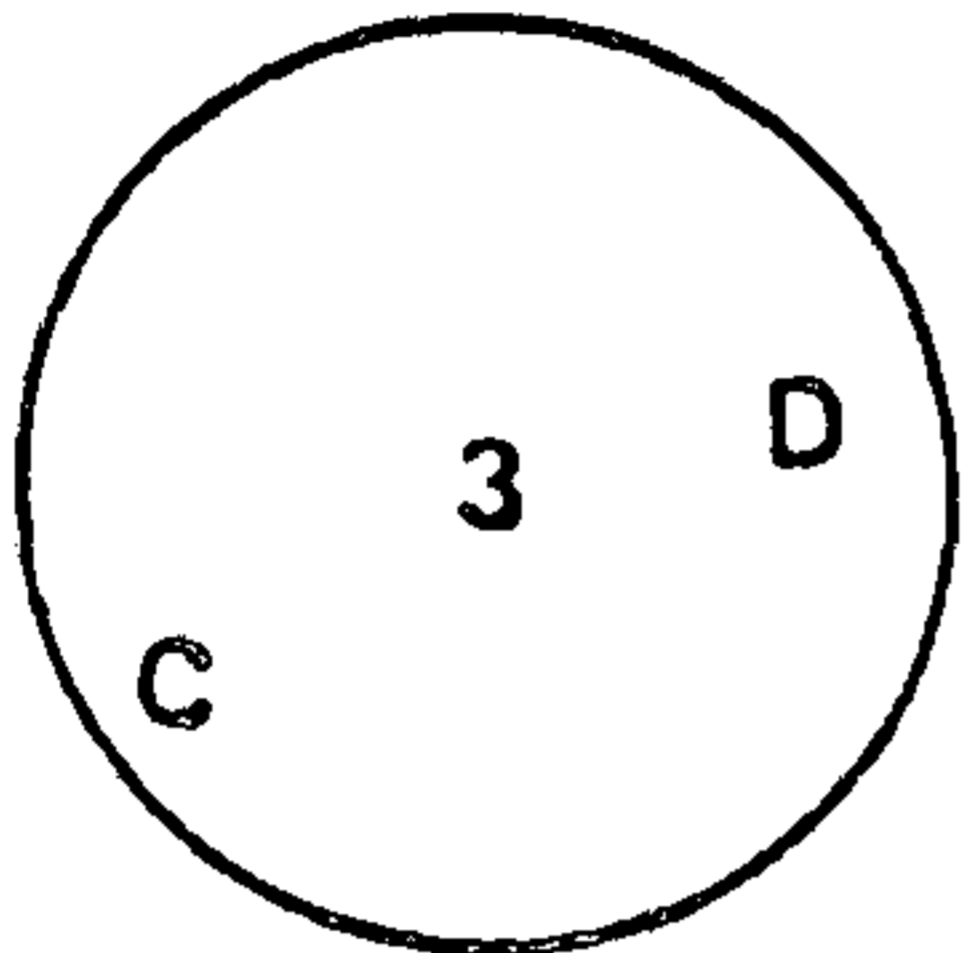
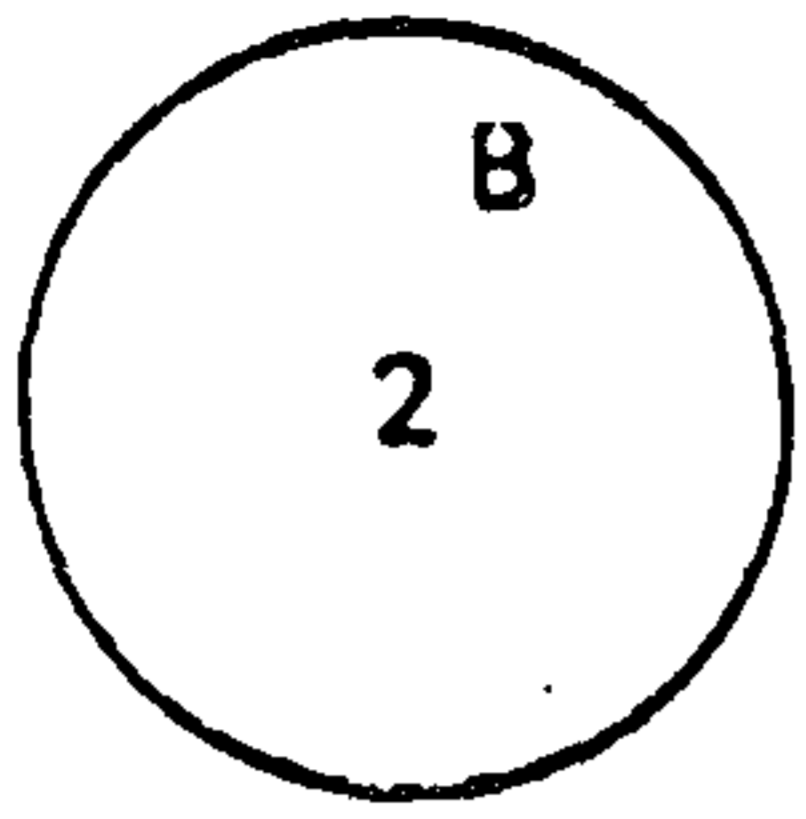


Figure 1 : Emergence of low-end innovative institution A and high-end innovative institution B

Figure 2 : Response of established institutions C and D, and reactions of innovative institutions A and B

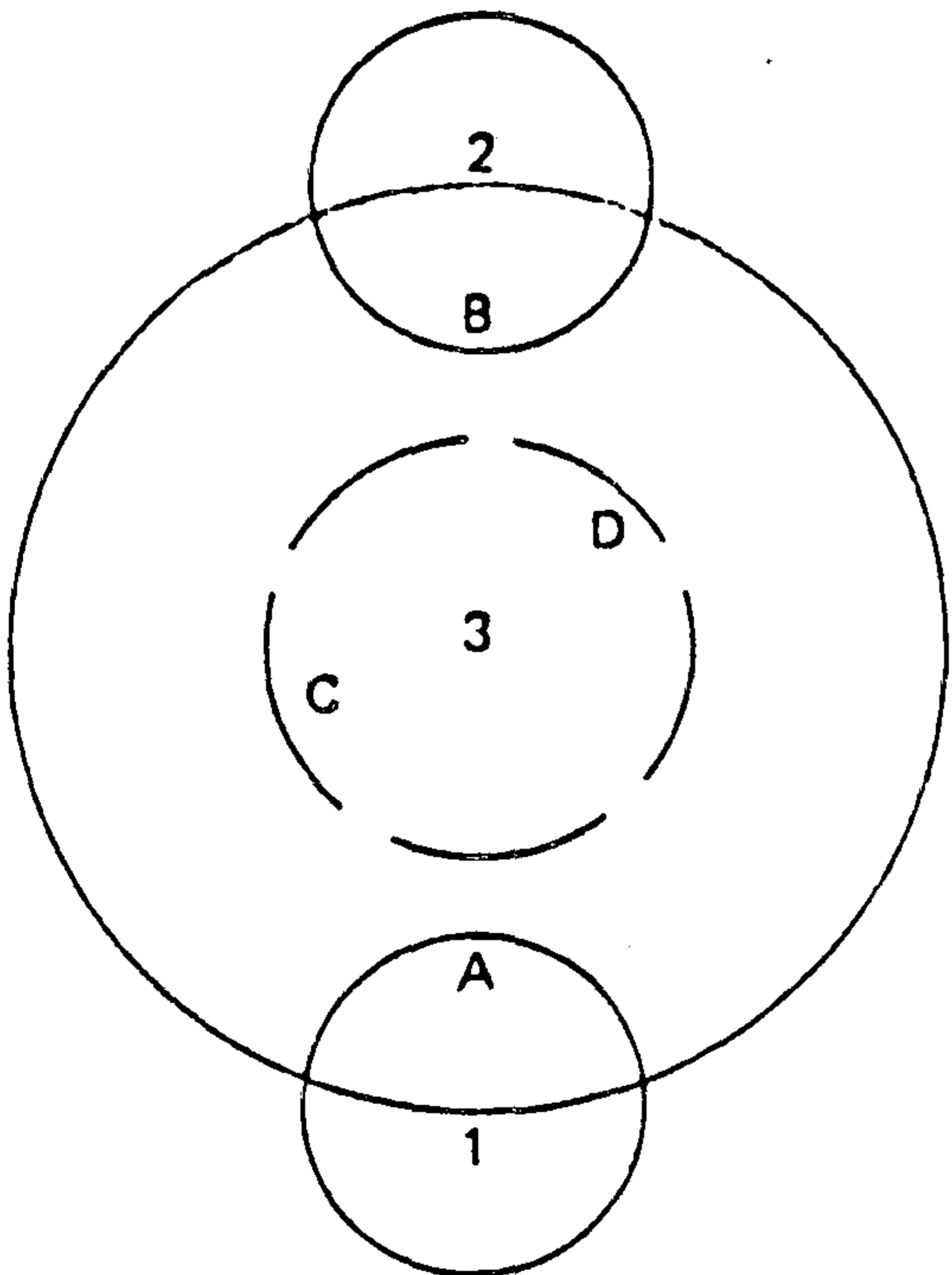


Figure 3 : Establishment expands through addition of former innovative institutions A and B

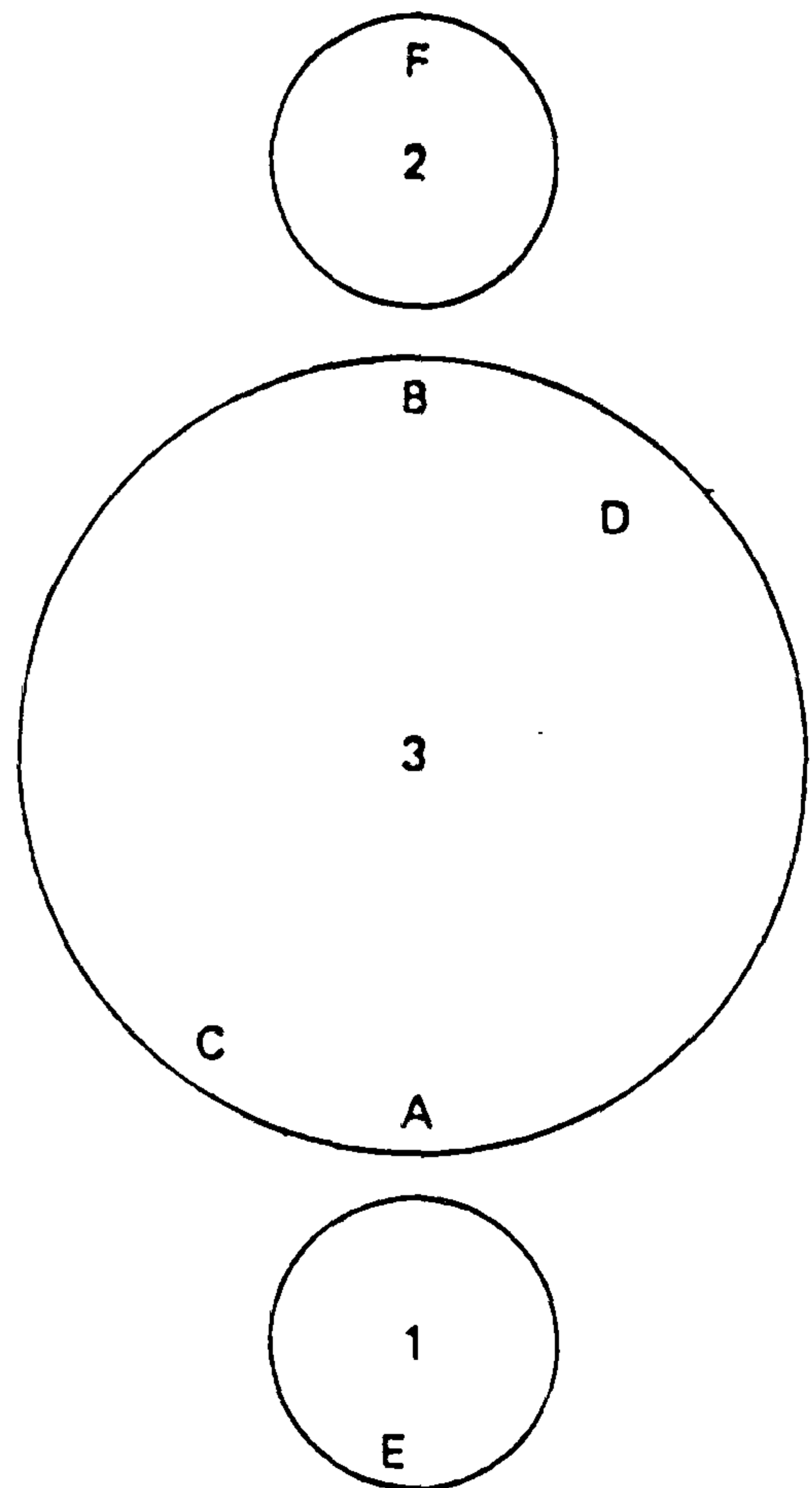


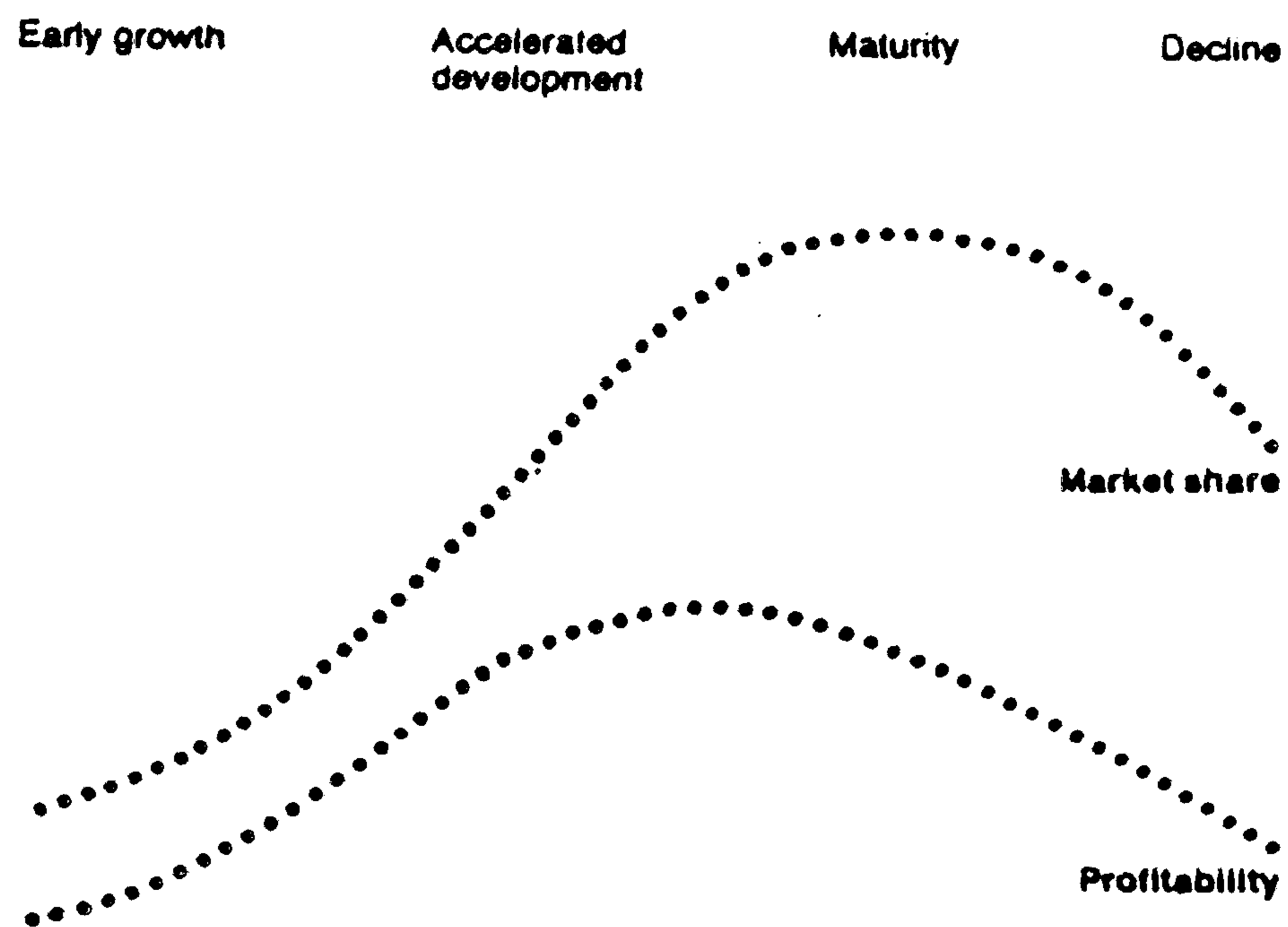
Figure 4 : The cycle starts again with entry of innovative institutions E and F

the product life cycle to fit retail institutions. As with the product life cycle, the institutional life cycle passes through four phases of development (figure 2.3). In the early growth or innovation phase, the new innovating institution appears. The institution contrasts with existing retailers and is unique either in terms of its cost structure or in some other feature (location, product assortment, promotional practices). The new innovation attracts customers and sales rise. However, the concept is rather crude and needs to be redefined, as profits lag behind sales owing to problems associated with operating the new venture, high initial investment costs, or an inability to achieve economies of scale owing to size.

The second phase, that of accelerated development, sees a rapid growth in both sales and profits, which encourages the institution to expand geographically, and encourages other retailers to adopt the innovation. Towards the end of this phase, the sales, market share and profitability of the institution reach a maximum level.

During the third phase of maturity, market share stagnates as operating problems begin to occur. Difficulties arise in controlling a large and complex organisation, and excess capacity develops, as the firm tends to expand too quickly and sales per square metre of sales space fall. In addition during this phase, competition occurs from operators who have adopted the retail innovation, and from new innovations. All these developments lead to a general decline in profitability.

Figure 2.3 : The Retail Life Cycle.



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Note: The duration of the stages (horizontal scale) is variable, depending on many circumstances. The four stages are portrayed equally on the time scale for schematic purposes only.

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Davidson, Bates, & Bass (1976)

The final phase in the cycle, decline, is characterised by major losses in market share, marginal profitability and an inability to compete. To some extent decline may be avoided, or postponed by repositioning in which the institution modifies certain marketing concepts. Davidson Bates, and Bass (1976) conclude...

"a sophisticated management group can slow down the pace of its company's evolution, and it can hold profitability at adequate levels for an extended period of time. However, a return to exceptional levels of profitability can be achieved only by converting to new forms of distribution or by entering new lines of trade."

Hence, through the use of this concept, Davidson and Johnson (1981) argue that as a multi-format retail organisation is made up of a series of life cycles with each element within the organisation moving along at its own pace, it is possible to maintain organisational growth by concentrating effort and resources upon those elements in the early growth phases of the cycle.

There is considerable evidence to suggest that, as in the case of the product life cycle, the institutional life cycle is shortening. The department store took eighty years to reach maturity; the variety store forty-five years; the supermarket thirty-five years; and some suggest that the hypermarket reaches maturity within a ten year period. Davidson (1970) argues that the life cycle will continue to shorten owing to the growing number of entrepreneurs and managers with inter-organisational administrative skills, and an increased willingness of financial institutions to

fund new concepts on a large scale. However, it should also be recognised that maturity may be reached geographically at different times.

These cyclical models attempt to explain the emergence of new retail institutions, and how such innovations may pass through different phases or stages of development. A further type of model which may be applied to retail institutions is that developed by Fink, Baek and Taddeo (1971), to explain how existing organisations might react to new innovations. Developed from a sociological theory constructed in 1967 by Fink for individual reactions to change, this model identifies four phases through which an organisation may pass when it experiences a "crisis" (figure 2.4).

For the purposes of the model, the authors define a crisis as ...

"A human system (individual, group, organisation or other) is assumed to be in a state of crisis when its repertoire of coping responses is not adequate to bring about the resolution of a problem which poses a threat to the system." (Fink, Baek and Taddeo 1971)

This crisis will be precipitated by an event, within or outside the system, such as the development of a new retail innovation, and the Fink, Baek and Taddeo model assumes that a dynamic human system will react to such a crisis and develop into something else other than what it was before these events.

The initial shock phase begins with the arrival of a new institution which threatens any segment of the existing organisation which is critical to its functioning. The

Figure 2.4 : Phases of Organisational Crisis.

PHASE	INTER- PERSONAL RELATIONS		INTER- GROUP RELATIONS		COMMUNI- CATION		LEADERSHIP AND DECISION MAKING		PROBLEM HANDLING		PLANNING AND GOAL SETTING		STRUCTURE	
Shock	Fragmented	Disconnected	Random	Paralyzed	None	Dormant	Chaotic							
Defensive Retreat	Protective Cohesion	Alienated	Ritualized	Autocratic	Mechanistic	Expedient	Traditional							
Acknowl- edgment	Confrontation (supportive)	Mutuality	Searching	Participative	Explorative	Synthesizing	Experi- menting							
Adaptation and Change	Interdepen- dent	Coordinated	Authentic Congruent	Task-Centered	Flexible	Exhaustive and Integrative	Organic							

TIME →

reaction of individuals to the shock is self-centered. They become solely concerned with survival, communication becomes fragmented and attention is focussed upon the immediate threat. Instead of evaluating alternative solutions and planning for reaction, there is a refusal to accept change, and the first solution that springs to mind is adopted.

Consequently, during the defensive retreat phase, the response is to reduce the threat posed by change, by maintaining the existing system at all costs. There is a rigid clinging to the past, and reality is ignored or denied, as long term goals are pushed aside. Individuals within the organisation turn to one another for loyalty, information and decision making becomes highly centralised, and tried and tested short term decisions are made. Generally, a call is made for legislative protection at this stage.

Eventually, defensive retreat becomes self defeating as it does not allow for corporate growth, it only ensures survival. The organisation accepts that it can not fight the change and enters the acknowledgement phase. Self examination occurs as new interpretations and understandings are sought. The organisation begins to adapt to the new environment and begins to cautiously experiment with new alternatives, which may include imitating the new institution or innovation.

Finally, the firm enters the adaption and change, or growth phase, as the organisation becomes flexible and

accepts and adapts to the new environment. The growth process is renewed as organisations coordinate their operations and plan new objectives for future growth.

## 2.1 THE ROLE OF THE EXTERNAL ENVIRONMENT

Whilst these models provide some explanation of how conditions arise within the retail sector that present opportunities for the development of new retail institutions, and how these developments may behave and affect existing organisations, there is limited reference to the external environmental factors that provide the stimulus for the innovation itself. Etgar (1984) criticizes the established models of institutional change, arguing that they are closed-system models, and as such ...

"disregard the inherent dependency of any retailing system on its environment. Changes in retailing are expected to reappear on a predictable basis and are not linked to or explained by changes taking place outside the realm of the retailing institutions themselves."

Despite the reference of Hensel (1973) to the importance of recognising and interpreting broad environmental changes within life styles, value systems, and technology, it is only since the late 1970s that increasing emphasis has been placed upon the role of the external environment in institutional change in the retail sector.

In 1979(a), Dawson, commenting specifically upon the catalyst event which provokes the Fink, Baek and Taddeo crisis-response model, referred to the effect of external stimuli and political or theoretically based power shifts upon the process of change. Innovation within the



institution, and societal change in general, are cited as two such stimuli, and Dawson comments...

"There would seem to be a tendency in the process of change in the marketing system for external stimuli to become increasingly important as the catalyst to change."

Similarly, McNair and May (1978), whilst attempting to predict "the next revolution of the retailing wheel", conclude that ...

"retail institutional change shows a mixture of direct and indirect responses to trends in the environment. Such trends are interwoven with economic, technological, demographic, attitudinal, and other shifts, with the threads of accelerated rates of change running through the whole fabric."

Most recently, Kaynak (1979) and Savitt (1984), both commenting on McNair's "wheel of retailing" theory, have also pointed to the role of the environment in retail change. Savitt (1984) urges the consideration of such factors as the diffusion of innovations and the product life cycle alongside external influences in the form of technological change, consumer trends, and supplier behaviour. Whilst Kaynak (1979), discusses the difficulties of applying the "wheel of retailing" to less developed economies, and argues that retailers and retailing institutions must adapt to the different environments found in these markets. Kaynak claims that the "wheel" will not revolve unless "the environment is favourable for the introduction of a new institution", and suggests that ...

"retailing institutions, methods and techniques evolve with a changing social structure which in turn has evolving political, economic and business components. Certain combinations of these components produce specific social structures that create the need for

suitable retailing institutions and operating methods."

In view of these comments, the retail system, seen as the mix of retail techniques or institutions that develop in an economy, could be regarded as being fundamentally derived from the interaction of organisational and consumer forces within the environment, which themselves are influenced to varying degrees by other "external" factors, such as the physical and economic environments, and technological innovation amongst others. Various feedback mechanisms will exist between all the components that make up this retail environment.

These components and the interactions which take place between them are all contained within a public policy framework established by the government or administration of the country. The influence of this public policy framework upon the components and mechanisms within the market will vary in intensity both spatially and temporally, as the OECD report on the distributive sector (1973) notes ...

"attitudes of different countries reflect their general economic philosophy, they also respond to the economic and social problems raised by the distribution sector and its development."

The public policy framework may also have considerable influences upon the external forces which influence the retail sector.

As any retail technique or innovation should be viewed as a product of the changes and trends at work within the retail environment, these features should be briefly reviewed to allow some understanding of the characteristics

and development of the institution concerned. Changes within both the organisational and consumer segments will influence the adoption and development of an innovation. Furthermore, for public policy measures to succeed they must attempt to influence these factors which underly the development of an institution, rather than merely to tamper with the manifestation of these forces - namely the institution itself. Consequently, insight into these forces is important when attempting to analyse the impact of specific public policy measures introduced with the aim of either positively or negatively influencing the development of a certain institution.

## 2.2 ORGANISATIONAL TRENDS

There are numerous reviews available of the trends at work within the organisational component of the retail sector. The three most apparent and influential trends, noted by Dawson (1979b) (1982) and others, would appear to be the changing market shares held by different organisational types within the retail sector; the rationalisation, particularly through the process of vertical integration, of the operations undertaken by organisations; and the economies of scale pursued within organisations which has resulted in both larger units and company organisations.

### 2.2.1. Market Shares

The share of the total retail market held by the major organisational types has changed considerably over the last

few decades (figure 2.5). This feature is important as it reveals which organisational categories are likely to adopt, or are more capable of adopting a new innovation or institution. The broad trends identified from total retail sales are even more pronounced in the retail grocery sector. Although international comparisons are difficult owing to different classification systems, throughout most of Europe the traditional independent retailers (defined generally as organisations with less than ten outlets) continue to hold the largest share of the retail market, but this share has been declining for a variety of reasons. Amongst these are the slowness and inability of this organisational sector to adapt to modern retail techniques, additional competition from new types of retailers, and changes in consumer habits and buying patterns.

Generally, Consumer Cooperative groups (with certain exceptions), have also seen a decline in their share of trade, largely as a result of institutional inertia, and have suffered from their traditional policy of returning profits to their consumer shareholders in the form of dividends, at the expense of investment in new retail techniques and methods. The general reaction to this decline has been the restructuring and streamlining of the Consumer Cooperative Movements throughout Europe, largely involving the formation of larger Societies through mergers.

The third major organisational category are the multiple retailers, who have experienced a growth in their share of trade in contrast to, and at the expense of, their

Figure 2.5 Market Share of Total Retail Trade by Type of Organisation 1960-1980.

	Market Share (%) of Total Retail Trade			
	1960	1970	1975	1980
<b>INDEPENDENTS</b>				
Belgium *	80.6	77.1	75.1	74.1
France *	81.1	67.7	-	51.0
West Germany	68.8	65.3	64.4	61.8
The Netherlands	75.9	73.0	74.2	73.2
<b>COOPERATIVES</b>				
Belgium	3.1	2.1	1.1	0.6
France	2.2	2.3	-	3.0
West Germany	-	3.0	4.6	5.1
The Netherlands	1.7	1.4	0.5	0.5
<b>MULTIPLES **</b>				
Belgium	8.3	12.4	15.3	17.6
France	11.2	24.3	-	28.7
West Germany	-	23.7	27.9	29.6
The Netherlands	21.8	24.9	24.4	25.7

\* Independents - Belgium & France - unaffiliated independents only.

\*\* Multiples - includes department/variety store organisations and other corporate chains.

Source : Various - Institute for Retail Studies data base.

competitors. These organisations have grown as multiple store economies allow savings to be made in overhead costs as advertising, promotional, and merchandising costs amongst others, are spread over a larger number of units, thus reducing the unit cost of these functions. Similarly, wholesale function efficiencies have allowed these groups to amalgamate the orders for all their stores, which provides the group with a greater bargaining power, allowing them to obtain discounts and other concessions from suppliers, that are not normally available to other organisational types (Cady 1978). The relative importance and power of these different organisational types is likely to influence the adoption of an innovation.

#### 2.2.2. The Rationalisation of Operations

The Grocer (03/04/1982) quotes Ian MacLaurin (the Managing Director of Tesco) as claiming ...

"retailing is the most sensitive of macro and micro economic indicators: the industry as a whole continually adjusting to a broad range of market forces."

Owing to increasing pressures of competition within the retail sector, larger firms have undertaken programmes of rationalisation in order to reduce costs and improve efficiency. Rationalisation has been attempted through a variety of measures. Most noticeable amongst these have been concentration programmes, through which both establishment and organisational scale economies accrue as costs are reduced by increasing the size of retail units. However, it is recognised that most retail techniques possess optimum

size limits above which diseconomies of scale occur.

Alternatively, some firms have attempted vertical integration, whereby the organisation diversifies and undertakes multiple functions such as those of retailer, wholesaler and sometimes producer, previously carried out by separate organisations.

Other methods of rationalisation according to the OECD (1973) include attempts to reduce costs by locational change. The retailer has followed consumer locational trends towards cheaper edge-of-town and suburban sites. Spiraling rents in central areas often makes this a favourable course of action.

Finally, the adoption of technical innovations which reduce labour costs such as self-service techniques, which reduce stockholding costs through the increased speed of stock turnover afforded by the adoption of discounting policies, and which avoid wastage and mismanagement such as scanning and computer based stock control systems, are further methods of rationalising an organisation or operation. Once again, these factors affecting the overall efficiency of a company are likely to influence the ability of an organisation to adopt and develop an innovation.

### 2.2.3. Scale Economies

Closely associated with both rationalisation and the changing market shares held by different organisational types, is the pursuit of economies of scale by retail companies. The trend towards larger operating units has

already been briefly mentioned, but far more important in terms of the potential efficiency and capability of organisations is the increasing number of mergers and takeovers in the sector which has produced larger national and even multinational groups. An increasingly greater share of retail trade is being conducted through a smaller number of stores by a smaller number of enterprises (figure 2.6). This concentration of retailing into the hands of large companies, referred to as "commercial colossi" by Beaujeau-Garnier and Delobez (1979), has allowed for the development of important financial groupings with increased power and potential. This is probably the most important trend in the organisational component of the retail system, for as Dawson (1979A) observes ...

"Both structural expansion through retail chain creation and vertical integration, and the spatial extension, by multi-national developments, create large complex enterprises, quite different from those operating thirty years ago."

Essentially, the trends within the organisational component of the retail environment, are converging towards the organisational dominance of retailing in terms of market share, efficiency, and future potential by fewer large national and multinational organisations. These trends are likely to have an influence upon the nature and rate of adoption of new institutional developments.

### 2.3. CONSUMER TRENDS

The consumer component of the retail environment is subject to the same external influences as the



Figure 2.6 Concentration of Retail Grocery Sales.

Share (%) of Grocery Sales 1982 and (1972)  
achieved by -

Country	2% Stores	5% Stores	10% Stores	20% Stores
France	59 (45)	73 (59)	81 (66)	90 (77)
Belgium	53 (47)	68 (56)	79 (63)	80 (69)
U.K.	48 (27)	65 (39)	75 (51)	82 (66)
Spain	54 (14)	60 (25)	65 (37)	76 (54)
Greece	44	56	65	76
W. Germany	28 (25)	42 (38)	56 (48)	72 (64)
Eire	36	48	57	70
Portugal	31 (20)	44 (37)	55 (48)	69 (62)
Netherlands	17 (18)	32 (32)	48 (47)	68 (64)
Italy	34 (N/A)	43 (23)	50 (35)	61 (50)

Nielsen (in Distribucion Actualidad No.114, Feb. 1985)  
AC Nielsen Company (1973)

organisational component, and there is naturally a certain degree of interaction between these two elements. Several aspects of the consumer component have undergone significant changes in recent years, which when combined with the trends outlined in organisational behaviour, have generated the development of new elements or institutions within the retail system.

### 2.3.1. Demographic Characteristics

"The organisation of consumption, consumer behaviour, shopping activity is influenced in the first place by the demographic characteristics of the population. Changes in these characteristics inevitably mean behavioural changes in the population of consumers."  
(Dawson 1982)

The rate of population growth and location of a population have considerable implications for retailing. So have the various lines of segmentation made between consumer groups, whether the distinction is on the basis of stage in the life cycle, age, income, class or ethnic grounds. In France the post-war population boom saw a rise in the population from 39.8 million in 1946 to 49.6 million in 1970, and to 53.5 million in 1980 (figure 2.7). This rapid growth in the total population, and its inherent effect upon the age structure of the French population placed a significant pressure upon the established and outdated retail system, and consequently helped to motivate the growth and development of the new forms of retailing that appeared in France in the early 1960s. Similarly, the location of this new population growth in the suburbs did much to encourage the growth of decentralised shopping

Figure 2.7 Population Change in France 1946 - 1980.

Year	Total Population (Million)	Annual Growth (%)	Urban Population (Million)	Urban Population (%)
1946	39 848		22 070	55.3
1954	42 781	1.6	25 130	58.7
1962	46 459	2.0	29 430	63.3
1968	49 655	2.8	34 805	70.1
1975	52 599	1.4	38 375	72.7
1980	53 583	1.2	40 720	75.6

CECOD (1983)

facilities.

### 2.3.2. Standards of Living

The standard of living achieved by consumer groups is of fundamental importance to shopping habits. Two quantifiable elements of the standard of living - income, and the adoption of technical innovations, are frequently discussed as being of considerable influence on changes in the retail system.

Expenditure by the consumer is related to the income which he or she receives. The Commission of the European Communities (1978) has stated that between 1966 and 1975, per capita consumption rose by more than a third throughout the Community. This rise in consumption can largely be attributed to improvements in the material standard of living in Europe. The successful economic recovery of France following the war, fuelled by National Economic Plans in which the emphasis was firmly placed upon growth, is a well documented aspect of the Fifth Republic. Although elsewhere in Europe the rise in the material standard of living may have been less spectacular to that of France (where disposable income more than doubled in the 1961-1973 period (Smith 1973)) there has been nonetheless, a significant rise in consumer income in most European countries.

In recent years, increasing emphasis has been placed not only upon national differences in disposable income but also upon regional variations within countries. Unemployment is now a serious economic and social problem in

all Western countries, and regional differences in unemployment, and consequently income, are commonplace (figure 2.8).

These differences are likely to persist, despite welfare policies aimed at reducing differentials in disposable income. Richards (Retail and Distribution Management 10(2) 1982) suggests ...

"Incomes policies, equal pay, union power and improvements in social welfare such as child benefit tended to provide a disproportionate boost to the lower paid and women, while the middle classes often felt squeezed ... this trend we see reversing ... if only because of the gulf between employed and the unemployed and the cuts in the real value of social services and benefits."

The current economic recession in Western Europe, suggests that future rises in disposable income, at least in the short term, are likely to be low and differences in spending power between various consumer segments may be enlarged. These trends will have substantial bearing upon consumer behaviour in the future.

As far as technical innovations are concerned, two in particular have had a significant impact upon consumer behaviour during the past two decades. The motor car has increased accessibility by reducing perceived distance constraints, thereby increasing choice for the consumer. The car also permits the purchase of greater quantities on each single shopping trip. Bulk buying has been further encouraged by the advent of refrigerators and freezers, which have provided the consumer with improved storage facilities.

Figure 2.8 Unemployment in western Europe 1960-1984.

1. Total Unemployment.

Country	% of Civilian Labour Force				
	1960	1970	1975	1980	1984
Belgium	3.1	2.1	5.1	9.1	14.4
France	0.7	1.3	3.9	6.4	10.7
W. Germany	1.0	0.6	4.1	3.3	8.5
Italy	7.2	4.4	5.3	8.0	12.5
Netherlands	0.7	1.3	5.3	6.2	14.8
U.K.	1.6	2.5	3.7	6.3	11.6

Commission of the European Communities (1984)

2. Regional Differences in Unemployment 1981.

Country and Regions	Unemployment Rate (%)
ITALY	
North-West	6.0
Campania	12.2
South	10.0
Sardinia	13.9
NETHERLANDS	
West Holland	7.0
South Holland	12.0
U.K.	
South-East	6.7
West Midlands	12.0
North	13.8
Northern Ireland	16.0
FRANCE	
Ile-de-France	6.3
Nord-Pas de Calais	10.7
Mediterranee	9.6

Eurostat (1984)

The number of shopping trips completed by car has steadily increased in Europe as rates of car ownership have risen. Car ownership per head of the population has been rising steadily in Europe (figure 2.9), although rates of ownership vary between countries. In France, 72.1% of households possessed a car in 1982, compared with 61.1% in 1975, 56.6% in 1970, and only 28.4% in 1959 (Ministère du Commerce et de l'Artisanat 1976, 1980a, 1983). However, as Parker (1975) notes an important distinction should be made between car ownership, and the availability of cars for shopping trips.

The growth of refrigerator and freezer ownership has outpaced that of car ownership, and the majority of households in Europe now own a refrigerator (figure 2.10). Although countries adopted this innovation at different times and at different rates, ownership patterns are now broadly comparable throughout Europe.

Both of these innovations have done much to encourage the growth of one-stop bulk buying, possibly the major change in consumer shopping behaviour during the past twenty years.

### 2.3.3. Convenience

One common characteristics of these technological innovations adopted by the consumer is that they greatly reduce the amount of time necessary for shopping. In 1967 Cox and Erickson commented that one of the major reasons for the decentralisation of retailing was ...

Figure 2.9 Private Car Ownership in Western Europe 1970-1980.

Country	Cars per 1,000 Population			
	1960	1970	1975	1980
Belgium	86	213	267	320
France	121	251	290	343
W. Germany	88	218	289	377
Italy	40	190	270	310
Netherlands	47	191	254	322
U.K.	108	215	249	281

Eurostat (1984) & Dawson (1982)

Figure 2.10 Refrigerator and Freezer Ownership in Western Europe 1970-1980.

Country	% Households Owning -			
	Refrigerator		Deep Freeze	
	1970	1980	1970	1980
Belgium	-	93	-	45
France	80	94	5	27
W. Germany	87	95	17	49
Italy	-	92	-	29
Netherlands	-	96	-	46
U.K.	61	93	2	28

Euromonitor (1983a) (1983b)



"the emphasis that is now being placed upon convenience in virtually all aspects of life."

The growth of the leisure industry in particular, has placed an additional claim upon consumers' time and energy as an alternative to shopping, which may often be regarded purely as a necessary chore. The chance to shop less often, and at more convenient times has been welcomed by the consumer. The trend towards fewer shopping trips and shopping outside normal working hours has been further encouraged by the increasing participation of women in the workforce (figure 2.11).

In short, within the consumer component of the retail sector, there has been an increased demand for time-saving shopping, which has encouraged one-stop bulk buying and longer opening hours.

#### 2.3.4. Consumer Perceptions.

The above factors, combined with other trends and influences from the general economic, physical, and social environments affect consumer perceptions, upon which the consumer bases his or her behaviour. Dawson (1982) suggests that ...

"changes in consumption are related to long term changes in income and price elasticity and short term advertising campaigns, but there are also broad shifts in demand which represent changing social attitudes to products."

The growth of the convenience and frozen food markets in Europe illustrates how changes in consumer behaviour initiated by technological development may be sustained by changing consumer perceptions as these innovations in food

Figure 2.11 Participation of Women in the Work force

% of Women in Civilian Employment			
Country	1966	1976	1980
Belgium	35.2	39.0	37.2
France	34.8	37.4	38.5
W. Germany	36.9	37.8	37.9
Italy	27.2	28.7	33.3
Netherlands	-	26.9	30.4
U.K.	31.7	34.4	39.1 *

\* U.K. figure for 1979

Euromonitor (1983a) & Dawson (1982)

processing became acceptable. In the early 1970s McCurrie (1972) showed that 25% of the money spent on food in Britain was accounted for by convenience foods, and 5% by frozen foods, and suggested that these proportions were likely to rise.

The above factors are a few of the many influences which work within the consumer component of the retail sector to determine and alter consumer behaviour. Over the past two decades the majority of consumers have become far more price and time conscious. The trend has been towards a reduction in the number of shopping trips undertaken, and convenience in terms of both price and time has been sought.

#### 2.4 SUMMARY

The role of the retail environment and changes within it has increasingly been stressed in relation to the various models constructed to explain the appearance of new retail institutions, their development, and the reaction of established retailers towards them. Any legislation introduced by the state in retail sector should grasp these issues and attempt to influence them if it is to prove to be successful.

These trends in the organisational and consumer components of the retail environment interact and combine with the overall public policy framework of the nation, and the catalyst of entrepreneurial flair, to produce the retail system of a country with its mix of retail techniques and institutions. The structural changes occurring in the retail

environment in Western Europe during the 1960s and 1970s as a result of the changing nature of the organisational and consumer components, involving the growing market power of the large retail organisations and units, and the increased emphasis placed upon convenience by the consumer, have been embodied to varying degrees in the major new retail institution of the past two decades, the hypermarket.

### CHAPTER THREE : THE HYPERMARKET - TOWARDS A DEFINITION

In the Financial Times of June 19th 1972, Van Mussenbroek observed that...

"The hypermarket represents more than just another form of food shopping; it is a new concept of retailing."

Often the hypermarket is regarded as simply an extension of supermarket retailing, but whilst the hypermarket may exhibit common features with the supermarket, other characteristics distinguish it as a distinct method of retailing. It is, therefore, as Van Mussenbroek suggests, more realistic to view the hypermarket as a new concept of retailing, which has been produced by the highly competitive and changing environment of the past few decades.

The basis of retailing, as in other industries in the private sector, is profit. In its most simple form, profit could be defined as income from sales minus costs (investment costs, operating costs etc). In short, profit can be maximised by increasing income and reducing costs, and the most innovative institutional developments within retailing have evolved from attempts to attain these two goals.

The supermarket concept, developed in the late 1950s, allowed some economies of scale (obtained through the more efficient, or more exactly, the more favourable buying conditions available to certain retailers) to reduce specific costs. These economies could be passed on to the customer in the form of lower prices, which in turn

attracted the increasingly price-conscious consumer. The larger, more powerful operators, which were evolving in the retail environment, were in the best position to obtain these economies of scale, and were, therefore, able to undercut the prices of their rivals, in order to maintain and increase their volume of trade.

Similarly, the alternative demands upon consumer income and the new consumer perspectives generated by the changing marketing environment of the late 1960s and 1970s, coupled with escalating competition between larger more powerful organisations, increased the pressure on retailers to maintain both their share of the market and profit levels. Consumer demands for a reduction in the number of shopping trips, lower prices, and greater flexibility and convenience in shopping, combined with the development of larger more efficient and powerful retail organisations to create a new retail environment and new pressures, which eventually gave birth to the hypermarket concept. The hypermarket effectively allowed the new consumer demands to be met, and provided for either a further reduction, or transfer, of costs through the development and adoption of new design, operating, and management techniques not previously utilised in the supermarket concept.

### 3.1 HYPERMARKET FEATURES

Definitions of the term "hypermarket" vary from the simple ...

"essentially vast selling factories, retailing not

only a full range of foodstuffs, but also a substantial range of other commodities all under one roof." (Parker 1975)

to the detailed, with strict technical measures of gross area, sales area, employee numbers, car park size and operating ratios. Dawson, Burt and Sparks (1983) have produced a definition listing fifteen features which are common to the hypermarket concept (Appendix 2).

No single, fully adopted definition of the hypermarket concept has been produced, although five features would seem to provide common elements in the different definitions of the hypermarket. These characteristics essentially illustrate the essence of the hypermarket concept. These features are ..

1. Size Characteristics.
2. Car Park Features.
3. Locational Characteristics.
4. Operating Techniques - designed to reduce costs.
5. Merchandising Policy - designed to increase turnover.

### 3.1.1. Size Characteristics

The hypermarket site, including both the store and associated car park, covers a vast area, and size is one of the most salient features of the hypermarket. The term "hyper", the Greek word for above, gives the impression of scale, and in France this expression of size is further enhanced by the tradenames of stores such as "Mammoth", "Géant Casino", "Euromarché", "Titan", and "Continent".

Whilst the applicability of exact size definitions can

be questioned, the European convention that a hypermarket should have a sales area of at least 2,500 square metres is becoming increasingly accepted as the standard size threshold. In Britain, the emotive undertones associated with the word "hypermarket", has encouraged a further distinction between "superstores" of 25,000 to 49,999 square feet of sales area, and the larger "hypermarkets" with in excess of 50,000 square feet.

When the non-sales area consisting of storage and administrative space is considered, these units become even larger in size. It is common for the sales area to account for less than 50% of the total gross area of the store, and according to MPC (1976) this ratio tends to decline as gross area increases.

Size alone, however, can not be used as the sole criteria of definition, as many other large retail units fall within these size thresholds. Consequently, other features of the hypermarket concept must be integrated into any definition.

### 3.1.2. Car Park Features

The advent of the motor car and the motorised shopper has been one of the most influential factors in hypermarket development. Accordingly, car park facilities should be an integral part of any hypermarket definition.

As with size thresholds, it is questionable to suggest any binding car park:sales area ratios, or any other measure of car park size, as the exact size of the car park is governed by a large number of factors such as firm policy,



established or expected trading patterns, store size and location, and local government parking policies. Despite these variables, often quoted statistics are ratios of over 20 places per 100 square metres of sales space, or car parks of three times the store sales area. However, MPC (1976) suggest a much greater and variable ratio in their study of French hypermarkets (figure 3.1).

If possible, car parks are built on a single level, for both consumer convenience and preference, and cost reasons. The cost of parking on the ground level can be approximately one sixth of the cost of a multi-storey car park (figure 3.2).

As already stated, car park policy will vary from firm to firm, and with other external circumstances. In Britain, Sainsbury's report "Car Parking for Supermarkets" (reviewed in The Grocer 17/04/1982), makes several policy suggestions that are likely to apply to most operators. The basis of the Sainsbury policy is that any car park should be operated for the benefit of the shoppers. Therefore, the layout of the area should be such as to reduce customer efforts, and wherever possible, the firm should control the use of the car park, discourage long stay parking (by the introduction of charges if necessary), and eliminate use by commercial vehicles. The study suggests minimum dimensions for easy and quick parking, namely bays of 4 by 2.4 metres, with extra width of 3.2 metres for disabled drivers. Bays for disabled drivers should be located as close to the store as

Figure 3.1 Car Park/Sales Area Ratios for French Hypermarkets 1973.

Average Sales Area		Car Park Size
Small	(30 000 Sq.Ft.)	6.1 x Sales Area
Medium	(53 000 Sq.Ft.)	5.4 x Sales Area
Large	(82 000 Sq.Ft.)	4.6 x Sales Area

MPC (1976)

Figure 3.2 Construction Costs of Car Parks in Britain 1973.

Type of Car Park	Cost Per Space (£)
Ground Level	225
Roof Level	647
Multi-Storey	1 300
Basement	2 750

McNearie (1975)

possible. Trolley bays 15 by 15 feet should be incorporated into the area in the ratio of one to every fifty vehicles.

### 3.1.3. Locational Characteristics

Closely associated with the size of the store and car park are the locational characteristics of the store. Early studies of the hypermarket regarded it as solely an edge-of-town phenomenon, which many of the first developments tended to be. However, it is now accepted that hypermarkets can be found in a variety of in- or out-of-town locations. No specific location is necessary, as long as the chosen site is economically viable. As Tanburn (1975) comments ...

"The crucial requirement for any retailer be he large or small, is to have a site or sites, on which he can trade profitably, given the kind of business he is operating".

There are several locational factors which should be examined in some detail by the operator when deciding where to develop a store (Baille 1972, Tanburn 1975, Jones 1981, and The Grocer 19/12/1981). The characteristics of the catchment population within both driving and walking distance should be considered. Areas exhibiting rapid population growth in the past, and where rapid increase can be expected should be sought, and most operators appear to prefer a specified density of population within the catchment area. Employment trends, levels of affluence, and car ownership should also be assessed, to allow estimates of the potential retail expenditure and turnover of the area to be made. The accessibility of a location should come under close scrutiny, with sites close to a nodal point on the

major road network being most favoured from this point of view, as the unit will be readily visible to passing consumers.

Site considerations include the physical size of the site, which should be large enough to support the desired volume of car parking, and allow easy access and circulation of consumer and delivery traffic. In the late 1970s a survey of 24 French hypermarkets (LSA 652 1978) suggested that the hypermarket building itself occupied on average only 22% of the total site, and the building and car park together accounted for around 76% of the site. Shape and topography elements are also important, as are site costs including both the rental value of the land, and the length of time and associated costs of development of the site.

Finally, the nature and location of competition in the area should be considered. This should take into account both established and potential competition in the immediate vicinity, in terms of the range, types of good sold, accessibility, and prices offered.

All of these considerations relating to the site and location are assessed in the context of operator factors, namely the scale of the retailers resources, and the type of operation that the operators believe they can operate profitably at that particular time, or in the future. Furthermore, both the location and nature of development will be influenced by government intervention, which may even directly effect the location of, and the type of development proposed.

#### 3.1.4. Operating Techniques - designed to cut costs.

The operating policy pursued within the hypermarket concept has two basic aims, to reduce costs and increase turnover. As Goodman (1977) observes ...

"The whole idea behind a hypermarket is to get as much volume of sales through a single store at the lowest possible cost."

Perhaps a rather crude definition of aims, but nonetheless this quotation encompasses the basic goals of hypermarket operating techniques.

Reductions of costs are achieved either directly by real cuts in the costs of operation, or indirectly by transferring such costs to other participants in the distribution channel. One method of directly cutting costs is through the rather simple and sometimes basic design and construction techniques employed in hypermarket units, which stress function with few architectural frills. This allows a reduction in both construction and decor costs, particularly if store fittings can be duplicated from store to store.

Another area of operation where direct or "real" costs can be cut is that of energy costs. An increasing number of firms are showing interest in systems that recycle heat from lighting and refrigeration. In Britain, Tesco (Retail and Distribution Management 10(3) 1982) have revealed that the heating system installed in each of their new stores is controlled by a sophisticated control system which incorporates heat recovery from the refrigeration storage

plants. Each store manager has attended a seminar series on energy conservation, and the company has a computer based energy audit system to monitor and compare energy usage in their stores. Since implementing this scheme in 1974, Tesco claim to have achieved energy savings of around £ 7.5 million.

The alternative method of reducing operating costs is to pass on a proportion of these costs to either the consumer, the producer, or intermediaries in the channel of distribution. One of the major features of hypermarket operation in France is the use of pallets and cages to store and sell goods on the sales floor. The use of self-service methods in hypermarkets allows a reduction in wage costs to the extent that in France during the early 1970s, wages only accounted for 5% of hypermarket costs, compared to 12% of costs in supermarkets, and 15% of costs in department stores (The Economist 24/04/1971). Staff costs in the form of servicing costs and price-labelling costs are passed on to the producer or supplier through the use of pallets and cages ...

"The idea being that merchandise, already price-marked by suppliers, is carried in specially designed cages straight from delivery vehicle to supermarket sales floor, thus reducing warehouse space (and costs)."  
(Retail and Distribution Management 3(3) 1975b)

Cageing has numerous advantages for the retailer. It is more efficient and less costly to move the product from producer to retailer in a reuseable container. Storage on the sales floor is increased and more stock is available on the sales floor during peak periods. It allows mass display

and disciplined space allocation and facings on the sales floor, with the result that a greater proportion of total space may be devoted to sales area. In short, cageing provides labour and space savings for the retailer, and packaging and merchandising savings for the manufacturer. The sort of merchandise used for cageing must, however, be fast moving, so there are a limited number of lines that can be sold this way, although these lines tend to account for the bulk of hypermarket sales.

Further reductions in staff costs can be made by the sale of goods through check outs at a single front end station. In some hypermarkets, the use of scanning systems allows further wage savings by virtue of automatic stocktaking through the check out.

These operating policies employed in hypermarkets which allow a reduction in wage costs through the use of self-service techniques on a large scale, and the reduction of consumer services, effectively mean that these costs (or at least the cost of effort) have been transferred to the consumer, who now has to serve himself or herself, and rely much more upon personal experience to gain knowledge of goods and to make choices between goods.

This latter aspect has attracted the attention of critics, and many retailers are aware of the reduced consumer service in hypermarkets as a result of many of these operating policies, and attempts have been made to redress this imbalance. The meat and bakery counters of

most hypermarkets are now operated by staff to add a more personal touch. Other less conventional ideas have also been instigated to counter the accusations of lack of customer service. One example is that of the Carrefour store at Villiers en Bierre (Bonrer 1975), which prints a blow-up copy of a cash register slip, identifying the companies commodity group codes, on its larger paper bags and carrier bags, to allow the consumer to check his/her purchases against their cash register receipt when they return home.

Wage costs transferred to the supplier and consumer through the adoption of self-service techniques on such a large scale are not the only costs to be transferred in hypermarket operations. A proportion of transport costs can also be passed on to the supplier through employing a policy of decentralised management. This allows the store manager to be the sole decision maker for any single unit within a framework of goals and guidelines defined by the parent company. In France, Euromarché refer to this style of management as "controlled freedom".

Decentralised management confers considerable buying power and responsibility to the individual store, which reduces both administrative delay and costs that can occur from a highly centralised operation. The increased freedom of buying power through this management method enables the store manager to deal directly with suppliers in order to negotiate the palletisation or cageing of goods and direct delivery to the store. Once again, this saves central warehousing and distribution costs, as the often expensive



middleman in the distribution channel is bypassed. However, the company will only benefit from decentralised management if the store managers are of a high enough calibre. Interestingly, in Britain the trend amongst the major multiples has been very much towards the centralisation of buying decisions.

These direct savings in costs are further complemented by the transfer of a proportion of transport costs to the consumer, who is usually prepared to travel greater distances to shop at a hypermarket in order to "benefit" from the lower priced goods made possible partly by these transfers in costs.

The retailer can undoubtedly make considerable savings in operating costs through hypermarket operations, either directly through real cost cutting schemes, or indirectly by transferring some of the staff and transport costs to the consumer and supplier. Cole (1975b) notes that essentially these cost savings ...

"arise from the buying power of the hypermarket in dealing with suppliers; from direct deliveries to the store, instead of distribution to branches from a central warehouse; from reduced handling of goods, and mechanical stocking of most shelves; and from the elimination of transport fleets and maintenance, together with much simpler stock control and paperwork."

However, Cole fails to make the important distinction between "real" savings, and those "savings" that are in reality only transferred to other participants in the retail system.

In 1970, Carrefour claimed that as a result of the

savings available from pursuing these types of operating techniques, their total operating costs (including wages and salaries) only accounted for 10% of sales (Van Mussenbroek 1970). By the late 1970's this ratio had been further reduced to under 8% of sales (Marenco 1983).

### 3.1.5. Merchandising Policy - designed to increase turnover

The other component of the profit equation, other than costs, is income. In the hypermarket, the retailer seeks to increase income from sales by increasing turnover. The cost savings achieved through operating techniques employed in the hypermarket are passed on to the consumer in the form of lower margins and reduced prices, yet the true motive behind this action is to attract the consumer and generate more purchases, thereby increasing turnover. To this end, the merchandising policy followed in hypermarkets is one of mass scrambled merchandising with low margins and high sales volume.

Hypermarkets carry a large range of products, usually numbering around 2,500 items. This range consists of a wide assortment but shallow range of goods, with relatively few brands of any one product. The product mix is one of foodstuffs with low profit margins, which account for the majority of sales, and non-food lines with higher margins, which account for between 30 and 35% of sales.

According to the MPC (1976) survey of French hypermarkets, margins may also vary with the size of unit (figure 3.3). Whatever the variation between goods, the

Figure 3.3 Gross margins in French hypermarkets 1976.

Size of Hypermarket (Average Size Sq.Ft.)	Gross Margin		
	Small (30 000)	Medium (53 000)	Large (82 000)
Fresh Produce	18.27	17.20	16.80
Groceries	9.92	9.60	8.23
Non-Food	21.71	19.09	17.90
Average for All Goods	15.57	14.84	11.48

MPC (1976)

overall gross margin tends to be in the region of 12 to 16% which following the deduction of operating costs, tax, maintenance, and investment costs, leaves a profit margin of around two to three percent.

The two major attractions that hypermarkets offer consumers (with the motive of increasing turnover) are low prices and longer, more convenient, opening hours. A combination of cost savings through economies of scale and associated operating policies, plus a merchandising policy based upon low gross margins, permits "discount" prices to be offered on most lines. At Carrefour in Britain (Retail and Distribution Management 1(6) 1973)...

"Managers buy and have authority to set prices, and work to a gross target figure which is given to each department. Their brief is not to be the cheapest on every item, but to price the article below what they consider to be a good price in the area, and that has to be matched with the achievement of a certain percentage margin which is set them."

Several surveys comparing the price of goods at hypermarkets with those in other retail outlets (figure 3.4) show substantially lower prices in the hypermarket than in other retail establishments. However, critics point out that these comparisons give no indication of either the quality of produce, or service offered.

The price discounts offered by hypermarkets are one of the main attractions for shoppers, and this is reflected by the high preference given to price when consumers are asked to suggest reasons for patronising hypermarkets. A survey of six hundred consumers conducted by Le Cabinet d'Etudes Iserco in Strasbourg showed that 86.4% of those questioned

Figure 3.4 Hypermarket Impact - Price.

1. BRITAIN

A) 103 Food Items -

Carrefour	£ 37.50
Sainsbury	£ 39.25
Budgens	£ 41.42

B) 102 Items -

Carrefour (Eastleigh)	100
Average for eight supermarkets in the area	109.1

2. FRANCE

Type of Store

Average	Hyper.	Small Shops	Others	Super.
---------	--------	-------------	--------	--------

A)

All Products	100	93.9	110.1	97.6	-
Food	100	94.5	109.3	97.7	-
Non Food	100	92.8	111.8	94.5	-

B)

All Products	100	94.1	101.9	-	98.5
Fresh Vegetables	100	95.7	100.1	-	100.1
Processed Vegetables	100	98.2	104.4	-	97.7

Sources -

- BRITAIN A) Charles Amber & Associates (Retail and Distribution Management 3(1) 1975a)  
 B) Financial Times Basket (Cole 1975a)
- FRANCE A) Secodip Survey (LSA 697 1979)  
 B) Insee Survey (LSA 697 1979)

viewed low prices as a major attraction of hypermarket (LSA 807 1981b).

The other main attraction of the hypermarket concept for consumers is the convenient opening hours operated in these stores. The majority of hypermarkets are open until 10 p.m. on most evenings, on Saturdays and (where allowed) on Sundays. These extended opening hours cater for the working consumer who can only shop in the evenings after work or at weekends. In the Iserco consumer survey, 76.2% of the respondents also cited opening hours as a major advantage of hypermarket shopping. Both these factors combine to enable hypermarkets to generate turnover far in excess of most conventional supermarkets and other retail outlets (figure 3.5).

The features of size, car parking, location, operating and merchandising policy as reviewed above distill the essence of the hypermarket concept. Although not all the above characteristics are present in all hypermarkets, a basic mix of these features is usually found. Each of these categories is interrelated with the others and should only be viewed as a separate entity for the purposes of simplifying an explanation. As the hypermarket concept has evolved varying degrees of emphasis has been placed upon different characteristics and features of the basic concept. Many other associated operations have been incorporated into the hypermarket as the operating firms have diversified their range of activities in order to increase the

Figure 3.5 Turnover per Square Metre for Selected Outlets in France 1973-1982.

Average Turnover per Sq. M.

Outlet	1973	1978	1982
	francs	francs	francs
	index	index	index
Hypermarkets	13 560	23 526	39 241
Supermarkets	13 000	18 281	26 849
Variety Stores	11 500	16 275	22 436
Department Stores	10 600	12 850	19 532

Points de Vente (1983)

attractiveness of the store to the consumer.

### 3.2 THE IMPACT OF HYPERMARKETS

Comments referring to the characteristics of hypermarkets would be incomplete without some reference to their impact, particularly as the demands for restrictive legislation are largely based upon such claims. As Schiller (1981) and others acknowledge, the impact of the hypermarket upon consumers, other retailers, and producers, can be potentially serious. Traditionally, the impact of new shopping developments has been mitigated by increases in both population and personal spending. However, in recent years the cushion effect of these trends has been curtailed, and over the past decade food sales have remained stagnant in volume terms. In other words, new innovatory developments in the retail system are now occurring within a largely static food sector. The retail environment is unable to respond and absorb the impact of hypermarket growth with as much success as was the case with other new retail innovations in the past. Consequently, the potential magnitude of hypermarket impact is likely to be great.

The impact of the hypermarket concept falls into two areas, the largely social effects upon price and consumer choice, and the more physical effects upon existing and planned shopping developments.

#### 3.2.1. Social Effects.

One of the characteristics of hypermarkets, as illustrated earlier, is the adoption of low gross margins



and discount price policies. Consequently, the hypermarket has had a considerable impact, both directly and indirectly, upon food and non-food prices.

Operating policies allow hypermarkets to offer the consumer goods at lower prices than are found in other traditional outlets, and it is argued that shops in direct competition with the hypermarket will lower their prices in response. Hypermarkets can cause a general reduction in prices in the immediate vicinity. The Grocer (01/11/1975), commenting upon the MPC survey of European hypermarkets, even goes to the extremity of suggesting that the hypermarket is a significant container of inflation...

"With food prices between 14% and 16% below those of food multiples in town centres, hypermarket growth in Germany and France, has now become a significant factor in helping to reduce inflation..."

Critics of hypermarket retailing suggest that the benefits of lower prices only accrue to certain segments of the population (the elements that need them least !) whilst those that would derive the greatest benefit from lower prices may be unable to make full use of the hypermarket. Butler (1973) argues that although rates of car ownership will continue to rise, there will always be a sizeable proportion of the population without a car, and within the car owning population many will not have access to a car when they wish to do their shopping. Those who continue to be car-less will tend to be the most vulnerable and needy sections of society - the old, unemployed, and disabled - and without changes in public transport or locational policies, these sections of society will have

limited access to the hypermarket and will be unable to benefit from the advantages of lower prices. If this argument is extended, those who can not or will not use the hypermarket will effectively have to pay disproportionately high prices in traditional shopping outlets.

Hypermarkets may also be seen to effect consumer choice, for as De Angeli (1972) comments, the hypermarket tends to standardise technique and presentation, thus ...

"real choice is restricted as stores begin to look like each other."

Hillman (1973) also argues that real choice will be impaired, as only the mobile sections of a community will be able to use and benefit from the hypermarket.

Thus, opponents suggest that the hypermarket will only increase choice for certain sections of society, and will effectively reduce choice for others. This will be particularly true if the hypermarket has a detrimental effect upon the existing or proposed shopping facilities in its catchment area.

### 3.2.2. Physical Effects.

The social effects of a hypermarket are at their most extreme when what may be termed the "physical" effects are at their greatest. The physical impact of a store upon existing or planned shopping developments, whether a district centre or a single shop, are extremely difficult to measure. The increasing competitiveness of the retail sector over the past two decades makes it difficult to determine whether shops have declined or closed as the

result of the impact of a hypermarket, or owing to other trends and pressures within the retail environment. It has often been the easiest option to make the hypermarket a scapegoat.

The problems of assessing hypermarket impact are compounded by the limitations of the techniques of analysis available to planners and researchers to calculate the likely projected impact or actual impact of a new or proposed development. Impact studies tend to focus not so much upon qualitative effects, but rather upon the quantifiable magnitude of impact. Most impact studies according to Roberts (1982) are too conventional in both tone and approach. There is a need for "more comment and less tables". Statistics should be regarded as an illustrative tool, rather than as an explanation in themselves.

One common method of impact assessment is the use of some form of retail assessment or gravity model. Breheny, Roberts and Green (1980) suggest a step by step procedure which they claim is increasingly common in studies concerned with the potential impact of hypermarkets.

1. Future levels of available personal expenditure are determined.
2. Population isochromes are drawn for the proposed catchment area, and the estimates of personal expenditure are applied to these isochromes - to give the total available expenditure in the store catchment area.

3. The likely turnover of the store is estimated.
4. The proportion of turnover that is likely to be taken from consumers living in set isochromes from the store is calculated.
5. For each isochrome, the share of turnover likely to come from it is taken as a percentage of the total available expenditure in that isochrome.
6. To give an assessment of the impact of a hypermarket on existing or planned centres, the places/areas where expenditure captured by the new store would otherwise have been spent is determined.

There are several limitations to modelling impact in this manner, as mathematical models can not be expected to take into account all relevant parameters. Pickering (1972) identifies several difficulties with models of this type. The models, particularly in Britain, often use data which is inappropriate, such as outdated 1971 Census of Distribution data, owing to the shortage of reliable and nationally accepted statistics on the distributive trades. The use of aggregates, and the delimitation of broad categories, such as convenience and durable goods, often means that classifications are too widely defined. It is often incorrectly assumed that all types of trade are likely to be equally transferred to a hypermarket. Similarly, calculations of volume of trade on the basis of an assumed figure of sales per square foot/metre of floorspace are unrealistic. It is difficult, if not impossible, to accurately measure consumer behaviour. Finally, models tend

to assume that all retail units are entirely independent of other outlets and facilities in the same centre or area.

An alternative method of assessing impact is cost-benefit analysis. However, this method also poses several problems, particularly with regard to the inputs of the analysis. It is as difficult to quantify a cost or benefit, as it is to decide what constitutes a cost or benefit. Furthermore, there is the problem of being both comprehensive and exclusive, so that double counting of any variable does not occur.

To aid planners and decision makers dealing with applications for large store developments, a number of "before and after" studies are available for reference. These studies have produced some interesting results, negating some of the claims of hypermarket critics.

Initially it was assumed that the hypermarket would decimate the small shop sector, causing the widespread closure of outlets, and creating near monopoly situations for the hypermarket operators. However, the evidence from most hypermarket impact studies appears to refute this accusation. Hypermarkets do not have such a great effect upon the small independent trader as was at first suggested. Instead it is the supermarkets and competing multiple traders who are more likely to be affected. This suggestion is reiterated in the Department of Environment Circular 96/77 (1977)...

"The larger food stores appear to have had very little effect on the trading position of the independent

food retailers within fifteen minutes driving time of the larger food stores in the areas studied ..... independent retailers generally felt that rates, inflation, and VAT were greater problems than from larger food stores."

In France, the Centre de Recherche et de Prospective Commercial (CRCP 1973) provides a useful review of early impact studies, and implies that following an initial impact period, most types of store recover from the new competition provided by hypermarkets. The CRCP report pays particular attention to two studies. In the case of impact upon variety stores, the findings of the Centre de Recherches et de Documentation sur la Consommation (CREDOC 1972), support the notion that hypermarket impact will recede with time, and suggests that if more hypermarkets are opened in the same town, the impact would diminish even further. However, CREDOC also suggest that the food sales of variety stores may be particularly badly affected by the opening of a new hypermarket.

This latter point is supported by Bibaud, Damestoy, Ducom, and Simon (1972), who extended an earlier study of hypermarket impact in Bayonne, and discovered that variety stores were likely to be more greatly affected than department stores. Furthermore, the extent of this impact would depend upon the importance of food sales in the store. Once again, this report concluded that stores within the catchment area of a new hypermarket, had recovered from any adverse impact within two years of the hypermarket opening. Bibaud, Damestoy, Ducom and Simon even suggest that hypermarket impact can act as a catalyst to encourage small

traders to adapt and modernise when faced by this form of competition.

In general, as Beaujeau-Garnier, Delobez, Grandmare, and Pages (1972) have shown, it is the larger shops and supermarkets, rather than the smaller outlets, that bear the brunt of hypermarket competition. These larger stores tend to compete for the same type of clientele and shopping trips as the hypermarket, whereas smaller shops are more complimentary in nature.

A more recent study, considering the impact of the 18,2000 square metre Ivry Bords de Seine commercial centre (which contains a Carrefour hypermarket with 11,250 square metres of sales area) again suggests that the impact of large area retail developments, particularly upon small traders, has been exaggerated (Institut la Boétie 1984). Trends in shop numbers in the catchment area of this development merely reflect those trends common to the French retail sector as a whole, and only 12 of the 62 small retailers interviewed (one year after the opening of the centre) complained of a lasting fall in their turnover. Those that were affected in the long term appeared to be marginal enterprises, already in a precarious position, whilst the more dynamic retailers had responded to the new centre by improving service and quality, and by making changes in the product lines that they carried. It was also noted that although 30 jobs had been lost in local shops, the centre itself had created 550 jobs.

As Dawson (1980b) has noted, essentially the impact studies carried out in France, suggest six instances when hypermarket impact is at its greatest. These are...

1. In non-specialist shops selling by mass merchandising techniques.
2. In general goods shops, rather than in quality goods or specialist shops.
3. In very small shops, which are economically marginal anyway.
4. In large self-service stores of the same general type as hypermarkets.
5. In stores which are operated by older retailers, who show a general inability to adapt; or in stores operated by very young retailers, who lack the financial resources to adapt.
6. In shops located very close to the hypermarket.

The vast majority of surveys suggest that the impact of hypermarkets upon existing facilities are not as catastrophic as originally feared.

Impact will also vary from area to area depending upon local conditions, as Seale (1977) suggests ...

"hypermarkets will have less impact on existing shopping facilities in areas where consumer demand is growing, while in areas where demand is stagnant (and where there is already considerable "natural" death of shops), they can only prosper at the expense of other outlets and a greater impact should be expected."

In Britain, the Carrefour hypermarket at Caerphilly has probably received the most attention, and brief summaries of the impact studies concerned with this store



can be found in The Grocer (15/03/1975), Cox (1975), and Retail Distribution and Management (1(6) 1973). The RORU (Retail Outlets Research Unit) at Manchester Business School conducted a consumer survey at this store in August and September 1973. The study asked consumers where they had shopped prior to the opening of the Carrefour. The results of this survey (Thorpe and McGoldrick 1974), suggest that the independent retailer has been less affected by the hypermarket than the multiple retailers in the area (figure 3.6).

The first Donaldsons survey of neighbourhood centre shops in Caerphilly and the nearby valleys (Lee, Jones, and Leach 1973) showed that although the district centres of Pontypridd, Bargoed, Blackwood, and Whitchurch, were all heavily dependent on food retailing, the impact of the Carrefour hypermarket was spread throughout the region, and each centre lost a small proportion of its trade, rather than any one centre being particularly badly affected.

Another report by the stockbrokers, Capel-Cure, Carden and Co. (1973), shows that although businesses close to the hypermarket lost trade initially following the opening of the store, in most cases this trade had been recovered within a few years.

Other reports on different hypermarkets in Britain support the findings of the various Caerphilly studies. Bridges (1976), in his report on the York Asda, shows that of those retailers interviewed, under 50% of food outlets were adversely affected by the new store, and 80% of the

Figure 3.6 Hypermarket Impact - the Caerphilly Carrefour.

- Shops previously used ...

Cooperatives	35 %
Multiples	20 %
Independents	15 %

- in terms of market share ...

Multiples	contribute	50 %	of Carrefour's consumers
Cooperatives	contribute	34 %	of Carrefour's consumers
Independents	contribute	16 %	of Carrefour's consumers

Thorpe & McGoldrick (1974)

stores surveyed believed that the hypermarket had "no effect" upon their turnover (figure 3.7).

The results of both the French and British impact surveys would seem to support the conclusions drawn by Schiller (1981) ...

"The evidence is clear and consistent that the impact of freestanding superstores is diffused over a large area. Rather than destroying the nearest centre, as was often predicted, they have diverted a small amount of sales from a large number of surrounding centres."

Several reasons for the negligible impact of hypermarkets on small independent traders have been suggested, and Hopwood (1977a) summarizes these. The hypermarket and small independent store essentially serve different sections of the food market. The hypermarkets are visited for weekly shopping, whilst the smaller stores cater for the "topping-up" trade. In effect, independents operate a more flexible range of operating hours, reaching other sections of the community such as shift workers and tourists. Finally, the independent trader is becoming increasingly efficient, through the membership of voluntary chains and buying groups, which give the small trader more scope to adapt to increased competition.

### 3.3 SUMMARY

The hypermarket as a retail institution has evolved in response to the changing conditions of the retail environment. The growth of large retail enterprises with the resources and ability to adopt and develop large retail stores, and the consumer demand for one-stop shopping,

Figure 3.7 Hypermarket Impact - the York Asda.

- effect of Asda upon retailers income ...

	Grocers	Other Food
Increase	41 %	36 %
No Change	10 %	28 %
Decline	49 %	36 %

Bridges (1976)

offering convenience and lower prices, combined to produce a set of unique features and operating techniques providing a new form or concept of shopping.

The appearance of any new innovation, as Fink, Baek and Taddeo (1971) suggest, usually provokes a negative response from those who feel most threatened by the new development, in the case of the hypermarket, the existing small retailers. Calls for legislative protection ensue, despite the evidence of surveys throughout Europe consistently showing that the physical impact of hypermarkets upon existing retail facilities has often been exaggerated. In most cases the decline of certain groups and types of retailers, and retail institutions, can be attributed as much to their own inability to respond and adapt to the changing retail environment, than to direct competition from the hypermarket.

## CHAPTER FOUR : THE RETAIL SECTOR IN FRANCE

Before any discussion of the legislative response of the state to hypermarket development can be discussed, the changing environmental forces which gave birth to the hypermarket concept, and the characteristics of this novel retail institution need to be placed within the context of the French retail sector. Some insight of the diverse institutional and organisational features of the French retail system, and their relative positions within the market is necessary to provide a clearer understanding of the reaction and behaviour of the actors involved in the debate concerning the Loi Royer and its effects upon hypermarket development in France.

The French retail sector is commonly regarded as one of contrasts. France has initiated many of the new retail institutions developed during the last 150 years, often pioneering innovative moves in the retailing world (Knee 1982). For example, the department store evolved in France during the latter half of the nineteenth century; the late 1920s and early 1930s saw the rapid development of the European style variety store; whilst more recently, France has been at the forefront of the development and adoption of the hypermarket concept.

Yet in contrast, France still retains a large proportion of small, family-owned retail businesses. The comments of Watson-Dunn made in 1962 are still largely valid today...

"the retailing system is overly fragmented, and efficiency is handicapped by retailer acceptance of inefficient practices handed down from the isolationist past, a sometimes irrational disregard for maximising profits, and concerted action on the part of some store managers designed to stem the tide of retailing innovations."

The retail sector in France has often been very slow to adapt to changes within the system. Napoléon Bonaparte's jibe that Britain was a nation of shopkeepers could quite comfortably be applied to France.

This polarity between old and new exists within the retail sector in terms of both types of outlets and retail techniques operated, and in the organisational forms at work in the sector. It is, therefore, necessary to be aware of these differing features, and the relationships that exist between them, when attempting to analyse any particular aspect of retailing in France.

#### 4.1. SALES METHODS

Several sales methods may be observed in the French retail sector (Brosselin 1971). The exact mix of techniques practiced varies with both the different types of outlet and organisational forms found. The most common retail methods are ...

##### 4.1.1. Traditional sales from fixed outlets

The longest established and most widespread sales technique. This method is used for all types of good and in a wide variety of outlets. Often the salesperson is just as, if not more, important than the good sold.

#### 4.1.2. Self-service

This sales method has seen the most rapid adoption over the past twenty five years. The major characteristic of self-service is the absence of a salesman/woman. Self-service has been adopted by most organisational sectors and in a variety of outlets, but development has been most rapid in the food sector. The greatest advantage of this technique for the operator is the savings in labour costs which it allows.

#### 4.1.3. Discount sales

A method closely associated with self-service techniques particularly in larger outlets, but increasingly being distinguished as a separate category. The major emphasis with this sales method is upon reduced profit margins and low prices, which may pertain to all of the stock or a limited section of stock.

#### 4.1.4. Mail order

A form of direct sales to the consumer. Although mail order in France first appeared through department stores, usually no shop unit is required as consumers make purchases through the medium of a catalogue. The low densities of population in many areas of France suggest ideal conditions for the adoption of mail order techniques, however, this sales method does not appear to have reached its true potential in terms of market share (figure 4.1).

#### 4.1.5. Automatic vending

Allows twenty-four hour retailing in certain locations.



Figure 4.1 France - Retail Sales by Mail Order 1968-1982.

% of Total Retail Sales

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1968	0.6
1970	0.8
1974	0.9
1978	1.1
1982	1.3

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CECOD (1983)

This technique is generally restricted to small bulk items such as cigarettes, and chocolate. The advantages for the operator are that this method requires little stock holding and takes up the minimum amount of space. For the consumer, speed of service and convenience provide benefits.

#### 4.1.6. Sales in the home

Door to door retailing may be employed not only for goods, but also for services as in the case of insurance.

#### 4.1.7. Market sales/Sales rounds

Sales from non-sedentary market traders and sales rounds vary in importance from area to area, and may account for a significant share of trade in rural areas.

### 4.2. TYPES OF OUTLET

These different sales techniques are employed in a variety of outlets, which themselves enjoy certain distinct characteristics. As with the mix of retail techniques, the different forms of outlets operated by organisations varies considerably. Large organisations may operate several types of store ranging from hypermarkets to smaller traditional outlets. Consequently, no valid categorisation of organisation:outlet type: retail technique can be made.

#### 4.2.1. Traditional Outlets

The most numerous type of unit in France, despite a fall in numbers in recent years. These outlets tend to be small in size, employing traditional counter sales techniques with sales staff, although self-service and other techniques may be adopted depending upon the motivation and

resources of the store owner. As figure 4.2 shows, this type of store is largely operated by independent traders, with two thirds of the food sales achieved by these outlets in 1983, going through those outlets operated by independents.

#### 4.2.2. Department Stores - the "Grand Magasins"

The department store is a French innovation dating from the 1850s. These types of store retail a wide range of goods and services from distinct "departments" within the one unit. Sales are generally staff assisted and traditionally there is little or no food sales. For a considerable time, department stores displayed numerous advantages over other types of outlet. They sold a wide range of produce under one roof at competitive prices, consumers had free entry to the shop and were under no obligation to buy, and the special atmosphere generated by these stores encouraged sales.

However, there are inherent weaknesses in the department store format which came to the fore as the retail sector became more competitive. The major problem with this type of outlet is the running costs incurred from employing a large staff, and maintaining and insuring the large stylishly decorated stores. These problems, amplified by competition from other types of outlet, have forced some department stores to adapt by creating food departments or adopting self-service techniques for part of the operation.

Figure 4.2 France - Food Sales by Type of Store and Form of Organisation 1983.

Ownership	% of Food Sales (1983) through - Type of Store			
	Hyper- markets	Super- markets	Variety Stores	Traditional Outlets
Multiples	25.6	34.7	-	22.6
Cooperatives	5.4	6.6	-	11.5
Buying Coops.	-	0.4	-	2.1
Variety Store	2.6	-	100.0	-
Grandes Surfaces	58.6	-	-	-
Independents	7.9	58.3	-	66.4

Gallo (1984)

#### 4.2.3. Variety Stores - the "Magasins Populaires"

These shops offering "unique prices" (as reflected in tradenames like Prisunic, Monoprix, and Uniprix) were initially regarded as the poor man's department store. The concept was developed in the United States by Woolworth who opened a series of five and ten cent stores in which all goods were sold at these prices. The variety store first appeared in France in the 1930s, and after a few years abandoned the set-price formula of the initial concept in favour of the department store formula of selling goods by type rather than price groupings. The major difference from department stores is that variety stores generally contain food departments, employ more of the modern retail techniques such as self-service, and offer lower prices.

#### 4.2.4. Superettes and Supermarkets

Superettes and supermarkets sell predominantly food goods by self-service techniques, although counter service may be retained for certain goods. In France official definitions reserve the term "superette" for self-service units of between 120 and 399 square metres, and "supermarket" for self-service stores with between 400 and 2,499 square metres of sales space.

The term "supermarket" encompasses a wide variety of stores, and in France, David (1981) has distinguished four sub-types of supermarket. Discount supermarkets like those trading under the Leclerc or Intermarché logo, operate on low profit margins of around 12%, and rely on a high turnover of low priced goods to generate profits.

Neighbourhood supermarkets tend to be located in areas with a high density of population as they rely on a catchment population within walking distance of the store for their trade. They operate on margins of about 18% and fresh produce accounts for a good proportion of turnover.

A third type of supermarket is the "large range, high quality" store, which according to David, exhibits an up-market presentation and is found in higher class suburbs. Margins in this type of store are in the region of 20%. These stores tend to have a smaller range of non-foods and greater emphasis is placed upon grocery goods and fresh produce. The food departments of some department stores may be placed in this category.

Finally, the food supermarket of variety stores are distinguished as a further sub-category by David. As the location, management, and general retail policy of these units is integrally associated with the remainder of the variety store, it is difficult to operate mass merchandising techniques to the same degree as in other supermarket types, and consequently prices tend to be high.

#### 4.2.5. Hypermarkets

The characteristics of the hypermarket have been dealt with in Chapter Three. However, it is necessary to elaborate further between hypermarket centres and single units, when one considers the hypermarket concept as a type of store or sales environment. The majority of hypermarkets in France are not isolated units, but were built with or

have since added a "galerie marchande". This "galerie marchande" turns the single store into a small commercial centre through the addition of a mall containing a number of small shop units which are leased out to other operators.

This development offers advantages for all concerned. For the hypermarket operator, it increases the attractiveness of the outlet through the addition of extra facilities and services - in effect increasing the range of goods and services offered on the site. Whilst other operators have the opportunity to benefit from the considerable pulling power of the hypermarket "magnet", and as units are usually rented, they are able to do so with reduced investment costs. Finally, the consumer benefits through the increased range of goods available at the one site.

However, as Liepmann (1973) observes in his study of independent retailers in commercial centres, the independent trader who takes up the opportunity to enter a "galerie marchande" must make some compromises. Often the independent will have to revise his or her management policy and store assortment in order to complement those of the hypermarket - as integration is more successful if the independent appears to be a natural extension of the hypermarket. In order to achieve this, the independent usually needs to reduce his or her margins and prices, and to trade for longer hours.

The most important compromise, however, is that in order to generate harmony between the various independents

in the centre, collaboration is essential, and the independent is required to sacrifice some of his or her individualism for the collective good of the group. This change in attitude and status can be the most difficult adaptation required from the independent. Consequently, Liepmann concludes that the independent retailer should carefully study the advantages and disadvantages before committing themselves to this type of development.

#### 4.2.6. Other Outlets

In addition to the traditional small specialist shops, certain other types of outlet may be found in France, such as the collective shop, and more recently the discount store. The idea of a collective shop originated in Sweden in the early 1960s. A group of complementary enterprises and services combine in a collective group to operate a single store. The combination of their activities often gives the store the range of goods or services available in other types of outlets. In the collective shop each trader maintains his or her own legal and financial independence, but benefits from collaboration and collective management which deals with most of the technical and commercial aspects of the store's operation.

The discount store is becoming increasingly common throughout western Europe. These outlets provide a limited range of "essential goods" (often stocking only one brand of each good) sold at low prices by self-service techniques in small rather basic units. The emphasis in these stores is



very much on low prices, and costs are held down by low labour and decor costs.

In pure numerical terms (figure 4.3) several broad trends in establishment numbers can be identified. The total number of retail outlets in France declined from 1960 to 1970, and then rose through the 1970s, only to fall again in the early 1980s. However, important differences may be observed between sectors. The number of food stores has declined throughout the period whilst, in contrast, non food stores have increased in number. Within both of these sub sectors, local and speciality food stores and non specialist non food stores have seen the greatest decline, whilst "large area" food, and specialist non food outlets have risen in number. Over the same period, despite the general decline in shop numbers, the sales area of retail outlets has risen (figure 4.4). This trend towards fewer (but larger) outlets is particularly acute in the food sector.

When the market shares of different types of outlet are assessed (figure 4.5) the most noticeable trends over the past twenty years are the declining share of retail sales taken by department and variety stores, traditional food (including superettes and small self-service), and the food specialists. These losses have largely been at the expense of the supermarket and particularly the hypermarket.

Figure 4.3 France - Number of Retail Establishments.

1. Total Number of Stores.

Year	Total	Food	Non Food
1960	586 500	316 000	270 500
1965	583 800	295 000	288 800
1970	569 000	275 000	294 000
1975	571 800	260 000	311 800
1979	604 250	256 000	348 250

CECOD (1983).

2. Annual Changes in Shop Numbers.

Type of Shop	1978/79	1979/80	1980/81	1981/82
TOTAL	+ 9 685	+ 6 414	- 1 552	- 487
FOOD	+ 1 019	- 986	- 721	- 1 958
large area	+ 400	+ 283	+ 397	+ 228
local & speciality	+ 619	- 1 224	- 1 118	- 2 187
NON FOOD	+ 8 666	+ 7 400	- 831	+ 1 466
non specialist	- 77	- 151	- 261	- 108
specialist	+ 8 743	+ 7 551	- 570	+ 1 574

Insee (1981), (1982), (1983).

Figure 4.4 France - Retail Floorspace.

Year	Sales Area '000 Square Metres		
	Total	Food	Non Food
1966	21 301	7 790	13 511
1977	32 918	12 134	20 784
1980	39 356	12 875	26 181

Ministère du Commerce et de l'Artisanat (1980a) (1983)

Figure 4.5 France - Market Shares by Type of Retail Outlet 1965-1982.

Type of Store	% of Total Sales				
	1965	1970	1975	1980	1982
Department & Variety Stores	8.3	7.3	6.3	5.8	5.8
Hypermarkets	0.1	2.6	8.0	11.3	12.6
Supermarkets	1.8	4.9	6.8	9.0	10.3
General Food *	24.8	21.3	15.3	12.5	11.0
Mail Order	N/A	0.8	0.9	1.2	1.3
Food Specialists	19.9	17.2	14.5	13.7	13.2
Other Non-Food	45.1	45.1	47.4	45.8	45.0

\* includes superettes and other small self service

CECOD (1983)

#### 4.3. COMMERCIAL CENTRES

Although not strictly a shop type, commercial centres are such an important element in the retail structure of France (figure 4.6), providing a unique retail environment that they merit further consideration. Traditionally owing to the influence of central place theory upon planning thought, commercial centres have been classified on a hierarchical basis into three categories, all of which can be observed in France. The neighbourhood centre contains a few small shops and a supermarket which serves a population of between 5,000 and 15,000; the community centre consists of a larger supermarket, hypermarket, or variety store, plus a number of comparison goods shops, and caters for a population of 30,000 to 100,000 - most of the hypermarket centres considered above would fall into this category; and finally, the regional centre is characterised by the presence of one or two large "magnet" stores in addition to up to a hundred comparison shops and serves 250,000 people. The regional centres are owned, developed, and managed by a single developer (which may be a group of commercial interests) as a single unit.

Owing to changing economic conditions and other developments in the retail sector, further categorisations of commercial centres have been made in recent years. Retail and Distribution Management (9(4) 1981) suggests that the larger centres may be further distinguished as either "pure shopping centres" seen as the traditional regional shopping centre with "anchor" stores at either end of a mall composed of specialist shops and boutiques such as the Parly

Figure 4.6 France - Number of Commercial Centres 1971-1982

Commercial Centre defined as 3,000 Sq.M. of sales area plus ten or more retail outlets.

Year	Total	New Centres
1971	143	40
1972	187	44
1973	227	40
1974	242	15
1975	269	27
1976	297	28
1977	316	19
1978	335	19
1979	350	15
1980	359	9
1981	373	14
1982	386	13

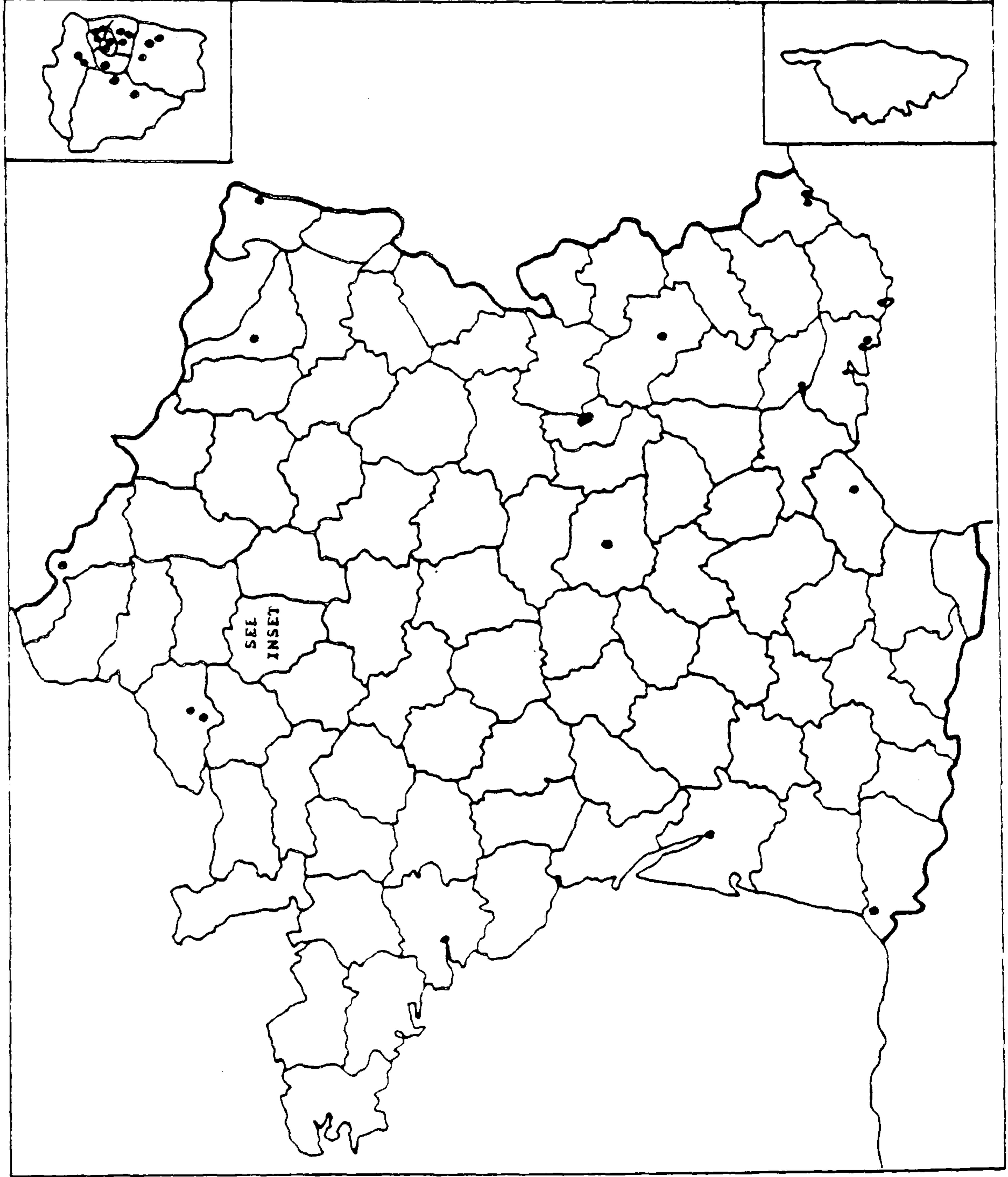
LSA 731 1979, & LSA 877 1983.

2 centre; or as "shopping centres as part of new towns", where the centres are much larger with the aim of extending their catchment area as is the case with Evry 2 and the Cergy Pontoise centre; or finally, the centre may be regarded as an in-town centre as part of a redevelopment programme as is the case of the centres of La Part Dieu in Lyon, and Saint-Sever in Rouen.

Dawson (1983) has further extended the traditional classification of shopping centres, delimiting six main types within which various sub-types may be identified. Within the first category of "general purpose free-standing centres", the sub-types of neighbourhood, community, regional, strip, and super-regional may be found. Infill, extension, and core replacement centres are found in the "general purpose centres in shopping districts" or "renewal centre" category, whilst New Town centres and downtown megastructures fall into the "multi-use centre" category. The other categories of "ancillary centres" and "speciality centres" include hotel, office, and transport-associated sub-types, and purpose-built, and recycled building sub-types respectively. The final category suggested by Dawson is that of "focused centres".

Large regional centres are commonplace in most of the major urban centres in France (map 4.1). According to Solai (1973) they exhibit many common features of design and management. The actual plan of a centre is influenced by site characteristics particularly the size, topography,

Map 4.1 : France - Leading Thirty-Five Commercial Centres 1984.



Rank by Turnover

1. Soleil - 94 Créteil
2. Parinor - 93 Aulnay-s/Bois
3. Vélizy 2 - 78 Vélizy
4. Les 4 temps - 92 Paris la Défense
5. Rosny 2 - 93 Rosny-s/Bois
6. Forum des Halles - 75 Paris
7. Grand Place - 38 Grenoble
8. Parly 2 - 78 Le Chesnay
9. La Part Dieu - 69 Lyon
10. Evry 2 - 91 Evry
11. Belle Epine - 94 Thiais
12. Grand Var - 83 Toulon
13. Les 3 Fontaines-95 Cergy-Pontoise
14. Cap 3000 - 06 St-Laurent-du-Var
15. Place des Halles - 67 Strasbourg
16. St-Sébastien - 54 Nancy
17. Galaxie - 75 Paris
18. Le Polygone - 34 Montpellier
19. Les Flanades - 95 Sarcelles
20. Les Ulis 2 - 91 Bures Orsay
21. Bourse - 13 Marseille
22. Cap Sud - 84 Avignon
23. La Valentine - 13 Marseille
24. Etoile - 06 Nice
25. Jaude - 63 Clermont-Ferrand
26. Méliadeck - 33 Bordeaux
27. Villeneuve 2 - 59 Villeneuve d'Ascq
28. St-Sever - 76 Rouen
29. Beaulieu - 44 Nantes
30. St-Genis - 69 Lyon
31. Grigny 2 - 91 Grigny
32. Bab 2 - 64 Bayonne
33. Barentin - 76 Barentin
34. Bobigny 2 - 93 Bobigny
35. Boissy 2 - 94 Boissy-St-Léger

grading and zone restrictions relating to it. In most centres the basic plan consists of a mall connecting the major anchor stores, which may be multi-level units. The mall is enclosed to permit all weather shopping and landscaping features such as fountains, and sculptures which combine with piped music to create an attractive shopping environment.

The merchandising mix found in the centre is determined by carefully conducted market analysis. The major "anchor" or "magnet" stores, usually department stores, hypermarkets, or well-established chain stores, are located at either end of the mall and account for up to 50% of the total floorspace available. Located in the connecting mall, preferably in open-fronted shops are a mixture of complementary goods or service outlets. Only certain ratios of retailers in the same line of trade are permitted, to create a balance of shop types and generate a "town centre" environment. The wide range of service facilities found in centres are primarily designed to endorse it's attractiveness, as the director of the Polygone centre in Montpellier, M. Cailloux comments ...

"The Polygone also has services. There are banks, bars and restaurants, three cinemas, a travel agency and a dry cleaner. But the role of the Polygone is commercial, and all the services on offer are merchantile with the intention of drawing the clients ... we do a number of exhibitions and shows but this is with a commercial interest to attract the clients."  
(Noble 1977)

The independent retailer in the mall is required to meet certain financial conditions or guarantees, to develop



and maintain an outlet of sufficient standard or quality in order to integrate with the general atmosphere and presentation of the centre. A carefully chosen balance of outlets is essential to the economic viability of the centre...

"Success of a centre is a well-balanced competitive assortment of large and small stores; larger stores with names to bring in customers, smaller stores with special ability to provide the frosting on the cake."  
(Solal 1973)

The accepted practice is for centre management to lease units within the centre to tenants on a percentage rental based upon turnover, with a fixed minimum guaranteed rent. In order to calculate this rent, the management requires complete access to the trading figures achieved by each tenant. The tenant also pays all real estate taxes and common area insurance and service charges. A turnover-based rent is favoured because it encourages efficiency, as it is in the interests of both owner and tenant to maximise retail turnover per square metre.

The terms of the lease generally require tenants to join the centre's merchants association or a GIE (Groupement d'Intérêts Economique). This organisation encourages mutual cooperation between tenants and works for the general interests of the centre. Solal regards a strong association as an essential ingredient for a successful centre.

The day to day management of the centre is carried out solely by the centre promoter, who undertakes communal activities such as security, cleaning, maintenance, and publicity. The promoter, commonly an organisation, is

dependent upon an external supply of funds, and will often enter into partnership with a financial backer in the building and development of the centre. The escalating costs of developing and operating the larger commercial centres, has led to an increasing number of partnerships of this kind.

#### 4.4. ORGANISATIONAL STRUCTURE

It is becoming increasingly difficult to establish a classification of French retailing enterprises by organisational type. One would imagine that structural trends within the retail sector towards concentration would simplify this exercise, but this is not so. The number of retail enterprises actually rose in the late 1970s (figure 4.7). The subtleties of legal structures and relationships are not always easy to disentangle. Similarly, commercial accords, and diversification into different sectors confuse traditional classifications even further. However, despite these difficulties, several well established categories of organisation do exist, and the characteristics of these groupings must be outlined as the majority of statistical data and literature refers to these classifications.

##### 4.4.1. Independent Commerce

The characteristics of the independent trader are well known and documented. The retail business tends to be family owned and staffed, with few "external" employees. Outlets are small in size and, as independents have to

Figure 4.7 France - Number of Retail Enterprises 1971-1981

Year	Total	Food	Non Food
1974	387 501	136 067	251 434
1975	377 240	128 033	249 207
1976	385 164	127 882	257 282
1977	402 966	132 497	270 469
1978	409 504	134 422	275 162
1979	411 231	134 579	276 652
1980*	417 539	134 595	286 981
1981*	417 318	133 647	285 165

\* Estimates

Insée (1983)

obtain goods through wholesalers, channels of distribution are lengthy, resulting in higher costs and prices than in most other forms of commerce.

This organisational type is the longest established, and still accounts for the greatest proportion of outlets and retail turnover in Western economies. France is no exception to this rule, and the independent sector exhibits most of the characteristics and trends evident in this organisational category throughout Europe. The independents are predominant in the food sector, accounting for 75% of fresh food sales in 1975, but they also control sizeable proportions of certain non-food sectors, 70% of clothing sales and 54% of hygiene goods in 1975 (Dayan 1981). As elsewhere, the independent sector in France has been declining, with their share of retail turnover falling steadily from 88% in 1950, to 81% in 1960, 75% in 1970, and 51% in 1980 (figure 4.8). The number of outlets controlled by this organisational category has also declined, largely in the face of increased competition from other organisational types.

#### 4.4.2. Associated Commerce

One way for the independent trader to compete with new retail developments is to collaborate with other traders. Legally these groupings consist of simple associations, which allow the members to pool together their resources for buying and service functions. Associations may be horizontal, where all the members perform the same function, or vertical, where members perform complementary functions,

Figure 4.8 France - Market Share by Type of Organisation  
1950-1980.

Organisation	% of Total Retail Sales				
	1950	1960	1970	1975	1980
Department/Variety Store Co.	3.5	4.8	6.6	5.4	6.0
Multiples	4.5	5.3	6.8	8.3	16.1
Grandes Surfaces					
- Food	-	-	-	5.3	6.6
- Non Food	0.9	2.1	2.7	3.2	N/A
Mail Order	-	-	-	N/A	2.3
Cooperatives	1.7	2.2	2.3	2.4	3.0
Affiliated Independents					
- Voluntary Groups	0.3	2.0	3.7	6.4	8.3
- Buying Groups	1.2	2.5	3.0	3.2	6.7
Unaffiliated Independents	87.9	81.1	74.9	60.0	51.0

Dobler (1981) & Euromonitor (1983b)

such as collaboration between retailers and wholesalers. In some associations, collaboration may be of both a horizontal and vertical nature. The first forms of associated commerce were cooperative groupings, and after 1920, associations became commonplace with the birth of groups such as the Comptoir Cooperatif d'Achats (1922), Codec (1924), and La Hutte (1929). The success of wholesaler-headed groups in Holland and in the USA also resulted in the adoption of the voluntary chain concept in France in 1955.

Andrieux (1972) identifies four main aims of associated commerce. Firstly, these groupings allow members to gain more favourable buying conditions by combining their purchasing power. Secondly, communal publicity, and modernisation of outlets increases competitiveness. Thirdly, the association allows assistance with managerial problems through advice and personnel training, thereby increasing the efficiency of members. Finally, financial positions are improved and investment potential increased through communal investment.

Two forms of associated commerce are commonly distinguished in the literature...

#### 4.4.2.1. Cooperative Groupings of Retailers

These associations have an horizontal structure and are more common amongst retailers than wholesalers. Originally, the communal buying groups formed by this type of association only performed the wholesale function. However, over time the role of these groups has widened and other

functions have been added.

The basic principles of cooperative groupings of retailers are democratic management, freedom of buying (participants need not buy solely through the group, they may use other channels), freedom of entry and exit (although usually certain conditions must be observed), and access to communal services.

There are numerous advantages for the independent through the communal buying and other facilities offered by this type of grouping. However, financial obligations can be heavy, particularly when joining such a group, and buying tends to be periodical, so retailers may be obliged to hold more stock than absolutely necessary.

Dayan (1981) identifies several conditions essential for the success of this type of association. These include a large number of participants, faithfulness of members, the willingness to adopt modern retailing techniques and to collaborate for the collective good of the group, and finally, a proficient and realistic plan for the group.

The major cooperative buying groups that fall into this category are Codec-Una and Unico (figure 4.9). Codec-Una was formed by the 1972 amalgamation of two of the longest established retail groups in France. Codec was founded in 1924 by a consortium of ten grocers, headed by Moreau-Dupuy. In 1964, the group opened its first depot to supply its associated retailers, and replaced the previous system of preliminary orders which often required traders to order more stock than required. Codec offered six distinct

Figure 4.9 France - Cooperative Buying Groups

Stores 1981	1974	1975	1976	1977	1978	1979	1980	1981
Hypermarkets				3				
Supermarkets			276					325
Superettes			895					785
Smaller Units			665					1508
Depots			10					22
Large Area DIY			5					
Performance - Turnover (Mill F)								
Codec Una (centrale)	1817	2080	2526	2982	3515	3602	4751	5567
Unico (centrale)	1205	1365	1604	1904	2335	2825	3559	4272
Unico (outlets)	3000	3400	3800	4500	5100	6215	7200	8500
Marengo (1983)								



services to its members - administration facilities, finance, commercial services, economic studies, depot management, and information. The other part of this group, Una, was created in the Paris region by Bouchard in 1936 and provided a similar package of services for its members, until the group ran into financial difficulties in the early 1970s and merged with Codec.

Unico developed from the old retail group Comptoir Cooperative d'Achats in 1960, and serves its associates through three distinct subsidiaries. The Comptoir Cooperative d'Achats (CCA) fulfills all commercial operations including the production and packaging of Unico own brand products, and the modernisation of outlets. The Société Central d'Achat et de Paiements controls the payment of goods bought, and the financial investment of the group is managed by Sedeco. In 1966, the group formed a joint subsidiary company, Unicodec, with the Codec group, but this project was soon aborted.

In other retail sectors the leading groups of this type are La Hutte in sports and leisure goods; Mobilier de France in furniture; and Ucodroco (Union des Cooperatives de Droguistes Marchands de Couleurs) in the pharmacy sector.

#### 4.4.2.2. Voluntary Groups

Cooperative retail groups are designed to shorten distribution channels by bypassing the wholesaler element. In response to this, wholesalers have created their own vertically structured groups, commonly referred to as

voluntary chains. This form of association originated in the USA during the first world war and appeared in France in the 1950s.

Many of the characteristics of voluntary groups are similar to those of cooperative retail groups, although there are important structural differences. Wholesalers are at the head of the chain, and coordinate the wholesale and retail activities of the group. The wholesaler controls and operates the centrale d'achat (buying organisation) which acts as an intermediary between the producer and retailer, and provides the goods and services required by members of the chain. A second organisation within the chain devises the group's general policies and oversees the retail members, although each retailer keeps his or her financial independence. Hierarchies may exist within chains, with regional chains affiliated to national, and national to international chains.

Retail members attain the same advantages and disadvantages as in other forms of associated commerce, but in this type of organisation the wholesaler is guaranteed a share of the market.

In France there are four leading voluntary chains in the food sector. Sopegros-Avam is the oldest and one of the leading chains. Sopegros was founded in 1945 as a simple buying group which included a number of wholesalers. In 1957 a section of Sopegros wholesalers and associated retailers created the National Federation of Avam which launched the nationally recognised tradenames Avam,

Sup'Avam, Vivo and Ifa for traditional outlets and superettes, and Ifaprix for supermarkets. By 1972 Avam controlled the largest number of self-service shops, and Sopegros controlled a third of the supermarkets found in the associated commerce sector. The group provides a number of services for its members through a range of subsidiaries foremost amongst these being Somocoda (modernisation of outlets), Sedipa (publicity), Sopeda (finance and investments) and Sogetradis (information).

Another important voluntary chain is the Promodès controlled Segedes chain. This organisation was formed under the name Ege in 1955, by a number of wholesalers who slowly adopted the voluntary chain concept. The retail element of the chain retains the Ege logo, whilst the wholesale function is performed by Segedes. A third organisation made up of representatives from these two elements provides the link between the two. The Segedes chain is a member of the Vege International group.

The Alimengros-Kergao Service chain evolved from the first wholesale grouping in France, the 1931 founded Alimengros group. In 1953, this group created Sodiproma which introduced the tradename Kergao-Service for associated retailers. In the early 1970s Alimengros was absorbed by the Spar chain, but the well established Kergao banner was retained.

Finally, although the French Spar chain was only formed as in 1955, it has long been regarded as one of the pioneers

of the voluntary chain movement in France, and as a model voluntary chain. The chain was established in the image of the Dutch Spar organisation by a group of dissident wholesalers from Alimengros. In the early 1970s Spar embarked upon a concentration programme with the absorption of Alimengros and an agreement of collaboration with the Paris based chain Tip France.

Voluntary chains also exist in the non-food sector. The principle ones being Madame in the electrical goods market; Caténa in the DIY sector; Galeries Barbès, Lévitán and Crozatier in furniture; and Sermo, Seldis and Saneb-Citex in the textile trade.

#### 4.4.3. Integrated Commerce

Like associated commerce, integrated commerce is characterised by groupings of establishments for buying purposes. The major difference between the two forms of organisation being that in the case of integrated commerce, all the individual outlets are owned and operated by the one commercial organisation. There are essentially four main types of integrated commerce in France, although recent trends in organisation as a result of concentration and diversification have blurred some of the traditional divisions and certain retail companies may now appear to fall into more than one single category.

##### 4.4.3.1. Branch Multiples

By definition these are organisations which operate at least four units, but generally many more, usually in a certain well defined retail sector. The organisation is

controlled by the central services division which determines long and short term policy goals for the whole group. This division also coordinates the branch outlets and controls all the technical, legal, and financial resources of the organisation. The individual outlets operate under the organisation's well established tradenames, although an organisation may operate more than one logo.

Individual store managers follow the regulations and guidelines laid down by the organisation. The wholesale function may be performed by a centrale d'achat which the company owns or is affiliated to. In the branch multiple sector there is a tendency for several multiple organisations to be affiliated to a single large centrale d'achat such as Paridoc, Locéda, or Camas.

The first multiple groups in France were La Maison Buhner formed in 1822, and Félix Potin founded in 1845, but it was in the late 1860s that multiple organisations became commonplace. The growth of this type of organisation was particularly strong in the food sector.

The development of food multiples (the Maisons d'Alimentation à Succursales (MAS)) exhibited a strong regional element, with early growth concentrated in the East and Centre-East areas. The groups La Familistère, Bonat et Mignot, Goulet Turpin, and Ets Mauroy originated in Riems, La Ruche Picarde at Amiens, Les Economiques de Normandie at Rouen, Wibault at Sin-le-Noble, and Casino, l'Alimentation Stéphanoise, and les Docks Foreziens in St Etienne. Over

the past decade, mergers and acquisitions in this organisational category has resulted in the creation of more nationally-identifiable groups.

Most of the branch multiples have pursued a policy of rationalisation, closing some of their smaller outlets and replacing others with supermarkets and hypermarkets. This trend is reflected in the sales by outlet profile for these organisations (figure 4.10).

The major branch multiple organisations in the the food sector are Casino, which with its subsidiaries l'Epargne, and Somaca is the largest food multiple in the country; Docks de France; Radar; Comptoirs Modernes; and Cedis (figure 4.11).

Branch multiple organisations are relatively underdeveloped in the non-food sectors, with the exceptions of shoes (André); clothes (Armand Thierry Sigrand, and Conchon Quinette); and the babywear markets (Materna and its owner Prenatal).

#### 4.4.3.2. Department Store / Variety Store Companies

These organisations, as their title suggests, primarily operate department and variety stores. This type of company performs both wholesale and retail functions and generally owns its own centrale d'achat - for example Au Printemps own Sapac, and Galeries Lafayette control Spam. The organisation may control stores both directly and indirectly through either affiliation contracts or joint subsidiary companies with other retailers.

Aristide Bauciant is universally regarded as the father

Figure 4.10 France - Food Multiples; Sales by Type of Store.

Type of Store	% Sales at 1.1. Year							
	1968	1970	1972	1974	1976	1978	1980	1982
Hypermarkets	-	3	15	23	29	31	37	41.5
Supermarkets	18	18	28	29	31	32	34	34.5
Superettes	13	14	11	10	9	9	7	6.5
Traditional & Small Self Service	69	62	46	38	31	28	22	17.5

Points de Vente 239 1982.

Figure 4.11 France - Leading Food Multiples

A) Group Turnover (Mill F)

	1975	1976	1977	1978	1979	1980	1981
L'Allobroge	743	955	1147	1294	1302	1486	1640
SASM *	881	1042	1139	1260	1489	1817	2428
Casino			7900	9060	10729	12677	14712
Cedis	2027	2305	3433	3915	4591	5302	5911
Compt. Modernes			3220	4710	6217	6968	7453
Docks de France		3295	3684	4263	8531	12199	13767
Econ. du Centre	1624	1858	2094	2284	3256	2976	
Guy. et Gascogne	874	1057	1272	1473	1865	2312	
Primisteres/ Félix-Potin		1734	2549	2850	3176	3450	
Radar	4021	4720	5939	6712	7636	10613	11762
Ruche Meridion.	594	672	834	1086	1392	1694	1955

\* SASM - parent company

Marengo (1983) and Company Reports



Figure 4.11 France - Leading Food Multiples

B) Number of Stores	1975	1976	1977	1978	1979	1980	1981
L'Allobroge				278	284	293	
SASM	24	35	38	46	52	58	58
Casino	2099	2100	2107	2112	2114	2114	2109
Cedis	667	666	656	641	615	596	575
Compt. Modernes	506	496	824	1283	1350	1329	1295
Docks de Fr.	356	359	350	357	1517	1812	1728
Econ. du Centre	1251	1217	1184	1148	1066	1029	980
Guy. et Gascogne		186	201	198	197	192	
Primisteres/ Félix-Potin			1567	1548	1682	1641	1552
Radar	2154		2031		1977	1917	1844
Ruche Meridion.	197	184	186	193	195	202	199

Marengo (1983) and Company Reports

of the department store, after the opening of his first Bon Marché shop in Paris in 1852. This store utilised new retail techniques which have since become synonymous with department stores. The successful formula pioneered by Bon Marché was soon imitated by others - Le Louvre (opened in 1855), Bazar de l'Hôtel de Ville (1856), Nouvelles Galeries (1861), Au Printemps (1865), La Samaritaine (1870), and Galeries Lafayette (1895) (Brosselin 1971). Increased competition and market opportunities in other sectors have since tempted many of these organisations to diversify into other areas.

Closely associated with the department store groups are the variety store companies. This type of organisation illustrates some of the problems of attempting a strict categorisation of retail firms by organisational type. The majority of these organisations are controlled by department store operators. Uniprix was created by Nouvelles Galeries in 1928, Prisunic by Au Printemps in 1931, and Monoprix by Galeries Lafayette in 1932, the same year as Mag Est of Strasbourg and Galeries de Mulhouse founded Uniprix. To confuse the issue further, these companies also tend to manage their stores as branch multiples.

As most of the variety store operators are strongly linked to a parent department store organisation, their operational structure often overlaps. Generally they patronise the centrale d'achat and other service facilities controlled by the mother organisation, although independent

variety store companies may affiliate to other centrales.

There are three leading department/variety store organisations in France (figure 4.12). The Galeries Lafayette group controls the Monoprix variety store chain and two centrales - Spam (Société Parisienne d'Achats et de Manutention) and Sca (Société Central d'Achats) which supply their own and affiliated stores. Au Printemps, which has recently diversified into other retail sectors owns the Prisunic variety store chain, and centrale d'achat, Sapac (Société Parisienne d'Achats en Commun). The Nouvelles Galeries organisation now controls the formerly independent Bazar de l'Hôtel de Ville department store group, along with the La Mda (Maison d'Achats) centrale and the Uniprix variety stores. Finally, the Paris-France group (taken over by Radar in 1980) controls the Aux Dames de France and Trois Quartiers department stores, and has a share with Magasins Réunis in the Parunis centrale d'achat.

#### 4.4.3.3. Consumer Cooperatives

The largest retail organisation in France is a group in which the emphasis is placed upon serving the consumer rather than on making profit - the Cooperative Society. Technically, the various cooperative societies are made up of consumers' personal capital. Shares may be bought at company outlets and have no commercial value apart from a nominal price. The share issue is theoretically unlimited, but each family is only allowed one vote irrespective of the number of shares in its possession. Shareholding has benefits for the owner in the form of a year-end dividend,

Figure 4.12 France - Leading Department/Variety Store Groups

Stores 1981

- Galerias Lafayette - 7 department stores
  - 271 "Monoprix" variety stores
    - 91 owned
    - 180 affiliated
  
- Au Printemps - 55 department stores
  - 25 owned
  - 30 affiliated
  - 346 "Prisunic" & "Printania" variety stores
    - 121 owned
    - 4 managed
    - 221 affiliated
  - 64 specialist shops (clothes)
  
- Nouvelles Galeries - 86 department stores
  - 67 "Nouvelles Galeries"
  - 17 "BHV"
  - 2 "Magmod"
  - 58 "Uniprix" variety stores
  - 45 garden centres

Performance - Turnover (Million F)

Group	1976	1977	1978	1979	1980	1981
Gal. Lafay.	1400	1576	1752	1876	2045	2442
(Retail)	1171	1239	1354	1462	1575	1783
(Wholesale)	229	337	398	414	470	659
Au Printemps	5412	5972	6520	7597	7947	9730
(Parent Co.)	1175	1295	1431	1799	1729	1956
Nouv. Gal.	7618	8152	9287	12701	13725	15137

Marengo (1983)

usually a percentage discount on the total value of goods purchased (although in recent years the value of this dividend has decreased considerably as profits have been reinvested in the Society), and in access to services provided by the Movement, such as banking and insurance. Each shareholding partner is entitled to vote for the leadership of the regional cooperatives, and these regional bodies do likewise for the two central national associations, the FNCC and SGCC.

The first Consumer Cooperative in France was formed in July 1935, when Michel Derrison opened his Le Commerce Véridique grocery store in Lyon. However, the real forerunners of the modern cooperative movement appeared in northern France in 1860, following the development of Robert Owen's "Equitable Pioneers of Rochdale" which initiated the Cooperative Movement in England in 1844.

The first Cooperative Congress, the Union Cooperative, was held in Paris in 1855, and evolved into the FNCC (Fédération Nationale des Coopératives de Consommation) in 1913. At this time the FNCC was composed of just under nine hundred local cooperative societies, and by the 1920s this number had risen to around four thousand. The large number of member societies gave the Cooperative Movement a highly fragmented nature, and greatly hampered its efficiency. The Societies themselves were, however, aware of this problem and embarked upon a massive concentration and integration programme in the inter-war period, which culminated in the

creation of fifty Societies in the 1940s. Following the second world war, this trend towards concentration was continued to the extent that, according to Roger Kerinac, the President of the FNCC in 1977...

"in 1960 we had powerful Regional Societies but these Societies had no commercial, financial, or social policy in common.....each of these Societies would observe with scepticism the revolution which developed in the field of distribution, showing disbelief towards the new techniques, which they considered either all right for others or calling for the strongest resistance. This marks the time when the French consumer cooperatives began to lose ground compared with the most dynamic of their competitors." (in Hopwood 1977b)

Pressure for change from the more progressive Societies forced the establishment of a series of study groups following the 1964 Congress. These groups recommended the strengthening of existing central facilities, a regular audit of member Societies' accounts, and the creation of a retail service to advise and assist members with financial and trading difficulties. The proposed retail service took the form of the National Investment Committee, which issued recommendations to member societies on key projects. Furthermore, the reorganisation and concentration that these post-war moves provoked led to the adoption of a five year development plan to control and monitor development in 1971.

The organisational structure of the Cooperative Movement is centred upon the two national bodies, the FNCC, which coordinates the Movement's policies, and the SGCC (Société Générale des Coopératives de Consommateurs), the organisations centrale d'achat. The Movement also controls a number of subsidiaries which provide a variety of service

facilities for members. The Caisse Centrale de Cr dit Coop rative (CCCC) controls the long term investment programme of the Movement, and the Cr dit M nager Cooperative supplies the cheapest credit in France. Other services available to members include cooperative hotels, the cooperative bank, insurance, education, library facilities, laboratory testing of goods, and information and publicity facilities.

The members of the FNCC may be divided into two categories. At one level are the twenty-three Regional Cooperatives (figure 4.13), which have a permanent contract with the SGCC and coordinate regional expansion and the absorption of local cooperatives that are in financial difficulty. Whilst at the lower level the local Societies under the control of the regional cooperatives enjoy the status of a branch outlet. Various local and specialised cooperatives, largely involving butchers and bakers, are also affiliated to the FNCC, but these groups do not have permanent contracts with the SGCC.

Like other organisations in France over the past decade, the Cooperative Society has embarked upon a policy of rationalisation involving the closing of marginal outlets and the opening of larger self-service stores (figure 4.14). The Movement has developed hypermarkets since 1970 in an attempt to keep pace with its competitors. The Cooperative Movement also produces a significant proportion of the goods that it sells. In 1978 the Movement was amongst the top

Figure 4.13 France - The Cooperative Movement; Leading Regional Societies.

Performance - Turnover (Million F)

Society	1975	1977	1979	1981
Alsace	798	1076	1363	1709
Champagne	1134	1448	1742	2254
Charentes	1376	1743	2192	2850
Escaut et Santre	436	530	642	759
Flandres et Artois	947	1175	1236	1427
Ile de France et l'Orléans	568	725	893	1034
Lorraine	1452	1956	2422	2974
Picarde	494	684	811	991
Pyrénées-Aquitaine	302	360	420	530
Rhône-Méditerranée	624	740	895	1117
St Etienne	508	576	680	845
Sin le Noble-Denain	537	636	732	1003
U.C.S.M.	198	318	665	758
WHOLE MOVEMENT		14445	17914	21758
Leading 13 Societies as % of whole Movement		82.8%	82.0%	83.8%

Marenco (1983)



Figure 4.14 France - The Cooperative Movement.

A) Number of Outlets

Outlet	1970	1975	1978	1980	1982
Hypermarkets	3	24	34	38	43
Supermarkets	119	278	310	334	363
Superettes	681	1018	1107	1172	1114
Small Self-Service			2470	2544	2444
Traditional	7136	5566	2446	2489	1990
Mobile Vans			169	142	129
Other	115	102	151	174	193
TOTAL	8056	6988	6687	6593	6276

Marenco (1983) & Eurofood (1978)

B) Sales by Type of Outlet

	% of Total Group Sales				
	1970	1974	1978	1980	1982
Hypermarkets	1	12	20.2	22.9	23.3
Supermarkets	10	20	21.7	22.9	23.3
Superettes	23	23	22.6	21.5	19.4
Traditional & Small Self-Service	65	43	32.7	29.0	26.3
Other	1	2	2.8	3.7	7.7

Marenco (1983) & Eurofood (1978)

twenty-five food processing companies in terms of sales, and was the second most important coffee importer, and accounted for more than 7% of the total market for product ranges such as oil, pasta, canned food, and vinegar (Eurofood 1978). This producer element to the Cooperative Society accounts for the high proportion of own-brand products in its stores.

In 1980, the Cooperative Movement accounted for 3.0% of total retail sales in France, and 5.0% of all food sales. These market shares were considerably higher in certain départements, for example in Charente-Maritime (17), Meuse (55), Aisne (02), and Aube (10) the Cooperative Societies held between 8 and 11% of total retail sales, and between 13 and 20% of food sales in 1978 (Eurofood 1978).

#### 4.4.4. Discount Organisations

The concept of discount trading first appeared in the late 1940s in the USA. In France, two types of discount companies may be distinguished, the original pioneers of the concept (who now largely consist of affiliated independents), and the "Grandes Surfaces" organisations.

##### 4.4.4.1. The Pioneering Discounters

In 1949, a former Jesuit priest, Edouard Leclerc attempted to "moralise" retailing by selling goods to the public at greatly reduced margins. He opened his first store at Landernau in Finistere (29) at the age of 23, initially buying biscuits direct from a local factory and selling them to the public at 25% below the usual prices. Leclerc gradually expanded this strategy into all groceries, employing six basic techniques in his store which Andrieux

(1972) regards as the essentials of discounting.

1. Supplies were bought in large quantities directly from producers, in order to shorten channels of distribution.
2. Retail margins were reduced to around 11%.
3. General and investment costs were minimised by selling from somewhat stark or bleak outlets.
4. Fast moving products were sold to increase turnover.
5. The notion of productivity was introduced into retailing.
6. Goods were sold at low prices to abolish the ideas of "abusive profits" or "exaggerated margins".

Initially the local tradesmen ignored Leclerc but, by 1952, the success of his store alarmed them enough to persuade manufacturers and wholesalers to threaten to stop supplying him unless he reviewed his operating policy - a traditional, although illegal, method employed to prevent competitive operators reducing prices.

Leclerc responded to this move by complaining to the government, and in response the Lanniel government of 1953 issued a decree asserting the illegality of imposed prices and refusal of supply. Ardagh (1977) suggests that this legislation ...

"remains the key to all post war progress in distribution. Without it, Leclerc would have perished and the new supermarkets might have had the greatest difficulty in starting."

The support of the government encouraged Leclerc to expand throughout Brittany and eventually into other areas of the

country. In 1959, Leclerc opened a store in Paris, and was again faced by determined opposition, with the leader of the Petits et Moyenne Entreprises Fédération referring to him as ...

"a bowl of vitriol hurled in the face of French commerce to disfigure and dishonour it, to the profit of the big capitalists and international trusts."  
(in Ardagh 1977)

Once again, competitors induced suppliers to hinder Leclerc by delaying deliveries, and sending the wrong goods. As in 1953, Leclerc reponded by appealing to the government, and in March 1960 the Gaullists reissued the warning about breaking the 1953 decree. Eventually, Leclerc's competitors conceded and began to challenge him along more conventional lines by lowering their own prices and margins. As his techniques began to be widely adopted, Leclerc developed a system of affiliation for other independent retailers to trade under the Leclerc banner. In 1962, the formation of the Galec centrale d'achat allowed further expansion, as it replaced the previous less-efficient policy of buying through regional centrales.

The Leclerc affiliation allows independents to use the Leclerc logo, with its associated reputation, in return for certain concessions. To join the Leclerc group the independent trader must affiliate to Galec and only purchase fresh produce and regional specialities on their own account, although the trader is under no obligation to stock all the lines offered by Galec. Members retain a certain flexibility of pricing, as long as the overall gross margin

on total sales (excluding VAT) does not exceed 14%. All members are expected to employ and train apprentices in the Leclerc methods, and no retailer is allowed to open a second Leclerc outlet until he has successfully trained an apprentice.

Leclerc's methods were adopted by other traders. In 1958, Roger Berthier opened his first Saveco store in Grenoble, but the major discount competitor to Leclerc is the Intermarché group. This group was founded in 1969 when a dispute between Leclerc and one of his principle adherents, Jean-Pierre Le Roch (the director of Leclerc's first Paris store), resulted in Le Roch leading a breakaway group of 95 Leclerc retailers who formed a holding society called Ex-Enterprises, which created the Scaex centrale and adopted the Intermarché tradename.

#### 4.4.4.2. The "Grandes Surfaces" Organisations

The second category of discount operators are those that primarily operate large area stores. The retail methods employed in these outlets are similar to those of Leclerc, but occur on a much greater scale, which in turn allows further economies of scale unavailable to smaller discount traders.

"Grandes Surfaces" discounters operate in most sectors of the market, the major groups being Carrefour and Auchan in the food and hypermarket sectors; Conforama and Lèvitani in the furniture goods sector; and Darty in the electrical goods market. These organisations usually own their own

centrale d'achat, for example Samod in the case of Carrefour. Outlets are controlled either directly by the parent company, through joint subsidiary companies in association with other retailers, or by a franchise agreement. Over the last decade most of the companies in this category have diversified into other retail sectors. The activities of organisations in this category shall be dealt with in more detail in later Chapters.

#### 4.5. COMPANY FORMATS AND FORMS OF ALLIANCE

The importance of independent organisations in the French retail sector is further illustrated by the proportion of retail enterprises that are legally registered as private or "personal" enterprises (figure 4.15). All firms which have their head office in France must be registered under French law. In France there are three legal types of corporations (Sociétés de Capitaux) and three types of partnership companies (Douglas 1975). All corporations are subject to a corporate income tax on net profits and shareholders are liable for personal income tax only on dividends received. The three types of corporation are...

1. Société Anonyme (SA) - which is broadly the equivalent of the British public holding company.
2. Société À Responsabilité Limitée (SARL) - a format very similar to the British private limited company.
3. Société en Commandite par Actions - in effect, a special partnership formed by shares. These organisations

Figure 4.15 France - Legal Forms of Retail Companies 1982.

Form of Company	% of Total
S. A. R. L.	16.0 %
S. A.	11.6 %
Sté. en Nom Collectif	0.8 %
Private Enterprise	67.3 %
Cooperative	1.1 %
Others	3.0 %

Insée (1983)

are similar to the SAs, except that their directors are personally responsible for company losses.

The three types of partnership available are ...

1. Société en Nom Collectif (SNC) - this is equivalent to the general partnership, in which partners are liable for losses. This type of company is common amongst smaller family firms.

2. Société en Commandité Simple - a very uncommon form of limited partnership.

3. Société en Participation - the equivalent of the joint stock venture when companies come together, often for a limited period of time in order to participate in a particular project.

As personal income tax is applied to directors of partnerships, most firms favour the corporation company formula, and in particular adopt the SA or SARL variant.

A Société Anonyme is owned by its shareholders, and may borrow money from the general public by issuing bonds, provided that the company capital is fully paid up, and that the company has been in existence for two years and has issued two shareholder-approved balance sheets. Shareholders are only liable for company debts up to the amount of the par value of the shares they own. The management of a SA is either through a board of directors (traditionally between three and twelve in number) elected by shareholders for a period of three years; or through a council of shareholders and a management committee, made



possible by the law of 24th July 1966, which allows for a committee of between two and five members, controlled by a three to twelve man council.

There are numerous similarities between a Société Anonyme and a Société A Responsabilité Limitée, but the SARL format resembles a partnership in that it can not issue bonds and its capital is held in the form of non-negotiable shares. A SARL is operated by a manager who need not necessarily be a shareholder, but whose powers can be limited by articles of association and byelaws. Any decision that is made by 50% of the company's capital is binding. One advantage with the SARL format is that it may be converted to a SA at any time.

Therefore, the basic difference between a SA and a SARL is that a SARL has fewer sources of finance, other than its members and their bankers. In addition the management of a SARL has fewer legal bindings, concerning such things as meetings, than a SA. Finally, transfer of shares held in a SARL is liable to a registration tax, whereas it is tax free in the case of a SA.

As suggested at the outset of this section on the organisational structure of French retailing, the concentration and diversification trends within the retail sector have instigated the adoption of various means of control, which allows organisations to cut across traditional categories and rapidly employ techniques and types of outlet generally associated with other organisational types. Franchise agreements and joint

subsidiary companies are just two of the methods employed by all organisational groups as a means of expansion, which has created a blurring of traditional categorisations.

#### 4.5.1. Franchising

The franchise is a form of commercial collaboration which allows one retailer or organisation to adopt the tradename, trading characteristics, and associated reputation of another. In 1982, CECOD estimated that franchised stores took 6.7% of the retail trade, and distinguished four types of franchise. A producer franchise such as those offered by Rodier and Descamps allows different organisations to produce goods for the one group. Distributor franchises allow a retailer to adopt the methods of others. Industrial franchises, usually regarded as first generation franchises, allow the production and retailing of a product under licence from the parent company - the most famous example of this perhaps being Coca-Cola. Finally, the service franchise exists in the service sector of the market with names like Transalpino (travel) and Copy 2000 (rapid copying) (Colonna 1983).

The distributor franchise, which is most widespread in the retail sector, is a contract usually between the franchising company's centrale d'achat and the franchised retailer. This contract takes the form of a payment of an entry fee, an annual royalty often calculated as a proportion of turnover, and a commitment to purchase a set minimum proportion of goods from the centrale. In return

the franchisee receives the formula package of the franchising organisation. Some examples of franchise contracts for independent retailers are given in figure 4.16 (Dayan 1981). The franchise method has grown rapidly from 34 franchise tradenames existing in the retail and service sector in 1971, to 385 franchisors, covering over 18,000 outlets in 1982 (figure 4.17).

This type of collaboration is beneficial to both participants. It allows the franchising company to create a retail chain without having to directly finance it, it guarantees the company additional income from annual royalties, and increases the value of purchases made from the centrale. The franchisee benefits from gaining entry to a particular sector at a reduced investment, through a commission rather than through a large initial outlay. The franchise also guarantees permanent help and assistance, and generally, through the adoption of an established tradename, an increased turnover. As CECOD (Dayan 1981) note ...

"franchising is a method of distribution in which a personal enterprise, with personal capital, is managed as if it is an element in a large organisation, with a national reputation, tradename, and standardised equipment, products, and services."

A national survey of franchisees (LSA 929 1984b) covering 164 tradenames revealed that 55% of franchisees are female, the majority are young (two thirds were below 45 years of age), and their level of education is above the national average. Furthermore, two-thirds of the respondents had no previous experience in the commercial

Figure 4.16 France - Examples of Franchise Conditions 1971

Name	Entry Fee	Annual Royalty on Turnover	Minimum % of Purchases from centrale
Caténa	none	3.0 %	60 %
Eram	payment for sign	1.5 %	33 %
Lévitan	700 F p.a.	3.4 %	25 %
Promo-France	proportional to sales area	1.2 %	60 %

Dayan (1981)

Figure 4.17 France - Growth of Franchising in 1971-1983.

Year	Number of Franchisors	Number of Franchisees
1971	34	2 000
1977	108	7 500
1979	303	10 696
1981	330	13 696
1982	385	18 313
1983	379	19 687

Euromonitor (1983b) and Le Commerce Moderne 621 1985

sector.

#### 4.5.2. Joint Subsidiary Companies

Over the last decade, as initial costs of development have risen, and financial risks have increased, there has been a trend towards the formation of joint subsidiary companies to develop either one type of outlet or in one region of the country. These joint companies allow initial investment costs to be spread between the two companies, and by their very nature spread any liability. As shall be shown later, alliances of this nature have become increasingly common with certain companies in relation to hypermarket development as they have sought to extend their influence geographically.

#### 4.5.3. Other Alliances

Finally, it is necessary to comment in a little more detail on the role of the centrale d'achat, as alliances can be constructed through affiliation with centrales. The centrale negotiates the cost, type and delivery of goods with producers, and complements this service with a variety of other facilities such as advertising, statistical information, and legal and financial counselling. In return for these services, the centrale receives a commission calculated on the value of the products bought from it, or in relation to the turnover of the affiliated group.

Although many centrales are controlled by one specific organisation, for example Samod (Carrefour), the SGCC (Cooperative Movement), Auchan (Auchan), and Sapac (Au Printemps), and operate solely for the stores of that group,

others are open to independents or regional organisations. The affiliation of a number of different organisations to one such centrale allows these different groups to adopt the same tradename and benefit from the advantages of appearing to be a major national chain. The affiliation of various independent retailers to either Galec (Leclerc) and Scaex (Intermarché) is one example such an association. Although one of the most important centrales in relation to this type of association is Paridoc, which controls the Mammouth and Suma tradenames. A variety of regional multiple groups are affiliated to Paridoc, and have adopted the tradenames of the centrale (figure 4.18).

#### 4.5. SUMMARY

This complex mix of retail techniques, institutions, and organisations that makes up the retail sector in France provided the stage upon which the hypermarket made its entry. Despite the trends towards fewer, but larger stores, and the loss of market share by the traditional independent traders and small retail outlets, these forms of organisation and institution were still dominant in the French retail sector of the mid 1960s, when the hypermarket arrived on the scene. The inability or unwillingness of these groups to respond, and adapt to the changing retail environment, saw them turn instead to the government for legislative protection.

Figure 4.18 France - Membership of the Paridoc Centrale d'Achat 1981.

- Affiliated Stores - 3 677 Stores
  - 75 Hypermarkets (Mammouth)
  - 380 Supermarkets (Suma)
  - 52 Superettes
  - 3 169 Branch Stores
  - 1 Department Store

Major Affiliated Retail Groups

- Cedis Group
  - Cedis
  - Economiques Troyens et Docks Reunis
- Ets Charenton
- Docks de France Group
  - Docks de France
  - Doc Francois
  - SM Doc
  - Ruche Picarde
  - Cofradel
- Economats du Centre
- Guyenne et Gascogne
- Ruche Meridionale
- SASM
- Unimas

Points De Vente (1983)

## CHAPTER FIVE : PUBLIC POLICY IN THE RETAIL SECTOR

Although state intervention in economic sectors such as agriculture and manufacturing is a common feature of most nations, generally there is an absence of any coherent policy specifically designed for the retail sector. Instead there tends to be a set of piecemeal policies which deal with particular aspects of retailing. This failing has been noted by many, including Boddewyn and Hollander (1972), who in the conclusion to their seminal work on public policy in the retail sector, stated that...

"few, if any, countries have a public policy toward retailing, de facto or de jure, but they usually have a set of policies that deal with retailing more or less (mainly less) explicitly, coherently, and consistently."

This situation has arisen as government priorities have traditionally focussed upon the productive sectors of the economy, rather than upon the distributive sector. Retailing has consequently only received marginal attention, as the productive sectors have been viewed as the prime providers of wealth, and power, presenting the greatest opportunities for economic growth and development.

However, as Boddewyn and Hollander (1972) observe, this situation began to change in the early 1970s, with more emphasis placed upon policies relating to the distributive trades, as governments realised (or accepted) that distribution was not merely a simple intermediary process between production and consumption. Numerous explanations may be suggested for this change in attitude. Economically,



retailing and the distributive trades in general, have been recognised as a growing economic sector, and as a major employer. Moral factors closely related to consumption have also played a part, as governments have recognised the need to protect consumers, particularly those in underprivileged groups. Furthermore, from a social point of view, retailing is a major employer of certain difficult employment groups, such as school leavers, and part-time workers.

Other influences relate to the physical impact of new retail institutions and innovations, as the suburbanisation of both consumers and retail facilities has created anxiety over the future of the central business district, and also certain groups representing the interests of retailers and consumers have an ability to apply pressure upon governments. Finally, Boddewyn and Hollander suggest that the growth of international observation and cooperation has provided governments with examples of the problems and solutions followed in other countries, and they also refer to ...

"some built-in mechanism in government intervention whereby once regulation starts somewhere in the economic system it has to be progressively expanded to the rest in order to plug various loopholes. Consequently, retailing is getting more attention because, in a way, its turn has come."

## 5.1. AIMS AND OBJECTIVES OF PUBLIC POLICY IN THE RETAIL SECTOR

Some government policy effects will be indirect, in the sense that policy measures aimed at other economic sectors

will have some impact upon the distribution system and retailing. Various policies influencing the distribution of population and income will have a general impact upon the consumer element of the retail environment, whilst more specific decisions, such as the removal of private transport from town centres for environmental protection purposes will have a more direct effect upon consumer shopping patterns and town centre retailing.

Where direct government intervention in the retail sector has occurred, and policies have been aimed specifically at the distribution sector, two major goals can be identified (Dawson 1982). The general aim of such policy measures has been to reduce conflict between various participants in the retail system. Conflict may arise on numerous occasions between consumers and retailers; local government representatives and retailers; large corporate organisations and society; and even between different retail institutions, as large self-service stores clash with smaller traditional service outlets.

The second major focus for public policy in the retail sector has been the encouragement of social responsibility on the part of institutions within the sector. In this respect, attempts have been made by the state to gain, or force social concessions from retail organisations. Occasionally organisations have volunteered these concessions freely, particularly in respect to catering for the needs of elderly or infirm shoppers, through the

provision of free bus services, teleshopping facilities, and special shopping hours at Christmas. However, in many cases, the government has had to force social responsibility upon retail organisations. One example of this is "planning gain", whereby permission for retail development is made conditional upon the provision of social and community facilities alongside any commercial development.

More specifically, Boddewyn and Hollander (1972) identify five principal goals of public policy toward retailing, which would appear to be common to most countries. One major aim of retail policy is undoubtedly the protection of small retailers, which is seen as desirable for a number of reasons. Small scale retailing can be perceived as providing opportunities for various lower level groups to move up the social order, and as a means of integrating the commercial middle class into society and preventing conflict between them. Furthermore, protection of small retailers is seen as necessary to preserve certain values or ways of life which might be considered as desirable in a pluralistic society, and also to create and maintain a reservoir of entrepreneurial talent for future development. Last, but not least, this form of action rewards and retains an important political group.

A second major goal of retail policy is the improvement of retail efficiency. The encouragement of more efficient distribution systems can do much to restrict inflation. Increased efficiency may be obtained by encouraging new more efficient retail innovations, or by raising the productivity

of the existing retail structures, through education, the adoption of new retail techniques, and the encouragement of collaboration and cooperation.

Closely associated with improving retail efficiency is the third aim identified by Boddewyn and Hollander, that of stabilising retail prices. This objective usually becomes high priority when prices are excessively depressed or inflated. Often competition is encouraged to achieve some degree of price stability, hence the widespread decline of support for resale price maintenance policies.

A fourth objective, that of consumer protection, has steadily become more prominent and increased in scope from the basic prevention of fraud and deception, to encompass regulations dealing with the display of labelling, weights and measures, pricing policies, and accurate advertising.

Finally, since the 1970s, in connection with land use controls and a general increasing concern over the environment, protection of the environment itself has become a fifth aim of public policies relating to the retail trades.

Most of these specific objectives are concerned with some form of conflict resolution within the retail sector. It is commonly recognised that many of these conflicts and the growth of public policy in the retail sector, have occurred owing to the arrival of new, and often "aggressive" retail institutions such as the hypermarket. These developments have challenged the position of existing retail

structures, encouraging claims of unfair competition and advantage, leading to demands for state intervention. Dholakia and Dholakia (1978) suggest that in advanced capitalist economies, the increased intervention of the state in the retail sector has been largely due to the development of large scale retail organisations and institutions ...

"the pressures for ... policy originate from the protectionist demands of an atomised trade alarmed by the growth of large scale retailing."

## 5.2. APPROACHES TO RETAIL POLICY

The resolution of conflict in the retail sector is generally attempted through one of two different approaches (Dawson 1979a). Policies may be introduced which seek to achieve objectives through a more equitable distribution of market power, or by improving the economic efficiency of institutions within the distributive sector. Both approaches may seek to achieve the same specific goal. For the aim of obtaining low priced food distribution the equity approach would involve policies which support or subsidise smaller retailers to allow them to compete on price terms with larger organisations. Whereas the efficiency motive would promote policies that encourage the development of organisations that are able to distribute food at low prices. The essential difference between these two approaches is that the equity motive tends to consider retailing as a social service, whilst the efficiency approach considers retailing as purely an economic activity.

These differing approaches tend to focus action upon different areas of public policy.

#### 5.2.1. The Equity Approach.

Those policies based upon a more equitable distribution system fall into two main policy areas. The control of market power is often regarded as the restriction of the activities of larger organisations to prevent monopoly situations developing, and consequently consumer choice being limited. Some policies in this area may increase the efficiency of the distribution system, but most will tend to limit or restrict attempts to increase efficiency. Policies may seek to control the power of an individual organisation, by the prevention or control of takeovers and mergers with the aim of restricting organisational monopolies. Alternatively, policies may attempt to control spatial market power by regulating the development of establishments.

The second policy area where the equitable approach to public policy is dominant is that of consumer protection. Conflict between consumers and retailers is common and most countries have policies and legislation to protect the consumer from malpractices. This area of policy has become increasingly popular for several reasons. The adoption of mass merchandising techniques has presented the unscrupulous operator with the opportunity to exploit defective products, whilst the vast number of consumer goods becoming available on the market as technology progresses, requires increasing

care to be taken over safety and quality standards. Furthermore, the consumer has become more sophisticated, and better informed, and more willing to assert his or her rights.

#### 5.2.2. The Efficiency Approach.

When public policy in the retail sector is motivated by the desire to increase the efficiency of the distribution system, the type of policy pursued will depend greatly upon the actual definition of efficient or efficiency, which will vary according to different political philosophies. The types of policies resulting from this approach are often a response to immediate and obvious conflicts in the retail system and fall into three areas.

Firstly, policies are utilised which control what are regarded as restrictive marketing practices. In this case, the intention is to preserve and encourage competition, in line with the political philosophy that increased efficiency results from increased competition. Protection of this kind, such as the Robinson-Patman Act in the USA, which made discriminatory supply terms for larger retailers illegal, maintains more companies in the retail sector.

Secondly, policies may be pursued that will either restrict entry to, or encourage exit from, the retail sector. Unrestricted entry to the sector can encourage the creation of a large number of marginal enterprises, which may soon die. Alternatively, exit promotion schemes allow for the rationalisation of the retail sector, through the removal of inefficient firms.

Finally, the state may introduce policies which encourage modernisation and investment. In this area, the government may take positive action by either directly subsidising or investing in retailing, or by stimulating private enterprise activity. Education and training schemes, and the encouragement of voluntary groups for independent retailers would fall into this area of policy.

### 5.3. PUBLIC POLICY INSTRUMENTS AND MEASURES

Whichever approach is taken to issues, there are numerous instruments available to the state through which it can seek to achieve its objectives. The Commission of the European Communities (1978) have identified seven broad policy measures followed by governments in the retail sector.

#### 5.3.1. Rules on Competition

A wide range of legislation falls into this category, but most can be identified under two sub-categories. Monopoly control legislation is applied to all sectors of the economy, with the specific aim of controlling potential abuses of market power. This type of legislation protects both consumers and other distributors, and is important in managing power relationships within the marketing channel and trading relationships between manufacturers and retailers. The major problem with monopoly control legislation is the identification, definition, and measurement of market power, at both a local and national level. However, negative legislation or control policies of



this kind have often been ineffective, as organisations find loopholes to exploit. Consequently, there has been a trend towards encouraging business self-regulation.

More specifically aimed at the distribution sector are the second type of competition policies, which control particular retail techniques and procedures which are considered detrimental to competition. Legislation in this sub-category covers aspects such as the regulation of promotional practices, loss leading practices, and refusal to sell or supply, all developments which can be abused and which can create unfair competition.

#### 5.3.2. Rules on Establishment

It is often suggested that freedom of entry to the retail sector will provide a self-regulatory check on the creation of monopolies. However, despite freedom of entry having been established in the EEC through the treaty of Rome, some countries (most notably Italy) have limited control upon the birth rate of companies in the distribution sector through various licensing procedures. The licence, which permits establishment, usually requires the applicant to have received some training in the distributive trades. These policy instruments are designed primarily to control organisations, rather than individual stores.

#### 5.3.3. Policies on Vocational and Further Training

The effectiveness of any rules on establishment, based upon licensing controls, is closely linked to the government's commitment to directly provide and encourage vocational courses and training facilities, especially in

the small firm and distributive trades sector. These instruments can be used as part of a positive, developmental retail policy, in contrast to many of the other legislative steps which are primarily negative and relate to control policies.

#### 5.3.4. Policies on Taxation

Taxation also affects the distributive trades, especially variable taxes such as VAT. Furthermore, differing local tax rates can make significant differences to the operating costs of a firm, and it is sometimes suggested that the lower taxes and rates paid on suburban sites has done much to encourage retail decentralisation.

#### 5.3.5. Policies concerned with Buildings and Rental of Premises

Legislation introducing controls over individual establishment (as opposed to organisational) location, which is often referred to as retail planning, is widespread throughout the EEC, and is usually operated through land use planning machinery. Most legislation concentrates upon potential problems associated with urban areas, although there is increasing concern over the provision of shops in rural areas.

The overall objective of establishment location legislation is generally to ensure a mix of store types and locations which achieves some socially acceptable, consensus definition of "adequate provision" of retail facilities. Generally, there are two types of establishment location

policies. Either control is attempted through the existing framework of land use planning policies, as is the case in Britain, or specific regulations are introduced to control solely the location of stores. Whichever option is pursued, the legislation is generally implemented at the local government level, which can pose problems in the interpretation of policy, but which provides for the easier integration of retail issues into the overall planning environment.

#### 5.3.6. Legislation providing Financial Aid to Distributors

Many countries have introduced various systems of financial aid specifically for small businesses engaged in the retail sector. The specific objectives for these types of schemes are to protect new organisations from problems that they may encounter in the first years of operation; to soften the competitive climate for small traders by effectively providing them with a subsidy; and to provide finance for the modernisation and rationalisation of establishments operated by small traders.

Generally, much of this aid is provided in the form of low-interest, or interest-free loans and is initiated at either the regional or local level. Although the majority of aid schemes of this type provide finance for small traders to convert to self-service, or to refit and modernise a store, some general measures such as tax allowances and regional and urban development schemes, may also apply to larger organisations.

### 5.3.7. Social Measures

Financial aid may also be provided by the state to resolve potential social problems encountered by specific groups in the distribution sector. Most of these schemes encourage the closure of small, economically marginal, retail enterprises in which the owners are close to retirement age. Legislation of this type helps to speed up rationalisation programmes within the sector, and acts as an anti-poverty measure.

Any of these policy instruments is likely to have implications for other policy objectives and measures, even though legislation may be geared to one specific problem. Similarly, the scope and variety of issues that arise in the distribution sector, means that no single policy measure can solve all of the problems.

### 5.4. THE DEVELOPMENT OF PUBLIC POLICY TOWARD RETAILING

The development of any coherent state strategy with regard to the retail sector is hampered in most countries by the general structure of planning systems. Retail and location planning traditionally straddle several local and central government departments, and there is often no single government department or agency to coordinate public policy for the distributive trades. This lack of overall control and coordination means that there is usually little information available from which coherent and comprehensive retail strategies can be derived.

One consequence of the absence of any overall strategy is that the policy measures that are undertaken tend to be responsive rather than pre-emptive. The choice of particular approaches and instruments depends upon the government's perception of problems and conflicts within the sector. Generally, the government only becomes aware of a problem after a conflict has begun. Consequently, most of the specific measures and policies adopted by the state in the retail sector are responsive and tend to be negative or control-type policies, rather than being positive or constructive in nature, through the anticipation of change. A further problem facing public policy in the retail sector is that policy is often implemented by different levels of government within a country. In addition, owing to the growth of international cooperation and the formation of groups such as the EEC, conflict may arise between national and international approaches and policies.

Also, as Dawson (1980a) observes, evaluation of specific policies is difficult, due to a number of problems relating to the identification of objectives, and the measurement of effects. Once again, the lack of central state direction or coordination compounds these problems, as survey design and procedures tend to be different and consequently hinder any attempts at comparison between studies. The vicious circle is continued as these problems of comparability and assessment limit the information from which coherent strategies can be developed.

Essentially the final approach taken by the state

toward retailing, and the specific type and mix of policies that it adopts will depend upon the government's perception of problems and objectives, which will in turn be governed by the economic interest groups involved, and the pull of political ideologies. The role of pressure group politics in influencing government decisions should not be underestimated in any aspect of planning and state intervention, as Hayward (1978) acknowledges.

Various interest groups exist within the distribution sector, all of which look toward the government for support against actual and potential competitors. Events which alter the status quo may threaten certain groups, some of which may be powerful enough to exert influence, and successfully defeat, or at least restrict, "innovative intrusions". Although referring specifically to general economic planning, Hayward (1978) stresses the important role that politics can play in determining the approach to problems, and the mix of policies adopted in planning policies...

"it is even more difficult to separate politics from planning than it is to separate politics from administration. The planner both in communist and non-communist societies, is a technocrat, whose expertise is adapted to suit political purposes. Any pretention to separate political ends from planning means is as illusory as the technocrats claim to reduce partisan passions to the serene, scientific dimensions of a series of equations."

##### 5.5. ACCESS TO POWER IN FRANCE

One of the most striking features of French society is

the role of interest groups in policy making. As shall be shown in the next Chapter, the pressure groups of small retailers had considerable influence upon the measures introduced by the government in France to combat the growth of large retail stores. To enable a clearer understanding of the influence and methods employed by such groups it is necessary to consider the relationship between the institutions of state and these groups, particularly with regards to the potential avenues to power available to these groups.

According to Ashford (1982), France often appears to be an anomaly, for although since the Revolution authority has had to be seen to have conformed to the popular will, there has been considerable difficulty in developing the institutions necessary to support this concept of democracy. Consequently, France throughout history has remained vulnerable to "political adventurers and heroic leaders".

The political and historical development of France has endowed the state with an elaborate and top heavy administrative system, which according to Kesselman (1970), is characterised by "overinstitutionalisation and political constraint". In the 1970s when the government was pursuing a strongly centralised philosophy, one explanation for the dominant role of the bureaucracy, was found in Crozier's concept of "the stalemate society", which provided an explanation of collective behaviour through a description of national character. The French people were perceived as seeking to avoid face to face conflicts, so they became

dependent upon the administration. This generated cycles of neglect and rapid adjustment, which further reinforced centralisation and the power and influence of the bureaucracy. Throughout the resulting complex system of legislation and procedures, "institutional uncertainty" (Ashford 1982) dominated, as popular views of individual and collective rights, and the actual executive and legislative rule of the state were not clearly defined nor understood.

Decisions made by the state could often appear to be confusing and arbitrary, and group frustration was further compounded by restricted access to power through conventional channels, owing to the ineffectiveness of parliament. At the heart of this problem lies the structure of local government in France. Of the close to 38,000 local authorities, only 159 contain a population of over 30,000 inhabitants, and 90% serve less than 2,000 people (Kesselman 1970). This fragmented structure impairs efficiency and restricts adaption and change at the local level.

The mayor of a commune has in many ways a dual role, representing both the electorate, and as he or she is responsible to the *préfet*, the state. The mayor in France can become a powerful figure, particularly through the accumulation of offices (*cumul des mandats*), to maximise their local influence and authority. Ashford (1982), notes that two thirds of the deputies in the National Assembly, and 96% of Senators have accumulated offices. This often results in national politicians retaining the mayorship of a



commune. Hence, as Wilson (unpublished) notes ...

"what counted in France at the local level was not so much the political affiliation of the local mayor but rather his personality."

The overall weakness of political parties at the local level has further enhanced the role of personality and charisma of individuals in local politics. In addition, the relative strength of the left wing political parties, at the expense of the centre and right wing groups, at the local level often lead to conflicts between the different tiers of government, which again hampered any concerted challenge for power through the conventional channels of local government. Kesseiman (1970) concludes...

"the consequences of the overinstitutionalisation of local governments, prefectual administrations, and political parties is to preserve their symbiotic interdependence, stifle participation and adaption, and contribute to more general stagnation within the French body politic."

One of the major features of the 1958 constitution establishing the Fifth Republic, was the strengthening of the position of the executive in relation to parliament. This again did much to increase the frustration of interest groups with the conventional channels to authority. Wright (1978) concludes ...

"one of the most striking characteristics of the Fifth Republic has been the rapid decline of parliament ... the demise of the French parliament may be attributed to a combination of factors - the constitutional restrictions, governmental ill-will, the obstructionism of the administration, the indifference of individual members of parliament, and the domination of parliament by a disciplined pro-governmental coalition."

Although the government is constitutionally responsible

to parliament, and whilst parliament defines the general parameters of government action, and can maintain a check on the executive through parliamentary questions, amendments to bills, or by exposing scandals, parliamentary power has undoubtedly been curtailed since 1958.

Constitutional restrictions include severe limits upon the time parliament is allowed to meet (five and a half months), and the government's effective control over the timetable and agenda of both the National Assembly and Senate. The financial powers of parliament have also been curtailed, and the committee structure of the National Assembly has been made less specific and more unwieldy. In effect, parliament's power to bring down the government has been limited to a vote of censure, the defeat of any bill which the government has turned into a vote of confidence, or the rejection of the government's statement of general policy as presented by the prime minister.

Unconstitutional factors limiting the power of parliament, noted by Wright (1978), include the indifference and attitude of deputies to governmental abuses of power, the incapacity to deal with the volume of legislation presented to it during the short sessions, and the inability to control and monitor the implementation of measures voted through parliament. Legislation carried through parliament becomes law through a series of decrees, which can restrict or twist the spirit and intention of the original legislation.

The frustration generated by the limited influence of

parliament, the weakness of local political parties, and the dominance of political personalities, all of which restricted access to authority, in many ways encouraged discontent sections of the population to seek less conventional channels to power in the form of various pressure groups...

"given the weakness of political parties and the legislative, groups may acquire more effective influence and provide more essential service than groups in more stable systems." (Ashford 1982)

Ashford even suggests that the violent nature of many protest groups may be attributed to this frustration with the political and administrative system...

"In a policy framework, much of the protest and even violent behaviour of the French may be attributed to institutional uncertainties."

## 5.6. THE ROLE OF PRESSURE GROUPS

As Wright (1978) acknowledges, the term "pressure group" encompasses a wide variety of organisations and groups which may not initially appear to fit the term. Certain political parties may be viewed as intellectual pressure groups, whilst more traditional interest groups may form political parties to fight certain elections on specific issues. Similarly, large firms may also wield the same influence as pressure groups, particularly if state owned, and different state institutions may act as interest groups championing their own interests when competing for limited resources with other sections of the administrative machinery. Undoubtedly there are a broad number of areas

and issues in which the state comes into contact with either traditional pressure groups, or organisations and interests behaving in a similar way.

Certainly in the case of France, interest groups (in a variety of guises) have played an important part in policy decisions. The impact of any such group will depend upon the image, membership and finance, and cohesion of the group. Generally, membership and resources will rise during times of crisis, but will then fall away quite sharply once the status quo or its objectives are attained.

Safran (1977) suggests that during the Third and Fourth Republics, interest groups had closer links with political parties, which allowed access for their views to parliament. However, de Gaulle's contempt for pressure groups, and the constitutional reforms of 1958, have reduced the effectiveness of this traditional channel to power. The fragmentation of the French administrative system, with its small constituencies, the personalised relationship between the representatives and the electorate, and the weakness of political parties, has encouraged interest groups to be at their most coherent and active at the local level, and to intensify their activities at election time (Ehrmann 1976). The influence of certain interest groups upon local politicians has to some extent created a myth as to their power...

"not to oppose them was considered a legacy of political wisdom handed down, largely as it were, from generation to generation." (Ehrmann 1976)

Some of the larger, better organised and more

nationally established groups have achieved institutionalised access to power through representation on the Social and Economic Council, and other committees. However, as Safran (1977) shows, their representation on the Council has declined during the Fifth Republic, and the real influence of groups on this and other committees must be open to question. Bureaucrats resent, and avoid the involvement of interest groups in the decision making process, recommendations made by these groups are often ignored, and there is a defined hierarchy of "approved" organisations with which the bureaucracy will deal.

Effectively, access to power for interest groups through legitimate channels is limited, and as these groups grow both in size and in the resources at their command, they are likely to turn to other avenues to achieve their goals. As Safran (1977) notes ...

"The result of frustrated interest group access is a growth of spontaneous or extrainstitutional political action exemplified by general strikes, street demonstrations and violence."

Wright (1978) identifies four models of state-pressure group relationships which may provide a framework for analysing pressure group activity and behaviour. The domination-crisis model, relies upon Crozier's idea of a "stalemate society". The desire to avoid face to face confrontations, and the existence of a powerful and centralised bureaucracy hampers the influence and activities of interest groups which become fragmented. Groups, wary of cooperation, fight amongst themselves to defend thier own

interests and effectively maintain the status quo. Change can only be brought about by sporadic upheavals, but then in the periods that follow the status quo reasserts itself. Consequently ...

"the state dominates the group and imposes its directives upon them in authoritarian fashion. But, fearful of insurrection, it is unable to impose radical reforms which can be effected only in a crisis situation."

Although the endemic and open conflict model also assumes an authoritative state, fragmented interest groups, and the role of crisis as a catalyst for reform, these features stem from the functioning of political institutions, rather than from the characteristics of the population. This model suggests that the decline of parliament since 1958 and the associated closure of traditional channels of access to authority has restricted the political leverage of groups. In turn, this has increased their frustration, and encouraged them to consider extra-institutional activity in the form of open conflict, often of a violent nature. Strikes, illegal obstruction, and street violence of a political, nationalistic, or sectoral nature may follow.

The other two models distinguished by Wright (1978) view the state-pressure group relationship more as one of cooperation rather than conflict. The corporatist and concerted politics models are centered upon partnerships. The concerted politics model argues that state-group links are both desirable and inevitable. Cooperation is

institutionalised in the search for consensus and rational decision making. In the corporatist politics model cooperation is again desired and institutionalised, but notions of a hierarchy of groups, discrimination and privilege are developed as certain groups are favoured in return for their support.

Finally, the pluralist model sees the state as attempting to bring about adjustments between conflicting interests, rather than enforcing the "general interest". Accommodation and incrementalisation become dominant, and power is diffused between a large number of groups. Small changes in the status quo occur, rather than major shifts, which may offend particular participants in the system.

Wright cites examples which support each of these models, and exceptions which discredit them. Whilst no single model can be adopted as a general theory, particular models may explain specific relationships between interest groups and the state. Essentially, the type of relationship that develops will depend upon both the power and influence of the particular interest group concerned, and the attitude of the state, or the relevant section of the state machinery, to this group.

Amongst the factors suggested by Wright (1978) that contribute to the power of an interest group are the access that it enjoys to decision makers, and the strategic role that it may play in the nations social and economic life. Of equal, if not more, importance at certain times, will be the electoral influence wielded by the group,

particularly if it has the strong backing of public opinion for its cause. In certain sectors, the role of countervailing forces, the attitude towards the group of specific decision makers, and the degree of representation achieved by a group may be crucial. Internally, the groups cohesion, financial resources, technical expertise, its ability to mobilize the membership, and its level of combativity are important. Finally, it should be remembered that changing political and social circumstances, and policy changes made by the state will influence the power of the interest group.

With regards to the attitude of the state towards a group, six possible stances have been identified by Wright (1978). The state may enter into collusion with certain of the more powerful groups, which will benefit from specific privileges. Alternatively, both sides may retain their independence and genuine collaboration may occur to form a symbiotic relationship. Particularly troublesome and influential groups may receive favourable discrimination for political motives, as attempts are made to pacify this group, and to absorb it into the institutional framework. At the other end of the spectrum all, or specific groups may be totally resisted, or the state may reluctantly tolerate certain groups - primarily on the basis of electoral fears.

#### 5.7. SUMMARY

There are numerous aims that the state may pursue in relation to public policy measures directed at the retail



sector. Similarly, there are various approaches that can be taken, and instruments utilised, in order to try to achieve these goals. As shall be shown later, in the case of the Loi Royer, the legislation was primarily aimed at conflict resolution with the specific intention of protecting the small retailer in mind. The government in France adopted what may be regarded as essentially an equity approach to this issue, seeking to control market power through the control of certain retail establishments.

As shall be revealed in the next Chapter, this particular package of aims, approaches and instruments was determined largely by the influence of the small retailer pressure groups, who became increasingly militant in their actions as traditional channels to power were closed to them. In relation to the endemic and open conflict model of state-pressure group relationships, the extra-institutional activities of these groups extracted "political" concessions from the government in the form of legislative controls upon the development of large area retail outlets.

## CHAPTER SIX : RETAIL LEGISLATION IN FRANCE

Many of the five fundamental goals of public policy toward retailing identified by Boddewyn and Hollander (1972) underlie the policies that the French government has followed in its attempts to influence the evolution and development of the distributive trades. More specifically, in the same volume, Cortesse (1972) suggests that French retail policy has evolved around three major objectives. Firstly, the lowering of distribution costs, by the regulation of retail price levels in the short term, and through the encouragement of more efficient forms of distribution in the longer run. Secondly, the protection of those small and medium sized businesses threatened by closure, which could create numerous social, political, and ultimately economic problems. Finally, the slowing down of the growth rate of large surface stores, justified by the assumption that all traders should have an equal chance to develop. Therefore, excesses of competition (in this case regarded as large area stores) should be curbed, and the small independent retailer should be provided with the intellectual and material means necessary for development.

There appears to be some contradiction between these conflicting aims. The modernisation of the distribution system in France was desired, to reduce the costs of distribution, yet the rate and form of this modernisation was to be restrained to prevent the disruption of the social, economic and political status quo. These opposing

objectives, and the resulting conflict between them, is reflected in the policy measures towards retailing that the French government has adopted since 1960. The policies followed prior to 1972 had the common aim of attempting ...

"to promote movement, create innovation and stimulate competition." (Fries 1978)

and contrasted with those devised since 1972, when there appears to have been a fundamental change in government attitude - from one of encouragement to one of restraint and restriction, designed to slow down and control the growth rate of new forms of retail distribution.

#### 6.1. THE DEVELOPMENT OF GOVERNMENT POLICY

Following the second world war, the prime objective of planners in France, and the main consumer of public resources, was the provision of adequate housing. However, the large-scale housing developments which resulted from this channelling of resources, were generally lacking in accompanying infrastructure. Steps to remedy these deficiencies were soon taken by the government in the case of health and education facilities, but commercial infrastructure, traditionally the responsibility of the private sector, remained underdeveloped.

The first indication of government interest in the retail sector was an acknowledgement of the shortage of retail facilities in the new urban developments. Circular number 61-43, the "Fontanet Circular" of 24th August 1961, issued by the Minister of Construction and the Under-

Secretary of Commerce, suggested guidelines for commercial development based upon the ratios adopted by the SCIC (Société Centrale Immobilière de la Caisse des Dépôts et Consignations) for their own commercial projects, in an attempt to ensure that a minimum of retail facilities were provided in recently constructed districts (Romec 1977). The Circular suggested that developments involving more than 1,000 housing units should be accompanied by a survey of commercial needs conducted by the developer (Coquery 1976). This survey should include an assessment of the present and potential buying power of the development; suggest the best type (in terms of size and location) of retail facilities to accompany the development; and include a review of existing and proposed shopping facilities. For projects with less than 500 housing units, the guidelines suggested that one of the units should be used as a shop.

According to the Fontanet Circular, three categories of commercial development should be incorporated into new urban areas - secondary shopping centres, offering everyday goods; primary shopping centres, offering a wider range of goods; and public market places. The suggested guidelines were, however, often ignored and did not take into account new forms of retail outlets such as the supermarket and hypermarket. Despite these shortcomings, as Beaujeu-Garnier and Bouvert-Gauer (1979) comment, this circular was important as it provided the first evidence of central government interest in retail provision and suggested that

retailing should be regarded as a "basic infrastructure" rather than as a purely "social factor". Another important element of the Circular was the reiteration of the illegality of refusal to supply tactics used by suppliers to combat the emerging discount organisations. The involvement of the government in the retail sector was further enhanced by the formation of an inter-ministerial working party to study the general problems associated with commercial centre development.

The initial acknowledgement of the problem of underprovision of retail facilities was repeated in the Fourth National Economic Plan of 1962, which again suggested the appropriate type and volume of retail infrastructure that should be provided in urban developments. The equivalent of a shop of 130 square metres per group of 60 flats, or 2.2 square metres of gross area (1 square metre of sales area) per housing unit was recommended, along with the development of a centre consisting of eighteen shops per 1,000 housing units. The Commerce Committee of the Fourth Plan criticized the lack of construction guidelines, and argued that all development plans should be submitted to the administration, illustrating the amount and type of any proposed commercial facilities to be included in the development. The administration would reserve the right to impose commercial equipment ratios on plans where none existed. However, despite these views no clear cut directives were issued. Once again, implementation of these guidelines was left to the discretion of the individual

developers, and no control mechanism was established to ensure that the suggested standards were adhered to.

During the preparation of the Fifth National Economic Plan (published in 1966) the Commerce Committee was reinforced to consist of eight working groups and thirty-five sub-groups. This gave some indication of the increased emphasis placed upon retailing by the Commissariat Général du Plan. The Committee once more criticized the lack of adequate retail facilities in large housing developments, but the major part of its report concentrated on the problems of accessibility in existing town centres and to shopping facilities. It was suggested that in view of the increase in car ownership, peripheral shopping centres such as were developing in the USA might provide the solution to many of these problems. The strong reference made to the USA model, despite an acknowledgement that conditions were very different in Europe, did much to encourage the growth of large scale retail units, and set the scene for the spectacular growth of the hypermarket institution in France.

## 6.2. "CONSTRUCTIVE" LEGISLATION

The early advisory role adopted by the government assumed a more positive expression in 1966, following the transfer of the responsibility for building to the Minister of Equipment. The first piece of legislation after this move was the "Directive on Land" of 30th December 1967, which introduced the "Code d'Urbanisme" (Code of City

Planning) based upon two land use documents which were to be drawn up and approved before development could take place. The two documents covered different levels in the planning process. The "Schémas Directeurs d'Aménagement et d'Urbanisme" (SDAU) defined the long and medium term future land use within the designated areas, whilst the "Plans d'Occupation des Sols" (POS) regulated individual projects within the relevant SDAU, during the short term (Georgel 1974).

The SDAUs, drafted for all towns with a population in excess of 10,000, consisted of two elements, a report of the existing situation and a plan for future development, drawn up jointly by the state and other authorities concerned. A commission designed the plan from files of information provided by the départemental public works service, or by a contracted town planning agency. The draft Schéma was then submitted to the various administrative services and municipale councils to which it was relevant, who then had three months to either endorse or reject the proposal. Final approval for the plan came from the Minister for Equipment.

The POS, by their very nature, needed to be compatible with the relevant SDAU. These documents established the detailed regulations applicable to the land uses suggested in the SDAU. However, these regulations could be relaxed if it was deemed necessary. The POS was drafted by a working group of similar composition to that which drew up the SDAU, and the final edition of the POS was approved by the Préfet.

These two town planning documents gave the government or local authority the ability to control the levels of commercial infrastructure provided in new urban developments, and marked the government's first step towards positive interest and control in retailing - albeit indirectly through general land use legislation. This role contrasted with the previous advisory stance taken by the government.

The Circular of 29th July 1969 on "the place of commercial infrastructure in the development of towns" was another move towards positive government intervention in the retail sector. The Circular acknowledged "the traditional principles of freedom of development and of competition" within the commercial sector, but regarded commercial infrastructure as a problem of "equipment" and defined three objectives for commercial planning.

Future development was to be balanced, with the least possible cost to existing communities; planners and developers were to note the opposition of the small traders towards large retail units; and the financial position of the central business district was to be considered. The Circular stated that the consideration of commercial planning documents was a necessity. The SDAUs should define areas for commercial development, whilst the POS was to regulate development and ensure that the necessary infrastructure was developed by the promoter.

The most important outcome of the Circular was,



however, the creation in each département of a fifteen member planning Commission, consisting of administrative and commercial representatives, and chaired by the Préfet. As Coquery (1976) notes, the motive behind the formation of these committees was to achieve a formalisation of participation by the various "actors" in the commercial development field ...

"this committee ... must unite the representatives of all forms of commercial activity; wholesalers, department stores and variety stores, multiples, consumer cooperatives, voluntary chains, associations and isolated retailers. The local chamber of commerce and industry and chamber of trade should also delegate a representative. The départemental director of equipment and départemental director of internal commerce and prices should always be members of the committee. Finally, there should be a representative of the consumers and one or other personalities known for their expertise in the field of commercial equipment, chosen by the préfet." (Coquery 1976 - from the original Circular)

The role of these Commissions was consultative, and they were required to express their opinions on all proposed commercial developments involving a sales area in excess of 10,000 square metres.

In December 1969, Jean Collin, a senator from Essone (91) attempted to reduce the size threshold of developments falling under the auspices of the newly formed Commissions. Collin argued that the growth of large store retailing was proceeding at too great a pace to allow the small traders to adapt. The government opposed this view and Chirac (Minister of Finance) stated that large store development in Europe was inevitable, and a function of the modernisation essential if the French economy was to maintain its place in

the European market. A mixed commission of the National Assembly proposed an amended version of the Collin proposal which was accepted. These amendments, put into effect by the Circular of 27th May 1970, reduced the size threshold necessary for a proposal to seek the advice of the consultative planning commissions to 3,000 square metres, and renamed these commissions the "Commissions Départementales d'Urbanisme Commercial" (CDUC).

This legislation represented a course of action half-way between complete freedom of competition, and restriction of development, as the Commissions were instructed by the 1970 Circular to "look favourably" upon projects for large stores proposed by the cooperatives, voluntary groups and independent groups, and projects that involved the creation of both large surface stores and traditional outlets. In October 1971 the Minister of Economy and Finance published a review of the CDUC meetings that had occurred since their creation until July 1st 1970 (Coquery 1976). This revealed that 270 of the 370 projects discussed by the Commissions had been approved, but more importantly, nearly 2 million square metres of the proposed 2.2 million square metres of sales space had received a "favourable advice". Thus, whilst appearing to support the growing opposition of the small traders towards large scale units, the government had done practically nothing to restrict their development. If anything, this lack of regulation in the legislation of both 1969 and 1970, indirectly encouraged the growth of large outlets.

The government also undertook other legislative steps in the 1960s that were designed to encourage the evolution and modernisation of retailing in France. Various financial institutions were created to provide capital for small and medium sized traders to modernise their businesses (Ministère du Commerce et de l'Artisanat 1978). The Crédit Hôtelier Commercial et Industrial (CHCI), established a network of 160 offices to provide tax-free loans for between 8 and 15 years. These loans could cover up to 70% of investment costs. In 1976, 4649 loans, totalling 1544 million francs were made to businesses in the commercial and service sectors from this fund. A similar credit service, offering medium and long term loans for the modernisation of retail outlets, was provided by the Crédit National. These loans are rarely less than 500,000 francs in value. Consumer and retailer cooperatives could obtain funds from the Crédit Coopératif, and the Sociétés de Développement Regional (SDRs) provided further finance for new entrepreneurs who had few alternative openings into the money market.

Retail information and training centres were also established in the 1960s (Cortesse 1972). The Centre for Studies and Training of Technical Assistants in Commerce was almost totally government subsidised, and trained "technical commercial assistants" to advise small traders. Local Chambers of Commerce and Industry established Instituts de Promotion Commerciale (Commercial Upgrading Institutions) for employers and heads of firms, and in 1965, the Centres

de Perfectionnement Commerciale (Centres for Continued Commercial Training) were created to organise part-time courses for active businessmen. These schemes were complemented in the early 1970s by a government allowance which was equivalent to a days salary for participants on these various courses.

In addition, since 1956, various attempts had been made to reduce the pressures of taxation in the retail sector. The major move in this field of policy was the extension of value added tax to retailing from 1st January 1968. This legislation, introduced in the law of 6th January 1966, acted as an incentive for commercial investment and development, as it represented the end of the archaic system of double taxation in some sectors of retailing, and as a sales tax (as opposed to a tax on gross profit) it was paid by the consumer. Most importantly, businesses could deduct the amount of tax payable on goods which represented a fixed capital investment, from the total amount of sales tax due.

The system of VAT introduced was, however, rather elaborate as the rate of tax varied between types of good from a standard rate of 20% to 7% on solid food products, and 33% on a number of luxury goods (including photographic and cine equipment and cars). To overcome the problems that differential rates of VAT posed for the small retailer, special arrangements were made, in the way of a contract and a simplified system, for the small businessman (National Chamber of Trade 1973).

A contract agreement covered a two year period, with

the level of the contract agreed at the end of the first year of the two year term. This contract method of payment was the standard procedure for traders whose turnover was under 500,000 francs from the sale of merchandise, or the provision of accommodation. Further tax concessions could be obtained by those involved in the contract system if their total VAT payment fell below certain levels. Complete exemption from payment was allowed if the business VAT charge was less than 1,350 francs per year, whilst below a level of 5,400 francs, a progressive tax rebate applied as the total VAT bill approached the complete exemption level.

A further simplified system of VAT could be adopted by those traders whose turnover was not more than double the levels allowing the contract agreement. This system allowed VAT to be paid monthly on the basis of an accounting formula used to estimate the level of tax. A coefficient, which took into account the VAT deductible in respect of purchases and overheads (the previous years ratio between total turnover and the tax payable before deduction of tax relating to investment and total turnover) was applied to monthly turnover, and then the VAT relating to investments actually carried out was deducted from the resulting figure. At the end of the year, accounts were adjusted in accordance with the volume of business actually completed by the business.

Various other tax burdens upon the small trader were removed in the early 1970s to encourage modernisation and

investment. In 1971, supplementary tax was abolished, and in 1972, the rate of conveyancing dues was reduced from 20% to 16.6%, to allow a greater mobility of businesses. Finally, any small trader employing less than two wage earning staff could claim a 15% rebate on the taxation of licences (National Chamber of Trade 1973).

All of the measures taken by the government prior to 1972, were aimed at creating a better fiscal and administrative environment in the hope of encouraging retail investment and innovation in France. In many respects, these measures can be regarded as having been largely successful in these aims, taking into account the rapid growth and spread of new types of retail outlets, particularly the hypermarket and associated large outlets, in the late 1960s and early 1970s.

However, this success meant increased pressures of survival for others in the retail sector, particularly the small independent traders who were generally slow to respond to these incentives. This organisational sector often vigorously opposed the development of large stores, and the continual opposition of the small traders, manifest in increased political lobbying and militant action, led to a fundamental shift in government attitude and policy towards the large retail outlet.

The first evidence of a change in attitude on behalf of the government came in 1972, during the peak year of hypermarket openings in France. As Coquery notes in his 1975 thesis (in Beaujeu-Garnier & Bouvert-Gauer 1979) ...

"it was, therefore, up to the government, which had finally encouraged the growth of modern, large scale commerce, to proceed to weightings of a social character which would correct particular results of the change in the structure of commerce."

This new political environment was reflected in the laws of 3rd July 1972, which reformed the old age pensions of the self employed, bringing them into line with those for other wage earners, and of 11th July 1972, which allowed collective shops of independent tradesmen and cooperative societies to form associations at either the distributor (to compete with larger units) or sales level (to obtain more favourable prices from suppliers).

The new government attitude culminated in the law of 13th July 1972, which although not yet restricting the development of large scale units, showed a more forceful response to the plight of the small trader. This legislation, introduced initially for five years, was intended to assist elderly shopkeepers by providing them with compensation on their retirement (Dawson 1977). Two types of grant were introduced. Special compensation grants for those still in business, but having difficulty selling their premises, and grants from social funds for those who had stopped trading before 1973, but whose businesses still remained unsold. Both of these funds were financed by an assistance tax of 0.3% of social security contributions levied upon firms with an annual turnover in excess of 500,000 francs, and by an additional tax of 15 francs per square metre on all retail stores of over 400

square metres of sales area that had been built since 1960.

### 6.3. THE CHANGE IN GOVERNMENT ATTITUDE

The rapid growth of large scale retail units in the early 1970s prompted a change in government attitude, from a constructive outlook, encouraging these new forms of retailing, to a much more defensive one, aimed at slowing down their expansion. Fries (1978) suggests three forces encouraged this new approach. Firstly, political pressures upon the government to protect the small and medium sized retailer. Secondly, town planning considerations which with one eye upon developments in the USA, saw the out-of-town stores as a potential threat to the continued viability of both the Central Business District and rural facilities. Finally, historical and economic forces stressed the need to preserve fair competition, and demanded a limitation upon the dominant positions already achieved by some of the large retail groups.

However, the government's ability to meet these demands was severely limited within the existing legislative framework. One possible control over the development of large stores was through the limitation of building permits. A building permit was...

"required from all public and private persons, for all acts of construction carried out anywhere in the country. It is necessary for all construction, even those that do not require foundations." (Lemasurier 1975)

This control over development was created by the law of 15th June 1943, and the only exemptions from these permits



(introduced by the law of 3rd January 1969) were state works connected with public buildings, approved HLMS (Habitation à Loyer Modéré - the French equivalent of local authority housing), and any of the approved development zones, the ZUP, ZAC, and ZADs.

Applications for building permits were made to the local administrative authority, to the local mayor for applications of under 1,000 square metres, and to the Préfet for applications of over 1,000 square metres, who then had two months to approve or reject the proposal, or defer the permit for two years (Douglas 1972). Appeals could be made against any of these decisions. Control through this mechanism was, however, largely illusory, as the permit was designed primarily to control technical specifications rather than site locations. Furthermore, as the permits were granted by the local administrative authority, the wishes of the planners were often superseded.

The only other development controls available to the government in 1972, were in the approved urban development zones (Rottier 1974). The local authority had complete control over development in these areas. The "Zones à Urbaniser en Priorité" (ZUP), were areas designed for new public development. The local authority or contracted agency responsible for the zone had rights of pre-emption over the land for four years, and could acquire land at a fixed price. After construction had taken place, a **Taxe Locale d'Équipement** was levied to pay for the new

infrastructure developed.

The "Zones d'Aménagement Concerté" (ZAC) introduced by the law of 30th December 1969 were designed primarily for residential development. A local plan (PAZ) was drawn up in place of the normal POS, and development of this zone was usually contracted out to a private company who built their own infrastructure. Thus, the financing of this type of zone was transferred from the local authority to the private sector.

The third category of approved area, the "Zone d'Aménagement Différé" (ZAD) was instigated in 1962, to prevent speculation by private developers on the fringes of ZUPs. These designated zones of "future development" gave the local authority a pre-emption right over the whole of the delimited area for fourteen years, although a land owner within a ZAD could force the government to purchase their land within one year of the delimitation of the ZAD, or forfeit their rights of pre-emption.

Although the government had absolute control over all development in these areas, the zones only covered limited areas of any town or city. Furthermore, the lack of a legislative control over development was not the only obstacle to government action, as other factors either directly or indirectly restricted their powers of control.

One of the most fundamental issues affecting government intervention was the basic rights of the individual. The "Le Chapelier" Act of 2nd and 17th March 1791 proclaimed the freedom of the individual to establish himself or herself in

commerce. The only prerequisite for setting up a business was that the individual concerned should either be a French National, or should hold a foreign businessmen's permit. This right of establishment dating from the Revolution remained at the foundation of the legislative and regulatory mechanisms in government policy. Consequently, any restrictions placed upon the individual's freedom to establish a business could be construed as an attack upon the basic rights of the French citizen.

Furthermore, government attempts to improve the lot of the small trader by improving the environment within central business areas, through redevelopment schemes, were often doomed to failure due to the existing lease system, the "Propriété Commerciale", established in the law of 20th June 1926, codified by decree on 30th December 1953, and confirmed by the law of 12th March 1965 (Cortesse 1972). This lease system entitled the holder, on expiration of his lease, to either a renewed lease or substantial compensation, usually an eviction indemnity equal to the value of the business in question plus the costs of movement and establishment elsewhere.

These commercial leases were set for periods of at least nine years, and rents were only reviewed every three years, on the basis of the quarterly index of construction costs published by the government. Thus, once a small trader was established, his or her removal without consent, even if the move would be beneficial, was almost

impossible. This system also had the effect of restricting entry into commerce to some extent, as a substantial amount of initial capital was required to purchase a lease.

#### 6.4. RESTRICTIVE LEGISLATION - THE BACKGROUND TO THE "LOI ROYER"

The first legislative step to specifically control commercial development was law number 73-1193 of 27th December 1973. This law, known as the "Loi Royer" after its principle architect the then Minister of Commerce and Crafts, Jean Royer, grouped together and extended many of the previously issued laws and decrees concerned with commerce.

This legislation, was initially registered by Royer's predecessor, Yvon Bourges, who was appointed to the newly created post of Minister of Commerce and Crafts in 1972. However, the bill was adopted and fundamentally revised by Royer, and first placed before the National Assembly on 15th June 1973. The timing of the law's introduction, following a period of unrest amongst the small traders and during the year of National Assembly elections, generated suspicions that the law was primarily a political move to pacify what was regarded as an influential section of the electorate. These views appeared to be confirmed by its restrictive nature which was contrary to the government's previous desire to modernise the distributive sector.

Some of the reasons for the importance and influential role played by pressure groups in French politics and

society have been discussed in the previous Chapter, and these groups had much to do with the change in government attitude towards large store retailing. Furthermore, in the 1970s the administration had an earlier example of pressure group activity in the small shopkeeper sector to which they could refer. The rise of the Poujade movement in the 1950s was a reminder of the influence that this organisational sector could wield.

The rapid industrialisation of France during the Fourth Republic had a great impact upon the small shopkeeper, who had benefited from wartime shortages. In addition, this group were badly affected by tax changes following the war which introduced more controls over assessment, and penalties for evasion. These rapid developments threatened marginal small enterprises who at the time had no pressure group through which to voice their grievances. In theory, the CNPF (Conseil National du Patronat Français) represented the interests of all businesses, but in reality, was a mouthpiece for larger concerns. Similarly, the CGPME (Confédération Générale des Petits et Moyennes Entreprises) represented small industrialists rather than shopkeepers and craftsmen. Denied any formalised access to power, the small traders responded with militant action.

On 23rd July 1953, at St Cele in Lot (46), small shopkeepers disrupted tax audits by blocking the doorways of shops to prevent tax inspectors entering. This method meant that the store owner could not personally be charged with

obstruction or evasion. As a means of disruption this tactic soon spread, and in November 1953 the UDCA (Union de Défense des Commerçants et Artisans) was founded in Cahors under the leadership of a thirty-three year old, Pierre Poujade. The movement rapidly became associated with its dynamic leader.

"Portraying himself as a simple man of the people, the 'petit gars' who spoke in shirtsleeves, he used the vocabulary of the streets (and fields) to rally the oppressed small man. The metamorphosis of the UDCA into the Poujadist movement reflects his success in cultivating this image, as well as his tireless travels spreading the word in the early days of the movement." (Eatwell 1982)

By the summer of 1955, the UDCA had 356,000 members and central reserves of 160 million francs, but had achieved few of its aims. To remedy this situation, Poujade entered the political arena with the formation of the UFF (Union et Fraternité Française) which developed a strongly nationalist theme. In the parliamentary elections of January 1956, the UFF and its allies gained 11.6% of the vote and 52 seats. According to Eatwell (1982), the electoral success of the UFF could be attributed to the fact that it represented the perfect protest party, and it attracted the shopkeeper and craftsman vote, which had previously been either heterogeneous or non-voting.

However, 1956 was to be the peak of popularity for the Poujade movement. Many UDCA members were against the political involvement of the movement, and internal divisions weakened the effectiveness of the parliamentary group. When the UFF opposed de Gaulle in the 1958

elections, it was not supported by its members, and received only 3% of the vote. This snub to Poujade was followed by a slump in the membership of UDCA from 200,000 in 1958 to 100,000 in 1959, as Poujade was increasingly seen to be involved in conspirational politics.

During the 1960s, Poujade began to distance himself from the militant action upon which he had built his popularity, insisting that protest was only valid if the government did not listen to grievances. Pompidou further encouraged this stance by agreeing to consult Poujade on matters effecting small business. This had the effect of diluting the militancy of Poujade, to the extent that he supported the government during the events of May 1968, and in 1970 the UDCA manifesto even suggested a programme involving a contract with the government. To many small shopkeepers it appeared that the rebel of the 1950s had been tamed.

The decline in Poujade's support and the decreasing emphasis placed upon protest and confrontation by the UDCA during the 1960s, encouraged the growth of a new militant small shopkeeper movement. Contrary to Poujade's insistence upon dialogue with the government and his dismissive comments regarding the value of militant action, the concessions gained by those protest groups involved in the disruptions of 1968 appeared to suggest that protest action could be successful. The major concern of most small traders in 1968 was the new tax system introduced by the law of 1966. This legislation, alongside the unpopular

introduction of VAT, made health insurance obligatory for small traders and craftsmen. However, this system was less favourable than that introduced for other self employed groups. These grievances were further enraged with the introduction of an austerity programme in November 1968, which further increased VAT, but allowed concessions for large business.

As complaints grew, and the UDCA seemed to be supporting the government and becoming institutionalised, a new protest group called CIDCAPL (Comité d'Information et de Défense des Commerçants, Artisans, et Professions Libérales) was formed in December 1968. This group attracted 120,000 people to a rally held in Grenoble in February 1969, and as the movement grew in size and traditional channels to authority were closed to it, it turned to militant action. In March 1969 a strike was called in protest against tax increases. In Bordeaux, 7,000 demonstrators clashed with the police, in Vannes windows of large stores were smashed, and in Lorient the main railway line was blocked (Hargrove 1969). In April, Gerard Nicoud, the twenty-three year old secretary of the CIDCAPL and 400 supporters sealed off the town of La Tour du Pin, and sacked the tax office. Nicoud was arrested (The Times 12/04/1969), and his supporters demanding his release clashed with police. As a gesture of support, the CGPME organised a one day strike on 16th April 1969, but many of Nicoud's supporters distrusted the CGPME, and preferred more militant action (The Times 17/04/1969).



With the approach of the de Gaulle referendum on regional and Senate reform, Nicoud was released and concessions promised.

De Gaulle was subsequently defeated in the referendum, a defeat which according to Nicoud owed much to the shopkeeper vote. Inevitably parallels were drawn between Nicoud and Poujade, as the press recognised the role that CIDCAPL could play as a pressure group. A role noted by Ardagh (1969) in The Times ...

"a National rally of small shopkeepers due to be held in Grenoble on May 19th may well help to decide the French presidential election. It was the defection of this class of voters that, as much as anything else, caused President de Gaulle's downfall. If they turn against M. Pompidou too, they could prevent his victory from being a foregone conclusion."

However, Nicoud was quick to dismiss any comparison with Poujade. He had no wish to pursue a political career, and the CIDCAPL was keen to preserve its apolitical stance, to the extent that the group refused to endorse any specific candidate in the presidential elections.

On his accession Pompidou promised the small traders concessions, but none were forthcoming, and in the Autumn of 1969 a new campaign of direct action was launched. On the night of 25th September 1969, the Gaullist mayor of La Tour du Pin, and two policemen were kidnapped by militant shopkeepers (Mortimer 1969). Nicoud went underground, and was condemned to ten months in prison and fined 400 francs for his part in this incident, in his absence. Two months later, Nicoud gave himself up, and an appeal court reduced his sentence to a six months suspended sentence (Mortimer

1970a).

During 1970, Nicoud and Failliot - the leader of another militant small shopkeeper group, UNATI (Union Nationale des Travailleurs Indépendants) - toured the country proclaiming their cause and demanding a meeting with the prime minister, Chaban-Delmas. When this request was repeatedly denied, both groups called for protest action in support of their aims. Roads were blocked throughout France, including Paris, where over 1,000 arrests were made, and Nicoud was once again arrested and sentenced to six months imprisonment (The Times 26/03/1970). Nicoud's arrest sparked off more demonstrations, and in May events took a new course with a series of bomb attacks on the South European pipeline at Revel-Tourdan, the Grenoble law court and police station (Mortimer 1970b), and the burning down of a Carrefour store at Venissieux (Mortimer 1970c). Meanwhile, Nicoud had his sentence reduced to two months on appeal and was released on May 25th 1970.

During the summer of 1970, the CIDCAPL and UNATI merged to form CID-UNATI with a hierarchical network of National, départemental and canton committees under the leadership of a general secretary. Thus, the protest movement became a more formalised pressure group. Nicoud blamed the violence of 1970 on the intransigence of the government, and claimed that he was always prepared to meet the administration. In July 1970, the government finally bowed to the demands for a meeting and met with the new CID-UNATI group.

In the early 1970s, support for the group grew as membership rose from 140,000 in 1970 to 210,000 in 1972 (Eatwell 1982). The movement was particularly well organised at the local level and provided extensive services for its members. At the National level, the programme adopted over the 1970-72 period demanded the complete reform of the 1966 social security law; the control of hypermarkets and supermarkets, and an end to the tax concessions granted to large businesses; and the reform of local taxation, especially the patente.

The meetings held between CID-UNATI and the government made little progress, and Nicoud again called for demonstrations in support of the small traders aims. Nicoud's arrest and the imposition of a fourteen month goal sentence did little to quash the protests, and abstention in the 1972 referendum on extending the EEC was recommended to CID-UNATI members. In the summer of 1972, with de Gaulle's defeat fresh in their minds, the government appeared to give in to many of the demands of the small traders with the release of Nicoud, the creation of a new ministerial post for commerce and crafts in a government reshuffle (Brogan 1972) and the legislative moves of July 1972. The timing of these concessions would seem to point to electoral fears, as Nicoud himself realised, claiming that his release was ...

"not an act of clemency, but much more an act of wisdom at the coming elections, for fear can breed wisdom." (Hargrove 1972)

Despite these apparent concessions, in 1973 CID-UNATI were in the position to extract even further pledges from

the government. Parliamentary elections were due in the Spring, and in May the tax inspectors went on strike in protest over the lack of government action against those who had avoided tax assessments following a CID-UNATI organised boycott. Nicoud warned that the concessions of 1972 were not enough ...

"if the government thinks it has lulled us with a few paltry reforms, it is mistaken. Chaban goes. Messmer appears. We could not care less."  
(Hargrove 1972)

It was in this hostile and threatening environment that parliament met to debate the Royer bill, and CID-UNATI increased the pressure by sending a letter to each deputy informing him that his attitude towards the proposals would be closely watched and not forgotten at the next elections (Wigg 1973).

Any suggestions of political motivations were further enhanced by the personality and actions of the legislation's chief sponsor, Jean Royer, who had been appointed Minister of Commerce and Crafts in the second Messmer cabinet of April 1973. Royer, the mayor of Tours, had been elected to the National Assembly in 1958 as an independent, declaring himself to be "a free man entirely independent of parties and pressure groups" (Keesings Contemporary Archives 1974), and had achieved a certain notoriety following a vigorous and well publicised campaign against pornography in Tours in 1971. Royer was outspoken and unpopular, seen as representing the same conservative political current as Poujade in the 1950s. Despite his denials of any personal

ambition behind the law...

"I brush aside all accusations or insinuations that I intend to undertake a journey of great political ambition, or for the reemergence of neo-poujadisme."  
(Doyere 1973b)

Royer's motives for sponsoring the law were widely questioned in the press at the time. Views that were enhanced by an unprecedented publicity tour around France to explain the law to traders and, critics would argue, confirmed by his candidature in the Presidential elections of May 1984, following the death of Pompidou.

The law did have considerable political undertones, as The Economist magazine foresaw...

"(the) real difficulty for the neo-Gaullist regime, as for its predecessor, lies in a contradiction. Its ambition is to modernise the economy, to eliminate the inefficient and the marginal. Yet it has to rely on the political and electoral support of the very groups it wants to eliminate." (The Economist 11/04/1970)

The small shopkeeper sector represented an influential four million voters, "an essential element in the stability of the Republic", according to Soustelle (Schifres 1973), and posed political problems, especially for Giscard d'Estaing, then the Minister for Finance and favourite for the Presidential elections. For any legislation restricting innovations which would reduce prices seemed contrary to the government's aims of countering inflation! This apparent contradiction was eagerly exploited by opponents of the legislation in the press...

"One says that it will act to regulate an economic and social problem. I rather have the impression that one wishes to regulate an electoral problem."  
(Fournier, of Carrefour, in Doyere 1973a)

The Royer bill had a tough journey through parliament, debate lasting for three weeks and with votes taken on over four hundred amendments to the original draft of the legislation suggested by a National Assembly Committee. Even Giscard cancelled a holiday to speak in the debate (Eatwell 1982). The majority of these proposed amendments were blatantly in favour of the small traders and to many confirmed the accusations of political/electoral motivation. Some of the more extreme suggestions were that hypermarkets should be required to sell goods at prices at least as high as those that the wholesalers charged small traders, or that hypermarkets should pay the same wholesale prices as small retailers (The Economist 06/10/1973). Other areas of contention included the revised composition of the CDUCs, with the original proposal being that traders should account for half of the members of these commissions. The Socialists in particular objected fiercely to the transfer of authority from elected representatives to "the near equivalent of medieval guilds" (The Economist 20/10/1973), and won a reduction in the number of retailer representatives on the CDUCs to a third.

#### 6.5. THE TEXT OF THE "LOI ROYER"

The law in its final form, consisted of sixty-five articles grouped into five parts headed "Principles of Location" (articles 1 to 10); "Social Dispositions" (articles 11 to 24); "Economic Dispositions" (articles 25 to 52); "Education and Professional Development" (articles 53

to 61); and "Other Dispositions" (articles 61 to 65).

The three chapters of the "Principles of Location" defined a number of programmes instigated by the law, fundamentally aimed at solving the economic, legal, and social problems of small traders. Article one in this section acknowledged that ...

"liberty and freedom of enterprises are the fundamentals of commercial and craft activities."

and stated that public intervention should allow for the expansion of all forms of business, ensuring that new forms of retailing did not kill off others, thus creating gaps in the commercial system. To this end, public organisations should cooperate towards greater technical and financial assistance for small businesses. Moves were also instigated to bring about fiscal equality within commerce, and between commerce and other economic sectors. As a result, article 8 provided for the replacement of the "Patente" (the tax on small businesses based upon the number of employees and the rental value of premises) by an occupation tax, from the 1st January 1975. Similarly, in the field of social security benefits, the distributive and craft sectors were to be progressively harmonised with the general regime.

The "Social Dispositions" section of the law contained lengthy articles (11 to 13) on the special compensatory aid scheme for small retailers introduced in 1972. This law was further adapted to help independent traders in that frozen assets were no longer to be included in the assessment of retirement pensions, the rights of surviving spouses to aid

were established, and age limit qualifications for handicapped traders were removed. Other benefits covered in this section included sickness and maternity benefits (articles 14 to 20), retirement pensions (articles 21 to 23), and family allowances (article 24), all of which were to be brought into line with the general system applicable to other economic sectors.

The roles of the Chambers of Commerce and Industry, and Chambers of Trade were reviewed in articles 25 to 27 of the part of the law concerned with "Economic Dispositions". The Chambers of Commerce and Industry had their role in the preparation of SDAU and POS documents reaffirmed, and their powers were extended to allow them to supervise the installation or conversion of retail developments and to provide access to capital funds for developers.

The consumer was catered for in chapter three of this section which devoted a long series of articles (37 to 46) to improving the conditions of competition. Amongst the measures introduced were those which forbade discriminatory prices, the resale of goods at a price lower than the purchase price, and fraudulent deception. Conditions were also established for the provision of "free" samples and services, and the problems of "white lie" advertising were discussed, stressing the problems of proving intentional deception and outlining the role that Consumer Associations should play in this field.

Additional measures encouraging the adaptation and



modernisation of retailing were established in articles 47 to 52. Further credit facilities were made available from the FEDES (Fonds de Développement Economique et Social) for traders who wished to adapt or convert their businesses, for integration into one of the forms of associated independent retailing, and for young people wishing to train for the trade. Loans from this fund could cover 75% of any investment costs for a period of eight to twelve years at an interest rate of 14.75%.

The fourth part of the law, entitled "Education and Professional Development", provided a remuneration for traders who undertook professional courses, and significantly altered the terms and conditions of apprenticeships. The most controversial element in this area was the lowering of the starting age for apprenticeships to fifteen, a move vigorously defended by Royer. In addition, apprenticeships were now to lead to a technical qualification upon their completion.

Finally, the fifth part of the law established that each year from 1974, the government, following consultation with the Chambers of Commerce and Industry and Chambers of Trade, would produce a report for presentation before parliament on the evolution of the commercial and craft sectors, with particular reference to the application of the law.

However, the most important elements of the Loi Royer, as far as the development of large stores was concerned, were the changes made in articles 28 to 34 in the role and

function of the urban planning commissions first established in the Circular of 29th July 1969. The new Commissions Départementales d'Urbanisme Commerciale (CDUC) were granted far more extensive powers than their predecessors. The CDUCs were to be composed of nine locally elected representatives, including the mayor of the town or commune in which development was proposed, appointed by the Conseil Général; nine representatives of local business interests, eight appointed by the Chamber of Commerce and Industry, and one by the Chamber of Trade; and two representatives from Consumer Associations appointed by the Préfet. This Commission was presided over by the non-voting départemental Préfet assisted by the départemental Director of Public Investments, and the Director of Competition and Prices.

These Commissions were to consider three types of planning application...

- Applications for proposed retail developments of more than 3,000 square metres in total area, or 1,500 square metres of sales area. These thresholds were reduced to 2,000 and 1,000 square metres respectively in communes of fewer than 40,000 inhabitants.

- Applications for extensions or increases in the sales area of an existing outlet already at the size limits defined above, or if the outlet would exceed these limits following an extension of more than 200 square metres.

- Plans for converting existing buildings into retail units of the above sizes.

The CDUCs were to reach a decision, stating their reasons, within four months of the application being lodged, or permission was deemed to have been granted. Appeals against decisions could be made within two months of the CDUC verdict to the Minister of Commerce and Crafts by either the Préfet, one third of the members of the CDUC, or the applicant. When an appeal was made the Minister of Commerce and Crafts consulted a second committee, the Commission Nationale d'Urbanisme Commercial (CNUC), for advice.

This National Commission consisted of nine locally elected representatives, five appointed by the National Assembly and four by the Senate; nine business representatives appointed by the Minister of Commerce and Crafts; and two consumer representatives appointed by the consumer associations belonging to the Comité National de la Consommation. Following the comments of this Commission the Minister had three months to decide the fate of the appeal.

These provisions were brought into force by decree number 74-63 of 28th January 1974, and the CDUCs started work in May 1974. Various Circulars have since been announced making amendments to the law and clarifying certain grey areas. The Circular of 3rd May 1974, issued by Jacques Boyon (Royer's successor) clarified the role of the Chambers of Commerce and Industry with respect to the law. The Chambers were to take a more positive role in the preparation of town planning documents, and in the establishment of training courses for business managers as

outlined in the legislation. In relation to the CDUCs the Chambers were to supply the Commissions with the maximum amount of information available, and were to enlist the help of any local government department necessary to achieve this end. Finally, the Chambers were to nominate the eight commercial representatives on the CDUCs from distinct categories, one from the department/variety store sector; one from branch multiple or consumer cooperative organisations; and of the six remaining from independent commerce, one was to be chosen from non-sedentary retailing, and one from associated trading.

The most extensive Circular issued by the Minister of Commerce and Crafts in relation to the Loi Royer was that published on 10th March 1976 by Vincent Ansquer. This Circular was intended to "answer several of the questions raised by the operation of the CDUCs". The first section of this document was concerned with technical definitions of terms used in the law such as "retail unit", "sales area", "gross area", and "extension". The term "sales area" was to include all surface area where merchandise was exposed and to which the consumer had access for buying, including the area between the check-outs and exits. However, "service" floorspace such as cafeterias and restaurants and small shopping precincts were to be excluded from this definition.

The 1976 Circular also excluded certain categories of development from the scrutiny of the CDUCs - such as service establishments (hotels, restaurants, cinemas, banks, and

hairdressers), mail order outlets, wholesale units, and public markets. This section of the Circular also contained a series of examples and test cases of the appropriate decision to be made in cases where modifications had been made to the application and which were difficult to interpret clearly from the literal wording of the law.

Guidelines as to the nature of certain applications were provided in this document. An application could be resubmitted to a CDUC if it had been modified, and applications for several units constituting a commercial centre were to be filed as a single application under the name of a promoter if possible. Alternatively, all the applications were to be dealt with at the same meeting of the Commission.

The most important element of this section of the Circular was, however, the establishment of the "fiche analytique" which was to provide the basic information and statistics for the CDUC. This fiche was to be issued to all of the members of the CDUC and their deputies, and was to conform to the layout illustrated in an appendix to the Circular. The fiche was divided into two sections, the first of which was entitled "information concerning the dossier" and which was to contain ...

1. The Applicant - including his or her identity and capacity, revealing any partners in the project.

2. The Situation of the Project - illustrating the commune concerned, the exact spatial location of the proposed development, and the existing and proposed feeder

roads.

3. The Details of the Project - size of site and unit, the nature and type of trading activity proposed, details of any planned auxiliary developments, and of car parking facilities.

4. The Conditions of Access for Traders (if applicable) - including details of lease arrangements, annual charges and rents.

5. Employment Created.

6. Provisional Estimates of Turnover.

7. The Timetable of Development - to reveal any envisaged extensions or larger associated developments.

8. The Proposed Date of opening.

Information concerned with the likely local effect of the project was contained in the second section of the fiche, and included economic aspects such as ...

1. Details of the Catchment Area - the composition of the population in the area and future projections of demographic growth, along with details of consumer characteristics.

2. Details of Commercial Equipment in the Catchment Area - giving figures of the amount of floorspace (by type of development) covered by existing units, by developments authorised since the Loi Royer - including details of refused applications - by any pending projects, and by projects just below the size thresholds requiring a decision from the CDUCs.

3. Details of the Effects upon Consumer Prices.

... and the aspects relating to town planning issues including ...

1. The Compatibility of the Project with the Designated Land Use Documents.

2. The Suitability of the Site - with reference to administrative and legal limitations, and access to public services.

All of these reports were to show the advantages and disadvantages of the project, in terms of the "spirit of the law", and if all the relevant reports concerned with an application had not been received before the meeting of the CDUC, the dossier was to be referred to the next meeting. Finally, the opinion of the Commission in the département adjacent to the commune of the proposed development was to be sought, and in the absence of this view any decision was void.

The third section of Ansquer's Circular dealt with the procedures to be adopted by the CDUCs. The quorum for a valid decision was set at three quarters (12) of the membership of the Commission. Any member who was directly associated with an application was to abstain, and his or her place was to be taken by the relevant deputy. The applicant was entitled to submit any information to the Commission which he or she felt was relevant, and was allowed access to the CDUC dossiers on the proposal. Furthermore, the authors of these reports could be summoned before the Commission to expand on their findings if this

was deemed necessary.

All members of the CDUCs were to keep their votes secret, and the Commissions could not grant an authorisation conditional upon modifications (in either area or nature) to the project. The CDUCs were to deal with the proposal as submitted, and any alterations made by the developer required a new application to be filed. All members of the Commissions and the applicant were to be informed of the CDUC decision as soon as possible, and the decision was to be published in the press in the standard form of ...

"In course of the meeting of ... (date)... the CDUC of ... (département)... has decided to grant the authorisation sought by ... (applicant)... for ... (nature of project and gross area)... at ... (precise location)..."

Finally, the Circular demonstrated the rights and obligations of the successful applicant, reiterated that it was forbidden to transfer an authorisation, and reaffirmed decree number 75-910 of 6th October 1975, which announced that an authorisation lapsed if the project had not been started within two years of the authorisation having been granted. This last clause had been introduced to prevent firms obtaining an authorisation for development on a site, and then freezing this development until a more favourable later date.

During the election campaign of November 1977, further amendments were hinted at when the Prime Minister, Raymond Barre, indicated that the law might be changed to "foster competition among independent retailers and large retailers". However, within a few days, Barre had corrected



this statement, referring instead to a "balanced growth" of independents and large retailers. Once again, political considerations could be seen to have been influential, as DiMaria (1978) commented ...

"the political pressure from small retailers and from the increasing politicised Consumers' Associations is just too big in France to expect any policy change."

Beyond these amendments and speculations, the Loi Royer operated as established until September 1981, when the new Minister for Commerce and Crafts in the Socialist government, Andre Delelis, suspended the authorisation of applications, whilst the government reviewed the state of urban retailing. To facilitate this review, each département was required to produce an inventory of all existing commercial developments of over 400 square metres in area. All public associations, including the Chambers of Commerce and Industry, were to be placed at the disposal of the Préfet for the compilation of this report, which was to be sent to the relevant CDUCs and Conseils Général by the autumn for the addition of their views on possible commercial developments. The final documents were then to be sent to the Ministry of Commerce and Crafts by 31st December 1981. The intention of this exercise was to provide an information base for the reference of the CDUCs and CNUC.

#### 6.6. SUMMARY

The rapid construction of large housing developments in

France to deal with the accommodation shortage following the war, was not accompanied by an equal expansion in commercial infrastructure. Consequently, most new urban developments in France were underdeveloped in terms of retail facilities, and an outdated commercial system, dominated by small, inefficient independent traders continued to characterise the distribution system in France.

The government became increasingly aware of this problem in the early 1960s, and was faced with a dichotomy. The desire to encourage retail evolution and new forms of retailing within the distribution system, was opposed by the wish to minimise the effects that this development would have upon the existing retail structure. These contrasting and conflicting aims were borne out in the public policy measures adopted by the government towards retailing.

From the mid 1960s until 1972, the government pursued a policy of encouragement towards new large area stores, or perhaps more correctly, a policy of minimal interference, and indirect discrete encouragement. However, the rapid growth of hypermarkets and associated developments in the late 1960s and early 1970s presented apparent economic, social, and town planning dangers. These issues, combined with the militant, extra-institutional activities of the influential small retailer pressure groups, close to approaching elections, ultimately lead to a change in government strategy. The introduction of the Loi Royer in late 1973 illustrated the new government attitude towards large stores - that of restraint and restriction of their

spread and development.

## CHAPTER SEVEN : TRENDS IN HYPERMARKET DEVELOPMENT

Before considering the projects for hypermarket development that have been proposed since the Loi Royer was introduced, it is necessary to evaluate any noticeable trends relating to the stores that have opened. Certain store characteristics, spatial development and ownership patterns are all aspects which the CDUCs and CNUC have the potential to influence. Given the aims of the legislation, one might assume that if the law has been successful, there will have been a decline in the number of hypermarkets opened with the resulting spatial consequences reinforcing existing locational patterns and floorspace densities, along with a reduction in the dominance of the large retail organisations in the hypermarket sector.

There are several sources of hypermarket listings available in the French retailing literature, notably the "Libre Service Actualités" Atlas and the "Points de Vente" Panorama, both of which provide annual lists of hypermarkets by département and operating organisation. The problems caused by differing definitions have been briefly discussed earlier, and discrepancies undoubtedly exist between these two published lists. However, by combining these two major sources with company annual reports, many of these anomalies can be resolved, and a comprehensive directory of French hypermarkets was compiled. This directory forms the basis of the analysis in this chapter.

## 7.1. HYPERMARKET CHARACTERISTICS AND TRENDS IN DEVELOPMENT

In view of the potentially restrictive powers granted to the CDUCs through the special procedures established by the Loi Royer, one would expect to observe a marked slowing down in the hypermarket growth rate since the legislation was introduced. However, as a new hypermarket unit will take between one and two years to build, a construction delay should be expected before any reaction to the law is visible in terms of the number of new hypermarkets opened. Consequently, the first indications of the impact of the Loi Royer should not be expected until either 1975 or 1976.

Analysis of the number of hypermarkets opened each year (figure 7.1A) reveals a noticeable decline in the number of units opened in both 1974 and 1975 (the years immediately following the Royer legislation) from a peak of 62 new openings in 1972. Since 1975 the number of new stores opened each year has fluctuated around a figure of about 30 units per year, although there is evidence of a further marked decline in the growth rate in 1978. The same data plotted over a three year running mean (figure 7.1B) accentuates this decline in openings from 1973, and again shows the levelling out of the growth rate to around 30 new units per year during the second half of the decade.

The most striking observation to be made from these figures is that the main decline in new store openings was underway before the Loi Royer could be expected to have had any effect. The construction delay means that the units opened in 1974 and 1975, when the decline in new stores was

Figure 7.1A : Number of Hypermarkets Opening per Year 1963-1982.

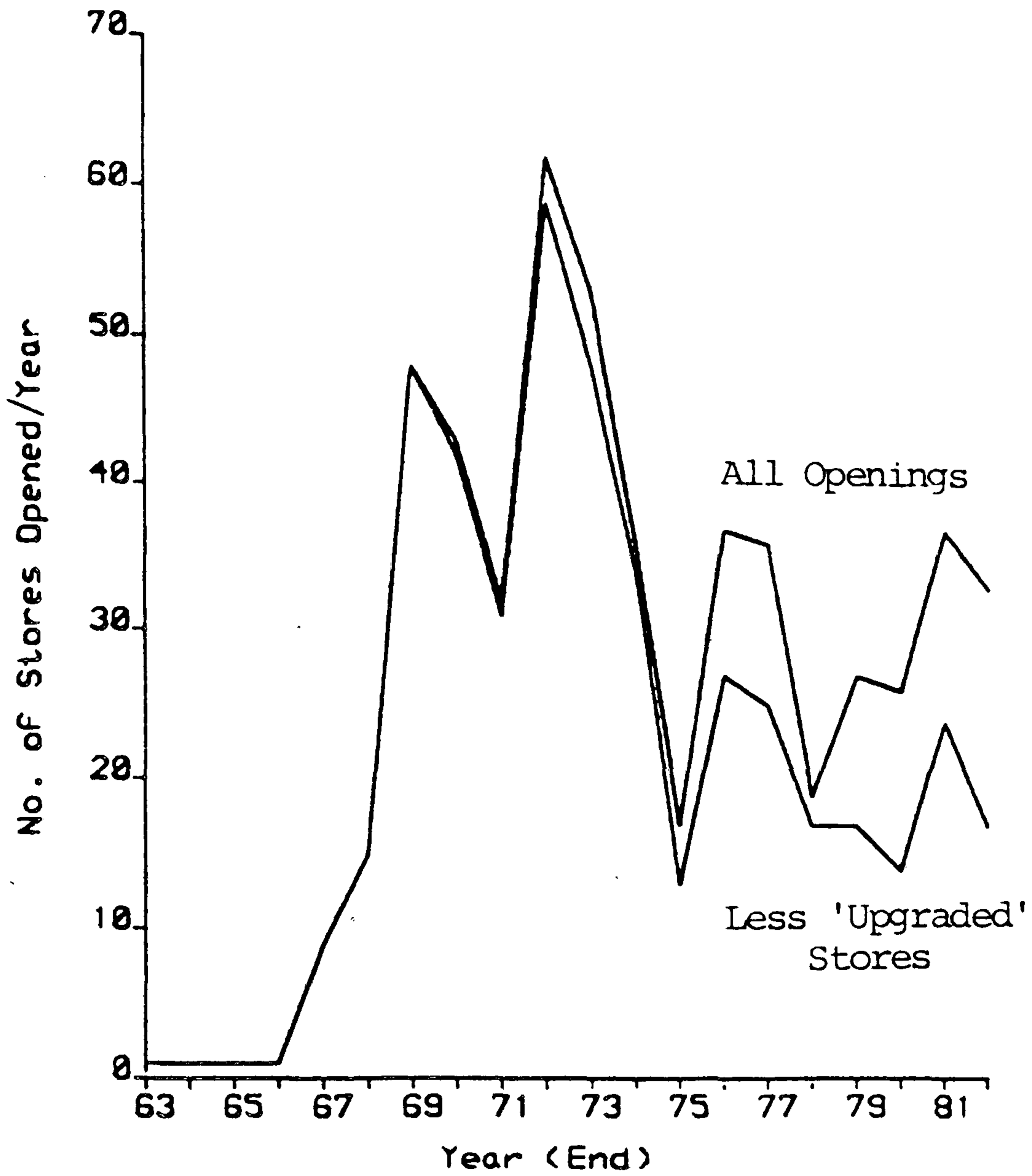
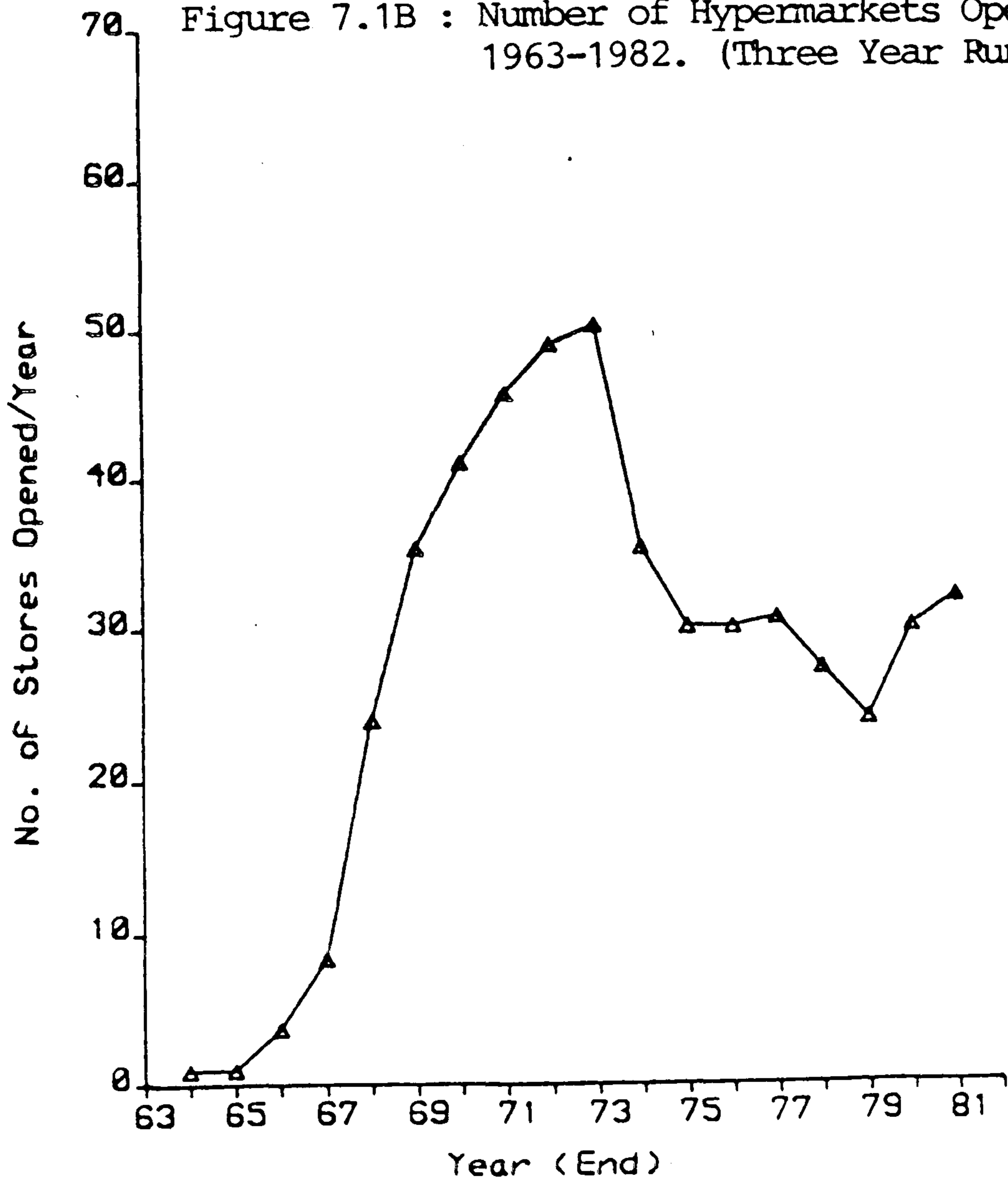


Figure 7.1B : Number of Hypermarkets Opening per Year 1963-1982. (Three Year Running Mean)



most marked, would have been planned and construction would have started on these hypermarkets prior to the legislation. Furthermore, as Coquery (1976) and others have suggested, it is likely that the peak of new store openings in 1972 is somewhat artificial as many developers, anticipating restrictive legislation following the antics of Nicoud and the CID-UNATI, increased the pace of development before legislation could be introduced. Consequently, the decline in the growth rate of new hypermarkets may even have commenced as early as 1970 when, as figure 7.1A illustrates, the number of new store openings was less than the previous year for the first time. Certainly, by the time the legislation was introduced the rapid growth rate of the late 1960s was showing signs of slowing down (figure 7.1B), and it is unlikely that without the Loi Royer the number of new units opened each year would have maintained the high level of 1972.

These observations suggest that more deep-rooted economic trends may have had as much influence on the number of new stores opened as the Royer legislation itself. The timing and nature of company expansion policies, and the availability of investment capital for developers will have played a role, as undoubtedly did the oil crisis of 1973 and its associated effects on the French economy in general. The oil crisis had a considerable impact on the French economy, which following the nationalisation of French oil companies in Algeria in 1971 relied upon the Middle East for

75% of its oil needs. These factors may well have been responsible for a large portion of the decline in the construction of new stores in 1974 and 1975.

The effects of the Loi Royer may, therefore, not be as striking as initial impressions might suggest, a view which is substantiated by looking at the total number of hypermarkets in France, and the numbers of stores owned by different companies and groups (figures 7.2 and 7.3). From these figures there would appear to be little indication of a major decline in hypermarket growth in France. The total number of hypermarkets in the country continues to rise steadily, with only a slight change in the growth gradient since 1975. Furthermore, the change in this gradient is accentuated by the "false" rise in new openings immediately before the legislation. Similarly, the growth rates of those companies with a substantial number of hypermarkets do not appear to have been adversely affected by the legislation, and they have continued to grow at their different rates. The company growth curves reveal more short term variations than the national curve, owing to the smaller numbers of units involved and the fact that the impact of economic changes resulting from such events as the oil crisis will have had a more tangible short term effect on the investment capacity of individual organisations, particularly the smaller ones, than on the total hypermarket population.

Over the study period, the closure rate of hypermarkets has been fairly constant rising from around two stores per year between 1970 and 1974 to four per year from 1974. Some



Figure 7.2 : Total Number of Hypermarkets 1963-1982.

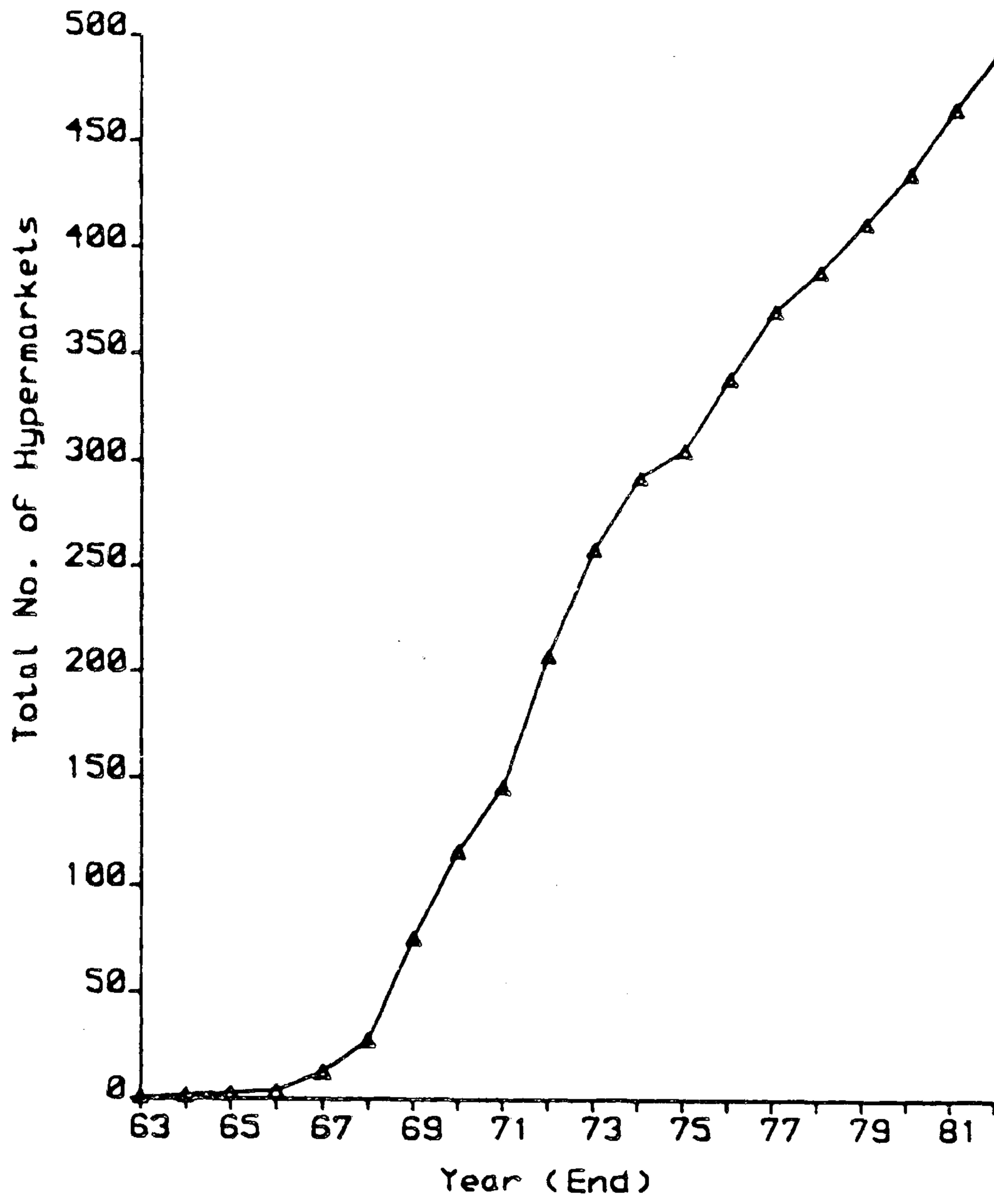
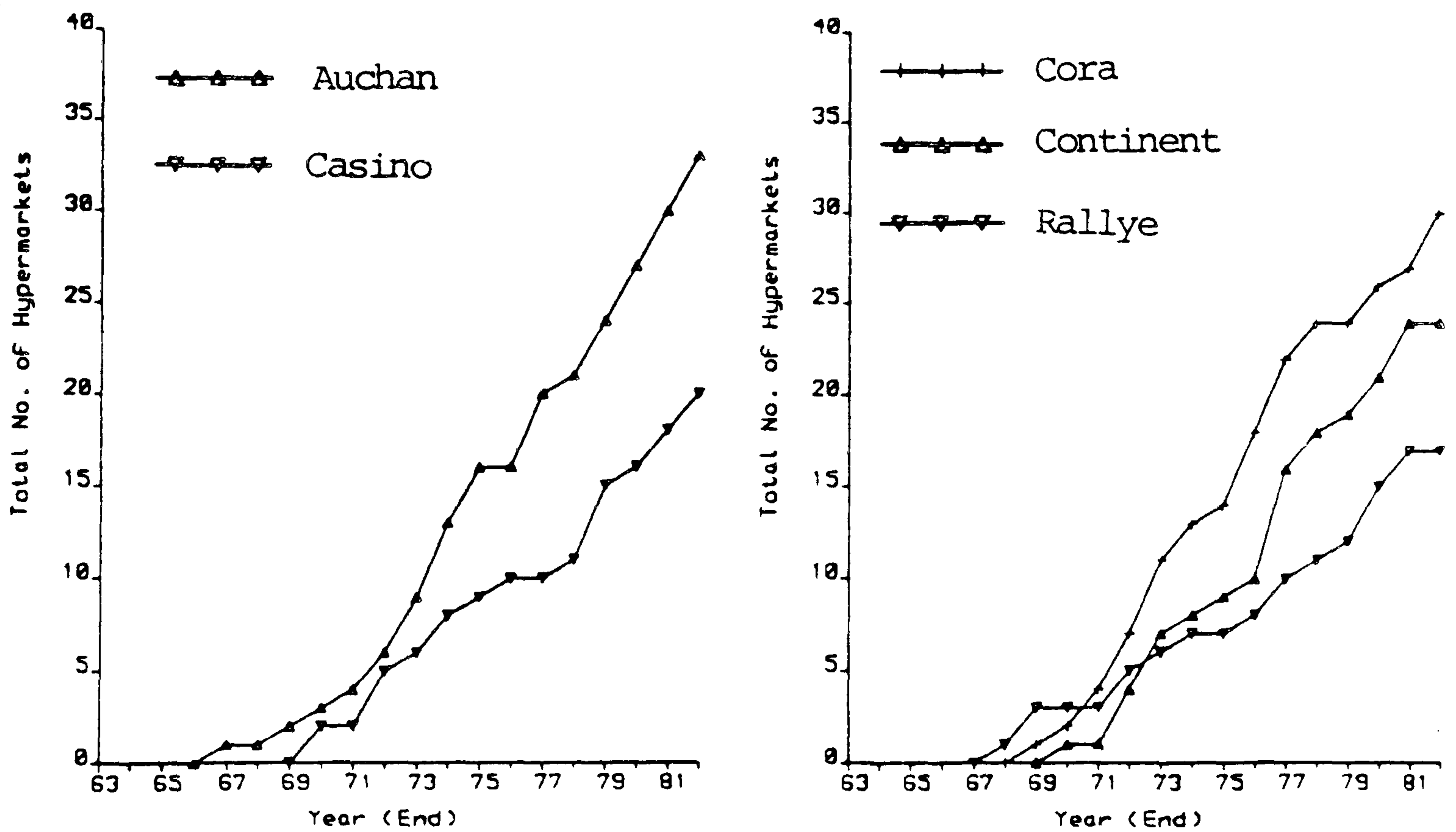


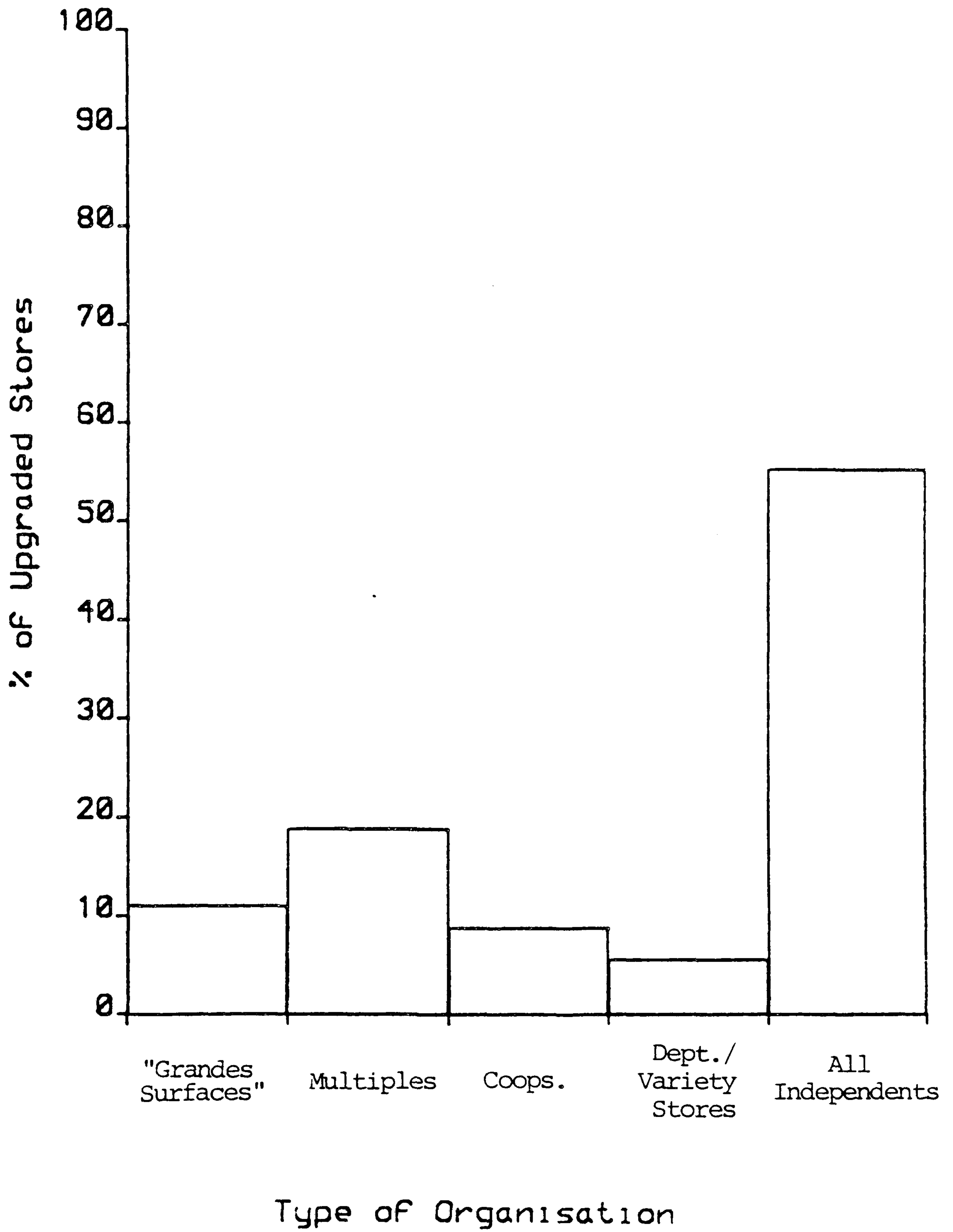
Figure 7.3 : Total Number of Hypermarkets 1963-1982.  
- Owned by Specific Companies.



of these stores have reopened at later dates following either the acquisition of the unit by a new owner or extensive refurbishment. Characteristic of these stores is the hypermarket operated by Docks de France at Chamoray les Tours, which closed early in 1982, to move to a new building situated in the same street.

One noticeable trend in the numbers of stores opening after the Loi Royer is the significant contribution made to the total number of store openings each year since 1976 made by stores which were previously either a supermarket or other retail outlet, and have been upgraded to hypermarket status by extending the sales area of the original outlet. (refer to figure 7.1A). Units of this type have accounted for approximately one third of the new openings each year. This trend reflects both the increasing use of extensions to enlarge existing units rather than build new ones, an adaption to reduce costs and outmanoeuvre the CDUCs (as shall be discussed later), and the adoption of the hypermarket concept by the independent sector. Figure 7.4 illustrates the dominance of the independent sector in the case of "upgraded" hypermarkets, as development by enlarging the floorspace of an existing store is generally the easiest and least expensive method for an independent retailer to create a hypermarket unit. This type of development has been increasingly employed as a means of expansion by the multiple sector in recent years, as companies have rationalised their operations, closing smaller outlets and

Figure 7.4 : Proportion of Hypermarkets Created by Upgrading Other Retail Outlets.



extending the sales areas of others to enlarge them to hypermarket status.

The growth of hypermarket floorspace (figure 7.5) obviously reflects the numbers of units opened, although the change in the growth gradient is more pronounced than is the case for hypermarket numbers, owing to a trend towards smaller hypermarket units.

Analysis of the average size of hypermarkets opening each year (figure 7.6) shows a decline in the average size of new stores from around 5,500-6,000 square metres of sales area in the late 1960s/early 1970s to around 4,000-4,500 square metres at the beginning of the 1980s. Although the legislation will have had some influence on this decline in the size of new stores, as it is to be expected that smaller projects would be treated more favourably by the CDUCs, once again the law may be seen as merely reinforcing general trends already underway before the introduction of the legislation.

There is evidence of a decline in store size prior to the creation of the new CDUCs. Store size was falling before 1975, when the first of the stores authorised by the CDUCs and CNUC would be expected to open, suggesting that more general economic factors have influenced store size. Inflation and competition for sites will have increased the costs of both land and construction, encouraging the trend towards the less costly smaller unit. This trend will have been reinforced as the larger agglomerations and markets were occupied, forcing developers to look towards smaller

Figure 7.5 : Total Hypermarket Floorspace 1963-1982.

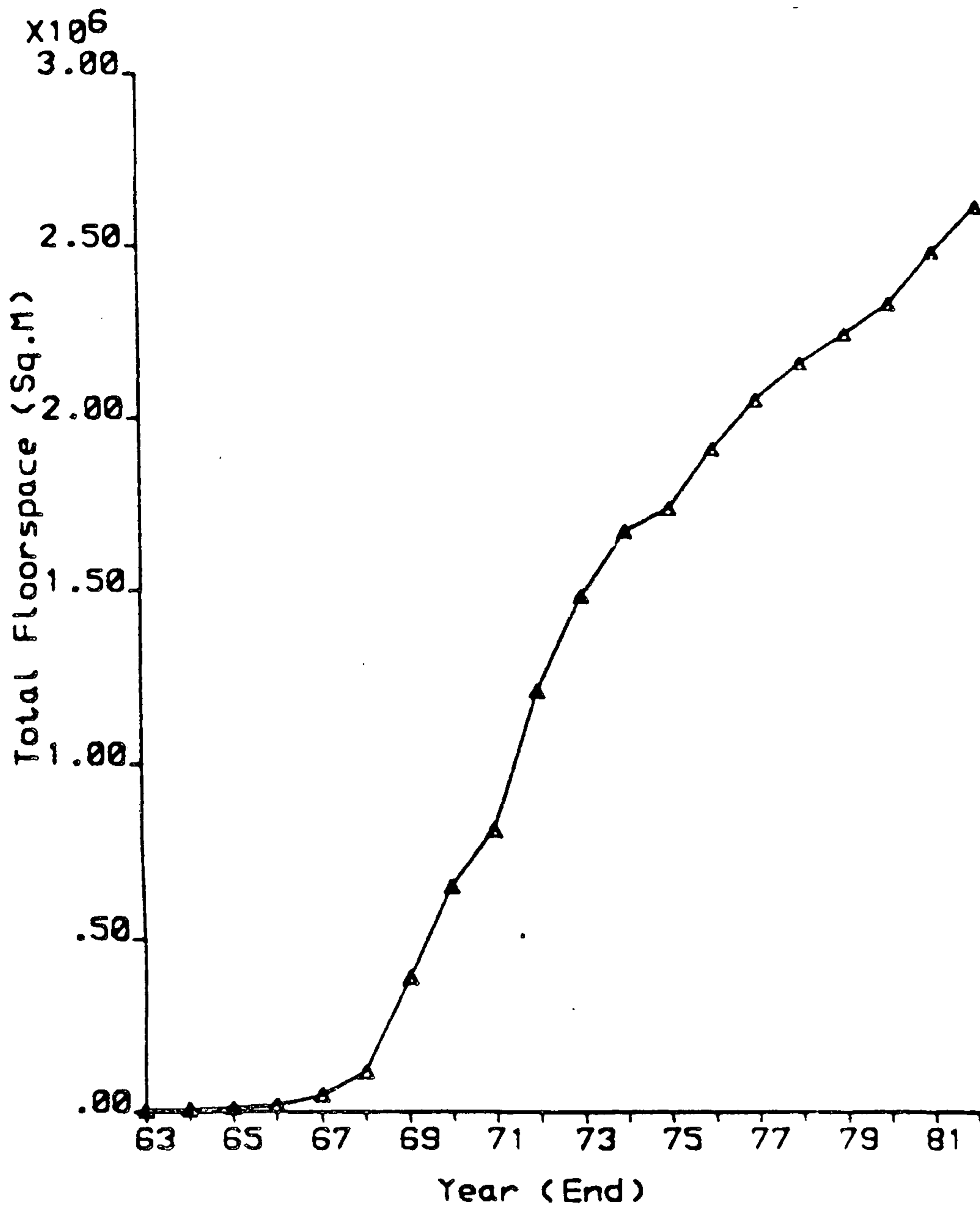
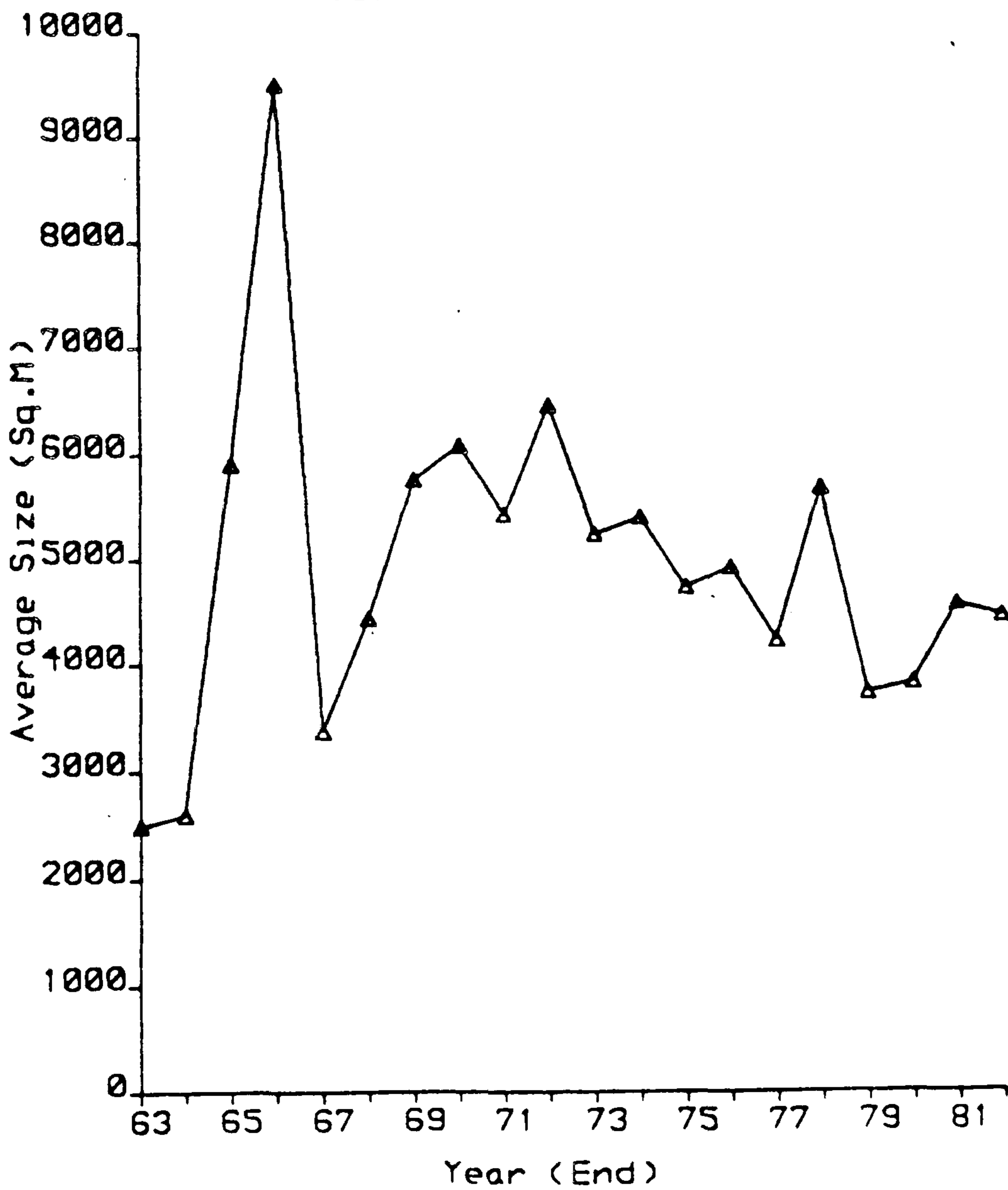


Figure 7.6 : Average Size of Hypermarkets Opening Each Year 1963-1982.

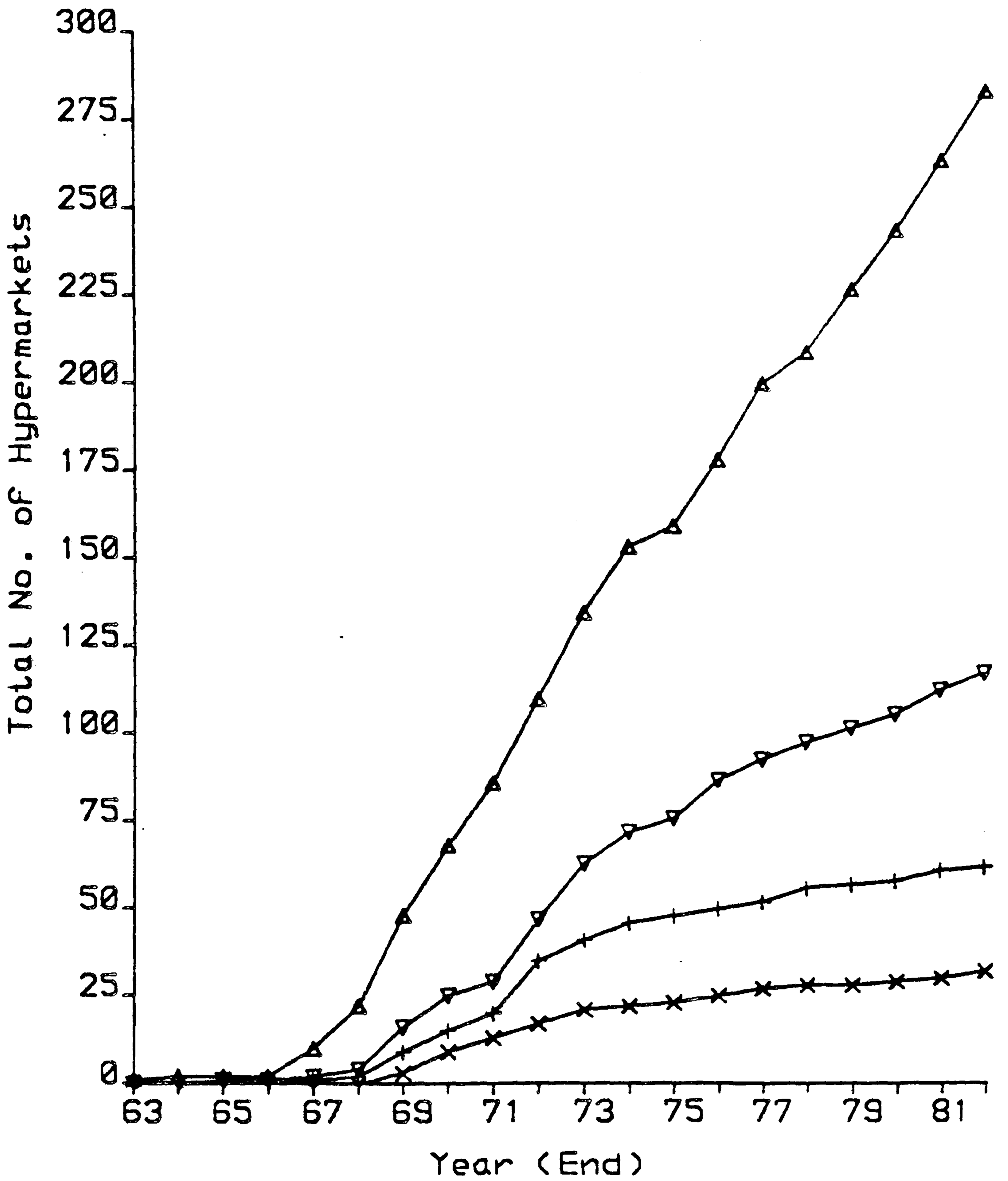


towns and middle markets, whose smaller catchment populations could only support smaller stores. The decline in the average size of new hypermarkets also reflects the greater proportion of stores created by the "upgrading" of supermarkets and other outlets, which by their very nature tend to be smaller in size than purpose-built hypermarkets.

These factors are reflected by the differential growth rates of different size categories of hypermarkets (figure 7.7). For ease of discussion, stores have been categorised by size into four groups representing small, medium, large, and very large outlets. The smallest size category of hypermarket, those with a sales area of between 2,500 and 4,999 square metres, has continued to grow rapidly, and has increased as a proportion of the total number of hypermarkets opened each year from a low of 38.7% in 1972, to 59.5% in 1976, and 75.8% in 1982. Interestingly, the very large categories of hypermarkets, those with over 10,000 square metres of sales space, appear to have maintained their, albeit very slow, growth rates. Instead, it is the growth rates of medium sized outlets of between 5,000 and 7,499 square metres and particularly the large stores, those of 7,500-9,999 square metres, which have been curtailed, a trend which is as easily explained by economic factors and market saturation especially in the larger markets, as by the likely distaste of the CDUCs and CNUC for projects of this size.

There are also interesting differences in the

Figure 7.7 : Total Number of Hypermarkets in Different Size Categories 1963-1982.



- ▲▲▲ 2,500 - 4,999 Sq.M.
- ▼▼▼ 5,000 - 7,499 Sq.M.
- + + + 7,500 - 9,999 Sq.M.
- \* \* \* 10,000 + Sq.M.

characteristics of hypermarkets which fall into these different size classes, although unfortunately the nature of the data base does not allow for the consideration of any time element in the analysis of these characteristics. As mentioned in Chapter Four, there are essentially three types of hypermarket development in France. Those in commercial centres, defined here for classification purposes as those with a minimum gross area of 5,000 square metres with at least ten boutiques; hypermarket centres - a hypermarket with fewer than ten boutiques; and single hypermarket units. The commercial centre type is the most prolific form of development with 52.9% of the hypermarkets established by 1982 falling into this category, compared to the 22.5% that are hypermarket centres, and the 24.5% that are single hypermarket units.

Figure 7.8 shows that the vast majority (70%) of medium sized and larger units, those with over 5,000 square metres of sales area, are located in commercial centres, whereas the smallest units (2,500-4,999 square metres) are evenly found in all types of hypermarket development, but have a below average representation in commercial centres, and appear to favour single hypermarket developments (35.8%).

The adoption of ancillary facilities (cafe, auto-centre, and garden centre) which can greatly enhance the attraction of a store development, varies with the size of hypermarket. Café or restaurant facilities are found in 66% of all hypermarket developments, but would seem to be essential in larger units as 90% of hypermarkets with over



Figure 7.8 Hypermarket Characteristics

A) Type of Hypermarket.

Size (Sq. M)	% of Stores in Each Size Category		
	Commercial Centre	Hypermarket Centre	Hypermarket Only
2,000- 4,999	33.7	30.5	35.8
5,000- 7,499	77.1	11.0	11.9
7,500- 9,999	83.9	11.3	4.8
10,000-12,499	77.8	16.7	5.6
12,500 +	71.4	14.3	14.3
All	52.9	22.5	24.5

B) Hypermarket Features

Size (Sq. M)	% of Stores in Each Size Category		
	with Cafeteria	with Auto-Centre	with Garden Centre
2,000- 4,999	48.4	24.2	8.1
5,000- 7,499	86.4	57.6	6.8
7,500- 9,999	95.2	80.6	16.1
10,000-12,499	94.4	77.8	27.8
12,500 +	92.9	78.6	28.6
All	66.2	42.7	10.1

7,500 square metres of sales space have this facility. The presence of an auto centre follows a similar pattern, being found in 42% of all hypermarkets, but is most common in those with over 7,500 square metres of sales area (75% or more). Garden centres are a less widespread feature, found in only 10% of all hypermarket developments, but again are more representative of the larger units, found in 27% or more units with over 10,000 square metres of sales area. All three types of ancillary facilities are undersubscribed in the smallest units (2,500-4,999 square metres), largely owing to ownership patterns, which allows the larger diversified companies who control the largest stores to incorporate these facilities, whilst the independents who tend to run the smaller stores have little access to these facilities.

The characteristics of those hypermarkets that have opened over the study period would seem to suggest that the trends observed, namely a decline in store openings and store size, were in evidence before the Royer legislation could be expected to have had any impact upon development. These and other trends may also find explanation in more general economic factors as easily as in the effect of the legislation. Furthermore, growth has continued at a constant pace since the instigation of the law.

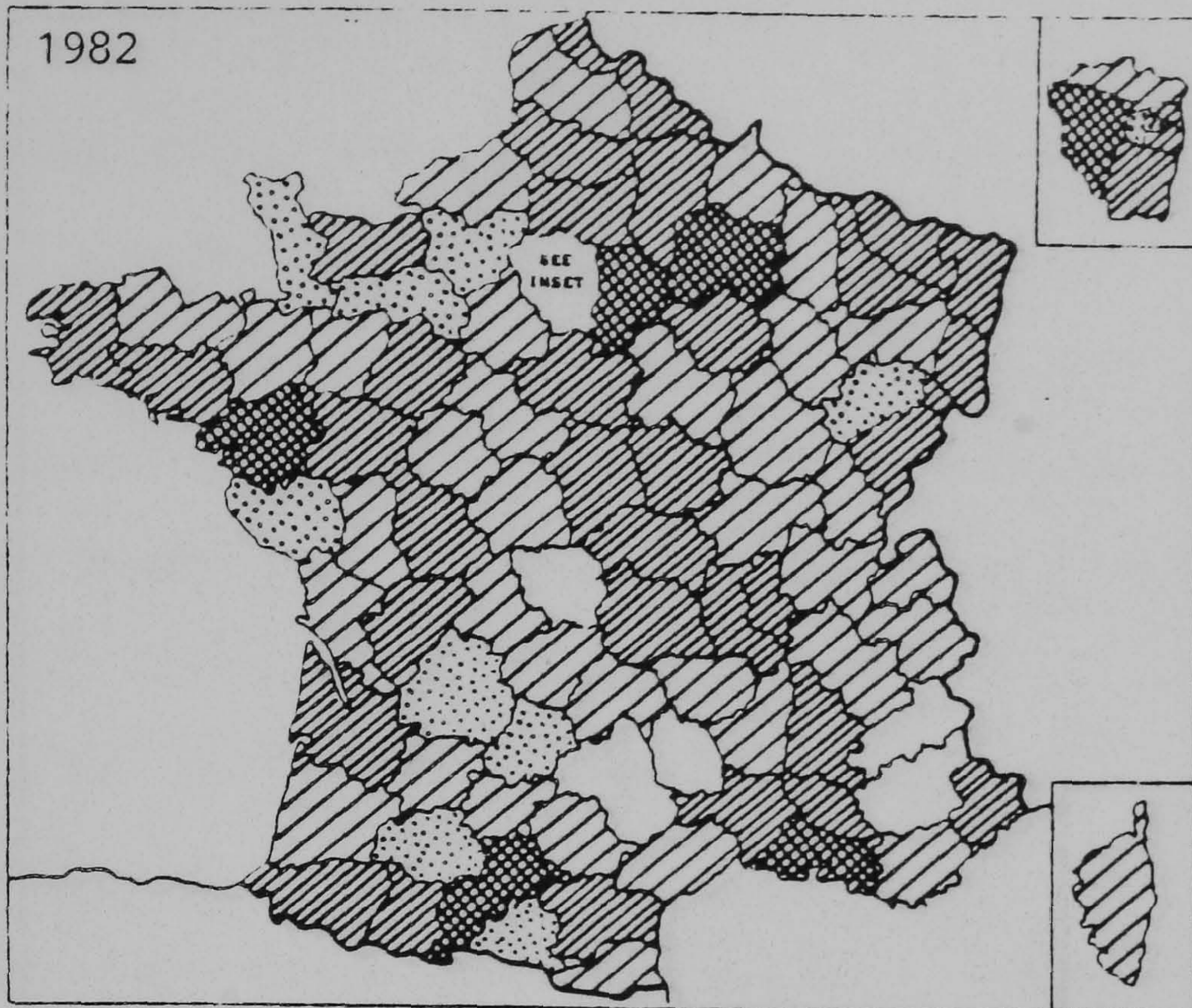
## 7.2. SPATIAL ASPECTS OF HYPERMARKET DEVELOPMENT

Almost half the départements (42) in France now have a

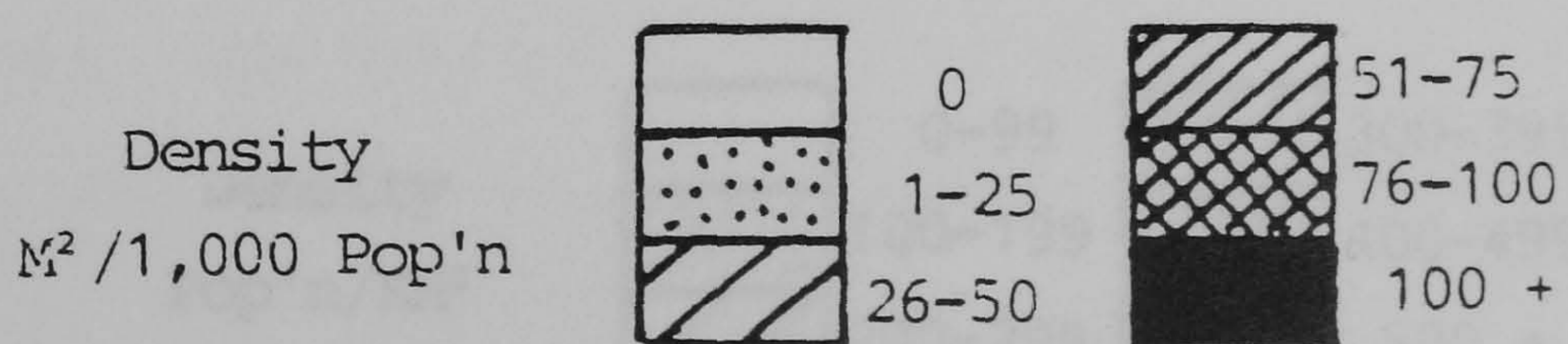
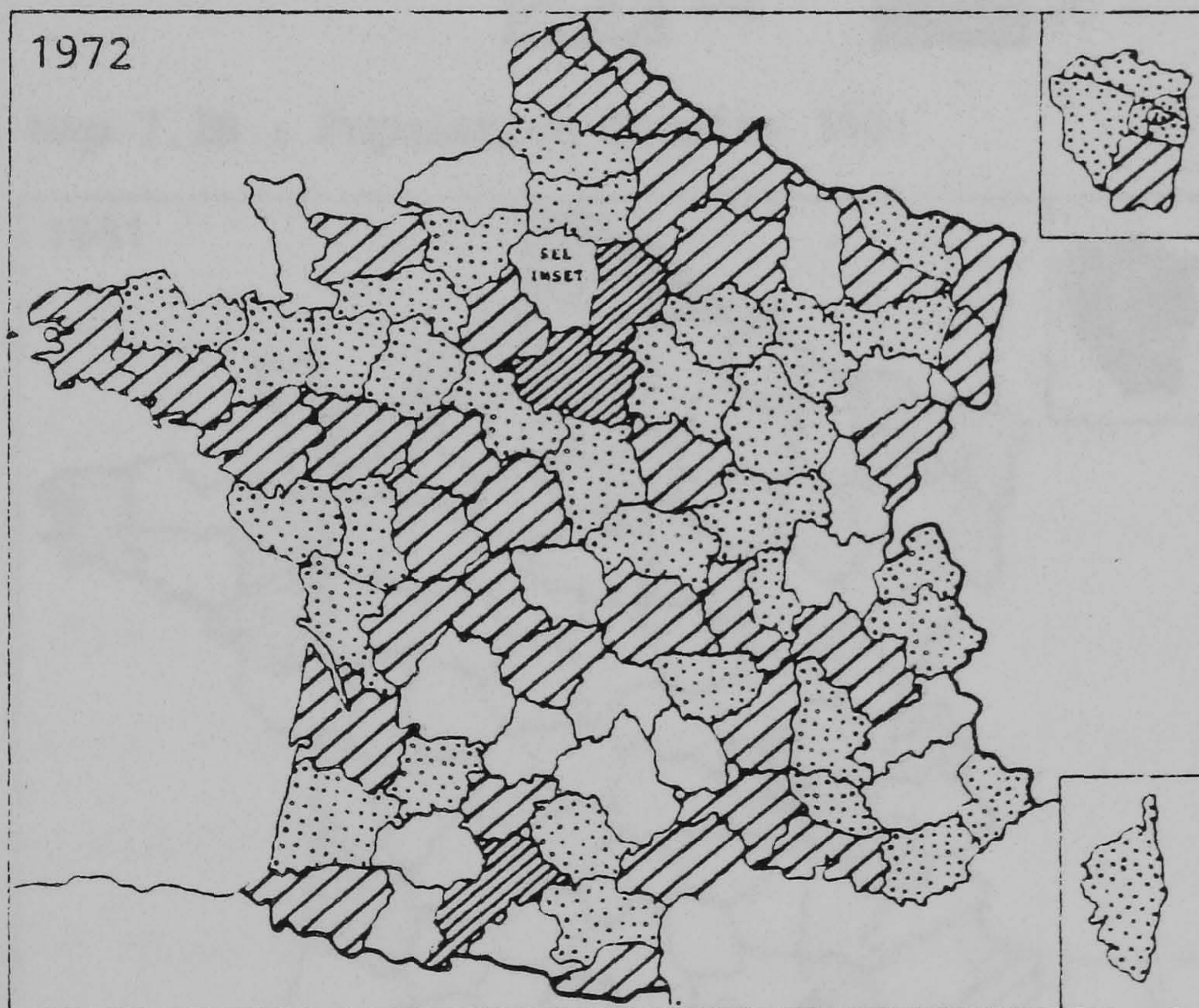
density of hypermarket floorspace of over 50 square metres per 1,000 inhabitants. This compares with only three départements falling into this category in 1972 (map 7.1A and B), and suggests that development has not been seriously curtailed by the Royer legislation. In addition, there seems to be a strong correlation between some of the areas with the highest densities of hypermarket floorspace and the most densely populated départements - for example the Paris region (départements 78, 91, 93, and 94) and Bouches du Rhône (13), and to lesser extent Rhône (69), Alpes-Maritimes (06), and the Nord (59) - reflecting the importance of population density and the attraction of the largest agglomerations with regards to the market or catchment potential of a site. This feature is even more apparent when the number of hypermarkets in each département is compared to population density (maps 7.2A and B).

The overall widespread pattern of high density of hypermarket floorspace is due largely to the favourable conditions for hypermarket growth which existed in France in the late 1960s and early 1970s. In addition to these socio-economic factors the rapid growth and spread of the hypermarket concept may well have been aided by the lack of a well established supermarket and self-service sector in France in the late 1960s. Self-service techniques and the supermarket concept developed later in France than in Great Britain, and appeared at around the same time as the hypermarket. Consequently, the hypermarket arrived with or soon after other forms of self-service retailing, and

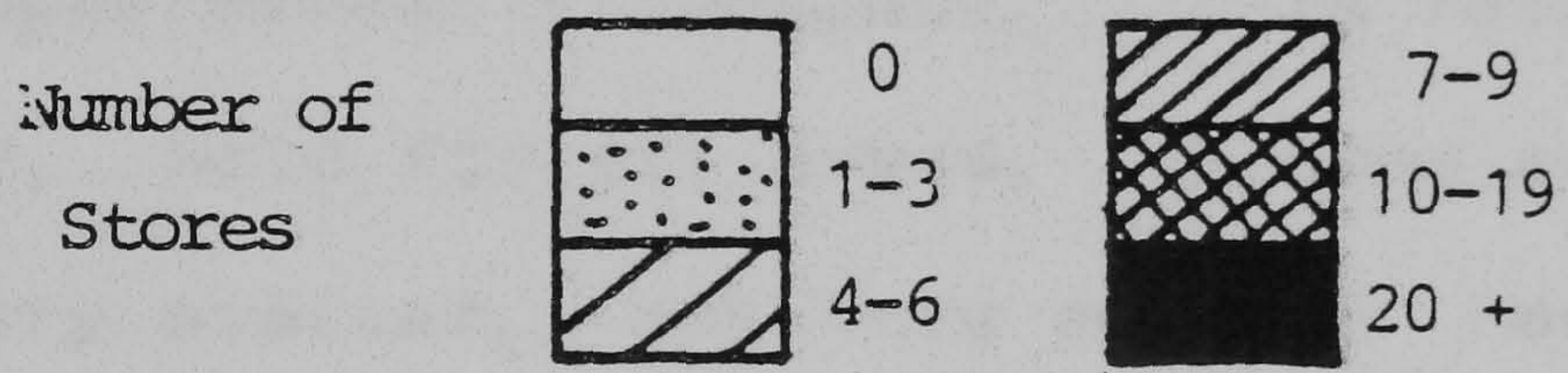
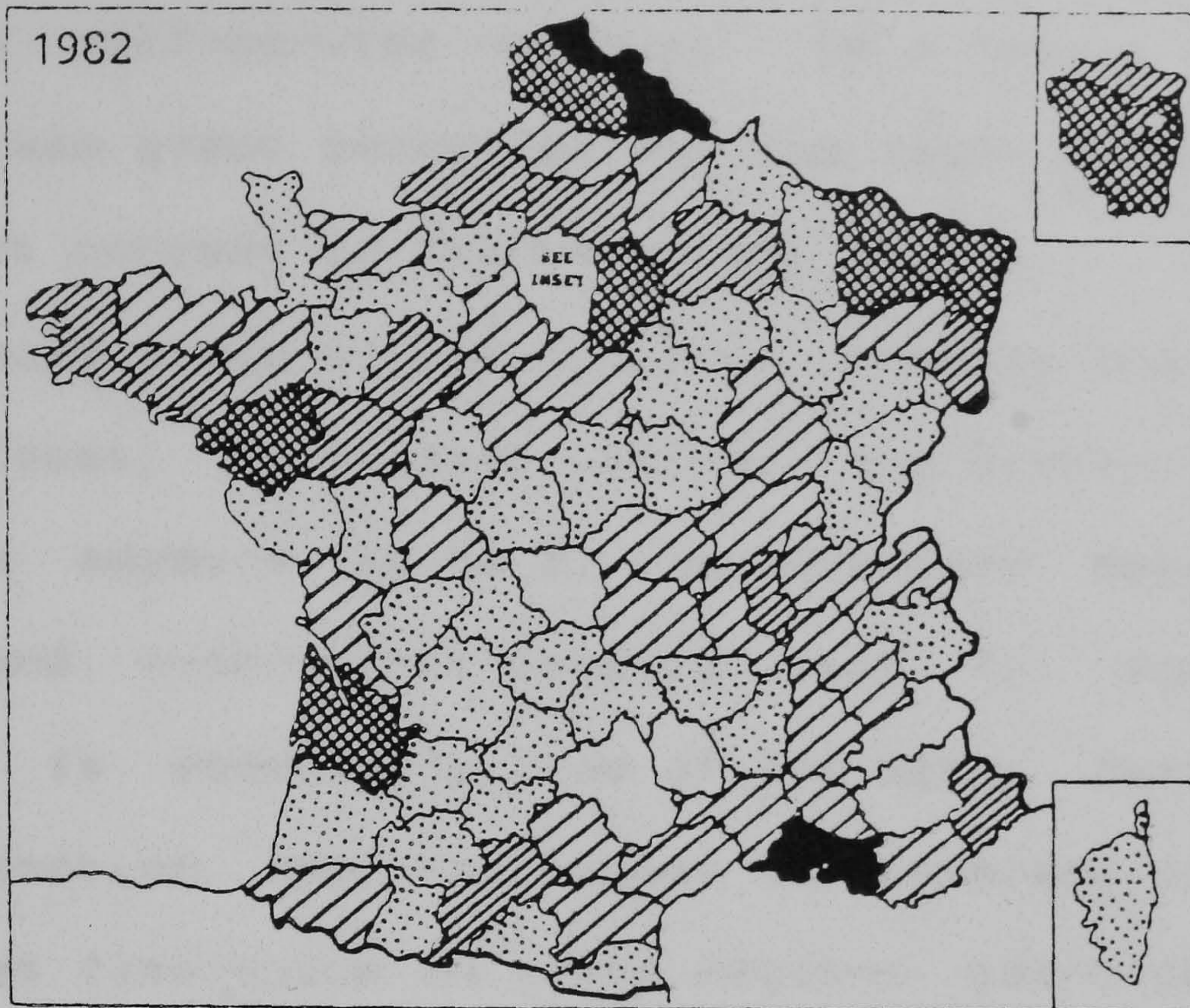
Map 7.1A : Hypermarket Density (Floorspace) 1982.



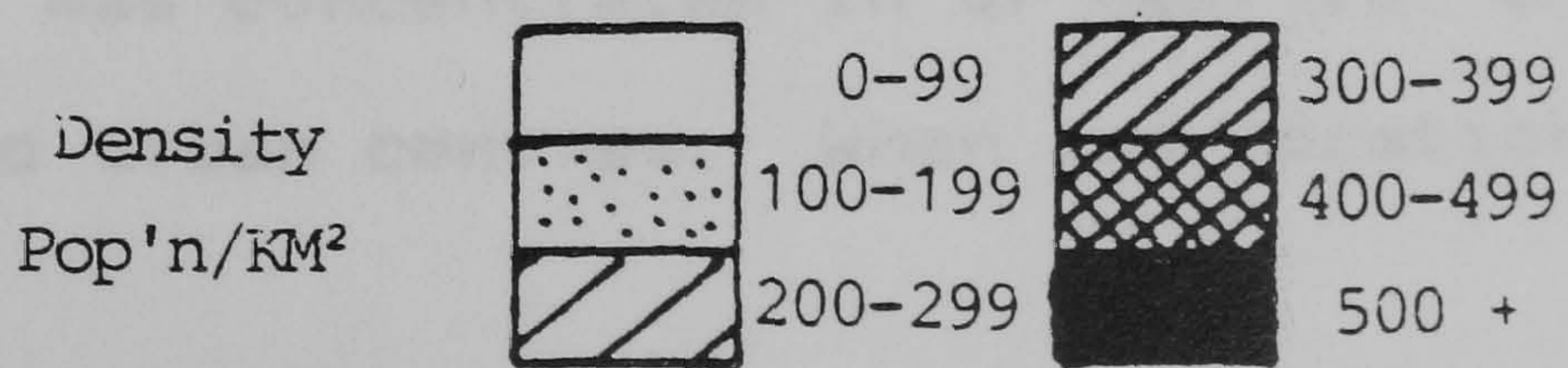
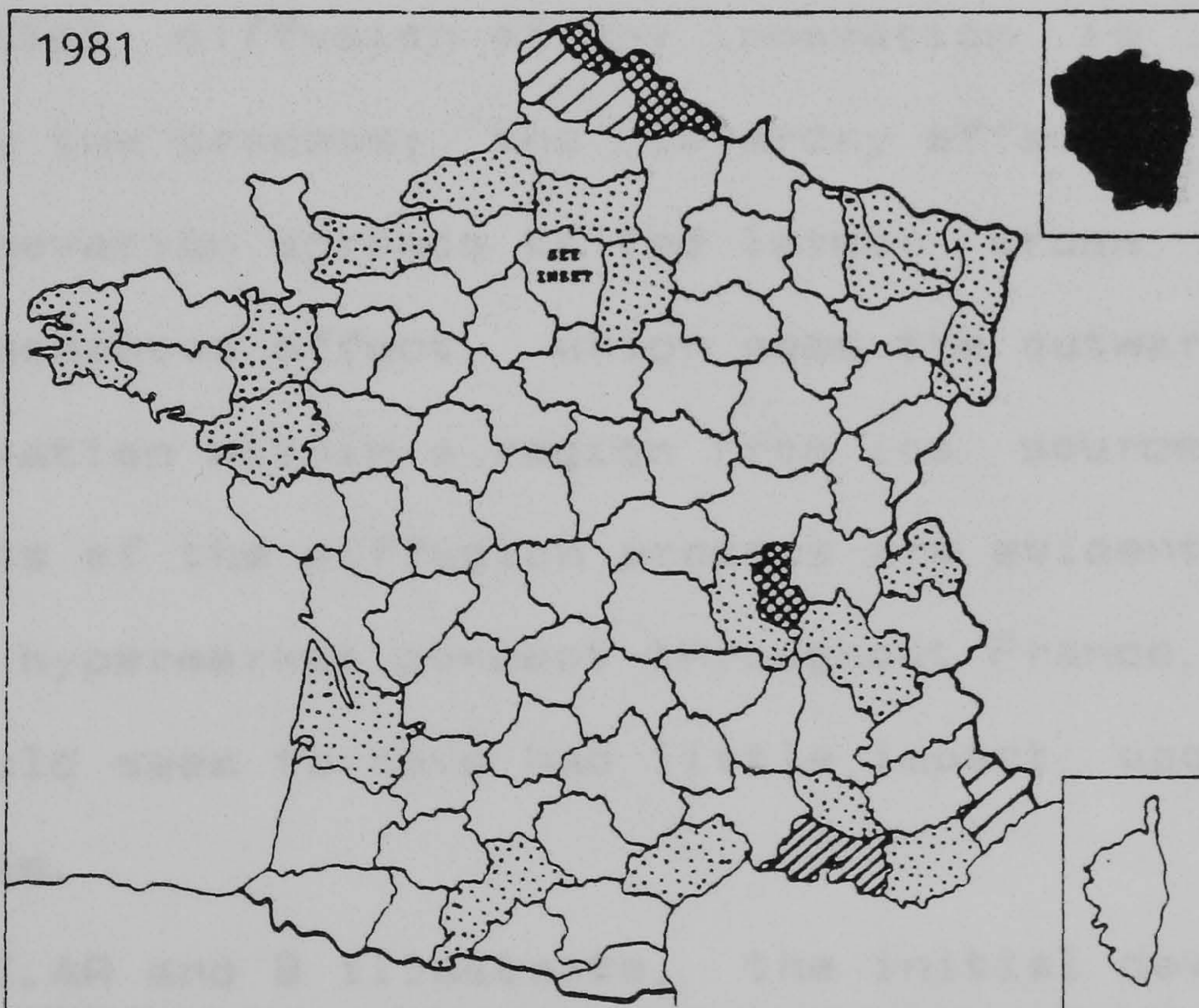
Map 7.1B : Hypermarket Density (Floorspace) 1972.



Map 7.2A : Number of Hypermarkets 1982.



Map 7.2B : Population Density 1981



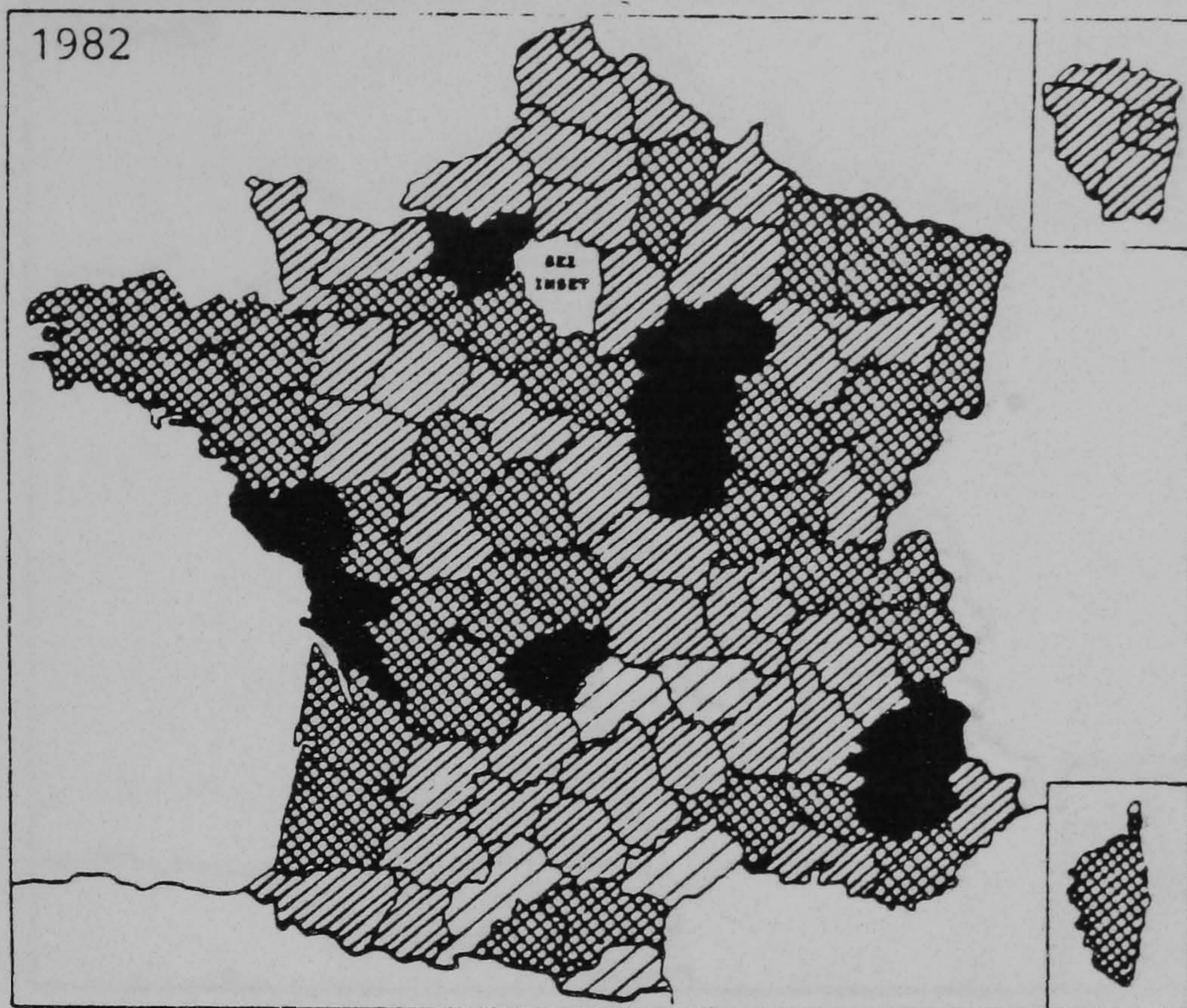
did not have to compete against an already well established and organised self-service network. As a result of this factor there was great potential for the rapid adoption of the hypermarket concept in France in the 1960s.

In some areas of the country, notably the South-East, West Coast, north-east Centre, and Eastern Border regions there appears to be a complementary pattern of supermarket and hypermarket density (maps 7.1 and 7.3). This feature is especially true of the early periods of hypermarket adoption, when the higher than average densities of supermarket floorspace in these regions coincided with low densities of hypermarket floorspace. This relationship does not, however, hold for all areas. In some cases both densities are very similar, and this pattern has become less pronounced with time.

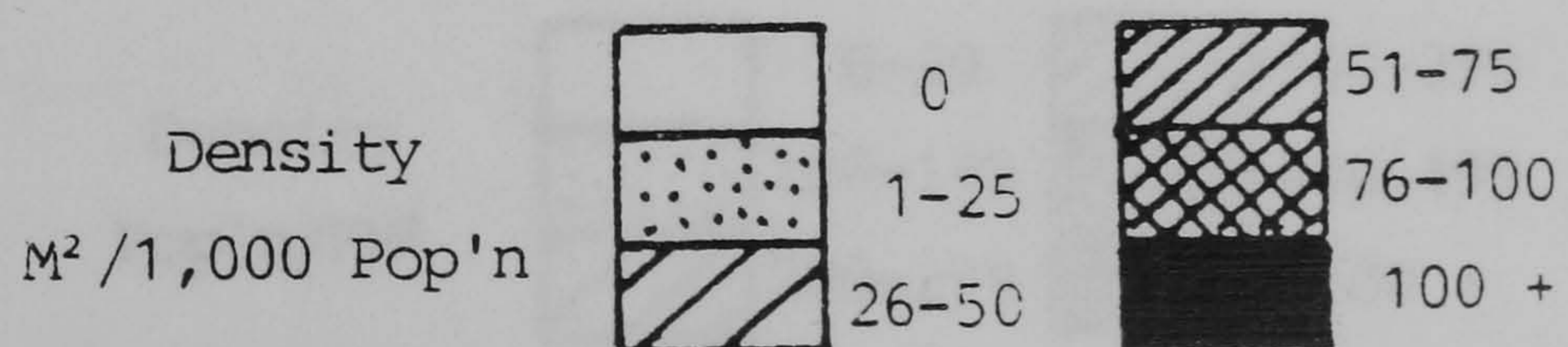
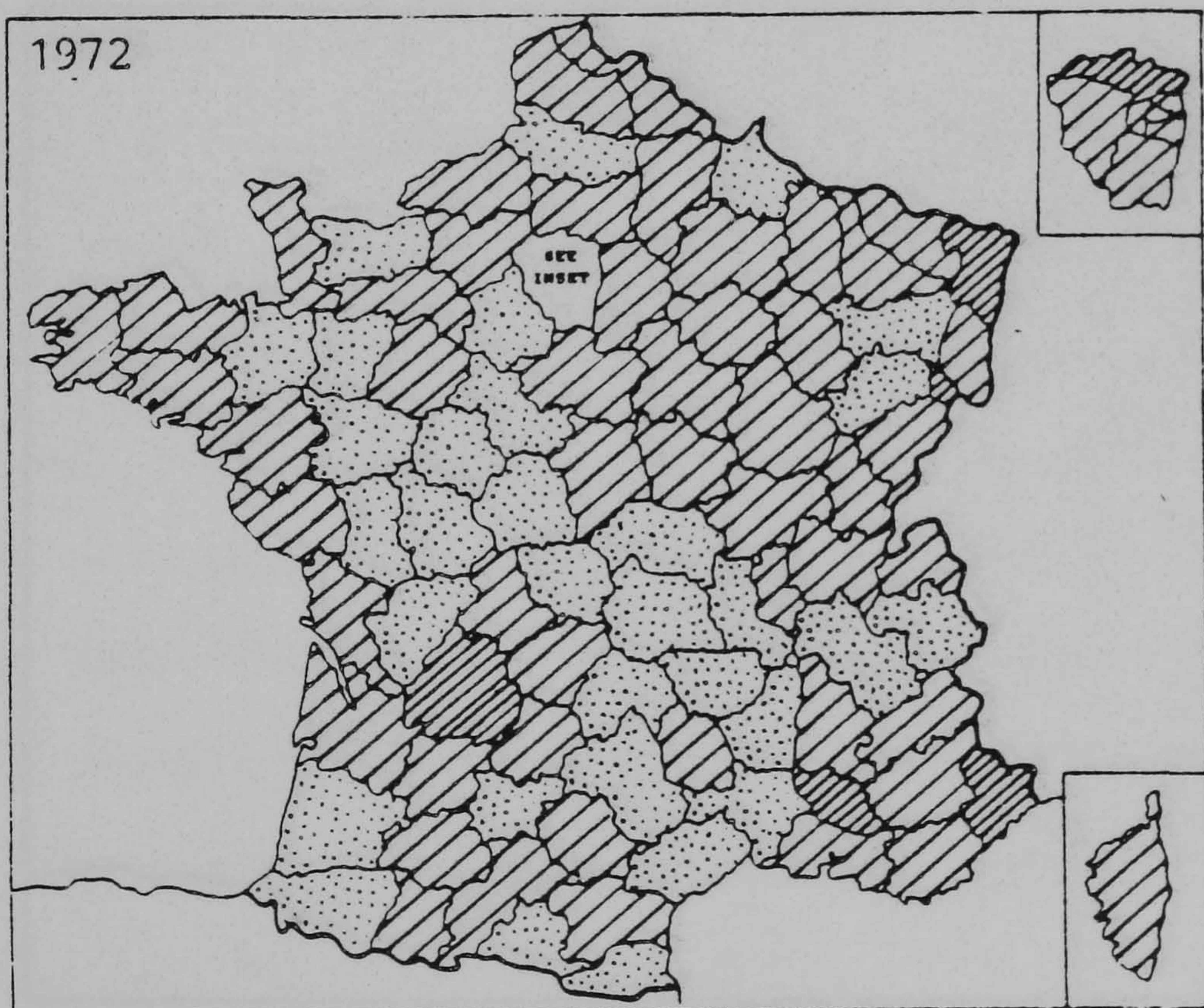
The spatial diffusion of any innovation is commonly controlled by two processes; the hierarchy effect, through which the innovation spreads to the larger urban centres; and the neighbourhood effect, which sees the outward spread of the innovation within a region from its source. Both these elements of the diffusion process are evident in the spread of the hypermarket concept throughout France, and the Loi Royer would seem to have had little impact upon these natural processes.

As maps 7.4A and B illustrate, the initial development of hypermarkets was concentrated in or near to the major agglomerations and urban centres. When the locations of the

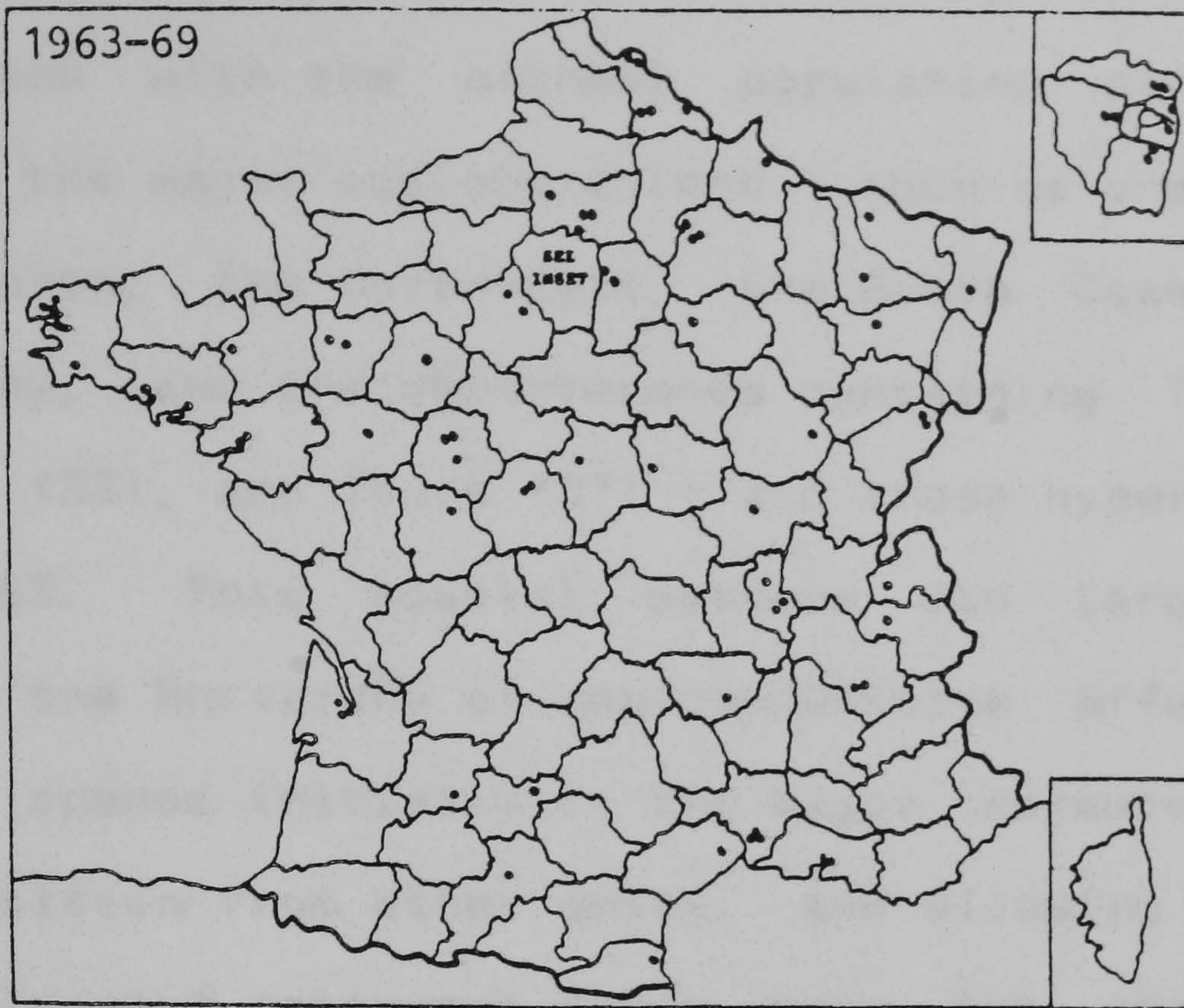
Map 7.3A : Supermarket Density (Floorspace) 1982.



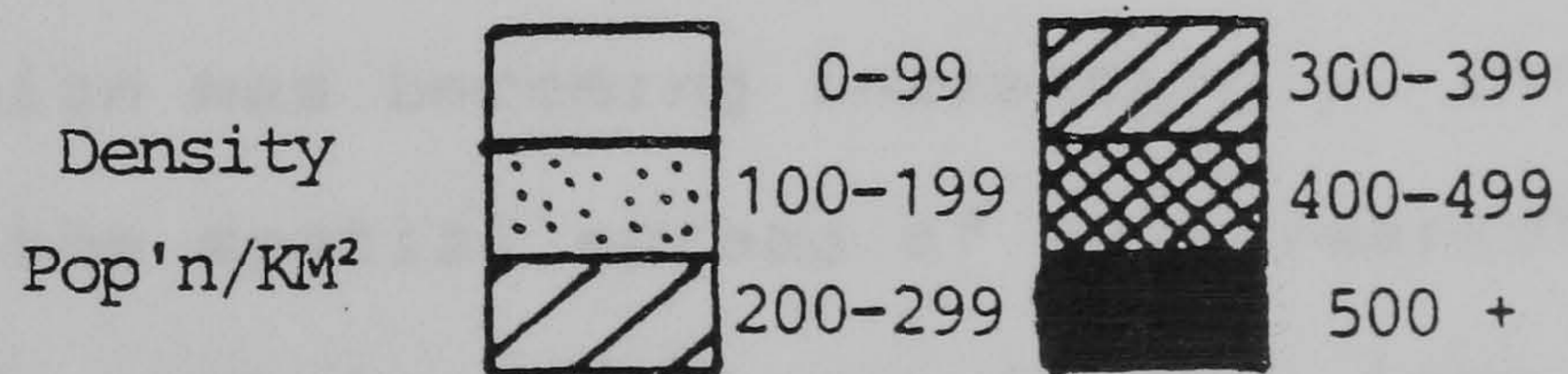
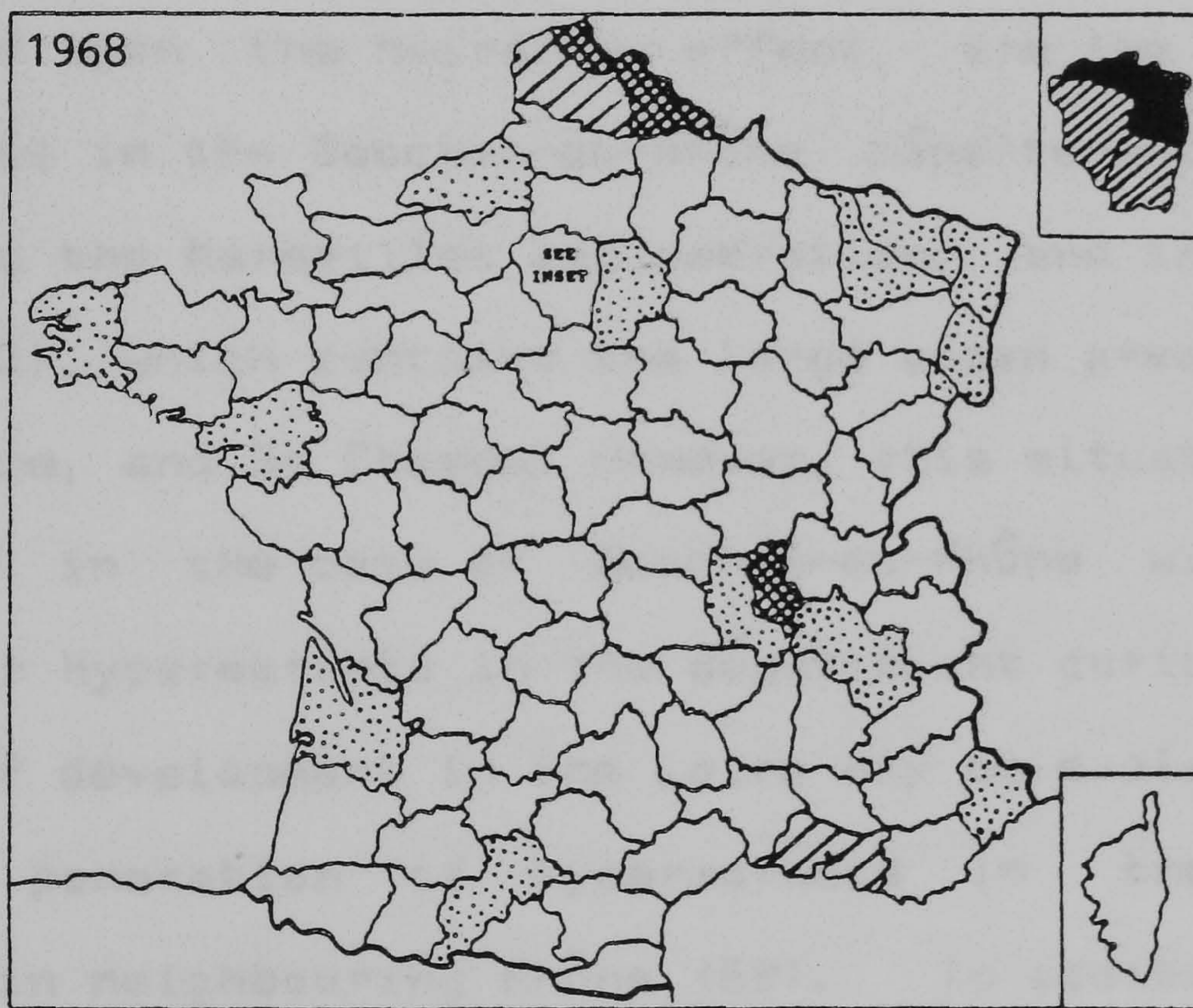
Map 7.3B : Supermarket Density (Floorspace) 1972.



Map 7.4A : Hypermarkets Opening Between 1963 and 1969.



Map 7.4B : Population Density 1968.





first stores to open is compared with the population density map for 1968, there appears to be a strong correlation between the areas with the highest population densities, which contain the major agglomerations - such as the Paris Basin, the North, the North-East, the South Coast, the Rhone, Brittany, and the départements containing Toulouse (31), Bordeaux (33), and Tours (37) - and those hypermarkets opened by 1969. This spatial pattern can largely be attributed to the hierarchy or non-competitive effect, as these stores opened initially in the major markets, thus avoiding competition from other units, and allowing them to exploit the largest catchment areas where the chance of failure was perceived as low.

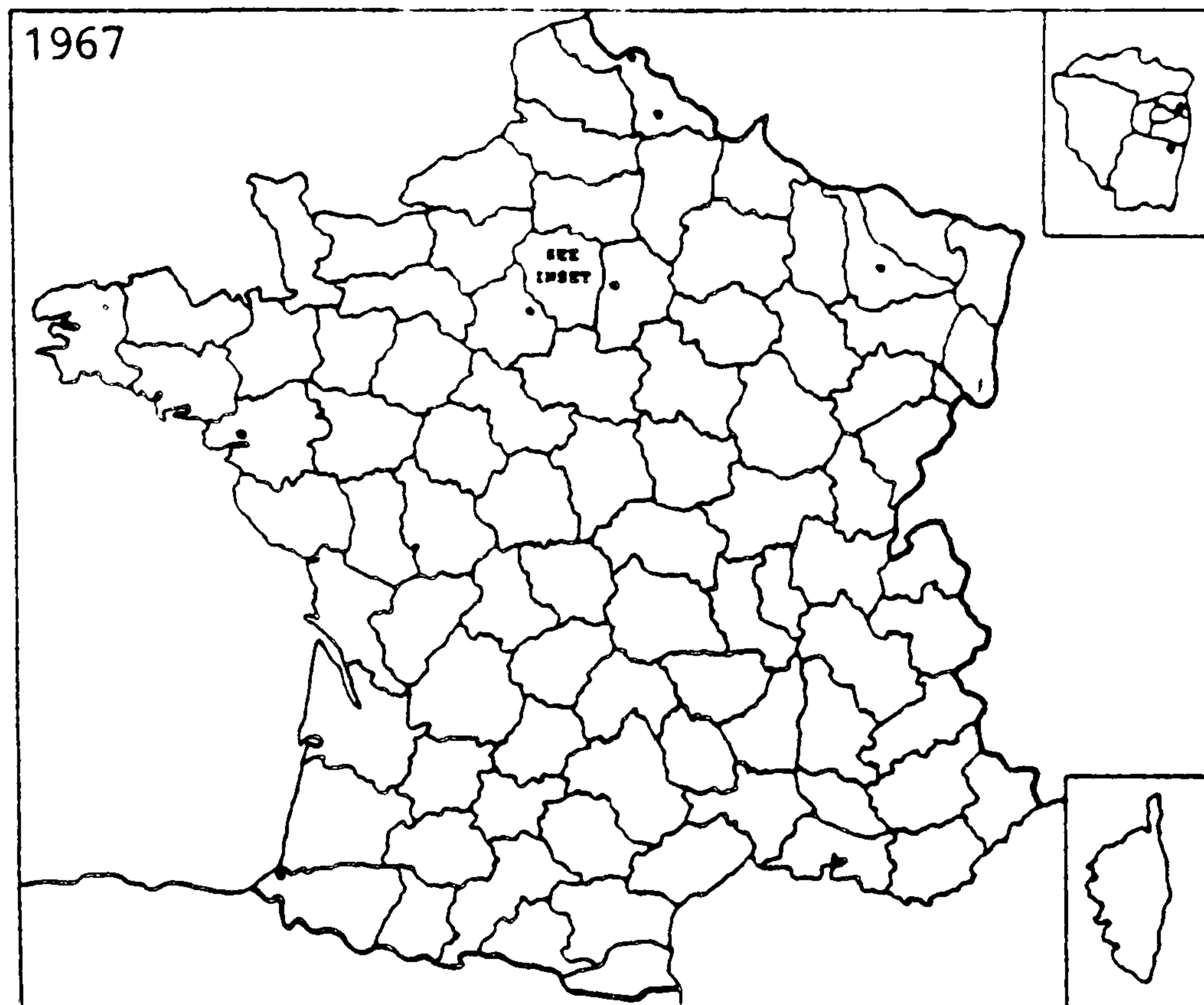
The major exceptions, in 1969, to this explanation of location based upon the hierarchy effect, are the absence of hypermarkets in the Bouches-du-Rhône département (13), which contains the Marseilles agglomeration, and the Loire département (42), which contains the large urban areas of St Etienne, Roanne, and St Chamond. However, this situation was soon remedied in the case of Bouches-du-Rhône with the opening of four hypermarkets in the département during 1970, and the lack of development in the Loire may be explained by the strong penetration of hypermarkets in the Lyon agglomeration in neighbouring Rhône (69). In addition, by 1969, there were signs that the neighbourhood effect upon innovation diffusion was becoming increasingly influential in accounting for the spatial spread of hypermarkets, with the appearance of a string of stores in the less densely

populated départements to the north of the central départements.

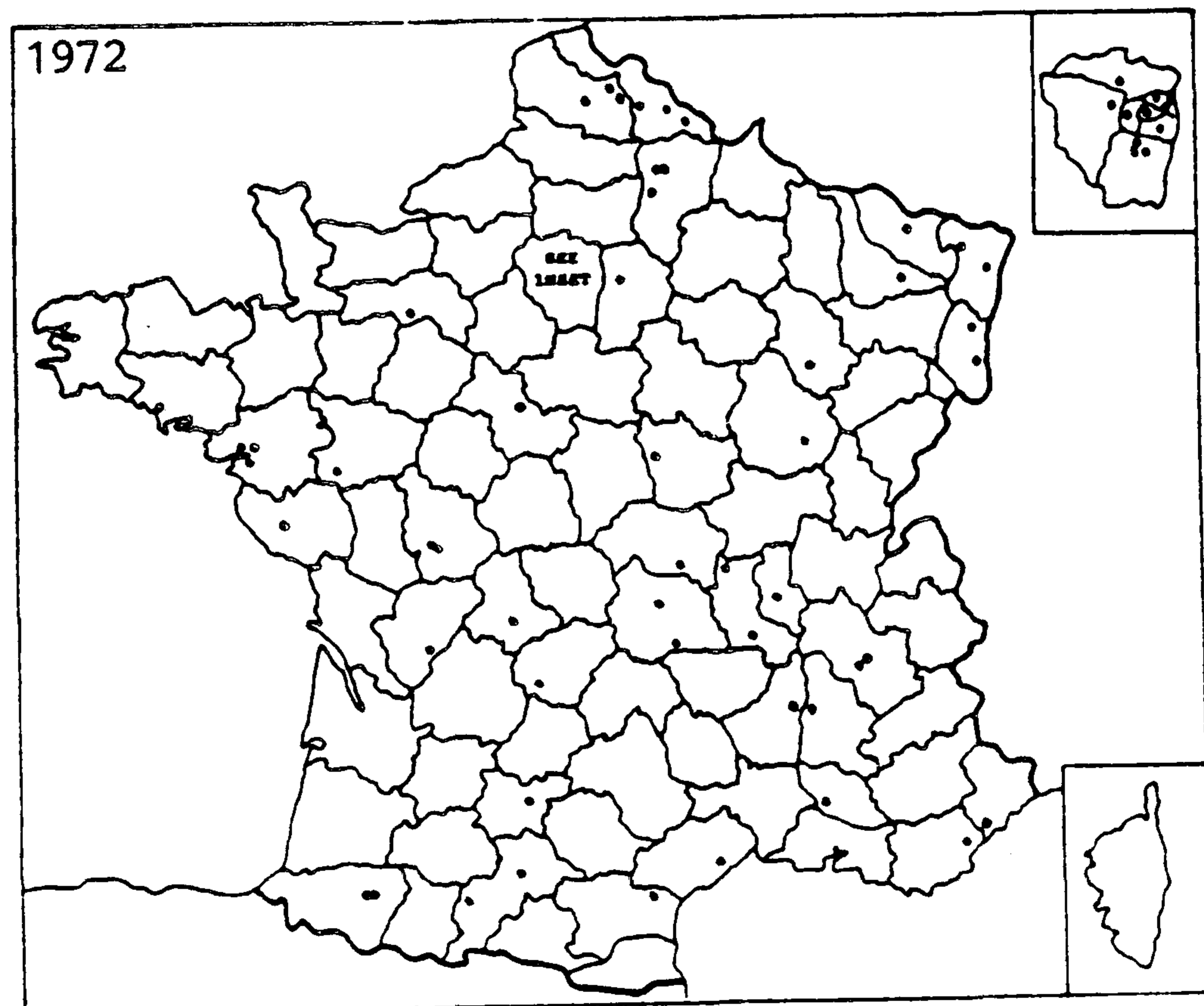
This changing pattern of spatial growth, owing to the increasing influence of the neighbourhood effect upon diffusion patterns, is more clearly illustrated in the series of maps (map 7.5) showing the location of new stores opened at five yearly intervals - in 1967, 1972, 1977, and 1982. From a pattern based upon initial developments concentrated in the most densely populated centres in 1967, there is widespread growth in the middle markets and smaller towns, along with the appearance of competing stores in the larger agglomerations by 1972. These stages are followed by the spread of the hypermarket to the more isolated départements, such as Ain (01) and Savoie (73) in 1977, and finally 1982 is characterised by continued infilling in smaller centres and less densely populated départements, including those on the southern and north-western edges of the Massif.

The spatial spread of hypermarkets is closely related to company development and expansion policies, which can also be seen to exhibit features of the hierarchy and neighbourhood effects. Company development policies have been particularly important in relation to both of these diffusion processes, as retailing in France is characterised by strongly regionalised retail organisations. National tradenames do exist, but many of these belong to affiliated groups such as the Leclerc banner for independent traders

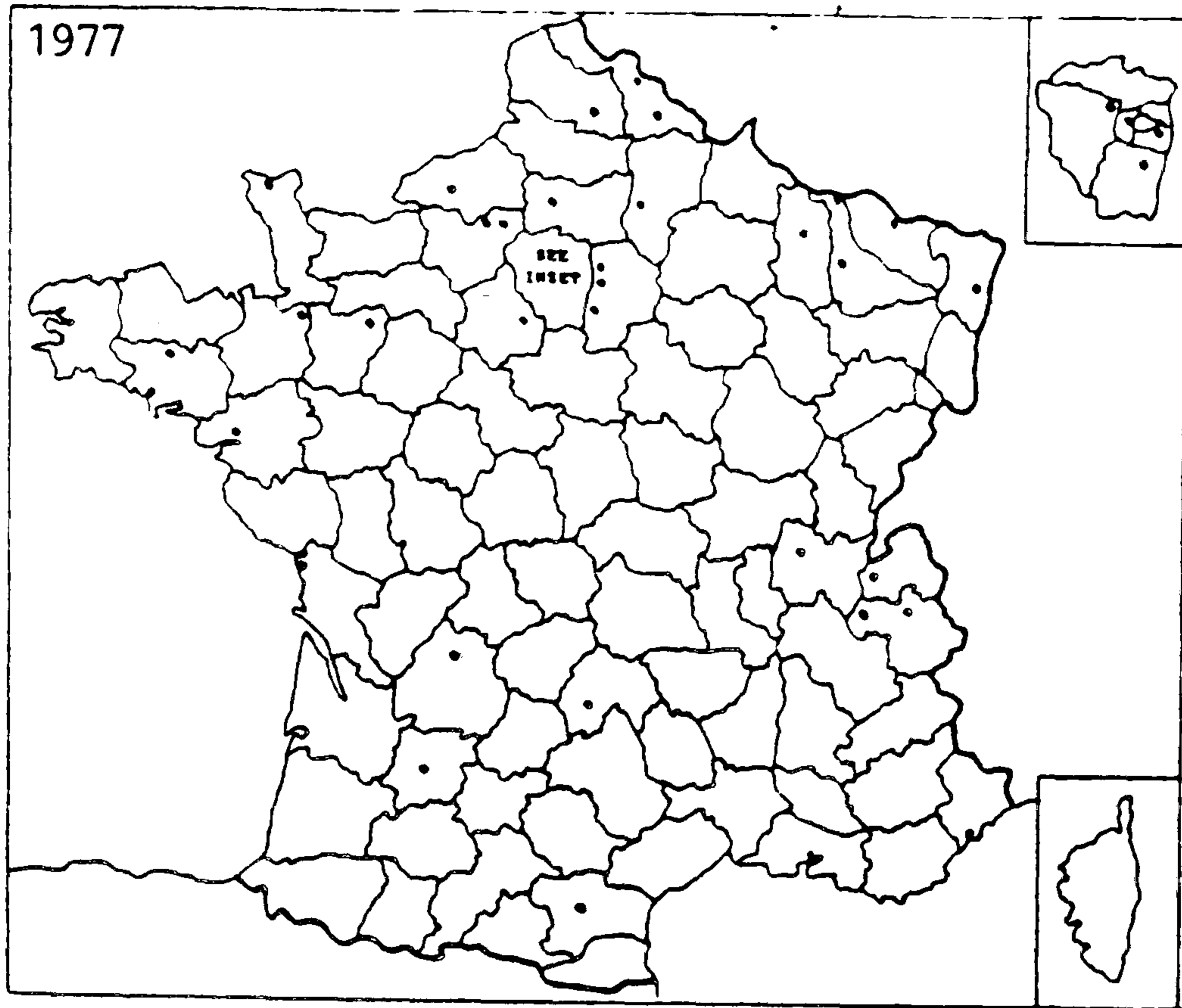
Map 7.5A : Hypermarkets Opening in 1967.



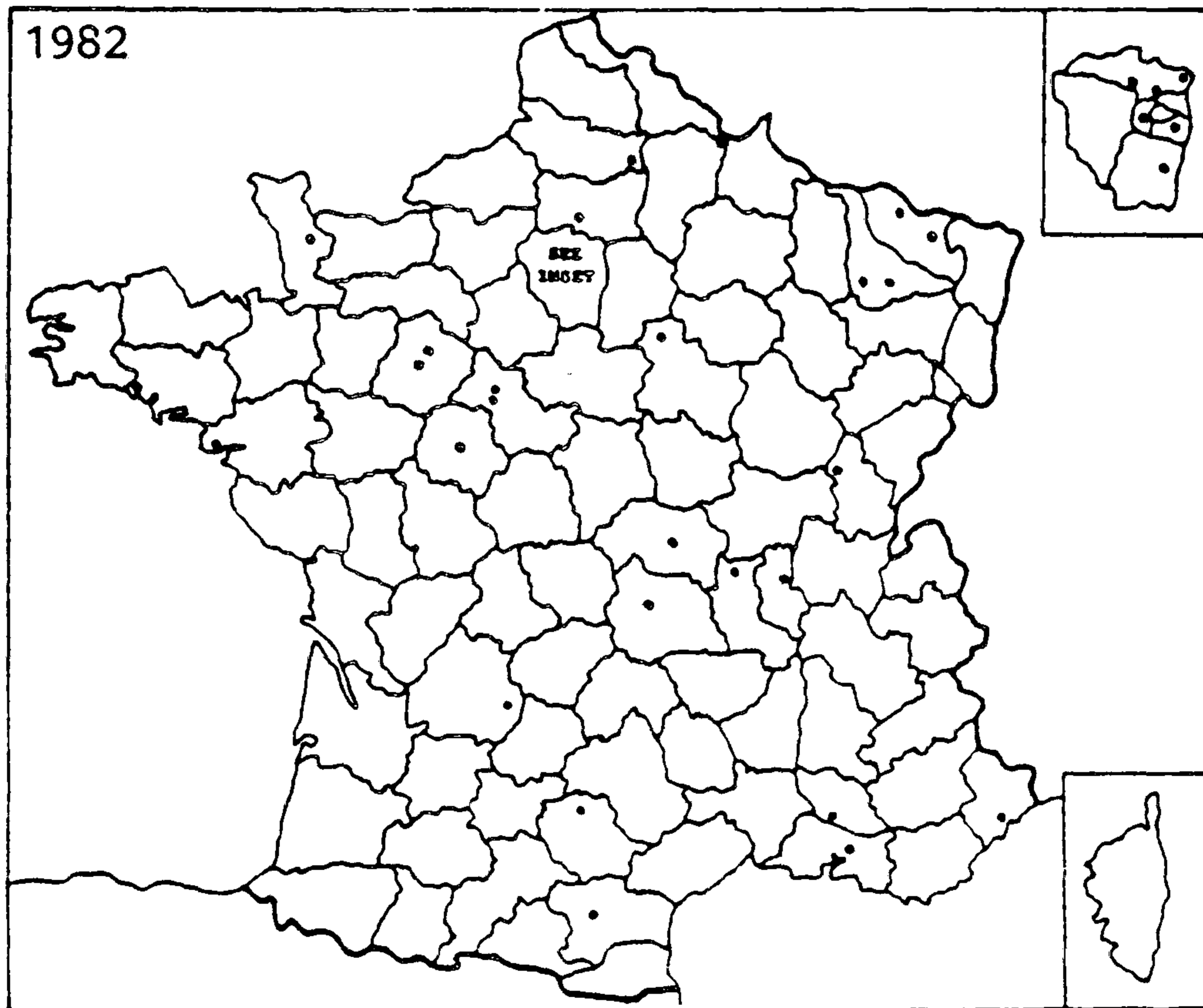
Map 7.5B : Hypermarkets Opening in 1972.



Map 7.5C : Hypermarkets Opening in 1977.



Map 7.5D : Hypermarkets Opening in 1982.



and that of Rond Point for the Cooperative Societies' hypermarkets. However, even these national tradenames still exhibit a strong inclination, in terms of store concentration, towards their regional origins. Hence, the Leclerc tradename is particularly well represented in Brittany and the West, whilst the Rond Point banner is most numerous in the North and North-East, the areas containing the largest and strongest of the Cooperative Societies.

Similarly, the geographically widespread Mammouth banner is the tradename of the Paridoc centrale, to which a variety of regional multiple retailers are affiliated. In 1982, the 77 hypermarkets carrying the Mammouth tradename were operated by several multiple retail organisations. Docks de France owned 28 stores directly, and possessed a 50% shareholding in Cofradel which ran a further 6 stores, the Société Alsacienne de SuperMarchés (SASM) controlled 7 stores, Cedis 15, Economats du Centre 8, Guyenne et Gascogne 4, and La Ruche Méridionale 9. By virtue of the distinct regional character and concentration of these groups the Mammouth tradename has achieved a national market coverage. The SASM stores are concentrated in the far North-East, Cedis is located to the south of SASM's territory in the North-East, Economats du Centre are to be found in the Central region of the country, La Ruche Méridionale in the South and Eastern areas of the South-West with Guyenne et Gascogne in the west coast section of the South-West, Cofradel occupy the Rhone valley and South-East region, and finally, Docks de France are concentrated in the West, North

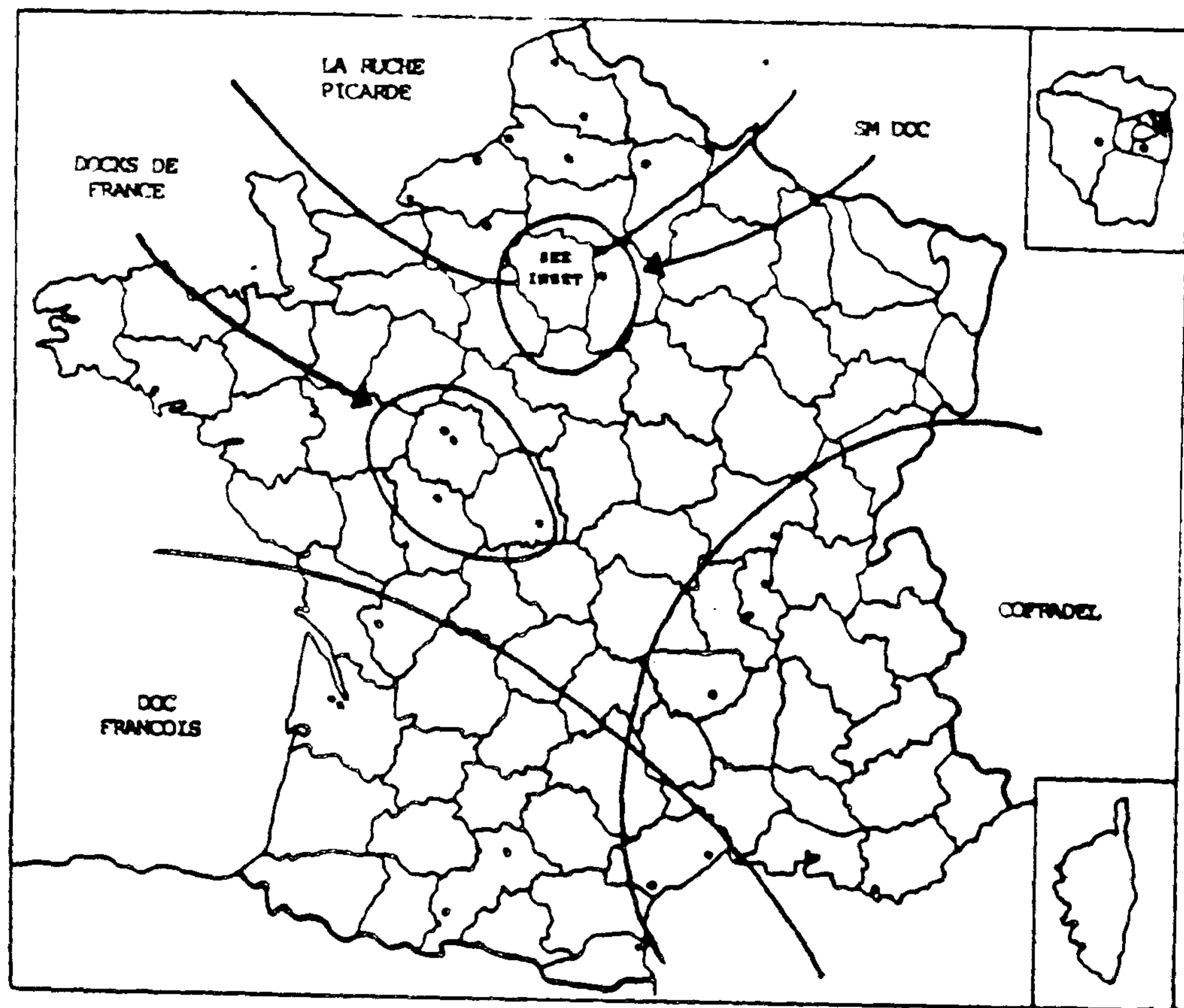
and Paris regions.

Docks de France are one of the few companies which have developed strongly outside their home region, and this has been achieved primarily by the acquisition of other companies with hypermarket operations. The parent company of Docks de France operates in the north-west of the Central region and has long established subsidiary companies, Doc Francois operating in the south west of the country and SM Doc concentrated in the Paris region. The group has recently expanded and achieved a national coverage of sorts (map 7.6A) through the acquisition of a 50% holding in Cofradel in 1979, and the control of the northern based multiple retailer, La Ruche Picarde in 1980.

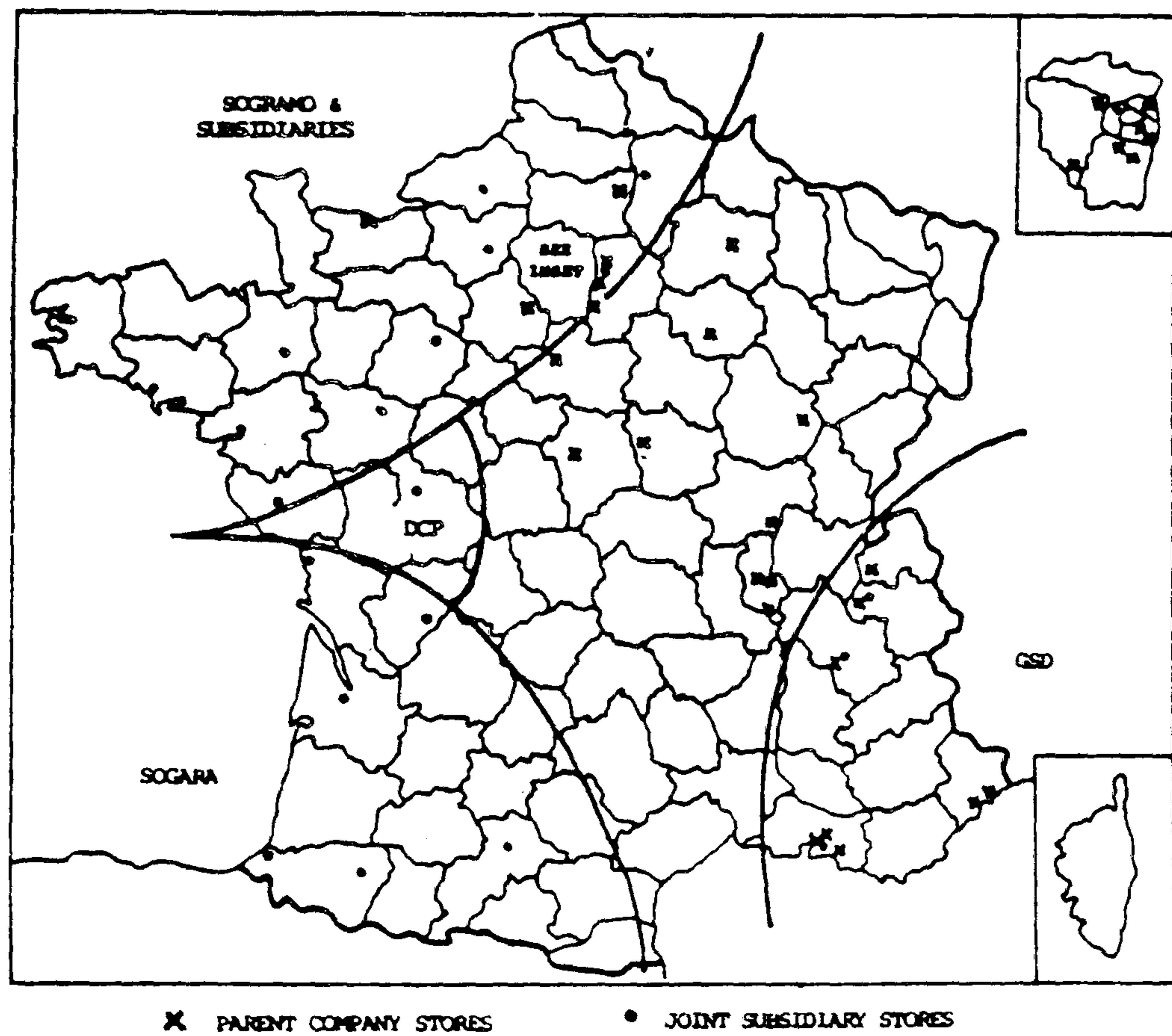
Of all the hypermarket operators, Carrefour is the one major retailer with a long established national hypermarket penetration (map 7.6B). The parent company has its traditional base in the Rhône vally and Paris regions, but the group expanded into the national arena at an early stage in its history, initially by franchising its tradename through the company's centrale, Samod, to 14 stores owned by Cora, Grand Magasins Ardennes, and Promomag in the North. These franchises were given up in the early 1970's, as Promomag developed their own Continent banner in 1973. Cora followed suit in 1974, and the stores of Grand Magasins Ardennes were taken over by Carrefour themselves in 1976.

As well as the use of the franchise concept, Carrefour has widened its geographical market by developing outlets in

Map 7.6A : Hypermarkets Operated by Docks de France 1982.



Map 7.6B : Hypermarkets Operated by Carrefour 1982.



regional markets through subsidiary companies owned on a 50:50 share basis with established multiple retailers based in the regions in question. In 1967, the Sogara subsidiary was founded with Guyenne et Gascogne to develop Carrefour stores in the South-West, and this venture was followed in 1972 by the creation of Soracma with Docks Lyonnais and Docks de Nevers (Soracma was eventually absorbed by Carrefour in 1976), the formation of Grandes Surfaces de Distribution (GSD) in conjunction with l'Allobroge in the South-East, and Sogrammo with Comptoirs Modernes in the North-West region of the country.

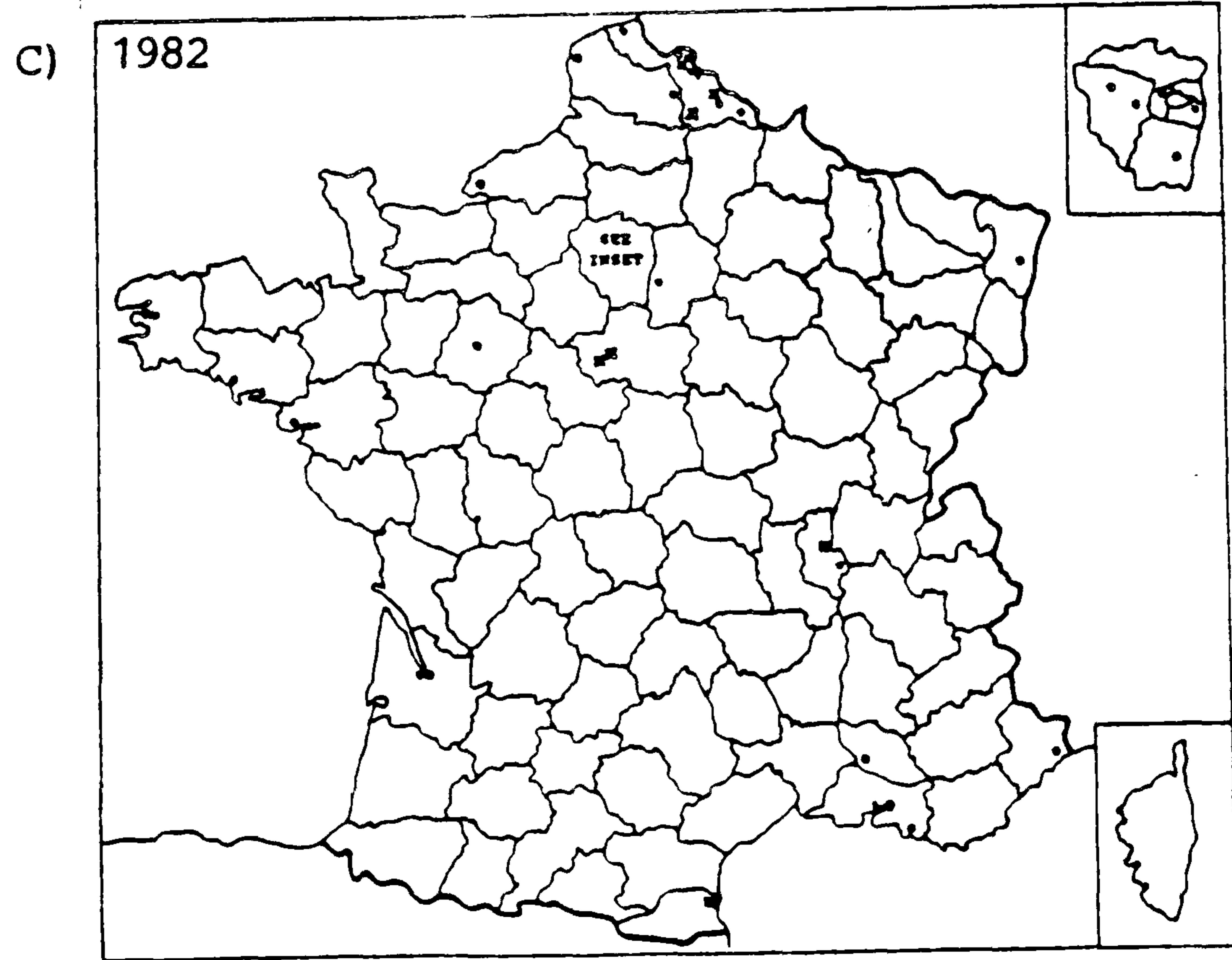
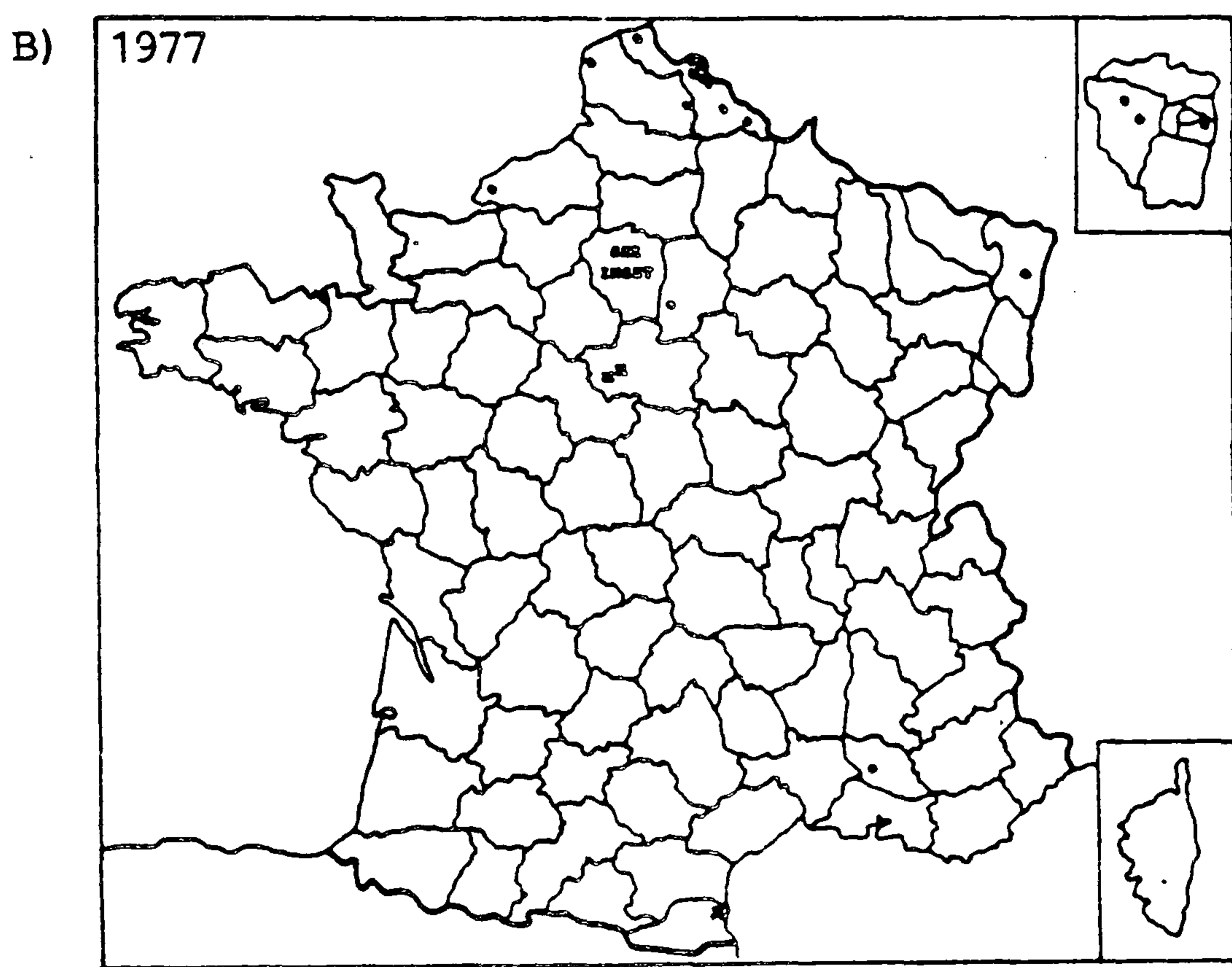
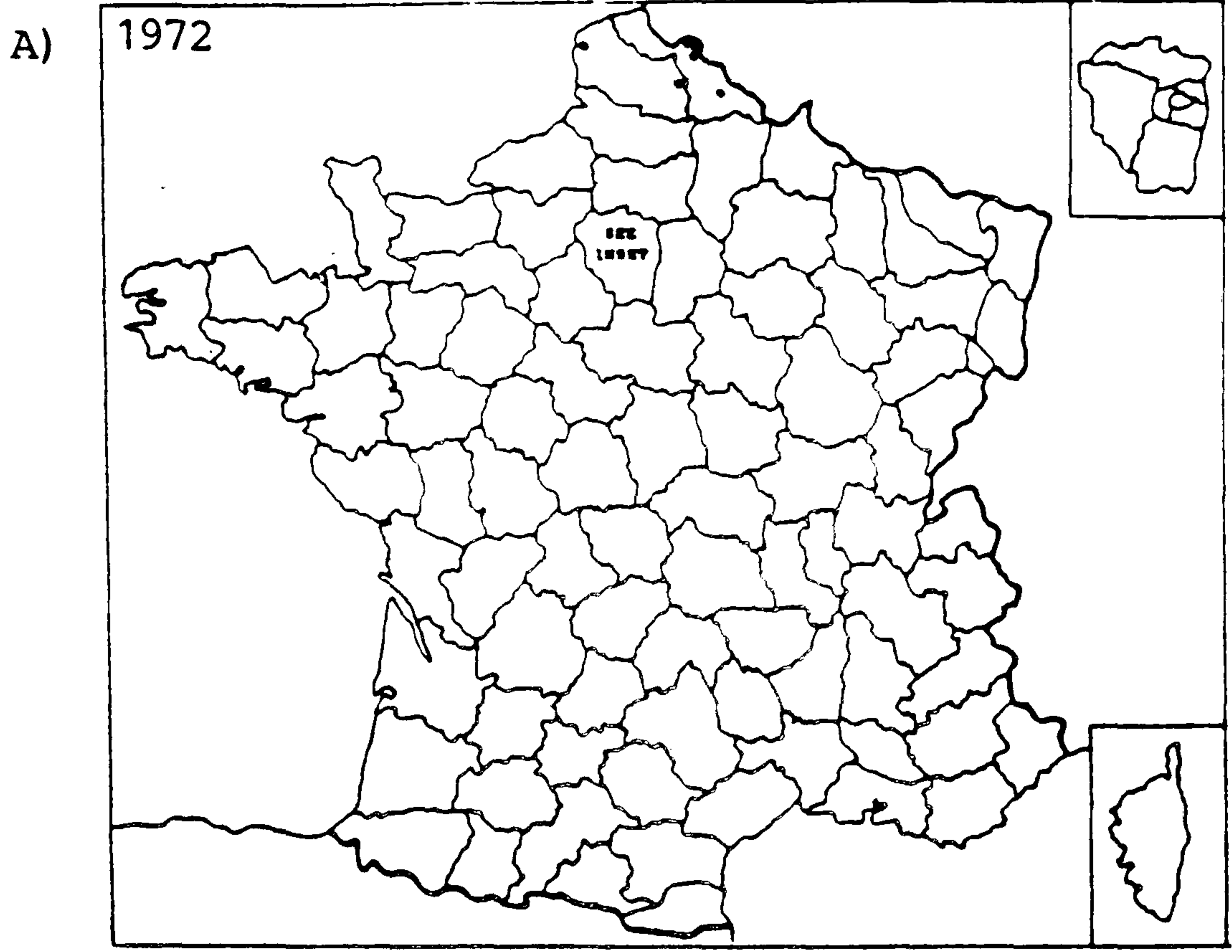
Other organisations which have adopted a more national geographical spread are Auchan (map 7.7) and Rallye (map 7.8). However, the development of these two firms differs from that of Docks de France and Carrefour in that they have both expanded into other regions essentially through building their own stores, rather than through acquisition or collaboration with other retailers.

Auchan have penetrated south from the Nord (69) and Pas-de-Calais (62) départements into the Paris basin, the Rhône Valley, Bordeaux and the South primarily by constructing their own units, although the company has purchased some individual stores during this expansion (in 1982, 7 of Auchan's 33 stores had been acquired in this way). However, unlike Docks de France the group has not acquired any major regional companies.

Similarly, Rallye has expanded from its Brittany base through the western regions to the Rhône valley and south

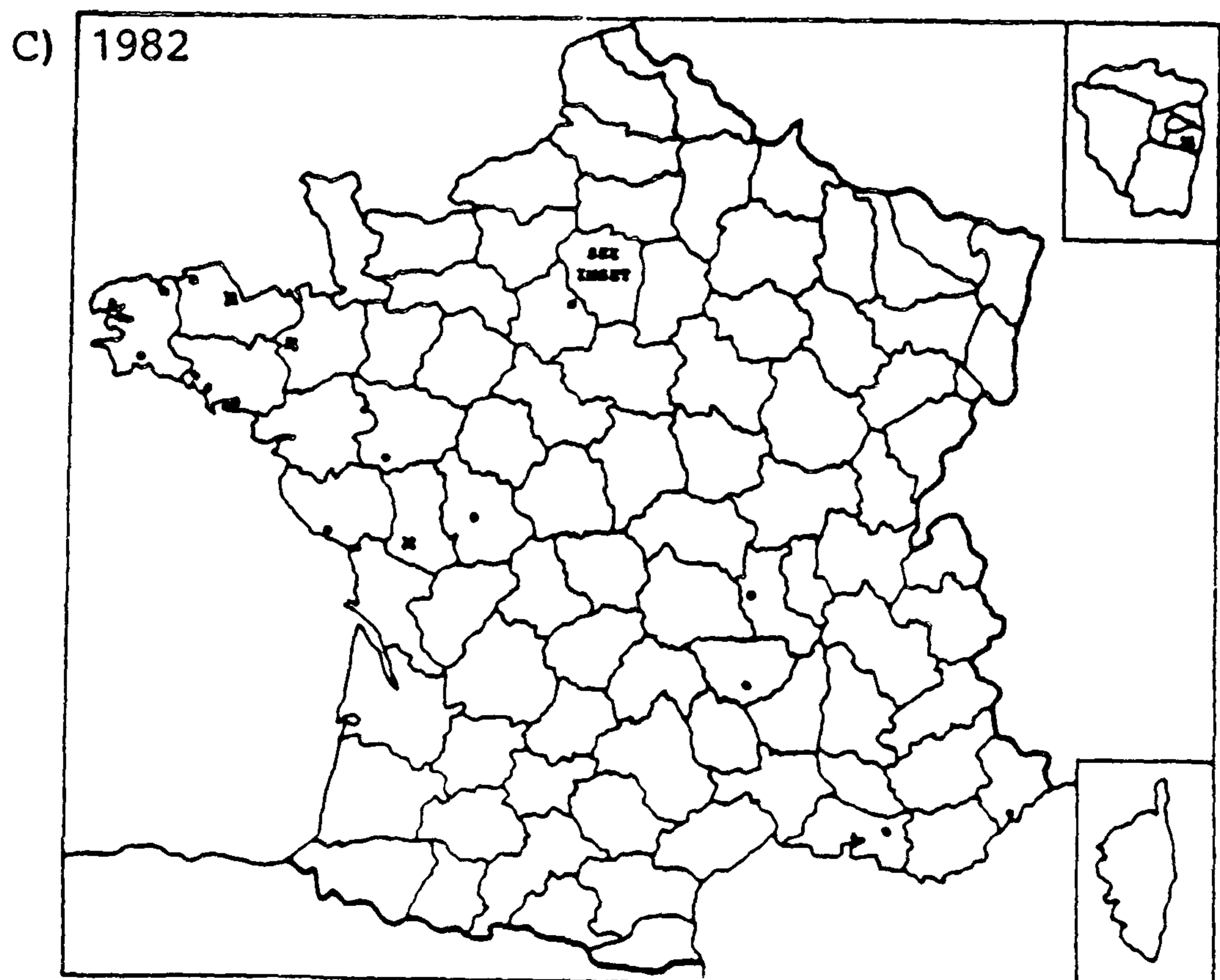
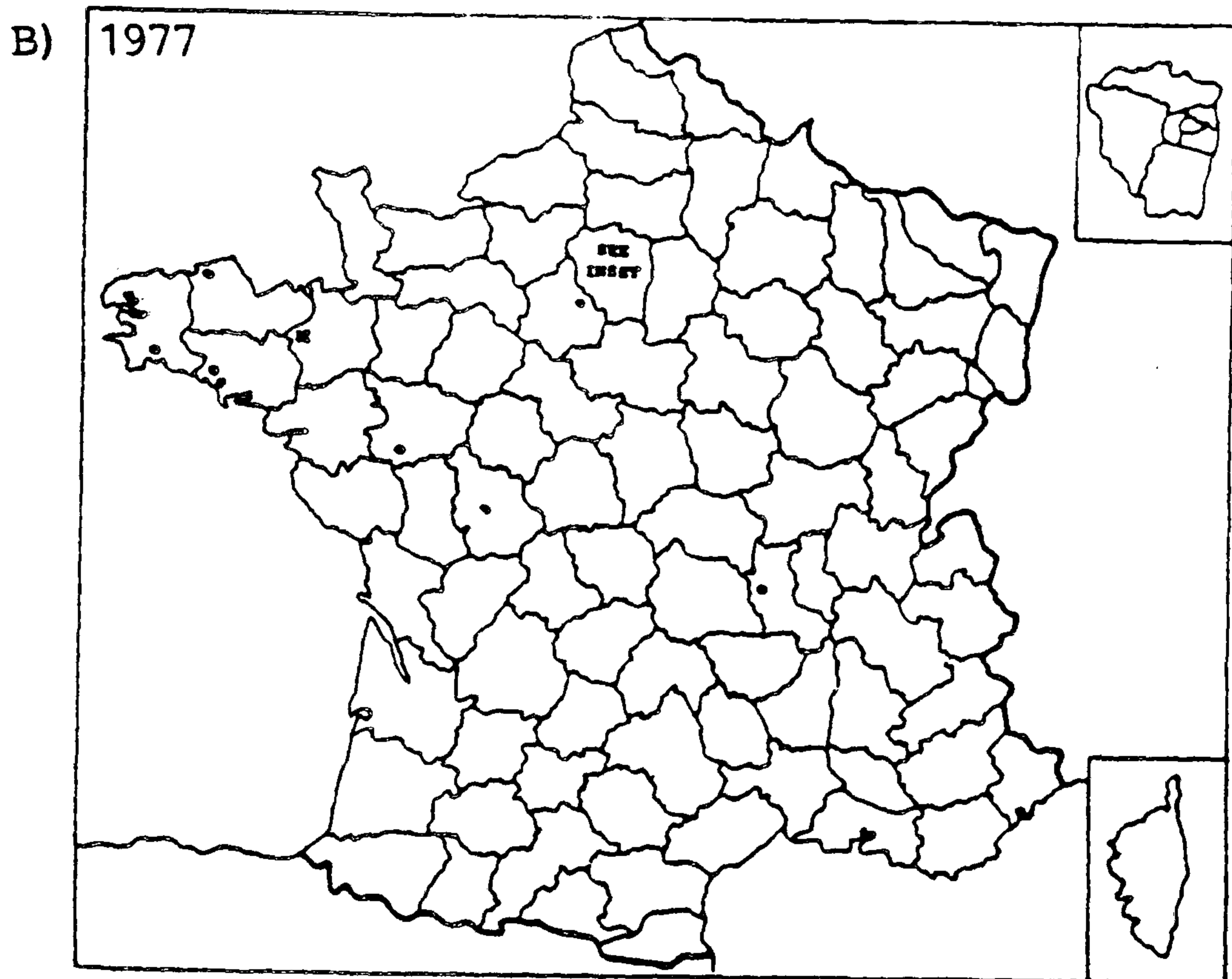
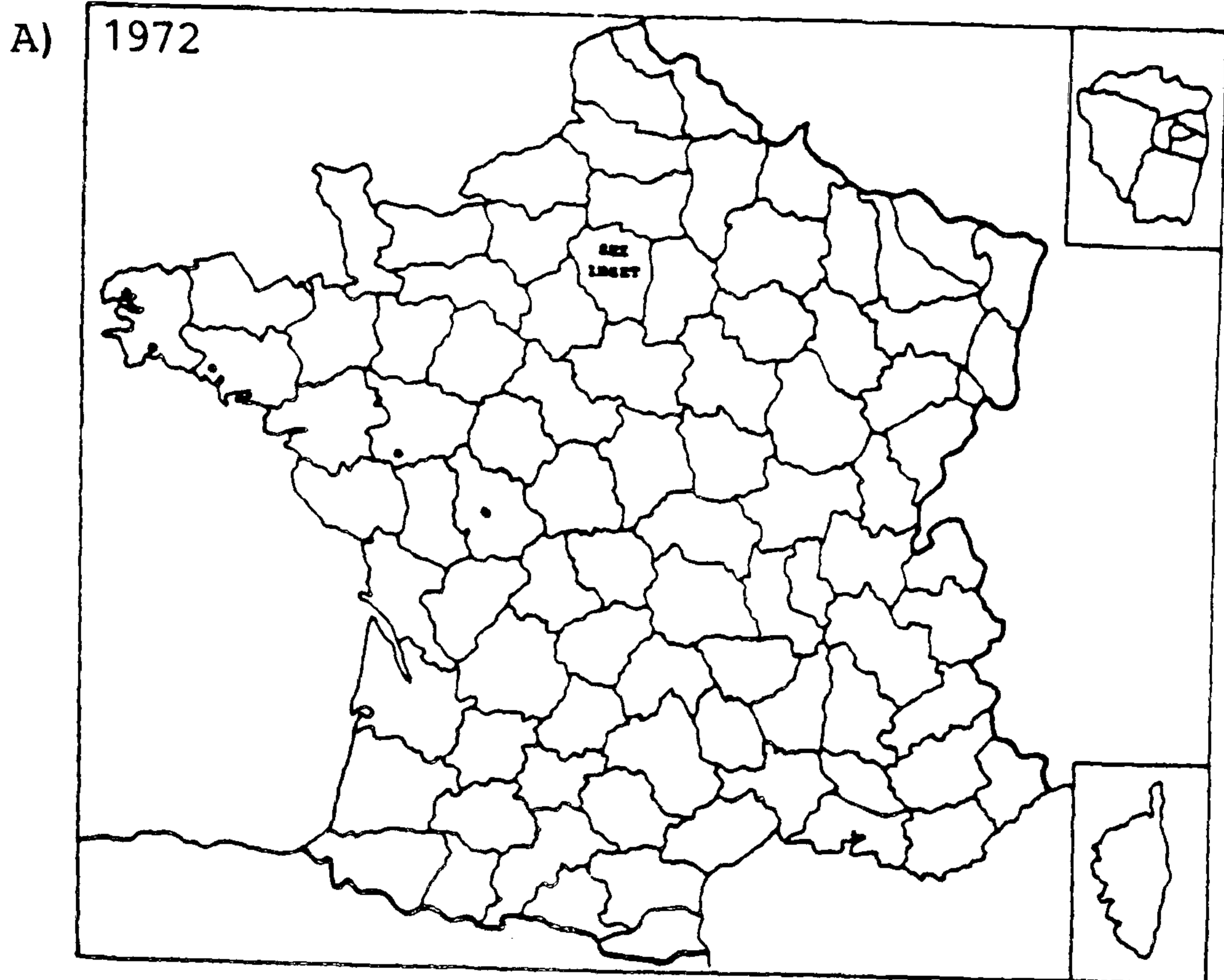


Map 7.7 : Hypermarkets Operated by Auchan.



× Acquired by Take Over

Map 7.8 : Hypermarkets Operated by Rallye.



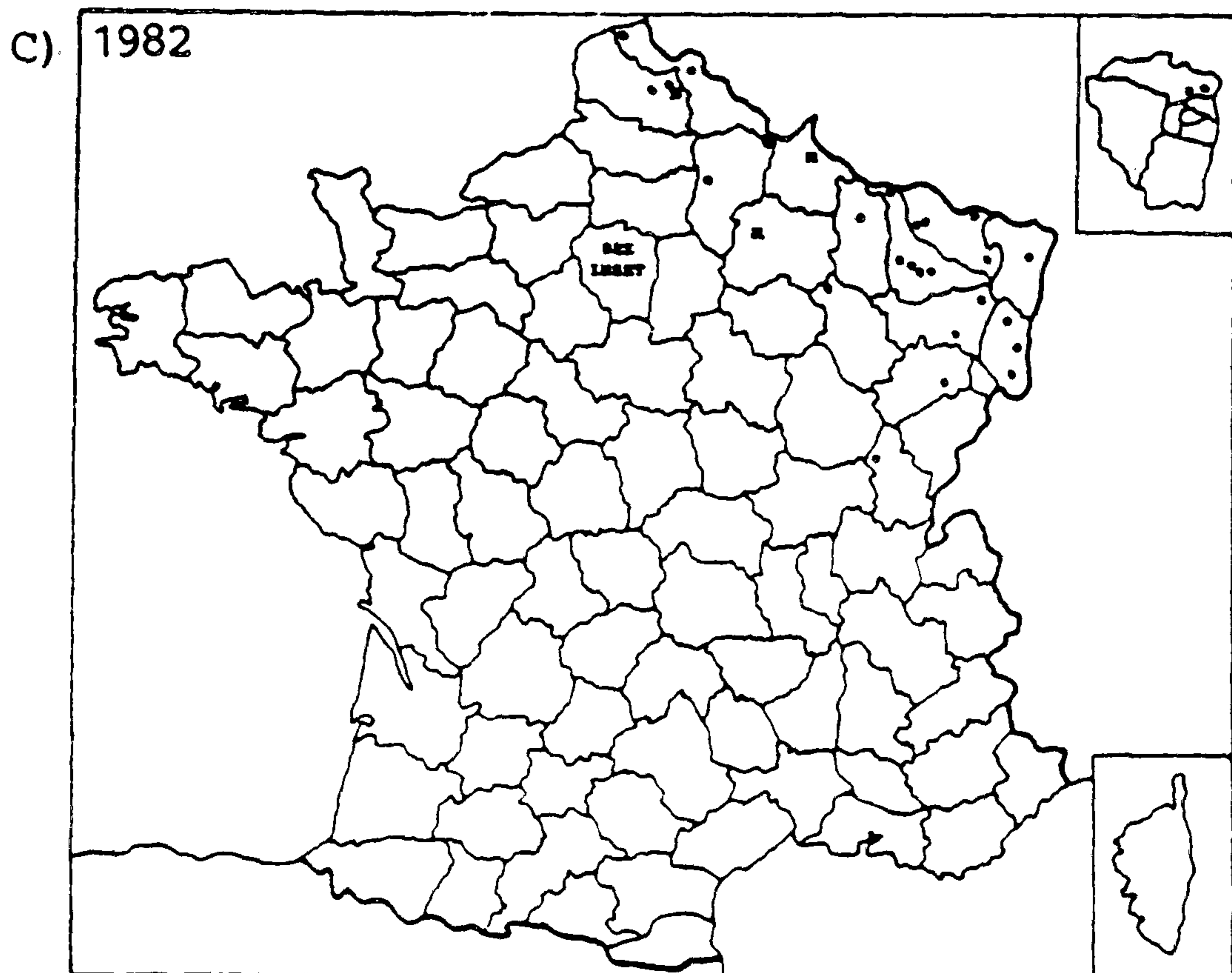
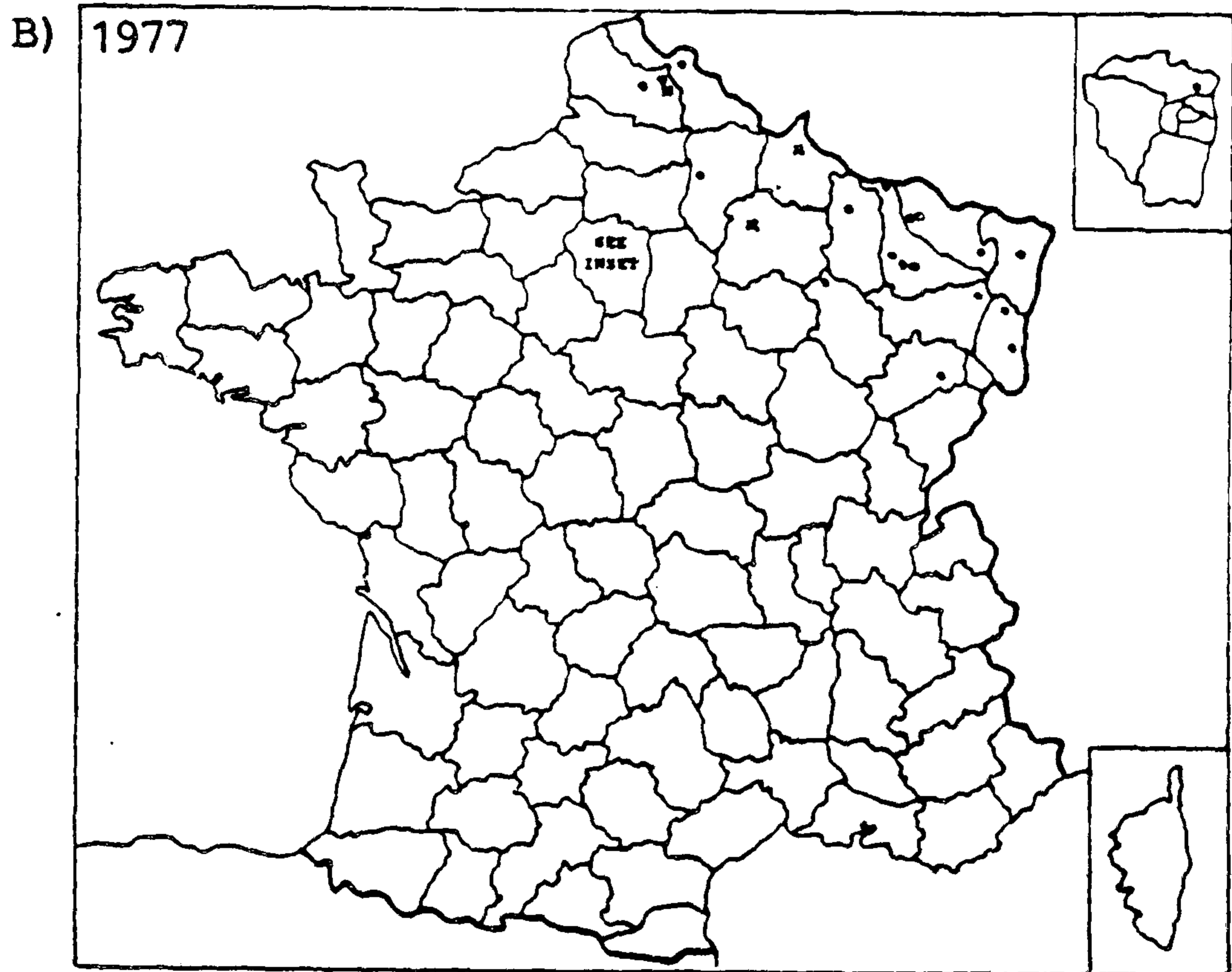
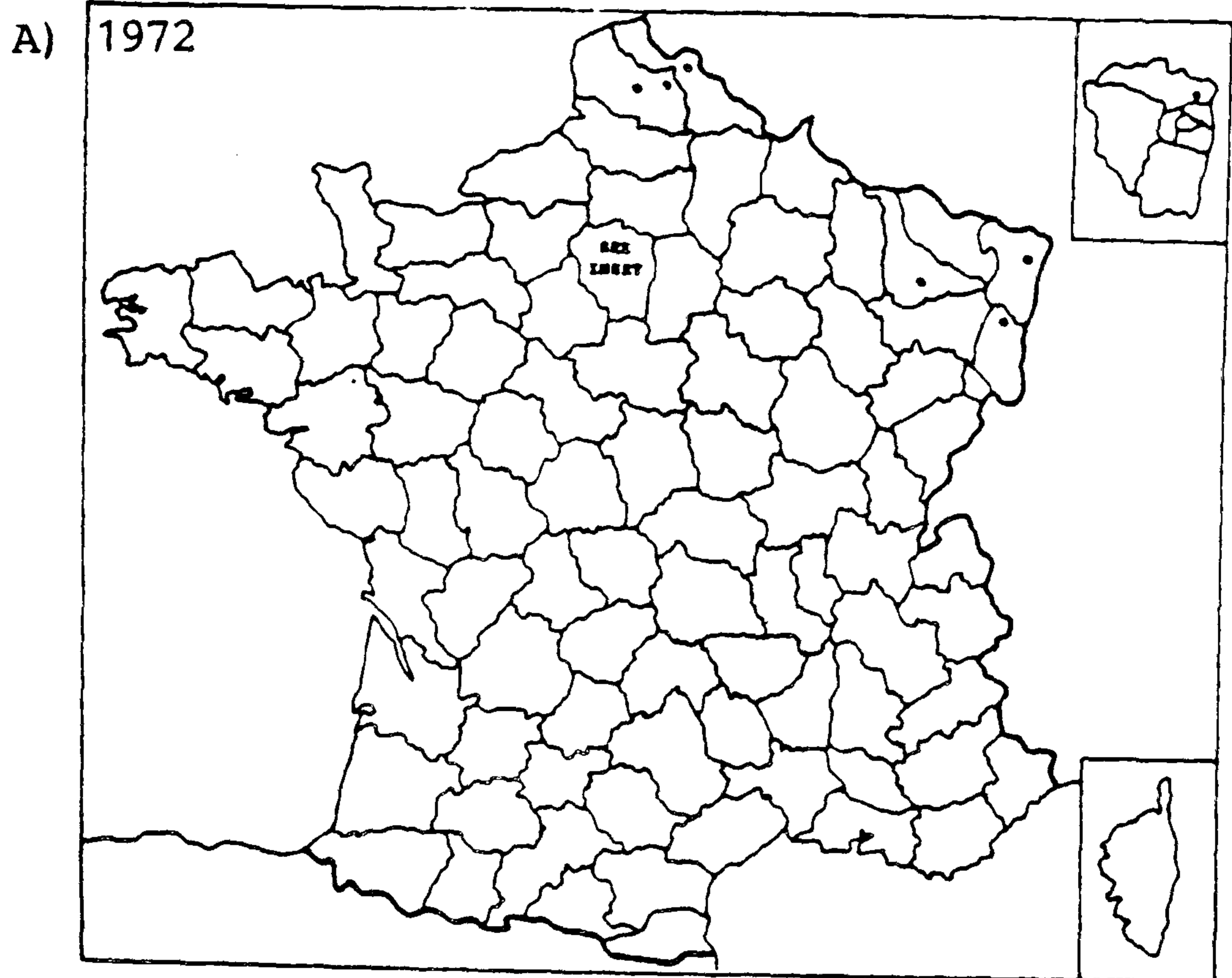
x Acquired by Takeover

coast. The spatial diffusion of both of these groups again illustrates the influence of the hierarchy and neighbourhood processes of spatial diffusion. Consequently, development outside the home territory has been focused primarily upon the larger markets of the Rhône (69), Gironde (33), and Bouches-du-Rhône (13) départements and the Paris region; whilst over the same time period both of these firms have, through the neighbourhood process of diffusion, continued to open stores in the middle markets and smaller centres of their own regions, thus filling in gaps in these areas.

The effect of the neighbourhood, or infilling process is most evident in the development of those hypermarket operators which have remained strongly regionalised in nature, such as the Docks du Nord-Mielle-Cora group in the North (map 7.9), and Cedis in the North East (map 7.10). Both of these retailers have continued to expand within their own distinct regions and have obtained a high density of stores in these particular parts of the country. Cora's commitment to this form of regional strategy was reaffirmed in 1980, when the group attempted to consolidate their position in the North with an unsuccessful bid for the La Ruche Picarde company.

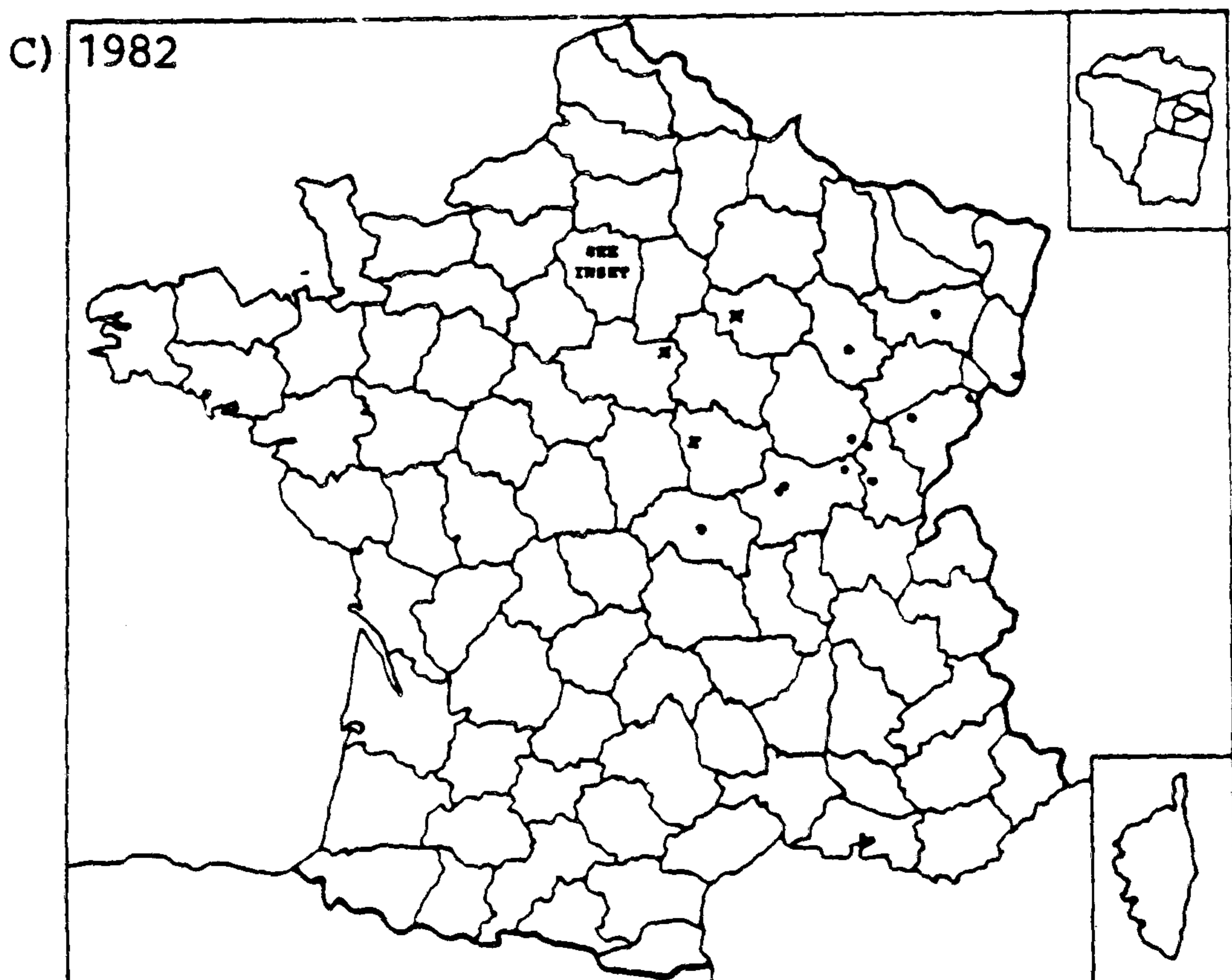
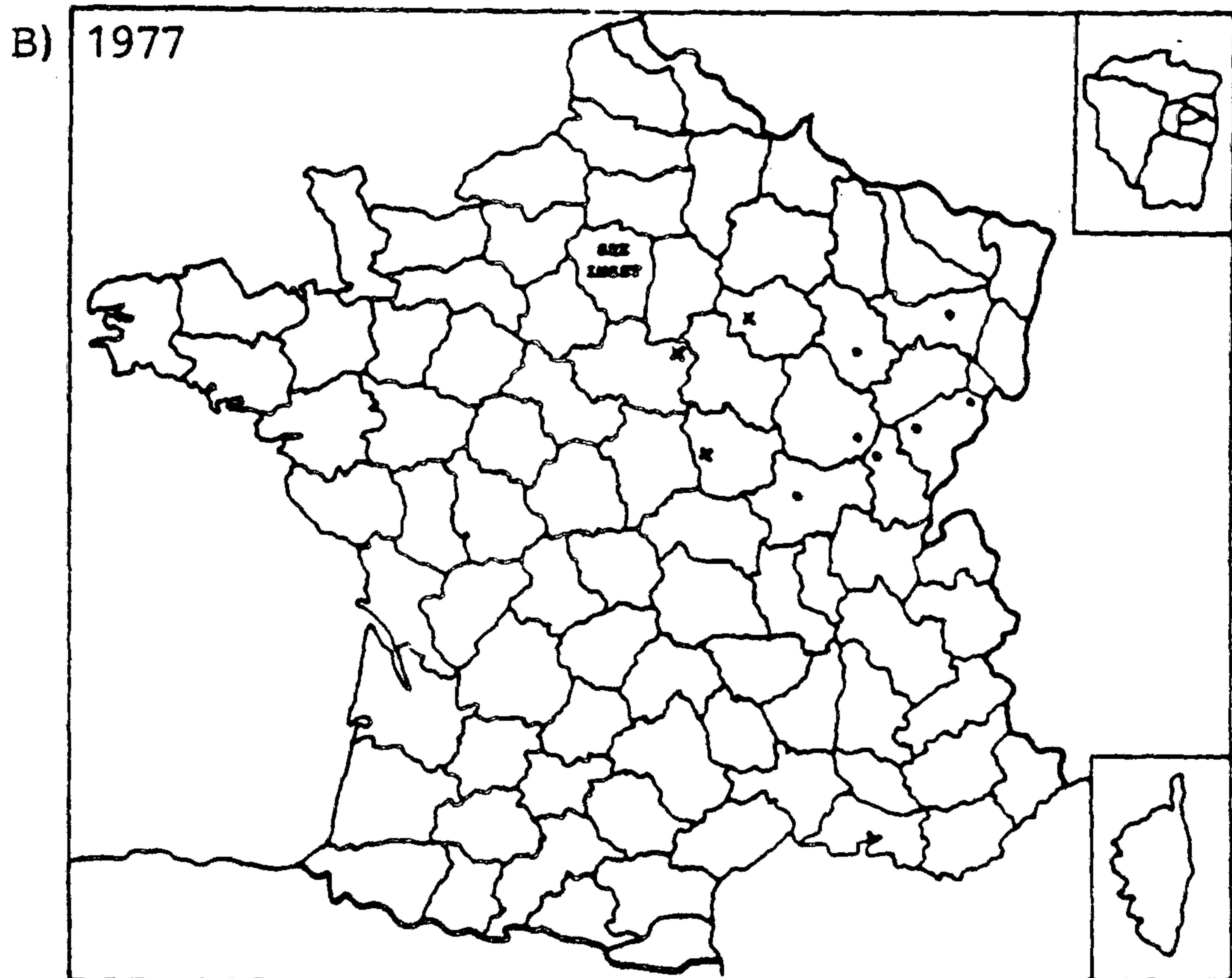
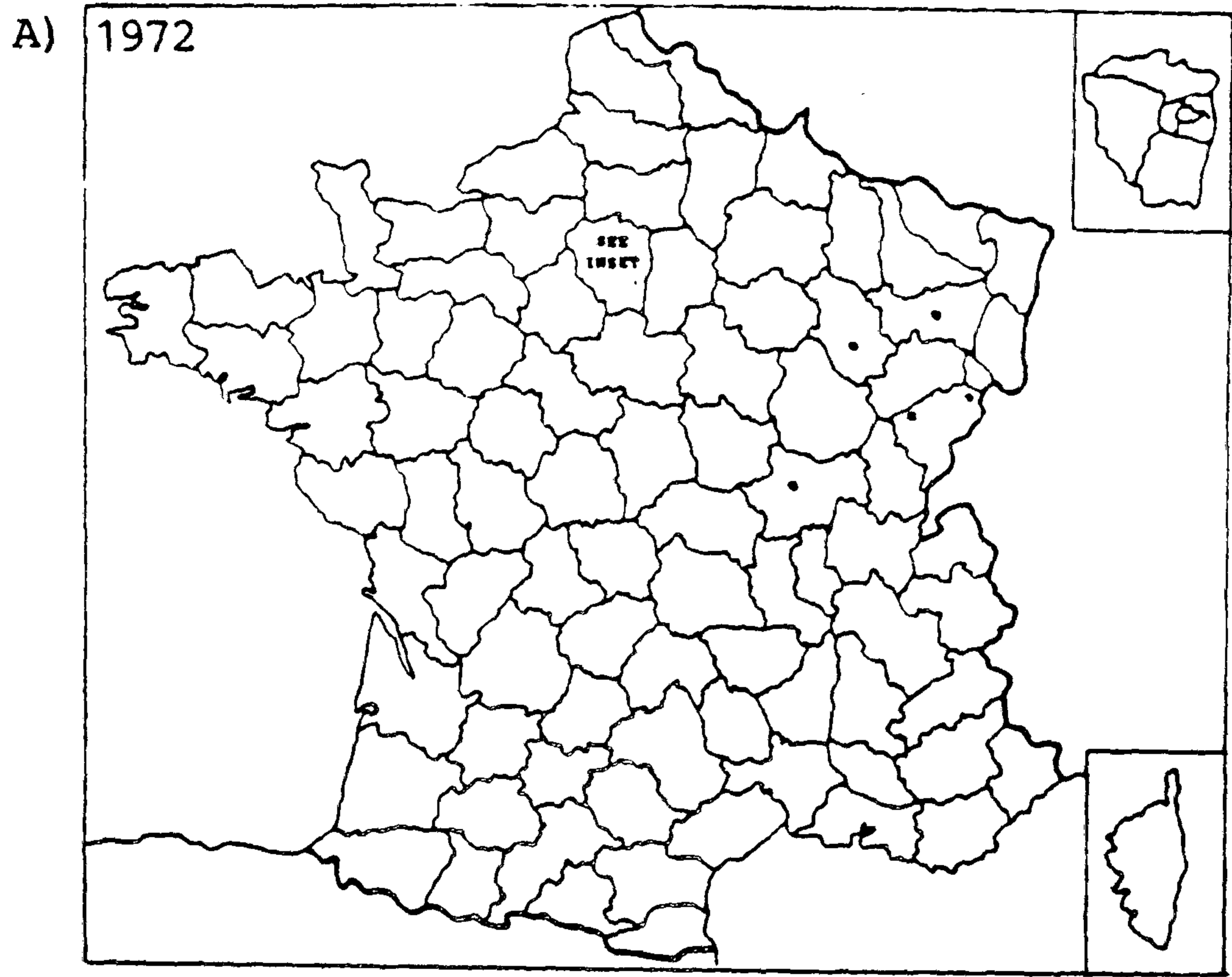
In general, the highly regionalised nature of French retail firms has reinforced the neighbourhood effect, as few firms attempt to expand nationally on a large scale, but instead restrict their development to specific areas of the country. This tendency may offer a further explanation of

Map 7.9 : Hypermarkets Operated by Cora.



X Acquired by Takeover

Map 7.10 : Hypermarkets Operated by Cedis.



X Acquired by Take Over

the rapid growth and high density of hypermarket numbers and floorspace in France, as the national growth and spread of the hypermarket concept can, to some extent, be viewed as an amalgamation of a number of rapidly developing regional markets.

The widespread high density of hypermarket floorspace in 1982 would suggest that the natural processes of spatial diffusion have proceeded unhindered by the Loi Royer. The regional tendencies of French retail organisations has contributed to the high level of infilling of sites and the consequent geographical spread of the hypermarket. One can even argue that the Loi Royer may have indirectly reinforced this pattern of regional based expansion. It is likely that the CDUC system will have placed even further restrictions upon expansion outside the region where the organisation is based, as these Commissions might be expected to treat applications from an unknown "external" retailer with greater hostility than those from the established regional retailer.

### 7.3. OWNERSHIP TRENDS

As discussed in Chapter Four, there are several types of organisation operating within the French retail sector - the "Grandes Surfaces" organisations (GEGS), the branch multiples (MAS), the Cooperatives, the department/variety store groups (GM/MP), and the independents - and it is important to differentiate between these categories when considering ownership trends, as their distinct

characteristics have affected the way in which they have developed in the hypermarket sector.

The proportion of both hypermarket floorspace and number of units owned by the different organisational sectors has changed over time. Since the introduction of the Loi Royer, one might expect to observe a decline in the proportion of both numbers and floorspace owned by the large retailers, particularly the "Grandes Surfaces" groups, as the CDUCs and CNUC reinforce the position of the independent sector. However, this does not seem to have occurred.

As figure 7.9 reveals, the "Grandes Surfaces" groups have increased their share from around 30% of hypermarket floorspace in 1970 to 52.6% in 1982, whilst their share of the number of stores has risen from 23.5% to 41% over the same period (figure 7.10). Similarly, affiliated independents (those belonging to groups like Leclerc, Codec and Intermarché) have seen their ownership shares rise from 5.2% in 1970 to nearly 18% in 1982 in terms of the number of units, whereas, because stores operated by independents tend to be small, their share of floorspace has risen more slowly from 3.7% to 10.9%. Much of this growth in the independent sector can be explained by the increased tendency of independent retailers entering the hypermarket sector to join an affiliated group, rather than to "go it alone", as was a more common feature of this organisational sector in the early years of hypermarket development. Finally, the Cooperative Societies have also increased their ownership

Figure 7.9 Hypermarket Floorspace - Ownership by Type of Organisation 1964-1982.

Organisation	(%) Proportion by Organisation									
	1964	1966	1968	1970	1972	1974	1976	1978	1980	1982
"Grandes Surfaces"	100	71.2	47.1	30.7	36.9	40.5	44.5	50.6	52.2	52.6
Multiples	-	-	24.1	32.3	31.3	28.8	28.1	27.5	25.7	24.8
Cooperatives	-	-	-	2.8	3.7	4.8	6.4	6.5	6.7	6.7
Dept./Variety	-	-	-	-	-	-	-	-	-	-
Store Companies	-	-	11.9	16.8	11.2	9.9	7.3	3.3	2.8	2.8
Independents	-	-	3.8	3.7	5.9	6.8	7.9	8.6	10.0	10.9
- Affiliated	-	-	12.9	13.7	10.9	9.1	5.8	3.5	2.6	2.1
- Unaffiliated	-	28.8	-	-	-	-	-	-	-	-



Figure 7.10 Hypermarket Units -Ownership by Type of Organisation 1964-1982.

Organisation	(% Proportion by Organisation)									
	1964	1966	1968	1970	1972	1974	1976	1978	1980	1982
"Grandes Surfaces"	100	75.0	39.3	23.5	26.5	29.9	33.4	39.2	40.3	41.0
Multiplies	-	-	32.1	33.9	32.8	29.9	29.9	28.7	27.1	25.9
Cooperatives	-	-	-	4.3	6.3	7.2	8.9	9.2	9.0	8.8
Dept./Variety	-	-	-	-	-	-	-	-	-	-
Store Companies	-	-	10.7	14.8	10.8	9.9	6.9	3.6	3.0	3.0
Independents	-	-	-	-	-	-	-	-	-	-
- Affiliated	-	-	3.6	5.2	9.3	10.7	12.5	13.8	16.2	17.7
- Unaffiliated	-	25.0	14.3	18.3	14.2	12.4	8.4	5.4	4.4	3.4

shares very slowly from 2.8% of hypermarket floorspace in 1970, to 6.7% in 1982, with a corresponding rise from 4.3% to 8.8% in their share of the number of outlets.

These gains have been at the expense of other organisational categories. The department/variety store groups have seen a rapid decline in their share of the hypermarket sector from 16.8% of floorspace and 14.8% of numbers to around 3% in both instances over the same twelve year period. This rapid decline is largely accounted for by the reorganisation which took place between Au Printemps and Euromarché (which shall be discussed later) which resulted in the Au Printemps hypermarkets being taken over by Euromarché in 1976, and the sale of the Decre hypermarkets in the early 1970s. This decline has, however, levelled out since 1977, and there are signs of increased activity, both directly and indirectly, by this organisational category in the hypermarket sector over the past few years.

The share of hypermarket floorspace controlled by unaffiliated independents has declined from nearly 14% in 1970 to only 2.1% in 1982, and has been accompanied by a similar fall from 18.3% to 3.4% in the number of hypermarkets which they own. This decline, as suggested above, is largely due to the classifications used for analysis, as most independents now join affiliated groups so births in this sector are now almost negligible. Finally, the branch multiple organisations have declined slowly from 32.3% to 24.8% of hypermarket floorspace and from 33.9% to 25.6% of numbers over the same periods.

Although the share of hypermarket floorspace is closely related to, and thus mirrors, the share of the number of outlets owned by a particular organisational type, the differences between these two shares is also a function of the size and type of hypermarkets owned.

As one can observe from figure 7.11, the "Grandes Surfaces" organisations own the largest hypermarkets, with an average size in excess of 6,500 square metres of sales space, although this figure has been declining in line with national trends. Similarly, although the affiliated independent share of the number of hypermarkets has risen substantially, the corresponding rise in floorspace has been less spectacular as their stores tend to be smaller in size, with an average sales area of 3,500 square metres. The only organisational category to increase the average size of their hypermarkets over the period is the Cooperative Societies.

These differences in types of store operated are further evident from the store profiles (figure 7.12) of different organisational groups. The independent organisations are made up almost exclusively (over 90% of their stores) of units falling into the smallest size category (2,500-4,999 square metres) compared with the "Grandes Surfaces" organisations, which have a much wider range of store types.

Furthermore, the independent organisations, already characterised by the ownership of small outlets, have taken

Figure 7.11 Average Size of Supermarkets Operated by Type of Organisation  
1966-1982.

Organisation	Size in Square Metres				
	1966	1970	1974	1978	1982
"Grandes Surfaces"	4866.7	7226.9	7710.8	7204.1	6811.1
Multiplies	-	5265.4	5482.9	5357.6	5076.2
Cooperatives	-	3584.0	3775.2	3964.4	4052.8
Dept./Variety	-	6286.3	5692.7	5109.7	4911.1
Store Companies	-	3871.7	3650.5	3469.3	3301.1
Independent	-	4137.9	4206.4	3588.8	3337.3
- Affiliated	5900.0	5539.7	5678.6	5502.0	5263.2
- Unaffiliated					
Average All	5125.0	5539.7	5678.6	5502.0	5263.2

Figure 7.12 Hypermarkets Operated by Different Organisational Groups by Size Categories.

Organisation	Proportion of Stores in Size Categories 1982 (1972)				
	2,500- 4,999	5,000- 7,499	7,500- 9,999	10,000-12,499	12,500 +
"Grandes Surfaces"	29.4 (24.1)	37.3 (25.9)	21.1 (33.3)	6.4 (5.6)	5.4 (11.1)
Multiplies	62.8 (59.7)	18.6 (16.4)	12.4 (13.4)	3.9 (7.5)	2.3 ( 2.9)
Cooperatives	75.0 (84.6)	22.7 (15.4)	2.3 ( 0.0)	-	-
Dept. /Variety					
Store Companies	60.0 (36.6)	40.0 (40.9)	0.0 (22.7)	-	-
Independents					
- Affiliated	90.9 (84.2)	9.1 (15.8)	-	-	-
- Unaffiliated	94.1 (75.9)	5.9 (13.8)	0.0 ( 6.9)	0.0 ( 3.4)	-
All Organisations	56.1 (53.9)	25.2 (21.1)	12.1 (16.7)	3.8 ( 4.4)	2.8 (3.9)

an increasing share of the hypermarkets falling into this category. However, in line with the national trend of a greater proportion of new store openings in this size range, the "Grandes Surfaces" groups have increased their share of smaller outlets, and consequently, the ownership of these small types of store relative to larger stores has risen within this organisational category.

The "Grandes Surfaces" groups have also increased their dominance in the large store sector. This is predominantly due to the fact that although fewer of these large stores are being built, the vast majority of those that are constructed belong to "Grandes Surfaces" companies.

Within each organisational category, certain individual companies or retail groups may dominate (figure 7.13). In the "Grandes Surfaces" category Carrefour's share of the stores owned by these organisations has declined relative to other companies, as the firm has concentrated much of its expansion abroad or in new retail sectors, whilst other companies such as Auchan and Continent have made steady progress. In fact, the Carrefour group is not declining in real terms, and continues to open stores in France, but as the organisational category has expanded, a greater share of this growth has been taken by other firms.

In the branch multiple category, the majority of floorspace is associated with the Paridoc centrale and trades under the Mammouth banner. Paridoc's share of floorspace in this category has risen from 57.4% in 1972 to 79.1% in 1982, despite the exit of Comptoirs Modernes from

Figure 7.13 Hypermarket Floorspace in Organisational Categories - by Specific Firms 1972-1982.

Organisation	Company Share (%)		
	1972	1977	1982
-----			
"Grandes Surfaces"	100.0	100.0	100.0
- Auchan	12.3	15.4	17.9
- Carrefour	49.2	33.2	30.3
- Continent	6.9	9.8	10.9
- Euromarché	8.3	17.9	18.3
Multiples	100.0	100.0	100.0
- Casino	14.5	15.7	22.9
- Cedis	6.9	9.3	10.7
- Docks de France	18.7	16.3	20.7
- Radar	18.7	16.4	13.2
(Paridoc CDA)	57.4	59.3	79.0
Affiliated Indep.	100.0	100.0	100.0
- Leclerc	29.4	42.9	60.7
-----			

the centrale in 1981. As far as individual companies in this category are concerned, Docks de France has halted its declining share of floorspace - largely owing to the acquisition of La Ruche Picarde, whilst from the same position in 1977, Radar has continued to decline in importance reflecting the closure and sale of stores under the company's rationalisation programme, and the lack of new growth because of the financial difficulties facing Radar since the acquisition of the Paris-France department store group in 1980. In 1984, Radar sold its hypermarket division to Cora.

Finally, in the affiliated independent category, Leclerc has continued to dominate with over 65% of the outlets and 60.7% of the floorspace in this category affiliated to the Galec centrale and trading under the Leclerc banner in 1982.

It would appear, that despite the Loi Royer with its intention to strengthen the position of the independent retailer vis a vis the large retail organisations, the large retail groups have continued to grow and increased their dominance in the hypermarket sector. The large retail groups, traditionally the owners of the largest stores, are now themselves in response to national trends, developing smaller stores which will bring them into even more direct contact with the independent operators in the hypermarket sector. Furthermore, the noted growth in hypermarket ownership by affiliated independents may only be illusory,



as the growth in this category has been matched by a decline in the unaffiliated independents' ownership of stores.

#### 7.4. CONTINUED GROWTH - SOME EXPLANATIONS

The preceding analysis of the stores that have opened would seem to suggest that hypermarket development in France has continued at a fairly strong pace, and that the Royer legislation has had only limited success in its goal of limiting such growth. Even in the areas where the law seems to have met with some success, such as the decline in average size of new outlets, other explanations based upon changing economic factors may appear equally viable.

Although the number of units opening each year may have declined, the total number of hypermarkets and floorspace has continued to rise with few signs of restraint. The observed decline in annual openings appears to have been underway before the law could have been expected to have had any effect. Furthermore, the number of new stores opening each year has remained relatively steady at around 30 units per year, and fluctuations in this number may be plausibly explained by economic factors influencing the financial and investment capabilities of developers.

One might argue that "real" openings have actually declined more than is apparent, because of the greater proportion of new units created by "upgrading" or extending smaller stores. However, this trend may be explained by factors other than the impact of the CDUCs and CNUC. The increased involvement of affiliated independents in the

hypermarket sector may account for a growth in the number of upgraded units, and similarly this form of development becomes more attractive to other types of organisation as regional saturation approaches, forcing up the development cost of the remaining sites.

Other trends such as the declining average size of new stores may also be explained in terms of rises in costs, the movement towards smaller markets with reduced catchment areas, and the increased participation of affiliated independents in hypermarket development.

The law also appears to have had little impact upon ownership patterns. The "Grandes Surfaces" organisations, the groups which the law hoped to restrict, have maintained or increased their dominance in the hypermarket sector. Those larger retailers who appear to have lost their positions in the sector have done so for a variety of reasons. The decline of the department/variety store category may be attributed to the statistical quirk of the Au Printemps-Euromarché deal as well as to the general decline of these organisations in the retail sector as a whole. Similarly, the slight decline of the branch multiple category is in part due to the highly fragmented nature of this grouping, with some of the smaller multiples becoming acquisition targets for the "Grandes Surfaces" organisations, and due to the tendency for some companies, such as Guyenne et Gascogne and Comptoirs Modernes, to develop hypermarkets through their joint subsidiary

companies with Carrefour rather than by themselves. As the management and strategy of these subsidiaries is controlled by Carrefour, these units are attributed to the "Grandes Surfaces" firm.

The one apparent success which could be attributed to the Royer legislation is the growth of the affiliated independent organisations. This would seem to suggest greater opportunity for the independent to develop in the hypermarket sector. However, when one takes into account the decline of the unaffiliated independents, this rise in influence may only reflect a rise in affiliations. Consequently, growth may be illusory as the total independent share of hypermarket developments has remained roughly constant.

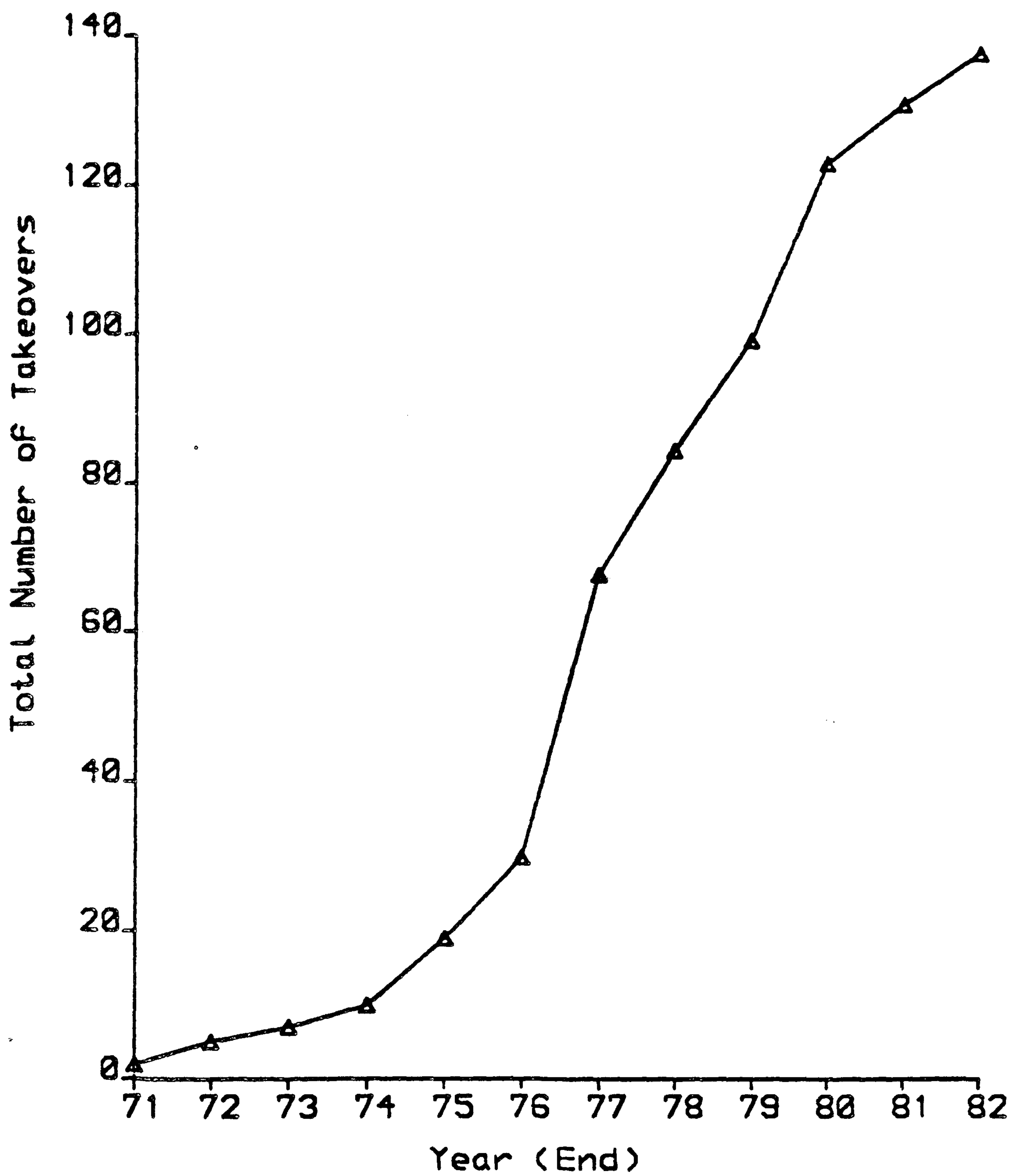
Furthermore, this growth whether real or illusory may be silently welcomed by the "Grandes Surfaces" organisations, as these independent stores become prime takeover targets, particularly if the independent is unaffiliated. There may be some substance to this claim, as the acquisition of both smaller companies and individual units has become an increasingly common feature of the development strategies of the larger retailers. In addition, the growth of affiliated independents may pose a threat to the unaffiliated independents who now find a new highly organised competitor within their own organisational category.

The continued growth of the hypermarket sector and the increasing dominance of the "Grandes Surfaces" organisations

within this sector, may find some explanation in two noticeable trends which have grown in strength since the introduction of the Loi Royer. The rise in the importance of both acquisitions and the extension of existing units, in company strategy suggests that these methods of expansion are being increasingly employed to counter any effects that the CDUCs and CNUC may have had on development. Both of these tactics have also become more attractive as economic factors have forced up the costs of developing new units. The CDUCs and CNUC have no control over either company or store takeovers, and, as shall be shown later, there is evidence to suggest that applications made to the commissions for extensions to existing outlets have a greater chance of receiving authorisation than applications for new hypermarkets. These two trends also imply the approach of saturation, or at least a scarcity of favourable sites, particularly at a regional level, a feature which has been reinforced by the regional expansion policies followed by many companies.

Takeovers, defined in this analysis as the acquisition of 50% or more of the share capital of a company, have become a common feature of the hypermarket sector since 1976 (figure 7.14). These takeovers take the form of both the acquisition of individual units, usually from independent retailers and small companies, and the takeover of larger retail groups, quite often with a diversified range of activities in addition to their hypermarket operations.

Figure 7.14 : Total Number of Hypermarkets Taken Over 1971-1982.



The acquisition of La Ruche Picarde by Docks de France in 1980, and the absorption of Soracma by Carrefour in 1976 have already been mentioned. In addition, Auchan absorbed its small subsidiary companies Lemaire in 1975 and Bonprix in 1977; Cedis took over Economiques Troyens Docks Reunis in 1977, and the GEM hypermarkets of the Goulet Turpin group became Euromarché stores in 1978.

One of the major takeover and reorganisation episodes in the hypermarket sector was the Au Printemps-Euromarché deal of 1976. In 1972, Euromarché took over the management of the Au Printemps hypermarkets which operated under the Escale tradename, and the two companies formed a joint subsidiary, Euro-Expansion, to develop new hypermarkets under the Euromarché banner. In 1976, Euromarché followed through an option to buy out the Au Printemps hypermarkets and the Au Printemps share in Euro-Expansion which was proposed in the 1972 deal. In return, Au Printemps became a shareholder in Euromarché, retaining 24.3% of the capital. This deal has been referred to previously in this chapter as a statistical quirk, for although the department/variety store group sold their stores, they have retained an interest in the hypermarket sector, albeit indirectly.

There have also been several unsuccessful takeover attempts which would have had considerable impact upon the ownership structure of the hypermarket sector. In December 1972, Carrefour attempted to absorb all its joint subsidiary companies (Sogara, Sogrammo, GSD, and Soracma) and in 1973 tried to purchase the franchised stores owned by Cora. In

1979, the Docks du Nord-Mielle-Cora group indirectly acquired a share in Radar, through a 10% holding (raised to 52% by 1982) in Revillon Freres, who controlled 33% of Radar in 1982. The battle for Radar's hypermarkets intensified in 1982 when Carrefour took a 2% share in Radar, and Galeries Lafayette, the department/variety store group which owns the SCA centrale and Monoprix hypermarkets acquired a 10% share, which was raised to 25% by 1983. This saga was finally concluded in April 1984, when Radar agreed to sell its hypermarket division to the Cora group.

The importance of takeovers is illustrated in figure 7.15, which shows that in 1977 more hypermarkets and floorspace exchanged hands than were opened. In the period 1977 to 1981, there were half as many takeovers as there were new units opened. This implies that for some firms expansion through acquisition is as viable as conventional expansion by the opening of new stores.

When the nature of takeovers is examined (figure 7.16), one can see that the "Grandes Surfaces" organisations have been the greatest beneficiaries, which may explain their continued growth relative to other organisational categories in the hypermarket sector. The independent category has been the most vulnerable and lost the most stores. The majority of these outlets belonged to unaffiliated independent retailers. The branch multiple organisations have been the greatest exponents of the acquisition strategy, but as they have tended to take over competitors

Figure 7.15 Importance of Takeovers in the Hypermarket Sector 1971-1982.

Year	Number of Takeovers	(Number) Ratios (Floorspace)	
		Takeovers : New Units	Takeovers : New Units
1971	2	0.06	0.08
1972	3	0.05	0.04
1973	2	0.04	0.06
1974	3	0.08	0.09
1975	9	0.53	0.60
1976	11	0.30	0.34
1977	38	1.05	1.47
1978	17	0.89	0.68
1979	15	0.56	0.68
1980	24	0.92	1.26
1981	8	0.22	0.20
1982	7	0.21	0.18

Figure 7.16 Organisations involved in Take Overs 1971-1982.

Organisation	Gains	Losses	Net Change
"Grandes Surfaces"	65	16	+ 49
Multiples	53	58	- 5
Cooperatives	0	2	- 2
Dept./Variety			
Store Companies	1	18	- 17
All Independents	20	45	- 25



in their own organisational category they have lost more stores than they have gained. Of the 53 gains and 58 losses in the branch multiple category, 33 have been the result of intra-category deals between multiple firms, such as the acquisition of La Ruche Picarde and Cofradel by Docks de France.

Further reference to figures 7.14 and 7.15, reveals that there has been a reduction in the number of takeovers in the past few years, which can be attributed to the general financial recession, and the fact that the most susceptible stores and companies have been taken over. The growth in the number of affiliated independents has done much to enhance the survival of the independent hypermarket operator.

The growing proportion of new hypermarkets that result from upgraded supermarkets and other retail outlets suggests an increase in the use of extensions as a means of expanding floorspace. Parallel to this trend, there has been considerable extension of existing floorspace amongst those hypermarkets already built (figure 7.17A and B).

The 233 extensions that have been made to existing hypermarkets between 1968 and 1982 has added 324,200 square metres of sales area. Over the same period, 115,751 square metres of sales space was lost owing to rationalisation programmes carried out on existing stores. Consequently, there has been a net addition of 208,449 square metres to the existing stock of hypermarket floorspace. Allowing for an average size of hypermarket of 5,000 square metres

Figure 7.17A : Total Number of Extensions to Existing Hypermarkets 1968-1982.

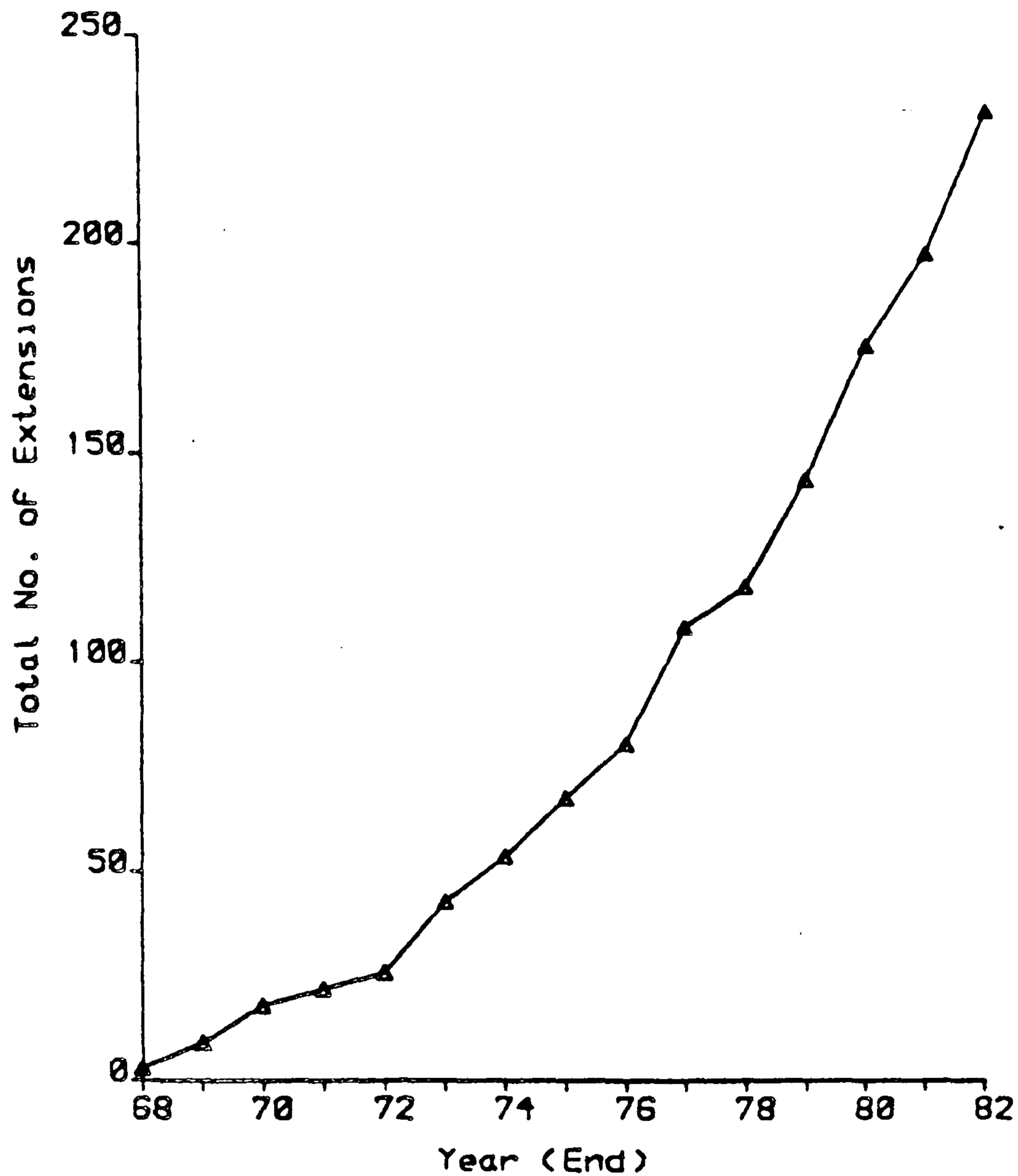
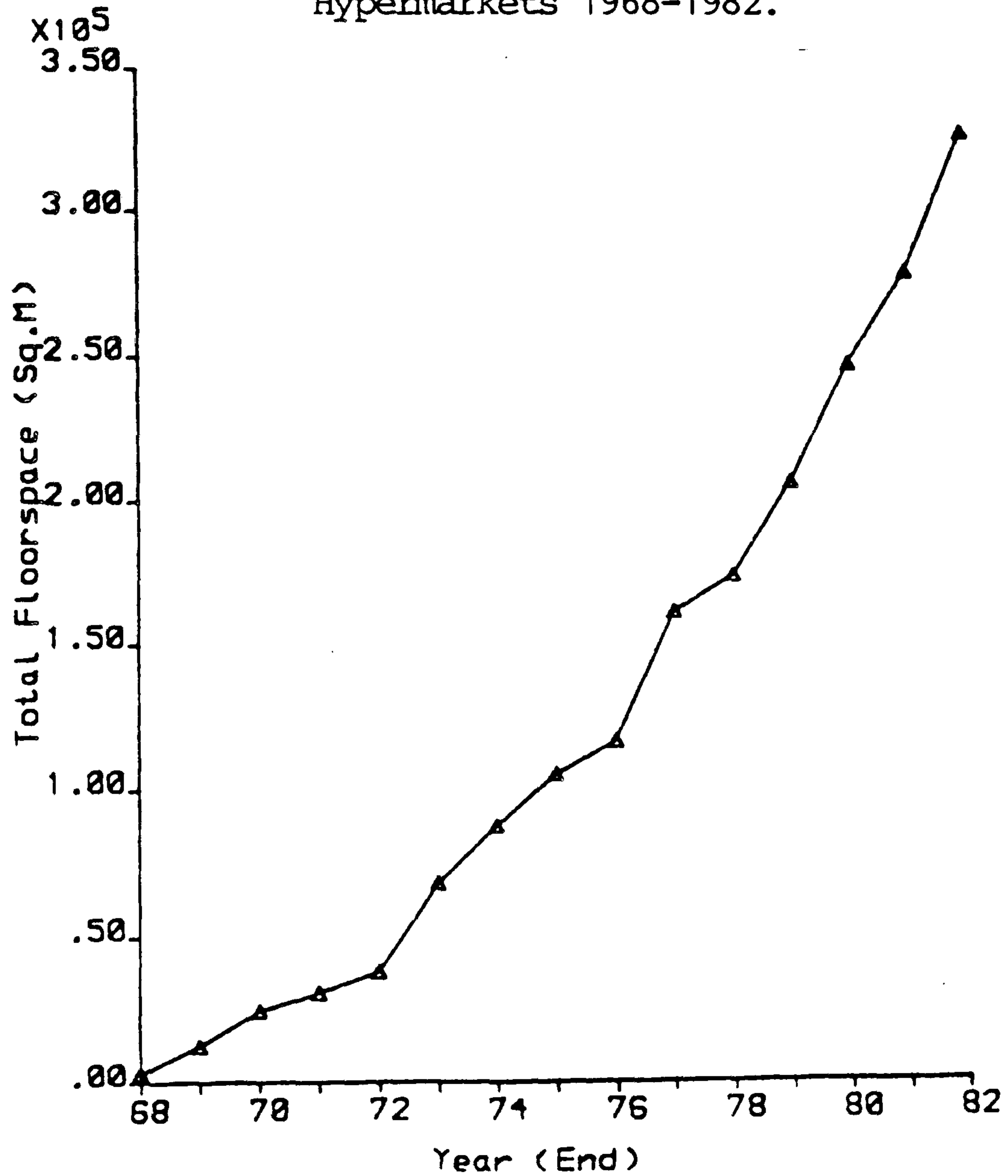


Figure 7.17B : Total Floorspace of Extensions to Existing Hypermarkets 1968-1982.



(higher than the average area of new outlets opening since 1978), this means that the equivalent of 41 new stores has been added in the form of floorspace extensions to existing units. It is noticeable that the majority of this additional floorspace has been added since 1974.

Usually it is the smallest size category of hypermarkets (2,500-4,999 square metre) which have been enlarged in this way. Over 50% of all the extensions fall into this category. A further 25% of the extensions fall into the next size category (5,000-7,499 square metres). Of all the extensions, 134 or 57.5% have not resulted in the store changing size categories, and 58% of the stores which have been extended have remained in the smallest size category following the addition of new floorspace. Of those hypermarkets which have changed size categories after the addition of more sales area, 44% have changed from the smallest (2,500-4,999) to the medium size (5,000-7,499) category.

The use of extensions (figure 7.18) is again dominated by the "Grandes Surfaces" organisations, reflecting their sectoral dominance in terms of the number and floorspace of hypermarkets that they own. Interestingly, the branch multiple groups have taken an increasing share of the extensions completed, and as the number of extensions has risen, this signifies a real, not merely relative, gain. This trend suggests that the multiple organisations may be concentrating their resources on rationalisation and

Figure 7.18 .Organisational Use of Extensions

Organisation	Proportion of Total Extensions					
	Number			Floorspace		
	1972	1977	1982	1972	1977	1982
"Grandes Surfaces"	50.0	51.4	47.6	56.1	55.6	51.1
Multiples	19.2	16.5	19.7	10.1	12.9	19.7
Cooperatives	3.8	3.7	8.2	4.2	3.3	5.9
Dept./Variety						
Store Companies	3.8	6.4	3.0	9.5	5.7	2.8
Independents						
- Affiliated	3.8	10.1	13.7	3.9	11.1	11.0
- Unaffiliated	19.2	11.9	7.7	23.2	11.4	9.5
All Organisations	100	100	100	100	100	100

refurbishment of existing units, at the expense of new ones, possibly reflecting site saturation in their distinct regional markets. This explanation would also go some way to explain the slow decline of the multiple groups' share of the total number of hypermarkets and hypermarket floorspace in France.

The use and importance placed upon the extension of existing units depends not only on the companies investment strategy, but also upon the number and size of existing stores in a département and the attitude towards this type of development of the relevant CDUC. In some areas, notably Brittany and the départements to the east of the Paris region, the number of extensions has equalled, and often exceeded, the number of new stores opened in that département.

The importance of extension floorspace in relation to new floorspace is naturally less pronounced owing to the differences in size between the two types of development. However, a similar spatial pattern emerges of areas where the floorspace added through extensions is significant when compared to new hypermarket floorspace. These spatial patterns relate to the specific conditions prevailing within each département, and need to be examined in the light of applications for different types of development made to the département CDUC, before any great significance can be attributed to them.

## 7.5. SUMMARY

This analysis of the trends in hypermarket development suggests that the Loi Royer has had little impact upon the rate and type of new developments. The total number of hypermarkets and total hypermarket floorspace has continued to grow, and any noted decline in these features may be explained by a number of factors relating to changing economic conditions and their effects, particularly upon costs; the strong regional nature of the retail trade in France; and changes in ownership patterns, as well as by any impact that the Loi Royer may have had.

The natural diffusion of the hypermarket concept throughout France has continued with little apparent interference from the Loi Royer, and high densities of hypermarket floorspace have become widespread. The CDUCs may even, by placing more potential obstacles in front of national expansion strategies, have in fact encouraged the traditional regional concentration of many of the large retailers, which has done much to reinforce the neighbourhood process of diffusion and the consequent infiling of sites in the various regions.

The use of different methods of expansion such as the acquisition of competitors and the extension of existing units has helped to maintain growth, especially the growth of the large retail organisations. The Royer legislation has been either unable (in the case of acquisitions) or has seemed unwilling (in the case of extensions) to combat these

forms of expansion, thus negating any impact that the CDUCs may have had on overall growth patterns.

Consequently, in terms of the hypermarkets that have opened the position of the independents has not been noticeably improved, and if anything has deteriorated. There are signs that in line with national trends, the larger retail groups are developing smaller hypermarkets, previously the domain of the independent hypermarket operator. This trend may well restrict the opportunities for the traditional independent to enter the hypermarket sector, whilst the appearance of a growing affiliated independent sector could present new problems for the traditional independent trader.

## CHAPTER EIGHT : THE COMMISSIONS DEPARTEMENTAL D'URBANISME COMMERCIAL

A more comprehensive assessment of the impact of the Loi Royer on hypermarket development in France may be obtained from analysis of the applications made to both the CDUCs and CNUC for retail outlets. This exercise reveals the nature and quantity of proposed developments and gives some impression of the proportion and types of projects which the legislation may have effected. In addition, any changes observed in the characteristics of the applications will give an indication of the different strategies pursued by developers, either in response to the economic environment or in a bid to outmanoeuvre the CDUCs and CNUC.

By combining information on the results of CDUC and CNUC meetings published in Libre Service Actualités and Points de Vente, a detailed list of applications was constructed. This data base revealed the département and location (commune) of the proposed project, the name of the applicant, the composite parts of the project in terms of sales area, the date and decision of the CDUC and, if applicable, the CNUC decision.

As with any secondary data base, considerable reliance must be placed upon the accuracy of the original data. It was hoped that by combining the information from the two separate original sources many discrepancies could be resolved. The resulting list of applications does, however, differ from the official summary lists of projects,



published by the Ministry of Commerce and Crafts in their annual report to parliament on the application of the Loi Royer. These summary lists produced by the Ministry contain an element of double counting, as each individual component of an application is recorded separately in the summary sheets. For example, a proposal for a commercial centre containing a hypermarket as the main magnet store, but with a furniture/household goods store, a DIY outlet and a number of boutiques in the same centre is registered as four separate applications on the official summary sheets. Yet in reality, only one multi-type dossier was presented to the CDUC for consideration.

In the revised data base used in this study, an application of this nature is recorded as a hypermarket based project. Similarly, a proposal for a commercial centre in which a DIY store is the principal element, is recorded as a DIY unit application. Each application is, therefore, recorded by its principal component only. This method, it is felt, gives a more accurate indication of the type and volume of applications for retail development that have been placed in front of the CDUCs and CNUC.

There is also some variation in the number of applications made each year between the official statistics and the revised data base upon which this analysis is based. These differences are caused primarily by discrepancies in recording proposals for development made at the the end of the year. The problem is further compounded by the time

delay between an application being lodged with the commissions and a decision. In some cases it is unclear as to whether the information published in LSA or Points de Vente refers to the date of application or the date of decision. This can cause differences between the two sources particularly for applications made at the turn of the year. In order to minimise the effects of these problems most trends in this analysis have been viewed over a three year period.

#### 8.1. THE CDUCs AND APPLICATIONS FOR MAJOR NEW STORES

The number of applications for major retail developments made to the CDUCs between 1975 and 1982 are shown, classified by the major element of the proposal, in figure 8.1. The presentation of data in LSA means that the 1974 figures for furniture/household goods stores, department and variety stores, DIY stores and boutique developments are not comparable with those given for later years. Consequently, the early figures have been omitted. The high number of applications made for other types of developments, such as those for hypermarket (116) and supermarket (114) based projects, does, however, suggest that the total number of applications falling into these categories in 1974 would have been high. This is to be expected as developers tried out the new, and untested, regulations.

From 1975, the total number of all applications made to the CDUCs each year exhibits a slow decline until 1980, when

Figure 8.1 CDUCs - Number and Success Rate of Applications for Major Retail Developments  
1975-1982.

Date	Major Element of Application							TOTAL	SUCCESS RATE (%)
	Hyper.	Super.	Furniture & H'hold G'ds	Dept. / Variety Stores	DIY Store	Boutiques	N/A		
1974	116 ( 30)	114 ( 59)	N/A	N/A	N/A	20 ( 18)	N/A	218 (113)	51.8
1975	66 ( 20)	58 ( 31)	64 ( 41)	9 ( 3)	1 ( 0)	17 ( 12)	251 (125)	251 (125)	49.8
1976	74 ( 18)	58 ( 31)	83 ( 52)	8 ( 5)	11 ( 7)	10 ( 4)	197 ( 68)	197 ( 68)	34.5
1977	92 ( 15)	44 ( 19)	30 ( 21)	5 ( 1)	16 ( 8)	15 ( 8)	172 ( 54)	172 ( 54)	31.4
1978	88 ( 12)	35 ( 12)	22 ( 14)	1 ( 0)	11 ( 8)	10 ( 7)	171 ( 55)	171 ( 55)	32.2
1979	85 ( 17)	32 ( 10)	24 ( 13)	1 ( 0)	19 ( 8)	6 ( 5)	275 ( 90)	275 ( 90)	32.7
1980	140 ( 25)	36 ( 14)	55 ( 28)	2 ( 2)	36 ( 16)	4 ( 2)	228 ( 82)	228 ( 82)	35.9
1981	95 ( 15)	37 ( 21)	50 ( 25)	2 ( 1)	40 ( 18)	12 ( 7)	195 ( 71)	195 ( 71)	36.4
1982	84 ( 20)	27 ( 14)	25 ( 10)	0 ( 0)	47 ( 20)				
TOTAL 1975-1982									
	724 (142)	327 (152)	353 (204)	28 ( 12)	181 ( 85)	94 ( 63)	1707 (685)	1707 (685)	38.5
SUCCESS RATE 1975-1982									
	19.6%	46.5%	57.8%	42.9%	46.9%	67.0%	38.5%	38.5%	

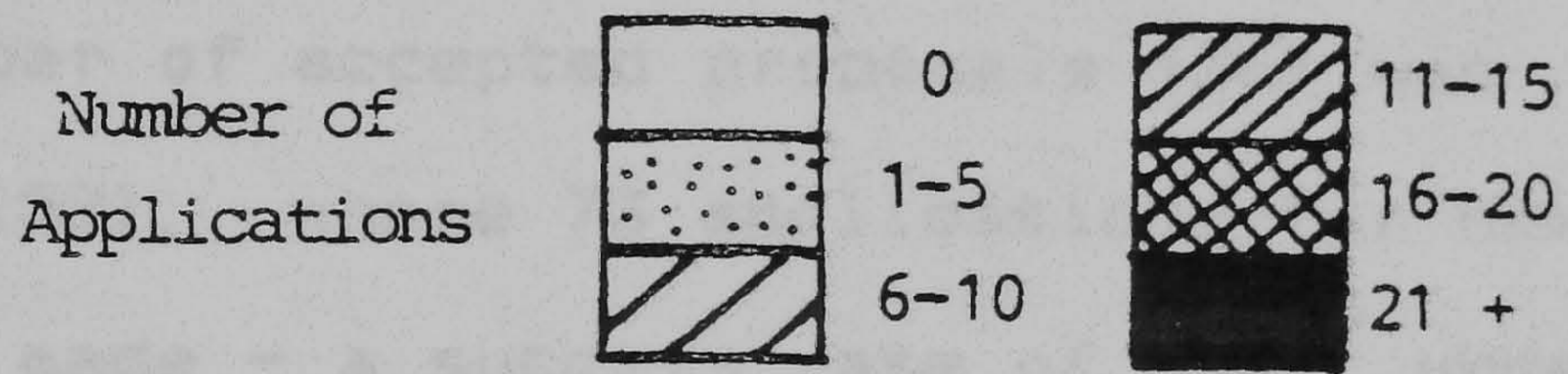
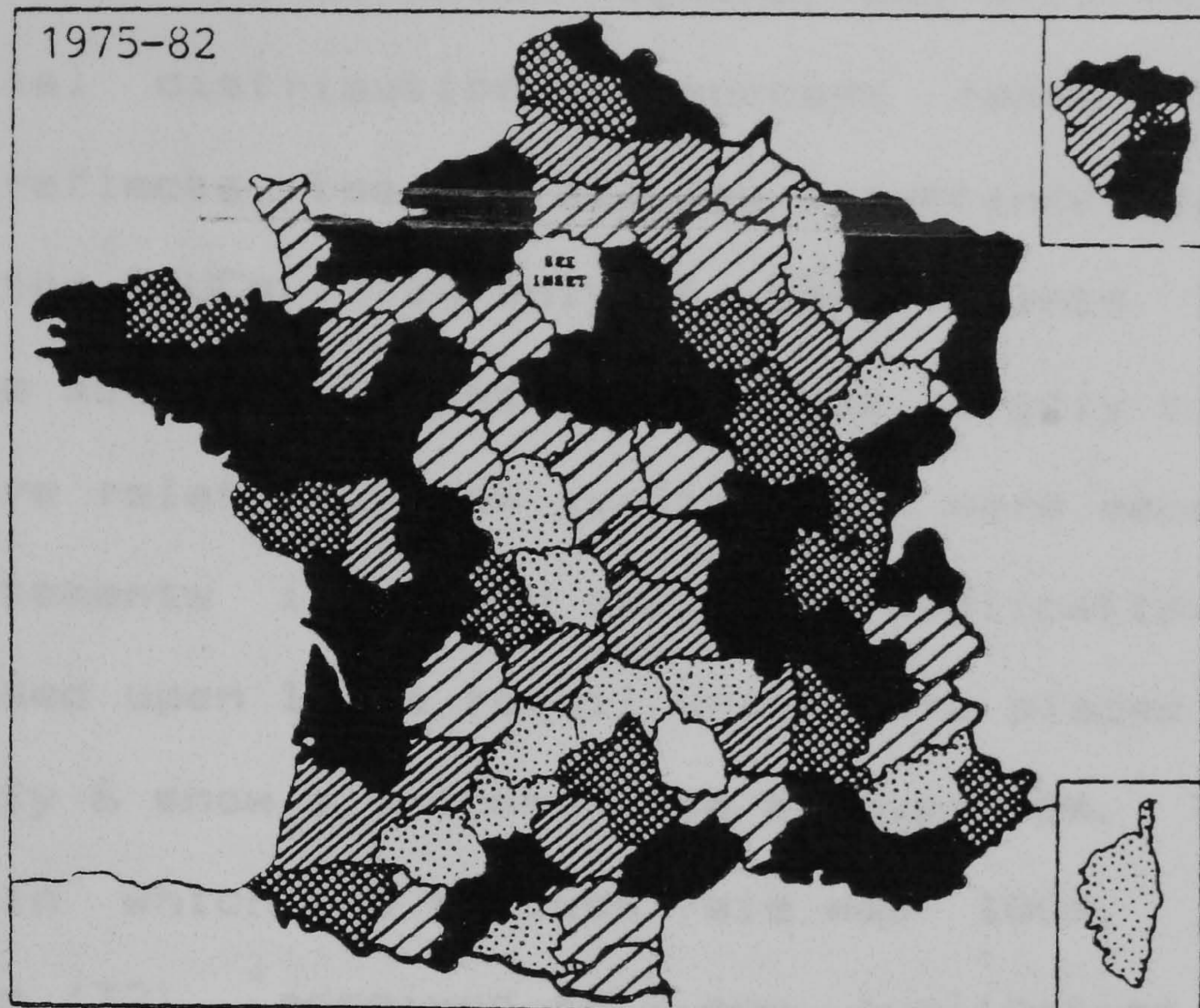
there was a spectacular rise in the number of proposals. The sharp rise in the number of projects placed before the CDUCs in 1980 is largely due to an increase in the number of proposals placed for the construction of the large area retail outlets - hypermarkets, furniture/household goods stores, and DIY stores. The most likely explanation for this rise is the approaching presidential elections of 1981, for as shall be shown in Chapter Ten there is evidence to suggest that elections have had a significant effect upon the behaviour of the CDUCs and CNUC. Since 1981, the steady downward trend in the total number of applications has reasserted itself.

The overall success rate for all types of major applications has remained fairly steady at around 32%, after falling from about 50% in the first few years of the legislation. There is an indication that the success rate has started to rise since 1981, but it is too early at present to confirm this trend. The resulting overall low success rate for applications at the CDUC stage might suggest that the Royer legislation has seriously curtailed new retail developments in France, considering that less than a third of all proposals made to the CDUCs since 1977 have been authorised by these Commissions.

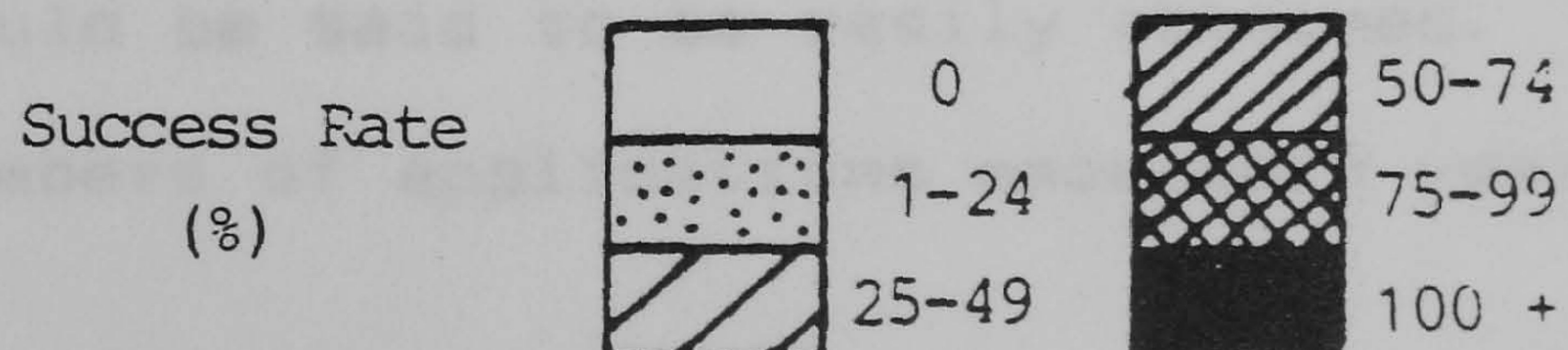
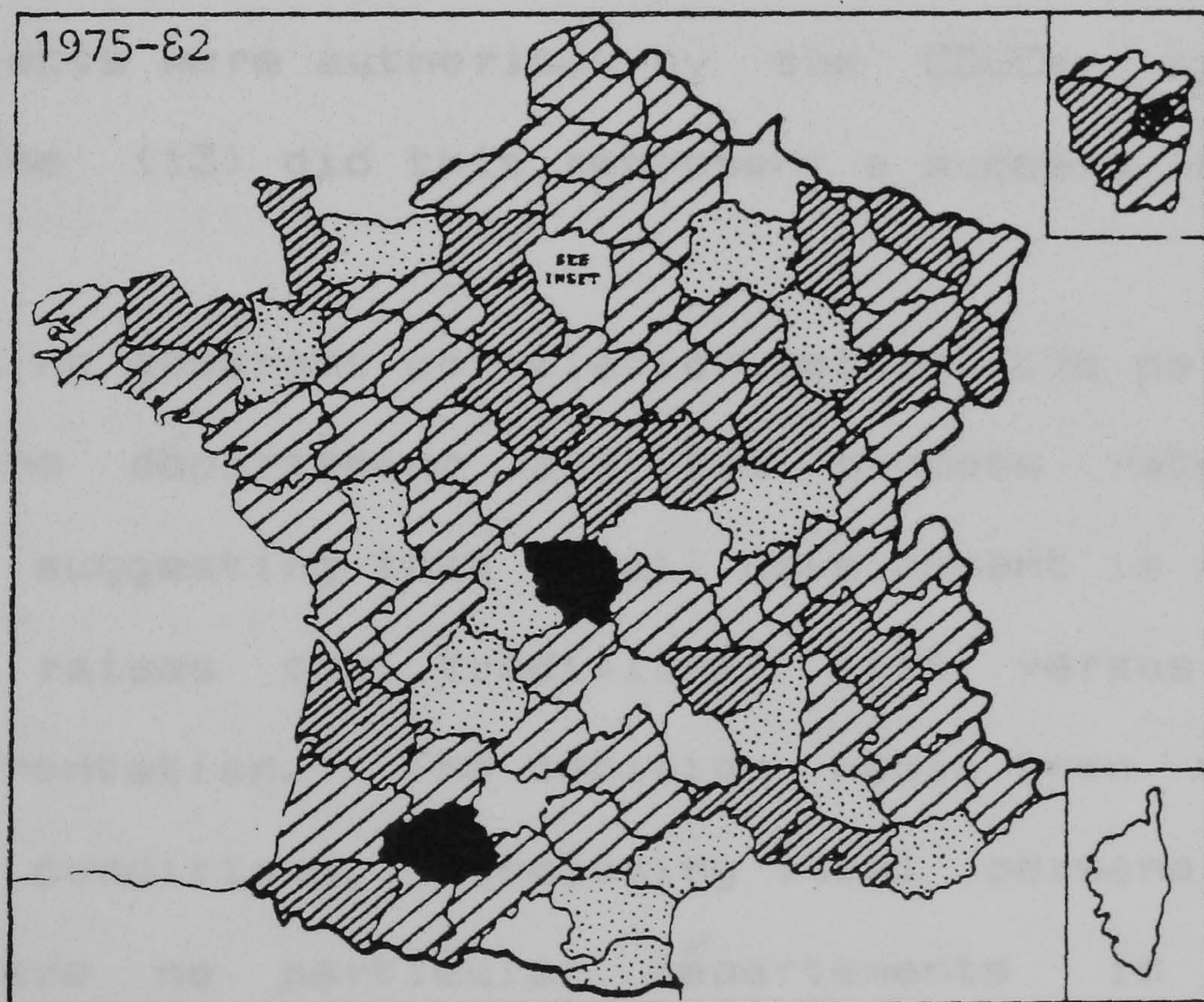
Geographically, as map 8.1 illustrates, applications for large retail developments (excluding boutique based projects) are concentrated upon the départements containing the major urban settlements, namely Paris and the Loire

Map 8.1 : CDUCs - Applications for Major Retail Development  
1975-1982.

A) Number of Applications



B) Success Rate (%)



valley, the Rhône valley, Alsace-Lorraine and the North, the Marseille, Toulouse and Bordeaux regions, and Brittany.

The spatial distribution of success rates for all applications reflects the overall low acceptance rate of projects by the CDUCs. In only 24 départements is the acceptance rate above 50%, and these areas largely coincide with areas where relatively few applications were made. Of the 35 départements in which over 21 applications for development based upon large retail units were placed before the CDUCs, only 6 show a success rate of over 50%. The two départements in which the success rate was 100%, Creuse (23) and Gers (32), received only one application each. The highest number of accepted proposals (36) was in the Nord département (59), where 73 applications for new retail development were made - a success rate of just under 50%. Furthermore, in the other six départements in which twenty or more projects were authorised by the CDUCs, only in Bouches-du-Rhône (13) did this represent a success rate in excess of 60%.

There is no apparent correlation between the political colour of the département and the success rates of applications, suggesting that retail development is not an issue which raises the traditional left versus right political confrontation. The decision would then seem to hinge on local conditions, including local personalities, and there are no particular départements in which authorisations could be said to be easily obtained.

The high numbers of applications made each year points

to a certain oversubscription of particular types of proposals, with success being "bought" on a percentage basis through excessive numbers of applications. This, however, is the overall picture for all types of applications falling under the jurisdiction of the CDUCs, and it is reasonable to assume, given the differing numbers of proposals for different types of development, that certain types of application will receive different treatment by the CDUCs than others.

### 8.1. Boutique Based Projects

Of the 94 applications made for boutique based projects between 1975 and 1982, 63 were authorised by the CDUCs. This success rate of 67% is the highest for any of the major retail developments. As figure 8.2 shows, the number of applications made each year for this type of project fell from 1978 (15) to 1981 (4), but 1982 heralded an upturn (12).

The success rate for boutique based developments has fluctuated and exhibits no apparent long term trends. However, as these types of projects are generally proposed or at least supported by, and provide opportunities for, collective groups of the more progressive (and influential) local independent traders, it is interesting to note the high success rates for these projects in the years of the local départemental council elections, namely 1976 (70.6%), 1979 (70%) and 1982 (58.3%).

### 8.1.2. Department and Variety Store Based Projects

The department and variety store companies have had some disappointing experiences with commercial centre developments, particularly in the Paris region, where La Samaritaine withdrew from the Quatre Temps regional shopping centre, and Au Printemps left Creteil Soleil. These events seem to be reflected in the number of applications made to the CDUCs for this type of project. From 9 and 8 applications per year in 1975 and 1976, now only the occasional application is made (figure 8.2).

Twelve or 42.9% of the 28 applications made to the CDUCs for this type of development between 1975 and 1982 have been authorised. The low number of applications involved makes any attempt at identifying long term trends in the success rate for projects based upon department and variety stores a rather futile exercise.

### 8.1.3. DIY Store Based Projects

The proportion of all applications which are for DIY store based developments has been increasing slowly from 1978. In the 1976 to 1978 period around 11 proposals per year were made to the CDUCs for projects of this nature. Since 1978 the number of annual applications has risen by almost 10 units per annum to 47 in 1982 (figure 8.3). This type of proposal had an overall success rate of 46.9% over the 1975-1982 period, although the success rate fell from around 60% in the mid 1970s, to a stable 43% in the early 1980s.

Proposals for development based upon a DIY store is a



Figure 8.2 : CDUCs - Applications based upon Boutiques and Department Stores.

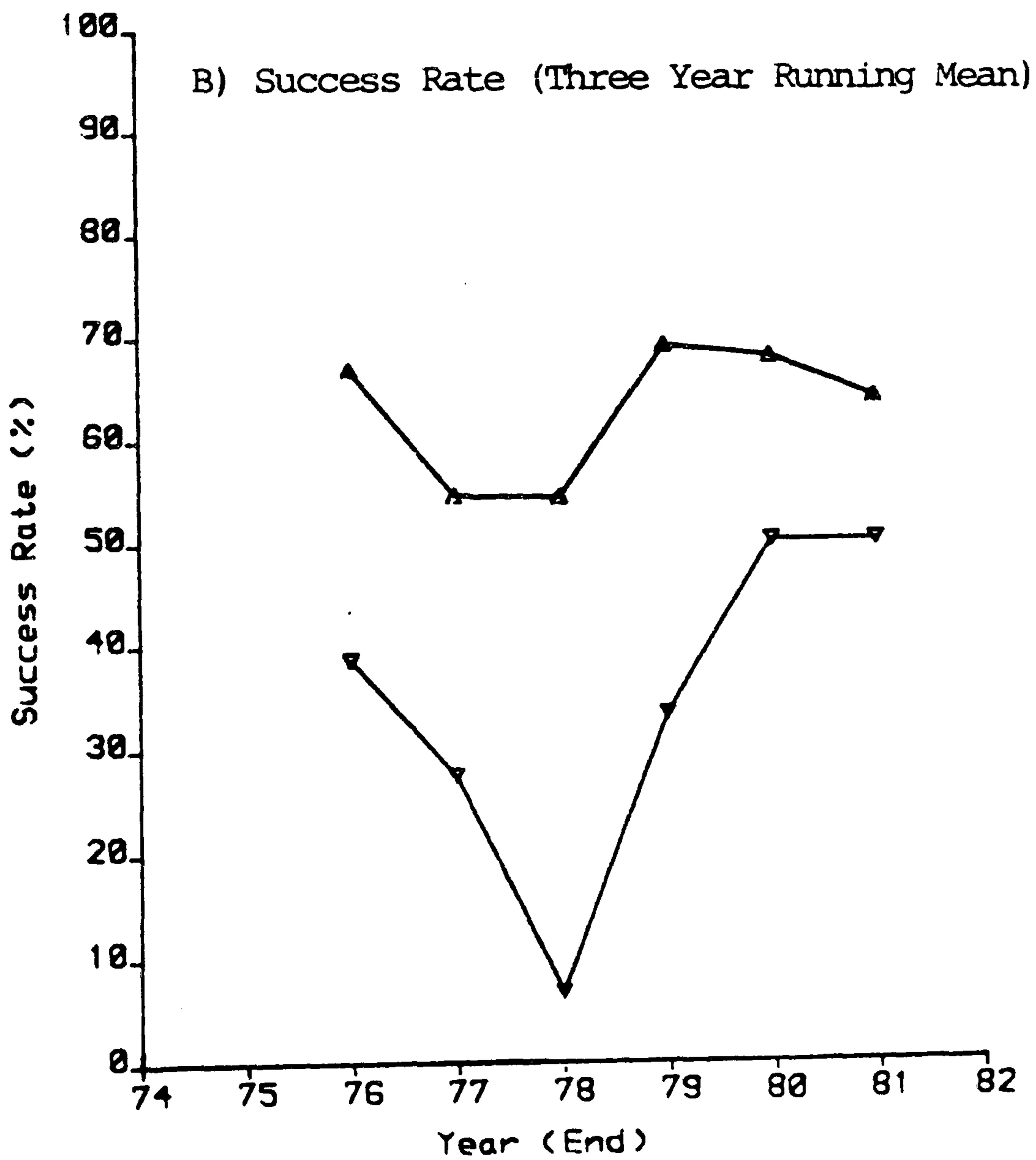
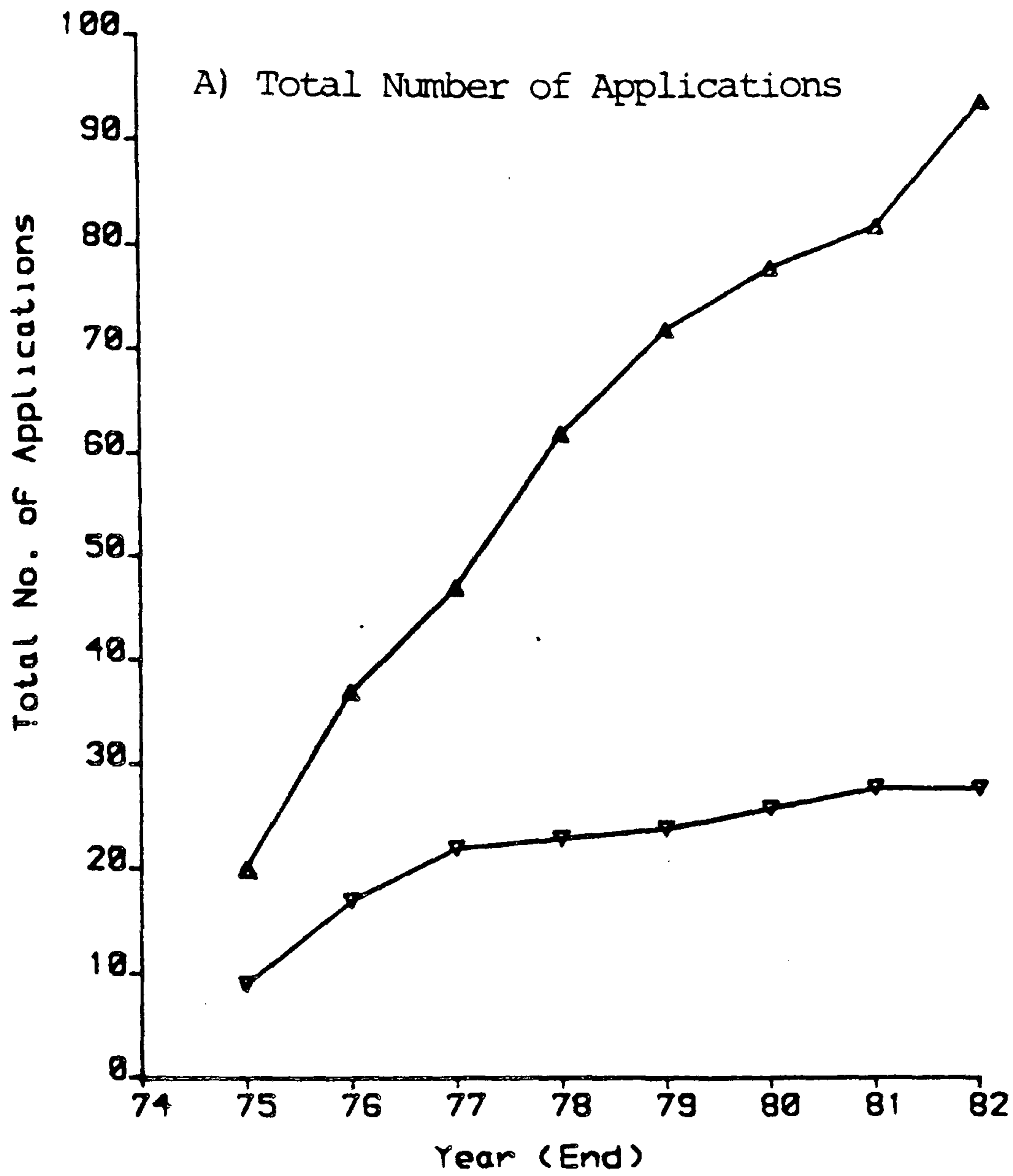
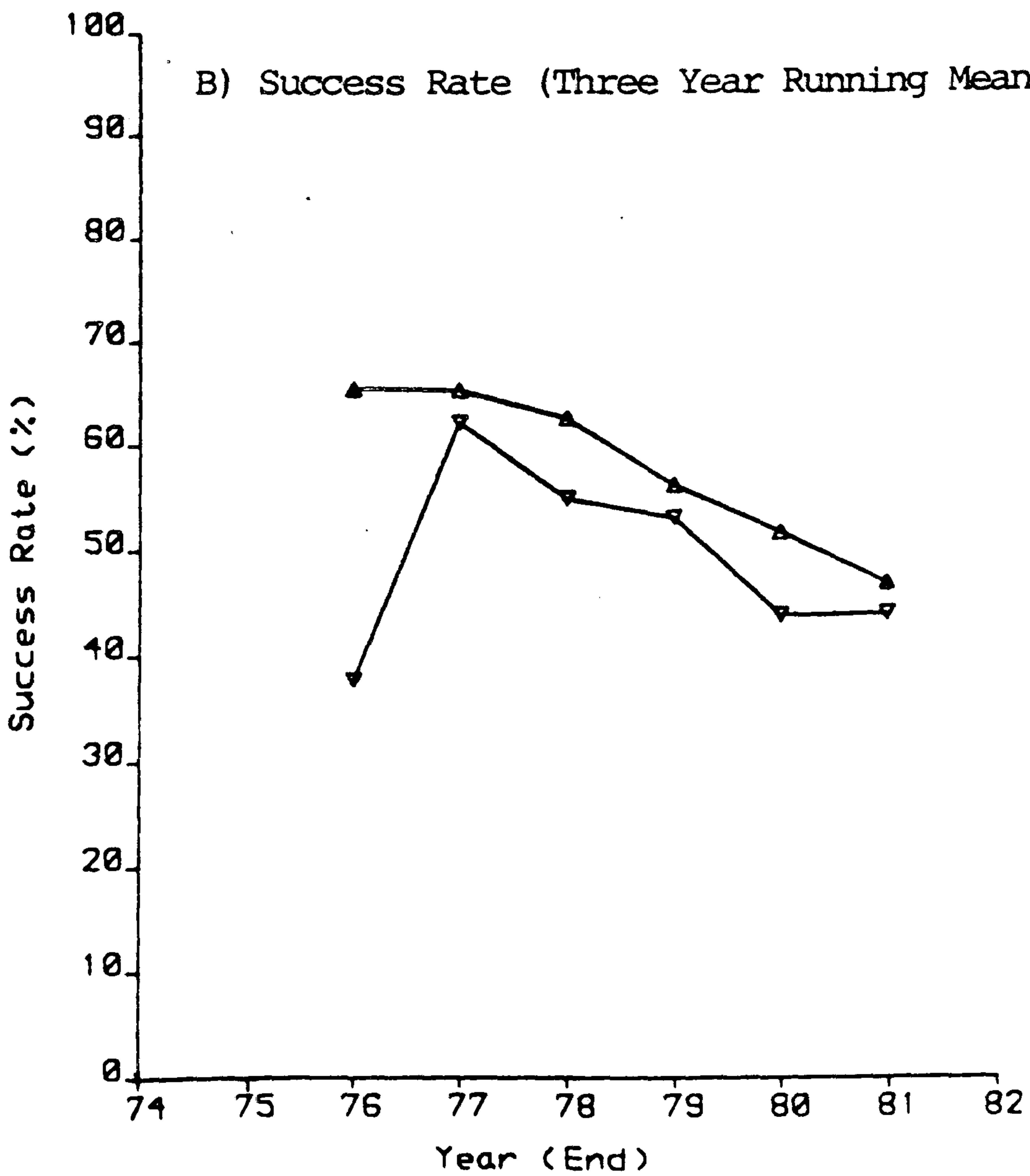
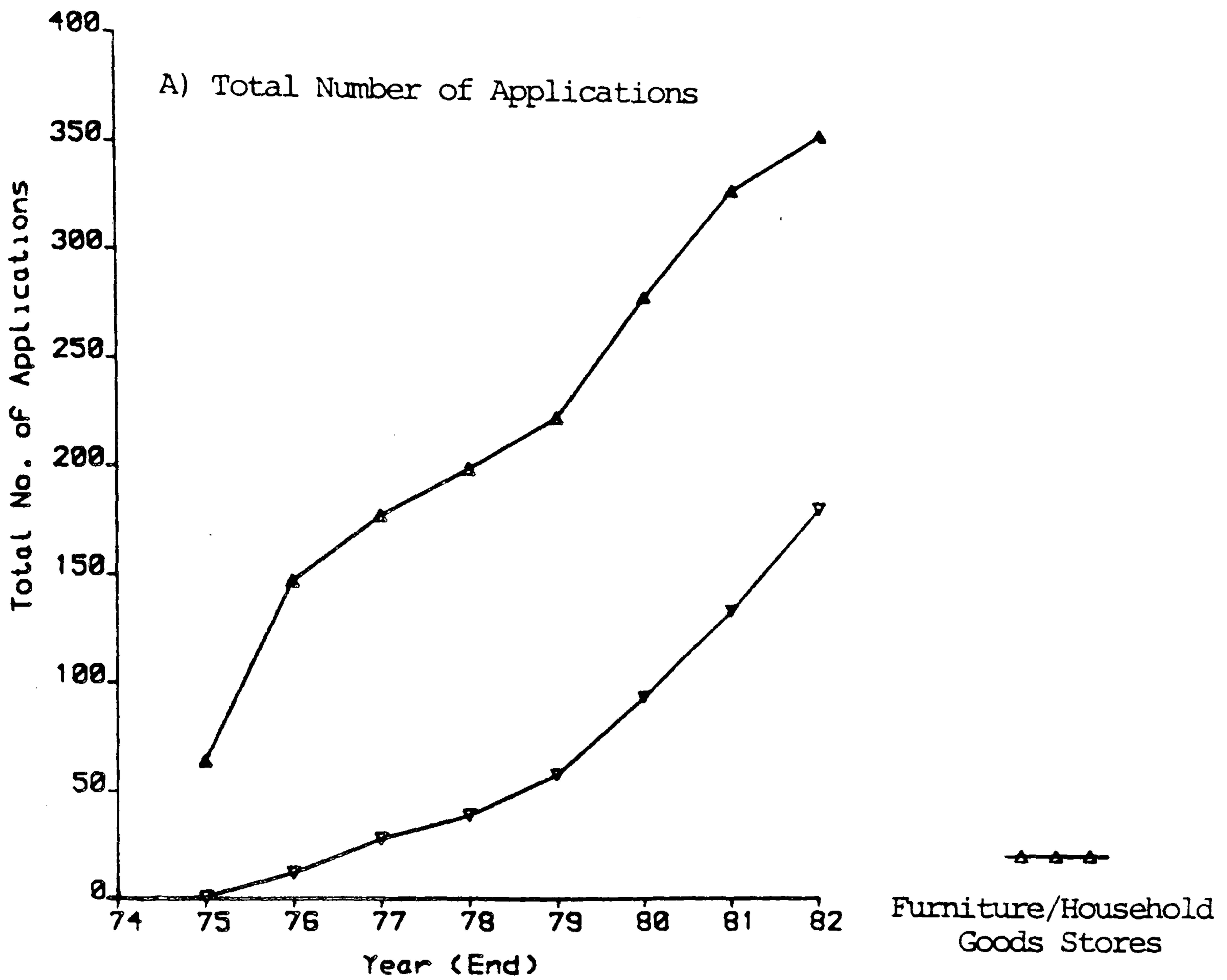


Figure 8.3 : CDUCs - Applications based upon Furniture/  
Household Goods and DIY Stores.



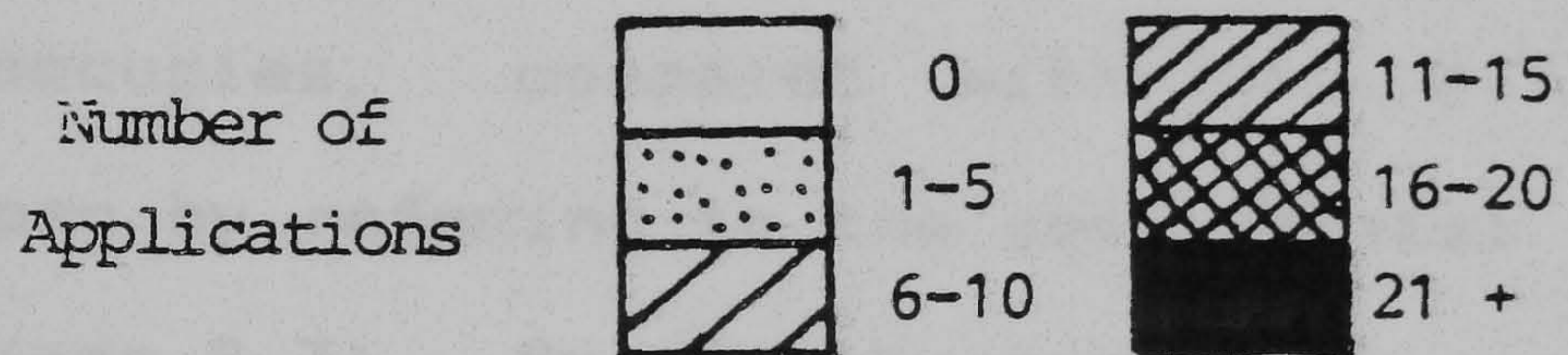
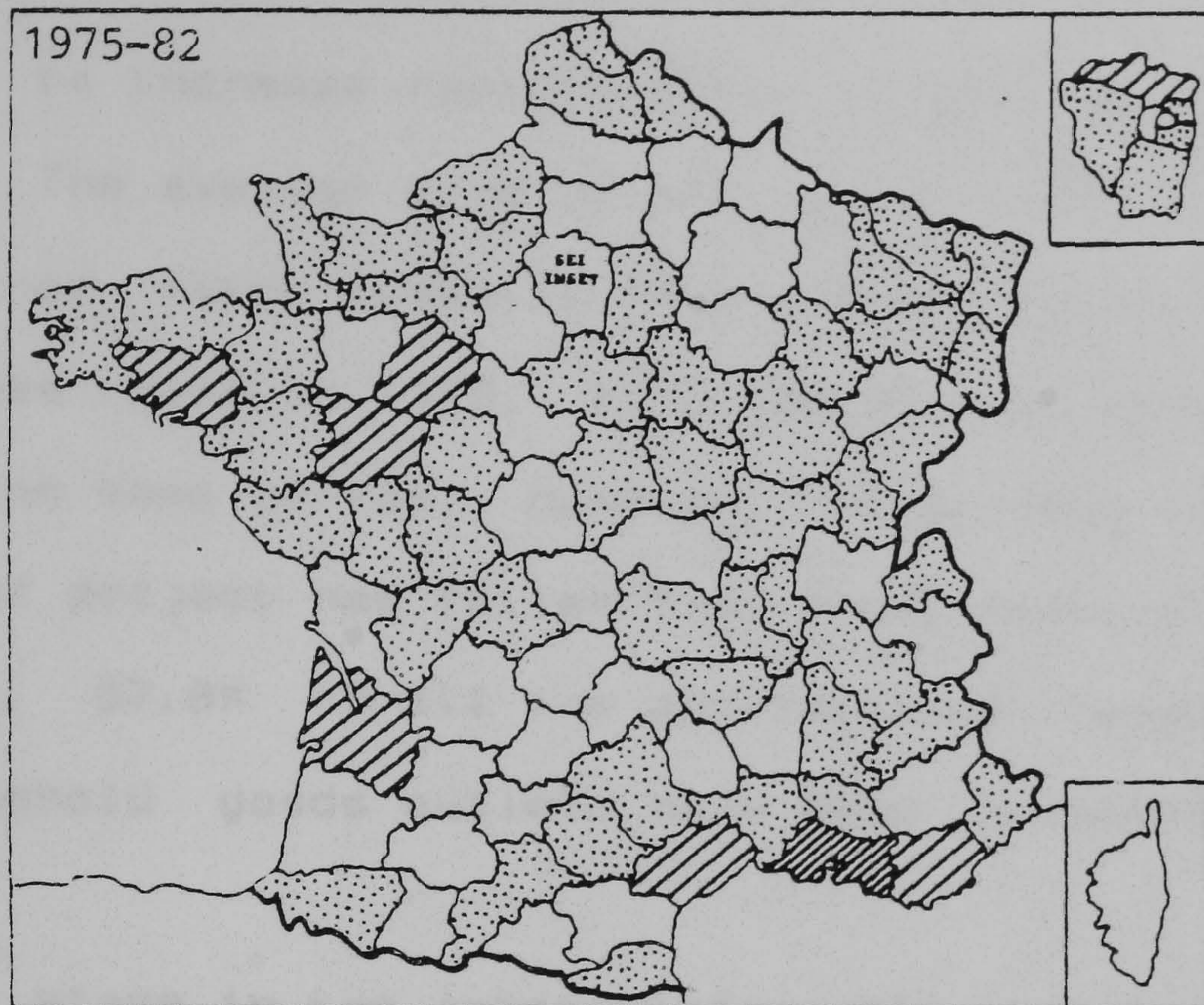
relatively new innovation, when compared with the other projects dealt with by the CDUCs. The geographical spread of this type of project (map 8.2) illustrates the youthful stage reached in the retail life cycle by this innovation, as it is lightly represented in terms of numbers of applications, with the most concentrated numbers of proposals made in some of the major settlement départements, notably the Paris region, Bouches-du-Rhône (13), Gironde (33), and Marne-et-Loire (49). The large numbers of départements where no applications have yet been made again relates to the youthful stage of this form of development, as these areas are predominantly the secondary markets in terms of population density. There is still ample opportunity for the DIY based projects to develop in the major centres, so there is no need for this retail innovation to penetrate these secondary areas at present. The spatial pattern of success rates shows predominantly high (in excess of 50%) success rates, with 16 départements where all the applications were accepted. These high success rates partly relate to the low numbers of applications made, and to the low saturation levels of the DIY store based project.

#### 8.1.4. Furniture/Household Goods Store Based Projects

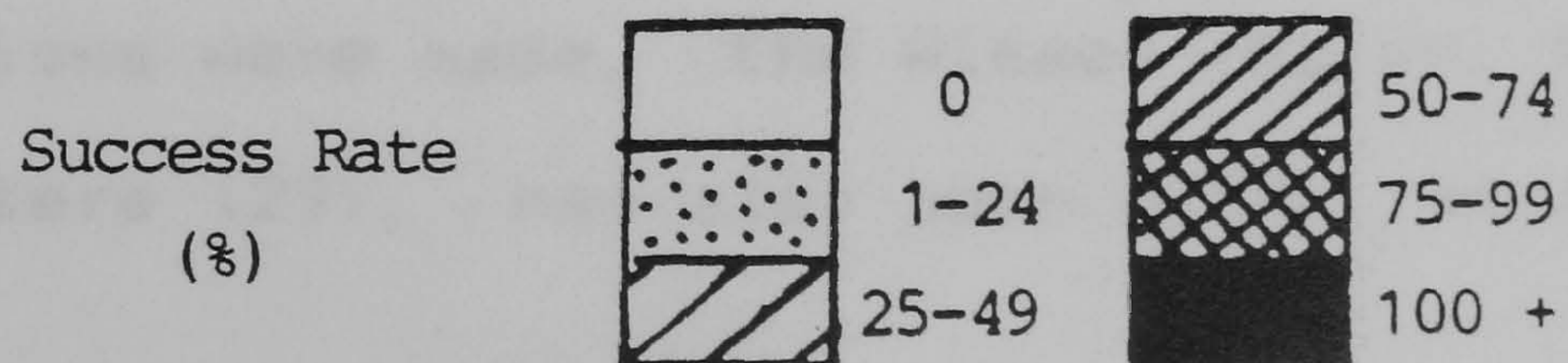
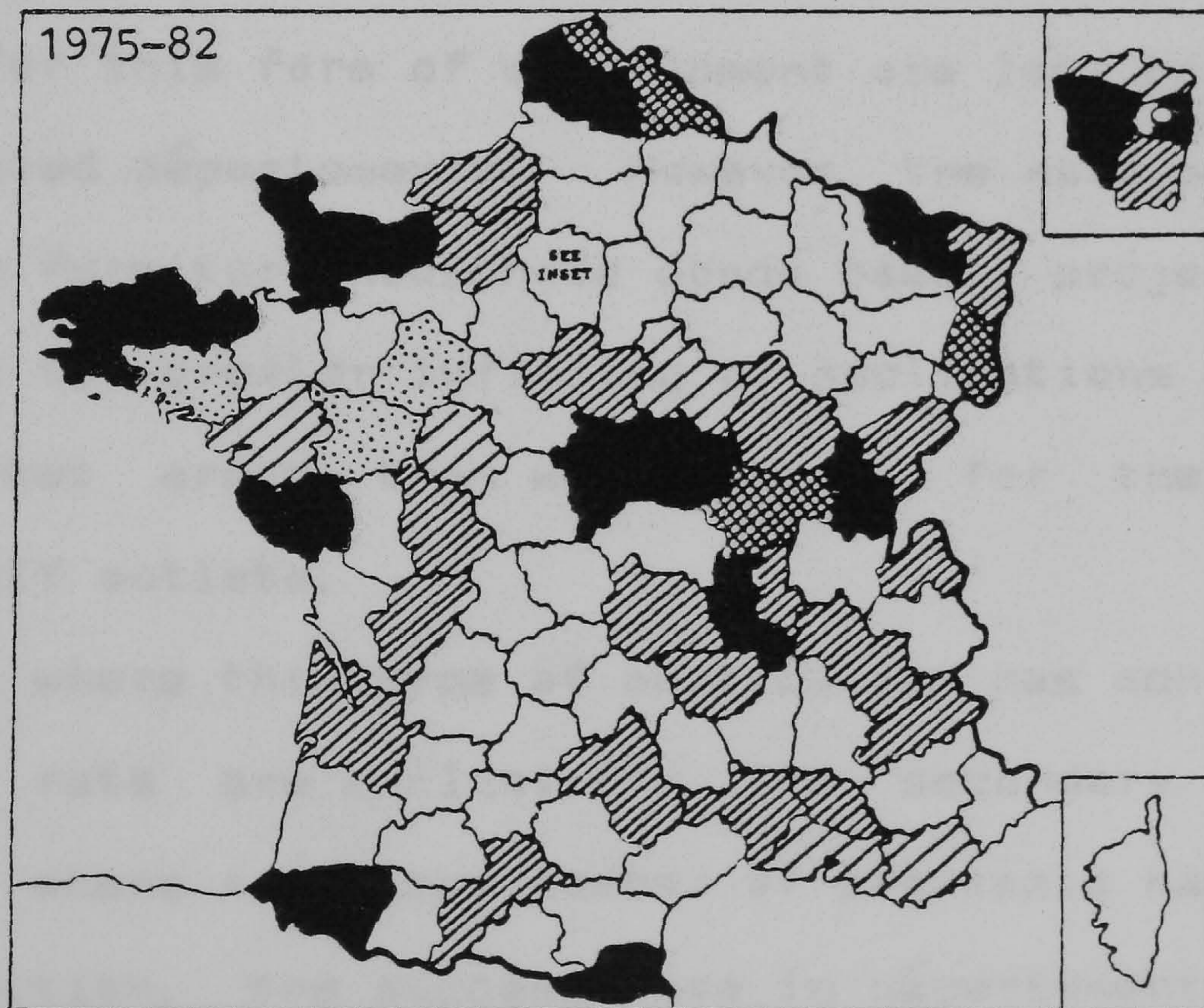
A similar type of development to the projects focused upon DIY stores are those centred upon a furniture/household goods outlet. However, this type of project is at a much later stage of development in the retail life cycle.

Map 8.2 : CDUCs - Applications based upon DIY Stores 1975-1982.

A) Number of Applications.



B) Success Rate (%)



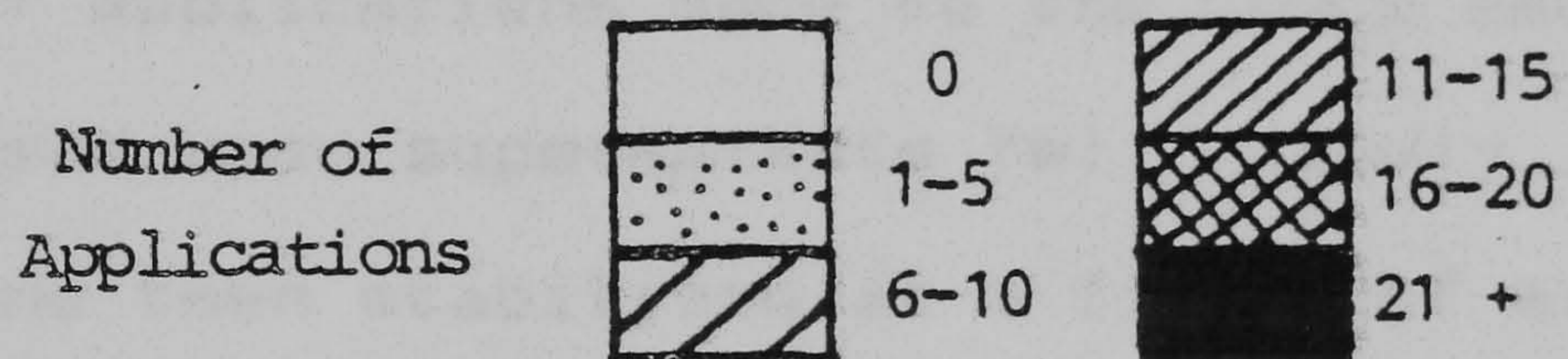
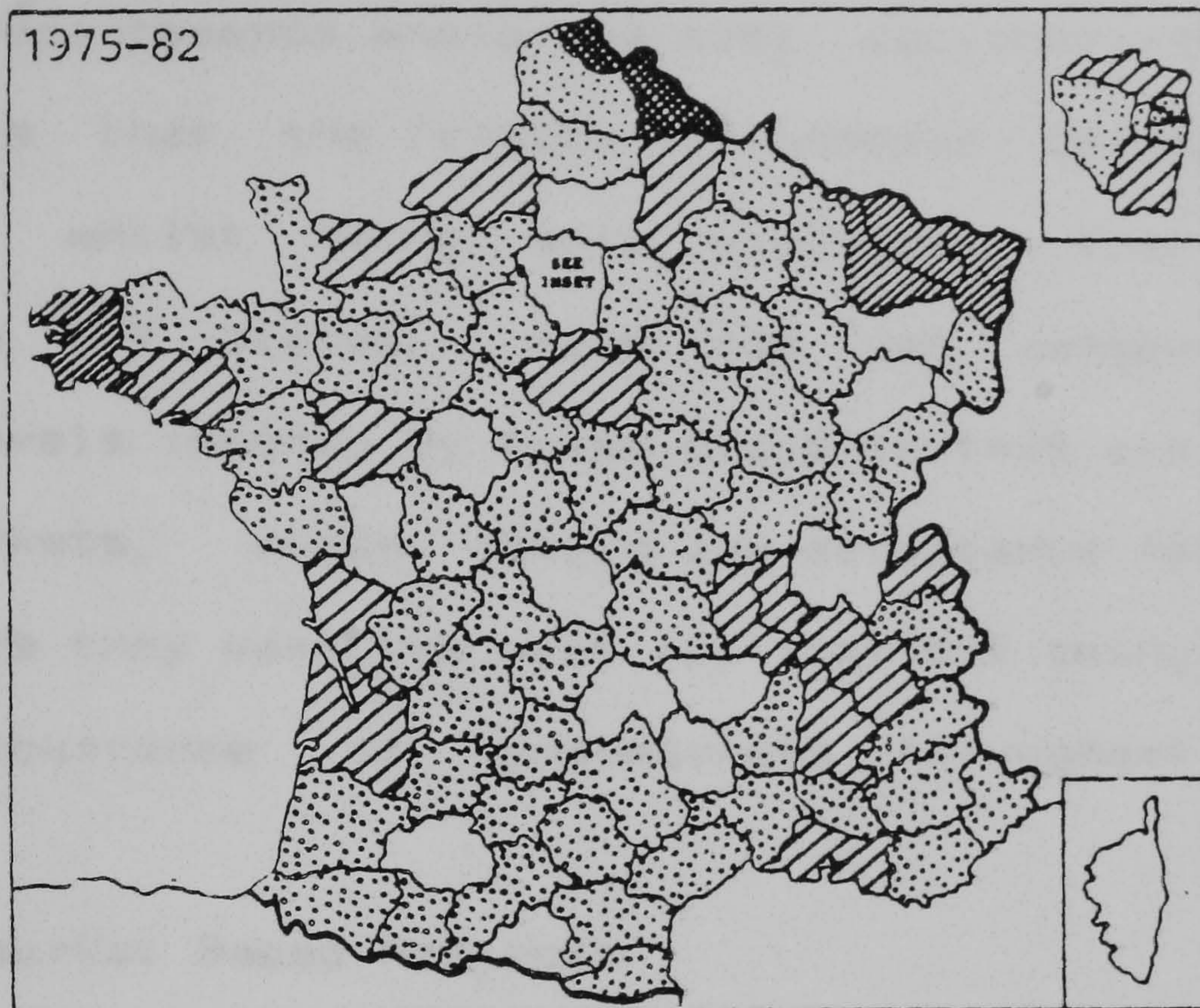
The large numbers of applications made for projects of this nature in the mid 1970s, declined in the latter part of the decade, only to increase rapidly again in the early 1980s (figure 8.3). The average size of the magnet store in these applications has risen steadily from around 2,400 square metres of sales area in 1975, to 3,000 square metres in 1982. Over the same period, however, the success rate for these types of project has fallen from approximately 65% to 45%. In all, 57.8% of all the applications based upon furniture/household goods outlets have been authorised by the CDUCs.

The later stage in the retail life cycle that this form of development occupies, compared with the DIY based projects can be seen by referring to the geographical spread of applications (map 8.3). As was the case with proposals focused upon DIY stores, the greatest concentration of applications for this form of development are located in the densely populated départements. However, the more advanced stage of the furniture/household goods based projects is revealed by a far greater infilling of applications in the secondary market areas than was evident for the those focused upon DIY outlets.

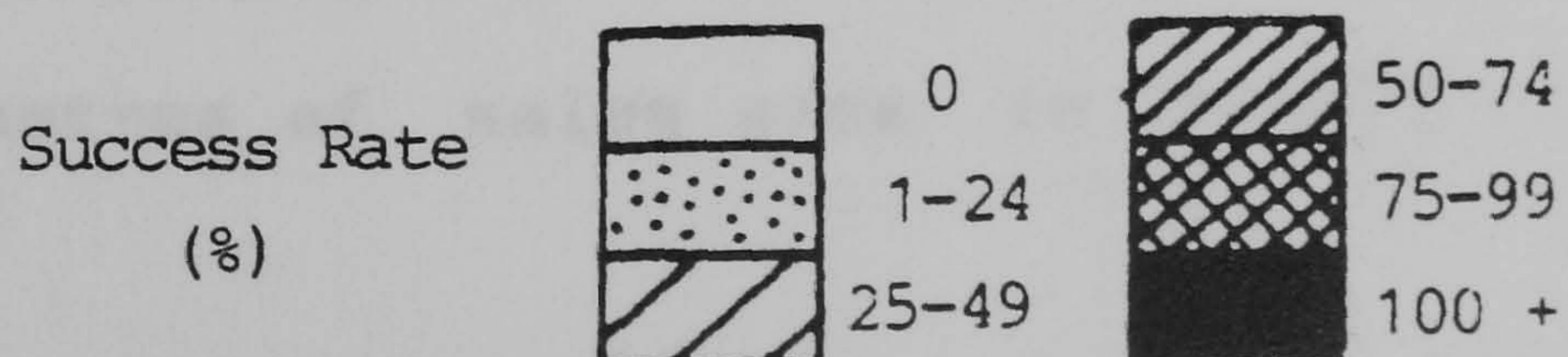
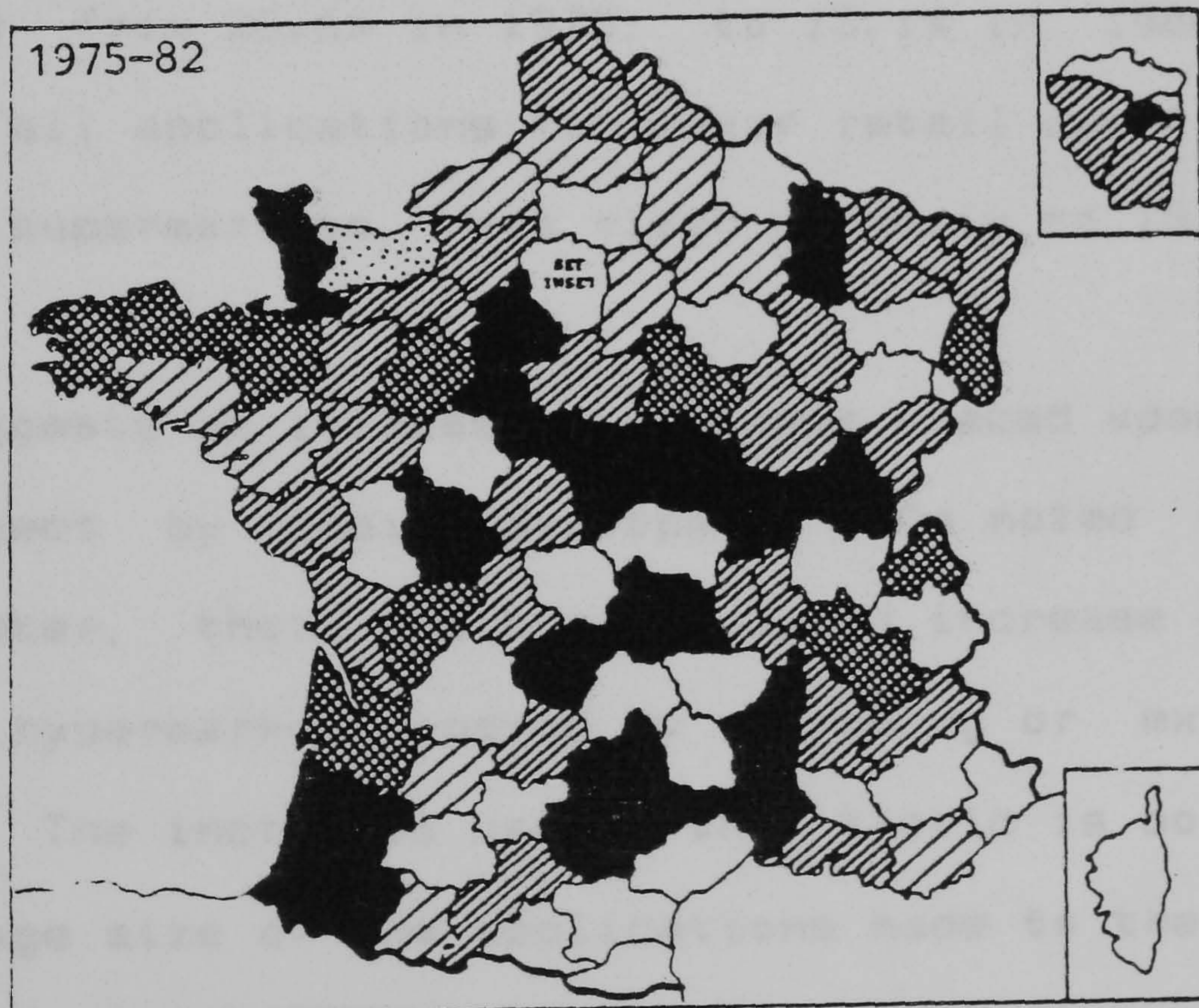
The areas where this type of application has achieved a 100% success rate are exclusively the secondary market départements, where a limited number of proposals have been made. In addition, the success rate in départements where over 10 applications were made, the Alsace region, the Nord (59), and Finistere (29), has also been high, at over 50%

Map 8.3 : CDUCs - Applications based upon Furniture/Household Goods Stores 1975-1982.

A) Number of Applications



B) Success Rate (%)



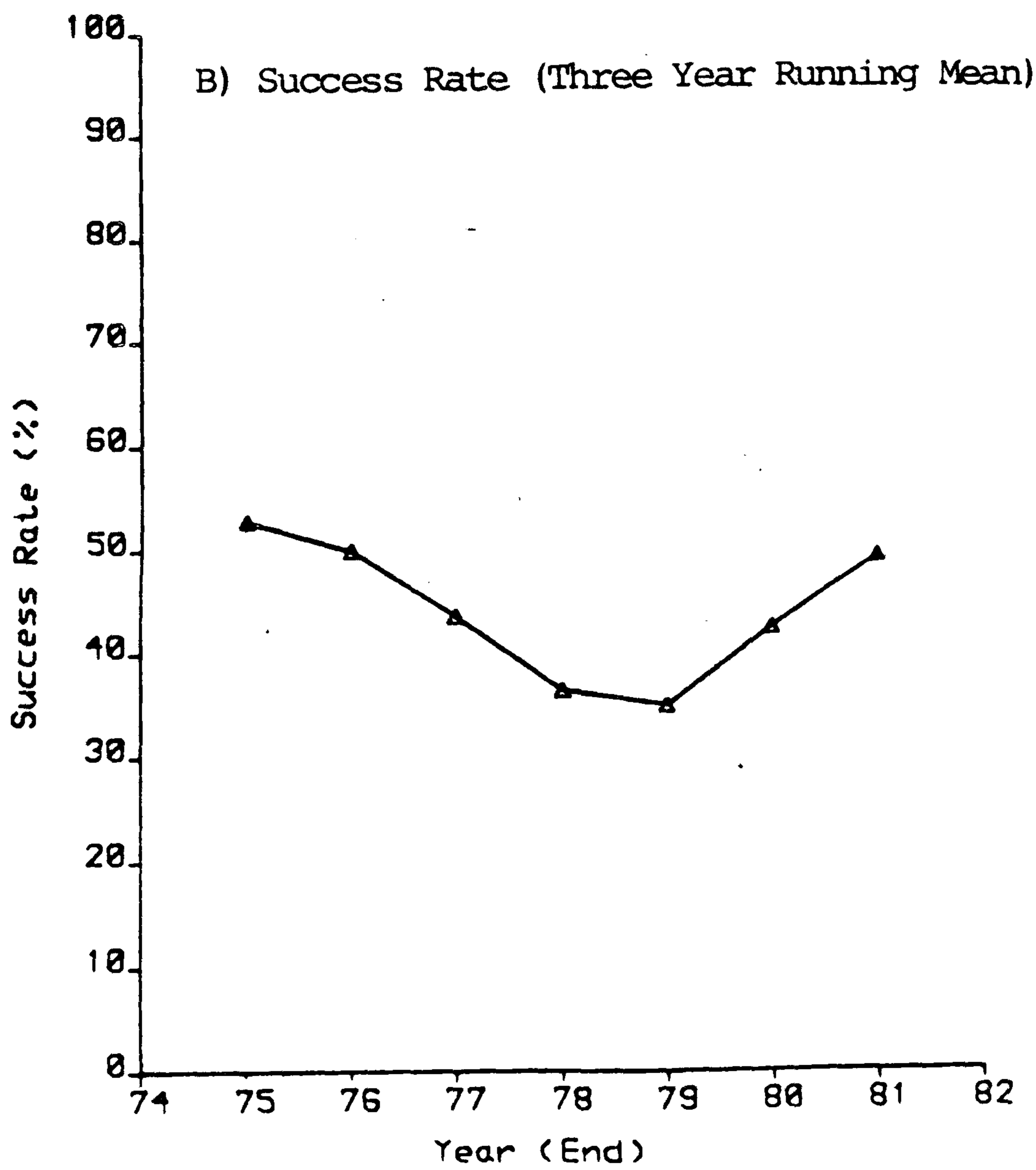
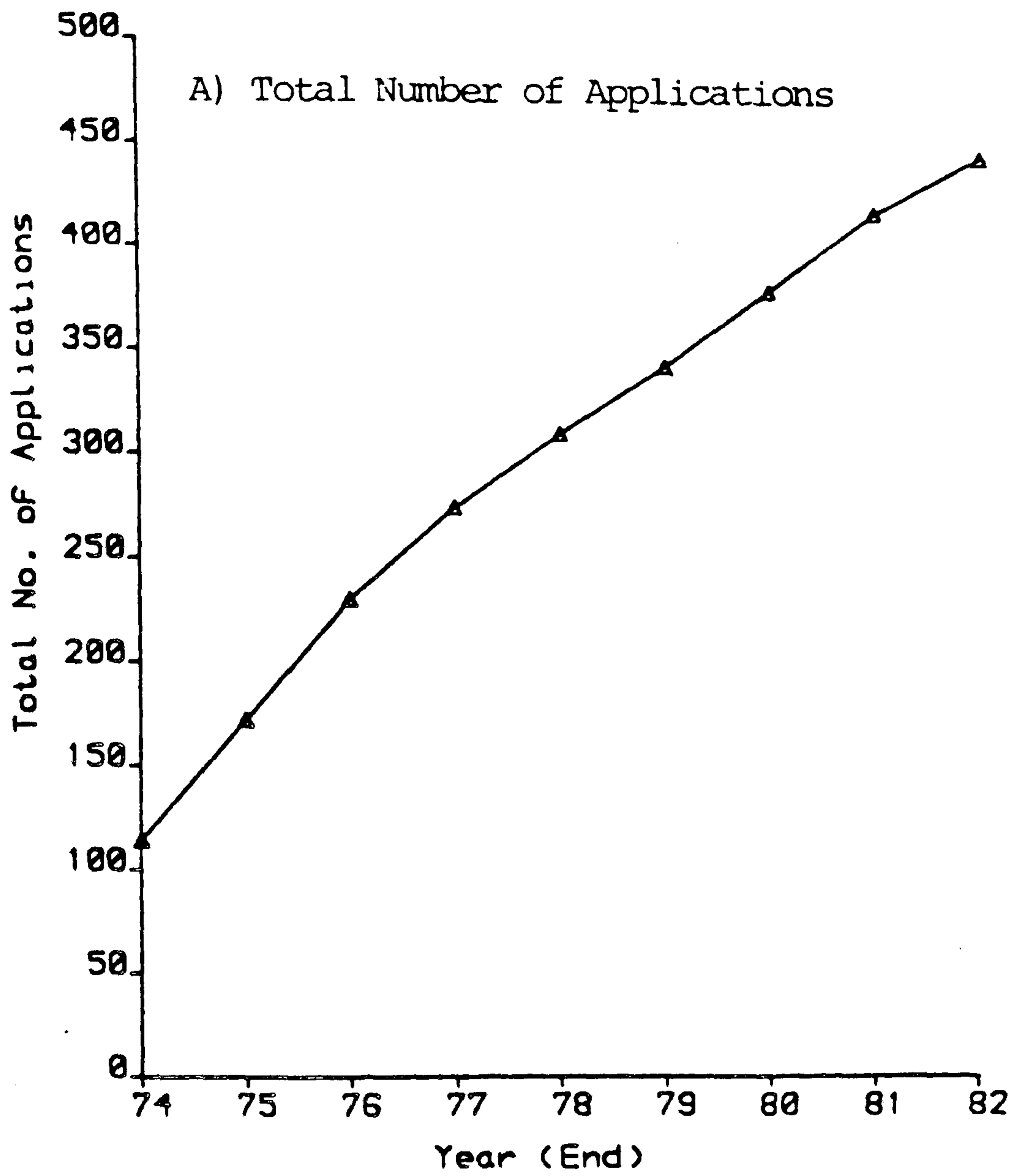
and reaching 75% in Finistere. These high success rates achieved in départements where the most applications were made, suggests that the furniture/household goods based developments, whilst being more widespread than those centered upon DIY stores, have not yet achieved the saturation levels reached by those projects that are based upon hypermarkets, which obtain low acceptance rates in the areas where they make the most applications owing to the widespread occurrence of hypermarkets throughout these areas.

#### 8.1.5. Supermarket Based Projects

The number of applications made to the CDUCs each year for projects based upon supermarkets fell slowly between 1974 and 1977, and then stabilized at a figure of around 35 proposals per year (figure 8.4). More importantly, however, after falling from 26.6% in 1975, to 13.1% in 1980, the proportion of all applications for major retail developments that involve supermarkets, has risen steadily to 18.9% in 1982.

This suggests an increasing emphasis placed upon this type of project by retail developers. As noted in the previous chapter, there has been a marked increase in the number of new hypermarkets opened by upgrading or extending supermarkets. The increased use of this tactic is borne out by the average size of the applications made to the CDUCs for supermarket developments, which has risen from a low of 1,350 square metres of sales area in 1976/77 to over

Figure 8.4 : CDUCs - Applications based upon Supermarkets.





1,850 square metres in 1982 (figure 8.5A). This represents an increase in the average size of this type of application of 38% over the five year period.

The increase in average size is due largely to the greater proportion of all supermarket applications that fall into the 2,000 square metres and above size category (figure 8.5B) - which has risen to 40% of supermarket applications since 1979. At the same time, the proportion of applications in the less than 1,000 square metres size category, applications in which the whole development is above the thresholds of the CDUC, even though the supermarket component may fall below the size thresholds, has fallen to less than 10%. This relative change has been brought about by a decline in the number of small supermarket projects, rather than by any spectacular rise in the number of large supermarket applications. Despite this, these trends do suggest that in the most recent years, developers have been applying for larger supermarkets, possibly to provide a base from which to extend the floorspace to hypermarket status.

This trend in development strategy may reflect the higher success rates attributed to supermarket applications, which over the 1974 to 1982 period stands at 47.8%, when compared to the lower success rates achieved by hypermarket proposals. Just as important, the increasing proportion of large supermarket applications since 1979, coincides with an upturn in the success rate for supermarket proposals, which had previously been declining from over 50% in 1975 to under

Figure 8.5A : CDUCs - Average Size of Supermarket Applications.

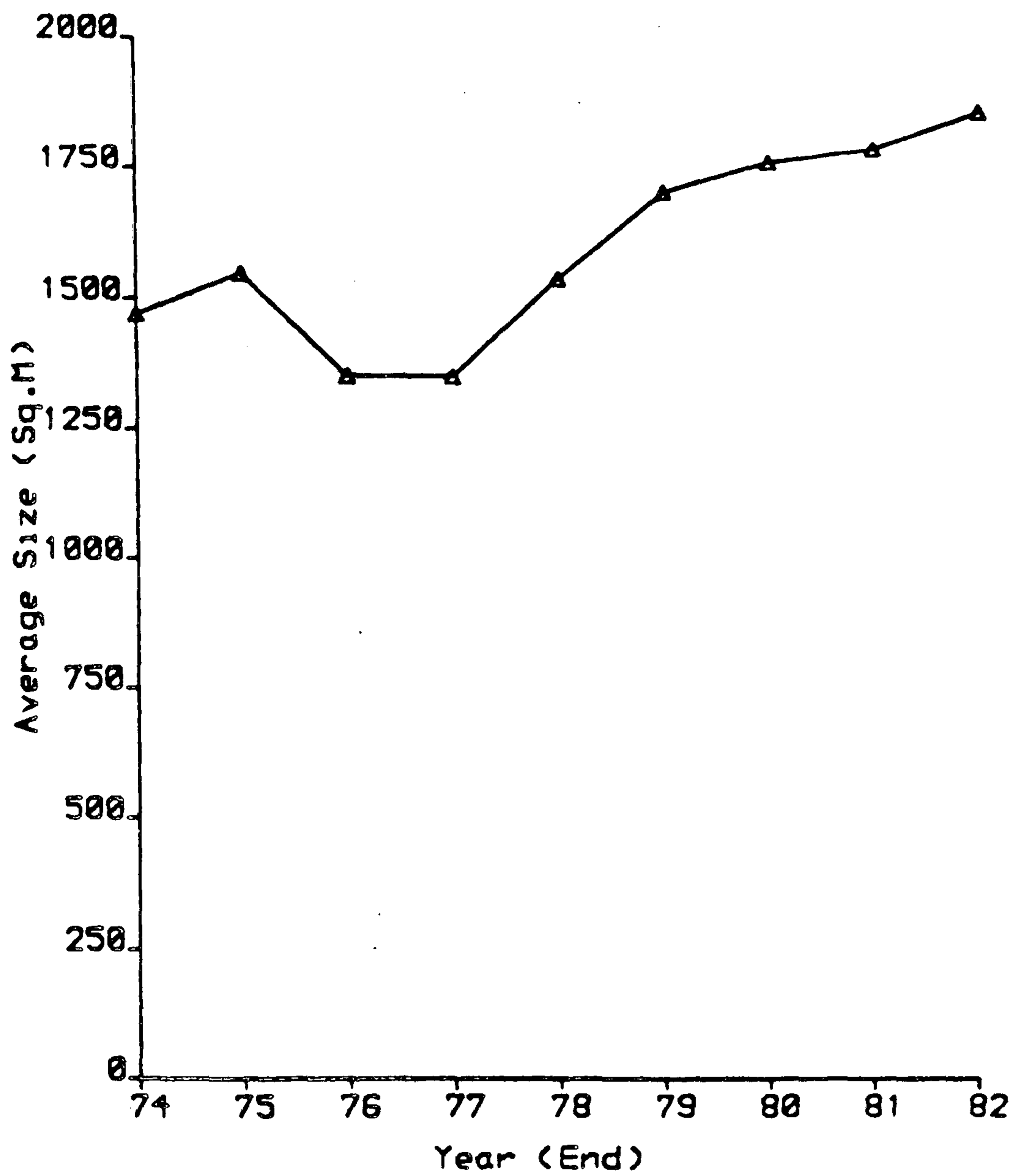
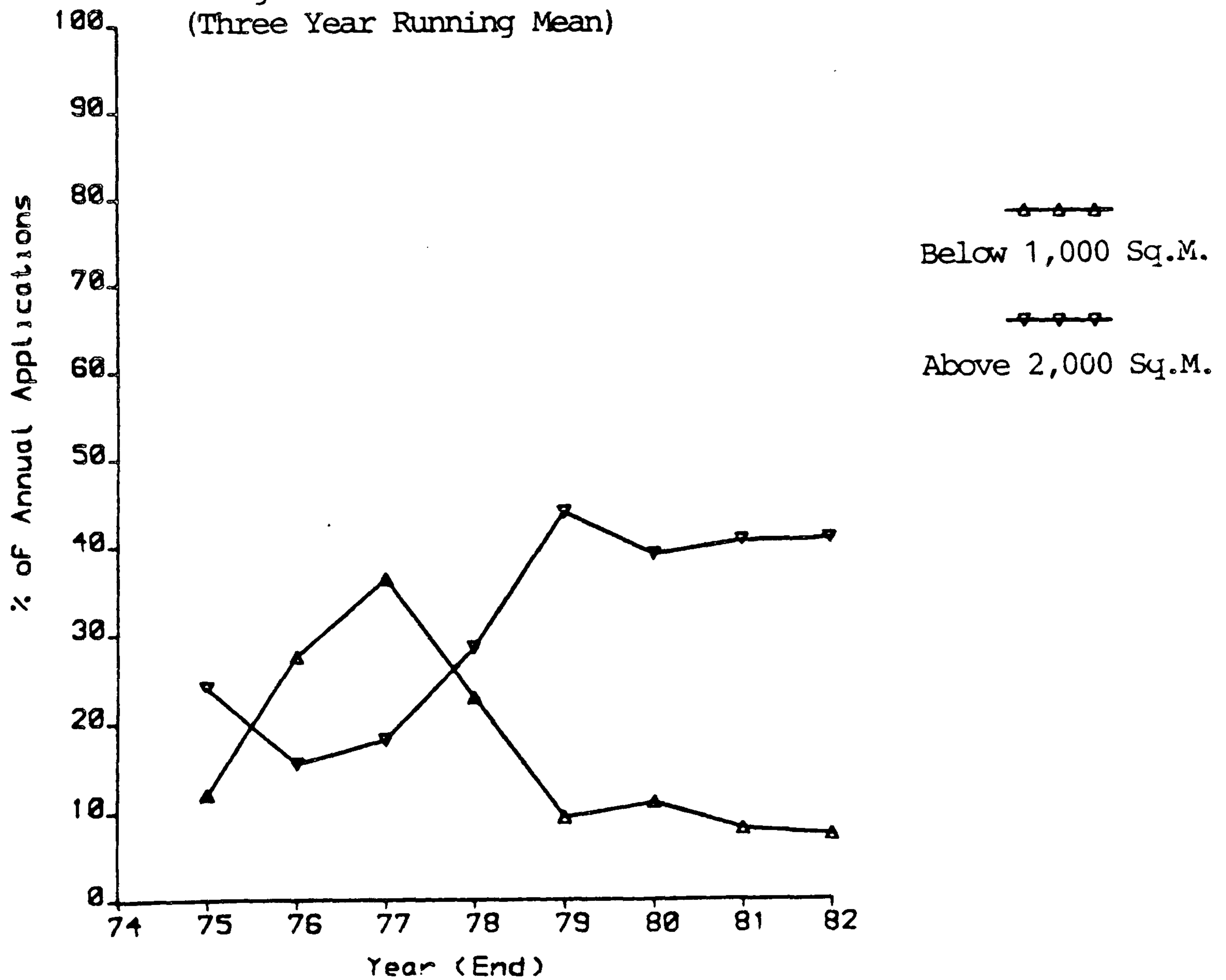


Figure 8.5B : CDUCs - Supermarket Applications by Size Categories.  
(Three Year Running Mean)



35% in 1979 (figure 8.4).

Geographically (map 8.4), applications for this type of development were made in all but 10 départements with the greatest number of proposals again concentrated in the most densely populated départements. The areas with the highest acceptance rates generally correspond with those areas where five or fewer applications were made, although in the Nord (59), Gironde (33), and Meurthe et Moselle (54) départements, where over 10 applications were made, the acceptance rate exceeded 50%.

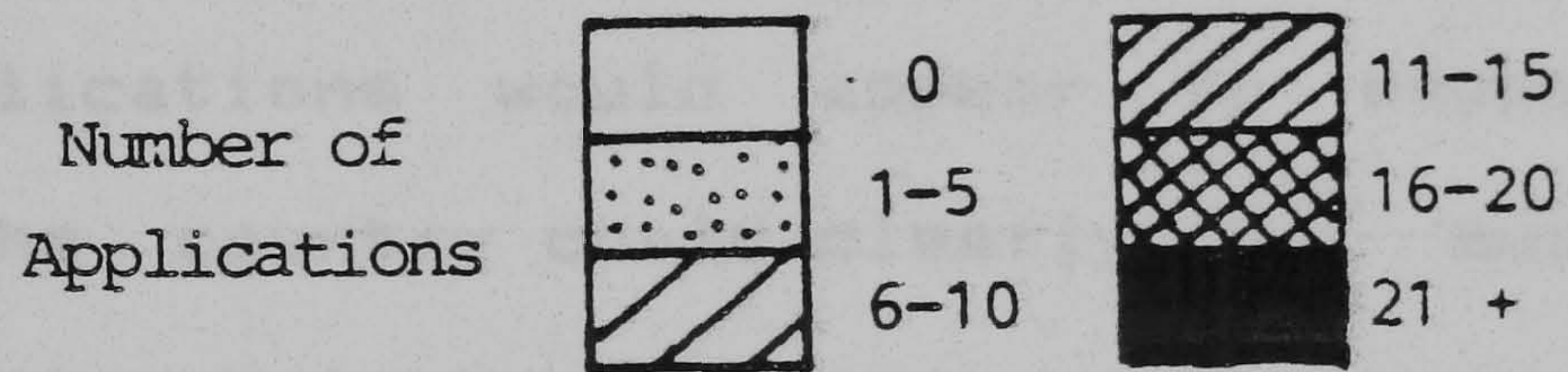
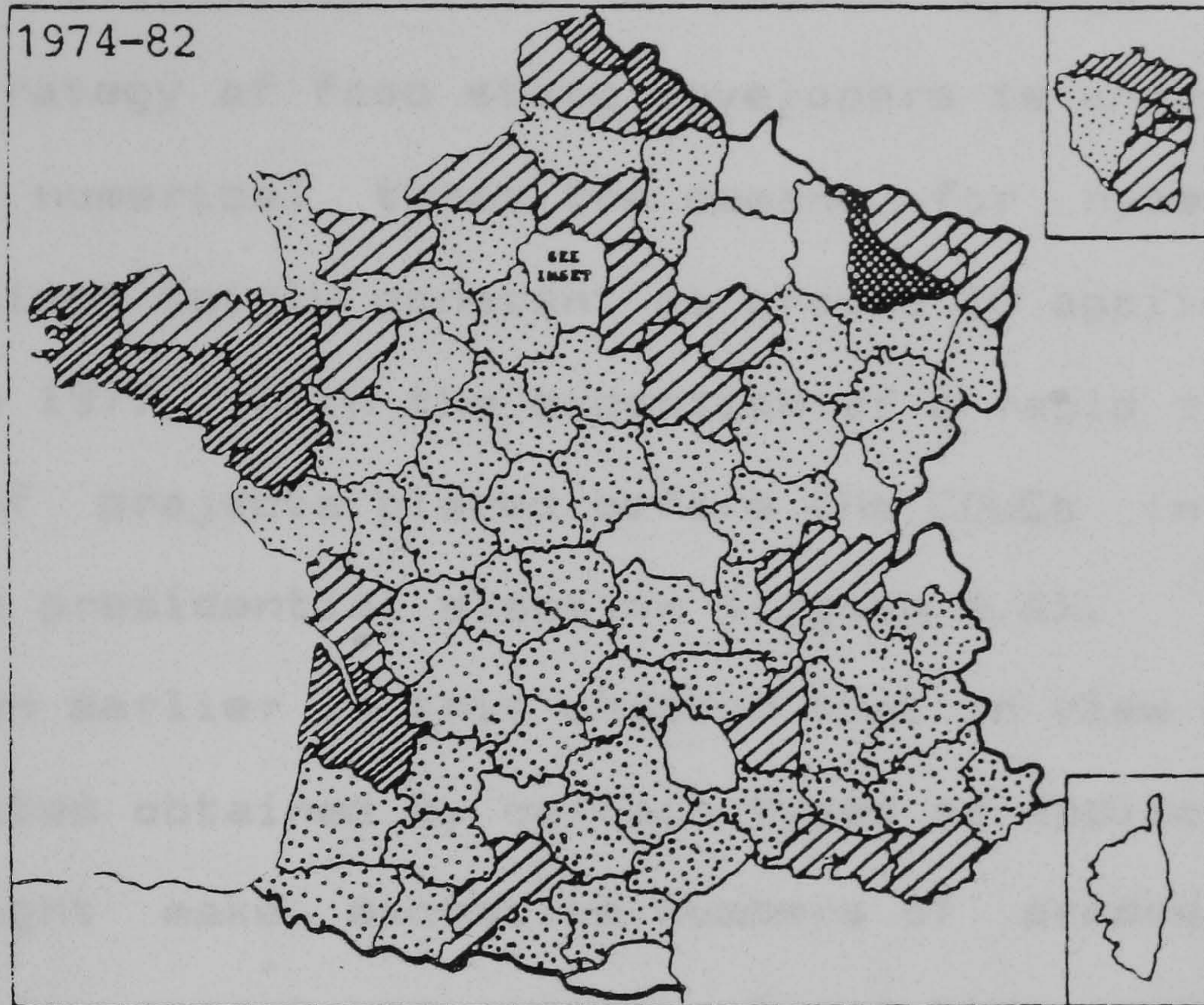
#### 8.1.6. Hypermarket Based Projects

Of all the various types of proposals for retail developments centered upon large area stores placed before the CDUCs between 1977 and 1980, approximately half of these applications were for projects based upon hypermarkets. Prior to these dates, hypermarket applications accounted for 30% of the total number of proposals, and in 1981 and 1982 this share again fell to around 42%.

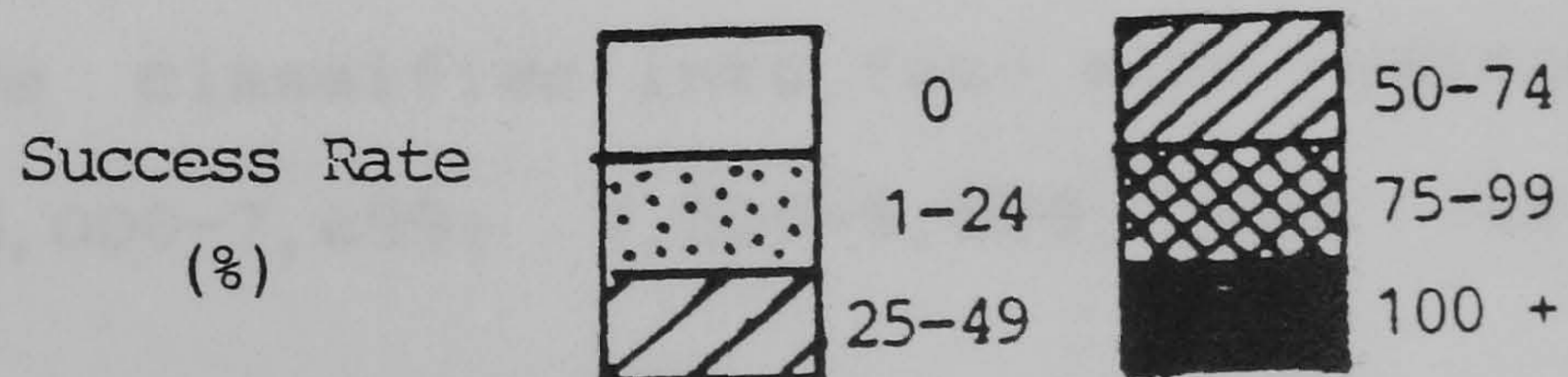
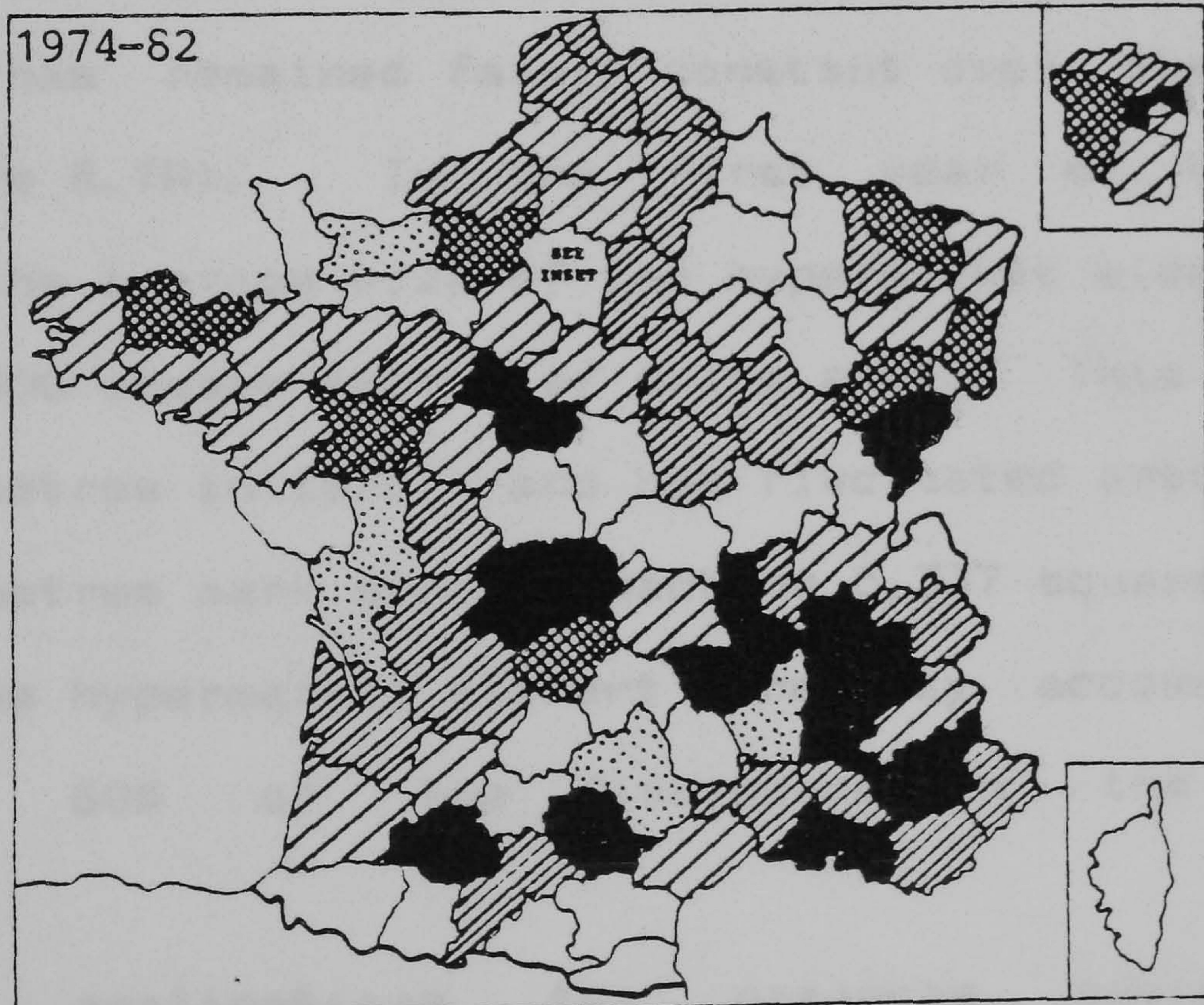
This underlying decline in the importance of hypermarket applications in relation to other types of development in the 1980s, particularly in view of the greater importance being placed upon large supermarket based projects, would again seem to indicate a change in application strategy on the part of the developers. The saturation of existing hypermarket units in the major markets forcing developers to look towards smaller markets, coupled with the increasing number of applications for

Map 8.4 : CDUCs - Applications based upon Supermarkets  
1974-1982.

A) Number of Applications



B) Success Rate (%)



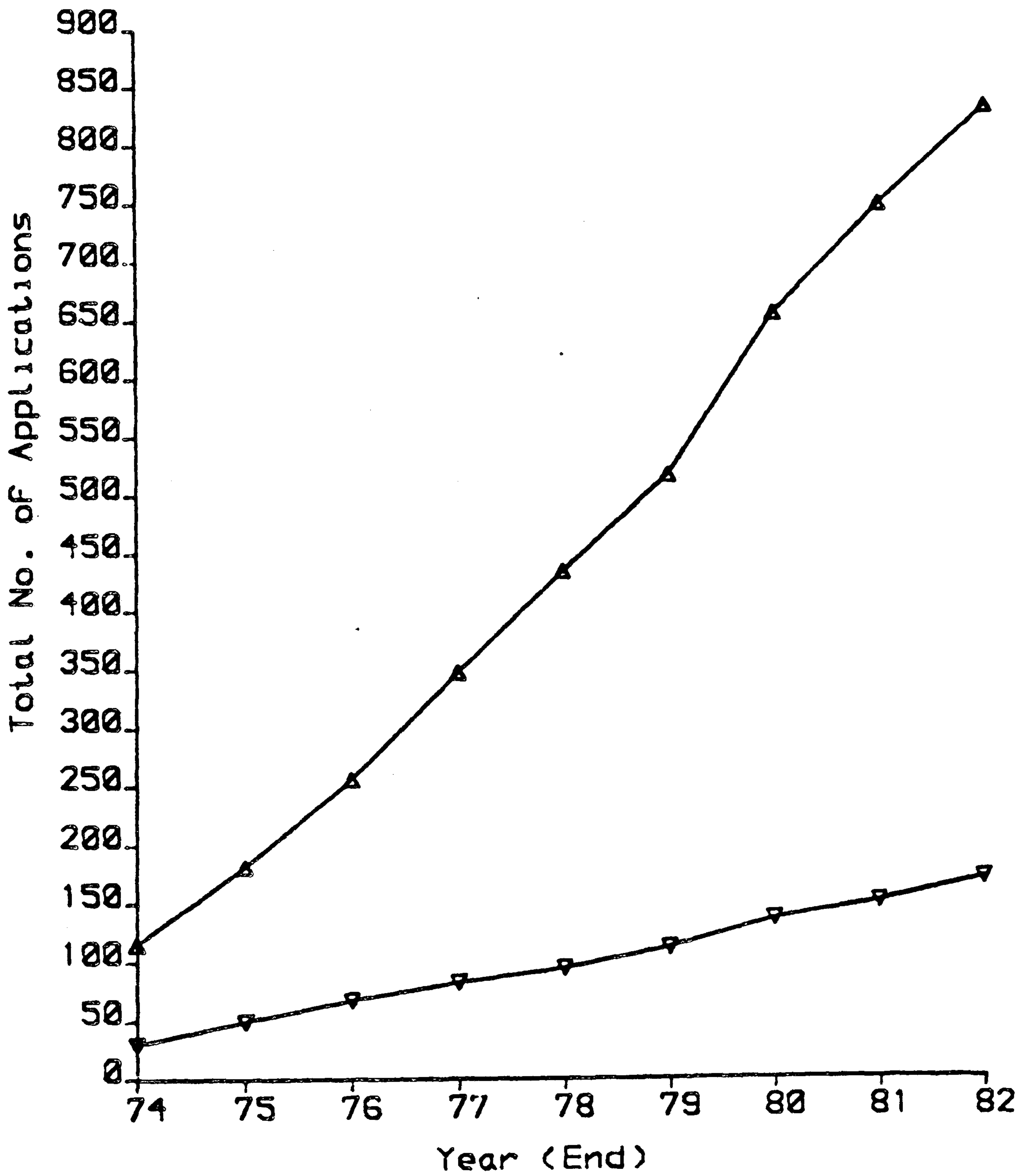
hypermarkets made by the independent sector, further supports the suggestion that a subtle change in the development strategy of food store developers is underway.

In pure numerical terms the demand for hypermarket sites has remained fairly constant at around 90 applications per year since 1977, with the exception of a rapid rise in the number of projects placed before the CDUCs in 1980, prior to the presidential election (figure 8.6). It was commented upon earlier in this chapter that in view of the low success rates obtained by certain types of applications, developers might make excessive numbers of proposals to counter these low acceptance rates. These high numbers of hypermarket applications would appear to support this assertion, as the country could clearly not support an additional 90 store openings per year.

The average size of the hypermarket element of these applications has remained fairly constant over the study period (figure 8.7A). In the first year of the new regulations the average size of the hypermarket element was just under 6,500 square metres of sales area. This fell to 5,770 square metres in 1975, and has fluctuated around the 5,500 square metres mark since, reaching 5,337 square metres in 1982. The hypermarket element generally accounts for approximately 60% of the floorspace in the whole application.

If the applications for projects based upon hypermarkets are classified into four size categories of 2,500-4,999; 5,000-7,499; 7,500-9,999; and over 10,000

Figure 8.6 : CDUCs - Applications based upon Hypermarkets.



—▲—▲—▲ Applications  
—▼—▼—▼ Authorisations

Figure 8.7A : CDUCs - Average Size of Hypermarket Applications.

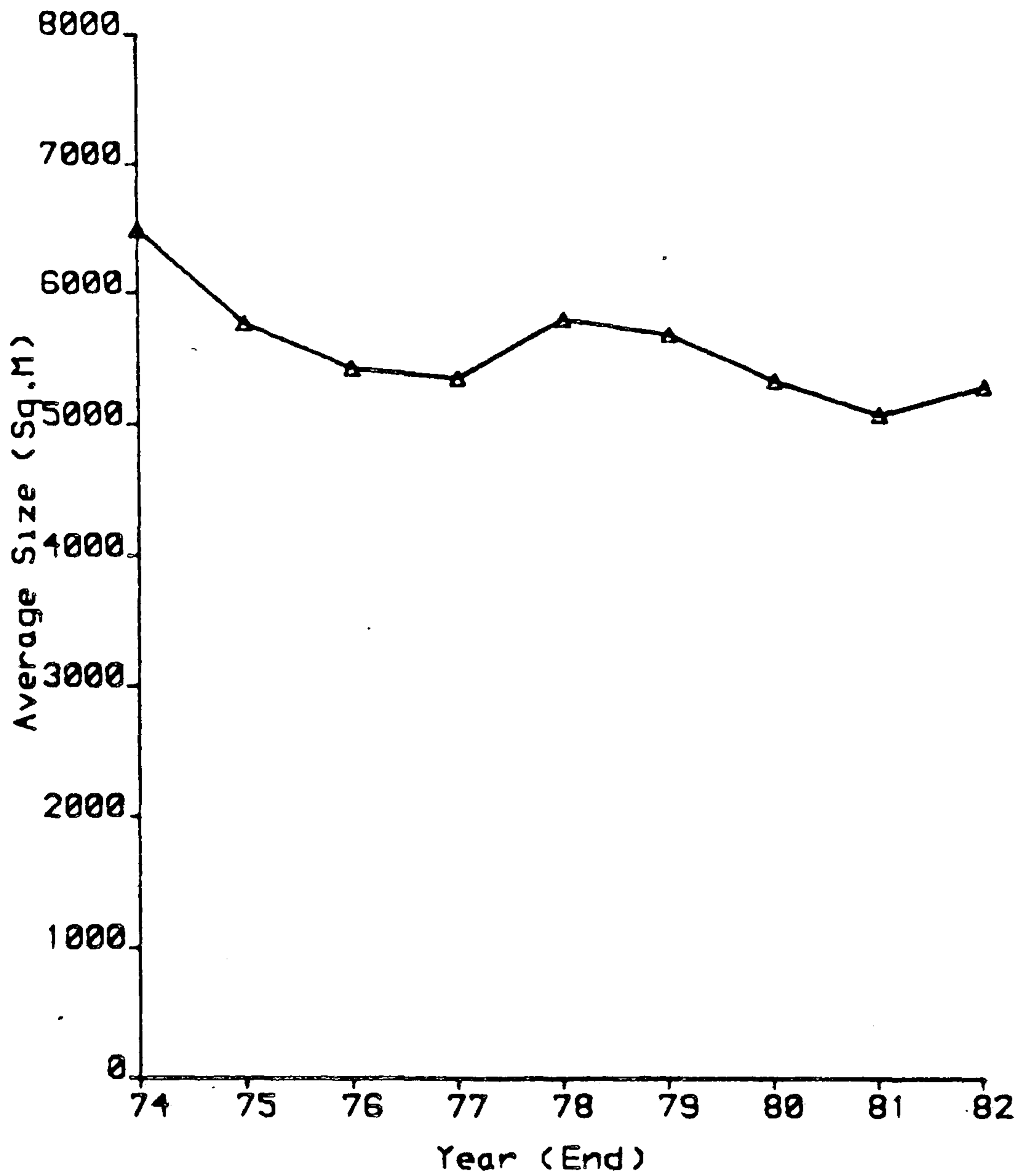
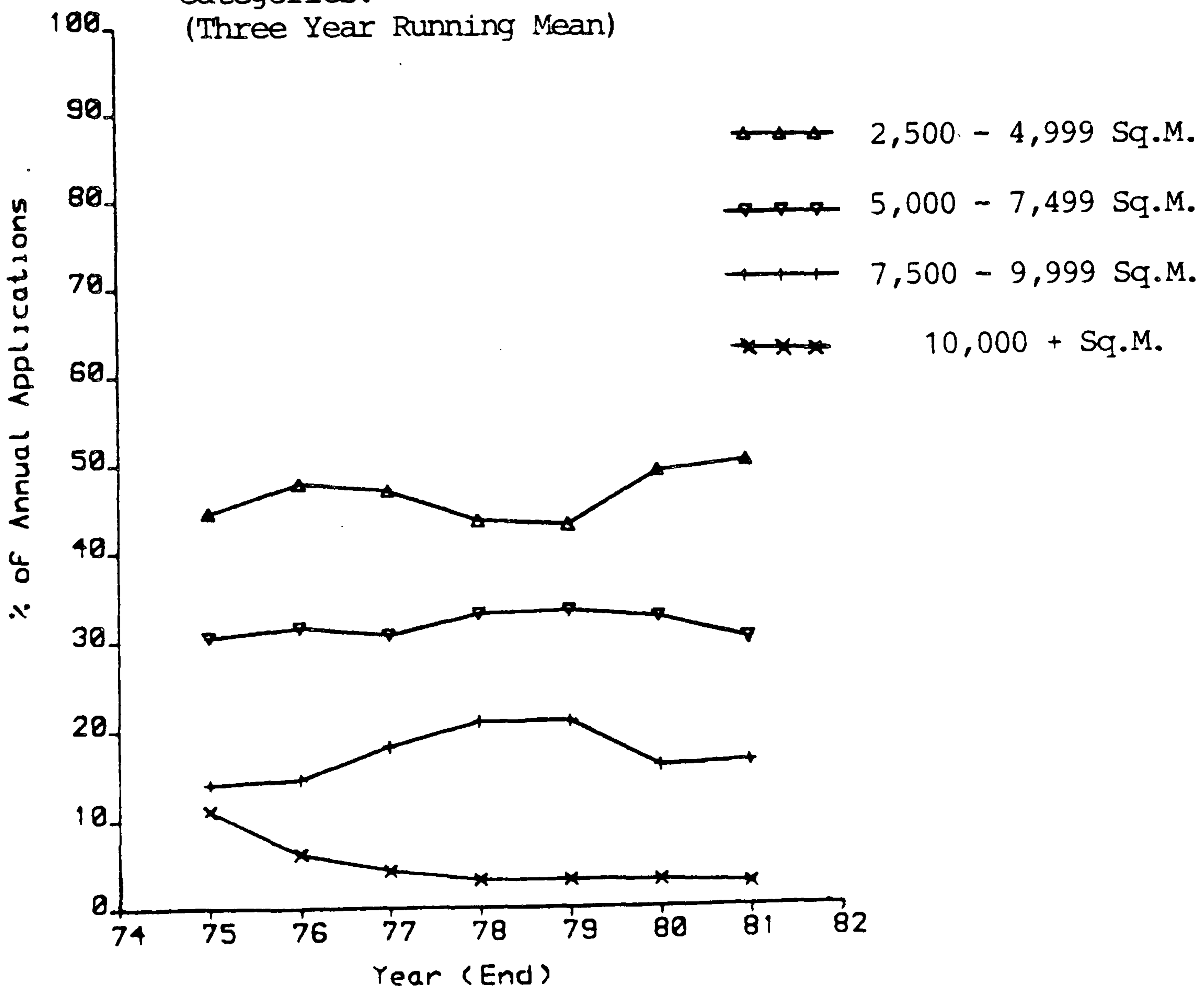


Figure 8.7B : CDUCs - Hypermarket Applications by Size Categories.  
(Three Year Running Mean)



square metres of sales area, a clearer picture of the changes occurring amongst the applications made for this type of development from this exercise (figure 8.7B). Firstly, a decline occurred, in the first few years of the law's existence, in the proportion of applications that were based upon hypermarkets which involved a very large unit (over 10,000 square metres) as the magnet store. This trend no doubt reflects the increased costs of development, and the saturation in the large markets required to support a unit of this magnitude. Secondly, there has been an overall rise in the proportion of applications centered upon hypermarkets in which the hypermarket element of the proposal fell into the smallest category (2,500-4,999 square metres), particularly since 1979. This post 1979 trend appears to have occurred at the expense of those applications which involved a hypermarket proposal which fell into the large (7,500-9,999 square metres of sales space) size category. Both of these trends reveal a move from applications involving large hypermarket developments to smaller stores, reinforcing the assertion that a change is occurring in the development strategy of the food store developers.

Over the 1974-1982 period, only 172 or 20.9% of the 840 applications made for retail development focused on hypermarkets, were authorised by the CDUCs. This represents by far the lowest success rate for any type of new major retail project. The success rate for this type of proposal declined over the first half of the study period, reaching a



low of 13.6% in 1978, the year of elections to the National Assembly, and then recovered slowly in the early 1980s (figure 8.8A).

The average size of those proposals containing hypermarket projects that were authorised by the CDUCs, closely mirrors the average size of all applications that were made for this type of development as does the average size of rejected applications. Although those applications which were authorised did tend to be slightly smaller than the average size for all proposals of this type, and only exceeded this average figure twice, in 1977 and 1980. The authorised projects also tended to contain a slightly smaller hypermarket element (58% of the total area) than was the average for all applications of this nature.

Although 50% of all applications made to the CDUCs based upon hypermarkets, contained a hypermarket element that fell into the small size category (2,500-4,999 square metres), it is interesting to note that, when the medium (three year) trends are analysed (figure 8.8B), the success rate for this category, and for the medium size category (5,000-7,499 square metres) fell below that for the large size category (7,500-9,999 square metres) between 1978 and 1980.

If the composition of the applications for this type of development is analysed by the type of firm making the proposal (figure 8.9), one can see that the majority of applications are made by the "Grandes Surfaces" organisations (38% over the study period), whilst the number

Figure 8.8 : CDUCs - Applications based upon Hypermarkets.

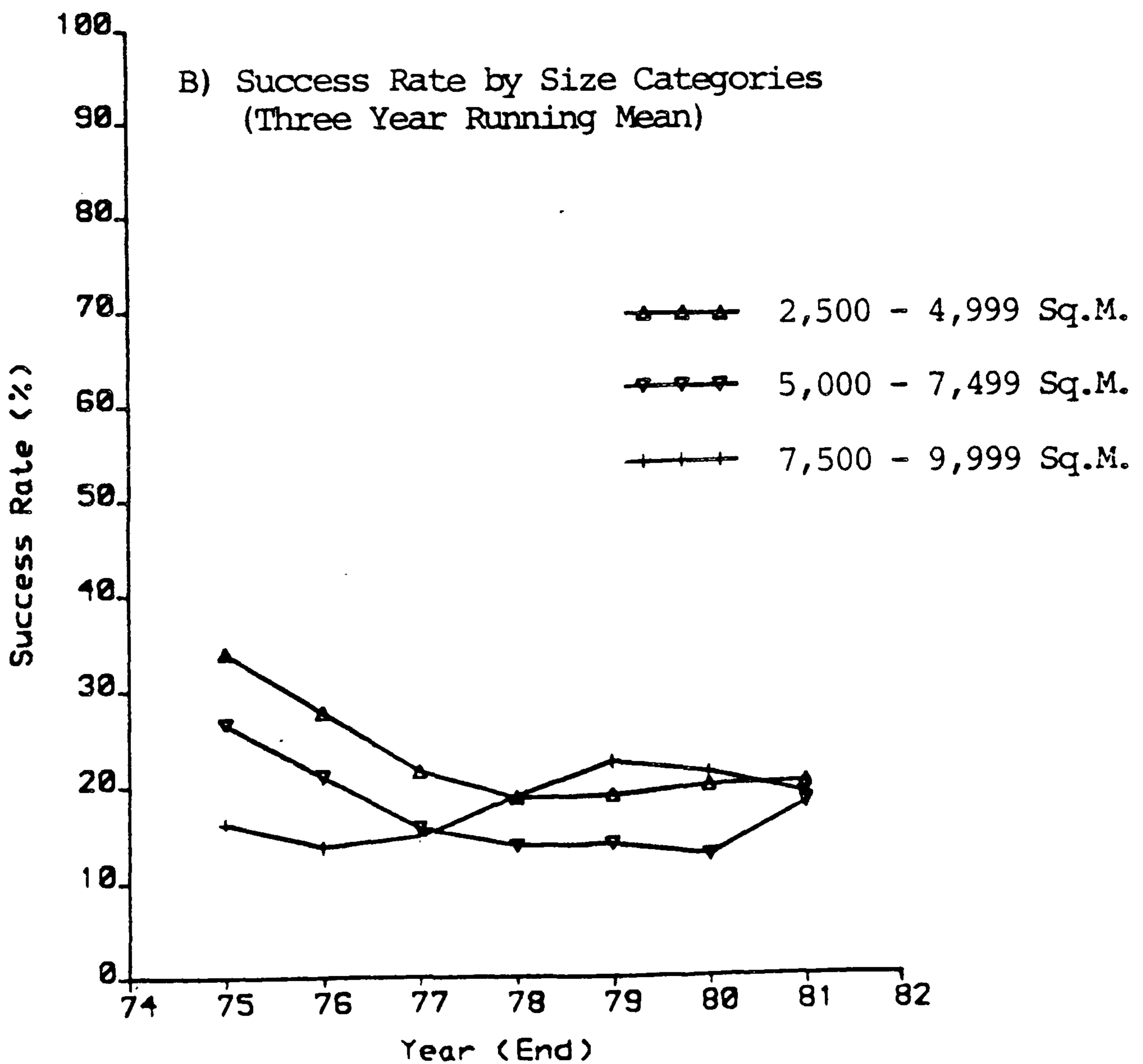
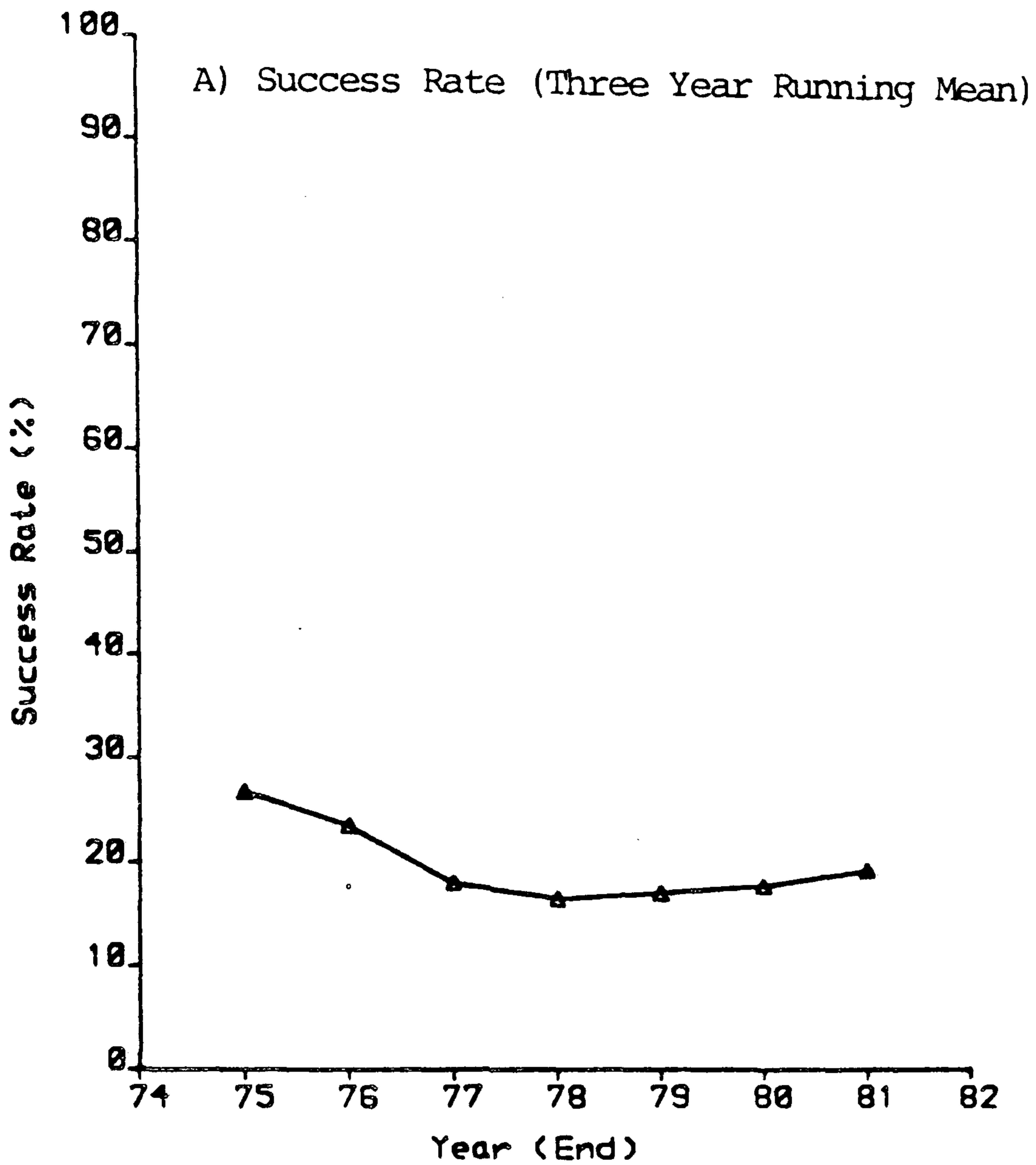
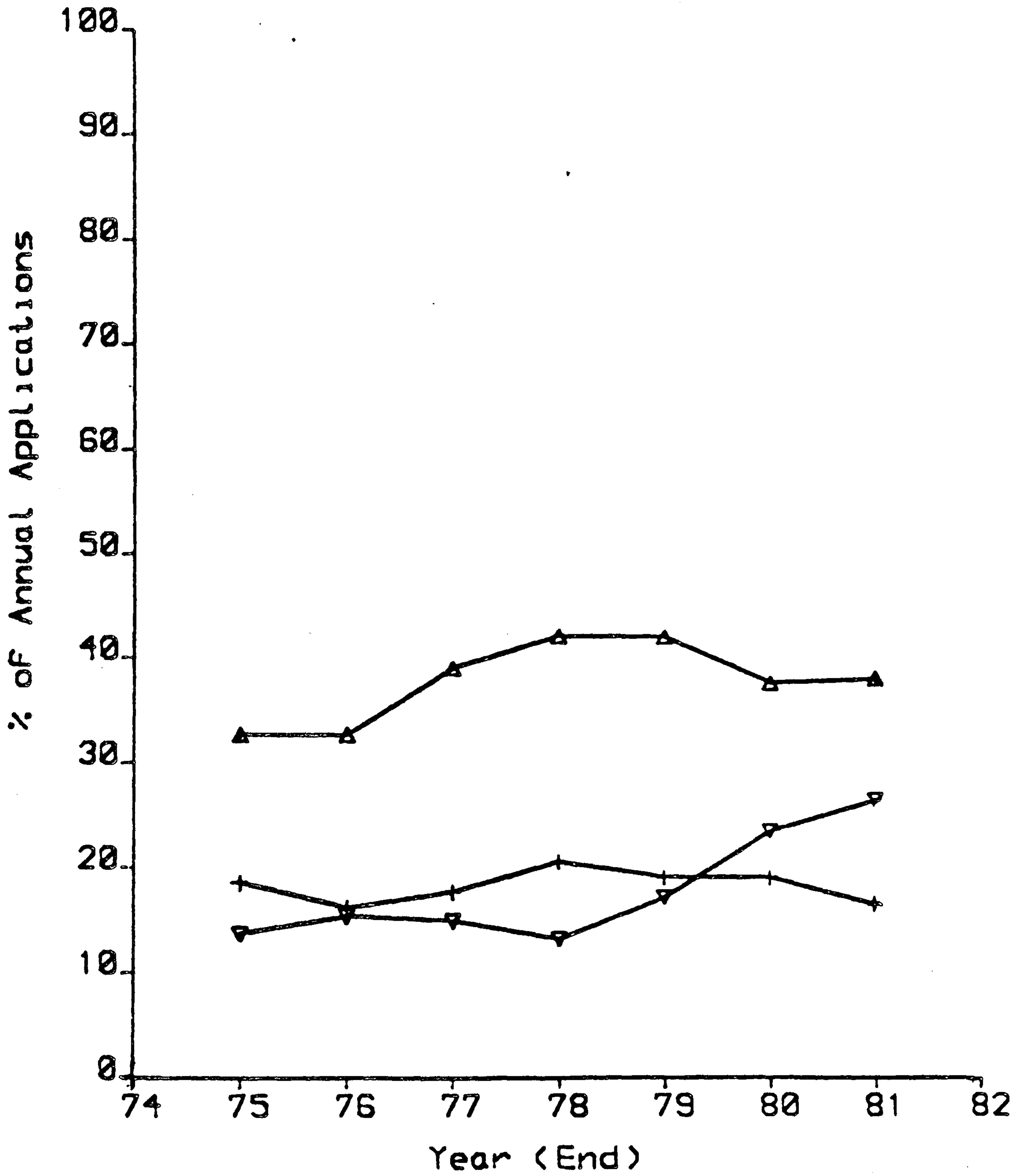


Figure 8.9 : CDUCs - Annual Hypermarket Applications by Type of Organisation. (Three Year Running Mean)



▲▲▲ "Grandes Surfaces"  
 ▼▼▼ Independents  
 + + + Multiples

and proportion of all hypermarket proposals put forward by the independent retailers has risen noticeably since 1978. This latter trend provides further explanation for the increased proportion of smaller hypermarket applications made towards the end of the 1970s and in the early 1980s, as the average size of the hypermarket element in the proposals made by the independent retailers has tended to be approximately 1,000 square metres smaller than the average size for all projects. The share of all hypermarket based applications made by the branch multiple groups has remained relatively constant over the 1975-1982 period, but with a slow decline from 1978.

As figure 8.10A reveals, over 70% of the applications made by the independent firms fell into the small (2,500-4,999 square metres) size category, compared with only 27.8% of the projects proposed by the "Grandes Surfaces" organisations. Conversely, only 19.8% and 6.9% of the independent sponsored applications were in the 5,000-7,499 and 7,500-9,999 square metres size categories respectively, whilst 37.1% of the "Grandes Surfaces" applications fell into the former medium size category and 23.9% in the latter large category.

These total figures for the 1974 to 1982 period, disguise some distinct trends in organisation development strategy over the period (figure 8.10B). The proportion of applications for hypermarket based projects made by the independent organisations each year, which fall into the

Figure 8.10A: CDUCs - Hypermarket Applications by Size Category and Type of Organisation (1974-1982 Period).

Proportion (%) of Applications  
in Different Size Categories

Organisational Types	2500- 4999	5000- 7499	7500- 10000	12500 +
"Grandes Surfaces"	27.8	37.1	23.9	6.7
Multiples	38.9	35.7	13.6	6.5
Cooperatives	55.6	24.1	18.5	0.0
Dept./Variety Stores	62.9	7.4	18.5	7.4
Independents	71.1	19.8	6.9	2.1
Others	48.3	32.2	14.9	4.6
All Organisations	44.9	30.5	16.7	4.9

Figure 8.10B: CDUCs - Proportion of Annual Hypermarket Applications by Organisational Types in Size Categories

Proportion (%) of Annual Hypermarket Applications in Each Size Category (3 year running mean)

Organisational & Size Categories	1975	1976	1977	1978	1979	1980	1982
<hr/>							
<b>"Grandes Surfaces"</b>							
2500- 4999	24.4	30.7	34.1	27.0	25.2	30.9	32.9
5000- 7499	23.6	27.1	26.2	39.3	46.2	47.6	43.6
7500-10000	20.8	27.2	31.2	30.2	25.5	19.8	20.8
12500 +	18.8	13.4	6.9	3.4	2.5	1.0	2.0
<b>Multiples</b>							
2500- 4999	47.8	58.1	50.9	41.5	35.9	32.7	33.3
5000- 7499	35.6	38.0	40.4	42.9	38.8	35.8	25.6
7500-10000	1.6	1.5	8.6	12.1	16.8	16.3	29.5
12500 +	7.1	2.4	0.0	3.5	5.9	10.4	6.9
<b>Independents</b>							
2500- 4999	56.1	68.3	66.9	69.7	71.3	76.2	75.3
5000- 7499	28.5	25.8	23.7	20.5	16.8	15.3	16.6
7500-10000	4.3	5.9	9.4	9.9	11.0	6.6	6.1
12500 +	11.1	0.0	0.0	0.0	0.9	1.9	1.9
<b>All Organisational Types</b>							
2500- 4999	41.7	47.5	46.7	43.3	42.5	48.1	49.8
5000- 7499	28.5	31.4	30.5	32.9	32.9	32.3	30.3
7500-10000	13.1	14.6	18.2	20.8	20.8	15.6	16.3
12500 +	9.9	6.0	4.1	3.1	3.0	2.9	2.6
<hr/>							

small (2,500-4,999 square metres) size category has steadily risen over the study period. Whilst the proportion of all applications made by the branch multiple firms, which fall into this size category has declined dramatically. This decline is due as much to the increased number of applications made by the multiple groups for larger sized stores, as to any reduction in the number of smaller projects placed before the CDUCs by these organisations.

In the 1977 to 1978 period, the "Grandes Surfaces" organisations increased the number of applications which they made for medium sized stores (5,000-7,499 square metres), resulting in a sharp rise in the proportion of all their applications which fell into this particular size category. This feature, along with the decline in the proportion of proposals made for large (7,500-9,999 square metres) and very large (10,000 plus square metres) outlets in the total number of applications made by the "Grandes Surfaces" groups, reveals a trend in this organisational category towards the development of smaller units than has traditionally been the case. Interestingly, the branch multiple groups appear to be going against this tendency to apply for smaller hypermarkets, and an increasing proportion of all the proposals made by these types of companies has fallen into the large size category (7,500-9,999 square metres).

There also appears to be some difference in the long term trends exhibited in the success rates enjoyed by different organisational types (figure 8.11). The

Figure 8.11: CDUCs - Success Rate of Hypermarket Applications by Organisational Type.

Organisation	Success Rate (%) (3 year running mean)						
	1975	1976	1977	1978	1979	1980	1981
"Grandes Surfaces"	32.3	24.6	17.1	16.1	16.7	17.9	22.9
Multiples	23.5	31.0	19.1	16.1	13.2	15.4	8.4
Independents	31.0	23.2	24.9	21.9	23.8	19.2	14.4
All	27.5	23.6	18.1	16.6	17.2	17.9	19.4



authorisation rates of applications made by "Grandes Surfaces" firms closely mirrors the trends evident in the overall success rates for all hypermarket based proposals. The success rate for firms in the independent sector, however, after being greater than that for "Grandes Surfaces" firms in the late 1970s, largely on the basis of two good years in 1976 (40.6% authorised) and 1979 (23.5%), fell steadily over the study period to finish below that of the "Grandes Surfaces" groups in 1982. The proportion of applications made by branch multiple firms that are authorised by the CDUCs has similarly fallen over the period. Surprisingly, in view of the aims of the Royer legislation, the only success rate to exhibit any long term upward trend is that of the "Grandes Surfaces" firms.

Within these different organisational categories it is possible to assess the fortunes of various individual companies. As some applications in the data base were accredited to property developers it was not, however, always possible to attribute proposals to specific retailers, so the actual figures for individual firms may in reality vary from those given here.

It was possible, from the data base to trace 79 (25.2%) of the 313 proposals within the "Grandes Surfaces" category to Carrefour. The next most prolific applicant in this category was Euromarché with 52 (16.6%) proposals, followed by Cora with 46 (14.7%). Although the number of applications made each year by the Carrefour group has

remained fairly constant, the proportion of all applications made within this organisational category which can be attributed to Carrefour, has slowly fallen from 40.9% in 1976, to 15.2% in 1979, recovering to 24.2% in 1982. This trend exhibited by Carrefour may be explained by the larger numbers of applications made by competitors, notably Cora and Rallye in the late 1970s, and Euromarché in the early 1980s (figure 8.12).

Within the "Grandes Surfaces" category, the average size of the hypermarket element of applications has fluctuated, depending upon the number of proposals made each year, around a relatively constant mean. One noticeable exception to this rule is Carrefour, who seem to have steadily reduced the average size of their applications from 8,000 to 6,000 square metres.

The success rates for applications within this category seem to vary from firm to firm. Carrefour, with only 21.5% of their applications authorised, and Euromarché, with a success rate of 17.3%, fare badly. Whereas, Auchan are the most successful of these types of organisation, having received an authorisation for 14 (32.6%) of their 43 proposals.

In the independent sector, Leclerc is the most prolific applicant, accounting for 58 (31%) of the 187 proposals which could be attributed to this category of organisation. There has been a sharp rise in the number of projects put forward by Leclerc in the early 1980s (figure 8.13). However, only 12 or 20.7% of these Leclerc applications have

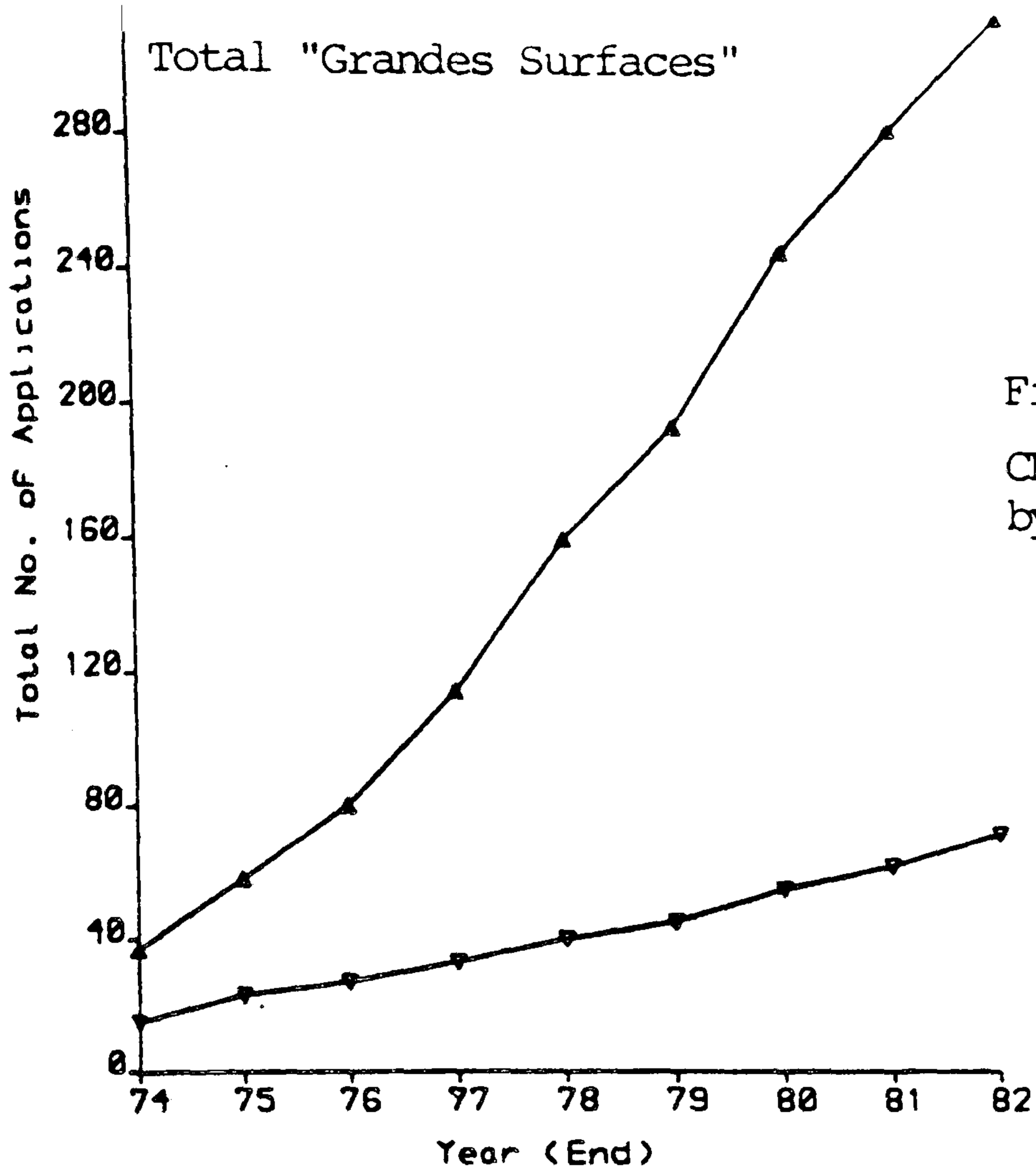




Figure 8.12 :

CDUCs - Hypermarket Applications by "Grandes Surfaces" Organisations.

 Applications  
 Authorisations

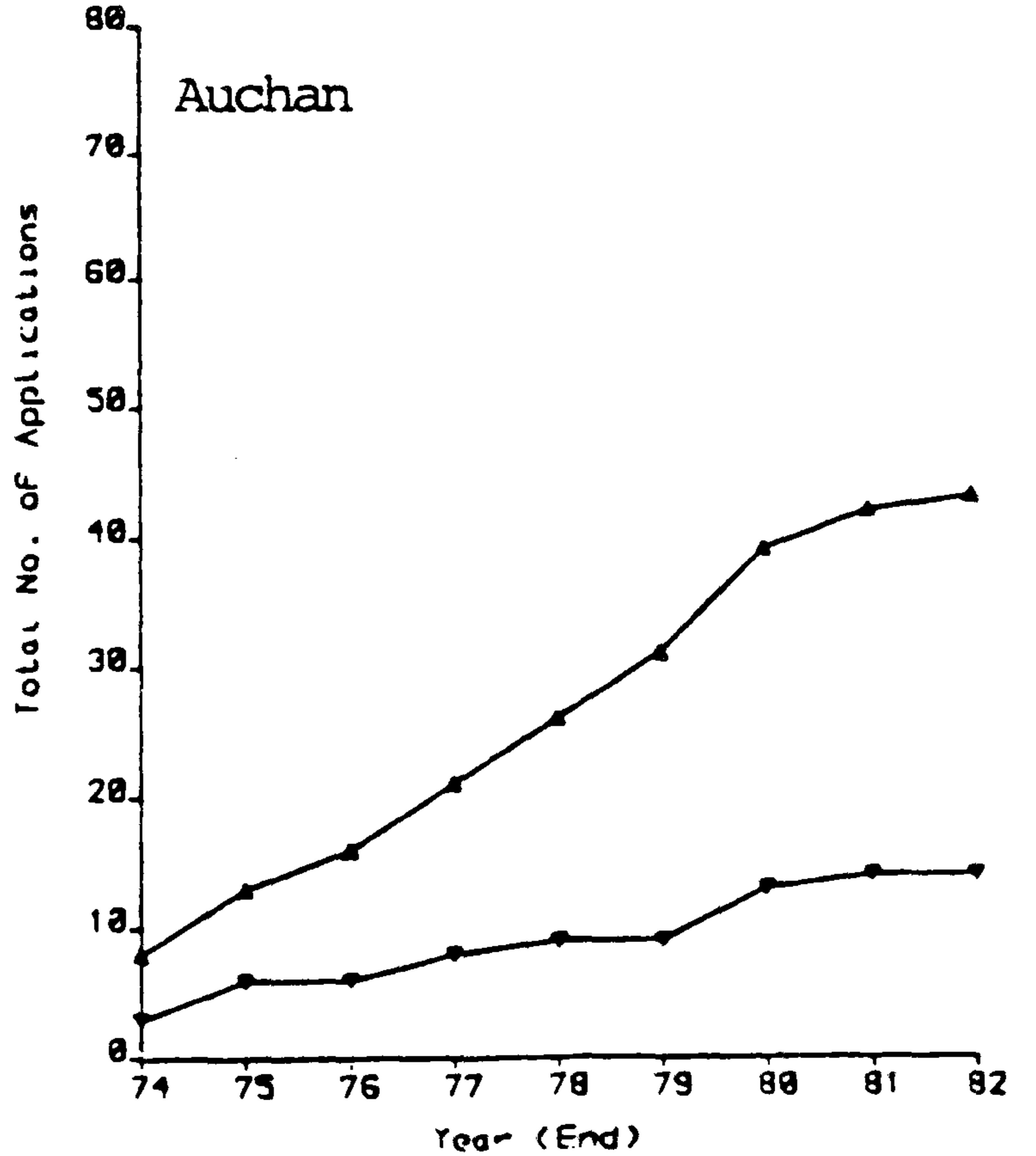
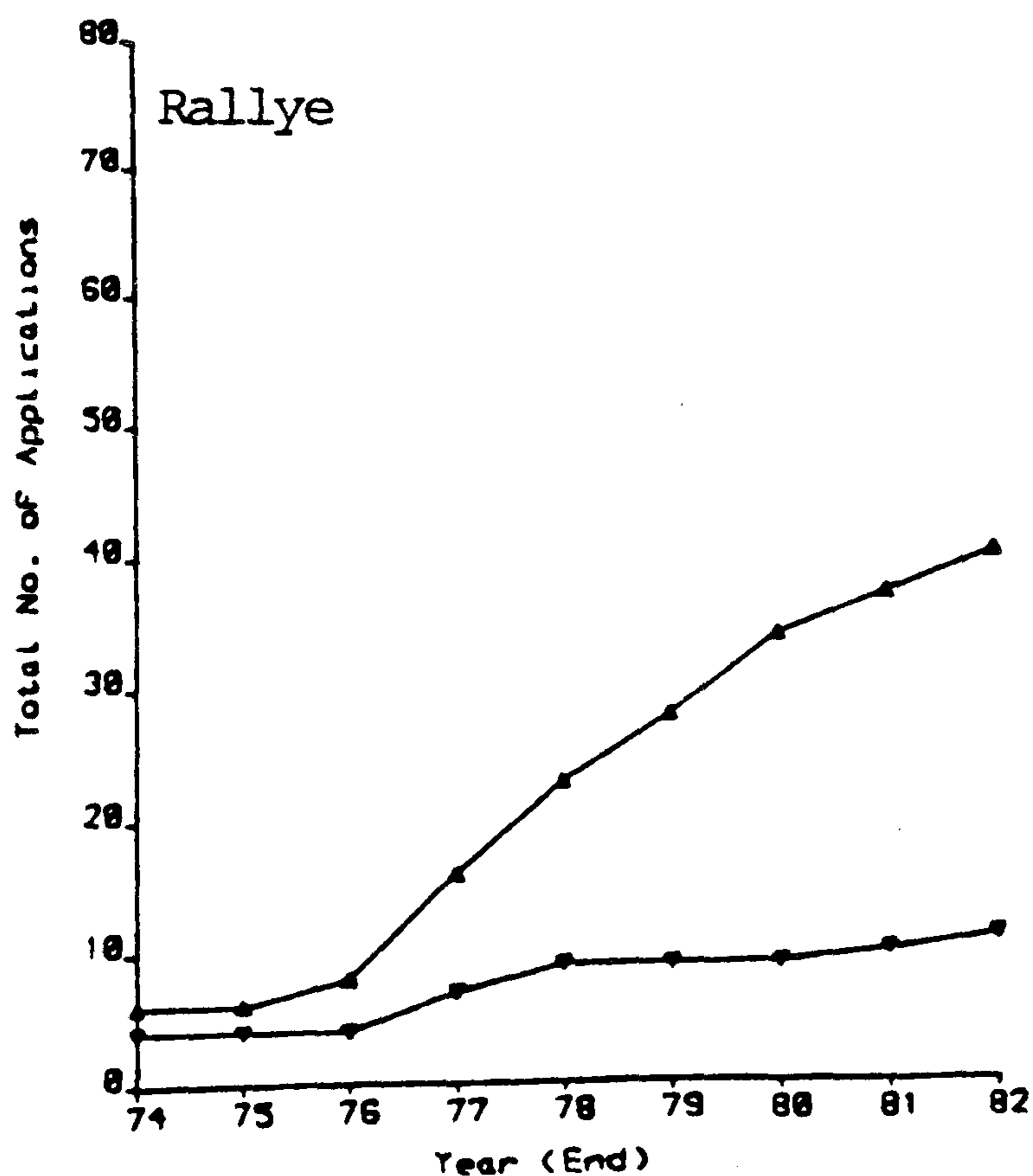
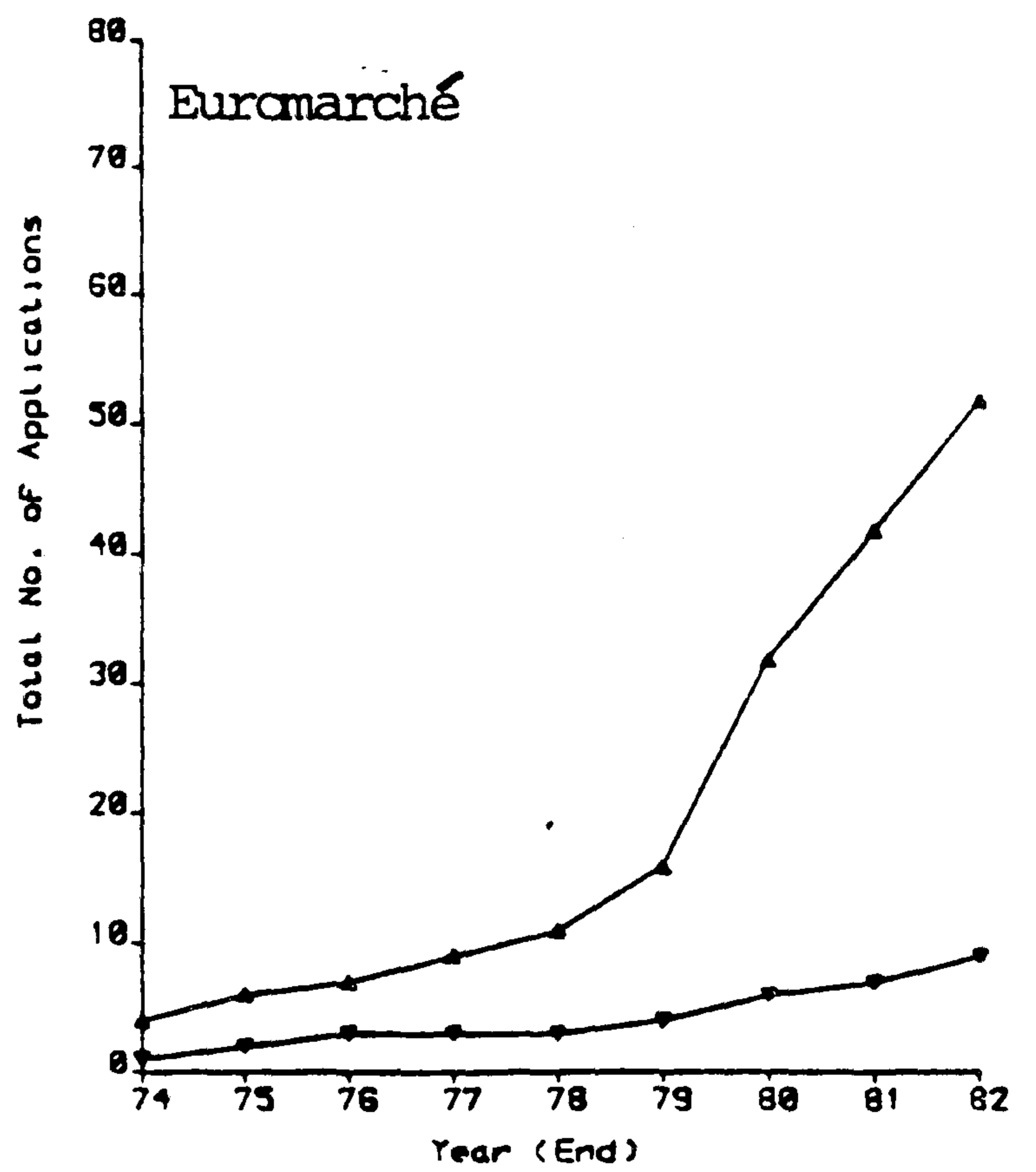
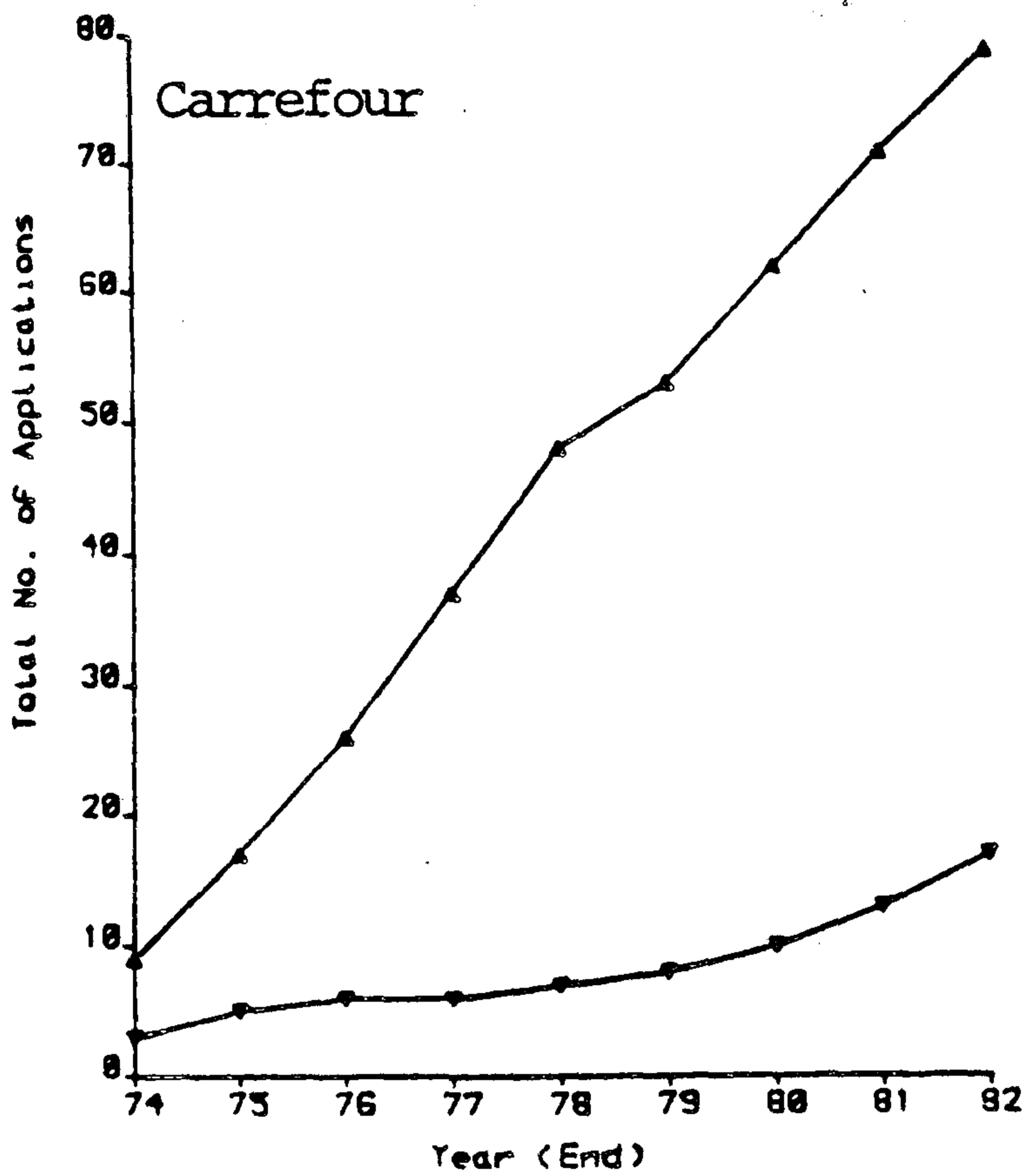
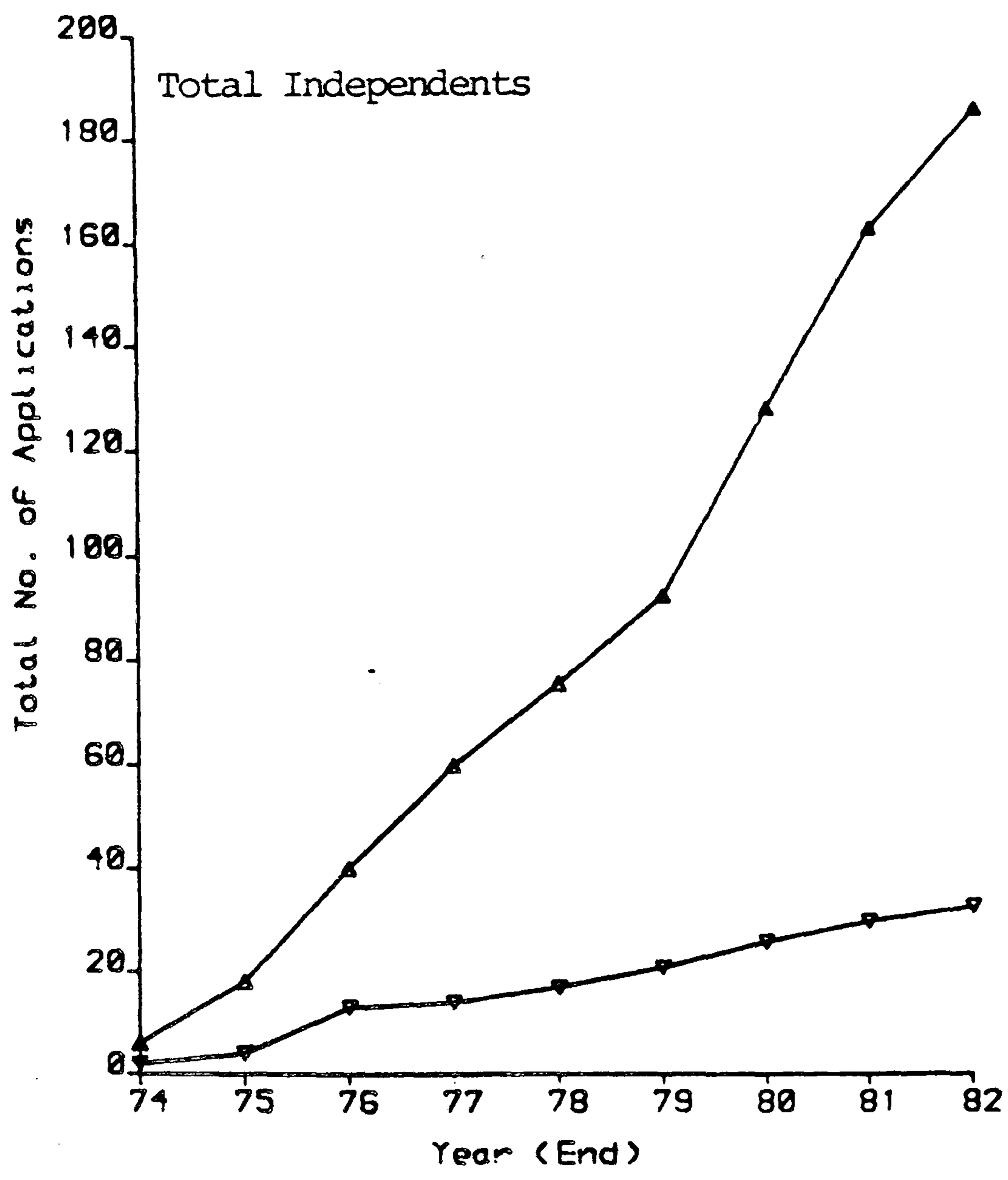
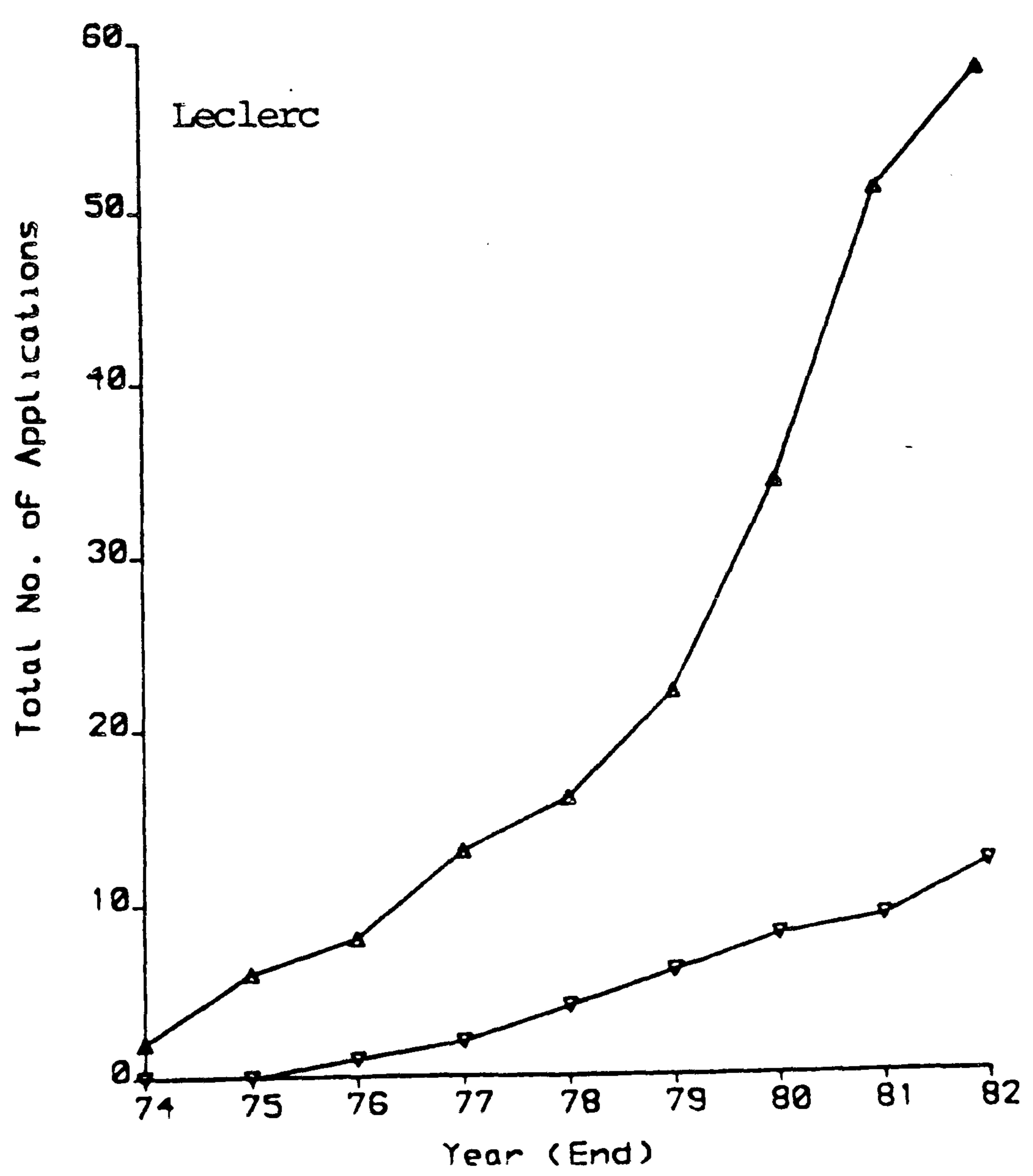


Figure 8.13 : CDUCs - Hypermarket Applications by Independent Organisations.



▲▲▲ Applications



▼▼▼ Authorisations

been authorised over the study period. Although it should be noted that this ratio is greater than the overall success rate for the whole of the independent sector.

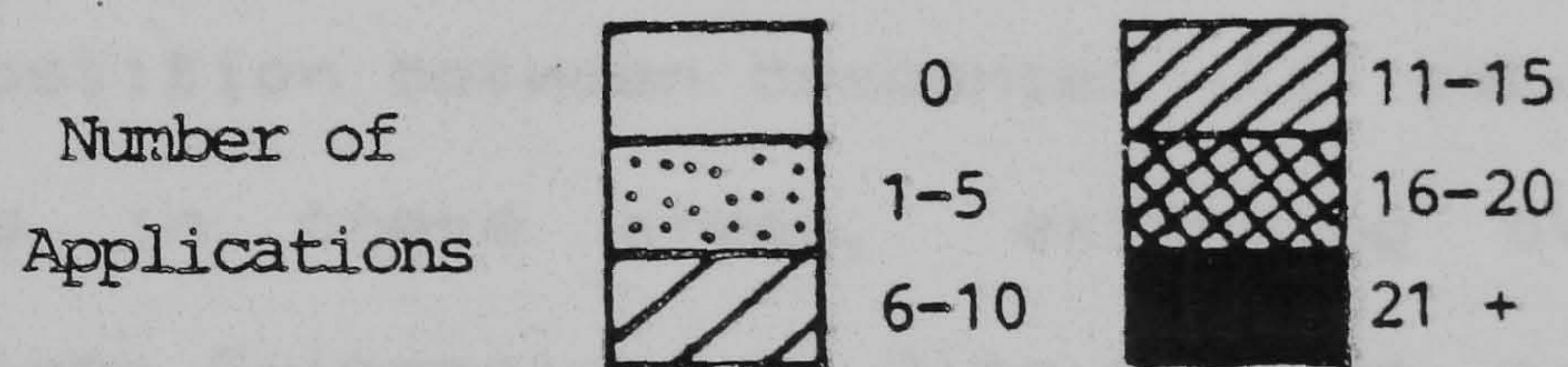
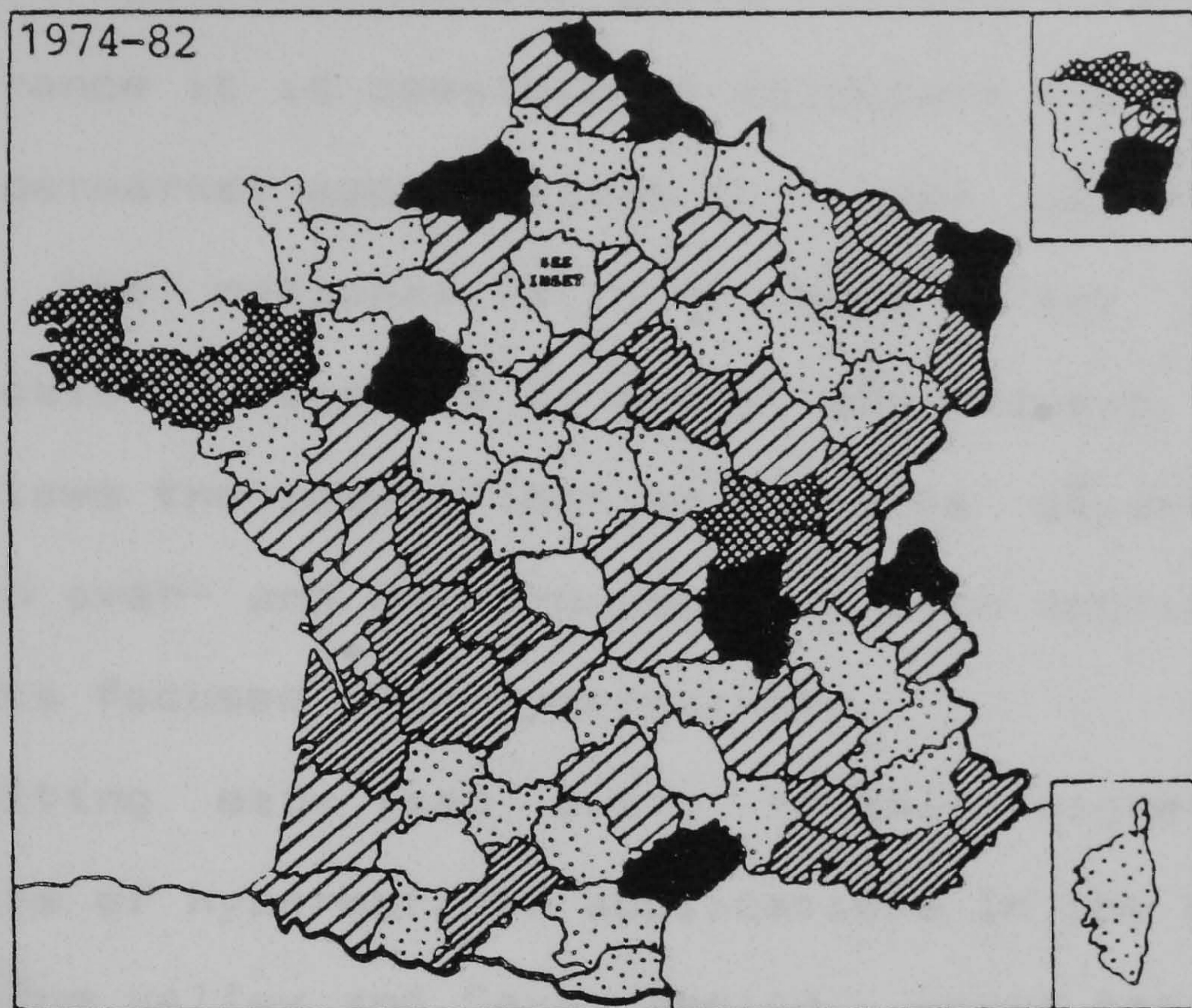
Analysis of the geographical pattern of applications for development based upon hypermarkets reflects the mature stage in the retail life cycle reached by the hypermarket concept (map 8.5). There were large numbers of applications for this form of development in the most populated départements, but also there were significant numbers of applications made in the secondary market départements, and only six départements failed to receive a single hypermarket application over the 1974 to 1982 period. This pattern, with high numbers of applications in the secondary markets, contrasts with the spatial spread of applications observed for the younger forms of retail development, such as the furniture/household goods and DIY store based projects, seen earlier.

The spatial pattern of the success rate in each département also shows the "maturity" of the hypermarket concept, reflected by the low rates of authorisation in the départements with the most numerous applications, as development has already occurred in the areas. The greatest success rates have been achieved in those départements where fewer applications were made, and where there were few existing stores.

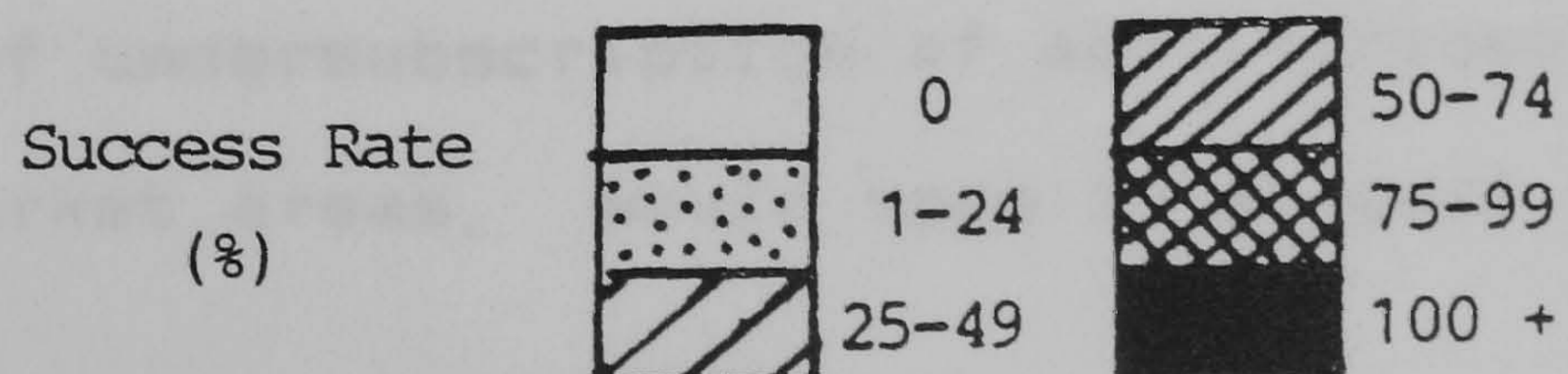
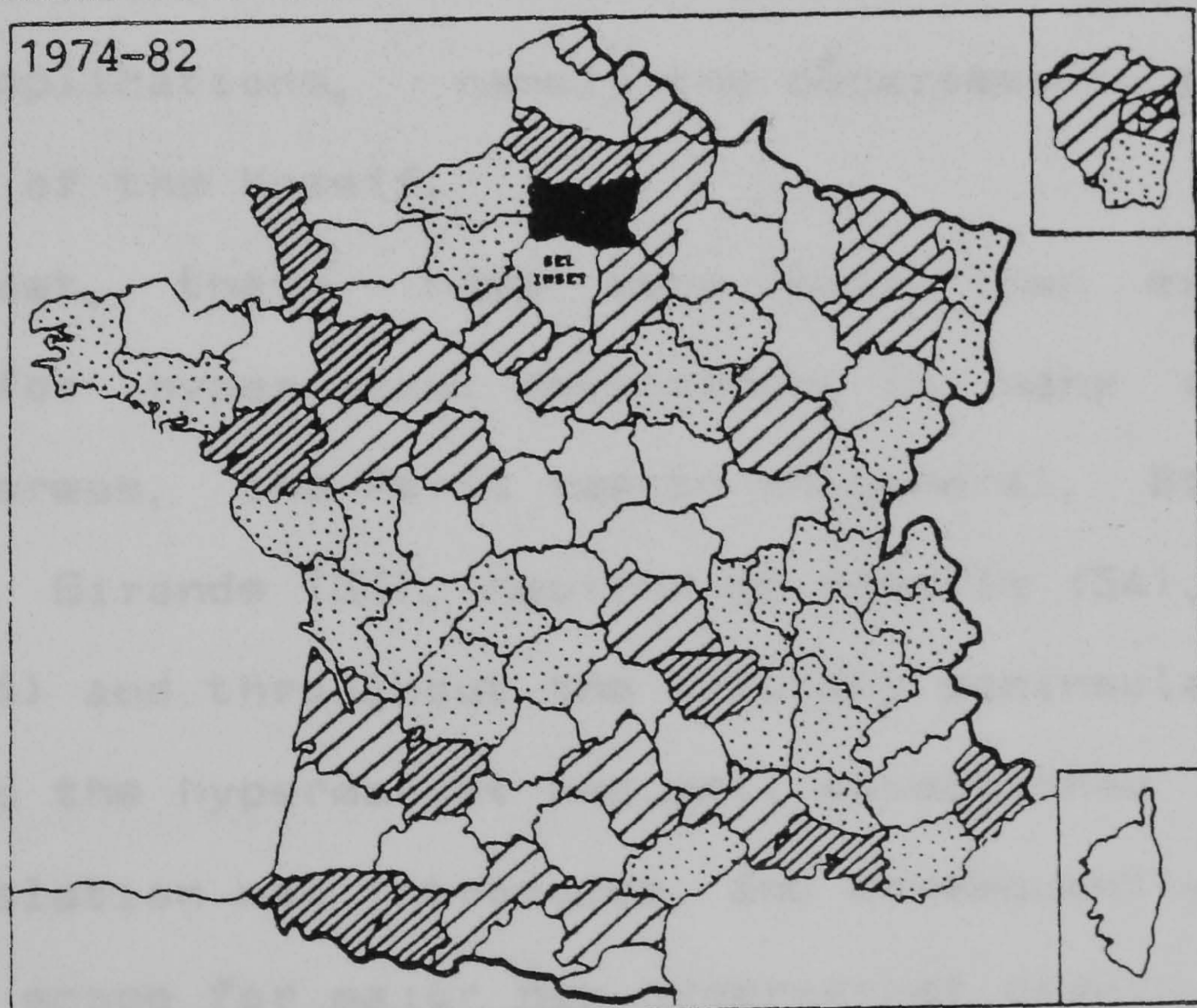
By comparing the total number of applications made to the CDUCs for hypermarket developments with those made for

Map 8.5 : CDUCs - Applications based upon Hypermarkets  
1974-1982.

A) Number of Applications



B) Success Rate (%)



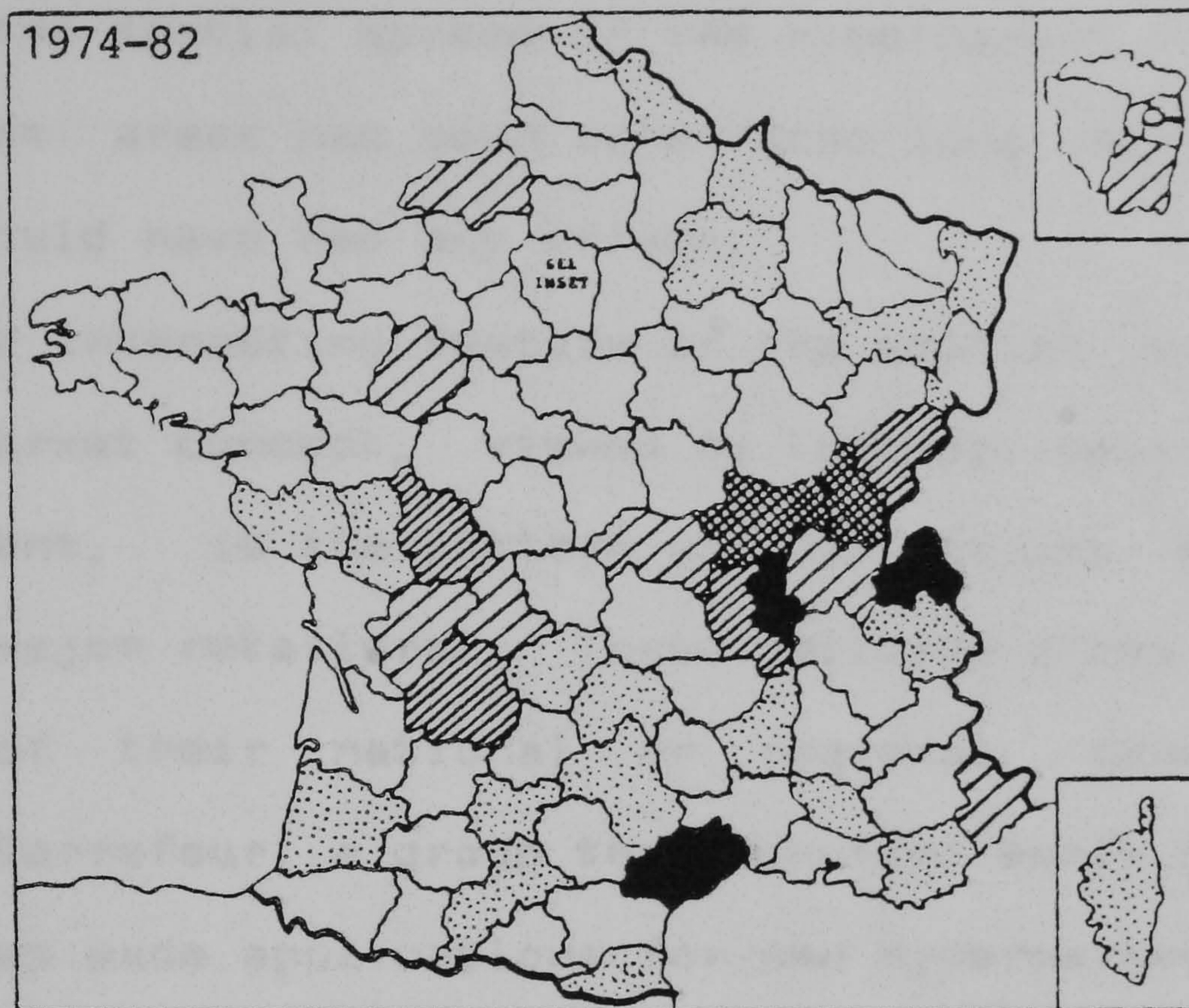
all projects (based upon hypermarkets, supermarkets, DIY stores, and furniture/household goods outlets) throughout the whole of France it is possible to calculate the expected number of hypermarket applications for each département, assuming that the national ratio of hypermarket to all applications would be repeated in every département. This procedure allows the identification of those départements which have been over- and under-subscribed with applications for new projects focused upon hypermarkets.

The resulting maps (map 8.6), reveals higher than expected numbers of hypermarkets applications in the area of the upper Rhône valley and Savoy region, where there has been fierce competition between companies to secure the lucrative markets in these areas, extending over the national border into Switzerland. Also exposed are less obvious target areas which have also been oversubscribed by hypermarket applications, namely the départements to the west and south of the Massif.

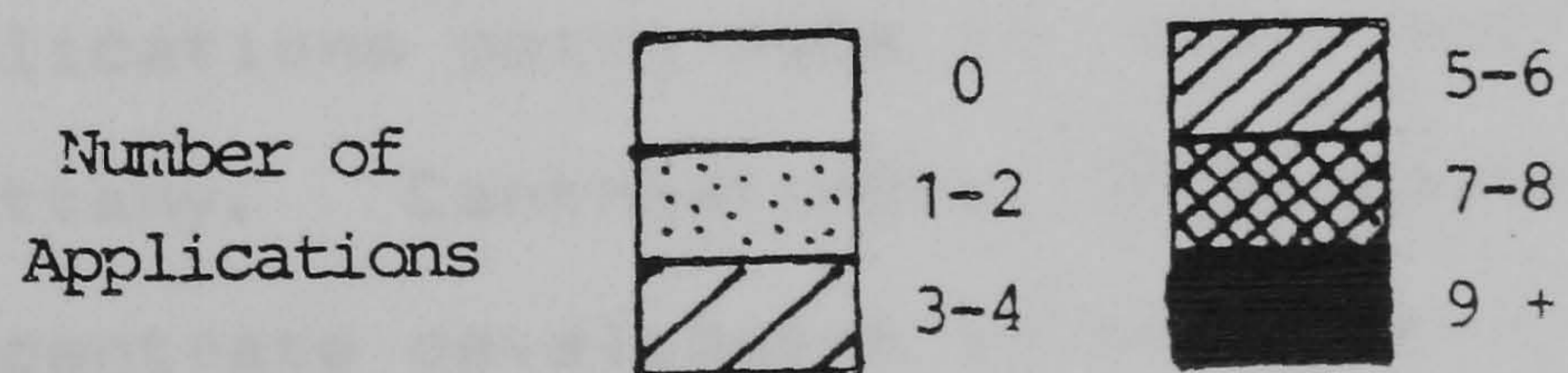
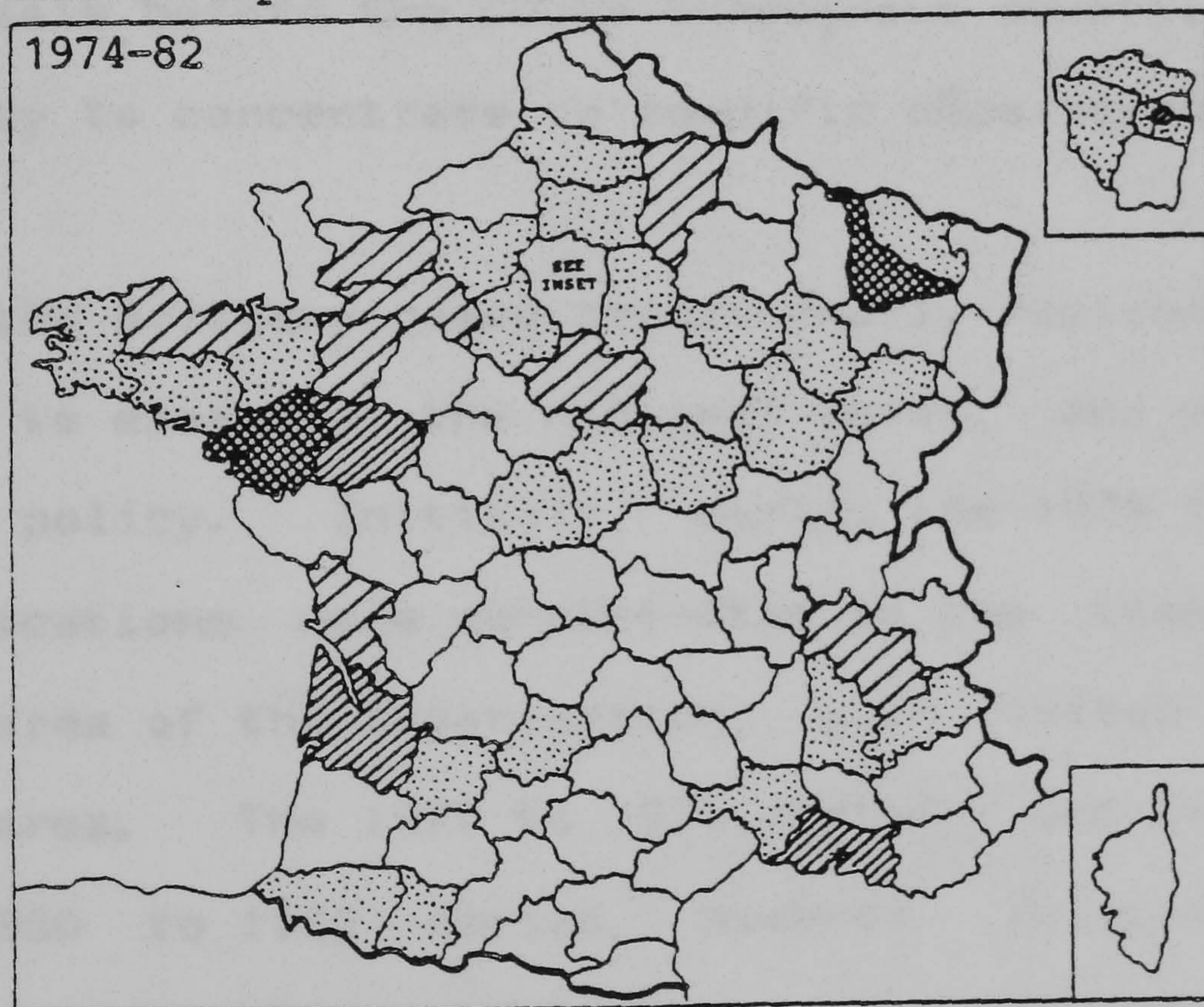
In contrast, there have been fewer than expected applications for hypermarket development in many of the major market areas, the Paris region in general, Bouches-du-Rhône (13), Gironde (33), Meurthe et Moselle (54), Loire Atlantique (44) and throughout the Brittany peninsular. In all these areas the hypermarket was well established before the Royer legislation was introduced, and consequently, they provide little scope for major new hypermarket growth. This spatial pattern of undersubscription of applications in most of the major market areas, would seem to suggest the new

Map 8.6 : CDUCs - Applications based upon Hypermarkets  
1974-1982.

A) Oversubscription



B) Undersubscription





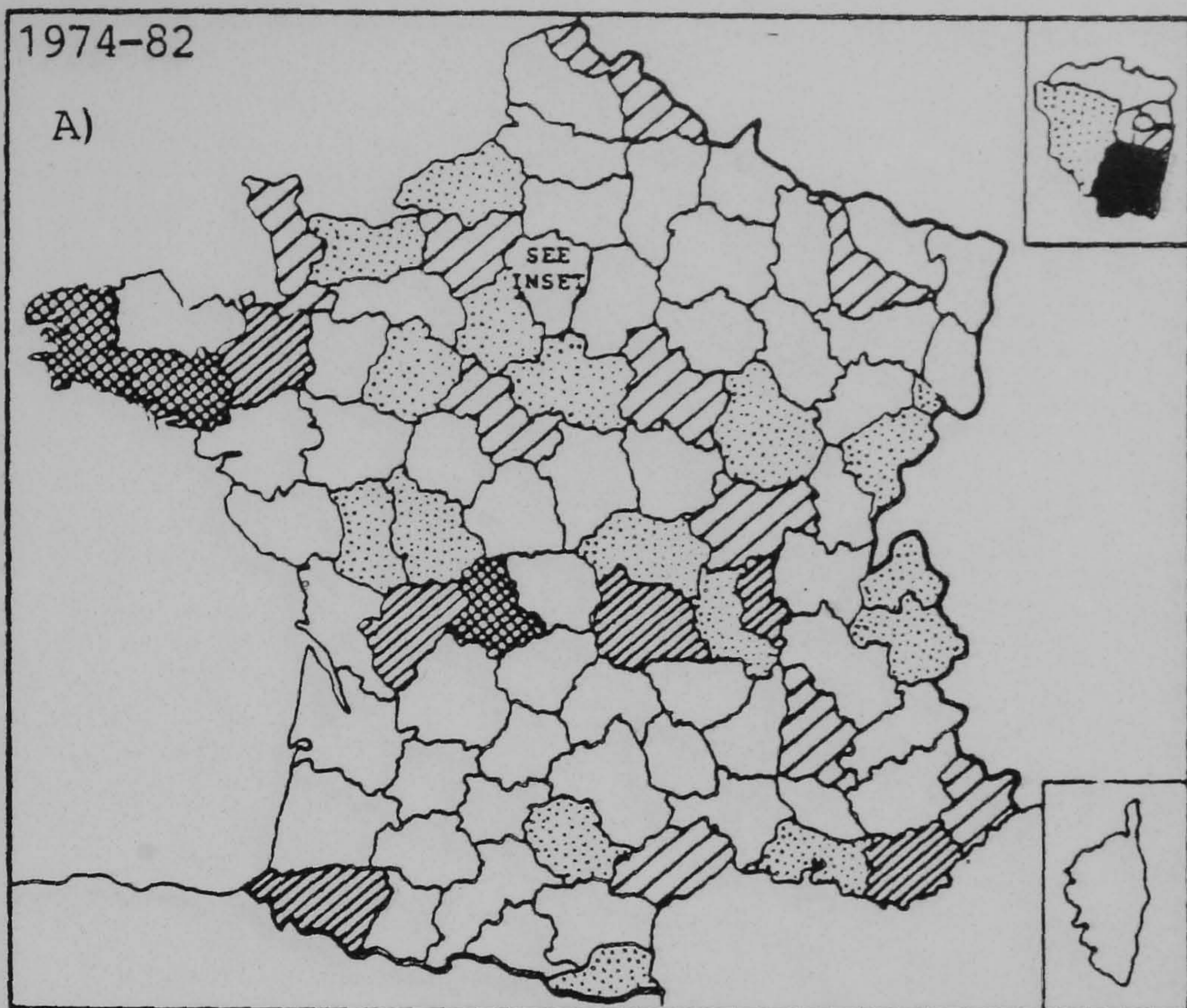
regulations were introduced too late to have any major effect upon the spatial spread of the hypermarket, as the primary market areas had been penetrated long before the legislation could have had any effect.

A further interesting feature of the spatial diffusion of the hypermarket concept, viewed by the applications for new development, is the pattern of applications made by some of the major retailers. These patterns often reflect the degree of their national or regional penetration (map 8.7). Carrefour, a group that achieved early national penetration has made applications for new hypermarket based development in most areas of the country. In each of the three time periods recorded on map 8.8, the company has placed proposals before the CDUCs throughout several areas, with a tendency to concentrate on specific départements over time.

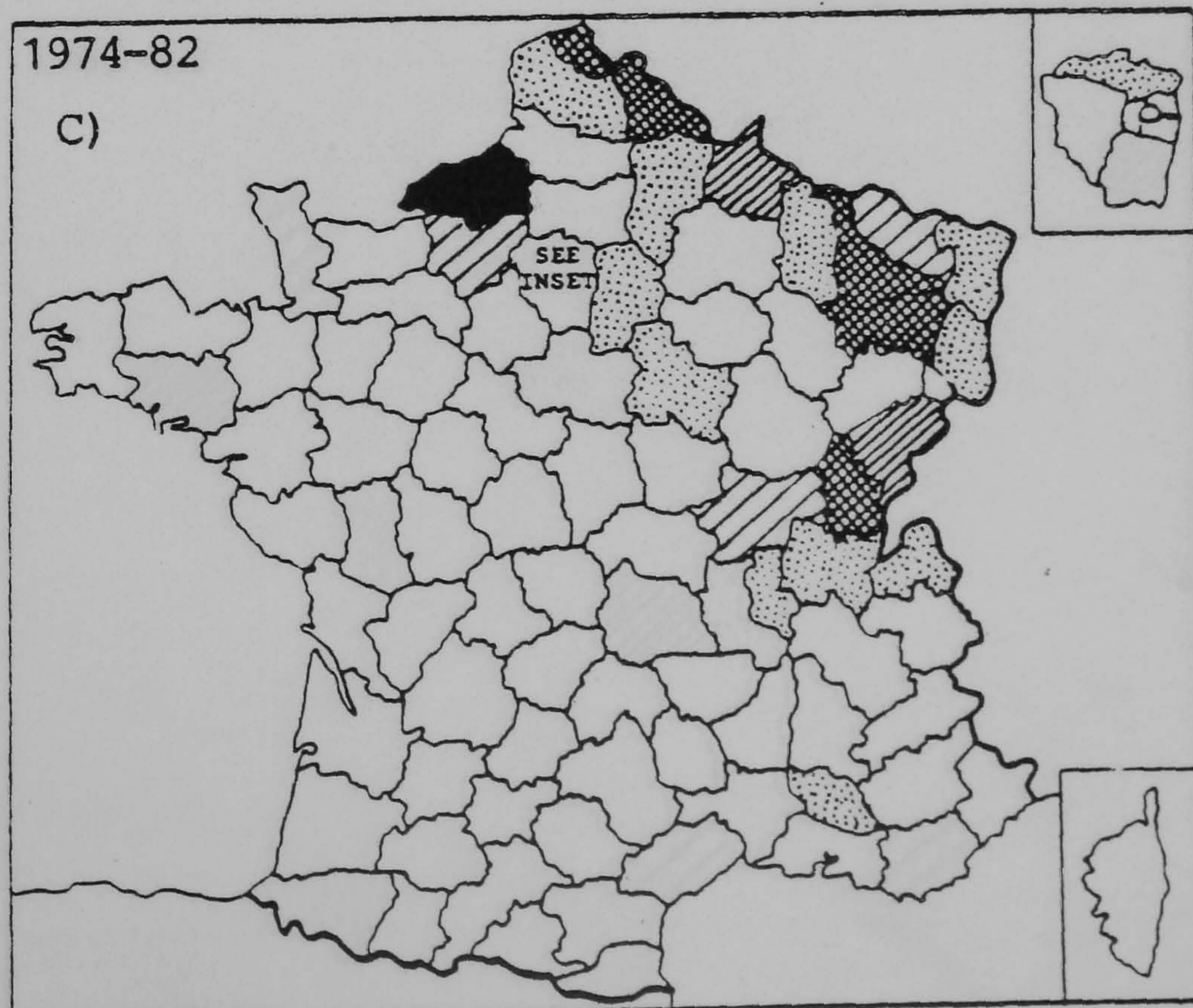
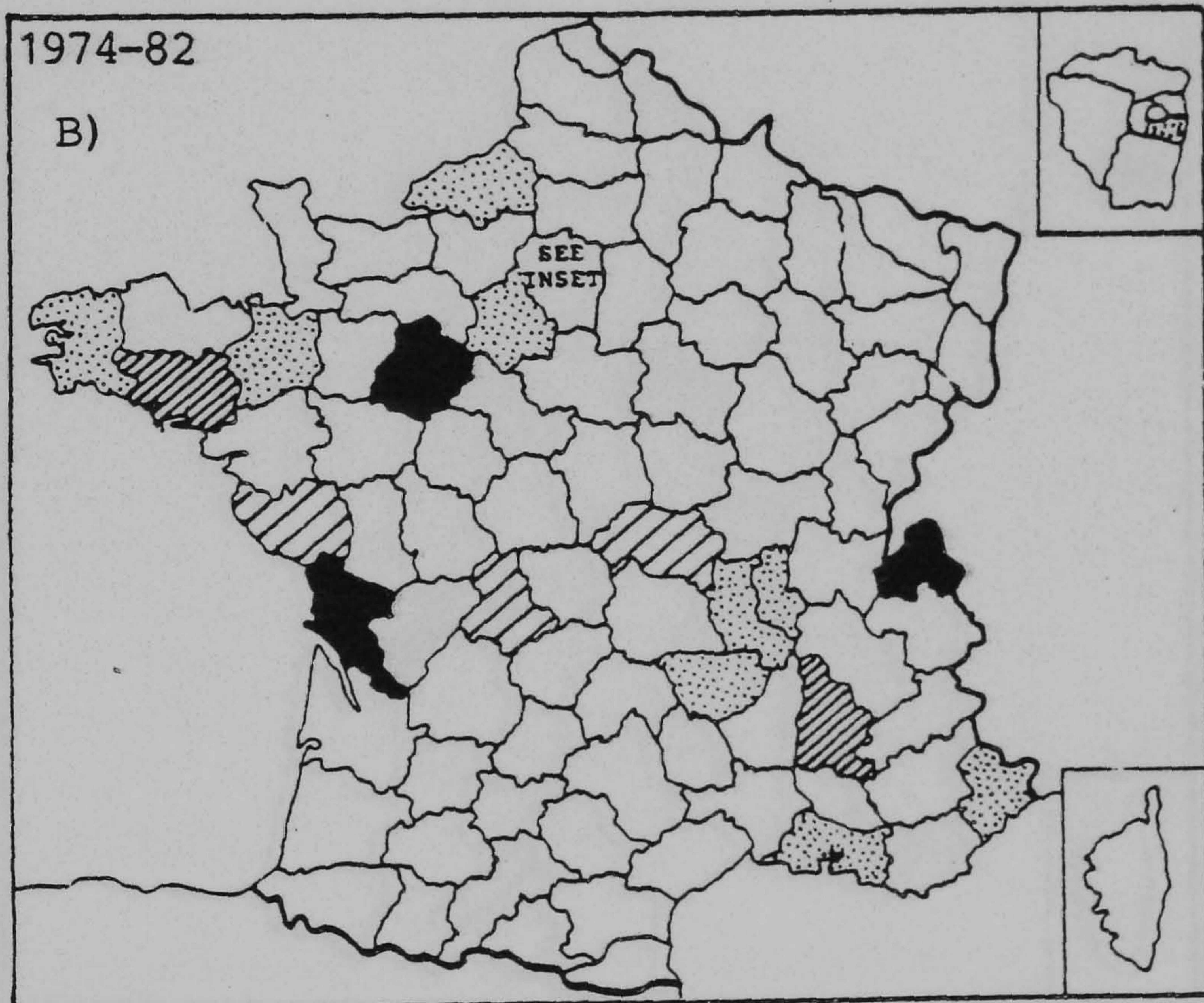
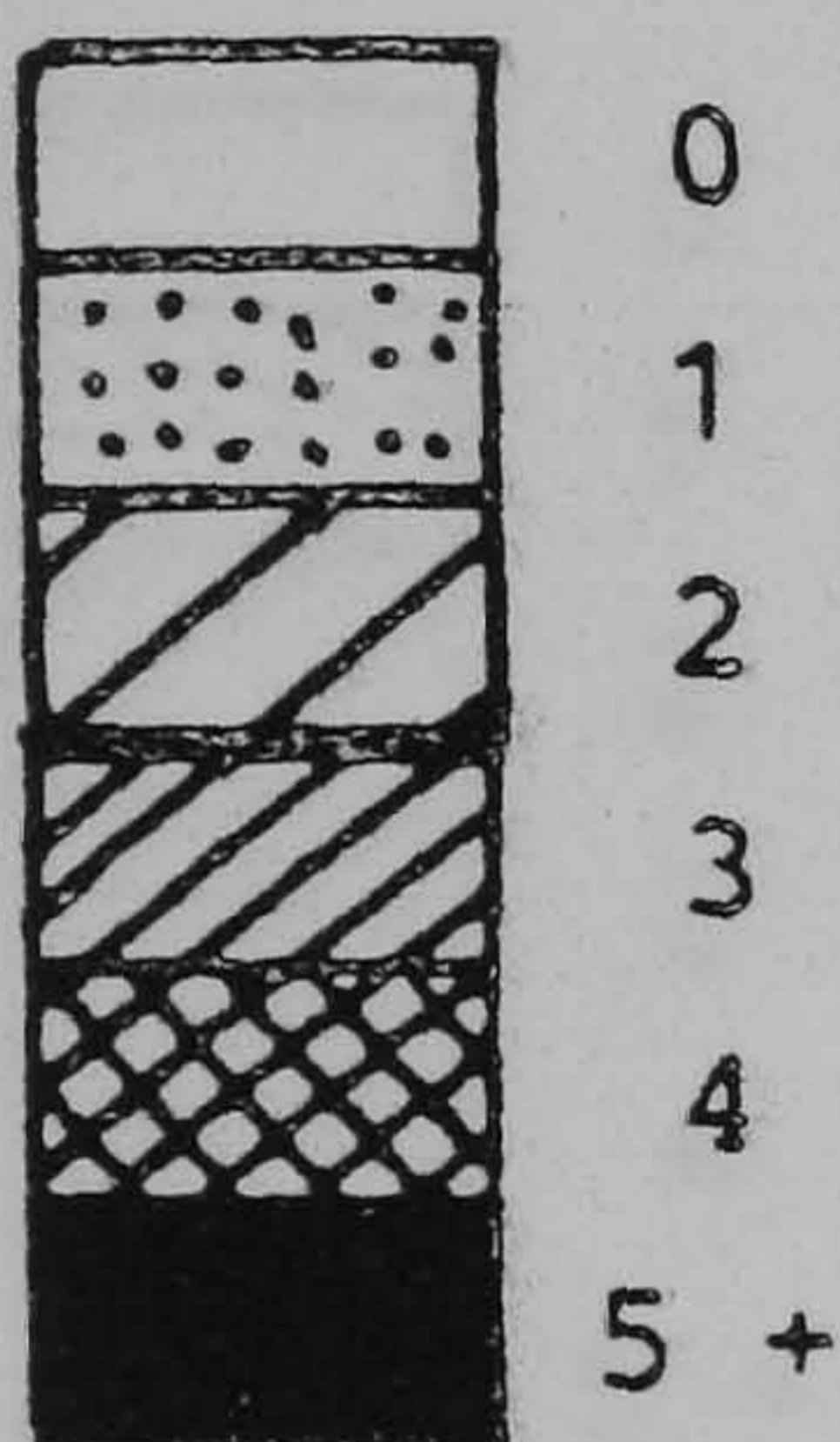
Rallye, the Brittany based traditionally regional group has attempted to expand at the national level, and map 8.9 reveals this policy. Initially, during the 1974 to 1976 period, applications were concentrated in the traditional home market area of the organisation, with limited sorties outside this area. The 1977 to 1979 period, and to lesser extent the 1980 to 1982 period, however, illustrate the attempts made by Rallye to penetrate other market areas, resulting in applications being made in départements some distance from Brittany. Contrastingly, Cora (map 8.10) has continued to concentrate development in their home region,

Map 8.7 : CDUCs - Applications based upon Hypermarkets  
1974-1982.

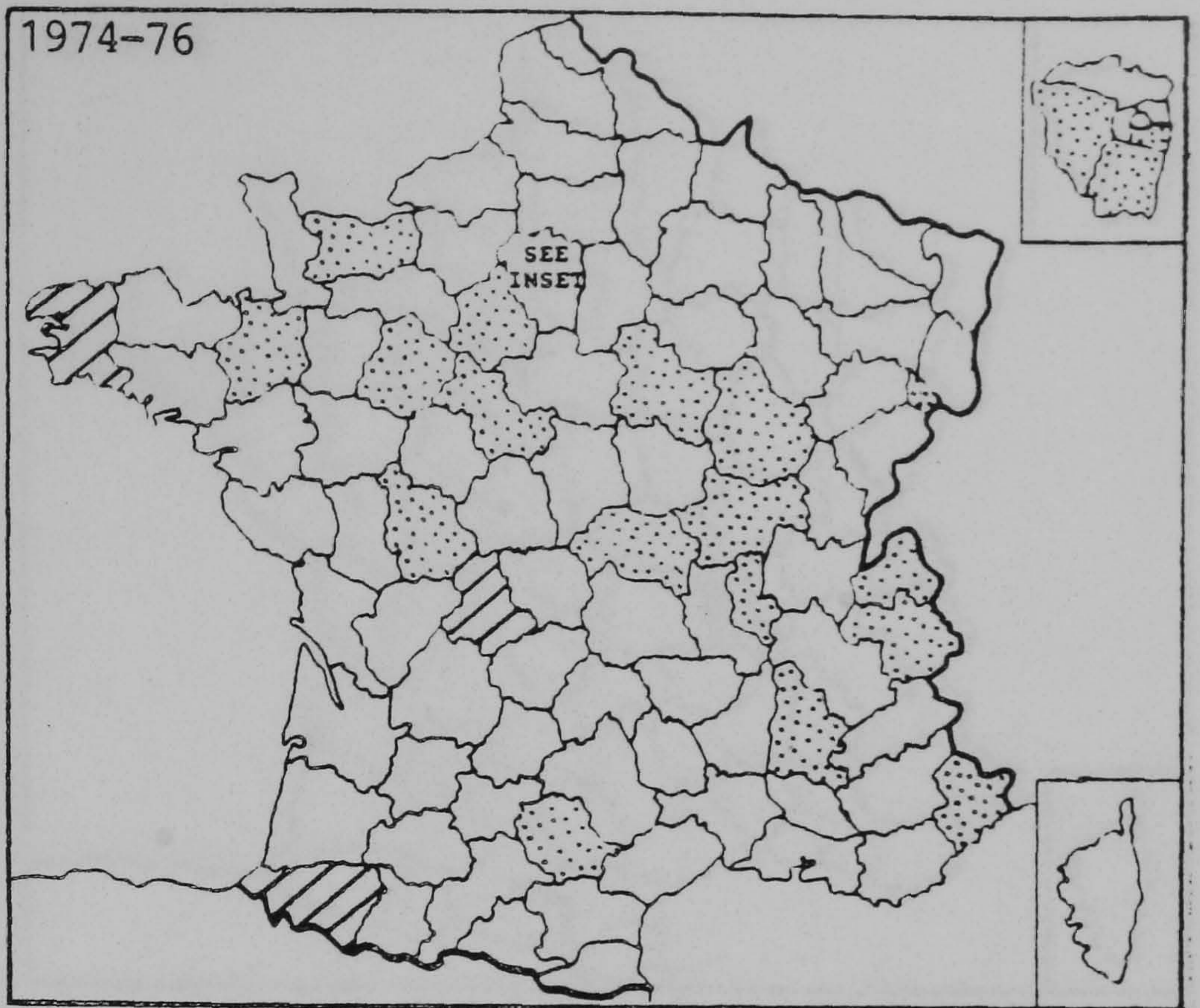
- A) Carrefour
- B) Rallye
- C) Cora



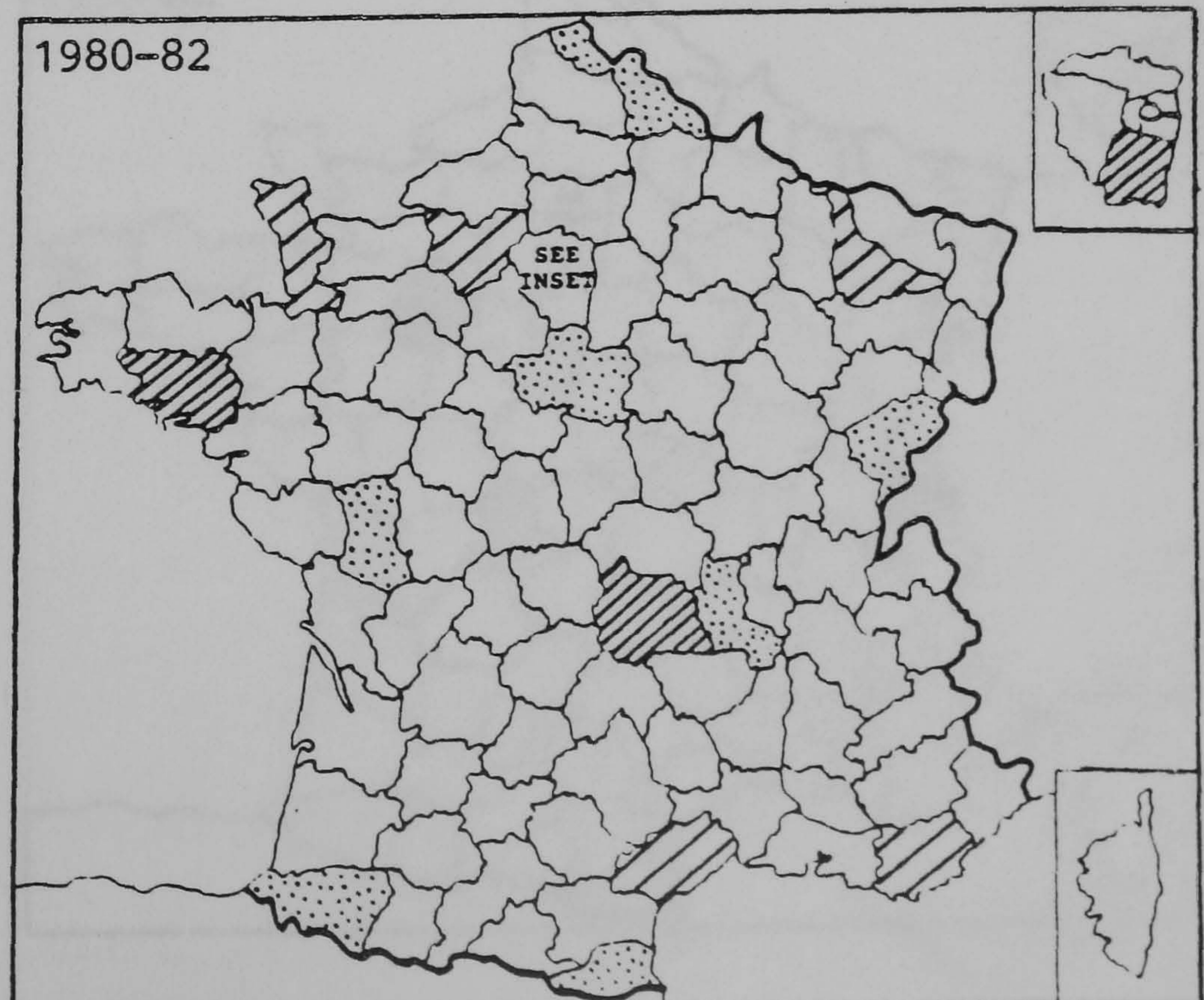
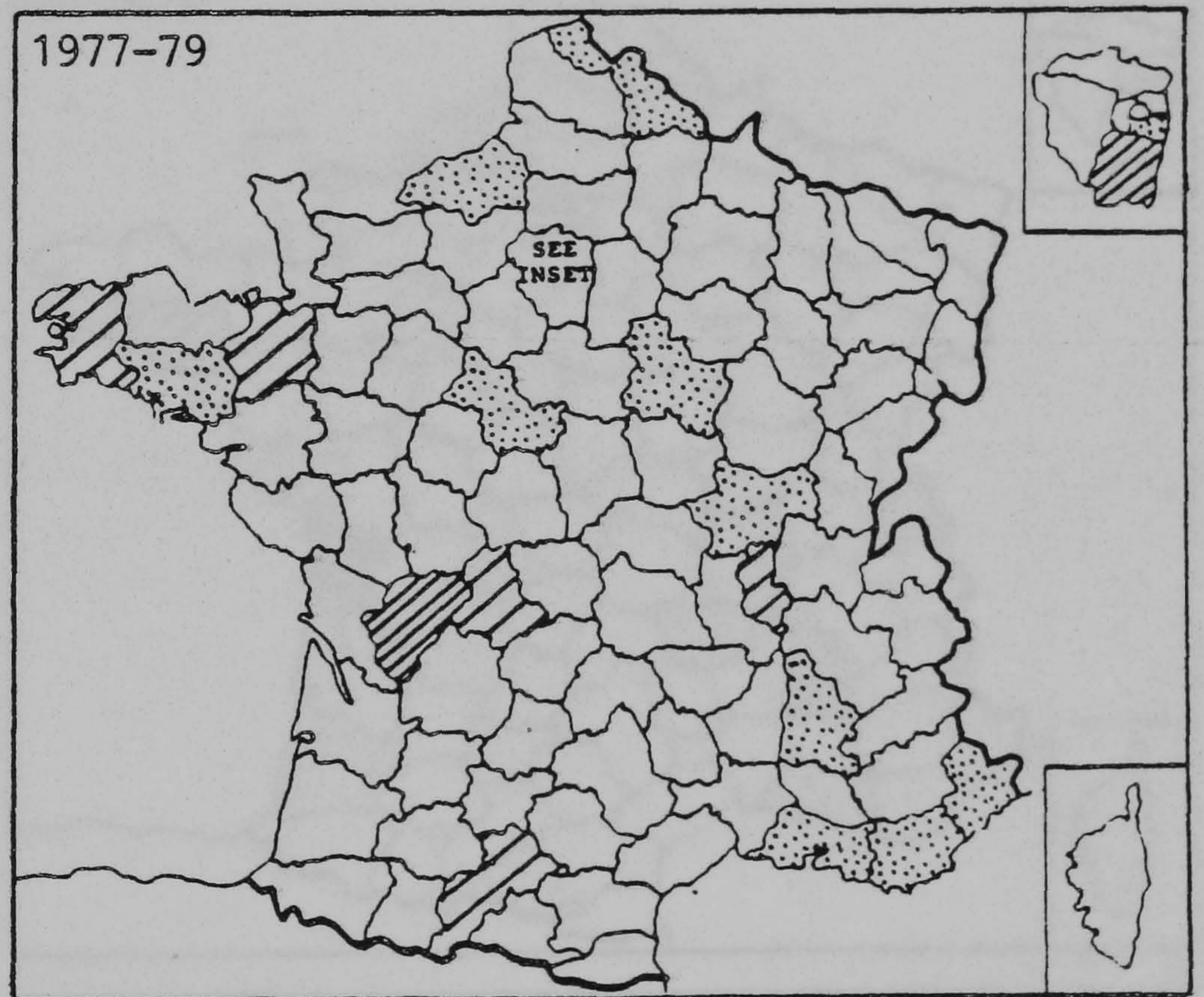
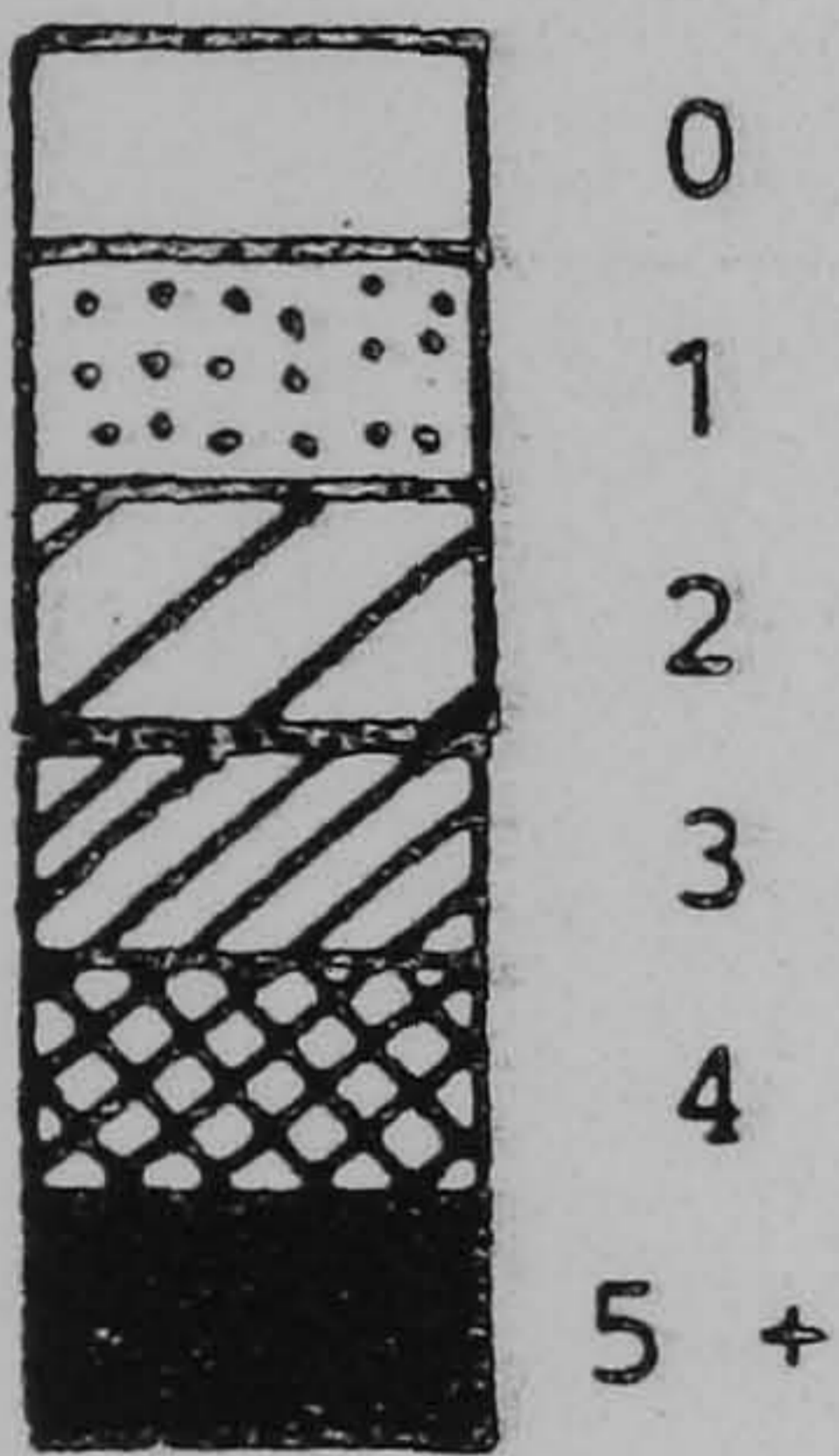
Number of  
Applications



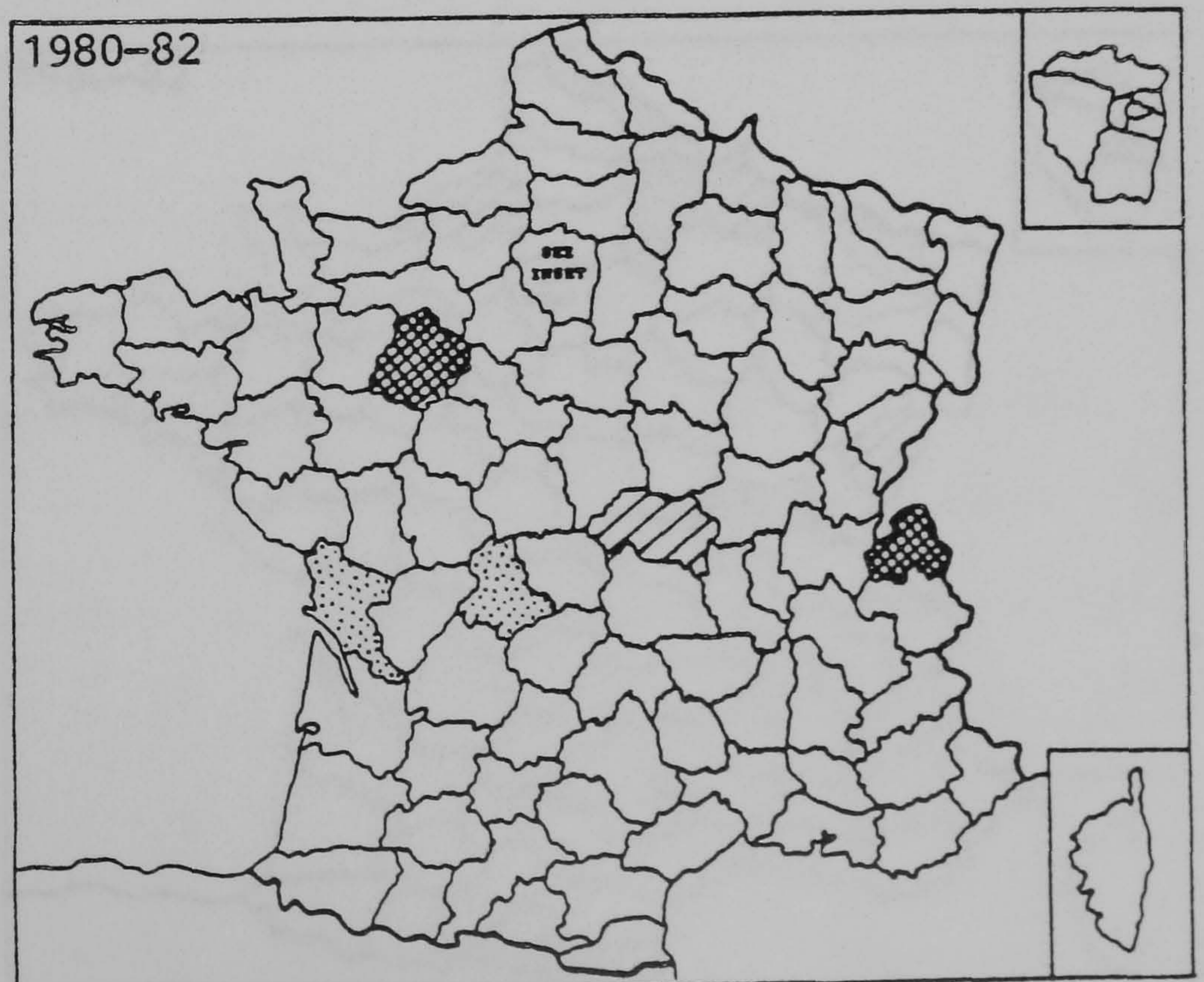
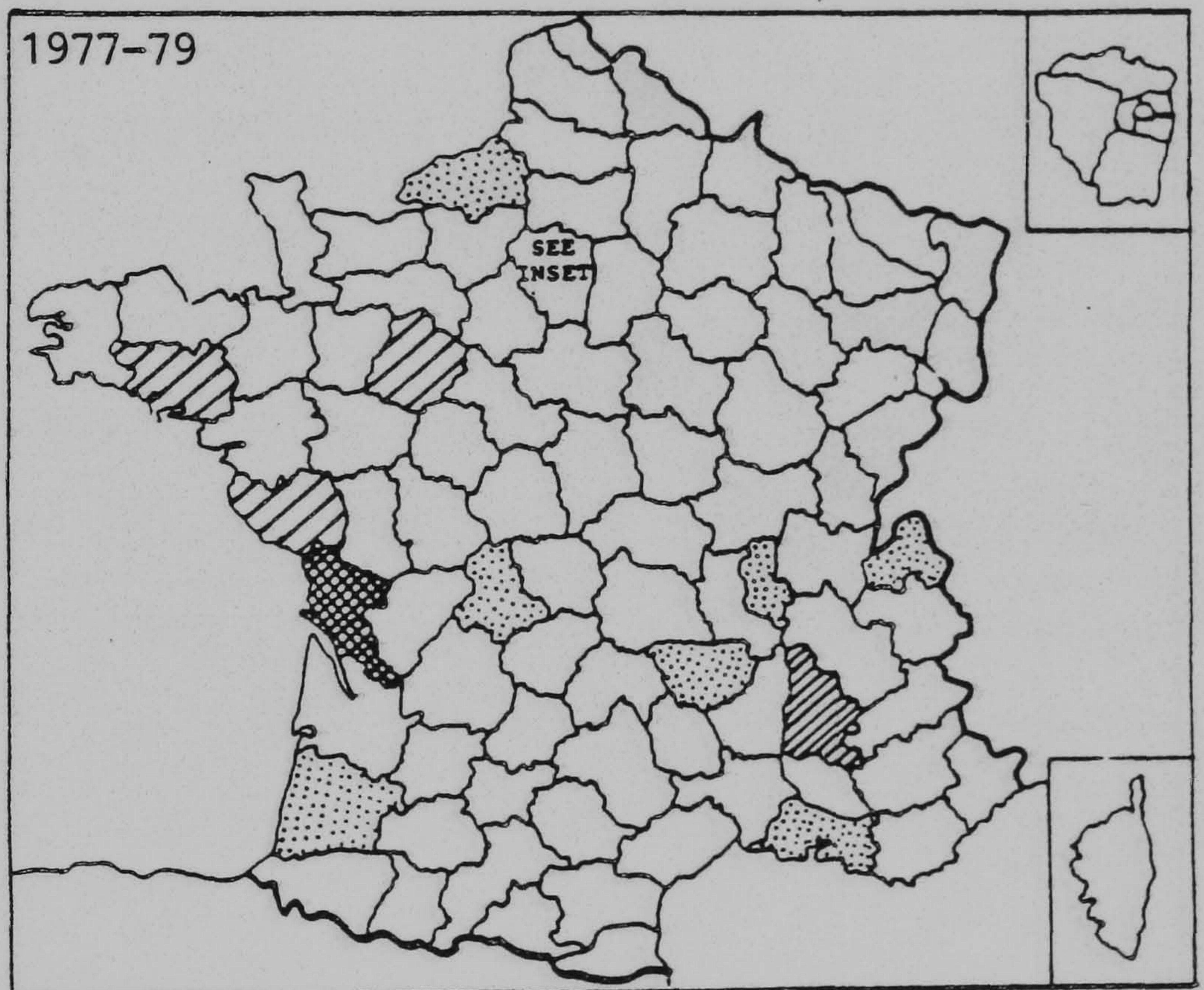
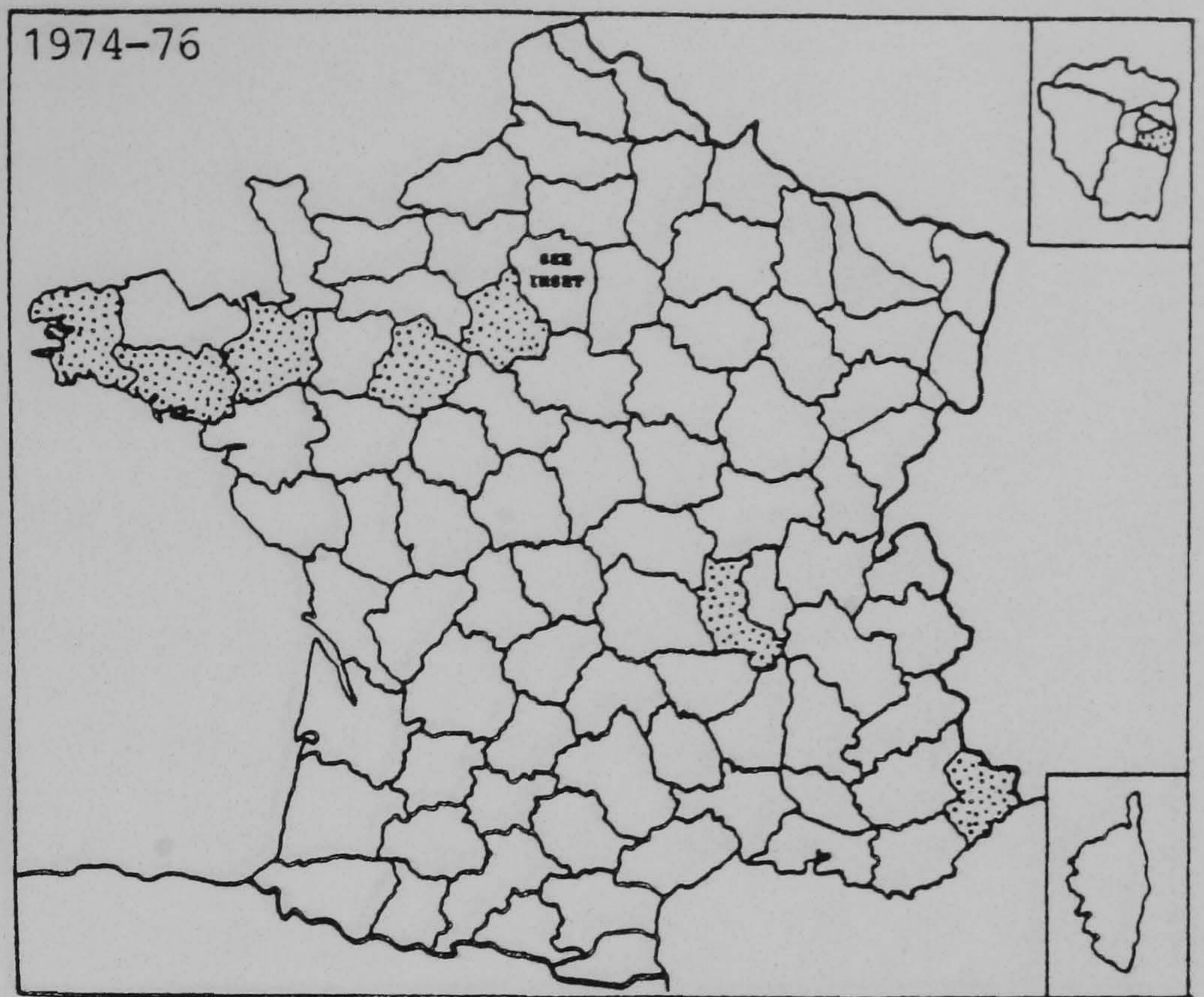
Map 8.8 : CDUCs - Applications based upon Hypermarkets Carrefour.



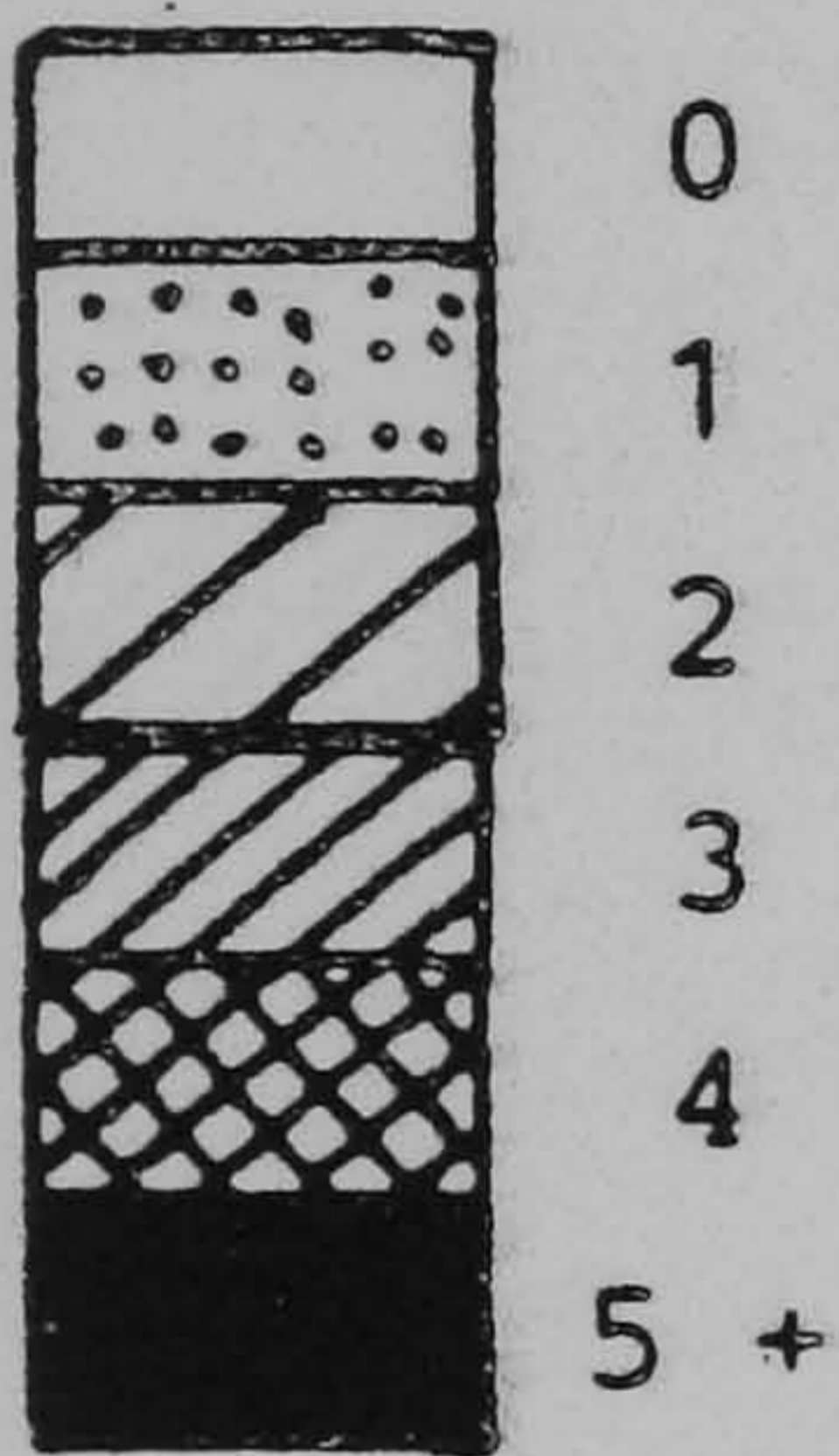
Number of Applications



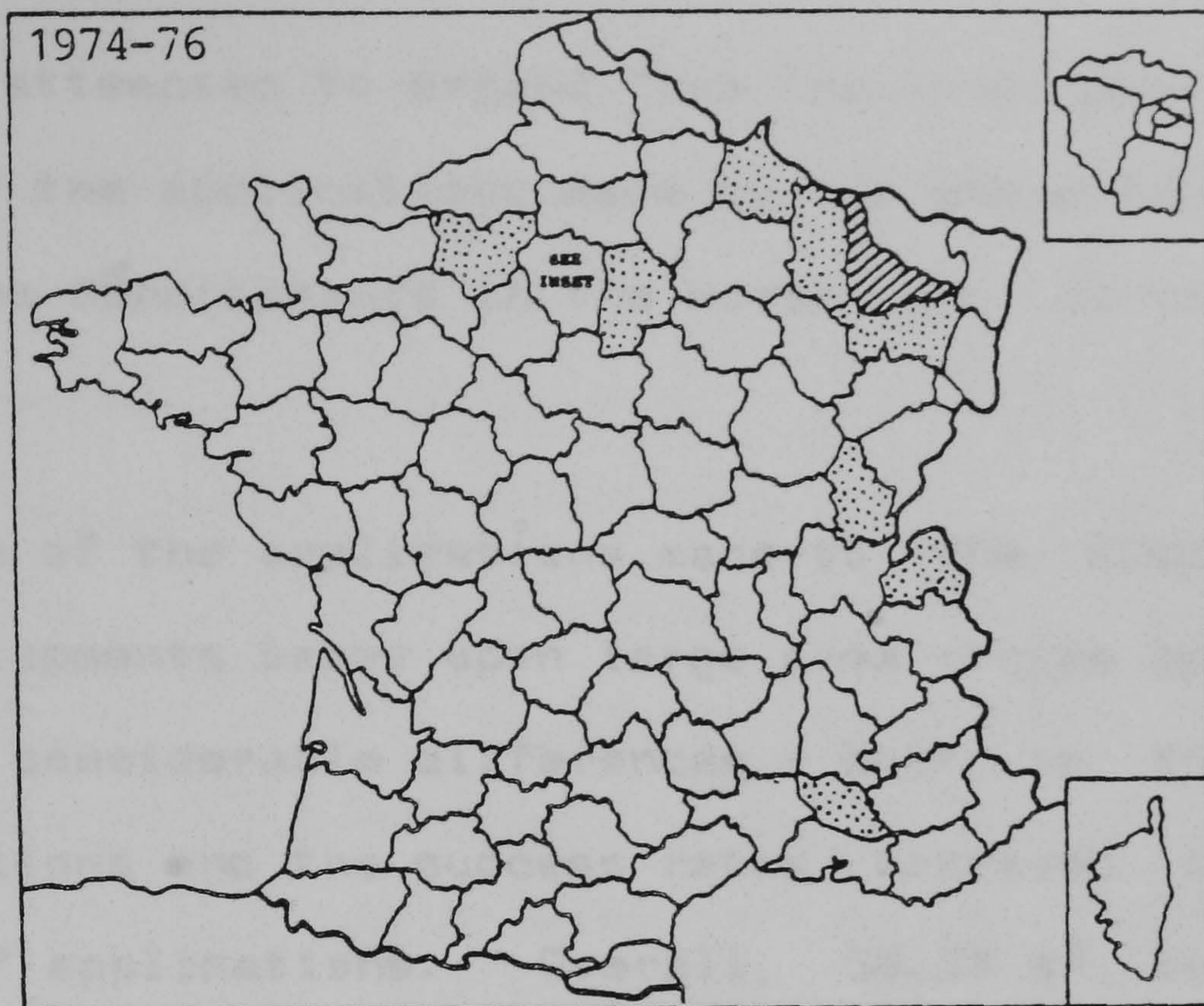
Map 8.9 : CDUCs - Applications based upon Hypermarkets Rallye.



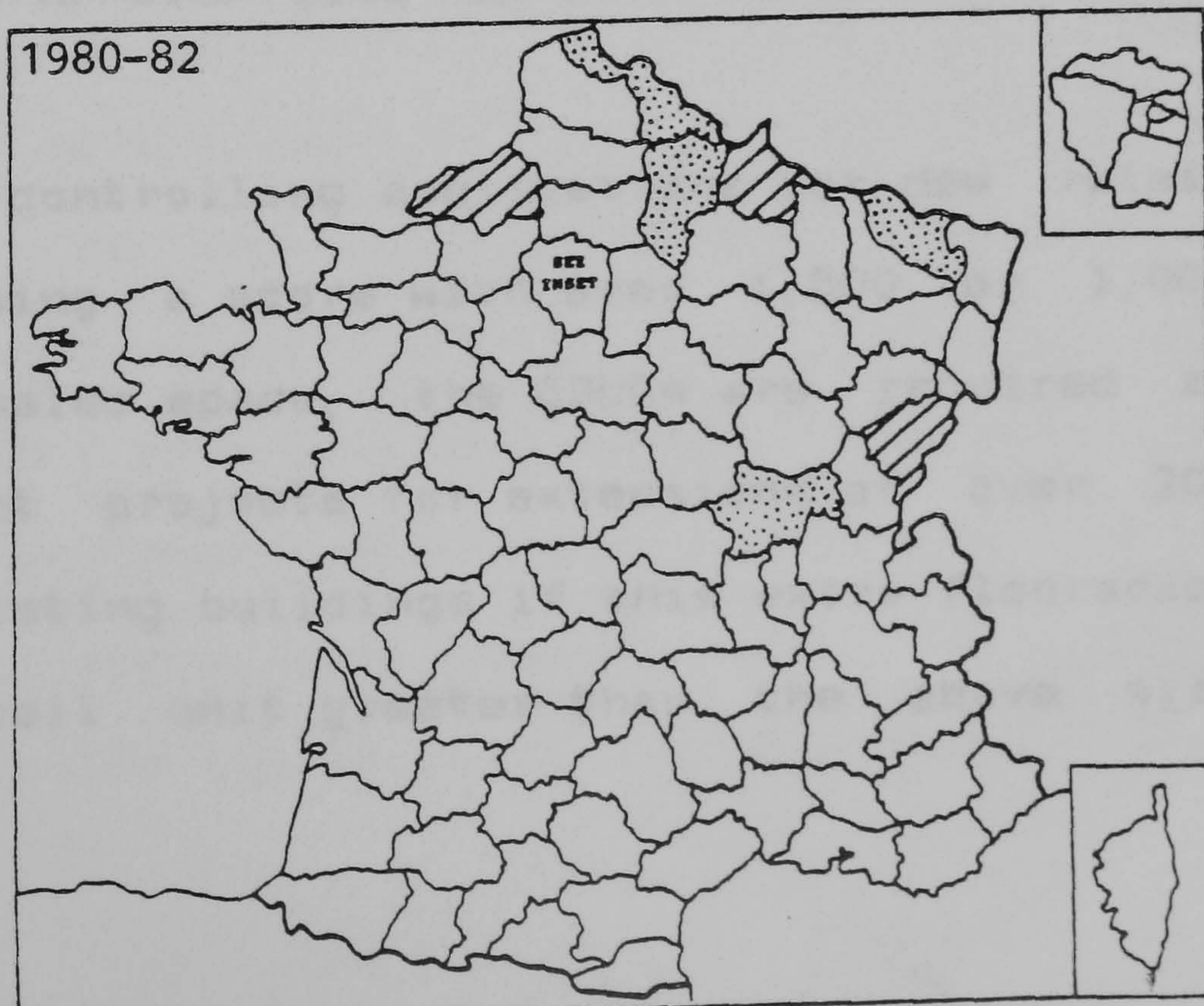
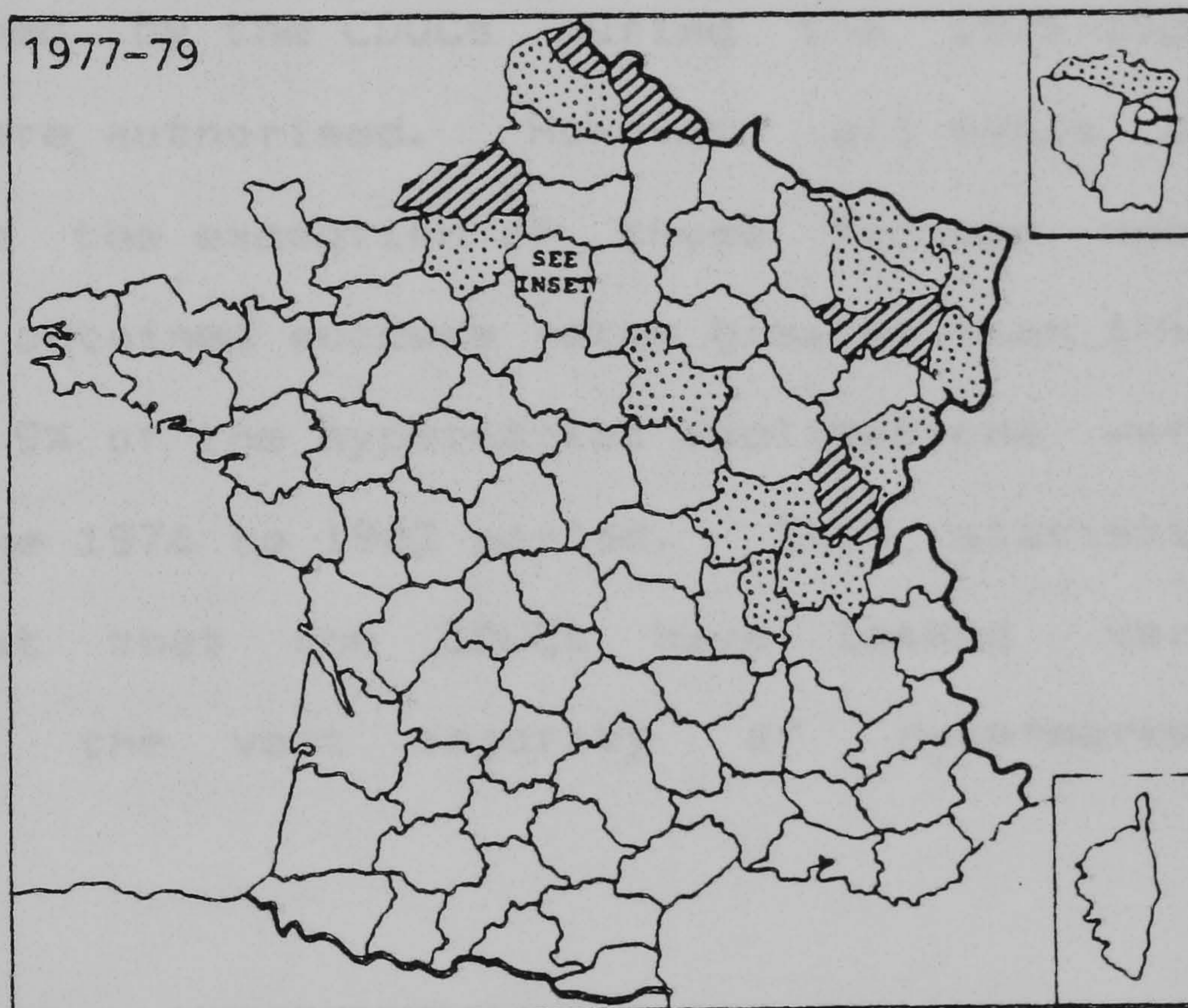
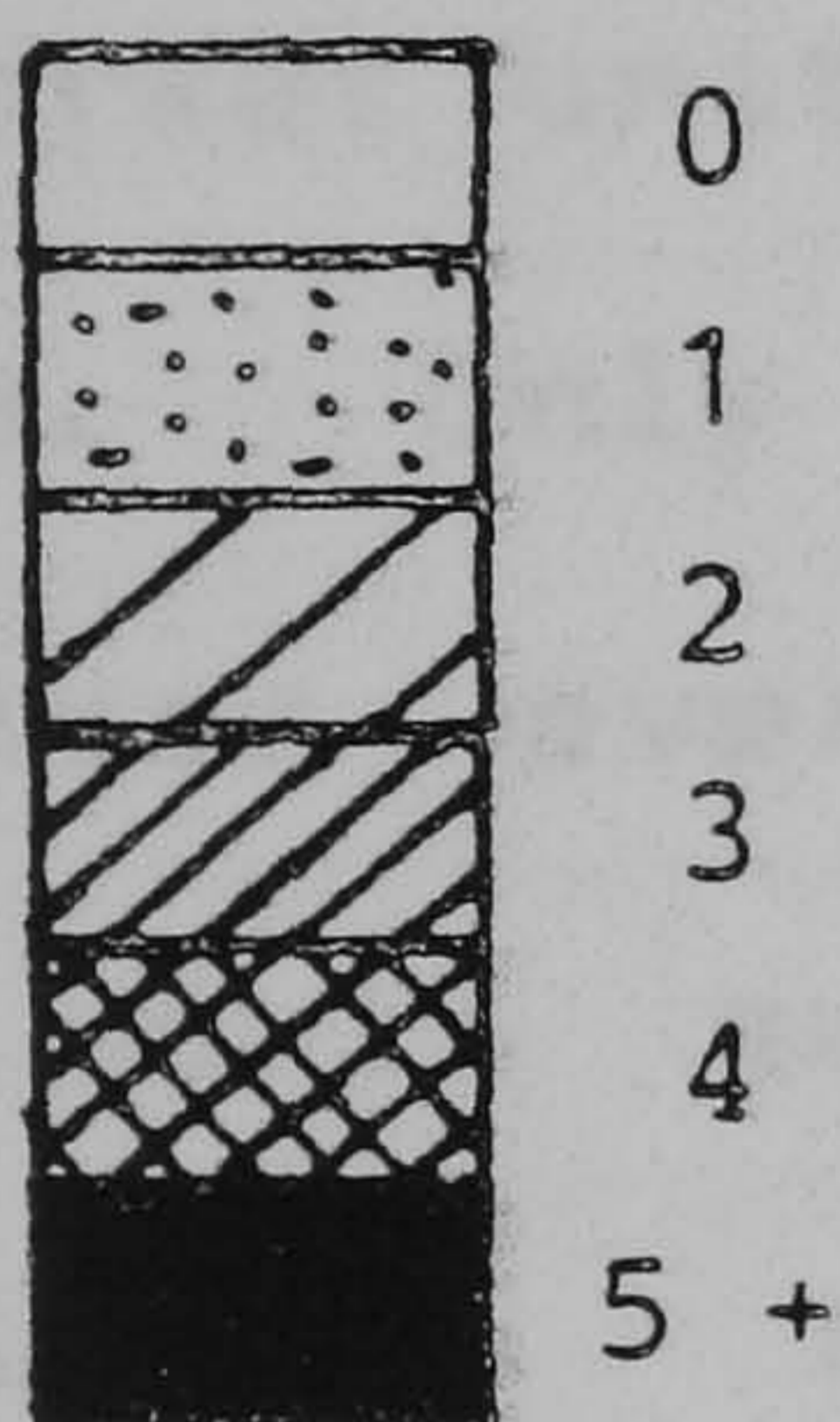
Number of Applications



Map 8.10 : CDUCs - Applications based upon Hypermarkets Cora.



Number of Applications



and has only slowly attempted to expand from the North-East. The vast majority of the applications made by the group have been centred upon the départements in the North and North-East.

As this review of the applications made to the CDUCs for new retail developments based upon large area stores has shown, there are considerable differences - both in the volume of applications and the success rates achieved by different forms of applications. Overall, 38.5% of the applications received by the CDUCs during the 1975-1982 period of study were authorised. However, all types of applications, with the exception of those focused upon hypermarket units, obtained success rates greater than this average. Only 20.9% of the hypermarket applications were authorised over the 1974 to 1982 period. This statistic alone would suggest that the CDUCs have looked very unfavourably upon the vast majority of hypermarket applications.

## 8.2. THE CDUCs AND APPLICATIONS FOR EXTENSIONS TO EXISTING STORES

In addition to controlling applications for new retail developments proposing a store with over 1,500 or 1,000 square metres of sales space, the CDUCs are required to authorise or reject projects for extensions of over 200 square metres to existing buildings if this extra floorspace will create a retail unit greater than the above size

thresholds.

During the 1974 to 1982 period of analysis, 874 applications were made to the CDUCs for extensions to existing retail units (hypermarkets, supermarkets, department and variety stores, furniture/household goods stores and DIY stores) and 47.7% of these projects were authorised (figure 8.14). The total number of applications for extensions rose steadily each year until 1979, then increased sharply in 1980, before slowing down again in 1981 and 1982, although the number of applications made in 1982 was still 20 more than in 1979.

The success rate for this type of application has, like that for applications for new stores, declined until 1979/80, and then slowly recovered. Throughout the period of analysis the overall success rate for all extension applications has exceeded that for new stores by approximately 10 percentage points.

The geographical spread of applications for extensions to outlets naturally relates to the location of existing stores. Consequently, as map 8.11A illustrates, the greatest numbers of applications for extensions have been made in the major market areas, where a wide range of existing store types are found. The proportion of extension applications authorised by the CDUCs is higher than that for new retail developments in most départements, and just over half (48) of the départements exhibit success rates of over 50% for this type of application (map 8.11B). Generally, the highest success rates are found in the départements with

Figure 8.14: CDUCs - Number and Success Rate of Applications for Extensions 1975-1982.

Number of Applications and (Number of Successful Applications)

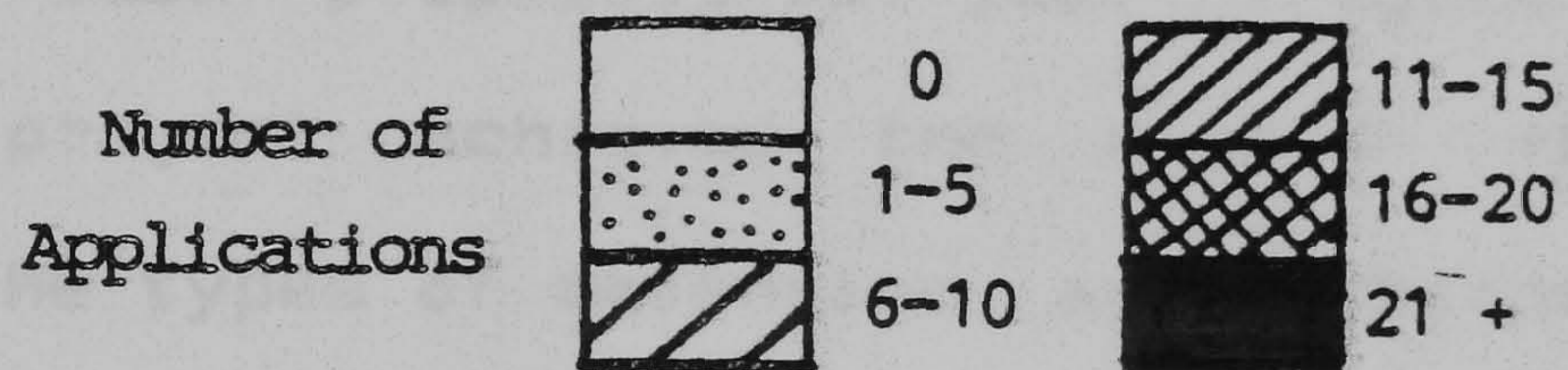
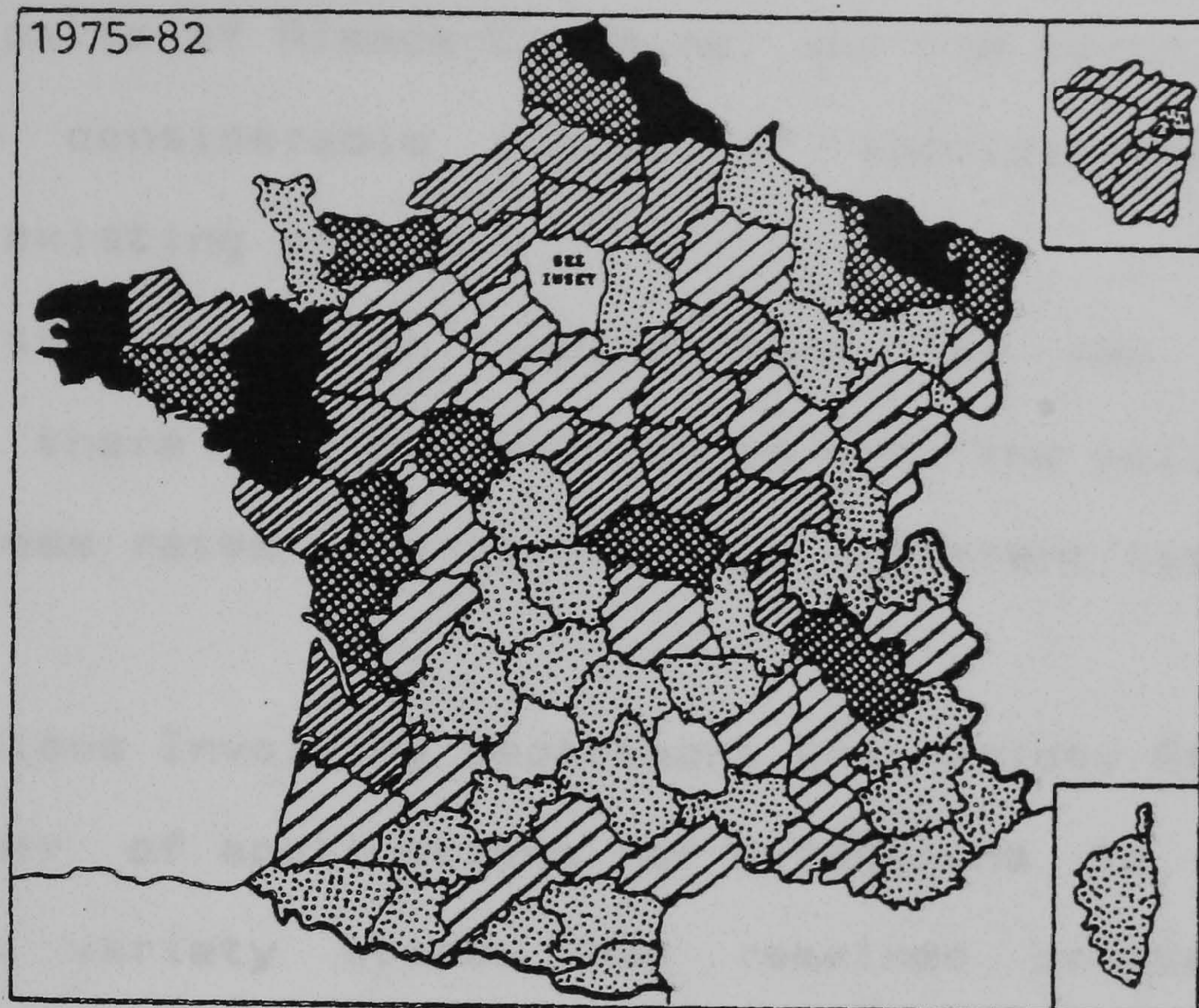
Type of Extension

Date	Type of Extension				Dept. / Variety Stores	DIY Store	TOTAL	SUCCESS RATE (%)
	Hyper.	Super. to Hyper.	Super. Only	Furniture & H'hold G'ds				
1974	6 ( 3)	N/A	N/A	N/A	N/A	N/A	N/A	
1975	11 ( 6)	4 ( 1)	15 ( 9)	28 ( 20)	18 ( 15)	N/A	76 ( 52)	67.1
1976	17 ( 5)	1 ( 0)	17 ( 9)	36 ( 31)	9 ( 7)	N/A	80 ( 52)	65.0
1977	23 ( 12)	9 ( 0)	31 ( 8)	24 ( 18)	7 ( 4)	N/A	94 ( 42)	44.7
1978	23 ( 5)	9 ( 0)	24 ( 7)	26 ( 22)	10 ( 7)	8 ( 3)	100 ( 44)	44.0
1979	23 ( 8)	12 ( 2)	23 ( 5)	27 ( 16)	5 ( 5)	13 ( 6)	103 ( 42)	40.8
1980	32 ( 11)	18 ( 1)	52 ( 18)	32 ( 20)	10 ( 5)	14 ( 10)	158 ( 65)	41.1
1981	24 ( 10)	16 ( 4)	47 ( 14)	33 ( 22)	10 ( 7)	10 ( 6)	140 ( 63)	45.0
1982	17 ( 6)	11 ( 2)	54 ( 24)	21 ( 12)	8 ( 5)	12 ( 9)	123 ( 48)	39.0
TOTAL 1975-1982								
	170 ( 63)	80 ( 10)	263 ( 94)	227 ( 161)	77 ( 55)	57 ( 34)	874 ( 417)	47.7
SUCCESS RATE 1975-82								
	37.1%	12.5%	35.7%	70.9%	71.4%	59.6%	47.7%	

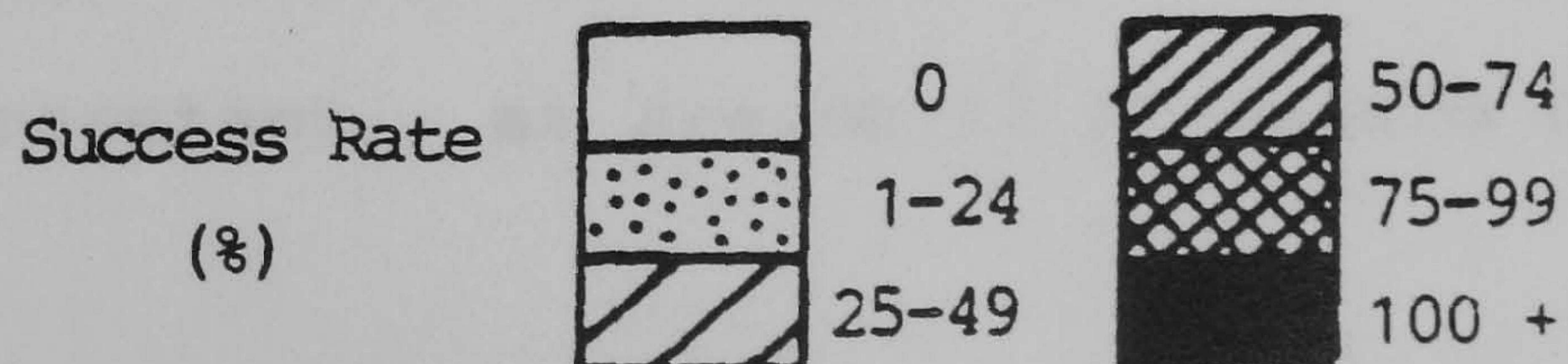
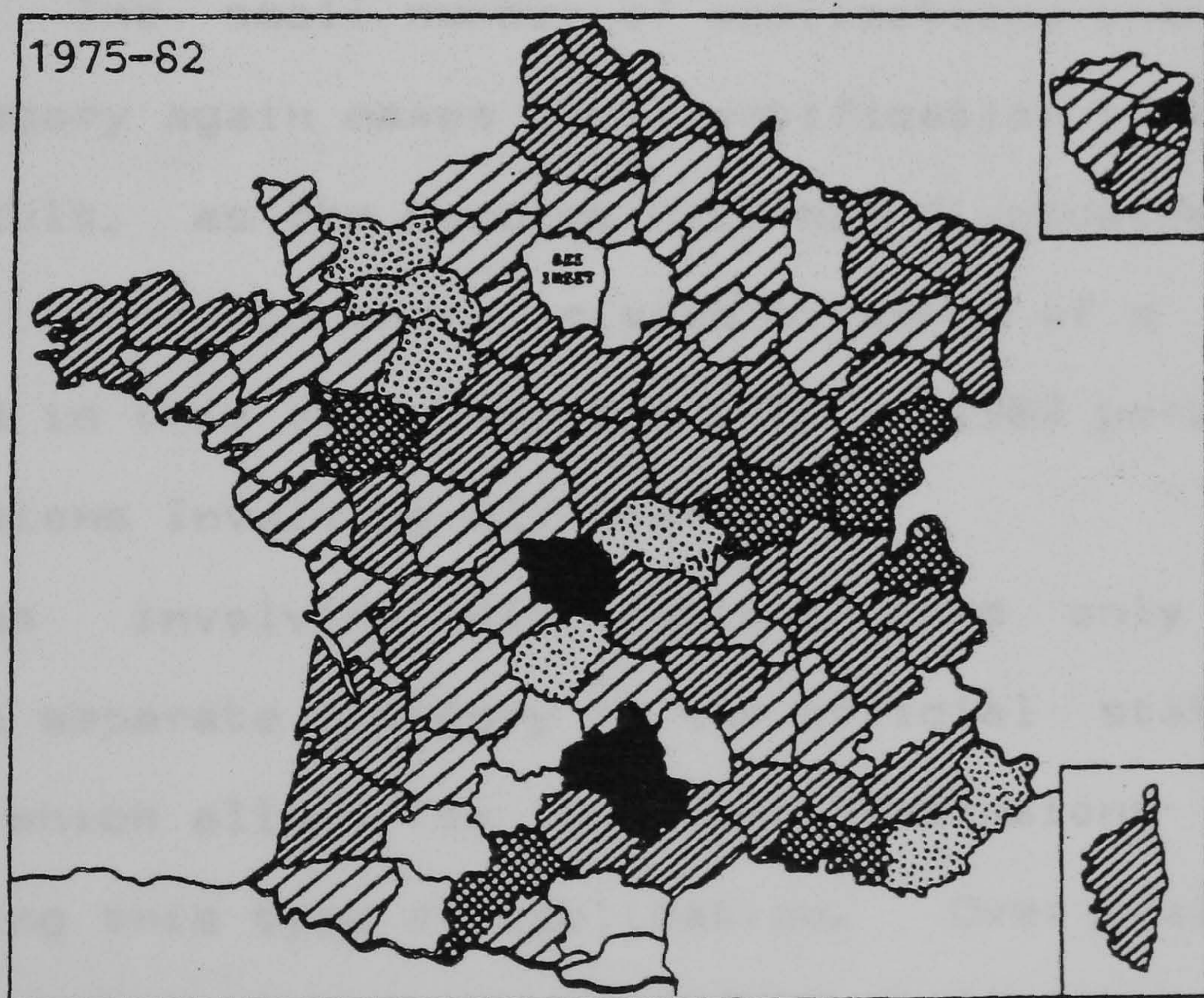


Map 8.11 : CDUCs - Applications for Extensions to Existing Stores 1975-1982.

A) Number of Applications



B) Success Rate (%)



low numbers of applications, although rates of authorisation exceed 50% in parts of Alsace-Lorraine, and the North, where there are a considerable number of applications for extensions to existing stores.

As was the case with applications for new retail developments, there are differences in both the volume of, and the success rates of proposals for different types of extensions.

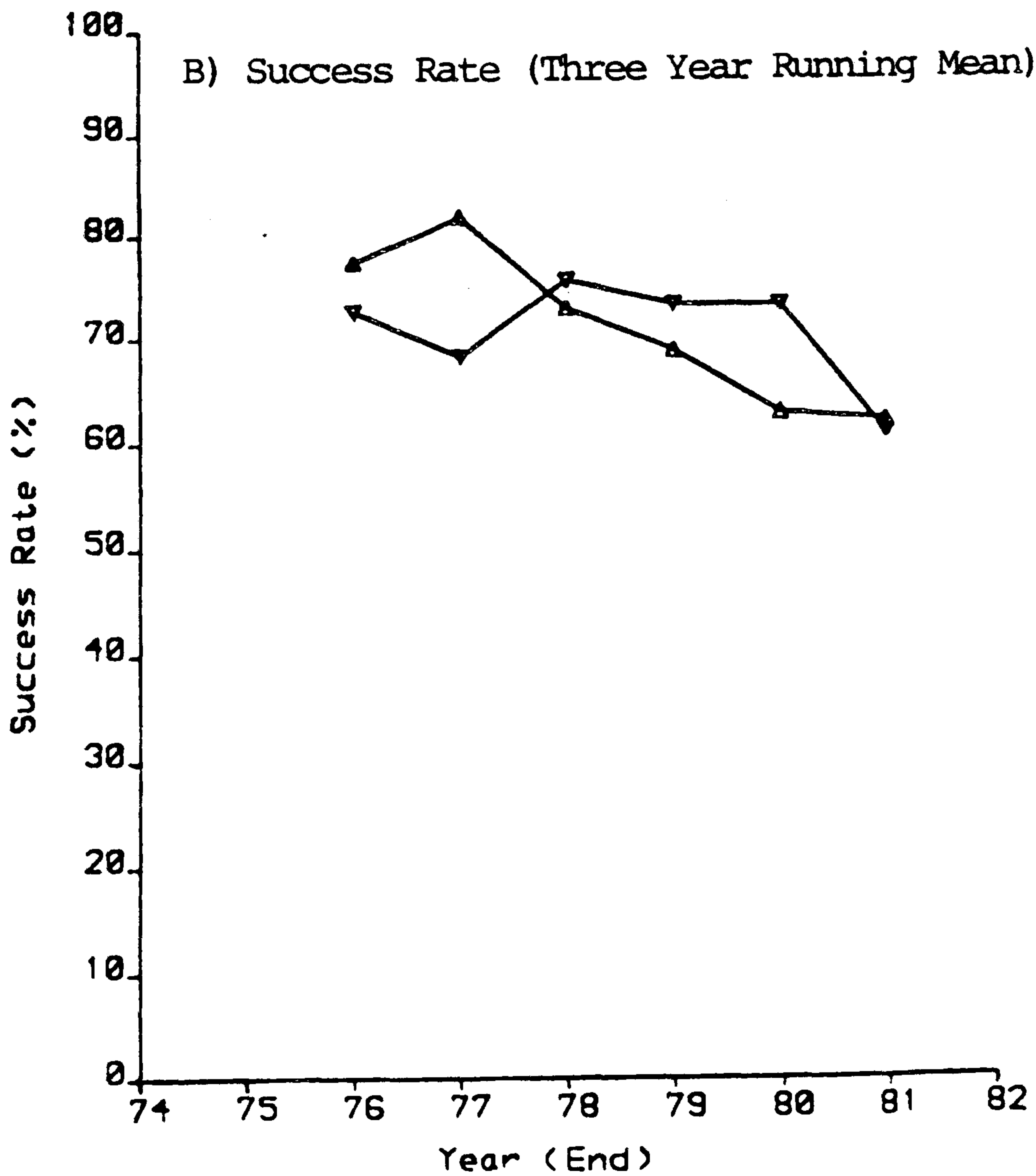
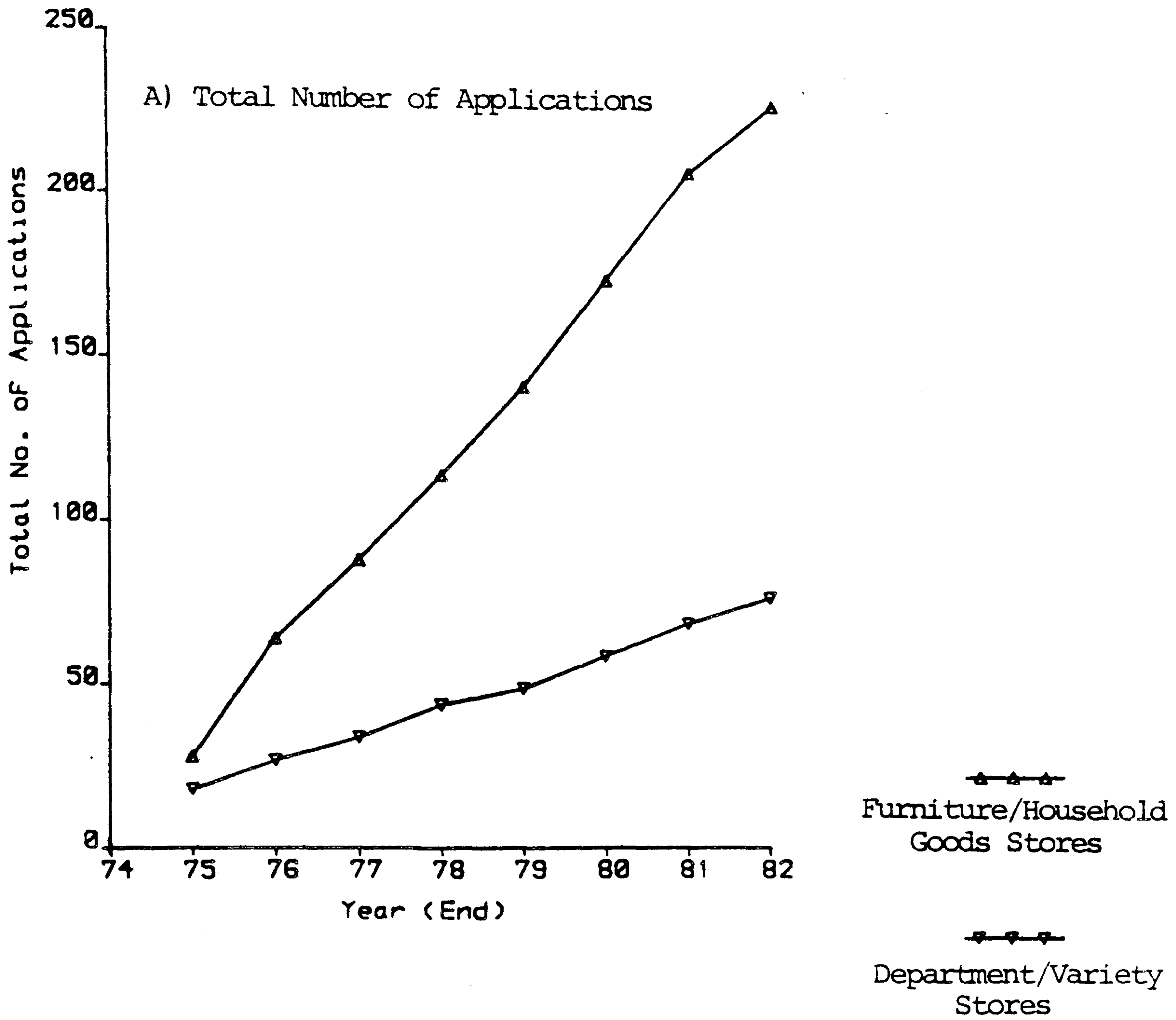
#### 8.2.1. Extensions Involving Department and Variety Stores

The number of applications for extensions to either department or variety stores has remained constant at approximately 10 such proposals per year (figure 8.15). This form of project achieved the highest rate of success of all the types of extension applications, with over 71% of the proposals placed before the CDUCs authorised. The small number of applications that fall into this category again makes the identification of overall trends difficult, as the success rate has fluctuated from year to year, although there is some evidence of a slight downward trend in this rate over the 1975 to 1982 period.

#### 8.2.2. Extensions Involving DIY Stores

Extensions involving DIY outlets have only been recorded as a separate category in the official statistics since 1978, which allows few long term conclusions to be drawn concerning this type of application. Over this short five year period, the annual number of applications has remained fairly constant, at around 12 proposals per year,

Figure 8.15 : CDUCs - Applications for Extensions to Furniture/Household Goods and Department/Variety Stores.



and the success rate has risen from approximately 50% to just under 70% over the same period. The relatively low rates of authorisation achieved in 1978 (37.5%) and 1979 (46.2%) has ensured that between 1978 and 1982, 59.6% of all applications in this category were accepted by the CDUCs.

#### 8.2.3. Extensions Involving Furniture/Household Goods Stores

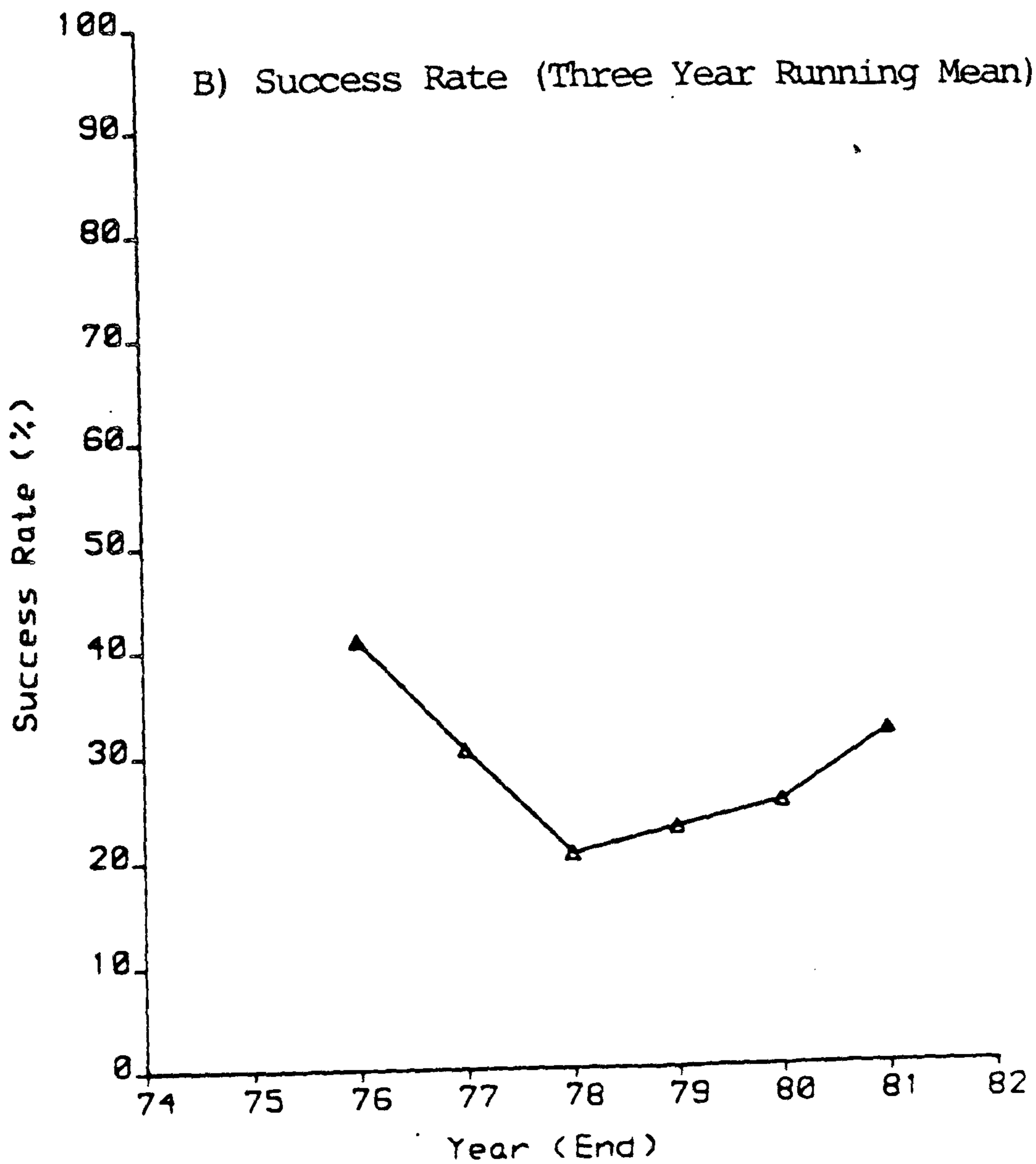
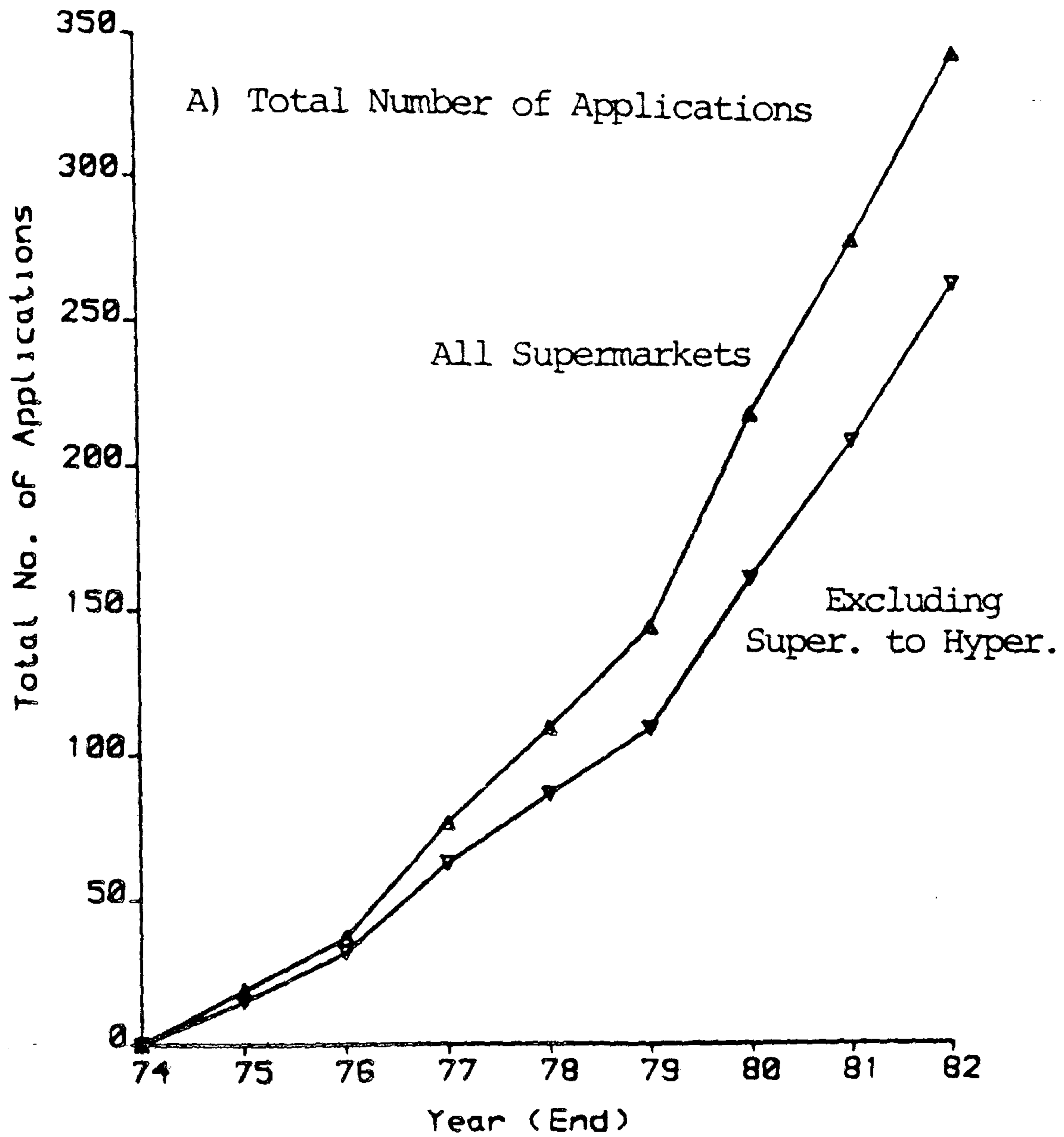
Over 220 applications were made during the 1975 to 1982 period for extensions involving furniture/household goods stores, and just over 70% of these proposals were authorised. A fall in the number of applications made each year for this type of development in 1977, was followed by a slow rise in volume until 1981, when there was another fall in 1982. The success rate for this type of project has fallen steadily over the whole period (figure 8.15) to around 62% in 1982.

#### 8.2.4. Extensions Involving Supermarkets

The sharp rise in the volume of applications made to the CDUCs for all types of extensions in 1980, was largely due to an increase in the number of proposals involving supermarkets, which doubled during 1980 (figure 8.16). This category of extension was the most numerous over the study period accounting for 343 applications. Between 1975 and 1982, 30.3% of these applications were authorised. The success rate fell sharply from 1975 to 1978, and then improved in the late 1970s and early 1980s.

An increasingly important component of the applications in this category were those which were intended to enlarge

Figure 8.16 : CDUCs - Applications for Extensions to Supermarkets.



an existing supermarket into a hypermarket. This type of application has become a noticeable element from 1977, when 9 of the 40 applications made that year were of this type. After 1977, applications of this nature accounted for at least 25% of those proposals involving supermarkets. The majority of these applications were made by companies in the independent sector (65% of the total). Most prominent amongst these organisations was Leclerc, which accounted for 51% of all the applications for extensions that would create a hypermarket sized store from an existing supermarket. The branch multiple organisations were responsible for a further 26.5% of this type of extension proposal. However, the CDUCs have been particularly severe upon this sort of application, and only 12.5% (9.6% of those presented by independent firms) of all these projects were authorised over the study period.

The increase in this form of application, along with the rise in the number of applications to enlarge supermarkets generally, would appear to confirm the suggestion that a change in the development strategy of retailers has occurred, with a greater emphasis upon smaller units than in the past. This smaller development, on or around the hypermarket size threshold of 2,500 square metres of sales area, is more suited to the reduced catchment areas of the secondary markets which, as saturation levels have been reached in the primary markets, have become the areas with the greatest potential for new developments.

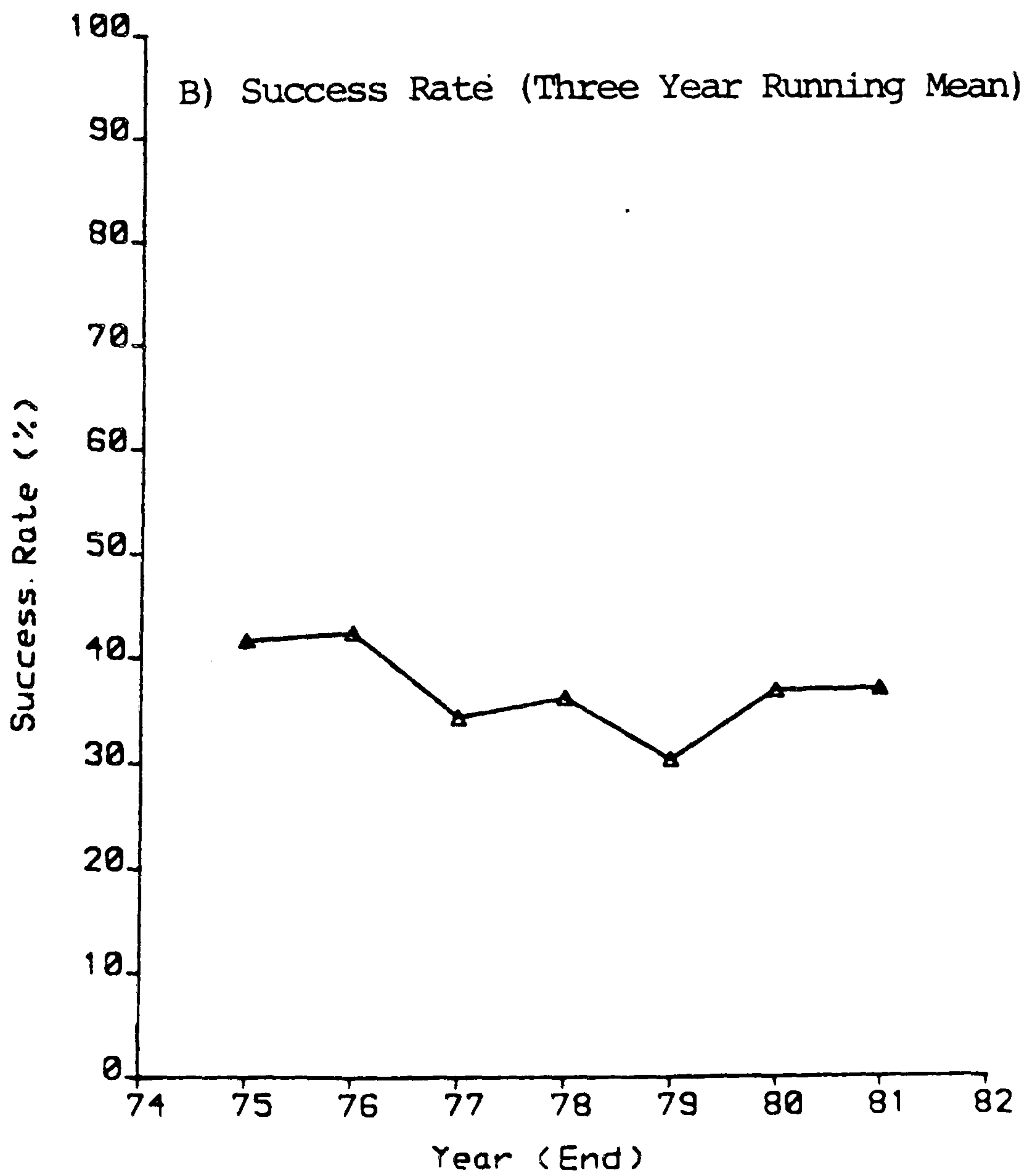
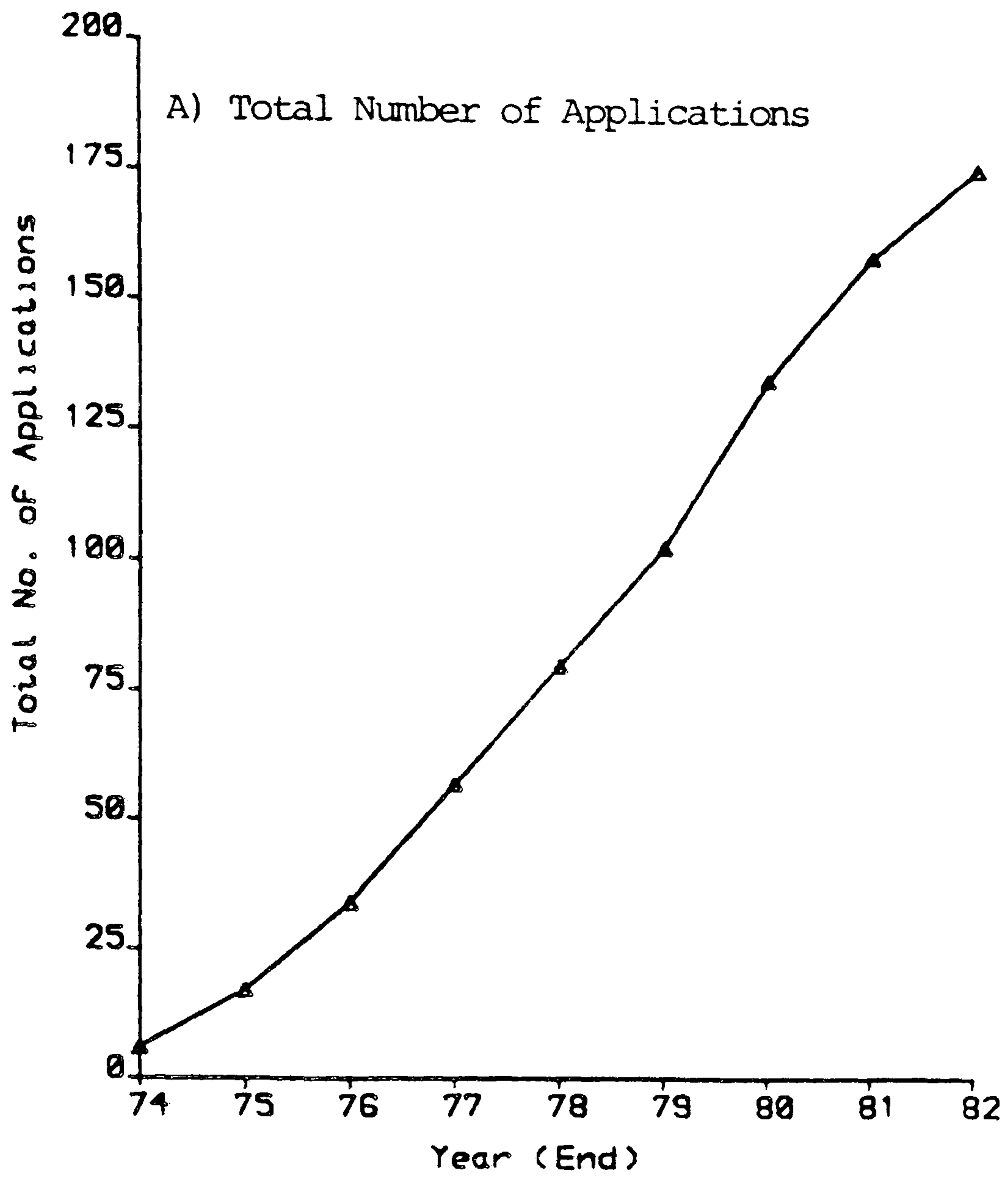
#### 8.2.5. Extensions Involving Hypermarkets

The number of applications made for extensions to existing hypermarkets has remained fairly constant at approximately 23 proposals per year since 1977, with a peak of projects of this nature occurring in the pre-election year of 1980 (figure 8.17). Of this category of application, 37.5% were authorised by the CDUCs over the 1974-1982 period, as the success rate fell slowly from just over 30% in 1979, before recovering slightly by 1982.

In organisational terms, the majority of applications for this type of project have been made by the "Grandes Surfaces" firms which account for 46% of the proposals. The next most prolific exponents of this type of extension application have been the branch multiples (26%) and independents (17%). The success rates experienced by these different categories of organisation over the study period have been relatively similar, with 37% of the "Grandes Surfaces", and 36.9% of the branch multiples' proposals authorised, compared to 30% of those applications placed before the CDUCs by the independents. The most successful organisational category with regards to this form of application has been the Cooperative Societies, with 7 of their 9 projects authorised.

Within the "Grandes Surfaces" category, Carrefour have been the most dominant group, accounting for 25.9% of all the projects of this type applied for by this organisational sector, followed by Cora with 17.3%, Auchan with 16% and Euromarché and Rallye, both with 13.6%. However, with

Figure 8.17 : CDUCs - Applications for Extensions to Hypermarkets.





acceptance rates of 72.3%, 54.6% and 50%, Rallye, Euromarché and Cora have been far more successful than Carrefour, who experienced a success rate of 28.6%, and Auchan with 7.7%. Once again Leclerc has dominated the number of applications made by independent retailers for this type of project, accounting for 80% of the proposals, 41.2% of which were authorised.

Although the success rate for all applications for extensions to existing stores mirrors that of applications for major new developments, with regards to declining prior to 1979, and then slowly rising, it has remained consistently higher than that for new outlets. The volume of applications for extensions has remained relatively constant each year for most forms of retail development, with the exception of those projects relating to supermarkets which rose sharply in 1980, and which has remained at a high level since.

This feature would again appear to support the assertion that developers are paying greater attention to the development of smaller units, on or around the hypermarket size threshold, rather than concentrating their efforts solely on hypermarket development. The increased participation of the affiliated independent retailers in large store development, and the emphasis placed upon rationalisation and refurbishment programmes by branch multiple companies are also reflected in this trend.

### 8.3 SUMMARY

There are significant differences in the volume of applications and success rates for the different types of application made to the CDUCs. Whilst most types of application for new retail developments obtained success rates of 40% and above, those projects based upon hypermarkets have fared badly, with less than 20% of these proposals authorised. On the basis of these figures alone, particularly given the volume of applications for hypermarket based development, it would appear that the Loi Royer has seriously curtailed hypermarket development.

However, more detailed analysis of the applications made to the CDUCs reveal certain trends which may indicate a changing strategy on the part of the developers, for which the Loi Royer is less well prepared. Certainly, since the turn of the decade, there has been a far greater emphasis placed upon proposals for smaller hypermarkets, and large supermarkets. Whilst the observed decline in the size of hypermarket projects relates to an increase in the number of applications for this type of development by independent retailers, it also reflects a greater emphasis placed upon smaller developments by the "Grandes Surfaces" organisations. Suprisingly, in view of the proposed aims of the legislation, there is little evidence of any bias towards independent-backed projects, and proposals made by the larger retail organisations are viewed just as, if not more, favourably.

In support of these trends, there has been a noted

increase in the applications for extensions to existing supermarkets, particularly those proposals that would enlarge existing stores to hypermarket status. This again confirms the change in strategy towards larger supermarkets and smaller hypermarkets.

CHAPTER NINE : THE COMMISSION NATIONAL D'URBANISME  
COMMERCIAL

Although less than half of the proposals placed before the CDUCs for new retail developments, and extensions to existing stores have been authorised, considerable use has been made of the appeal procedure outlined in articles 32 and 33 of the Loi Royer, by both applicants and members of the CDUCs. Over 650 (38.8%) of the applications made for new major retail developments, and more than 300 (35%) of the proposals for extending existing outlets, have been taken to appeal during the 1975 to 1982 period. Numerically, the volume of applications taken to appeal each year for both categories of proposal, rose in the 1970s, peaked in 1980, the year before the presidential elections, and then declined in the early 1980s. Similarly, for both categories of application, over 40% of proposals were referred to the CNUC between 1978 and 1980, and more than 50% in 1979.

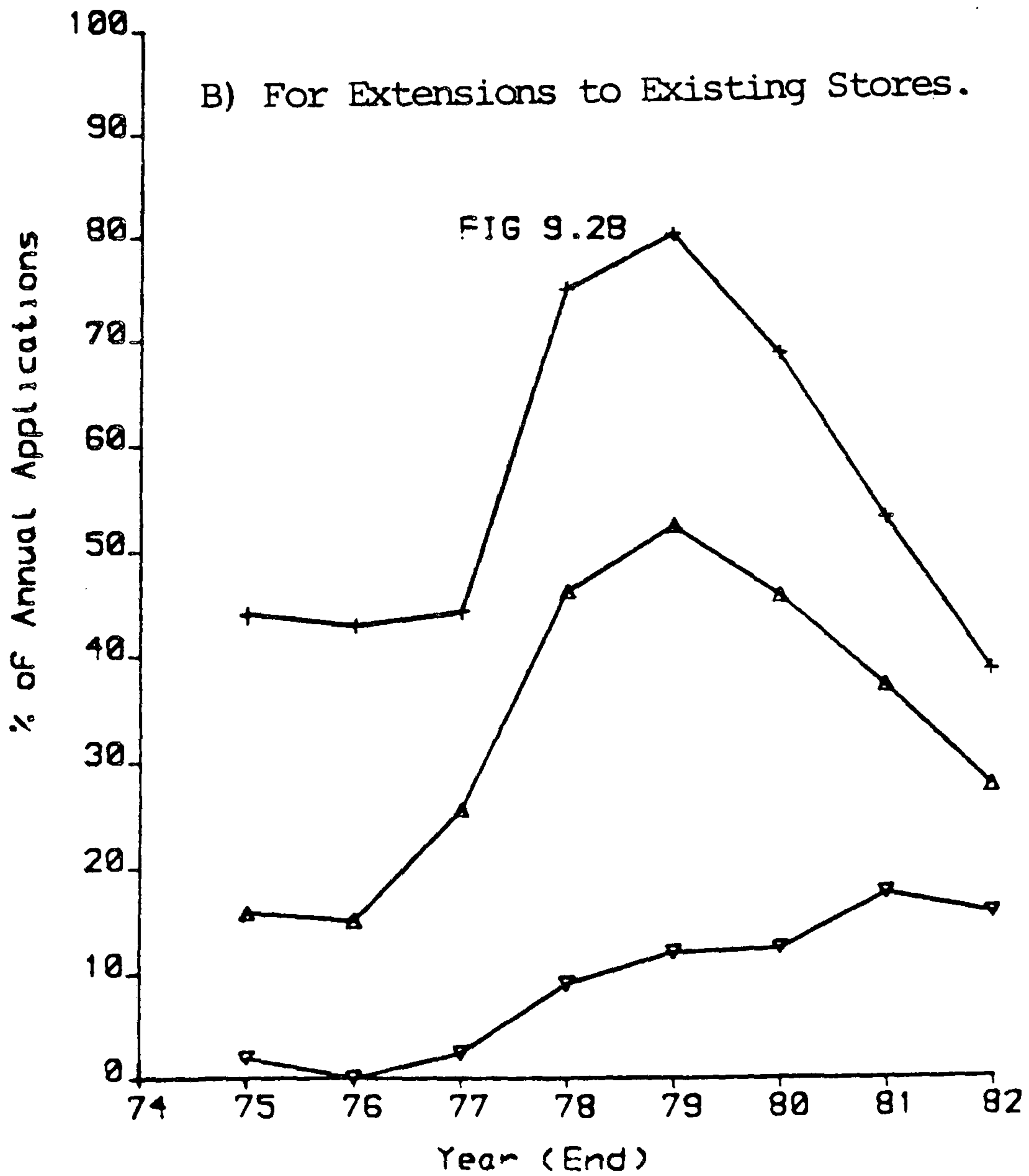
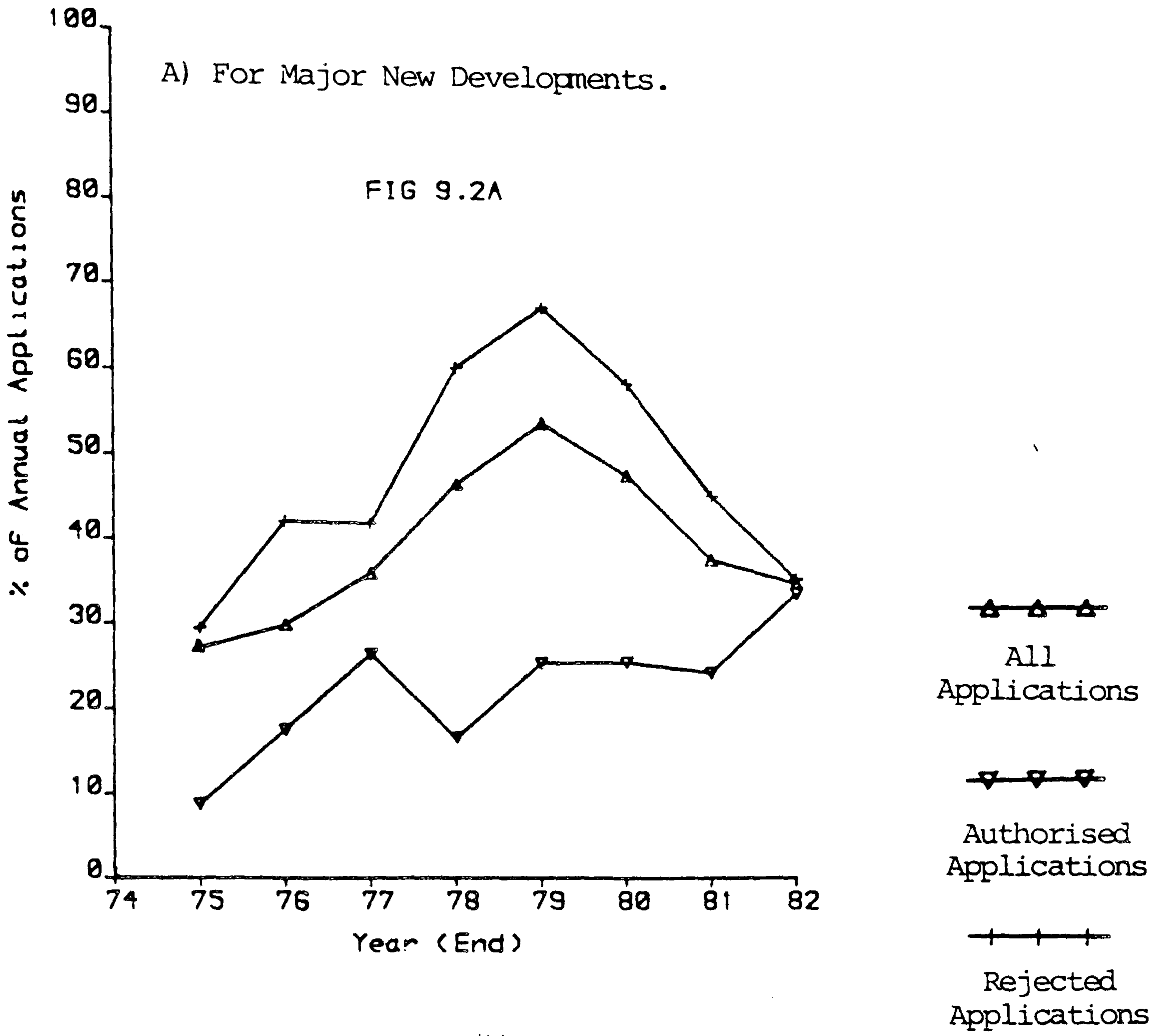
However, as figures 9.1 and 9.2 illustrate, there is a significant difference in the frequency of appeals between both the number and proportion of applications in both categories which were authorised at the CDUC stage, and those which were rejected. Over three times as many applications which were rejected by the CDUCs were referred to the CNUC over the 1975 to 1982 period, than was the case with those authorised by these commissions. As appeals concerning applications rejected by the CDUCs are usually made by the project applicant, whereas appeals against

Figure 9.1: CNDC - Applications Taken to Appeal 1975-1982.

Number and Proportion of Applications  
Taken to Appeal

Date	All Applications		Authorised by CDUC		Rejected by CDUC	
	Appeals	(%)	Appeals	(%)	Appeals	(%)
<hr/>						
Major New Developments						
1975	59	(27.1)	10	( 8.8)	105	(29.5)
1976	75	(29.9)	22	(17.6)	126	(42.1)
1977	71	(36.0)	18	(26.5)	129	(41.9)
1978	80	(46.5)	9	(16.7)	118	(60.2)
1979	92	(53.8)	14	(25.5)	116	(67.2)
1980	131	(47.6)	23	(25.6)	185	(58.4)
1981	86	(37.7)	20	(24.4)	146	(45.2)
1982	68	(34.9)	24	(33.8)	124	(35.5)
1975-82	662	(38.8)	140	(21.3)	1049	(48.0)
Extensions						
1975	12	(15.8)	1	( 1.9)	25	(44.0)
1976	12	(15.0)	0	( 0.0)	28	(42.9)
1977	24	(25.5)	1	( 2.4)	52	(44.2)
1978	46	(46.0)	4	( 9.0)	56	(75.0)
1979	54	(52.4)	5	(11.9)	61	(80.3)
1980	72	(45.6)	8	(12.3)	93	(68.8)
1981	52	(37.1)	11	(17.5)	77	(53.2)
1982	34	(27.6)	9	(15.5)	65	(38.5)
1975-82	306	(35.0)	39	( 9.4)	463	(57.7)
<hr/>						

Figure 9.2 : CNUC - Applications Taken to Appeal 1975-1982.



authorised projects are made by either members of the commissions or the Préfet, this shows that the developers/applicants made far greater use of the appeal procedure than did the CDUC members and the Préfet. However, as figure 9.2 shows, since 1979 there has been a progressively greater use of the appeal procedure by the CDUCs and Préfet, particularly in the case of applications for major new developments, whilst the applicants have referred proportionately fewer of their projects to the CNUC. These trends may in part be explained by the attitudes of different Ministers, as shall be shown later.

#### 9.1. MAJOR NEW DEVELOPMENTS

As far as the volume of appeals dealing with applications for new retail developments are concerned, the greatest proportion of all appeals made in this category are for proposals based upon hypermarkets (59.2%), followed by those for supermarkets (16%) and those based upon furniture/household goods stores (13.4%).

Over the 1975 to 1982 period, 25.2% of the applications centred upon furniture/household goods stores were referred to the CNUC, as were 32.4% of supermarket applications, and 54.1% of hypermarket applications (figure 9.3). For each of these different categories of application, the volume of initially rejected applications taken to appeal outnumbered the volume of initially authorised proposals referred to the CNUC. In the case of furniture/household goods store applications by a factor of 2.7, compared to 3.8 for

Figure 9.3: CNUC - Applications for Major New Developments Taken to Appeal by Type of Proposal 1975-1982.

Type	Number of Applications	Number of Appeals	%
Hypermarket	724 (840)	392 (455)	54.1 (54.2)
Supermarket	327 (441)	106 (128)	32.4 (29.0)
Furniture/Household Goods Stores	353	89	25.2
Department/Variety Stores	28	6	21.4
DIY Stores	181	57	31.5
Boutiques	94	12	12.8
All Types	1707	662	38.8

\* NB Figures in brackets are for 1974-1982 period.



supermarket, and 4.6 for hypermarket proposals.

Between 1974 and 1982, 455 of the 840 applications made to the CDUCs for development focused upon a hypermarket were taken to the CNUC on appeal. The vast majority of these appeals (83.3%) were for projects rejected by the CDUCs, in other words, were made by applicants. However, unlike in other categories of new retail development, a high proportion of those projects authorised by the CDUCs (44.2%) were referred to the CNUC, and this proportion has risen over the study period (figure 9.4). It would, therefore, appear that members of the CDUC and the Préfet are far more prepared to appeal against decisions authorising hypermarket projects, than decisions supporting other types of new development. The corresponding figures for other types of application were, 13.3% for supermarkets; 9.3% for furniture/household goods stores; 27.1% for DIY stores; and 16.7% for department and variety stores.

Of all the appeals made concerning applications for hypermarket development, 43.9% were for the smallest category of store size (2,500-4,999 square metres) and 34.1% for the medium size category (5,000-7,499 square metres). However, the proportion of proposals in each size category that were taken to appeal was relatively constant across all the size categories, varying from 52.0 to 59.4%. Those appeals made by the applicants seem to have been made uniformly in all size categories, ranging from 53.6 to 63.3%, whereas proportionately fewer appeals were made for

Figure 9.4: CNUC - Proportion of Hypermarket Applications Taken to Appeal 1974-1982.

Date	% of All Applications	% of those Authorised by CDUC	% of those Rejected by CDUC
1974	54.3	23.3	65.1
1975	37.8	25.0	42.6
1976	47.3	55.6	45.5
1977	44.6	40.0	45.5
1978	64.8	50.0	67.1
1979	62.4	47.1	66.2
1980	65.0	56.0	66.9
1981	51.6	60.0	50.0
1982	50.0	55.0	48.4
1974-1982	54.3	44.2	56.9

applications falling into the small (2,500-4,999 square metres) size category (35.3%), and very large size (over 10,000 square metres) category (18.2%) by the members of the CDUCs or Préfet.

The majority of appeals against decisions by the CDUC concerning proposals for hypermarket development, relate to applications initially made by the "Grandes Surfaces" companies (40.4%), followed by the branch multiples (20.6%), and the independent firms (20.2%). It would appear that the CDUC and Préfet are most hostile to medium and large size developments proposed by groups from the "Grandes Surfaces" sector, as 51.3% of the appeals made against CDUC decisions authorising development, are associated with projects put forward by this type of organisation. In contrast, only 15.8% of the appeals made by the CDUC members and Préfets are for projects proposed by branch multiple firms, and 14.5% for projects put forward by the independent sector. This pattern of hostility towards the "Grandes Surfaces" organisations no doubt reflects the influence of local traders and elected representatives on the CDUC.

As far as the total number of appeals made by the applicants are concerned, 38.2% were made by "Grandes Surfaces" companies, compared to 21.6% by multiple retailers, and 21.3% by the independents. As figure 9.5 illustrates, over 50% of all the applications made for hypermarket development were taken to appeal, irrespective of the organisational sector responsible for the proposal. Similarly, all the organisational types appealed against

Figure 9.5: CNUC - Hypermarket Applications Taken to Appeal by Organisational Type 1974-1982.

Proportion (%) of Applications made by Organisational Types Taken to Appeal

Organisation	of All Applications	of those Authorised by CDUC	of those Rejected by CDUC
"Grandes Surfaces"	58.8	54.2	60.2
Multiples	61.0	48.0	63.6
Cooperatives	51.9	27.8	63.9
Department/Variety Stores	62.9	33.3	71.4
Independents	50.3	39.3	52.6
Other	44.8	27.8	41.5
All Types	55.5	44.7	58.3

more than 50% of their applications which were rejected, whilst only the "Grandes Surfaces" organisations had over 50% of their authorised proposals referred to the CNUC, by either members of the CDUC or the Préfet. Individual companies within the organisational categories seem to be fairly equally treated, in that the proportion of their applications that were taken to appeal, either by the CDUC/Préfet or themselves, tended to reflect the overall position of the organisational category concerned.

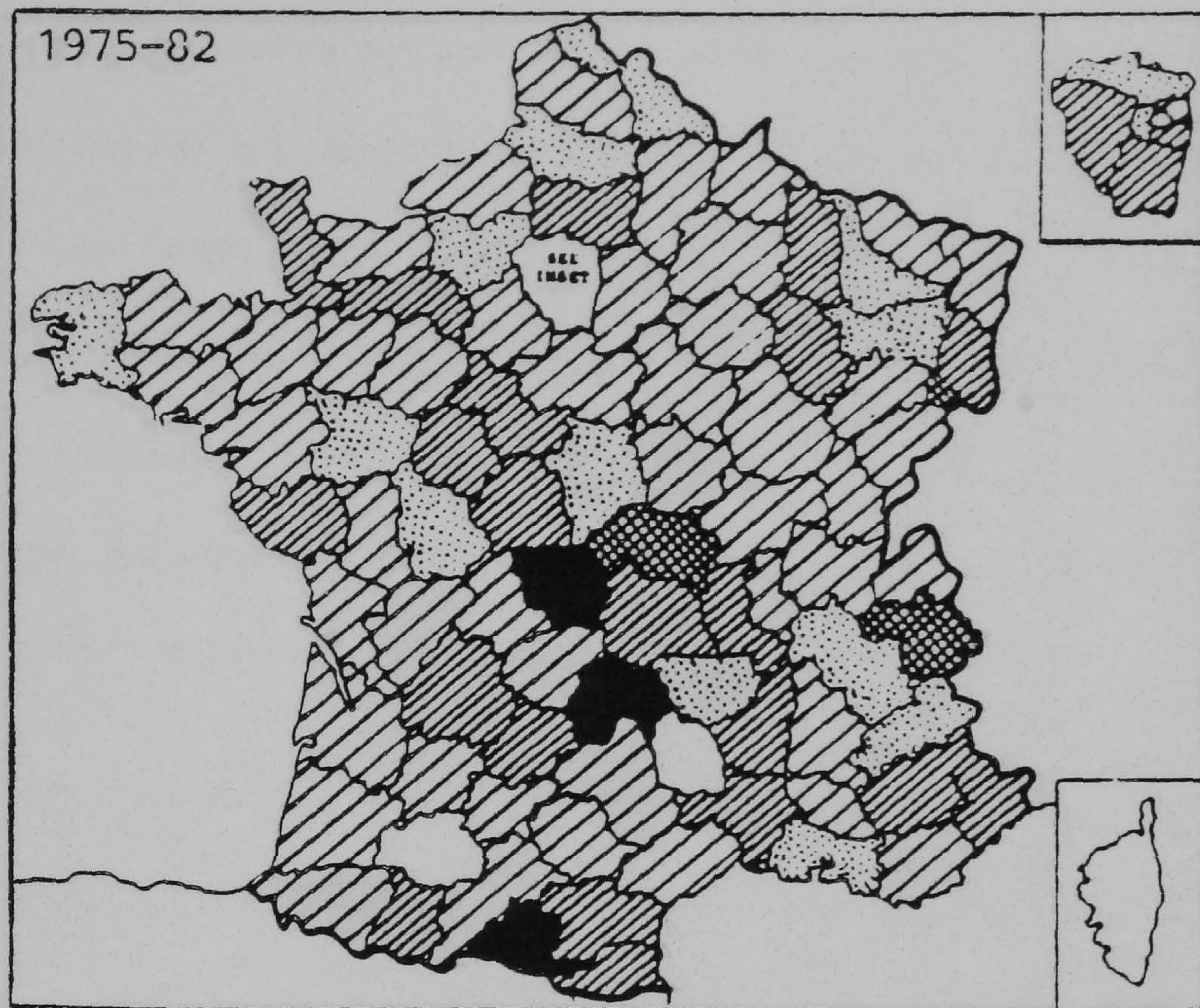
Spatially, there appears to be little overall pattern to the geographical spread of appeals. Although numerically, the greatest number of appeals were made in those départements that received the largest numbers of applications, and where the new retail forms had been established for some time.

The areas with the greatest proportion of applications for new major retail developments taken to appeal generally corresponded to those where the volume of applications was low (map 9.1). In the cases of the longer established retail developments, hypermarkets, supermarkets, and to a lesser extent, furniture/household goods stores, the proportion of applications taken to appeal tends to be highest in the secondary markets that have not yet reached saturation levels for these types of development, and where the developers are increasingly looking to concentrate their efforts.

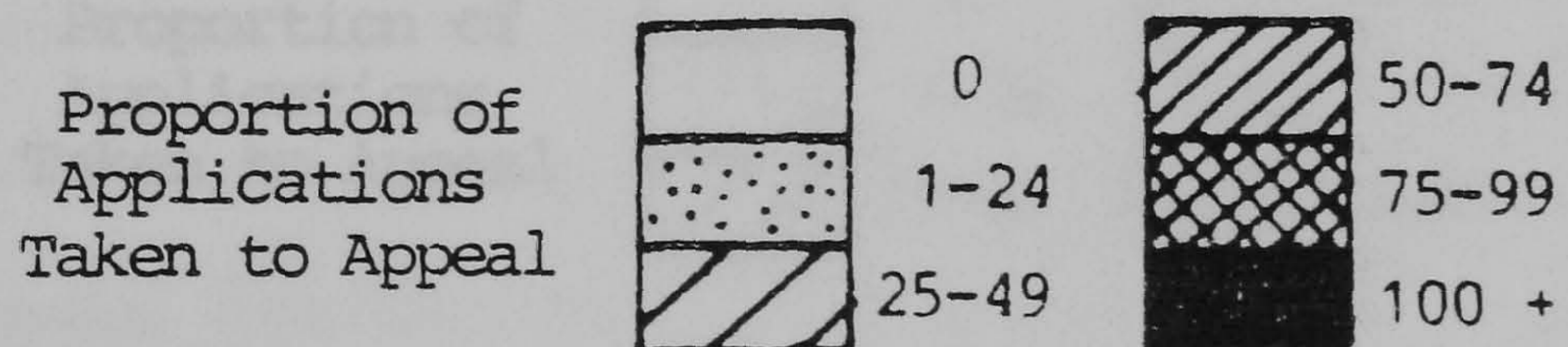
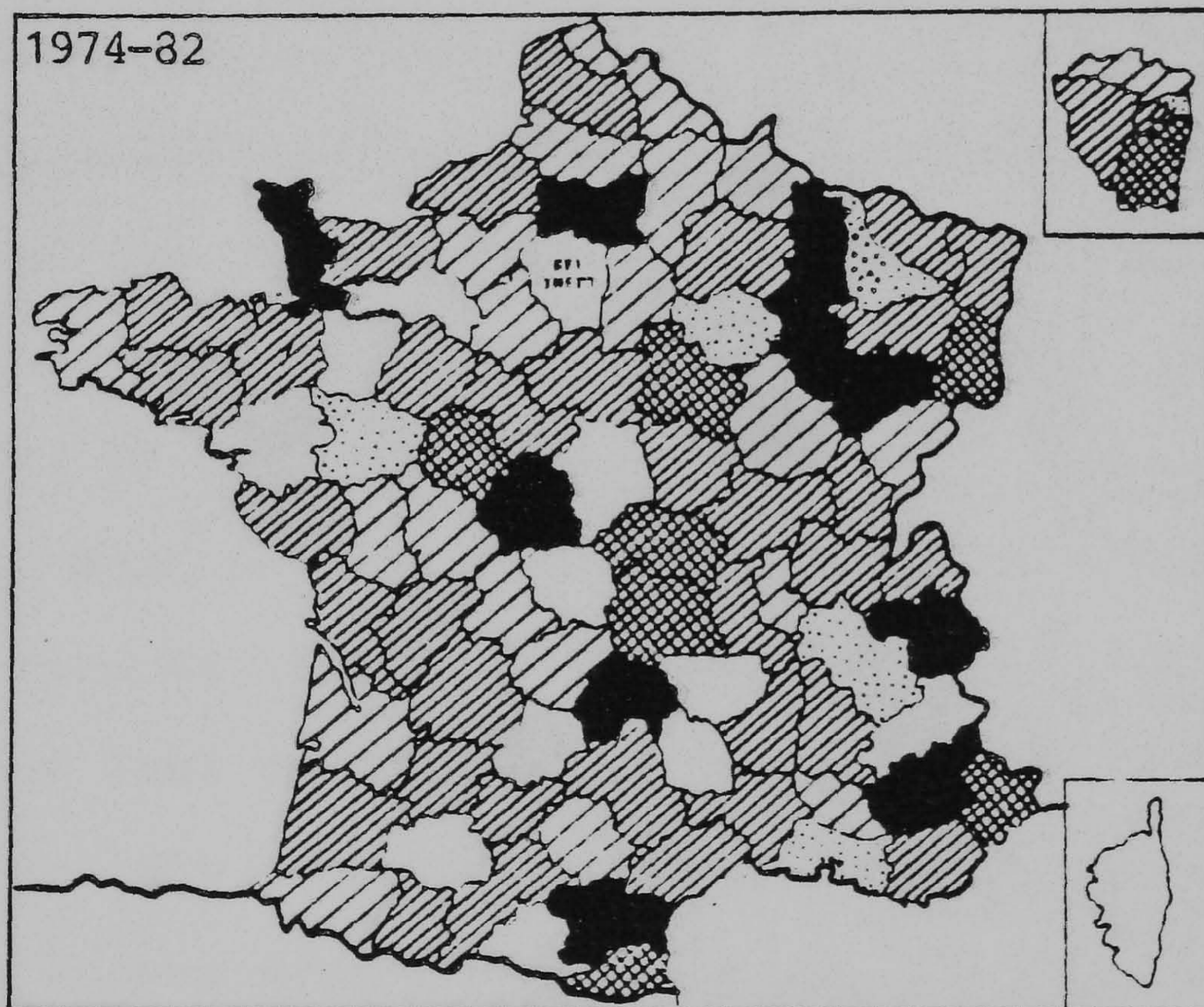
Although the applicants, especially "Grandes Surfaces"

Map 9.1 : CNUC - Proportion of Applications for New Retail Development Taken to Appeal.

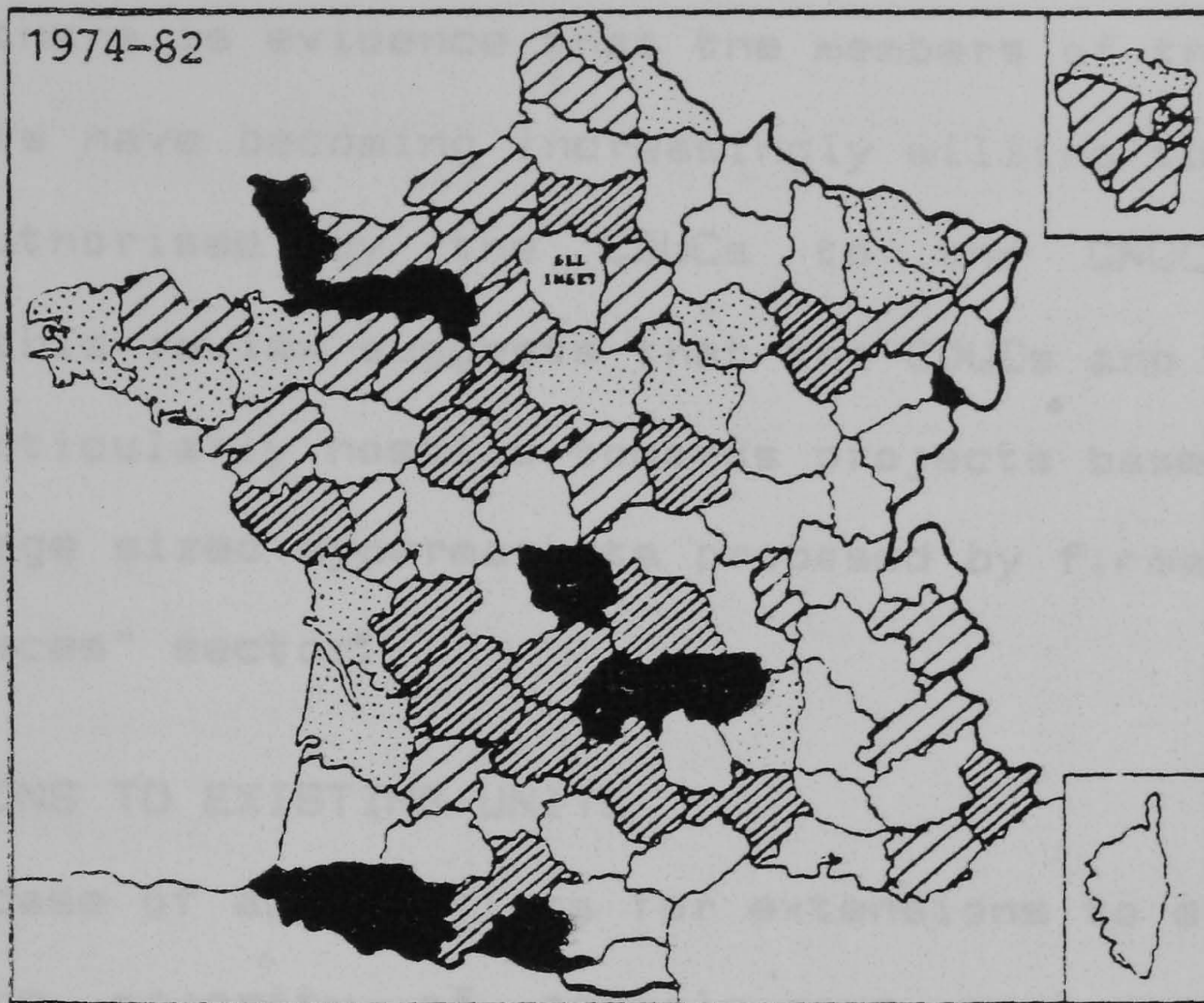
A) All Major New Developments 1975-1982.



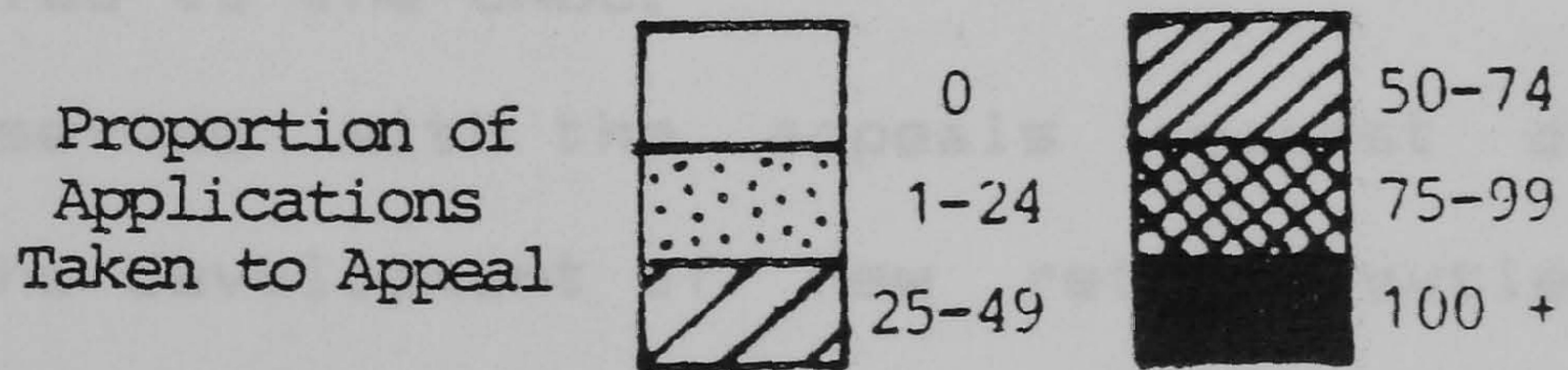
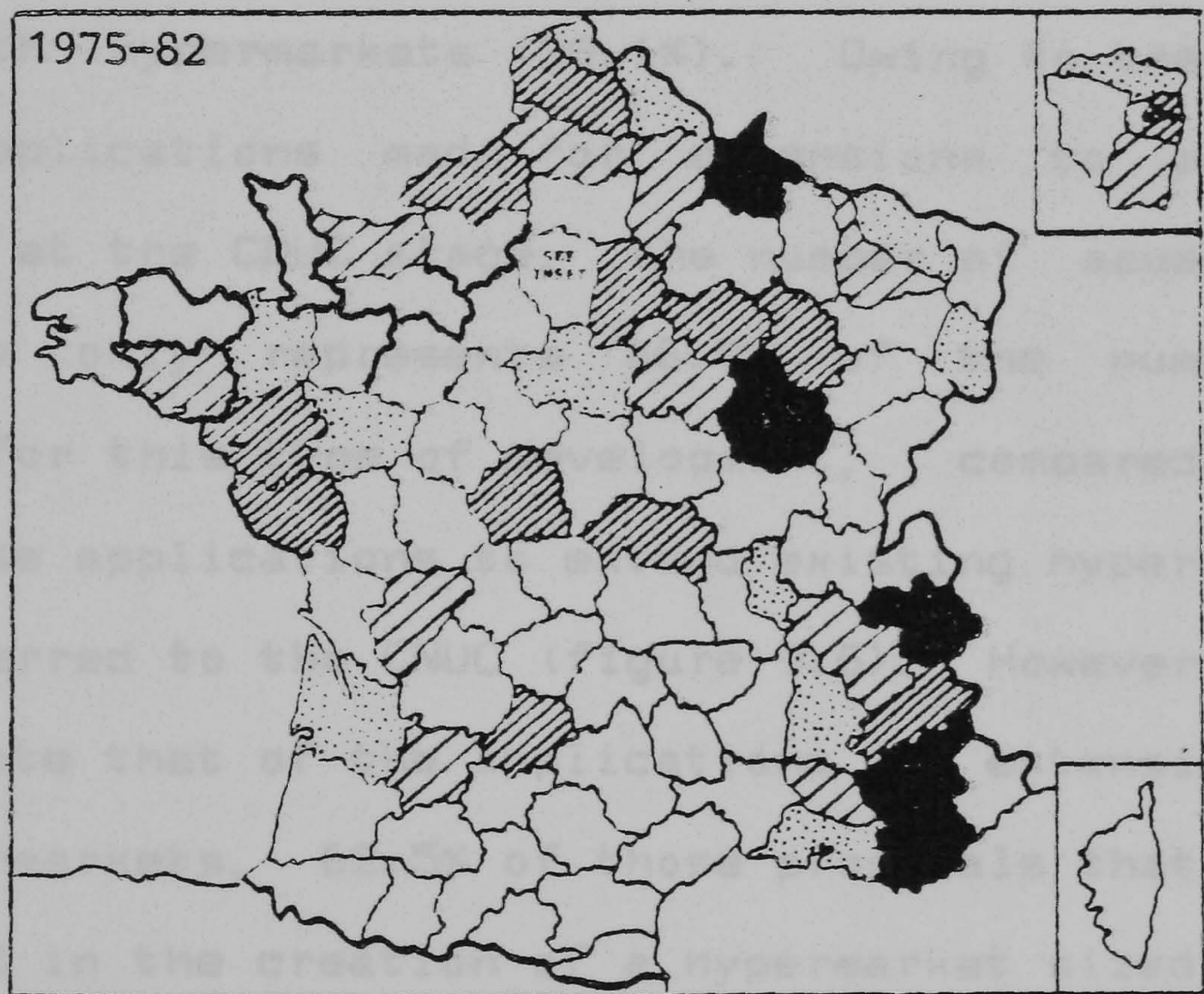
B) Based upon Hypermarkets 1974-1982.



C) Based upon Supermarkets 1974-1982.



D) Based upon Furniture/Household Goods Stores 1975-1982.



organisations, are the greatest exponents of the appeal procedure, there is evidence that the members of the CDUCs and the Préfets have becoming increasingly willing to refer projects authorised by the CDUCs to the CNUC. In particular, this review suggests that the CDUCs and Préfets have been particularly hostile towards projects based upon medium and large sized hypermarkets proposed by firms in the "Grandes Surfaces" sector.

## 9.2. EXTENSIONS TO EXISTING UNITS

In the case of applications for extensions to existing buildings, the majority of appeals have been made for proposals involving supermarkets (52.6%), followed by those concerned with hypermarkets (29.1%). Owing to the large number of applications made for extensions to existing supermarkets at the CDUC stage, the number of appeals in this category only represents 46.9% of the number of applications for this type of development, compared to the 52.3% of those applications to extend existing hypermarkets that were referred to the CNUC (figure 9.6). However, it is worthy of note that of the applications for extensions to existing supermarkets, 62.5% of those proposals that would have resulted in the creation of a hypermarket sized store have been referred to the CNUC.

As was observed with the appeals against decisions relating to the development of new retail outlets, the volume of appeals concerned with applications that were initially rejected by the CDUCs far outnumbered those for



Figure 9.6: CNUC - Applications for Extensions Taken to Appeal by Type of Proposal 1975-1982.

Type	Number of Applications	Number of Appeals	%
Hypermarkets	170	89	52.3
All Supermarkets	343	161	46.9
(Super. to Hyper.	80	50	62.5)
(Super. Only	263	111	42.2)
Furniture/Household Goods Stores	227	29	12.8
Department/Variety Stores	77	9	11.7
DIY Stores	57	18	31.6
All Types	874	306	35.0

applications that the CDUCs' accepted. The most spectacular example of this, is in the case of those proposals involving supermarket developments, for which eleven times more rejected than authorised applications were referred to the CNUC.

Reference to figure 9.2 shows that the proportion of all applications for extensions that were taken to appeal, mirrors the trends exhibited by the proportion of all applications for new developments, but exhibits a sharper rise, albeit from a lower original position, in the late 1970s. This trend, which brought the proportion of extension applications into line with that for new retail developments, may well have come about as low success rates for applications for new developments in the mid-late 1970s, and other economic factors relating to the costs of developing new stores, forced developers to consider a greater use of extensions to existing buildings as a means of maintaining growth.

As suggested earlier, the majority of the applications for extensions involving supermarkets that were taken to appeal, were those that had previously been rejected by the CDUCs (91.9%). Furthermore, the appeals against rejected supermarket proposals represented 61.9% of all the proposals for these types of extensions that the CDUCs rejected. In contrast, only 12.5% of supermarket extensions that the CDUCs authorised were taken to appeal.

In view of the suggested changes in development

strategies pursued by organisations, placing greater emphasis upon smaller hypermarket and large supermarket developments (which could be enlarged to hypermarket status at a later date), the characteristics of those applications for extensions to existing supermarkets that would result in hypermarket sized stores, are particularly interesting. Since 1977, although the total numbers of proposals falling into this category have been low, over two thirds of the applications for this type of project that were rejected by the CDUCs have been taken to appeal. All the different organisational sectors have applied against rejections for this type of development with equal vigour.

Of the applications for extensions to existing hypermarkets, 64.5% of those rejected by the CDUCs were taken to appeal by the applicant, compared to the 30.3% of those authorised by the CDUCs that were referred to the CNUC by members of the CDUCs or the Préfet. The members of the CDUCs and the Préfets appear to have been equally hostile to projects of this type irrespective of the nature of the proposing organisation. In the case of applications put forward by organisations in the "Grandes Surfaces", branch multiple and independent categories, approximately a third of the projects authorised by the CDUCs have been appealed against. All organisational types have appealed against rejected applications to a similar degree. These figures suggest that applications for extensions to existing hypermarkets are viewed with less hostility by the members of the CDUCs and the Préfets than projects proposing new

stores.

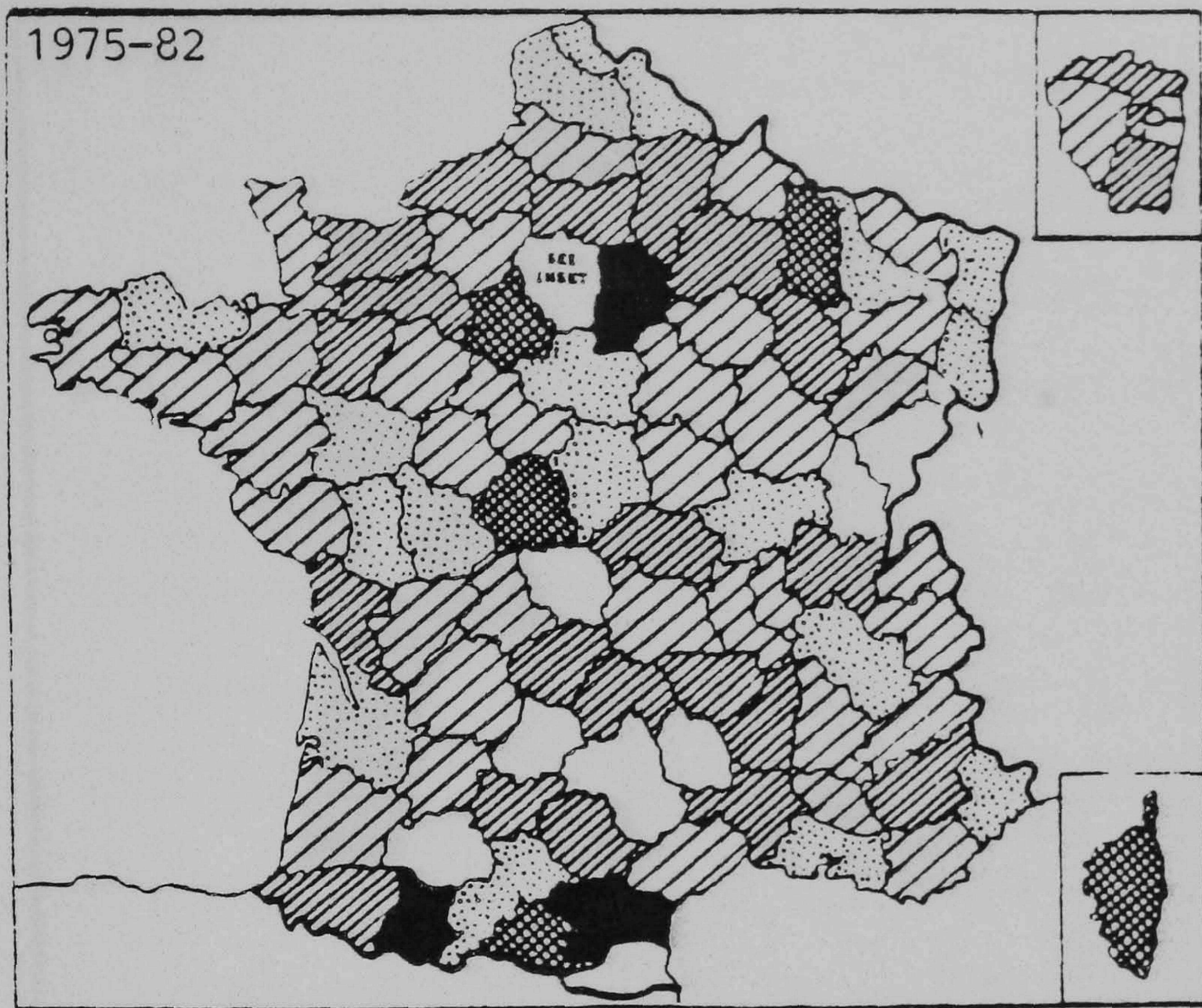
The spatial pattern of the proportion of applications for extensions that have been taken to appeal (map 9.2) again largely reflects the number of applications made in each département, with areas of relatively few applications experiencing a greater proportion of appeals.

Analysis of the appeals made to the CNUC for extensions to existing units reveals that most appeals are for projects concerned with supermarkets. The low proportions of applications that were initially authorised by the CDUCs, which are then taken to appeal by members of the CDUC or the Préfet, suggests that this type of proposal is viewed as less damaging to the existing retail structure of the département than projects for new retail developments.

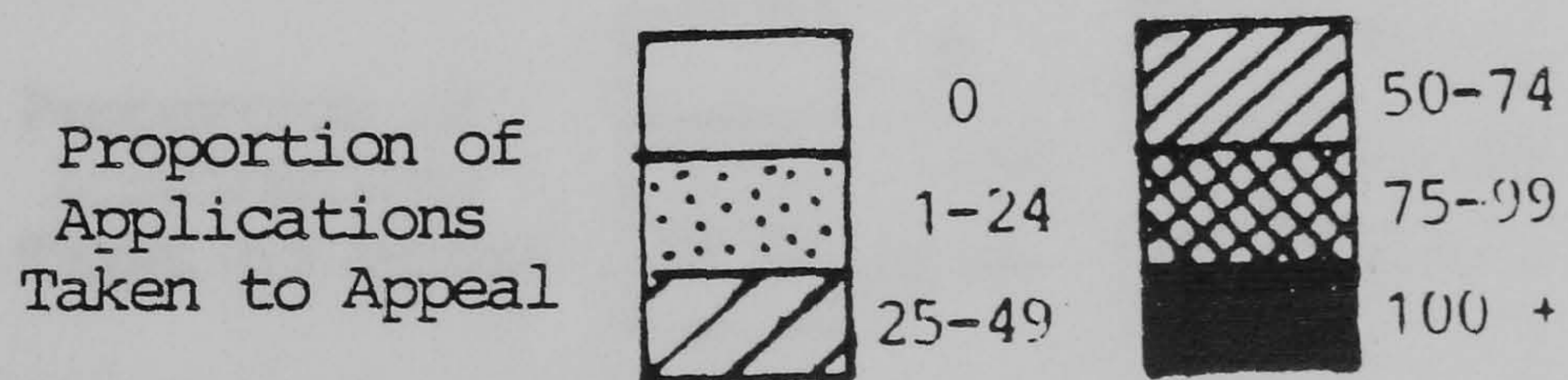
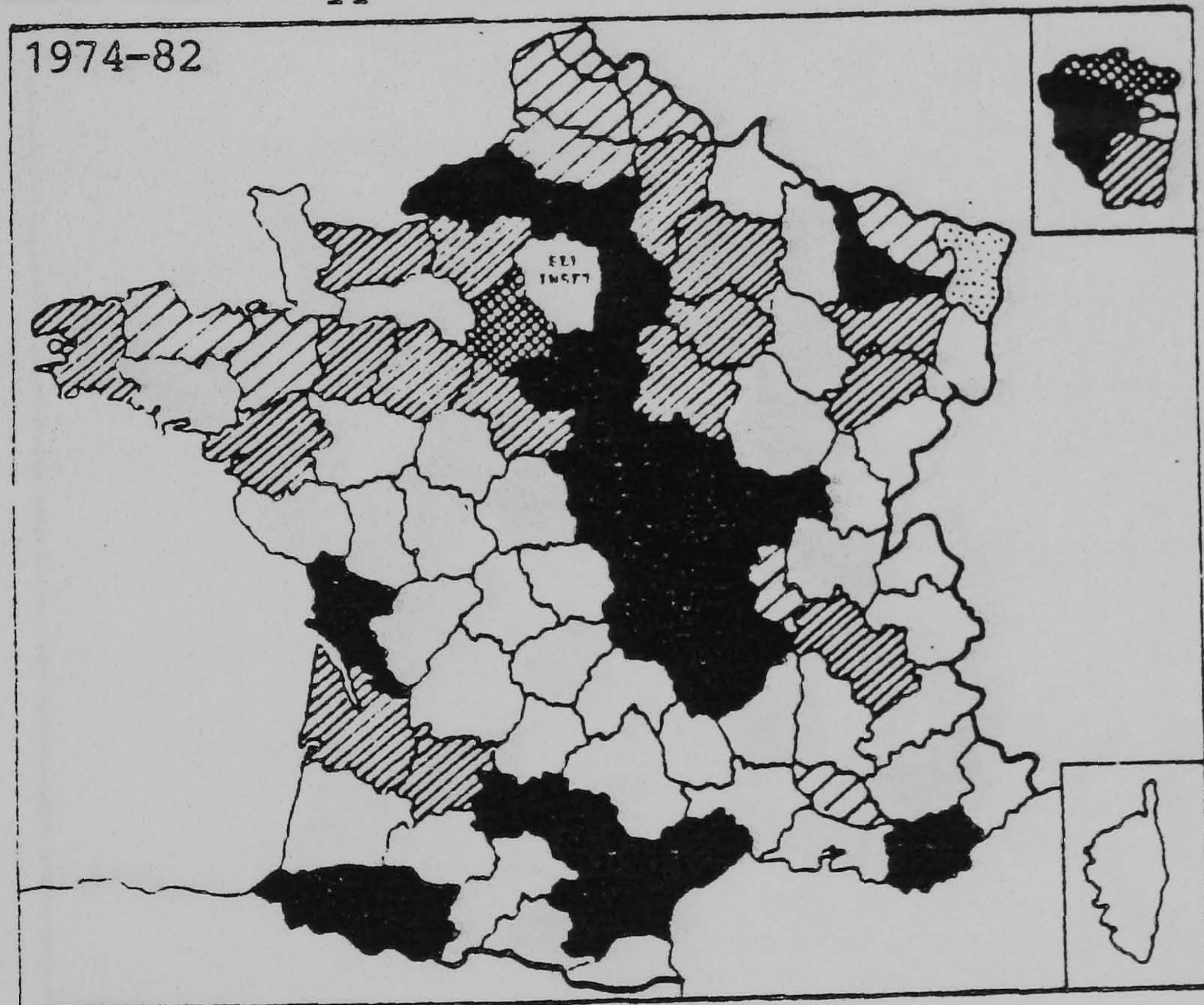
The importance of the extension application should not, however, be underestimated in view of the increasing number of new hypermarkets that are derived from extending existing supermarket floorspace. This is emphasised by the rising number of applications for extensions to supermarkets that would create a hypermarket that are taken to appeal by developers. This would seem to indicate that applicants are making increasing use of this method of expansion in their development strategies, particularly in view of the severity with which the CDUCs are dealing with applications for new hypermarkets.

Map 9.2 : CNUC - Proportion of Applications for Extensions to Existing Stores Taken to Appeal.

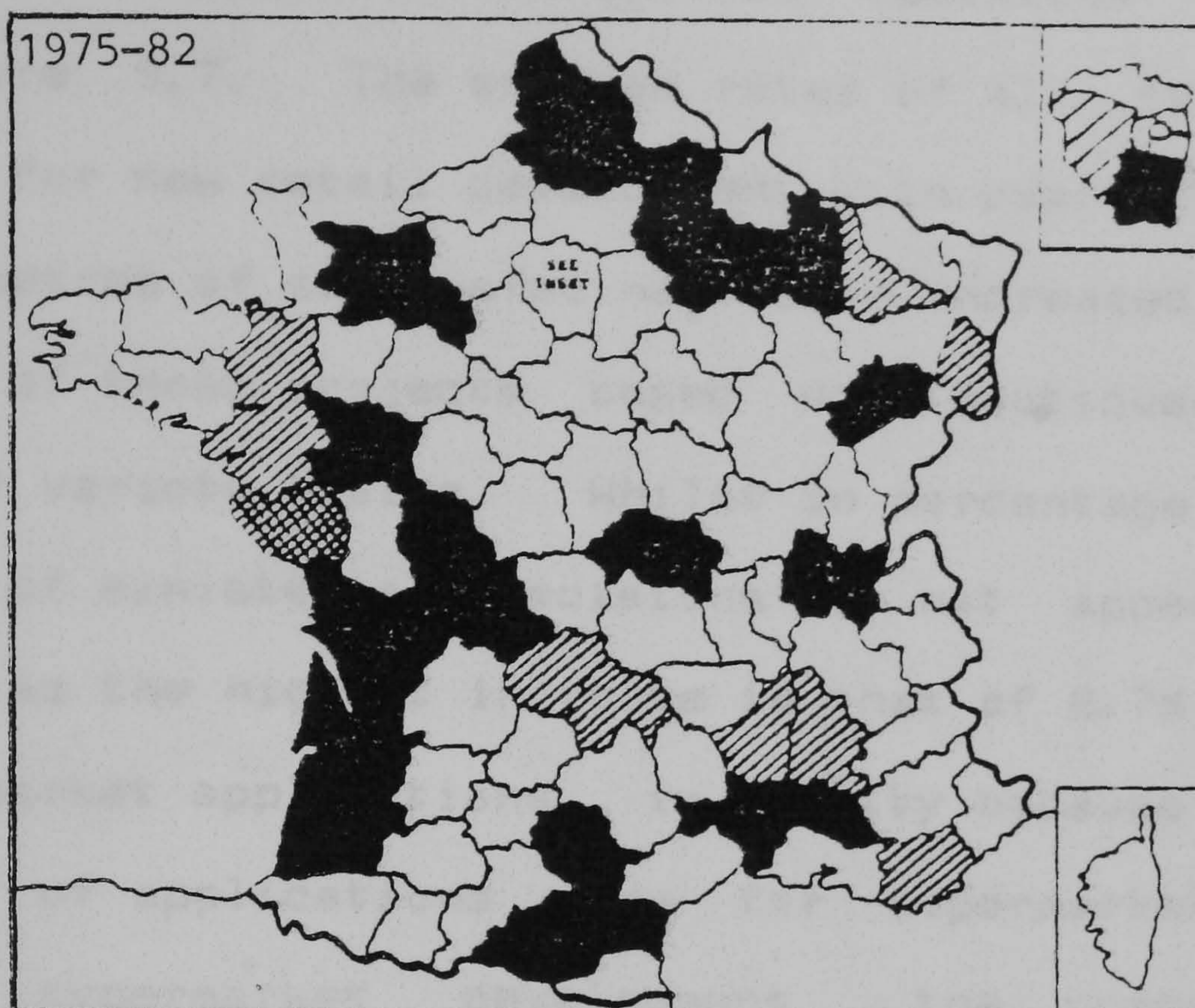
A) All Extensions 1975-1982.



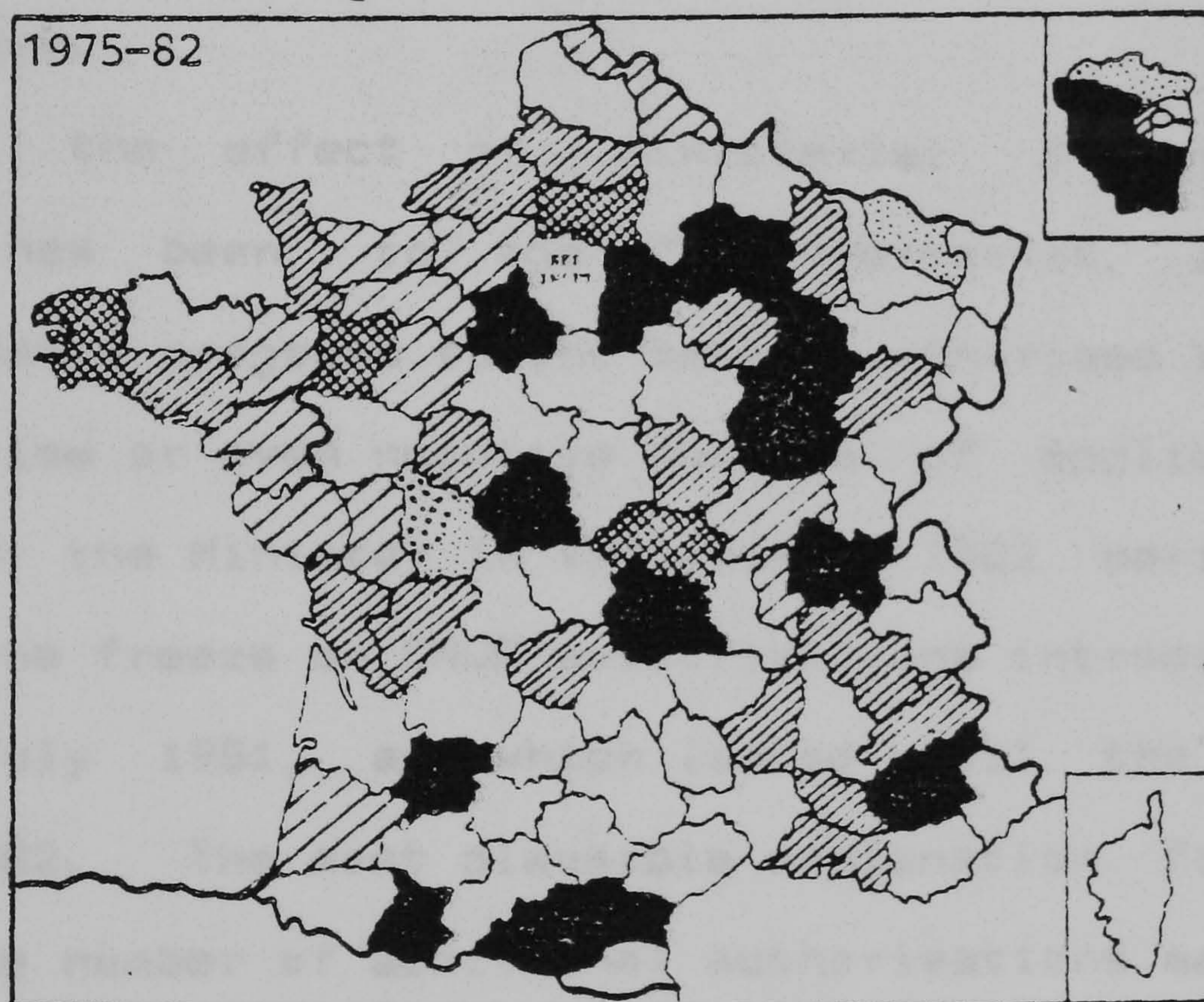
B) Extensions to Hypermarkets 1974-1982.



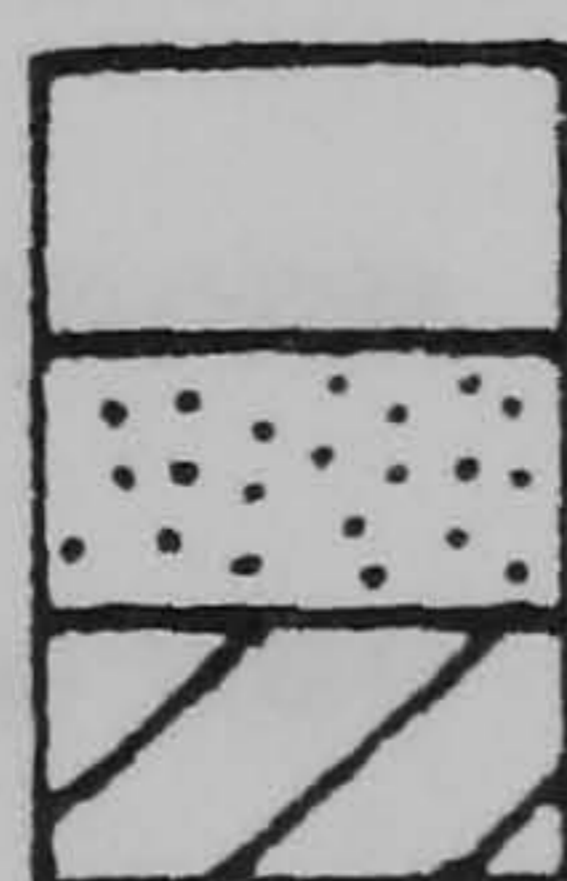
C) Extensions Enlarging Supermarkets to Hypermarkets 1975-1982.



D) Extensions to Supermarkets 1975-1982.



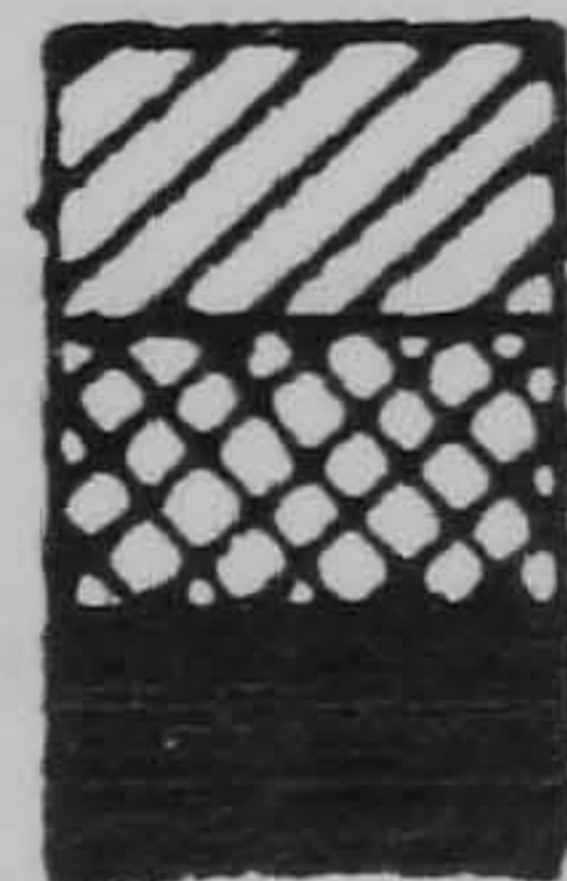
Proportion of  
Applications  
Taken to Appeal



0

1-24

25-49



50-74

75-99

100 +

### 9.3. MINISTERIAL IMPACT

The overall impact of ministerial decisions can be seen in figure 9.7. The success rates of all types of applications for new retail development with over 1,000 or 1,500 square metres of sales area have been increased, with the exception of those projects based upon boutiques, and department or variety stores. Whilst in percentage terms the effects of ministerial decisions may not appear too significant, as the highest increase is that of 8.7% in the case of supermarket applications, in reality because of the large number of applications made for supermarket, and particularly hypermarket development, the number of additional units authorised by the Minister becomes an important factor.

In all, the effect of Ministerial intervention (figure 9.8) has been to add 37 supermarket, and 24 hypermarket based projects to the totals authorised by the CDUCs. The low or even negative numbers of applications authorised by the Minister in the 1981 to 1982 period is explained by the freeze on CNUC authorisations introduced by Delelis in July 1981, and which lasted until the first quarter of 1982. The most plausible explanation for the decline in the number of additional authorisations made by the Minister in 1980 is the imminence of the Presidential elections, prior to which the Minister was less likely to overturn CDUC decisions and hence risk the wrath of voters.

The Minister has overturned 36.7% of all the appeals made against CDUC decisions for projects concerned with

Figure 9.7: Effect of Ministerial Decisions upon Success Rates 1975-1982.

Type of Application	Success Rates (%)		
	CDUC	CNUC	Difference
All Major New Developments	38.5	42.3	+ 3.8
Hypermarkets *	20.5	23.4	+ 2.9
Supermarkets *	47.8	56.5	+ 8.7
Furniture & H'hold G'ds	57.8	62.0	+ 4.2
Department/Variety Stores	42.9	42.9	-
DIY Stores	46.9	48.6	+ 1.7
Boutiques	67.0	67.0	-
All Extensions	47.8	61.0	+ 13.2
Hypermarkets *	37.5	53.4	+ 15.9
All Supermarkets	30.3	49.3	+ 19.0
(Super. to Hyper.	12.5	37.5	+ 25.0)
Furniture & H'hold G'ds	70.9	76.7	+ 5.8
Department/Variety Stores	71.4	77.9	+ 6.5
DIY Stores	59.6	70.2	+ 10.6

\* NB Figures marked by an asterix are for 1974-1982 period.



Figure 9.8: Numerical Effect of Ministerial Decisions - New Major Developments.

Ministerial Effect on Number of CDUC Authorisations

Date	Hyper.	Super.	Furniture & H'hold G'ds	Dept. / Variety Stores	DIY Stores	Boutique
1974	+ 12	+ 4	N/A	N/A	N/A	N/A
1975	+ 4	+ 1	0	0	0	0
1976	- 4	+ 4	+ 4	- 1	0	0
1977	- 1	+ 5	- 1	+ 1	0	0
1978	+ 6	+ 10	+ 4	0	0	+ 2
1979	+ 7	+ 9	+ 6	0	+ 4	0
1980	- 1	+ 7	+ 1	0	- 1	- 1
1981	0	- 2	+ 1	0	- 1	- 1
1982	+ 1	- 1	0	0	+ 1	0
1974-82	+ 24	+ 37	+ 15	0	+ 3	0

supermarket development. However, only since 1981 (with the exception of one appeal in 1974) has the Minister overturned CDUC authorisations. Meanwhile, 42% of the appeals, brought by the applicants, against CDUC rejections have been transformed into authorisations by the Minister. Only in one year before 1980 did the Minister fail to overturn less than 50% of the appeals made by applicants against rejections received by a project at the CDUC level.

When appeals made against CDUC decisions concerned with hypermarket based projects are considered, over 100 (22.9%) of the appeals brought before the CNUC have been overturned. In this instance, however, the Minister seems to be firmly on the side of the CDUC members or Pr<sup>é</sup>fets, upholding 52.6% of the appeals made by these groups against authorisations made at the CDUC level. In particular, the Minister is very severe upon projects put forward by independents, upholding 72.7% of the appeals brought against CDUC authorisations for projects proposed by these groups by the members of the CDUC or Pr<sup>é</sup>fet.

In contrast, only 16.9% of the appeals made by applicants against CDUC rejections of hypermarket proposals have received Ministerial support. Only the high volume of appeals made by applicants against CDUC rejections has ensured that an additional, previously rejected, 24 hypermarket projects were authorised following the CNUC stage.

The Minister appears to have authorised previously

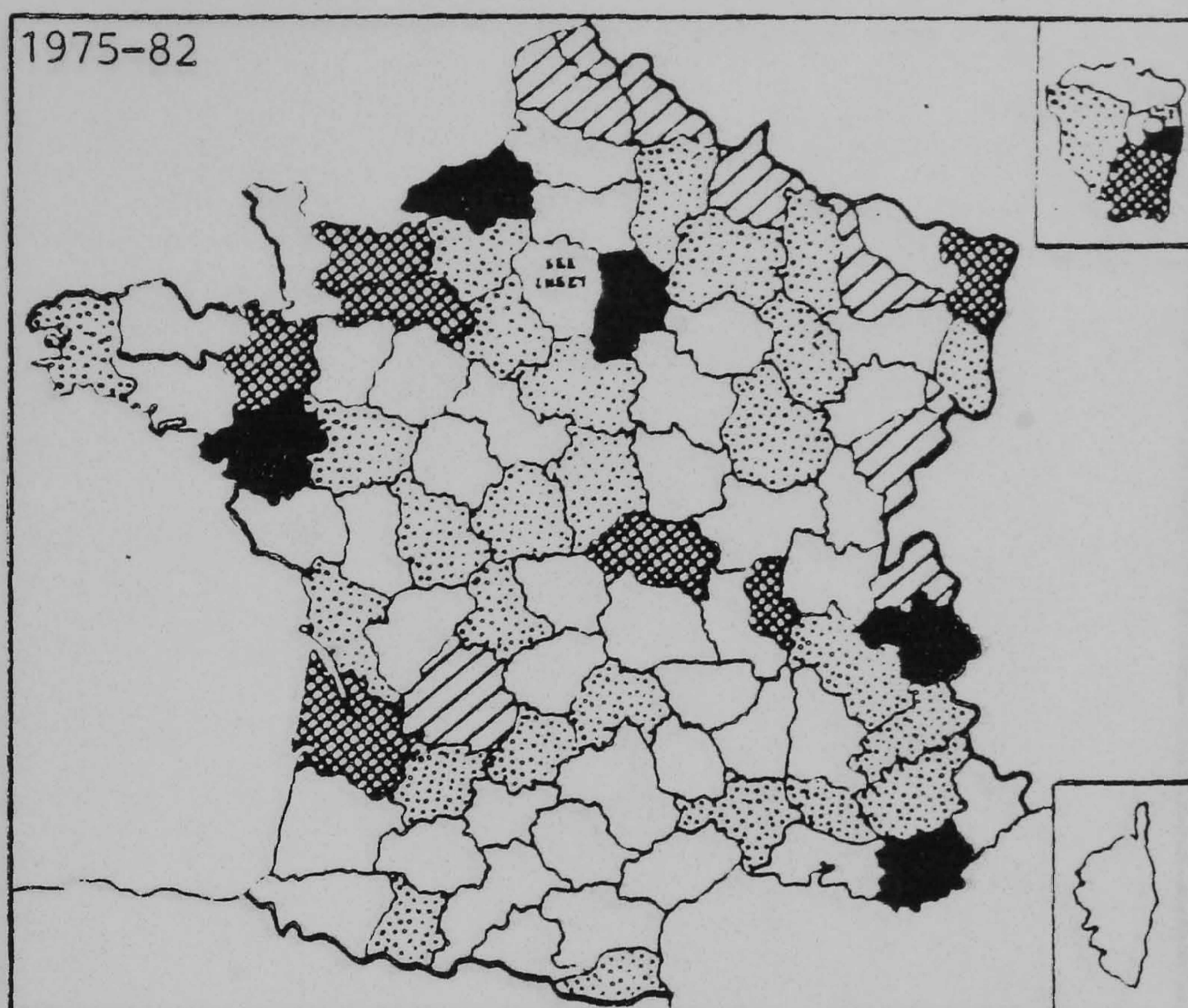
rejected applications in départements where a large number of applications have been made, but where the success rate has not been particularly high (map 9.3). Into this category fall the départements of Savoie (73), Calvados (14), Seine-Maritime (76), Orne (61), Loire-Atlantique (44), and Ille-et-Vilaine (35) - largely départements on the fringes of the major market areas. There is no obvious spatial pattern to the areas in which the Minister has overturned previously authorised projects.

When considering only supermarket and hypermarket applications (maps 9.4 and 9.5), the Minister again appears to have overturned previously rejected decisions in départements with high numbers of applications, but generally low success rates. For example, Loire-Atlantique (44), Charente-Maritime (17), Calvados (14), Seine-Maritime (76), Seine-et-Marne (77) and Val-de-Marne (94) in the case of supermarket applications, and Ille-et-Vilaine (35), Saône-et-Loire (71), Rhône (69), Nord (59), Haute-Savoie (74), Savoie (73) and Bas-Rhin (67) for hypermarket applications.

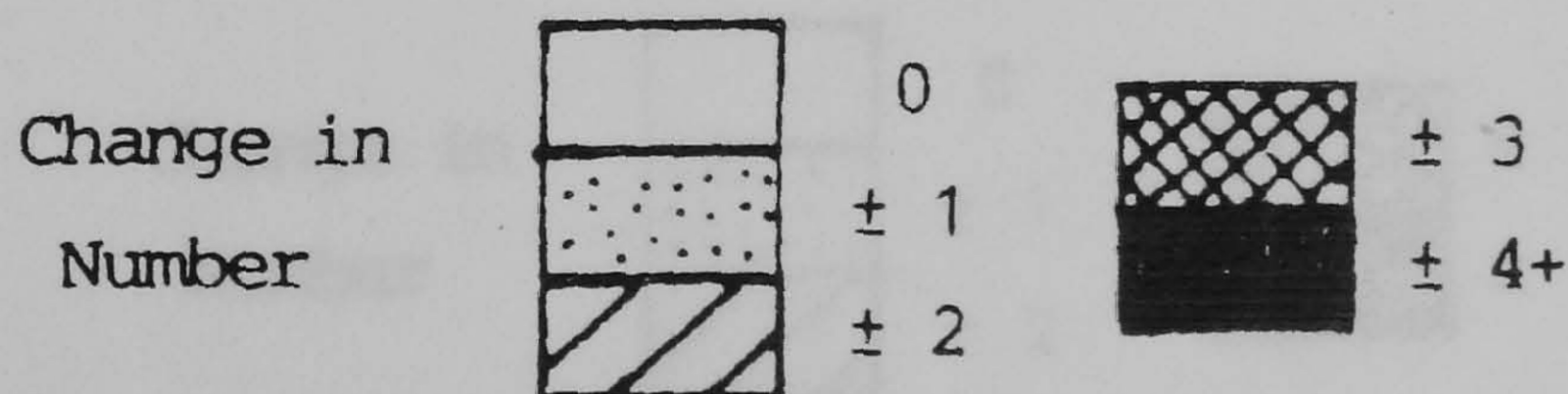
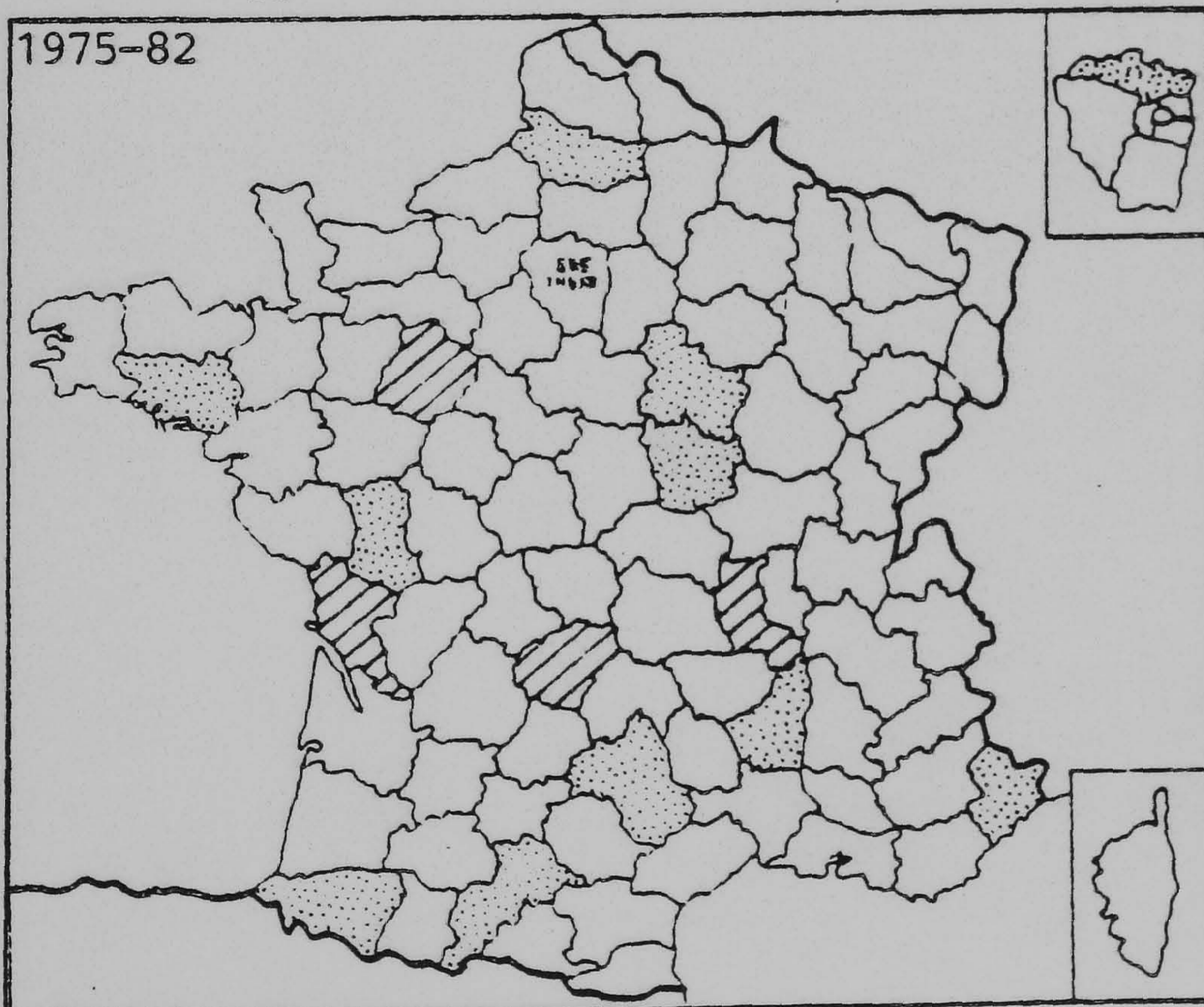
There is a less apparent pattern to the originally authorised applications that have since been overturned by the Minister. Some départements correspond to those where few applications took place, but where success rates were high such as the Somme (80), Oise (60), and Aisne (02) for hypermarkets. Whilst others correspond to areas with high numbers of applications for hypermarket development, but low success rates, such as the Loire (42), Ain (01), Sarthe

Map 9.3 : CNUC - Overall Effect of Ministerial Decisions upon Applications for New Retail Developments 1975-1982.

A) Additional Applications Authorised.

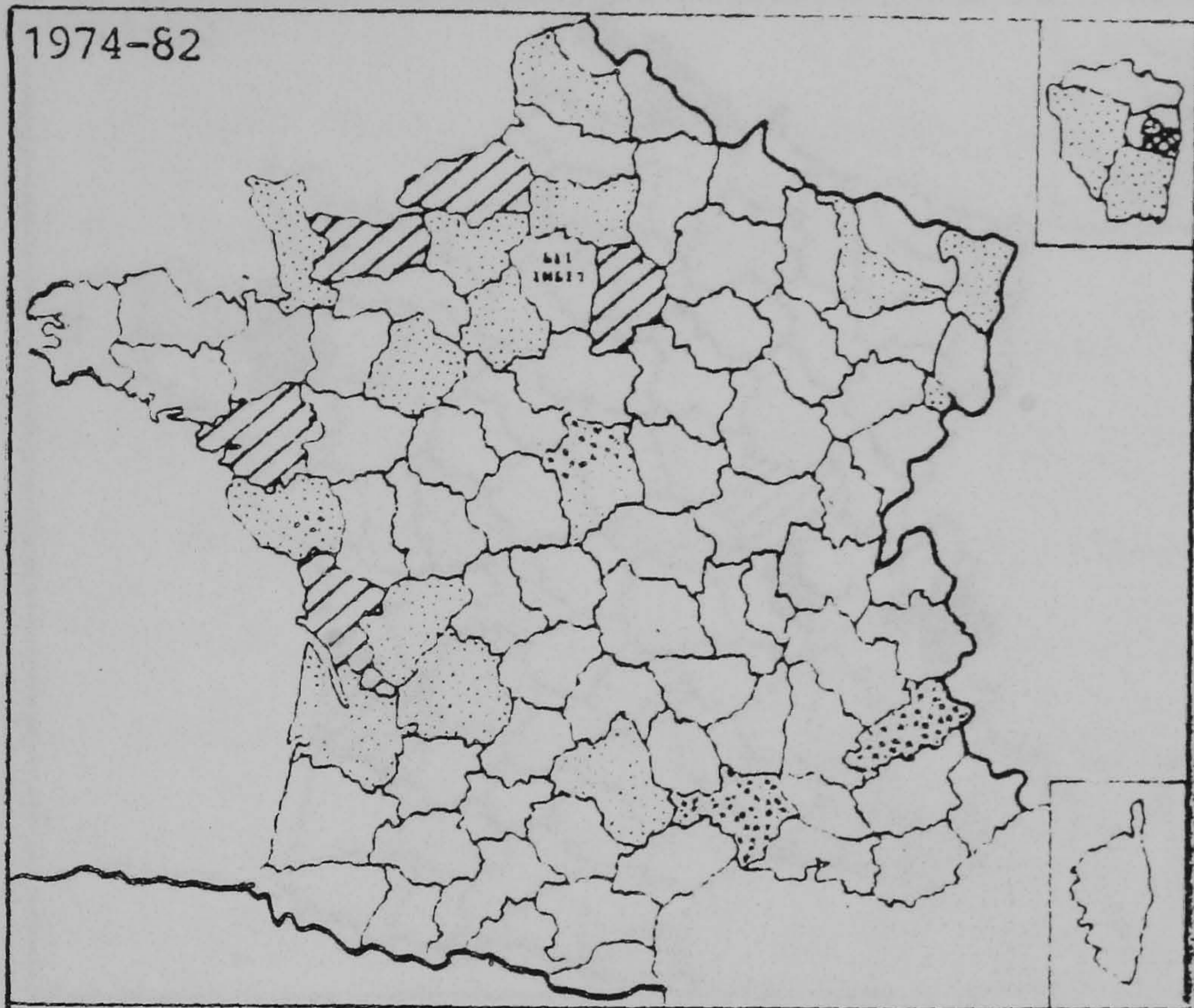


B) Additional Applications Rejected.

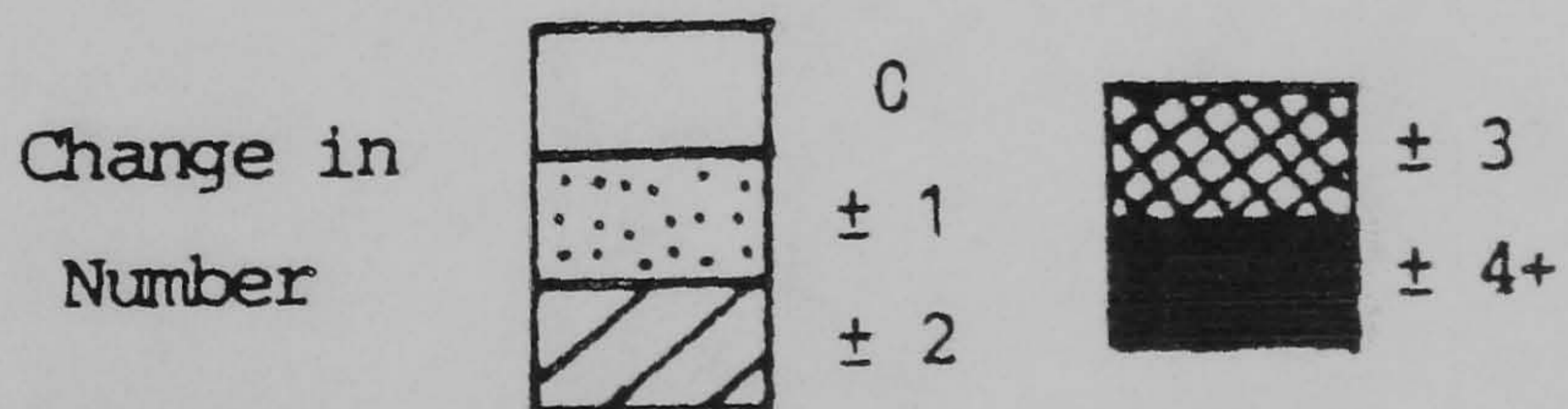
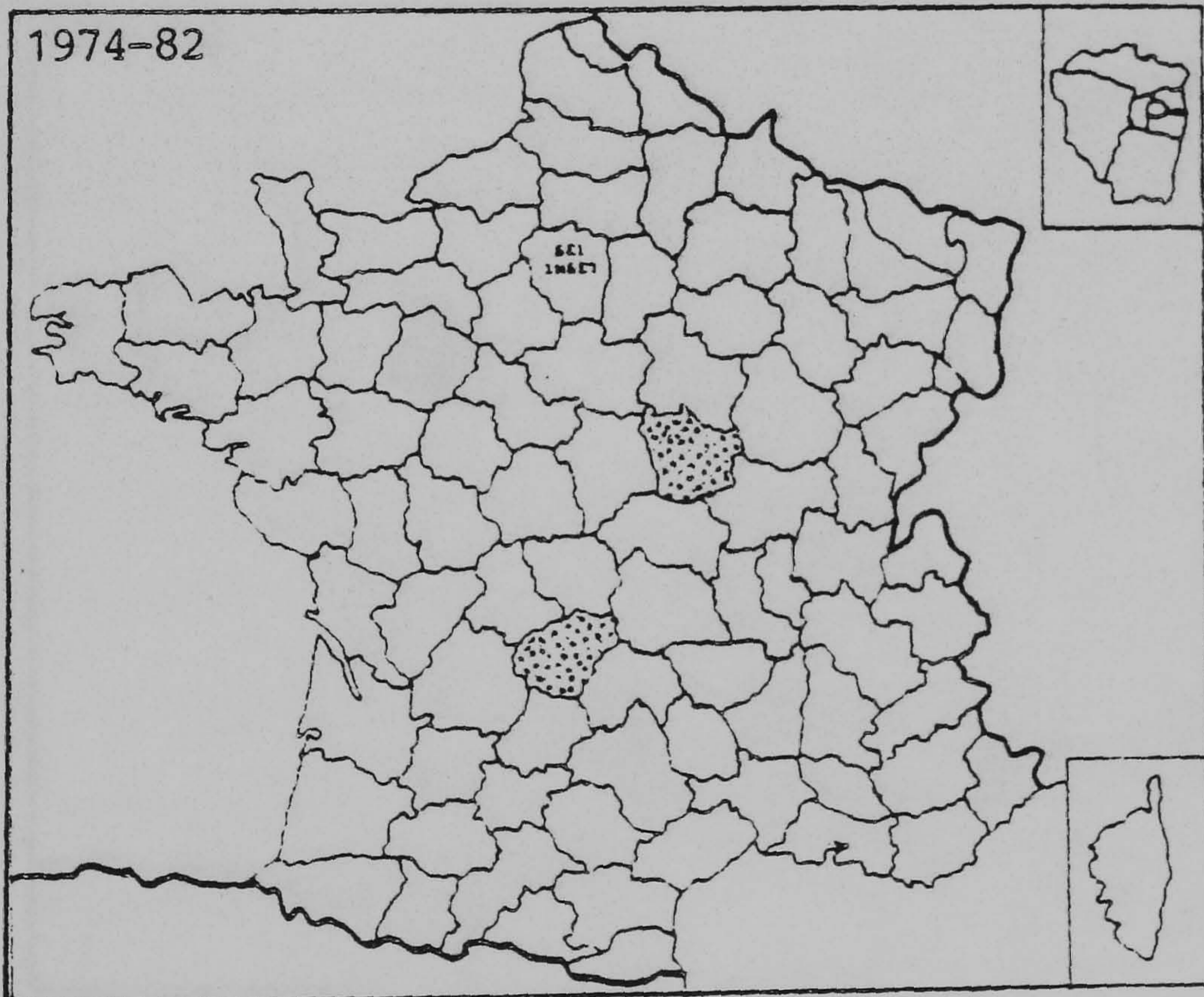


Map 9.4 : CNUC - Overall Effect of Ministerial Decisions upon Applications based upon Supermarkets 1974-1982.

A) Additional Applications Authorised.

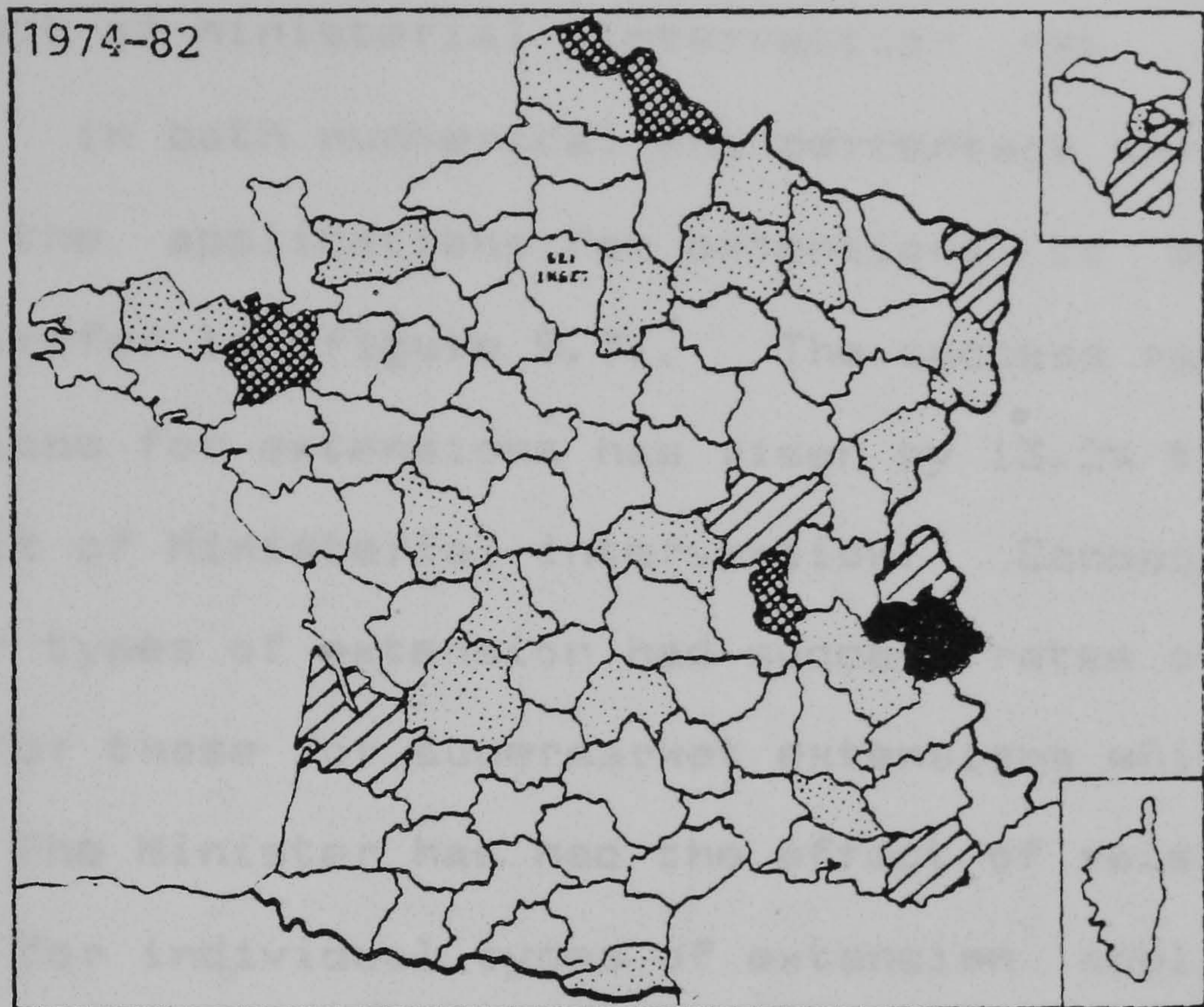


B) Additional Applications Rejected.

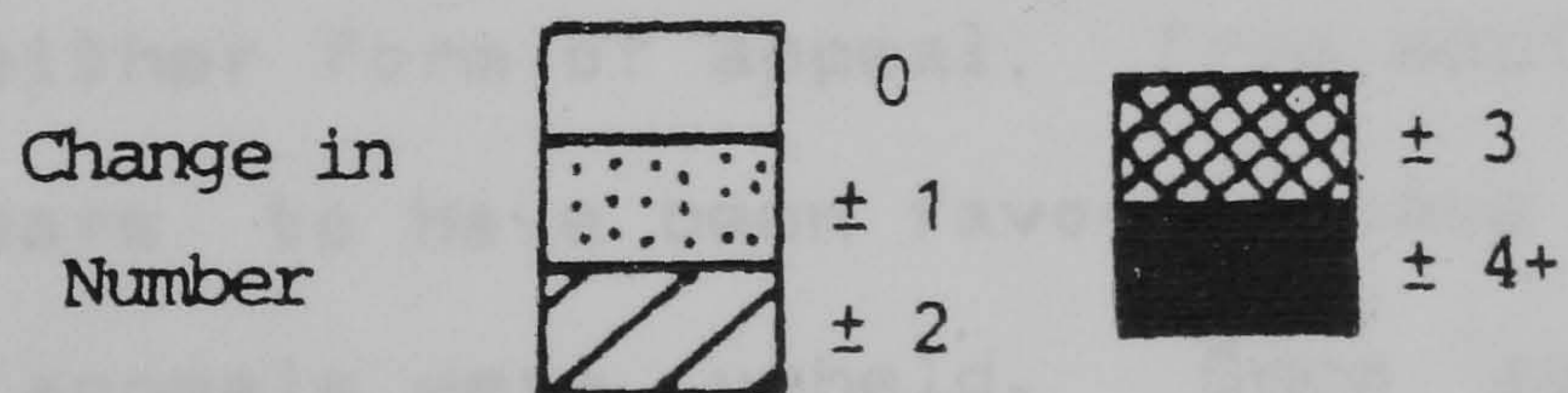
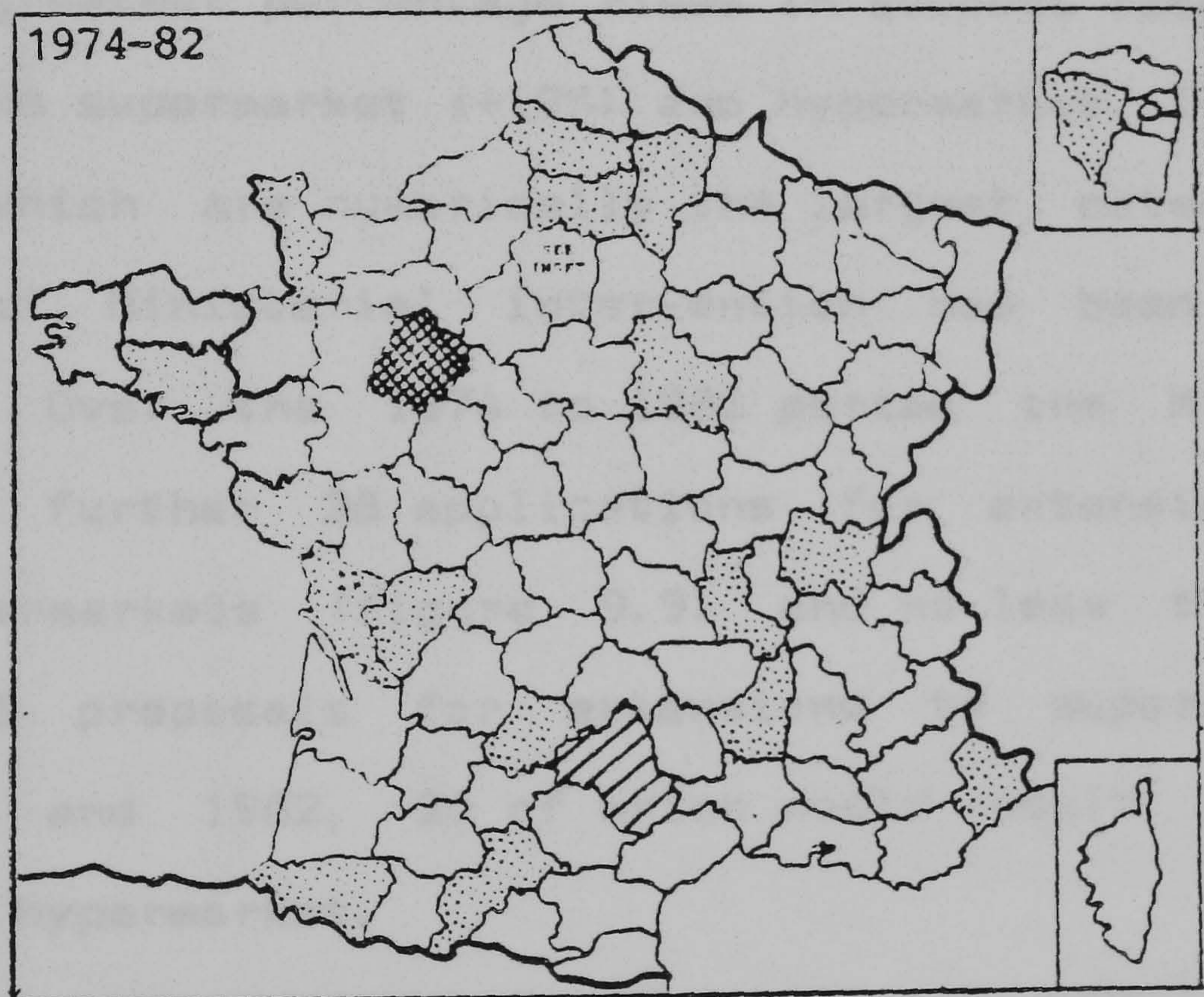


Map 9.5 : CNUC - Overall Effect of Ministerial Decisions upon Applications based upon Hypermarkets 1974-1982.

A) Additional Applications Authorised.



B) Additional Applications Rejected.



(72), and Morbihan (56).

The effect of Ministerial intervention has, however been greatest, in both numerical and percentage terms, in relation to the applications for extensions to existing developments (refer to figure 9.7). The success rate for all applications for extensions has risen by 13.2% to over 60% as a result of Ministerial intervention. Consequently, all the major types of extension had success rates of over 50%, except for those for supermarket extensions which rose to 49.3%. The Minister has had the effect of raising the success rates for individual types of extension application by between 5.8 and 19%.

As the greatest percentage rises in success rates have occurred in the supermarket (+19%) and hypermarket (+15.9%) categories, which are numerically the largest categories, the effect of Ministerial intervention has been quite significant. Over the 1974 to 1982 period the Minister authorised a further 28 applications for extensions to existing hypermarkets (figure 9.9) and no less than an additional 65 proposals for extensions to supermarkets between 1975 and 1982, 20 of which would result in the creation of a hypermarket.

Over the study period, 54.9% of all the appeals made concerning extensions to existing hypermarkets were upheld by the CNUC. Neither form of appeal, from applicant or CDUC/Préfet, appears to have been favoured and in both instances 55% of appeals were upheld. Once again, the

Figure 9.9: Numerical Effect of Ministerial Decisions - Extensions.

Ministerial Effect on Number of CDUC Authorisations

Date	Hyper.	Super. to Hyper.	Super. Only	Furniture & H'hold G'ds	Dept. / Variety Stores	DIY Stores
1974	+ 1	N/A	N/A	N/A	N/A	N/A
1975	+ 2	+ 1	+ 1	+ 2	0	N/A
1976	+ 6	0	+ 2	0	+ 1	N/A
1977	+ 2	+ 4	+ 4	+ 2	+ 2	N/A
1978	+ 5	+ 5	+ 13	+ 1	0	+ 3
1979	+ 10	+ 7	+ 13	+ 4	0	+ 2
1980	+ 4	+ 3	+ 9	+ 5	+ 1	+ 1
1981	- 3	- 1	0	- 1	+ 1	0
1982	+ 1	+ 1	+ 3	0	0	0
1974-82	+ 28	+ 20	+ 45	+ 13	+ 5	+ 6



numerical superiority of appeals made by applicants against CDUC rejections accounted for the overall numerical increase in authorisations. There is no real distinction in the Minister's response to appeals made by different organisational groups.

Following the intervention of the CNUC, 47.8% of all applications for extensions to supermarkets that were taken to appeal were altered. The Minister was equally severe on each form of appeal, upholding 46.2% of the appeals made by the CDUC/Préfet against previous authorisations, and 47.9% of those made by applicants against CDUC refusals. The excess of applicant appeals over CDUC/Préfet appeals has resulted in the net gain of 65 authorisations in this category.

A distinction should be made between those supermarket extensions that would lead to the creation of a hypermarket, and those that would not, particularly in view of the increasing number of applications for this type of development made to the CDUCs. Of the appeals lodged against decisions concerning this form of extension, 52% have resulted in the reversal of the original decision.

The consequent rise in the number of authorisations for this type of extension by a further 20 units, which trebles the CDUC success rate, is due to the fact that 11 times more appeals were made by the applicants than by the CDUC/Préfet. The Minister was especially favourable to CDUC/Préfet appeals, upholding 75%, compared to 50% for those sponsored by the applicant.

Thus, as was the case with extensions for existing hypermarkets, the additional authorisations gained following Ministerial intervention were only achieved because of the large numbers of appeals placed before the minister by the applicants, compared with the volume of appeals made by the CDUC/Préfet, as the CNUC appeared to favour neither form of appeal.

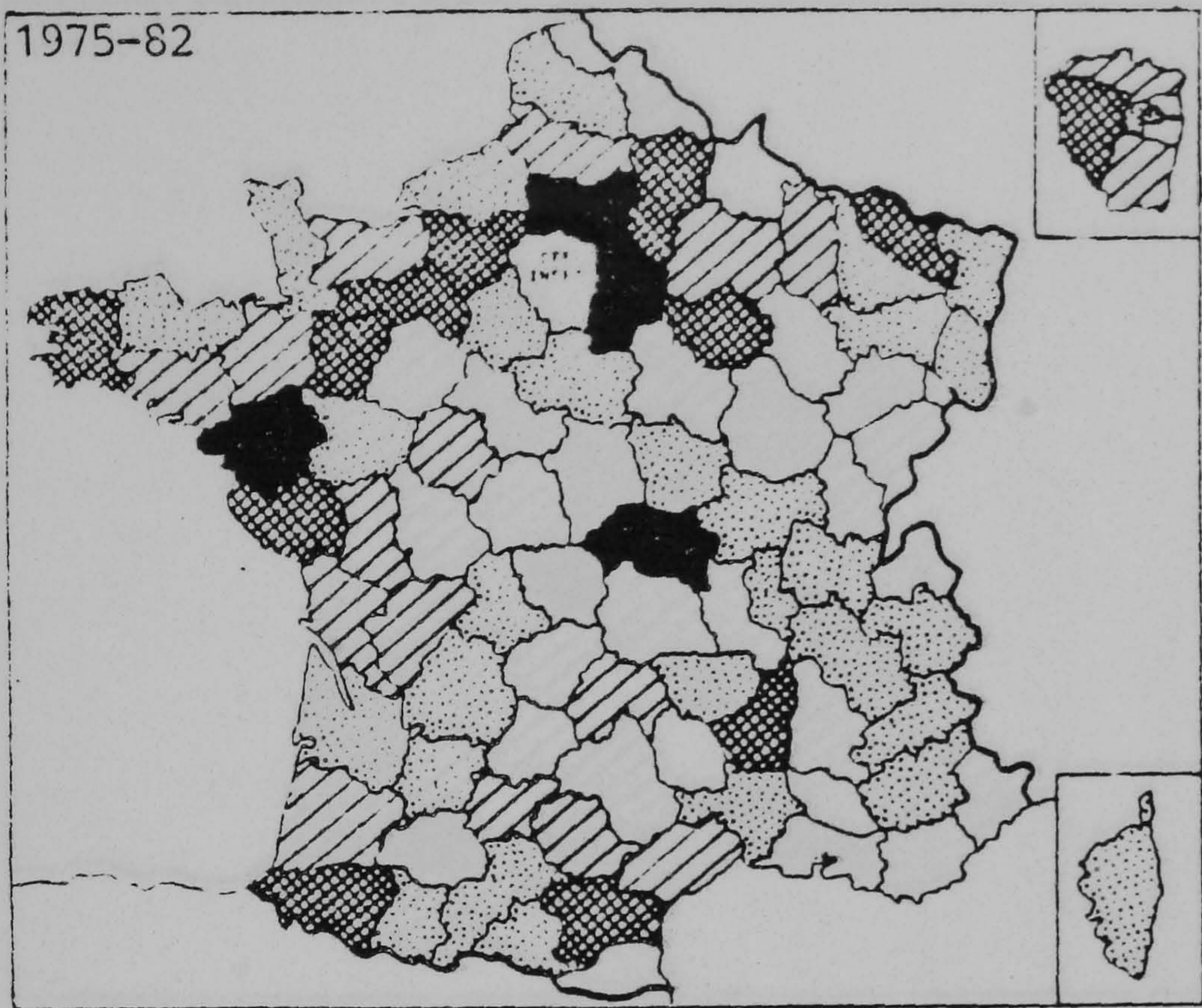
There are no obvious spatial patterns to Ministerial decisions concerned with extension applications (map 9.6). Applications rejected by the CDUCs have been authorised by the Minister in the départements with fairly low success rates irrespective of the number of applications made therein, for example around Paris, Brittany and the West Coast, where the volume of applications was high, and in those along the Spanish and Swiss/Italian borders, where few applications were made. Decisions have also been overturned in areas with high numbers of applications and fairly high success rates, such as Alsace-Lorraine.

The overall effect of all Ministerial decisions has been to intensify the success rates achieved by all categories of applications in certain areas (maps 9.7 and 9.8). This is particularly true in the case of extensions, where the number of départements with less than a 50% success rate has been reduced from 47 to 22. The corresponding reduction for applications for new retail developments has been from 72 to 61.

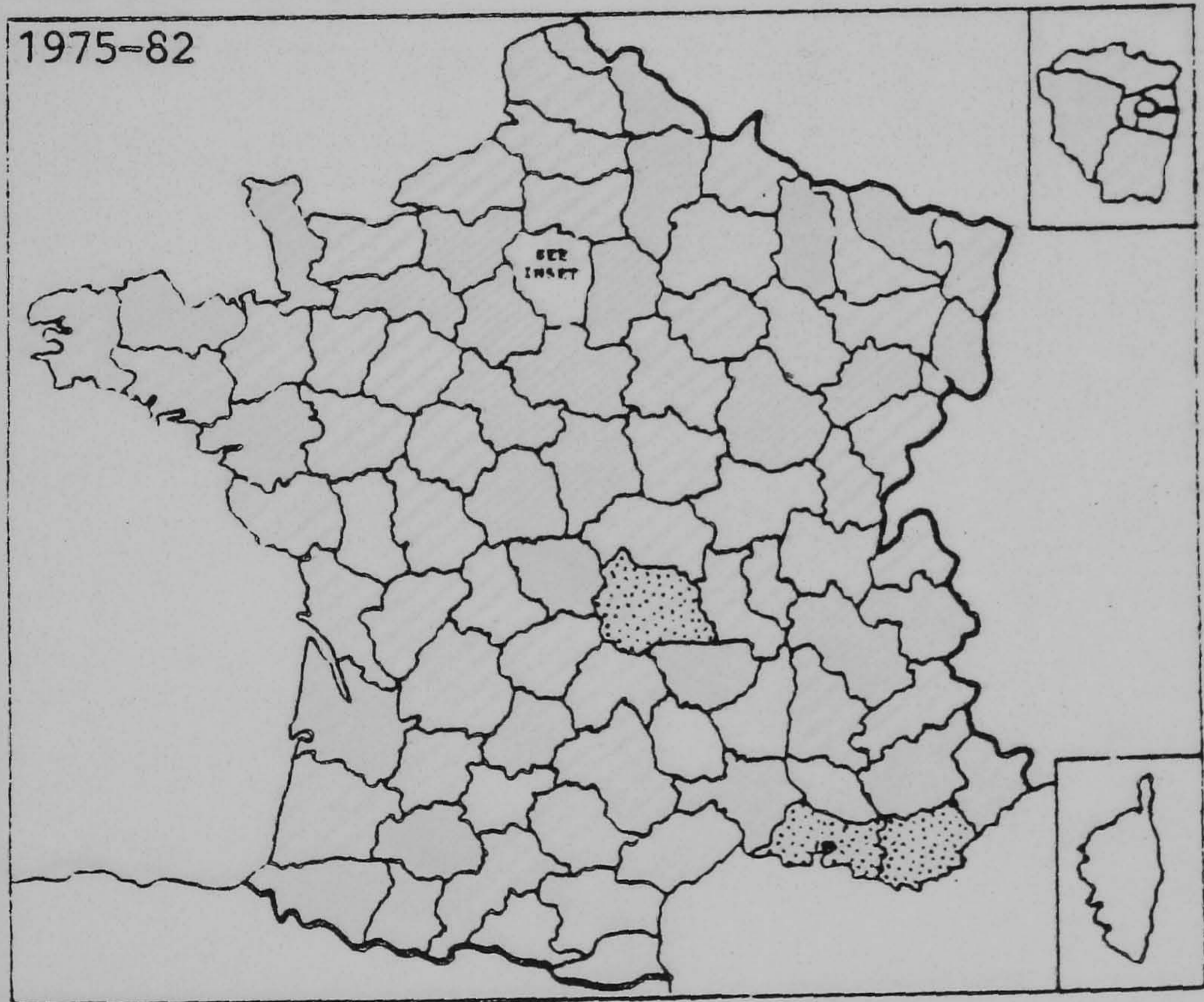
When individual types of applications are considered,

Map 9.6 : CNUC - Overall Effect of Ministerial Decisions upon Applications for Extensions to Existing Stores 1975-1982.

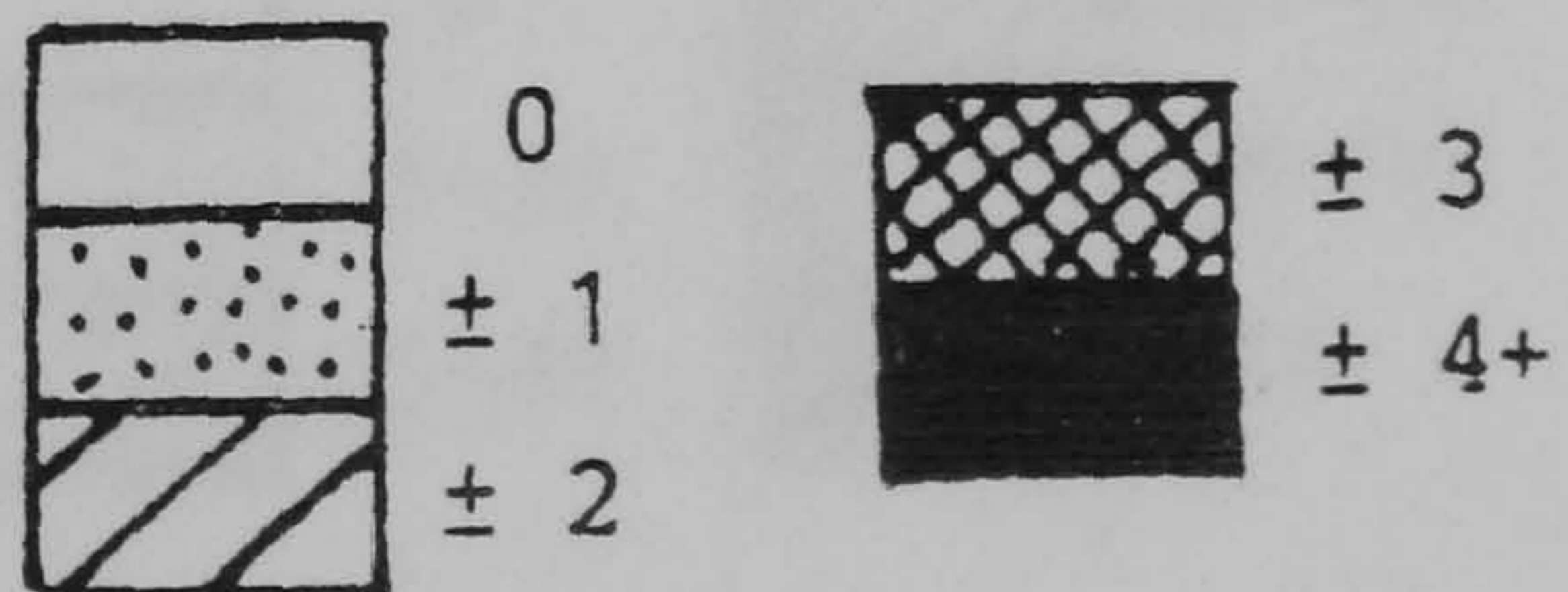
A) Additional Applications Authorised.



B) Additional Applications Rejected.

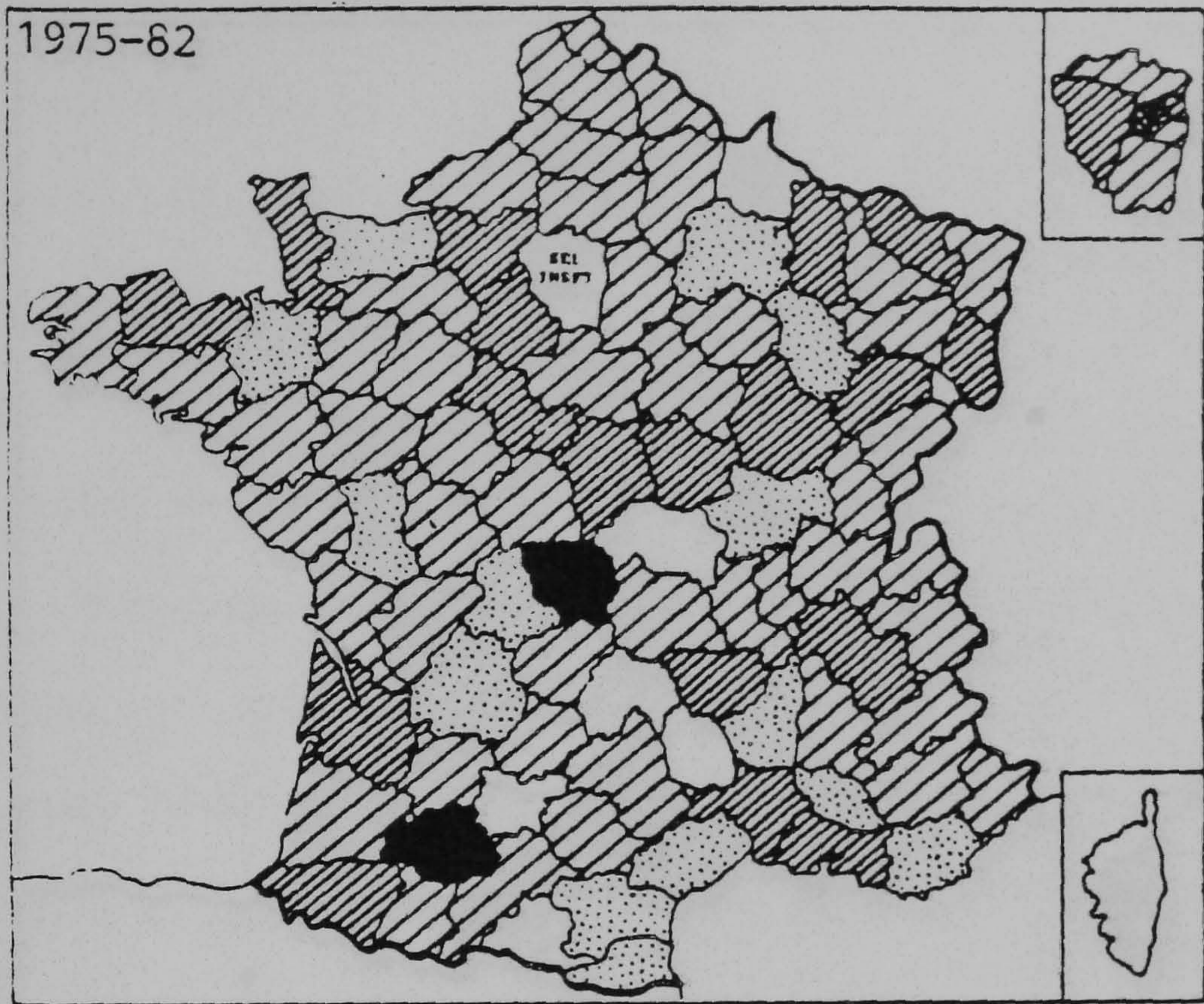


Change in  
Number

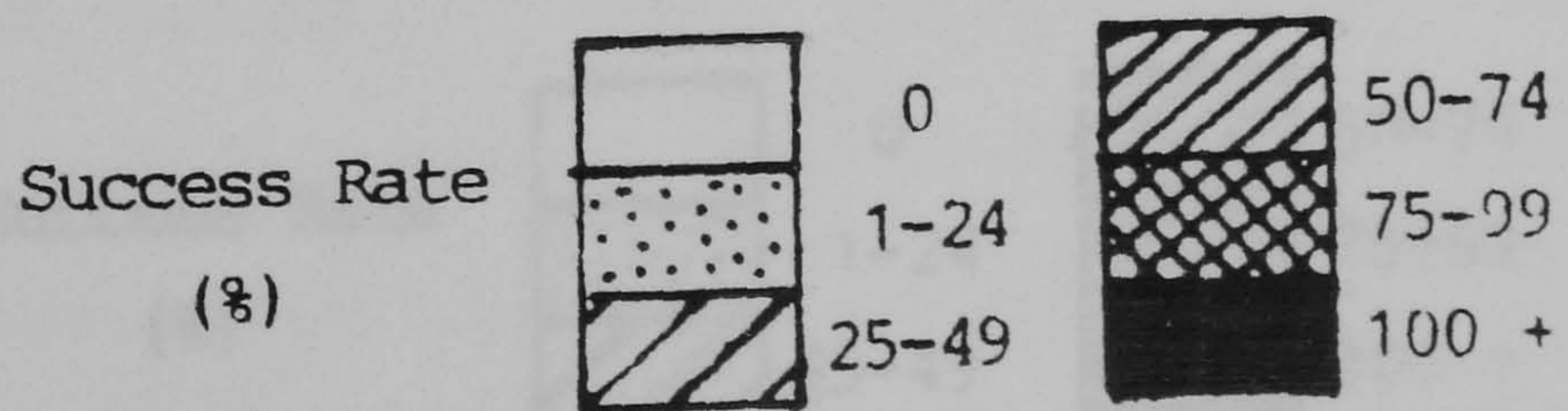
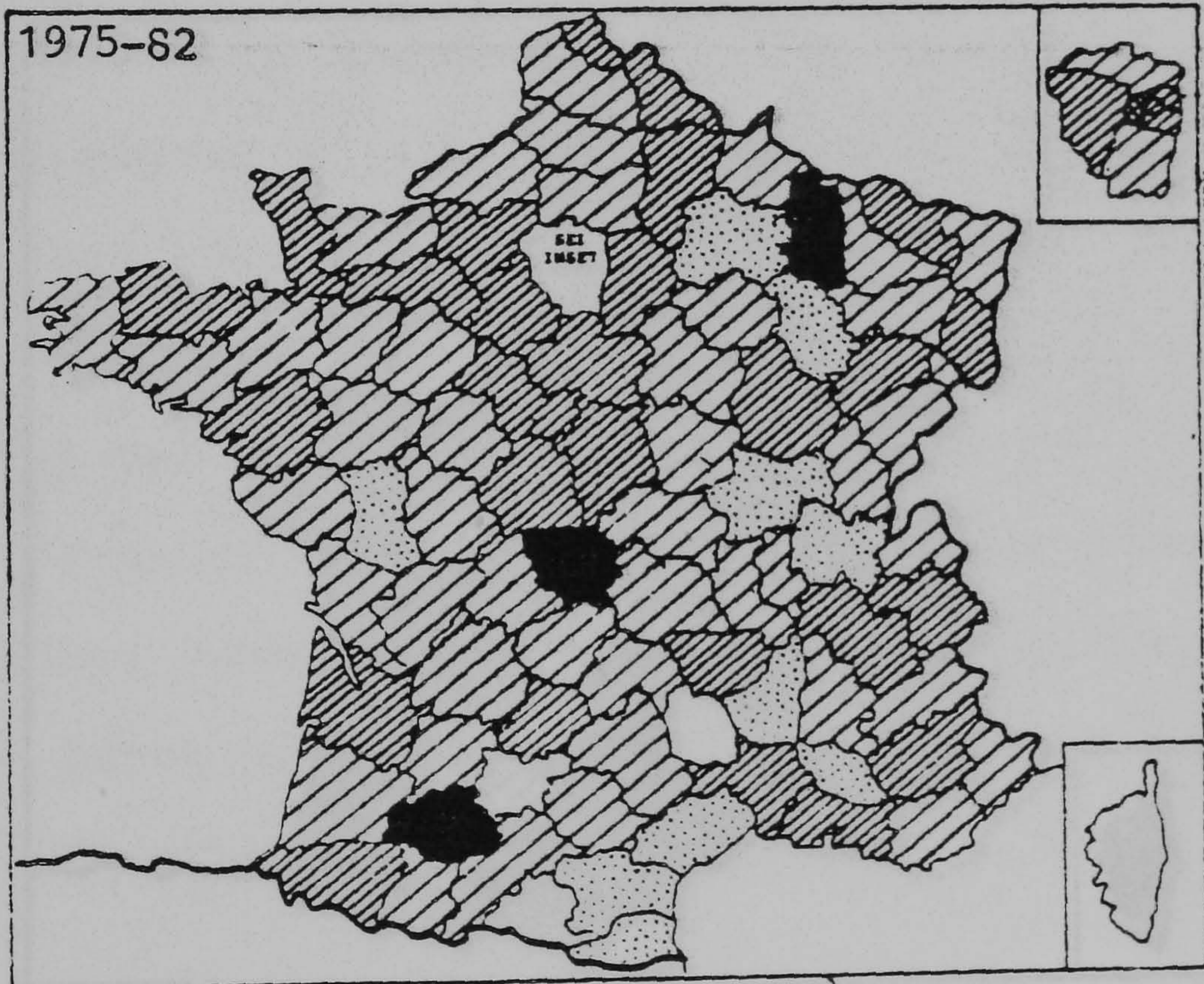


Map 9.7 : Success Rates for Applications for New Retail Development 1975-1982.

A) After CDUC Stage

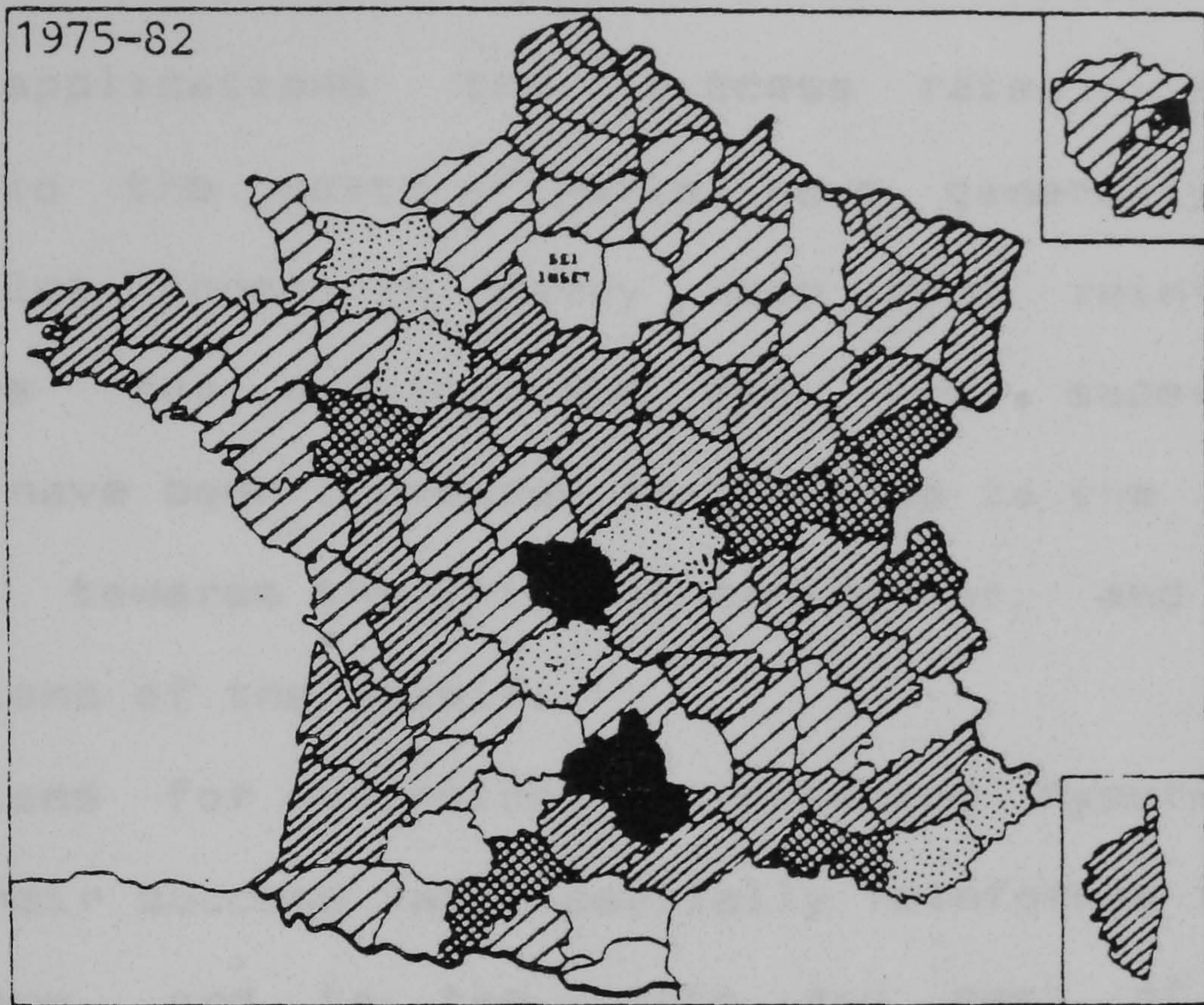


B) After CNUC Stage

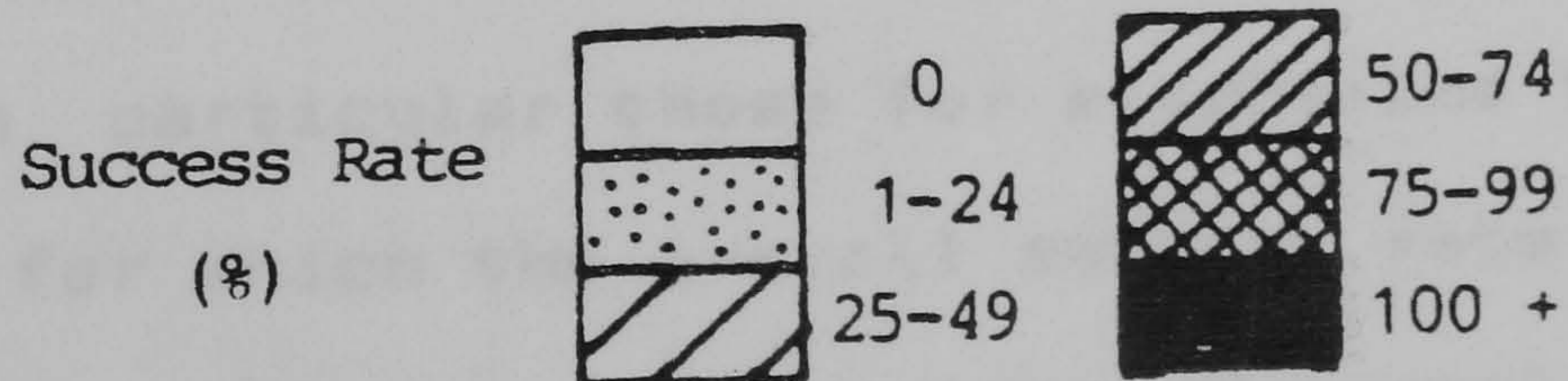
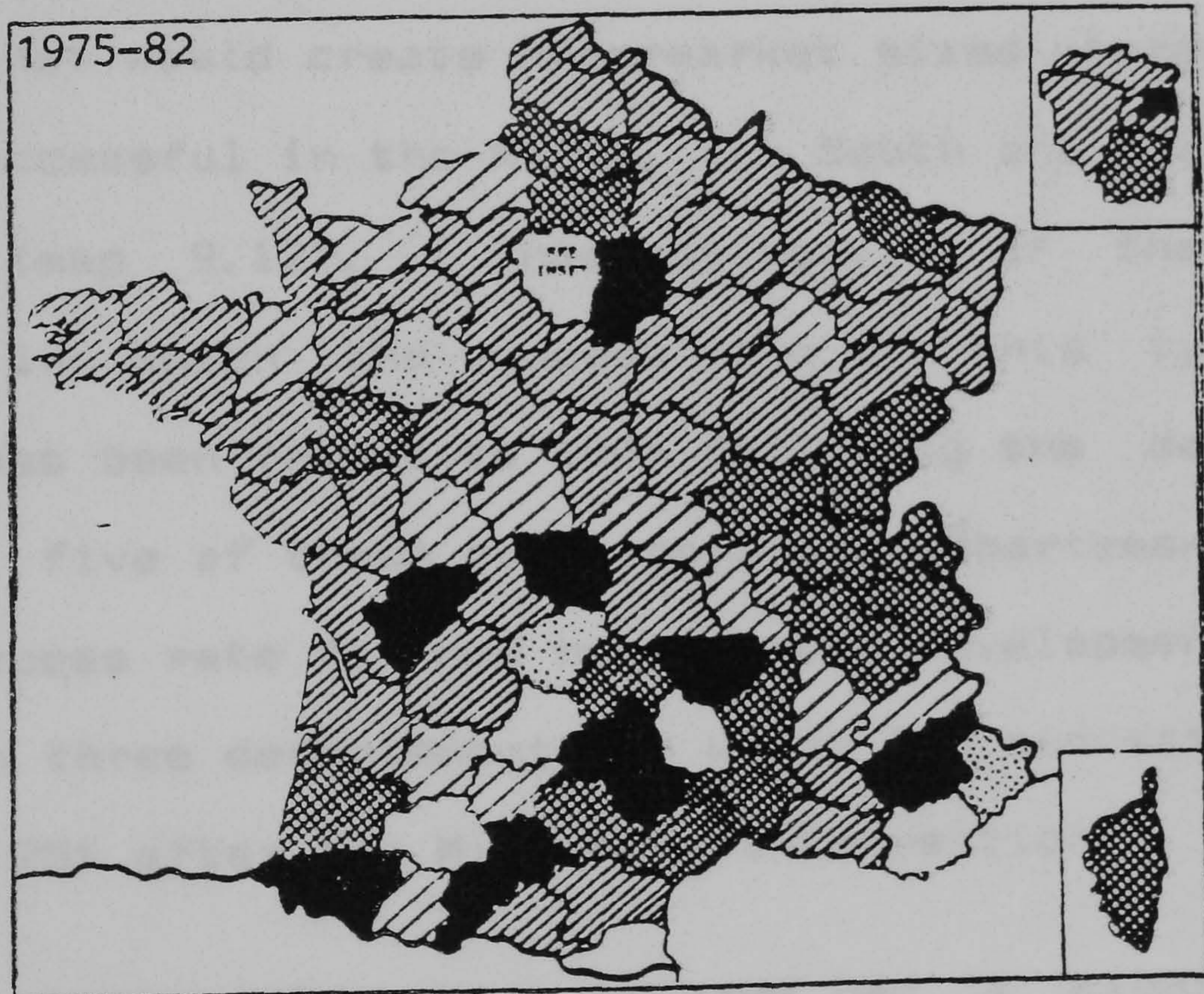


Map 9.8 : Success Rates for Applications for Extensions to Existing Stores 1975-1982.

A) After CDUC Stage



B) After CNUC Stage



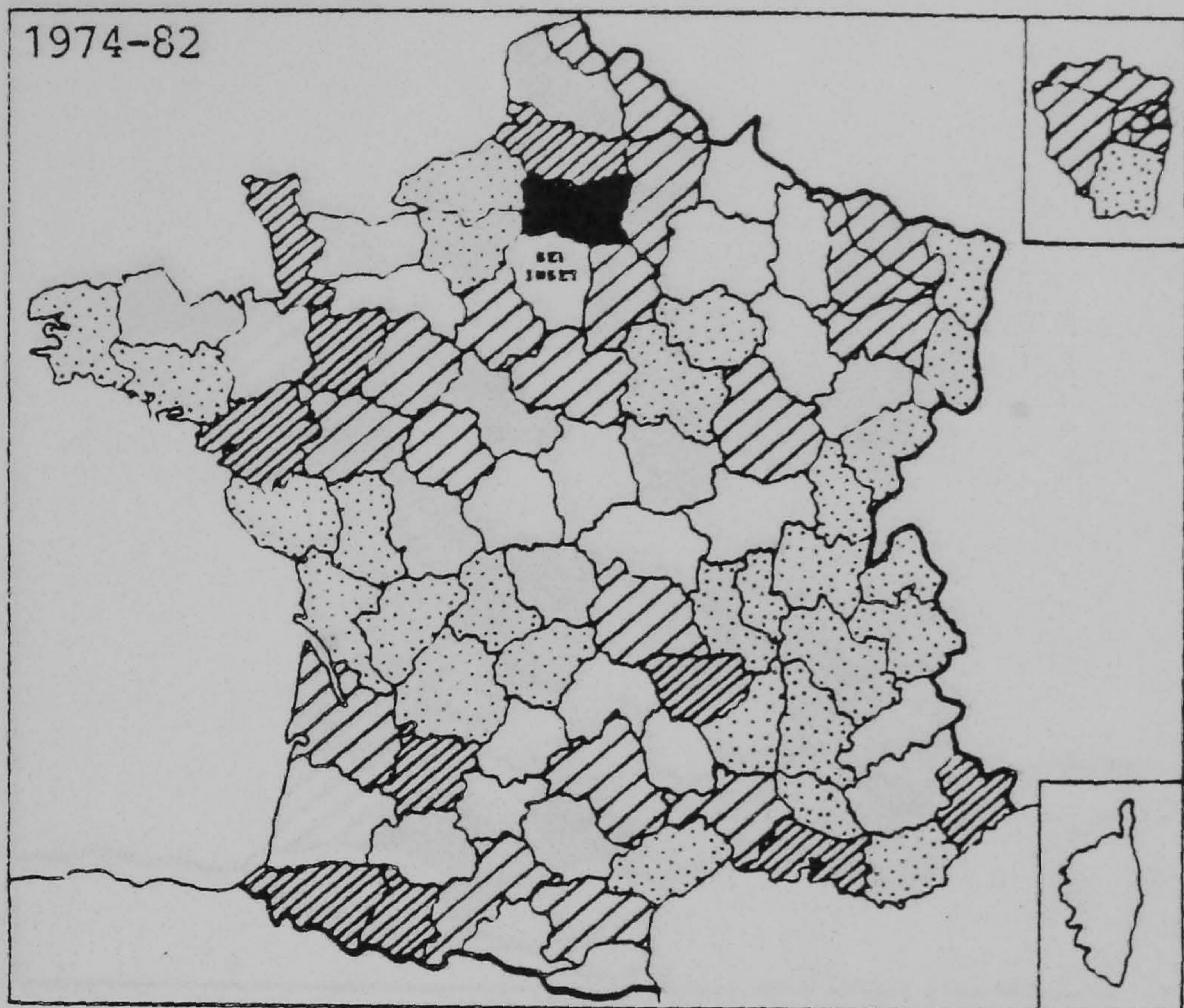
the impact of Ministerial decisions has had a much more pronounced spatial effect (maps 9.9 and 9.10). For hypermarket applications the success rates in the départements to the north of Paris have generally been reduced, whilst those in Savoy have been reinforced. Success rates for applications for new supermarket developments have been increased in the area to the south-west of Paris, towards the Brittany peninsular, and in the southern sections of the Massif.

Applications for extensions to existing hypermarkets have seen their success rates partially reinforced in the South, Brittany, and to the north and east of Paris (map 9.11). Whilst those projects for extensions to supermarkets that would create hypermarket sized stores have become more successful in the North, the South and along the West Coast (map 9.12). Interestingly, of the ten départements in which the success rate of this type of application has been raised to 100% following the decision of the CNUC, five of these correspond to départements in which the success rate for new hypermarket development was zero, and in three départements in which the success rate was less than 25% after the Ministers intervention.

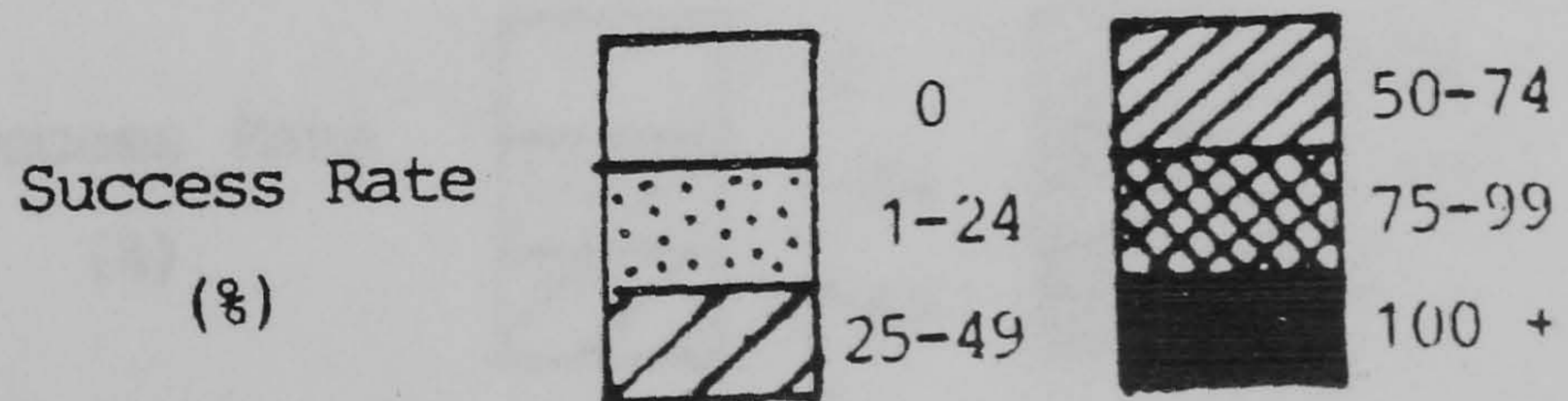
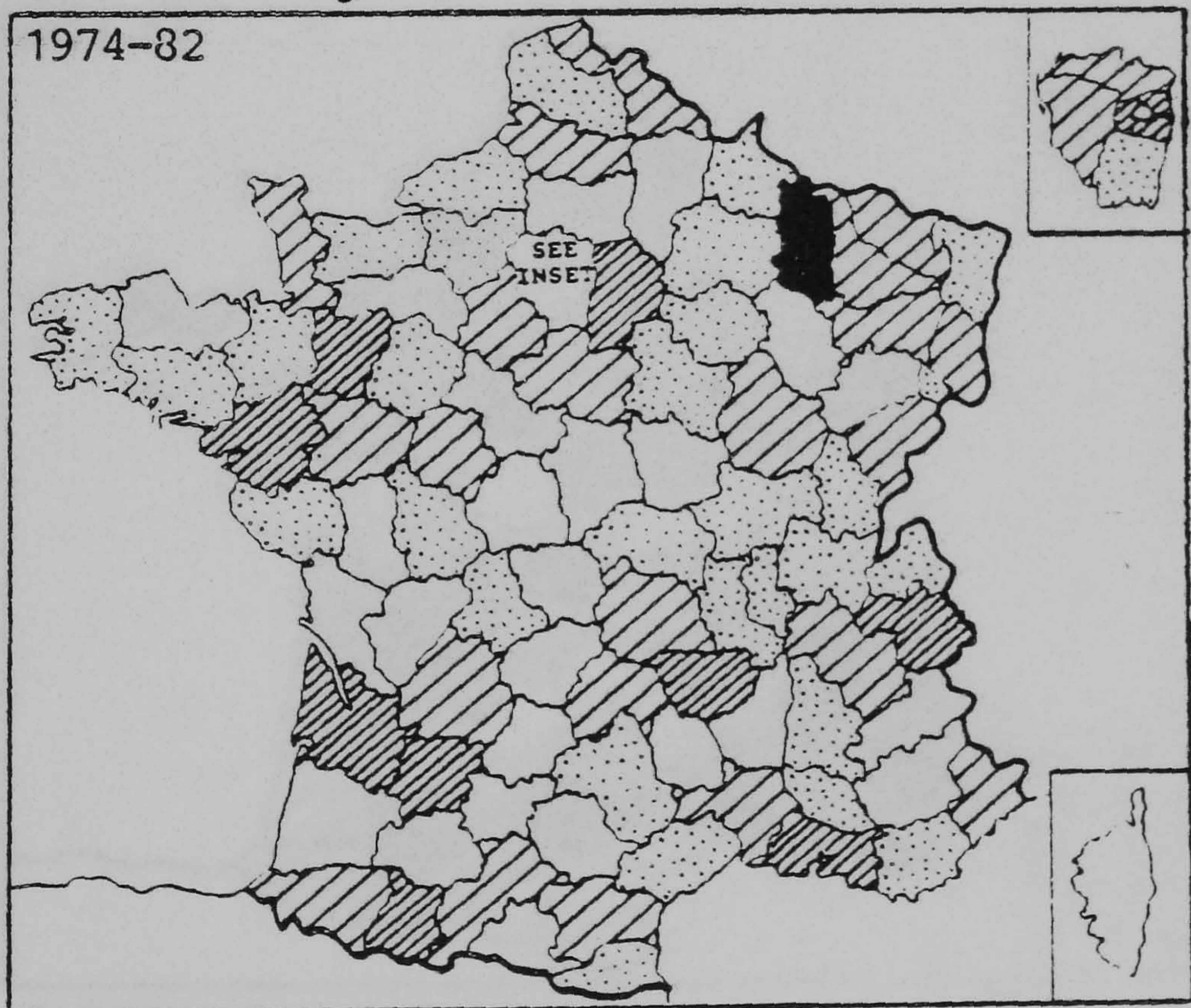
The Minister would appear to have had a significant impact upon the success rate for certain types of application, in particular those for extensions to existing retail units, for which the overall success rate has been raised to over 60%. Owing to the volume of appeals made for

Map 9.9 : Success Rates for Applications based upon Hypermarkets 1974-1982.

A) After CDUC Stage

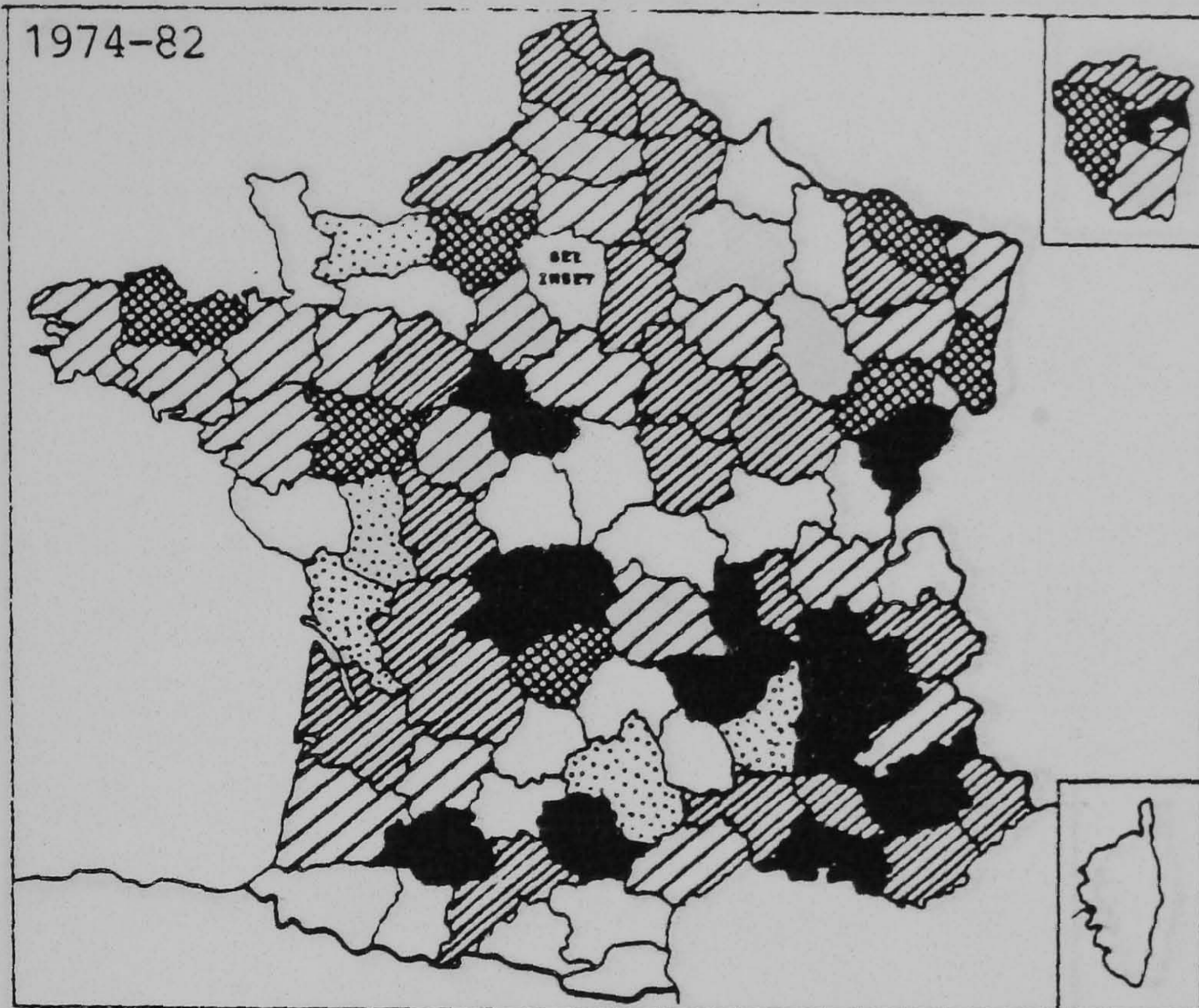


B) After CNUC Stage

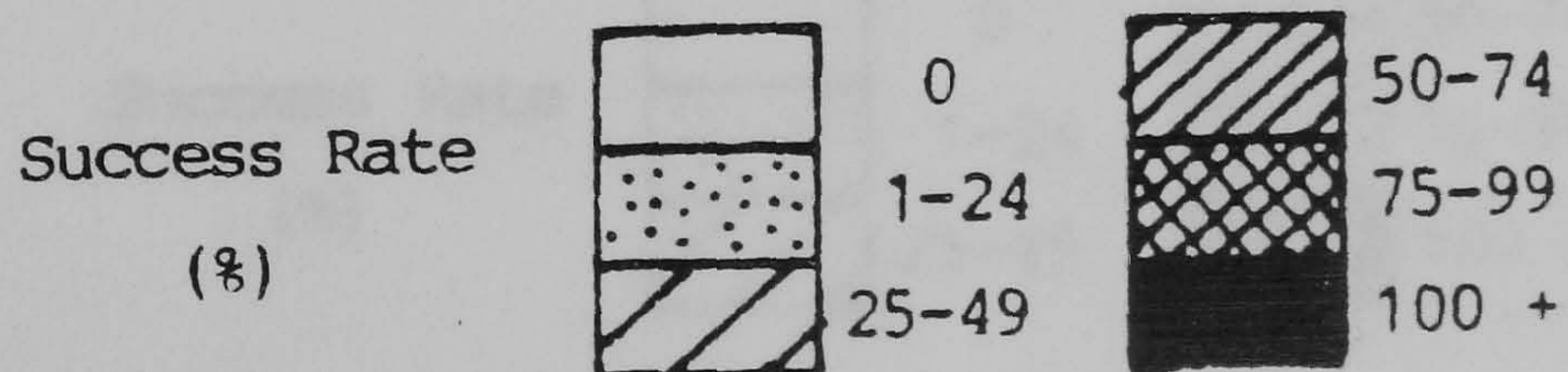
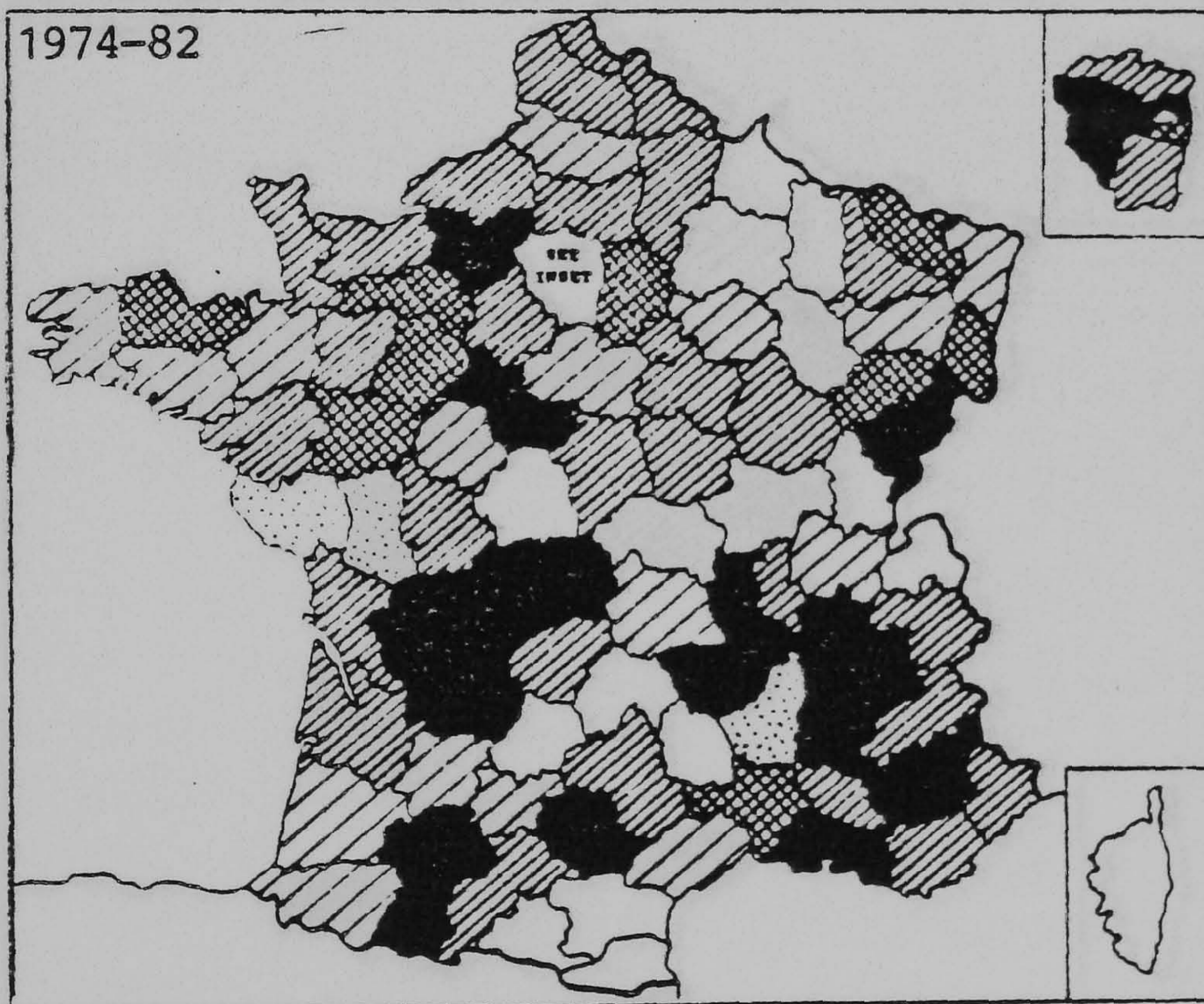


Map 9.10 : Success Rates for Applications based upon Supermarkets 1974-1982.

A) After CDUC Stage



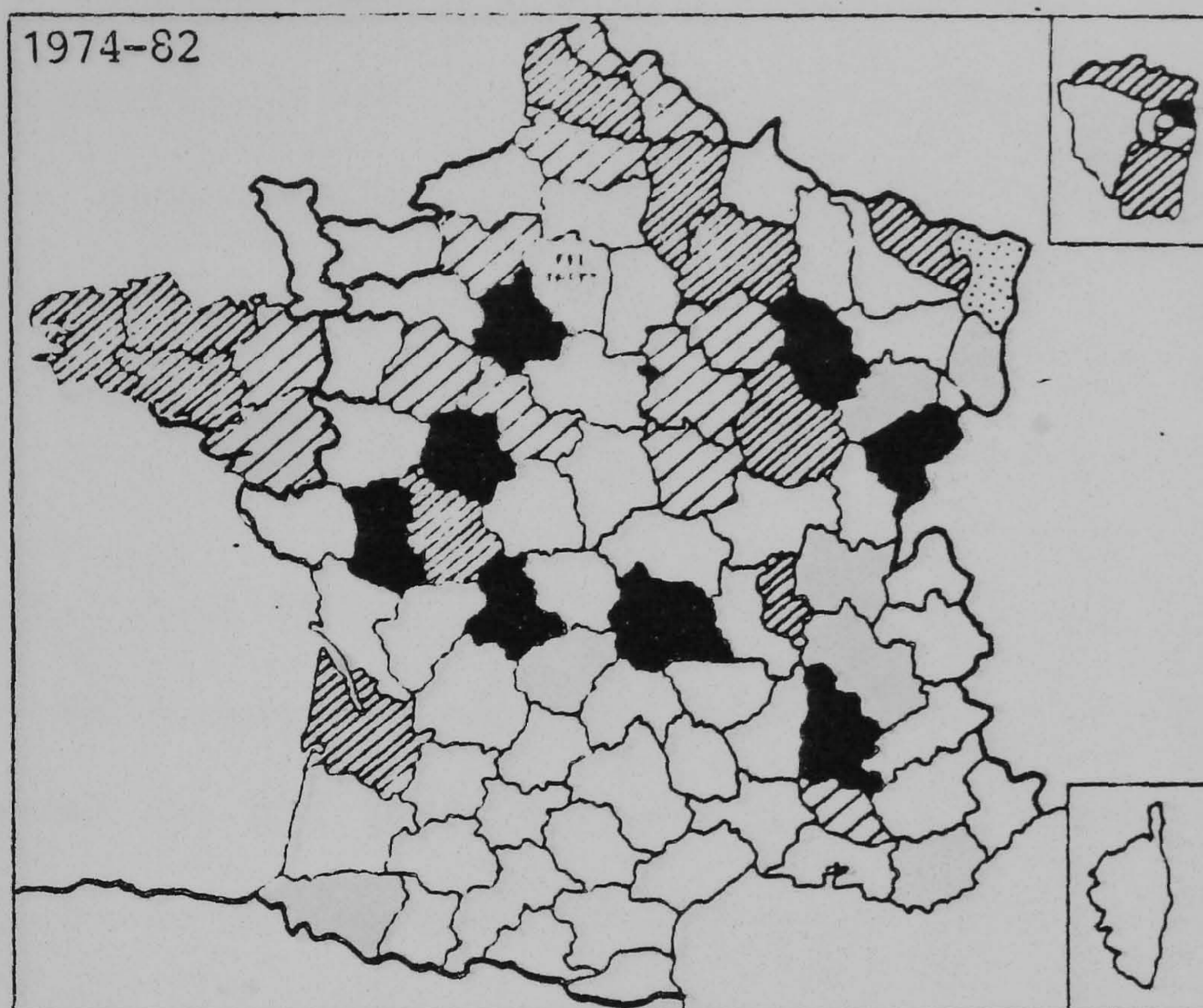
B) After CNUC Stage



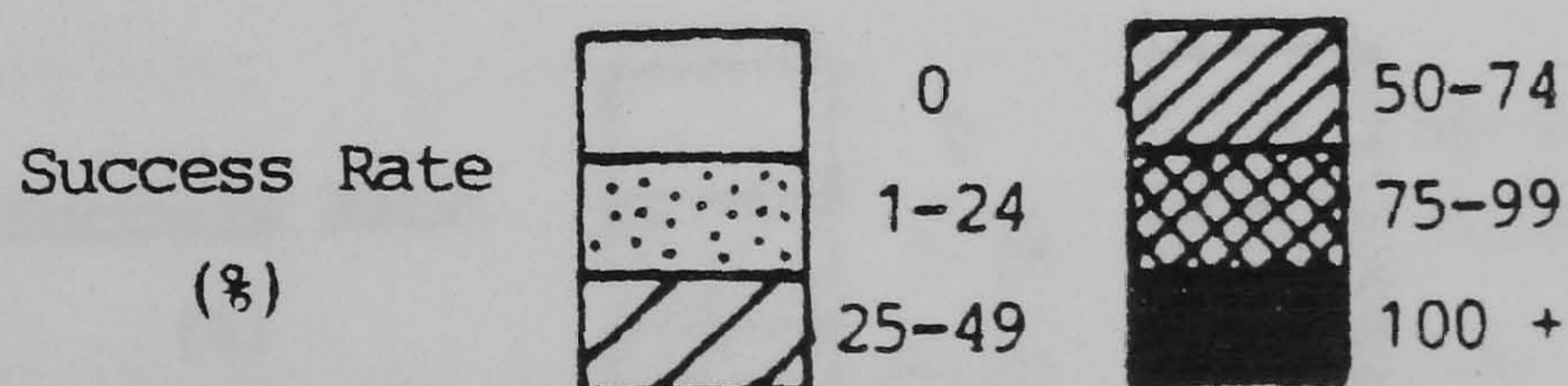
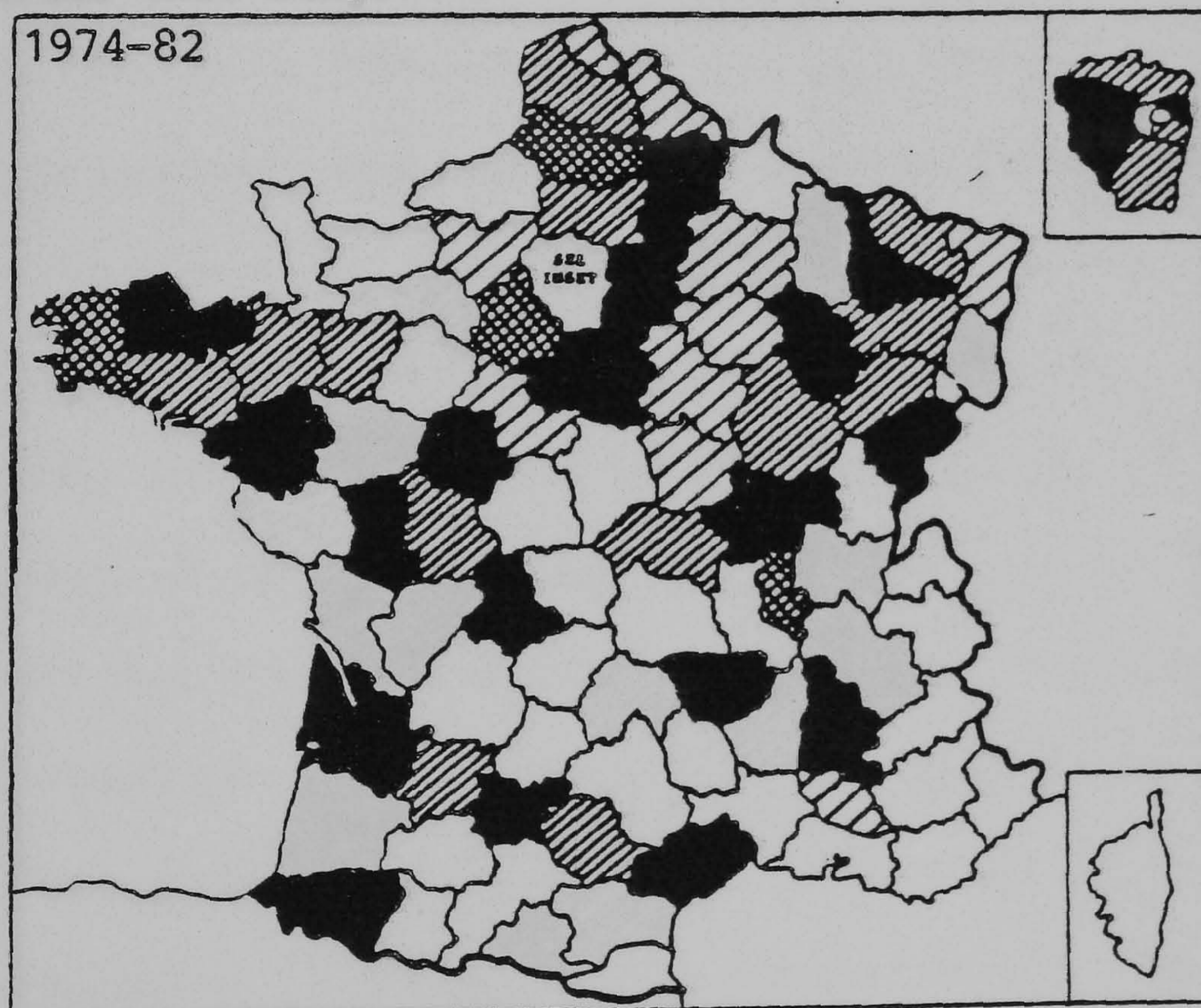


Map 9.11 : Success Rates for Applications for Extensions to Existing Hypermarkets 1974-1982.

A) After CDUC Stage

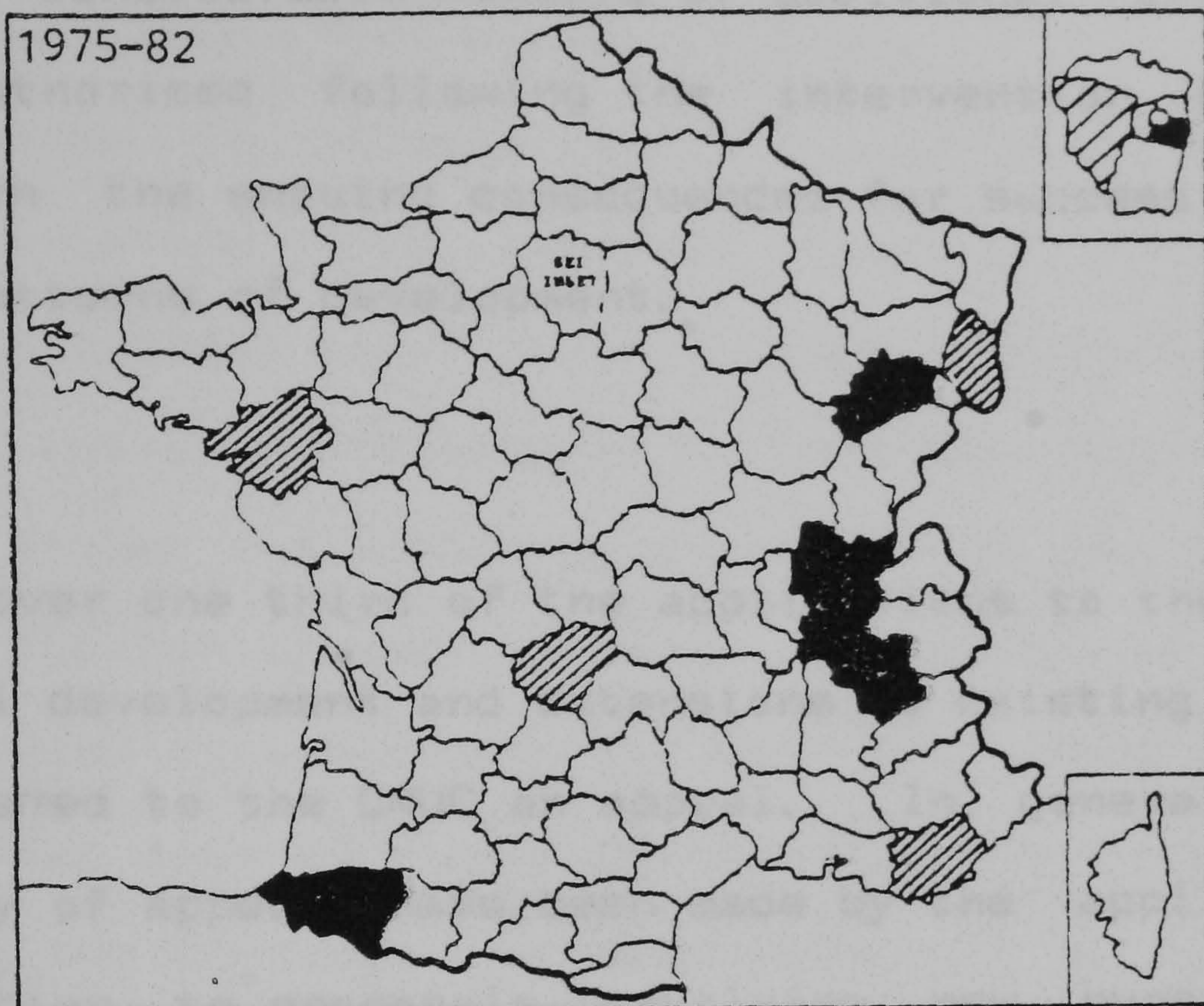


B) After CNUC Stage

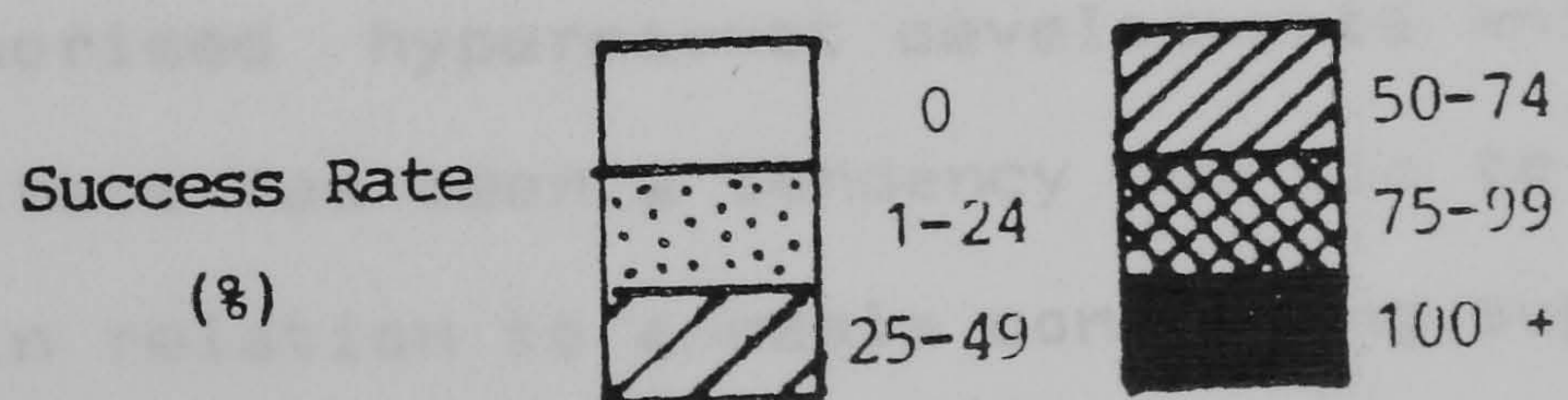
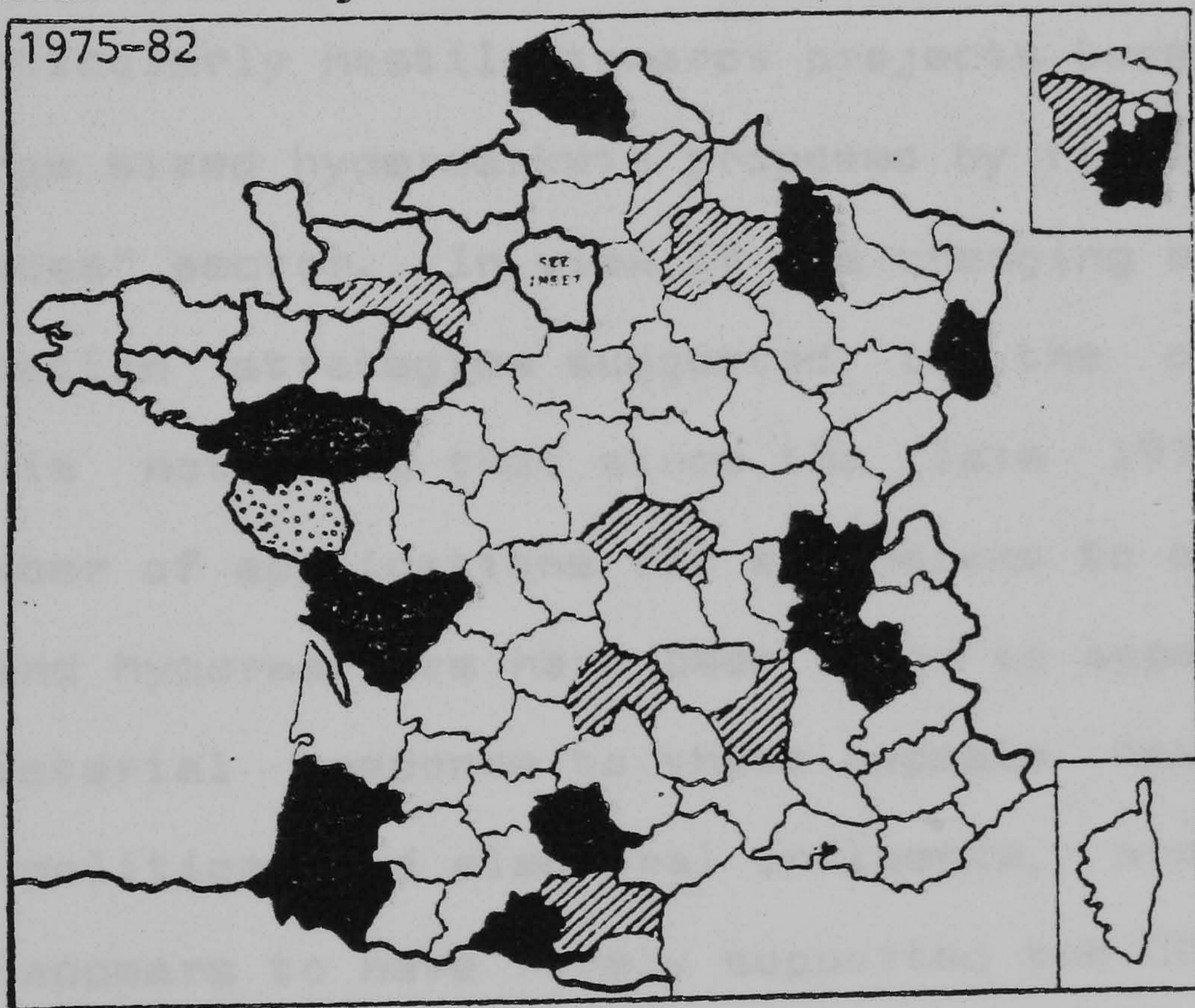


Map 9.12 : Success Rates for Applications for Extensions  
 Enlarging Supermarkets to Hypermarkets 1975-  
 1982.

A) After CDUC Stage



B) After CNUC Stage



some projects (notably those for hypermarkets and supermarkets) considerable numbers of additional proposals have been authorised following the intervention of the Minister, with the ensuing consequences for success rates and spatial patterns of development.

#### 9.4. SUMMARY

In all, over one third of the applications to the CDUCs for new retail development and extensions to existing stores have been referred to the CNUC on appeal. In general, the vast majority of appeals have been made by the applicants, and in relation to proposals involving new hypermarket development. However, the CDUCs and the Préfet appear to have been particularly hostile towards projects based upon medium and large sized hypermarkets proposed by firms in the "Grandes Surfaces" sector. In view of the changing emphasis within application strategies suggested in the previous Chapter, it is noticeable that since the late 1970s, an increasing number of applications for extensions to existing supermarkets and hypermarkets have been taken to appeal.

The Ministerial response to these appeals has shown some signs of political and electoral influence, and whilst the Minister appears to have firmly supported the CDUCs and Préfets, in terms of the number of appeals against previously authorised hypermarket developments which have been upheld, there has been a tendency for him to support the applicant in relation to appeals concerning supermarket proposals. This apparent bias may help to partly explain

the greater emphasis placed upon supermarket proposals by developers in the late 1970s and early 1980s.

With regards to appeals involving applications for extensions to existing units, although Ministerial decisions have raised the success rates for all types of proposals to around 50% and above, there appears to be little sign of any bias towards either the applicant or the CDUCs and Préfet, or for any particular type of project. However, the volume of appeals lodged by applicants for both extensions and new developments has ensured that significant gains have been made following the Minister's intervention.

## CHAPTER TEN : THE CDUCs AND CNUC - AN EVALUATION

The preceding analysis of the applications made to the CDUCs and CNUC for new retail developments and for extensions to existing stores would seem to suggest that the Loi Royer has been successful in restricting the development of certain types of outlet. Well over half of all the applications made for new retail developments between 1974 and 1982 were refused by the two Commissions. Only 38.5% of all applications were authorised by the CDUCs, and this rate of success was only raised to 42.3% following the intervention of the CNUC. On the basis of these statistics, exponents of the legislation would claim that the law has achieved its primary aims of protecting small retailers from the "unfair" competition of the large retail stores, particularly as only 20.5% of the applications made to the CDUCs for hypermarket development were authorised, and only 23.4% after the decisions of the Minister were taken into account.

However, more detailed analysis of the types of applications made to the Commissions, and the workings of the CDUCs and CNUC reveal that such claims of success may be premature. The law has had many effects upon hypermarket development but, as the increased share of both hypermarket numbers and floorspace controlled by the large organisations suggests, the legislation has done little to improve the position of the small retailer segment in the distribution sector.

#### 10.1. THE COMMISSIONS - REAL BLOCKAGE, OR MERE DELAY ?

The availability of the names of applicants and the exact location of projects, allows for a more detailed analysis of the proposals for new development presented to the CDUCs and CNUC, than that based upon the quantity and type of application alone. If the applications for new developments are analysed by département over the 1974 to 1982 period, it is common to observe a particular developer making numerous applications for the same location over a period of time. Similarly, numerous competing organisations may make applications for the same site. Consequently, a single site may be the recipient of several applications. Thus, it becomes important to distinguish between the total number of applications, and the total number of sites or locations upon which applications were made.

The most noted example (Bonnet 1982) of this feature is the number of applications made for hypermarket development in Villefranche-sur-Saone, a town of 50,000 inhabitants in the Saone valley. This town, situated 20 km from Lyon, and 15 km from a Carrefour hypermarket at Ecully, was characterised by a relatively old-fashioned commercial structure, for although possessing five supermarkets none had a sales area of greater than 1,200 square metres. Consequently, the town provided considerable potential for a hypermarket operation and attracted numerous applications from a wide variety of sources, including Docks Lyonnais, Ariaud, Labruyere-Eberle, Raliye, Auchan, Cofradel, Genty

Cathiard, and Leclerc, as well as from the commercial centre developers Cenco and Segece. On one occasion, no fewer than eight separate dossiers for hypermarket development in this town were placed before the CDUC, all of which were refused. In all, eighteen applications were made for this potential site, before Casino finally received permission to develop a 4,316 square metre hypermarket in 1979.

Although the Villefranche example is unique in terms of the volume of applications for the one site, it is not uncommon for potential sites to attract multiple applications. It is a well established tactic of developers to submit a new proposal for development on a site where a competitor is seeking an authorisation from the Minister, as the Minister is then likely to refuse the project before him on the grounds that he can not make a decision until he knows the attitude of the CDUC towards the new project.

One consequence of this policy is that a certain degree of overcounting occurs in the total numbers of applications made to the CDUCs and CNUC for development. Whilst in gross numerical terms, a département may have received twelve applications for a hypermarket based project over the 1974 to 1982 period, because of multiple applications for a single site, this gross total may disguise the fact that only four potential sites existed in the département, and these four sites attracted all twelve applications. Thus, the overall figures presented for the volume of applications made, do not represent the number of potential or "true" sites for development. The CDUCs, by refusing applications

for a site, may only delay development and encourage further applications for the same site.

By analysing the number of applications made in each département by virtue of location, it is possible to amend the quantity of hypermarket applications made to the CDUCs, to reflect the number of sites upon which development was sought, rather than relying solely the total number of applications in a département. This gives a much clearer indication of the potential, and demand, for hypermarket development in France. Thus, although between 1974 and 1982, 840 applications were made to the CDUCs for hypermarket based projects, only 470 distinct sites were involved. The true number of potential hypermarkets, reflected by the number of sites upon which applications were made, is likely to be even less than this figure, as this does not allow for applications made to different communes which may be located in close proximity, and consequently share the same target catchment area.

This reassessment of the number of potential sites has repercussions for the success rates of projects based upon hypermarket developments. Rather than only 20.4% (172 authorisations from 840 applications) of proposed applications being successful at the CDUC stage, the success rate for hypermarket based applications is raised to 34%, as 160 of the applications made on the 470 potential hypermarket sites received an authorisation from the CDUCs. The authorisations number 160 rather than 172, as this



takes into account applications authorised initially by the CDUCs, but then rejected by the CNUC, thus releasing the potential site for further applications. On the same basis, the ultimate success rate for hypermarket applications following the intervention of the Minister is raised from 23.4% to 41.7%.

Similarly, the success rates for those hypermarket applications made by the "Grandes Surfaces" organisations should be raised from 23.0% at the CDUC stage, to 36.0% after Ministerial intervention. Individual companies within this sector experience rises from 21.5% to 31.4%, and from 17.3% to 32.4% in the cases of Carrefour and Euromarché, and from 32.6% to 46.4% in the case of Auchan.

This assessment of the applications made for hypermarket based development, suggests that any conclusions drawn simply from the overall volume of applications made and authorised, do not give a true indication of the potential for hypermarket development, the demand for such development, and the success of this type of application.

#### 10.2. CDUC - DECENTRALISATION OF AUTHORITY, OR "SYMBOLIC FILTER" ?

One might expect that the decentralisation of the power of authorisation to the CDUCs made through the Loi Royer, would have given these local commissions immense control over retail development in the département concerned. Particularly as Royer expected the Minister of Commerce and Crafts to overturn relatively few CDUC decisions, and only

those which appeared to be against the spirit of the law.

However, as many critics of the legislation - notably Marchand (1979) and Keeler (1985) - have pointed out, the large number of appeals made to the CNUC effectively means that the real control over new retail development rests with the Minister. The decisions of the CDUCs often seemed to be largely inconsequential. This feature was noted as early as September 1974, by Le Blanc and Levy (1974), who suggested that owing to the influence of the appeal procedure, the CDUCs should be regarded as nothing more than a "symbolic filter".

The effect of Ministerial intervention on overall success rates has already been shown in Chapter Nine. In the case of hypermarkets, if the total number of applications made between 1974 and 1982 are considered, 54.2% of these applications were referred to the Minister, and 22.9% of these appeals resulted in a CDUC decision being reversed. The result of this was that 12.4% of all CDUC decisions concerning proposals for hypermarket development were overturned by the Minister. This accounts for the rise in the success rate for this type of project from 20.5% to 23.4% following the CNUC stage.

The impact of Ministerial decisions is, however, more pronounced if one refers to the number of sites upon which applications for hypermarket developments were presented. Although only slightly more sites were the subject of appeals (58.5%) than was the case with applications (figure

10.1), the effect of Ministerial decisions is far more important when sites, rather than applications, are considered. Over one third (36%) of the appeals made against CDUC decisions concerning applications made for specific sites were successful in obtaining a reversal of the original CDUC decision. This resulted in 21.1% of all the CDUC decisions concerning sites for hypermarket development being overturned.

As at 1st January 1983, in just under half (48%) of the sites upon which applications had been made for hypermarket based development the current status of these sites, whether authorised or refused, had been decided by the Minister. Furthermore, in over one third (34.9%) of the cases where the decision of the Minister concerning a site was the final one, the Minister's pronouncement had reversed the original CDUC decision. These Ministerial decisions have the effect of raising what might be referred to as the real success rate for hypermarket projects, that for sites upon which applications were made, rather than the total number of applications, from 34% after the CDUC stage to 41.7%, an increase of almost 80% from the somewhat misleading figure of 23.4% based solely upon the total number of hypermarket applications.

The impact of Ministerial decisions has varied with different Ministers, (over the study period of 1974 to 1982, there have been six different incumbents of this post), and more critically, with the approach of National elections. Vincent Ansquer, the first Minister of Commerce and Crafts

Figure 10.1: Ministerial Effect upon Hypermarket Applications 1974-1982.

	Applications	Sites
Number of Applications	840	470
Number of Appeals	455	275
Number of Appeals in which CDUC decision reversed	104	99
% of Applications taken to Appeal	54.2%	58.5%
% Appeals Overturned	22.9%	36.0%
% All Applications Overturned	12.4%	21.1%

to hold office after the legislation had been introduced, occupied the post from June 1974 until May 1976, and commented upon the 10% of CDUC decisions which he overturned during the first year of the operation of the law (LSA 1975 in Keeler 1985)...

"This figure is sufficiently large to show that, in accord with the will of the legislator, the last word rests with the state, and sufficiently modest for the départemental commissions to have a perception of exercising a real power of decision."

However, as Keeler (1985) argues, Ansquer had failed to realise that he had overturned almost 30% of the decisions taken to appeal, as the figure of 10% quoted referred only to the total numbers of applications made to the CDUCs.

Comment has already been made in Chapter Nine to the coincidence of certain trends in applications, CDUC and CNUC decisions, and the timing of elections. In February 1981 Cohen-Chabaud (1981) commented that...

"with the approach of the elections, authorisations for large stores have fallen."

and Fries (1981) a former Director of Internal Commerce, who further emphasises the role of elections by admitting that it was ...

"the calendar of elections which in fact determined the rhythm of authorisations and rejections ....decisions were rarely predicated on considerations of urbanism, and even less on economic criteria, but rather solely on political grounds."

When the effect of Ministerial intervention is considered over the 1974 to 1982 period (figure 10.2), there appears to be evidence of a tightening of Ministerial control, illustrated by a reduction in the number of CDUC

Figure 10.2A : Applications for New Retail Developments  
 - Success Rates 1975-1982.

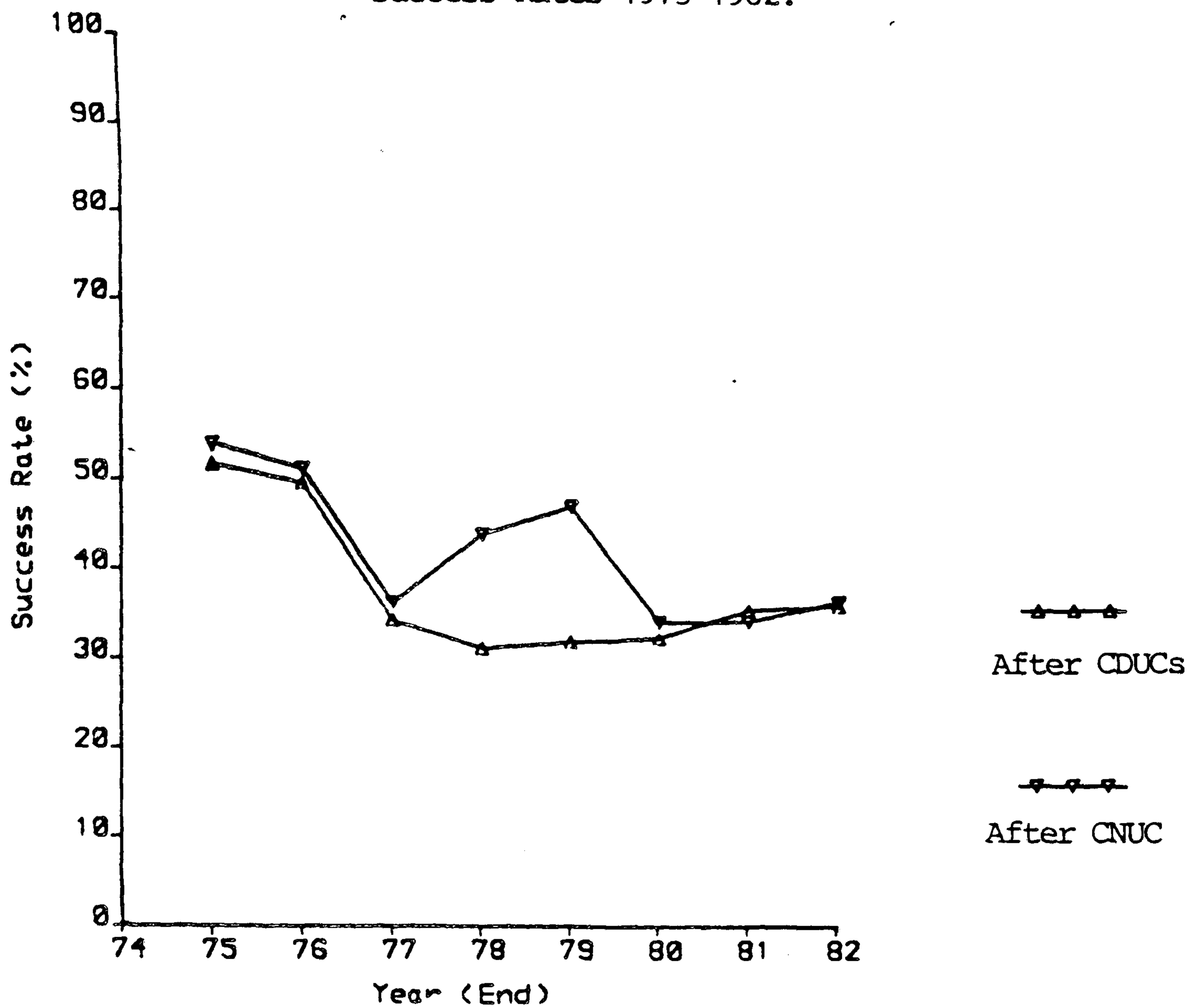
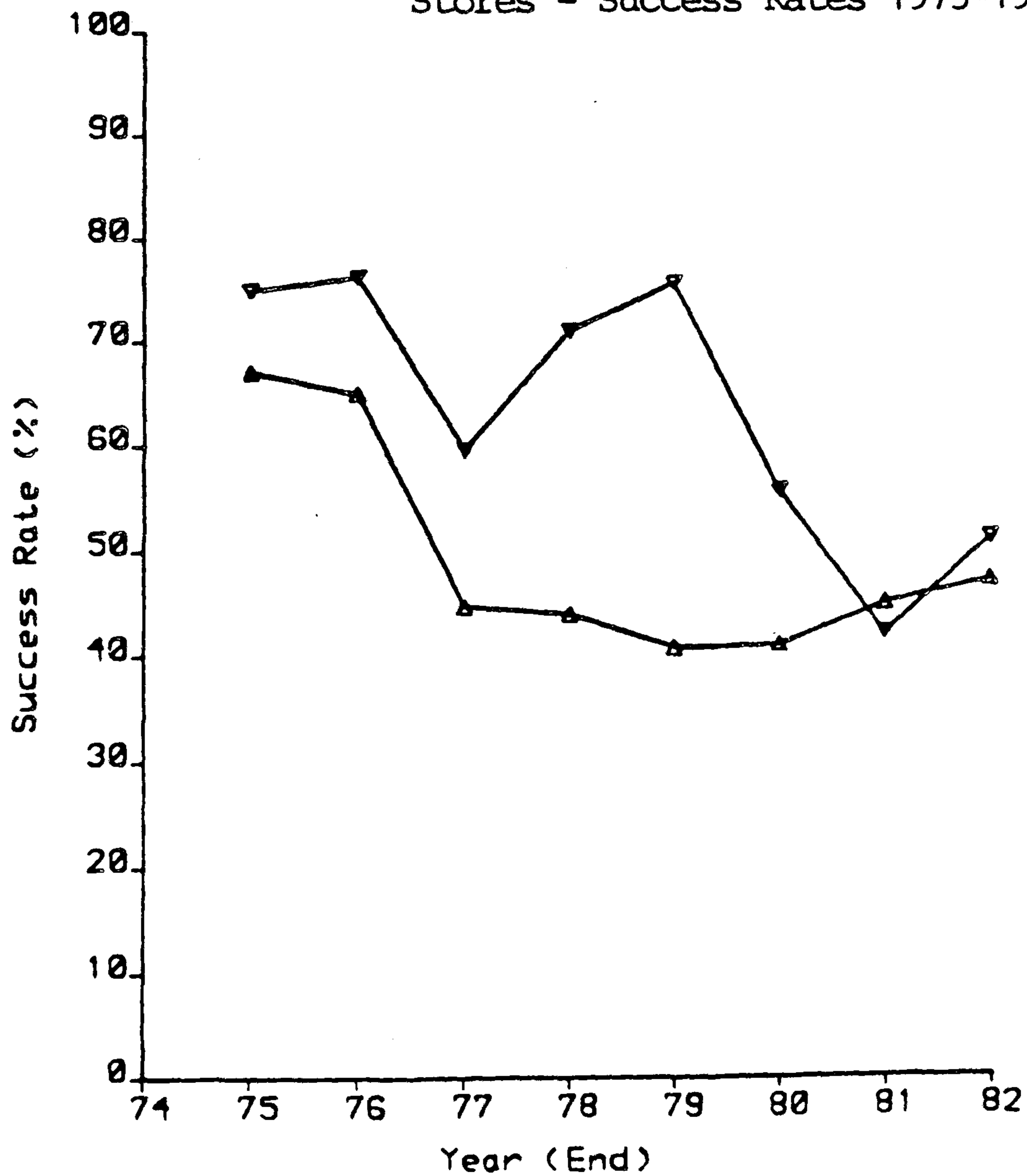


Figure 10.2B : Applications for Extensions to Existing  
 Stores - Success Rates 1975-1982.



refusals that were overturned by the CNUC, prior to the National Assembly elections of 1978 and 1981. In contrast, the Minister appears to authorise considerably more applications than the CDUCs in post election periods, especially following the 1978 elections.

The impact of elections upon the Ministerial decisions is again endorsed by Jean Fries (1978)...

"at election times this restrictive measure tends to get tough; planning permission becomes harder to obtain."

Consequently, Fries suggests that the law should be regarded more as an additional obstacle to large store development rather than as the "systematic blockage" that is often suggested.

These comments and a review of Ministerial impact upon CDUC decisions suggests that there is indeed a case for claiming that the real authority still rests with the central administration, despite the apparent decentralisation of power to the CDUCs.

### 10.3. THE COURTS OF APPEAL - A NEW LEVEL OF CONTROL ?

The influence of the CDUCs over commercial development was further questioned in June 1979 when the Council of State overruled a CNUC pronouncement confirming a previous CDUC decision (J-Ph Vidal 1979). In 1976 the CDUC of Landes refused an application for an extension of 570 square metres to a Leclerc supermarket at Dax owned by the Ardour Distribution company. The applicant then appealed to the

CNUC, only to have this appeal refused by the Minister of Commerce, Pierre Brousse. Not satisfied with this decision Ardour Distribution then appealed to the Administrative Tribunal of Paris, but the Tribunal only confirmed the CDUC and CNUC decisions. However, a further appeal against these decisions made to the Council of State, was successful in June 1979, and for the first time the Council of State overruled a Ministerial decision.

The Council of State argued that because of demographic growth in Dax the extension would not lead to "the crushing of small enterprises and the wastage of commercial equipment" (Ecodis 15/10/1979). This decision had great consequences, as it opened up a new course of appeal for disgruntled applicants, and also raised the question of the motivation of Ministerial decisions.

However, the Council of State was not the only external body to become involved with the operation of the CDUCs and CNUC. In November 1980 (Rochard and Peretie 1981), the role of the judicial courts in the workings of the Loi Royer became even more influential when the Administrative Tribunal of Besançon ordered the closure of a 8,200 square metre commercial centre, focused upon a Mammouth hypermarket operated by the Cedis group, which had opened in May 1980. Twenty-two months earlier, the Minister of Commerce and Crafts, on this occasion Jacques Barrot, had authorised the Cedis project, and refused a similar scheme proposed by Sadal, despite the latter project having the majority support of the CDUC. The Administrative Tribunal



consequently declared that the decision taken against the Sadai project amounted to an "illegal refusal", and as the authorisation of the Cedis proposal created a quasi-monopoly for the group in Franche Comte, the authorisation for this development was withdrawn. This pronouncement meant that an appeal to the judiciary had now succeeded in having an operating hypermarket declared illegal.

As Gerard (1980) and the Ministère du Commerce et l'Artisanat (1980b) report, by November 1980, the Administrative Tribunals had received 127 appeals against the decisions of the CDUCs and CNUC since the Loi Royer was introduced. Of these appeals, 79 had been heard by the Tribunals, 58 of which were won and 14 lost by the Administration, whilst 6 cases were withdrawn, and in one case no decision was reached. Over the same time period, the Council of State heard 20 appeals on issues of commercial city planning, 7 of which were won by the administration, 5 lost, and one withdrawn. Following the Council of State's decision concerning the Leclerc extension at Dax, the number of appeals brought before the judiciary doubled from around 15 to 30 cases per year.

Most of the appeals made to the judiciary sought judgements over the composition and functioning of the CDUCs and the appeal procedure of the CNUC. In other cases, judgements were sought as to the applicability of the CDUC or CNUC decision in relation to the principle of the Loi Royer. A Ministry of Commerce document (Ministère du

Commerce et l'Artisanat 1980b), identified four main areas of contention upon which the majority of these judicial appeals appeared to be based. Firstly, applicants questioned sections of the laws procedure, such as the time allowed for an appeal following a CDUC decision, did this time period start from the date of the CDUC meeting or the date of notification of the CDUC decision? A second area of debate was the field of application of the law. Problems arose over the definition of "Sales Area", an issue which prompted the Ministerial Circular of 10th March 1976 in an attempt to resolve some of the problems of definition (see Chapter Six). Other problems of definition focused upon the term "economic unit", and raised such issues as should several small stores in close proximity be regarded as a larger commercial entity or not? The third general area of contention revolved around the questioning of the interpretation and legality of decisions, and finally, debates occurred over the suspension or deferment of authorisations for commercial planning reasons.

The position of the judiciary with regards to overruling a Ministerial decision was further strengthened by the law of 11th July 1979, which required the Minister to give a written reason or justification for any refusal of an appeal. This was an attempt to counter accusations that the Minister was much more liberal with his judgements than the CDUCs, particularly in the regions (Delobez 1985). This legislation allowed the judiciary to demand from the Minister his precise motives for any decision, and these

motives needed to be both materially and judicially correct with regards to the principles defined in the Loi Royer (LSA 753 1980a). As there are some apparent contradictions in the basic principles spelt out in the first section of the legislation (Chapter Six), this gave the judiciary tremendous scope for questioning Ministerial decisions.

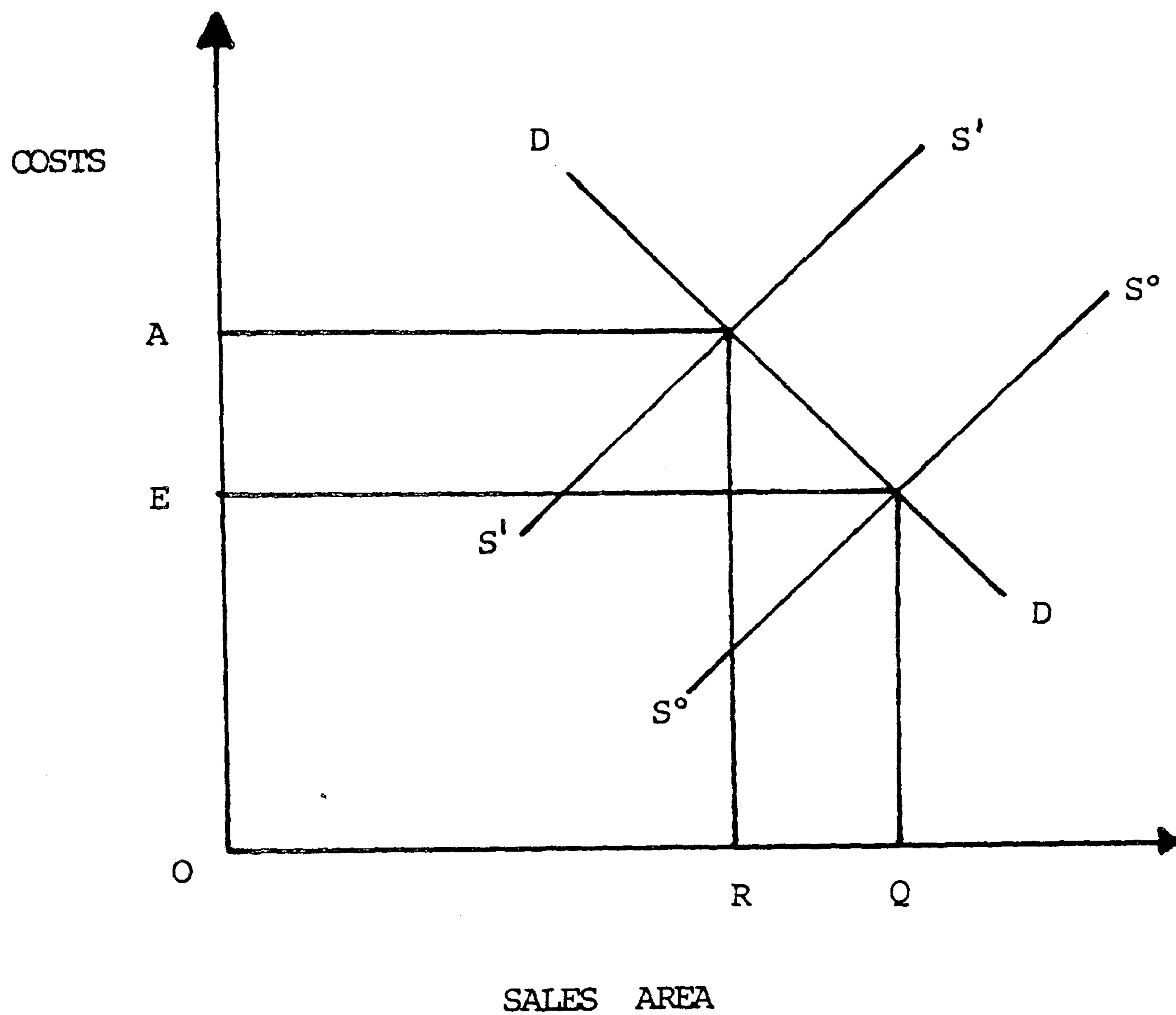
These events, encouraging the increased intervention of the judiciary in the operation of the Loi Royer would appear to have created a new level of control superceeding both the CDUCs and CNUC, with the consequence that the CDUCs control over commercial development is even further reduced.

#### 10.4. OPERATIONAL EFFECTS OF THE LAW

One of the most important effects of the law as far as the developers are concerned is that the legislation has considerably increased the cost of building a large store. Messerlin (1982) argues that the Loi Royer has introduced unnecessary costs for the consumer (figure 10.3). If the demand for distribution services is D-D, then without the legislation this demand could be met by a sales area of QQ at a cost of OE. However, as the legislation restricts the sales area to OR, demand can only be met at a cost of OA. Consequently, any restriction in the floorspace of new units, owing to the legislation has increased costs by EA, and this cost is ultimately borne by the consumer.

Messerlin further shows that surveys have revealed that whilst construction costs have stabilised (owing to

Figure 10.3 : "Political Costs" of the Loi Royer.



After Messerlin (1982)

rationalisation and the standardisation of construction techniques, equipment, and fittings) and land costs are variable, other costs have risen because of the legislation. These political costs have become an important element in the overall costs of development. They include the cost of surveys and the preparation of dossiers for the CDUC and the costs of delay whilst an application is authorised. However, the most important element is the additional costs of providing local infrastructure and developing the social and community facilities which may be a precondition of any authorisation.

There are numerous examples of the increased costs of development in the literature. Messerlin (1982) quotes the case of a Continent hypermarket at Montigny les Cormeilles. In order to obtain an authorisation for an extension of 2,400 square metres to add small shop units to this store, the owners had to pay out 2.8 million francs to develop the town infrastructure, install a public market for 30 traders, allow two cinemas into the commercial centre and take the first ten employees for new jobs created by the extension from Montigny les Cormeilles. In addition to these costs, this agreement took three years to negotiate.

Several other examples of the political costs of development are cited by Rochard and Peretie (1981). At Epagny, a village of 840 inhabitants near Annecy in Haute Savoie (74), the municipality received 5 million francs for the opening of a 5,000 square metre Auchan hypermarket. For a site near Toulouse, the local communes demanded 15 million

francs "for routine infrastructure and a future industrial zone", plus a percentage of sales, from Lelerc for a modest supermarket, and it is claimed that Carrefour paid 140 million francs for a project in the Merian quarter of Marseille. Finally, at Etrechy in the Paris region (Canadean World Distribution 1981), the Communist Party sent a letter of protest to the Socialist mayor, claiming that the 1 million francs which the local authority had received for authorising a 13,300 square metre Euromarché project was a "derisory sum" in view of the sums paid by Carrefour at Etampes (4.5 million francs for 3,600 square metres), and Auchan at Bretigny (4 million francs plus 9 million francs-worth of social facilities for a 6,900 square metre project).

Clearly the political costs have become one of, if not the, most important cost elements of investment. Halley (1984), the President of Promodès, claims that the initial cost of investment has been increased by between 20 and 50% due to these political costs, and this consequently reduces the profitability of projects and restricts the growth capacity of organisations.

Naturally, with such large investment costs at stake, the developers have responded by becoming much more devious in their applications, searching out loopholes in the legislation and exploring other ways of side-stepping the CDUCs and CNUC. An APCCI (1982) document suggests several loopholes in the legislation which the developers have been

quick to exploit. Often applications are made for projects with a disproportionate sales area: gross area ratio, so that once the unit has been built, the "pseudo" surface can be slowly transformed into sales area. The argument that arises over what is sales and what is storage space is further complicated by certain product ranges such as sports goods, camping gear and household equipment, for which it can be difficult to distinguish sales area from stock-holding area.

Other loopholes in the regulations that the developers exploit include the integration of empty small units from the galerie marchande into the anchor store, and the use of car parks for "promotional" activities which involve the sale of goods from gondolas or modules. All these examples are methods employed by developers to illegally increase the sales area of a store without recourse to the CDUCs.

A similar range of irregular tactics have been used by developers to obtain authorisations for new stores. One of the most common of these is for the applicant to hide behind a "front" applicant, as the developer is not obliged to name the intended retailer for the proposal. In Compiègne, as Rochard and Peretie (1981) report, a town notable easily obtained an authorisation for a hypermarket scheme, only to reveal later that he had created a joint company with Carrefour to implement the development. He then proceeded to sell his shareholding in this company to his partner for 10 million francs. Carrefour have shown through the success of their joint subsidiary companies formed with regional

retailers (Chapter Seven), that not only does this form of joint investment reduce the costs of development, but by involving a local regional company, that has greater knowledge of local conditions and often wields more influence in the area, applications can be more successful than they would have been if the major national retailer had been the sole applicant.

The purchase and exchange of authorisations has also been encouraged by the Royer legislation. Once again, Rochard and Peretie (1981) provide examples of this practice. They cite the story of a butcher in Rambouillet who received an authorisation for an out of town hypermarket and then sold the site and authorisation to Carrefour for 5 million francs, and in Roche sur Yonne the owner of an Intermarché store obtained permission for an extension to his shop and then sold the store to Carrefour, fifteen days later. This practice of buying and selling authorisations for sites has, according to Cohen-Chabaud (1981), encouraged the growth of intermediaries and speculators, such as Le Corre and Vallee, who act as a developer to obtain an authorisation and then sell the site to the highest bidder.

Similarly, as there are no regulations within the Loi Royer to control the change of store use, as long as this transfer of activities takes place within two years of the store closing, it is increasingly common for DIY and furniture/household goods units to become hypermarkets. One of the most noted examples of this occurred in Rennes when



two furniture stores due to open on 15th April 1981 became a Leclerc store.

The Leclerc group in particular has earned a reputation for its ability to find ways around the regulations. In one instance the group is reported to have received a construction permit for a 7,000 square metre unit for "mammals", which did not require a CDUC authorisation, and then opened a hypermarket, claiming that as humans are mammals they had not broken the law ! Episodes such as this have not endeared Leclerc to either the CDUCs or CNUC, and, as Cohen-Chabaud (1981) remarks, "the cavalier methods of the Leclerc group are always disturbing".

In November 1980 (Rochard 1980), the Leclerc group even went as far as calling a "Council of War" of 380 Leclerc adherents, and voted to proceed with unofficial openings if authorisations were not forthcoming. More recently, Leclerc has challenged the administration's right to control margins and prevent the discount selling of petrol, books, and pharmaceuticals, and announced plans to provide free food, or at least sell food at well under the cost price, to the poor (Merritt 1984). It is widely believed that Edouard Leclerc harbours political aspirations, which may account for some of the more outrageous publicity stunts performed by the group.

Another method of escaping the restrictions placed upon development by the Loi Royer, is through the construction of supermarkets which fall just below the size thresholds necessary to seek an authorisation from the CDUCs. Comment

has already been made upon the increasing numbers of supermarket applications brought before the CDUCs, and many critics, such as Marchand (1979) argue that it is this type of smaller development which escapes the CDUCs, rather than the hypermarket, which provides the greatest threat to the traditional small retailer.

Halley (1984) and the APCCI (1982) claim that the law has, by default, encouraged the growth of medium sized and intermediate sized stores, as these stores have grown in number over the period of the Loi Royer's existence. After showing signs of levelling off in the early and mid 1970s, both the number and floorspace of new supermarkets opening each year has risen noticeably since 1978 (figure 10.4). Whilst one could argue that this development of medium sized self-service stores is good for the consumers, as it increases the number of local shops which operate modern distribution techniques, with the associated benefits of lower prices. Others (Halley 1984), claim that the growth in supermarkets at the expense of hypermarkets is detrimental to consumers, because as the size of a self-service store falls, so does the range of goods and services offered.

Sales area alone is a poor measure of a store's potential impact. As the APCCI (1982) suggest, a store of 900 square metres of sales space in a town of 3,500 inhabitants will have less impact upon the traditional retail structure than a store of 300 square metres, opening

Figure 10.4A : Number of Supermarkets Opened per Year 1960-1982. (Three Year Running Mean)

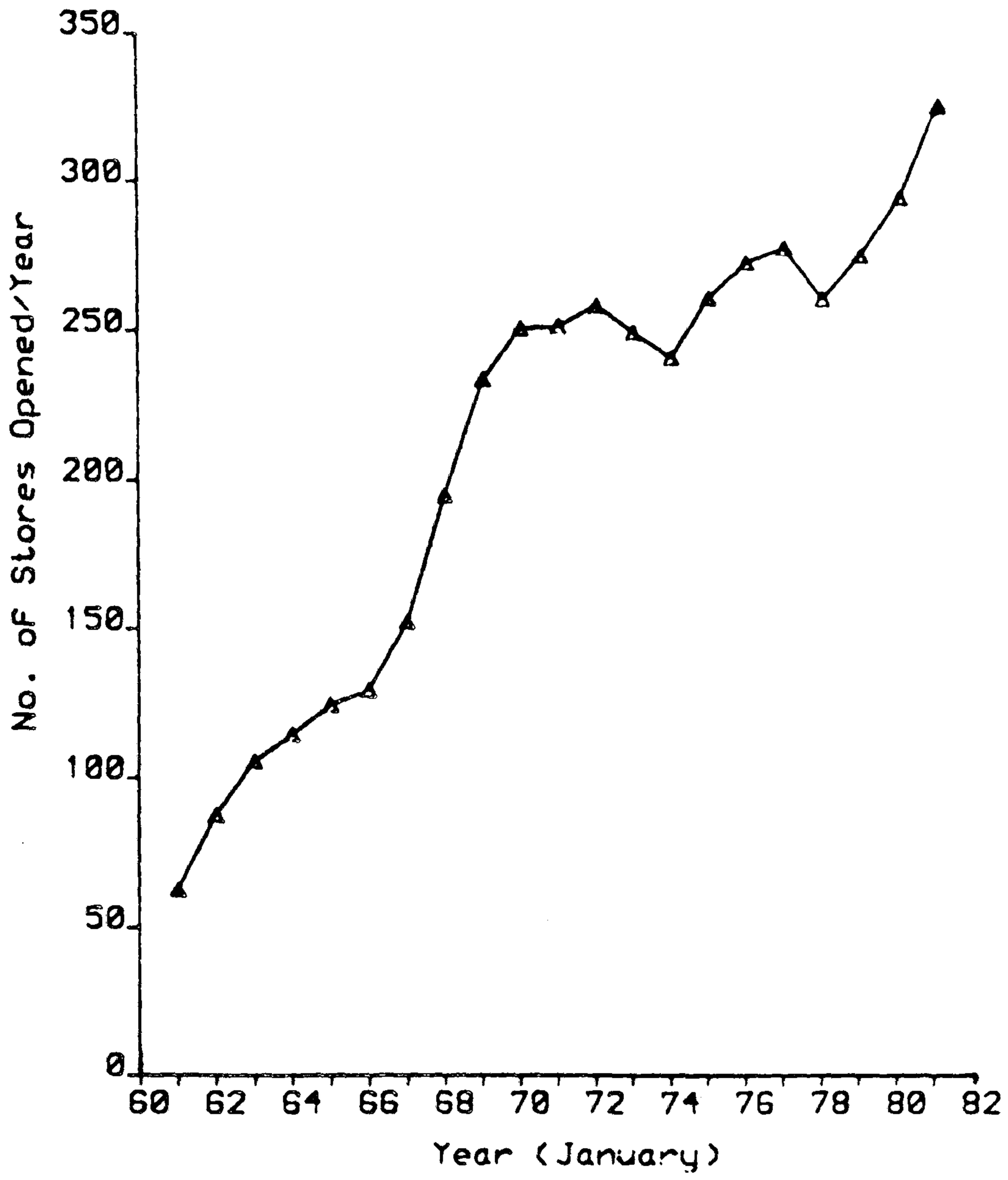
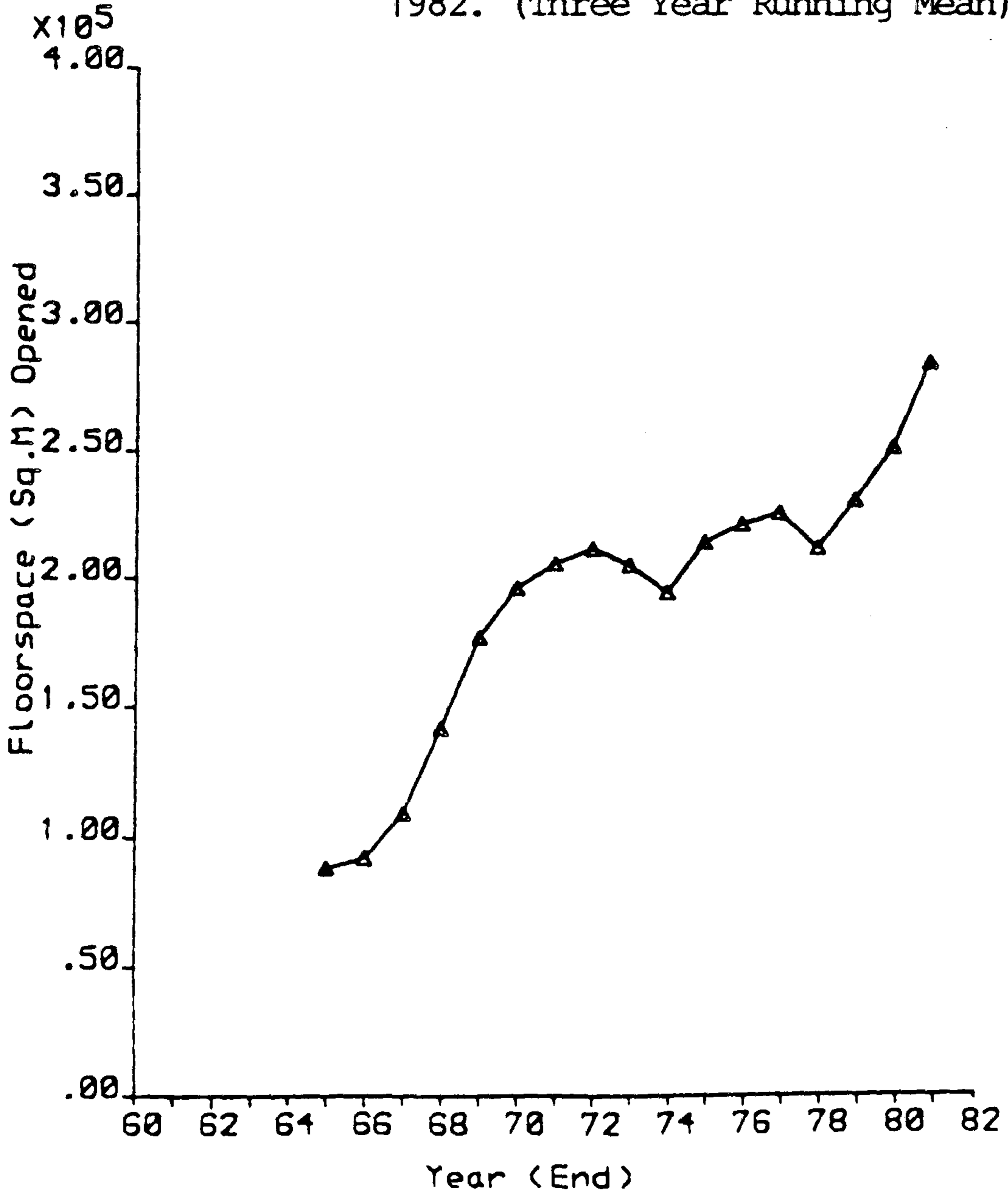


Figure 10.4B : Supermarket Floorspace Opened per Year 1960-1982. (Three Year Running Mean)

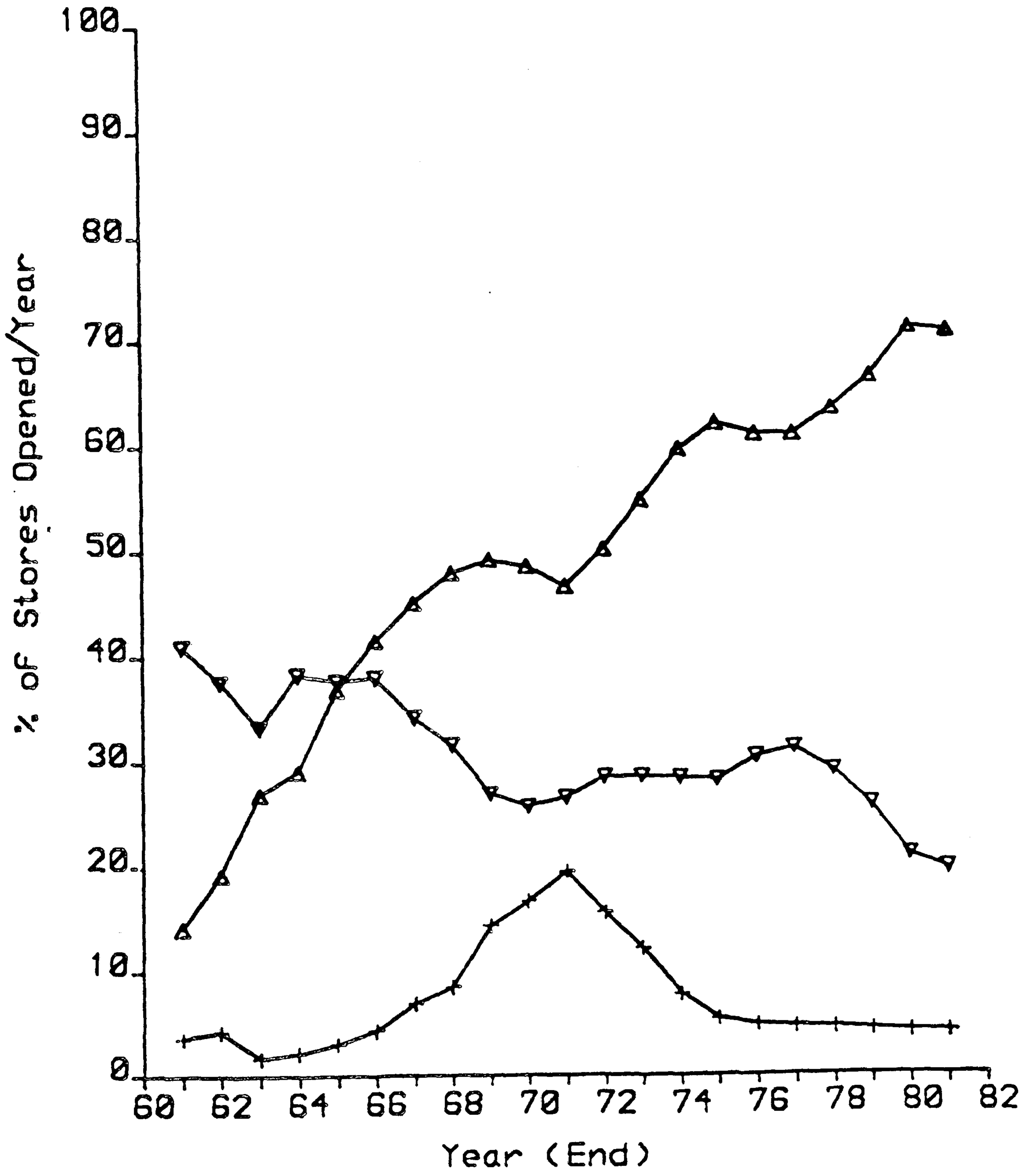


in a town with a population of 1,200. Similarly, a store of 1,000 square metres will not have the same impact if it is a clothes or furniture shop, as it would have if it was a food outlet. The Loi Royer does not allow for this differential impact, as it does not distinguish or differentiate between different type of use.

However, from the results of impact studies, it seems plausible that the growth of supermarkets and smaller self service stores will have a more direct impact upon traditional small outlets as they will compete against one another in the same market area. The noted increase in the number of supermarket applications made to the CDUCs observed in the previous Chapters, and the more favourable success rates attributed to this form of development, are likely to pose a greater threat to the traditional small trader. The large retail organisations appear to be looking more closely at the potential for development of smaller self-service units, and it is likely that, as the potential for future growth in the hypermarket sector declines with rising development costs and store saturation, their attention will focus more closely upon this type of store. As the law only distinguishes between small and large stores, rather than small and large firms, there are at present few restrictions to prevent the large retailers from investing in smaller stores formats.

The direct threat to the traditional independent retailer will not, however, come solely from the large retail groups. As figure 10.5 illustrates, the proportion

Figure 10.5 : Number of Supermarkets Opened per Year by Type of Organisation 1960-1982.  
(Three Year Running Mean)



▲-▲-▲ Independents  
 ▼-▼-▼ Multiples  
 +--+ Cooperatives

of supermarkets opened each year by independent traders is rising steadily. These independents that open supermarkets are likely to belong to affiliated groups such as Leclerc and Intermarché, and consequently benefit from the buying power and organisation of these groups. This allows them to provide a highly competitive operation at the local store level, and it is likely that the most immediate threat to the traditional independents will come from these organised affiliated small traders.

Marchand (1979), and others also argue that by prohibiting new developments, the Royer legislation has in effect protected those stores that already exist, effectively creating a monopoly or preserved environment for them to operate in. The increased costs of development resulting from the regulations restricts the ability of the true independent traders to develop large stores, as Leclerc has commented...

"the law protects the large forms of capital. Distribution has become a privilege for the large."  
(Rochard and Peretie 1981)

a view which is endorsed in the same article by Halley of Promodès ...

"the law creates distortions between enterprises which have the ability to obtain an authorisation and those which do not."

In addition to affording some form of protection to the organisations that are already established in the hypermarket sector, the legislation, certainly during the early years of its application could be seen to be

maintaining spatial monopolies at the local level. Coquery (1976) has commented upon the application of the law in 1974 and 1975, and argues that the legislation has merely reinforced the regional and urban disparities in commercial equipment that previously existed. He supports this claim by suggesting that in the first two years of the legislation, the majority of applications for new developments continued to be concentrated upon those areas and towns which had already successfully accepted the hypermarket concept, and where population densities were high. Although this claim may be less applicable now, as retailers are turning towards the secondary market areas, they appear to be making this move of their own accord rather than being forced into these areas by the strict controls over development in more favourable primary market areas.

#### 10.5. SUMMARY

Evaluation of the results of the CDUC and CNUC decisions raises several issues which appear to have done little to strengthen the position of the traditional independent retailer with respect to the large retail organisations. Success rates for projects may be higher than a simple analysis of the total number of applications suggests, owing to the occurrence of multiple applications upon single sites. Hence, the CDUCs and CNUC may only delay rather than prevent development. Similarly, the influence of Ministerial control, which would seem to be vulnerable

to electoral pressures, and the intervention of the judiciary, has implemented new levels of control which further centralises decisions, and reduces the influence of the local level CDUCs over commercial development.

The Loi Royer has undoubtedly raised the costs of development, with the consequence that the search for loopholes in the legislation has intensified. Developers have exploited technicalities within the legislation, made use of "front" organisations to propose projects, and purchased applications from successful applicants. In addition, the increased number of supermarket openings, largely by affiliated independents, may be partly attributed to the restrictions and increased costs of larger developments due to the Loi Royer. This growth in supermarkets and smaller self-service stores is likely to bring organised retailers into a more direct conflict with the traditional independents which the law aimed to protect.



## CHAPTER ELEVEN : A CASE STUDY - THE BRITTANY REGION

Many of the issues raised by the evaluation of the workings of the CDUCs and CNUC, can be further illustrated by examining hypermarket development in more detail at the regional scale. The four départements making up the Brittany region; Côtes-du-Nord (22), Finistère (29), Ile-et-Vilaine (35) and Morbihan (56), contained a population of 2.7 million in 1984, making the area the sixth most populated of the 21 economic planning regions in France.

This population is concentrated in the coastal settlements, particularly in the peninsular départements, and the towns of Rennes (Ile-et-Vilaine), St Briec (Côtes-du-Nord), Brest and Quimper (Finistère), and Lorient (Morbihan) dominate their respective départements. The demographic and socio-economic characteristics of the region (figure 11.1) reveal a population with an above average proportion of its inhabitants below the age of twenty and above sixty-five years of age, reflecting the historical trend of migration from the region by the working population. The region, in terms of annual income per person was ranked 16th of the 21 regions of France in 1981, and with respect to the proportion of households owning certain items of household equipment, Brittany falls below the national average in all categories, with the exception of car and deep freezer ownership.

Despite these apparent indications of a below average standard of living and potential spending power, the total

Figure 11.1 Brittany - Demographic and Socio-Economic Characteristics.

1. Age Structure (1982)

National Average in Each Category	100
Brittany - 0 - 19 Years	104.3
- 20 - 64 Years	96.7
- 65 + Years	104.7

2. Annual Revenue per Person (1981)

National Average	54 366 Francs
Brittany	49 213 Francs (ranked 16th)

3. Ownership of Household Equipment (1982)

% Household Ownership	France	Brittany
Car	72.1	74.8
T.V.	91.0	90.2
Colour T.V.	56.3	50.1
Refrigerator	96.1	94.7
Washing Machine	81.7	78.1
Dish Washer	19.7	18.6
Deep Freeze	30.7	39.2
Telephone	79.7	79.0

Le Commerce Moderne, 608, 1984.

retail turnover of Brittany in 1979 (24,277,286 F) was the eighth highest in France (Duvey and Castenet 1980). In line with the national averages, 46% of this turnover was accounted for by food sales and 54% by non-food sales. Furthermore, the region appears to be particularly well represented in terms of self-service floorspace with 26 hypermarkets and 289 supermarkets spread throughout Brittany at the beginning of 1983. These stores give Brittany one of the highest densities of self-service floorspace in France, and all four départements are above the national average (figure 11.2). The self-service floorspace density figure for Cotes-du-Nord is one of the highest in the country.

The strong representation of self-service retailing in Brittany is undoubtedly linked to the presence in the region of two important figures in the development of the hypermarket and supermarket concepts in France, Edouard Leclerc, and Jean Cam. The role played by Leclerc in the spread of low margin self-service retailing has already been mentioned, but Cam and his Rallye group have been equally significant, as Rallye has developed into one of the major regional hypermarket traders.

Jean Cam and his friend, Louis Le Gouez, entered retailing in 1948 through a small 25 square metre boutique in Brest. This store was followed by the openings of a further two small shops in Brest, and then in 1957, Cam closed these three stores to open a 1,500 square metre store in the town trading under the name of "Magasin Jean" (LSA

Figure 11.2: Brittany - Self Service Retailing 1983.

Département	Population ( ' 000)	Self Service Sales Area (Sq.M.)	Sales Area per 1,000
22	538.9	110 145	204
29	828.4	161 909	195
35	749.8	128 015	171
56	590.9	110 503	187
Brittany	2 708.0	510 572	189
France	54 335.1	8 481 362	156

Derived from LSA, 942, 1984b.

751 1980). The success of this larger store prompted the opening, over a decade later, of the first Rallye hypermarket at Brest in 1968.

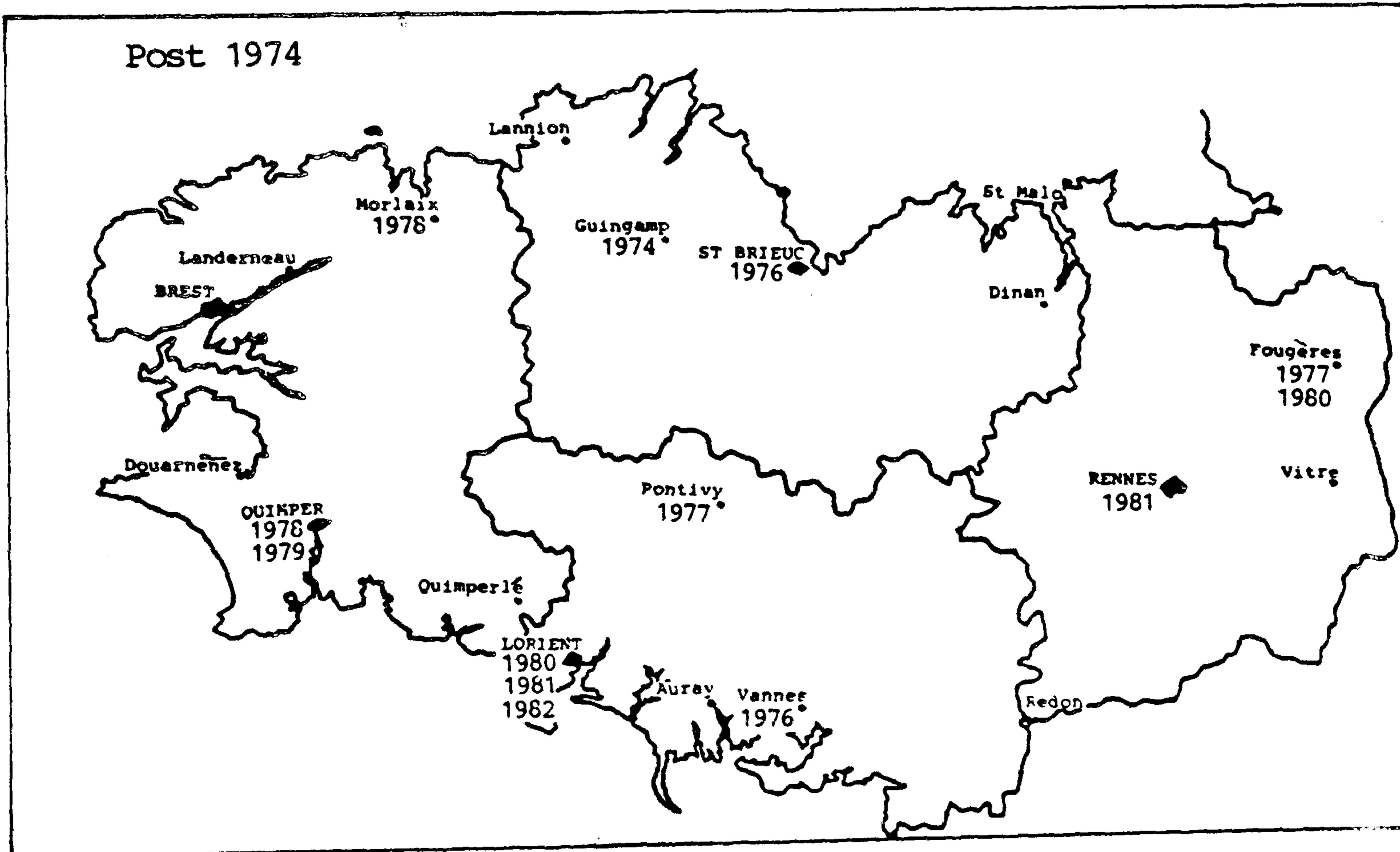
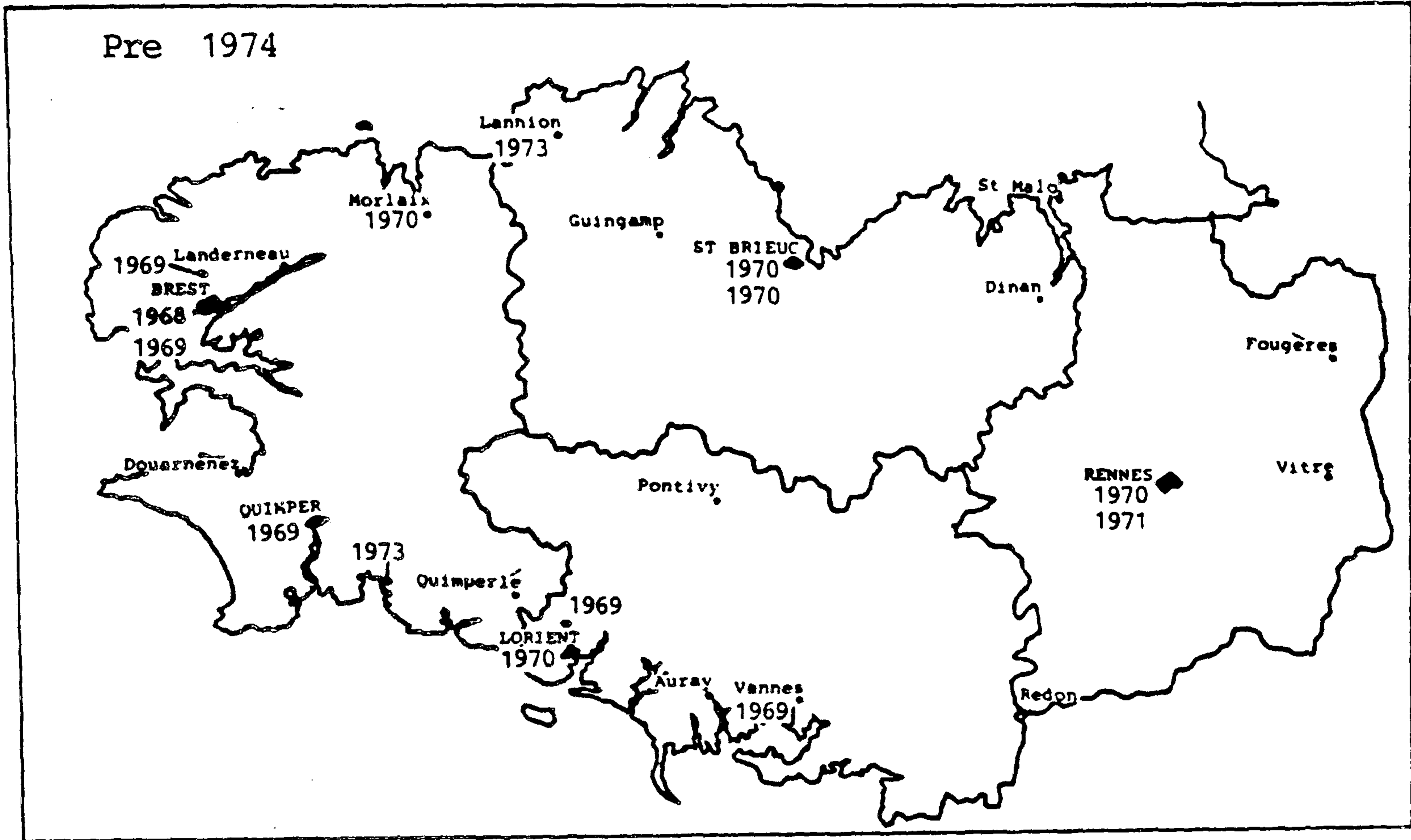
Other Rallye hypermarkets in the region were soon developed at Quimper and Lanester (near Lorient) in 1969 and at Lannion in 1973. The group concentrated upon a discount policy and placed a strong emphasis on regional brands. Consequently, Rallye became firmly associated with the Brittany region, and by the end of 1982, 7 of the group's 15 hypermarkets were located in the region. As noted in Chapter Eight, Rallye have been one of the primarily regional groups that have attempted to move out from their regional base into the national market. The group regret not having attempted to develop on a national scale at an earlier stage in their history, as the Director General in 1978, Francois Le Gouez remarked...

"we lost three years through lack of confidence and excess of prudence. This was the fastest period of hypermarket expansion, the years of gold." (LSA 689 1978)

The presence of both the Rallye and Leclerc groups in the region goes some way towards explaining the strong commitment towards the hypermarket and supermarket in Brittany.

The hypermarkets opened prior to the Loi Royer (map 11.1) were concentrated on the major urban centres in the region. Brest, St Brieuç, Rennes, Quimper and Lorient all possessed hypermarkets by the end of 1970. At the end of 1973, 14 hypermarkets had been opened in Brittany, four

Map 11.1 : Brittany - Hypermarkets Opened 1963-1982



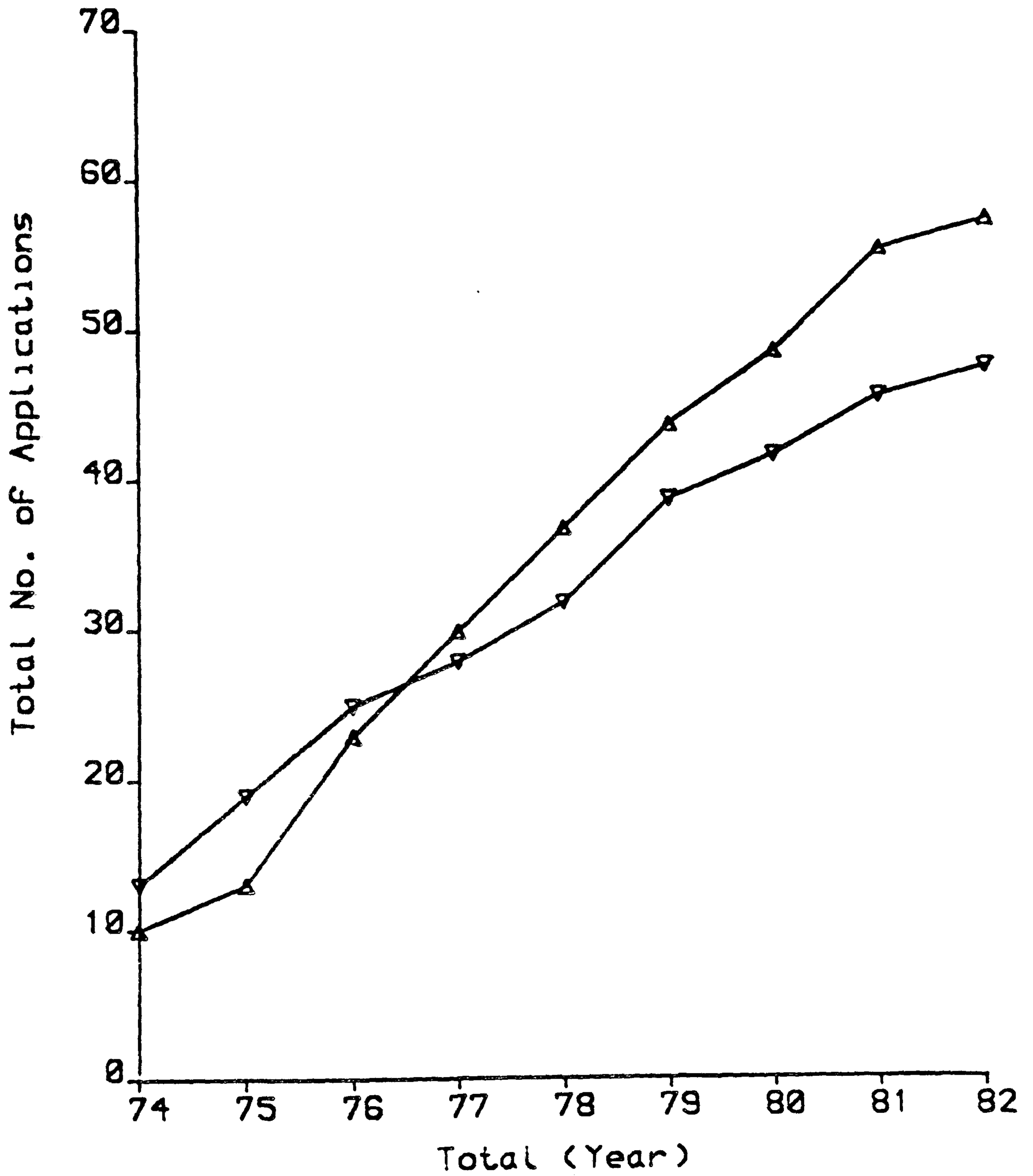
were operated by Rallye, two by Leclerc, and the others by a variety of regional groups such as Économiques de Rennes (Mammouth), Superouest (Superouest), Sté des hypermagasins Bretons (Escale), Hyperouest (Montréal), and Ets le Strat (Concorde). Following initial rapid development which saw the opening of five units in both 1969 and 1970, the pace of development slowed to one or two new stores per year. An opening rate that has been maintained since the Loi Royer.

The stores opened since the introduction of the Royer legislation have similarly been concentrated on the larger urban centres, but as elsewhere in France during the mid and late 1970's, infilling of sites has occurred with hypermarkets opening in smaller centres such as Fougères, Guingamp, Morlaix, Vannes and Pontivy.

#### 11.1 THE CDUCs AND CNUC IN BRITTANY

Following the establishment of the new CDUCs, the number of applications for new developments based upon hypermarkets remained static at around seven proposals per year from the mid 1970s until the early 1980s (figure 11.3), and then showed signs of decline in the 1980s. The early applications for hypermarket development (map 11.2) tended to concentrate upon the major centres such as Rennes, Lorient, Brest and Quimper, diffusing to smaller centres like St Malo, Landernau, Plougoumelen (west of Vannes), Paimpol (on the north coast) and Guipavas (east of Brest) as time progressed. Development was sought equally between the four départements making up the region, with the exception

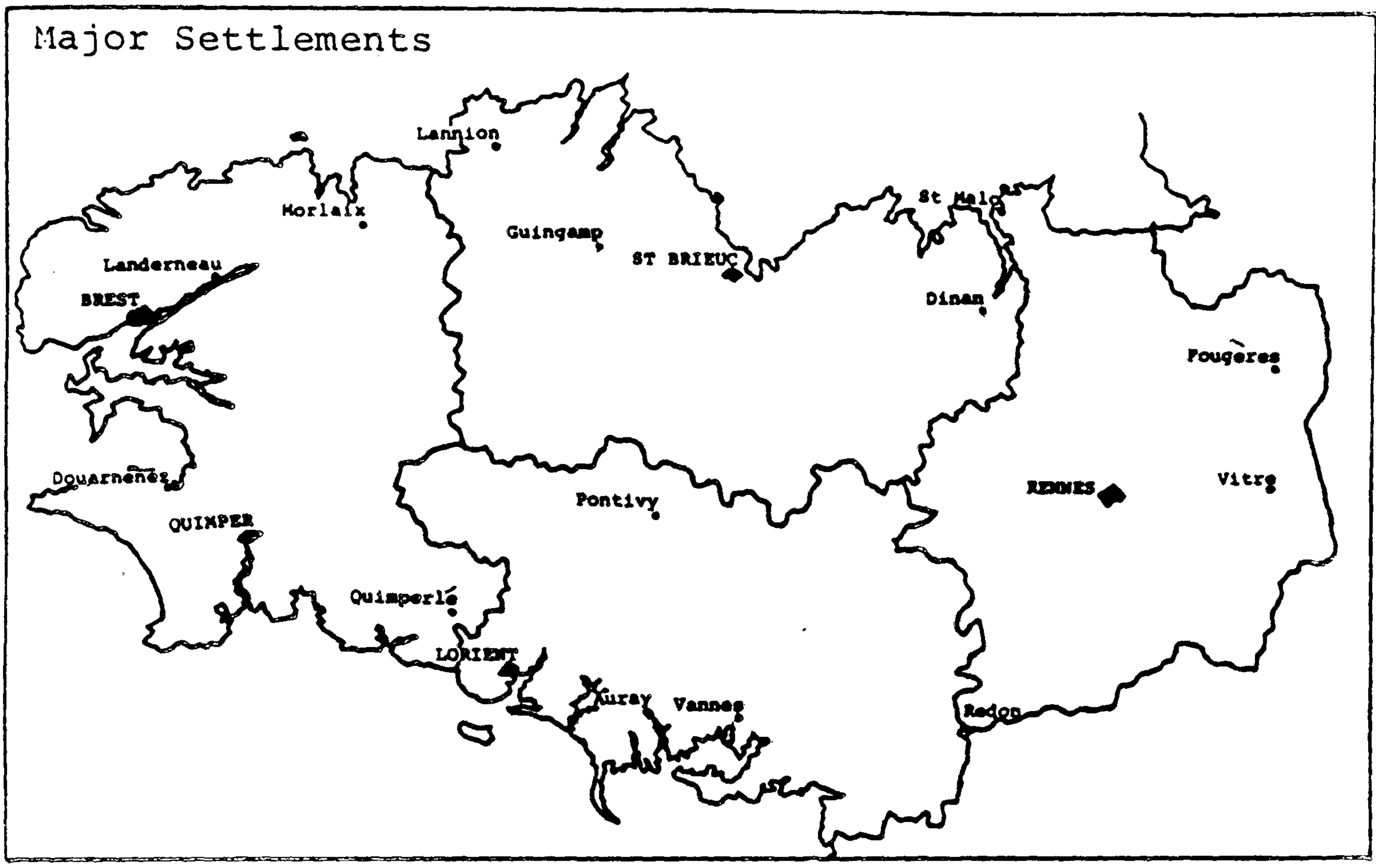
Figure 11.3 : Brittany - Applications for Hypermarket and Supermarket based Development.



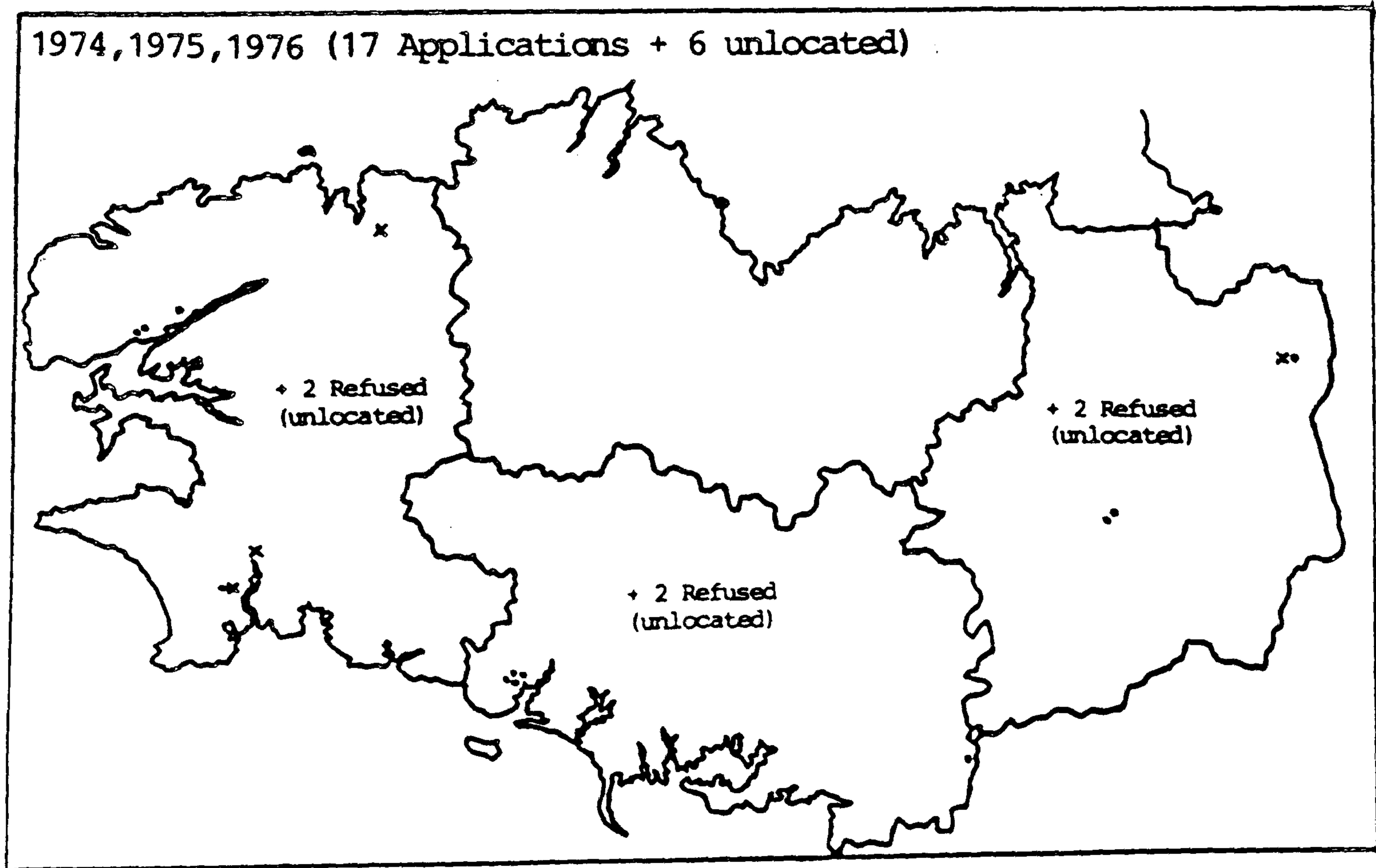
▲-▲-▲ Hypermarkets  
▼-▼-▼ Supermarkets



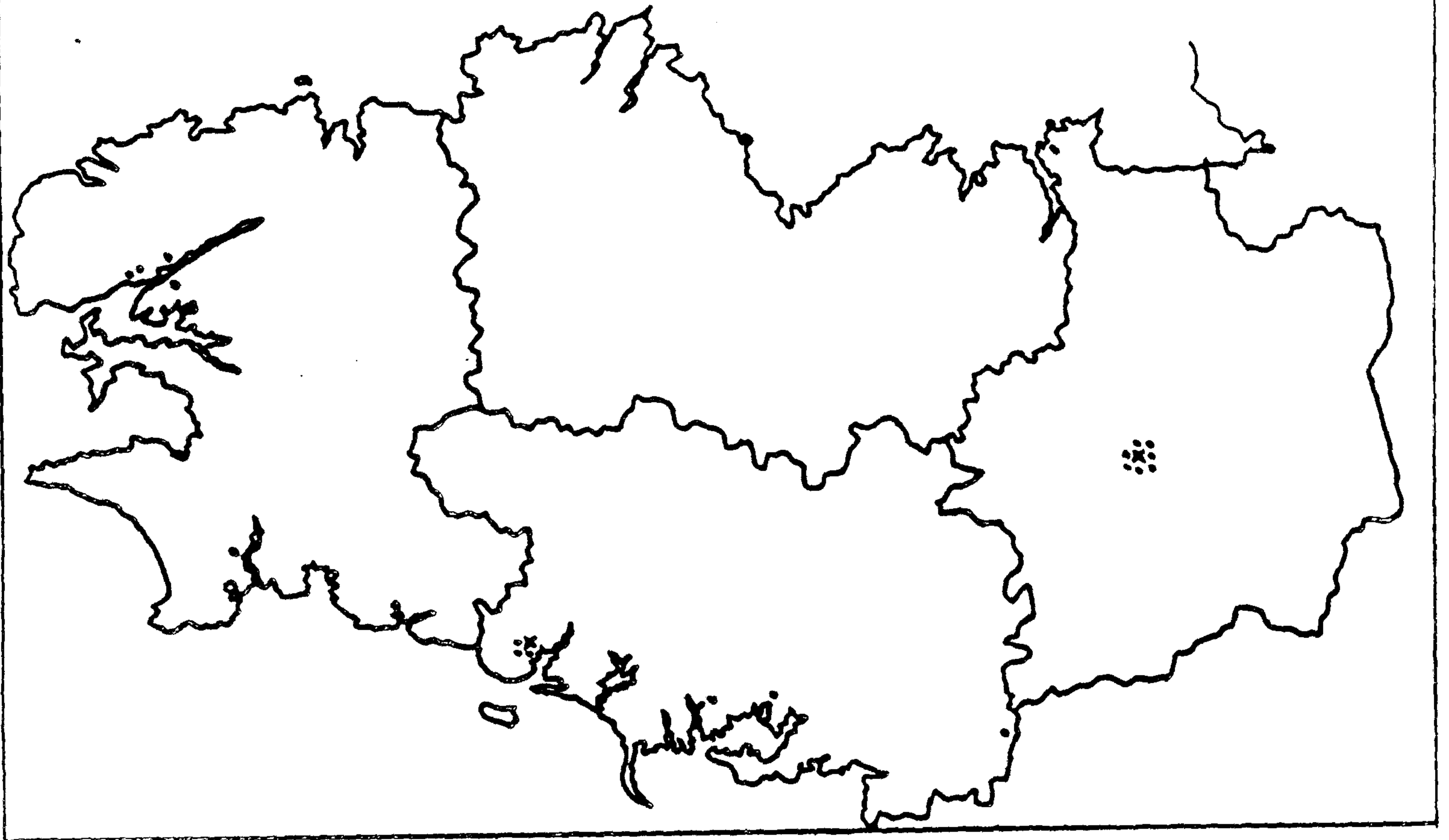
Map 11.2 : Brittany - Applications for Hypermarket Development 1974-1982



x Accepted      • Refused  
 (After CNUC decision)

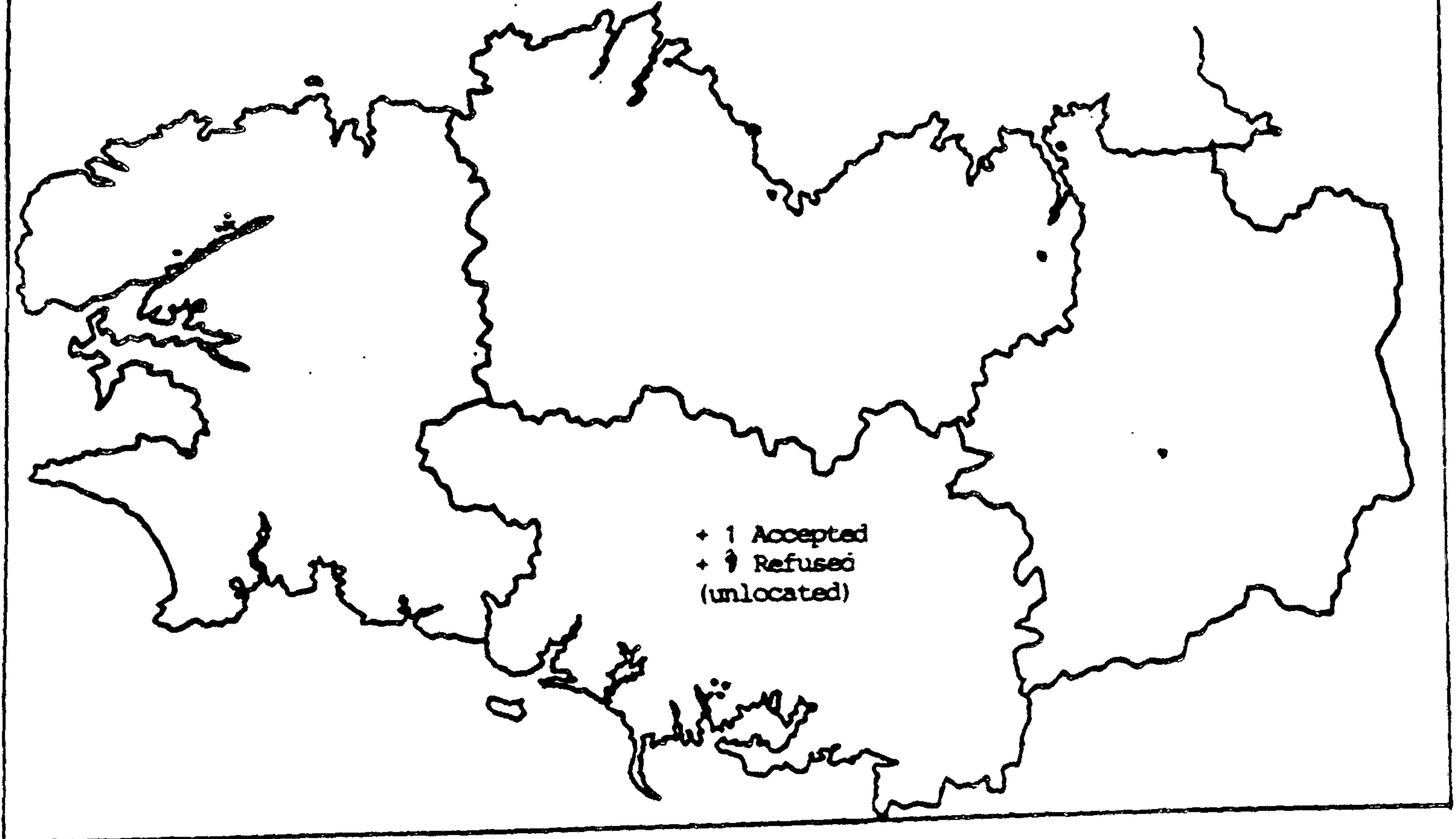


1977, 1978, 1979 (21 Applications)



X Accepted      • Refused  
(After CNUC decision)

1980, 1981, 1982 (12 Applications + 2 unlocated)



+ 1 Accepted  
+ ? Refused  
(unlocated)

of C<sup>o</sup>tes-du-Nord, which received only three applications between 1974 and 1982. Of the 58 applications made to the CDUCs between 1974 and 1982 for hypermarket based development, only 6 (10.3%) were authorised by the CDUCs, although this figure was raised to 9 (15.5%) following the intervention of the Minister (figure 11.4).

However, as suggested earlier, figures based simply upon numbers of applications tend to be misleading as this does not give a true indication of the real potential for hypermarket development in terms of the sites sought. When the number of applications made to the CDUCs are regarded as the number of sites or markets for which applications were made, the number of potential hypermarket sites is reduced to 29. This reassessment has consequences for the success rates for these applications which are doubled for both the CDUCs and CNUC to 20.7% and 31% respectively. The greatest effect of this reassessment of the number of applications and their rates of success is seen in the Ille-et-Vilaine d<sup>e</sup>partement (35), in which the overall success rate is raised from 16.7% of the total number of hypermarket applications, to 42.9%, if multiple applications upon the same site are disregarded.

A prime example of multiple applications upon one site or for one potential catchment area is the battle that took place for the third hypermarket in Rennes, which is discussed by Gautier (1979). In 1976, two applications were made for a third hypermarket in the town by Ste Nouvelle de

Figure 11.4: Brittany - Applications for Hypermarket Development 1974-1982.

1. Total Numbers of Applications 1974-1982.

Département	Number of Applications	Authorised by			
		CDUC		CNUC	
		Number	%	Number	%
22	3	0	0	0	0
29	18	3	16.7	4	22.2
35	18	0	0	3	16.7
56	19	3	15.8	2	10.5
Brittany Total	58	6	10.3	9	15.5

2. Sites upon which Applications were made 1974-1982.

Département	Number of Applications	Authorised by			
		CDUC		CNUC	
		Number	%	Number	%
22	3	0	0	0	0
29	11	3	27.3	4	36.4
35	7	0	0	3	42.9
56	8	3	37.5	2	25.0
Brittany Total	29	6	20.7	9	31.0

Galerie and Carrefour (through the Association des Commerçants de Maison Neuve) both of which were rejected by the CDUC and CNUC. A further two proposals by Carrefour were rejected by both Commissions in 1977 and 1978, as were projects put forward by Sedeco and Auchan, Continent, and Euromarché in 1978. At this juncture in the proceedings, the situation was further complicated by applications from Leclerc, Superest and Intermarché for a supermarket development of between 2,450 and 2,490 square metres. Another two hypermarket projects were placed before the CDUC by Continent in 1979, and rejected, before Euromarché finally had their second application of 1979 authorised on appeal by the minister. Thus, in this instance numerous applications were generated by the refusal of the CDUC to endorse a proposal, rather than because the site or catchment area could support all these applications. In this case the legislation only managed to delay development, and did not prevent it.

The example of Rennes, along with others such as the five applications needed by Euromarché between 1974 and 1978 to obtain an authorisation for development in Lorient (LSA 807 1981a), and the experience of the Union des Coopérateurs Lorientais, who became so frustrated with their efforts to obtain an authorisation for a site at Lorient, after five refusals from the CDUC and one refusal from the Minister, that they decided in 1978 to side-step the regulations and transformed a large non-food store into a hypermarket (Basset 1980), would seem to reaffirm that a large

proportion of the total applications for hypermarket based projects are in fact merely generated by the presence and behaviour of the CDUCs and CNUC. Furthermore, the eventual success of these applicants, plus the continued steady pace of new hypermarket openings in Brittany, suggests that the CDUCs and CNUC have only had a delaying effect upon new developments.

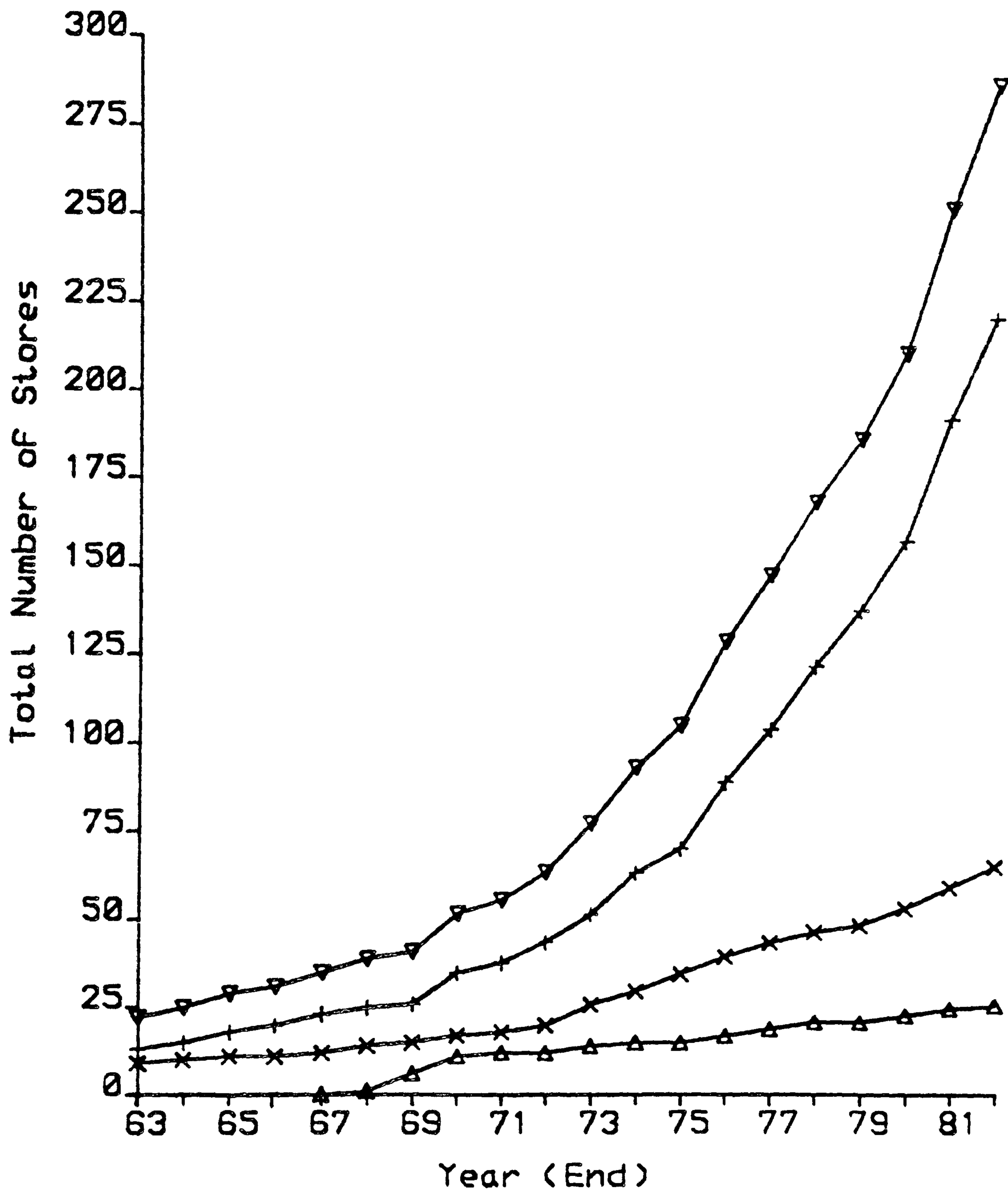
The second major issue raised by the preceding evaluation of the CDUCs and CNUC in the region, is that of the impact of the Minister upon new development. Ministerial impact in Brittany has been most pronounced in Ille-et-Villaine, as before the CNUC stage no projects had been authorised in the département. The overturning of CDUC decisions by the Minister came to a head in April 1982 (Hennek 1982), when the CNUC authorised a proposal from Semaeb for a commercial centre of 11,950 square metres close to the Trois Soleils centre in Rennes. The reversal of the original decision made by the CDUC (which had firmly rejected this application by 15 votes to 6) drew a strong reaction from local traders who disrupted the next meeting of the CDUC on 6th July 1982, demanding that the Préfet should protest about the CNUC decision. At this meeting of the CDUC, the trader and craftsmen representatives on the commission withdrew from the chamber in protest when a proposal for a Somabri DIY outlet made by Semaeb was brought before them, returning later to debate two other proposals for extensions that were on the agenda.

On their return, they found that the Préfet had announced that as the CDUC meeting had been quorate before the walk out, a decision to authorise the new Semaeb/Somabri project by 5 votes to 3, made in the absence of the trader and craftsmen representatives was valid. The traders promptly walked out again and lodged an appeal against this decision with the Administrative Tribunal which was upheld. A repeat application by Semaeb/Somabri at a later CDUC meeting was defeated by 12 votes to 5. This case provides an example of the disenchantment with the Ministerial right to overrule CDUC decisions that often occurred at the local level.

As elsewhere, the Brittany region has experienced increased activity in the supermarket sector. As figure 11.5 reveals, there has been a rapid rise in the number of new supermarkets opening each year since the mid 1970s. From approximately 4 new store openings per year in the 1960s, and between 10 and 15 in the early 1970s, the volume of store openings has increased to around 20 units per year between 1976 and 1980, and to 35-40 since 1980.

This sharp rise in the number of new supermarket openings is primarily due to an increase in the number of smaller units (with under 1,000 square metres of sales space) whilst larger stores (those over 1,000 square metres in size) have tended to grow steadily. In 1973, the proportion of existing supermarkets that fell into the 600-799 square metres and 800-999 square metres size categories was 15.6% and 10.3% respectively. By 1982 these two

Figure 11.5 : Brittany - Hypermarkets and Supermarkets Opened.



- △-△-△ Hypermarkets
- ▽-▽-▽ All Supermarkets
- +--+ Supermarkets (Below 1,000 Sq.M.)
- \*-\*-\* Supermarkets (Above 1,000 Sq.M.)



proportions had risen to 22.3% and 14.8%. Figure 11.6 shows that these two size classes are the ones in which growth occurred during the 1973 to 1982 period, whilst most other size categories have experienced a relative decline. This growth in supermarkets that fall below the size thresholds necessary for a development to be referred to the CDUC, would seem to support the assertion that developers are paying increasing attention to this form of project.

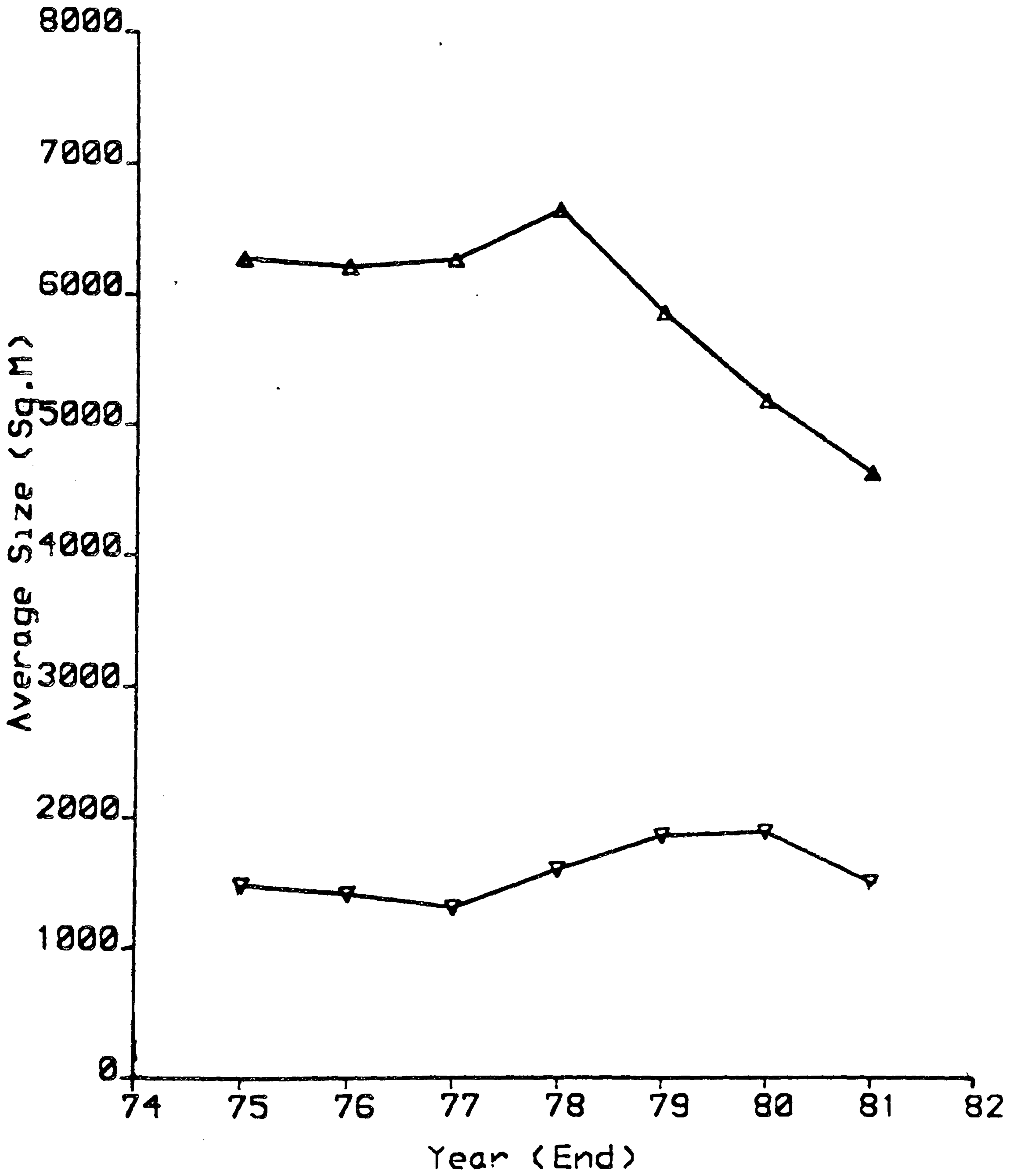
The number of applications made to the CDUC for supermarket development has remained steady (refer to figure 11.3) with 23 (47.9%) of the 48 proposals made between 1974 and 1982 receiving an authorisation after the CDUC and CNUC deliberations. In terms of the average size of proposals (figure 11.7), the slight rise in the average area of supermarket applications, from under 1,500 square metres in the mid 1970s to close to 2,000 square metres in the early 1980s, corresponding with a decline in the average size of applications based upon hypermarkets from 6,000-6,500 square metres to 5,000 square metres over the same period, may be further tentative evidence of developers turning towards larger supermarket or smaller hypermarket developments, as the major consumer markets are occupied by hypermarkets. This would certainly appear to be true at the regional scale where, as in the case of Brittany, all of the major urban centres possess hypermarket developments.

The final issue raised by the evaluation of CDUC and CNUC decisions is the suggestion that by limiting, or at

Figure 11.6: Brittany - Supermarkets Opened by Size Categories 1973 and 1982.

Size Category (Sq.M.)	1973 (%)	1982 (%)	Change (%)
400- 599	41.6	40.3	- 1.3
600- 799	15.6	22.3	+ 6.7
800- 999	10.3	14.8	+ 4.5
1000-1199	12.9	8.9	- 4.0
1200-1399	5.2	5.6	+ 0.4
1400-1599	3.9	2.6	- 1.3
1600-1799	2.6	1.3	- 1.3
1800-1999	3.9	1.6	- 2.3
2000 +	3.9	2.6	- 1.3
400-2499	100.0	100.0	

Figure 11.7 : Brittany - Average Size of Hypermarket and Supermarket Applications.  
(Three Year Running Mean)



▲▲▲ Hypermarkets  
 ▼▼▼ Supermarkets

least delaying, new projects, the Loi Royer merely protects or encourages local monopoly situations for existing stores and organisations. In both the case of Rennes (Gautier 1979) and Quimper (Daubert 1978), reference is made to consumer organisations welcoming applications for new development, as they wished to see the local monopolies of the existing Ralliye and Mammouth (Rennes) and Ralliye (Quimper) stores broken.

In Chapter Seven it was suggested that the Loi Royer had failed to restrict the growth of the large retail organisations which had continued to dominate the hypermarket sector in spite of the new regulations. As observed on the national scale, the proportion of hypermarkets in the Brittany region that are owned by "Grandes Surfaces" organisations has actually increased since the introduction of the Loi Royer (figure 11.8). This growth in ownership by the large organisations has been achieved by the takeover of most of the stores that had been opened before 1973 by local independent firms. This method of expansion, which side-steps the CDUCs and CNUC, has been pursued by most of the "Grandes Surfaces" groups, as Jean Cam has commented ...

"if our group finds it impossible to expand as is necessary and our right, we must purchase." (LSA 751 1980)

Such has been the fate of the stores operated by Economiques de Rennes, which have been taken over by Ralliye (St Brieuc) and Sogrammo (Rennes). Ralliye have also acquired the Hyperouest store at Rennes/St Gregoire, whilst Promodes took

Figure 11.8: Brittany - hypermarket Ownership by Type of Organisation.

Organisation	1974 (%)	1982 (%)
"Grandes Surfaces"	28.6	50.0
Multiples	14.3	11.5
Cooperatives	-	7.7
Department/Variety Store Companies	-	-
Independents		
- Affiliated	42.9	30.8
- Unaffiliated	14.3	-

control of the Hypermagasins Brettons unit at Vannes, and the Ets le Strat "Concorde" store at Lorient (which reduced its floorspace to that of a supermarket) was purchased by As Eco in 1979 and reopened as a hypermarket in 1982.

Although the strong presence of Leclerc and Intermarché in the region ensures that the proportion of retail turnover that is taken by "large retail organisations" is relatively low, when compared to other regions in France (figure 11.9), the majority of this share (92.1% in the case of food turnover) is accounted for by only four organisations (Promodès, Comptoirs Modernes, Raliye and Radar). This suggests a high degree of concentration within the large organisation sectors in the region.

## 11.2. THE DEBATE CONCERNING POSSIBLE SOLUTIONS

In view of these apparent weaknesses in the legislation it is interesting to review the reaction of the government, retailers, and the others involved in the legislative process, to the law, with particular reference to any possible solutions to these problems that may have been proposed. It should, however, be noted that many of the provisions of the Loi Royer, particularly those aiding the consumer, were widely accepted and applauded. The fourth annual report on the law presented to parliament in 1977 proudly announced the success of articles 37 to 46 which dealt with "the improvement of the conditions of competition", illustrated by a decline in the number of complaints registered on the grounds of discriminatory sales

Figure 11.9: Market Shares of Leading Retail Groups.

1. France

Turnover	Large Retailers	Top Four Retailers
Total Retail	25.80%	7.30%
Food	31.07%	8.88%
Non-Food	21.30%	5.95%

2. Brittany

Turnover	Large Retailers	Top Four Retailers
Total Retail	16.53%	14.07%
Food	24.89%	22.93%
Non-Food	9.33%	6.44%

3. Brittany - Leading Four Retailers

Turnover	Promodès	Comptoirs Modernes	Raillye	Radar
Total Retail	5.23%	4.02%	3.84%	0.98%
Food	9.28%	6.71%	4.98%	1.95%
Non-Food	1.74%	1.69%	2.86%	0.98%

Source: Duvey and Castanet (1980)

and prices.

Likewise, the special compensatory aid scheme for older retailers saw considerable use, and has continued in existence beyond the originally proposed five year period. In the first five years of operation, 1,215,000,000 francs were paid to retailers and craftsmen - 15,732 claims made by retailers, and 19,597 by craftsmen for special compensation aid were met, and a further 6,836 claims by retailers and 10,343 by craftsmen were authorised from the economic and social development fund. In all, 43,457 retailers benefited from these schemes before they were reorganised in the Finance Bill of 1982 (LSA 967 1985).

This 1982 legislation replaced the old payment schemes with an "indemnité de départ", and the size of the grant, which had previously been calculated on the basis of the best three years revenue from the last five years of operation, was to be fixed by a local commission. Furthermore, article 104 of this Act doubled the tax on large surface stores to 20 francs per square metre for businesses with a turnover of less than 10,000 francs per square metre, and to 40 francs for those with a turnover in excess of 20,000 francs per square metre, to fund these revisions (LSA 835 1982).

However, it is apparent from the previous analysis of CDUC and CNUC applications, and the Brittany case study, that there are many failings in the legislation as it presently stands, particularly with regard to articles 28



to 34 which deal with "commercial equipment and planning." There has been much debate, certainly since the Socialists took office in 1981, as to how the regulations could be amended or revised to counter most of these shortcomings. In September 1981, André Delelis announced that the Ministry of Commerce and Crafts was preparing to reform the Loi Royer, and that details of the proposed reforms would be revealed early in 1982. However, as Keeler (1985) observes, changing economic conditions such as an accelerating inflation rate, a swelling budget deficit and a deteriorating balance of payments which led firstly to the introduction of an Austerity package in May 1982, and then to a devaluation of the franc and a temporary freeze on prices and wages in June 1982, delayed any reforms that Delelis may have had in mind.

According to Keeler (1985), a few days before the proposed reforms were due to be approved for submission to parliament, they were suspended indefinitely at a meeting of the Council of Ministers held on the 1st December 1982. This action was taken on the basis that the government felt that it could not implement a series of measures which would further restrict commercial modernisation. The final nail in the coffin for this particular reform package was the removal of Delelis in a cabinet reshuffle in March 1983.

The successor to Delelis, Michel Crépeau, has also pledged himself to reform of the Loi Royer, and he announced to the general assembly of chambers of commerce and industry (Vidal 1983a) that ...

"the system established by the Loi Royer is not good, I desire to change it."

Crépeau acknowledges that certain aspects of the legislation are outmoded, if not outdated, and believes that the options for reform are twofold; either retention of the basic law but with modifications, or the introduction of a complementary law. It is widely expected that reform will take the form of modifications to the existing regulations and as LSA 906 1983 suggests the approach of the 1986 elections is likely to ...

"accelerate reform, in a way favourable to small traders and against those who generate commercial innovation."

Numerous proposals for reform have been debated in the various institutions and organisations in the distributive sector. The Chambers of Commerce and Industry (APCCI 1982) have called for more extensive dossiers to be presented to the CDUCs, which would define and explain the figures quoted in the dossiers. The Fédération des Associations de Commerçants (FAC), composed of 80,000 members of independent and specialist retailers, have suggested abolishing the CDUCs and size thresholds, if the large retail groups opened up their centrales d'achat to all traders in the catchment area of a store, thus enabling independents to take advantage of the same discounts and buying conditions enjoyed by the large stores (LSA 874 1983).

The major debate has, however, focused upon three main areas of reform; the composition of the CDUCs and CNUC; the

decentralisation of ministerial authority to the regional level; and the lowering of the size thresholds applying to new projects.

#### 11.2.1. The Composition of the CDUCs and CNUC

Various participants in the distribution sector have debated the composition of the CDUCs and CNUC. An early survey of the CDUCs undertaken by LSA (LSA 475 1974 and 506 1974), concluded that small traders and small communes dominated the commissions. According to the law, the six independent retailers and craftsmen on the CDUCs should account for 35% of the membership. Yet LSA revealed that for the 91 départements surveyed, 39% of the representatives were independent traders or craftsmen, and no fewer than two thirds of the CDUCs contained a greater proportion of traders and craftsmen than Royer had legislated for. This discrepancy arose because 13% of the locally elected representatives were themselves either traders or craftsmen. This survey also showed that 56% of the locally elected representatives came from communes of less than 5,000 inhabitants, and only 14% from communes with over 50,000 inhabitants - thus giving the smaller communes and rural communities greater representation on the commissions.

Further criticisms of the composition of the CDUCs can be found in the retail trade publications. Chaudet, the assistant to the mayor of Rennes, welcomed the extra control over retail development which the law provided (LSA 526 1975), but noted that as the members of the commissions

represented two distinct interest groups, the elected representatives with political interests, and those with economic and social interests, a natural division between these two groups on the CDUCs was ensured, and this was likely to hinder their impartiality and effectiveness. To remedy this failing, Chaudet suggested that instead of a single CDUC, there should be two committees voicing their distinct opinions, and leaving the Préfet with the final decision. This charge of personal interests affecting impartiality was also made by Hermand (1975), who argued that the traders on the commission were the most influential group, as the locally elected representatives, unlike their commercial counterparts, were rarely a homogeneous group, as they usually represented different political interests and sections of the electorate.

Many critics have suggested an increase in the number of consumer representatives on the CDUCs. For example, the FAC have argued for four consumer representatives on the CDUC and a reduction in the number of locally elected officials to seven. However others (Laresse 1981), argue that consumer representation should not be increased as most consumer groups represent some political party...

"France is the one country in Europe where the syndicates are less representative of the active population .... the most creditable consumer representatives are the locally elected officials."

The National Syndicate of Multiple Retailers (Le Commerce Moderne 552 1982) has called for a reduction in the number of representatives from local traders on the CDUCs as

they are not always objective. The Chambers of Commerce and Industry have suggested that the mayor of the commune adjacent to that in which the project is proposed should have more than a consultative role on the CDUC, given the effect that a new development is likely to have upon the commercial structure of his or her commune - pointing out that store catchment areas and zones of influence do not respect administrative boundaries. Finally, the employees groups have also demanded greater representation for themselves, particularly at the national level. The Force Ouvrière argue that as the major employees organisation in the food sector, they should have a representative on the CNUC (LSA 904 1983).

#### 11.2.2. The Decentralisation of Ministerial Authority

The appeal mechanism involving the CNUC has also been criticised as being too centralist. Decisions on commercial planning issues have generally been regarded as part of the role of the local administration, and it has been suggested that the CNUC and Minister only view an appeal from a national perspectives, and do not appreciate local factors.

Much debate has centered upon the notion of creating a regional commission (CRUC) to replace either the CDUCs or CNUC. Socialist philosophy with its commitment to decentralisation of authority would suggest that the removal of Ministerial powers to the regional level, rather than the subvention of local (CDUC) authority by a regional body, is more likely to be an element of any reforms instigated by a

Socialist administration. To this end, in all his outline proposals and hints, Crépeau has constantly reiterated his displeasure with the present arrangement whereby the Minister in Paris is ultimately responsible for commercial development in the Alps ...

"it is for the local representatives, mayors, and those elected to the Chambers of Commerce and Industry and Chambers of Trade, and also eventually the consumers, to decide if they wish to authorise a development or not. It is they who are the best judges..." (Crépeau in Cholet undated).

Critics of decentralisation (Vidal 1983b), point to the problems that the creation of a series of CRUCs to replace the CNUC may cause. Decentralisation in this way may in fact have the opposite effect to that desired, in that it could increase the influence of local politics at the expense of objective commercial decisions, whereas at least Ministerial decisions are largely objective, based upon the existing or given knowledge of economic and commercial affairs in the département concerned. The creation of a regional commission also runs the risk of decisions becoming more discriminatory, as some commissions are likely to be more liberal than others, and there will be no Ministerial check to balance out decisions and to act as a control mechanism. Decentralisation, some critics argue, increases the likelihood of regional monopolies developing, as discrimination may also occur between local and regional retailers (who may be favoured) at the expense of national organisations.

In spite of the arguments over the advantages and

disadvantages of the creation of a regional commission, there does appear to be a consensus over the need for regional commercial planning documents. Crépeau has voiced his own approval for such dossiers which may take the form similar to that of the town planning "Schémas", and other organisations have suggested similar proposals. The FAC (LSA 874 1983) have called for five year plans for commercial development for each region, which should define the size thresholds of projects that would need CDUC authorisation, whilst the Chamber of Commerce and Industry of Riom has suggested that "Plans d'Aménagements Commerciaux" should be designed at the regional level by all "economic partners" (LSA 926 1984b). These documents would provide more detailed information for decision makers and would ensure a coherence of development of commercial structures within a region.

### 11.2.3. The Lowering of Size Thresholds

Similar attention has been paid to the issue of lowering the size thresholds necessary for a project to require authorisation. Attempts to reduce these size thresholds have naturally been opposed by the retailers (Sordet 1982), who argue that a lowering of thresholds will pose grave problems for the future adaptability of commerce, and efforts to increase productivity in the retail industry. Yet despite these appeals, many see this course of action as the only way to curb the "game played by Leclerc and Intermarché" (Cohen-Chabaud 1981).

Various suggestions have been made concerning the level

of size thresholds (Le Blanc 1982), for example, Jean Royer argues for a level of 200 square metres of sales area, and the Conseil Général of Bas-Rhine for one of 600 square metres. Other levels have been proposed by the certain Chambers of Commerce and Industry; that of Clermont-Ferrand suggested a threshold of 400 or 200 square metres, depending upon whether the application is inside or outside Clermont-Ferrand itself, and that of d'Ambert (Puy-de-Dome (63)) has called for levels to be set at 500 square metres for settlements with between 3,000 and 15,000 inhabitants and 300 square metres for other communes.

Hermand (1975) claims that the thresholds issue poses problems as developers can easily alter their proposals to outmanoeuvre any rigid size limits. Hermand argues that it is not always the size of a store that is important, but rather the mix of goods within the store. Consequently, greater emphasis should be placed upon other aspects of operation such as price, service, and quality, rather than on size alone. Hermand also suggests that size thresholds should be more adaptable, as the opening of a 1,000 square metre store in a rural area is likely to have just as disturbing effect upon established traders as the opening of a 3,000 square metre store in a town of 500,000 inhabitants. The government has taken some notice of this latter point concerning the effect of smaller self-service stores in rural areas, and issued a Circular on 5th October 1978 which pointed to a rise in the average size of stores opening in



rural areas, and requested that Préfets should be particularly cautious when dealing with projects in these areas.

In February 1981 (Cohen-Chabaud 1981), the Senate rejected a proposal by Jean Cluzel, the Senator for Allier (03), to lower the size thresholds for applications to 400 square metres of sales space in towns of 5,000 inhabitants, and 750 square metres in towns of 5,000 to 50,000. These calls for more flexibility in thresholds, either for settlements of different sizes; between urban and rural areas; or for different forms of development (DIY store and hypermarket etc) is an interesting, and increasingly voiced concept. On several occasions the government has hinted at a review of the threshold issue, particularly during the term of office of Deielis who favoured a lowering of size thresholds to 400 square metres, and suggested that thresholds should also vary depending upon the type of business and size of commune concerned. This idea may also find support from the Crépeau, who in response to a question concerning the Loi Royer reforms (LSA 944 1984) acknowledged that a uniform lowering of size thresholds would not solve existing problems.

### 11.3. SUMMARY

The example of Brittany would appear to confirm many of the suggestions made in previous Chapters relating to the effects of the Royer legislation. Hypermarket growth has continued in the region through the infilling of sites, and

the dominant position of the large retail organisations has been reinforced. The consideration of applications for sites, rather than the total number of applications, reveals higher success rates for proposals involving hypermarket developments than may initially seem the case, and this again appears to suggest that the CDUCs and CNUC may only delay development, as in the case of Rennes. Once again there is evidence of the considerable influence that the Minister wields over CDUC decisions and success rates. Finally, the strategic adaptations made by retailers to outmanoeuvre the legislation are supported by the acquisition of independent-owned hypermarkets by the larger retail organisations, and the rapid growth of supermarkets, especially those falling outside the control of the CDUCs.

The debate concerning the possible amendments to the Loi Royer has focused upon three major issues; the composition of the CDUCs and CNUC; the decentralisation of Ministerial authority to the regional level; and a change in the size thresholds of applications to be reviewed by the commissions. Differing views of these issues have been put forward by various participants within the retail sector.

However, changes in any of these features would have been likely to have little more than a cosmetic effect upon hypermarket development. As suggested at the outset of this study, the evolution of retail institutions, such as the hypermarket, is dependent upon underlying structural changes in the retail environment. Unless legislation attempts to influence these structural forces, it is

unlikely to alleviate any of the perceived problems of institutional development. State intervention in the form of the Loi Royer can hope to achieve little more than tamper with the spatial manifestations of more deep rooted structural change.

## CHAPTER TWELVE : STRATEGIC IMPLICATIONS

In addition to the adaptations made by developers to specifically outmanoeuvre the restrictions placed upon new projects by the CDUCs and CNUC, a number of further trends at a more strategic level of operation may be seen to be related, in part, to the introduction of the Loi Royer. The increased costs and, albeit largely temporary, delay in the construction of new stores owing to the activities of the CDUCs and CNUC, has encouraged the large retail groups to turn their attention to other aspects of their operating policies. Whilst the majority of these strategic features of the organisations are related to more deep-rooted structural change in the retail environment as a whole it can not be denied that the implementation of the Royer legislation has been a contributing factor to the increased emphasis placed upon these strategic issues by retailers and developers. Furthermore, these trends have done much to strengthen the dominant position of the large groups in the retail sector, and the Royer legislation provides no form of control over these developments, which may provide a greater threat to the independent retailer than hypermarket development.

### 12.1. CONCENTRATION

The trend towards concentration in the large store sector has already been remarked upon earlier in relation to the increasing numbers of takeovers and acquisitions of

both small organisations and single stores by large groups, in order to maintain growth by bypassing the control capacities of the CDUCs and CNUC. In addition to providing a means of continuing expansion in face of such potentially restrictive legislation as the Loi Royer, takeovers and acquisitions have enabled organisations to grow during static periods when there have been no new techniques or innovations in the sector which would have normally provided a means of further expansion (LSA 753 1980b). Other takeovers may find their motivation in a desire to expand geographically from regional into national markets, whilst the aim of shortening distribution channels through vertical integration explains the acquisitions involving producers and wholesalers. All of these developments reinforce the general structural shift within the retail environment to the dominance of the sector by the larger retail organisations.

Another factor crucial to concentration through acquisition is the opportunity for takeovers to occur. As a retail institution matures and competition intensifies, certain organisations will grow at different rates to others, depending upon the scope of their resources, and the efficiency and dynamism of their management. The less dynamic organisations become susceptible to acquisition, as they may reach a critical stage where their resources have been exhausted and a new capital injection is required, or whereby in attempting to keep pace with competitors they

have fallen into financial difficulty.

Certainly in the case of France, the traditionally strong family ownership and involvement in retail organisations may also increase the potential for takeovers. As a family controlled company passes through two or three generations, the shareholding blocks get smaller and smaller, making it easier for a competitor to buy into a company through the acquisition of these smaller shareholding interests. Furthermore, the strong personal level of control often exercised over organisations by founding members may mean that as these individuals age yet still maintain control over the company, the firm can lose its competitive edge.

Such motivations and opportunities for acquisition which emerge from these factors, has led to increasing concentration through acquisition in the retail sector in France. The intensity of this trend has been noted in the major trade journals such as *Libre Service Actualités* (LSA 753 1980b and 839 1982), and the now defunct *Coopération Distribution Consommation* (Rigoureau 1978). Many of these takeovers relating to the hypermarket operators have been commented upon in Chapter Seven, and the Loi Royer by increasing the costs, and delaying the development, of new stores has often been the catalyst for such developments.

Marenco (1984) notes that "external growth operations" (mergers, absorptions, and takeovers) of both companies and individual stores in the food sector multiplied in spectacular fashion during the 1973 to 1979 period. Two

thirds of these developments were aimed at the acquisition of large stores, and involved the ten leading retail groups in the sector. As a result of this activity, since 1963, thirty-three of the fifty largest food chains in France have lost their independence, and five groups have been responsible for the absorption or takeover of twenty-six of these. Marengo (1984) suggests that although medium sized firms are often more efficient than the larger companies, their financial structure makes them vulnerable to takeover...

"Firms with the best performance on the level of operation and with the highest return on profit or on their capital and which are not amongst the biggest, also prove to be the most fragile taking into account the imbalance of their financial structure."

The increasingly complex financial and other linkages between organisations, through franchises, joint subsidiary companies, membership of centrales d'achat, and other forms of collaboration, means that simple measures of concentration such as market shares may understate the true magnitude of the situation.

For example, of considerable importance to the large retailers in their search for continued growth has been the concentration of buying power through joint centrales d'achat. All the organisations which operate hypermarkets either control their own centrale or belong to the large buying groups like Socadip, Paridoc, and Di-Fra. As the recession and price controls imposed by the Socialist government has squeezed retail margins, there has been a

trend in the early 1980s towards what the press has referred to as "mega-" or "super-" centrales.

The first of these mega-centrales formed in early 1984, was the Arci-Association (LSA 920 1984) which combined the buying power of Auchan, Carrefour, Sogara, Casino, Promodes, Metro and Comptoirs Modernes. This association involved organisations with a combined retail turnover in the region of 100 milliards of francs. This move has inevitably reinforced the position of these retailers vis a vis producers.

In March 1984 the members of the Socadip and Paridoc buying groups responded to the Arci initiative by forming Contact (Contribution à l'Organisation de Nouvelles Techniques et pour l'Amélioration de la Collaboration avec les Tiers). Within this grouping the individual members of both Socadip and Paridoc were to maintain their separate autonomy and structure, whilst the association was to have three collective objectives (LSA 926 1984a).

Firstly, Contact would help French industry by virtue of the security given to producers through "privileged supplier contracts" with the group. Also, Contact's knowledge of external markets would help industry exports, and Contact would research and encourage productivity between the industrial and commercial partners in the fields of logistics and management.

Secondly, communal studies of marketing techniques involving new technologies would be generated by Contact which would help the retail members prepare and adapt to the



future evolution of French retailing, and finally, the group would encourage a dialogue with other large retail organisations throughout Europe to facilitate exchanges of experience, know-how, and techniques. These reported aims of the Contact group suggest concentration and cooperation for more than solely buying purposes.

Not to be outdone by the formation of these mega-centrales, Di-Fra and the Cooperative Movement centrale, SGCC, have also announced an association to improve their buying position, and to exchange experiences (LSA 930 1984a).

The most important consequence of the creation of these mega-centrales for the retail sector has been the increased buying power of the large retail organisations (figure 12.1). The three recently formed mega-centrales now account for over 70% of retail grocery turnover. This concentration of buying power is likely to have even more severe consequences for smaller retailers than the concentration of retail groups through acquisitions and takeovers, as the member companies of these mega-centrales will be able to obtain more favourable conditions from suppliers and producers by virtue of their size. Furthermore, the role of joint research and development into marketing and management techniques through these groupings is again likely to improve the position of the large retailers in the marketplace.

Whilst the Loi Royer can not be held specifically

Figure 12.1: Market Share of Grocery Turnover by Buying Groups.

Contact	28.0%
Arci-Association	24.0%
Di-Fra/SGCC	19.0%
Leclerc	9.0%
Intermarche	5.5%
Others	14.5%

Le Commerce Moderne, 603, 1984.

responsible for the concentration of buying power, this initiative is closely associated with the more general trend towards organisational concentration to which the Loi Royer would certainly seem to have been a contributing factor. Marengo (1984) concludes that the ...

"movement towards concentration appears to be closely correlated with the development of large surface sales units."

and suggests that the Loi Royer has speeded up the rate of concentration. By restricting, or at least increasing the costs of traditional expansion through the development of new units, the legislation is likely to have focused attention on concentration as a means of maintaining growth. Furthermore, the Loi Royer provides no control over concentration within the retail sector, which is ultimately likely to be more detrimental to the small retailer segment which the legislation was intended to protect.

### 12.1. DIVERSIFICATION

Another method of maintaining growth pursued by hypermarket operators has been diversification. Again the inconvenience created to hypermarket development by the Loi Royer, coupled with the opportunity to expand in other growing sectors, has lead most of the leading hypermarket chains into other sectors of activity. Initially, diversification concentrated upon retail activities which were closely associated with existing hypermarket developments, namely DIY stores and restaurants, but the late 1970s and early 1980s has seen further expansion into

other growing sectors, most notably sports goods, plus the textile, electrical goods, toy and perfume markets. Sectors which have traditionally been dominated by independent traders.

The 1975 to 1979 period saw a number of large hypermarket retailers involve themselves in the DIY sector, either through the launch of their own DIY chains, or by the acquisition of substantial shareholdings in already established organisations. In 1977 Euromarché launched their own Euroloisir chain of home improvement stores, and Carrefour took a 47% shareholding in Castorama in a deal which saw the creation of a 50:50 joint subsidiary, Castorama Expansion, to develop DIY outlets opposite Carrefour hypermarkets.

These developments were followed in 1978 by Casino's creation of the Somabri chain (which took over SCM (Obi) in 1980) and by Cofradel establishing Batti Centre Vetter as a 50:50 operation with an importer of DIY materials. In 1979 Auchan entered this sector by signing an agreement with Leroy Merlin. Although Cofradel sold off their share in Batti Centre Vetter in 1980, other primarily hypermarket operators have continued to invest in the DIY market. Rallye opened its first Briker store in 1980, and since then Intermarché and Codec have become involved in the sector.

Whilst the DIY market has continued to be dominated by the large specialist chains such as Catena and Anpf ("Monsieur Bricolage"), the entry of the hypermarket

organisations into this sector is significant, particularly at the local level, as this involvement allows the larger retailers to integrate their own DIY units into hypermarket developments, thus creating a more attractive shopping entity for the consumer, and excluding independent DIY operators from these environments.

Like DIY, restaurants and cafeterias are an integral feature of most hypermarket developments in France. Initially, these facilities were intended to act as a complementary function to the hypermarket to provide cheap quality food for the clientele. However, the financial success of restaurant facilities has resulted in some hypermarket operators diversifying further into this sector with the creation of restaurant/cafeteria chains as distinct entities within their organisations.

In 1971, Auchan created Flunch, the first self-service restaurant chain in France, and more recently has invested in the growing fast food market with Pizza Pa (1979) and Pic Pain (1980) (LSA 907 1983a). The most successful adventure into the restaurant sector by a hypermarket operator has been that of Casino (LSA 938 1984a). In 1978, Casino with i'Epargne, created Stefany to develop traditional restaurants, followed in 1979 by the founding of France Quick (in association with the Belgium group GB-Inno-BM) to take advantage of the expanding fast food market. Stefany was absorbed by the group in 1980, and Casino, fully aware of the diversity of types of restaurants, launched Cafe Casino as free standing self-service restaurants in

1981.

The success of this diversification necessitated an internal reorganisation in 1982, with the formation of Casino Restaurantation as a holding company to control the various types of restaurant operated by the group. Following this reorganisation, Casino Restaurantation acquired a 35% shareholding in the Paris based Hippopotamus chain of service and theme restaurants and merged Stefany with this group. Further expansion has involved the acquisition of Pizza Top in 1983, a move into the American market in the same year, and an agreement with Whitbread to jointly develop Quick fast food outlets in the UK.

The performance of hypermarket operators in the restaurant sector is illustrated by figure 12.2, which shows that in 1983 Casino and Flunch (Auchan) were respectively number one and three in terms of turnover in this sector. Although the growth of the restaurant, and in particular the fast food, sector, plus the opportunities for expansion may have provided the major motivation behind these diversifications, the amount of investment made in restaurants and cafeterias by hypermarket retailers (particularly Casino and Auchan) during the mid and late 1970s, suggests that these companies have looked towards less traditional sectors in response to the problems posed in the hypermarket sector by the Loi Royer.

The growth potential of a particular retail market obviously has considerable influence upon the decision to

Figure 12.2: Cafeteria/Restaurant Chains in France 1983.

	Est. Turnover (million francs)	Annual Change (%)	Number of Stores
Casino *	1 190	+ 28	109
Accor	1 110	N/A	217
Flunch (Auchan)	1 000	+ 10.3	82
Elit'air Maxim's	320	+ 16	60

\* excludes share in Hippopotamus

Le Commerce Moderne, 599, 1984.

invest in that sector. In the early 1980s, one of the major growth sectors has been that of sports goods, which has experienced an annual increase in sales of around 10% per annum (Sordet 1981). This sub-sector, dominated by affiliated and unaffiliated independents, has been growing by over 40 new stores per year since 1979 (LSA 947 1984), and since the late 1970s/early 1980s has begun to attract the large retail organisations.

Docks de France created Doc Sport (trading as "Go Sport") in 1978 on a 51%:49% shareholding basis with Odier. In 1983, Genty Cathiard took a majority shareholding in this subsidiary and merged the chain with its own Segmas ("Team 5") and Ste Alpine de Sports subsidiaries to form a new company called Go Sport (LSA 884 1983). The resulting new chain of 25 stores was regarded by LSA as the "birth of the first large sports goods chain".

The other major hypermarket retailer to enter the sports goods sub sector has been Rallye with a 20% share in Athletic Attic. Rallye followed up this investment early in 1984 with the acquisition of a 67% stake in the company which runs the American sports franchise "Athletes Foot" - a chain created in 1972, comprising of 500 stores (400 of which are franchised) located in the USA, Japan, Australia, New Zealand and the Caribbean (LSA 924 1984b). The eleven Athletic Attic shops operated by Rallye took up the Athletes Foot logo, and Rallye aims to expand the chain rapidly through the use of franchise agreements to around 20 company owned branches in large towns, plus 50 franchised units in



medium sized towns (LSA 928 1984). Other hypermarket retailers involved in the sports goods sector are Auchan through Decathlon, Ariaud and Leclerc.

Other diversifications have seen Auchan entering the textile sector with Kiabi in 1978, and the electrical goods market through the purchase of a 16.7% share in Boulianger Frères. Euromarché has developed a number of catalogue showrooms called X'PO. L'Allobroge acquired a 50% share in Le Ludo (toys) in 1979, and later raised this share to 70% with the aim of creating a national toy chain, and in early 1984, Promodès revealed plans to develop a chain of selective perfume goods store called Shop 8.

These developments again provide an example of retailers which have traditionally expanded in the hypermarket sector, diversifying their activities into other retail sub-sectors and providing a potential threat to established small traders in that particular field of activity. Whilst it would be an oversimplification to attribute all these moves towards diversification categorically to the Loi Royer, it is likely that retailers have looked more intensely towards diversification as a means of expansion, as the Loi Royer has hampered development in the hypermarket sector. Once again, as many of these diversifications will involve the creation of stores falling below the CDUC thresholds, the Royer legislation by distinguishing only between store, and not organisational size, poses no restrictions for the entry of large retail

groups into retail sub-sectors such as those of restaurants and sports goods, which have traditionally been dominated by the independent sector.

### 12.3. DEVELOPMENT ABROAD

Whilst the internationalisation of retail organisations is not a new phenomenon, Trois Suisses created three overseas subsidiaries between 1932 and 1938, investment abroad by French retailers rose markedly in the 1970s. This trend is supported by Boutin, Joffre and Lorin (1982) who noted that over the 1973 to 1980 period investment abroad by the service sector rose by 20%. The scale of French involvement in international retailing has also been commented upon by White (1984), who in a survey of international retail firms taken from the "Stores of the World" directory, discovered that 80% of the international retailers that he identified came from France, Germany, the Netherlands, or the U.K., and that over 25% of this total originated from France.

There are a number of factors influencing the rise in internationalisation in the retail sector, as Waldman (1978) has observed. In general terms, the liberalisation of multinational commercial exchanges and the creation of supranational economic unions such as the EEC, has broken down many barriers which previously restricted entry into certain countries. Alongside this, technological progress in communications and transport has allowed the integration and development of more geographically dispersed operations.

More specifically, economic growth in some countries, especially those in which there is a general underdevelopment of modern retailing techniques and methods, has provided new opportunities for expansion by retailers. Equally important are negative aspects which have restricted opportunities for growth in home markets, such as saturation, fierce competition, and legislative constraints (like the Loi Royer), and consequently encouraged retailers to consider expansion on an international scale to take advantage of market opportunities overseas as a means of maintaining growth.

Success, however, is not automatically guaranteed despite the size of the new market, as a successful retail innovation in one country may be less readily acceptable in another owing to different environmental conditions. The operation must be flexible as it is usually necessary to adapt various aspects when entering another country to meet the conditions of the local commercial, financial and economic environments. Consequently, intensive research into the nature of the target market revealing the structure of the existing retail sector, consumer habits and trends, and competitors is essential to allow the operation to adapt to local conditions. Similarly, operational support in terms of both provision and cost must be correctly established if the venture is to succeed.

In many cases it would appear advantageous to enter a foreign market in some form of association with a local

retailer or wholesaler, as this will aid the adaptation of the operation, and help in the formulation of financial and property strategies. Several problems can arise from an over-centralisation of the operation if the company attempts to exercise complete control from the home country. Local management should be free to make decisions.

Boutin, Joffre and Lorin (1982) note that three geographical areas in particular seem to have attracted French investment. The majority of international investment by French retailers is orientated towards the EEC, although this share has declined recently in favour of the USA. Over the 1973 to 1980 period, investment in the USA market rose by a factor of 8, as companies such as Docks de France, which in 1978 took a 35% stake (raised to 66% in 1984) in Lil Champs Food Stores, and Casino, which created a Casino USA subsidiary in 1975, and took over the Californian cash and carry chain Thriftymart in 1980, became involved. Over the same period a steady 10% of retail investment has occurred in Latin America.

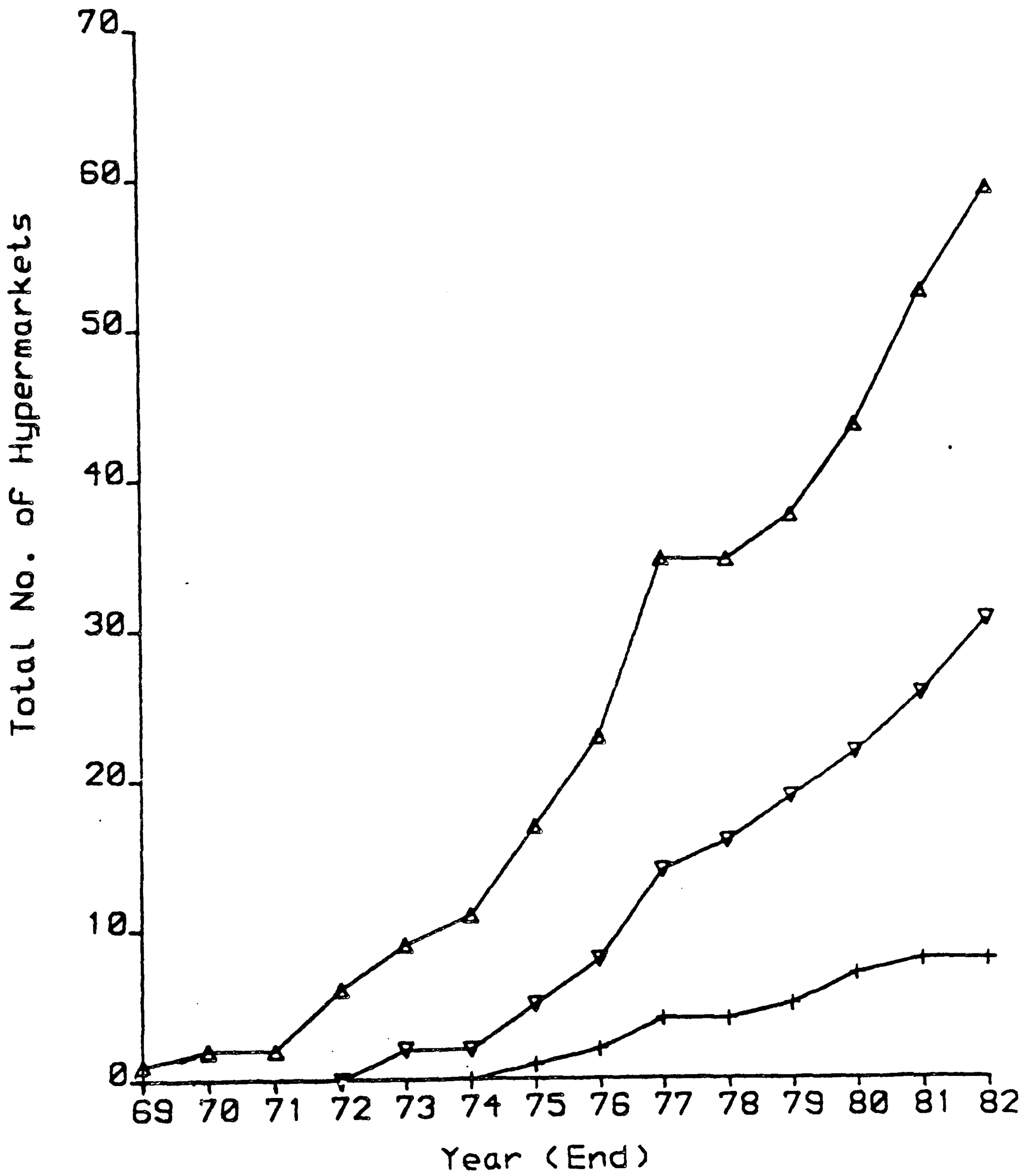
Retail investment abroad has been largely undertaken by hypermarket groups. The first hypermarket outside France involving French investment was opened in Belgium in 1969. At the end of 1982, a total of 60 hypermarkets in ten different countries were either directly or partially controlled by French retailers. This investment abroad was pioneered by Carrefour, who were later joined by Euromarché in 1973, SCOA and Radar in 1975, Promodès in 1976, Cofradel in 1977, and finally Auchan in 1981.

As figure 12.3 illustrates, the number of hypermarkets abroad involving French companies grew steadily in the early 1970s, rising in 1975 and 1976 (due to the arrival on the scene of SCOA, Radar, and Promodès) to approximately six new stores opening each year, and peaked in 1977, when thirteen hypermarkets were opened overseas as the result of French initiatives. Growth slowed in 1978 and 1979, partially due to the disinvestment of Carrefour from Belgium and Germany, and Euromarché from Brazil, which negated the effects of the new stores opened during these years. Since 1980, growth has recovered with between seven and nine new openings per year.

Geographically, Spain has been the recipient of the majority of this investment, with 31 French backed hypermarkets at the end of 1982, involving Carrefour, Promodès, Cofradel, Radar and Auchan (LSA 921 1984). The Spanish market has presented many opportunities for the French hypermarket groups because despite trends towards modernisation, the Spanish retail sector of the 1970s was still characterised by small independent retailers with limited organisation. Modernisation was largely hindered by a weak investment capacity (only 14% of traders made investments in 1979/80) and insufficient state aid.

The typical Spanish store was small, with 60% of shops having less than 40 square metres of sales space, 66% of stores were family run, and there was a general lack of professionalisation, reflected by the fact that 75% of

Figure 12.3 : Hypermarkets Opened Outside France Involving French Companies.



- ▲▲▲ All Countries
- ▼▼▼ Spain
- + + + Brazil

traders had not received a secondary education (LSA 865 1982). Large numbers of intermediaries existed, with the consequence that channels of distribution were long, and costs and prices high. In effect, the retail sector in Spain could be compared to that of France in the 1960s, when the hypermarket first appeared. The first Spanish hypermarket opened in 1973 on the initiative of Carrefour, and it was not until 1980 that El Corte Ingles opened the first all-Spanish hypermarket at Seville.

Similar environmental conditions conducive to hypermarket development have attracted considerable French investment to Brazil, which contained 8 French hypermarkets, all belonging to Carrefour, at the end of 1982. Other countries where hypermarkets built on the basis of French investment existed in 1982 were Switzerland, the UK, Italy, West Germany, Gabon, the Ivory Coast, Argentina and Saudi Arabia, whilst investment has occurred in Belgium, Austria, and Andorra at some point over the 1969 to 1982 period.

The vast majority of these hypermarkets have been built in conjunction with local retailers in the countries concerned. All of Carrefour's involvement has been through jointly owned subsidiaries, and Promodès have also operated in Spain through Saudisa (a 50:50 subsidiary with Spanish retailers) and in Germany on a 40:60 basis with the Snaper group. Similarly, in Spain, Cofradel operate through SHD (Ste Hispanica de Desarrollo) in collaboration with Spanish retailers and industrialists, whilst in Brazil, Euromarché

invested for a year on a joint basis with the leading Brazilian retailer, Peg Pag (Grooscheiser 1977), before disinvesting in 1978. Euromarché's overseas ventures in Saudi Arabia do not involve any financial commitment from the French firm, which merely provides the management and know how. The exceptions to these trends are Radar, with a 100% owned Spanish subsidiary Super Descuento 1,2,3, and more recently, Auchan who also operate in Spain through a 100% subsidiary, Alcampo.

The disinvestment by French firms which has occurred has tended to take place in countries where involvement was relatively low. For example, Euromarché withdrew from Spain in 1978, where they previously held a 25% share in Iberica de Hipermercados, and from Italy in 1977, when they sold their 30% share in Eurostanda to their Italian partner, Standa. Similarly, Carrefour disposed of a 30% stake in DISTRIMAS (Belgium) in 1978, a 20% share in Inter Kaufpark Handelgesellschaft (Germany) in 1979, and their 50% holding in the single hypermarket operated by Verbrauchermarkt (Austria) in 1980. Most recently in 1983, Carrefour sold their 10% stake in their UK subsidiary to their partner Wheatsheaf Holdings Ltd.. These disinvestments have allowed the companies concerned to concentrate their efforts in other countries where their investment and return on investment has been higher.

Whilst the involvement of French hypermarket operators in other countries had commenced prior to the Royer



legislation, the increased activity in this area involving more companies and greater investment, since the introduction of the Loi Royer, suggests that delayed growth and the increased costs of development in France, has forced these companies to look abroad for more favourable growth opportunities.

#### 12.4. OPERATING STRATEGIES

Following the reinforcement of the powers of the CDUCs and the creation of the CNUC, companies appear to have reassessed various aspects of their operating strategies in France in order to increase turnover and productivity, and to maintain competition. Whilst the majority of this competition has been inter-company it has manifest itself on the retail sector as a whole, generally improving the position of the larger traders at the expense of the smaller retailers which the law was intended to protect.

Despite television advertising being illegal for distributive firms, figure 12.4 shows that the increase in spending on publicity and advertising in the distribution sector has outstripped (particularly since 1973) the rise in the total spending on advertising, reflecting the increased emphasis placed upon this aspect of the business operation by distributors.

The breakdown of types of advertising/publicity used by distributors reveals that direct publicity is twice as important in this sector than the national average. Similarly, expenditure on publicity through the radio and

Figure 12.4: Advertising Expenditure in France.

1. Expenditure

(Million Francs)	1971	1973	1975	1980	1981
Total Expenditure	7340	9000	10500	20300	27200
Index	100	122	143	276	370
Distribution Expenditure	283	408	779	2000	3000
Index	100	144	275	700	1060

2. Type of Advertising

Type	% of Expenditure (1981)	
	Distribution	National Average
Press	30.0	33.0
T.V	Prohibited	10.0
Radio	11.0	6.5
Promotions	10.0	17.5
Direct Publicity	24.5	10.0
Other	24.5	23.0

Source: Brochand & Lendrevie (1984)

regional press is higher than the average for all sectors. Brochand and Lendrevie (1984) note that in the early years of hypermarket development, promotions based upon special price anniversaries were particularly popular. Raiye are especially fond of promotions (LSA 685 1978a), having decided that the consumer enjoys promotions and the ambiance of a "fête" which they generate. The Raiye calendar features two major promotions, a spring fête, the theme of which is decided by an executive committee, and the anniversary or birthday of individual stores, during which the stores are transformed into "circuses".

However, since the mid 1970s, Brochand and Lendrevie (1984), argue that more refined and expensive advertising campaigns have evolved. Promotions are still retained, but they are now integrated with more sophisticated activities designed to establish a strong image for the company tradename. Many companies, especially the national organisations, have two levels of publicity, one at the store level, and the other a national campaign organised through the centrale.

Euromarché (LSA 685 1978b) employ a two-tier programme of this nature. At the shop level, each store has its own local advertising budget, usually a percentage of turnover, and utilises such avenues as the shop journal which is distributed free to consumers, internal information leaflets, and store promotions. National publicity to complement this can be obtained from the centrale for a

commission. In the case of Euromarché, the nature of this publicity is decided upon jointly so that the programme is flexible and can be adapted to respond to the stores needs. National campaigns are planned well in advance to allow for negotiations with suppliers and are generally seasonal events coinciding with holiday periods, or special events such as the "10 Franc Fair".

This coordinated publicity, especially at the national level is designed to promote the store's tradename and associate it with certain elements of the companies policy. The Cora group still place great emphasis upon price and discounts, whilst other organisations have placed increasing emphasis upon quality, such as Codec with their slogan "proud of our price, proud of our products" (LSA 871 1983), which has appeared on over 12,000 posters and received wide radio coverage since September 1982. A fine example of the move from price to quality in advertisements is the changing slogan of Auchan (LSA 939 1984a). In 1972, Auchan proudly boasted to be the "tamer of prices". The group became the "breaker of prices - its our trade" in 1976, and then the slogan evolved into "freshness - thats our trade". The latest slogan from Auchan revolves around the "Auchan life" theme which further stresses the quality of their hypermarket operation.

The squeeze on margins, as retailers have attempted to maintain growth from increasing the productivity in existing stores, has encouraged a general trend towards the introduction of services to attract the consumer. As

retailers have recognised the need to offer consumers other attractions than price discounts alone, many companies have developed Consumer Services departments to foster relationships with customers. Promodès created their Consumer Services department in 1976 (LSA 845 1982), with four goals in mind - the management of consumer complaints; the development of relationships with consumer movements; the education and provision of information for consumers; and to "champion" consumer rights. These efforts have been reinforced by the activities of Promodès to improve product quality through their Service Qualité department, which was established to test products before they are sold in the groups stores. Promodes claim that the standards established by this section are higher than those required by law.

Another area of operation through which hypermarket operators have sought to maintain growth is by the introduction and adoption of own brand and generic product ranges. This innovation, instigated by Carrefour with the launch of their "Produits Libres" range in 1976, has now been adopted by most of the major retail chains (figure 12.5). In the case of Euromarché, one of the early adopters of this concept, their "Produits Orange" range now covers 400 articles (LSA 864 1982), and accounts for 21.6% of textile, 17.6% of cremery, and 14.5% of perfume sales.

Other groups, particularly the smaller regional chains like Rallye were slower to adopt the own brand and generic

Figure 12.5: Own Brands and Generic Goods.

% of All Goods that are Own Brand  
or Generic Goods

31%	Monoprix
29%	Casino
23%	Cooperatives
18%	Prisunic
16%	Intermarché
11%	Euromarché
	Paridoc CDA (Suma)
10%	Paridoc CDA (Mammoth)
8%	Continent
6%	Auchan
No Policy	Leclerc

Le Commerce Moderne, 603, 1984.

good concept. Ralliye finally launched a "Produits Ralliye" range in March 1983 following a 3 million franc publicity campaign (Sylestre 1983). This range consisted of 130 goods, sold at prices between 10 and 15% below those for brand name goods of equal quality. By the end of 1983, this range had been extended to 206 products, and after one year of existence Ralliye announced that the original 130 products had accounted for 5.2% of the self-service turnover of the groups hypermarkets (LSA 936 1984).

The most recent development in the generic goods field has been the launch in April 1984, of a "GC" (Grande Confiance) range by Casino to compliment their successful "Guipe" own brand goods. The most interesting feature of this development has been that the range of 200 GC goods includes thirty household/electrical goods including TVs, stereos, cassette recorders and washing machines. These durable goods are offered with a three year guarantee and promises of rapid after sales service in the event of breakdowns (LSA 931 1984).

The own brand/generic good concept is yet another example of the innovations within operating strategies that the large retail groups have developed since the introduction of the Loi Royer. Large retail organisations have also been able to increase their advantage over smaller retailers through their greater willingness and capacity to adopt such new innovations, especially those associated with technological change.

A correspondence survey of 1302 consumers undertaken

by the FNCC revealed widespread use of credit cards by customers (LSA 941 1984). Of the survey panel, 48.7% of families possessed at least one credit card, and 32% of card holders used this card for clothes purchases and 24% for food purchases. The FNCC survey also showed that although the majority of those cards held by consumers were bank cards, 13.4% of those with cards also had at least one retailer credit card. The retailer credit card is a natural extension of the bank credit card, but owing to the cost of investment involved, it is only available to the larger retail groups. The Duo card, launched by the Paridoc centrale in June 1984 (LSA 938 1984b) is characteristic of many retailer cards, as it offers a wide range of facilities. For 50 francs per year the card holder receives credit facilities, insurance cover, and access to special promotion offers on certain goods including holidays.

The introduction of such in-house credit cards by the larger retailers is closely associated with the advent of new technologies. The next step from in-store credit cards would seem to be the adoption of EFTS (Electronic Funds Transfer Systems), whereby the consumer pays for goods by inserting a plastic card into a point of sale terminal. This system facilitates the transfer of money from the consumers bank account to that of the store through a computer link.

However, the introduction of EFTS in France has not been without its problems (The Grocer 28/04/1984), and



considerable debate has taken place over the level of commission charged by banks for the use of such systems. Bank charges, in the form of a commission range from between 0.6 and 1.2% of the transaction, and groups such as Carrefour, Auchan, Casino, and the Paridoc centrale have decided to investigate their own EFTS networks, claiming that as they operate on profit margins of around 1% bank charges are too high.

Other aspects of new technology have, however, been more easily and widely adopted by large retailers. The installation of information technology systems by retail organisations can speed up communication between different stores, the warehouse, and company head-quarters, by virtue of the rapid processing of information allowed by these systems. If this information and facility is then used correctly, administrative costs can be reduced and the efficiency of stock control can be raised. Productivity can be raised throughout the whole organisation if these systems are utilised efficiently.

Most major retailers have now harnessed some aspects of information technology to improve the efficiency of their operation. For example in 1984 (LSA 939 1984b), the Cooperative de Champagne announced the installation of 440 Mintel terminals in all the stores controlled by the Society. In addition to providing potential advantages for the operation of the company, the new system improved consumer services as it provides the capability for increasing the efficiency (in terms of speed of delivery,

and instant knowledge of stock levels) of the Society's catalogue sales, to which the system is closely linked. It is claimed by the company that the catalogue sales operate at prices up to 10% cheaper than those of competing mail order firms, and it is hoped that the installation of the Mintel terminals will increase the turnover of this operation, which already accounts for 6.8% of the Societies sales.

## 12.5. SUMMARY

Concentration, diversification, investment abroad, and innovations of operating strategy are all ways in which the hypermarket groups have attempted to maintain or increase growth. Whilst these initiatives can not be linked directly to the Loi Royer, as they are related to more deep-rooted structural change within the distribution sector, the Royer legislation has done much to concentrate management attention upon these strategic areas in the search for improved productivity.

The actions taken by large retailers in these areas are largely beyond the scope of the small retailer, and this lack of access undoubtedly weakens the position of the smaller groups in relation to the major retail chains. The Loi Royer provides no form of control over any of these developments, and methods that have been employed to maintain growth. The absence of any control procedures in these areas points to further shortcomings in the Loi Royer. The limited access of the smaller retail organisations to

these innovations, which have arisen from structural changes within the retail environment, further reduces their ability to compete with the larger retailers.

## CHAPTER THIRTEEN : THE CARREFOUR GROUP - A CASE STUDY OF CONTINUED ORGANISATIONAL GROWTH

A more explicit indication of the value of the strategic developments discussed in the last Chapter to the larger retail organisations may be obtained by examining how one firm has exploited openings in these areas to maintain the corporate growth of the group.

Despite the hostility shown by the CDUCs and CNUC towards its applications for development based upon hypermarkets, the Carrefour group has maintained its position as the leading hypermarket retailer in France. The sales of the group, as figure 13.1 illustrates, have constantly increased at a greater rate than national retail sales, and the net income of the group has continued to rise over the post Loi Royer period, with the exception of one poor year in 1976 (figure 13.2). One major reason for the continued success of the group may be found in the consistent performance of the company, reflected in the stability of both the gross profit to sales ratio, which has remained around 15-16% over the 1974 to 1982 period, and the net income to sales ratio.

### 13.1. CARREFOUR - THE BACKGROUND

Carrefour was created by Marcel Fournier, a novelty shop owner, and Louis Defforey, a food wholesaler, who opened a food department in the basement of Fournier's store in Annecy. The success of this venture encouraged the duo to open a 650 square metre supermarket, which was

Figure 13.1: Carrefour - Retail Sales

Date	Total Retail		Carrefour Group	
	Sales (Mill. F)	Annual Change (%)	Sales (Mill. F)	Annual Change (%)
1970	230 765			
1971	255 857	+ 10.9		
1972	287 779	+ 12.5		
1973	323 610	+ 12.5	4 950	
1974	382 305	+ 18.1	6 535	+ 32.0
1975	432 374	+ 13.1	7 648	+ 16.9
1976	486 438	+ 12.5	9 648	+ 26.3
1977	539 835	+ 11.0	12 467	+ 29.2
1978	615 807	+ 14.0	14 522	+ 16.5
1979	684 826	+ 11.2	17 801	+ 22.6
1980	773 719	+ 13.0	20 405	+ 14.6
1981	875 628	+ 13.2	24 536	+ 20.2
1982	990 912	+ 13.2	29 147	+ 18.6

Toussaint (1984)/Carrefour Company Reports/Marenco (1983)

Figure 13.2: Carrefour - Performance Indicators.

Date	Net Income (Mill. F)	Annual Change (%)	Gross Profit/ Sales (%)	Net Income/ Sales (%)
1974	99		15.85	1.51
1975	131	+ 32.3	16.32	1.71
1976	132	+ 0.8	14.29	1.38
1977	185	+ 40.2	15.00	1.48
1978	233	+ 25.9	16.62	1.60
1979	279	+ 19.7	16.40	1.56
1980	342	+ 22.6	16.24	1.67
1981	360	+ 5.3	15.96	1.50
1982	397	+ 10.3	15.59	1.40

Marenco (1983)/Carrefour Company Reports

located on the corner of the rue du Parmelian and rue André-Tneuriet in Annecy. From this site the tradename "Carrefour" (crossroads) was born.

In 1962, Marcel Fournier attended the Club MMM (Methods of Modern Merchandising) seminar in Dayton, Ohio, and became convinced that the retail techniques championed by Bernard Trujillo at this conference should be adopted by Carrefour. Consequently, the company which had already acquired a supermarket site in Paris changed their plans, and on the selected site at St Genevieve des Bois they opened the first hypermarket to be seen in France. The store was an instant success achieving a turnover of 18.6 million francs in the first six months of operation, and 40.1 million francs by the end of the first year (Toussaint 1984).

In order to rapidly establish a national tradename and a reputation that would be associated with this new form of retailing, Carrefour franchised their name and techniques for 0.2% of store turnover to groups such as Docks du Nord-Mielle-Cora, the Docks Lyonnais and Docks de Nevers partnership, Promodès, and Docks Ardennes. The parent company also expanded, maintaining its reputation as the pioneer of hypermarkets in France, by opening the first store with a sales area of over 10,000 square metres at Venissieux (near Lyon) and the first 20,000 square metre hypermarket at Vitrolles. In order to finance the rapid growth of the company, 20% of the share capital was introduced to the Bourse on 16th June 1970.

Since the introduction of the Loi Royer, Carrefour feel that they have been penalised for their ascendency in the hypermarket sector, for although the group accounted for a quarter of the applications for new developments based upon hypermarkets made to the CDUCs by "Grandes Surfaces" organisations, only 21.5% of these projects were authorised by the commissions. Despite this low success rate, the group has maintained growth, in terms of the number of new stores opened, by adopting many of the tactics discussed previously, such as the acquisition of competing companies and single units, joint development with regional retailers, and the purchase of authorised applications.

Certain tenets of the Carrefour philosophy have survived intact throughout this period of adaption, and the company believes that these aspects have had much to do with the firm's continued success. The group regards itself, first and foremost, as a specialist in the development of large scale self-service stores located on out-of-town sites. Peripheral sites are favoured for a number of reasons. The company believes that the cost of land for in-town sites is often prohibitive, and access to these locations can be difficult. More importantly, however, out-of-town sites allow the development of large car parks, and Carrefour aim to provide one car parking space for every 5-6 square metres of sales space, remembering the Trujillo maxim of "no parking, no shopping".

Central to the operating philosophy of Carrefour is the concept of decentralised management. Although financial



control is highly centralised, and the performance of individual stores is closely monitored, in most other aspects of operation the company is totally decentralised. Each store manager is regarded as a "store director", with complete responsibility for the performance and operation of the store, which must meet sales objectives established annually by the company. Even the Samod centrale, created in 1967 for bazar and textile goods, is not a centrale in the traditional sense, but acts purely as a selection agency for these types of goods, recommending which lines should and should not be adopted. The store director is then free to decide which goods his store should carry on the basis of this advice.

A further indication of the decentralised nature of Carrefour is the size of the head office staff, which in 1973, numbered only twelve, headed by the President, Marcel Fournier, and two joint Director-Generals, Jacques and Denis Defforey. The remaining nine consisted of an accountant director; two counsellors, one in charge of internal management who established and monitored sales objectives; and the other in charge of social and administration problems; four supervisors, who each coordinated personnel, supply, and short term management problems for five to six stores; and two secretaries. All other operating functions such as legal counselling, personnel, and marketing, were contracted out to external agencies.

As with other hypermarket operators, features of the

Carrefour organisation have, however, changed since the birth of the group. In particular greater emphasis and more resources seem to have been concentrated on certain strategic aspects of the group's operation since 1974. Whilst other factors relating to new market opportunities and technological change have encouraged these adaptations in strategy, the constant references made in press releases issued by the group to the increased costs of development resulting from the Loi Royer suggests that the legislation has significantly contributed towards these policy changes.

In 1980 (LSA 757 1980), Carrefour claimed that the Loi Royer had increased the costs of building in France from 2,577 francs per square metre of sales area in 1972, to 3,500 francs per square metre in 1979. Similarly, Toussaint (1984) commenting upon the effect that legislative constraints have had upon costs, notes that in 1983 a potential annual turnover of 200 million francs was necessary to justify the opening of a new store. Whilst comments such as these originating from Carrefour itself, are likely to contain a certain anti-legislation "propoganda" element, they would appear to add weight to the assertion the the legislation of 1973 has forced hypermarket developers to look beyond the traditional avenues of expansion, towards other aspects of the organisation and its development strategy in the search for growth.

### 13.2. CONCENTRATION

Although the Carrefour group has not absorbed any

major regional retailers in order to maintain growth, the company has, since the advent of the Royer legislation, been involved in the takeover of a number of small independent organisations, usually operating single stores. These types of acquisition have been characteristic of the joint subsidiary companies Sogara, Sogram, and Superest. For example, in 1978, Sogara raised its shareholding in Sochadis, which operated a hypermarket at Angouleme to 84%, and acquired a Docks de France hypermarket at La Rochelle, and the Solodis store at Canors in 1979. Similarly, Sogram gained control of stores at Vivry Noreuil in 1980, and Rennes in 1981, and Superest acquired hypermarkets in Champs sur Marne and Evreux in 1980 and 1981. In all, seven of the fifteen hypermarkets opened by Carrefour between 1977 and 1982, were the result of takeovers. Through acquisitions of this type, the Carrefour group has contributed to the trend towards concentration of ownership observed within the hypermarket sector.

Carrefour has also tended towards the concentration of ownership in relation to its overseas operations (as shall be shown later) and in 1984, the group was one of the founding members of the Arci Association mega-centrale discussed in Chapter Twelve. A further interesting development in 1984, with regards to concentration, was the purchase of the 15% stake previously held in Comptoirs Modernes by the Noyauge group. As the Comptoirs Modernes group is Carrefour's partner in Sogram (which operated eight hypermarkets at the end of 1982) this move may only

have been to protect their interests from other competitors. Alternatively, this may also give some indication of Carrefour's future intention to bring these units under the direct control of the parent company.

### 13.3. DIVERSIFICATION

Carrefour has also followed the trend evident amongst other hypermarket retailers of diversification into other retail sub-sectors. In 1978, Carrefour took a 18% stake in Metro-Cash which operates cash and carry units in France. However, Denis Defforey has dispelled any rumours that Carrefour are likely to pursue any degree of vertical diversification, claiming that the group has no intention of becoming producers or wholesalers, as Carrefour are "essentially distributors, for the consumer" (LSA 930 1984b). The most significant diversifications undertaken by the group have been into the DIY market, and the adoption of the limited range discount store.

Carrefour entered the DIY sub-sector in April 1977 with a 47% share in the leading multiple group, Castorama, which involved the creation of a 50:50 subsidiary company (Castorama Expansion) to develop DIY stores adjacent to Carrefour's hypermarkets. Castorama was formed in 1969 from the DIY company created by Christian Dubois in 1950. Just like Carrefour in 1963, the first Castorama unit, a 5,000 square metre outlet opened in 1969 at Englos (Lille), brought a new dimension to a retail sector previously dominated by small specialist retailers.

From these beginnings the group expanded rapidly and approached Carrefour in 1977, when they were seeking to raise capital to fund future expansion (LSA 919 1984). This diversification has had considerable benefits for both organisations, for as Denis Defforey observed in 1978 (LSA 666 1978), it is generally thought that permission is more likely to be obtained from the CDUCs or CNUC for a complete commercial entity, rather than for isolated units.

In December 1977, Carrefour obtained a 18% share in Californie, a building material retailer operating stores in areas of the country where Castorama had yet to penetrate (Rhône-Alpes, Midi, South-West and East), and the following year this group was absorbed by Castorama. This development reinforced Castorama's position as the dominant DIY multiple group.

At the end of 1982 (LSA 887 1983), there were 2,577 stores and specialist departments dealing in DIY materials in France. Of these, the vast majority (1,924 accounting for 1,095,588 square metres of sales space) were operated by independents. A further 329 stores with a sales area of 871,123 square metres were owned by DIY and household equipment multiples, and 218 units (122,400 square metres) by companies operating large area multi-specialist stores. The remaining 106 outlets were controlled by department store, variety store and food multiple groups.

Castorama was the leading operator in the DIY/household equipment multiple category, with 72 stores compared to the

33 of its nearest rival, Leroy Merlin who are associated with Auchan. Similarly, in the large area multi-specialist store category, Carrefour tied with Auchan at the head of this classification group, with both companies controlling 33 stores, closely followed by Euromarché (32) and Cora (30). However, by virtue of the larger stores that they operated, Carrefour controlled a far greater sales area of 31,000 square metres to Auchan's 18,400 square metres. These figures give some indication of the leadership that the Castorama-Carrefour partnership has established in the part of the DIY market controlled by large retailers, and illustrates the success of Carrefour's diversification into this field.

Carrefour have also diversified by developing the "discount de proximité" (local discount store) formula. This retailing concept is founded upon small stores carrying a limited assortment of low priced goods, located in the heart of urban areas. Margins are held down by low staff numbers and reduced advertising costs. Costs are also constrained by the reduced capital investment needed to establish this type of store and low supply costs, as the shallow range of goods sold only requires a limited number of suppliers.

The growth of this retail institution has been attributed to a combination of socio-economic trends and legislative conditions within the retail environment (Gallo 1982). It is suggested that increased transport costs and the impact of the recession has made consumers more price

conscious, and consequently discount formulas have become more attractive. In addition, these types of stores fall below the size thresholds which require authorisation for development from the CDUCs and CNUC, so they provide an opportunity for large unit retailers to develop in-town stores. Furthermore, in December 1981, a debate in the National Assembly gave support to this type of store, as it was felt that it represented growth in the small shop sector, and contributed to lower price levels.

Carrefour became involved with this retail concept through the acquisition of a 45% stake in Erteco in September 1978. The formula which Carrefour adopted was launched in 1975 by Simon Bertaud, a former employee of both Radar and Cora (Bataille 1978). Bertaud developed the local discount store on the basis of small shops (between 200 and 350 square metres in size) requiring around 250-300,000 francs of investment capital, and which were essentially "depots" for the sale of goods. Only groceries, beverages, drugs and perfumes were sold in these outlets, direct from suppliers cartons, and at low margins, which averaged 12.5% throughout the store. The small scale of the operation required a staff of between 5 or 6 employees, thus keeping staff costs down to around 3.5% of turnover.

In order to expand this formula which traded under the name of "Archi-Bas", Bertaud formed Erteco in 1975 on a 50:50 shareholding basis with Radar. In September 1978 Carrefour acquired an interest in this company which

resulted in a new shareholding structure leaving Radar and Carrefour each with 45% of the company whilst Bertaud retained 10% of the capital. The intervention of Carrefour also saw the creation of a new executive committee composed of Etienne Thiel from Carrefour and M. Arnold from Radar; the introduction of Carrefour and Radar generic goods into the stores; and a change of tradename to "Ed" (Epicerie Discount).

Since 1978 the growth of Erteco has been rapid. From 10 shops in 1978, the chain expanded to 26 stores at the end of 1980, and to 76 by the end of 1982, all of which were located in Paris and the suburbs, and supplied from a 8,000 square metre depot at Rungis (LSA 886 1983). However, the speed of this expansion caused some financial difficulties, largely due to the costs of operating the Rungis depot. In 1982, the company made a loss of 20 million francs on a turnover of 650 million francs. In an attempt to improve the performance of the chain, Carrefour assumed the management of the company in July 1983 and appointed a new director, Marc Rousset, to run the operation (LSA 907 1983b). Despite these problems, Carrefour believe that limited assortment stores of this type are viable, and regard this formula as one way of combatting the aggressive discounting policies of Leclerc and Intermarche.

Carrefour's faith in the potential of Erteco was shown in October 1983, when the group announced the acquisition of Radar's shareholding in the company. The new-look, Carrefour-operated Erteco, decided that following



the rapid growth of the chain during the early 1980's, the emphasis should be switched to management aspects rather than further expansion. In particular, Carrefour are aiming to improve supply and stock control throughout the chain; to establish "Ed" products as brand names; to raise the average size of stores from 320 to between 450 and 500 square metres of sales area; and to increase the range of goods carried in the stores from 428 to 450/60 lines (LSA 949 1984). The announcement of these plans suggest that Carrefour view their diversification into this store formula as part of the long term strategy of the group.

#### 13.4. DEVELOPMENT ABROAD

Carrefour reinforced its image as the pioneer of hypermarket retailing in France, when it became the first French retailer to develop hypermarkets in countries outside France in the late 1960's. The initial involvement abroad by the group was concentrated upon those countries which already possessed modern retailing systems. In 1969, Carrefour created DISTRIMAS in conjunction with Delhaize Frères et cie "Le Lion" in Belgium; took a 28% stake in Hypermarché de Participations, formed with the Swiss retailer Mercure (who held the majority share of 42%); and a 10% share in the UK group Hypermarket Holdings, in which Wheatsheaf Distribution held the remaining 90% of the capital. The collaboration with Delhaize Frères "Le Lion" in Belgium resulted in both partners entering the West German market during 1977, alongside Kaufpark (48%) and

Strussgen (12%), through the formation of Inter Kaufpark Handelsgesellschaft - in which the French and Belgium companies retained a 20% stake.

The early 1970s witnessed a change in the overseas strategy of Carrefour as the group became involved in countries where the retail system was largely underdeveloped. In 1972, Carrefour acquired a 50% share in an Italian company, Itaimare, and in 1973, formed a joint subsidiary company, Almar, with the leading Spanish retailer, Simago. These developments were followed in September 1974 by the creation of Trevo Comercio et Industria in Brazil, an organisation in which Carrefour retained a 83% stake. Also around this time, Carrefour also recognised the potential for the hypermarket concept in the USA, as Denis Defforey remarked ...

"Nobody in the US is doing what we are doing. We have devised something new here, and we can teach it to America." (Business Week 15/12/1973)

Following negotiations a deal was apparently signed with an American retailer in September 1973, but this proposed partnership fell through in April 1974.

The introduction of the Loi Royer, appears to have focused retailers' attentions even more firmly upon the market potential of some of these overseas markets, and Fournier has commented that the Royer law led to the exportation of the best of French distribution (LSA 626 1977). The response of Carrefour to the appearance of the Loi Royer seems to have been to disinvest from those

operations where the group did not hold a majority stake, and to concentrate new investment upon the less developed markets, where the potential for future growth was greatest.

In 1978, the group sold its holding in Distrimas to Delnaize Frères "Le Lion" (LSA 666 1978), as dominant home competitors, saturation and legislation introduced in 1975 restricted the future growth potential of the hypermarket in Belgium. In 1979, Carrefour disinvested from its German interests, and the following year sold its 50% share in the Austrian company Verorauchermarkt, which operated a 16,950 square metre store in Vienna. More recently, in 1983, Carrefour sold their 10% stake in Hypermarket Holdings to its UK partner Wheatsheaf, and in 1984 the group sold its share in Euromercato to Standa (LSA 922 1984). Euromercato, which controlled four hypermarkets (three in Milan and another in Naples), had been created in 1980 from the merger of Standa's two hypermarkets with those controlled by Carrefour's original Italian subsidiary, Itaimare.

The capital raised by these disinvestment moves has been reinvested in those countries where the potential for future hypermarket growth has been perceived as greatest, and where Carrefour holds a majority interest, and most importantly, controls the management of the subsidiary organisation. The vast majority of the investment made abroad by Carrefour since 1973 has been concentrated in Spain and Latin America, particularly Brazil, although in 1982, the group opened its first store in Argentina.

Carrefour's Spanish adventure has taken place through a number of subsidiary companies. The partnership deal with Simago in Almar has since been repeated in Promotora de Hipermercados (Carrefour 50%; Simago 50%) formed in 1975, and by the purchase in 1978 of the 44% share held by Euromarché in Iberica de Hipermercados. In addition, Carrefour's joint subsidiary company with Guyenne et Gascogne, Sogara, formed a 50:50 subsidiary called Grandes Superficies in 1975 with the Banco Condal and Rovira, and Promotora de Hipermercados has since acquired the Spanish interest in this organisation. The Carrefour group envisage considerable potential for hypermarket development in Spain, referring to the fact that in 1982 the 37 million population was served by only 30 hypermarkets (LSA 839 1982a). Consequently, the group has devoted considerable effort to adapting and integrating its hypermarket operations to take advantage of this market potential, and have set themselves a target of two or three new store openings per year. (LSA 933 1984).

As in France, the managers of Carrefour's Spanish stores have complete control over their own stores, whilst the company establishes general policies and determines profit targets for the outlets. Promotional activities are less frequent than in France, and the Spanish stores carry no own label or generic lines, concentrating instead upon Spanish national brands. All deliveries are made direct to the store, although there is a selection centrale called

Socomo for bazar and textile goods, which performs the same role as Samoo in France.

Amongst the adaptations proposed by Carrefour to fully integrate the hypermarket into the Spanish retail sector has been the regionalisation of buying, to cater more efficiently for the distinct regional tastes which exist in Spain, and the adoption of a Spanish tradename (LSA 839 1982a). The group's hypermarkets originally traded under a variety of logos, "Carrefour", "Pryca", and "Hiper" (the old Euromarché name), owing to the historical development of the stores through a number of different subsidiary companies, but it was decided to adopt the Spanish tradename, "Pryca" (Precio Calidad - Price and Quality), throughout the whole group to encourage integration. Carrefour have also decided to renovate many of the existing stores and to add galeries marchande to some units, to compliment the hypermarket operation.

In Brazil, Carrefour have experienced similar growth to that achieved in Spain, with the Trevo Comercio Industria subsidiary (now renamed Carrefour Comercio Industria) opening approximately one store per year. However, high rates of inflation have hindered the financial performance of this subsidiary, and for certain stores, problems of packaging and stock life in temperatures in excess of 30°C have occurred. Supply of goods has also been far from easy in some cases, with the third Carrefour hypermarket, opened in Brasilia in 1977, receiving 80% of its stock from Sao Paulo, some 1,300 kilometres away (Grobscheiser 1977b).

The Brazilian developments have also provoked unrest amongst other Brazilian distributors who resent the favouritism (including credit facilities to purchase sites) allegedly shown towards Carrefour by the public authorities. There are also signs of increased competition from the major Brazilian retailers, Jumbo, and Peg-Pag, as they have begun to react to the arrival of Carrefour. However, despite these difficulties, Carrefour has made considerable investment in the Brazilian market, and the opening of the group's first Argentinian hypermarket in Buenos Aires during 1982, would seem to confirm the group's commitment to expansion in this part of the World.

Essentially, since the introduction of the Loi Royer, Carrefour has consolidated and increased its investment abroad, particularly in countries where the retail structure remains largely underdeveloped. In these countries, the environmental conditions for the modernisation of the retail sector resemble those existing in France in the early 1960s when the self-service and hypermarket formulas were rapidly adopted. The importance of this overseas investment to Carrefour is reflected in the share of total group turnover which is accounted for by overseas subsidiaries. This proportion has risen from 14% in 1978 to 15% in 1980, and to just below 18% in 1982.

### 13.5. OPERATIONAL ASPECTS

Carrefour have also reviewed several elements of their operating strategy since 1974, with a view to increasing the

turnover and profitability of existing stores. In 1978, the group appeared to accept the limitations placed upon new investment in France, and decided that future improvements in the group's performance should be achieved by the development of store operation and management (LSA 668 1978). To realise these improvements, Carrefour reorganised their senior management structure, creating a two-tier hierarchy composed of a group directorate and an executive directorate.

At the lower level, the group directorate, consisting of Marcel Fournier and Denis Defforey, assisted by a finance director, a general affairs director, and a marketing director, were to involve themselves with short and medium term issues (LSA 666 1978). Above the group directorate, the 14 member executive directorate headed by Jacques Defforey and Bernard Fournier, and composed of seven regional directors, three merchandise directors, an administrative/management director, and a social affairs/personnel director, would formulate the long term strategy of the group, and instigate the diffusion of these strategies to the shop level (Points de Vente 177a 1978).

The executive directorate was expected to meet once every 15 days, and the role of the regional directors on this committee was regarded of vital importance to operational development, as these representatives were the ones most involved at the store level. For certain issues, such as the opening of a new store, decisions were to be

made jointly by both the executive and group directorates.

As Carrefour intended their overseas interests to develop as independent subsidiaries with their own management structures, decisions involving these operations were made independently from either of the directorates, with the exception of Italy which fell under the auspices of the executive directorate. Group investment in Spain was to be overseen by Bernard Fournier, and that in Brazil by Jacques Defforey. The intention of this internal reorganisation was to spread responsibility throughout different levels of the group and to allow concentration on specific activities.

The decentralisation of authority within the Carrefour organisation is intended to provide great scope for flexibility, allowing store managers to respond to local factors and environmental conditions. The group does not pursue a national price policy, allowing individual stores to take advantage of any additional discounts that they can obtain from local suppliers. Similarly, each store may decide upon its own policy with regards to after sales service as, according to Bataille (1978), Jacques Defforey believes that the public should regard the group's stores primarily as autonomous units, and only secondly as part of the Carrefour organisation.

The group has been quick to respond to changing consumer demands, particularly the increasing emphasis placed upon fresh food, and has adjusted the assortment carried by its stores accordingly. The result of the

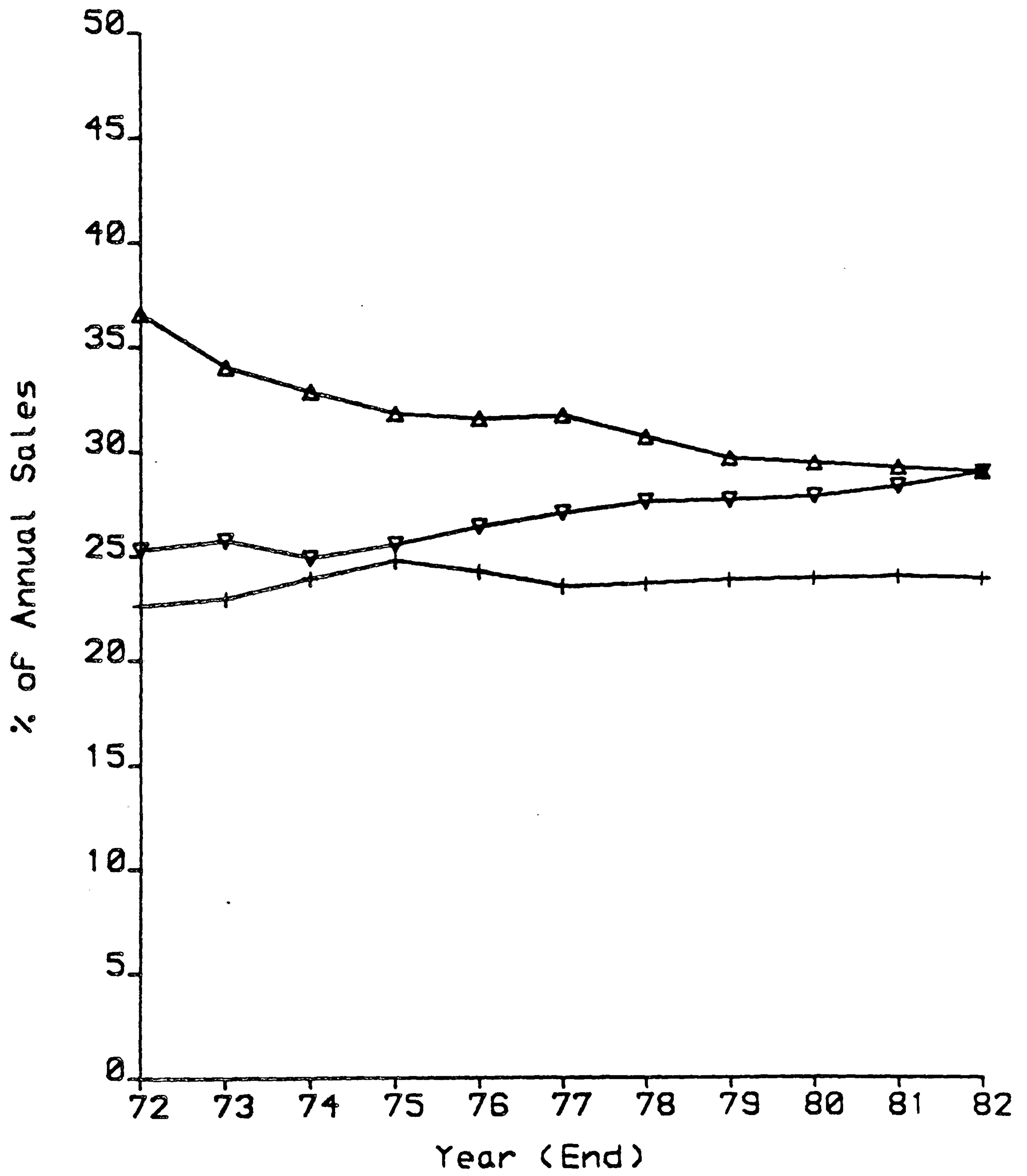


Careful monitoring of store assortment, as figure 13.3 shows, has been a steady rise the proportion of the groups sales accounted for by fresh produce (largely at the expense of grocery sales), since 1974. Improvements in stock handling and control have also contributed to the group's continued success. Distribution costs are constantly under review at the family of, and in some instances at the individual, goods level. As a result of this continuing review, the average length of stock rotation has been reduced from 21.6 days in 1974, to 19.1 days in 1977, and 14.5 days in 1981 (Marenco 1984).

According to Toussaint (1984), 60% of total operating costs are personnel costs. In response to this, considerable effort has been channelled into controlling this element of expenditure, which has remained fairly constant at around 8% of turnover during the 1976 to 1982 period. Carrefour pride themselves upon their staff relations and introduced a two-yearly convention for employees, and an annual review of working conditions and contracts. The personnel policy appears to have been successful, as the group reports low absenteeism throughout its stores.

The careful attention paid by Carrefour to changing market conditions and operating strategies is further reflected in the new hypermarket opened at Etampes in August 1983 (The Grocer 26/11/1983). This store has been deliberately adapted to suit the economic recession of the

Figure 13.3 : Carrefour - Sales by Type of Good.



▲ — ▲ — ▲ Grocery  
 ▼ — ▼ — ▼ Fresh Produce  
 + — + — + Hard Goods

mid 1980s. The store design has been kept simple, with no false ceilings or automatic energy control installation, and few decorative elements. Operating costs have been kept down by simple and functional fixtures and a basic presentation of merchandise with no special displays. The only exception to this low cost approach has been the fresh food department, in view of the increased importance of this department to store sales.

Although Carrefour themselves admitted in 1978 (LSA 666 1978) that the group was unlikely to be amongst the pioneers of EPOS systems, as at the time they regarded the technology as too expensive, they have monitored the developments in this field carefully, and have been quick to adopt other aspects of new technology. In 1981, an in-store credit card, the "Carte Pass" was introduced in a six store pilot, and by the end of 1982 this card accounted for between 6 and 7% of sales (LSA 930 1984b). However, alongside many other retailers, the group has reservations concerning the introduction of EFTPOS systems, sharing the general belief amongst large retailers in France that bank charges are too high.

Carrefour have been most receptive to new technologies concerned with advertising and promotional activities. As LSA (942 1984a and 947 1984b) have reported, the group has acted as the major locomotive for a Mintel experiment in the Compiègne region. Four thousand Mintel terminals have been installed throughout the region, and Carrefour have taken up 80 of the 300 pages on the information system to advertise

their store at Compiègne. The information on the system is updated daily, and provides current prices, details of current and future promotions, information on the "life" of the commercial centre, and details of the services offered by the Carrefour store. The cost of this system to the consumer is the price of a phone call, as a special telephone number provides access. Following the success of this pilot scheme, Carrefour are planning to equip their remaining stores with this facility as quickly as the expansion of Mintel allows.

Carrefour again proved to be one of the leading innovators in French retailing in 1976, with the launch of their "Produits Libre" generic range. This development, the first of its kind by a hypermarket operator in France, proved to be an important publicity and marketing coup for the group, and the goods themselves have sold better than expected. The initial impact of the 50 goods in the original range was spectacular (LSA 580 1976), and in the first ten days of sales they accounted for 12% of the turnover achieved by all the goods in their specific ranges, and 3.5% of total store turnover. By the end of the first year, (LSA 626 1977), the generic range accounted for 4% of total turnover, and 40% of all sales in their respective ranges.

From this successful start encompassing grocery, drug, and perfume lines, the range was extended to 200 products by April 1978 through the inclusion of fresh foods, textile,

and bazar goods. For a new good to be added to the range it was essential for it to have established a large sales volume, so that suppliers would be interested. In addition, it was necessary to maintain rigorous quality control over these products, and the goods chosen needed to be those for which a satisfactory compromise between price and quality could be found. The success of the "Produits Libre" range has prompted most of Carrefour's competitors to develop their own generic and own label lines, a situation which pleases Denis Defforey...

"it is always good to be imitated, because when one of your competitors imitates you, he does not innovate." (LSA 666 1978)

The image as the leading innovator in French retailing is one of which Carrefour are understandably proud, and the group intends to preserve this reputation. To enhance the groups reputation, Carrefour have been very imaginative with regards to their promotional activities. One element of this is the monthly "Carrefour Journal" produced for each of its stores. This eight page newsheet, which accounts for about 20% of the groups total advertising expenditure, is delivered free to approximately 560,000 households.

Carrefour, like other retail groups, have made efforts to reduce the role of promotions in their advertising strategy. The group believes (LSA 685 1978c), that the hypermarket was in danger of being swamped by promotions, claims to have lead the "return to calm" movement, with fewer promotions to disturb the daily routine of the stores, and with retailers developing more sophisticated publicity

strategies designed to entice specific customer segments. Part of this evolving advertising strategy has involved greater emphasis upon the building of a Carrefour image which stresses the qualitative aspects of the organisation (Clauteaux 1981). To achieve this, the group employed the Impact advertising agency in the early 1980s to help construct the desired image.

Despite the increasing emphasis placed upon quality by Carrefour and other hypermarket operators, price still remains central to the groups operating philosophy, and it is in relation to this aspect that Carrefour's advertising has been at its most innovative. In 1979, Carrefour first tangled with the thorny issue of comparative advertising, when the group launched an "economic indicator" (LSA 701 1979). The intention of this initiative, instigated by Jacques Defforey, was to reinforce the discount element of the Carrefour operation.

This index, which operated for six months, comprised of the price of a shopping basket of 200 brand name products, chosen each month by the Ifop-Elmar agency (without prior consultation with Carrefour), from 430 food and non-food goods featured in the Insee consumer price index. The cost of this shopping basket in the Carrefour store was then compared with the cost of the same goods in the stores of the group's four main competitors in the region in question, and the results were published locally.

The supporting publicity campaign for this initiative,

organised by the agency behind the launch of the "Produits Libres" (Roux, Sequeira, Cayzac and Goucard), included a public relations campaign involving public debates in the University towns of Angers, Borceaux, Grenoble, Marseille, Lyon, and Paris, on the theme of competition and its role in containing inflation. These debates, involving Jacques Defforey and l'Ifop representatives, plus local academics, trade and consumer organisations, were intended both to focus attention upon the Carrefour campaign, whilst at the same time diffusing some of the debate concerning the legality of comparative advertising campaigns of this nature.

The issue of comparative advertising was again to involve Carrefour in late 1983. On 21st November 1983, the Carrefour hypermarket at Chartres published a double page advert in "L'Echo Republican" comparing the store's prices over 150 product lines with those of its four major competitors in the area, a Ralliye hypermarket at Luce; Leclerc at Luisant; and Intermarché stores at Mainvilliers and Coudray-Chartres (LSA 912 1983). This advert was supported by a special edition of the store's "Carrefour Journal" and adverts carried upon buses in the town.

This coup prompted furious reaction from competitors. The two Intermarché stores responded by sending some of their employees around to the Carrefour store to purchase the goods featured in the adverts, which were then resold at the same prices in the Intermarché stores ! Intermarché, along with Ralliye also published statements in the local

press denouncing the one-sided character, and the deception of this operation, and Ralliye produced a comparative price list of their own.

The campaign came as a complete surprise to the retail sector, as Carrefour had been moving towards a soft marketing approach, with the emphasis upon quality, for some time. Once again, Carrefour had pulled off a publicity coup to the chagrin of their rivals. Other groups began to follow the Carrefour lead and produce their own versions of the campaign, and a major publicity battle ensued between Carrefour with the slogan "Carrefour invents comparative pricing", and Leclerc who responded with "Edouard Leclerc does better", and denounced "the crossroads of illusion" (Betts 1983).

The comparative advertising campaign encroached upon a grey area of the law, and a series of law suits were brought against Carrefour and other promoters who adopted a similar programme. In all, the campaign is thought to have cost Carrefour 4 million francs in legal fees, as Arlaud (at Bourges), Auchan, Mammouth (at Montesson), and Leclerc took Carrefour to the courts (Hager 1984). Most of these legal cases were brought against two aspects of the campaign.

Some opponents argued that the campaign was potentially misleading and, therefore, contravened article 44 of the Loi Royer which forbade ...

"advertising of any form which makes false statements, or which is likely to induce an error."

Whilst others referred to article 422 of the Penal Code which



prevented the use of other tradenames and brand names without prior approval of the parties concerned (LSA 915 1984).

As debate grew as to the legality of comparative advertising, various representative groups made their views known. The APCCI (Le Commerce Moderne 592 1984), and the Bureau de Vérification de la Publicité (LSA 929 1984a), both questioned the true motive behind campaigns of this nature, and pointed to the shortcomings in the methods used to draw up the comparative lists. Foremost amongst their complaints were that the selectivity of articles meant that price comparison was only fragmentary, and that price levels needed to be maintained for a whole year to be truly credible. These groups also stressed that price was only one element of retailing, and comparisons of this type ignored both quality and service considerations.

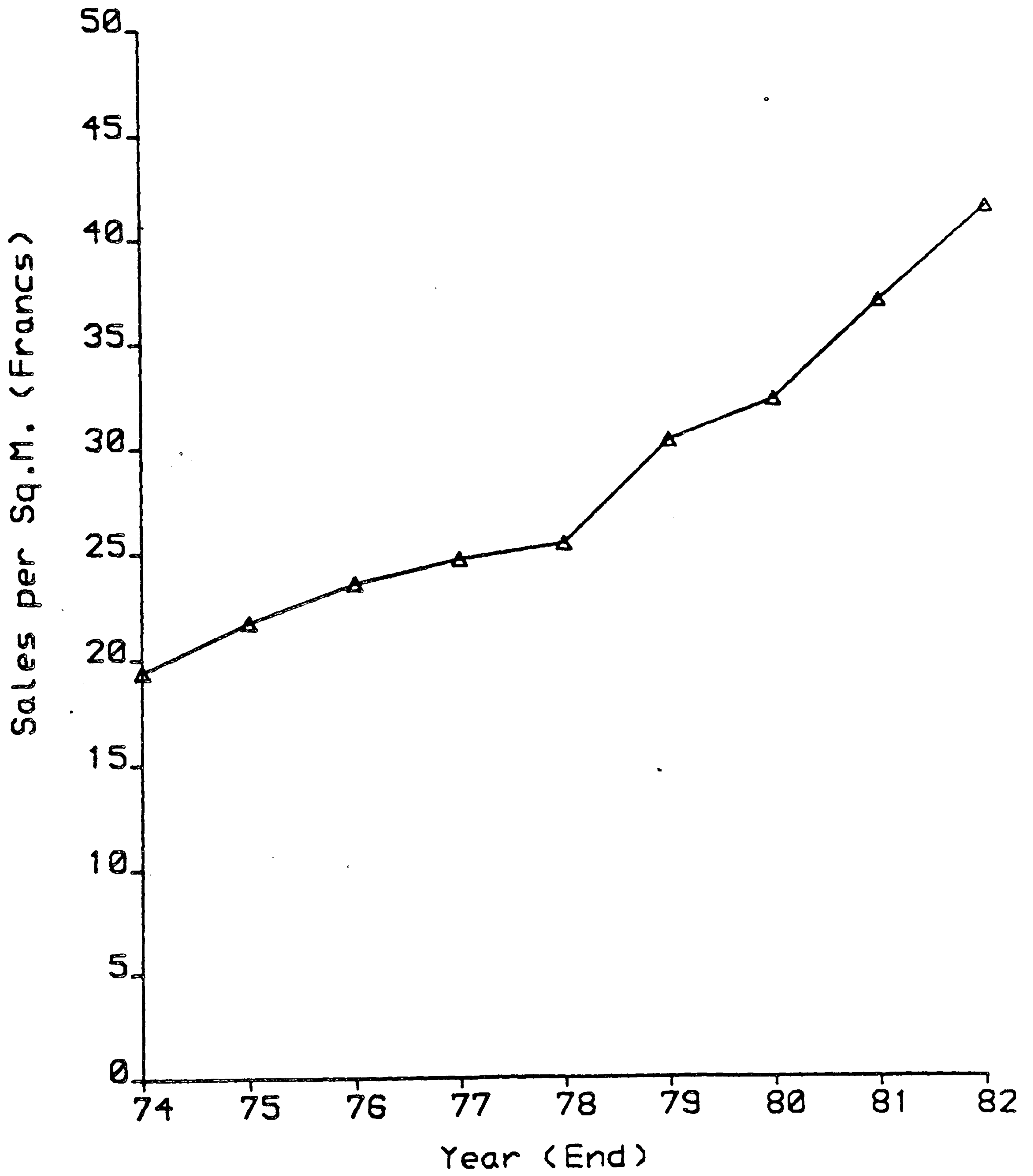
The public authorities themselves were rather noncommittal in their response. The government acknowledged the general state of confusion generated by price comparisons, but in response to demands for legislative reform, both Crepeau (LSA 927 1984), and Catherine Lalumière, the Secretary of State for Consumers, (LSA 934 1984b) argued that price comparisons should not be treated as a special case, and should, therefore, only be dealt with in a general reform of the regulations concerned with commercial competition. Consequently, the government has left the regulation of these advertising campaigns to the

tribunal and appeal courts, although in May 1984 (Le Commerce Moderne 600/601 1984), the Council of ministers stressed the importance of the objectivity of information displayed in advertisements.

In the wake of the successful publicity coup achieved by the comparative advertising campaign, Carrefour launched a comparative quality campaign early in 1984 (LSA 924 1984a and 925 1984). This development can be seen as part of the overall long term strategy of the group to emphasise quality. This new programme revealed the results of laboratory tests carried out by the ATS (Assistance Technique Scientifique) in Marseille on own brand washing powders and washing up liquids produced by the major retailers. Future plans involve similar tests for shampoos, coffee, oils, chocolate, and fresh produce.

The success of most of these adaptations and innovations introduced into the operating strategy of Carrefour since 1974, can be illustrated by the increase in productivity, measured by average sales per square metre of sales space, achieved by the group over the period (figure 13.4). In the case of Carrefour, the improvements achieved in the fields of stock rotation and other aspects of the operation, alongside such innovative steps as the introduction of generic products and the originality and impact of publicity campaigns, has done much to improve the performance of the company, and maintain its position as the leading pioneer of hypermarket retailing. The Royer legislation, by restricting or delaying development at the local level, or

Figure 13.4 : Carrefour - Sales per Square Metre of Floorspace.



by increasing the costs of new stores has merely succeeded in encouraging groups such as Carrefour to review their strategies, and make adaptations to the changing retail environment which has reinforced their dominance in the retail sector at the expense of other retail organisations.

### 13.6. SUMMARY

The continued growth of the Carrefour group in spite of the Loi Royer, provides a specific example of the limitations of the legislation. By attempting primarily to control only one manifestation of the structural change taking place in the retail environment, namely hypermarket location, the legislation has failed to influence other elements which have been equally important to the growth and development of large retail organisations.

Carrefour has improved its position in the retail sector through adapting to the general trends towards concentration, by the acquisition of individual stores, collaboration in joint-subsubsidiary companies, and most recently through the formation of mega-centrales, and diversification into other retail sub-sectors. Similarly, as far as the group's overseas operations are concerned, the group has disinvested from the more "modern" retail markets to concentrate in the less developed ones in which it is felt that the retail environment provides the greatest potential for future hypermarket development.

At a more micro-level the adaptations made to the company's operating strategy again reveals a keen perception

of changes within the retail environment. Store design and product ranges have been revised to take advantage of current trends, whilst the rearranged management structure and continued commitment to decentralised management theoretically allows for greater flexibility to meet local conditions. In addition, the adoption of new technology in relation to Mintel terminals and in-store credit cards illustrates the group's awareness of technological change and development. Finally, the innovative moves made by Carrefour with regards to their promotional activities and particularly the pioneering of own-label and generic brands, have done much to keep Carrefour at the forefront of French retailing.

It is such developments and adaptations as these, based upon the ability and willingness to react to structural changes within the retail environment, that have maintained the growth of the Carrefour group and the other leading large retail organisations in France. The Loi Royer has provided few limitations to developments and adaptations such as these which have provided the greatest threat to the independent small trader.

## CHAPTER FOURTEEN : CONCLUSION

In the conclusion of their 1972 work Boccewyn and Hollander noted that ...

"Public policy can thus only slow down or postpone the evolution of retailing."

This study of the effects of the Loi Royer upon hypermarket development in France would appear to support this assertion. Whilst the reliance upon secondary data for the information concerned with new store openings and applications to the CDUCs and CNUC may question the validity of some of the conclusions drawn from the analysis, it is felt that by obtaining and comparing this information from a range of sources such charges can be refuted successfully. Such an approach also provides a check upon the accuracy of the data. Furthermore, the impressions gained from the study have received support during unstructured interviews undertaken with developers, retailers, academics, retail consultants, and Ministry of Commerce staff as part of the study.

To evaluate the success of any public policy measure one must refer to the specific aims of the legislation. The timing of the introduction of the Loi Royer following periods of militant activity on the part of small retailer pressure groups, and prior to National Assembly elections firmly suggests that the legislation was in part designed to pacify these interest groups. In this aim the Loi Royer must be regarded as a success. The threat of CID-UNATI has

been removed as both membership and support for the group has declined.

Associated with this aim is what is regarded as the fundamental goal of the law, namely to protect the small shopkeeper sector from the perceived threat of the hypermarket and other large stores. In this aim the legislation must be said to have failed. Development of hypermarkets has continued in France and the "Grandes Surfaces" groups and other large organised retailers have reinforced their share of both hypermarket numbers and floorspace at the national and local level. Furthermore, any gains that the independent sector may have appeared to have made, have largely accrued to the organised or affiliated independents, such as Leclerc and Intermarché, rather than the traditional small independent trader that the law sought to protect.

Although the developers appear to have made adaptations to their application strategy in face of the legislation, most of these developments may find explanation in other forces. The decline in the number of new hypermarkets opening each year, and in the average size of these stores can be seen to have been underway before the legislation could have hoped to have had any effect. Similarly, escalating costs, regional infilling, plus the saturation of stores in large towns and the ensuing movement towards the middle markets may provide equally plausible explanations for these trends, other than the effects of the legislation. The legislation rather than instigating change, appears to

have only served to reinforce existing trends.

Finally, a third possible aim of the legislation, the decentralisation of the authority to determine retail provision to the local level, must also be regarded as having failed. Whilst it can not be denied that the CDUCs have influenced local development in the short term, by their ability to delay (if not prevent) projects, the ultimate decision with regards to proposals remains with the central administration. The large number of appeals has ensured that in many instances the Minister has still determined the structure of retailing at the local level. This authority reduces the role of the CDUC at the local level, and appears to be highly susceptible to electoral motivations. In addition, the intervention of the judiciary in some cases, has introduced a further, unenvisaged, level of control which further reduces the ability of the CDUCs to influence retail development in their own départements.

Given that the law has failed to prevent hypermarket growth, and has done little to improve the position of the small independent traders in relation to large store retailers, one must search for explanations for this failing. One aspect which should not be discounted is misguidance. To many, the volume of applications rejected and the low success rates for hypermarket development indicate that the legislation has been successful and, therefore, there is little need for change. However, closer



analysis of CDUC and CNUC decisions shows that most of this success is illusory. In the case of applications based upon hypermarket development there has undoubtedly been an oversubscription of proposals in an attempt by the developers to counter low success rates. Furthermore, an important distinction should be made between the total number of applications, and the number of applications made for a single site. Often success rates for particular target catchment areas are higher than is immediately apparent, and high numbers of rejections merely represent delay in development rather than prevention.

The most obvious reason for the lack of success of the Loi Royer in curtailing hypermarket growth must lie with the loopholes within the legislation. Restrictive measures of this type invariably do not provide for all contingencies, and developers are quick to exploit any shortcomings that can be found. Technicalities within definitions, the "fronting" of applications, and the purchase of authorisations are all methods by which operators have circumvented the restrictions of the legislation.

Other adaptations made by developers to bypass the legislation include a greater use of extensions to existing buildings, particularly those that would upgrade a supermarket to hypermarket status, and the acquisition of either individual stores or companies. This latter trend has far greater implications for the retail sector as a whole, and for the small independent sector in particular, as it reinforces the general trend towards concentration and

the dominance of the sector by fewer, larger organisations.

Of equal significance has been the greater emphasis placed upon supermarkets by developers. Higher success rates for applications for this form of development, the general trend towards smaller units, and the growth of organised independents have all encouraged this trend. In parallel with this development has been a growing number of supermarket openings each year, and a growth in the number of small self-service stores falling below the size thresholds necessary for a project to be referred to the CDUCs. These developments have the effect of introducing organised retailers, whether independents or other forms, into a more direct confrontation with the small shop sector.

At the crux of the matter, however, lies what is probably the most important shortcoming of the Royer legislation, its failure to influence the underlying structural trends and changes within the retail environment which encourages the development of new retail institutions like the hypermarket. The Loi Royer effectively only seeks to control the spatial location of the hypermarket, the manifestation or result of more deep-rooted and influential structural processes.

At a general level, concentration reinforcing the buying power and dominance of the large firms has continued through acquisition and collaboration, and the structural trend towards diversification has introduced the large retail organisations into sectors traditionally dominated by

small independents. In addition the trend towards the development of multinational retail companies has seen the investment of capital outside the country and the rewards of these investments have maintained the positions of the large retail companies. Finally, the adaption of operating strategies as the large retailers respond to changes in the retail environment, encouraging the development of own-brand and generic products; the adoption of new technology; a switch from price to quality consciousness; adjustments in store design and product ranges offered; and more sophisticated advertising or promotional practices, all of which have again served to strengthen the position of the dominant large retailers.

Whilst the Loi Royer can not be specifically blamed for these developments which relate to deep-rooted structural change within the retail environment, it can be argued that the legislation by increasing the costs, and delaying the development of new stores, has focused management attention upon these issues and indirectly encouraged their adoption. These developments which the independent retailer is generally unable or unwilling to respond to, and adapt to, are likely to provide the greatest threat to this organisational sector, yet the Loi Royer provides little form of control over any of these developments.

The Loi Royer, somewhat ironically, may even have encouraged certain developments which will further disadvantage the small retailer groups which it was intended to protect. The "Grandes Surfaces" organisations are

developing smaller hypermarkets and supermarkets, no doubt encouraged by the higher success rates for these types of development, and this trend is likely to bring these groups into more direct conflict with the independent trader at the local level. Similarly, the growth of organised or affiliated independent retailing has created a new source of conflict within the organisational sector, between organised or affiliated independents, and the traditional unaffiliated trader. Finally, trends towards diversification have introduced large retail organisations into sectors which have traditionally been dominated by the independents. Consequently, the Royer legislation which was designed to reduce conflict, may paradoxically have created other forms of conflict.

In all the models relating to institutional change in the retail sector, the influence of the retail environment, and the changes within it, is crucial to the appearance, evolution, and survival of innovations. Consequently, if any legislation is to be successful in influencing the development of the retail sector it must address itself to these issues. Furthermore, the retail environment is in a constant state of change, and legislation pertaining to it must likewise be flexible and adaptable in order to respond to these changes. As retail techniques and institutions evolve, so should public policy measures.

Control of the forces of change within the environment is far from easy. The influence of legislation outside the

retail sector directed primarily at other social and economic issues may well have a role to play in monitoring and directing change in the consumer and organisational components of the retail environment. Public policy measures within the retail sector are likely to have a greater chance of success if they are positive and developmental, rather than of the negative and control type.

It would seem to be a better course of action to recognise and monitor change within the retail sector, and to channel resources into programmes which help the "disadvantaged" sectors of the retail community such as the independent trader, to adapt and respond to these trends. The provision of educational facilities, the encouragement of collaboration, and even direct financial incentives, which encourage the "organised" development of small retailers may all prove to be useful. The success of privately-engineered organised independent retailing, epitomised by Leclerc and Intermarché, would seem to point to the advantages of "organised" development of this nature.

However, one major barrier to constructive approaches and policies is the cost. Generally, developmental measures cost more to implement than control-type policies. The unwillingness of governments to free financial resources for the retail sector, as is the case in other economic sectors, is a common feature in most countries of western Europe. Given the growing importance of retailing in the economy, both as a producer of wealth and as an employer, governments may have to review this attitude. The other

barrier to developmental policies aimed at the small retailer is likely to be the reaction and attitude of the independent traders themselves towards such schemes. Inertia and conservatism dominate in this organisational sector, and attempts will have to be made to alter these views.

Unless public policy in the retail sector seeks to influence the structural changes occurring within the environment, and is adaptable to these changes, one can only agree with the conclusions reached by Hollander (1973) that...

"retail-orientated public policy tends to be an influence upon, but has not normally been the final determinant of retail structure and practice."

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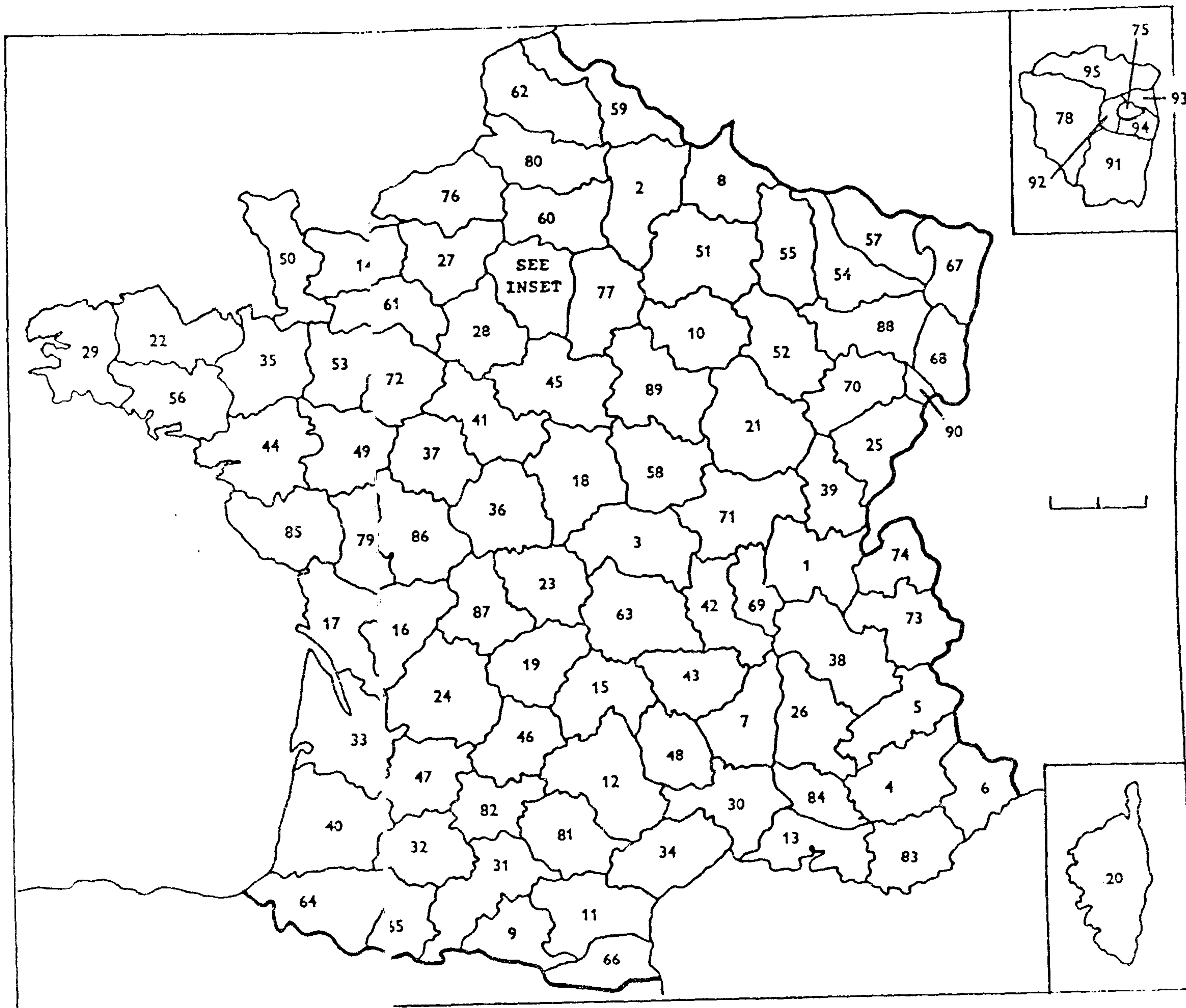
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A P P E N D I C E S

Appendix : The Départements of France.

Code dép.	Département
01	Ain
02	Aisne
03	Allier
06	Alpes-Maritimes
07	Ardèche
08	Ardennes
10	Aube
11	Aude
13	Bouches-du-Rhône
14	Calvados
15	Cantal
16	Charente
17	Charente-Maritime
18	Cher
19	Corrèze
20	Corse
21	Côte d'Or
22	Côtes-du-Nord
24	Dordogne
25	Doubs
26	Drôme
27	Eure
28	Eure-et-Loir
29	Finistère
30	Gard
31	Garonne (Haute)
32	Gers
33	Gironde
34	Hérault
35	Ille-et-Vilaine
36	Indre
37	Indre-et-Loire
38	Isère
39	Jura
40	Landes
41	Loir-et-Cher
42	Loire
43	Loire (Haute)
44	Loire-Atlantique
45	Loiret
47	Lot-et-Garonne
49	Maine-et-Loire
50	Manche
51	Marne
52	Marne (Haute)
53	Mayenne
54	Meurthe-et-Moselle
55	Meuse
56	Morbihan
57	Moselle
58	Nièvre
59	Nord
60	Oise
61	Orne
62	Pas-de-Calais
63	Puy-de-Dôme
64	Pyénées-Atlantiques
65	Pyénées (Hautes)
66	Pyénées-Orientales
67	Rhin (Bas)
68	Rhin (Haut)
69	Rhône
70	Saône (Haute)
71	Saône-et-Loire
72	Sarthe
73	Savoie
74	Savoie (Haute)
75	Paris
76	Seine-Maritime
77	Seine-et-Marne
78	Yvelines
79	Sèvres (Deux)
80	Somme
81	Tarn
82	Tarn-et-Garonne
83	Var
84	Vaucluse
85	Vendée
86	Vienne
87	Vienne (Haute)
88	Vosges
89	Yonne
90	Belfort (Territoire de)
91	Essonne
92	Hauts-de-Seine
93	Seine-Saint-Denis
94	Val-de-Marne
95	Val-d'Oise





### Definition

Various agencies have attempted to provide short definitions of a hypermarket. None of these definitions, often because of brevity, is wholly successful. The following is an attempt to distill the essence of hypermarket retailing in terms of its operational characteristics. Whilst not all the following characteristics are present in all hypermarkets the mix of features commonly present include:-

1. A retail establishment usually operated by a horizontally integrated chain organisation (corporate, co-operative or contractual).
2. A sales area of at least 2,500 m<sup>2</sup>. In the U.K. stores with a sales area of 2,500 m<sup>2</sup> - 5,000 m<sup>2</sup> are often called superstores with the term hypermarket limited to units over 5,000 m<sup>2</sup> sales area. In addition to the sales area there is a substantial non-sales area given over to storage.
3. The merchandise mix usually results in at least 35 per cent of sales area in non-food goods.
4. The product range usually involves a wide assortment and shallow range of goods with relatively few brands of any one product.
5. The merchandising policy is one of mass, scrambled merchandising with low margins and high sales volumes.
6. The store sales technique is one of complete customer self-service with the customer checking out all purchases at a single front-end station.
7. Stores generally have extended opening hours in the evenings and at weekends.
8. Associated operations integral to the main retail store, typically are cafeteria, petrol sales, tyre bay and garden centre with, in some cases, other associated operations such as timber sales.
9. The level of automation in store operation is high with frequently scanning systems and heavy use of pallets including manufacturer packed caged pallets.
10. The supply channels for the store involve a high proportion of goods obtained, in large lots, directly from the manufacturer.
11. Associated car parking usually on the store site provides space for often over 1,000 cars with parking ratios frequently over 15 places per hundred m<sup>2</sup> sales spaces.
12. Development of the hypermarket site and property is usually initiated by the retail operator.
13. Early schemes favoured locations in out-of-town or edge-of-town positions but more recently hypermarkets have been operated in all types of location including inner cities, within shopping centres and in small towns. The major locational criterion would appear to be a catchment population generally in excess of 30,000 people.
14. Hypermarket design stresses function with stores having few architectural frills and seeking energy conservation.
15. Management structure tends to be decentralized with store management responsible of executive responsibility over the major operational.

## HYPERMARKETS

# Hypermarkets in France

## Has the Loi Royer had any effect?

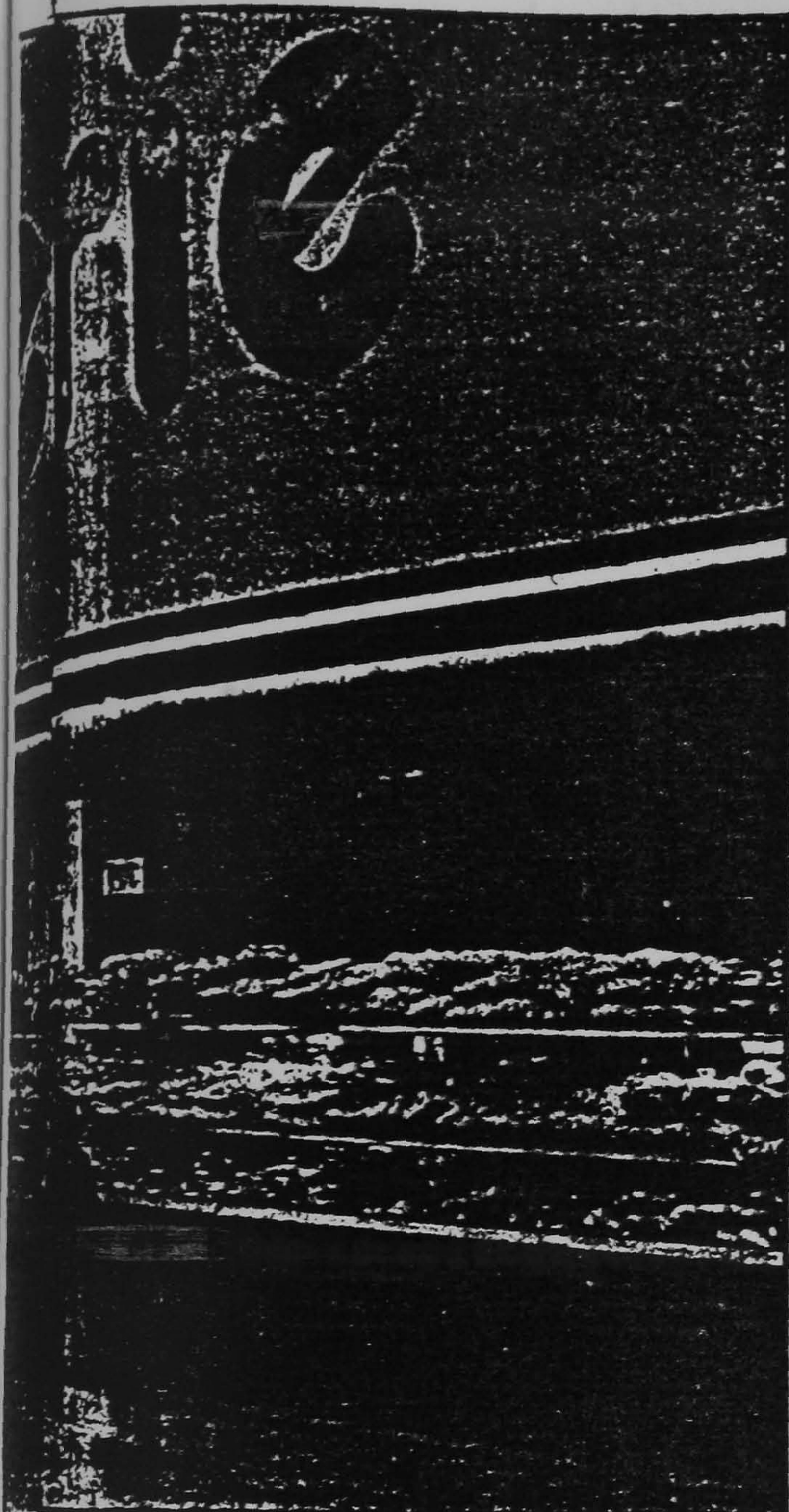


Steve Burt  
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The independent shopkeeper in France has always played a very important role, and historically they have been supported — if only in theory — by government intervention. Hypermarkets began to develop in France in the early 1960s and it was not long before their increasing share of total retail trade began to alarm the smaller operators. In 1973 the Loi Royer, which attempted to restrict hypermarket expansion beyond certain limits, was introduced. Has it had any effect? Or has the slowing down in hypermarkets in France has been due to a number of other causes?

Steve Burt suggests that the law may not have had the restrictive effect that was expected. Any decline in the number of large units opened may be attributable to changing economic conditions and organisational trends.

IN JUNE 1963 the first hypermarket in France was opened at St Genevieve des Bois by the Carrefour company. The arrival of this innovation and the associated techniques of self-service, discounting, and mass scrambled merchandising through large area units, was to have a profound impact on the retail sector in France. French retailing, dominated by small, family-owned businesses operating high margin/high price policies, was suddenly introduced to modern retailing techniques, and the ensuing loss of market share and closure of marginal outlets that this clash of techniques entailed (Messerlin 1982). The threatened small shopkeepers took to the street under the leadership of a militant cafe owner, Gerard Nicoud, and succeeded in provoking the government into providing some form of legislative



Pâtisserie in the Continent hypermarket at Calais

protection against the hypermarket developers in the shape of the Loi Royer of December 1973.

Part of this legislation altered the composition of the advisory Commissions Départementale d'Urbanisme Commercial (CDUC) established in 1969, and gave them far greater powers for controlling retail developments. All planning applications for new retail units with a sales area in excess of 1,500 sq metres (or 1,000 sq metres in communes of less than 40,000 inhabitants), extensions of over 200 sq metres to existing units, and changes to retail use of buildings in these size categories were required to obtain the approval of these new control bodies from May 1974. (Dawson 1976, Fries 1978).

In view of the potentially restrictive powers granted to the revised CDUCs, one would expect to observe a marked

Figure 1 Hypermarket openings

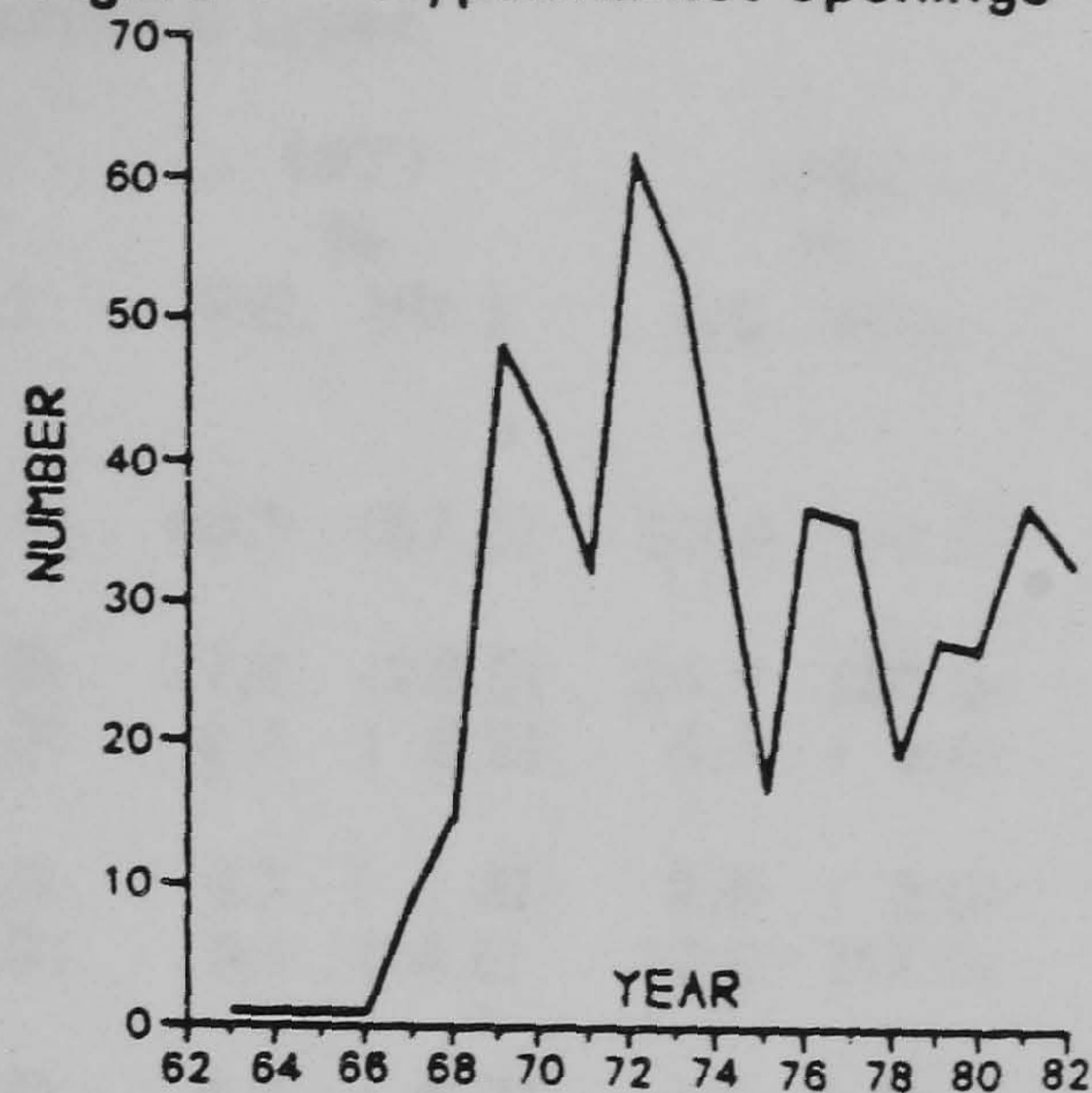
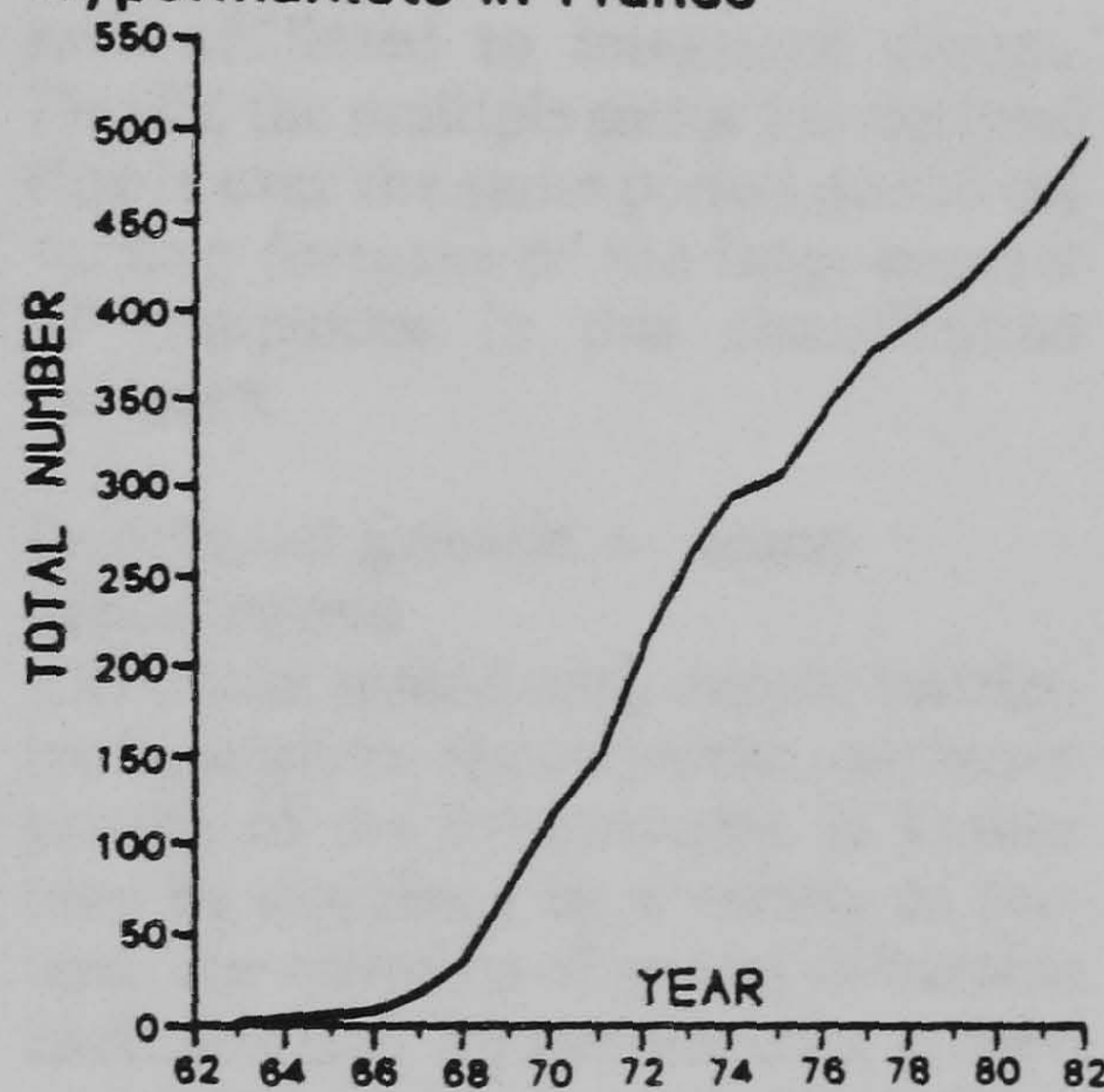


Figure 2 Total number of Hypermarkets in France



slowing down in hypermarket growth in France since the law was introduced. However, detailed analysis of the number, ownership, and other characteristics of hypermarkets in France — based on annual listings published by *L S A*, *Points de Vente*, and company reports — suggests that the Royer legislation may not have had as great an impact on the hypermarket sector as initially expected.

#### Trends in development

The number of hypermarkets opened each year shows a drop in units opened in 1974 and 1975, the years immediately following the legislation, from a peak of 62 units in 1972. Subsequently the number of new units has fluctuated around a figure of about 30 units per year. Initial reaction to this decline may suggest that this trend is primarily due

to the Loi Royer. However, general economic trends — affecting company investment and expansion — should not be ignored. The decline in 1971 (see figure 1) cannot be attributed to the legislation, and owing to the construction delay between planning a new unit and opening it, the sharp drop of 1974 and 1975 may be more plausibly explained by economic factors relating to the oil crisis of 1973, as the first units to pass through the CDUCs would be unlikely to open before 1976. Despite the Loi Royer, there has in fact been steady hypermarket growth, which has shown little sign of tailing off — as figure 2 illustrates — with only a slight change in the growth gradient since 1975.

Although there has been a decline in the average size of the new units opening, from around 5,500-6,000 sq metres of sales area in 1972, to 4,000-4,500 sq metres in 1982, this trend was evident before 1975, so the effect of the legislation on store size may be merely to reinforce general trends already underway. Once again, the trend in size may be explained by other factors, as economic trends and competition for sites will have increased the costs of land and construction, encouraging a move towards smaller stores. This trend was reinforced as the larger agglomerations and markets developed, forcing companies into smaller towns and middle markets whose reduced catchment populations justify smaller units. This drift towards smaller stores is reflected in the growing proportion of new units opening which are between 2,500 and 4,999 sq metres in size. In 1972, 38.7% of new units fell into this size category, rising to 59.5% in 1976, and 75.8% in 1982.

#### Ownership trends

For categorisation purposes five different organisational types are commonly distinguished in the French retail sector. The Grandes Surfaces organisations (eg Carrefour, Euromarché, Auchan) who trade primarily through hypermarkets and operate few other types of outlet; the department/variety store chains (Au Printemps, Galeries Lafayette) who have moved into the hypermarket sector as the department

# HYPERMARKETS

Table 1: Proportion of total hypermarket floorspace and total number of units controlled by different organisational types.

ORGANISATIONAL TYPE	1972		1977		1982	
	F/S	(No.)	F/S	(No.)	F/S	(No.)
Grandes Surfaces Organisations	36.9	(26.5)	49.1	(37.3)	52.6	(41.0)
Branch Multiple Organisations	31.3	(32.8)	27.8	(28.9)	24.8	(25.9)
Co-operative Societies	3.7	( 6.3)	6.5	( 8.9)	6.7	( 8.8)
Department/Variety Store Chains	11.2	(10.8)	3.1	( 2.9)	2.8	( 3.0)
Affiliated Independents	5.9	( 9.3)	9.1	(14.5)	10.9	(17.7)
Unaffiliated Indep. and others	10.9	(14.2)	4.4	( 6.7)	2.1	( 3.4)

and variety stores have lost market penetration; the branch multiples (Radar, Comptoirs Modernes, and the companies associated with the Paridoc buying group and trading under the Mammouth banner) who operate a much wider spectrum of store types; as do the Co-operative Societies and the Independents. The share and influence of these five organisation types in the hypermarket sector has varied over time, as table 1 shows.

The Grandes Surface organisations — the group which the legislation was intended to restrict — have continued to increase their share of both numbers and floorspace. The Co-operative societies, and affiliated independents — those belonging to groups like Leclerc, Codex and Intermarche — have also increased their share of the sector.

These gains have been at the expense of the department/variety store groups who have seen their share decline rapidly owing to the financial problems faced by these organisations in general, and the tendency to operate in the hypermarket sector indirectly. Typical in this respect is Au Printemps, who sold their hypermarkets to Euromarché in 1976, in return for a 24.3% shareholding in that company. The decline of the unaffiliated independent sector is associated with the growth of the affiliated sector. The growth of the latter sector may only reflect a growth in affiliations, as much independents entering the hypermarket sector are

now affiliated to integrated groups. Finally, the multiple sector has declined slowly over the same period due to the varying fortunes of the large number of companies in this classification category.

### Continued growth — some explanations

The initial spread and, despite restrictive legislation, the apparent continued growth of the hypermarket in France may be explained by a variety of factors. The existence of several favourable circumstances for hypermarket growth — related to the characteristics of the population, migration, urban pattern, standard of living, and adoption of new innovations — in France have been well documented elsewhere (Smith 1973 and others), and have undoubtedly contributed to hypermarket growth.

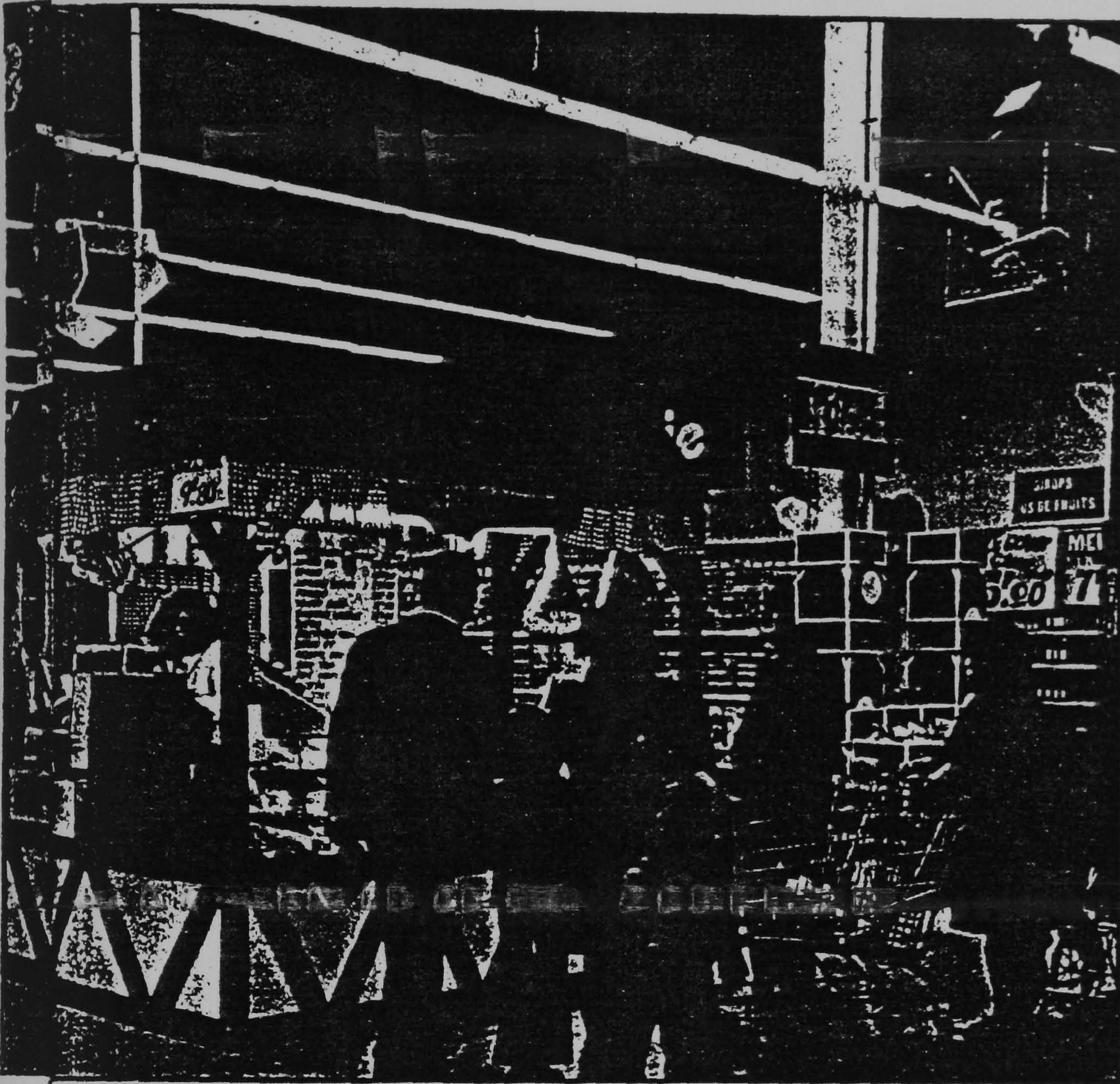
The passive support of the government for the modernisation of the distributive trades prior to 1973, and the late development of self service techniques in France have also aided development. The supermarket only came to France in the late 1960s, and was consequently adopted at the same time or immediately preceding the hypermarket. As a result the hypermarket arrived as part of the more general self service innovation, and did not have to face the resistance of a well established self service sector.

The strongly regionalised nature of the French retail system, with the majority of firms concentrating their



operations in specific areas of the country, has certainly helped the extensive acceptance of the hypermarket. Over half the départements of France have a density of hypermarket floorspace of over 46 sq metres per 1,000 inhabitants in 1982. This widespread high density of floorspace has been generated by the increased influence of the neighbourhood process of spatial diffusion, as companies have expanded by the infilling of middle markets in their own regions, rather than by developing in the national market.

Finally, further reasons for continued growth may be found in the changing expansion policies pursued by retail organisations. The acquisition of either individual units or retail companies, allowing the concentration of resources and continued growth of certain organisations, has become a



*French hypers, like the British, meet the need for personalised service*

common feature of the hypermarket, and indeed the retail, sector since 1976. Docks de France acquired La Ruche Picarde in 1980, and a 50% holding in Cofradel in 1979. Similarly, Cedis took over Economiques Troyens in 1977, and the GEM hypermarkets of the Goulet Turpin group became Euromarche outlets in 1978.

Not all merger and acquisition activity has been successful; for example, Carrefour failed in its attempt to absorb its subsidiary companies and acquire the Cora group's hypermarkets in 1973, and Au Printemps made an unsuccessful bid for Radar in 1979. This trend towards concentration has also been maintained by Carrefour developing many of its hypermarkets since 1972 through subsidiary companies — Sogara, Sogramo, and GSD — controlled on a 50:50 basis with regional multiples such as Guyenne et

Gascogne, Comptoirs Modernes and l'Allobroge.

The Grandes Surfaces organisations have been the major beneficiaries of these takeovers, whilst unaffiliated independents appear to have been the major targets. This process of growth through acquisition has allowed companies to develop and expand whilst avoiding the CDUCs. There has been a slowing down in the number of takeovers in the last few years, which may be attributed to the general financial climate, and the fact that the most susceptible units and companies have now changed hands.

Organisations have also continued to expand floorspace by the extension of existing units. There has been an increasing proportion of new units opened each year accounted for by stores which have been enlarged from supermarkets — reflecting in part the

entry of affiliated independents into the hypermarket sector. Similarly, extensions to existing units since 1968 had added over 32,000 sq metres of sales area. Allowing for the 115,000 sq metres lost in rationalisation programmes carried out on hypermarkets, a net gain of over 200,000 sq metres has been made to existing hypermarket floorspace. The vast majority of this additional floorspace (85%) has been added since 1974. The multiple organisations in particular have concentrated on the rationalisation and development of existing units, a policy which may reflect the approach of site saturation in their regional markets.

#### Conclusion

Analysis of hypermarket development in France suggests that the Loi Royer may not have had the restrictive effect on growth that was expected. The share of retail sales taken by hypermarkets has continued to rise to around 12% (compared with 6% in 1972) as the total number and total floorspace has continued to grow. Any noted decline in the number of units and average size of units opening each year may be equally explained in terms of changing economic conditions, the regional nature of the retail trade in France, and organisational trends. Similarly, the use of different methods of expansion such as acquisitions and extension of existing floorspace has helped to maintain growth — particularly of the Grandes Surfaces organisations, the very group which the legislation was intended to restrict ■

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