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THE FOODSTUFFS PHENOMENON

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Contemporary studies of the retail grocery industry in the United States and Great Britain suggest that the salient features of an apparent trend towards the internationalisation of retailing - a growing convergence of consumer tastes and markets, a rapid increase in cross-border trading, an intensification of competition and a growing concentration of retail capital - have been particularly evident in this growing and significant sub-set of the retail sector (Ducatel and Blomley, 1990; Fine and Leopold, 1993; Akehurst and Alexander, 1995; Burns and Rayman, 1995; Davies and Flemmer, 1995; Sparks, 1995).

The consequence, over the past two decades, has been a significant decline in the numbers of owner-operated stores and independent banner groups and a corresponding growth in the number of corporately owned supermarket chains. Over the same period the corporate share of the market has grown, on average, from around 50% to between 75% and 80% (Akehurst, 1983; Senker, 1988; Lewis and Thomas, 1990; Fine and Leopold, 1993; Walsh, 1993; Knox and Thompson, 1994), while that of the independents has correspondingly decreased.

The process has not been uniform. There is ample evidence to suggest that not all retail environments are identical and that the rate and pace of development have frequently been determined by local conditions (Dodwell, 1988; Burns and Rayman, 1995; Sparks, 1995). Despite this, the literature manifests a strong strain of functional determinism; an implicit but consistent assumption that patterns of development found in the large and advanced markets of Europe and North America will inevitably be replicated elsewhere.

This paper questions this assumption, arguing that there is no such thing as 'normal capitalism' (Sayer and Walker, 1992:222) and, while broadly similar patterns may be discerned in the world-wide evolution of the supermarket industry, these should not be regarded as predictive and 'normative' for all situations. Taking as its starting point the notion that local conditions may lead instead to quite specific institutional manifestations of retail restructuring (Ducatel and Blomley, 1990:225), the paper explores the contrary experience of the emerging 'trans-Tasman supermarket' (Le Heron and Pawson, 1996:48); where, despite intense competition from Australian corporates, the dominant actor in New Zealand's retail grocery market remains the theoretically 'at risk', independent, locally-owned and co-operatively structured Foodstuffs group of companies.

The trans-Tasman Supermarket

The term, 'trans-Tasman supermarket', encapsulates those notions of a universal model of retail development that have emerged from the northern hemisphere and, in terms of ownership, Australian penetration of New Zealand's formerly closed retail grocery market has certainly been extensive. Two of New Zealand's three major supermarket groups are now subsidiaries of Australia's largest national grocery chains. Here, however, the similarity ends. Whereas Australia's larger and more diverse grocery market has tended to replicate the northern hemisphere experience, the distinctive feature of the industry in New Zealand is the extent to which it has defied those trends.

Within Australia, the trend to corporate monopoly has not been uniform: distance, population distribution and inter-state inconsistencies in regulatory legislation all having an influence on the activities of the various supermarket operators. Percentage shares of the national grocery market vary from state to state. The eastern states of New South Wales, Victoria and Queensland are dominated by the country's three major corporates, Coles, Woolworths and Franklins (*Retail World*, 1996c:10), with Foodland Associated (FAL) leading its rivals in its home state of West Australia. Independent groups - a term that incorporates independent chains, local banners and franchises - only-feature as market

leaders in South Australia and Tasmania, through Independent Holdings Ltd (IHL) and Statewide respectively (*Retail World*, 1993c:18). Despite these regional variations the overall market share held by the major corporate chains currently stands at around 77%, while that of the independents remains comparatively static at around 23% (*The Australian*, 1995:35).

A distinctly different situation prevails within the smaller, more homogeneous and centrally legislated New Zealand market, where control of the industry is effectively in the hands of three groups. Two of these - Progressive Enterprises and Woolworths (New Zealand) - are Australian-owned. Progressive, a subsidiary of the Western Australian chain, Foodland Associated (FAL), operates some eighty-three stores under the Countdown, Foodtown, 3Guys, Supervalu and Fresh Choice banners (Figure 1). Woolworths, a subsidiary of the Australian Franklins chain - itself a subsidiary of the Hong Kong based, international food conglomerate Dairy Farm International (DFI) - operates the Big Fresh, Woolworths and Price Chopper chains (Figure 2). Foodstuffs (Figure 3), the only independent, operates the Pak'N Save, New World, Four Square, Four Square Discount, Write Price and On the Spot Service stores.

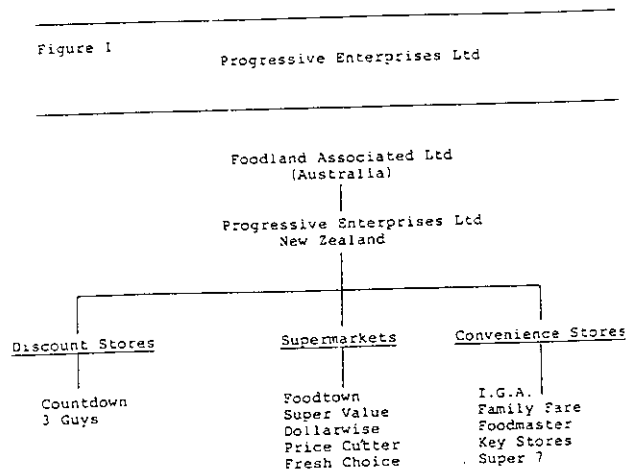


Figure 2

Dairy Farm International

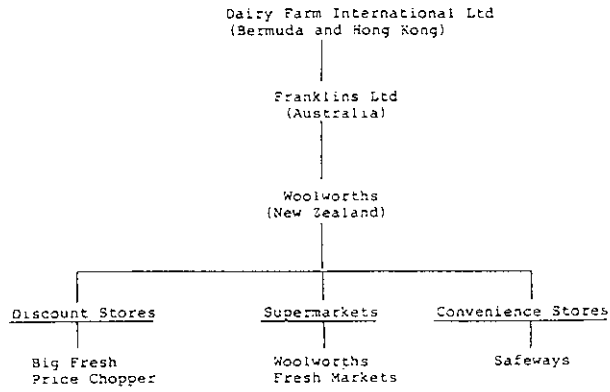
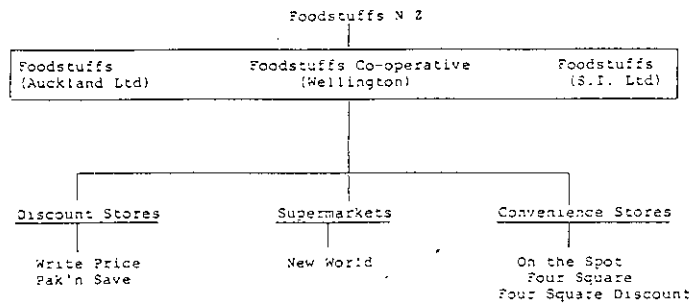


Figure 3

Foodstuffs



This tri-partite competition spans the major retailing segments of the grocery market. Foodstuffs' Pak'N Save, Progressive's Countdown, Write Price and 3Guys and Woolworths' Price Chopper stores cater for the discount market. New World, Foodtown, Supervalu, Fresh Choice and Big Fresh provide quality and full-service supermarket facilities. In the convenience market, where the redevelopment of service stations as 'one-stop' convenience shops has decimated the ranks of traditional corner stores, Foodstuffs maintains a lone presence through its Four Square and On the Spot Service banners.

The share of New Zealand's NZ\$4.6 billion annual supermarket trade (*National Business Review*, 1993:59) held by each of these competing groups is a matter of contentious debate. Measured as a share of wholesale grocery purchases, Foodstuffs claims to hold between 53% and 54% of the market, assessing the shares held by Progressive and Woolworths at 30% and 16% respectively (Foodstuffs New Zealand, 1997). These figures are hotly disputed by both Progressive and Woolworths who argue that the Foodstuffs' assessment, in excluding fresh produce or directly imported items, is an unreliable indicator of actual retail sales. Their assessment, supported by independent studies, such as the Nielsen survey, places Foodstuffs a share at the rather lower figure of 48% with themselves at 32% and 20% respectively (Pringle, 1996:76; Foodstuffs New Zealand, 1997). What emerges very clearly is that, however measured, when compared to its counterparts across the Tasman, the independent Foodstuffs group maintains a firm hold on a majority share of the market.

According to Foodstuffs, its format of decentralised structures working within an overall business plan - based on 'careful site selection and owner-operated stores' (Foodstuffs (South Island) Ltd, 1994) has been the key feature in its ongoing success in an increasingly competitive environment. Spokespersons for Foodstuffs claim that the motivation and autonomy of its owner-operators affords a degree of adaptability to local needs, not normally found in 'managed' stores. Similarly, the continuance of regional identities adds a powerful local measure of customer identification; reinforcing Foodstuffs' carefully cultivated image as the only grocery organisation totally New Zealand owned and operated (Foodstuffs New Zealand, 1997).

The symbiotic relationship derived from this unique interaction of retailer and wholesaler has not been duplicated inside the Australian industry, where the functional distinction between wholesaler and retailer continues to be reflected in an organisational separation. From time to time attempts have been made to unite the disparate elements of the independent sector, as a means of countering the dominance of the national chains (*Retail World*, 1993a:26; *Retail World*, 1993b:5; *Retail World*, 1996d:3; *Retail World*, 1996e:7; *Retail World*, 1996f:6; *Retail World*, 1996g:15). In the battle for market share not only independent retailers but corporate chains have also sought to gain a competitive advantage by establishing exclusive ties to wholesalers - either by take-over (*Retail World*, 1996b:9) or by shifting allegiance from one supplier to another (*Retail World*, 1993c:18; *Retail World*, 1996a:3). Such activity has begun to bring about a blurring of the lines of organisational separation. There are few indications that it has so far removed the functional distinction between wholesaler and retailer in quite the same way that has been achieved by Foodstuffs.

Foodstuffs: the Organisation

Established in 1925 by a group of South Island grocery-store owners as a local co-operative buying association, the Foodstuffs group has subsequently evolved into a major supermarket organisation, involved in all segments of the grocery industry throughout New Zealand. As at May 1997 the group's retail outlets comprised 120 New World supermarkets, twenty-eight Pak'N Save retail food warehouses, 369 Four Square and Four Square Discount stores, 207 On the Spot Service stores and sixty-three non-banner stores (Foodstuffs New Zealand, 1997).

Usually considered as a single entity, the Foodstuffs group actually comprises three regionally separate, autonomous, retailer-owned co-operatives, each registered as a private company. Foodstuffs (Auckland) Ltd, the largest of the three, covers the northern part of the North Island. Foodstuffs (Wellington) Co-operative Society Ltd covers the lower half of the North Island and Foodstuffs (South Island) Ltd covers the whole of the South Island. The co-ordination of national policy and national activities as well as collective representation at industry level, to

Government and to the public, is carried out by a central organisation. Foodstuffs (New Zealand) Ltd, jointly owned by the three regional groups.

The role of the regional groups is to provide suitable sites and buildings for their individual owner/operators, supply them from their own warehouses and provide advertising and promotions. An extensive range of financial and support services is available to member stores, ranging from strategic site planning and acquisition to in-store staff training. Business advice and accounting services are also available to members, as is the provision of finance, either by way of direct advance or by financial guarantees (Foodstuffs South Island Ltd, 1997).

In addition to acting as principal wholesaler to their member stores. Foodstuffs regional groups operate 'cash and carry' wholesale services. These supply dairies, service stations, delicatessens, hotels and catering establishments as well as commercial and institutional customers. Although many of Foodstuffs' extensive range of 'own label' products, sold under the 'Pams' and 'Budget' labels, are manufactured under contract, the group also owns a number of small manufacturing businesses.

The financial returns on these operations are substantial. In the financial year ended February 1997 Foodstuffs nationally had a wholesale turnover estimated at some NZ\$3.3 billion (Foodstuffs South Island Ltd, 1997:32). During the same period the collective turnover of affiliated stores was estimated at over NZ\$5 billion, inclusive of Goods and Services Tax (Foodstuffs New Zealand, 1997).

The closest parallel to the Foodstuffs system is found in the activities of the traditional Japanese wholesaler, whose function frequently goes beyond that of supplier to encompass those of financier, consultant and developer (Dodwell, 1988:30). The crucial differences between Foodstuffs and its Japanese counterparts lie in the areas of ownership and profit distribution. Although the relationship between Japanese wholesalers and their customers involves some sharing of business risks, the wholesaler is invariably a corporate entity, with a distinct and separate existence from its clients.

In the case of Foodstuffs, the relationship is one of interdependency. Foodstuffs is not a franchise operation, nor is it structurally disconnected from its affiliated members. The operators of the 1070 or so retail stores in the three Foodstuffs groups are also the shareholders and their representatives make up the groups' boards of directors. As shareholders they participate in the organisation's profits by way of annual rebates, a portion of which is normally paid in the form of 5 year redeemable preference shares. In addition to these direct payments Foodstuffs also subsidises its members by offering them the opportunity to purchase many of its lines at netted down rates; thus enabling them to retail at competitive prices without having to outlay scarce capital in bulk purchases.

In the Foodstuffs group, a synergetic and co-operative relationship between the functions of wholesaler and retailer has been successfully reconstructed into a distinct institutional form of retail organisation. In that it has enabled the organisation to balance the private interests of its members with the institutional goals forced on it by an increasingly competitive industry, this hybrid form of corporatisation has so far proved remarkably successful - within its domestic context.

Foodstuffs: the Formative Influences

Co-operative movements, both of consumers and of retailers are not unusual in the retail grocery industry. The purpose of the former - for example the Co-operative Wholesale Society in the United Kingdom - was the provision of retail goods to their members at reasonable prices. The aim of the latter was to assist small, independent operators to maintain market share through economies of scale in purchasing and marketing by combining under a 'symbol' or 'banner'. However, these 'symbol groups' - Spar International for example - were largely a product of northern hemisphere conditions, emerging during the 1950s as a protective response to the growing power of the large retail grocery chains.

In New Zealand's earlier, small, colonial economy, co-operative action became the mechanism through which small-scale export industries

sought to overcome the combined disadvantages of a small population and limited resources. Thus the notion of co-operation in trading has always featured strongly in the industry in New Zealand. In the same way that individual primary producers combined to market their goods through co-operative organisations such as the Meat, Wool and Dairy Boards, so too did a small, indigenous retail grocery industry find its 'countervailing power' (Galbraith, 1956) to the domination of national and international food manufacturers in co-operative buying.

Industry concentration in New Zealand was therefore less an outcome of competitive strategies between retailers, as was the case in the northern hemisphere and Australia, and more the consequence of strategic mergers and alliances between groups of owner/operators, trading under the banner of such regional or national wholesale groups as Foodstuffs, Grocers United Stores (GUS) or the Independent Grocers Association (IGA). Coupled with a small population base and highly regulated business environment this was a form of concentration that promoted cartel rather than competition, acting against the development of the aggressive, corporately-owned, multiple supermarket chains that appeared in the United States and Europe during the 1950s (Senker, 1986:21).

In this environment selective price competition tended to become a key feature of brand differentiation (Akehurst, 1983:164). Given the industry's notoriously low profit margins - normally ranging from 1.5% to 4% (Barner, 1992:11-13; *Supermarketing*, 1992:45) this strategy needed to be offset by a significant increase in sales volume. To attract customers, stores were forced to extend both choice and range of products beyond the traditional dry goods lines, with in-store butchery, bakery and delicatessen becoming standard features of the modern supermarket.

The result was a rapid escalation in establishment and maintenance costs. Ultimately, the cost of setting up and operating a fully equipped and technologically efficient supermarket in a prime location rose to the point where it began to outstrip the financial resources of the individual grocer. By the late 1970s, in addition to carrying out their original functions as centralised buyers, mass advertisers and providers of general support services, New Zealand's wholesale co-operatives were

increasingly called on to provide financial backing for their undercapitalised members.

This level of involvement led inevitably to an extension of the wholesale group's influence and control over the retail outlets operating under their banners. The development of the enclosed shopping mall and the use of supermarkets as 'anchor' tenants added another dimension to the relationship, with wholesale co-operatives becoming increasingly involved in the field of property development. It became standard practice for the wholesale group either to own the premises of its 'banner' stores or to hold the head lease of a rented site. Eventually, while ownership of fixtures, fittings, stock and goodwill and day to day control of individual stores remained with the operator, the overall financial control and direction of the chain itself effectively devolved into the hands of the parent wholesale organisation.

The expanding costs associated with the intensification of competition, the growing size of supermarkets and the increasing use of technology, further increased the dependency of the 'satellite' grocery store on the wholesale group to which it belonged; correspondingly increasing the power and influence of the latter. The effect of this transfer of power was a reversal of the original relationship. Outwardly indistinguishable from a corporate, commercial organisation the wholesale organisation became the central infrastructural component of the industry in New Zealand.

The critical and unique feature of this shift of organisational power was the retention of the co-operative structure of the wholesale organisation. This ensured that, while retailers effectively abrogated some of the operational control of their businesses to their supplier, that supplier was one over which they would continue to exert a significant degree of influence and control.

The Corporate Challenge

Processes of acquisition and integration, both in the northern hemisphere and within Australia, have been predominantly retailer-led. Concentration has thus tended to be vertical, producing corporate monoliths in which once-independent food wholesalers have become

subsumed into the overall operations of major retail food chains such as Sainsburys and Tesco (Cosyns, Loveridge and Child, 1983:29). In contrast, the process in New Zealand has been predominantly wholesaler-led. The outcome has been a horizontal concentration, in which captive 'clusters' of predominantly owner-operated retail outlets centre round a parent wholesaler.

The acquisition of such an established wholesale operation, with its attendant cash flow and base for expansion, was the logical and most attractive option for any newcomer seeking to break into New Zealand's locally-owned and tightly controlled retail grocery market. This was the route followed by the investment and liquor interests who entered that market in the expansionary climate of the mid-1980s. By 1993, corporate strategies had shifted from diversification to the promotion of core business and these interests had moved on. But, brief though it was, their involvement was transformational. Not only were they responsible for the appearance of a new and aggressive element of competition in an industry that had previously operated as a close-knit cartel of parallel organisations. They were also responsible for the industry's present tripartite configuration, with the non-Foodstuffs retail and wholesale groups swept up into one or the other of the new, corporate chains.

A full and detailed analysis of the random and acquisitive activities of these corporate raiders is superfluous to this discussion. However, a brief outline of the process of concentration as it affected Woolworths N.Z. and Progressive Enterprises is necessary, if only to illustrate the inherent advantage of the Foodstuffs structure over organisations established primarily for short-term profit-taking rather than as part of a long-term strategic plan.

Both groups owe their existence to the expansionary activity of investment and trading groups, seeking to extend their activities into the high cash-flow retail grocery industry. Woolworths (N.Z.), originally one of New Zealand's two 'five and dime' retail stores was purchased by L.D. Nathan - later to join with Lion Breweries to become Lion Nathan Breweries - during the 1970s. Realigned from department store to neighbourhood supermarket, Woolworths provided Nathans with a network of outlets that complemented their existing North island based

discount chain, Price Chopper, and allowed them to extend their grocery interests nation-wide.

From the early 1980s the Woolworths group, previously characterised by a low key and conservative approach, assumed an increasingly aggressive and competitive approach. Updating its suburban supermarkets it went on to introduce the innovative, 'quality oriented' and highly successful Big Fresh chain. In early 1990 however, following Lion Nathan Breweries' decision to withdraw from the grocery field, the whole Woolworths (N.Z.) operation - at that time comprising fifty-two Woolworths supermarkets, four Big Fresh stores and five Price Chopper stores - was sold to DFI's Australian subsidiary, Franklins.

The FAL subsidiary, Progressive Enterprises, is similarly a product of merger and restructuring. The original Progressive Enterprises, a subsidiary of trans-Tasman investment company Brierley Investments Ltd (BIL), was a North Island based grocery wholesale group whose main retail outlets included the 3Guys discount chain and the up-market Foodtown supermarkets. In 1987 Progressive was acquired by another Brierley subsidiary, the food and drink conglomerate Magnum Corporation, whose main grocery interests in New Zealand, dating from the 1986 purchase of the grocery interests of Rothman New Zealand, were the South Island based grocery wholesaler, J.B. Rattray Ltd., and the newly created discount supermarket chain, Countdown Foodmarkets.

A year later, in 1988, Magnum disposed of the Progressive businesses to Australian retailer Coles Myer, using the freed-up cash to finance the expansion of the Countdown chain into the North Island. In February 1991 Magnum, now under the control of Asia Pacific Breweries (APB) - a consortium comprising BIL, Singapore based Fraser and Neave and the international brewers Heineken - purchased the North Island based Associated Wholesalers Ltd, together with its ring of convenience stores trading under the Foodmaster and Family Fare banners. This was followed three months later by the purchase of the Super Value chain from South Island based GUS Wholesaling.

Once again, however, diversification was to lead to over-extension and a return to core business activity. At the end of 1991, like Lion Nathan, Magnum Corporation also withdrew from the grocery field (The Press,

1991:24). A bid for the Countdown chain was made by the Foodstuffs group but the purchase was blocked by the New Zealand Commerce Commission, concerned that the deal would give Foodstuffs a virtual industry monopoly. This decision was subsequently overturned by the High Court, on appeal, but by that time - mid-1992 - Magnum had sold to a late buyer, FAL. Twelve months later FAL purchased the Progressive grocery interests from Coles Myer, reuniting both operations under the Progressive umbrella (*The Press*, 1993:26).

The lack of consistency in their respective corporate histories has had a major effect on the capacity of the Australian-owned groups to compete with the indigenous Foodstuffs operation. Both groups suffer from similar handicaps. The most significant of these are limitations in national coverage, regional over-concentration, duplication of store types (c.f. Progressive's Countdown and Foodtown stores in the Auckland region) and a significant number of outlets requiring costly 're-alignment' to meet current market needs.

Sources of Comparative Advantage

It is a truism that concentration tends to create a market structure in which firms increasingly impact on each other (Pfeffer, 1982:199). This has been the experience of the New Zealand grocery market, where the competitive strategies of the major groups have become increasingly alike. Niche marketing and low price strategies have consequently been superseded by a strategy that offers customers a combination of competitive prices, conveniently located sites and longer opening hours. It is important to note that the last feature has assumed a new significance under New Zealand's present liberal trading hours legislation, in which seven day trading and 9 p.m. closing have become the norm throughout the industry.

Regular surveys carried out by New Zealand's *Consumer* magazine in the leading provincial centres (1996:6-7) show that no one group has a monopoly on competitive pricing.

However, these same surveys also provide a clue as to the sources of the comparative advantage that the Foodstuffs group appears to have over its

competitors. While different banner stores offer the best prices in different centres - Woolworths, for example, is the most competitive neighbourhood supermarket in Invercargill while New World is cheaper in Dunedin - Foodstuffs stores consistently feature among the most competitive. More significantly, not all groups are represented in all the centres surveyed. This suggests that Foodstuffs enjoys an advantage in two key facets of its operations; namely, national coverage and cost containment.

Foodstuffs possesses something which neither of its two main rivals can lay claim to; a fully national network of retail outlets, the majority sited in established shopping areas and specific to the needs of their particular market. Of its rivals, Progressive in particular has suffered significantly from the instability brought about by its succession of ownership changes. The group has lacked a consistent corporate philosophy and the frequent replacement of senior management personnel associated with these changes has given rise to a number of contradictory policy decisions. Progressive's inherent problem of limited geographical coverage has been further compounded by managerial vacillation in deciding on the role of the under-performing Foodtown and 3Guys stores. The former have been re-positioned three times, first from neighbourhood supermarket to cut price store and currently to quality outlet. The latter, which at one stage were about to be phased out, now appear likely to be re-aligned to Countdown format.

The Woolworths group has been more consistent in its policies, but it too suffers from inadequate coverage of its potential markets. More recently it has experienced something of a setback to the profitability of its 'Woolworths' neighbourhood stores, which have not been competing effectively with New World, either in quality or in price. The less-well performing of these outlets are therefore being restructured from managed stores into owner-operated Price Chopper discount stores.

The major dilemma for the Woolworths group lies with its flagship Big Fresh stores, whose genuine reputation for quality has been offset by a public perception of higher prices. To counter this, a 'Franklins at Big Fresh' section has been introduced into all Big Fresh stores. According to Woolworths, this 'store within a store' concept met with considerable initial success. However, industry sources now suggest that the plan has

backfired, with the Big Fresh banner now becoming associated in the public mind with Franklins' low cost, 'pack 'em high and sell 'em cheap' style of operation.

Despite the increasing use of technology the retail grocery industry is still extremely labour intensive. Hence, a key factor in balancing the provision of service against the need to maintain profitability is the ability to contain labour costs. In an industry in which unionism has traditionally relied for its existence on the institutional framework of New Zealand's arbitration system, rather than on the collective ethos of the workforce, Foodstuffs' decentralised structure has given the group a significant edge over its competitors.

Despite the 'compulsory membership' provision of the former national award, Foodstuffs stores have historically been identified with lower levels of union membership and participation than either Progressive or Woolworths. The reason is not hard to find. Whereas collective bargaining fitted neatly into the corporate culture of the centrally controlled Progressive and Woolworths groups, it has always been in conflict with the individualistic ethos of personally involved and financially committed owner-operators. These have invariably sought - as far as legislation would permit - to run 'their' businesses as they saw fit. The Foodstuffs organisation, for its part, has consistently maintained that its co-operative arrangements did not include jurisdiction over the employment arrangements of its individual owner-operators. These two factors have been instrumental in frustrating the development of a strong union culture within Foodstuffs stores.

The constraints against multi-employer contracts contained in New Zealand's Employment Contracts Act (1990) have been used by industry employers generally to weaken the bargaining strength of unions and to enhance internal labour market flexibility. Foodstuffs operators, in particular, have used them to institutionalise their own discretionary power; to ensure that employment conditions once collectively negotiable now become the subject of individual arrangements. In this way, while the more strongly unionised Progressive and Woolworths groups still have a union presence and union-negotiated contracts, the majority of Foodstuffs stores have been effectively de-unionised. Employees on those sites have become increasingly reliant on non-

negotiated individual contracts which have largely abandoned most of the penalty rate and minimum hour provisions set by the former industry award (National Distribution Union, 1994).

Conclusion

The confident forecast by a former managing director of Magnum Corporation, that the limited financial resources of the co-operatively owned Foodstuffs group would be unable to match the combined strength of the wealthier corporate chains (*NBR Weekly Magazine*, 1991:17) has so far proved to be wrong. The Foodstuffs style of co-operative ownership - which ensures significant levels of control remaining in the hands of its members - has not only proved capable of surviving, but also of out-performing those of its corporate rivals.

On the one hand it has ensured that Foodstuffs has been able to carry out its stated aim of operating for 'the benefit of independent grocers in New Zealand' (Foodstuffs South Island Ltd, 1994:28). On the other it has done so through a fully co-ordinated approach to organising and marketing. As a co-operative, the Foodstuffs group of companies is also able to operate in the private domain, where the regional companies are less exposed to market speculation and take-over bids than their competitors and their financial situation, growth rates and strategies are less publicly explored, exposed or evaluated (*Retail Today*, 1996:3).

As an organisational type, Foodstuffs is unique within the trans-Tasman supermarket industry. Its distinctive and durable structure is the product of a combination of historically specific, economic and social conditions that were unique to New Zealand and not replicated in the Australian market. Its ongoing success in New Zealand's domestic market confirms the view that local conditions are capable of producing different, yet effective and stable institutional manifestations of retail restructuring.

Yet, as the attempted Magnum take-over would suggest, Foodstuffs' evolution into a hybrid form of corporate appears to have kindled a new, expansionary ethos among its directors and senior executives. The presence of these potentially contradictory forces suggests that Foodstuffs might well face a more problematic future. It has been argued

that retailers who fail to make the transition from domestic to international operator face a 'bleak future of marginalisation' (Akehurst and Alexander, 1995:1). If this view of the future is correct, and current trends suggest it might be, the two options for Foodstuffs would be marginalisation - to remain a successful co-operative within New Zealand - or expansion into the larger and corporately-dominated Australian market.

These choices highlight the inherent tension between the respective logics of its private and corporate natures. In its native environment Foodstuffs is the product of the former; a unique, synergic wholesale/retail network centred on its retailer members. Paradoxically the success of this format has also reinforced the corporate side of its activities. Should the corporate logic prevail and Foodstuffs ventures into the Australian market, interest will undoubtedly focus on seeing whether its present, locally determined network arrangements can be successfully replicated or whether it will - or, indeed, can - re-adapt into a fresh institutional form more suited to Australia's qualitatively different retail environment.

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