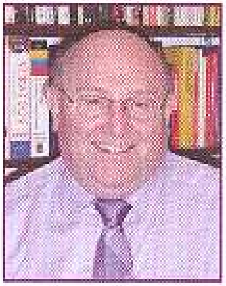
Professor Leigh Sparks

University of Stirling



The Scottish Marketplace – Scottish, British or Global?

Scotland in consumer and in retail terms is not simply a northern extension of England. Whilst the differences can sometimes be exaggerated, there is much that is distinctive about Scotland. These differences have considerable effects on the retail structure and operations. They are overlain by separate legal and operational practices. Among the main considerations in the Scottish marketplace are:

Scottish consumers

Scottish consumers do not necessarily consume the same products as English consumers, nor do they shop with the same patterns of behaviour. Rhythms of life are distinct and holidays, school terms, the seasons and other celebrations occur at particular (and non-English) times. Sunday opening hours are but one small example. There are differences in tastes, reactions to brands and timing of purchases. Additionally, considerable variety exists across Scotland, both in the levels and the types of demands.

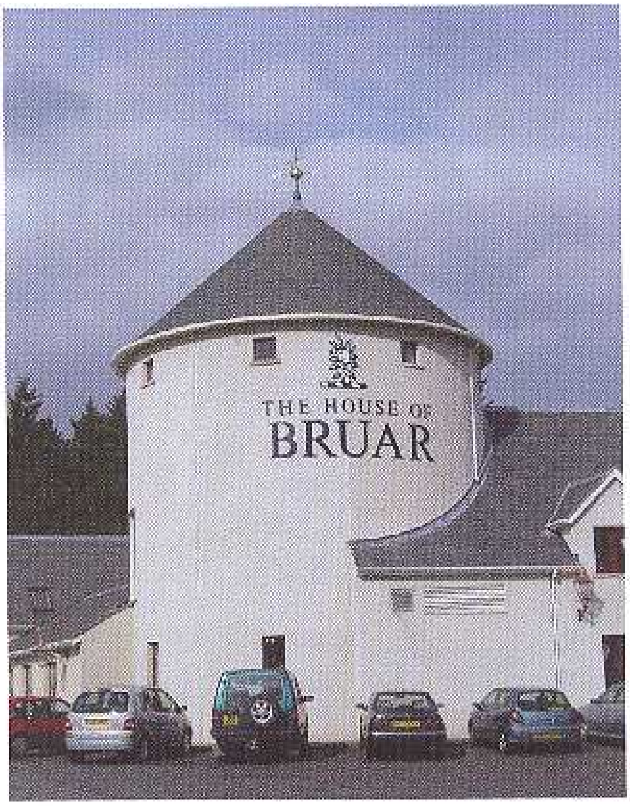
Scottish geography

The spatial structure of Scotland is a mixture of the highly concentrated urban areas and the sparsely populated but extensive rural areas. The large cities of Edinburgh and Glasgow are dominant and the central belt as a whole is estimated to take 65–70 per cent of all retail sales. There are a few other large markets (Aberdeen, Dundee and Inverness stand out), but much of Scotland consists of small, relatively isolated villages and small towns, both on the mainland and the islands. This extreme patterning produces very different demands, from the more traditional, perhaps straightforward, requirements in some rural areas to the urban sophistication of the fashion centres in Glasgow.

Tourism

The tourist market is particularly important. Incoming tourists are focused on specific perceptions of Scotland, its land and its produce. This is articulated particularly in certain places and behaviours (Hogmanay, whisky, Braveheart, Loch Ness, Balamory).

Tourists have a large effect on specific historic locations (Stirling) and some more rural areas (Tobermory). Some Scottish retailers have captured part of the essence of this appeal of Scotland and have successfully targeted tourists in Scotland and a wider audience abroad (Ortak, House of Bruar, Skye Soaps). Festivals of various sorts (music, film and so on) and at particular times (Celtic Connections in January) have become increasingly important to sustaining local retailing. On the other hand, the Scots themselves are increasingly wide travellers, bringing back ideas, demands and perceptions from abroad, and adding to the requirements on local retailing and individual retailers in terms of products, prices and sometimes service.



House of Bruar

The Scottish difference?

The differences in consumers and the structure of Scotland made Scottish retailing distinctive. For a long time it meant that the retail structure of Scotland was unlike that of many parts of England, with a different organisational structure and a different set of companies. Locally based retailers were very important, whether independent or co-operative in organisation, and Scottish chains often represented unfamiliar names to visitors. Incoming retailers sometimes found it hard to understand Scottish consumers and their tastes and behaviours, and difficult to adapt their businesses to the demand structure. Additionally, logistics to and around Scotland represented very different challenges and operated on a high-cost base if not organised carefully.

The distinctiveness of Scottish retailing had been based on this combination of topography and geography and the particularities of the Scottish diet and lifestyle. Penetrating the Scottish market involved either a strategy of targeting the big cities and the central belt in depth, or covering towns across Scotland and its islands, with all the consequent logistical and cost issues. Understanding the Scottish food consumer meant entering a world of strange brands such as Tunnocks and Irn Bru, a diet devoid of fresh vegetables and sometimes fresh fruit, and embracing a desire for anything sticky and fatty. Then there's Scottish beer, the random local and public holidays and the Scottish weather, let alone Rabbie Burns and the mysteries of the haggis.

Whilst this may be seen as overstatement, there is little doubt that Scotland was different, particularly in food. In the non-food retail businesses, the big cities had a powerful pull due to the scale of their markets. Retailers found Scottish consumers open to wider influences in non-food. Fashion businesses in Glasgow and to a lesser extent in Edinburgh were successful entrants to the market. Food retailing was different. Almost 10 years ago, however, Scottish food retailing was transformed by a major takeover battle. Tesco's winning bid for Wm Low gave it significant national (British) presence for the first time and relegated Sainsbury's, then the number one retailer and expanding, to also rans in Scotland. In the wake of this takeover, the sense of Scotland being distinct and different was perhaps eroded. Large-scale food retailing in Scotland has since become dominated by Tesco and ASDA, though Safeway (once the number one food retailer in Scotland and now Morrisons-owned) remains a large third force. Food retailing fascias have become 'British', though product adaptation to Scotland has still been needed.

Morning, noon and night

Below this superstore surface, however, Scotland continued to have some distinctly Scottish businesses. The Co-operative movement has traditionally long been part of the retail and social fabric of Scotland. Lothian and Borders and Scotmid Societies are large and strong competitors. In the convenience store market the growth of Aberness in the north and Morning, Noon and Night in the east added to strong Spar franchises such as Botterills. Small independent chains focusing on local village and small town markets, such as David Sands, add to the variety and the distinct sense of place. Retailing in Scotland at the local level maintained its Scottish roots. But with Somerfield buying Aberness (in 2003) and Morning, Noon and Night selling to Scotmid (in 2004), another shake-up seems to be in process.

Scottish marketplace – David Sands Store

Retailing in Scotland now is a microcosm of retailing more generally. The consumer may be somewhat different and knowledge of these local demands and vagaries are essential in meeting Scottish needs. Yet at the same time elements of the Scottish consumer market are clearly internationally focused and demand the same ranges, products and standards that would be found in London and other major cities outside the UK. Glasgow is, after all, the No. 2 retail city in the UK and fashion is a key element of the retail offer in both Glasgow and Edinburgh. Leading retailers ignore this market at their cost. The effect of this has been to attract many retailers to the major cities in Scotland and to see retailing in Scotland as part of the global retail scene. Investment in centres and stores (Buchanan Galleries, Braehead, Eastgate Centre, Harvey Nichols) has modernised and improved the retail facilities in many cities and towns.

However, despite the incoming tourist traffic and a large variety of festivals attracting visitors, Scotland remains a small market. The large scale population centres are few and far between. Scottish-based retailers operating only in this market have problems in gaining scale and scope economies. Competing against large British (and international) firms is problematic, unless something distinct and different is offered. Knowledge of the local market was one of these distinctive competencies. Predators have realised this and key elements of Scottish retailing have become the target for takeover.

Scotland's distinctiveness, however, is also created in other ways, such as through local produce, design and fashion. Speciality foods and other local items are finding a growing market both in Scotland and wider afield. Design using Scottish crafts or products has both local and international appeal, as with Ortak, Pringle and Burberry. In the fashion market, Scottish-based retailers include USC, Schuh and Internacionale. Elsewhere Fopp and Dobbies have expanded into England. Despite the increasing integration of retailing in Scotland into the wider UK and international markets, there remain, particularly in non-foods, some exciting Scottish retailers.

Scotland needs these Scottish entrepreneurial retailers, but Scottish consumers will not place national loyalty over and above their need for their broader demands to be well served. Good retailing is the key to the Scottish marketplace, irrespective of its ownership or origins.

The future

So, whither Scottish retailing? Scotland is a different land. Its points of difference may in some ways become more pronounced through the Scottish parliament. But its retailing is becoming more British and global. Major retailers, through their abilities to structure demand and through the leverage of scale, are successful in Scotland. Retailers entering the Scottish market clearly believe that they have something to offer the Scottish consumer (and visitors from Scotland). Their retail offer is more capable now of being manipulated to meet particular local circumstances. Advances in technology and in logistics have enabled store-specific merchandising to reflect local variety and demands. Such systems are also more capable of embracing local suppliers and providing the particular local products and brands known to Scottish consumers. Whilst in food retailing, large superstore chains are never going to be seen as totally locally-based, their abilities to reflect the local situation have improved enormously. In non-food, whilst there are Scottish-based chains, the market is international.

At the smaller store level, local managers and local knowledge have been retained in some of the recent takeovers. These managers and businesses provide the reassurance that local demands will be at the forefront of the new business. Without this link, particularly in the smaller towns and villages, there is a danger that operational practices will be too divorced from day-to-day demands. Detailed knowledge of the Scottish local market, whether through technology or people, is vital. There is also a need for entrepreneurial Scottish retailers to develop their businesses. With the small scale of the Scottish market it is important that they are able to attract and capture markets outside Scotland, whether in terms of tourists or through expansion within the UK or internationally.

In the medium term, however, there is a significant problem on Scotland's horizon. If demographic trends continue as they currently are, then Scotland's population is predicted to fall by around 200,000 in the next 15 years and by more than 0.5 million by 2041 (i.e., around 10 per cent). In addition, the population will be older structurally. This is a significant decline and change in the customer base. Tourism alone is unlikely to fill this gap. For retailers in Scotland, knowledge of the demands of the Scottish consumer and an ability to react to them is going to continue to be important. Whilst it could be thought that local businesses will have an advantage in this, any retailer with an ability to tap into the local scene and to respond to demand will have an edge.