Revised May 2009

Muse Eight

Supermarkets. The Enemy.

Supermarkets have increased their share of the Food and Household Goods Market from 30% to 60%; this has been achieved over a relatively short time scale.

In doing so they have decimated the community shopping facilities and become monopolistic in Total.

The loss of local shopping facilities applies particularly to rural village communities where there has been the added erosion of other facilities such as sub-post offices, schools, filling stations, and pubs: a position compounded when nearby small towns may also have lost all banking facilities.

The consequence is hardship for the elderly, young families, and anyone without a vehicle.

Perhaps of more significance is that everyone, without exception, is left without freedom of choice: and in some cases may have to compromise their personal beliefs.

The Free Market is no longer as free as it might be!

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Meanwhile, as a result of their own policies, the Individual Supermarket Companies have subjected themselves to unnecessary pressure.

They are all restrained by the ceiling of the total available home market: to gain the benefit of volume scale they are forced to increase their share of the market by aggressive, combative means: in addition they are subject to most of the other restraints discussed in the muse about Productivity.

For the reasons given in that muse, in relation to the Car Market, some of the Supermarket Companies are foredoomed to elimination or take over.

That this has been the case since Supermarkets became established in this Country is no cause for the Supermarkets to be complacent; to date their share of the Total Market has continued to grow but this cannot continue: the typical transistor type curve applies equally to them; for the last two to three decades they have operated on the steep part of the graph, if, as seems likely, they have now arrived towards the top of that section, they have reached the position of Decreasing Returns - *perhaps even Negative Returns*.

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That this has been recognised, in part at least, is demonstrated by the diversification policies already in place.

That this will further erode the freedom of choice of the Public goes without question: that it is futile to the long term future of some of the Companies is possibly not recognised; if it is recognised they all believe it will be one or more of the others who will succumb.

As the saturation points of the diversified markets are reached the reduction to Two or, at most, Three Chains is inevitable.

When this muse was first written the manoeuvres to take over the Safeways Group was the current example.

Since then it has been taken over by Morrisons and another smaller player in the supermarket is slowly being absorbed by the larger players.

Meanwhile the foreign owned discount supermarkets Aldi and Lidl are making inroads into the market to the discomfort of the biggest four supermarket companies.

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There has been some cooperation between Supermarket Chains and some of the Oil Majors; this has resulted in the development of Convenience Stores at Filling Stations; the obvious move to address the problems of the rural villages has not yet happened.

It is possible the Chain who actively sought to address these problems will steal a march on the others.

One such option was to establish a chain of franchised village shops, purchasing some of those still in existence, and reopening others where no facilities remain.

This they have not done, preferring to take over established corner-shop chains in urban areas; particularly where they are located in the catchment areas of rival supermarkets

If they had been located in their own catchment areas, these shops could have been serviced by their nearest Superstore, acting as a wholesaler.

This could still be done in rural areas.

All the satellite shops would be in computer network with their mother store for the purpose of ordering and pricing; they would also be in a position to offer satellite services where cost effective e.g. sub-post office facilities, a prescription service - where pharmacy facilities exist at the mother store etc.

Delivery to the elderly, disabled, and incapacitated could be incorporated with the deliveries from the mother store to the shops.

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Where no shop exists, orders can be channelled via the Internet, or via Order Terminals suitably situated in the village: this would arise where the village is too small to support a shop.

Surely such a project merits appraisal alongside the invidious opening of more and more stores, particularly set against a scenario of the spate of empty prime sites arising from the amalgamation of rivals.

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A current example in my own area is the apparent determination of Tesco to build a new 24hr Store next to an existing large Cooperative Store in what can only be described as a small town. The access to both stores is via narrow roads including the high street of the town. Deliveries will create added inconvenience and the duplication of services will cause the demise of more than a few of the small independents trading in the town.

It is like combative trading policies, on the global scale, that caused the current credit crunch; based as they are on non holistic and unethical thinking. There is little doubt that Free Market policies will together with individual Freewill meet their nemesis they cannot apply to all; only in the last stages to the unethical and the unscrupulous.

In a more general sense this subject is pursued further in my Books Four and Five.