1998-08-01

the Impact of Change on the Irish Retail Environment

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Recommended Citation

O’Callaghan, E., Wilcox, M.: The Impact of Change on the Irish Retail Environment. Paper presented at the EIRASS conference, Baveno, Italy, August, 1998.

1-1-1998

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Introduction

The turbulence of environmental change is a constant challenge for the modern retailer. It acts as a Jeckyl and Hyde change agent in that it presents opportunities for the entrepreneurial firm or is ever threatening for the reactive enterprise. The law of natural selection which dictates that firms 'adapt to this turbulence or die', is a reality. The firm must work within parameters of ever increasing environmental change and its ability to anticipate this change becomes a prerequisite for survival.

Mathur[1] argues that markets are not a given, that it is firms which dictate the market environment through their generic strategies. Competition therefore shapes the particular business environment. The alternative view, the environmental approach to retail change articulated by Brown 1995[2] suggests that changes in the economic, demographic, social, cultural, legal and technological conditions of the marketplace are reflected in the structure of retailing. The Irish marketplace has seen wholesale change during the past decades. Technological change has advanced at a phenomenal rate, the Irish consumer has changed in terms of demography, sophistication and lifestyle, and the economic environment has changed beyond recognition. All of these factors have been instrumental in changing the dynamic of the Irish retail sector as a whole. As the new millennium beckons, it seems an appropriate time to reflect on these changes, suggest their effect on the Irish retail sector, and anticipate some future changes.

Drivers of change within the Irish retail environment

The Economy

Retail growth is heavily influenced by changes in economic fortune, and the recent success of the Irish economy has been a catalyst for retail expansion. This is in stark contrast to years of relative decline. That the Irish economy has undergone seismic changes would be an understatement. Recession, high inflation, high interest rates, high unemployment and national debt spiralling out of control characterised much of the previous decades. In the 1970s and 80s high inflation masked inefficiencies within retail operations, creating the illusion of growth. When inflation was brought under control in the mid 1980s, the Irish economy was still in recession and the day of judgement came for many retailers; the toll of casualties was very high. The 1987 budget was the first of a succession of 'hairshirt' budgets introduced to halt the twin malaises of crippling foreign debt and rising unemployment. This resulted in depressed consumer spending, with negative knock-on effects on the retail sector. Unemployment peaked at 320,000 or 21% of the workforce. These economic realities meant that indigenous retailers, many of whom lacked the critical mass of their larger competitors, struggled to survive. Indeed, several large foreign retailers eg. Tesco, Bhs and MFI who ventured into Ireland during this period were forced to withdraw from the marketplace. It was not until the early 1990s that the Irish economy's turnaround was secure.

Paradoxically, despite the poor economic performance through the 1970s and 1980s, the retail sector continued to grow. Growth was driven principally by the new phenomenon of shopping centre development. This paradox is best explained by the fact that a relatively unsophisticated retail landscape existed at that time, and perhaps by the more strategic view taken by property developers and far sighted retailers that better times were ahead. Most of the suburban shopping centres opened during this period were anchored by one or other of the major supermarket groups. Due the decline in city centre population numbers, city centre shopping developments were the exception. This trend was reversed in the 1990s when urban renewal tax incentives encouraged a living city, and the multiple grocery sector now operate in city centre shopping centres.

The Irish economy of the 1990s has experienced a phoenix like rebirth and now has one of the fastest growing economies in the world. It has recorded growth rates previously associated with east Asian economies, resulting in the emergence of what is currently referred to as the '*Celtic Tiger*'. Table 1 shows recent economic growth rates for the Republic.

Table 1 **Annual Growth rates within the Irish economy**

Year	Annual Growth Rate
1992	4-5%
1993	4-5%
1994	6.25%
1995	9%
1996	7%
1997	7%
1998	10%*

*Estimated

The Irish economy continues to grow more strongly than any other OECD country,[3] and for several years has recorded the highest growth rate among EU countries. Consumer confidence is at an all time high. A combination of factors has given rise to this consumer sentiment: strong growth in real disposable incomes, significant gains in employment, rising asset prices and expectations of falling interest rates. The economic situation currently enjoyed by Ireland is mirrored by the growth in GNP. From 1986 to 1996, GNP growth was almost three times that of the previous decade, averaging 5% per annum, with an improving average of 7.5% between 1994 and 1997. Retail sales as a percentage of GNP is 25%, and has been in constant decline since 1990.

Inflationary pressures have thus far remained subdued (1.6% in 1997) principally due to wage restraint and price competition within the domestic economy. The forecast for headline inflation is 2.75% for 1998[4]. This anticipated rise in the rate of inflation is attributed to the persistent growth in credit and rising asset prices, (including house prices) and although small by historical standards, has raised concern in economic circles

Irish interest rates have been falling for several years now. In December 1986, Irish rates were almost 14%, compared to just over 5% in Germany. The gap began to close from early 1993. Presently Irish rates are effectively in freefall as European Monetary Union edges ever closer.

Historically, unemployment and emigration have been Ireland's most persistent scourges. Based on recent evidence, all is changed: 216,000 net new jobs were created in the decade to 1996, 41,000 in 1997 alone and 1998 promises to be an even better year with 47,000 net new jobs predicted.[5] Unemployment has predictably fallen, and at 10.3% of the Irish workforce, it fell below the European average of 10.8% for the first time in late 1997. Net Emigration from Ireland has also plummeted, falling from 208,000 in the 1980's to a relatively meagre 23,000 in the six years to 1996.[6] Indeed, Ireland had an estimated 10,000 net immigrants in 1997.

Consumer Expenditure and Retail Sales

Ireland had one of the lowest values for consumer expenditure in Europe in the 1980s.[7] Despite the economic upturn of the early 1990s, people were slow to experience an improvement in living standards because the fruits of economic growth largely went to redress the huge national debt. When the 'feel good' factor eventually kicked in, the boom in retail sales was initiated and continues unabated. Irish retail sales rose by 7.9% in 1997 and the signs of a continued spending binge have continued into 1998 with the volume of retail sales up 8.8%, year on year in January.[8] Employment is still growing, asset prices are continuing to rise and both long and short term interest rates have already fallen. The increase in consumer spending was largely funded by two sources: consumer's savings guarded through recession were unleashed into the economy and disposable incomes increased due to reductions in both personal taxation and interest rates. Because Ireland has one of the highest home ownership rates (81%) in the world, a fall in interest rates has a significant positive effect on disposable incomes. This combination of factors partly explains the relative attractiveness of Ireland as an international retail location, particularly for UK companies.[9] There has been a continuous improvement in both the value and volume of retail sales throughout the 1990s (Table 2 illustrates)

Table 2
Consumption Indicators

Year	Retail Sales Value 1990 = 100	Retail Sales Volume 1990 = 100
1990	100	100
1991	101.5	99.5
1992	105.9	102.0
1993	109.0	103.4
1994	118.0	109.3
1995	123.7	112.4
1996	134.0	119.4
1997	143.5	125.9

Source: Sweeney, P.(1998) 'The Celtic Tiger: Ireland's Economic Miracle Explained' ,Oak Tree.

Traditionally, Irish consumers spend a comparatively large amount on food and alcohol by European standards. This continues to be the case, although the food spend in retail outlets is on the decline due to changing lifestyles and improved economic circumstances. Irish consumers are spending more on transport and leisure & education. Footwear and communications expenditure have seen a remarkable surge, albeit from very low levels in 1977.

Retail sales and consumer expenditure have continued an upward trend over many years (See Table 3) Retail expenditure tends to be a lower proportion of consumer expenditure in more affluent countries.[10] Ireland has experienced a significant drop in its retail sales/consumer expenditure ratio over recent decades; it fell from 60% in 1977 to 38% in 1995, a decrease of 22% (See Table 3) Ireland is therefore coming into line with its more affluent European neighbours, eg. 35% in the UK and Nederlands, while the nordic countries of Sweden, Norway and Finland stand at approximately 20% of GDP.

Table 3

Trends in Retail Sales/ Retail Sales as % of Consumer Expenditure

Year	Retail Sales* IR£billion	%Change	Consumer Expenditure IR£billion	% Change	Retail Sales as a % of Consumer Expenditure
1977	2.2		3.661		60.1

1985	5.0	+127%	10.598	+189%	47.17
1990	6.5	+30%	15.897	+50%	40.88
1995	7.8	+20%	20.546	+29%	37.96

Adapted: European Marketing Data & Statistics Table No. 1201

*Retail Sales exclude vehicle and petrol sectors

Ireland has a relatively low average retail sales per capita figure by international standards. Food sales per capita at US$1826 in 1993 was marginally above the Western European average of US$1785, while non-food sales per capita at US$1245 was well below the Western European average of US$2452.[11] Food sales as a percentage of total retail sales tends to decrease as an economy develops. For example, in highly developed economies such as the US, food sales typically account for 30% of retail sales and retail spending accounts for a much smaller proportion of consumer spending, as incomes are diverted towards non-retail services and savings.[12] In 1993, Irish food sales accounted for a high 60% of total retail turnover,[13] and while a downward trend exists, this remains large by international standards.

The Consumer

Retailers are at the precipice of consumer change and need to be increasingly dynamic in their response, in order to formulate appropriate strategies. They must be aware of not only changing age profiles, but also socio-economic changes affecting the consumer life cycle. This section details change within the demographic structure of the Irish marketplace.

The total population of the Republic was 3.63 million in 1996, an increase of 3% on the 1991 figure, with the population projected to remain static until the year 2020. Ireland is one of the least populated countries in Europe with a population density of approximately 50 people per sq. km.[14] The dispersement of this relatively small population means that the Irish retail environment is more fragmented than most other developed markets. For example, there are only five conurbations with a population in excess of 50,000 people.

The Irish birth rate was well above the European average up until 1980, but consistently fell throughout the 80s and 90s. The average number of children per family also declined and was 1.8 in 1996, with a further decrease predicted by 2006 to 1.5 children per family. The high birth rate of the early 1970s accounts for a high proportion of people in the higher spending and critical house buying 25-39 age category, and this segment is not expected to decline until 2011. While a grey market is emerging and retailers in the banking and hospitality sectors are currently responding to the challenge of what is still a periphery market, it will not gain the prominence likely to be experienced elsewhere in Europe until much later into the next century. Over 50s accounted for approximately 25% of the population in 1996, with less than half of this in the post retirement age group of over 65s. Table 4 shows the past, present and anticipated age structure of the population.

Table 4

Population of the ROI. Past, Present & Future

	1986	**1991**	**1996**	***2001****	***2006****	***2011****
	%	%	%	%	%	%
0-14	28.9	26.7	23.9	*21.8*	*20.6*	*20.0*
15-24	27.4	17.1	17.6	*16.3*	*14.4*	*12.8*
25-34	14.2	14.1	14.1	*15.1*	*15.8*	*14.8*
35-49	16.5	18.5	19.8	*20.4*	*20.8*	*21.8*
50-64	12.1	12.3	13.2	*15.2*	*17.0*	*18.5*
65+	10.9	11.4	11.5	*11.3*	*11.4*	*12.1*

	100	100	100	*100*	*100*	*100*

Source: DKM Economic Consultants Ltd 1997[15]
* anticipated

Ireland had a dependency ratio of 170 dependants for every 100 persons at work in 1960. This high dependency ratio continued for almost 30 years. It peaked at 230 in 1985, a higher level than the feared 'greying' of the population soon to be experienced by many European countries. The gap between income per worker and income per head of population widened in the mid 1980s because of this dependency and because pre-tax incomes were rising. The ratio is in constant decline is expected to fall more rapidly in coming years, with 125 dependants per person at work anticipated for 2010.[16]

The size and composition of households in the Republic has experienced change with overall household size on the decline since 1979 (Table 5) but household numbers increasing steadily over time. For example the number of households increased from 1.06m in 1991 to 1.19m in *1997 (Foley 1997)* an increase of 12% over the 6 year period.

Table 5

Year	Avge H/hold Size	% Change
1979	3.84	
1981	3.78	-1.6
1986	3.53	-6.7
1991	3.34	-5.4
1996 *	3.16	-5.3

Source: CSO Census of Households 1991
* estimated

Lifestyle changes

Lifestyle changes in Ireland have been at least as dramatic as the change in economic fortune. While the 'sacredness' of the family still attracts lip service, traditional family life is changing, as are the social and religious mores which underpinned it. Young people tend to leave the nest early and establish themselves in apartments. Many young couples now co-habitate before marriage and have their first child outside of wedlock; divorce, introduced in 1996, is intended to provide a legal solution for separated couples tied into failed marriages. As more women become involved in the work force, both family lifestyles and the family value system is likely to undergo further change. Scandal surrounding political and religious leaders has developed a public cynicism and undermined traditional authority. Better educated young people are more questioning and more critical; greater affluence has facilitated foreign travel and widened people's horizons.

Lifestyles determine how people spend time and money and the major changes in Irish lifestyles has implications for all retailers, e.g. the influx of young, single people into the numerous city centre apartments favoured city centre retailers. Multiple grocers now find it worthwhile to anchor city-centre shopping malls, product range has been modified to provide single servings, the better educated 'green' consumer is catered for by recycled toilet paper.

Changing social structures also impact on food buying habits. Almost 30% of shoppers are either single people living at home or couples without children and men now account for one in five grocery shoppers.[17] Ireland is also following world trends in terms of time spent in the kitchen. The tradition of families eating together is on the decline; young people tend to eat 'on the hoof'. According to an RGDATA[1] survey, 61% of shoppers now spend 30 minutes or less preparing the main meal; twenty years ago two hours would have been the norm. Freezers and micro-wave ovens make this possible. Better educated consumers have influenced the supply chain. While knowledgeable consumers may seek convenience, they

[1] Retail Grocers Distributors and Traders Association

also seek minimal process in food. Vegetarianism is a growing lifestyle in Ireland, particularly among the younger generation. In line with a more hedonistic lifestyle, the spend on eating out has been surging in Ireland.

Targeting particular lifestyles has provided the impetus for the growth of specialist stores, e.g. *Body Shop*, *Habitat* and multi-focused conglomerates like *Burtons* who have invaded the Irish market with stores like *Top Shop*, *Top Shop for Men*, *Principles*, *Dorothy Perkins*, etc. The nature of this focused competition has created problems for indigenous retailers. Dublin's department stores have changed both their fashion and furniture assortment to appeal to particular lifestyle segments.

As lifestyles become increasingly hedonistic, the emphasis on shopping as entertainment is increasing. Extended shopping hours and Sunday openings cater for both the 'time-budget' shopper and the leisure shopper. The tail-back of cars entering the recently opened *Blanchardstown Shopping Centre* on Sundays validates this trend.

It could be argued that the proliferation of loyalty cards is a response to changes in consumer values. Gone are the days of loyalty to particular retailers. Loyalty must now be bought. The introduction of loyalty card schemes by the grocery multiples has added a small element of switching costs for consumers. Superquinn was the first multiple in Ireland to use the loyalty card and has since established partnerships with 24 other retailers. Both Tesco and Dunnes now operate successful loyalty cards schemes. The potential for such schemes is still very high in the republic, with ownership currently estimated at 56%.[18] Recent research carried out indicates that these cards do not impact significantly on consumer purchase volumes or shopping habits, with 70% consumers believing that loyalty cards are a good way for multiples to give something back to their customers. carried out indicates that these cards do not impact significantly on consumer purchase volumes or shopping habits, with 70% consumers believing that loyalty cards are a good way for multiples to give something back to their customers.[19] Non food retailers eg. department stores, have upgraded their traditional store cards into master cards which still offer their customers favourable shopping terms. Forecourt retailers have also 'jumped on the bandwagon'.

Shopping Patterns

Macro-economic change is the key driver of changing shopping patterns. Shopping habits are formed by social and economic factors, such as the levels of disposable incomes, consumer credit facilities, the proportion of women in paid employment and the availability of cars.[20]

Disposable incomes in Ireland have been rising consistently since the early 90's principally due to a number of factors; cuts in personal taxation, decreasing interest rates, moderate increases in gross pay and low rates of inflation. This has increased the leisure spend of the Irish consumer. Consumer credit has increased to the point where economic commentators believe that it is causing inflationary pressures within the economy.

Increased participation of women in the workforce has undoubtedly changed shopping patterns. It has effectively reduced the time available for frequent shopping. Ireland still ranks below its EU neighbours in female participation rates in the workforce eg. the UK has a female participation rate of of 60% compared to Ireland's 36.5%.[21] The annual average increase for married females aged 25-49 years over the period 1987-1994 ranged from a 4.5% increase for 25-29 year olds to 7.5% for 35-39 year olds.[22] Ireland has the the with Shopping has become a time efficient activity for many shoppers with a greater spend per shopping trip. The male shopper is here to stay, with dual roles firmly established. Extended opening hours have also been the retailer response to this changed situation.

The proposition that the modern site of retail development is not residence oriented as much as transport oriented[23] is a rapidly emerging reality. The phrase' Car is king' , once an exclusively American phenomenon is now appropriate in describing the Irish retail environment, and has irreversibly changed Irish shopping patterns. Car ownership rates in the Republic are at an all time high, with a 76% increase in new and second hand registrations for the 1993-1996 period and a 19% increase in 1997.[24] This increase in shopper mobility has impacted on all retail sectors and has facilitated the development of alternate retail formats eg, retail parks and large edge of town superstores.

Shopping patterns are increasingly characterised by greater travel distance and lower shopping frequencies, which has resulted in the widening of competition from local shopping areas to more far distant but equally convenient retail centres. Drivetimes are critical, and the one stop shopping experience is a prerequisite for the time efficient shopper. This has affected the increasingly congested city centres, where the lack of availability as well as the cost of parking has had a negative impact. The relative attractiveness of edge of town versus city centre shopping is an ongoing battle, with edge of town centres winning the earlier skirmishes. The war for consumer spending between these two potents is far from over. Most large-scale retailers have opted to indemnify themselves from the war by trading in both locations.

Although Irish consumers have been relatively slow to embrace credit cards, with a comparatively low 21% of adults owning a credit card, the advent of the euro and a dual currency period is expected to provide a fresh impetus to do away with cash. Estimates give the number of Irish outlets which are credit card friendly at between 25,000 and 30,000

Retail Formats

Low levels of retail concentration characterise the Irish market by European standards. The most recent census of services carried out in 1988 showed that only 83 businesses had more than 5 outlets, and these accounted for a modest 25% of retail turnover. Multiples have gained market share at the expense of the independents in many retail sectors, particularly in the larger urban conurbations.

Traditional typologies have blurred as retailers strategically cross traditional boundaries in an attempt to gain market share and get a greater slice of consumer spend. This trend is particularly visible within the grocery sector where all retailers, but especially the multiples, increasingly emphasise the non-food offer. This has not only intensified competitive rivalry within the retail sector as a whole, but threatens the very existence of an independent sector of any substance.

The grocery market has the greatest concentration of multiples, where 2% of outlets accounts for 51% of turnover, an increase of 25% since 1977, and 10% shops accounts for 78% of turnover, an increase of 15% on the 1983 figure.[25] In Dublin, the multiple share of the grocery market is estimated to be in excess of 75%. This increase in retail concentration is reflected in the overall decline of grocery store numbers, which have gone into freefall, as illustrated in table 8

The encroachment of foreign multiples has increased concentration in other sectors, e.g. electrical, DIY, pharmaceutical, fashion and furniture. Entry mechanisms vary; a combination of organic expansion and acquisition have been the main routes, although many of the fashion chains have tested the market via concessions.

The number and variety of new retail formats introduced to the Irish market has increased exponentially. Foreign retailers have been at the forefront of these changes which challenge indigenous retailers. Small format category killers eg. *Mothercare, Early Learning Centre* are established. Large format category killers trading from superstores eg. *Curry's*, *PC World* and *Courts* are located in both stand-alone sites and in retail parks. Factory shops with a craft and tourist orientation have been trading for many years, but the mass cut-price factory outlets have yet to develop. Catalogue retailing was given a boost when *Argos* entered the market in 1996 and the first non-food discounter format was introduced by *TK Maxx* in 1997. Previously concessioned retailers have opened independent outlets in high streets and shopping centre developments eg. *Adams*, although the fashion offer within department stores remains heavily concessioned

Franchising, an entrenched format in the Irish market, has experienced significant growth in the 90s in terms of both numbers and range of business operations eg. fast food, fashion and service franchises are commonplace. Both convenience and forecourt retailers, often franchise operators, are garnishing a growing slice of food spend. Specialist stores have a strong presence eg. *Tie Rack*, *Sock Shop*, *Body Shop*, *Habitat* etc

Some retail formats have not yet a presence in the Irish market. Food discounters, well established in Western Europe , have not been tempted to test the Irish market, principally due to the presence of the *1987 Groceries Act* which prohibits below cost selling. Hypermarkets, in the traditional European sense, have yet to arrive and may never do so, as impending legislation may cap the size of retail selling space. This legislation may also affect the development of superstores. The warehouse club format is a likely new entrant as *Costco* has secured planning permission for an outlet in west Dublin. Despite futuristic predictions, neither Internet nor Teleshopping has impacted on more traditional shopping habits.

Shop Size and Numbers

The average size of the Irish retail store is 1000 Sq.Ft. This average masks dramatic differentials between different retail formats and within different retail sectors. Table 6 illustrates average store size by sector.

Table 6 Average Store Size

Store Type	Average Size ('000 sq.ft.)
Grocery and Food Specialists (Excluding Supermarkets) Supermarkets	0.5 9.2
Food, Drink & Tobacco Stores	1.2
Clothing, Drapery	0.9
Household & Furnishing	1.2
Dept. Stores	64.2
Other	0.6
Total	1.0

Adapted: Retail Trade International 1995

The trend in store size tends to be a conundrum. The average household size is on the decrease, and therefore the average purchase per shopping trip should also decline, with consumers preferring a more varied and specialised shopping experience. In theory, supermarkets should lose market share to fruit and vegetable, bakery, wine, and deli specialists, however increases in retail sales within both formats is the reality.

The number of retail outlets has risen by almost 22% in the thirty year period to 1996 (Table 7) This increase does not necessarily reflect retail sophistication but rather strong legal protection for social and cultural reasons, not dissimilar to the situation pertaining in Belgium and the Nederlands. 3.1% of Outlets accounted for 43% of retail turnover in 1988 nationally, with less than 1000 outlets having a turnover in excess of £1m.[26] Shop density or population per outlet nationally is relatively low and was 164 in 1993.[27] This compares with a Western European average of 135.[28]

Winners and losers in terms of shop numbers reflect macro economic change; a decrease of 56% in grocery numbers reflects the emergence of the multiple supermarket operator, growth in off-licences, footwear sales, boutiques, beauty salons and restaurants reflect an increasing trend towards consumption of alcoholic beverages at home, improved economic circumstances, a booming tourist sector and more self indulgent lifestyles. The decrease in the number of retail pharmacies and TSN's reflect legislative control on the issuance of new licences and the increased power of the convenience store. Table 7 overleaf illustrates.

Table 7

Trends in Retail Outlet Numbers 1966-1996			
	1966	**1996**	**%Change**
Grocers	12681	5296	**-58.2**
Grocers with Off-Licence	364	626	**72.0**
Grocers with Pub	3923	309	**-92.1**
TSN's/Kiosks	4003	1942	**-51.5**
Garages with shop	n/a	1282	
Public Houses	5973	8268	**38.4**
Off-Licences	55	322	**485.5**
Chemists	1343	1163	**-13.4**
Butchers/Fishmongers	2244	1987	**-11.5**
Greengrocers	352	481	**36.6**
Bakers/Confectioners	376	479	**27.4**
Footwear	486	638	**31.3**
Drapery/Boutiques	n/a	3798	
Hardware/DIY	1162	2176	**87.3**
Electrical/TV	843	1201	**42.5**
Licensed Clubs	207	839	**305.3**
Licensed Hotels	747	724	**-3.1**
Restaurants	707	2906	**311.0**
Booksellers/Stationers	n/a	781	
Furniture/Furnishings	n/a	1855	
Jewellers	n/a	628	
Video Shops	n/a	732	
Cinemas	n/a	68	
Theatres	n/a	43	
Hairdressers/Beauty Salons	n/a	3634	
All Others	7525	10175	**35.2**
Total Retail Outlets	42991	52353	**21.8**

Source: Adapted from Nielsen Retail Census 1996

When shop numbers are examined regionally, we see differences in shop density. Dublin, with 29% of the population has 20% of total retail outlets, indicating a lesser role for smaller independents in areas of greater population concentration. This supports the proposition that retailing is more concentrated in the Capital. Connacht/Ulster with a more fragmented population has a disproportionate number of total retail outlets for its population, inferring a greater incidence of the small independently run family business and less interest shown by multiple store operators. Table 8 illustrates the regional distribution of Irish retail outlets.

Table 8

Retail Outlets by region 1996

Region	Retail Outlets	% Total Outlets	%Population	Population (000's)
Dublin City &County	10,395	20	29	1050
Rest of Leinster	12,605	24	24	869
Munster	16,891	32	29	1050
Connacht/ Part Ulster	12,461	24	18	652
Total	52,353	100	100	3,621

Source: Nielsen Retail Census 1996

Retail Infrastructure

The accelerating rate of shopping centre developments, with the accompanying surge in the availability of new retail space has irreversibly changed the face of Irish retailing. Tax incentives have been key drivers of infrastructural changes in the 1990s. While the greater Dublin region has been host to the lion's share of development activity, the phenomenon is nationwide, as Table.9 illustrates. Small local shopping centres have inevitably suffered, many of which will not survive without extensive and expensive refurbishment.

Table 9

Name	Town	Lettable retail space (Sq.m)	Year opened
The Square	Dublin	40,049	1990
Eyre Square	Galway	10,399	1991
Laois Shopping Centre	Portlaoise	6476	1991
Redmond Square	Wexford	4375	1991
Cruises Street	Limerick	6072	1992
City Square	Waterford	15,066	1993
Courtyard Shopping Centre	Letterkenny	6298	1993
Longford Shopping Centre	Longford	5274	1993
The Long Walk	Dundalk	8336	1994
Market Cross	Kilkenny	6648	1994
Carlow Shopping Centre	Carlow	4974	1994
Bridge Centre	Tullamore	6337	1995
Market Place	Clonmel	4886	1995
Jervis Centre	Dublin	30,151	1996

Source: Retail Week July 18 1997 [29]

The impact of shopping centre development in Dublin has altered the retail landscape eg.circa 800,000 sq. ft. of additional selling space was added during 1996 alone, with an additional one million sq. ft. being planned between 1997 and 2000. This growth is being fuelled by greenfield in-town and out-of-town shopping centres. To put this in perspective, the amount of retail selling space has quadrupled in Dublin during the last 15 years. Table 10 illustrates.

Table 10

Yearly Growth in Dublin's retail selling space

Year	Sq. footage
1996	800,000
1997	340,000
1998	402,000
1999	200,000
2000	100,000
Total:	***1,842,000***

Source: Hamilton Osborne King. Dublin.

This accelerating rate of retail development has generated the view that market saturation is imminent, raising the issue as to whether Dublin is becoming 'overshopped'.[30] Further empirical evidence shows that the rate of shopping centre development in Dublin in the last five years has increased at a much faster rate than customer spending.[31] Taking inflation into account, the ratio of Dublin's new retail floorspace to personal expenditure has increased by 16.5% in the last five years - the widest gap since the early 1970s.

The leisure component of shopping centre developments has increased in importance throughout the 1990s, as 'non-chore' shopping is increasingly seen as a leisure activity. All recent developments have incorporated multiplex cinema's, entertainment areas for children and gym's and health clubs. While Ireland may be decades away from a 'mall of America' or 'Metro Centre UK, the core values of multiple appeal dominate.

Technology

It is difficult to quantify the penetration level of technology within the retail sector in Ireland. The most recent figures show that in a timespan of three years (1990-93) the number of stores using scanning increased by 101 percent. It was estimated that 20% of Irish retailers were using technology to some degree in their business operations in 1996.[32] What is certain is that in the last decade, the use of information technology has advanced at a phenomenal rate, transforming every aspect of the retail trade.

Initially, the up-take of bar-code scanning varied greatly. In general, grocery multiples have led the field, although one of Ireland's major multiples, Dunnes Stores, only introduced this system within the last four years. Ireland's main department stores were also late entrants, waiting until the mid 1990s to reap the benefits that flow from real time information. Competitive pressure and the desire to increase efficiencies has encouraged the symbol groups to equip even 'the corner shop' convenience store with scanning technology. The introduction of scanning has facilitated the growth in loyalty cards, although the potential for mini-marketing is at present under-utilised. As Laser cards gain wider acceptance, EFTPOS[2] moves us closer to the often mooted cashless society.

In common with world-wide trends, power relationships between Irish retailers and their suppliers have been changed by technology, to the detriment of suppliers. Electronic Data Interchange (EDI) is an aspiration, rather than a reality. The cost of installation and the mutual suspicion which characterises much of Ireland's trading relationships has inhibited its use, although major manufacturers, e.g. Proctor and Gamble encourage large retailers to share information. The recently established *ECR[3] Ireland Board* which has attracted wide membership from both manufacturers and retailers, may help to close the gap.

Legislation

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[2] Electronic Funds Transfer at Point of Sale

[3] Efficient Customer Response

Government policy and regulation have long been critical drivers of retail change. Large retailers tend to view much of this legislation as anti-competitive and restrictive, e.g. the 1987 *Groceries Order* forbids below cost selling, 'Hello' money and inducements, all intended to protect smaller players in the grocery sector. Futher protection may come in the form of a cap on store size. A planning directive was introduced in mid 1997 which placed a moritorium on any new proposed supermarket development over 32,000 sq.ft.. If this planning directive becomes law this legislation will be similar to the 'Loi royer' in France and will effectively thwart the growth of superstores in Ireland. Most of this restrictive legislation was a response to protests of unfair competition from smaller operators and their industry representatives, e.g. the cap on store size came about because of the number of objections lodged with the city manager and 'An Bord Pleanala' over the proposed 'Tesco' superstore at Ayrfield in north county Dublin.

Myriad pieces of legislation colour the grocery landscape. Most of the major supermarket operators, both multiples and symbol groups, have built separate off-licence premises to circumvent licensing laws. The *Data Protection Act* which prevents retailers' from selling on loyalty card information is presently inviolate. At the moment, the issue of a 'minimum wage' is being hotly debated; should this come into law then costs will rise considerably. Another contentious issue is Sunday trading. The debate regarding Sunday trading is complex, with economic, social and moral questions forming the backdrop to what is essentially an ideological dispute. Large retailers point to the fact that customers are voting with their feet or indeed their pockets. Opponents argue a zero sum game with retailers spreading the consumer spend over seven days instead of six. They also point to the effect on family life of Sunday becoming just another working day. Throughout Europe, proposals to deregulate opening hours have resulted in lively debate at a political level on the potential impact of the change.

While much of the current legislation is country specific, the evolution of the EU will change this and the potential impact of these changes will add significant cost to retailer's operations. Health and safety regulations have become more stringent, e.g. all work places must have a health and safety officer in place, part-time workers, who form a significant proportion of the retail workforce, are now entitled to pro-rata holidays and to job security. Proposed EU regulations about re-cycling packaging will be cumbersome and costly to implement.

Legal restrictions governing company take-overs exist in the form of the *Monopolies and Mergers* commission. Any company entering the Irish market through acquisition is subject to approval from the EU. While this particular piece of legislation may inhibit international retailers, a reduction in Capital Gains Tax (CGT) in the 1997 budget from 40% to 20% could encourage Irish traders to realise their assets.

Certain legislation which affects European countries has not yet reached the Irish statute books, e.g. at present there is no legislation restricting out of town developments.
The C*ompanies Act 1990* requires large private limited companies to publish accounts. Many companies circumvent this legislation and maintain financial secrecy by registering individual branches as subsidiary companies. These deconsolidated results make it quite difficult to formulate an entire picture of the parent company's operations.

The Future

Tiger to continue to roar
All market commentators agree that the Irish economy will continue to grow, albeit at a slower rate than in the late 90s. An increase in interest rates could possibly dampen retail sales growth, but this seems unlikely in the short term. Irish interest rates have already fallen to aline with European rates for the launch of the single currency, the euro, on 1st January 1999. By the end of this year, GNP will have grown, tax revenues at 15.5 billion are 50% higher despite significant tax cuts, most remarkable of all, non-agricultural employment is 17% higher than in 1993, a rate of job creation unmatched in the developed world. The export boom will continue. On the negative side, warnings of a potential labour shortage has implications for retailers who may be forced to pay higher wages to attract quality workers. While employment

is rising, unemployment levels may not decrease significantly as net migration and school leavers counteract the gains made through job creation.

The increase in consumer expenditure to continue
Consumer expenditure will continue to grow into the next millennium. While the number of double income families is likely to increase, and many will be classified as high income households, expenditure on luxury goods may not necessarily see proportional growth. The cost of housing is likely to restrict discretionary spend, assuming that home ownership remains part of the Irish psyche.

Female Participation rates to increase
Female participation rates are predicted to come in line with the European average within a decade. Assuming this happens, this should increase the prominence of the cash rich/time poor shopper, and shopping patterns are bound to be affected. Convenience will become even more important for this shopper, and growth will take place in the fashion sector, as has happened internationally.

Grey Market to develop later
Demographic reality means that the greying of the Irish market will be later than most other European countries. Retailers in Ireland will have ample opportunity to tailor their product offer to this potentially profitable market. The social classification is likely to move up-market, within an increasing proportion of the population in the ABC1 category.

Average store size to increase
Despite the constraints of the proposed legislation, store size will continue to increase. Increasing retail concentration will occur, particularly in large urban centres. This will be as a direct result of an increased international presence. Large organisations with large store sizes will grow significantly. This will make it increasingly difficult for smaller independents to compete. The challenge for the independent sector will be to locate market niches that are defensible (the retail accordion in tune) The franchise sector will continue to grow and will by definition successfully meet this challenge, but new formats will have to be initiated by independents to ensure survival in any meaningful way.

Intensifying competition to squeeze indigenous retailers
Indigenous Irish retailers, particularly those with small operations, are likely to be squeezed by foreign entrants, both in competition for customers and competition for space. The 1996 experience gives a preview of things to come, when over 60% of the 93,000 sq.m. that was opened went to non-Irish retailers. Large Irish retailers will also find it increasingly difficult to secure prime anchor tenancies in new retail centres as a result multinational operators bidding vast sums to secure such tenancies.

Multiple Formats to threaten independents
The real threat to Irish independent retailers, particularly those in the late opening convenience sector, is the possibility of the multiples attacking this area through the forecourt or smaller store format. The arrival of international competition in the sector increases the likelihood of this happening. For example, Tesco as a major forecourt operator in the UK, could make this threat a reality if they were to replicate their UK Metro store format and forecourt operations in Ireland.

Irish Organisations with multiple store numbers are more likely to be acquisition targets
Large Irish retailers like Dunnes Stores, Superquinn, Woodies DIY, and the major department stores are more likely to be the subject of acquisition bids or may be forced to form strategic alliances in order to survive.

Prime locations more difficult to find
Good retail locations in Ireland will become increasingly difficult to acquire. This will have a number of consequences for both independent and multiple retailers. For the independent retailer, the cost of prime locations will be prohibitive and imaginative and innovative retail strategy will be necessary to offset the disadvantage of operating at less attractive sites. For international retailers wishing to operate in Ireland with multiple shop numbers, acquisition will have to form an integral part of their market entry strategy. This trend is already emerging eg.

Boots, Dixons in 1996. Paradoxically the growth in shopping centre developments is likely to continue for at least another decade with demand for prime space outstripping supply.

Increase in retailer power
The power of the retailer will continue to increase. The implementation of ECR has the potential to delist lesser suppliers. As own-brand quality improves, retailers will gain own brand penetration. However, retailers won't be immune from powerful manufacturers who choose to create a zero channel by selling directly to the consumer, e.g. Dell computers.

Micro marketing will arrive
The increasing penetration and better utilisation of retail technology will herald the arrival of micro marketing. Household size will continue to fall in Ireland, while the number of households increasing. Single parent families have been rising steadily throughout the 1990's. Divorce and separation will see a significant increase, with one spouse forming a second household. Therefore these smaller households will have different needs and different shopping patterns than larger ones. Retailers will see additional segmentation opportunities and the ability to understand the preferences of these households will stem from their ability to utilise sophisticated technology.

Electronic shopping will gain a foothold
Electronic shopping will establish itself on the Irish market. Research carried out by CAP Gemini indicates that retailers throughout Europe believe that 13% of their sales in the next two years will be via home shopping, rising to 26% in ten years time. It is anticipated that shopping via the internet will be a major growth area for future shopping transactions. It has been estimated that 14% of total retail sales will come from the World Wide Web.[33] This depends on the level of pc penetration which will rise rapidly, with a young computer literate population. Radio Frequency Identification(RFID) will replace bar codes within 15 years, and is most likely to be introduced within the grocery sector.

Legislative controls to curb growth of superstores
It seems likely that legislation will be introduced in 1999 which will place a cap on store size, effectively stopping the growth of superstores and hypermarkets. The independent sector is a powerful lobby group, eg. RGDATA have been to the forefront in highlighting the negative effects of large stores on the economic and social fabric of society, and have been instrumental in getting the moritorium put in place.

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