VOLUME RETAILING IN BRITAIN

Does it undermine quality in the design and manufacture of home-produced consumer goods?

A paper by

JAY DOBLIN

Consultant, Designer, and Lecturer, Illinois Institute of Technology, Chicago,
given to the Society on Monday 24th March 1960,
with Keith Grant, Director, Design Council, in the Chair.

The Chairman: When we consider the influence of American designers over all of us in the past and the present and undoubtedly in the future, it is surprising how rarely in Britain we have a chance to hear from or meet these practitioners. Tonight we are privileged to have one of the most distinguished designers in the United States to talk to us.

Jay Doblin was trained in industrial design at the Pratt Institute in Brooklyn and then for twelve years worked in Raymond Loewy in what was later to be seen as the golden age of Loewy's enterprise. Jay Doblin was Executive designer on accounts such as Shell, Prudential and Nabisco. He became Director of the Institute of Design at the Illinois Institute of Technology, where he worked shoulder to shoulder with Mies van der Rohe, who at the time was Director of Architecture. This period lasted fourteen years, 1955 to 1969. He became founder and President of Unitable, a new design organization based in Chicago specializing in corporate identity consultancy, whose American clients included Ford, J.C.Penney, Standard Oil, General Electric and American Airlines, to name but a few. Their British clients have included Boots and Trumans. Then he became General Design Consultant to J.C.Penney, Standard Oil and the American Hotel Association. His work with J.C.Penney is most relevant to this paper tonight, because they are the second biggest retailer in the USA after Sears, with 1,500 outlets and 3,000 designers working in eight separate teams.

The point of departure for tonight's lecture was the Bunton Award Scheme allocated to Mr. Doblin through the Royal Society of Arts. The Bunton Award Scheme was instituted in 1973 with the general purpose of drawing attention to the problems surrounding the management of design. There has been a series of studies undertaken by practising designers, by teachers of design, by students of design, and also by postgraduate students following courses in business management. The two-part scheme was administered variously by the Society, the Design Council, the Royal College of Art, and the Society of Industrial Artists and Designers. Tonight's lecture is related to the latter of these studies which has passed through the hands of the Royal Society of Arts.

Mr. Doblin has asked me to outline his belief for this Award. The problem he set was indeed as follows:

Purchasing of consumer products due to the development of central buying is increasingly concentrated into fewer hands. The buyers for the great retail chains, mail order catalogues, departmental store groups, voluntary co-operatives, etc., tend to concentrate on a limited assortment both as to style and price. Their influence, therefore, is considerable and the standard of design and range planning inevitably depends upon them. It is argued that most buyers exercising such influence have little understanding of design or colour except what they have picked up during their careers. Because such buyers must inevitably be more interested in price and delivery questions they cannot help to forward UK design standards. Practical experience indicates that they are dummies. The weight of own purchasing power tends to influence other smaller companies which might otherwise have been style leaders. This happens in two ways. First, because such retailers are afraid of the competition and try to win the race, which causes even lesser designers, and second, because the assimilation offered by the manufacturer is limited. The general degradation of style.

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which follows mean that products which are salable in quantity in the United Kingdom are difficult to sell to the more discerning European and American markets, and yet it is most probably this EEC, American higher priced market wherein lies an important future for UK manufacturers. No the question to be answered is this: what is being done now and what more should be done quickly, particularly in education and training to improve the standard of buying and thereby the standard of design.

The following paper which is illustrated, is dedicated to...

ORGANISING THE PROJECT

... my task was to determine how much influence large volume retail buyers exercised on the UK's manufacturers and their products. But the brief, which calls for a study of retail buying in the UK, describes something enormously complex: buying breakfast food for supermarkets is difficult to compare to buying diamonds for post-jewellers or refrigerators for electricity boards. To make the project tractable it had to be limited.

PRODUCING A SHORT LIST OF PRODUCTS

Lists of all products sold at retail (such as that of America's National Retail Merchants Association or the index pages of a large mail order catalogue) contain around 1500 different types; this number boggles the mind. Most big retailers operate with around 350 buying categories such as small appliances, women's shoes, bed linens, bridal shops, photographic, infants' furniture, etc; even this number is far too large. To begin, I produced a short list of eleven products; these were selected to represent a large proportion of the total. Included are six lifestyle items: three for apparel: women's knitwear, men's shirts, men's shoes; and three for home: beds, sheets, furniture, and dishware. There are three service products: refrigerators, major appliances, hairdryers; minor appliances, and television sets (electronics). There is one specialist product: liquor. And at reasonable meeting ends.

THE PRODUCTION-DISTRIBUTION-CONSUMPTION SEQUENCE

But a second proposal expanded what the brief called for, it was to study the entire sequence of production-distribution-consumption rather than limit the scope to buyers. The reason is that buyers, "in the middle", must reconcile the interests of material suppliers, manufacturers, retailers, and consumers; if they don't, the system won't work.

The relationship between material suppliers, manufacturers, buyers, retailers, and consumers can be expressed by a simple flow diagram (Figure 1). The first box represents the material producing operation; attached to it is control of what's produced. Materials are transmitted to manufacturers who process it into products; this operation also has control which gives form to the input materials. The manufactured product goes on to retailers who distribute these to consumers; control of this operation is buyers, which selects or specifies the products to be retailed.

In addition to this feed-forward of production, the system also has feed-back Consumers' reactions, research data, sales figures, casual observations, etc; are feedback to buyers who monitor consumers' behavior. Buyers feed this information back to manufacturers' control to make more of it, modify it, kill it, etc. In turn, manufacturers' control feeds this information back to material suppliers' control. Those loops stabilize the system.

MATRIX ORGANISATION OF THE PROJECT

The purpose of outlining the short list of products and the flow model is to describe how the project was organized. My task is to track the eleven products through the five stages of production-distribution-consumption. As this information is collected it is "knit" on a matrix with eleven rows and five columns (Figure 2).

Once this is done, analysis can begin. Horizontal rows can be "read" to tell producer stories. Vertical columns can be "read" to tell about the participants especially buyers. The entire matrix should deliver a comprehensive story.

Once the committee had approved this approach, I spent four weeks gathering secondary information from libraries, research groups, trade organizations, government bodies, etc. I also visited fifty stores. The purpose was to provide data and questions for a series of interviews. During the following six weeks, fifty-six interviews were held with buyers, manufacturers, and trade associations.
My findings begin with eleven short reports. The buyer's role in each will be described. What you will hear is drawn from a variety of sources many of which don't agree. These short reports were shown during appropriate interviews; their comments were taken into account.

**GREETING CARDS**
Consumables (such as food, drugs, hardware, etc.), which are half of all retail sales, should be included to produce a comprehensive study. But, these products—frequently and routinely bought—are not so central to the intention of the brief. For this reason consumables with this one exception are eliminated.

One consumable—greeting cards—is included because these are sold by department stores, specialist shops, supermarkets, chemists, etc.

Because thousands of newsagents carry greeting cards, they sell 70 per cent of the £170 million retail turnover. Cardshops sell 10 per cent more; W. H. Smith has about 8 per cent; department stores have 3-4 per cent; and all the rest—supermarkets, multiples, etc.—have the remainder. W. H. Smith, the biggest single buyer, told me that buyers have little influence on design, price, quality, etc. Manufacturers present their lines and buyers choose from this vast number. To assemble over a thousand cards means to buy proven lines and to try to round out this presentation by adding what is considered new and interesting.

**MEN'S FOOTWEAR**
Over ten years, the UK's shoe manufacture fell from 200 million pairs to 150 million while imports rose from 65 million to over 100 million. But these figures represent all shoes and slippers. Men's shoes (with leather uppers) are probably around 40 million units at £250 million.

The UK is particularly vulnerable to shoe imports. Most developed countries—Australia, South Africa, USA, Canada, Japan among them—have protective barriers. This is doubly damaging to the UK; it closes export markets to UK products and creates surpluses among developing countries, much of which is disposed of in the easy to access UK market.
Forty per cent of all shoes are sold through multiple shops. British Shoe Corporation, with nearly 2,000 stores and concessions, is the UK's largest. They manufacture around 10 million of the 50 million pairs they sell. Clarke's, Britain's largest manufacturer, around 16 million units, owns 300 outlets. The remainder of their production is distributed through over 2,000 independent stores to whom Clarke's provides a great deal of support. All independent stores account for 80 per cent of the total sales.

To find large volume men's shoe buyers means going outside the main distribution channels—mail order, variety stores, supermarkets, etc. But none of them are major factors. It appears that buyers have little influence on shoe design, quality or price. Key buyers are shown presided lines for their opinions but experience indicates that they don't do well at predicting change.

**Men's Shirts**

British shirt manufacturing has been hard hit by imports; two-thirds of all shirts sold in Britain are imported. Those who should know say the reason is price. Most British manufacturers have tried to stay with quality; British-made shirts average around £7 while imports average £5.

Although the largest percentage of shirt sales are by independents, thousands of shops with small buying power, Marks & Spencer do 15 per cent of the UK's £250 million men's shirt business. This is more than twice all department stores, three times all mail order, and twice all multiple chains. If anyone is calling the tune for this product, it's Marks & Spencer, who take nearly one half of all British shirt production. It may be that Britain's largest volume buyer is single-handedly keeping Britain's shirt manufacturing alive. Marks & Spencer don't buy shirts, they commission them from manufacturers with long-term contracts. Sales, Marks & Spencer have refused to allow the manufacturers to sell to department stores which could reduce the selling price by £200.

The UK's second largest volume buyer, C. & A., have 5 per cent share of units and a per cent at £1 volume. C. & A. sell mostly imports. Although information is difficult to come by, it is said C. & A. buy small lots so far this year and are cutting the amount they buy.

**Women's Sweaters**

Women's sweater sales are not down as much as women's apparel. Jumpers and sweaters were nearly £60 million, cardigans and jackets were around £60 million, and casuals were nearly £500 million. But imports are difficult to sort because these items are mixed with T-shirts, underwear, shoes, etc. It appears that one-third of the UK's sales is imports, but this is nearly balanced by the UK's exports. Surprisingly, most imports are from high-cost European countries. The reasons are due to the Multi-Fibre Agreement.

Knitwear buyers influence production; they often cooperate design what they buy. They must react quickly to change—weather, sales, weather, etc.—and must coordinate purchases from different manufacturers, and must have it all fit the store's image. Although knitwear buyers have strong opinions, they must have some sort of advice to help them plan. Fortunately, knitwear doesn't require long lead times to do handmade. But speed of reaction and their ability to adapt is hampered by imports.

Marks & Spencer, the UK's biggest buyer of women's knitwear at 28 per cent share (£525 million), is as much as all independent retailers and nearly three times all department stores. Marks & Spencer's buyers sell selected samples; they control what they buy, down to the last thread. It's bought back by 70 designers who develop ranges from well-programmed information feeds. In addition, there are over 200 technicians who test it to find that their manufacturers and materials suppliers produce up to their standards and deliver on time.

**Dinnerware**

The UK's dinnerware industry is as strong as ever in the world. Half of the UK's £20 million production is expected. The other half comprises 60 per cent of UK's domestic sales. Of the nearly £200 million Royal Doulton, Wedgwood and Royal Winton produce 60 per cent. There is a two-tier market: the upper tier, the quality British brands, sells through concessions in department stores or through their own shops. The lower tier, where most imports are sold, is bought by store buyers and sold through various channels.

This two-tier market developed because women use dinnerware in two ways—low cost for everyday and 'good' for entertaining. For 'good' they want the great brands.
The reason the top tier brands are sold through concessions is that more buyers wanted to stock only the top sellers. This was unacceptable to manufacturers, who took over retailing their wares; they install fixtures, carry inventory, hire and train salespeople, and remit a percentage, usually 20 per cent.

But last year, imports increased their share in UK from £60 to £70 million; they’re also cutting into exports. Lower tier British manufacturers are being hurt, but the higher quality, upper tier brands hold their own.

One curiosity: modern design doesn’t sell. Even Habitat sells only traditional patterns.

Buyers have little effect on the top tier; it’s manufacturer-controlled. They do buy the lower tier but don’t affect design as yet. But buyers will become more powerful as supermarkets, variety stores, chains, mail order, etc., increase their share.

Furniture

The UK market for all furniture, about £1.7 billion, is almost all made domestically; imports are no problem. The UK’s furniture business is fragmented: over 6,000 manufacturers supply over 18,000 different retail organisations with over 15,000 specialist outlets. To compound the complexity, each makes or sells a diversity of prices, styles, types, etc. The problem is that feedback from consumers to retail, and from retail to manufacturers, is inadequate. Most companies do what they did that worked; forward planning in consumer furniture is unknown.

Furniture seems to be divided into two types: the smaller tier is where retailers buy a floor stock to sell from, then take orders for future delivery usually 6 to 12 weeks. Upper tier retailers—mostly independents and department stores—buy the basics. Regency, and Tudor, then fill out the display with whatever else seems interesting.

To buy stock in advance is too expensive; their rationale is that customers can select upholstery and mix pieces to comprise the room. There is no way to anticipate such variables with advanced stock purchases. Upper tier buyers buy what they see.

The lower tier, take-away retailing, requires massive stock. This trend is well developed in the USA: one hiring the UK: MFI’s centres increased sales by 60 per cent to £37 million with profits at £4 million, nearly trebling for the second year running. Also coming fast is ASDA with its acquisition of Allied Carpets and Williams. These fast growing low-priced distributors will hurt independents who now have the biggest share. Lower tier organizations buy large quantities of whatever they think will sell.

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In the early 1970s, patterned and coloured sheets zoomed into popularity; what had been a commodity became a home fashion product. Although more sheets were sold at higher prices, store presentation and inventory became more difficult. Latest sales have gone flat as household formations grow very slowly.

The duvet, another trend, eliminates a lot of redetaching drudgery. Its decorative cover replaces patterned top sheets, lower sheets are co-ordinated solid colours. The present trend—co-ordinate wallpaper, curtains, duvet covers, and carpets—poses problems for manufacturers, weavers must get into the wallpaper business and vice versa. And retailers must find ways to present these co-ordinated products which have been sold in different locations.

The total market for sheets is around 30 million units at £125 million. Duvet covers and another 30 million units at £70 million. Imports especially from the US are taking a larger share. Much of the UK’s production is now bought as material, finished by UK manufacturers and included in their range.

Buyers don’t influence the quality or price of sheets very much. Some buy buyers select patterns from proposals shown to them prior to production. But a big buyer, a pattern that is well liked may be withdrawn and made exclusive. Special designs for house-brands are produced.

Hairdryers

Hairdryers, chosen to represent small appliances, have been a fast growth product. Around 3 million units were sold in the UK in 1979, their value around £23 million. Imports dominate with 75 per cent share.

Buyers of hairdryers select what they want from a large variety. One department store buyer told me he stocks 48 but isn’t sure why. Buyers and they have no effect on design or price, they see the product upon introduction and buy it or not.

Hairdryer sales will gravitate to bigger buyers—mail order, supermarkets, multiples since they buy direct and can sell.
these easily compared to branded goods at lower prices.

**TELEVISION**

Television is the great product success story of the last 20 years. From nothing, now 98 per cent of all households have a television set, 80 per cent have colour, 60 per cent have black and white. But importers have grown faster than sales; from 3 per cent in 1960, imports are now 60 per cent. One reason is that British manufacturers stopped making black and white sets, and never did tool up to make colour tubes under 18 inches. But the main reason may be product quality. In January, 1980, Which? Magazine surveyed owners of 1,135 sets. Of sets bought since 1975, 90 per cent of the Japanese sets had no breakdown in the previous 12 months; but only 60 per cent of U.K. made sets didn't break down. Japanese manufacturers inspected every set before delivery, British manufacturers didn't.

Buyers have little influence on television manufacturers: they're the last to know what's coming out. New models are kept secret until shown to the trade. And new models are often introduced mid-year without any warning so as to keep competition off balance.

Television may have been a poor choice since 60 per cent are rented. This channel has no buyers since many distributors are the manufacturers. But in for-sale sets by Sony, Philips, Panasonic, etc.; only quotas and parents have kept them from taking the entire market. Soon, restrictions end on sets over 22 inches, which may make importers jump again.

**REFRIGERATORS**

Ten years ago only 60 per cent of U.K. households had refrigerators, now 90 per cent do; but this growth has been largely imported. The fast growth has been in fridge-freezers, which grew from 212,000 in 1979-80 to 1 million in 1989-90 per cent of sales. Italy has 86 per cent of U.K.'s fridge-freezer market and 60 per cent of single-door sales, U.K.'s manufacturing capacity for fridge-freezers is small. Thomson has a share most British brands—Hotpoint, Hoover, Icel, others—are Italian-made. It will be difficult for British manufacturers to recover this market. The cost of making is enormous. Pricing is so fierce that there is no encouragement to invest. It is said that subsidies of foreign manufacture killed British manufacture, but the British didn't adopt new designs which include auto-defrost, four-star frozen food compartments and thin insulation; these make importers more profitable.

Most refrigerators, 97 per cent, are sold in Electrical Board Showrooms, which have been criticized as a subsidized way to sell imports. Electrical retailers sell 14.4 per cent, department stores 25 per cent, discounter 12 per cent and Co-ops 8 per cent.

Buyers have no control over design or price; they take what they can get. Most buyers resent having no British-made products, but what can they do?

**BICYCLES**

Two million bicycles were manufactured in the U.K. last year; one million were exported. Raleigh, probably the world's largest manufacturer, built around 55 per cent of these. Last year the U.K.'s demand increased by 300 thousand units. Imports jumped to 475,000 up from 250,000 a year earlier. There appears to be a two-tier market. The top tier, largely Raleigh's high quality bicycles, at around £100 are largely sold through 1,500 independent cycle shops. The bottom tier, the cheaper product at around £50, is sold through chain stores 3 per cent; discounters 7 per cent; mail order 12 per cent; other direct promotions, etc.

Apparently there are two consumer shopping attitudes - one for higher quality specialist cycle shops; the other for cheaper, lower quality bikes sold through mass-orientated distribution. Although the upper tier holds its own, the lower tier, largely imports, is rapidly increasing. This same pattern occurring all over the world, is putting pressure on British exports.

The influence of buyers on the top tier is not great. The cycle shops, which buy in small volume, have dealt with Raleigh and in turn been protected. Raleigh is under pressure from large volume mail order buyers to produce lower cost products, but won't compromise. Raleigh make products the way they're set up to: prices fall where they may.

**GENERALIZING ON THE VOLUMES**

The eleven very brief product reports are specific. A summary of these historical ones can become as long and detailed as required by their end use. But examination of the vertical columns is not specific. This operation requires generalizing on the communica-

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of eleven diverse products. Although most of those interviewed cautioned me about generalizing, I will do it anyway.

PERCEPTUAL MAPPING

As the means of generalizing on products and retailing, marketing research has developed perceptual mapping, a method for positioning currently available products and retailers according to their price and quality. The right boundary has the newest, most fashionable; the left boundary has the oldest, most traditional; the top bounds the most expensive, highest class; the bottom, the cheapest, lowest class (Figure 3).

The centre of the space—middle priced, middle class, current, now styles—is where the largest selling, most commercial designs are located. The reason is that this is also the centre of distribution of consumers. Many studies show that consumers' vertical distribution by class and affluence is: upper class as 3 per cent, 12 per cent upper-middle, 30 per cent lower-middle, 35 per cent upper-lower, and 20 per cent lower-lower.

JICNARS (Joint Committee for National Readership Surveys) classification scale—A B C1 C2 D E—also follows this bell curve distribution pattern. Grade A constitutes about 2 per cent; B 10 per cent; C1 24 per cent; C2 about 32 per cent; D is 22 per cent; and E, the lowest grade is about 9 per cent. Similarly, for horizontal distribution, various studies of purchasing behaviour show that most products are purchased by: 2 per cent innovators, 14 per cent early acceptors, 34 per cent early majority, 35 per cent late majority, and 16 per cent laggards. This same concept can also be expressed as a bell curve of market penetration (growth) of styles of products in time. This demographic distribution of consumers can be mapped as a scattergram.

This map of automobiles (Figure 4) was drawn intuitively to demonstrate how products are distributed; the Cortina, the UK's biggest seller, is in the middle. In actual situations, products are positioned by data derived as a statistical cross-section of consumers' scores, each item against a carefully derived list of attributes.

Although we aren't aware of it, all of us have maps in our heads for every product type. There are probably 1,500 maps, one each for automobiles, chairs, clocks, cameras, etc. The purpose of this type of research is to extract these maps and then track the products on them. And, for every product map, consumers also have a map of retailers who are positioned according to price, and the quality of the products they sell. All of us know our most likely source for every product we know. This is why over 80 per cent of all purchases are made in the first store visited.

A GENERAL MAP OF RETAILING

Each retailer must choose how many product types it will offer (there will be a map for each product). A full line store—like Selfridges—will offer most of the 1,500 products, boutiques will have only a few. And on each map, retailers must select their position—the range of price and quality of the products they sell. Regardless of the number of products stocked, retailers must develop integrity—which is to have the products on all their maps in essentially the same posi-
tion. The position chosen can be at low price (Co-ops), high price old-fashioned (Fortnum & Mason), middle price (Marks & Spencer), new styles (Habitat), expensive (Harrods), or whatever; but to succeed a retailer must have integrity (Figure 5).

Habitat have high integrity at moderate price and new style; any individual customer may or may not prefer their kind of design, but it's clear what it is (and isn't). Similarly, Harvey Nichols, Fiorucci, Mothercare, Kickers, Cartier, Marks & Spencer, and Harrods, have high integrity; they are clear, consistent, coherent.

The usefulness of mapping can be reinforced by quoting from a Marketing Week article on Harrods in which Robert Midgely, their Chairman and Managing Director, wrote: 'In the last few years we have been making a conscious effort to reposition the store slightly. No, we haven't been moving down-market, what we have been doing is broadening our ranges in the middle sector of the market. We still have those very expensive items but we have fewer of them and we have a lot more of the medium-priced items because that's what the market demands to-day.'

This shift would move Harrods toward the mass middle where there is heavy competition, and away from the enviable position Harrods now occupies; this could be risky.

**TWO-TIER RETAILING**

This already highly generalized map of retailing can be further generalized by dividing it into two tiers: quality retailing is at the top, price retailing below (Figure 6).

Quality retailers—which include department stores and boutiques—compose the upper tier. In this context, the term *quality* is not an accolade but a way of doing business. Quality retailers present large enough assortments of styles, prices, features, etc., to try to satisfy all consumers, even at increased prices. This is not to say they're not price conscious; but exciting, desirable, well made products come first.

In this context, *price* retailing is not an insult, it is a perfectly legitimate strategy intended to give consumers what they want. *Price* retailing doesn't mean selling shoddy merchandise; it does mean that price retailers drive price as low as possible by demanding low price from manufacturers, buying large volume, and only selling fast moving products. A cliché of merchandising says that 80 per cent of the sales in any range are done by 20 per cent of the items; therefore carrying only the big selling 20 per cent satisfies most customers with the least stock. Since every item carried has rapid turnover, prices can be lower; lower prices lead to faster turnover, and so it builds.

Of the eleven products studied, seven clearly exhibit two-tier divisions. The other four—greeting cards, hairdryers, television sets and refrigerators—although sold in both tiers, are basically lower tier merchandise; and, in increasing proportion. I believe seven out of eleven is sufficient to support the two-tier concept.

This two-tier division evolves from consumers' buying practices; they consider two things: quality and price. Consumers who are primarily concerned with quality go where there is a larger assortment of more expensive, higher fashion, top-brand products. Consumers more concerned with price
shop where there are lower quality, limited assortments of mass merchantize. Retailers develop their strategies to attract one or the other of these two buying motives, but both strategies have limits. The peril of quality retailing is that it has too many slow-moving products which sap the profits from the basic. The peril of price retailing is that it has not a compact that isn't interesting to shop. And, both strategies can be compromised; quality ranges lose power by cutting margins items to reduce cost, price ranges are arbitrarily increased to achieve higher margins.

COMPARING QUALITY AND PRICE STRATEGIES

Selfridges' quality strategy tries to include everything. Marks & Spencer's price strategy car the core cut of ranges. Although Selfridges has all eleven types of products, Marks & Spencer has only a few. Shoes, men's shirts and bed linen are considered.

Selfridges have at least 300-500 different men's shirts; prices vary from £12.00 to £55.00.

Marks & Spencer have 18 men's shirt designs; prices range from £17.99 to £26.00.

Selfridges' shirts range from £7.99 to over £30.00. Selfridges' design Van Heusen display features shirts with 9 sleeve lengths at £9.85. Their Cardin display is spectacular.

Marks & Spencer probably have about half as many different men's shirts; prices vary from £6.50 to £26.98, most are £7.50.

Selfridges must have 100 different sheet designs from 10 brands. Dent's shop-in-shop display is enormous. Price for white double size is £12.95. patterns are £13.95.

Bed sheets at Marks & Spencer begin at £7.99 for a white double bed size; patterns are £9.99; there are 75 designs.

The difference between the two stores is more than the range of price and quality of intrinsic; it's in extrinsics too.

INTRINSIC AND EXTRINSIC QUALITY AND PRICE

Intangibles are the performance and appearance characteristics that are built into the product during its manufacture; what consumers buy, take home, and use. Extrinsic are the distribution and promotion factors that surround the product. Included are store location, service, credit, amenities, warranties, return, store decor, and many more. Manufacturers supply the intangibles, retailers supply the extrinsic. Price retailers cut extrinsics to the bone; they are frequently self-service (a euphemism for no service), sell, for cash and carry; and an austere environment reinforces their low price image. Marks & Spencer trim extrinsic fills, even toilets, credit, and drawing rooms. Conversely, Selfridges adds all sorts of activities to enliven the shopping experience, electronic games and international promotions are two.

TESCO

Tesco, a powerful newcomer to home and wear retailing, combines all line department store assortments with ranges that are even more compact than Marks & Spencer's. This takes range planning of utmost precision.

Tesco has only five choices of men's shoes, from £4.99 to £17.99; the entire display is only 8 square feet.

Men's shirts are limited to 50 different styles ranging from £4.50 to £8.99.

There are twelve different muscle shirts; plain colours are £3.45, patterns are £6.45 (£1 imported from the USA).

Beyond extremely limited extrinsic range differences, Tesco is doing something unique with its extrinsics; since design is positioned between price and quality retailers, this environment, which is lively and attractive but not expensive, is a long overdue achievement. Most price retailers' environments have all the charm of an airport washroom; this, I think, is unfeasible. Consumers may accept deinumanized environments for low price for a while, but will reject them once they have.

THE QUALITY PRICE ZEP HEART BELT

As I see it, the UK is beginning a massive realignment of its patterns of retail distribution. The curve is shoppers' preference for separating quality and price shopping. The result is a gradual recoupling of quality retailers into malls and of price retailers into courts. As these two types 'harden' themselves, companies on the division—such as C & A and Marks & Spencer—will
have to decide whether to be quality or price retailers.

Quality retailers—with 10-15 per cent of all sales—will become stronger as clustering increases their collective drawing power.

Price retailers—the great chains: 50-60 per cent; and thousands of independent shops: 25-30 per cent—will form into an easily accessible convenience network. But there will be wars as the traditional price claims (British Home Stores, Littlewoods, Marks & Spencer, Woolworth, Co-ops, etc.) are confronted by the new price strategy claims (Tesco, ASDA, Sainsbury, Comet, Boots, Argos, MFI, etc.); which are developing new locations, ranges and presentations.

In the first stage of the struggle, independent will be the losers. In the second stage, there will be a shakeout of chains; survivors will be those that develop the capacity to process information most effectively.

**BUYERS**

Now at last with the background laid, buyers, the topic of the brief, can be taken up. Two buying strategies support the two retail strategies.

Quality buyers—in the top tier—buy the basics which form the core of their ranges. Then they add merchandise to make these ranges exciting to shop. They use their experienced intuition to pick winners. Almost all home and wear fashion merchandise is bought by quality buyers who, I am told, can't be shammed; they either have it or not. In this context fashion is the newest, 15 per cent. Some big retailers split the buying of fashions and basics; they say these buyer can't do both. Quality buyers are usually pushing manufacturers to produce new styles, improved features, better quality—to trade-up; because of this quality buyers are not the target of the brief. One persistent criticism of quality buyers is that if they don't find what they want domestically, they'll go abroad.

Price buying, the opposite of quality buying, is systematic. They cut the core out of basics by eliminating all odd sizes, colours, patterns, etc. The game is to satisfy the greatest number with the shortest possible ranges. The purpose is to gain rapid turnover at all stores. Large volume buying involves great risk. Consequently, most price buyers are conservative; while it is desirable to maximize gain, it is more important to avoid disasters. Many won't even look at new lines or suppliers. They buy more of what is sold with incremental improvements in performance and appearance. As Harry Shepherd of Marks & Spencer put it: 'Most items are developments of existing lines rather than new creations.'

In the new environment, price buyers become merchantable controllers who match supply to demand. And they do it within the rigidly defined integrity of their company. They use every expedient to gain price advantage for their organization. They pressure manufacturers to cut costs; product variety diminishes as larger orders are given to fewer suppliers; imports are increased.

If the brief has substance, it is price buyers who are degrading product quality. They can exert an insidious influence on manufacturers in two ways.

Too many price buyers behave as though there was no tomorrow; they operate on short-term gains. But manufacturers must make long-term plans (especially in hard goods). Retailing's time scale is different from manufacturing's. Retailing operates on seasons, but in a season of falling market can become a two-week cycle of response ordering of cancelling, changing styles, etc. This is deadly to manufacturing which must have long, even production cycles to be efficient. But when markets move or fall, many price buyers put immediate self-interest ahead of developing reliable sources; bad buyers produce bad suppliers.

Another process by which price buyers degrade product quality begins by demanding manufacturers to cut their margins to the bone. The next cut, often at the buyer's suggestion, is for manufacturers to eliminate promotional costs; this soon depletes brand strength, the very thing on which price buyers are capitalizing. Next, to hold down costs, manufacturers cut development. Then they cut capital investment and exhaust their productive efficiency. And they cut product quality. Their engineering and purchasing save thousands by using the gauge of steel; they get a medal for it. Encouraged, in succeeding steps they cut paint quality, motive size, plastic thickness, etc., until they've covered with metal. But the product no longer sells.

This is the point in this report where I should brand price buyers as the cause of the U.K.'s problems, but I can't. My interviews with them, and with manufacturers.
who supply them, indicate to me that they are intelligent, organized, and determined. They all seem to realize that they can't compromise quality too far. Giving customers a square deal is not idealism; it is keen business sense. Satisfied customers come back; this is fundamental to success. As I see it, price buyers are doing what they're supposed to be doing; they're representing consumers' interests for low prices and developing their company's defined strategy. To increase their buying effectiveness, many big chains now break the operation into two: a selector and a negotiator. Ironically, most buyers I interviewed, when shown the brief, agreed it had substance, but with someone else's operation, not theirs.

Manufacturers

To me, the core of the problem seems not with the UK's buyers, but with the UK's manufacturers. Too many manufacturers react too slowly to obvious threats or become subservient to retailers. To maintain their integrity, manufacturers must plan aggressively, promote hard, and make retailers dependent on them. If manufacturers let buyers call the shots, they're finished. Obviously, there are many cases where an amount of commitment or investment can overcome the disadvantages of higher-cost labour, but such situations management would be foolish to invest. But there are alternatives: manufacturers can become the importers of products or materials to augment their production. To let importers go directly to retailers is the short-cut to disaster. And if retailers become too demanding, many manufacturers should consider distributing their products themselves.

This may seem easy to say but difficult to do. However, Clarks shoes responded as it became clear that their labour-intensive industry was threatened. A decade ago, Clarks began building up overseas suppliers. For example, Clarks bought hounies, made of many parts and operations, from India. And Clarks began to build export markets, they bought shoe materials overseas. And Clarks developed technology to reduce the labour in shoe making. In the mid-1960s, Clarks began inserting polyurethane into moulds to produce light, strong, durable soles. It took a decade of technical development to get the process into production. Their new Polyveld shoes, introduced in 1975, boosted Clarks' casual shoe sales from 1 million to 3 million units. But Clarks also needed a new formal shoe. A second round of technological development produced the Sidewinder. Clarks now license these processes all over the world.

Consumers

Now that I've discussed retailers, buyers, and manufacturers, I should like to take up consumers.

Another look at the new model shows consumers at the pivotal position: their satisfaction controls buying, retailing, manufacturing, and material supply. Research now indicates that consumers have two attitudes: they're either interested or uninterested in what they buy. Most consumers are uninterested in most of what they buy; this is why they buy familiar brands, or what's available at an affordable price, or it's available from a trusted and convenient retailer. They buy because they want the service the product performs (it takes pictures or cleans clothes) or because everyone else has one (clothes or curtains) or it's fun (electronic games or cookies). Most purchases are made by uninterested consumers. This is why so much heavily advertised, retailer-endorsed merchandise is bought, and why price is so important, and why quality only has to be good enough. Because most consumers buy on trust, they become fixated when a product doesn't work or wear well. Virtually every survival store, Tescos, Marks & Spencer sell, and most of what Selfridges sell, is designed, presented, and priced to sell to uninterested consumers.

Conversely, interested consumers, the same people buying products that they're informed about (often better informed than salesmen or even manufacturers), will go to great effort to find exactly what they want, price is secondary. Most consumers have at most a few areas of product interest, probably their execution, or a long-term, well-developed avocation.

During the last twenty years, consumers have replaced manufacturers as the centre of the retailing universe. This shift is analogous to Copernicus's shift in our physical universe. The problem is that we don't yet understand precisely how consumers evaluate quality. Most consumers, for most purchases, have difficulty evaluating quality so they settle for good enough—some familiar brand at an established retailer. But it appears, as times get tougher, prices higher, money tighter, consumers become more interested in what they're buying; they buy...
fewer, better quality products to protect their investment. Manufacturers and retailers must strive to understand consumers and respond to them. Those who do will win.

CONCLUSION
When I saw the title I knew it was a report of enormous complexity. The matrix was my attempt to discipline it. But the matrix is embedded in an environment which affects it. Since I began the study I searched for its context. Immediately, I ran across Baore and others, Britain's Economic Problem Too Big For Producers. They blame Britain's industrial troubles on the rapid shift from a productive to a non-productive economy. I accepted their thesis and got on with the work. Then I found the Ceased Report, which says that British products are inferior because British firms do not adequately recognize product design as a key function. Then a report by Christopher Lunt, Manager in Success, charges that New City inhibits product development by constantly insisting on short-term profitability at the expense of long-term growth.

And so I began to look into this phenomenon and wrote the 22 reports on the cause of UK's industrial decline. Then I realized that large volume buying, the cause of UK's troubles, is number 24. The brief doesn't describe the cause but one cause which provokes so many literate, authoritative, and convincing documents is that the complexity of this problem causes the mind to fix on one cause. To me, each situation—men's shirts or cars, for example—suffers from a multiplicity of causes from the list of 24 problems, but each problem has a different hierarchy of importance of the causes. Documents which deplore one cause in the cause should be viewed with suspicion Figure 7.

Some of these reports are from NIDIO, and it seems that when NIDIO reports a cause, things rapidly get worse. Probably the real reason is that NIDIO begins its study after the identified problem is already deeply rooted.

Now that my work on large volume buying the time assigned to me has ended, I realize that I made the same error as the others. I laboured as an identified problem. What all men should do is stop deplothing some cause and search for opportunities.

I am deeply grateful to the Americans, to have been assigned this fascinating British project. One insightful manager I interviewed immediately asked me: Is this an academic or a practical study? I couldn't answer then; I can't now.

DISCUSSION

THE CHAIRMAN: I congratulate Mr. Dehlin for handling such large amount of material in such a delightful way.

Perhaps I may be allowed to put the first question myself. Mr. Dehlin, it seems that what you have discovered in Britain is a manufacturing industry in trouble, but a distribution industry which in which respects is thriving very commercially.

THE LECTURER: Britain may have the least efficient distribution industry in the world.

THE CHAIRMAN: But there are very few produced by this relationship. Does the trade in any way work with what is happening in the United States?

THE LECTURER: Yes, it does. Britain's distribution lags behind the United States by about ten years.

THE CHAIRMAN: After ten years do you have the same problems?
THE LECTURER: Yes, but Americans have a totally different approach to the degradation of manufacture. We happily go out of business with all kinds of the U.S. There has been no declining as in Britain. Where a giant factory closes, everybody just goes out and sells something else. Nobody even bothers to report it. In twenty years we are down from twenty-five to five refrigerated lamp manufacturers and more than half are out of the electronics business. When RCA, Motorola, General Electric and others gave up much of their electronic manufacture to the Japanese, nobody seemed to mind. A few months ago General Electric closed its entire close motor division—thousands of people out of work—without causing a ripple.

MISS SUSAN GIBBENS: (London Business School) Had you notice in your study whether there was any evidence of financial decline between the price buyers and the manufacturers? What is the significance of that?

THE LECTURER: I do not understand what you mean by 'financial influence'.

MISS GIBBENS: I understand that some price-conscious buyers actually give direct financial support to manufacturers, which makes the manufacturer dependent and may affect change in the future.

THE LECTURER: Well, Marks & Spencer have shut down whole segments of British industry with their help. I have not heard that they actually advanced money to these companies. They are certainly helping them the way they order merchandise and give technical assistance. They have made a marvellous job in keeping many small British industries going.

THE CHAIRMAN: I was interested to see in your chart that you were able to plot the old and new, the cheap and the expensive. The chart was crowded in the middle and at the top. But the line on the chart for what is both new and cheap was completely blank. This is something that bedevils the design council in its product selection, to try and find something genuinely new and genuinely cheap which is also good.

THE LECTURER: In the U.S. and I suppose here too, new cheap is not considered good. It includes the funny things—those glittery T-shirts or plastic luggage. Jeans, which were new and cheap, were picked up, legitimized and moved to the mass market. All influences begin on the left, and most, including many new cheap authorities, end in the mass middle.

MRS. A. C. STRONTHAM, MEM. RMI, College for the Distributive Trades: Could you tell me how your expert manufacturers do so much business with the American market? If so, tell me in what way you have the American market.

THE LECTURER: As you know, American manufacturers are changing this. Today there is a great variety among foreign manufacturers, and some products—5

THE CHAIRMAN: I doubt if we could ever get a position in this country where it would be possible to impose the sort of discipline which the Japanese accept: that is to say, an
actual prohibition upon the export of goods which do not reach a certain standard when it arrived at after very careful study I do not think you could gleanBritish manufacturing industry into that problem. A few years ago the Monopolies Committee recommended that there should be a national certification system to help all British manufacturers, particularly exporting manufacturers, which would be internationally recognized. There was a great deal when that was proposed. It was unacceptable to the C.B.I., who would not stand the idea, and it died. Under the Callaghan Government the subject was reopened. There was talk of a voluntary scheme whereas particular sectors of industry with institutional support might devise a certification and quality approval systems themselves.

I don't know whether the present Government has any thoughts on the matter, but it is certainly not made public.

Mr. Peter Green (London Business School): May I ask Mr. Dobson what he thinks of the reverse side of this coin? We have in this country one of the most efficient distribution systems in the world. This is a passport for the exporter, who is really the market which is very accessible because the system is efficient.

The Chairman: It is indeed. Many of the manufacturers I talked to, Thorne for one, and me that there are only five distributors in important have not sold, and if three of them can be sold, the product is totally in the British market. It was said because of the fragmentation, that the same thing in Germany and in France and in Italy would be nearly impossible; it would be necessary to reach hundreds to do the same job. I am sorry I cannot ask you into detail on this matter. One piece of which I did not include said 'Now that I have finished this assignment I realize that it is the entry point for gaining an understanding of Britishism. It seems odd that examining buyers should send us much, but this approach sends directly into reacting to manufacture, imports, consumer is a global concept.' One of the projects that I read, about clothing, engineering, design, and all have a limited point of view, but do this project right would take fifty times the effort I was able to expand to properly answer the brief, but by interviewing a sampling of buyers and manufacturers I did gain a reasonable overview, they told me about their competitors, and I was able to piece the industry together. If this project had been done still earlier I guess it would occupy a team of five, including a librarian, a couple of researchers and so on for about a year. If they were done some extraordinary thoughts could be gained as to what is really happening.

Mr. Green: Can I comment on another issue? I was interested in your statement about the geographical localization between the quality retailers and price retailers, with the quality retailers, much more widely dispersed than the price retailers. I wonder to what extent your extrapolation from American experience is going to be valid in this country, conditioned as we are by geography, by very strong planning regulations by high density populations and by lack of space and funds.

Mr. Green: I don't think there is any great difference between Britain and the densely populated areas of the United States. The same problems abound on the Eastern seaboard of the United States, which I believe is more densely populated than Britain. And if you want to study retailing in a dynamic city, such as Chicago and Atlanta, both densely populated, are interesting places in which to see similar changes occurring.

Mr. Chairman: I will now draw the proceedings to a close, and on behalf of all of us express my thanks to Mr. Dobson for the leg work he has done. He must have worn out at least fifty pairs of clerks' shoes! It is an enormous field to cover, and a very important one. I remember Sir Gordon Russell saying to me a year before I joined the Design Council that one of the obstacles to better design standards was the lack of understanding of the British retail buyer. To a large extent Mr. Dobson has tonight enlightened the British buyer, but I believe nevertheless that there are many men and women in positions of buying power in the country who would do well to take more heed at design and designers.

Thank you, Mr. Dobson, for your stimulating lecture.

The meeting concluded with thank you.