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TELESHOPPING AND RETAIL CHANGE:

A MARXIST PERSPECTIVE

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A thesis submitted to the University  
of Bristol in accordance with the  
requirements for the degree of Ph.D.  
in the Faculty of Social Science.  
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## ABSTRACT

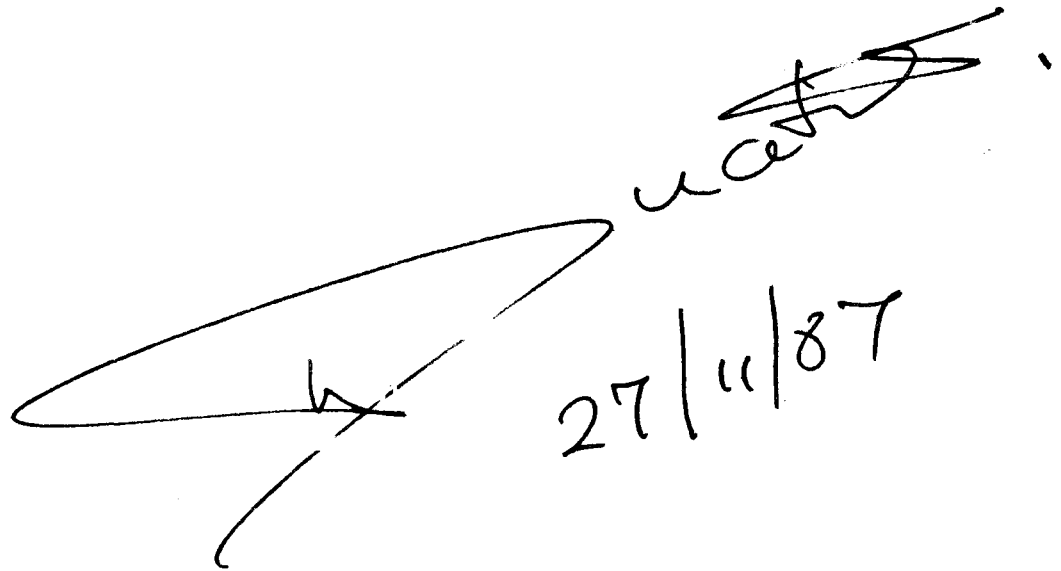
This thesis develops and implements a framework for investigating retail change which is both theoretically and historically informed. The framework is applied to an investigation of teleshopping as a retail innovation. The investigation took the form of fieldwork interviews with decision-makers in companies with an interest in teleshopping in Britain and the United States. It is shown how the response which these sectors are making to the challenges of teleshopping can be understood within a marxist framework, by introducing the notion of modes of competition. These are specific configurations of the labour relations which have canalised the accumulation process in sectors of retail capital during each major period of capitalist accumulation. The failure of grocery retailers to take up teleshopping is attributed to the fact that it does not offer them further scope for accumulation, and it is inconsistent with their current mode of competition. Mail order houses are adopting teleshopping because it is consistent with their emerging mode of competition. The potential and actual restructuring which teleshopping enforces on the distribution chain is interpreted considering the way that surplus-value is shared out between the different capitals in the distribution chain. This is described as vertical competition. It is argued that in Britain, the effect of British Telecom's hegemony over the telecommunications networks is prejudicial to the establishment of capitalistic teleshopping. The development of teleshopping in the United States is used to provide an example of a country in which the telecommunications agency has been prevented from taking a dominant role. Even there it is found that the restructuring of established sectoral boundaries, and the greater number of capitals involved in the supply chain make teleshopping unattractive.

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Many thanks to Louise, Nick, Keith, and Neil: who, in their different ways gave me the motivation I needed to get this thesis written. The time and knowledge of the people interviewed in the fieldwork must also be acknowledged, without their willingness to share experiences with me the work could not have been done.

DECLARATION

The thesis is the original work of the candidate except where acknowledgement is given, and has not been submitted for a degree in this or any other university.

A large, stylized handwritten signature in black ink, appearing to be 'W. A. S.', written diagonally across the page. Below the signature, the date '27/11/87' is written in a similar cursive style.

27/11/87

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## CHAPTER ONE

### INTRODUCTION

As a research project, the investigation of teleshopping is a hard nut to crack. Teleshopping is a new form of retailing. There is little empirical evidence to support arguments which might be put forward concerning its significance. As a result much of the published literature which deals with teleshopping has a disreputable air of speculation to it. Yet, teleshopping is important. As an example of an ever growing range of consumer services based on computer and telecommunications technologies it is in the thick of the processes which are reshaping society. Teleshopping challenges the conventional wisdoms of retailing, and so runs against the vested interests of established retail companies.

A conscious decision was made in this thesis is to avoid the wilder excesses of speculation about teleshopping and its future prospects, which are so common in the information revolution literature. Rather, the main thrust of the work has been to try to develop an appreciation of teleshopping based upon its relation to the retail structure. In this regard, the present work can be seen as taking teleshopping as a case study in the theorisation of retail change.

The first major problem in developing this theme was that whilst retailing is an essential and highly visible part of modern society,

retail research is a marginal activity. Retailing is abstracted out of existence by orthodox economists and marxists alike. By the same token, conventional retail research assumes an artificial separation between retailing and its overall function within society. Small wonder then that such research fails to adequately account for teleshopping as an example of retail change. Unfortunately, the absence of any integrated theory of retailing meant that it was necessary to go right back to the most basic abstractions, in order to construct a framework for understanding retail change, which in turn could be used to develop a theoretically informed perspective on teleshopping.

A major part of this thesis is the integration of retail capital into marxist theory. Marxist theory is the only theoretical perspective which allows retailing to be understood in both a rigorous and comprehensive manner. Marxist theory does not make distinctions solely on the basis of surface phenomena, but in terms of causal links. The distinctions made between sectors of capital are therefore analytical, so <sup>that</sup> when the empirical boundaries of retailing alter, as happens with teleshopping, analysis is not constrained by out-moded categorisations. Within marxism retail capital is clearly definable in an analytical manner which shows both its peculiar logic and its role in the reproduction of society. The marxist paradigm <sup>is</sup> was particularly adept at showing how the technological nature of teleshopping creates a new set of linkages, and a new set of problems, for retail capital.

## 1.1 Outline of the thesis

The first part of the thesis introduces the conventional retail literature. Chapter Two provides a general overview of the different types of retail research, dealing first with geographical and planning perspectives and second with the marketing and business literatures. Attention then turns to the literature dealing with retail change through an examination of the various alternative theories which have been proposed to explain alterations in retail institutional form. Rather than duplicate the general critique of retail research made in Chapter Two, the teleshopping literature is decomposed into the series of for and against arguments which provide its only real substance. This discussion in Chapter Three is meant to introduce the reader to the main issues which surround the introduction of teleshopping.

Chapter Four begins the process of reconstructing teleshopping from an avowedly marxist viewpoint. A framework for analysis is constructed by first locating retail capital within the overall circuitry of capitalism, then defining its specific logic. The way that retail capital is implicated in the reproduction of the social relations of production is pointed out, with special reference to its position at the interface between economic life and the realm of consumption activities. The concepts of competition and innovation within capitalism are introduced and examined with respect to retail capital. A particular distinction is made between competition between retailers in horizontal markets, and the vertical competition between retail and other forms of capital. The last section of Chapter Four describes the fieldwork which was undertaken



in support of the thesis. The investigation took the form of interviews with senior executives representing companies with known interests, or potential interests in the development of teleshopping. To gain a cross-national perspective interviews were carried out in the United States as well as the United Kingdom.

The nature of horizontal competition between retailers in the mail order and grocery trades is the subject of Chapter Five. The development of capitalistic retailing in these trades is examined and interpreted to give the context within which teleshopping has emerged. This provides an historical context within which to interpret the results of fieldwork interviews, and to derive a marxist understanding of teleshopping as a mode of retail competition.

The significance of teleshopping as a force to restructure the supply of consumer goods is the subject of Chapter Six. The nature of vertical competition in the grocery and mail order businesses is explained. Then the restructuring of the lines of battle in this vertical competition by teleshopping is discussed.

Chapter Seven widens the analysis by looking at teleshopping's development in different national context of the United States. The similarities between the two countries in many ways outweigh the differences, and it is argued that this can be explained by appealing to marxist analysis.

Chapter Eight provides an overview of the significance of teleshopping as an example of retail change, and as a component of the changing nature of capitalist society. It is argued that the

depth of insight provided by developing the thesis within a marxist framework is greater than would be possible if a more conventional approach had been adopted. Finally, the overall conditions which are transforming the dominant labour processes in capitalist society are considered to see what part teleshopping might play in the restructuring of society.

## CHAPTER TWO

### THEORY IN RETAIL RESEARCH

In this chapter academic retail research is examined and found wanting. Retailing is very weakly theorised. Primarily, there is little attempt to provide a critical judgement of the role of retailing either in the economy or in society. For the task in hand, this is a serious flaw; one cannot hope to understand changes in the mode of retail provision without first theorising the forces of social change. Most of the work reviewed here fetishizes retailing, or consumer behaviour, or both. It ascribes them an independent existence by taking them at face value.

The retail literature contains two main sources of retail research. Research from the geographical and planning disciplines and research from business schools. Within both of these traditions there are two main perspectives, demand-side (behavioural) studies and supply-side (institutional) studies.

The main distinction between the two traditions in demand-side studies is that geography has an explicitly spatial orientation; the business school studies do not. The similarity is a central focus upon consumer decision making in which the status quo is legitimated by default. The one-sided analysis of consumer choice between obscures the powerful dynamic of 'retail firms' self-interest in determining what the alternatives will be.

Retail institutional studies differ between the two traditions in so far as the business schools exhibit a wider diversity of modes of study. Econometric studies are similar in outlook to the normative modelling studies in geography. Both are concerned with efficiency in the spatial configuration of retail stores. Both theoretical offerings are rigid and static.

The first part of the chapter reviews the main currents in geographical and planning thought on retailing. This is followed by a similar synopsis of themes in the marketing and business literatures. The third section is devoted to a discussion of theories of retail change. Finally, the implications, for the present work, of the issues raised in the chapter are examined.

## 2.1 Geographical and planning perspectives on retailing

Geographical and planning studies of retailing are considered together because they are cognate disciplines; they share a spatial tradition. Good reviews of the literature in these fields can be found in Davies (1976) and Dawson (1980). Reviews with an explicit planning interest are in Guy (1980), and Davies (1984). In this section, the essential characteristics of each major style of spatial retail research are discussed to demonstrate the inadequacy of conventional approaches to retailing.

### 2.1.1 Normative spatial models

If there is a natural starting point for this section it is the resuscitation, during the 1950s and 1960s, of earlier models of the

spatial pattern of settlements (Table 2.1).

Table 2.1 Roots of the Fifties and Sixties 'Theories'

Recent Author	Year	Inspiration	Original Author	Year
Berry and Garrison	1958	Central Place Theory	Christaller	1933
Huff	1963	Gravity Model	Reilly	1931
Garner	1966	Bid Rent Theory	Von Thunen	1826

These publications, all concerned with retail phenomena, were seedcorn to human geography throughout the 1960s, and on into the 1970s. The strong spatial component of these models provided geographers with a seductively powerful set of new tools. Between 1960 and 1974 there were approximately 500 studies of tertiary activity location most of which used Central Place Theory (White and Case, 1974).

The remit of Post-War planning was to control land use patterns, and urban form. This was applied through land zoning. Planners justified their zoning decisions by invoking the service hierarchy in Central Place Theory. The primary criticism of the way planners used the hierarchy is that it forces retail provision into a static equilibrium (Dawson, 1979). In other words, "the pattern of shopping centres which happened to exist shortly after World War Two would henceforth become that which planners appeared to regard as the most desirable for the town in question" (Guy, 1980 p.75).

The general limitations of normative spatial models have been discussed elsewhere (Shepherd and Thomas, 1980). The chief criticism is the inability, due to excessive simplifying assumptions, of such models to account for real human choices.

There is a preoccupation with the spatial appearance of society, over the explanation of the causes of that form. In the retail studies the spatial manifestation of shops and shopping is the chief focus of concern. There is the sense of stasis, in which central place theory was the prime culprit. Disquiet over these defects set the scene for the shift towards more behavioural approaches, which, it was hoped, would allow a greater reflection of individual, or subjective, decision making.

### 2.1.2 Behavioural approaches

Although the physical structure of retail provision continued to preoccupy planning orientated research (e.g. Dawson and Kirby, 1979), the behavioural approach dominated retail geography from the mid-Seventies. Store location theory was canalised by shopper-choice models, rather than studies of retailer strategy (Dawson, 1980).

Behavioural approaches required new styles of data collection and interpretation. The collection of data often followed the social psychological approaches used in marketing studies. For instance, the use of Kelly's Repertory Grid (Hudson, 1974), or of semantic differentials (Downs, 1970). Another key development was the application of probabilistic modelling techniques, to represent the variety of ways in which consumers make decisions (e.g. Burnett, 1977; Dunn and Wrigley, 1985).

The achilles heel of behavioural research is the implicit use of consumer utility axiom (Luce, 1959). The status quo appears as the outcome of the free choices of individual consumers. Behavioural

research tells only half the story. The powerful logic which lies behind the actions of retailers and commodity producers is concealed.

The 1970s also saw an outpouring of empirical shopping studies. These provided the source material for the behavioural models (e.g. Wrigley *et al.*, 1985), the input to planning studies or were undertaken more or less on their own merits (e.g. Thorpe 1975). The result of this proliferation has been to immerse researchers in a wealth of detail from which theorisation is difficult (Shepherd and Thomas, 1980).

### 2.1.3 Time geography

One useful outcome of behaviourism was time-geography. Time-geography has not contributed much to mainstream retail geography in itself, but by placing shopping behaviour in the context of everyday life, the socially determined nature of such activities are revealed (Thrift, 1977). Potentially, time-geography permits the consideration of the welfare implications of the shopping provision within the overall context of physical accessibility and time budgets (Hillman *et al.*, 1976; Jones *et al.*, 1983). Notwithstanding some attempts to address the shopping needs of deprived members of society (for example Davies and Champion, 1980), welfare approaches have not been a research priority in retail geography. Rather, the commercial issues of distribution research have been seen as competitive with the social relevance movement (Davies and Kirby, 1985).

#### 2.1.4 Systems theory

Meanwhile planning studies concerned with the form of retail provision continued to flourish (Guy, 1980). New approaches such as Systems Theory within planning (McLoughlin, 1969) merely reflected the constant desire to legitimate planning as a science. Systems theory may make for more dynamic planning models, but the systems approach is only a framework within which the predispositions of planners are given substance. That systems theory is not by itself an alternative to normative models or to behavioural models can be seen in recent attempts to rehabilitate spatial interaction models and Central Place Theory into large-scale system models of the urban spatial structure (Batty, 1978; Clarke and Wilson, 1985).

#### 2.1.5 Recent trends in retail geography

Recently, in geography, there has been turn away from demand-side studies towards the supply-side. This has been associated with the growing links between geographers and retailers, and a weakening of the prestige of <sup>of</sup> planned development. The new practical, or pragmatic, slant is most clearly illustrated by the migration of several of the leading retail geographers to business schools. Certainly, the one-sided analysis of retail patterns remains unabated. There is still a tendency to accept the allocational efficiency of retailing, based upon the free-market, free-choice argument. Business schools are hardly the prime foci of critical thought on the activities of retail capital. From the other side of the fence, apart from some concern about the changing conditions of retail labour (Lewis, 1985), there has been virtually no attempt by the radical, or critical geographers to deal with the geography of



retailing. One of the main items on the agenda of the present thesis is to construct a critical appreciation of retail capital; a task which will be taken up in Chapter Four.

#### 2.1.6 Summary

The defects in the present body of retail geographic literature are these: there has been an overpowering concern for either methodology over theory or for measurement over concepts; and far too much attention has been given to the spatial manifestation of retail facilities or shopping behaviour. The consequence is that most retail geography is superficial and the present structure of provision goes unquestioned. The analysis is reduced to the mere description of the present physical format of retail supply. One reason is that retail geography nearly always starts from the assumption that retailing and shopping can be considered in isolation from the rest of society. It implies an acceptance of the appropriateness and social efficiency of the status quo in retail supply. There is scant attention given to the logic of the structures of supply which confront shoppers.

#### 2.2 Retailing and marketing

Two types of study fall under this heading. The first type derives from socio-psychological theory, and has had a major impact upon the nature of business research, particularly in the United States. Second is the economic or business history approach, which runs the gamut from orthodox economic history to anecdotal studies of individual firms. There is a split between these two types of study, similar to that observed in the previous section. The former

tend to focus upon the individual consumer whereas the latter are concerned within the institutional form of retailing. The individual level will be taken first.

### 2.2.1 Socio-psychological models of consumer behaviour

The core assumption of socio-psychological research is always a variant of the notion that individual choice behaviour is the outcome of: the functional qualities; and the psychological affect of the consumption good or service. The approaches differ in the way that these two features are integrated and in the postulated relationship between the resulting attitude and observed behaviour.

#### i) Psychological models

For example, image research holds that a retail store will be perceived in a symbolic manner by a shopper. The image will be made up of: the true functional attributes of the store; the emotional response that each function invokes (the function's quality); and the expected psychological rewards that the consumer will reap as a result of that particular choice (Martineau, 1969).

The causes of these different mentalities are sought at a deeper level in Vroom's (1964) motivation theory. Individuals are posited as goal orientated. Actions are interpreted as a function of: the expected satisfaction which will be gained from achieving a goal; the subjective likelihood of achieving that goal through some action; and the probability of being able to undertake that action.

Attitudinal research is a strand of cognitive research which has

attempted to specify the links between the subjective level and the observable act. Attitude can be defined as a uni-dimensional measure of the amount of affect for or against a psychological object (Thurstone, 1931). Value Expectancy Theory was developed to provide a direct measure of attitude towards an object, in terms of an individual's belief set and the evaluation of those beliefs (Fishbein (1967) .

In later work (Fishbein and Ajzen, 1973) there was an attempt to link the attitude towards the object to actual behaviour. A set of constraints, such as social pressures, were postulated. These constraints would not change the attitude towards the object, but would affect behavioural intent, and therefore actual behaviour. However, the distinctions upon which Value Expectancy Theory is based are hypothetical (Wilkie and Pessemier, 1973), and do not improve the predictive capacity of the technique, as there is a generally poor correlation between attitude and observed behaviour (Michaels and Allaman, 1980).

#### ii) Consumer utility models

A direct link between individual preference and choice is theorised in the widely used class of models based upon the consumer utility axiom (Luce, 1959). The difference between these models and the psychological approaches already discussed is one of emphasis and not of kind. In the latter, individual personality is investigated to uncover the roots of choice, in the former, observed choice is taken to show the personal utility of alternatives. Whilst the psychological approaches can be conducted in isolation from actual decision making situations, utility modelling requires the direct

confrontation of the individual with an object and a number of alternative actions which will achieve that object. Both types of approach depend upon individuals making choices upon the subjective merits of the alternative ways of achieving an objective, that is some form of utility maximisation.

The direct measurement of observed behaviour may well account for the much greater predictive reliability of consumer utility models than, for instance, attitudinal models. Here attitude is only measured in a simple way. Individuals are allowed to ascribe a utility to the attributes of an alternative. But the investigation does not deal with the psychological goals which gives the alternative a meaning.

The range of alternatives which are offered to an individual are described in terms of attributes which are mutually comparable. Thus, the full range of alternatives does not constitute a description of the content of the goal, but merely a series of acts which have a similar outcome. The outcome is the focus of the researcher's attention, rather than the psychological affect upon the individual. Researchers using utility models, therefore, are mainly concerned with the correct specification of attributes: which ones to include; which to leave out; and the manner in which these can be analyzed to give the greatest predictive performance. Hence the concern with different combination rules, the form of the utility function, (for example Anderson, 1970) and the decision rules which they imply (Forester, 1979; Williams and Ortuzar, 1982).

### iii) sociological approaches

Utility modelling merges with sociological theory through the use of socio-demographic variables in order to add explanatory power to the analysis. In so doing psychological affect is assumed to be directly related to, and replaceable by, the objective circumstances of individuals. Of course, these circumstances can be decomposed into variables that are far easier to measure, than the variables which the psychological models require. On a simplistic level the researcher can then use a straightforward socio-demographic segmentation technique to investigate differences between consumers in their sample, usually with a few impressionistic questionnaire responses included for good measure (for example Gillett, 1970).

Alternatively, a more complex approach can be sought which relates consumer behaviour to a more highly specified sociological standpoint. The researcher looks for clues to the riddle of consumer behaviour by applying batteries of socio-demographic variables, constructed into concepts such as role, life-style, life-cycle, and social class. The latter is much less common in consumer research than the former (Foxall, 1980), particularly in retailing studies.

An individual's role comprises familial, career and social pressures. A lot of activities are undertaken to satisfy this role, some of these are routine, but in other cases there is competition between social pressures and responsibilities for the individual's time and money budgets. Therefore, behavioural change can be seen as an adaptive response in order to maintain some sort of

equilibrium. Of course there are strong similarities between this type of work and the time-geographic approaches of Hagerstrand (1970) and of the innovation adoption literature (Brown, 1968) to be found in geography.

#### iv) social class

The concept of role, however, can be a lot more powerful than this when harnessed with the concept of social class. If individual action can be meaningfully constituted in classes, or roles, then there must also exist social processes which bind the individuals into those roles or classes. This is because these roles and classes exist through long periods of time, and are reproduced from individual to individual. The existence of a socially defined activity, such as shopping, requires that groups of people should undertake the role of shopper. A prerequisite is the existence of a similarly defined social group called shopkeepers. However, the content of the relationship between shoppers and shopkeepers is not definable only in respect of these two complementary groups, it requires the investigation of the social meaning of the act of shopping, and of retailing.

#### v) summary

Most consumer research does not even begin to tackle these issues. Rather, the concentration is upon an individual's comparison between available alternatives. The researcher only wants to know how the choice decision is made. They are not interested in the context in which the decision arises. For this reason alone it would be possible to reject the present corpus of consumer research for use

in this thesis. In the next sub-section attention turns to supply-side retail literature; an area of literature which is remote from consumer research, but seeks to legitimate itself through the self-same appeal to freedom of choice, and the allocational efficiency of free-competition.

### 2.2.2 Retailing as an institutional form

This section is composed of three main literatures: the economics of retailing; the retail management or trade literature; and the business history of retailing. Each of these three literatures are considered in turn. From the wealth of empirical material which these literatures have spawned there are few examples of retail studies which are placed within their wider historical context. Two exceptions to this rule are examined in the fourth part of this section.

#### i) the economics of retailing

The study of retailing, or even of physical distribution as a whole, has been small beer to economists. As Tucker and Yamey (1973) point out, retailing is abstracted out of existence in mainstream economics. In the theory of the firm it seems as if the producers sell directly to the consumers.

In the theory of retail economics, the main point of discussion has been the efficiency of different patterns of retail provision. Hotelling (1929) argued that retail markets would tend to be imperfect. Retailers would tend to locate together rather than be spread out into the most efficient pattern. Lerner and Singer

(1937), and Lewis (1945) extended the argument to show that as long as there is easy entry into retailing the shops will be smaller, and more numerous than the optimum in the suburbs, but will be at an approximate optimum in the central locations. They also concluded that if the retailer pays the transport costs the number of shops will be ideal. This excess capacity is thought to ensure fierce price competition between retailers, which is usually held to be in the interests of consumers (Hood and Yamey, 1951).

Beyond the argument over how many shops are consistent with an efficient distribution system, and the related themes of pricing (for example Naden and Jackson, 1953) and fair trade or resale price maintenance (for example Yamey, 1966), economic theory has not yielded great riches on the economics of the retail trade. Rather, there has been a tendency towards the production of a great wealth of empirical matter without much theoretical content (for example Hall, et al., 1961).

#### ii) retail trade literature

Retail studies seem doomed to slide into empiricism as it is also the hallmark of the retail management literature. In fact, there are no great distinguishing features between economic studies of retailing and the retail management literature, beyond the degree of technicality engaged and the type of journal involved. So that, there are many studies (for example Ingene and Lusch, 1981) that could be in either category.

Retail management studies are found in a vast range of sources from the trade literature to academic research. The trade literature is



profuse but deals only with the ephemeral or topical; current bones of contention and changes in ownership, management or strategy are the main content.

More substantial papers are found in a number of journals which address both an academic and an executive audience. These range from the popular (for example the Harvard Business Review, Retail and Distribution Management) through the accessible (for example Journal of Retailing, Service Industries Journal), to the quite technical (for example International Journal of Physical Distribution and Management, Journal of Business, Journal of Marketing).

The common factor in all of these journals and sources is that they rarely question the substance of retailing, because retailing is the stuff of which they are made. To question the nature of retailing would be to cast doubt on the substance of their own existence. The papers which are published here are either descriptive of changes which are taking place within retailing, or are prescriptive of the measures which retailers should take to improve their business performance or both (for example Star and Massel, 1981; Davies et al., 1985). Social trends and changing economic circumstances are seen as things which "impact the industry" (Sheth, 1983 p.6) that is, are external pressures for change. The internal agents of change are almost exclusively seen as consumer tastes, the individual decisions of individual firms, and the competitive pressures which result. In this situation the poverty of the theory of retail change, which is considered in the next section, is hardly suprising.

### iii) Business histories

The business histories which are available are variable in quality and content. General reviews of the physical distribution sector are rare in recent years. Of particular note are reviews of the development of retailing in Britain by Jefferys (1954), and Winstanley (1983). Good reviews of the development of the contemporary physical distribution system can be found in Jeffreys and Knee (1962) and Stacey and Wilson (1965).

The purpose of the historical study is to account in systematic detail for the progress of retailing in all its various forms. The main theme is that retailing has emerged and altered in response to periodic shifts in the nature of society. In particular to the demands associated with an industrialised workforce. A sub-theme is that there have been repeated shortenings in the links between the producer and the consumer by the elimination of the middle-men (Stacey and Wilson, 1965). As part of this process there are detailed descriptions of the restructuring of the retail trade, with the adoption of larger trading units and the growth of multiple trading. There is little to argue with in these conclusions, however, there is scant attention to the causal relations which drove this process forward. Rather the influential factors are entered as a set of variables which are circumstantial to the development of retailing.

Histories of individual sectors of retailing, or styles of trading are commonly hagiographic, often because the author is partisan (for example Zimmerman, 1955; Lebhar, 1963). This is equally true of the biographies of individual firms, these tend to be anecdotal and

colourful rather than measured or critical (for example Boswell, 1969; Briggs, 1956; Corina, 1971). Case studies of actual business decisions form a sub-stratum of these individual biographies. This is a form of research that has had substantial influence in United States business schools. The architect of this strand of work was William Applebaum; a geographer who also held appointments as head of research for two large supermarket groups in the United States.

#### iv) Modes of retailing

There are a number of exceptions to the general run of retail research which explore the development of modes of retailing in their historical milieu. One mode of retailing which has attracted a fair amount of concern is the department store, both as an institutional form (see Samson, 1981) and in terms of its labour relations (Benson, 1981). Bluestone *et al.* (1981) is notable in giving a number of insights into the changing structure and labour relations in department stores.

One of the most interesting aspects of the Bluestone *et al.* (1981) study is the description of the way that this retail sector has been transformed from being petit bourgeois to capitalist over the period of a few decades. They also explain the effect of changing working practices as a logical development of the new structures of management and ownership.

Aside from the irritating references to "modes of production" in retailing, the most disappointing aspect of Bluestone *et al.*'s (1981) report is that the department store form of retailing is taken in isolation from developments in other forms of economic

activity. There is no attempt to understand the effects of changing structures in the garment manufacture trade upon this form of retailing and vice versa. There is no real attempt to explain the reasons for the timing of the insurgence of capitalist modes of organisation into the department store business, apart from a series of asides which illuminate the manner of that invasion. Furthermore, the explanatory power of their work is weakened by the way in which they account for change in the department store business, putting the factors together as if in some linear additive function. For Bluestone et al. (1981) change is due to "competitive forces, human ingenuity, and government policy"..and ..."the tremendous impact of broad demographic and macro-economic trends upon the development of the industry" (p.36). They leave us to decide for ourselves which of these factors finally determines the outcome.

The nature of petit bourgeois retailing has been investigated by one group of researchers. Whilst not strictly business histories the publications by Bechhofer and Elliott (1968, 1976, 1981, and 1985) and their associates (Bechhofer et al. 1974; Bland, et al., 1978), provide an interesting commentary on the way the small independent retailer has managed to find a place amongst the dominant capitalism of modern society. Their chief claim is that the petite bourgeoisie are a stratum within the class structure rather than a separate class, and that they are distinguished from capitalist economic activity by the absence of extensive use of wage labour.

The position of the petite bourgeoisie in the class structure is contradictory because they are sympathetic to the purposes and methods of capitalism, but they are constantly struggling to

maintain their position against the expansion of capital. One of the key attributes of these small shopkeepers, which sustains them in their struggle for survival, is the belief that they are escaping the subordination of wage labour. This essential element is found in other studies of small shopkeeping (Dawson and Kirby, 1979; Bertaux and Bertaux-Wiame, 1981).

Perhaps the most instructive outcome of this strand of research is the conclusion that in spite of the seemingly over-powering growth of capitalism this economic form is typified by its persistence. The continual change and restructuring of capitalism throws up new opportunities for the owners of small amounts of capital to set up in business, even as the old ones disappear. Bechhofer and Elliott (1981) also claim that the petite bourgeoisie have been identified by politicians of all parties as a potential power bloc, and that the growth of interest and support of small businesses by the state may be interpreted in this light.

#### v) Summary

The two paragraphs above summarise virtually all the available English language research which attempts to place retailing into the overall social structure. Bluntly, there is very little social theory in retail research. The illusion created is that social change is external to retailing. This might be acceptable if there was a record of attempts to link the changing conditions of production to changes in retailing; there is none. The evidence for the purely reactive position of retailing is not built upon any firm economic platform. Economists either treat production or distribution, rarely both. The influences upon retailing that cause

it to change might be enumerated, but causality is not investigated.

There is no theory of retailing: no theory of its role in production or its role in consumption; no theory of its meaning as a social and economic institution. In Chapter Four an attempt is made to construct such a theory, by integrating it with marxist theory. For the rest of this chapter, however, attention is brought to bear on studies of retail change.

### 2.3 Theories of retail change

Institutional change has been recurrent theme in retail research, but there is still no detailed theory of why and how it comes about. Three conceptual approaches have been used to describe such changes: environmental, conflict-based, and cyclical. A recent attempt has been made to integrate these approaches in the multi-polarisation model (Brown, 1987).

#### 2.3.1 Environmental causality

Environmental causality has been mentioned above, where social trends and changing economic circumstances lead to evolutionary change in the retail structure. This approach is often implicit in empirical studies of retailing whether it be referring to demand-led or supply-led change (for example Jeffreys, 1954; Dawson, 1983).

That these factors are instrumental in bringing about change is undeniable. But for retail researchers to take them as external to retailing absolves them from the need to relate retail change to social change. In effect this also means that the researcher evades

the issue. Environmental causality does not constitute a proper theory of retail change.

### 2.3.2 Conflict-based models

The conflict-based approach holds that new institutional forms in retailing lead to entrenchment and political opposition by the retail establishment. This can be seen in their fight against the purportedly unfair trading against chain stores (Zimmerman, 1955), subsequently enshrined in the Robinson-Patman Act of 1936. (Bluestone et al. 1981). This has not been a popular mode of explanation for retail change, despite two species of attempt to formalise it.

In the 'dialectical' interpretation (Gist, 1968; Maronick and Walker, 1975) change takes place through the conflict of present thesis, and future anti-thesis leading to a final synthesis in trading styles. This moves the dominant trading style to a new equilibrium.

The alternative rendition of conflict-based change posits a crisis response mechanism. Here change occurs as a result of tensions in the present retail structure which are resolved through a process of restructuring (Stern and El-Ansary, 1977).

Neither formulation explains the different timing and effectiveness of retail innovations; nor why some periods experience retail innovation and others do not; nor why some innovations are successful and others are not.

### 2.3.3 Cyclical models

Variations upon the cyclical change theme are the most popular of all retail change explanations. Several models have been proposed. The important ones are the retailing wheel (McNair, 1958), the retail accordion (Hollander, 1966) and the retail lifecycle (Davidson et al., 1976).

#### i) the retail wheel

The retail wheel theory has become an article of faith in retail research. The wheel of retail change starts to revolve when a retail innovation starts up as a low-price, low-margin operation, and slowly moves up-market with higher margins and more emphasis on customer service as it matures. This increases its vulnerability and makes it prone to competition from a new low-cost operation. The pattern described is well represented by the progress of department stores, chain stores, supermarkets and discount warehouses (Hollander, 1960; McNair and May, 1978). The theory does not have universal application; not all trading styles have started as low cost operators (Goldman, 1975), nor have older forms of trading been completely obliterated by the upstart.

The retail wheel has even been used to support predictions that teleshopping will become the next dominant mode of retailing. McNair and May (1978) claim that the next turn of the retailing wheel may well lead to a new telecommunications based marketing strategy. The reasons for this are underlying social trends, mainly: time-scarcity, the growth of a dichotomy in shopping behaviour between price-convenience buying and service-fashion-



prestige buying, and the increasing acceptance of technology by the general public, these issues will be taken further in the Chapter Three.

#### ii) the retail accordian

The retail accordian (Hollander, 1966) suggests that the retail system undergoes periodic shifts in the way goods are merchandised. This takes the form of a movement from general to specific to general in the inventory of retail stores. For example, in the United States, general stores were superseded, by the, early Twentieth Century, innovation of the speciality store which is now being replaced by general stores again. However, this movement is not uniform across the entire retail system. While one style of trading may be extending its range another may be undergoing rationalisation. The reason for this dual action is that the extension of lines in one retail institution implies range but not depth, leaving a niche for the merchant who can supply a large assortment within a narrow range of products. The limitation in each of these cases is that stock holding strategies require that a minimum turnover rate must be set, and the amount of space in a store for stock holding is limited.

#### iii) the retail lifecycle

The observation that products undergo a lifecycle from their early introduction to acceptance and eventual demise is the stimulus for Davidson et al.'s (1976) adaption of the retail wheel concept. In their model a direct substitution is made of the product life-cycle by the life-cycle of a retail institution. The acceptance of new

products or forms of trading is the demand-side manifestation of these life-cycles. Some researchers stress the demand characteristics, such as consumer innovativeness (Ostlund, 1974), but innovations cannot move through the complete lifecycle unless adopted by consumers. Innovation itself is still a supply-side prerogative.

Davidson *et al.*'s (1976) life-cycle has four stages: early growth; accelerated development; maturity; and decline. The early growth of the innovation depends upon a significant advantage over present trading patterns, perhaps a new product or more efficient management. Accelerated growth begins when the early operating difficulties are passed and the sales volume of the innovation starts to yield profits. There is geographic expansion of trade and the rate of new entrants to the field increases. There may also be retaliation by established retailers as their trade is taken away. The early profitability of the innovation is eroded by imitators entering the market, leading to intense competition. The successful innovatory companies grow and become less flexible. As these companies approach maturity they must make the transition from entrepreneurial to institutional management. There is often a shake-out of less efficient firms as the market saturates. Decline can set in if the management is unable to make this transition successfully, or if another new retail form is able to undermine the mature retailing style.

It is a conventional wisdom that retail innovation springs from small companies rather than the large established retailers. This is consistent with early pronouncements on the potential for teleshopping (Doody and Davidson, 1967). Here again it is the

upstarts which are seen as the innovators. This is based upon empirical evidence rather than deep theoretical insight. For instance, the early supermarkets were entrepreneurial operations. While larger retailers may adopt new operating methods more quickly (Star, 1969), the radical innovators tend to come from outside the conventional distribution channels (Curham, 1969).

For Davidson et al. (1976) the retail life-cycle is a natural evolutionary fact, although it can be off-set by skillful management. Both Davidson et al. (1976) and McNair and May (1978) claim that the rate of cyclical change is accelerating. The life-cycle model as used here has an implicit assumption that there is a necessary return period, which as an argument seems to be a-causal and functionalist. At best, the causality for retail change is being sought outside retailing itself, mainly in the spheres of consumption and production. The increasing pace of change within retailing is a response to an external impetus; the general increase in the rate of social change.

The cyclical models are popular because they are descriptive of many of the changes which have taken place in retail institutional form. Their descriptiveness is also their weakness (Hollander, 1980). They cannot be used to determine which innovations will be successful in the future or the rate of change of the cyclical variation.

#### 2.3.4 The multi-polarisation model

The multi-polarisation model (Brown, 1987) is an attempt to synthesize the retail wheel, the retail accordian and the conflict-

based, polarisation principle. The polarisation principle is the empirical observation that as one retail form grows to dominance new niches open up. Brown (1987) argues that "retailing polarises simultaneously along each of the price, assortment and size dimensions" (p.158). The retail structure comprises a number of different trading styles along these axes, in a dynamic equilibrium. Over-development at one polar extreme these axes will cause the counter-balancing emergence of new forms of retailing at the other extreme. The retail structure oscillates. As a new successful innovation is imitated by other retailers, balance tips from one extreme to another. This then sets off a fresh counter-balancing innovation.

Brown attempts to explain the motion of retail change, but again fails to break out of the descriptive mode. The multi-polarisation model is steeped in the concept that economic systems tend to an equilibrium. The swings are caused by voids in the spectrum of retail trading styles. There is no account of the effect of external change upon the retail system, or of why the balance should be able to tip so far in one direction before the counter-balancing innovation occurs.

#### 2.3.5 Summary

With the exception of environmental causality, which is really not a explanation at all, the models of retail change are a-historical. They pay scant regard to a fundamental influence on retailing innovation: the opportunity to make higher than average profits. Nor do they refer to the insitutional structure and the inherent power relations to be found in the historical context which

innovatory behaviour faces.

#### 2.4 Retail literature: a summary

All retailing research disciplines have a history of empirical work, which is descriptive of the structure, institutional and spatial, of the distributive trades, but has little theoretical content. The empirical approach views changes in retailing structure as reflective of shifts in demand. Explicit models of retail change in the geographical disciplines seem to be non-existent. Business school models of retail change are for the most part either of the external stimulus type or are cyclical models. Cyclical models are descriptive devices, they cannot be used to investigate the timing of new innovations, or the reasons why some innovations fail while others succeed. The effect of the increasing concentration of the retail trades is not considered, nor is its corollary; the rising barriers to entry.

The problems with retail research are: the excessive concern with the spatial configuration of retailing in the geographical disciplines; the general lack of theoretical insight; the superficial descriptive level of analysis which pervades most retail research; the direct inferences about the conditions of consumption from revealed behaviour, which is confined by the status quo; and the implicit severing of the links between changes in production and the effect upon retailing and consumption practices.

#### 2.5 Retail research and teleshopping

This thesis is concerned with the way that a new mode of retailing

is being introduced. This form of retailing has certain technological characteristics, which link it to certain forms of social organisation, and a specific level of technological development in production techniques. The innovation is taking place in a set of specific cultural and historical settings. Retail theory offers little help in interpreting the way in which these various factors influence teleshopping, nor of the significance of teleshopping in context.

The retail literature is similarly unsatisfying in illuminating the progress of teleshopping so far. Teleshopping has unusual spatial implications, which make it hard to compare directly with traditional store retailing. The nearest equivalent trading style is mail order, which on the whole has been ignored within geography.

The novelty of teleshopping makes it difficult to specify adequate consumer choice models to measure its market appeal (Ducatel, 1984). In any case, the consumer acceptance of teleshopping will postdate its introduction as a retail innovation. There is little help here either from the retail literature.

The concentration upon trading styles, to the exclusion of the economic priorities of retailers, hampers attempts to comprehend retail innovation. In the next chapter the in-home shopping and teleshopping literature is dissected. This is to introduce the reader to the main themes in the debate about teleshopping.

## CHAPTER THREE

### THE TEleshopping LITERATURE

The teleshopping literature has two main motifs: speculation about its market characteristics; and the description of the origin and development of the teleshopping experiments that have actually taken place. The first of these is discussed in this chapter. Empirical descriptions of teleshopping services are referred to where appropriate in the development of the thesis.

The market characteristics of teleshopping can be divided into demand-side and the supply-side issues. These can be further subdivided into factors favourable and unfavourable to teleshopping. The rest of this chapter is based around these distinctions. The preliminary section of the chapter provides a definition of teleshopping. Then the main points of the arguments for and against a consumer need for teleshopping are discussed. This is followed by a third section dealing with the supply-side issues which have been raised in the literature. The deficiencies in the retail literature which were criticised in the previous chapters are found again in teleshopping research. These are discussed in the critical commentary at the end of the chapter.

#### 3.1 A definition of teleshopping

The synonyms of teleshopping have two elements; a supply-side and a

demand-side. The first element is technological. It appears in such terms as: push-button shopping (Guy, 1985); electronic shopping (Goldstucker et al. 1986); and, from the point of view of the retailer, tele-marketing (Strauss, 1983). The second element makes reference to the spatial and infrastructural implications of teleshopping in: armchair shopping (Bennison, 1984); or, on the supply-side, non-store marketing (Quelch and Takeuchi, 1981).

The technological element indicates a key feature of teleshopping; before teleshopping can take place a certain set of technologies must be in place and functioning. The way in which teleshopping differs from traditional store shopping is stressed in the second form, which itself tends to be a little weak on the difference between teleshopping and more commonplace activities such as buying by post or by ordering things using the telephone. Even cumbersome formulations, such as 'non-store interactive retail services' (Davies and Reynolds, 1986) could refer to selling via the telephone.

A certain ambiguity in the definitions of teleshopping may be unavoidable, because teleshopping is in some senses merely an extension of existing home shopping methods. "By teleshopping is meant remote shopping using computer and/or telecommunications links from consumers to distributors of goods. These links replace the usual shopping trip" (Davies and Howard, 1983 p.1).

Thus, although teleshopping depends upon a specific set of technologies, it isn't, in human behaviour terms, all that different from other forms of in-home shopping; it does not represent a totally new conception of retailing.



Despite this, the technological part of the service, does affect <sup>the</sup> manner in which the retailer and the customer relate. The technology itself forces the retailer to develop new skills to accommodate the requirements of the technology. Also, technology does not come into the public domain in a neutral manner. It is always either owned by some economic power or under the control of some agency.

Teleshopping is defined here as shopping conducted at a distance on the basis of images which are displayed on a television screen. The transaction takes place 'at a distance' from a retail outlet, that is the selection and ordering of products must take place without going to a store.

Obviously, any definition of teleshopping emphasises the shopper. To consider tele-retailing, the supplier must provide the complete range of facilities to enable a consumer to teleshop. A tele-retailer may offer a traditional alternative at any stage in the transactional process. For instance, a shopper may seek supplementary information by referring to a printed catalogue, or may visit a retail warehouse to pick up an ordered item. Therefore, a pre-requisite of teleshopping is a tele-retailer which offers: an opportunity for a shopper to have basic product information displayed on a television screen in the home; for it to be possible to order and to pay for the goods by interacting with information on the screen; and, finally, to offer some means of acquiring the goods without making a trip to the shop.

### 3.2 Demand-side issues in teleshopping

The literature is summarised in two sets of five tables for each of the pros and the cons as follows: changes in consumer experience; changes in life patterns; changes in attitude; changes in demand; and the perceptions of the characteristics of teleshopping (Tables 3.1 to 3.11). These tables provide a synopsis of all of the issues which have been identified in the teleshopping literature. The main work of the chapter is in these tables, and they should be read in their own right.

The discussion in this section is complementary to, but not a replacement for, the tabulated material. Instead a series of themes are traced which run through the tables. The section starts with a review of some research into the consumer characteristics of presently accepted forms of non-store shopping. Then, the demand-side issues from the teleshopping literature are presented.

#### 3.2.1 Conventional non-store shopping

There is a body of literature which deals with the characteristics of the non-store shopper. The traditional forms of non-store shopping are buying from door-to-door salespeople, and mail order and telephone ordering techniques. More recently, direct response retailing and catalogue showrooms have become significant. Some of the literature on this subject is quite old and the conditions described may have changed, but it is worth looking at this literature because it contains the only detailed attempts to understand why consumers shop at non-store outlets. It has also

Table 3.1 Factors increasing the propensity to non-store shop

a) PURCHASING TYPE

Type of shopper	Cause	Reason for non-store shopping	Author
heavy	large family	need for credit	MINTEL (1978)
		need to synchronise shopping with other household activities	Gillett (1970) Reynolds (1974)
	enjoys shopping	frequent shopper in all forms	Cox & Rich (1964)
light	low income	need for credit	MINTEL (1978)
		cuts travel costs	Gillett (1970)
infrequent	dislikes shopping	minimises time spent in stores	Berkowitz et al. (1979) Berry (1979) Kargaonkar (1981)
	high value of time	save on discretionary time even if have to pay more	Berkowitz et al. (1979) Berry (1979)

Table 3.1 (Cont.)

b) DISPOSABLE INCOME TYPE

Type of shopper	Cause	Reason for non-store shopping	Author
high	full-time worker	saves on discretionary time	Berkowitz et al. (1979) Berry (1979)
		purchasing can take place outside the 9-5 shop hours	
low	full-time workers + other high disposable income shoppers	perceived level of risk lower less price concious	Spence et al. (1970)
		able to buy goods not locally available	Reynolds (1974) Gillett (1970)
		not working	no need to travel
	lower occupational status	only accessible source for some products	
		need for extended credit	MINTEL (1978)

Table 3.1 (Cont.)

c) PERSONALITY TYPE

Type of shopper	Cause	Reason for non-store shopping	Author
self-oriented	well educated	purchaser of specialist goods	Berry (1979)
		minimises time spent on household maintenance	
		better disposed to planned shopping behaviour	
risk accepting	well educated	able to seek arbitration if not satisfied	Cox & Rich (1964)
	venturesome	willing to rely on formal information sources	Gillett (1970) Spence et al. (1970)
		less rigidly habitual in shopping patterns	Berry (1979)

Table 3.2 Trends in consumer experience which favour demand for teleshopping

- a changes in goods and services available
  - more different ways to spend leisure time [23]
  - increasingly good experiences with mail order [9]
  - free telephone ordering (US) [23],[26]
  - availability of delivery services for some products [34]
  - increasing energy/fuel costs [29],[27],[25]
  - people becoming accustomed to
    - longer opening hours of shops [22]
    - wider range of choice [33]
  
- b greater contact with computer technology
  - children learn to use computers at school [25],[4],[28],[17]
  - growing use of computers in workplace [25],[8],[28],[17]
  - more use of the technology: public access terminals [28],[30]
    - ATMs [17]
  - more people own a personal computer [18]
    - trend towards networking them [18]
  
- c changes in economic and social conditions
  - more spending power [23],[18],[26]
    - more use of credit [23],[26]
  - private transport not available for everyone or all the time [34]
  - information overload need for selectivity [29],[27]
    - too many choices [12]
  - rising crime, need for security [29]
  
- d higher levels of education
  - better educated consumers [28]
    - experience of consumerism [28]

Note: in all the tables in this chapter the numbers are used to indicate the references given below.

[1] Bartlett (1981)	[19] Howard and Davies (1985)
[2] Bennison (1983)	[20] Inst Retail Mgt (1979)
[3] Bennison (1984)	[21] Lewis (1985)
[4] Bennison (1985)	[22] Marti and Zeilinger (1982)
[5] Berkowitz <u>et al.</u> (1979)	[23] May (1979)
[6] Davies (1985)	[24] Maynes (1984)
[7] Davies and Howard (1985)	[25] Moschis <u>et al.</u> (1985)
[8] Davies and Reynolds (1986)	[26] Quelch and Takeuchi (1981)
[9] Deacon (1986)	[27] Rosenberg and Hirschman (1980)
[10] Distrib Trades EDC (1982)	[28] Talarzyk (1986)
[11] Eason (1984)	[29] Talarzyk <u>et al.</u> (1984)
[12] Gardiner Jones (1984)	[30] Talarzyk and Young (1985)
[13] Goldstucker <u>et al.</u> (1986)	[31] Taylor (1984)
[14] Guy (1985)	[32] Urbany and Talarzyk (1983)
[15] Guy (1986)	[33] Waites (1983)
[16] Hartley (1985)	[34] Walters (1984a)
[17] Hooper (1985)	[35] Walters (1984b)
[18] Howard (1985)	

Table 3.3 Changes in life patterns which favour demand for teleshopping

- a changes in working life
  - more women working [27],[5],[4],[28],[26]
  - more home working [8]
  - more flexible working [8]
  
- b changes in social structure
  - more single parent households [29]
  - more wives working [23]
  - more multi-income households [29],[25],[8]
  - more dual career households [23]
  - later marriages [29]
  - more single person households [29],[8],[26]
  - more people having children later in life [23]
  - decline of nuclear family [28]
  - more elderly people [25],[26]
  
- c changes in consumer behaviour
  - increasing diversity in habits [8]
  - trust built by personal contact usurped by advertisement-led brand loyalty [23]
  - shopping trip often a special journey [3]
  - food shopping trip is an infrequent routine event [35],[4],[14]
  - implication that it has to be planned [13]

Table 3.4 Changes in attitudes which favour demand for teleshopping

- a time consciousness
  - more households feel short of time [29],[18],[5],[2],[14],[8],[28]
  - higher value of leisure time [29],[4],[14]
  - want minimal inconvenience and hassle [29],[32],[34],[23],[5],[4],[33]
  - less time for routine tasks [25],[33]
  - harder to accommodate institutional opening hours [33],[26]
  
- b personal attitudes
  - increased emphasis on consumer self-identity and quality of life [27],[5],[28],[33],[26]
  - higher income groups are willing to take risks [34]
  - greater impatience [33]
  
- c attitude towards shopping
  - convenience
    - routine shopping seen as a chore [34],[35],[5],[14]
    - dislike of checkouts [22]
    - resent time spent shopping in crowded stores [27]
    - less disposed to travel to increasingly distant stores [27],[25]
    - some people find shopping difficult [29],[11]
    - shopping infringes on leisure time [34],[27]
    - middle-class prefers other activities [13]
  - greater acceptance of direct marketing devices [27],[4],[13],[26]
  - use of catalogues [23]
  - self-reliant
    - consumers more self assured/discerning [23],[4]
    - frustrated with lack of expertise of salespeople [28],[26]
    - willing to trust reputable suppliers/brands [34],[35]
    - willing to trade off risk of failure for a liberal returns policy [5]
  - still very price conscious [23]
    - but some groups uninterested in comparison shopping [13]
    - and some willing to trade-off price for convenience [5]
  
- d greater acceptance of technical complexity [27],[4],[8]
  - increasing computer literacy [29],[28],[33]
  - young people like the teleshopping technology [13]
  - less passivity towards vdu's, now seen as interactive [25],[4]
    - large appetite for tv based activities [18]
  - feeling of inevitability that teleshopping will happen [34]



Table 3.5 Changes in demand which favour teleshopping

- a increasing demand for leisure activities  
leisure activities taking the place of shopping [3]
  
- b demand for goods and services
  - want to be more in control [33]
  - access to information and transactions
    - want more information [33]
    - lower cost message services [29]
    - continuous education on stream [29]
    - information about products [28]
      - finance, hobbies [18],[34],[4],[2],[28]
  - easy payment facilities [2]
  - instant gratification [28]
  - wider choice than a store can stock [27],[34]
    - demand for speciality goods [27],[34]
  - want greater flexibility
    - of choice [33]
    - longer opening hours [20],[5],[28]

Table 3.6 Characteristics of teleshopping which favour its adoption

- a the retailer delivers
  - no need to shop [14]
    - saves carrying [11]
    - gives access to a wider range of goods [11]
    - cheaper than nearby/local shops [11],[19]
    - gives greater feeling of independence [11]
  - suitable for institutional provisioning [14]
  - cost here is negligible for large value orders [14]
  
- b can give more say in how products are specified [29]  
gives a return path to directly contact the supplier [30]
  
- c more product information [32]
  - aids in making comparisons [33]
  - easier price comparison [29],[32],[25]
  - is available on demand [30]
  - may be adequate for non ego-intensive purchases [32]
  
- d can be fun
  - novelty interest [22]
  - can create new activities [28]
  - can be fun (game shows) [28]
  - club atmosphere promoted [4]
  
- e easy to use [4]
  - deals on equipment purchase [4]
  - no real difficulty in use, even by elderly [11]
  
- f privacy (impersonal) [22]
  
- g instantaneous transactions [22],[2]
  
- h better response times than mail order [13]
  
- i versatile can be used to supply a package of services [30]

Table 3.7 Consumer experiences which do not favour demand for teleshopping

a economic and social conditions

- many people do not even have tvs and telephones [34]
- only 50% of mail order agents have phones [10]
- cash still accounts for vast majority of transactions [22]
- a lot of people still don't have bank accounts [22],[34]
- many cannot afford to buy in bulk [34]
- unable to afford new services [21]

Table 3.8 Life patterns which do not favour demand for teleshopping

a shopping trips often are multi-purpose [34],[3]

- b some people have plenty of time [11],[26]
- high unemployment [8]
  - flexible work patterns [8]

c present behaviour

- when shopping, seeing products acts as a visual cue [34]

Table 3.9 Attitudes which do not favour demand for teleshopping

- a shopping is a social activity [4],[13]
  - shopping can be enjoyable [34],[25],[26]
  - by women at least (!) [14]
  - buying large/bulky items is a family occasion [15]
  - viewdata is impersonal [22],[26]
  
- b low value attributed to information [12],[2],[17]
  - or at least a wide cross-section of people [25]
  - unwilling to pay a lot for these services [25]
  
- c technofear [29],[3],[26]
  - fear of the unknown [34]
  - shopping mainly female role, females not technically minded [34]
  - great ignorance about videotex [8]
  - no knowledge of what teleshopping is [8],[28],[30]
  
- d fear of loss of privacy [29],[10]
  - too much junk mail now anyway [26]
  - fears about security [22]
  - problems remembering PIN [22]
  
- e other forms of home shopping are seen as low class [34]
  
- f need to comparison shop [34],[26]
  - fear of failing to be satisfied [34]
  - danger of being sent the wrong goods [11]
  
- g shops are convenient [34]
  - it is just as easy to go and get the shopping in [35]
  - private transport is readily available [34]
  
- h videotex is tedious
  - hard to wade through all the alternatives [25],[14]
  - menu based [9]
  - too technical [9]
  - hard to keep track: no hard copy [22]

Table 3.10 Trends in demand which do not favour teleshopping

- a requires new consumer habits [25],[26]  
but does not create new demand [9]  
hard to change habits [31],[7],[17]  
routine activities are the most habitual [35]
- b no demand: unaware of viewdata [4]  
it is invisible [25],[4]
- c adequate alternatives already exist [11]  
no great relative advantages [25],[28]  
no need for national information services [34]  
not enough local info [4]
- d not the same demand for all aspects of viewdata  
will not diffuse at the same rate [25]  
some data on the system is not very useful [25]  
not many real trigger services [4]

Table 3.11 Characteristics of teleshopping which do not favour its adoption

- a too costly [25],[18],[19]  
high initial costs [25],[21],[18],[4],[28],[26]  
lack of critical mass [31],[17]  
high continuing costs [34],[21],[14]  
confusing price structure [4]  
poor value of offerings to present [24]  
lack of quantity/quality [24],[22],[18],[4],[28],[19]  
no moving pictures good graphics [9],[4]  
badly organised [24],[4]  
poor sales support [4]  
delivery charges are a new category of expense [26]  
high cost of delivery in rural areas [15]
- b can't be used for all shopping or products [25],[11]  
can't see, touch or smell the goods [29],[32],[14],[11],[26]  
not appropriate for 'ego-intensive' goods [32]  
consumers have to be risk takers [14]  
inflexibility [14],[6]  
monopolises the tv and telephone [34],[22]  
not very easy to try it out before hand [25]  
don't get instant gratification [14]  
inflexibility of delivery services  
no good for small shopping trips [14]
- c time consuming [25],[4]  
planning, listing and checking the order [34],[9],[11],[26]  
waiting in for the delivery [34]  
timing of the delivery [11]

been the source material for some of the speculation about the nature of the demand for teleshopping.

In the non-store shopper literature most effort has gone into finding out what kinds of shoppers use non-store media, and why. On the one hand, the users seem to be fairly affluent shoppers who might use non-store services to save time or to purchase products not readily available locally (Cox and Rich, 1964). Under these circumstances the consumer is willing to trade-off the extra risks of non-store shopping, and possibly the extra costs and waiting time, in order to avoid the chore of travelling to a store and to escape the time costs of undertaking a journey. On the other hand, Peters and Ford (1972) noticed that shoppers may buy from a non-store outlet because it is difficult to make the journey to a store in order to buy the goods required. In their study they found that the purchase of cosmetics from door-to-door vendors was most common amongst households with: pre-school children; no car available for shopping trips; or in predominantly suburban locations. They described these shoppers as 'locked-in'.

The dual market for non-store shopping may be explained in terms of the perceived levels of risk and the effect of social constraints on the choices made by shoppers. The level of risk in purchasing an item comprises the likelihood of failing to achieve satisfaction and the importance of the purchase. The importance of a given level of expenditure for a more affluent consumer is less than that for a less affluent shopper, but a shopper who is 'locked-into' the home is not trading-off the convenience of a non-store outlet against the risk of failure in the same way. In the latter case the shopper has

the choice of accepting the risk or not obtaining the product.

That non-store shopping is the outcome of a different response to risk, is reinforced by Cunningham and Cunningham's (1973) conclusion that different types of consumer are likely to buy different types of product using different non-store retailing methods. Higher status consumers used non-store outlets for a range of purchasing. Lower status consumers who used non-store devices were liable to buy mainly novelty goods which incorporate a lower level of financial risk.

The different reasons for non-store shopping are examined further in Table 3.1. The various categories suggested in this table are not mutually exclusive, any type of shopping behaviour usually has multiple causes. The main constraints which lead to non-store shopping are temporal and financial. Temporal constraints could be as much due to the problems of scheduling activities as to an overall shortage of time. For instance, the main household shopper may have to put off a major shopping trip until both a car and a driver are available.

From the discussion above it will be clear that the free selection of non-store shopping only takes place if retail stores provide an accessible alternative. For more affluent consumers non-store retailing does not constitute a replacement for store shopping, rather it enriches the consumer's choice set.

The most recent extension of the literature has been to consider how such affluent consumers will non-store shop in the future. Berry (1979) has postulated the emergence of the 'time-buying' consumer.

The time-buying consumer is typified as: being in full-time work; having a large disposable income; and placing a high value on discretionary time. The concept has been reinforced by Berkowitz et al. (1979). They provide details of a telephone order/home delivery grocery service based in a large Midwestern town. The areas served are upper-middle income suburbs. In a comparison of users and non-users of the service they found that users were more likely to: be slightly younger; have a college education; have two working household heads; live a little further from a supermarket; shop much less frequently; be less price conscious; use mail order more than twice a year; and have more national charge accounts. On the other hand, they were just as concerned about the quality of the goods purchased.

### 3.2.2 A demand for teleshopping?

#### i) the time-buying teleg-consumer

That a stratum of consumers should emerge who are willing to pay for a delivery service, even of high risk products like groceries, to save time is the great hope of those who claim that teleshopping's future is a rosy prospect.

The first point that they make is that there is a demand for the reduction of time spent on routine tasks (Table 3.4a p.43) in order to make room for the growing diversity of consumption options (Table 3.2a p.41), and habits (Table 3.3c p.42). The new importance of leisure is thought to reflect the emergence of a 'me-generation' with a set of values which emphasise self-identity, and which is composed of confident and demanding consumers (Table 3.4b p.43).

The greater self-confidence of consumers, and the greater variety of consumption options leads consumers to desire more information about goods and services (Table 3.5b p.44) and stores cannot accommodate the full range of goods produced. There is also a demand for increased flexibility in retailing services, to fit consumers' lifestyles, such as longer opening hours or straightforward credit arrangements (Table 3.5b p.44).

In teleshopping there is an emphasis on convenience. There is no need to shop, which should save time and effort. Ordering can be done at anytime and non-store modes of purchasing should be capable of giving access to a wider range of products (Table 3.6a p.44). The demand for a greater say in the specification of services (Table 3.5b p.44) may also be accommodated by teleshopping. It can be used to communicate directly with the retailer, there is scope for direct price comparisons, and so forth (Table 3.6a&b p.44).

Consumerism has its basis in higher standards of education (Table 3.2d p.41), and the changing life patterns of women. Women are now more likely to work before and after marriage, and to be committed to a career path (Table 3.3a p.42). Their experiences in the workforce are thought to increase their self-confidence as consumers. The fact that women are committed to careers has contributed to couples marrying later and to having children later (Table 3.3b p.42). People develop high expectations about consumption levels whilst still single, which they try to keep after marriage.

These changes in the household structure have led to increased time-



scarcity (Table 3.4a p.43). There is less time for tasks such as food shopping. Such duties have to be scheduled in advance and have acquired an increasingly routine complexion (Table 3.3c p.42). Consumers, especially those in dual-career households, are willing to trade-off convenience and time-consuming activities against higher prices (Table 3.4c p.43). In any case, the value of shopping amongst some consumers as a social activity is waning (Tables 3.4c p.43 and 3.5a p.44).

Despite all these positive factors teleshopping has its detractors. It occupies the telephone and television <sup>and</sup> may conflict with the social functions of these devices (Table 3.11b p.47). Even for the time-buyers, teleshopping is not appropriate for all types of shopping such as small purchases, or of items which are desired straight away (Table 3.11b p.47), because of the inherent inflexibility of a delivery service (Table 3.11b p.47). Moreover, although the appeal of shopping as a social activity may be declining, it is still significant (Table 3.9a p.46). Some shopping is a family occasion, particularly when buying products which require personal judgement or have a high risk of failure (Table 3.11b p.47).

ii) the locked-in (or the locked-out) shopper?

Of course not all members of society can join the time-buying club. Many people are not particularly short of time. Especially at times like the present with high unemployment, and an increasing number of people in flexible or part-time work (Table 3.8b p.45). Yet, just as with traditional modes of non-store shopping, it is amongst the less affluent members of society that there is the greatest need for

teleshopping.

The locked-in teleshopper may well have difficulty in getting to a store, because of high fuel costs (Table 3.2a p.41), or physical difficulty. The age structure of the population indicates that this will be an increasing problem in the future (Table 3.3b p.42). Difficulty gaining access to remote facilities is often felt by the growing number of single person households (Table 3.3b p.42). Home-working on the other hand may increase the convenience of taking delivery of goods (Table 3.3a p.42). For these people teleshopping may well offer lower prices than the only accessible alternative (the local store) and the problems of getting to the store and getting the shopping back are avoided (Table 3.6a p.44).

Regrettably, the locked-in shopper is also the least likely to benefit from teleshopping. This portion of the population has the lowest frequency of bank accounts and credit cards (Table 3.7a p.45). Televisions and telephones are often not within their means. Commercial requirements will probably mean that only large deliveries will be free of charge. These people will be unable to buy in bulk (Table 3.7a p.45). At the moment teleshopping services are costly to join and to use (Table 3.10d p.47).

### iii) the technological implications

The high initial outlay on terminals, subscriptions and continuing costs in the form of communications charges and premiums on the services, will most probably put teleshopping out of the reach of a large proportion of the population. Teleshopping becomes even less attractive when the poor quality of the present services (Table

3.11a p.47) is allied to the lowly status of information in the average householder's perception (3.9b p.46).

The growing acceptance of non-store retailing is seen as a good sign for teleshopping in the literature. Consumers seem ready to accept catalogues as sources of product information (Table 3.4c p.43). Retail salespeople have been largely replaced by advertising as sources of information (Table 3.3c p.42). Leading brands are also low risk purchases because consumers have plenty of experience with them (Table 3.4c p.43).

A problem may be the continuing low class image of mail order (Table 3.9e p.46), but teleshopping, unlike mail order, is instantaneous. It is also more private; there is no need to discuss the transaction with a telephone salesperson (Table 3.6f p.44). On the negative side, fears of invasion of privacy with the proliferation of computer databases and the prospect of electronic junk mail may lead to consumer resistance (Table 3.9d p.46).

The willingness of shoppers to use computer technology is unknown (Table 3.9c p.46), although computers are becoming more familiar, especially amongst young people (Table 3.2c p.41). The complete acceptance of computers into the home may only be a matter of time (Table 3.4d p.43). Teleshopping technology is known to be easy to learn, and may be packaged as a novel and fun alternative to going shopping (Table 3.6d p.44). Not that current teleshopping services are easily portrayed as fun; videotex is tedious, time consuming, and requires considerable pre-planning if it is to be used for shopping (Tables 3.9h p.46 and 3.11c p.47)

Probably the most frequent criticism of teleshopping is that it requires a change in present consumer habits. For instance: many shoppers are prompted by actually seeing a product (Table 3.8c p.45); food shopping may be a special trip, but much shopping is also done whilst engaged in other tasks (Table 3.8a p.45). As teleshopping is just a new way of going about an old task it will be harder to change habitual shopping patterns (Table 3.10a p.47). Also, the burden of proof lies upon teleshopping to show that it has significant relative advantages over conventional shopping (Tables 3.9g p.46 and 3.10c p.47) The diffusion of teleshopping is made more difficult because it cannot be seen and imitated as can a shopping trip (Table 3.10b p.47). Finally, the various transactional services of which teleshopping will be a part will not be equally appealing to all consumers (Table 3.10d p.47).

#### iv) summary

Clearly, there is strong evidence of a demand for teleshopping. Equally, ~~there~~ the opposition has a strong case. That neither case is proved beyond a reasonable doubt reflects the partial nature of the applicability and the market appeal of teleshopping. As with other forms of home shopping the demand for teleshopping is bipolar: having an element with a serious need for home-delivery and an element which is willing and capable of paying for the convenience of home shopping. Home delivery is not an unequivocal advantage of teleshopping, it means that it is inappropriate for small or emergency purchases, and so makes teleshopping less convenient than buying from a convenient store.

The crux of the debate is whether teleshopping will represent a

replacement for conventional forms of shopping. At the moment non-store shopping represents only a small portion of total retail trade. From the discussion above it would appear that for teleshopping to develop there must first be a widespread adoption of the means by which teleshopping transactions can take place, i.e. computer technology. Second, there must be a broadening of the social groups amongst whom shopping is a chore, and for whom time is scarce.

In the 'theories' of retail change reviewed in Chapter Two this conclusion belongs firmly in the non-theory category of environmental causality (Section 2.3.1). The causality is exogenous. It depends upon social changes which will take place in the flow of time. The other 'theories' of retail change refer to the institutional forms of retailing (Section 2.3). Here a different set of arguments obtain, which will be considered in the next section.

### 3.3 Supply-side issues

As in the previous section, the supply-side issues raised in the literature are tabulated.

One set of tables relates to trends in the marketing environment which seem likely to be influential in the development of teleshopping (Tables 3.12 to 3.18). The others set out the features of teleshopping which will be beneficial or problematic for retailers (Tables 3.19 to 3.25). The trends in each group are sub-divided into overall trends and then trends in different departments of economic activity: production; distribution; other services. The

Table 3.12 Overall supply trends which favour teleshopping

- a further technological advances
  - information control [23]
  - telecommunications [23],[4]
  
- b increasing knowledge and practical experience [28]
  - confidence in potential demand being there [13]
  - successful applications of viewdata [4]
    - business use [28]
    - applications/trials in other services [8]
      - electronic funds transfer [23]
    - public access viewdata terminals [28],[30]
  
- c infrastructure
  - extension and improvement of communications networks [4],[28],[7],[16]
  - falling costs of being an information provider [14]

Table 3.13 Trends in production which favour teleshopping

- a greater diversity of products [8],[33]
  - range of products available too large for any store [27]
  - inadequacy of non-store methods for such a wide range [27]
  - less opportunities for growth in mass markets [27]
  
- b computerisation of production
  - trickle down effect to retailing [8],[7]
  - new types of products more applicable to viewdata [8]
  
- c more use of direct marketing

Table 3.14 Trends in distribution which favour teleshopping

- a goods handling
  - robotisation of warehouses [31],[23],[14]
  - standardisation of products [31]
  - greater pre-packaging [2]
  
- b retailing
  - rapid rate of change [14],[7]
  - looming barriers to growth
    - running out of new sites for superstores [7]
  - increasing barriers to entry in retailing
    - search for new unprotected areas [2]
  - greater interaction between distribution and marketing [27],[23]
    - (retailers just another link in the chain)
  - growth of non-store retailing [27],[18],[9],[2],[26]
    - success of speciality mail order [23],[26]
    - success of home shopping networks (USA) [28]
    - successes of other teleshopping experiments [18]
    - growth of efficient 3rd party delivery services [23]
  - economic factors
    - decreasing rate of return on development capital [20]
    - declining terms of trade in US supermarkets [5]
    - increasing cost of (trained) sales personnel [28]
    - rising cost of newsprint/catalogues [28]
  
- c payment systems
  - new ordering/payment mechanisms
    - growing use of credit cards [2],[33]
    - use of free dial '800' telephone ordering [28],[33]
  
- d management practices
  - increasing operational sophistication of management [23]
  - market orientation of management [2]
  - use of management information systems [15]
    - greater familiarity through in-house viewdata [18],[15]
    - use of databases of consumer information [15]

Table 3.15 Trends in other services which favour teleshopping

- high paper handling costs, especially in banks [29],[18]
- escalating production costs in print media [29]
- US cable operators looking for growth opportunities in UK [18]

Table 3.16 Governmental activities which favour teleshopping

- a central government support for
  - interactive cable [31],[2],[19]
  - liberalisation of telecommunications [18],[16]
  - centralised PTT in the UK: immediate position of standards [18]
  - direct grants [11]
  
- b local authority support [19]
  - positive intervention to aid disadvantaged [31],[14],[11]
  - subsidised local information services [3],[11]
  - use of local authority property etc [11]
  - direct grants [11]

Table 3.17 Increases in efficiency arising from teleshopping

- a lower fixed capital costs
  - no shops to maintain: [31],[3],[1]
  - less floorspace [22]
  - cheaper forms of outlet [14]
    - showrooms instead of shops [29],[14]
  - cheaper property/sites [15],[26]
    - redundant or under-used infrastructure or institutions
    - e.g milk depots or milkroundsmen [31]
  
- b lower labour costs [26]
  - more intensive use of labour [29],[25],[22],[3],[1],[14]
    - reducing peakedness in trading flows [14]
  - lower money handling costs [22]
  - replacement of sales staff effort by customer effort [33],[13],[30]
  
- c more efficient stockhandling [26]
  - potential for reduction of inventory [31],[29],[13]
  - potential to increase hit rate [29],[13]
  - less need for costly fancy packaging [29]
  - less shrinkage [22],[26]
  
- d improved operational methods
  - direct contact with the consumer [27],[30]
    - (electronic mail is integral to viewdata [30])
  - more accurate idea of market [29],[25],[22],[13],[30]
  - more responsive to change
    - sensitive price,
    - and product or service specification [29],[22],[3],[30]
    - able to respond quickly to cost changes [28],[30]
  - research
    - easier to do panel surveys [29],[30]
  - advertising
    - able to close the sale [30]
    - more control over the conditions under which ad is seen [30]
    - can tailor advertising to the consumer: less alienation [30]
    - unobtrusiveness of infomercials [30]
    - full product descriptions can be offered on demand [29]
  - faster handling of transactions
  - reduction of delays in expanding trade
    - no need to construct a new store [14]



Table 3.18 Growth opportunities arising from teleshopping

- a encourages structural changes
  - able to by-pass middlemen in distribution chain [14],[13],[30]
  - direct sales, potential forward integration [29],[32],[14],[33]
  - potential to open other new marketing channels [30]
  - potential to extend operations into other products/services [30]
  - new niches for smaller companies [17]
    - or start-up companies [33]
    - viewdata accessible to smaller/specialised retailers [14]
  - redistribution of market power
    - early entrants may gain hegemony over the new technology [27]
      - and so move up learning curve [18],[9],[28],[30]
    - fear of missing the bandwaggon [32],[27],[18],[4],[19]
      - and of eventual exclusion [27]
  
- b extensions of market
  - an additional mode of expansion other than opening stores [15],[26]
    - extension of the catchment of existing stores [15],[8],[33]
    - lower risk competition strategy than store openings [15]
  - sales of new types of products based on the teleshop technology [27]
  - expansion of trade
    - for network operators [27]
      - localised information services [4],[3]
    - for banks
      - charges to retailers for transactional services [22]
    - for entertainment and media [27],[33],[18]
    - for delivery companies [14]
  
- c existence of incremental paths to teleshopping
  - use of vdu's for info. and shops for acquisition [31]
  - restriction of trade to well known brands [23]
  - use of existing stores
    - smaller stores as pick up points [3]
    - put in alongside present superstore [15],[8]
      - only minor organisational changes needed [14]
    - extension of present mail order business [19]
      - more efficient than present forms [7]

Table 3.19 Overall supply trends which do not favour teleshopping

- a lack of experience [30]
  - inability of market to value information adequately [12]
  - lack of research on information needs management
  - no operating experience [26]
  - ignorance of the new technologies [10]
  - fear of the new [22]
  
- b inertia in present system due to
  - energy shortages [23]
  - environmental pressures [23]
  
- c poor performance of other trials [28]
  - vicious circle effect [18],[4],[30]
  - lack of critical mass-too expensive-lack of critical mass
  - Prestel's difficulties
    - poor division of labour in Prestel [24],[16]
    - lack of pre-test trials [24]
  - technical bias in present trials [18]
  - so far indifferent quality of marketing [15]
  - no integrated service yet been offered [8]

Table 3.20 Production trends which do not favour teleshopping

- scepticism by terminal suppliers [4]
- slowness of manufacturers to respond to new ideas
  - eg bar coding [10]
- direct involvement unpromising
  - fear of being de-listed by store retailers [26]
  - few manufacturers deal in a sufficiently wide range of merchandise, would need third party help [26]

Table 3.21 Distribution trends which do not favour teleshopping

- a goods handling
  - decline in small drops to stores and home delivery [14]
  
- b retailing
  - competition for investment funds
    - investments which preclude teleshopping
      - EPOS, EFTPOS, ATMs, etc [22]
    - investment in alternatives
      - teletext ok for one-way communication services [31]
  - trend towards fewer, larger and more centralised stores [14]
    - use of EPOS and EFTPOS reinforces this [31]
    - runs in reverse to small store pick-up posts idea [31]
  - retailers' overall lack of interest [31],[18],[3],[14],[11],[15],[7]
    - opportunities for growth in present trading patterns [8],[7]
    - main push coming upstream from retailers [14],[15],[7]
    - has not trickled down yet [8]
  - fear of only being able to make average profits
    - due to greater consumer information [25],[26]
    - and retaliation by supermarkets [20],[26]
  - sceptical of it being able to create new demand [25]
    - fear of alienating customers [22]
  - most retailers not experienced with home shopping [9]
  - slow take up of IT in retailing [15]
    - little expertise in computers or telecommunications [18]
  - present attempts to enhance the shopping experience [27],[23]

Table 3.22 Trends in other services which do not favour teleshopping

- a cable
  - declining fortunes of the cable industry [18]
  - costly, long pay-back period [9]
  - traditional source of income is subscriber [26]
  
- b viewdata
  - uninterested IPs [4]
  - not enough advertising interest to bring the price down [28],[30]

Table 3.23 Government actions which do not favour teleshopping

- a cable systems
  - concentration upon entertainment led cable (UK) [31]
  - inaction in development of two way cable [31]
  - low rate of adoption [31]
  
- b network operators
  - legislation to limit AT&T
    - reduces activity of a major actor in this field [25],[28]
    - would be big enough to impose a standard [18]
  - franchisor opposition to advertising on cable (US) [26]
  - BT: rebalancing of tariffs in favour of business [22]
  
- c regulation
  - anti-trust laws do not reflect the dual nature of information:
    - information can be shared without being diminished [12]
  - hard to control access to information [12]
    - basis of laws in ownership/property [12]
    - intellectual property rights [16]
  
- d slow rate of governmental progress [23],[10]
  - institutional change not taken place yet [30]
  - planners slow response rate and inflexibility [14]
  
- e political power of vested interest
  - established firms [23]
  - local small traders [11]
  
- f social welfare schemes
  - lack of capital [7]

Table 3.24 New costs which arise with teleshopping

- a fixed capital
  - requires different locations of warehouses and superstores [31],[15]
  - smaller stores
    - unable to get the economies of scale [31]
  - large initial capital requirement [31],[2],[3],[14],[15],[4],[28],[26]
    - too large for private companies [4]
  
- b labour costs
  - possible increase in labour costs [31]
    - relatively more expensive labour [31]
    - runs against present trend for polarisation [31],[8]
  
- c operating costs
  - cost of delivery too high [31],[20],[14]
    - need large order sizes to make it work [3]
    - trade-off of cost with service quality [3],[13]
  - high production costs of videodiscs or videotapes [26]
    - printed catalog becomes an extra cost with viewdata [26]

Table 3.25 Other difficulties which arise with teleshopping

- a management
  - systems not appropriate to needs [22]
  - union resistance [23],[6]
    - costs of compensation [10]
  - failures due to inexperience [20]
  - only relevant to a small number of retail types [14]
  
- b it is an uncertain marketing device [15]
  - so far not an alternative to present shopping patterns [8],[28]
  - difference between stated preferences and actual behaviour [25],[13]
  - inadequate market for large retailers [25],[15],[8],[28]
    - need a mass market before start of trading [18],[6],[7],[16]
    - most users quite young [22]
    - low geographic density of subscribers [3]
  
- c structural change
  - requires restructuring of distribution channels [33],[13]
    - new patterns of ownership [13]
  - resistance of superstore retailers
    - directly competitive to their business [14]
      - needs to be compatible with present stores [14]
    - fear of losing the core business [31]
    - unwilling to form federations with small store operators [31]
  - requires much coordination between agencies [25],[22],[18]
    - particularly over who pays [9]
  
- d new operating problems
  - transactions
    - with cash, no risk of non-payment [22]
    - new transaction charges from the banks [22]
  - users have to be subscribers first [3],[16]
  - high rate of returns pressure on margins [27]
  - equipment not always compatible [22],[10]
    - inadequate agreed standards [22],[18]
  - difficult to set-up a good delivery service [25],[11]
  
- e new marketing issues
  - have to differentiate service from product [32]
  - hard to know what information to put in [22]
  - need high quality packages of services [18]
  - not all products can be sold in this way [32],[20],[14]
    - no good for personal services [14]
  - inflexibility
    - unable to adjust prices if using a catalogue [20]
  
- f consumer protection issues: it becomes harder to
  - distinguish advertising from information [12]
    - bias in information [12]
  - attribute liability for bad trading practices [12],[22]
  - protect privacy [12]
  
- g inadequate infrastructure [18]
  - few two-way cable systems [18],[26]
  - technology not sophisticated enough yet [26]
    - poor graphics capability [18]

benefits of teleshopping are categorised according to whether they aid efficiency or offer new growth opportunities. The problems associated with teleshopping are the new costs which might be involved, and a set of unresolved difficulties which will arise when teleshopping services are set up.

Again, the tables are self-standing and should be treated as such.

The discussion pulls out themes which run through the tables. The key supply-side themes in this section are: the technological problems associated with teleshopping; the mixed effects of government intervention; the ability of teleshopping to attract investment capital; the degree of congruence with current trading patterns; and the way that teleshopping requires co-ordinated efforts by different firms. Each of these is taken in turn.

### 3.3.1 Technological issues in tele-retailing

The technological element of teleshopping, has a dual edge. At the overall level it has been argued that there is increasing managerial competence and acceptance of high technology (Tables 3.12b p.57 & 3.14d p.58), but there is also a great deal of management resistance to new technologies because of a fear of the new (Table 3.19a p.61). This reluctance is unsurprising as there is an increased risk of dramatic failure if the management strays from its area of proven competence. The failures of other teleshopping services attest to the hazards of experimentation in such an unknown area (Table 3.19c p.61). Nevertheless, it is through trial and error that the common

stock of knowledge is enlarged and the risks in further trials are reduced (Table 3.12b p.57).

New techniques including the use of computerised methods of production (Table 3.13c p.57), and the prospect of robotised stock handling (Table 3.14) seem slow to trickle down to retailing (Table 3.21b p.62). Only recently has there been any significant move towards the new forms of cash handling and stock control which have been loudly heralded through the 1970s (Table 3.21b p.62).

Of course the continual experimentation with new systems helps to roll back the technological frontier. It provides the opportunity for manufacturers of technical equipment to develop new products. However, there is great scepticism amongst terminal suppliers about the prospects for electronic services such as teleshopping (Table 3.20 p.61). The general inadequacy of the present communications systems upon which teleshopping is based (Table 3.25g) is a major impediment to the appeal of teleshopping both as a mode of retailing and of shopping. Despite general technological advances (Table 3.12a p.57) and improvements in communications systems (Table 3.12c p.57), the low penetration of two-way cable systems is a continuing problem in this area. In the UK this is in spite of (some say because of) governmental enthusiasm (Tables 3.16a p.58 and 3.23a p.63).

### 3.3.2 Government action

Sheer uncertainty about governmental action may dampen the prospects for teleshopping. The lack of precedents for many of the regulatory issues surrounding the introduction of teleshopping technologies

means that progress towards a firm legal framework may be slow (Tables 3.23c&d p.63 and Table 3.25f p.64). It is not yet known whether the liberalisation of telecommunications networks in the UK and US will lead to an improved or reduced chance for teleshopping provision (Tables 3.16a p.58 and 3.23b p.63). Local government support for teleshopping, as a complement to their home-help services, is a catalyst for teleshopping (Table 3.16b p.58). However, the impact of this development will be limited because local authorities are short of funds (Table 3.23f p.63).

### 3.3.3 Allocation of capital investment

Although the introduction of innovative payment systems might be seen to be part of the same overall trend (Table 3.14c p.58), they might equally be in direct competition for capital investment (Table 3.21b p.62); the need to amortise the prior investment may itself delay the introduction of teleshopping. In banking one major aim of such systems has been to reduce the cost of handling transactions (Table 3.15 p.58), yet the move to introduce EFTPoS has been subject to considerable resistance from retailers. Dissent has surrounded the new transaction charges which banks wish to introduce as part of these new systems; which would be good for banks (Table 3.18b) but bad for retailers (Table 3.25d p.64).

### 3.3.4 Tele-retailing versus current retailing methods

The general apathy towards the technology of teleshopping is found again amongst store retailers (Table 3.21b p.62). For superstore operators, this indifference has been attributed to an overriding interest in building larger, more centralised stores (Table 3.21b



p.62). As long as there is extra trade to be made out of an extension of present trading practices, teleshopping is a risky alternative (Table 3.12b p.57). On the other hand, as the number of new sites for superstores declines there may be a search amongst these companies for alternative avenues of growth (Table 3.14b p.58). In this context teleshopping services could be used to extend the catchment area of a store, or to increase the penetration within the catchment, without new store construction (Table 3.18b p.60). In this way teleshopping can be introduced in a less risky, incremental, manner (Table 3.18c p.60). Although teleshopping may reduce the expensive wait for planning permission to open a new store (Table 3.17d p.59), it takes second place to efforts to boost trade and enhance the image of the stores that retailers already have (Table 3.21b p.62).

Another reason for the adoption of teleshopping by superstore retailers is that there are signs that the mode of retailing is reaching its limits, as the profitability of supermarkets shows signs of declining, in the US at least (Table 3.14b p.58). A causal factor in this is the increasing cost of employing a large staff, and of training employees (Table 3.14b p.58). Teleshopping should allow a more intensive use of the labour force, if not a reduction in the payroll (Table 3.17b p.59), even though warehousing and delivery service staff are generally more expensive. Even if less employees were needed this runs counter to the presently polarised wage structures between shop workers and managers (Table 3.24b p.63). There is also the fear of union resistance to teleshopping to prevent the early introduction of teleshopping (Table 3.25a p.64).

For non-store retailers a big problem is the rise of production costs of printed matter (Table 3.14b p.58). In theory, teleshopping removes some of the inflexibility of printed matter. It is easier to make special offers whilst stocks last and to adjust pricing according to the rate of demand (Table 3.17d p.59). The low quality of the graphics so far available, however, implies that product information will have to be duplicated in printed form which is still costly. Even when videodiscs are introduced the costs of producing moving picture catalogues will be substantial (Table 3.24c p.63).

Another theme concerns the implications of teleshopping for retailers' trading practices. The inappropriateness of teleshopping for every type of product or form of shopping means that it will not challenge all retail modes. So some retailers feel safe to ignore it (Table 3.25e p.64). For those forms of trading which can be converted to teleshopping there are new sets of marketing problems (Table 3.25e p.64). The interactive channels to the consumer do, however, give the marketer new tools to work with (Table 3.17d p.59).

The real attraction of teleshopping for retailers is the reduction in amount of capital tied up in property (Table 3.17a p.59). There are other stock handling advantages to be gained from following this route (Table 3.17c p.59). Although the lack of experience amongst store operators with home delivery services may be dampen this appeal (3.25d p.64) and home delivery is thought to be relatively expensive (Table 3.24c p.63). A compromise may be to develop a system of staging posts, where consumers can come to pick-up their order (Table 3.18c p.60). Again the trends in goods handling run

against this as the costs of small deliveries has contributed to the decline of smaller trading units (Table 3.21a p.62).

Part of the high cost of home deliveries is the difficulty of minimising the distances which the delivery van has to travel between drops. This is compounded by the expected low penetration of teleshopping in any geographical area for some time to come (Table 3.25). In order for delivery charges to be low there must be both a mass market (Table 3.25b p.64) and a large minimum order size (Table 3.24c p.63).

#### 3.3.5 The need to collaborate

The inexperience of store retailers in delivering goods could be offset by sub-contracting the service to third party deliverers (Table 3.18b p.60), but the retailer would no longer directly contact the consumer (Table 3.17d p.59). This problem highlights another dimension of the adoption of teleshopping. To institute a teleshopping service it is necessary to obtain the co-operation of many different agencies (Table 3.25c p.64). The initial operating difficulties of joint enterprises are hard to iron out (Tables 3.19c p.61, 3.22b p.62 and 3.25d p.64) As with EFTPoS this can result in conflict over which agency carries the burden of the costs. There are also implications that present trading relationships will have to change (Table 3.25c p.64).

#### 3.3.6 Summary

Rapid change is a feature of retailing (Table 3.14b p.58), and structural change normally opens up new growth opportunities for

innovative forms of business (Table 3.18a p.60). The reluctance of retailers may be overturned by companies from other sectors or by new small companies seeking to exploit new markets (Table 3.18a p.60 & b). In the past such challenges to the status quo have met fierce resistance from the retail establishment. One retaliatory act has been the de-listing of manufacturers who supply the upstart retailers (Table 3.20 p.61). Established retailers also have a powerful political voice (Table 3.23e p.63). The rising barriers to entry in retailing (Table 3.14), may also make entrepreneurial teleshopping services very difficult; the initial capital stake to set one up is very large (Table 3.24a p.63).

'Theories' of retail change do not provide solutions to the issues raised in this section, despite the claims of Doody and Davidson (1967) and Rosenberg and Hirschman (1980). The uncertainty is not whether there is a market for teleshopping, but <sup>how</sup> big the market is at a given level of profitability. The key issues revolve around the rates of return and the opportunity costs of capital invested in teleshopping.

Teleshopping is not a homogeneous form of retailing. In practice, it represents a variety of levels of investment, of restructuring of retail distribution, and of quality of service. The risks involved in each teleshopping venture will vary accordingly.

#### 3.4 A commentary on the teleshopping literature

The teleshopping literature was examined separately from mainstream retail research so that the main features of the debate concerning teleshopping could be easily identified.

The first part of the chapter provided a definition of teleshopping. The most important attribute of teleshopping is that it is dependent upon specific set of technologies. Nevertheless, teleshopping has strong similarities to other, more conventional forms of home-shopping.

#### 3.4.1 Shortfalls in the literature

The publications which provided the source material for the discussion of demand issues share the outlook which was criticised in Chapter Two. That is, it stresses personal circumstances which affect choices and the objective characteristics of the product. There is no attempt to delve into the causes of the trends which form the substance of the demand-for or demand-against debate.

The identification of trends which are creating new movements in demand begs the question; what is driving these trends? Most teleshopping, and retail research, stops at the level of finding out what consumers appear to want. Changing patterns of work, and training, and the restructuring of labour relations which has been taking place in recent years are clearly important to teleshopping. Such changes also alter the types of products which are available to consumers and the proportion of the workforce able to participate in the new goods and services. Changing labour conditions also affect the conditions under which retailers approach the market. Yet, the reasons for these changes are taken to be outside of the remit of retail research. The separation of retailing from the rest of the socio-economic system means that the analysis of teleshopping is a merely a veneer. It skims over the important social changes of

which teleshopping is a symptom, and contributes to the insubstantial nature of retail research.

Several points which arise from a review of the demand-side literature also cannot be passed over without comment. The themes which were drawn out here are not so clearly discernable in the literature as might be thought. Certainly, references to such issues as: managerial decision making; the limits to managerial innovativeness; the effect of investment strategies; the way teleshopping implies a restructuring of distribution channels; and the effect of regulatory structures are all present, but they are not considered in any detail. They are not presented with reference to theory, not even innovation theory: nor, for the most part, do they relate to the real historical circumstances under which teleshopping has emerged. Clearly, the combination of abstract speculation and empirical description which is the hallmark of the teleshopping literature is inadequate.

Changes in trading conditions are normally seen as a demand-issue which impinges upon retailing through competition for consumer spending power. It is just not good enough to regard retailers as direct mirrors of externally constituted demand. Although the changing structures of supply, and the power relations within them have been referred to in the literature, they are not broached in a direct manner. In none of the publications which consider restructuring is the struggle between labour and capital considered, nor is the competition between capitals for labour-power. This is strange when one considers that the main competitive weapon of retailers is to minimise labour costs. The use of part-time female labour in retailing is reaching its limit as a means of cutting

costs. This is an historically specific development, which illustrates the futility of abstract speculation about teleshopping. To understand the prospects for teleshopping the first requirement is to place it into a theory of retailing and the second to interpret that theory in the real economic and social context which confronts retailing. Chapter Four begins these tasks.

## CHAPTER FOUR

### A RADICAL REAPPRAISAL OF RETAILING

The previous two chapters have summarised the academic approaches to retailing and to teleshopping. The chief criticism of the published literature is that it lacks theoretical insight. There is a strong tradition of empiricism in retail research. Usually, the only theoretical reference is a tacit acceptance of the consumer utility axiom. This is so even when the institutional nature of retailing is being considered. Under this convention, change within retailing is ultimately determined by consumer demand, which itself is just the aggregation of individual consumer utilities. There are exceptions to this, some have been noted, but the criticism is fair to most studies of retailing. The poverty of retail theory is even accepted by some of the leading retail researchers (Davies and Kirby, 1985).

Existing retail theory is further impoverished by an artificial separation of retailing from the rest of the economic and social system. Retailing is treated as though it has an independent right of existence. Yet, retail change is most commonly attributed to the impact of external environmental pressures, usually changes in demand. Even when retail change is related to the competitive conditions of supply, as well as trends in consumer demand, the different factors are lumped together without regard to the internal relationships between the conditions of supply and demand. This is



certainly true of the mass of speculative teleshopping research. This body of work presents a series of for and against arguments, but offers no logic to explain how teleshopping relates to the underlying dynamics of society. Teleshopping is taken in isolation, and in isolation it is meaningless.

In this chapter the process of reconstructing what is known about the conditions for teleshopping is begun. The first stage is to identify the form and function of retailing in the reproduction of social relations. For this, marxist theory is adopted. The first attraction of marxism is that it provides a framework for the integration of production and consumption. The second attraction is its dynamism, it seeks to understand the way that society moves. In this way it gives a greater insight into the overall process of retail change, of which teleshopping is a part.

The rest of this chapter proceeds from the fundamental abstract notions of marxist theory, through a specification of retail capital to a consideration of the nature of retail change. In the next section, some of the basic concepts of marxist theory are used to locate retailing within the overall structure of capitalist commodity production (the work in this section is expanded upon in Blomley and Ducatel, 1987). Its position within the economic sphere gives retail capital a specificity in the overall circuits of capital.

Retailing is also a point at which overall commodity production meets the world of private reproduction, the consequences of which are presented in the second section. In the third part of the chapter, these components are then used in a discussion of the

nature of competition with retailing. An important distinction is made here between the horizontal competition which takes place within commodity markets, and the vertical competition between capitalists at different levels in the supply chain.

In the fourth section, these forms of competition are further explored through the introduction of the concept that the processes of accumulation and competition lead to a centralisation of capital into large dominant groups. The fifth section of the thesis examines innovation as a tool of competition. Its role in extending the realm of capitalism and in the production of higher profits is considered. The analysis of innovation is then enriched by considering the way that competition and innovation give movement to the marxist analysis. The main theoretical development of the thesis is drawn to a close in section six with a discussion of the longer term swings in accumulation and innovation which have punctuated capitalist development.

After a summary of these points in the seventh section of the chapter, the eighth section reviews the fieldwork which was undertaken to support the thesis.

#### 4.1 The circuits of capital

It is in the nature of marxist research to start by abstracting from the material conditions of commodity production. The abstractions provide a fundamental definition of capitalist society. The task is then to move, from this highest level, through many intermediate levels of abstraction, towards the concrete. However, apart from a few passing comments in Marx's own work, retailing has not been

conceptualised within the capitalist social formation. Clearly, a thoroughgoing integration of retailing into marxist theory is not possible in this thesis; that would be a major work in itself. Yet, the absence of such a resource presented a barrier to the completion of this thesis; the purpose of which is to understand retail change through the example of teleshopping. That is why a first-cut reconciliation of retailing and marxist theory has been attempted here. This chapter represents the first step in this process.

In order to simplify the discussion a fairly orthodox version of value theory is used in this thesis. It is acknowledged that the Sraffian critique of the marxist theory of value has profoundly damaged its credibility (Steedman, 1977; Steedman *et al.*, 1981). Indeed, many marxists would now regard the theory as useful only in that it aids the analysis of labour relations in capitalism (Elson, 1979). However, the Sraffian alternative to value theory is not capable of drawing together the complex interactions found in the real world in the same way as does Marx's value theory. In a work such as this, which is in many regards exploratory, mathematical rigour is less important than the working through of a theoretical perspective on retail change and teleshopping. For the present purposes value theory is embraced more or less without question.

#### 4.1.1 Overall circuits of capital

In marxist theory, the defining characteristic of capitalist society is its particular mode of production. Under capitalism, productive activities are commodified. This means that consumption is not the direct purpose of production. Rather, production is the creation of commodities for exchange. The purpose of this exchange, within

capitalism, is the accumulation of wealth.

Two social institutions are the logical precursors of capitalist exchange. The first is the establishment of individual property rights. From property rights emerges the practice of using one particular commodity as a measure of all other commodities. This is money: the second social institution necessary to capitalism.

Wealth and property are closely related phenomena. The difference between them is that wealth implies a comparison of social status, whereas property, in itself, does not. However, the distribution of property in society is a distribution of wealth. The status of individual members of society can be defined with respect to this distribution. Indeed, the capitalist mode of production depends upon this social relation for its perpetuation. To look at it in a very simple manner, society can be split into those who have control over property and those who do not. As a consequence, the propertyless classes are coerced into working for the propertied class in order to gain the material wherewithall to maintain themselves. This is the basis for Marx's theory of exploitation. In constituting themselves as workers, the propertyless commodify their only possession; their ability to work.

"The capitalist epoch is therefore characterized by the fact that labour-power, in the eyes of the worker himself, takes on the form of a commodity which is his property; his labour consequently takes on the form of wage-labour. On the other hand it is only from this moment that the commodity-form of the products of labour becomes universal" (Marx, 1976 p.274)

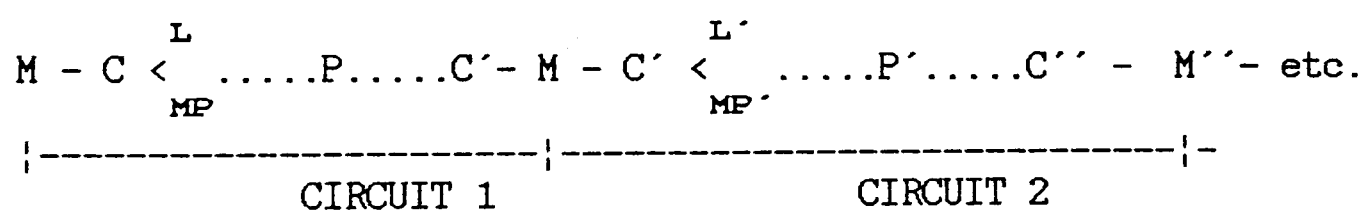
The separation of production and consumption, has the further implication that workers, of necessity, become consumers. Workers are not only alienated from their labour, by the commodification of their labour power, but also from the fruits of their labour. That is, they not only give up a portion of their life and strength in return for a sum of money, they also relinquish any rights to the goods on which they have toiled.

In marxism, this is a necessary corollary to capitalistic relations of production. The whole aim of capitalism is the accumulation of wealth. Before wealth can be accumulated, however, it must first be created. Marx argued that wealth can only be created in the material transformation of nature through the application of human effort. He formalised this into the labour theory of value, in which for capitalists to accumulate wealth they must appropriate the value created in the production process. The value created is greater than the sum of the value consumed during production.

The material transformation of nature, and its consequent valorisation does not automatically extend the wealth of the capitalist. In the first place, production is a process that must be continually fed. As these commodities can be only purchased with money, a constant source of money capital is necessary. In the second place, the goal of the capitalists is to increase their monetary wealth, not merely their stock of commodities. The extra wealth is locked up in the commodity until it has successfully been exchanged by the producer into money. Commodities are created for the purpose of exchange, but they can only be exchanged if they have a use. Thus, commodities must have an exchange-value and a use-value, if the value within them is to be realised.

It is the need for commodities to be realised in monetary terms that makes the reconstitution of the worker as a consumer so important. To the workers, wages allow them to consume the use-values bound up in commodities. To the capitalists this wage-money allows them to realise the exchange-values which are bound up in commodities. The act of final exchange, between consumer and capitalist is of critical importance to both. Except that, they come to the transaction with profoundly different purposes in mind.

From the point of view of capital, the process of production just described can be conceptualised as a circuit. As it proceeds through this circuit capital changes form: from money capital, to commodity capital, to productive capital, to commodity capital and thence back to money capital again. This can be illustrated in the following way:



where: M = money capital  
 C = commodity capital  
 P = productive capital  
 L = labour power  
 MP = means of production

The overall circuit of capital can be subdivided according to the three different types of capital of which it is composed. Money and commodity capital move through the sphere of circulation, whereas commodity and productive capital are to be found in the sphere of production. Circulation and production appear to one another as disjunctures in the overall process of capital accumulation. Yet, they are necessary to one another. If capital is interrupted in its journey through its various phases, the completion of the whole

circuit is made impossible. "If C'-M' comes to a halt in the case of one portion, for example, if the commodity is unsaleable, then the circuit of this part is interrupted and its replacement by its means of production is not accomplished; the successive parts that emerge from the production process as C' find their change of function barred by their predecessors. If this continues for some time, production is restricted and the whole process is brought to a standstill. Every delay in the succession brings the co-existence into disarray, every delay in one stage causes a greater or lesser delay in the entire circuit, not only that of the portion of the capital that is delayed, but also that of the entire individual capital" (Marx, 1978 p.183).

#### 4.1.2 The double reel of capital

Figure 4.1 gives a more detailed presentation of the circuits of capital. Production is now split into two Departments. Department I produces capital equipment, commodities which are consumed within production. Department II produces goods for final demand, or for the consumption sector. It has already been said that the sphere of circulation comprises two forms of capital: money capital and commodity capital. Commodity capital can be further subdivided into labour power and commodities which have <sup>been</sup> previously valorised. Together, this means that there are three fluxes within circulation: labour-power, money capital, and physical commodities. In one of its functions (Harvey, 1982) money transmits value created by production through time and space. Money is necessary for the wage relation. Labour-power which is a commodity used up in production, is exchanged for money at one time and place, and at a later date and elsewhere the wages can be reconverted into material

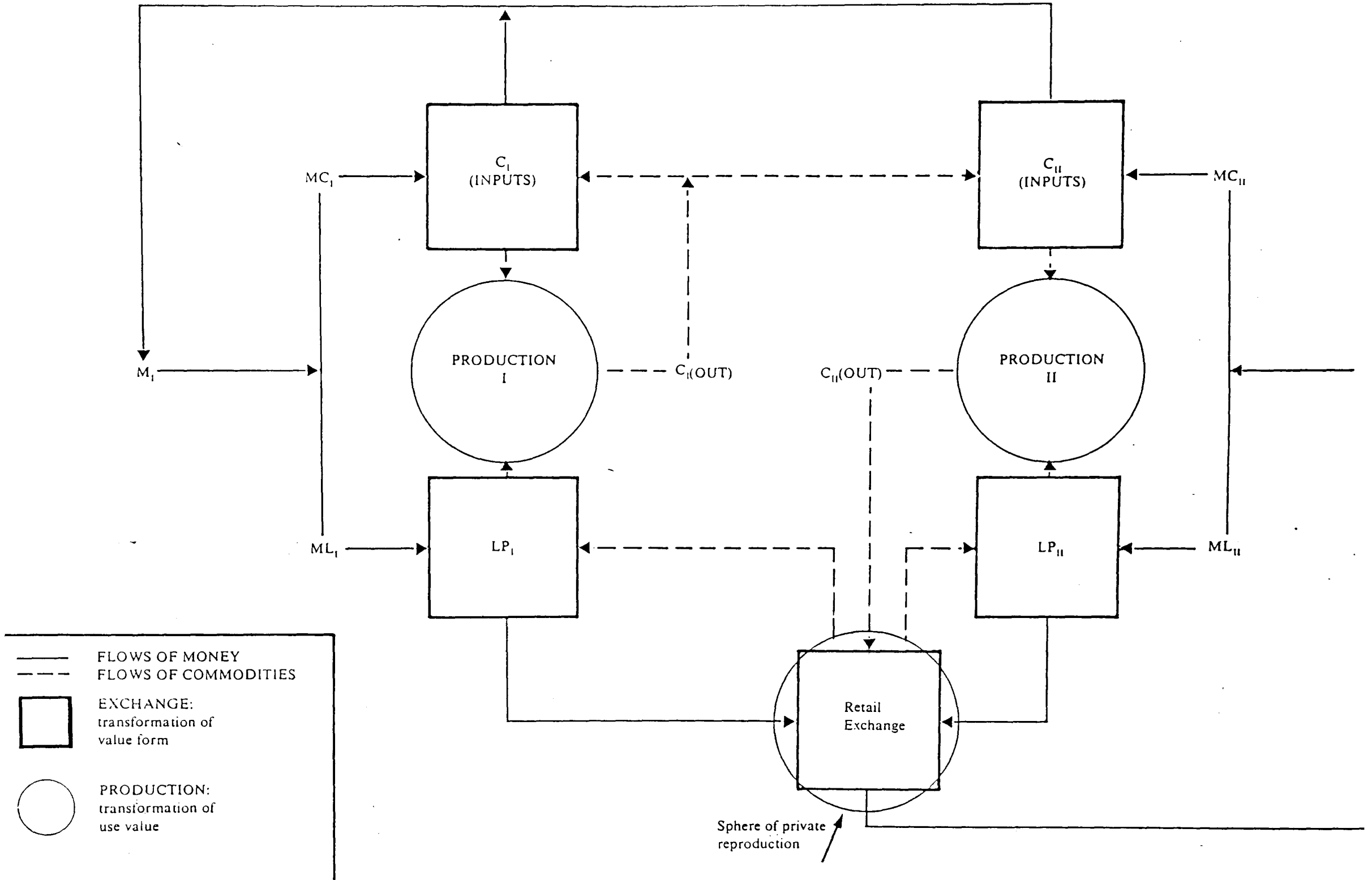


FIGURE 4.1: The Double Reel of Capital  
(adapted from Aglietta, 1979).



commodities.

The exchange boxes in the diagram can thus be seen as sites of conversion of the value form of commodities. The owner of a commodity gives it up in exchange for money, or vice versa. In production, represented by circles in the diagram, money has no direct part to play. Here, inanimate commodities and living labour are brought together. The outcome is not a change of value form, but the qualitative transformation of commodities. That is, the creation of a new use-value. Within the diagram, the exchange box in which retailing is located sits astride the circle representing reproduction. The private world of reproduction is represented as a site of production because a transformation of use-values takes place inside the domestic or private sphere, even though no exchange-value is created.

#### 4.1.3 Commercial capital

It is now possible to move towards a discussion of retail capital in the circulation of capital. Retailing has not been seriously discussed by marxian scholars. Marx himself only gave it a passing mention. To get to grips with retail capital as part of the overall circuits of capital we have first to refer to his theorisation of capital which is adapted to the sites of value form change; commercial capital.

From Figure 4.1 the existence of different functions within the circuit of capital can be deduced. Each function is attendant upon one of the phases of capital. The exchange boxes and the flux lines

which link the production must operate so that capitalism can reproduce itself. The necessity of exchange in the realisation of value has already been discussed. The flux lines are also necessary. Money, labour and commodities must be able to move through space to the sites of production and exchange to keep production going. It is important to accumulation that commodities should be exchanged as efficiently as possible. Therefore, part of the available labour power and the total product of society is consumed in ensuring the maintenance of the channels and structures of exchange. Admittedly, Figure 4.1, being a simplification, cannot show this, however it is in the functions of distribution and exchange that we find retail capital.

Marx makes a clear distinction between activities which are part of production and those that have a subsidiary role. One of Marx's fundamental assertions is that not all labour is productive. Rather, the values of commodities are derived from the 'socially necessary labour-time' that has been put into their creation. That is, "the labour-time required to produce any use-value under the conditions of production normal for a given society and with the average degree of skill and intensity of labour prevalent in that society" (Marx, 1976 p.129). Marx distinguishes the labour which is used to add use-value to a commodity from that which is merely part of the process of realising its value. Labour which is involved in the buying and selling of goods, accounting, and so on, "no more creates value than the labour that takes place in legal proceedings increases the value of the object in dispute" (Marx, 1978 p.208).

Thus, capital, such as retail capital, which is engaged in changing the form of capital, cannot contribute directly to the creation of

surplus value. Furthermore, the costs that such commercial capital incurs in realising the value held within the commodity must be taken from the surplus value produced. Marx calls these costs the faux frais (overhead costs) of production. There are, however, forms of labour which do not fit neatly into the productive/non-productive categories that Marx has set up. He realises this, and treats labour involved in the transport and the storage of commodities as productive in as much as such labour is necessary to the consumption of the commodity. "The quantity of products is not increased by their transport...But the use-value of things is realised only in their consumption, and their consumption may make a change of location necessary and thus also the production process of the transport industry" (Marx, 1978 pp. 226-7, emphasis added). Under this definition, retailing is a hybrid of both productive and non-productive processes.

The analytical separation of the functions of capital does not in itself mean that there will be an institutional separation between productive and commercial capital. However, a division of labour between the producer of commodities and the selling agent, was seen by Marx of potential mutual benefit. The productive capitalist would be willing to forgo some surplus value in order to speed up the realisation of the capital which is bound up in the finished commodity, so that value created in production can be re-invested more rapidly in further production. By the same token, commercial capital is able to make money without becoming involved in the production of commodities. Thus, commercial capital has a logic of its own which is internal to the general circuit of capital and takes the form:

M - C - M' - .....and so on.

The specialisation of function should allow a more skillfully operated, and therefore faster, exchange market. The amount of capital which is tied up in commodity form is less than it would be if the commercial capitalist had invested in productive capital instead. A further advantage of splitting commercial capital from productive capital is that it can service more than one productive unit. In fact, its turnover is limited only by the productive capacity of the whole branch of enterprise that it serves and the rate at which it can sell the commodities in the market place. In this way it can make an indirect contribution to the generation of surplus value, by increasing the rate of absorption of commodities by the market.

Another way in which commercial capital can contribute to the generation of surplus value is less intuitively obvious. This has its basis in the assumption that each enterprise has to compete for the available investment capital. Thus, one use of capital cannot <sup>return</sup> /above average profits without causing a reallocation of labour and capital until a new equilibrium is reached. As the total surplus value is shared out amongst the producers, the land owners and the commercial capitalists, and as they are in mutual competition for investment capital, there must be a tendency for each to have the same rate of profit. It follows that as commercial capital does not create surplus value, the smaller the ratio of commercial capital to industrial capital the larger the general rate of profit.

The faster the commercial capitalist can sell goods, the smaller the

amount of money extended in order to move a given value of commodities in a given amount of time. Thus, the size of the commercial capital declines relative to the value of goods it is servicing. As a result, the amount of capital extended to cover circulation costs declines relative to total surplus value. Surplus value is proportional to the quantity of goods produced. As a result, the general rate of profitability rises.

Whilst a faster turnover leads to a generally higher rate of profit, as far as the commercial capitalist is concerned the profit on each item falls. Again this is due to the establishment of a general rate of profitability. If the rate of profit is 15% then for each £100 advanced, a commercial capitalist will make £15 profit, whether the capital turns over 10 times or 100 times. "The merchant's profit is determined not by the mass of commodity capital he turns over, but rather by the amount of money capital he advances in order to mediate this turnover" (Marx, 1981, p.426).

#### 4.1.4 Retail capital

From this exposition of Marx's views on commercial capital we can see that the function of retailing in the circulation of capital is to realise the value stored in commodities by selling them to consumers. While necessary to the valorisation of production, the act of realisation does not add value to the commodities. Productive capital is involved in the transformation of the use-value of commodities to make a profit. For retail capital, the profit is derived from removing the burden of the final realisation of consumer commodities from the productive capitalist. Here the aim is exchange for exchange's sake, not production for exchange's

sake. Because retailing adds little to the value of commodities its profit must mostly be taken from the surplus-value created in production. However, the net profit which the producer retains is not necessarily less because a retailer has stepped between the producer and the consumer. We have noted above that the act of exchange would have to take place anyway. If the interposition of a separate institution, such as retailing, can improve the efficiency of the market enough to counteract the sub-division of surplus-value, the producer also benefits. Nevertheless, to the productive capitalist commercial capital is a cost of circulation, it is always viewed as a drain on surplus value. Thus, the relationship between commercial capitalists and productive capitalists is likely to be punctuated by conflict.

#### 4.2 Consumption and final exchange

The previous <sup>section</sup> examined the function of retailing within the circulation of capital. This section concentrates on the place of retailing within the private, non-economic sphere of reproduction. The difference in purpose which the consumer and the capitalist have when engaging in final exchange, or retail exchange, has already been mentioned. Also, the importance of retail exchange in the maintenance of the wage relation has been introduced.

Returning to Figure 4.1, retailing and shopping face each other across the divide between the economic sphere and the private sphere of reproduction. At the frontier is the act of retail exchange. Retailing is a purely economic act, but shopping is both an economic act of exchange and a social act of consumption.

It is impossible here to fully integrate retail capital into the theories of the social meaning of consumption. Apart from the few comments in this section about the manner in which the consumer is able to negotiate the direction of retail change, the consumer's point of view is not thoroughly explored in this thesis. To be sure, this is unsatisfactory, but considerable extra work would be needed to begin to mesh this thesis with the ideas of Baudrillard (1974), Veblen (1918) etc. Clearly such work should be on the agenda of radical theory and policy if it is not already (for instance Myers, 1986)

For the present purposes a rather restrictive view is taken which is that the logic of capital accumulation is dominant in the determination of the pattern which retailing actually acquires. It is in the nature of exchange relations that the vendor is more often able to set the agenda than is the buyer. The buyer either accepts one of the choices open or holds back from the exchange.

An examination of two studies of the reproduction of needs indicates some of the factors at play in the determination of consumption requirements (Gintis, 1972; Terrail, 1985). The first feature is that social institutions help to configure individual expectations about society. These can take the form of symbolic or traditional institutions, such as religion or the family. They may or may not be strongly linked to the prevalent mode of production. Secondly, social roles interact with, and are given legitimacy, by the manner in which production is organised. An individual's needs and consumption will also relate to the direct and indirect demands that arise from their position in society. Their possible courses of action, the way that they associate with other people and the

congruence of their activities with social institutions, will be related to the repetitive experience of their own personal reproduction. This in turn will be founded on the environment they inhabit and their individual abilities.

By its nature consumption is more flexible than time spent earning wages. Nevertheless a good deal of consumption reflects the need of workers to reproduce themselves as productive forces. Thus, the absolute level of the 'restricted dimensions of consumption under capitalism' is mediated by the demands that are made upon individuals in order to sell their labour power in society. For most workers, their labour, if productive, is employed to create products which are alien to them; their work is not a matter of self expression. In the same way, the relations under which production takes place bear upon consumer behaviour. Alienation in the work place is prejudicial to the attempts of workers to capture a degree of autonomy in their more expressive role as consumers (Saunders, 1986). It can be seen that consumption and production are part of the same process because, "the level and nature of worker's needs are not to be found in the intrinsic qualities of things but in the nature and level of capitalist society itself" (Lebowitz, 1977-8, p.437).

The position of retail capital is contradictory. It is the site at which the two quite distinct logics of capitalist and consumer engage. It has to help in the legitimation of the wage relation. In consumer exchange the interests of the worker are pitched against the interests of the consumer. This is why the needs of consumers are so often invoked by management in the rhetoric of class struggle. Antagonism can occur directly where common interests



within work are diluted by conflictual consumption activities.

Shopping is just one aspect of complex private reproduction. It is however at the margins of the private sphere; the shopper also participates in the economic sphere. In this light the naked individualism expressed by the consumer utility axiom, which underlies most studies of shopping, captures little of the real meaning of consumer behaviour. The role of consumer is fraught with contradictions. The very concept that people are consumers divides the activity of satisfying needs from the rest of their life, particularly their productive activities. This separation is replicated in the tensions which exist between consumers and workers. The concept that needs are supplied through the market is also unsatisfactory. The market is not merely the site of need satisfaction, it is also the point at which capital realises the value of commodities.

#### 4.3 Competition and retail capital

The order of presentation in this chapter has been as follows. Firstly, the position, function and logic of retail capital within the wider circuit of capital has been outlined. Secondly, attention has been given to the interface between the act of retail exchange and the sphere of consumption. This section focuses on the factors which give capitalism its frantic dynamism. The first of these is its defining characteristic; the law of accumulation. The second is the ever present partner to accumulation; competition.

Competition, along with property rights and money, is one of the historical conditions for capitalist reproduction. The reason it

has not been introduced until now is that competition takes place between individual firms. It is only by moving down a level of abstraction from that used so far, to include the interaction between individual firms, that the dynamic nature of capitalism can be understood.

In general capitalists are in competition for sources of money capital in two ways. In the first place, competition is a struggle for a greater share of the money which is available to realise the value bound up in commodities. In the second place, it is a fight to attract investment capital. The first battle takes the form of price and non-price competition. The second involves a struggle to keep a higher than average rate of return. Of course, these two objectives are in conflict.

#### 4.3.1 Horizontal competition and retail capital

There are two main methods of competition open to retail capitalists. The first is to cut the cost of circulation below competitors. The second is to sell a larger share of types of commodities in which they trade. They might also try to incorporate more value creating activities into their business. This is an unstable option, however, because of the economies which arise from separating production from circulation.

Cutting the costs of circulation simply means more efficient operation. Unlike productive capitalists, retailers do not meet the problem that replacing labour power by fixed capital narrows the scope for value creation. Exchange activities are merely a drain on surplus-value.

To increase their sales of the mass of commodities produced retailers must either increase the geographical spread of their activities, or increase the penetration of spatial markets in which they are already established. The former requires an extension of the present distribution system. The latter involves either selling to a higher percentage of the population in an area, or selling more to the existing clientele, or both. To achieve this they might make their distribution system more accessible to consumers, or they can try to attract more customers by undercutting the competition, or they can extend the range of goods in which they trade.

Attempting to compete by increasing the density, or extending the geographic range of the distribution network must eventually begin to yield diminishing returns. Similarly, reducing prices can only contribute to accumulation if it can be offset by economies of scale elsewhere in the distribution system. Such economies might come from a reduction of circulation costs from dealing in higher volumes, or from an effective cross-subsidy from products sold above their true value. Price reductions may also be undertaken to drive competitors out of business. Here a lower rate of return in the short term is a trade-off against the capture of a larger market share in the longer term.

#### 4.3.2 Vertical competition and retail capital

The competition for an above average rate of profit is also waged between the vertical links in the supply chain. The fact that retailers are not mainly concerned with the production of value is important here. The function of retail capital is the realisation

of surplus value created elsewhere in the circuit of capital. Thus retailers are in contention not only with one another, to reduce the costs of circulation to a minimum, but with the productive capitalists in Department II, to take a greater than average proportion of the surplus value created.

The idea that certain sectors of an economy appropriate the surplus value created in other sectors is very important for a consideration of the relations between productive capital and retail capital. Because the retail capitalist is not directly involved in the creation of value, the nature of the exchange relations between groups of productive capitalists and groups of retail capitalists is important. These relations cannot simply be seen as a market in which the producers compete to sell their wares to a number of retailers. In the first place retailers share in the surplus value which has already been created in the commodities. In the second place, they are not seeking use-values but exchange values.

The fortunes of retail capitalists are tied to those of the productive capitalists with whom they deal. If the branch of industry with which the retailer deals is subject to a higher or lower rate of surplus-value than average, the amount of value realisable by the retailer will be affected. This would also be true for a retailer tied to a specific source of commodities, for instance when the retail company is merely the agent of the productive capitalist. In this case the distribution of surplus value between the producer and its agent is decided centrally. It is more common to find retailers having a range of suppliers to choose from for any specific commodity, and for the producers to be able to sell their commodities to a number of different retailers.

Under these circumstances the division of surplus value is negotiated on the basis of the power relations between the parties involved.

If one producer raises its efficiency above the average in its branch of production it is able to accrue surplus profits. If it does not use the opportunity to lower its commodity prices, or if other producers lower their prices to compete with the more efficient producer, retail capital makes a short-term gain. The amount of value created is only altered to the extent that the more efficient producer is able to penetrate the market. In effect, the retailer retains an above average share of the surplus value. It doesn't matter which producer a retailer deals with, once an average price for a commodity is established retailers are immune to inequalities in the rates of profit.

This situation cannot be maintained indefinitely, because the producer companies returning a below average rate of profit, will suffer an emigration of capital. The producers will eventually lose the fight to prevent the more efficient technique of production from becoming dominant. If the new technique derived its competitive advantage from a higher organic composition, there will be a decline in the total value produced, and thus a decline in the general rate of profit. Which will, of course, affect the retailer's rate of profit.

While producers seek to add surplus value to their products, or to expropriate the surplus value of their competitors, retailers aim to increase the turnover of their capital. In effect, a reduction in circulation costs is just the same as an increase in the speed with

which goods are sold, since both imply less capital is advanced to service a given value of commodities. The producers of a commodity also gain from this because there is more retained surplus value to be shared out.

For the retailer there is considerable short-term advantage to be gained from increasing capital turnover. It allows the retailer to grow more quickly than competitors. As there will be an average commodity wholesale price, the faster turnover retailer will retain a larger proportion of the surplus value than other retailers. This will even out, to give a slightly improved rate of profit for the whole sector, and a lower margin on a given value of goods sold.

#### 4.4 Concentration and centralization

Capitalists who through competition are successful in achieving an above average rate of surplus value, are better able to offer a high rate of return on investment. To secure a longer term advantage from the increase in surplus value, either the total market or the individual capitalist's share of the market must be expanded. Here we meet the twin processes of concentration and centralisation. Aglietta (1979) defines concentration as "the expansion of ownership over a process of valorisation" (p.216). In other words, as the amount of value channelled through an individual capital grows, concentration grows. It would be wrong to define concentration simply as a gain in the share of sales of a particular use-value. A "process of valorization" may be extended across any number of different types of commodity, or use-value markets.

#### 4.4.1 Centralisation and competition

Concentration is merely an effect of accumulation. All things being equal, as the total social capital expands so does the amount of capital in the hands of each individual capitalist. Centralization on the other hand is the "concentration of capitals already formed, destruction of their individual independence, expropriation of capitalist by capitalist, transformation of many small into few large capitals" (Marx, 1976 p.777).

Centralisation carries on in two ways, by driving the competition into insolvency, or by the takeover of a competitor as a going concern. Centralisation permits concentration in the absence of the growth of total social capital. Of course, takeovers and mergers are much quicker routes to the concentration of an individual capital than simple concentration. Also, centralisation allows capitalists to undertake larger projects sooner than if they had to wait to accumulate the necessary funds by straightforward reproduction. "The world would still be without railways if it had had to wait until accumulation had got a few individual capitals far enough to be adequate to the construction of a railway" (Marx, 1976 p.780).

However achieved, concentration aids in the construction of barriers to entry in specific use-value markets. The progress of dominant capital has been punctuated by the introduction of labour processes which not only gave economies of scale, and absolute cost advantages but are also supported by capital intensive advertising campaigns and other forms of non-price competition. The logical counterpart

of this is the diversification into other product markets and industries. This protects individual capital from a downturn in one particular use-value market.

In a situation where there are a few highly concentrated capital in a specific use-value market it might be expected that the nature of competition changes. Certain marxists have argued that the relative and absolute size of certain capitals allows them to contravene the rules of value theory, by virtually creating their own conditions of accumulation (Baran and Sweezy, 1968). Such capitals are often called monopoly capital.

The use of the word monopoly in this context is ambiguous because rarely is a whole market administered from one centre of accumulation. In practice, the term monopoly capital is used to describe a centre of decision making which is absolutely large as well as having exercising power in a use-value market through its market share. To increase precision these capitals will be called dominant capitals from now in this thesis.

The idea that dominant capitals are able to flout value theory has been shown to be both theoretically and empirically incorrect (Semmler, 1982). Competitive tools such as barriers to entry can just as easily turn to disadvantages in declining markets by becoming barriers to exit. Because competition takes place in capital markets as well as use-value markets, even very large dominant capitals are unable to overturn value theory through the use of entry barriers. However, they are often able to use the enormous resources at their disposal to gain a breathing space, a facility which smaller capitals do not enjoy.



Dominant capitals create two new kinds of competitive relation (Wheelock, 1983). The first is competition between a dominant capital and smaller capitals. Here the advantage is held by the dominant capital, due to its economies of size and power. Surplus profits can be retained by the dominant capital because of barriers to entry. In this sort of competition market prices are able to affect profits rates, through a redistribution of profits from the less to the more efficient capitals.

The second type is competition between dominant capitals. This requires that the sector be large enough to contain more than one dominant capitalist. Here, the establishment of a general rate of profit is achieved by competition between the dominant capitals on the capital markets.

#### 4.4.2 Competition and concentrated retail capital

The redistribution of profits from concentrated retail capital to smaller retail capitals takes place both through the setting of market prices, and the negotiation of discounts from producers.

##### i) Horizontal competition

The price competition by concentrated retail capitalists depends on the construction of barriers to entry. So long as there is open access to the wholesale markets, entry barriers to retailing are notoriously hard to construct. They depend upon the economies of scale which can be achieved through investments in buildings, transport facilities and management skills. Any particular

combination of these factors will prevent the further expansion of the intensive or extensive market at above the average rate of profit. At this point the particular marketing techniques have reached saturation.

Smaller retailers which are not directly tied to capital markets can operate at a lower rate of profit, although even they should produce profits equivalent to the average rate of interest. As a result, smaller retailers are able to conduct their trade in spatial markets or in product categories which concentrated capitals find too unprofitable.

The extensive saturation of a particular technique of marketing will also curtail the geographic extension of a concentrated retail capital when it comes into direct competition for a trade area with another retailer operating at the same level of efficiency.

Once one particular style of trading runs out of steam, retail capitalists are faced with two broad options. One is to diversify, either by moving into other sectors of trade, or by integrating backwards and undertaking production, this raises the issue of vertical competition and concentrated capital, which is taken up next. The other is to renegotiate the work of consumption in such a way as to revolutionise the prevailing mode of retail competition. For this to happen, there must be the opportunity for a significant and long lasting increase in the retention of surplus-value. This issue is discussed in the next section.

## ii) Vertical competition

When one producer has the monopoly of a commodity which has the competitive advantages of price or product differentiation, retailers are relatively less able to dictate the size of their share of the surplus value created. On the other hand, retailers which have a large clientele, or which are much more efficient at turning over commodities have a powerful bargaining position. Thus, the relative profit rates of retailers and producers are liable to shift as this balance of power shifts. In any branch of industry, there is likely to be a variation in the balance of power between one retailer and its various producers and one producer and its various retailers. Thus, there will be no fixed wholesale price, rather retailers or producers will be able to drive bargains with each other.

Retailers will buy above or below the average price depending upon their buying power. From the point of view of the producer the relinquishment of a larger than average proportion of the surplus value to the retailer is an effective driving down of the rate of profit. For its long term security the producer must be able to convert the extra volume into extra value, by introducing economies of scale. The competing away of retailers who are buying commodities above the average wholesale price, of course, reduces still further the value retained by the producer. This makes it even more essential for the producer to gain economies of scale.

Larger capitals may also be able to set the conditions under which exchange takes place. For instance, retailers may demand long free

credit periods or producers may be inflexible in arranging deliveries. These are tactics which indirectly contribute to their share of surplus value.

The retailer can push the producer's share of surplus value back only so far; producer's must strive to return at least the prevailing rate of interest. Even then, if the capital invested in production is immobile the retailer can force the producer to carry on at a low rate of profit. The immobility of capital arises when significant sums have been invested in plant and buildings, which do not have a resale value, or when this capital is protected from the overall movement of the capital markets. A classic example of the latter would be a wholly owned family firm.

Alternatively, retailers might deal with firms in sectors of trade where the entry costs are very low, so that petty commodity production is dominant (Rainnie, 1984). When this happens the producer becomes little more than a sub-contractor for the retailer. The low prices to the retailer form an effective bar to the invasion of productive capital into this area. In order to compete with the petty commodity producer, productive capitalists would have to be efficient enough to return more than the average rate of profit at these impoverished prices. Moreover, the retailer when faced with such low entry costs may be making surplus profits from the inability of the producer to increase its organic composition at the same rate as productive capital.

The retailer is protected from the equalization of the extra rates of surplus value by the nature of petty commodity production, which does not appeal to capital markets for investment. However, as the

organic composition becomes lower than the social average the possibility of introducing a new production technique which is less costly than petty commodity production increases. The labour intensity of petty commodity production, which enable the retailer to make surplus profits is also its weak spot. Even if the labour-power is dramatically below its social value there are limits to which its cost can be driven down, the labour force must be able to reproduce its labour-power. Eventually, a capitalist will replace labour-power by fixed capital, so expropriating surplus value from the value laden activities of the petty commodity producer.

#### 4.5 Capitalist innovation

Under capitalism innovation becomes a competitive tool. It does not occur for its own sake, it must also contribute in some way to accumulation. Innovation can thus be conceived of as an attempt to extend the realm of commodity production or to increase the rate of profit or both.

##### 4.5.1 Innovation to propagate demand

The limited extent of total consumer purchasing power means that any extra revenue is obtained at the expense of other capitalists. Marx recognised three ways in which demand can be expanded: "firstly quantitative expansion of existing consumption; secondly: creation of new needs by propagating existing ones in a wide circle; thirdly: production of new needs and discovery and creation of new use values" (Marx, 1973 p408). The options open to the capitalist are the following.

- 1) To sell more to each individual, to increase the market

- penetration or to expand the geographic extent of operations.
- 2) To develop products or services which either reduce the efforts required of consumers, or increase the quality of existing consumption and production.
  - 3) To create new products which require new forms of behaviour and interests.

The first of these is a directly competitive strategy, which does not involve innovation, but may include the diffusion of an innovation. The second and third are innovatory. The second can be sub-divided into two types. First, innovations which involve the movement of the boundaries between the private and the economic spheres. As this boundary is the site of retail capital (see Figure 4.1), this is a form of creation available to retailers. Earlier we saw that retailing and shopping lie on either side of the demarcation between exchange and private reproduction. The actual location of this boundary, however, is subject to change. When this happens, retail capital expands into or withdraws from the sphere of consumption. Second, the actual content of consumption activities can be altered. This requires a change in the products which are on offer, as for instance in the switch from the sale of raw to ready to eat foodstuffs.

To make sense of what is happening here it is necessary to return the concept that commodity production is possible because of the cleavage between production and consumption. The material transformation of use values which takes place in production is creative of value, whereas that which takes place in consumption is not. This is the case even if the physical actions undertaken are identical. So, the point at which the division is made between the

work of production and the work of consumption is constantly renegotiated as capitalists innovate to expand their businesses. In doing so, the content of the work of consumption is redefined. New surplus value is created by taking use-values out of the work of consumption and into the work of production.

The logic of rolling back the frontier with the sphere of consumption is contradictory. Capitalists want workers to undertake more of the work of consumption, because it is unpaid and is therefore not a cost on them as wage labour. The notion that consumption time is also leisure time is shown to be wanting in this regard (Preteceille, 1985). Capitalists also want to extend the sphere of capital by persuading people to shift the balance of their non-work activities towards a greater share of commoditisable consumption.

The third type of demand fostering activity is different from the second only by degree of novelty. As all innovations have to compete with established products and services, those which generate new activities will have to gain a meaning in the terms of present consumption. Clearly, an innovation which requires new forms of behaviour will foster demand more easily if it can be linked to some definable, if latent, need.

#### 4.5.2 Innovation to increase the rate of profit

The rate of profit can be increased by cutting the costs of production and circulation. Specifically, this involves reducing: the payroll; the costs of the material inputs; or the rate of depreciation of the means of production. In the marxist literature

most attention has been given to the effect of innovations which cut labour costs, and the de-skilling process which it seems to imply (Braverman, 1974). This is at least partly due to Marx's proposition that there will be a tendency for the rate of profit to fall, as a result of the replacement of variable capital by fixed capital, that is, labour by machines. There is a reduction in the opportunities to create value. As retail capital is mostly a cost of circulation there is no theoretical reason why it could not become so efficient that it puts itself out of business. In practice, there will only ever be a tendency towards zero, there will always be some costs. Also, retail capitalists have an institutional inertia of their own, which will be self-perpetuating.

Cutting labour costs, however, is not simply the replacement of human actions by machines. Remember, the purpose of such innovation is to increase the rate of return on capital investments. This return is a function of the way in which total labour time is divided into the time needed to reconstitute labour-power ( $t_n$ ) and the time given to the creation of surplus value ( $t_v$ ). In the total period of work ( $T$ ) there will be times when value creative activity decreases or ceases altogether. There are three ways in which the rate of surplus value can be increased (Palloix, 1976 p.49).

- 1) a decrease in  $t_n$ .
- 2) a rise in  $t_v$  by way of a rise in  $T$
- 3) a decrease in  $T-t_v$  with  $T$  remaining constant.

A reduction of  $t_n$  is the production of relative surplus-value. The other two produce absolute surplus value. Furthermore, the first two increase the extensive use of labour, while the third increases the intensity of labour.



The retail capitalist cannot increase the production of surplus-value in these ways as there is no surplus value created. Yet, wages are a cost to retail capitalists just as they are for other capitalists, so that a decrease in  $t_n$  of retail workers increases the retention of surplus value. Similarly, increases in the intensity of work are beneficial to all forms of capital. However, retail capital does not seek to keep  $T$  constant but to reduce it, and so decrease  $T-t_v$ .

Marx saw the labour process as made up of productive forces and the social relations of production (Therborn, 1976). The first of these refers to the ability to transform nature and the second to the particular social organisation and social implications of production. Innovations which cut costs can address either of these aspects. They might involve the reorganisation of labour in such a way as to increase the intensity of its use, or so that there is a decline in the total amount of labour needed. On the other hand an innovation might take the form of a new investment in fixed capital to achieve the same ends. Capitalists may also re-invest in fixed capital which has a lower value component than has previously been the case. This would require an innovation, which takes the form of the reduction of either  $t_n$  or  $T-t_v$ , by one of the capitalist retailer's suppliers.

#### 4.5.3 The notion of competition

The discussion so far has abstracted out of the time bounded nature of competition. For instance, a general rate of profit does not come into being immediately there is a shift in the profitability of one section of capital, to the detriment of another. If this was

the case there would be very little scope for accumulation. At any point in time capitalists will be returning more or less the average rate of profit. It is time lags in the system which allow one capitalist to gain a competitive advantage over another. This takes the form of a redistribution of surplus value from one capitalist to another.

The time-lag is a pre-requisite of innovation. For instance, if a productive capital is able to introduce a labour saving process before its competitors, then the decline in value created will be felt more by the competitors than the innovator. The price of the commodity does not fall immediately. Instead the innovator hopes to make surplus profits. This is directly detrimental to its competitors, because their rate of return will be lower. It is only when there has been a redistribution of capital in response to this, and the probable adoption of the new process by the competitors, that the effect of the lower rate of surplus value emerges. Meanwhile, the innovator has had surplus profits to re-invest, which might have been used to develop another surplus-profit making innovation.

An alternative strategy for the innovator is to cut the price of the innovation immediately. This will allow it to take market share from its competitors. If the penetration is deep enough, it may allow the innovator to completely undermine the opposition, as realisation becomes more difficult for them. This may also put the innovator in a position not only to extend effective control over the sites of value realisation, but may also allow them to gain ownership of the process of valorisation. The competitors may be driven to the wall or bought out. New entrants are deterred from

entering the market because of the declining rate of profit, and the tendency to surplus capacity. Innovation is made less likely because the high entry barriers surrounding the concentrated capitals in such mature markets make it very risky.

The market lifecycle concept is more useful in this context, containing, as it does, the idea that as the market concentrates and centralises the intensity of innovation declines. This is a two way process, innovation lies in a circle of causality with market structure. The reasoning for these effects is largely based in the positive correlation between use-value market power and the centralisation capital. One of the reasons for centralisation is the slow down of natural growth of the market, as the use-value innovation matures. There is less room for less efficient companies in a direct confrontation for market share.

For a number of reasons, the process of consolidation never seems to reach its logical conclusion. Individual capitals may spawn new capitals. Parts of a firm which are underperforming, or are in a tight market may be sold off. New use-value markets may develop, which allow for a decentralisation of capital. The point is that the tendency to concentrate meets countervailing forces.

Innovation can be potent as one of the countervailing forces that constantly thwart the centralisation of capital. Small companies are able to exploit niches in a product market which it is unprofitable for larger firms to attack. Innovations are rarely born with a ready made market. The economies of scale which allow a concentrated capital to maintain a stream of surplus profits do not apply here. Hence, small specialised companies are able to compete

on relatively favourable terms with the larger capitalists. Furthermore, it is generally in the interests of dominant capitals to tolerate such small innovative companies. They absorb much of the risk of innovation, do a lot of the sorting out of teething problems, and finally they build the market until it is of a size where barriers to entry can be erected.

For the most part the power relations between retailers, and the level of centralisation of their individual use-value market, will influence the rate of innovation in the same way as it does in production. There is no reason why the process of concentration and centralisation should be any less effective amongst factions of retail capital than it is between other capitalists. Except, of course, innovations in retail form are not protected by patent or copyright, so the retained surplus profits from innovations in retailing are likely to be less long lived. By the same token, retail capital is more likely to adopt an imitative strategy (Freeman, 1974) with respect to innovation.

#### 4.6 Structural crises and renewal

The inequality in rates of surplus value between different portions of capital has a more importance than the localised competition between capitals would suggest. It has been proposed as the major motive force behind the long term fluctuations in the economic well being of capitalism (Mandel 1975, 1980). These well marked fluctuations have a 40 to 60 year timespan in which a boom period is followed by economic stagnation and then decline.

It should be said that the existence of long waves is disputed.

This is due to a lack of agreement about: the correct indicators for economic sickness or health; the causality within the long waves; and the actual timing of the long waves. Nevertheless, even economists who are highly sceptical about the possibility of regular cycles in economic performance accept that capitalism is subject to periods of relative wealth and periods of relative poverty. For instance, "no one who has examined the dynamics of capitalist economies over long historical periods can doubt that they experience significant long-term variations in their aggregate performance" (Rosenberg and Frischtak, 1983 p.146).

Certainly, the duration and severity of each period of capitalism cannot be reduced to simple, or even complex, harmonic motion. "It is too great a generalisation to say that all cycles within the expansionary waves entail long, intense booms and short, less-marked downturns or that cycles in the contractive periods have hesitant upturns and more durable, intense slumps. Empirical evidence suggests that each cycle has its own distinctive structure and character which cannot be simply subsumed within epoch-spanning general patterns of fluctuation" (Marshall, 1987 p.95).

Even if these "long-term variations" are accepted as something more than the product of random effects, the mechanisms for the upswings and downturns are in dispute (Table 4.1). Despite the differences of opinion about what are causes and what are effects, it can be seen from Table 4.1 that most long wave theories depend upon some restructuring of the productive system to spark-off an upswing, and that the downswing is related to over-capacity and saturation of the key industrial sectors.

All of the theories, with the exception of Forrester's (1976), stress the importance of technical revolutions as part of the restructuring of industry. Clearly, new technological systems imply a new set of labour relations in production, as well as new products and new markets, although not all long wave theorists acknowledge the significance of the labour process. The decline of the period of boom is associated with saturated demand and/or over-production. The dis-equilibrium between departments is thought by bourgeois theorists such as Freeman et al. (1982) and Forrester (1976) as the root of the crisis, as it leads to over-capacity in the capital goods sector, whereas Mandel (1975) regards imbalance as an ever present feature of the capitalist system.

Table 4.1 Long wave theories

a) Price cycle theories

Theorist:	Date:	
Kondratieff	1920s	Upswing: associated with profound economic and social upheaval (war, revolution etc.); major technological changes; the opening up of new markets; changes in the money supply. Downturn: need for re-investment in productive capital at the same time as a lack of loanable funds due to over-investment.
Rostow	1978	Upswing: new technological organisation of society leading to changes in the relative prices of commodities leading to shifting sectoral-spatial patterns of income and investment. Lags in the process lead to scarcity and the eventual upswing. Downturn: the process eventually runs out of steam.

b) Innovation wave theories

Theorist:	Date:	
Schumpeter	1930s	Upswing: a group of innovative entrepreneurs emerges; their innovations transform the organisation of production. Downturn: "creative destruction:" the process of competitively whittling away profits and a dampened psychological spur.
Mensch	1975	Upswing: a cluster of basic innovations emerges to create new industries and markets. Downturn: as the scope for substantial innovations in the dominant technological system declines the innovations become progressively less radical. The markets saturate and there is widescale devalorisation and stagnation.
Freeman <u>et al.</u>	1982	Upswing: social and economic restructuring from the previous depression leads to the slow emergence of a new technological system and a labour force with the new technical skills. Inter-firm product-process linkages eventually produces a technological web of industries. Downturn: consolidation of the technological web leads to saturation and eventual over-capacity and decline.
Van Duijn	1983	Upswing: a cluster of basic innovations produces new industrial sectors and subsequent growth. Downturn: growth gives way to maturity; as the markets for capital goods saturate an over-capacity and over-accumulation in fixed capital becomes evident.

### c) Capital accumulation theories

Theorist:	Date:	
Forrester	1976	Upswing: depletion of capital stocks during last depressive phase leads to demand outstripping supply. There is an expansion of the capital goods sector, as the level of business confidence picks-up. Downturn: in order to meet demand the production of capital goods becomes over-expanded in relation to the mature markets. There is an over-production of capital goods leading to devalorization as the economy moves back into recession.
Mandel	1972	Upswing: external forces (e.g. the opening up of new geographic markets, the introduction of new technologies of production) and the profound defeat of the working class lead to a reinvigoration of the rate of surplus value. Capital flows into the new higher profit areas; leading to a new high demand for capital goods. The average rate of profit in the capital goods sector is bolstered. Downturn: overaccumulation in the capital goods sector leads to a realisation crisis; decelerated accumulation leads to over-production as investment is withdrawn.

#### Notes:

- 1: Comprehensive discussions of these theories can be found in Freeman et al. (1982), and Marshall (1987).
- 2: The dates refer to the first appearance of the specific theory, not to the date of publication in English.
- 3: The specific references are, respectively: Kondratieff (1978), Rostow (1978), Schumpeter (1939), Mensch (1979), Freeman et al. (1982), Van Duijn (1983), Forrester (1976), and Mandel (1975) and (1980).

The Mandelian (1975, 1980) interpretation is the most consistent with the approach adopted here. For Mandel, long waves are made possible by capitalism finding new ways to substantially, and for long periods, increase the rate of surplus value in certain sectors of the total economy. This has taken the form of the exploitation



of newly opened up sources of labour, raw materials, or markets. It has also been the result of transformations in the forces and the social relations of production. Each epoch of capitalism is characterised by a different labour process, based around a new technological infrastructure.

Mandel (1975) maintains that there have been three new sources of surplus profit since the emergence of capitalism. These have been three backward areas: agricultural regions in the central capitalist states; under-developed countries; and less technically advanced sectors of the economy. The factors which the surplus profits depend upon are a surplus of capital, the relative immobility of capital and the relative limits to the equalization of different rates of profit, due to the protection afforded by oligopolies.

The unbalanced growth of certain sectors of capital based on specific labour processes clearly underlies each period of capitalism whether it be described as an epoch, or a long wave. As Aglietta (1979) pointed out, a specific labour process carries with it implications about the nature of consumption. The capitalist system is after all an organic unity. A specific organisation of production will carry with it demands for a certain level of social development and a certain level of technical skill, each of which will only be brought into being slowly as one epoch period makes way for the next (Dunford and Perrons, 1983).

Aglietta (1979) goes on to identify two historical regimes of accumulation, an intensive regime and an extensive regime. The first of these implies the reorganisation of labour without the direct intervention of capitalist production into the private sphere

of reproduction. The intensive regime involves a restructuring of working class life by the capitalist logic of production. The first regime constantly met barriers to the expansion of accumulation, due to the problems of creating an adequate effective demand. A stable effective demand was ensured in the intensive regime, because a working class norm of consumption is established which smooths out the disequilibrium between Department I and Department II.

The concept of a regime of accumulation underlines the essential unity of production and consumption. Using this unity Aglietta (1979) shows how "advances in productivity in Department I find their outlets in the expansion of Department II. The fall in unit exchange-values in this department sufficiently increases the production of relative surplus value to enable real wages to rise. Accumulation can thus progress at a rapid pace in both departments." (p. 86).

The development of a working class norm of consumption, and the regulatory norms which underwrite it, are clearly important to an understanding of long term retail change. They influence the quantity and quality of the products sold to consumers. Different regimes of accumulation will have different effects upon the work of consumption. The changing nature of labour relations will not only affect what consumers needs are, but will directly impinge upon labour relations within retailing. Finally, crises in the production of surplus value in Department II or a real decline in the real value of the consumers spending power will ultimately make accumulation more difficult for retailers.

#### 4.7 Summary

This chapter has had one very important function within the thesis. It has provided the analytical tools with which the investigation of retail change through the example of teleshopping can proceed. The first section located retail capital within the overall circuit of capital. The second looked at the implications for retail capital of its specific position at the interface between the economic and the private spheres. In the third section the nature of horizontal and vertical competition was discussed. The effects of the concentration and centralisation of retail capital was discussed in section four. Innovation as a means of extending accumulation and the rate of profit was examined in section five. Then, in section seven, the way that capitalism is not just reproduced as the same institutional pattern but undergoes periodic transformation was discussed.

The critical points which have been raised so far can be summarised as follows.

- 1) Capital must be conceived of as a circuit. As capital passes through this circuit it changes its value form. There are specific types of capital which are adapted to these points at which it changes of form. One of these is commercial capital. Commercial capital is devoted to the exchange of commodity capital to money capital. Retail capital is a sub-form of commercial capital which serves the very important function of ensuring the final release of the value bound up in commodities, by exchanging them for money.
- 2) Commercial capital, pure and simple, does not create value, so

that it must make space for itself as a separate institution within capitalism by providing economies of scale. Marx has demonstrated how this can be done. It is in the paradoxical nature of commercial capital that it does not directly make greater profits by turning over more commodities. This is due to the equalising effect of the general rate of profit.

- 3) Yet, retailing has a specificity of its own. It is a hybrid of both productive capital and commercial capital. Its institutional separation is based upon the economies which it affords by specialising in exchange. Thus, the productive activities are necessarily unstable. In any case, as a sub-form of commercial capital its watchword is exchange for exchange's sake.
- 4) The position of retail capital also means that it is the closest form of capital to the private sphere. It therefore takes part in the legitimation of the social relations of production through final exchange. In part this is simply through the conversion of latent needs and desires into commodified use-values.
- 5) The dynamic transformation of capitalist society can be attributed to the action of the law of accumulation and its partner; competition. Competition can take the form of the struggle for a finite amount of investment capital, or the battle for the sales to the consumer. It is also conducted in two directions: horizontally and vertically. The horizontal mode of retail competition shows the inherently geographical nature of retail capital. The vertical mode of competition indicates retail capital's dependence upon the rate of surplus value in the branch of production with which it deals.
- 7) The nature of horizontal and vertical competition is amended by

the formation of centralised retail capital. Although it is hard to build barriers to entry to the retail trades, the concentrated retail capitals compete through the extension of a particular labour process until they meet diminishing returns, through market saturation. Vertical competition is substantially altered by concentration either on the part of the producer or the retail capital. In each case the distribution of surplus value is at issue. Concentration in the vertical market also prevents the establishment of a true wholesale price for commodities.

- 8) Innovation can either take the form of the enlargement of demand, or the raising of profits. Demand can be enlarged either by selling more of the same goods, by creating new products which supply existing needs, or by the creation of new needs. Innovations which cut costs can either save on labour power, or they can save on fixed capital costs. Savings on labour power can be achieved either by the production of relative or absolute surplus value. In section 4.5.2, three means of doing this were described. Only two of which are relevant to retail capital.
- 9) Capitalists can also use time lags in the redistribution of capital to gain advantage over their competitors. This can offer them the opportunity of monopoly profits. If used skillfully the headstart gained by introducing a cost saving process or a demand creative commodity can be built into a position of domination over a market. In a similar way, capitalists can use their dominance in a horizontal market to improve the profitability in relation to their suppliers, or customers.
- 10) The different rates of surplus profit have also been used to

make sense of the long waves in economic growth which have been a feature of capitalism. These long waves can generally be seen as periods which start when the immanent barriers to accumulation are broken down, through a sudden advance of surplus value. Then the boost which this gives to accumulation multiplies its way through the capitalist production and consumption system, until the progress becomes dampened and gradually loses its fire. A full understanding of the longevity of these waves requires the integration of the circuit of capital with the mode of consumption of the wage-earning class. Clearly, retail capital is implicated in this, and will restructure in response to the overall pace and direction of the movement of capitalist social relations.

#### 4.8 A note on the fieldwork

The nature of teleshopping, as a form of retailing which is not yet widely available (if it will ever be) makes it hard to investigate. Teleshopping experiments which have taken place may not be representative. In any case, most of the conclusions are still under wraps. Inevitably some of the arguments presented are speculative. An honest effort has been made to find answers to the questions which have arisen in the course of the research. This has taken the form of a search through published sources: the trade literature, the academic literature and company reports. The search was strengthened by thirty interviews with decision-makers in various agencies involved in the development of teleshopping. These interviews were conducted in the United States in April and May of 1986 and in the United Kingdom between October 1986 and April 1987.

The selection of interview prospects was based on two main criteria. The first objective was to replace speculation about teleshopping, of the sort found in most teleshopping literature, by directly investigating the decision process of retail corporations about teleshopping. The second objective was to find out which factors are dictating the actions of the range of agencies which are either directly involved, or potentially involved, in teleshopping, and the technologies which teleshopping requires. The world of teleshopping and its technologies is quite small, so that formal sampling was ruled out. Instead, the names of key individuals inside a cross-section of relevant agencies were drawn out of the trade literature. Letters soliciting an interview were sent to the people on the list, with a high success rate. Of thirty three letters sent out thirty interviews were set up, and there was only one outright refusal, and two non-responses.

It was a surprise that there was so much readiness to talk about this subject. It was relatively straightforward to arrange interviews with board members of the firms consulted. Most of the interviewees were willing to be frank, even if they were unwilling to allow themselves or their companies to be attributed in the text. Of course, the depth of insight which can be achieved in a single interview is limited (Oakley, 1981), and the results of this front door approach are not always reliable (Douglas, 1976). As Melville Dalton (1959) warned:

"In no case did I make formal approach to the top management of any of the firms to get approval or support for the research... I have seen other researchers do this and have watched higher managers set the scene and limit the inquiry to specific areas... as though the

problem existed in a vacuum. The findings in some cases were then regarded as controlled experiments..But...who controlled the experiments" (p. 275).

However, it is in the minds of the decision-makers of capitalist companies that the motives for investment strategies crystallize. If marxist scholars wish to address the current movement of capitalism then entry must be gained to these inner sanctums. Marx was quite definite in his insistence that we should penetrate "into the hidden abode of production, on whose threshold there stares us in the face 'No admittance except on business' [to] force the secret of profit making." (quoted in Harvey, 1982 p.148).



## CHAPTER FIVE

### HORIZONTAL COMPETITION AND TEleshopping

In the previous chapter competition was cited as a fundamental factor in moulding the pace and direction of retail change and innovation. The way retailers react to an innovation is, in the last resort, dependent upon their assessment of its significance in the struggle to realise above average rates of profit. Retail companies are also in a constant search for new ways to extend their market.

The concrete reality is that individual retailers compete in a complex matrix which includes: their own internal logic; the pressures due their position in the circuit of capital; and a multitude of historical circumstances. A tenet of the marxist approach is that the present appearance cannot be understood without an appreciation of both the underlying processes and the historical manifestation of those processes. So, while the purpose of this chapter is indicate the significance of teleshopping as a competitive tool for retailers, it can only be done by first examining the development of retail capital.

To make this task more manageable specific sub-sectors of overall retail capital are drawn out for investigation. The danger that the isolation of any particular sub-sections of capital may be deemed a chaotic conception (Sayer, 1982) is acknowledged. Some of

the chaos is unavoidable as the way in which statistics are collated enforces the acceptance of a priori taxonomies. Unfortunately, the categorisations used by both state and trade agencies do not correspond to marxist analytical divisions, even if such divisions could be distinguished at the empirical level. The independent investigation of sub-particles of retail capital is problematic, because a slice of the total circuit of capital is considered in isolation in this chapter. The wider linkages of retail capital will be considered in the next chapter.

In this chapter the spotlight is turned on the horizontal competition between capitalists. The sub-sections chosen to aid the discussion are grocery retailing and mail order. The reasons for selecting these two are as follows. First, they provide contrasting examples. Mail order is a sector of retailing defined by its mode of operation, while grocery trading is defined by the type of commodities it sells. Second, for mail order, teleshopping requires a minor change of operating technique, whereas it requires a major change for grocery retailers. Third, these two sectors have been identified, in the teleshopping literature, as having the greatest immediate potential for the adoption of teleshopping. Fourth, the experiments which have taken place so far mostly fall into these two categories.

This chapter is divided into two parts. The first part of this chapter is an historical examination of the progress of the grocery and mail order trades, with particular attention to the processes of concentration and the modes of competition adopted at each phase of their development. In the second part, these insights enhance the understanding of teleshopping, as a competitive tool for retail

capital. The argument in the chapter is based substantially on the fieldwork interviews which were carried out in Britain and the United States. The use of interview material in the text is signalled by the term - (INTERVIEW).

### 5.1 The development of retail capital

This section investigates the historical development of the grocery and mail order trades. It is argued that the major periods of capitalism are reflected in the organisation of the retail trade. There are at least five reasons why this should be so. First, just as Department II is dependent upon the products of Department I, so retail capital emerges or adapts to the new commodities which result from major technical or organisational changes in production. Second, retailers are linked by an umbilical cord to the rate of surplus value in specific sectors of industry. Changes in the relative rates of profit of producers will influence the rate of profit of retailers. Third, the labour process affects the average wage costs in society. Although retail workers do not contribute directly to surplus value, retailers are just as affected by changes in relative labour rates as other capitalists. Fourth, retail capitalists must compete for the pool of available labour against other capitalists. Fifth, the prevailing norm of consumption of the working class affects retailers because retail capital is in the front line of providing consumer goods. The mass production of consumer goods must be accompanied by mass appeal retail methods.

### 5.1.1 The historical roots of the grocery trade

#### i) The emergence of capitalist retailing

Formal grocery retailing emerged in the latter half of the Nineteenth Century in response to the formation of centralised workplaces. For instance, the Co-operative Society was set up in Rochdale in 1844 by workers themselves because of the absence of an adequate retail distribution system for the working class. This coincides with the upward phase of the last half of the 1800s, however the growth of co-operative trading was slow, and geographically concentrated in the areas which had already seen the emergence of an industrial working class.

Accumulation in the retail trade was severely limited by two external factors: the undeveloped state of the technologies of transport and storage; and the insufficiently sophisticated nature of production in Department II. Thus, grocery retailers of the period unavoidably undertook a large portion of the final processing of goods and were generally highly skilled and specialised purveyors of certain types of products. Such retailers were therefore hybrids of productive and commercial capital. The corollary of these barriers to accumulation was that the petit bourgeois retailers of the time were relatively insulated from capitalistic competition.

Working class consumption did not rise significantly until the 1870s, with the growth in volume, and fall in costs, of imported foodstuffs. These developments were due to interactions between: the increasing reliability of transport and communication links; the

beginings of the capitalist production of foodstuffs; and the onset of capitalist retailing.

The availability of manufactured groceries which were branded and long lived enabled the co-op and the cash multiples to cut through the higher margins of traditional retailers by: reducing the amount of capital servicing a given quantity of commodities; employing workers with lower levels of skill; and centralising the buying and managerial functions. For the first time it was possible to operate a chain of stores offering a consistent range and quality of merchandise. This arrangement enhanced the buying power of the multiple retailer well beyond that of any individual retailer.

Capital began to flow into the retail trade. Some retailers were able transform themselves into retail capitalists, in other cases, merchant capital was extended forward. Many famous grocers such as the Home and Colonial, Sainsburys and the International Tea Company were all founded in the cash multiple expansion of the last few decades of the Nineteenth Century.

The fact that retail capital could undergo a massive growth during <sup>the</sup> time of so-called Victorian depression is worthy of further investigation than can be given here. It seems likely that five factors are involved in this countertendency. First, due to regional inequalities of development, the depression was unevenly distributed, and so any decline in spending power would be spatially limited. Second, it was a period of trade union success in forcing wage rates up. Third, prices of consumer goods were falling, contributing to the rise in real wages. Fourth, the capitalist retailers were insulated from the depression, which was primarily

affecting Department I, as they were more involved with mercantile capitalists who were importing commodities from other countries. Fifth, multiple shop trading gave the capitalist retailer a competitive advantage over traditional retailers, particularly through bulk buying and administrative economies. With these advantages multiple traders would have been in a good position to take trade from the old fashioned retailer even if spending power was falling.

The division of labour between the retailer and producer capitalist which began at this time was more organisational than financial. Many of the multiples would deal only in between three and six lines of provisions. In these cases it was quite common for the retail capitalist to control the processing operations, that is to be the producer capitalist, for up to 50% of its turnover (Jeffreys, 1954). It was only in the third epoch of capitalism, from the turn of the century, that a true division between producer capitalists and retail capitalists began to take effect.

The ease of growth of the multiple shop began to decline from the turn of the century as the form of trade became more common and as the range and variety carried in each store proliferated. From 1914 a period of amalgamation and merger between the multiple store groups took place. As the inter-war period of generally depressed economic conditions progressed, the slackness and unevenness of working class demand was a constant problem for the grocery multiple. Also, their trading conditions were made more difficult by the suburbanisation of their core customers in the slum clearance programmes of the 1930s.

Price-fixing between distributors and producers became quite common between the wars, and trade associations grew markedly. An indication of this is the increase in the items subject to resale price maintenance from 3% of consumer expenditure in 1900 to 30% in 1938. The paradoxical result was that despite the declining mass consumer spending power, competition moved from price based to service based, with much more stress upon home deliveries.

During the inter-war years the employment of female and youth labour began to play a prominent role in the retail labour process. Such labour was attractive because it was far cheaper than time-served retail labour and its use was made possible by the deepening commodification of grocery products.

The process of replacing male by female labour gained pace during the Second War and immediately afterwards, because manpower was extremely short. In manufacturing "Rosie the Riveter," the female war worker, was seen as a temporary solution to a male labour shortage. In the retail trade, however, it became a long-term policy.

#### ii) The growth of self-service trading

The key features of grocery trading in the post-war period have been its dynamic economic and spatial centralisation, and the further de-skilling and marginalisation of the labour force.

The centralisation of the retail grocery trade is even more acute than it appears in Tables 5.1, and 5.2. In 1961 the 3 companies with more than 1000 stores (Allied Suppliers, International, and

Moore's Stores) were effectively holding companies. The regional subsidiaries had a more or less independent operating management and a continuing retail identity (Metcalf, 1968). By 1986 the situation was quite different. There had been considerable centralisation both in ownership and direct control. To such an extent that six supermarket groups accounted for 40% of the sector's trade (Table 5.3).

Table 5.1 Market shares of grocers in the UK, by operating type

%	63	68	74	78	84
Independents	50	43	38	25	21
Multiples	29	40	46	59	67
Co-ops	20	17	16	15	13

(Source: Retail Business)

Table 5.2 Number of grocery outlets

	1961	1977	1984
Total grocery establishments	149,548	52,205	32,230

(Source: CSO)

Table 5.3 Market shares of multiples

Estimates by	Retail Business (1985)	Euromonitor (1984/5)
Sainsbury	8.7	11.9
Tesco	8.4	11.6
Asda	4.9	7.1
Dee + Fine Fare	4.4 <u>+3.4</u>	7.4 <u>+4.1</u>
	7.8	11.5
Argyll + Safeway	3.9 <u>+2.7</u>	5.5 <u>+2.8</u>
	6.6	8.3
Kwik Save	2.0	2.6
Other	61.6	46.0
Total	100.0	100.0

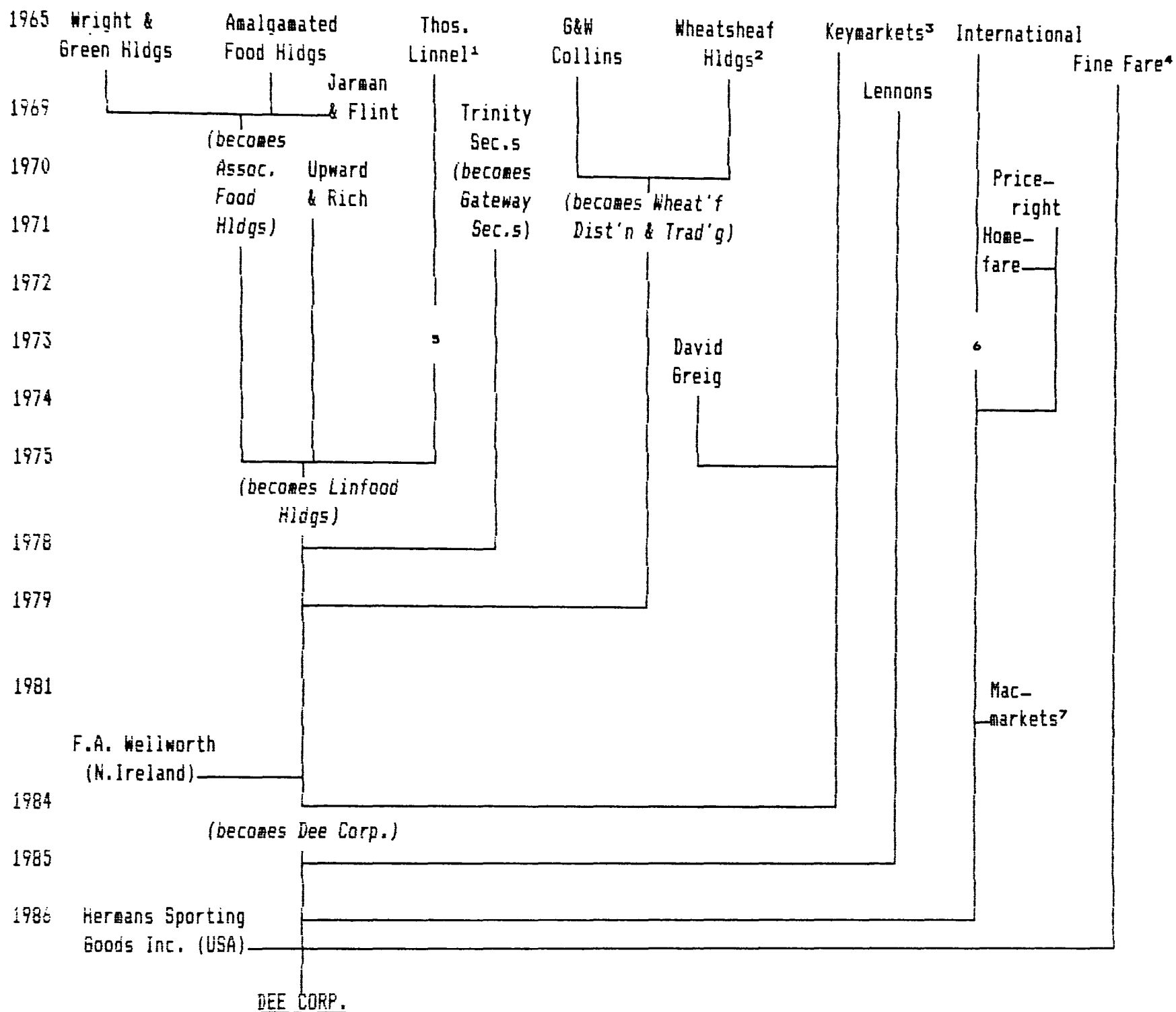


The centralisation process followed a different path in different firms. Sainsbury and Asda Stores have grown almost entirely internally. Sainsbury's last UK retail acquisition was in the 1950s. Whilst the superstore division of Asda, which was only founded in 1965, has grown solely by opening its own purpose-built stores. On the other hand, the Dee Corporation and the Argyll Group have grown very rapidly by merger and acquisition (Figures 5.1 and 5.2). Tesco, which in the early 1960s grew more through take-overs, has, since the middle 1970s, concentrated upon internal growth (Figure 5.3).

The search for organisational and labour cost reductions within this style of trading has caused a constant increase in the size of stores. The result of this policy was an increase in the average size of stores, while the number of stores declined markedly, Tesco, for instance, closed 226 stores between 1977 and 1980 (Table 5.4).

One of the key aims of increasing store size has been to reduce circulation costs by keeping the payroll to a minimum. Indeed, a comparison of 16 of the leading supermarket chains, showed that the ratio of wages to profit levels is falling. In terms of sales per employee the efficiency increases are quite significant and are greater if account is taken of the decreasing ratio of full-time employees to part-timers. A black cloud on the horizon, however, is that wage costs as a percentage of overall sales tends to rise (Table 5.5a).

Figure 5.1 Genealogy of the Dee Group

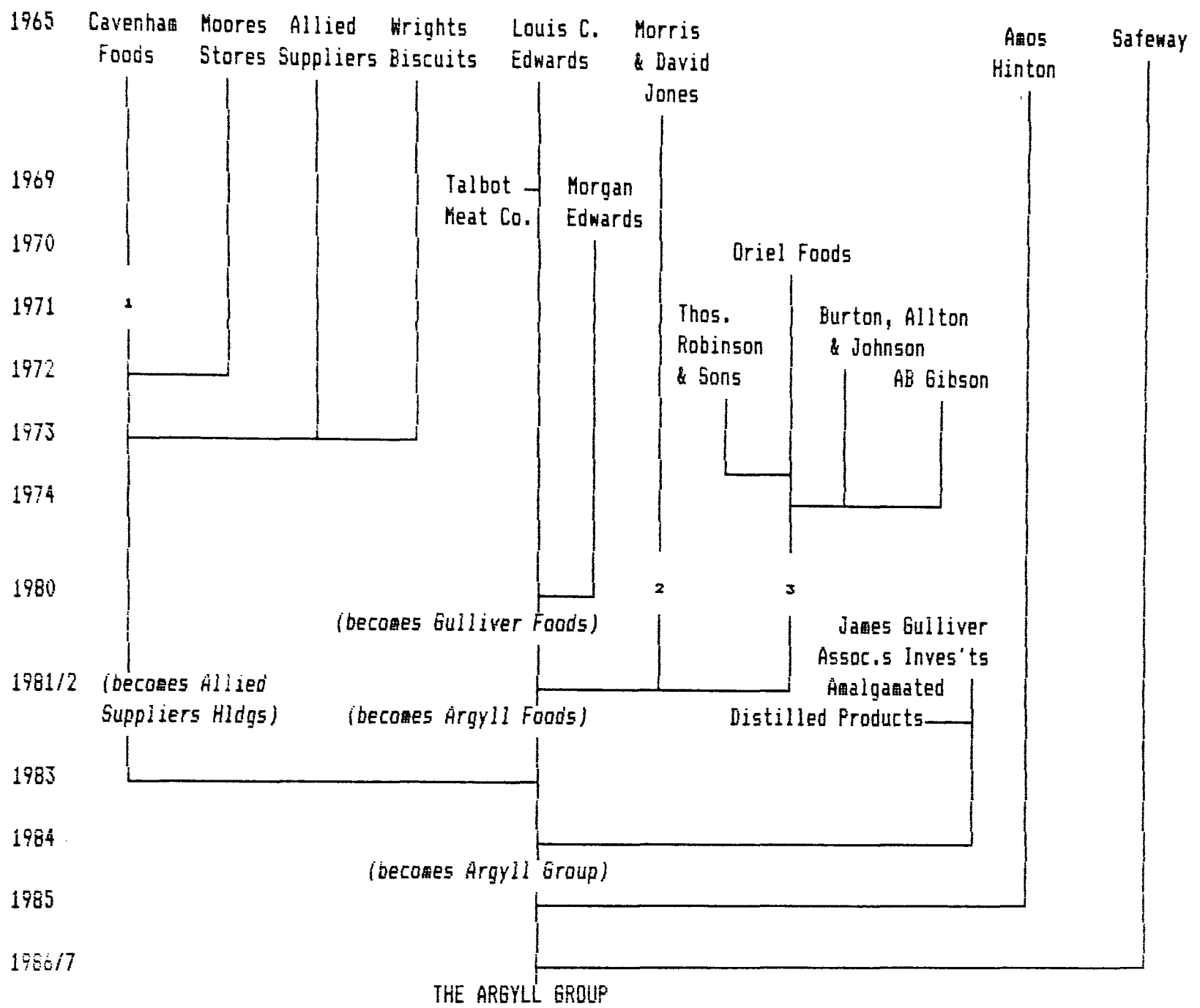


Footnotes:

- 1: Thos. Linnel - subsidiary of Lewis and Peat
- 2: W heatsheaf Holdings - subsidiary of Rank Hovis MacDougall
- 3: Keymarkets - subsidiary of Fitch Lovell
- 4: Fine Fare - subsidiary of Associated British Foods
- 5: Thos. Linnel - becomes subsidiary of Guinness Peat
- 6: International - becomes subsidiary of British American Tobacco
- 7: Mac-Markets - subsidiary of Unilever

(Sources: The Times and Who Owns Whom)

Figure 5.2 Genealogy of the Argyll Group

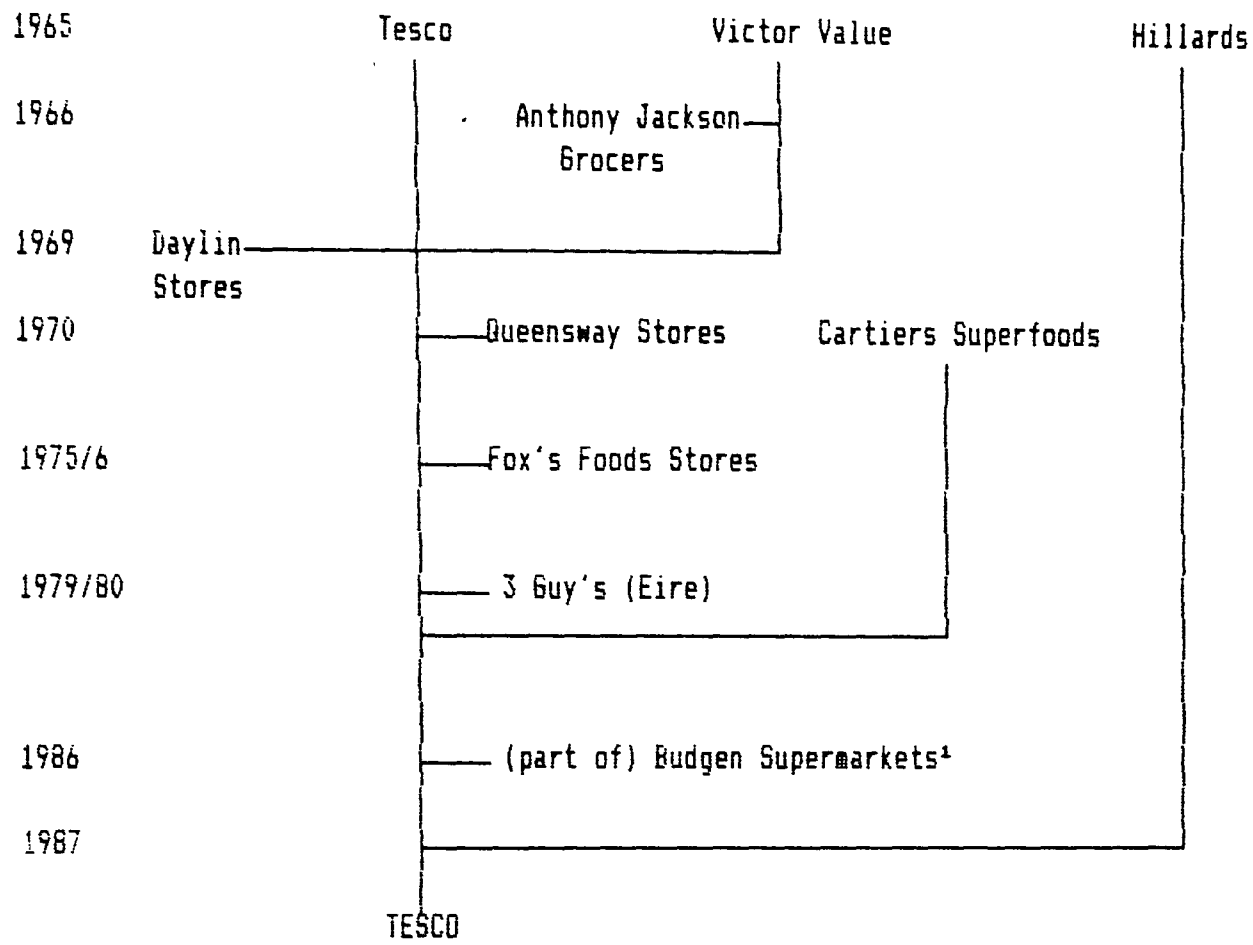


Footnotes:

- 1: Cavenham Foods - becomes a subsidiary of Societe Generale Occidentale
- 2: Morris & David Jones - becomes a subsidiary of RCA Corp.
- 3: Oriel Foods - becomes a subsidiary of RCA Corp.

(Sources: The Times and Who Owns Whom)

Figure 5.3 The genealogy of Tesco



(Sources: The Times and Who Owns Whom)

Footnote:

1: Budgen - subsidiary of Booker McConnell

Table 5.4 Two leading grocers: number of stores and store sizes

	1973	1978	1982	1986
Tesco				
No. of stores	772	673	586	395
avg sales area (ft <sup>2</sup> )	5100	8000	13200	19000
Sainsbury				
No. of stores	194	222	211	229
avg sales area (ft <sup>2</sup> )	7500	11300	14700	17700

(Source: Annual Reports)

Table 5.5 Performance ratios for 16 leading supermarket groups  
(Source: Annual Reports)

Notes for all of Table 5.5

1: The companies were: Argyl, Asda, EH Booth, Dee, Fine Fare, Hillards, Hintons, Keymarkets, Kwik Save, Lennons, Wm Low, Morrisons, Safeway, Sainsbury, Tesco, and Wm Jackson.

2: It was not possible, in the time available, to have access to the annual reports of all of these companies for all years. Even when the return was available, the method of reporting the statistics sometimes changed from one year to the next. So, the number of companies for which a ratio has been calculated for each year is given as 'no. of observations.'

Table 5.5a Total wages bill/sales turnover ex. VAT

	1980	1982	1984	1986
No. of observations	6	10	14	12
mean ratio	7.23	7.23	7.90	8.10
upper quartile	8.27	8.44	9.04	8.92
lower quartile	6.28	5.97	6.90	6.47

Table 5.5b Fixed asset turnover  
(net book value of fixed assets/sales turnover ex. VAT)

	1980	1982	1984	1986
No. of observations	7	10	15	13
mean ratio	8.0	7.2	5.9	5.0
upper quartile	9.1	7.3	6.7	6.0
lower quartile	5.7	5.9	5.1	4.0

Table 5.5c Gearing 1 (long term debt + short term debt/equity)  
and gearing 2 (long term debt/equity)

No. of observations	1980 7	1982 10	1984 15	1986 13
mean of gearing 1	1.8	1.2	1.3	2.9
Sainsbury gearing 1	0.8	0.8	0.9	1.1
Tesco gearing 1	1.4	1.1	1.3	1.3
Asda gearing 1	1.4	1.0	2.0	1.7
No. of observations	7	10	15	13
mean of gearing 2	1.4	0.8	1.9	2.2
Sainsbury gearing 2	0.08	0.02	0.05	0.13
Tesco gearing 2	0.00	0.19	0.29	0.20
Asda gearing 2	0.01	0.16	0.28	0.29

Table 5.5d Profit margins (net profit/sales turnover ex. vat)

%	1980	1982	1984	1986
No. of observations	8	15	15	13
mean ratio	2.82	2.85	3.24	3.83
upper quartile	3.97	3.68	3.71	4.97
lower quartile	1.52	2.07	1.99	2.66

The labour costs of large-scale stores are the ultimate barrier to realising more of the value in the commodities which pass through a store. Notwithstanding the marginalisation of the retail labour force (Labour Research, 1986), there are absolute limits to the productivity of a retail store. Large stores, such as superstores, require a large centralised staff.

Considering that a superstore, including car park covers an area of 60,000-80,000 sq ft, the favoured locations on the edge of towns near a motorway junction have become scarce. Competition for sites is fierce and has absorbed a large part of the recent fixed capital investment of superstore traders. Such stores now cost between £12m and £20m to develop. The property divisions of Asda and Sainsbury are amongst the largest property developers in the country. In the process there has been a remarkably clear decline in the fixed asset turnover of these companies (Table 5.5b) and the level of gearing of the leading grocery chains has increased, in spite of repeated capitalisations (Table 5.5c).

In the face of superstore saturation the large retail grocers are starting to look for alternative routes forward. Alternatives which include the internationalisation of trade, such as Dee's recent acquisition of Hermans Sporting Goods Inc., or diversification, for instance Sainsbury's move into DIY.

One of the results of the increasing store sizes of the large multiples is that as the area they serve grows larger they have become less and less convenient for the small top-up shopping expedition. This has opened a niche in the market for small limited

range outlets, which are open for long hours each day. In some quarters they are seen as potential avenues for the regeneration of the small independent and co-operative store (The Grocer, 7.12.85). Convenience-store trading may well provide a fresh path to concentration alongside the superstore mode. So far, though, the specific capitals involved are not traditional grocery retailers. The leading protagonists in this area are Sperrings, Misselbrook and Weston, Booker McConnell, Imperial Foods, and BP Oil (with the Foodplus chain).

### iii) The decline of self-service trading?

High fixed capital investments are entry barriers to the grocery trade. Concentration has proceeded by first the driving out of petit bourgeois traders, then the absorption or driving out of the small or less efficient multiples, including the co-operative societies. This process has its limits, concentration becomes more difficult as competition passes from struggle between small capitalists retailers and concentrated retail capital to direct confrontation between concentrated retail capitals. The increasing cost of acquiring sites is merely a symptom of these limits to concentration.

Another sign that superstore trading is reaching saturation is that the disparities in efficiency between supermarkets groups have tended to narrow in recent years, this is best reflected in their respective profit margins (Table 5.5d). In these circumstances price competition to gain more of the use-value market reduces the rate of profit. Particularly when the wage costs are increasing with respect to the volume of goods sold.



The approach of saturation has caused a switch from the price-wars of the late 1970s to the service differentiation strategies of the 1980s. Sainsbury admits that the philosophy behind own label is to compete on reputation and not on price (Annual Return, 1985). Efforts to improve the ambience of the store, and to provide more and more customer services, such as banking facilities, creches and restaurants within the store are examples of this general process. There is also a tendency towards extending the ranges of goods on offer, this is one of the justifications for the larger stores in the first place, and the recent decision, amongst some major grocery companies, to start accepting credit cards.

#### iv) Development of the grocery trade: summary

Accumulation in the grocery trade was first made possible by the separation of the production of value and the realisation of value which had been merged in traditional retailing. At this stage most of the economies of scale were imposed upstream from retailing. Although there was scope for a general de-skilling of retail labour, and the dislocation of the administrative functions from the retail store.

The history of grocery retail capital has been one of concentration by extending its geographical sphere of influence. This has taken the form of a steady driving back of petit bourgeois retailing, and then of less capable retail capitalists.

Retail capital continually collides against the difficulties of physically distributing commodities. The limit of the technologies

of transport and communication, and the prevailing labour process are a barrier to the total centralisation of all retail functions into one geographic location. There is always a trade-off between the lower operating costs obtainable by centralising store locations and the extra sales which can be made by being conveniently located for the consumer. As consumer mobility has increased, economies of scale have been made possible by the dual process of increasing store size and store catchment. Self-service stores led to a reduction in costs which could be passed on to consumers (to gain a larger share of the use-value market) or can be returned as profits.

Any store-based mode of retailing, such as the self-service store, will eventually produce declining returns to scale. There is a contrast here with the mail order trade. Mail order trading can be understood as an attempt to bring as much of the labour process into a central location as is possible.

#### 5.1.2 The historical development of the mail order trade

The mail order trade derives from two roots. Its orientation towards textiles and the sale of goods on credit to working class households grew from early mill owner's attempts to develop a consumer market for their products. The other strand of development comes from the department store style of mail order, this depended upon the emergence of reliable systems of communications and transport. In this section the two origins of mail order are used in turn to illustrate mail order's main features.

### i) Mail order credit and catalogues

The mail order trade is direct descendent of the scotch drapers, who conducted a peripatetic trade through the villages and smaller towns during the 1800s. Working either as an employee of the wool and cotton mill owners or as a partially independent trader, he would offer his wares on credit, taking a small weekly sum from his predominantly factory worker customers. The scotch draper offered goods not locally available or not affordable by his clients. Through personal contact he would know when to top up the weekly payments with further sales.

By the 1930s the wandering salesmen had been replaced by a combination of postal ordering, printed catalogues and customer agents. The customer agency provided the mail order company with a cheap and reliable labour relation to replace the salesman. Agencies reduce the risk of bad debt compared to the use of direct mail order, as a trusted customer accepts the task of making sure other customers pay up. Mail order continued to trade mainly with isolated or low income households which was a distinct competitive advantage in the depression era, when a small weekly commitment was easier to find than a larger immediate sum.

The main competitive tools of the mail order trade continued to be the agency and accessible credit right through the 1960s and 1970s, and using these methods the sector was able to make considerably greater progress than other forms of retailing (Table 5.6). Littlewoods' six catalogues doubled in volume from 1975 to 1979 (Retail Business, 1980). This expansion of sales depended on fixed interest credit, and the growing disposable incomes of their

customers (Table 5.6); credit still accounts for 95% of mail order sales.

By the early eighties other forms of consumer credit, mainly credit cards, were competing directly against the mail order houses' rigid and stigmatised version. Also, the recession of the early eighties struck most severely in the heartland of mail order consumers, the skilled and semi-skilled working class. There was a decline in the fortunes of mail order capitalists (Table 5.7).

The arena of mail order competition shifted during this period. Mail order's main competitors, the clothing store retailers, were meeting their own accumulation problems by segmenting their marketing efforts, and homing-in on the higher spending middle-class consumer. In the process there was a resurgence of specialist shops, and the proliferation of designer retailing (the laying on of

Table 5.6 Mail order houses: share of retail trade and installment credit

Year	1966	1970	1975	1980	1984
% share of all retail trade	3.8	4.2	4.7	6.6	5.5
% share of retail installment credit	43	47	60	66	66

(Source: Retail Business)

Table 5.7 Mail order houses: profit margins 1980-86

Year	80	81	82	83	84	85	86
Empire	6.3	4.9	2.8	0.2	1.8	2.6	4.1
Freemans	7.8	5.5	5.8	3.3	5.6	7.5	8.1
Grattan	3.5	4.0	5.1	1.9	3.4	5.8	7.7
GUS (retail)	-	-	7.8	9.4	8.9	9.4	10.0
Littlewoods (retail)	-	-	-0.1	1.5	3.5	4.4	-

(Source: Annual Returns)

hands by Fitch and Co., the design consultancy, has become almost ritualised amongst retail companies).

Mail order's response was to develop direct mail 'specialogues' (specialised catalogues), based upon individual credit. The aim of direct mail is to extend the appeal of mail order by loosening its rigidity. The marketing director of Empire Stores observed: 'agents have become rarer and more people use catalogues to shop for themselves and their immediate families. We used to talk about the three C's of mail order as being commission, credit and convenience. Nowadays convenience is at the top of the list and commission at the bottom' (Crofts, 1985). Grattan has been the most energetic in introducing direct mail, buying Kaleidoscope from W.H. Smith and, in 1985/6, the Scotcade label.

Segmentation has also been used to stretch the appeal of mail order upscale. The leader in this is Freemans, which has sought to use the reputation of well known fashion designers to enhance the cachet of their collections. The image conscious Together and, subsequently, BYMAIL catalogues are the result, which have been produced in association with the designer and retailer Jeff Banks. Kays a subsidiary of Great Universal Stores (GUS) has followed suit by producing KIT, a large format, magazine-style, high fashion catalogue. It has been suggested that it is the potential for such developments which has attracted the recent take-over of the Grattan concern by the self-consciously style orientated Next plc (Guardian, 10/7/86 p.11).

## ii) Technological base

The mail order trade was able to centralise more rapidly than other forms of retailing because most of the employed labour force is drawn into a central location. By centralising, the capitalist mail order companies were able to gather large economies of scale, and so impose entry barriers to the general mail order business. The centralisation of mail order, however, depends on the level of development of transport and communications technologies because they determine the flexibility and responsiveness of mail order.

The overall periods of capitalism are reflected in the mail order trade through its technological dependence. One root of mail order trading derives from the department store, which was made viable by improvements in transport and communication. With the coming of the railways, and the emergence of the middle-classes, travel to central shopping facilities became possible for a larger number of people. The transport and communications technologies also provided the means for a good deal of ordering by post and delivery by rail. In this way the competitive trading area of a retail company could be extended a great distance. For instance, "grocers in Faversham, Kent, 'rather grouched' at Lord Harris having his provisions sent down by train." (Winstanley, 1983 p.35). Improvements in transport technologies, therefore, have a mixed effect on the mail order trade, they increase mail order's speed of response and flexibility, but simultaneously make stores more accessible to consumers.

Recent developments in telecommunications and computer technology have been whole heartedly adopted by mail order companies and

involved them in a massive investment during their troubled years at the start of the 1980s (Table 5.8). Clear evidence of the rationalisation and re-investment in computer equipment that was going on in Empire and Grattan during the early 1980s is expressed in the higher gearing (debt/equity ratio) of these companies, and that long term debt seemed to be under control towards the end of the period. The fixed asset per employee also rose during this period, although the relative amounts of book value to cost of wages stayed roughly the same or fell. The net book value of plant assets rose to between 45 and 55 per cent of the total fixed asset value. The effect of this capital expenditure is clear from the ratio of book value of fixed plant assets to the cost of wages which rises quite distinctly. (Table 5.9).

These investments were made as part of a strategic re-think of mail order's internal labour process. Under the agency system, up to 75%

Table 5.8 Mail order houses: long-term debt/equity ratios

Year	80	81	82	83	84	85	86
Empire	.22	.13	.15	.10	.10	.09	.15
Freemans	.14	.16	.11	.07	.05	.04	.04
Grattan	.33	.31	.20	.21	.21	.18	.24
GUS	.14	.14	.17	.16	.15	.15	.12
Littlewoods	-	-	.30	.22	.16	.13	-

(Source: Annual Returns)

Table 5.9 Mail order houses: plant assets per employee  
(net book value)

Year	80	81	82	83	84	85	86
Empire	-	1.5	1.7	1.9	2.1	2.1	2.4
Freemans	2.7	3.7	4.0	4.1	4.0	4.2	4.7
Grattan	2.2	2.6	2.6	3.0	3.3	3.4	3.1
GUS	-	-	1.0	1.4	1.2	1.5	1.5
Littlewoods	-	-	1.0	1.1	1.2	1.3	-

(Source: Annual Returns)

of their labour costs were taken up in the paper purchase created by long-term credit payments (INTERVIEW). The computerisation of customer records and inventories has been used within mail order companies in three main ways: to speed up the response to customer orders, to increase stock handling efficiency, and finally to improve the accounting control over bad debt.

The speed of response to customer needs has been improved through the introduction of telephone ordering and the computerisation of delivery and stock checking facilities. The first attempt in this area was conducted by Freemans with 'Order Line' which did not enter public service until 1981. Freemans managed to gain a 1 to 2 year lead in this area, before all the major competitors followed suit. The mail order companies resisted telephone ordering because of the cost of having staff on call for extended hours each day. The introduction of telephone ordering, however, gave Freemans a competitive advantage as it weathered the recession better than its competitors and 'Order Line' grew to 40% of sales by 1982 and 60% by 1986 (Freemans Annual Returns).

The mail order companies have found that an additional benefit of the customer databases is that they can be sold to other companies for marketing and credit referencing purposes. For instance, Grattan set up Precision Marketing International and acquired the Wescot credit referencing agency in 1985. GUS has also been expanding its credit referencing division, CCN, throughout the 1980s, with further acquisitions in this area in 1984 and 1985.



### iii) Mail order development: summary

The mail order trade is both a bastion of tradition and the sector of retailing most committed to high technology. Mail order companies are traditional in that they are still highly dependent on the textile business which supported in their very earliest days. The need to make mail order as responsive as possible, however, makes them very open to the possibilities of new communications and transport technologies.

The agency system has been undermined in recent years, through competition and the decline of mail order's traditional market. To meet this challenge mail order retailers have attempted to seek out new ways of transacting the final exchange. An essential part of these strategic moves has been to use the flexibility which information technology offers to explore new avenues of development, such as: the sale of consumer databases; target mailing; more flexible credit systems; and the reduction of order processing time.

#### 5.1.3 The development of retail capital: a summary

The development of mail order can be differentiated from that of grocery retailing on the basis of the labour processes which each adopts to overcome the geographical problem of physical distribution. In the past mail order solved the problem by devising a tier of, effectively sub-contracting, customer agents to handle the final stages of distribution. The use of customer agents meant that the majority of the labour process was susceptible to

centralisation at an early stage of mail order's development. Mail order is ultimately limited by the flexibility of the communications technologies which it uses, and costs of processing delivery and payment information.

The supermarket trade provides a contrast to the mail order trade in that it has met the physical distribution problem by externalising as much of the work of consumption as possible. In so doing it has followed a path of: de-skilling shop labour, of replacing counter service by self-service; and of centralising the shopping facilities as much as is possible. In the process, the grocery trade has centralised into a few powerful capitals, each fortified by the entry barriers of fixed capital invested in stores.

### 5.2 Teleshopping as a retail innovation

This section looks at the way that teleshopping has been received within the mailorder and grocery trades. Given that teleshopping is a form of non-store shopping, superficially, it is not surprising that it has met with a better response in the mail order trade. For them it is an improvement innovation, for grocery retailers it requires a major re-think of their basic precepts.

If the theoretical roots of innovations as a means of appropriating surplus profit are borne in mind, the contrast between the position of mail order and grocery retailing on teleshopping can be re-interpreted as a reflection of the dominant mode of competition in each sector of trade. In either case teleshopping will have to offer some of the benefits which are required of an innovation. It must either offer a means of increasing the volume of goods sold, or

a means of reducing the costs of circulation.

Whether teleshopping can fulfill these objectives is the issue of this section. The majority of the section is an examination of the points of view expressed in the fieldwork interviews, taking in turn: the mail order trade; the grocery trade; and specific teleshopping schemes. This is followed by an interpretation of these views within the theoretical context of this thesis.

### 5.2.1 Mail order and teleshopping

All of the large general mail order houses, except Freemans are experimenting with teleshopping. In the first instance, teleshopping offers them a means of increasing penetration of non-store modes of shopping, without having to substantially invest in new equipment and techniques nor to change the competitive orientation of their company. That is, it fits into the main competitive themes noted in the previous section: the need for greater flexibility of service; the need to attract consumers from more upscale social segments; and it is compatible with the new computerised outlook of mail order companies.

#### i) Teleshopping and the technologies of mail order

Teleshopping can be seen as complementary to the traditional catalogue business, replacing some of the labour costs of a telephone ordering system and as faster and more flexible than a postal ordering system. This is because the customer can be linked to a comprehensive, real-time database and ordering system, which can be run 24 hours a day, without an equivalent increase in labour

costs.

Setting up and maintaining teleshopping databases presents no great problems for the mail order companies. As we have seen they are committed to information technology. Correspondingly they have large numbers of middle to senior level computer personnel, Littlewoods has about 300, which seems to generate a greater commitment to formalised research and development than has been common in retailing, which is where most the development of teleshopping systems has been taking place (INTERVIEW).

At the moment, teleshopping does not offer a self-contained mode of competition so far as the established mail order are concerned. This is a technological limitation, as none of them are willing to risk a non-catalogue approach. The Littlewoods ShopTV experiment was started without the support of a catalogue, but one was introduced within a year of the start of operations. The manager of ShopTV said: "With experience we are saying that the service is good, but the catalogue is an extra feature of the service and one which we won't be quite so happy to drop. Its most useful function is as a reminder that ShopTV is there" (INTERVIEW).

As long as teleshopping is seen as complementary to catalogue based mail order trading, its adoption seems relatively assured. Teleshopping pure and simple, as Comp-U-Card have developed it (see below), is more controversial. In directly comparing a printed catalogue and a product database the first issue which concerns mail order operators is that the database approach is relatively hard to use. The catalogue selling technique is known to depend largely upon consumers browsing through the pages in a fairly random manner

until something catches their eye:

"People pick it up, its 1000 pages thick, and they start turning a page at a time. After turning 5 or 6 they realise this is going to take an awful long time. That's because they have got to the detail before they've had the strategic browse. Then they quickly take the rest of it and flick through it" (INTERVIEW).

Whereas the screen based systems "force you to make decisions which you don't have to make when you enter a shop. What you are actually doing is committing down a narrow path, and at the same time shutting all the doors, for that scan, on all the other items" (INTERVIEW).

Consequently, the appropriateness of teleshopping for the sales of fashion products is doubted. "You can't do that with fashion. Good fashion you can put a premium price on I feel because fashion is the flag in mail order and the profit is in fashion, because that is where the market is I cannot see it coming" (INTERVIEW). Fashion goods not only account for most of the turnover and profit of the mail order companies (Table 5.10), but are integral to their historical development. They are loathe to move towards a mode of business which stresses, different, and lower profit lines.

Freemans argue that the teleshopping experience lacks the personal appeal of the telephone ordering system, which is why <sup>they have</sup> not become involved in teleshopping so far. They maintain that the telephone ordering system has the advantage of bringing the customer into personal contact with <sup>the</sup> company on occasions other than when there is a complaint. The catalogue based telephone ordering system represents "the most effective way of showing and a pleasant

sociable way of ordering" (INTERVIEW).

iii) The flexibility of teleshopping

The most appropriate form of marketing to traditional catalogue buyers may not also be the best for those likely to adopt teleshopping. The users of ShopTV are a long way from traditional mail order agents, being mostly male and white collar. Other catalogue companies have developed their offerings with this in mind, and are developing teleshopping specialogues and mini-catalogues which fit the consumer segment more accurately.

Teleshopping offers greater flexibility to the mail order company than the catalogues, which have to be kept current for six months. Great Universal Stores are using this flexibility in their experimental cable teleshopping scheme: "shortly we will target according to time slots, at five o'clock we will put out toys. If there is cold weather in the North of England we can put out merchandise for the cable systems there of wellies or umbrellas" (INTERVIEW).

Table 5.10 Shares of mail order trade by product type

	clothing		foot-	textiles	house-	leisure	gifts &	toys	other
	women & children	men	wear	etc.	hold		jewel'y		
All mail order	31.1	11.9	8.3	6.9	11.1	10.8	3.8	6.6	9.5
Grattan (1981)	32.6	9.7	9.3	15.4	14.1	8.8	6.2	4.0	-

(SOURCES: Retail Business and Grattan Annual Return)

The eventual appeal of teleshopping for mail order companies is its potential as a tool to fine tune their marketing techniques:

"Why do we pursue all this? It is our belief that target marketing will allow the direct marketing men to spend more on target shots but to do less of them. The home shopping is seen as the end of a triangle where: we confetti mailed 31 million households; then we targetted and got it down so that now we are doing 5 million households; then we are hoping to go further and further down. We are hoping to reach the situation where you are in your front room and you turn on your tv set and we are able to identify when you begin to browse. When you show interest in some particular product whether by index referencing or whatever it is. The dream is to pick that up and to introduce you to what [COMPANY X] has to offer then using techniques which pick up your greater interest he [the direct marketer] is able to be more responsive. So that if you finish up flipping between two products he is able to identify that and begin to start offering you a deal to fix the sale and so on. Having gone through that he can get into a situation where he can offer you goods which are complementary to goods you have already bought. The marketing man can spend money into direct relation to the amount of interest that you are showing. The deal that you get will relate to the way that you react to the product. Right now companies have to offer £15 off a Hoover washing machine to everybody, what the marketing man is saying is: No, if you really want that Hoover then my algorithm should tell me that I don't really have to knock all that money off" (INTERVIEW).

### iii) Review

Overall the mail order companies are quite sanguine about their

ability to adopt teleshopping. All of the major companies except Freemans regard it as inevitable. Even Freemans is careful to point out that the systems and procedures necessary to put teleshopping into place are issues of degree, not of fundamental change. Nevertheless, if teleshopping is to replace the printed catalogue, quite fundamental changes in the marketing concept must be accepted. Either, the product mix must be adjusted so that sales can take place without the support of the printed page, or the technologies of teleshopping must be improved to allow a equivalent display quality to the catalogue, or the circumstances which influence consumption decisions must change to become more advantageous to teleshopping.

#### 5.2.2 Grocery teleshopping

With the incremental advantages of teleshopping for mail order companies, it is clear why most of them are involved in experiments with teleshopping. This is not the case with grocery retailers. In the grocery trade, the mode of competition is quite different. The main focus of competition is on the siting and operation of stores. This leads to an attitude amongst senior management which is negative to teleshopping, and prejudices the chances of serious financial commitments to grocery teleshopping.

##### i) Conflicts with supermarket trading

All of the interviewees from the grocery trade, were instinctively committed to their best assets: their shelves. Fear of losing the impulse buy, a cornerstone of the supermarket trading style, and the problems of reformulating their marketing strategies, to an indirect



mode, deters even those retailers most sanguine about teleshopping. The most obvious reason for this reluctance to consider teleshopping given by the large supermarket chains is the idea that people will not buy goods unseen. "We believe that even customers that trust us still want to see the piece of meat they buy, still want to test their own shopping abilities in choosing the best quality or whatever" (INTERVIEW).

This is despite the experience of Club403 and Telecard Supershop that people will buy fresh goods from tele-retailers. Peter Young of Club403: " I never thought people would buy fruit and vegetables and meat through the system. So we didn't put them on to start with. Straight away people started to say, we want to buy frozen food and fresh vegetables and bread and and meat and that sort of thing. If you think about bread: if its got Sunblest on it or Mothers Pride, you can buy it by name. A lot of people with big freezers buy 20 loaves. So we introduced bread. We then introduced meat and other fresh products. We found that providing people were sure that the quality of of those goods was up to the standard they required they were quite happy" (INTERVIEW). Similarly, Telecard claimed that 65-75% of their orders included fresh fruit and vegetables, and 45% had fresh meat on them (INTERVIEW).

The next major objection which superstore operators raise is that delivery services cannot be charged for at an economic rate. "There is a fault in the entire logic...There is an argument that some form of delivery service will once again become the thing. The difficulty is that it was once there, but it became unviable on an economic basis. If it is done, it has to be done economically. They won't be able to add a penny to beans because people won't buy it...there is

no way that people can afford to spend more for their shopping than they are today..they are actually trying to spend less on food as a percentage of their total shop, not more" (INTERVIEW).

For major supermarkets, adopting teleshopping is also problematic because of the effective exit barriers due to their heavy investment in real estate. The ever larger stores means that they have a considerable interest in not promoting innovations which might undermine the amortisation of this fixed capital. This consideration is salient when one considers the 10 to 20 year depreciation period of modern stores (INTERVIEW), and that the largest groups mostly operate newly constructed stores.

The superstore operators willingly admit that their reluctance to adopt teleshopping is a bar to its future progress. The competitive pressures within which they operate prevent them from sparing the management time or finance to develop teleshopping. "We are aware that we are preventing teleshopping from happening. We are not doing it on purpose. If we don't open a minimum of 12 superstores a year in five to seven years time when so-called saturation occurs we will have dropped from 25% of the superstore business to 12%. My job would be harder...I won't be able to achieve some of the returns this company will need to survive against Sainsbury who will have potentially 65% of the London market. A lot of decisions are forced on you in business" (INTERVIEW).

This statement from the marketing director of one of the top five supermarket chains indicates a related point; that the barriers to entry which they have erected mean that any competitive grocery retailer has to have a major share of the trade in order to survive.

Retailers need this purchasing power to get deep discounts. As tele-retailers will sell exactly the same products as conventional retailers, it is unlikely that a new tele-retail capital will be able to compete on price with the established capitals.

Mass retailers find that small markets are actually very hard to address. A major issue for supermarket operators is the rate of growth and the potential for growth of the use-value market. For any marketing proposition there is at any time a notional upper limit to the number of consumers, and the amount of money at their disposal. It is this issue which most concerns both mail order and grocery multiples about teleshopping. The size of the market is presently limited to the number of subscribers to viewdata services. As Prestel has only about 30,000 domestic subscribers this is a very small market. The past growth of supermarket chains constrains them to address very large markets. They are unable to contemplate teleshopping as a commercial venture until the market grows substantially. These issues will be taken further in Chapter Six.

In these circumstances any grocery teleshopping development from this quarter is likely to appear first annexed to existing stores. This would cause operating problems, because of the conflicting space requirements of a supermarket and a warehouse facility, and a double set of overheads (INTERVIEW). It may also lead to direct competition between the two operations for the same customer base.

A dual service such as this would also require a dual price structures, which it was thought would be difficult to administer, and are potentially damaging to a corporate marketing stance (INTERVIEW). Additionally, teleshopping may interfere with the

margins of profit to be made, and thus affect the price of their capital stock (INTERVIEW).

The potentially damaging consequences of trying to supply teleshopping services for these retailers are compounded by their own skills gap. In the first place whilst they have a great deal of ability in selecting sites for new stores and in buying, they do not have the computer skills that are to be found in the mail order trade. The cost of developing these skills, and the time and risk involved are major problems for these companies.

Another fear of the supermarket retailer is that teleshopping would make possible a service which aims merely to provide the bulky items which do not require inspection. If tele shoppers are less inclined to purchase perishable or delicatessen goods, due to the limitations of the technology, the rest would have to be "sold at a prohibitively high price if it is to come out of a retail unit because the core isn't there anymore" (INTERVIEW). For a trade which is placing a high priority on extending the product range and the level of service, such a prospect is hard to contemplate.

In the case of grocery teleshopping, the current mis-match between the main competitive thrust and the innovation of teleshopping creates an impasse. The combination of tradition, large vested interests and a broadly imitative business ethic leads retailers to doubt whether they will be able to benefit from the application of teleshopping. No one company wants to be the first to enter the market, because of the risks and costs of being the innovator, Although, "If others were to make good profits from teleshopping that would be a different story" (INTERVIEW).

### iii) Teleshopping staging posts

It has been suggested that convenience-stores might form the basis of a local bulk pick-up point, for a tele-ordered grocery basket (Chapter Three). The managing director of one of these new convenience-store chains agrees, although he regards this as a long-term rather than medium term proposition, and as not without its problems:

"The convenience-store at this stage is is about the selling of convenience items. It is easy to go around and pick up two or three items. What you are talking about instead of 3000 lines is double that at least, with a cadre of people who can wrap and pack and pick and all that sort of stuff, which would be somewhat of a different proposition. The two being on the same block would not be incompatible. While we are looking at 2000 sq ft of selling space we are talking about another 500-600 sq ft of non-selling store space, if you had what you suggest you would need double that. Without going into sophisticated racking on 2 floors etc, etc, you start then to worry about the building that you would acquire, landscapes being a problem. Town planners can't cope with what we are doing half the time let alone if you make it 2 storey, and substantial vehicles rolling in to supply the outlets in residential areas. I query too whether the staging of the distribution function and re-warehousing in the smaller units is sensible. It then almost starts to become a cash and carry, but on a sophisticated scale, where you pay the staff to do the picking and packing. What I do see is that you could overcome the delivery problem at a more centralised warehouse. You could take the order in you could wack<sup>h</sup>

it into a chill bin of some description and actually come out at 10 in the morning. It could be re-stored in some mechanised racking system, in bins that could be pulled down into a drive-through delivery hatch in something that could go straight into the boot. I would think that would build be a superb concept" (INTERVIEW).

### iii) Review

In the interviews several mail order representatives seemed to think that grocery shopping would lead the way ahead of mail order and other types of shopping. This was also the attitude expressed by Prestel's representative and is inherent in their trigger service concept. Ironically, several of the directors of the grocery chains interviewed expressed the opinion that grocery trading would be the last to adopt tele-retailing. "I know something like this is going to come in I feel it is going to happen on the non-food side, before it happens on the food side. I think that people like Next and others are not just going to smarten up Grattans catalogue they are go into a whole new area of technology, they are going to offer things in their stores and facilities. I've no doubt about its being worked up now" (INTERVIEW).

It will be clear by now that grocery retailers have an historically conditioned reluctance to countenance teleshopping. Mostly this is a consequence of the strict discipline of the current mode of competition. Teleshopping is not compatible with this regime. It undermines the current investment patterns of grocery retailer. It is nonsensical to develop teleshopping against an extending product range. There is a large skills gap between teleshopping trading and superstore trading. It would also require a large speculative

investment to set up such a scheme. Finally, major grocery retailers are unable to contemplate teleshopping because they could not accept the small size of the customer base to start with, and the subsequent slow growth.

Nevertheless, superstore grocers are worried about teleshopping, they accept that they "ignore it at their peril" (INTERVIEW). Their problem is to learn about teleshopping, without investing huge sums, or harming their reputation. Thus, while some are watching from the sidelines, others are getting involved in a marginal way, by providing infrastructural support to teleshopping schemes run by interested third parties.

### 5.2.3 Teleshopping schemes

The major teleshopping schemes and their sponsors are presented in Table 5.11. Since the interviews were conducted reports have come in that Club403 and Telecard have been withdrawn.

The involvement of major retailers with the social service teleshopping schemes, is one way in which retailers can investigate teleshopping without running too many risks. There are only two such experiments in the United Kingdom, the Gateshead Shopping and Information Service (GSIS) and its clone in Bradford, Centrepoint.

#### i) The Gateshead Shopping and Information Service

The GSIS was the first computerised home-shopping service in Britain. It arose from a Tesco-sponsored study of shopping conditions in Gateshead (Davies and Champion, 1980) and the subsequent enthusiasm of one of its authors Ross Davies. This study

showed that at least 3% of the local population experienced difficulty in gaining access to basic shopping facilities. The authors of the report suggested that the problem could be eased by a computer aided shopping facility. This led to a pilot project, funded by Tesco's, and overseen by a joint management committee of the University of Newcastle (where Davies was based), Gateshead Metropolitan Borough Council, and Tesco.

Table 5.11 Summary of teleshopping experiments in the United Kingdom

a) Commercial grocery services

Name	Operator	Retailer	Start date
1. Club403	Viewtel (Birmingham Post & Mail)	Carrefour	May 1984
2. Telecard Supershop	Telecard	Lalani	Nov 1985

b) Social service grocery services

Name	Operator	Retailer	Start date
1. Gateshead Shopping & Information Service	Gateshead MBC	Tesco	- 1980
2. Bradford Centrepont	Bradford City Council	Morrisons	Nov 1985

c) Mail order type services

Name	Retailer	Start date
1. ShopTV	Littlewoods	Apr 1985
2. Tele-Select	Great Universal Stores	Jul 1986
3. Telestore	Empire Stores	- 1986
4. -	Grattan	- 1986
5. Comp-U-Card	Comp-U-Card	Sep 1986



From very crude beginnings, in 1980, GSIS expanded through a mixture of private and state grants (Davies, 1985). By 1984 the scheme was based on a fully interactive viewdata facility which was located in the Tesco superstore and based on a Rediffusion mainframe computer. The number of registered clients had grown to 430, about 75% of whom use the service on a regular basis, contributing to a throughput of about 900 orders a month with a value of £7500 (Eason, 1984). Additional retailers have been attracted to the scheme starting with a bakery and a dispensing chemists, which were adjacent to the superstore, in June 1983. C&A was invited to join in January 1984 and the present complement was made up in September of the year when Kays the mail order company and a dry cleaner, Hartons, began to offer their services via GSIS. Nevertheless attracting retailers to the scheme has not been easy owing to the small number of customers involved (Davies, 1985). More recently, the state funding has dried up and, aside from the workers wages which are paid by the Manpower Services Commission, the project is being entirely supported by Tesco (INTERVIEW).

Tesco claim that a large part of their motivation for this original involvement was their long held concern for equality of access. The GSIS was a chance to build on that with the ideas coming from Davies as much as from Tesco. From Tesco's point of view it gave them a lot of good publicity, "at the same time it was linked into a more long term R&D type thing with computerised shopping. Our ex-DP [Data Processing] director, Donald Harris was interested in it, he had seen electronic shopping in the States, at the same time Tesco was very interested in EPoS [Electronic Point of Sale], it all just gathered momentum. The thing was held together by Davies, the

initial ideas were from Davies, and Tesco were happy to be associated with it" (INTERVIEW).

By increasing the accessibility of consumers, of course, Tesco also increased the penetration of their store. This, it should be said is not a major incentive for them, as the increase in volume is quite low. It did bother the local shopkeepers though, who opposed the GSIS's extension into the old mining community of Chopwell. The local retailers claimed that they provided all the shopping facilities required in the village already and that it was a misuse of public funds. In this case the objections were defused by Tesco taking responsibility for the funding of that particular part of the GSIS (Davies, 1985).

Teleshopping is not considered to <sup>be</sup> part of the Tesco's main strategy. Although, "it would be wrong for me to say that it excludes it. But our main priorities are to open new stores. There is this thing called super-store saturation over the horizon, there are a lot of things spoken about when it will arrive and what it is. This company has its own views on that, we have a very active development strategy, we have a commitment to more product, we are putting more food into our business than ever...We have just acquired Hillards, to add 40 stores to representation, and to increase our market share. In the long term the food superstore business is not big enough for Tesco, we have to be into something else in the United Kingdom. It is no secret that we will have to diversify into either non-food operations or somewhere else in the world. Teleshopping is just another aspect that fits alongside all of that really. It is not something that is at the forefront of everybody's minds, but it is happening in the business. It is viewed as long term

development. Almost R&D, if retailers ever get involved in that" (INTERVIEW).

Under the cover of these protestations of disinterest, Tesco is extending its social service teleshopping experience by including a teleshopping facility into its new Surrey Docks store in Southwark. This will be another social service scheme, but at the moment there is no local authority involvement. Being purpose built, the store will enable more efficient stock handling, and will extend the knowledge of what can be done with a teleshopping service. The question still arises, why should Tesco allocate 2,000 square feet of selling space to this non-profit making activity, in a brand new store, if teleshopping is such a far-off dream.

As with other retailers Tesco see little commercial prospect for teleshopping, unless a premium can be charged for delivery. They accept that a small proportion of society might be able and willing to pay for the convenience of having goods delivered. That is, the retailer would expect an extra source of revenue from the delivery service. But, because this will be a minority demand, it will have to be run from within existing stores.

#### ii) Bradford Centrepoint

The GSIS is without doubt very popular amongst its users, and subject to financial constraints, it was only a matter of time before other local authorities started to provide a similar sort of service. The only one yet to emerge is the Bradford Centrepoint scheme. As with the GSIS, Centrepoint depends upon the co-operation of private and public interests. A locally based supermarket group,

Morrisons, occupies the role of retailer, but the funding has come solely from central and local state sources. As part of the funding agreement the retailer is not allowed to be seen to profit from the service, so that an averaged out profit margin of 5% of the turnover is returned to Centrepont.

Centrepont started in November 1985 with a fully interactive viewdata service based in Shipley, 7 miles from the Morrisons Store which provides the retail support. At the end of October 1986, Centrepont was already offering a full range of supermarket products with 10000 items on the database. Each day about 70 deliveries were sent out and the average basket size had risen to roughly £9, from a average of £3.40 in early 1986. There were about 650 registered users, although it was expected that this number would rise as the winter weather and dark nights drew on. As with the GSIS, the demand for the service outstrips the ability to supply the service and in Centrepont's case at November 1986 they were adding to their register at the rate of 20 users per month (INTERVIEW).

The attitude of Morrisons to this scheme is in line with the general caution of the large grocery retailer to teleshopping. The origins of retailers as traders has a strong significance in family firms, such as Morrisons, where technical investments are costed against "sales of tins of bins" (INTERVIEW). The Morrisons involvement in Centrepont, then, is explicable not only in terms of its low cost to the company, but also in another attribute of the more traditional regional multiple. It has close ties with the local community and has a vested interest in co-operating with City Hall.

Social teleshopping provides a useful way for large retailers to experiment with this innovation without incurring either great cost, or great embarrassment if it is seen to be a non-starter. However, there is no evidence that the retailers involved are actually making use of the experiment in any formal manner. The reasons for this are clearly related to the present dynamic nature of competition which bears upon the large supermarket chains. No investment in teleshopping is immediately profitable for these retailers. Also, most retailers do not have a formal research and development programme. The only retailer actively taking an interest in teleshopping is Tesco, and their involvement seems to <sup>be</sup> partly made up of covert strategy, else why extend the scheme, and partly the result of personal contacts and contingent circumstance.

### iii) Comp-U-Card

The independent companies formed to exploit teleshopping are not bound by exit barriers or the reification of management attitudes. The cautious and incremental approach of the mail order houses has been rejected by Comp-U-Card which has adopted a more radical attitude to the innovation. A distinct marketing ploy is used by Comp-U-Card in which they do not make their profits by selling the products but by selling the information about products which is held on a database. This is an interesting contraction of the role of the retail capitalist. Comp-U-Card membership, which costs £20 per year, allows a consumer to access their database of information about 40,000 consumer durable products. Comp-U-Card claims that its prices are roughly 10% below shop prices.

Members have the choice of using the databases to compare prices or

to directly order the goods described. The ratio of look-ups to actual purchases is about 8 to 1 (INTERVIEW). Orders can be made either by credit card or cheque, but in the latter case the order is not processed until the cheque has cleared. Both the storage and the delivery of the products on the database are dealt with by third parties. Comp-U-Card gets most of its products from regional retailers, who can give better prices and a higher order fulfillment rate than manufacturers. The result of this system is that Comp-U-Card contracts the role of retail capital to that of pure commercial capital. It deals only in information.

#### iv) Telecard

Telecard was also developed through a contraction of the role of the retailer to that of information broker. In this case the goods <sup>are</sup> stored in the shops of the Lalani convenience chain, and are delivered by the transport company, Square Moves.

Part of the logic for developing this teleshopping scheme was to avoid the barriers to entry which the larger capitals have been able to construct around the grocery trade, through control over real estate. Grocery retailing may still have one of the highest entry rates of new, small enterprises, but it also has one of the highest failure rates. The managing director of Telecard acknowledged this.

"I enjoy food retailing, I have been in it all my life and I love the immediacy of it. But to get into straight retailing in this day and age is: one, a fairly risky operation; and two, you've got to do it in a big way. Therefore you have got to have the funding. To raise that funding...I couldn't do it and it is fairly risky. You

could set up an operations and within two years Sainsbury could open up a superstore two miles away and the whole lot can walk away from you" (INTERVIEW).

Telecard was specifically aimed at the small proportion of the people living in the London area who subscribe to a videotex service, their target was only 2% of households. The logic of their service was to make surplus profits by charging a premium for delivery. Large orders were delivered free but the cost of the goods was 10-20% greater than that charged in a major multiple. These prices were partly increased by the lack of buying power of the retailer associated with the scheme, and partly by organisational difficulties and costs, such as having to make up an order in a store rather than a purpose built warehouse, and to pay a third party deliverer. Of course, the high prices limited the size of the target segment, but this was also limited by the number who are subscribers to the telecommunications network which Telecard used: British Telecom's Prestel. People might have joined Prestel to access Telecard, but it represents an extra cost to the shopping service.

### 5.3 Teleshopping as horizontal competition: an interpretation

Clearly, teleshopping is too novel to represent an immediately useful competitive tool for large mail order houses or grocery retailers. The issue addressed here is whether any sense can be made of the response to teleshopping which has come from the mail order and the grocery trades in terms of marxist theory.

The historical development of each sector, discussed in section 5.1,

indicates that competition in any period is canalised within specific labour processes and structures of fixed capital. This situation can continue only as long as extra relative surplus value can be wrung out of these main competitive foci.

### 5.3.1 Periods of retail change

Each major adjustment in the mode of retailing in these sectors has corresponded with periods during which the capitalist system was undergoing structural crises. The mode of competition at any time has also reflected the dominant labour processes, and their associated technologies. This is expected given the organic unity of capitalism. For instance, the "abbreviations in turnover-time of circulating capital due to perfection of new systems of transport and communications, improved methods of distribution, accelerated rotation of stock and so on" (Mandel, 1975 p.115), are relevant factors in the sudden increase in the rate of profit which is need to set off an upswing.

As retailing has become capitalistic it has begun to play a major functional part in the upswings of capitalism. Unfortunately whether retail revolutions pre-date or post-date the major upturns in capitalist economies is an issue beyond the scope of the present investigation. The rough sequence of events seems to point to a process of feedback where improved distribution contributes to the expansion of production, which allows an expansion of the new retail form and so forth.

An example of this integration, in the intensive regime of accumulation is associated with the self-service grocer. The self-



service store was the major post-war innovation in the grocery trade. Its success can be attributed to the diffusion of the automobile. Cars were commonplace much earlier in the United States; so that supermarket trading had been a successful feature of grocery retailing since the early 1930s. Zimmerman (1955) tells us that people drove up to 50 miles to shop at one of the early US supermarkets, the Big Bear in New Jersey.

The problems associated with the widespread adoption of the car, that is bringing its price down to a level which would allow the mass market to start, were central to the tribulations of getting the intensive regime of regulation underway (Aglietta, 1979). The fact that neither the economic upswing, nor supermarkets got underway in Britain until after the war, seems too closely related to be purely coincidental.

### 5.3.2 The present structural crisis

At the present time, the most important feature of these sectors of retailing is that they are both facing the saturation of their current mode of competition. Mail order is already in the process of restructuring, whereas the superstore operators are still a few years away from saturation, and so are still putting all their energies into constructing stores.

The problem which these now concentrated retail sectors face is how to revolutionise their mode of competition in a way that allows them to increase their rate of profit in a dramatic and sustained manner, or that opens up new vistas of extensive or intensive market growth.

There is a case to be argued that retailing responds to the working class norm of consumption by adopting the dominant labour process. The easiest example of this is the congruence between the superstore, which has the mass collective labour force typical of Fordism and sells mass produced products to a mass market. A similar comparison might be made for the 'big book' mail order catalogue. There are strong indications that the solution to the current crisis of capitalism will involve the transmutation of the labour process so that it is more flexible and less collective (Aglietta, 1979; Murray, 1983; Meager, 1986). A key component in this process is generally held to be the flexibility which computer and telecommunications technologies offer, particularly in the way that products can be customised in an economically efficient manner.

On this basis, teleshopping certainly seems to have some of the key characteristics which a retailing technology would require to be consistent with a Neo-Fordist labour process (Palloix, 1976), in the way that retailing has reflected the dominant modes of competition in retailing in the past. There are, however, several problems in accepting this interpretation. The first is that it is by no means clear that a Neo-Fordist labour process will become the dominant labour process, or that teleshopping will be the only Neo-Fordist solution. Second, the labour process within retailing will have to respond to the specific logic of retail capital, and to the fact that it is involved in the realisation of value not the creation of value. Third, teleshopping as a new mode of retail competition will find it harder to usurp the prevailing mode of competition than any previous incoming mode, because it is the first time that retail capital has been composed of dominant capitals.

### 5.3.3 The problematic of teleshopping

The mail order trade is able to adopt teleshopping because it solves specific problems with which they are already faced. The competitive task for mail order is to compete with traditional retailers for a larger slice of the use-value market which it encompasses. So, teleshopping is seen as a means to increase the efficiency with which this can be achieved. It uses a set of technologies which they are familiar with, and which can be introduced in an incremental manner.

Eventually, teleshopping will provide them with new avenues of accumulation by increasing the accuracy, flexibility and the timeliness of their marketing. The major difficulties which they have in adopting teleshopping relate to its present level of technological development. At the moment it does not constitute a replacement for the printed catalogue, so there is no reduction in circulation costs in that direction. For technical reasons, it would be hard to use tele-retailing to increase their share of the total amount of finished textile commodities realised. Although, Comp-U-Card has challenged the conventional wisdom on the need for printed catalogues by not using supporting printed matter.

For grocery retailers teleshopping requires a significant break from their main skills. It will need new and starkly different forms of investment. The grocery market is fairly static and the major capitals in the sector have such a large share of total food sales that further efforts to increase market share will not yield a significant amount of extra growth. Teleshopping is not seen as a means of increasing their share of the total mass of commodities

produced because it seems inappropriate for many of the product groups in which they deal, particularly the higher profit lines. It is for these reasons that superstore groups are seeking to concentrate by integrating backwards or diversifying.

At the moment, teleshopping offers superstore traders little prospect of further concentration. The extra sales which they could get from increasing the effective accessibility of their stores are not great enough to offset the dis-advantages and risks of this option. The major barriers to the use of teleshopping as a mode of competition are that: the present market size is small; delivery services are labour intensive when compared to superstores; the exit barriers raised by having a large fixed investment in stores; and the entry barriers of finding the time and learning the skills to undertake teleshopping. As a result the major retail grocers are unconvinced that teleshopping holds out much prospect of an increased use-value market share and a sustained increase in profitability, which are the roots of innovatory<sup>jan</sup> behaviour.

It seems unlikely that any entrepreneurial teleshopping venture will be able to compete with superstore trading on its own terms. A company seeking such an option would have to somehow negotiate equivalent discounts to the major grocers, without being able to guarantee the volume of turnover. Thus, Telecard was unable to gain sufficient economies of scale to carry on trading. Also, a large volume of business is required before the economies of scale in warehousing and order handling are achieved.

Aside from the scale economy issues potential tele-retailers, like Telecard are faced with the further problem that although the

delivery of goods adds extra value, it is hard to realise. Prices are created through competition in use-value markets. The more efficient retailer would expect to make a higher rate of profit because the price of the goods sold is higher than the average price of production would be if all retailers were equally efficient. As the tele-retailer competes with traditional retailers in a price market the extra value from the delivery is hard to realise. Thus, there is a redistribution of value from the tele-retailer to the conventional retailer, if the tele-retailer attempts to compete on price, because of its higher organic composition.

Tele-retailers may try to differentiate the value creating, delivery element, of their service from the realisation element. This is what Telecard attempted. First it set itself up as a pure commercial capital. Then it tried to create a separate use-value market for the service and convenience of teleshopping, for which it hoped consumers would pay as a separate commodity.

Tele-retailers might also try to cut their own costs of circulation sufficiently below that of their competitors to gain a price advantage over a non-delivery service, as has Comp-U-Card. Comp-U-Card, however, has used an innovatory marketing mechanism to support its tele-retailing by selling its database of products as an information service. The fact that it makes most of its profits from this service means that it can still compete on price, despite its higher value component. It has the further advantage that it will only sell products which are relatively expensive, slow to circulate, and therefore attract a higher margin (Section 4.1.3).

The advantages which Comp-U-Card has claimed are not applicable to

an entrepreneurial grocery tele-retailer. The only glimmer of hope for a small tele-retailer in the highly concentrated grocery sector comes from the saturation of the current mode of competition, and the tendency of superstore operators to increase the value creating elements of their 'offer.' In the past, it is the customer service elements such as packaging and personal attention which have been the point of weakness which the new mode of competition has exploited, which corresponds to the value theory expectation that the commercial capital should restrict itself to exchange for exchange's sake.

Small grocery tele-retailers might be able to compete on price if they specialise into certain core areas of supermarket trading which are susceptible to being sold via tele-retailing. An alternative is that certain large retailers faced with limited future growth after saturation might try to invade their competitors' strongholds by offering a basics-only teleshopping service, but the concentrated capitals are aware that this could result in a zero-sum game. A final possibility is that the intensive saturation of the superstore could be overcome through a combination of convenience-stores and tele-retailing. Entry through this method offers a path to incrementally build a teleshopping service to non-retail concentrated capitals, such as are already in the convenience-store business.

#### 5.4 Summary

This chapter has shown how the historical phases of the mail order and the grocery trades have corresponded to the main periods in capitalist economic development.

It was also seen that retail competition is mediated through the constant struggle to overcome the difficulties of distributing goods to a geographically diffuse population. Each period of retail capitalist development has solved this problem through a set of transport and communications technologies, and a specific labour process.

Mail order was seen as a distinctive form of retailing because it can be conceptualised as an attempt<sup>to</sup> centralise as much of the labour process as possible through the use of communications and transport technology and by economies of scale in administrative and goods storage functions. The paradox for mail order companies is that whilst improvements in communications technologies aid accumulation, transport technology innovations can hinder as well as help accumulation.

Grocery retailing is characterised by a more straightforward exploitation of the prevailing regime of accumulation and the working class norm of consumption. The specific solution, in the most recent epoch of capitalism, the superstore, has depended upon mass production, mass consumption, and the widespread ownership of the motor car. This mode of competition is, however, showing signs of weakness as the population of superstores approaches saturation.

The extent to which teleshopping can be considered a competitive tool in the mail order and grocery trades was then considered. It was shown how the adoption of teleshopping is relatively unproblematic for mail order.

The grocery trade regards teleshopping with deep seated mistrust. It is incompatible with their current mode of competition, which is based in the siting and operation of superstores. They do, however, accept that major accumulation problems are looming as their current competitive mode loses potency, and at least one of them is flirting with teleshopping, if only in a marginal manner.

The two independent companies which have promoted teleshopping have both adopted a role as an information broker. In one case a low-pricing structure has been adopted, along with a membership scheme. In the other the policy has been to develop a high price strategy, and to try to realise the value which the delivery service adds by withdrawing from direct price competition with store retailers

In summary, teleshopping is unlikely to become a major innovation unless it can demonstrate the potential to substantially increase the retention of surplus value in a defensible way, or for it to increase the possibilities for a particular capitalist to concentrate. At the moment, the miniscule number of consumers qualified to subscribe to a teleshopping service is a serious bar to retailers large and small.

One reason why the teleshopping market is too small to be of interest to grocery retailers is because the extra circulation costs of delivering would be too great for them to make an above average rate of profit, and still be able to do their present volume of business. The other constraint is that the number of people currently equipped with the technological hardware to subscribe to a teleshopping service is very small. This is not such a problem for smaller retailers, such as Telecard, but the economies of scale are



not as strong as they are in the superstore business, with which teleshopping would compete.

The size of the market, however, ultimately depends upon the rate at which the technological hardware diffuses. This relates to the manner in which other telecommunications services are developed, and the extent to which such services mesh with general movements in the spheres of production and consumption. These issues will be taken up in ~~the~~ Chapter Six.

## CHAPTER SIX

### TELESHOPPING AND THE STRUCTURES OF SUPPLY

So far in the discussion of accumulation, competition and the motion of capitalist social relations little has been made of the specific function of retail capital. Attention has been absorbed by the documentation of the effect of horizontal competition between retail capitalists. Yet, in Chapter 4, retail capital was identified by its special place in the overall circuit of capital, the realisation of commodities produced in Department II (Figure 4.1 p.83). Retail capital is but one moment of overall circuit of capital. Changes taking place elsewhere in the spheres of production and circulation will be changed, and changed by, the nature of retail competition. The purpose of this chapter, is to indicate the implications of teleshopping for the linkages between retail capital and other forms of capital. The first part of the chapter indicates the current status of the linkages of the grocery and mail order trades. The second part of the chapter considers the restructuring of these linkages which would be required by the adoption of tele-retailing.

#### 6.1 Vertical linkages in retailing

##### 6.1.1 Grocery trade links

###### i) Producer capital

The locus of control of the foodstuffs production was initially

where the technology of food processing was introduced. Capitalist manufacturers at this level were able to exploit the surplus value created by both agricultural producers and preliminary processors on the one hand, and by small scale retail production on the other. The result has been the emergence of a food and drink industry in the UK which is more centralised than UK industry as a whole. Of the 5,000 firms in this sector, the 10 largest account for one third of the volume of sales (Davies et al. 1985).

The market shares of the leading companies in each use-value market in the food and drink industry have, however, shown signs of decline since the late 1960s (Howe, 1983). This does not mean that the companies concerned are failing to concentrate, but to do so they have nearly all had to diversify during this period. Net margins fell from 6.3% in 1971/72, to 3.7% in 1979/80 not only because of the worldwide economic crisis, but also because of a generally static market for foodstuffs, and the increasing centralisation in the grocery trade (Davies et al., 1985).

The vertical relations with retailers in this sector is a live issue for producers. There is clear evidence of retailers using their new strength to beat down the margins of the food processors. There are two complementary aspects to this, the growth of own-label products and the imposition of discriminatory discounts.

Own-labelling has become a significant part of supermarket trading (Table 6.1). It has four important bargaining purposes for the retailer. In the first place, it eats away at the attempts of productive monopoly capital to protect their surplus rates of profit by product differentiation. The supermarket groups' own labels are

now of equal, if not higher, status than the proprietary brands.

Second, it gives them the opportunity to dictate terms to the producer. These terms include not only the pricing policy but the packaging, the technical specifications and the length of the production run.

Third, the size of individual retailers is sufficiently large for them to absorb the entire output of smaller companies. The surplus profit advantages of dealing with smaller companies have been noted above (Section 4.4.2). The practicality of these advantages is seen in that whilst Sainsbury takes only 2.3% of the product of the top 25 business with which it trades (The Grocer, 30/11/85 p.4), a "high proportion of Sainsbury's own-label products are supplied by small suppliers" representing more than 700 firms (Sainsbury Annual Return, 1985).

Fourth, own-labelling helps retailers to be more flexible in the way they moves into or out of product markets. They gain control over the direction of the production process, without having the responsibility of realising the fixed capital tied up in the means

Table 6.1 Own-label shares of total packaged goods (%)

Company	1980	1983
Sainsbury	54	53
Waitrose	42	48
Safeway	28	34
Tesco	20	30
Fine Fare	17	24
International	19	21
Argyll	15	21
Hillards	11	16
Asda	6	7

(Source: Euromonitor)

of production, or the problems of class struggle inherent in production.

The other side of the centralisation issue is the way that branded goods manufacturers are now under pressure, even from retailers not heavily involved in own-labelling. The centralisation of the trade means that if one of major multiples will not take a new product, it is not worth marketing (Randall, 1985). This allows all of the larger multiples to demand terms, which the manufacturers claim, go well beyond the discounts which are due to the retailers as a result of the size of their business. For example, Argyll apparently sent out a letter to suppliers requesting a 0.25% rebate on invoice costs to cover damages. It read "obviously I do not need to advise you that failure to bring yourselves into line with your competitors [in this respect] will only serve to make our trading position with you more difficult" (The Grocer, 12/04/86 p.4). The ultimate sanction that a retailer can invoke is to de-list a producer, but there are intermediate steps, such as allocating smaller amounts of shelf space to branded products, or placing them in less advantageous positions.

#### ii) Warehousing and transport

A sub-theme in the centralisation of retail capital has been the absolute decline of the wholesale trade. It is estimated that more than 70% of grocery products go direct from manufacturer to the retailer (Wiggins and Snell, 1986). The retailers have effectively integrated backwards, so that stages in the process of storage and delivery have been cut-out, this has been a long-term trend in retail distribution (Stacey and Wilson, 1965).

There has also been a partial trend towards the sub-contracting of the storage and delivery of retail products. This has the same advantages as the own-label policy, the retailer avoids a direct confrontation with a unionised workforce and at the same time has little capital invested in the storage and transport facilities. The policy of Sainsbury here has been to negotiate the delivered price and other terms with a producer, then to nominate a haulier and leave the other parties to work out the details (Financial Times 01/10/85 p.18). The extent to which the grocery multiples will take the sub-contracting tactic is debatable, as with own label, a partial adoption of this form of supply may give them more flexibility.

### iii) Land Ownership

The final linkage which the store retailer must deal with is the property relation. This has two aspects, the first relates to property ownership and purchase, and the other the right to build stores when and where they wish. The most profitable superstore chains have been those with a large proportion of their land in freehold. Thus, as we have seen, a large part of the fixed capital investment has been committed to superstore development.

Property development was for a time a major item on the agenda of the superstore trader, so that these companies owned some of the largest property development agencies in the country. As superstore saturation approaches, this galloping need for development is passing.

Tesco and Sainsbury have used a technique known as 'sale and lease back' to help fund their development programme, but they still have a very high proportion of freehold property. The property development has been carefully controlled, to prevent them from either having to pay exorbitant rents in the future or being saddled with a property asset which is declining in price. Anyway, in the burgeoning property markets in the South, which is where these two have their strongholds, land investment is potentially a major source of investment.

#### 6.1.2 Linkages in the mail order trade

##### i) Links with producer capital

The issues of land control and rent are not important to the mail order trade. This aside, the changing nature of the vertical linkages in the mail order trade shows similarities to those in the grocery trade. The major part of mail order trade is still the sale of textiles.

Textile production was, of course, one of the foundation stones of British capitalism. Yet, the creation of finished goods from those textiles is one of the most fragmented of links in the production chain. It is the classic example of an easy to enter, petty commodity production sector. As an example, in a rare marxist discussion of productive-retail linkages, Rainnie (1984) shows how surplus value has been leached out of clothing production by the textile industry above, and below by the large retailers, such as Marks and Spencer.

Although not documented, it seems certain that the way in which the mail order trade has used its clothing suppliers is entirely the same. The situation is exactly that described in the previous section, where a myriad of producers are forced to serve court to the retailer. The only difference between the mail order companies and Marks and Spencer, is the latter's commitment to UK production. The mail order companies seem willing to take advantage of the foreign labour-power, which being relatively under-valued is another source of surplus profits.

#### ii) Transport, warehousing and publicity

The physical distribution network for mail order companies is much more complex than the traditional grocery retail structure. First, the delivery to the customer devolves upon the retailer. Second, the catalogues must be printed and delivered.

One particular area where much work has been done by mail order companies has been to find alternative distribution mechanisms in order to improve the speed of despatch, and to reduce their dependency upon the postal service. At present, most small items are mailed, bulky items and white goods are shipped direct from the manufacturer and about half of the rest of the goods go on contracted or company owned transport. The leaders in this are Great Universal Stores, with their Homespeed company which accounts for 55% of their deliveries. Parcel traffic on the postal service is kept high to help the negotiation of delivery charges on items sent to customers outside of the normal delivery range.

The problems of printing are also absorbed in-house, because of the



size, and length of the print runs involved. Ordering systems have traditionally relied upon the postal service, but now both telephone ordering and teleshopping provide alternative routes of communication.

### iii) Payment systems

The mail order retailer must devise some system for making sure the orders and the payments for the commodities come through. The payment system is probably the area most subject to change. This change has also permeated into the grocery trade. The encroachment of new, more flexible credit arrangements, mentioned in Chapter Five is only part of the story, non-cash payment systems will have a profound effect on the structural linkages between the financial sector and retail capital.

For it to work, membership of a non-cash payment scheme must be as portable as money; customers of any bank must be able to use it in any store they want. In other words, there will be little opportunity for a captive market. However, as always, the negotiation of change centres the competition to gain more of the surplus value created in production.

Non-cash payment systems are basically an attempt to make more surplus-value available to accumulation by reducing the costs of circulation. As there is no surplus profit to be made by sharing these gains out evenly, and as there is a need to generalise the system as quickly as possible, the competition is mainly vertical. Primarily, the banks wish to reduce their paper handling costs and to charge retailers for the use of a non-cash transaction system,

and the retailers want the service for free. The various non-cash payment systems require a considerable fixed capital investment, and the two parties are also warring over how these costs are apportioned.

One result of the battle over payment systems is the increasing penetration of retailers into this market in their own right. In any case, for retailers such systems are having an increasing role. This is seen in upsurge of non-cash payments and credit cards described in the previous chapter (Section 5.1.2) and in Tables 6.2 and 6.3. and the switch from the use of hire purchase to running account forms of retailer credit (Table 6.4).

The amount of goods sold on credit in the retail sector has been growing mainly through the use of credit cards. When finance houses, which includes non-bank credit card operators, extended credit is compared to retail credit, the relative size of the two sources of credit is placed into context (Table 6.5).

One of the features of the growing importance of finance house running account credit is that the finance houses are themselves often owned by the larger retail companies. The upsurge of in-store credit cards is a fairly recent phenomena but one that has penetrated the credit card holding population with a vengeance (Table 6.6). In the case of Club 24 (owned by Next) and Welbeck (owned by Burton) the attractions of this business have been great enough to encourage retailers to offer credit services to other retailers (Table 6.7). More recently, Storehouse have started their own group credit card, with the a name so neutral (Storecard) it would be suprising if it were not also meant for retailers outside

of the group.

Table 6.2 Payment Methods for consumer goods and services  
(No. of transactions in millions)

	1971	1981	1984
Non-Cash			
Cheque	450	1050	1180
Standing Order/ Direct Debit	160	430	610
Postal Order	270	75	10
Credit Card	10	160	280
Credit Transfer	40	130	165
Cash (amounts greater than £1)	not given	13200	14000

(Source: Social Trends 1986)

Table 6.3 Consumer Credit Extended by Finance Houses and Retailers,  
1981-1984 (£m)

Year	Total	Finance Houses	Retailers
1981	7861	4650	3211
1982	9087	5639	3448
1983	10524	6840	3684
1984	11509	7664	3845

(Source: Trade and Industry, Nov 1985)

TABLE 6.4 Type of Credit Sales by Type of Retailer (£m)

	Hire Purchase	Running Account
Food & Provisions		
1966	6.0	0.1
1976	1.7	4.0
Clothing & Footwear		
1966	93.0	30.0
1976	5.0	115.0
Mixed (including mail order)		
1966	444.0	17.0
1976	1180.0	81.0

(Sources: Census of Distribution 1966; Retail Enquiry 1976)

Table 6.5 Finance House and Retailer Credit.

Amounts Outstanding at Year End, 1981-1984 (£m)

	1982	1983	1984
Finance Houses			
Running Acc'ts	794	989	1229
Fixed-Sum	5777	7235	8222
Retailer Credit	1748	1886	2002

(Source: Business Monitors SDM6 & 8)

Table 6.6 Growth of Credit Cards

	Date Started	Turnover 1984/85 (£bn)	Increase Rate 1984/85	No. of Cardholders (m)
Barclaycard	1966	2038	32%	7.2
Access	1972	2287	27%	8.0
Debenhams	1980	n/k	n/k	1.5
Personal Account (Burton Gp)	1985	n/k	n/a	1.2
Sears Card	1985	n/k	n/a	0.4
Marks and Spencer	1985	n/k	n/a	1.0

n/k - not known

n/a - not applicable

(Sources: Company Reports and trade literature)

Table 6.7 Retailers and their Credit Card Operators

Retailer	Operator
Austin Reed	Austin Reed Credit Services
C&A	Capital Finance Credit Card Management
Dixons	Club 24
Etam	Club 24
Gee2	Club 24
Next Group	
Hepworths	Club 24
Next	Club 24
Co-op	Co-operative Bank
Littlewoods	Credit and Data Marketing Services
Hornes	Hornes Executive Club
House of Fraser	House of Fraser Stores
Lasky	Lombard Tricity (subsid of Nat West)
Curry	Lombard Tricity (subsid of Nat West)
Thomas Cook	Midland Bank Group
Boots	North West Securities
Storehouse Group	
BHS	Storecard/Citibank (prev. Retail Credit Cards)
Habitat	Storecard/Citibank (prev. Nat West/Joint Credit)
Mothercare	Storecard/Citibank (prev. Midland Bank)
Richards	Storecard/Citibank (prev. Citibank Savings)
Paige	Retail Credit Cards
Chelsea Girl	Retail Credit Cards
Benetton	Retail Credit Cards
Marks and Spencer	St Michael Financial Services/North West Sec.
Bally	Welbeck
Burton Group	
Burton	Welbeck
Connections	Welbeck
Debenhams	Welbeck
Solo	Welbeck
John Kent	Welbeck
Laura Ashley	Welbeck
Michael Barrie	Welbeck
Monsoon	Welbeck
Pitlochry	Welbeck
Snob	Welbeck
Taylors Fashions	Welbeck
Warehouse	Welbeck

6.2 Vertical linkages in teleshopping

The previous section summarised the respective links between grocery and mail order and other sectors of capital at the moment. In this section the linkages associated with teleshopping are discussed. The key to the discussion, is that the backbone of teleshopping is

the telecommunication system (a discussion of the development of the telecommunications infrastructure of teleshopping is presented in Appendix 1). Thus development of teleshopping depends on the substantial convergence taking place in the telecommunications, computers and media industries.

The section is in two parts. The first part, presents a discussion of the structure of capital in the telecommunications sectors, on which teleshopping will depend. The second part considers in more detail the implications of the restructuring of the channels of supply which teleshopping invokes.

#### 6.2.1 Teleshopping hardware: ownership and control

In Chapter 3 the duality in teleshopping with its implications for shopping behaviour, and its requirement for a specific set of technologies was used to define teleshopping (Section 3.1). These set of technologies comprises a combination of computer, telecommunications and broadcast technologies. New technologies are introduced by capitalists to make a profit. Therefore, it is hardly suprising that the ownership and control of the technologies of teleshopping is contentious.

The only two combinations of these technologies that allow proper interactive teleshopping to take place which are likely to be available in Britain for the foreseeable future are the telephone network and interactive cable systems (Appendix 1). Telephonic interactive teleshopping can take place using a set of techniques jointly known as videotex or viewdata. Cable television services can also offer videotex, but because they generally have a greater

bandwidth, are capable of much a higher quality of display.

The traditional status of telephonic communication as a state monopoly has had a tremendous effect on the progress of Prestel (British Telecom's videotex service). The Post Office developed videotex for the dual purposes of increasing the rate of use of its equipment, and to promote the UK television manufacturing industry. In the 1970s the UK television industry went from stagnation to decline, as the demand for colour sets was saturated and the replacement market was increasingly tapped by Far Eastern manufacturers. Prestel and the BBC's teletext system, Ceefax, were deliberately used to try to promote flagging demand for home produced sets.

Prestel did not save the UK television industry for a number of reasons (a more complete discussion is given in Appendix 1). Prestel did not have the confidence of the television manufacturers. Mass production of videotex microchips was delayed, and the price of the Prestel sets stayed high. This became part of a vicious circle in which high costs prevented the widespread adoption of Prestel and vice versa.

The prospects for UK television manufacturers, along with many other telecommunication companies, have been further dimmed by the globalisation of this sector (see Appendix 1). In this process the basis of the long standing support for domestic manufacture by individual telephone agencies (PTTs) is undermined. The increasing capital intensity of telecommunications projects means that companies solely geared towards a national market find they are unable to pass the entry barriers without collaborating with foreign

capital. Also, telecommunications traffic is becoming more international; requiring compatible standards.

As with Prestel, broadband cable television was promoted in the hope of stimulating the UK telecommunications industry, particularly in fields where Britain had a lead, such as fibre optic cable. However, through a mixture of Central Government prejudice against public spending in support of such projects, and the action of vested interests in UK industry, any re-invigoration that cabling might have brought to the telecommunications sector has been rendered impotent (Appendix 1).

Overlaying the difficulties of UK telecommunications companies has been the effect of the privatisation of British Telecom. In its new guise as a public company, British Telecom is less interested in promoting the national industrial cause than in accumulation in its own right. One consequence of this is the decision to buy from foreign manufacturers. Another is that it is now actively competing against the companies it once sought to protect. Finally, the privatised structure of British Telecom prevents the internal cross-subsidy of its services. Each division is composed of profit sectors. For instance, Prestel is a profit centre within the Value Added Systems and Services. This means that it is very hard to build domestic services, because high prices are charged on low volumes of business to ensure an profitable return on investment (Prestel moved into profit in 1986).

As part of its accumulation strategy, British Telecom is adding more and more services to its core role as a telecommunications network provider. First, with the acquisition of Mitel, a Canadian



telephone equipment manufacturer, it began to produce its own handsets and computerised exchanges, which it sells alongside those of GEC, Plessey and STC.

Second, it is increasingly adding value to the telephone network. The common carrier principle embodied in Prestel has been shattered as British Telecom moves into: electronic messaging with services such as Telecom Gold; electronic publishing by providing databases and electronic yellow pages and a 25% stake in the Telemap subsidiary of the magazine publisher, EMAP (Telelink, 1(5) 1985, p. 5); electronic consumer services such as the computer hobbyist service MicroNet and its own upmarket telephone ordering catalogue; and mobile phones. In the last case, a joint enterprise with Securicor, the only competition is the Vodaphone subsidiary of Racal.

Third, it is moving into competing media such as satellite provision and cable technology. Telecommunications satellites are of course part of British Telecom's core activities but it is also embroiled in the development of television broadcasting by satellite: as a partner in the Starstream consortium along with Thomson and Thorn-EMI; in Satellite Information Services, the horse racing information service for betting shops. British Telecom's involvement in the development of cable television has also been substantial. It is a major shareholder in over one third of the new build cable projects.

The influence of British Telecom is pervasive in the telecommunications industry, and in the technologies upon which teleshopping depends. It is hardly surprising that companies such as Coventry Cable, mostly owned by Thorn-EMI, have sought help from

British Telecom: there is ready built network of cable ducts in Coventry owned by British Telecom. The provisions of the British Telecommunications Act (HMSO, 1981) have also been useful to British Telecom. There are only two companies licensed to carry voice and data communications between the cable networks: British Telecom and Mercury, the Cable and Wireless subsidiary. If a cable operator wants to link into a teleshopping service operated from a site outside its own franchise it would do well to form an association with either Mercury (as has Clyde Cablevision) or British Telecom (as has Westminster Cable).

It is quite clear therefore that British Telecom has a hegemonic position in the provision of the new technologies upon which teleshopping depends; it has control of Prestel, and a large portion of cable television systems. It is the nearest thing to a true monopoly capital in the UK economy. However, other large capitalist corporations are implicated in the introduction of these technologies, particularly those in the media industries: publishing, newsprint and television. Whereas British Telecom seeks control of the technological side of these services, the media groups want to promote and extend as many of these new media as possible, and the significance of these new structural linkages will be taken further in the next part of this section.

### 6.2.2 Teleshopping: a new division of labour?

The most striking difference between traditional retailing and tele-retailing is that the structure of supply becomes more complex, particularly the forward linkages between the retailer and the consumer (Figure 6.1). Tele-retailing changes the distribution

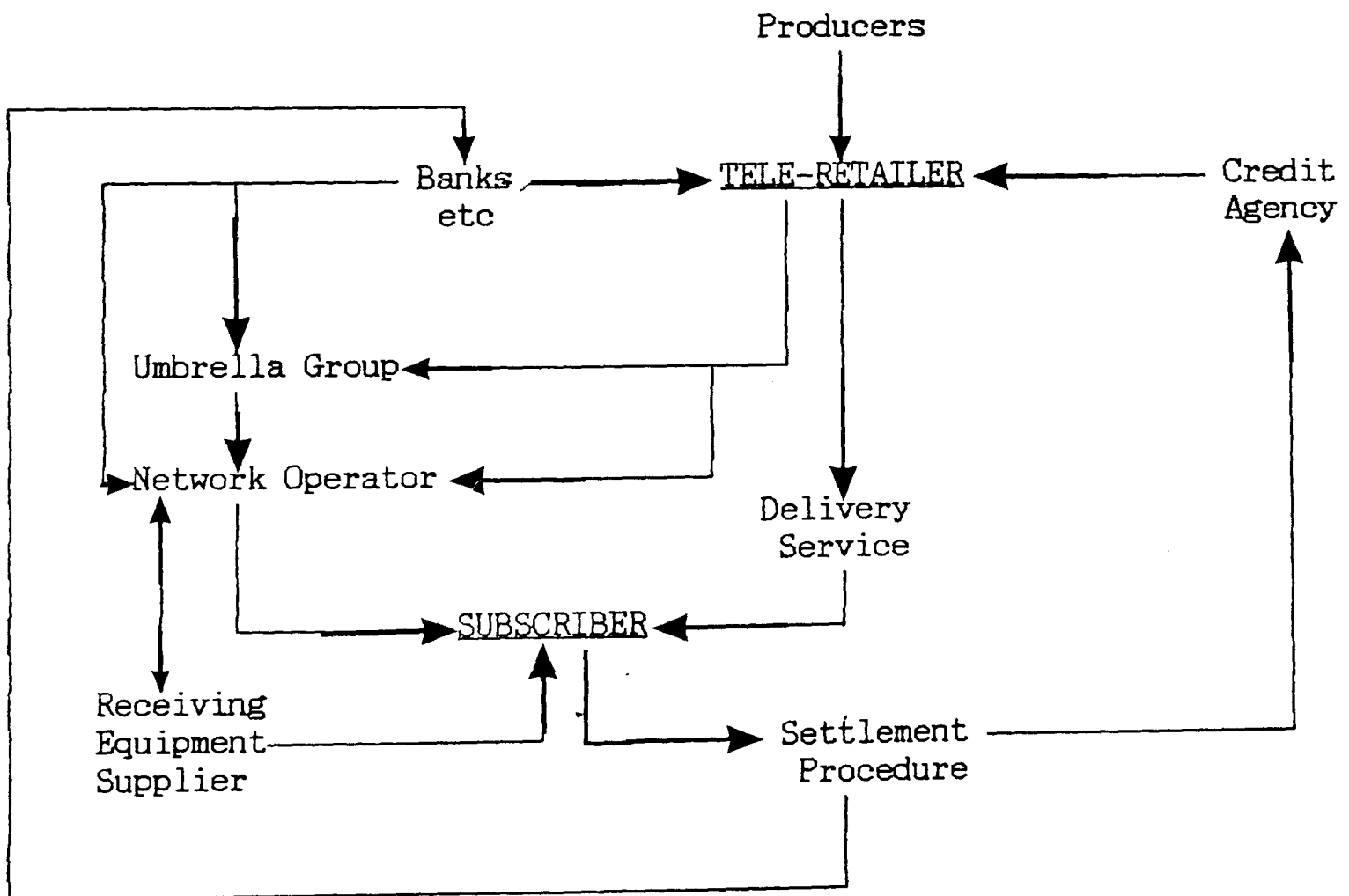
system by: requiring collaboration between capitalists who have never collaborated before; breaking down traditional sectoral boundaries; and inciting a struggle for the new locus of control. In this sub-section each of these features will be taken in turn.

i) Teleshopping: a new collaboration

Spreading the costs

From Figure 6.1 it will be clear that the telecommunications services of which teleshopping is an example are dependent on the collaboration of a number of different agencies. It is not

Figure 6.1 Supply linkages for teleshopping



surprising then that most teleshopping services have been developed by consortia. Consortia help to spread the cost and so reduce the risk involved in such telecommunications ventures. The coming together of different agencies also represents a merging of skills, which helps ensure that the telecommunications service is comprehensive, and reduces the uncertainty of the venture.

The manner in which cable television is developing in the UK shows the need to spread the risks of developing a telecommunications system. A franchise area of 100,000 homes with a penetration rate of 35% was expected to cost between £27million (tree and branch) and £42 million (switched star) (Hutchinson, 1984). The return on this capital was neither speedy nor assured. A result of the large risky investment which cable represents is that most franchise bids were made by consortia, consisting of a spectrum of capitalist enterprises. Of the original 11 franchises the major corporate investors included 9 telecommunications companies, 14 financial institutions, 8 media and leisure companies and only 2 retailers (Littlewoods and Currys).

To take the example of Aberdeen Cable Services. Amongst its 45 shareholders (November, 1986) were British Telecom (30%), Legal and General Insurance (15%), Standard Life Assurance (13%), and the American Television and Communications Corporation (10%). The American Television and Communications Corporation were brought into the consortium by British Telecom, and had previously been British Telecom's advisors on cabling in the UK (INTERVIEW).

## Reducing costs

The managing director of Aberdeen Cable Services stressed: "one thing we are not into is picking up development costs...The reason this company went for tree and branch was that we were not at the cutting edge of technology. All that happens with that is that you spend a lot of money....we are not in that business" (INTERVIEW).

The logic of bringing down development costs is so that the telecommunications system is not owned by the cable company, instead it is leased from British Telecom for the period of the licence.

Taking the cheaper tree and branch option, however, creates problems when setting up interactive services, such as teleshopping. The main problem is the cost of a terminal. "Our difficulty is that you make the information channel specific. So you have to get a modem that operates at radio frequencies and they are very expensive" (INTERVIEW). This has also led to them engaging in further efforts at collaboration with a computer hardware manufacturer called SciTech.

## Compatibility

Apart from the problem of hardware compatibility the structures of the information services must be compatible. For instance, the time based charging structure of Prestel is not immediately compatible with the monthly subscription charges on cable networks.

The problem of setting up hardware, software and protocol standards has dogged the introduction of telematics. This is seen most

clearly in the problems of establishing EFTPoS. For instance, "the problem with all the EFTPoS trials in now is that there is no centralised settlement procedure...It is wise to do everything possible at the outset to make it (the debit card system) comprehensive. This is why it is taking time to come about. It is a vast exercise getting everybody to agree to the same thing" (INTERVIEW).

### Sharing skills

Collaborations in teleshopping ventures have most commonly been a result of a merger of skills and interests. The merger of skills is clearly seen in the development of Telecard, which brought together a software house (IDS), a traditional retail store (Lalani), a videotex system operator (Prestel) and a delivery company (Square Moves). Although, as noted in Chapter Five, the co-ordinating role was undertaken by a separate tele-retailer (Section 5.2.3).

A merger of interests is found in the social service teleshopping schemes (see Section 5.2.3). Computer companies such ROCC (a maker of videotex mainframes) have been able to do a significant amount of developmental work by providing equipment, and in at least one case have been able to snap-up a programmer after 10 months free (to them) training on their own systems (INTERVIEW). The provision of terminals follows a similar logic, with many of the commercial services marketing Tandata videotex adaptors at marked down prices. This is of mutual benefit because Tandata gain market share, whilst the tele-retailer is able to market its service more effectively.

## Integrated packages

So far, few tele-retailers have offered an integrated link between payment services and teleshopping. In the cases of Club403 and Telecard the payments for grocery purchases were collected at the door. This was seen by both operators as unsatisfactory. There is a lack of control of the transactions which take place, using this system, and carrying large sums of money around is unsafe for the delivery drivers. Telecard, in fact, avoided cash payments as such, in favour of cheque or direct debit. David Cullen, managing director of Telecard: "We don't take cash. We will be looking, once we get into higher profit lines to taking Access, or to develop our own credit card. But we find that credit card companies aren't interested in food because people habitually pay for that regularly, so its not very profitable for the credit card operator. At this stage, whilst we are on our present profit structure, out of a retail unit we haven't got the margin to pay the 3-4% on the credit cards without putting our prices up. We think that people are on the whole used to paying cash for food, so there is no hassle" (INTERVIEW).

The socially biased teleshopping services in Gateshead and Bradford rely exclusively upon cash or cheque payments, but the amounts involved tend to be rather smaller. Also, given the nature of their clientele, they could hardly expect a large non-cash payment contribution. It is the elderly and the disadvantaged who are least likely to have a chequing account let alone a credit card.

The gap in on-line payment systems is indicative of a need for

further collaboration. The shopping service needs the other information and transactional services to make it complete. This need is reciprocated in the other services and even the telecommunications systems themselves, particularly videotex, in which teleshopping is considered to be attractive enough for people to subscribe to the overall service just to do their shopping.

The need to provide an overall package has caused the emergence of a new stratum of capital, which takes an editorial role in the provision of telematic services. The specialist companies, known as umbrella groups, which have grown up on Prestel includes, for instance, Viewtel, Press288, Homelink. To an extent the social networks such as Gateshead Shopping and Information Services and Bradford Centrepoint fulfill a similar function.

### New skills

Umbrella groups are also more skilled at overcoming the new marketing problems which arise in the use of videotex. It is not an easy medium for advertisers to come to terms with. The tree and branch structure of the database which leads users down alleys of their own making does not make it a fruitful ground for the sort of chance, or intentional, encounter with an advertisement that is commonplace in the broadcast media. Furthermore, in such a highly directed activity serendipitous discovery of material is less likely.

In teleshopping, Viewtel is the leader in this process, with at least three of the big five mail order houses on its Viewtel 202 package on Prestel. Perhaps, the significance of this development



should not be pressed too far. Grattan and Empire Stores have both found this to be a cheaper, and less risky manner of gaining some experience of teleshopping than by taking a full Prestel account. Littlewoods and Kays both have direct contacts with Prestel, and are Information Providers in their own right. Although, the nature of this relationship between the mail order houses and the umbrella groups may become redundant if the market for teleshopping grows to a significant size.

The packaging of services has the further advantage for the members of the package that it can help them to overcome the geographical penetration difficulties associated with the development of teleshopping. Localised teleservices such as Club 403, run by Viewtel, offer a more sensitive and targetted approach to teleshopping than does national teleshopping. Also, it is much easier to trace the activities of the consumers across a wide range of activities. So that, although the mail order company Kays has a separate database on Prestel it still regards it as worthwhile to maintain a presence on Viewtel 202.

#### ii) The breakdown of sectoral boundaries

The emergence of companies which have an editorial role is a symptom of the breakdown of the traditional division of labour between capitalists which services such as teleshopping bring about.

In a comparison of tele-retailing with store retailing, the backward linkages are not necessarily substantially changed. Although, Goldstucker et al. (1986) point out the way that teleshopping eliminates both warehouse and store functions in the supply chain.

The most important changes, however, are likely to be in the new linkages; those forward of the tele-retailer. There are three main ways in which this restructuring is becoming apparent.

First, the specialist teleservice editing companies do not neatly belong into a traditional sectoral division. Viewtel is a subsidiary of the Birmingham Post and Mail, one of the largest regional newspaper groups in the country. Yet, its managing director willingly admits Viewtel doesn't mesh with into the rest of its parent's business interests. "Its a pain in the neck to them I suppose. We don't fit into the newspaper business. Everything from the way we operate a service that's available 24 hours a day...to the fact that our sales reps travel the length and breadth of the country as well as over to Scandinavia doesn't fit in with being part of the Birmingham Post and Mail....that is why over the last couple of years we have moved further and further away from the newspaper" (INTERVIEW).

Second the structures of control over the parts of a teleservice vary markedly. For instance, in some of the cable franchises the network is the property of the franchisee, in others it is leased from one of the shareholding companies, as does Aberdeen Cable Services at £6 per subscriber per month from British Telecom (Financial Times, 09/05/85 p.18). The division of responsibility for the packaging and content of cable television services is ill-defined. To be sure, the cable company is responsible to its customers for the programming it transmits, but mostly it relays a channel which has been packaged by an outside agency, such as Music Box (owned by Thorn-EMI and Yorkshire Television). This division of

labour can lead to disputes such as that over the way Robert Maxwell's British Cable Services was allocating time on its Milton Keynes network to Rupert Murdoch's Sky channel (Guardian, 24/12/86 p.2).

A corollary to the indistinct division of labour in teleservices is that many companies have had to become involved themselves in the sale of hardware without desiring to do so. The slow growth of Prestel, and its high subscriber equipment costs has been a further obstacle to the development of tele-banking services. Both of the Prestel-based tele-banking services have attempted to get around this by including special offers on Tandata adaptors to subscribers. This creates a further problem for the Bank of Scotland, which wishes to offer "purely a banking service and a high class banking service at that" (INTERVIEW). They are inevitably implicated in servicing the computer hardware market. "We are not an equipment supplier, we don't want to get involved in bits of hardware, we don't want to be bothered with all the hassle of warranties and the machines breaking down. Although, we have found ourselves in that to a certain extent" (INTERVIEW).

Third, the legal framework which attributes responsibility for different parts of a teleshopping service becomes ambiguous. For instance, a cable operators pointed out that they have a "requirement in law to ensure that what we have on the network is under our control" (INTERVIEW). Whilst, a retailer has another and overlapping set of statutory duties.

### iii) The changing locus of control

The complex linkages and collaborative nature of teleservices and the indistinct division of labour within these linkages indicates the fluid structure which confronts a tele-retailer. In such circumstances it is not surprising that there is considerable jostling for position between the various interested parties. Even though the various capitals involved may get mutual benefits from collaboration, they are still engaged in a struggle to accumulate.

The vertical struggles which take place intermesh with the horizontal struggles of the type described in the previous chapter. To take the example of teleshopping, a tele-retailer must strive to achieve a higher productivity and a lower circulation cost than its conventional competitor. At the same time as it is trying to appropriate as much as possible of the surplus-value produced in the commodities. It is called upon to realise network subscription charges, delivery charges and transaction charges. Such circumstances conspire to make tele-retailing less able to compete horizontally.

These issues lead to a general bickering between the various capitals which are involved in the provision of tele-retailing. The main bones of contention are over the distribution of responsibility for marketing and who picks up the bill for the provision of the hardware and software, which can appear as a circulation cost or an act of final consumption. These arguments are mainly a result of vertical competition, and are attempts to maximise the rate of profit or at least to gain pride of place in the emerging structure

of teleservice distribution. Another issue revolves around the basic conflicts of interest which arise from having many different capital groupings in such close interdependence. Each new linkage which faces the tele-retailer will be taken in turn.

#### Vertical competition with the network operator

The first linkage is between the network operator and the tele-retailer. Cable companies quite legitimately regard themselves as retailers of programming material. One cable company's representative commented: "we take on the role of retailer in that respect, and the retailer takes on the role of wholesaler and that I think is the only way it can be marketed to the public. The public have to relate to one company, the company they are paying bills to and the one that is providing them with the services....If they have a problem with the product the only recourse should be to the person who retailed them that product in the first place: the cable operator" (INTERVIEW).

The aggressive demeanour of the large retailers, outlined above, is not easily squared with cable operators to force them into the back seat. As we have seen, the cable operator also has a statutory duty to police its network, to make sure it is not an accessory to any bad practice. Each cable operator has a local monopoly, and at most 30 channels to offer, so that air space is limited, and under the control of a single agency. Although, it would be foolish to overstate this case, the relationship between the network operator and the tele-retailer is likely to be nervous.

A similar demotion of retailers is already apparent from the few

teleshopping services which have been mounted in the UK. Most of them have been operated on a third party network such as British Telecom's Prestel. The problems which have beset the development of Prestel have been substantial, and the decisions which British Telecom takes concerning Prestel affect all of its aspiring tele-retailers. Some of these companies take the view that Prestel is mostly a bottleneck to further development. The potential development of viewdata is circumscribed by the rate at which British Telecom is willing to upgrade its telephone service. Companies such as Comp-U-Card have consciously avoided putting their service onto Prestel because it would require a rebuilding of their entire database. Also using Prestel it is impossible to regularly up-date the structure of a service, as the Clydesdale Bank wishes to do with their tele-banking service.

A lot of these problems stem from the way that Prestel requires the routing of all calls to centralised database computers administered by themselves. This is clearly an abrogation of the common carrier principal (Appendix 1). This occasions much criticism from Information Providers: "Prestel don't have any involvement in running databases. They are merely there to provide the service. It is the Information Providers who do the design and make the things work and who try the new things....I think where it went wrong is that Prestel are still in that situation on the one side. On the other side they actually want to interfere as well. If it wasn't for Prestel a lot of us could make money out of it" (INTERVIEW).

A heated debate rages over how to reduce the price of the home terminal sufficiently to attain a critical mass of customers.

Predictably most of the Information Providers regard this as British Telecoms duty, in the same way as they have traditionally taken responsibility for phone rentals. Individual Information Providers protest that they cannot underwrite the cost of the terminals too much, because to do so would be financially crippling to themselves whilst other companies not offering such deals would also gain the benefit of the service. "The question is who will grasp the nettle? Prestel won't who are probably the most obvious people to do it. The Information Providers on Prestel are all in there for different reasons and none of us are going to grasp the nettle with the experience that we have all had. If I could put an adaptor in someone's home and know that they would only access my service, so that I had an added value service I could sell to advertisers then I might do it" (INTERVIEW). This aside, there has been a tendency for certain key Information Providers to sell subsidised adaptors. This then embroils them in the guaranteeing and servicing of hardware. Which is a strong inhibition to companies trying to maintain a clear-cut specialist image, such as the Bank of Scotland.

Another constant complaint of the Information Providers interviewed was that Prestel does not give out information about its subscribers. Not even to the extent of their socio-demographic attributes and their area of residence. This is an additional advantage of joining a local teleservice such as Club403.

If one sure thing came out in all the interviews undertaken for this research it was the air of seething mutiny amongst Information Providers in connection with Prestel's organization and managerial competence. The complaints ranged from Prestel's high handedness, through their bureaucratic inefficiency, and their overriding

concern with technical side of videotex rather than the service, to frustration at the high staff turnover within Prestel which leads to constant breakdown in business relationships (one tele-retailer had 8 Prestel account managers in 2 years).

A spokesman from one of the large mail order companies declared that "British Telecom is so embedded in the system: being a programme provider; a network operator; and being involved in 80% of the cable stations" (INTERVIEW). The managing director of a teleshopping company said that Prestel "wanted to own us; to dominate us, and we had to fight against that to keep our independence. They wanted their slice, which as a start-up company you can't afford initially" (INTERVIEW). Another teleshopping company manager: "the major problem with Prestel is the cost of the hardware. The other big stumbling block is at the moment is lack of awareness, while you are talking about marketing, that is something you should clobber Prestel with" (INTERVIEW). Finally, Prestel "is now a very, very badly run organisation" (INTERVIEW).

Considering the amount of hyperbole which the directors of the large supermarkets delivered at the planning application process, the responsiveness of Prestel to pressure would probably induce apoplexy.

The potential tele-retailer not only has the hegemonic position of British Telecom to contend with, the restructuring process introduces new relations with other capitalists in the new linkages. Specifically, these are the umbrella groups, the financial groups and the delivery companies.



## Vertical competition with tele-merchandisers

The marketing of teleshopping also involves the selling of a telecommunications network, appropriate hardware and software and perhaps a teleservice package as well. Among the most original methods has been that of Comp-U-Card, which has sold its telephone ordering service as a promotional offer through various membership organisations such as the Automobile Association. "We have found over the years that there is a lot to be gained in soliciting membership in association with another organisation. We have gone out with solo Comp-U-Card mailings...with reasonable responses, but you have to put it into the context that we are still after three years a relatively unknown company" (INTERVIEW).

Each shopping service is branded in the name of their partner (e.g. The AA Members' Shopping Service), such that "the customer believes that if they join the AA...it is part of their [the AA's] service..The identity is very much with the AA" (INTERVIEW). Yet, they claim "we have control over the shopping service. We never cut the margin with anybody. How we run the shopping service is our affair" (INTERVIEW).

Comp-U-Card's protestations aside there is clearly a danger of becoming merely a component of an overall teleservice. Particularly through a loss of control over the marketing environment which follows on from the packaging of teleshopping with other information and transactional services. One umbrella group Club403, went so far as to pre-empt retailers by establishing its own grocery teleshopping service, because they needed the transactional services to make their package complete. Although the groceries were

provided by a store owned by the Dee Corporation, the selection, packing and delivery of the goods was all the responsibility of Club403.

In the longer term, the supermarket groups are unlikely to relish the giving way of the direct contact between them and their customers. The major thrust towards using the store image as a brand, and to greater control over the product specifications militate against an acceptance of this loss of control. This is compounded by the skills and infrastructure gap between present activities and teleshopping. Umbrella groups will wish to maintain editorial control over the selection of services which they market, and they are likely to have overall control over the marketing information, which comes back from consumer purchasing behaviour (as does Prestel at the national level).

#### Vertical competition with the financial sector

A similar problem over access to customer information is likely to arise from the eventual integration of financial transactions into teleshopping. The view of bankers operating EFTPoS experiments is that "who the customer is, what his job is and what his earnings are is something that is confidential between the customer and the bank" (INTERVIEW). As the bank is not interested in what the customer is actually purchasing; such information is simply not collated. "The retailer gets information on the average transaction value. He also has information on how many are credit cards and how many are debit cards and that is all" (INTERVIEW).

A major reason for the introduction of in-store credit cards and

EPOS systems is that retailers get more marketing information than ever before. The mail order companies recognise this. "With EPOS and private credit cards that the High Street will begin to get customer information, credit information in its shops and on its computers. Some of those exclusives are no longer exclusive. But, we are only beginning to exploit them" (INTERVIEW).

For the financial sector such systems are only really of interest if they extend the logic of EFTPOS, as in Clydesdale Banks link up with BP petrol stations. "We were interested in it because it was another means of cutting down on paper, if we can get people not to write cheques at the filling station then it was doing the same thing outside the branch environment as inside it." (INTERVIEW).

The present crop of in-store cards has given retailers the confidence to compete with banks in the provision of credit. As we saw above, mail order companies have always been active in this field. Companies such as the Burton Group and Next plc have aggressive expansion plans in the financial services markets.

It seems much more likely that retailers will develop their own on-line transactions systems, if only to get the full customer information which the banks feel morally obliged to keep from them. Kays mail order company have already done this by offering payment through their sister company Whitewell Laidlaw from within their own database on Prestel.

However bankers seem unattracted by the prospect of besmirching themselves by associating with tele-retailing. "Why should we necessarily want to do teleshopping? If it is selling group

services, I could see us moving in that direction" (INTERVIEW).

#### Vertical competition with the deliverer

The final link which sits between the tele-retailer and the consumer is the delivery service. For the mail order company this is no problem at all, as it is part their standard operating conditions (see Section 5.2.1). The telephone order company, Comp-U-Card mainly uses third party deliverers, mainly National Carriers who are contracted to deliver the goods within 24 hours, on receipt of the order docket (INTERVIEW).

The more interesting delivery structures concern the local grocery teleshopping schemes. As noted above Telecard's delivery was organised through a third party, Square Moves. The advantage of this for Telecard was that they could have access to a larger pool of vans than their volume of business alone would dictate. They are able to offer a mutual advantage to the delivery company because most of the grocery orders are delivered during off-peak times. Telecard claimed that neither the loss of face-to-face contact with customers was serious nor had they experienced any problems in getting priority for the delivery of their orders (INTERVIEW).

The social service teleshopping services have tried to keep delivery costs down by limiting the number of times per week each area is served. The delivery staff are employed under a Manpower Services Commission scheme, and the vehicles are partly owned outright by the teleshopping services and partly by the local authority (INTERVIEW).

### Other conflicts of interest

The social service schemes are operated on a different set of priorities than commercial teleshopping. This in itself causes a certain amount of conflict between the retailer and the local authority. One of the aims Bradford Centrepoint was to provide work experience through MENCAP, and to people who have had learning difficulties. The concern of the management is to provide a reliable delivery service whilst making sure that the staff are not overburdened. For instance, the selection of each order entails a separate journey around the supermarket aisles. At first, the retailer found Centrepoint's priorities to be in conflict with the smooth operation of the store. In time, the scheme began to shake down and these problems died away. Although, in common with the Gateshead scheme, there are problems of stock control and security, and of the control of two different staffs in one store.

### 6.2.3 Summary of the vertical linkages in teleshopping

Clearly the development of tele-retailing is not going to be an unproblematic extension of the activities of retail capital across a virgin territory. The ground is already inhabited by groups of powerful vested interests.

Teleshopping depends upon specific technologies which are themselves sub-sets of the converging information technology sector. The core of information technology in the UK is dominated by British Telecom. The position of British Telecom in their sector is enshrined in

legislation and protected by precedent. British Telecom has been able to extend its hegemony even into new-build cable television, by dint of being one of only two licenced telephony operators and through the ownership of the UK's cable ducting network. Even without these added advantages British Telecom would be a dominant capital as the seventh largest company in the country, and the most profitable (Business, 10/87).

The privatisation of British Telecom has transformed the company into one that is now in vertical and horizontal competition, instead of being in support of, the information technology industries and services. Also, British Telecom's status as a private company means that instead of taking its traditional state agency role as a coordinator and underwriter of capital intensive projects it is looking for surplus profits out of the innovations that it institutes.

The manner of involvement of British Telecom in the two technologies of teleshopping represents a before and after case study. Prestel was set up as part of the pre-privatisation policies of the Post Office, to help UK manufacturing, and was a leading edge innovation. Cable was part of the post-privatisation ethic, and is heavily biased to keeping control over the UK telecommunications market, and to making above average profits.

The vigour of the information technology sector works substantially to British Telecom's advantage. Hardware and software producers have to observe the operating procedures required by the telecommunications systems, and are limited in their rate of innovation by British Telecom's rate and direction of investment in

infrastructure. Service innovators such as tele-retailers are more or less obliged to use British Telecom's systems.

A result of British Telecom's power is that it can appropriate surplus value produced elsewhere in the telematic sector. Intangible value such as is produced in a delivery service, or information provision is the hardest hit. Arguably, though, the insistence of British Telecom that all of its ventures should return a profit in the short-term may damage the long term success of services such as teleshopping.

If the rate of profit of tele-retailers stubbornly stays below the average rate for retailers generally the innovation simply won't take root. Yet, even British Telecom will need to encourage a range of teleservices such as teleshopping if it is to extend the influence of telecommunication beyond its present influence in daily life. This process requires that there is a long term prospect of an increase in the overall rate of profit for all the parties interested in such services.

In retailing there has been a long-term decline in the number of links in the supply chain. Yet, teleshopping complicates the distribution chain markedly. This creates conflict over the division of labour, particularly over who bears the responsibility for marketing the service, who carries the costs, and how the benefits of control and profit are shared out.

Likewise, there is a strong danger that much of the initiative is taken away from the retailer in directing the growth of the service. Which is likely to be unpopular with the highly centralised retail

capital described above. Because the conditions for accumulation and centralisation of tele-retailing capital will depend upon the capital in other links in the chain.

However, the aggressive movement by mail order retailers into the competition with capital adapted to the other links in the teleshopping supply chain certainly gives them the tools to rationalise the teleshopping linkages significantly. Similarly, the movement of store retailers into the provision of credit services and the increasing use of direct mail catalogues and brochures indicates a vertical extension of the competitive struggle by retail capital. Developments which are compatible with tele-retailing.

Overall, however, the key to the discussions in this chapter has been that the lines of vertical competition in teleshopping are not yet firmly marked out. A restructuring of the channels of supply will have to take place, and this will require an unravelling of the complicated relationships between capitals in the new distribution chain. Purely from the need to return above average profits from an innovation the complex linkages of teleshopping will have to be streamlined. This could take place either through retailers contracting their role to that of information broker (and so reducing circulation costs and reducing circulation time) or by the merging of the present activities of retail capital and those of distribution, of teleservice packaging and retail financial capital.

The lacklustre performance of teleservices and their technologies in Britain might be attributable to the problems encountered in achieving the economies of scale necessary to bring, for instance, teleshopping into competition with store retailing. This issue will



be taken up in Chapter Seven.

CHAPTER SEVEN

THE DEVELOPMENT OF  
TELESHOPPING AND ITS INFRASTRUCTURE  
IN THE US

It will be clear by now that the future of teleshopping is bound up with the development of its technological infrastructure. The tele-retailer is faced with a far more complex web of relationships than the traditional store retailer. The flow from production capital, to retail capital, to final consumer is complicated by the interposition of new forms of capital. The new linkages require the integration of groupings of capital which were previously unknown to each other. These new relationships are simultaneously ones of collaboration and competition.

As if to make matters worse, teleshopping has emerged at a time of profound social and economic change. The restructuring of the capitalist system has been a response to the general economic crisis which began in the early 1970s. Whilst the fundamental crisis seems to run through the entire capitalist economic system, it takes different forms in each nation state. The historical and contingent circumstances vary from country to country, as do the policies with which individual governments seek to deal with the crisis.

Over the period of the crisis the United Kingdom has undergone a pronounced change of political direction, associated first with austerity measures introduced under a Labour Government and second with the rise to power of a Conservative Government committed to the reduction of state expenditure. This has had a direct impact on the development of teleshopping, first through the privatisation of BT, second in the de-regulation of broadband cable.

These effects are, however, specific to the United Kingdom. In other countries economic restructuring has been approached in other ways. Teleshopping has been affected most of all by the different policies which governments have applied to the information technology industries: if information technology is not the total solution to the economic crisis it is seen as the key.

It is interesting, therefore, to look in more detail at the way that the technology of teleshopping has been developed in other countries. To do this this chapter compares the situation in the United Kingdom with the way that telecommunications and teleshopping have been developed in the United States. The fundamental contrast between these countries is that during the early 1980s the United Kingdom Government has tried to move from a highly interventionist telecommunications policy toward towards the sort de-regulated environment exemplified by the United States.

Such comparisons, it is acknowledged, carry dangers. As Pickvance (1986) pointed out, comparative analysis is not simply the serial treatment of several different countries. It must be an attempt to understand the empirical situation in some integrative causal framework. The advantage of comparative research is that it allows

the observation of a range of circumstances which could not be seen in one country.

A further advantage of comparative research is that it allows the researcher to see if the theoretical implications of one empirical situation are replicated in a new situation. To an extent, comparative research can be also used to elucidate theoretical insights. Unfortunately the theoretical reference of this thesis to marxist theory is unhelpful in itself, because of the multiplicity of marxist theories of the state, and the by now predictable absence of a developed theory of retailing and the state (for an exception see Blomley, 1986). Such a theorisation must be on the agenda for future retail research.

The three main sections of the chapter describe how teleshopping and its infrastructure have developed in the United States. The first section reviews the different accumulation logics which have been applied to videotex experiments. The second discusses how the United States experience of videotex development is fundamentally similar to that in the United Kingdom. Virtually all the material in the first two sections is based upon fieldwork interviews.

The third section investigates the more recent phenomenon of cable teleshopping, which unlike videotex has experienced a rapid growth, and has managed to create a mass market for itself, in the United States. Unfortunately, cable teleshopping could be dealt with here only through the limited secondary sources which are available in the United Kingdom. Events moved quickly since the United States fieldwork was carried out. This new stratum of teleshopping activity based upon cable television networks rather than telephony

has risen to prominence in the past 18 months. The first reports of this were received from interviewees in the United States. Unfortunately, at the time it proved impossible to set up interviews within the companies concerned.

### 7.1 Videotex services in the United States

The logic behind the growth of United States videotex is not immediately apparent. There have been repeated experiments in different formats by types of capital aiming at different markets. This is at least partly because the industry itself is not sure what its function should be. As one commentator put it: "the videotex industry is like gold prospecting. At one time everyone thought it was in the home market. Then someone said: 'there's no gold: now the action's in the business market.' So all the prospectors run off with their pails and their shovels and start digging around for gold there. And they're just chasing around looking for gold" (INTERVIEW).

The United States, unlike the European countries and Japan, has no state sanctioned telecommunications monopoly. The nearest equivalent, American Telephone and Telegraph (AT&T) is undeniably a dominant capital with 58% of the home telecommunications market and 80% of the national telephone network (United States Department of Commerce, 1983), but it has been prevented from direct provision of videotex services. So that, although it may be involved as a supplier of equipment and telecommunications for videotex, it cannot assume the role of videotex operator. This situation is changing. AT&T in compliance with the trust-bust regulation has divested itself of the Bell Operating Companies from 1984 (Financial Times

24/10/83 pIV). It is now moving to the position of being able to directly take part in the provision of videotex on its networks.

In the absence of a centralised telephone agency videotex service the onus for the development of teleshopping has lain with other levels of capital. Each teleshopping venture which has taken place reflects the specific logics of the capitals involved rather than any emergent use-value market (Table 7.1). This can be illustrated by a brief account of the three main waves of investment in United States videotex. A full review of the various experiments is not necessary as several competent accounts already exist (Silverstein, 1983; Howard, 1985).

#### 7.1.1 High technology videotex ventures

The first wave of experimentation was propagated by the high tech telecommunications and computer industries. The concern at that stage was to create a new market for the hardware. Much of the early effort were directed at creating standards and getting the technical problems sorted out. Companies such as RCA and AT&T were amongst the earliest entrants to this field, although AT&T was later prevented from developing this early involvement by the anti-trust measures.

Comuserve, a videotex survivor from the technocratic tradition, sold computer storage and processing on a time-share basis. It already had the computers and a network in place. It was a small step to mount a videotex service, aimed at programmers and data processing specialists and increased the rate of use of their assets

during off-peak times.

CompuServe still has a strong base of computer hobbyists amongst its subscribers. However, the service is enlisting 8-10,000 new members a month, and has achieved a base of 280,000 (INTERVIEW, May 1986). Although in nationwide terms this is still small, in videotex market terms it is a major share. This also indicates that there is a certain broadening out of the market base, away from computer cognoscenti towards a more general public.

Table 7.1 United States videtex projects featuring teleshopping

Trials

Name	Sponsor	Start date	Close date
INDAX	Cox Communications	Mar 1981	n/k
KEYFAX	Centel Corp Honeywell Field Enterprises	Apr 1982	1985
Ridgewood	AT&T (hardware) CBS (content)	Sept 1982	Apr 1983
Trintex	CBS, IBM & Sears	Feb 1984	still going

Commercial Ventures

Name	Sponsor	Start year	Close date
CompuServe	H&R Block	1979	still going
Comp-U-Store	Comp-U-Card	1979	still going
Dow Jones News Retrieval	Dow Jones	1974	still going
Firsthand	First Bank J.C. Penney	1982	1985
Gateway	Times Mirror	1984	Mar 1986
The Source	Readers Digest	1979	still going
Viewtron	Knight Ridder (content) AT&T (hardware)	1983	Mar 1986

(Source: Young and Talarzyk, 1985)

### 7.1.2 Media videotex companies

The first non-high technology interest in videotex came from just the same United States media giants which were dominating cable television. Companies with broadcast interest such as CBS, NBC, ABC. Companies with interests in publishing and information packaging such as Knight Ridder, Times Mirror, Dow Jones, and Time Inc. The Source, a small technically orientated videotex operator was swallowed up by the media giant, the Readers Digest.

The ownership by the the broadcasters of the air time meant that they were able to exploit teletext as an electronic publishing service. The newspaper publishers saw this as direct competition, and videotex as a possible means of fighting back.

The newspapers had other reasons to become involved in videotex. The newsprint business was suffering increased production and delivery costs. Inflation was high. Interest rates were high. There was an overall decline in the demand for newspapers. Added to this was the fear and uncertainty surrounding the future supply of oil. Finally, there was a buzz in the air about the soon to be realised information society.

Within the United States videotex industry the involvement of newspaper publishers such as Knight Ridder and Times Mirror was viewed as a response to fears that electronic publishing might be directly competitive to newsprint. The sponsorship of Viewtron and Gateway respectively were ultimately insurance policies, undertaken to protect market share. The \$30 million that Times Mirror spent on



Gateway and the \$50 million that Knight Ridder invested in Viewtron were not likely to scupper companies with turnover in excess of \$3 billion per annum.

The mass market which these companies were expecting to emerge for electronic publishing did not emerge and both services were closed down within two weeks of each other in March 1986. At the time of Gateway's demise it had 2000 subscribers and although Viewtron had reached 20,000 consumers this was only in its last 6 months, and only at the cost of considerable marketing efforts by Knight Ridder (INTERVIEW). The parent companies concluded that the medium represented no real threat to their core business. A Times Mirror employee who worked on Gateway said: "people would use the service to scan the news and get the rest from the newspaper, later...sports fans would undergo the danger of eye strain and read the whole page, then look at the newspapers the next day to see all the pictures. It did not seem to me to be a competitive service" (INTERVIEW).

The sudden rise in subscription levels achieved by Viewtron in its last few months was attributable to a radical change in strategy. Both Times Mirror and Knight Ridder had placed their hopes in a locally based system with the hope that market areas could be opened up by selling franchises of the operating system to other publishing concerns. This policy together with the problem that in order to receive the service the consumer had to have a special terminal, this severely limited the group of consumers to whom the service was available. The decision to offer a text only version of Viewtron that could be received on any personal computer pushed the subscriber level from its mid-1985 level of 3000 up to its final figure of 20,000 (INTERVIEW). Even this growth was not enough to

encourage Knight Ridder to keep Viewtron afloat, particularly in the absence of competitive pressure once Gateway was closed. As for Times Mirror: "the thrust of the company is now to get back to the business of newspaper publishing" (INTERVIEW).

The Dow Jones News Retrieval Service was initiated under a different set of premises than the electronic publishing of Knight Ridder or Times Mirror. The primary target was the business sector. Starting with the deep corporate pocket, then lowering the aim towards the small business sector; the private investor; and then the middle-class professional. The costs of the network development were partly defrayed by building from the platform provided by the Ticker; the Dow Jones wire service. The information on the service was proprietary, and more time-sensitive than price-sensitive. It is also used more as a research and decision support tool than a browse medium, which is what the other newsprint groups were originally concerned to develop.

### 7.1.3 Banking videotex companies

The third wave, of investment, was provided by the banking sector. It has grown from some early experiments based on Comuserve, via the establishment of Video Financial Services a consortium of banks seeking to exploit the potential of Viewtron, to the establishment of bank based transactional services such as Covidea. In May 1986 there were some 40 banks involved in these telebanking experiments and the number of subscribers has grown from 17000 to 80000 in four years (Teleservices Report, 02/86 p.1)

There were two main reasons underlying this investment. The first

was to reduce their costs of circulation. The second was to differentiate themselves from competitive financial services.

As Charles Forbes of Covidea, and the Chemical Bank said: "anybody that's going to be successful in videotex needs some strong reasons to be in business. Banks have some very compelling reasons. The costs in financial institutions are largely people, paper and palaces based and there need to be some better ways to do that" (INTERVIEW).

The interest in telebanking has also been spurred on by a climate of competition amongst retail banking institutions. In part this is due to the deregulation of the financial sector. The Depository Institutions Deregulation and Monitoring Control Act of 1980 allowed the entry of many non-banks, such as Merrill Lynch, Prudential, American Express, and Sears into the business of deposit taking and loan offering. The bankers were afraid that these institutions were "begining to look, taste and feel like a bank" with the result that the banks might find that the newcomers would "eat their lunch" (INTERVIEW). The banks have responded to this pressure by seeking new ways to promote themselves and their services. The retail market has increasingly become a focus for these efforts. Consumers are much less crisis-sensitive than corporate treasurers, as they are covered by federal insurance against bank failures. Also, there has been a drying up<sup>of</sup> opportunities amongst the larger companies, <sup>who</sup> increasingly issue their own commercial paper. Finally, there is continued concern about the risks of lending to the third world.

#### 7.1.4 Collaborative videotex

The signs are that a fourth wave of investment is taking place in which consortia comprising different sectors of capital mount a service which reflects their joint interests. Covidea itself is an example of this trend. Although primarily a banking service and informed by a banking perspective it is owned jointly by AT&T, Time Inc., and two banks: Chemical Bank and the Bank of America. Each corporation represents one of the historical interests in videotex.

The other major consortium, yet to reveal its hand, is another combination of corporations from the three sectors. In this case Trintex is the product of the World's largest computer company IBM, the broadcasting company CBS and the combined retail and financial might of Sears. The involvement of Sears is the first direct developmental involvement by a major retailer in videotex. Although, it is not clear to what extent Sears interest is as a financial institution and to what extent as a retailer. The exact nature of Trintex project will not be revealed until the end of the Trintex research period in 1988.

This section has reviewed the experiments in United States videotex from the perspective of the companies initiating these services. The downstream migration of control over teleshopping seems to bear out the ideas of some proponents of the filière concept (Dang Nguyen and Arnold, 1985). Although in this case it might be more accurate to stress the tendency towards collaborative experiments with more emphasis on marketing problems than technical problems.

## 7.2 Structures of control in videotex

The lack of any overall control of the telecommunications system as exercised by British Telecom or any central direction of the videotex services, as provided by Prestel, has resulted in a variety of videotex schemes. As we have seen the logic of accumulation behind each videotex project differs according to the capital involved. Despite the absence of an overall dominant capital such as British Telecom, the restructuring of relations between the capitals concerned is still a problem. In this section we see again that the logic of individual capitals lead to a struggle for dominance and control over the medium, except that in the United States the result of the competition is not pre-determined by the power of the telecommunications agency.

### 7.2.1 Packaging tele-services

The need for a comprehensive package of tele-services, which support each other has been recognised as important in the United States as well as in the United Kingdom. There is also a tendency for a tier of specialist packaging agencies to emerge. The tendency is weaker than in the case of Prestel because many of the major capitals which have set up and operated videotex services are themselves involved with the media. So that, the likes of Times-Mirror are quite capable of developing an editorial function in the same way as Viewtel and Press288, with their newspaper background, did on Prestel. Electronic publishing and editing is less within the grasp of companies such as CompuServe with its technological background. So it has developed an arrangement with L.M. Berry, a major publisher of yellow page directories, to act as a merchandiser for

potential tele-retailers.

To some extent all tele-retailers need to have their service repackaged to fit the house requirements and style of each videotex service upon which they appear. The level of involvement of a third party to help them adapt to the videotex service depends upon the sophistication which they have with the methods of tele-retailing. For instance, Comp-U-Store, with its experience of telephone enquiry systems, was mounted on the Dow Jones system without substantial alteration to their database systems (INTERVIEW).

Most retailers need much more help in setting up tele-retailer services, and that is the significance of the involvement of L.M. Berry in Compuserve, and is the reason why a special area on the Compuserve system has been set aside for teleshopping, called the Electronic Mall. As its name suggests Compuserve think of themselves as having the same relation to the retailers as a shopping mall management. In fact, the Electronic Mall is equivalent to a specialist umbrella group within an overall videotex system, whilst, overall, Compuserve is analagous to Prestel. At the higher level, therefore Compuserve's interest in teleshopping is mainly due to its "advertising and lead generating" qualities (INTERVIEW).

The problem of establishing a tier equivalent to the Electronic Mall has deterred the Dow Jones from developing its teleshopping facilities very far. They do not feel that they have the competence to set an Electronic Mall on their own, and they have no wish to coach individual retailers in videotex merchandising. They would rather do it through a third party. In fact they did have

discussions with L.M. Berry on the subject. These discussion foundered because L.M.Berry, an arm of AT&T, was subject to the anti-trust consent decree which prevented its direct ownership of the Electronic Mall. Therefore control of the systems and procedures had been passed over to Comuserve, who are Dow Jones News Retrieval's leading competitors.

As James Ambrosio, the Dow Jones database editor said: "we don't really know that business. It made sense for L.M. Berry, they were used to selling to advertisers. We wouldn't know where to begin. We would probably end up shooting ourselves in the foot...The concept makes sense we just aren't going to do it ourselves" (INTERVIEW).

#### 7.2.2 Linkages in videotex

Given that videotex requires the same components in its structure irrespective of the actual division of labour between the capitals involved it is hardly suprising that similar logics for involvement or non-involvement in videotex hold sway as was seen in the United Kingdom.

Taking the potential tele-retailer first, we see again that most of the interest that has been expressed by traditional retailers coming from mail order companies, such as Sears, L.L. Bean and J.C. Penney. Sears, has been involved at various levels: as a partner in Trintex; in the electronic retailing of financial services; and on Comuserve. Penney has invested in the Canadian company Cablesare, which has developed interactive videodisc systems (INTERVIEW).

In the past, the Direct Marketing Association has come close to promoting the idea of videotex to its members, "but their members are not ready for it, the mechanisms are not there for it yet" (INTERVIEW). By this they mean that the amount of product differentiation which takes place within videotex is limited: "there is no shopping environment in the Electronic Mall. Who knows where you are" (INTERVIEW).

The local videotex service run by Knight Ridder and Times Mirror were notably unsuccessful in attracting retailers onto their services, for a simple reason. The markets which they had were too small to be worth bothering with for mass retailers. Comuserve presented more immediate access to national markets.

As in the United Kingdom the issue of how to cover the costs of the supply of videotex terminals has vexed the videotex operators, and the solution of providing subsidised terminals has been tried. Except that this time it has been the videotex operators which have attempted to increase market size by offering cut-price terminals.

Marketing of Comuserve took place through an agreement with Tandy Corporation's Radio Shack, an early Mecca for the home computer enthusiast and a cheap place to buy the requisite modem. The main service offering was software. The lack of graphics on the service was in the long term an advantage; the service can run on just about any home computer.

In its last days Viewtron attempted to save itself by successively lowering the price of its dedicated terminal from its original \$600. In a similar way Covidea is seeking to attract the domestic user



onto its service by offering an AT&T dedicated terminal at \$50.

The successful videotex services are those that have not offered dedicated terminals at all, but have depended upon the consumer already being equipped with a personal computer and a modem. The growth of this proportion of the population seems inevitable, and so is a good basis for a service which does not need an immediate mass appeal. This position was occupied by the likes of Dow Jones and Comuserve from the beginning. It was another tactic tried by the failing Viewtron, and was thought to be the major contributor to its rapid increase in subscription rates just before it was shut down.

The limits to this process, especially for a mass retailer are clear. "The mass market can be broached either through having the electronics in the TV set or in the telephone, because those are ubiquitous instruments in the home. PC's will never have that penetration" (INTERVIEW).

Reflecting upon the closure of the Times Mirror videotex service, its representative interjected: "one of the lessons may be that the establishment of these services may not be appropriate to media companies. It may be better to left to the AT&Ts. Our role may be to provide information not infrastrucure" (INTERVIEW). It is possible she did not know how ironic this comment was, because it was the large print media companies like Times Mirror which had fought tooth and nail to prevent AT&T from entry into the market.

### 7.2.3 Profit in United States videotex

The final and most crucial comparison in the development of

teleshopping by videotex is the way in which surplus value is distributed between the various levels of capital, the tactics used to ensure that the rate of profit is competitive and how the struggle for dominance over the service is being carried out.

i) The distribution of surplus value

When Time Inc began to look at interactive television services, they found immediately the problem that has dogged the development of teleshopping in the United Kingdom. Once all the capitals involved in the transaction had taken their cut, they could not maintain an adequate rate of profit. Whilst 20-25% of consumers would be willing to pay up to \$8 per month to rent their service, this figure dropped to zero when the rental charge was raised to \$15 per month. Time Inc. needed \$25 per month to make money out of the service, by the time they had paid the cable operator half of the revenues and paid for the consumer hardware (INTERVIEW).

ii) Making telshopping pay: the Dow Jones solution

The Dow Jones and Compuserve overcame the problem of ensuring at least average profits by levying time related usage fees, which are shared with the tele-retailers. This policy of charging an economic rent and accepting low penetration has been more important to Dow Jones than has been the growth of market size. As a consequence their original interest in the residential market has waned.

The transactional services available on Dow Jones system are mainly business orientated, with the exception of Comp-U-Store. One is an on-line stock trading service, Fidelity On-Line Investments,

operated through a gateway on the Dow Jones system. Another, only available as an interactive service since early 1986, is a booking and reservations service available through the Official Airlines Guide.

As a further signal that Dow Jones has turned away from the consumer market they have adopted a pricing policy which nudges the uncommitted user off the system. As James Ambrosio, editor of Database publications for Dow Jones said:

"We signed up a lot of customers who bought inexpensive PC's, spending \$500-\$600. There are a lot of people out there who buy these machines because they thought their kids should have a computer. And when they got it they did not know what to do with it and maybe they bought a modem and signed up with us, because at the time we'd give a certain amount of free time and we weren't charging anything per month. So we signed up a lot of people who....weren't using the service on a regular basis. We've changed direction. We're now implementing a monthly service fee and finding, as we expected, that those people who weren't users are dropping off the rolls" (INTERVIEW).

The Dow Jones has also rejected the transferal of its service onto cable networks, because it does not fall within their cost criteria. In order to make the rate of profit which they require they would have to charge \$18-20 per month. Once the other cable services which a customer would sign up for added to the bill, the monthly subscription comes to \$40 per month. Which would only probably be bought by the consumers which they already have.

### iii) Making teleshopping pay: the CompuServe solution

The Dow Jones position is that videotex must be sold on convenience, entertainment or price. They do not regard themselves as part of the entertainment business, so their services have to appeal on the grounds of convenience and price. CompuServe on the other hand has founded itself on the entertainment side of the videotex market. Its most heavily used resources are bulletin boards and the downloading of software for computer games. It has an active policy of trying to gain market share by extending the range of general interest items in its package of services.

The overall strategy is to seek more 'consumer orientated' products. Two examples of these 'consumer orientated' entertainment products can be illustrated. One of them is a personalised subscriber to subscriber greetings service provided by Hallmark. The other is the inauguration on the system of a game show, providing subscribers with the chance to win prizes, an avenue also explored by British Telecom's Value Added Systems and Services Division of which Prestel is a part.

Another way in which CompuServe has sought to broach wider participation is by offering more transactional services. Several of the telebanking services have been packaged up on the CompuServe system. They have also sought to expand their shopping services in order to attract a wider range of teleshopping. This was complemented during mid-1986 by the introduction of the first gateway services on CompuServe including one which will offer a range of general merchandise. The main way in which new teleshopping services are offered is through CompuServe incorporating a greater

range of retailers into the Electronic Mall. It has also been done by offering Comp-U-Store on CompuServe.

Associated with the incremental broadening of the appeal of the system CompuServe has been increasing its profile as a videotex operator. This has culminated in an advertising campaign on television and in the glossy magazines. Nevertheless, the marketing is still squarely aimed at the youngish, relatively wealthy, sophisticated consumer. The ploys are still based upon time saving, lifestyle and convenience, not price, and in this way they are able to gain an acceptable return on their investment.

#### iv) Making videotex pay: the bankers' approach

Unlike the videotex publishing and information services, telebanking services hope to gain more from the potential to reduce costs of circulation, rather than the options for generating extra surplus value, as is the case with the Dow Jones electronic publishing. This is, however, a long term prospect. Given that telebanking's success depends ultimately upon its mass penetration, along with all the services with which it is packaged, the telebank has to follow the long risky route of mass appeal videotex. Videotex companies such as Covidea have tried to develop this service in a less risky manner by aiming the service at small businesses. In their version of tele-banking, they seek to appropriate a share of surplus-value from these small businesses, in return for giving lower circulation costs to the client business.

#### 7.2.4 The locus of control

As was seen in the United Kingdom, the structures of teleshopping are complex, and so have a tendency to dissipate surplus-value amongst a number of new commercial capitals. Even where, arguably, surplus value is created through the commodification of information, the high costs of circulation as compared to more conventional methods of obtaining those services reduces the competitive position of the tele-service. This is partly due to the paradox that to make a service worth buying a range of services must be offered, yet all those services represent a different capital trying to accumulate, and so the whole service becomes uncompetitive. The situation may change as the economies of scale slowly build-up, but for the moment the feeling is: "I'm not saying that there isn't any business here, its just that everyone will have to be satisfied with small successes. The return isn't that great" (INTERVIEW).

The nervousness which results from the initial low rate of return on videotex ventures is heightened by the long shadow which the corporate heavyweights involved in Trintex throw over the scene. Whether it is intentional or not, the threat which Trintex presents to the long-term security of companies in the videotex business discourages investment. "All of the potential investors sitting on the fringes know that \$500 million is being spent by major entities. Now, a lot of them think that for a few million bucks they cannot create a market, and so they are saying; 'why should I spend my million dollars, if these guys in say two years will come out with the answer. Why should I throw my \$1 million away to catch a little market stake, when a few years from now these guys might throw me

out of business. So I see a major dis-incentive from the learning process. A lot of companies would rather be followers" (INTERVIEW).

### 7.3 Teleshopping on cable television

Home shopping on cable television is a quite different creature to the videotex version. Originally cable shopping was based upon the sale of bankrupt stock at deep discounts, within a game-show format. This caused one interviewee to remark that "Its not merchandising, its entertainment" (INTERVIEW).

The cable shopping schemes are true teleshopping systems according to the definition adopted in Chapter Three (Section 3.1), but there is no integrated return path to accept the order and the payment. This is done via the standard telephone network, using a freephone number and a credit card.

Cable tele-retailers adopt a low technology approach to teleshopping, with little in the way of overheads. It was ensured an immediate mass market because it used a technology which was already in place, and because of its initial very low pricing policy. It was able to achieve because it was selling commodities which had failed to achieve valorization.

As trade has gained strength the owners of the pioneering company, the Home Shopping Network Inc. (HSN), have sought to sell more upscale merchandise. The items were sold by a combination of auctioneering and game show techniques over a Florida local radio. In 1982 they moved from radio to cable television and went nationwide in 1985.

HSN is presently the largest home shopping company, in a market which grew from \$91,000 to \$450,000 (395%) between 1985 and 1986 and which is expected to rise above \$2 million in 1987 (400% growth) (Paul Kagan Associates, 1986). When it became a public company Home Shopping Network stock rose from an initial offer price of \$3 to \$7.1 on its first day's trading in May 1986 to \$38 in January 1987. The rapidity of this growth/<sup>shows the</sup> the potential profits to be made and the fear of losing out have all attracted a range of imitative cable shopping services (Table 7.2).

In addition to the examples given, interest has been shown by other retailers and media companies (Paul Kagan Associates, 1986). In February 1987 J.C. Penney announced plans to develop Telaction, in conjunction with Cablesare Inc, an Ontario based electronics company (New York Times, 17/02/87 p19). The Direct Shopping Network is a joint venture between Direct Response Broadcasting Network and the Silo division of the Cyclops Corporation, which itself was bought out by the British retailer Dixons in February 1987 (Guardian, 18/02/87 p.29).

The cable channels in the United States are heavily dominated by media interests, (mainly broadcasting, newspapers, publishers and film makers) with telecommunications capital occupying a secondary role. The advantage of vertical integration in this sector ensures that the routes to the end market are kept open for the owner of the cable system. In certain cases this advantage has been extended so that other media interests are refused entry to the market, because their products are in competition with the parent's products



(Hollins, 1984).

Two trends are challenging the dominance of the media companies in cable. The tendency towards saturation in cable markets means that the prospects for accumulation have become dim. It also means that few of the plumb franchises are still on offer. The second trend is that more recent cabling bids have offered a higher technical

Table 7.2 Cable Shopping in the United States

Service	Audience (millions)	Launch (date)	Owners
<u>a) 24 hour channels</u>			
Home Shopping Network (HSN)	15.0(cable)	06/82	Public Company
Cable Value Network (CVN)	9.0(cable)	04/86	COMB <sup>1</sup> and 16 major cable operators
QVC Network	7.6(cable)	11/86	Public Company (cable operators and Sears have interests)
Shop Television Network	5.0(cable)	10/86	Public company (associated with JC Penney).
Sky Merchant	0.8(cable)	09/86	Jones Intercable
<u>b) Part-time Channels</u>			
Telephone Auction	40.0 (broadcast)	01/83	Public Company
Valuetelevision	21.0 (broadcast)	01/87	Horn & Hordat, Lorimar Telepictures, and Fox TV
Tempo Galleria	12.5(cable)	01/83	Private Company
Telshop	10.0(cable)	08/86	Financial News Network
Entertainment Marketing	2.0(cable)	08/86	Public Company
Crazy Eddie	1.5 (satellite)	10/86	Crazy Eddie
Video Shopping Mall	0.5(cable)	07/86	Public

(Source: Business Week 15/12/86 p.60)

Notes

<sup>1</sup> COMB is a Minneapolis based discount retailer. In January 1987 it was subject to a takeover bid by HSN (New York Times 22/01/87 p.45).

specification than the standard co-axial tree and branch technology. This has raised the capital investment required, increased the period of amortization and made the whole venture more risky. As with the cabling in the United Kingdom, the response has been towards more bids by consortia rather than individual corporations for franchises, which weakens the dominance of the media

The attractiveness of cable shopping was underlined for the media companies by the generally flat state of the cable television trade. As it has reached saturation there is now a shake-out taking place, which is seen in further concentration as waves of mergers take place between media and high technology companies.

Certainly, the 10.6% net profits being earned by cable shopping companies (Business Week, 15/12/86 p.59) are being looked at with some covetousness by cable operators. Nevertheless, the rapid migration of capital into cable shopping is thought to be a prelude to further shake-outs, as a result of realisation problems due to over-investment. For instance QVC was launched in November 1986 with a market valuation of \$144 million.

It is interesting to note the way that the teleshopping has in fact introduced new capital groupings into the home shopping trade. In the first place the original impetus did not come from established capital, let alone established retailers. These companies are able to move in later, by setting up joint ventures or associating with services which are finding it more difficult to obtain the bankrupt stock with which they introduced the idea. As this has happened, on the other end of the supply chain there is increased competition for access to the limited cable channels available. So that, either

cable operators are developing contacts with cable shopping networks, or as in the case of Home Shopping Network, they merchandiser is actually securing its outlets by buying-up cable operations.

#### 7.4 Summary

The same problems that have beset British videotex and teleshopping are found in the United States, in spite of there being no hegemonic telecommunications capital. The role which Prestel plays in the United Kingdom has been taken up by the types of companies which might operate an umbrella group in the United Kingdom, particularly capitals which specialise in the provision of special interest services, such as Compuserve and Dow Jones. This backward integration leads to a different division of labour, but does not dispense with the problems of realising at least the average rate of profit.

Unlike Prestel, each United States videotex reflects the accumulation logics of the corporation that owns the system. The problem for these companies is that videotex straddles the traditional sector boundaries. This creates great strains for videotex operators, as it involves them in all sorts of unfamiliar and unlooked for activities, which again is a problem encountered in the United Kingdom.

To meet these boundary definitional problems, there has been a conscious attempt to build packages which provide a comprehensive range of services. Thus teleshopping has been on the agenda for the videotex operators, and as in the United Kingdom these operators

have found it hard to attract retailers on to their networks: the retailers who are involved are the mail order companies.

Other retailers, as in the United Kingdom, cannot see precisely how tele-retailing can increase either their market size or their rate of profit. The solution to the tele-retailing problem becomes more clear when the sorts of entertainment led cable shopping services are considered. Here the service can be introduced as an additional part of the overall cable operation, without the problems of building a consumer base of its own.

Involvement in tele-retailing also requires considerable changes in the mode of competition of retailing. There is the greater involvement by third parties in the retail transaction. This is true not only in the marketing, and transactional processes but also in that the goods have to be delivered. There is the need for new skills in the maintenance of databases and client information lists. There is the change in the way that the image of the store is projected. These problems are less severe for experienced mail order companies such as Sears and JC Penney. The issue that the market which can be tapped through videotex is inappropriate and too small is circumvented by the cable shopping solution. But it raises problems of its own which is that, companies the size of Sears and Roebuck cannot afford to lean too heavily on a form of shopping which may turn out to be a fad.

The United States, with its deregulatory approach to the economic crisis of the 1970s and 1980s has been the scene of the most profitable teleshopping experiments so far seen anywhere. The rapidity with which capital has moved into this arena has been

startling. Also, major mail order retailers have recently lumbered onto the scene. The nature of home shopping through these services is clearly uneven and frivolous. It remains to be seen whether the business will be stable, or will suffer the sudden demise that befell video games.

The failure of localised videotex in the United States, and the success of nationally networked cable shopping indicates that there is still a barrier to the provision of general needs retailing such as grocery retailing, clothing and so on. Clearly, these commodities are not compatible with game-show hype. Cable shopping is just not flexible enough to handle orders which are made up of a large number of goods such as a weekly grocery order. On the other hand, the successful United States videotex services are too dispersed to allow such services to operate. Mail order style teleshopping remains the only option.

The number of true tele-retailers in either of these countries is very small. The rapid expansion of Home Shopping Network indicates the ultimate reality of capitalist social development. Until a clear indication of surplus profits is perceived no established capital can afford to go near tele-retailing

In the end, no matter what state policy is adopted, tele-retail capital will only emerge if it can be demonstrated that it is possible to realise surplus-value more efficiently than traditional forms of retail capital. Cable home shopping has been able to do this firstly because it has been selling surplus and bankrupt stock, and secondly, because it is using transmission media which are already in place. Tele-retailers using videotex can only do so if

their style of merchandising is suitable for a dispersed market and if subscribers have a strong reason other than teleshopping for signing up to the service. At the moment even the densest distribution of videotex subscribers is insufficient to support a localised tele-retailer. It is here that the action of a state controlled telecommunications agency, and perhaps the French policy of Minitelisation (Bright, 1982; Reynolds, 1986) may be crucial to local tele-retailing on videotex. The alternative route, interactive cable, may be possible, but serious doubts must be voiced about capability of the patchwork of cable television franchises in the United Kingdom and the United States of ever being a suitable medium for a large-scale tele-retail capital.

## CHAPTER EIGHT

### CONCLUSIONS

#### TELE-RETAILING AND RETAIL CHANGE

This thesis has sought to develop a theoretical perspective on teleshopping as an innovation within retailing. A marxist perspective was adopted because it offered theoretical insights which cannot be gained from following a conventional style of retail research.

The absence of a developed marxist appreciation of retailing provided an initial barrier to the objective of the thesis. An additional task was therefore to construct an understanding of retail capitalism from the basic principles of value theory.

Given that the theoretical development has taken place in conjunction with an empirical investigation of teleshopping this thesis does not claim to offer more than a first-cut at a marxist theory of retailing. It is contended, however, that the framework used here gives additional power to the interpretation of teleshopping as a form of retail change.

#### 8.1 Teleshopping as a mode of horizontal and vertical competition

The key points which must be noted from the theoretical development are that retail capital has specificity as a result of its position

in the overall circuits of capital. Furthermore, its function as a commercial capital gives it a logic which is to accumulate without creating value. This has two primary significances for an understanding of teleshopping. First, the retail capitalist is in horizontal competition with other retail capitalists, which means that teleshopping will only be established if it offers a competitive advantage for the tele-retailer. Second, the retail capitalist competes vertically with other levels of capital. The importance of teleshopping here is that it introduces a new set of criteria with which a retailer must cope.

The prospect of teleshopping as a new dominant mode of horizontal competition for retail capital was investigated with respect to the grocery and mail order trades. In these sectors the prevailing dominant mode of competition is at, or is approaching, saturation. The exigencies of the law of accumulation mean that some new means of accumulation must be found by the capitals in each of these sectors.

In the case of the grocery trade the centralisation of the use-value market is such that substantial further concentration by the capitals concerned is unlikely. They are now looking further afield for future growth. For them, teleshopping does not offer sufficient prospects for future expansion. At the moment it also does not offer an increase in the rate of profit. This is because their present mode of competition, the self-service store, has allowed them to successfully lower their organic composition by making the consumer undertake more of the work of consumption. Teleshopping, with its delivery service, is at a competitive disadvantage, as a result of its higher organic composition.



The mail order trade is in quite a different position. It is premised on the attempt to centralise as much of its labour process as possible. Also, it had already met the saturation of its mode of competition, and was taking steps to increase both its growth potential and its rate of profit, which coincided closely with the demands of teleshopping.

The nature of the new vertical competition which a retailer encounters when adopting teleshopping, is related to the technological core of teleshopping; its telecommunications system. In Britain British Telecom occupies a hegemonic role in the provision of teleshopping infrastructure. Having a large capital in such a dominant position is a deterrent to entry for any potential tele-retailer seeking to make monopoly profits, as they would be hard to protect from immediate equalisation.

The absence of a dominant central capital like British Telecom, as was seen in the United States, does not eliminate the problems that adopting tele-retailing involves the acquisition of new skills, and enmeshes the retailer in a complex set of distribution linkages. The basic problem in establishing teleshopping services is that there are more agencies in competition for a share of the surplus-value to be realised from the commodities sold. Yet the value added to a commodity by selling it via teleshopping is intangible, as it does not change the material properties of the product, and is therefore hard to realise. For teleshopping to be established, either a new norm of working class consumption which makes room for the realisation of such intangible value must be also established, or the complex linkages of teleshopping must be streamlined, and so

reduce the costs of circulation. In either case teleshopping must demonstrate that it can become an effective competitive weapon in both the horizontal and the vertical senses.

## 8.2 Teleshopping and Neo-Fordism

The situations under which a new norm of working class consumption would be established can only be speculated upon. If it can be established and, indeed, if it includes teleshopping, it will have to solve the structural crisis which capitalism has been weathering since the early 1970s.

As indicated in Chapter Five (Section 5.3.2), it would be reasonable to expect that any solution to the present crisis will involve the use of more disaggregated and flexible production techniques through the use of information technology. Specifically, the automation and robotization of production will allow more flexibility in the production of commodities. So that, guarantees of long production runs of standardised commodities are no longer pre-conditions for profitable capitalist production. Automatic production control can allow considerably more customisation of commodities than has been the case hitherto.

At the same time a lot of governmental effort is going into dismantling the welfare structures which underwrote the regime of accumulation under Fordism. The criterion of success for these policies is a fall in the real social wage.

It is not surprising therefore that there has been "an enormous growth in temporary work, a substantial growth in self-employment,

and significant growth in part-time work since 1981" (Hakim, 1987 p.93). Recent Labour Force Survey results show part-time workers increased from 19.7% to 21.7% of employees (1981-85); self-employment grew from 9.2% to 11.2% (1981-84); and the number of temporary workers, excluding government schemes, grew by 683,000 (1981-85). The decline in the 'permanent' workforce from 1981-85 was from 70% to 66%.

The significance of flexible labour relations, or the Neo-Fordism of which it is a part, in the present context is that the new labour process is leading to a decentralisation of production, which will have implications for the mode of competition in retailing.

The first effect is likely to be the direct effect that mass centralised modes of retailing will no longer be complementary to the labour process. Superstores and catalogue sales rely on a highly predictable flow of mass manufactured items. One of the factors in favour of teleshopping cited in Chapter Three was that the range of items now produced was far too great to stock in any retail store, in the same vein the lead times in catalogues are too great for the Neo-Fordist production systems (Table 3.2).

The second effect is that the new flexible labour relations which capitalism is trying to establish are immediately competitive for their labour-force with retail capital. That is, the flexible-temporary-part-time worker is highly likely to be female (Labour Research, 1985).

The nature of the threat which part-time work and homework offers to retail labour strategies lies in the dependence of

retailers on cheap part-time female labour. A fundamental change in social organisation which came about in the intensive regime of accumulation was the increasing involvement of women in the workforce.

A substantial alteration of gender involvement in the labour force is likely to flow from Neo-Fordism, which exploits the flexibility of the labour force. The most 'flexible' workers have been the workers within retailing, which represent a high proportion of the total number of women employed. At the moment retail distribution employs 14% of all female workers and 20% of part-time female workers (Employment Gazette, 1987). In an upswing, the rolls of the labour reserve army will fall. Whereas in the 1950s the 'labour scarcity' of the upswing forced retailers to employ women, in the Neo-Fordist upswing the retailers may find themselves having to compete for this segment of the labour market.

The availability of consumer durables under Fordism was a key factor in condensing the work of consumption, so that females were able to enter the workforce (without a substantial threat to the paternalistic household). It may be expected that the new products on which Neo-Fordism is built may be used to integrate the household and production. Traditional homeworking, is more appropriate to the days of 'Freely Competitive' than 'Post-Modernist' capitalism, and ought to be substituted by a labour process which is rooted in computerised production and stock control which form the foundations of Neo-Fordism.

The logic of using telecommunications as a means of disaggregating a work force has been much discussed (eg. Wise, 1971; Mandeville,

1983; Salomon, 1984). The evidence for substantial numbers of telecommuters is thin. There is thought to be scope for up to 42% of workers to be home-based (Glover, 1974). Yet, although the actual number is not known the total impact of telecommuting is known to be small (Huws, 1984).

A study of the emergence of telecommuting for the Low Pay Unit (Huws, 1984) showed that computerised homeworking has clear advantages for employers (along the lines of the general tendencies of 'flexible' labour relations). Probably the most important finding from this study, for the establishment of a new norm of working class consumption, is that teleworking is seen as a means by which women can conform to the traditional gender division of labour in the household, particularly child care, while continuing to earn money and maintaining their career.

In practice telecommuting will have a small impact upon the labour process for a long time to come. As with teleshopping technologies, the technological systems are not really in place yet, nor are the skills required to operate such labour widely disseminated, either to management or to staff. Furthermore, many production and circulation tasks have to be done in central locations.

The implications of a major increase in teleworking would certainly be dramatic for traditional retailers and tele-retailers. Even if teleworking is developed along the relatively restrained lines of suburbanising the female clerical labour force into neighborhood work centres, or 'back offices,' (Nelson, 1986), a growing familiarity with computer technology is liable to breakdown any technofear which might detract from teleshopping.

The changing spatial configuration of labour may also affect the progress of teleshopping. If one can expect the base technologies of one period of capitalism to underlie the emergent mode of retailing, then one would expect the car dependent superstore mode to give way to other forms of retailing. If computer technology is to be the technological basis of the "fifth Kondratieff wave" then it might be reasonable to expect teleshopping to take a prominent place within retailing.

There are also many historical effects which will influence the progress of teleshopping. For instance, demographic changes will run their course with a steadily rising proportion of the population in the 65+ age group (rising from 17% in 1971, to 20% in 2001; Employment Gazette 1987). More older people in the population may not immediately mean more 'Gateshead Shopping and Information Services', but the alternative seems to be more elderly people who will need to continue to drive merely to function within society.

It is worthy of note that the main items which have arisen in this section are those that appeared as the speculative pros and cons of teleshopping in Chapter Three. In this case however, the discussion is theoretically informed. If teleshopping is to be a dominant mode of competition for any sector<sup>of</sup> retail capital it will be because it provides that capital with an avenue towards accumulation and an above average rate of profit.

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## APPENDIX 1

### THE DEVELOPMENT OF THE TECHNOLOGIES FOR TELELESHOPPING

This Appendix provides supporting material for the discussion in Chapter Six of the technological background to teleshopping. Attention is focused on the the developmental circumstances, in the United Kingdom, of each the two technologies in turn. Prestel the British Telecom version of videotex is taken first. Second, the nature of broadband cable television is discussed. Both of these technologies were promulgated as policy instruments to improve the competitive position of the United Kingdom in the information technology industry. To make clear what the competitive conditions are which would prompt this action the background to the globalisation of the information technology sector is given in the third part of the Appendix.

#### 1 Videotex

Videotex was developed by the Post Office at the same time as an ostentiously similar technology called teletext, was being worked on by the BBC. Teletext is a one-way only technique by which some marginal extra information can be broadcast along with the standard signal. Videotex is interactive, but was also an attempt to gain some marginal extra use out of an already existing system. The Post Office had the idea that Prestel, their version of videotex, would

be mainly used by domestic consumers, and would increase the rate of use of the telephone system at off-peak times.

The BBC and the Post Office, being state agencies, were concerned to develop these technologies in such a way as to improve the terms of trade for the United Kingdom television industry. So, despite the limitations of teletext's rigid frame-based data storage system, the slight development lead that teletext had over Prestel encouraged the Post Office to adopt the teletext display standard for Prestel. Thus, "avoiding a proliferation of standards and making it easy for the TV industry to produce the new sets." (Fedida and Malik, 1979 p.21).

Prestel was slower and more expensive to develop than teletext because it is more technically and organisationally complex. Videotex requires more sophisticated database software so that subscribers can interrogate its files. By the time Prestel came to market in 1979 the Post Office's investment was £5 million (Economist, 25/03/78 pp.70-71) compared to the £250,000 that the BBC spent on the development of Ceefax (McIntyre, 1983).

### 1.1 The common carrier policy and gateways

Prestel is also much more complex than Ceefax because the Post Office wished to limit its role to the provision of "the computing, network and line facilities and the operational software to run the system." (Fedida and Malik, 1979 p.24). Whereas the BBC is comfortable in an editorial role, the Post Office thought that for them to provide and control all the information on the database would be beyond their remit. The idea was that Prestel would

emulate the rest of the telephone service in being a passive media for the transmission of information. This is known as a common carrier policy.

Being a common carrier Prestel was able to charge subscribers for using the service and the third parties who were providing information for Prestel. These Information Providers (IPs) were charged for each frame stored. The Post Office supposed that the IPs could make money by charging end users a fee each time they called a particular page in the database. Such page charges are collected by Prestel and passed on to the IP after the deduction of a small commission.

The common carrier policy has not been an unequivocal success. Prestel has been beset with problems in keeping its house in order. Each IP can put up any information as long as it complies with the standard laws concerning obscenity and libel. Consequently, Prestel has been repeatedly accused of being unwieldy conglomeration of services with no guarantee of either the quality or the completeness of its contents. There was also a feeling that the IP's contribution was 'unenthusiastic....and unimaginative' (The Economist, 11/08/79 p.93).

Over the years Prestel has tackled this problem by actively encouraging some IPs whilst nudging others into the sidelines, or cajoling them into better housekeeping. This was particularly apparent in 1981/1982, as BT was limbering up for its public flotation. Prestel's facilities and funding were drastically cut back, and re-orientated away from the residential market towards the more profitable business sector. The residential services were

streamlined to focus upon use-value already showing some promise, in particular the computer hobbyist market.

When the Post Office designed Prestel it sought consciously to keep the storage of the information in-house. This allowed it to protect the software that it had developed and increased the chances that the users would have a reliably run system at their disposal; at the time computer skills were not as common as they are now even amongst large firms. However, by holding all the information on a central computer the interactivity, which is videotex's great relative advantage over teletex, was degraded. IPs could not be communicated with directly, and the information on the database was static. The result was that services which require full interactivity, such as telebanking and teleshopping, could not be effective until Prestel implemented a gateway to the retailer's or banker's computer. Even when, in March 1982, gateways to allow users direct access the information providers' computers, the format was constrained by Prestel's cumbersome frame storage protocols.

### 1.2 Closed user groups and private videotex

The more focused approach Prestel adopted from 1982 made a significant use of the closed user group (CUG). In Prestel's case a CUG could be limited to a business firm which uses the system to communicate information with branch offices or sales representatives. The costs to the firm of operating have been quite stiff. In 1980 it was estimated that a Prestel facility of 15000 frames would cost £75000 to support over 3 years. Conversely, a private videotex system based on a Packet Switch System leased from BT and of the same size would require the more acceptable sum of



£40620 (Haines, 1980). Such calculations have fueled the growth of a private videotex market based on the long distance communications services that BT, and more recently Mercury, have been installing.

In 1984 there was thought to be about 400 private videotex systems in the United Kingdom, although a survey by Yates-Mercer (1985) could only locate 242 companies admitting to having experimented with the technology. There is also a substantial penetration of bureaux which offer private videotex to third parties. The companies involved include subsidiaries of British Leyland (Istel), Datasolve (Thorn-EMI) and Scicon (BP), as well as companies with more obviously related intersets (GEC, IBM, and ICL). Other groups are large enough to have networks of their own which offer almost nationwide local call access, for instance the Midland Bank Group (Fastrak) and Thompsons Travel.

A small industry of at least 25 companies has grown up to provide software to service private and public videotex, including: Jasmin Electronics; Metrotel; Langton Electronic Publishing. Also involved is a clutch of computer industry companies ICL, IBM, Torch, ROCC, Sperry and GEC, the supplier of computers to Prestel (Yates-Mercer, 1985). Industry sources indicate that the most successful videotex packages come from Aregon, Computex, DISC International (an ex-subsiary of Debenhams), and Langton, all of them specialist companies (INTERVIEW).

Closed user group's also provide a relatively secure means of creating special interest clubs within the Prestel subscriber base. In the past Closed user group's have been used as the basis of teleshopping experiments, such as Club403. The obvious next step is

for the major private viewdata networks to expand their closed user groups to include the residential market. Indeed this is already happening with the Clydesdale Bank introducing a remote banking service, Telebank on Fastrak, in November 1986.

### 1.3 The growing pains of Prestel

Whilst teletext quite quickly became a commonplace optional extra to more expensive televisions the television industry seemed unable and unwilling to respond to the Post Office's challenge. Unable because Prestel did not immediately penetrate a mass market as did the BBC's broadcast teletext. Mass production of the relevant chips was deferred until the television manufacturer's could be sure of a large demand. A survey in May 1979 indicated that out of 2,350 tv-rental showrooms in the country 60% were stocking teletext sets whilst less than 2% had any Prestel sets on display (Petty, 1979).

The television set makers were also unwilling to make Prestel sets cheaply because they were hoping for a re-run of the technological rents that were accrued during the early days of colour television, so they kept the prices high. In 1979, when Prestel went public an adapted set cost more than double the equivalent teletext receiver, and the rental fee was initially £6 per month greater (Table A1). This premium rose to £12 per month by the middle of 1980 whilst the extra cost of a teletext set over an ordinary colour television fell to just £50. With such high unit costs it is not surprising that the revival in demand for consumer electronics in the early Eighties did not spill-over into the sale of Prestel sets. The benefits of this boom were safely gathered in by the manufacturers of both teletext sets and video cassette recorders (Economist, 15/03/80 p.63).

Until late 1980 the Post Office continued to look "askance at requests for black boxes to be approved for connection with its telephone network - fearing that they would undercut the special Prestel sets that television set-makers had been persuaded, with difficulty, to manufacture" (Economist, 25/10/80 p.83). Even when the Post Office grudgingly approved four "black boxes" they predicted a "short happy life" for the adaptors and the generally small companies that made them (ibid. p.83). The assumption was still that the major television set manufacturers, would soon take over the production of these services.

In the event Prestel enjoyed most success in business information transmission, particularly in the travel trade. Even so, Prestel fell far short of the Post Office's expectations, and today it is still a minority interest, with very little consumer awareness of its potential or even its existence (Table A2).

#### 1.4 The current situation

In 1987 Prestel is still highly dependent upon the travel trade for the core of its business. This aspect is highly lucrative and a portion of it has been seduced away by other private videotex providers, such as Istel (British Leyland). In other cases, travel companies have set up their own private videotex networks: Thomas Cook's Fastrak (part of the Midland Group) and Thompsons are two systems with a very wide coverage.

In the light of this, it is interesting to reflect that a large proportion of the travel trade is still dependent for its terminals

on small specialist companies such as Tandata, and Bishopsgate. Although the lion's share (40%) of the market goes to Sony (Guardian, 19/09/87 p. 15). Indeed, Sony is thought to account for 29% of the entire United Kingdom videotex terminal market (Guardian, 29/01/87 p.28). A lot of subscribers, of course use computers, with an alternative 'black box' to convert the analogue signals of the telephone network into the digital signals used by computers. Even this market is largely inhabited by small companies, such as Pace and Miracle.

Table A1 Domestic Equipment Costs (historic prices)

	Adaptor	Adapted Colour Television 26"	
	£	purchase price	rental per month
	£	£	£
Teletext			
1977	200	750	5
1979	n/k	700	2
Videotex			
1979	n/a	1500	8
1980	500	1200	14

Key: n/k - no figures available  
n/a - no adaptors were licenced for use with Prestel until 1980.

(Sources: The Times and The Economist)

Table A2 Prestel's progress

	Year	No. of frames	No. of IPs	No. of subscribers
March	1980	150,000	200	2,500
March	1981	200,000	500	10,000
March	1982	275,000	900	14,400
March	1983	300,000	1,060	25,000
March	1984	n/g	n/g	38,000
March	1985	n/g	n/g	n/g
Dec	1986	315,000	n/g	63,000

Key: n/g - not given

(Source: British Telecom Annual Report)

As an attempt to succour the ailing United Kingdom television industry Prestel was a failure. Its demise was final with the recent sale of Ferguson to the French owned Thomson Grand Public (Guardian, 10/07/87 p. 23). Most televisions made in Britain come now from branch plants, owned by multinationals such as Sony or created from joint ventures set up in the late 1970s by companies such as Rank and Toshiba or BEC and Hitachi (Daily Telegraph, 23/02/79).

## 2 The development of broadband cable

Although cable television systems have been a feature of broadcasting since its earliest days, most of the systems which are installed are simple relay stations, perhaps servicing a block of flats, or a local area where tv antennas have been deemed unsightly (Hollins, 1984). These cable networks are usually only capable of 4 to 6 channels.

The cable systems which are useable for teleshopping are the new build broadband systems cable capable of up to 30 channels. Using the extra capacity and improved signal switching techniques, interactive videos of product information combined with an ordering facility become possible. A user might call up instructions on how to construct a flat-pack wardrobe, or might screen a fashion show. It would even be possible to place an order for the goods seen without interrupting the screening. On cable, such quasi-entertainment services would almost certainly be freed from connect-time charges, and thus the fear of a huge telecommunications bill.

Broadband cable has been installed in the United States since the late 1960s. Its development in the United Kingdom was effectively prevented by the highly regulated nature of the United Kingdom television transmission industry. Television has traditionally been a highly regulated industry, with the BBC and IBA companies having hegemony over the supply of broadcast services. Therefore, cable systems have always been subject to the rule that they must carry the broadcast services available to non-cable viewers in any locality.

This situation is changing for two main reasons. Satellite services which beam across regional and national boundaries are now coming on stream, both from low power communications satellites and the direct broadcast satellites which households can receive by using a small satellite receiving dish.

The second reason is that the United Kingdom cable industry formed a powerful lobby to argue that broadband cable was the key to the future economic prosperity of the nation. The Information Technology Advisory Panel was set up to report directly to Prime Minister Thatcher. This panel included the managing director of Rediffusion Computers (now ROCC), the managing director of Mullard, and the chief executive of the computer services division of British Oxygen. Given the strong support for an immediate and substantial programme of cabling which ITAP recommended (ITAP, 1982) it is not surprising to reflect that at the time Rediffusion, Mullard's sister company Visionhire and its parent Philips, had the largest number of cable television subscribers in the country (Table A3). Also on the day that ITAP's report was published BOC announced the sale of the

majority of their Computer Services Division to Thorn-EMI (Hughes et al, 1982).

## 2.1 The types of broadband cable

New build cable networks, legalised under the Cable and Broadcasting Act (1984), represent a new generation in cable systems in Britain. There are two types of switch which are candidates for inclusion in new build cable: tree and branch and switched star. Tree and branch cable is a method of cabling that has been tried and proven in the United States. The cables are arranged as a tree, with a trunk cable from which branch cables are hived off at intervals to feed local areas within the network. This method involves the transmission of all the channels to all of the homes on the network. A decoder in the subscriber's television set unscrambles the channels to which the household has access. Interactivity in tree and branch networks is provided through the allocation of one channel as a response path. The technique requires that all communication is via the central transmission station. If the response channel was used heavily, the branching organisation of the switches would lead to congestion.

Table A3 Cable Subscribers, 1982

Company	No. of Subscribers
Rediffusion	750,000
Visionhire	300,000
Telefusion	200,000
Radio Rentals	90,000
BT	26,000
Philips CaTV	11,000
Greenwich Cable	6,500
Cablevision Wellingborough	4,500

(Source: Economist)

The proven status of tree and branch technology means that it is cheaper and has a track record of reliability when compared to switched star, which is the other new build cable standard. As its name suggests, switched star is distinctive in the way that the signal is marshalled around the system by the switches. The signal received in the home is limited to around four channels at any one time. The four channels which are received can be changed by entering numbers on a keypad. The instruction is sent to a switching hub which serves between 50 and 100 homes and which responds to subscribers individually. With switched star there is no need to scramble the message. The switch will be able restrict access to channels to authorised users only. Because there is no scrambling of the signal, the picture quality can be improved and there no risk of subscribers tampering with the equipment.

Switched star costs more to install, as a switch has to be installed for every 50-100 households whether or not they eventually become subscribers. The switching capacity however allows a greater volume of upstream flow as it maximises the use of the return path, and offers the opportunity for subscriber to subscriber communication.

## 2.2 Cable franchises

In assenting to the development of broadband cable the British Government set a system under which franchises would be awarded for areas of 100,000 homes. The new industry was to be regulated with a light touch by a central Cable Authority.

Since the original franchises were awarded, there has been a shift



in the balance of ownership of cable companies. The persistence of the "must carry rule" did not improve the prospects for the old 6 channel cable systems and the lack of success amongst the traditional cable operators in obtaining new build franchises has led to the withdrawal of both Visionhire and Rediffusion from the cable television arena. This is interesting as two of the chief architects of the ITAP report were associated with these companies. To fill the vacuum the main entrant has been Robert Maxwell's BPCC, which bought out the Rediffusion cable networks, as well as investing in satellites and terrestrial broadcasting, electronic databases and local radio.

Other large scale media companies such as Granada, Thorn-EMI, and the ubiquitous News International have also been taking an increasing role in cable television, direct broadcast by satellite and electronic publishing.

### 3 The globalisation of the information technology sector

The internationalisation of television manufacture is merely a symptom of a general globalisation of the industries upon which teleshopping is technologically dependent. The centralisation process is currently running like wildfire because traditional market boundaries are being undermined by the convergence of technological disciplines into a single information technology industry. Clear evidence that this is taking place is in the integration of previously separate telecommunications and computer divisions of major high technology companies such as Siemens, Philips and Nixdorf. Other companies have found suitable partners to strengthen their strategic position, as is seen in STC's 1984

acquisition of ICL, AT&T taking a 25% stake in Olivetti, IBM's absorption of Rolm, and Ericsson's buy out of Datasab (Guardian, 15/08/87 p 15).

The centralisation of the telecommunications industries has long been contributed to by the monopoly status of most telephone operators (PTTs) in western countries. The attempt by the Post Office to promote home grown industrial interests with Prestel was clearly just part of a general policy in the maintenance of the national technology manufacture. This policy, together with the long life expectancy of the simple electro-mechanical switching equipment required for voice communications led to the build up of close relations between the national telephone operator and a small group of manufacturers willing to supply equipment which was compatible to the network.

With the emergence of information technology more complex switching techniques were required. ITT, Ericsson and Siemens were particular adept at being on hand when PTTs decided to modernise their networks (Dang Nguyen, 1985). In particular, they actively sought to appear to be a home producer by establishing or acquiring local subsidiaries.

The leading companies in telecommunications field are given in Table A4. Until recently, Western Electric, a subsidiary of AT&T, has not been able to compete outside of the United States because of United States trust regulations. The United Kingdom has seen a declining share of trade in the period 1960 to 1980. The United Kingdom major companies involved are GEC, Plessey, Cable and Wireless (now privatised), STC (partly owned by ITT), Racal, and Ferranti.

GEC, STC and Plessey were the major participants in the belated attempt to make a future for British switching technology with System X, again at the behest of the Post Office (HMSO, 1977). This joint operation has been subject to constant dispute, mainly over the division of labour within the project. The industrial contributors were not keen to interrupt the flow of profits which they had received from the supply of electro-mechanical equipment during the 1970s. In the event STC pulled out in 1982. A bid by GEC for Plessey was barred by the Monopolies and Mergers Commission in 1986, mainly because of opposition to the power bloc the merged company would form in the supply of equipment to the Ministry of Defence. Eventually, in October 1987 GEC and Plessey announced the merging of their telecommunications divisions, so that the production of System X could be rationalised.

Table A4 The World's twelve largest telecommunications manufacturers (1982)

	Market Share (%)	
	1973	1982
Western Electric (US)	40	33
ITT (US)	17	15
Siemens (FRG)	11	12
Ericsson (Sweden)	7	8
Alcatel-Thomson (France)	3	7
GTE (US)	6	6
Northern Telecom (Canada)	4	6
Philips (Holland)	4	4
NEC (Japan)	5	4
Plessey (UK)	2	2
GEC (UK)	2	2
Italtel (Italy)	3	2

(Source: Dang Nguyen, 1985)

## APPENDIX 2

### THE FIELDWORK PROCEDURE

#### 1 Selection of candidates for interview

- 1.1 The participating firms were selected by trawling the trade literature to identify the principal firms operating at each point in the teleshopping supply chain (section 6.2.2).
- 1.2 Amongst the present or potential tele-retailers the choice was defined by:
  - i) the small number of active tele-retailing firms (sections 5.2.3 and 7.1).
  - ii) the concentrated nature of the retail grocery and mail order sectors.

With such a limited field of candidates a policy of talking to as many of the largest five firms in each sector was adopted. Additionally two convenience-store chains were approached.
- 1.3 The network operators had to include Prestel as the only significant view data network provider in the UK. Two cable companies, representing a tree and branch and a switched star system operator, were also approached (see Appendix 1). In the US the operators of the main viewdata trials were also solicited (section 7.1)
- 1.4 Interviews were also sought with one company involved in the provision of viewdata software and two companies selling viewdata hardware (Tandata and Pace).
- 1.5 Three of the larger general information providers on Prestel were also interviewed, as were two banking groups involved in the cashless banking trials.
- 1.6 Individuals within the firms were selected, again by a trawl through the trade press. Key figures within each firm were sought on the likelihood that they could: give a strategic overview of their firm's position; and that they were in daily contact with the operational issues which face retail capital. In general this meant the managing director of small companies and the marketing or trading director of larger companies.

#### 2 The interview

- 2.1 It was not practicable to devise a questionnaire which could be used for all the interviews. In interviewing such a range of firms, the critical issues involved varied markedly. There was, however, overlap between the questions within groups of firms, particularly: the grocery retailers; the mail order retailers; and the teleshopping pioneers. The questions which formed the basis of each of these different types of interview were centred around the specific forms which the horizontal and vertical competition is taking in their current mode of retailing and the form which they would take with teleshopping.

The other main points were: investment practices and targets; main competitive strategies; research and development strategies; and the major obstacles to the introduction of teleshopping given present trading circumstances.

2.2 Each interview was conducted on the firm's premises, it was recorded using a cassette tape recorder and lasted between one and two hours.

### 3 Analysis

3.1 A full transcript was made of each tape.

3.2 The transcripts were then edited, so that only the salient points (with respect to the issues in section 2.1 above) remained.

3.3 The edited transcripts were returned to the interviewees for comment and correction. In most cases the interviewees were quite happy to be quoted by not attributed. Under the terms of the interview this has prevented the citation of individual names and companies in the thesis, except in specific instances. Thus the list of companies interviewed is also not cited.

3.4 The transcripts were then reviewed and analysed with respect to the nature of vertical and horizontal competition which was revealed. The comments relevant to each main theme identified (e.g. conflicts with current mode of retailing) from all the interviews were then pulled together for use in the illustrative passages in Chapters Five, Six and Seven.