Engaging retailers: giving them voice or controlling their voice, a supplier's perspective.

Hirschman (1970) suggests that every member of a group can influence the group by either expressing their voice or exiting the group. Subsequent research has looked at exit-voice-loyalty from the supplier-retailer perspective (Blois, 2008).

This paper takes an overview of the wholesaler-retailer relationship in the UK convenience sector; it considers how their approach to exit-voice-loyalty may be affecting the wholesalers' turnover.

The results of the research suggest that the wholesalers do not use cost of exit or enabling retailer voice exclusively; instead they now tend to combine both within their retailer relationship strategies.

Track: Marketing and Retail

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Introduction

Hirschman (1970) suggests that every member of a group can influence the group by either expressing their voice or exiting the group. Recent research suggests that SMEs could learn from the Supply Chain Management techniques developed by larger firms that influence this decision and manage the outcomes of exit or voice of the individual member, within the context of the supply chain (Adams, Khoja & Kauffman, 2012). These supply chains do not exist in a vacuum, not only are they influenced by the relationship between the actors in the supply chain and the economic goals of these actors, they are also influenced by the economy and society within which the supply chain operates (Ping, 1997 and Pan, Sheng & Xie, 2012). It might therefore be expected that the influences upon the use of exit, voice and loyalty within supply chains are complex, yet, to date, little systematic study of their use has been published (Ping, 1993 and Hibbard, Kumar & Stern, 2001)

This research is set in the context of supply chains involving wholesalers and (independent) retailers of FMCG and grocery in the UK, specifically the independent convenience sector. The context is of interest because the longer routes (via wholesalers) to smaller, independent stores have been seen as under attack from shorter supply chain routes involving direct relationships between the brand owners and the multiple retailers. The perception of danger may seem all the more acute given the recent increased focus upon convenience formats, traditionally the territory of the independents. Yet, empirical evidence and recent share gains demonstrate the robust response of at least some independents, organised usually in 'collaborative' networks attached to the wholesaler companies. With notable exceptions such as Jambulingham, Kathuria & Nevin, (2011), systems of wholesale-retail channels and their management remain largely obscure in a literature that has focused to a greater extent upon the multiple grocers (Kumar, 2008). It is appropriate and timely, therefore, to explore management within wholesaler-retailer systems and specifically to seek to understand how individual actors and the systems do respond to the immense pressures that the multiples place upon them.

The paper therefore applies the exit-voice-loyalty framework in order to develop an understanding of the loyalty framework focused of facilitating voice or restricting exit (within the wholesaler-retailer portion of the supply chain). Industry statistics are used to illustrate the turnover trends of the major wholesalers in this sector and an overview of these wholesalers strategic direction in relation to the exit-voice-loyalty framework. From this the paper argues that in the current market place the wholesalers encouraging voice at the same time as restricting exit may be gaining market share from those focusing on restricting exit. In conclusion the paper outlines future research directions for primary research that investigates the true nature of the relationship between retailers and wholesalers in the modern distribution channel.

The paper will explore the impact of the combination of control of exit or encouragement of voice of the retailers (the member) on the wholesalers' (the group controller) turnover. The research does not claim that this is the only influence on the performance of the wholesalers but will look for commonalities in their actions that may be affecting patterns of purchasing by the retailers.

The paper is organised as follows: a discussion of the exit-voice-loyalty framework; an outline of the data sources used; an outline of trends in the convenience sector; an outline of the implied strategic directions of the top wholesalers and finally a model that plots the current position of these wholesalers within the framework.

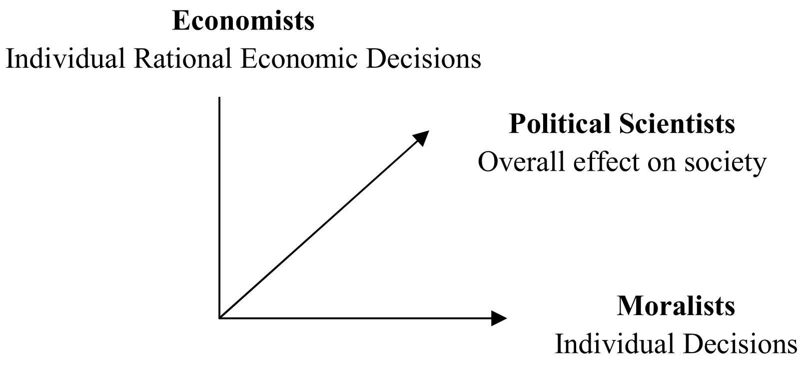
Exit and Voice, Hirschman and supply chain relationships

Hirschman considered three behaviours of individuals within a group context mainly based within the consumer and political arena. He highlighted the dependence of loyalty on the two individual actions of 'voice' and 'exit' seeing both these actions as key to the group's sustainability.

This matches two main functions required of supply chain relationships which are to encourage efficient internal communication of information within the chain which is often achieved through relationships (Koulikoff & Souviron, 2006) and maintain effective control of membership of the chain maintaining valuable resources within the chain in the face of other chains attempting to gain these resources recognising the autonomy and interdependence of all parts of the chain (Seufert et al, 1999).

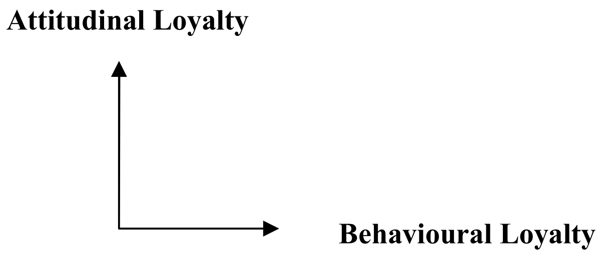
Wholesalers within the convenience sector need to encourage the growth of the entrepreneurial voice of their independent retailers but maximise their buying power by restricting the amount of retailer spend outside of their supply chain. This creates a tension between the economic need of central purchasing and the political need of enhancing the entrepreneurial drive of individual retailers. A similar tension has been noted by Bradach (1998), with respect to franchising, where the entrepreneurial drive leads to differences at the unit level which can conflict with perceived system needs. Anderson & Jack (2002) also discussed the effects of embeddedness in a group on the entrepreneurial process of the individual but the phenomenon has not, however, been previously highlighted in more independent retail systems such as those to be studied here.

This research will seek to investigate the interaction of economic need and political tension created in the relationship between small and large players in the modern supply chain. The three fields of research investigating these relationships have created three differing lenses to observe the phenomena. Economists would seek to explain these relationships on rational economic decisions, moralists would look to individual decisions to explain them and political scientists would look at the overall effect on society to explain the actions.



This dilemma was acknowledged by Hirschman (1970) who set out to combine political science and economics to explain complex business relationships and their outcomes. He referred to the economists' relative unconcern compared to that of the political scientist as *"the economists watch lapses of any one of his patients (such as business firms) with far greater equanimity than either the moralist who is convinced of the intrinsic worth of every one of his patients (individuals) or the political scientist whose patient (the state)is unique and irreplaceable.(p2)*

Limitation of time and resources means that this research cannot cover the broad spectrum of the relationships, so the research will restrict itself to the wholesalers' development of the SME retailers' voice and the effect this has on their decision to exit or partially exit their supply chain. The rationale behind choosing this phenomenon to study is that managing the effect of it on both attitudinal loyalty (where the retailer voices their level of support for the wholesale group and its activities) and behavioural loyalty (where the retailer buys products from the wholesaler and its recommended suppliers in preference to market alternatives) causes considerable cost to the supply chain. The control of this phenomena within the supply chain includes managing the attitudinal loyalty via the expectations of individual members within the chain (Gilliland & Bello, 2002, Leonidou, Palihawadana & Theodosiou, 2006 and Caceres & Paparoidamis, 2007) and limiting (and managing) the effect of behavioural loyalty with individuals exiting or part exiting the supply chain (Leonidou, Palihawadana & Theodosiou, 2006). This raises the potential of an attitudinally loyal retailer who fully supports the ideals of the wholesale group behaving disloyally by purchasing a percentage of their goods from outside the wholesalers supply chain and this pressure faced by these particular supply chains leads to the practical usefulness of a fuller understanding – that reaches beyond the merely economic - of this phenomenon.



Hirschman (1970) developed the idea of a voice expressed by loyal members of a community and compared the effect and the cost of this voice with the effect and cost of exit of individuals from a community. Though the Hirschman framework has not been deployed in such contexts (for an exception see Blois 2008), some of the concerns captured in Hirschman's frameworks are evident in recent literature.

A substantial strand of research within the field of supply chain management has considered control over the physical movement of goods and the flow of knowledge. In this field, explanation draws especially upon economic theories and modelling to explain continued participation within a network (Bacharach, 1982 p26, Jarillo, 1988 & Dyer& Singh, 1998). Further, some supply chain researchers, following especially Cox (2003), explain continued participation through industrial structures and trends. A second approach is evident amongst IMP (Industrial Marketing and Purchasing) researchers who emphasise the notion of interaction and relationships as well as the embeddedness of such relationships within broader contexts (for explanation of the IMP model see Wilson 1995). The IMP group thus addresses the combination of micro and macro largely through case studies that illuminate specific contexts. Loyalty, by this reading, arises, if it does, through the gradual development of a relationship within the context and seen in holistic terms. A third stream of research focuses explicitly upon marketing (or distribution) channels. Eschewing the structural and economic modelling as well as the contextually grounded case study method, this stream of research has taken ideas from the field of social psychology to provide a behaviourist account of action. The original inspiration for this direction is seen in work collected by Stern 1969. Considerable attention of late (Kelly & Scott, 2012 building on the work of Morgan & Hunt 1994) has turned to the concept of commitment, recognised as having both attitudinal and behavioural elements. These share some features of loyalty, in Hirschman's framework.

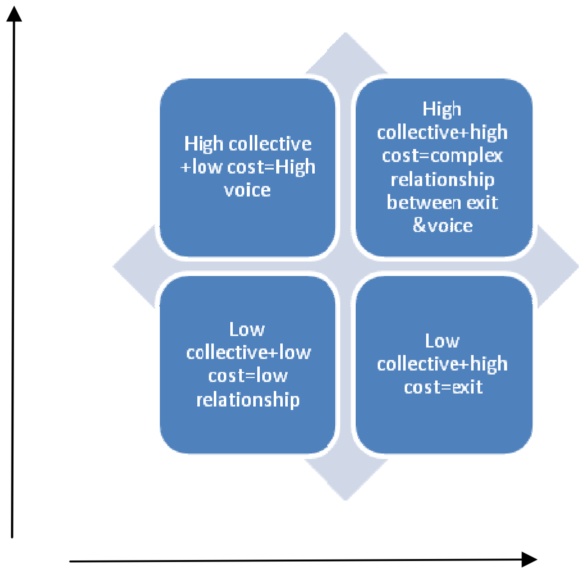
Therefore, a review of established work shows that some understanding of elements of the framework can be derived from previous studies but that the association between such elements is absent. The economic and political (behavioural) have generally been isolated from each other across the fields of research. The emphasis upon context (above framework) is some fields and upon large quantitative studies of theoretic frameworks with lesser attention paid to the specificity of context also leaves open a middle space to integrate theoretic framework and systems.

Exit and voice

Hirschman(1970 pp21-29) agreed with the economist lens that exit (that is to cease buying off the supplier) was the basic consumer tool to correct the market place, business that failed to deliver would see their customers exit the relationship to a business that delivered and this process should eliminate non delivering businesses from the market place. This would be a simple explanation for failed supply chains where the chain has failed to deliver the goods to the end consumer at an acceptable price, but may also be applied to businesses within the supply chain. Simply, exit provides one action that convenience stores may take with respect to wholesalers and accordingly, the market mechanism would be at work to remove some wholesalers.

Hirschman (1970, pp36-43) recognised that exit was not the only mechanism available to the buyer, he also saw an individual's use of voice (that is to seek to correct the dissatisfaction in the relationship between the buyer and seller buy discussing the issues) as the result of the individual's decision that the effort of using their voice would be compensated by its effect. He concluded that this is more likely for this to occur where collective action was possible. He also noted that within a buying relationship the value of the product will influence the decision to use voice over exit, so that the more expensive the purchase the more likely the buyer will use voice rather than exit in their relationship with their buyer (Simatupang & Sridharan, 2004). From a supply chain perspective this would suggest supply chains which encourage collective actions will encourage voice over exit but at the same time this choice between voice and exit is also influenced by the relative cost of the purchase (Ping, 1997).

Low collective group to high collective group



Low cost of exit to high cost of exit

Figure 1 Collective and voice adapted from Hirschman (1970)

Having considered the collective nature of the relationship and the cost of the purchase Hirschman (1970 pp47-48) then considered the quality of a good or service and how this influenced the decision to exit. Here he argued that buyers who exit when price increases are not the same as buyers who exit when quality decreases even though a fall in quality can be seen as an increase in price. He concluded that the quality conscious buyers are more likely to use voice whilst the cost conscious are more likely to exit (Hirschman 1970 p53). For supply chains this would imply that cost driven supply chains are more likely to have a larger churn in membership than those supply chains that place a greater emphasis upon quality. The latter can be seen in the addition of value adding services as well as in quality of product and here we would expect to see more vocal relationships.

Hirschman (1970 pp55-61) then considered the effect of exit and voice on suppliers' monopolies. Here he considered a monopoly driven by cost focus in which the most quality conscious members have left. Without their use of voice the quality of the monopoly's output falls to an unacceptable level even to the purely cost focused buyer. This situation he defined as a lazy monopoly that continues only through the lack of alternative for cost conscious buyers (either through geographical isolation or low economic power) whilst quality conscious buys look for alternative solutions at higher price or a different location. In some cases, suppliers can seek to manipulate overall exit by 'gold plating' services to certain buyers.

These internal forces can encourage inertia but so can external forces, for instance when the culture within the industry doesn't accept exit then this can have an effect on the use of voice. In considering the combined dynamics of exit and voice, some explanation may therefore be offered for what may be perceived as the delayed demise of large cost driven poor quality supply chains and also for the birth of smaller quality focused supply chains developed from their demise.

Exit, voice and loyalty

Buyer's perceptions also have an effect on exit and voice (Hirschman pp62-75). Customers with nowhere else to go (high exit cost) only have the voice option whilst customers with choice may exit the supply chain if the cost of quality elsewhere is lower than that within the group. This perceived availability of exit may be a driver for loyalty to a supplier and can be used by a supplier who could threaten the buyer with expulsion unless they act 'loyally'. This is reversed where replacement of the supplier is easy (low exit cost) and then the buyer can act disloyally with less threat of expulsion. Where there is an alternative, but the buyer does not want to exit even though they consider their use of voice to have had no effect upon the supplier then they can use boycott (that is suspend purchases (behavioural disloyalty) or cooperation with the groups ideals (attitudinal disloyalty) for a limited period of time). This is a temporary exit backed by a voice (Hirschman pp76-86).

Exit and voice are driven by the costs of entry to and exit from a group. In this way a supplier may, to some degree, create loyalty by encouraging voice instead of exit. Hirschman (pp93-96) noted the importance of initiation in building loyalty (cost of entry), a good initiation process would encourage voice should quality fall and this mediates the exit alternative. Probably the strongest form of initiation is the family unit, this also produces the severest relationship penalties for exit where more is lost than just a loss of a business relationship. The effect of exit and entry costs can be mapped onto voice, exit and loyalty and applied to supply chain relationships where the wholesaler supplies independent retailers. Hirschman's theory therefore highlights the dynamic interplay between exit, voice and loyalty and elements important to that interplay. These elements include initiation, quality versus cost of that which is exchanged, availability of alternatives as well as financial costs.

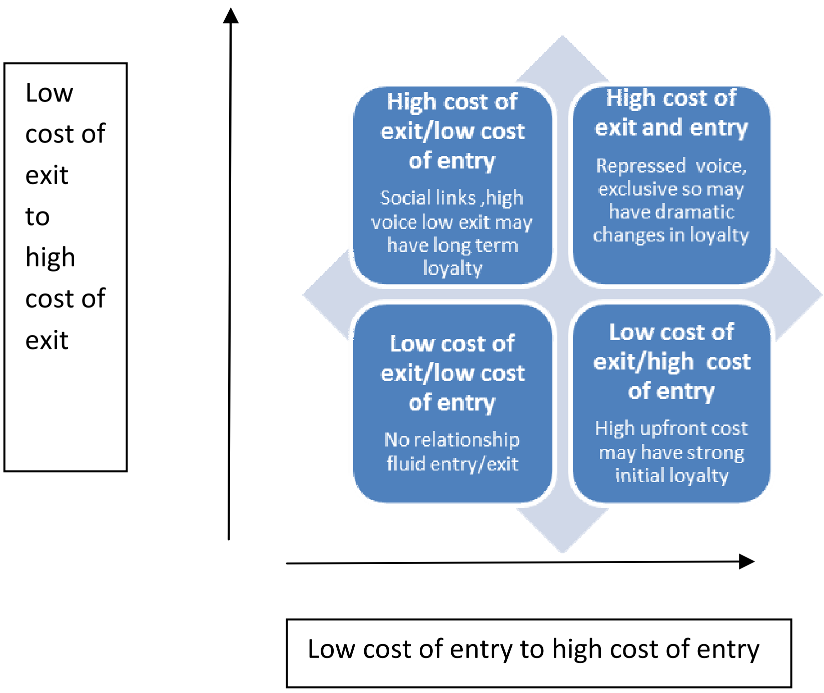


Figure 2 Price of entry and exit adapted from Hirschman

Good disloyalty and bad disloyalty

Hirschman argued that some members of a group *'will sometimes be held back (from exit) not so much by the moral and material sufferings they would themselves have to go through as a result of exit , but by the anticipation that the organisation to which they belong would go from bad to worse if they left.'* (p98) This introduces the idea that at points members of a group may put the good of the group ahead of their personal gain creating members that are 'quality makers' rather than 'quality takers'.

Both quality makers and quality takers have varying levels of loyalty (that is, none exit from the group).Quality makers may immerse themselves in the group to the point where 'full exit is impossible' (p100) that is even if they exit the group they are still contributing voice to it. Quality takers may partially remain with the group (that is having some degree of purchasing within the supply chain) but levels of exit (or share of overall purchasing maintained within the groups supply chain) will depend on personal needs rather than the group's needs. Outside factors may also increase the cost of exit and produce a 'level of spinelessness' (a somewhat harsh phrase but refers to inertia of an individual who has the potential to influence the group and chooses not to) where even though economic and common sense would suggest exit or voice the member does neither because of the perceived cost of exit (pp103-104), Hirschman suggests that the type of loyalty this produces is useful in that it keeps influential members in the group beyond normal loyalty drivers and if they do find 'their spine' they can be influential in changing the prospects of the group.

From a supply chain perspective attitudinal loyal members may exercise some degree of behavioural disloyalty (degrees of exit in purchasing) for the benefit of the group and disloyal attitudinal members (that is retailers with varying degrees of purchase disloyalty) may exercise some degree of behavioural loyalty to the group for their own benefit. This means a measure of behavioural loyalty or disloyalty does not always reflect the attitudinal loyalty of a member of a group.

The particular promise of the framework lies in the integration of considerations of exit, voice and loyalty and in the more complex understanding of loyalty that takes on board both individual, economic factors as well as considerations of the group. In this way the framework allows us to focus attention upon loyalty but treat this as multi-dimensional and related to exit and voice. This provides advancement to the notion of commitment. We have shown how these ideas might apply in the context of the supply chain and the research therefore focus on expanding this understanding. The research will focus on the trends in the convenience sector of retail purchasing from the wholesalers and match these to the explicit actions of the wholesalers that were designed either to allow voice of their retail customers or to restrict their exit options.

Trends in the Convenience Sector

The convenience sector was traditionally dominated by independent retailers. The growth of supermarkets, 24 hour shopping and the refocusing of the co-operative has seen many of these retailers either leave the sector or join the symbol groups. This is demonstrated by the IGD figures which split the sector into five groups: the three largest groups by number of stores (non-affiliated independents, forecourts and symbol groups) contain most of the SMEs in the sector but also have large company owned divisions working in them, the two other groups the Co-operatives and the multiples play an increasingly important part in the sector.

By store numbers the largest group is the non-affiliated stores (39%), by retail sales the largest group is the Symbol stores (40%). Sales from the multiples and the Co-ops account for 28% of total sales from 11% of the total stores.

Figure 3: Convenience sector split by store numbers (source IGD 2012)

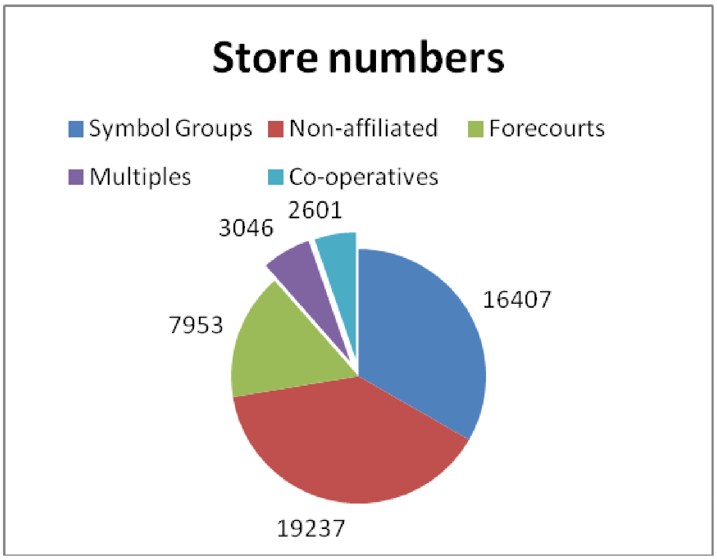
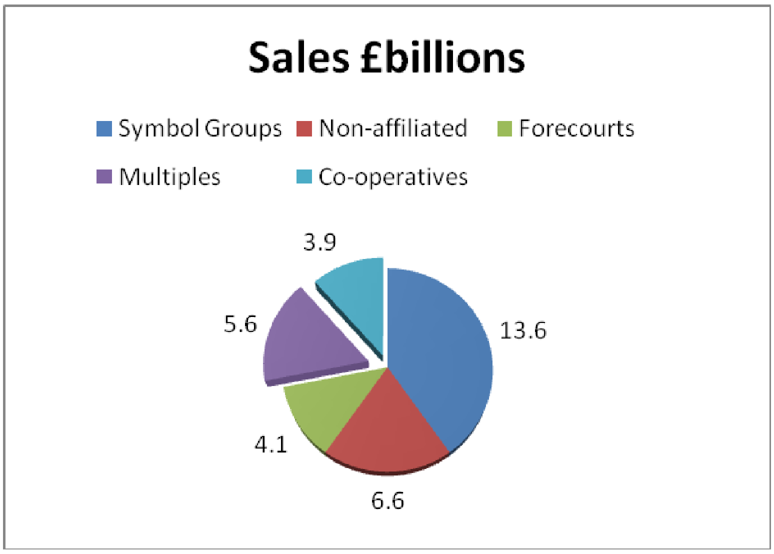


Figure 4 Convenience sector split by retail sales (source IGD 2012)



Wholesalers supplying the convenience sector supply retailers across the three groups of Symbol Groups, Non-affiliated and Forecourts. These wholesalers can also be active in the foodservice industry supplying everything from hospitals to restaurants.

Traditionally the wholesalers were split across three sub groups:

- Cash and Carries where the retailer came to the wholesaler to purchase the goods, these operations would have an own label offering that might include a fascia for the retailer. There may be basic relationships created between wholesale staff and regular retail customers, the exit costs are relatively low compared to delivered wholesalers unless there is a strong personal relationship between the retailer and the wholesaler.

Again the retail voice possibly depends on the strength of the personal relationship between the retailer and the wholesaler.

- Delivered wholesalers where the goods were delivered to the retailer, these operations would build on an own label offering developing a range of relationships with their retail customers from preferred supplier to sole supplier. Delivered wholesalers drive monetary exit costs up as they also tie the retailer further into the wholesalers' brand (cost of rebranding the retail outlet and replacing the brand marketing and convincing the retailers own customers to switch to another brand). The relationship exit costs rise as the retailer commits more time and energy to relationships with other retailers and wholesale staff within the wholesalers' symbol group. Different wholesalers encourage different levels of retail voice as part of their relationship management strategy, handling these voices have a financial cost and the level of commitment from the wholesalers to this process appears to vary even within symbol groups.

- Food Service where the wholesaler would deliver products (sometimes specialising in a limited range such as alcoholic drinks) to a wide range of businesses from retail to public sector with possibly a small range of catering own label. This sector like the cash and carry sector appears to rely on personal relationships between the customer and the supplier rather than the formalised arrangements of the delivered wholesalers so exit costs tend to depend on the informal networks created. Again the customer voice depends on the strength of the personal relationships within these networks.

Cash and carries tend to have no formal relationship exit costs for their customers, in some cases geography and lack of competition may be the only exit cost considered by their customers. For these reasons they tend to be the low cost option for the retailers. There may be some ethnic group influence on some of the urban wholesale operators with family members and relationships extending across the wholesale retail divide. Cash and carry operators have started to create retail voice by the forming of expert group consultations from suppliers and individual wholesale managers may well have created strong relationships with individual retailers due to the repetitive nature of their purchasing habits. The lack of support offered by these groups in times of incursion by the multiples and the Co-operatives into the market place has seen a growing number of cash and carry retailers joining the symbol stores of the delivered wholesalers.

Delivered wholesalers increase the exit costs by encouraging the retailer to use their fascia and own label goods, this exclusivity adds to any exit cost the retailer may consider. The exit costs are increased with the introduction of a symbol group where the retailer 'joins' a group of fellow retailers trading under a common banner this moves beyond merely using a fascia of convenience and commitment to the group increases the retailers voice but also increases their relationship exit costs.

The more sophisticated the offer the higher the cost to the retailer tends to be, this is justified by the wholesaler on concentrating on the improved impact on the bottom line for the retailer, however in times of economic downturn the lower cost price of goods from the less complicated cash and carries increases pressure on the purchasing behavioural drift away from the symbol groups to the cheaper alternatives.

SPAR was created with a guild system that allows retail voice to be heard at the strategic level of the chain and other symbol groups are looking at mirroring this with 'representative' retail bodies advising the wholesale side of the supply chain.

The more sophisticated symbol groups also offer financing, training and scanning packages that add financial exit costs to the relationship costs. At the top end of exit control the wholesaler can control the lease on the retail premises or us legal contracts (verging on franchising) to further limit the retailers exit options.

Food services deliver goods to their clients and build relationship between employees and customers that may form some relationship exit barrier, increasingly diminishing numbers in this sector may be seen as reducing choice and increasing exit barriers but increasingly customers may be using the multiples as food service suppliers.

The wholesalers in the top thirty can act across all three of these sub groups and some in particular Bookers have entered and exited these groups over the period of study.

As the competition from multiples and Co-operatives has increased, the wholesalers have developed their Symbol Stores operation offering more and more services under this umbrella. The level of recruitment to these symbols varies depending on the attractiveness of their offer to the retailer. In 2012 Premier a traditional cash and carry operator and Best One a cash and carry operator that has increased its delivered wholesale operation have replaced SPAR the established leader in the symbol store sector as largest groups by store numbers. Store numbers do not reflect the overall income for these groups as the symbol stores tend to attract larger outlets and aim to promote greater purchasing loyalty from their retailers.

Methodology

The research gathered published data from the IGD, the trade press (including The Grocer, the Independent Grocer, The Convenience Store, The Scottish Grocer and IRN), individual websites of the wholesalers. In particular the research looks at the turnover trend of the top thirty wholesalers over the years 2005-2012. This research was supported by informal interviews with various members of the trade press, trade associations, retailers, suppliers and wholesalers to confirm that the interpretation of the items extracted from the articles reflects the perceived current situation.

Brief summary of the wholesalers:

Bookers (Premier)

Bookers is the largest cash and carry operator in the UK , it runs a large food service arm delivering to customers from VUE cinemas to Marks and Spencer's. To support its retail customers, Bookers have developed Premier as a Symbol style operation and still offer the more traditional own label service through Happy Shopper and Euro Shopper. Bookers size and diversity of retail offer means that it would be impossible to identify correlations between how it controls customer voice and exit to the groups turnover.

Bestways (Best One/Best In)

Bestway is the second largest cash and carry operator in the UK starting from an ethnic retail outlet in London in 1962 and moving into wholesaling in the 1970s. The group now has international operation including the second largest bank in Pakistan. The wholesale operation has expanded through acquisition including buying all of C J Langs (SPAR) cash and carries in Scotland in 2010. The group created the Best in brand in 2002 which has a low cost of entry compared to the more established symbol brands. Bestways have shown a steady rise in retail customer numbers which is reflected in a steady rise in wholesale turnover. It could be argued that the steady rise in numbers and turnover is purely down to expansion of the business however their commitment to a low cost entry model that is tied within the ethnic community may mean that the relative high relationship exit cost (due to family and cultural ties across the network) may have contributed to this rise.

Blakemores, Hendersons and Halls (SPAR)

SPAR was the dominant player in the convenience sector from the eighties to the turn of the century and its independent retail chains were the obvious acquisition targets for the multiples and the Co-operatives when they entered the sector. The SPAR group offers the highest level of retail voice within the sector with their formalised guild system which allows retailers strategic influence on the marketing spend of the group. There also high exit costs both financial and relationship because of the long standing relationship and commitment to the brand of many of the retailers. The level of commitment to the symbol group varies across the wholesalers. The three wholesalers have all shown an increase in store numbers and turnover. Balkemore's merged with Cappers to increase its dominance of this Symbol store in the UK. Hendersons control SPAR and Vivo in Northern Ireland, this relatively small territory and an emphasis away from off sales have given Hendersons a unique offer within SPAR in the UK. Halls is based in the North of England and in 2012 traded exclusively under the SPAR banner.

Langs, Appleby Westward (SPAR)

These are the two smallest SPAR Regional Distribution Centres in the UK. Langs cover SPAR across Scotland, over the study period they have seen all their multisite independent retailers exit through acquisition either by the Co-op or into Lang's company owned division, Langs have disposed of their foodservice and cash and carry parts of their business. Appleby Westward control the SW of England, they have stepped into a company owned division with an experiment into the larger format Eurospar, this did not work for them and they have subsequently disposed of the stores. Appleby Westward has experienced various owners within the study period, moving from part of a large European company to a director buy out.

Dhamecha and United Wholesale (Todays)

Both trading within the Today symbol group showing significant increase in turnover, Dhamecha based around London with a strong ethnic connection, United trading in and around Scotland's central belt.

Filshills (Key Store)

Covers Scotland and North of England initially focused on a limited range now expanding range and territory, offering free EPOS to qualifying retailers, not expanding as quickly as their United neighbour at the moment.

Parfett (Landmark)

Major player in the Landmark group, owners have a strong voice within the sector and tend to do things slightly differently including moving towards selling the company to the employees

DCS and East End (Landmark)

Specialist wholesalers not focused on acting as main supplier of all goods to retailers and no intention of creating a symbol group.

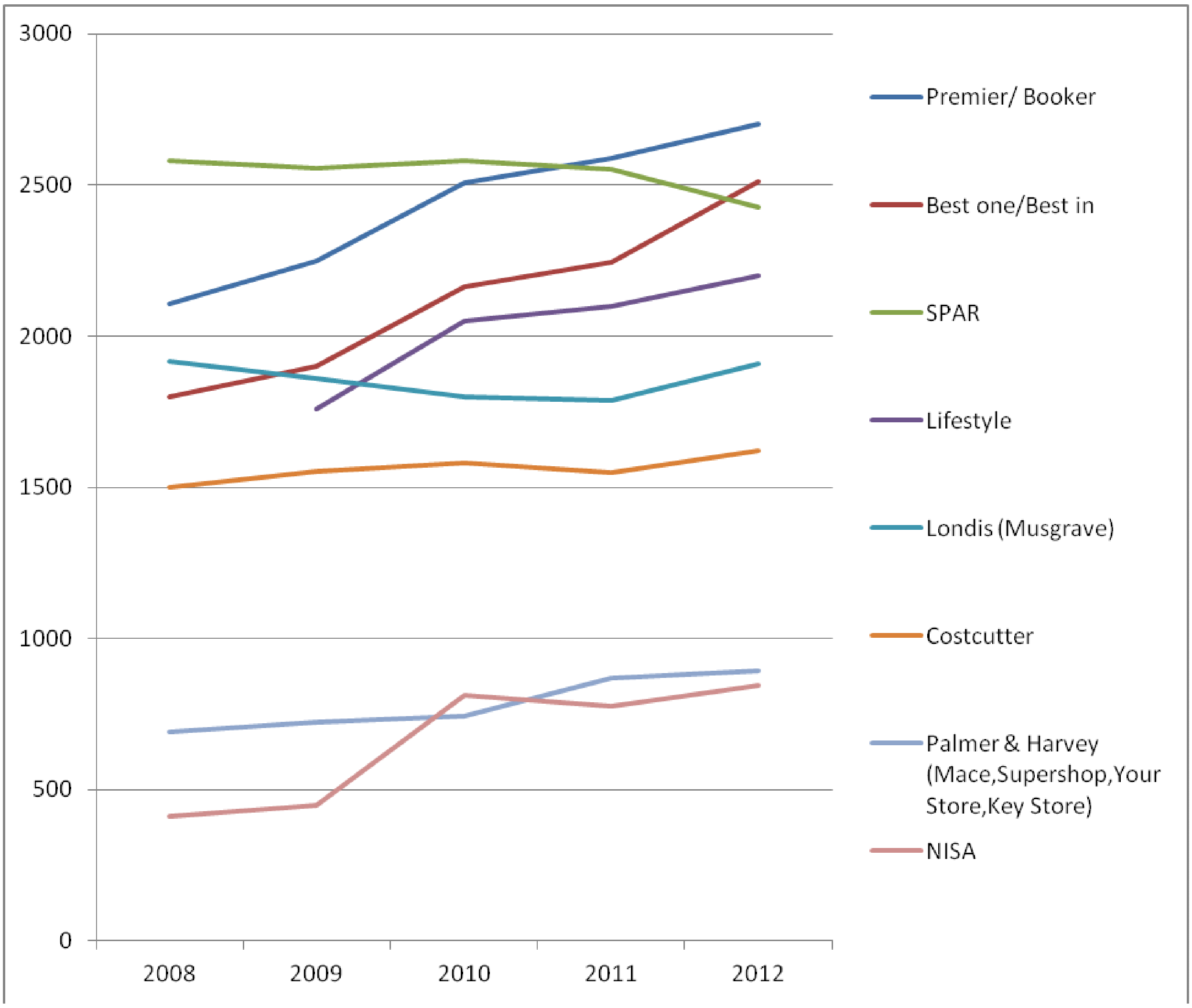
Costcutter and Palmer & Harvey(MACE)

Major symbol store operators not included in the Grocer top thirty probably because wholesale supply to independent retailers only forms part of the parent business.

Performance of the symbol groups

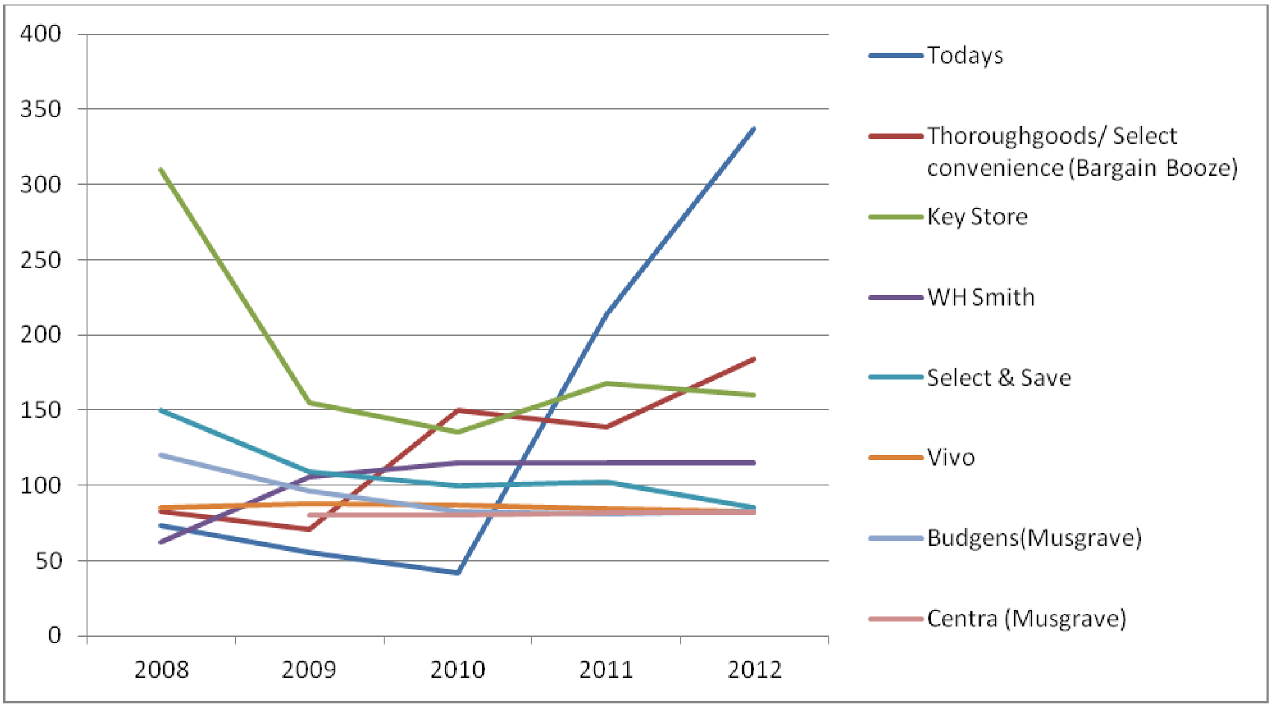
Recent years has seen a change in fortunes for the traditional symbol groups and the newer cash and carry based symbol groups.

Figure 5 Size of biggest groups by store numbers



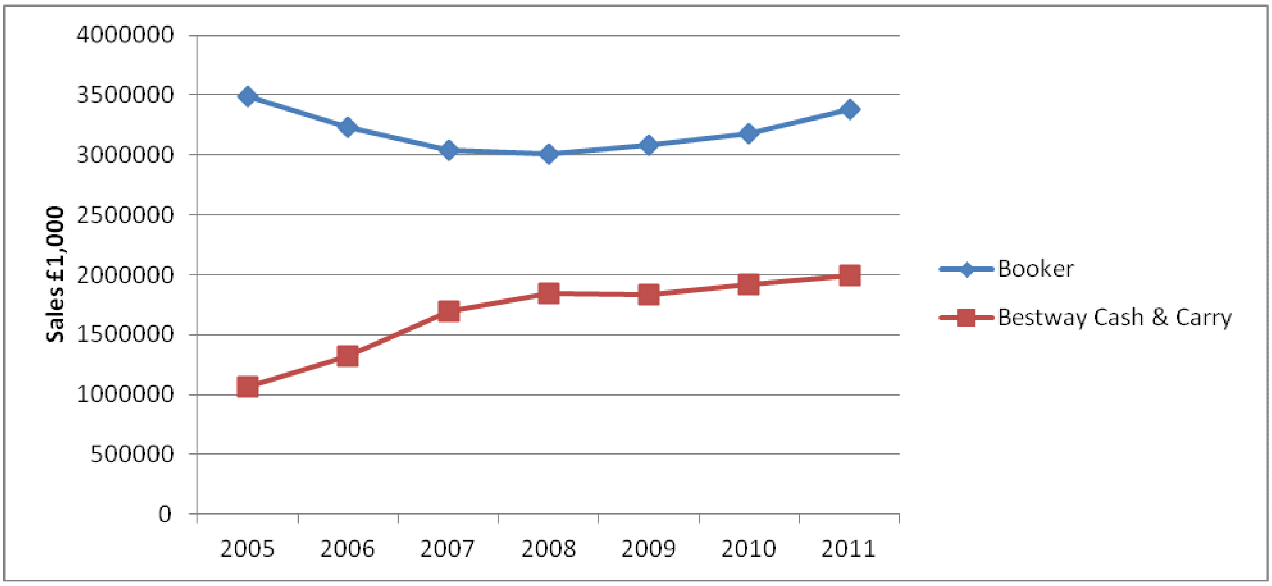
The chart evidences the changing size (by store numbers) of some symbol groups over a relatively short time period. Todays symbol group has experienced a rapid growth in store numbers in the last two years, in the same period the Key store group has seen a fall in store numbers.

Figure 6 Size of smaller groups by store numbers



Observing the turnover of the top thirty wholesalers highlights the size of the two national players Booker and Bestway Cash and Carry. Bestway is demonstrating steady growth whilst Bookers sales dipped for a while and are now recovering.

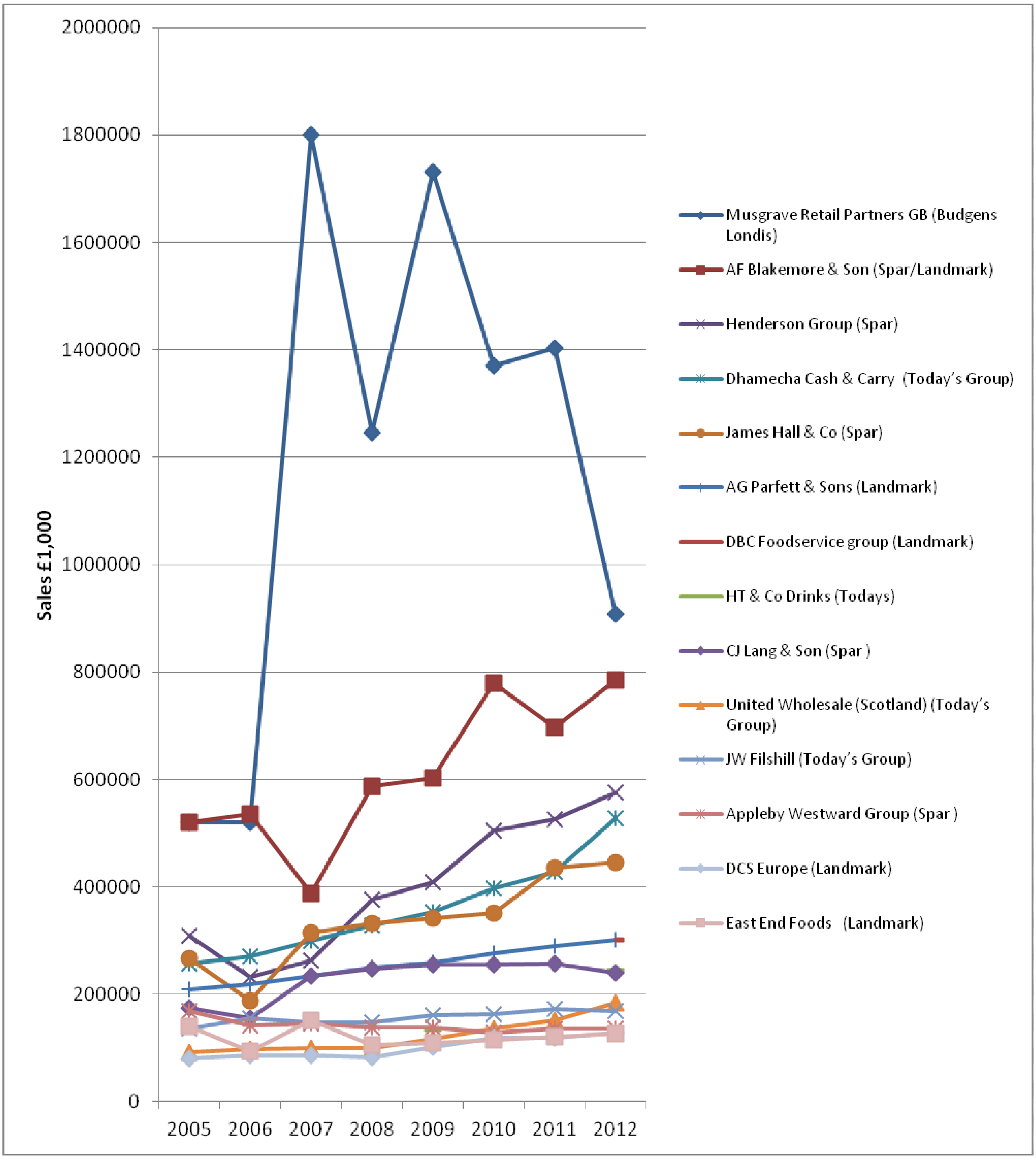
Figure 7 Top two wholesalers by turnover



The Symbol Groups have displayed varying fortunes in their turnover levels. Musgrave's, the Budgens and Londis national supplier showed a peak in sales that has fallen back in2012.

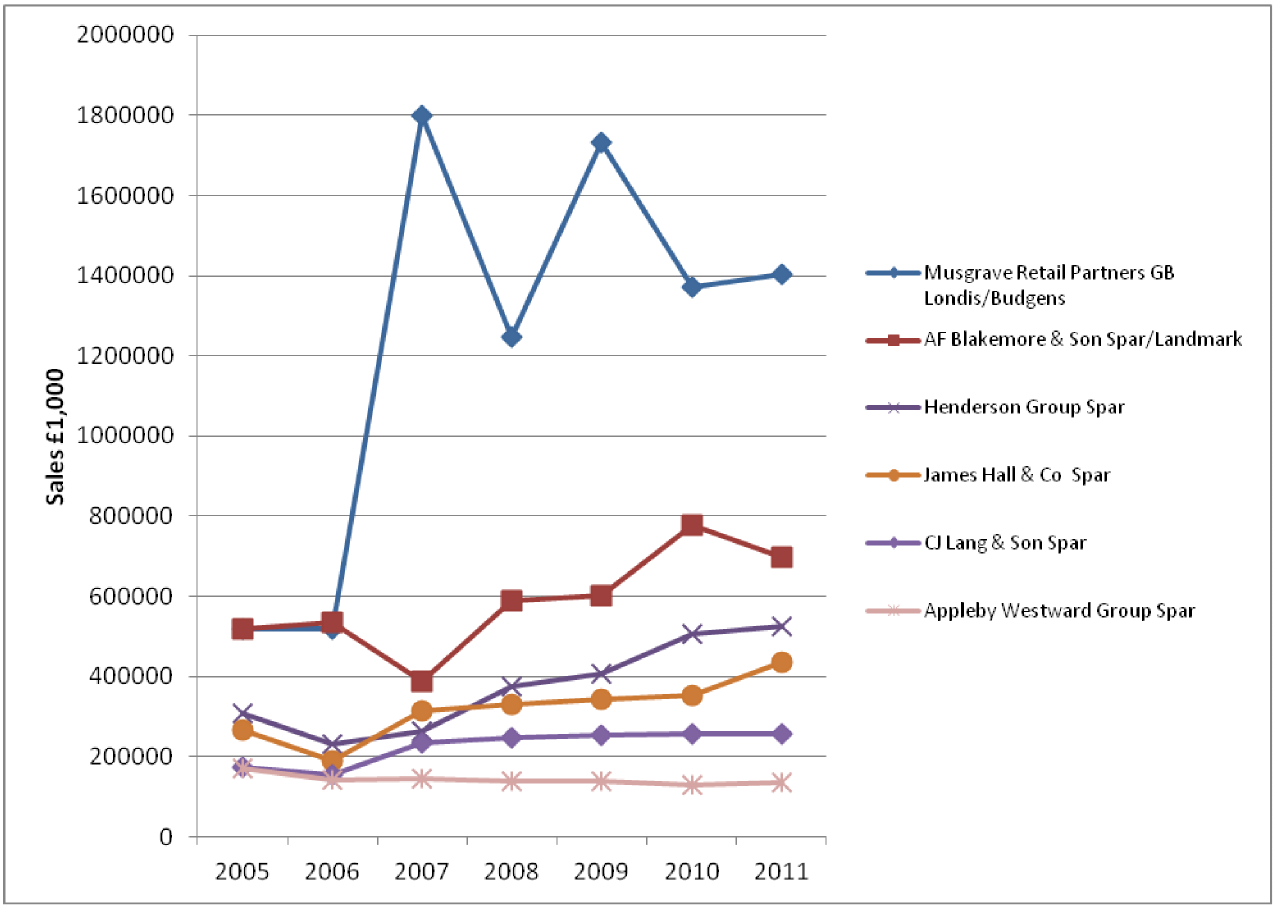
The SPAR wholesalers (Blakemores, Hendersons and Halls) have all shown steady increases in sales as has the Today wholesaler AG Parfett.

Figure 8 Wholesalers turnover



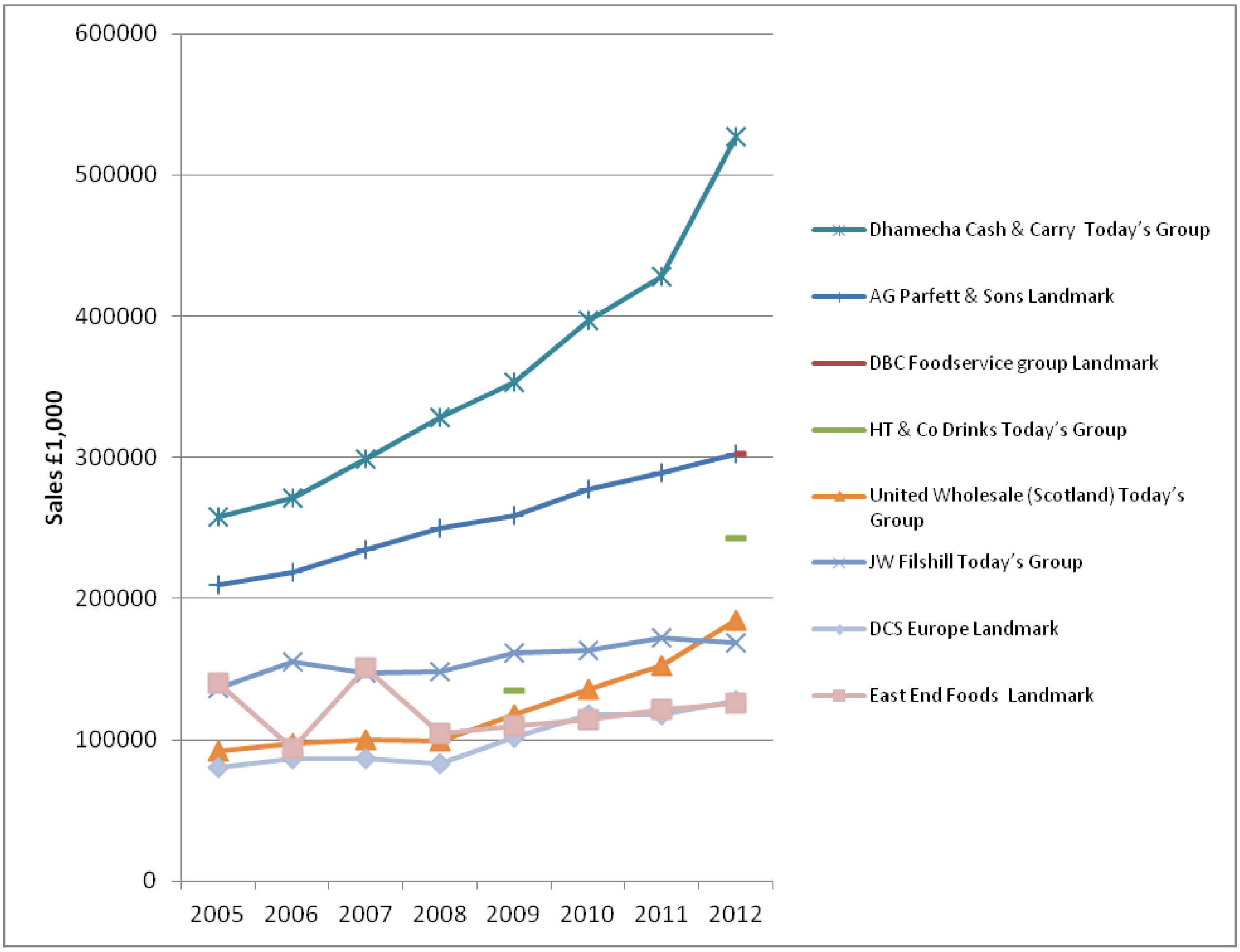
Not all the SPAR wholesalers are showing the same growth, Appleby Westward is showing a slow decline in sales and CJ Langs appears to have a slight peak in sales and is now dipping.

Figure 9 Spar and Londis/Budgens wholesalers by turnover



At the lower end of the sales totals in the top thirty the growth does not appear to depend on the Symbol store membership, Dhamecha of Todays and AG Parfett of Landmark are still to the two largest wholesalers in this section whilst United Wholesale (Scotland) is seeing a good sales growth whilst its fellow Todays group member J W Filshill appears to be experiencing a sales plateau.

Figure 10 Today & Landmark wholesalers by turnover



Sales through the individual wholesalers are not only linked to these wholesalers's treatment of retailers' voice and exit because of a variety of other factors discussed below. However this research will seek to identify commonalities between the symbol groups' retailer voice or exit strategies and the individual wholesaler's actions that may contribute to the movement in store numbers or business turnover.

The wholesale sector does not exist in silos; delivered wholesale retail customers can buy some goods from cash and carries or other delivered wholesalers. Some wholesalers operate in more than one symbol group (i.e. Musgrave's with Budgens and Londis), others offer cash and carry, food services and delivered wholesale operations (i.e. Bookers) and these offers vary across time (i.e. CJ Langs have dropped out of cash and carry and food services to concentrate on their SPAR symbol business).

The wholesalers themselves have also gone through a period of merger and consolidation with some of the major players disappearing (SPARs Blakemore's merger with Cappers in 2012) and others moving their focus from cash and carry to a more cost effective version of the delivered wholesale operations (the Today's group of wholesalers). The table in the appendix offers a brief overview of the fascia these wholesalers trade with, their geographical area and the type of wholesaler they are.

Entry costs, exit costs and voice mechanisms across the wholesalers

From the data gathered for each of the wholesalers, the entry costs, financial exit costs, relationship exit costs and level of voice available to retailers were codified into broad groups of:

Entry cost

1. Purchase goods from wholesaler depot.
2. Entry level agreement for standard of store before fascia erected.
3. Specific store standards required before retailer allowed into group, EPOS system preferable.
4. Symbol store standards required and EPOS system linked to wholesaler.

Financial Exit costs

1. No formal agreements, head lease or free equipment.
2. Few formal agreements, head lease or free equipment.
3. EPOS system installed but may be used elsewhere, some financing, extended credit available.
4. Financing used from wholesaler, heavy investment in brand mean rebranding costs required, EPOS system non-transferable, loss of retrospective payments.
5. Wholesaler has head lease on property or other large financial arrangements within the business.

Relationship Exit costs.

1. Mainly loose relationships.
2. Closer working relationship than traditional C&C.
3. Moving towards a symbol group.
4. Strong interaction through 'guild system' trade shows, study trips.
5. Strong personal bond between individual retailers and between retailers and the wholesaler.

Voice mechanism

1. Mainly informal.
2. Evolving within the group.
3. Beginning of a group organisation with retailer involvement.
4. Retail representation within the strategic decision process of the group.
5. Retail involvement with the strategic decision process of the group.

These are broad groups that reflect the dynamic relationship between buyers and suppliers. Different retailers of the same wholesaler will have differing experiences, reflected in some wholesalers spread across the groups.

Table 1 Comparative summary of Entry cost/exit cost & voice mechanism

Wholesaler	Entry costs /basic offer	Exit costs Financial	Exit Costs relationship	Voice mechanism

Bookers	C&C to symbol store so lowest entry level costs 1	No formal agreements , head lease or free equipment 1	Mainly loose relationships 1	Mainly informal BUT evolving within the group 1
Bestways	Value for money entry into symbol store with store criteria's that will require some work 2	Few formal agreements , head lease or free equipment BUT strong link to major Pakistani bank so may be other financial arrangements in place 2/3/4/5	Closer working relationship than traditional C&C moving towards a symbol store operation 2/3	Closer working relationship than traditional C&C 2/3
Blakemores	Symbol store group with high standards that will require work and linked to EPOS system at cost 4	Few formal agreements may have head lease so no property to sell and linked in EPOS system 4/5	Guild system and regular trade events (national and international) to build strong links between retailers and the group 4/5	Guild system and regular trade events (national and international) to build strong links between retailers and the group 4/5
Hendersons	Symbol store group with high standards that will require work and linked to EPOS system at cost 4	Few formal agreements may have head lease so no property to sell and linked in EPOS system 4/5	Guild system and regular trade events (national and international) to build strong links between retailers and the group 4/5	Guild system and regular trade events (national and international) to build strong links between retailers and the group 4/5
Halls	Symbol store group with high standards that will require work and linked to EPOS system at cost 4	Few formal agreements may have head lease so no property to sell and linked in EPOS system 4/5	Guild system and regular trade events (national and international) to build strong links between retailers and the group 4/5	Guild system and regular trade events (national and international) to build strong links between retailers and the group 4/5
Langs	Symbol store group with high standards that will require work and linked to EPOS system at cost 4	Few formal agreements may have head lease so no property to sell and EPOS system can be used elsewhere 3/4/5	Guild system and less regular trade events (national) to build strong links between retailers and the group 3/4/5	Guild system and less regular trade events (national l) to build strong links between retailers and the group 3/4/5
Appleby Westward	Symbol store group with high standards that will require work and linked to EPOS system at cost 4	Few formal agreements may have head lease so no property to sell and linked in EPOS system 4/5	Guild system and less regular trade events (national l) to build strong links between retailers and the group 3/4/5	Guild system and less regular trade events (national l) to build strong links between retailers and the group 3/4/5
Dhamecha	From C&C to lowest entry level costs and value for money entry into symbol store with store criterias that will require some work 1/2	Few formal agreements , head lease or free equipment 2	Asian run C&C servicing large Asian community of retailers so possible strong links 4/5	Asian run C&C servicing large Asian community of retailers so possible strong links 4/5

United Wholesale	From C&C to lowest entry level costs and value for money entry into symbol store with store criterias that will require some work 1/2	Few formal agreements , head lease or free equipment 2	Closer working relationship than traditional C&C 2	Closer working relationship than traditional C&C 2
Filshills	lowest entry level costs and value for money entry into symbol store with store criteria's that will require some work 2/3	Few formal agreements , head lease or free equipment Does supply EPOS system FOC (for qualifying retailers) 2/3	States that it puts the retailer first and as still expanding may be learning with its retailers 3/4	Rapidly expanding its number of retailers may be more willing to listen than traditional symbol groups3/4/5
Costcutter	Symbol store group with high standards that will require work and linked to EPOS system at cost 4	Few formal agreements may have head lease so no property to sell and linked in EPOS system 4/5	Regular trade events (national) to build strong links between retailers and the group But lost charismatic leadership and some uncertainty over direction re Bibby 3/4/5	Now owned by large company uncertainty over validity of retailer voice at moment 3/4/5
MACE	lowest entry level costs and value for money entry into symbol store with store criteria's that will require some work 2/3	Few formal agreements , head lease or free equipment BUT some examples of legal action with retailers switching groups 2/3	Closer working relationship than traditional C&C set up as DW moving towards a symbol store operation 3/4	Have field sales team but this small part of Palmer & Harvey business 3/4
Budgens /Londis	Symbol store group with high standards that will require work and linked to EPOS system at cost 4	Few formal agreements may have head lease so no property to sell and linked in EPOS system 4/5	Budgens have tightest agreements in trade, Londis is the freer alternative for retailers 4/5	Very similar to SPAR operation designed to build relationships with retailers 4/5

The entry costs for the retailers used to be split with traditional wholesalers offering the lowest entry costs and symbol stores offering the highest costs , however as standards required by the traditional wholesalers increase and discounts are offered by symbol groups(in the competition for new retailers) this difference is merging. The traditional symbol stores (green in figure 11 are still mainly higher than the traditional wholesale groups (yellow in figure 11) this reflects the extra costs incurred to achieve minimum store standards required by the group, and installation costs involved in EPOS system used to transmit sails information between retailer and symbol, group.

Figure 11 Entry costs

Entry Costs	1	2	3	4	5
Bookers	wholesale group				
Bestways		wholesale group			

Blakemores				symbol stores	
Hendersons				symbol stores	
Halls				symbol stores	
Langs				symbol stores	
Appleby Westward				symbol stores	
Dhamecha	wholesale group	wholesale group			
United Wholesale	wholesale group	wholesale group			
Filshills		wholesale group	wholesale group		
Costcutter				symbol stores	
MACE		symbol stores	symbol stores		
Budgens /Londis				symbol stores	

Comparing entry costs with voice shows a clear grouping of the traditional symbol groups bordering a cluster of traditional wholesalers with the greatest increase in turnover (blue font in figure) mixed with MACE one of the first symbol groups to appear from a traditional wholesale operative.

Figure 12 Entry costs compared to voice

Entry cost	1	2	3	4	5
5					
4			Langs Appleby/Westward Costcutter	Blakemores Hendersons Halls Langs Apleby/Westward Costcutter Budgens/Londis	Blakemores Hendersons Halls Langs Apleby/Westward Costcutter Budgens/Londis
3			Filshills MACE	Filshills MACE	Filshills
2		Bestway United Wholesale	Bestway Filshills MACE	Dhamecha Filshills MACE	Dhamecha Filshills
1	Bookers	United Wholesale		Dhamecha	Dhamecha
	Voice				

Providing exclusive EPOS systems and in some cases acting as landlords for retailers pushes the exit costs up for suppliers from symbol groups and cash and carries, the more developed communication systems (such as SPARs retail guild system) still offers a differential between symbol stores and traditional wholesalers. The traditional wholesalers with the largest increase in turnover (blue font in figure) currently appear to have maintained voice without the exit costs incurred by the more established operators.

Figure 13 Compare financial exit costs and voice

Exit Cost (financial)	1	2	3	4	5
5		Bestway	Bestway Langs Appleby/Westward Costcutter	Blakemores Hendersons Halls Langs Appleby/Westard Costcutter Budgens/Londis	Blakemores Hendersons Halls Langs Appleby/Westard Costcutter Budgens/Londis
4		Bestway	Bestway Langs Appleby/Westward Costcutter	Blakemores Hendersons Halls Langs Appleby/Westard Costcutter Budgens/Londis	Blakemores Hendersons Halls Langs Appleby/Westard Costcutter Budgens/Londis
3		Bestway	Bestway Langs **Filshill** MACE	Langs **Filshill** MACE	Langs **Filshill**
2		Bestway United Wholesale	Bestway **Filshill** MACE	**Dhamecha** **Filshill** MACE	**Dhamecha** **Filshill**
1	Bookers				
	1	**2**	**3**	**4**	**5**

Voice

Comparing relationship costs with voice demonstrates how the traditional wholesalers with the greatest increase in turnover appear to be increasing the relationship exit costs by improving the opportunity of voice within the supply chain. This has resulted in a less clear distinction between the symbol groups and the more progressive traditional wholesalers when comparing relationship exit costs and voice.

Figure 14 Relationship exit costs compared to voice

(relations					
5			Langs Appleby/Westward Costcutter	Blakemores Hendersons Halls Langs Appleby/Westard Costcutter Budgens/Londis **Dhamecha**	Blakemores Hendersons Halls Langs Appleby/Westard Costcutter Budgens/Londis **Dhamecha**

4			Langs Appleby/Westward Costcutter **Filshill** MACE	Blakemores Hendersons Halls Langs Appleby/Westard Costcutter Budgens/Londis **Dhamecha** **Filshill** MACE	Blakemores Hendersons Halls Langs Appleby/Westard Costcutter Budgens/Londis **Dhamecha** **Filshill**
3		Bestway	Bestway Langs Appleby/Westward Costcutter **Filshill** MACE	Langs Appleby/westward Costcutter **Filshill** MACE	Langs Appleby/westward Costcutter **Filshill**
2		Bestway United Wholesale	Bestway		
1	Bookers				
	1	**2**	**3**	**4**	**5**

Voice

Conclusion

Hirschman recognised the strategic dilemma of balancing the cost of allowing voice with the impact of controlling loyalty with high exit cost. The convenience sector is now experiencing cost pressures from outside competition which is focusing the relationship strategies of the traditional wholesalers and the symbol groups.

The traditional wholesalers appear to be moving from entry level relationships (Hirschman, 1970), low voice, low cost of exit up to the high cost of exit, high voice role of the symbol stores. The more progressive traditional wholesalers appear to be achieving this without the high exit costs associated with the symbol groups. This may be because the associated costs involved with allowing voice are cumulative, which would also explain why some of the symbol groups are moving more to raising exit costs at the expense of supporting voice in a bid to cut costs to the retailers.

The dilemma identified by Ping (1997) of encouraging voice for loyal retailers and reducing overall costs for established symbol wholesalers appears to be reflected in the traditional wholesaler's dilemma of covering the costs of increasing voice opportunities by tying in their retailers with higher exit costs.

Further research

The trends identified in this paper suggest a link between increasing exit costs, allowing retailer voice and turnover for the wholesalers in the convenience sector. To confirm the impact of exit costs and retailer voice further in depth, qualitative research is required. Future research that focuses upon explicit decisions where exit and voice have been used would look at exactly how these strategies have been deployed. Such research is imperative given the changing face of costs and voice in the sector as well as the pressures that are operative.

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Appendix 1

Individual wholesalers (and their Symbol groups):

Wholesaler	Fascias	Owner/ stratgey	Location	Type
Bookers	Premier/ happy Shopper/Euro Shopper	UK based plc. Varied history and strategies has seen the survival of one of the first wholesale groups in the UK.	National and now in India	Focus on C&C 2012 purchased Makro so now have 202 UK branches
Bestways	Best One symbol group and Best In	Est for 48 years , wholesaler for 36 years. Driven by founder Sir Anwar Pervez, OBE H Pk who came from retail and set up wholesale with strategy of cutting wholesale margins from 10% to 4% in the 70's and 80's this the website helped stem the decline of local community stores. The group now also includes a large Pakistani Cement manufacturer and United Bank Limited with 1235 branches in Pakistan and 11 international branches, its subsidiary in the UK is now rebranded as UBL UK	England, Scotland & Wales	Focus on C&C 62 branches 2012
Blakemores	SPAR /Lifestyle Express	Largest family business in the UK owned by Blakemore family. Largest SPAR RDC in the UK. Commited to the 'Blakemore way' which is "To grow a family business in ways that are profitable and sustainable for the benefit of our staff, customers and community." Large company owned division built on the acquisition of independent multiple retailers and other SPAR RDCs and have a number of head leases on independent retailers.	Central and SE England & Wales (Acquired Cappers in 2012) West Midlands 1 shop to 1150 people; East Midlands 1 shop to 1188 people; Eastern 1 shop to 1918 people; SE 1 shop to 1149 people; London 1 shop to 1279 people and Wales 1 shop to 998 people (ACS) Ethnicity of owners: West Midlands: Asian or Asian British 71% White British 28% Other 1% Born in UK 61%	SPAR and Lifestyle Express (via 9 Landmark C&Cs)

			East Midlands: Asian or Asian British 59.5% White British 38.5% Other 2% Born in UK 52.5% Eastern: Asian or Asian British 44.5% White British 53% Other 2.5% Born in UK 62.5% SE: Asian or Asian British 62% White British 32% Other 6% Born in UK 44% London: Asian or Asian British 89.5% White British 5% Other 5.5% Born in UK 24% Wales: Asian or Asian British 26% White British 70% Other 4% Born in UK 81.5% (ACS)	
Hendersons	SPAR/ Vivo also specialise in the larger formats of tehse stores (Eurospar and Vivoxtra)	Family business moved from retail to wholesale over 100 years ago. Website highlights commitment to the SPAR guild involving retailers and wholesale staff in the decision making process.	Northern Ireland	Delivered wholesaler concentrating on its two brands SPAR & Vivo
Halls	SPAR	Family owned business recently reinvested in state of the art distribution centre to service their SPAR estate. Concentrate on supply chain have own butchery and sandwich making divisions, large company owned division Large company owned division partly built on the acquisition of independent multiple retail operators.	Northern England covering NW,NE and Yorks Humb with (according to ACS : 1 shop to 1263 people,1 shop to 1,200 people and 1shop to 1272people respectively) Ethnicity of owners: NORTH WEST Asian or Asian	Delivered wholesaler focused on SPAR.

			British 35% White British 63% Other 2% Born in UK 76.5% NORTH EAST Asian or Asian British 49% White British 50.5% Other 0.5% Born in UK 73% YORKS. / HUMBER Asian or Asian British 40% White British 60% Other 0% Born in UK 73.5%	
Langs	SPAR	Family owned business Focused on supplying goods to retailers Recently disposed of its Martex C&C operation. Large company owned division , built partly on the acquisition of independent multiple operators (Gillespie's) but have lost a number of their multiple independent retailers to Coop (Solowoski and Botterils)	Scotland (with according to ACS 1 shop to 973 people) Owners: Asian or Asian British 46.5% White British 44% Other 9.5% Born in UK 71% (ACS) Ethnicity of owners: SCOTLAND Asian or Asian British 46.5% White British 44% Other 9.5% Born in UK 71%	Delivered wholesaler focused on SPAR.
Appleby Westward	SPAR	Director buy out in 2006 from BWG (Part of the Group Pernod Ricard), the CEO Leo Crawford is also president of SPAR International. Mission to be a consumer led, retail focused wholesaler. Started a company owned division having purchased 4 Fine fare stores to convert into Eurospars which have subsequently been disposed of.	SW England (with one shop to 1162 people (ACS)) Ethnicity of owners: SOUTH WEST Asian or Asian British 13% White British 84.5% Other 2.5% Born in UK 85%	Delivered wholesaler focused on SPAR.
Dhamecha	(Todays)	7 depots all within M25 corridor Set up as Wholesale operation now managed by the second generation – cousins Pradip and Manish Dhamecha and brother in law Mukesh Vithlani, but the original principles remain the same - "the Customer is King and, therefore,	London (one shop to 1279 people (ACS)) Ethnicity of owners: LONDON Asian or Asian	C&C

		deserves competitive pricing, excellent product availability and an absolute commitment to first-class customer-service".	British 89.5% White British 5% Other 5.5% Born in UK 24%	
United Wholesale	Day-Today)	Our mission statement is a commitment to support and grow the Independent Retail Sector by providing top class branded products at competitive prices together with retail advice and merchandising support that benefit the end consumer. The attitude we bring to our marketing has become the benchmark for other Cash and Carrys. Our themed marketing is organised both in and out of industry and such marketing successes have been recognised within the Wholesale Industry.	C&C and DW central belt, borders and Ayrshire in Scotland (1 shop to 973 people (ACS)) (with 1 shop to 973 people(ACS)) Ethnicity of owners: SCOTLAND Asian or Asian British 46.5% White British 44% Other 9.5% Born in UK 71%	C&C and DW central belt, borders and Ayrshire in Scotland
Filshills	Key store (todays whoelsaer)	Based in Glasgow .with sales office in Edinburgh Est in 1875 as a confectionery manufacturer gradually moved over to wholesaling now expanding range and includes alcohol, tobacco, soft drinks, crisps & snacks and grocery. Recently a chilled section has been added to make the range more comprehensive.	C&C and DC to Scotland and N England (to Leeds) (with Scotland 1 shop to 973 people, Northern England covering NW,NE and Yorks Humb with (according to ACS : 1 shop to 1263 people,1 shop to 1,200 people and 1shop to 1272people respectively) (ACS)) Ethnicity of owners: SCOTLAND Asian or Asian British 46.5% White British 44% Other 9.5% Born in UK 71% NORTH WEST Asian or Asian British 35% White British 63% Other 2% Born in UK 76.5% NORTH EAST	C&C and DW to Scotland and N England (to Leeds)

			Asian or Asian British 49% White British 50.5% Other 0.5% Born in UK 73% YORKS. / HUMBER Asian or Asian British 40% White British 60% Other 0% Born in UK 73.5%	
Parfett	Go Local/Go Local Plus and Go Local extra (symbol created by Parfetts) (Landmark)	Family owned set up in 1989 but in 2008 55% shares sold to employees with intention of making this an entirely employee owned operation offering a conversion route for retailers from C&C through to symbol group	C& C Noth of England will stock lines on request and export division to customers outside of UK Northern England covering NW,NE and Eastern with (according to ACS : 1 shop to 1263 people,1 shop to 1,200 people and 1shop to 1918 people respectively) Ethnicity of owners: NORTH WEST Asian or Asian British 35% White British 63% Other 2% Born in UK 76.5% NORTH EAST Asian or Asian British 49% White British 50.5% Other 0.5% Born in UK 73% YORKS. / HUMBER Asian or Asian British 40% White British 60% Other 0% Born in UK 73.5%	C&C North England

DCS	Landmark	SET up by founder now focusing on distribution of health and beauty goods and not in the wholesaling to symbol store sector		
East End	Landmark	East End Foods has over 35 years' experience as a leading Supplier and innovator in the UK Indian food market, with an annual turnover of over £100m. We are trusted Suppliers of high quality Ethnic Foods to a wide range of markets from our progressive plant in the West Midlands, at the centre of the national distribution network. Over 80% of Asian Independents stock East End's range as well as all the Major UK Multiples. So not focusing on creating symbol groups and not in the wholesaling to symbol store sector		
Bibbys	Costcutter, My Costcutter & Kwiksave	Originally fromed in 1986 asa breakaway groups from SPAR with a charismatic leader group grew rapidly bought by Bibby Group after Bibbys failed attempt to take over NISA	UK & Ireland	Symbol Group
Palmer & Harvey	MACE		UK Biggest delivered wholesale	DW
Musgraves	Budgens/Londis	Owned by Musgraves main operation still in the Republic of Ireland. Budgens aimed at areas with strong ABC1 demographic	Ireland, UK and Spain	