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Structural Change in Distribution Markets in Peripheral Europe: Spanish Food Retailing, 1950-2007

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Abstract

The processes of structural change and modernisation in the food distribution industry have been submitted to different economic and institutional frameworks in European countries. Two essential factors have affected these changes: on one hand, the role of technical, financial and organisational innovations and on the other, institutional factors. The weight of both has varied depending on the historical circumstances of the countries in consideration and their level of development.

This paper discusses with the framework of the “latecomers”. In these countries, the factor of innovation has been produced in terms of appropriation, whether this is technological or organisational, usually influenced by foreign models or through direct foreign investment. The impact of these innovations has been highly conditioned by inflexible institutional surroundings.

Considering the Spanish food trade in the last sixty years is a good way of dealing with the processes of structural change in Mediterranean Europe. This paper helps one understand the role taken by countries which introduced factors of innovation and growth in less favourable surroundings than those of developed Europe.

Structural Change in Distribution Markets in Peripheral Europe: Spanish Food Retailing, 1950-2007¹

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1. Introduction

The processes of structural change and modernisation in the retail trade industry have been subject to different economic and institutional frameworks in European countries. Two essential factors have affected these changes: on one hand, the role of technical, financial and organisational innovations and on the other, institutional factors. The weight of both has varied depending on the historical circumstances of the countries in consideration and their level of development.

The history of retailing has grown as it has developed over the last decade.² Some previous factors, such as the attention aroused by the history of consumption in the UK, generated a new interest in retailing (Fraser 1981, Gardner 1989, Benson 1994, Benson, Ugolini 2003). Works with complementary visions of retailing which maintain a basically historical perspective developed progressively (Alexander, Akehurst 1998, Bowlby 2000, Coles 1999, Alexander, Nell et al. 2009). In this sense, the role of innovation has been dealt with by numerous disciplines such as retail management, retail geography and business history itself. (Alexander, Shaw et al. 2005) pointed out the need to keep in mind the role of the processes of knowledge management and learning within the company when considering the processes of innovation in retailing. They are part of a group of authors who focused their attention on the key factors of technical and organisational change, starting from marketing assumptions or strategic management. This includes (Burt 1991, Burt 1993, Davies, Fergusson 1995) who understand international retailing as a manifestation of the consumer society after the boom of the sixties. Likewise, we must consider the works about the diffusion of innovation in retail, which, during the critical period of the thirties to 1965, turned around self-service establishments and supermarkets, especially in British cases (Alexander, A., Benson, J., Shaw 1999, Shaw, Curth et al. 2004, Shaw, Alexander 2006,

¹ The first author acknowledges the financial support from an MEC grant (Ministry of Economy and Competitiveness) (Award number HAR2010-18544, sub programme HIST). The second author also acknowledges MEC support (ECO2012-35266). The usual caveats apply.

² See the literature review by ALEXANDER, N., 2011. British overseas retailing, 1900-60: International firm characteristics, market selections and entry modes. *Business History*, **53**(4), pp. 530-556

Shaw, Alexander 2008, Alexander 2008), French cases (Lescent-Giles 2002) and German cases (Schröter 2008). This literature has points in common with a number of studies that have addressed the diffusion of innovations and technological and knowledge transfers after the Second World War often framed as “Americanization” (Kipping, Bjarnar 1998, Zeitlin 2000). Finally, under the viewpoint of the spread of innovation, both the concept of technological adoption (Rogers 2003), and the process of Americanisation led to this relevant focus. This point of view refers to the concept of appropriation which has an interesting “journey” in social and historical science, an approximation which emphasises the role played by the recipient of the innovation with greater intensity, considering it beyond its condition of a simple user (Nolan 1994, Eglash, Croissant et al. 2004, Alberts 2010).

In institutional terms, there are different approximations. Maybe those which are most interesting to highlight in this paper refer to the function of regulatory surroundings, the structures of the domestic market and foreign direct investment (FDI). Significant advances have been made in the field of international retailing on the knowledge of retailing in the framework of first and second globalisation (Godley 2003, Alexander 2011, Fletcher, Godley 2000, Godley, Fletcher 2000, Godley, Fletcher 2001).³ Clearly in retailing, we should not only consider relationships between issuers and recipients of investment, i.e. the basic conditions of the chosen market. We must also consider such important elements as regulation in domestic markets (Morris 1998, Morris 1999, Shaw, Alexander et al. 2000) or in both sides of the movement of capital, both in the issuing country and the receiving one (Klopstock 1973, Cho 1985). This is what some investigators have called *receptivity* (Tschoegl 1987). With this term, used mainly for bank investments, we mean the level of openness of an economic recipient (Walter, Gray 1983). This focus suggests that, long term, countries with few comparative advantages in international markets (which often coincide with countries of belated industrialisation), will tend to enact laws which protect their market. This is a factor to take into account when we adopt a viewpoint which also considers less developed countries.

³ On the role of international retailing at global level, see the debate: GODLEY, A. and HANG, H., 2012. Globalisation and the evolution of international retailing: A comment on Alexander's 'British overseas retailing, 1900-1960'. *Business History*, **54**(4), pp. 529-541, and ALEXANDER, N., 2013. Retailing in international markets, 1900-2010: A response to Godley and Hang's "Globalisation and the evolution of international retailing: A comment on Alexander's "British overseas retailing, 1900-1960". *Business History*, **55**(2), pp. 302-312

The international retail management theory provides a very useful analytical framework, dealing with strategic aspects and motivations of retailing businesses in their processes of internalisation (Salmon, Tordjman 1989, Treadgold 1988, Burt 1991). In fact, there has been recurring research which adapted modern theories on internationalisation to the retail industry (Pellegrini 1994) and (Dunning 2001), the latter from an economic and international business theory. Nevertheless, some reservations have been expressed since the characteristics of commerce mean that the advantages of ownership and also internationalisation, alongside innovation, are easily imitable and do not have as much importance as the advantages of localisation. (Burt 1991: 490). (Dawson 1994, Dawson 2007) abound in this scepticism by considering the difficulties of exporting services linked to commerce. To summarise, these methodological approximations, without doubt very useful, suffered however sufficient temporal depth. Consequently, approximation which emphasises the historical point of view, (that of economic and business history and an interdisciplinary point of view) will generally favour the deepening nature of retailing (see Alexander, Akehurst 1998, Buckley 2009).

This paper discusses this within the framework of the “latecomers” and the historical perspective. In these countries, the factor of innovation has been produced in terms of appropriation, whether this is technological or organisational, usually influenced by foreign models or through FDI. The impact of these innovations has been highly conditioned by inflexible institutional surroundings. Considering the Spanish food trade over the last sixty years is an excellent framework for dealing with the processes of structural change in Mediterranean Europe. This paper helps us understand the role taken by countries which introduced factors of innovation and growth in less favourable surroundings than those of developed Europe. These changes occurred in Spain despite institutional obstacles, such as the interventionist practices of the Franco regime between 1940 and 1974, policies from local and regional authorities from 1975 which the market considered unfavourable and finally, some European Union proposals. These obstacles could be overcome thanks to foreign influence (Americanisation and Europeanisation), via programmes of cooperation (US, in the 1950s) or through European investments (especially from the 1970s). In this respect, the innovation deployed was the competitive locomotive which permitted the modernisation and structural change of Spanish food distribution.

The period studied spans two stages. The first, from 1950 to 1971, was marked by the transition between the first and second globalisation whereby the British model was abandoned in international retailing and a model structured around the formats of self-service and the supermarket in domestic markets was progressively adopted (Godley 2003, Alexander 2011). This current was introduced in Spain in the second half of the nineteen fifties through native initiatives which were strongly supported by currents of external dissemination, although it did not start to be really effective until the start of the following decade (Maixé-Altés 2009). The second phase falls under the impetus of the second globalisation which had an impact on world economy in the nineteen eighties and nineties. In this stage, Spanish food retailing experienced the strong influence of the general currents linked to the FDI in retailing, which were a real salutary lesson for the domestic market (Castro 2010).

Primary sources from Spanish national and foreign archives related to foreign investment have been used as has corporative documentation from supermarket chains, voluntary chains and multinational superstores. Similarly, the press and business publications, Spanish distribution annual directories and interviews with people especially involved in management processes and modernisation have been used as a documentary basis for this work.

In the second section, we will study the conditions of the late installation of modern food distribution in Spain, considering the intense and varied foreign influences, the role of native agents and the limits of an institutional framework. Next, we will deal with the strong structural change and the salutary lesson which meant the premature arrival of direct French investment at the start of the seventies. The fourth section will directly discuss the establishment of foreign investment and the consequences of entry into the European Economic Community (EEC) in 1986, which placed the Spanish retail market directly in a second globalisation, a situation which at the end of the century, was marked by the arrival of new foreign models and strong concentration in the whole of the sector. Finally, we will draft out some conclusions.

2. The early years of Spanish food distribution, 1950-1971

There is first macroeconomic evidence of the Spanish delay in comparison with retail distribution systems which contemporaneously existed in developed Europe, which provides us with national Spanish accountability. Between 1945 and 1951, the private

consumption of food, drink and tobacco grew as a proportion of GDP until it reached practically 50 per cent. From this date onwards, in only five years, the ratio fell 14 percentage points, indicating what would be the historical trend: between 1960 and 1995, this percentage reduced to a third, producing in those 35 years the progressive convergence with the European average (Prados de la Escosura 2003, Uriel Jiménez, Moltó et al. 2000).⁴ The following evidence is seen in Table 1. In 1959, Spain, along with Italy and Ireland, found itself amongst the countries of Europe whose self –service had less presence in the retail food trade.

Table 1. Self-service in Europe, 1959 (inhabitants per retail outlet)

Early adopters	Sweden	1 564
	Norway	2 043
	Germany	3 194
	Switzerland	4 039
	Holland	6 259
	Denmark	6 977
	UK	8 883
In transition	Austria	15 618
	France	26 759
	Belgium	32 400
Late adopters	Ireland	93 000
	Spain	97 000
	Italy	180 000

Source: *Sparco* 11 (1960), p. 3.

The reasons for this delay need to be sought out in the poor modernisation of retail during the interwar period (see Maixé-Altés 2009), but above all in the weak income per capita of Spanish economy and the economic and social disruption between the Civil War (1936-1939). In fact, international isolation of General Franco’s regime and his politics of extreme autarchy led the country to total poverty immediately in the post-war period (Guirao 1998, Barciela, López Ortiz 2003). In this context, institutional surroundings were produced which were very distant from the market; some guidelines, both from the sides of offer and demand, characteristic of a country which was not very industrialised except from some regional areas and cities with greater urban density (Maixé-Altés 2009). The period between 1940 and 1952 was period of more than a decade lost for Spanish distribution. The aims of the governmental regulation were to check rationing systems (creation of the General Commissariat of Supply and Shipping, CAT in its Spanish abbreviation, Act 10 March 1939). Consequently, corruption grew

⁴ Ministry of Trade and Tourism, Working Paper. General report on domestic trade in Spain, June 1978.

as did the black market (in Spanish, *estraperlo*),⁵ in a framework of shortage of offers and products with prices set by the government. On one hand, the industry was not suitable for the modern methods of distribution, for example, most foods were handled lavishly and the packing systems were manual. On the other, the culture of consumers and retailing practices responded to archaic guidelines which were obsolete in a developed Europe⁶. In these years, the conditions for modern marketing and retailing practices in Spain were simply not given. The shortage of modernised business forums, the lack of teaching institutions, all in all, the isolation of autarchy did not favour the creation of a framework which would incentivise changing structures in the retail sector. (Garcia Ruiz 2007, Puig 2003, Maixé-Altés 2009). This situation distanced Spain from the framework in which the European retail sector was developing (Shaw, Curth et al. 2004, Shaw, Alexander 2008).

There were three influential currents which removed the obsolete autarchic framework and mobilised short and long term changes in the Spanish food trade: the implementation of North American aid within the US Technical Assistance and Productivity Programme (USTAPP) of the ERP from 1951, the influence of European retailing, focused on the presence of some voluntary chains and finally the influence of some Latin American businessmen (Cubans and Mexicans), who emigrated to Spain in the post war period and set up shops inspired by North American retail (Maixé-Altés 2009).

The first signs of opening began with the approval during the Truman administration of the amendment in favour of Spain which led to the arrival of North American aid. The signature of the Pact of Madrid between Spanish and North American administration in September 1953, created an institutional framework which favoured the recuperation of business expectations (Viñas 1981, Calvo 2001). The tool of this policy was the Spanish Productivity Council, *Comisión Nacional de Productividad Industrial* (CNPI), which began its activity in the first months of 1953 thanks to extraordinary credit approved by the *Cortes*, Franco's legislative body.⁷ It followed the model underway in the group of European countries which were subject to

⁵ The word *estraperlo* was introduced into Spanish vocabulary as a result of an economic/political scandal at the time of the Second Republic, 1935. It comes from the acronym of its protagonists: Strauss (which is pronounced eStrauss), Perle and Lowan.

⁶ Interview with Álvaro Ortiz de Zarate, Madrid, 25 February 2010.

⁷ Archives of the Cámara de Comercio de Madrid (ACCM) [Chamber of Commerce of Madrid], Memoires of the CNPI, 1953 and 1954.

the European Productivity Agency (Alexander, Phillips et al. 2008). After the implementation of the productivity programmes in the industry, at the heart of the commission, an idea to create a specific programme to promote the modern techniques of commercial distribution (especially in the field of food distribution), arose.⁸ Priority was given to self-service and the implementation of this programme began in 1956 with the participation of three institutions: the CNPI, the Madrid Chamber of Commerce and the Ministry of Commerce.⁹

In the first place, the CNPI managed to send various teams to the United States and Europe on study trips (1956-1958) with the participation of 57 specialists and businessmen. This line of action was complemented by the technical exchange programmes with Europe which implemented two campaigns: one directed to food consultants (Denmark, German Federal Republic and France) and another related to the European teaching programmes on food (Sweden, Norway and Denmark). Additionally, there were campaigns on dissemination, publishing and contracting foreign specialists to train local executives.¹⁰ Secondly, the Madrid Chamber of Commerce, through its productivity office, collaborator of the CNPI, organised numerous cycles of conferences and courses on promoting self-services. This office was directed by Alvaro Ortiz de Zárate and the North American technician August W. Swentor, both becoming real promoters of self-service for the cities and villages of Spain in those years.¹¹ Simultaneously, an advice office was created, directed to businesses over the entire national territory and finally, in April 1958, an exhibition on self-service in Spain (including a pilot supermarket) came into being.¹² Thirdly, the Ministry of Commerce, through the CAT, installed a public network of supermarkets throughout Spain “with

⁸ ACCM, Report on self-service in Spain, 1957-1960.

⁹ ACCM, Memoires of the CNPI, 1953-1956.

¹⁰ CNPI, La distribución de Alimentos en España, Madrid, 1959.

¹¹ A. Ortiz de Zárate was a collaborator of the US Secretary of State as an interpreter and assessor for technical Exchange trips from Spain to the USA (1956-1957); member of the Comisión Nacional de Productividad Industrial, CNPI, [National Commission of Industrial Productivity] and of the Chamber of Commerce of Madrid; founder of the Marketing Club of Madrid and general director of SPAR Española (1959-1970); FAO consultant for Africa and Latin America in the seventies and Director General of Mercajerez, 1981-1985 (interview Ortiz de Zárate, 2010). A.W. Swentor, the specialist in self-services and supermarkets, arrived in Spain in March 1957 as a member of the International Cooperation Administration (ICA), established in 1955 by the North American Department of State. He was sales director in Canada of the Atlantic & Pacific Tea Co., between 1952 and 1957 visited 12 European countries as an assessor of retail distribution and his works were published by the OEEC (CNPI, La distribución, Madrid, 1959. Interview with Ortiz de Zárate, 2010).

¹² ACCM, Report, 1957-1960 and CNPI, La distribución, Madrid, 1959.

the aim to stimulate private initiative and incite the transformation into traditional traders”.¹³

Some North American corporations collaborated with the institutions mentioned. Of note is the multinational National Cash Register (NCR), a firm specialised in the manufacture and distribution of teams to sell to retail and the finance industry. These were the promoters of the NARGUS films, directed to retail sales training courses (translated into Spanish).¹⁴ The corporation supported a specialised school in the Central of NCR in Dayton (Ohio), which became an international reference point on the models of the development of self-service and supermarkets (Bowlby 2000, Alexander, Shaw et al. 2005). Spanish technicians, familiarised with the NCR’s teaching resources, had the chance for contact in Germany which was then considered the international “authority” on the subjects of self-service and supermarkets. This was the Columbian Bernardo Trujillo, who worked in Dayton and who in 1958 ended up teaching a course in Germany.¹⁵

The second current which eliminated such a restrictive cultural and institutional frame was the influence of European retailing. The pioneer of this trend was the arrival in 1959 of a foreign voluntary grocery wholesaler like the Dutch Spar. This was the first entrance of a European group and Spanish businessmen’s first contact of food distribution with European businesses (Maixé-Altés 2009). The arrival of Spar must not be interpreted as an FDI, but rather a transfer of knowledge. In fact, foreign capital was not interested in the Spanish market until the seventies, with the exception of some attempts by French capital in the sixties as we will see later on (Castro 2010, Maixé-Altés 2009).

The process which Spar followed in Spain is a paradigm of the situation in countries which were very far behind as regards the food trade. The Spar movement was very well received by a group of Spanish businessmen from the distribution sector. Some of the members of this group were linked to the CNPI’s initiatives and the visits to Europe, where they had their first contacts with representatives from Spar Europe. Thus Spar Española SA was born, integrated by Spanish partners which in 1960 already had 31 distribution centres which served 2,227 retail establishments and 70 per cent of Spanish

¹³ ACCM, Report, 1957-1960. Between 1958 and 1959, eight supermarkets were set up in the large cities. In 1970, these were present in 14 cities with a total of 20 establishments (CAT, Guía nacional de establecimientos de autoservicios de alimentación, Valladolid, 1971).

¹⁴ Interview Ortiz de Zarate, 2010.

¹⁵ Ibid. CNPI, La distribución de Alimentos, 1959 and (Castro 2010).

territory (Maixé-Altés 2009).¹⁶ The reasons why these businessmen got excited over this franchise was because they considered it a tool within reach of many small and medium-sized businesses, short of capital, but very aware of the necessary modernisation of the Spanish food distribution and the business opportunities it offered. During this stage, they were the most effective tool in transferring knowledge to the business sector, especially due to the huge capacity for technical and professional training which its collaborative structures could offer their associates (Maixé-Altés 2009).

A third current which could be considered as the most widespread was the presence of some Cuban businessmen, exiled after the Castro revolution and some Mexican family firms who extended their business to Spain. These emigrants knew the North American model very well (Moreno Lázaro 2012). Amongst Cuban repatriates, Cesar Rodríguez, José Fernández and Ramón Areces stand out, being key men in the development of two important department store chains: Galerías Preciados and El Corte Inglés (Toboso 2001, Toboso 2007, Cuartas 2005). Another familiar Spanish-Cuban group which returned to Spain after the Castro revolution was the creator of SIMAGO, the main chain of popular department stores of the sixties and seventies (José M. Mayorga, his cousin Valeriano López and both their wives, the Waddington sisters), (Castro 2010). Also some Mexican businessmen of Spanish origin who settled in Spain in the sixties: Jaime Jorba (Bimbo) and Plácido Arango (Aurreá Supermarkets), (Moreno Lázaro 2012, Moreno 2010, Maixé-Altés 2009).

Without doubt, all these influential currents had a positive impact on such a collapsed sector as Spanish distribution. The increase in the income per capita between 1960 and 1975, which between 1970 and 1975 had rate growths above the average of the developed countries of the previous decade, was another factor of economic dynamism (although the gross added value of commerce grew at a lower rate).¹⁷ Nevertheless, the change processes were very slow. On governmental request, it was insisted that Spain become a mixed economy, in which the public sector played a fundamental role. However public initiatives were guided by criteria which were more interventionist than dynamic and, in many cases, private initiative lacked the necessary push. The *Dirección General de Comercio Interior* [General Department of Internal

¹⁶ The voluntary chains were organised by independent retail and wholesale businessmen who worked together like partners.

¹⁷ Contabilidad Nacional Española, INE, base 1970, Ministry of Trade and Tourism, General report, 1978 and OECD Statistics.

Commerce], created in 1957, overlapped its functions and skills with the CAT. The result was the new general department had minimum advocacy in the rationalisation of commerce.¹⁸ Something similar occurred with the Law of Repression of Restrictive Practices of Competition of 1963 which created the Defence Court of Competition. Although it was inspired by articles 85 and 86 of the Treaty of Rome, its influence was marginal in a regulatory framework where there was so much intervention. The development of the legislation related to the Service of Discipline of the Market and competent autonomous bodies in price control merely contributed to increasing this regulatory web. All in all, an institutional tangle was generated which overlapped skills and hindered the actions of economic agents.

This combination of circumstances explained the slow expansion of the new techniques of self-service and the supermarket in the sixties and start of the seventies. Between 1957 and 1960, the first years when self-service was introduced, 51.4 per cent of establishments were promoted by corporate business (multiple retailers), 30.7 per cent by independent businessmen and 17.8 per cent by consumer cooperatives.¹⁹ In total, 217 self-service establishments were opened, almost all between 1959 and 1960.²⁰ In the first half of the sixties, on average 282 new self-service establishments were created a year, 797 in the second half of the decade and in the first half of the seventies, the annual average grew to 1,011 establishments a year.²¹

As the 1960s advanced, the leadership in creating new establishments was in the hands of the voluntary chains (Spar, Végé, CENTRA and Vivo) which due to their characteristics as a franchise, spanned the entire territory. In the first half of the seventies, there were presumably over two hundred central wholesale distributors, a sales surface which exceeded 600,000 square metres and about 62,000 associated retailers. In the field of cooperatives, at that time there were 88 institutions with approximately 12,000 associated retailers, although only four of these had over 400 associates (IRESCO 1977, p. 48).

In turn, there were many multiple retailers at the start of the decade but they still maintained a very local character with little protection in larger markets (Maixé-Altés 2009), the only exceptions being SIMAGO and the chains of department stores (Castro 2010, Gómez Mendoza 1984). The case of SIMAGO deserves special attention for two

¹⁸ CNPI, Memorias. CNPI, La distribución, 1959.

¹⁹ ACCM, Report, 1957-1960.

²⁰ Ibid. Ministerio de Comercio, Guía nacional de autoservicios de alimentación, 1974 and 1983.

²¹ Ministerio de Comercio, Guía nacional de autoservicios de alimentación, 1974.

reasons: it was the first chain of popular stores at national reach which introduced a supermarket in its establishments and, moreover, it soon became the bridgehead of investments of French capital in Spanish distribution (Castro 2010, Castro 2011). In 1963, three years after its creation, it had four establishments, some 3,500 square metres of sales surface (branches in Madrid, Santander, Oviedo and Gijón) and obvious problems of management.²² José M. Mayorga, president of the chain, chose to ask advice from a European leader of popular stores, the PRISUNIC chain (Caracalla, 1989). The response was very positive and collaboration was implemented through a subsidiary of PRISUNIC, the consultancy firm Paul Planus. Jean Pierre Dollberg, consultant and advisor of the subsidiary of PRISUNIC, after a few months of study and faced with the company's delicate financial situation, proposed a shock plan to get the accounts into shape and rationalise relations with the clients and suppliers of SIMAGO.²³ In June 1963, the agreement between both parties was produced therefore French capital came into the company and French managers took charge of the strategic control of SIMAGO (Castro, 2010).²⁴

The new managers had to resort to all their experience in the sector to ensure the project was successful. In the words of Dollberg himself, "Knowing the future is terribly useful, we have saved a lot of time".²⁵ In fact, his team reached the conclusion that the Spanish market was some ten or fifteen years behind the French one. They once again experienced a step previously experienced by PRISUNIC in France, although it was exasperated by the particular idiosyncrasy of Spanish retail.

The strategy followed by the new management team was the diversification and application of marketing techniques which were little known in Spain. The new group was made up of eight firms which spanned a wide range of activities.²⁶ Its establishments had an average sales surface of 1,000 square metres and were divided in equal parts between bazaar and food, with some 1,500 references which maximised the brands themselves (SIMAGO and TAURO).²⁷ Using techniques which had already been experienced in France, "everyone under the same roof", the group introduced a *soft discount*, strengthening its support for fresh products. The strategic turn was a success:

²² *Libre Service Actualités* (henceforth LSA) nº 470 (22 November 1973).

²³ LSA nº 470 (22 November 1973). Interview with Pierre Dollberg.

²⁴ Fondo Banco Urquijo (FBU) [Urquijo Bank Archive], SIMAGO Annual report (1963).

²⁵ LSA nº 470 (22 November 1973).

²⁶ SIMAGO, *Grandes Almacenes Populares* (GAPSA), PRISUMA, SICOMI, Restaurantes Técnicos, OGAMIS y HOGARAMA, Toboso (2002).

²⁷ FBU, SIMAGO Annual report (1974).

SIMAGO went from a 3,500 m² sales surface in 1963 to almost 150,000 ten years later.

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General statistics show that the retailing revolution had still not reached Spain when French hypermarkets arrived at the start of the seventies. Only 19 per cent of food establishments could be considered as self-services (DYM-PANEL 1973-1993). Within this category, 8,722 establishments were included, of which 78.5 per cent were self-services (120 to 400 square metres) and 3 per cent supermarkets (over 400 square metres). All in all, at the start of the decade there were 7,300 inhabitants per self-service, a ratio which was still a long way from the European average (CAT 1971).

In conclusion, this data shows the strong lack of infrastructure and equipment of Spanish distribution. An intense small holding persisted in commercial establishments. The average number of persons employed by wholesale establishment was 3.68, significantly lower than in Europe (in France it was 8 people), while in retail establishments it was 2 employees, compared to 2.9 employees on average in France. Finally, commercial infrastructures did not adapt to the requirements of a modern business, as 70 per cent of commercial premises were over ten years old and 41 per cent were over 40 years old. (IRESCO 1978: 178-179, IRESCO 1983).

3. FDI, a catalyst for Spanish Food Retailing in the 1970's

The arrival in Spain of the first FDI at the hand of French hypermarkets in the early years of the 1970's found itself in a regulatory desert. There was no specific regulation which gave them legal security and, even worse, was that criteria related to land management were not considered in legislation nor were the functional characteristics of commercial equipment of collective use.²⁹

During the second half of the seventies, in a context of intense institutional change caused by the arrival of democracy, the first steps were taken towards planning the domestic market although results were scarce. Decree 300/1978 designed a new framework for the management of commerce and the domestic market, accompanied by autonomous bodies such as the Institute for the Reform of Commercial Structures (IRESCO in its Spanish abbreviation) and the National Institute of Consumption. A reform, without doubt with good intentions but which did not adapt to the rapid changes which were occurring in the sector: the arrival of the FDI, territorial opening of the

²⁸ LSA nº 1036 (12 September 1986).

²⁹ Ministry of Trade and Tourism, General report, June 1978.

multiple retailers and expansion and diversification of the department stores. The circumstances derived from the economic crisis conditioned the regulatory processes of the end of the seventies and most of the eighties. As a sample, we just need to quote that the Spanish domestic market at the start of the eighties was subject to the application of contingents, both products and factors of production (Barceló Vila 1981).

The institutional conditions of the Spanish market implied certain advantages for new stores given that unlike most European countries, there were no restrictions to opening new establishments. French capital was aware it had to hurry up before the legislation became more restrictive. In the words of Dennis Defforey, co-founder of the French group Carrefour: “[...] stupidity is contagious”. He was clearly thinking about the consequences that 1973 French commercial legislation had for his shops.³⁰ The presence of French capital in SIMAGO since 1963 had established the basis for French investors to be able to consider new projects at the start of the 1970’s, such as the incorporation of the concept of the French hypermarket in Spain. SIMAGO looked for French partners for this adventure: PRISUNIC and Euromarché which brought their know-how into the store. Later on, one of the greats of French and European distribution, Carrefour, incorporated itself into the Spanish market via a series of strategic alliances (Castro 2010).

On 19 July 1973, the first hypermarket opened up in Spain in the locality of Prat de Llobregat, very near Barcelona, next to the motorway of the Mediterranean (access road of French tourism to the Spanish coast).³¹ Confirming forecasts, half of the clients were tourists in the first four months of opening of the new hipermarket. In October, the first Carrefour of the country opened up its doors, half a kilometre away from the first hypermarket, also very near the motorway. The entrance of the hypermarket promoted by SIMAGO precipitated Carrefour’s strategic decision, also interested in a market which was unedited like the Spanish one.³² It called attention to the fact that the entirety of the middle and top executives of the new centre were French.³³

After the first months, the activity of both surfaces declined and sales developed below expectations as a consequence of the accumulation of strategic errors (Lhermie

³⁰ LSA nº 666 (21 April 1978): interview with Dennis Defforey on the results of the process of the internationalisation of Carrefour.

³¹ *Distribución Actualidad (DA)* nº 43 (September).

³² LSA nº 534 (24 April 1975).

³³ LSA nº 487 (4 April 1974).

2003, 35).³⁴ Obviously, the economic crisis, accompanied by considerable peaks of inflation did not help. However there was rashness as Marcel Fournier revealed with Carrefour.³⁵ Market studies and clientele analysis were over optimistic. Carrefour tried to satisfy its popular classes. Nevertheless, in Spain in the seventies, the real clientele belonged to the upper middle class, a segment with access to motor cars and who were not willing to make purchases in warehouses (Sordet, Wantz 2005, 44). Spain was not a market which was as easy as French operators supposed. Effectively, there was no competition in the sector of hypermarkets but the culture of large surfaces did not exist and, moreover, in food distribution, competitors started to grow in modern formats of proximity. All in all, the capacity of Spanish clientele to adapt to the new current, including in Catalonia, had been over-estimated. There, presumably, its higher level of income should have been greater. Despite this, the agents implied were convinced of the future potential of the projects.³⁶ In fact, between 1973 and 1976, seventeen projects of hypermarkets were activated, mainly located on the coast and supported by the Mediterranean motorways of which only ten were completed (See Table 2).³⁷

Table 2. Evolution of the openings of French hypermarkets in Spain, 1973- 2006

Period	Phase	nº of openings	total nº of hypermarkets	Openings per year
1973- 1976	Introduction	10	10	3.3
1976- 1986	Generalisation	37	47	3.7
1986- 1996	Maximum expansion	91	138	9.1
1996- 2006	Saturation	55	194	5.5

Source: Anuario de la Distribución, various editions. Castro (2010).

In those years, Carrefour consolidated the objectives that, as a group, they had established previously in France: decentralisation and self-financing. Decentralisation involved each hypermarket, from the sections to the providers. This philosophy extended to the suppliers' wage, they had to deliver the goods to centres and wait to be paid. The idiosyncrasies of pay to providers in Spain, 120 day payment terms, favoured the short term financing of the hypermarkets. Less than 15 per cent of the cost of the 11

³⁴ DA nº14 (January 1976). See (Castro 2010).

³⁵ LSA nº 534 (24 April 1975), interview with Marcel Fournier.

³⁶ LSA nº 666 (21 April 1978). Interview with Dennis Defforey on the process of internationalisation of Carrefour in Spain and Brazil.

³⁷ Archives of the French Chamber of Commerce of Madrid, monthly bulletins various editions, 1973-1976).

new hypermarkets opened by Carrefour was financed by banking credit.³⁸ Finally, to hispanicise the brand, the management of the holding company created a new brand, PRICA (an acronym of *Precio y Calidad* [Price and Quality]), taking up again the name of a chain of supermarkets of the sixties.³⁹

In 1976, another great name of French distribution arrived: Promodès. The French holding company carried out a detailed study of the market, based on prudence and knowledge of errors committed previously by its competitors (Castro 2010). Thus the first *Continente* hypermarket of the group in Alfafar (Valencia) was born. Its offer was directed to clientele with a high level of income. The results were stable and with less seasonality than its Carrefour predecessors.⁴⁰ Its expansion policy was articulated on the urban nuclei of the Mediterranean coast and the access to the provincial capitals of the inner peninsular (Sordet, Wantz 2005, 46), as well as committing to a multi-formed culture from the nearest supermarket to the hypermarket.⁴¹

In this sense, Promodès' policy in France had been the soft-discount (Shopi, Banco or huitàhuit). Nevertheless, Paul-Louis Halley, the president of Promodès, wanted to apply in Spain the German hard-discount, based on a single brand offer and prices up to 30 per cent below average (Sainz de Vicuña, Jose María 2001, 250). In 1979, the first DIA supermarket opened in Madrid, the result being a hybrid between the soft and hard-discount: a smaller discount and an assortment of well-known brands in the market, but not over extensive (Sordet 1997, 286). A suitable franchising policy favoured the expansion of the political model, a policy which did not end there, as Promodès understood that the way to do business in Spain needed more diversification. Hence the *Promotora de Centros Comerciales Centros Shopping* came about in 1978, the creator of the first Spanish malls. Its impact was fundamental for the construction of the country's first official commercial centre: Baricentro, which opened its doors in Barberá del Vallés (some 15 kilometres North of Barcelona), in April 1980.⁴²

This first advance in international investment in Spanish retail was characterised by some peculiarities. On one hand, the absence of regulation in the domestic market which favoured entry (despite the fact that the inexistence of some clear rules made

³⁸ PV nº 248 (1 June 1983), interview with Dennis Defforey.

³⁹ LSA nº 779 (21 November 1980) and FBU, annual memoires PRYCA Supermarkets (1964- 1967).

⁴⁰ LSA nº 1236 (20 December 1990): Interview with Alfonso Merry del Val, Director General of Promodès España.

⁴¹ LSA nº 1087 (23 October 1987): Interview with Alfonso Merry del Val.

⁴² LSA nº 753 (11 April 1980).

access difficult). These circumstances set certain differences with other cases in Europe (see Morris 1999, Shaw, Alexander et al. 2000). On the other hand, the movement of capital between France and Spain was affected by the regulatory conditions of the country of origin. In fact in 1973, the Loi Royer [Royer Act] was promulgated in France (17 December) with the aid to put a halt to the expansion of hypermarkets and protect traditional commerce. This was one of the reasons for the international exit of the greats of French distribution (Castro 2010).⁴³ Consequently, this first stage of the FDI in Spain had substantial importance on the regulatory conditions on both sides of the investment movement (see Klopstock 1973, Cho 1985). These diverging conditions (regulatory excess in France and by default in this first stage in Spain) had fed the receptivity of the Spanish market just as (Tschoegl 1987) mentioned, that is they favoured their level of opening up to French capital. A final aspect to consider is the premature aspect of this movement, which was ahead of what was usually called second globalisation. Factors of proximity, prior knowledge of the market and regulatory pressure meant that French investment was ahead of the rest of international investment in Spanish retail.

4. Global models and growth from the 1980s to the new century

The arrival of French hypermarkets had meant a strong and salutary lesson for Spanish distribution which accelerated its modernisation. Between 1980 and 1981, Spanish capital entered as did a new French competitor in the sector of hypermarkets. In October 1980, the first Hipercor was inaugurated in Seville, promoted by El Corte Inglés, the Spanish chain of department stores which was founded in 1940. Likewise the Basque cooperative group Eroski (created in 1969), started to diversify its activity as a multiple retailer, opening its first hypermarket in 1981 in Vitoria (Cuesta Valiño 2005, Maixé-Altés 2009). Both collated all the teaching of the French pioneers. Finally in February of that same year, Gérard Mulliez's group created the first Spanish *Auchan* in the industrial area of Utebo in Zaragoza, jumping on the bandwagon as General Motors were settling in the region.⁴⁴ The new establishments hispanicised their banner under the name of Alcampo, developing a policy as a family business which was different from other competitors: diversification and hispanicisation of the offer (Gobin 2006).⁴⁵

⁴³ PV, nº 224 (1 December 1981). LSA nº 470 (22 November 1973), interview with J.P. Dollberg.

⁴⁴ LSA nº 792 (13 March 1981).

⁴⁵ DA nº 199 (October 1992).

The panorama of Spanish retail at around the time of Spain's entry into the EEC (January 1986) was quickly changing. As a report of the French embassy in Madrid stated, although the Spanish market presented difficulties to French distribution companies, Spain's imminent entry into the EEC would change the rules of the game.⁴⁶ To start, the number of competitors increased and the multiple Spanish retailers began their regional and extra-regional expansion. The economic growth of the eighties and nineties was accompanied by the increase in the urban population and the rate of feminine activity which, along with other variables, favoured the spread of modern large distribution.⁴⁷ The powerful development of mass consumption which was generated in Spanish economy was not directed exclusively to hypermarkets. The greatest market share belonged to the supermarket format. Between 1980 and 1995, they practically doubled their sales quotas every five years (Maixé-Altés 2009). This trend was only comparable with Italy in the whole of Europe. (See Table 3).

Table 3. Number of establishments in Europe from 1971-2001

	Self-services		Supermarkets				Hypermarkets			
	1971	1976	1971	1976	1990	2001	1971	1976	1990	2001
Germany *	86 398	72 887	2 009	4 484	8 000	9 110	729	693	996	2 370
Austria	6 924	8 889	-	229	-	6 727	-	21	-	296
Belgium	3 047	3 839	455	712	1 919	1 985	31	72	100	81
Denmark	804	1 054	280	559	944	1 375	-	17	49	98
Spain	4 638	8 725	138	313	2 500	10 323	-	5	102	314
France	21 727	25 243	1 444	2 876	7 050	5 412	115	305	849	1 197
UK	-	26 114	-	5 890	1 950	6 232	-	124	644	345
Holland	8 672	8 390	520	1 417	2 050	4 257	14	29	40	52
Italy	1 490	19 825	532	945	3 370	10 512	-	9	103	555
Norway	-	5 923	300	545	-	-	-	29	-	-
Sweden	8 542	7 851	1 238	1 442	-	3 305	15	35	-	90

Source: general report on domestic commerce in Spain, Ministry of Commerce and Tourism, IRESCO, August 1978 (Statistical annexe n° 35). Eurostat (1993). Euromonitor (2002)

* Federal Germany before 1990

The arrival of European Economic Space determined a new stage of growth which demanded new capital for financing expansion. In the case of PRYCA and Promodès, their source of financing was their entrance onto the stock exchange. Alcampo did not resort to the stock exchange, being influenced by its corporate culture. The Auchan group took advantage of the current which was generating the opening of the new

⁴⁶ *La Documentation Française*, Dossier Espagne- Grande Distribution (ES/L/0049): "Analyse de la distribution espagnole en 1985". [Analysis of Spanish distribution in 1985]

⁴⁷ Instituto Nacional de Estadística, [National Institute of Statistics] 1986-1996.

shopping centres, the third generation of commercial centres, to become one of the main instigators of the arrival of category killers in Spain (Leroy Merlin, Decathlon).⁴⁸ The new formats, accompanied by new plans of urbanism, were part of extensive processes of diversification.

In 1994, a new exogenous factor, attributed to the FDI, changed the corporate method: the arrival of the German hard-discount. Between 1994 and 1995, the German groups Tengelmann (Plus Supermarket), Lidl and Rewe (Penny Market) disembarked in Spain, all with a powerful growth strategy which impacted the structural collapse of the Spanish market, which, from the appearance of modern formats, had not cultivated the hard-discount.⁴⁹ Lidl was the most active group; in under two years it installed over 200 establishments. Tengelmann followed with over 80 in the same period. From here on, this extended like an oil slick. (Cuesta Valiño 2005).

Although the penetration of the new format in the market was not as revolutionary as its competitors had anticipated, it certainly whet the interest of traditional business and trade⁵⁰. For the very first time, the Spanish market started to show signs of saturation. On one hand, the retail market incorporated increasingly global competitors and on the other, the regulatory frame became more restrictive.

Due to the growing pressure of traditional commerce, (especially in Catalonia), a national Act was passed which regulated retail trade (Act 7/1996, 15 January), similar to the French Royer Act of 1973. Alongside this Act, Organic Act 2/1996 came into force, largely maintaining the tradition prior to 1996, which had left the regulation of retail trade in the hands of its regional governments in their areas of influence. The result was not very homogenous legislation at national market level when compared to the retail sector. It implicitly favoured supermarkets as it placed the limit of “large surfaces” at 2,500 square metres (Table 3). Consequently, the regulatory turnaround which, for the first time, set up guidelines on the retail trade, meant that growth strategies in the Spanish market were directed towards mergers and acquisitions.

⁴⁸ LSA nº 1325 (5 November 1992).

⁴⁹ *El País* (29 September 2005), special German distribution.

⁵⁰ Interview with Javier Campo, Madrid, 25 March 2010. Javier Campo was the Director General of DIA from 1985 to 2007.

Table 4. Corporate movements of the eight large distribution companies in Spain, 1996-2002.

Main company	Invoicing (millions €)*	Number of businesses affected	Businesses affected
CARREFOUR	7 821.0	656	SIMAGO, Ecovol, Pryca, Continente and Promodès. Super Descuento (Dairy Farm), Superstop. Supermercados Super-Maxor (Comptoirs Modernes).
MERCADONA	139.5	110	Superama, Almacenes Paquer, Supermercats Vilaró, Almacenes Gómez Serrano, Covalco
EROSKI	829.6	476	Syp, Vegonsa, S. de la Fuente, Unide, Cenco, Aundía, Disbor, Bide Onera, SA Supera (Unide), Carrefour (Terrassa, S. Cugat, Ageciras, Cartagena, Murcia, Badajoz, Palencia, Guipuzcoa, Vizcaya)
ALCAMPO	586.2	98	Sabeco, Pao de Açucar, Docks de France, Jumbo, Expreso y Carrefour. Soc. Hispánica de Desarrollo, Carrefour (Madrid, Barcelona)
AHOLD	531.2	633	Dialco, Dumaya, Longinos Velasco, Supermercados Guerrero, Kampio Market, Punta de la Plata, Las Postas de Calahonda, Nieves y Trassiera, J. Hidalgo, Superdiplo (Grupo), Seyca SA, Mantequeras Varela, Kampio, Cemento SI, Saunisa-Uniford, Cemetro, Majusa, Saunisa-Unifor, Comercial Ecomar, Castillo del Barrio
EL CORTE INGLES - HIPERCOR	NA	** 21 hypermarkets	Supercor, Carrefour (Aviles, Burgos, Valladolid, Sevilla, Málaga, Cordoba, Oviedo), Marks and Spencer
CAPRABO	197.8	217	Supermercados Gigante, J. Verdés, Alfaro, Pedro Ramon, Cooperativa 70, Enaco, Hnos. Jorro, Tengelman, Miquel-Superavui, Miquel-Zero, Santarem, Super Volcan, Alonso Alarcon, Unidiez, Zaralbir

Sources: Personally taken from *LSA*, *PV* and *DA* (various editions) and Cuesta Valiño (2005).

* Invoicing estimated for the cases of total absorption by the company

** Includes supermarkets in service stations (REPSOL)

Table 4 shows the force of the movements of concentration in the sector of distribution. Just like what was happening in other sectors of Spanish economic activity, commercial distribution companies' response to the changes in the markets was directed towards a larger strategy. This increase was characterised by a greater recourse to external means of growth (Cruz Roche 1999, 44). In 1992, the first thousand companies invoiced almost 24,000 million euros. Five years later this invoicing volume was in the hands of the top 25 companies of the sector. However, concentration had still not yet reached the levels of 2005, a year when 66.1 per cent of invoicing was controlled by eleven distribution groups or, in other words, five companies controlled half of the

market.⁵¹ On the other hand, in those years when the number of Spanish companies amongst the large ones was falling, French distribution continued to have a huge weight, not just in Spain but also in Europe. Nor was the access of new multinationals (such as Leader Price and Royal Ahold) into the Spanish market by any means negligible. However, the processes of concentration were more advanced in Europe. Without doubt, one of the most significant ones with repercussions in Spain was the Carrefour-Promodès merger in 1999. Corporate movements in Great Britain, Germany, Switzerland and the Netherlands resulted in lost positioning in the ranking of some Spanish companies.⁵²

The widening and extension of markets and the evolution of food consumption had profound implications on the structure of the chains of distribution at the end of the century⁵³. The factors which contributed to this evolution were the rise of concentration and business internationalisation, the increase of horizontal competition and finally the rise of vertical competition. The first aspect caused the disappearance of most traditional food wholesalers as a consequence of the integration of wholesale functions in retail companies. Secondly, the development of horizontal competition occurred as a result of a business policy which had more impact on the differentiation of services than on the final price. Finally, vertical competition had continued to grow in the intermediary distribution markets where large-sized distributors had a high negotiation power towards manufacturers and suppliers⁵⁴.

All in all, it was the process of concentration which stood out most in this final period of Spanish food distribution before the recession of 2008. If we analyse the concentration of packaged product distribution using Nielsen's all commodities value (ACV), we get interesting results (see Figure 2)⁵⁵. This data highlights the notable growth of concentration, duplicating the concentration rate both for the fourth and the eighth largest distribution companies. In a certain way, Spain was close to the European average, although it continued to show strong disparity in this sense as in 2001 the

⁵¹ *LSA, PV and DA* (various editions).

⁵² *AD*, various editions.

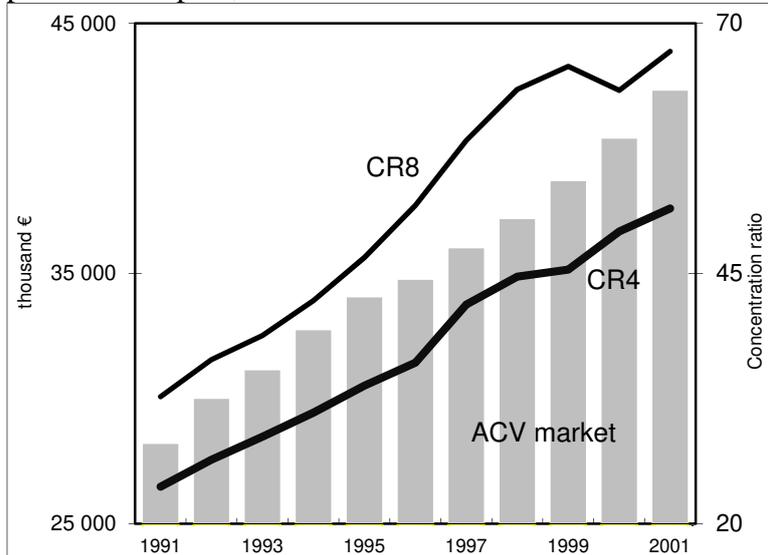
⁵³ For commercial distribution, increasing demand in the last years of the decade of the nineties meant repositioning on the part of its ranges, basically products with greater added value and increased extra domestic spending on food (hotel trade, the restaurant industry and institutions), from *Estadística Agroalimentaria*, Madrid, Ministerio de Agricultura, Pesca y Alimentación, 1995-2006 [Food and Agriculture Statistics, Ministry of Agriculture, Fishing and Food].

⁵⁴ Méndez y Ouviaña, 2002.

⁵⁵ Fresh food products are excluded in this analysis, although in general lines the participation of the different formats in this sub-sector underwent an evolution which was relatively similar to that of packaged products (Cruz Roche et al., 2003).

concentration in the ACV market in Spain was 45.6 per cent (three large distribution companies), which placed it in front of Italy and Greece and behind Portugal, Ireland, Germany and the United Kingdom with a quota between 55 and 50 per cent. Sweden led with 95 per cent concentration⁵⁶.

Figure 2. Evolution of business concentration in the ACV market of high consumer products in Spain, 1991-2001



Note: ACV, *all commodity value*. CR4 and CR8 are concentration ratios, the fourth and eighth largest companies in the sector respectively.

Source: Nielsen.

Companies' policies differed from one another. However the backdrop was the depletion of a model based on the hypermarket. The most notorious case is that of Mercadona, the Valencian chain of supermarkets (Roig's family firm), which started its expansion at the end of the eighties. Favoured by the new legislation, it expanded throughout the whole of Spain until it became first in the supermarket sector, ahead of the large French chains and Eroski. This company developed an internal growth policy based on the opening of new establishments (it invested in large supermarkets and disinvested in hypermarkets) and also implemented a discount strategy with its own brands, good image, market knowledge and extreme control over its suppliers (Ton, Harrow 2012, Audicana Arcas 2002). However, other companies such as the Dutch Ahold, followed a very aggressive external growth policy, buying chains of establishments with high local implementation. In turn, the cooperative group Eroski had a growth strategy which combined internal and external growth via a policy of alliances with regional supermarket chains (Grandío, Maixé Altés 2008). Mercadona's progression impacted on Carrefour and Alcampo. Both groups imitated some strategies

⁵⁶ Nielsen directory.

of the native competition: they diversified and deepened their relationships with suppliers.

The concentration of commercial retail distribution was also protected by certain wholesale functions. Large retail companies followed two differentiated strategies on this matter. Multinationals such as Carrefour and Auchan, whose base was the hypermarket, integrated the functions of wholesalers, creating specialised companies which guaranteed supply at European level (for example, fresh fruit and vegetable products). Other companies (especially leaders in the supermarket sector) created “purchasing centres”. Thus purchases of companies associated to the centre were unified and other flows of communication (transport, warehousing and payment) were managed. Finally, there were only two independent purchasing centres: IFA and Euromadi.

Another factor of globalisation comes from the supranational character of European purchasing centres (Copernic, ALIDIS, Carrefour, Metro, Tesco, Schwartz Group, Auchan, IRTS and Ahold). The two leading centres, Copernic and ALIDIS, with over 100 and 80 million euros invoiced respectively in 2007,⁵⁷ were alliances which were conceived in the middle of the first decade of the present century. Copernic, with its headquarters in Brussels, is a group of groups. It was created in 2006, joined to five large independent distributors of European food, four of these companies being cooperative companies which represent small retail organisations⁵⁸. In turn, ALIDIS, the alliance formed by the Spanish cooperative Eroski, the French group Les Mousquetaires and Edeka (Germany), acted as a European purchasing centre. These new centres were constituted vertically and enjoyed autonomy in their procurement decisions from members of the alliance.

Therefore Spanish distribution does not escape the two phenomena which most affect Western economies: concentration and globalisation. Although we have to insist, there is still a long way to go both in terms of concentration and in the access to external markets, Spanish companies have only made relative advances. Spanish companies do not seem to opt for internationalisation. Only the Corte Inglés sketched out an entrance process in Portugal and Eroski in France when in 2006 it already had 4 hypermarkets, 18 supermarkets and 17 petrol stations (and that very year it invested 14 million euros in

⁵⁷ Nielsen and Alimarket.

⁵⁸ The Alliance is made up of Colruyt, Belgium; CONAD, Italy; Coop, Switzerland; E. Leclerc, France and REWE Group, Germany.

a new hypermarket). Although in this case, the entry into the French market is the result of its intervention in a French cooperative in trouble, without having had protection. In turn the Galician Gadis and Froiz took advantage of the proximity and natural bias of Galicia towards the northern region of Portugal to start their penetration in this market. Mercadona and Coviran also showed a similar interest.⁵⁹ In this sense, the internationalisation of the food distribution companies were not as clear as in textiles where Spanish firms such as Inditex, Cortefiel or Mango managed to situate themselves in the main European cities. Without a doubt, the paradigmatic case is the expansion of the Galician Inditex over five continents.

5. Conclusions

Studying the Spanish market over its fifty year history has provided a solvent framework for seeking factors which have contributed to the structural change in food trade markets in peripheral Europe. Moreover, this had led to inedited factors which contributed to better understanding the processes of sectorial modernisation on the entire continent. The starting hypothesis is based on the fact that the modernisation of the sector was done in terms of appropriation (organisational and technological) of foreign innovations. This implies the progressive participation of native agents in the diffusion processes of these innovations. The introduction of these factors of modernisation in backwards peripheral markets sustained itself on three pillars: the economic frame, the institutional framework and the foreign influence. These are the factors which permitted varying the receptivity of Spanish food distribution (that is, its level of opening as a recipient economy).

The most obvious factor is the actual evolution of the Spanish economy. The moments of greater expansion were accompanied by a growth in income per capita. These conditions favoured the expansion of the country's commercial fabric in volume and diversity. In fact, until the "economic miracle" of the sixties, self-services did not come about in Spanish cities. Likewise, it was the entry into the EEC which favoured the development of French hypermarkets on Spanish ground and their evolution towards retail parks.

The institutional framework and foreign influence played a role which amplified or reduced the effects of economic growth on Spanish distribution. Sometimes they acted

⁵⁹ Alimarket and AD, various editions.

as rivals and others, were complementary, depending on the political and economic circumstances. The state supplied or put a brake on the permeability to foreign currents in the different situations, creating favourable institutions in the first case or accentuating their interventionist policies in the second.

The subjects which have been put forward suggest that the institutional framework was more of a hindrance than a stimulus in the modernisation of the sector. Foreign influence was a form of modernisation which underwent a serious impact due to the third protagonist of this history. Very soon, foreign agents, who were not always investors, ended up being attracted by a market of over thirty million similar consumers in cultural terms. From the sixties, companies such as SPAR or SIMAGO, at the beginning or Carrefour and Continente, later on, positioned themselves for the Spanish market. The market was less docile than estimated by foreign agents, both due to the presence of archaic commercial structures and native competition. Foreign presence grew at the same time as the Spanish market. Progressively more capital was incorporated, starting from its testimonial presence in the sixties and seventies until the large scale arrival at the end of the century.

This paper shows that foreign companies were the first vehicle of modernisation of Spanish commercial structures. Moreover they favoured the later insertion of these structures in a global market (in logistical rather than commercial terms). Spanish competition learned from these foreign influences, and even surpassed them although Spanish food retailing had still not considered internationalisation as a viable strategy.

From a theoretical point of view, the market receptivity of peripheral countries with a traditional commercial framework is inversely proportional to the development of local competitors. In fact, despite the fact that the institutional framework did not always help Spanish commercial development, the FDI certainly did not seem to have problems settling in the country. However, once local competition developed, the market widened and competition grew. The case of Mercadona, whose growth was due to the legislation in the mid nineties, is probably the most significant. Additionally, we had verified theories on the modernisation of the commercial framework via appropriation. The Spanish case, comparable to other cases of peripheral Mediterranean countries, is an example of how the host country “borrowed” these influences and made them its own, creating hybrids which are more suitable to its own market. The cases of small chains such as DIA or Mercadona are paradigmatic.

The deep and enhanced outline presented here can help us learn about the endogenous and exogenous processes which contributed to the modernisation of food distribution in Mediterranean Europe. The comparative analysis of other countries like Italy whose food distribution also took a while to modernise itself or processes which were even more behind like the Portuguese or Greek, can provide more conclusions.

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