Space for growth? An investigation into the saturation of the convenience store market in the LS postcode.

Name: Rosie Jamieson
Student ID: 200756650

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Mentor: Prof. Martin Clarke

(Source: BBC, 2014)

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Abstract

The "cut-throat" UK grocery market has rapidly expanded in the past decade, with many retailers rapidly increasing their offerings within the convenience market (BBC, 2016). In June 2016, the Local Data Company published a report suggesting that the UK convenience market is nearing saturation point, despite its continual growth. The primary aim of the study is to investigate the extent to which this claimed saturation is present across the LS postcode around the city of Leeds, West Yorkshire, accounting for trends from the entire UK market. There has been a lack of recent investigation into the saturation of the market, and it is apparent that the complex and diverse nature of the UK grocery market make it challenging to assess. Due to the inadequacy of research into the current status of the market, the study adopts a range of spatial and statistical techniques in order to examine the current position of the convenience market. The study enhances a particular focus on the store locations across the LS postcode, along with the factors which have influenced the claimed saturation of the market. The research reveals that certain patterns within store locations can be impactful upon saturation levels. Within this investigation, the downfall of the convenience retailer 'M Local' is examined in depth in order to investigate store location with regard to saturation levels. Despite many areas nearing saturation point, the study found that there are many variations within floorspace levels across the LS postcode, and therefore there are areas which are still likely to experience sustained retail growth within the near future.

Key Words: retail – convenience – saturation – location – competition

Word Count: 9984

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Chapter 1- Introduction

1.1 – Background and Rationale

Following the claimed saturation of the UK grocery market in the early 1990s, many large grocery retailers (multiples) began to “aggressively” move into the convenience store (c-store) market (Wood et al, 2006, p.31). Since the 1990s, the UK Grocery market has experienced a significant change in structure. The retail market is extremely dynamic and fast paced, with the emergence of time-poor consumers resulting in the rise of c-stores to accommodate the demand for easy access to essential goods (Baron et al, 2001). People are increasingly carrying out ‘top-up shops’ within both c-stores and supermarkets, highlighting the requirement for growth of these stores to be sustained (Burt and Sparks 2003).

Retail saturation is an extremely relevant and pressing subject, however, there has been a distinct lack of recent academic research around this with regards to the current status of the grocery market (Wood and McCarthy, 2014). When results of a Local Data Company study on the convenience market were published in June 2016, shockwaves were sparked throughout the media, with many questioning if the market was beginning to near saturation point (Local Data Company, 2016; Marketing Sciences, 2016). The report analysed the “inconsistent” growth trends across the market, alluding to its unsteady nature (Local Data Company, 2016, p.5).

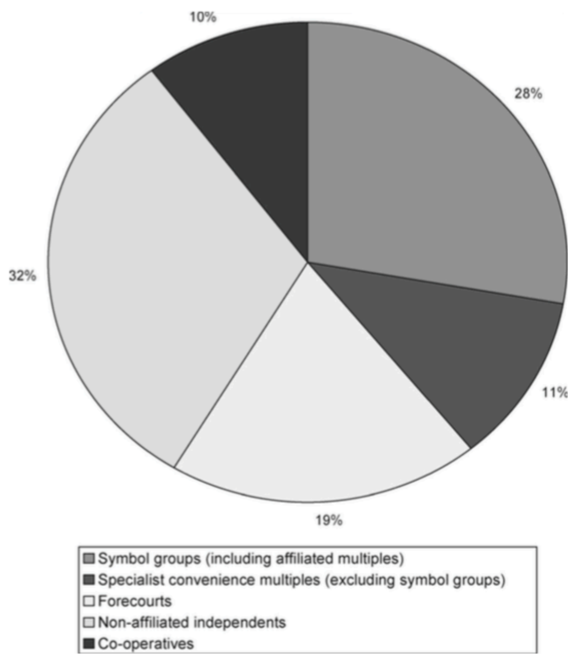
One of the main challenges faced by c-stores is the securing of optimal locations to fit their target market (Local Data Company, 2016). Location was a key factor resulting in the sale of M Local in 2015 and thus the subsequent closure of My Local in June 2016 (Marketing Sciences, 2016) and will be explored throughout. In general, location is more important than product range and price within the convenience market, hence the value of retailers choosing the correct locations.

The number of high quality sites are becoming increasingly difficult to find, resulting in new store openings causing an element of cannibalisation (IGD, 2016).

Geographers have widely regarded store location planning as a necessity within retailing (Beaumont, 1988). Many retailers find it difficult to manage large spatial growth, particularly when it comes to niche spatial marketing, therefore, it is vital that they plan their locations wisely (Birkin et al, 2002). Location is deemed to have a huge impact on competition between retailers, as often an increase in the amount of stores opening causes high levels of concentration within areas (Gonzalez-Benito et al, 2005). Store location planning became increasingly important during the rise of the convenience market, as many implications came with this market change (Wood and Browne, 2007 cited in Hood et al, 2016). Hood et al (2016) defined the four main locations for convenience stores as: city centres, transport interchanges, suburbs and rural locations.

Over time, the structure of the convenience market has started to change, due to the fierce competition between retailers. Large multiples quickly expanded into the convenience market, creating competition between small independent stores. This in turn has had a negative impact on symbol and independent retailers (Simms, 2007). Symbol retailers are independent retailers, who are members of a larger organisation, such as SPAR (IGD, 2012). The independent sector is declining, which can be seen through the fact that in 2003, it still held 32% of the convenience grocery market, as shown in Figure 1.1. Whereas, this was down to 19.4% in 2012 (IGD, 2016). It is apparent that due to the familiarity with and dominance of the multiple retailers, people are increasingly shopping with these retailers, as opposed to the independents.

Figure 1.1: UK Convenience store market share in 2003



(*Source: Mintel 2004, cited in Wood et al, 2006, p.32)*

1.2 – Aims and Objectives

The aims and objectives I will investigate are as follows:

Aims:

- To assess the recent claim that the UK convenience market is reaching saturation point by analysing saturation levels for convenience store retailers at a local level.
- To analyse the link between several geodemographic factors and the spatial variations of convenience stores across Leeds to provide an understanding of market saturation.
- To investigate the reasons behind the recent downfall of the convenience retailer M Local.

Objectives:

- To assess the existing literature and media on the current status of the convenience market.
- To complete spatial location mapping to analyse the locations of grocery stores (including supermarkets and c-stores) across Leeds.
- To carry out thematic mapping of geodemographic factors in the LS postcode to compare the effects on saturation levels.
- To devise and calculate an index of saturation using floorspace and expenditure data to analyse the saturation of the convenience market at different times of the day and to investigate the variations of this across the postcode area.
- To complete a correlation analysis to analyse the relationship between retail demand and several geodemographic factors.
- To identify areas within the study area for potential expansion of stores.

1.3 – Structure

The following chapter will critically review the literature surrounding the current status of the convenience market, acknowledging the factors which have contributed to its rise and sustained growth. Succeeding this, a review will be completed on retail saturation, whilst linking this to the convenience sector. Chapter 4 will discuss the methodological approaches used to explore the aims of this study. Following this, chapter 5 will analyse the saturation of the convenience market in Leeds by looking at the spatial variation of stores and thus saturation, whilst chapter 6 will explain the geodemographic factors which are closely linked to the saturation. Chapter 7 will use the case study of M Local to analyse the extent to which store locations resulted in the downfall of the retailer. These results will be interlinked with existing literature and will form the basis of chapter 8's conclusions.