

CHAPTER 6 – AN OVERVIEW OF MARKET STRUCTURE BASED UPON EXISTING SOURCES

The overview is structured around 12 tables. Its objective is to draw together an opening picture of some of the salient features of structure. In effect, it is the result of a trawl of existing studies; in that sense it is not original. However, the existing literature is extremely disparate in coverage, and variable in the quality of its estimates. In providing our own overview, therefore, we have exercised considerable judgement in selecting and reporting only those estimates which we judge to be reliable and not internally inconsistent. We have also attempted to provide a synthesis which is wider in scope than any existing survey of which we are aware. Nevertheless, various gaps are apparent, and some elements of structure clearly require a more systematic documentation. The next chapter will attempt to fill in some of those gaps.

6.1 Market size and the size of retail outlets (Tables 6.1-6.3)

There is a rich academic literature within industrial organisation which explores the relation between size of market, the number of selling outlets and the size of those outlets³³: this information can provide important insights into the nature of the underlying competitive process. In this particular context, there are two important dimensions.

- Over time, we know that there has been a continued decline in the number of retail food outlets in most, if not all, member states (e.g. Tordjman, 1994). This is apparently confirmed here by comparing columns 3 and 5 in Table 6.2. However, the two sources from which they are derived are clearly incompatible, and this provides a salutary example of how care must be taken in constructing internally consistent databases.³⁴ Across member states, there is obviously considerable variation. Table 6.1 reports the evidence at the aggregate level of all retailing, whilst Table 6.2 is confined to food retailing in particular.

33. Two recent (seminal) examples are Sutton (1991) and Bresnahan and Reiss (1991)

34. Even acknowledging that there has been a genuine contraction in the number of outlets between these years, the difference between these two sources in the total number of food outlets in the EU as a whole (400 thousand, as opposed to nearly 900 thousand) is incredible. Also, the different rankings for Germany between the two sources is disconcerting. This is a classic example of data inconsistencies and questions of reliability. Existing sources report wildly differing estimates of both the numbers of retail food outlets and the aggregate turnover of retailers in each member state. This derives from (i) familiar difficulties in defining small scale establishments, (ii) ambiguities in measuring turnover from food retailing, as opposed to the turnover of shops selling (amongst other things) food. In general, the data appear to be more reliable at the aggregate retail level.

Table 6.1: Size of the market across the member states

	per capita GNP (\$000) 1995	population 1995 (mn)	Number of retail outlets (000)	inhabitants per outlet	Retail sales (Ecu bn)	Retail sales per outlet (Ecu 000)
Germany	27.5	81.9	415.3	196	373	898
France	25.0	58.1	343.4	169	292	850
UK	18.7	58.6	289.9	202	233	803
Italy	19.0	57.3	627.2	91	311	496
Spain	13.6	39.3	440.2	89	89	202
Netherlands	24.0	15.4	123.3	125	61	494
Belgium/Lux	25.7	10.6	110	92	33	300
Greece	8.2	10.4	170.7	61	25	147
Portugal	9.7	9.9	130.4	76	26	200
Sweden	23.8	8.8	52.8	167	29	547
Austria	26.9	8.1	37.7	214	31	822
Denmark	29.9	5.2	40.9	128	28	684
Finland	20.6	5.1	31.7	162	22	694
Ireland	14.7	3.6	35.9	101	12	334
EU15 Total		372.3	3236.5	115	1565	549

Sources: for GNP and population, World Bank, "World Atlas 1997"; for number of outlets and their sales, Corporate Intelligence on Retailing, as reported in "The European Retail Handbook 1998", for 'the latest available year'

Table 6.2: Numbers of Retail Food Outlets across the member states

	population 1995 (mn)	number of food outlets 1996/7 (000)*	inhabitants per outlet 1996/7	number of food outlets 1992/3 (000)**	inhabitants per outlet 1992/3
Germany	81.9	73.6	1111	44	1883
France	58.1	34.8	1667	87	670
UK	58.6	33.9	1667	60	975
Italy	57.3	114.6	500	296	193
Spain	39.3	79	476	177	223
Netherlands	15.4	6	2500	21	748
Belgium/Lux	10.6	13	769	37	289
Greece	10.4	17.2	588	54	194
Portugal	9.9	27.3	344	53	188
Sweden	8.8	6.2	1428	14	609
Austria	8.1	7.2	1111	7	1157
Denmark	5.2	3.2	1667	12	446
Finland	5.1	4.1	1250	7	743
Ireland	3.6	9.5	370	9	383
EU15 Total	372.3	429.4	867	876	425

Sources: * La Distribution Alimentaire, ACNielsen, 1998; ** "Retailing in the European Economic Area", EUROSTAT, 1996

- In general, (and as might be expected), the larger member states tend to have more retail outlets. However, the number does not rise proportionately with population size, and this means that, when judged by the number of inhabitants served by each outlet, Germany, UK and France have the highest rankings, and Portugal, Greece and Ireland the lowest.

Given that a larger inhabitant per outlet ratio will translate, *ceteris paribus*, into higher turnover per outlet, there are obvious implications of this for the differential ability of retailers from the different member states to achieve scale economies. Quite obviously, this suggests that full exploitation of scale economies in the smaller member states may only be possible for a limited number of firms, giving rise to the possibility that there will be natural oligopolies. Moreover, some members currently record an “inhabitants per outlet” rating which is relatively low, given the size of the national market. This is especially true for Italy and (to a slightly lesser extent) Spain. (The reverse is true for Austria and, to a lesser extent, Netherlands and the Scandinavian countries.) This is sometimes ascribed historically to cultural north-south factors, but, whatever the reason, there might be the *a priori* expectation that future consolidation of outlet size will be greatest in Italy and Spain.

To add a wider perspective, Table 6.3 compares the EU as a whole with Japan and the USA. Judged on this evidence, EU15 has “too many” retail outlets compared to the USA, given their comparative sizes. However, “too many” is an ambiguous term, and this comparison probably only carries much meaning if one believes that the current level of integration within the states of the USA provides a useful indicator of what is to come with ongoing European integration. Japanese outlets, on the other hand, serve far fewer inhabitants than their European counterparts - as might be expected given the smaller population, although there is far less difference when judged by average turnover.

Table 6.3: Comparison of the EU retail sector with Japan and the USA

	population (mn)	number of enterprises (000)	population per enterprise	turnover (mn ecu)	turnover per enterprise (000 ecu)
EU15	372.3	2553	146	1261	494
USA	263.1	1530	171	1350	883
Japan	125.2	1519	82	682	449

Sources: Derived using “Panorama of EU Industry, 1997”, p.21-15, Table 5.

6.2 Consumer Demand (Table 6.4)

There is a number of reasons why the nature of the competitive process should be sensitive to the demand growth environment. These range from the obvious (e.g. the well-known empirical regularity that new entry is more common in growing markets) to the more theoretically subtle (e.g. the possibility that collusive outcomes are more/less likely in periods of boom/recession.)

Whilst it should be acknowledged that “food” is an heterogeneous grouping which will include many specialist product lines of a “luxury” nature (i.e. income-elastic), there is little doubt that, in aggregate, it will have an income elasticity which is well below unity. What this means is that long-run demand is unlikely to exhibit dramatic growth (or cyclicity).

Given, moreover, the absence of much growth at all in the aggregate European macro-economy, the results shown in table 6.4 unsurprising.

Table 6.4: Growth in demand by member state

	% growth in total retail sales volume, 1990-94	value of food sales 1996 (1990=100)
Austria	n.a.	113.4
Belgium/Luxembourg	6.9	130.7
Denmark	6.4	123.8
Finland	n.a.	95.2
France	5.8	113.4
Germany	6.5	111.4**
Greece	-10.8	147.2***
Ireland	12.0	130.1
Italy	1.0*	139.9
Netherlands	7.9	117.4
Portugal	n.a.	180.3
Spain	n.a.	132.5
Sweden	n.a.	109.1
UK	8.6	140.0

* 1992-4; ** base=1991; *** value in 1994

Sources: Total retail sales, corrected for inflation, are derived from data in Table 2, p.21-14 of “Panorama of EU Industry 1997”, EUROSTAT

Value of food sales are extracted from the individual country tables in “The European Retail Handbook”, 1998. The definition of “food” varies considerably between countries. It invariably includes drink and tobacco, and often other products. These figures are for values, and are not corrected for differential inflation.

- Retail sales in aggregate grew only very sluggishly in real terms during the first part of the 1990s (column 1 of table 6.4). Amongst the member states shown, only Ireland achieved double figure growth between 1990 and 1994 (equivalent to an average annual growth rate of 2.9%), and annual average rates of between 1.5% and 2% were the norm.
- Reliable comparable estimates of real growth in retail food sales are elusive - the figures in column 2 of the table are uncorrected for price inflation - but, judged in nominal terms, it appears that the average annual growth rate, 1990-96, was only between 2% and 5% in most cases. Allowing for inflation, this implies that real growth must have been extremely sluggish.

Against this aggregate backcloth, it is clear that individual firms can only have achieved significant growth of turnover in real terms by increasing domestic market share, or from excursions into other member states, or by diversification within and beyond food retailing.

6.3 National Seller Concentration (Table 6.5)

In spite of the ready availability in the existing literature of market share and concentration estimates for most of the member states, it is by no means clear that previous calculations have been made on a like-for-like basis. Again, there is a variety of reasons why international comparisons are hazardous³⁵. With this qualification, Table 6.5 presents the most recent available comparison across member states in CR5 - the 5 firm concentration ratio (showing the share of total food retail sales accounted for by the 5 largest firms), combined with estimates of how concentration has changed within each member state in recent years. The latter are probably the more reliable because similar accounting conventions are more likely to have been used when comparing a given country at two points in time than when comparing different countries at the same point in time.

- Concentration has risen significantly in most member states in recent years. On the evidence of this table, this trend has been pervasive, although it appears that the largest rises have tended to occur in member states in which concentration was initially more moderate.

To some extent, the latter finding is inevitable, given that CR5 is bounded from above. More substantively, however, it may reveal convergence across the member states.

- Whether or not there has been a tendency to convergence, significant differences between member

35. These include the fact that some estimates do not correct firms' turnovers for non-food sales, some include buying groups as single entities, and different conventions are used in counting the turnover of very small firms (which affects the denominator in this summary index.)

states still remain. Currently, concentration is relatively highest in the small northern member states, and lowest in the southern states. Germany, UK and France lie somewhere between the two extremes.

Table 6.5: Five firm concentration ratios for food retailing

	Current Level*	Change in recent years**		Source
		% points	period	
Austria	79	+14	1990-96	“Regal” 1997
Belgium/Luxembourg	57	+1	1988-92	AIM
Denmark	(78)			“Food Business”
Finland	96	+3	1990-96	Nielson, Finland, 1997
France	67.2	+7	1988-92	AIM
Germany	75.2	+10	1988-92	AIM
Greece	(59)			The Retail Pocket Book 1998
Ireland	50			
Italy	30			
Netherlands	79	0	1988-92	
Portugal	52			
Spain	38	+11	1988-92	AIM
Sweden	87	+24	1985-96	Supermarket Svenska Detaljhandel, 1997, for Food and Daily Goods
UK	67	+7	1988-92	AIM

Sources: * The current level is for the latest available year, as reported in “La Distribution Alimentaire, 1998” (except for Denmark and Greece, for which the source is as shown in the final column). The sources for “changes in recent years” are various, and as shown. They are not necessarily directly comparable with the current levels.

Note: These estimates are drawn exclusively from previous studies. See section 7.4 and Table 7.4 for our own estimates, based on the market share matrix.

Two additional points are noteworthy. First, the estimate for Germany needs to be treated with extreme caution. Other contemporary estimates place German CR5 at much lower levels (the difference depending on whether buying groups are treated as single entities.) Second, and more substantively, the traditional expectation from Industrial Organisation was that concentration will tend to be lower, *ceteris paribus*, in larger markets (which are able to support more efficient-scaled firms). On this expectation, concentration should be lowest in Germany, France and the UK. The fact that this is not so implies that this is a market in which sunk costs may be endogenous to the oligopoly game (whereby, increases in market size encourage firms to escalate their sunk costs such as marketing.) As such, the larger size of the market does not necessarily support more small-sized firms because they must be that much larger to compete with the market leaders.

This table, in particular, should be treated as provisional, pending the derivation of our own estimates in

the next chapter, in which we are careful to distinguish buyer and seller concentration, and to employ consistent criteria of measurement.

6.4 The changing face of retail outlets (Tables 6.6 - 6.9)

Both from casual empiricism and previous studies, it is clear that the face of food retailing has undergone a major shift in recent decades. Due to the spread of, first, supermarkets and then hypermarkets, the demise of the traditional counter-service family-run store has been dramatic and probably irreversible.

Table 6.6: Grocery Turnover by Store Type

	hypermarkets		supermarkets		others*
	1996	change since 1980	1996	change since 1990	1996
Austria	12	+3	52	+11	36
Belgium/Luxembourg	16	-	70	+5	14
Denmark	17	n.a.	59	+8	24
Finland	22	n.a.	51	-1	27
France	51	+16	44	-	5
Germany	24	+8	52	+7	24
Greece	5	+5	51	n.a.	44
Ireland	12	n.a.	41	n.a.	47
Italy	13	+13	39	n.a.	48
Netherlands	5	+3	82	+7	13
Portugal	42	+42	28	+10	30
Spain	34	+22	25	+5	31
Sweden	13	n.a.	64	+4	23
UK	45	+29	42	+2	13

These figures are for percentages of national aggregate turnover accounted for by each type of outlet
** superettes & clerk service*

Source: ACNielsen, Retail Pocket Book, 1998; La Distribution Alimentaire, 1998.

Definitions: Hypermarkets an 2,500 + sq.m.; Supermarkets an 400-2,499 sq.m.; others (including superettes and clerk service) an <400 sq.m. These definitions, whilst typical, are not universally adopted by all data sources. The above cited sources appear to have used these definitions.

- The diffusion of hypermarkets (columns 2 and 3 of table 6.6) is obviously well under way, but incomplete, in all member states.

According to these figures, it is most advanced in the UK and France (in line with their relatively high concentration levels). In most other countries, there is relative uniformity, with the hypermarket market share lying in the region 10-20% - with the exception of the two Iberian countries (both of which, interestingly, have been significantly penetrated by French retailers.) In nearly all countries, however, the increase in their market share since 1980 has been significant.

- The rise of the supermarket, on the other hand, appears to have peaked, with, typically, less dramatic growth in their share during the 1990s.

Obviously, this is part due to the rise of the hypermarket and part to their already high share at the turn of the decade. Nevertheless, there remains considerable scope for growth in both forms in some member states - notably Italy.

- The other major selling development has been in the rapid growth of discount stores

(This is a term which evidently intersects the hypermarket/supermarket nomenclature in most data sources.³⁶) As can be seen from Table 6.7, discount stores increased their market share in all member states between 1991 and 1996 - typically by between 5% and 7%, although strangely (in the light of the previous point) by 10% in Italy. This may suggest the emergence of a dual industry in that country, the reasons for which deserve further attention. In the next chapter, we identify the role of specific firms (for example, Aldi and Lidl) in this development.

Table 6.7: Growth in numbers of discount stores

	1996		1991		growth in share (% points)
	% of national turnover	no. of stores	% of national turnover	no. of stores	
Austria	17	568	14	530	3
Belgium/Luxembourg	25	762	18	587	7
Denmark	20	739	15	544	5
Finland	12	820	10	760	2
France	7	1940	1	436	6
Germany	30	12130	24	8290	6
Greece	n.a.	n.a.	n.a.	n.a.	n.a.
Ireland	n.a.	n.a.	n.a.	n.a.	n.a.
Italy	10	2360	..	60	10
Netherlands	13	607	10	482	3
Portugal	9	314	2	30	7
Spain	9	2315	5	1180	4
Sweden	11	305	6	166	5
UK	11	1440	6	1129	5

Source: The Retail Pocket Book 1998, ACNielsen

In general terms, franchising is an organisational structure which can be used to gain a leading market position without necessarily incurring the same magnitude of sunk costs as would full-fledged ownership.

At this stage in our research, we have little to add on this issue beyond the data reproduced in Table 6.8

36. There appears to be no formal definition of what constitutes a distant store. Nevertheless, different sources

(which is not confined to food retailing).

Table 6.8: Franchising across the member states

	number of franchisors		number of franchisees	
	1993	1994	1993	1994
Austria	80	170	2500	2700
Belgium/Luxembourg	90	135	3200	2495
Denmark	42	42	500	500
Finland	..	..	..	..
France	500	500	30000	30000
Germany	370	420	15500	18000
Greece	..	..	..	..
Ireland	20	..	..	..
Italy	318	361	16100	17500
Netherlands	331	340	12640	12120
Portugal	55	70	..	..
Spain	117	250	14500	20000
Sweden	200	200	900	900
UK	373	396	18100	24900
EU Total	2496	2884	113940	129115

Source: table 14, p.18, "Retailing in the European Economic Area, 1996", EUROSTAT

With the growth of the hypermarket, in particular, new opportunities for scale economies and innovation have emerged. Perhaps most significant of all, is the growing use of electronic scanning at the check out.

- The diffusion of scanning has been rapid in recent years. In all member states for which data are available, its usage at least doubled between 1991 and 1994 (Table 6.9). Assuming a further acceleration post-1994, it must by now, have become a significant feature in the operations of many of Europe's leading retailers.

Not only does this technology permit a variety of internal economies, but also it provides the retailer with a rich source of detailed information about, for example, the elasticities of demand for specific brands. Undoubtedly, this has sharpened the retailer's capabilities - both in competing with its rivals and in bargaining with its suppliers, the food manufacturers.

appear to use the term consistently.

Table 6.9: Diffusion of scanning (number of scanning stores)
(measured in hundreds)

	1994	1991	1987	1981
Austria	47			
Belgium/Luxembourg	35	0.1		
Denmark	27	0.1		
Finland	32			
France	200	66	16	
Germany	149	73	10	0.2
Greece				
Ireland	3	1	0.1	
Italy	68	37	5	0.1
Netherlands	30	11	4	
Portugal	44	3		
Spain	115	50	2	
Sweden	60			
UK	180	60	8	0.1
EU Total	990			

Source: *Panorama of EU Industry, 1997, table 11, p21-19*

6.5 Increased upstream control by the retailers (Tables 6.10 - 6.12)

A number of the features already described have fairly obvious implications for the buying (as well as the selling) power of retailers, but this section considers three additional features.

- The retailers “private (own) labels” account for a significant and increasing proportion of total turnover.

The data reproduced in table 6.10 are taken from different sources which, once more, seem incompatible across a run of years. However, we have been able to locate two comparable pairs of years for most countries, together with an up-to-date picture for 1997 for the countries in which penetration seems most pronounced. This is sufficient to draw the following conclusions, which are best treated in an ordinal, as opposed to cardinal, manner. First, private label penetration is highest amongst a cluster of countries which includes the UK, France, Germany and the Benelux countries. Amongst these, it is most pronounced in the UK, least pronounced in Germany with the other three countries somewhere in between³⁷. Evidence for the other member states is rather more patchy. However, such as it is, it suggests that private labels are less pronounced in the southern and Nordic states. Second, all of the evidence shows increasing penetration in all countries over time. From the table, it is clear that this was particularly rapid during the 1980s for the four countries shown. Further advances were also made during the first half of the 1990s

37. It is worth noting that most studies of private label record penetration rates even higher in Switzerland than in the UK. Of course, Switzerland is excluded from all comparisons in this project.

in the UK, Belgium, Germany and Spain, but not in France or the Netherlands. The most recent data, for 1997, are unfortunately, not directly comparable with those for the earlier years. For this reason, one can not say for certain, whether the growth in private labels during the 1980s was sustained throughout the 1990s; perhaps there are some suggestive signs of a slow down.

Table 6.10 Private Label Penetration (Value Shares) by Member State (%)

	1997	1995*	1992*	1990**	1980**	By leading retailers (1993/4)
UK	42.3	29	25	31	22	Sainsbury 55; Tesco 46; Safeway 38; Asda 32.
Belgium/Lux	24.9	22	16			
Netherlands	19.1	16	16			
France	18.2	16	16	20	11	Monoprix 28; Casino 25; Intermarche 23; Carrefour 22; Auchan 19; Leclerc 10
Denmark		13				
Germany	12.6	11	6	24	15	Aldi 90; Metro 33; Tengelmann 18.
Spain		10	8	9	2	Eroski 24; Pryca 20; Alcampo 15
Portugal		9				
Austria		9				
Finland		8	8			
Sweden		8	8			
Italy		6	4			
Greece		3				

*Notes: These estimates have been taken from a variety of sources. While the inter-country comparisons within each year (i.e. down each column) are comparable, only the years marked with identical * are comparable with each other. Thus, 1980** and 1990** are comparable (Nielsen/PLMA/Mintel from "The Grocer" 8.5.93); 1992* and 1995* are comparable (AC Nielson, "Private Label European Share and Price Trends, 1992-95".) The 1997 estimates are reported here as the most recent (AC Nielson, reported in "Food Business News", July 1998).*

- Another crucial, and very particular, feature of the retailing industry, as opposed to most others, is the prevalence of 'buying groups'.

In some cases, these are consortia of (often small) independent retailers who combine for the purposes of enhancing their joint purchasing power. In other cases, the groups appear to be more closely linked through quasi-joint ownership. On a substantive level, the existence of these groups means that there is an important distinction to be made between seller concentration in the retail market and buyer concentration with respect to the manufacturers. On a statistical level, many of the existing data sources, unfortunately, treat these groups in different ways, sometimes combining the sales of constituent firms, but sometimes not. For this reason, we shall not report the results from previous studies here, leaving an assessment of their impact to the next chapter.

- Partly because of the strength of leading retailers and the existence of buying groups, independent wholesalers appear to have a relatively minor role in the food chain

As an illustration, Table 6.11 reproduces a listing of the 20 largest European “grocery wholesalers. The striking feature of this Table is its heterogeneous nature. Note, for example, the leading role of the wholesaling activity of the French cigarette manufacturer (SEITA), the leading position of Nestle (a manufacturer), the relatively low ranking of UK wholesalers (in spite of the size of UK retailing). This is all suggestive of the fact that wholesaling generally lacks the very large independent operators which are commonly found in other forms of retailing on the one hand, and manufacturing on the other hand.

Table 6.11: EU’s top 20 grocery wholesalers

	Country of origin	Sales (bn ecus)
Nestle	Switzerland	38.2
Food Ingredients Specialities	Switzerland	38.1
Rewe	Germany	14.6
Sandoz Nutrition	Switzerland	10.7
Casino Guichard Perrachon	France	9.5
Coop Valais	Switzerland	7.3
Spar Handels	Germany	6.9
Edeka	Germany	6.3
Faellesforenigen for Danmarks	Denmark	3.0
Booker Belmont	UK	2.9
SEITA	France	2.4
Nurdin & Peacock	UK	2.0
Merkur	Switzerland	2.0
Ramsvita	Switzerland	2.0
Tengelmann	Germany	1.8
Hofer & Curti	Switzerland	1.7
Systeme U Centre Regional Ouest	France	1.6
Schuitema	Netherlands	1.4
Skandinavisk Holding	Denmark	1.3
Fyffes	Ireland	1.1

Source: Panorama of EU Industry, 1997, p.21-8, table 6. All figures relate to 1994, except Edeka (1993).

Turning to the food manufacturing sector, the EU is dominated by some of the world’s leading multinational firms (see the next chapter). Nevertheless, it is sometimes argued that even these firms are losing bargaining muscle vis-a-vis the leading retailers with the latter’s expansion in recent years. As testament to this, AIM (1995) for example, shows that the sales turnover of the EU’s 10 leading retailers far exceeds the FMCG turnover of the EU’s 10 leading manufacturers. Although this is a striking statistic, it is misleading in at least two respects. First, necessarily, the turnover of a given retailer (A) buying exclusively from a given manufacturer (B) must always be the greater simply because of the retail mark

up - no matter how small. Second, even the most diversified food manufacturer does not supply the full range of food products carried by the retailer, and a more germane comparison of relative size should be conducted at a far less aggregated level than “total food sales”. Such a disaggregated analysis will form part of the analysis in Part III.

In anticipation, however, Table 6.12 reproduces a list of the world’s leading 25 Food and Drink Manufacturing firms and investigates their presence within the EU using the “1993 EU market share matrix for manufacturing” (Davies, Rondi and Sembenelli, 1998). That matrix records the market shares of the 5 leading producers in, *inter alia*, each of the 15 “3-digit” food, drink and tobacco industries within EU manufacturing.

- Over half of the world’s largest manufacturers have a leading presence in at least one manufacturing industry in the EU³⁸. Even more strikingly, four firms in particular - Unilever, Nestle, Philip Morris and Danone (BSN) - re-appear frequently as the leaders in many individual product markets.

Clearly, any evaluation of the bargaining power of the two sides to the retailer-manufacturer relationship will need to recognise this considerable concentration on the manufacturing side as well.

38. In fact, the proportion may be even however because the base list of the world’s leading manufacturers seems to involve some double counting, e.g. Nabisco appears along with Nestle.

Table 6.12: The World's Leading Food & Drink Manufacturers in EU Manufacturing

	World food sales (\$US bn)	Total sales in EU food manufacturing (bn ecus)	Markets in which firm is one of the 5 leaders (NACE 3 digit)
Nestle	38.8	13.1	412,413,414,417,421,423,428
Philip Morris	33.4	11.3	413,417,421,423,429
Unilever	26.7	14.6	411,412,414,415,421
ConAgra	24.8		
Pepsico	19.1		
Cargill	18.7	2.4	411
Coca-Cola	18.0	1.8	428
Danone	14.2	8.9	427,428,423,413,417 419
Archer Daniels	13.3		
Mars	13	3.1	421,422
Grand Metropolitan	12.7	2.4	413,424
IBP	12.7		
Kinn	11.6		
CPC International	9.8	1.6	418,423
Anheuser-Busch	9.6		
Sara Lee	9.4	1.3	423
ABF	9.2		416,418,419,420
Heinz	9.1	1.5	423
Asahi Breweries	9.1		
Eridania Beghin-Say	9.1		
Nabisco	8.3		
Novartis	8.1		
Cadbury-Schweppes	7.7	3.0	428
Campbell Soup	7.7		
Guinness	7.6	2.2	424,427

Sources: The list of the world's leading manufacturers is taken from "The Retail Pocket Book, 1998", Nielson. Their operations in the EU food manufacturing industries is taken from the "EU manufacturing Market Share Matrix, 1993", UEA/CERIS. It should be noted that the absence of an entry in the third column does not necessarily mean that the firm concerned does not produce in the EU - it merely reflects the fact that the matrix only includes estimates for firms who are within the top 5 in at least one three digit industry.

6.6 Classifying the Member States

It is self-apparent, even from this brief overview, that significant differences exist between the individual member states. One objective of this project is to examine how far these differences are being eroded and whether there is a discernible process of convergence. Notwithstanding possible convergence however, we can categorise the member states into one of four broad groups:

- UK, Germany and France tend to have the largest firms and stores, and concentration is high in spite of relatively large market size. A number of the leading French and German firms are increasingly multinational.

- Amongst the smaller northern member states - Sweden, Finland, Denmark and the Netherlands - concentration is again high (sometimes very high) and advanced retailing methods have achieved high penetration. On the other hand, they tend to be dominated by local indigenous firms who, whilst large relative to the market, are quite small in absolute terms.

The other two groups are rather more fluid and less well-defined.

- Austria, Belgium (and perhaps Ireland) are small countries, strongly influenced by adjacent larger neighbours. Undoubtedly, these are less insular markets than those of the previous group, and Austria, in particular has a strong German presence.
- In the southern member states - Italy, Portugal, Spain and Greece - traditional retailing structures are much more evident, and concentration is discernibly lower. However, generalisations for this group, in particular, may be dangerous. Certainly for the first three countries, as various of the above tables reveal, change has been particularly rapid in very recent years (e.g. the fast diffusion of hypermarkets), probably partly the result of multinational expansion by leading firms from the first group. Moreover, Italy is an enigma. Not only is it obviously out of line with the three other large member states, but also there is (admittedly poorly documented) suggestions of a significant north-south heterogeneity within that country.

Quite obviously, whilst these groupings may be presentationally useful for some purposes, crude generalisations should be avoided.