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Structural Change in Peripheral European Markets. Spanish Grocery 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: the role of technical, financial and organisational innovations, and institutional factors. 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.

Keywords

Structural change, food trade, innovation and institution, Spain, Mediterranean Europe

Structural Change in Peripheral European Markets. Spanish Grocery Retailing, 1950-2007

The history of retailing has grown as it has developed over the last decade (see the literature review by Alexander 2011). Some previous factors, such as the attention aroused by the history of consumption in the UK, generated a new interest in European retailing (Benson 1994; Benson and Ugolini 2003; Fraser 1981; Gardner 2013). Works with complementary visions of retailing which maintain a basically historical perspective developed progressively (Alexander and Akehurst 1998; Alexander et al. 2009; Bowlby 2000; Coles 1999). Attention has focused mainly on the more developed countries and those which adapted faster to the North American model (Lescent-Giles 2002, Schröter 2008 and Sandgren 2009, amongst others). This led to the consideration that the Spanish case offered significant perspectives. Spanish distribution began in the middle of the last century significantly behind (and in a peripheral position to) European retailing. Nevertheless, in the last two decades of the century, it was able to accelerate its convergence with Europe and incorporate itself into second globalisation through intense structural change (see Casares Ripol 2004; Cruz Roche 2012; Mollá et al. 2002, to name a few).

The processes of structural change in the retail trade industry have been subject to different economic and institutional frameworks in European countries. As Marking and Duncan (1981) explain, the most efficient way of understanding change in retailing institutions is to view it as a set of analytically separable processes. This paper considers two essential factors (amongst others) which have affected these changes: on one hand, the role of technical and organisational innovations and on the other, institutional factors such as regulation, market structures and foreign direct investments (FDI). The weight of both has varied depending on the historical circumstances of the countries in

consideration and their level of development (Reardon and Berdegué 2002).

Nevertheless a deterministic approach is not the aim. The conceptual approach proposed falls within a social and cultural framework in which the change occurs. The holistic component, intrinsic to the historical and institutional foundations of the analysis which will also develop, considers the role which other aspects play in the structural change, aspects such as managerial agency (an empirically valid perspective, particularly when joined to complementary perspectives, see Eisenhardt 1989).

A Research Frame: Innovations

The role of innovation has been dealt with by numerous disciplines such as marketing, retail management, retail geography and business history itself. In the Spanish case, the internal inertia of the retail industry was very strong for decades and, consequently, the role of exogenous currents within its renovation processes was highly significant. Therefore on one hand this paper opts for a definition of wide innovation, which above all refers to the processes of diffusion and innovator-imitator transference, in the sense adopted by Dosi (1982), blending the various types of innovation and by Nelson and Winter (1982) in their evolutionary theory of economic change. On the other hand, Alexander, Shaw and Curth (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. This perspective allows us to focus on key organisational and technological changes around the introduction of self-service and supermarket retailing in Spain. This means this paper chose to focus innovation on retail formats, an option which allows us to manage our analysis on structural change with greater precision.

Under this focus it is useful to search for a conceptual model which lets us study diffusion and assimilation mechanisms of the new currents. Early on, the Spanish retail

industry was a system populated by small shopkeepers. In this setting, a self-service store was an innovation which can be considered both as a new “presence”, and a new “customer experience”, using the terms of Sawhney et al. 2006. Nevertheless, it seems premature to apply a conceptual framework in this stage, the “innovation radar”, designed to manage complicated business models. However, this framework will be useful once Spanish distribution enters the era of second globalisation. Consequently, some conceptual approaches will also be used like the diffusion processes of innovations, Americanisation and the dissemination processes produced in terms of which are better adapted to the Spanish case long term.

Under the viewpoint of the spread of innovation, both the concept of technological adoption (Rogers 2003), and the process of Americanisation (Kipping and Bjarnar 1998; Zeitlin 2000) led to this relevant focus. 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”. This approach refers to the concept of “appropriation” which has an interesting “journey” in social and historical science. An approach which emphasises the role played by the recipient of the innovation as an active subject with adaptive and processing capacities (Alberts 2010; Eglash et al. 2004; Nolan 1994). This focus has interesting consequences for analysing the Spanish case, especially from the nineteen eighties when the Spanish economy accessed the environment of a developed Europe (Spain joined the European Economic Community (EEC) in 1986). Likewise, several typologies of the conduits of knowledge, such as those suggested by Kacker (1988) and Gertler (2001), also offer a wide field to consider the transfer of innovation and the potential to promote learning between companies (also see Alexander, Shaw and Curth 2005). Finally, focuses such as the “self-service community of practice” (Wenger 1998;

Wenger and Sneyder 2000) allow us to explain some of the dissemination processes of these innovations, although there is no doubt that the institutional solidity of these groups in Spain was far lower than that of the European environment.

Institutions and FDI

An institutional approach emphasises the relationships between organisations and the environment (Markin and Duncan 1981). An institutional environment constitutes a key factor of this theory which spans political and sociological aspects such as laws, rules, cultural beliefs and customs. Consequently, companies' decisions, their marketing actions and the consumer's behaviour can be considered in this context (Handelman and Arnold 1999). In institutional terms, there is a wide range of components to consider in the field of retailing. Without doubt the legal framework, whether this is local, regional or national, is of particular importance as is the role of public institutions and certain private institutions (such as industry associations, trade unions and consumer associations, to name but a few). 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 FDI. In the Spanish case, until the liberalisation of the eighties, the market structures strongly resented that the regulatory system was highly interventionist.

The latter, moreover, were very little developed due to the economic and social backwardness after the Civil War, 1936-1939, (measured in terms of income per capita), the small size of distribution companies and the local scope of their markets.

It was the FDI which, from the seventies, put new energy into Spanish distribution and introduced it into a new dimension. Recent debates have summarised the role of international retailing at global level (Goodley and Hang 2012; Alexander 2013). In this field, Huang and Sternquist (2007) make an interesting contribution under

an institutional point of view, discussing a framework which allows them to explain the foreign market entry choices of international retailers. They underline the importance which external and internal institutional environments can have in retailers' decisions. On the whole, 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 1999; Shaw et al. 2000) or in both sides of the movement of capital, both in the issuing country and the receiving one (Cho 1985; Klopstock 1973). This is what some scholars have called "receptivity" (Tschoegl 1987). With this term, used mainly for bank investments, we mean the level of openness of an economic recipient (Walter and 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.

This last approach leads us to consider the latecomer status of Spanish companies and the country itself as another determining factor under an institutional point of view. The arrival of the FDI in the nineteen seventies and globalisation allowed latecomer companies and the retail industry to develop new strategies towards new opportunities and emerging networks (Mathews 2006). Without doubt, at the end of the last century, the Spanish economy and Spanish food distribution reached a position of convergence in the heart of the European Union. These changes led to a context of structural change in which innovations and institutions (in the sense that is defined in this paper) held a central role.

To summarise, these conceptual frameworks which emphasise a historical and

interdisciplinary point of view (which considers a marketing approach) will generally favour the deepening nature of retailing (see Alexander and Akehurst 1998; Buckley 2009; Hollander et al. 2005).

The period studied spans three stages. The first, from 1950 to 1971, starts off from a much delayed distribution model in which the European formats of self-service and the supermarket slowly began to come forward. This current was introduced in Spain at the end of the 1950s through native initiatives which were strongly supported by currents of external dissemination. An intermediate period is identified in the 1970's, characterised by the rise of the FDI through French hypermarkets. The third phase falls under the impetus of the second globalisation which had an impact on world economy in the 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.

For this paper we have used primary sources from Spanish national and foreign archives related to foreign investment, as well as 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 adoption of new distribution formats in Spain. Next, we will deal with the strong structural change and the salutary lesson which led to the premature arrival of direct French investment at the start of the 1970s. The fourth section will directly discuss the establishment of foreign investment and the consequences of entry into the EEC, which placed the Spanish retail market directly into a second globalisation. Finally, we will draft some conclusions.

EARLY YEARS: THE EUROPEAN GAP (1950-1971)

There is first macroeconomic evidence of the Spanish delay in comparison with developed Europe. 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 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, Moltó and Cucarella 2000; IRESCO 1978). In the field of retail formats, similar conclusions would be obtained. In 1959, Spain had only 15 supermarkets and, 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).

TABLE 1 SELF-SERVICE IN EUROPE, 1959
(inhabitants per self-service 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.

Persistence

The reasons for this delay need to be sought out in the poor modernisation of retail during the interwar period (see Maixé-Altés 2009a), but above all in the weak income per capita of Spanish economy and the economic and social disruption between the Civil War. In fact, international isolation of General Franco's regime and his disastrous policy of economic self-reliance led the country to total poverty immediately in the post-war period (Guirao 1998; Barciela and 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.

The period between 1940 and mid-1950s was period of more than a decade lost for Spanish retail distribution. The aims of the governmental regulation were to check rationing systems: creation of the General Commissariat of Supply and Shipping (henceforth CAT in its Spanish abbreviation, Act 10 March 1939). Consequently, corruption grew as did the black market (in Spanish, *estraperlo*),¹ in a framework of shortage of offers and products with prices set by the government. On one hand, the food manufacturers and retailers were 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 Europe (Interview with Álvaro Ortiz de Zárate, Madrid, 25 February 2010). In these years, the conditions for modern marketing in Spain were simply not given. The shortage of modernised business forums, the lack of teaching institutions, all in all, the economic backwardness did not favour the creation of a framework which would incentivise changing structures in the retail sector (Garcia Ruiz 2007; Puig 2003). This situation distanced Spain from the framework in which the European retail sector was developing (Shaw, Curth and Alexander 2004; Shaw and Alexander 2008).

After the early Francoism years, the first signs of economic 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

¹ 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.

between the Spanish and North American governments 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*, henceforth CNPI), which began its activity in the first months of 1953 thanks to extraordinary credit approved by the *Cortes*, Franco's legislative body (Archives of the Cámara de Comercio de Madrid, henceforth ACCM [Madrid Chamber of Commerce], Annual Report of the CNPI, 1953 and 1954). It followed the model underway in the group of European countries which were subject to the European Productivity Agency (Alexander, Phillips and Shaw 2008).

The implementation of the Stabilisation Plan from 1959 was a step forward to opening up the Spanish economy. 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), explains some of the transformation. This development is associated with a model of growth during the 1960's known as "*desarrollismo*" (a "fast but disorderly growth" in the words of García Ruiz 2007) although the gross added value of commerce grew at a lower rate during these years (INE 1960-1975; IRESCO 1978). As a result, the retail change processes were very slow and institutional environment incorporated new restrictions.

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 Commerce], created in 1957, overlapped its functions and skills with the CAT. The result was the new general department having

minimum advocacy in the rationalisation of commerce (ACCM, Annual Report of the CNPI, 1957-1959; CNPI 1959a). 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 (the Treaty establishing the European Economic Community), 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 (a different situation in the Irish case, see Quinn in this volume).

Diffusion

There were three currents which influenced the obsolete Spanish economic framework. These currents mobilised moderated short and long term changes in the Spanish food trade: some CNPI initiatives in the retail field (maybe the more effective government intervention), the influence of European retailing (this could be considered as an early adopter stimulus), a focus on the presence of some voluntary chains and finally entrepreneurial actions by some Latin American businessmen (Cubans and Mexicans), who emigrated to Spain in the post war period and set up initiatives inspired by North American retail. Other conduits of knowledge on self-service and supermarket innovations such as trade press and dealings between retailers and shop fitting-equipment suppliers would be minimal in this period (see Alexander et al. 2005).

After the implementation of the productivity programmes in the manufacturing industry, at the heart of the commission, an idea arose to create a specific programme to promote the modern techniques of commercial distribution especially in the field of

grocery retailing, (ACCM, Annual Report of the CNPI, 1957-1960; CNPI 1959a,b).

Priority was given to professional training seminars on self-service and retailing practices. 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. There was also collaboration from pro-Franco union organisations, professionals, manufacturers and equipment distributors such as the National Cash Register (NCR) (ACCM, Annual Report of the CNPI, 1953-1956).

Firstly, 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 (study trips to Denmark, German Federal Republic and France) and another related to the European teaching programmes on food (study trips to Sweden, Norway and Denmark). The programmes were managed by the national productivity centres of Sweden, Norway, Denmark, France and Germany including visits to productivity centres, food trade schools, industry associations, and retail and wholesale firms, (CNPI 1959a).

Secondly, the Madrid Chamber of Commerce, through its productivity office, collaborator of the CNPI, organised training programs for retailers and wholesalers in a broad number of Spanish cities. There were also campaigns on dissemination, publishing and contracting foreign specialists to train local executives. This office was directed by Álvaro Ortiz de Zárate and the North American technician August W. Swentor, both becoming real promoters of modern marketing and retailing practices for the cities and towns of Spain in those years.² Simultaneously, an advice office was

² A. Ortiz de Zárate (1924-2014) 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 CNPI and of

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 in Madrid) came into being (ACCM, Report, 1957-1960; CNPI 1959a; Swentor 1959).

Thirdly, the Ministry of Commerce, through the CAT, installed a public network of supermarkets throughout Spain “with the aim to stimulate private initiative and incite the transformation into traditional traders”. In 1970, these were present in 15 cities with a total of 20 establishments and a sales area average of 295 square metres (ACCM, Report, 1957-1960; MC 1971).

The second diffusion current 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. 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 1970s, with the exception of some attempts by French capital in the 1960s as we will see later on.

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. This movement was very well received by a group of Spanish businessmen from the wholesale and retail sector. SPAR Española SA was born, integrated by Spanish partners who in 1960 already had 31 wholesale centres which served 2,227 retail outlets and 70 per cent of Spanish territory (*Sparco*, 3 (1960)). As the 1960s advanced, the leadership in creating

the Chamber of Commerce of Madrid; one of the founders of the Marketing Club of Madrid and general director of SPAR Española SA (1959-1970); FAO consultant for Africa and Latin America in the 1970s and Director General of Mercajerez, 1981-1985 (interview with 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 1959; Interview with Ortiz de Zárate, 2010).

new self-service retail outlets was in the hands of the voluntary chains such as SPAR, Végé (1960), IFA and IGA (1967), VIVO (1968), CENTRA (1971), and VIVO-Una (1974) which due to their characteristics as a franchise spanned the entire territory.

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 early stage, they were the most effective tool in transferring knowledge between the business sector, especially due to the capacity for technical and professional training which its collaborative structures could offer their associates. A Ministry of Trade and Tourism report was very expressive in this sense:

“Since their introduction in 1959, voluntary chains have significantly contributed to the transformation of many traditional businesses through spreading new technology, new ways of selling (this was one of the basic engines of the transformation of small shopkeepers into self-service outlets), better means of management and commercial organisation and training of personnel employed in that sector, etc.” (IRESCO 1978, p. 117).

In the mid-1970s, voluntary chains were over two hundred central wholesale distributors, a sales surface which exceeded 600,000 square metres and approximately 62,000 associated retailers (IRESCO 1977, p. 48). However, despite the expansion of these franchises, the spread of self- services was very slow. There were 8,678 differently sized self-service retail outlets in the whole of Spain at this time (of which 6,178 had a sales surface of between 40 and 120 m²). In turn, many supermarket multiples began to appear in the 1960s but they still maintained a very local character with little impact on larger markets (314 supermarkets, with a sales surface of 400 m²

and over in 1975) (IRESCO 1984, p. 40).

A third current of diffusion which could be considered as the flimsiest 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, 2007, Cuartas 2005). Another familiar Spanish-Cuban group which returned to Spain was the creator of SIMAGO, the main chain of popular department stores of the 1960s and 1970s (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 1960s: Jaime Jorba (Bimbo) and Plácido Arango (Aurreá Supermarkets) (Moreno 2010; Moreno Lázaro 2012).

As a result diffusion of new retail practices did not occur greatly in Spanish food retail in these early years, especially in relation to what was happening in Europe.

New Formats

In the first half of the 1960s, 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 (MC 1971, 1974). Such a slow rhythm reflects the rare incidence of the new formats, the only exceptions being SIMAGO and the department store chains (Castro 2010; Gómez Mendoza 1984). The case of SIMAGO deserves special attention for two 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, 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 (*Libre Service Actualités* (henceforth LSA), 470 (22 November 1973)). 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 (LSA, 470 (22 November 1973), interview with Pierre Dollberg). 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 (Fondo Banco Urquijo [Urquijo Bank Archive], henceforth FBU; SIMAGO Annual Report (1963)). As a whole, the decisions made by SIMAGO's owners were a consequence of the high managerial transaction costs present in the Spanish market.

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" (LSA, 470 (22 November 1973)). 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. A new market culture was gradually introduced when the processes of knowledge management and

learning within the company eventually reached the Spanish retailing industry. The new group was made up of eight firms which spanned a wide range of activities (SIMAGO, Grandes Almacenes Populares (GAPSA), PRISUMA, SICOMI, Restaurantes Técnicos, OGAMIS and HOGARAMA). 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 (FBU; SIMAGO Annual Report (1974)). 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: SIMAGO went from a 3,500 square metres sales surface in 1963 to almost 150,000 ten years later (LSA, 1036 (12 September 1986)).

Modern Marketing

Excepting the differences with other European cases, the data available through the nineteen fifties suggests that for the first time in Spain, a group of business leaders integral to a non-formal modern retail community of practice emerged. 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 (i.e. future multiple retailers and major businessmen such as the Elosua family firm, Pascual brothers, Ventura González, Fernández de Cossio and Sainz, to name but a few). Others belonged to the groups which promoted the first steps of modern marketing management in Spain at the start of the seventies with the collaboration of the CNPI and the Chambers of Commerce of the main Spanish cities (Asociación para el Progreso de la Dirección (APD) [Association for the Progress of Management], marketing clubs and advanced marketing teaching (*Sparco* (1960-1965); ACCM, Annual Report of the CNPI, 1953-1960)). Likewise, the American Chamber of Commerce in Spain

collaborated with the managers of the US National Sales Executives within the cultural co-operation programme between Europe and the US to organise distribution and marketing courses (also an Annual Distribution Conference while the American Marketing Association promoted the Annual Marketing Conference) (see García Ruiz 2007; Puig and Alvaro 2004).

TABLE 2 MARKETING TEACHING IN SPAIN IN 1959

Headquarter	Business schools	Public and private organisations
Barcelona	Escuela de Administración de Empresas (EAE)	Asociación Católica de Dirigentes
	Escuela Superior de Administración y Dirección de Empresas (ESADE)	
	Instituto de Estudios Superiores de la Empresa (IESE)	
Madrid	Escuela de Organización Industrial (EOI)	Comisión Nacional de Productividad Industrial (CNPI)
	Escuela de Psicología y Psicotécnica, Universidad de Madrid	Instituto Nacional de Racionalización del Trabajo
	Colegio Mayor Nuestra Señora del Buen Consejo - Business management courses for executives	Asociación para el Progreso de la Dirección
		Acción Social Patronal
San Sebastián	Escuela Superior de Técnicos de Empresa	
Bilbao	Universidad Comercial de Deusto	
Valencia	Escuela de Estudios Empresariales	Instituto Social Patronal

Source: CNPI (1959b)

As García Ruiz (2007) has shown, the spread of marketing ideas in Spain encountered certain cultural resistance and the lack of know-how slowed down the process. Initially we must highlight the role played by the CNPI and later the Marketing Clubs which extended throughout the entire country. We must also mention the progressive understanding that the teaching of marketing had in the various public, business and social institutions. Initially it carried little weight in the university environment as shown in Table 2. At the end of the fifties, centres were located especially in Barcelona, Madrid, the Basque country and Valencia, coinciding with the most developed areas and with the greatest business tradition of the country. University studies of advanced marketing developed as the seventies progressed, both in public universities and private centres (see Puig 2003).

One could conclude that the sixties gave way to the first steps of the economic development and the gradual emergence of factors which promoted the modernisation of commercial practices. However, the combination of listed factors was not sufficient to cause the structural change in the outdated Spanish grocery retailing. They would have to wait for the arrival of the FDI from 1972 for such a change to occur.

FDI, A CATALYST FOR SPANISH FOOD RETAILING IN THE 1970'S

In the early seventies, in spite of the Spanish income per capita convergence with developed countries, the economy suffered from a crisis. Neither economic policy nor business responded with flexibility to the new economic parameters following the rise in the price of oil and raw materials, as well as changes in world demand, which came about in the years 1973 and 1974. The reasons were twofold; on the one hand, the economy was protective and characterized by state intervention, and thus was not able to respond to market forces. On the other hand, the economic crisis coincided with the end of one political regime and the transition towards another very distinct.

One of the sectors without specific state intervention was retailing. 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. In fact, there was no specific regulation that 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 (IRESCO 1978). There were two issues in this situation. On one hand, the legal vacuum converted Spain into a very receptive market despite the lack of legal security. On the other, the ground for the arrival of French firms was already set: French retailing had a scouting party such as SIMAGO, which had introduced modern distribution 10 years ago, a "human tide" of 10 million potential customers and the most liberal legal framework of Europe (Points de Vente [Hereafter,

PV], nº 224 (December 1981)). In this context, Huang and Sternquist (2007)'s analytical framework explains the French entry choices, taking into consideration both Spanish and French institutional environments.

The Lack of Legislation

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 Instituto de Reforma de las Estructuras Comerciales (IRESCO) [Institute for the Reform of the Commercial Structures] 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 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 (*LSA*, 666 (21 April 1978)). 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).

The Firsts French Hypermarkets

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, *Distribución Actualidad* (henceforth, *DA*), 43 (September 1974)). Confirming forecasts, half of the clients were tourists in the first four months of opening of the new hypermarket. In October, the first Carrefour of the country opened up its doors, half a kilometer away from the first hypermarket, also very near the motorway. The regulatory framework was, in this case, of great importance. In fact, the arrival and location of hypermarkets in France were a response to restrictions limiting the growth of supermarkets in the country's urban areas. It is, therefore no coincidence that the first Spanish supermarkets were located near the motorway.

The entry of the hypermarket promoted by SIMAGO into the Spanish market precipitated Carrefour's strategic decision, also interested in a market which was unedited like the Spanish one (*LSA*, 534 (24 April 1975)). It called attention to the fact that the entirety of the middle and top executives of the new centre were French (*LSA*, 487 (4 April 1974)). In that sense, it seems that there was no a great dissemination of managerial innovation amongst Spaniards managers, at least in this specific case and in this first stage of French FDI in Spain, very remote from the suggestions of Kacker (1988) and Getler (2001) commented above.

After the first months, the activity of both stores declined and sales developed below expectations as a consequence of the accumulation of strategic errors (Lhermie 2003, 35; *DA*, 14 (January 1976)). Obviously, the economic crisis, accompanied by considerable peaks of inflation did not help. However there was rashness as Marcel Fournier revealed with Carrefour (*LSA*, 534 (24 April 1975)). Market studies and clientele analysis were over optimistic. Carrefour tried to satisfy its working 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 and 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 retail spaces did not exist and, moreover, in food distribution, competitors started to grow with new concepts like proximity stores. 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 (*LSA*, 666 (21 April 1978)). 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 3, Archives of the French Chamber of Commerce of Madrid, monthly bulletins various editions, 1973- 1976).

Table 3 EVOLUTION OF THE OPENINGS OF FRENCH HYPERMARKETS IN SPAIN, 1973- 2006

Period	Phase	n° of openings	total n° 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 new hypermarkets opened by Carrefour was financed by banking credit (*Point de Vente* (henceforth *PV*), 248 (1 June 1983)). 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 *LSA*, 779 (21 November 1980) and FBU, Annual Report PRYCA Supermarkets (1964-1967).

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. 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 (*LSA*, 1236 (20 December 1990)). 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 and Wantz 2005, 46), as well as committing to a multi-formed culture from the nearest supermarket to the hypermarket (*LSA*, 1087 (23 October 1987)).

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. 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). These circumstances refer to the role played by the recipient of the innovations which incorporate adaptive and processing capacities (appropriation) (Alberts 2010). 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 (*LSA*, 753 (11 April 1980)).

This first advance in international investment in Spanish retail was characterised by some peculiarities:

- The absence of regulation in the domestic market which favoured entry (despite the fact that the inexistence of some clear rules made access difficult). These circumstances set certain differences with other cases in Europe (see Morris 1999, Shaw, Alexander et al. 2000).
- 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 aim 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 (*PV*, 224 (1 December 1981); *LSA*, 470 (22 November 1973)).

- The retailing know-how and the modernisation of managerial activity was quite slow when the French arrived. It was only with the advent of Promodès and the consolidation of PRYCA (Carrefour) that the basis of the French retail model was transferred to Spanish counterparts. This fact is connected to the French retailers' market entry mode strategy (direct investment) and the managerial decisions that paved the way in the early years. This could be related to the French retailers' management of asymmetric information and agency theory that had a role to play in the evolution of the firms in Spain in the nineteen eighties and nineteen nineties. (Doherty 1999).

Consequently, this first stage of the FDI in Spain had substantial importance on the regulatory conditions on both sides of the investment movement (see 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.

GLOBAL MODELS

The expectations created around Spain's membership in the European Market explain much of what happened in the beginning of the eighties and nineties. The improvement in business expectations accelerated economic growth, above all, in the first years after Spanish ECC membership. During the period from 1986 to 1988, the gross formation of capital increased to an annual average rate of 14.1 per cent in real terms, the double of the average growth of investment in the OECD countries during

this period. The gross formation of capital that in 1985 was about 19 per cent of the GDP grew to around 26 per cent of GDP in 1989. This growth of demand created an increase of GDP, in real terms, of 4.8 per cent, annual rate. Furthermore, Spain's production increased in just four years almost 20 per cent in real terms, moving closer to the average European Community. Spanish income per capita, which in 1985 was 71.8 per cent of the average income per capita of the EC, shot up to represent 75.9 per cent in 1989. After this fast growth, the Spain economy was therefore inserted in the settled down global economy of the nineties.

New competitors

The arrival of French hypermarkets had meant a strong and salutary lesson for Spanish distribution which accelerated its modernisation and its convergence to Europe. 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), it started to diversify its activity as a multiple retailer, opening its first hypermarket in 1981 in Vitoria (Cuesta Valiño 2005). Both collated all the teaching of the French pioneers. An innovator-imitator transference explains this process of diffusion in evolutionary terms. Furthermore, the 1980s was also a period when contractual groups, such as Euromadi and IFA for example, began to grow and could use members' local knowledge of trading conditions (Dobson, Waterson and Davis, 2003). 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 (*LSA*, 792 (13 March 1981)). The new branches 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 supply, another means of “appropriation” (Gobin 2006, DA 199 (October 1992)).

The outlook 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 (*La Documentation Française*, Dossier Espagne- Grande Distribution (ES/L/0049): Analysis of Spanish distribution in 1985). 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 which, along with other variables, favoured the spread of modern large distribution. 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 2009b). This trend was only comparable with Italy in the whole of Europe (see Table 4).

Table 4 NUMBER OF ESTABLISHMENTS IN EUROPE 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, which represented an extraordinary innovation for Spanish retailing firms. 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 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) (*LSA*, 1325 (5 November 1992)). 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) arrived 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 (*El País* (29 September 2005), special German distribution). 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 rapidly (Cuesta Valiño 2005).

Although the penetration of the new format in the market was not as revolutionary as its competitors had anticipated, it certainly whets the interest of traditional business and trade (Interview with Javier Campo, Madrid, 25 March 2010)³. 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,

³ Javier Campo was the Director General of DIA from 1985 to 2007.

the regulatory frame became more restrictive.

In fact, a national Act was passed which regulated retail trade (Act 7/1996, 15 January), similar to the French Royer Act of 1973, reducing the receptivity of Spanish market because of the growing pressure of traditional commerce, (especially in Catalonia), among others factors. 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 stores at 2,500 square metres (Table 4). 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.

What is the Spanish place in the global retailing scenario?

Table 5 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 by getting a bigger size. This increase was characterised by a greater recourse to external means of growth (Cruz Roche 2012). In 1992, the first thousand companies invoiced almost 24,000 million euros. Five years later this turnover 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 sales was controlled by eleven distribution groups or, in other words, five companies controlled half of the market. 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.

TABLE 5 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, Cemetrio, 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: Authors 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)

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 century. 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 suppliers (Méndez and Ouviaña, 2002).

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 1)(Cruz Roche et al., 2003)⁴. 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 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 concentration (Nielsen directory).

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

⁴Fresh food products are excluded in this analysis.

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 and Harrow 2012, Audicana Arcas 2002). Mercadona is a characteristic example of the adoption of retail practices and reflects the recipient's transforming capacities. However, other companies such as the Dutch Ahold, followed a very aggressive foreign take-over, buying chains of establishments with large market share. 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. Mercadona's progression impacted on Carrefour and Alcampo. Both groups imitated some strategies of the domestic competition: they diversified and deepened their relationships with suppliers.

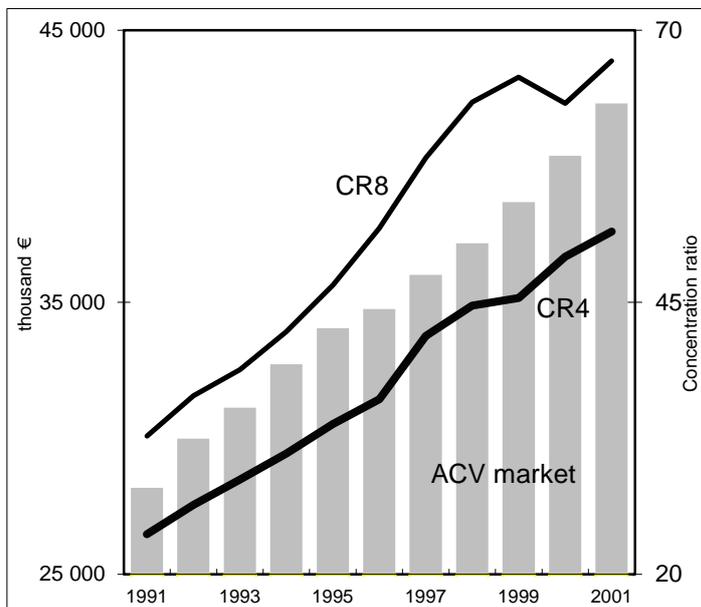


FIGURE 1 EVOLUTION OF BUSINESS CONCENTRATION IN THE ACV MARKET OF HIGH CONSUMER PRODUCTS IN SPAIN, 1991-2001

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

Source: Nielsen.

The concentration of commercial retail distribution was also strengthened 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 groups. 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, were alliances which were conceived in the middle of the first decade of the present century (Nielsen and Alimarket). Copernic (Colruyt, Belgium; CONAD, Italy; Coop, Switzerland; E. Leclerc, France and REWE Group, Germany), 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 organisations. 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. Even if they have an

active participation in the global retailing framework, 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 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. In this sense, the internationalisation of the food distribution companies were not as clear as in textiles where Spanish firms such as Inditex (Zara), 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.

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. The starting point is that the Spanish economy offered significant perspectives. From a peripheral position in the sixties and seventies the Spanish grocery retailing accelerated its convergence with Europe and incorporated itself into second globalisation through intense structural change. Two main factors for analytical purposes have been considered: on the one hand, the role of innovations and on the other, institutional factors such as regulation, market structures and FDI. A holistic component, inherent to the historical and institutional approach, involves the analysis developed (which also considers a marketing approach). This conceptual point of view falls within a social and cultural framework in which the change occurs.

The diffusion of new retail practices did not occur greatly in the early times of Spanish grocery retailing. The spread of marketing ideas encountered certain cultural resistance and business leader which could consider as part of a non-formal modern community of practice would truly constitute a diffuse network. Nevertheless FDI, from the seventies, were a real salutary lesson for the domestic market and retail practices.

This paper chose to focus innovation on retail formats. The role of innovations was significant (see Sandgreen in this volume), but in the least developed countries innovations were characterized by the diffusion processes. The diffusion of innovations and technological and knowledge transfers in this approach refers to the concept of “appropriation” (an approach which emphasises the adaptive capacities of the recipient). 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 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. 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 “*desarrollismo*” 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. 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. These are the factors which permitted varying the receptivity of Spanish grocery retailing (that is, its level of opening as a recipient economy). For example, the regulatory diverging conditions in France and Spain had fed the receptivity of the Spanish market to French capital in the seventies, and new regulatory conditions in mid-1990s reduced the receptivity of Spanish market.

The subjects who 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 (before 1970s they operated as instrument of knowledge transfer rather than direct 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. The arrival of FDI and globalisation allowed latecomer companies and the retail industry to developed new strategies to emerging networks. On the one hand, an innovator-imitator transfer explains a new diffusion process in evolutionary terms. On the other, some Spanish contractual groups began to grow using member's local knowledge of trading conditions, and foreign firms hispanicise its offer. 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.

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. In the end, it seems that peripheral Europe was more sensitive to FDI than developed Europe.

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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