

## **The Role of Small and Medium Enterprise Retailing in Britain**

**Ogenyi Ejye Omar and Peter Fraser**

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# **The Role of Small and Medium Enterprise Retailing in Britain**

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## **Abstract**

*The wellbeing of the UK economy depends in part on the role and performance of small and medium enterprises (SMEs). The small and medium enterprise retail sector is part of the overall UK SME sector. The importance of this sector to the UK economy is the result of its high income generation and its large contribution to employment. The sector therefore contributes enormously to the UK economic growth. This article reviews the issues surrounding the operation and the contribution of the SME retail sector to the local community and the whole UK economy. Extant literature suggests that one of the greatest problems in small and medium enterprise retailing in the UK is the failure of many owner-managers to plan ahead and put in place a strategic growth strategy. It recommends that firms strive to acquire adequate knowledge of their customers and that collaboration with suppliers would better enable them to compete successfully.*

## **Key Words:**

Small and medium enterprise, SME retailing, independent retailing, owner-managers, small firms

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## **Introduction**

Small and medium retail companies in cities and towns across the UK tend to face many operational problems including: increased market competition from larger chains across the country; changing consumer shopping habits led by technological change; insufficient levels of financial investment; low business and management skills; poor knowledge of current legislation; lack of sector-specific support systems; and poor staff training in retail marketing aimed at enhancing the customer experience. In spite of these numerous problems, small and medium enterprise (SME) retailers play an important role in supporting the needs of the local population in terms of product, services and retail formats. Meanwhile, the contribution made by these SME retailers to the socio-economic landscape in the UK is often not recognised or given due regard by performance indicators. Being small tends to be a handicap in any business environment. Furthermore, they seem universal: the problems faced by SME retailers in the UK are directly applicable to SME retailers in many other countries in Europe as well as North America.

In the UK, SME retailers have been largely ignored in the past and their contribution to the local community in which they are based is sometimes only appreciated when the diversity that they provide is lost. Unfortunately, unlike the larger retail chains, that have sophisticated public relations departments with undisputed lobbying power, SME owner-managers have little opportunity to influence government policy because they do not always have a common voice. Also, unlike the larger chains that have a clearly defined business and marketing strategy, many SME retailers demonstrate no obvious strategic direction which makes them even more vulnerable in such a fast-changing competitive environment.

The purpose of this article is to review the operational dimensions of small and medium-sized enterprise retailers in the UK and highlight the difficult retailing issues faced by these owner-managers in the fast-changing and competitive UK retail environment. The objectives of this paper are to document the relevance and contribution made by the SME retail sector to the UK economy, and to identify the critical success factors taking their advantages and disadvantages due to size into consideration. Following the introduction, the overview of the general retail environment is briefly explored. This is then followed by a theoretical review; SME retail sector examination; impact of competition on growth strategy; contributions and critical success factors; and finally, a recommendation of growth strategy in this sector.

### **Definition of SME Retailing**

It is important to note that, in general, there is no single official universal definition for a small firm (Mukhtar, 1998). However, the US Small Business Administration (SBA) has traditionally defined 'small businesses as fewer than 500 employees' (SBA, 2001). While its size standards were recently revised to vary by industry as defined by the North American Industrial Classification System (NAICS), with the exception of the wholesale trade, the size maximum for most sectors remains at 500 employees. Meanwhile, other studies that have followed this definition of small businesses may have failed to detect and discriminate the differences and nuances between the 'larger' small firms - for example, between on the one hand a firm with 450 employees and £15m in revenue and on the other a truly small firm such as one with seven employees and

£30,000 and £450,000 in sales (Haksever, 1996; Sawyer et al., 2003). Since there is no unanimous agreement as to the definition of SME, it is important to always search the current literature for other definitions of small businesses.

According to Mukhtar (1996), a wide range of definitions is used in practice. The Wiltshire Committee's definition of SME is often used by researchers and states that it :

*"...is a business in which one or two persons are required to make all the important management decisions such as finance, accounting, personnel, purchasing, processing or servicing, marketing, selling, etc., without the aid of internal specialists and with specific knowledge in only one or two functional areas" (see Berryman, 1983).*

The European Commission offers a more exacting approach, and its definition for SMEs, first adopted in 1996, specifies size gradations for micro, small and medium-sized firms based on three factors: headcount; annual turnover; and annual balance sheet total (see Mukhtar, 1998). Recently, that definition was revised to reflect economic changes since 1996 (Commission of the European Communities, 2003) as follows (i) Micro: less than 10 employees, with a turnover of £2 million, and a balance sheet of £2 million; (ii) Small: up to 50 employees with a turnover of £10 million, and a balance sheet of £10 million; and (iii) Medium: up to 250 employees, with a turnover of £50 million, and a balance sheet of £43 million. In specific retailing terms, there are three approaches to defining and classifying retail firm size in the UK. The first definition concerns less than 100 employees (officially medium-sized and small enterprises, with small defined as less than 10 employees and medium defined as between 10 and 100 employees). The second definition typical for the retail sector takes the number of outlets as a measure, with single shops and chains (consisting of more than one outlet). The third definition takes sales volume as a measure for classification.

### **The Nature of SME Retailing**

Hudson, et al. (2001) have cited Globerson (1985) and Maskell (1989) as presenting sets of guidelines that describe the characteristics and performance measures of SMEs that are often cited in academic studies. Hudson, et al., (2001) noted that 'a comprehensive review of the work done by Neely, et al. (1997) produced 22 specific characteristics associated with SME operational performance. A rigorous observation of these characteristics reveals some duplication which could be eliminated thus reducing the characteristics into smaller number.

Current marketing literature (see the work of Addy, et al., 1994; Burns and Dewhurst, 1996; Ghobadian and Galleary, 1997; Appiah-Adu and Singh, 1998; Berry, 1998; Marri, et al., 1998; O'Regan, et al., 1998; Haywood, 1999; Hudson, et al., 2001; Omar and Fraser, 2010) on SMEs suggests that there are many differences between SMEs and large firms in terms of their operating and strategic characteristics. The review of these studies shows that there are some common characteristics attributable to owner-manager activity including the following: (i) little or no delegation of power or authority; (ii) limited resources in terms of manpower, management skills and finance; (iii) operating with a niche market and customer base; (iv) reactive operating mentality; (v) informal operating marketing strategy; (vi) incompatibility with popular retail marketing theories; and (vii) innovation in order to compete and survive in a retail environment where they are located. According to Omar and Fraser (2010) these differences in

operating characteristics confirm the need to consider the relevance of any retail marketing strategy in detail before it is adopted.

The operation of a small or medium enterprise retailing business may seem an attractive proposition to the person who 'wants to be his own boss'. As those in business support agencies attest, there are few people who do not feel that they could run a small business successfully. While in the public interest several European countries demand some form of qualification and/or experience before someone sets up a small retail business, in the UK by contrast there is no law preventing people without qualifications or experience from owning a small business. Particularly demanding characteristics ascribed to SME retailing include the need to cope with; long hours of operation, legal restrictions, an enormous volume of bookkeeping and accounting involving the complications of value added tax (VAT), National Insurance contributions, and income tax. In practice, the experience of many SME retailers is likely to deter many prospective retailers, especially the intending self-employed people. The lack of 'know-how' at the start and expertise in merchandising or stock control in the succeeding years can cause a small retailer to feel isolated and uncompetitive. Although there are several sources of well-established help, from both official and non-government agencies (NGOs), relatively few small enterprise retailers are aware of them. For this reason, the Government, through the Department of Industry and successor agencies, has set up a series of Small Firms Information Centres and issued a series of free guides for small firms (Howe, 2003).

In relation to the discussion so far in this paper, there remain distinct opportunities for small enterprise retailers; and there are some clear advantages in self-employment. For example, Blackson and Omar (2003) found that 'an inherent advantage SME retailers usually possess is a rapport with their customers and the locality, which is difficult for large stores to achieve'. Similarly, the flexibility of service to suit parochial needs, and informality of retail service procedures, can build up goodwill and especially attract the timid customer who is overawed by large sophisticated stores. The sheer convenience of the SME retailer's being close to the local community should not be overlooked. Many SME outlets open until late and serve the local community in such a way that they cannot be dismissed lightly as uneconomical or old-fashioned. They form a very necessary and useful part of social life in the communities in which they operate. The traditional wholesaler is one of the props of the average private shopkeeper. His representative will call regularly on the shop, take orders and show samples, give advice and credit and supply in small quantities from the ranges of many manufacturers. For example, some wholesale pharmacists make daily deliveries of prescription medicines to their client retailers.

A fair proportion of SME retailers is affiliated to voluntary groups and chains, from whom they agree to buy the bulk of their supplies while retaining their independence. Through this loyalty to the group, owner managers in retail benefit from low prices, advertising, a supply of promotional aids, advice, and often financial help in re-equipping the business. The grocery voluntary groups are known as 'symbol' groups, incorporating a number of wholesalers under their brand and lately developing their own-branded merchandise. Another source of supply to the SME retailer is the cash-and-carry warehouse. These are usually situated where occupancy costs are low, and the costs of sales representatives, delivery, and credit are completely eliminated. By passing on these

savings a cash-and-carry warehouse can sell at near to wholesale cost, gaining net margins from bulk-buying discounts. The most important feature of the cash-and-carry warehouse is that it should not sell to the public.

### Issues in SME Retail Structure

The Office for National Statistics (ONS) counts more than 81,000 enterprises in the UK retail sector, with only 200 of them not belonging to the medium-sized and small group. About 95 per cent of the enterprises are typified as small and less than 5 per cent as medium. According to figures from ONS, more than 75 per cent of the outlets in the UK retailing belong to single operating firms and less than 25 per cent are regarded as multiple chains. The market share (in terms of sales) of small business is less than 10 per cent and the market share of medium-sized business is about 15 per cent. The multiples and the co-operatives have the largest share of the market. This share of the UK retail market tends to vary significantly among different retail sectors as, for example, the market share of small business in the food sector is only 11 per cent whereas small businesses in book retailing claim more than 50 per cent of the market.

The UK retail sector is one of the largest creators of employers. More than a quarter of these persons are active owners or their family members, a typical characteristic of small firms. In that regard, the UK retail sector is definitely dominated by small and medium enterprise activity. In addition to the existing categorisation of different ways of distributing goods and services, it is possible to note the emergence of new retail concepts, originating in the USA or Europe including discount warehouses, “Category Killers”, which enjoy continued growth in less competitive sectors with wider ranges and lower prices, for example Toys R Us, Pet City and IKEA, and discount food retailers, such as Netto and ALDI.

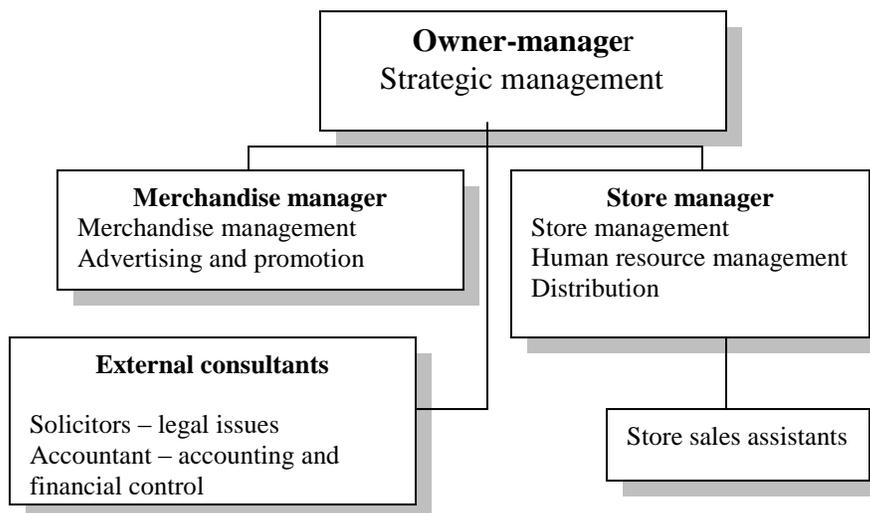


Figure 1: Organisation of a small retailer

### The organisation of a small retailer

Small retailers generally use simple arrangements because they contain only two or three categories of personnel, for example the owner-manager and employees. In most cases,

the owner-manager personally runs the business and oversees workers (Berman and Evans, 2001:368). The owner-managers of a single store may be for practical purposes the entire organisation and, as such, when they go to lunch or go home the shop closes. But as Levy and Weitz (2004: 282) observed, 'as sales grow, the owner-managers employ others to work for them'. In a small business organisation such as the type in Figure 1, coordinating and controlling employee activities is easier than in large chain stores. The owner-manager simply assigns tasks to each employee and watches to see that these tasks are performed properly. Since the number of employees is small, small enterprise retailers have little specialisation (Blankson and Omar, 2003). At the same time, Blankson and Omar (2003) also documented that each employee performs a wide range of activities, while the owner-manager is responsible for all management tasks of the firm.

As sales increase, specialisation in management may occur when the owner-manager employs additional staff or an external consulting team. Figure 1 illustrates the common division of management responsibilities into merchandise and store management. The owner-manager continues to perform strategic management tasks. The store manager may be responsible for administrative tasks associated with receiving and shipping merchandising and managing the employees (Levy and Weitz, 2004). The merchandise manager, who is sometimes referred to as the buyer, may handle the advertising and promotion tasks as well as the merchandising tasks. Often, the owner-manager contracts with an accountant to perform accounting and financial tasks while the solicitors handle the legal issues. As the small enterprising retailer continues to grow, it may subsequently expand to become a medium enterprise retailer, provided it operates within the government regulations. Some SME retailers may only own one retail unit but others may own several units in several locations. In the UK, there are almost 2.2 million small to medium enterprise retailers accounting for nearly 35 per cent of total retail store sales. One-half of small enterprises are run entirely by the owners and/or their families. These small enterprise retailers generate just 3 per cent of total UK retail sales and many of them have no paid employees.

The high number of SME retailers in the UK is associated with the ease of entry into the retail marketplace (McGoldrick, 2002). As a result of low capital requirements and relatively simple licensing provisions, entry for many kinds of small retail enterprises is easy. The investment per employee in retailing is usually much lower than for manufacturing firms. Retailer licensing, although somewhat more stringent in recent years, is still a matter of routine. Each year, tens of thousands of new retail businesses, most of them small independent retailers, open new businesses in the UK. The ease of entry into retailing is accompanied by, and reflects, the low market shares of many SME retailing firms in many goods/service categories. However, in the grocery retail category for example, where large chains are quite strong, the four largest grocery retailers account for more than 65 per cent of sales.

Since a great deal of competition is due to the relative ease of entry into retailing, it is undoubtedly a strong factor in the high rate of retail business failures among the newer SME retail entrants. The Office for National Statistics (ONS) estimates that one-third of new UK retailers do not survive their first year and two-thirds do not continue beyond their third year. Most of these failures involve small independent retailers. On an annual basis, a large number of these small enterprise retailers go bankrupt, in addition

to the thousands of small retailers that just close down due to inability to compete in a rapidly changing sector of the UK economy.

### **Aspects of Government Policy**

Harrison (1994) noted that UK small business policy, like that of all the other developed countries, has recognised the role of small enterprise in furthering national economic development. Similarly, Goss (1991) quoted in Curran and Blankson (1999) emphasised the role of small business as an engine of economic regeneration, and suggests that the economic contribution of small businesses originated from political activity in the nation. The UK economy is characterised by many unique relations between retailers and their suppliers. The 'balance of power' in this relationship has changed significantly in the past four decades in favour of the largest retailers, and this trend has been highlighted particularly in the grocery supermarket field. In a realistic sense, SME retailers have not benefited much from such a shift in power relationship. The largest supermarket operators have been able to take advantage of their structural market power, the use of information technology, and generally increasingly sophisticated management to achieve considerable cost savings, not just in traditional merchandise purchases, but also in newer areas such as fresh produce and petrol, as well as in the area of retailer-dominated physical distribution management. It is, however, debatable whether the development of such retailer-supplier relations is beneficial for consumers.

In one form or another, the government exerts considerable influence over a number of aspects of retailing in the UK. The broadest way in which to understand this is to put it in the context of consumer protection (see Omar, 1999). This can be interpreted as a vast range of government action designed to ensure that the final consumer is best served and protected in a whole range of final consumption activities (see also Swann, 1979; Smith and Swann, 1979; Howe, 2003). As a particular example only, shop opening hours are regulated in ways that have implications for both retailing competition and consumer service (Davidson and Ervine, 1992). In this respect the UK retailing environment is particularly liberal, and since 1994 there have been few restrictions on shop opening hours. As Kent and Omar (2003) acknowledged, 'Across the United Kingdom there is now an increasing incidence of 24-hour grocery supermarket opening in addition to the widespread availability of smaller scale "convenience stores", and Sunday trading is also both widespread and popular with shoppers'. Beyond this, the two principal areas of government intervention in retailing in the United Kingdom are related to competition and planning regulations. These are, however, only a few of the challenges that SME retailers may face in their daily operations.

### **Business Improvement Districts**

A more recent development potentially affecting not just retail or SMEs but all commercial activity within a limited geographical area is that of Business Improvement Districts. Business Improvement Districts (BIDs) in the UK were established from 2003 onwards in England and Wales, and subsequently Scotland, along the lines of similar developments found to be successful internationally but mainly in the USA. Generalisation is difficult because of the range of possibilities open to business. These could for example be sector-specific. However, the aim is that in a small clearly defined geographical area, and through partnership arrangements funded by grants and/or

additional local taxes, local business owners, who may include many retailers, work to improve the operating environment within that particular area. Hogg et al stress the importance of a focus on local needs (Hogg et al. 2003)

The arrangements are time constrained, say to five years, but the intention is that the BID will lead to significant improvements in trading for all the businesses involved, including small and micro enterprise. 'Free riding' is not supposed to occur, all having to contribute to the additional investment. BIDs have however been the subject of criticism, not least if because in a particular locality the trading environment improves, then the level of rents may also rise, driving out many of the smaller retailers who are less able to pay. Bid initiatives in the UK are as yet relatively small in number – in Scotland 10, with another 9 in preparation. The need for local leadership may be the main reason that they are not obviously all located in depressed areas. For example, Essential Edinburgh, the Edinburgh BID, is situated centrally in an expensive area dominated by outlets for major chains rather than SMEs. Other BIDs projects however seem to offer more opportunity for retail owner managers to participate and benefit. The benefits of reduced isolation and improved collaboration seem worthy of note even if it seems somewhat early to assess the value of BIDs in the UK

### **SME Retail Sector Challenges**

Small and medium enterprise retailing has long been a feature of the British economy, providing valuable local economic and social resources. However, the sector is facing the challenge of a continually changing retail environment. Also, the sector is highly dependent on family human and financial resources, which greatly increase the potential negative economic and social impacts of the failure of small retailers to respond to these challenges adequately. Challenges to the SME retail sector in the British economy could be classified as external and internal issues.

The small and medium enterprise retail sector in general is a traditional feature of the British economy. The sector plays an important role in the maintenance of strong economic and social resources in many towns and cities throughout Britain. In spite of their economic contribution, retail owner-managers face problems arising from changes in consumer demographic characteristics. The sector is constantly being squeezed by the major large stores encroaching into SME retailing territory. Also, changes in shopping behaviour mean that their traditional customers are trading up – shopping in a more convenient environment where service provision is more satisfying. Economic development in the UK brings with it a higher standard of living for the British communities, and a greater share of resources devoted to retailing. This is true for all the developed countries of Europe and North America. Retail stores of various types are more numerous and larger than elsewhere, and customer choice becomes more sophisticated. The major outcome of this development, however, is that retailing has become more sensitive to changes in social, economic, fiscal, and demographic patterns. Examples of such external factors that have most influence on retailing may include birth rate, lending rate, fashion, public opinion, employment levels, social behaviour, and government legislation among many others.

It is obvious that an increase in birth rate will normally result in population growth with a consequent increase in demand. Specifically, the effect will be felt by SME

retailers catering for children. In the same way, the effects of an increase in the banks' lending rate will have several repercussions on the SME retail operation, including the higher rate for hire purchases, bank overdrafts, and reduced consumer spending power. In terms of changes in public opinion, the effect can be drastic and drive away customers. Anti-smoking campaigns, for example, have a direct effect on public houses and their businesses, and also have direct impact upon the retailing of tobacco. This is also related to changes in fashion which extend beyond the mere design of clothes. For example, the mini-skirt was responsible for the change to tights from stockings. Current changes in social behaviour, for example trends towards more foreign travel, more leisure, and more DIY, result in new kinds of merchandise for SME retailers. Finally, transport systems and environmental plans are all additional problems which face the SME retailers.

Generally, as Baron et al (2001) have identified, 'the threats to the survival of SME retailers are related to operating costs, the availability of financial capital for reinvestment and bulk supply problems'. Many small enterprise retailers are unable to price their goods and services at a competitive level because many of their customers are aware of the supermarket prices. In addition, Smith and Sparks (2000) highlighted the fact that changing the expectations of consumers and their needs may require the retailer to introduce new technology which may cost them more financial resources to install.

In terms of internal factors, many owner-managers tend to lack retail marketing skills and have no financial resources to bring in specialist consultants in this field (see Omar and Fraser, 2010). Many other internal factors, such as the location of the business and its links with the local community, family participation and assistance, relevant skills of other store assistants plus the amount of funds available for reinvestment, will all contribute one way or another to small business success. Being small in size is a disadvantage in that sufficient financial resources may be a problem and large or bulk merchandise purchases may be beyond a small enterprise and may not therefore reap any economies of scale. Suppliers and retail banks may agree to only a limited amount of merchandise and funds respectively, Finally, retail owner-managers are likely to face many additional operational burdens relating to the employment of staff, and sources of supply. Although, small and medium enterprise retailers face all these market challenges, they are able to provide their customers with needed services and fill a niche or gap in the UK retail marketplace.

### **Analysis and Discussion**

The literature evidence so far suggests that the success of many SME retailers depends heavily on retail cooperation and collaboration with suppliers and their customers (see Masurel and Janszen, 2007; Omar, 1998; Curran and Blackson, 1999). Small and medium enterprise retailers that engage in retail marketing cooperation tend to be more successful in the British retail marketplace (Omar, 1998). This is supported by the findings from Masurel and Janszen (2007) that SME retailers are more likely to improve their chances of survival and compete effectively with chain stores if they collaborate with their suppliers (see also Porter, 1980). This seems particularly true in relation to the comparatively neglected area of retail and personal branding (Krake 2005).

According to Omar and Fraser (2010), SME retailers gain additional competitive skills acquired from their relationship with established suppliers when they engage in retail

collaboration and work in ways that reduce the isolation of the owner manager. As one business adviser commented, retail management is ‘not rocket science’ yet some owner managers were obviously not responding well to the challenges facing them. University business schools and support agencies also could provide through their training and educational offerings ways in which the owner manager can address such deficiencies. The challenge here is improving take-up rates. The potential contribution of the consultant was one of the issues highlighted by Hankinson et al (1997) in their study in which retail was one of five SME sectors explored. Owner managers should be encouraged to seek “new ways of persuading SMEs to seek advice as routine rather than when it is usually too late”. Their argument continued that owner managers ‘tend to react favourably to personal face to face contact with the local consultant who is on hand over the longer term, who knows the firm well, who charges reasonable fees on a payment by results basis and is in turn well known...’(Hankinson et al. 1997)

Media coverage has given vastly more attention to business matters over recent years. Among them, two or three TV series have featured SME retailing strongly. The case study programmes emerging are not scientific or wide scale studies, but nevertheless they can draw attention to the relationship between consultant and owner manager and appear to underline many of the issues addressed here (2008, 2007). Such cases confirm the fact that mentoring from an experienced consultant, sometimes associated with additional owner investment, can lead to significantly improved business performance. It is however true that some owner managers were also frequently shown to be somewhat isolated and blinkered in their management style, some showing no inclination to consider let alone implement the advice they received.

Carson et al (1995) suggest that it is important that firms restructure their inter-organisational relationship and cooperate with other firms in order to achieve their operating objectives especially when, for example, smaller firms lack skills and resources (see also Masurel, 1994; Bates, 1995; Brown and Butler, 1995). Also, cooperation with other firms is important for SME retailers for the purpose of networking, which is a vital ingredient in survival of small retailers or, as Bates (1995) puts it, ‘a precondition for small retailers’ continuity in the marketplace’. In specific terms, Brown and Butler (1995) encouraged inter-organisational networks as a strategy for entrepreneurial firms to acquire operational knowledge from established larger firms. Such inter-organisational networks should be undertaken without discrimination and as Porter (1980) suggested ‘it should include even the competitors.’ Omar (1998) found that the need for strategic collaboration is to gain a competitive market advantage, and that strategic collaboration is beneficial to both parties. For SME retailers, strategic collaboration enables information and resource sharing. The inter-organisational networks proposed by Brown and Butler (1995) enable SME retailers to create significant market presence to compete successfully. Similarly, in Galbraith’s countervailing power concept, SME retailers could concentrate on their suppliers, which may also lead to a concentration on their customers with overall balance of market power for SME retailers (Galbraith, 1980). Finally, one of the main reasons for inter-organisational networking and cooperation with established firms is for SME retailers to gain a significant market position in order to operate successfully. Branding too is relatively underdeveloped (Roper and Parker 2006, Merrilees 2007).

In terms of retail competition, the global economic downturn has in recent years affected small and medium-size retailers more severely than the large chains in the UK. With the emergence of the discount retailing format in the 1970s and 1980s, and the proliferation of discount chains, "category killers" and other mass-merchandisers such as John Lewis, M&S, Tesco, ASDA/Wal-mart, Sainsbury, and many others, it seemed that large chains with their national coverage and low-priced offerings achieved through economies of scale. would soon dominate British retailing. Looking ahead it became possible to assume that small and medium enterprise (SME) retailers might soon not be able to find any competitive space in the UK retail sector. Meanwhile, in spite of a high rate of business failures among some of the SME retailers, many others are doing good business and competing well in the British retail market (Kent and Omar, 2003:80).

Both Miles and Snow (1978) and Porter (1985) consistently argued that 'firms with clearly defined strategies tend to outperform those without such clarity.' Based on Porter's view of the firm, larger retailers such as Marks & Spencer and John Lewis, are more able to leverage internal and external resources through economies of scale in price reduction across product lines, and the use of sophisticated technologies to manage inventories. These larger retailers are also able to use computer technology (the World Wide Web) to reach a wider customer segment by adopting cost leadership and/or product differentiation strategies. As for the retail owner-managers, one of the key efficient methods of competing against the larger retailers is to employ focus strategies to capture a segment of the target market not adequately served by the multiple retailers.

The adoption of such focus strategies may demand an SME retailer to go beyond the traditional positioning strategy in order to meet the needs of various customer segments, and target the merchandise and retail practices to them appropriately (Bennison and Hines, 2003). This suggested approach is a suitable strategy for an SME retailer with specialised retail marketing skills to compete in a niche retail market. It is possible for such an SME retailer to use its skill to establish a strategic position and emphasise superior product quality and customer service as its critical success factor (Omar, 1995). In the UK, SME retailers who are successful within their communities are those that place greater significance on market and/or product segmentation involving a focus strategy (Kent et al., 2003). The competitiveness of SMEs in the UK retail sector is based therefore on a combination of a set of complementary resources and competencies, which converge in pursuit of a specific strategic position.

Continuous and successful existence of SMEs in the UK retail sector is based on location advantages that enable ease of access to targeted customer segments. In that case, SME retailers who have no retail marketing skills, but nevertheless have the following attributes, are more likely to become better competitors. These attributes include the following: a keen understanding of the community marketplace; actively engaging in the day-to-day operations of the small retail business; offering quality products at a competitive price; providing superior customer service; employing knowledgeable and motivated assistants; receiving adequate support from suppliers; adapting to relevant local retail culture; having good community linkages; and having a positive business image. All these attributes, when put together and deployed to pursue a focused differentiation strategy targeting relatively narrow customer segments, make an SME retailer highly competitive in the marketplace.

## Conclusions

Retailing is a significant part of the total UK economic activity as it is to all the other European countries. Small and medium enterprise retailers also represent a fair proportion of such national contribution as could be seen from the contents of this article. In general retailing is of importance to the government as well as the consumers not only because of its economic contribution but also because of the social factors, size and market power of individual retailers; and the evidence suggests that retail markets do not necessarily work in an environment of perfect competition (Howe, 2003).

This article discussed the operation and contribution of small and medium enterprise retailers noting their economic and social contributions, their characteristics, and some impediments to their operation. The article has highlighted the lack of skills and 'know-how' of many SME retailers at the start of their business that may bring an end to many of them within a year of business start-up. In all, SME retailers should adopt ethical behaviour in retail marketing practice including efficient customer service strategy in order to compete successfully. As has been discussed in this article, owner-managers with limited financial and human resources face enormous operational problems in the British retail marketplace. If the retail entrepreneur is handicapped by being unable to compete on buying power and a low price strategy and there is no interest in expanding by buying additional outlets, then they need to focus on quality and on maximising sales in store. Accordingly, one of the critical success factors in SME retailing is being aware of the changing external environment in order to develop suitable retail marketing strategies to meet these challenges.

Finally, and in summary, some of the specific issues relevant to all SME retailers therefore include: (i) lack of resources, primarily management time and skills; (ii) long hours of opening in order to compete with large retailers and meet the needs of shoppers who seem to take for granted increasing availability. (For example, UK shops open noticeably longer hours than those, say, in France and Germany. These long opening hours usually result in owner-manager fatigue and lack of energy to maintain and develop strategic outcomes); (iii) failure to delegate - this is a function of lack of staff to take on tasks as well as an unwillingness to do this; (iv) failure to monitor the competition and take ideas from them to maintain development; (v) lack of previous experience/training/education in the business sector; and (vi) failure to pay attention to basic promotion, in particular branding and the external appearance of the shop, from shop and brand name to promotional signage to paintwork and signposting of opening hours. Every owner-manager needs to constantly question how the shop would be seen by a customer. Thus, the key advantages of SME retailing lie in the ability to be flexible, and having the motivation for personal selling and developing a relationship with the customer. Related to this is the importance of focus, to differentiate the product range from that of a multiple retailer, and to develop an offering that would not emphasise price.

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