



The Impacts of Retail Trade Deregulation: A Review of Evidence from Other Jurisdictions

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Abstract

This paper reviews the various arguments for and against retail deregulation as well as the complexities involved in the policy decision, noting that the evidence from other Australian and international experiences on the effects of deregulation remain inconclusive. The authors conclude that while both supporters and non-supporters of deregulated trading hours have sound and well-documented positions, a determination of the associated impacts of deregulation remains to be a difficult task in view of the complex range of forces affecting the performance of the retail trade sector.

Introduction

Across much of the developed world, cities have moved to deregulate retail trading hours. The rationale for this liberalisation generally suggest that deregulation offers more flexible shopping arrangements for consumers, greater choice, increased competition, an expansion of economic activity, and more vibrant urban environments. However, deregulation is rarely without controversy. Those opposed often argue that deregulation might have negative impacts on small business and community life. As Tanguay *et al.* (1995) observed, the debate surrounding shopping laws remains the same regardless of the region or even country in which it occurs. In overall terms, the literature on the impacts of retail trade remains mixed, ambiguous and inconclusive (see, for example, Skuterud, 2005 and Gradus, 1996). While studies exist that that point to a range of benefits, likewise there are those that indicate less positive outcomes.

The purpose of this paper is twofold: (i) present a summary of the issues and the complexities involved in the policy decision to deregulate trading hours; and (ii) address the various issues prevalent in the retail trading discourse and gaps in terms of research-based evidence. It focuses on research evidence from those jurisdictions that have undergone either a partial or complete deregulation of retail trade. It should be noted at the outset that the economic, social and political contexts of these places vary enormously. As such, the extent to which the arguments and



findings can be readily transferred are limited. In other words, the findings reported here are specific to those jurisdictions, and might not necessarily apply elsewhere.

The Changing Demographics of Consumers

Increased convenience for consumers is a major argument of those who support liberalised retail trading hours. As Ferris (1990:171-172) emphasised, “Few would dispute that shopping is costly and that time is among the more significant costs... By opening longer, retailers allow households to realise preferred combinations of work, shopping, and leisure.” In essence, this points to changing social values and demands, in which greater consumer choice and flexibility is important.

Closely related to this, in outlining the experience of extended store hours in the United States, Grunhagen and Mittelstaedt (2001) emphasised that changed residential patterns are an important part of the argument in favour of retail trade deregulation. Retailers extended their shopping hours to facilitate shopping by their customers who now travel longer from their places of work, often in central business districts, to their residences in the suburbs (Blumenthal, 1994, cited in Grunhagen and Mittelstaedt, 2001:51).

Grunhagen *et al.* (2003) also observed that expanded retail hours in the United States are further influenced by an increasing number of females entering the workforce, as well as the phenomenon of dual income families. Ferris (1991) expounded on this by including female participation rates as one of the variables in his spatial model of competition. He hypothesised that “because early closing hours restrict shopping to those times of the day when most individuals are at work, communities with higher female participation rates can be expected to place relatively higher values on longer times for shopping” (Ferris, 1991:1397).

Another argument favouring the deregulation of shopping hours relates to the increasing number of families with two income earners (see, for example, Grunhagen and Mittelstaedt, 2001; Thum and Weichenrieder, 1997; and Ingene, 1986). With both adults working during the day, the shopping hours of double-income families become restricted to the hours after work or during weekends.

Additionally, according to Kay *et al.* (1984:35), the type of employment and age structure affects shopping preferences and that “the demand for Sunday shopping comes mostly from those who are working full-time and from the young.” The proportion of the workforce involved in shift work was also considered by Ferris (1991) who suggested that the



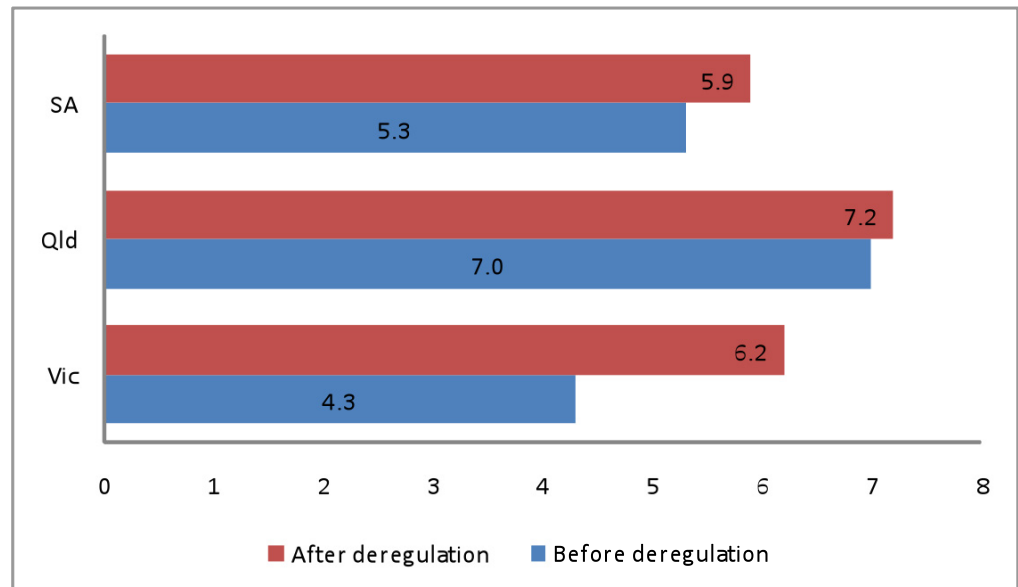
higher the proportion engaged in this type of employment the more convenient a less regulated trading regime becomes.

The Economic Arguments For and Against Deregulation

In determining economic impacts, a review of a range of government, academic, and institutional sources of other Australian and international experiences prior to and following the deregulation of retail trading hours was undertaken. The following presents a summary of the key findings.

Retail Sales

In the case of other Australian states that have deregulated trading hours, a comparison of annual growth rates in retail turnover before and after their deregulation indicates some improvement in performance post the changes (Figure 1).¹ While it is not possible to prove conclusively that deregulation was the cause of these increases, there is nevertheless a consistent pattern.



Source: ABS Cat. 8510.0

Figure 1: Average Annual Growth Rates in Retail Turnover, Before and After Deregulation

¹ This research used data up to 2009 which could account for the difference in the findings of the effects of retail trade turnover in South Australia to a 2006 review on the potential benefits and costs of further liberalization of shopping hours in South Australia. At that time, one of the findings of the SA Centre for Economic Studies, using ABS data on retail turnover from June 2004 to June 2006, was that there was no evidence of an increase in SA retail turnover as a result of the reforms (Moss, 2007:104).

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The Australian experience is, however, different than that which was reported in a study conducted in the United States. This research determined that, in the aggregate, the elimination of store hour restrictions did not yield increases in consumer expenditures and overall retail sales (Ingene, 1986). This study also implied that expenditures did not necessarily decrease either, suggesting that the overall economic effects were largely benign.

Employment

The employment implications of retail trade liberalisation appear to be complex. There is relatively little evidence to suggest that deregulation contributes to either a significant increase or decrease in employment. There is, however, research pointing to a change in the structure of retail employment following deregulation. For example, Price (2005) suggested that extended trading in Queensland did not necessarily result in higher overall retail employment, but to a reduction of full-time and casual employees and an increase in the number of permanent part-time employees.

Investment and Competition

While the proponents of a liberalisation of retail trade often claim that this will result in increased investment and competition, research by Baker (2000: 432) claimed that the reforms had resulted in “a retail landscape that feature an increasing number of vacant shops and the loss of retail amenities in town and neighbourhood centres”. There is empirical evidence that with relaxed trading restrictions there is often a corresponding increase in the overall sales and market shares of larger stores at the expense of smaller stores (see, for example, Morrison and Newman, 1983). However, as noted by Grunhagen and Mittelstaedt (2001) and Kay *et al.* (1984), smaller stores that are able to find a specialty niche will continue to prosper alongside bigger merchandisers.

It is also worth noting that, in the case of the United States, Grunhagen and Mittelstaedt (2001) emphasised the need for further research on the relationships between the liberalisation of shopping hours and the declining number of small stores and the possibility of their experiencing a diminishing share of retail trade. As they point out, other factors may be at play here, such as bank interest rates and tax levels. In other words, it is difficult to determine precisely what negative (or positive) impacts might be associated with retail trade deregulation given the complex range of forces affecting the sector.



Retail Prices

The Chamber of Commerce and Industry of Western Australia (2007:32-36) commented on the high prices paid by Perth consumers and indicated that, overall, retail goods in Perth are more expensive than in most other Australian capital cities. They postulated that deregulated hours would lead to a reduction in price structures. Baker and Marshall (1998:277), on the other hand, using case studies of the grocery retailing in Sydney and Adelaide, concluded that, "The end result for average consumers [of deregulated trading hours] are fewer stores trading longer hours and charging higher prices which ultimately benefits the profits of the large retailers."

However, as Skuterud (2005:1971) cautions, "both the theoretical and empirical literature on the price effect of deregulation of retail trading hours is mixed and inconclusive." This is especially likely in Perth, where the effects of rapid population growth, the resources boom, and a relatively high level of affluence are also probable drivers of higher prices. Trading hours alone are unlikely to explain the price differential between Perth and other Australian capital cities.

The Social Impacts of Deregulation

As Maher (1995:72) has pointed out, "there is a combination of economic, social and moral issues that form a backdrop to the ideological debate that often surrounds questions of regulation." Thus, those in opposition to an extension of trading hours often point to the possible impacts on families, community organisations, sporting clubs, and social capital. Of course, these concerns need to be understood against the background of the broader demographic shifts and changes in social norms and expectations that are occurring within cities.

The Effect on Community, Family and Sporting Organisations

The social impacts of trading hour regulation discussions relate mostly to the sanctity of Sundays (as raised by religious groups) as well as the concern about Sunday being a family day (as raised by labour organisations). Indeed, ACIL Tasman (2005:29) in a study on the deregulation of retail trade in Perth, cited the submissions of some of the opponents of liberalised trading hours which argued that extended trading hours, particularly on Sundays, would have adverse implications for family and social activities such as church, sports, and charity work.

In the case of Canada, putting limits on trading times during the evenings was seen as an important means of keeping shoppers and employees at home and consequently reinforcing close family ties (Morrison and Newman, 1983:107-108). But, as earlier pointed out, the increase in the



number of females working and the number of dual income families provide arguments in favour of deregulated trading hours. It is important to note that demographic and workplace realities are very different in 2010 to the 1980s when the Canadian research was undertaken.

In recognising the onset of these changes, Ingene (1986) pointed out that for families where both spouses work, weekend shopping trips become a necessity for the family as an aid for them to 'spend time together'. The profile of the recreational Sunday shopper identified by Barnes (1984) supports this contention. Kay *et al.* (1984) also reported that particular segments of the retailing industry benefit from Sunday openings, such as furniture and other durables, which often involves shopping by the entire family. This is already experienced by some retail operations in Western Australia, such as hardware and garden outlets.

Urban Liveability and Community Vibrancy

One of the benefits of deregulation, as noted by CCIWA (2007:44), is the improved lifestyle and social atmosphere that would arise from deregulating retail trading hours. As Rouwendal and Rietveld (1999:2003) pointed out, "Opening hours of shops are important for the well-being and attractiveness of cities." More broadly, there is evidence to suggest that dynamic, flexible retailing environments are important in terms of the marketing of cities, and with regards to their general attractiveness (Pacione, 2001).

This is in line with the review undertaken by CNN of the cities that scored highest on annual surveys of liveability.² CNN (2010) highlighted the value of encouraging entrepreneurship and the ease of finding supermarkets late at night, alongside factors such as health care, crime rates and transport as important determinants of a city's attractiveness. In the case of Perth, which has struggled with the 'Dullsville' tag for a number of years, the CNN findings are telling and indicate that liberalised trading hours are an important component in creating vibrant urban environments.

Baker and Wood (2010), however, point to a more fundamental issue concerning the deregulation of shopping hours that relates to the viability and vitality of smaller communities. Citing the disappearance of

² CNN reviewed the cities that scored high on annual surveys such as the Economist Intelligence Unit's global livability report, Mercer's quality of living index, and Monocle's most livable cities list (<<http://edition.cnn.com/2010/WORLD/europe/04/07/most.livable.cities/index.html?hpt=C2>> Accessed April 14, 2010).



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shopfronts in the main streets of regional New South Wales, they (2010:66) argue that, “the geography of main street localities, their built environments and the social constructs that they engender are equally important, but often overlooked, considerations [in the deliberations on retail policy].” This would suggest that there is a need for careful consideration of the likely impacts of deregulation on smaller rural and regional centres. However, there is little evidence from Australia or overseas to suggest that these processes occur in the same ways in larger, more dynamic metropolitan environments.

Conclusion

There is considerable ‘non-scientific’ discourse on the issues involved in changes to retail trading hours. Often considerable rhetoric continues to exist on both sides of any debate about changes to retail trading hours. Interestingly, though, the debates surrounding retail trade hours tend to be much the same regardless of national or international borders. There is strong agreement that the changing demographics that characterise most states/countries result in changes in social values and demands, foremost of which is greater choice and flexibility. The potential economic and social impacts put forward by both supporters and non-supporters of deregulated trading hours are sound and well documented. But the fact remains that the existing theoretical and empirical literature on the effects of retail trading hours deregulation remains mixed, ambiguous and inconclusive. Exacerbating the debate on the issue is the difficulty of determining precisely the associated negative (or positive) impacts of retail trade deregulation in isolation from the complex range of forces affecting the sector.

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About FACTBase

The FACTBase project is a joint venture between the University of Western Australia and the Committee for Perth, an influential member-based organisation driven by a diverse assembly of Perth's leaders. Members collaborate with business, government and community groups to actively improve the liveability of our city, resulting in a real and enduring contribution to Perth and the metropolitan area.

One of the only broad-reaching projects of its kind to be undertaken in the southern hemisphere, FACTBase condenses the plethora of databases and studies on the subject of liveability and analyse what's happening in Perth through words, maps and graphs.



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