

Jimenez, Antonio Moreno

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## Retail policy and local development in metropolitan space: Some lessons from the case of Tres Cantos (Madrid) new town

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38<sup>th</sup> CONGRESS OF THE EUROPEAN REGIONAL SCIENCE ASSOCIATION  
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RETAIL POLICY AND LOCAL DEVELOPMENT IN METROPOLITAN SPACE: SOME  
LESSONS FROM THE CASE OF TRES CANTOS (MADRID) NEW TOWN

ANTONIO MORENO JIMENEZ  
Department of Geography  
Autonomous University of Madrid, Cantoblanco.  
28049-Madrid, Spain  
E-mail: antonio.moreno@uam.es

ABSTRACT

The strong spatial competition between firms and localities in metropolitan areas yields unequal impacts on the economic growth. The great peripheral retail facilities dominating the surrounding market negatively affects to little and lower-medium settlements that, in this way, play a dominated role, seen as undesirable by local agents and provoking emergent policies. This paper reports the case of a lower medium new town located near Madrid (Tres Cantos), where the local government and retail organisations have reacted against the retail underdevelopment and are promoting measures to overcoming the problems detected, mainly the local consumer leakage and the limited success or failure of many retail firms. The study presents some findings of a wider report conducted to evaluate the implemented measures, its effectiveness and the local market agents' valuation. The experience serves to illustrate the problems of objective setting and policy implementation when public and private sectors participate in a joint decision framework and induces to question the definition of "basic" activities at local level.

Keywords: Local development, retail system, urban retail policy

## 1. Introduction

In the context of market globalisation, the opposite end of the spatial scale, that is, local economy, is also a field requiring attention from the scholars studying the economic development. In the geographical context where this study belongs to (the Madrid metropolitan area), it may be detected a growing interest among municipalities to play a more active role, not only as public service providers, but also as producer service supplier focusing the growth of local business. As it was stated in a former study (Moreno, 1997a) the spatial competition between firms and territories in metropolitan areas is fostering the leadership of local governments, taking advantages of their competences in fields such as land and urbanism, fiscal charges, labour training, economic activities, etc. Although not well integrated in coherent bundles or plans, many actions must be interpreted as a support to increase the “competitiveness” of labour force or the industrial and service sectors, and at the end, targeting the local economic development.

Our case study must be understood as an example of this trend because, although it refers only to a short set of measures, it responds to this logic. A few years ago, when the Tres Cantos new town became independent municipality, (located at 21 km. from the Madrid centre and populated by nearly 31000 persons in 1997), one of the evident problems was the weakness of the retail and consumer services sector. There were a lack of supply both in quantity, variety and modern facilities and, consequently, the population went shopping extensively to near settlements. Immediately local government and entrepreneurship started to think together about these problems and the ways to face them. As result some initiatives began to be defined or undertaken, for instance to engage an expert as civil servant, to procure external experts’ advice, etc. A first report made by the author (Moreno, 1995) produced a general diagnostic report on the retail system and formulated a set of action lines. Last year, some of these measures were carried out and the need to evaluate them “ex post” derived in a second study (Moreno, 1997b). In this paper a concise review of the basis and some findings of it will be presented to offer the opportunity to know how retail policies are being taken to improve local economy. In the following paragraph the objectives envisaged and the instruments implemented are synthesized. The greatest extent of the paper is devoted to report some results of the evaluation study, and the final part is dedied to reflect around the lessons to be extracted, the ongoing local process and its significance to promote retail business, as a part of local economic development.

## 2. The goals and the measures of local retail policy

As said above, the awareness of retail problems and their factors encouraged the local agents to take actions to overcoming them. The measures were integrated into a loose and long

term framework called Retail Mobilizer Plan, seeking to develop this sector of local economy, bringing together the interests both, of retail firms, the consumers and the local government. At short term three policy objectives could be identified:

A) To modify the retail image of the town among the population. Specifically, the negative attributes of local supply (revealed in a previous study) were addressed to, trying to increase the knowledge of it and to underline the advantages of local purchases. As a part of the new image, a logo was designed with the ultimate wish of using it as an identifier of further initiatives and engagements of retailers and the municipality.

B) To induce a change in the spatial consumers' behavior, meaning a progressive increase of local purchases.

C) To achieve a mobilization of retailers into a collective and co-ordinated action focused to take entrepreneurial initiatives, aligned with and reinforcing the public action.

The measures envisaged to these ends were basically three:

A) An advertising campaign sponsored by local government (Dept. of Commerce and Industry) during nearly two months (december-96/january-97) through different media: ad broadcasting, ad publication in local newspapers, posters in public spaces and retail stores, booklet distribution into home postboxes, etc.

B) A promotion campaign, sponsored by retailers and consumer services firms and carried simultaneously, based on the raffle of a car among local customers.

C) The diffusion of a booklet among retailers, containing directions and suggestions aligned with the envisaged goals.

### 3. The study of campaign evaluation

The need for precise information about achievements and pitfalls of the above strategy, enabling its correct evaluation and illuminating further initiatives, asked for a systematic study that would collect data:

A) To determine the population awareness and attitudes towards the campaigns. Additionally, it was intended to obtain complementary information concerning the inhabitants' subjective image of the town as market place, that is, to reveal the perception of supply and its attributes, after the ad campaign.

B) To reveal the main features of consumer behavior, in order to detect the possible changes induced by the campaigns.

C) To measure the participation level and the campaigns valuation among retailers.

Several theoretical sources were relevant to ground the work. The ad research provides a wide set of references discussing the overall methodology and the questions to examine (vid.

Rossiter and Percy, 1987; Seglin, 1992; Hansen, 1995). Usually the advertising effectiveness is measured with indicators such as ad awareness, ad exposition, recall, interest, attraction, relevance and credibility, persuasion, purchase intention or purchase action. In addition, these dimensions should be examined in relation to personal attributes. The greatest part of them require data collected by survey.

The research on promotion campaigns is also reach and the usefulness of available techniques is well tested (vid. Blattberg and Nesling, 1990; Kotler, 1991; Santesmases, 1992). The usual methodology proposes to observe how the campaign works in several moments: before, during and after, being recommendable in the last case to take data once immediately, and then some time later. However, given the beginning date of this study and the constraint for quick reporting, only data after the campaigns could be taken.

Concerning the analysis of retail image among population, the studies are centered mainly on two directions: the attributes of individual outlets (Downs, 1979; Burns, 1992) and the whole images of retail places or areas (Timmermans et al., 1982; Smith, 1992). In our case, given the goals of the campaigns, priority was given to these questions: to reveal the perception of some attributes of the whole town as market place, and to uncover the retail information field of population (although this last point will not be treated here).

Finally, the examination of consumer behavior, particularly in the spatial aspect, followed the approach of a former study carried by the author (Moreno, 1995, 1997a) on the same location.

Based on the above considerations, active data became necessary and two surveys were designed to collect them. The first one set the customers as target population, and required sampling. Households were selected as sampling unit and the person having the principal charge of purchases was interviewed. 426 households were successfully contacted in april 1997 (giving a sample rate of 4,73 per cent), using for that a systematic selection procedure; that gives a maximal sampling error for percentages of 4,63 when  $p = q = 50$  for the 0.05 confidence level. The second survey set the nearly 400 local retailers as target population, being 336 of them effectively surveyed in june/july 1997.

#### 4. The main results of campaigns

##### 4.1. Awareness and attitudes of consumers towards the campaigns

The achieved knowledge level of advertising, as an indicator of performance, was higher-medium, although the different media reached unequal effectiveness. The broadcasted advertisements were scarcely listened (less than 10 per cent), but printed ads performed better, because almost 60 per cent of people declared to have seen some type of them. Particularly, posters located in the street and in retail stores were the most viewed ones. Concerning the

message mostly perceived and recalled by population (48.2 per cent) can be expressed simply as “to purchase and to consume in the town”.

The figure adopted as symbol to identify the Plan, and intended to be used in future actions, reached a reasonable level of notoriety: over a half of surveyed people recognised the logo, and the design also obtained a good support. It got a 3.6 score (in a scale from 1 to 5).

The promotion campaign managed by the local firms associations reached a very high echo among population: 96.2 per cent knew it and received tickets of lots. Notwithstanding that, the consumers’ attitude concerning the stimulating effect on local purchases was pessimistic. In fact, the majority considered it just as indifferent or slightly positive to this end (figure 1).

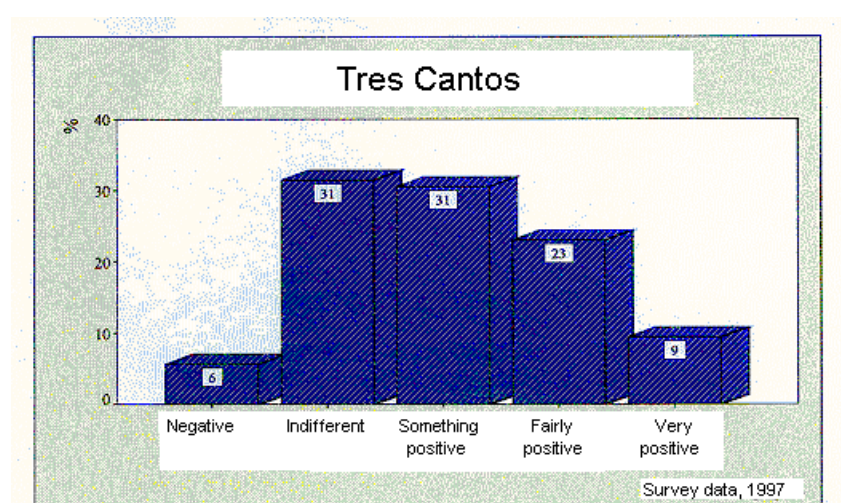


Figure 1. Distribution of consumers’ attitudes towards the effectiveness of promotion campaign as stimulus to local purchases.

Further analysis of survey data displayed interesting differences among the urban zones. The population of Northern area used to reach higher scores both in knowledge and in appreciation. On the other side, the upper status residential zone located at the East (Soto de Viñuelas) usually showed the minimum impact of campaign; the Central and Southern zones occupied an intermediate position.

#### 4.2. The subjective image of the new town as market place

According to the known importance of individual knowledge and opinions towards the retail supply as spatial choice factor the research envisaged to reveal some of the information the customers use to make decisions concerning the place where to go shopping. Given that the policy emphasized the advertisement and promotion measures, and that both of them are useful tools to modify the subjective information, some aspects of local retail cognition were

considered.

One of the most recognized factors of spatial behavior is the amount and richness of information owned by persons about their environment. The research has coined terms as “mental maps” and “spatial information fields” to refer some prominent mapping expressions of this knowledge, and to know it was a focus of this research. Although various subjective data were collected just a few of them will be presented here, in order to illustrate some significant facts.

Among other questions, a general one was posed trying to reveal the degree of local retail knowledge among population: individuals had to qualify their knowledge in an ordinal scale. This is clearly a surrogate and comprehensive measure, and by this reason, approximate, but sufficient to seize this dimension. Although the town is not great, its areal extent is important and for that, spatial differences among residents of neighborhoods were expected. The table 1 and figure 2 display the results.

Obviously, the knowledge of the local supply by the persons in charge of household purchases can not be expected to be low, and so the greatest minority (46 percent of them) qualified their level as high or very high, although this amount does not seem to be remarkable. On the contrary, it is important to underline the nearly 40 percent with “medium” knowledge and, above all, the 13,2 percent whose information was low or very low. These data immediately claim for measures oriented to increase the choice set of consumers, enlargening their information on local supply.

TABLE 1

<b>RETAIL KNOWLEDGE LEVEL AMONG POPULATION (%)</b>				
Knowledge level	Northern Zone	Central and Southern Zone	Soto de Viñuelas	Total
Very low	1.0	2.0	9.5	1.9
Low	7.4	14.4	19.0	11.3
Medium	45.1	36.3	33.3	40.7
High	32.8	37.8	23.8	34.7
Very high	13.7	8.5	14.3	11.3
N. D.		1.0		0.5
Total	47.9	47.2	4.9	100

Source: Field survey, 1997.

The disaggregated analysis by urban zones or social categories usually reveals interesting aspects of spatial images. In Tres Cantos new town, the unequal geographical pattern of retail

stores, the spatial differences in socio-economic status, and the length of the stay (since the household immigration) seem to be related to spatial information fields. The examination of answers to the former question displayed clear variations by urban zones. Soto de Viñuelas, the poorest supplied and the upper status zone had the largest proportion of ignorants. In the Central and Southern Zone, those scarcely informed are also abundant, probably due to the lower retail provision and the short period living in Tres Cantos of a large proportion of people, given that this is a newly built area. Finally, the Northern Zone, the oldest and the best supplied one, reached the highest score in spatial knowledge.

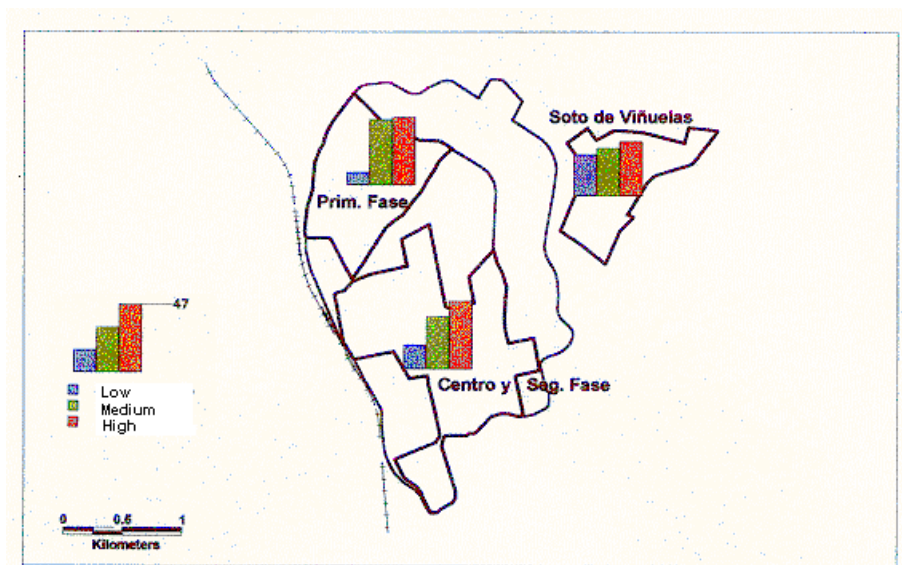


Figure 2. Differences of retail stores knowledge among residents in the three urban zones of Tres Cantos.

Besides the general knowledge, other cognitive aspects of local retail supply were examined to complete the diagnostic. Population was asked to qualify, for some groups of goods, the amount and variety of stores and the prices, the opening hours, the accessibility to retail areas, etc. Next some results will be examined.

Concerning the amount and variety of stores for some goods, the opinions displayed remarkable differences, reflecting the very unequal provision existing in the town (table 2). In some groups, such as toys, clothes, shoes or furniture, the perceived insufficient supply clearly underlied the observed consumers' behavior and the spending leakage, as it will be shown in another paragraph below.

Concerning the goods prices some outstanding facts emerged from survey data (table 3). Firstly, the knowledge of prices was very unequal among groups of goods, being noteworthy the high ignorance in some categories, for instance, toys, jewelry and watches, and electric machines.



Secondly, almost nobody considers the local prices as cheap. And thirdly, considering only the two other answers, the expensive adjective is prevalent in non fresh foods, toys, clothes and shoes, and very high in drugs and cosmetics.

TABLE 2

<b>POPULATION'S OPINIONS ABOUT THE AMOUNT AND VARIETY OF SOME STORES</b>							
Opinion	Non fresh foods	Drugs	Optics and photography	Toys	Clothes	Shoes	Furniture
Scarce	17.8	15.3	15.0	53.1	58.2	55.6	42.5
Regular	27.9	35.4	31.7	13.4	24.9	25.1	29.6
Abundant	50.9	43.4	39.7	4.5	8.9	11.3	15.5
Do not know	3.3	5.9	13.6	27.9	8.0	7.7	12.4
N. D.				1.2		0.2	
Total	100	100	100	100	100		100

Source: Field survey, 1997.

TABLE 3

<b>POPULATION OPINIONS ABOUT PRICES OF SOME GOODS IN LOCAL STORES</b>						
Opinion	Non fresh foods	Drugs, cosmetics	Toys	Clothes, Shoes	Electric machines	Jewelry, watches
Cheap	0.5	1.6	0.0	0.7	0.7	0.2
Normal	41.5	47.2	14.8	27.9	50.2	36.2
Expensive	55.2	42.5	27.0	56.6	19.5	21.4
Do not know	2.8	8.5	56.8	14.6	29.4	41.3
N. D.		0.2	1.4	0.2	0.2	0.9
Total	100	100	100	100	100	100

Source: Field survey, 1997.

As concluding remark it can be stated that the image of retail supply among people pointed out to the persistence of the main problems detected three years before. The things had barely changed and, in this sense, the campaigns had failed to better basic perceptions and attitudes of population towards local retail market.

#### 4.3. The spatial behavior of local consumers

As a former paper reported for 1995 (Moreno, 1997a), the most immediate menace to profitability of retail firms relied on the fact that local households used to spend an important share of the households' budget outside the town. Although the leakage was highly variable among goods, in some cases (above all in shopping goods) the figures were very striking. Because of the ultimate goal of campaigns was to achieve a higher market share, that is, to retain more and more of household's spending in the town, the survey examined several sides of it, in order to check the possible effect of campaigns on consumers' behavior.

Particular attention was paid to a set of goods that three years before displayed a leakage over 30 per cent, and their purchases were scrutinized. A glance on the relative amount of households declaring do not buy any of these commodities in the town, listed in table 4, enables a first impression of the situation after the campaigns. The data drive to the conclusion that none or an irrelevant advance in retaining population had been got.

As a detailed example of differences in local purchases among the urban zones, the figure 3 displays the distribution of households according to their relative spending in non fresh foods in the town. The lowest internal spending appeared in Soto de Viñuelas, followed by the Central and Southern Zone: there, the height of leftmost bars denotes the weakness of local purchases. In the Northern Zone, the rightmost bar (indicating a 100 % of local purchase in this commodities) is clearly dominant.

TABLE 4

<b>HOUSEHOLDS NOT PURCHASING IN THE TOWN</b>	
COMMODITY	PERCENTAGE
Non fresh foods	32.4
Drugs and cosmetic goods	28.6
Photographic and optical goods	27.9
Clothes	69.5
Shoes	64.3
Furniture	62.2
Electric machines (radio,TV, fridger, washing machines, etc.)	55.6
Sports goods	50.0
Toys	69.5
Jewelry and watches	50.9

Source: Field survey, 1997

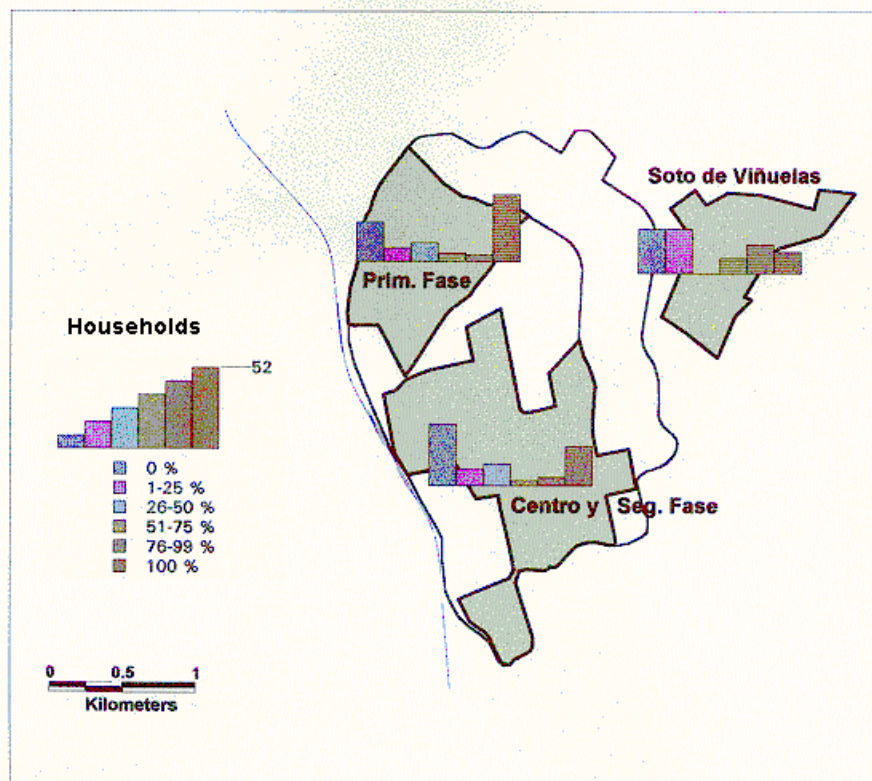


Figure 3. Distribution of households according to their level of local spending in non fresh foods in the three urban zones of Tres Cantos.

In spite of the negative impression given by the above data, other question posed to the interviewed enabled to be slightly hopeful, because a favourable trend towards the local market seemed to be emerging. Population was asked if in the last six months they had increased their local purchases. The trial period looked for covering precisely the duration of campaigns. The answers, although being a surrogate for more exact spending measures, rendered possible an approximate evaluation of objectives fulfilment (table 5).

The results are coherent with the underlying logic of many evolutionary processes: over a half of people had not changed the destination of their purchases, but it is noteworthy that nearly 36 percent indicated to have increased their local spending during the period, against just a few ones suggesting the opposite trend. Obviously this general orientation may insuflate some optimism at long term. The detailed data over the three main urban zones denoted significant differences: the greater increase appeared in the Central and Southern Zone and in Soto de Viñuelas, and the minor ones in the Northern part. This is probably related to the fact that, the lower retail space in the former ones let more opportunities for local retailers to increase their market share. In the Northern Zone, the best supplied, the local share is the higher one, and so advances against external competition are more difficult.

TABLE 5

<b>PURCHASES VARIATION IN THE SIX LAST MONTHS</b>				
Variation	Northern Zone	Central and Southern Zone	Soto de Viñuelas	Total
Decrease %	13 6.4	8 4.0	1 4.8	22 5.2
No change %	135 66.2	102 50.7	12 57.1	249 58.5
Increase %	56 27.5	88 43.8	8 38.1	152 35.7
Don't know %		3 1.5		3 0.7
TOTAL %	204 47.9	201 47.2	21 4.9	426 100

Source: Field survey, 1997

Additional evidence of the low effect of campaigns in the consumers' behavior stemmed from the reasons manifested by the interviewed as inducing an increase in their local spending. The most cited causes, from a wide list presented, were convenience (28.3 percent of mentions) variety of supply (24.3 percent) and proximity (15.1 percent). On the contrary, just 4.6 percent of people expressed the retail promotions as influential factor.

#### 4.4. The entrepreneurs' attitudes towards the campaigns

The advertising measures have been evaluated quite distinctly by local retailers. The extreme opinions (no or much interest) were almost balanced, collecting nearly a quarter of answers. The most numerous group (39 percent) qualified the campaign simply as "something interesting". Synthetically, the experience provoked little enthusiasm and opposed attitudes. The most positive support was found among firms with 3 to 20 employees, and entrepreneurs with medium or high education and aged between 41-60. The campaign caused a wide set of criticisms, being more frequent those pointing to its uselessness, to the lack of information to retailers, and to the misguided approach. However, the logo was also well scored by the interviewed entrepreneurs.

The promotion campaign got a worse valuation than the ad one, nevertheless the opinions were also divided. Almost 40 per cent of retailers qualified it as indifferent, and just 23 per cent were satisfied. As before, the general impression towards this measure denoted a lack of enthusiasm, and again the most supportive were the public limited companies, the outlets with 6-10 employees, and the entrepreneurs with university education and aged between 41-50. On

the other side, the abundant criticisms focused to a deficient organisation and management, uselessness, and rejection to its content.

Given that, it is not amazing that the campaign was able to mobilize just a half of local retailers. The more supportive segments were the limited firms, the outlets with 3-5 employees and the entrepreneurs with higher education and under 40.

Finally, and although the collected data on practical effects of these campaigns rely only on retailers answers to survey, it must be emphasized that, according to them, the attainments had been unsatisfactory. A majority stated that the customers' response to campaigns was indifference (56 per cent), that they had not served to improve the image of local retail supply (55 per cent), and that they had not caused an increase of sales (88 per cent).

## 5. Some lessons from the case study

### 5.1. Problems of bringing together the public and private initiatives into a common retail policy

An outstanding feature of the local policy in this field was the volunteer engagement of both, the public and the private agents. Although this joint action must be appreciated and considered as a strength, the potential advantages have to be counterbalanced with the difficulties for setting a common ground for policies. These difficulties stemmed from several sides and it can be illustrative to display a brief examination of them, through the perspective adopted by each partner.

Although the retail entrepreneurs were heterogenous in many aspects (instruction and training, age, expectations, etc.), they mainly belonged to the group of little firms, and so they shared a biased perspective of possible solutions to their problems. For instance, they were reluctant or unaware of the need to face long term and structural changes, and instead, confident and magnifying the capabilities of advertising and promotions, they firmly demanded such types of actions in an uncertain, if not naive, way. The adopted measures, specifically the content and the development of the campaigns, had many weak points because they did not respond to a strategic plan, not were shared by many retailers, and were not based on sufficient advice.

The other partner, the local government, had a wider perspective of the situation, given that it had skilful experts in the fields of local development and retail planning and management. However, the political weight of entrepreneurship, and the wish to involve them in the search and implementation of measures to solve the problems, did not permit the local government to impose its perspective, given that the efforts to convince the private sector representatives had also failed.

In fact the negotiation process to define a common strategy ended with a partially divorced one: each part assumed some proportion of costs, and also imposed its own criteria.

With this basis, the economic and institutional efforts could not expect good results, except, perhaps, one: the need to evaluate the campaign success or failure by an independent referee.

## 5.2. Reflections about the ongoing local retail initiatives

As it is known, many little retail firms are suffering from serious decay in so competitive markets as those existing in metropolitan areas. Not only they lack profitability, but also lack resources (in a wide sense, from economic ones to advice) to overcoming it. Although general diagnostics and specific proposals have been made by experts (e.g. Sainz de Vicuña Ancín, 1996), the rhythm they permeate into traditional entrepreneurship is slow, among other reasons because they point to structural changes to adapt the business to new context in retailing.

Given that some retail trends are unavoidable, such as transformations in technology, management or organisational aspects on the supply side, and the new consumers' habits on the demand side, the public sector role in this transition step is required to combine two components into policies. On the one hand, the attention to little retailers (by many reasons, e. g. employment, economic, or even electoral ones) and, on the other, the opening to the trend represented by great retail firms and facilities that, increasing competition, also stimulates the changes and satisfy the population requests.

In the Tres Cantos case, local government has continued the actions in several directions, being remarkable the approval of a new medium sized shopping center and the preparing of a strategic plan for the retail sector, incorporating many of the recommendations derived from our evaluation report (not treated here). This continuation seems to run along a better direction than the step and measures here examined. Really, the failure of the implemented actions could be clearly foreseen because they suffered from many deficiencies, particularly they were misleded and isolated initiatives. The advertising and promotion campaigns can serve to spread news about products or services, to maintain informed the demand or to reinforce other actions, but these sole tools were inadequate because they do not act upon the problem roots. Concerning that, a wise statement in marketing should be recalled: "Any attempt to convince them [the non-store users] to become customers, without previously making necessary changes to "correct" the offer, can only be dysfunctional" (Cook and Walters, 1991, p. 288). Thus, these measures can be conceived as necessary conditions, but not as sufficient ones to solve the basic problems of local retail market, given that, from the local supply side no important change had occurred in the last years. Instead an adverse effect of this useless experience may have become: the discouragement and disaffection of the retailers about collective actions.

## 5.3. Towards a broader perspective of local economic development in metropolitan urban places

From the former paragraphs it may be stated that, actually, local agents are considering the retail sector as a relevant piece of local economy and development. Consequently, both public and private sector are being engaged into actions to reach some partially shared goals and the experts are being requested to ground the measures and to integrate them into coherent plans. On this basis some theoretical changes must be claimed in the economic development thought, specially when is referred to local level. As the figure 4 tries to express, at national or regional scales, a narrower bundle of activities could be considered as “basic” than at local level. After Williams (1986), the economic development relies not on the activities generating external revenues (as is commonly assumed), but on the net revenues concept, given by this expression:

$$\text{Net revenues} = \text{Total external revenues} \times \text{Multiplier} - \text{Total external spending}$$

This means that the perspective must be broadened to include also a wider set of activities than traditionally were qualified as “non basic” for regional or national levels. Typical non export functions, as retail or consumer services may play a critical role under this conceptualization. As Williams argued, and in Tres Cantos case study has been realized, local retailing performs two key roles in local economy: firstly, it attracts external revenues (buyers) to town; and secondly, it acts inhibiting the leakage of internal spending to other places, and consequently maintaining the internal circulation of money. Furthermore, in the rural case Williams studied, the multiplier effect on local economy of retail and consumer services was higher than the industrial and producer services ones, so enabling a greater contribution to local economic growth. Obviously, additional empirical work should be done to examine this question in other geographical contexts, for example the metropolitan one, but it seems a promising hypothesis.

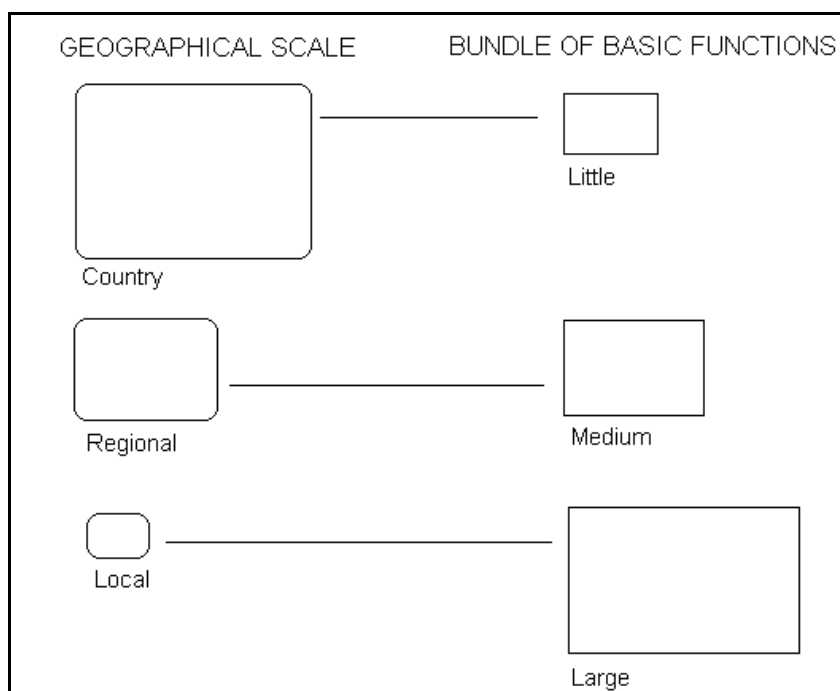


Figure 4. The hypothesis of a ladder of basic functions correlated with the spatial scale.

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