



# Going underground

The oldest underground network in the world is poised for an overhaul as its operator seeks to capitalise on one of London's last untapped retail estates. **Ben Cooper** reports

**W**hen you've got 1,000 retail units in London," says Transport for London (TfL) director of commercial development Graeme Craig, "whether you like it or not, you're a retail landlord."

It's an unusual position for any director to be in: TfL, known as a transport operator, has thousands of square feet of space to play with, a footfall most developers can only dream of, and one of the most complex challenges

“

**The challenge is to allow retailers to maximise the potential of the footfall in a very limited space**

**Peter Courtney, Lunson Mitchenall**

in modern retail property to make it all happen.

Not that this is anything new. The London Underground has always been home to generally small, retail premises for newsagents, sandwich bars, locksmiths and launderettes. What has changed now is the way the landlord has decided to approach it.

With £250m of revenue from non-travel operations every year, but only 10% of that coming from retail, TfL has decided to make the most of what it's got and start making the ↘

space generate some real returns. If it is going to meet its own challenge to increase non-travel sales four-fold to £1.1bn by 2022, the mostly untapped retail space must play its part.

But deciding to maximise the retail opportunity on the Underground is one thing. Overhauling a large, complex matrix of stations, tunnels, ticket halls, concourses, bus stations, even piers, to bring the whole thing in line with modern retailer requirements is another thing all together. So how will TfL, which has teamed with Cushman & Wakefield, rise to the challenge to deliver London's next big retail opportunity?

"They've got a massive job to do," says Savills director of central London retail Peter Thomas. "London Transport has such a diverse range of property to offer. There will be lots of different examples. There are very different profiles of space and physical make-up, and retailers will need to create a new model, one that suits the environment."

The scale of the job becomes even more apparent when comparing the footfall through Oxford Circus station to that through Heathrow Airport. While Heathrow is a giant transport complex thronging with passengers, shoppers and shops, Oxford Circus, despite being a fairly tatty hub, has over 90 million people pass through a year, 10% more than those travelling through all five of Heathrow's terminals combined.

But huge footfall is one thing. There might be a billion people using the Tube a year but, as anyone who has ever travelled on the Underground knows, those people don't tend to linger.

Lunson Mitchenall director for London retail Peter Courtney says: "The number of people going through the Tube network is phenom-

enal. Where TfL has a problem is in developing the environment and getting it to a high enough standard to get retailers to relocate their stores. Then the challenge is to allow retailers to maximise the potential of the footfall in a very limited space with people running around."

### Network solution

With such a big task on its hands, TfL turned to the property world for help. In 2012, the year its commercial development division was established, it appointed Cushman & Wakefield to look at the whole network and kick-start a long-term process it hopes will bring the Tube up to date.



**Old Street should be focused on design and technology, and that should be exemplified by the retail**

Graeme Craig, TfL

Overseeing the whole operation, Cushman & Wakefield head of EMEA retail Justin Taylor is under no illusions how complex it is. He says: "There is an opportunity to improve the retail offer, catering facilities and services across this network. Many of the shops are relatively small and occupiers are therefore thinking how they can produce a different format."

For this to work, Cushman & Wakefield and

TfL are having to take a very expansive approach. London's diversity is reflected in its transport system, with 270 Underground stations scattered around the city, from humble suburban stops to the buzzing central hubs, serving office workers, tourists, shoppers and party-goers from the early hours to the small hours.

Planning a retail mix to suit this diversity is at the heart of the challenge for TfL, which Craig says has set out to proactively manage its scattered estate in a careful, strategic way.

"We don't want the same old tenant mix," he says. "Each station should fit in with whatever area it serves. Old Street is one of our worst stations. It should be focused on design and technology, and that should be exemplified by the retail."

"We want to develop the network as a retail opportunity. It won't work if we just treat the retailers as tenants that are paying us rent."

Sharp-eyed commuters travelling through Old Street at the beginning of December might have noticed a new entry come and go, one that could be an interesting glimpse of the new generation of occupiers Craig has in mind. A temporary tenant and client of pop-up tech company Appear Here, magazine publisher The Church of London used one of the units on the concourse as a short-term physical presence for the brand.

Headquartered just down the road from ↘



Tube stations bring footfall

## Virtual reality

As part of its ambitious drive into Asia, Tesco launched a game-changing piece of technology in South Korea in 2011. It might well have echoes in London.

Following a brief trial the grocer launched what it called a world-first 'virtual store' on the Seoul subway. It allowed shoppers to select products from large wall-mounted screens dotted around the network for collection at pick-up points.

Tesco has not commented on whether the same technology could be used in London, but as TfL seeks to innovate to solve the retail space problem, the walls themselves might be in for a makeover as part of the new retail-friendly Tube.



Tesco's game-changing 'virtual store' in South Korea



the station, The Church of London typifies the sort of unusual local company TfL wants in its overhauled Tube offering, and demonstrates another possible use for the small space the Underground provides – brand building.

Just as the tunnels and escalators provide a golden opportunity to catch commuters' attention, the small units freed up by redevelopment might offer the perfect temporary space for short-term marketing promotions and capsule ranges. "There's a very high-profile in the station environment," says Courtney. "Things like capsule ranges could work very well. This is another big upside. It's just a question of how it's delivered."

But however well TfL delivers, there is only so much space to work with even with the controversial decision to close ticket offices to free more up. In most cases, other than at Green Park for example, where the retail offer sits just outside on the street, or Bond Street, with West One shopping centre above it, there is a limited concourse around the ticket office and the barriers, with a few small kiosks or mini stores dotted around.

For most retailers, even those who have made success of transport retail, basics such as store size and wi-fi connectivity can't be overlooked, and this factor might put some off trading on the Tube.

### Exploit the gap

The true hidden potential in the Tube, and the solution to the space constraints, could lie in click-and-collect and pick-up points.

Always looking for ways to save time, Londoners are used to doing things on the hop, including their shopping. Placing click-and-collect units around the network for commuters to pick up

groceries on the way home could be a modern answer to this old problem, especially once the wi-fi is perfected on the Tube and people can shop from their smartphones on the way home.

Asda and Tesco are trying out click-and-collect from home shopping delivery vans in station car parks, and Waitrose is using temperature-controlled lockers. Meanwhile Amazon is thought to be considering a click-and-collect roll-out of lockers on the Tube.

Taylor says that as part of the changes underway underground, click-and-collect is bound to play a big part as pragmatic retailers seek to maximise the limited space. "As more of the Underground network becomes wi-fi enabled and with further advances in technology, occupiers will increasingly capitalise on this to find new routes and formats to access customers," he says.

A perfect example of this is already up-and-running on a major transport system on the

other side of the world. Launched in 2011, Tesco's virtual shopping wall in Korea (see box, on page 14) might well be one of the answers to TfL's space constraint issue.

Patrick Gallagher, chief executive of same-day distribution company CitySprint, says the opportunities for such technology to play a part are clear and potentially lucrative.

He says: "There's no doubt that the London Underground would give consumers another convenient delivery option that fits their schedules. From a retailer's point of view it offers access to millions of consumers, the ability to make multiple drops in a small area and a reduction in the need for second-attempt deliveries."

But, he cautions, getting the systems going and making it all work efficiently won't be easy from a logistics point of view. Retailers will need to consider this carefully before they invest.

Gallagher says: "Getting the products from the distribution centre to Tube stations may be difficult due to local restrictions such as parking or congestion, particularly for large vans. Retailers also need to consider how best to manage the scale of deliveries as the Underground is restricted on space."

Space restrictions, logistical headaches and the need to alter consumer habits are all challenges for TfL. But one of the world's busiest passenger networks, currently under-exploited from a retail point of view, is a big opportunity for TfL.

The London Underground's evolution is inevitably going to be a piecemeal business. But if TfL can innovate enough to get retailers onboard and convince shoppers to tweak their daily routines, the possibilities for trade on the Tube are immense. "We have a chance to trial things for the first time in the country and the first time in the world," says Craig. "It's a once in a working life opportunity." ■

## Notes from the Underground

Bookseller Foyles made its first step into transport retail with a boutique store at the plush St Pancras station, unveiled in 2008.

At the beginning of February this year opened a store at Waterloo station.

But despite clearly suiting the transport setting, chief executive Sam Husain says the Underground is a different proposition, and he is cautious.

"St Pancras has worked really well for us," he says. "It's a very high footfall area. The Underground will

depend on store size and terms. We need stores of a reasonable size. Going significantly below 3,000 sq ft doesn't really work for us.

"It's an interesting concept, the footfall is so high but it does depend on how big the units are and what kind of complex and tenant mix they create. The fundamentals are still the same."

Another retailer with an established presence in travel environments is Paperchase. Chief executive Timothy Melgund is cautiously optimistic about the potential of Tube trading.

He says: "There is an opportunity but it's not the same as that on Network Rail Stations where you have a very high footfall concentrated at rush hour. On the Tube, travellers are keen to get to the platform rather than dwell in station concourses, as with mainline station."



Foyles has opened in St Pancras