



Are high streets hotting up?

As economic conditions and consumer confidence show signs of improvement, is the time right for the UK's retailers to renew their interest in high streets? Retail Week asks the experts

High streets have been barometers of the wider retail sector since the economy took a nosedive in 2008 and high street stalwart Woolworths collapsed.

As retailer and consumer confidence increases, retailers such as Carpetright and Hobbycraft seem to be eyeing the high street once again.

When Woolworths closed the doors of its 800-strong store estate in January 2009, it was the first of a wave of retail administrations that resulted in swathes of empty stores across the UK's high streets.

Famous collapses included Peacocks, Clintons, HMV, Game and Jessops, and once-bustling high streets fell quiet. The problem was so significant that the Government brought retail guru Mary Portas on board to help revive high streets' fortunes.

But with improvement in the retail market this year and a raft of retail IPOs – including the £2.7bn valuation of value retailer B&M Bargains – it seems things are looking up.

Carpetright has revealed it is moving

“NOW SEEMS A GOOD TIME FOR RETAILERS TO SHOW CONFIDENCE AND LOOK FOR NEW AVENUES OF GROWTH”

Matt Taylor, KLM

away from the larger stores it has traditionally operated on retail parks, in favour of small 3,000 sq ft sample-only shops are likely to be predominantly on high streets.

Hobbycraft, another retail park player, is targeting London through smaller 5,000 sq ft high street-format stores.

It's a process also playing out internationally. Ikea opened its first city centre store in Hamburg, Germany this week. It says the decision is a response to changing customer shopping habits and demand for smaller, local stores and online.

Meanwhile, the grocers are battling it out for a share of the convenience market, moving away from big-box supermarkets to smaller, more accessible shops. And the value retailers are not pausing their growth strategies – high street favourite Poundland plans to double its estate in the long term to 1,000.

So is a resurgence of the UK's high streets under way? *Retail Week* asked 10 retail and property experts for their views.



Matt Taylor,
associate partner, KLM

Most high streets have continued to have strong footfall.

There is a return of consumer confidence and therefore spending being reported more widely, with retailers posting stronger figures.

Busy city and town centres where consumers are looking to spend mean retailers who are hoping to expand have an opportunity to try the high street.

Internet shopping and multichannel mean retailers are trying to widen their store concepts and find different ways to appeal to consumers.

With an increase in consumer spending, now seems a good time for retailers to show confidence and look for new avenues of growth.

The interesting next stage will be to see if there is cannibalisation, and whether economic recovery will see the 'town centre-first' planning focus really bear fruit.



Alex Gourlay sends a retail postcard from America *Comment, p25*

BIG STORY HIGH STREETS



Simon Morris, director, GCW

Retailers are looking at high streets because of their convenience.

There's no disputing that out-of-town is accessible by its very nature but, particularly in London and the Southeast, there is a dearth of retail parks within easy reach of the consumer.

High streets provide retailers with the ability to achieve further penetration, which isn't possible by maintaining a rigid retail park model.

By entering a high street environment retailers can drill down to their ideal demographic and locate a store precisely where the consumer



lives. The entrance of out-of-town retailers onto the high street does not in isolation signal a resurgence, but without doubt there is a significant increase in demand that has not been seen for a number of years. The economic climate stymied development because funding was difficult to achieve.

As this situation changes we are beginning to see possibilities re-emerge for retailers such as H&M and River Island. That is being bolstered by new entrants to the market such as Smiggle.

Jonathan De Mello, head of retail consultancy, Harper Dennis Hobbs



retailers need to be more flexible through a multichannel offer.

But what is driving retailers onto the

high street is the availability of cheap space in these locations.

However, there is a two-tier trend in the UK, as quality retailers want to be in certain smaller towns. But that attraction for high street sites is not there beyond the Southeast and London suburbs.

"THERE IS A TWO-TIER TREND, AS QUALITY RETAILERS WANT TO BE IN CERTAIN SMALLER TOWNS"

KEY FACTS

12.3%

The drop in high street footfall between 2009 and 2013, according to Springboard

7.5%

The decline in footfall across London's high streets since 2009, according to Springboard

5.4%

Shop vacancy rates as at December 2008 according to the Local Data Company

14.6%

The peak of shop vacancy rates in February 2011 according to the Local Data Company

13.4%

Shop vacancy rates as at May 2014, according to the Local Data Company

17%

Online growth year-on-year in May 2014 according to the BRC

Diane Wehrle, marketing and insights director, Springboard



It is universally recognised that footfall on high streets has been on a steady decline for a number of years, with a drop of 12.3% between 2009 and 2013.

However, what is less known is that the rate of decline has been slowing with a drop of just 1.3% in 2013 compared with 3.4% in 2012 and a decrease of just 1.1% for the year to date.

It is likely that this bottoming-out and the emergence of a more stable trading environment is making high streets an option for retailers that are looking for opportunities for growth.

In some instances sizeable units in prime locations that were previously occupied by the multiples that didn't manage to survive the recession have become available.

Inevitably London's high streets have exhibited the strongest performance, with a decline of just 7.5% since 2009. Footfall in the Midlands outperformed the rest of the UK, which suggests that potential also exists in other areas of the UK.

At the same time, out-of-town – the old nemesis of the high street – is benefiting from intensive improvements by landlords and so strengthening its competitive position, with a rise in footfall of 3.7% for the year to date.



◀ **Simon Roberts, managing director, health & beauty UK and Republic of Ireland, Alliance Boots (and co-chair of the Future High Streets Forum)**



We know customers' needs are changing and there is a greater focus on convenience, sense of community and personalised services. That impacts why they visit the high street, and when, and is something all retailers need to respond to.

At Boots UK, we have the ambition to be a leading high street and health-care partner sharing expertise, knowledge and insights at a community level, in order to reposition our high streets as destinations of choice.

Paul Langston, consulting partner, Location Strategy CACI



By 2019, 22% of what used to be described as 'high street products' will be purchased online. But that means more than 75% will still be purchased in-store.

The store will retain a greater share if retailers and landlords work together to play to locations' strengths.

Primary destinations must invest in improved leisure and catering offers to extend dwell times. Our research shows that someone who uses catering spends 48% more than someone who doesn't.

The bulk of less prestigious locations are never going to need the amount of space they once had, and we estimate 37% will be stagnant by 2019.

The remaining retail space needs to focus on the convenience role these centres now play. Retailers need to be incentivised to open shops that complement the existing stores and match the needs of each centre's unique mix of demographics, workers and tourists.

Neil Saunders, managing director, Conlumino



There is a resurgence of some high streets in certain locations where retailers want a presence because they want the footfall and to expose their brand – but it depends on where it is. It is happening in London, big shopping centres, large regional centres and small market towns where there are affluent shoppers.

WHAT ROLE DO HIGH STREETS PLAY?



Average drivetime is 40% less than to a major shopping centre



Frequency of visit is 19% greater than a major shopping centre



Click-and-collect usage is 8% against a UK average of 4.3%

Source: CACI – Retail Footprint/ShopperDimensions

“THERE IS A GREATER FOCUS ON CONVENIENCE, SENSE OF COMMUNITY AND PERSONALISED SERVICES”

Simon Roberts, Alliance Boots

Retailers are thinking more carefully about what the value of the store is and there is a much wider consideration about what a store delivers rather than what is transacted through the store.

Clothing retailers in particular are opening high street stores because clothing is something very tactile and often it is an impulse purchase, whereas with homewares or in niche retailers people want to have a browse.

Daniel Little, property director, Topps Tiles



We're looking for more opportunities where we're not represented, which means we're looking at the high street.

Retailers are becoming more strategic about the exact location of their stores and are more flexible in their store formats. We have our Boutique format, which is aimed at a smaller high street offering. We can be more flexible with the multichannel approach, which means we can carry

less stock. It makes the high street a more viable option.

The high street has come back on the radar at a time that retail parks have become more fashion led and more expensive. We pay around £10 per sq ft for space. Fosse Park, near where we're based, is £100 per sq ft. This is a reversal to the high street, which has become more affordable.

There has been a subtle shift to our requirements to make sure we're not oversized. We'll look at stores between 900 sq ft and 8,000 sq ft. We used to only look at 4,000 sq ft to 8,000 sq ft.

Matthew Hopkinson, director, The Local Data Company



The high street – dead or alive? This question is often asked and in my view it is far too simplistic because there are so many different changes happening

across the thousands of high streets that LDC walks every day.

A more appropriate question is about how sustainable are many high streets and do they have economic health?

Shop vacancy rates have come down from their peak of 14.6% in February 2011 to 13.4% in May 2014, which is good news. However, on a more detailed analysis by town, although we see a slim majority improving we also have a large minority still getting worse.

Polarisation is still very much in force up and down the country. For example, in May 2014 we visited 84 towns and the shop vacancy rate ranges from more than 34% in Botchergate, Carlisle, to less than 2% in West Wickham.

Another aspect to factor in is the structural change that is causing the drop in vacancy rates and is not to everyone's liking. Examples include pawnbrokers, fast food outlets and payday loans as well as more nail bars, convenience stores, cosmetic surgery 'shops', tattoo parlours and of course charity shops.

So, many high streets are alive and well, and in affluent areas may also be thriving. We have seen fewer administrations in 2014 so far but it should not be forgotten that chains are restructuring and reformatting their store portfolios, which in most cases equals fewer shops. Next and M&S are good examples that cause much angst when they leave town centres.

We track more than 850 town centres and the reality is that most retailers would consider less than 100 as new target locations in the current climate.

Helen Dickinson, director-general, BRC



The high street is in the process of reinvention and if you go around the UK you can see that some are further down the road than others.

They are in the middle of a transformation that will see a broad offer beyond retail, with leisure and a night-time economy. The pace and success by which this can be achieved isn't helped by a property tax that disincentivises local-level investments from enabling and facilitating that.