CHAPTER THREE

NEW STORE STRATEGIES AND SPACE REQUIREMENTS

Primark, Berlin

- **Prime locations for new stores remain difficult to find**
- **Supermarkets are opening more stores with smaller footprints**
- **Fashion retailers are opening fewer, bigger stores – often favouring major shopping centres**
- **International retailers launching in the UK are also favouring the major shopping centre schemes**
- **Changing space requirements cited by 19% of retailers as the most significant challenge impacting on retail interiors strategies in the past 12 months**
- **Nearly a third of shoppers say they favour shopping on the high street**
- **Consumers say they attach the most importance to store design in shopping centres**

New store strategies over the past 12 months have also been sharply polarised depending on the retail sector. There are two opposing trends. Firstly, supermarkets are opening more stores, but with smaller footprints – a tendency mirrored by some of the traditional large footprint 'shed' operators. The head of store design for one food retailer, which has opened a plethora of small and medium-sized stores over the past 12 months, says it is only necessary for there to be a change in shopping habits from a relatively small number of shoppers for change to be needed and that if this is ignored, turnover falters and "the first thing that gets cut is store development".

The second trend to have emerged is that fashion and some high street players are opening fewer but bigger stores, and many of them are in new shopping centres. The store design director for one of the UK's largest fashion groups says that this trend has not been driven by ecommerce: "If anything, you're looking at fewer stores, but they're bigger. People are looking for a real experience and are starting to talk about retail theatre again." He continues: "The death of the store has been greatly exaggerated."

And when polled about which locations consumers prefer to shop at, more than 30% say they prefer to shop on the high street.

Interestingly, though, when asked to grade the importance they attach to store design in shopping centres, retail parks and on the high street, with 10 being the most important, shopping centres emerge as the location where store design has the most significance. More than 50.5% of those consumers polled say they rate store design in shopping centres as being seven or above in terms of importance (see chart 3.2). This figure fell to 48.3% for the high street (see chart 3.3), and 47.6% for retail parks (see chart 3.4).

GOOD SPACE REMAINS ELUSIVE

The notion that prime remains prime when it comes to location is hardly new, but most retailers interviewed for this report believe that the divergence between prime and secondary locations continues to increase. Practically, this means that many retailers are saying that prime empty units in major shopping centres and on the major high streets are relatively hard to come by – or, at least, stores that are of the appropriate size and dimension to make the kind of statement they need in order to benefit from a prime location.

Perhaps for this reason, the focus for some retailers in the past 12 months has been as much about improving existing assets as it has about opening new ones.

The point is put by a head of design for one of UK's major retailers: "If anything, we are looking at fewer, bigger stores – people are looking for a real experience when they go shopping." Most commentators see the rise and rise of the regional supercentre as something that will continue to reinforce itself as retail and leisure operators put their best feet forward in this kind of location.

The big department store retailers are also busy at work filling in the perceived gaps in their national coverage. Debenhams and John Lewis, for instance, both have substantial development programmes involving new store openings in the run up to the end of the decade. Stores of the size opened by these retailers are large enough to create new destinations in their own right, with the forthcoming 250,000 sq ft John Lewis store that will anchor the redevelopment of Birmingham's New Street station being a case in point.

Across the retail sector, space requirements are changing. And this is having a significant impact on store design. Nearly a fifth of those retailers surveyed say that changing space requirements has been the most significant challenge to impact on their store design strategy in the past 12 months. It certainly poses creative challenges.

For instance, in the grocery sector, retailers are trying to solve new ways of dealing with excess space in their largest branches. In the largest stores, new layouts and additional categories and services, such as semi-discreet restaurants and cafes, are being trialled. Of the retailers surveyed in this report, 30% say they are giving more space to leisure, and 33% say in-store dining and catering is being given more prominence (see chart 3.1), for instance. Across the board, store design experts are being forced to think highly creatively. (For more of the creative challenges taking place in store from a technology perspective, see chapter 4.)

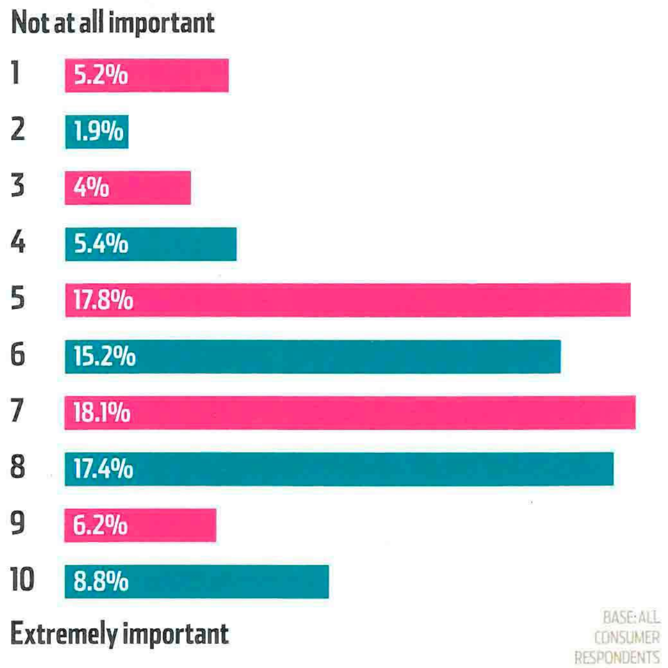
3.1 IS THE WAY IN WHICH YOU ARE USING IN-STORE SPACE CHANGING AND HOW? (CHOOSE AS MANY AS APPLY)

We are giving more space to retail	35%
In-store catering and dining is being given greater prominence	33%
We are giving more space to leisure	30%
We are looking to decrease the size of our shops	26%
We are looking to increase the size of our shops	14%
It is staying the same	16%
Other	5%

BASE: ALL RETAIL RESPONDENTS

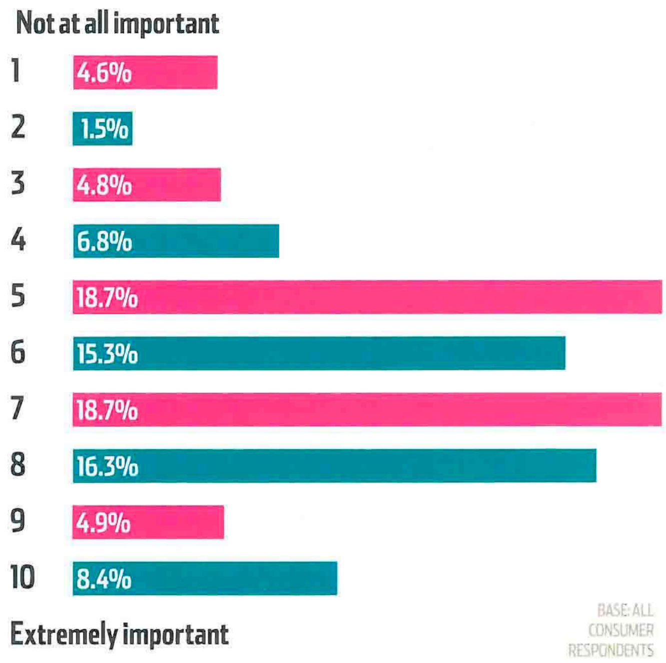
3.2 HOW MUCH IMPORTANCE DO YOU ATTACH TO DESIGN IN SHOPPING CENTRES?

(ON A SCALE OF 1 TO 10, 1 = NOT AT ALL IMPORTANT, 10 = EXTREMELY IMPORTANT)



3.3 HOW MUCH IMPORTANCE DO YOU ATTACH TO STORE DESIGN IN SHOPS ON THE HIGH STREET?

(ON A SCALE OF 1 TO 10, 1 = NOT AT ALL IMPORTANT, 10 = EXTREMELY IMPORTANT)



THE UK RETAIL PROPERTY PIPELINE

GROWTH

- Convenience food stores
- Superstores from the 'big four' supermarkets
- Urban conurbations and city centres. The return to the city will be marked as older properties are repurposed by retailers and developers
- Regional shopping centres will continue to make gains and retailers will focus their attentions on them. Redevelopment of existing schemes and a handful of new schemes will be the way forward
- Department store operators will open big and medium-sized footprint stores

RETRENCHMENT

- Hypermarkets – the move by retailers away from ultra-large stores will mean that work in this area is likely to cease to exist for the foreseeable future
- Retail parks and warehouses in all but the most favoured locations will see negligible input into the property pipeline. This is a pattern that has become established since 2009
- Secondary malls and high streets will continue to suffer relative decline as the bigger regional malls and city centres exert their pulling power
- Based on the current pipeline across all parts of retail, the most economically successful regions will continue to enjoy the lion's share of new space and (with a few exceptions) relatively poorer regions will be of secondary consequence for retailers and developers

3.4 HOW MUCH IMPORTANCE DO YOU ATTACH TO STORE DESIGN IN OUT-OF-TOWN RETAIL PARKS?

(ON A SCALE OF 1 TO 10, 1 = NOT AT ALL IMPORTANT, 10 = EXTREMELY IMPORTANT)