

ABi's series of 'Fact Sheets for Retailers' provide concise information on the key topic areas that impact on business success within the retail environment. Each fact sheet highlights the key issues and provides practical advice on the given topic.

If you would like any further advice on any issues relating to this fact sheet then please contact us. We will be delighted to help.

ABi Associates Limited is recognised by clients, businesses and agencies as one of the country's leading business development companies. We have over ten years of experience and expertise in providing business support to small businesses to help them succeed and grow.

Today's fast paced, competitive and chaotic consumer world provides a multitude of challenges for retailers. ABi offers a diverse range of unique, innovative and tailored business services to meet these challenges. These services include business diagnostics, training, sign posting, market planning, specialist consultancy and networking events. Whatever your business challenge, we will show you a way of meeting it effectively.

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The Future of Retail: London



Forecasts for retail provide mixed messages for the independent retailer.

On the one hand, the retail sector in London is expected to experience strong growth with the level of demand driving a need for increased floor space. At the same time, the nature of the competition means that not every retailer or shopping area will benefit to the same extent.

Independent retailers need to watch developments carefully and take the appropriate action to ensure that their business gets the best chance of reaping the benefits of increased demand.

We must acknowledge that over the past 20 years, larger retailers have grown their market share – and this has led to a decline in the number of independent retailers, particularly in grocery and DIY. As the strategies of large retailers change and develop, independent retailers must be ready to respond. Predicting the future is difficult and different sectors will not be affected in the same way – but independent pharmacies and white goods retailers must keep a careful eye on which direction the large stores take. Convenience stores face additional new challenges as large retailers continue to expand in the convenience sector. Independent retailers usually welcome fair competition and are realistic enough to recognise that consolidation and the associated improvements in productivity can benefit consumers – but historically, independent retailers have survived by operating in local markets and being responsive in providing customers with what they want, when they want it and where they want it.

This ABi Fact Sheet provides an introduction to the key issues in London – starting with the most positive opportunities and then highlighting the threats.

Opportunities: increased demand

- The population of London is projected to grow by more than a million residents over the next twenty years and the growth in per capita spend is expected to continue into the future.
- Annual average growth rates up to 2016 for grocery are forecast to be around 2% and for comparison goods, 4.8%
- Central and local government are keen to maintain town centres: there has been legislation that has discouraged out-of-town development and encouraged investment in traditional shopping locations.
- Government sees retail as an essential element in regeneration schemes. Planning guidelines can encourage housing closer to shops.
- The extension of congestion charging might help town centres as car use is discouraged and public transport links are integrated into town centre redevelopment.

Threats: increased competition

Of course, not all competition is bad for independent retailers, but the nature of competition is changing.

- Existing retail sites are only expected to be able to cater for 2.5% of growth in spending (measured by retail productivity) so growth in demand will have to be met by the development of new retail floor space. Of course, the location of new floor space development could have a critical impact on existing independent retailers.
- Internet retailing is growing and is projected to grow further. Historically, internet sales have grown fastest in specific goods – such as electrical goods and music – and in competition with ‘non-retails shops, such as travel agents and financial services. But as shops specialising in these goods close or move out of the traditional shopping centres, the reduction in footfall can have a knock on effect for remaining retailers.
- The numbers of people buying holidays online has had a significant impact on traditional travel agents – and may have an impact on your business if you were dependent on travel agents increasing footfall.
- And we have to acknowledge the impact that the introduction of Controlled Parking Zones can have on retailers.

Will independent retail survive?

Some commentators think that retailers shouldn't overreact to 'new' forms of competition:

- Internet retail? Home shopping has been around for ages. Traditionally the market has been served by catalogues – but the home shopping companies provided clothes, electrical goods – and credit. Some people see internet retail as a development of this traditional 'home shopping' market that will not have a significant impact beyond a few specialist products.
- Home delivery grocery services? The sight of a schoolboy delivering fruit and veg to customers of the local greengrocer on an old bike with a basket on the front may no longer be common, but the principle of home delivery certainly isn't new.
- Big retailers moving out? In the first half of the last century, retailers were claiming that big retailers moving into the high street would kill off the smaller independent traders.

High streets survived. Independent retail has survived.

Some media productions have examined the “demise of the Asian Corner shops” – although the claim from experts is that “in the next 15-20 years...we'll see Asians no more likely to be in corner shops than the population at large” (David McEvoy). Evidence from local areas seems to indicate that the ‘traditional’ Asian retail entrepreneurs are being replaced by entrepreneurs from other ‘newer’ minority ethnic communities. This may be due, in part, to the children of the original entrepreneurs being reluctant to take over the family retail business.

In conclusion

Although the rate of out-of-town retail development has slowed and the internet will not necessarily have the impact some retailers have feared, the combination of additional investment in out-of-town retail space, the growth of controlled parking zones in primary and secondary shopping areas and the expansion of the internet/home shopping mean that nearly all independent retailers will be affected to some extent by changes in the business environment. Even those not directly in competition in the key sectors may be affected by reductions in footfall.

Spending patterns will also affect retailers differently: household spending on grocery has declined relatively over the last few years while spending on comparison goods has been more stable. However, spending on leisure goods and services has increased as a proportion of total expenditure.

The key point is that the effects of change will not be uniform across London: local factors will determine where independent retailers are best located to gain most from opportunities.

ABi produces a range of Fact Sheets for businesses. The “Independent Retailers and the Internet” Fact Sheet provides additional information on how independent retailers might use the internet to sustain and grow their businesses in the future.