After the Goldrush

Retail Policy –Time for a Re-Think?

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Hewdon Consulting

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Hewdon Consulting, 635 Linen Hall, 162-168 Regent Street, London, W1B 5TG

www.hewdon.com

"The outlook is not encouraging for us smaller businesses," said Mr. Scarrick to the artist and his sister, who had taken rooms over his suburban grocery store. "These big concerns are offering all sorts of attractions to the shopping public which we couldn't afford to imitate, even on a small scale -- reading-rooms and play-rooms and gramophones and Heaven knows what. People don't care to buy half a pound of sugar nowadays unless they can listen to Harry Lauder and have the latest Australian cricket scores ticked off before their eyes. With the big Christmas stock we've got in we ought to keep half a dozen assistants hard at work, but as it is my nephew Jimmy and myself can pretty well attend to it ourselves. It's a nice stock of goods, too, if I could only run it off in a few weeks time, but there's no chance of that -- not unless the London line was to get snowed up for a fortnight before Christmas. I did have a sort of idea of engaging Miss Luffcombe to give recitations during afternoons; she made a great hit at the Post Office entertainment with her rendering of 'Little Beatrice's Resolve'."

"Anything less likely to make your shop a fashionable shopping centre I can't imagine," said the artist, with a very genuine shudder; "if I were trying to decide between the merits of Carlsbad plums and confected figs as a winter dessert it would infuriate me to have my train of thought entangled with little Beatrice's resolve to be an Angel of Light or a girl scout."

"The Quail" - H. H. Munroe (1912)

1 Introduction and Summary

"Hypocrite lecteur, mon semblable, mon frère"[1]

1.1 After the Gold Rush is a time for reflection; optimistically, to learn from past mistakes and set a new direction; pessimistically, to wallow in remorse for lost opportunities, a monstrous hangover and an uneasy sense that no one loves you quite as much as you thought they did when you were rich and powerful.

1.2 Much of the recent analysis of the last ten years divides along conventional party lines. Quite a lot has also been said about the professionalisation of politics and the extent to which most Members of Parliament have no experience of the world outside.

1.3 However, we think that on many issues it is not just parliamentarians who are disconnected with the rest of the world, it is the whole politariat: that nexus of politicians, public servants, academics, think tanks, lobby groups and consultants who determine policy. We should like to explore some of the consequences of this disconnect, starting with this paper on shopping.

1.4 We are, of course, part of the politariat ourselves and we share the same culture and tastes as many of the people and organisations we examine in this piece. We too have bought exotic kitchenware in the Pantiles in Tunbridge Wells, books in Hay on Wye and deck shoes in Salcombe. The difference is that we are not convinced that our personal tastes and preferences are a sound basis for national policy.

1.5 We had already started writing this paper when government published (in May 2009) a consultation draft of a major revision to Planning Policy Statement 4. The revisions merge policies on employment and retail development into one document and make some changes to retail policies to reflect changes to the overall planning framework.

1.6 The consultation draft provides a convenient hook for this paper but we do not want to write a technical critique of a statutory planning document. We want to stand back and look at retail planning policy from a long-term perspective. In particular we argue that:

- Much of what is expressed as rational planning policy is actually a romanticised nostalgia of the politariat for a Golden Age that never actually existed.
- Even if the Golden Age did exist and we wanted to return to it, there is little evidence that we can and even less evidence that planning policy help us.
- Policy is overwhelmingly based on an assumption of continual growth in retail floor space everywhere and all the time, which is unlikely to be true.
- Policy is both conflicted and indecisive on the future of out-of-town retail development.

[1] "The Waste Land" T S Elliot, quoting Baudelaire

- Too much planning policy is actually grumpy old men telling young people “You can’t shop here because it spoils the look of our high street”.

1.7 We conclude that:

- It is possible, if not likely, that overall growth in consumer spending will be much slower than trend for the next decade, leading to the need for less retail space.

- Growth will be unevenly distributed, with a bias towards bigger shops in bigger centres. There will also be a bias towards centres with a more affluent socio-economic profile - which will also attract more independent retailers.

- Poorly performing centres with many vacant units are suffering from underlying economic decline rather than from too much retail competition. The presence of multiple retailers in centres is not a cause of decline; it is a sign of health.

- The pressure on town centres will continue to be intensified because of diversification into comparison goods by the major food stores, and by the fact that over half of all retail development takes place outside town centres.

- All this will lead to as relative decline in demand for shop units in some centres. It will be permanent, not temporary.

- Spatial planning has not stopped this and the “town centre first” policy for new development is destroying more independent retailers than an “out-of-town” policy would.

- Spatial planning policy needs to come to terms with all this and to address the issues which it can legitimately influence.

- There should be more flexibility in managing decline in the need for space both in and among centres.

- Better development management of high street façade design and signage is a more practical way forward than trying to hold back global economic trends.

- There should also be a major policy drive to improve the design standards of out-of-centre retail units.

2 Retail Policy in the UK

2.1 Planning policy in the UK is usually the outcome of a struggle between two opposing camps. In one camp is a cross-party alliance of left-wing utopians and right-wing nostalgists who care deeply about human values, place-shaping (to use the current jargon) and the environment. They have a dream of a once and future Britain. Over the last twenty years, John Gummer and John Prescott have been their most obvious leaders, but they have wide support from organisations like the Town and Country Planning Association, the Prince's Foundation, and many others. As we say, we share many of these people's likes and dislikes, but we can understand that not every one does - particularly those people who shop in most British high streets.

2.2 In the other camp are the free market economists who believe that the main role of spatial planning is to facilitate whatever development the market wants (and in this context by"market" they mean retailers). Since Nicholas Ridley, no one in this camp has lasted long enough in charge of planning to make a permanent mark but from the strongholds of the Treasury and Department of Business Innovation and Skills (as it is called this year), they exercise great influence, particularly on the provision of employment land, in supporting the creation of the National Infrastructure Commission and so on.

2.3 Economics in general and competition theory in particular, have played a dominant role in the development of food store policy. Economists advocate surrender to the inevitable forces of the market. When the good people of Slough complained that an enormous Tesco store – known locally as the Death Star - was destroying trade in the town centre, the Competition Commission suggested that the obvious answer was to build another Death Star on the other side of town, so that there would healthy competition for retail spend.

2.4 Competition theory is amoral, in the sense that it does not question whether an activity is good or bad; it merely says that if the activity occurs, it is better to have competition among providers. Competition theory says that if you are going to have gangs of crack-addicts roaming the street, mugging people, it is better to have as many gangs as possible in competition, to avoid an abuse of a monopoly. Competition theory does not make any moral or qualitative judgements about whether gangs are a good thing or not. It is quite an attractive theory – unless you live in Moss Side.

2.5 The outcome of applying competition policy to retail has been an ever-increasing concentration of market share in the hands of the big four food store operators. There have been attempts to use spatial planning as a tool to limit this trend, but they have failed. Spatial planning has altered the distribution of food stores through the needs and sequential tests, but it cannot take away the competitive advantages of scale in buying power and distribution.

2.6 However, when it comes to planning for non-food retail development, the romantic camp have had their way almost unopposed. The obvious reason for this is that comparison shopping is such a diversified market that there are no competition issues involved. We think there is another reason - neo classical economics doesn't do fashion. It has a lot to say about price and efficiency but nothing about colour, fabric or skirt lengths. If economists did have a significant influence on comparison shopping policy, we would all be wearing unisex nylon jumpers like they do in Star Trek. And when Lieutenant Uhura flounced in, saying she had paid £120 for hers at Abercrombie and Fitch, we would all look at each other and say "This is most illogical, Jim". But we don't.

2.7 There is not much perspective on retail as a whole from the economically focused departments. The last significant work we can find from DBIS and its predecessors on retail was 'Competitive Analysis of the Retail Sector in the UK' undertaken by the University of Stirling, Institute for Retail Studies and launched on 20 January 2003. Its first recommendation was:

"Retailing needs to be accorded a higher status within government departments in recognition of its significance. Government should seek to grant retail similar status to other sectors of the economy"

2.8 The result was the setting up of a Retail Policy Forum of which DBIS says:

"The RPF enables a representative cross-section of retailers to talk to Government Departments and EU officials about regulations at an early stage in the process. It aims to help both retailers and policymakers by minimising the burdens on retail, looking for alternatives to regulations and making any regulations and enforcement as practical and sensible as possible."

2.9 The Retail Policy Forum has no customers involved, just civil servants and retailers. It may have produced a retail policy but, if so, they are keeping quiet about it. It is taken for granted that shoppers' own preferences are not important. But, how can you trust a government department to strike a fair balance between business and consumers when it is called the Department for Business and runs a forum entirely comprising retailers - with no consumers? When the referee comes out of the home dressing room wearing the home team strip it's hard to believe he is impartial.

2.10 DBIS does have some responsibility for consumer policy but this is very much in the traditional mould of middle-aged ladies in sensible shoes harassing the assistant in the washing machine department with a rolled up copy of "Which" magazine. Indeed, the Enterprise Act 2002 designated only 3 consumer bodies – Consumers' Association, National Consumer Council and the National Association of Citizens Advice Bureaux. In 2008 they were joined by CAMRA, the Consumer Council for Water, and the General Consumer Council for Northern Ireland – which is fantastic news for thirsty Ulstermen - but not for comparison shoppers.

2.11 In the real world, shopping for comparison goods is an activity dominated by the under 30s and particularly women. But these people are not consulted. They do not vote much. They do not join lobbying organisations and they do not know the right people in Westminster. So, older wiser people decide for them – people who understand instinctively that cheap fashion and makeup are Frivolous and Bad and young girls should be stopped from shopping at Primark and Topshop for their Own Good.

2.12 The outcome of all this has been a muddle in policy terms, which has tried to shut the front door on the spread of retail consolidation but in practice left the back door open, exemplified in the new Consultation Draft of PPS4.

2.13 For instance, one objective of PPS4 is to *"promote the vitality and viability of town and other centres as important places for communities"*. To do this:

"the Government wants: competition between retailers and enhanced, consumer choice through the provision of innovative and efficient shopping, leisure, tourism and local services in town centres, which allow genuine choice to meet the needs of the entire community, and particularly socially excluded groups"

2.14 Government has such a long and disparate shopping list that it would take a very large superstore to provide it all. It also contains some tensions. First, competition and efficiency automatically implies rewarding the scale economies of multiples and reducing the number of independents, whereas choice (in theory) implies the opposite. Innovative shopping includes, surely, internet shopping which removes shops from the high street and discriminates against groups with no access to a computer.

2.15 We are confused about the emphasis on retail choice for excluded groups, most of whom do not have enough money to indulge in comparison shopping on a regular basis. Choice is a consumer luxury – what poor people need is access to basic goods at basic prices.

2.16 We also find it bizarre that a government that is determined to push through development of housing, employment space, airports and nuclear power stations in the face of local objections goes all soppy-sentimental when it comes to retail development. Simultaneously, while the Department for Health is determined to make us all drink less alcohol, CLG wants to keep as many pubs open as possible. This is most illogical, Jim.

2.17 This confusion is not a failure of spatial planning policy; it is a wider failure of the politariat to produce a coherent retail policy. We should like to go back to fundamentals and ask:

- What are the romantics really complaining about?
- What are the main drivers of change in British retail development and how well do they impact on the concerns of the romantics?
- What might be a sensible policy approach?

3 The Golden Age of Retail

3.1 Once in every while, there comes an issue which unites both the left and the right (not forgetting the Liberal Democrats) in a romantic uprising against the forces of modern capitalism. The vitality of the British high street is one such issue, apparently under attack from all sides – from the multiples or retail chains that threaten to make every high street look the same; from the superstores that suck life away from the high street to the edge of town retail parks; and from the recession that is causing high vacancy rates in many high streets.

3.2 The case for the prosecution is best put in a series of research papers published by the New Economics Foundation under the titles "Clone Town Britain" and "Ghost Town Britain".

3.3 We begin by asking the question, if the British High Street is now in decline, when was it at its apogee? When was the Golden Age that the romantics celebrate and would like us to return to?

3.4 Actually we can date the Golden Age fairly precisely as being from the mid-1960s to around 1979. From 1979 a major recession set in and thereafter out-of-town retail expansion took off in a big way. Before 1963 was the slow emergence from rationing, when the shops had little worth buying. Before that came World War 2 and before that the Great Depression. So you have to go back to the 1920s to find a period of relative affluence and conspicuous consumption –and in the 1920s it only involved a small minority of the population.

3.5 What was Golden about 1963-1979? It depends slightly whether you are on the left or the right. For the left, it was fashion – Biba, Mary Quant, early Laura Ashley and Falmer jeans or crushed velvet loon pants for him. It was kitchenware – Conran and George Scurfield selling orange Le Creuset pans, raffia tablemats, paper lampshades and David Mellor cutlery (in the days when it was still affordable) . It was bookshops with silk screen prints of Ché and Mao, record shops, and boutiques just off the market, selling a mix of imported cheesecloth, sheepskin and brass ashtrays from Morocco and Afghanistan.

3.6 Of course, when talking about the left, one has to point out that real socialists don't do fashion. They wear a uniform, knit it themselves or buy from a Peruvian collective. The fashionable people we describe above are mainly bourgeois fellow travellers and Junior Common Room left wingers – but it is they who grew into the politariat.

3.7 For the right, it was less visual and more a matter of taste and smell – real ale (before you put on all that weight) pork pies and cheese served by men in white aprons behind the marble counter; teashops, fresh crusty bread, jeans topped with flannel or tweed, barbers, saddlers, leather sat on, worn or playfully applied to the buttocks, the whiff of 4 Star served by the petrol pump attendant. It is one of the un-remarked differences in politics that the left sees the future as a bright and colourful vision and the right as something good to eat.

3.8 Two thoughts about this evocation of a Golden Age immediately spring to mind. First, like all nostalgic visions it is very partial and leaves out all the unpleasant bits. Yellow cellophane shop windows, Dunn & Co, Watney's Red Barrel, damp distributor caps, the myriad names of the British Shoe Corporation, the casual misogyny and pickled eggs in most pubs, the haberdashery department (because most women still made dresses), shiny Izal medicated paper, beef dripping and Players No 6 – all blurred into the background by the passing finger of time.

3.9 The second thought is how middle class and elitist this nostalgia is. After all, the main complaint from nostalgists is not that this stuff is gone forever; it is that this stuff is everywhere. There is a Laura Ashley on every high street and you can buy Le Creuset from the Argos catalogue. The democratisation of fashion has destroyed the middle class sense of exclusivity – and some of them want to legislate it back again.

3.10 To think that the quality of British food has declined since 1979, you must have been comparatively well off - in a period when sliced bread and Smash were regarded as great inventions and the Use Classes Order still featured fellmongers and tripe shops. For most people, vegetables came in tins and the diet was so low in fibre that children were routinely dosed with cod liver to avoid constipation. Remember, if you can, how much fat you could extract from a Walls banger by frying it.

3.11 Again, the main underlying complaint is not really that the quality of food has declined. There may be an issue with the quantity of food consumed by the nation now, but the quality has vastly improved, as has the range and variety. Look at the availability and choice in vegetables or olive oil compared with 20 years ago. Once more, part of the complaint is that the democratisation of food has removed middle class exclusivity. How can snobs show off their superiority when anyone can buy Duchy Originals in a supermarket?

3.12 And there is also a romantic emphasis in PPS4 on markets. Markets as they used to be thirty years ago, we understand. Farmers markets, craft markets, antiques markets and similar middle class enclaves we enjoy. But most markets are nothing like that. In many markets, what isn't stolen is counterfeit and what isn't counterfeit breaches health and safety legislation – and most of it is plastic or past its sell-by date[2].

3.13 If we are to have a sensible retail policy, we cannot rely on middle class nostalgia to dictate what the rest of the country should be allowed to do. Instead we need to start looking at the complex trends underlying retail development in UK.

[2] Just as we published this paper, the House of Commons Select Committee published its report into retail markets, saying "whilst we acknowledge the importance of continued vigilance, regulation and where appropriate, prosecution, in relation to stolen and counterfeit goods sold at markets, not least to protect and enhance the reputation of markets, this is also not an area that we have considered in any great detail."

4 Trends in Consumer Spending

4.1 A few years ago, in a renunciation worthy of George Best, government said it was abandoning "predict and provide" strategic planning in favour of "plan monitor and manage". In fact, all retail planning in this country is still based on an assumption of long-term trend growth in consumer spending.

4.2 Retail studies always consider whether there is a need for more space. They rarely, if at all, consider if there is a need for less space. There is an inbuilt assumption that existing retail space will be retained, even if there is no demand for it.

4.3 Even where there is an acknowledgement that there is no demand, the underlying assumption is that this is just a temporary thing – in a year or two it will all be alright again. For instance, in April 2009, government launched a series of initiatives to preserve the vitality of town centres. The three most significant measures were planning application waivers, standard interim use leases and temporary leasing of shops to councils for community uses. These measures are all temporary because the assumption is that the shortfall in demand is only temporary.

4.4 Part of the assumed growth is down to population increase. More people spend more. Growth is also (assumed to be) underpinned by real growth in incomes and by a proportionate decline in other household costs including housing, fuel, utilities and food. These two factors combined lead to a long term increase in disposable income, a large portion of which will be spent on shopping.

4.5 Of course, there are many ways in which this assumption about long term growth could turn out to be mistaken. Assumptions about population growth do not always factor in the effect of demographic change and, in particular the growth in the proportion of older people. Many older people think that beige polycotton slacks with an elasticated waistband are quite attractive and expect them to last for the rest of their days. Anyway they would rather spend the money on a holiday.

4.6 Over the last economic cycle, much of the growth in consumer spending has been driven by increased consumer borrowing – which is unsustainable. Moreover, the combination of cheap credit and rising house prices, which drove the surge in borrowing, is unlikely to be repeated for a decade or more. The slowdown in the global economy is likely to lead to a period of much lower growth in incomes and in prices – perhaps even deflation – meaning that the amount spent on consumer goods will fall. Industry forecasting assumptions are now being cut back from around 4-5% pa trend growth in retail expenditure to 2% or less for the next decade – and even that may be optimistic.

4.7 There is also a possibility that increased global demand for resources, especially energy and food, will lead to rising household bills and less disposable income available for spending in shops.

4.8 And this is before factoring the effect of rising unemployment coupled with increases in taxes, student debt and pension contributions, all of which weigh disproportionately on people of a shopping age.

4.9 Current assumptions of the diversion of spend from physical shops to the internet are also quite modest – only reaching 15-16% by 2016 according to some experts.

4.10 It seems to us that there is a significant risk that the absolute growth in retail sales is likely to be far below historic trend for a number of years – and this would mean that we need fewer shops than expected.

5 Agglomeration

5.1 We also have concerns about the relative distribution of growth in retail sales, as well the absolute growth. Since time immemorial, some centres have been bigger and better than others. The concept of a retail hierarchy – an almost feudal relationship in which every centre is subservient to a bigger neighbour – is deeply embedded in retail planning. What is missing is an acknowledgement that this relationship is changing and the change is almost always in one direction.

5.2 Big centres inevitably tend to get bigger because they are more efficient at attracting consumer spending. They have more shops; they have bigger shops with a bigger range of goods; they have more choice. So they attract more shoppers. More shoppers spending more money means higher sales per square metre, means higher profit margins. One big shop instead of several small shops means more efficient distribution of stock and proportionately lower overheads. So retailers love big centres. Industry experts often assume long term efficiency savings of 1.5% pa in new centres.

5.3 Trends in employment and housing also favour agglomeration. We live and work in larger centres therefore we shop more in them.

5.4 Over time, then, trade has always moved to bigger centres. The catchments of centres are measured in terms of travelling time, so the easier it has become to travel, the more shopping has agglomerated. The trend has been masked by the overall growth in consumer spending, by the development of out-of-town shopping and by increasing urban congestion that reduces potential catchments – but it is still there.

5.5 A recent paper from the KPMG/Synovate Retail Think Tank (May 2009) estimated that 85 centres now account for over half of consumer expenditure, down from 200 in 1960. Even the quote at the start of this paper, dating from 1912, shows this trend is long term.

5.6 However, the emphasis in PPS 4 is very much on the assumption that every centre will grow equally. By attempting to preserve the status quo in the retail hierarchy, planning is resisting economic change in an ineffectual way. Each regional spatial strategy, in identifying the existing hierarchy, is simply drawing a line in the sand. Five years later, the tide has washed away the line and so the RSS will draw a new line. This is not planning ahead for change; this is being grudgingly dragged along behind it.

5.7 Apart from being ineffectual in planning terms, this approach encourages the public sector to over-invest in centres that are shrinking – and in the decade ahead, the UK is ill-placed to waste public investment.

6 Socio-Economic Profile

6.1 It is a truism of retail planning that disposable income is roughly equally across the country (at regional level). People in the north have lower incomes than people in the south but they also have lower costs, particularly in housing (and to a lesser extent commuting), so their disposable income is around the same level. This explains why places like Newcastle/Gateshead and Liverpool are strong shopping centres, even though their economy is relatively weak.

6.2 However, within regions and sub-regions the amount of disposable income in a shopping centre catchment varies enormously according to size of population but also to socio-economic profile. Retail planners use relatively crude measures of socio-economic profile, drawn chiefly from ONS sources, if they use them at all. Retailers - the people who make decisions about which shops go where – make extensive use of much more sophisticated demographic data.

6.3 The politariat fails to understand that in many cases the local economy is no longer strong enough to support the quantum of shopping that exists. Two good examples are the towns of Holyhead and Llangefni on Anglesey. Both are identified in NEF's "Ghost Towns" survey as being among the worst towns in the UK for retail vacancies. We have shopped in both. In Holyhead, we had a coffee and toasted teacake. Holyhead Forward, the regeneration strategy, recognises the following challenges for the town:

- One of the highest unemployment rates in Wales.
- Net outmigration of working age people – about half of the county loss.
- Lower than average levels of educational qualifications.
- Lowest average household income level on Anglesey.
- High level of socio-economic deprivation – four wards qualify for Communities First status, with others being close to qualifying.
- Low car ownership - Almost 50% of households do not own a car.
- 28% of children live in households with no earner.
- Higher than average levels of homelessness, drug and alcohol abuse, youth disaffection, vandalism and petty crime.
- Only a small minority of the annual 2m plus port users visit the town centre.
- A number of old/ ageing educational/ community/ leisure facilities.
- An under-performing town centre with a high vacancy rate.

6.4 It is true that there is a new Morrison's superstore, an application to double the size of Tesco and an out-of-town retail park in Penrhos – but clearly the town's retail woes are a consequence of wider economic problems.

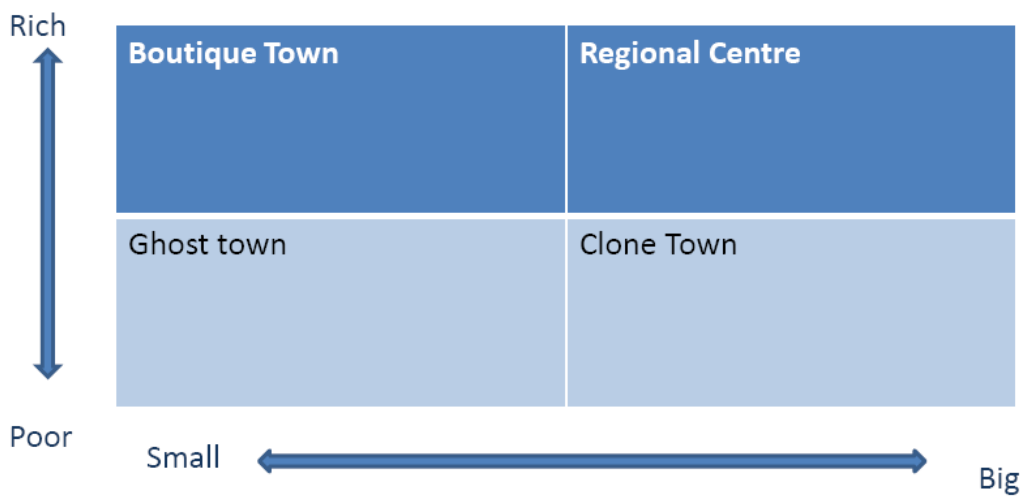
6.5 Llangefni is around half the size of Holyhead. We've been to the Spar shop. The town used to be on the main A55 road from Holyhead to London but is now bypassed. It has most of the same structural economic problems as Holyhead but no port. So it too has a high vacancy rate.

6.6 The politariat gets muddled over the difference between "clone" towns and "ghost" towns, thinking they are the same thing. They are not. It may be news to some people, but multiple retailers only locate where they think they can make a profit. So lots of multiples ("clone town") are actually a sign of a healthy high-performing centre. If the arrival of multiples hits independent retailers in the same sector, they are replaced by retailers and quasi retail uses from other sectors. There are low vacancy rates.

6.7 By contrast, ghost towns have fewer multiple retailers because there is less overall demand. Where multiples do come in and hit independent retailers, the independents may not be replaced because of the lack of overall demand – giving high vacancy rates.

6.8 Clearly, a small centre, low in the retail hierarchy and with a poor socio-economic catchment is most likely to suffer from a high vacancy rate. In contrast, a small centre with an abnormally high socio-economic catchment will not only be fully occupied, it will also probably have a high concentration of small independent shops. This is because the volume of trade is not big enough to attract multiples but there is still demand for high quality goods. So it is no surprise that three of the top scoring towns in NEF's clone town survey (i.e. with most independent traders) are in the Cheshire commuter belt.

6.9 The diagram below summarises the relationship between clone towns and ghost towns; actually, clone towns are thriving healthy places, albeit targeted at the mass market. It is when the mass retailers do not think your town is lucrative enough for them that you start turning into a ghost town.



7 Rise and Fall of Non-Retail Uses

7.1 Retail and quasi-retail uses are classified by the Use Classes Order 1987 (as amended) as:

- **A1 Shops -** Shops, retail warehouses, hairdressers, undertakers, travel and ticket agencies, post offices, pet shops, sandwich bars, showrooms, domestic hire shops, dry cleaners and funeral directors.
- **A2 Financial and professional services -** Banks, building societies, estate and employment agencies, professional and financial services and betting offices.
- **A3 Restaurants and cafés -** For the sale of food and drink for consumption on the premises - restaurants, snack bars and cafes.
- **A4 Drinking establishments -** Public houses, wine bars or other drinking establishments (but not a night clubs).
- **A5 Hot food takeaways -** For the sale of hot food for consumption off the premises.

7.2 During the Golden Age, the end of mortgage rationing and the rapid increase in home ownership led to a major expansion of the building society movement and pressure to convert shops into building society branches. This expansion was fought tooth and nail by planners and conservationists at the time - so it is somewhat ironic that the NEF "Ghost town" survey lists the loss of banking services as being one of the chief threats to centres. Don't it always seem to go that you don't know what you've got till it's gone.

7.3 Of course, the 1970s expansion of building societies was followed by a period of consolidation, then computerisation and the introduction of cashpoints and finally by internet banking. With continuing consolidation, it is unlikely that the financial services industry will return to the high street in a big way.

7.4 However, other A2 and A3 uses have increased their presence on the high street and taken over a lot of space previously occupied by A1 users. Their distribution between centres does, however broadly follow the same pattern as A1 uses. There are fewer of them in smaller centres with a poor socio-economic catchment; unemployed people in social rented housing do not need as many estate agents or pension advisers (or Starbucks). In larger centres, multiple brands predominate – both in professional services and in restaurants/cafes.

7.5 Smaller affluent centres have more boutique services. There is a good example of this in Highgate (we know it well), which NEF ranks as one of the least cloned high streets in London. However, as local residents will tell you, Highgate was the scene of a major publicity battle when the ironmonger which was one of the last remaining real shops in the centre was forced to close. Highgate has now been almost entirely taken over by A2/A3 service businesses – estate agents and coffee bars in particular. So, again, even in affluent areas, the absence of multiple retailers does not guarantee good shopping although it may mean plenty of non-retail activity.

8 Globalisation

8.1 One of the main complaints about the current state of the British high street, as we have said, is that everything is the same – the same shops selling the same stuff everywhere. Actually, there are three separate aspects to this complaint: the goods, the brand and the shop. Only one of them can be addressed by spatial planning.

8.2 In the beginning, the manufacturer owned most of the value. Specification, intellectual property, the brand and its marketing, distribution and price control all rested with the manufacturer. Over the last 20-30 years, in many sectors, most of that power has slowly transferred to the brand owner or retailer, in a journey that is almost complete in the fashion sector.

8.3 There are still fashion brands (Levi, Gant) and consumer goods sectors (white goods, electronics) that (apart from a few flagship stores) rely on third party retailers but those brands have largely divested themselves of manufacturing capability. Manufacturing has become mainly an anonymous low value activity carried out in low wage economies.

8.4 To access this long-distance supply chain requires quite a sophisticated and sizeable organisation. It has to be big enough to commission its own design and specification, to cope with sourcing and negotiating with suppliers of the other side of the world. It needs the cashflow and/or access to credit in order to place and pay for goods, often in a foreign currency. It needs the volume to interest the manufacturer and to achieve price competitiveness. The occasional start-up can find a small volume manufacturer, say in Portugal, and can sell a niche luxury product at a premium price in central London or Glasgow. However, this activity is way too demanding for the average small retailer in Bridgwater or Darlington. They need someone else to do it for them.

8.5 That someone is the brand owner. The brand owner may only have one brand or may have many. For instance, over 50% of all spectacle frames including most designer brands are made by one brand owner. Calvin Klein and Speedo are both owned by Warnaco. In many cases, different brands will order the same goods (with minor changes) from the same manufacturer. Baseball caps, T-shirts, socks and other basics fit this pattern. So, even if the high street were full of independent shops, they would still be selling the same range of goods. You can see the truth of this by thinking about department stores – they may vary their range of goods to suit their target market but they all sell the same brands.

8.6 Britain was the first country where vertically-integrated retailers dominated the High Street. Shops like Marks and Spencer and Next control the shop and the brand and sometimes the factory. The expansion of these stores across the country is the driving force blind of the homogenisation of the High Street and to the clone town protests. Yet when you stop to think about it, both the protest and the proposed solutions are illogical and hypocritical.

8.7 First, to think that independent shops guarantee consumer choice, whereas multiples do not, is nonsense. To imagine that half a dozen independents selling more or less identical T-shirts is better than one multiple selling a range is naïve – have these people never been to Uniqlo?

8.8 Secondly, the people who protest about multiple retailers are the people who live in places posh enough to have them. We defy you to go to any town without a John Lewis store and raise an agitation against them. Parade through Letchworth with banners proclaiming “No to percale cotton pillowcases. Death to transparent pricing policies”. See how you get on. We will be on the pavement booing you.

8.9 And, of course, the posher the place and the commoner the brand, the greater the protest – witness the furore when MacDonald’s moved into Hampstead. It’s an odd side effect of this that the middle classes would rather die than be caught in the Hampstead MacDonald’s but are more relaxed about going to the outlet in Kentish Town, which is in a much less affluent area (we speak from personal conviction).

9 They Call it Ugly Because It Is

9.1 The truth is, we suspect, that the anti-clone-town movement is largely made up of people who like to look at the outside of shops but do not shop in them. They would be happy with a Hollywood film set of the British high street circa 1970 because they only want to walk down the street; they never want to go through the shop doors.

9.2 You can test this argument by looking at shopping streets that have been redeveloped behind a tasteful facade. Regent Street in London is a splendid example. Until recently it was largely composed of small shop units occupied by small retailers. According to PPS4, this meant it was a vibrant centre offering choice – which it did, if you wanted souvenirs, tartan or an Eastern European airline ticket. Over the last 10 years, the street has been comprehensively redeveloped to provide much bigger shops let to much bigger multiples. Do the romantics complain about this? No, because all the development has taken place behind listed facades – and it still looks nice.

9.3 And while we are at, which end of Oxford Street does PPS4 do its shopping? The western end with all the multiple brands or the eastern end with all the vibrant independent shops offering consumer choice in nylon luggage, vibrators and Union Jack T-shirts?

9.4 Regent Street is, of course, an exception, because, in general, modern shopping developments are ugly when viewed from the outside – all the theatre is on the inside. Shopping malls look like a collection of multi-story car-parks holding up some air-conditioning plant. Retail warehouses look like warehouses, but with more car-parking.

9.5 Signage is often an eyesore, more so in out-of-town or edge-of-town retail parks where it has to be big enough to be seen by car-borne people rather than pedestrians.

9.6 While there is a wealth of knowledge on retail design from a shopping viewpoint, there is very little from a planning perspective. CABE, for example, has nothing to say on the subject. We are not sure if designers think shopping is too vulgar to interest them or if they have given up the struggle. Yet if planning imposed more rigorous quality controls on external appearance, including landscaping, car-parking, density of development and signage, it could do far more to mitigate the impact of retail schemes than tinkering about with retail gravity models.

9.7 We can’t help noticing that when new retail development shows a strong commitment to design and streetscape, it generally disarms most of the opposition even if it is stuffed full of multiples – Birmingham’s Bullring and Liverpool One being good examples.

10 The Impact of Out-of-town Retail Development

10.1 There is also confusion about the impact of out-of-town retailing. There is a widespread perception that planning policy and the introduction of the sequential test has largely put a stop to the migration of retail to out-of-centre locations. Actually, Communities and Local Government's own figures (Annex A to the PPS4 Consultation) show that everywhere outside London, town centres only account for less than half of retail space developed 2000-2006 and in the South West the proportion in town centre and edge-of-centre developments is only 26%. The national proportion has risen from below 25% in 1994 to 42% in 2006, so the introduction of stricter planning policy has had some impact – but not to the extent that most people assume. Over half the new retail development in the country is out-of-town or edge-of-town.

10.2 CLG takes an optimistic view that the pipeline figure will rise to over 50% by 2012. Conversely, British Council for Shopping Centres points out that much of the in-town growth may include A2 and A3 uses. Other commentators point out that in-town developments have higher costs and are more likely to be hit by the slow-down. It is still a very significant proportion and, as it is all new space, it will be predominantly occupied by multiples.

10.3 It is true that much of this space will be provided by food store operators, but one of the less remarked trends is the extent to which those operators are expanding into comparison goods, notably clothes (think Asda and George) but also DVDs, gardening, TV and audio, household wares etc.

10.4 We notice that the last Competition Commission Inquiry into food stores was actually an inquiry into the groceries market, with nearly all non-food items excluded from consideration.

10.5 We also think that the politariat has failed to notice the extent to which the earlier generation of out-of-town stores selling DIY and bulky goods has gradually been replaced by higher value retail, leisure and restaurant formats – because the politariat does not go shopping much and, when it does, it sticks to old-fashioned town centres in affluent areas.

10.6 It is futile to imagine that all this development could be channelled back into the traditional high street. First, the sheer quantum of space would overwhelm most smaller centres. Secondly, because these developments comprise a few large-format units, they would require the destruction of the traditional street pattern. Thirdly, many town centres could not cope with the volume of traffic – or the car parking demand. Even if all this could be accommodated, you still finish up with a few big multiple users, which is not what the romantics want to achieve. Once again, spatial planning is being asked to deliver an inherently non-spatial objective.

10.7 And in a confused and contradictory way, government wants competition, efficiency vitality, new formats – but absolutely no harmful impact on existing businesses or centres. Competition without losers. What next? War without casualties?

11 What About the Independents?

11.1 In this paper, we argue that spatial planning should not be used as a (bad) tool to achieve non-spatial objectives. As this could mean a faster drift of retail trade to larger centres and to larger businesses, you may ask if we have gone over to the dark side. The answer is "No". We also think there will be plenty of opportunities for smaller businesses to be successful, as we now explain.

11.2 We said in the previous section that the retail industry is fiercely competitive and any change will create winners and losers. We believe that perceptions of the impact of change on smaller businesses have been distorted by incumbent bias. If you consult business owners about how to encourage businesses generally, it is amazing how the conversation turns to talking about how to subsidise their business in particular (the car industry appears to talk about little else). It is an inescapable fact that the people who complain about retail change are the unsuccessful incumbents. New entrants and those whose competitive position is unaffected do not complain – why should they? All they require is a level playing field.

11.3 Michael Porter, the guru of competitive advantage in business, wrote that there are only three sources of competitive advantage. Paraphrasing for the retail sector, they are:

- To be the lowest cost operator – which is what the major food store groups are competing to become.
- Differentiation – providing the same thing, but with a difference – in the product, in the way it is sold or through the illusion of branding.
- Establishing a niche too small for the multiples to occupy.

11.4 In the mass groceries market, there is relatively little scope for differentiation. A can of beans is a can of beans and if you put it in a different wrapper, you still need to sell a lot to establish scale economies. So, of course the food store operators are able to exploit their cost advantage to gain market share at the expense of independents.

11.5 However, politariat, please note that this is a question of industry structure, not of spatial planning. The spatial planning response has been to limit the size and location of food stores so that the operators have been encouraged (even compelled) to go into the convenience store format and into the middle of towns. As they have still retained their cost advantage in buying and distribution, the result has arguably been even more catastrophic for independents than if the food store operators had been allowed to stick to bigger out-of-town store formats. At the extreme, operators have been encouraged to open large format stores in the middle of towns, where they have functioned as a convenience store as well as a bulk shopping store, and then diversified into comparison goods. This "town centre first" policy is far more destructive for small shops of all types than allowing food stores to locate further out of town.

11.6 The politariat tends to blame every convenience store closure on unfair competition from the big operators. In reality, the demise of independent convenience stores has been hastened by the fact that most of them never earned a proper return on investment; they relied on the owners working long hours, in effect for no wage. Their children can see no future in this.

11.7 There are some clear lessons to draw. First, the battle to prevent the majors abusing their market power and to ensure a level playing field must continue unabated.

11.8 Secondly, independents offering a commodity product or service in competition with the major operators will probably go out of business sooner or later.

11.9 Thirdly, there is still a lot of scope for differentiation and niche offers in the groceries market, catering for middle class foodies and ethnic groups, selling Ye Olde English products or using new delivery chains such as farmers' markets or selling steaks by post.

11.10 Spatial planning policy needs to come to terms with these changes and not to "strive officiously to keep alive" things which are dying of their own accord. The reality is that neighbourhood convenience stores and services are in decline and new uses will have to be found for the shops they occupy. Unless new entrants have a source of differentiation or a niche market they will struggle, even if they are given preferential treatment or subsidy.

11.11 As a general principle, it is better to encourage independents to locate where there is critical mass of customers rather than to spread them thinly across the country. This in turn will attract more customers to live in those places. It would be far better for the country if the politariat all went and lived in Ludlow, rather than re-rewriting PPS4 to inflict their own preferences on everyone else.

11.12 In comparison goods, there are still major challenges for independents, but there is much more of a limit to the dominance of low cost operators, simply because the whole point of design and fashion is differentiation. This includes both the product and the shop. If you give someone a plate of baked beans, they don't care where you bought it. If you give them a plain white tee shirt, it makes a difference to them if you bought it in Harrods or Primark (unless, perhaps, they are an economist). So we still believe there will be a strong role for independents, albeit that the total volume of floor space required will be less.

11.13 The role of planning should be to ensure that there is a variety of unit sizes available. Most independents need smaller units than multiples. These units need to be available in the right place and at the right rental level relative to the prime pitch. Often, when a new shopping centre is added to the high street it displaces smaller retail units but the surrounding area is populated with A2/A3 uses, so the independents are forced to tertiary locations. In consenting new development, there should be a strategy for re-configuring the uses in the surrounding area. Having said that, much of this work is actually the role of Business Improvement Districts or Town Centre Management companies rather than planning.

12 Conclusions

12.1 There is no coherent national policy on the retail sector and on comparison shopping in particular – although there is a business forum and mishmash of policies on consumer rights, competition and so on. The core demographic groups for comparison shopping appear to be largely excluded from policy making.

12.2 We are not convinced that that there should be such a national policy and we struggle to think what might be in it. However, in its absence, spatial planning has tried to take on a role for which it is ill-equipped. Instead of just addressing the spatial distribution of retail, planning has tried to tackle complex issues of industry structure as well.

12.3 The underlying driver for this retail planning approach is middle class nostalgia for a golden age of town centres that never actually existed.

12.4 It is possible, if not likely, that overall growth in consumer spending will be much slower than trend for the next decade, leading to the need for less retail space than most people expect. Whether absolute growth is slower or not, growth will be unevenly distributed, with a bias towards bigger shops in bigger centres. There will also be a bias towards centres with a more affluent socio-economic profile - which will also attract more independent retailers.

12.5 Generally speaking, poorly performing centres with many vacant units are suffering from underlying economic decline rather than from too much retail competition. The presence of multiple retailers in centres is not a cause of decline; it is a sign of health.

12.6 The pressure on town centres will continue to be intensified because of diversification into comparison goods by the major food stores, and by the fact that over half of all retail development takes place outside town centres.

12.7 All this will lead to as relative decline in demand for shop units in some centres. This decline is already well established, with vacant space being converted to A2/A3 uses, to residential use and to comprehensive redevelopment. It will be permanent, not temporary.

12.8 The dominance of major food store operators is a function of industry structure, not spatial planning and spatial planning interventions have made matters worse. In particular, the "town centre first" policy for new development is destroying more independent retailers than an "out-of-town" policy would.

12.9 Spatial planning policy needs to come to terms with all this and to address the issues which it can legitimately influence.

12.10 There should be more flexibility in managing decline in the need for space both in and among centres. Charity shops and drop-in centres do not add to the vitality of town centres. Policies should identify the core shopping areas in town centres and those where other uses could be permitted. They should be clear about what alternative uses should be permitted. In some areas, A2/A3 uses may be acceptable.

12.11 In many cases, it will be sensible to allow B1 uses, rather than let shops stand empty. This would have the added advantage of favouring small businesses by providing small units of employment space. In other cases, it may be more realistic to allow conversion to residential. Whichever it is, change of use needs to be managed and directed in order to avoid individual units dragging down otherwise healthy shopping streets.

12.12 If the visual impact of multiple retailers on the high street is an issue, better development management of façade design and signage is a more practical way forward than trying to hold back global economic trends. It should be possible to introduce much more effective design guidance for retail centres.

12.13 There should also be a major policy drive to improve the design standards of out-of-centre retail units, including restraints on signage, lower density development, higher quality hard and soft landscaping and use of higher quality construction materials. There is no reason why out-of-centre development should be so ugly; it is just that the industry has established an expectation of low standards.