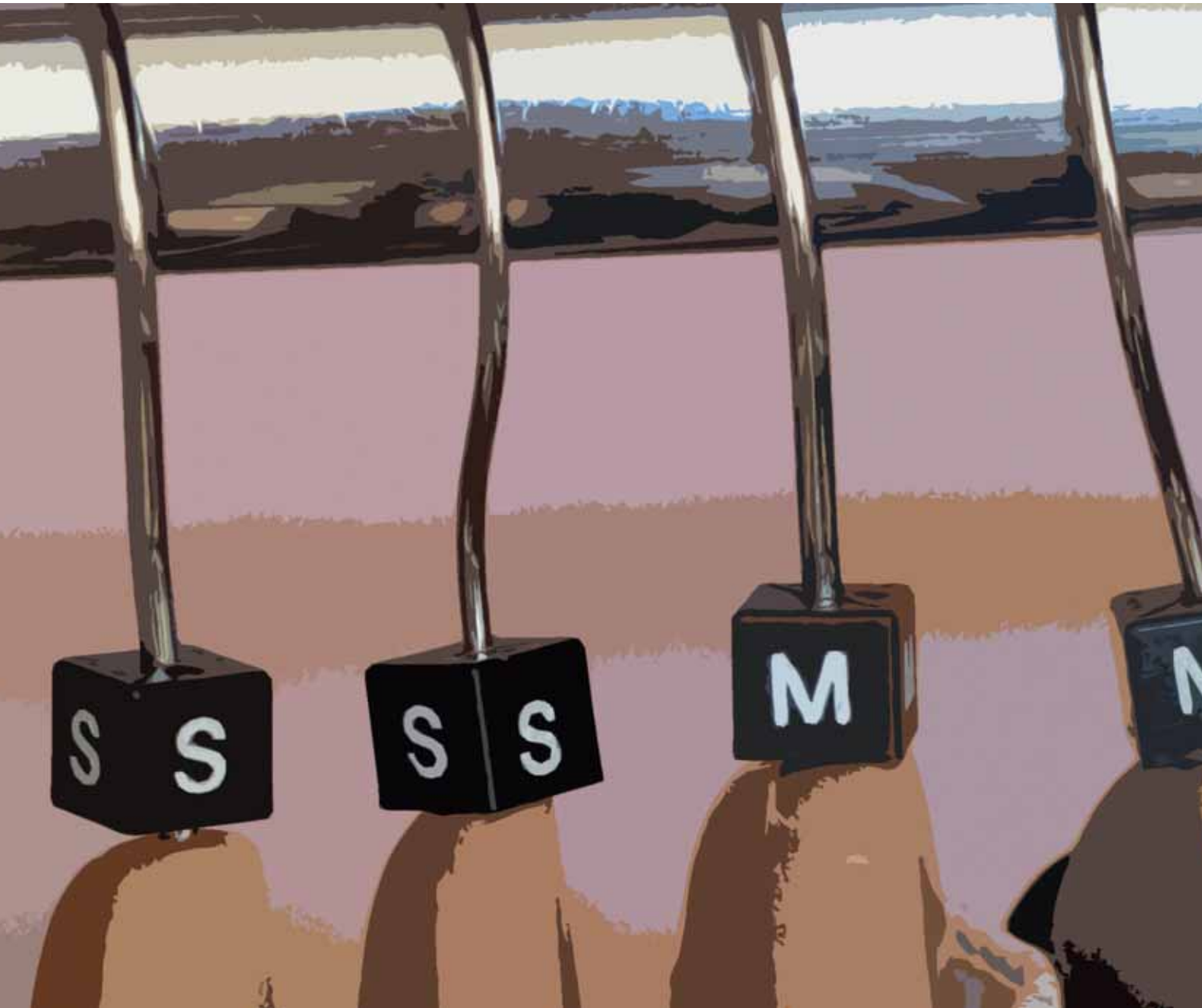


Retail in London



**Transport
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Foreword



Retailing touches on the lives of virtually every Londoner in some way. Whether it is visiting a supermarket for the weekly groceries, making a trip to the West End or going to work in a shop, it is a part of the economy that affects everyone. In some ways, however, it is so familiar a part of everyday life that it gets taken for

granted. As this report makes clear, it is in fact a key element of the London economy with major implications for the well-being of the capital and its people, for the health of its neighbourhoods and the quality of its environment.

It was for this reason that GLA Economics carried out a major research programme into the sector over the last two years. Over this period ten detailed reports on particular aspects of the sector – ranging from the West End and international comparisons, through employment and deliveries to the issues facing smaller retailers – have been published. This report pulls together some of its key findings and highlights some key issues for the future.

The research demonstrates in clear terms the sheer scope and scale of retailing in London – of every £10 spent by Londoners, almost £4 goes to the retail sector. Around nine per cent of Londoners work in retail, making it the capital's third largest employer. With over 40,000 shops in London, retail plays a key part in sustaining the capital's network of over 1,300 town centres. It is also a key part of London's offer to visitors from outside the city, who in 2001 spent almost £2 billion in the city's shops. It provides a service on which all Londoners depend; the range of choice and the prices in our shops affects every London household.

Retail in London will continue to be important. Over the next 20 years retailing can be expected to continue to grow, meeting the needs of a growing population with higher disposable incomes, providing a variety of employment opportunities across London and presenting new opportunities to drive and support regeneration in parts of the capital facing problems of deprivation. The location of shops, and the choices about how people reach them and how they are supplied and serviced will continue to be of vital importance to the quality of the capital's environment and the vitality of its local economies and neighbourhoods.

As this report makes clear, not only will retail grow, but it will change. The effect of the internet in areas like bookselling and music is already becoming apparent. This is likely to give new impetus to retailers finding ways to add value to the shopping experience, perhaps by making new links between shopping and leisure. The trends and developments described in this research will raise challenges and opportunities for policymakers; ensuring a vibrant, competitive retail sector is likely to be essential to delivering policy objectives across a range of areas.

As GLA Economics' research shows, in many ways retailing is central to what makes London the place it is. This is why, for example, I have made it a priority to support and sustain the West End as a world-class retail and leisure area, looking at ways of addressing the challenges for the area identified in this report. These include looking at innovative approaches to the issues of transport and accessibility into and around the area and supporting the renewal of the eastern end of Oxford Street.

Retail will play a vital part in London's future growth and development, and understanding how it works and the issues it faces will be crucial for policy- and decision-makers. GLA Economics has a central role to play in this, by identifying the key issues and putting figures on their importance. Their research programme on retailing in London provides a vital resource and evidence base for future policy and action, and I commend it to anyone interested in the capital's economy and its future.



Mayor of London

October 2006



Executive summary

All of us need to shop – if only for food – and shopping is a regular, repeated activity. As a result, all that going shopping involves (getting to, and back from, the shops, the shops themselves and the environment in which they are set) impacts significantly on our daily lives. As such, the retail sector's impact on the everyday lives of Londoners is greater than simple statistics might suggest.

Yet the statistics alone show that retail is important to London. They show that almost £4 in every £10 spent by Londoners goes to the retail sector. They show that retail accounts for around nine per cent of London's employment making it one of London's largest sectors. They show that retail offers a viable route into employment for many residents who might otherwise find it difficult to enter employment. They show that compared to the London average, retail employs a higher share of both women and people from Black, Asian and Minority Ethnic (BAME) communities.

The retail sector is of significant importance both to the London economy and to the people of London. It is therefore important that policy makers have a thorough understanding of London's retail sector. As a result, GLA Economics has undertaken a wide-ranging body of research into various aspects of London's retail sector, producing ten reports over the past two years. This report summarises the findings from this research programme presenting an overview of London's retail sector, past, present and future.

The location of London's retail offer

The retail offer in London ranges from the internationally renowned shopping centres of the West End and Knightsbridge through town centres to out-of-

centre retail and warehouse parks to small local parades of shops. Consumers now also increasingly have the opportunity to shop from home via the internet.

The West End is by a considerable margin the largest retail centre in London in terms of both floorspace and turnover. It attracts many visitors from the rest of the UK and from abroad and is one of a number of successful retail sites within Central London alongside Covent Garden, Knightsbridge, King's Road and Kensington High Street.

In total there are around 200 town centres across London within which retail frequently plays an important part. Indeed, across London as a whole (outside of the West End) town centres account for around 40 per cent of total retail employment.

Out-of-centre retail in London consists of one shopping centre at Brent Cross together with at least 50 retail warehouse parks (selling clothes, furniture and electrical goods for instance), stand alone supermarkets and 'Big Box' stores (DIY stores or furniture retailers for example). A number of out-of-centre shopping centres outside the formal boundaries of London, for instance Lakeside and Bluewater, also attract many London residents.

In addition to the above, London has over 1,200 neighbourhood and local centres (as defined in the London Plan) providing retail and other services to local communities. Retail opportunities also exist in office developments; in petrol station forecourts; in railway and underground stations and in corner shops.

This all serves to illustrate that there is quite a range of locations in which retail is on offer across London. However, there are some areas within London which are not as well served by retail as the majority of areas, and analysis suggests that retail could act as a significant regenerating influence in some areas of London.

Changes in retail over time

There have been many changes within London's retail sector over recent decades resulting from growing consumer expenditure, changes in transport patterns, changes to planning regulations and advances in technology for example. In particular, the location and structure of retail has been changed by:

- An increase in out-of-centre retail during the 1980s and 1990s through the development of retail warehouse parks.
- A decline in retail within small town centres which have lost out to both large town centres and out-of-centre retail.
- Increased retail consolidation, particularly in the grocery sector.
- A decline in the number of small retailers.
- Changes in retailers' management of supply chain and logistics issues.
- The growth in retail sales via the internet.

As incomes increase consumers place increasing value on leisure time. As a result, retailers and developers of retail destinations have sought to develop retail as a leisure activity rather than merely a functional process or transaction whose time is to be minimised. This is also considered to be a key strategy in maintaining the attraction of high-street retail in the face of the growth in internet shopping.



Many of these changes have resulted in policy challenges for public sector bodies in areas such as planning policy, national competition policy, policy measures to remove barriers to small retailers, policy measures around delivery restrictions and policy towards town centre management for example.

The future of retail in London

Looking ahead, London is forecast to witness a sharp increase in population over the next two decades with an extra 1,018,000 residents forecast between 2001 and 2026¹. Employment in London is also expected to grow, by 969,000 between 2003 and 2026².

This combination of rising population and rising incomes should ensure continued strong growth in consumer spending on retail goods with spending on non-grocery goods forecast to rise by 4.8 per cent per annum to 2016 and grocery retail spending by 2.0 per cent per annum³.

The importance of internet retail can be seen from its rapid rise to account for around four to six per cent of retail sales over the past few years. Continued growth in internet retail is expected to impose strong competitive pressure on some high-street shopping sectors such as electricals and music. However, despite the rise of internet retail, there will still remain a need overall for increased retail floorspace in London over the next decade.

To meet this need for new retail floorspace, a number of new retail developments and expansions to existing centres are planned. Particularly important amongst these are proposed developments at Stratford and White City. If developed as intended, both these sites are forecast to enter the top ten retail sites in London by turnover during the next decade.

Competition from new and existing developments, and from internet shopping will mean that some town centres in London are likely to see a decline in the attractiveness of their retail offer relative to other town centres over the next decade or so. However, the general outlook for London's town centres is extremely positive: they should benefit from rising consumer spending on retail as set out above and the support of planning policy that encourages new retail development into existing town centre locations. The combination of these two factors should ensure that most London town centres are able to continue to expand and enhance their retail offer over the next decade.

This should include the West End, which is expected to further expand its retail offer and retain its role as the UK's and London's premier shopping destination. However, the West End does face some issues if it is to maximise its potential. In particular, the need to improve the general shopping environment on Oxford Street, which currently suffers from both pedestrian and transport congestion is likely to need effective consideration. To this end, a Mayoral Commission into the West End's future development was set up during 2005 and is expected to report in 2006.





Introduction

This report summarises the main findings from a wide-ranging body of research conducted by GLA Economics into various aspects of the retail sector in London. In total ten reports on the retail sector have been published by GLA Economics over the past two years – all of these retail reports are available on the GLA Economics website:

http://www.london.gov.uk/mayor/economic_unit/glaepublications.jsp

What this report does not do is present every finding, every interesting piece of information and every conclusion from each of the ten retail research reports. Clearly space does not permit such an approach. However, throughout this report we provide links to the original reports so that those interested in specific areas can read further on the subject. All the reports are available on the GLA Economics website⁴.

The paper begins by looking at the importance of retail to London. It focuses on two key aspects: the forecast continued growth of the retail sector and employment within the retail sector.

The report then examines London's retail offer as it stands today. It investigates the West End, town centres and out-of-centre retail to get an impression of the retail landscape across Greater London.

The third section then analyses how retail has changed over the past 20 years. Among the issues discussed are increased retail consolidation, increased out-of-centre shopping development, the rise of the internet and the growing importance of leisure in retail developments.

Finally, the fourth section examines the growth prospects for retail over the next decade or so and considers how the retail landscape will change over this period. For this, the forecasts of retail floorspace need prepared for the GLA, together with GLA Economics' own research programme, have been used.



Section 1:

The importance of retail to London

This section highlights the importance of retail to London's economy. Firstly, it examines the benefits retail brings to both consumers and the economy as a whole through its basic function of supplying goods to consumers. The second half of this section then focuses on the direct employment opportunities that retail provides to Londoners.

Meeting consumer demand

Retail serves an important role in the economy by providing the means by which the population is able to access and purchase goods. Having a competitive, efficient and innovative retail sector not only ensures that choice to the consumer is maximised but also helps facilitate economic growth by providing the means by which producers and importers of goods are able to sell their produce to consumers.

As the economy grows so the amount of money available for expenditure by households rises. Over time, much of this expenditure has been spent on retail goods, allowing living standards to rise through the purchase of household appliances and luxury goods together with the continued purchase of necessities such as food.

In analysing the growth in retail spending it is useful to split out the trends in comparison goods and convenience goods. Comparison goods consist of clothing, footwear, household appliances (electric or gas), carpets, furniture, computers, books, music/videos, toys, DIY equipment, audio-visual equipment, sports equipment, and leisure goods. Convenience retail goods are those traditionally sold by supermarkets (one-stop shops visited for *convenience*) and include food, drink, tobacco, household goods and newspapers/magazines. The more familiar term of grocery can be used to describe convenience retail.

Figure 1.1 illustrates the growth in UK spending on comparison retail goods over the past four decades. It shows that, whilst growth has occasionally declined during recessions, the long-term trend has been for strong growth, with average growth measuring 2.7 per cent per annum (compared to average growth for all household spending of 2.5 per cent per annum). For the past decade, the growth in comparison retail spending has been even higher than the long-term average, with growth from 1994-2004 averaging 4.4 per cent per annum (compared to 3.2 per cent for all household spending).

For groceries, growth in UK spending has been lower, typically only in the range of 0-1 per cent per annum as illustrated in Figure 1.2.

With household expenditure growing at an average of 2.5 per cent per annum over the 1963-2004 period, the low growth in spending on groceries has meant that over time its share of household expenditure has fallen. Rising incomes have increasingly been spent on either comparison retail goods or non-retail goods and services such as housing, transport, tourism and restaurants. This is confirmed by Figure 1.3 which shows how the breakdown of household spending has changed since 1963. It shows that the share of total household expenditure on groceries has declined from over 30 per cent in 1963 to just 13 per cent in 2004.

Figure 1.1: UK year-on-year growth in comparison retail expenditure, 1964-2004

Source: ONS Consumer Trends

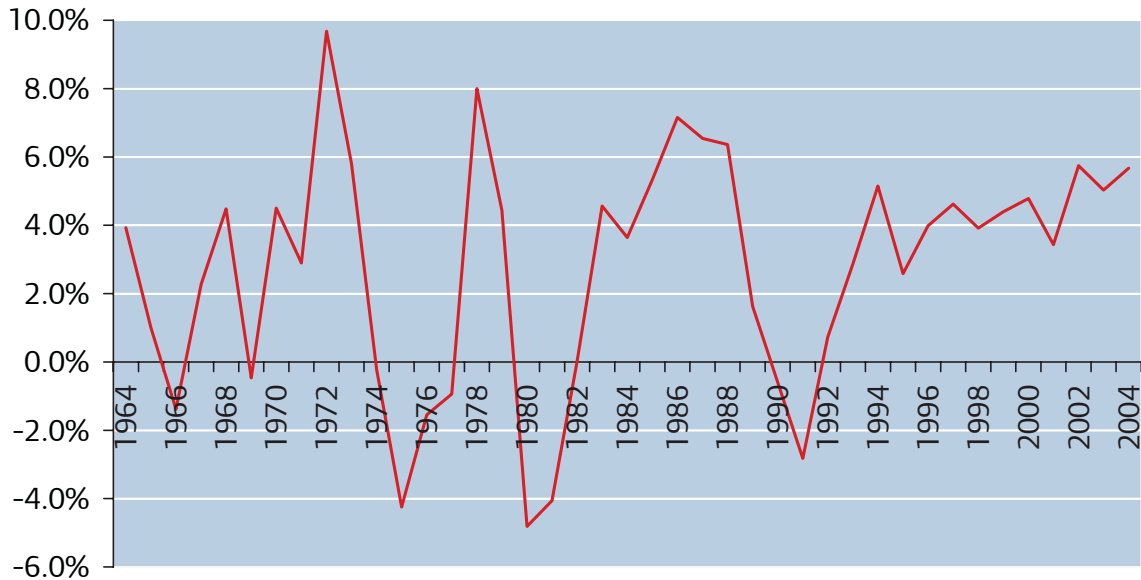


Figure 1.2: UK year-on-year growth in grocery retail expenditure, 1964-2004

Source: ONS Consumer Trends

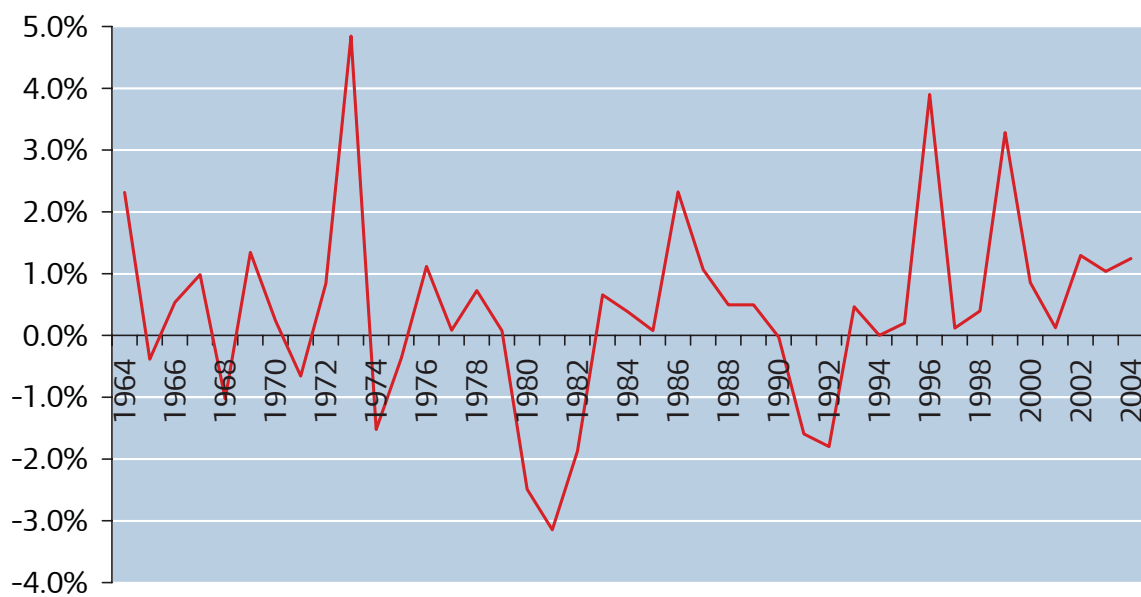


Figure 1.3: Grocery and comparison goods expenditure as a share of total UK household spending 1963-2004

Source: ONS Consumer Trends

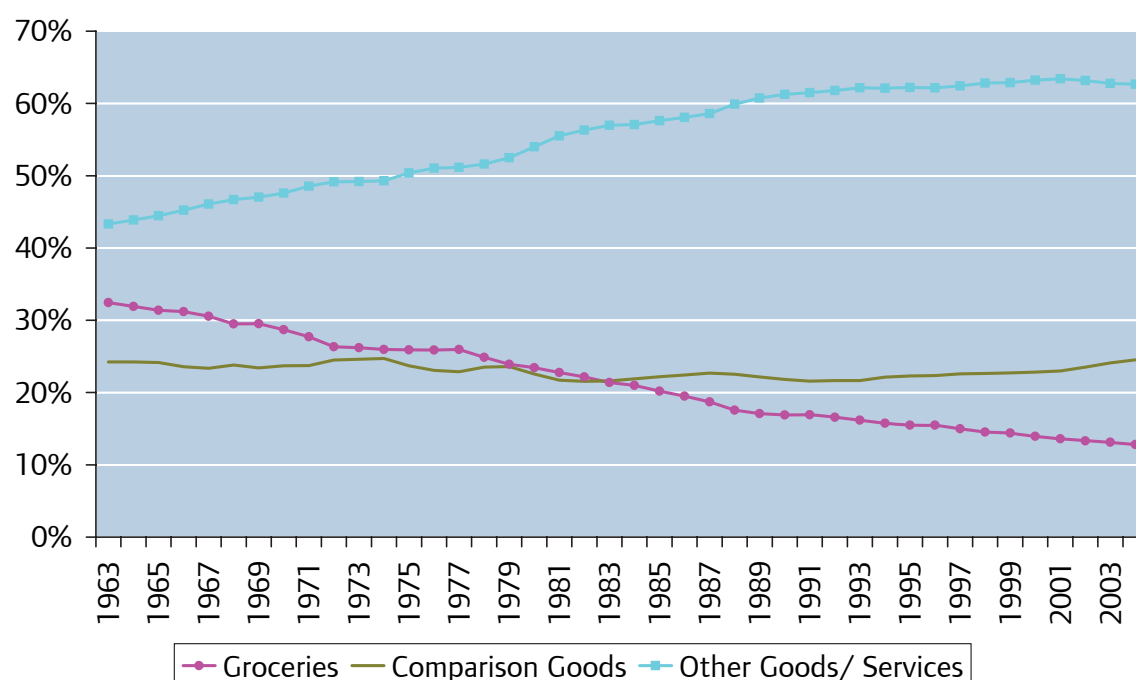


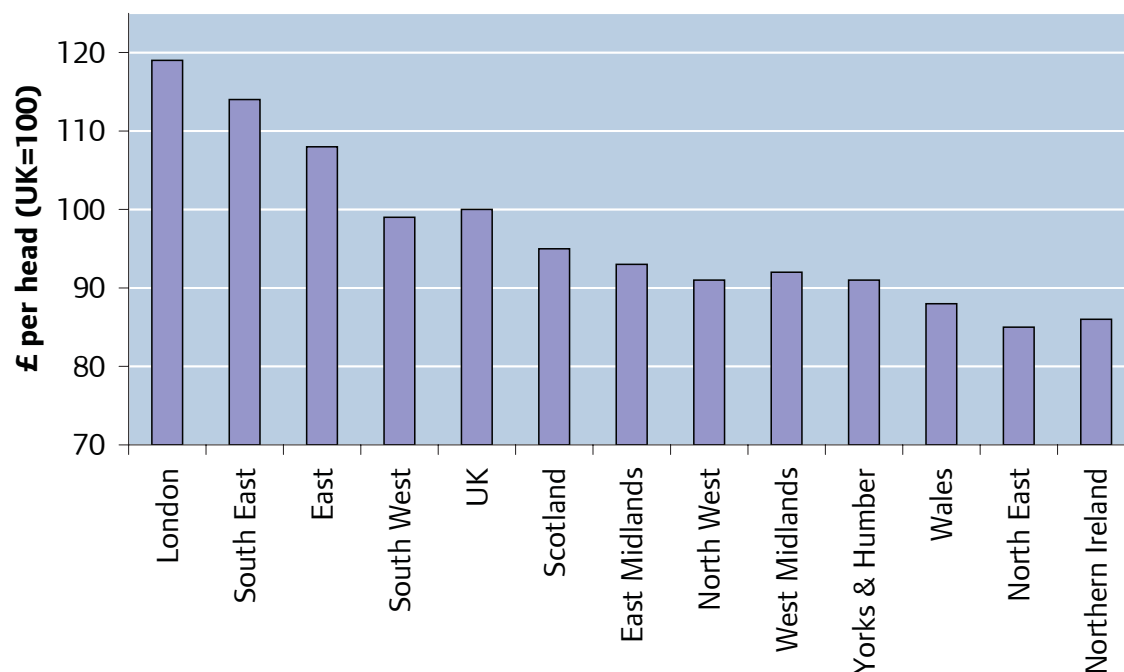
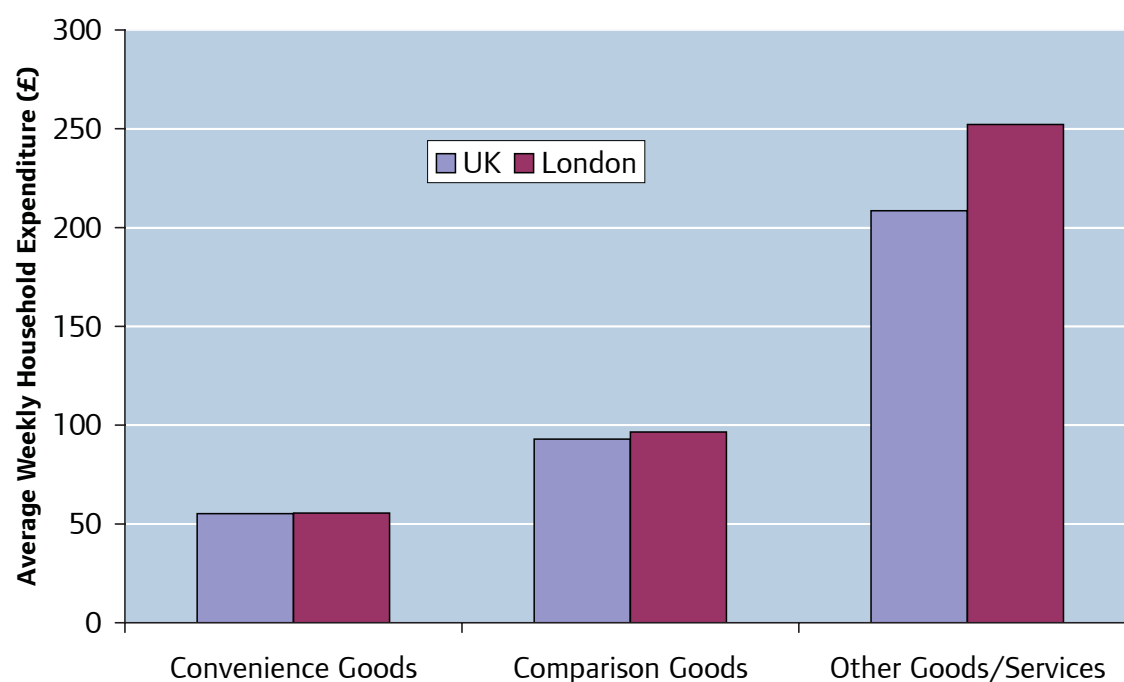
Figure 1.3 also shows that the share of total household expenditure spent on comparison goods has remained largely stable at around 22-24 per cent of total household spending throughout the past four decades, rising in recent years up to 25 per cent. The rise in the share of expenditure spent on other goods and services shown in Figure 1.3 reflects rising spending on non-retail goods and services such as leisure, transport and housing. At present, 38 per cent of household consumption expenditure across the UK is on retail goods⁵.

All the data above has been presented for the UK, rather than London, simply because of greater data availability for the UK. However, the trends highlighted above have also occurred within London with strong growth over time on spending on comparison goods and on non-retail goods and services with lower growth in groceries.

One difference in London, however, when compared to the rest of the UK, is that disposable incomes are higher in London. This is illustrated in Figure 1.4, which, using the latest data available, shows that average disposable household income per person is 19 per cent higher in London than across the UK overall.

This would suggest that spending on retail by London residents might also be higher than elsewhere in the UK. However, Figure 1.5, which shows spending per household, suggests this is not the case. It shows that spending per household on both comparison goods and groceries is very similar in London to the rest of the UK. The higher incomes in London do, however, lead to higher spending on 'other goods and services' in London compared to the UK overall. This is mostly due to spending on housing, education and restaurants being higher for London residents than residents elsewhere in the UK.

In 2001, spending per head on retail goods in London was estimated by Experian to total £4,150 per annum⁶. Summed across the population, this means that in 2001, London residents spent a total of £30.2 billion on comparison goods and groceries. Future strong growth in retail spending within London is anticipated and is discussed in section 4.

Figure 1.4: Gross disposable household income 2004*Source: ONS – First Release: Regional household income 9/05/2006***Figure 1.5: Household expenditure in UK & London, 2002/03–2004/05***Source: ONS – Family Spending: 2005 Edition*

Summarising the charts shown above, it can be seen that retail forms a vitally important part of the economy, accounting for 38 per cent of consumers' total spending. Additionally it is a sector that has shown strong growth throughout the past four decades,

particularly for comparison retail goods on which spending growth has averaged over 2.7 per cent per annum over the past 40 years and an even higher 4.4 per cent per annum over the past decade (to 2004).

Employment

The retail sector is an important part of London's economy in terms of employment and has distinct labour market characteristics. In 2003, there were over 400,000 people working in retail in London (employees plus self-employed), making retail one of the biggest sectors in the London economy with around nine per cent of total employment (seven per cent of total self-employment)⁷.

The retail sector has traditionally been viewed as a gateway sector, that is facilitating entry into the labour market for people with few qualifications or from different cultures and backgrounds. This continues to be the case with retail providing workers with skills and training that are in demand in the rest of the economy. Retail also provides flexible employment opportunities for those who cannot, or who do not want to, work full-time thus contributing to social policies such as family-friendly flexible working patterns.

Figure 1.6 shows that the workforce in London's retail sector is comparatively young. In particular, it shows that nearly 20 per cent of people working in retail in London are in the 16-21 age group, compared to only four per cent in the London economy generally. This underlines the importance of retail as a route into work and a first job for many people.

The retail sector also employs more ethnic minorities than the average for all industries in London, with ethnic minorities making up around 35 per cent of the retail workforce, compared to 20 per cent in the rest of the economy (and 27 per cent of the population in London). Additionally, ethnic minorities make up around 42 per cent of the self-employed in retail; a very high level which contrasts with other sectors of the economy in which ethnic minorities are underrepresented, particularly in terms of self-employment.

Two of the most striking aspects of the retail workforce are the high proportion of women and the high incidence of part-time work. Women make up around 57 per cent of retail employees in London. This compares to an average of 45 per cent of London's overall workforce. Between 1982 and 2003, the number of women working in retail in London increased by over 57,000 with 80 per cent of these jobs part-time.

This trend towards increased part-time work means that part-time workers now account for 42 per cent of the retail workforce, with women part-time workers accounting for 30 per cent of the total workforce (Figure 1.7). Whilst this is high, London actually has a smaller share of its retail workforce in part-time employment than does the UK overall due mainly to a lower share of part-time workers within Inner London.

Figure 1.6: Age distribution of workers in the retail sector

Source: LFS Annual 2002/03

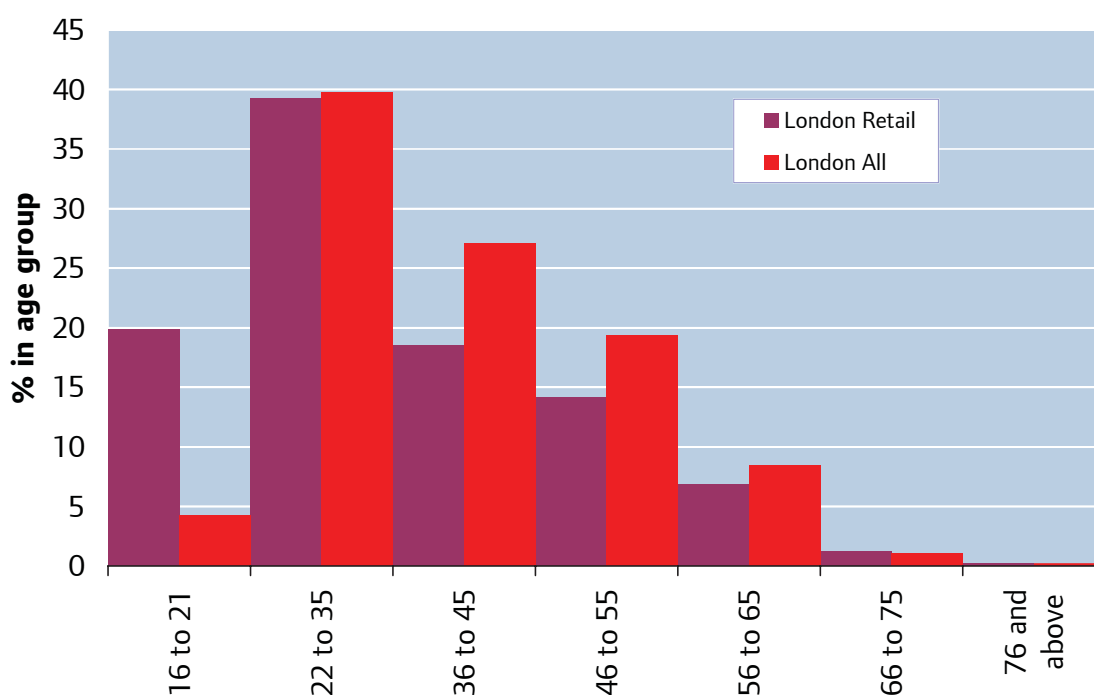
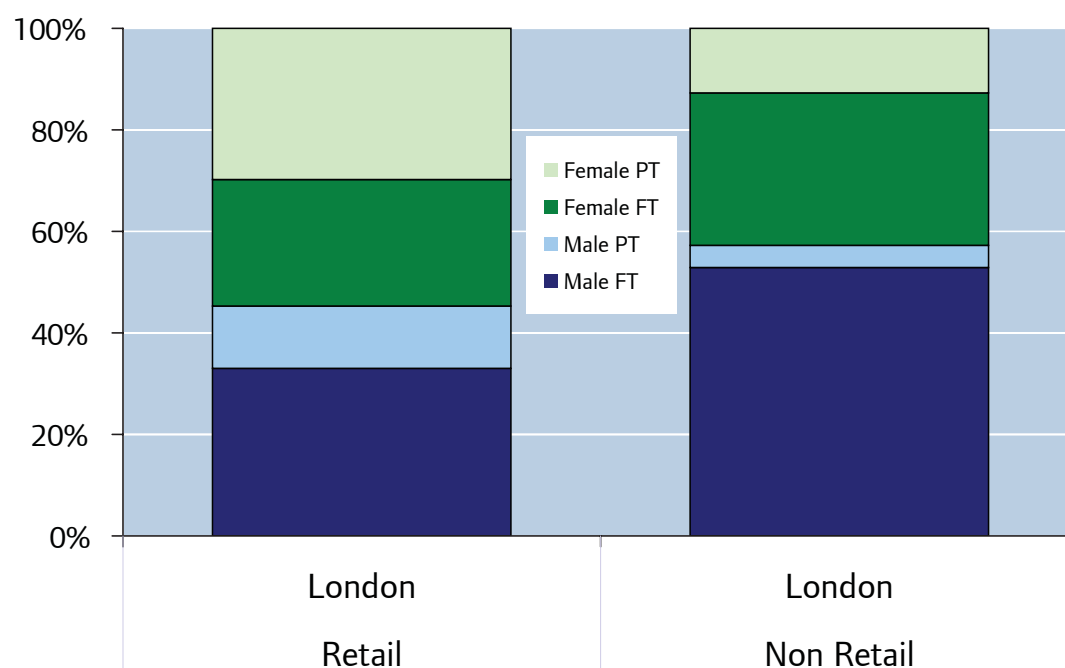


Figure 1.7: High proportion of part-time work in London retail sector*Source: LFS Annual 2002/03*

This is probably due to the high costs of living in Inner London making part-time work less viable than elsewhere because the financial gains to part-time work are less than elsewhere in the country. Nevertheless, the trend in London has been for an increased number of women workers and part-time workers over time and as such the retail industry can be said to be contributing to wider social policies via its offer of flexible working patterns to its workforce.

Not unexpectedly, given its high level of part-time workers, the retail workforce is more likely to be local than for most other sectors. Within London, around 43 per cent of retail workers live and work in the same borough compared to just 30 per cent of London's workforce overall. Average journey times to work are also lower on average.

There are of course both positive and negative aspects to the unique characteristics of the retail workforce. A negative aspect is low pay relative to some other sectors. The median wage in retail in London in 2002/03 was £6.50/hour compared with an £11.10/hour across London's economy as a whole. However, this low pay, and the lower average qualifications of the retail workforce compared to other sectors, are in some ways linked to the more positive aspects of retail employment. Namely the fact that retail does indeed act as a gateway providing a route

into work for workers with few qualifications and those wishing to work part-time. Additionally, retail employment is diverse and there are many managerial jobs within the sector as well as jobs for less qualified workers. Furthermore, all employees gain important skills such as customer relations and service from retail, skills in high demand in other parts of the economy.

Overall, therefore, the retail sector is a very important source of jobs within London, making a valuable positive contribution to London's economy by providing a route into work for many who might otherwise find it difficult to enter the workforce, a source of part-time jobs and high flexibility together with a significant amount of jobs overall.

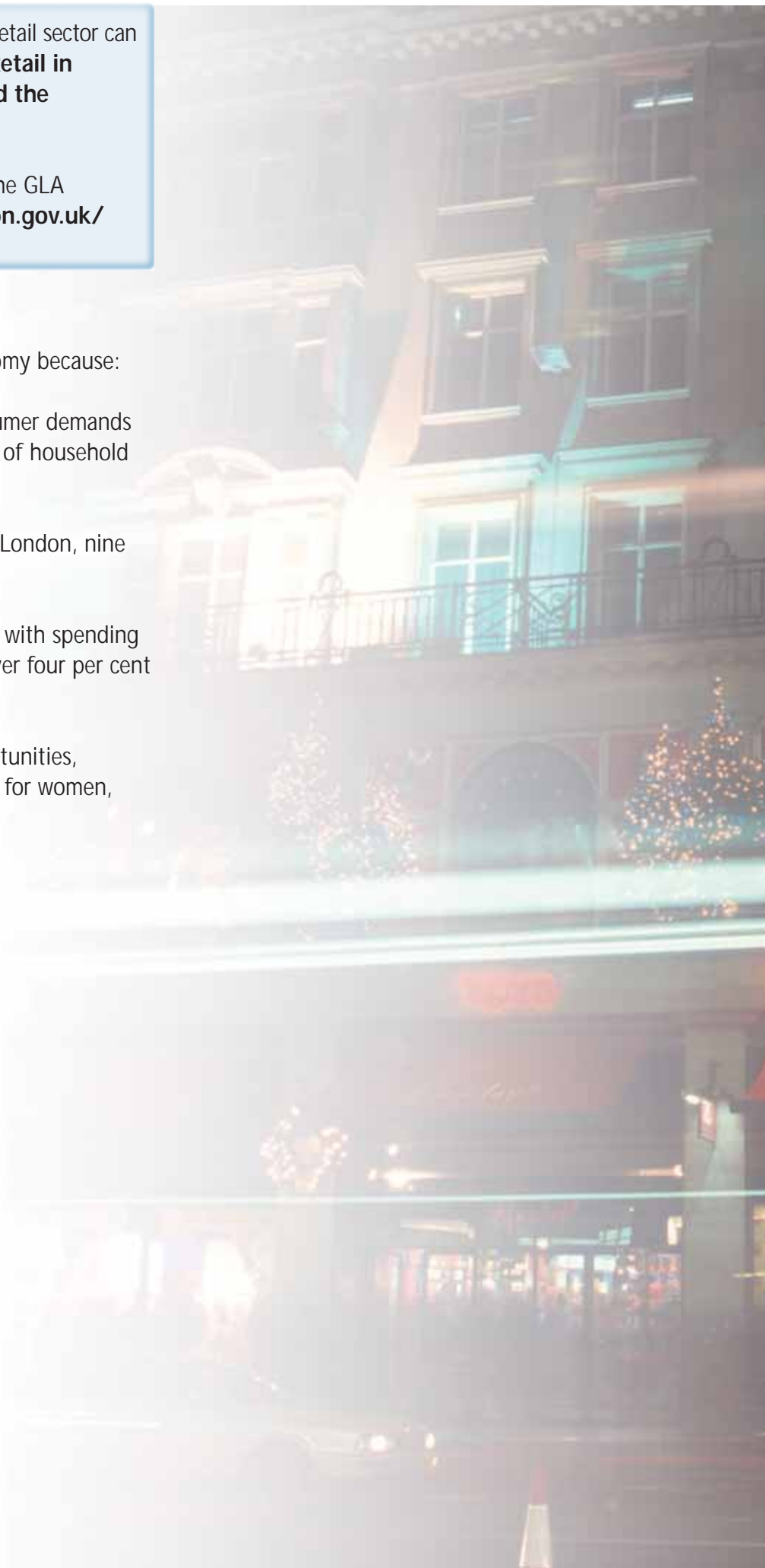
More detail on the labour market in the retail sector can be found in the GLA Economics report: **Retail in London: Working Paper E - Retail and the Labour Market**

Copies of this report can be found on the GLA Economics website <http://www.london.gov.uk/gla/publications/economy.jsp#wpe>

Summary

Retail is important to the London Economy because:

- It acts as the facilitator of many consumer demands and needs: approximately 38 per cent of household expenditure is spent on retail goods.
- It directly employs 400,000 people in London, nine per cent of total employment.
- It is a growing sector of the economy, with spending on comparison goods increasing by over four per cent per annum over the past decade.
- It provides flexible employment opportunities, including a high share of employment for women, ethnic minorities and young adults.





Section 2: London's retail offer

London's retail offer is varied and widely dispersed across London. This section describes London's retail offer, in terms of both its formats and its location. It includes analysis of retail within the West End, within London's town centres and within London's out-of-centre retail offer. In each case it highlights the unique aspects that underpin the retail offer in these locations.



London's retail geography

London's retail remains largely focused in the city's town centres. This focus on town centres is probably greater in London than elsewhere in the UK where out-of-centre shopping is increasingly important. In London, however, there are around 200 town centres with significant retail offers together with over 1,200 smaller neighbourhood and local centres the vast majority of which, if not all, are likely to have some retail element.

London's town centres are split into a number of categories within the London Plan. London has two International centres, the West End and Knightsbridge. It has ten Metropolitan centres mainly in the suburbs including Bromley, Croydon and Kingston; 35 Major centres mainly in Inner London such as Brixton, Putney and Camden and 156 District centres distributed across London which traditionally provide grocery retail and some services.

Whilst large town centres do dominate the retail offer within London, there is also a significant amount of retail in non-town centre locations, analogous to the 'out-of-centre' development elsewhere in the UK. Many 'non-town centre' retail locations in London are 'out-of-centre' in the sense that they are not based upon existing town centre definitions. However, it can be argued that they differ to typical out-of-centre developments seen in most of the UK by the fact that in London such developments usually have some public transport links and are closer to residential areas than is the case elsewhere.

There are around 50 retail parks⁸ within London which have a comparison goods element. Of these, nine are located within Inner London and 41 within Outer London. The largest is Purley Way in Croydon which is the ninth biggest retail location in London, with Greenwich Peninsula another large and growing centre.

Figure 2.1 illustrates the location of the 203 District, Major, Metropolitan and International centres together with the 50 largest out-of-centre shopping areas with a comparison goods element.

Figure 2.1 does not differentiate between size of centre. However, clearly some centres are bigger than others, and indeed the retail offer often depends upon the size of a centre.

Table 2.1 lists the top 20 retail centres in London, based on comparison goods turnover data. It shows that the West End⁹ is by a considerable margin the largest retail centre in London in terms of both floorspace and turnover. The table also shows that the next largest retail centre in terms of turnover is Knightsbridge, also located in Central London, which is considerably larger, in terms of turnover, than the next largest retail centre in London.

Figure 2.1: London's retail centres

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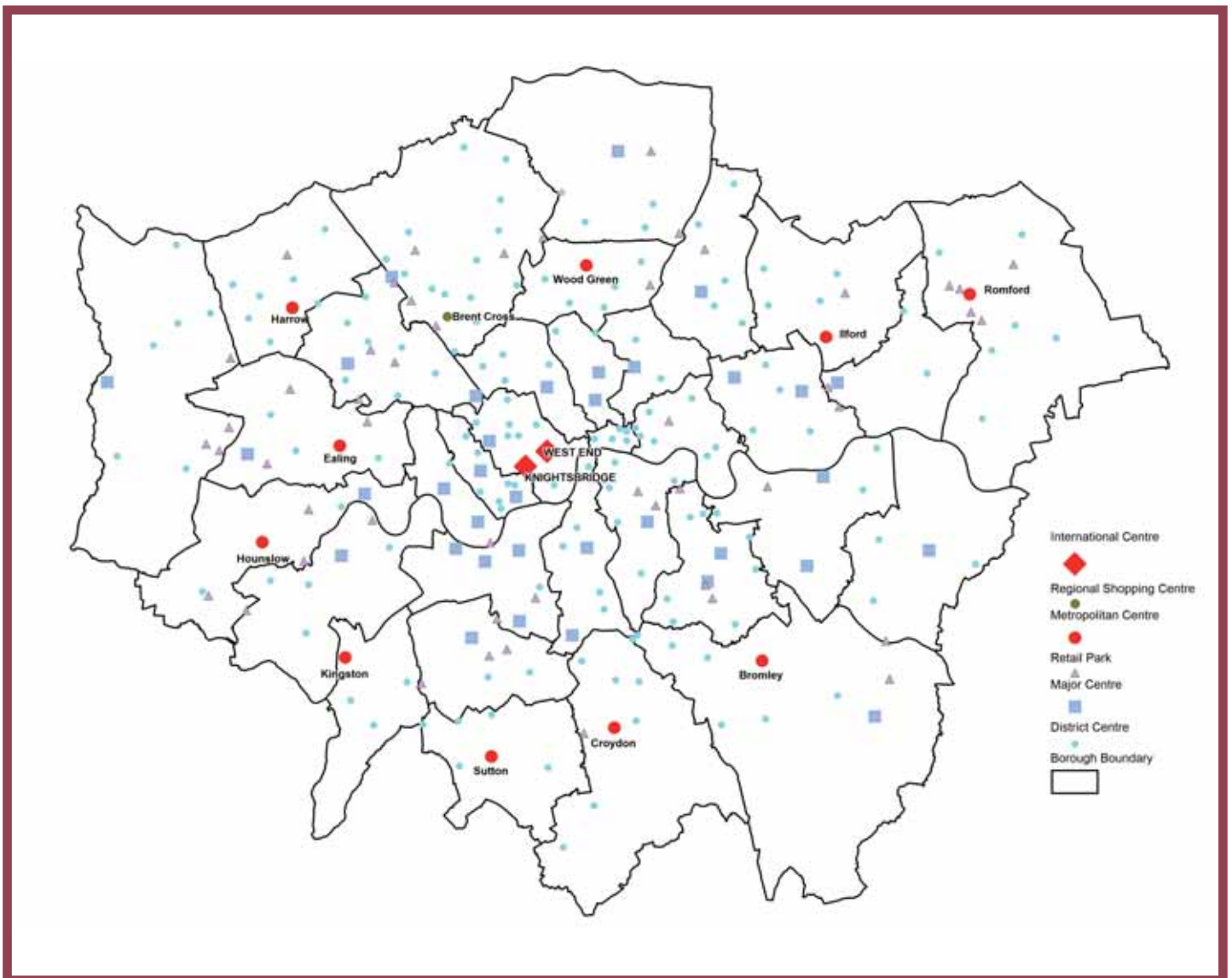


Table 2.1: Top 20 retail centres in Greater London by comparison goods turnover (2001)*Source: London Town Centre Assessment. Stage 1. Comparison Goods Floorspace Need. September 2004.*

Centre name	Classification	Estimated turnover, £m	Goad adjusted floorspace, sq. m
West End	International	4,415	1,581,456
Knightsbridge	International	996	167,742
Bromley	Metropolitan	593	176,495
Kingston upon Thames	Metropolitan	565	246,969
Croydon	Metropolitan	554	266,981
Brent Cross	Additional	423	86,388
Purley Way	Additional	328	133,400
Kensington	Major	292	94,124
Romford	Metropolitan	278	197,033
Kings Road East	Major	276	51,230
Uxbridge	Major	259	116,186
Hounslow	Metropolitan	253	110,572
Harrow	Metropolitan	228	107,969
Ilford	Metropolitan	226	177,134
Sutton	Metropolitan	218	152,726
Greenwich RP	Additional	196	81,570
Ealing	Metropolitan	192	81,801
Enfield Town	Major	171	52,914
Wimbledon	Major	168	84,879
Bexleyheath	Major	164	91,398

Two other Central London retail centres are amongst the top ten retail centres in London, namely Kensington and Kings Road East. Both these are situated close to the West End and help illustrate the importance of Central London to retail in London. Indeed, according to estimates from Experian these four centres account for over £3 in every £10 spent on comparison retail in London.

Table 2.1 also shows that three South London town centres, Bromley, Kingston upon Thames and Croydon, are the largest non-central retail centres in London each accounting for around £0.5 billion in retail turnover. The largest retail warehouse park is also located in South London at Purley Way, in the borough of Croydon. Not surprisingly, therefore, South London¹⁰ has a high share of employment in retail relative to its population. Its retail employment is equivalent to 7.2 per cent of its population. This compares to 6.7 per cent, 5.3 per cent and 4.8 per cent in the West, North and East sub-regions respectively¹¹.

The sixth biggest retail centre in London in Table 2.1 is the Brent Cross shopping centre. Brent Cross is the only 'regional shopping centre' (the largest form of out-of-centre shopping centre) in London and is located in North London in the borough of Barnet.

To the east of London, Romford and Ilford are the main retail centres along with the second largest retail warehouse park in London at Greenwich. Each of these retail centres competes to some extent with the Bluewater and Lakeside regional shopping centres just outside the M25 to the east of London.

The West End

The West End is by far the largest retail area in the UK. In some ways, it acts as the UK's retail centre, with a significant proportion of its trade coming from people who live outside the M25 boundary. Many of these people are attracted by the range and quality of goods on offer in the West End which is unmatched anywhere else in the country.

In a survey of West End shoppers the main attraction of the West End and the reasons shoppers choose the West End, is the range of shops. This was cited by 70 per cent of those surveyed¹². The quality of the shops and the presence of the large flagship department stores, such as Selfridges and John Lewis, are also key attractions. Oxford Street is described as having an *"unrivalled collection of department stores, together with a retail mix that covers the entire spectrum"*¹³.

Survey data¹⁴ has shown that only around half of visitors to the West End live in London with around 25 per cent of visitors to the West End being overseas tourists and a further 21 per cent UK visitors resident outside of London. To understand the West End it is therefore necessary to understand its differing appeal to both visitors to London and local residents.



Overseas visitors

In terms of visitors, the West End has a competitive advantage over other retail centres in and around London in attracting the tourist trade because it is very accessible from many of London's tourist areas (both in terms of attractions and accommodation) by public transport and by foot. As such, London's retail offer for visitors is almost entirely contained within Central London, principally the West End.

Tourists do not tend to visit London just for the shopping, however. Despite this, visitors do tend to shop in the West End whilst here for other reasons. According to surveys, overseas visitors like shopping in London and see the West End's retail offer as encompassing:

- high end, good quality and luxury goods
- 'bigger and better shops' in range and quality
- specialist shops^{15 16}.

Fashion, particularly high end brands, designer fashion and UK designer brands are seen as a feature of London and the West End's offer. To a lesser extent so are bespoke tailoring and 'alternative fashion' as well as art, antiques and regional/specialty goods. London's retail offer is considered prestigious, but also contemporary and modern, colourful, trendy, individualist with 'the latest of everything'¹⁷. The first Apple store in Europe on Regent Street epitomizes modern London's retail offer.

The US and the EU15 countries are the largest overseas tourist markets for London and this is reflected in the profile of overseas shoppers. These markets represent 20 per cent and 33 per cent of overseas expenditure in London respectively. Visitors from other European countries account for approximately 13 per cent of overseas expenditure¹⁸. Typically spending per visit is higher amongst visitors from the US than from Europe. There is also some indication that the Middle East and Russia are important markets for international retail in London.

Data on the West End's global competitors for international retail sales is limited. Whilst the concept of shopping trips to New York may be familiar, data on how many people travel to New York for shopping and the value of international retail sales is not readily available.

However, it seems likely that there is some competition between these cities and others, perhaps for specific goods in the case of Paris, or for cheaper goods in the case of New York, if only as a spill over from tourism. Readily available but limited data from Global Refund on VAT refundable purchases suggests that Italian cities such as Milan could also be major competitors to London, at least at the high end of the market.

Retail property rents and trends are indicative of the strength and vibrancy of the sector. Oxford Street is the fourth most expensive shopping street in the world, behind 5th Avenue in New York, the Champs Elysées in Paris and Causeway Bay in Hong Kong. Although commercial rents on Oxford Street are significantly lower than those on the Champs Elysées, this is not the case for rents on other high streets in the central retail areas in London and Paris, where rents are similar.

More details concerning the international nature of retail in the West End can be found in the GLA Economics report entitled: **Retail in London: Working Paper F – International Comparisons of Retail**

Copies of this report can be found on the GLA Economics website <http://www.london.gov.uk/gla/publications/economy.jsp#wpf>

Domestic consumers

The attraction of the West End for London residents is similar to that for tourists with the range of shops and the department stores being major attractors. In addition to the retail offer, the location and convenience of the West End are a strong attraction for shoppers (but not as strong as the range and quality of shops). To a lesser extent, the leisure and retail mix, the availability of places to eat and drink, the pubs and the nightlife are also attractions to resident shoppers and visitors alike.¹⁹

One notable difference between the West End and other London and UK retail centres is its very high levels of public transport accessibility and indeed its high reliance upon public transport. Around three-quarters of people travelling to the West End use public transport, with an additional 15 per cent walking to the West End. Only around five per cent of people travelling to the West End travel by car.

As noted earlier, over half of the West End's shoppers are London residents. However, whilst tourists tend to concentrate upon the West End or other Central London retail centres for their shopping needs, London residents choose between London's full range of retail sites including its town centres and out-of-centre retail. As such, the West End faces strong competition from other retail sites across London and indeed outside of London for the trade of London residents.

In meeting this competition, the West End benefits from its high accessibility by public transport but experiences a low level of accessibility by car. Furthermore, surveys have identified a number of problems with the shopping experience in the West End, such as pedestrian congestion, that are hindering its ability to attract London shoppers but which could potentially be addressed.

Some of these problems are discussed in section 4 which considers the future of the West End and concludes that the West End will remain, by some margin, the largest retail centre in London and the UK over the coming decade – even after accounting for a number of significant retail developments planned elsewhere in London.

More details concerning retail in the West End, including the area's characteristics, international appeal, trends, costs and problems can be found in the GLA Economics report entitled: **Retail in London: Working Paper A – Retail in the West End (March 2005)**

Copies of this report can be found on the GLA Economics website <http://www.london.gov.uk/gla/publications/economy.jsp#retailondon>

Town centres

More than elsewhere in the UK, London's retail geography is characterised by its focus upon town centres. There are around 200 town centres within London together with over 1,200 smaller neighbourhood and local centres.

Data on employment in London's town centres has been collated by the Centre for Spatial Analysis (CASA) for the Department for Communities and Local Government (DCLG) and is published as the DCLG's town centre statistics²⁰.

Based on this data, South London²¹ has the greatest reliance on town-centres for its retail provision, with 53 per cent of its retail employment (including comparison, grocery and service retail) in town centres in 2000 against a 40 per cent average for London²². The two largest retail centres in Outer London, Croydon and Kingston upon Thames, are located in this sub-region.

West London²³ is the sub-region which has the smallest share of its retail employment located in town centres (31 per cent). Overall, however, employment in retail is quite high in the region because relative to its population West London has a high share of employment in out-of-centre retail (including Heathrow Airport).

In North London²⁴, despite the existence of Brent Cross, 40 per cent of retail employment remains in town centres, the same as London overall.

East London²⁵, meanwhile, had around 38 per cent of its retail employment in town centres in 2000, just below the London average. However, its total retail employment relative to population is significantly lower than in the other sub-regions of London.

Of course, not all employment in town centres is in the retail sector and the DCLG town centre statistics also measure town centre employment in offices, the public sector, restaurants/bars and arts/culture/entertainment. Analysing this data it is possible to build up a picture of a typical London town centre in terms of its employment mix. This is shown in Table 2.2 which shows the share of employment in each sector across the 91 town centres for which full employment data is available²⁶. The analysis shows that for the 'average' town centre in London, retail generally accounts for around 36 per cent of total employment.

This 'average' town centre will also have 18 per cent of its employment in leisure-related activities, either restaurants, bars, arts, culture or entertainment. Given the links between retail and leisure (which are discussed in chapter 3), it can be seen that over half of town centre employment is typically in one or other of these sectors. The remaining employment in town centres is in either office work or public sector work.

In addition to showing an 'average' London town centre, Table 2.2 also shows those town centres with high or low shares of retail employment (out of the 91 centres surveyed). Thus, there are ten town centres included where retail accounts for over half of total town centre employment. These vary from large centres such as Kingston upon Thames to smaller centres such as Worcester Park.

The town centres with a small share of retail employment typically have either a high proportion of public sector employment such as Hackney, a high level of restaurants/bars employment such as Clapham or a high level of office employment such as Fulham and, of course, Canary Wharf.

In summary, town centres remain the focal point for retail activities across much of London. Furthermore, given current retail planning policies which favour town centre development (and which are discussed in section 3), this is likely to continue.



Table 2.2: Employment in London town centres*Data: DCLG Town Centre Statistics 2003.*

Note: Analysis only included the 91 town centres with full data availability, a further 107 town centres had disclosive data for at least one employment sector and were not included in this analysis.

	Percentage of total town centre employment by sector					Total town centre employment
	Retail	Office	Public sector	Restaurants/bars	Art/culture/entertainment	
'Average' Town Centre	36%	34%	13%	14%	4%	2,420
Town centres with a high share of retail employment						
Holloway Road	69%	15%	3%	11%	2%	2,200
Eltham	63%	16%	9%	10%	1%	3,140
Worcester Park	62%	21%	0%	15%	1%	710
Southall	56%	24%	7%	11%	1%	1,070
Wallington	55%	31%	5%	8%	0%	2,320
Welling	53%	23%	0%	17%	7%	1,000
South Woodford	52%	33%	3%	8%	4%	1,980
Barkingside	50%	14%	17%	17%	1%	1,350
Kingston upon Thames	50%	23%	17%	9%	1%	15,910
Wood Green	50%	17%	16%	10%	7%	6,200
Town centres with a low share of retail employment						
Fulham	22%	54%	1%	19%	5%	4,830
Tolworth	22%	47%	15%	16%	1%	1,030
Finchley	22%	49%	20%	8%	1%	4,130
Teddington	20%	46%	28%	5%	2%	3,690
West Hampstead	19%	28%	20%	29%	3%	1,270
Greenwich	18%	28%	28%	21%	5%	2,010
Hackney	18%	13%	54%	5%	10%	2,690
Clapham	16%	35%	4%	38%	7%	2,290
Station Road, Sidcup	13%	40%	32%	7%	8%	1,110
Canary Wharf	6%	89%	2%	3%	1%	34,910

Out-of-centre shopping

The first significant 'out-of-centre' development in London was Brent Cross. This was the first large enclosed shopping centre to be built in the UK and opened in 1976 housing 75 shops at a location distinct from existing town centres and easily accessible by car. In the London Plan, Brent Cross is now characterised as a Regional Shopping Centre, although if proposed redevelopment goes ahead including housing development, improved provision of public transport and improved accessibility across the area, then the plan is for it to be re-categorised as a town centre.

Amongst the new developments currently planned in London are two new 'out-of-centre' shopping centres at White City and Battersea Power Station (see section 4 for more information). These are 'out-of-centre' in the sense that they are not based upon existing town centres. However, they differ to typical out-of-centre developments seen in most of the UK by the fact that they will have better public transport links and will be closer to residential areas.

For the moment, however, Greater London has not seen any development of 'out-of-centre' shopping centres since the creation of Brent Cross, with instead many town centres responding with their own enclosed shopping areas. However, just outside of London, Bluewater and Lakeside opened during the 1990s providing alternative retail choices for many Londoners, predominantly those in Outer London with access to a car. These centres have led to some diversion of retail spending out of Greater London to the South East due to their high level of attractiveness and lack of competing out-of-centre offer within the M25. However, under current national planning policy such developments are unlikely to be repeated and as such London is unlikely to see any further increase in diversion of retail spending out of the Greater London area.

Whilst Greater London has not witnessed new out-of-centre shopping centres over the past 30 years, it has witnessed the growth of a significant number of retail warehouse parks. A recent study²⁷ highlighted 50 retail parks within London which had a comparison goods element. These are included on Figure 2.1. Of these, nine were located within Inner London and 41 within Outer London. The largest is Purley Way in Croydon with 133,400m² of floorspace (making it the ninth biggest retail location in London) with Greenwich Peninsula another large and growing centre.

In addition to shopping centres and retail warehouse parks, out-of-centre shopping has also grown over recent decades in stand alone stores. Mostly this was via supermarkets developing in the 1970s and 1980s on out-of-centre sites accessible by car and many of these stand alone supermarkets remain across London.

A more recent development is 'Big Box' retailing which began in the UK during the 1990s. These are large individual warehouses built by stand alone retailers. The two major participants in this sector have been IKEA and B&Q. At present, B&Q has ten large format warehouse stores in London whilst Ikea has three London stores. The latest to open was at Edmonton near Tottenham Hale in February 2005.

Other retail locations

Whilst most retail in terms of turnover occurs either in the West End, town centres or out-of-centre retail parks, London also contains numerous small parades of shops. Indeed, the London plan identifies over 1,200 neighbourhood and local centres providing retail and other services to local communities. Local shopping facilities can play an important role in fostering social inclusion.

Retail also exists in some office developments; in petrol station forecourts; in railway and underground stations and in corner shops.

In addition to all the physical store types and locations described above, many consumers now have the option to make some of their retail purchases via the internet. This could potentially reduce the demand for the purchase of goods directly from stores and is already leading to new strategies amongst retailers. This subject is discussed in section 3.

Summary

London's retail offer encompasses the West End together with around 200 town centres, Brent Cross shopping centre, around 50 out-of-centre retail parks and many neighbourhood and local centres.

The West End is by a considerable margin the largest retail centre in London in terms of both floorspace and turnover. It is regarded as the UK's premier shopping destination and its location and range of shops attracts many tourists, both international and domestic, as well as London residents.

There are around 200 town centres within London and these are split in the London Plan into International, Major, Metropolitan and District centres. Around 36 per cent of employment in an 'average' town centre is in retail, although this can be over 50 per cent in some cases. Across London as a whole (outside of the West End) town centres account for around 40 per cent of total retail employment.

Out-of-centre retail in London consists of one shopping centre (Brent Cross) together with at least 50 retail warehouse parks (selling comparison goods) together with stand alone supermarkets and 'big box' stores. A number of out-of-centre shopping centres outside of London, namely Lakeside and Bluewater, also attract many London residents.

In addition to the above, London has over 1,200 neighbourhood and local centres providing retail and other services to local communities. Retail opportunities also exist in some office developments; in petrol station forecourts; in railway and underground stations and in corner shops.

Recent years have seen the emergence of internet shopping as an alternative to traditional methods of retailing.

Section 3:

Changing trends in retail

This section examines the changing trends that have shaped and continue to influence London's retail landscape. By examining these trends, it is possible to understand the ways in which London's retail offer, as described in section 2, has both reached its current position and how it may change in the future. Indeed, this chapter lays the groundwork for section 4 which moves on to consider the future of retail in London.

Changes in the location of retail sites is the first subject considered in this section. Growth in incomes and car use have been significant drivers for change in the retail sector over a number of decades, leading to a move away from town centres to out-of-centre formats amongst retailers. This is discussed alongside the more recent developments in planning policy that aim to return retailers back to, or keep them in, town centres.

Other trends discussed in this chapter include the decline in small retailers, the increased market consolidation within some retail sectors and the effects of changes in logistics and delivery patterns on retailers' operations.

More recent developments are also discussed. These include the efforts of retailers to develop shopping increasingly as a leisure activity, and the rise in internet shopping. Finally, the chapter considers the recent idea of using retail for regeneration.

Trends in retail employment in town centres and London sub-regions

The relative performance of town centres within London was investigated by the Centre for Advanced Spatial Analysis at UCL on behalf of GLA Economics in 2005²⁸. The research showed that in general large town centres²⁹ in London have outperformed small town centres in terms of retail employment levels and retail floorspace growth. Evidence of this can be seen in Table 3.1 which compares retail employment across 100 leading town centres in 1971 and 2000. The table shows that the large town centres in the sample witnessed an average 18 per cent decrease in comparison retail employment over the 1971-2000 period whilst the small town centres witnessed an average 36 per cent decrease. Furthermore, small town centres were much more likely to have lost over half their comparison retail employment over the period and less likely to have increased employment relative to the large centres.

Table 3.1: Changes in comparison retail employment in town centres, by size 1971-2000

Note: TC = Town centre

Source: GLA Economics based on CASA data

Size of town centre (1971, A1 floorspace)	Average change in comparison employment 1971-2000	Percentage of TCs that increased comparison employment 1971-2000	Percentage of TCs in which comparison employment fell by >50 per cent 1971-2000
'large' (>29,000 m ²)	-18%	27%	27%
'medium' (17,000–29,000 m ²)	-29%	21%	45%
'small' (<17,000 m ²)	-36%	13%	53%

Table 3.2: Change in comparison retail employment in London, 1971-2000 by sub-region

Source: GLA Economics based on CASA data

London Region	Percentage change 1971-2000
North	15
West	38
South	25
East	-8
Central	7
Total	12

Therefore whilst it is not true to say that all large town centres performed better than all small town centres between 1971 and 2000, on average large town centres did perform better in terms of maintaining retail employment. This is true for both comparison retail, as shown in Table 3.1, and also for grocery retail.

The reason for the overall declines in town centre comparison retail employment is largely related to the increased competition from out-of-centre retail. Thus, between 1971 and 2000 comparison retail employment in out-of-centre locations increased by 75%, whilst employment within town centres declined by 22%. However, the data underlying Table 3.1 does show that some town centres have managed to prosper over the past three decades regardless. However, many others have not and their role and status has diminished over time.

As well as showing differences between individual town centres, the research on retail trends from 1971 to 2000 also highlighted the fact that there has been far greater additional retail provision to South and West London over this period than to East London. Average incomes are lower in East London than the other sub-regions, and this is the most likely explanation for the trend. The figures are shown in Table 3.2 and include all retail, whether in or out-of-centre.

Tables 3.1 and 3.2 are taken from the GLA Economics report: **Retail in London: Working Paper H – London's Retail Trends – 1971-2000**

This report compares retail employment and floorspace provision across London in 1971 and 2000 for both comparison and grocery retail and is based on research conducted for GLA Economics by the Centre for Advanced Spatial Analysis at UCL.

Copies of this report can be found on the GLA Economics website <http://www.london.gov.uk/gla/publications/economy.jsp#wph>

Reasons for the changes in retail location since the 1970s

The long-term growth in the retail sector (discussed in section 1) make it an attractive sector for private businesses to invest in. This in turn has encouraged innovation and efforts to improve productivity amongst competing retailers. Alongside this, rising incomes since the 1970s have led to increasing numbers of consumers owning a car, and this increase in personal mobility also acted as a spur to retailers to consider new strategies. The combination of these effects over the past four decades led to the emergence of out-of-centre retail as an alternative to town centre retail and contributed to some of the trends seen earlier.

Growth in out-of-centre retail 1970-1996

Up until the mid-1960s large scale retail development was located entirely in town centres or suburban local centres. However, the growth in car ownership across the UK began to lead to changes. The car offered consumers the opportunity to access retail opportunities over a wider area and to carry more goods in a single trip than previously. As a result, retailers began to change the location and format of their stores to meet this change.

The first wave of change was instigated by grocery retailers, who began to move away from town and city centres into new out-of-centre supermarkets and hypermarkets aimed at car users. This move began in the mid 1960s. It was followed by a second wave of retail decentralisation, this time focusing on comparison goods such as electrical appliances, furniture and DIY equipment with new stores opening initially as retail warehouses on industrial estates and

then later in retail warehouse parks. This wave began in the mid-1970s. The third wave was the development of full out-of-centre shopping centres offering a complete range of comparison goods and groceries under a single roof, with ample car parking.

As Figure 3.1 shows, it was during the 1980s and 1990s that the rise in out-of-centre retail developments really took off across the UK. Retail warehouse parks were the most common form of out-of-centre development. However, there were additionally a number of out-of-centre shopping centres developed, of which two, at Lakeside and Bluewater, were built within driving distance of London and now act as a direct competitor to many London town centres.

The advantages to retailers of out-of-centre sites included enabling retailers to develop new store formats, including large formats, mostly unencumbered by infrastructural or planning restrictions on store size or appearance. It is argued that this lowers costs through the exploitation of economies of scale and because the land secured for out-of-centre development is frequently cheaper than land in town centres where there are often more competing uses. Out-of-centre sites also allowed retailers to cater for the increasing number of car owners across the UK by providing ample car parking and locating alongside major roads at out-of-centre locations where traffic congestion was minimal. So out-of-centre sites were seen by retailers as a means of making access to their goods more convenient for the increasing proportion of consumers with cars. What these private, commercial, decisions by retailers do not take account of are the wider social impacts of such changes.

Figure 3.1 Annual retail floorspace completions

Source: CBRE, ODPM

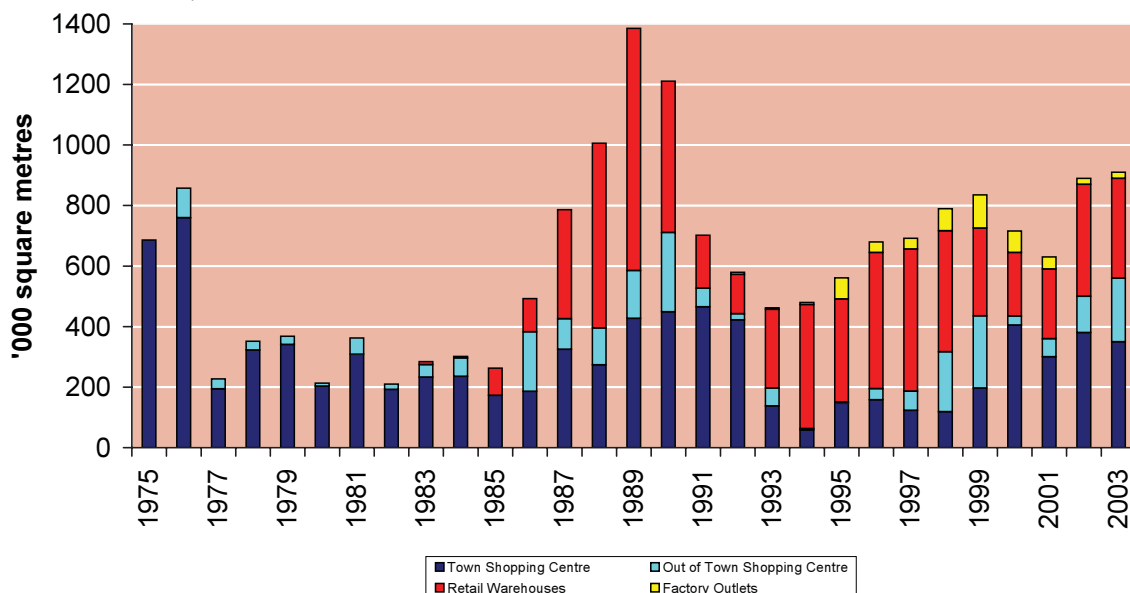
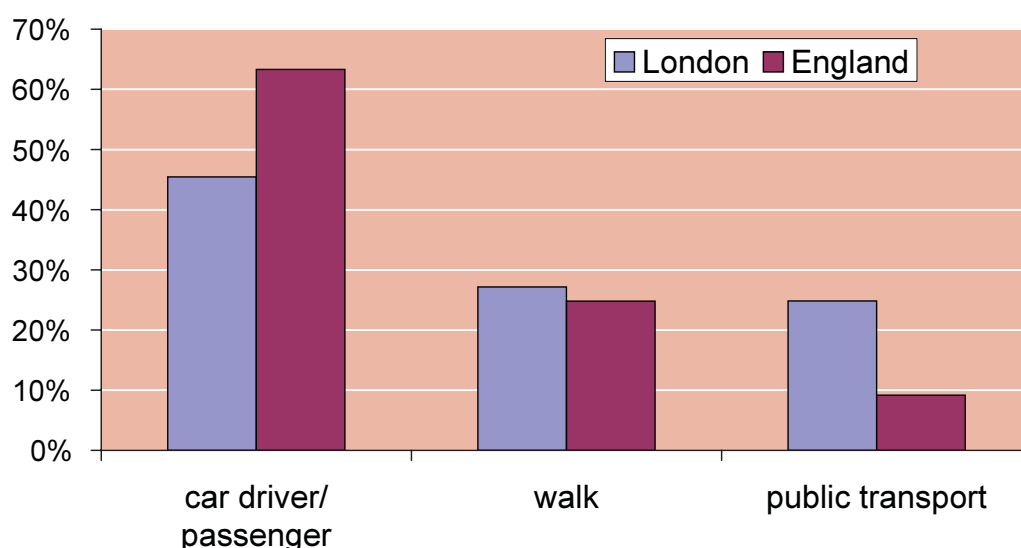


Figure 3.2 Transport trips by mode*Source: ONS: Regional Trends 37 (2002)*

The shift to out-of-centre retail occurred across London as well as elsewhere in the UK. However, it is arguable that the extent of the move out-of-centre was less within London. This is partly because transport statistics show that London is different to the rest of the UK. For example, in London the number of households without a car was 42 per cent in 2002, a percentage that has actually increased rather than declined over the past decade (it was 37 per cent in 1991/93). Furthermore, as Figure 3.2 shows, the number of transport trips made by car is significantly lower in London than elsewhere in England and the amount made by public transport higher.

The average distance travelled to shop is also lower in London than the rest of the UK. The average trip length for food shopping in London is 1.9 miles, compared to a UK average of 3.0 miles. For non-food shopping the average London trip length is 3.5 miles, compared to 5.6 miles for the UK³⁰.

In London, therefore, it remains true that cars are the most frequent mode for trips and that retailers will seek to meet their needs as elsewhere in the country. However, the far greater share of non-car users means that retailers are much more likely in London than elsewhere to pay significant attention to this non-car share of the market as well when considering location decisions. Because town centres are generally better served by public transport than other locations, this means much retail still seeks to locate within London's accessible town centres.

These differences in transport usage within London together with its constrained land availability, its lower share of consumers with cars and the closeness of its town centres to each other have meant that the move to out-of-centre retailing has been less evident in London than elsewhere in the UK. Nevertheless, it has still occurred to a significant degree with a growth of both out-of-centre shopping centres and retail warehouse parks.

This can be illustrated by the fact that whilst total comparison retail employment across London rose between 1971 and 2000 by 12 per cent, employment in comparison retail across London's leading 99 town centres over this period showed a 22 per cent decline³¹. This highlights the fact that there was a large rise in out-of-centre retail employment over this period.

New retail planning policies 1996-2005

It was this trend towards out-of-centre development through the 1980s and 1990s that led to changes in the planning regime in 1996 and the introduction of Planning Policy Guidance 6 (PPG6)³². This ended the strongly anti-interventionist market-led approach to retail planning introduced during the 1980s in favour of the reintroduction of a plan-led approach to development and the introduction of the sequential test favouring town centre development.

Planning Policy Statement 6 (PPS6)³³ was issued by the Office of the Deputy Prime Minister in March 2005 and has replaced PPG6 although the major themes remain

unchanged; namely, that the government's key objective is to promote the vitality and viability of town centres by focusing developments in town centres.

PPS6, in line with PPG6, adopts the sequential approach for the selection of sites as a key method of obtaining this aim. The sequential approach ensures that retailers must seek to locate in town centre sites and may only consider other sites if suitable town centre locations are not available and a number of other conditions are met.

The key objectives of PPS6 therefore are focused on town centre development with out-of-centre developments remaining discouraged. Furthermore, the change in planning policy since 1996 has led to an increase in retail investment within town centres (although even in 2005, there remained a significant 'pipeline' of out-of-centre proposals across London equivalent to 27 per cent of the total pipeline of new proposals for convenience retail floorspace).

Overall, therefore, retail development, in large part due to planning policy, is now increasingly focused on town-centre sites and is likely to remain so. Furthermore, whilst there was a move to out-of-centre development within London in the 1980s and 1990s as described above, London's retail geography does still remain characterised mainly by its focus upon town centres (see section 2). A key issue for the future, therefore, is whether enough retail development space can be found in existing town centres to meet continued increases in demand for retail. This is discussed in section 4.

More detail on the development of out-of-town retail, the changes in retail planning policy and the effects of planning on retail competitiveness are available in the GLA Economics report entitled: **Retail in London: Working Paper J - The impact of planning on competition and productivity**

Copies of this report can be found on the GLA Economics website <http://www.london.gov.uk/gla/publications/economy.jsp#wpj>

Decline of small retailers

Alongside changes in the type and location of retail stores, the past 20 years have witnessed growing market share for large retailers and the relative decline of small retailers. This has been particularly true in a number of specific retail sectors such as grocery and DIY.

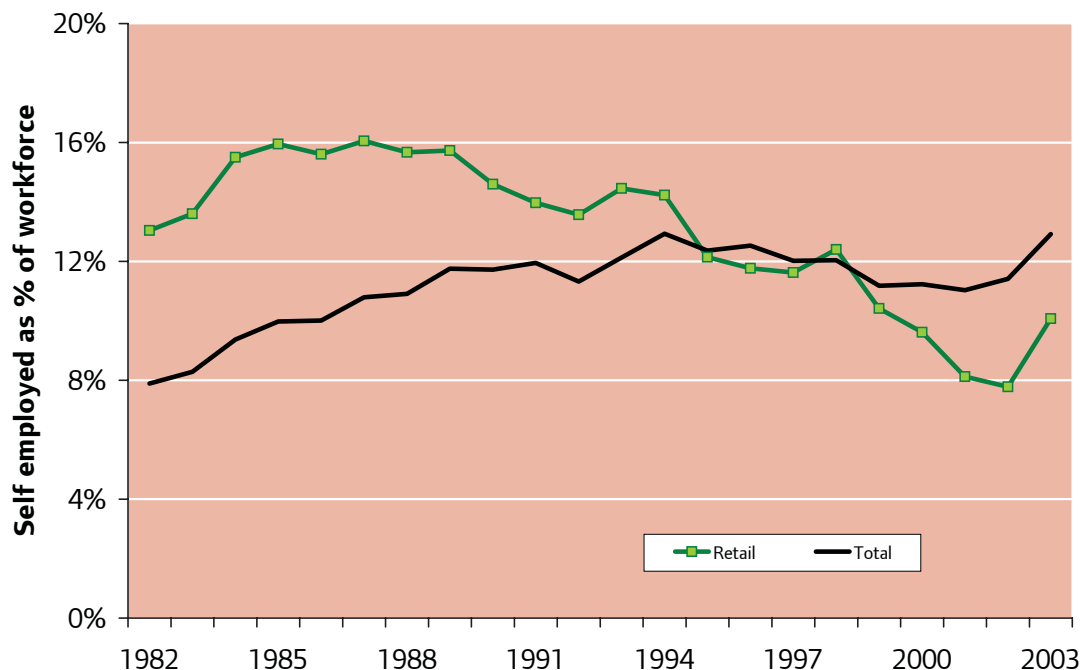
This process of consolidation has been important to the UK, helping it to increase its productivity in the retail sector. Large retailers are able to benefit from economies of scale, increased buying power and the ability to invest heavily in IT and logistics systems. Provided there remains sufficient competitive market pressure in the sector, then this increased productivity leads to lower consumer prices.

Large retailers benefit from a kind of virtuous circle whereby the cost advantages of greater buyer power can be invested in improved customer facilities or reduced prices which then drive greater sales and thereby even greater buyer power starting the cycle once more. This has resulted in large retailers being able to sell goods at lower prices than small retailers in many instances.

In general, therefore, consolidation has been a welcome development in the retail sector enabling improved productivity and lower prices to consumers. It has, however, made it difficult for smaller retailers to compete and this has led to many smaller retailers closing down. This is illustrated by the decline in the number of self employed in the retail sector as shown in Figure 3.3.

As long as there is not excessive market power in a sector, then such consolidation is not a reason for public policy intervention, as it simply reflects the fact that large retailers are often more productive and able to offer consumers lower prices. However, there are areas in which small retailers can be disadvantaged and helping in these areas can ensure that small retailers are not forced out of business unnecessarily.

For example, the cost of retail crime appears to fall more heavily on small retailers when compared to large retailers. In addition, the costs of complying with Government regulations, for example the Disability Discrimination Act, affect small retailers disproportionately. Local Authorities and other bodies such as chambers of commerce or trade associations, should provide support and/or advice to small retailers on compliance with regulations in order to reduce the costs of implementing legislation.

Figure 3.3: Trends in self employment in London*Source: London Workforce Series, GLA Economics*

The accessibility of retailers to customers is an issue for all retailers in London, however some of the issues of access impact more acutely on small retailers than large retailers. This is because large retailers can spread the cost of disruptions to customer accessibility over a greater level of sales (usually in a greater number of stores) when compared to small retailers. Therefore it is important that the impact on small retailers of potential changes to streetscapes and changes to transport in London are considered by the authorities concerned.

Further details on the issues affecting small retailers in London are available in the GLA Economics publication: **Retail in London: Working Paper G – Small Retailers**

Copies of this report can be found on the GLA Economics website <http://www.london.gov.uk/gla/publications/economy.jsp#wpg>

Whilst many of these factors, together with elements such as the issue of succession, have resulted in a number of small retailers closing down, there are ways in which small retailers can compete more effectively with large retailers. These include increased specialisation and competing on quality of service.



Grocery sector – consolidation and expansion

Whilst consolidation and the greater productivity that results is in most cases beneficial to consumers, it is possible for consolidation in an industry to go too far such that the necessary competitive market dynamics, that ensure cost savings are passed onto consumers through lower prices, are weakened. This is a particular problem where there are barriers to entry in an industry that reduces the threat of new competition entering the market.

That this may be an issue in the grocery sector has been highlighted by the decision by the Office of Fair Trading (OFT) in May 2006 to refer the supply of groceries by retailers in the UK to the Competition Commission (CC) for a market investigation. In announcing its referral decision the OFT stated that the evidence it had compiled during a period of public consultation suggested that:³⁴

- The planning regime acts as a costly barrier to entry, making it difficult for new stores to open and compete with those already in the market.
- Big supermarkets have significant land holdings which could aggravate barriers to entry or otherwise harm consumers.
- In some instances, supermarkets have attached restrictive covenants when selling sites.
- Big supermarkets' buyer power has increased, and that some aspects of their pricing behaviour - such as below-cost selling and price flexing - could distort competition.

The Competition Commission has up to two years to conclude the investigation (by May 2008) and it is to investigate both one-stop shopping, which takes place in stores over 1,400 square metres; and secondary shopping, which takes place in stores of all sizes, including 'convenience' stores of less than 280 square metres. The CC is required to determine whether any feature, or combination of features, of the market prevents, restricts or distorts competition.

In terms of London, Table 3.3 shows that at present two companies have a combined 70 per cent market share in London for one-stop grocery shopping. Across Great Britain as a whole the concentration is less with four operators having significant market shares. In its consideration of the Safeway inquiry the Competition Commission indicated that a minimum of four operators are required nationally to maintain competition benefits³⁵.

Alongside the consolidation of the grocery sector over recent decades has been the continued expansion of the sector. In particular, there have been two major trends in the grocery sector that have occurred over the past decade. First, there has been a move amongst the major supermarket chains into the town centre convenience store market with over 1,000 such stores now in operation in the UK. This trend can perhaps be seen as a response to the difficulties of opening new out-of-centre supermarkets, but equally is a reflection of changing working and shopping patterns with increasing amounts of top-up grocery shopping occurring amongst busy urban workers.

Table 3.3: Shares of grocery sales for the largest four supermarkets for stores over 1,400 square metres for the year ended March 2003

Note: *Morrisons includes Safeway.

Source: CC Safeway report, Table 5.18, Chapter 5

	GB (%)	London (%)
Tesco	32.3	33.4
Sainsbury's	22.7	36.8
Asda	19.4	11.6
Morrisons*	20.1	10.2
Other	5.5	8
2-firm concentration ratio	55	70.2

This again is affecting small retailers. Increased convenience has traditionally been a benefit offered by many smaller retailers in the grocery sector. Now however the move by large grocery retailers into small format stores in high street locations together with extended opening hours has seen small retailers lose much of their previous comparative advantage of convenience (in terms of location and opening hours) in this sector.

The second trend amongst grocery retailers has been towards the sale of non-food items in supermarket operators one-stop stores. Asda and Tesco have led this trend with Tesco now claiming a six per cent share of the UK non-food market and aiming to be as big in non-food as it is in food whilst Asda dedicates up to 40 per cent of its selling space to non-food in some stores³⁶.

Both these trends can be seen as a response to market conditions with both the move to non-food sales and the move into the local high street market seen as ways to continue to expand business given that spending growth is significantly higher for comparison retail goods than for grocery retail goods (see section 1). For example, according to the IGD, the overall growth for supermarkets in traditional grocery markets is around three per cent per annum, whereas non-food areas are averaging 13 per cent within supermarkets, thus providing a significant avenue for growth³⁷.

Grocery Retail in London is examined in further detail in the GLA Economics publication: **Retail in London: Working Paper C – Grocery Retailing**

Copies of this report can be found on the GLA Economics website <http://www.london.gov.uk/gla/publications/economy.jsp#wpc>

Service and delivery

One of the areas in which large retailers have been able to gain over small retailers in recent decades, and in which overall retail productivity has been increased, has been logistics. This has been the case particularly for grocery retailers but also for comparison goods retailers.

The key changes in retail logistics have occurred due to the move by large retailers towards increased control of their supply chain. This has occurred both for primary distribution (from manufacturer to warehouse) and for secondary distribution (from warehouse to shop). British retailers exert much tighter control over the supply chain than their counterparts in most other countries, a factor that allows them to strongly push for cost savings through the entire supply chain in an effort to lower the costs of goods to their stores. A key outcome of this shift is that a high proportion of goods are now distributed through distribution centres rather than direct from manufacturers to stores.

This control over the supply chain and existence of distribution centres has allowed retailers to reduce inventory levels in the supply chain. This in turn means retailers have been able to reduce order lead-times which is important for retailers wishing to be responsive to consumer needs. Additionally, reducing stock levels reduces overall logistics costs, as goods sat in a warehouse are unproductive and exert a cost on the retailer. A key impact of these changes, particularly within London, has been a shift towards more frequent deliveries of smaller consignments, a trend also influenced by the increased supply of perishable goods.

One consequence of these changes is that logistical operations have become heavily dependent on IT, particularly the large integrated stock replenishment systems which control the movement and storage of an enormous number of separate products. These logistical improvements have therefore been a key feature for large retailers in lowering costs and improving service over recent decades.

In light of this trend, one key change in policy that many large and medium sized retailers would like to see is a reduction in the delivery restrictions that currently exist across London as a means to make further efficiency gains in their logistics operations. Delivery restrictions include delivery curfews imposed on retailers preventing night and early-morning deliveries and also the workings of the London Lorry Control Scheme

which limits the route movements of HGVs at night and at weekends. Many retailers and logistics operators view these controls as overly restrictive. They believe that they have not been updated to meet the needs of the 24/7 London economy. This is particularly an issue for large retailers and those involved in selling perishable goods; they would particularly welcome the opportunity to make early-morning deliveries to ensure their shops are fully stocked ahead of opening.

Small retailers, however, are in a slightly different position. They have not had the finance to invest so heavily in their distribution systems and are not likely to want to receive night time deliveries. However, one issue that does affect small retailers is the high level of Penalty Charge Notices issued across London whilst deliveries are taking place. This is a particular problem in London as the high density and high cost of land means few retail stores have off-street delivery bays. Therefore, there is a higher share of on-street delivery in London than the rest of the UK. Taken together with the decriminalisation of parking within London, it means that delivery and service vehicles are much more likely to pick up a parking ticket in London than elsewhere in the UK. These are the kind of additional costs that particularly hit small retailers as their lower turnover means they are not able to absorb the extra costs as easily as large retailers.

A further issue on delivery that affects all retailers is congestion. Congestion in London is worse than elsewhere in the UK for the obvious reason of there being a much denser level of development within London such that demand for the limited roadspace is high. Whilst it is regarded as a significant problem by both retailers and logistics operators, it is less clear that they would agree on methods to improve the situation. From the point of view of logistics operators, measures that reduce the numbers of cars on London's roads would be beneficial. Retailers, however, may not agree due to their concern over the possible loss of business from car-using shoppers.

The subject of servicing and delivery for retailers in London is examined in further detail in the GLA Economics publication: **Retail in London: Working Paper I – Service and delivery Issues**

Copies of this report can be found on the GLA Economics website <http://www.london.gov.uk/gla/publications/economy.jsp#wpi>



The growing links between retail and leisure

As illustrated in section 1, household expenditure on retail has been growing strongly over the past four decades. However, spending on leisure goods and services has been growing even faster. Figure 3.4 illustrates how spending on retail and leisure has changed as a proportion of total UK household expenditure since 1963. It can be seen that spending on grocery retail has declined as a proportion of expenditure (although it has still risen in absolute terms) whilst spending on comparison retail has risen broadly in line with the rise in total household expenditure. In contrast, spending on leisure goods and services has been rising as a proportion of total expenditure through the period.

As disposable incomes increase, people need not shop just for essential items, such as food and drink, but can devote more income to discretionary purchases, a trend clearly illustrated in Figure 3.4. However, this discretionary spending does not only go on retail goods and as a result retailers have to compete with other sectors such as leisure services for this income. One way to compete is to make shopping more of a leisure activity itself.

Ambient leisure is the term given to efforts to improve the ambience of shopping environments with the aim of enabling people to enjoy shopping as a leisure activity in itself and therefore increase the amount of time they

spend shopping. This can occur through retail centres providing toilets, food courts, plants, and seating, or individual stores providing a restaurant, some comfortable seating or a coffee shop within the store³⁸.

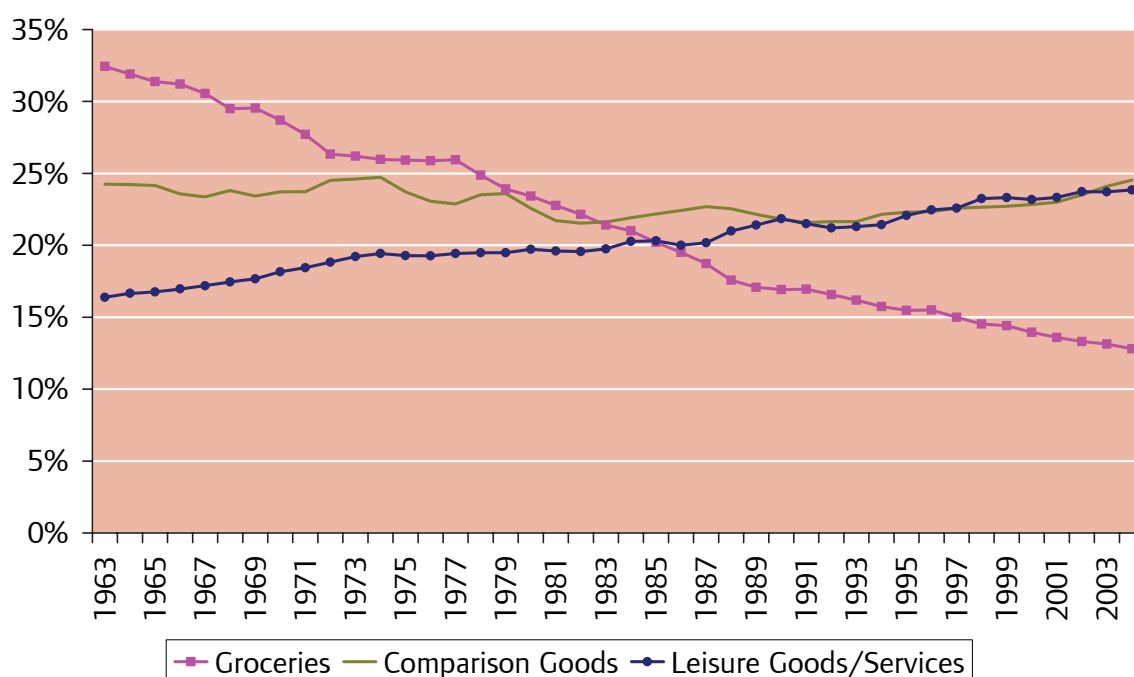
Ambient leisure can be an important factor for people making choices on where to shop and its absence may mean that people decide not to shop in a particular location³⁹. The lack of what might be considered as ambient leisure facilities in some of London's more established shopping centres, such as the West End for instance, may mean that they are viewed less favourably when compared with newer shopping developments that have ample ambient leisure facilities, such as Bluewater or Lakeside. The ability or otherwise to offer ambient leisure facilities may also help explain why large town centres have generally outperformed small town centres over recent decades.

The links between the retail sector and the leisure sector are examined in further detail in the GLA Economics publication: **Retail in London: Working Paper D – Retail and Leisure**

Copies of this report can be found on the GLA Economics website <http://www.london.gov.uk/gla/publications/economy.jsp#wpd>

Figure 3.4: Spending on leisure as a proportion of total UK household spending in the UK, 1963 to 2004

Source: ONS Consumer Trends



Internet shopping

The analysis of changes in retail over time set out at the beginning of this section show statistics up to 2000 only. Therefore, they don't give any indication as to how shopping trends have been affected by the rise of internet shopping, a rise which has occurred almost entirely since 2000.

Size of the internet shopping market

GLA Economics estimate that in 2005 internet sales accounted for around four to six per cent of total retail sales. However, it should be noted that accurately stating the share of online sales as a percentage of total retail sales is not an entirely straightforward task. Whilst there are a number of estimates of total household internet spending, it is not correct to simply compare these totals to overall retail spending, as a proportion of internet spending is on services, such as leisure travel or ticket purchases, rather than on retail goods.

Estimates of total household internet spending can, however, be presented as a percentage of overall household expenditure. Thus, the ONS e-commerce survey estimated total internet sales to households from the UK non-financial sector in 2004 at £18 billion. This was equivalent to 2.5 per cent of total household spending in the UK in 2004⁴⁰.

Total retail sales in 2004 were measured in the Retail Sales Index as £247 billion. Thus, if all the internet spending had been on retail goods, then they would have accounted for 7.3 per cent of retail sales. However, because all internet spending is not on retail goods, then the true share of retail accounted for by the internet in 2004 would have been lower than this, perhaps around four to five per cent.

An alternative estimate of internet spending is provided by the industry group Interactive Media in Retail Group (IMRG). According to the IMRG, UK consumers spent £19.2 billion via the internet on goods and services in 2005. Again this cannot be reliably compared to overall UK retail sales because the internet spending includes significant expenditure on services such as leisure travel. However, if we assume that between 50-75 per cent of this spending is actually on retail goods, rather than services, then this would mean internet sales represented around four to six per cent of overall retail sales in 2005.

Impacts of internet shopping

When assessing the impact of the internet on traditional retail stores, it is important to remember that there has always been a home shopping element to the retail landscape, via mail order shopping. So even before the introduction of the internet a significant amount of retail goods shopping was conducted away from retail stores.

The home shopping market prior to the rise of the internet was dominated by GUS, Littlewoods, Freemans, Grattan and Empire (Redcat UK). They had combined UK sales in 1999 estimated at £5 billion. Once other home shopping companies, door-to-door sales and direct response to advertising are added, the size of the traditional home-shopping market in 1999 was around £9.3 billion⁴¹.

In contrast, as discussed above, it is estimated that UK spending on the internet in 2005 totalled over £19 billion. Part of this was spending on leisure goods such as holidays and tickets. The majority, however, was spending on retail goods and this is spending that would previously have been spent either on high streets (or out-of-centre shopping), or via the traditional home shopping market. Indeed, both these retailing formats have had to adjust to the growth of the internet by increasingly moving their businesses towards internet sales over the last few years. As retail and leisure spending on the internet is likely to become increasingly important and because of its possible impact on London's town centres and other retail sites this issue is of significant interest to policymakers as well as retailers.

The size of the internet's influence varies depending on the particular retail sector considered. Table 3.4 lists the top 10 UK products bought online according to the European Interactive Advertising Association (EIAA).

Table 3.4 helps to show a number of important trends in internet spending. Firstly, it confirms the fact that retail goods are only a proportion of overall internet spending with leisure travel and ticket sales, key non-retail sectors, attracting a high share of internet spending.

Table 3.4: Top 10 UK products bought online, by UK internet users - 2005*Source: European Interactive Advertising Association (EIAA)*

Product/service	Bought online	Researched online	Researched online but bought offline
Travel Tickets	48%	63%	34%
Holidays	38%	69%	42%
Books	33%	44%	29%
Theatre/Cinema Tickets	31%	44%	27%
Electrical Goods	30%	47%	36%
Concert/Festival Tickets	30%	40%	19%
CDs	28%	39%	26%
Insurance	26%	42%	23%
Clothes	26%	39%	26%
DVDs	26%	36%	17%

Secondly, Table 3.4 illustrates the fact that rather than replace retail stores, the internet can occasionally complement it with consumers researching products and retailers online but then visiting the high street to make their actual purchases or vice versa.

Thirdly, Table 3.4 illustrates a number of those retail sectors where high street sales are under most threat, namely books, CDs/DVDs and electrical goods. Furthermore, this competition from the internet is already having an effect on traditional high street sellers of these goods, who are additionally facing increased low price competition from supermarkets.

For example, the chief executive of DSG International (operators of Dixons & Currys) was quoted in Retail Week magazine stating "It's no secret that small (general electrical) stores on the high street are not working any more"⁴². Indeed, 100 high street Dixons stores were closed in 2004 and this was followed in 2006 by a decision to rebrand all Dixons high street stores as Currys.digital and to expand their product range to include larger electrical goods such as fridges and cookers. DSG also experimented in early 2006 with the opening of a Dixons Warehouse, an out-of-centre store based on a no-frills format (similar to Ikea) to keep prices low and competitive with those on the internet and in supermarkets.

Similar pressures from the internet and supermarkets are also affecting the book and music sectors. For example, HMV Group witnessed underlying sales decline 12.1 per cent year-on-year in its UK music stores on a like-for-like basis in the six months to October 2005 whilst its book seller Waterstone's six-month same store sales were down 6.4 per cent⁴³.

It therefore seems clear that some traditional high street retailers and retailing sectors will either disappear from high streets in the coming years or will be forced to undergo major changes to their store and selling formats in order to survive. Indeed as described above such changes are already occurring in the electricals sector whilst the recent takeover of Ottakers bookstores by Waterstones (HMV Group) shows that changes are also occurring in the books sector.

Meanwhile, when considering the future of town centres and high streets in light of competition from the internet it should also be remembered that aside from changes in retail sectors, high streets could also potentially be affected by a reduction in the amount of non-retail 'shops' such as travel agents and building societies as the online travel and financial services sectors expand.

Retail as regeneration

Nevertheless, physical retail stores will survive and in many areas are likely to expand (see section 4). One potential role for the expansion of physical retail is in its potential to aid regeneration of deprived areas. Research has shown that retailers can have an important input in this role because in many cases deprived areas currently find themselves underserved by existing retail.

The reason why this is the case is largely because most retailers have traditionally associated the characteristics of deprived areas with lower revenues and higher costs when compared to other areas. However, evidence from regeneration initiatives and reports across the US and UK have demonstrated that the characteristics of deprived areas can, in fact, create good business opportunities for retailers.

Some of the advantages of businesses operating in currently deprived underserved areas include: commercial property in deprived areas achieving higher returns when compared to commercial property in all areas of the UK; underserved markets being likely to have large levels of untapped demand; many deprived areas providing access to underserved ethnic markets; underserved markets having little competition from other retailers; and, deprived areas tending to have a large readily available local labour supply.

As well as private benefits, increased retail provision can bring many social or economic benefits to disadvantaged communities including:

- Physically regenerating sites and their surrounds – Regeneration of brownfield sites can contribute to the economic regeneration of an area by significantly improving the appearance of the location which can help to attract further business to the surrounding area.
- Reviving the local economy and generating employment opportunities – Increasing retail provision can contribute to the economic regeneration of deprived areas as more businesses are drawn to an area when the initial investors demonstrate the area's profit potential and this in turn leads to more job creation. Moreover, retail employment is often used as a stepping stone to employment in other sectors of the economy, so spreading the effects of the retail-led regeneration into other areas of the economy.

- Addressing issues of social inclusion – Increasing retail provision in underserved and deprived areas can address issues of social exclusion by providing communities with improved access to goods and services and by providing the resident population with employment opportunities. Increasing the number of retail jobs available can help to engage groups that face particular barriers to accessing employment opportunities.

Therefore, there are both business opportunities to be exploited from investing in deprived underserved markets and in addition there are wider economic and social benefits to disadvantaged communities from an increase in retail development. To this end, initiatives such as the current work of BitC, which attempts to deliver private investment into currently underserved areas, are to be encouraged as are those retailers involved in such developments.

One potential obstacle to such retail regeneration over recent years had been planning policy and the fact that PPG6⁴⁴ policy specifically stated that retail development should be sited in existing town centres. Almost by definition, an underserved area is not likely to be near to a town centre.

However, whilst the new PPS6 guidance retains the town-centre first focus, it also now includes statements that should allow the increased provision of retail in underserved areas in the future, for example:

"In areas...where deficiencies are identified in the existing network of centres, new centres may be designated through the plan-making process, with priority given to deprived areas."⁴⁵

"New centres should be designated through the plan-making process where the need for them has been established, with priority given to deprived areas where there is a need for better access to services, facilities and employment by socially excluded groups."⁴⁶

More details on the subject of retail and regeneration within London can be found in the GLA Economics report entitled: **Retail in London: Working Paper B – Retail and Regeneration (August 2005)**

Copies of this report can be found on the GLA Economics website <http://www.london.gov.uk/gla/publications/economy.jsp#wpb>

Summary

There have been many changes within retail, underpinned by growing consumer expenditure, changes in transport and planning regulations, and advances in technology. In particular, London has witnessed:

- A decline in retail within small town centres which have lost out to both large town centres and out-of-town retail.
- An increase in out-of-town retail during the 1980s and 1990s, through the development of retail warehouse parks.
- Increased retail consolidation, particularly in the grocery sector.
- A decline in the number of small retailers.
- Increased efforts amongst retailers to increase their links to the leisure economy.
- Changes in retailers management of supply chain and logistics issues.
- Challenges to existing retail formats in response to the growth of internet shopping.
- Increased acceptance of the usefulness of retail to regeneration projects.



Section 4:

The future of retail in London

The previous two sections set out London's current retail offer and how this has changed over time. This section focuses on forecasts of London's retail offer in the future. It shows firstly how demographic changes should ensure a buoyant retail sector over the next decade. It then looks at the likely location of new retail development and ends by considering the future for the West End and for retail in London's town centres.

Rising population and rising employment equal higher spending on retail

Figures 1.1 and 1.2 in section 1 showed how expenditure on retail goods has risen strongly across the UK for the past four decades. Since 1964, average growth in expenditure on comparison goods has been 2.7 per cent per annum and on grocery retail 0.4 per cent per annum. Since 1984, the average annual growth rates have been even greater, 3.8 per cent for comparison retail and 0.7 per cent for grocery retail.

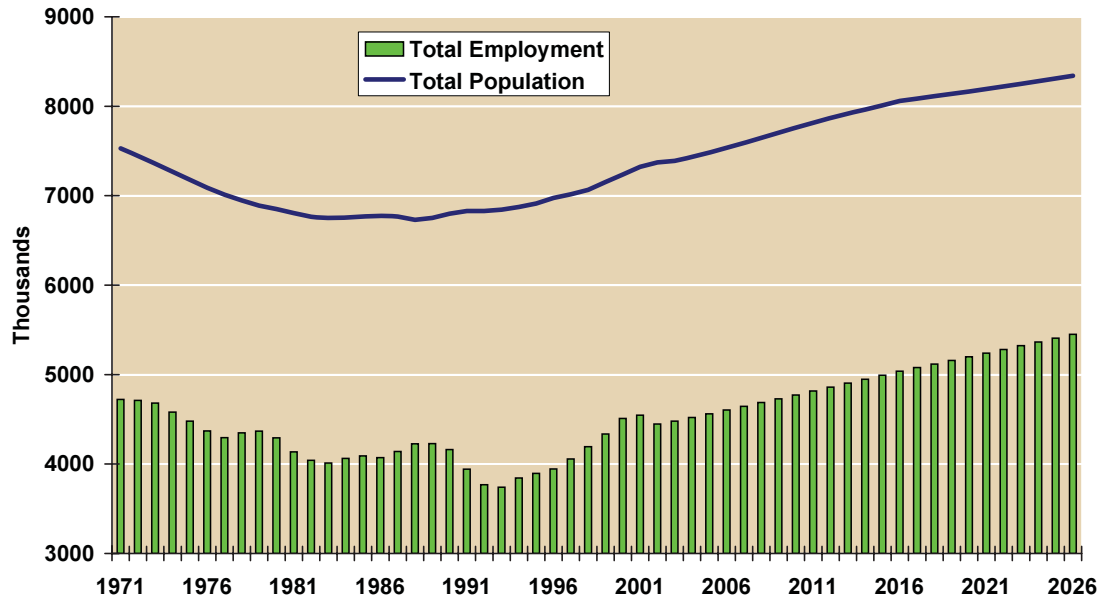
Over a similar time period, the population of the UK has been rising by around 0.2-0.3 per cent per annum⁴⁷. In other words, most of the recent historical growth in retail spending in the UK has been due to increasing spending per capita, and not due to increases in population.

Looking ahead, however, London can expect to see a combination of both rising spending per capita and rising population levels. The continued growth in spending per capita is forecast on the back of rising employment levels forecast for London to 2026 (as shown in Figure 4.1)⁴⁸. Meanwhile, London is also forecast to witness a sharp increase in population over the next two decades with an extra 1,018,000 residents

forecast between 2001 and 2026⁴⁹. This is equivalent to an increase in population of 0.5-0.6 per cent per annum, around twice the rate of that experienced in the UK over recent decades.

As such, there are forecast to be significant increases in total household expenditure across London over the next two decades. Given that household expenditure is the key driver of demand for goods from the retail sector, then London retailers should overall be set for a successful future.

As part of the process of planning for the anticipated growth in the retail sector, the GLA has forecast future household spending across London to 2016⁵⁰. The forecast is that comparison goods spending by London residents will rise from £19.3 billion in 2001 to reach £38.8 billion in 2016 in constant 2001 prices. This equates to annual growth of 4.8 per cent per annum in real terms. For grocery retail, the estimated rise in spending is from £10.9 billion in 2001 up to £14.8 billion by 2016 again in constant 2001 prices, equivalent to annual average growth of 2.0 per cent per annum.

Figure 4.1: Employment and population in London 1971-2026*Source: DMAG and Volterra Consulting*

New retail floorspace will be developed

Growing population, employment and incomes across London will mean a need for higher levels of retail floorspace than currently exist. This is because the growth in retail spending is forecast to be higher than that which can be absorbed by existing retail sites. Thus, growth in comparison retail spending is forecast to rise by 4.8 per cent per annum to 2016 whilst existing sites are only forecast to be able to cater for growth in spending of 2.5 per cent per annum (as measured by retail productivity^{51 52}). In other words, the growth in spending on retail will only partly be met by increasing sales densities at existing retail premises and it will additionally be necessary to develop new retail floorspace.

Table 4.1 lists the major retail developments currently planned for London to 2016. It includes some growth at existing centres, e.g. Croydon, Kingston upon Thames; some major revamps of existing centres, e.g. Elephant & Castle, Stratford; and some entirely new developments, e.g. White City, Battersea Power Station. In total, the developments shown in Table 4.1 are expected to add approximately 700,000m² of new comparison retail floorspace within London by 2016.

Particularly important amongst these are the developments at Stratford and White City. If developed as planned, both these sites will enter the top ten ranking of retail sites by turnover by 2016 as shown in Table 4.2.

The 700,000m² of new capacity highlighted in Table 4.1 will go some of the way towards meeting London's retail requirements by 2016. However, forecasts suggest that significant additional floorspace on top of that identified in Table 4.1 will be required over the coming decade or so and that this will be the case even if strong growth rates in internet shopping occur.

It is extremely important to London that provision for this floorspace is made because an adequate supply of retail sites is critical if competition within the retail sector and the benefits to consumers that this entails are to be maintained. If sufficient sites are not available, it can be difficult for new retailers to enter the market or existing retailers to expand to new sites. This can lead to a less competitive environment in which incumbents benefit, rent-seeking activities are encouraged and problems develop in highly concentrated industry sectors. Furthermore, overall industry productivity can be constrained leading to higher prices for consumers.

UK planning policy on retail as set out in PPS6⁵⁵ details that local planning authorities should assess the need for new retail floorspace, taking account of both quantitative and qualitative factors. The authorities then must identify and allocate suitable sites to meet this need. It is important, as explained above, from an economic perspective that this 'need' is not underestimated and furthermore that the required sites are indeed found and provided.

In terms of the impact of the internet, its greatest impact is likely to be in those sectors, such as electricals and music for example, where the internet is perceived to be a direct substitute to the retail high street. Additionally, high streets might also be affected by a reduction in the amount of non-retail 'shops' such as travel agents and building societies as the online travel and financial services sectors expand.

Overall, however, it is clear that even after allowing for internet growth, London requires more retail floorspace over the next decade or so. It is extremely important that the planning system provides for this additional floorspace to ensure that the retail sector operates as efficiently as possible.

Table 4.1: List of proposed major retail developments in London to 2016Source: Experian⁵³

	Additional comparison floorspace (m ²)	Commencement of initial phase
Isle of Dogs	8,361	2003
Croydon	52,108	2004
Brent Cross Retail Park	8,600	2005
White City	78,000	2006
Edmonton (IKEA)	28,000	2006
Battersea Power Station	41,805	2007
Brent Cross Extension	55,000	2007
Wembley	26,000	2007
Elephant & Castle	74,320	2010
Greenwich Peninsula	30,995	2010
Kings Cross	25,000	2010
Surrey Quays	60,385	2010
Kingston upon Thames	46,500	2010
Lewisham	14,500	2010
Stratford	143,000	2012

Table 4.2: Timeline change in London comparison turnover ranking 2001-2016Source: Experian⁵⁴

Centre name	Class	Rank 2001	Turnover 2001, £m	Rank 2016	Turnover 2016, £m	Change in Rank 2001-2016
West End	International	1	4415	1	8441	No change
Knightsbridge	International	2	996	2	1953	No change
Croydon	Metropolitan	5	554	3	1300	+2
Kingston upon Thames	Metropolitan	4	565	4	1245	No change
Brent Cross	Additional	6	423	5	1173	+1
Stratford	Major	23	154	6	1149	+17
Bromley	Metropolitan	3	593	7	1079	-4
White City	Additional		-	8	632	New
Croydon Purley Way	Additional	7	328	9	591	-2
Kensington High Street	Major	8	292	10	523	-2
Romford	Metropolitan	9	278	11	513	-2
Kings Road East	Major	10	276	12	488	-2

The future of the West End

As discussed in section 2, the West End is London's premier shopping destination. In terms of its future growth, work by Experian for the GLA suggests that retail expenditure in the West End will grow strongly over the next decade or so. It shows that the West End will remain, by some margin, the largest retail area in London – even after accounting for a number of significant retail developments in London. As discussed previously, rising incomes and population amongst Londoners will be a key driver for retail across London in general and this will clearly help the West End. Additionally, the number of international visitors to London is expected to continue to increase, and the West End will benefit from this as well.

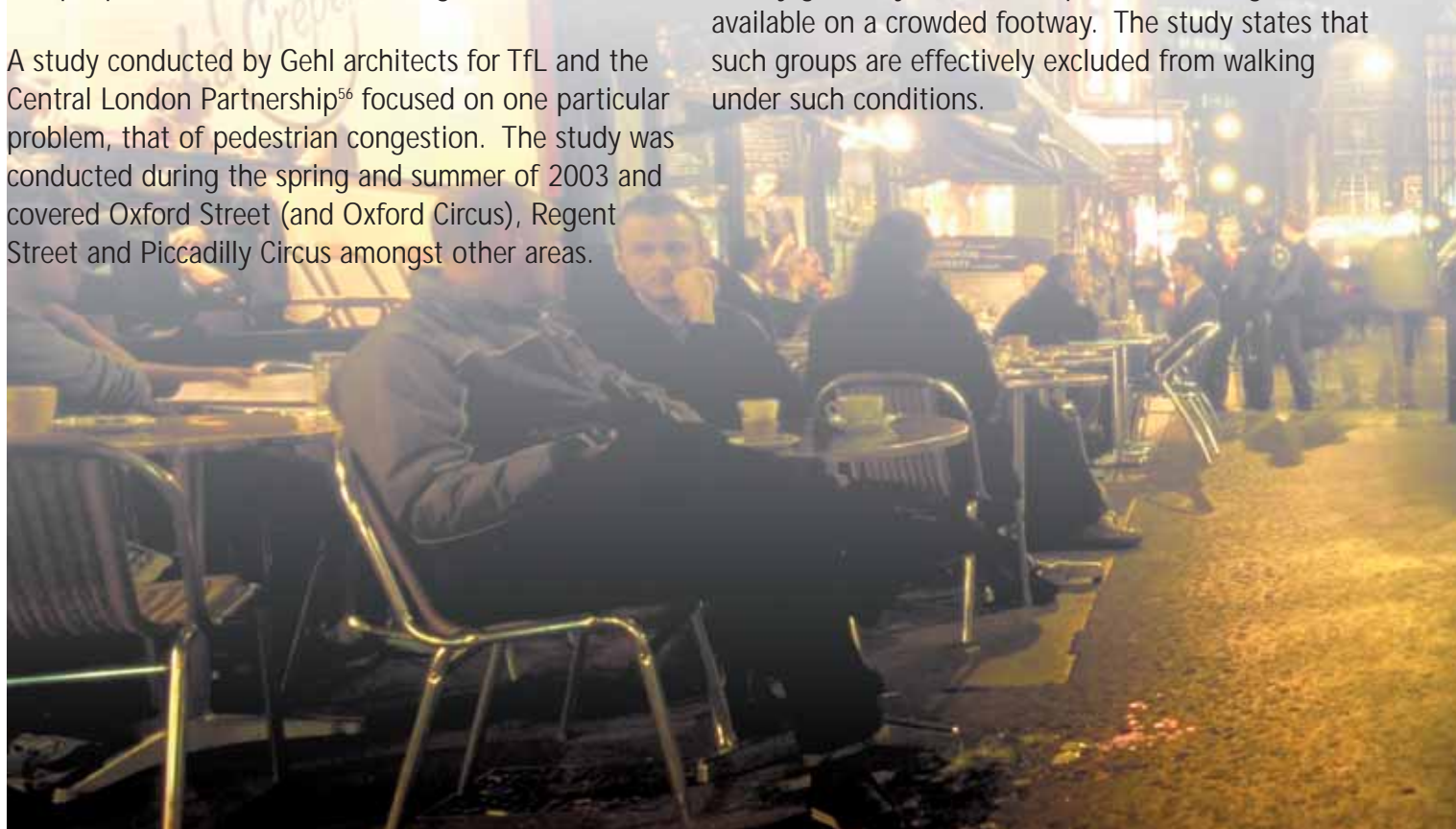
However, whilst it continues to be successful in many ways, it also faces some problems. These include the need to improve the shopping environment of the area and ensuring continued good public transport links.

In terms of the shopping environment, although the West End's atmosphere is part of its unique offer, the level of pedestrian and traffic congestion in the West End can act to deter some consumers. Other environmental factors, such as the level of noise, fumes, litter and exposure to the elements, for example, can all act to deter consumers, especially particular groups of consumers such as older people and people with children, from using the West End.

A study conducted by Gehl architects for TfL and the Central London Partnership⁵⁶ focused on one particular problem, that of pedestrian congestion. The study was conducted during the spring and summer of 2003 and covered Oxford Street (and Oxford Circus), Regent Street and Piccadilly Circus amongst other areas.

The study defined crowding as a situation where movement is restricted and privacy invaded. Studies from other cities suggest that 13 people per minute per metre footway width is the upper limit for acceptable walking space. Analysis of Oxford Circus shows that with an available footpath width of 3.5 metres a comfortable level of pedestrian activity would be around 46 pedestrians per minute. However, on one recording the study found there were 156 pedestrians per minute in the Oxford Circus area – almost four times the comfortable level. The study's pedestrian counts show that three times as many pedestrians walk in Oxford Circus when compared to any other place in the city.

Whilst the comparison of Oxford Street or Oxford Circus with the average from other cities may not be a completely fair comparison, the study does serve to illustrate the significant amount of pedestrian activity on Oxford Street. It also illustrates that crowding can be bad for commerce. This is because where crowding occurs people have difficulty stopping/looking at window displays as well as entering stores. It shows that it can be bad for safety because fast moving pedestrians move out into the roadspace or people will accidentally be pushed into the road. It also shows that crowding is a particular deterrent to individuals with special needs. This is because people in wheelchairs, parents with prams, children and the elderly generally need more space for walking than is available on a crowded footway. The study states that such groups are effectively excluded from walking under such conditions.



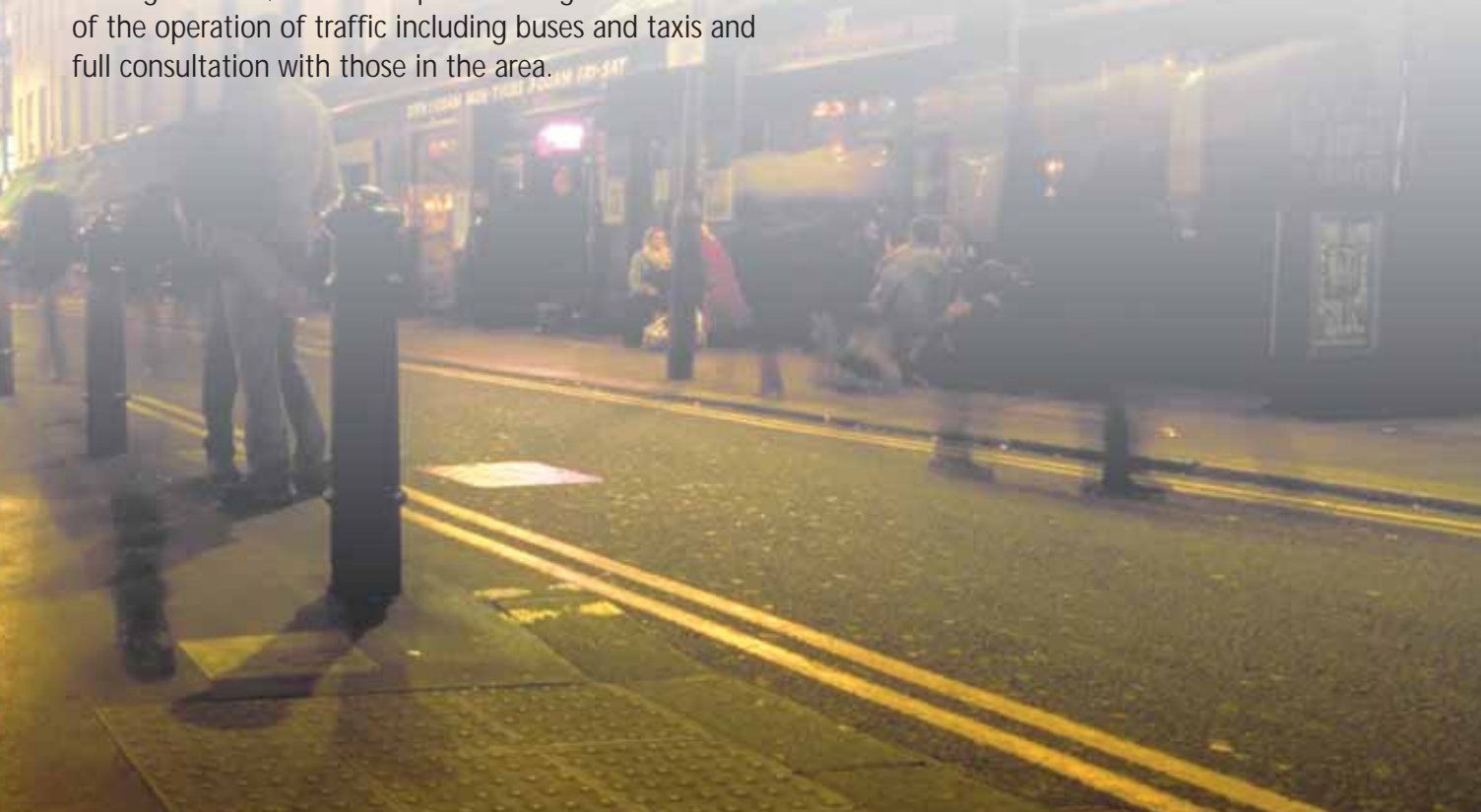
Therefore it is clear that the level of pedestrian congestion in the West End, particularly at Oxford Circus and along Oxford Street is very high. This level of congestion detracts from individuals' shopping experience and is disliked by a significant proportion of shoppers in the West End. The level of pedestrian congestion will compare particularly unfavourably with other pedestrianised retail centres and will reduce the attractiveness of the West End when compared to other, more pedestrian friendly, retail areas. This will be the case especially for people with children and the elderly.

The obvious solution to such a problem is to increase the amount of space available to pedestrians, particularly in the busiest parts of the area. Transport for London has been working with Westminster City Council and the New West End Company (the business improvement district organisation for the area) to develop and implement schemes to achieve this, and to improve the quality of the pedestrian environment. Oxford Street in particular raises challenges because of its dual status as a thoroughfare and as a destination in its own right. There will be a need over the longer term to look at how the area is served by public transport (including taxis), and how servicing and deliveries are carried out. The Mayor has announced his intention to work towards the introduction of a tram in Oxford Street, to ensure that the experience of the area is further enhanced for those on foot, while also ensuring good public transport access for those working in and visiting the area; this will require thorough consideration of the operation of traffic including buses and taxis and full consultation with those in the area.

Another key to the future of the West End will be the quality of London Underground provision to the area over time. Poor quality public transport to the area can act to deter consumers, especially those who have the alternative of travelling by car to another retail centre. Therefore, the need for high quality underground connections is paramount.

TfL's West End transport and environment study⁵⁷ found that at the busiest times, conditions for Underground passengers in the West End can be poor because of: the constrained internal layout of stations with narrow exits/entrances; pedestrian space around entrances/exits being limited by buildings, guard railings, newspaper stands etc; and the high flows of non Underground passengers on footways outside. A mix of improvements to the streetscape together with the development of the stations themselves and the introduction of Crossrail should all help in this regard. If Crossrail does not go ahead and streetscape improvements are not made, however, then the quality of underground provision to the area could become an increasing problem for the West End.

Overall, however, it should be stressed that whilst there are some issues that need to be addressed in order to maintain or enhance the attractiveness of the West End as compared to competitor locations the area nevertheless continues to prosper. It remains London's leading shopping destination and is expected to continue to be so in the future.



The future of retail in London's town centres

After three decades of major change to London's retail environment, town centres remain the focus of much of its retail offer. Nevertheless, a feature of this period has been the sharp increase in competition to town centres for retail. This has come largely from the emergence of out-of-centre retail. The result has been a very mixed picture for town centres. For example, research has shown that whilst some town centres increased employment in retail between 1971-2000, many others witnessed decreases in employment of more than 50 per cent⁵⁸.

Looking ahead, the positive trends in terms of the future of retail in town centres are firstly the significant increase in retail expenditure forecast for the next decade (as discussed earlier) and secondly the existence of planning policy (PPS6) which strongly encourages retail development to be placed within town centres. These two factors are both strong reasons to believe that town centres in aggregate ought to perform well over the next decade.

However, as they have over recent decades, so town centres will continue to be subject to high levels of competition from alternative forms of retail in the future. In particular, the existing retail warehouse parks and out-of-centre shopping centres (including Bluewater and Lakeside) will continue to act as significant competition. Additionally, new developments such as those to be built at White City and Battersea Power Station are likely to impact on retail sales within existing town centres in their vicinity. Finally, internet shopping will increasingly act as competition to traditional store-based retailing and town centres will have to change to reflect this. The anticipated move by supermarkets into selling more comparison goods is also likely to have an effect on the make-up of many high streets.

The overall picture is therefore likely to be not too different to the one that has existed over recent decades in the sense that some town centres will thrive and some will not. For the successful town centres, there is likely to be ongoing prosperity and expansion as they successfully adjust to consumer demands, protected to some extent from new competition by planning policy that restricts new out-of-centre retail development.

However, for other town centres the future may well be one in which the importance of retail to the centre diminishes. For some centres, particularly those in the vicinity of new developments such as Stratford and White City, this may be unavoidable. For others, it may simply reflect a failure to adjust and change to meet consumer demands over time, thereby losing out to nearby centres.

In other words, there will continue to be ongoing competition and changes in the physical location of retail as well as competition with alternative forms of retail. Recent decades have, in general, seen large town centres prosper at the expense of small town centres and this is a process that is likely to continue.

Overall, therefore, whilst the outlook for retail in town centres is good, the outlook for individual town centres will continue to be driven by local factors such as the range of competition from nearby centres, transport and accessibility issues, amenity and environment.

Summary

London is forecast to witness a sharp increase in population over the next two decades with an extra 1,018,000 residents forecast between 2001 and 2026⁵⁹. Employment in London is also expected to grow by 970,000 between 2003 and 2026.

The combination of rising population and rising incomes should ensure continued strong growth in consumer spending on retail goods with spending on comparison goods forecast to rise by 4.8 per cent per annum to 2016 and grocery retail spending by 2.0 per cent per annum.

The importance of internet shopping can be expected to continue to increase and this will impose strong competitive pressure on some high street shopping sectors such as electricals and music. Despite the rise of internet retail, there will however remain a need for increased retail floorspace in London over the next decade.

A number of new retail developments and expansions to existing centres are planned. Particularly important amongst these are the proposed developments at Stratford and White City. If developed as intended, both these sites will enter the top ten ranking of retail sites in London by turnover by 2016.

The West End will remain London's premier shopping destination. However, it does have issues to overcome, in particular the need to improve the pedestrian environment on Oxford Street.

London's town centres will benefit from both the rising consumer spending on retail and also from planning policy which states that retail development should be focused within existing town centres. However, competition from new and existing developments will mean that the importance of retail to some town centres will diminish, whilst other town centres will be well positioned to prosper.







Notes

- 1 J. Holis and G. Hay, "GLA 2005 Round Interim Demographic Projections", DMAG Briefing 2005/33, GLA, September 2005.
- 2 GLA Economics May 2006 – Current Issues Note 9: Borough employment projections to 2026.
- 3 GLA London Town Centre Need Assessment – Comparison Goods Floorspace Need in London – Experian Business strategies Sept 2004.
- 4 http://www.london.gov.uk/mayor/economic_unit/glaepublications.jsp
- 5 Retail goods here exclude the sale of motor vehicles and related products.
- 6 This includes spending on comparison goods and groceries, but excludes service retail. From Table 1.2, Comparison Goods Floorspace in London, Experian.
- 7 Many jobs also exist in the manufacturing and delivery of the goods to be sold by retailers together with service jobs related to the sector. However, this section focuses on the employment provided directly by retailers only.
- 8 A Retail Park is a grouping of three or more retail warehouses with associated car parking.
- 9 This definition of the West End includes Covent Garden, Holborn, The Strand and Mayfair, as well as Oxford, Regent and Bond Streets.
- 10 The South sub-region of London includes Bromley, Croydon, Kingston, Merton, Richmond, Sutton.
- 11 GLA Economics 2006 'Retail in London Working Paper H – London's retail trends 1971-2000'.
- 12 Property Market Analysis, 1999, London's West End Syndicate Shopping Patterns in the West End – Final Report
- 13 Cushman & Wakefield Healy & Baker, 2004, Main Streets Across the World 2004
- 14 London First West End Syndicate, 'Shopping Patterns in the West End' Property Market Analysis, October 1999
- 15 TRBI, 2003, Understanding European Perceptions of London
- 16 European Tourism Council, 2004, The Image of Europe in North America
- 17 TRBI, 2003, Understanding European Perceptions of London; European Tourism Council, 2004, The Image of Europe in North America
- 18 IPS, 2004, ONS/Visit Britain
- 19 Property Market Analysis, 1999, London's West End Syndicate Shopping Patterns in the West End – Final Report
- 20 <http://62.73.191.157/towncent/2002/entry.htm>
- 21 South London sub-region includes the London boroughs of Bromley, Croydon, Kingston upon Thames, Merton, Richmond and Sutton.
- 22 The remainder of retail employment is located either in out-of-town retail parks, stand alone supermarkets or 'Big Box' developments, or in smaller neighbourhood shopping areas.
- 23 West London sub-region includes the London boroughs of Brent, Ealing, Hammersmith & Fulham, Harrow, Hillingdon and Hounslow
- 24 North London sub-region includes the London boroughs of Barnet, Enfield, Haringey and Waltham Forest.
- 25 East London sub-region includes the London boroughs of Barking and Dagenham, Bexley, City, Greenwich, Hackney, Havering, Lewisham, Newham, Redbridge and Tower Hamlets.
- 26 Note: full employment data is generally more likely to be available for larger town centres than for smaller town centres – as such the size of the 'average' town centre in this sample will be higher than the average across all London town centres.

- 27 London Town Centre Assessment Stage 1 Comparison Goods Floorspace Need – A report by Experian Business Strategies for the GLA, Sept 2004.
- 28 GLA Economics – Retail in London: Working Paper H – London's Retail Trends – 1971-2000
- 29 Definitions of large and small town centres are as given in Table 3.1 i.e. a large town centre being one that had A1 floorspace above 29,000m² in 1971. For more details please see page 22 of GLA Economics Retail in London: Working Paper H – London's Retail Trends 1971-2000, April 2006.
- 30 DfT – Travel to the Shops in GB Personal Travel Factsheet 6 : January 2003
- 31 GLA Economics 2006 'Retail in London Working Paper H – London's retail trends 1971-2000'.
- 32 DoE, Planning Policy Guidance Note 6: Town Centres and Retail Developments (PPG6), 1996
- 33 Planning Policy Statement 6: Planning for Town Centres, ODPM, March 2005.
- 34 OFT Press Release 9 May 2006 – 'OFT to refer grocery market to Competition Commission' – <http://www.of.gov.uk/News/Press+releases/2006/84-06.htm>
- 35 Competition Commission 2003: Safeway plc and Asda Group Limited (owned by Wal-Mart Stores Inc); Wm Morrison Supermarkets PLC; J Sainsbury plc; and Tesco plc: A report on the mergers in contemplation
- 36 *Non-food retailing* – IGD Factsheet – www.igd.com
- 37 *Non-food retailing* – IGD Factsheet – www.igd.com
- 38 Templeton University, Retail Strategy the view from the bridge, edited by J Reynolds and C Cuthbertson, 2004, pg 338
- 39 'The relationship between retail and leisure', Property Management, 1999, Volume 17 No 1
- 40 Internet spending: measurement and recent trends – ONS – Wallis, G 2006.
- 41 http://www.foresight.gov.uk/Previous_Rounds/Foresight_1999__2002/Retail_and_Consumer_Services/Reports/@Your%20Home/trends.htm
- 42 Dixons tests no-frills format – Retail Week, Jan 20 2006.
- 43 HMV Group plc – Interim Results 12/01/06.
- 44 DoE, Planning Policy Guidance Note 6: Town Centres and Retail Developments (PPG6), 1996
- 45 Paragraph 2.7 Planning Policy Statement 6: Planning for Town Centres, ODPM, March 2005.
- 46 Paragraph 2.53 Planning Policy Statement 6: Planning for Town Centres, ODPM, March 2005.
- 47 From ONS Population Trends Winter 2005 – UK population growth averaged 0.2% per annum from 1971-2004 and 0.3% per annum from 1986-2004.
- 48 GLA Economics May 2006 – Current Issues Note 9: Borough employment projections to 2026. The GLA's latest projections suggest that employment in London will grow by 969,000 between 2003 and 2026.
- 49 J. Holis and G. Hay, "GLA 2005 Round Interim Demographic Projections", DMAG Briefing 2005/33, GLA, September 2005.
- 50 GLA London Town Centre Assessment (Stage 1) – Comparison Goods Floorspace Need in London – Experian Business Strategies Sept 2004.
- 51 Retail productivity is measured as improvements in sales densities which are calculated as turnover/floorspace. Thus, by assuming retail productivity grows at 2.5% per annum, we are assuming that for existing floorspace, turnover will grow by 2.5% per annum.
- 52 Further detail on the this forecast for retail productivity is available in GLA London Town Centre Assessment (Stage 1) – Comparison Goods Floorspace Need in London – Experian Business Strategies Sept 2004.
- 53 GLA London Town Centre Assessment (Stage 1) – Comparison Goods Floorspace Need in London – Experian Business Strategies Sept 2004.
- 54 GLA London Town Centre Assessment (Stage 1) – Comparison Goods Floorspace Need in London – Experian Business Strategies Sept 2004.
- 55 Planning Policy Statement 6: Planning for Town Centres, ODPM, March 2005
- 56 Towards a fine City for People. Public Spaces and Public Life – London 2004, Gehl Architects, June 2004.
- 57 West End Transport & Environment Study. Stage 1 Report: Oxford Street & Regent Street. Existing Transport & Environmental Conditions & Policies/Current Proposals affecting the Area. January 2002, WS Atkins.
- 58 GLA Economics – Retail in London: Working Paper H – London's Retail Trends – 1971-2000
- 59 J. Holis and G. Hay, "GLA 2005 Round Interim Demographic Projections", DMAG Briefing 2005/33, GLA, September 2005.

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Greek

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Turkish

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Punjabi

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Hindi

यदि आप इस दस्तावेज की प्रति अपनी भाषा में चाहते हैं, तो कृपया निम्नलिखित नंबर पर फोन करें अथवा नीचे दिये गये पते पर संपर्क करें

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি (কপি) চান, তা হলে নীচের ফোন নম্বরে বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Urdu

اگر آپ اس دستاویز کی نقل اپنی زبان میں چاہتے ہیں، تو براہ کرم نیچے دئے گئے نمبر پر فون کریں یا دیئے گئے پتے پر رابطہ کریں

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