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Innovation & Skills

**UNDERSTANDING HIGH STREET
PERFORMANCE**

Executive Summary

DECEMBER 2011

Understanding High Street Performance

Prepared for the Department for Business, Innovation and Skills by Genecon LLP and Partners

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1. Introduction

- 1.1 GENECON, leading a multi-disciplinary team from Colliers International, GJR Consulting, and Urban Pollinators, was commissioned by the Department for Business, Innovation and Skills (BIS) to provide a review of the available research and analysis of the drivers and barriers which impact on the economic and social performance of high streets, in order to provide an independent and robust evidence base.
- 1.2 The brief for the commission recognised that initial exploratory work had identified a plethora of reports and analysis and that the study was required in order to identify the key issues that the public, private and third sectors need to take into consideration when taking action or investing in high streets. It did not seek the collection and analysis of new, primary evidence.
- 1.3 The intention of the study is that it will inform central and local government decision making regarding town centres, high streets and local economic growth. It is also intended to be a key input to the Independent Review of the High Street led by Mary Portas.

An analytical approach

- 1.4 The literature on high streets is sizeable and diverse. It ranges from quantitative data relating to various aspects of high street 'performance' (historical, current and forecast), to enquiries into very specific aspects of life and changes on the high street in terms of drivers such as: planning; management; attractions; accessibility; amenity (such as streetscape and public space); technological change (online shopping, banking etc.); and marketing and promotion.
- 1.5 Clearly, treating an evidence base of this size and disparity required a systematic approach to the analysis. The study team considered the advantages and disadvantages of a range of analytical frameworks, including PESTL (Political, Economic, Social, Technological and Legal), Porter's 5 Forces, and SWOT (Strengths, Weaknesses, Opportunities, Threats). The study team took the view that none of these frameworks could be applied to the evidence in a way which completely captured the wide range of performance on performance that occur on the high street. A bespoke analytical framework was therefore developed, based on an initial review of the evidence, and which was modelled on and not dissimilar to the PESTL approach.

This framework includes:

- *Externalities* – high streets are influenced by externalities that are generally outside user/occupier control. These might include macro-economic factors such as the recession/loss of consumer confidence, or centralised decision-making by property owners/retailers, but also micro-economic issues such as the loss of a major employer and its consequential impact on a local area;
- *Spatial and physical factors* – high street performance is affected by factors such as the development of new residential areas or demographic changes; changes in the physical environment; accessibility related to car access and car parking and cycle/walking friendliness; amenity in terms of streetscape, public space and private/public space;
- *Market forces and competition* – the development of the high street is undoubtedly affected by the emergence/presence of competitive alternatives to the high street, through a range of channels;
- *Demographics* – changing demographic trends are likely to have important implications for our high streets. There are implications related to the impact of factors such as: ageing populations; transient populations such as students/immigrants; and the socio-economic catchment/level of disposable income that influence the face of high streets;
- *Regulation and legislation* – a range of regulatory and legislative policy initiatives have impacted on high streets including planning policy and licensing legislation and the introduction of financial incentives;
- *Management* - the management of high streets has the potential to affect change and can contribute to the differential impact of certain factors or events.

1.6 This analytical framework was particularly pertinent to our analysis of influencing factors in Section 5 of the report, and also informed our approach to analysing the responses to the impact of these factors (in Section 6), although characterising the very wide and disparate range of responses under the framework proved to be unhelpful. Nevertheless, in terms of its general application to understanding change and the drivers of change on the high street the framework offers an appropriate and helpful tool.

2. What are high streets?

- 2.1 Whilst there are commonly accepted definitions of the components of a high street/town centre, derived from a range of sources, the evidence does not offer a commonly accepted definition of the 'high street' in its own right. In much of the evidence, references to the high street are quickly superseded in both commentary and analysis by the unit of the town centre (foreshadowing the challenges with data collection and analysis noted in Section 3 of the report).
- 2.2 Furthermore, high streets/town centres are places of great complexity and variety, which is reflected in varying performance. Town centres and high streets are characterised by considerable diversity and complexity, in terms of scale, geography and catchment, function and form. No two town centres or high streets are the same. As a result, the way in which they are affected by and respond to change is diverse and varied. Depending on their internal characteristics, including general economic resilience, changes that would constitute a death knell to one town centre might bring positive outcomes in another.
- 2.3 The complexity of town centres and high streets, and their diversity, posed a significant challenge to their analysis and research, especially at the national level. Comparative studies adopting a consistent approach are few. This complexity also points to the need for bespoke, rather than generic responses, to high street revival.
- 2.4 In order to identify and analyse the literature, the study team developed a functional definition for high streets/town centres, drawing principally on their role in serving and attracting catchments and markets. In particular, this typology has omitted certain types of centre, arguing that these are of a scale (both too large and too small) that means that the term 'high streets' is not an appropriate frame of investigation or analysis. These exclusions are city centres and local centres. As with the Department for Communities and Local Government (DCLG) typology set out in Annex B of Planning Policy Statement 4, small parades of shops of purely neighbourhood significance are not regarded as centres/high streets for the purposes of this research.

The typology developed in the study is as follows:

- high streets in multi-dimensional town centres serving primarily sub-regional markets and driven by catchment and geography. These offer functions such as the provision of labour, a location for business, and an environmental asset;

- high streets in 'destination' town centres, where the driver of use can be considered to be a specialist appeal or a particular product and where retail and service provision predominates over the functional roles;
- service centre high streets in suburban districts that are serving more localised residential catchments.

2.5 Clearly our typology provides just one interpretation – further work to establish a clear and definitive classification of high streets and town centres for the purposes of policy development and further research would be beneficial.

3. Valuing the high street/town centre

3.1 High streets often have an historic/emotional resonance with the communities they serve, and planning and economic policy goes further in confirming and promoting the economic and social value of high streets. The importance of the high street is reflected clearly in planning policy since the mid-1990s, particularly the presumption of 'town centres first' in land use decisions, particularly involving retail activities. This approach has received bi-partisan support since its development, and is retained under the emergent National Planning Policy Framework.

3.2 In the long historical policy context of 'town centres first', there is also an established presumption that high streets and town centres have determinable economic and social value that warrants policy attention.

3.3 However, attempts to measure the economic value of individual high streets and town centres are few and far between. Although some do exist at varying scales these largely focus on limited available national data and tend to be retail focused - a challenge that frequently occurs across the evidence base.

3.4 While the high street/town centre is a driver of local economic performance, it can also reflect local (and wider) economic health and well-being. There is limited evidence analysing whether high street performance influences socio-economic indicators, and the evidence does not confirm whether decline in high street performance has a detrimental impact on social and community well-being in its wider area. This is a gap in the evidence that might be addressed through primary research.

3.5 The economic value of high streets/town centres is not well understood, although it is presumed within the literature that the impacts are instinctively positive. It is therefore especially difficult to compare value against out-of-town developments. While such developments are normally subject to ex-ante assessments of potential effects on high streets/town centres, they are rarely subject to ex-post evaluation.

4. High street changes and recent trends

Retail bias

- 4.1 The data available to quantify economic performance/health of the high street are pertinent to town centre level (or above) but rarely below – even in local studies. In the case of the latter, it is rare to find historical performance comparisons.
- 4.2 Although town centres are normally viewed as hubs of retail activity they often contain a wide range of other uses, such as services, offices, residential and public buildings. High streets themselves typically have a higher representation of retail uses, because in many towns, particularly those without a purpose built shopping centre, they usually form the primary shopping area, where national planning policy encourages retail development to be concentrated.
- 4.3 Despite this range of uses, and the fact that high street/town centre performance is not solely a reflection of retail performance, it does tend to be considered primarily through the lens of retail performance. This is because the vast majority of the data, especially that available for the purposes of providing an overview at the national level, are heavily biased to retail indicators. Data on aspects of high street vitality such as cultural, heritage and leisure uses is very limited, for example. Even for aspects such as services, offices, public use and residential use, the data lacks the capacity for meaningful analysis. This is a weakness that needs to be considered, especially in the context of new interpretations of the offer of the high street.

In-town/out-of-town balance

- 4.4 The period 1998-2009 saw Great Britain's population grow by 3.3 million (5.8%), which gave a boost to annual comparison goods spending of c.£10 billion over the period. However, town centres have not reaped the benefits of this huge increase in retail expenditure. Although town centre retail sales grew from £109 billion in 2000 to £124 billion in 2009 (up 13%), as a proportion of total retail spending they have fallen. It is likely that these figures under-estimate the relative decline of high streets, since the development of new in-town purpose built shopping centres through the last decade will have captured significant sales and are generally perceived to have performed well.
- 4.5 Reflecting the relative decline in retail sales, the number of town centre stores fell by almost 15,000 between 2000 and 2009, with estimates of a further 10,000 losses over the past couple of years. With many purpose built shopping centres holding-up well, it is likely that the majority of these store losses will have been in high street locations. Although neighbourhood stores have also been hit hard (down 18,600 over the period), the out-of-town sector has grown by c.1,800 stores since 2000 (up 26%).

- 4.6 Given the relative decline in sales and significant fall in the number of stores, it is not unexpected that the retail floorspace of town centres has fallen from 310 million sq ft in 2000 to 283 million sq ft in 2009, a decline of 27 million sq ft or 9% in just nine years. In contrast, out of town retail space has risen by 50 million sq ft, or one-third, over the same period, whilst neighbourhood floorspace has remained relatively stable.
- 4.7 Since 2009 it is estimated that town centre floorspace has fallen to 264 million sq ft. This represents only 48% of total space, the first time that the contribution of town centres has fallen below 50%. In broad terms, the Verdict data shows that, on average, each year over the past decade has brought a drop in the proportion of town centre retail floorspace of around 1% and a corresponding rise in out of town retail space of 3%.
- 4.8 Footfall is a measure of the popularity of a centre or high street and is an indicator of potential spend. However, there is no evident source of consistent footfall data for high streets across the country dating back to 2000.
- 4.9 The best data available is probably that produced by Springboard, who operate a growing number of electronic count points along the nation's high streets. The time-series footfall data produced for high streets by Springboard dates back to 2007 (pre-recession) for a representative sample of count points on a consistent basis. An analysis of this data undertaken by Colliers International shows that overall, high street footfall (excluding Central London) has fallen by 10.4% over the past three years whilst the tail off has been particularly notable during the second half of each year. This suggests that high streets are losing the most potential customers during the all-important pre-Christmas sales period which is traditionally the busiest time of the year for retailers.

Void rates

- 4.10 Shop vacancy is a 'high visibility' indicator of how well a high street is doing. Unfortunately, although empty shops are easy to spot, there is an absence of consistent data on national high street void rates over the longer term, particularly from before the onset of recession in October 2008.
- 4.11 Experian data shows that even back in 2000 void rates for outlets and floorspace stood at 8.7% and 6.6% respectively, whilst Oxford Economics/PMA data gives a vacancy rate of 6.9% (proportion of outlets only). This confirms that today's void rates have not originated from a very low base but from a pre-existing level of c.7-8%. However, by 2008, following many years of rising household disposable incomes and growing consumer retail expenditure, voids rates had not fallen back, but had actually risen a little. This suggests that other factors were at work during the early and mid 2000's which prevented high street void rates from falling in response to a healthy growth in retail sales.

- 4.12 The onset of economic recession in 2008 has led to vacancy rates increasing still further. Experian data shows void rates rising to 10.5% and 8.1% as a proportion of total outlets and floorspace respectively, whilst Oxford Economics/PMA data (for outlets) has vacancy rates touching 11.9%. In comparison, Colliers International data indicates that the recent rise in vacancy rates has been steeper, increasing from 7.3% of total outlets in (October) 2006 to 14.4% in (October) 2010 before falling back a little more recently. Similarly, according to Colliers, the rise in void rates as a proportion of floorspace has been from 6.4% in (October) 2006 to 11.1% in (October) 2010, before reducing to 9.7% in (April) 2011. Void rates are lower when measured in terms of floorspace because vacant units, on average, are smaller than occupied units. With the economic recovery still fragile and household disposable incomes being squeezed, void rates may rise again next year.
- 4.13 The top line void rate data masks large variations between vacancy rates along primary and secondary frontages in town centres. Voids rates in prime shopping areas are much lower than in secondary locations and have fallen over the past couple of years. In contrast, void rates for secondary areas are around 15% and 17% as proportions of outlets and floorspace respectively.
- 4.14 After years of growth, high street retailers have found the last 10 years or so to be the most difficult of trading environments. Many retailers have had their margins squeezed, since they have been unable to raise prices due to the comprehensive pressures (cheaper prices) presented by the grocers and e-commerce retailers in particular. Meanwhile, retailers have had to deal with increased rents, business rates, in the minimum wage (introduced in 1999) and in many cases the cost of raw materials. Research indicates that occupancy costs are proportionately highest for standard shop units and this goes some way towards explaining the greater concentration of tenant administrations and store closures in this sector of the retail market. Moreover, many retailers could see their occupancy costs rise further during 2012, since business rates are likely to increase by c.5% in line with Autumn 2011's inflation rate.

Property dynamics

- 4.15 Over the past 30 years there has been a 'homogenisation' of the high street. With high street units owned by a myriad of landlords, there has been little or no control over the tenant mix in town centres, apart from some restrictions placed within the 'user' clauses of leases. In order to obtain the best possible return on their investment, landlords let their units to tenants with the strongest covenant, as a result this led to more and more national chains taking prime high street locations (and indeed in purpose-built shopping centres), which in turn led to a 'sameness' about many high streets throughout the UK.

- 4.16 There has also been a sense of 'brand grabbing' where institutional landlord/developers of high street shopping centres wanted the kudos of having fashionable brands, which might not necessarily fit the local demographic but improved the marketability of the scheme. This also created little differentiation from other high street shopping venues within geographical regions.
- 4.17 Historically, developers of retail schemes have offered anchor tenants space at a peppercorn rent in order to use the anchor's brand to attract additional tenants. This has created a situation where smaller retailers, who are already having their margins squeezed, can see their occupancy costs reach as much as 25% of turnover, whilst the department store is only paying service charges and business rates.

Shopping patterns

- 4.18 The period 1998-2009 saw Great Britain's population grow by 3.3 million (5.8%), which gave a boost to annual comparison goods spending of c.£10 billion over the period. However, town centres have not reaped the benefits of this huge increase in retail expenditure.
- 4.19 Over the past decade consumers have become more mobile and their attitudes and preferences have changed – they now seek more 'experience' and a greater choice. As a result, trips are now longer - many are made beyond local centres - but fewer in number. Accordingly, there has been a steady concentration of retail activity to the larger destinations – in terms of trips, spend and stores.
- 4.20 Many middle ranking and smaller town centres have also seen diversion of retail spend away to out-of-centre shopping - the supermarkets, retail warehouses and retail parks – and online. The consequence is that town centres became squeezed and thus even during the early to mid 2000's, when disposable incomes and retail spending were rising, in-town vacancy rates continued to creep upwards as the multiple retailers in particular down sized their store portfolios and focused on developing fewer but larger stores in the biggest retail destinations. The credit squeeze and the on-set of economic recession then greatly exacerbated what had already become a downward spiral for many high streets. Accordingly, vacancy rates have increased more quickly.
- 4.21 With the shopping centre development pipeline having declined rapidly in recent years, the question as to whether there is or will be too much retail space is inconclusive. However, what is clear is that there is now a surplus of in-town secondary retail floorspace, much of which is no longer 'fit for purpose'. In the future, there is likely to be a need for more quality shopping floorspace in high streets, although vacancy rates will remain high or even edge further upwards.

4.22 In light of the number of key consumer and retail trends described in this section, it is useful to assess the actual extent to which the 'health' of town centres has been affected, thereby providing an indication of the scale of the 'high street' problem. A tool that has recently been developed to do this is the Colliers International Town Performance Matrix (TPM), which compares historical town performance with forecast future performance for 364 town and city centres across Great Britain. From this a segmentation of centres into one of five performance categories has been carried out, as follows:

- Thriving: Positive historical and future performance.
- Improving: Negative historical performance, positive future performance.
- Stable: Low (positive/negative) scores for both historical and future performance.
- Degenerating: Positive historical performance, negative future performance.
- Failing: Negative historical and future performance.

4.23 According to the Colliers TCM c.23% of city/town centres are 'failing' with a further 11% 'degenerating'. Thus around one-third of centres overall appear in need of help and revitalisation – a substantial number which suggests we may be on the verge of a tipping point in the role of high streets as a feature of the economic landscape. However, with one-quarter of city/town centres 'thriving', and a further 3% improving, the data indicates some hope for the future, as well as demonstrating again the diversity of town centres and their different responses to the economic climate.

5. The drivers of change

5.1 There are a wide range of influencing factors that have stimulated and affected change on the high street, with influences varying from positive to negative effects. These factors can apply individually and in isolation, but more often present alongside others. This complexity is a challenge to understanding how such factors affect individual high streets, and although some correlations are often evident, causal relationships are harder to establish.

5.2 The UK retail market has always been a competitive sector – the high street has seen retail brands come and go as their offer no longer met consumer needs. This forms a 'natural order' of churn and replenishment/refreshment of the high street offer, informed by and responsive to the market.

- 5.3 However, as well as the natural replacement of redundant retail propositions over the last 10 years, specialist retailers, many independently owned, have been affected by the success of the 'product aggregators', as exemplified by growth over the period of the major grocery chains and online by Amazon and others. Some retailers, such as the entertainment brands, have perished as the digital delivery of their product superseded sales of the physical product; in addition to ferocious competition from purely on-line retailers such as Apple's iTunes; a fate that may soon befall booksellers, as the success of eBooks, particularly through Amazon's Kindle, demonstrates. In essence, some business models are now outdated and are no longer viable in their historic form, whether it be in the high street, shopping centre or out of town.
- 5.4 Furthermore, the economic recession has been the catalyst for a shift in consumers' shopping habits with regard to their willingness and ability to spend. Gone are the days of easily accessible credit and conspicuous consumption (with the exception of high net worth individuals, where spending on luxury items is even increasing) – this change in mindset looks set to be permanent, regardless of whether the economy returns to growth.
- 5.5 Through application of our analytical framework for the study, we have identified the following influencing factors applying to high streets/town centres:
- **Externalities** – wider economic circumstances and government policies have played their part in the decline of the traditional high street, despite planning policies designed to protect town centres, including through changing consumer behaviour. At the present time, high levels of retail and landlord indebtedness and public spending cuts are creating a squeeze on consumer spending and household income. Real wages are falling compared with inflation and in many areas, including public services, while credit is more difficult to obtain. Falling real living standards are combining with high energy and utility costs, and volatile commodity prices worldwide, to create a climate of nervousness in which even those consumers with money to spend become more cautious. The latest figures suggest that the index of consumer confidence is at the tenth lowest level since 1974, and has dipped below the benchmark minus 30. On both previous occasions when these levels have been reached (March 1990 and June 2008) the index reflected a period of sustained weakness in consumer confidence and the entry of the UK economy into recession. Other data suggest that consumer spending is expected to contract across 2011, by 1.2%, and then remain largely flat in 2012, all of which is likely to have an impact on high street spending, as well as retail in general.
 - **Spatial and physical factors** – Since the 1980s the idea of 'the high street' as the principal shopping area has given way to a much more mixed picture of retail activity.

The physical spaces where people shop now fall into a wide range of types, with an increasing bias towards 'prime' locations, whether in city centres or out-of-town retail parks. Large-format stores, accessible by car and where all shopping is done under one roof, dominate the market to the detriment of traditional high streets. This trend is continuing, reinforcing the big-box format as the retail norm.

The physical format of the linear high street with a variety of shops facing onto the street has been overtaken by the multi-level centre with shops and services clustered around a central space with radial branches, accessed directly from an enclosed or nearby car park. Whether in-town, edge-of-town or out-of-town, the shopping centre format aims to provide customers with everything they need in one place and reinforces the idea of shopping as a leisure activity rather than a necessity. The traditional high street suffers by comparison.

Access and parking is a major issue, particularly where high streets have been pedestrianised. The literature about the economic impacts of parking on high streets and town centres tends to be focused at the local level, and is not reliably capable of extrapolation beyond this scale. Indeed it is more likely to be expressed in local parking strategies, or local authority decisions on parking policy, than in ex-post evaluative treatments.

- **Market forces and competition** – the changing market share of out-of-town shopping centres, major supermarkets and retail parks etc, in comparison to high streets and town centres, demonstrates that consumers are voting with their feet. In the current difficult economic times, consumers are more demanding than ever and maintaining customer loyalty is an important objective for retailers. Service and ambience also play a valuable role in achieving this.

In this context, a key question which the literature does not answer is how consumers balance notions of value, and of price. More sophisticated evidence of whether/how much shoppers value the offer of their high street (not just in terms of the price of an item), in comparison to what may be a cheaper proposition from elsewhere, is wanting.

- **Demographics** – There is currently a limited treatment and understanding of the potential impacts of demographic changes on the high street, and on consumer preferences in general. Work on segmenting shoppers/high street visitors, for instance, tends to focus on immediate snapshots of preferences, rather than forecasting. The data offer the greatest insight into the over-65s, and student populations, but it is not conclusive in terms of effects of demographic change, and requires further research.

- **Regulation and legislation** – at the local level, it is evident that ‘town centre first’ policies have not been sufficient to create thriving town centres and high streets across the board, at least not in the context of other influencing factors. There is an emerging debate about the role of the planning system and its impact on high streets, with some arguing that it is not strong enough and others that it is too heavy-handed.
- **Management** - while the last decade has seen a wealth of town centre management initiatives, local partnerships, development masterplanning exercises and Business Improvement Districts, there is a continuing critique that town centres and high streets are not well managed and as a result are disadvantaged compared with supermarkets and shopping centres.

High streets are clearly difficult to manage. They have a multiplicity of owners and occupiers, often with different requirements. They are public spaces, which have the advantage of being genuinely open to a diversity of activities but the disadvantage of being harder to control when there is disorder or antisocial behaviour.

While there is a consensus in much of the literature that better management is essential to a revival of high streets and town centres, there appears to be little research into its effects over a period of time, or comparisons between towns with and without management initiatives. What we do not know from the available evidence is how much worse things would be on many of our high streets without the action that has been taken. There is no substantive evaluation of town centre management, or particular mechanisms such as Business Improvement Districts (BIDs), at the national level. Detailed evaluation at the local level, particularly focusing on return on investment, is limited. These lacuna make it impossible to offer a verdict on how management has ameliorated (or otherwise) high street decline. Close attention needs to be paid to towns where funding for initiatives such as town centre management or Business Improvement Districts has been withdrawn in recent years.

- 5.6 Reviewing the various factors that have influenced what has happened to the high street over the last decade and more, the evidence suggests that the key influences relate to the structural changes in the market within which the high street/town centre sits, principally the competition offered by major in-town shopping centres, and out-of-town centres, particularly those including/focused around major foodstores (which are now encroaching on other non-food aspects of the retail offer).

5.7 The evidence does show a clear correlation between the rise of large-format stores (particularly foodstores) and the decline of smaller, independent high street stores, but it is important not to assume the introduction of one is the cause of the other, or that this is the sole factor impinging on high street performance. On this critical issue the literature is limited, and as a result inconclusive.

5.8 The case as put by those in favour of high streets/town centres tends to be more narrative in its nature, and characterised by presumptions about the negative impacts of out-of-town vs in-town development, rather than detailed empirical evidence which moves beyond correlation and into causation.

On the other hand, more detailed and empirical evidence reflecting the benefits and advantages of out-of-town/edge-of-town developments, or even in-town major shopping centres, is not sufficiently extensive to be conclusive either.

5.9 A more substantive programme of research, drawing on a number of case studies and gathering primary research data at as close to the national level as possible, could offer a definitive perspective. Such work would need to address such issues, over a period of time, as:

- the performance of high streets and town centres across key metrics including retail spend, vacancy rates, both at an individual level and an aggregate level;
- the impact of high streets and town centres, and out of town/edge of town/in-town centres, on local supply chains and the net additional creation of jobs. Research by the National Retail Planning Forum¹ concludes that there is evidence that new food superstores have, on average, a negative effect on full time retail employment, while recognising the potential impact of part-time work. Other research has not found any conclusive evidence of significant positive or negative impacts;
- the multiplier effects of high streets and town centres, compared against out of town/edge of town/in-town centres;
- other more social and cultural impacts of high streets and town centres, compared against out of town/edge of town/in-town centres.

¹ NRPf Occasional Paper No 2, The impact of out-of-town centre food superstores on local retail employment; NRPf Occasional Paper No 3, The impact of out-of-town centre food superstores on local retail employment – a critique of the Boots study; NRPf Occasional Paper No 4, Superstores and employment in retailing – an overview.

6. What has been the response to high street change?

6.1 A wide range of responses to the issue of high street decline have been implemented over the last ten years and beyond, addressing various individual aspects and the challenges of high street performance in the round. These include:

- *improving the built form and configuration* - town centre masterplanning and public realm improvements have been a staple of attempts to improve and maintain the high street offer for many years. A recent synthesis of the literature on public realm investment demonstrated the considerable difficulty in evidencing a causal and clearly attributable link between public realms improvements and town centre performance.

The research suggests though that work of this nature does offer the opportunity for high streets/town centres to improve their offer, although it clearly relies on a range of other factors including the quality of the retail offer in order to have the fullest impact.

A range of approaches to parking have been adopted by local authorities and others, but on the principal issue of car parking charges there is a distinct lack of evidence, now recognised and being addressed by some key organisations;

- *the drive for differentiation* - perhaps the principal response from high streets to changing markets has been to emphasise their distinctiveness. In the more successful examples, coordinated work has taken place to demonstrate that the high street has something different to offer and is a place to visit for leisure, culture and specialist shopping rather than for routine purchases.

The idea of the high street as a different kind of experience that complements rather than competes directly with out-of-town centres and supermarkets has been gaining traction in recent years, while others go further and set out a vision for the high street of the future as a multifunctional destination, with retail playing a part alongside community, public service, leisure, cultural and civic uses. The distinction is that under this vision of the high street, it serves a social function with retail supporting social uses, drawing on the idea of a '21st century agora'. This is a reversal of the traditional view that social uses are there to make retailing more competitive. This social function for the high street is already being explored in many areas.

Other responses include local loyalty schemes and the use of social media, and the encouragement and promotion of traditional markets. While there are examples of each that appear to be having a positive effect, there is limited evidence of direct impact, at what is an early stage in their development and adoption.

- *policy prioritisation* - major changes are on the way in the regulatory regime for town centres, and much is already being done to use planning law and licensing powers to counter the effects of out-of-town shopping. This includes flexibility of approach to changes of use by local authorities, and the use of existing planning law (the General Permitted Development Order, introduced in 2005, which allows planning approval for 28 days for events or attractions) has been used successfully to create temporary facilities such as 'pop-up' shops.

Community and neighbourhood planning is also an area of burgeoning interest, although in most cases it is far too early to say what impact such approaches are having on the high street/town centre, or stand to have in the future.

- *more developed place management* - the key approaches to the management of place in the context of town centres and high streets are town centre management, business improvement districts, and more recently, community interest companies. These management models have provided a mechanism for public/private partnerships to add value to the commercial and social vitality of the area they operate.

As the sector has become more established and begun to formalise itself, town centre management organisations have been able to provide added value to the traditional work of local authorities and in more recent years have begun to innovate to the benefit of individual businesses and the town centres they operate. The tangible measurement of these benefits has been identified as an area for development, and what these interventions have in common is a lack of focused evaluation and understanding of their impact, particularly in terms of return on investment, both in terms of success in their own right, and their impact on town centres and high streets. Even for well-established, semi-institutional responses such as TCM/BIDs, there is a real lack of evidence around the costs, and benefits, to the high street, of their work, even if the renewal of BID mandates provides compelling evidence of the popularity of such activities

- *other approaches* - there is a definite sea-change in perceptions of what the high street has to offer, with a move away from retail as the prime driver, to a more cultural and social proposition.

That sea-change is being reflected in nascent ideas and initiatives which are seeking to match the new philosophy with new business models and approaches to delivery, such as co-operatives, social enterprises, and imaginative use of community assets, local food networks, and events and activities. In common with many of the responses highlighted in the report, there is limited evidence of impact at this stage.

7. Where next for high streets?

7.1 In terms of what is currently understood by high street performance, which is a largely retail based perspective, the broad trends are downwards. While the level of town centre retail spending is forecast to be close to flat over the next few years, total retail sales are forecast to grow by 12%.

As a share of total retail spend, town centre sales are forecast to continue their current decline, from 43.3% in 2009, to 40.2% in 2014. The levels of town centre retail space, and store numbers, are also forecast to decline.

7.2 A loss of 8.2% of floorspace between 2009 and 2014 is expected, with store numbers declining by 6.4% across the same period. This is forecast to have an effect on vacancy rates within town centres - from a current rate of 11.9%, the rate is forecast to peak at 12.2% in 2013, before gradually falling back to 11.3% by 2020. The edging down in void rates is due to a forecast slow recovery in consumer spending in 2012 and 2013. However, vacancy levels will not return to historic levels because of the slow long term trend of rising voids. Town centre/high street prime retail rents, on average, are forecast to make only a slow recovery over the next 10 years. By 2018, for example, they are expected to be little different from the rents achieved back in 2008 – a decade earlier.

7.3 Town centres will continue to be impacted by the growth in supermarket non-food sales and spending online. For example, the grocers' share of non-food sales is forecast to continue to rise, from the 2011 level of 14.3%, to 14.8% in 2014, whilst non-store retail sales as a proportion of all retail sales is forecast to grow from around 10% now to between 12% and 15% by 2016.

7.4 While there are a range of potentially deflecting factors which might ameliorate these trends, in some cases these factors could in fact exacerbate the negative impacts. Factors include:

- Localism, planning reform and competition law;
- business rates and finance options;
- consumer attitudes to value;
- more effective place management.

- 7.5 While it is too early to point to trends and trajectories for alternative uses of the high street, and there is sparse evidence on their effectiveness, a common factor in many of the new visions and uses that are emerging is a different approach to valuing activity. Social value and the civic use of space are seen as key to populating places that have lost some of their previous functions as places of trade: social exchange becomes as vital a part of the mix as monetary exchange.
- 7.6 The extent and significance of such approaches is not currently measured. Some of the criteria used in the healthchecks developed in recent years by BIS, DCLG, Action for Market Towns and others may be helpful here, but until there is a consistent approach to gathering evidence and analysing its importance it will be impossible to know whether new approaches to the high street are working, or even whether more of them are being developed. This illustrates the need for measures that will show not just what has happened in the past, but the impact of the range of responses and alternative approaches that are now being developed.
- 7.7 While commentators and analysts have advocated a broader view of the high street as a social space with a range of functions, ways of measuring and assessing high street performance have tended to focus overwhelmingly on retail functions.
- 7.8 If the high street of the future is to be different in function from the shopping centre, then different indicators need to be used to measure how well it is doing. If not, a high street that loses branches of multiple stores or has a plethora of shops focused on a particular market segment may be labelled 'failing' when it is in fact continuing to serve an important role within its locality.
- 7.9 Our research has found gaps in the evidence needed to measure the visions of success that are now being advocated. The following gaps are likely to be of particular importance:
- the concept of the high street as an economic and spatial entity is not reflected in literature on employment trends or economic value. It is therefore problematic to gauge the full effects of 'town centre first' policies or of out-of-town and supermarket development. This also makes it difficult to gauge the social and cultural value of the high street, or to assess the social and cultural costs of high street decline.
 - there is very limited ex-post evaluation of the impact of supermarket/out of town/edge of town developments on the local economy. One potential avenue for addressing this is to go back to ex-ante forecasts generated as part of planning applications/economic impact appraisals, to test whether the assumptions made have been borne out in practice.

- work on the local value of retail supply chains is limited. The New Economics Foundation has developed a theoretical model and toolkits to measure the 'local multiplier effect' of supporting local producers, but there has been limited testing of the approach in practice.
- there is no standard approach to examining the costs and benefits of different approaches to town centre management and comparing them. The challenge for TCM/BIDs is to demonstrate not just sustainability of funding and the opportunity to influence services, but to evidence return on investment. In assessing their impact, it should be emphasised that a BID is an investment from which business benefits are expected in return, rather than a levy or tax, and appropriate language should be used accordingly. Identifying how and why a BID would generate such benefits and what the scale of these might be will be important to both local businesses, and policy makers. While the key messages emanating from the Nationwide BID Survey 2010 research show positive responses concerning performance measures on value for money, additionality and benefits to business indicators, more work needs to be done to fully evidence this impact.
- finally, more needs to be done to inform decision makers on the cause and effect of key factors. The fundamental issue with the literature is a localised focus on ex-ante analysis, rather than ex-post evaluation of impact and cause and effect which is capable of being consistently extrapolated to the local level.

7.10 It is also the case that it would be helpful to policy makers at both the national and local levels to know more about the underlying causes of some of the trends identified in the report. The understanding of exactly why people are leaving the high street, and whether there were circumstances within the control of policy makers that could have prevented this, is very limited.

7.11 If the weight of evidence points to a long decline in the traditional uses of the high street established over the last century or more, and the emergence of a new ambition for the high street that encompasses much more than retail, we need a different way of collecting evidence to show whether the high street is succeeding or failing.

7.12 Various approaches to healthchecks are described in the report. While these are all helpful, they are not consistent, and to a great extent are still based on a view that a competitive high street is one that competes with prime shopping locations for retail trade. On such a measure, the evidence would suggest that most high streets are on a declining path.

7.13 The wealth of evidence shows that the high street, while ill-defined, is a complex space that carries a wide range of associations and uses, and is valued (or disliked) by visitors for a host of reasons. The study sets out, for discussion, the basis of a framework that could be used to assess high street performance in future and should help to determine the evidence to be gathered. This builds on the extensive work carried out by a range of parties, including the Association of Town Centre Management (particularly their Milestone model), SkillSmart Retail and others in this field.

7.14 Four headline key performance indicators (KPIs) are proposed for further consideration, under which could sit a range of measures weighted according to local circumstances. The headline indicators are applicable to all high streets and town centres. By combining them it should be possible for local authorities and their partners to judge whether a high street is succeeding, failing, stable or in transition, and have a better understanding of why this is the case.

- **Key Performance Indicator – footfall:** Footfall is the key to understanding a place. The measurement of footfall should gauge the number and frequency of visitors to the area defined locally as the high street or town centre, not just visitors to shops or particular attractions.

It needs to measure seasonal variations, and variations at different times of day – is the high street used only during traditional working hours, or does it also have an active night-time and weekend economy? Importantly, footfall is not just a reflection of retail strength, although of course this is likely to be a key driver, if not the key driver. Other uses can be critical footfall drivers, such as public services (a health centre for example) or major businesses (with employees using the high street to come and go). So a footfall indicator would require a set of locally chosen sub-indicators, including: length of stay, number of places visited, and frequency of visits

- **Key Performance Indicator – consumer and business satisfaction:** To measure whether high streets are serving the social and community purposes envisaged for them as well as their traditional retail functions, we need to measure users' satisfaction. Do they like what they are finding and will they come back for more?

Satisfaction scores can differentiate between types of users (residents, local workers, visitors) and also how they use the high street (are they traders, shoppers, employees?) Are they there for a night out, a quick purchase, or for an event or attraction?). They can also drill down into why people are satisfied or dissatisfied, measuring views on cleanliness, accessibility, signage, variety of facilities and more. They might also include indicators which have a material effect on satisfaction, such as safety and occurrence of crime, or perceptions thereof.

The views of businesses in the high street and town centre on a range of issues need to be better understood. Gathering information from businesses might also enable local authorities/Town Centre Management (TCM) functions to develop a more sophisticated understanding of business needs and concerns – perhaps at some point informing a town centre business plan.

- **Key Performance Indicator – diversity:** a successful high street can be determined by the range and variety of facilities on offer and the diversity of uses and users. The more there is to offer, the more people are likely to visit, so diversity is a driver of footfall. But it can also be a product of footfall as new activities spring up to cater to growing numbers of visitors. On its own, diversity is not a measure of success or failure. A town such as Hay-on-Wye, for example, might see a cluster of bookshops as an indicator of success. A concentration of betting shops or charity shops might be deemed an indicator of a problem in other areas. However, a diversity indicator measures the range of potential destinations or attractions, and can also indicate resilience and adaptability: a high street with a wide range of uses is less vulnerable to technological or fashion changes that could lead to the loss of particular markets.

Diversity also measures non-commercial activity that is missing from current assessments of high street performance. The presence of a Citizen's Advice Bureau or library can be as important in drawing footfall as a café or fashion store; the use of buildings as student accommodation could indicate a viable market in convenience shopping. Other, more cultural and social aspects of a high street's draw need to be considered, although as we have already noted, greater thought is required on precisely how this should be approached before moving to the point of developing KPIs for measurement.

- **Key Performance Indicator – economic activity:** An indicator of economic activity sits alongside the other three headline indicators to show the success of the high street as a commercial entity and to inform investment decisions. Economic activity is not just shopping or retail turnover and value. It will include other high street business activities (solicitors or architects, for example) as well as the use of buildings for residential lettings and the existence of leisure trades such as pubs and clubs. An economic activity indicator would need to measure consumer spend; non-retail business turnover; business sectors represented (including social enterprises); and new investment and development activity.

There are likely to be better indicators of the full picture of high street activity than property-related indicators such as rental values and yields, or the number of vacant units (although these are useful in measuring demand for space). Importantly, a wider understanding of the local economy would be helpful in setting these data in context, in particular the ability to compare spend in-town with spend in out-of-town/edge-of-town centres in a local area.

- 7.15 The above suggestions should help those involved in managing high streets and town centres. But they should not be considered and treated in isolation from the other centres with which the subject high street/town centre competes. Some element of comparability is fundamental to a more developed understanding of the relative roles, strengths and weaknesses, and impacts on each other of such developments.
- 7.16 There is an important debate to be had about how such a set of indicators can be developed in a way that is both locally useful and nationally comparable. Not all local ambitions for high streets will be identical, so a benchmarking approach of comparable locations may be more useful than a 'league table' approach.
- 7.17 While a national picture of high street performance will be useful to Government and to institutional investors, a set of indicators that can be weighted and determined locally is likely to be more helpful to local authorities, Chambers of Commerce and local communities.

A scoresheet or traffic light approach might be a helpful way forward. This would allow each high street to be judged according to local expressions of the headline indicators, while the headline findings could be aggregated nationally, indicating trends in footfall, diversity, satisfaction and economic activity.

- 7.18 Linked to these KPIs there is a strong case for more sophisticated approaches to defining strategies, objectives and targets for high streets based on a more collective business planning approach.

Out-of-town centres/in-town shopping centres commonly have highly sophisticated mechanisms (as well as resources such as asset and property management teams) for understanding and addressing their catchment markets which are assembled and utilised on behalf of occupiers, but in the high street this level of 'business planning' support simply does not exist – each business is pitching into a catchment market on which there is a variable level of understanding and data.

There is perhaps a role for a more developed TCM function, overseen by the local authority with its wide understanding of the local economy and catchment, and embracing property owners, to facilitate the development of such business planning at the high street/town centre level, thus giving retailers and others the opportunity to compete more equitably.

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URN 11/1433