

BIS | Department for Business
Innovation & Skills

BIS RETAIL STRATEGY

OCTOBER 2012

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Introduction

This paper focuses on where there is potential for government to support retail growth in the short term at international, European, national and local levels. See Annex A for actions.

BIS has worked closely with the sector to identify priority issues on the basis of: impacting positively across the retail sector; where there is a legitimate role for government (and in particular BIS) to act; and where there is a strong likelihood of success.

UK retail sector

The UK retail sector is big, complex and very diverse. It includes world class international companies, innovative independents, and many retailers struggling to survive in an extremely competitive environment with rapidly changing consumer habits.

Key facts: the retail sector directly accounts for 5.3% of UK gross added value and is a key route to market for other sectors of the economy; retail sales totalled £303bn in 2011, equivalent to 20% UK GDP and making it the 6th largest retail sector in the world by sales; 14% of all UK investment made by large financial sector firms is made by large retailers; retail employs 3mn people (one in nine of the workforce); and contributes 9% (£17.5bn) of the total tax take (VAT, business rates, national insurance and income tax). There are nearly 300,000 stores with 86% employing fewer than 10 people.

Beyond its purely economic value as a sector in itself, retail underpins local economies and plays a vital role in delivering public policy (and providing social value) in areas such as public health, employment and skills, environmental sustainability and community cohesion. Retail is often considered to be a sector in need of less attention than other parts of industry: it “just happens”; is not mobile; does not participate in overseas activity; and is not subject to foreign competition. None of this is true.

Key objectives

Retail markets in many developing countries are expanding rapidly but some remain closed to inward investment. A priority therefore must be to break down barriers to retail investment opportunities overseas, and to showcase UK excellence and know how. This will include addressing operational barriers within the EU where there is not a Single Market for retail. At the national level the priorities are better enforcement and knowledge transfer. At the local level it is how best to support LEPs in helping retailers in their areas. These issues are all those where BIS has a significant role to play in shaping and/or leading on the policy.

The strategy does not address issues such as Sunday Trading and planning policy. These are ongoing issues where the government is well aware of the position of retailers and/or where the retail sector is divided on desired outcomes. The government position on business rates is that it is committed to review the use of the Retail Price Index for business rates once its fiscal consolidation plans have been implemented.

Next steps

BIS will monitor progress at 6 monthly intervals.

Annex A - BIS Retail Actions

National

Better regulation

A positive approach to regulation can contribute significantly to economic development and sustainable growth. Good regulation can protect businesses by creating a level playing field and confidence to invest, grow and create new jobs. It is not just regulation that impacts on retail but the enforcement, the Better Regulation Delivery Office's (BRDO) Regulation and Growth paper explores how regulation can sustain economic growth by reducing costs and improving business confidence.

Government will work closely with BRDO to improve regulatory delivery and to promote and expand coverage of the Primary Authority Scheme (PA) by:

- Promoting a partnership approach between regulators and regulated (Spring 2013).
- Raising awareness campaign of PA amongst retail sectoral trade bodies, local authorities and LEPs (January 2013. Key stakeholders BRDO, LEPs, retail sectoral trade bodies, and the LGA).
- Improving the way regulation of retail is enforced by delivering a common standard of competency and reviewing the Regulators Compliance Code (End 2013. Key stakeholders BRDO, LEPs, retail sectoral bodies, and the LGA).
- Instituting an awareness raising campaign for a new code of practice for regulatory delivery in respect of age restricted products for retailers and local authorities (To follow publication in autumn 2012).

National

Knowledge transfer

Retailers spend significant amounts of money on research and development. Research Councils, Higher Education Institutions and other organisations also invest a considerable amount of time and effort in understanding the retail sector. Much of this work is not co-ordinated and not collaborative. Government can assist with this by:

- Developing a system for more effectively deepening and disseminating knowledge transfer between research bodies, academia, retail and government by scoping what retail needs, what gaps exist, and how these can best be met (December 2012. Key stakeholders BRC, ACS, LEPs, Technology Strategy Board, research councils (e.g. ESRC) and HEIs).

With their wealth of consumer knowledge retailers are best placed to not just provide products for assisted living but identify gaps in the market. They can also help by making both stores and products more accessible. Government will help address this market failure by:

- Hosting a seminar to disseminate research findings on the gap in the consumer market for assisted living products, and to explore opportunities for intelligent design and greater inclusivity in both the design and accessibility of products. (January 2013. Key stakeholders DH, AgeUK, TSB, ESRC, Design Council, BRC, ACS, LEPs, Local Authorities, and retailers).

Retailers have reported that there is a lack of people with sufficient STEM skills throughout the sector. Government will help identify the extent of the problem by:

- Undertaking a retail STEM skills gap analysis, likely to focus on higher mathematics, technical capability, data mining and analysis, e-commerce functionality and cyber security, food science and technology (February 2013. Key stakeholders BRC, ACS, IMRG, SkillsSmart retail, Improve, Gloucestershire LEP, BIS (skills), DCMS and DEFRA).

Local

The importance of retail to local economies should not be underestimated. It is one of the few sectors with a presence in every neighbourhood. Local economies are underpinned by retail as a provider of employment, skills development and the goods and services people need and want. Where there is retail there is a multiplier effect for other consumer facing enterprises (tourism, food and drink, sports and leisure, personal services as diverse as hair and beauty and banking, evening and night-time economy). But consumer needs are changing and new ways of doing business are emerging.

Retailers are the prime movers behind Business Improvement Districts (BIDs) and are on the boards of several Local Enterprise partnerships (LEPs). LEPs are beginning to explore what they can do to support retail in their areas – not just as part of the local economy – but as important engines for growth.

BIS has recognised Gloucestershire First as the first retail pathfinder to enable it to take the lead nationally on developing and promoting local solutions, working with other LEPs with an interest in retail.

Government will work with local partners to better understand market conditions and challenges and to undertake activities that maximise retail's contribution to growth in local economies through identifying opportunities and sharing best practice by:

- Implementing recommendations made by Mary Portas in her report which support the high street and local markets. This will include: promoting and building upon successful business models which work at a local level, such as BIDs; supporting initiatives such as the code of practice for commercial leasing or the Town Team toolkit which provide useful guidance to town centre partnerships to revive their local high streets. (Ongoing. Key stakeholders, DCLG, BRC, ACS, ATCM, and BCSC).
- Agreeing an action plan with Gloucestershire LEP (as the first LEP Retail Pathfinder) to support Gloucestershire LEP to develop and pilot initiatives to support retail growth at local level. (October 2012. Key stakeholders, GFirst, BIS (and BIS Local), DCLG, other interested LEPs, BRC and ACS).
- Enabling retailers in other LEPs with an interest in retail to get information on new initiatives and opportunities; BIS will agree a communication and engagement strategy with Gloucestershire LEP to ensure relevant information is communicated to other LEPs with an interest in retail. (September 2012. Key stakeholders, BIS, DCLG and Gloucestershire LEP and other LEPs with an interest in retail).
- Providing forums for LEPs to offer expert advice on retail to central government policy makers (such as access to finance), through their wide range of retail contacts. (December 2012. Key stakeholders, BIS and Gloucestershire LEP).
- Supporting Gloucestershire LEP to undertake research that identifies the key performance indicators essential for thriving local retail economies, helping to

promote and disseminate the conclusions to wider audiences. (March 2013. Key stakeholders, LEPs, BIS, DCLG and ATCM).

- Exploring ways to link local/ regional strengths within the UK with appropriate overseas opportunities for growth. (January 2013. Key stakeholders, UKTI, BIS, Gloucestershire LEP, and other LEPs with an interest in retail).

Europe

Retail is Europe's biggest private sector employer, contributing around 18 million jobs across the EU and accounting for 4.2% of GDP. 20% of Europe's SMEs are retailers. In 2011, five of the world's ten largest retailers were European companies.

The UK has the highest per capita spend online in Europe. In 2010, UK internet sales were worth £23.4 billion and recent research indicates 72 per cent of adults use their broadband connection for purchasing goods and services. The UK, Germany and France account for 71 per cent of the European online retail market and potential for overseas commercial growth is significant.

Despite significant steps towards greater economic integration there remain many barriers to the free movement of goods and services which are required to create a truly single market for European retail. The Services Directive was designed to address these barriers but businesses are yet to experience the intended benefits due to inadequate implementation in many Member States.

In 2009 the European Commission carried out a monitoring exercise which led to the publication of the Retail Market Monitoring Report; "*Towards more efficient and fairer retail services in the internal market for 2020*". This has led to the development of an action plan specifically to support growth in the retail sector due end 2012. The government will support UK retail growth through stimulating investment in the EU by:

- Establishing a "UK retail in Europe network" by November 2012 to: develop a holistic view of EU measures impacting UK retail; help formulate UK input into the European Retail Action Plan to promote measures likely to increase retail growth and investment, and to deepen and disseminate understanding of regulations covering establishment and operations within the EU. This could include ensuring a co-ordinated UK approach on the retail aspects of the Services Directive and Single Market, and ensuring implementation of the European Commission's Digital Single Market initiatives to reduce the regulatory and non-regulatory burdens to e-commerce. (Ongoing. Key stakeholders, BRC, ACS, BIS, and HMT).
- Supporting measures which increase consumer confidence in e-commerce and facilitate increased cross border trade. (Ongoing. Key stakeholders, DCMS, BIS, BRC and ACS).
- Championing the use of better regulation principles to reduce the burden of regulation, to ensure effective scrutiny at EU level including "risk-based" policy making utilising robust impact assessments and appropriate consultation. (March 2013. Key stakeholders BIS, BRC, ACS).

International

Significant growth of the UK retail sector as a whole will be achieved primarily by an increase in international trade. With continued subdued growth in the mature markets of Europe, many UK retailers have identified international markets as key drivers of future growth. World class British brands and retailers are well placed to capitalise on the rapid growth of the global middle class.

There is enormous potential for growth of UK brands in a number of overseas markets, especially the BRIC countries (Brazil, Russia, India and China) and the VISTA countries (Vietnam, Indonesia, South Africa, Thailand and Argentina).

At the upper end of the middle class the new rich and upwardly mobile young are driving demand for luxury brands and lifestyle products. UK brands are in demand and seen as both fashion statements and status symbols. Many luxury brands are investing in extremely sophisticated flagship stores in the upper scale malls of transitional economies, as both advertising and sales vehicles for the new rich. In many cities in both Eastern Europe and Asia, the luxury industry is spurring urban renewal.

Government recognises that there needs to be a different approach than that used for manufactured products in helping UK retailers to invest overseas to meet the unmet demand for UK retail and brands. Government will work to liberalise overseas retail markets to open up opportunities for UK companies. This will be done through a task force approach with UKTI, FCO, trade policy, and embassies to identify opportunities and connect UK retailers with them by:

- Piloting a new “task force” approach (linking trade promotion, trade policy, and UK retail priorities) in a rapidly emerging market. (April 2013. Key stakeholders, UKTI (including FCO and embassy support where appropriate, and joint UK/country organisations where they exist), BRC, and BIS (including trade policy)).
- Developing a toolkit to help retailers to invest overseas. (April 2013. Key stakeholders, UKTI, BIS and BRC).

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