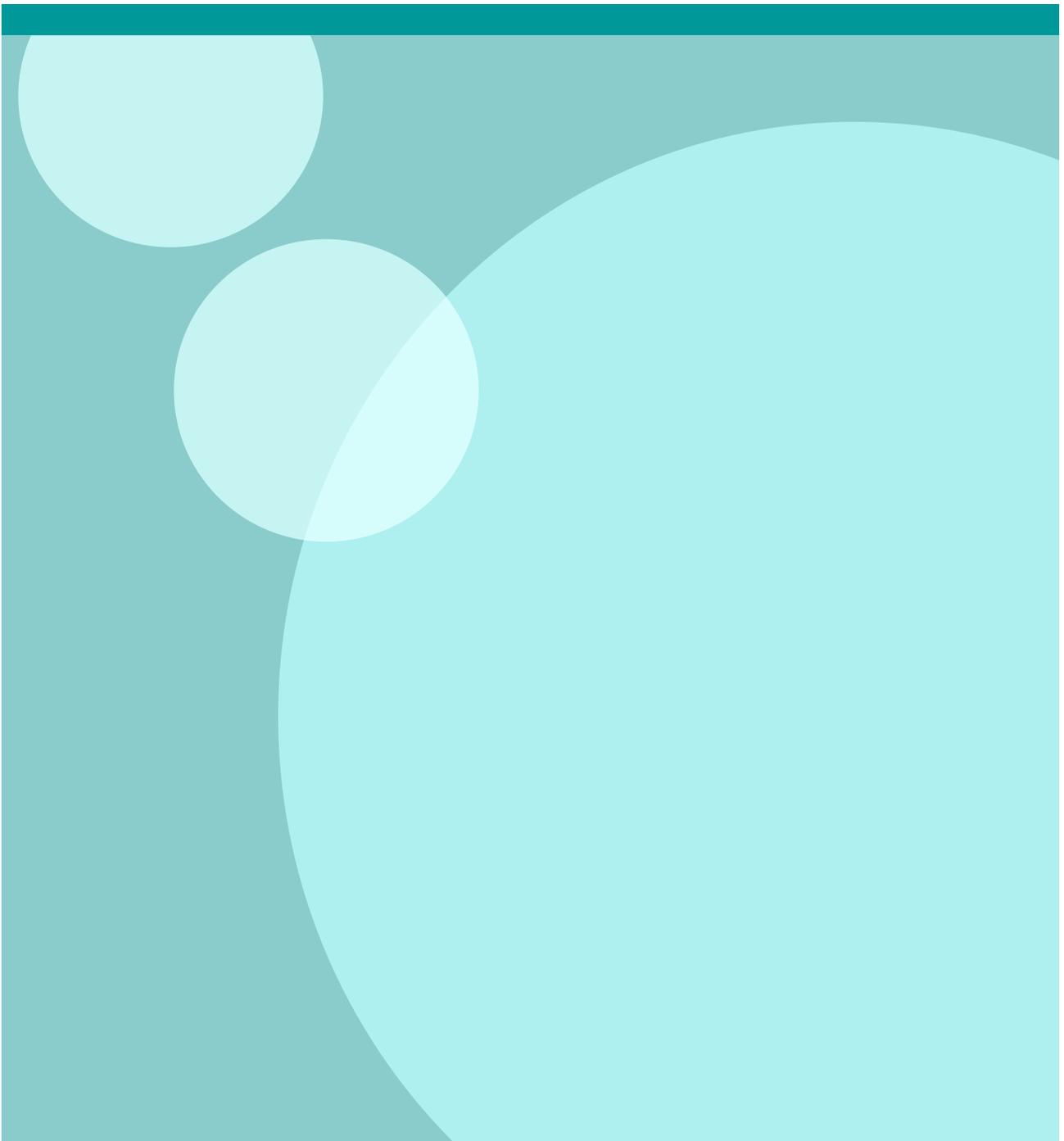




Retail Markets
Management models





Retail Markets
Management models

September 2010

Department for Communities and Local Government

Department for Communities and Local Government
Eland House
Bressenden Place
London
SW1E 5DU
Telephone: 0303 444 0000
Website: www.communities.gov.uk

© Crown Copyright, 2010

Copyright in the typographical arrangement rests with the Crown.

This publication, excluding logos, may be reproduced free of charge in any format or medium for research, private study or for internal circulation within an organisation. This is subject to it being reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the publication specified.

Any other use of the contents of this publication would require a copyright licence. Please apply for a Click-Use Licence for core material at www.opsi.gov.uk/click-use/system/online/pLogin.asp, or by writing to the Office of Public Sector Information, Information Policy Team, Kew, Richmond, Surrey TW9 4DU

e-mail: licensing@opsi.gov.uk

If you require this publication in an alternative format please email alternativeformats@communities.gsi.gov.uk

Communities and Local Government Publications
Tel: 0300 123 1124
Fax: 0300 123 1125
Email: product@communities.gsi.gov.uk
Online via the Communities and Local Government website: www.communities.gov.uk

September 2010

ISBN 978-1-4098-2558-6

Contents

Introduction	4
Types of management model	5
Local authority	5
Private	5
Trader	7
Partnership	8
Arms-length	9
Social/community enterprise	9
Voluntary sector	11
Shared management	11
Market rights	14
Conclusion	14
Appendix	15
Management models: pros and cons	15

The markets industry and the Government have come together to identify ways in which markets can be supported. This is important because a successful market has much to offer the local community – economically, socially and environmentally.

One of the key issues that has been identified as crucial to the viability and success of the market is the way in which the market itself is managed.

Although over half of all retail markets are operated by local councils there are a number of different models in use across the UK. This guide provides information on, and examples of, those models, but does not advocate one form of market management over another. Its purpose is to help inform debate, so that the most appropriate management model can be identified and implemented at a local level.

This document will be of relevance to local authorities, but the contents are designed to be of use to the industry as a whole. Further information on retail markets can be found at www.nabma.com, www.nmtf.co.uk and www.farma.org.uk

This document is also the sister document of a report on how markets can support the local community (available at <http://www.communities.gov.uk/regeneration/publications/all/>), and is also relevant to a series of training modules for market traders, to be launched in October 2010, further details of which will be available at www.nmtf.co.uk.

Introduction

It is good practice for any business to regularly review the effectiveness and efficiency of its operation. In the case of markets, there are a number of factors that could influence such a review and the way the market is managed – the ‘management model’. These include:

- Does the market currently operate at a loss?
- Does the market cater for the customer base/community needs of its catchment area?
- Is there currently sufficient experience and expertise to manage the operation?
- How will income (revenue) streams be maintained or increased?
- Is there a need to provide specialist markets?

Types of management model

Local authority

The majority of markets are still directly provided and managed by local authorities. This model offers the advantage of accountability, linking markets to wider policy strategic goals, and by understanding the 'public good' that markets provide.

Hinckley Retail Market

Faced with the potential decline of its retail market Hinckley & Bosworth Council took a decision to invest in and improve Hinckley market's offer and performance. Over the past three years this has resulted in:

- Over £53,000 invested in new stalls.
- Stall rents frozen for three consecutive years.
- Improved partnership working with the town centre manager, chamber of trade, town centre partnership and business improvement district.
- Higher profile political support for the market.
- Improved systems and procedures.
- Occupancy levels at 95 per cent compared with 80 per cent in 2005-06.
- Turnover of the market increasing to £191,000 in 2008-09 from £108,000 in 2005-06 (an increase of over 75 per cent).
- Increased recognition of the benefits that the market brings to the town centre.
- Winner of 'Outdoor Market of the year 2010'.

Further information:

www.hinckley-bosworth.gov.uk/pp/service/directory.asp?id=5031&Tree=4884&DetailID=3796

Private

Many markets are operated directly by the private sector, either licensed by the local authority under its market rights, with their own charter rights, or in some instances, completely outside the licensing framework. This model offers the advantage of reduced bureaucracy and costs, an increased focus on the core business, and the opportunity for directly raising investment capital.

Worthing Seafront Market

The Worthing Town Centre Initiative is a community interest company with an objective to enhance Worthing and to provide a vibrant and exciting town centre. Its aims include increasing footfall and helping to ensure that the businesses that choose to trade in Worthing are successful.

The town centre partnership's aim was to use a rejuvenated market as a catalyst to bring Wednesdays back to life in the town, increase footfall and allow the market to become a feature of the shopping week. This would also have a spin-off benefit for the shops within the town to increase their custom.

Following a tendering process, Town & Country Markets were selected to develop the market. Working in partnership with Worthing Town Centre Initiative, the private market operator introduced a new Wednesday market near the sea-front area of the town.

Before the market moved into Montague Street, Wednesday was the quietest trading day of the week with an average of 11,000 shoppers; since the market started there has been an increase to an average of 18,000 shoppers each Wednesday making it the second busiest day of the week in terms of footfall.

Further information:

<http://www.townandcountrymarkets.co.uk/shoppers/uk-markets/worthing-market/>



Image provided by Town and Country Markets

Trader

There are a number of traditional and farmers' markets that are directly managed by the traders themselves. This offers the advantage of reduced bureaucracy and costs, and an increased sense of ownership by the traders. This model is an example of localism made real.

Cottingham Retail Market

Faced with immediate closure of the market, the traders decided to take over the management of the market.

Cottingham market is a rural market trading one day a week in the town centre square, and was previously managed by a private operator. Just over 13 years ago, the management announced that the market was to close with immediate effect. The traders decided to take over the management of the market. With support from the National Market Traders' Federation, they set up a co-operative company to run the market.

Costs have been controlled – they do not employ a manager, and have a part-time cleaner. Rents have also been kept at a stable level.

The traders stand on other markets in the area and if any vacancies occur, use their local knowledge and word-of-mouth to recruit new traders.

The market appears to have weathered the recession. One trader occupying a number of stalls ceased trading in November 2008, but was replaced and the market of approximately 30 stalls is now full, and has been trading successfully as a co-operative for over 13 years.



Image provided by Krys Zasada, Nabma

Partnership

These can range from the local authority retaining the strategic management of its markets but outsourcing the operational management, to a formal medium- to long-term joint venture between the public and private sector. These models are useful where the local authority lacks the in-house capacity and capability to effectively manage the markets, and where external capital investment is required.

A variation on this model is the emergence of public-public joint venture companies whereby local authorities at a sub-regional or city-region level transfer the management of their markets into a separate company. This not only creates economies of scale and increased purchasing efficiency but also allows for much better strategic planning. This model has the potential to match the development of local enterprise partnerships, which are a new proposal to empower a number of local authorities and businesses to come together to take action to support enterprise and drive economic growth in their communities.

Liverpool City Council joint venture

Faced with a market portfolio operating at a significant loss, a need for capital investment, a lack of in-house expertise and a desire to expand the range of markets on offer, Liverpool City Council undertook a 'best value' review of its markets service. The outcome of this was a decision to seek a formal partnership with an external provider.

Following a formal tendering process, Geraud Markets UK was selected as the preferred partner. A joint venture company was set up with board of directors from Geraud Markets and the City Council. The management of the council's market portfolio was transferred to the company.

Since the market partnership was established significant progress has been made:

- The operation no longer trades at a loss and has returned to a small annual surplus.
- There has been significant investment into the outdoor markets infrastructure (stalls and chalets).
- There is now an extensive specialist and farmers' market offer in the city.

Further information can be obtained from:

keith.cadman@liverpool.gov.uk

Arms-length

In 2008, Glasgow City Council became the first UK local authority to establish its markets as an arms-length limited liability partnership (LLP). This model offers the advantage of reduced bureaucracy and costs, an increased focus on the core business, and the opportunity for directly raising investment capital.

Glasgow City Council

Faced with a need for significant capital investment into its markets portfolio, Glasgow City Council decided to establish a limited liability partnership. This was a model that the council had already used for other council services and offered the advantage that an over-arching management framework was already in place. The board of directors of City Markets (Glasgow) LLP currently consists of four elected members (councillors) and two officers. The council retains ownership of the assets (the wholesale market) but has transferred them to the partnership under long-lease arrangements. A management agreement for the delivery of retail markets has also been set up.

Since the arrangements were put in place there has been:

- Capital investment of £6.5m by the council in essential repairs to the wholesale market.
- Additional external capital is being sought through the EU Joint European Support for Sustainable Investment in City Areas initiative.
- Expansion of the retail market offer in the city.

Further information can be obtained from Graham Wallace, the Managing Director of City Markets (Glasgow) at graham.wallace@citymarketsglasgow.co.uk

Social/community enterprise

A social enterprise is defined as 'a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners'. In practice there are various (and quite different) business models that operate successfully under the social enterprise banner. However, all share a commitment to trading ethically and generating wider social or environmental benefit through their trading activity. This should not necessarily be interpreted as meaning they are small players in a niche market: the Co-operative Society, John Lewis and the mutual building societies are all social enterprises.

However, the social enterprise model is especially suitable where a business is rooted within a specific locality or community, so could be of particular use for smaller markets that do not generate large profits but do want to add value through maximising the local economic, social, and environmental benefits that markets can

generate – see the sister document to this one (available at <http://www.communities.gov.uk/regeneration/publications/all/>).

Within the context of operating markets, there are three models that warrant particular attention (although in practice the boundaries between them are often fluid):

- **Co-operative:** the market business is owned and managed by the market traders – primarily for their collective benefit but usually adding value through product range, contribution to the local economy, willingness to work in partnership with other local agencies.
- **Community enterprise:** the market business is owned by, managed by and accountable to the local community – primarily as a vehicle for benefiting the local community. Being a viable, profitable business is important but no more so than what the market means, to and offers, local people. With this local commitment, adding value through economic, social, and environmental outcomes is seen as ‘core business’ alongside the actual trading.
- **Social Enterprise:** the market business is run ‘as a business’ with a specific ethical focus which is likely to produce local benefit but is not the primary purpose of the business. For example profits could potentially be invested outside the area of operation – even overseas in developing countries.

Heywood Magic Market

In 2001 Heywood Market had lost £70,000 in its last trading year and was under threat of closure.

Rochdale Council took a decision to relinquish management of the market and put the operation out to tender. With support from town councillors, friends of the market, the local MP, and council officers the traders themselves set up a community trust, called MAGIC (Market Action Group In the Community).

A business plan was developed and submitted in competition with other market operators.

Although offering a lower financial return to the council than other bids, the community trust bid was successful because it provided the greatest benefits to Heywood and its people.

The trust took over management of the market in December 2002. At that time the market was only two-thirds full. Managed by a board of volunteers, by March 2003, the market was virtually full and a community/training facility had been established and furnished. A market manager was appointed in April 2003.

The market is currently over 90 per cent occupied, offering a mixed range of products to its customers. The trust also offers a weekly home to the local Citizens Advice Bureau, and supports local groups and charities with donations. The market has expanded with the provision of some outdoor stalls. One of these was occupied, at a reduced rent, by the JobCentre, and this has assisted

57 people back into work. The training facility has been very successful, and used on a regular basis for computer classes. Local primary care trusts, Manchester University and the trust itself have used the facility.

Further information is available at: www.heywoodmagicmarket.co.uk

Other social enterprise examples in relation to markets include:

- Southern Market Traders Co-operative Ltd – www.smtcmarkets.co.uk
- Action Acton – <http://www.actionacton.com>
- RCMA Social Enterprise Ltd – a multi-award winning 'mixed' model: www.Riversidemarket.org.uk

Voluntary sector

Some markets, usually community-focused, infrequent and relatively small-scale, are managed by volunteers. This has the advantage of creating a sense of community-ownership of the market as well as reducing operational costs.

Sharrow Vale Community Market, Sheffield

This quarterly street market was set up by the Sharrow Vale Community Association in November 2009. The market traders pay a pitch fee and provide their own stalls. The operational management is provided by volunteers and the trading surplus is donated to local charities. The market provides trading stalls, entertainment and space for community groups and has been particularly successful in engaging the local community. Many of the street's retail shop units take market stalls on market days.

Further information: www.sharrowvalecommunityassociation.co.uk/events/

Shared management

The CLG Select Committee Report on retail markets¹ recognised the potential benefit of small markets/town and parish councils sharing the costs of employing a more senior and experienced market manager to run a portfolio of markets.

Although this model of different public sector organisations co-funding posts is not new (it is often used in public health arena, with staff costs shared between local authorities and the NHS), it has not been developed in markets. It also offers the opportunity for larger market authorities to come together to create economies of scale in the procurement of specialist goods and services e.g. stalls, security, and waste management.

¹ *Market Failure?: Can the traditional market survive?*, July 2009

There are provisions within the Local Government Act 1972 providing for the joint discharge of functions. Section 101 allows a local authority to arrange for the discharge of its market service by another local authority. An example of this arrangement is Bradford Metropolitan District Council currently operating markets for Selby Town Council.

Part VII of the Act also provides an opportunity for a local authority to place staff at the disposal of another local authority and, given the concern expressed in the CLG Select Committee report about the quality of management, consideration should be given to the possibility of experienced market managers being given wider responsibilities for markets within their region. Adopting a more strategic approach to markets can bring benefits in delivering better quality and also a more focused approach.

Section 102 of the Local Government Act 1972 also provides for the creation of joint committees to administer particular services and market authorities should consider the benefits of a joint committee arrangement to manage markets. An example of this approach is currently under consideration by the district council and town council in Stratford-upon-Avon. Both have responsibilities for market activities within the town and they are considering how they can operate markets more successfully by working under an informal joint arrangement.

Staffordshire Moorlands and High Peak Councils

A strategic alliance between High Peak Borough Council and Staffordshire Moorlands District Council was formed in December 2007 to establish joint working arrangements and a shared approach to the delivery of key services that would improve services and deliver greater value for money.

Their aims were to:

- Increase customer satisfaction.
- Save money, improve services and limit council tax increases.
- Strengthen and share skills.
- Preserve the distinctive qualities of the two areas.
- Increase collective influence to secure a better deal for our communities.

The roll-out of this shared service approach includes retail markets and single management arrangements now exist for indoor and outdoor markets across both councils as well as tourism services.

Whilst it will be important to maintain the integrity and identity of the individual markets, the joint management arrangements will provide opportunities to:

- Share best practice.
- Share and attract new market traders.
- Reduce operating costs.

- Maintain and improve standards.
- Joint marketing and promotion and more integration with tourism promotional activities.
- Shared training and support programmes for traders.
- Share back office systems and support for market management.

Further information:

Philip Haddock, Special Projects Officer, Staffordshire Moorlands District Council.

phaddock@staffsmoorlands.gov.uk

Market rights

Whatever alternative management model is considered – if any – a market operator will need to consider the implications of any market rights issues.

Markets rights enable a market operator, among a range of other rights, to potentially control the setting up of other markets within a defined area of six and two-third miles. Many market operators, in both the public and private sectors, take these responsibilities seriously and have adopted policies to control the setting up of markets, particularly car boot sales. It is important that, as part of the consideration of an alternative model, a market operator considers the extent to which an existing markets rights policy can be accommodated.

Further information on market rights can be obtained from Info@nabma.co.uk

Conclusion

There is a wide range of management options available for retail markets, some well established, others new. They provide the opportunity to transform poorly performing markets and improve the range and choice available to communities. It is for the markets industry to grasp that opportunity.

Appendix

Management models: pros and cons

The following table summarises some of the pros and cons of different types of market management model:

Management model	For	Against
Local authority	<ul style="list-style-type: none"> • accountability • linking markets to wider policy/strategic goals (public good) • generates revenue stream for the local authority 	<ul style="list-style-type: none"> • can be bureaucratic • lack of capital to invest/competing priorities for bids • management may not have retail skills • time taken to respond to change drivers • profile of markets within local authority – no statutory requirement to provide the service
Private	<ul style="list-style-type: none"> • reduced bureaucracy • cost efficient • focus on core business • access to capital investment 	<ul style="list-style-type: none"> • potential lack of accountability • lack of interest/expertise in wider social/policy issues • lack of security/protection for market traders
Trader	<ul style="list-style-type: none"> • reduced bureaucracy • cost efficient • focus on core business • increased sense of 'ownership' by traders 	<ul style="list-style-type: none"> • may lack capital for investment • potential lack of accountability • traders may lack time/wider management skills necessary to effectively run the market and their own businesses • lack of interest/expertise in wider social/policy issues • potential conflict of interest
Partnership	<ul style="list-style-type: none"> • access to capital investment • economies of scale • improved strategic planning (links to local enterprise partnerships) • potential for improved management capacity and capability 	<ul style="list-style-type: none"> • can be time consuming and expensive to establish • merging public and private sector styles can be challenging
Arms-length	<ul style="list-style-type: none"> • reduced bureaucracy • cost efficient • focus on core business • access to capital investment 	<ul style="list-style-type: none"> • can be time consuming and expensive to establish

continued

Management model	For	Against
Social/community enterprise	<ul style="list-style-type: none"> • builds closer links to community • wider community benefits • reduced bureaucracy • cost efficient • focus on core business • potential access to alternative capital investment 	<ul style="list-style-type: none"> • may lack experience and expertise in managing large market portfolios • difficulties in attracting commercial capital
Voluntary sector	<ul style="list-style-type: none"> • cost efficient • builds closer links to community 	<ul style="list-style-type: none"> • relies on volunteers – frequency of operation may be limited • lack of expertise/experience of volunteers • increased operational risk • lack of capital investment
Shared management	<ul style="list-style-type: none"> • ability to share best practice • ability to share and attract new market traders • reduced operating costs • ability to improve standards • joint marketing and promotion and more integration with tourism promotional activities • shared training and support programmes for traders • shared back office systems and support for market management 	<ul style="list-style-type: none"> • potential loss of identity of individual markets • potential for one partner to be seen to be ‘bailing out’ the other • can be bureaucratic • lack of capital to invest/competing priorities for bids • management may not have retail skills • time taken to respond to change drivers • profile of markets within local authority – no statutory requirement to provide the service

ISBN 978-1-4098-2558-6

ISBN 978-1-4098-2558-6



9 781409 825586