

RETAIL REVIVAL?

The rise of online shopping has not been bad news for all Britain's high streets. Some retail centres are more 'e-resilient' than others



FAST-FORWARD TO

2020

Britain's retail sector has been going through a significant transformation as it adapts to both the rapid growth of online shopping and the slow recovery from the financial crisis and the recession. In recognition of this, the ESRC has supported one of the most exhaustive evidence reviews into high streets, town centres and consumer habits ever conducted in Britain for the Future High Streets Forum. The results of analysis by the ESRC Consumer Data Research Centre (CDRC), some of which are available on a highly interactive data website (maps.cdrc.ac.uk) suggest that the biggest losers may not be those centres that are dominated by big chains nor those with a variety of independent retailers – but rather those that are nestled somewhere in between.

The internet has changed the life of the consumer in an unprecedented way: access to 24/7 browsing from the comfort of our own homes, instantaneous price comparisons and shopping across continents at the click of a mouse. As a result of these trends, the Digital High Street Advisory Board 2015 concluded that the expansion of online shopping was a major cause of change to the structure of traditional high streets in Britain.

A quick glance at a typical high street or retail centre confirms this: major retailers, such as Jessops and Woolworths, have either ceased trading or pared back their retail offerings. At the same time, there has been a rise in 'theatre' stores from retailers including Argos, Boots and John Lewis – increasing their physical presence but using their conventional stores as showrooms for online ordering or 'click & collect' facilities.

Professor Alex Singleton and his colleagues at the CDRC have developed

What will be happening five years down the line? A leading retail consultancy predicts the following, in the four largest non-food categories – Clothing & Footwear, Electricals, Furniture & Floor Coverings, and Health & Beauty:

- ▶ E-commerce will capture 34% of sales, up from 14% today, with the internet influencing 75% of sales (up from 44% today).
- ▶ Sales through stores (including those researched online) will decline to 66% (down from 86% today).
- ▶ Growth in e-commerce will be at the expense of town and shopping centre store sales especially, which will shrink by 27%. This will result in 21% less retail space and 31% fewer stores in town centre venues.

Source: Javelin Group, specialist retail and omni-channel consultancy

the concept of 'e-resilience' to provide a framework for understanding the differing fortunes of retailers and retail centres in this fast-changing world. E-resilience provides a measure of the vulnerability of retail centres to the effects of growing internet sales – and an estimate of the likelihood that their existing infrastructure, functions and management can adapt successfully. Patterns of shop openings and closures present a somewhat mixed picture of retail revival across Britain, but e-resilience provides a way of interpreting the big picture.



Working in partnership with the Local Data Company, which manages Britain's largest database of retail facilities, the CDRC has classified every neighbourhood in England according to a variety of characteristics that might influence use of the internet for consumer purposes. Key attributes include education, employment, engagement with new innovations in information and communications technology, and locally available broadband infrastructure. Other behaviours and attitudes of consumers vary in predictable ways across the country, and this helps to anticipate changing demand for retail facilities.

Nationally, approximately 53 per cent of us use online shopping. But the research suggests that there is a seven per cent difference between those living within the most and least engaged areas. The physical attributes of the retail centre and the part of the country in which it is located also have a significant bearing on whether a retailer prospers or sinks.

Perhaps the most significant impact of online shopping is not the death of the high street, as has been predicted in the



Some styles of high street are proving more resilient than others

ONLINE ON THE RISE

While predictions of the death of the high street now seem premature, online shopping is growing inexorably as recent figures from the House of Commons Library show:

► The retail sector involves spending by consumers in shops and online. In March 2015, consumers in the UK spent around £34 billion. For every £1 spent in the retail sector (online and in shops), 42p was spent in food stores, 41p was spent in non-food stores and 11p on automotive fuel. The remainder was spent in other types of retailers, such as market stores or mail order catalogues.

► The value of internet sales as a proportion of total retail sales rose from 2.7% in January 2007 to 11.1% in January 2013. In December 2013, average weekly internet sales peaked at 8.1 billion.

► The increase in online sales is in part due a move towards internet-only stores and products. In 2008, online and mail-order businesses accounted for 3.4% of the total number of enterprises in the retail industry (except of motor vehicles and motorcycles). This had increased to 8.2% in 2012.

► In the music and film sector, more than half the sales of physical products (not including downloads) are already online. This has resulted in severe difficulties for retailers such as HMV, which went into administration in early 2012.

Source: The retail industry: statistics and policy (20 May 2015) by Chris Rhodes (House of Commons Library)

past. Instead, it is the emergence of a new geographical pattern of shopping behaviour that has led to the creation or revival of two contrasting physical shopping experiences.

BUILDING E-RESILIENCE

On the one hand, there is a proliferation of large and attractive centres that are now hubs for shopping and leisure, and which are frequented by people in their droves. On the other hand, smaller high streets that provide everyday convenience or more specialist retail outlets seem likely to endure in some form. Between these are the least e-resilient centres mainly those located in suburban and rural areas – that do not appear to have either the infrastructure or the characteristics to attract shoppers in post-financial crisis Britain.

Of the top 10 least e-resilient centres, four are in the South East (Botley Road in Oxford, Hurstpierpoint, Oxted and Woburn Sands), three in the East of England (London Road in Leigh-on-Sea, Pottton and Rochford), two in the West Midlands (Barnt Green and Eccleshall) and one in the North West

(Whalley). It seems that customers of these centres are now searching for an alternative shopping experience: more often than not, this is online.

Online shopping has reshaped the worlds of retailing and consumer behaviour significantly and will continue to do so as consumers use time and place in different ways to satisfy their needs and preferences. Yet the CDRC study does not suggest the death of the physical shopping experience, despite the far-reaching effects of the internet. The pace of change in some retail centres has been more rapid than in others and research suggests that some will be much more e-resilient than others.

It is crucial for retailers – in particular those that sit midway between the large centres and the locally convenient high-street stores – to engage the consumer in a far more innovative manner than has so far been explored. Without it, any retail revival that builds on the aftermath of the recession could potentially end up being very polarised. ■

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