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by Kenneth Parsons

The Retail Scene - supermarkets

High Streets up and down the country are struggling. Thousands of shops closed during the first half of 2011. Not just small businesses but some big names have gone to the wall. Data commissioned by the accountancy firm PwC shows that bookshops, fashion stores and jewellers are amongst the worst casualties. High Street names such as Habitat, Jane Norman, HomeForm, Focus DIY, Life & Style and Officers Club have all gone into administration. About one seventh of Britain's town centre shops are empty.

Meantime, the "Big 4" supermarkets are opening 6 million square feet of new shop floor space this year, in the face of a mature grocery market and static or even declining overall national sales (see below). It is a zero sum game – if one company is winning sales, then another company is losing an equal value of turnover. A picture of lemmings heading for the cliff face comes to mind.

Small shops fighting back?

Recently published figures from the Office for National Statistics on retail sales make fascinating reading. In July, food prices were 5.7% higher than in July 2010. In itself, this is a frightening figure and one that is big enough for customers to really notice and to alter their buying behaviour. Part of the impact has been a decline in the volume of food sales. Although sales values in the food sector rose by 4%, this actually represented a fall in volume by 1.6%. This followed a decrease in food sales volume in June of no less than 4.1%.

Looking at predominantly food store sales volumes, in July large businesses showed a volume decrease of 2.1%, whilst small businesses actually increased by 1.1%. This is a very significant difference, which could be the start of a significant new trend. In July, the large supermarket chains were soundly outperformed by their smaller competitors. This is despite their new store development programmes, all their special offers and their own label developments. All that expensive new supermarket real estate may not be such a good investment after all.

Customers seem to be buying fewer items on their big supermarket shop and then topping up at their local convenience store later in the week. However, we would emphasise that customers are still demanding high standards – it is the good local shops that are benefitting from this emerging trend.

Red Tape Challenge

This Government consultation on legislation affecting businesses is still active. Although it is easy to be cynical about the whole exercise, nevertheless it does show that the government is at least thinking in the right way. Although the consultation on regulations that just affect retail has now closed, the consultations on what are arguably two of the most important aspects affecting small retail businesses, health and safety and employment law, are still active. Although some of the comments going onto the site are at the level of chat rooms discussing a Z-lister's latest "wardrobe malfunction", nevertheless many contributors are knowledgeable and sensible.

<http://www.redtapechallenge.cabinetoffice.gov.uk/home/index/>

It is deeply paradoxical that at the same time as the Government is consulting on ways to reduce the regulatory burden on business, it has also been conducting the "Modern Workplaces" consultation. This included provisions such as extending parental leave entitlements and beefing up the rights associated with sick leave. Irrespective of the rights or wrongs of the proposals, the Government is self-evidently consulting to reduce the burden with one consultation whilst materially increasing it with another. Most small shopkeepers are amongst the hundreds of thousands of small business owners for whom sick pay would be a luxury and the chance to actually take four weeks paid holiday a total impossibility.