

## Retailing, Retail Planning, Town Centres and Some Other Random Observations

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## Land-Use Planning

- ⌘ Planning is an entry barrier
- ⌘ It encourages game playing
  - ☒ Extensions
  - ☒ Objections
  - ☒ Land
  - ☒ Need



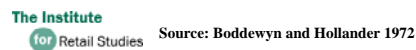
## Structure

- ⌘ Land-Use Planning and the Role of Intervention
- ⌘ The Competition Commission Investigations
- ⌘ Land-Use Planning and The Barker Review
- ⌘ What Sort of Retailing and What Sort of Town Centres do we Want?



## So Why Does Planning Exist? The Role of Intervention

- ⌘ Protect smaller retailers
- ⌘ Achieve price stability
- ⌘ Improving the efficiency of retailing
- ⌘ Ensuring consumer protection
- ⌘ Protecting the environment



## The Role of Intervention - Again

- ⌘ The **RETAIL** case: not to have too many shops and optimum mix of shops at levels of hierarchy
- ⌘ The **URBAN** case: town centre vitality needed and to manage the morphology of urban areas
- ⌘ The **SOCIAL PLANNING** case: equity in shopping provision to avoid disadvantaged groups
- ⌘ The **ENVIRONMENTAL** case: to minimize the environmental impact of new development and to separate incompatible land uses.



Source: Thorpe 1974



## Why do we Intervene?

1. To make the market function more effectively
2. To serve members of the population more equitably
3. To correct any other harmful effects of the market



## Why do we Intervene?

- ❖ Or is it because we think we know best?



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## But What is Planning?

- ⌘ Planning shapes the places where people live and work and the country we live in. It plays a key role in supporting the Government's wider social, environmental and economic objectives and for sustainable communities



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## Issues in the Role of Planning Intervention

- ⌘ Conflict between social and economic goals - efficiency conflicts with equity
- ⌘ Dangers of fossilization of the current position (hierarchy)
- ⌘ Success can be penalised
- ⌘ Who best judges what is needed to meet the changed demands of consumers and the changed requirements of retailers and other commercial and non-commercial organizations?

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## Planning Regimes, Monopolies and Mergers, Concentration

- ⌘ Retail Planning
  - ☑ 1960/70s – early days
  - ☑ 1980s – free for all
  - ☑ 1990s – tightening up
  - ☑ 2000s – town centre first
- ⌘ MMC/OFT – Discounts to Retailers (1981) – found no harm to consumers
- ⌘ Tesco become #1 in the mid 1990s – no-one really predicted this

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## The Competition Commission Investigations



- ⌘ 1999/2000 into Supermarkets
- ⌘ 2003 Safeway Inquiry
- ⌘ 2004 Somerfield and Morrisons Inquiry
- ⌘ 2006/7 Groceries Market Investigation – provisional findings stage

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## 1999/2000 Inquiry – Why?

- ⌘ Public perception of high prices for groceries of EU and USA (Rip-Off Britain)
- ⌘ Disparity between farm gate and retail prices
- ⌘ Impact of out of town stores on high streets

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## To which the Office of Fair Trading added ...

- ⌘ Barriers to entry limiting competition
- ⌘ Superstores making excess profits
- ⌘ Price of land impacting costs of stores
- ⌘ Intensity (or not) of price competition
- ⌘ Retailers/suppliers relationships

## Guilty as Not Charged!

"When the Inquiry was started, the worry was that prices were too high; what we actually ended up being criticised for was that prices are too low"

Tim Mason, Tesco, BBC  
Online 10th October 2000.

## But not all was well ...



- ⌘ Code of Practice on relationships with suppliers
- ⌘ Possible input of Office of Fair Trading to local planning submissions to stimulate competition

## 2006/7 Inquiry – Why?

- ⌘ Power of the main retailer(s) continued to grow
- ⌘ Entry of main food retailers into the convenience store market
- ⌘ Ongoing concerns over farmers
- ⌘ Political pressure
- ⌘ Social rather than price concerns



## 2006/7 Inquiry – What?

- ⌘ Is competition in any market affected by:
  - ☑ The behaviour of grocery retailers towards their suppliers;
  - ☑ The structure of any local market for groceries;
  - ☑ The operation of the planning regime as it affects grocery retailing, or any conduct by grocery retailers, including any aspect of the acquisition, disposal, development or use of land.

## Competition Commission – the Purpose of Planning (para 6.36)

- ⌘ The purpose of the retail planning system is to **control and shape** retail development to meet a range of objectives.
- ⌘ It aims to promote **orderly growth** and development of existing town centres in the provision of a wide range of services in a pleasant and widely accessible environment.

## Competition Commission – the Purpose of Planning (para 6.36)

- ⌘ These specific objectives are set in the context of wider objectives regarding
  - ☑ Economic growth
  - ☑ Regeneration
  - ☑ Social inclusion
  - ☑ Sustainability
  - ☑ Good design

## Competition Commission Provisional Findings (Oct 2007)

- ⌘ More competition in some local areas would be beneficial
- ⌘ Land use planning is a barrier to new competing stores
- ⌘ 10% of large grocery stores in highly concentrated markets are “land-bank” (c55-75 sites??)

## Competition Commission Provisional Findings (Oct 2007)

The planning regime aims to promote a series of public interest objectives ... Nevertheless the planning system for retail development and the manner in which it is applied by local planning authorities also acts as a barrier to entry or expansion, by limiting construction of new stores on out-of-centre or edge-of-town sites and by imposing costs and risks on smaller retailers and potential entrants

## Competition Commission Provisional Findings (Oct 2007)

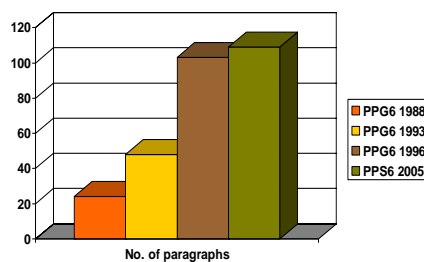
- ⌘ Measures to address barriers to entry from the planning system:
  - ☑ Greater availability of land for development outside the town centre
    - ☑ Edge-of-town distinction?
    - ☑ Amended planning test (quant and qual)
  - ☑ Streamlining the planning system
  - ☑ A new competition test?

## Planning Policy Statement 6 & Scottish Planning Policy 8

- ⌘ Planning Policy is “Town-Centres First”
- ⌘ Sequential test
- ⌘ Impact assessment or test
- ⌘ Need test (is not strictly asked for in Scotland)

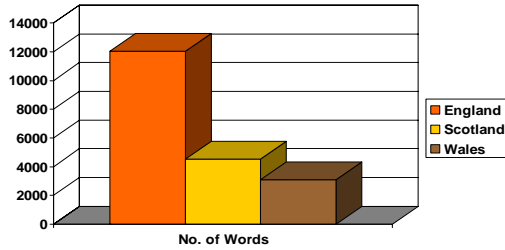


## Length of English Guidance, 1988-2005



“Planning should become a promoter of things that are worthwhile rather than a series of complex, hard to understand and often contradictory rules that people find it difficult to pick their way through.” (Lord Falconer, 2001)

## Length of Recent Guidance (PPS6; Draft SPP8; Planning Policy Wales Chapter 10)



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Source: Guy (2005) NRPF Event, November



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## The Barker Review of Land-Use Planning



- ⌘ The purpose of the review was to consider how planning policy and procedures can better deliver economic growth and prosperity alongside other sustainable development goals.
- ⌘ Retail Planning Conclusions
  - ⊠ Need to focus policy on market failure and not on "need"
  - ⊠ How can land-use planning support competition (land and site availability)

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## The Planning White Paper

- ⌘ Commitment to town centres first
- ⌘ Emphasis
  - ⊠ Improving effectiveness
  - ⊠ Encouraging investor confidence
  - ⊠ Encourage robust up to date evidence based plans based on need and demand
  - ⊠ Concern about unintended effect of refusing edge of centre



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## The Planning White Paper (para 7.55)

- ⌘ Replaces current need and impact tests with a new super test which has strong focus on town centre first policy and which promotes competition and improves consumer choice.

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## Ruth Kelly, Secretary of State for Communities and Local Government, 29 January 2007, on Town Centres

"Some are worried that if we remove the 'needs test' we will undermine our town centres. Others are concerned by what the Competition Commission might conclude on supermarkets.

Let me first say that we remain absolutely committed to promoting the vitality and viability of town centres and we will be sticking to our town centre-first policy, while providing choice, competition and innovation.

The planning system has a real role in supporting thriving high streets, where small shops can succeed and provide real choice for consumers. We must ensure that we continue to have tough tests for new development that help us protect and enhance our town and city centres as the bustling hearts of every community.

I want to work with the industry and our stakeholders to develop the best and most robust methodology for assessing the impact of new development proposals on our town centres...

Whilst we need to look carefully at Barker's proposals, I want to be clear that we do not want to return to the free for all of the 1980s. Our policies will continue to be about creating great towns, not ghost towns."

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## So What Sort of Retailing and What Sort of Planning?

- ⌘ Confused about what "we" want
- ⌘ Confused about why we want it
- ⌘ Confused about how to get it
- ⌘ Too much burden on retailing, retail planning and town centres



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## On Hierarchy

- ⌘ Over concentration on existing centres
- ⌘ Fossilisation of levels and 'patterns'
- ⌘ Customer and retailer dissatisfaction
- ⌘ Not consistent in our encouragement for town centre uses



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## On Need: Need is a protective barrier

- ⌘ Quantitative need emphasis
  - ☑ Equality of floorspace
  - ☑ Equality of performance
- ⌘ Qualitative need
  - ☑ Pleasant
  - ☑ Design
  - ☑ Quality



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## On Town Centres

- ⌘ Bigger (more spread) town centres
- ⌘ Retailing and town centres are not symbiotic
- ⌘ Incorporation of retailing into the life of the town



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## Issues

- ⌘ Planning itself is the problem
- ⌘ The problem is exacerbated by conflicting guidance and objectives and shifting policy sands
- ⌘ Guidance has become longer and probably more unclear and conflictual
- ⌘ Planners are not best suited to assessing competition effects and levels
- ⌘ Tension between economic and social goals still remains – high streets are not the most productive locations
- ⌘ Do we really want great town centres? And what do we mean by this?

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## What sort of retailing do we want?

- ⌘ Tesco is a dominant chain, partly due to the failure of the competition, and partly due to its excellence
- ⌘ Tesco also meets customer needs time and again, day in and day out
- ⌘ We are left with a question of efficiency versus nostalgia
- ⌘ Sustainable development and other concerns may change behaviours, but are we able to react or construct?

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## Innovation in Retailing?

- ⌘ Where is innovation coming from?
  - ☑ At the margins
  - ☑ Leisure related
  - ☑ Farmers' markets
  - ☑ Localisation
  - ☑ Internet
- ⌘ We should question the role of property and land in this
  - ☑ Private equity deals
  - ☑ Constraints on development
  - ☑ How do we use secondary etc locations

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## What sort of retailing do we want?

- ⌘ Do we want higher prices?
- ⌘ Do we really want innovation?
- ⌘ Do we want to go back to the 1950s?
- ⌘ What's the real vision for retailing and shopping for the future?
  - ☑ Where, how, when, who?
- ⌘ How do we translate/deliver any vision?



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## Why and how should we intervene?

- ⌘ Have consumers been damaged as a whole by the changes in retailing?
- ⌘ The Treasury may wish it had a US productivity miracle, but what is the cost?
- ⌘ Is the fact that everyone is unhappy a good signal that we've got it right?

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## What Don't we Know?

- ⌘ How many and where retailers are, and how they are performing
- ⌘ Terms and terminology, definitions and usage
- ⌘ Qualitative dimensions of provision
- ⌘ Consumer satisfaction measures
- ⌘ Accessibility
  - ☑ Site specific
  - ☑ Patterns of behaviour
  - ☑ Sustainability

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## Conclusions

- ⌘ Our reasons for intervention have steadily moved towards social rather than economic
- ⌘ Consumers have benefited – many dispute that, but evidence is there, though not all are happy
- ⌘ If economic goals are re-established then the demand for more store choice will be met by the development of more stores
- ⌘ If social goals are privileged then we have to accept historic international under performance
- ⌘ If the UK is so wedded to town centres, then why are so many town centres so poor?

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