Federation of Small Businesses
The UK's Leading Business Organisation

Andrew Howlett
Public Petitions Committee
Room T3.40
Scottish Parliament
Edinburgh
EH99 1SP

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Dear Andrew

PE1497: Supermarket Expansion on Local High Streets

The Federation of Small Businesses is Scotland's largest direct-member business organisation, representing around 19,000 members in Scotland. The FSB campaigns for an economic and social environment which allows small businesses to grow and prosper.

Thank you for the opportunity to respond to PE1497. We have closely followed the petition's progress and welcome the work the petitioner has done in raising this important issue. With almost a fifth of FSB Scotland businesses in the retail sector, we are certainly well aware of concerns about the impact of supermarket expansion on our high streets.

However, we also recognise that this is a complex debate. We have therefore tried to limit our comments to the specific issues raised by the petition; indeed, a key argument we make is that a more thorough investigation is required due to the limited evidence available to evaluate the petition.

Context

The vibrancy and vitality of Scotland's town centres has been a key policy issue for the FSB for many years. The effect supermarkets have on town centres, particularly the local and independent businesses within them, has been a long-standing concern for the FSB. In 2006, we published research that demonstrated the correlation between supermarket dominance and the decline of local traders in town centres across the country.[1] Regrettably, the findings of this report have been played out all too often in our town centres: less footfall and increased vacant floor space leading to a plethora of 'clone towns'.[2]

Most recently, we sat on the External Advisory Group which undertook a national review of town centres for the Scottish Government, where we raised our concerns regarding the growth of 'local' supermarkets.[3] We welcomed both the Fraser Review and the Government's action plan[4] but felt

[1] "The Effect of Supermarkets on Existing Retailers", FSB Scotland, December 2006.

[2] "Re-imagining the High Street: Escape from Clone Town Britain", NEF, September 2010.

[3] See: http://www.scotland.gov.uk/Topics/Built-Environment/regeneration/town-centres/review/eag

[4] See: "Town Centre Action Plan – the Scottish Government response", Scottish Government, November 2013

that, on balance, too little focus had been spent on the issues that matter to town centre businesses – parking, competition and cost/ease of doing business.[5]

Above all, there is broad consensus that the future of our town centres rests upon creating vibrancy and variety in activities, services and businesses. Creating conditions which allow one form of business to flourish above others risks this variety and is, therefore, a cause of concern.

Key points

Having considered the background to the petition, the committee's discussion and our own conversations with Stirling University and the Centre for Scottish Public Policy's Scottish Towns Policy Group, we have the following points to make on the growth of supermarket local stores.

1. The lack of evidence necessitates a more in-depth review

Lack of robust and comparable data is a common feature in town centre policy-making. In evaluating the petition, then, it has been difficult – if not impossible – to come to an objective conclusion due to the lack of evidence.

The responses submitted by the Scottish Retail Consortium and local authorities – and indeed our own – are essentially only scratching the surface. The SRC, for example, rightly point out that these stores are responding to consumer demand. However, they fail to point out that these stores, being under the umbrella of multi-billion pound corporations with significant purchasing power, can more easily absorb the high costs of doing business in town centres (principally high rental levels and pre-recession rateable values) and that this may be a contributory factor to their success.

To our knowledge, and to reiterate the views of Glasgow City Council, there has been no independent research in Scotland that has explored the causality between the growth of supermarket local stores and the demise of town centres and independent traders. Equally, it is worth nothing that Glasgow City Council bases its conclusions on the growth of these stores using a narrow measure, namely vacancy rates and class 1 occupation levels. This is merely one indicator that can be used to measure the health of a town centre and does not take into account a whole raft of enhanced indicators like: business confidence, investment intentions, cost of doing business, business mix, access to public sector support, accessibility (parking etc) and so on.

While anecdotal evidence from our members supports the concerns raised by the petition, the overarching concern must be about the lack of robust evidence about the impact of this trend. In order to better understand the scale, nature and economic impact supermarket local stores have on our local economies, we would suggest the committee may wish to consider how this could be addressed, for example, whether the Local Government and Regeneration Committee may have an interest.

2. The available evidence suggests that the impact will be place-specific and not uni-causal

From the limited evidence that is available, the growth of supermarket local stores is merely one factor driving change in high streets, including those in the West End of Glasgow. Across Scotland and the UK, town centres are in the midst of fundamental economic, social and cultural change –

[5] See: "FSB comments on Scottish town centre review", July 2013, FSB Scotland. "Outlined measure not enough to revive town centres", November 2013, FSB Scotland.

and at the heart of this change is the meteoric growth in online and multi-channel retail[6] and changing consumer trends.[7] Isolating the growth of these stores from the variety of other factors that are hitting town centre businesses (business rates, rents, fuel/utility, regulatory compliance etc) is, and will be, very challenging due to the paucity of data available on Scottish town centres.

It is also clear that supermarkets expanding their presence in the convenience store sector have put further pressure on town centre/neighbourhood based businesses. Nevertheless, there are some cases where these stores have brought consumers back into areas of low economic activity, 'relocalised food shopping'[8] and filled empty units. In the absence of an evidence base, it is our belief that a case-by-case basis may be the best approach to the expansion of supermarket local stores in town centres and residential areas. The advantages or disadvantages of these stores opening will be entirely place-specific: they may be a positive move for depressed town centres but less so for vibrant areas that the petitioner cites.[9]

3. Policy implications

Notwithstanding the points above, in our view, the petitioners are correct to highlight this particular trend and the implications for both central and local government. This is particularly the case in light of the Scottish Government's recent commitment to town centres and the on-going modernisation of the planning system. At the risk of repeating our key argument, the interventions that may be required would be wholly dependent on the outcome of more detailed research. At the very least, the Scottish Government could task the group preparing a town centre master-planning toolkit[10] to assess the issues the petition raises in more detail. It could then, if appropriate, include specific guidance within the draft Scottish Planning Policy (SPP).

The recommendations put forward by the petitioner are sensible, as are the changes proposed in new Scottish Planning Policy. Nonetheless, it seems unlikely that the situation will be effectively addressed solely by adopting retail impact assessments or a new use class system (via legislative change) for these stores. These are, after all, reactive interventions. A more in-depth review could examine the growth of supermarket local stores by, for instance, looking at the scale of their expansion (how many, where and what type of buildings they tend to occupy); and examining this expansion via other data sets (Business in Scotland, NOMIS, SNS etc) to test if there is a relationship between store openings and a positive/negative impact for resident businesses.

As highlighted above, it is also worth considering whether these stores are able to expand due to their ability to withstand costs in a way that smaller businesses cannot. For example, as part of our continued interest in the Scottish business rates system, the FSB would like to better understand how in-town local supermarket stores are rated in comparison to both traditional out of town stores and other high street retail units. The committee may wish to explore with the Scottish Assessors

[6] One report forecasts that the online share of retail sales will reach 21.5% by 2018 and 25% by 2020, compared to 12.7% today. In 2006 this figure was only 6.6%. See: http://www.retailresearch.org/retail2018.php

[7] Since 2008, retail sales in music and videos have fallen by 33% and computer equipment/telecoms have dropped by 24%. *Ibid*.

[8] "Relocalising food shopping: Consumer responses to supply chain transformation in the UK convenience store sector", Neil Wrigley & Hillary Shaw, University of Southampton, 2007.

[9] The place-specific argument is one that was put to us by the University of Stirling.

[10] See: http://www.7narchitects.com/news/2014/scottish-town-centre-toolkit/

Association (SAA) or the Royal Institute of Chartered Surveyors (RICS) the methodology used to rate various types of business on the high street and, given the rapidly changing face of retail, whether this gives specific types of business an advantage.

Ultimately, there is a choice for policy-makers: whether this trend is a natural occurrence in a free-market economy, creating greater choice for consumers; or whether the trend risks the long-term viability of local economies by threatening diversity. Given the convenience sector is being aggressively targeted by supermarkets and the historical impact supermarkets have had on some town centres, it is certainly reasonable to query this diversification into more 'planning friendly' retail formats.[11]

We hope these comments are useful for the Committee's scrutiny of the petition. If you have any more questions please do get in touch.

Yours sincerely

Andy Willox

[11] "Conceptualising innovative customer-facing responses to planning regulation: the UK food retailers", Michelle Lowe, Steve Wood, & Neil Wrigley, University of Surrey & University of Southampton, September 2010.