Impact of Large Foodstores on Market Towns and District Centres

Introduction

1. Market towns have historically been the social and trading focal point for rural England. Their legacy of ancient streets and buildings is a fundamental part of our national heritage. However, as some of their traditional functions are gradually being eroded, there is a genuine concern about their future viability. In particular, there is widespread concern about the effects of large foodstores, particularly in non-central locations, on the economic health of market towns.

2. District centres generally lack the historical associations of market towns, and often have a less clearly defined and established role. However, they also perform an important shopping and community function. A number of the challenges facing market towns, and in particular the growth of large foodstores, are also relevant to district centres.

Purpose of the Study

3. The purpose of this study is to examine the impact of large foodstore development on market towns and district centres. Previous research has failed to address comprehensively the particular concerns facing these centres. This study attempts to address this deficiency.

4. *Vital and Viable Town Centres: Meeting The Challenge*, published in 1994, concluded that only 3% of market towns considered themselves to be vibrant; as many as 15% were in decline. Reasons for this decline include:-

- the pace of industrial and agricultural development;
- increased mobility of shoppers; and
- decline of the economic base that once supported market towns.

5. The House of Commons Environment Select Committee's Fourth Report (1994) highlighted the vulnerability of small town centres to lasting damage from food superstores and other large retail developments. PPG6, published in June 1996, was intended to address some of these concerns, for example by the application of the 'sequential approach' to site selection.

6. Research by Verdict indicates that superstore numbers increased from 457 in 1986 to 1,102 in 1997. Superstores have increased their sales value of total spend in groceries from 29.9% in 1987 to 53.7% in 1996. As food retailers continue to focus on smaller centres, and increase the spread of merchandise, this poses additional threats to the traditional role of market towns and district centres; especially when new stores are located outside town centres.

Research Methodology

7. This study is the most comprehensive assessment of the retail and transportation implications of foodstore development ever undertaken. The study takes an holistic approach comprising:-

- a literature review of earlier research;
- a classification of market towns and district centres;
- a comprehensive survey of all local authorities in England and Wales;
- a survey of all the major foodstore operators; and
- detailed case studies of 9 market towns and district centres.

8. The study has been guided by a steering group comprising representatives of the DETR, Rural Development Commission, the District Planning Officers' Society, retailers and academics.

Previous Research Findings

9. There has been little published research on this issue to date. The research which has been undertaken has generally been anecdotal, or confined to individual towns, and is inadequate for a number of reasons:-

- there has been no attempt to define or classify market towns and district centres as a particular focus for analysis;
- the lack of before and after assessments means that conclusions as to the effect of large foodstores are rarely based on empirical research;
- there is no 'control scenario' to compare the effects of large foodstore development with the situation had no development taken place;
- there is no common methodology for assessing traffic and transportation effects of large foodstores and comparing findings on a consistent basis; and
- no concerted attempt has been made to effectively integrate retail and traffic impact assessments.

Classification of Market Towns and District Centres

10. 'Market town' is often used as a generic term to encompass a wide diversity of small to medium sized historic centres, and not necessarily those that have a general street/livestock market. Similarly, there is no universal definition of a district centre; their function varies significantly depending on their size and location relative to dense urban areas.

11. Our analysis has not attempted to identify an all encompassing set of criteria for defining market towns and district centres, but to identify common characteristics. Having explored all the key variables, either singly or combined, our research suggests that the most appropriate and readily comprehensible criterion of the retail role of a centre is the single variable of the multiple retailer count. The number of multiples is a proxy for the size, relative strengths, and the spending power of its catchment. The classification was particularly useful in identifying those centres which are potentially most vulnerable to the effects of large foodstores (see paragraphs 52-55).

Local Authorities' Views

12. The responsibility for determining planning applications for large foodstore development, and developing policies to safeguard the vitality and viability of market towns and district centres, rests with local authorities. Almost 45% of local authorities consider retail and transport impact methodologies are inadequate, and are concerned about the objectivity of assessments, the lack of reliable base data and the ease with which variables can be manipulated.

13. We were alarmed at the number of local authorities (20%) which do not require retail impact assessments to be undertaken as a matter of course. A very small minority of local authorities (14%) have attempted post opening surveys. However, these are generally undertaken on an ad hoc basis and are not based on a consistent methodology.

14. Our research suggests that a combination of the absence of a consistent and workable methodology to assess impact and dearth of available base data has led to significant failings in proper planning control in the past. Many local authorities consider large foodstores have had an adverse impact on the vitality and viability of market towns and district centres.

Retailers' Views

15. Whilst all major foodstore operators were contacted, the overall response to our survey was mixed. Tesco and Sainsbury provided a wealth of background information both in respect of the questionnaire and additional data for the case studies. A number of retailers have undertaken their own research into this issue, and both Safeway and Somerfield also provided helpful feedback. We were disappointed that some retailers failed to respond to the questionnaire; there appears to be a stark contrast in the attitude of different retailers towards the planning system and the benefits of undertaking research projects of this type.

16. The significant pressure from foodstore operators to increase their market share means that smaller centres have increasingly become the focus for new store development. Retailers are generally becoming more flexible and specifically are developing store formats targeted at market towns. This is partly a response to the greater restrictions placed on non-central foodstore development in PPG6, and also a recognition on the part of retailers of the benefits of more centrally located foodstores.

17. Food retailers have also expressed concern that new large foodstores can have an impact on other foodstores. One retailer indicated that over 80% of its foodstores in market towns have witnessed impacts of between 3%-40%. One retailer has also indicated that impacts on existing stores are often not confined to one new store opening, but can be impacted upon by a series of new stores over several years. As a consequence, some retailers are taking a more active role in objecting to new out-of-centre foodstores.

18. Our retailer survey revealed that there is a general consensus amongst retailers that a 'good practice guide' is needed to ensure consistency and comparability of impact assessments. Retailers also recognise problems associated with a lack of base data in respect of town centre floorspace, turnover and performance. The provision of this data will serve to reduce the 'guesstimation' of impact assessments.

19. In common with local authorities, retailers do not consider that the planning system provides a satisfactory basis for assessing the scope for, and impact of new large foodstores on market towns and district centres. However, there is some disagreement between retailers and local authorities as to who should provide background information on floorspace data and household interview surveys.

The Impact of Large Foodstores

20. Town centre foodstores tend to underpin the role of smaller market towns and district centres. The effect of competition between retailers within town centres is not normally a material planning consideration. Therefore, the study has focused on the impact of edge-of-centre and out-of-centre foodstores on established centres.

21. Our research identified impacts on market share of between 13%-50% on the principal food retailers in market towns and district centres as a result of large foodstores in edge-of-centre and out-of-centre locations. The decline in market share for the town centre convenience sector as a whole ranged from 21% in St Neots to 64% in Fakenham, and 75% in Warminster.

22. These levels of impact on market share have directly and indirectly led to the closure of some town centre food retailers; increases in vacancy levels; and a general decline in the quality of the environment of the centre. For example, in Fakenham the number of convenience retailers in the town centre declined from 18 to 13; vacancies increased by 33%; and there was a noticeable deterioration of the built environment of the town centre following the opening of an out-of-centre foodstore.

23. Contrary to the widely held perception, our research indicates that impact is not confined solely to other supermarkets. Edge-of-centre and out-of-centre large foodstores sell an increasingly wide range of convenience and comparison goods, and often include other services including Post Office, pharmacy, dry cleaner and cash point.

24. Our research shows that the impact of large out-of-centre and edge-of-centre foodstores is not limited to convenience retailing, but can also adversely affect comparison and service uses. For example, in Fakenham the reduction in turnover of six comparison retailers ranged from 3.7% to 18.9%.

25. Even in areas with a well developed provision of large out-of-centre and/or edge-of-centre superstores, the addition of a further new superstore can give cause for concern. The long term cumulative impact of a succession of new foodstores can serve to undermine a store or centre over a number of years.

The Practical Consequences of Impact

(a) Retail Impact

26. Our research shows that the development of large non-central foodstores can lead to a decline in the turnover of town centre foodstores (38% impact in the case of Tesco in Cirencester). This can and has led to the closure of some town centre food retailers.

27. There is no available 'benchmark' to determine what percentage decline in turnover will lead to an unacceptable fall in profitability. It will depend on the particular circumstances of individual retailers. A significant fall in turnover can have a disproportionately high impact on the profitability of stores, influencing the ability of retailers to reinvest in store improvements/ refurbishment, and ultimately to continue trading. In other circumstances, reduction in turnover has no adverse consequences.

28. Impact is likely to be most significant for stores which are trading at marginal levels of profitability. Experience shows that foodstore retailers will review store performance, and where stores are performing below a particular turnover/ profitability threshold, these stores will be closed. For example, in 1994 Safeway announced the closure of some 17 town centre stores nationwide as part of a company-wide review of stores.

29. Even where town centre food retailers suffer an impact, but do not subsequently close, there may still be a concern that this will lead to a general decline in activity elsewhere in the centre, and adversely affect the vitality and viability ofthe centre. This is likely to be most apparent in centres where the centrally located foodstore isthe key anchor retailer in the market town or district centre.

30. Our research shows that market towns and district centres generally have small catchments, which will only support a limited number of large foodstores. Therefore the development of an out-of-centre or edge-of-centre foodstore represents a loss of potential investment in the town centre. New town centre foodstores can act as a catalyst for further investment in town centres.

31. Where there is no capacity for additional retailing, the opening of an edge-of-centre or out-of-centre superstore is likely to lead to 'disinvestment' in the town centre (ie failure to reinvest in store refurbishments, etc). This has implications for the future viability of the individual retailer, and investment in the town centre as a whole.

32. Our research shows that even the potential threat of an out-of-centre foodstore can adversely affect retailer confidence. In one of our case study towns, there was evidence to suggest this was a prominent factor in some retailers' decision to continue trading in the town.

(b) Employment Do Large Foodstores Generate Additional Jobs?

33. The lack of accurate, comprehensive and disaggregated data at a local level has precluded a thorough assessment of this issue. Any assessment will need to take account of not only changes in the retailing sector, but also the effect on related businesses, eg local accountants and tax advisors.

34. What little research there has been on this particular issue tends to concentrate on the national perspective, and the 'global' changes in employment in retailing. Recent research published by the National Retail Planning Forum concludes that there is strong evidence that new food superstores have, on average, a negative net effect on retail employment.

35. At the local level, large foodstores are undoubtedly significant employers, although some existing jobs are likely to be lost. We have been unable to find any conclusive evidence of any significant positive or negative impact on the wider local economy as a consequence of new store openings in the case study examples.

(c) Transport Effects

36. Out-of-centre stores attract a significantly higher proportion of car borne trade than those in town centres. When people have a car available, they will almost certainly use it to undertake food shopping. This suggests that the mode choice influences the decision where to shop rather than vice versa.

37. The introduction of a new out-of-centre store tends to lead to a small shift in mode towards the car at the expense of walking, and to a lesser extent, travelling by bus. However, percentage changes are relatively small, which suggests that the majority of people shopping at the new store were already undertaking food shopping by car.

38. Our case study results show that between 25% and 65% of people visit an out-of-centre foodstore and town centre during the same trip. For out-of-centre stores, this linkage is normally undertaken by car. For edge-of-centre stores, there was evidence at Warminster of a significant level of walking between the two locations. The degree of linkage by walk mode will be strongly influenced by the overall quality and convenience of the route as well as the distance.

39. Four factors are likely to affect how vehicle travel distance may be altered by a new store. These are:-

- the difference in distance travelled to the new store compared with the old;
- the change in mode;
- the change in frequency; and
- the change in propensity to undertake linked trips.

40. The change in distance travelled will depend on individual circumstances, but in certain cases, the distance travelled will decrease as people are 'clawed back' from a more distant store to a more local one. This will depend on a range of factors including the current availability of modern foodstores within the local area.

41. Car use is likely to increase by a small degree as a result of a new store. Frequency of trip is unlikely to be a significant factor. Similarly, there is no evidence that the propensity to link trips will either increase or decrease.

42. Available evidence suggests that the change in overall travel distance due to a new store will vary from town to town. In any event, changes are likely to be relatively small in the context of the overall distance travelled for food shopping. It is unlikely that the changes in travel distance will be a determining factor when deciding where to locate a new store.

The Clawback Argument

43. Significant claims are made concerning the ability of new superstores to claw back trade to the centre in question, and the retail benefits derived from this. Our analysis suggests that the extent to which new foodstores will claw back trade will depend upon:-

- the size and accessibility of the store;
- the location of the store (out-of-centre or edge-of-centre);
- the nature of the catchment area (the range and proximity of competing foodstores); and
- whether any other non-central foodstores have been developed in close proximity to the town.

44. In our two edge-of-centre case studies, the principal effect of the new stores was to divert trade from the town centre to the edge-of-centre locations, although this result may reflect the particular circumstances of these towns. Where there is already a well established non central superstore (eg Tesco in Cirencester) it is unlikely that an additional edge-of-centre store will achieve the same level of clawback.

45. Our research shows that large, highly accessible superstores are likely to achieve higher levels of clawback than smaller, less accessible stores, irrespective of location. For example, in Fakenham some 46% of the trade of the out-of-centre Safeway is derived from clawback of expenditure. However, in this and other case study towns, this has led to no tangible benefit to the town/district centre.

Linked Trips

46. The propensity to undertake linked trips depends on four interrelated factors:-

- the extent to which the store complements the town centre/district centre;
- the distance and physical linkages between the two;
- the relative size of the centre as compared with the store; and
- accessibility, parking and orientation of the store.

47. Shoppers using town centre foodstores are more likely to undertake linked trips in the centre than shoppers using an edge-of-centre foodstore. Similarly, shoppers using edge-of-centre foodstores are in general more likely to undertake linked trips with the centre than those using out-of-centre foodstores. This appears to support the policy preference for town centre oredge-of-centre stores.

48. The introduction of a new out-of-centre store does not appear to have a significant effect on the propensity of people to link visits to the foodstore and the town centre during the same trip. Some of our case studies show that linked trips have increased following the opening of the new non-central foodstore (eg 52% to 63% in

Leominster). However, there is no evidence of any significant increase in the use of centres for non-food shopping as a result.

Issues Raised by Edge-of-Centre Stores

49. Our research shows that distance from and the physical integration of edge-of-centre stores with the town centre both affect the propensity to undertake linked trips. In the case of Cirencester, the edge-of-centre Waitrose is too far from the main centre, and the physical linkages between the store and centre are too weak to generate significant linked trips. Those linked trips which do take place tend to be by car.

50. In both our edge-of-centre case studies, there was a significant displacement of retailing activity from the town centres; principally as a result of the closure of the town's main town centre foodstores. Whilst neither centre was significantly adversely affected as a whole, neither benefitted from the development of the edge-of-centre foodstores. If the catchment of both these towns had been sufficiently large to enable both the town centre and edge-of-centre stores to continue to trade well, we anticipate that our conclusions would have been different.

51. We consider that a more thorough assessment of the linkages between edge-of-centre stores and town centres/district centres is necessary, having regard to the factors we have identified. We also consider more comprehensive analysis of the likely impact of edge-of-centre stores on existing centres is required.

Are Small Market Towns and District Centres More Vulnerable Than Larger Ones?

52. The increasing concentration of retail activity into a smaller number of larger centres means that market towns and district centres will continue to face increased competitive pressures, irrespective of the impact of new foodstores. As the vitality and viability of these centres increasingly relies on their convenience and service function, all market towns and district centres are likely to become potentially more vulnerable to the impact of large out-of-centre and edge-of-centre foodstores.

53. We consider the extent of a centre's vulnerability will depend on:-

- whether it has already experienced retail impact (a single impact or a series of impacts cumulative impact);
- the diversity of its role the strengths of its convenience, comparison and services function;
- the extent to which the centre performs a tourist function;
- accessibility, prominence and general attractiveness of the centre; and
- the size of the centre in relation to any new foodstore proposal.

54. Smaller centres which are dependent principally on their convenience shopping function are generally less able to adjust to a transfer of food trade to less central locations. Where foodstore proposals are disproportionately large compared with the size of the centre, the new store can supplant the role of the centre. Smaller centres therefore require additional 'protection'. (see Policy Implications)

55. Notwithstanding the longer term challenges of retail polarisation, larger centres have a well developed comparison and services function, and tend to be less susceptible to harm from large foodstores. Centres with a clearly defined tourist role, which do not rely solely on expenditure from the local catchment, are also generally more robust.

Towards a Common Methodology (The 'CREATE' Approach)

56. There is a clear need for a common approach to assessing impact. We have identified the critical stages of any retail and traffic impact assessment and have referred to this as a Combined, Retail, Economic And Transport Evaluation (CREATE). This is not a model, but a logical series of steps, which are designed to address all relevant criteria using a comprehensive and consistent range of data.

57. The principal advantages of this approach are:-

- a clear step by step approach;
- the integration of retail and transportation retail impact assessments (in accordance with PPG6 and PPG13);
- survey based (reducing the need for unsubstantiated assumptions);
- a consistent framework for predicting the likely impact of edge-of-centre/out-of-centre foodstores; and
- sensitivity analysis of the principal variables to highlight the effects of different judgements about the likely trading pattern of a new store.

58. By reducing the number of potential areas of disagreement, a consistent and workable approach to assessing impact is less likely to distract from the key areas of concern at public inquiries, and should help minimise the risk of past mistakes occurring in the future.

Policy Implications

59. This study raises significant issues for planning policy guidance for market towns and district centres. Because of their potential vulnerability, guidance should place greater onus on local authorities and developers to adopt a positive approach to sustaining and enhancing market towns and district centres. They should assess thoroughly all potential town centre opportunities before advocating less central proposals.

60. The 'need' for a new foodstore in market towns/district centres should be more clearly defined in PPG6. Where there is no need for a foodstore (ie no qualitative or quantitative deficiency), then no additional foodstores should be developed.

61. The current distance guideline of 200-300 m for edge-of-centre locations in PPG6 may be too wide for some small market towns. In addition to the need for strong physical links with the town centre, edge-of-centre development should be of an appropriate scale relative to the centre, and complement the existing retail offer. Local authorities need to help 'create' linkages to ensure edge-of-centre stores complement rather than supplant the convenience shopping role of these centres.

62. All foodstore proposals over 1,000 m2 net sales, on the edge of, or outside market towns and district centres, should be accompanied by a Combined, Retail, Economic And Traffic Evaluation (CREATE). It is unlikely to be necessary to carry out such assessments for fully integrated town centre developments, as these will be likely to contribute to the vitality and viability of the town/district centres.

63. PPG6 should recognise more explicitly that vitality and viability assessments should be undertaken on a regular and consistent basis; the pattern of change over time is crucial. The most relevant vitality and viability indicators for small market towns and district centres are retailer representation and retailer performance, vacancy levels, and the state of the town centre environment.

64. Market towns and district centres are particularly vulnerable to the cumulative impact of a succession of stores over a number of years. The impact of large foodstores may not become evident for several years (eg vacancy levels). Impact assessments should quantify the cumulative impact of a succession of developments. When there is already a well developed provision of out-of-centre foodstores, a cautious approach to any further non-central development may be warranted.

65. Given the challenges facing market towns and district centres, it is critical that local authorities develop proactive strategies for these centres. Town centre management has become increasingly prevalent in many towns. It may not be appropriate for each centre to have a dedicated Town Centre Management Initiative a single Town Centre Manager responsible for a number of smaller centres can be an effective compromise.

Additional Data Requirements

66. During the course of the research for this study, we have identified a number of deficiencies in the availability of base data. These include:-

- An objective means of measuring town centre turnover/performance;
- Reliable floorspace data for all town centres and district centres;
- The need for additional research into cumulative retail impact; and
- The need to provide a workable methodology for assessing town and district centre boundaries.

Conclusion

67. Our research has shown that large foodstores can and have had an adverse impact on market towns and district centres. The level, and consequences, of impact will vary depending on the particular local circumstances of the centres concerned. Smaller centres which are dependent to a large extent on convenience retailing to underpin their function, are most vulnerable to the effects of larger foodstore development in edge-of-centre and out-of-centre locations.

68. It is vital that those responsible for the future of market towns and district centres take positive steps to improve the range and quality of food shopping in these centres, and adopt a cautious approach to considering the location and likely long term consequences of the development of large foodstores in non-central locations.