



THE IMPACT OF 'NEW GENERATION' CORPORATE CONVENIENCE STORES ON SMALL TOWNS

Executive Summary

Research Team

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TESCO

In December 2011 the government published the findings of a review of UK high streets by Mary Portas. The review found that high street footfall had fallen by 10.4% in the last three years (excluding Central London); total consumer spending away from the high street had risen to over 50%; and town centre vacancy rates had doubled over the previous two years. Whilst acknowledging the shock of the global economic crisis and the impact of subsequent recession, the Portas Review found that many high streets had not adapted to changes in consumer culture, the growth of out-of-town retail and the rapid rise of online shopping. The review proposed a number of recommendations aimed at revitalising the high street, several of which have been taken up by the government. These include the establishment of Portas Pilots - 27 UK town centres, chosen to test ways of boosting high street trade.

This University of Southampton study builds on that agenda by considering the specific contribution new generation corporate convenience/ 'neighbourhood' stores (a format now operated by all major UK food retailers, but in the case of this study confined to new Tesco Express or Sainsbury's Local stores) can make when they open in the centre of small towns. The wider context of this study relates to the fact that the UK convenience store sector, which has grown rapidly over the past decade, is currently valued at £33.9bn, and, on present growth rates, is estimated to grow to £43.6bn by 2017 (IGD, June 2012). Whilst 72% of stores in this rapidly growing sector are still independently owned, corporate convenience stores¹ as a group have provided the fastest growing element (IGD, June 2012). However, publicly available evidence on the impact these 'new generation' corporate convenience stores have had on the vitality and viability of retail centres they have entered is still remarkably sparse.

The Southampton research was conducted during 2010-11 and provides rigorous, up-to-date and transparent findings on the impacts of corporate convenience stores. Commissioned by Tesco, the study was undertaken by an experienced research team based at Southampton - a team previously responsible for a major 'before/after' study of the impacts of large foodstores on market towns and district centres, conducted between 2007 and 2009.

In total, more than 1500 consumers and 200 traders were surveyed across five small towns in Southern England approximately 18 months after the opening of an in-centre Tesco Express, or a Sainsbury's Local. The towns were selected on the basis of their distribution across the affluence spectrum and the lack of any existing large supermarket presence. Vacancy rates

¹ Convenience multiples are defined as organisations with 10 or more company-owned stores (IGD)

and changes in the retail/service unit compositions of the centres before and after the new convenience stores opened were also established. Additionally, a wider control element was built into the study via the selection of five 'analogue' centres of similar size and affluence to the case study towns. But, unlike the case study towns, the analogue centres had not experienced any recent corporate convenience store development.

The key findings were that the opening of 'new generation' corporate convenience stores in small towns:

1. Attracts consumers back to their local high streets and 'anchors' the existing retail centres.

30% of consumers living within 0-5 minutes' drive of the new stores switched their main food shop or 'top up' shop to the stores from more distant 'out-of-centre' alternatives. Despite their small size, the new stores rapidly assume a significant and little documented anchor role within small towns. The new stores were cited in the consumer surveys as the principal reason for visiting the town centre. That is to say, they quickly established themselves as the towns' main 'trip generators'. Additionally, those surveys established that the new stores had rapidly become the towns' most commonly visited retailers.

2. Enhances the viability of the existing centre through the spill-over trade effects of linked trips.

The new stores are rarely used for 'one-stop' shopping. Indeed, 63% of consumers visiting the new stores on the day of survey said they would be combining their visit with other shops and services in the town centre. Furthermore, 84% of new store customers suggested they combined their shopping trips to the new store with visits to existing retailers on an 'always, frequent or occasional' basis.

3. Is strongly welcomed by consumers and is perceived by existing local traders to be of little threat.

Overall, consumers felt positive about the impact of the new convenience stores - on themselves, other local residents and on the town centre itself. Contrary to popular expectations, the majority of traders surveyed also felt that the new stores were of little

threat. 70% reported that those stores had 'no impact' on their business, whilst 60% of consumers and traders felt the new stores were beneficial for local residents.

4. Reduces car dependency and encourages walking.

The improved food offer provided by the new stores at neighbourhood level resulted in a significant reduction in car dependency - helping consumers save on the cost of petrol, reduce emissions, and encourage more exercise via walking to the store. Across the five towns, the number of consumers who walked to do their main or 'top up' food shopping increased by 25% relative to the pre-opening position. In contrast, the number who took the car fell by 43% following the opening of the store. Additionally, the traders and consumers surveyed felt that local residents, particularly the less mobile such as the elderly and those without cars, benefited from the wider choice of foodstores available in the neighbourhood.

In summary

Amidst growing levels of concern and debate surrounding the economic health of UK high streets, there has been an increasing realisation of the need to improve the evidence base. Not all the forces impacting UK high streets are uniformly negative. In particular, the shift towards what has been termed 'convenience culture' has transformed both the convenience store sector and, in part, the town centres/high streets in which those stores are located. Consistent and rapid growth in the sector over the past decade, has spurred market entry by the leading corporate food retailers. In turn, operating standards and ranging of those corporate convenience stores has generated competitive responses from existing providers, helping to raise quality levels throughout the sector. Nevertheless, despite the scale of these changes, surprisingly little evidence is publicly available on the impacts of corporate convenience/neighbourhood store entry on town centres and high streets – particularly how they affect small towns.

This University of Southampton study provides some of that missing evidence. It demonstrates that, following entry, 'new generation' corporate convenience stores rapidly become major trip generators for small towns, spilling out trade and footfall to other retailers

and service providers in the town via significant and little documented levels of linked trips. That encourages 'relocalisation of shopping' effects, and plays a potentially vital role in anchoring the existing centre and enhancing its sustainable economic development.

The full report is available from www.riben.org.uk

