

ONE IN FIVE HIGH STREET STORES EXPECTED TO DISAPPEAR IN THE NEXT FIVE YEARS

New research predicts the closure of 61,930 high street stores across the UK and 316,000 job losses by 2018 in growing retail crisis

A new report released today 'Retail Futures 2018' by Professor Joshua Bamfield from the [Centre for Retail Research \(CRR\)](#) forecasts that despite the Portas Pilots, the total number of UK retail stores will fall by 22% over the next five years from 281,930 today to 220,000 in 2018. This will create job losses of 316,000, causing the UK's unemployment rate to increase by almost 13% (currently 7.8%). If no action is taken, store vacancy rates could almost double to 24% in the same period. The 'Retail Futures 2018' report calls for a pump priming fund of £320 million to be spent on small-scale redevelopment, creating up to 20,000 new homes and help turn failing and empty shops into a mix of service or leisure outlets, offices or classrooms.

Key catalysts for the growing retail crisis:

- **Consumer spending has increased by just 12% since 2006 outstripped by operating costs which have risen by 20%. The high street's share of consumer spending continues to decline from 50% in 2000 to a predicted 40.2% in 2014**
- **As more consumers shun the high street, online retail is set to account for 21.5% of total retail sales by 2018 from 12.7% today. This gives online retailers in the UK the highest share of total retail sales in the world**
- **With such a high number of transactions carried out online, retailers with a strong web offering now need just 70 high street stores to create a national presence compared to 250 in the mid 2000's**

The high street in 2018:

- **'Retail Futures 2018' predicts that a further 164 companies will go into administration by 2018. This will impact 22,600 stores and 140,000 staff. Businesses may be partially rescued but survivors are likely to close 50% of stores**
- **Store vacancy rates across the country have increased from 5.4% in December 2008 to 14.1% in March 2013, a rise of 161%. Without intervention, this could hit 24% by 2018, affecting 316,000 employees and increasing the country's unemployment rate by almost 13%**
- **In the next five years, more than a third (41%) of struggling town centres could see 27,638 store closures. The largest falls will occur in Wales (29%) and the North West (28%) and the lowest will be in London (9%)**

Strictly embargoed until 00:01 Tuesday 28th May 2013: Recent reports of a GDP increase of just 0.3% in the first quarter of 2013 and the narrow escape of a triple dip recession reinforces the fact that UK retailers are facing the most challenging economic climate ever. Already this year (Q1), 16 major retailers have gone into administration operating 1,985 shops and employing 14,719 staff. By the end of 2018 research predicts that a further 164 companies will go bust taking 22,600 stores and 140,000 employees with them. Not all of these businesses will disappear completely, but even the survivors are likely to close about half their stores in order to continue.

A new report released today 'Retail Futures 2018' by Professor Joshua Bamfield from the [Centre for Retail Research \(CRR\)](#) reveals that the UK's retail sector is facing a crisis with consumer spending increasing by just 12% since 2006, dwarfed by operating costs which have grown by 20% (£20 billion) from £96 billion to £116 billion in the same period.

The report also reveals that by 2018 we can expect to see more than one in five (22%) high street stores disappear, a total of 61,930 closures and 316,000 job losses. This is the equivalent of increasing today's unemployment rate by 13% from 7.8% to 8.8%. To date, store vacancies across the country have increased by 161% since the onset of the recession in 2008, reaching 14.1% today. Without further intervention this figure could rise to 24% by 2018.

In summary...

In summary, the increased number of high street voids is caused by at least three key factors; business failures, the reduction of stores by large retailers and the reluctance of entrepreneurs to start new businesses or to take on new stores. Between 2000 and 2014, UK high streets have suffered a fall in their share of customer spending from 50% in 2000 to an estimated 40.2%. Car parking costs and inconvenience have played some part in causing this fall.

Professor Joshua Bamfield, Director of Centre for Retail Research (CRR) comments: “Customers now shop in multiple ways, checking a store’s website, visiting stores, reading reviews and making online price comparisons with smart phones whilst shopping. Retailers have to make clear and strategic responses to the changing pattern of how consumers shop which includes tactical decisions about store numbers and locations. They also need to fully integrate these physical stores with their websites, smart phone offering and social media community coherently. Going forward, I think retail stores will remain an important, although smaller, part of the shopping process as online retail continues to grow.”

A great example of this multichannel approach is ‘click and collect’ whereby consumers buy merchandise online and collect it from their chosen store. Argos has reported that more than 30% of its sales are made using this system. In a similar vein, John Lewis recently reported an increase in online sales of 10% when they open a new store in a town.

‘Thriving’ and ‘decaying’ retail towns and cities

Across the country the situation varies drastically as disadvantaged retail pockets become more prominent. ‘Retail Futures 2018’ predicts that more than a third of town centres (41% or 153) could experience a rapid decline by 2018 if no action is taken. Just over a fifth (21% or 78) of towns are declining in retail terms and 75 are stable but under pressure. The retail centres most vulnerable are those near low-income populations located on secondary or tertiary shopping areas.

The number of high street stores is expected to fall by almost 20%, but an even greater impact will be felt by neighbourhood stores. These will fall by 26% (34,587) as a result of the declining profitability of neighbourhood shopping in many areas. The key catalysts for this are; the unwillingness of multiple retailers to carry on trading in small neighbourhoods and consumers moving towards perceived lower prices in town centre stores, retail parks and online.

But it is not only the high street that is affected. Major retailers like Tesco, Wickes, ASDA and B&Q have announced dramatic reductions in opening large new stores (though convenience is still massively important) and all have plans to subdivide giant stores, leasing space to other retailers.

Impact by region

Across the regions, the high streets of Wales will see the biggest changes with 29% of stores predicted to disappear in the next five years, closely followed by North West (28%) and the East Midlands (27%). The highest number of actual

store closures will occur in the North East where a quarter (25%) or 9,277 are expected to be a distant memory by 2018. The least affected areas will be London where just 9% of stores will close followed by the South East (13%).

Table 1 – Regional store closures and vacancy rates

Region	Total stores 2012	Total stores 2018	Store closures	% decrease
Wales	14,500	10,349	4,151	29%
North west	24,100	17,255	6,845	28%
East Midlands	20,950	15,294	5,656	27%
Yorkshire & Humberside	22,638	16,780	5,858	26%
North East	37,000	27,723	9,277	25%
West Midlands	24,400	18,384	6,016	25%
Scotland	24,885	19,050	5,835	23%
South West	23,660	18,150	5,510	23%
Eastern	23,600	18,484	5,116	22%
South East	39,197	34,055	5,142	13%
London	27,000	24,476	2,524	9%
Total	281,930	220,000	61,930	22%

Source: Retail Futures 2018, April 2013

Impact by sector

Changing consumer habits since the mid 2000's have led to significant falls in sales of retail specialists such as record stores, computers and games stores, butchers, bookshops, and antiques. 'Retail Futures 2018' predicts that the issue will be more prominent in the non-food retail sector with (25%) 44,039 of these stores shutting by 2018 as supermarkets take more of their sales and more people shop online.

The hardest hit will be pharmacy and health and beauty stores with more than one in three (35%) expected to disappear totalling 5,170 stores. In joint second place music, books, cards, stationery and gifts (29%) and DIY (29%) stores are also going to become far less prominent in the next five years. DIY itself has become much less popular as a result of more pressured lives, lack of skills amongst younger people and the fall in the number of people who move house every year.

When it comes to food stores, the number of supermarkets is actually going to increase by 10% (919) by 2018, totalling 10,111 across the country. However, as a direct knock-on effect of this increase, smaller grocery stores and other food stores are expected to decline by 12% (from 79,249 to 69,739). Nationally 88% of all stores are owned by independent retailers, large numbers of these can fall without anyone realising as they just opt out following years of low or negative profits.

Growth of online retail

Retailers in the UK have a higher online share of total retail sales than anywhere else in the world, making the sector a test bed for retailers and policy makers across the globe. The report reveals that online retail is set to account for more than a fifth (21.5%) of all retail sales by 2018 reaching 25.4% by 2020. This assumes that the current rate of annual online growth has now peaked and will reduce back to the 2009/10 rate of growth of around 10% a year.

However, supply chain constraints for retailers in both storage and delivery could create a bottle-neck in the growth of online retail in the medium term. For example, there is currently a shortage of warehouse space coming onto the market as UK developers built 58 million square feet of speculative warehouse space between 2005 and 2008, a figure that dropped by more than 95% to 2.5 million square feet between 2009 and 2012. In addition, delivering these goods to consumers may become problematic as retailers may not be able to handle a 100% increase in order volumes alongside an inevitably higher level of returns.

National high street presence

The rapid growth of online retail in the UK will have major implications for the number and location of retail stores going forward. Historically, retailers required 250 high street stores to create a national presence; today they need just 70 if they have a strong online offering. By 2018, some high-profile retailers may regard 30 stores sufficient. In addition, the cost of renting a high street store is of course far higher than operating online. For example, a small store on a high street in the Midlands would cost around £10,000 a month to rent. The equivalent space in a warehouse on the outskirts of Corby would cost somewhere between £650 - £1,800 a month. The impact of business rates would be similarly lower.

Table 2 – Growth of online retail

	2012	2018
Food online share	3.7%	9.5%
Non-food online share	19.2%	32.1%
All retail online share	12.7%	21.5%

Source: Retail Futures 2018, April 2013

Professor Joshua Bamfield concludes: “The performance of the retail sector has been thrust into the media spotlight in the past two years as the Government formed an alliance with celebrity retail expert Mary Portas. The subsequent report set out a range of initiatives to breathe life back into the high street. This is a mammoth task which requires high levels of funding and extremely tight management, both of which are challenging to say the least.

“High streets need to combine the enthusiasm generated by Mary Portas with realistic and well-managed plans. The focus should be on declining secondary and tertiary sites in lower income areas. ‘Retail Futures 2018’ recommends a pump priming fund of £320 million to start redeveloping problem town centres, turn empty shops into residential accommodation, create more service, entertainment and leisure outlets and provide offices, doctor’s surgeries, classrooms, meeting rooms and other facilities for which there may be local demand. Areas such as Wales, where such drastic demise is predicted, would benefit greatly from re-engineering of this kind. This is just the start of an ongoing investment requirement. The March 2013 budget saw the Government promising to invest £130 billion to help people buy property; our proposal would actually help create new accommodation.”

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Notes to editors

1. All data is taken from 'Retail Futures 2018' report produced by Professor Joshua Bamfield from the Centre for Retail Research in April 2013.

About the Centre for Retail Research.

The Centre has been researching trends in retail performance, business structure, technology and crime since 1997. Its reports have been widely quoted by the BBC, CNN, Sky News, ABC, and ITV, as well as by The Economist, The Times, Wall Street Journal, Financial Times, Daily Mail, The Sun, Frankfurter Allgemeine, the Times of India, the Washington Times, and International Herald Tribune.

Professor Joshua Bamfield is Director of the Centre for Retail Research and is an economist, former Head of Business at Northampton University. His most-recent book, *Shopping and Crime*, was published by Palgrave Macmillan in 2012.