



## Localism, Communities & High Streets or Heaven knows, we're miserable now...

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July 3, 2011 7:11 pm

## UK retail: Morrissey moment

UK retailers sound as if they want to curl up in a dark room and play Morrissey songs on repeat. Gloom has descended on the sector again: real disposable incomes are falling; retail spending is also falling; retail insolvencies are rising. The last time there was this much wailing and gnashing of teeth (as recession began in late 2008) it proved unfounded – consumers kept on consuming through the downturn. This time the pessimism looks more justified.

For much of the past decade, consumption was propped up with plentiful credit along with imported deflation for many goods thanks to cheap Chinese labour. Retail sales volumes rose 33 per cent between 2000 and 2007 even though real disposable incomes only rose 15 per cent, according to data from the Office of National Statistics. Now, the credit taps have been turned off. The China effect is wearing off too as wages there start to rise. High commodity prices and the devaluation of the pound have pushed inflation even higher.



Multimedia Quick links

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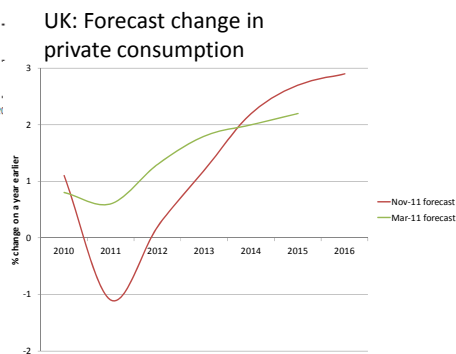
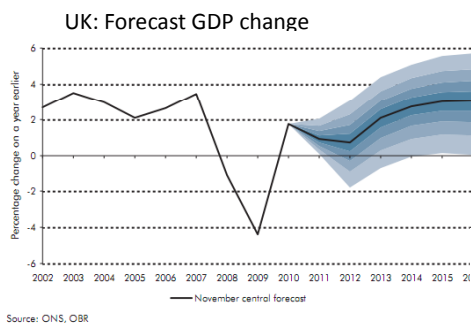
Interactive graphics Social Media hub

Outline

- A contemporary context for localism & retailing
  - Economic growth & consumers' confidence
  - The geographical dimensions of growth
  - Long-run trends in the supply-side mix
  - Prospects for retail enterprises
- Localism, communities & retailers
  - What do we mean by community?
  - What can local shops do?
- Prospects for the future of the high street
  - A complex problem at any time - let alone now
  - The squeeze on High Streets
  - Issues in the frame for Portas Review
  - E.g. multichannel retailing responses
  - Some missing issues

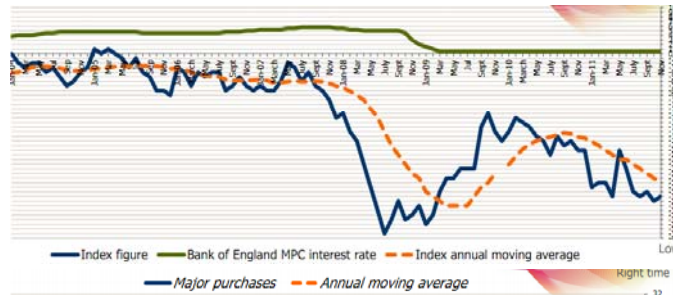


Erosion of economic forecasts

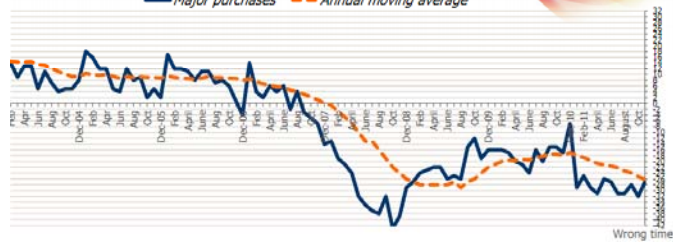


Erosion of consumers' confidence

Consumer Confidence Barometer, Nov 11

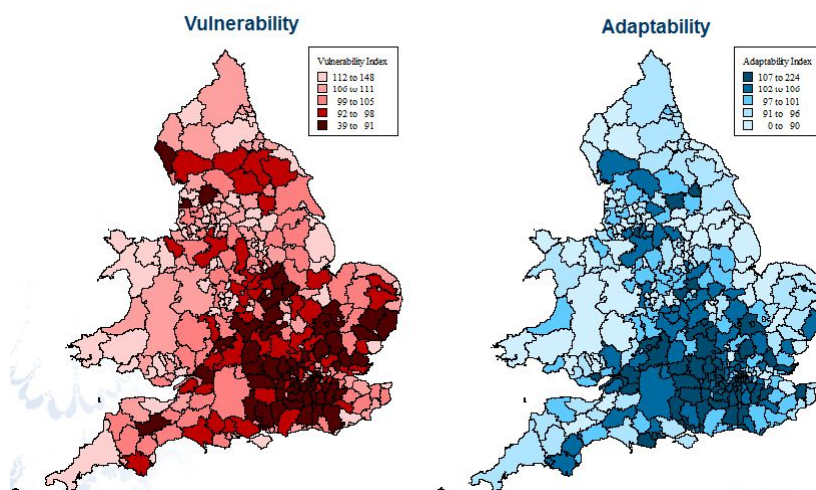


Is now the right time to buy?



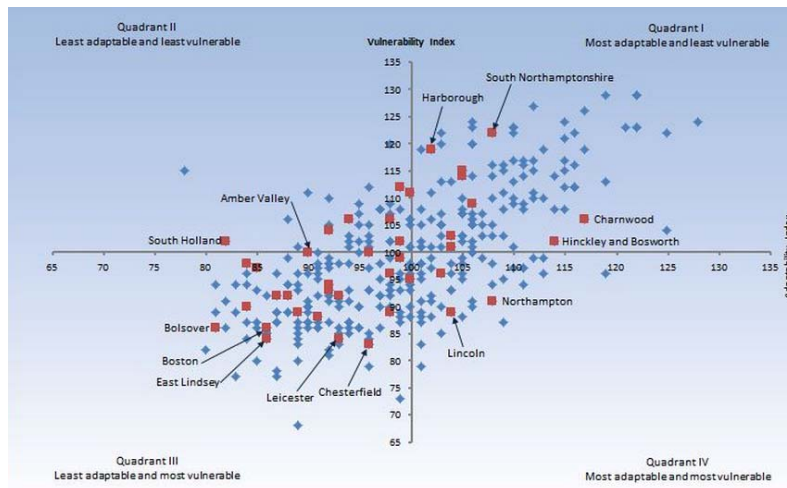
Source: GfK, European Commission, 11/11

Which locations are more vulnerable/least adaptable?



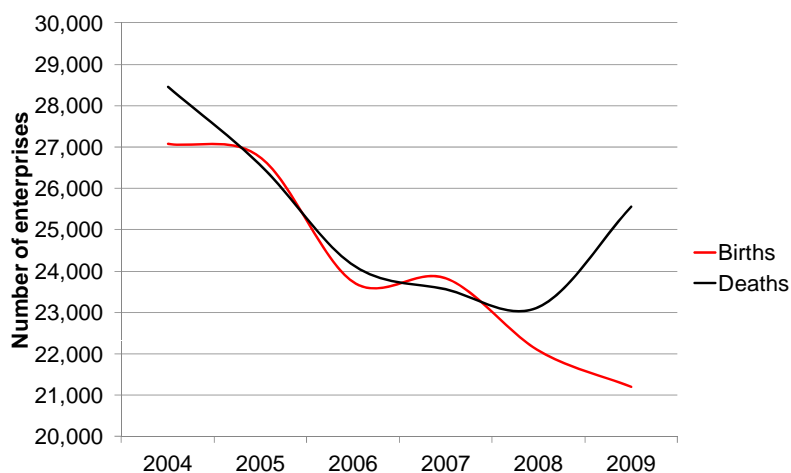
Source: Cambridge Econometrics, 2011

### Vulnerability/adaptability in the East Midlands



Source: Cambridge Econometrics, 2011

### Births & deaths of retail enterprises



Source: ONS, 2011

## LOCALISM, COMMUNITIES AND RETAILING

### Localism, communities & retailing

- Localism predicated on an unclear definition of community
- Localism predicated on grass-roots growth philosophy and an unrealistic attitude to change in communities
- Government has lost its nerve/been overtaken by events
  - Dropping local referendums
  - Assets of Community Value concept has greater clarity
  - "proposals should no longer interfere with businesses' ability to trade or be a barrier to investment" (BRC)
- Chancellor's autumn statement recognises critical state of local retailing and poor consumption prospects:
  - Business rates holiday extended to April 2013 for small firms
  - £1bn business finance partnerships for MEs and £40bn of credit easing for SMEs



## What are communities?

Groups of people characterised by:

- A shared consciousness
  - Connection with each other and a collective sense of difference from others
- Rituals and traditions
  - Celebrating together shared beliefs and values
- A sense of moral responsibility one for another
  - Duty to community as a whole and to each other; produces collective action at time of threat
- All communities larger than a village are, to some extent, sustained by "imagined others"



### Notting Hill Carnival hailed a success as crime falls

Notting Hill Carnival has been described as a success by police who said crime fell by a third this year.

Figures from the Metropolitan Police showed 230 people were arrested, but reported crime fell by 31% compared with last year.

More than one million people attended the three-day street festival in west London, police said.



Dancers took part in a three-and-a-half-mile parade.



'We're all going in same direction to oppose HS2'  
Residents groups unite to campaign against high-speed rail line

## How do local shops create value for communities?

- Local shops can create value for communities in a number of ways.
- However, such ways have a tangible cost to the retailer whilst often being less clear in their impact both on individual customers and sometimes upon business profitability.
- Further, 'communities' aren't always apparent in practice, vary in terms of their cohesion and character and differ in terms of their individual members' perception of value



## 1. Community hubs

- Fostering interaction
  - E.g. promoting local events and using local heritage
- Developing familiarity & building relationships
  - E.g. offering residents special benefits
- Creating 'emotional connections'
  - E.g. building a welcoming environment



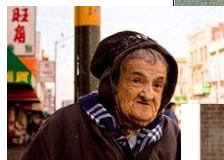
*my community hub*

Sources: OXIRM, 2011; Clarke & Banga (2010), Alexander, (2008), Kirby, (1987).

## 2. Meeting needs of the socially excluded/disadvantaged

### Needy contexts

- Geographically isolated areas
  - Relief of food deserts
- Elderly consumers
  - Older shoppers excluded from large store environments
- Agricultural workers
  - Largely superceded
- Disabled consumers
  - Local accessibility critical



### 3. Creating economic and social value for particular consumers

- In ways common to all small retailers
  - Psychosocial factors & time, rather than financial & physical factors
- Through the development of specialist store formats
  - specialist & forecourt neighbourhood stores; pay price premium for less stressful way of shopping; ease of access and an appropriate layout
- By targeting specific consumer groups
  - knowledge of local groups with particular affinity and understanding of benefits they seek; authentic, local, home delivery; advice; diet advice

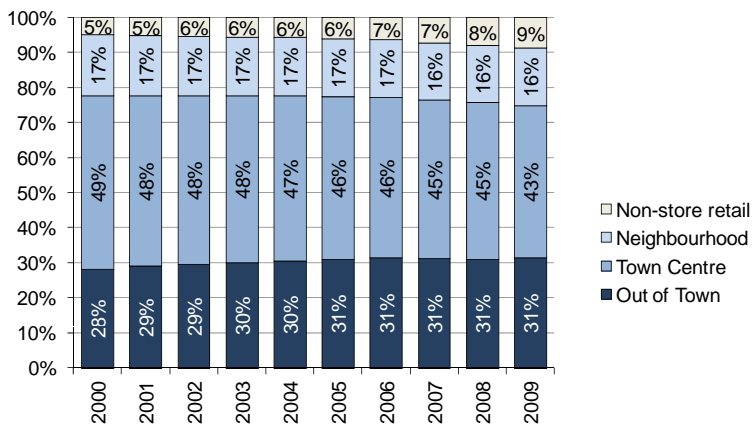


### The economic consequences of a community role

- What is the total cost of community-related activity?
- Can all community-related activities be independently & realistically costed?
- Should they be costed as a ratio of sales or profit? Are there targets? Thresholds?
- Which kinds of community contributions are most effective, why and where?
- Are they genuinely valued by the communities they seek to serve, or do they serve as a mere symbol of community, a token gesture?
- Are 'new' business models (people's supermarket/community shops) more fully embedded in communities?

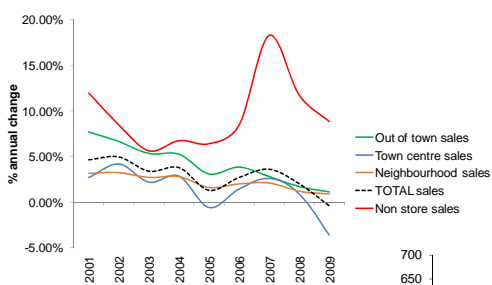


The squeeze on High Streets

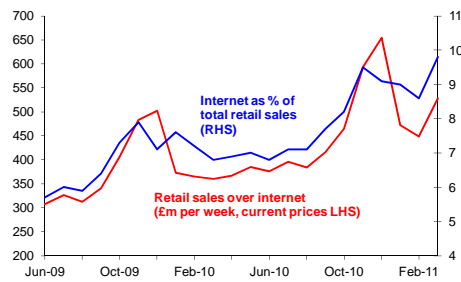


Source: British Retail Consortium, 2011..

The squeeze on High Streets



Source: OXIRM after British Retail Consortium, 2011



Source: Oxford Economics/ONS

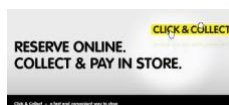
## E.g. multichannel retailing: 1. Accommodate structural change

- Multichannel impact on SCs
  - *"It is impossible to disentangle the effect of recessionary/competition factors from internet sales growth... Even if it were, there are other much bigger elephants in the room..."*  
Mark Teale, CBRE, 2010.
- Tenant mix effects
  - Redundant formats
  - New formats
- Retail network optimisation effects
- More flexible space



## E.g. multichannel retailing: 2. Exploit accessibility

- Digitally mobile consumers
  - *"the glue that binds channels together"*
- Socially networked consumers
  - Prompting action/drive to store
  - E.g. Facebook 'daily deals/new in'
  - GPS alerts
- Online order collection areas
  - Click & collect points
  - Other shared services
- More multi-level, multi-use environments



E.g. multichannel retailing:  
3. Build digital capability

- Store level
  - Free wifi
  - In-store integration
  - Digitally experienced staff
- Centre level
  - More coherent digital marketing strategies required
  - eWOM
  - Integrated umbrella branding



... but

- Consumer focus?
  - Need for evidence-based consumer research
  - Contradictions: NIMBYs/Say one thing - Do another
- Incentives
  - Convergent/co-ordinated
  - TC champions/leaders
- Inertia of property owners?
- Reality of planning for decline; ebbing tide
- HMG: growth at any price?

