Openings & Closures Report 2009

Independents Day!

22nd March 2010

Produced by

The Local Data Company
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Independents day!

Openings & Closures Report 2009

Welcome to the Openings & Closure Report 2009 which covers the results of over 300,000 retail and leisure businesses surveyed in over 700 town centres across Great Britain between July-December 2009.*

New data from The Local Data Company on openings and closures during the second half of 2009 shows the resilience of the independent retailing sector.

Overall the number of comparison retail businesses on the High Street grew by just over 3% in the second half of 2009, but this disguises an increase of 5.6% for independents and barely a rise at all in multiple retailer shops. Convenience retailing saw a similar pattern with independents rising in numbers by 5.7% and multiples rising by a lesser 3.5%. Leisure showed the greatest parity between multiples and independents with rises of 4.1% and 3.4% respectively. The service sector was positive for independents at 6.5% and the multiples were only just up at 0.2%.

Takaxtra (New)
Independent
London E10

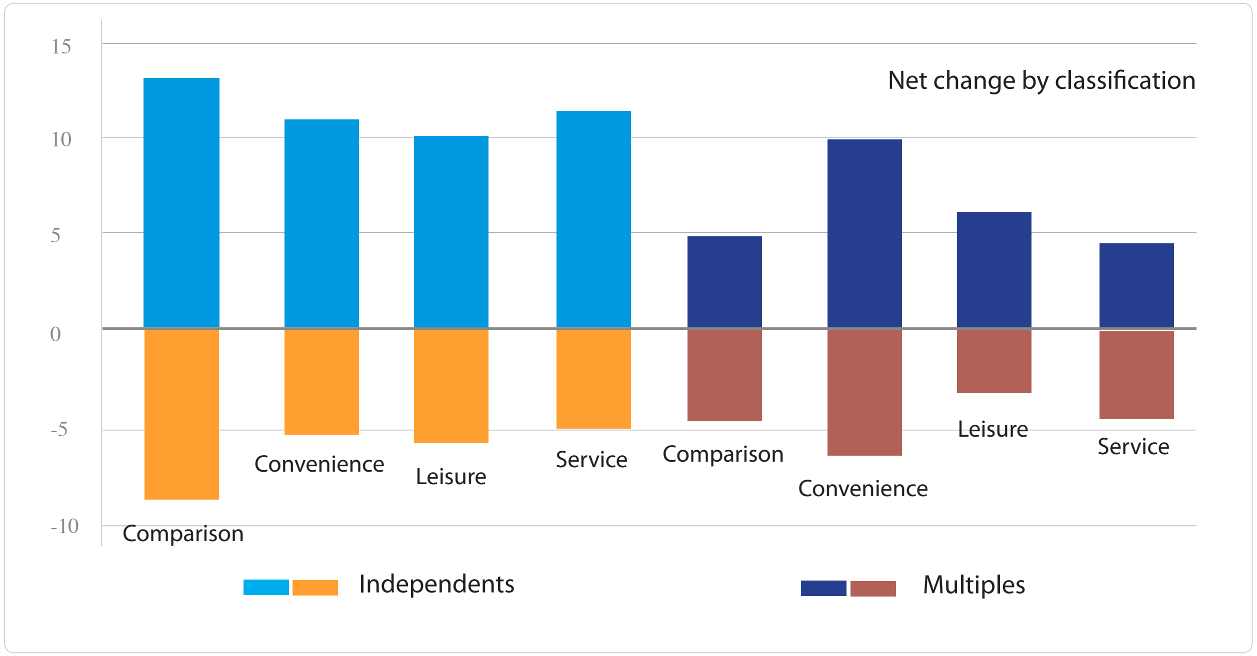
Land of Leather (Closed)
Multiple
Nottingham

Expectations were that, during the recession, small independent retailers would struggle to find funding for survival, let alone expansion, yet it seems that it is the multiples that have been paying the price for their rapid expansion into the High Street over the past decade.

At the beginning of 2009 siren voices were being raised about the solvency of many retailers. Credit rating specialist Experian predicted that 72,000 retails outlets could close during 2009 and insolvency specialists Begbies Traynor forecast that more than 10 national or regional retail chains risked going bust during the early part of the year.

These data show that, in the second half of 2009, nearly 11,000 more shops opened than closed. Dig deeper and it can be seen that the independent sector rode to the rescue with a net increase of nearly 10,000 shops while multiples rose just over 1,200.

The leisure and service sectors performed significantly better for independents and multiples. Overall, the leisure sector, including bars, restaurants, cafes etc saw over 7,174 new openings in the last six months of 2009 compared with 3,876 closures. Similarly the service sector saw 5,518 openings against 2,876 closures.



* Each 'Centre' relates to the Communities and Local Government (CLG) retail core boundary definition.

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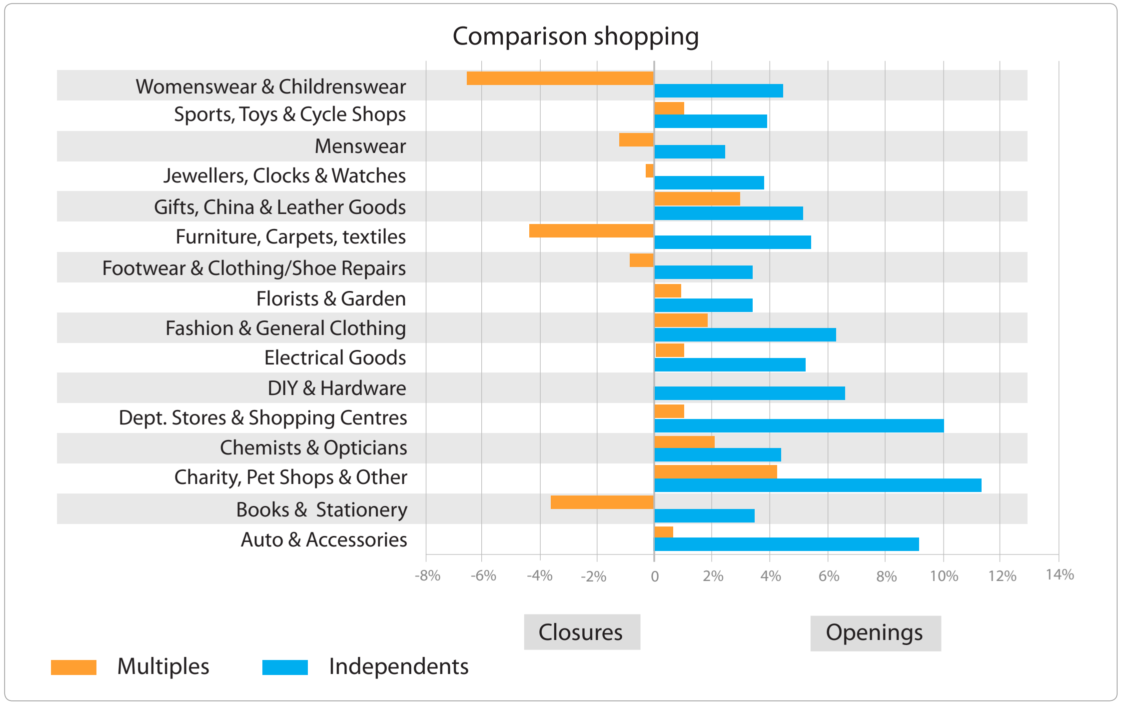
Comparison shopping



Borders - Cambridge **(Closed)**

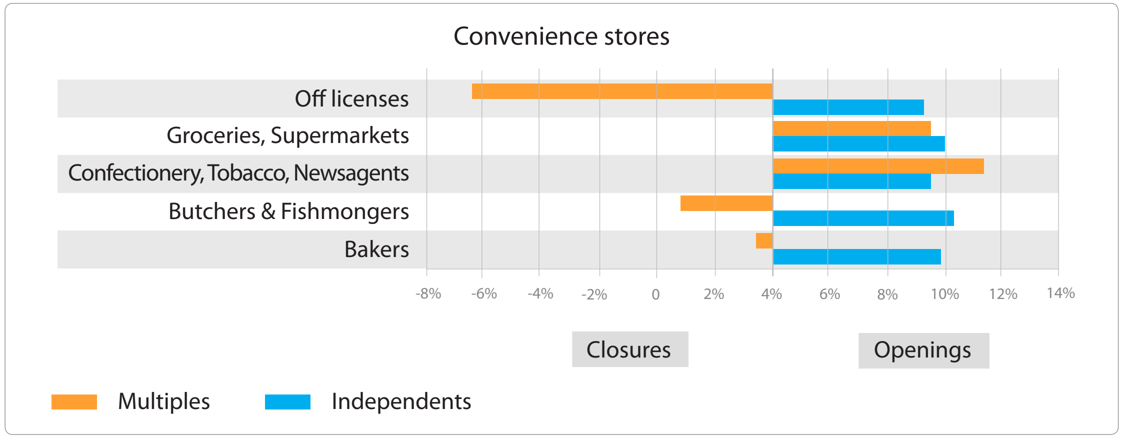
It is in the comparison sector where the differences are most marked. In many of the comparison subsectors the multiples floundered while the independents sailed manfully onward.

Books and stationery suffered from the collapse of Borders UK in November seeing the closure of 40 shops. Overall book retailing multiples were down in numbers by just over 3.6% on the half year. The furniture sector continued to see the fall out from high profile casualties such as Land Of Leather and saw multiples stores down 4.4% in the last half of 2009.

There was little good news for the multiples sector generally. China, gifts and leather goods saw an increase in shop numbers by around 3% and there were modest increases in numbers of florists and general fashion. Overall however it was the time of the independent retailer.

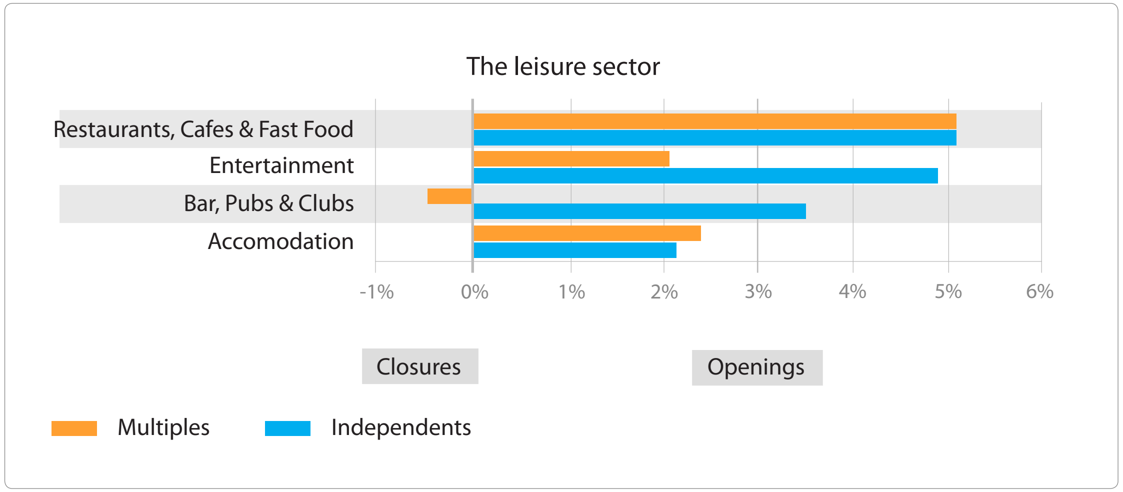
Independents saw increases in numbers across the board ranging from some 2.4% increase in menswear outlets to a massive increase of over 11% in charity shops.

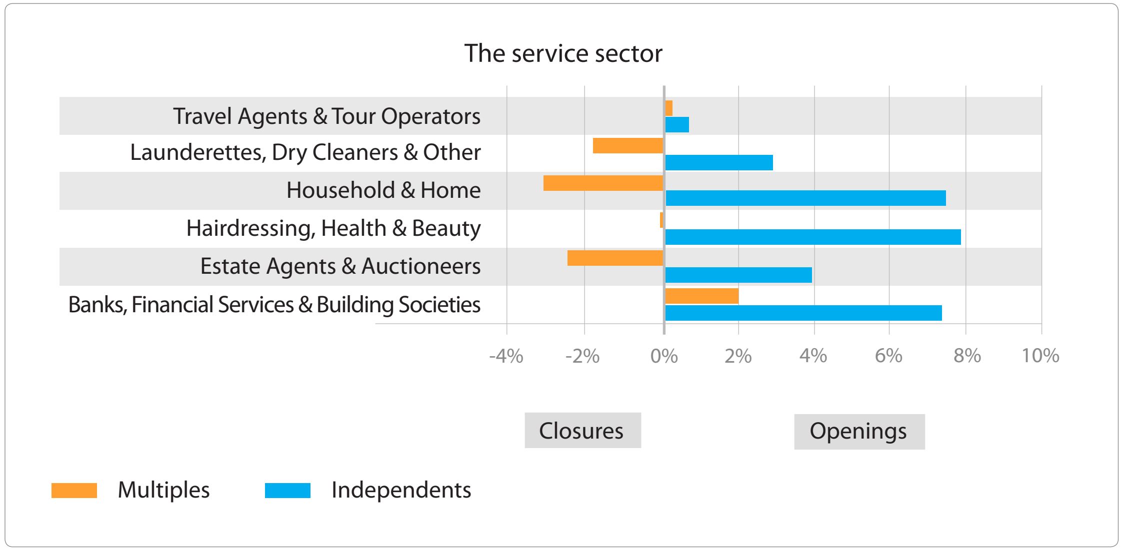
Convenience stores



Asco - Warrington **(New)**

The convenience sector was dealt a severe blow by the administration of First Quench and the closure of some 1,300 off licences under the Thresher fascia amongst others. The number of off licence multiples dropped over 10% in the second half of 2009, however, the expansion in other convenience retailing kept it as the leader overall with a positive increase of 4.8%. There were 1,040 more independent convenience stores at the end of 2009 over the mid-point of the year. The multiples increase in convenience offer is starting to show with over 1,200 new openings in the second half of the year.





The leisure sector

Costa Coffee - London

Restaurants, cafes and fast food outlets have seen growth of some 5% for independents and multiples. Coffee shops, for example, have confounded the expectation that, if cutting back on luxuries in a recession, a £2.50 cup of coffee would be a relatively painless way to start. Both independents and multiple chains have seen a host of new openings in 2009.

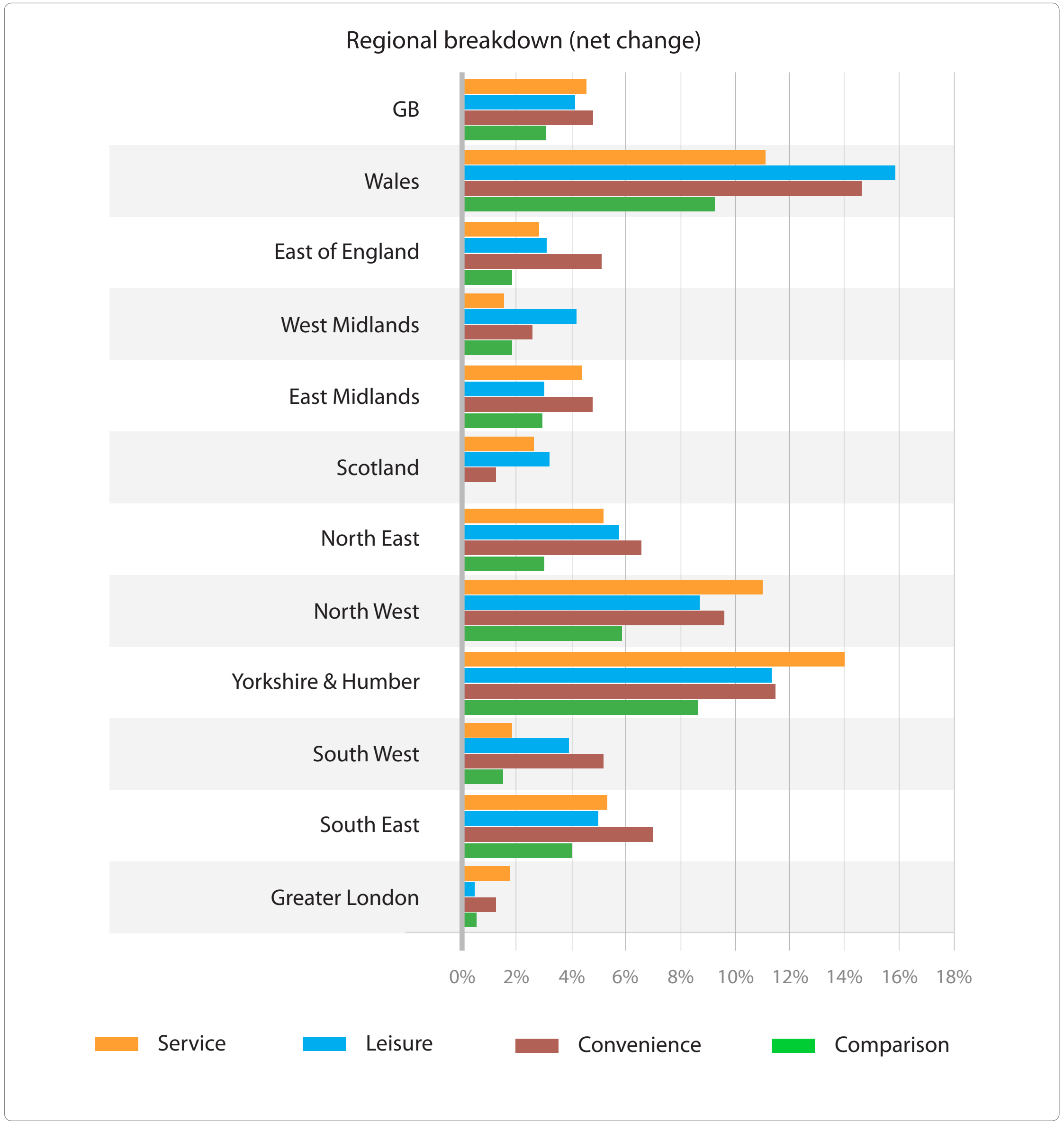
Pubs continue to suffer from both the recession and the dead hand of the big breweries. Up to 11 locals a week are estimated to be closing in London and 52 a week across the UK with rural areas being hardest hit. Independents however, continue to weather the storm with a growth of 3.5% whilst the multiples have fallen back by just under one percent.

The service sector

Your Move - London

This is another sector where the independents have dominated the multiples. Travel agency multiples have just about held their own, but it is the much maligned financial services sector that has rescued the service multiples in the second half of 2009. The greatest increase has come from hairdressing, health and beauty with independents increasing by nearly 8% and multiples declining by 0.1%

Estate agencies continue to suffer from the fragile housing market, although even here independents have managed to increase their numbers by around 4%.



Regional breakdown

Waitrose - Torquay

Regionally, the situation remained the same with strong performance from independents, with multiples doing relatively less well. With the exception of Scotland, that saw a tiny dip in the number of comparison stores, the picture was broadly positive.

The largest increase in stores overall was in Wales where there was an increase of nearly 15% in convenience stores and over 9% in comparison outlets. Yorkshire and Humberside also performed strongly as did the North West, but Greater London performed less well with a rise of under 2% in convenience stores and under 1% in comparison shops.

2010 may be the year that the multiples fight back. Those that have ridden out the recession should now be looking to recover their momentum. Waitrose, for example, have announced plans to open a network of convenience stores - and sell food in Boots stores. The company is reportedly looking to open 300 smaller high street outlets in total in direct competition to Marks & Spencers Simply Food outlets. Away from the supermarkets, baker Greggs announced that they plan to open 600 new stores nationwide creating 6,000 new jobs.

On the comparison side, Waitrose parent John Lewis will be rolling out a new store format that will focus specifically on the home sector, including electrical and home technology. The department chain has identified up to 30 possible locations for the new stores across the UK both in and out of town.

Summary

What this research shows is that independent traders (5 or less outlets) have demonstrated great resilience during tough economic times. These times have also created the opportunity for independents to acquire units on good deals as landlords suffer from the empty business rates relief. Multiple (chain) retailers have either grown as the result of the change in retailing or the economy or suffered significantly to the extent of going into administration or taking up a CVA. Over geared and over priced retailers of all types have seen that margins have been eroded to the point of unprofitability as well as their competitors seeing it as an opportunity to drive them out of business.

Independent retailers have shown that where they have a unique offer, great service and a solid product range that they can not only survive but thrive. Shopping is a personal experience and those that can offer that personal touch will thrive despite pressures from internet and supermarket retailing. A very good example of this are florists where the quality of flower, arrangement and service is very difficult to replicate via these other channels.

The comparison sector contains a vast array of different retail offers and the figure below shows how varied performance across this category has been for all retailers. It also demonstrates the impact of one major retailer going out of business. In this case I am referring to First Quench and the massive impact it has had across hundreds of cities, towns and villages.

Finally, convenience is proving to be king as people recognize the importance of reducing travel costs, food miles and time to name but a few. This need is very much the battle ground for the supermarkets at present but it is one that other retailers can benefit from as well as long as they stick to maintaining core retailing principles some of which were alluded to earlier. The footfall generated by major supermarkets repositioning themselves on the high street is one positive example but clearly there are major threats for the current independent operators.

- Net increase of openings by nearly 4%
- Multiple retailers hardest hit showing an increase of 1.2% whilst Independents deliver an increase of 5.5%
- Fast food, convenience stores, health and beauty, and butchers & fishmongers lead the risers
- Off licences and Childrenswear lead the fallers
- Wales and Yorkshire & Humber regions show greatest positive impact
- London, Scotland and West Midlands show least new activity

Platinum Hair & Beauty
Independent
London E4

Greggs
Multiple
Sunderland

About The Local Data Company

LDC maintains a fantastically detailed and up-to-date database of UK retail and leisure premises, covering over 92% of the UK population.

LDC data is available as a raw data file or through our web application, Town Centre Intelligence (TCI).

- ✓ Over 475,000 business locations
- ✓ More than 380,000 current & historical images
- ✓ 705 field researched town centres across UK
- ✓ Encompassing 450+ classifications
- ✓ Updated every 26 weeks

Talk to our expert directly:
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