

1.0 INTRODUCTION

Terms of Reference

- 1.1 Colliers CRE was instructed by Stratford-on-Avon District Council in January 2008 to carry out a study of **convenience goods** retailing in Stratford-on-Avon District. The main purpose of the study is to provide part of the evidence base that the District Council will use in their preparation of its Core Strategy, which will cover the period to 2026. The principal focus of the study is to provide the Council with robust evidence and advice on the provision of additional convenience goods floorspace given current national and regional policy and in the light of demographic and economic trends.
- 1.2 The key requirements of the retail study as set out in the Consultants Brief are as follows:-
- to assess the quantitative need for additional convenience goods floorspace through to 2026 in Stratford-upon-Avon and the three rural market towns of Alcester, Shipston-on-Stour and Southam;
 - to advise on whether there is a need to widen consumer choice for convenience goods shopping in any of the four centres;
 - to provide guidance on a sequential assessment of potential locations for providing any additional retail provision that has been identified;
 - to comment on the likely impact of any additional out-of-centre food store provision on the vitality and viability of each of the four centres; and
 - to make recommendations to the Council on the most appropriate policy approach to be taken forward in the Core Strategy.

Study Approach

1.3 In preparing this report, we have drawn on our wider knowledge of retail planning and experience gained in undertaking many other retail need/capacity studies throughout the UK, including the previous retail study of Stratford-on-Avon District carried out in 1997 and a study update in 2003. Specifically, we have sought to combine experience in terms:-

- Research
- Retail Agency
- Planning
- Consumer/Market Research

As such the study seeks to blend detailed **research** with relevant **commercial** and **planning** expertise.

1.4 Although some data was available prior to the commencement of this study, it soon became clear that a substantial body of **new** information was required in order to satisfactorily meet the objectives in a robust manner. This new data falls into two broad categories as follows:-

- we undertook a telephone survey of **750 households** living throughout Stratford-on-Avon District and its shopping hinterland;
- we have incorporated the very latest and most accurate **statistics** available in respect of the following:
 - **retail floorspace** of existing centres and shops throughout Stratford-on-Avon District¹;

¹ This data has been provided by Stratford-on-Avon District Council and, in part, by Colliers CRE through detailed fieldwork.

- consumer **retail expenditure per head** for small areas within Stratford-on-Avon District and its shopping hinterland;¹
- current and projected **populations** by ward.²
- details of **retail floorspace in the development pipeline** within Stratford-on-Avon District² (eg. retail commitments and proposal(s)).

In practice, much of the survey and other technical data feeds through into our quantitative assessment of retail floorspace need.

Structure of The Report

- 1.5 This report consists of seven sections, followed by a number of Appendices which contain supporting technical information and spreadsheets, which set out the quantitative retail floorspace need assessment.
- 1.6 Following this Introduction, Section 2 describes the planning context to the study at the national, regional and local level, and summarises the main findings from the recent Competition Commission report into the grocery sector.
- 1.7 In Section 3, we describe our approach to assessing the quantitative need for additional convenience goods floorspace within Stratford-on-Avon District. The sources of data are identified, the methodology of the 'model' is described and our key assumptions are explained.
- 1.8 In Section 4, we consider the present shopping hierarchy of Stratford-on-Avon District and, drawing on the results of the household telephone survey, examine the current pattern of shopper behaviour for convenience goods (food) shopping. Using this

¹ This data is derived from Experian.

² This information has mainly been provided by Stratford-on-Avon District Council.

information, we quantify the retail trading performance of the District as a whole, Stratford-upon-Avon and the three rural market towns.

- 1.9 In Section 5 we describe the methodology for quantifying the need for additional convenience goods floorspace within Stratford-on-Avon District and its main towns. This quantitative need assessment is carried out for the forecast years of 2011, 2016, 2021 and 2026.
- 1.10 Section 6 sets out in full the results of our retail floorspace needs assessment within Stratford-on-Avon District for convenience goods shopping.
- 1.11 In the final Section 7, we present our conclusions and recommendations to the Council on the most appropriate retail policy approach for inclusion in the Core Strategy.

2.0 PLANNING CONTEXT

Introduction

2.1 This section describes the planning context to the assessment of convenience goods retailing within Stratford-on-Avon District and its main centres. Existing retail planning guidance and policy at the national, regional and local levels is reviewed, whilst the recent report by the Competition Commission (CC) on UK grocery retailing is summarised.

Planning Policy Statement 6: Planning for Town Centres

2.2 The Government's key objective for town centres is to promote their vitality and viability by:-

- planning for the growth and development of existing centres; and
- promoting and enhancing existing centres, by focusing development in such centres and encouraging a wide range of services in a good environment, accessible to all.

2.3 Additional aims of Government in relation to retail are:-

- to enhance consumer choice, particularly to socially-excluded groups;
- to support efficient, competitive and innovative retailing;
- to improve accessibility by ensuring that new development is well-served by a choice of means of transport.

2.4 PPS 6 also states that it is not the role of the planning system to restrict competition, preserve existing commercial interests or to prevent innovation.

- 2.5 Government guidance also recommends that local planning authorities should actively plan for growth and manage change in their town centres over the period of new development plans.
- 2.6 PPS 6 advises that regional spatial strategies should set out a vision and strategy for a region's growth, particularly for higher level centres, and provide a strategic framework for planning at the local level.
- 2.7 At the local level, PPS 6 advises that local authorities should assess the need for new retail floorspace, taking into account both quantitative and qualitative considerations, and to identify any deficiencies in provision.
- 2.8 Specifically, in selecting sites for retail development, local authorities should:-
- assess the need for development;
 - identify the most appropriate scale of development;
 - apply the sequential approach to the site selection;
 - assess the impact of development in existing centres;
 - ensure that locations are accessible and well served by choice of means of transport.
- 2.9 In relation to rural market towns, PPS 6 states that they should be the main service centres in rural areas, providing a range of facilities, shops and services at a scale appropriate to the needs and size of their catchment area.
- 2.10 PPS 6 (in Annex A) sets out a number of Typologies. The relevant definitions in relation to this study are as follows:-
- **Town Centres (Type of Centre)** – will usually be the second level centres after city centres and, in many areas, they will be the principal centre or centres in a local authority's area. In rural areas they are likely to be market towns.

- **Town Centre (Type of Location)** – a defined area, including the primary shopping area and areas of predominantly leisure, business and other main town centre uses within or adjacent to the primary shopping area.

- **Primary Shopping Area (Type of Location)** – a defined area where retail development is concentrated (generally comprising the primary and those secondary frontages which are contiguous and closely related to the primary shopping frontage). The extent of the primary shopping area should be defined on the proposals map.

- **Edge of Centre (Type of Location)** – for retail, it is a location that is well connected to and within easy walking distance (i.e. up to 300 metres) of the primary shopping area.¹

- **Out of Centre (Type of Location)** – a location which is not in or on the edge of a centre, but not necessarily outside the urban area.

- **Convenience Shopping (Type of Development)** – is the provision of everyday essential items, including food, drink, newspapers/magazines and confectionery. There are two main types of convenience stores:-
 - Supermarket: self-service stores selling mainly food, with a trading floorspace less than 2,500 sq m, often with car parking.

 - Superstores: self-service stores selling mainly food, or food and non-food products, usually with more than 2,500 sq m of trading floorpace, with supporting car parking.

¹ **Note:** A site for retail located more than 300 metres from the primary shopping area is not defined as a 'town centre' or even an 'edge of centre location', but is considered to be 'out of centre'. Thus it is possible to have a site within the town centre boundary that is, in fact, 'out of centre' in terms of PPS 6.

- 2.11 The Government has stated that it intends to publish a revised consultation draft of PPS 6 during the Summer of 2008. It is expected that this draft will include proposed changes to the existing 'needs' test, and may introduce a 'competition test' (see paragraph 2.26 below).

West Midlands Regional Spatial Strategy (WMRSS)¹

- 2.12 The main purpose of the WMRSS, which incorporates the Regional Transport Strategy (RTS), is to provide a Spatial Strategy to guide the preparation of local authority development plans and local transport plans so that they can deliver a coherent framework for regional development. Local authorities in preparing their plans must take the WMRSS into account. The WMRSS may also be material to decisions on individual planning applications and appeals.
- 2.13 The WMRSS defines a network of 25 town and city centres across the region within four Tiers 1,2,3, and 4. Stratford-upon-Avon is one of 12 Tier 4 centres. These locations are the preferred locations for major retail developments, particularly where the comparison goods element exceeds 10,000 sq m gross. All 25 centres are deemed to play a 'strategic role' and to be the main foci for higher level retailing, commercial, cultural and service activities. These town and city centres are to be balanced by a network of smaller town, district and local centres, which should provide for day-to-day needs.
- 2.14 The WMRSS states that local authorities should be proactive in encouraging appropriate development in these smaller town, district and local centres in order to maintain and enhance their function. The main focus of such centres will be on meeting local needs, in particular convenience goods shopping, the provision of local services (such as banks, post offices, local healthcare facilities, sports centres, libraries and restaurants) and a limited amount of comparison goods shopping.

¹ West Midlands Regional Spatial Strategy, Phase Two Revision – Draft, Preferred Option, December 2007.

- 2.15 The WMRSS also advises that the role and regeneration of centres should not be undermined by larger-scale out-of-centre retail development. However, it is accepted that local circumstances vary, and retail requirements, which cannot be met in-centre, may occasionally arise. In these cases, proposals should be considered against the tests for out-of-centre retail development established in PPS 6 and any additional local criteria set out in Local Development Frameworks.

Warwickshire Structure Plan, 1996-2011 (WASP)

- 2.16 The saved Policy TC.2 of the WASP defines four main town centres (including Stratford-upon-Avon) and four other town centres within the county. These centres should be the location for all major shopping developments of 1,000 sq m or above. The policy seeks to actively consolidate the role of town centres, through the location of appropriate development, and to prevent potential adverse impact from developments elsewhere.
- 2.17 The WASP states that it is likely that local plans will extend the hierarchy of Policy TC.2, as necessary, to define district, local and village centres and set out criteria for determining the scale and nature of development appropriate to each tier.

Stratford-on-Avon District Local Plan Review, 1996-2011

- 2.18 This Plan sets out policies and proposals to guide development in Stratford-on-Avon District in the period up to 2011. Together with the WMRSS and the WASP, 1996-2011, it forms the Development Plan for the whole of Stratford-on-Avon District.

Stratford-upon-Avon

- 2.19 The market town has a population of just 23,000, but because of its association with Shakespeare attracts considerable numbers of visitors each year. Accordingly, the town centre supports a wide range of shops and facilities, far greater than would normally be expected for a town of Stratford-upon-Avon's size.

- 2.20 Virtually all of the town centre lies within a Conservation Area. Therefore, proposals for new retail development is supported in certain streets (only), subject to the character of the area being maintained. Other policies are aimed at ensuring ground floor areas on primary shopping streets are in retailing use.

Main Rural Centres

- 2.21 The Plan identifies eight main rural centres, including Alcester, Shipston-on-Stour and Southam, which are the focus of this study. The Plan seeks to promote and enhance the role of these centres, which includes underpinning their retail and commercial sectors. However, this should be implemented within the context of the WMRSS which supports only limited development in these centres.
- 2.22 Policy MRC.1 states that proposals for retail development within the existing commercial cores of the main rural centres will be encouraged, since they are recognised as important local retail and commercial destinations. As none of the main rural centres are identified in the town centre hierarchy set out in Policy TC.2 in the WASP (see paragraph 2.16 above), then no retail schemes in excess of 1,000 sq m gross should be permitted.

Competition Commission (CC)

- 2.23 After a two year inquiry into food retailing – the fifth in seven years – the CC published on 15 February, 2008, its proposals designed to remedy its competition findings in UK grocery retailing.
- 2.24 The key recommendation is the proposed introduction of a local competition test designed to ensure that no one grocer captures a dominant market share of a local market. If adopted, this test will prevent a retailer from opening additional stores if it already has a 60% share of net grocery floorspace in a local catchment area. In practice, this is unlikely to impact on the expansion plans of retailers in most areas. Accordingly, the CC inquiry in itself is unlikely to do much to put a halt to superstore development and therefore offer protection to small scale high street retailers. The CC has recognised that the highly competitive grocery sector does largely work in the

interests of the consumer. Specifically, the CC states that a lack of competition in certain local markets not only disadvantages consumers in those areas but also allows retailers to weaken their offer to consumers nationally.

- 2.25 The CC report makes it clear that it is not intending to make any recommendations for other changes to the planning system such as the 'need' test or 'town centre first' policy. Any such changes will be made by the relevant government departments.
- 2.26 The Final Report of the CC was published on 30th April. In general it confirms many of the proposals set out in its February report, including the recommendation that a "competition test" becomes integrated into the planning system and that the Office of Fair Trading (OFT) should become a statutory consultee for all planning applications for food stores (including extensions) in excess of 1,000 sq m net to prevent any over domination by a single retailer occurring.

3.0 QUANTITATIVE NEED METHODOLOGY: DATA SOURCES AND ASSUMPTIONS

Objectives

- 3.1 The principal objective of this study is to utilise the most recent and robust sources of data and estimate the need for additional retail convenience goods floorspace within Stratford-on-Avon District through to 2026 the end date of the Core Strategy.
- 3.2 Although the assessment is necessarily detailed and relatively complex, we have at all stages sought to achieve transparency in our calculations. We have followed a traditional approach to estimating quantitative retail need and have incorporated the very latest published data and the results of a specially commissioned household telephone survey. This should ensure that our assessment is up to date, comprehensive and robust.
- 3.3 This section of the report introduces the need methodology, summarises the role of the household telephone survey and (for convenience) set out in one place the main assumptions and definitions which we have used and our principal sources of data. Section 4 quantifies the current (base year) consumer food shopping patterns within Stratford-on-Avon District drawing on the results of the household telephone survey, whilst Section 5 describes the quantitative need assessment process itself.

Quantitative Need Methodology

- 3.4 The quantitative need for additional retail floorspace within an area (or centre) is dependent on the future relationship between the demand for and supply of space, ideally after taking into account the extent (if any) of any over/under trading that is occurring at the base year. The demand for floorspace is then determined by assessing the likely growth in the volume of consumer retail expenditure, while an assessment of floorspace supply involves quantifying the extent to which proposed changes in the location, quality and quantity of retail floorspace will meet the forecast increases in expenditure. Any monetary shortfall of supply relative to demand in the

future indicates there is a need for more floorspace in quantitative terms. The scale of any additional retail provision is then determined by converting excess consumer expenditure (or headroom expenditure) into a retail floorspace need by applying appropriate sales densities. In practice, because shopping patterns are complex and vary for different types of goods, the methodology utilises survey data to determine base year shopping patterns.

- 3.5 Our methodology for estimating quantitative need is presented diagrammatically in **Figure 3.1** (overleaf). The key steps are set out below. **Appendix 6A** provides a more detailed description of the principal stages involved.

Step 1 Catchment Area Definition

- 3.6 The catchment area should be defined with regard to the study objective. For this study it includes all of Stratford-on-Avon District and its wider shopping hinterland.

Step 2 Analyse Consumer Demand

- 3.7 This involves multiplying population by retail expenditure per head for the present and projected forecast year(s). This should include resident population, but also any in-flow retail expenditure from people living outside the catchment area. The main types of inflow expenditure come from long distance shoppers, commuters and tourists.

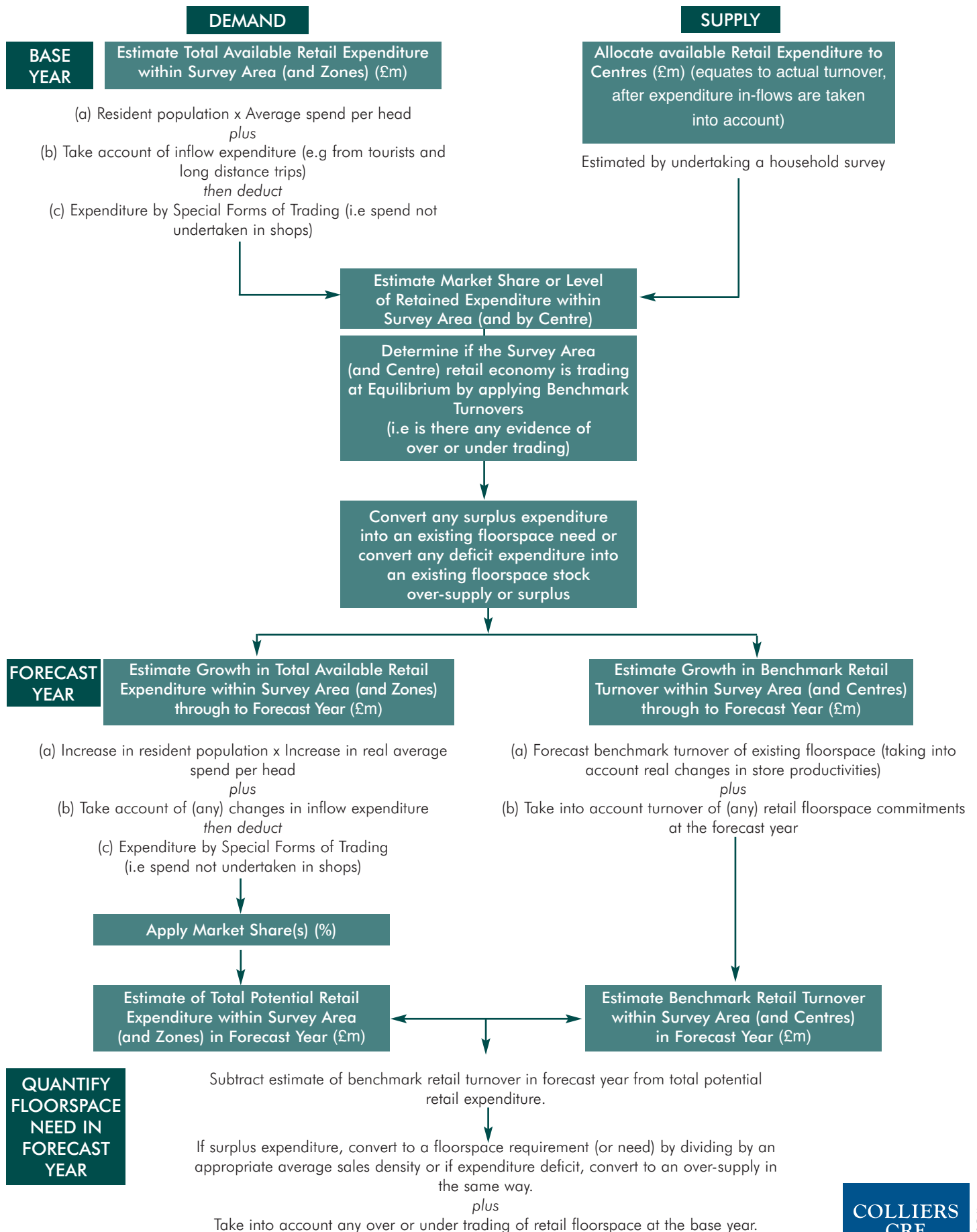
Step 3 Analyse Retail Supply

- 3.8 This step comprises an assessment of the turnover of the retail floorspace stock at the base year. This will involve a household survey to estimate the actual retail turnover of centres and stores and a comparison with benchmark turnover.

Step 4 Retail Demand Vs Retail Supply in the Base Year

- 3.9 At this stage, the adequacy of the existing convenience goods retail provision within Stratford-on-Avon District in quantitative terms is assessed. For example, if actual turnovers assessed in Step 3 exceed the benchmark turnovers, it could be argued that the floorspace is over-trading and, therefore, there may be an existing need for

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additional retail floorspace. Alternatively, if actual turnovers are less than benchmark levels then the floorspace may be assumed to be under-trading, signalling a potential over-supply of existing retail floorspace.

Step 5 Changes in Retail Demand and Retail Supply through to Forecast Year(s)

- 3.10 This step projects forward total available expenditure in the catchment area and the turnover of existing and committed retail floorspace. In simple terms, the difference between the forecast totals of available expenditure and retail turnover gives a measure of the quantitative need for additional retail floorspace. If there is an expenditure surplus, this is converted into potential floorspace by dividing by an appropriate sales density. Similarly, if there is an expenditure deficit, a floorspace over supply may exist.

The Household Telephone Survey

Objectives of the Survey

- 3.11 The household survey forms an important role in the quantitative need assessment since it provides important information on the current pattern of shopping activity throughout Stratford-on-Avon District and surrounding areas. As such, it forms the foundation upon which the retail floorspace need estimates are built.
- 3.12 A major aim of the survey is to generate quantitative data on consumer retail expenditure flows between areas or zones (where people live) and retail centres (where they spend their money). This has been carried out for the following three types of shopping:-
- convenience goods
 - non-bulky comparison goods
 - bulky comparison goods

although this report (and the quantitative floorspace need assessment which follows) focuses entirely on convenience goods shopping in accordance with the Brief.

Definition of the Survey Area

- 3.13 We reached agreement with the District Council on the outer boundary of the household survey area. The survey area is shown in **Figure 3.2** overleaf. It comprises all of the District, together with an area to the south west (within Cotswold and Wychavon Districts) where we anticipate material amounts of in-flow expenditure.

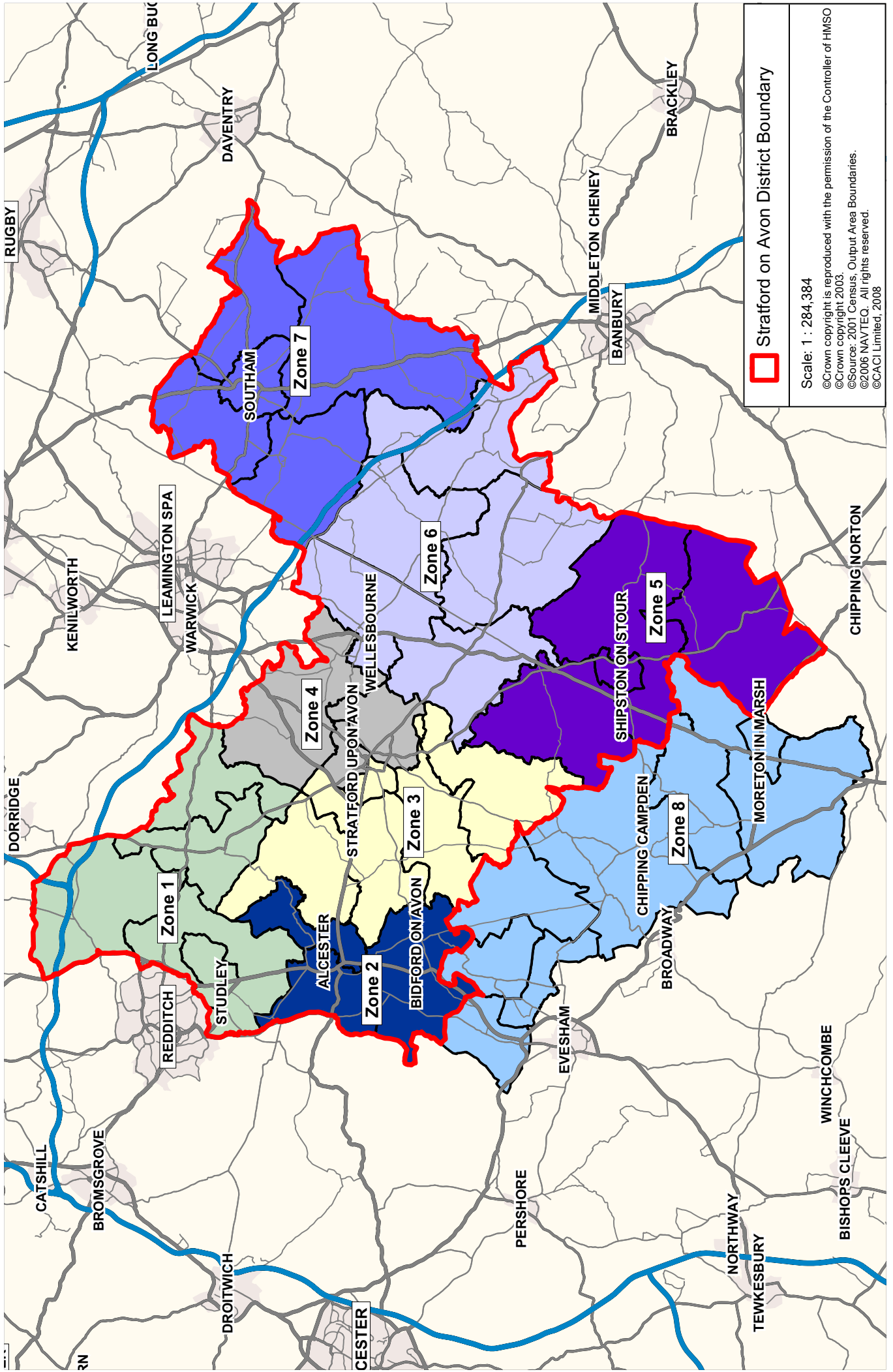
Definition of the Expenditure Zones

- 3.14 For the purpose of sampling and analysis the survey area has been divided into eight zones. These zones are defined on the basis of ward boundaries and each zone comprises one or more wards. In broad terms they relate to natural shopping activity areas on the ground and to the size and distribution of retail centres. Zones 1 to 7 inclusive cover Stratford-on-Avon District.
- 3.15 **Figure 3.2** shows the locations and general configuration of the zones throughout the survey area.

Sampling

- 3.16 For the household telephone survey, structured interviews were carried out with the person responsible for the main shop in a total of 750 households to ascertain their actual shopping patterns and views. This exceeds the normally accepted minimum size for statistical purpose of around 80-90 interviews per zone. Adopting what is standard practice, a consistent absolute sample in each zone was selected, rather than one proportional to zone population. This is because the latter approach would have meant a significantly larger number of interviews overall to ensure a minimum absolute number of interviews in the less densely populated zones, which was not considered essential.
- 3.17 By adopting a consistent number of interviews within the zones irrespective of the population size of each zone, there is over-sampling in some zones and under-sampling in others, while the same overall sample size is maintained. At the analysis stage of the survey, the individual samples are then "weighted" to their appropriate

Fig. 3.2. Household Telephone Survey: Definition of Eight Zones



representation within the survey population to produce an overall result which is representative of the survey area as a whole. Without the weighting, the less densely populated zones would have a disproportionately large effect on the overall survey results, contrary to their population size. The whole principle of weighting therefore allows the characteristics of less densely populated zones to be represented without the unnecessary cost of a grossly inflated sample. **Appendix 1A** provides a more detailed statistical synopsis of the sampling methodology and the degree of confidence which can be attributed to the results.

The Survey Questionnaire

- 3.18 The survey questionnaire was drafted in consultation with the District Council and their agreement was obtained prior to the commencement of interviewing. A copy of the questionnaire is reproduced in **Appendix 1B**.

Implementation, Analysis and Results

- 3.19 Fieldwork for the household survey was carried out between during February, 2008. In so far as we use the survey results to inform our assessment of the need for additional convenience goods floorspace within Stratford-on-Avon District, the key data which the survey generates is the percentage market share (in terms of available convenience goods expenditure) of the towns and other centres within each of the eight zones. Using this quantitative information, it is possible to build-up a picture of existing shopper behaviour within Stratford-on-Avon District and the survey area as a whole. In particular, the data allows the existing catchment areas and retail turnovers of main centres to be determined. **Appendix 1C** sets out the key results of the household telephone survey in respect of convenience goods shopping, whilst **Appendix 1D** provides full details of the convenience good shopping expenditure market shares produced by the survey for each centre store and zone. The survey forms the foundation for the retail floorspace need assessment, which is presented in full in Sections 5 and 6.

Principal Data Sources

3.20 The quantification of shopper behaviour and retail floorspace need, which we present in the following sections, utilise five major sources of data. All of the sources are **new** to this study. The data sources are as follows:-

Data on shopping trips patterns and consumer retail expenditure flows

Source: We have incorporated the results from a new household telephone survey of Stratford-on-Avon District and surrounding areas carried out during February, 2008. This has been described at paragraphs 3.11 to 3.19 above.

Data on population and population projections

Source: Population figures for zones 1 to 7 have been provided by Stratford-on-Avon District Council. They are based on ward populations for 2005 produced by Warwickshire Observatory and incorporate forecasts of the number of dwellings to be completed between 2005 and 2026 according to the West Midlands Spatial Strategy Preferred Option. Full details are set out in **Appendix 2**. For zone 8 (covering Cotswold and Wychavon Districts) populations have been sourced from Gloucestershire and Oxfordshire County Councils.

Data on consumer retail expenditure per head

Source: Bespoke data on average convenience goods expenditure per head for 2006 has been obtained from Experian for the populations living within each of the eight zones. The expenditure per head data is set out in **Appendix 3B**.

Data on existing retail floorspace

Source: Colliers CRE carried out detailed visits to Stratford-upon-Avon and the three rural market towns of Alcester, Shipston-on-Stour and Southam during March, 2008. Where retail floorspace information is not available from either published sources; (eg. The Institute of Grocery Distribution or Goad) or from the District Council's own planning records, we have identified (from our 'fieldwork') all supermarkets and other small convenience goods shops in each centre (town centre and out of centre) and plotted them onto maps (see **Appendix 5A**). The gross floorspace of each shop has then been estimated by scaling from the plans.

Details of existing convenience goods floorspace by centre are set out in **Appendix 5B**.

Data on retail commitments and proposals

Source: The District Council has provided us with the latest available information on retail commitments and proposals across the District as a whole. Full details of the retail development pipeline (as at April 2008) are produced in **Appendix 5C**.

Interpretation and Definition

3.21 In addition to the principal sources of data, there are a number of further definitions, assumptions and forecasts which we have adopted throughout this study. Although many are referred to again in Sections 4 and 5, we hope that grouping them together below this will assist the reader in understanding the technical analysis which follows.

Study Centres

3.22 In this study we assess the need for additional convenience goods floorspace within:

- Stratford on-Avon-District as a whole;
- The main town of Stratford-upon-Avon;
- The three rural market towns of:-
 - Alcester
 - Shipston-on-Stour
 - Southam.

Composition of Main Retail Goods Categories

3.22 In this study we undertake a quantitative assessment to establish the need for (any) additional convenience goods shopping floorspace. The detailed product types which constitute this category of goods are detailed in **Appendix 3A**.

Base Year

3.23 We adopt a base year of 2008.

Forecast Year(s)

3.24 The District Council has requested that we forecast quantitative retail need to 2011, 2016, 2021 and 2026, which is the end date for the Core Strategy.

Price Base

3.25 All monetary figures in this report are given in **constant 2006 prices**. This is the price base for the consumer expenditure per head data obtained from Experian.

Future Growth in Consumer Retail Expenditure Per Head

- 3.26 Future spending levels have an important bearing on the need for additional retail floorspace. The assumptions used are therefore critical to the validity of the overall quantitative need assessment and it is vital that up to date, realistic and robust sources are used.
- 3.27 In this study, we adopt the 2006-based UK expenditure forecasts published by Experian. These are set out in full at **Appendix 3C** and incorporate the move by the Office of National Statistics (ONS) in 2003 to an annual chain linking approach to producing constant price economic aggregates.
- 3.28 Experian's expenditure forecasts are estimates of future spending based on an economic model of disaggregated consumer spending. They differ from expenditure projections published by Experian (and also MapInfo) that are estimates of future spending based on the extrapolation of past trends. Experian advise that when carrying out longer term retail need assessments, the use of forecasts is preferred to projections. Experian state that:-

"Projections of spend per head based on past trends are currently considerably higher than forecasts based on econometric models. This is because we have reached the top of the cycle for consumer and retail spending. This is reflected in very low household savings rates and high levels of household sector debt. Measuring trend growth rates from a point at (or near) the top of the cycle pushes up the projections. On the other hand, economists and forecasters believe this means that spending growth in the future is likely to be weaker as the economy and households' finances are rebalanced. We consider that the expenditure forecasts incorporate this important information in a way that projections cannot and therefore the economic forecasts are to be preferred over the projections for planning for future demand growth." (Source: Experian's Head of Global Economics).

3.30 Following the advice of Experian, we therefore adopt their latest expenditure forecasts which are summarised in **Table 3.1**. We assume that the forecast real annual increase in spend per head for the period 2007-16 will continue beyond the Experian forecast time frame and we therefore apply this growth rate to the time-period 2016 to 2026.

3.31 **Table 3.1: Expenditure Per Head Growth Forecasts**

Goods Category	Time Period	
	2007-2011	2007-2016 ¹
Convenience Goods	0.7% pa	0.8% pa

¹ We also use this forecast for estimating need through to the forecast years of 2021 and 2026. The 0.8% pa growth rate is the same as Experian's Long-Term Trend (middle projection trend) for the period 1977-2006.

In- Flow Expenditure

3.31 Our approach to estimating the volume of convenience goods expenditure flowing into Stratford-on-Avon District from outside takes into account the available scale, range and quality of food retail offer at the different centres within the District and the market shares generated by these centres across the eight zones.

3.32 In practice, because our survey area is relatively large and the three rural market towns are small (with relatively limited food retail offers) we have assumed that the inflow of convenience goods expenditure from outside the survey area from residents is low. Our estimates are set out in **Appendix 4A**. In relation to the larger centre of Stratford-upon-Avon, however, we have assumed a much larger in-flow for convenience good shopping. This is because of its food superstore offer and also because of the food spending generated by the large number of visitors/tourists to Stratford-upon-Avon each year. (**Appendix 4B** sets out our approach to estimating visitor/tourist spend on convenience goods shopping).

Special Forms of Trading and E-tailing

- 3.33 It is normal practice in the preparation of quantitative retail need studies to make deductions from the consumer retail expenditure per person figures adopted to allow for expenditure by 'special forms of trading' (SFT). This is retail expenditure that does not take place in shops, such as that via mail order houses, door to door salesmen and stalls and markets. It also includes spending using digital TV and over the internet.
- 3.34 Recent evidence suggests that e-tailing sales are increasing as a proportion of total retail expenditure, although perhaps not at the rate many commentators forecast at the height of the dot.com boom a few years ago. Much of the initial growth in e-tailing has been achieved through the cannibalisation of existing retail expenditure on traditional catalogue-based mail order. However, this cannot continue, so any further gains in e-tailing will directly feed through into an increase in retail sales through SFT. Accordingly, we feel it is prudent to take this into account in our quantitative need assessment.
- 3.35 In preparing this study, we have examined a range of published material on the subject of e-tailing. However, in our view, the most up to date and forward-looking statistics available on the topic have been prepared by Experian¹. These are reproduced in full in **Appendix 3D**.
- 3.36 Experian note that after a slow start, the UK now appears to be in the take-off phase of the spread of e-tailing, although growth will eventually plateau. The company publish projections of the future market share for SFT (including e-tailing) through to 2016 for convenience goods shopping. Their projected market shares for SFT are set out in **Table 3.2** overleaf.

¹ Source: Experian Retail Planner Briefing Note 5.1, November 2007.

Table 3.2 Special Forms of Trading: Market Share Assumptions

Year	Convenience Goods (%)
2004	2.5
2008	5.6
2011	7.0
2016*	7.3
<p>Source: Experian Retail Planner Briefing, Note 5.1, November 2007 (Table 5.1) * We assume the market shares for 2021 and 2026 will be the same as for 2016, since, according to Experian, the rate of increase will already have plateaued by 2016.</p>	

3.37 It must be stressed that the Experian forecasts are only estimates, since it is very difficult to predict precisely what will happen, particularly over a long time frame. Obviously, if the actual growth in SFT is higher than that which we have assumed, then our estimates of additional convenience goods floorspace need within Stratford-on-Avon District will be too high. Alternatively, if SFT increases at a lower rate than that which we have assumed then the floorspace need estimates set out in this report are likely to be too low.

Turnover Allocation for Existing Retail Floorspace

3.38 It would, in our view, be wrong to assume that all of the increase in retail expenditure within Stratford-on-Avon District is available to support additional retail floorspace. This is because it is appropriate that some of the forecast growth in expenditure should be allocated to existing retailers because the evidence confirms that existing retail shops, in fact, achieve real, and necessary, gains in sales productivities year on year. Rising sales densities are driven by a number of factors including growth in floorspace efficiency and changes in trading hours, net to gross ratios and the mix of goods. Rapidly rising costs also mean existing retailers must grow their sales densities in real terms to remain viable.

- 3.39 Consequently, to avoid making a turnover allowance for existing retailers would, in our view, lead to a “double-counting” of future available retail expenditure and thus an over-estimation of the need for additional retail floorspace (ie. the consumer spend soaked-up by existing retail floorspace would be used to justify the need for more retail floorspace).
- 3.40 Experian have recently published a Retail Planner Briefing Note on estimating and forecasting sales densities (reproduced in full in **Appendix 3E**), which sets out the new research they have undertaken on the subject and its relevance to quantitative retail floorspace need assessments. Experian conclude under their ‘central case’ forecast, that the forecast increase in sales density for convenience goods floorspace is likely to be 0.6% per annum.
- 3.41 Experian further advise that for centres (or areas) where there is a material over-trading at the present time, it is likely that the potential for real gains in sales productivity in the future will be less than the UK average of 0.6% per annum. Similarly, in centres (areas) where there is currently significant under-trading, there is likely to be potential for gains in sales productivity in excess of the national average. However, if the monetary effects of (any) over-trading and under-trading in the base year are fully taken into account in the quantitative need assessment – as is the case in this study – then it brings the Stratford-on-Avon District retail economy into a retail equilibrium position akin to the UK average consistent with Experian’s research on the growth in store productivities. This link is important and has been established in discussions we have had with Experian. Consequently, it is perfectly reasonable to apply the Experian ‘central case’ store productivity figure of 0.6% per annum to the benchmark turnover of existing convenience goods floorspace within Stratford-on-Avon District and its main centres.

Forecast Sales Densities

- 3.42 Sales density measures the relative efficiency with which floorspace is used by retailers to convert sales floorspace into retail turnover. We use forecast sales densities at two stages in our quantitative floorspace need assessment:-

- to estimate the turnover of (any) retail commitments and proposals;
- to convert the available residual headroom expenditure at each of the forecast years into a need (or requirement) for additional retail floorspace.

3.43 In considering what are the most important sales densities to use it is necessary to bear in mind the following:-

- that sales densities relating to new stores (which will open in the future) are likely to be higher than those which apply to all of the existing retail floorspace stock in a centre at the base year (2008);
- that sales densities vary widely between different convenience goods (food) retailers;
- that sales densities for convenience goods will increase over time due to the real increases in store productivity which we apply to all retail floorspace (see paragraph 3.41).

3.44 In selecting what we consider to be the most realistic sales densities to adopt, we have had regard to the characteristics of the Stratford-on-Avon District retail economy and its main centres as well as published sources which give the average sales densities for leading food store operators. Due to the big range in sales densities that occur amongst food store operators, we opt for three scenarios:-

- a '**low**' sales density which approximates to the turnover efficiency of food specialists, the food discounters (eg. Aldi and Lidl), and smaller operators such as the Co-op;
- a '**middle**' sales density, which closely reflects store productivities for the grocery sector as a whole;

- a 'high' sales density which equates to the turnover efficiency for the major grocery multiples such as Tesco, Morrisons, Sainsburys, Asda and Waitrose.

3.45 Our assumed sales densities for estimating the turnover of convenience stores in the development pipeline and for converting available headroom expenditure into a requirement for additional floorspace are set out in **Table 3.3**.

Table 3.3 Assumed Forecast Sales Densities for Convenience Goods Floorspace (£ psm net)

Scenario	Base Year 2008	Forecast Years			
		2011	2016	2021	2026
Low Scenario	5,000	5,091	5,245	5,404	5,568
Middle Scenario	7,500	7,636	7,868	8,107	8,353
High Scenario	10,000	10,181	10,490	10,809	11,137

Note: The sales densities are higher in 2011, 2016, 2021 and 2026 because they include real increase in store productivities.

Net to Gross Ratios

3.46 Where actual gross and net floorspace figures have been supplied by the District Council or another published source we have used them. However, where it has been necessary to convert from gross to net (or vice versa) we use a net to gross ratio for convenience goods shopping of 65:100.

Metric Conversion

3.47 Where necessary, we have converted square feet into metres (and vice versa) using the following formulae:

$$1 \text{ sq m} = 10.764 \text{ sq ft}$$

$$1 \text{ sq ft} = 0.093 \text{ sq m}$$

VAT

- 3.48 Expenditure and sales/turnover data used throughout the quantitative need assessment includes VAT.

Proposed Eco-Town

- 3.49 It should be noted that the quantitative retail floorspace need assessment presented in this report does not take into account the possible effects and requirements of the proposed Eco-town south of Stratford-upon-Avon, known as Middle Quinton. The effect of this proposal on future levels of available expenditure and shopper behaviour, and the resulting need for additional convenience goods floorspace, should be assessed in a separate study.