ENTERPRISE EMPLOYMENT & MAJOR PROJECTS CABINET MEMBER MEETING	Agenda Item 22 Brighton & Hove City Council

Subject:		**Impact of Supermarkets on Local Businesses**		
Date of Meeting:		**15 September 2009**		
Report of:		**Director of Cultural & Enterprise**		
Contact Officer:	Name:	**Rob Dawson**	**Tel:**	**29-1104**
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Key Decision:	No			
Wards Affected:	All			

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

1.1 This report was initiated as a result of a Notice of Motion to Council earlier this year by Cllr Brian Oxley which raised the issue of the potential impact of a supermarket locating in the Portland Road area. The report takes a wider look at this issue and summarises current research and information available on the impact of supermarkets and on retail statistics in Brighton and Hove. It makes recommendations to the Council to continue to offer support to local independent retail.

2. RECOMMENDATIONS:

2.1 That the council continue to support local independent retailers in terms of relevant policy development as part of the Local Development Framework and suite of supporting documents.

2.2 That the council continue to fund support programmes for local retailers as part of the Recession Relief measures, expanding upon the Be Local Buy Local and Business Lifebelt programmes.

3. BACKGROUND INFORMATION

3.1 Analysis of secondary data[1] on retail employment trends in Brighton & Hove point to the following conclusions: -

Between 1998 and 2007 the city has experienced growth in retail business units, from 1,550 to 1,600 **(a 3.2% increase)**. Over the same time period retail employment has fallen from 12,850 to 12,550 **(a 2.3% decrease)**.

[1] Source: Annual Business Inquiry 1998-2007, Office for National Statistics

Large shops with 50+ staff (shops of this size are chain stores in most instances) saw strong employment growth from 4,700 in 1998 to 7,350 in 2001 before falling to 4,900 employees in 2007. The number of individual retail units with 50+ employees also fell from a peak of 54 in 2001 to 40 in 2007.

Small shops with 1-10 employees have seen steady employment levels of 4,550 from 1998 to 2007, while business units have increased from 1,350 to 1,400.

3.2 Conclusions that can be drawn from the above data include noting the resilience of small local retail shops in maintaining employment and increasing stock over the past decade. Shops with more than 50 employees have fallen in numbers and employees since 2001, with a proportion of employment falls likely due to efficiency gains through technological advancements such as self-service checkouts. Overall the local retail sector remains vibrant and a major employment sector within the city. Small employment falls in retail can be partially attributed to the changing nature of Brighton & Hove's economy which now benefits from a broader base with less reliance on retail and tourism than it did in the 1990's, due to strong growth in sectors such as business services and the creative industries.

The above data refers to retail in general, but it is within the groceries market where supermarkets are having the largest impact. Nationally, in 2007 Supermarkets had an 85%[2] share of the UK groceries market with the "big four" (Tesco, Asda, Sainsbury's and Morrisons) accounting for close to a 75% share. In recent years supermarkets have also made strong gains in non-food markets such as clothing, entertainment and electricals. The direct impact of supermarkets on these markets is clear in dominating retail markets; however the slight growth in small retail units in Brighton & Hove in the past decade signifies the vitality here in the city of the local independent retail sector.

It is clear that the independent grocery stores that remain have responded well to competition from supermarkets by creating a niche markets such as organic, local and luxury products that serve their customer base.

Supermarkets bring benefits to consumers in the form of lower food prices (supermarkets benefit from economies of scale). Between 1996 and 2006 the average retail price of food increased by 11% while the Retail Price Index increased by 30%, therefore the real price of food actually fell[3]. Many consumers also choose to shop in supermarkets due to the convenience of buying weekly groceries in one place, either in-store or on-line.

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2 Source: Datamonitor, 2008

3 Source: Office for National Statistics

Local stores are more likely to have a higher economic multiplier effect, as profits are re-spent in the local economy rather than leaving Brighton & Hove. Whilst supermarkets do carry a multiplier effect (e.g. through wages that are spent locally), it can be assumed that less financial gain will remain in the city.

3.3 Local supply chains are also affected by the emergence of supermarkets, who generally will select suppliers at a national or regional level rather than a store-by-store basis. Food miles are also greater for supermarkets, both from a supply and consumption aspect (the average person now travels 893 miles a year to shop for food according to *Keep Trade Local*, a report by the Federation of Small Businesses). However local producers may gain larger market shares as transport costs increase further and the trend for fresh local produce continues to increase as expected.

3.4 The **Business Retention & Inward Investment Strategy** does not predict retail as a strong *growth* sector for the coming decade with the internet set to take a greater share on all retail transactions. However, the strategy highlights the importance of retaining and supporting existing businesses to create economic growth and new employment opportunities.

3.5 The current recession relief package includes measures aimed at supporting local retailers, such as the Be Local Buy Local and Business Lifebelt campaign. There programmes will assist in building capacity amongst shop owners to compete within their market.

3.6 Some local authorities have taken steps to try and mitigate against the impact of chain stores on local district centres. A delegation of council officers and local traders groups visited Kensington & Chelsea Borough Council in 2008 to share best practice. There is ongoing work to incorporate policies into the emerging Local Development Framework that retain small retail units and maintain balanced district centres,.

3.7 The opening of a new Tesco's in **Hove** in 2003 attracted 30,000 new shoppers to the local trading area, according to the company. The initial impact on local stores was negative according to reports in *The Grocer*[4], as parking restrictions meant shoppers at Tesco were unlikely to visit other shops in the local retail district. Recent amendments to parking policies to allow more time for shoppers to visit George Street, Church Road and Blatchington Road will generate a much more positive impact for local traders.

3.8 Supermarkets have A1 use class and planning cannot be refused on the basis of competition, therefore the local authority is limited in power to prevent more supermarkets locating in Brighton & Hove.

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4 The Grocer, 2004, *In the Shadow of a giant*

3.9 Supermarkets often form an ‘enabling’ aspect of a mixed use development; any potential costs of a new supermarket are mitigated by the benefits of the development as a whole. Jubilee Street is an example of supermarkets being integral in the development process.

4. CONSULTATION

4.1 Officers across Economic Development and Planning have been consulted in the drafting of this report.

5. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial implications:
The Recession Relief measures overseen by the Economy Task Force are funded by the council’s 2009/10 Local Authority Business Growth Incentive funding (LABGI) allocation. A total of £35,000 was allocated through LABGI in 2009/10 to support the Business Lifebelt which in turn supports the Be Local Buy Local campaign, these initiatives are also overseen been the Economy Task Force initiative.

Finance Officer consulted: Rob Allen, Strategic Finance, 2nd September 2009

5.2 Legal implications:
There are no new legal implications arising from this report.
Lawyer consulted: Bob Bruce 27th August 2009

5.3 Equalities Implications:
Economic Development Equalities Impact Assessment due for completion in September.

5.4 Sustainability Implications:
On average supermarkets bring an impact of higher average food miles and less local produce to local groceries markets.

5.5 Crime & Disorder Implications:
Areas of the city with empty retail premises are more likely to attract anti-social behaviour than areas with full and active shopfronts. It would be in the interest of community safety to do as much as possible to bring back into use any empty retail units and to regenerate areas of the city where there is less activity and operative active buildings.

5.6 Risk and Opportunity Management Implications:
It is not within the power of the local authority to refuse planning permission on the grounds of potential competition, the responsibility for risk and opportunity management would lie with the retailers in any given context. The local authority is able to act through wider planning policy and special initiatives such as the Recession Relief package of measures, to mitigate the risk of the closure of independent retail and

maximise the opportunities around local, independent and secondary retail centres. The recommendations in this report are in this area and would be designed to mitigate risk and maximise opportunity.

5.7 Corporate / Citywide Implications
The reports evaluation of the potential negative and positive impacts of supermarkets in particular locations as well as the importance of local independent retailers applies to all areas of the city.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

6.1 The local authority is constrained in terms of powers to refuse planning permission based upon competition; hence harder preventative options to limit the spread of supermarkets within Brighton & Hove are discounted.

7. REASON FOR REPORT RECOMMENDATIONS

7.1 The report recognises the value of independent retail at a local level and the recommendations therefore outline actions in support of independent retail that it is possible for the local authority to undertake.

SUPPORTING DOCUMENTATION

Appendices:

Appendix 1: Retail business stock and employment trend data for Brighton & Hove

Documents in Members' Rooms

None

Background Documents

Business Retention & Inward Investment Strategy

Federation of Small Businesses: Keep Trade Local Fact Pack

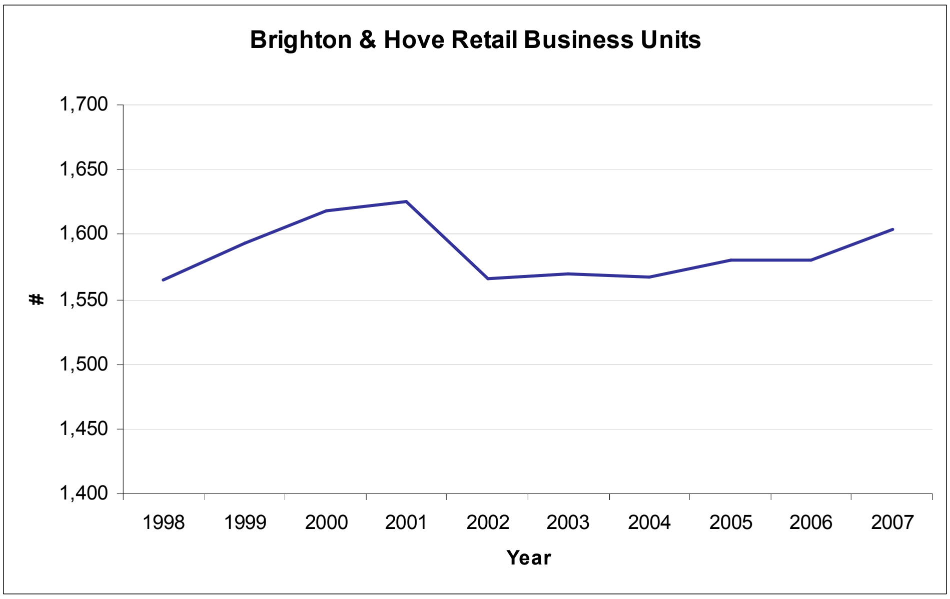
Royal Borough of Kensington & Chelsea Retail Commission Report: A Balance of Trade

Friends of the Earth Report: Community Impacts of Supermarkets

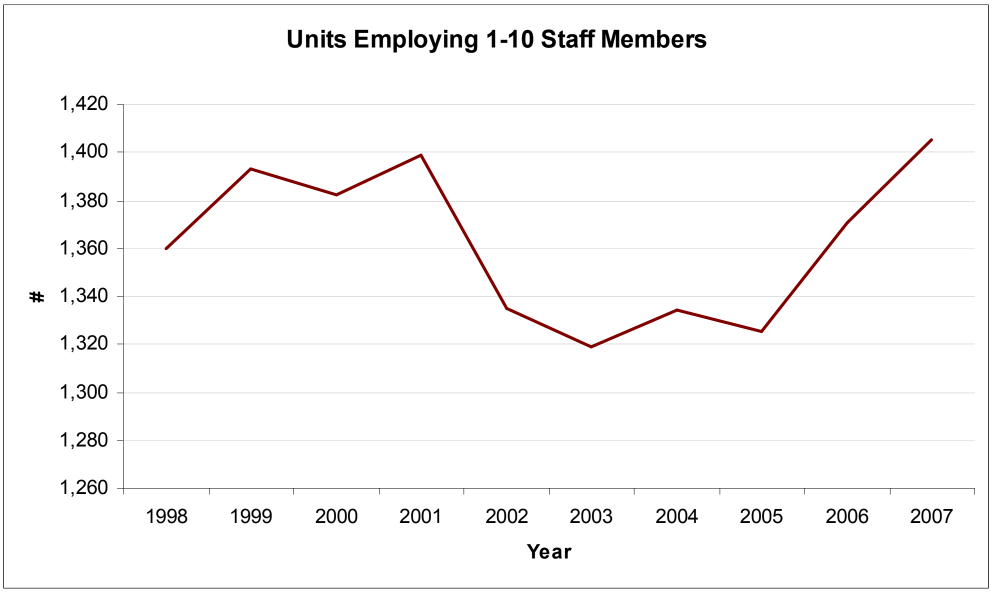
The Grocer

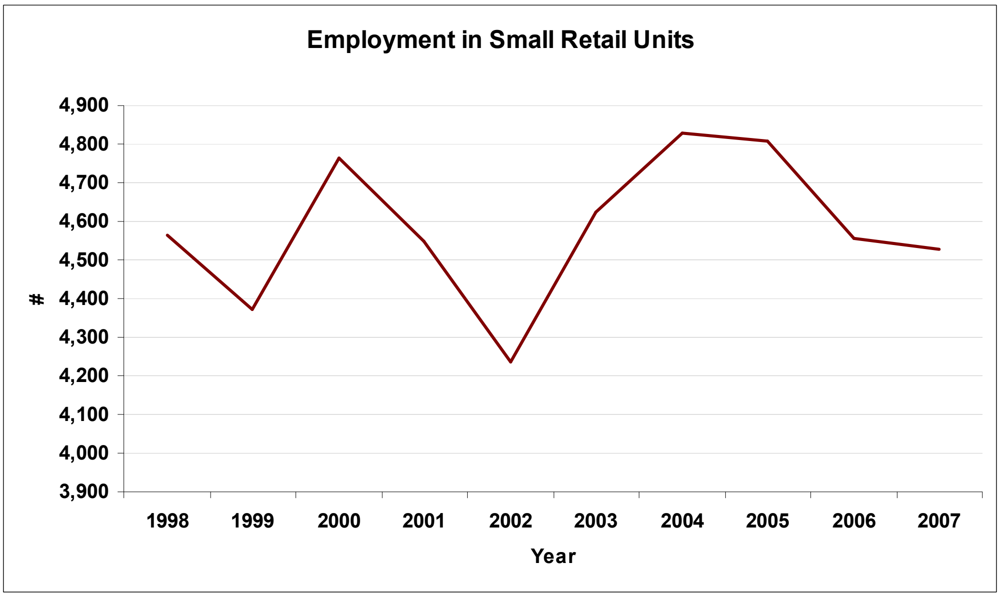
Appendix 1: Retail business stock and employment trend data for Brighton & Hove

All Retail Businesses



Retail Businesses with 1-10 Employees





Retail Businesses with 50+ Employees