

Retailing in Scotland

– 2002-2003

The Royal Bank of Scotland-Scottish Retail Consortium survey of retail sales in Scotland showed an increase of 5.4 per cent in the year to August 2003 compared to the previous year. This is healthy growth in a Scottish economy that has lagged behind the rest of the UK. Nonetheless, the low interest rates coupled with a relatively strong tourist season have kept sales growth well ahead of inflation in 2002-2003. The annual cycle of sales in Scotland differs slightly from that seen elsewhere in UK, with a tendency to stronger peaks at Christmas and in the summer and a significantly earlier back-to-school boost in the summer. Figure 1 shows the RBS-SRC monitor, which collects monthly data on over 60 per cent of sales, over the last four years.

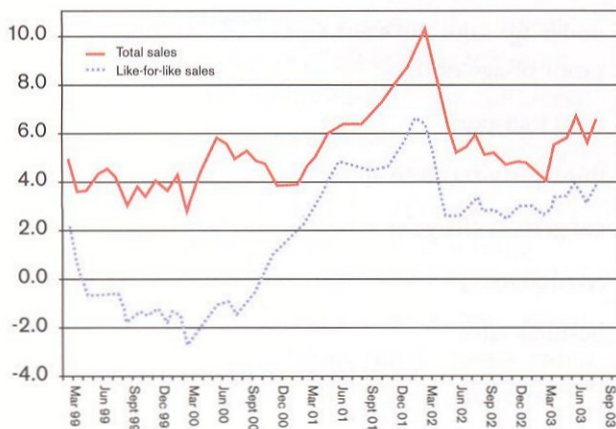


Figure 1: Year on Year percentage change in retail sales in Scotland – three month moving average

Source: RBS-SRC Retail Monitor

Some structural differences in retailing in Scotland compared to the UK are also present. Retail gross margins in Scotland are higher and labour costs lower than in UK retailing generally. Retail sales in Scotland, at a little under £20 billion, represent approximately 7.8 per cent of retail sales in the UK. The general statistics, available as yet only for 2001, show gross

value added in Scotland – at 26.3 per cent – to be significantly higher than for the UK as a whole, while labour costs as a percentage of gross margin, at 48.4 per cent, are lower (see Table 1). This pattern is apparent in the figures for the last several years.

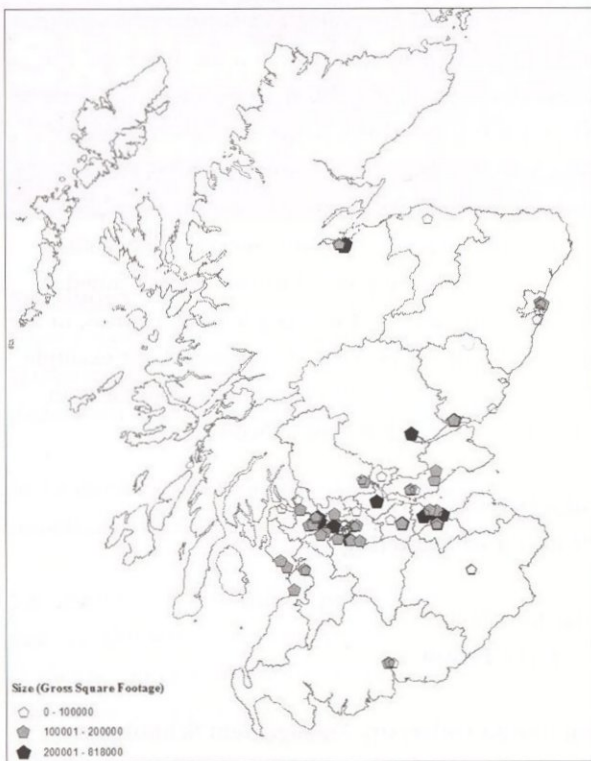
Table 1: Scottish retail sector performance compared with UK

	Scotland	UK
Gross value added as % of sales	26.3	22.6
Employment costs as % of gross value added	48.4	54.9
Net capital expenditure as % of sales	3.2	3.0

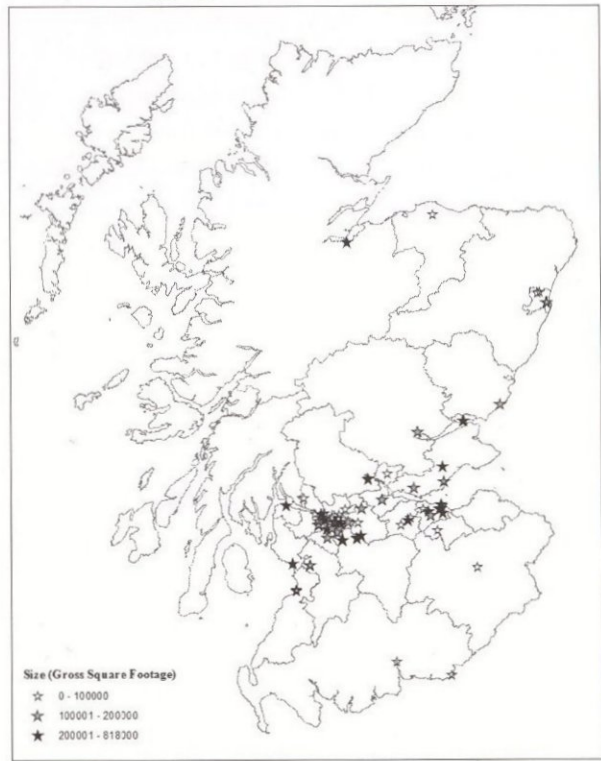
Source: ONS

In sales terms Glasgow city accounts for over 14 per cent of Scottish retail sales, with Edinburgh adding another 11 per cent. The central lowlands outside the two big cities, from the western suburbs of greater Glasgow to the eastern suburban region of Edinburgh, accounted for a further 36 per cent of sales. It is likely that this concentration of sales activity has increased since these ONS figures, approaching 65 per cent of Scottish retail sales accounted for by the central belt in 2002-2003. According to the Scottish Executive Annual Retail Development Survey, in 1999 and 2000 over 7.5 million sq ft of shopping centre floorspace was approved and 70 per cent of this was in the central belt. Some of these approvals have already been constructed in 2002 and more are in the development pipeline. The concentration of existing shopping centre development in the central belt is seen clearly in Figure 2 overleaf.

Retail Parks in Scotland, 2002



Shopping Centres in Scotland, 2002

**Figure 2: Main retail parks and shopping centres in Scotland**

Source: Centre for Study of Retailing in Scotland database

This move to a greater concentration of retailing, and hence stronger competition, in the central belt is complemented by concentration at other spatial levels. Within urban areas the sequential approach in the Scottish planning policy guidelines (NPPG8) has encouraged new development into town and city centres. Of the approved floorspace (over 5 million sq ft in 2000) now coming into trading, 47 per cent is in town centres and 2 per cent is out-of-town. The cores of the major cities are also gaining at the expense of traditional shopping streets in the inner suburbs where vacancy rates of individual shop premises have risen. The investment in new schemes in the larger towns is creating a different form of concentration with sales being drawn away from small towns and villages. The new Eastgate centre in Inverness with 410,000 sq ft illustrates this draw of new schemes in mid-sized towns. To the west of Glasgow, the continuing investment in Braehead is a further example of the increasing concentration of

retail activity into larger centres. These forces of the spatial concentration operating at different levels are important in shaping the current patterns of retailing in Scotland.

Whilst there is growing spatial concentration there is also increasing market concentration in Scotland. This is evident not only with sales growth amongst the largest firms but also there have been some notable losses of mid-sized firms in recent years. It is presently estimated that the 10 largest organisations account for an estimated sales share of over 42 per cent. Concentration is particularly strong in the grocery sector. TNS figures for the shares of grocery sales in stores over 14,000 sq m show more than 94 per cent of sales through the four largest firms. Scotland has been a major market for Safeway for many years, so the resolution of the future of Safeway has considerable significance for consumers and for competition in Scotland.

Few of the major retailers in Scotland have head offices in Scotland. Only five retailers with sales of over £100 million in 2002 have head offices in Scotland. The loss of Texstyle World and What Everyone Wants and the rationalisation of PowerHouse have provided opportunities for expansion into Scotland of non-Scottish companies. Harry Corry, for example, has taken some of the Texstyle World units. More generally, central Scotland and particularly the two largest cities have become increasingly attractive locations for English and foreign-based retailers alike. Zara and H&M have entered the market from overseas, while Stationery Box, Debenhams and other English-based specialists see the market as attractive for their expansion plans. Morrisons opened during the year and may become a major component in Scottish retailing in the coming year.

The likely pattern of retail development over the next few years is a continuation of the spatial and market concentration in activities. Whilst new approved shopping schemes will bring substantial new space

onto the market, this is mainly in the larger towns and central belt. Planning policy, to a considerable extent, is driving the spatial concentration of provision. The market concentration is likely to increase in all sectors as some of the weaker retailers exit the market and sales are taken by a small number of large, strong firms. This market concentration is increasing also because the larger, particularly general merchandise, retailers are exploring new formats that are suited to smaller communities, for example Tesco Express, or are developing more specialist retail formats, for example George. The opportunities are considerable for both these types of development in Scotland.

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