Retailing in Scotland

John Dawson[1]

It is frequently assumed, mainly because of the lack of official statistics to prove otherwise, that there is little difference between the Scottish retail market and the English one. Scotland simply being smaller and lagging somewhat in its economic cycle when compared to England. This conclusion, however, would be an over-simplification

The recent recession through 2002 in the Scottish Economy in general became mirrored by the retail sector in the late Spring. There was slowing of retail activity in the late Spring and early Summer of 2002 but this followed a period of sustained growth through 2001 with year on year sales growth peaking at around 10%. Although there are no ONS official statistics on retail sales in Scotland, the RBoS/SRC monthly monitor providing a sound indication of year on year changes in sales value. The monthly figures smoothed to a three month moving average are shown in Figure 1. The steady rise in sales volume through 2001 and the slowdown from Spring 2002 is clearly reflected in these figures. This is not altogether the same as recent experience in England.

It is estimated that there are about 22,500 shops in Scotland. This is a decrease from about 30,000 in 1990[2]. Of the 22,500 we can estimate from VAT figures that over two thirds have average sales of less than £5,000 per week. We do not know the amount of floorspace in retailing but the excellent series from Scottish Executive now report annually and in detail the additions to floorspace accounted for by new large schemes. Thus in the two years 1998 and 1999 an additional 392,000 sq. m. of retail space was opened for trading. Estimated retail sales in Scotland are £19.1 billion. These bald figures, such as they are, do not allow us to draw many conclusions about Scottish retailing so we need to consider how it differs from retailing in England and then we can begin to consider what the future might hold.

Scottish individuality

Retailing in Scotland has deep seated and significant differences from the retail structure and performance in England. Key differences are:

> Differences in consumption: These are often the result of differences in cultural history, diet and taste, and the northerly location. The results are some differences in product ranges and in merchandising with some seasonal merchandising on a different cycle for England. For example school holidays and 'so back to school' as well as family holiday fortnights are several weeks

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[2] We will hopefully know more when ONS publish, in mid-September, their long awaited Scottish figures drawn from the Annual Retail Inquiry.

earlier in Scotland. The Scottish weather patterns and light summer nights but dark winters also affect consumption patterns of food and clothes particularly as compared with England. The winter weather also has an effect on logistics costs.

Differences in urban structures: Scotland has big cities and small towns but relatively few of the 'shire and cathedral' middle markets of England. The Central Belt anchored by Greater Glasgow and Edinburgh dominates the overall residence pattern with population decreasing in the west and increasing in the east. Outside this Central Belt there are only a few large markets but a dispersed pattern of small towns some of which serve extensive and relatively rich hinterlands. This provides opportunity for specialised retailing in some of these smaller towns where a cluster of innovative retailers can gather. Auchterarder is a good example with its concentration of higher end ladies fashion, drawing customers from the much larger towns of Perth, Stirling and even beyond. Callander has a cluster of knitwear and outdoor clothing shops. More commonly, retailers in many small towns are in serious difficulties after a poor tourist season in 2001 and general moves by residents to shop in the larger towns.

Differences in retail structures: Levels of market concentration appear to be higher in Scotland than in England but hard statistical evidence to support this is not readily available. Large English based, or international, retailers dominate most kinds of retail business. IKEA with two large stores, for example, has a stronger market presence than in England. Despite the high level of 'foreign' ownership there are a considerable number of very successful medium sized firms that are based in Scotland and respond to the Scottish market, both resident and tourist. Dobbies Garden Centres, Internationale, Bargain Books, Alexander Wilkies, Margiota, Schuh, Jenners, Ortak, are typical of the several score successful Scottish based and primarily Scottish market serving firms.

Differences in infrastructure: The devolution of many functions to the Scottish Parliament has created a different political infrastructure, in addition to the long standing different legal infrastructure, to that in England. Whilst National Planning Policy Guidelines for retailing [NPPG8] broadly follow the English pattern there are differences in procedures and in policy. The 1980s wave of out-of-town schemes that was present in England was very limited in Scotland with no large out-of-town super-regional centre yet established, although the gradual expansion of Braehead, to the West of Glasgow, may yet create a centre that in floorspace terms can boast to be of super-regional dimensions.

Spatial and sectoral concentration of Scottish retailing

The dynamics of retailing in Scotland exhibit a strong concentration trend along several dimensions.

Shopping centres have increased in importance and traditional shopping streets have declined. To some extent town centre management schemes have limited the degree of the demise of some shopping streets but often these schemes include a shopping centre and seek to promote a whole town centre. In this way it becomes possible to manage the growing differential between the planned centre and the traditional groups of individual shops in a town centre, so finding alternative uses for the redundant space. Falkirk and Perth are good examples of this situation. But for those places without town centre management schemes the erosion of the traditional network of individually owned and operated shops can be considerable, not least in the middle suburbs of the Scottish cities and even some High Streets. From the middle of 2002 to end of 2003 approximately 200,000 sq m. of new shopping centre space is expected to begin trading, about 45% of this at in-town locations. Sales and investment are becoming concentrated in shopping centres

City centres and edge or out-of-town centres have increased in attractiveness to consumers and retailers whilst inner and middle suburbs and rural retailing have declined substantially. With the increasing mobility of consumers so they are able and willing to travel to major foci of retail activity. The major city centres of Glasgow, Edinburgh, Dundee and Aberdeen still exhibit a strong attraction but the newer edge and out-of-town developments also are more attractive than the older shopping areas in the middle suburbs. Rural retail provision has declined dramatically. Table 1 shows data for 1999 on the extent to which the sequential approach on NPPG8 is affecting town centres with 28% of approved space in town centres. A further 24% of approved space was in edge of centre locations.

Spatial concentration is also apparent in the major cities with the core of the city becoming more concentrated and the fringes of the central cities suffering blight or changing out of retail uses. Some new edge of centre development is occurring but this is often serving to sharpen the definition of the edge the centre and city centre fringes, notably in Glasgow and Edinburgh, have increasing levels of vacancy in shop units.

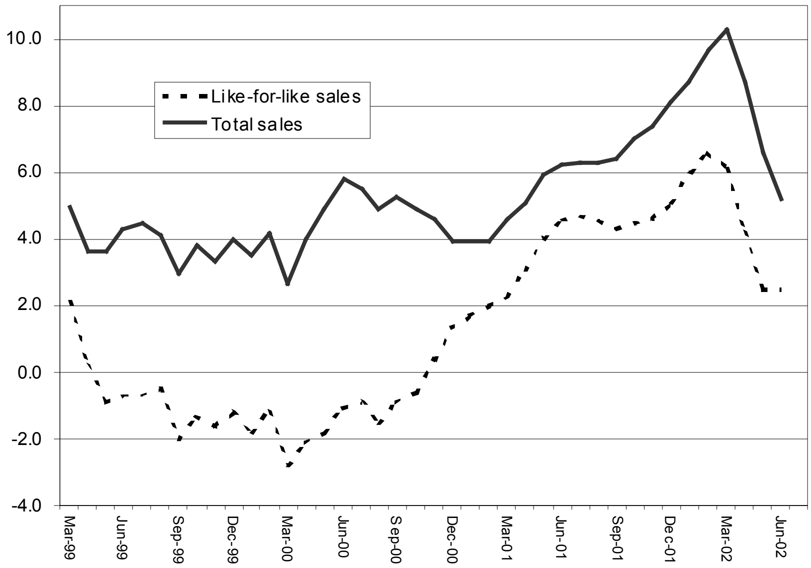
Alongside spatial concentration at various levels there is also market concentration taking place. Large firms have increased their market share and small firms, particularly micro-firms, have declined. As far as we can tell the largest 10 firms have increased their share from around 33% in 1990 to close to 40% today. The concentration level varies greatly by product area with grocery being the most concentrated. In this case over 75% of the market is estimated as accounted for by the five largest firms. The larger firms are growing at a faster rate than the overall market.

There is also a concentration in productivity with a growing gap in productivity between new space and old space. The productivity of new space has increased and productivity of old space has declined. Thus as new space is added less is needed to generate the same volume of sales and also a pro-rata larger amount of old space is displaced.

The next 5 years

In common with England, consumers in Scotland can expect to see more Non-UK retailers in the High Streets and shopping centres. Although some are currently represented in Scotland there is a strong likelihood of a substantial increase in their number, particularly in Glasgow and Edinburgh. The forces of concentration in investment, spatial provision and sectoral markets are strong and seem unlikely to lessen over the next 5 years. The erosion of levels of retail provision in the extensive rural areas presently served by the network of small towns my cause concern and devolved government could well become involved in policy measures to ensure adequate levels of retailing in the remoter rural areas and islands. The identity of the Scottish consumer is likely to remain distinct and may even diverge more from the patterns of consumption seen in England. Although the Scottish retail market is relatively small it is distinct and this may help to maintain a healthy group of medium sized Scottish retailers.

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



Source: RBOS-SRC Retail Monitor

Table 1

Retail developments over 1000 sq m gross recorded by local authorities in Scotland in 1999

	Number of developments			Gross '000 sq.m floorspace		
	Scotland	of which		Scotland	of which	
		in 4 major cities	in town centres		in 4 major cities	in town centre
Total entries	252	92	57	1618	893	459
Applications submitted	115	35	31	591	274	183
Approved	56	24	15	266	154	74
Refused - no appeal	9	3	2	40	20	3
Refused potential appeal	20	6	4	124	49	27
Withdrawn	22	7	4	109	59	8
Under construction	24	12	6	109	61	13
Trading	37	12	9	303	179	114
Other	35	8	6	314	97	90

Source: Scottish Executive Development Department [2000]