# Appendix 3 Methodology

# Retail Capacity Assessment – Methodology and Data

## **Price Base**

1 All monetary values expressed in this study are at 2014 prices, consistent with Experian's base year expenditure figures for 2014 (Retail Planner Briefing Note 13, October 2015) which is the most up to date information available.

# **Retail Expenditure**

- 2 The level of available expenditure to support retailers is based on first establishing per capita levels of spending for the study area population. Experian's local consumer expenditure estimates for comparison and convenience goods for each of the study area zones for the year 2014 have been obtained.
- 3 Experian's EBS national expenditure information (Experian Retail Planner Briefing Note 13, October 2015) has been used to forecast expenditure within the study area. Experian's forecasts are based on an econometric model of disaggregated consumer spending. This model takes a number of macro-economic forecasts (chiefly consumer spending, incomes and inflation) and uses them to produce forecasts of consumer spending volumes, prices and value, broken down into separate categories of goods. The model incorporates assumptions about income and price elasticities.
- Experian's EBS growth forecast rates for 2014 to 2017 reflect the current economic circumstances and provide an appropriate growth rate for the short term (for convenience goods: -0.2% for 2014 to 2015, +0.1% for 2015 to 2016 and +0.3% for 2017; for comparison goods: +5.3% for 2014-2015, +3.2% for 2015-2016 and +2.9% for 2017).
- 5 In the longer term it is more difficult to forecast year on year changes in expenditure. Experian's longer term growth average forecasts have been adopted i.e. 0.1% per annum for convenience goods after 2017 and 3.0% per annum growth for comparison goods. These growth rates are relatively cautious when compared with past growth rates, but in our view represent realistic forecast for future growth. These growth figures relate to real growth and exclude inflation.
- 6 Special Forms of Trading (SFT) or non-store activity is included within Experian's Goods Based Expenditure (GBE) estimates. SFT includes other forms of retail expenditure not spent in shops e.g. mail order sales, some internet sales, vending machines, party plan selling, market stalls and door to door selling. SFT needs to be excluded from retail assessments because it relates to expenditure not spent in shops and does not have a direct relationship with the demand for retail floorspace. The growth in home computing, internet connections and interactive TV may lead to a growth in home shopping and may have effects on retailing in the high street. Experian provides projections for special forms of

trading and e-tailing. This Experian information suggests that non-store retail sales in 2014 is:

- 8.3% of convenience goods expenditure; and
- 14.9% of comparison goods expenditure.
- 7 Experian predicts that these figures will increase in the future. However, Experian recognises that not all of this SFT expenditure should be excluded from a retail capacity analysis, because some of it relates to internet sales through traditional retail businesses, rather than internet companies. The turnover attributable to e-tail through retail businesses is included in the company average turnovers, and therefore expenditure figures should not exclude this expenditure. Experian has provided adjusted deductions for SFT and projections. These projections have been used to exclude only e-tail expenditure attributed to non-retail businesses, which will not directly impact on the demand for retail floorspace. The adjusted figures suggest that SFT sales in 2014 are:
  - 2.5% of convenience goods expenditure; and
  - 11.2% of comparison goods expenditure.
- 8 The projections provided by Experian suggest that these percentages could increase to 4.4% and 15.0% by 2021 respectively. In the longer term, the growth is predicted to fall or reverse slightly for comparison goods. The long term projections are 5.8% and 14.6% by 2031. These figures have been adopted in this assessment.
- 9 Home/electronic shopping has also emerged with the increasing growth in the use of personal computers and the internet. This study makes an allowance for future growth in e-tailing based on Experian projections. It will be necessary to monitor the amount of sales attributed to home shopping in the future in order to review future policies and development allocations.
- 10 On-line shopping has experienced rapid growth over the last 20 years, but in proportional terms the latest available data suggests it remains a relatively low percentage of total retail expenditure. Experian state that they expect that the SFT market share will continue to grow, however the pace of e-commerce growth will moderate markedly after about 2021. Experian's forecasts suggest that the SFT share of total retail sales will reach 18.3% by 2021, rising to 19.4% by 2031.
- 11 The implications on the demand for retail space are unclear. For example, some retailers operate on-line sales from their traditional retail premises e.g. foodstore operators. Therefore, growth in on-line sales may not always mean there is a reduction in the need for retail floorspace. Given the uncertainties relating to internet shopping and the likelihood that it will increase in proportional terms, this assessment has adopted relatively cautious growth projections for retail expenditure.

#### **Market Shares/Penetration Rates**

- 12 To assess the capacity for new retail floorspace, penetration rates are estimated for shopping facilities within the study area. The assessment of penetration rates are based on a range of factors but primarily information gathered through the July 2016 household survey.
- 13 The total turnover of shops within Calderdale Borough is estimated based on penetration rates. For convenience goods shopping turnover estimates are then compared to average company benchmark or average sales floorspace densities derived from Mintel's Retail Rankings and Supermarkets UK Report (November 2015), which provide an indication of how individual retail stores and centres are performing against expected turnover averages. This allows the identification of potential surplus or deficit capacity for retail sales floorspace.

### **Benchmark Turnover Levels**

- 14 Company average turnover to sales floorspace densities are available for major foodstore operators and are compiled by Mintel. Company average sales densities (adjusted to exclude petrol and comparison sales and include VAT) have been applied to the sales area of the large foodstores, and a benchmark turnover for each store has been calculated. This benchmark turnover is not necessarily the actual turnover of the foodstore, but it does provide a useful benchmark for assessing existing shopping patterns and the adequacy of current floorspace in quantitative terms.
- 15 The estimated convenience goods sales areas have been derived from a combination of the Institute of Oxford Retail Consultants (ORC) StorePoint database and Valuation Office data. Estimates for comparison sales floorspace within large foodstores has been deducted, for consistency with the use of goods based expenditure figures.
- 16 Average sales densities are not widely available for small convenience shops, particularly independent retailers. Based on the mix of shops present in each centre within Calderdale Borough and NLP's experience of trading levels of small independent shops informed by household shopper surveys elsewhere, an average sales density of £11,000 per sq. m net has been used for convenience shops/stores in Halifax, with an average sales density of £9,000 per sq. m net in the remaining town centres and an average sales density of £8,000 per sq. m net for the district centres.
- 17 Mintel's Retail Rankings provides company average sales density information for a selection of national comparison retailers. Based on NLP's experience, the average sales density for high street comparison retailers usually ranges between £5,000 to £8,000 per sq.m net. This retail study has used a comparison goods sales density of £7,000 per sq. m net for Halifax town centre, £5,000 per sq. m net for the remaining town centres and £3,000 per sq. m net for the district centres. This is a reflection of Halifax town centre's role in the sub-regional hierarchy and

the comparison goods destinations within the remaining town centres and district centres, which contain less national multiples than larger town or city centres.