
**Retail Circuit Strategy for
Derby City Centre
2008-12**

Executive Summary

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Prepared by

CACI Ltd

for

Derby City Council (NBC)

in partnership with:

Derby Cityscape

Cathedral Quarter BID

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1.0 Project Scope

- 1.1 CACI were instructed by in May 2008 by Derby City Council to examine the current retail market for the Derby City's Retail Circuit and to assess the strengths, weaknesses, opportunities and threats for a strategy to maximise the future performance of the city centre's retail offer
- 1.2 This project has been commissioned following the opening of the new Westfield Derby scheme. This means that it has been able to review the performance of the new scheme following the first 6 months, and what the short-term consequences have been for Derby City as a whole.
- 1.3 CACI were been able to review the subsequent implications for Derby's retail ranking and attractiveness as a location for retail and leisure operators.
- 1.4 A major part of the project has been to review the potential for new operators to take existing space within the city, and what part the new Cathedral Quarter BID can play in making this a commercial reality.
- 1.5 The project brief required CACI to provide a strategy for the city centre that includes:
 - A short term solution to capitalise on new visitors to Derby attracted by the opening of Westfield Derby.
 - A longer term strategy for Derby City Centre ensuring that the centre's regional position is consolidated.
 - A qualification of the fit between Derby Cathedral Quarter BID aims and an optimal strategy for the city centre as a whole.
- 1.6 In particular, their study was required to address the following issues:
 - Help to understand target consumers and identify missing shoppers & visitors to the City.
 - Identify and analyse distinct trading zones / pitches in the City Centre.
 - Identify gaps for new complementary food and drink, leisure and retail requirements in the city centre.
 - Define areas undergoing change and advise on strategy to revitalise these areas.
 - Advise on new uses for vacant and underperforming sites/premises.
- 1.7 CACI's approach to the study was to perform a thorough audit of the whole city centre, and apply their industry-adopted economic models, reporting their analysis results under the five following headings:
 - Derby's Current Catchment and Competition
 - Centre Benchmarking & Potential to change Market Positioning
 - Current Retail Provision and Pitch Performance
 - Future Retail Circuit and Zone Strategy
 - Future Option Testing
- 1.8 The detailed results of CACI's analysis can be found in their Powerpoint Report, which accompanies this Executive Summary.

2.0 Study Findings

Derby's Current Catchment and Competition

- 2.1 Since last year, following the opening of the 36,897 sqm gla Westfield Extension in October 2007, Derby has seen substantial growth in its potential trading catchment area and market penetration of existing trading areas.
- 2.2 Market Potential has increased by 60%, from £429.7m to £682.9m per annum – increasing Derby's UK ranking from 53rd to 38th.
- 2.3 Derby's catchment area contains strong concentrations of Wealthy Executives, Affluent Greys, Flourishing Families and Secure Families. This means that there are particularly strong retailing opportunities for the centre, and that engaging with these groups will be critical to maximising Derby's potential as a retail destination.
- 2.4 Derby's catchment is generally older and more suburban and rural than those of larger cities, with less Professionals, Educated Urbanites and Aspiring Singles than the UK average.
- 2.5 The impact of improving the retail offer in Derby has been to draw in more people from all groups, but in particular the relative proportion of Affluent Greys and Flourishing Families has increased.
- 2.6 Derby has very little in the way of significant local competition, with its only main competitor being Nottingham.
- 2.7 There is an opportunity for Derby to differentiate from Nottingham by focusing on its profile strengths, to appeal to family groups and older groups.

Centre Benchmarking & Potential to change Market Positioning

- 2.8 Comparisons with other post-industrial cities such as Leicester, Southampton, Plymouth, Sheffield and Hull reveals that Derby has a stronger mass-bias than the benchmark average, with a lower level of value stores, associated with a stronger level of Wealthy Executives, Affluent Greys, Flourishing Families, Secure Families and Settled Suburbia compared with the average market these benchmark towns operate in.
- 2.9 In terms of demographic profile, Derby is closest to Leicester. Both Leicester and Southampton have a stronger premium presence than Derby. Considering the healthy presence of premium independents in Derby, and its strong demographic profile, Derby should be performing better with respect to its market positioning balance, with a clear opportunity to develop a premium multiple market.
- 2.10 The strong premium multiple market in Nottingham can be viewed as a threat to developing one in Derby. To qualify the opportunity, more evidence is needed on other centres which have achieved a strong multiple premium market despite a larger, dominant neighbour.
- 2.11 Chester, York and Bath have all developed strong premium multiple markets in the shadow of a more dominant neighbour. Other relevant benchmarks that have similar market size and demographic profile include Cheltenham and Exeter. Sheffield has also been selected as a particularly relevant benchmark – a city which needs to compete against Meadowhall and which has a strong set of office developments in the pipeline, despite strong competition with Manchester, Leeds and Nottingham in terms of

office markets.

- 2.12 Comparisons with these cities/towns qualifies that there is an economically sound argument for Derby to strengthen its premium market, with opportunities to attract a significant number of additional 'upper' and 'upper-middle' clothing and premium home, jewellery and toiletry retailers.
- 2.13 In order to achieve this, Derby will need to create a step-change in the way that it is perceived, by both the retail community as well as consumers, to achieve a premium market, supportable along the lines of an 'Upper Trend' established by a number of successful towns and cities across the UK.
- 2.14 Chester, York and Bath benefit from heritage and a strong tourism strategy. Sheffield does not operate under the shadow of a nearby dominant centre. Therefore, despite the comparisons, ultimately Derby's situation and future development strategy will be unique to Derby. The key lessons to draw is that Derby needs to have a wider point of interest than retailing alone, and like Sheffield, will need to develop a much stronger city-based employment sector to support the city retail economy, in the absence of such a strong tourism market as other benchmarks enjoy.

Current Retail Provision and Pitch Performance

- 2.15 The Westfield Extension has added more than 50% more retail space to Derby City Centre, providing much needed units to satisfy retailer requirements of those seeking larger floorplates; and up-to-date accommodation for Marks and Spencer and Debenhams.
- 2.16 However, the location of the extension means that the impact has been to drastically shift the centre of gravity of retailing in the city towards the south-east of the city centre.
- 2.17 The only premium part of Derby is Sadler Gate, due to the quality of its independent traders. Unfortunately, it is this area which has currently become disconnected from the rest of the retail offer.
- 2.18 The Westfield Extension is mass-dominated, with a healthy (19%) representation of premium retailers. However, the 'Eagle' area immediately to the north is value dominated, meaning other mass-dominated areas of St Peters Street and East Street are linked and centred around this value-pitch.
- 2.19 This is not the best zoning arrangement with respect to market positioning of the areas.
- 2.20 Modelled pitch performance indicates that following the opening of the Primark and Tesco Metro, all areas will perform satisfactorily or better, other than Sadler Gate and The Spot.
- 2.21 This poor estimated performance for Sadler Gate is a worst-case "do-nothing" scenario. This scenario highlights the fragility of the area and need for every effort to bolster footfall and improve the area to be suitable for premium tenants, including necessary public realm improvements, removal of nuisance neighbours and/or toning down the impact some fascias have on the tone of the area.

Development Issues and Options

- 2.22 Westfield Extension has irrevocably changed the centre of gravity for retailing in Derby. The new positioning of the focus of core retailing to the south-eastern area of the retail core presents an opportunity to link the

two distinct business areas of Derby; one which lies in the north of the city centre, the other which lies around the rail station area.

- 2.23 The impact of the Westfield Extension and relocation of Debenhams is to set the conditions for a shift eastwards of the main north-south shopping axis through the city; presenting an opportunity to establish a stronger link between Market Hall, Albion Street and Westfield Derby.
- 2.24 The induced changes to footfall levels due to the extension and current vacancies of old Debenhams and M&S has had the greatest impact on trading conditions at Sadler Gate.
- 2.25 Sadler Gate represents an important opportunity area to fulfil the identified premium gap, with the St. James Yard development as an important catalyst to drive this opportunity. However, under current footfall levels and vacancy rates, leasing units to the target retailer list is going to represent a significant challenge.
- 2.26 For St Peters Street, the occupation of the old M&S Foodhall with a Tesco Metro in combination with the opening of the Primark store would secure the viability of St Peters Street's current level of retail provision.
- 2.27 The Debenhams Building, and potential for redevelopment of surrounding land, is identified as the lynchpin for the future development direction of the city.
- 2.28 Whilst there maybe capacity for replacing the loss of the Debenhams with an equivalent level of retail floorspace, we have not identified this location as a priority with respect to providing replacement retail space. This is because its location is now further from the new centre of gravity for footfall – which has moved eastwards. Attempting to draw footfall back into this area with major new space could cause problems of retail pitch dilution. Rather, we have identified an opportunity for an office-led scheme to deliver greater levels of daytime footfall to this area, which would help support a stronger catering presence in the centre of the city and support the economy of St Peters Street (north), Sadler Gate and Market Place.
- 2.29 Aspirational benchmark analysis has identified that in the long-term, Derby could aspire to an additional department store anchor, such as a House of Fraser or John Lewis. However, we would view this as a longer term opportunity, since Derby has a long way to go in terms of changing market perceptions. We would suggest that it will need to 'prove itself', by building a stronger premium market without any additional department stores; as Chester has achieved with only a Debenhams and TJ Hughes.

Towards a future city centre development strategy

- 2.30 Considering the issues and options identified, critical to a successful strategy will be linking opportunities to timing; in particular identifying what dependencies there are on each opportunity.
- 2.31 Due to the fragile situation in Sadler Gate, this area is identified to have top priority for immediate action. The opportunities for premium retailers in this area are not dependent upon new development, but rather on increasing the utilisation of the northern car parks, improving the environment and reducing the negative visual impact of the Walkabout and Betfred frontages. In terms of public realm, ensuring the place is clean and well-kept is important. However, care must be taken on the timing of improvements to the street surfaces, as these can disrupt trade and therefore can be counter-effective if not managed properly. Getting the St James Yard development underway would set the right investment message for the area and achieve better connection of the Sadler Gate area to the rest of the core retail area.

- 2.32 The opening of the new bus station will further improve opportunities on East Street, and therefore the proposed new retail spine between the Westfield Extension and Market Hall, via the Co-Op department store anchor could be delivered in the shorter term – just requiring some public realm improvements around Osnabruck Square and linking with the new Quad arts facility. Osnabruck Square therefore becomes an important public space. Further planned office development to the east of Market Place (Full Street development) will also further strengthen this concept.
- 2.33 The opportunities for St Peters Street, however, relate to longer term opportunities. The retail units are currently well-let, and therefore not of immediate concern. However, in the mid-long term, there are redevelopment opportunities for the Audley Centre and the Debenhams site – which could re-invigorate this zone – especially if delivered with further office space and a mix of other uses.
- 2.34 The Debenhams site (Beckett Well Lane) has good potential for an office-led scheme, which could be developed in the mid-term. The redevelopment of the Audley centre is seen as a longer term opportunity. Due to its good positioning close to the East Street and new retail spine, it could work towards accommodating a fourth department store anchor for the city.

Current Strengths and Weaknesses of Derby's Retail Circuit

- 2.35 The retail cluster analysis of current retail provision highlights the lack of a strong catering cluster in the centre of the retail pitch; rather they are located along Friargate and to the north of Market Place on Irongate.
- 2.36 Along with fashion, the Sadler Gate area is important for hairdressers, galleries and estate agents. In terms of fashion, it is currently the menswear offer which is a particular strength. This could be complemented with an improved high fashion ladies offer.
- 2.37 Whilst the analysis confirms the strength of Westfield for the majority of fashion categories, East Street has a stronger emphasis on non-fashion related retail and for betting and travel shops.
- 2.38 The analysis confirms the secondary nature of the retail strengths of the Babington Lane pitch.
- 2.39 A number of missing clusters have been identified, including Home Goods, Bookshops and DVD/Games.

3.0 Proposed Strategy

Proposed New Retail Circuit and Zones

- 3.1 CACI have identified a new retail circuit for Derby City Centre. This builds on the current identified dwell points and visitor paths, and acts to provide a stronger connection between the Cathedral Quarter and Westfield.
- 3.2 We have identified a new retail circuit and zone system based upon recognising the impact of the recent Westfield Extension, strengthening retailer clusters, and the following future potential developments:
 - Proposed St James Yard mixed-use retail development
 - Proposed Bold Lane mixed-use retail development
 - Proposed office developments at City Gate House, Cathedral Road, Full Street, Riverlights and North Castleward
 - Mid term potential office development/reuse of old Debenhams Site
 - Longer term potential for mixed-use redevelopment of Audley Centre (potentially for retail)
- 3.3 This new retail circuit is based on two north-south retailing spines linking the Westfield Extension (with Debenhams and Marks and Spencer) to Irongate (with Bennetts); one via Albion Street, the Exchange and Osnabruck Square; the other via The Spot, St Peters Street and Cornmarket.
- 3.4 East Street would be an important east-west shopping street, linking the bus station with the new Primark via St Peters Street and also via Exchange Street and Albert Street.
- 3.5 There would be two alternative routes from East Street to Market Place; one through Market Hall and the other via Cornmarket. To the west of Cornmarket will be the boutique area of Sadler Gate, St James Yard, St James Street and the Strand with revitalised permeability thanks to the St James Yard development, and new premium / specialist tenants secured as part of this scheme and the Bold Lane Development scheme.
- 3.6 The evening economy / catering circuit of Friar Gate and Wardwick Street is proposed to extend along Victoria Street, to provide restaurants that would be suitable for catering for visitors and shoppers of the city centre, conveniently located adjacent to the main core retail circuit. This use would also be a suitable adjacent use for office redevelopment of the old Debenhams Site.
- 3.7 A more subtle area for exploration has also been identified for Sadler Gate, where permeability would be improved with the proposed St James Yard development.
- 3.8 Key dwell points have been identified, which would all benefit from improvements to the quality of the public space and potential use of public art to help strengthen their identity.
- 3.9 Important external dwell/orientation points will be:
 - Interchange of East Street, Albion Street and The Exchange
 - Interchange of St Peters Street, Victoria Street, Albert Street and Cornmarket

- Osnabruck Square
 - Interchange of Wardwick Street, Victoria Street, St James Street and The Strand
 - Interchange of The Strand, Cheapside, Bold Lane and Sadler Gate
 - Interchange of Sadler Gate, Iron Gate and Market Place.
- 3.10 CACI have also provided a plan for strengthening and introducing new retail clusters to the city, as part of a new definition of retail pitches and zones. Main interventions include:
1. Strengthening the fashion in the Sadler Gate area with premium fashion retailers, offering an 'independent/younger fashion' theme for Sadler Gate against 'safe/older fashion' theme for the Irongate. These two themes will help to engage both young and older customers within the Wealthy Executive, Affluent Greys, and Flourishing Families groups.
 2. Developing Cornmarket for Home Goods, Books and Opticians – to provide a non-fashion retail link to the Sadler Gate and provide for a stronger Home Goods and Books offer in the city.
 3. Introducing Family friendly restaurants along Victoria Street. This will change the nature of this street, extending the catering theme of the Wardwick into the centre, and connect conveniently with the main retail circuit.
- 3.11 In order to implement this plan, the city needs to be divided into a small number of management areas we refer to as 'zones'. The zoning on this page has been identified by considering the current Cathedral Quarter BID management boundaries and the Beckett Well development opportunity area. The zones are:
- The 'Wardwick' zone will concentrate its efforts on strengthening its evening economy.
 - The 'Market and The Gates' zone will concentrate on improvements to the market positioning of its retail tenants to a more premium offer and improving on its heritage and tourist appeal.
 - The 'Retail Core' zone will concentrate on promoting the area as the primary retail pitch for the area, where footfall needs to be maximised throughout.
 - The 'Babington Specialists' zone area needs to be supported as an important area for, furnishings / specialist retail uses. There are also opportunities to improve upon its heritage.
 - The Beckett Well DOA will be the subject of a development options study, that will identify viable options to deliver food, office and council service uses on this site.
- 3.12 In general, the city would also benefit from extending its business hours, to capture more evening and weekend custom. Such extensions should be co-ordinated, promoted and made relevant to the target customers in mind.

Future Option Testing

- 3.13 Making use of the flexibility to undertake 'what-if' scenarios within CACI's Retail Footprint gravity model, CACI have assessed the potential changes to market shares in the future, due to impacts of the development pipeline (in particular Highcross Leicester and Broadmarsh Nottingham) and differing leasing and development scenarios for Derby.

- 3.14 This assessment of Derby's future competitive position in 2012 incorporates CACI's extensive database of competing retail developments. When incorporating these developments into the model, CACI have taken a realistic view on their future performance based on the latest information available.
- 3.15 In addition to the committed developments outside of Derby over the next 4 years, CACI has assessed three main macro-scenarios for Derby City Centre.
- 3.16 CACI have also developed a bespoke micro-gravity model for Derby to forecast turnover potential and density for each area of pitch and highlight the modelled impact on retail pitch as a result of the development.
- 3.17 CACI micro-gravity models are calibrated using retail floorspace audits, and validated through sales productivity benchmarking to predict unit by unit sales performance for retailers in Derby. The result is a robust assessment of individual pitch performance that takes into account both the macro-impacts of changes in market share and the micro-impacts of changes in with respect to footfall in the centre due to the locations of retailers.
- 3.18 The three scenarios relating to three strategic options have assumed the following improvements to the retail offer in the town centre as a whole:
- (1) – Do Nothing: A future 'baseline' where our recommendations are not initiated.
 - (2) – Improve Leasing: This includes a raft of recommendations for establishing a new retail circuit, public realm improvements and a pro-active approach to leasing vacant units to target retailers.
 - (3) – Improve Leasing + New Development (includes Sadler Square & St James Yard Development): As 'Improve Leasing', but most crucially includes the St James Yard development, which will help secure more retailers, and create additional connections into the Sadler Gate area through entrances on Sadler Gate, Cornmarket and The Strand. The scenario also includes the Sadler Square development, which will provide Sadler Gate better definition at the western end of the street.
- 3.19 Examining the impact of each scenario option over time highlights how important the relatively small-scale new developments, in combination with improved leasing, predominantly occurring in the Cathedral Quarter BID area, will be to the long term sustainability of trade in the city centre.
- 3.20 It is only under the preferred scenario of new development and improved leasing, that CACI have estimated that the economic conditions will be sustained to help deliver further development, such a major new development to bring in an additional department store anchor, post-2021. Under other scenarios, the city will be subject to the threat of a decline in performance, compared to what is currently being achieved.

Further testing

- 3.21 It is acknowledged that there is a significant re-development opportunity in the Beckett Well Development Opportunity Area zone. The impact of development options on the retail economy of the city centre will be the subject of a more detailed study into the development options for this area.

4.0 Conclusions

Conclusions

- 4.1 Following the Westfield extension in October 2007, Derby has seen its potential market size grow by 65%, propelling it through the UK retail centre ranking from 63rd to 38th.
- 4.2 Alongside its attractive demographic profile, with high indices of Wealthy Executives, Affluent Greys, Flourishing Families and Secure Families, this means that there are now new opportunities to grow the retail economy in Derby further.
- 4.3 Through a detailed process of benchmarking Derby against relevant comparator centres and applying a premium-market model, we have established that there is a robust opportunity for Derby to grow a stronger premium-market in the centre.
- 4.4 To achieve this, Derby will need a strategy unique to Derby's situation, as a post-industrial city with a demographic profile very similar to some of the UK's most historic and charming cities.
- 4.5 The Westfield Extension has added more than 50% more retail space to Derby City Centre, providing much needed units to satisfy retailer requirements of those seeking larger floorplates;
- 4.6 However, the scale and location of the extension has meant that the impact has been to drastically shift the centre of gravity of retailing in the city.
- 4.7 The main opportunity to build a stronger premium market in Derby is presented by the Sadler Gate area of the city. However, this area has suffered the greatest from the change in the centre of gravity; highlighting the fragility of the area and the immediate priority required to support retailing in this area and keep alive the opportunity to build upon its strengths to bring in more national premium brands to sit alongside its strong independent offering.
- 4.8 CACI have provided a detailed analysis of existing retail, leisure and service occupation patterns in the city, in addition to a detailed review of development opportunities. Combining this analysis with an understanding of shopper paths and dwelling points, and an 'optimised' retail clustering plan for the city centre as a whole, CACI have proposed a new retail circuit and zoning plan for the city.
- 4.9 This 'plan' represents the key output of this study in terms of a communications tool, which can be used to initiate change and action with respect to improving the leasing of units in the city centre and optimising centre performance. This will enable Derby City Council to follow PPS6 guidelines with respect to pro-actively managing their centre, and ensure it moves towards a position of better health and vitality.
- 4.10 Through the use of their modelling techniques, CACI have assessed three key options for the city centre, which provides the evidence that the centre will only achieve a sustained improvement from current conditions if the recommendations made in this report are further investigated and supported.
- 4.11 In particular it will be crucial to follow CACI's advice to implement a pro-active approach to leasing through city centre management and marketing

activities, and to support relatively small-scale new retail development in the Cathedral Quarter area.

SWOT for City Centre Strategy

Strengths	Weaknesses
Independent Stores & Markets Contemporary Shopping Mall Retail Ranking & Market Size Demographic Profile – High Indices of Wealthy Achievers and Family Groups	Demographic Profile – Fewer Urban Professionals Retail Industry Perceptions Shopper Experience Retail Mix Distribution of footfall
Opportunities	Threats
Premium market in historical setting in the Cathedral Quarter Clearly define the retail circuit and shopper zones Attract investment and revitalise footfall with new developments	Recession Insufficient co-operation Impacts of Commercial Realities

Issue and Options for Delivery

Issues	Areas for Delivery
Fragile conditions in Cathedral Quarter Need to strengthen heritage Need for public realm improvements Need to integrate with transport strategy Need for pro-active approach to	Marketing Retail Zoning & Leasing Retail Circuit & Public Realm Development Opportunities Transport
Options	Timing Considerations
Do Nothing Improve leasing Improve leasing in combination with new development	Preferred Option of improved leasing with new development, in particular St James Yard, needs accomplished by 2012, to secure Derby's position prior to opening of Broadmarsh. With the current higher levels of vacancies and greater levels of change due to the impacts of Westfield extension, new leasing opportunities need to be realised with urgency to take advantage of current situation.

Recommendations

- 4.12 In order to implement the strategy proposed in CACI's study, it will be important to establish an internal role within Derby City Centre management to champion the key tasks identified below, but also to review and monitor the progress of those tasks, and to manage the implementation of the strategy.
- 4.13 Below is a list of key tasks that CACI would recommend should be progressed in support of the strategy. The list is not exhaustive, and would be subject to review by the City Centre Management:
- Communication of new retail circuit to all local landlords, tenants and agents.
 - Promote Car Parking in northern areas promoted for access to city centre shopping & Primark.
 - Review needed on pricing policy for these car parks? If it is a strategic priority to bolster patronage of these car parks for shoppers, how is this best achieved?
 - Focused marketing activity to change perceptions of Derby, in particular in relation to the affluence of its catchment and the unique selling points of Derby City Centre.
 - Focused marketing activity to promote Sadler Gate area to new premium entrants – include feedback research on retailer requirements for the area (including factors on why they wouldn't currently take space and what they would expect to see before they would consider).
 - Focused marketing activity to promote to existing retailers in the Cathedral Quarter area, with the wrong fit, the opportunities to relocate to fit with new retail circuit and zoning 'vision'.
 - Joined-up work with 'Wayfinding' consultants to message new retail circuit to both shoppers and retailers.
 - Partnership with Cowes Development to bring forward St James Yard scheme and ensure scheme secures target tenants.
 - Work with Blueprint to bring forward Sadler Square development.
 - Development Options Study for the Beckett Well Development Opportunity Area – an opportunity for the city centre partnership to explore in more detail the opportunities for this site and to proactively promote their preferred option for the site to landowners.
 - Public Realm improvements for Osnabruck Square; linked with revitalised uses along the square.
 - Public Realm improvements along new retail circuit – priority for Cornmarket and Albert Street.
 - Monitoring of footfall and audit data, following key development events.