

# Derby Retail and Leisure Study

## APPENDIX 4: REVIEW OF RETAIL & LEISURE MARKET TRENDS



**ROGER TYM & PARTNERS**  
Planners and Development Economists

January 2009

**ROGER TYM & PARTNERS**

3 Museum Square  
Leicester  
LE1 6UF

**t** 0116 249 3970  
**f** 0116 249 3971  
**e** leicester@tymconsult.com  
**w** [www.tymconsult.com](http://www.tymconsult.com)

*This document is formatted for double-sided printing.*

# CONTENTS

- 1 INTRODUCTION ..... 1**
- 2 RETAIL SECTOR ..... 3**
  - National Trends in Expenditure ..... 3
  - Overall Development Pipeline ..... 4
  - Location of Retail Investment ..... 4
  - Trends in Key Retail Sectors ..... 7
  - E-tail and Home Shopping ..... 9
  - Conclusions ..... 10
- 3 LEISURE SECTOR ..... 13**
  - Social and Economic Change ..... 13
  - Growth in Leisure Expenditure and Changing Leisure Activities ..... 14
  - Impact of Planning Policy ..... 16



# 1 INTRODUCTION

- 1.1 In this Appendix, we outline the key national trends in various sub-sectors of the retail and leisure markets, highlighting, wherever appropriate, those that we consider could have - or are already having - an impact in Derby. This review is drawn from a range of published data sources, including research by ONS, Verdict, the New Economics Foundation, CB Richard Ellis and Colliers CRE. The sector commentaries are prefaced by a résumé of overarching national trends in expenditure and sales.

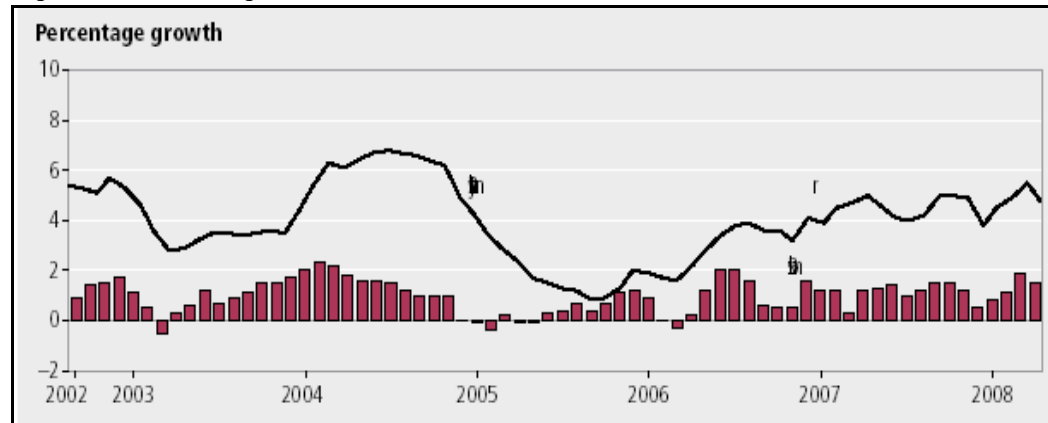


## 2 RETAIL SECTOR

### National Trends in Expenditure

- 2.1 Figure 2.1 shows the short-term past trend in volume of retail sales (i.e. real change in constant prices) between 2002 and 2008. Retail sales figures are published by ONS on a monthly basis and the latest available figures for April 2008 show a slowing, but still fairly robust, picture. In the three months to April 2008, the volume of retail sales increased by 1.5 per cent, compared with a 1.9 per cent increase in the three months to March.
- 2.2 Retail sales can be disaggregated into 'predominantly food' and 'predominantly non-food' sectors. In the three months to April 2008, retail sales growth in volume terms was driven by the 'predominantly non-food stores', and to a lesser extent the 'predominantly food stores' sector. In particular, sales from 'textile, clothing and footwear stores' grew buoyantly in April 2008 at 1.7 per cent, unchanged from the previous month. The 'predominantly food stores' sector in contrast slowed with growth of 1 per cent, compared with 1.5 per cent in the previous month.
- 2.3 Indeed, CB Richard Ellis' 'UK Retail Briefing 2007' suggests there are increasing signs that retail sales growth is moderating, due to weakening demand in key sectors as householders hold back from making purchases, particularly on 'big ticket items'<sup>1</sup>.

**Figure 2.1 Percentage Growth in Retail Sales in Great Britain**



Source: *Retail Sales*, ONS Economic and Labour Market Review Vol. 2, No. 6 (June 2008), Figure 9

- 2.4 In its Information Brief 07/2, MapInfo presents an analysis of per capita retail expenditure over a longer period, from 1980 to 2006. The data reveal consistently higher rates of expenditure growth on comparison goods - for which the average real growth rate between 1983 and 2006 was 5.3 per cent, per capita, per annum - than for convenience goods, for which the average growth rate over the same period was a mere 0.6 per cent, per capita, per annum. Although there has been some cyclical variation in the comparison goods expenditure growth rate, the general trend has been upwards, with the growth rate exceeding 5 per cent in every year from 1997 to 2006 (with the exception of the year 2004 to 2005).
- 2.5 Notwithstanding this, MapInfo forewarns in its Information Brief 07/02 that '*with increases in interest rates, growth in spending on comparison goods could slow as debt-based purchasing becomes more costly*'. As such, the latest forecasts from

<sup>1</sup> Source: CB Richard Ellis, *UK Retail Briefing*, Issue 2, 2007

Experian Business Strategies<sup>2</sup> and Oxford Economic Forecasting<sup>3</sup> suggest comparison goods expenditure growth rates of 3.5 per cent, per capita, per annum, and 4.9 per cent, per capita, per annum respectively over the coming decade - the latter being used in our forecasts of future retail need, as detailed in Section 5 of our main report.

## Overall Development Pipeline

- 2.6 Planning policy has substantially reduced the amount of new out-of-centre retail development, with developers encouraged to regenerate the more complicated edge-of-centre and in-centre sites. As a consequence, the UK is in the midst of a construction boom in town centre-located shopping centres, surpassing even the building boom of the 1970s. Whilst there are signs that this growth may now be slowing, Verdict still predicts that in-centre shopping space will increase by 5.8 per cent between 2006 and 2011<sup>4</sup>.
- 2.7 CB Richard Ellis estimates in its 'UK Retail Briefing, 2007' that, at the time of publication, there was 5.95m sq.m of shopping centre floorspace in the development pipeline<sup>5</sup>. However, the majority of shopping centre schemes in the pipeline are extensions, redevelopments or refurbishments to existing schemes, as investors increasingly look to create additional value from existing assets in light of weakening yields.
- 2.8 Certainly, Verdict cautions that '*over the next five years the UK's town centres are set to come under increasing pressure as consumer demand slows and competition from rival retail channels intensifies*'. As such, over the long-term, Verdict predicts that '*the future pipeline of shopping centre space - beyond 2010 - will be negatively affected*'. Indeed, Verdict even forewarns that '*some planned shopping centre developments - those still in the planning stages and without funding in place - are highly likely to be either reduced in size, rezoned for different usage or even shelved altogether as developers have difficulty securing a high enough number of pre-lets*<sup>6</sup>.

## Location of Retail Investment

### Sales and Number of Outlets

- 2.9 Despite the increasing difficulty associated with securing planning permission for retail development in out-of-centre locations, according to Verdict the 'town centre'<sup>7</sup> accounted for 46 per cent of total retail sales in 2006, compared with 50 per cent in 1996 (Figure 2.2). Much of this erosion of 'town centre' sales can be attributed to the continued strength of existing retail facilities in out-of-centre locations and the growth in e-tail.
- 2.10 Verdict provides interesting information on the sales performance of 12 key 'town centre'<sup>8</sup> retail brands from a cross-section of retail sectors<sup>9</sup>. According to Verdict these

<sup>2</sup> Retail Planner Briefing Note 5.1, Experian, November 2007.

<sup>3</sup> MapInfo Information Brief 07/02, September 2007.

<sup>4</sup> Source: Verdict, *UK Town Centre Retailing 2007*, June 2007 (Table 60).

<sup>5</sup> Source: CB Richard Ellis, *UK Retail Briefing*, Issue 2, 2007

<sup>6</sup> Source: Verdict, *UK Town Centre Retailing 2007*, June 2007.

<sup>7</sup> Verdict's definition of 'town centre' is 'deliberately broad' to include all areas that offer comparison shopping; it includes traditional high streets, in-town shopping centres and regional 'out-of-town' (Verdict's term) shopping malls such as Meadowhall, Merry Hill, the Trafford Centre, the Lakeside Mall and Bluewater. Verdict's 'out-of-town' definition includes retail parks (minimum three retailers/50,000+ sq.ft of trading space). We therefore consider that Verdict's 'out-of-town' definition embraces both 'out-of-centre' and 'out-of-town' locations as defined by Table 2 of PPS6.

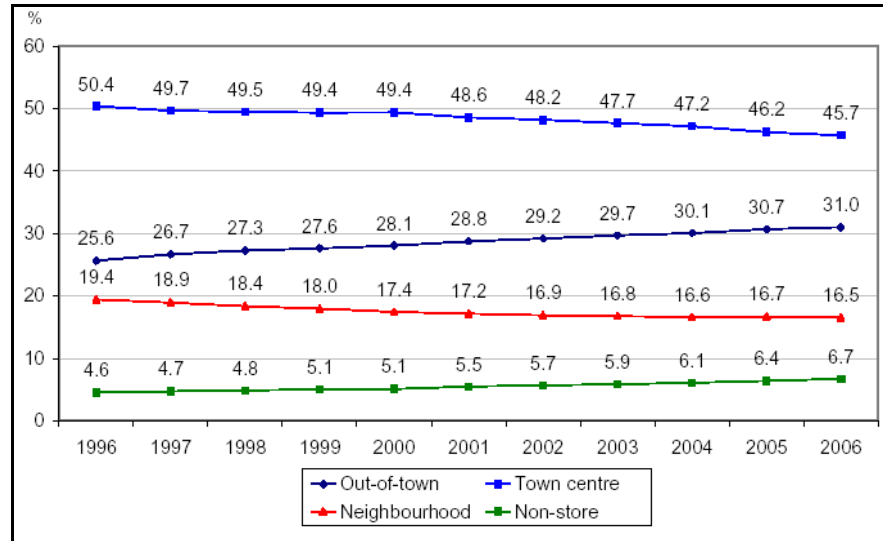
<sup>8</sup> See previous footnote for Verdict's definition of 'town centre'.

<sup>9</sup> The 12 'leading retailers' considered by Verdict are: Marks & Spencer, Boots, Argos, Next, Debenhams, John Lewis, Woolworths, Primark, Wilkinson, House of Fraser, HMV and WH Smith.



12 key retailers collectively accounted for 30.1 per cent of all money spent at 'high street' retailers in 2006, up from 25.1 per cent in 2001 and from 23.3 per cent in 1996, indicating that these retailers are gradually gaining ground at the expense of smaller retailers. The rapid expansion of large retailers has impacted significantly on smaller traders, particularly those operating in district and local centres.

**Figure 2.2 Share of Total Retail Expenditure, by Location, 1996-2006**

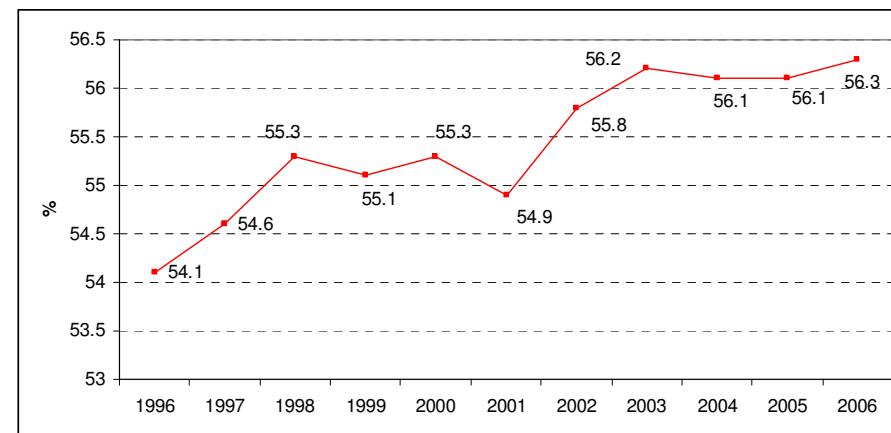


Source: Verdict, *UK Town Centre Retailing 2007*, June 2007 (Figure 1).

Note: 'High street' figures include out-of-centre shopping malls, such as Bluewater.

2.11 Nevertheless, whilst the share of sales has drifted towards the out-of-centre retailers and e-tail (Figure 2.2), the 'high street' has steadily increased its share of all retail outlets over the past decade, largely as a result of Government policy (Figure 2.3). This trend looks set to continue, given the Government's policy focus on town centre schemes.

**Figure 2.3 'Town Centre' Outlet Numbers - Share of All Outlets, 1996-2006**



Source: Verdict, reported in Datamonitor, *UK Town Centre Retailing 2007*, June 2007 (Table 6)

### *In-town Retail Development Trends*

2.12 In market and sub-regional towns, there is strong competition for retail units of 2,000 to 4,000 sq.ft units. Smaller units are required by coffee shop operators and the mobile phone market also remains extremely active. Both sectors, together with computer

games retailers, have underpinned demand for shop units of between 1,000 and 2,000 sq.ft. There has been a heightening of demand in the Use Class A2 sector, with significant activity from some banks and building societies, such as Abbey, as well as from betting shops, including Paddy Power, William Hill and Coral.

- 2.13 Verdict<sup>10</sup> forecasts that the average town centre store size is set to increase by 8.3 per cent to 2,292 sq.ft by 2012, with many retailers moving into larger units as they broaden their ranges. The sizes of units in many new shopping centre developments are being designed by developers with this in mind, evident from the likes of Primark, TK Maxx and Next securing anchor units in many schemes. Other fashion retailers, such as New Look, are also migrating to larger units in town centres to drive footfall and boost their sales densities.

### *Out-of-Centre Retail Trends*

- 2.14 Bulky goods retailers are currently experiencing challenging trading conditions, which is having a knock-on effect on development activity, particularly in the DIY and furniture sectors. Conversely, high street names such as Next, New Look and Marks & Spencer continue to expand in out-of-centre locations.
- 2.15 Verdict reports that 'out-of-town' retailers accounted for 28.1 per cent of retail sales in 2000, with this figure rising to 31.0 per cent in 2006. However, given the noted difficulties experienced by certain sectors, the growth in 'out-of-town' retailers' market share can primarily be attributed to the gain in share at grocers' 'out-of-town' superstores, with Tesco, Sainsbury's and Asda all extending their offer of non-food and, in doing so, gaining sales from high street retailers.
- 2.16 In May 2006, the Government closed the planning loophole which allowed retailers to increase the floorspace of their units by installing mezzanine floors, which in some cases enabled diversification into other product ranges and satisfied some operators' pursuit of larger stores. Planning permission is now required to install a mezzanine floor of more than 200 sq.m (2,150 sq.ft).

### *Polarisation Towards Larger Centres*

- 2.17 A significant and long term trend is the continuing polarisation by retailers towards larger schemes in larger centres which is driven by a number of factors. Retailers recognise that greater efficiency can be achieved by having a strategic network of large stores offering a full range, rather than having a large network of smaller stores, and are therefore increasingly seeking to serve larger population catchments from larger stores. It is also driven by consumers, who are becoming more discerning and are increasingly prepared to travel further.
- 2.18 There is therefore a concentration of comparison goods expenditure in a smaller number of larger centres. Indeed, CB Richard Ellis estimates that '*over half the population now shop for comparison goods in a mere 83 of the 2,500+ main non-food trading locations in Great Britain*'<sup>11</sup>. This concentration of retailing in larger centres is likely to threaten some medium and smaller towns.
- 2.19 The growth of the dominant foodstores and decline in unit numbers poses similar challenges for small town centres and district/local centres which rely on their convenience/service base. A clear picture is emerging of a network of large dominant superstores, and corresponding decline/diversification in the traditional smaller centre. Again, CB Richard Ellis suggest that '*half the population now shop for main groceries*

---

<sup>10</sup> Source: Verdict, *UK Retail Futures 2012: Sector Summary*, May 2008.

<sup>11</sup> Source: CB Richard Ellis, *UK Retail Briefing*, Issue 2, 2007.

*in less than 1,000 of the country's 10,000+ main grocery stores: the majority located out-of-town*<sup>12</sup>.

## Trends in Key Retail Sectors

### *Clothing & Footwear*

- 2.20 Clothing and footwear is the second largest area of town centre retail spending in the UK after food and grocery, accounting for £1 in every £5 spent by consumers<sup>13</sup>. Whilst the sector's market share is lower than 10 years ago, it is higher than five years ago, reflecting the relatively buoyant nature of clothing demand. Indeed, in 2006 clothing and footwear specialists' town centre sales reached £25.4bn, up 16.8 per cent on 2001.

### *Bulky Goods*

- 2.21 The poor performance of the DIY sector in recent years has been well-documented and is set to continue in the short-term. Verdict explains that *'a falling housing market (both by value of housing and number of home moves) is a serious concern, as are new restrictions on the availability of credit. At the same time a fundamental shift in consumer enthusiasm against undertaking home improvement projects will further constrain the opportunities available to DIY operators'*<sup>14</sup>.
- 2.22 Nevertheless, Verdict predicts that the sector will grow by 13.1 per cent over the next five years, lifting its value from £16.5bn to £18.7bn, and achieving a faster rate of growth than occurred over the past five years (8.4 per cent)<sup>15</sup>. Verdict thus suggests that the fortunes of the DIY sector is likely to improve slightly, and indicates that this is because *'the recent low level of expenditure on DIY means there is now a backlog of household repair and maintenance work that needs to be undertaken and this will prevent the market turning negative again despite the worsening macroeconomic environment'*<sup>16</sup>.

### *Other Comparison Sub-sectors*

#### *Department Stores*

- 2.23 Despite the fact that department stores attract older, more affluent customers - whose numbers are growing as a result of demographic change - their recent performance has been muted, with stores having to reinvent themselves to maintain their relevance to shoppers and shore up their viability. Whilst some larger stores have prospered, smaller operators have found trading increasingly difficult, resulting in store closures (including the demise of Alders) and the acquisition of smaller players by stronger rivals. However, despite mixed performance amongst the major department store operators, overall sales from department stores located in town centres reached £9.1bn in 2006, an increase of 10.1 per cent on 2001.
- 2.24 Most of the major department store operators are keen to obtain additional sales space and the present period is one of considerable activity in the department store sector. It remains the case, however, that stand-alone department store developments are rarely viable; consequently, new store acquisition openings are confined to shopping centre developments, where landlords/developers are prepared to contribute to the fit-out costs in order to secure an 'anchor' trader that will enhance the profile and lettability of the development.

<sup>12</sup> Source: CB Richard Ellis, *UK Retail Briefing*, Issue 2, 2007.

<sup>13</sup> Source: Verdict, *UK Town Centre Retailing 2007*, June 2007.

<sup>14</sup> Source: Verdict, *UK Retail Futures 2012: DIY & Gardening*, May 2008.

<sup>15</sup> Source: Verdict, *UK Retail Futures 2012: DIY & Gardening*, May 2008.

<sup>16</sup> Source: Verdict, *UK Retail Futures 2012: DIY & Gardening*, May 2008.

### *Electricals*

- 2.25 Over the last decade retail parks have become the clear location of choice for electrical specialists, with the combination of larger units and lower operating costs seen as being essential to prosper in a highly competitive market. The town centre retailers that survive tend to do so because they are protected from out-of-centre competition, either because the town is small and lacks the catchment to justify an out-of-centre store or due to the retailer specialising in a narrow niche that does not require a large format store (such as mobile phone and photographic specialists).
- 2.26 Despite the near ubiquitous ownership of mobile phones, the rapid development of technology and the packaging of new handsets with annual contracts has encouraged their frequent replacement. To service this demand, mobile phone retailers have been expanding their store networks. Verdict reports that Carphone Warehouse, Phones 4U, The Link, alongside a raft of independents and major network providers, '*have opened literally thousands of outlets in town centre locations*'<sup>17</sup>.
- 2.27 Other electrical niches have also performed well over the last five years. Jessops rolled out a nationwide store estate to capitalise on the digital camera market. Game, the video game specialist, has also grown rapidly and has extended its store estate greatly, and further boosted its scale through acquisition of rival Gamestation.

### *Convenience Sector*

- 2.28 Figure 2.4 provides a detailed break-down of the change in the convenience sector market between 1997 and 2007, broken down by 'superstores', 'smaller stores', 'food specialists' and 'off licences and tobacconists'<sup>18</sup>. The Figure shows that food superstores (those with a net selling space of at least 25,000 sq.ft) are the primary driver of growth in the market. Indeed, sales from food superstores have increased by 73 per cent over the last decade (from £36,505m in 1997 to £63,172m in 2007).
- 2.29 However, as superstores' sales have expanded, other types of retailer have struggled. Over the last five years food specialists' sales have been broadly flat (with earlier gains cancelled out by recent falls), whilst off licences and tobacconists have experienced a particularly sharp drop in sales.
- 2.30 The New Economics Foundation (NEF) publication, Ghost Town Britain II (December 2003), looked at the nationwide impact of supermarkets on local shops and communities. According to the report, VAT figures show that between 1994 and 2002, the number of independent businesses selling food, tobacco and beverages fell by nearly 30,000, equating to more than 40 per cent of the nation's stock of such shops. The report also asserted that there were 953 fewer convenience stores in 2001 than in 2000. This trend can be verified by Verdict, whose analysis indicates that whilst the number of superstore outlets increased by 15 per cent between 2002 and 2007, the number of 'smaller stores' fell by 3 per cent over the same period of time, the number of specialist stores fell by 18 per cent, and the number of off licences and tobacconists fell by a significant 33 per cent<sup>19</sup>.
- 2.31 Major supermarket operators are generally reluctant to shrink food retail space, because the food component of their businesses is also performing strongly. Nevertheless, the major foodstore operators are increasingly seeking to diversify into non-food markets. Furthermore, out-of-centre space is cheaper than comparable space in town centres, making it easier for out-of-centre superstores to compete on

<sup>17</sup> Source: Verdict, *UK Town Centre Retailing 2007*, June 2007.

<sup>18</sup> Verdict's definitions of these retailer types are thus: 'superstores' - grocery stores with a sales area greater than 25,000 sq.ft; 'smaller stores' - supermarkets, Co-ops and convenience stores with a sales area of less than 25,000 sq.ft; and 'food specialists' - butchers, bakers, greengrocers, fishmongers and other food specialists.

<sup>19</sup> Source: Verdict, *UK Grocery Retailers 2008* (Table 4), February 2008

price, while adjacent parking makes them much more convenient for bulkier household goods. The expansion of foodstore operators' non-food offers via their out-of-centre superstores - thereby providing a convenient one-stop shop for most food and non-food needs - represents a significant threat to high street retailers.

**Figure 2.4 Total Grocery Market, by Retailer Type, 1997-2007**

Grocers	Total		Superstores*		Smaller Stores**	
	Sales £m	Y-o-Y Change %	Sales £m	Y-o-Y Change%	Sales £m	Y-o-Y Change%
1997	67,317	6.1	36,505	7.2	30,812	4.7
1998	71,159	5.7	38,951	6.7	32,208	4.5
1999	73,772	3.7	41,284	6.0	32,488	0.9
2000	76,846	4.2	43,469	5.3	33,377	2.7
2001	81,995	6.7	46,468	6.9	35,527	6.4
2002	86,375	5.3	48,705	4.8	37,670	6.0
2003	90,832	5.2	51,433	5.6	39,399	4.6
2004	95,212	4.8	54,467	5.9	40,745	3.4
2005	98,978	4.0	57,082	4.8	41,896	2.8
2006	103,358	4.4	60,278	5.6	43,080	2.8
2007	107,596	4.1	63,172	4.8	44,424	3.1
<b>Change %</b>						
<b>1997-2002</b>		28.3		33.4		22.3
<b>2002-2007</b>		24.6		29.7		17.9
Food Specialists***	Food Specialists***		Off-licences & Tobacconists		Total	
	Sales £m	Y-o-Y Change%	Sales £m	Y-o-Y Change%	Sales £m	Y-o-Y Change%
1997	6,163	-0.5	5,557	2.8	79,037	5.3
1998	6,310	2.4	5,668	2.0	83,137	5.2
1999	6,297	-0.2	5,934	4.7	86,004	3.4
2000	6,393	1.5	5,801	-2.2	89,040	3.5
2001	6,662	4.2	5,778	-0.4	94,434	6.1
2002	6,444	-3.3	5,523	-4.4	98,342	4.1
2003	6,412	-0.5	5,035	-8.8	102,279	4.0
2004	6,476	1.0	4,780	-5.1	106,468	4.1
2005	6,591	1.8	4,507	-5.7	110,076	3.4
2006	6,495	-1.5	4,397	-2.4	114,250	3.8
2007	6,469	-0.4	4,169	-5.2	118,233	3.5
<b>Change %</b>						
<b>1997-2002</b>		4.6		-0.6		24.4
<b>2002-2007</b>		0.4		-24.5		20.2

Source: Derived from Table 3 of *UK Grocery Retailers 2008*, Verdict (February 2008).

## E-tail and Home Shopping

### E-tail

- 2.32 UK internet retail sales have increased at a rapid pace in recent years. Indeed, Verdict indicates that the e-retail market grew by 35.0 per cent between 2006 and 2007, its fastest pace for six years, and significantly faster than that of the total retail market growth of just 3.6 per cent<sup>20</sup>.
- 2.33 The online shopper population has been boosted by widespread uptake of broadband services, the costs of which have fallen markedly over the last two years, whilst mobile

<sup>20</sup> Source: Verdict, *UK e-retail 2008*, May 2008

Internet and web access is also on the rise. Consumer confidence in online retailing has risen as shoppers have found the internet increasingly easy to navigate, credit card use to be secure and delivery to be convenient and reliable. At the same time there has been a surge in the number of retailers operating transactional websites, while many existing retailers have significantly scaled up their online offers.

- 2.34 Verdict states that the online market, which was worth £14.7bn in 2007, is becoming an increasingly significant contributor to retail, making up 5.2 per cent of all retail sales, up from 3.8 per cent in 2006<sup>21</sup>. This uplift in retail spending online was driven by a 24.7 per cent rise in online shoppers, with almost half the UK adult population now buying goods online<sup>22</sup>. Verdict suggests that not only are more people shopping online, but they are now doing so more frequently, albeit they are spending less each time.
- 2.35 The internet has particular attraction for certain types of retailing, including books, CDs and high value electrical goods. CD and DVD retailers, in particular, are beginning to suffer on the high street as a result of purchases made on the internet. A prime example of this is Music Zone, which entered into administration in 2007.
- 2.36 Whilst the whole of the internet shopping sector continues to grow strongly, the electricals and food and grocery sectors dominate the market. Indeed, with a growth rate of 39.5 per cent in 2007, the currently second largest sub sector of food & grocery items is on course to overtake electricals for the top spot. Verdict predicts that these two sectors still constitute by far the largest two online sectors in value terms by 2012<sup>23</sup>.

### *Catalogue Shopping*

- 2.37 In the pre-internet and digital television era, catalogue shopping played a key role in the home delivery market. However, the catalogue shopping market has seen a significant sales decline in recent years.
- 2.38 Yet in 2007 the £9.9bn mail order market experienced its strongest growth for nine years, at 6.2 per cent, reversing four years of decline<sup>24</sup>. This trend has been driven primarily by strong growth from direct and niche operators such as N Brown, Boden and Findel, who are targeting specific customer groups effectively, and from new business developments, the most significant being Tesco's launch of its Tesco Direct catalogue.

### **Conclusions**

- 2.39 The key conclusion from our analyses is that planning policy has begun to 'bite' in recent years, with it becoming increasingly difficult to secure planning permission for new retail floorspace in out-of-centre locations, vis-à-vis schemes in town centre locations. Whilst town centre and edge-of-centre locations are generally more complex than sites in out-of-centre locations, investor confidence in town centre schemes has been increasing in recent years, and there is now a construction boom in town centre-located shopping centres. However, it is unclear how this trend will continue in the future, given the current economic climate. Tighter credit conditions will inevitably cause developers to exercise caution over future developments (both on in-centre and out-of-centre sites), although this will not impact on schemes nearing completion or which have already secured funding.

---

<sup>21</sup> Source: Verdict, *UK e-retail 2008*, May 2008

<sup>22</sup> Source: Verdict, *UK e-retail 2008*, May 2008

<sup>23</sup> Source: Verdict, *UK e-retail 2008*, May 2008

<sup>24</sup> Source: Verdict, *UK Mail Order Retailers*, January 2008

- 2.40 Other key trends in the retail markets include: increasing demand for small to medium (2,000 sq.ft to 4,000 sq.ft) footplates from retailers such as Bon Marché, Savers, Ethel Austin and Clinton Cards, and from coffee shops and mobile phone retailers; the continuing 'polarisation' by retailers towards larger centres; the increasing diversification into non-food markets by the major foodstore operators; and the continuing growth of e-tail.





## 3 LEISURE SECTOR

### Social and Economic Change

#### *Personal Disposable Income and Social Structure*

- 3.1 The leisure industry has benefited from the continued growth in household disposable income and final consumption. Competitive forces have reduced the price of essentials, allowing an ever increasing proportion of consumer expenditure to be spent on leisure items whether for in-home entertainment or spent outside the home.
- 3.2 Furthermore, the move away from the industrial base has led to a reduced requirement for skilled and unskilled manual jobs which are classified in the C2 and D social groupings. There are more jobs in commerce and a far greater proportion of women graduating and entering the professions has increased the proportion of the population falling under the ABC1 classifications. The ABC1 groupings are the categories that tend to be the largest users of leisure facilities, having a greater proportion of disposable income. According to Mintel, this trend is set to continue.

#### *Demographic Trends*

- 3.3 Population projections by the Government Actuary show that, nationally, the population will shift towards being more weighted towards the over 45 age group during the next twenty year period. However, between 2007 and 2012 there is also a small projected net increase (from 10.05 million to 10.35 million) in the population within the 15-29 age group. People in this age group have the highest propensity to indulge in a number of leisure activities including going to the cinema, eating out, visiting pubs, tenpin bowling and visiting nightclubs.

#### *Household Composition*

- 3.4 The household type that is forecast to experience the greatest increase over the next two decades is the one person household. According to the ONS, the rise in one-person households is expected to account for 72 per cent of annual household growth between 2003 and 2026. This has ramifications for the leisure industry because the largest increases are forecast to be within people of working age, particularly amongst men.
- 3.5 There has also been a trend towards young adults remaining at home in their 20s and 30s. Currently there are around 2.2 million young adults of this age living with their parents, of which 63 per cent are male. In the 20-24 age group, 56 per cent of men live with their parents. This could also be a high spending group providing they are not foregoing spend to save for deposits on houses.

#### *Leisure Time*

- 3.6 Data from the Leisure Industries Research Consultancy (LIRC) show that since 1998, the leisure time for the average full time worker has increased by 2.2 per cent, to 2,595 hours per annum. LIRC data also show that the total trend in leisure hours is set to increase from 160.0bn hours in 2004 to 160.8bn in 2008.
- 3.7 Eating out continues to grow in popularity - as shown in Table 3.1 below - and so the food & drink sector may be one of the key beneficiaries of this trend. One of the most rapidly growing sectors in the mid 1990s was keep-fit, although there has been a recent slow-down in health club development in recent years as the market approaches saturation and so this sub-sector might have less scope to benefit from the general increase in people's leisure time.

## Growth in Leisure Expenditure and Changing Leisure Activities

- 3.8 Table 3.1 details changes in expenditure on various sub-sectors of the leisure market.

**Table 3.1 Spend on Selected Leisure Activities, 2000-2008**

	2000 £m	2001 £m	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	% Change 2000-2008
Bingo	523	552	595	602	606	664	637	641	676	29.25
Cinema*	623	620	724	678	739	769	803	840	879	41.10
Dancing/Discos	749	752	790	832	885	941	999	1,060	1,127	50.50
Spectator Sports	767	808	826	909	998	1,121	1,217	1,337	1,485	93.61
Eating Out	33,011	34,376	36,782	38,916	41,160	43,700	46,226	48,939	51,865	57.10
Alcoholic Drink**	18,080	18,790	19,990	20,430	21,370	22,300	23,330	24,400	25,500	41.10
Total Sightseeing	934	943	1,046	1,077	1,137	1,194	1,256	1,321	1,390	48.80
Total Gaming	7,082	7,152	7,583	8,129	8,389	8,890	8,630	8,905	9,376	32.40
Health & Fitness+	1,420	1,583	1,641	1,763	1,814	2,033	2,077	2,190	2,381	67.70

Source: Leisure Industries Research Consultancy (2004 prices)

\* Relates to Gross Ticket Revenues only, excluding VAT and concessionary income.

\*\* This includes alcohol consumed in restaurants and hotels, but adjusted for alcohol consumed at home.

+ Private sector estimates. Local Authority income excluded.

### *Eating Out*

- 3.9 Many observers see an opportunity for huge growth in the eating out market. In 1990, 75 per cent of food consumption was in the home. According to the British Hospitality Association, by 2035 this ratio will have reduced to 50 per cent. There is an increasing trend towards healthier eating, which has caused some fast food operators to change their menus for a healthier lifestyle. The public has not only become more discerning about food content but is also becoming more demanding about the speed and quality of service. This demand is known as 'fast casual' and has been one of the largest growth areas in the USA; the same trend is now emerging in the UK.

### *Pubs*

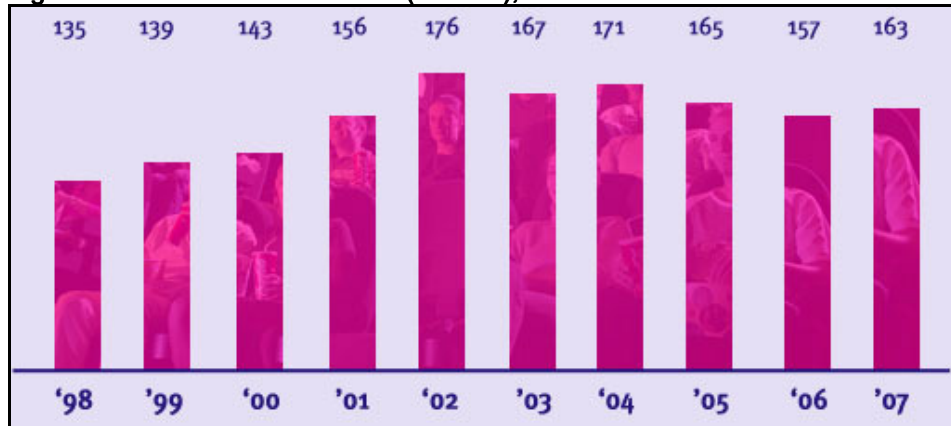
- 3.10 The Licensing Act, which came into effect in November 2005, has had an impact on some rural pubs, whereas later opening hours are likely to drive longer drinking times in town and city centres. Pubs are also being affected by the long-term decline in beer drinking and the switching to wine consumption. Some are of the opinion that supermarkets will be selling the majority of lager and ale in as little as three years, swapping the living room for the pub in terms of beer consumption. The smoking ban, which was enforced in all enclosed public spaces on 1 July 2007, is also likely to have a considerable effect on licensed premises, particularly those which are predominantly 'wet', with drink forming a very high proportion of turnover.
- 3.11 Social changes have also been driving this trend; employees are less likely to drink together. When employees do socialise, more wine will be drunk than beer. The drinks industry has also had to come to terms with women drinking more and having more disposable income. In order to capitalise on these trends, 89 per cent of pubs now have a food offer.

### *Cinemas*

- 3.12 Figure 4.1 indicates that cinema attendances in 2007 totalled 163m, an improvement on the 157m admissions in 2006 (but still lower than the historic high

of 176m admissions in 2002). Nevertheless, given the recent modest growth in cinema admissions, Pearl and Dean predicts that '2008 will be another good year'<sup>25</sup>.

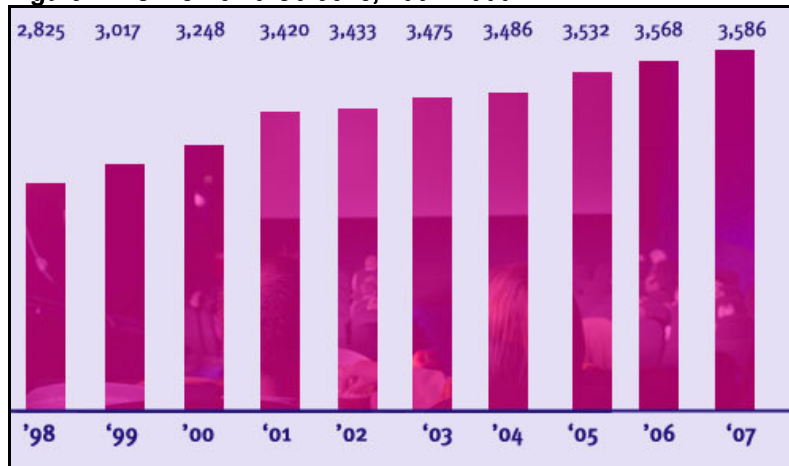
**Figure 4.1 UK Cinema Audiences (Millions), 1998-2007**



Source: Reported by Pearl & Dean ([www.pearlanddean.com](http://www.pearlanddean.com)), June 2008

- 3.13 The last few years have seen a degree of consolidation amongst four of the major exhibitors. Over-expansion in the earlier part of this decade resulted in some of the major exhibitors making losses. Some of the original multiplexes will be closed as they become obsolete and do not justify expenditure on refurbishment. Notwithstanding this, 2007 saw a further increase in the total number of UK cinema screens, albeit at a reduced rate of increase to earlier years (Figure 4.2). More cinemas are beginning to have digital screens and widen their appeal as they broadcast live sport and other major events and this trend is likely to become more prevalent.

**Figure 4.2 UK Cinema Screens, 1997-2006**



Source: Reported by Pearl & Dean ([www.pearlanddean.com](http://www.pearlanddean.com)), June 2008

### *Leisure Parks and Retail and Leisure Parks*

- 3.14 During the 1990s, the multiplex cinema development boom was characterised by cinemas and associated operators' willingness to occupy on a leasehold basis. Accordingly a large number of leisure and retail schemes became available on the market.

<sup>25</sup> [www.pearlanddean.com](http://www.pearlanddean.com)

- 3.15 Leisure parks, which can be defined as offering more than 30,000 sq.ft of space, are dedicated specifically to leisure uses, whereas retail and leisure parks involve a mix of uses, which is often needed to make a scheme more viable. The following table shows the regional distribution of such parks; it would imply that the North West region has provision which is above the national average.

**Table 3.2 National Provision of Leisure Parks and Retail and Leisure Parks**

<b>Region</b>	<b>Parks</b>	<b>Gross Internal Area (sq.ft)</b>	<b>Population per (sq.ft)</b>
North West	27	4,565,032	1.48
North	12	1,360,829	1.84
Yorkshire	17	2,624,107	1.89
Scotland	17	2,632,009	1.92
Northern Ireland	4	772,069	2.19
West Midlands	17	1,903,062	2.70
South West	11	1,815,624	2.73
Wales	6	997,514	2.92
London & South East	33	4,329,556	3.55
East Midlands	9	665,447	6.33
Eastern	4	470,365	11.50
<b>Total</b>	<b>152</b>	<b>22,135,614</b>	<b>2.67</b>

Source: Trevor Wood Associates Database, December 2004

### Impact of Planning Policy

- 3.16 There has been a tightening of Government policy towards driving retail and leisure developments to town centre and edge-of-centre locations. Much improved architectural design has enhanced the town centre environments and many pub and bar operators have designed formats which have particular high street appeal. The challenge to many local authorities has been to design town centres which operate through days and evenings, rather than become deserted after 6pm, when office workers and shoppers have left the area. The change in Government policy is beginning to encourage more mixed-use developments which combine leisure, retail and, occasionally, office space.