



Introduction

Retail Planner is a service for retail planners, property consultants and retailers, providing comprehensive, up-to-date and credible information for retail planning decisions.

This briefing provides and explains trends and forecasts in expenditure on retail goods, leisure services, retail potential and changes in the efficiency of retail floor space.

Retail Planner 2010

Restructuring the report last year for greater clarity and focus was well received. The format is retained for this year's report, to provide:

- a clear indication of expenditure growth prospects for the main categories of retail spending to 2026;
- a robust economic explanation for the forecasts, noting upside and downside risks; and
- sales densities broken down by convenience and comparison goods, using both constant floorspace and forecast changes to floorspace.

Contacts, data sources, definitions of concepts, discussion of non-store retail sales and other aspects previously included in the main report are now included as appendices.

The key points to emerge from this year's report are:

- UK recovery is proceeding but a relapse cannot be ruled out
- fiscal pressures imply a long haul ahead to full economic recovery
- the 2010 forecast for retail sales has been upgraded from the 2009 report given the continuing resilience of retail spending this year, but the severity of the fiscal squeeze faced by the UK means that the 2011 forecast has been downgraded. Long-term forecasts are broadly unchanged
- the share of non-store retailing is higher than estimated in the 2009 report, and is forecast to rise faster, as outlined in our March 2010 *Retail Planner Update*.

The severity of the fiscal squeeze facing the UK means that near-term forecasts for retail sales have been downgraded from last year's report, but long-term forecasts are broadly unchanged

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Economic context

Recent trends and near-term outlook

The UK economy is recovering from the severe recession of 2008/09, but growth is patchy and risks of a relapse persist. Domestic demand is constrained by high unemployment and rising under-employment, a lacklustre outlook for investment, pressure on public finances and the weight of household debt. The impact of deep cuts in spending and tax rises is weighing on sentiment. Growth in the three quarters since recovery began has been strongest in manufacturing, helped by the weak pound and global recovery, the service sector has also expanded. Construction rebounded in 2010q2 with its strongest quarterly gain in 50 years.

The UK is in recovery phase but the economy remains fragile and risks of a relapse persist

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Household spending, after falling for six consecutive quarters with a cumulative decline of 5.2%, stabilised in 2009q3 and grew by 0.6% in the final quarter of the year. However, a combination of icy weather, higher unemployment and slow growth in real disposable incomes hit spending in the first three months of 2010, resulting in a marginal contraction of 0.1%. We believe this was a temporary relapse, with growth resuming in 2010q2.

Expenditure on **retail goods** has been more resilient than total consumer spending. Latest data (for 2010q1) show household spending 0.2% lower in real terms than a year earlier, while official retail sales data show spending volumes (excluding automotive fuel) up 2.3% in the same period. We believe this divergence between total consumer spending and retail expenditure reflects three major factors:

- consumers have cut back on big ticket items such as expensive holidays, and on expenditure on transport, recreation and culture, but continue to spend on other items;
- discounting has kept retail spending volumes up; and
- there has been a transfer of spending from services (hospitality, personal care and entertainment) to retail spending on similar items for use in the home.

Pressure on retailers' margins from discounting and weak sales for some high street names have resulted in a further rise over the past year in the number of vacant shops. However, the increase to a vacancy rate of 13.5% in July 2010 according to Experian data was much less sharp than the surge from a vacancy rate of 7% to 12% in the year to mid-2009. During that period, the bulky goods sector suffered from the downturn in the housing market and lack of working capital as a result of the credit crunch also played a key role.

The revised official estimate of the economy's performance in 2010q2 showed an acceleration of quarterly growth to 1.2%. This encouraging outcome was boosted by a rebound in construction, manufacturing's response to the weak pound and healthy global growth, and robust expansion in financial & business services. However, it occurred before any major impact was felt from the tax increases and public spending cuts announced in the March and June budgets. These measures are bound to affect growth in the next few quarters and intensify fears about the recovery's sustainability.

Despite the acceleration in the second quarter therefore, we expect GDP growth to revert to a slower path in the next few quarters. Consumer spending will be constrained by subdued incomes and a weak labour market featuring high unemployment and under-employment. At the same time, export growth is likely to be modest in the face of lacklustre eurozone growth and a stronger pound, especially against the US\$. However, persistently low interest rates and a revival in fixed investment should provide some support. On balance, we expect GDP growth of 0.5% in 2010q3 and 0.4% in q4, producing year-on-year growth for 2010 of 1.5%.

Further out, as tax increases and spending cuts become a reality, pressure on household spending will intensify. But with fixed investment picking up and international demand remaining solid, underpinning exports, GDP growth should rebalance, depending more on these factors than on consumer spending. We forecast GDP growth at 1.6% in 2011 and 1.8% in 2012.

The implication of these forecasts for households is that **consumer spending will increase very modestly over the remainder of this year (0.2% q-on-q in q3 and 0.3% in q4) and rise by little over 1% in 2011. This will be followed by stronger though still moderate growth of 1.7% in 2012.**

Medium-term outlook

The **medium-term outlook** is for much slower economic growth than was seen during the 12 years prior to the recession of 2008/09. We expect GDP growth to average near 2.2% a year in the five years 2013-17 and consumer spending to average 2.3%. These rates compare with an annual average of near 3% in 1995-2007 for GDP and 3.2% for consumer spending.

The key reasons for this marked deceleration are:

- **Government finances are tightening.** Public finances deteriorated sharply during the 2008/09 crisis and require urgent and massive correction. Pressure is exacerbated as an increasing number move into retirement, raising government payments and reducing tax and National Insurance receipts. Fiscal stringency will be a feature of economic policy throughout the medium term and maybe beyond. The June 2010 budget addressed the deficit reduction issue, announcing (in addition to the £73bn consolidation by 2014/15 inherited from the previous administration)

Consumer spending will remain under pressure for some time, rising by little over 1% in 2011 before picking up. But growth in the medium term will be modest

£40bn of spending cuts and higher taxes. In combination, the proposed consolidation amounts to £83bn of spending cuts by 2014/15 and £29bn of tax increases. This will subdue consumer spending throughout the medium term. In addition, public sector cuts involving considerable redundancies will boost unemployment numbers.

- **Sharp reduction in investment** (down 15% in 2009) and cancellation or postponement of plans will inevitably depress medium-term growth prospects in many parts of the UK economy.
- **Weight of household debt:** There will be no boost as in the past decade from consumer credit. The banking sector will be more cautious and households' appetite for credit will be reduced as they seek to control debts which are at historically high levels in relation to incomes. Moreover, savings are likely to be higher than in the past decade as job insecurity continues against a backdrop of high unemployment and weak growth.
- **The main engines of growth in the past decade – financial and business services and the housing market - will be less buoyant.** London's financial services sector will be more tightly regulated; it may come under increasing pressure from emerging centres in the Middle and Far East; a more subdued housing market than in the 12 years to 2007 when house price rises averaged 10% a year will curb lending and real estate activity; and the now mature business services sector will not be able to repeat its 7.9% annual rate of expansion of 1995-2007.

Economic growth in the UK in the period 2011 to 2027 will be much less robust than in the past 15 years. It will also trail the long-term trend by a modest margin

Long-term outlook

While the economy is likely to improve on the 2.2% annual average growth rate forecast for 2013-17 in the second half of the coming decade, we believe that the exceptional performance of the period 1995-2007 will not be regained.

Pressures from an ageing population will reinforce the need for ongoing fiscal restraint, precluding the large-scale public sector job creation that boosted economic growth in the first few years of the present century. Environmental factors including much higher energy costs will also constrain growth. We forecast GDP growth between 2017 and 2027 to average 2.4% a year.

In conjunction with our medium-term projection for growth at 2.2% a year in 2013-17, this implies an annual average growth rate in the period to 2027 of 2.3%. This will be rather slower than the UK's previous long-term trend growth, but slightly faster than the rate forecast for the eurozone.

Alternative scenarios:

Optimistic: Economy rebalances towards exports and investment

Pessimistic: 1) Deflation resurfaces 2) Inflation pressures curb growth

Alternative long-term scenarios

We attach a 65% probability to the central scenario projection of annual growth in GDP averaging 2.4% to 2027. We present one upside and two downside scenarios, with our projections of annual expansion on retail spending under each alternative case.

Optimistic scenario (20% probability)

UK GDP growth to 2027 matches the previous long-term trend of 2.5% a year as the fiscal problems which depress consumer spending in the medium term are offset by buoyant exports and reviving fixed investment. This rebalancing towards exports and investment underpins annual average growth of 2.4% in the period 2013-17, and supports growth at 2.5% a year from 2018-27. Key features of this scenario are:

- Global trade maintains a vigorous growth path and the UK largely retains its market share
- Service sector growth approaches the 1995-2007 rate for most of the period to 2027.

Pessimistic scenario (15% probability)

1. **Deflation scenario (5% probability).** In this worst case scenario, the UK economic recovery is derailed by a combination of depressed household spending and faltering global growth, notably in the key EU market. Weak consumer and business sentiment weigh on investment and household spending. Deflation resurfaces and takes a firm hold from which it is difficult to escape. GDP growth in the period to 2017 averages a meagre 1%, followed by 2% a year to 2027, giving a long-term average of 1.7%, with annual retail sales growth per head averaging just 1.6%.
2. **Inflation scenario (10% probability).** In this case, inflationary pressures mount as a result of international commodity price movements and a weak pound. The effects of the monetary measures taken to stimulate growth during the recession are difficult to reverse and the UK suffers a prolonged period of inflation. High interest rates are required for an extended period to drive inflation out of the system. GDP growth, already depressed by the factors noted in the central scenario, averages 1.5% a year to 2017, followed by growth at 2.4% a year to 2027, an annual average for 2013-27 of little over 2%.

Retail sales per head under alternative scenarios

% per annum	2013-17	2018-27	2013-27
Central case	2.1	2.3	2.2
Optimistic case	2.2	2.5	2.4
Deflation scenario	0.8	2.0	1.6
Inflation scenario	1.2	2.0	1.7

Retail sales volumes

The following table (figure 1) shows projected growth rates per head to 2027 for the main categories of consumer spending on various categories of retail goods, using our central forecast.

The table also contains historic growth rates for comparison over three time periods: 1969-2009 (the ultra long-term trend); 1979-2009 (the long-term trend) and 1989-2009 (the medium-term trend).

Figure 1: UK retail and leisure spend per head 2007-27

Vol growth per head (%)	2007	2008	2009	2010	2011	2012	2013-17	2018-27	1969-2009	1979-2009	1989-2009
Retail spend	1.9	1.9	-1.4	0.3	0.8	1.8	2.1	2.3	2.8	3.3	3.5
Convenience goods	0.4	-1.6	-2.9	0.3	0.0	0.4	0.8	0.9	0.5	0.7	0.7
Comparison goods	2.7	3.7	-0.6	0.4	1.2	2.4	2.7	2.9	4.7	5.3	5.5
of which bulky	5.0	6.9	0.5	-0.5	1.3	2.4	2.8	3.0	5.6	6.2	6.3
non- bulky	1.4	1.9	-1.2	0.9	1.1	2.5	2.6	2.8	4.3	4.8	5.1
Leisure	1.2	-0.3	-4.5	-1.5	0.7	1.3	1.5	1.9	2.1	1.5	1.4
Consumer spending	1.4	-0.1	-3.1	-0.3	0.2	0.8	1.5	2.0	2.4	2.5	2.5
Retail spend ex non-store	1.0	0.2	-3.1	-1.3	-0.2	1.2	1.8	2.3	2.8	3.3	3.5

Figure 1 includes in the final row an estimate of retail spending excluding non-store retailing¹ to provide an idea of growth from purely physical outlets that is the major concern of clients of this service. Non-store retailing ie e-tailing and mail order (repair of household goods was removed from retailing in February

¹ Non-store retailing is considered in detail in Appendix 3, which contains a section on internet sales and our view on their treatment in retail capacity assessments.

Non-store retailing will continue to outpace store-based trading for the next few years, but we expect growth rates to be equal in the longer term

Increasing maturity of the UK economy, slower output expansion, less recourse to consumer credit and faster population growth will reduce *per capita* retail spending to well below the long-term trend

2010) has grown rapidly in recent years, outpacing store-based trading, and we expect a continuation of this pattern over the next few years. The differences between retail sales growth rates with and without non-store sales are quite considerable in the short to medium term.

However, the initial phase of e-tailing, boosted by the take-up of new technology, is likely to be followed by a more mature phase. From 2018, we forecast that non-store retailing will grow in line with traditional shopping. Consequently, and bearing in mind that non-store retailing accounts for under 10% of total sales, it is valid in producing the long-term forecasts of growth for the various components of retail spending shown in figures 1 to 4, to focus on retail sales as a whole.

Key features of the forecast are:

- **During the period 2010/11**, growth in retail spending will be much slower than in many previous recovery phases given the constraints on economic performance, notably the squeeze on public finances.
- In the **medium term (to 2017)**, growth in retail sales volumes will be much slower than during the past decade and slower than in the long and ultra long term. This reflects the constraints on overall economic growth outlined in the **Economic Context** above, a relatively high tax burden and much more modest growth in consumer lending than in the past decade.
- While growth in household spending is forecast to pick up in the **longer term (2018-27)**, it will grow broadly in line with GDP expansion, in contrast to exceeding GDP growth by about 0.3 percentage points in the ultra-long term, (the period 1969-2009). This reflects the increasing maturity of the UK economy, less expansionary consumer credit, greater emphasis on green issues, including higher energy costs and an ageing population. Moreover, according to the latest official forecasts, population growth to 2026 is expected to be faster than in the period 1969-2009, averaging 0.7% per annum against 0.2% in the past four decades. This depresses the *per capita* growth rate used in the tables. All categories of retail spending, except convenience goods, lag the ultra long-term trend in our forecast to 2027, and the gap is substantially greater than that seen in the past two decades, which encompassed the credit-fuelled booms of the late 1980s and 1995-2007.

Summary of long-term growth prospects and a recommendation

In figure 2, the long-term growth projections are summarized. See pages 4 and 5 for the reasons underlying the long-term forecasts.

- Our projections of future spending covering the periods, 2012, 2013-17 and 2018-27 have been merged to provide a long-term forecast covering expected growth from 2011 to 2027.

Figure 2: UK retail spending (including non-store) and leisure spending

Volume growth per head (%) Annual averages	2012-27	1969-2009	1979-2009	1989-2009
Retail spending	2.2	2.8	3.3	3.5
Convenience goods	0.9	0.5	0.7	0.7
Comparison goods	2.8	4.7	5.3	5.5
of which bulky	2.9	5.6	6.2	6.3
non- bulky	2.7	4.3	4.8	5.1
Leisure	1.7	2.1	1.5	1.4
Consumer spending	1.8	2.4	2.5	2.5

This table specifically excludes recent trends and individual years. It focuses on long-term trends which are key to development projects. Even so, critical choices have to be made, between on the one hand historic medium, long and ultra-long term trends and on the other the forecasts produced by Experian.

We believe that because of the significant constraints on economic activity over the next few years, outlined in the **Economic Context**, and the slower growth forecast for consumer spending in the longer term, it is appropriate to use the forecast growth rates shown in column 1 of figure 2 rather than either the long-term, medium term or ultra long-term trends.

Retail sales density

The following tables provide Experian's forecasts of retail sales density under two broad assumptions: constant floorspace to obtain a pure measure of changing efficiency, and including additions to floorspace.

In making planning decisions for the next two decades, it is appropriate to focus on long-term trends, ignoring the largely short-term effects of recent developments

1. Constant floorspace from 2010

Figure 3: Retail sales density - constant floorspace

Total retail	2009	2010	2011	2012	2013-17*	2018-27*
Total retail floorspace (millions of sq ft)**	613	620	620	620	620	620
Retail sales £bn (2006 prices)	297.0	300.2	304.8	312.4	338.9	420.9
Sales density £/sq ft	484.5	484.2	491.5	503.8	546.6	601.8
Density growth rate (%)	-1.4	-0.1	1.5	2.5	2.8	2.6

*Annual average; **Source: GOAD.

Figure 3a: Retail sales density convenience goods - constant floorspace

Convenience goods	2009	2010	2011	2012	2013-17*	2018-27*
Total floorspace (millions of sq ft)**	170	174	174	174	174	174
Convenience sales £bn (2006 prices)	98.6	99.6	100.3	101.5	106.1	119.0
Sales density £/sq ft	580.1	572.7	576.6	583.2	609.6	683.9
Density growth rate (%)	-3.4	-1.3	0.7	1.1	1.5	1.5

*Annual average; **Source: GOAD

Figure 3b: Retail sales density comparison goods - constant floorspace

Comparison goods	2009	2010	2011	2012	2013-17*	2018-27*
Total floorspace (millions of sq ft)**	443	446	446	446	446	446
Comparison sales £bn (2006 prices)	198.4	200.5	204.4	210.9	236.9	302.2
Sales density £/sq ft	447.7	449.6	458.4	472.9	522.0	677.5
Density growth rate (%)	-0.5	0.4	1.9	3.2	3.4	3.5

*Annual average ;**Source: GOAD

2. Changing floorspace

Figure 4: Retail sales density- including changes to floorspace*

Total retail	2009	2010	2011	2012	2013-17*	2018-27*
Total retail floorspace (millions of sq ft)**	613	620	624	630	651	704
Retail sales £bn (2006 prices)	297.0	300.2	304.8	312.4	338.9	420.9
Sales density £/sq ft	484.5	484.2	488.4	495.9	520.2	596.6
Density growth rate (%)	-1.4	-0.1	0.9	1.5	1.6	1.8

*Annual average; **Source: GOAD

Figure 4a: Retail sales density sales convenience goods - including changes to floorspace

Convenience goods	2009	2010	2011	2012	2013-17*	2018-27*
Total floorspace (millions of sq ft)**	170	174	176	178	184	199
Convenience sales £bn (2006 prices)	98.6	99.6	100.3	101.5	106.1	119.0
Sales density £/sq ft	580.1	572.7	570.0	570.1	576.4	597.7
Density growth rate (%)	-3.4	-1.3	-0.5	0.0	0.4	0.5

*Annual average; **Source: GOAD

Figure 4b: Retail sales density- comparison goods including changes to floorspace

Comparison goods	2009	2010	2011	2012	2013-17*	2018-27*
Total floorspace (millions of sq ft)**	443	446	448	452	467	505
Comparison sales £bn (2006 prices)	198.4	200.5	204.4	210.9	236.9	302.2
Sales density £/sq ft	447.7	449.6	456.3	466.6	498.0	596.6
Density growth rate (%)	-0.5	0.4	1.5	2.3	2.2	2.3

*Annual average; **Source: GOAD

Estimates of sales density using the more realistic assumption of changing floorspace are shown in figure 4

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The future for retail sales densities

The rapid increase in comparison goods sales densities in the first six years of this century² was a product of the retail spending boom and growth rates of well over 3% a year are unlikely to be repeated. This is especially true of the period during which retail sales are depressed by the aftermath of recession. Projected sales densities growth on the changing floorspace assumption are negative for convenience goods in 2010 and 2011, and modest for comparison goods in 2010. Thereafter, growth resumes at a faster pace, 0.4% a year for convenience goods between 2013 and 2017, and 2.6% for comparison goods.

Scope for density increases is much more limited for convenience goods than for comparison goods. Continuing trends towards more modern, higher density, stores and the demolition of older inefficient space means that the expected comparison rate is likely to be close to 2.6% a year over the next 15 years, against 0.5% for convenience goods, where a high proportion of sales are through well-established inner city sites.

² See Appendix 4

Appendices

Appendix 1: contacts

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Appendix 2: estimating consumer spending on retail goods and leisure

Sources

Total household spending on goods and leisure is derived from the ONS' (Office for National Statistics) publication *Consumer Trends* (latest issue July 2010). We use the chained volume measure which shows expenditure at 2006 prices. *Consumer Trends* provides data breaking down total household spending according to the internationally recognised COICOP (Classification of Individual Consumption by Purpose) categories. This is consistent with the definitions used in the ONS' National Accounts (*Blue Book*) and therefore includes spending in the UK by foreign households. Leisure spending is aggregated from COICOP categories as shown below.

The *Consumer Trends* data are based on surveys of consumers. In last year's *Retail Planner* we used data from the ONS' *Retail Sales Business Monitor SDM 28* which are based on surveys of shops and businesses. There is a small but **generally insignificant** difference between the two measures. However, on this occasion the *Retail Sales Business Monitor* (RSBM) approach shows an increase in volumes of 1.8% in 2009, while the *Consumer Trends* (CT) approach shows a decrease of 0.6%. It is difficult to identify the reason for this discrepancy as the categories used in the two sources differ. For example, in RSBM the 'predominantly food stores' category includes an element of most categories used in CT (food & drink, alcohol & tobacco, clothing & footwear, health, household goods, recreation & culture). Despite this difference, the key point remains, namely that during the downturn of 2009, retail sales were more resilient than consumer spending as whole which declined by 2.4%.

Aggregations

Retail Planner contains a number of special aggregations of retail goods and services:

1. **Convenience goods** – low-cost, everyday items that consumers are unlikely to travel far to purchase. Defined as food and non-alcoholic drinks, tobacco, alcohol, newspapers and 90% of non-durable household goods.³
2. **Comparison goods** – all other retail goods.

Bulky goods – defined as:

- DIY goods
- Furniture and floor coverings.
- Major household appliances whether electric or not.
- Audio-visual equipment
- Remaining 10% of non-durable household goods
- Bicycles.

Non-bulky goods – all other comparison goods

3. **Leisure**
 - Recreational and sporting services (COICOP 9.4.1)
 - Cultural services (COICOP 9.4.2)
 - Games of chance (COICOP 9.4.3)
 - Restaurants, cafes etc (COICOP 11.1.1)
 - Accommodation services (COICOP 11.2)
 - Hairdressing salons & personal grooming (COICOP 12.1.1)

³ Non-durable household goods comprise cleaning materials, kitchen disposables, household hardware and appliances, kitchen gloves, cloths etc and pins, needles, tape measures and nuts and bolts. We have assumed, based on Expenditure and Food Survey (EFS) data, that 10% of non-durable household goods are DIY-type goods and, therefore, are properly classified as comparison goods while the remaining 90% have the characteristics of convenience goods.

Appendix 3: non-store retail sales (special forms of trading)

As reported in our March 2010 *Note on non-store retailing* the Office for National Statistics (ONS) announced in February changes to the methodology for calculating the value of internet sales. This resulted in a large increase in estimated internet retail sales and their share of the total retail market, which is now shown at 7.3% at end-2009, against 4.9% previously. The upward revision reflects the inclusion in the new methodology of all sales made over the internet by individual businesses using information derived from the monthly ONS Retail Sales Inquiry (RSI). This includes a specific question for all businesses, asking the proportion of sales made over the internet. Some 5,000 businesses in Great Britain are included, covering 95% of the retail sector in terms of turnover. Previously, the series used a sample of responses from businesses to produce the ONS' best estimate of internet sales.

Internet retail sales are collected as part of the RSI. Each business within the RSI is asked to provide retail turnover, including sales from stores, via the internet, mail order, stalls and markets, door-to-door and telephone sales. On-line sales by supermarkets, department stores and catalogue companies are all included. The ONS figure of internet sales plus their estimate of mail order and market/stalls sales is therefore a comprehensive estimate of special forms of trading (SFT) in retailing. Services are excluded as businesses are asked to separate out non-goods elements of their sales.

Recent strong growth in SFT is evidenced by the rising share of internet sales in total retail transactions. This stood at 7.9% in June 2010 against 5.6% in September 2008.

Internet retail sales

Not seasonally adjusted	Average weekly value for all retailing (£ million)	Average weekly value for internet retail sales (£million)	Internet sales as % of total retail sales
2008 Sep	5200	289.8	5.6
Dec	6800	435.1	6.4
2009 Mar	5100	336.8	6.6
Jun	5400	307.4	5.7
Sep	5300	337.7	6.4
Dec	7000	511.7	7.3
2010 Mar	5300	362.1	6.9
Jun	5500	397.7	7.2

Source: ONS, Retail Sales Statistical Bulletin July 2010

The following table based on ONS data shows Experian's estimate of growth since 2005 in all retailing compared with non-store retailing. No official breakdown is available between convenience and comparison goods – the market shares are Experian estimates.

Important points to note from the table are:

- Since the non-store retailing figures include supermarkets and other retailers that source internet goods sales from store space, the share of non-store retailing is over-stated from the point of view of those interested in physical retail outlets, particularly for convenience goods.
- There is a high degree of uncertainty about future trends in internet usage and non-store shopping in general and the assumption that market share holds constant after 2016 could under-estimate the threat to shops. However, even if non-store retailing outpaces store-based shopping for longer than we assume, **store-based shopping** is still expected to continue to expand annually at over 2% *per capita* to 2027 (see figure 1 of the main report).

Our previous forecast contained in *Retail Planner 7.1* showed non-store retailing increasing steadily and at a faster pace than total retail sales until 2016, reaching 8.1% of the total, before stabilising at that level for the rest of the forecast period. The new forecast, based on a higher starting point for non-store retailing, (£21.5bn in 2008 against £16.0bn) coupled with evidence of stronger growth in recent years, has non-store retailing reaching 12.6% of the total by 2016 and stabilising at that level as the market becomes mature and grows in line with total retail sales.

Estimated and projected market share of non-store retail sales

Volumes at 2006 prices	All retailing* £bn	Non-store** £bn	Growth in all retailing %	Growth in non-store %	Non-store retailing market share (%)		
					Total	Comparison	Convenience
2006	284.1	13.7	2.5	14.2	4.8		
2007	291.3	16.3	2.5	19.0	5.6		
2008	298.9	21.3	2.6	30.7	7.1	8.2	5.0
2009	297.0	26.1	-0.6	22.5	8.8	10.0	6.4
Forecast							
2010	300.2	30.8	1.1	18.0	10.3	11.7	7.4
2011	304.8	33.9	1.5	10.0	11.1	12.6	8.1
2012	312.4	36.3	2.5	7.0	11.6	13.1	8.5
2013	320.6	38.4	2.6	6.0	12.0	13.5	8.8
2014	329.3	40.3	2.7	5.0	12.3	13.7	9.1
2015	338.4	42.2	2.8	4.5	12.5	13.9	9.4
2016	348.0	43.9	2.8	4.0	12.6	13.9	9.6
2017	358.1	45.2	2.9	3.0	12.6	13.9	9.7
2018	368.5	46.5	2.9	2.9	12.6	13.8	9.8
2019	379.2	47.8	2.9	2.9	12.6	13.8	9.9
2020	390.3	49.2	2.9	2.9	12.6	13.7	10.0
2021	401.7	50.6	2.9	2.9	12.6	13.6	10.1
2022	413.4	52.1	2.9	2.9	12.6	13.6	10.2
2023	425.5	53.6	2.9	2.9	12.6	13.5	10.3
2024	437.9	55.2	2.9	2.9	12.6	13.4	10.4
2025	450.7	56.8	2.9	2.9	12.6	13.3	10.6
2026	463.9	58.4	2.9	2.9	12.6	13.3	10.7
2027	477.5	60.1	2.9	2.9	12.6	13.2	10.8

* Exc. automotive fuel,
**Internet plus mail order plus stalls and markets

Special Forms of Trading and demand for retail floorspace

The rise of internet sales has boosted SFT significantly in recent years. This was highlighted in Figure 1 on page 7, as the following extract from the table shows. In each of the years 2007-2009 retail sales growth per head excluding SFT was appreciably slower than the rate including SFT. This difference is expected to persist, but to narrow as we approach 2017, after which our projections assume that total retail sales and non-store sales grow at the same rate.

Vol growth per head (%)	2007	2008	2009	2010	2011	2012	2013-17	2018-27
Retail sales	1.9	1.9	-1.4	0.3	0.8	1.8	2.1	2.3
Retail sales ex non-store	1.0	0.2	-3.1	-1.3	-0.2	1.2	1.8	2.3

Calculations of how demand for retail floorspace will be affected by SFT remains an issue for the medium term as the volume growth in total retail sales projected in this report (averaging 2.6% per annum in absolute terms between 2010 and 2017) overstates the required rate of floorspace expansion (ignoring sales density changes) as SFT continues to eat into store-based sales growth. **Excluding SFT, retail sales volume growth over the period is forecast at 2.2% a year.**

However, it would not be appropriate to assume a growth rate in floorspace of 2.2% per annum as some stores notably large convenience stores sell on line but source sales from regular stores rather than warehouses. It is difficult to gauge the adjustment needed to take account of this and the position is changing quite rapidly. A recent move was Asda's

announcement in August 2010 that it is to open a warehouse dedicated to internet orders in Enfield, following the Ocado approach of distributing goods from warehouses rather than stores. If this trend continues, demand for retail floorspace as a result of internet shopping is likely to ease as supermarkets move to a centralised system to ease pressure on stores.

In providing estimates to aid planners on this issue, we consider the position for convenience and comparison sales trends separately. The following table provides indicative growth rates for sales on different assumptions for comparison and convenience goods. For comparison goods, we exclude from the deduction from total sales 25% of SFT sales to provide our best estimate of growth relating to required floorspace (column 4) and for convenience goods 50% of sales are excluded (column 7) as a higher proportion of internet convenience sales are effected through stores.

Growth in sales 2010-2107 (% per annum)

	Comparison			Convenience		
	Total sales	Exc. all SFT	Exc. 25% of SFT	Total	Exc.all SFT	Exc.50% of SFT
2011	1.9	0.8	1.1	0.7	0.0	0.4
2012	3.2	2.6	2.8	1.1	0.7	1.0
2013	3.2	2.8	2.9	1.5	1.0	1.3
2014	3.3	3.0	3.1	1.5	1.1	1.4
2015	3.3	3.2	3.2	1.5	1.2	1.5
2016	3.5	3.4	3.4	1.5	1.2	1.5
2017	3.5	3.6	3.6	1.5	1.4	1.5
Average	3.1	2.8	2.9	1.3	1.0	1.2

Percentage of UK Internet visits to retail websites	Catalogue retailers	High street retailers	Online only retailers
Jul-07	4.3	50.3	45.4
Dec-07	3.2	58.7	38.1
Jul-08	3.6	56.3	40.1
Dec-08	2.8	58.0	39.2
Jul-09	3.9	57.3	38.9
Dec-09	3.8	58.7	37.5
Jul-10	3.5	57.8	38.7

Internet visits for **store-based transactions** account for almost 60% of the total, against 50% three years ago. But as noted above, the non-store retailing figures include supermarkets and other retailers that source internet goods sales from store space.

Source:Experian (Hitwise)

Percentage of UK Internet visits to retail websites

	Jul-07	Jul-08	Jul-10
Apparel and Accessories	10.4	14.8	18.9
Appliances and Electronics	9.6	10.4	8.3
Automotive	3.7	3.4	3.1
Books	12.2	1.5	1.2
Computers	7.1	7.7	4.4
Department Stores	21.1	20.9	24.8
Flowers and Gifts	1.3	1.6	1.7
Grocery and Alcohol	2.8	2.5	2.6
Health and Beauty	2.1	2.5	2.6
House and Garden	7.0	8.7	9.5
Intimate Apparel and Accessories	1.1	1.1	0.9
Music	5.6	6.0	5.2
Office Supplies	1.2	1.5	0.9
Sport and Fitness	4.6	6.2	6.7
Ticketing	2.2	2.0	1.9
Toys and Hobbies	3.0	3.3	2.7
Video and Games	5.2	5.8	4.7

The table alongside tracks how the percentage share of UK Internet visits to retail websites have evolved in the last three years. There has been a marked shift toward visits to apparel and accessories websites with the share of hits to such websites rising from 10% in July 2007 to almost 20% in June 2010. The sudden shift down in retail sites selling book is down to a change in classification of Amazon as a 'department' store. The shares of most other categories have seen marginal changes.

Source:Experian (Hitwise)

Appendix 4: changes in the efficiency of retail floor space

Experian completed in 2007 a research project for the British Council of Shopping Centres, which re-assessed retail efficiency estimates and projections. The report providing the full results - *Future of Retail Property* – contained much useful information, which was summarised in *Retail Planner* in recent years. Inevitably developments in the past few years have made the analysis based on data available to 2005 out-dated. While the summary is still available, it has been decided to exclude it from *Retail Planner 2010*.

Appendix 1 contains details of contacts in the event of the summary being required.

Appendix 5: data and forecasts for values and volumes

	Total Spending (£m 2006 Prices)				Total Spending (Current Prices)				Prices Indices (2006=100)			
	Total Consumer Spending(1)	Spending on Retail Goods	Spending on Convenience Goods	Spending on Comparison Goods	Total Consumer Spending(1)	Spending on Retail Goods	Spending on Convenience Goods	Spending on Comparison Goods	Total Consumer Spending(1)	Spending on Retail Goods	Spending on Convenience Goods	Spending on Comparison Goods
1990	528482	166883	85270	81613	342613	133118	58619	74499	64.8	79.8	68.7	91.3
1991	518611	164929	84296	80633	363772	140473	62121	78352	70.1	85.2	73.7	97.2
1992	520147	166708	83956	82752	382602	146721	64011	82711	73.6	88.0	76.2	100.0
1993	535440	170858	84693	86164	405665	153615	66233	87382	75.8	89.9	78.2	101.4
1994	548797	177909	85309	92600	424812	161141	67577	93565	77.4	90.6	79.2	101.0
1995	561470	179467	84456	95011	448267	169238	69741	99497	79.8	94.3	82.6	104.7
1996	584213	186876	87089	99788	481702	181800	74633	107167	82.5	97.3	85.7	107.4
1997	603334	193805	88293	105512	511577	191930	76417	115514	84.8	99.0	86.5	109.5
1998	625876	200328	88827	111501	544519	201924	78501	123424	87.0	100.8	88.4	110.7
1999	655523	211208	91577	119631	576993	213407	82284	131124	88.0	101.0	89.9	109.6
2000	683114	222072	93189	128884	609617	222641	84254	138387	89.2	100.3	90.4	107.4
2001	702386	230108	92073	138035	638254	232626	85905	146721	90.9	101.1	93.3	106.3
2002	727244	245260	93783	151477	670401	246141	88298	157843	92.2	100.4	94.2	104.2
2003	750101	259111	95383	163728	702450	259510	91494	168016	93.6	100.2	95.9	102.6
2004	774218	267909	99125	168784	737927	269866	95402	174464	95.3	100.7	96.2	103.4
2005	793246	274603	100072	174531	772181	274653	97525	177129	97.3	100.0	97.5	101.5
2006	808223	284058	100604	183454	808223	284058	100604	183454	100.0	100.0	100.0	100.0
2007	824517	291256	101704	189553	849486	293591	105620	187972	103.0	100.8	103.9	99.2
2008	829213	298867	100841	198027	878707	303881	112173	191708	106.0	101.7	111.2	96.8
2009	809004	296971	98618	198352	863301	305745	115846	189899	106.7	103.0	117.5	95.7
2010	812683	300182	99643	200539	898163	311193	119743	191451	110.5	103.7	120.2	95.5
2011	820252	304755	100324	204431	930671	314325	122112	192213	113.5	103.1	121.7	94.0
2012	832909	312386	101470	210917	961581	318871	124258	194613	115.4	102.1	122.5	92.3
2013	848798	320588	102942	217646	998398	326119	127325	198795	117.6	101.7	123.7	91.3
2014	866799	329266	104443	224823	1039387	334395	130876	203519	119.9	101.6	125.3	90.5
2015	886290	338378	106037	232342	1084700	343954	134971	208983	122.4	101.6	127.3	89.9
2016	907064	348016	107635	240381	1132776	354068	139123	214945	124.9	101.7	129.3	89.4
2017	929428	358089	109267	248822	1185198	365146	143488	221658	127.5	102.0	131.3	89.1
2018	953127	368482	110942	257540	1241260	376800	147988	228811	130.2	102.3	133.4	88.8
2019	977754	379218	112667	266551	1300882	389000	152656	236345	133.0	102.6	135.5	88.7
2020	1003004	390296	114409	275887	1362985	401374	157331	244042	135.9	102.8	137.5	88.5
2021	1028906	401698	116177	285551	1428052	414140	162150	251991	138.8	103.1	139.6	88.2
2022	1055477	413432	117973	295553	1496226	427313	167116	260198	141.8	103.4	141.7	88.0
2023	1082735	425510	119796	305905	1567654	440905	172234	268673	144.8	103.6	143.8	87.8
2024	1110696	437940	121648	316620	1642492	454929	177510	277423	147.9	103.9	145.9	87.6
2025	1139379	450733	123528	327711	1720903	469399	182946	286459	151.0	104.1	148.1	87.4
2026	1168803	463900	125437	339189	1803057	484330	188549	295789	154.3	104.4	150.3	87.2
2027	1198986	477452	127376	351070	1889133	499735	194324	305423	157.6	104.7	152.6	87.0

(1) Including spending by foreigners

Source: data - ONS (Consumer Trends 2010q1), forecast - Experian Business Strategies July 2010

Appendix 6: Classification of retail spending

Convenience	Comparison	Bulky
		Non-bulky C
COICOP		
02.2	Tobacco	
02.1.3	Beer	
01.1	Food & non-alcohol	
02.1.2	Wine	
02.1.1	Spirits	
09.5.2	Newspapers & mags	
05.6.1	Household cleaning materials and misc items	
05.5.1	Major tools	
09.1.1/4	Audio-visuals	
04.3.1	Materials for repair & maintenance of homes	
05.5.2	Small tools	
05.1.1;05.1.2	Furniture & floor coverings	
05.3.1	Major appliances	
07.1.3	Bicycles	
03.1.1/3	Clothing	
05.3.2	Small appliances	
09.5.1;09.5.3/4	Books, stationery etc	
05.4	Utensils	
03.2.1	Footwear	
06.1.3	Therapeutics	
12.3.1	Jewellery	
09.1.4	Recording media	
12.1.2/3	Personal care goods	
05.2	Textiles	
06.1	Medical goods	
12.3.2	Other personal effects	
09.3.1/4	Other recreational goods	

More information on the classification of individual consumption by purpose (COICOP) is available if required.