

Enterprise and Business Committee Inquiry into Town Centre Regeneration

Evidence from Boots UK

September 2011



A submission by Boots UK

1. Overview of Boots in Wales

Boots has a long history of presence in Wales. Boots opened its first store in Wales in 1896 at 2 Oxford Road, Swansea. The two stores across the whole group which are still in the same building are the Pontypridd store opened in 1897 and the Commercial Street Aberdare store also opened in 1897. Boots is now the leading pharmacy-based health and beauty retailer in the high street in Wales. There are currently (end August 2011) 101 retail and pharmacy stores on Wales employing around 2,000 Full Time Equivalent employees. 97% of our stores are in town centre and high street locations. In addition, there are also 10 Boots Optician stores in Wales employing approximately 100 people between them. These are also typically in town centre locations. Boots is therefore a significant part of the Welsh business community and especially the town centre retail sector.

Boots is part of Alliance Boots, which also has several other operations in Wales. Alliance Healthcare Distribution Ltd operates a Service Centre in Fforestfach, Swansea. The centre currently employs approximately 200 people and provides deliveries twice a day to every one of the 708 community pharmacies in Wales.

In 2007 Boots established its global product development centre in the Institute of Life Sciences in Swansea University. The purpose of the Centre is to “unlock the barriers that stand between good ideas and high street success”. The expert team of marketers, product developers and researchers turn concepts into shelf-ready products which reach millions of customers – all through the hub in Swansea.

It has already generated multi-million pound benefits to entrepreneurs from more than 20 new products now on the shelves of Boots stores in the UK and overseas

and available to millions of customers. There are currently a further 10 new products in the pipeline. Overall BCI has generated more than £5million of incremental sales from the products introduced.

Boots Hearingcare, which runs through a franchise with David Ormerod, also has a base in Llandudno in north Wales where 10 people are employed and a phone-based patient advice service is operated. There are also 8 Boots Hearingcare centres in Wales employing between them around 20 people.

Boots success is a result of innovative healthcare research and well developed knowledge and practice on taking that healthcare to the public. Wales contributes to all parts of this Boots world. Boots is committed to making high quality healthcare more accessible and helping to tackle health inequalities through our network of community pharmacies in town and city centres and in rural communities. We are conscious of our responsibilities to the communities we serve. We currently have an innovative partnership with Macmillan Cancer Support which is uniquely aimed at making Macmillan advice and support for cancer patients and their families available in the high street in Boots stores. The high street and town centre locations of Boots stores are critical to this partnership. This work is very active in Wales where the Boots + Macmillan Partnership has produced a range of bilingual materials, run joint presentation stands and other operations in the National Eisteddfod as well as at various party political events.

Since the establishment of the National Assembly in 1999, Boots has worked closely with the Welsh Assembly Government, Assembly Members in all four major parties and Welsh Ministers with responsibility for Health, Social Services, Economic Development, Transport, Environment, Local Government and Finance. The business has contributed to a range of policy discussions and made internal knowledge and expertise available to local and central government officials from public health to spatial planning.

We are a founder member, and current Corporate Champions, of the Association of Town Centre Management (ATCM) and continue to work closely with town and city centre managers across Wales. We have led the retail community in shaping the development of Business Improvement Districts (BIDs) across GB, and have worked closely with Wales' first BID partnership responsible for Swansea city centre. Boots hosts and facilitates a twice yearly 'Insight' training programme, available free of charge for newly appointed town centre managers and BID managers. We are also taking a leading role in Northern Ireland in their current development of an appropriate form of BIDs.

Boots also supports the sustainability of the heritage and culture of Wales and is a member of the Welsh Language Board's *Cefnogi'r Gymraeg: Investing in Welsh* initiative. Our new Welsh Language Policy was launched at the National Eisteddfod in Bala in August 2009 and is displayed in our stores throughout Wales. Having been sponsors of the Eisteddfod for 11 years, in the National Eisteddfod in Wrexham in 2011 Boots ran the first registered pharmacy on the Maes and a team of Boots Welsh speaking pharmacists conducted over 1100 free health checks for Eisteddfodwyr.

2. Boots and Town Centre Regeneration

Boots is strongly committed to town centres and is actively involved in partnerships to support the sustainability of town centres into the 21st century. Sustainable and successful town centres are now based on multiple sectors, industries and active stakeholders coming together.

There are 7 factors that our High Street Customers tell us they want in the future and Boots considers these as the 7 keys to our town centre success:

- **Health** - growing concerns over health and interest in taking more self-responsibility for health
- **Convenience** - managing the problem of time scarcity in a 24/7 lifestyle
- **Individualism** - more personal and customised brand experiences near each other
- **Connectivity** – the need for relationships and belonging, especially in areas of social deprivation and low incomes
- **Comfort** - safety, simplicity, trust and low crime activity
- **Income complexity** - increasing mix of high and low consumerism
- **Age and Lifestage complexity** – shopping defies age, gender and other stereotypes.

These 7 steps to a sustainable town centre lead us to support the work that the British Retail Consortium (BRC) is doing on “The 21st Century High Street” which is featured in their evidence to this Committee Inquiry.

These priorities, both for our own business and for the retail sector in town centres more widely, immediately illustrate how the policy agenda for town centres is complicated and sits across several Government departments and Ministerial responsibilities. (This pertains to bullet point 3 of the Inquiry’s remit.) In the Welsh Government this includes Ministers with responsibility for Finance, Transport, Community Safety and Security, Planning, Local Government, Enterprise and Business. In the Welsh Government Cabinet this only leaves out Education and Health. Although there is also relevance in the education portfolio for retail skills and the Health Minister’s expressed support for the enhancement of community pharmacy services will involve investment in one of the key players in many Welsh town centres.

There is therefore a clear need for all the Welsh Government to think and act holistically as policy support for town centres cannot be viewed in isolation. The danger is that if it is everyone’s responsibility in Cabinet, it can also become no-one’s responsibility. To avoid this we would suggest that one Minister in the Welsh Cabinet has specific, named overall responsibility for town centres, probably the Minister for Enterprise and Business. In addition, the structure of the Welsh Government may

lend itself to a Cabinet Committee on Town Centre Regeneration with the named Minister in the Chair.

In Wales, Boots is a member of several town centre partnerships and similar local bodies, including in Cardiff, Swansea and Newport. These are of direct benefit to the business, as well as to the town centre, where they allow active business engagement in development of the strategy and in delivery especially of parking solutions, anti crime measures, street cleanliness and joint marketing.

The business is also in discussion with other town centre initiatives across Wales with a view to further active involvement to assist in understanding of the retail sector and in enhancing the business contribution, financially and otherwise, in town centre development and policy making. Boots is particularly committed to support for genuine town centre partnerships between local businesses and local government.

Boots supports the development of effective partnerships in town centres, recognising these structures will take different forms dependant on local needs. Structures will include Town Centre Management, Business Improvement Districts and Retail Crime Partnerships.

3. Town Centres Under Pressure

In Wales and across the UK there is currently great interest in the health of town centres and high streets. However pressure on the high streets is nothing new: it's been there for more than 20 years. Traditional high streets have increasingly been faced with competition from two alternative retail formats. The first of these is out of town shopping. Between 1986 and 1997 the number of out of town shopping destinations across the UK increased four-fold, with average spend significantly larger out of town than in town. The second source of increasing competition has been the growth of the internet, where sales will reach 10% by 2013. These developments will carry on into the future, they are customer driven and will not disappear.

Although the largest 30 high streets in the UK, including Cardiff, have continued to attract investment, market towns have increasingly struggled to maintain their vitality. Out of town retail has been driven by the growth of supermarkets, which has seen their share of the UK retail market grow from 35% in 1998 to 40% by 2008. Much of this growth has been centred on non food items, traditionally purchased in the high street. Meanwhile internet retail has 'hit' some markets particularly severely, today representing in excess of 40% of music and video, and 23% of electrical sales.

These changes have been particularly challenging for those retailers, large and small, operating in traditional high streets. During a particularly bad period between April 2008 to November 2009, 53 UK-wide retailers closed 7576 stores. These closures have contributed to vacancy rates reaching the mid teens in many town centres, and in some cases the high twenties. Household names like Bay Trading (268 stores), Adams Clothing (147 stores) Woolworths (820 stores) Zavi (125 stores), Celebrations (288 stores) Blacks Leisure (400 stores), The Officers Club (118 stores) and Whittards (130 stores) all closed stores during this 18 month period.

This pattern of closures has not stopped, with recent town centre closures by T J Hughes, Habitat and others. It would be quite wrong therefore, to see recent pressures on the high street as only impacting on independent and small shops, whilst assuming UK-wide retailers continue to grow and prosper.

If high streets are increasingly being challenged by alternative retail formats, and if we believe they provide a heart to our communities which we wish to see continue for future generations, we need to ensure that they are treated in a fair and equitable way and that the 'playing field' is balanced when compared to the treatment of out of town and internet retail. At present in many policy areas this is not the case.

4. The Retail Sector in Wales

While the leisure sector is becoming increasingly important in many town centres, it is the retail sector that is still the main economic driver in the vast majority of cases. The health and sustainability of the retail sector is therefore crucial to the health and sustainability of the town centre.

Everyone in Wales engages with the retail sector virtually every day: we all invest in it, we all take part in it and we all have views on it. Retail jobs in Wales account for approximately 10% of the Welsh workforce.

Despite this centrality, the retail sector is not traditionally one of the sectors of the economy in Wales that government has championed. Retail does not get the same high profile support as the manufacturing sector or agriculture. Retail sector figures are not included in the monthly economic data published by the Welsh Government Statistics Department, there is not a Retail Sector Forum in Wales, nor is there retail representation on the statutory Government Business Partnership.

The retail sector does not seek direct grants in the way that other sectors might do. Indeed there are European rules which preclude grants to retail in many instances and over the years this may have influenced the Welsh Government's inclination to work with the retail sector. This would apply both before and after the establishment of the Assembly. Any government support for the retail sector would not fit easily into the model of regional assistance grants and the like. But that is not to say that there is no other support that government can give.

There are some useful comparisons with various forms of non-grant focused government support. This includes supportive policies across the range of government responsibilities, as outlined above, and also structured mechanisms for intelligence and information sharing between government and the sector. This would inform understanding of the sector by government and lead to better informed policy for retail and consequently for town centres.

Retail specialists Verdict Research in a Report on Wales in December 2010 said that "Wales offers significant expansion opportunities for retailers". Verdict commented that Wales is "a difficult region for retailing" "suffers from a marked undersupply of prime retail space" with 'only 18million sq ft of retail space – representing the lowest amount of any UK region and just 6.1sq ft of retail space per person' 2nd lowest of

UK regions and notes that the retail sector in Wales is “dominated by Cardiff and Swansea and with Cardiff having nearly 3 times the space of 3rd place Wrexham”.

In their 2011 Manifesto for Wales, the British Retail Consortium outlined the 5 key characteristics of the retail sector in Wales:

- The retail sector generates 10% of the GDP of Wales compared with 7% for the UK as a whole;
- Retail employment accounts for around 10% of total Welsh employment;
- There are 8,965 retail businesses in Wales operating from 13,670 premises;
- Approximately 12 per cent of business establishments in Wales are retail, accounting for 5% of the UK total;
- Cardiff is the sixth most important retail destination in the UK.

While this provides a useful descriptor for the retail sector in Wales, recent snapshot figures by an authoritative partnership of BRC and the Association of Town Centre Management (ATCM), show a depressing picture of the Welsh retail sector in the second quarter of 2011. They show that in a bad period for all UK retail when overall footfall between May and July was 1 % lower than the same period a year earlier and when in the previous 12 months high streets on average have seen the highest drop in footfall of 2.6%, the hardest hit locations throughout the UK were in Wales where there was a drop of 9.2%.

The research shows that town centres were particularly badly hit. The UK-wide town centre vacancy rate was 11.2% in May 2011. While in Wales the comparable vacancy rate was 13.4%. Only Northern Ireland was higher at 17.1%. The bad showing by Wales was interpreted by BRC’s Director General, Stephen Robertson, as “Generally, the parts of the UK where the public sector is a bigger proportion of the economy are the ones where customer spending is most likely to be hit by worries about job prospects and cuts, meaning people are shopping less and more retail businesses are failing. By both measures, Northern Ireland and Wales are suffering particularly badly.”

Boots does not disagree with this analysis. This also means that the comparative weakness of Welsh town centres is likely to remain or even worsen during the current economic climate. The higher than average proportion of the population relying on state benefits in some parts of Wales will also have an increasingly detrimental effect on the viability of town centres in these areas. In other parts of Wales, the challenge is for the sustainability of rural market towns or seaside towns.

As a specialist retailer Boots experiences first hand some of the social pressures of Welsh communities. While the provision of substance misuse services in accessible town centre community pharmacies is largely in the big urban centres, it is increasingly also in the seaside towns, valleys pharmacies and small rural pharmacies. We also provide pharmacy run minor ailments services and treatments funded specifically to address severe health inequalities.

These economic, social and public health pressures will all impact on the viability of already vulnerable town centres and make the need for complex but focussed town centre regeneration strategies and delivery even more pressing.

5. Consideration of Town Centres and Retail Sector by Governments, Parliaments and Assemblies

The lack of dialogue between government and stakeholders in any circumstances can result in badly informed policy. We believe that there is a limited understanding by the Welsh Government about how retail works in Wales and this is partly due to the current lack of any meaningful mechanism facilitating dialogue between government and the retail sector. We outline below several examples of how retail and government are working together; ideas, that might inform a future Welsh model. Boots is supportive of current proposals for an appropriate means for such a mechanism to be developed in Wales.

England

The Retail Policy Forum is operated by the Department of Business, Innovation and Skills (BIS). The Forum brings together relevant officials from different departments in Whitehall with responsibility for aspects of retail operation, and key retail representatives. These meetings enable government to enhance their understanding of the retail sector, its operation, its main issues and concerns at any time and to raise with retailers any issues they may want to do so. They also give retailers regular opportunities to raise any issues and concerns with government, to discuss and contribute to forthcoming government policy.

During the recent high street disturbances in some parts of England, these relationships proved vital: government had readily available contact points in the private retail sector to provide swift assistance and recovery at the time.

As an indication of the current concerns with the health of high streets in England, in May 2011 the Prime Minister appointed retail consultant Mary Portas to lead an independent review into the future of the High Street in England. The purpose of the review is to identify what government, local authorities and businesses can do to promote the development of more prosperous and diverse high streets. This Review is also due to form part of the Government's wider Growth Review which is examining how barriers can be removed to achieve "strong, sustainable and balanced growth that is more evenly shared across the country and between industries". Mary Portas will present the final Report by the end of 2011 to Ministers.

An additional initiative in England is part of the programme of Business in the Community. A Report on "Future High Streets" was launched at a "Seeing is Believing" town centre visit led by Alex Gourlay, Chief Executive of the Health and Beauty Division, Alliance Boots and attended by business leaders and Ed Davey MP, BIS Minister. Boots are now in discussions with Business in the Community in Wales to explore if there is interest in a similar project here. Boots also recommends

this practical approach of visits to good practice in town centres to the Welsh Government and to the Enterprise and Business Committee and would be pleased to be part of such town centre fact-finding visits.

Northern Ireland

In Northern Ireland the responsibility for urban regeneration was with the Department for Social Development. In 2001 the Department produced a draft Town Centre Reinvigoration Policy. After a process of iteration this became the published “Vital and Viable – a good practice guide for breathing new life into cities and towns”. In October 2007 the Northern Ireland Assembly’s Social Development Committee agreed to undertake an Inquiry into Town Centre Regeneration Policy. This thorough inquiry has some interesting parallels with the current Welsh Assembly Committee Inquiry. However, there is not the equivalent extent of clear government policy and strategy. Some of the relevant findings and recommendations of the Northern Ireland Assembly Committee are:

- That an overarching policy for town centre regeneration is essential
- Obstacles to policy development need to be overcome, especially through cross-departmental buy-in
- Robust Key Performance Indicators would help determine effectiveness and should include evaluation of policy based on a balanced set of deprivation, social exclusion, economic and commercial indicators
- Commendation for Ministerial support of statutory Business Improvement Districts.

At present we understand the re-elected Northern Ireland Executive is considering how to take these recommendations forward.

Scotland

In Scotland there has been a commitment to take forward a new Cities Strategy, led by the Deputy First Minister as Cities Minister. The SNP manifesto also committed to 'look to bring together the various existing funding streams to create a simpler, more easily accessible Town Centre Regeneration Fund'. The Town Centre Regeneration Fund was an initiative implemented by the previous Scottish Parliament to promote and encourage specific initiatives targeted at town centre vitality.

Scotland’s partnership between government and the retail sector is encouraged by the strong Scottish Retail Consortium. To establish an accurate understanding of the retail sector the Scottish Government has also commissioned the comprehensive study on “Assessing the Retail Contribution in Scotland” with the purpose of establishing the contribution of retail to economic growth other policy objectives and food and drink policy.

6. Business Improvement Districts (BIDs)

In this section Boots gives special consideration to an existing mechanism of town centre regeneration that is available throughout England, Wales and Scotland but has been taken up less by towns in Wales than anywhere else - Business Improvement Districts

Business Improvement Districts (BIDs) cover a defined geographical area and allow an additional local levy to be charged to businesses, enabling the private sector to commit and invest in improvements to the trading environment. Once collected by the Local Authority, BID revenue is passed to a private sector led body to deliver the investment plan.

Swansea is currently the only place in Wales to take advantage of this opportunity for town centre businesses, and for town centres overall. The Swansea BID, established in 2006, allows 700+ businesses in the City Centre to identify key issues that impact on their trading and start projects to tackle them. Its core objectives were Transport and Access, Supporting and Attracting business, Raising the Profile, Brightening the City Centre, and Safe and Secure.

It is not clear why Swansea is the only community in Wales to have taken up the opportunity for BIDs. There are many other communities, market towns and other town centres where Boots believes this model of business involvement and commitment to regeneration and sustainability would work well and have widespread benefits. 'Size' of location should not be the issue, there are many small communities, high streets and market towns developing BIDs in England and Scotland – indeed experience suggests BIDs may be more effective in these smaller communities where a sense of local 'ownership' is greater.

7. Transport and Parking

Transport, and the growth in road transport in particular, is one of today's most high profile environmental issues. Appropriate arrangements for parking can make or break a town centre.

Car parking should be viewed as a 'town centre attractor', rather than as a form of traffic management or 'cash generator'. Transport is vital to the success of the retail industry. Retailers rely on access to transport for the daily operation of their business – to access their customer base, deliver goods, and to enable their employees to reach the workplace. The vast majority of consumers use some form of transport to get to the shops – mainly car – and easy access is now a critical factor in any retailer's, and high streets, competitiveness. Where accessibility and car parking is not of sufficient quality or value, the motorist will choose to visit alternative retail formats providing these services, often away from town centres.

8. Conclusions and Recommendations for Committee Consideration

Boots has a long and distinguished record in Wales and currently plays a key part in many town centres across Wales. Boots has a track record of positive engagement in developing effective dialogue and partnership at local level in support of individual

town centre vitality, and is keen to contribute to developing a stronger focus on town centres in Wales. Boots is currently expanding its active involvement in genuine town centre partnerships in Wales where valid business engagement can take place.

Based on our experience elsewhere, and our support for the success and sustainability of Welsh town centres, we commend a series of conclusions and recommendations to the Committee:

1. There is a need for integrated, active and positive management of our town centres, highlighting the roles played by Business Improvement Districts and other partnerships with local businesses. The scope for matched funding of BIDs from existing business rates revenues.
2. Effectively monitor the health of town centres, to enable resources to be used in as targeted and effective way as possible.
3. Local Authorities have a critical role to play in supporting the ongoing development of town centres and high street vitality so as to maintain their role in providing a heart to many communities.
4. There is a vital role for a plan-led approach, where businesses have a genuine opportunity to influence the development and implementation of the local plan.
5. Quality and cost of car parking. Car parking should be viewed as a 'town centre attractor', rather than as a form of traffic management or 'cash generator'
6. Explore methods to support innovation and new retail start ups.
7. Planning policy to emphasise the need for focus on 'Town Centre First' policy
8. Name a Welsh Cabinet Minister to have named responsibility for town centres
9. There should be an agreed formal arrangement for dialogue between Welsh government and retail sector as appropriate for Wales – this might be a Retail Forum or a 6-monthly meeting between officials and a range of retailers
10. Address current pressing issues with an initial Retail Summit led by Enterprise Minister and include multi-agency representation
11. Strategic Regeneration Area Partnerships to include key person from at least one local retail business with responsibility to act as conduit with other retailers in area
12. Strategic Regeneration Area Partnerships to include at least one local Town Centre Manager with responsibility to act as conduit with other town centre managers in area
13. Undertake fact-finding tours of town centres at annual intervals to assess regeneration progress against agreed criteria.

Boots looks forward to working with the Enterprise and Business Committee during this Inquiry on Town Centre Regeneration and to continuing and expanding its contributions to town centre regeneration in communities across Wales.

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