



Department
for Business
Innovation & Skills

A STRATEGY FOR FUTURE RETAIL

Industry and Government delivering in
partnership

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INDUSTRY AND GOVERNMENT DELIVERING IN PARTNERSHIP

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INTRODUCTION AND SUMMARY

The UK benefits from a diverse, extremely competitive and innovative retail sector which has proved resilient during recent economic difficulties. It includes world class international companies, stable high street anchors and innovative independents, but also many retailers struggling to survive in an extremely competitive environment - with rapidly changing consumer needs and behaviour.

Retail operates in every location of the UK. It is the link between producer and consumer, influencing supply and demand, and is a valuable route to market for manufacturers. Retail sales are a bellwether of the wider economy and of consumer confidence. The sector plays a vital role in our communities as a provider of employment, of the goods and services people want and need, and as a force for social cohesion.

Retail is important to the economy, with turnover in 2012 of £310 billion. Seven retailers (between them worth around £76 billion) are in the FTSE 100, and many pension and investment funds have significant retail holdings. It is the largest private sector employer – around 3 million people. There are over 189,000 VAT-registered retail companies in the UK – 170,000 of which have fewer than 10 employees.

Retail is fiercely competitive at the local, national and global level. It is not dependent on government for financial support but is affected by a wide range of government policy and regulation (including much that stems from Europe) - which impacts more on retail than, arguably, any other industry sector.

This is an exciting – and volatile – time for retail. There is a difficult economic climate, there are fundamental shifts in the retailer/customer relationship, there are great opportunities but also dangers for retailers of all sizes and types, in all locations.

Traditional business models based in physical, bricks & mortar shops are evolving. Increasingly retailers are moving to "multichannel" operations - their sales channels include in-store, e-commerce, m-(mobile) commerce, and other forms of distance selling. Many are taking this still further, re-engineering their businesses to integrate all of the various sales channels into a seamless, integrated and flexible experience for customers. The options a customer has for browsing, purchasing and delivery are widening.

The growth in popularity of these new channels is having an impact on high streets and shopping centres, in many cases reducing the number of physical stores retailers might need, or changing how they use existing space. It is also creating a need for new and different retail job roles. The customer experience, however, remains the most vital thing to get right – be it physical, virtual, or any and all points between.

What will the future bring for retail as a whole? Everyone shops, and will always need to shop. The retail sector will continue to adapt and evolve to meet these needs. What might that look like? There are many different scenarios, but the most likely future is all of them, some of them, and none of them. The drivers of change will have greater and lesser effects on a retailer depending on what it sells, how it operates, and where it's located.

The challenge for retailers is to be prepared, be flexible, and be smart – and to know when to collaborate, as well as to compete. The challenge for Government is to provide certainty where it can, provide help where it needs to, and to work in partnership with retailers to deliver both.

A Strategy for Retail

The Government considers the retail sector to be central to the economic and social wellbeing of the nation, and also a key partner in delivering policy. This is why retail was the first sector to undertake the Red Tape Challenge, and prompted the Portas Review of the High Street. It is also why we worked with the retail sector in 2012 on the BIS Retail Strategy. This focused on where there is potential for Government and Industry to work in partnership to support retail growth and performance.

This new and revised strategy builds on these foundations, taking into account emerging issues and policies that impact on the sector - including evidence provided to the Business & Skills Select Committee Inquiry into Retail - and helping the sector prepare for whatever the future brings.

The nature of retail means that it is not a sector that requires – or would benefit from – large market interventions. The future for the sector as a whole depends on the wider economic climate, and the preferences and confidence of consumers – for which there are no simple solutions.

Whilst recognising this, there are also many areas which, whilst not transformational in themselves, when taken together will help make the business environment better for the retail sector, and will help UK retailers fulfil their potential.

Delivery of this strategy is a true partnership – the actions are jointly owned by the Government and the retail sector. The suite of actions was developed and agreed by the Department for Business, Innovation and Skills, the British Retail Consortium¹ and the Association of Convenience Stores². Individual actions have also been agreed with key partners and stakeholders in the public, private and third sectors.

The actions were chosen because they: a) would benefit a broad cross-section of the retail sector at a local, national, European or global level; b) could be delivered through partnership working between the retail sector, BIS and relevant Government departments; and c) have a reasonable chance of success. There needed to be broad agreement across the sector – no matter what size or type of business - on the direction of travel. The strategy does not seek to capture every issue with an impact on retail, or to address issues that are already being addressed elsewhere in Government.

Our ambitions will bring tangible benefits in these areas:

¹ <http://www.brc.org.uk/>

² <http://www.acs.org.uk/>

International Opportunities: helping UK retailers succeed in the global marketplace, including through digital channels

- We will work side by side with the retail sector to support global growth of UK Retail through the UKTI Retail International Action Plan. This will focus on helping retailers access international markets, and gather retail-specific evidence that will help address barriers to retail trade and investment.

Influencing EU policy: to reduce burdens on retail, and foster greater cross-border trading

- We will work in partnership with UK retailers and other Government Departments to influence EU Commission activities, presenting evidence and representing concerns. We will focus on championing better regulation and maximising the opportunities provided by the European Retail Action Plan (ERAP) to UK retail businesses (including single market initiatives).

Understanding retail: driving partnership working across Government

- We will bring the right information about the retail sector, its needs and its concerns to Government decision makers, to enable better policymaking, better strategy, and to promote greater partnership working.

Supporting consumers

- We will use retailers' consumer insights and market knowledge to help Government develop - or enhance - policies that will empower and protect consumers, whilst avoiding unintended impacts on retailers.
- With public, private and third sector partners, we will help retailers realise benefits from the growing number of older consumers, promoting ways to make the customer journey easier.

Working Smarter Locally

- We will identify and promote the best practices in local policy delivery - and show how this affects retailers' performance, growth, and investment decisions – so that retailers across England can benefit from a more supportive and enabling local business environment.
- We will make it easier and less burdensome for retailers when dealing with local regulation, inspection and enforcement.
- We will promote to Local Enterprise Partnerships and Local Authorities the important role of retail in local and regional economies - so that decision makers can take retail seriously in their strategies for economic growth and performance.

Future Places and Future Retail: navigating the future landscape for retail and town centres

- We will work with public, private and third sector partners to support UK town centres, through initiatives to enable localities to have the tools and knowledge they need to develop and deliver their strategies and activities.

- We will join up key players across Government and industry to explore and promote the opportunities and benefits for retail and town centres from advances in multichannel retail and the digital high street.

Talented People

- BIS and the retail sector will work together to ensure that vocational skills and qualifications initiatives and processes are right for retailers and their employees.
- We will work across Government, the industry, and skills providers to fully understand and address the new and emerging skills landscape for multichannel retail and the world of “big data”.

Stimulating Innovation

- We will help the retail sector and the UK research base to maximise their cutting edge R&D and innovation, through increased engagement and building a deeper, more collaborative relationship.

*Department for Business, Innovation & Skills
October 2013*

PART 1: UNDERSTANDING UK RETAIL

This section provides an overview of the size of the UK retail sector, and the role it plays in national and local economies. It also explores some of the main challenges facing retail now and in the future, and some key barriers to growth and performance.

1.1 RETAIL AND THE UK ECONOMY

Key Facts: retail and the economy

In 2012 UK retail sales were £310 billion

Retail accounts for 5% of UK Gross Value Added

Shops account for more than a third of consumer spending

The Retail sector pays £17.5 billion of the 4 largest taxes (VAT, Business Rates, National Insurance and Income Tax) - 9% of the UK total

The retail sector is a key route to market for other sectors, such as manufacturing

The value of internet retail sales in 2012 was £29 billion, around 9% of total retail sales

In 2012 there were 189,280 total retail enterprises in the UK - that's 9% of all VAT-registered businesses. Over 170,000 retailers are microbusinesses

Sources: ONS, BRC

The figures above speak for themselves – retail is a large and pervasive sector. It operates in every community, and touches everyone's lives. It is a very diverse sector: in size and structure of business, what they sell (and to whom), where and how they operate. From providing our daily needs, to high-end luxury goods.

As the link between production and consumption, retail is also closely linked to other sectors of the economy. These include various manufacturing industries, construction, wholesale distribution and the wider logistics sector (including freight transport and cargo handling), as well as warehousing and storage.

Where there is retail there is a beneficial “multiplier effect”, enhancing trade for other consumer-facing enterprises such as tourism, food and drink, sports and leisure; personal services as diverse as hairdressing and banking; and of course supporting the evening and night-time economy.

Like the economy as a whole, the retail sector (as with other mature sectors) has encountered challenging times over the past few years. Retail sales show small increases in both value and volume across a broad base of retail sub-sectors. Retail sales in 2012 were £310 billion, up from £303 billion in 2011³. Despite some volatility, retail sales values have continued to grow in 2013 with most months showing an increase when compared to same month in 2012 (in August alone, a rise of 3.8%).

³ ONS, “Retail Sales Index February 2013”, 2013

1.2 THE CHANGING FACE OF UK RETAIL

The UK retail sector is - and always has been - extremely competitive, and responds quickly to the changing wants and needs of consumers. The traditional model of high streets and local parades began to change with the advent of the in-town shopping mall in the 1960s and 1970s. The growth of out of town shopping centres, retail parks and individual hypermarkets has had a further transformational effect on shopping patterns.

Over the last few years, new channels to market including e-commerce and m-commerce have been introduced and have rapidly grown in popularity, supported by pervasive fixed and mobile internet access and broadband. This has contributed to a huge increase in home delivery, and a reduction in customer footfall. Advances in products themselves have driven change, such as digital downloads of entertainment media from books to computer games.

Retailers with many stores across the UK recognise that they no longer necessarily need a physical presence in every high street in order to achieve national coverage, and therefore some are reducing their bricks and mortar presence to fewer sites – particularly as long lease agreements come to an end. Other retailers are changing the ways in which they use their existing space to enable new services and new formats. Some are now sharing their sites with other retailers, or partnering with them on a combined customer offering. Many entrepreneurs test the market through e-commerce before investing in bricks and mortar. Some manufacturers and suppliers are now selling directly to customers via the internet.

These technological innovations have substantially lowered barriers to market entry, making it far easier for new online businesses to be established. Today's competitors are not just down the road or in the next town, but throughout the country and even across borders. E-commerce is making cross-border trading much easier for retailers – both for UK companies to test and enter overseas markets, and for overseas retailers to do the same in the UK. This is rapidly increasing the global competition for UK retailers.

UK consumers will continue to be demanding, with an increasing premium on *convenience consumption* (where the purchase and receipt of goods requires little time or effort), *experience consumption* (the customer journey being enjoyable rather than simply about utility) and *market segmentation* (where consumption reflects the self-identity of individuals and groups, increasing the importance of brands, labels and marketing).

At the same time, lifestyles are also changing with many people working longer hours than before and more people entering or re-entering the labour market working part time. This will lead to increased consumer demand for a greater choice of high quality goods and services which can be purchased and delivered quickly. There is also likely to be an increasing requirement for physical shops to adjust their opening hours to meet these needs.

The UK is experiencing an ongoing demographic shift towards an older population. The Office for National Statistics projects that by 2033 there will be around 20.5 million people aged over 60 in the UK - nearly 29% of the population. Therefore retail products, premises, environments, and customer services will all need to be more accessible in order to serve this growth market.

Retailers are responding to these challenges by re-engineering their businesses, making the customer journey easier, and by increasingly competing on customer services. They are developing their multichannel offerings, where web and mobile phone based shopping combine with other parts of “traditional” retail experience - including online or physical browsing and purchasing, delivery to store, home or work, or through click & collect.

The credit crunch and subsequent economic downturn brought all of these drivers of change into sharp focus, with the changes themselves happening at a far greater pace. A period of low consumer confidence, coupled with changes in retailers’ costs relating to property, resources and the wider supply chain, have increased financial pressures. Retailers and other businesses have also expressed strong concern about the impact of business rates on viability and investment decisions.

For some retailers the pace of change has been too rapid, the nature of the changes too radical. The resulting impact on performance and profitability contributed to a number of high street chains and independent stores entering administration.

1.3 E-COMMERCE, AND THE MULTICHANNEL FUTURE

During the “Dotcom Boom” at the turn of the century, it was widely assumed that e-Commerce would replace large swathes of bricks & mortar retail. More recently, e-commerce and internet shopping were seen purely in terms of being a threat to bricks & mortar retailers, whether these shops were based in or out of town. Despite this, in 2012 these channels still only accounted for 9.3% of retail sales.

However, e-commerce and multichannel retail are growing rapidly, and are provoking a paradigm shift for the entire retail sector, the locations in which retailers operate, and how retailers operate as businesses. It should be noted, however, that rates of internet sales for different categories of goods (and different types of retailer) can vary considerably.

E-Commerce – Key facts

E-commerce relates to the purchase and sale of goods and services over the internet, whether business to consumer (B2C) or business to business (B2B). It can form part of the multichannel business model (see below).

Increasingly e-commerce is broadening to include m-commerce (shopping via a mobile device) and s-commerce (shopping via social media networks)

The UK has one of the most sophisticated and competitive online markets in the world. In 2011, the UK had the highest share of consumers who ordered or purchased goods or services on the internet when compared to all OECD countries (around 64%)⁴. For B2C e-commerce, the UK is stronger than other countries, with the proportion to GDP triple the global average⁵.

Around 24% of UK e-commerce is B2C transactions, 76% is B2B⁶.

⁴ OECD, “Internet Economy Outlook 2012”, 2012

⁵ A T Kearney, “The Internet Economy in the United Kingdom”, 2012;

<http://www.atkearney.com/documents/10192/b4017381-eeb9-4963-b575-8959020de3f1>

⁶ As reference ⁶

Retailers are using information and communication technologies to adapt their business models in response to increasing competitive pressures and rising costs. Whilst the concept of distance selling is not new – catalogue based businesses have been active for well over a century - the internet has facilitated a rapid move away from printed catalogues to dynamic online platforms. Some retailers can gain a clear cost advantage through avoiding a high street presence altogether. At the same time some online retailers are finding that their consumer offering would benefit from a limited number of physical stores.

Consumers are becoming more sophisticated, are often time constrained and find e-commerce appealing because of the increased choice, convenience, and the ability to make price comparisons. Internet retailers can often offer lower prices, owing to lower property, resource and employment overheads.

According to the Office for National Statistics, over three quarters of businesses had a website in 2010, although fewer actually transact online (estimates range from 17%⁷ to 33%⁸). In terms of trading internationally, in 2010, only 6.4 % of UK SMEs reported selling to customers in other EU countries and 5% to customers in the rest of the world⁹. According to the European Commission, only 9% of EU consumers in 2010 (8% in 2009) bought online from another member state, with e-commerce accounting for less than 4% of total European trade^{10, 11}.

The rise of m-commerce (via mobile phones) is both an important growth opportunity and a challenge for high street retailers. M-commerce expenditure is set to rise significantly. According to IMRG¹² it grew by 300% last year alone. The typical M-commerce shopper is forecast to spend £905 per year by 2017, a 243% increase from 2012¹³.

Over time the distinction between e and m-commerce along with high street retail is likely to become less important to consumers. Faster speed and capacity on Smartphones (with the launch of 4G mobile services) are delivering an even greater range of services, and a better user experience. M-commerce has more flexibility than traditional e-commerce, with advantages such as the ability to make contactless payments, compare prices and products when on the move. S-commerce (sales via social media networks) is also gaining in popularity.

What is Multichannel retail?

Multichannel (or “Omnichannel”) retail is selling and fulfilling retail goods and services across more than one sales and fulfilment channel, including physical stores, online commerce (fixed or mobile), telephone and catalogue selling.

Choosing, purchasing and receiving are increasingly being integrated in a seamless experience for customers, who can perform different parts of the process in different combinations to suit their needs and preferences.

⁷ ONS, “E-Commerce and ICT Activity of UK Businesses”, 2012

⁸ Lloyds Bank, “Britain’s Digital Opportunity”, 2013

⁹ ONS, “E-Commerce and ICT Activity of UK Businesses”, 2011

¹⁰ European Commission, “A coherent framework to boost confidence in the Digital Single Market of e-commerce and other online services”, 2012

¹¹ As reference ¹⁰

¹² <http://www.imrg.org>

¹³ Verdict research, “M-commerce in the UK 2012”, 2012

The growth of e-commerce and multichannel retailing is driving a shift in focus and strategy by many retailers. It has challenged assumptions that for all of retail the key to continued growth and healthy performance would be ever-bigger stores and unrestricted opening hours delivering greater productivity. Many major retailers are moving away from 'big box' retail and developing local formats which can still deliver an expanded range through a multichannel offering, whilst still achieving economies of scale.

Even recent assumptions about the respective roles of e-Commerce and bricks & mortar are challenged by the further evolution of multichannel. Previously fulfilment¹⁴ was all about home delivery of non-food items by postal services and couriers. The introduction of online grocery – firstly by online-only operators but now most of the major supermarkets – led to home delivery of fresh food. Click & Collect was at first mainly the preserve of electrical retailers and very few general retailers - but is now available across many types of retail including department stores, clothing, and grocery. Delivery options are increasing to include home, work, to stores, to secure lockers, or to shared fulfilment hubs.

Future projections of the impacts of multichannel – and how multichannel might further develop – are difficult. Economic, technological, commercial and social factors all play their part. However what is certain is that the future is a flexible and changeable one. It is therefore vital for retailers to prepare themselves for many possible futures, which will affect their businesses and the locations in which they operate.

See **2.6 Future Places and Future Retail** for actions we are taking in this area.

1.4 RETAIL AND TOWN CENTRES

Retail underpins local economies as a provider of employment, skills, and the goods and services people need and want. It has a presence in every town and neighbourhood. However, the importance of retail to local economies is not always fully recognised.

Retail and “the high street” are often used as interchangeable terms. Although they are generally interdependent, they are not synonymous. A high street or town centre needs a thriving and diverse retail sector, and retail needs thriving high streets and town centres. Problems for retail affect the high street, and problems for high streets impact on retail.¹⁵

Town centres and high streets represent around 42% of retail sales, but the town centre is no longer just about shopping – it is about socialising, entertainment, services, and culture. Successful towns know and nurture this. This is not about the high street versus out-of-town, or the internet. High streets and town centres must change and evolve to compete - and in some cases to survive.

The high street is facing a perfect storm of change – this is widely acknowledged. It is undergoing deep structural change due to technological advances, changing consumer preferences and evolving retail practices.

¹⁴ Fulfilment - the processes and logistical operations that take place between order/purchase and receipt of goods.

¹⁵ A high street can mean a single main street in a town, primarily comprising consumer-facing enterprises/activities. A town centre is a geographical area usually containing a high street but includes surrounding streets or developments with primarily consumer-facing, business or municipal uses. For this strategy, we have chosen to use the terms “high street” and “town centre” interchangeably.

However the recent economic climate has accelerated and increased the impact of this change. This is as much a societal challenge as an economic one.

The Government Role

The Government's role is to lead change and to help high streets and town centres adjust to the needs of local communities in the 21st Century. To do this the Government is tackling top down barriers and disincentives, encouraging and supporting local leadership to take action, and supporting the spread of best practice and innovation.

The Department for Communities and Local Government (DCLG) leads for the Government on the future of high streets and town centres. DCLG and BIS work together on delivery of national and local projects such as the Retail Pathfinder, and on ensuring that government plays a proactive role on forums such as the Future High Streets Forum¹⁶ and Distressed Town Centre Property Task Force.

Further information on activities to support high streets is available online¹⁷.

The Portas Review¹⁸ (December 2011), made 28 recommendations on what government, local authorities, businesses and communities could do together to help high streets be vibrant and successful. The Government accepted 27 of these. There are many success stories of how communities have been developing innovative solutions to develop their high streets. Government highlighted a few of these in the 'Future of the High Street' progress summary (March 2013)¹⁹, and a report on progress since the Portas review (July 2013).

In March 2013, DCLG set up the Future High Street Forum, which brings together leaders across retail, property, business, academia, third sector, civil society and government to drive forward new ideas and policies. This Forum is co-chaired by Government and Retail.

In addition, Government has put in place new policies (including on transparency and car parking), and has been supporting and encouraging local initiatives. The Government will also be consulting on further reform of parking rules.

Since April 2013, the Association of Town and City Management²⁰ (ATCM) has led a programme of work to support and develop high streets and town centres, including providing support on business planning, offering advice, getting mentoring in place, and developing 'how to' guides. This should result in improved leadership within communities, a broader take-up of innovative ideas, and best practice shared around the country.

See **2.6 Future Places and Future Retail** for actions we are taking in this area.
Retail Space

¹⁶ <https://www.gov.uk/government/policy-advisory-groups/future-high-streets-forum>

¹⁷ <https://www.gov.uk/government/policies/improving-high-streets-and-town-centres>

¹⁸ <https://www.gov.uk/government/publications/the-portas-review-the-future-of-our-high-streets>

¹⁹ <https://www.gov.uk/government/publications/the-future-of-high-streets>

²⁰ <http://www.atcm.org>

It is widely agreed that there is an overcapacity of retail space in the UK. Many new developments in recent years were based on the assumption of ever-increasing space needs, but this has been countered by the ongoing structural changes in retail. Some national retailers are reducing their physical store presence to fewer sites, with a greater proportion of sales carried out through the internet. Other retailers are reconsidering how they use their space - trialling new formats, new services, and new partnerships with other retailers.

The supermarket “space race”, where the major grocery companies were rushing to build more and larger out of town and edge of town premises, is generally in decline, as internet sales have reduced the need for their stores to carry extensive non-food offerings (for example large displays of electrical goods), and as customer preferences change. Their investment focus is now on expansion into the convenience sector, diversifying into other sectors, and/or seeking overseas opportunities.

However, this overcapacity is not universal, and it is not simply a matter of space – complexities include the locations and types of space available, and the cost/benefit ratio of operating in a given location (demographics, rents, business rates etc).

Some out of town and edge of town shopping centres are struggling and have significant amounts of empty premises, whilst some towns are thriving and have a small number of vacancies. In some cases the right space is in the wrong location, or the right location has the wrong type or size of space.

Even with the balance of town centre uses shifting towards more services and social activity, some town centres still have more commercial space than needed for the number of visitors they receive. Local Authorities have a key role to play in helping town centres to adjust to these new commercial and social realities, to attract the right sorts of activities, and to reduce the amount of non-viable commercial space – for example by changing the uses to residential space, or considering incentives for enterprises to invest or to stay in a location.

The Planning System

The planning system is operated by Local Planning Authorities, who have the powers to determine their own procedures and local plans, within the National Planning Policy Framework (NPPF)²¹.

The NPPF (published March 2012) sets out the principles to be followed by local planning authorities. The Framework makes clear that councils should put town centres first – their planning policies should promote a competitive town centre, and they should also set out policies to manage town centres effectively.

In drawing up local plans, planning authorities are expected actively to promote viable and vital high streets. The focus is on helping high streets to adapt to change through becoming more competitive and attractive, and to complement out of town and online shopping experiences.

²¹ <https://www.gov.uk/government/policies/making-the-planning-system-work-more-efficiently-and-effectively/supporting-pages/national-planning-policy-framework>

Neighbourhood planning enables local communities to play a much stronger role in shaping the areas in which they live and work and in supporting new development proposals – or to develop specific policies to support town centres. Agreed through local referenda, these must be taken into account by local planning authorities. A neighbourhood planning area can also be designated as a “business area” if the locality is wholly or predominantly commercial in nature. In these areas, there are separate referenda for residents and non-domestic ratepayers.

With greater devolved powers on planning, it is evident that different local planning authorities will have different practices, decision-making processes and strategies. The quality and consistency of local decision-making and delivery processes - and how decision makers engage with businesses - can impact positively or negatively on the performance, growth and investment decisions of retailers both locally and nationally.

See **2.5 Working Smarter Locally** for actions we are taking in this area.

Use classes

For local authorities considering the current and future needs of their town centres, the Use Class system - which designates the uses to which a property can be put – can provide a key lever. However the use class system had been criticised as being overly prescriptive and insufficiently flexible, and thereby a barrier to the growth and performance of town centres.

The Government responded to this and reviewed the use class system, and has made it easier to build more homes on the high street by introducing permitted development rights for two flats above shops. At the same time, it was made easier for landlords to convert offices into housing, and for councils to change other buildings into shops.

The Government is currently consulting on new permitted development rights to allow conversion of small shops in secondary locations to residential use. This is balanced by appropriate protections so that councils can, for example, protect community resources such as pubs. Local authorities also have powers to control types of business in their areas under licensing and planning regulations.

Car Parking

Provision of appropriate, affordable car parking is important to the health and viability of town centres and neighbourhoods. The Government recognises this, and has already taken action to increase the number of parking spaces, and has withdrawn planning guidance that was designed to discourage the use of cars. The Government is committed to continue to remove unnecessary barriers to parking in town centres and neighbourhoods, and will be consulting on what more can be done to reform parking rules to help support local businesses²².

²² <https://www.gov.uk/government/news/new-parking-reform-proposals-to-support-local-shops-and-high-streets>

1.5 RETAIL AND SUB-NATIONAL BODIES

The **39 Local Enterprise Partnerships (LEPs)** are central to the Government's approach for driving local economic growth, and ensuring that every locality is able to fulfil its potential. The purpose of a LEP is to provide a clear vision and strategic leadership to drive sustainable growth and job creation in its area.

As the LEPs take on greater responsibilities, the Government is providing core funding to enable them to develop and implement their strategic plans. Government will be devolving certain funding to LEPs in the Single Local Growth Fund, and LEPs are also to be given responsibility for deciding how the next tranche of EU Structural and Investment Funds will be spent in their local areas.

The important role that retail plays in local and regional economies was fully understood by the LEP for Gloucestershire, which approached BIS to be recognised as the first Retail Pathfinder LEP. As the Pathfinder they would take the lead nationally on developing and promoting local solutions, and would work with other LEPs with an interest in retail. The Pathfinder has made excellent progress in its first year, both in building networks of influence and delivering real outcomes (for example the "Successful Town Centres: Developing Effective Strategies" report and toolkit²³, which provides advice and guidance for Local Authorities and local partnerships).

Many LEP strategies include actions that will benefit retail, for example through the leisure economy or town centre regeneration, and several have retail and town centre specific activity. However, only a few LEPs have retail as a priority sector. There is more that can be done to help LEPs to recognise the importance of retail and town centres to local and regional economies, and in demonstrating the value that LEPs can add. This was a recurring issue during the Business & Skills Select Committee inquiry into retail in 2013²⁴.

LEPs are developing multi-year strategic growth plans which will set out the evidence of how the local economy is performing, the barriers to growth and the rationale for intervening where there are particular market failures. It is important that LEPs consider retail and their town centres within these plans.

Business Improvement Districts (BIDs) are a model for businesses to club together, in partnership with the local authority, to develop and fund projects to improve the local trading environment. The majority of BIDs are led by groups of small retailers, and many BIDs work closely with LEPs and Local Authorities. There is potential for BIDs and other local partnerships to play a greater role in local economic growth and performance.

On 7 October 2013, new legislation came into force to allow BIDs to be formed where the area reaches across local authority administrative boundaries. The Government is also currently consulting on options for including property owners within BIDs (property owners currently only participate on a voluntary basis). In October the Government also announced a loan scheme to help more BIDs to form.

See **2.6 Working Smarter Locally** for actions we are taking in this area

²³ <http://www.gloslep.co.uk/sector-groups/retail/high-st-toolkit>

²⁴ <http://www.parliament.uk/business/committees/committees-a-z/commons-select/business-innovation-and-skills/inquiries/parliament-2010/uk-retail-sector/>

1.6 RETAIL EMPLOYMENT AND SKILLS

Retail employment plays a vital role in local and national economies - around 3 million people work in retail. The sector offers a breadth of career opportunities, with varied roles and careers at all levels of business, and across many different professions. Many senior figures in the sector have worked their way up from the shop floor. However, retail employment and careers have not always gained the recognition they deserve.

Retail provides extensive flexible working opportunities – more than most other sectors. This enables employment for people caring for children or other dependents; who are studying; whose religious observance requires certain working hours; or whose health prevents full-time working. It often acts as a gateway to employment (or re-employment) for the long-term unemployed, and for those returning to work after life changes.

Key Facts: Retail and employment

UK retail employs 3 million people (around a tenth of the workforce)

86% of retail companies employ fewer than 10 people. 66% of retail employees work for the largest 75 retail companies

Almost a third of retail employees are under 25 years of age

56% of retail employees work **part time**

54% of retail employees are in customer-facing roles

38% of retail employees have NVQ level 3 or higher qualifications

58% of retail employees are women.

Source: UKCES

Despite the economic conditions, many retailers have maintained their commitment to job creation and providing skills and training opportunities for employees, with several large retailers announcing further significant intakes of new staff and apprenticeships. Retail remains a popular employer, with application numbers significantly higher than the jobs available.

Between 2013 and 2020, the retail sector workforce is projected to grow by around 55,000 (data from Working Futures), with the majority of these roles managerial. Sales and customer service occupations are projected to fall slightly, but staff churn will mean a further 384,200 replacement staff will be required. The BRC-Bond Dickinson Retail Employment Monitor²⁵ identified that in the second quarter of 2013, full-time equivalent retail employment rose by 3.7% compared with the same quarter in 2012 – the strongest growth since December 2009.

Retail plays a crucial role in providing first working opportunities and engaging young people – around a third of retail employees are aged between 16 and 24²⁶. This age group is generally under-represented in other parts of the UK workforce.

²⁵ BRC-Bond Dickinson "Retail Employment Monitor Q2 2013"

²⁶ Skillsmart Retail, "The Age of Retail", 2010

<http://www.skillsmartretail.com/SiteCollectionDocuments/Research/Themed%20Research/workforce%20demographics/The%20Age%20of%20Retail.pdf>

Over half of the retail workforce is in sales and customer service related occupations. However, retail jobs are not just about these front-line roles. The sector needs a supply of highly skilled and qualified people given the increasingly sophisticated systems to manage supply chains, logistics, internet shopping, in-store operations, and marketing.

The demand for higher level skills has previously been considered modest, but changes within retail in technology, customer trends and more sophisticated supply-chain management are likely to accelerate the need for more highly skilled managers.

Retailers spend more on skills and training for their employees than companies in many other sectors²⁷, and they are amongst the largest users of Apprenticeships. Retail is also a significant contributor to self-employment, and many retail premises are SME businesses. These businesses are often the source of employment for more than one member of a family, and are a crucible of entrepreneurship.

People 1st, the Sector Skills Council, has been the standards setting body for retail since October 2012, and is responsible for the National Skills Academy for Retail (NSAR). It is currently developing National Occupational Standards and apprenticeship frameworks to include content to equip staff and managers to address the skills needs for multichannel retailing. It has also been supporting development of a Higher Apprenticeship in retail.

The National Skills Academy for Retail runs and delivers a range of learning opportunities for employees and employers through its partnership network of 53 “skills shops”, located in major retail centres across the country. It provides training in areas such as pre-employment and customer service, business courses for SMEs, and offers a business mentoring service. Its retail ambassador programme is designed to attract young people to careers in retail.

The NSAR’s Retail Apprenticeship Scheme delivers training through the skills shops, and is supported by the national Retail Apprenticeship Training Agency (RATA), which assists SME retailers to employ apprentices.

See **2.7 Talented People** for actions we are taking in this area.

1.7 RETAIL AND THE REGULATORY CLIMATE

Retailers in the UK benefit from a lighter regulatory framework than those in other parts of Europe. However, due to its diverse nature retail is affected by a wider range of regulation than, arguably, any other sector. This includes areas such as consumer protection, health & safety, food hygiene, employment law, age restricted sales (for a number of product types), alcohol licensing, tobacco display, data protection, even poisons licences.

²⁷ http://www.brc.org.uk/downloads/UK_Retail_Leading_Globally_Serving_Locally.pdf

Tackling domestic regulation

Promoting deregulation is a core component of the Government's growth strategy, with regulation as a last resort rather than the first option. Over the past few years government has taken a number of actions to reduce the burden of regulation on the retail sector, and to ensure more business-friendly application of regulation.

The Government has moved on from "One-In, One-Out" to the more demanding policy of a "One-In, Two-Out" rule. The Sixth Statement of New Regulation²⁸ showed that the changes the Government has made will reduce the annual cost to business by around £919 million, compared with when the Government came to office.

Through the Red Tape Challenge²⁹, the Government is committed to scrap or improve over 3,000 regulations that affect business, and has already identified 1,900 to repeal or overhaul. Measures already implemented are saving businesses over £215m per year.

Retail was the first sector considered under the Red Tape Challenge, in April 2011. It gave business and the public the chance to comment on 257 retail regulations, with the aim of scrapping or significantly reducing as many of them as possible. The results led to Government commitments to Scrap 114 (44%), Improve 41 (16%), and Keep 102 (40%). In January 2013 BIS reported that 64% of these reforms had already been implemented³⁰.

One major outcome from the Retail Red Tape Challenge has been the Consumer Rights Bill – published in draft form in September 2013. As well as updating or scrapping 9 pieces of consumer legislation, the Bill is a major clarification of consumers' shopping rights, and is also designed to help retailers understand and comply with the law. It is part of a package of reforms to consumer law estimated to be worth over £4 billion to the UK economy over 10 years (including implementation of the Consumer Rights Directive - see **1.8 Retail and Europe**). BIS is also working with UK retailers and consumer groups to clarify and update consumer law so that it takes account of developments such as digital content, and makes compliance easier for retail businesses.

For actions we are taking in this area, see **2.4 Supporting Consumers**.

Regulatory Inspection and Enforcement

An important issue for retailers is the burden of compliance with regulation, particularly around inspection and enforcement regimes.

The Government's Focus on Enforcement reviews³¹ are seeking to improve how regulation is enforced. So far, many common issues across different sectors have been identified – for example inconsistency of fees and charges, and the need for regulators to take account of their impact on industry.

²⁸ <https://www.gov.uk/government/publications/one-in-two-out-sixth-statement-of-new-regulation-july-to-december-2013>

²⁹ <http://www.redtapechallenge.cabinetoffice.gov.uk/home/index/>

³⁰ <https://www.gov.uk/government/publications/red-tape-challenge-update-implementation-plan-for-the-retail-theme>

³¹ <https://www.gov.uk/government/news/focus-on-enforcement>

The Better Regulation Delivery Office³² (BRDO) is an independent unit within BIS which promotes a simple and clear regulatory environment by ensuring that the business voice is heard in the delivery of regulation, and developing practical tools for regulators. The BRDO is helping to improve the regulatory climate for retailers through a number of activities:

- The BRDO's Business Reference Panel³³ membership includes over 80 business representative bodies, trade associations (several of which are retail-focused) and individual businesses. The panel serves as a sounding board for business concerns. Retail members of the panel have submitted reports on better regulation of age-restricted products, date coded foods, and the High Street.
- Pilots for "Better Business for All" Regulatory Partnerships ran in two Local Enterprise Partnership areas in 2012. The pilots aimed to improve transparency, accountability, communication and trust between local businesses and local regulators, to improve compliance and reduce the need for inspection. 24 LEPs are now exploring how to implement these approaches in their own areas.
- In July 2013, after consultation, the BRDO published a revised **Regulators' Code**³⁴. This requires non-economic regulators to consider the impact of their activities on economic progress, take a risk-based and proportionate approach to enforcement, and provide advice and guidance for business. The Government also recently consulted on proposals to require regulators to have regard to growth, and take account of the economic consequences of their actions, through a primary legislative duty. A draft clause is within the draft Deregulation Bill, currently undergoing pre-legislative scrutiny.
- In January 2013, the BRDO published a new code of practice guiding enforcement activity on sales of age-restricted products³⁵. A series of seminars took place promoting the revised code to enforcement authorities and the retail business community, and the BRDO is undertaking further promotional activity.

Primary Authority

The Primary Authority scheme (PA) was introduced in 2009 and was designed to provide clarity and consistency of regulatory support and supervision to businesses trading across Local Authority boundaries. It has been one of the most transformative activities in reducing the burdens of regulatory compliance. It enables businesses that trade across Local Authority boundaries to enter into a 'Primary Authority' agreement with a single Authority, which will provide an agreed framework of inspection and enforcement standards for that business, wherever it is trading.

There are currently 879 businesses in partnerships involving 112 Local Authorities. The partnerships cover 70,000 premises and over 1.65 million employees (5.4% of UK employment). Primary Authority partnerships cover 90% of the UK grocery trade. 42% of businesses in Primary Authority are from the wholesale and retail sectors³⁶.

³² <http://www.bis.gov.uk/brdo>

³³ <http://www.bis.gov.uk/brdo/partners/business-reference-panel>

³⁴ <http://www.bis.gov.uk/assets/brdo/docs/publications-2013/13-685-rcc-consultation.pdf>

³⁵ <http://www.bis.gov.uk/assets/brdo/docs/publications-2013/13-537-code-of-practice-age-restricted-products.pdf>

³⁶ All figures in this paragraph at 1 October 2013.

The initial success of Primary Authority has meant that the Government, in partnership with business, has been working to extend and enhance Primary Authority to further areas of regulation, and a wider range of businesses.

BIS recently extended the range of regulations covered by PA to include age-restricted sales of gambling, the Housing Health and Safety Rating Scheme, sunbed tanning, and Welsh regulations on single use carrier bag charging. These extensions came into force on 1 October 2013.

With agreement from the Home Office, the BRDO recently worked with a small number of businesses and their Primary Authorities to pilot age-restricted sales of alcohol within the Primary Authority scheme. The pilot has concluded, and conclusions are being developed. With agreement from the Department for Communities and Local Government a pilot was also conducted on the extension of Primary Authority to Fire Safety. The pilot was successful, and details of the inclusion of Fire Safety are to be published shortly.

The Enterprise and Regulatory Reform Act 2013 extended the scope of PA to businesses adopting a shared approach to compliance. This will benefit members of retail trade bodies – a number of which worked with the BRDO in pilot activity ahead of full scale launch on 1 October. Franchise businesses pursuing this shared approach also became eligible to participate. At launch, seven trade associations and four franchise businesses and business groups covering 30,000 enterprises were progressing membership applications for these Co-ordinated Primary Authority Partnerships. A further 19 trade associations are currently exploring the merits of forming their own co-ordinated partnerships.

The Act also strengthened the status of ‘Inspection Plans’ agreed under Primary Authority Partnerships, requiring enforcement bodies to follow them rather than merely ‘have regard’ to them.

See **2.5 Working Smarter Locally** for further actions we are taking in this area.

1.8 RETAIL AND EUROPE

Aspirations for a Single Market in retail

The European Commission, recognising the importance of retail, has recently published the ‘European Retail Action Plan’ (ERAP)³⁷ setting out proposals to create a more functional single market in retail by addressing constraints on retail investment and growth.

Greater European economic integration, and achieving a more functional single market in retail, will reduce barriers to business investment and free movement of goods and services in Europe. The EU Services Directive (which came into force in 2009) was designed to address these barriers, but businesses are yet to experience all the intended benefits due to inadequate or inconsistent implementation in many Member States. Regulatory barriers to trading across European borders were raised as a key issue by the Prime Minister’s EU regulation taskforce (see below).

³⁷ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52013DC0036:EN:NOT>

Retail in general depends on consumer trust and confidence. A lack of harmonisation between different consumer protection and rights regimes in Member States can therefore be a barrier to retailers trading across borders. Establishing clarity on consumer rights and options within the EU – for both retailers and consumers - is vitally important.

The EU and the Member States have jointly founded the European Consumer Centre, which has a presence in all EU countries, and offers help and advice to consumers in the case of dispute. The Consumer Rights Directive will be implemented in 2014 and will contain measures including increasing the “cooling off” period for online sales to 14 days after buying, and will also ensure that consumers get clear information before they buy. It also benefits online retailers by making clearer the rights and responsibilities of both consumers and traders (including, for example, that goods bought at a distance must be returned to the trader before the consumer can get a refund).

It is widely felt that the Single Market is less evolved when it comes to the challenges of digital businesses, business processes, and the consumer proposition. Although the Commission has taken several steps to improve the situation, those measures have not so far resulted in significantly greater cross-border trading within the EU Digital Single Market.

The EU Commission’s Digital Agenda for Europe (published in 2010) covered a very wide range of initiatives. The UK, with nine other Member States, called for a more focused plan of action with measurable milestones, particularly on the roll-out of high speed broadband, modernising the intellectual property framework, and providing certainty for businesses and consumers trading online. In February 2012 the Commission published a Digital Roadmap comprising 16 priority actions. The UK is now engaging in negotiations on these proposals.

The Government also established an EU e-commerce taskforce to look at practical, short-term actions to boost cross-border e-commerce that could be implemented quickly, as well as giving policy makers a clearer understanding of how and where the EU/UK regulatory framework creates obstacles. The task force's report will inform our work with other Member States and the Commission in achieving the EU Digital Single Market.

Further measures to support the Digital Single Market are in the Single Market Act 2 package to be completed by 2015, and include measures on electronic payment services, parcel delivery and broadband roll-out, which have been key UK business requests.

Regulation from Europe

The regulatory environment for retail in the UK is arguably more favourable than that in other countries, as there is significantly less retail-specific regulation and low barriers to market entry.³⁸ This is a key factor in the UK retail success story, and makes the UK an attractive market for investment by overseas retailers. Indeed, many choose the UK as the first place in which to have a shop outside their home country. However, retailers are affected by a wide range of regulatory regimes and initiatives, many of which are derived from Europe (Employment, Product Standards etc).

³⁸ IBIS World, “E-Commerce and Online Auctions in the UK”, 2013

The Government is working hard and successfully to persuade its EU partners to adopt a more rigorous approach to managing regulation at the European level. Last autumn, its Ten Point Plan for EU ‘smart regulation’ was backed by half of the Member States. The Commission’s Regulatory Fitness Communication (December 2013) then met 6 of the key demands in the Ten Point Plan, including a new programme to reduce regulatory burdens at EU level.

Firms in all industry sectors have long complained about UK government departments adding additional regulations or requirements when transposing EU laws, thereby putting them at a disadvantage compared to European competitors. So in 2011 the Government introduced tough new rules across Whitehall to put a stop to this “gold plating”.

A recent review of the operation of the Guiding Principles indicated that, since these new rules have been in place, proposals assessed under the new rules included no “gold-plating” that would place additional burdens on UK businesses.

In July 2013, the Prime Minister set up a business-led taskforce to identify EU rules and regulations that need reform to help British companies grow.

The Taskforce consulted widely with business in the UK and the EU, and has made recommendations where EU rules and regulations create unnecessary barriers to competitiveness, including EU barriers to:

- Overall competitiveness
- Starting a business and employing people
- Expanding a business
- Trading across borders
- Innovation

The Government will be taking forward these issues in the EU over the coming months.

Review of the Balance of EU Competences

The Government believes that is important for Britain to have a clear sense of how our national interests interact with the EU’s roles, particularly at a time of great change for the EU.

In July 2012 the government launched a review of the balance of EU competences³⁹, auditing everything deriving from EU law that affects what happens in the UK. The review is looking in depth at how the EU’s competences – those powers the EU and its institutions have over what happens in Member States – work in practice.

It is also taking a critical and constructive look at which competences lie with the EU (as conferred upon it by EU Treaties), which lie with the UK, and whether this balance works in the UK’s national interest. The review will examine issues that are of interest across the EU, seeking to improve understanding and engagement.

³⁹ <https://www.gov.uk/review-of-the-balance-of-competences>

The review is Government-led and will involve experts, businesses, individuals, our EU partners and EU institutions who wish to feed in evidence. Government will consult Parliament and its committees, business, the devolved administrations, and civil society. The review will conclude by the end of 2014.

See **2.2 Influencing EU Policy** for actions we are taking in this area.

1.9 GLOBAL OPPORTUNITIES FOR UK RETAIL

The UK is a leading global trading nation - and an interface to global markets. As the domestic market is mature, for the UK retail sector as a whole can only achieve significant growth through an increase in international trade. With continued subdued growth in the mature markets of Europe, many UK retailers have identified international markets as key drivers of future growth. World class British brands and retailers are well placed to capitalise on the rapid growth in the global middle class.

UK retailers are becoming adept at expanding overseas. Some major UK retailers operate across continents, and run operations many thousands of miles from their headquarters.

The strong, globally-recognised corporate brands developed by a number of UK retailers provide them with an international competitive advantage which they can use to gain a foothold in overseas markets. Further globalisation and trade liberalisation at the European and international level will therefore provide even more UK retailers with opportunities to enter new overseas markets or expand operation in existing ones.

A recent Deloitte report⁴⁰ placed 15 UK companies in the global top 250 retailers, accounting for over 6% of total retail revenue. US retailers account for around 30% of the top 250 and 40% of total revenue. In 2011, the UK wholesale and retail sector accounted for around £36.8bn in outward Foreign Direct Investment. Around 80% of this was in European countries with around 10% each in American and Asian markets⁴¹.

In Europe, UK retailers should benefit from further steps to create a better functioning single market for retail services. UK leadership in European e-commerce and a trendsetting retail sector mean that UK retailers are in prime position to benefit from new steps to create a digital single market in the EU.

UK retailers can also benefit from increased demand in emerging markets for higher value products in the areas of food, consumer goods, household and leisure goods, and fashion. Further growth of the affluent middle class in these countries, with rising disposable incomes, will drive demand as more people will wish to purchase better quality products and brands⁴². This is especially true in Brazil, Russia, India and China, where demand for luxury goods is growing rapidly and British brands have strong associations with quality.

⁴⁰ http://www.deloitte.com/assets/Dcom-Australia/Local%20Assets/Documents/Industries/Consumer%20business/Deloitte_Global_Powers_of_Retail_2013.pdf

⁴¹ ONS Foreign Direct Investment statistics

⁴² BIS, "UK trade performance across markets and sectors", 2012

The Global Intelligence Alliance report “Business Perspectives for Emerging Markets 2012-2017”⁴³ said that emerging markets will continue to play a larger role in generating global revenues for the consumer and retail sector. The 39 global consumer and retail players surveyed in the report expect to generate on average 28% of their global revenues from emerging markets by 2017.

It has been suggested that some retailers may lack the knowledge to overcome barriers to international expansion, particularly in researching and identifying suitable markets, local expertise and contacts, familiarity with local regulations and distribution arrangements, and advice on potential local partners. The OECD⁴⁴ identified two key areas where retail companies can struggle with overseas expansion: regulatory barriers, and “institutional, cultural and organisational” issues (e.g. ability to adapt to the culture of new markets, develop local supply capacity, and adopt local business and cultural practices).

Retailers with different organisational capabilities and cultures differ considerably in how much they are prepared to – or are able to - invest in and achieve business strategies that will be successful in local markets. Those willing to adapt their business models and incorporate new ideas and approaches are more likely to be successful in gaining a foothold in a new market.

Transatlantic Trade

The recent launch of negotiations for an EU-US Transatlantic Trade and Investment Partnership (TTIP) is a once in a generation opportunity to breakdown barriers to transatlantic trade and market access. It will be the most ambitious and comprehensive bilateral trade deal ever undertaken. TTIP is a key priority for the UK Government as liberalising trade between EU and the US will benefit both EU and US labour markets, have a positive impact on trade and incomes, and offer major productivity gains. These opportunities will also extend to the retail sector in many areas, including opening up markets for own brands and investment, harmonisation or mutual recognition of product standards, and regulatory co-operation to enable speedy introduction of products to markets.

See **2.1 International Opportunities** for actions we are taking in this area.

⁴³ <http://www.globalintelligence.com/insights-analysis/emerging-markets/industry-reports/consumer-retail/>

⁴⁴ OECD: “The Globalization of Trade in Retail Services” 2010.

PART 2: A STRATEGY FOR RETAIL

About this strategy

This strategy focuses on where there is potential for Government and Industry to work in partnership to support retail growth and performance at the International, European, National and Local levels. This incorporates and builds upon the BIS Retail Strategy, published September 2012.

The actions in this strategy were developed in partnership with the British Retail Consortium⁴⁵ and the Association of Convenience Stores⁴⁶ (and other Key Partners). Actions were chosen that a) would benefit a broad cross-section of the retail sector; b) could be delivered through partnership working between the retail sector, BIS and relevant Government departments; and c) have a reasonable chance of success. There had to be broad agreement across the sector – no matter what size or type of business - on the direction of travel.

Contents

- 2.1 International Opportunities:** helping UK retailers succeed in the global marketplace, including through digital channels
- 2.2 Influencing EU policy:** reducing burdens on retail, and fostering greater cross-border trading
- 2.3 Understanding retail:** bringing the right information to Government decision makers to enable better policy, better strategy, and more partnership working.
- 2.4 Supporting consumers:** partnership projects to deliver policy and initiatives that will benefit consumers, retailers and government
- 2.5 Working Smarter Locally:** recognising and enhancing retail's role in regional and local strategy, economic growth and performance; supporting high quality policy delivery; reducing the burden of regulatory compliance
- 2.6 Future Places and Future Retail:** navigating the future landscape for retail and town centres – including the role of multichannel, and exploiting digital platforms
- 2.7 Talented People:** collaborating on vocational skills development, and delivering the skills for the multichannel future
- 2.8 Stimulating Innovation:** how retail and the UK research base can work together at the cutting edge of R&D

⁴⁵ <http://www.brc.org.uk/>

⁴⁶ <http://www.acs.org.uk/>

NOTES:**It doesn't cover everything**

This strategy does not capture all issues which may impact on retail, or on which BIS works with retail or with other Government Departments. This includes many areas where policies and initiatives would (or do) impact upon retail, are impacted by retail, or would rely on retail for delivery.

This is because these are wider business landscape issues which are not unique to retail. Many of these are already under consideration or being taken forward elsewhere in Government. There are some policy areas, such as deregulation of Sunday Trading, where there is not a consistent view across the sector.

Business rates

The Government recognises the importance of business rates to small businesses and independent retailers, which is why it has taken firm action by doubling small business rate relief for three and a half years to help small business and small shops. The Government has made it easier for businesses to get the small business rate relief to which they are entitled by removing the legal requirement for them to submit an application form.

Councils have been given powers to introduce and fund local business rates discounts as they see fit. It is for local authorities to consider how to use these powers but they may be used to provide business rate discounts to small businesses and independent retailers. Central Government funds 50% of the costs of all local discounts granted.

Local authorities will want to encourage economic growth and high street improvement, and, through the business rates retention scheme, they are able to retain a proportion of the business rates they collect. That provides a strong new financial incentive for local authorities to support growth, support their high streets and create an environment attractive to business.

Business rates have an impact on both retail and non-retail sectors. The needs and concerns of retailers on the business rates system are well expressed across many forums, many consultations and many arenas, and this strategy therefore does not seek to duplicate this.

BIS continues to consult business organisations on their ideas and proposals for reform. Although it is not a formal action in this strategy, BIS will continue to work closely with the retail sector bodies, Department for Communities and Local Government and HM Treasury to ensure that the needs and concerns of retailers are given due consideration as the debate progresses.

2.1 INTERNATIONAL OPPORTUNITIES

The Challenge and the Opportunity

There are vast opportunities for the retail sector to grow and to prosper internationally. With retail growth in the mature markets of Europe likely to remain subdued (even as economies recover), many UK retailers have identified international markets as key drivers of future growth. World class British brands and retailers are well placed to capitalise on the rapid growth of the global middle class.

For further background, see **1.9 Global Opportunities for UK Retail**

Retail International Action Plan

In March 2013, UK Trade & Investment launched the 'UK Retail Industry - International Action Plan'⁴⁷. It takes a strategic taskforce approach to helping our successful retail businesses develop further in overseas markets, and commits Government to work with the sector to support international growth of UK companies by taking concerted action to maximise investment in priority markets.

It is based on targeted campaigns to help businesses export, establish and grow in emerging markets where there is demand from the growing middle class with high levels of discretionary disposable income. This report was produced after a 6 month consultation with the UK retail industry including small and large retailers and the British Retail Consortium.

The two year plan (2013-15) identifies the key themes for attention and the key markets for delivery of international growth for the UK retail sector. The action plan also sets out UKTI's role in securing inward investment from the international retail sector. The key themes include:

- Helping retailers access international markets including via e-commerce;
- Helping the UK's luxury brands access international markets and grow their exports;
- Ensuring that the high-value opportunities globally for new shopping destinations are exploited fully upon by British firms with relevant experience (known as the "Experience Economy");
- Foreign Direct Investment;
- Helping companies with international market access issues in a taskforce approach with BIS; and
- Helping companies with international market development and supply chain development.

UKTI is developing a series of campaigns to deliver this action plan and details of the events and activities will be announced shortly for 2013-14. The aim is to deliver £500 million of value to the UK economy through assisting up to 1,000 businesses with their international growth in the two years to March 2015.

⁴⁷ <http://www.ukti.gov.uk/uktihome/media/pressRelease/466480.html>

Actions

2.1.1 The Government is committed to working side by side with the retail sector to support global growth of UK retail through the International Action Plan with particular focus on:

- **Helping multichannel retailers access international markets**⁴⁸
- **Helping the UK's luxury brands access international markets.** UKTI is developing a campaign and event programme to help companies seize the growing market for UK luxury brands in the world's high growth markets. Activity has started with delegations from Asia visiting the UK to meet UK luxury brands with a view to increasing exports
- **Leveraging the UK's experience economy**
- **Helping companies with market access issues.** UKTI is ensuring that its activities complement, and where appropriate amplify, the Government's trade policy discussions across key international markets
- **Helping companies with market development and supply chain development.** UKTI events for the retail sector are increasing in number and the volume of UK retail businesses being assisted by UKTI is increasing in line with Action Plan targets. A review at the end of March 2014 will provide interim results
- **Helping to attract retail investment to the UK.** UKTI is working with a range of international retail businesses seeking to locate part or all of their operations in the UK creating jobs and delivering value to the UK economy.
- **Government added-value – Great Weeks.** The Government launched the Great Weeks programme in July 2013. UKTI is now recruiting 600 companies to participate in a series of large high-level, high-impact trade missions promoting the retail, luxury, food and drink and creative industries. The first seven Great Weeks will take place in Vietnam, Japan, Mexico, Russia, Hong Kong, UAE, South Korea with others to follow in 2014 including the US, China and Turkey.

Transatlantic Trade

The Challenge and the Opportunity

The EU-US Transatlantic Trade and Investment Partnership (TTIP) will be the most ambitious and comprehensive bilateral trade deal ever undertaken. Liberalising EU-US trade could benefit the retail sector in ways such as opening up new markets for products and brands, mutual recognition of product standards, and regulatory co-operation.

TTIP is a key priority of the UK Government, and as well as the benefits above will also have a positive impact on wider trade and incomes and will offer significant productivity gains.

⁴⁸ <http://www.ukti.gov.uk/uktihome/home/item/632840.html>

Action:

2.1.2 Government and industry will work jointly to ensure that UK retailers' interests are reflected in the TTIP negotiations as the UK develops its detailed priorities to address tariff and non-tariff barriers, including regulations, standards and intellectual property. Key Partners: UKTI, BIS, BRC, DEFRA (on food and drink retail). (Autumn 2013)

2.2 INFLUENCING EU POLICY**The Challenge and the Opportunity**

Retailers are recognised as extremely important in bringing the Single Market to EU consumers, stimulating growth and creating jobs. As retail and wholesale services represent 11% of the EU's GDP and account for almost 15% of the EU's total employment, creating a true EU Single Market will offer UK retailers significant new growth opportunities.

The Government is working proactively to ensure that legitimate interests of UK retailers are fully recognised in EU policy debates and ultimately in the final decisions, to avoid unnecessary cost and regulatory burdens on retail business.

In January 2013, the European Commission published a Communication entitled 'Setting up a European Retail Action Plan' (ERAP) which proposed 11 actions (to be implemented by 2014) to address barriers to the creation of a truly integrated single market in retail. Government and industry have positively welcomed the Communication which has recognised the strategic importance of the sector in stimulating growth, in job creation, and in bringing the single market to the consumer.

Also in January 2013, the Commission published a green paper on tackling Unfair Trading Practices (UTP), looking at supply chain inequalities and the effectiveness of Member States' competition and fair trading regimes. This may produce proposals that will impact upon UK retailers.

To ensure effective representation of UK retailers' interests in Europe, BIS has set up a UK Retail Action Group for Europe (URGE). Chaired by BIS, URGE comprises key retailers, retail trade bodies and interested partners from other Government departments.

The Group meets regularly to coordinate and communicate UK messages on retail growth opportunities in Europe, and respond to calls for evidence, proposals and conclusions emerging from initiatives such as ERAP. BIS also operates a virtual Whitehall URGE, comprising officials from BIS and other Government Departments, to ensure a consistent approach to government input into EU policy relating to retail growth as they arise.

E-commerce and the digital single market

The Government established an EU e-commerce taskforce which has considered a range of practical, short-term actions to boost cross-border e-commerce that could be implemented quickly. The taskforce's report will inform Government negotiations in Europe, and work is already underway to progress the actions identified.

Actions:

The government will facilitate a coordinated approach to EU policy that impacts on the retail sector by:

2.2.1 Working with partners to assess EU Commission activities that impact on the sector's competitiveness, growth and performance, presenting evidence from the UK and representing concerns as they arise to policymakers in the EU Commission, and UK Government Departments (OGDs). Key Partners: URGE members, Virtual URGE, OGDs. (Ongoing)

2.2.2 Working with industry and colleagues to ensure a co-ordinated UK approach on ERAP measures, including the retail aspects of eliminating the barriers to a single market (including e-commerce), Unfair Trading Practices, demanding greater and more consistent implementation of the Services Directive, and responding to any European Commission queries on market access and planning laws. Key Partners: URGE members, BIS, UKTI, DCLG, DEFRA. (Ongoing)

2.2.3 Coordinating the UK approach on implementation of the European Commission's Digital Single Market initiatives to reduce the regulatory and non-regulatory burdens to e-commerce. This will include seeking more focussed action on the digital single market to encourage greater cross border trading in retail within the EU. Key Partners: URGE members, BIS, DCMS and HM Treasury. (Ongoing)

2.2.4 Reducing regulatory burdens on businesses - and improving scrutiny processes and appropriate consultation at EU level - by championing use of better regulation principles in EU policymaking, so that new regulation or amendments to existing regulations are informed by robust analysis and/or evidence supplied by stakeholders including retailers. Key Partners: BIS (including BRE and BRDO), BRC, ACS. (Ongoing)

2.3 UNDERSTANDING RETAIL

The Challenge and the Opportunity

Retail cuts across a wide range of Government interests - but its needs, concerns and characteristics are not always fully appreciated. Greater understanding between Government(s) and the Retail Sector can reduce impacts on businesses, lead to better policymaking, and lay the groundwork for more collaborative partnerships.

The retail sector is impacted upon by a very wide range of policy and regulation, perhaps more than any other industry sector. It is extremely diverse and complex, and due to its sheer scale even small changes in policy towards or impacting on retail can have wide-reaching impacts. Retail also has a key role to play in helping deliver Government priorities in a number of areas, such as skills and employment, public health, and local economic and social performance.

Officials across the UK Governments need a full - and up to date - awareness of the size, scope, needs and concerns of the retail sector when developing policy, regulation, and initiatives and considering their positive and negative impacts.

It is therefore vital that the sector develops the “retail story” – including robust evidence on the positive contribution UK retail makes to local and national economies, and to Government economic, social and spatial policy priorities. BIS has a role in ensuring these messages are disseminated effectively.

Actions:

2.3 To improve Government understanding of the retail sector:

- BIS, in partnership with BRC and ACS, to develop effective processes for raising awareness and disseminating up to date knowledge and data to relevant parts of the UK Governments. (October 2014)
- As a pilot to help develop these processes, to host (with key retail stakeholders including BRC and ACS), a retail seminar for policy officials from across Whitehall and the Devolved Administrations, to present the “retail story” and evidence base. (February 2014)

2.4 SUPPORTING CONSUMERS

Supporting Consumers

The Challenge and the Opportunity

The Government strives to empower and to protect consumers. Retailers have unrivalled insight into consumer needs and preferences, and also play a role in delivering some government policies. Government policy, regulation and initiatives in this area could therefore benefit at the development and delivery stage from closer collaboration and information sharing with retailers.

The Government has a wide range of policy, regulation and initiatives designed to protect and to empower consumers. The majority of these impact upon or are impacted by retailers. Many activities are, or have the potential to be, delivered in partnership with retailers. To maximise quality and effectiveness of consumer protection and empowerment, Government will work closely with retailers, benefit from their particular insights on existing and future consumer needs and preferences, and consider where retailers can play a role in delivering government policy.

Actions:

2.4.1 BIS and the key retail sector bodies will scope the most effective means of making best use of retailers’ consumer insights by:

- Identifying 1-2 priority areas to pilot means of gaining and using better consumer intelligence to inform policy development. Key partners: BIS, BRC, ACS. (December 2013)
- From the pilots develop a process for addressing further areas of consumer policy, and to develop an effective evidence base on a range of consumer issues of relevance to Government. Key partners: BIS, BRC, ACS. (Summer 2014)

Supporting older consumers

The Challenge and the Opportunity

There is a demographic shift under way, with the older consumer representing an increasing proportion of the market. Retailers and localities that recognise and act upon the needs of older consumers will therefore be better placed to maintain or grow their market share.

It is acknowledged across the retail sector and industry analysts that the future for retail is to provide what customers want and need through multiple channels, whilst ensuring that the customer journey is easy, convenient and pleasant. The demographic shift towards the older consumer makes it vital for retailers and localities to provide the environments, products and customer services (online and offline) that fulfil these needs as accessibly as possible, to enable and encourage their use by the widest possible range of people.

Action:

2.4.2 BIS will continue to work across government and with academia, research bodies and the retail sector to explore how to make the most of these opportunities, and how the retail sector can work with other government initiatives in this area. Event planned to make the business case for more accessible products, environments, and customer services
Key partners: BIS, Age UK, Cabinet Office, Dept. of Health, ATCM. (Spring 2014)

2.5 WORKING SMARTER LOCALLY

Impacts of local policy delivery

The Challenge and the Opportunity

There is an increasing role for local authorities and partnerships in delivering government policy. How these policies are implemented and operated can impact on a retailer's performance, growth and investment decisions. By feeding back to Government their experiences of local delivery – good and bad – retailers have the opportunity to promote greater consistency and best practice across local delivery and decision-making bodies.

Government is increasingly devolving policy delivery in a number of areas (such as planning and local economic development) to local authorities, LEPs, and other local partnerships. The quality and consistency of local decision-making and delivery - and how decision makers engage with businesses during this process - can impact positively or negatively on the performance, growth and investment decisions of retailers both locally and nationally. As retailers operate in every part of the country, they are uniquely placed to feed back to government their experiences of local delivery and decision making.

Action:

2.5.1 Retailers and sector bodies to provide to BIS and DCLG examples of good practice (and opportunities for improvement) in local policy delivery, strategy, and relations with business by local authorities and other local and regional partnerships. This would include positive (and negative) impacts on retail performance, growth, and investment. In partnership, we shall explore how best to encourage wider adoption of these practices.
Key partners: BIS, DCLG, BRC, ACS etc. (Ongoing)

Better Regulatory Inspection and Enforcement

The Challenge and the Opportunity

Retail is impacted upon by a wide range of regulatory inspection and enforcement regimes. The Primary Authority Scheme and other initiatives from the Better Regulation Delivery Office have been welcomed. Building on these foundations, we can reduce the burden of compliance still further, and enable a greater focus on true risk-based inspection and enforcement.

For further background, see **1.7 Retail and the Regulatory Climate**

A positive approach to regulation can contribute significantly to economic development and sustainable growth, protecting businesses by creating a level playing field and giving them confidence to invest and to grow. The Government's work to reduce regulation and the burden of regulation has had proven benefit to the economy. However, as retail is impacted upon by arguably the widest range of regulation of any industry sector, retailers bear a greater burden of compliance across many differing inspection and enforcement regimes.

The Better Regulation Delivery Office within BIS promotes a simple and clear regulatory environment by ensuring that the business voice is heard in the delivery of regulation, and developing practical tools for regulators.

The Primary Authority Scheme is a success, and the Enterprise and Regulatory Reform Act contained provisions for further expansion of the scope and eligibility for the scheme.

Under the "Better Business for All" brand, the BRDO has been supporting pilot activities and trials to forge and develop closer links between regulators and regulated in LEP areas. The success of these pilots has led to further LEPs trialling these approaches. There is a further pilot under way with the Leicester and Leicestershire LEP undertaking a systematic review of the impact of regulation in individual High Streets. The government and the retail sector intend to build upon these excellent foundations.

Actions:

2.5.2 BIS and the BRDO will:

- Work with retailers and Other Government Departments to implement as fully as practicable the changes to the scope of and eligibility for Primary Authority in the Enterprise & Regulatory Reform Act 2013, and seek to further expand the scope of Primary Authority. (Ongoing)
- Work to embed the Primary Authority approach, and the principles of risk-based regulation, in local inspection and enforcement regimes. (Ongoing)
- Promote the benefits of Primary Authority, and its enhancements, amongst retail sector trade bodies, local authorities, LEPs, and other relevant delivery channels. (Ongoing)
- Continue to promote a partnership approach between regulators and regulated through the Better Business for All campaign, and explore other complementary mechanisms for dissemination. (Ongoing)

- Improve the way regulation of retail is enforced by delivering a common standard of competency and reviewing the Regulators Compliance Code. (End 2013)
- Undertake an evaluation of local implementation of the Age Restricted Products and Services Code of Practice for regulatory delivery, and consider further promotional activity. (Ongoing)

Local Enterprise Partnerships

The Challenge and the Opportunity

Local Enterprise Partnerships play an important role in local economic strategy and growth. The retail sector plays an important role in local economic performance. The Gloucestershire LEP Retail Pathfinder is making good progress in demonstrating the benefits of a partnership approach between LEPs and retail, and more can be achieved – yet only a few other LEPs are following their lead.

For further background, see **1.5 Retail and Sub National Bodies**

As said above, retail plays an important role in local and regional economies. This was something fully understood by the LEP for Gloucestershire, GFirst, who approached BIS to be recognised as the first Retail Pathfinder LEP - to take the lead nationally on developing and promoting local solutions, working with other LEPs with an interest in retail.

Gloucestershire was considered suitable because the LEP demonstrated a strong understanding of retail needs and concerns, and of the importance of retail and town centres to local economies. They requested Pathfinder status to enable them to work closely with retail, government and other LEPs, on developing options for local partners to support retail growth and performance at the local level. The pathfinder agreement with GFirst LEP has been in place since June 2012. The actions were incorporated into the first BIS Retail Strategy (September 2012).

The Pathfinder has made good progress in its first year, both in building its networks of influence and in delivering real outcomes (for example the “Successful Town Centres” report and toolkit⁴⁹, designed to help towns develop future strategies). The actions below will build upon these foundations.

Many LEP strategies include actions that will benefit retail, for example through the leisure economy or town centre regeneration, and several have retail and town centre specific activity. However, only a few LEPs have retail as a priority sector. It is widely believed that more can be done to help LEPs to recognise the importance of retail and town centres to local and regional economies, and in demonstrating how a LEP can add value.

LEPs are developing multi-year strategic growth plans which will set out the evidence of how the local economy is performing, the barriers for growth and the rationale for intervening where there are particular market failures. It will be important that LEPs consider retail and their town centres within this.

⁴⁹ <http://www.gloslep.co.uk/sector-groups/retail/high-st-toolkit>

It is also important for more retailers to become actively engaged with LEPs to ensure that their needs and concerns are both recognised and acted upon.

Actions:

2.5.3 Working in partnership with GFirst LEP, we will:

- Agree a revised Pathfinder Agreement and action plan to support GFirst LEP to develop and pilot further initiatives to support retail growth at local level. Key Partners: GFirst LEP, BIS (and BIS Local), DCLG, BRC and ACS. (November 2013)
- Raise awareness and recognition amongst LEPs, Local Authorities and other local partnerships of the importance of retail and town centres to their economies. This will include developing the economic case for this, developing strategies for dissemination, and promoting (through local champions) actions for consideration. This will build upon the existing LEP Retail Network communication framework. Key Partners: GFirst LEP, BIS, DCLG, interested LEPs, ATCM, BRC, ACS. (February 2014 and ongoing)
- Raise awareness amongst retailers of the importance of engaging with LEPs, and other sub-national bodies that can have an impact on retail growth and performance. Develop and implement strategies for effective dissemination. Key Partners: GFirst LEP, BIS, other interested LEPs, BRC and ACS. (February 2014 and ongoing)
- As a pilot, GFirst LEP will map the relationships between the LEP, Local Authorities and other sub-national bodies (such as Chambers and Business Improvement Districts) in the County, identify and disseminate good practice identified through the LEP communication network and through BIS and DCLG networks. Key Partners: GFirst LEP, BIS, DCLG, other interested LEPs, ATCM. (July 2014)
- BIS and DCLG will support GFirst LEP to build upon the “Successful Town Centres: Developing Effective Strategies” toolkit, helping to promote and disseminate to wider audiences and work together on future enhancements. Key Partners: BIS, DCLG, GFirst LEP, ATCM, other interested LEPs, BRC. (November 2013, and ongoing)
- GFirst LEP will offer expert advice on retail to central government policy makers through the Retail Policy Forum and other key forums including the Future High Streets Forum TF Group 1, and by engaging in projects within other strands of this strategy including "Working Smarter Locally" and "Future Places and Future Retail". Key Partners: BIS, DCLG, GFirst LEP. (Ongoing)
- As a pilot, explore means of stimulating retail entrepreneurship and start-ups in Gloucestershire, including via links with University of Gloucestershire (UoG) Business School. Key Partners: GFirst LEP, UoG, National Skills Academy for Retail, BIS, DCLG. (June 2014)
- Explore ways to link local/regional strengths within the UK with appropriate overseas opportunities for growth, including through joint promotional activities. Key Partners: UKTI, BIS, GFirst LEP, and other LEPs with an interest in retail. (January 2014)
- Disseminate information on new initiatives and opportunities (via the LEP Retail Network and via GFirst LEP's Retail Sector Group). (Ongoing)

2.6 FUTURE PLACES AND FUTURE RETAIL

Retail, Town Centres and the Multichannel future

The Challenge and the Opportunity

Retail plays an important and underpinning role in the economic, spatial and social performance of local areas. Localities are facing the challenges of massive structural change and cyclical economic pressures - and to tackle this, retailers and other local stakeholders need to work in partnership. A successful retail sector relies on thriving town centres – and vice versa.

One important factor is how multichannel retail, and digital engagement more widely, are changing how retailers interact with customers, and how towns are used. To ensure that the potential benefits of these changes are fully realised, retailers and other stakeholders will need to work in partnership.

For further background, see **1.2 The Changing Face of UK Retail**, **1.3 E-Commerce and the Multichannel Future**, and **1.4 Retail and Town Centres**

The importance of retail and local economies should not be underestimated. It is one of the few sectors with a presence in every neighbourhood. Local economies are underpinned by retail as a provider of employment, skills development and the goods and services people need and want.

How people shop is changing, and how retailers operate and interact with their customers is radically changing – both driven and enabled by new technologies - leading to massive structural change both in retailers, and the town centres and high streets where they operate, accelerated by the cyclical economic conditions. The future of retail in the town centre is more experiential, and as part of a wider consumer offering.

This is not a matter of Internet versus High Street. The rise of multichannel/omnichannel retailing brings a wide range of purchasing and fulfilment options, including an ever-increasing number of retailers offering services such as click & collect. Towns themselves need to consider how they can harness the potential of digital platforms to enhance the consumer experience and remain competitive.

The Technology Strategy Board's recent successful pilot "Open High Street" is a good example of how public / private sector cooperation can help towns prepare for a multichannel future. The pilot helped small retailers build a digital platform to compete in a multichannel environment and at the same time reduce consumers' carbon footprint.

Actions:

2.6 To help retail and town centres adapt for the future, we will:

- Work in partnership with DCLG and key public, private and third sector partners towards reviving town centres, which remain a key channel for UK retail. This includes supporting the Government/Industry chaired Future High Streets Forum, and working to enhance the tools and knowledge available to decision makers. (Ongoing)

- Explore the opportunities of the multichannel future and the digital high street through bringing together key public, private and third sector players to develop strategies for promoting co-ordination of, and collaboration on, activities and policies in this area. Key partners: BIS, DCLG, DCMS, BRC, ACS, BCSC, ATCM etc. (December 2013)

2.7 TALENTED PEOPLE

For further background, see **1.3 E-Commerce and the Multichannel Future**, and **1.6 Retail Employment and Skills**.

Collaboration on Vocational Skills

The Challenge and the Opportunity

Retail is the largest private sector employer and provides a significant number of apprenticeships and vocational qualifications in different professions, to employees of all ages. The sector is therefore uniquely placed to help Government develop and pilot skills and qualifications initiatives.

Around 3 million people, or 1 in 10 of the UK workforce, are employed in the retail sector. The sector offers employment opportunities for young people, the long term unemployed, and returners. There is a wide range of different roles at all levels of the business and in many different professions. The sector spends more money on skills and training than any other sector, and is a major provider of apprenticeships and other vocational qualifications.

When Government develops and implements skills and qualification processes and initiatives, the scale and scope of retail employment puts the sector and its representative bodies in an ideal position to provide a strong business voice and practical feedback on proposals, including through pilot projects.

Action:

2.7.1 BIS will

- Explore with the retail sector how better to engage retailers in the design and piloting of new or evolving skills and qualification initiatives and processes (e.g. apprenticeships and traineeships). Key partners: BIS, BRC, ACS. (March 2014)

Skills for the Multichannel future

The Challenge and the Opportunity

The future of retail is multichannel. How people shop is changing, and how retailers operate and interact with their customers is changing – both driven and enabled by new technologies. Also as consumers become more demanding, to stay competitive retailers need to use their rich data on customer habits and wants to drive strategy and operations.

Retailers need the right people, with the right skills, at all levels of the business to deliver this. This challenge can be more effectively tackled by government, industry and skills providers working in partnership.

Retail is becoming ever more competitive, with sophisticated consumers fully exercising their range of choices of what, where and how they buy. Retailers of all sizes are re-engineering their businesses to embrace the opportunities offered by multichannel/ omnichannel retailing.

This new landscape means changes to the suites of skills needed by retail employees at all levels, particularly in the area of digital skills - from basic digital skills on the shop floor and in fulfilment processes, to web platform and internal systems design.

As “Big Data” becomes ever more important to business, not just in retail, there is increasing demand for people skilled in high level mathematics and data analysis, or with the ability to use these areas to drive strategy and operational development. Retailers need to attract the best talent, competing with other sectors which are paying often more competitive salaries.

There are initiatives and activities across industry, government and amongst skills and qualification providers to raise uptake and provision of digital skills and STEM disciplines, to meet the increasing demands of modern, sophisticated business.

The Government’s recently published Information Economy strategy⁵⁰ set out a number of actions to improve the digital skills of the UK’s workforce. Many of these actions will benefit the UK retail sector. The strategy also outlined the advantages of using data intelligently to provide insight and value to organisations. The Government’s data capability strategy which will be published in October, will act to improve data handling skills of the UK workforce.

Actions:

2.7.2 To make the most of these opportunities, BIS will:

- In partnership with retailers, retail sector bodies and skills providers, develop a framework that identifies the range of retail roles that require digital skills (from the shop floor, to web platform and systems design), and those roles that require skills in high level mathematics and data analysis. The project will then map the skills and qualifications required in these roles. Key partners: BIS, Retail sector bodies, retailers, retail Sector Skills Council, research councils (Spring 2014)
- In partnership with stakeholders, develop a framework that captures current and planned initiatives and activities to drive up digital skills and qualifications across Government, retailers and retail organisations and sector skills bodies, and promote effective collaboration and co-ordination where possible. Areas captured would include the retail National Occupational Standards for Multichannel, the Government’s Information Economy strategy, and the “Stimulating Innovation” action of this strategy. Key partners: BIS, Retail sector bodies, retailers, retail Sector Skills Council, research councils. (Spring 2014)

⁵⁰ <https://www.gov.uk/government/publications/information-economy-strategy>

2.8 STIMULATING INNOVATION

The Challenge and the Opportunity

The UK is home to both a world-class retail sector, and a world-class research base across multiple disciplines. There are many noteworthy examples of collaboration, but more can be done to make it easier to stimulate partnership projects across a wider range of disciplines, and to make best use of available co-funding streams. This will help both the retail sector and the research base collaborate to deliver benefits in innovation, commercial expertise and technological development.

The UK Retail Sector is a world-leading exemplar of innovation. It spends significant amounts of money on research and development. The UK has a world-leading research base across multiple disciplines, with funding delivered through the research councils and the Technology Strategy Board, and through projects commissioned by industry. The interests of retail cut across many of these disciplines, from social science to applied mathematics to biological research.

The Economic & Social Research Council has chosen retail as a priority area of interest. There are also many collaborative projects between retailers and the research base, but after consultation with stakeholders it became clear that there is greater potential to be tapped by developing a more strategic and sector-specific approach.

By collaborating on research - and leveraging each other's strengths - the retail sector and the research base will be able to **deliver tangible benefits** in innovation, commercial expertise and technological development. Many of these outcomes may also be transferrable to other retailers or research bodies, and across into other industry sectors.

BIS is therefore working with several research councils (Economic & Social Research Council, Engineering & Physical Sciences Research Council, Biotechnology & Biological Sciences Research Council, Natural Environment Research Council, and Medical Research Council); 5 Higher Education Institutions (including Oxford, UCL, Nottingham Trent and Loughborough); the Technology Strategy Board; and the retail sector to develop a retail-specific, cross-disciplinary brokerage and engagement toolkit including case studies of successful industry/academic partnerships. This will make linkages and projects easier to identify and develop, and raise awareness of the funding that can be available.

BIS held an initial workshop with partners in March 2013 which covered a range of different completed collaborative projects and their critical success factors, and looked at a variety of means of identifying and brokering potential projects. The clearest indication was that a single mechanism or approach would not be desired by any of the stakeholder groups represented, but there are many areas of potential coordination and collaboration.

Action:

2.8 To build upon initial scoping work, BIS will:

- In partnership with the research councils, HEIs and the retail sector develop a toolkit for effective collaboration between and across the research base and the retail sector. Key partners: BIS, BRC, ACS, Technology Strategy Board, ESRC and other relevant research councils, HEIs and retailers. (Spring 2014)

SUMMARY OF ACTIONS

2.1 International Opportunities

Action	Milestones	Key Partners
2.1.1 Working side by side with the retail sector to support UK retail sector growth through the International Action Plan		
<ul style="list-style-type: none"> • Helping multichannel retailers access international markets • Helping the UK's luxury brands access international markets • Leveraging the UK's experience economy • Helping companies with market access issues • Helping companies with market development and supply chain development • Helping companies with market development and supply chain development • Helping to attract retail investment to the UK • Government added-value (GREAT weeks) 	Progress review March 2014	UK Trade and Investment, BIS, BRC and other trade bodies, other Government departments
2.1.2 UK retailers' interests are fed through in the TTIP negotiations as the UK develops its detailed priorities		
Retail specific evidence from industry is collected and fed to BIS Europe team on tariff and non-tariff barriers, including regulations, standards and intellectual property	Autumn 2013	UKTI, BIS, BRC, Retailers trading and establishing in the US, DEFRA

2.2 Influencing EU Policy

Action	Milestones	Key Partners
2.2.1 Monitoring and influencing EU policy and activities		
Working with partners to assess EU Commission activities that impact on the sector's competitiveness, growth and performance, presenting evidence from the UK and representing concerns as they arise to policymakers in the EU Commission and in UK Government Departments.	Ongoing	UK Retail Group for Europe (URGE), BIS, other Government departments

2.2.2 Maximising opportunities and Minimising burdens from ERAP		
Working with industry and Government colleagues to ensure a co-ordinated UK approach on ERAP measures, including retail aspects of eliminating the barriers to a single market (including e-commerce), Unfair Trading Practices, demanding greater and more consistent implementation of the Services Directive, and responding to any European Commission queries on market access and planning laws.	Autumn 2013	URGE, BIS, UKTI, DCLG, DEFRA
2.2.3 Improving the Digital Single Market		
Co-ordinating the UK approach on implementation of the European Commission's Digital Single Market initiatives to reduce the regulatory and non-regulatory burdens to e-commerce. This will include seeking more focussed action on the digital single market to encourage greater cross border trading in retail within the EU.	Ongoing	URGE, BIS, DCMS and HM Treasury
2.2.4 Championing better regulation principles		
Reducing regulatory burdens on businesses - and improving scrutiny processes and appropriate consultation at EU level - by championing use of better regulation principles in EU policymaking, so that new regulation or amendments to existing regulations are informed by robust analysis and/or evidence supplied by stakeholders including retailers.	Ongoing	BIS (inc. BRE and BRDO), BRC, ACS

2.3 Understanding Retail

Action	Milestones	Key Partners
<ul style="list-style-type: none"> BIS, in partnership with BRC and ACS, to develop effective processes for raising awareness and disseminating up to date knowledge and data on retail to relevant parts of the UK Governments. 	October 2014	BIS, Retail trade bodies
<ul style="list-style-type: none"> As a pilot to help develop these processes, BIS to host (with key retail stakeholders inc. BRC and ACS), a retail seminar for policy officials from across Whitehall and the Devolved Administrations, to present the "retail story" and evidence base. 	February 2014	

2.4 Supporting Consumers

Action	Milestones	Key Partners
2.4.1 Supporting Consumers		
<p>BIS and the key retail sector bodies will scope the most effective means of making best use of retailers' consumer insights:</p> <ul style="list-style-type: none"> Identifying 1-2 priority areas to pilot means of gaining and using better consumer intelligence to inform policy development. From the pilots develop a process for addressing further areas of consumer policy, and to develop an effective evidence base on a range of consumer issues of relevance to Government 	<p>December 2013</p> <p>Summer 2014</p>	BIS, retail trade bodies
2.4.2 Supporting older consumers		
<p>BIS will continue to work across government and with academia, research bodies and the retail sector to explore how to make the most of these opportunities, and how the retail sector can work with other government initiatives in this area. Event planned to examine the business case for more accessible products, environments, and customer services.</p>	<p>Spring 2014, and ongoing</p>	BIS, retail trade bodies, Age UK, Department of Health, Cabinet Office, ATCM, retailers etc

2.5 Working Smarter Locally

Action	Milestones	Key Partners
2.5.1 Impacts of Local Policy Delivery		
<p>Retailers and sector bodies to provide BIS and DCLG with examples of good practice (and opportunities for improvement) in local policy delivery, strategy, and relations with business by local authorities and other local/regional partnerships. This would include the positive (and negative) impacts on retail performance, growth, and investment. In partnership, we shall explore how best to encourage wider adoption of these practices.</p>	<p>Ongoing.</p>	Retail sector bodies, BIS, DCLG

2.5.2 Better Regulatory Inspection and Enforcement		
BIS and BRDO will: <ul style="list-style-type: none"> • Work with retailers and OGDs to implement as fully as practicable the changes to the scope of and eligibility for Primary Authority within the Enterprise & Regulatory Reform Act 2013, and seek to further expand the scope of Primary Authority. • Work to embed the Primary Authority approach, and the principles of risk-based regulation, in local inspection and enforcement regimes. • Promote the benefits of Primary Authority, and its enhancements, amongst retail sector trade bodies, local authorities, LEPs, and other relevant delivery channels. • Continue to promote a partnership approach between regulators and regulated through the Better Business for All campaign, and explore other complementary mechanisms for dissemination. • Improving the way regulation of retail is enforced by delivering a common standard of competency and reviewing the Regulators Compliance Code. • Undertake awareness activities for the Code of Practice for regulatory delivery in respect of age restricted products for retailers and local authorities. 	Ongoing	BIS BRDO, retailers and retail trade bodies
	Ongoing	
	Ongoing	
	Ongoing	
	End 2013	
	Ongoing	
2.5.3 Local Enterprise Partnerships		
Working in partnership with GFirst, the LEP for Gloucestershire, we will: <ul style="list-style-type: none"> • Agree a revised Pathfinder Agreement and action plan to support GFirst LEP to develop and pilot further initiatives to support retail growth at local level. • Raise awareness and acknowledgment amongst LEPs, Local Authorities and other regional/local partnerships of the importance of retail and town centres to their local economies. This will include developing the economic case for this, developing strategies for effective dissemination to stakeholders, and promoting (through local champions) actions for consideration. This will build upon the existing LEP Retail Network communication framework. 	November 2013	GFirst LEP, BIS, DCLG, BRC and ACS.
	February 2014 and ongoing	GFirst LEP, BIS, DCLG, other interested LEPs, ATCM, BRC and ACS.

<ul style="list-style-type: none"> • Raise awareness amongst retailers of the importance of engaging with LEPs, and other sub-national bodies that can have an impact on retail growth and performance. Develop and implement strategies for effective dissemination. 	February 2014 (and ongoing)	GFirst LEP, BIS, BRC, ACS. Other interested LEPs,
<ul style="list-style-type: none"> • As a pilot, GFirst LEP will map the relationships between the LEP, Local Authorities and other sub-national bodies (such as Chambers and Business Improvement Districts) in the County, identify and disseminate good practice identified through LEP, BIS and DCLG communication networks. 	July 2014	GFirst LEP, BIS, DCLG, other interested LEPs, ATCM.
<ul style="list-style-type: none"> • BIS and DCLG will support GFirst LEP to build upon the “Successful Town Centres: Developing Effective Strategies” toolkit, helping to promote and disseminate to wider audiences and work together on future enhancements. 	November 2013 (and ongoing)	GFirst LEP, BIS, DCLG, ATCM, BRC, other interested LEPs,
<ul style="list-style-type: none"> • GFirst LEP will offer expert advice on retail to central government policy makers through the Retail Policy Forum and other key forums including the Future High Streets Forum TF Group 1, and by engaging in projects within other strands of this strategy including "Working Smarter Locally" and "Future Places and Future Retail". 	Ongoing	BIS, DCLG, GFirst LEP.
<ul style="list-style-type: none"> • As a pilot, explore means of stimulating retail entrepreneurship and start-ups in Gloucestershire, including via links with University of Gloucestershire (UoG) Business School. 	June 2014	GFirst LEP, UoG, NSA for Retail, BIS, DCLG.
<ul style="list-style-type: none"> • Explore ways to link local/regional strengths within the UK with appropriate overseas opportunities for growth, including through joint promotional activities. 	January 2014	UKTI, BIS, GFirst LEP, other interested LEPs
<ul style="list-style-type: none"> • Disseminate information on new initiatives and opportunities (via the LEP Retail Network and via GFirst LEP's Retail Sector Group) 	Ongoing	

2.6 Future Places and Future Retail

Action	Milestones	Key Partners
<p>To support retail and town centres adapt for the future, we will:</p> <ul style="list-style-type: none"> • Work in partnership with DCLG and key public, private and third sector partners towards reviving town centres, which remain a key channel for UK retail. This includes supporting the Government/Industry chaired Future High Streets Forum, and working to enhance the tools and knowledge available to decision makers. • Explore the opportunities of the multichannel future and the digital high street through bringing together key public, private and third sector players to develop strategies promoting coordination and collaboration in activities and policies. 	<p>Ongoing</p> <p>December 2013</p>	<p>BIS, DCLG, Retail Trade Bodies, Retailers, relevant representative bodies inc. ATCM and BCSC, other Government departments</p>

2.7 Talented People

Action	Milestones	Key Partners
2.7.1 Collaboration on Vocational Skills		
<p>Explore with the retail sector how better to engage retailers in the design and piloting of new or evolving skills and qualification initiatives and processes (e.g. apprenticeships and traineeships)</p>	<p>March 2014</p>	<p>BIS, Retail sector bodies, retailers, retail Sector Skills Council</p>
2.7.2 Skills for Multichannel		
<ul style="list-style-type: none"> • In partnership with retailers, retail sector bodies and skills providers, develop a framework that identifies the range of retail roles that require digital skills (from the shop floor to web platform and systems design), and those roles that require skills in high level mathematics and data analysis. The project will then map the skills and qualifications required in these roles. 	<p>Spring 2014</p>	<p>BIS, Retail sector bodies, sector skills council, retailers, USDAW etc</p>

<ul style="list-style-type: none"> In partnership with stakeholders, develop a framework that captures current and planned initiatives and activities to drive up digital skills and qualifications across Government, retailers and retail organisations and sector skills bodies, and promote effective collaboration and co-ordination where possible. <p>Areas captured would include the retail National Occupational Standards for Multichannel, the Government’s Information Economy Industrial strategy, and the “Stimulating Innovation” action of this strategy.</p>	Spring 2014	BIS, Retail sector bodies, sector skills councils, UKCES, retailers, USDAW etc
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2.8 Stimulating Innovation

Action	Milestones	Key Partners
<p>To build upon initial scoping work, BIS will:</p> <p>In partnership with the research councils, Higher Education Institutions and the retail sector develop a toolkit for effective collaboration between and across the research base and the retail sector.</p>	Spring 2014	BIS, Research Councils, Technology Strategy Board, HEIs, retail trade bodies, retailers.

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