

WHAT DOES THE FUTURE HOLD FOR TOWN CENTRES?

OLLIE ROBINSON

The high street is a general term referring to the primary retail area of a town or city. Over recent decades the state of the high street in Britain has faltered. Footfall on the high street has dropped 20.5% over the last decade (1) and sales on the high street declined 10% in 2018 alone (2). Our high streets are now seeing waves of store closures, as well as a lower rate of new store openings. In 2018 Britain's top 500 high streets lost 2,481 stores (3), and this only worsened in 2019 which saw the closure of 16,000 stores (4). As our shopping habits change more and more to favour online shopping, it becomes increasingly difficult to see any future for the high streets. The aim of this report is to try to predict what the future holds for town centres. To do this, this paper will be covering, first, the cause of its current state and, secondly, whether it'll be able to adapt to survive in our modern world. In order to survive the high street will need to reinvent itself, moving its focus towards its social aspects.

Why is the high street declining?

In order to try and predict the future of the high street it is important to understand why it is declining in the first place. There are many reasons that account for the high streets' decline, which can be summarized in three core issues: Competition, infrastructure, and the cost of running a physical store.

Firstly, the competition that they face continues to put pressure on British town centres. It is estimated that 82% of households in Britain use or have recently used online shopping (5). Many believe that online shopping is the core reason for the high streets decline. The fact that the store websites are so easy to access and that most of these stores accommodate delivery, means shopping online is much more convenient than shopping in physical stores, which takes customers away from the high street. Since 52% of shoppers say that half or more of their purchases are influenced by convenience (6), this is very important. Although, in February 2020 (before the corona virus lockdown that has caused a sudden, likely temporary increase) only 17.8% of all retail was done online (7), suggesting its impact on the high street is limited. However, online stores are not the only competition they face. Large, out-of-town, supermarkets have also taken customers away from the high street. In 2017, 70% of grocery shopping was done in stores like this (8). This has declined more in recent years, though these supermarkets still pose a great threat.

Secondly, the poor infrastructure of town centres is also affecting them. 'Many cities are suffering from lacking car parking areas with imbalance between parking supply and demand' (9). The limited space in town centres makes parking to shop challenging for consumers. This, and the fact that parking in town centres is charged, makes shopping there very inconvenient, dissuading customers from shopping there. This, by contrast, makes the competition look even better in terms of convenience. This is especially true for the large out of town supermarkets as, because they are built away from the towns, they have much more space to use for parking which is also usually free. As 'parking is an important factor taken into account when people decide where to shop' (10), this attracts customers away from the high street.

Finally, the high cost of running a physical store is putting a lot of financial pressure on high street stores. 'Factors such as rent, electricity and payroll all contribute to the gross margin and overhead of doing business in a shopping centre or elsewhere' (11). Whilst online stores do have to pay these charges for storage

warehouses, their remote locations means rent would be lower than a store in a town centre (the same applies to out of town supermarkets). However, the cost of business rates is much more significant. This cost is significantly less for online stores. In 2018-19 online stores only paid 6% of total retail rates and although brick and mortar stores only have 80% of retail sales they paid 94% of all business rates. (12) These higher business rates puts more financial pressure on the physical stores as well as forcing them to charge high prices. Their competition, online stores and out of town stores, would be able to undercut these prices as they will not have to compensate for such high costs. This results in fewer customers shopping at the high street due to their higher prices.

To summarise, due to strong competition and the poor infrastructure in towns, high street stores are losing many customers. Furthermore, due to the high costs and business rates of running a physical store, they are put under a lot of financial pressure, forcing many to close when they are unable to sustain themselves.

How can the high streets adapt?

The data and evidence looked at so far forebodes an inevitable death to the high street, with many factors making the running of a physical store financially unsustainable. However, to fairly predict the future of town centres, the likelihood of both possibilities must be considered (either the high street survives, or it fails). Therefore, how can the high street adapt to survive or overcome the competition and problems that they are facing. There are a few ways proposed for the town centre stores to achieve this:

Firstly, the high street can try to match its competition. As the decline of the high street is mainly due to customers switching to online shopping and out of town supermarkets for their superior convenience, service and prices, then trying to reduce the difference in these factors seems like an obvious way to bring back customers and revitalise our high streets.

However, to do this would require a lot of effort. To improve in store service and convenience, stores would have to hire more staff, make stock clearer and possibly introduce 24-hour service whilst simultaneously making their prices more competitive. This is not impossible and there are physical stores that have managed to stay competitive by trying to match the online stores, using technology to stay viable. For example, checkout free scan pay using the a smartphone app is currently being trialled by Sainsburys, Tesco and the Co-op. Whilst these are interesting ideas that would make physical shopping more effective and, in theory, attract more customers to the high street, these examples are all of successful multi chain businesses that can afford to make these changes. Even these stores are struggling with the introduction of online shopping, seeing profits drop over recent decades. Sainsbury's profits have been dropping consistently over recent years, the profits have halved since 2015/16 (13). Tesco is closing fresh food counters at 90 of their stores and John Lewis has seen a slump in profits (14). Even large chain companies with many resources to make these changes are being affected by tough competition. For the smaller stores that make up most of the high street, it is even more challenging. Many must close because it's not sustainable for them to stay open, whilst hiring extra staff and staying open longer to try match online stores simply isn't an option financially.

As well as higher business rates and physical costs, the high street would also struggle compete with online shopping specifically due data collecting. Online stores are able to 'bring together external data such as demographics...with internally held data such as previous transactions and loyalty status' (15). With this data 'retailers can begin creating a detailed understanding of their customers' (15). This data is used firstly to create sales targeted only to specific customers, increasing the chances a customer will buy a product, compared to the untailored sales and promotions that physical stores do.

The high street lives on

Physical high street stores are largely unable to match online shopping in price, convenience, or service. Therefore, if high streets themselves are to survive they are going to need to make themselves valuable, and if they cannot match online shopping then this needs to be in a way that online stores cannot match.

First, one way that physical high street stores can do this is with service stores. Service stores, such as hairdressers and dry cleaners, are stores that provide a service as opposed to selling products. The important points to note about these stores are:

1. Our necessity for these stores to exist (we need haircuts) and
2. The necessity of these stores to be physical (we cannot get haircuts online).

Both these facts show that these stores will continue to exist on our high streets. Last year there were 43,000 hairdressers in Britain (16) and there's been a growth of 45% in the amount of beauty stores and hairdressers over the last five years (17). The existence of stores like these suggests the survival of the high street, as we continue to need these physical stores then these stores will continue to exist on high streets. Also, their convenience and price won't be compared to online shopping because it's a service that cannot be provided online, so they'll only have to worry about service and price when compared to other stores on the high street.

Secondly, the social aspect of the high street is another important benefit of the high street that cannot be overlooked. Face-to-face connection and real social interaction is not only something that no online store could fully recreate, but it is also something that remains incredibly important, even essential, to consumers. Could the high street switching to focus more on its social features be a way to rejuvenate itself? It is something that is happening already. In 2018, there were 2,218 Costa coffee stores in Britain and a total of 22,000 coffee shops in Britain as a whole (18). In that year alone, the sector grew 8.7% (19) and the total number of coffee shops in Britain has increased massively over the last few decades. It is not only cafes but the number of restaurants, pubs, gyms, and other sectors that are, at their core, social stores have grown massively despite the high streets state of decline. The growing numbers of these social stores in our high streets, without any government intervention to make this happen, clearly shows consumers' changing preferences surrounding the high street. 'The high street is becoming a social hub, Where people go to catch up rather than shop' (20). These growing sectors show that there is still a value in the high street to consumers in the form of social interaction, and if the high street is able to change to exploit this value, a change that is already naturally happening, then perhaps there is a future for our town centres as true social hubs rather than solely places to shop.

Finally, like the social aspects, another prediction about possible ways the high street could adapt is through selling experiences. Businesses such as theatres, cinemas and museums that sell experiences, experiences that cannot be fully replicated online. Particularly in the case of museums and the history of the towns themselves, they offer experiences that are not only unable to be replicated online, but also are completely unique and, therefore, even more valuable. Social events are another example of experiences that high streets can sell and use to attract customers, rejuvenating the high street.

Case studies

There are examples of these ideas being tested in real towns:

Bristol is one example. In 2008 the shopping centre Cabot Circus was opened, creating 1 million square feet of retail and leisure space (21). On top of this more development was put towards the nightlife of Bristol's high street, improving more stores that operate between 5pm-5am (22). These developments are both examples of ways socialization can be developed to help the high street. The high street moves away from selling products

and turns towards services that accommodate socialising, attracting more customers. These changes have been a great success in Bristol. The Cabot Circus alone has reached an annual footfall of 17.5 million as well as a spending rate of 66%, putting it top 3 nationally in this regard (23).

Another example of how these ideas could be put into practice is in the high street of Altrincham. Altrincham had a store vacancy rate of 30% (21). To try fix this the council set up a local market, with an emphasis on food, to become the new town hub. This was another high street revival project that was a huge success. Store vacancy was reduced by 73% by the end of 2017 and the town was named as Britain's champion high street in the 2018 Great British High Street Award (21).

Both these successful examples of how high streets have adapted to survive are both based on making the high street more social. Restaurants and leisure centres are both social stores and these two towns which turned their high streets' focus to them succeeded in bringing more customers there. However, this change is happening even without government intervention like in the example towns. In 2017 45% percent of high street stores were non-retail related (24) and, that same year, restaurants saw an increase of 16% in spending (25). The fact that these changes are happening naturally, because of actual customer spending trends, further suggests that the high street has a future as a social hub.

What is the future of the high street?

In conclusion, the high street is facing many difficulties. Strong competition, poor infrastructure, and the high costs of running a physical store are all putting pressure on the high street. These problems, if not dealt with, signal the end of the high street as it will not be able to sustain itself for much longer. However, different ways of overcoming these problems have been attempted, such as making our high streets more focused on social interaction and other events that cannot be provided by online shopping. So, will the high street survive? The successful solutions to the problems that caused its decline in the first show that it can survive. Government intervention, such as community projects and investment, may be important to encourage the change. The fact that local government have already been creating projects for the high street using these ideas, shows that local government are willing to put effort into helping our town centres. However, the fact that we are seeing these changes happen naturally across Britain without local government help suggests that the high street should survive as a place more focused on social interaction and experiences.

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