

To: States of Jersey – Economic Affairs Scrutiny Panel

From: Andy Cook, CEO Jersey Business

Date: 10 February 2014

Subject: Retail Policy Review

Thank you for the opportunity of contributing to the Retail Policy Review currently being carried out by the Economic Affairs Scrutiny Panel. I understand the terms of reference are as follows.

1. To establish the full range on challenges facing Jersey's diverse retail sector
2. To establish the current policies and actions of the Minister for Economic Development towards the retail sector
3. To examine whether the Minister's policies and actions represent an appropriate response to the challenges facing the retail sector

Views and Opinions

The author is the Chief Executive Officer of Jersey Business Limited, a States of Jersey funded body that provides business support and advice to organisations of all sizes across all economic sectors.

The views and opinions contained herein have not been considered by the Board of Jersey Business and therefore, are those of the author alone and do not necessarily represent the views and opinions of Jersey Business Limited.

The comments made are based on the experience of the author having operated in, and engaged with, the retail sector for more than 25 years including operating retail businesses with an annual turnover of £50m and at Executive Board level for organisations with a collective annual turnover of £240m, primarily in the retail and hospitality sectors.

Prior to the writing of this report I have had the opportunity to read many of the other submissions already made to the panel. And in addition, on Wednesday 5th February 2014, a Retail Workshop was organised by EDD and attended by representatives from most major retailers and organisations/individuals with an interest in the sector. Some of the sentiment from that workshop is reflected herein.

Overview

The retail sector in Jersey is extremely diverse both in the size of organisations that operate within the sector and, just as importantly, the composition of the products and services that are included within the definition of “retail”. The panel are also encouraged to recognise that within such a small market like Jersey, there are often only very faint lines between Retail and Wholesale; as many wholesalers operate in both markets.

One further point of note is that the sector is often spoken about in isolation of other sector, e.g. Tourism and Hospitality. However, the reality is that a successful retail sector is heavily interwoven with everything else that occurs around it. Accordingly, increased activity within tourism and/or hospitality is likely to have a positive effect on retail and vice versa.

Fundamentally, the retail sector has seen a reduction in volumes, or at least a lack of growth, at the same time as increasing pressure on margins. For many traditional “bricks and mortar” businesses, an inability to managed fixed overheads has either considerably reduced profitability or made ongoing trading non-viable. The most vulnerable appear to be smaller retailers who often do not have the critical mass to adequately manage their supply chain or influence their fixed overheads.

It is likely that the principal reason for a reduction in volumes is:

- Loss of sales to external suppliers; e.g. the internet
- A general reduction in the consumer’s propensity to spend due to the economic climate
- A reduction in footfall from lower tourism visitors and/or the migration of office workers towards the Esplanade area from other parts of town.

The principal reasons for a loss in margin are:

- Trying to compete on price, particularly against large internet operators
- Operating costs that have unavoidable increases; for example
 - labour costs that rise with minimum wage increases
 - leases that are linked to RPI increases
 - Increases in utility costs
- Poor supply chain and general cost management

I note that most other respondents have already set out in greater detail their views of the issues facing the retail sector and, in general, I can confirm that they appear to reflect the insights seen at Jersey Business in the course of its work with retail businesses. Accordingly, it is not proposed to repeat the same comments here.

Instead, comment is made about some of the existing support that is provided either directly or indirectly by Government and of further support opportunities that could make a significant difference.

Government policies and actions

Sunday Trading

At the current time a trial is proposed to remove the restrictions placed on larger retailers preventing Sunday trading. This change is heartedly welcomed leaving the decision to trade, or not, with the proprietor. Similarly, the consumer will choose to shop on a Sunday if they wish to. Retailers will manage the days that they open in response to consumer demand.

Parking

It is essential that consumers can get in and out of town with the least amount of inconvenience. This means that parking must work. The trial meter system operated at

Sand Street appears to have worked well and I believe that this is to be extended. It is hoped that this will be implemented as soon as possible.

Skills Jersey

Skills Jersey is a body that provides strategic oversight in respect of the need and supply of a skilled workforce. Through their program, “Skills Accelerator”, they provides financial support towards the cost of training and development of individuals across all sectors, including retail, of up to 75% of the cost, capped at £5,000. As a positive initiative to remove the cost barrier to gaining skills, this program is extremely welcomed. However, I suspect that a difficulty lies in persuading small retail business owners to invest their own time in making such a commitment.

Digital Jersey

Whilst Digital Jersey takes a strategic role in the development of the digital sector, both its team and its supporters regularly provide more operational support to many organisations that are looking to develop their potential to benefit from a digital presence.

Business Advice and Support

Jersey Business provides free, independent and confidential advice to business owners and potential start-ups. The team at Jersey Business has more than 70 years of retail experience and over the last year has provided advice and support on everything from retail concepts, through establishment e.g. premises, to supply chain management.

Jersey Business offers small grants based on 50:50 funding, capped at £2,500, to support market research, off-island sales promotion and other growth initiatives. Whilst the total amount of funds are limited, if additional funds were provided, specific funding could be targeted at small retail operations to, for example, establish or improve their online presence.

Retail Champion

A key message that arose from the recent Retail Workshop was the need for a Retail Champion. This could take the form of a brand such as “Jersey Retail” that should have the dual role of representing the sector and of its promotion.

An extension to this, (which was not discussed at the Retail Workshop), would be the potential to incorporate the existing Town Centre Manager’s role into an overall Retail Focused body. At the very least, one would expect that there would be extremely close working between the two functions.

Customer Service

The overall perception of customer service in retail, based on a variety of reviews over the years and more recently a survey carried out by EDD in 2013, is that it is poor. There are a number of reasons that are likely to lead to such a result including; poor management capability in the sector, lack of investment in people including in training; and perceived high staff turnover.

In the past there have been several attempts to encourage an improvement in staff training, in particular the Retail Training Network (RTN) set up under the Training &

Employment Partnership (TEP). As far as I know, the last of these faded out some years ago.

There are frameworks for the provision of retail training in the UK both for management and customer service such as The National Skills Academy for Retail which operate along the same lines as Investors in People (IIP). The framework sets standards for achievement and provides recognition for organisations that achieve accreditation. There is then a renewal assessment that seeks to ensure that standards are maintained.

Retail Environment

With the changing approach to retail shopping from high street to mobile device, there has never been a time when it was more important to consider how the Jersey retail proposition can be supported. Suggestions include the following.

- A specific proposal from the recent Retail Workshop was the development of a Retail Calendar to help energise operators to maximise potential opportunities. The creation of a retail calendar is an important start as it creates a series of moments, effectively small peaks that encourage shoppers to go to a location or to participate in, an event.

A Retail calendar should include focussed events/themes for the Island as a whole; St Helier; St Aubin and Gorey, and work seamlessly between Retail and Tourism. It would include small generic peaks such as say “Coffee week” and include major events such as “Battle of Flowers”.

- There is a reality that the shape and size of retail in Jersey is changing and will continue to change. Areas of former prosperity, for example from North of Town to Colomberie, will lose out. It is essential that consideration be given to what happens thereafter.

This is a matter for the Planning Department which I note from a recent press article has been looking at the re-zoning of unused retail space. This is an important part of revitalising the overall retail environment and could benefit from greater consultation with those in the industry.

Central and Beresford Street markets

Although part of the overall issue of the Retail Environment, Jersey’s Central and Beresford Street markets are definitely worthy of specific comment.

The following is an extract from Jersey.com – the principal information site for visitors to Jersey. “Jersey’s Central Market is the vibrant heart of St Helier”. Is this a statement to which one could readily affirm? However, I believe that almost all consumers and retailers alike believe that it should be.

Jersey is blessed with a beautiful Victorian Central Market which, if we were looking at any UK town revitalisation program, would be at the heart of the project.

Over the last ten years or so, there have been three significant reviews of Jersey's Central and Beresford Street markets, the last in 2010; the recommendations of which have yet to be implemented. This is such a missed opportunity. The current operation and retail offer is no longer fit for purpose and, year on year, the gap between what the market could be and what it is, grows.

I do not have access to any information about the existing management of the markets but from an outsider's perspective, they appear to be run as a property asset with maintenance of the fabric of the building being the primary objective but without the passion and commitment to the adventure that should be going on inside it.

I would love to see the statement on Jersey.com of the "Central Market being the vibrant heart of St Helier" come true. Moreover, I do believe that it can happen and that every islander would support it.

In recent times the States of Jersey have appointed "shadow" Boards to oversee Harbours and Airport and separately, the Tourism sector. Imagine what could be achieved if a similar structure was put in place to take strategic responsibility of the markets and implement the findings of the 2010 Jersey Markets Review?