

February 10th 2014

Deputy S G Luce
Chairman – Economic Affairs Scrutiny Panel
States of Jersey

Dear Deputy Luce

RETAIL POLICY REVIEW

I refer to your review of our retail sector. The views expressed below are entirely my own but I hope may be of use to you. Between 1985 and 2003 I worked for Le Riche Group, which was a publicly owned, long standing and substantial retailer by Island standards. Subsequently I have served on the boards of a number of locally owned companies in the retail and distribution trades, was President of the Jersey Chamber of Commerce in 2005-7 sectors and I am currently Chief Executive of Jersey Post.

I very much welcome your review the sector is important for so many reasons but faces numerous challenges and sadly is likely to shrink in the coming years. For example Amazon recently declared sales of \$74 billion but was barely profitable which I believe indicates just how competitive retail has become and why Jersey retailers have little to no chance of competing on price.

Taking the headings of your enquiry I would comment as follows: -

1. *To establish the full range on challenges facing Jersey's diverse retail sector*

- Without doubt the largest challenge facing the sector is the growth of online shopping in the island. The price of goods in Jersey compared with other places has long been a bone of contention with consumers now they are in a position to do something about that. My employer Jersey Post has publicly disclosed that their parcel volumes in 2012 grew by 28% on the previous year, there is also the research provided by Island Analysis, which indicates a much larger incidence of Internet shopping in Jersey compared to the UK and an intention to do more. It is entirely understandable that Jersey consumers want the almost infinite choice provided by the Internet and the lower prices that massive scale can bring and will have very limited sympathy for any business that cannot provide that, local or otherwise.
- The growth of Internet is also presenting an opportunity for off island retailers that traditionally sold from physical stores to sell

to the local population without the risk of taking on local premises or employing local staff. Given the small size of our market the costs and complications of setting up so called 'low value' business in Jersey I can see that this is a trend that could accelerate, placing further pressure on retail jobs, our economy and town.

- The common conclusion reached for higher prices in the Island seems to be that islanders are being 'ripped off' further increases transfers to the Internet. Whilst consumers may occasionally be persuaded to pay higher prices to support local jobs etc they do not like to think they are being taken advantage of. No doubt there are bad retailers but based on the GVA for the sector and the considerable competition (on and off Island) it seems unlikely there is much scope for profiteering in retail in Jersey. Constant comment to the contrary from politicians and media must be damaging long term; nobody likes to be accused of being dishonest.
- Local retailers generally suffer from minimal economies of scale, higher unit costs, States policies aimed at reducing car usage, tax advantages for online shopping, upward only rent reviews in leases and reducing tourist numbers.

2. To establish the current policies and actions of the Minister for Economic Development towards the retail sector

- To my knowledge the latest retail policy was issued in 2010 and was essentially aimed at providing support for bringing retailers like Tesco to Jersey. Based on the latest report from CICRA there now seems to be a desire to encourage the likes of Aldi and Lidl to enter the local market, given the smaller store sizes operated by these retailers if they wished to enter the market they could presumably do so. Whether these retailers would or not and what prices they would charge is unknown. It is worth noting though that Islanders can and do source non-fresh food, nappies etc from Amazon often benefiting from free shipping.
- From what I understand EDD are now turning their attention to providing support for local retailers to sell online and evaluating other ways they can assist. This is to be welcomed but speed of action and some risk taking will be required.

3. To examine whether the Minister's policies and actions represent an appropriate response to the challenges facing the retail sector

In my view actions that government could take to support the industry (in no particular order) thus maximizing tax take, consumer and tourist choice and local employment opportunities include:-

- Continue work to support retailers in offering an online offer perhaps through the promotion of a Jersey online town.
- Continue support for initiatives like Genuine Jersey which provide diversity, opportunity and help maximize economic multipliers through keeping money in the Island.
- Commission research into state of retail in Jersey, the profitability of the sector, intentions of existing operators and the issues identified from their point of view. Sadly many are too busy surviving to participate in your review or have lost confidence in Government to provide any assistance.
- Find ways to support smaller independent retailers through training and, promotional activity. They are very important to the diversity of the retail offer in Jersey.
- Encourage TTS and Planning to consider carefully the impact of 'anti car' policies on the retail sector and therefore the economy.
- Encourage planning to review their change of use policy to support the inevitable exit from retailing of a number of small businesses especially in secondary areas. This needs to be done speedily so that units can convert quickly avoiding further damage to adjacent units.
- Consider an increased rates charge for vacant retail properties to discourage landlords from leaving units empty for extended periods. The proceeds being used to fund regeneration initiatives
- Importantly support and promote the Tourism industry, which has the capacity to increase the number of Jersey shoppers without increasing the population of the island.

Yours sincerely

Kevin C Keen