

An Overview of Economic and other Challenges and Opportunities
for High St Retail in Northern Ireland

Assoc of Charity Shops – Retail Conference
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Good Morning Ladies and Gentlemen,

Thank you for inviting me here today to share with you my views and Marks and Spencer's focus for high st retailing in the near future.

I suppose, like everything in Retail....it all has to start with THE CUSTOMER!

Who are your customers? What are they doing? What do they want?
How do they live? And most importantly, how will they change?

Understanding, predicting and then acting on this change is the biggest challenge for retailers.

I am going to talk about 5 areas where M&S see the greatest challenge and prize for High st retailers.

They are:

1. Changing retail landscape – *which translates as how shops have changed*
2. New Selling Channels – *the internet*
3. Changing Demographics – *the age profile of shoppers*
4. Social Responsibility – *we all need to change and act responsibly*
5. Recession – *the R word that everyone in retail fears*

1.
The Retail landscape is constantly evolving and what we have know is, that M&S has learned that it is dangerous to exclude your business from some of these options.

25 years ago – retail was dominated by the traditional High St. and most customers accessed this by public transport. It was a level playing field for retailers to compete with each other. Then along came the large Out Of Town Malls with ample free car parking and things started to change.

10 years ago- retail parks and fashion parks started to spring up, now on the edge of town centres. What was originally just a row of furniture and DIY sheds, suddenly started to look like mini high streets

And what happened to the traditional High streets during this time? Well, some faltered for a bit and then developed in line with their Out of Town competition. Many forward thinking planners allowed the development of covered malls adjacent to the high streets, giving customers the choice of both types of shopping. In Northern Ireland 6 of our 8 high st stores are located in malls like this and contribute to the vibrancy of the town centres.

Some however, have failed to find their purpose in the retail hierarchy. Shop units are too small to accommodate new retailer's needs, shop fronts are old and shabby, parking is not sufficient or accessible and the retail mix is just not good enough.

The success of the traditional high st is to offer something the Out of Town retailers can't.

The most successful high streets have a **mix** of interesting independent retailers book shops cafes convenience shops charity shops and service functions.

The public realm is clean and modern and parking is convenient and sufficient.

In Northern Ireland there are clear examples of both and customers will make the choice, often travelling long distances to experience the good ones.

Which brings me to the next area – **New Selling Channels**

2

These are the new competitors to the High St and we can winge about it or embrace it!

It is now well documented that customers are buying goods and services through a variety of different channels. How many of you bought something this Christmas through the internet?

You weren't alone

- in the UK last year, £38 Billion was spent on line – This year, it is set to grow by a further 12%
- that equates to 10% of the total UK retail spend
- By 2014 it is predicted that 25% of all retail spend will happen thru the internet and by 2020 50%.....imagine, half of all money spent in retail – through the internet!

Digital media, the world of social sites, facebook and twitter are changing how people communicate with each other and retailers will have to evolve their marketing to communicate to their customers thru this new media.

And don't think it is just for the young....

The average age of Facebook users moved this year from aged 26 to aged 33.....and more remarkably 4% of users are over 65!

I am not giving you these stats to show you how much research I read....well I am, but more importantly what this highlights is that how people shop has changed and I feel this will provide more opportunities for the high st...

....think about it, with my essential/ important purchases taken care of on line in my own time (no more trudging round Tesco with the kids hanging out of the trolley)
– I am now free to mooch around my local high st. My weekends are now free to spend on a more leisurely version of shopping.

3.

Changing demographics.

We are all getting older!

I know I am stating the obvious but.... did you know....

- The world's over 60 population will double in size - from 11% to 22% by 2050
 - by then, more people will be over 60 than under 5
- and good news for retailers

-these people are not sedentary, they are travelling, active socially, strong technology users, demandingand importantly they account for 80% of the wealth in this country

So what does that mean for high st retail?

It means we have to continue to respond to the needs of this market.

If this isn't your core customer, then think of ways to move towards them, offer them goods and services that respond to their needs.

Older customers hate travelling to shop and they hate large retail "sheds", they have more time to spend across the week. This plays well to High st strengths.

M&S is responding to this trend, obviously through the products we sell, but also through our remodel programme.

We are revisiting our traditional High st stores and shaping them to deliver what the customer wants from the local shop.

A bright, modern environment. More product choice. Hospitality (cafes) that allow them to relax, spend time with friends, feel a sense of place.

The growth of the hospitality business has been another indicator of this change in customer expectation and behaviour.

Some more facts..... over the last 5 years sales in our cafes has grown by 60%....M&S is now the 3rd largest coffee retailer in the UK.

This is a very profitable area which also encourages customer dwell time, spend levels and brand loyalty.

4. Social Responsibility

We are no longer people who need to be convinced about the merits of going green – but we want retailers to make it easy for us to make the change.

In M&S, our customers look to us to show them the way. Like charities, they trust that we are doing the right thing, but we need to communicate to them and above all don't lose that trust.

In 2007 M&S launched their plan A eco- plan. (plan A.....because there is no plan B)

There were 5 clear objectives

- become carbon neutral
- send no waste to landfill
- extend sustainable sourcing in raw materials
- set new standards in ethical trading
- help our customers and colleagues live a healthier lifestyle

We might have expected the recession to dampen down customer's interest in this – not at all...80% are still clear that it is a priority. ...but they do want it at a minimal cost

But what can shops do?

Well in N.I – we led the way. We trialled the charging of carrier bags for the UK business.

We learned some lessons about how far people were prepared to go to change...about poor communication and how people need to feel good about their sacrifices.

And what did we achieve?

In that first year - we reduced our carrier bag usage by 66% and donated £80,000 to Groundwork, a local environmental charity

Last year our clothes exchange programme motivated one million M&S customers to raise over £2.2m for Oxfam and saved 4 million items of unwanted clothes from going to landfill.

Small things that add up to big changes.....so what are you doing, not just to show your customers, but your staff too?

5.

Finally, the R word.

Once again we must use this time to get even better at what we do. Respond to our customers needs, empathise with their concerns.

As an “indulgent” food retailer, M&S has had a harder time than some.

Everyone loves M&S food, but we feel a bit guilty when times are tough paying for it.

We have had to try to remove the guilt from the treat...so we have come up with campaigns like the “dine in for £10”

(for those of you that haven't tried it – there is a special one this weekend for Mother's day)

We have promoted our value clothing range under the banner “economise, don't compromise”

Communicate value for money – not just price.

Most people don't want to reduce their quality of life, so we have to help them make the changes

The recession has highlighted the important role of High Streets in the retail hierarchy.

People are shopping more locally. They know the big Out of Town shopping centre will tempt them to spend money they don't have.

This year in M&S high st stores will account for 60% of our sales. They will out perform the Out of Town business in sales year on year.

Next year, we expect the market to be flat. Any growth will come from understanding the customer and giving them what they want better than the competition.

In Northern Ireland this may prove a more difficult year. There is a view that we were behind GB in getting into recession and may be slower to come out of it.

This means that the customer trends in shopping locally may still continue, this could be a change for good!

But I will not steal David's thunder as I believe he will outline in much more detail later how the opportunities from the recession can be maximised in your sector.

I hope this has been useful to you and I thank you for your time,