skillsmart retail™

Skillsmart Retail Analysis

Current and future trends in UK retailing 2008-09

Skillsmart Retail Ltd, 93 Newman Street, London, W1T 3EZ, Tel 020 7462 5060, Fax 020 7462 5061, contactus@skillsmartretail.com, www.skillsmartretail.com

The Skillsmart Retail analysis series

How we shop and where we shop in the current economic climate is the source of countless headlines. Those who are employed in the sector, how they serve us and what retail businesses are thriving or struggling also feature frequently in the UK media.

This series of reports is developed by Skillsmart Retail in-house research team to provide readers with an overview of the main business, employment and skills trends within the retail sector.

Our analysis of **Current and future trends in UK retailing 2008-09** continues the series.

It initially summarises four key themes which we have identified throughout the year including:

1.1 Christmas trading – a true indicator?
1.2 Online trading
1.3 The rise of value retailing
1.4 Ethical retailing

Within each theme we highlight the possible consequences for employment and skills in the sector.

The second part provides an outline of the main characteristics of employment in the retail sector. It comments on:

- Current and future employment prospects
- Retail employment throughout the UK, its nations and regions
- Profile of the UK retail workforce, such as occupations, age and gender characteristics
- The continued transformation of sub-sectors

However, over the past year there have been a number of emerging themes that have briefly been addressed in the paper, but need to be analysed in further detail over the next six months including:

- Online trading (to be published summer 2009)
- Demographics of retailing (to be published Autumn 2009)
- Qualified and trained workforce (updated)
- Rise of value retail (new)
- Current and future trends (annual update)

1. Key retail topics in 2008

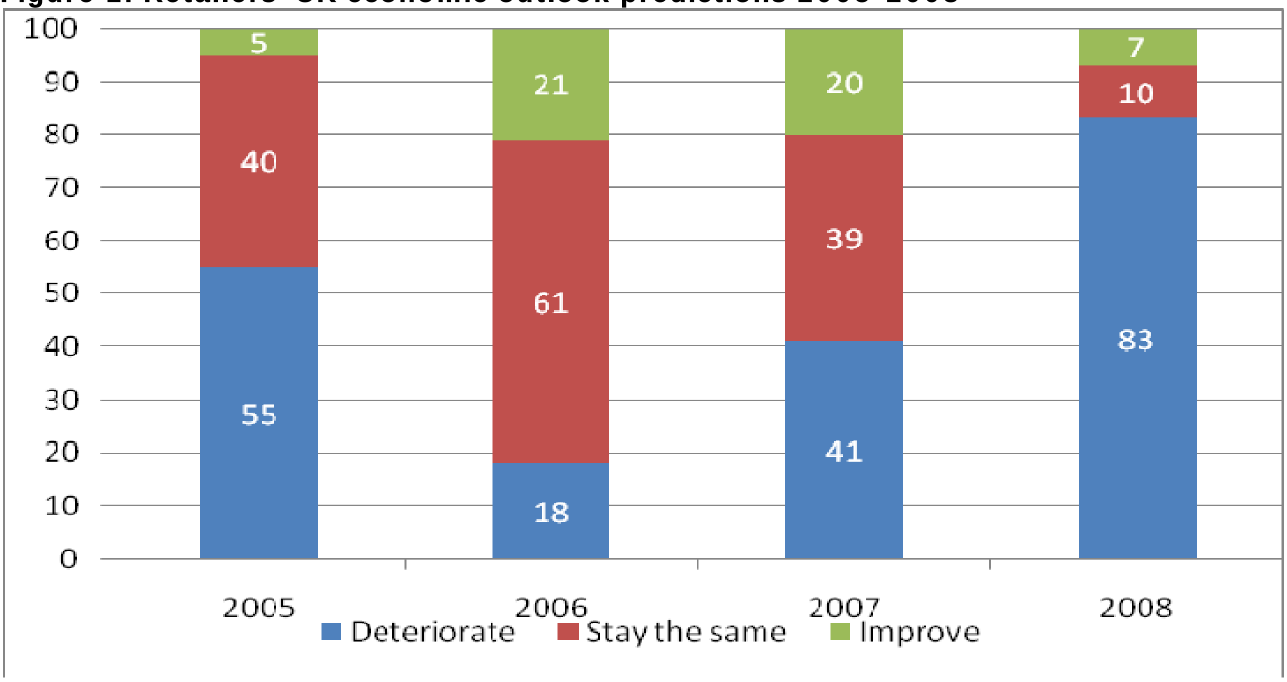
1.1 Christmas trading – a true indicator?

Christmas is the most significant trading period of the year for UK retailers. According to the British Retail Consortium, between 40% and 60% of turnover for large retailers is achieved in the period between November and January also known as the 'Golden Triangle'[1]. Given this volume of activity, Christmas trade is often regarded as a key indicator of the prospects not only for the sector, but also for individual retailers.

The effects of the credit crunch were felt in the retail sector throughout 2008, but increasingly came to bear in the last quarter of the year. In turn consumer confidence in the economy weakened as they faced rising costs of household utilities, the decrease in house prices, the falling value of sterling and the rise in the cost of fuel. Factors such as interest cuts, the Government's reduction in the VAT rate and the worldwide reduction in the cost of a barrel of oil, may have however slightly lessened the decline in consumer confidence and resilience in early 2009.

However, in 2008, 83% of retailers were expecting the UK economy in 2009 to deteriorate, compared with 41% in 2007[2]. Consumers were also pessimistic over the state of the economy, but nevertheless 57% indicated that Christmas 2008 would not be cancelled and that they would spend approximately the same amount of money as last year.

Figure 1: Retailers' UK economic outlook predictions 2005-2008



Source: Deloitte - The Retail Review Christmas Retail Survey "The big Freeze?" 2008

As a result, the approach to Christmas 2008 for retailers was very different from previous years. One third (34%) of retailers surveyed planned to hold lower stock levels than in 2007 and nine out of ten retailers were looking at reducing the costs of their operations.

Retailer optimism was not changed by the lack of footfall in the early part of December and the closure of some prominent high street stores, including Woolworths, Adams and MFI. These unrelated factors led to the majority of retailers massively discounting products and bringing forward the 2009 New Year sales to start pre-Christmas.

[1] BRC 'Christmas Facts and Figures' December 2005, www.brc.org.uk (Accessed 20/03/05)
[2] Deloitte - The Retail Review Christmas Retail Survey "The big freeze?" 2008

In reality, Christmas 2008 can be recorded as the worst Christmas on record[3] with retail sales declining from 2007 by -3.3%. But there was some ambiguity in the sector, as well as some distinct winners and losers.

With the positioning of Christmas Day on a Thursday, the rush for Christmas shopping was not experienced until the last week. For the majority of stores this meant that heavily discounted prices in the New Year sales were already in evidence. Thus although footfall in the high street over December as a whole was down like-for-like by 1.3%, over Christmas week itself footfall was recorded as increasing by 13% compared with 2007[4].

Winners emerging out of the Christmas period were the discount stores, such as Primark, Peacocks and Poundland, and other larger retailers such as Morrisons, Waitrose and Sainsbury's. Distinct losers were the stores that were either put into administration or were closed down, such as Zavvi, Officers Club and Passion for Perfume, or were highlighted by the media as being in trouble including Grattan Catalogues and the Home Retail Group.

1.2 Online trading

Online retailing is now an established retail format. A key factor in its growth is the increased access to broadband internet by British households. In 2008, 16 million houses have access to the Internet with 56% (approximately 7.7 million)[5] having a broadband facility which gives faster access to virtual stores.

Online shopping during December 2008 grew by 14% compared with last December's figures. This equated to £4.7bn being spent online in December. In reality although this is not an insignificant growth and represents a considerable amount of money spent online, it still represents a slowdown in trade activity. A consensus of analysts' views is that the prudent consumer researched products online, found the best price and location for items they wished to purchase and then went to the high street to purchase. Indeed the Financial Times stated that *"online purchasing will continue to grow, but at a slower rate than predicted due to the underlying economic uncertainty"*[6].

Contrary to the initial predictions of traditional retailers suffering at the hands of new internet start-ups, established high street retailers such as Argos, Tesco, HMV and Next have used online retailing as an additional route to market to reach their customers. According to Hitwise[7], half of the UK's top 20 shopping websites are actually conventional high street retailers (see Table 1).

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[3] BRC-KPMG Retail Sales Monitor December (covering the five weeks 30 November 2008 – 3 January 2009). 13 January 2009.
[4] The Daily Telegraph, Date: 31/12/2008, Page: 28 The Daily Telegraph, Page: 2(994795) Evening Standard London, Page: 11(983707)
[5] Office National Statistics. Internet Access. August 2008
[6] Financial Times. Growth of UK online shopping starts to slow, 15 January 2009.
[7] Hitwise apply a 'network centric' approach to collecting who is visiting different websites by collecting anonymous records from Internet Service Providers.

Table 1: Top 20 shopping and classified websites, based on share of UK internet visits January 2009[8]

Rank	Name	Domain	Market share (%)
1	eBay UK	www.ebay.co.uk	26.06
2	Amazon	www.amazon.co.uk	9.55
3	Argos	www.argos.co.uk	4.98
4	Play.com	www.play.com	3.44
5	Currys	www.currys.co.uk	2.13
6	Dell	www.dell.com	2.08
7	Marks and Spencer	www.marksandspencer.com	1.95
8	Comet UK	www.comet.co.uk	1.72
9	Next	www.next.co.uk	1.70
10	John Lewis Stores	www.johnlewis.com	1.57
11	Tesco.com	www.tesco.com	1.55
12-	Amazon.com	www.amazon.com	1.43
12-	eBay	www.ebay.com	1.43
14	PC World	www.pcworld.co.uk	1.38
15	Tesco Direct	direct.tesco.com	1.35
16	Hot UK Deals	www.hotukdeals.com	1.26
17	HMV	www.hmv.com	1.13
18	Game	www.game.co.uk	1.11
19	Price Runner	www.pricerunner.co.uk	1.06
20	eBay Motors UK	www.ebaymotors.co.uk	1.00

Source: Hitwise

The continued, but slowing, growth in online retailing is having, and will continue to have, an impact on retail employment, work organisation and skills. The trend for advertising spend to be transferred to the upgrading of online websites[9] has created a demand for additional IT roles in the retail sector. The Department for Trade and Industry (DTI) estimated that due to the success of online retailing there was a predicted demand in 2005 for an extra 5,000-10,000 IT specialists. This was expected to grow to an estimated 350,000 to 800,000 over the next five years[10].

Internet retailing is now a major part of the retail sales mix. This being the case, it is crucial that retailers get it right[11] [12]. It is vital for consumer confidence that all aspects of the retail multichannel supply chain are resourced and skilled to ensure smooth retail transactions.

Online trading also poses challenges for a range of core retailing functions. The challenge of providing high quality customer services is considerable. For instance, delivery drivers will not only need to be able to navigate to their destination but also be competent in handling customers. Online retailers will also need to work on how they are able to respond to complex enquiries about products and services that they offer. How visual merchandising is conducted on the internet is another area of possible debate, with the visual merchandiser's space being the computer screen rather than the store.

1.3 The rise of value retailers?

Since 2002, a number of value clothing retailers have reported excellent progress in profitability and market share. However, in 2008 the growth of these retailers slowed to 2.4% compared with the previous year's growth ranging from 3.6% to 5.2%. In 2008, the value of this sector equated to £8.8bn. Based on the latest data from 2007 (see Table 2) the value clothing now constitutes 3% of the total clothing market.

With the continuing economic climate, the value sector is approaching a crossroads in its retailing path. Continuing supermarket competition, such as from Asda and Tesco, and mainstream

[8] http://www.hitwise.co.uk/datacenter/retail/ Hitwise. Top 20 Retail sites.' January 2009
[9] http://www.guardian.co.uk/lifeandstyle/2008/mar/09/fashion.shopping
[10] DTI (2004) The skills implications of electronic retailing
[11] Faithfull, Mark 'Retail Week: All for one' October 2006
[12] www.retailtechnologyreview.com/documents/120TopTips.pdf

retailers opening outlet stores to dispose of markdown stocks are challenging developments. At the same time, consumers are looking for the best value for their money and so are becoming more discriminatory in their choice between value retailers.

Further pressures on value retailers, aside from the economic downturn, is from the development of the value retail sector model. Initially value retailers worked to a low price, high volume sales from a low cost store in a secondary location. As turnover increased so the low value retail model evolved into larger stores in more prime locations to accommodate wider stock range. Hence profit margins, and profitability, are reduced as additional store related overheads are absorbed.

Table 2 shows the breakdown of the value clothing market by the main retailers in 2008.

Table 2: Value clothing UK retailers market share 2008

Name	Market Share (%)
Primark	17.67
Asda (George)	19.94
Tesco (Florence and Fred)	11.18
TK Maxx	11.16
Matalan	10.28
New Look	9.82
Peacock Group	8.64
- Peacocks	6.12
- Bonmarche	2.52
Sainsbury (Tu)	4.25
TJ Hughes	1.42
Others	8.64

Source: UK Value Clothing Retailers 2008. Verdict Datamonitor, November 2008.

Primark is the sector's leading value retailer (18% of market share), although its growth has halved between 2007 and 2008 to 16%. An operating profit of £177m in 2008 is evidence of its positive positioning in the market place to attract *"female fashion conscious under-35s with a core C1C2DE market but attracting more ABs and families with a feel of a contemporary retailer rather than a value retailer."*

The value clothing sector is not the only area of value shopping that is developing. The economic climate has meant that value supermarket chains, such as Aldi, Lidl, Netto and Poundland, have increased customer numbers and turnover, see Table 3.

Table 3: Market data for leading value supermarkets 2000-2008

Name	Year est.	Store numbers	Employment numbers	Turnover 2000 (£ 000s)	Turnover 2008 (£ 000s)	Turnover growth (%)	Grocery market share 2007 (%)
Aldi	1989	350	1001+	605,361*	1,709,124*	+182	1.3
Lidl	1973	500	1001+	N/A	N/A	N/A	1.5
Netto	1990	181	1001+	490,999*	680,903*	+39	0.6
Poundland	1990	204	1001+	142,844*	402,607*	+182	N/A

Source: Verdict Datamonitor 2009 and The Retail Directory. Hemming, 2009.
* - estimated

Although the market share of the highlighted companies is relatively small compared to the 27.6% share that Tesco held in 2007, the turnover growth since 2000 for two out of the four enterprises is impressive. Store strategies, based on being either a low cost supermarket or a hard discounter, have proved a powerful draw to customers especially in the tightening economic climate. However, there is subtle differentiation between the highlighted value supermarkets:

- Aldi – heavily weighted towards own branded goods but designed to cater for a broad customer base
- Lidl – rather than operating a strict discounter price policy it focuses on matching the existing lowest price-point of branded goods
- Netto – a traditional low cost supermarket focusing predominately on fresh produce

- Poundland – this brand of store operate on a very different basis to the other value stores – everything/anything in its stores will cost £1.

  Source: Verdict, UK Value Clothing Retailers, November 2008 and Retail Week, Sound as a Pound, February 2009.

It is no surprise that there is growing speculation, and the results to prove it, that some of the value/discount retailers will continue to grow into larger businesses. Other successful growth stories emerging from the value area of the sector are Farmfoods, B&M Bargains, Heron Frozen Foods, Hobbycraft, The Range[13], 99p Stores and Wilkinsons.[14]

The success of the value/discount stores is proving a distinct challenge to the larger supermarket chains. In response Tesco and Sainsbury's and others have introduced their own discounted lines to encourage shoppers to remain with them during the economic downturn.

1.4 Ethical retailing

The impact of what we purchase on growers, producers and on the environment has become a major influence on our purchasing decisions. To embrace consumer needs, eco-planning has been at the fore of the majority of customer orientated retailers. Managing aspects of the process of ethical retailing has implications for training issues, such as supplier and product knowledge by sales and customer service staff for example.

Such ethical issues as the withdrawal of free plastic bags and rewards for reusing them, concern over the amount of packaging on products, the carbon footprint of distance travelled to store by products and supplier conditions[15] have become increasingly high profile. The majority of large retailers have eco-plans in place with Marks and Spencer being voted in the Sunday Times Best Green Company survey as the best performing green retailer in 2007.

However, the current recession posses new challenges for ethical retailing. In 2007 there was an increase of 15% in ethical retail spending to a figure of £35.5bn. But in 2008, a number of commentators claimed that there will be a reduction in ethical spending as a result of the credit crunch. At the 2008 Ethical Trading Initiative Conference, Phil Wrigley, Executive Chairman of fashion retailer New Look said:

"When people find themselves under economic pressure they tend to think about self preservation and a little less about others. The challenge for us is to show that social commitment across the world is not a matter of financial convenience and to redouble our efforts because, as economic pressure comes through, those most economic disadvantaged that will suffer most."[16]

However, the Co-operative Bank highlighted in its annual report on green spending[17], that ethical trading will remain a key theme in retailing and in consumer choice. This will be especially linked to the impact of green legislation and ethical choice. Nevertheless, the depth and breadth of the recession may be the determining factor in the ability of ethical trading to maintain its consumer positioning.

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[13] Retail Week. Best-Kept Secrets in the Business. February 13, 2009 pg20-21.
[14] Retail Week. Sound as a Pound. February 6, 2009 pg26-27.
[15] Centre for Retail Research. Retail Ethics and Green Retailing 2007: More than Plastic Bags?
[16] www.guardian.co.uk/business/2008/oct/23/ethicalbusiness-ethicalfashion
[17] www.goodwithmoney.co.uk/servlet/Satellite/1200903577501,CFSweb/Page/GoodWithMoney

2. Current and future employment prospects in UK retailing

The retail sector is the largest private sector employer in the United Kingdom. In previous reports of this type, the following section has described recent trends in retail employment and looked at its likely future growth by looking at the past full year's retail data sets.

However, given the current economic climate and the dramatic effect this has had, and is having, on the retail sector, the analysis of data relating back to the most recent data from 2007-2008 may not be entirely relevant. Such analysis may not assist the assessment of the health of the retail sector or be politically sensitive given the number of retailers currently in administration or struggling in the present economic conditions.

2.1 The retail sector's contribution to the economy

UK retail sales were approximately £287 billion in 2007. There has been a 21% increase in retail turnover since 2000. Retail accounted for 6% of UK Gross Value Added in 2007.

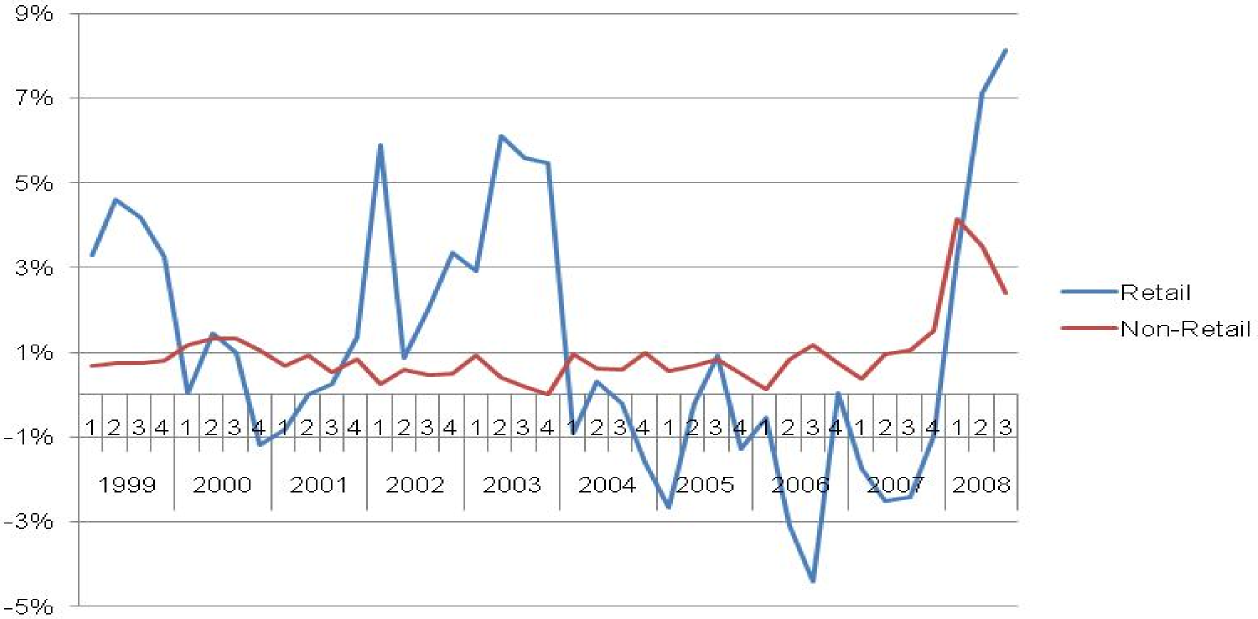
2.2 Retail employment growth has slowed

The levels of retail employment have remained approximately the same for the past few years, with just over 3 million people employed in retail.

However, Figure 2 shows the fluctuations of retail employment compared with non-retail employment. During the late 1990s and early 2000s the retail sector was a major source of new employment. Between Spring 1999 and Spring 2003, the retail sector created approximately 236,000 new jobs representing an increase of 9%. By the summer of 2003 retail employment had risen to just over 3 million.

In 2004 however, retail employment showed signs of shrinkage. By Spring 2005 the numbers employed in retail had dipped to just below 3 million with further reductions, apart from the peaks associated with the Christmas period in quarter four, throughout 2006 and 2007.

Figure 2: Annual employment growth in retail 1999-2008



Source: Labour Force Survey January 1999 - September 2008

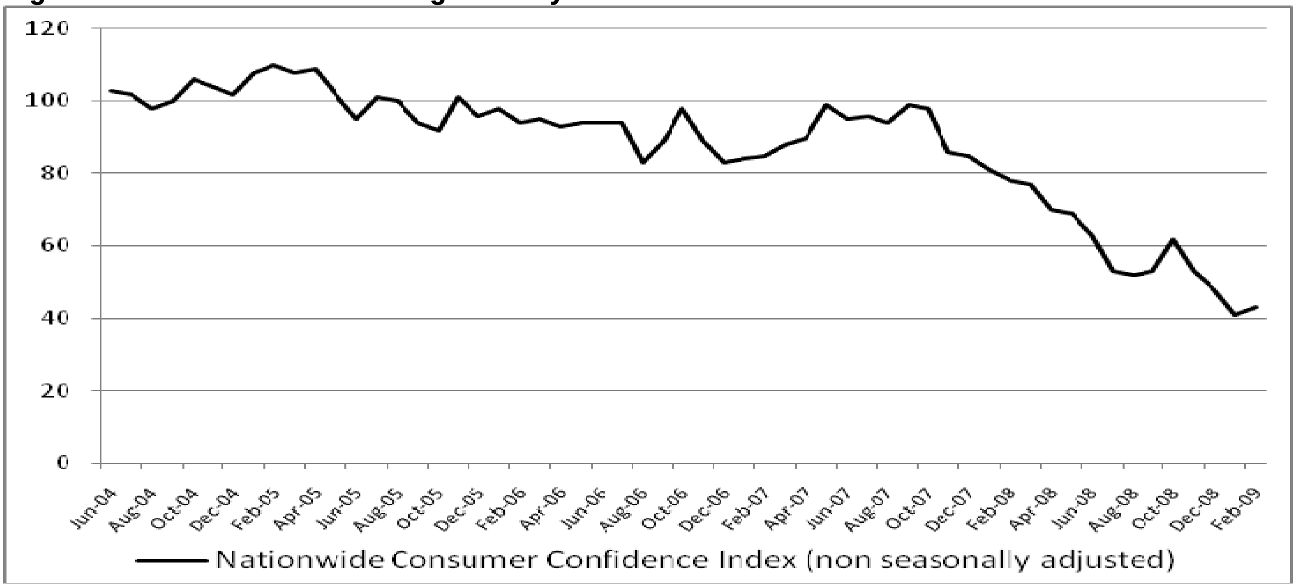
Figure 2 indicates that 2008 has seen a resurgence in retail employment, pushing the number of employees beyond 3 million. But since September 2008, the media has been reporting the number of retailers going into administration and/or closing. Approximately 48,000 retail jobs have been lost since September 2008 up until March 2009, but this still only represents 1.6% of the total retail workforce. At the same time approximately 41,000 new jobs have been promised by retailers such as Sainsbury's, Tesco, Asda, Lidl and Poundland.

2.3 Retail employment and the UK economic cycle

Trends in retail employment follow the overall trends in the UK economy, which in turn have an effect on consumer behaviour.

Consumer confidence is based on two key factors, the economy and employment stability, and is an aid in trying to understand the relationship between growth and decline in the retail sector. The results of Nationwide Building Society's consumer confidence measure is shown in Figure 3.

Figure 3: Nationwide Building Society's consumer confidence 2004-2009



Source: Nationwide Consumer Confidence Index June 2004 – February 2009
Note: The Nationwide Consumer confidence Index is based on the survey responses of 1,000 people.

Prior to September 2007, there was comparatively high consumer confidence related to the factors of a sustainable economy and employment stability. Post September 2007 there has been a decline in the confidence related specifically to these two factors. Such factors are magnified in the retail sector with greater pressures being exerted on retailers through consumers having less money available for discretionary spending and less certainty over their future employment.

The lack of confidence can be directly related to the current climate and since, predominantly, the last quarter of 2008 the media has been headlining the state of the UK retail sector. However, with 3 million employees, the closure of 18 retail companies (from Sept 2008 to the present day) equating to the loss of approximately 46,000 jobs still only relates to 1.5% of retail employees being made redundant. However, the portrayal of the closure of some of the larger high street stores, e.g. Woolworths, in the media can only have had a major effect on customer confidence – now at the lowest level since the indicator was created.

One of the major areas of retailing that can be seen to be continuing to grow is the online business area. This may be as a result of the economic climate making people more demanding on price and, potentially, using online facilities for direct purchases instead of browsing on the high street. However, online shopping is still in its relative infancy in terms of size, only constituting 4% of total retail sales[18].

2.4 Retail employment and structural changes

Whilst the slowdown in employment can be attributed to the economic cycle, there are signs that restructuring within retail is also having important long term consequences for employment.

There is some evidence that retailers are reducing the number of head office management roles and increasing the number of staff that deal directly with customers. In January 2009 Sainsbury's announced 200 headquarters job losses and in February 2009 Tesco announced that it would be

[18] Computer Weekly, 11November 2008.

cutting 5,000 jobs across its head office and management functions. However, at the same time Sainsbury's has planned for additional frontline jobs to be created this year and Tesco plans to recruit 10,000 new customer facing staff members in 2009.

2.5 Future levels of retail employment

According to forecasts by the Institute for Employment Research and Cambridge Econometrics, overall demand for jobs in the retail sector will grow during the period 2007 to 2017 by 1.2 million. However, in light of the current economic climate, the accuracy of these job demand estimates in retail may have to be reviewed.

Given the state of the economy and consumer confidence, it is interesting to review various predictions for growth in the retail sector. Growth forecasts include:

- Number of people employed in UK workforce to increase by 6% between 2007 and 2017
- Projections show that by 2017 the United Kingdom will have 3.3 million retail employees
- Between 2007 and 2017 214,000 retail jobs are expected to be created in UK as a result of expansion[19], while a further 1.2 million jobs will need to be filled as a result of people leaving the sector (replacement demand)[20]
- This means a total requirement of around 1.4 million jobs
- An increase in demand for males in corporate managerial, sales and transport delivery occupations
- An increase in demand for females in corporate managerial and associate professional occupations
- Possible occupational migration of female retail employees into high-skilled management positions

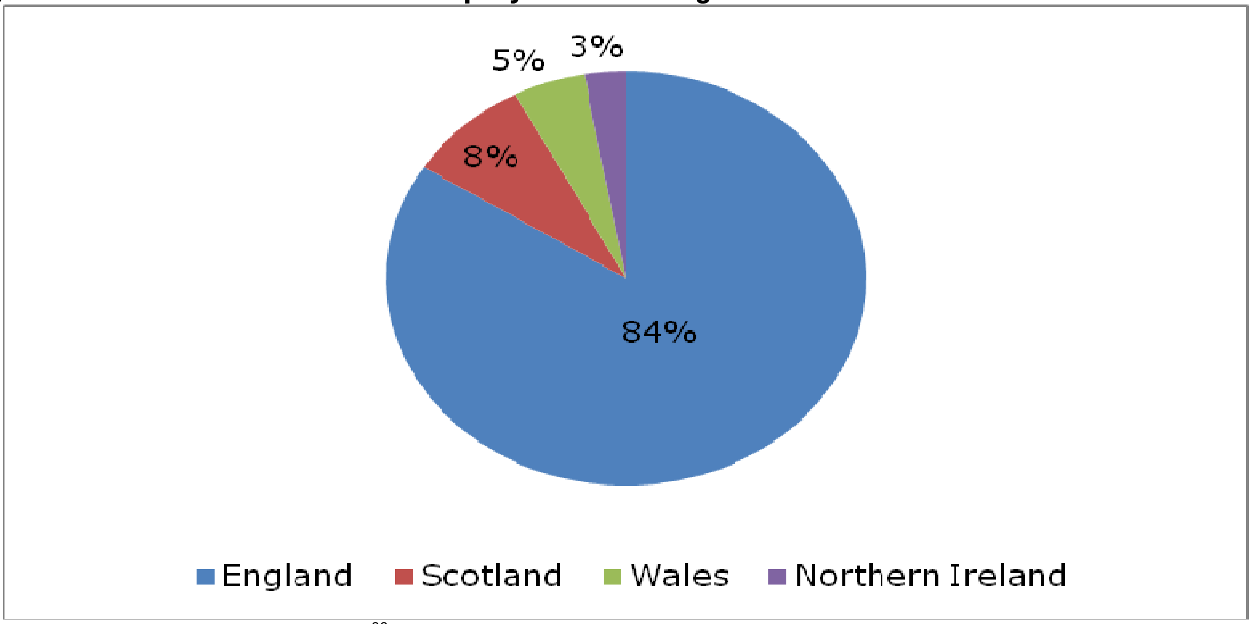
However, a substantial debate is required within the sector about the prospects for future employment growth. The debate will need to focus on the extent to which the retail sector has reached its capacity and its ability to survive after the recession where under performers will be weeded out and only the fittest will survive.

[19] Net expansion (Jobs created minus jobs lost)
[20] Replacement Demand is the demand for employment jobs created as a result of workers leaving the industry due to sickness, retirement, mortality or other reasons

3. Retailing throughout the UK

The retail sector is a major employer throughout the United Kingdom, in all its nations and regions, accounting for 10%[21] of overall employment.

Figure 3: Distribution of retail employment throughout the UK 2007

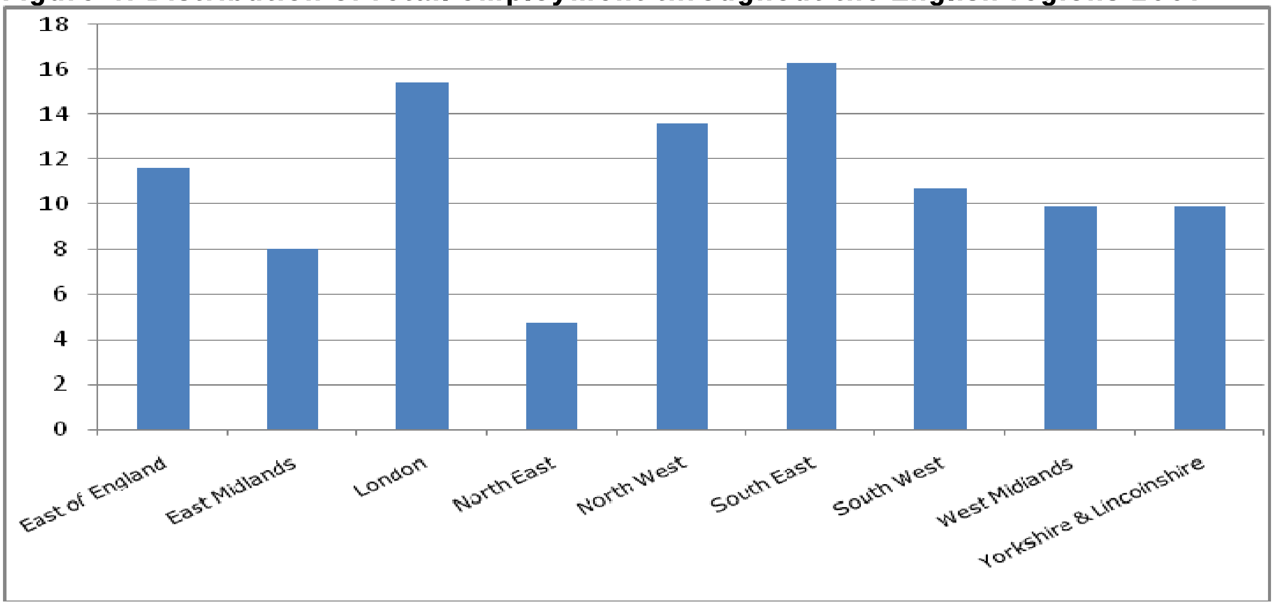


Source: Annual Business Inquiry 2007[22]

The distribution of retail employment in the UK is also reflected in the spread of retail enterprises in the UK as shown in Table 4.

The largest proportion of retail employment is in England. Figure 4 breaks the data down into its nine regions. The levels of retail employment broadly reflect the size of the regional populations.

Figure 4: Distribution of retail employment throughout the English regions 2007



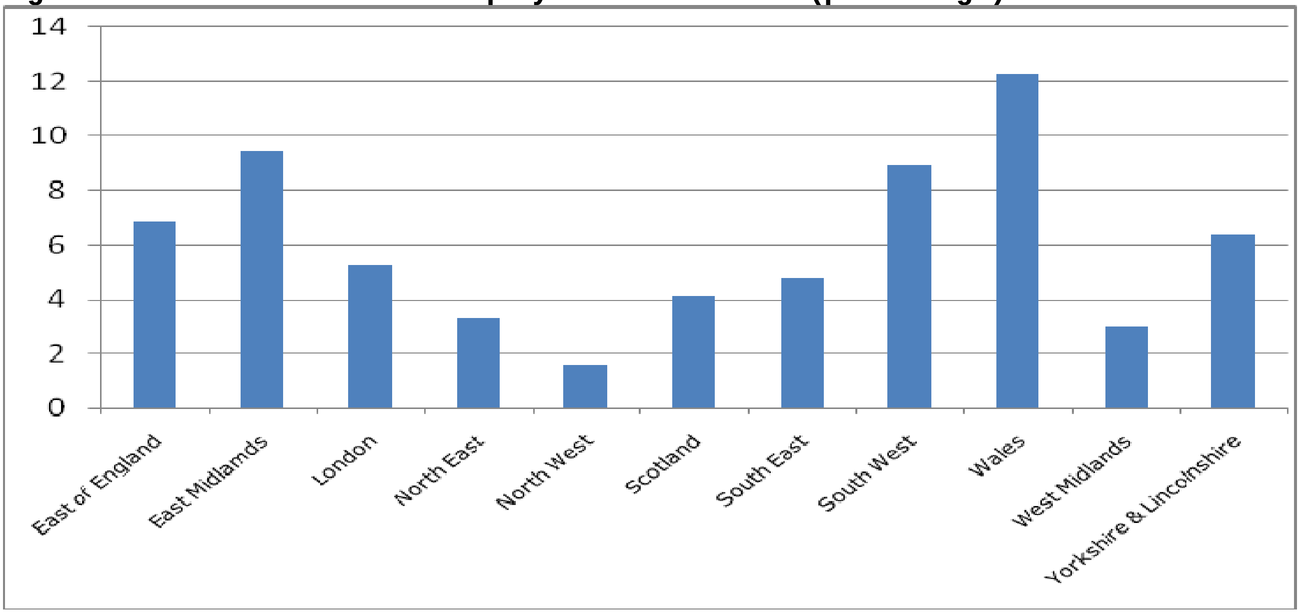
Source: Annual Business Inquiry 2007

[21] Labour Force Survey (Annualised 2007)
[22] The Annual Business Inquiry (ABI) comprises of quarterly and annual sample surveys of businesses across all economic sectors which provides information on employment and financial trends. The Annual Business Inquiry categorises and compiles data for the whole of the United Kingdom.

3.1 Growth in UK retail employment 1998-2007

Between 1998 and 2007 employment in the retail sector has been on a slow decline throughout the UK apart from occasional peaks in growth in distinct regions. Figure 5 shows that Wales had the greatest increase in its retail workforce (12%) between 1998 and 2007. The North West experienced a growth in retail jobs of approximately 1.5% over the same period.

Figure 5: Growth in UK retail employment 1998-2007 (percentage)



Source: Annual Business Inquiry 1998-2007
Note: The Annual Business Inquiry data excludes Northern Ireland data.

3.2 Number of VAT-registered retail enterprises in the UK

According to the UK Business: Activity, Size and Location (2007) dataset, there are 197,990 VAT-registered retail enterprises within the United Kingdom.

Table 4: Number of VAT-registered retail enterprises in UK 2007

Nation	Retail enterprises	% of retail enterprises by nation	All enterprises	Retail as % of all enterprises
England	166,960	84	1,851,200	9
Scotland	15,155	8	145,480	10
Wales	9,160	5	93,320	10
N. Ireland	6,715	3	71,555	9
UK total	**197,990**	**100**	**2,161,555**	**9**

Source: UK Business Activity, Size and Location (September 2008)[23]

The spread of retail enterprises by nation, and as a percentage of all enterprises, has remained relatively stable over the past few years.

Note: Retail enterprise data relates to the total number of VAT registered retail organisations in the UK (197,990). Retail establishment data relates to the total number of retail outlets operating in the UK (297,855).

[23] The UK Business Activity, Size and Location survey is an integrated survey of establishments in the United Kingdom and the data presents findings from businesses and other establishments found in most sectors of the economy.

Table 5 shows that 83% of retail businesses in the UK are micro-businesses employing fewer than 10 people.

Table 5: Number of VAT-registered retail establishments in UK 2008

Nation	0-9	10-49	50-249	250-499	500+	Total
England	206,785	36,105	4,955	1,045	310	249,200
Scotland	20,230	4,010	485	85	30	24,840
Wales	11,600	2,085	250	55	20	14,010
N. Ireland	7,775	1,790	215	20	5	9,805
UK total (% of total)	**246,390** (83%)	**43,990** (15%)	**5,905** (2%)	**1,205** (*%)	**365** (*%)	**297,855**

Source: UK Business Activity, Size and Location (September 2008)
* - less than 1%

There are 1,570 retail enterprises in the whole of the UK that employ over 250 staff.

Table 6 illustrates the distribution of major retail centres by nation. It uses CACI's unique model of retail centre potential, which classifies every UK centre. Table 6 is only broken down by major class type[24].

Table 6: Retail centres across the nations by type

Major Class	England	Scotland	Wales	N. Ireland	UK Total
Airports	**15**	2		2	**19**
Fashion Parks	**52**	5	4	1	**62**
Local Centres	**896**	97	37	14	**1044**
Major Centres	**120**	11	2	8	**141**
Metropolitan Towns	**119**	9	5	1	**134**
Out of Town Regional Malls	**9**	1			**10**
Primary Centres	**16**	3	1	1	**21**
Purpose Built District Centres	**9**	6		8	**23**
Regional Towns	**73**	9	12	2	**96**
Retail Parks	**628**	69	44	10	**751**
Rural Centres	**381**	114	104	20	**619**
Supermarkets	**79**	7	6	2	**94**
Urban Centres	**645**	52	13	30	**740**
Total	**3042**	**385**	**228**	**99**	**3754**

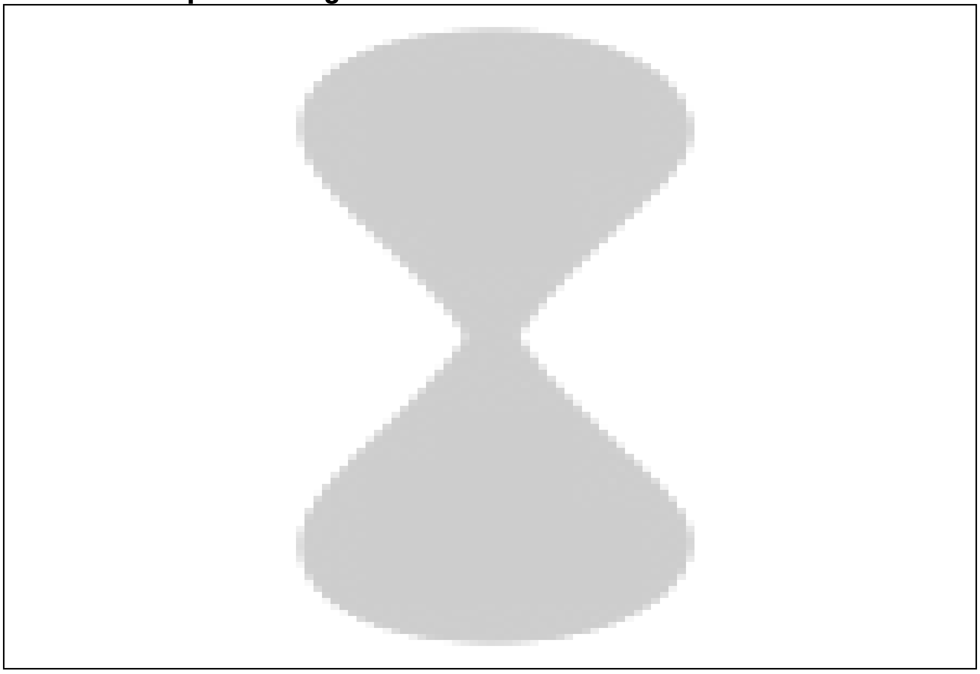
Source: CACI Retail Footprint 2007/Skillsmart Retail

3.3 The hourglass shape of retail

The number of enterprises in the UK retail sector has been previously characterised as an hourglass shape. At the top a relatively low number of enterprises dominate the retail landscape, while in contrast a large number of owner managers and sole traders operate at the bottom of the hourglass, i.e. numerically large, but economically weak.

[24] http://www.caci.co.uk/# (Accessed 19/02/07)

Figure 6: Retail sector shape - hourglass



Source: Skillsmart Retail

Using the latest data from the Department for Business Enterprise & Regulatory Reform on small and medium-sized enterprises from 2006[25], allows for the retail hourglass to be redefined as:

- The number of large enterprises in the UK hardly registers in percentage terms at 0.1% but accounts for 69% of turnover. Large enterprises account for 65% of all retail employment
- 17% of UK enterprises are medium-sized and account for 12% of total UK retail turnover. Medium-sized enterprises account for 6% of all retail employment
- 83% of retail enterprises in the UK employ less than 10 people, but this group only accounts for 19% of total retail turnover and 29% of all retail employment. Nearly 60% of all small retail enterprises are made up of just one person.

Table 7 illustrates the changes that have occurred in the three retail size classifications between 2002 to 2006.

Table 7: UK retail enterprise classification by numbers, employee numbers and turnover 2002 - 2006

Size of enterprise	Numbers of enterprise %			Employees %			Turnover %		
	2002	2006	% point change	2002	2006	% point change	2002	2006	% point change
Large (500+ employees)	0.1	0.1	0	62	65	+3	65	69	+4
Medium (50-499 employees)	0.5	17	+16.5	6	6	0	6	12	+6
Small (0-49 employees)	94.4	83	-11.4	32	29	-3	29	19	-10

Source: Department for Business Enterprise & Regulatory Reform, 2006

This suggests that the shape of the 2007 retail hourglass has subtly changed. It now appears that:

- Larger retailers are continuing to grow, especially in terms of turnover. The majority of large retailers now employ multi-channel retailing and have diversified into a wide range of goods to meet consumer needs. It is, therefore, not surprising to note that turnover has increased by 6%.

[25] http://www.dtistats.net/ed/sme/index.htm

- It is the mid range enterprises, between 50-500 employees, that are shifting their appearance within the hourglass. It can be hypothesised that this may be due to the number of smaller enterprises that have prospered, grown and subsequently moved across the threshold to becoming medium sized enterprises.

- The February 2006 report of the All-Party Parliamentary Small Shops Group - "High Street Britain: 2015" – acknowledged the importance of the small retail sector as a key driver of entrepreneurship, employment, skills and local economies. It did however predict that many small shops across the UK will have ceased trading by 2015 - largely as a result of a heavily unbalanced trading environment - and that this loss will have damaging social and economic consequences. The Daily Mail reported in 2007 that at least 25 corner shops a week were closing down, with almost one in six independent convenient stores shutting in the last three years[26]. However, small enterprises are surprisingly resilient and predictions of their demise may be exaggerated. But in the current recessionary climate, and with a ten percentage point decline in turnover levels, the slimming down of the hourglass foot may have a significant impact on both retail and the local communities that they predominantly support.

This retail hourglass shape is based on data from 2007 and, therefore, does not reflect the impact of the current recession on the number and types of retailers that will be closed down or reduced in size. Undoubtedly the number of retailers struggling for business in the current tough economic climate will result in a number falling by the wayside, a senior retailer in the Observer illustrated this by saying:

"There will be an evolution - the stronger getting stronger and the weaker disappearing."[27]

The next few months, and possibly the next few years, will continue to be challenging for retailers, and there will be distinct winners and losers which will again redefine the shape of the UK retail hourglass profile.

[26] The Daily Mail, '25 corner shops shut every week' (02/05/07)
[27] *The Observer Business and Media, Date: 04/01/2009, Page: 4,5*

4. Profile of the UK retail workforce

4.1 Overall occupational profile of the UK retail sector

The retail sector covers a wide range of occupations. Just under 70% of all the UK's sales and customer service staff, mangers and senior officials work in the retail sector. Even the sector's three least populous occupations (seen in Table 8) collectively represent over 148,000 employees.

The business of the retail sector is such that the largest occupation (broad definition) in the Labour Force Survey is 'Sales and customer services', which accounts for 50% of the total retail employment in the UK.

Table 8: Retail employees in UK by major occupation 2007

	UK	%
Sales and customer service occupations	1,428,710	50
Managers and senior officials	528,814	18
Elementary occupations	364,252	13
Administrative and secretarial	177,323	6
Skilled trades occupations	137,626	5
Associate professional and technical	100,999	4
Process plant and machine operatives	87,135	3
Professional occupations	56,130	2
Personal service occupations	4,600	0
Total	**2,885,587***	**100**

Source: Labour Force Survey (Annualised 2007)
*Note: the total of retail workers is 3,062,000. This variation is due to respondents failing to answer this question.

4.2 Occupational profile of the retail sector in the UK

Overall, the occupational structure of the retail sector nationally and regionally is largely consistent with the UK picture. The majority of people work in sales and customer service, followed by management roles and elementary occupations (such as shelf fillers and trolley collectors).

There are some variations however between the nations and regions. Many retailers' head offices and substantial operations are based in London and, therefore, it has the highest proportion of managers and senior officials working there (21%).

In contrast, the retail sector in Scotland records the lowest proportion of managers and senior officials (14%). However, it has the highest proportion of sales and customer service employees in the United Kingdom (55%).

4.3 Full-time and part-time employment

The retail sector is renowned for its part-time employment opportunities which many regard as a key component of its competitiveness.

While a quarter of people employed in the UK as a whole are in part-time jobs, half of those employed in the retail sector (1.5 million) are in part-time positions, according to the Labour Force Survey. This figure has been more or less constant for the past seven years.

Table 9: UK retail employment by work pattern 2007

	Full-time	%	Part-time	%	Total
England	1,256,901	51	1,218,372	49	2,476,556
Scotland	119,873	49	126,974	51	246,846
Wales	69,657	49	72,888	51	142,545
N. Ireland	46,266	56	36,793	44	83,059
UK total	**1,492,696**	**51**	**1,455,027**	**49**	**2,949,006**

Source: Labour Force Survey (Annualised 2007)

Since 2003 the number of full-time positions has exceeded part-time positions marginally, possibly because some retailers are offering full-time employees greater flexibility. The split between full-time and part-time employees is reflected across all of the UK nations, apart from Northern Ireland where there is a lower proportion of part-time workers.

4.4 Gender profile of the UK retail sector

The retail sector employs approximately a 60:40 split of women and men respectively. This remains fairly consistent throughout the nations and regions of the UK and has also remained fairly constant over the past ten years. There is also some evidence that the proportion of female employees is higher in rural areas compared with urban areas.

Table 10: Gender profile of UK retail sector 2007

	Male	%	Female	%	UK total
England	1,022,664	41	1,453,892	59	2,476,556
Scotland	94,101	38	152,746	62	246,846
Wales	61,419	43	81,126	57	142,545
N. Ireland	34,435	41	48,625	59	83,059
UK total	**1,212,618**	**41**	**1,736,388**	**59**	**2,949,006**

Source: Labour Force Survey (Annualised 2007)

In Scotland a larger proportion of women work in the retail sector (62%), probably due to its large rural population and a combination of cultural/labour market dynamics.

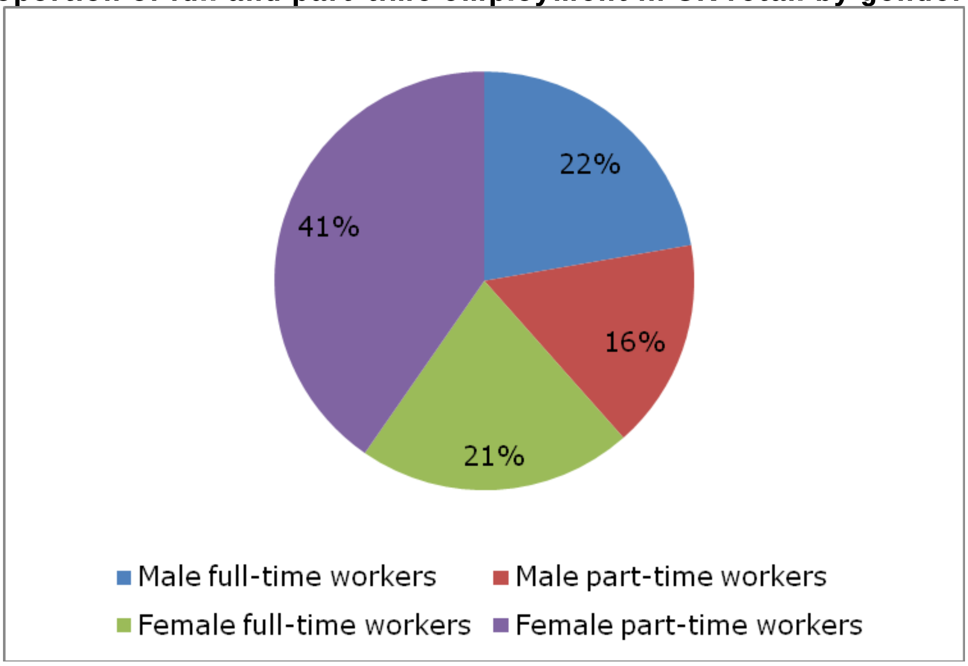
In London the female/male ratio is closer to 50:50 at 46% to 54%, probably due to the larger ethnic population. Most ethnic minority sole traders are male.

Overall, whilst the retail sector employs a larger proportion of women than men it is not a 'gendered industry' like health and social care which has a split of 80:20 female to male.

4.5 Gender representation: full-time/part-time employment

Two-fifths of all part-time positions in the UK retail sector are filled by women, mainly in sales and customer services. Women tend to be attracted to these positions because they offer flexibility and allow them an opportunity for an improved work-life balance.

Figure 7: Proportion of full and part-time employment in UK retail by gender 2007



Source: Annual Business Inquiry 2007

4.6 Gender representation: managers and senior officials

In the top 100 publicly listed companies, men outnumber women in management and senior official positions. Six retail enterprises have female executive directors, but no chief executives are female. However, The Female FTSE Report[28] states:

"Oil & gas, mining and electricity industries which do not have a large concentration of women employees, have more women in their top executive posts than sectors, like retail, that do employ a preponderance of women employees."

4.7 Ethnicity profile of the UK's retail sector

The retail sector employs a slightly higher proportion of people from ethnic minority backgrounds in comparison to all industries. The only sector employing more non-white people is hospitality and catering.

Table 11: Ethnicity profile UK vs whole economy

	Retail	%	Non-Retail	%
White	2,707,760	89.3	24,214,798	91.5
Asian or Asian British	190,146	6.3	1,026,337	3.9
Black or Black British	60,085	2.0	550,451	2.1
Other	40,360	1.3	356,530	1.3
Mixed	23,398	0.8	167,372	0.6
Chinese	10,756	0.4	126,169	0.5
N/A	1,098	0.0	7,921	0.0
Total	**3,033,601**	**100.0**	**26,449,966**	**100.0**

Source: Labour Force Survey (Annualised 2007)

According to the Labour Force Survey, Asians or British Asians account for 6% of the retail workforce. This compares favourably with the overall economy where only 4% of the working population are Asian or British Asian.

4.8 Newly arrived populations and employment in the retail sector

The retail sector has a rich history of employing newly arrived populations. Indeed the late opening corner shops and convenience stores to which the British public has become so accustomed were pioneered by immigrants in the 1960s and 1970s.

Both the construction and healthcare sectors report employing economic migrants to meet increased demand, the retail sector has made little comment about such a trend, which should be viewed as a potential opportunity. However, the 'Accession Monitoring Report May 2004 – June 2008' does indicate the number of migrants who have been employed in the retail sector and their geographical distribution (see table 12).

[28] The Female FTSE Report 2008, Cranfield University School of Management 2008.

Table 12: Geographical distribution of registered workers in retail and related services, May 2004 – June 2008

	No. of registered workers
East Anglia	5,905
Midlands	4,525
London	8,500
North East	2,590
Central	3,935
North West	3,490
South West	2,495
Scotland	2,400
Northern Ireland	1,405
Wales	680
Total	**38,550**

Source: Accession Monitoring Report (May 2004 – September 2008)

Unsurprisingly, the majority of migrants who register as working in the retail sector remain in London (22%). Over 15% of migrants remain working in retail in East Anglia and 12% work in the West Midlands.

However, the current reversal of the economic cycle has seen levels of unemployment grow across the UK and parity in the value of the pound against the euro. These factors may affect the need, and desire, for migrants to want to come and work in retail in the UK and new data will be watched with interest.

4.9 Age profile of UK retail employment

The sector's reliance on a young workforce

The retail sector relies heavily on young people, employing far more under-25s than the economy as a whole. Sectors with a similar age profile include hospitality and catering and the leisure industry.

Conversely, the retail sector employs a smaller proportion of people aged 25 - 65 than the economy as a whole. The convergence of demographic and market forces are combining however to create future recruitment and retention challenges for the sector.

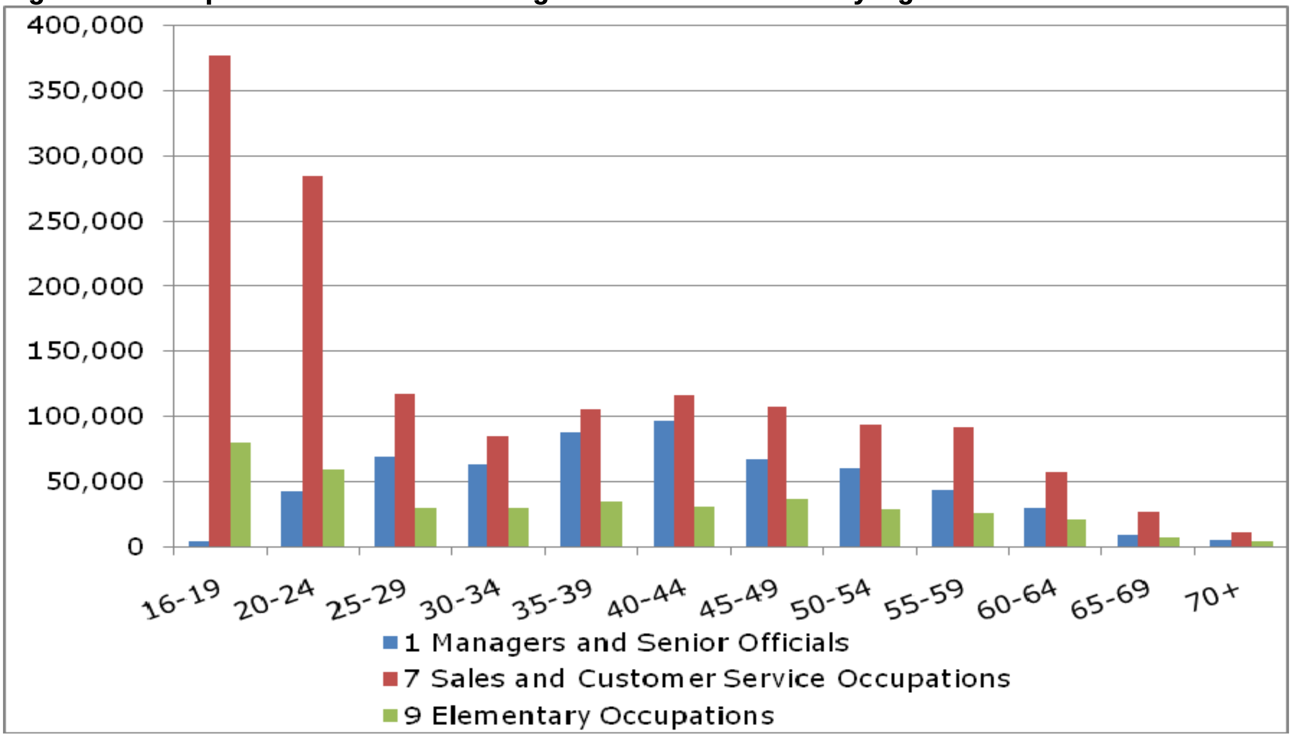
Figure 8: Age profile of retail sector employment in UK

Source: Labour Force Survey (Annualised 2007)

Age profile of sales and customer services and management occupations

A significant proportion of younger workers in the retail sector are employed in sales and customer services: 45% are below the age of 25. This is not surprising as the role can provide a good entry role for young people into work. Furthermore, many of these positions enable students to combine study and earning at the same time. Approximately one tenth (8%) of managers and senior occupations are filled by people below the age of 25.

Figure 9: Proportion of retail managers and sales staff by age



Source: Labour Force Survey (Annualised 2007)

5. The continued transformation of sub-sectors in retail

A number of sub-sectors can be identified within the retail sector. Traditionally these are aligned with product groups. Whilst there are a number of competing definitions and analyses, the data provided by the Office for National Statistics (ONS) gives a robust account of how sub-sectors of retail are being reshaped in terms of employment, establishments and turnover.

According to the ABI[29] analysis for 2007 there are 191,799 enterprises within the UK retail sector, together employing approximately 3,062,000 people. In 2007 the turnover of the retail sector amounted to £287 billion as shown in Table 13 below.

Table 13: Retail enterprises, employees and turnover by retail sub-sector 2007

SIC* / Description	Number of enterprises			Total employment - average during the year			Total turnover		
	Number	% share	5 year trend 02 -07 (%)	Number	% share	5 year trend 02 -07 (%)	£ Million	% Share	5 year trend 02 -07 (%)
52.1 Retail sales in non-specialised stores	35,933	18.7	-4.3	1,357,000	44.3	0.3	141,315	49.1	21.1
52.2 Retail sale of food, beverages, and tobacco in specialised stores	29,437	15.3	-25.0	181,000	5.9	-21.3	11,807	4.1	-1.7
52.3 Sales of pharmaceutical and medical goods, cosmetic and toilet articles	6,415	3.3	-4.1	124,000	4.0	15.9	13,503	4.7	34.0
52.4 Other retail sales of new goods in specialised stores	99,214	51.7	1.4	1,298,000	42.4	1.2	106,194	36.9	13.4
52.5 Retail sale of second-hand goods in stores	4,588	2.4	-22.8	17,000	0.6	-22.7	1,743	0.6	-3.6
52.6 Retail sale not in stores	16,212	8.5	18.8	85,000	2.8	-5.6	13,090	4.6	34.7
Total SIC 52.1 – 52.6	**191,799**		-4.3	**3,062,000**		-0.3	**287,652**	100.0	21.1

Source: Annual Business Inquiry (2007)
*Note: SIC codes relate to Standard Industry Codes. Retail covers SIC codes 52.1-52.6 (2003)

A more detailed breakdown of the numbers of retail enterprises, employees and turnover within the retail sector footprint is shown in Table 14. This allows for the following to be detailed:

5.1 Grocery, non-specialised stores with food beverages or tobacco predominating

The UK's four largest grocers (Tesco, Sainsbury's, Asda and Morrisons) are the most significant force reshaping the boundaries between sub-sectors. With margins in their core food retailing businesses squeezed, they have sought to expand their ranges of non-food items which have greater margins. As a result these retailers now sell an extensive range of non-food items such as electrical goods, clothes, home insurance and banking.

The ONS classification, 'Retail sale in non-specialised stores with food, beverages or tobacco predominating' incorporates the UK's grocery retailers. ONS statistics also reflect the robust growth. In 2005 this sub-sector comprised just over 28,500 retail enterprises. This has grown by 3% to just over 29,381 in 2007. Retailers within this sub-sector account for just over a third of the retail sector's workforce and 41% of turnover in the sector.

[29] These totals are at variance with other sources including the Labour Force Survey and Small Businesses Survey. This variation is due to the difference in sample, methodology and the annual basis that the survey was carried out.

5.2 Other retail sale in non-specialised stores

Enterprises categorised within the ONS classification ‘Other retail sale in non-specialised stores’ include UK department stores such as the John Lewis Partnership, Debenhams and House of Fraser.

The number of enterprises has fallen from around 7,731 to just 6,552 (15% drop) between 2005 and 2007. The number of people employed has decreased by 4% and turnover has grown by 12% between 2005 and 2007.

5.3 Specialist retailers of food, beverages and tobacco products

Over the past few years there has been an incredible difference in the way that the UK consumer shops. Car ownership and the rise of large supermarkets have put pressure on local specialist retailers such as butchers, bakers, greengrocers, wine sellers, tobacconists and fishmongers. These specialist retailers are represented in the ONS classification of ‘Retail sale of food, beverages and tobacco in specialised stores’.

ONS data from 2002 to 2007 shows the number of enterprises has decreased from 31,500 to 29,437. Employment levels have dropped by 21% from 207,000 to 181,000 and turnover has dropped by just less than 2%.

- Bakers and confectioners remain the largest employers in the specialist food sub-sector and employ an estimated 54,000 people
- Tobacconists have experienced the most pronounced decline. The number of tobacconists has dropped by 51% to just 3,556 in the period 2002 to 2007. This striking reduction can be assumed to be a direct result of people seeking a healthier non-smoking lifestyle and the ban on smoking in public buildings and the majority of offices
- Fishmongers continue to have the smallest proportion of retail employment with a 0.7% share.

5.4 Retail sales of medical goods

This sub-sector of retail is highly specialist in its nature. The largest retailer in this sub-sector is Alliance Boots, followed by a number of pharmacy chains including Lloyds and Moss.

From 2002 to 2007 there has been a small growth of 3.3% in the number of enterprises to 6,415. The number of employees has grown by 4%. The medical sub-sector has increased its financial turnover by 4.7% in the period 2002 to 2007.

5.5 Other retail sales of new goods in specialised stores

Specialist non-food retailers account for a significant proportion of enterprises and employment. They account for 52% of retail enterprises, 42% of retail employment (1.3 million) and 37% of the retail sector’s turnover.

Within this broad sub-sector there are a range of familiar retail categories, including retailers of clothing, household DIY books and newspapers. The overall trend from 2002 to 2007 has been one of a reduction in the number of enterprises, but continued increases in employment and turnover.

Clothing, footwear and leather goods remain significant categories within UK retailing. Despite some large cuts in the number of enterprises, these two categories account for 9% of retail employment and 12% of turnover. They face particular competition from supermarkets that have increased the range of own branded clothes range in the past years.

5.6 Retail sales not in stores

Between 2002 and 2007, there has been an 8.5% increase in the number of stalls, markets and other not in store retailers. There has also been a corresponding growth in financial turnover of 4.6% between 2002 and 2007.

Table 14: Number of retail enterprises, employees and turnover by retail sub-sector 2007

SIC	Description	Number of enterprises			Total employment - average during the year			Total turnover		
		Number	% share	5 year trend 02-07 (%)	Number	% share	5 year trend 02-07 (%)	£ Million	% share	5 year trend 02-07 (%)
52.1	**Retail sales in non-specialised stores**	35,933	18.7	-4.3	1,357,000	44.3	0.3	141,315	49.1	21.1
52.11	Retail sale in non-specialised stores with food, beverages or tobacco predominating	29,381	15.3	7.1	1,098,000	35.9	5.9	117,923	41.0	30.9
52.12	Other retail sale in non-specialised stores	6,552	3.4	-36.1	259,000	8.5	-4.4	23,391	8.1	16.8
52.2	**Retail sale of food, beverages, and tobacco in specialised stores**	29,437	15.3	-25.0	181,000	5.9	-21.3	11,807	4.1	-1.7
52.21	Retail sale of fruit and vegetables	3,824	2.0	-25.6	16,000	0.5	-36.0	1,142	0.4	3.5
52.22	Retail sale of meat and meat products	6,825	3.6	-17.0	37,000	1.2	-5.1	2,424	0.8	6.6
52.23	Retail sale of fish, crustaceans and molluscs	1,266	0.7	-25.7	4,000	0.1	-21.1%	386	0.1	-21.8
52.24	Retail sale of bread, cakes, flour confectionery and sugar confectionery	3,496	1.8	-11.0	54,000	1.8	-5.3	1,691	0.6	16.7
52.25	Retail sale of alcoholic and other beverages	5,399	2.8	-8.4	34,000	1.1	-29.2	3,606	1.3	4.9
52.26	Retail sale of tobacco products	3,556	1.9	-51.2	14,000	0.5	-46.2	1,006	0.3	-42.6
52.27	Other retail sale of food, beverages and tobacco in specialised stores	5,071	2.6	-28.6	21,000	0.7	-30.0	1,552	0.5	-7.7
52.3	**Sales of pharmaceutical and medical goods, cosmetic and toilet articles**	6,415	3.3	-4.1	124,000	4.0	15.9	13,503	4.7	34.0
52.31	Dispensing chemists	4,627	2.4	-11.4	83,000	2.7	12.2	10,074	3.5	29.1
52.32	Retail sale of medical and orthopaedic goods	1,058	0.6	29.2	6,000	0.2	50.0	510	0.2	82.8
52.33	Retail sale of cosmetic and toilet articles	730	0.4	13.0	35,000	1.1	20.7	2,919	1.0	46.5
52.4	**Other retail sales of new goods in specialised stores**	99,214	51.7	1.4	1,298,000	42.4	1.2	106,194	36.9	13.4
52.41	Retail sale of textiles	2,030	1.1	1.8	14,000	0.5	-26.3	971	0.3	-4.6
52.42	Retail sale of clothing	13,476	7.0	1.5	411,000	13.4	6.2	31,240	10.9	19.6
52.43	Retail sale of footwear and leather goods	3,580	1.9	-14.1	64,000	2.1	1.6	3,632	1.3	13.5
52.44	Retail sale of furniture, lighting equipment and household articles not elsewhere classified	10,689	5.6	0.4	128,000	4.2	29.3	10,689	3.7	19.6
52.45	Retail sale of electrical household appliances and radio and television goods	6,209	3.2	-10.8	74,000	2.4	-28.2	10,686	3.7	-5.9
52.46	Retail sale of hardware, paints and glass	5,727	3.0	0.0	107,000	3.5	-8.5	9,443	3.3	-7.1
52.47	Retail sale of books, newspapers and stationery	5,988	3.1	-23.0	72,000	2.4	-20.9	4,891	1.7	-7.0
52.48	Other retail sale in specialised stores	51,515	26.9	8.9	427,000	13.9	6.0	34,641	12.0	25.5
52.5	**Retail sale of second-hand goods in stores**	4,588	2.4	-22.8	17,000	0.6	-22.7	1,743	0.6	-3.6
52.6	**Retail sale not in stores**	16,212	8.5	18.8	85,000	2.8	-5.6	13,090	4.6	34.7
52.61	Retail sales via mail order house	4,933	2.6	36.0	52,000	1.7	-3.7	9,871	3.4	33.2
52.62	Retail sale via stalls and markets	1,641	0.9	4.3	6,000	0.2	0.0	343	0.1	26.6
52.63	Other non-store retail sale	9,638	5.0	14.2	27,000	0.9	-10.0	2,875	1.0	41.1
Total	**Total Industry**	**191,799**	100.0	-4.3	**3,062,000**	100.0	-0.3	**287,652**	100.0	21.1

Source: Annual Business Inquiry 2 (2007)

Sources

Annual Business Inquiry

The Annual Business Inquiry (ABI) comprises of quarterly and annual sample surveys of businesses across all economic sectors which provides information on employment and financial trends. The Annual Business Inquiry categorises and compiles data for the whole of the United Kingdom.

Labour Force Survey

The Labour Force Survey (LFS) is a quarterly sample survey of households living at private addresses in Great Britain. Its purpose is to provide information on the UK labour market that can then be used to develop, manage, evaluate and report on labour market policies

The Inter-Departmental Business Register (IDBR)

The Inter-Departmental Business Register (IDBR) is the comprehensive list of UK businesses that is used by government for statistical purposes. It provides a sampling frame for surveys of businesses carried out by the ONS (Office for National Statistics) and by other government departments.

The UK Business Activity data is compiled from the IDBR, which contains information on VAT traders and PAYE employers in a statistical register comprising of 2.1 million businesses, representing nearly 99% of economic activity.

The Inter-Departmental Business Register (IDBR) can be found at
http://www.statistics.gov.uk/cci/nugget.asp?id=195

CACI Retail Footprint

Retail Footprint is the most extensive and expansive retail centre catchment model available. It is a gravity model that defines catchments for shopping centres selling comparison goods in Great Britain.

Retail Footprint calculates comparison shopping expenditure (on products such as clothing and footwear, books and DVDS) and shopper populations for each centre.

The CACI website can be found at: http//www.caci.co.uk