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The retail outlook



Professor Frank Peck of the University of Cumbria's Centre for Regional Economic Development writes for in-Cumbria on the big issues of the day and the economic data behind them. This month, he focuses on Cumbria's retailing sector

December is a big month for retailers. It is fair to say that retailers continue to live through a period of extraordinary change. The challenges include, on the one hand, seismic shifts in consumer behaviour involving use of mobile technology while on the other, increasing uncertainty arising from debates surrounding Brexit and consumers' perceptions of their future job prospects. In this context, there is much speculation about the outlook for retailing over the Christmas period and beyond.

The Bank of England Monetary Policy Committee (MPC) met in early November 2017 and noted that "recent indicators of consumption had been mixed". Retail sales volumes had fallen in September, but risen over the third quarter as a whole. Other surveys appeared to indicate a recent fall in retail volumes though consumer confidence was reported to have recovered slightly in October. The Office for National Statistics has recently released data comparing October 2017 with the same month in the previous year. Overall, sales value for this month is up by over 2.5 per cent though sales volume is slightly down, the difference largely accounted for by a rise in average store prices.

Despite the volatility that has surrounded retailing in the past decade, the aggregate numbers employed in the sector has proved to be surprisingly resilient. At a national level, since 2009 employment in the sector has remained fairly stable at around 2.6 million. Retailing is a major source of employment in Cumbria. Contrary to expectations, the total number of jobs in the sector has remained fairly constant since 2009 at around 27,000 (12 per cent of total). Add in those employed in wholesale activities and this figure increases to 34,000 (15 per cent). Retailing was a significant contributor to employment in all districts during



Christmas shopping in The Lanes, Carlisle

2016; around 7,000 jobs in both Carlisle and South Lakeland, 5,000 in Allerdale, 3,500 in Barrow, around 2,500 in Eden and 2,250 in Copeland.

Cumbria LEP Strategic Plan notes employment stability in retailing as being a key strength in the county and a vital contribution to the visitor economy. The plan, however, recognises that retailing has importance for the economy beyond this. Retailing also has significance as a key element in the creation of multi-purpose leisure spaces that not only affect the quality of visitor experience but also the quality of life for residents.

A recent report from pwc (Retail outlook: 12 Predictions for the UK sector) emphasised that retail footfall is key to the high street and that those spaces with a high leisure component providing a "reason to visit" are likely to be more insulated from any downturn in consumer spending. There still appears to be growth in spend in coffee shops and personal services

'One-off events are helpful but they are no substitute for innovation in business processes'

(hairdressers, beauty salons) alongside continued popularity of opportunities to browse for small purchases (charity shops, independent shops operating in niche markets). Retailers across Cumbria clearly recognise the benefits of hosting events on the high street and activities seeking opportunities (markets, fairs, festivals) to promote these spaces when opportunities arise.

One-off events are, no doubt, helpful but they are no substitute for innovation in business processes. The situation is by no means simple. Consumers now shop in multiple ways, visiting stores, checking websites, accessing reviews, comparing prices on smartphones and making decisions on where to buy based on multiple criteria including speed and reliability of delivery of online provision. Retailers are also not passive but are experimenting with "multi-channel" approaches involving "click and collect" for online shoppers or "same-day delivery" for customers who are in the store and require non-standard items or out-of-stock goods. Independent retailers too are increasingly dependent on effective use of social media to generate interest and repeat custom. The retail sector is set to remain highly volatile and intensely competitive.