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UK Out-of-Town Retailing 2008

Reinvention the key to rejuvenation

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About Verdict Research

Authorative analysis...

Verdict's analysts and consultants work closely with retailers, suppliers, consultancies, investment banks and property companies to identify the key issues, sector and company data and strategies driving the changing retail market.

Our research identifies how retailers can enhance product, store and brand performance as well as the factors that determine future retail success. Our specialist in-store auditing team continuously collects price and product data across locations, brands, fascias, ranges and retail sectors.

> **"Verdict are the company of choice for any research analysis and insight into retailing"**
>
> **Sir Stuart Rose**
>
> Executive Chairman of Marks & Spencer

Rigorous research methodology...

Our in-house retail expertise and rigorous research methodology ensure our reports provide complete and accurate analysis of the major players, issues and trends together with a detailed examination of the strategic implications for the retail market.

For key players in the retail industry, our reports are the first source of information on sector forecasts, retailer performance, store and product portfolio developments and trading strategy.

Global, European and UK analysis across nine core sectors...

Verdict Research reports covers nine core sectors, five year forecasts, strategic issues, key locations, How Britain Shops consumer surveys and the main European retail markets. Also available are a daily news service, weekly newsletter and tailored consultancy portfolios to suit individual business information needs.

Over 20 years of experience...

Verdict Research is the UK's leading authority on retailing and publishes unrivalled independent analysis of the retail industry. With over 20 years' experience, Verdict has close relationships with major UK retailers and access, at the highest level, to key executives working in the top 300 retailers to hear their first hand views. Verdict reports provide clients with a complete picture of the retail sector and unique forecasts to help UK retailers, manufacturers, service suppliers, city analysts, consultants and the media with strategic planning.

A key source for independent analysis and comment...

Verdict Research is regarded as a key source by the BBC, ITV, Sky News and the UK's leading broadsheets including the FT, Times, The Independent and Daily Telegraph. Leading trade publications often refer to Verdict's opinion and research including Retail Week, Drapers, DIY Week, Cabinet Maker and The Grocer.

In addition Verdict regularly appears in the international media. News sources quoting Verdict analysts and data include CNN, the International Herald Tribune, The Australian, Los Angeles Times, and New York Times.

UK Out-of-Town Retailing 2008

Reinvention the key to rejuvenation...

Out-of-town will feel the impact of consumer downturn more severely than other locations. With consumers shunning major purchases, especially those related to the housing market, big ticket retailers are set to suffer more than most as consumers cut back on non-essential spending. The dominance of big ticket retailers out-of-town makes the location more vulnerable to the consumer downturn as shoppers have little need to visit retail parks when their demand for furniture, DIY and electricals items all major out-of-town sectors diminishes.

This latest report published by Verdict is a new report providing a definitive guide to out-of-town retailing in the UK. This new report examines the latest changes occurring in the out-of-town retail sector, those driven by both the market and retailers. This report details out-of-town market sizes and trends, detailed analysis of the key out-of-town issues, five year forecasts and analysis and profiles of the key retailers in the sector.

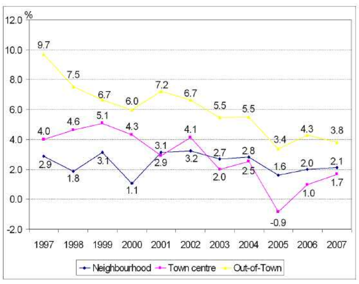
12 Key Companies Profiled

Asda	Matalan
B&Q	MFI
Comet	Morrison
Currys	PC World
Homebase	Sainsbury
IKEA	Tesco

Quantify the growth potential of the out-of-town retail channel, discover how the key players in this market have performed and the future challenges they face with this report...

Despite trading conditions deteriorating across all retail sectors especially big ticket retailing, the sum of all channels improved in 2007...

Growth of retail sales by location 1997-2007



Source: UK Out-of-Town Retailing 2008

"However, with its greater exposure to big-ticket retailers, out-of-town sales growth, unlike the other sales channels, actually slowed between 2006 and 2007..."

- **Quantify key retail trends and accurately predict future UK out-of-town retailing growth** with this report's key operating statistics detailing out-of-town retailing sales and operating profitability, alongside details on each company's operations, including key operating statistics, trading records, store porfolio and outlook.

- **Understand the growth potential and the challenges facing the channel and the key UK out-of-town retailers** using this reports in-depth analysis of market drivers, key issues and channel outlook.

- **Develop more effective strategic responses** with this report's actionable recommendations for how retailers can cope with the changing UK out-of-town retail market.

- **Seize growth opportunities.** Evaluate the size and potential of each out-of-town market in terms of hotspots, saturation and growth opportunities.

UK Out-of-Town Retailing 2008

This report answers key questions including...

- What are the key issues affecting UK out-of-town retailing at present?
- Which sectors will be outperforming in the UK out-of-town retail market over the next 5 years?
- Who are the main UK out-of-town retail players in each of the key sectors, how are they performing and what are their prospects?
- What UK retailers will be driving growth in the out-of-town retail market over the next 5 years?
- Which retailers are on the UK out-of-town retail expansion trail?

Key Market Data

Retail sales with 10 year history and 5 year forecast

Space

Store numbers

Sales densities

Average store size

Key issues examined in this report...

Despite the fact that grocers' share of out-of-town has fallen significantly over the past decade, the sector continues to dominate the sales channel...

Percentage share of superstore/out-of-town sales by sector 1997 and 2007

	1997 %	2007 %	1997-2007 % pt Change
Food & Grocery	70.5	67.1	-3.4
DIY	10.6	10.1	-0.5
Electricals	6.3	6.8	0.5
Furniture & Floorcoverings	7.5	5.8	-1.2
Clothing & Footwear	2.5	5.2	2.7
General Merchandise	2.6	5.0	2.4

Source: UK Out-of-Town Retailing 2008

"The decline in share is not down to poor performance of the supermarkets, but an increase in the number of traditionally town centre retailers, such as fashion specialists and general merchandise retailers, entering the out-of-town arena..."

- **The Internet is no longer seen as a threat.** Many out-of-town retailers are turning larger sites into hybrid stores installing Internet kiosks that allow consumers access to the online offer. Moreover, larger out-of-town stores grant retailers the luxury of providing their full product range, and the additional space can be utilised to provide services such as 'click and collect' and 'online reservation'.

- **Out-of-town developments.** Developers and landlords are transforming out-of-town locations into true destination locations, making retail parks more than just a shopping venue and enhancing the experience with restaurants, cafes, bars and other facilities to entice footfall, dwell times and spend. In providing smaller stores, out-of-town locations are becoming more appealing to a wider range of retailers, increasing the competitive mix.

- **The sales of out-of-town remained almost double.** However, with investment in out-of-town falling and with town centres due for substantial space development and massive regeneration investment over the next few years, we would expect out-of-town's share of sales to fall further.

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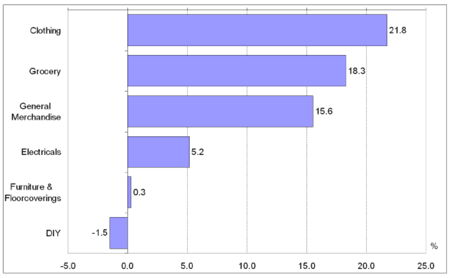
Chapter 3: Retail Issues

Clothing Retailers Aim Out-of-Town

- While planning policy has made it difficult for small format fashion retailers that rely on a comparison shopping experience to open on retail parks, larger format stores are flourishing out-of-town. Wide, family focused offers with strong destination appeal are enabling the likes of M&S, New Look, Next and TK Maxx to locate stores on an increasingly diverse range of retail parks, some perhaps more traditionally associated with bulkier goods retailers such as B&Q, Currys and DFS.

Figure 7: Out-of-town 5 year forecast of space growth by category 2007-2012



Source: UK Out-of-Town Retailing 2008

- Verdict expect the out-of-town expansion of these players to be a significant driver of out-of-town sales growth over the next few years as they roll out new space notably space that will achieve sales densities substantially higher than traditional out-of-town players such as DIY retailers.

- The key attractions of out-of-town retailing for these clothing & footwear operators are large stores and lower rents. Large stores enable full ranges to be displayed, the use of more space intensive POS material and the introduction of non-clothing ranges to stores such as homewares and even furniture in the case of M&S and Next. Though rents on prime retail parks have increased steeply in recent years, as demand has far outstripped supply, they remain significantly lower than those found in town centres.

- M&S has announced plans to step up the pace of its physical expansion, with out-of-town locations key to the strategy. With its strong destination appeal and broad product coverage, M&S is an attractive tenant for property owners, which will make future out-of-town expansion somewhat easier, despite it having fallen behind Next in this channel after being slower to embrace out-of-town fully.

- Other operators we expect to be core drivers of out-of-town clothing growth are New Look, Next and TK Maxx. Many potential locations remain for these retailers. While there are further opportunities for smaller format high street fashion operators, expansion will be limited because of increasingly stringent planning restrictions. Among those that we expect growth from are Bank Fashion which has laid out plans to target out-of-town expansion and Monsoon.

Retailers Negotiate Better Deals on Rent

- Falling demand for space, driven by the amount of business diverting online and the consumer spending slowdown, has seen a general trend towards landlords becoming more lenient with rents over the last two years, allowing retailers to secure better deals. However, in prime retail parks growth in 2007 was relatively robust, with an average increase of 2.4%. We estimate the rise in secondary space and of larger retail warehouses is much lower.

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