The Shape of Chain Survey aims to provide a key reference point for understanding retailer views on the fundamental changes that are impacting the UK’s commercial landscape.

Shape of Chain Survey
Retail industry trade research from Javelin Group

Following our recent White Papers, *How many stores will we really need? UK non-food retailing in 2020* and *Battlefield Britain*, both of which explore the likely future of retail property in the UK, Javelin Group has completed the inaugural *Shape of Chain Survey* amongst leading retail companies.

This survey provides a snapshot of industry sentiment towards retail property and gauges current market views on issues such as:

- More space versus less space?
- Larger versus smaller stores?
- Expected regional differences?
- Format evolution?
- Impact of multi-channel on store performance?

The key headlines emerging from the survey are:

- Positive outlook relating to anticipated space growth in the next 24 months
- Significant regional differences emerge in terms of predicted space change
- Retailers surveyed generally anticipating an increase in average store size
- Clear evidence of multi-channel and customer experience overtaking store investment as a strategic priority
- Evidence from larger retailers of the adoption of multi-channel value allocation in their assessment of the store channel’s contribution to the overall business

With 79 companies responding to the survey, the research provides a timely snapshot of sentiment across the retail industry about expected changes to store portfolios over the next two years.

Whilst broadly representative of UK retail, a sample of 79 responding companies means that some inevitable bias may occur in response to the questions asked. The survey will become even more useful when repeated in future as the 2012 results form a baseline from which to explore changing trends and expectations. We have reviewed the survey results with a number of industry specialists (retailers, developers, public sector...) and include their insights in this report.

*A selection of the 79 retailers who took part in the Javelin Group Shape of Chain Survey.*

*White Papers can be downloaded from our website at www.javelingroup.com.*
Even in a stressed retail marketplace there is scope for prudent growth amongst dominant retail formats.

Robin Bevan
Director, Locations Practice
Javelin Group

**ANTICIPATED CHANGES IN PLANNED RETAIL SPACE**

**Q1: Over the next 24 months, do you expect to have more or less retail space?**

The majority of respondents anticipate further space growth in UK retail:

- This optimistic outlook for the next 24 months compares with our recent White Papers which predict a period of significant consolidation in retail space across the UK to 2020

There may be several reasons for this apparent disparity:

- Bias in survey responses towards companies that are expanding
- 2014 time horizon for this survey versus 2020 time horizon of the White Papers
- Some over-statement amongst respondents in terms of stated growth intentions versus what will actually be realised
- Some potential over-estimate amongst respondents of what space provision is truly optimal for their business

For those anticipating net space reduction, the reasons given for this include:

- Closing stores in secondary towns in order to expand in larger towns
- Moving towards multichannel retailing and partnership opportunities
- Closing poor performing stores
- Consolidation of towns which currently have more than one store

![Graph showing changes in planned retail space](image-url)
Q2: Over the next 24 months, how do you expect your store estate to change regionally?

- There are significant differences in terms of the expected regional impact of space change, with London and the South-East earmarked for the strongest growth in store numbers.
- Northern Ireland is the only region where net expected change is negative.
- Some retailer anticipations vary from the findings of Javelin Group’s *Battlefield Britain* study such as increased store expectations in Scotland (a region we identified as likely to come under severe stress) and the converse in the South-West.
International retailing is clearly an important channel for potential growth. The winners will be those who undertake thorough planning pre-launch; finding the right balance between stores and other channels in new geographic markets is critical.

Richard F Wolff
Director, International Practice
Javelin Group

Q3: How do you expect your store estate to change across each venue type?

- The clear winner in terms of anticipated growth in store numbers comes from international venues, coinciding with the growing importance of international expansion as one of the key routes to growth for UK retailers in the coming years.
- Major City locations also rate well, underlining the anticipated ongoing polarisation between destination centres versus smaller mid-size retail venues that may lack either destination or convenience appeal.

Our recent White Paper: International Retail - New channels and new frontiers, can be downloaded from our website at www.javelingroup.com.
It is encouraging to see retailers want more and larger stores (and can assume more economic space). Providing the right space and environment will be the challenge, but having the demand is a great starting point.

Mark Williams
Partner
Hark Group

Q4: How do you expect average store size to change across each venue type?

- With the exception of retail parks (where the consensus is towards smaller stores), respondents are generally expecting an increase in average store sizes over the next 2 years.
- No retailer surveyed expects the average store size of their major standalone venues to decrease.
Q5: How do you see your retail formats evolving over the next 24 months?

- 18 out of 52 respondents said they are either already using Click & Collect across their store estate or plan to implement it in the next 24 month period.
- Clear evidence also emerges of likely growth in the use of concessions and pop-ups.
Q6: How important are the following investment priorities?

- 90% (53 out of 59) of respondents to this question said that ‘increasing focus on multichannel sales and marketing’ was either ‘mid-important’ (level 4) or ‘very important’ (level 5).
- ‘Improving customer experience’ is considered the most important investment priority of all.
- Responses relating to investments in the store portfolio ranked much lower.

![Graph showing investment priorities](image-url)
**Q7: How (if at all) are ecommerce sales being allocated back to your store channel?**

Although half of all respondents are still operating their businesses in financial silos (with no recognition of sales across channels), there is growing evidence of retailers recognising the important interplay between channels.

There is also evidence that the largest businesses have been the first to embrace this, with only 15% not allocating any online sales across to the store channel.

35% of the respondents that said that some of their ecommerce sales were allocated to store specified that the appropriate allocation was calculated using customer postcode data.

Other methods for ecommerce sales allocation included:
- Loyalty card data
- Sales made through kiosks/ipads whilst in store
- Collect at store

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**The growing complexity of customer journeys is adding a new dimension to the evaluation of the critical role played by stores in delivering successful multi-channel retail.**

Robin Bevan
Director, Locations Practice
Javelin Group
CONCLUSIONS

The Shape of Chain Survey illustrates the pace of change that is driving location and store investment decisions across UK retail. For nimble retailers with an effective (and flexible) store model, there is certainly still scope for roll-out and geographic expansion. Our experience shows that this investment must be driven from a firm base of understanding both the factors that combine to deliver successful stores today (be they catchment, venue, competitive or store-specific) and a clear vision as to how the macro changes impacting UK retail are likely to play themselves out at the local level.

As stores take their place at the heart of multi-channel retailing, their role as both sales driver in their own right and as operational facilitator to the wider brand will grow more complex. The challenge, for retailers and landlords alike, is to find new and appropriate ways of measuring and valuing this ongoing contribution.

Javelin Group will continue to track, monitor and report on the emerging issues relating to store network planning and retail property as these changes take hold.

Javelin Group would like to thank all of the retailers who participated in this survey.
ABOUT JAVELIN GROUP

Javelin Group is Europe’s leading specialist retail and ecommerce consultancy with 150+ professionals based in London and Paris, and works with many of the region’s largest retailers. Clients include most of the UK’s top 20 retailers and many large companies across Europe.

Led by chairman Sir Geoffrey Mulcahy (former Kingfisher CEO), we are experts in integrated retailing and have a strong blue-chip client list of store retailers, direct retailers, shopping centre owners/developers and VC firms investing in retail. Our clients include Tesco, M&S, Morrisons, Sainsbury’s, New Look, B&Q, Carphone Warehouse, Debenhams, John Lewis, Hammerson, Lend Lease, Grosvenor, BAA, JP Morgan, Advent International, Goldman Sachs, Barclays Private Equity.

We provide strategic breadth and operational depth through the following centres of excellence:

- **Strategy**  Format development, customer insight, international, due diligence
- **Operations**  Range planning, store operations, supply chain, distribution
- **Retail Technology**  Technology strategy, systems selection, implementation
- **Multi-channel**  Multi-channel strategy, marketing and operations
- **Locations**  Retailer location planning, shopping centre strategies, travel retail
- **Commercial & Operational Due Diligence**  Buy-side and vendor due diligence

Our Locations team combines information on stores, catchments and spending with a detailed knowledge of shopping venues across Europe to advise retail companies on:

- **Shape of Chain**: roll-out opportunities and investment priorities
- **Sales forecasting**
- **Site-specific evaluations for town centre and out-of-town retailers**
- **Catchment analysis (RETAILNATION)**
- **Store grading and local merchandising**
- **Retail store performance benchmarking (SHOPSCORE)**
- **Market analysis software tools**
- **Consumer data and segmentation**

Our specialist team has worked with over 190 retailer and brand clients on their store location planning. Recent clients include: New Look, Matalan, Monsoon Accessorize, American Golf, Republic, Pret, Poundland, M&S, Morrisons, Evans Cycles, Sony Centres, BrightHouse, Vision Express, Dreams, Carpetright, Cath Kidston, American Golf, Bensons For Beds, Harveys, JD, Robert Dyas. In addition, we advise leading investors and developers across Europe in the shopping centre and travel retail sectors.

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For a discussion about the implications for your business of the findings in this paper, or if you would like to contribute further thoughts on this subject (which we certainly welcome), please contact:

Robin Bevan  
Director, Javelin Group  
+44 (0)20 7961 3200  
robin.bevan@javelingroup.com  
www.javelingroup.com
JAVELIN GROUP WHITE PAPERS

The following White Papers are available from the Javelin Group website, www.javelingroup.com.

How many stores will we really need? UK non-food retailing in 2020.

Spurred by the spate of announcements from major retailers that they are downsizing their store estates, Javelin Group has assessed the long term future of retailing in the four largest non-food sectors (Clothing & Footwear, Electricals, Furniture & Floor Coverings, and Health & Beauty), to understand how much and what kinds of store space will be required by 2020 and what retailers must do to ensure they are well-positioned. This 34-page report includes our conclusions and six strategic priorities for retailers in all categories.

Battlefield Britain: Survivors and casualties in the fight for the high street.

As a companion piece to Javelin Group’s White Paper: How many stores do we really need? UK non-food retailing in 2020, which reviews the outlook for store-based retailing and (among other important findings) concluded that a significant reduction in space is inevitable in most categories, Battlefield Britain takes a geographic perspective, recognising that the forces driving retailer space demand are being felt to differing degrees across the country.

Battlefield Britain seeks to identify town centres that are most at risk of long-term decline, and those that will defend themselves robustly, assessing these venues across a comprehensive range of “stress indicators” (i.e. not just multi-channel threat in isolation). Whilst the future will be about fewer, bigger, better stores and shopping environments for UK consumers, the transition could be painful for towns which do not have the attributes necessary to maintain a vibrant commercial hub.

Our findings in this 16 page report will help retailers and brands to understand where their store portfolios are most at threat and what actions should be taken. Likewise, town centre managers and local authorities will see in this report which venues need the most urgent attention to adapt to the dramatic shifts in shopping habits that are taking place today.

International Retail: New channels and new frontiers.

Facing a cyclical downturn in their markets at home, UK retailers are now seeking growth through ecommerce and international expansion (indeed, in many cases through both combined). Selecting the best markets for stores, ecommerce and multi-channel is therefore a key strategic priority for these retailers and the subject of this White Paper.

As a growing number of retailers are demonstrating, once the significant challenges of planning and establishing a retail operation in multiple countries are overcome, the rewards can be very high indeed – in some cases surpassing the profitability of their domestic business.

This 22 page report is a further companion piece to Javelin Group’s White Paper: How many stores will we really need? UK non-food retailing in 2020, which identified international expansion as one of the six key strategic priorities for successful retailers.
CONTACT

Robin Bevan  
Director, Locations Practice  
Javelin Group  
robin.bevan@javelingroup.com

200 Aldersgate Street  
London EC1A 4HD  
United Kingdom

+44 (0)20 7961 3200  
www.javelingroup.com