

## **Assessment of Jersey's Retail Sector**

A consultancy paper prepared by

Experian Property Consultancy  
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Nightingale House  
65 Curzon Street  
London  
W1J 8PE

TEL 0870 196 8201  
FAX 0870 196 8277

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## INTRODUCTION

This report represents a detailed and independent study of the Jersey retail market, specifically exploring the key issue of capacity. The study was commissioned by the States of Jersey. We understand that the study will be used in developing a strategic framework for future retail provision, which is supportive of the wider States' Strategic Plan.

### Objectives of this report

This report has four underlying objectives:

- To provide a comprehensive overview of the current shopping dynamics in the Island (distinguishing between the convenience, comparison and bulky goods markets)
- To undertake quantitative and qualitative appraisal of existing retail provision relative to expenditure levels and latent potential
- To assess the Island's capacity to absorb additional retail floorspace at both commercially and economically viable levels, and
- To explore this potential through a series of modelling scenarios.

Our approach is essentially twofold. The backbone of the report is a full and sequential **capacity study**, which specifically addresses the issue of new floorspace need. The capacity study is supplemented by a **study of wider retail issues**. This study takes into account current and future issues, which, although not necessarily central to the capacity debate, nevertheless have a significant bearing on the fundamentals and evolution of the Jersey retail market.

Through a synthesis of quantitative and qualitative analysis, we endeavour to answer a series of key questions:

### *Capacity Study*

- What is the current size of the Jersey retail market?
- How does this expenditure break down by convenience, comparison, bulky goods and by individual product category?
- How is this 'available' expenditure distributed across the Island?
- In which centres/shops is this expenditure physically spent?
- How do spend per head ratios compare against UK national and regional averages?
- How much does tourist spend swell the overall market?
- What are the levels of retail provision across the Island?

- Is this level of retail provision sufficient for a market of Jersey's size?
- What are the implied sales densities of the Jersey retail sector?
- How do these sales densities compare against appropriate benchmarks?
- Is Jersey under- or over-shopped? In which product areas specifically?
- Is existing space overtrading?
- What level of new floorspace would be required to alleviate any overtrading?
- What would be the appropriate scale, pitch and location of any new floorspace?
- How would any new floorspace impinge upon existing shopping patterns?
- How could detrimental effects be minimised?

### *Study of Wider Retail Issues*

- What are the current strengths and weaknesses of the Jersey retail market?
- How does St Helier's retail provision compare with similar towns on the UK mainland?
- Are there significant differentials in the cost of trading in Jersey relative to the UK?
- How do property costs compare against other centres in the UK?
- Are cost differentials likely to filter through to retail prices?
- How does the pricing architecture in Jersey compare with the UK mainland?
- Is there any apparent evidence of retailers using Jersey's status as a captive market to their benefit and charging high prices as a result?
- What would the potential impact be of introducing a Goods and Service Tax (GST)?

In our final analysis, we look at retail floorspace potential through a number of scenarios, covering varying types of retail provision. We assess the appropriateness and viability of each of these scenarios. Although mindful of development areas identified in the Harbours and Airport Committee's 2020 Master Plan, our study takes a holistic and objective view as to the optimum scale, pitch, composition and location for any new scheme.

The final draft of this report was submitted in April 2005. Subsequently, there has been a significant development in the local retail market, namely Morrisons' decision to sell its Safeway stores in the Channel Islands to CI Traders, effective from 30 April 2005. In the light of this development, this report has been updated to reflect the implications the deal may have on the Jersey retail market going forward.

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## KEY FINDINGS

### Headline Findings

- Our research highlights a strong consumer need for new retail floorspace in Jersey. In broad terms, the Island is undersupplied (ie it has insufficient retail floorspace to meet consumer demand) and the existing retail offer lacks the necessary breadth and depth to do justice to the high spending power of its inhabitants.
- As a result, some aspects of the existing retail floorspace are overtrading – essentially that means that the market is overheating and failing to capitalise fully on its potential. Other by-products are that retail spending and wider economic growth may be stifled going forward and consumer choice compromised.
- The need for new floorspace is most acute in convenience goods (by definition, food and other consumable items). We believe that Jersey has the capacity to comfortably absorb a minimum of another 100,000 sq ft (net) of convenience floorspace. We believe this to be a minimum immediate requirement. In the longer term (ca. ten years), factoring in further market growth, we anticipate that the need will rise to 125,000 – 150,000 sq ft (net).
- Our recommendation in convenience is therefore that the Island needs a ‘bare minimum’ of 100,000 sq ft of new floorspace, with 125,000 sq ft still a ‘comfortable target’. Factoring in the various pipeline developments (eg Checkers extension on Rue des Pres, Westmount Quarry) would reduce these requirements to 30,000 sq ft and 55,000 sq ft respectively.
- The recent change of ownership of the Safeway store does not alter these underlying capacity requirements – the store will remain a convenience store. However, the Morrisons/CIT deal still represents a significant development in the context of the wider retail landscape in that it will alter the competitive dynamics of the market and prompt a telling shift in market structure, not necessarily to the benefit of local consumers. The deal reinforces our belief that external new players (especially large-scale multiples from the mainland) are needed to restore positive market dynamics.
- Although the need in comparison goods (by definition, non consumable items) is less pressing, we believe the market could currently support a further 150,000 sq ft (net) of new floorspace. On a longer term (ca. ten year) horizon, we believe this figure will grow to more than 200,000 sq ft (net). We would stipulate that a significant proportion of any new comparison floorspace should be given over to bulky goods (furniture, carpets, DIY and electricals), where under-supply is currently significantly greater than ‘high street’ comparison goods.

- Our headline targets in comparison goods are therefore 150,000 sq ft ('minimum') and 200,000 sq ft ('comfortable'). Making provision for pipeline developments (notably the three schemes proposed at St Helier Waterfront) would reduce these figures to 60,000 sq ft and 110,000 sq ft respectively.
- In terms of location, siting any new development in St Helier will obviously consolidate the capital's already dominant position in Jersey's retail market. Viable alternatives to St Helier are the East (Grouville) and the West (St Peter). Modelling a new retail scheme under both location scenarios has shown that the impact on St Helier is more or less the same – the 'worst case' impact on the capital in either comparison or convenience goods would be in the range of 15-19%.
- We believe that the Jersey retail market has the capacity to accommodate both new floorspace and existing centres. However, it is important to minimise the potential impact any new scheme would have on the other centres, especially St Helier – although essentially competing for the same pound, we believe that something of a 'competitive equilibrium' is possible – that is to say, a scenario whereby both can trade at commercially viable levels, without excessive displacement and detrimental effect to the existing status quo.
- As the dominant centre currently, St Helier clearly has the most to lose if a competitive new retail development comes onstream. However, our research shows that the capital is sufficiently resilient to withstand any increase in competition, although going forward it may have to adopt an even more proactive approach to asset management – that is to say, constantly review its own retail proposition and tenant mix to ensure that it meets the demands of both the residential and tourist markets.

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## **Expenditure**

- Our estimates show that the Jersey residential retail market is worth around £431m. Of this, some £231m is comparison spend, the balance of £200m convenience spend. This equates to a split of 54%:46%, slightly out of kilter with the equivalent split for the UK (62%:38%). Allowing for tax differences in many comparison goods would probably redress the difference.
- Although overall tourist spend was £215m in 2004, the leisure industry is a far greater beneficiary of this than the retail sector. Retail accounted for just over 20% of tourist spend, some £45m. Including both residential and tourist spend, the total Jersey retail market is worth around £476m (split 91%-9%).
- Spend per head is significantly higher in Jersey than on the UK mainland. All retail spending is 21% higher. Taking the convenience market in isolation, per capita spend is 47% higher. Although the differential is lower in

comparison goods, +5% still represents a tangible difference.

- Given that the UK figures include VAT, these comparisons are 'value'-based – for 'volume'-based comparisons (ie adjusting for VAT), the spend per head differentials would be greater still. We believe that this differential is only partially a product of inflated prices in Jersey. Higher prices may be a contributory factor, but we believe the key driver is higher sales volumes, a function of the Island's prosperity and high spending capacity.
- Market share analysis bears testament to St Helier's dominance of Jersey's retail market. Our figures show that 93% of available comparison spend gravitates to the capital. The convenience market is slightly more fragmented, although the parish of St Helier still accounts for 59% of the market. St Brelade and St Saviour currently constitute 13% and 11% of the convenience market respectively.

### **Retail Provision**

- Retail floorspace is, not surprisingly, also heavily concentrated in and around St Helier. The parish as a whole includes over 90% of the Island's non-bulky comparison floorspace. Even excluding the satellite centres and suburbs, St Helier town centre still makes up around 80% of comparison floorspace.
- Incorporating St Helier into our 2004 UK Retail Centre Ranking (RCR), the Jersey capital ranks a creditable 132<sup>nd</sup>, alongside the likes of Chichester, Horsham, Stirling, Wimbledon, Kensington and Aylesbury. In this respect, St Helier more than punches its weight – virtually all its RCR peers have a much larger catchment population from which to draw.
- St Helier's strength as a shopping centre is borne out in our retail audit. It emerges a very solid retail centre, albeit with a few areas for possible improvement.
  - Some retail sectors are under-represented (eg childrenswear, books, household goods, stationers/newsagents)
  - A number of retailers trade from relatively under-spaced units (eg JD Sports, Burton, French Connection, HMV, Dorothy Perkins, Top Shop)
  - There are a whole host of quality 'gap' retailers that could enhance both consumer choice and St Helier's destination appeal
  - The 'upscale' market is also under-served
- The fact that there is scope to sharpen up St Helier's retail offer is important. It would be naïve to think that a large new retail scheme could open up elsewhere in the Island and St Helier could just stand still. Our research suggests it has the capacity to respond positively. The proposed redevelopment of the Waterfront (eg Castle Quay) would be a positive step in this direction.

## Sales Densities and Capacity Implications

- Sales densities (sales sq ft) hold the key to Jersey's capacity issues. For the Island as a whole, we estimate that total retail sales densities are around £441 sq ft. This figure is around £10 sq ft (2.5%) higher than benchmark figures for the UK retail sector as a whole. On the positive side, this points to floorspace efficiency and productivity. On the less positive side, it also hints of overtrading in certain aspects of the Jersey retail market – that is to say, existing floorspace is overburdened with excessive consumer demand.
- Overtrading is far more prevalent in convenience than in comparison. Jersey's estimated convenience densities of around £860 sq ft are around 25% higher than the UK grocery average – this despite the Island not having a single state-of-the-art large scale superstore. Factoring this in, Jersey's convenience densities are as much as 50% higher than we would expect for a centre of its constitution.
- The Safeway store on Trinity Hill (regardless of ownership) warrants individual mention. Our estimates suggest that this store is trading at a massive £1,200 sq ft+. This is over 50% higher than the overall average for the Safeway chain and even surpasses the benchmark set by high-flying Tesco in the UK by over 10%. That such an unremarkable store can achieve such a phenomenal performance encapsulates the key capacity issues of the whole Island.
- A consistent picture emerges across the other convenience retailers. We believe that those retailers that trade in both Jersey and the mainland achieve significantly higher returns in the former – not by doing anything differently or special, nor by charging significantly premium prices, but simply through market dynamics.
- Morrisons decision to offload its Channel Island stores despite their impressive productivity levels is not altogether surprising. Morrisons is currently under intense institutional pressure as it struggles to integrate the Safeway business - the size (ca. 20,000 sq ft vs an optimum of 40,000 sq ft+) and geographic isolation of the Trinity Hill store rendered it somewhat peripheral to the group's core business model going forward. In the event, the store's high sales densities probably made it a more saleable asset.
- There are fundamental differences between the structures of the UK and Jersey convenience markets. On the mainland, the 'Big Four' (Tesco, Asda, Sainsbury's, Morrisons) constitute nearly 70% of the market – their corresponding share in Jersey (10%) has recently disappeared at a stroke, with ownership of Safeway passing to CIT. At the other end of the spectrum, the 'Third Tier' of retail companies (Co ops, Symbol Groups and Independents) make up just 9% of the UK market, compared with 51% in Jersey. This has a number of ramifications, especially in terms of average pricing.
- In this respect, we would regard the Morrisons/CIT deal as a setback in the evolution of the Jersey convenience market. It has simultaneously removed

the most price-competitive player from the Island, concentrated share amongst fewer players and shifted market structure further towards 'Second Tier' (non 'Big Four') players. Reduced competition in an undersupplied market is not a scenario that is beneficial to consumers – there is little impetus for downward pricing pressure and their choice of where to shop is compromised.

- There is also some evidence of overtrading in comparison goods, albeit on a much more moderate scale. We estimate that Jersey's comparison densities are around £320 sq ft. This is around £100 sq ft higher than the equivalent figure for the UK, as estimated by the retail industry commentator Mintel. However, this masks differences between individual constituents within comparison goods. Using this headline figure, it would be wrong to conclude that every sector within comparison goods is overtrading.
- Translating this into actual floorspace need, we estimate that Jersey could easily accommodate up to 100,000 sq ft (net) of new convenience floorspace, without diluting underlying sales densities below the £600 sq ft benchmark. If anything, this figure errs on the side of conservatism. Allowing for some degree of market expansion (5-10%), we believe that up to 125,000 sq ft (net) of floorspace is sustainable in the medium term.
- In comparison goods, our capacity evaluation suggests that Jersey could comfortably take on another 100,000 sq ft (net) of new floorspace, even with minimal (<5%) market expansion – this would still achieve sales densities healthily around the £300 sq ft mark. To absorb around 200,000 sq ft (net) of new space, the market would have to expand by some 15% to maintain densities around £300 sq ft. Given that the comparison market is more 'elastic' than convenience, this rate of growth would seem feasible in the medium to longer term.
- There are a number of pipeline schemes at varying stages of the planning process eg redevelopment of Checkers on Rue des Pres, a new site at Westmount Quarry, new schemes at St Helier Waterfront. However, even if all these developments reach fruition, this would still leave some shortfall in both convenience and comparison floorspace provision. We believe that the respective 'bare minimum' requirements would be 30,000 sq ft and 60,000 sq ft.

### **Pricing, Retailer Costs, Goods & Service Tax (GST)**

- Jersey's pricing issues are complex. There are a number of inter-related issues in play, encompassing market structure, buying/pricing power, tax differentials, competition and capacity.
- Figures from the States' of Jersey Statistics Unit show that there are significant price differentials on fresh food convenience products between Jersey and the UK. We believe this is primarily a function of the structure of the respective

markets, with the major multiples in the UK more readily able to translate their superior buying power and economies of scale into lower prices.

- On this basis, we cannot conclude that Jersey's convenience retailers are blatantly exploiting consumers. None of the stores we visited were ostensibly expensive versus appropriate benchmarks. They may not stand up well in price comparisons with a Tesco, Asda or Morrisons superstore on the mainland, but this is not a reasonable comparison – the convenience retailers in Jersey (with the one exception of M&S) do not have the buying muscle and economies of scale to compete with the large UK multiples on price.
- That said, we have perceived some degree of evolutionary change within the pricing architecture in the convenience market in Jersey over the last 12 months – ironically, this has largely been driven by the Safeway store. After it came under Morrisons' control in March 2004, the company's national pricing structure was gradually being rolled out across the store. Had Morrisons retained the store, we estimate that this could ultimately have reduced the average basket cost in the 'new' Safeway by at least 10%, possibly as much as 20%.
- The complexion of the market has changed since ownership of the Safeway store has passed to CIT. The most competitively-priced retailer has exited the market, such that other key players (eg Checkers and the Co op) are no longer under pressure to respond. In this less competitive environment, we believe the evolutionary shift in pricing architecture will stall. Fresh impetus is only likely to come if additional capacity comes onstream and new floorspace is occupied by competitively-priced new entrants.
- In comparison goods, there is a polarity between those retailers that adjust their pricing to deduct VAT and those that do not. Generally speaking, the divide tends to form between retailers selling commodity (eg manufacturers brands) and non-commodity (eg own label) items.
- Those retailers that opt not to pass the VAT difference onto consumers would probably justify their actions as the increased distribution costs of shipping their products to Jersey. Whilst this must increase logistics costs slightly, a mark-up of effectively 17.5% does seem a little excessive. The 5% premium levied by Marks & Spencer on its food offer, whilst maybe not the most prudent of marketing strategies, is perhaps nevertheless a more accurate pointer.
- St Helier's prime zone A rents are currently around £145 sq ft. This is at a premium over comparable centres in the UK, a by-product of fairly buoyant demand for space brought about, we believe, by under-capacity and short supply of land for new development. However, this differential is partially offset by considerably lower property rates (typically 30-40% of rental charges in the UK, 3%-5% in Jersey). Overall property costs, therefore, are unlikely to be radically out of line with the UK.

- Anecdotal evidence suggests that retail staff costs are slightly higher in Jersey than on the mainland, a theory supported by the fact when the minimum wage is introduced later this year, it will be 5% higher than on the mainland. At the same time, we expect any staff cost differentials to be marginal (less than 10%), rather than dramatic.
- The potential impact of introducing a Goods and Service Tax (GST) on the retail market will ultimately hinge on the extent to which retailers pass on the increase to consumers. Ordinarily, this would be more of an issue in 'elastic' comparison goods, than in 'inelastic' convenience goods.
- However, the complexities of the retail pricing architecture are likely to mean that only a portion of the increase will be passed onto consumers. In comparison goods, we expect only those retailers that currently adhere to 'VAT free' pricing to pass on the increase – those that do not are much more likely to absorb the tax themselves.
- In convenience, much will depend upon the competitive dynamics of the market – the more competitive the market is, the more likely the tax increase will be absorbed by retailers. Under current conditions (with Morrisons withdrawing and CIT increasing its share of the market), we would expect downward pricing pressure to ease and therefore there is a higher chance that the 3% tax rise will be passed directly onto consumers.
- If (as we recommend) a major new retailer enters the market, the competitive landscape would change and this is likely to manifest itself in pricing levels. Amidst this, a 3% tax increase is likely to become somewhat lost. It may be imposed, but it may not be transparent to consumers. If it is not transparent, it is unlikely to impinge upon their spending patterns and hit consumer spending as a whole.
- On balance, we believe that the introduction of a GST may affect consumer spending slightly, although not to the extent to jeopardise longer-term growth. In this respect, it would not alter our recommendations for new floorspace.

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## EXPENDITURE ANALYSIS

### Key Objectives

In very broad terms, we would define 'capacity' as the level of floorspace supply as proportional to the level of consumer demand. Floorspace supply is an absolute variable and, differences in definition notwithstanding, can be measured using Experian's GOAD\* database (Stage 2 of this study).

Consumer demand is a slightly more abstract variable. However, we believe that expenditure levels are far and away the best proxy for assessing consumer demand. Thus, a fundamental building block in our capacity study is establishing robust estimates of available expenditure in the Island. There are two distinct expenditure streams:

- Residential expenditure
- Tourist expenditure

Of the two streams, residential expenditure is by far the most significant. The key datasource for this is the 1999 Jersey Household Expenditure Survey (HES). Tourist expenditure estimates are derived from the Jersey Tourism Annual Report for 2003 and provisional figures for the 2004.

Key objectives of our expenditure analysis are to

- use spend estimates to quantify the size of the Jersey retail market
- break down these market figures into individual product categories
- derive spend figures at individual parish level
- produce spend per head figures that can be benchmarked against the UK mainland
- evaluate the value of the tourist market to the local retail industry

Like-for-like comparisons with the UK mainland serve as a useful 'high level' barometer of capacity issues. If the Jersey figures are significantly lower than those on the mainland, one of two broad conclusions can be drawn – either that the Island has a relatively downmarket geo-demographic profile or that consumer spending is being constrained by insufficient retail provision. Conversely, if the Jersey figures are significantly higher, we would expect that this carries through to an abundance of retail floorspace provision.

The expenditure data derived in this stage of the study will be referred to as 'baseline' or 'available' expenditure. No provision is made at this stage for where that expenditure is actually made – this exercise is undertaken as part of Stage 4 of this study, where we apportion the spend through our bespoke shopper flow gravity model.

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\* Experian's proprietary retail provision database, named after its founder, Chas E Goad.

## **Experian's expenditure credentials**

Experian is one of the UK's market leaders in local area expenditure analysis. We have a long pedigree in preparing information on expenditure and projections and offer unparalleled knowledge of official data sources such as National Accounts, Consumer Trends, Annual Business Inquiry (ABI) and Family Expenditure Survey (FES). We are also a member of National Statistics' National Accounts and Regional Accounts Advisory Groups. The Research Director at Experian Business Strategies, Dr Neil Blake, is a member of various Office of National Statistics (ONS) committees, such as the National Accounts User Group and the Regional Accounts Advisory Group, and has been involved in advising on numerous areas of official statistics.

Our core *Retail Planner* expenditure system has become one of the UK standards. The spending propensities (analysed by household type and location) used in *Retail Planner* reflect information obtained from the latest editions of the Family Expenditure Survey (2002) and the 2002 Blue Book. *Retail Planner* provides data for three different types of expenditure, namely Comparison, Convenience and Leisure. Each category is broken down into finer, more detailed product categories and is available at a variety of geographic levels - enumeration districts, postal sectors, wards and output areas.

The existing *Retail Planner* system does not cover the Channel Islands. However, we are able to leverage the 1999 Jersey Household Expenditure Survey (HES) to provide equally robust spend data for the Island, using methodologies consistent with the existing *Retail Planner* service. As a result, any comparisons between Jersey and the UK mainland are consistent in definition.

## **Jersey HES**

The 1998/9 HES that underpins our expenditure analysis was conducted by the States' of Jersey Statistics Unit. The purpose of the survey was to provide an accurate and representative analysis of household expenditure patterns, primarily to update the 'basket' of goods used in the calculation of the Jersey Retail Prices Index.

The survey lasted one year, involving contact with individual households for a two week period. Households were requested to record all daily expenditure over two weeks and in addition to provide expenditure details on certain items over a 12 month period e.g. mortgage payments, heating etc. Households were randomly selected from a mailing list provided by Pro Mail (a commercial department of Jersey Mail). The sample size of the survey was 2,211, around 2.5% of the total population. The survey outputs were collated and produced as weekly spend per household across all the product categories.

In auditing the HES, we have undertaken a number of 'cleansing' steps to bring it into line with the requirements of this study:

- filtered off any non-retail spend (eg housing, power, education etc)
- cross-referenced the individual product categories against their counterparts in our *Retail Planner* system to ensure congruency
- allocated all the categories into their appropriate 'sub category' ie convenience, comparison, bulky goods
- extrapolated the 1999 data forward to reflect current (2004) prices
- annualised the figures
- multiplied the figures by household numbers to derive actual market sizes

Cleansing the data (excluding non-retail spend and cross-referencing to *Retail Planner*) condensed the spend categories to the 13 listed in Table 1.

**TABLE 1 – Retail Spend Categories**

Category	Sub Category
Alcohol	Convenience
Books/Newspapers/Stationery	Comparison
Brown Electrical Goods	Comparison - Bulky
Clothing	Comparison
DIY	Comparison - Bulky
Food	Convenience
Footwear	Comparison
Furniture & Furnishings	Comparison - Bulky
Glassware/tableware/HH utensils	Comparison
Healthcare	Comparison
HH Textiles	Comparison
Tobacco	Convenience
White Electrical Goods	Comparison - Bulky

By and large, the HES product categories matched very well with *Retail Planner*. Nine of the categories matched exactly, with only four requiring any modification:

- White Electrical Goods – simply renaming the HES category 'White Goods Including Fitting and Repair'.
- Healthcare – aggregation of three HES categories, 'Personal Care', 'Personal Effects' and 'Medical Products, Appliances and Equipment'.
- Brown Electrical Goods – aggregation of two HES categories, 'Audio-visual, Photographic and Data Processing Equipment' and 'Other Major Durables for Recreation and Culture'. As the former also includes Recorded Media ie CDs, DVDs etc, we have also made the necessary adjustment to the *Retail Planner* figures.

- DIY – aggregation of three HES categories, 'Tools & Equipment for the Home and Garden', 'Goods and Services for Routine Household Maintenance' and 'Other Recreational Items – Garden/Pets/Flowers'. We have also realigned the *Retail Planner* figures to include Pets (they already include Garden/Flowers). We have not included the category 'Regular Maintenance and Repair of Dwelling' as this includes a large proportion of non-retail spend eg plumbing services, glazing, decorating/building services etc. Although it may also include some degree of retail spend, our approach generally is to err on the side of conservatism, rather than risk overstating the figures.

The three sub-categories (convenience, comparison, comparison – bulky) represent standard 'higher level' classifications of the individual product categories. Broadly speaking, convenience items are consumables, comparison non-food products and bulky goods items that are often sold in out-of-town locations (eg DIY, Furniture, Floorcoverings, Electricals). It is vital to stress at this point that bulky goods are a sub-sector of comparison goods, rather than a distinct category. By extension, figures for the whole retail market are derived by adding convenience and comparison goods only – to add bulky goods to this figure would be double counting.

In the wider scheme of the project, these sub-categories are very important. In conducting our study of capacity, we will need to differentiate between these three sub-categories and make separate recommendations for each. As each sub-sector is subject to different market dynamics and space requirements, to undertake the survey at a generic 'retail' level would not suffice.

## **Market sizes**

In order to update the 1999 figures to 2004, we have sought input from the States of Jersey Statistics Unit on inflation trends over the last five years. The underlying Retail Price Index (RPI) between June 1999 and June 2004 has increased by around 24%. However, this figure masks significant variances between individual product categories. Tobacco has seen the sharpest price rises (+67%), followed by Alcohol (+27%) and Healthcare (+23%). At the opposite extreme, there has been deflation in Clothing and Footwear (both -6%), Books (-1%) and Brown Electrical Goods (-1%). We have applied these individual RPI rates to each of the relevant expenditure categories.

Two further steps are required to arrive at our estimates for total market size. The HES figures are for weekly spend – we have annualised them (obviously by multiplying them by 52). The total market is then calculated by the number of households in the Island (35,562, according to the 2001 Census).

No further adjustment is needed to factor in non-store based retailing channels (eg mail order, Internet shopping). Both the HES and *Retail Planner* cover total spend, regardless of retail channel, and thus already include all forms of home shopping.

In terms of headline numbers, therefore, the Jersey retail market (excluding tourist spend) is worth some £431m. Of this, some £231m is comparison spend, the balance of £200m convenience. This equates to a split of 54%:46%.

Comparing this split with the UK mainland, the balance in Jersey appears to be skewed slightly towards convenience. The comparison:convenience split for the UK is 62%:38%, albeit with some regional variations (eg Greater London and the South East are both 65%:35%, Scotland 59%:41%). Any skew in the Jersey figures is likely to be the product of tax differences – our *Retail Planner* data includes VAT. Whilst this will not have a huge bearing on the convenience figures (many, but not all, convenience items are zero-rated VAT items in the UK), it is much more of a factor in comparison goods, where there are tax differentials. Adjusting for these would reduce the overall comparison figures for the UK, which would, in turn, redress the comparison:convenience balance. In other words, we believe that factoring in VAT would bring the UK split (62%:38%) more or less into line with that of Jersey (54%:46%).

We believe the figures we have derived for Jersey to be the most robust possible. We are conscious that the spend figures refer to 2004, yet we have used household figures for 2001. However, unless there has been a massive proliferation of new households over the last three years, any distortion to the spend estimates is likely to be negligible.

**TABLE 2 – Total Market Sizes**

Category	HH Weekly Spend 1999 (£)	HH Weekly Spend 2004 (£)	Annualised HH Spend 2004 (£)	Total Market (£)
Food	62.76	71.36	3,711	131,957,148
Alcohol	16.07	20.47	1,065	37,859,496
Tobacco	9.67	16.15	840	29,862,933
Clothing	26.39	24.60	1,279	45,482,552
Footwear	4.62	4.31	224	7,962,463
Furniture & Furnishings	11.18	11.47	596	21,211,857
HH Textiles	2.75	2.82	147	5,217,586
Glassware/tableware/HH utensils	5.24	5.38	280	9,941,872
Books/Newspapers/Stationery	9.50	9.38	488	17,339,249
Healthcare	19.01	23.40	1,217	43,274,264
White Electrical Goods	4.16	4.27	222	7,892,784
Brown Electrical Goods	11.05	10.91	567	20,168,284
DIY	23.47	28.56	1,485	52,819,367
<b>Total Retail Spend</b>	<b>205.87</b>	<b>233.07</b>	<b>12,119</b>	<b>430,989,854</b>
<b>Total Convenience Spend</b>	<b>88.51</b>	<b>107.98</b>	<b>5,615</b>	<b>199,679,577</b>
<b>Total Comparison Spend</b>	<b>117.36</b>	<b>125.09</b>	<b>6,504</b>	<b>231,310,277</b>
<b>Total Bulky Goods Spend *</b>	<b>49.86</b>	<b>55.21</b>	<b>2,871</b>	<b>102,092,291</b>
<b>Total Spend **</b>	<b>538.13</b>	<b>664.51</b>	<b>34,554.52</b>	<b>1,228,827,840</b>

\* Bulky Goods is a sub-set of comparison goods (ie spend figures for comparison goods include both bulky and non-bulky)  
 \*\* Total Spend covers all product categories included in the HES, both retail and non retail eg Travel, Education etc.

As an alternative to RPI, we could have used earnings growth as a weighting factor. Over the same period (1999 – 2004), earnings growth was 28.5%. Given that earnings growth has outstripped RPI over the last five years, this would yield higher market size figures (Table 3). However, to err on the side of conservatism,

we have opted to use the RPI-based figures as our base data. The earnings growth figures are included only as 'upper boundary' benchmarks.

**TABLE 3 – Total Market Sizes – RPI vs Earnings Growth**

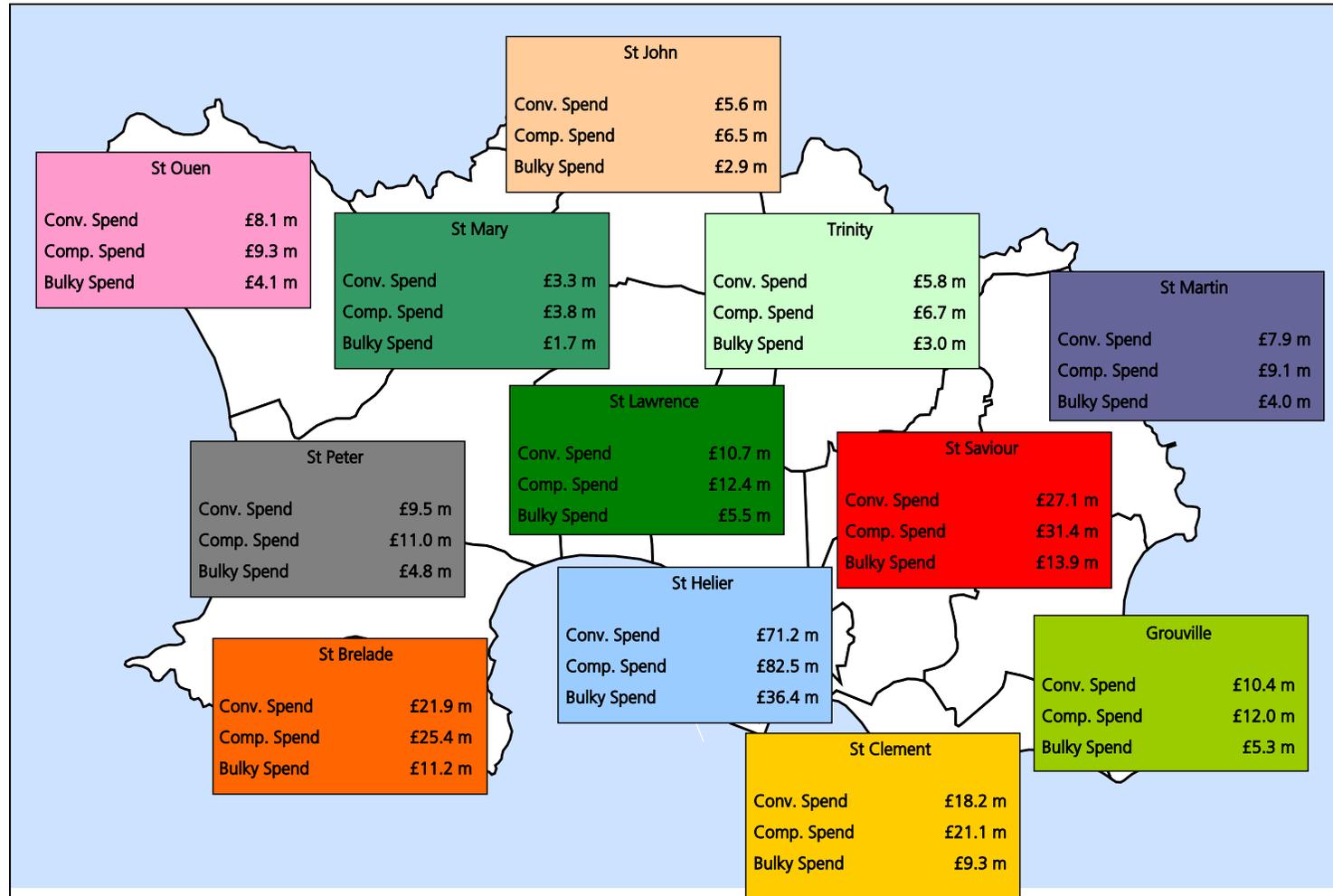
	RPI (£)	Earnings Growth (£)	% Difference
Convenience Spend	199,679,577	210,298,376	5%
Comparison Spend	231,310,277	278,900,796	21%
Bulky Goods Spend	102,092,291	118,479,967	16%
<b>Total Retail Spend</b>	<b>430,989,854</b>	<b>489,199,172</b>	<b>14%</b>

Table 4 and Map 1 show how the levels of available spend are distributed across the Island. These figures have been calculated by simply multiplying the household spend by the number of households in each parish. In so doing, we have not applied any weightings, therefore assuming that average spend per household is uniform across the Island.

**TABLE 4 – Available Expenditure by Parish**

Parish	2001 HHs	All Retail Spend (£)	Convenience Spend (£)	Comparison Spend (£)	Bulky Goods Spend (£)
Grouville	1,845	22,360,280	10,359,620	12,000,660	5,296,673
St Brelade	3,905	47,326,230	21,926,459	25,399,770	11,210,573
St Clement	3,240	39,266,833	18,192,504	21,074,329	9,301,474
St Helier	12,687	153,758,739	71,237,129	82,521,610	36,422,161
St John	995	12,058,796	5,586,896	6,471,901	2,856,471
St Lawrence	1,911	23,160,160	10,730,208	12,429,952	5,486,147
St Martin	1,398	16,942,911	7,849,729	9,093,183	4,013,414
St Mary	591	7,162,561	3,318,448	3,844,114	1,696,658
St Ouen	1,437	17,415,568	8,068,712	9,346,855	4,125,376
St Peter	1,687	20,445,416	9,472,455	10,972,961	4,843,082
St Saviour	4,829	58,524,549	27,114,692	31,409,857	13,863,216
Trinity	1,037	12,567,811	5,822,724	6,745,086	2,977,046
<b>Total</b>	<b>35,562</b>	<b>430,989,854</b>	<b>199,679,577</b>	<b>231,310,277</b>	<b>102,092,291</b>

MAP 1 – Available Expenditure by Parish



## Comparisons with the UK

How do these figures relate to the UK mainland? The purest like-for-like comparisons are made on a per capita basis. These figures are derived simply by dividing the total market size by the latest available population data (87,500 in 2003) and performing a parallel exercise on the UK data. The results are shown in Table 5.

TABLE 5 – Per Capita Spend Comparisons vs UK Mainland

Category	Total Jersey Market (£)	Jersey Spend per Head (£)	UK Spend per Head (£)	Index
Food	131,957,148	1,508	1,068	141
Alcohol	37,859,496	433	201	215
Tobacco	29,862,933	341	151	226
Clothing	45,482,552	520	536	97
Footwear	7,962,463	91	81	112
Furniture & Furnishings	21,211,857	242	299	81
HH Textiles	5,217,586	60	84	71
Glassware/tableware/HH utensils	9,941,872	114	89	128
Books/Newspapers/Stationery	17,339,249	198	187	106
Healthcare	43,274,264	495	472	105
White Electrical Goods	7,892,784	90	75	120
Brown Electrical Goods*	20,168,284	230	296	78
DIY	52,819,367	604	516	117
<b>Total Retail Spend</b>	<b>430,989,854</b>	<b>4,926</b>	<b>4,064</b>	<b>121</b>
<b>Total Convenience Spend</b>	<b>199,679,577</b>	<b>2,282</b>	<b>1,548</b>	<b>147</b>
<b>Total Comparison Spend</b>	<b>231,310,277</b>	<b>2,644</b>	<b>2,516</b>	<b>105</b>
<b>Total Bulky Goods Spend</b>	<b>102,092,291</b>	<b>1,167</b>	<b>907</b>	<b>129</b>

\* Brown Electrical Goods also includes Recording Media (CDs, DVDs etc)

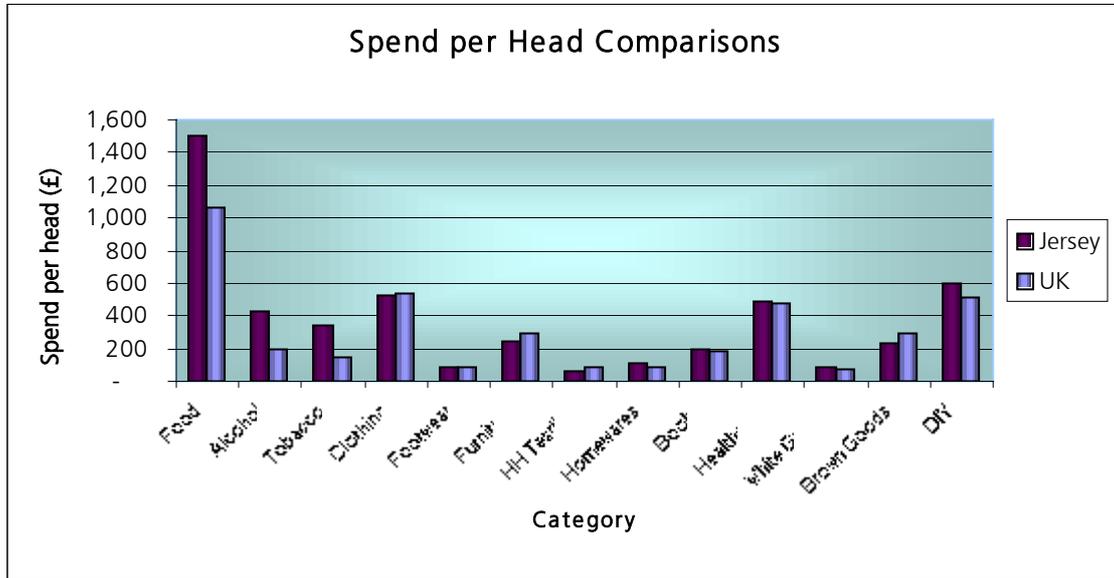
It could be argued that these figures are distorted by tax differentials – our *Retail Planner* figures include VAT, whilst goods in Jersey are currently exempt from sales tax. However, as we go on to argue, this in no way detracts from the key findings of the analysis.

Regardless of VAT issues, the conclusion from this is clear – spend per head is significantly higher than on the mainland. On a value basis (ie dis-regarding any tax differentials), overall retail spend per head is 21% higher. Taking the convenience market in isolation, spend per head is 47% higher in Jersey. Although the differential is lower in comparison goods, 5% still represents a tangible difference.

We would treat the surplus figure for bulky goods (+29%) with a mild degree of caution. The HES bulky goods spend categories may also include some items not normally classified as bulky. An example of this is Recording Media (CDs/DVDs etc), which is aggregated into Brown Electrical Goods. As we know of this, we have adjusted the equivalent UK figures accordingly. However, with all the major categories accounted for, any 'rogue' ones would be very small and therefore of little significance to the overall figures. All things being equal, the bulky goods surplus figure is only likely to be inflated by a few percentage points at most.

In terms of the individual product categories, the only four where spend per head is lower in Jersey are Furniture & Furnishings (-19%), Brown Electrical Goods (-22%), Household Textiles (-29%) and Clothing (-3%).

FIG. 1 – Per Capita Spend Comparisons vs UK Mainland



In view of the regional variations within the UK, we have also broken down the mainland figures by government area. The absolute comparison figures for all the regions are provided in Table 6. These are then indexed against the comparable figures for Jersey in Table 7.

TABLE 6 – Per Capita Spend Comparisons vs UK Regions

Government Standard Region	Retail Spend per Head (£)	Convenience Spend per Head (£)	Comparison Spend per Head (£)	Bulky Goods Spend per Head (£)
East Anglia	4,114	1,616	2,498	815
East Midlands	4,005	1,525	2,480	976
Greater London	4,589	1,614	2,975	1,066
North	3,716	1,491	2,225	738
North West	3,842	1,500	2,343	837
Northern Ireland	3,848	1,570	2,279	779
Scotland	4,265	1,733	2,531	905
South East	4,497	1,586	2,911	1,066
South West	3,804	1,538	2,266	806
Wales	3,760	1,523	2,237	836
West Midlands	3,687	1,444	2,243	794
Yorkshire And The Humber	3,533	1,386	2,147	797
<b>UK Average</b>	<b>4,064</b>	<b>1,548</b>	<b>2,516</b>	<b>907</b>
<b>Jersey</b>	<b>4,926</b>	<b>2,282</b>	<b>2,644</b>	<b>1,167</b>

Although the underlying picture is broadly the same ie spend per head in Jersey is invariably higher, the gap is much narrower between some of the more affluent mainland regions. For example, when indexed against Jersey, total retail spend per head is only 9% lower in the South East, compared to 17% for the UK as a whole. In comparison goods, the UK as a whole is 5% lower, but the South East (+10%) and Greater London (+13%) are both higher.

**TABLE 7 – Per Capita Spend - UK Regions Indexed vs Jersey**

Government Standard Region	Retail Spend per Head vs Jersey (Index)	Convenience Spend per Head vs Jersey (Index)	Comparison Spend per Head vs Jersey (Index)	Bulky Goods Spend per Head vs Jersey (Index)
East Anglia	84	71	94	70
East Midlands	81	67	94	84
Greater London	93	71	113	91
North	75	65	84	63
North West	78	66	89	72
Northern Ireland	78	69	86	67
Scotland	87	76	96	78
South East	91	69	110	91
South West	77	67	86	69
Wales	76	67	85	72
West Midlands	75	63	85	68
Yorkshire And The Humber	72	61	81	68
<b>UK Average</b>	<b>83</b>	<b>68</b>	<b>95</b>	<b>78</b>
<b>Jersey</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Thus far, all our comparisons have been based on total market value. To factor in VAT differentials and derive accurate comparisons of actual market volume is a near-impossible task – to simply deduct the standard UK VAT rate (17.5%) from the UK figures would be spurious. Problems arise because VAT is not chargeable on all items. As an extremely general rule of thumb, key zero-rated VAT items are food, books, children’s clothing and some medical goods. However, there are a host of grey areas within this. Not all food is VAT exempt, whilst tobacco and alcohol are subject not just to VAT, but also a higher rate of duty compared to Jersey.

Likewise, it would be dangerous to apply blanket VAT assumptions to many of our product category classifications. For example, there is no standard across Books/ Newspapers/ Stationery. In clothing, adultwear is subject to VAT, whilst childrenswear is zero-rated.

On this basis, there are only six categories where there are few ‘VAT nuances’. Applying VAT to those naturally widens the gap further between the per capita comparisons with Jersey.

**TABLE 8 – ‘Volume’ Per Capita Spend Comparisons vs UK**

Category	Jersey	UK - Value	Index	UK - Volume	Index
Furniture	242	299	81	254	95
HH Textiles	60	84	71	72	84
Glassware/tableware/HH utensils	114	89	128	76	151
White Electrical Goods	90	75	119	64	140
Brown Electrical Goods	230	296	78	252	91
DIY	604	516	117	439	138

Thus, whether VAT is incorporated or not, the underlying conclusions of the comparisons are much the same.

Potentially, the fact that spend per head is higher in Jersey could mean that retail prices are much higher in the Island – whilst sales volumes may be more on a par with the mainland, the extra market value is simply created because goods cost more. As we discuss later on in the report, we do not believe this necessarily to be the case. Having carried out some degree of pricing audit, we could not conclude definitively that goods in Jersey carry any significant price premium over the UK. In comparison goods, prices tend to be lower where VAT exclusion is applied; at worst, prices are the same as on the mainland, where retailers fail to pass on the tax reduction to consumers. In convenience, the picture is slightly different. Here, there may be some unfavourable price differentials, albeit not massive. We believe, therefore, that it would be misguided to attribute Jersey’s superior spend capacity purely to inflated prices.

Our conclusion would, in effect, be more straightforward, namely that Jersey represents an oasis of relative affluence with high spending power. Although it compares very favourably with the various UK regions (as we have proved), if we were to select much more refined catchment areas around affluent mainland centres, any gap would probably narrow, or possibly, reverse.

The quantification of Jersey’s perceived affluence is a key issue in our assessment of its capacity requirements. The Island clearly represents a prosperous and fertile retail market. But the critical issue is whether current retail provision is sufficient to capitalise on this potential. In crude terms, spend per head is 20% higher in Jersey than the mainland – is floorspace per head also higher by a similar percentage? Or, in simpler terms, do Jersey consumers have access to the retail provision that their spending power deserves?

## **Tourism Spend**

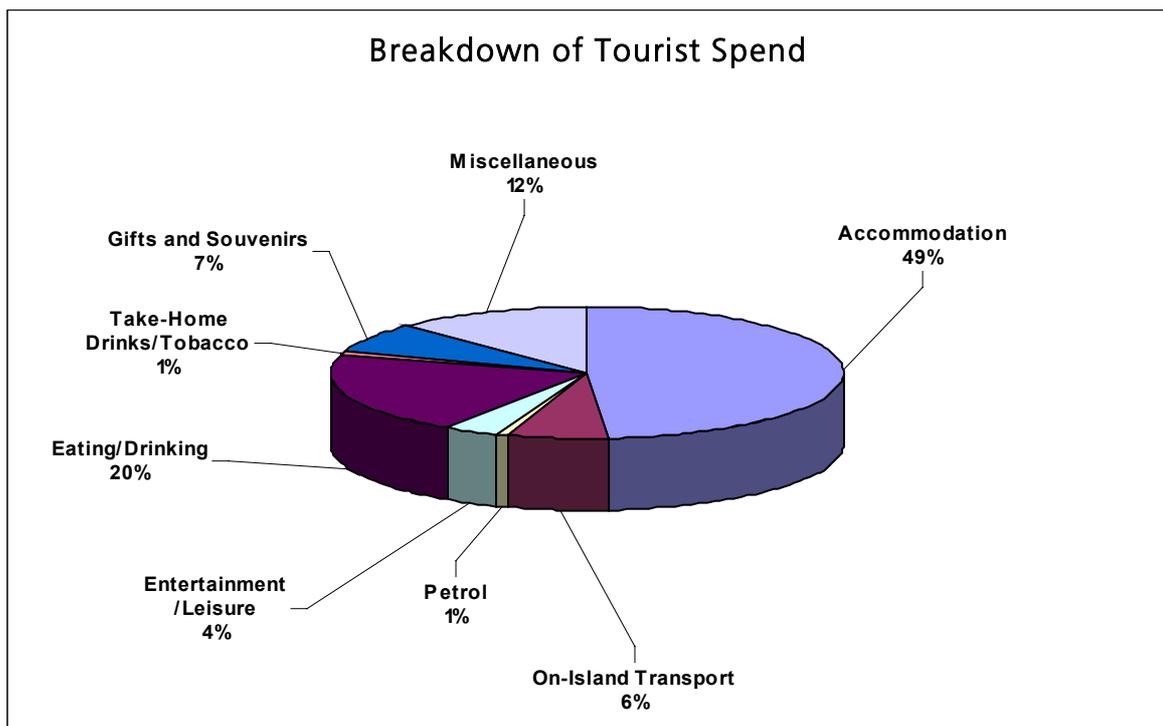
Jersey is renowned as a tourist destination, benefiting significantly from both the holidaymaker/daytripper and business traveller/conference visitor markets. Figures from the latest Jersey Tourism Annual Report estimate that the total volume of visitors to the Island in 2003 stood at 748,600, although provisional figures show that this figure slipped back to 732,500 in 2004.

Clearly, the tourist industry is very important to the Jersey economy as a whole, spending an estimated £215m in 2004. However, on examination of the spend breakdown, we believe that it would be wrong to exaggerate the importance of tourist spend to the retail industry.

With such a strong reputation for tourism and around three-quarters of a million visitors a year, it would be easy to make wild assumptions as to the impact of tourism on the retail industry. However, all the evidence points to the leisure sector (eg hotels/restaurants) as the main beneficiary of tourist trade – the benefits to the retail sector are less significant.

Fig 2 (taken from the Jersey Tourism Annual Report) bears this out. A large proportion of tourist spend is non-retail eg accommodation, eating/drinking, transport etc. The only two categories that could be classified purely as retail are Gifts/Souvenirs and Take-Home Alcohol/Tobacco. It is also fair to assume that a large proportion of 'Miscellaneous' would also qualify as retail spend.

FIG. 2 – Breakdown of On-Island Estimated Visitor Expenditure 2004



A qualitative sense-check on tourist shopping patterns supports these figures. For all its appeal, Jersey is not an international shopping destination. With around 75%-80% of visitors coming from the UK, many of St Helier's key retail fascia will be exactly the same as they have in their local centre at home. Tax-free shopping should, in theory, prove an incentive to shoppers, but as we discuss in Stage 9 of this report, many retailers do not pass on the discount to consumers. As a result,

prices are often exactly the same in Jersey as on the mainland. This is not universally true, and we could imagine a number of visitors taking advantage of sectors that adhere to VAT free pricing eg CDs and DVDs, and, of course, duty-free alcohol and tobacco at the airport on the way home (which we have factored into our overall assessment of capacity). However, over and above this, we believe that the main retail trade from tourists is concentrated on items that cannot be bought on the mainland – essentially gifts and souvenirs.

Assuming that 'Miscellaneous' is in fact all retail spend, this still gives retail a share of only 20% of the total tourist market. This equates to a figure of around £45m, just over one tenth of the figure for resident retail spend. Amalgamating the two gives a total retail market size of £476m, with a 91% - 9% split between residential and tourist spend. In Stage 4 of the study, we will also apportion out the tourist spend to the centres where we believe it is made.

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## AUDIT OF EXISTING RETAIL FLOORSPACE

### Key Objective

The objective of this stage is to identify the retail centres in Jersey for analysis and to provide spatial breakdowns of their existing floorspace provision. The outputs from this enable us to

- examine the distribution of retail space across the Island
- understand the role of each of the centres
- derive an informed view of their relative 'attractiveness'
- build a robust gravity model, which reflects actual shopping patterns
- accurately allocate 'available' spend to the centre where it is actually made.

### GOAD

Experian owns GOAD, a unique source of town centre and retail park data. The GOAD database comprises floor plans of over 1,200 town centres and 800 retail parks across the country, which are updated annually by our team of professional surveyors. These plans can be produced in either hard or electronic format.

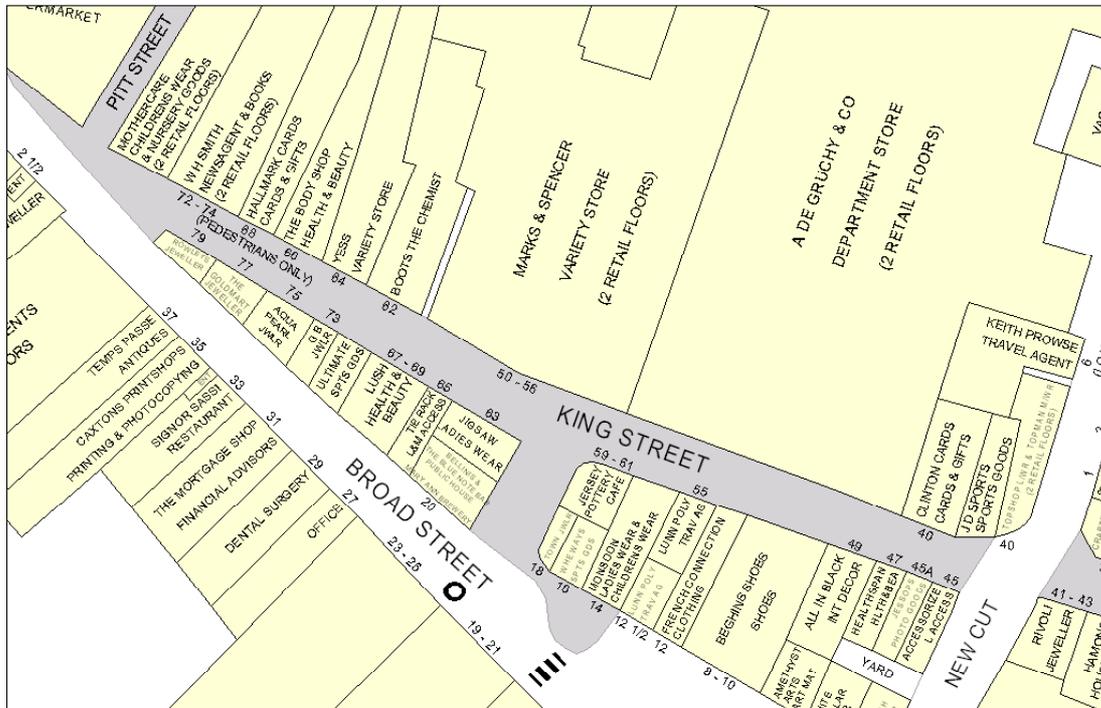
### MAP 2 – GOAD plan of St Helier



NB The Grand Marché store off St Saviour's Road falls just outside the boundaries of the GOAD plan of St Helier. However, for the purposes of this study, we have incorporated it into our definition of St Helier town centre.

Map 2 on the previous page shows the full GOAD plan of St Helier. Map 3 below provides a more micro example, focussing on the shaded area (the prime pitch on King Street around Marks & Spencer and the De Gruchy department store).

### MAP 3 – GOAD plan of King Street



All GOAD plans are re-surveyed on an 12-18 month rolling cycle. The St Helier plan was last surveyed at the end of July 2004 and now includes the new Waterfront leisure development. Having re-visited the centre in January 2005, we did not notice any major changes to the last GOAD plan produced and are therefore confident that the latest data remains accurate.

In addition to the maps, the GOAD database contains all the data that sits behind these plans. It includes key details on each individual outlet such as:

- full address
- category (eg comparison, convenience, retail service, leisure service etc)
- trading activity (eg clothing, department store, supermarket etc)
- fascia (eg Boots, WH Smith, Burton, Checkers)
- parent company (eg CIT, Arcadia, Morrison, GUS)
- floorspace (in both square feet and square meters)

Table 9 on the following page provides a sample of the GOAD data for St Helier.

TABLE 9 – Sample of GOAD data for St Helier



PlanName	Fascia	HoldingCompany	StreetNo	Property	Postcode	PrimaryActivity	GoadSubClass
St Helier	A De Gruchy & Co	Merchant Retail	16 - 18	New Street	JE2 3RA	Department Store	Comparison
St Helier		Non Multiple		La Route Du Port Elizabeth	JE2 3NW	Car Park (Public)	Transport Services
St Helier		Non Multiple		Halkett Place	JE2 4WX	Market	Convenience
St Helier	Voisin & Co	Non Multiple	15 - 21	New Street	JE2 3RA	Department Store	Comparison
St Helier	Cineworld	CINE-UK Ltd		La Rue De L'etau	JE2 3WF	Cinema	Leisure Services
St Helier	Marks & Spencer	Marks & Spencer	50 - 56	King Street	JE2 4WE	Variety Store	Comparison
St Helier		Non Multiple	35 1/2	Hilgrove Street	JE2 4SL	Warehouse	Industrial Activities
St Helier		Non Multiple		Castle Street	JE2 3RT	Car Park (Public)	Transport Services
St Helier	Aqua Splash	Non Multiple		La Rue De L'etau	JE2 3WF	Leisure Centre	Leisure Services
St Helier	Bhs	BHS Ltd	2 - 10	Don Street	JE2 4TQ	Variety Store	Comparison
St Helier	The Post Office	Royal Mail Group		Broad Street	JE2 3RR	Post Office	Retail Service
St Helier	Nat West	Royal Bank of Scotland	23 - 25	Broad Street	JE2 3RR	Bank	Financial & Business
St Helier		Non Multiple	69 - 73	Bath Street	JE2 4ST	Office	General Offices
St Helier	The Royal Bank Of Scotland	Royal Bank of Scotland	69	Bath Street	JE2 4SU	Bank	Financial & Business
St Helier		Non Multiple	22 - 28	New Street	JE2 3TE	Office	General Offices
St Helier	Barclays Bank	Barclays Bank	1 - 3	Broad Street	JE2 3RR	Bank	Financial & Business
St Helier	Romerils	Non Multiple		Dumaresq Street	JE2 3RL	Builders Merchant	Comparison
St Helier	Royal Bank Of Canada	Royal Bank Of Canada	19 - 21	Broad Street	JE2 3RR	Bank	Financial & Business
St Helier	Checkers Xpress	CI Traders	48 - 52	Bath Street	JE2 4SU	Supermarket	Convenience
St Helier		Non Multiple		Cattle Street	JE2 4WP	Office	General Offices
St Helier		Non Multiple		Cattle Street	JE2 4WP	Office	General Offices
St Helier	Woolworths	Woolworths Group	21 - 35	Halkett Place	JE2 4WG	Variety Store	Comparison
St Helier		Non Multiple		Halkett Place	JE2 4WG	Government Building	Public Services
St Helier	Barclays Private Clients	Non Multiple		Broad Street	JE2 3RR	Financial Advisors	Financial & Business
St Helier	Co-op Homemaker	Co-operative Union		Burrard Street	JE2 4WS	Department Store	Comparison
St Helier	Fitness First	Fitness First		La Rue De L'etau	JE2 3WF	Health Club	Retail Service
St Helier		Non Multiple		Minden Place	JE2 4WQ	Car Park (Public)	Transport Services
St Helier		Non Multiple		Minden Place	JE2 4WQ	Market	Convenience
St Helier	Lloyds TSB	Lloyds TSB	23	New Street	JE2 3RA	Bank	Financial & Business
St Helier	Boots The Chemist	Boots Company	23	Queen Street	JE2 4WD	Chemist	Comparison
St Helier		Non Multiple		Esplanade	JE2 3QA	Office	General Offices
St Helier	Central Park	Non Multiple	5 - 7	La Motte Street	JE2 4SY	Restaurant	Leisure Services
St Helier		Non Multiple		Hill Street	JE2 4UA	Office	General Offices
St Helier	Scope	Non Multiple		Minden Place	JE2 4WQ	Furniture	Comparison

It is the floorspace figures that are of most relevance to our capacity study. GOAD floorspace figures are based on Ordnance Survey surface area calculations and are expanded, where appropriate, to include multiple floors eg in department/variety stores such as Marks & Spencer, De Gruchy etc. Our approach is consistent across all GOAD plans.

For the purposes of the project, we are interested in three levels of floorspace granularity:

1. **Total Retail Floorspace** – this is essentially the sum total of convenience and comparison (including bulky) floorspace and is derived by filtering off all non-retail floorspace (eg leisure, offices, public service buildings etc)
2. **Comparison/Convenience/Bulky Goods Floorspace** – by distinguishing between the three key components of the retail market, we are able to address potential capacity issues across all three. The figures are derived by aggregating all the sub-sectors that make up each component eg convenience = supermarkets, convenience stores (C-stores), newsagents (CTNs), off-licences, food specialists etc etc. For the purposes of capacity evaluation, it is imperative that the definitions used in the floorspace assessment are wholly consistent with those used in our expenditure analysis.

3. **Individual Product Category Floorspace** – this is the most micro/‘finest’ level of analysis and entails assessing floorspace at product category level eg clothing, footwear, furniture, DIY etc.

### Smaller Centres

Historically, the only centre covered by GOAD in Jersey has been St Helier. Although St Helier clearly dominates shopping dynamics across the Island (particularly in comparison goods), it would be wrong to assume that all expenditure is made in the capital. In order to undertake a holistic capacity study of Jersey as a whole, we need to derive a picture of retail provision across the Island. For this reason, our team of GOAD surveyors have undertaken bespoke surveys of a number of smaller centres across the Island.

As well as incorporating the smaller centres, the bespoke surveys have enabled us to incorporate into our analysis key stores in and around St Helier that trade outside the cut-off boundaries of the existing GOAD plan. These include pivotal stores such as the Safeway supermarket on Trinity Hill (now under the ownership of CI Traders)<sup>+</sup> and the B&Q /Powerhouse /IKKON retail park on Queens Road.

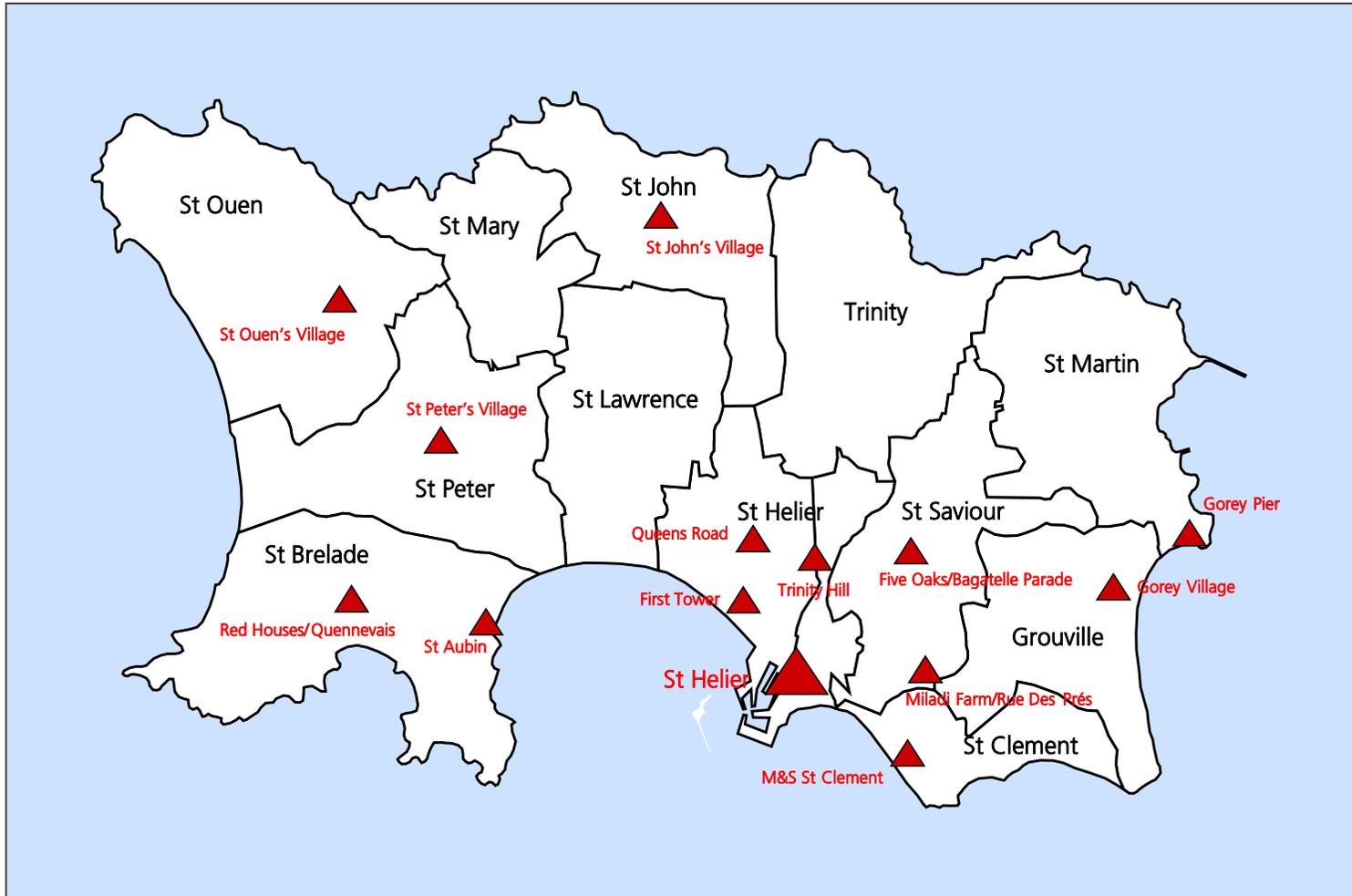
On consulting with the States Planning Department, the following centres were also surveyed:

**TABLE 10 – Additional Centres Surveyed**

Centre	Parish
First Tower	St Helier
Five Oaks/Bagatelle Parade	St Saviour
Gorey Pier	St Martin
Gorey Village	Grouville
Miladi Farm/Rue des Pres	St Saviour
Queen's Road	St Helier
Red Houses/Quennevais	St Brelade
St Aubin	St Brelade
St Clement (M&S)	St Clement
St John's Village	St John
St Ouen's Village	St Ouen
St Peter's Village	St Peter
Trinity Hill (Safeway)	St Helier

<sup>+</sup> Although the store formally changed ownership on 30 April 2005, it will continue to trade under the Safeway fascia (although a new logo will be unveiled by the end of July 2005). The store in question is referred to as Safeway throughout this report.

MAP 4 – Centres Covered by GOAD



Key outputs from the additional surveys are:

- floorplan maps of the smaller centres, available in both hard copy and digital format (see Appendix 1)
- a database of all space provision within the centres, which dovetails with the main GOAD database
- Datasets which will form an integral part of our gravity model/capacity studies.

### Other Retail Provision

Having conducted the additional surveys, we are confident that our coverage of the retail provision across the Island is comprehensive in that it covers all the major centres and key outlets. Although none of 14 centres we have surveyed are in St Mary, St Lawrence or Trinity, we have nevertheless incorporated stores that trade in these parishes eg Benests’ of Millbrook, Le Maistre Bros in Trinity etc. Likewise, we have also taken account of other solus stores that trade away from the centre surveyed by GOAD eg Furniture Centre in St John, St Peter Garden Centre, Ransom’s Garden Centre in St Martin, Potteries in Grouville, Catherine Best in St Peter, Lion Park in St Lawrence etc.

For the sake of completeness, we are also able to draw upon *Retail Locations* data to fill any outstanding gaps. We have matched up the latest Jersey data from *Retail Locations* with our GOAD data and flagged any apparent gaps in our coverage – these tend to be either small, standalone convenience stores eg Spar, Checkers Xpress or convenience stores (C-stores) attached to petrol stations eg Spar, Esso Snack ‘n Shop etc. We have added these outlets to their respective parishes and made sensible assumptions as to their floorspace (<1,000 sq ft for a petrol station C-store, ca. 1,500 – 2,000 sq ft for a standalone C-store).

As already stated, we have added these outlets primarily for the sake of completeness. Any variances to our assumptions are likely to be minimal and thus have very little bearing on our overall analysis of capacity. Any other omissions are likely to have a negligible influence on our spend allocation analysis.

### Retail Provision by Parish

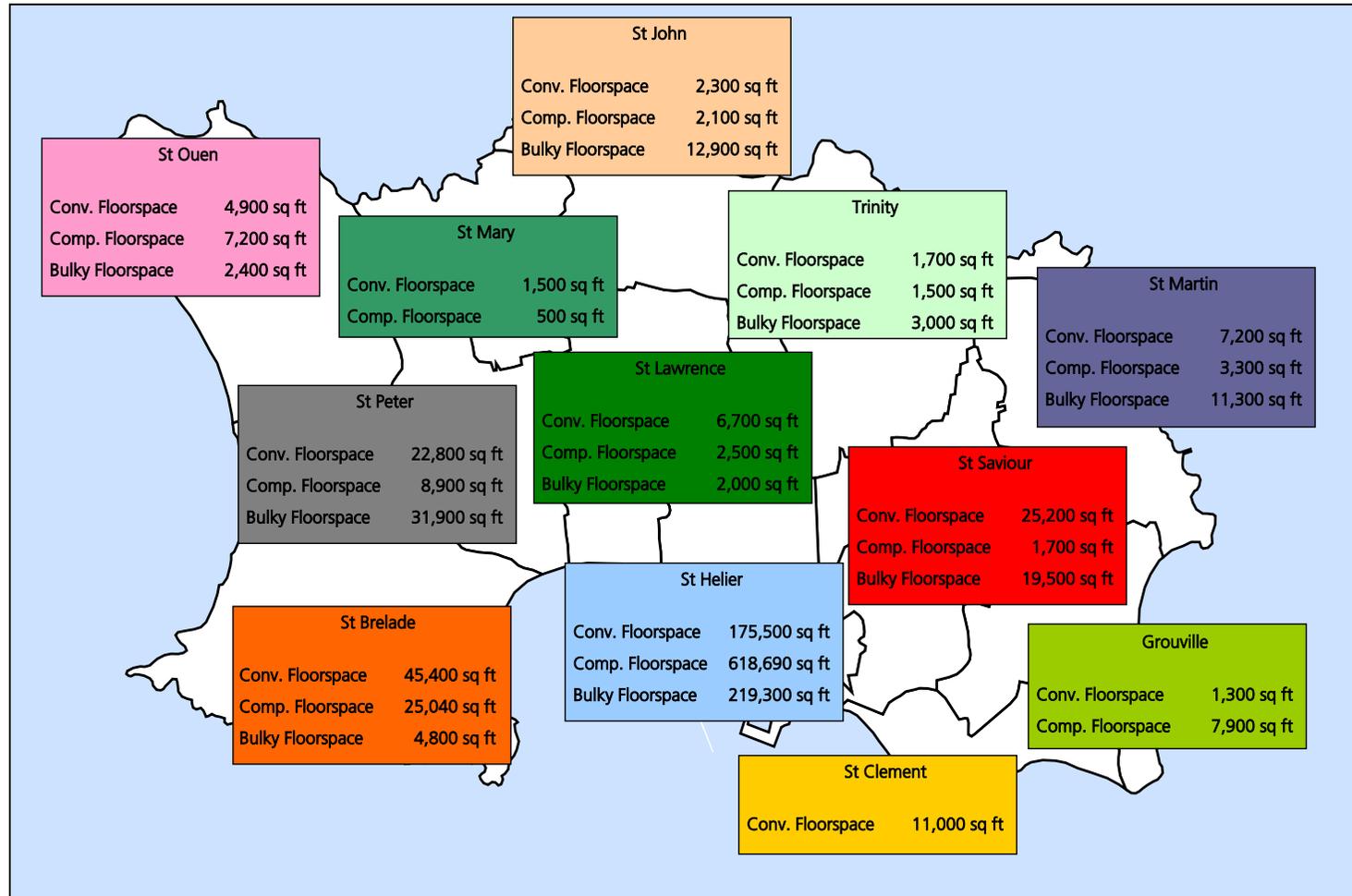
Table 11 shows the total retail floorspace in Jersey. Map 5 breaks these figures down to parish level.

**TABLE 11 – Retail Floorspace in Jersey**

Convenience (sq ft)	Comparison (sq ft)*	Bulky Goods (sq ft)	Total (sq ft)
305,000 24%	679,000 53%	307,000 24%	1,291,000 100%

\* Excludes bulky goods.

MAP 5 – Distribution of Retail Floorspace by Parish



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## St Helier

Not surprisingly, the Island's retail provision is heavily concentrated in St Helier. Over 90% of the Island's non-bulky comparison floorspace is located in the parish, a figure which compares to only 32% of the population. Even excluding the satellite centres and suburbs (Queens Road, Trinity Hill and First Tower), St Helier town centre (as defined by GOAD) still commands a dominant share of over 80% of all comparison floorspace.

The convenience market in the Island is more fragmented, with each of the parishes including some degree of convenience provision. Nevertheless, the parish of St Helier still accounts for nearly 60% of all convenience floorspace.

Treating **Trinity Hill** as a separate entity reduces St Helier's share of overall convenience floorspace to just over 50%. As our capacity analysis will go on to show, we believe that the 20,000 sq ft Safeway store on Trinity Hill is the single most important grocery store in the Island. Not only does it absorb the largest share of convenience spend, it also embodies many of the Island's capacity issues. Hence, we view the recent transfer of this store to CIT as a very significant development in the evolution of the Jersey retail market – although neither the basic footprint nor retail use will change (it will remain a 20,000 sq ft grocery store), we believe it will nevertheless have wider implications.

The other key convenience outlet in St Helier is the Grand Marché supermarket, just off St Saviour's Road on La Rue le Masurier. Although close to the parish border with St Saviour, this store does still fall within the parish of St Helier and is actually geographically closer to the town centre than its Safeway counterpart.

St Helier's markets also form a key component of convenience floorspace provision in the Island. In aggregate, the Central and Fish Markets cover nearly 50,000 sq ft – more than Safeway and Grand Marché combined, and some 15% of all convenience floorspace in the Island. With their unique propositions, the markets obviously contribute strongly to St Helier's attractiveness as a convenience shopping destination.

Around 70% of the Island's bulky goods floorspace is located in the parish of St Helier. **Queen's Road** constitutes a large proportion (ca. 22%) of bulky goods floorspace on the whole Island. Comprising a B&Q (36,000 sq ft), Powerhouse (17,000 sq ft) and IKKON (14,000 sq ft), the retail park represents the key large scale and multiple bulky goods floorspace in Jersey. Elsewhere in the Island, the mainstay of bulky goods floorspace comes largely in the form of independents, often (but not exclusively) in relatively small-scale outlets.

We examine St Helier's retail offer in a wider context in the next stage of this study. This involves benchmarking the capital against centres in other captive markets (eg Douglas, St Peter Port) and against comparable centres on the UK mainland.

## **St Saviour**

Two of the Goad centres we have surveyed fall within St Saviour (Five Oaks/Bagatelle Parade and Miladi Farm/Rue des Pres). Both these centres comprise small, localised shopping parades, catering primarily for the convenience market.

For the purposes of this study, the key store is the Checkers store on Rue des Pres. This store is consistent with the Safeway on Trinity Hill in that it is one of the largest grocery stores in the Island and is ostensibly overtrading. We understand from the States Planning Department that Channel Island Traders (CIT) are seeking consent to double the store's size, a factor we will incorporate into our scenario modelling.

## **St Clement**

Despite being the fourth largest parish in the Island in population terms (and second highest in terms of population density), St Clement remains undershopped. What retail floorspace there is is largely small, solus convenience stores.

Although largely of this ilk itself, the M&S Simply Food outlet just off La Grande Route de la Cote warrants individual mention. At around 7,000 sq ft, it is significantly smaller than the M&S outlet in St Helier and the only one of the three M&S stores in the Island to not stock clothing. We believe it nevertheless generates a significant share of the convenience market in the Island.

## **Grouville/St Martin**

Although less densely populated than St Clement (1,951 people per sq km), both Grouville (603) and St Martin (366) are nonetheless similarly undershopped. Gorey is the main centre in the region, spanning both parishes (Gorey Village in Grouville and Gorey Pier in St Martin). Gorey Village retail floorspace is convenience-driven, whilst that of Gorey Pier is not surprisingly geared more towards the tourist market (gift shops etc). Tourist-driven attractions aside (eg the Potteries in Grouville), there is little by way of mainstream destination retail offer in either centre.

## **St Brelade**

St Brelade contains two GOAD plans, the small resort of St Aubin and the more densely populated Quennevais/Red Houses. The latter contains a relatively large shopping parade (containing both comparison and convenience floorspace) and two of the Island's other key stores, namely the 7,000 sq ft Marks & Spencer at Centre Point and the new 20,000 sq ft+ Checkers store.

### St Peter/St Ouen/St John/St Lawrence/Trinity

The remaining parishes contain small, rural communities and this is reflected in the relative lack of retail floorspace. The villages in question tend to contain a central convenience store (eg Spar, Checkers Xpress) and possibly a few ancillary stores (eg chemists, newsagents etc). In a number of cases, the parishes may also include solus stores, which trade away from the local centre/village. Examples of this include St Peter Garden Centre and Furniture Centre in St John.

The Co-op owned Fresh Food Grand Marché in St Peter's Village merits mention, as, at around 25,000 sq ft, it represents a major destination store for much of the north and east of the Island.

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## RETAIL PROVISION BENCHMARKING

### Key Objectives

In order to appraise St Helier's existing retail provision fully and put its current proposition into a wider context, we believe there is considerable merit in undertaking a full retail audit of the centre. Essentially, this entails benchmarking St Helier against a select group of peer centres. We have also included St Helier in a bespoke version of our Retail Centre Ranking.

Key outputs of this process are:

- wider quantification of the scale and pitch of St Helier's retail offer
- a basic 'healthcheck' of the capital
- qualification of its strengths and weaknesses
- an indicator of how existing vacant floorspace could be filled
- the foundations of a strategy to counter any possible displacement arising from a new retail scheme.

We regularly undertake retail audits of centres in the UK for both public and private bodies. These range from Local Authorities, town centre managers, centre marketing managers, property agents, developers and investors. Often, our analysis will form part of a wider asset management strategy.

For the purposes of this study, however, we would stress that our approach is less prescriptive. We recognise that Jersey is a very distinct market from the UK mainland and that its idiosyncrasies are an indelible part of its appeal. Likewise, we are sympathetic to any local opposition to what may be perceived as 'identikit' town cloning. Our approach is mindful of these sensitivities and any conclusions drawn are kept within this perspective.

### St Helier in Experian's Retail Centre Ranking

Over and above monitoring retailer presence and relative floorspace, the GOAD database enables us to assess the underlying 'quality' of retail floorspace provision. This forms the basis of Experian's Retail Centre Ranking (RCR). Produced annually in collaboration with the British Council of Shopping Centres (BCSC), Experian ranks all centres nationally, based on their 'attractiveness' or vitality scores. Vitality scores are derived using the following key variables:

- Count of multiple retailer outlets (multiple retailers are defined as having a store network of nine or more outlets)
- Count of comparison retailers outlets (comparison retailers are defined by GOAD's usage classification)
- Floorspace of multiple retailer outlets
- Floorspace of vacant outlets
- Number of service and miscellaneous outlets (eg churches, offices etc)

- Floorspace of retail outlets (retail as opposed to non-retail and retail service)
- Count of leisure outlets
- Floorspace of leisure outlets
- Count of key retail attractors (selected by Experian to represent popular and successful retail fascia)
- Spend score (implied retail spend for each centre, derived from sales/sq ft estimates and correlated to the other nine variables)

These ten variables are weighted appropriately to derive an overall vitality score for each centre, upon which they are ranked. Unfavourable variables (Floorspace of vacant outlets and Number of service and miscellaneous outlets) carry negative weightings. It should be noted that the ranking is based purely on retail provision – it does not factor in aesthetic qualities of the centres, nor does it account for the geo-demographics of the catchment, nor is it necessarily a barometer of that centre’s performance.

**TABLE 12 – St Helier in Experian’s Retail Centre Ranking**

RCR Rank	GOAD Centre
120	Nuneaton
121	Barnsley
122	Falkirk
123	Perth
124	Chichester
125	Wigan
126	Horsham
127	Chatham
128	Stirling
129	Livingston
130	Greenock
131	St Helens
<b>132</b>	<b>St Helier</b>
133	Chesterfield
134	Brent Cross
135	Wimbledon
136	Blackburn
137	Leeds - White Rose
138	Kensington
139	Weston-super-Mare
140	Aylesbury
141	St Albans
142	Staines
143	Wrexham
144	Halifax
145	Victoria Street

We have applied the same methodology to derive a vitality score for St Helier and assess where it would feature in our Retail Centre Ranking. In our 2004 ranking, St Helier would have ranked a creditable 132<sup>nd</sup>.

Although outside the top 100 centres, St Helier's position needs to be put into some perspective. To do this, we have appended two population figures to its peer group centres:

- Catchment Population – this is the residential population that lives within the primary and secondary catchment area of that centre (defined as 80% of the catchment)
- Shopper Population – this represents the number of people that actually use that centre for their main comparison shop.

Both figures are calculated using our *Where Britain Shops* gravity model, the mechanics of which are detailed in Stage 4 of this study (and in Appendix 4). In some instances, Shopper Population may exceed Catchment Population. This is particularly true of large centres in geographically isolated locations, which may attract many shoppers outside the 80% boundary of the primary/secondary catchment.

**TABLE 13 – Population Comparisons of St Helier vs RCR Peers**

RCR Rank	GOAD Centre	Shopper Population	Catchment Population	Index (SP vs CP)
120	Nuneaton	99,270	756,221	13
121	Barnsley	138,034	1,067,642	13
122	Falkirk	131,112	349,149	38
123	Perth	108,812	108,772	100
124	Chichester	120,155	273,783	44
125	Wigan	179,432	1,494,841	12
126	Horsham	90,677	240,411	38
127	Chatham	130,506	450,069	29
128	Stirling	127,453	236,303	54
129	Livingston	113,043	454,391	25
130	Greenock	87,808	165,678	53
131	St Helens	133,494	1,317,580	10
<b>132</b>	<b>St Helier</b>	<b>87,500</b>	<b>87,500</b>	<b>100</b>
133	Chesterfield	159,914	743,394	22
134	Brent Cross	281,968	1,968,609	14
135	Wimbledon	81,447	793,923	10
136	Blackburn	166,891	520,523	32
137	Leeds - White Rose	134,834	1,396,961	10
138	Kensington	29,062	571,520	5
139	Weston-super-Mare	106,579	159,364	67
140	Aylesbury	121,945	126,206	97
141	St Albans	146,114	1,029,451	14
142	Staines	99,483	1,132,542	9
143	Wrexham	95,903	155,187	62
144	Halifax	109,868	733,160	15
145	Victoria Street	18,141	1,055,189	2

As a captive market, it is fair to assume that St Helier's Shopper Population and Catchment Population are one of the same thing - the population of the whole Island. We recognise that tourism does inflate St Helier's Shopper Population figures. However, for the purposes of this high level analysis, we have not taken tourist and commuter numbers into consideration – to do so makes like-for-like comparisons exceedingly difficult.

The fact that St Helier's Catchment Population is the smallest of all these centres is a positive sign, an indication that, as a retail centre, it punches somewhat above its weight. Its Shopper Population is also one of the lowest of the peer group – only major tourist/commuter centres such as Kensington, Victoria Street and Wimbledon register a lower figure.

### **Benchmark Centres**

In addition to providing an indicator of St Helier's position in the national retailing hierarchy, the RCR this also provides a key feed into our benchmark centre selection process.

Ordinarily, benchmark centres are chosen on one or more of the following three criteria:

- They are regionally competitive to the centre in question
- They have a similar geo-demographic profile
- They rank alongside that centre in our Retail Centre Ranking.

Given Jersey's relatively unique status as a captive off-shore market, the first two criteria do not really apply. We have therefore selected three groups of centres on the strength of following key criteria:

- They are similarly captive off-shore markets
- Although on the mainland, they have broadly the same Catchment and Shopper Population as St Helier. Where possible, the centres should also be relatively isolated and affluent (with a similar geo-demographic profile), with some degree of tourist trade
- They rank close to St Helier in our Retail Centre Ranking

Having liaised with the client, we have derived the following list of benchmark centres (Table 14). The full credentials of each of the centres (Retail Centre Ranking, Shopper Population, Catchment Population) are detailed in Appendix 2.

The 'Captive' benchmarks are self-defining. GOAD does also cover Shanklin, Ryde and Cowes on the Isle of Wight, but these are tiny in comparison to the other centres, such that there is little merit in benchmarking St Helier against them.

For the Retail Centre Ranking benchmarks, we have selected a dozen centres from those in Table 13. These have been chosen on the basis that they are comparable in some respects to St Helier ie they are semi-isolated/non-suburban, relatively affluent and/or with some proportion of tourist/commuter spend. Of the three Groups, the Population and RCR ones will provide the most testing benchmarks.

The same selection criteria have been applied for the 'Population' benchmarks. We have also factored in the Shopper Populations (and, to a slightly lesser degree, the Catchment Populations) of the centres. The centres selected all have Shopper Populations in the 75,000 – 145,000 band, with the majority (18) falling within the 80,000 – 120,000 bracket.

**TABLE 14 – Benchmark Centres**

Captive	Population	RCR
St Peter Port	Kendal	Nuneaton
Douglas	Great Yarmouth	Perth
Newport (Isle of Wight)	Boston	Chichester
	Salisbury	Horsham
	Llandudno	Chatham
	Scarborough	Stirling
	Hastings	Livingston
	Bangor	Greenock
	Grantham	Weston-super-Mare
	Barnstable	Aylesbury
	Banbury	St Albans
	Torquay	Wrexham

We have conducted the three aspects of the retail audit for each of the three groups of the benchmark centres. However, for the purposes of the main body of the report, we will present the outputs for two groups – the Captives and Population benchmarks. The full outputs (ie including the RCR benchmarks) are included in Appendix 3.

### **Space and outlet comparisons**

These comparisons analyse the representation of the various product categories (eg department stores, clothing, homewares, books etc) in the benchmark centres, both in terms of the number of outlets and the combined floorspace that they occupy.

We have selected 16 key retail sectors and calculated the outlet count and floorspace for each of the benchmark centres. We have then taken the average of the benchmark centres and indexed it against the comparable figures for St

Helier. An index of 100 indicates that St Helier is on a par with its peers, a lower index suggests that it is underweight in this sector.

**TABLE 15 – Space and Outlet Benchmarking – Captive Centres**

Category	St Helier - outlets	Benchmark Average	Index	St Helier - floorspace (sq ft)	Benchmark Average (sq ft)	Index
Booksellers	3	3	100	7,100	5,967	119
Carpets & Flooring	5	1	500	4,200	800	525
<b>Charity Shops</b>	<b>4</b>	<b>6</b>	<b>63</b>	<b>8,600</b>	<b>6,300</b>	<b>137</b>
Chemist & Drugstores	6	4	150	20,400	15,800	129
Chemist & Drugstores/Health & Beauty	38	26	144	61,800	35,567	174
Childrens & Infants Wear	5	4	125	8,100	6,767	120
Clothing	81	39	209	102,100	68,067	150
C-stores/grocers/delis	8	2	343	17,100	5,400	317
Crafts, Gifts, China & Glass	21	8	274	16,900	7,633	221
Cycles & Accessories	4	2	200	5,400	2,300	235
Department & Variety Stores	7	4	175	172,000	55,500	310
DIY & Home Improvement	5	2	250	26,500	5,067	523
<b>Electrical &amp; Other Durable Goods</b>	<b>8</b>	<b>8</b>	<b>104</b>	<b>15,000</b>	<b>16,267</b>	<b>92</b>
Footwear	9	7	129	14,200	13,167	108
Furniture	14	10	140	59,600	45,000	132
Greeting Cards	6	4	138	9,400	6,500	145
<b>Hardware &amp; Household Goods</b>	<b>4</b>	<b>6</b>	<b>71</b>	<b>7,600</b>	<b>16,500</b>	<b>46</b>
Jewellery, Watches & Silver	41	12	332	33,100	10,200	325
Music & Video Recordings	5	2	214	7,300	7,000	104
Newsagents & Stationers	7	6	111	12,300	10,333	119
<b>Off Licences</b>	<b>2</b>	<b>2</b>	<b>86</b>	<b>2,200</b>	<b>2,900</b>	<b>76</b>
Sports, Camping & Leisure Goods	14	6	233	16,200	8,100	200
<b>Supermarkets</b>	<b>3</b>	<b>3</b>	<b>100</b>	<b>40,400</b>	<b>111,800</b>	<b>36</b>
Textiles & Soft Furnishings	6	3	225	15,200	3,333	456
Toys, Games & Hobbies	10	6	167	15,300	5,700	268

The sectors have been colour-coded to highlight under-representation. Green indicates that St Helier has fewer outlets in this category than the benchmark average, but its average floorspace is higher. Blue indicates the reverse. Those categories highlighted in red are the most significant, in that they represent sectors where St Helier is under-represented in both outlets and floorspace. Note that the benchmark average outlet figures have been rounded to the nearest whole number. Therefore, in instances where St Helier's outlets are the same as the benchmark average, yet the index figure is slightly higher or lower (eg Electrical and Other Durable Goods), the difference is due to rounding.

St Helier not surprisingly bears up well against the relatively modest comparisons of the Captive benchmarks. Some interesting facts nevertheless emerge straightaway. St Helier appears slightly underweight in some sectors, notably specialist Hardware & Household Goods, Off Licences and Charity Shops. Although under-represented in electricals, this is not a major issue, as we would always argue that the most effective and efficient trading location for electrical retailers is away from town centres on retail parks. Likewise, we would not put too much emphasis on the supermarket figures – our boundaries for the St Helier GOAD plan do not include Safeway on Trinity Hill, which would no doubt redress the imbalance.

The spotlight falls on the same categories in the more demanding benchmarking exercise. Booksellers, Childrenswear retailers and Newsagents/Stationers also join the fray as under-represented sectors, whilst Carpets/Flooring emerge alongside

Electricals and Supermarkets as categories with lower representation than in the peer group centres, but are best catered for in an out-of-town environment.

**TABLE 16 – Space and Outlet Benchmarking – Population Centres**

Category	St Helier - outlets	Benchmark Average	Index	St Helier - floorspace (sq ft)	Benchmark Average (sq ft)	Index
Booksellers	3	4	68	7,100	6,792	105
Carpets & Flooring	5	2	208	4,200	5,470	77
Charity Shops	4	10	38	8,600	12,525	69
Chemist & Drugstores	6	3	180	20,400	14,750	138
Chemist & Drugstores/Health & Beauty	38	32	120	61,800	43,108	143
Childrens & Infants Wear	5	4	118	8,100	8,933	91
Clothing	81	43	190	102,100	81,071	126
C-stores/grocers/delis	8	4	213	17,100	4,567	374
Crafts, Gifts, China & Glass	21	12	169	16,900	12,683	133
Cycles & Accessories	4	2	244	5,400	3,173	170
Department & Variety Stores	7	5	147	172,000	68,975	249
DIY & Home Improvement	5	4	125	26,500	10,127	260
Electrical & Other Durable Goods	8	10	82	15,000	15,308	98
Footwear	9	7	135	14,200	11,600	122
Furniture	14	14	104	59,600	44,400	134
Greeting Cards	6	6	103	9,400	9,158	103
Hardware & Household Goods	4	7	56	7,600	24,183	31
Jewellery, Watches & Silver	41	10	410	33,100	8,725	379
Music & Video Recordings	5	3	167	7,300	5,527	132
Newsagents & Stationers	7	8	90	12,300	12,445	99
Off Licences	2	3	73	2,200	3,482	63
Sports, Camping & Leisure Goods	14	7	207	16,200	12,508	130
Supermarkets	3	2	144	40,400	62,300	65
Textiles & Soft Furnishings	6	6	103	15,200	12,083	126
Toys, Games & Hobbies	10	7	136	15,300	9,125	168

All in all, St Helier stands up well to these comparisons, albeit with one or two areas for possible improvement.

## Unit Size Analysis

Unit size analysis compares the space occupied by retailers already present in St Helier with their sister stores in the benchmark centres. This provides an indicator of which retailers may be over- or under-spaced.

In the context of this study, this could potentially be important on two fronts. In modelling the 'what if' scenarios and making our final recommendations, we will seek to minimise the possibility of displacement and negative impact on existing centres. However, there is no guarantee that any new floorspace will not lead to some degree of churn in other centres, particularly in St Helier itself. The unit size analysis can be used in managing this churn effectively. For example, if one of the major retailers decided to close down in St Helier (either on competitive grounds or to re-locate to any new scheme), this analysis will help identify potential relocation candidates to occupy the vacant floorspace (and in turn other candidates to take on the secondary vacant floorspace, and so on).

Secondly, there is the issue of dual site trading. Some of the existing retailers in St Helier may have designs on opening a second site in any new scheme. The unit size analysis will highlight the retailers that we consider to be underspaced and this could be used as to determine who may have the most legitimate case.

The process is simple – we compare the unit size of all multiple retailers in St Helier against the average of the same fascia across the benchmark centres (obviously, not all the retailers will be present in all the benchmark centres). Table 17 details those retailers, in ranked order, which emerge as being underspaced relative to their peers.

**TABLE 17 – Unit Size Benchmarking – Captive Centres**

Fascia	Category	St Helier	Benchmark Average	Index
J D Sports	Sports, Camping & Leisure Goods	1,000	3,600	28
Jessops	Photographic & Optical	500	1,400	36
Thorntons	Bakers & Confectioners	600	1,300	46
Accessorize	Ladies Wear & Accessories	600	1,300	46
H M V	Music & Video Recordings	4,000	8,000	50
Claire's Accessories	Ladies Wear & Accessories	600	1,100	55
Clinton Cards	Greeting Cards	1,700	3,067	55
Burton	Mens Wear & Accessories	2,100	3,767	56
Dorothy Perkins	Ladies Wear & Accessories	1,000	1,767	57
Topshop	Ladies Wear & Accessories	1,300	2,200	59
Topman	Mens Wear & Accessories	1,300	2,150	60
H Samuel	Jewellery, Watches & Silver	1,200	1,733	69
Shoefayre	Footwear	1,300	1,800	72
Early Learning Centre	Toys, Games & Hobbies	1,200	1,500	80
Evans	Ladies Wear & Accessories	1,800	2,200	82
Mothercare	Childrens & Infants Wear	3,300	3,750	88
Clarks	Footwear	1,500	1,600	94
Millets	Clothing General	2,100	2,167	97
Marks & Spencer	Department & Variety Stores	26,500	26,940	98
Mappin & Webb	Jewellery, Watches & Silver	1,200	1,200	100

Against the Captive Centres, around 20 of St Helier's multiple retailers appear underspaced. In many cases, the differences are fairly marginal. However, it is worth flagging some of the dozen retailers that are more than 30% underspaced, particularly JD Sports and the Arcadia multiples (Burton, Dorothy Perkins, Top Shop, Top Man and Evans). Our GOAD data suggests that their respective outlets in St Helier are at least 500 sq ft underspaced – in the case of JD Sports and Burton, 2,600 sq ft and 1,700 sq ft respectively.

The list of underspaced retailers is also around 20 when benchmarked against the more demanding Population peer group (Table 18). Around half a dozen of these retailers are trading from units which are only around half the size of the benchmark average. Perhaps somewhat surprisingly, this group of stores includes high street stalwarts such as Dorothy Perkins and JD Sports. Interestingly, a very similar list of retailers emerges for the RCR benchmarks (see Appendix 3).

As we have already stated, this analysis is not designed to recommend sweeping changes to the existing constitution of St Helier's retail offer. Importantly, however, it does suggest that there is some potential for churn going forward. If a new scheme is developed externally to St Helier, the capital will need to respond in some way, regardless if there is sufficient capacity for both centres to co-exist

and prosper. This analysis gives some reassurance that St Helier will, indeed, be able to do that.

**TABLE 18 – Unit Size Benchmarking – Population Centres**

Fascia	Category	St Helier	Benchmark Average	Index
Dorothy Perkins	Ladies Wear & Accessories	1,000	2,636	38
Jessops	Photographic & Optical	500	1,200	42
Thorntons	Bakers & Confectioners	600	1,242	48
Shoefayre	Footwear	1,300	2,400	54
J D Sports	Sports, Camping & Leisure Goods	1,000	1,825	55
Lloyds Chemist	Chemist & Drugstores	3,600	5,900	61
Hallmark	Greeting Cards	800	1,300	62
H Samuel	Jewellery, Watches & Silver	1,200	1,882	64
Topman	Mens Wear & Accessories	1,300	2,025	64
Topshop	Ladies Wear & Accessories	1,300	1,986	65
Mothercare	Childrens & Infants Wear	3,300	4,567	72
Early Learning Centre	Toys, Games & Hobbies	1,200	1,643	73
Accessorize	Ladies Wear & Accessories	600	820	73
Claire's Accessories	Ladies Wear & Accessories	600	755	80
Ann Summers	Ladies Wear & Accessories	2,000	2,400	83
Evans	Ladies Wear & Accessories	1,800	2,142	84
Clarks	Footwear	1,500	1,783	84
Woolworths	Department & Variety Stores	14,700	17,150	86
Clinton Cards	Greeting Cards	1,700	1,939	88
Barnardos	Charity Shops	1,100	1,250	88
Monsoon	Ladies Wear & Accessories	1,400	1,500	93

### Gap analysis/missing retailers

Equally important are potential new retailers to the Island, either as part of a new scheme, or to St Helier itself. We have identified those retailers that are present in the benchmark centres, but do not currently trade in St Helier. We can prioritise these retailers by looking at the frequency they occur across the benchmark centres ('count of locations'). We have also included the average store size across the benchmark centres of each of the missing retailers.

For the main body of the report, we will aggregate the three benchmark groups into one. The full breakdowns for the three benchmark groups, with associated commentary, are included in Appendix 4.

Those retailers which trade in 20 or more of the benchmark centres are highlighted in Table 19. Perhaps the most notable of these is Argos, in that it carries an authoritative range of Hardware & Household Goods, a sector we perceive to be currently under-represented in St Helier. It is also a significant player in most bulky goods categories – electricals, DIY and furniture.

TABLE 19 – Gap analysis – All 27 Benchmark Centres

Fascia	Count of Locations	Ave. Store Size in Benchmarks
Game	28	1,788
New Look	28	4,178
Superdrug	27	4,224
Holland & Barrett	25	1,581
Adams	23	2,533
Vodafone	23	949
British Heart Foundation	22	1,332
Cancer Research U K	22	1,006
Argos	21	9,126
Allsports	20	1,785
Bon Marche	20	3,555
Phones 4 U	20	1,215
Timpson	20	655

Undertaking this exercise merely highlights major multiples that are currently not represented in St Helier. It does not assume that those retailers would necessarily want to open in Jersey or that it is on their expansion list.

In total, the number of ‘gap’ retailers represented in more than five of the benchmark centres exceeds 60. The fact that this number is so high is indicative of the differences in the respective structures of the UK and Jersey retail markets. In the UK, multiples account for a large (and increasing) share of virtually all retail sub-sectors. In Jersey, there is still very significant representation from the non multiple/independent sector. Of all the benchmark centres, Jersey has the highest level of independent floorspace (nearly 75% higher than the average) and second greatest number of independent retailers behind Scarborough (63% more than the average).

These fundamental differences in market structure are key to understanding the wider economies of the Jersey retail market. We will re-visit this in depth later on in the study, particularly when addressing pricing architecture (Stage 9) and costs of retailing (Stage 10).

### **Retail audit summary**

In summary, the key points emerging from our retail audit are:

- St Helier is a solid retail centre that stands up well in the face of fairly stringent benchmarking scrutiny
- It does, however, lead something of a charmed existence, with no competing centres
- The structure of the market is different from comparable centres in the UK in that it remains skewed towards the independent sector
- There is nevertheless scope to sharpen up St Helier’s retail proposition:

- Some retail sectors are under-represented
  - Some retailers trade from under-spaced units
  - There are a whole host of 'gap' multiple retailers that could potentially enhance consumer choice
- The list of quality missing retailers also bodes well for interest and demand for new space in any new scheme (although there is no guarantee that 'gap' retailers are looking to commit to Jersey)
  - St Helier could respond positively to any new development in the Island
  - A 'competitive equilibrium' between St Helier and any new scheme should be feasible (by 'competitive equilibrium' we mean a scenario whereby both can trade at commercially viable levels, without excessive displacement and detrimental effect to the existing status quo)

Taking all these issues into consideration, we would sum up St Helier's retail position in the following SWOT analysis:

FIG. 3 – SWOT Analysis of St Helier

<p style="text-align: center;"><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Currently has no competing centres</li> <li>• Captive, affluent consumer audience</li> <li>• Quality retail offer, pleasant shopping environment</li> <li>• Low levels of vacant floorspace</li> </ul>	<p style="text-align: center;"><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Undersupplied in some sectors eg Childrenswear, Durable Goods</li> <li>• Retail offer possibly lacks the clout to capitalise fully on high spending power</li> <li>• Lack of competition has perhaps led to complacent attitude to asset management.</li> </ul>
<p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Develop a more pro-active approach to asset management</li> <li>• Increase floorspace in undersupplied sectors</li> <li>• Entice new 'key attractor' retailers to the island</li> </ul>	<p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Not used to competition - how will it respond to any new scheme elsewhere?</li> <li>• Increased levels of spend leaking to other channels of distribution eg e-tailing.</li> </ul>

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## **APPORTIONING SPEND/GRAVITY MODELLING**

### **Key Objective**

This stage of the project is fundamental to understanding the underlying shopping patterns in Jersey. We have already established how available expenditure is distributed across the Island (Stage 1) and determined the location of all retail floorspace (Stage 2). This stage essentially entails marrying these two stages – in other words, allocating available expenditure to the centre/shops where it is physically made.

The key instrument in this process is a gravity model, the functions of which are: to

- Accurately reflect existing shopping dynamics
- Apportion customer and expenditure flows accordingly
- Provide an indicator of likely turnover levels in given centres/stores
- Derive robust estimates of market shares
- Serve as an indicator of sales density and capacity issues

The gravity model simultaneously represents a mechanism whereby we can test potential future scenarios. Having highlighted potential capacity issues, we can subsequently model new floorspace scenarios and assess/quantify their impact on the existing status quo (Stage 7). This will be instrumental in our final recommendation of floorspace need and most appropriate location.

### **Background to gravity modelling**

The premise of a gravity model is to mimic consumers' actual shopping patterns. The model is underpinned by the assumption that an individual's expected level of expenditure at a given centre is proportional to the attractiveness of that centre and inversely proportional to a measure of distance to that centre, cf. weight and distance in the laws of gravity.

Appendix 4 provides more detail on the principles of gravity modelling. It also gives details of Experian's gravity modelling credentials and background to the bespoke model we have created for Jersey.

### **Non-store trading formats**

Both the Jersey Household Expenditure Survey (HES) and our *Retail Planner* data incorporate all expenditure channels ie they include both store-based and non-store spend. Non-store spend encompasses both traditional mail order and newer forms of distribution such as E-commerce/Internet Shopping. Therefore, a proportion of spend declared in the HES will not actually be made in retail outlets – indeed, a portion will be made away from the Island.

Quantifying these proportions is extremely difficult without recourse to widespread primary market research. In our experience, the importance of Internet Shopping in general is vastly exaggerated – it has had an influence on the retail market in a number of ways, namely that it is a new channel of distribution, which increases price transparency and consumer choice, within a convenient framework. However, despite media reports of spectacular growth, the fact remains that E-commerce still makes up a very small fraction of the retail market.

This is borne out by recently published figures from Mintel, the respected retail research house. They estimate that in 2004, the total UK Internet Shopping market (which includes both pure play operators such as Amazon and store-based retailers with Internet sales channels) was worth around £4bn – this equates to less than 2% of all UK retail sales. The total Home Shopping market (ie mail order and E-commerce) was worth around £10.4bn, less than 5% of all retail sales.

This puts the scale of the UK Internet Shopping market into some perspective. However, to merely apply these ratios to the Jersey market would not do justice to the distinct dynamics of the latter. As an isolated market with more limited consumer choice, it would seem logical that Internet Shopping is more of a feature of Jersey than it is on the mainland. However, it is important to make a number of distinctions.

In terms of product category, the largest component of the UK Internet Shopping market is food. This is on the back of a number of the leading multiples (eg Tesco, Sainsbury's, Waitrose) developing dedicated E-commerce divisions. Whilst some Jersey operators may offer a home ordering and delivery service, the fundamental difference is that these will be serviced by an existing store, rather than a dedicated distribution centre. In terms of apportioning expenditure out, all Jersey convenience spend is therefore essentially store-based.

In comparison goods, the largest product category in the UK Internet Shopping market is recorded media (ie CDs and DVDs). Again, we doubt that this is much less of a feature of the Jersey market than it is on the mainland. The key driver behind Internet recorded media purchases tends to be price – consumers can often pick up items cheaper on the Internet than they can in stores. However, the absence of VAT on recorded media in Jersey means that the prices in-store are invariably competitive with those found on the Internet. The need for Jersey consumers to shop around online is thus vastly reduced.

At the same time, anecdotal evidence points to other sectors where Internet Shopping may be much more of a feature of the Jersey market than on the mainland. These sectors are likely to include bulky goods categories such as furniture and electricals, where we believe there to be less consumer choice in Jersey than in the UK in general. As with convenience, purchases made over the Internet from local businesses have little bearing in the spend apportioning process, in that they are essentially still store-based sales. In assessing leakage, much more relevant are Home Shopping purchases made from businesses outside the Jersey jurisdiction.

Rather than make spurious estimates at this stage of the study, the sales density analysis will provide a better indicator of these levels of leakage. In the meantime, our apportioning of expenditure will assume that all existing spend is currently made within the jurisdiction of Jersey.

## Outputs

St Helier's position as the most dominant parish in the Island is underlined by its share of the retail market. However, there are interesting variations between the three retail sub-categories.

**TABLE 20 – Comparison Market Share by Parish**

Parish	Apportioned Comparison Spend (£)	%
St Helier	214,318,331	92.7%
St Brelade	7,235,747	3.1%
St Peter	2,804,926	1.2%
St Ouen	1,809,633	0.8%
Grouville	1,747,947	0.8%
St Lawrence	753,243	0.3%
Trinity	740,723	0.3%
St Martin	729,971	0.3%
St Saviour	530,600	0.2%
St John	507,460	0.2%
St Mary	131,696	0.1%
<b>Total</b>	<b>231,310,277</b>	<b>100.0%</b>

NB St Clement's share of the market registered as lower than 0.1% due to a relative lack of comparison floorspace.

Given that the majority of comparison floorspace in the Island is concentrated in the parish of St Helier, it is not surprising that the capital accounts for well over 90% of the comparison goods market. The only other centre with any significant slice of the market is Red Houses/Quennevais, reflecting the comparison goods offer on Quennevais Parade and the nearby Marks & Spencer store.

**TABLE 21 – Convenience Market Share by Parish**

Parish	Apportioned Convenience Spend (£)	%
St Helier	118,295,431	59.2%
St Brelade	25,323,141	12.7%
St Saviour	20,966,697	10.5%
St Peter	15,282,092	7.7%
St Clement	7,253,662	3.6%
St Lawrence	3,581,363	1.8%
St Martin	3,163,100	1.6%
St Ouen	2,477,275	1.2%
St John	1,290,514	0.6%
St Mary	864,986	0.4%
Trinity	828,626	0.4%
Grouville	352,689	0.2%
<b>Total</b>	<b>199,679,576</b>	<b>100.0%</b>

A slightly different picture emerges for the convenience market (Table 21). Consistent with the more even distribution of convenience floorspace across the Island, spend is much more fragmented across the parishes. Although St Helier still has the largest market share, it is worth remembering that the parish includes both the town centre and the Safeway store on Trinity Hill. Excluding the Safeway store (which we estimate currently accounts for a massive 10% of all convenience spend in the Island), St Helier itself generates just under 50% of the market. Stripping out the Grand Marché store off St Saviour’s Road as well, St Helier’s share would shrink closer to 40%.

The other centres to register significant shares are, not surprisingly, those with the other large scale supermarkets:

- Red Houses/Quennevais (Checkers, Marks & Spencer)
- Miladi Farm/Rue des Pres (Checkers)
- St Peter’s Village (Fresh Food Grand Marché)
- St Clement (Marks & Spencer Simply Food)

Two centres dominate the bulky goods market – St Helier itself and the Queens Road retail park. Aggregating the two together, the parish of St Helier constitutes over 70% of the bulky goods market (Table 22).

The other two parishes with a tangible share of the market are St Peter (courtesy of outlets such as St Peter Garden Centre, Big Deal Carpets, Beaumont Home Centre and the electricals goods offer in Fresh Food Grand Marché) and St Saviour (courtesy primarily of the Normans DIY and fitted furniture stores, but also outlets such as Pastella and Longueville Garden Centre).

**TABLE 22 – Bulky Goods Market Share by Parish**

Parish	Apportioned Bulky Goods Spend (£)	%
St Helier	73,726,123	72.2%
St Peter	10,092,076	9.9%
St Saviour	7,082,663	6.9%
St John	3,869,183	3.8%
St Martin	3,510,135	3.4%
St Brelade	1,506,155	1.5%
Trinity	947,581	0.9%
St Lawrence	682,298	0.7%
St Ouen	676,077	0.7%
<b>Total</b>	<b>102,092,291</b>	<b>100.0%</b>

NB St Clement, St Mary and Grouville's share of the market registered as less than 0.1% due to a lack of bulky floorspace.

### Inter Parish Expenditure Flows

The Jersey gravity model also enables us to quantify expenditure flows between parishes. By way of definition, 'retained spend' is available expenditure that is made in its parish of origin. 'Leaked spend' or 'leakage' is the proportion of spend that gravitates away from its parish of origin. Table 23 shows the levels of retained spend for all three sub-categories across all 12 parishes.

**TABLE 23 – Retained Spend by Parish**

Parish	Convenience (%)	Comparison (%)	Bulky Goods (%)
Grouville	0.8%	1.8%	-
St Brelade	70.4%	10.0%	2.4%
St Clement	11.4%	-	-
St Helier	82.4%	96.3%	75.5%
St John	10.3%	0.9%	6.6%
St Lawrence	9.2%	0.7%	0.9%
St Martin	15.5%	0.9%	5.6%
St Mary	5.3%	0.2%	-
St Ouen	16.5%	3.6%	1.3%
St Peter	43.3%	3.6%	15.5%
St Saviour	14.2%	0.3%	7.8%
Trinity	5.4%	1.0%	1.4%

Not surprisingly, St Helier achieves the highest spend retention rates. Leakage is very apparent across all the other parishes, often reflecting the limitations of the local retail provision. It is also worth noting that many people in the Island travel

into the capital on a daily basis for their jobs – a lot of their spend will migrate with them.

Tables 24 - 26 illustrate expenditure flows for comparison, convenience and bulky goods. Rather than show spend flows at parish level, we have showed them at the more transparent 'parish to centre' level. For completeness, we have included the full interparish flows in Appendix 5, along with maps for each parish showing where their spend is migrating to.

By way of clarification, the parishes along the top of the tables represent the *origin* or *source* of the spend, the centres on the left of the tables the *destination* of the spend ie where it is actually made.

TABLE 24 – Comparison Spend Flows

Destination	Grouville	St Brelade	St Clement	St Helier	St John	St Lawrence	St Martin	St Mary	St Ouen	St Peter	St Saviour	Trinity
First Tower	0.2%	0.4%	0.2%	0.2%	0.4%	0.4%	0.3%	0.4%	0.4%	0.4%	0.3%	0.3%
Five Oaks/Bagatelle Parade	0.1%	0.0%	0.1%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%
Gorey Pier	0.5%	0.1%	0.4%	0.2%	0.3%	0.2%	0.6%	0.2%	0.2%	0.2%	0.3%	0.4%
Gorey Village	1.8%	0.4%	1.4%	0.5%	0.7%	0.6%	1.7%	0.6%	0.5%	0.5%	0.8%	1.0%
Jersey Airport	0.1%	0.6%	0.1%	0.1%	0.3%	0.4%	0.1%	0.5%	0.7%	0.6%	0.1%	0.2%
Miladi Farm/Rue des Pres	0.3%	0.1%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.2%	0.2%
Queens Road	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Red Houses/Quennevais	0.9%	7.8%	0.9%	0.9%	2.5%	2.7%	1.1%	3.7%	5.2%	4.8%	1.0%	1.5%
St Aubin	0.5%	2.1%	0.5%	0.5%	1.1%	1.2%	0.6%	1.4%	1.7%	1.7%	0.5%	0.7%
St Clement	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
St Helier	94.1%	83.7%	94.7%	96.1%	89.0%	89.5%	92.9%	86.5%	82.9%	85.2%	95.3%	92.0%
St Johns Village	0.1%	0.3%	0.1%	0.1%	0.9%	0.5%	0.2%	0.6%	0.5%	0.4%	0.1%	0.4%
St Lawrence	0.2%	0.5%	0.2%	0.2%	0.6%	0.7%	0.3%	0.7%	0.6%	0.6%	0.2%	0.4%
St Martin	0.1%	0.0%	0.1%	0.0%	0.1%	0.1%	0.3%	0.1%	0.1%	0.1%	0.1%	0.2%
St Mary	0.0%	0.1%	0.0%	0.0%	0.2%	0.1%	0.0%	0.2%	0.2%	0.1%	0.0%	0.1%
St Ouens Village	0.3%	1.5%	0.3%	0.3%	1.4%	1.3%	0.4%	2.2%	3.6%	2.0%	0.3%	0.7%
St Peters Village	0.4%	2.1%	0.4%	0.4%	1.6%	1.6%	0.6%	2.3%	2.9%	3.0%	0.5%	0.9%
Trinity	0.3%	0.3%	0.3%	0.2%	0.7%	0.5%	0.7%	0.5%	0.4%	0.4%	0.3%	1.0%
Trinity Hill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

TABLE 25 – Convenience Spend Flows

Destination	Grouville	St Brelade	St Clement	St Helier	St John	St Lawrence	St Martin	St Mary	St Ouen	St Peter	St Saviour	Trinity
First Tower	0.5%	0.5%	0.5%	0.8%	1.4%	1.7%	0.7%	1.1%	0.6%	0.8%	0.8%	1.3%
Five Oaks/Bagatelle Parade	2.1%	0.2%	1.7%	1.0%	1.0%	0.9%	2.6%	0.5%	0.2%	0.3%	2.7%	2.1%
Gorey Pier	3.2%	0.0%	1.8%	0.2%	0.3%	0.2%	3.9%	0.1%	0.1%	0.1%	0.5%	1.0%
Gorey Village	0.8%	0.0%	0.5%	0.1%	0.1%	0.1%	1.2%	0.0%	0.0%	0.0%	0.1%	0.3%
Jersey Airport	0.1%	3.8%	0.1%	0.2%	2.3%	2.7%	0.2%	4.5%	6.5%	6.3%	0.2%	0.7%
Miladi Farm/Rue des Pres	22.3%	0.9%	23.3%	8.7%	3.9%	3.8%	12.6%	2.1%	1.1%	1.4%	11.5%	8.0%
Queens Road	0.2%	0.1%	0.2%	0.3%	0.5%	0.5%	0.4%	0.3%	0.2%	0.2%	0.4%	0.6%
Red Houses/Quennevais	0.9%	67.2%	0.9%	1.5%	8.9%	11.3%	1.2%	16.9%	25.1%	25.1%	1.3%	3.1%
St Aubin	0.3%	3.3%	0.3%	0.4%	1.4%	1.9%	0.3%	2.0%	1.9%	2.7%	0.4%	0.7%
St Clement	8.4%	0.4%	11.4%	3.6%	1.2%	1.3%	3.6%	0.8%	0.4%	0.6%	3.4%	2.3%
St Helier	47.5%	9.1%	47.9%	70.8%	30.4%	32.8%	42.8%	19.6%	10.5%	14.3%	58.7%	44.7%
St Johns Village	0.1%	0.1%	0.1%	0.1%	10.3%	2.4%	0.4%	2.7%	1.1%	0.5%	0.1%	1.6%
St Lawrence	0.6%	1.2%	0.5%	0.7%	7.0%	9.2%	1.3%	5.9%	2.9%	3.3%	0.9%	3.7%
St Martin	1.4%	0.0%	0.8%	0.2%	0.9%	0.5%	11.6%	0.3%	0.1%	0.1%	0.5%	3.0%
St Mary	0.0%	0.2%	0.0%	0.0%	2.4%	1.7%	0.1%	5.3%	2.0%	0.9%	0.1%	0.5%
St Ouens Village	0.1%	1.0%	0.0%	0.1%	2.7%	2.1%	0.1%	5.9%	16.5%	2.7%	0.1%	0.5%
St Peters Village	0.6%	10.1%	0.5%	0.8%	13.2%	15.6%	1.2%	25.4%	27.7%	37.0%	0.9%	3.8%
Trinity	0.3%	0.0%	0.2%	0.1%	1.5%	0.7%	1.5%	0.4%	0.2%	0.1%	0.2%	5.4%
Trinity Hill	10.8%	2.0%	9.5%	10.5%	10.7%	10.7%	14.2%	6.1%	3.0%	3.8%	17.3%	16.9%

TABLE 26 – Bulky Goods Spend Flows

Destination	Grouville	St Brelade	St Clement	St Helier	St John	St Lawrence	St Martin	St Mary	St Ouen	St Peter	St Saviour	Trinity
First Tower	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Five Oaks/Bagatelle Parade	7.8%	6.0%	7.6%	6.9%	6.5%	6.4%	7.7%	6.2%	6.0%	6.0%	7.8%	7.2%
Gorey Pier	0.6%	0.3%	0.5%	0.4%	0.4%	0.3%	0.6%	0.3%	0.3%	0.3%	0.4%	0.4%
Gorey Village	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Jersey Airport	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Miladi Farm/Rue des Pres	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Queens Road	23.1%	23.0%	22.9%	22.9%	24.0%	24.4%	23.7%	23.6%	23.0%	23.2%	23.9%	24.5%
Red Houses/Quennevais	0.6%	1.4%	0.7%	0.7%	0.8%	0.9%	0.6%	1.0%	1.1%	1.1%	0.7%	0.7%
St Aubin	0.6%	1.0%	0.6%	0.6%	0.7%	0.7%	0.6%	0.8%	0.8%	0.9%	0.6%	0.6%
St Clement	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
St Helier	50.3%	45.0%	51.1%	52.5%	43.2%	44.1%	47.0%	42.9%	42.4%	43.2%	49.9%	45.4%
St Johns Village	3.4%	4.1%	3.2%	3.1%	6.6%	5.3%	4.0%	5.6%	5.3%	4.6%	3.4%	4.9%
St Lawrence	0.6%	0.8%	0.6%	0.6%	0.8%	0.9%	0.7%	0.8%	0.8%	0.8%	0.6%	0.7%
St Martin	3.8%	2.5%	3.5%	2.8%	3.2%	3.0%	5.0%	2.9%	2.7%	2.6%	3.2%	3.9%
St Mary	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
St Ouens Village	0.5%	0.9%	0.5%	0.5%	0.9%	0.9%	0.6%	1.1%	1.3%	1.0%	0.5%	0.7%
St Peters Village	7.9%	14.1%	7.9%	8.2%	11.8%	12.2%	8.4%	13.9%	15.3%	15.5%	8.2%	9.6%
Trinity	1.0%	0.9%	0.9%	0.8%	1.2%	1.1%	1.2%	1.0%	1.0%	0.9%	0.9%	1.4%
Trinity Hill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

All these figures represent our estimates of current customer and expenditure flows. However, they will change as we model various scenarios as part of Stage 7 of this study. For each scenario tested, we will be able to analyse the changes in customer flows and therefore evaluate the likely impact to the existing centres. This will inform our recommendation as to the most appropriate location for any potential new scheme.

### Distribution of tourist spend

We have deliberately kept tourist spend as a separate entity. Rather than modelling spending patterns on the assumption that tourists are evenly distributed across the Island, we have endeavoured to understand the concentration of tourists across the parishes. The best proxy for this is the 2005 Accommodation List, supplied by Jersey Tourism, which provides details of all registered hotels, guest houses, self-catering and camping facilities in the Island. We have calculated the number of rooms by parish (camping facilities and the youth hostel are listed separately.)

TABLE 27 – Distribution of Registered Accommodation by Parish

Parish	No. of Rooms	%	Camping/YHS
Grouville	220	3.8%	
St Aubin	251	4.4%	
<b>St Brelade</b>	<b>940</b>	<b>16.4%</b>	<b>500</b>
St Clement	227	4.0%	
<b>St Helier</b>	<b>2,562</b>	<b>44.6%</b>	
St John	45	0.8%	
St Lawrence	119	2.1%	
St Martin	133	2.3%	700
St Mary	42	0.7%	
St Ouen	49	0.9%	150
St Peter	200	3.5%	
<b>St Saviour</b>	<b>830</b>	<b>14.5%</b>	
Trinity	121	2.1%	
<b>Total</b>	<b>5,739</b>	<b>100.0%</b>	

Although not necessarily home to the Island’s main tourist attractions, tourist accommodation is concentrated around three parishes (St Helier, St Brelade, St Saviour), which collectively account for around 75% of all rooms in the Island.

Having weighted the spend availability accordingly, it is then apportioned out to the centres where it is made. This is done in a similar way to the residential expenditure through our gravity model, taking into account the standard drivers of attractiveness and decay.

**TABLE 28 – Distribution of Tourist Spend**

Parish	Convenience Spend (£)	%	Comparison Spend (£)	%
Grouville	12,953	0.1%	239,419	0.7%
St Brelade	1,835,883	17.6%	1,297,623	3.6%
St Clement	329,474	3.2%	-	-
St Helier	6,251,954	59.9%	33,730,291	92.6%
St John	30,329	0.3%	64,031	0.2%
St Lawrence	131,137	1.3%	109,107	0.3%
St Martin	115,510	1.1%	99,403	0.3%
St Mary	23,191	0.2%	17,384	0.0%
St Ouen	62,209	0.6%	253,266	0.7%
St Peter	645,346	6.2%	430,538	1.2%
St Saviour	972,298	9.3%	79,246	0.2%
Trinity	29,716	0.3%	99,693	0.3%
<b>Total</b>	<b>10,440,001</b>	<b>100.0%</b>	<b>36,420,000</b>	<b>100.0%</b>

Whilst the key tourist attractions may be scattered across the Island, retail spend is nevertheless centred on the areas where supply is the greatest – principally St Helier.

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## SALES DENSITY ANALYSIS

### Key Objective

Sales density (or sales per sq ft/sq m) is one of the key barometers of retail trading performance. Not only is one of the purest measures of space productivity, it is also one of the few benchmarks that is commonly understood by the retail sector, property, planning and investment communities (both public and private).

This stage of the analysis is one of the keys to assessing current and future capacity need in the Island. The steps involved are:

- synthesising the spend and existing retail floorspace data
- estimating 'top line' sales densities for the Island as a whole (for comparison and convenience goods)
- producing sales density estimates at retail sector level
- where appropriate, deriving estimates at individual store level (predominantly on the convenience side)
- comparing these density figures with appropriate sales density benchmarks in the wider UK market.

If, as our intuition and on-the-ground experience would suggest, Jersey's figures are out of kilter with recognised benchmarks, we will assess the full capacity implications in the next stage of the study.

### Background to sales densities

In basic terms, sales densities are a measure of how productively retail floorspace is trading. The formula for calculating them is very straightforward:

$$\frac{\text{Annual sales}}{\text{Net floorspace (sq ft)}} = \text{Sales density (£/sq ft)}$$

For the purposes of our study, our spend data is the best proxy for annual sales, whilst floorspace figures are naturally derived from GOAD. Some adjustment is needed to the convert GOAD's floorspace figures from gross to net.

Sales densities vary from sector to sector, from retailer to retailer, from one location to another. In very general terms, the higher the sales density, the more profitably the store is trading. However, this is only true to a certain point. If a store has an excessively high sales density, the chances are that it is overtrading – that is to say, it is too small to capitalise on its potential demand and there is scope to increase its capacity.

It is important to note that these same principles of over- and under-capacity apply not just to individual retail outlets, but to shopping centres and indeed, whole towns. In the case of Jersey, we are making an assessment as much for the Island as a whole.

### **Gross versus net floorspace**

There are four main measurements of floorspace, as defined by the Royal Institution of Chartered Surveyors:

1. **Gross external area** – usually used by planners, it includes walls, plant rooms and outbuildings, but excludes external balconies and terraces
2. **Gross floorspace/gross internal area** – usually used by developers, this is the entire area inside the external walls of a building and includes corridors, lifts, plant rooms, service accommodation (eg toilets), but excludes internal walls
3. **Net internal area** – usually used by surveyors for commercial buildings, this represents the internal area including entrance halls, kitchens, cleaners' cupboards but excludes toilets, stairways, lifts, corridors and common areas
4. **Net lettable area** – usually used by letting agents, it includes the main working/trading space, but excludes corridors, staircases and toilets.

Of these four measurements, GOAD figures relate to gross floorspace. Although there are a number of grey areas and nuances of calculation, the retail industry tends to work on what it terms '(net) selling space' or 'sales/trading area', which is closest to net lettable area in definition.

Therefore, GOAD floorspace figures are invariably slightly higher than those for retailers' own sales areas. For the purposes of calculating and benchmarking sales densities, we need to adjust our GOAD figures slightly to reflect non-trading areas. Our experience has shown that net floorspace tends to be between 15% and 30% lower than gross. As a general rule, the differential tends to be larger in convenience than comparison, with the latter tending to hold more stock on the shopfloor, rather than in back office/non selling space.

Erring towards conservatism, we have worked on the assumption that the differential is 20% in convenience and 15% in comparison ie we have assumed that net space represents 80% of gross space in a convenience outlet and 85% in a comparison one.

## Headline densities

Our 'top line' sales density estimates for Jersey as a whole are provided in Table 29. Note that the spend figures used relate to the total market size ie they include both residential and tourist spend.

**TABLE 29 – Headline Sales Densities for Jersey**

Category	Spend (£m)*	Gross Floorspace (sq ft)	Gross sales density (£ sq ft)	Net Floorspace (sq ft)	Net sales density (£ sq ft)
Convenience	210	305,500	687	244,400	<b>859</b>
Comparison (all)	268	986,430	272	838,466	<b>320</b>
- Bulky Goods	102	307,100	332	261,035	<b>391</b>
- Non Bulky Goods	166	679,330	244	577,431	<b>287</b>
<b>All Retail</b>	<b>478</b>	<b>1,291,930</b>	<b>370</b>	<b>1,082,866</b>	<b>441</b>

\* Includes both residential and tourist spend.

Of the three figures, those for convenience and comparison (all) may be slightly 'purer' than those for bulky goods. The reason for this is that it is notoriously difficult to split out bulky goods floorspace from non-specialist bulky goods stores ie if any of the department/variety stores or supermarkets in St Helier sell electrical, furniture or DIY products. We have made some provisions to counterbalance these instances of cross-trading, especially where a stores product offer covers both comparison and convenience goods. For example, we have subdivided the Marks & Spencer stores in St Helier and Red Houses according to their respective space allocations. Likewise, we have taken account of the electricals department in the Fresh Food Grand Marché supermarket in St Peter, and made assumptions on bulky goods floorspace in De Gruchy in St Helier. Although maybe slightly inflated, we believe that our bulky goods sales density estimate is a realistic one.

How do Jersey's figures compare to benchmarks in the UK? Unfortunately, there are no 'magic' numbers for optimum sales densities at this high level. There is even some variance between leading retail industry commentators such as Verdict Research and Mintel. Verdict suggests that average for the retail sector as a whole is around the £430 sq ft mark<sup>1</sup>. Mintel estimates that all store-based densities are somewhat lower, at around £307 sq ft<sup>2</sup>.

Both these figures take into account all retail sectors (both convenience and comparison) and all trading locations (eg town centre, neighbourhood, out-of-town). The closest comparable figure for Jersey is around £440 sq ft – £10 sq ft (+2.5%) higher than the Verdict estimate, £134 sq ft (+44%) higher than the Mintel estimate.

More meaningful comparisons still can be made by disaggregating the densities into finer categories.

<sup>1</sup> 'Verdict on Out of Town Retailing 2004'

<sup>2</sup> 'UK Retail Space to 2010, Special Report, June 2005'

**Convenience densities**

Comparisons between convenience densities tend to be more water-tight than their comparison counterparts on five key counts:

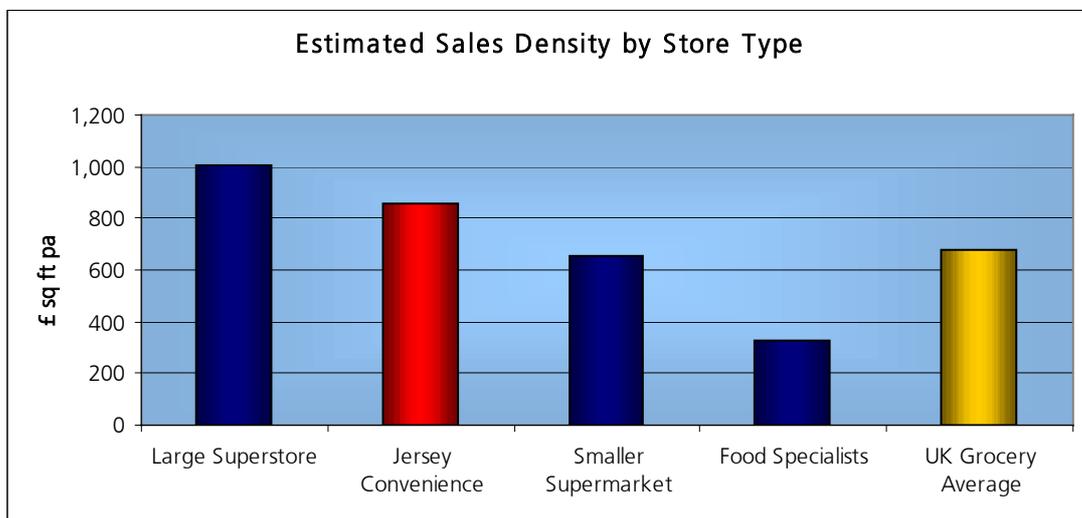
- the convenience goods market has fewer constituent sectors
- the sectors themselves are more congruent/less disparate
- food is far and away the largest component of the market
- there are fewer trading formats and grey areas
- market share is more concentrated amongst relatively few players.

Benchmarking Jersey’s convenience densities against UK benchmarks provided by Verdict Research (Table 30) unearths some very significant results. Note that in this instance we are using Verdict’s figures rather than Mintel’s as the former are higher and therefore represent a much more demanding benchmark.

**TABLE 30 – Convenience density benchmarking**

	Large Superstore	Jersey Convenience	Smaller Supermarket	Food Specialists	UK Grocery Average
Density (£ sq ft)	1,003	859	655	326	681
% Difference Vs Jersey	14%	-	-31%	-163%	-26%

**FIG. 4 – Convenience density benchmarking**



By way of definition:

- 'Large Superstores' are supermarkets with net sales area > 25,000 sq ft
- 'Smaller Supermarkets' are supermarkets, co-ops and convenience stores (c-stores) < 25,000 sq ft

- 'Food Specialists' are butchers, bakers, greengrocers, fishmongers and other food specialists.

In the context of Jersey, our GOAD data suggests that there is not a single 'Large Superstore' in the Island. The five largest grocery stores (Fresh Food Grand Marché [St Peter], Grand Marché [St Saviour's Road], Safeway, Checkers [Red Houses], Checkers [Rue des Pres]) all occupy around 20,000 – 30,000 sq ft gross, but none surpass the 25,000 sq ft net trading floorspace threshold. As a result, all convenience floorspace would be classified as either 'Smaller Supermarkets' or 'Food Specialists'. This highlights the fundamental structural differences between the UK and Jersey convenience markets, an issue will develop in depth later in our analysis of pricing.

Factoring in the different market structures dilutes the benchmark figure. Adjusting the UK average (£681 sq ft) to exclude 'Superstores', we would expect Jersey's convenience densities to be around the £550 - £600 sq ft mark.

The reality is very different. Despite its lack of high sales density, state-of-the art superstores, Jersey still achieves convenience densities some 30% higher than the average for 'Small Supermarkets', around 50% higher than we would expect for a centre of its constitution. Expressed another way, Jersey is not far from achieving superstore-style densities, without having a single superstore in the Island.

So, what does this mean? There can only be two tangible conclusions - either prices are massively inflated in Jersey or the convenience floorspace is overtrading. There can be no distortion due to VAT differences - all Verdict's sales density figures exclude VAT, and, in any case VAT is not chargeable on food in the UK. As we discuss at length in Stage 9, the pricing issue is a complex one. The dominant Jersey retailers such as Checkers, Co op and Marks & Spencer (even with a 5% mark-up) may not be as cheap as some of the dominant UK players (Tesco, Asda, Morrisons), but the differentials are not huge – certainly not on the scale of the sales density surplus.

Whatever the pricing issues, our firm conclusion is that the Jersey convenience market is significantly overtrading and suffers from capacity issues.

Drilling down to a more micro-level, Table 31 on the following page provides our estimates of sales densities for the key convenience players in the Island, based on our gravity model. These are compared against sales densities (1994) for the ten major UK grocery multiples (which collectively make up over 80% of the mainland market).

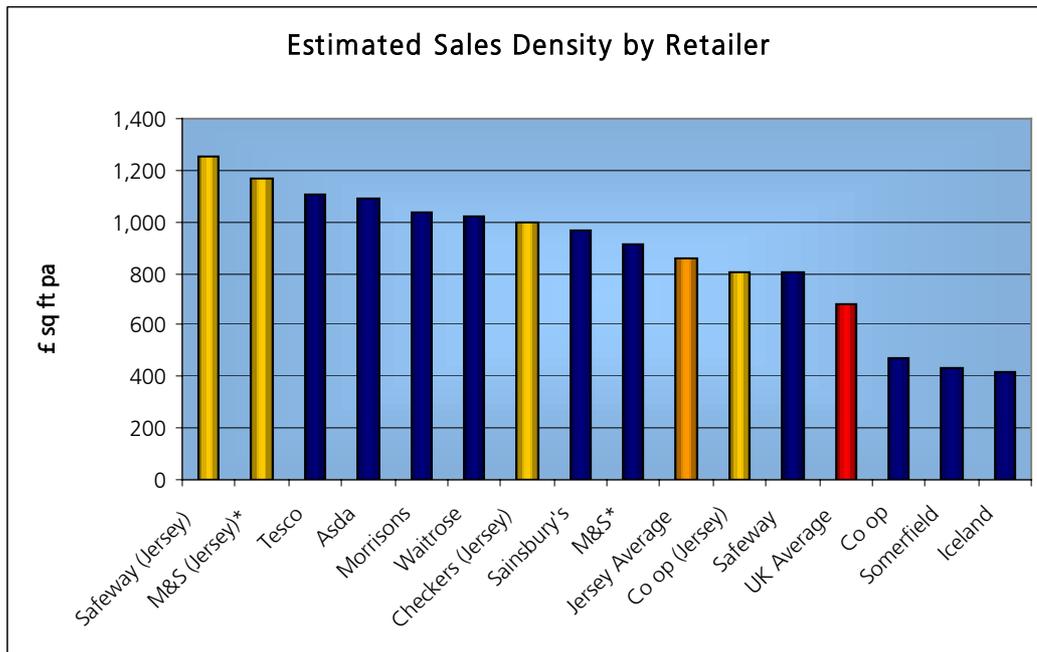
All three multiples that trade (or traded) on both the mainland and Jersey (Safeway, Marks & Spencer and the Co op) achieve much higher densities in the latter. This is not by virtue of doing anything differently in Jersey, having better stores, nor imposing any significant price premiums. It is simply because the Jersey convenience market is undershopped.

TABLE 31 – Estimated densities by retailer

Retailer	Net sales density (£ sq ft)	Index vs UK Average	Index vs Jersey Average
Safeway (Jersey)	1,250	184	146
M&S (Jersey)*	1,165	171	136
Tesco	1,105	162	129
Asda	1,092	160	127
Morrisons	1,035	152	120
Waitrose	1,021	150	119
Checkers (Jersey)	1,000	147	116
Sainsbury's	965	142	112
M&S*	910	134	106
<b>Jersey Average</b>	<b>859</b>	<b>126</b>	<b>100</b>
Co op (Jersey)	807	119	94
Safeway	805	118	94
<b>UK Average</b>	<b>681</b>	<b>100</b>	<b>79</b>
Co op	469	69	55
Somerfield	434	64	51
Iceland	416	61	48

\* Food sales only ie excluding clothing and homewares.

FIG. 5 – Convenience density benchmarking



### Safeway

Safeway merits individual mention on a number of counts. Our estimates are based on 2004 expenditure levels and therefore relate to Safeway under

Morrisons (as opposed to CIT) ownership. As Morrisons' only presence in the Island, the sales density figures from our gravity model relate directly to the density of the store on Trinity Hill. Our estimates show that this store is trading at a massive £1,200 sq ft+. Anecdotal evidence from within the industry has confirmed it to be very much in the right ballpark.

On this basis, Trinity Hill's density is some 80% higher than the overall average for Safeway, comfortably placing it amongst the very top performers in the chain. Even against more demanding benchmarks, the store comes out on top, surpassing its former parent company's (Morrisons) average by a good 20% and even the benchmark set by high-flying Tesco by at least 10%.

These numbers bear out our qualitative experience of the store. Visiting at around 9.00 am on a Tuesday morning in late November 2004, we were barely able to secure a parking space. The levels of congestion in-store likewise belied the fact that it was a non-peak trading time. Our abiding impression was of a store that simply could not meet the huge demand of the market that it served.

This begs two questions: why is Morrisons disposing of such a productive store and will densities be maintained at this level under CIT ownership? In answer to the first question, it is important to put the Jersey store into some perspective. For all its importance to the local market, Trinity Hill is just one store in a 430-strong network, in a FTSE100 business with annual turnover of more than £12bn. Institutional pressure on Morrisons is currently fierce – the company has issued a string of profit warnings as it struggles to integrate the much larger Safeway chain. In the face of this, the business is looking to focus on its core business model. Given its geographic isolation and limited size (ca. 20,000 sq ft vs an optimum of >40,000 sq ft), Trinity Hill is somewhat peripheral to Morrisons' core operations, despite its high levels of productivity. On this basis, we were not unduly surprised when it was announced that the company was offloading all its stores in the Channel Islands, the Isle of Man and Gibraltar.

Whether sales densities remain at this level going forward is a moot point. Anecdotal evidence suggests some consumers are already boycotting the store – whether this is just a short-term response remains to be seen. However, as a more general rule, well-oiled major multiples tend to work their floorspace harder than smaller players, such that their densities are usually higher. By this token, the premium Trinity Hill achieves in its sales density owes something to the brand strength of its former owner. At the same time, we also believe that the high sales density is driven by latent market dynamics – we do not believe there is sufficient floorspace in the Island to sufficiently cater for consumer demand. Taking both these factors into consideration, we believe CIT would do extremely well to maintain sales densities at these levels. We would expect some degree of dilution, albeit marginal rather than dramatic.

The change of ownership of the Safeway store is highly significant, but the implications of it should not cloud or detract from the fundamental issue that underpins the Jersey convenience market. That such an unremarkable store (under whatever ownership) can achieve such a phenomenal performance

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encapsulates the key capacity issues in the Island. Simply, more convenience floorspace is needed.

**Other convenience retailers**

Overtrading is by no means unique to the Safeway store, but it is probably the most pertinent example. Our qualitative experiences in other stores (especially Checkers on Rue des Pres) often mirrored that of Safeway. Likewise, many of the smaller grocery stores (Checkers Xpress, Spar etc) appeared to be punching above their weight as convenience stores catering for the top-up market – a number of customers appeared to be doing their full weekly shop when we visited, another possible symptom of under-supply.

We must stress that by this, we are not inferring any criticism on the retailers themselves. We have little doubt that, given the choice, they would like to take on additional floorspace themselves. High sales densities are not a function of any wrong-doing or abuse of power over the consumer by the retailers, merely the by-product of an undershopped market.

**Comparison goods densities**

Undertaking a similar benchmarking exercise for comparison goods is much more difficult exercise. For a start, the comparison market comprises a much more disparate mix of individual product categories – this issue persists, even if we differentiate between bulky and non-bulky comparison goods. Secondly, many comparison product categories are sold in a range of non-specialist outlets, making it extremely difficult to derive accurate estimates of total floorspace for those product categories. Thirdly, sales densities vary dramatically between high street outlets and out-of-town stores, another distorting factor.

These issues aside, we have nevertheless endeavoured to make appropriate comparisons that inform the capacity debate.

In terms of ‘high level’ benchmarks, we can calculate overall comparison sales densities for Jersey, based on our spend and GOAD floorspace data. Although Verdict does not produce direct comparisons for the retail market as a whole, we can play the figures for Jersey off against averages for UK high streets and out-of-town shops, as well as averages for the retail sector as a whole. (Table 32).

**TABLE 32 – Comparison density benchmarking (vs. Verdict figures)**

	Jersey Comparison	UK - Out-of-town	UK - High Street	UK - All Retail
Density (£ sq ft)	320	480	390	430
% Difference Vs Jersey	-	50%	22%	34%

In the absence of a single direct comparison, it is difficult to draw significant conclusions from these benchmarks. The major distorting factor arises in the UK figures, which include convenience. As convenience is higher density than comparison, the comparisons are not like-for-like.

Mintel, on the other hand, does provide a much more watertight comparison. Its estimate for store-based comparison goods densities is £222 sq ft, nearly £100 sq ft lower than our estimates for Jersey (£320 sq ft). Even allowing for some degree of conservatism in Mintel's figure, the indication is that Jersey comparison densities may also be higher than those for the UK. By extension, there may also be capacity issues on the comparison side, albeit to a much lesser extent than in convenience.

### **Non bulky goods densities**

For the reasons outlined above, we believe that the margin of error is too great to calculate meaningful sales densities for all the individual comparison goods product categories, especially the non-bulky ones.

There is one major exception to this, namely clothing and footwear. What distinguishes clothing/footwear from other comparison categories is that the market is dominated by specialists and all retail provision is high street-based ie there is no clothing representation on retail parks, as there now often is on the mainland. We can make sensible assumptions as to the space allocated to clothing/footwear in non-specialist outlets eg Marks & Spencer, De Gruchy, Bhs, such that we can derive suitably robust clothing/footwear floorspace figures. Equally, we have equivalent sales density figures for the UK against which we can benchmark.

Residential spend on clothing and footwear is around £53m. With tourist spend, we would estimate that the total market is worth around £70m. We estimate that total clothing floorspace in the Island is around 275,000 sq ft gross (234,000 sq ft net), which includes estimates of clothing floorspace in non-specialist outlets eg department stores such as De Gruchy and variety stores such as Marks & Spencer. This gives a sales density estimate of around £300 sq ft. Verdict's headline figure for UK clothing and footwear is £368 sq ft. However, this includes out-of-town clothing and footwear, which tends to generate lower sales densities. Excluding out-of-town skews Verdict's figure upwards to £380 sq ft – some 25% higher than Jersey. This would suggest that Jersey's clothing and footwear retailers, as a collective whole, are not as productive as their mainland counterparts.

We would partially attribute the differential to differences in market structure. As our earlier retail audit showed, the Jersey market is characterised by high representation from the independent sector. Independents tend to achieve much lower sales volumes than their multiple counterparts, which translates to lower sales densities. Clearly, overtrading is far less an issue in clothing/footwear (and by extension, mainstream high street goods) than it is in convenience. However,

that should not rule out further provision of clothing floorspace in the future, but the need, compared to convenience, is much less pressing.

Of all the comparison categories, we would argue that clothing and footwear is the most significant. Not only do clothing and footwear outlets outnumber all other product categories on the high street, they account for the largest share of comparison spend (25% - or nearly 50% of non-bulky comparison spend).

### Bulky goods densities

Bulky goods densities do stand up to some comparison. There are slight differences between the UK and Jersey markets, in that a much higher proportion of bulky goods floorspace on the mainland is located out-of-town on retail parks. However, Verdict provides sales densities for both channels, as well as for the market as a whole (Table 33):

TABLE 33 – Bulky Goods Sales Density Benchmarks

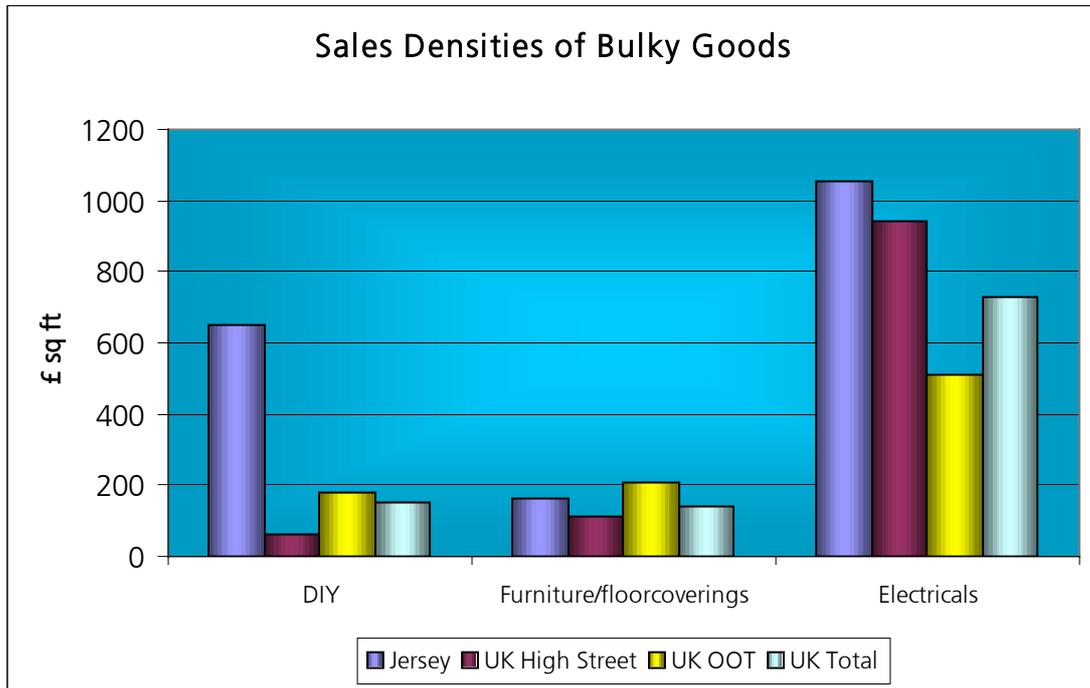
Sector	Jersey	UK High Street	UK OOT	UK Total	Index - Jersey vs UK average
DIY	652	60	180	150	435
Furniture/floorcoverings	164	110	210	140	117
Electricals	1,055	940	510	730	145

Although the figures should be treated with some degree of caution (outlined below), our estimates would suggest that bulky goods densities are also very substantial in the Island.

The figure for **DIY** is significantly higher than the UK. The Norman's outlets are a possible distorting factor in this. Essentially builders merchants serving the trade market, it would be wrong to ascribe all their trading space to the retail market. However, they do also cater for the retail market and we have therefore incorporated the showroom space that is devoted to non-trade customers. This floorspace is likely to achieve vastly superior sales densities to that in mainstream retail DIY operators.

This discrepancy aside, we nevertheless believe that the Jersey DIY market is undershopped. Apart from Norman's, the market is dominated by the B&Q store on Queen's Road, which leads something of a charmed existence as the only large-scale retail specialist DIY outlet in the Island. We believe the store is achieving sales densities significantly above the chain's average in the UK (ca. £175 sq ft). We believe there is scope to increase DIY floorspace in the Island. As surprising absentees at the moment, the other leading UK market leaders such as Homebase, Focus and Wickes would appear the most likely candidates.

FIG 6 - Bulky Goods Sales Density Benchmarks



Our estimates for **Electricals** show that densities in Jersey are around 45% higher than the UK average. However, in many respects this is to be expected of a market as high-street dominated as Jersey (electrical densities are higher in town than on retail parks). The Powerhouse store on Queen’s Road, like its B&Q neighbour, is the only large scale out-of-town store in its sector in the Island. Surprising absentees are the two UK electrical heavyweights, Dixons (which includes Dixons, Currys and PC World) and Comet.

The spend definition of Electricals is a possible distorting factor in our density calculations. The HES spend figures also include recorded media (ie CDs/DVDs) and so any floorspace figures must also include the appropriate provision in these categories. We have included specialist retailers (eg HMV) in our figures for electricals floorspace. However, recorded media are also sold via a number of non-specialist outlets eg variety stores and supermarkets. With total electricals floorspace understated slightly in this way, sales densities may be marginally overstated.

The issue of leakage is also worth flagging in this instance. As we discussed earlier in the study, we do not believe that Off-Island shopping is a significant factor in most of Jersey’s retail markets. However, electricals is one the sectors where it could form a significant channel of distribution, given that consumer choice in this market is limited in Jersey and that price transparency has increased massively on the back of on-line shopping.

In calculating our sales density estimates, we have apportioned all existing spend to retail outlets in the Island. If leakage were significant, our sales densities would therefore be overstated. However, to put this into some perspective, even if leakage were as high as 5%, we believe electricals densities in Jersey would still exceed £1,000 sq ft. At 10%, it would bring Jersey's densities broadly into line with the UK high street levels (£949 sq ft vs £940 sq ft); at ca. 25% with the UK average overall.

We believe that overtrading and leakage are both features of the Jersey electricals market. Although not intrinsically linked, both features do have a common denominator – they could both be alleviated by new floorspace provision. Additional floorspace would simultaneously have the effect of relieving any under-capacity, whilst increasing consumer choice and giving consumers less incentive to shop for the electricals goods away from the Island.

Our estimates show that **furniture/floorcoverings** sales densities in Jersey are also healthily (+17%) above UK averages. Given the structure of Jersey's furniture market, this differential is significant. A universal feature of the furniture and carpets markets is that stores trade more efficiently in a retail park environment, benefiting from convenient parking and opportunities for enhanced display at lower occupancy cost. The other general rule is that, in common with most retail sectors, multiples tend to work their floorspace harder and thus achieve higher sales densities. The fact that Jersey's furniture and floorcoverings offer is both independent-dominated and largely high street/edge-of-town based (as opposed to retail park), yet still achieves high sales densities points to capacity issues.

In common with electricals, Off-Island leakage may well be a feature of the furniture market and thus a potential distorting factor on our estimates of sales density. However, even allowing for 10% leakage, densities would still be around £150 sq ft, 7% higher than the UK average and around 35% higher than the average for UK high streets (in our view, a more appropriate benchmark given the market structure of Jersey). Leakage would have to be as high as 15% to dilute densities to UK levels, or 33% to UK high street levels. These figures seem too extreme to be credible.

In terms of market structure, the lack of major multiples is again somewhat surprising, in both the out-of-town (eg MFI, DFS, Homestyle, Furniture Village, Allied Carpets, Carpetright) and in-town (eg Habitat, The Pier, Heals, Multiyork) arenas. We would suggest that the latter, which tend to be more upmarket, would be particularly appropriate for Jersey's affluent geo-demographic profile.

In summary, therefore, we would conclude that Jersey is able to accommodate additional floorspace in all three bulky goods categories – in many respects, we believe the need is more pressing in bulky than non-bulky/'high street' comparison goods. We would expect any new development to include at least some floorspace devoted to these categories, either in the form of specialists, or through more general players (department/variety stores).

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## CAPACITY EVALUATION

### Key Objective

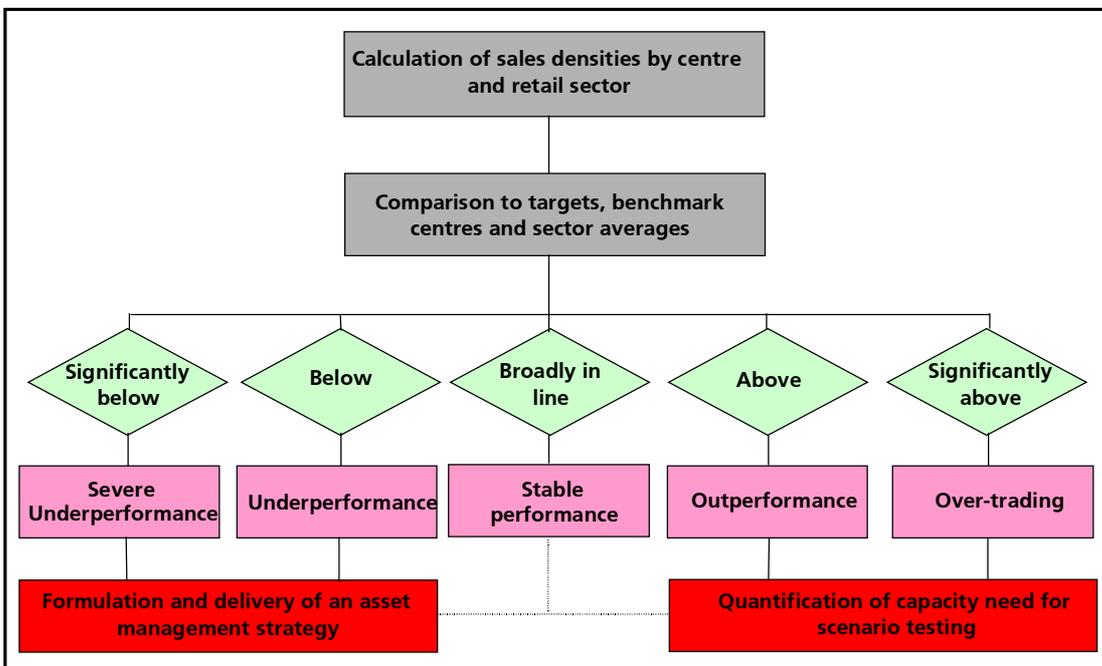
Our evaluation of capacity dovetails with our sales density analysis. On the one hand, it places Jersey in a wider context by comparing its sales densities with other benchmark centres, rather than industry figures. On the other hand, it also takes a step backwards in that it allows us to assess actual floorspace need. In this stage, we

- 'cut the cake' in a slightly different way and analyse sales densities at centre rather than sector level
- benchmark Jersey and St Helier's sales densities against peer group centres on the mainland
- examine the implications of overcapacity
- translate our sales density analysis into actual floorspace need.

### Our capacity model

Our approach towards capacity evaluation is summarised in the following flow chart (Fig. 7).

FIG. 7 – Experian's Capacity Evaluation Model



Our sales density analysis has already covered many facets of the model. Broadly speaking, our analysis has shown that Jersey's convenience densities are 'significantly above' benchmarks and thus convenience falls into the 'overtrading' bracket. In comparison goods, Jersey's densities are largely 'above' sensible benchmarks, and therefore the market is 'outperforming'. In both instances, there are cases for increasing floorspace and in the course of this exercise, we will explore these cases further.

The other outstanding area is to compare Jersey's sales densities at centre level. This is a further barometer of capacity issues.

### Centre level densities

Table 34 provides our estimates of sales densities of the benchmark centres analysed as part of the earlier retail audit (Stage 3). St Peter Port and Douglas have not been included, as we have both insufficient data and lack local market knowledge.

TABLE 34 – St Helier densities vs Benchmark Centres

Centre	Benchmark Group	Comparison Spend (£M)	Gross Comparison Floorspace (sq ft)	Comparison Sales Density (£ sq ft)	Vs Target
Newport (Isle of Wight)	Captive	158.3	471,470	336	Level
Kendal	Population	134.5	393,580	342	Higher
Great Yarmouth	Population	125.5	549,140	229	Lower
Boston	Population	118.6	471,460	252	Lower
Salisbury	Population	170.5	579,480	294	Lower
Llandudno	Population	109.8	335,550	327	Lower
Hastings	Population	181.1	520,920	348	Higher
Scarborough	Population	151.6	704,260	215	Significantly Lower
Bangor (Gwynedd)	Population	145.2	331,410	438	Significantly Higher
Grantham	Population	120.5	353,890	340	Higher
Barnstaple	Population	140.1	513,690	273	Lower
Banbury	Population	179.4	585,150	307	Level
Torquay	Population	148.8	494,690	301	Lower
Nuneaton	RCR	145.1	492,650	295	Level
Perth	RCR	183.7	606,300	303	Lower
Chichester	RCR	211.6	494,740	428	Significantly Higher
Horsham	RCR	167.1	514,140	325	Level
Chatham	RCR	211.3	730,180	289	Level
Stirling	RCR	207.7	671,750	309	Lower
Livingston	RCR	181.2	750,130	242	Lower
Greenock	RCR	140.0	486,990	287	Lower
Weston-super-Mare	RCR	162.6	488,610	333	Higher
Aylesbury	RCR	212.1	444,110	478	Significantly Higher
St Albans	RCR	258.9	459,730	563	Significantly Higher
Wrexham	RCR	136.6	561,340	243	Lower
<b>St Helier</b>		<b>214.3</b>	<b>837,990</b>	<b>256</b>	<b>Higher</b>

NB Both spend and density figures refer to residential spend only ie they exclude any tourist spend.

In terms of methodology, we have derived estimates of comparison spend levels made in each of the centres through our *Where Britain Shops* gravity model.

These figures (which include VAT) are divided by total comparison goods floorspace in the centres, as provided by GOAD, to give a sales density figure for each of the centres.

It is important to note that the figures refer to residential spend only. Although St Helier does benefit from additional tourist spend, to include it would skew comparisons with the other centres, which may themselves also generate significant 'non-residential' spend.

In addition to these 'actual' sales densities, we can also derive a 'market expected' sales density figure for each centre. In essence, this is a figure we would expect a centre with that tenant mix and retail offer to generate. This is calculated by attributing each store in the centre with a sales density, based on that retailer's national average figures (for non-multiples and independents we allocate an average for that sector). These figures are then aggregated. Thus, a distinct 'market expected' sales density figure is created for each centre.

This effectively gives us two angles from which to gauge centre performance - comparing centres against each other, but also comparing centres' 'actual vs market expected' densities. We believe the results of the latter are more telling, particularly in the case of St Helier. The comparisons between St Helier and the other benchmark centres are not like for like for two key reasons. On the one hand, the UK spend figures are inflated by VAT. On the other, the floorspace figures for the UK centres refer only to the GOAD plan for that centre, whereas the figures for St Helier have been derived on a very micro, bespoke basis, thus they include all comparison goods floorspace in the parish. The UK centres have been defined using tighter boundaries and may, for example, exclude nearby edge-of-town and retail park comparison floorspace.

In terms of 'actual vs market expected' densities, the centres have been classified as follows:

- 'Significantly Higher' = >25% higher than 'market expected'
- 'Higher' = 5 - 24% higher than 'market expected'
- 'Level' = between -5% and +5% either side of 'market expected'
- 'Lower' = 5 - 24% lower than 'market expected'
- 'Significantly Lower' = <25% lower than 'market expected'

St Helier's density is estimated to be around £256 sq ft. Note that this is a gross floorspace density and therefore lower than the headline figures calculated in the previous section. This puts St Helier towards the bottom of the benchmark centres. However, given the VAT and floorspace differences between St Helier and the UK centres outlined above, this paints something of a deceptive picture. Making adjustments for these factors, we would estimate that on a comparable basis, St Helier would probably be around the £300 sq ft mark.

St Helier's 'actual' sales density is around 15% higher than its 'market expected' figure (ca. £220 sq ft). Again, this needs some degree of qualification. St Helier's 'market expected' figure is low on account of the level of representation from the

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independent sector. This high level analysis does not factor in this fundamental difference in market structure. In this respect, we would again hesitate to conclude that all aspects of Jersey comparison goods are over-trading. However, we do believe that there is a case for structural change within certain parts of the market (especially bulky goods) and that there may still be a good case for additional comparison floorspace.

## **Overtrading**

On the surface, significantly achieving productivity levels higher than market and benchmark averages would appear a positive feat. If higher sales volumes are flowing through despite floorspace limitations, surely retailers are working their assets efficiently and achieving excellent returns? This is true up to a point – clearly, it is better to over-perform than under-perform. However, after a certain point, there are downsides:

- The retail market is effectively overheating – consumer demand exceeds physical supply
- Retail sales growth is thus constrained, which, in turn, puts a brake on wider economic growth
- Retailers achieve huge sales densities from existing space, but overall volumes are lower than they would be in more spacious trading environment;

Nor is it necessarily good news for customers as:

- Consumer choice is often compromised
- The shopping experience diminishes – shops tend to be severely overcrowded.

These issues are invariably best resolved through increased floorspace provision. However, this process needs to be carefully measured and managed.

## **Jersey's capacity requirements**

So, how much floorspace does Jersey need in order to appease its current overtrading? Clearly, there is a balance to be struck. Insufficient new space will not unburden the problem. At the opposite extreme, too much new space (particularly if it is in the wrong location) could do more harm than good, in that it may raise the competitive stakes too highly. St Helier would obviously bear the brunt of this. The optimum situation is one, therefore, that achieves the closest thing to a 'competitive equilibrium'.

On the back of our sales density analysis, we would conclude that on the convenience side, the market is overtrading by around 25%. Taking market structural issues into account (ie the fact that Jersey's market is dominated by supermarkets and c-stores, rather than high density superstores), we estimate that the convenience market is currently overtrading by as much as 50%.

However, for the purposes of translating this to floorspace need, we will err on the side of conservatism and work on the basis of 25%.

Deriving a similar figure for comparison goods is much harder. Our sales density analysis showed that Jersey's comparison densities are around 45% higher than Mintel's benchmark (£320 sq ft vs £222 sq ft). However, subsequent analysis showed that this masked something of a polarity between bulky goods and 'high street' goods. Whilst densities in the former appear significantly higher than in the UK, the indication is that in traditional 'high street' goods there is little difference. Thus, any overtrading in comparison goods is probably restricted to bulky goods. Even then, we would hesitate to use the term 'overtrading' and point more to the differences in market structure, namely that Jersey has yet to embrace fully the concept of out-of-centre retailing.

In assessing capacity, 'market expansion' is another very important issue to be factored in. 'Market expansion' is sustainable growth generated by new floorspace, as opposed to existing, displaced spend. The theory behind 'market expansion' is that brand new floorspace creates spend over and above what is already there – basically, consumers respond very favourably to seeing new retail fascia in sparkling new premises and spend more than they otherwise would.

As 'market expansion' is something of an 'x factor' spend, there are no fixed parameters ie there are no definitive numbers. However, we factor it into our capacity analysis by applying a number of sensible scenarios. These will include a base or control scenario which assumes no market expansion. The optimistic scenario will assume market expansion of 25% - inbetween, we will also run scenarios of more moderate growth (5%/10%/15%/20%).

Market elasticities are a fundamental part of market expansion. From our initial spend analysis (Stage 1), we also have some steers as to which sectors may be suffering from 'constrained spend' and by extension, which may expand more rapidly through new floorspace provision.

TABLE 35 – New Capacity Evaluation - Convenience

Current Convenience Spend (£)	Current Net Convenience Floorspace (sq ft)	Current Density (£ sq ft)	Market expansion rate (%)	New Market Size (£)	Additional net floorspace (sq ft)	Total Convenience Floorspace (sq ft)	New density (£ sq ft)
210,000,000	244,400	859	0%	210,000,000	50,000	294,400	713
			5%	220,500,000			749
			10%	231,000,000			785
			15%	241,500,000			820
			20%	252,000,000			856
			25%	262,500,000			892
			0%	210,000,000	75,000	319,400	657
			5%	220,500,000			690
			10%	231,000,000			723
			15%	241,500,000			756
			20%	252,000,000			789
			25%	262,500,000			822
			0%	210,000,000	100,000	344,400	610
			5%	220,500,000			640
			10%	231,000,000			671
			15%	241,500,000			701
			20%	252,000,000			732
			25%	262,500,000			762
			0%	210,000,000	125,000	369,400	568
			5%	220,500,000			597
10%	231,000,000	625					
15%	241,500,000	654					
20%	252,000,000	682					
25%	262,500,000	711					
0%	210,000,000	150,000	394,400	532			
5%	220,500,000			559			
10%	231,000,000			586			
15%	241,500,000			612			
20%	252,000,000			639			
25%	262,500,000			666			

NB Spend figures include both residential and tourist expenditure.

We have analysed five floorspace scenarios, ranging from 50,000 sq ft to 150,000 sq ft. For each, we have played off the new space against the five market expansion permutations and derived a new sales density estimate for each.

Our estimate of current convenience densities is around £860 sq ft. We are looking to dilute this figure to a more appropriate level and we would consider anything roughly upwards of £600 sq ft as a healthy return. Applying our conservative estimate for under-capacity (25%) provides a slightly more demanding benchmark figure of around £650 sq ft.

Key points that emerge from this exercise:

- We believe that Jersey could easily absorb another 50,000 sq ft (net) of convenience floorspace, even with no market expansion. However, this level of new floorspace will only partially ease the current levels of overtrading.
- A similar story emerges for 75,000 sq ft (net) of new floorspace.
- To sustain 100,000 sq ft (net) of new convenience floorspace, some degree of market expansion would be required. This would be fairly minimal (5%).
- For this figure to rise to 125,000 sq ft (net), greater market expansion would be needed. However, growth of around 10% still seems eminently feasible given the scale of new provision.
- Absorbing 150,000 sq ft (net) of new space at a mid-range market expansion rate of 15% would generate a sales density of around £610 sq ft. This is by no means a low return, but is below the benchmark we have set of £650 sq ft. This would suggest that this is at the upper level of provision that the market could currently support.

On balance, therefore, we believe that Jersey has the capacity to comfortably support at least another 100,000 sq ft (net) of new convenience floorspace. Factoring in development timescales and other growth factors (eg higher than expected market expansion and retail sales growth generally), 150,000 sq ft would not seem out of the question, certainly in the longer term.

There are a number of 'push and pull' issues that need consideration. If the new space were occupied (as we recommend) by one of the large UK multiples (eg Tesco, Asda, Sainsbury's), it may well achieve sales densities significantly higher than the average for the Island eg £1,000 sq ft vs £650 sq ft. Clearly, this would mean other retailers will be generating densities significantly lower than £650 sq ft. However, on the plus side, we would expect market expansion to be greatest if the new space were occupied by one of the large multiples – consumers would undoubtedly respond well to a famous brand large-scale, price competitive superstore. This uplift would militate against some of the inevitable density dilution at the other convenience retailers.

It is also worth flagging that all the assumptions that underpin these outputs have been conservative:

- Latest spend figures have been derived by extrapolating 1999 data using RPI, rather than earnings growth (Stage 1)
- Our conversion rates of gross to net floorspace were not aggressive (80% vs an extreme of 60-70%)
- Our estimates of over-trading are at the low end of the range (in convenience 25% vs a possible 50%)
- Market expansion assumptions are modest (5%/10% rather than 20%/25%)
- We have not factored in any growth in consumer spending into our capacity calculations. All calculations are based on current prices, so our floorspace recommendations are based on the current scenario. The reality is that any new floorspace will have a gestation period, during which time we would expect retail spending (and floorspace need) to grow.

Given these levels of conservatism, we believe that our recommendation of 100,000 sq ft (net) is a minimum and immediate requirement to alleviate current under-supply. We would regard 125,000 sq ft (net) as a 'comfortable' target. Taking a more forward looking view (ca. ten year), we believe this figure would be closer to 150,000 sq ft (net).

We are aware of a number of other convenience developments in Jersey that are at varying stages of the planning process. These include the re-development of Checkers on Rue des Pres and a new convenience site at Westmount Quarry. If both schemes reach fruition, we estimate that they would result in a net increase in convenience floorspace of around 70,000 sq ft. Taking these pipeline schemes into consideration, there is still a residual need for new floorspace – 30,000 sq ft as a 'bare minimum', 55,000 sq ft a 'comfortable' target.

We have undertaken a similar exercise for comparison goods (Table 36), factoring in five new floorspace scenarios ranging from 50,000 sq ft to 250,000 sq ft. Determining a generic sales density benchmark for comparison goods remains an issue – comparison goods comprises a host of product categories which achieve a wide spectrum of sales densities. For example, average densities in DIY goods are only around £150 sq ft, yet may be ten times that for a jewellery retailer. Therefore, optimum comparison sales densities depend very much on the mix of a centre. We would also re-iterate the issues in comparison extend beyond that of just capacity.

We would tentatively suggest a figure of £300 sq ft as an appropriate benchmark, particularly as any new space in Jersey is likely to include some proportion of low density bulky goods (eg furniture). Given that this figure does not represent significant dilution of our estimates of existing densities (£320 sq ft) and is still a 35% premium on Mintel's estimate of UK comparison densities (£222 sq ft), we believe £300 sq ft to be a suitably conservative benchmark.

**TABLE 36 – New Capacity Evaluation – Comparison**

Current Comparison Spend (£)	Current Net Comparison Floorspace (sq ft)	Current Density (£ sq ft)	Market expansion rate (%)	New Market Size (£)	Additional net floorspace (sq ft)	Total Comparison Floorspace (sq ft)	New density (£ sq ft)
268,000,000	838,466	320	0%	268,000,000	50,000	888,466	302
			5%	281,400,000			317
			10%	294,800,000			332
			15%	308,200,000			347
			20%	321,600,000			362
			25%	335,000,000			377
			0%	268,000,000			100,000
			5%	281,400,000	300		
			10%	294,800,000	314		
			15%	308,200,000	328		
			20%	321,600,000	343		
			25%	335,000,000	357		
			0%	268,000,000	150,000	988,466	
			5%	281,400,000			285
			10%	294,800,000			298
			15%	308,200,000			312
			20%	321,600,000			325
			25%	335,000,000			339
			0%	268,000,000			200,000
			5%	281,400,000	271		
			10%	294,800,000	284		
15%	308,200,000	297					
20%	321,600,000	310					
25%	335,000,000	323					
0%	268,000,000	250,000	1,088,466	246			
5%	281,400,000			259			
10%	294,800,000			271			
15%	308,200,000			283			
20%	321,600,000			295			
25%	335,000,000			308			

NB Spend figures include both residential and tourist expenditure

Another point of difference between the convenience and comparison markets are their levels of 'elasticity'. Convenience tends to be much more inelastic – buying food is essentially a necessity, rather than a luxury. On the other hand, many comparison goods are much more elastic – purchases are often discretionary and are wants- rather than needs-driven. On this basis, market expansion tends to be greater in comparison than convenience goods.

Our capacity evaluation suggests that:

- Jersey could comfortably take on another 100,000 sq ft (net) of comparison floorspace, even with minimal (<5%) market expansion.
- To absorb around 200,000 sq ft (net) of new space, the market would probably have to expand by around 15%, which seems reasonable.
- The required market expansion rate increases to 25% for new floorspace provision of 250,000 sq ft (net). This is not beyond the realms of possibility, but would seem at the very upper limit of possible market expansion.

We are confident therefore that Jersey has the capacity for another 200,000 sq ft of net comparison floorspace, in addition to that recommended for convenience. This would be our 'comfortable' target – a 'minimum' figure would be around 150,000 sq ft.

As with convenience, we are aware of pipeline developments elsewhere in the Island. The key ones are at the Waterfront in St Helier and could add around 90,000 sq ft (net) of new comparison floorspace. Our understanding of the proposed new schemes is that they will be pitched very much at the speciality upscale market. As such, they would operate more as 'niche' markets, rather than compete with the mainstream retail offer in the rest of St Helier. Thus, they would not obviate the potential for further mass-market comparison floorspace and detract from our earlier recommendations. Again, we would point to the long gestation period (up to ten years) as another factor that does not alter our underlying recommendations.

Subtracting the new schemes from our figures (despite their more niche pitch) still leaves a residual comparison floorspace need. The 'minimum' figure would be around 60,000 sq ft, the 'comfortable' figure in the order of 110,000 sq ft.

### **Safeway implications**

The future of the Safeway store could have had a significant bearing on capacity requirements. Prior to the announcement of the deal with CIT, we considered three permutations if Morrisons opted to dispose of the store. Each of these would obviously affect floorspace requirements in the Island in a different way. Either,

- the store were taken on by one of the other convenience retailers, or
- it transferred from the convenience to comparison sectors, or
- it ceased to be a retail outlet altogether.

In the event, the first of these permutations transpired. As the Safeway will remain a convenience outlet, our original recommendations stand:

	<u>'Minimum'</u>	<u>'Comfortable'</u>
Convenience	30,000 sq ft	55,000 sq ft
Comparison	60,000 sq ft	110,000 sq ft

In terms of new floorspace requirements, the change in ownership of the Safeway store will have no influence on the headline figures. However, as we will discuss later on in the report (particularly in Stages 7 and 9), it will prompt a shift in the underlying structure of the convenience market. It is this shift in market structure and the wider implications that warrant scrutiny – capacity requirements themselves remain constant.

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## MODELLING NEW FLOORSPACE SCENARIOS

### Key Objective

Our assessment of capacity has established the basic parameters of potential new floorspace provision. In this stage, we model a series of scenarios based on these outputs and analyse their respective impacts in the context of the wider Jersey retail market. The basic steps for each 'what if' scenario are:

- Make assumptions as to the scale of new floorspace
- Sub-divide the floorspace into its component parts (comparison/convenience)
- Determine the physical location of the new floorspace
- Input the data into our Jersey gravity model, which re-aligns the shopper and expenditure flows
- Derive a picture of how spend would be redistributed
- Assess what the impact would be on existing centres
- Quantify the level of spend (in both absolute and percentage terms) that would gravitate away from existing centres/stores

The outputs of these scenarios will underpin our recommendations as to the optimum scale, pitch and location of any new scheme.

### Pipeline developments

We are aware of a number of other developments that are potentially already in the planning pipeline;

- Redevelopment of Checkers on Rue des Pres, expanding the gross area to 60,000 sq ft
- A 40,000 sq ft site at Westmount Quarry, St Helier
- New developments at St Helier Waterfront:
  - Castle Quay – 50,000 sq ft gross (ca. 40,000 sq ft net) of speciality comparison retail
  - Liberation Place – 42,000 sq ft gross (ca. 35,000 sq ft net) of speciality comparison retail
  - Esplanade Square – initially 50,000 sq ft gross (ca. 40,000 sq ft net) of convenience floorspace was planned. The likely alternative now appears to be comparison floorspace (ca. 20,000 sq ft net)

The Checkers redevelopment has already been approved. At the time of writing, the proposal for the Westmount Quarry had yet to be formally submitted and we believe there are some concerns as to potential vehicular access. We understand that the three schemes on the Waterfront are at varying stages of planning –

construction is planned to start on Castle Quay early next year, Liberation Place has received planning permission, whilst a outline planning permission has been granted on Esplanade Square, with a full planning application expected in June/July 2005. If everything proceeds to plan, the three developments will be phased in over an approximate ten-year time frame.

We are able to model all these developments independently of our assessment of the impact of a larger, new scheme. In running the subsequent 'what if' scenarios for the larger scheme, we will also factor in those pipeline developments which are further advanced in the planning process.

**TABLE 37 – Impact of Existing 'Pipeline' Developments - Convenience**

Parish	Base Convenience Spend (£m)	New Convenience Spend (£m)	Change (£m)	Change (%)
Grouville	0.4	0.2	-0.1	-39%
St Brelade	27.2	23.6	-3.6	-13%
St Clement	7.6	4.6	-3.0	-39%
<b>St Helier</b>	<b>124.5</b>	<b>120.7</b>	<b>-3.8</b>	<b>-3%</b>
St John	1.3	1.0	-0.3	-23%
St Lawrence	3.7	2.8	-0.9	-25%
St Martin	3.3	2.1	-1.2	-37%
St Mary	0.9	0.7	-0.2	-19%
St Ouen	2.5	2.2	-0.3	-14%
St Peter	15.9	13.4	-2.6	-16%
<b>St Saviour</b>	<b>21.9</b>	<b>38.3</b>	<b>16.3</b>	<b>74%</b>
Trinity	0.9	0.6	-0.3	-31%
<b>Total</b>	<b>210.1</b>	<b>210.1</b>	<b>0.0</b>	<b>0.0</b>

The impacts of the pipeline developments on existing convenience expenditure flows are shown in Table 37. Note that the spend figures take into account both the residential and tourist markets.

St Saviour would be the main beneficiary under these scenarios, although some of its uplift would be diminished by the other new schemes in St Helier. As our earlier spend apportionment showed, St Saviour currently experiences high convenience leakage to a number of stores in St Helier, particularly Safeway on Trinity Hill and Grand Marché on La Rue le Masurier (which lies just inside St Helier's parish boundary). The redevelopment of Checkers on Rue des Pres will redress some of the current imbalance, whilst simultaneously also marking the advent of Jersey's first grocery superstore.

The impact of the enlarged Checkers is partially offset by the other pipeline developments in St Helier. If the Checkers redevelopment were to happen in isolation ie Westmount Quarry and Esplanade Place did not reach fruition, we estimate that St Saviour's uplift would be closer to 100% ie existing spend levels would double.

The level of impact of the pipeline schemes on the comparison market would be less dramatic. This is consistent with the proposed market positioning of the comparison floorspace on the Waterfront – rather than compete with the existing

mass-market offer in the town centre, the new floorspace will be pitched much more at the more complementary upmarket speciality retail market. A large proportion of spend that the new schemes are likely to attract will be untapped spend (particularly from the tourist market), rather than diverted or displaced spend from residents.

**TABLE 38 – Impact of Existing ‘Pipeline’ Developments - Comparison**

Parish	Base Comparison Spend (£m)	New Comparison Spend (£m)	Change (£m)	Change (%)
Grouville	2.0	1.9	-0.1	-5%
St Brelade	8.5	8.1	-0.5	-5%
St Clement	0.0	0.0	0.0	-
<b>St Helier</b>	<b>248.0</b>	<b>249.1</b>	<b>1.1</b>	<b>0%</b>
St John	0.6	0.5	0.0	-5%
St Lawrence	0.9	0.8	0.0	-
St Martin	0.8	0.8	0.0	-5%
St Mary	0.1	0.1	0.0	-5%
St Ouen	2.1	2.0	-0.1	-5%
St Peter	3.2	3.1	-0.2	-5%
St Saviour	0.6	0.6	0.0	-5%
Trinity	0.8	0.8	0.0	-
<b>Total</b>	<b>267.7</b>	<b>267.7</b>	<b>0.0</b>	<b>0%</b>

### ‘What if’ Scenarios

On consultation with the client, the inputs into the gravity model were agreed as follows:

- 130,000 sq ft (gross) of convenience floorspace, probably in the form of a large-scale grocery superstore
- 150,000 sq ft (gross) of comparison floorspace, probably a department store
- 70,000 sq ft (gross) of other retail units, which we assume will be comparison-based (the grocery superstore will cover off all areas of convenience).

These figures sit within our capacity parameters (other pipeline developments notwithstanding) and therefore seem feasible as a rough blueprint for modelling purposes.

The other key consideration is the location of any new scheme. Clearly, this will have connotations for the other centres in the Island. We are not factoring in planning issues (eg site availability) at this stage – this is purely an exercise to determine roughly the most appropriate location in the Island for any new scheme.

We have divided the Island roughly into four sub-regions:

- Central – St Helier/St Saviour

- East – St Clement/Grouville/(St Martin)
- West – St Peter/St Brelade/(St Lawrence)
- North – St Ouen/St Mary/St John/Trinity/(St Martin)

The boundaries of these regions are fairly arbitrary – we are just looking at the relative merits of siting a new scheme close to the capital, or to the east, west or north of the Island.

Common sense rules out the North region straightaway. Although covering the largest land area, the North is the lowest densely populated area in the Island. Siting a major new scheme as far away from the densely populated areas (St Helier/St Saviour/St Brelade/St Clement) as possible would lead to huge volumes of car-driving consumers travelling half the length of the Island – the road infrastructure would simply not withstand this. Also, there would obviously be major environmental concerns if a brand new, large-scale shopping centre inveigled its way into what are essentially rural communities.

The key question, therefore, is whether a new scheme would best fit within the already well-shopped Central region, or failing that, whether it would be best accommodated to the East or the West.

For each of the three sub-regions, we have selected a sensible point on one of main thoroughfares (in the case of the West, we have used a site adjacent to the airport). The actual location selected is fairly arbitrary in the modelling process – siting the new development a couple of miles further down the road, or on another parallel road will have negligible effects on the actual outputs.

Feedback we have received suggests that the Checkers extension on Rue des Pres is almost certain to go ahead. For this reason, we have factored the new floorspace into all of our ‘what if’ scenarios. At the time of writing, the proposed Westmount Quarry development was somewhat further back in the planning process, but we have still made provision for it in our various ‘what if’ scenarios. Although scheduled over a fairly lengthy timeframe, we have also included two of the three of the proposed Waterfront schemes (the less certain Esplanade Square the one exception).

### **Scenario 1 – Central (St Helier)**

As is abundantly clear to any visitor and our spend allocation quantifies, the capital and its surrounding area already dominate Jersey’s retail market.

Seemingly, this has historically been a deliberate strategy on the part of local planners. Focusing the bulk of investment in the most populous and built-up area has enabled the rest of the Island to maintain its rustic charm, rather than succumb to greenfield development. Siting any new retail development in St Helier (or in its bordering parishes such as St Saviour) would effectively mark a continuation of this trend.

TABLE 39 – Modelled Impact of a New Scheme in Central Zone - Convenience

Parish	Base Convenience Spend (£m)	New Convenience Spend (£m)	Change (£m)	Change (%)
Grouville	0.4	0.2	-0.2	-47%
St Brelade	27.2	20.9	-6.3	-23%
St Clement	7.6	4.1	-3.4	-45%
<b>St Helier</b>	124.5	<b>132.2</b>	<b>7.6</b>	<b>6%</b>
St John	1.3	0.7	-0.6	-44%
St Lawrence	3.7	2.2	-1.5	-41%
St Martin	3.3	1.7	-1.5	-47%
St Mary	0.9	0.6	-0.3	-37%
St Ouen	2.5	1.8	-0.7	-28%
St Peter	15.9	11.2	-4.8	-30%
<b>St Saviour</b>	<b>21.9</b>	<b>34.1</b>	<b>12.1</b>	<b>55%</b>
Trinity	0.9	0.4	-0.4	-48%
<b>Total</b>	<b>210.1</b>	<b>210.1</b>	<b>0.0</b>	<b>0%</b>

The outcome is obvious – it concentrates St Helier’s retail power even further (+6% in convenience, +2% in comparison). St Saviour would still experience a significant uplift in convenience expenditure flows on the back of the Checkers redevelopment.

TABLE 40 – Modelled Impact of a New Scheme in Central Zone - Comparison

Parish	Base Comparison Spend (£m)	New Comparison Spend (£m)	Change (£m)	Change (%)
Grouville	2.0	1.5	-0.5	-26%
St Brelade	8.5	6.2	-2.4	-28%
St Clement	0.0	0.0	0.0	-
St John	0.6	0.4	-0.2	-29%
St Lawrence	0.9	0.6	-0.2	-
St Martin	0.8	0.6	-0.2	-26%
St Mary	0.1	0.1	0.0	-29%
St Ouen	2.1	1.5	-0.6	-28%
St Peter	3.2	2.3	-0.9	-28%
St Saviour	0.6	0.5	-0.2	-26%
Trinity	0.8	0.6	-0.2	-
<b>Total</b>	<b>267.7</b>	<b>267.7</b>	<b>0.0</b>	<b>0%</b>

However, we would tentatively question the value of consolidating further retail spend in and around the capital and believe there may be more merit in redistributing it elsewhere in the Island. This opinion is based upon a simple fact: our analysis has shown that Jersey as an island is under-shopped and in need of new retail floorspace. On the other hand, our analysis of St Helier itself has shown the capital to be a flourishing retail centre, which compares very favourably against its peer group centres. In short, therefore, we believe that the retail needs of the Island may exceed those of the capital.

There is also the issue of infrastructure – as it stands, St Helier’s roads and thoroughfares are noticeably struggling to withstand the heavy traffic that travels

to the capital on a daily basis. Additional retail floorspace on the scale proposed could only exacerbate this problem.

Clearly, it is not in the Island's interests to create a centre that competes ferociously with St Helier and this is a scenario that should be avoided. If any new scheme were to be built away from St Helier, we believe that the capital has more than enough appeal and firepower to fight back. It may have to rethink aspects of its proposition slightly (of which the proposed new schemes on the Waterfront are good examples), but our retail audit suggests that it more than has the capacity to do this. In short, we foresee a 'competitive equilibrium' between any new scheme and St Helier itself, that is to say a situation where displacement is kept to a minimum.

## Scenario 2 – East (Grouville)

Grouville is the fifth most populous parish in the Island. Including St Clement and the less rural parts of St Martin, the East Zone would probably constitute around 15% of the Island's population. Yet it remains noticeably undershopped – relative to population, possibly more so than anywhere else in the Island.

TABLE 41 – Modelled Impact of a New Scheme in East Zone - Convenience

Parish	Base Convenience Spend (£m)	New Convenience Spend (£m)	Change (£m)	Change (%)
<b>Grouville</b>	0.4	<b>23.8</b>	<b>23.4</b>	<b>6406%</b>
St Brelade	27.2	23.9	-3.2	-12%
St Clement	7.6	4.2	-3.3	-44%
<b>St Helier</b>	<b>124.5</b>	<b>100.5</b>	<b>-24.1</b>	<b>-19%</b>
St John	1.3	1.0	-0.3	-24%
St Lawrence	3.7	2.8	-0.9	-25%
St Martin	3.3	1.6	-1.7	-53%
St Mary	0.9	0.7	-0.2	-18%
St Ouen	2.5	2.2	-0.3	-12%
St Peter	15.9	13.6	-2.4	-15%
<b>St Saviour</b>	<b>21.9</b>	<b>35.3</b>	<b>13.4</b>	<b>61%</b>
Trinity	0.9	0.5	-0.3	-39%
<b>Total</b>	<b>210.1</b>	<b>210.1</b>	<b>0.0</b>	<b>0%</b>

Siting a new scheme in the East would clearly enable Grouville and the surrounding areas to claw back spend that is currently gravitating elsewhere. The uplifts it would achieve may be spectacular in percentage terms, but this is obviously off a very low base/standing start. Clearly, there is a good case for improving the retail offer in this part of the Island.

TABLE 42 – Modelled Impact of a New Scheme in East Zone - Comparison

Parish	Base Comparison Spend (£m)	New Comparison Spend (£m)	Change (£m)	Change (%)
<b>Grouville</b>	<b>2.0</b>	<b>43.3</b>	<b>41.3</b>	<b>2080%</b>
St Breilade	8.5	7.0	-1.5	-18%
St Clement	0.0	0.0	0.0	-
<b>St Helier</b>	<b>248.0</b>	<b>210.0</b>	<b>-38.0</b>	<b>-15%</b>
St John	0.6	0.5	-0.1	-20%
St Lawrence	0.9	0.7	-0.2	-
St Martin	0.8	0.6	-0.2	-23%
St Mary	0.1	0.1	0.0	-19%
St Ouen	2.1	1.7	-0.4	-18%
St Peter	3.2	2.6	-0.6	-18%
St Saviour	0.6	0.5	-0.1	-21%
Trinity	0.8	0.7	-0.2	-
<b>Total</b>	<b>267.7</b>	<b>267.7</b>	<b>0.0</b>	<b>0%</b>

### Scenario 3 – West (St Peter)

In St Breilade, the West Zone includes the third most populous parish in the Island (12%). Given that it also includes the airport, road and transport infrastructure is also better in this part of the Island (although not beyond further improvement).

TABLE 43 – Modelled Impact of a New Scheme in West Zone - Convenience

Parish	Base Convenience Spend (£m)	New Convenience Spend (£m)	Change (£m)	Change (%)
Grouville	0.4	0.2	-0.1	-36%
St Breilade	27.2	14.2	-13.0	-48%
St Clement	7.6	4.9	-2.7	-36%
St John	1.3	0.8	-0.6	-43%
St Lawrence	3.7	2.1	-1.6	-43%
St Martin	3.3	2.2	-1.1	-34%
St Mary	0.9	0.5	-0.4	-49%
St Ouen	2.5	1.2	-1.4	-54%
	15.9			
Trinity	0.9	0.6	-0.3	-35%
<b>Total</b>	<b>210.1</b>	<b>210.1</b>	<b>0.0</b>	<b>0%</b>

Again, a new scheme would allow the region to claw back spend that is currently made elsewhere.

TABLE 44 – Modelled Impact of a New Scheme in West Zone - Comparison

Parish	Base Comparison Spend (£m)	New Comparison Spend (£m)	Change (£m)	Change (%)
Grouville	2.0	1.6	-0.4	-19%
St Brelade	8.5	5.8	-2.7	-32%
St Clement	0.0	0.0	0.0	-
<b>St Helier</b>	<b>248.0</b>	<b>207.1</b>	<b>-41.0</b>	<b>-17%</b>
St John	0.6	0.4	-0.2	-28%
St Lawrence	0.9	0.6	-0.2	-
St Martin	0.8	0.7	-0.2	-20%
St Mary	0.1	0.1	0.0	-31%
St Ouen	2.1	1.4	-0.7	-33%
<b>St Peter</b>	<b>3.2</b>	<b>49.0</b>	<b>45.7</b>	<b>1414%</b>
St Saviour	0.6	0.5	-0.1	-20%
Trinity	0.8	0.6	-0.2	-
<b>Total</b>	<b>267.7</b>	<b>267.7</b>	<b>0.0</b>	<b>0%</b>

It is important to stress that these scenarios do not factor in market expansion that will arise through new floorspace. In this respect, the impact figures very much represent 'worst cases'. Thus, if the new scheme were to open as modelled in the West, the maximum impact it could have on St Helier would be 17%. In reality, the level of impact is likely to be less and within what we believe the capital is able to sustain.

From the point of view of St Helier, the difference of siting any new scheme in the West over the East is fairly minimal. In convenience, the East would have a marginally higher impact on the capital (19% vs 17%) than the West, although the level of impact is reversed in comparison goods (15% vs 17%).

Although the impact quantification highlights minimal differences between the two scenarios, there are qualitative factors that point slightly in favour of the West Zone over the East Zone. A new development in the West Zone would benefit not just those people living in St Brelade and St Peter, it will also serve a wider geographic area than if sited in Grouville/St Clement. The airport is readily accessible also to parishes in the north, particularly the more isolated rural ones (St Ouen, St Mary, St John).

In short, a new development in the East will decentralise some of the retail power away from St Helier, but there would still be a major retail concentration in the South East of the Island. In contrast, a new development in the West would bring more of a healthy balance of retail power (and thus consumer and expenditure flows) across the Island.

### Some connotations

Other pipeline developments notwithstanding, we believe that Jersey has the capacity to support a new scheme as modelled and that there is some merit decentralising than further bolstering St Helier's retail dominance. However, this

does need some degree of qualification. Further discussion is also needed as to the optimum composition of the new scheme.

We have modelled a grocery store of 130,000 sq ft gross. We are assuming that actual trading area would be less than this, probably around 100,000 sq ft. Although within the boundaries of what we believe market demand can support, the fact remains that this would still be a huge store. Stores of this size remain very much the exception rather than the rule on the UK mainland – at an extremely rough guess, we doubt there are more than 30 such stores in the UK. The number of UK operators that could (or would want) to take on this scale of store is realistically limited to Tesco, Asda, Morrisons and, to a lesser degree, Sainsbury's. It would rule out Waitrose, Somerfield and the other smaller players.

Morrisons' interest can now effectively be discounted, certainly in the short to medium term. Given the company's beleaguered position on the mainland as it struggles to digest the Safeway chain, it was by no means a surprise that it elected to offload its Jersey store – however strong its trading performance, the fact remains that the store on Trinity Hill is too small and geographically remote to sit comfortably within Morrisons' core business model. Were Morrisons on a more even keel and embarking on expansion rather than retrenchment, the company may have looked to build on its existing position in Jersey by opening additional sites and/or relocating to new premises free from the current space and configuration limitations of the Trinity Hill store. Clearly, however, this is not the case.

Of course, to the list of potential tenants we could add a number of European names, particularly French operators such as Carrefour or Auchan who have an exemplary track record in operating hypermarkets in both France and, in the former's case, around the world. However, despite Jersey's more continental heritage, we believe that a UK-based operator is a more likely option – a UK operator would probably regard Jersey as part of its domestic market, whereas for a French/European operator, it would represent a foreign market. King Street in St Helier bears this out as a precedent – UK high street names abound, whilst the French counterparts are largely conspicuous by their absence.

The evolution of the UK retail market has seen the major grocery retailers diversify significantly into the comparison goods sector, a trend that continues unabated. In this respect, therefore, it is probably something of a misnomer to consider a 100,000 sq ft grocery superstore purely as a convenience outlet. We would estimate that the likes of Asda and Tesco would allocate at least 30% of selling space to non-food, possibly even 40%+. This does raise some important issues.

If one of these operators were to take on the superstore, we estimate that the percentage given over to non-food (clothing, DVDs/CDs, homewares, electricals, toys etc) would be considerably higher, possibly as much as 50%. There is nothing intrinsically wrong with this – indeed, it has the very positive benefit of increasing consumer choice in these areas - but it could have implications for the rest of the new scheme.

Under this scenario, new convenience floorspace would hypothetically be reduced to 50,000/60,000 sq ft, whilst total new comparison floorspace would increase to 270,000/280,000 sq ft. This is creeping above the optimum figures we derived as part of the capacity study. This does not undermine the viability of the scheme, but it does highlight that care will be needed in its execution.

Slight concerns would arise if the new scheme were dominated by traditional 'high street' names, particularly on the fashion side. We have no issue at all with a new department store being part of the new scheme (again, this enhances consumer choice), but would be concerned if the rest of the floorspace were given over totally to non-bulky comparison retailers. There is a risk that the scheme would end up simply duplicating St Helier and that a 'competitive equilibrium' would not be reached.

This reinforces our belief that bulky comparison goods could alleviate some of these issues. Our capacity analysis showed that after convenience, Jersey is most undershopped in bulky comparison goods. A number of names jump out as potential new entrants to the Jersey market. Neither Carpetright nor Allied Carpets are present in the floorcoverings market, nor Curry's, PC World or Comet in electricals, nor Homebase in DIY, to name but six.

To allay any fears of the potential dominance of any new scheme, one final alternative could be to split the new convenience floorspace. We believe the market can support over 100,000 sq ft of convenience floorspace. A preferable alternative to a single superstore could be a couple of 50,000 sq ft stores at two different locations across the Island (possibly one in each of the East and West zones). This compromise does, however, depend on availability of suitable sites. Ultimately, it also needs to be considered in tandem with other pipeline developments (eg Westmount Quarry).

In summary, therefore, we are confident that a major superstore and a department store are appropriate for any new scheme in the Island, but we would stipulate that at least some of the residual comparison floorspace be allocated to bulky goods. We also have some reservations as to whether the convenience market is best served through a single large-scale superstore – two smaller superstores may be a more viable alternative.

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## ASSESSMENT OF EMPLOYMENT/ECONOMIC IMPACT

### Key Objective

This stage provides a high level assessment of the economic impact of retail activity on the local economy and its ability to generate economic growth. The key area of focus is the potential impact that new floorspace would have on employment. We look at this through two streams:

- Direct employment in the retail industry ie jobs that will be created on the shopfloors of the new retail space
- Indirect employment in other industries created through multiplier effects.

Estimates of direct employment are derived using employment density benchmarks produced by English Partnerships and the UK Regional Development Agencies (RDAs). These figures are then factored into our proprietary *Input-Output* model, which we have modified to reflect Jersey's current employment structure. We have then run a number of scenarios reflecting varying degrees of potential displacement.

### Employment densities

Employment density data is sourced from research produced by Arup Economics and Planning for English Partnerships, supported by the English Partnerships and Regional Development Agencies Best Practice Group.\* By way of definition, employment density refers to the average floorspace (in sq m or sq ft) per person in an occupied building. It is therefore a measure of intensity of use and indicates how much space each person occupies within the workspace.

The English Partnerships data covers properties from a number of use classes/industries eg retail, office, warehousing/distribution, leisure etc. The employment density figures are deemed to be at their most accurate when applied to new developments or modern buildings, which is obviously the case in the context of this study. Although there are variations (eg locational, regional) within the bands, the recommended benchmark figures refer to the median of the respective ranges.

As a rule of thumb, smaller retail stores tend to have higher employment densities than larger outlets. Densities in small stores (defined as < 50 sq m/540 sq ft) may only be 10 – 15 sq m (108 – 160 sq ft) per person. For larger stores, densities tend to be around the 20 sq m (215 sq ft) mark. In food, mid-range supermarkets tend to be around the same level (20 sq m/215 sq ft), but for superstores, they are likely to be marginally higher (19 sq m/205 sq ft). Retail warehousing (including DIY stores and cash & carry outlets but excluding wholesale) tends to have significantly lower densities.

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\* *'Employment Densities: A Full Guide'*

**TABLE 45 – Benchmark employment densities**

	Employment Density (sq m)	Employment Density (sq ft)
Food superstore	19	205
Retail Warehouse	90	970
Town/city centre (larger unit)	20	215
Town/city centre (smaller unit)*	10	105

\* Defined as <50 sq m/540 sq ft.

Note that the figures for Town/City Centre stores and Food Superstores relate to net internal floorspace (ie selling space), whilst those for Retail Warehouse refer to gross internal floorspace (ie gross floorspace).

Using the footprint scenarios modelled as part of the earlier gravity modelling exercise and adjusting the relevant GOAD floorspace figures to net, we have estimated the number of people that would be employed in the new scheme.

**TABLE 46 – Estimated employment within the modelled scenario**

	Gross Floorspace (sq ft)	Net Floorspace (sq ft)	Workspaces
Convenience floorspace	130,000	104,000	507
Department store	150,000	127,500	593
Other comparison floorspace	70,000	59,500	277
<b>Total</b>	<b>350,000</b>	<b>291,000</b>	<b>1,377</b>

Note that this figure refers purely to the number of people we estimate would be working on the shopfloor of a scheme of this scale. It does not, for example, factor in construction employment involved in physically building the scheme.

### **Overview of Experian's *Input-Output* model**

Experian's *Input-Output* tables enable us to estimate the number of indirect jobs that will be supported locally by the new retail development.

*Input-output* tables are collated in an accounting framework and link the whole economy together in terms of what is sold and purchased by individuals and firms. By way of an example, the table indicates what is required by a firm to produce one unit of output. This will be in terms of inputs from different industries (including itself) and labour inputs. Similarly, the table includes consumers and highlights spending patterns of consumers given an extra pound in their pocket.

The accounting data underpinning the model is UK-based 1995 data. We make use of a methodology devised by Flegg & Webber to approximate local-level *input-output* tables based on local industrial structure.

The tables are then translated into a series of multiplier matrices. These give the knock-on effects of each extra pound spent in the industry in question. The 'multiplier' refers to the fact that the initial pound spent will lead to increased activity by all those supplying inputs to the industry in question, and in turn those extra activities will generate further expenditure in the economy: the initial impact has been magnified or multiplied. This pattern continues *ad infinitum* until the 'round' effects (as they are known) dissipate into impracticably small amounts.

The model makes a distinction between what are known as Type I and Type II multiplier effects. Type I effects refer to the inter-industry effects of the extra activity, whilst Type II effects consider the total effect of the extra activity: inter-industry effects plus consumer spending effects.

The framework thus includes one of the key components of additionality, the **multiplier effect**. Implicit in this multiplier methodology is the concept of leakage. At every 'round' of the multiplier process firms will source inputs from other firms and workers from outside the area in question. Likewise consumers will spend some of their additional income outside the area. This is known as leakage, as the potential positive effects leak out of the area and accrue to other areas of the county, or world (or, in the case of this study, Island).

The model is also capable of dealing with a downside effect associated with additional activity in an economy: displacement.

The concept of **displacement** recognises that there are certain instances where activity is displaced in the region by the intervention in question. The implications are usually most severe for those industries operating at or near demand capacity. As a general rule, the retail industry in the UK is usually operating at or near demand capacity. Ordinarily, if an out-of-town shopping complex were to be built in an area where consumers were already spending the maximum amount permitted by their budgets, the effect may be to spread that spending more thinly across the retail outlets in the area. This could lead to closures of existing retail outlets. Although a large enough centre may entice consumers from further afield, it is likely that existing retail areas would suffer.

However, in the case of Jersey, our study has shown that the retail market is not operating at capacity and is currently suffering from under-supply. By extension, any degree of displacement will be significantly lower than on the mainland.

Although the model gives the effects of the investment in terms of some knock-on effects created, it cannot take account of changing local structures and dynamic processes as a result of the investment programme. These effects, known as Type III multipliers, come about through changes in the way industries purchase from each other, the way industries decide where to locate, and myriad other factors.

A flow chart illustrating the mechanics of our *input-output* model is included in Appendix 6.

## Outputs

Our model is currently geared towards the UK. However, we have been able to adapt it to reflect the employment structure of Jersey. To do this, we have cross-referenced employment data from the 2001 Jersey Census and compared it to equivalent figures in the UK.

**TABLE 47 – Employment by industry – Jersey vs UK**

	Jersey	%	UK	%	Index - Jersey vs UK
Agriculture	1,750	4%	194,000	1%	594
Manufacturing	1,400	3%	3,855,000	13%	24
Construction & quarrying	4,320	9%	2,170,000	7%	131
Electricity, Gas, Water	560	1%	139,000	0%	266
Wholesale & Retail	6,330	14%	5,071,000	17%	82
Hotels & Catering	3,450	8%	1,919,000	6%	118
Transport & Comms	2,590	6%	1,793,000	6%	95
Computing	530	1%	563,000	2%	62
Financial and Legal	11,340	25%	1,316,000	4%	568
Misc Business	1,880	4%	3,957,000	13%	31
Public Sector	11,430	25%	9,062,000	30%	83
<b>Total</b>	<b>45,580</b>	<b>100%</b>	<b>30,039,000</b>	<b>100%</b>	<b>100</b>

Unsurprisingly, Financial and Legal Services and Agriculture account for a much higher proportion of the Jersey workforce than they do in the UK. Conversely, manufacturing is significantly under-represented.

In terms of displacement, we have modelled three scenarios:

- A 'base case' scenario assuming 0% displacement ie the new scheme would be absorbed into the existing economic framework with zero impact on the current status quo
- An 'top level' scenario assuming 75% displacement. This is a standard figure used by English Partnerships for mature retail markets operating at full capacity. The assumption is that 75% of all new retail jobs are 'lost' elsewhere in the local area because of capacity issues and wage pressures
- A 'mid-range' scenario, which reflects a realistic assessment of likely displacement, based upon our assessment of retail dynamics and capacity issues in the Island.

Rather than use a median figure for our mid-range scenario (ie 35-40%), we have opted for 20% as a more realistic reflection of likely displacement. This figure ties

in with our gravity modelling exercise. Taking the last two scenarios (siting the new scheme away from St Helier in the East or the West), the percentage impact on St Helier itself for both comparison and convenience goods is in the range of 15 – 20%. As St Helier is easily the most dominant centre in the Jersey retail market, this figure is a sensible proxy of displacement.

Inputting our estimate for workforce in the new scheme (1,377), the model produces the following results:

**TABLE 48 – Employment creation by industry**

	75% Displacement	20% Displacement	0% Displacement
Agriculture, Forestry & Fishing	0	1	1
Oil & Gas Extraction	0	0	0
Other Mining	0	0	0
Gas, Electricity & Water	5	14	18
Fuel Refining	0	0	0
Chemicals	0	0	0
Minerals	0	0	0
Metals	0	0	0
Machinery & Equipment	0	0	0
Electrical & Optical Equipment	0	0	0
Transport Equipment	0	0	0
Food, Drink & Tobacco	2	6	7
Textiles & Clothing	0	0	0
Wood & Wood Products	0	0	0
Paper, Printing & Publishing	0	0	1
Rubber & Plastics	0	0	0
Other Manufacturing	0	0	0
Construction	2	5	7
Retailing	425	1,132	1,415
Wholesaling	11	30	38
Hotels & Catering	11	29	36
Transport	7	18	22
Communications	4	10	13
Banking & Insurance	7	18	23
Business Services	2	5	7
Other F&Bs	17	46	58
Public Admin. & Defence	0	1	1
Education	2	6	8
Health	3	8	10
Other (mainly Public) Services	9	23	29
<b>Total</b>	<b>509</b>	<b>1,356</b>	<b>1,695</b>
<b>Multiplier</b>	<b>0.37</b>	<b>0.98</b>	<b>1.23</b>

The mid-range scenario gives a multiplier of 0.98. In other words, for every 100 retail jobs created, the net effect is 98 new jobs, with only two jobs displaced.

On this basis, we estimate that the floorspace scenario modelled would create more than 1,300 new jobs – this would equate to around 3% of the total Jersey workforce, as quantified in the 2001 Census. The majority of these (>80%) would, not surprisingly, be directly within the retail industry itself. However, other industries such as wholesaling, communications, hotels & catering and transport would also see some small uplifts in job creation.

Ordinarily, new retail floorspace on the scale we have recommended will not only alleviate current undersupply in the retail market, it will also be a contributor to wider economic growth through employment creation. However, given the unique nature of Jersey's employment market and the fact that unemployment is very low, creating this many new jobs may represent something of an issue, rather than a positive economic growth factor.

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## STORE PRICING AUDIT FIELDWORK

### Key Objective

The issue of pricing in the retail sector is a perennially contentious subject. Jersey is no exception to this. There are so many issues in play that the subject of pricing invariably warrants a separate study unto itself. However, for the sake of relevance, we have tried, as far as possible, to keep our discussion within the confines of our assessment of capacity.

Our overriding aims are to

- develop an understanding of the pricing architecture in the Island
- review data and analysis on pricing already conducted by the States' of Jersey Statistics Unit
- draw our own comparisons with the UK mainland
- derive a view as to what might be driving any price differentials
- explore any possible relationship between capacity and pricing
- speculate as to the impact any new retail provision may have on pricing

We will explore the wider ramifications of the double change of ownership (firstly Morrisons, now CIT) of the Safeway store on Trinity Hill. Whilst this may not affect capacity requirements directly, we believe it will have a strong bearing on the structure of the market and general pricing policies.

In accordance with our brief, we have also considered the potential impact of introducing a Goods and Service Tax in the Island – this is included as a separate section at the end of this study (Stage 11).

As befits our contrasting conclusions for the convenience and comparison markets, we will consider and review both sectors independently.

### Convenience

Anecdotal evidence suggests that there is a growing feeling amongst Jersey residents that they are paying over the odds for their grocery purchases. This feeling is supported by research conducted by the States' of Jersey Statistics Unit\*, which concludes that average prices on many fresh food convenience goods are significantly higher in Jersey than the UK. We synthesise the conclusions of this document with the findings of our research at the end of this Stage of the report.

In our experience, claims of substantial price differentials are notoriously difficult to substantiate, principally because few comparisons are like-for-like. For example, the market leader Checkers (with a share of 30% prior to its acquisition of the Safeway store) does not trade on the mainland, so no direct comparisons

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\* *'Comparison of Consumer Prices in Jersey and the UK: June 2004'*

can be made. Likewise, many of the grocery stores in the Island are small convenience stores – comparing their prices with a Tesco/Asda/Sainsbury's superstore on the mainland simply would not stack up.

Our approach to conducting pricing research is therefore to focus on areas where we are confident that comparisons are like-for-like. For all the differences between jurisdictions, a number of meaningful comparisons can nevertheless be made, involving key fascias such as Safeway, Marks & Spencer and Checkers.

### **Safeway – historically and under Morrisons ownership**

The first hugely significant development in the pricing architecture of Jersey probably passed many Islanders by, namely the takeover of Safeway by Morrisons in 2004. We re-iterate our belief that the Safeway store on Trinity Hill is of pivotal importance in the Jersey convenience market as a whole. For the 12 months the store remained under Morrisons ownership, the name over the door did not change, but in-store pricing strategies did.

In common with the other three leading UK grocers (Tesco, Asda, Sainsbury's), Safeway historically operated a variable pricing policy. Very broadly speaking, there were four pricing bands, namely (in reverse pricing order):

- out-of-town superstores
- smaller supermarkets
- convenience stores on BP petrol station forecourts
- 'Highland and Island' stores

The Safeway supermarket in Jersey qualified as a 'Highland and Island' store and was historically subject to the highest pricing policy.

In stark contrast, Morrisons is the only one of the major UK grocers to operate a national pricing policy. This means that prices are uniform across the entire store network, be it in the company's Yorkshire heartland, Scotland, Central London etc. Since the takeover of Safeway, Morrisons had made no indication that it planned to renege on this pricing policy, effectively meaning that prices in Jersey (had the store been retained) would ultimately have been brought exactly in line with the UK.

In practice, this strategy was taking time to implement. Having made such a large acquisition, the integration of Safeway was understandably a slow process, with pricing just one of a host of changes being introduced. In visiting the Trinity Hill store in November 2004 (eight months after Morrisons formally acquired the Safeway business), we noticed that some of the price changes had already been enforced; if Morrisons had retained the store, we believe the new pricing structure would have, in time, been applied across all products.

On this premise, the benefits to the Jersey consumer would have been significant. Morrisons (along with Asda and increasingly Tesco) is usually regarded as the

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cheapest of the mainstream grocers in the UK. Safeway, in contrast, was the most expensive. So, in effect, the store on Trinity Hill moved from the segment of highest priced band of the most expensive mainstream retailer (Safeway) to one of the most competitively priced (Morrisons) – albeit for just over a year. To put this into some perspective, we would cite a very specific example. In Safeway stores where Morrisons lower pricing has been rolled out, the cost of a tin of Heinz Baked Beans is 38p. The price of the same item in Trinity Hill when we visited (November 2004) was 49p. Such a significant price differential on such a basic KVI (Known Value Item) speaks volumes.

As part of our fieldwork, we compared prices on a basket of goods across three Safeway stores – Trinity Hill, Tiverton (in Devon) and Wimbledon (Greater London). These outlets were chosen fairly randomly, but were deemed representative of lower competition rural sites (Tiverton) and higher competition urban sites (Wimbledon). The basket comprised 40 everyday items, covering fresh and frozen food, ambient groceries and non-food, incorporating both own label and branded goods. The overall basket costs are provided in Table 49 – the full product and price breakdowns are provided in Appendix 7.

**TABLE 49 – Basket prices of Safeway**

	Safeway - Tiverton	Safeway - Wimbledon	Safeway - Trinity Hill
Basket Price (40 items) (£)	99.46	101.59	107.14
% vs Trinity Hill	-7%	-5%	0%

The differential between Trinity Hill and the two other stores is clear. However, no radical conclusions should really be drawn from this, other than

- historically, the store may have been ‘overpriced’, but this was changing
- Morrisons’ pricing strategy implementation was at varying stages across the network – the Jersey store was lagging behind others on the mainland, hardly surprising given that it was a relatively small store in an isolated location (and, as we now know, was earmarked for disposal).

On our visit in November 2004, there was already evidence of Morrisons’ pricing in a number of product areas. This was particularly true of fresh produce and ready meals, many of which are Pre-Priced Packaged ie the price is actually printed on the packaging.

To summarise, Jersey’s Safeway customers were seeing prices reduced across a number of areas. This was an evolutionary process, obviously cut short by Morrisons’ decision to sell the store to CIT. Had Morrisons retained the store and brought it fully into line with its national pricing, we estimate that the average basket cost in the ‘new’ Safeway would have been at least 10%, possibly as much as 20%, cheaper than in the old store. Perhaps more importantly in the

wider context of this study, Jersey briefly had its first very competitively priced supermarket.

### Safeway – the future under CIT ownership

The transfer of the Safeway to CIT in April 2005 marked an equally significant development on three key counts:

- It heralded the withdrawal of the most price-competitive player from the Island
- It has consolidated the market leader’s share
- It has shifted the underlying structure of the market.

This raises a number of issues in terms of pricing – will any evolutionary shift in pricing architecture continue within the new status quo?

Direct price comparisons between Checkers stores and the UK mainland are unfeasible in that CIT does not operate foodstores outside the Channel Islands. However, on visiting a number of Checkers and Checkers Xpress stores across the Island, we were pleasantly surprised to note that there was apparently price consistency across both chains. Ordinarily, we would expect a retailer to charge a slight premium in its C-store format (in this case Checkers Xpress), to offset their higher cost base (longer opening hours, smaller basket sizes). However, CIT appears to be an exception to this rule.

Nor did Checkers strike us as inordinately expensive. By way of comparison, we conducted a pricing audit along the lines of that undertaken for Safeway. Excluding a number of own brand items (which preclude like-for-like comparisons), the basket size was reduced to around 25 items. The basket cost compared to the three Safeway benchmarks is provided in Table 50, with the full product and price breakdowns included in Appendix 7. The Checkers audit was conducted at the same time as that of the Safeway stores ie in November 2004, before ownership of the Trinity Hill store passed to CIT.

**Table 50 – Basket price comparisons – Checkers vs Safeway**

	Safeway - Tiverton	Safeway - Wimbledon	Safeway - Trinity Hill	Checkers - Rue Des Pres
Basket Price (25 items) (£)	32.21	33.98	38.33	39.81
% vs Checkers	-19%	-15%	-4%	0%

Interestingly, one area where Checkers stood out as being significantly more expensive was in recorded music (which we excluded from our basket). Whilst Safeway was in line with other players in the market (HMV, Woolworths, WH Smith), typically charging around £9.77 for a chart CD, Checkers was charging

£12.99 – much more on a par with VAT inclusive prices on the UK mainland. Including CDs/DVDs into our basket comparisons, Checkers would have been 12% more expensive than Trinity Hill and around 18% more expensive than the other two stores. However, as larger ticket items, these figures distort those in Table 50, which we believe to be a fairer overall reflection. However, the issue of CD pricing is worth flagging nonetheless.

In the general comparison (excluding recorded music), the Checkers store we surveyed (Rue des Pres) was slightly (4%) more expensive than Safeway (Trinity Hill). However, a mixed picture emerged; on some items, Checkers was cheaper, on others Safeway. Interestingly, however, some of Checkers prices lay between those of Trinity Hill and the two Safeway stores we surveyed on the mainland. This infers that Checkers may traditionally have been more price competitive than its Safeway counterpart in Jersey on some products.

The comparisons with Tiverton and Wimbledon suggest that Checkers is more expensive than Morrisons on the mainland – given that CIT is a much smaller business than Morrisons and does not enjoy the same buying muscle and economies of scale, this is to be expected. But by extension, if Safeway on Trinity Hill had hypothetically remained in Morrisons' hands, we believe a pricing gap would have opened up between it and the Checkers stores. CIT would either have had to trade under the burden of this price gap, or respond to reduce it. Actually taking on this store as CIT has done has obviated the need for it to do either.

It is this change in competitive dynamics and shift in market structure that leads us to believe that any downward pressure pricing has now eased. In other words, consumers are now less likely to benefit from lower prices going forward in the current competitive environment. This is a theme we return to later on in this section.

## **Marks & Spencer**

Marks & Spencer's pricing differentials are more transparent, in that it levies a 5% surcharge on its food products in the Channel Islands.

Marks & Spencer's justification for the surcharge is the additional distribution costs it incurs in shipping items from the mainland. This does not seem unreasonable – distribution costs must be higher for retailers, particularly those specialising in limited shelf-life fresh and frozen food, and 5% does not seem an excessive figure. The difference may also reflect the extent of competition in different markets ie M&S may have greater pricing power in areas such as ready-meals than it does in areas such as clothing.

Rather than abuse of pricing power, we would treat this more as a risky marketing strategy. Jersey consumers may understandably resent paying the surcharge and it remains to be seen if they respond by shopping elsewhere.

Such matters are, in our experience, best resolved through increased competition, rather than pricing regulation, which can be difficult to monitor and police. If anything, this reinforces our belief that Jersey as a whole would benefit from the arrival of a new large-scale grocery retailer - in a highly competitive market, retail pricing tends to become self-regulating, much to the benefit of the consumer.

### **Other Convenience Retailers**

In general pricing terms, the other major convenience operators in the Island (Co op and Spar) likewise did not seem out of kilter with similar units in the UK, although we do not have the data to reach firm conclusions as to whether prices are higher in Jersey relative to similar stores in the UK.

Our conclusion on convenience goods would therefore be that, when strictly like-for-like comparisons are made, prices in Jersey are not unduly higher than we would expect from comparable stores on the mainland. However, the fact remains that the structures of Jersey and UK markets are very different, as we will discuss in greater depth when comparing our findings with those of the States' of Jersey Statistics Unit.

The complexion of the market has also changed considerably over the last 18 months. Whilst Safeway was under Morrisons ownership, we would have expected the pricing architecture in Jersey to shift. However, this momentum may stall now that CIT has taken on the store in question. The momentum could be regained if (as we recommend) a major new player were to enter the market.

### **Comparison Goods**

Pricing architecture within the comparison goods markets is somewhat less complex. As part of our fieldwork, we conducted some very basic price comparisons amongst the major non-food multiples. Our findings, based on visits to a number of stores in both Jersey and the mainland, can be succinctly summarised in a single sentence – some retailers in Jersey adjust their prices to deduct VAT, others do not.

Very broadly speaking, the divide tends to form between retailers selling commodity and non-commodity items. Commodity items are products that are manufacturer-driven and are basically the same wherever they are sold eg CDs, DVDs, books, games etc. On commodity goods, consumers can make direct price comparisons between retailers and not surprisingly, competition to sell these items is therefore more fierce and pricing more keen. It follows, therefore, that VAT exclusive pricing is much more prevalent amongst commodity-driven retailers.

This practice seems far less widespread amongst non-commodity retailers. Non-commodity items are products that are particular to that retailer, or items upon which a retailer is able to impose some sort of USP (unique selling point). By

extension, they often retail as own-brand goods, as opposed to manufacturer brands. The fact that consumers are unable to make direct price comparisons tends to give non-commodity retailers greater flexibility in determining their prices.

By its very nature, clothing is one of the main non-commodity markets and it is probably no co-incidence that these retailers are ostensibly those that are failing to pass on VAT reductions to consumers. We are not in the business of 'naming and shaming', but a number of major high street clothing retailers are evidently charging the same prices in Jersey as they do in the mainland.

If confronted about this, there is little doubt the retailers in question would justify their pricing on the grounds of higher distribution costs of shipping product over to the Island. Whilst this may be true up to a certain point, a mark-up of effectively 17.5% to cover this does seem somewhat excessive. As we have argued on a number of occasions already, the most effective solution would be to up the competitive ante and let market dynamics take their natural course.

### **Jersey Statistic Unit's Research**

The States' of Jersey Statistics Unit has itself published reports on consumer prices in Jersey and the UK\*. Here, we take both studies into consideration and look at what they collectively tell us about price levels in Jersey and the UK.

The objectives of the Statistic Unit's report are twofold:

- To examine RPI trends in Jersey and compare them with the UK
- To undertake direct price comparisons between the two jurisdictions

Although the first of these areas of focus produces a number of very interesting issues (not least that prices in Jersey have risen twice as fast as the UK over the past four years), it is the absolute price comparisons that are of key relevance to this study.

In terms of methodology, direct comparisons of prices are based on information published monthly by the Office of National Statistics (ONS) which shows the average price of around 60 non-brand items, which are included in the UK RPI. These items are matched against the equivalent products in Jersey. Although the RPI comparisons cover a number of spending categories, the price comparisons are restricted mainly to fresh food non-brand goods (eg meat, fish, fresh vegetables, fruit, dairy produce, other foods, soft drinks, alcohol and tobacco).

A crucial point to note on the comparisons are that they represent **average** prices in both the UK and Jersey. As such – and as the Statistics Unit report makes clear - they take into account two fundamental factors:

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\* 'Comparison of Consumer Prices in Jersey and the UK: June 2004'

- Differences in prices in both jurisdictions – some prices will be lower and others higher than average. This can be dependent on a whole raft of factors – the retailer selling them, the store format, the store location, the level of local competition, regional variations etc.
- The quality of items – the higher the quality of goods, the more they are likely to cost. The index is designed to be representative of the quality range of products available for a specific item.

The differences in the weighted averages for the key sub-sectors are provided in Table 51.

**Table 51 – Price comparisons – Jersey vs UK**

Category	% Difference Jersey vs. UK
Meat (weighted average)	+22%
Fish (weighted average)	+8%
Fresh Vegetables (weighted average)	+15%
Fresh Fruit (weighted average)	+20%

We have only provided ‘headline’ data on the sub-categories, rather than their finer, constituent categories. However, the picture is almost universally the same – to a greater or lesser degree, prices are higher in Jersey than the UK. In meat, for example, fresh beef in Jersey tended to be priced more closely to UK levels (+15%) than pork or lamb, whilst frozen chickens were nearly 60% more expensive.

Of all sixty individual items matched, only five were found to be cheaper in Jersey – Old Potatoes (-6%), New Potatoes (-13%), Eggs [Size 4] (-3%), Draught Bitter (-2.5%) and Cigarettes (-4%). Conversely, over 20 of the items (ie one in three) were over 25% more expensive in Jersey than in the UK.

It is important to note two key differences between our research and that undertaken by the Statistics Unit/ONS:

- The Statistics Unit/ONS research focuses on generic, non-branded items. Our research compares prices largely on branded Known Value Items (KVIs).
- Our research centres on direct like-for-like price comparisons eg between two stores of the same retailer. The Statistics Unit/ONS data reflects average prices across the respective retail industries in both jurisdictions.

In simple terms, therefore, our research is more micro, that of the Statistics Unit more macro/holistic.

Fusing the key findings of both studies:

- Jersey prices in convenience products are higher than the UK
- But this is not particularly manifest in like-for-like comparisons between individual retailers across the two jurisdictions.

Both studies, in essence, point to the same issue – the underlying structure of the UK and Jersey retail markets are fundamentally different.

On the back of our 'micro' level research, we believe that the multiples in Jersey are more or less in line with their equivalent stores in the UK – Safeway Trinity Hill (under Morrisons ownership) effectively charged the same as a Safeway /Morrisons store on the mainland, Grand Marché is on a par with a Co op store on the mainland, likewise Spar. Although not present on the mainland, we would also put Checkers into this bracket. However, whilst these retailers represent the mainstay of the convenience market in Jersey, with the exception of Safeway, they are only a very marginal part of the UK market. The UK is dominated by the major multiples, which are likely to be substantially cheaper. Thus, taking a 'macro/holistic' view of the respective markets, the UK will always emerge as significantly cheaper.

**TABLE 52 – Convenience Market Shares – UK vs Jersey (before Safeway transfer)**

	Share of UK Market	Share of Jersey Market
Tesco	26.4%	-
Asda	16.0%	-
Sainsbury's	14.8%	-
Morrisons/Safeway	11.1%	10.0%
<b>'Big Four' Multiples</b>	<b>68.3%</b>	<b>10.0%</b>
Marks & Spencer	7.0%	8.6%
Somerfield/Kwik Save	4.6%	-
Waitrose	3.5%	-
Iceland	2.0%	-
Budgens	0.3%	-
Netto	0.6%	-
Lidl	1.6%	-
Aldi	2.0%	-
Other Multiples*	0.9%	30.0%
<b>'Second Tier' Multiples</b>	<b>22.5%</b>	<b>38.6%</b>
Co-op	4.5%	22.6%
Symbol Groups	0.9%	10.4%
Independents	3.8%	18.4%
<b>'Third Tier' Retailers</b>	<b>9.2%</b>	<b>51.4%</b>

The fundamental difference in the respective structures of the UK and Jersey markets is borne out in Table 52. This shows the market shares of both jurisdictions **before** the recent takeover of the Safeway store. For the UK, we

have used the industry-standard Taylor Nelson Sofres (TNS) data and applied slight adjustment to ensure consistency with our definition of 'convenience goods'. The figures for Jersey are our estimates, derived from our gravity model.

For comparison purposes, we have considered the retail market in terms of three basic tiers. The top four retailers (Tesco, Asda, Sainsbury's, Morrisons) constitute the top tier, the other multiples the second tier and the Co op, Symbol Groups and Independents the third tier. As a general rule of thumb, we would expect pricing to be most competitive in the top tier, on the basis that the top four boast vastly superior buying power and economies of scale. Applying the same principle, at the other end of the spectrum we would expect independents to have the highest prices. A slight anomaly in this structure occurs in the Second Tier with the 'hard' discounters (Aldi, Lidl and Netto), but this does not detract from the basic findings. Indeed, the fact that these account for over 4% of the UK market, yet there are no equivalent outlets in Jersey, is actually one of the more minor factors behind the differentials in average prices between the jurisdictions.

The conclusions of this are very clear. Whilst the 'Big Four' dominate the UK market (accounting for nearly 70%), the mainstays of the Jersey market are the Second (Marks & Spencer and Checkers) and Third Tiers. In the UK, the Third Tier accounts for less than 10% of the market – the corresponding figure for Jersey exceeded 50%. Particularly noteworthy are the respective shares of Symbol Groups and Independents – 0.9% and 3.8% in the UK vs 10% and 18% in Jersey. Given these significant differences in market structure, it is little surprise that there are substantial pricing differentials.

**TABLE 53 – Convenience Market Shares – UK vs Jersey (after Safeway transfer)**

	Share of UK Market	Share of Jersey Market
Tesco	26.4%	-
Asda	16.0%	-
Sainsbury's	14.8%	-
Morrisons/Safeway	11.1%	-
<b>'Big Four' Multiples</b>	<b>68.3%</b>	<b>-</b>
Marks & Spencer	7.0%	8.6%
Somerfield/Kwik Save	4.6%	-
Waitrose	3.5%	-
Iceland	2.0%	-
Budgens	0.3%	-
Netto	0.6%	-
Lidl	1.6%	-
Aldi	2.0%	-
Other Multiples*	0.9%	40.0%
<b>'Second Tier' Multiples</b>	<b>22.5%</b>	<b>48.6%</b>
Co-op	4.5%	22.6%
Symbol Groups	0.9%	10.4%
Independents	3.8%	18.4%
<b>'Third Tier' Retailers</b>	<b>9.2%</b>	<b>51.4%</b>

Reproducing the market share data to take into account the sale of the Safeway store to CIT (Table 53) highlights the significance of the deal. All 'Big Four' representation disappears at a stroke, whilst Checkers' share of the market increases to a dominant 40% (as CIT also runs the M&S franchise, the company could be seen to control nearly 50% of the Jersey convenience market).

Thus, although the Safeway deal covers a single store in Jersey, we believe that it marks a significant swing in the retail landscape, one that does not necessarily benefit the competitive dynamics of the market. We believe that the balance can be positively redressed if the capacity need we have identified in this report is fulfilled by suitably competitive new entrants from the mainland, preferably from the other 'Big Four' players.

### Comparison Goods

Similar price comparison data is not available for non-convenience goods. However, if it were, we would also expect there to be some degree of price differential between Jersey and the UK. We believe the trends here would also mirror those in convenience. On a 'micro' level, prices in retailers such as WH Smith, Woolworths, HMV and Bhs are exactly the same in both jurisdictions (ignoring VAT differences). However, on a 'macro' level, Jersey prices may well emerge as higher.

Again, we would attribute this to differences in market structures. As in convenience, Jersey's comparison market is characterised by a higher than average number of independents. The fact was borne out in our earlier retail provision benchmarking exercise (Stage 3). St Helier's count of independent outlets and independent outlet floorspace were respectively 63% and 74% higher than the benchmark average. In fact, of the 27 benchmark centres, St Helier has the highest level of independent floorspace and the second highest count of independent outlets (behind Scarborough).

The other key issue is the rapid growth in the discount/'value' end of the UK market in recent years, a trend that has yet to really manifest itself in Jersey. Two examples in particular are worth highlighting, namely clothing and furniture.

Over the past few years, growth in 'value' clothing (represented by retailers such as Primark, Matalan, Peacocks, Bon Marché, TK Maxx, New Look as well as Asda's George and Tesco's Cherokee brands) has significantly outstripped growth in the clothing market as a whole. According to Verdict, the 'value' sector grew by 12.8% in 2004, three times the rate of the clothing market overall (4.1%). This trend is forecast to continue, with the 'value' sector expected to account for around 25% of the market by 2009 (vs 18% in 2003). However, these retailers are, by and large, absent from Jersey and the 'value' led sector remains under-represented compared with the UK.

Similarly, the UK furniture market has evolved away from high-ticket rigid products, and gravitated much more to value-led flat pack items. Key

practitioners of 'value' furniture retailing are Argos and IKEA and it is no coincidence that these two players have emerged as the fastest growing in the UK market. They are currently the second and fourth largest players in the UK, with respective market shares in 2003 of 5.1% and 4.6%. If current trends continue, both could soon usurp MFI (ironically, the original pioneer of flat-pack furniture retailing in the UK) as the market leader. Again, the value-led furniture sector is far less prevalent in Jersey than it is on the mainland.

In comparing prices between Jersey and the UK, we are not suggesting that Jersey should necessarily attempt to replicate the retailing blueprint of the mainland. However, comparing and contrasting the respective structures of the markets does provide a key explanation as to why there are unfavourable price differentials. We believe that it would be unrealistic to expect the pricing differentials to narrow significantly within the current structure of the Jersey retail market.

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## **COSTS OF RETAILING**

### **Key Objective**

Thus far, the main focus of this study has been expenditure/sales-orientated. Here, we go 'below the top line' and address the more contentious issue of cost.

Our capacity analysis has shown that some retailers are achieving fantastic sales densities in Jersey, in some cases significantly higher than on the mainland. We believe this owes more to high sales volumes than inflated prices, although we have noted that some retailers are rather unscrupulously not passing on VAT exclusions to consumers. If challenged on either count, we suspect that retailers would cite cost differentials as the key factor. In other words, they need to achieve such high sales densities or charge a premium to offset a higher cost base.

The key objective of this stage is to examine whether we think there is any mileage in these claims and to explore any potential cost differences between Jersey and the UK mainland.

### **Retailer costs**

From the outset, we concede that this is very hard to prove. Retailers are not obliged to divulge fine-level breakdowns of their costs and profits and published accounts are significantly less detailed than closely-guarded management ones. Likewise, retailers are not bound by standardised accounting policies and therefore may report costs and profits in different ways. These difficulties are compounded by the fact that some costs are accounted for centrally, whilst others are borne at store level (clearly, the latter is of greater interest in this study). However, for all these difficulties we can nevertheless make reasoned judgements on any potential cost differentials.

Very broadly speaking, retailer costs fall into two groups, cost of sales and operating costs:

- Cost of sales are essentially purely the costs relating to the procurement of the goods sold ie the cost paid to the manufacturer/supplier. In the case of a multiple retailer, these costs would always be accounted for centrally, not at store level and are therefore of limited relevance to this study. However, as we go on to discuss, they are much more of an issue for non multiples
- Operating costs are all other costs relating to the sale of the procured goods. These contain a raft of individual costs, including wages/salaries, administration, distribution/logistics and property/store costs. Although consolidated centrally, some of these costs may also be accounted internally on a store level or 'branch contribution' basis. These are of particular interest in our comparisons.

Our study will focus on three of the key operating costs – property/store costs, wages/salaries and distribution costs.

### **Independents/Local Businesses vs Multiples**

As we have already stated, cost of sales for multiple retailers are largely irrelevant in this context – actually buying the product from the supplier will cost the retailer exactly the same wherever it is sold. Distribution costs may be higher in transporting the goods to individual stores (see below), but the cost of sales remains constant.

There is, however, a substantial differential in the cost of sales between multiple and independent retailers. As larger companies with wider distribution networks, multiple retailers have far greater purchasing power than independents and are more readily able to negotiate what are effectively ‘bulk buy’ discounts from suppliers. As we have discussed in the previous section of this report, this gives the multiples greater flexibility in their pricing strategies. In other words, they can be more competitive on pricing, yet still achieve the same (or better) margins.

As smaller operators, many of Jersey’s local businesses therefore have to contend with higher cost of sale ratios than their multiple counterparts. However, this is a fact of retailing rather than an issue peculiar to Jersey – independent retailers on the mainland are in a similar position.

Although not directly linked, it is worth mentioning corporation tax within this context. Corporation tax in Jersey is 20% of profits, compared to a main rate of 30% in the UK. For the multiples domiciled in the UK, this has little bearing in that they pay 20% tax in Jersey and the balance of 10% in the UK. However, local business and independents benefit significantly from the lower rate. Although they may have higher cost of sales ratios, they can claw a significant proportion of this back in the form of lower taxes on profits.

### **Property Costs**

To put property costs into some sort of scale, the rule of thumb is that they usually account for 8% – 12% of a retailer’s group sales. If a retailer is particularly shrewd, this figure may shrink to around 6%. At the other extreme, if a retailer has an expensive portfolio, this figure could be as much as 14%. Obviously, the percentages are significantly higher if calculated as a proportion of operating costs. Usually (but not always), property costs are accountable at branch level.

As part of our research, we have drawn on the local market knowledge of a St Helier-based property agent. As the low levels of vacant floorspace in St Helier bear testament, anecdotal evidence from within the local property market suggests that there is considerable pent up demand for retail space. In turn, the

strong demand is resulting in a buoyant property market, but at what cost to retailers?

Prime pitch in St Helier is, not surprisingly, King Street, where Zone A rents currently range from around £110 sq ft to £155 sq ft. Excluding extremes, the benchmark Prime Zone A rent for St Helier is around £145 sq ft. Table 54 below compares this figure against the benchmark centres, using data sourced from the property agent Churston Heard.

An important point to note is that zoning in Jersey is slightly different from the UK. On the mainland, the zone A (the most expensive trading space) represents the first 20 feet of the store, in Jersey it represents the first 30 feet. This means that the 'prime' (most costly) trading zone is larger in a Jersey store than in the UK. In effect, therefore, zone A comparisons are not strictly like-for-like. If an adjustment were made to compensate, it would mean that Jersey's actual Prime Zone A is slightly higher than £145 sq ft.

**TABLE 54 – Zone A benchmarking**

Centre	Benchmark Group	Prime Zone A (£ sq ft)	Index vs St Helier
Newport (Isle of Wight)	Captive	60	41
Kendal	Population	55	38
Great Yarmouth	Population	65	45
Boston	Population	70	48
Salisbury	Population	110	76
Llandudno	Population	70	48
Hastings	Population	90	62
Scarborough	Population	88	61
Bangor (Gwynedd)	Population	45	31
Grantham	Population	63	43
Barnstaple	Population	80	55
Banbury	Population	110	76
Torquay	Population	80	55
Nuneaton	RCR	70	48
Perth	RCR	68	47
Chichester	RCR	135	93
Horsham	RCR	85	59
Chatham	RCR	100	69
Stirling	RCR	100	69
Livingston	RCR	45	31
Greenock	RCR	60	41
Weston-super-Mare	RCR	80	55
Aylesbury	RCR	110	76
St Albans	RCR	120	83
Wrexham	RCR	110	76
<b>St Helier</b>		<b>145</b>	<b>100</b>

Source: Churston Heard

Rent in St Helier is evidently not cheap – in fact it is higher than in all the benchmark centres, even without adjustment. The closest centres to St Helier are Chichester (£135 sq ft), St Albans (£120 sq ft), Banbury and Salisbury (both £110 sq ft).

For further comparison, Table 55 lists other UK centres/areas that have Prime Zone As around the £150 sq ft mark. To put this into a slightly wider perspective, we have also included those centres' respective positions in our Retail Centre Ranking (RCR), to give a rough indication of where they sit in the national retailing hierarchy. It is important to stress that the figures do not necessarily represent the prime Zone A benchmarks for the whole centre, merely a certain area within it. For example, the figure for Glasgow refers to Sauchiehall Street, rather than the prime pitch for the whole city (which is Buchanan Street at £220 sq ft). For clarity, we have included all the streets to which the zone As refer.

**TABLE 55 – Other UK centres with comparable Zone As**

Centre	Street	Prime Zone A (£ sq ft)	RCR
Bournemouth	Commercial Road	155	63
Plymouth	New George Street	155	35
Camden	High Street	150	188
Chelmsford	High Street	150	54
Chester	Newgate Row	150	18
Coventry	The Precinct	150	40
Harrow	St Ann's Centre	150	98
Hull	Princes Quay	150	37
Islington	Upper Street/N1 Centre	150	199
London EC2	London Wall	150	n/a
London W1	Marylebone High Street	150	n/a
London W1	Piccadilly (30 Zones)	150	n/a
London WC2	Strand - Average	150	n/a
Portsmouth	Commercial Road	150	93
Telford	The Mall	150	166
Worcester	High Street	150	66
Aberdeen	St Nicholas Centre	145	20
Basingstoke	Hollins Walk	145	62
Bolton	The Mall - Market Place	145	58
Derby	Eagle Centre	145	44
Glasgow	Sauchiehall Street	145	2
Liverpool	Clayton Square	145	13
London WC1	High Holborn	145	343
Warrington	Golden Square	145	96
<b>St Helier</b>	<b>King Street</b>	<b>145</b>	<b>132</b>

Source: Churston Heard

On the surface, therefore, St Helier would appear to have high rental costs for the size of its market. However, this does not tell the full story. It is important to bear in mind that rental costs are just one facet of overall property costs. In other

key property aspects, Jersey is considerably more cost-effective than the UK, particularly in terms of property rates. UK property rates tend to be between 30% and 40% of rental charges. In Jersey, the equivalent rates (Parish Rates) tend to be a fraction of that, typically between 3% and 5%.

On balance, therefore, factors such as these cancel out some of the premium in rental costs. Overall, therefore, it would be hard to conclude that property costs are significantly higher in Jersey than on the mainland.

### Staff costs

Salaries likewise represent a significant proportion of all retailers' costs. At group level, wages & salaries typically account for 10% – 20% of sales, with a rough average of around 15%. Table 56 lists a sample of around a dozen major retailers and their respective staff costs as a proportion of sales. The data was provided by Mintel and derived from company reports and accounts – unless stated otherwise, these refer to the 2003/04 financial year.

**TABLE 56 – Sample of Retailers' Staff Costs Ratios**

Company	Wages as % of Sales
ASDA Stores Ltd	10.8
Somerfield	10.8
Wm Morrison Supermarkets	11.5
Woolworths Group plc	12.7
Waitrose Ltd	14.4
Littlewoods*	14.8
Arcadia Group Ltd*	15.9
Debenhams (UK)*	12.9
Focus Wickes Ltd*	11.3
Lloyds Pharmacy*	11.1
Superdrug Stores Plc	12.6
The Carphone Warehouse Ltd	11.2
Bhs Plc	13.0

\* 2002/03 financial year.

Of course, these figures refer to the group as a whole and therefore include all head office, regional office, as well as store-based employees. The figures may also be distorted by different accounting policies eg the treatment of pensions, director remuneration etc.

Store-based employees are the main focus of our comparisons. Anecdotally, the general opinion is that shop-based retail employees earn slightly more in Jersey than their counterparts on the UK mainland. Figures from the States of Jersey Statistics Unit show that, on average, earnings in Jersey are about 10% higher

than the UK. However, detailed comparisons for the retail sector are not available.

As a proxy, it is worth noting that store-staff are amongst the lowest paid workers in the UK. In this respect, it is also worth comparing the respective minimum wages for the UK and Jersey. In the UK, for 18-21 year olds (inclusive) the figure is currently £4.10 an hour, rising to £4.85 for workers aged 22 or over. Many shopworkers in the UK will earn minimum wage, possibly with some perks such as commission on sales made, profit-sharing etc. However, we would stress that there are likely to be some regional variations, particularly in the Greater London area, where there may be some degree of weighting (10% - 20%).

We understand that there is currently no minimum wage in Jersey, but that one is being introduced from April this year, with a rate of £5.08. Thus, at the base minimum level, Jersey already carries a 4.7% premium and this adds some credence to the theory that store-based staff costs may be higher in Jersey than in the UK, albeit only marginally. A fairer reflection may be that Jersey is higher than the UK average, but actually only on a par with some of the more affluent UK regions such as Greater London.

### **Distribution & Logistics Costs**

Ordinarily, distribution costs would be less of an issue. Most of the UK's multiple retailers have well-oiled logistical infrastructures, such that any cost differences of transporting goods to one store over another are likely to be minimal. In all but extreme circumstances, we would expect distribution costs to be borne centrally, rather than at branch level.

However, Jersey is an extreme circumstance. Although not geographically a vast distance from the UK, the fact that it is an off-shore island does make increased demands on supply chain management and, in turn, increased costs. Only retailers themselves with direct experience of trading in Jersey would be able to quantify this figure accurately.

There is unlikely to be a standardised figure for the increased distribution cost - the demands on supply chain will vary by individual product segment. As a general rule, we would suggest that the faster the stockturn of the item, the higher demand it places on supply chain management, which probably filters through to higher cost incurred. The best example of a fast stockturn item is food, particularly perishable items (fresh produce, frozen food and ready meals). To a lesser degree, clothing also falls into this category, particularly as the market increasingly embraces the concept of 'Fast Fashion' (moving away from the traditional four seasons and focusing more on translating the latest catwalk trends into retail products in the shortest time possible). Examples of low stockturn items are bulky goods such as furniture, carpets and electricals. Although physically larger in size, the replenishment cycle for these items is much slower.

Perhaps the best pointer on the higher cost of distribution to Jersey comes from Marks & Spencer. The mainstay of M&S' grocery offer is perishable and therefore fast stockturn. As we have discussed when analysing pricing, M&S imposes a 5% surcharge on all grocery items sold in the Channel Islands. That it would go to this length and risk alienating its customer base adds weight to the fact that this is a realistic benchmark figure.

Retailers' claims of higher distribution costs to Jersey would therefore seem justified to a point. However, our general feeling is that in the majority of cases, the percentage difference is in single digits. We doubt very much that it is as much as 17.5%, the VAT differential between Jersey and the UK.

As with pricing, we believe that there is also something of a structural issue in distribution. Just as the larger multiples can negotiate lower prices with suppliers, the chances are that they can also negotiate more favourable terms with their logistics operators. It is therefore reasonable to assume that the larger the retailer in national/international terms, the lower its distribution costs would be to Jersey.

## Summary

Our analysis of retailing costs is designed to be as objective as possible. We would conclude that there is some degree of cost differential between trading in Jersey and on the mainland:

- Distribution and logistics costs must be somewhat (<10%) higher – this is more an issue for retailers of perishable and rapid stockturn items, if they are unable to source products locally.
- Store-based staff costs may be marginally higher (again, probably in the region of 10%) than the UK average. At the same time, we doubt they are significantly different from 'up weighted' UK regions such as Greater London.
- Rents do carry some premium over comparable centres in the UK (a by-product, we believe, of buoyant demand for space, brought about by possible under-supply). However, this differential is partially offset by considerably lower property rates
- Local businesses and independents also benefit from lower corporation taxes (20% vs 30% on the mainland).

In isolation or in aggregate, these perceived cost differentials are not massive and certainly do not destabilise our view that the Island has the capacity to support new retail floorspace.

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## **GOODS AND SERVICE TAX**

### **Key Objective**

The objective of this stage is to examine the possible impact of introducing a Goods and Service Tax (GST) to Jersey. We are aware of the public consultation on the matter and the Finance and Economics Committee's preferred option of a broad based 3%, with no exemptions in retail goods. In presenting our independent and impartial opinion, we are drawing on two key areas of experience:

- our in-house economic view on taxes and retail spending
- our understanding of the intricacies of the Jersey market, gained through compilation of this study.

Although a very broad (and contentious) subject, we have endeavoured to present our views succinctly and have, as far as possible, tried to link it back to key focus of this study, namely retail capacity in the Island.

### **Headline economic view**

As an economic rule of thumb, the introduction of a GST in Jersey is likely to impact on both the level and the mix of household spending. The key variable will be the extent to which sellers are able to pass on the tax increases in the form of higher prices. If sellers cannot push through any price increases, the direct impact on spending will be zero (though there could still be supply-side impacts as sellers' profitability falls and employment is reduced as a result). If the entire tax increase is passed on as higher prices then this will impact on spending volumes. In reality, the impact is likely to be within these two extremes.

### **Macroeconomic effects**

Under normal circumstances, the main macroeconomic effect of the introduction of a 3% GST would manifest itself on real disposable incomes. Real incomes will be reduced by the extent of the price increase and we would eventually expect spending volumes (on all goods and services) to fall by the same amount.

Sellers may automatically mark up prices by 3%, but that would reduce demand and result, in most cases, to an eventual fall back in prices (relative to what they would otherwise have been). Alternatively, sellers may simply decide to pass on only a part of the tax increase in the first instance.

The extent of sellers' ability to pass on the tax increase will depend on the price elasticities of supply and demand for goods and services, as well the extent to which they have some pricing power due to the competitive situation in the market place. The less price elastic the supply, the less likely it will be that sellers

will force through price increases. Equally, the same applies to pricing power – the lower the retailers' pricing power, the less likely they will impose the increase on their customers.

As a precedent, in the UK most evidence points to past increases in VAT being more or less fully passed on to consumers.

### **Microeconomic effects**

The main microeconomic effects will depend on the relative elasticities of demand and supply for different types of goods. Convenience goods will tend to be much less price elastic than comparison goods (estimates tend to be around 0.2 for the former and closer to one for the latter). This means that if the elasticities of supply are similar for both types of good, then the introduction of a GST is likely to lead to a bigger increase in prices of convenience goods than for comparison goods.

In addition, the reduction in real incomes due to the aggregate price increase will tend to hit comparison volumes more than convenience - comparison goods also have a higher income elasticity of demand than convenience. Putting these two effects together, it is clear that volumes will be less affected for convenience goods than for comparison goods.

### **Jersey – The Reality**

Conventional wisdom is blurred by a number of issues we have highlighted as part of this study, particularly on the pricing and capacity side. However, one burning question remains – will (or to what extent) retailers pass on any tax increases to consumers?

Were prices in Jersey inflated compared to the mainland UK (and higher than can simply be explained by cost differences), we would expect the price elasticity of supply to be quite low. In other words, if sellers are currently making higher profits in Jersey than elsewhere, there will be considerable scope and incentive for them to absorb some of the cost of the tax. This will help to maintain volumes and maximise total revenues.

As our study has shown, it is impossible to reach the oversimplified conclusion that retail prices in Jersey are higher than the UK. As we have discussed in the previous section, the structures of the respective retail markets preclude direct like-for-like comparison.

On the **convenience** side, M&S may charge a 5% premium, but the other major convenience operators (Checkers, Co op, Spar) are not ostensibly charging significantly inflated prices. True, they may seem expensive versus a major Tesco/Asda/Morrisons on the mainland, but this is neither a straight nor fair comparison. With the exception of Safeway and M&S, none of the convenience

retailers in Jersey enjoys anything like the buying power and economies of scale of the top UK multiples, so to expect them to be as cheap is unrealistic. The pricing policies of Checkers, Co op and Spar are, we believe, in line with similar stores on the mainland. Thus, we reiterate that any differences in convenience goods prices in Jersey as a whole are a function of the market structure, with the balance of power lying with relatively small multiples and independents, rather than the huge superstore multiples.

In this respect, we regard the transfer of the Safeway store from Morrisons to CIT ownership as a very significant development. Under its former owner, the store was gradually being brought into line with its parent company's standardised national pricing – pricing differentials may have existed in the past, but these were fast disappearing. We perceived this to be having a knock-on effect within the wider market, with other retailers (especially Checkers) adopting more competitive pricing policies. As a result, we were seeing a gradual shift in the Island's pricing architecture. However, Morrisons' withdrawal from Jersey has effectively removed the impetus behind this shift, all the more so as the store in question is transferring to CIT, already the market leader.

So, do we believe convenience retailers will pass on the 3% increase to consumers? Given the inelasticity of the convenience market, historically the answer would have been 'yes'. However, if the shift in the pricing architecture were to maintain its momentum, the answer would be far less straightforward. With pricing in the market in the throes of change, a 3% increase in tax may get buried amidst other price savings/promotions. In effect, therefore, only part of the 3% increase would be passed on, offset by more aggressive pricing elsewhere. In consumers' eyes, GST would not be transparent and the negative effect on convenience consumer spending could therefore be minimal.

However, we are now less convinced that the evolutionary change in pricing architecture will continue. In Morrisons, the Island has lost its most price-competitive player. Rather than become more competitive, the convenience market is also now much more consolidated between four (CIT, Co op, M&S, Spar) rather than five key players. There is also less competitive onus on the leading players to adopt aggressive pricing policies. Within this somewhat benign trading environment, the likelihood of retailers merely passing on the 3% increase in tax to consumers is significantly higher.

Clearly, the market will take on a new dimension and complexion if (as we strongly recommend), new large scale players such as Tesco/Asda/Sainsbury's enter the Jersey market. This would renew the competitive edge the market needs to continue its shift in pricing architecture. The longer this edge is missing, the less likely convenience retailers are to absorb tax increases.

As we have already discussed, the **comparison** market is complicated by the polarity of those retailers deducting VAT from their prices and those charging the same as they do on the mainland. We would speculate that those retailers that currently adhere to tax-free pricing would invariably pass the cost directly onto the consumer – there is no reason to suppose otherwise. However, the

introduction of GST would represent something of an acid test for the other retailers. Effectively, they are already charging a premium of 17.5% - would they then impose a premium of 20.5%? In our experience, this seems unlikely and we would therefore speculate that most of these retailers would absorb GST themselves – after all, they are still charging a double-digit premium.

Thus, we anticipate some price rises in comparison goods, although these will not be universal (ironically, it will be those that impose a 'tax compliant' pricing policy that will be seen to increase prices, rather than the less scrupulous retailers). As a more elastic sector, we would expect this to impinge slightly, rather than dramatically, on comparison sales volumes.

### **GST and capacity**

Although not necessarily directly linked, it is impossible to divorce GST totally from the central capacity issues of this study. In many respects, there are a number of 'push and pull' factors in play.

In our assessment of capacity (Stage 6), we highlighted 'market expansion' as a positive driver for new space. By 'market expansion' we meant additional spend generated through new floorspace provision – consumers spending more than they otherwise would in the existing status quo. At the same time, we implicitly assumed that underlying retail sales would remain constant at worst – we did not factor in any contraction in underlying sales growth.

Clearly, the stronger retail sales growth, the more readily any new floorspace could be absorbed. The introduction of GST could be seen as a major hindrance to retail sales growth and as such, potentially damaging for any new scheme. However, as we have already discussed, we would expect the effects of a GST on consumer spending to be limited – certainly not sufficient to push volumes into long-term decline and obviate the need for new floorspace.

On the other hand, the introduction of GST adds further credence to our recommendations for new floorspace. In simple economic terms, inelasticity in demand can be counterbalanced by introducing greater elasticity into supply. In other words, giving the retail industry more flexibility to expand will increase the likelihood of tax price increases being absorbed, rather than passed onto the consumer.

These economics are consistent with both the fundamental dynamics of retailing and our 'on the ground' view. One of the fundamentals of retailing is that increasing competition is an effective means of keeping pricing levels in check. We would imagine that candidates for new space in any new scheme would be the price-competitive major UK multiples, such as Tesco or Asda. Such retailers are not just competitive on price, they are also very shrewd marketers and seldom pass up an opportunity to further their cause as 'consumer champions'. Ironically, one of their recurrent promotional themes on the mainland is to charge 'VAT free pricing' on selected items/departments (often CDs/DVDs and alcohol). If one of

these players were to open up in Jersey, we could see it trumpeting itself as 'VAT free' – effectively not charging the 3% GST to consumers. This would, of course, increase pricing pressure on other food retailers in the Island, much to the benefit of local consumers. This is a hypothetical situation at this stage, but one that we speculate could easily arise.

In summary, our assessment of capacity is not dependent on the introduction of GST – regardless of whether a GST is enforced or not, we believe that there is still a strong case for new retail floorspace in Jersey. This case would only be undermined if there is a dramatic decline in consumer spending, which we do not believe the introduction of a GST will engender. Conversely, the introduction of GST greatly reinforces our recommendations for new space in that it will further increase competition, thereby reducing the likelihood of consumers themselves bearing the brunt of tax increases.

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# Appendices

**Appendix 1**  
**GOAD Plans of Local Centres**

FIG. 1 – GOAD Plan of Quennevais/Red Houses

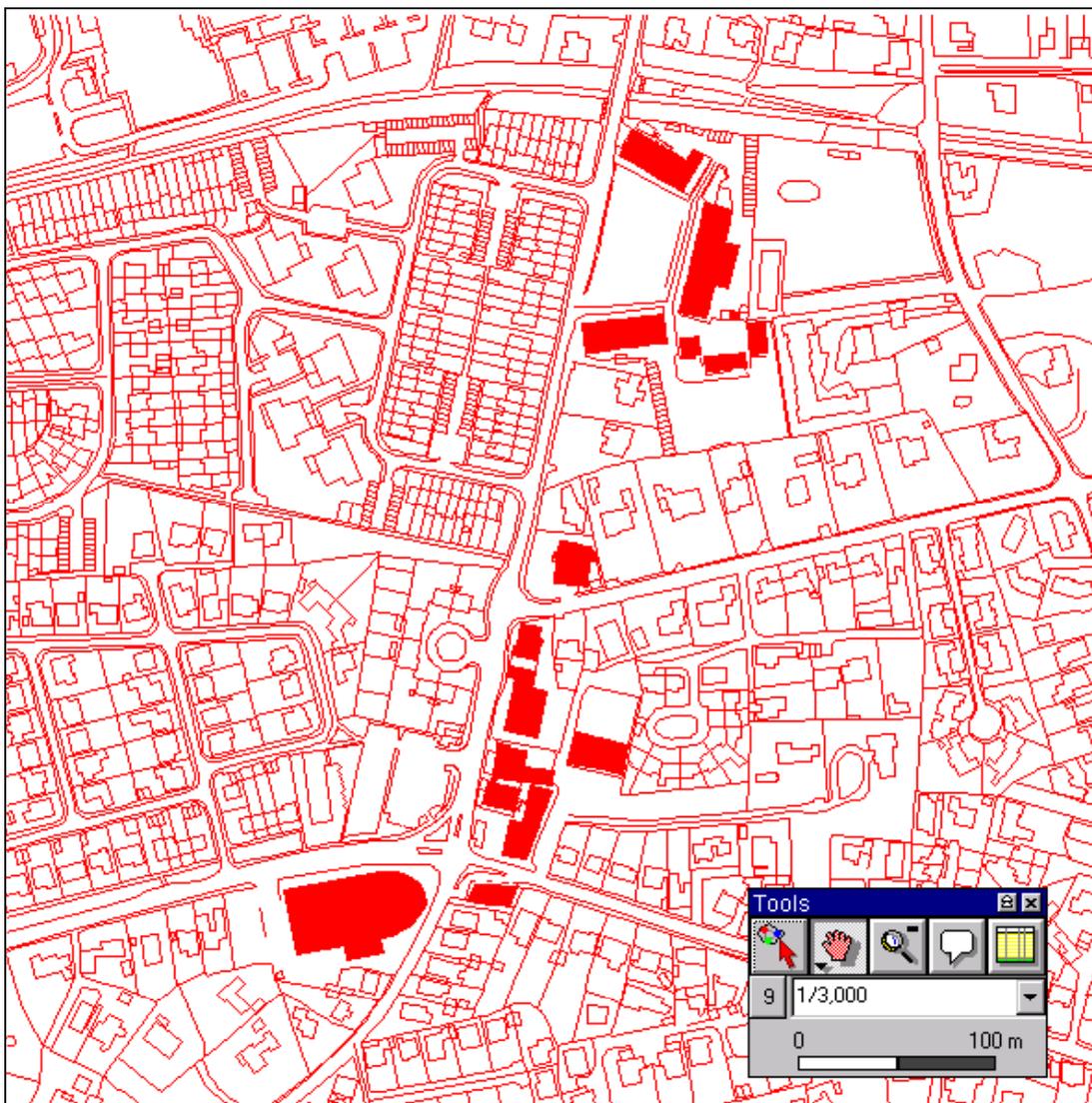


FIG. 2 – GOAD Plan of St Aubin

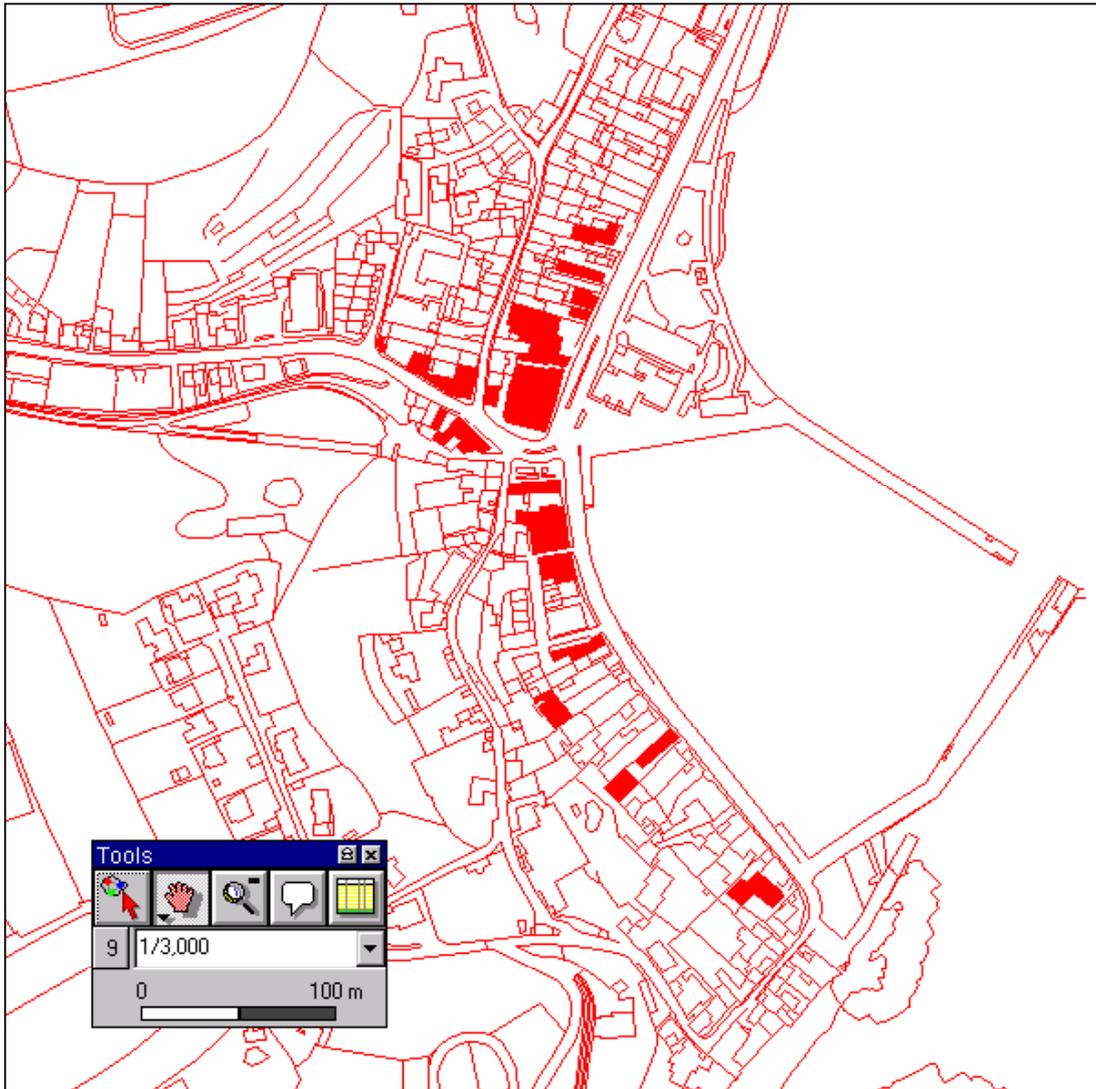


FIG. 3 – GOAD Plan of First Tower

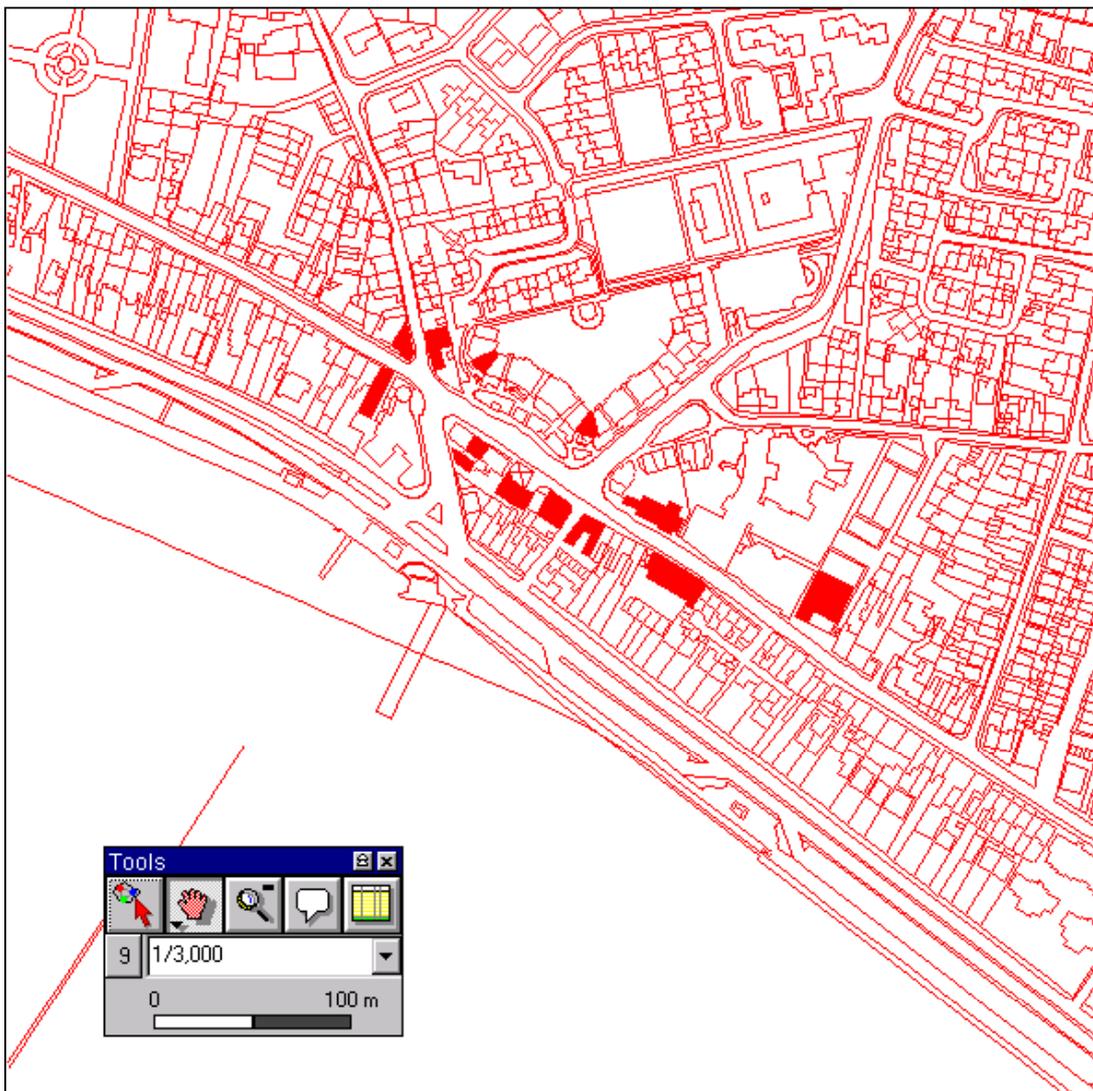


FIG. 4 – GOAD Plan of Queen’s Road

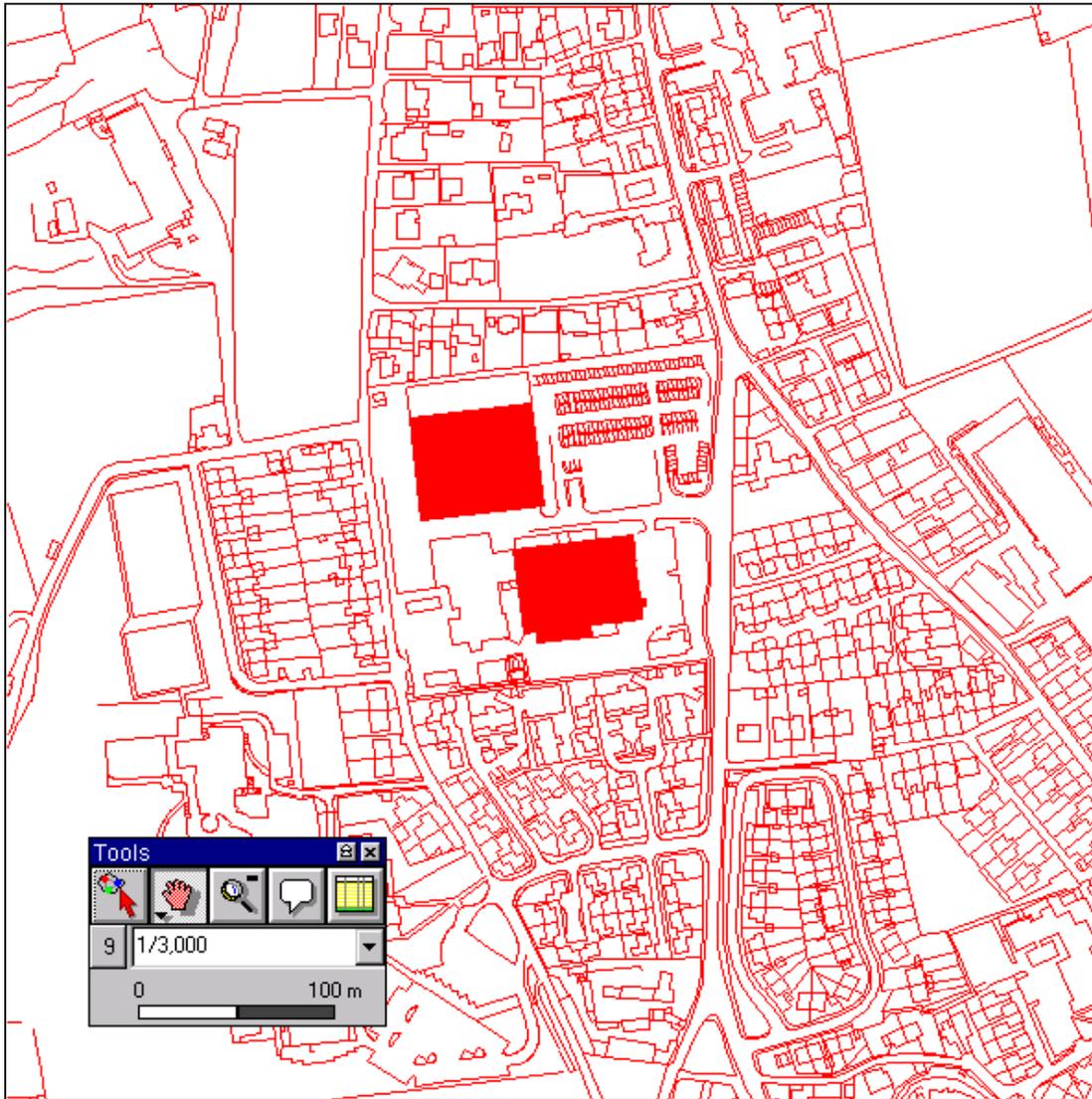


FIG. 5 – GOAD Plan of Trinity Hill (Safeway)

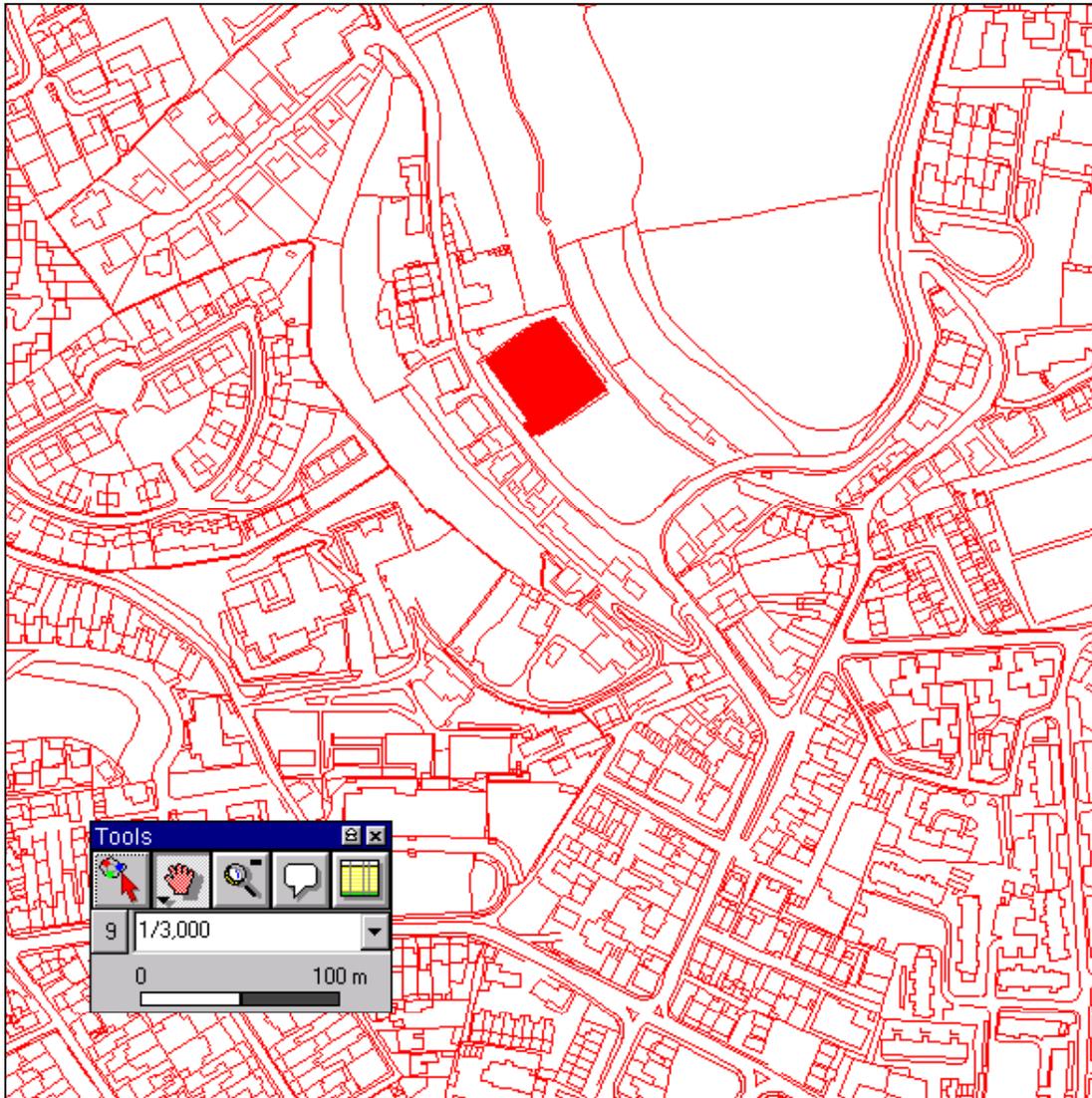


FIG. 6 – GOAD Plan of St Clement (M&S)

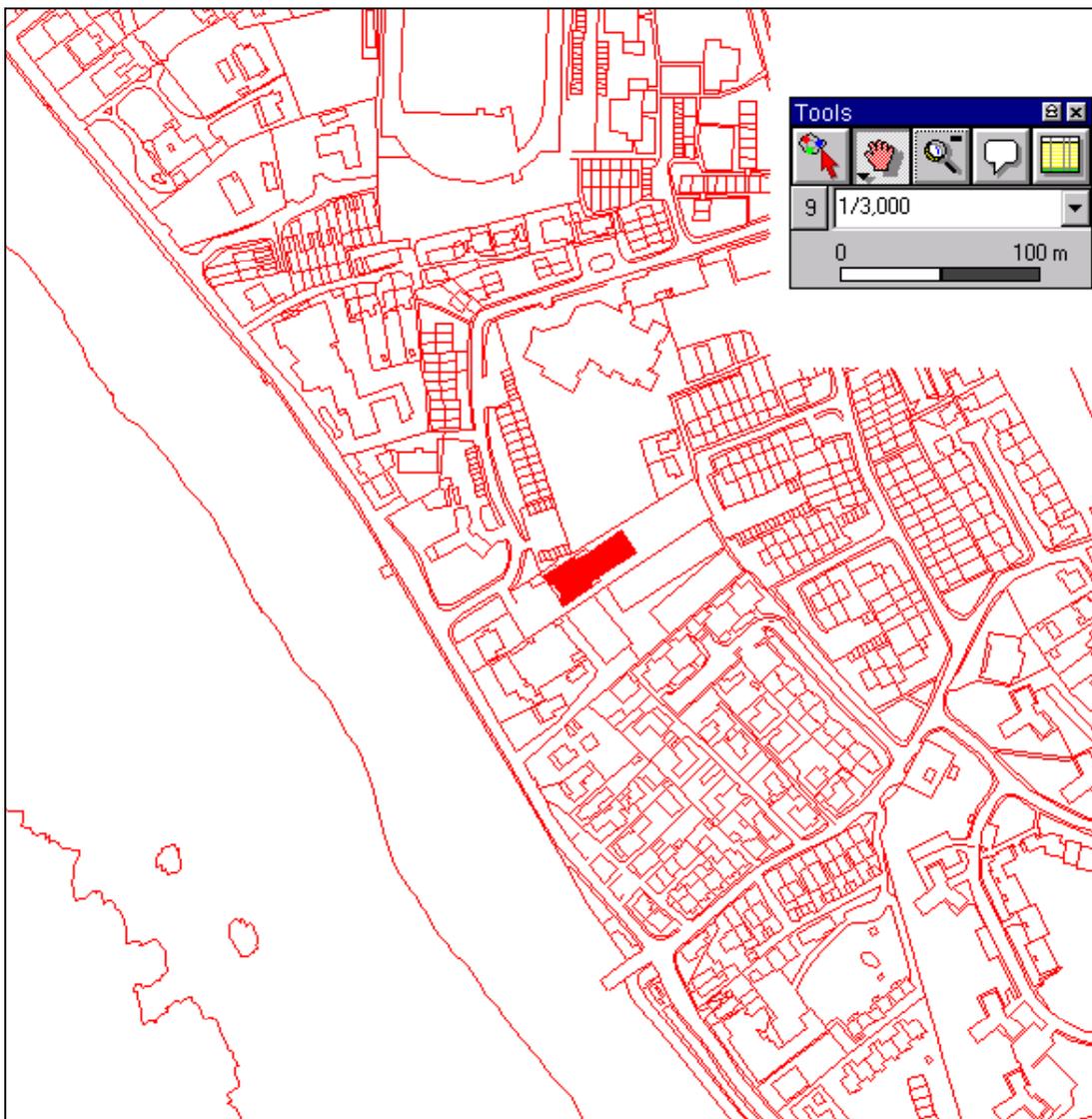


FIG. 7 – GOAD Plan of Miladi Farm/Rue des Pres

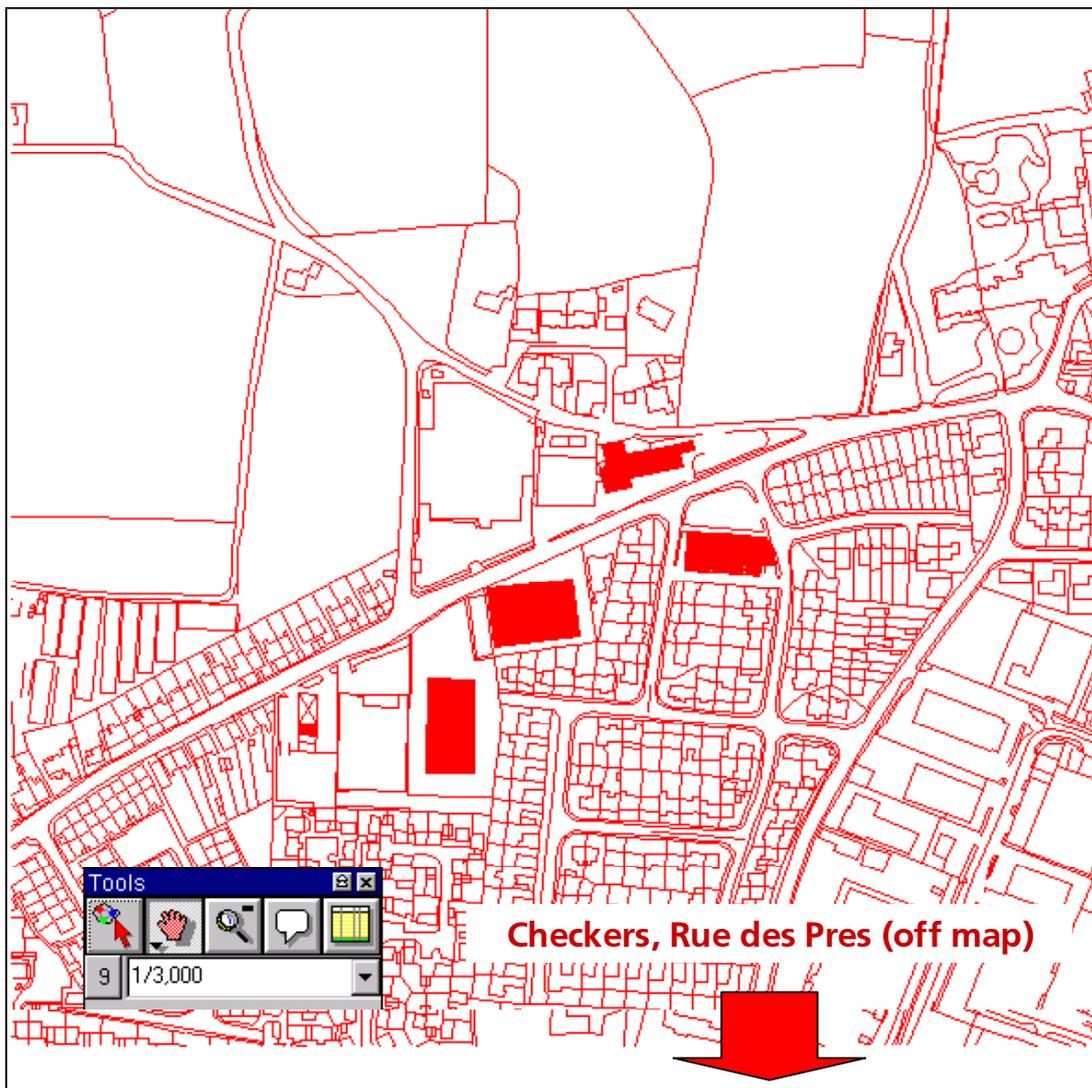


FIG. 8 – GOAD Plan of Gorey Village

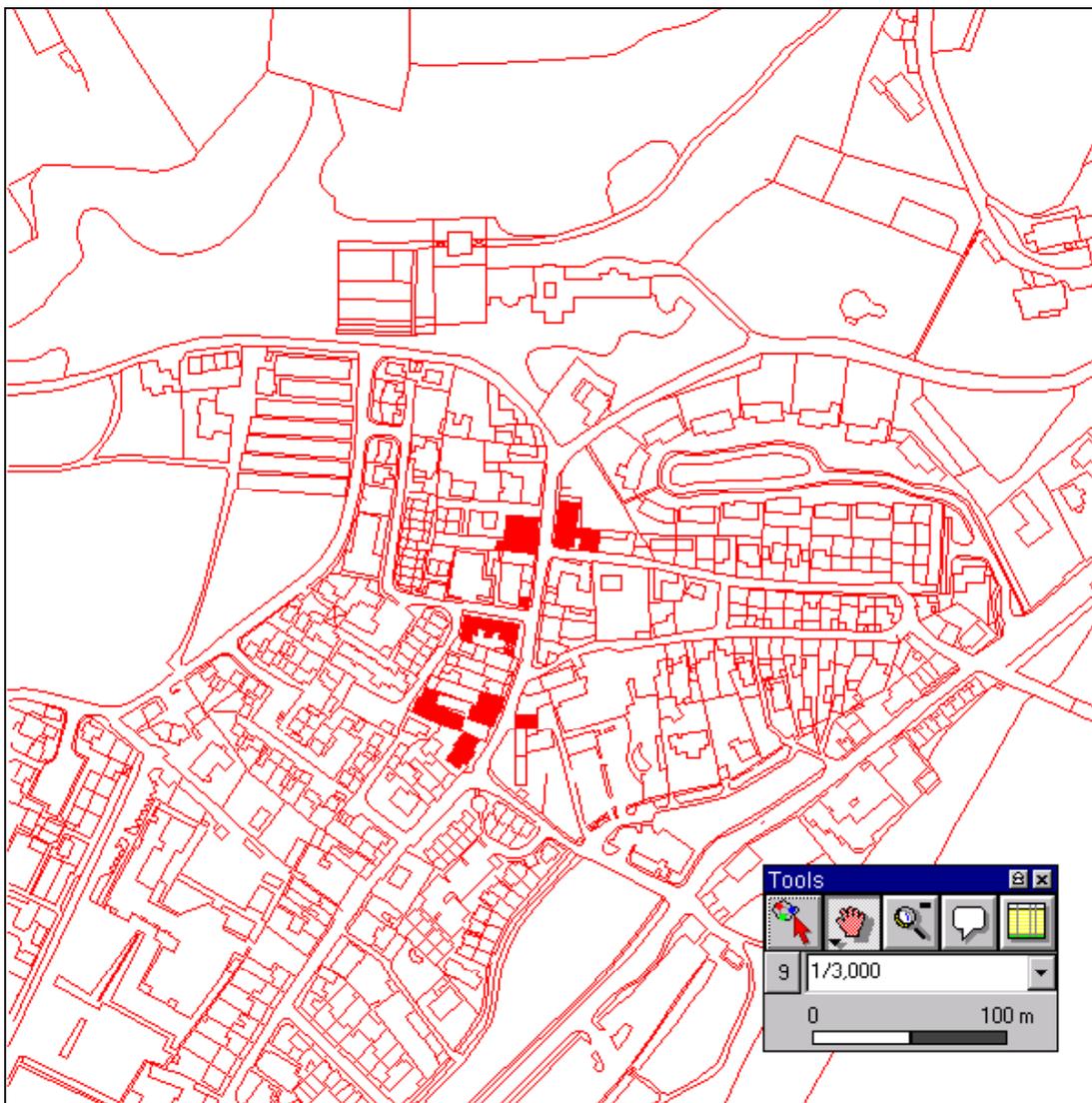


FIG. 9 – GOAD Plan of Gorey Pier

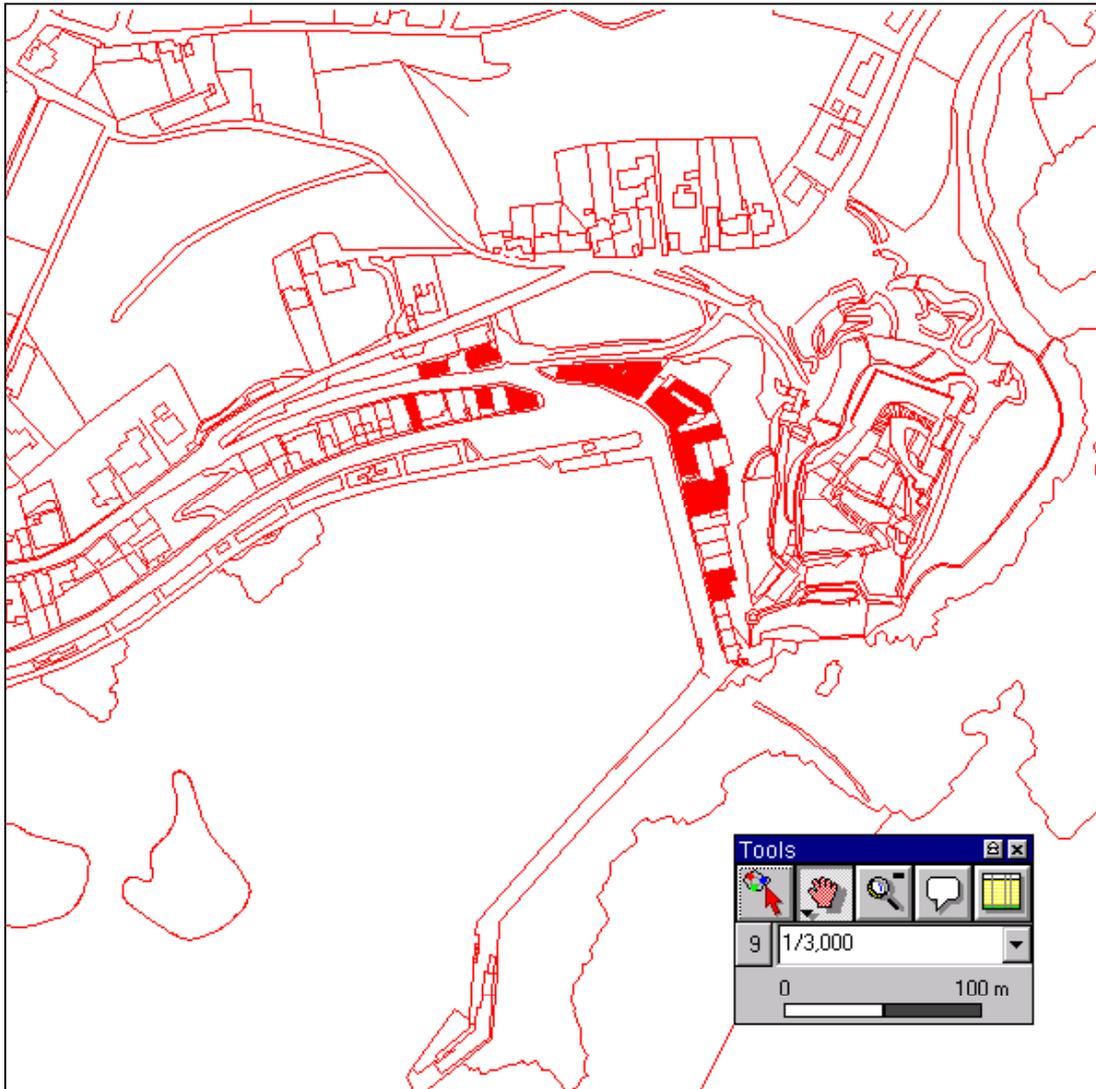


FIG. 10 – GOAD Plan of Five Oaks/Bagatelle Parade

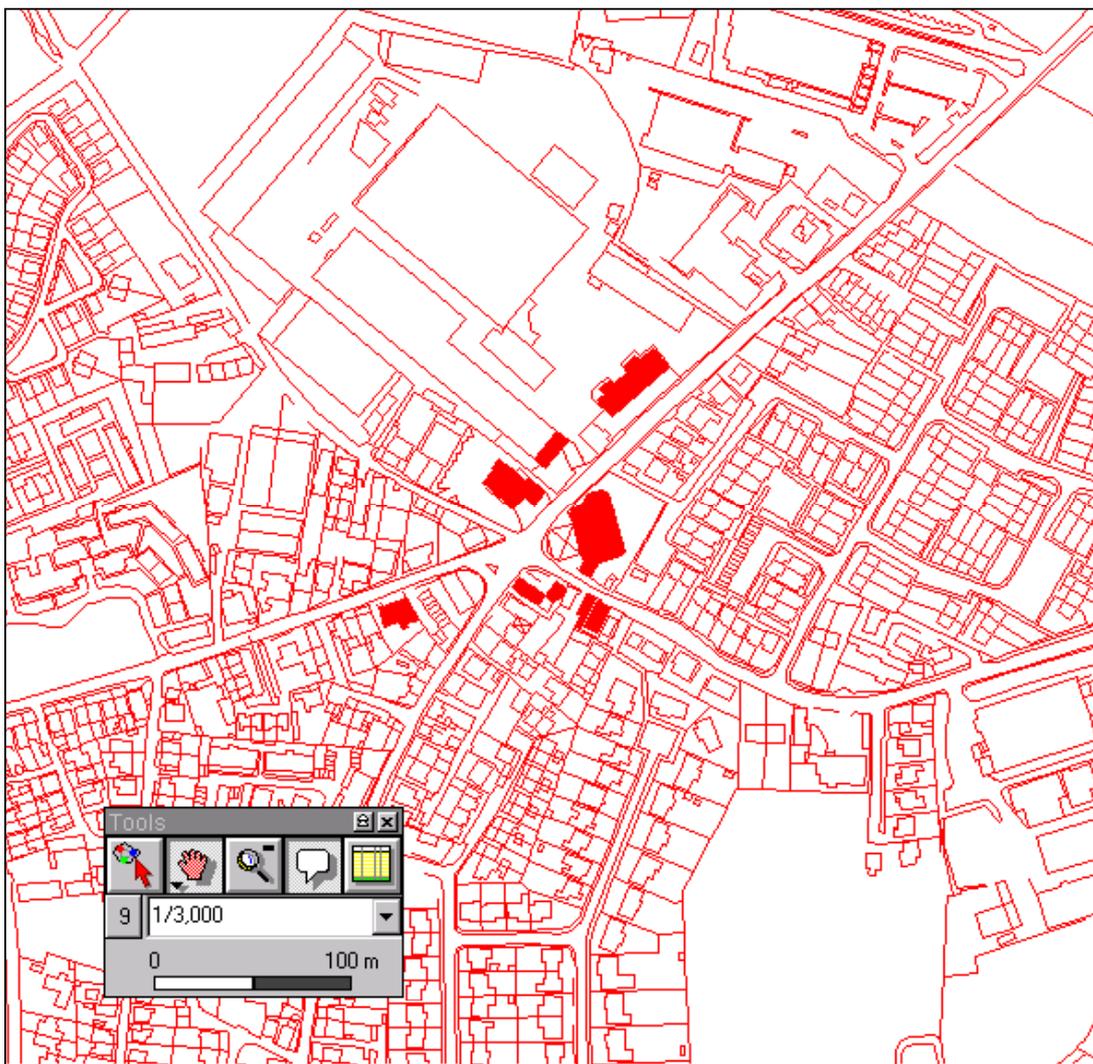


FIG. 11 – GOAD Plan of St Peter's Village

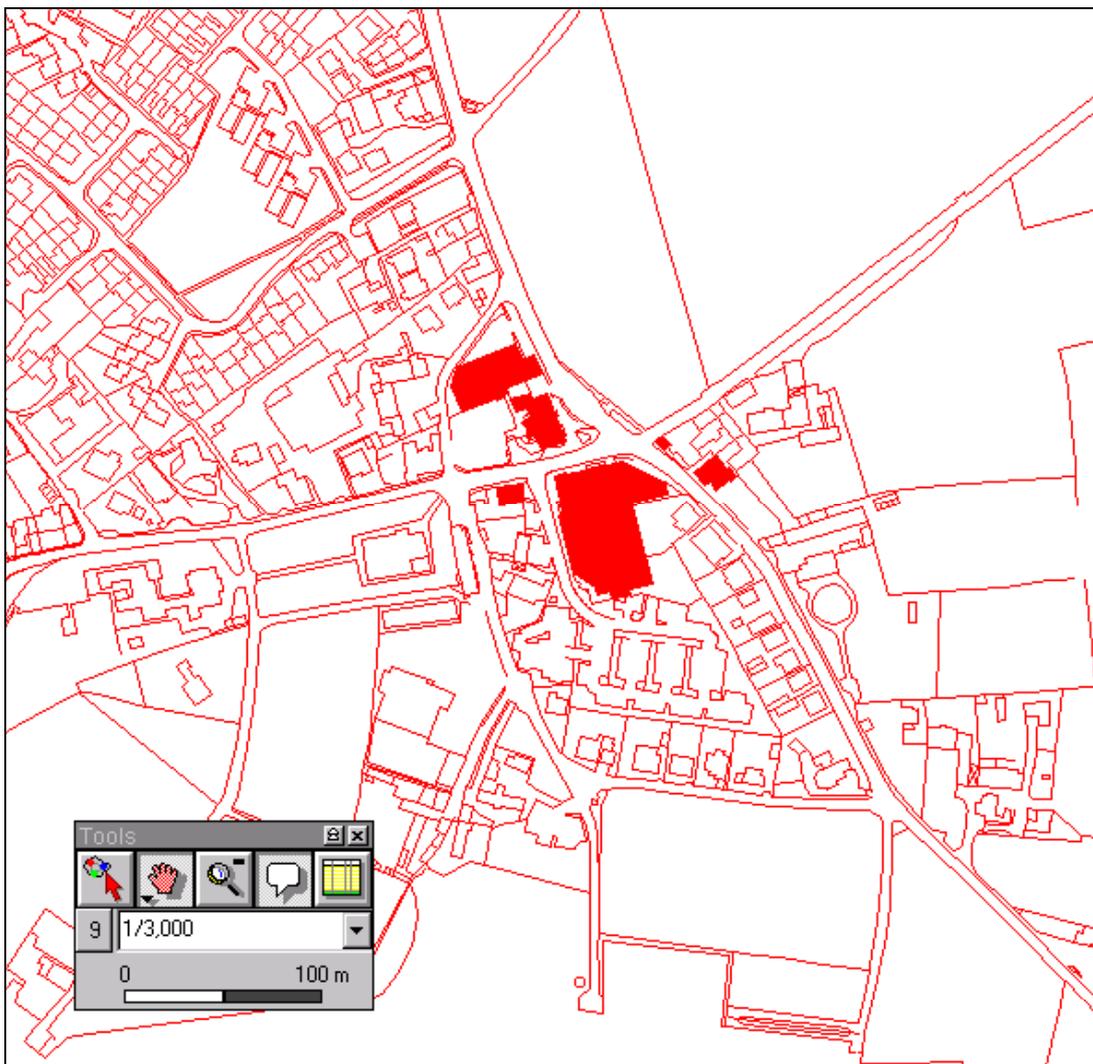


FIG. 12 – GOAD Plan of St Ouen's Village

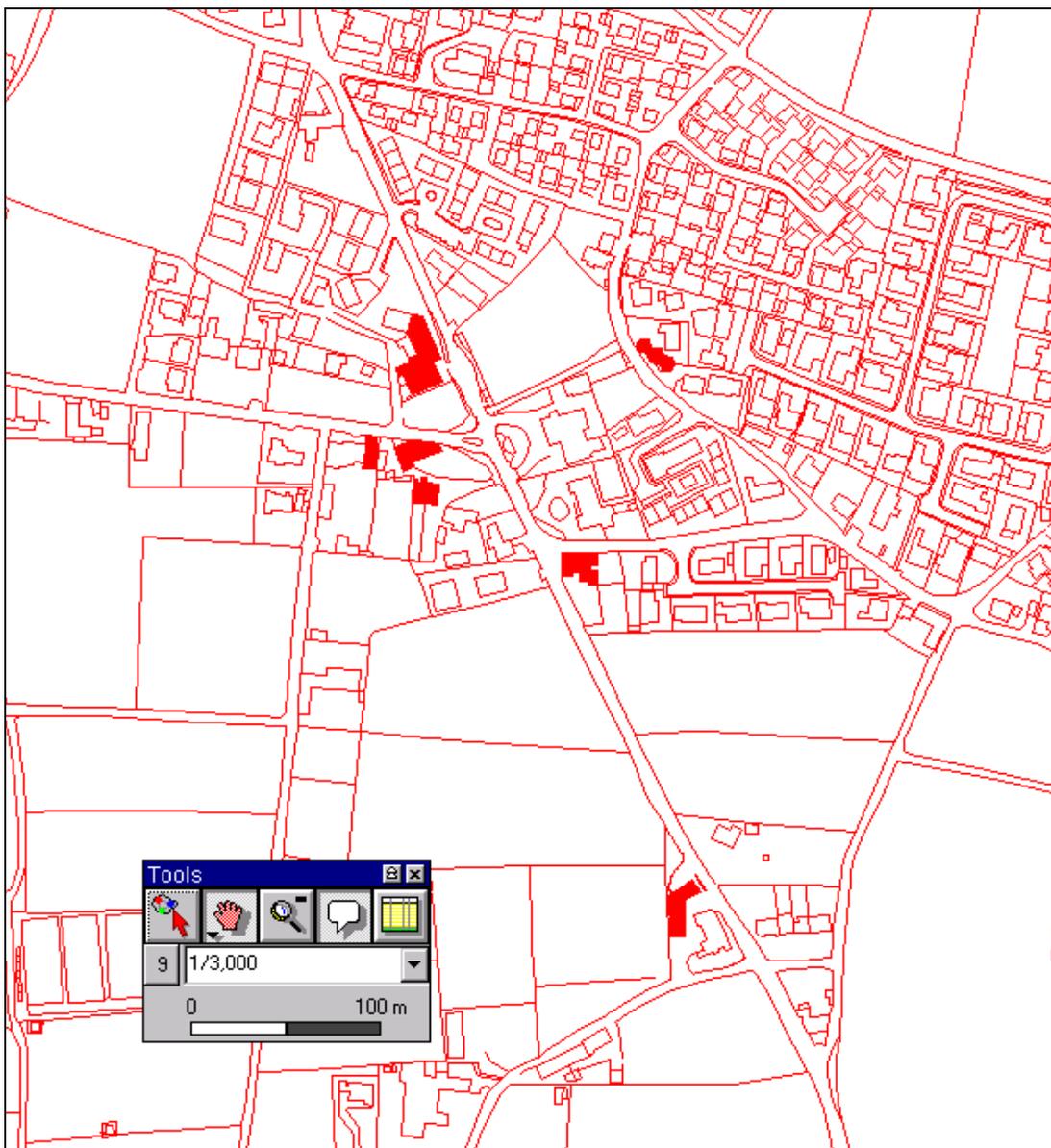
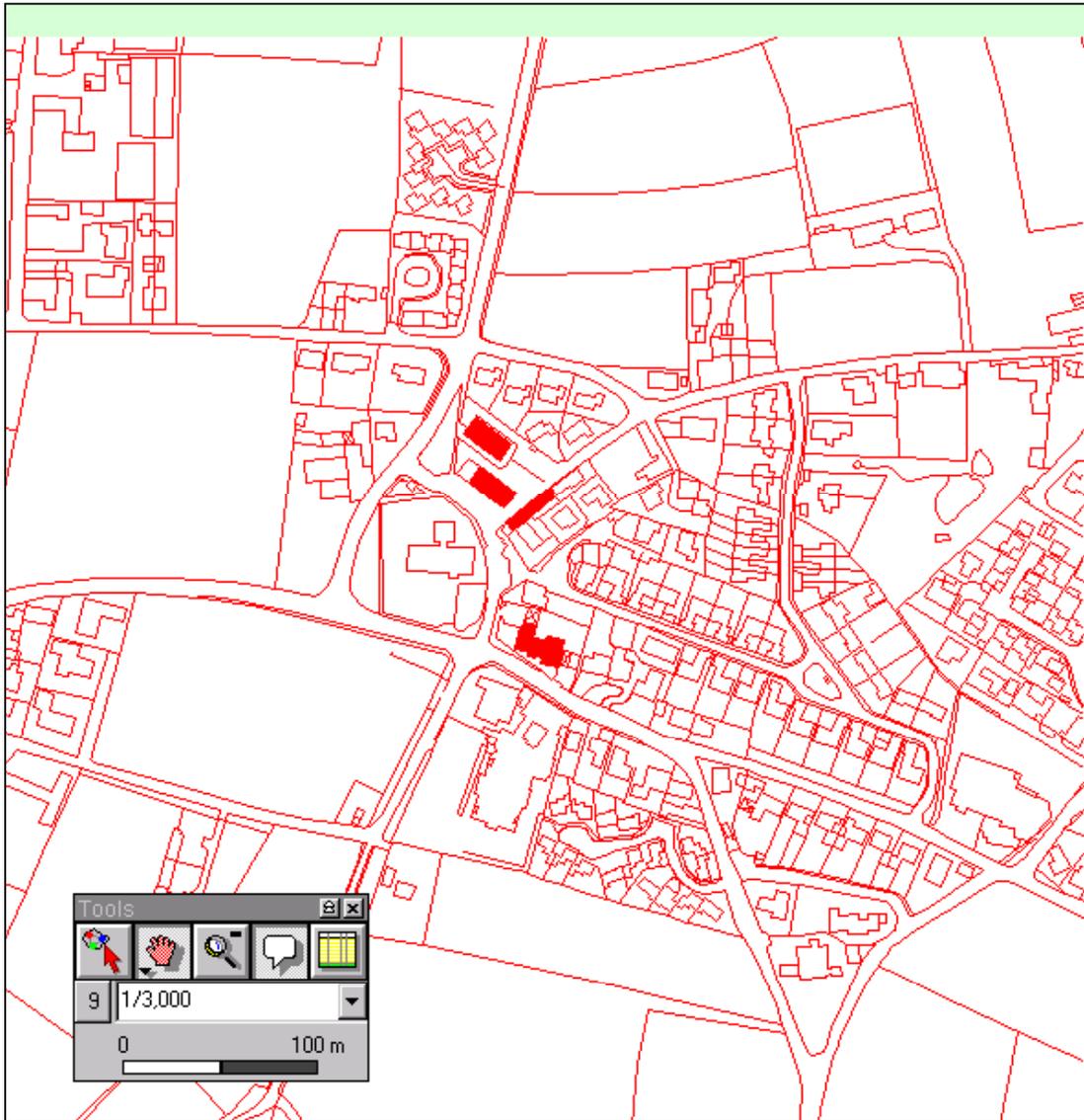


FIG. 13 – GOAD Plan of St John’s Village



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**Appendix 2**  
**Credentials of Benchmark Centres**

**TABLE 1 – Credentials of Benchmark Centres**

Centre	Benchmark Group	Retail Centre Ranking	Prime Zone As (£ sq ft)	Shopper Population	Catchment Population	Index (SP vs CP)
St Peter Port	Captive	269	n/a	64,587	64,587	100
Douglas	Captive	181	n/a	73,873	73,873	100
Newport (Isle of Wight)	Captive	172	60	96,071	79,101	121
Kendal	Population	195	55	81,536	75,711	108
Great Yarmouth	Population	206	65	80,555	94,407	85
Boston	Population	239	70	80,286	65,950	122
Salisbury	Population	78	110	110,166	95,967	115
Llandudno	Population	192	70	74,118	85,205	87
Hastings	Population	157	90	107,258	101,733	105
Scarborough	Population	109	88	92,631	59,766	155
Bangor (Gwynedd)	Population	243	45	105,589	91,738	115
Grantham	Population	187	63	77,158	78,788	98
Barnstaple	Population	162	80	98,849	79,515	124
Banbury	Population	102	110	104,233	132,076	79
Torquay	Population	116	80	100,694	144,730	70
Nuneaton	RCR	120	70	99,270	756,221	13
Perth	RCR	123	68	108,812	108,772	100
Chichester	RCR	124	135	120,155	273,783	44
Horsham	RCR	126	85	90,677	240,411	38
Chatham	RCR	127	100	130,506	450,069	29
Stirling	RCR	128	100	127,453	236,303	54
Livingston	RCR	129	45	113,043	454,391	25
Greenock	RCR	130	60	87,808	165,678	53
Weston-super-Mare	RCR	138	80	106,579	159,364	67
Aylesbury	RCR	139	110	121,945	126,206	97
St Albans	RCR	140	120	146,114	1,029,451	14
Wrexham	RCR	142	110	95,903	155,187	62
<b>Average</b>		<b>155</b>	<b>83</b>	<b>99,847</b>	<b>202,925</b>	<b>81</b>
<b>St Helier</b>		<b>132</b>	<b>145</b>	<b>87,186</b>	<b>87,186</b>	<b>100</b>

**Appendix 3**  
**Retail Audit by Individual Benchmark Group**

## Space and Outlet Benchmarking

Tables 2-4 compare the number of outlets and floorspace in St Helier versus the three groups of benchmark centres (see Appendix 2). In the main body of the report, we only included data on the Captive and Population benchmarks. Here we also provide data for the Retail Centre Ranking benchmarks.

**TABLE 2 – Space and Outlet Benchmarking – Captive Peers**

Category	St Helier - outlets	Benchmark Average	Index	St Helier - floorspace (sq ft)	Benchmark Average (sq ft)	Index
Booksellers	3	3	100	7,100	5,967	119
Carpets & Flooring	5	1	500	4,200	800	525
Charity Shops	4	6	63	8,600	6,300	137
Chemist & Drugstores	6	4	150	20,400	15,800	129
Chemist & Drugstores/Health & Beauty	38	26	144	61,800	35,567	174
Childrens & Infants Wear	5	4	125	8,100	6,767	120
Clothing	81	39	209	102,100	68,067	150
C-stores/grocers/delis	8	2	343	17,100	5,400	317
Crafts, Gifts, China & Glass	21	8	274	16,900	7,633	221
Cycles & Accessories	4	2	200	5,400	2,300	235
Department & Variety Stores	7	4	175	172,000	55,500	310
DIY & Home Improvement	5	2	250	26,500	5,067	523
Electrical & Other Durable Goods	8	8	104	15,000	16,267	92
Footwear	9	7	129	14,200	13,167	108
Furniture	14	10	140	59,600	45,000	132
Greeting Cards	6	4	138	9,400	6,500	145
Hardware & Household Goods	4	6	71	7,600	16,500	46
Jewellery, Watches & Silver	41	12	332	33,100	10,200	325
Music & Video Recordings	5	2	214	7,300	7,000	104
Newsagents & Stationers	7	6	111	12,300	10,333	119
Off Licences	2	2	86	2,200	2,900	76
Sports, Camping & Leisure Goods	14	6	233	16,200	8,100	200
Supermarkets	3	3	100	40,400	111,800	36
Textiles & Soft Furnishings	6	3	225	15,200	3,333	456
Toys, Games & Hobbies	10	6	167	15,300	5,700	268

**TABLE 3 – Space and Outlet Benchmarking – Population Peers**

Category	St Helier - outlets	Benchmark Average	Index	St Helier - floorspace (sq ft)	Benchmark Average (sq ft)	Index
Booksellers	3	4	68	7,100	6,792	105
Carpets & Flooring	5	2	208	4,200	5,470	77
Charity Shops	4	10	38	8,600	12,525	69
Chemist & Drugstores	6	3	180	20,400	14,750	138
Chemist & Drugstores/Health & Beauty	38	32	120	61,800	43,108	143
Childrens & Infants Wear	5	4	118	8,100	8,933	91
Clothing	81	43	190	102,100	81,071	126
C-stores/grocers/delis	8	4	213	17,100	4,567	374
Crafts, Gifts, China & Glass	21	12	169	16,900	12,683	133
Cycles & Accessories	4	2	244	5,400	3,173	170
Department & Variety Stores	7	5	147	172,000	68,975	249
DIY & Home Improvement	5	4	125	26,500	10,127	260
Electrical & Other Durable Goods	8	10	82	15,000	15,308	98
Footwear	9	7	135	14,200	11,600	122
Furniture	14	14	104	59,600	44,400	134
Greeting Cards	6	6	103	9,400	9,158	103
Hardware & Household Goods	4	7	56	7,600	24,183	31
Jewellery, Watches & Silver	41	10	410	33,100	8,725	379
Music & Video Recordings	5	3	167	7,300	5,527	132
Newsagents & Stationers	7	8	90	12,300	12,445	99
Off Licences	2	3	73	2,200	3,482	63
Sports, Camping & Leisure Goods	14	7	207	16,200	12,508	130
Supermarkets	3	2	144	40,400	62,300	65
Textiles & Soft Furnishings	6	6	103	15,200	12,083	126
Toys, Games & Hobbies	10	7	136	15,300	9,125	168

**TABLE 4 – Space and Outlet Benchmarking – RCR Peers**

Category	St Helier - outlets	Benchmark Average	Index	St Helier - floorspace (sq ft)	Benchmark Average (sq ft)	Index
Booksellers	3	4	82	7,100	6,500	109
Carpets & Flooring	5	3	177	4,200	8,245	51
Charity Shops	4	9	47	8,600	9,492	91
Chemist & Drugstores	6	3	218	20,400	14,117	145
Chemist & Drugstores/Health & Beauty	38	31	123	61,800	45,075	137
Childrens & Infants Wear	5	4	120	8,100	8,942	91
Clothing	81	45	179	102,100	102,507	100
C-stores/grocers/delis	8	4	228	17,100	5,736	298
Crafts, Gifts, China & Glass	21	7	311	16,900	7,292	232
Cycles & Accessories	4	1	311	5,400	1,429	378
Department & Variety Stores	7	5	156	172,000	91,583	188
DIY & Home Improvement	5	3	166	26,500	15,783	168
Electrical & Other Durable Goods	8	9	94	15,000	17,317	87
Footwear	9	7	138	14,200	11,008	129
Furniture	14	12	114	59,600	49,033	122
Greeting Cards	6	6	103	9,400	9,183	102
Hardware & Household Goods	4	6	69	7,600	31,750	24
Jewellery, Watches & Silver	41	10	410	33,100	9,717	341
Music & Video Recordings	5	3	167	7,300	7,117	103
Newsagents & Stationers	7	7	98	12,300	11,933	103
Off Licences	2	3	78	2,200	3,300	67
Sports, Camping & Leisure Goods	14	6	247	16,200	13,483	120
Supermarkets	3	2	132	40,400	90,618	45
Textiles & Soft Furnishings	6	5	113	15,200	11,200	136
Toys, Games & Hobbies	10	6	169	15,300	10,808	142

## Unit Size Benchmarking

Tables 5-7 compare the floorspace of key outlets in St Helier versus the average for the same fascias across three groups of benchmark centres (see Appendix 2). In the main body of the report, we included data for the Captive and Population peers. Here we also provide data for the Retail Centre Ranking benchmarks.

**TABLE 5 – Unit Size Benchmarking – Captive Peers**

Fascia	Category	St Helier	Benchmark Average	Index
J D Sports	Sports, Camping & Leisure Goods	1,000	3,600	28
Jessops	Photographic & Optical	500	1,400	36
Thorntons	Bakers & Confectioners	600	1,300	46
Accessorize	Ladies Wear & Accessories	600	1,300	46
H M V	Music & Video Recordings	4,000	8,000	50
Claire's Accessories	Ladies Wear & Accessories	600	1,100	55
Clinton Cards	Greeting Cards	1,700	3,067	55
Burton	Mens Wear & Accessories	2,100	3,767	56
Dorothy Perkins	Ladies Wear & Accessories	1,000	1,767	57
Topshop	Ladies Wear & Accessories	1,300	2,200	59
Topman	Mens Wear & Accessories	1,300	2,150	60
H Samuel	Jewellery, Watches & Silver	1,200	1,733	69
Shoefayre	Footwear	1,300	1,800	72
Early Learning Centre	Toys, Games & Hobbies	1,200	1,500	80
Evans	Ladies Wear & Accessories	1,800	2,200	82
Mothercare	Childrens & Infants Wear	3,300	3,750	88
Clarks	Footwear	1,500	1,600	94
Millets	Clothing General	2,100	2,167	97
Marks & Spencer	Department & Variety Stores	26,500	26,940	98
Mappin & Webb	Jewellery, Watches & Silver	1,200	1,200	100

**TABLE 6 – Unit Size Benchmarking – Population Peers**

Fascia	Category	St Helier	Benchmark Average	Index
Dorothy Perkins	Ladies Wear & Accessories	1,000	2,636	38
Jessops	Photographic & Optical	500	1,200	42
Thorntons	Bakers & Confectioners	600	1,242	48
Shoefayre	Footwear	1,300	2,400	54
J D Sports	Sports, Camping & Leisure Goods	1,000	1,825	55
Lloyds Chemist	Chemist & Drugstores	3,600	5,900	61
Hallmark	Greeting Cards	800	1,300	62
H Samuel	Jewellery, Watches & Silver	1,200	1,882	64
Topman	Mens Wear & Accessories	1,300	2,025	64
Topshop	Ladies Wear & Accessories	1,300	1,986	65
Mothercare	Childrens & Infants Wear	3,300	4,567	72
Early Learning Centre	Toys, Games & Hobbies	1,200	1,643	73
Accessorize	Ladies Wear & Accessories	600	820	73
Claire's Accessories	Ladies Wear & Accessories	600	755	80
Ann Summers	Ladies Wear & Accessories	2,000	2,400	83
Evans	Ladies Wear & Accessories	1,800	2,142	84
Clarks	Footwear	1,500	1,783	84
Woolworths	Department & Variety Stores	14,700	17,150	86
Clinton Cards	Greeting Cards	1,700	1,939	88
Barnardos	Charity Shops	1,100	1,250	88
Monsoon	Ladies Wear & Accessories	1,400	1,500	93

**TABLE 7 – Unit Size Benchmarking – RCR Peers**

Fascia	Category	St Helier	Benchmark Average	Index
French Connection	Clothing General	1,100	9,400	12
Boots The Chemist	Chemist & Drugstores	3,600	11,246	32
Dorothy Perkins	Ladies Wear & Accessories	1,000	2,825	35
Jessops	Photographic & Optical	500	1,230	41
Hallmark	Greeting Cards	800	1,700	47
Spar	Convenience Stores	1,300	2,733	48
Topman	Mens Wear & Accessories	1,300	2,667	49
Topshop	Ladies Wear & Accessories	1,300	2,657	49
J D Sports	Sports, Camping & Leisure Goods	1,000	2,040	49
Thorntons	Bakers & Confectioners	600	1,110	54
Accessorize	Ladies Wear & Accessories	600	1,017	59
Early Learning Centre	Toys, Games & Hobbies	1,200	1,980	61
Claire's Accessories	Ladies Wear & Accessories	600	983	61
Mothercare	Childrens & Infants Wear	3,300	5,233	63
Clarks	Footwear	1,500	2,300	65
Burton	Mens Wear & Accessories	2,100	2,833	74
H Samuel	Jewellery, Watches & Silver	1,200	1,550	77
Tie Rack	Ladies & Mens Wear & Acc.	500	633	79
Monsoon	Ladies Wear & Accessories	1,400	1,729	81
Evans	Ladies Wear & Accessories	1,800	2,191	82
Hallmark	Greeting Cards	1,400	1,700	82
Clinton Cards	Greeting Cards	1,700	2,037	83
Shoefayre	Footwear	1,300	1,517	86
H M V	Music & Video Recordings	4,000	4,460	90
Woolworths	Department & Variety Stores	14,700	15,255	96
W H Smith	Newsagents & Stationers	5,800	5,925	98
Etam	Ladies Wear & Accessories	3,100	3,100	100

## Retailer Gap Analysis

Tables 8-10 provide ranked counts of retailers that trade in the benchmark centres, but are not present in St Helier. In the main body of the report, aggregated the three benchmark groups and highlighted 'gap' retailers that trade in over 20 of the benchmark centres. Here, we break down the analysis into the three separate peer groups.

- For the Captive Benchmarks, we have listed the retailers that are present in at least two of the peer group centres (of which there are only three).
- For the Population and Retail Centre Ranking (RCR) Benchmarks, we have listed the retailers that are present in at least five of the peer group centres (of which, in each case, there are 12).

**TABLE 8 – Gap Retailers vs Captive Benchmarks**

Fascia	Count of Locations	Ave. Store Size in Benchmarks
New Look	3	3,167
Adams	2	2,750
Age Concern	2	900
Mk One	2	3,700
British Red Cross	2	1,100
Superdrug	2	3,200
Holland & Barrett	2	1,700
Peacocks	2	3,850
Shoe Zone	2	1,850
Game	2	1,650

Included in these 'gap retailers' are some major high street names, notably New Look, Superdrug and Adams (which has a concession in St Helier, but not a standalone store).

The list for the other two benchmark groups is, unsurprisingly, much more diverse. In Tables 9 and 10, we list all the retailers that trade in at least five of the Population and RCR benchmark centres. Four retailers trade in all 12 of the Population centres, namely Superdrug, Game, New Look and Holland & Barrett. In fact, three of these retailers (Holland & Barrett the exception) have more than one store in at least one of the centres.

**TABLE 9 – Gap Retailers vs Population Benchmarks**

Fascia	Count of Locations	Ave. Store Size in Benchmarks
Game	14	2,021
Superdrug	13	4,131
New Look	13	3,792
Holland & Barrett	12	1,425
British Heart Foundation	11	1,327
Argos	11	7,073
Vodafone	11	982
Adams	10	2,450
Allsports	10	2,060
Julian Graves	10	910
Phones 4 U	10	1,310
J J B Sports	10	5,200
Bon Marché	10	3,350
Dixons	9	2,867
The Edinburgh Woollen Mill	9	2,511
Shoe Zone	9	1,667
The Carphone Warehouse	8	1,588
The Link	8	1,450
Peacocks	8	5,988
Birthdays	8	1,263
Cancer Research U K	7	886
Card Warehouse	7	1,557
Debenhams	7	22,129
Tammy	7	2,214
The Orange Shop	7	829
Help The Aged	7	1,300
Iceland	7	7,214
Threshers	7	1,614
Timpson	7	657
Bay Trading Company	6	1,583
F Hinds	6	1,267
Greenwoods	6	1,333
Mackays	6	4,467
Q S	6	3,117
Stationery Box	6	1,333
Stead & Simpson	6	1,800
	5	1,040
Poundstretcher	5	6,060
Cardfair	5	1,360
Laura Ashley	5	2,040
O2	5	1,380
Gamestation	5	1,640
Rosebys	5	2,280
The Officers Club	5	2,640
Mister Minit	5	1,140

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Amongst the RCR benchmarks, there are seven 'gap' retailers that trade in all the centres. Of these, three are consistent with the Population peers – Superdrug, New Look and Game. This mirrors a trend generally of very strong commonality between the 'gap' analysis for Population and RCR peers.

We have highlighted a selection of the 'gap' retailers as being particularly appropriate for Jersey. These are mass market retailers that have an almost universal appeal (eg Superdrug, Argos, Dixons, Adams etc) and retailers whose relatively affluent customer profile may match that of Jersey's residential population (eg Laura Ashley, Edinburgh Woollen Mill, Holland & Barrett). We appreciate that some of these retailers may already trade in St Helier as concessions rather than standalone stores (eg Adams), or may have withdrawn in recent years (eg Laura Ashley), or trade in sectors that are already well-served (eg Superdrug). However, in the context of a holistic study, we believe that it is more pertinent to flag them than simply discount them altogether.

The presence of so many mobile phone operators amongst the 'gap' retailers reflects differences in the structure of the UK and Jersey telecommunications industries. One of the major changes on the UK high street over the last 10 years has been the proliferation of mobile phone stores in response to massive consumer demand. However, the Jersey market has only recently started to open up to competition. We understand that the spectrum audit conducted by the Jersey Competition Regulatory Authority in co-operation with Ofcom has determined that there is capacity for up to three operators. This will no doubt play out over time and we suspect that it will not be too long before some of the major retail players (The Link, Carphone Warehouse, O2, Orange, Phones 4 U, Vodafone) make their first appearance in the Jersey market.

Of the department store operators, Debenhams features prominently (seven Population centres, three RCR centres). With very broad appeal across both age and socio-economic segments, we would consider Debenhams a very strong and worthy candidate for any department store slot in a new scheme. In terms of other major stand-out names, we would also flag Argos as a retailer that has the potential to enhance consumer choice in the Island to a significant degree.

Our retail audit is sensitive to the existing two independent department stores in St Helier (De Gruchy and Voisin & Co). At the same time, we recognise that any major new retail development invariably needs a department store as an anchor. On this basis, it would be wrong to dismiss the possibility of a new multiple department store opening in Jersey, on the proviso that there is sufficient consumer demand to support that level of new floorspace.

Whilst our space and outlet comparisons are generic and thus include both multiples and independents, the nature of 'gap' analysis means that it focuses purely on the former. As we have stated previously, we are by no means advocating wholesale substitution of local independent businesses with national multiples. However, it is nevertheless impossible to dismiss the structural issues entirely and we would suggest that this is one of the key conundrums of the Island's retail market.

TABLE 10 – Gap Retailers vs Retail Centre Ranking Benchmarks

Fascia	Count of Locations	Ave. Store Size in Benchmarks
Cancer Research U K	15	1,127
Greggs	15	1,027
Timpson	13	654
Superdrug	12	5,342
New Look	12	5,575
Game	12	1,692
Vodafone	12	917
Adams	11	2,400
British Heart Foundation	11	1,336
The Link	11	1,627
Holland & Barrett	11	1,618
Rosebys	11	1,782
Birthdays	11	1,555
Allsports	10	1,510
Phones 4 U	10	1,120
Argos	10	11,180
Bon Marché	10	3,760
The Carphone Warehouse	9	1,211
The Orange Shop	9	967
O2	9	1,089
Savers	8	2,425
The Officers Club	8	2,263
Dixons	7	2,743
J J B Sports	7	8,814
Bakers Oven	6	1,533
Waterstones	6	3,917
Laura Ashley	6	2,450
River Island	6	4,417
Gamestation	6	1,300
Stationery Box	6	1,550
Wilkinson	6	21,267
Bay Trading Company	5	1,500
Bodycare	5	2,860
Poundstretcher	5	5,900
Halfords	5	10,100
T Mobile	5	900
Help The Aged	5	1,100
Ethel Austin	5	3,340
Q S	5	2,960
Shoe Zone	5	2,200
R S McColl	5	680
Tesco	5	46,980
Haddows	5	920
Whittard	5	1,220
M V C	5	4,580

On the positive side, independents bring diversity and individuality to a retail market. They also represent the lifeblood of many small local businesses. On the negative side, independents lack the buying power and economies of scale of larger multiples and are often more expensive as a result (a fact borne out in our pricing research in this study). Our years of research and experience have also shown that multiples retailers generate much higher footfall levels than their independent counterparts.

Clearly, this represents something of a catch 22 situation. It is obviously in the interests of the Island to protect its local businesses, but the retail market would at the same time benefit from the increased consumer choice and more competitive pricing that multiples could potentially engender. For the purposes of a balanced study, we remain sensitive to both these issues.

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**Appendix 4**  
**Experian's Gravity Model**

## Gravity Modelling

### Background to gravity modelling

The premise of a gravity model is to mimic consumers' actual shopping patterns. The model is underpinned by the assumption that an individual's expected level of expenditure at a given centre is proportional to the attractiveness of that centre and inversely proportional to a measure of distance to that centre, cf. weight and distance in the laws of gravity.

This process of refining the model to assumed shopping patterns, known as model calibration, consists of continually adjusting factors that determine how the apportionment works. These factors include:

- people's likelihood to travel relative to their travel time to the retail centres (decay)
- people's likelihood to travel relative to different centres' 'attractiveness' scores
- people's likelihood to travel relative to different types of centre (in town, out of town retail parks, out of town shopping malls, neighbourhood centres)

For example, two retail destinations may generate a similar level of comparison expenditure. However, the size of their catchment areas and the penetration of individuals' spend varies significantly depending on the types of centre. In the case of Jersey, consumers may use a combination of local food stores (eg Spar, Checkers Xpress) for convenience or 'top up' shopping and more distant supermarkets (eg Safeway, Checkers) for their main, 'destination' shop – the gravity model will make allowances for both and allocate spend accordingly.

Gravity models also take account of competing centres in a way not possible with drivetime radii or regression models alone. By apportioning out a fixed level of expenditure, the resulting sales densities can show whether an area is overshopped or undershopped relative to the rest of the region (or island, in the case of Jersey).

The raw output of a gravity model is a list of shopper flows, showing the distribution of expenditure by centre for individuals in a given area (catchment area). It does not attempt to estimate purpose or frequency of individuals' shopping trips. The equation used to generate the flows from each geographic brick (for example, postal sector or parish) to each retail centre is:

$$flow = constant \times attractiveness \times e^{-decay \times distance}$$

where:

- attractiveness and decay are functions of the centre's retail composition and type
- distance represents travel time from the brick to the retail centre
- constant for each brick is calculated such that

$$\sum_{brick} flow = 1$$

Or, in more simple terms, the sum of the flows for each parish equals one (ie 100%). In turn, these flows determine the proportion of spend that is allocated to each centre. This means that all spend from that parish is apportioned out to the relevant centres/outlets, but no spend is double-counted. Thus, the key output of this stage of the project would be estimates of expenditure data for all the retail centres identified across the Island.

The other key output would be a fully manipulable model that could assess the impact of future changes in retail provision. By fixing the model factors but adjusting the shopping destination attractiveness scores and/or levels of expenditure, the model would produce answers to the 'what if' scenarios required for Stage 7 of this project.

## Experian's gravity modelling credentials

Experian is one of the UK's leading exponents of gravity modelling. Our key gravity modelling elements are our *Shopper Flow Model* and *Where Britain Shops* lifestyle survey. Although the existing model covers only the mainland and the response rate to the survey is markedly lower in the Channel Islands as a whole, we are able to leverage our extensive experience of gravity modelling to replicate a bespoke Shopper Flow Model for Jersey.

*Where Britain Shops (WBS)* is the country's largest survey of shopping patterns. In total, the survey has had 2.8 million responses to date from across the UK. *WBS* covers 1,400 town centres, retail parks and shopping malls across Britain. It canvasses consumers on their main shopping destinations in town and out of town in lifestyle surveys through magazine inserts, target mail and doordrops. The responses are weighted in order to reflect the demographics of each postal area unit of geography (for example JE1). No further element of modelling is incorporated in the creation of shopper flows and catchment areas. The product has been validated by comparing responses with observed customer shopping patterns provided by retailers with whom Experian has a close collaborative relationship.

The survey has revealed distinct trading patterns, especially out-of-town and in town centres where public transport is a significant determinant of the catchment, that are not revealed when notional drivetime catchments are used.

The questions asked are:

- "Where do you shop most often for non-food goods like clothes, shoes, jewellery? (Please write in name of town or shopping centre/area)"
- "Which retail park do you most often visit?"

However, catchment areas based on surveys are useful but static. We have therefore integrated the *WBS* responses into our *Shopper Flow Model* to derive a gravity model that both robustly reflects existing shopping patterns and is fully manipulable to run 'what if' scenarios.

## Jersey Shopper Flow Model

As we have already stated, our existing *WBS Shopper Flow Model* does not cover the Channel Islands. However, we have used our gravity modelling experience to build a bespoke Shopper Flow Model for Jersey. In so doing, we have not merely replicated parameters set on the mainland – rather, we have endeavoured to factor in the singular features of Jersey, not least that it is an island and therefore a captive market. We have also drawn on our experience of building bespoke gravity models for remoter parts of Ireland, which formed a central part of a previous consultancy project.

The principles of the Jersey gravity model are fundamentally the same, namely that consumer flows are determined as trade off between distance and ‘attractiveness’. Some key points about the Jersey model:

- People's shopping behaviour is split into the three respective product groups: comparison, convenience and bulky goods, and a separate gravity model was built for each. The decay factor used for convenience is greater than comparison which in turn is greater than the bulky goods decay factor: all else being the same, a shopper would typically travel less far for food (especially top-up) than they would for clothing or furniture.
- Drivetimes were not available for Jersey and instead crow-flies distance was used as an indicator of travel times to retailers. While there are specific instances where this will not reflect a shopper's travel times, this rarely produces different results in gravity models. In the case of congested areas, this method often reflects relative travel times better than when notional drivetime speeds are used.
- Unlike many UK gravity models which link shops to their nearest postcode sector, the accuracy of the Jersey retail data made it possible to allocate spend at individual outlet level. For example, in a UK gravity model the Safeway on Trinity Hill would have been treated as if it were located in St Helier centre, whereas in our model it becomes relatively more attractive to Trinity residents.

## **Appendix 5**

### **Interparish Expenditure Flows**

TABLE 11 - Interparish Spend Flows - Convenience

Destination	Grouville	St Brelade	St Clement	St Helier	St John	St Lawrence	St Martin	St Mary	St Ouen	St Peter	St Saviour	Trinity
Grouville	0.8%	0.0%	0.5%	0.1%	0.1%	0.1%	1.2%	0.0%	0.0%	0.0%	0.1%	0.3%
St Brelade	1.1%	70.4%	1.2%	1.9%	10.3%	13.2%	1.5%	18.8%	27.0%	27.8%	1.6%	3.8%
St Clement	8.4%	0.4%	11.4%	3.6%	1.2%	1.3%	3.6%	0.8%	0.4%	0.6%	3.4%	2.3%
St Helier	59.1%	11.7%	58.1%	82.4%	43.0%	45.7%	58.2%	27.1%	14.2%	19.1%	77.2%	63.5%
St John	0.1%	0.1%	0.1%	0.1%	10.3%	2.4%	0.4%	2.7%	1.1%	0.5%	0.1%	1.6%
St Lawrence	0.6%	1.2%	0.5%	0.7%	7.0%	9.2%	1.3%	5.9%	2.9%	3.3%	0.9%	3.7%
St Martin	4.6%	0.1%	2.6%	0.4%	1.2%	0.7%	15.5%	0.4%	0.2%	0.2%	1.0%	4.0%
St Mary	0.0%	0.2%	0.0%	0.0%	2.4%	1.7%	0.1%	5.3%	2.0%	0.9%	0.1%	0.5%
St Ouen	0.1%	1.0%	0.0%	0.1%	2.7%	2.1%	0.1%	5.9%	16.5%	2.7%	0.1%	0.5%
St Peter	0.7%	13.9%	0.6%	1.0%	15.5%	18.3%	1.4%	30.0%	34.2%	43.3%	1.1%	4.4%
St Saviour	24.4%	1.1%	24.9%	9.7%	5.0%	4.7%	15.3%	2.7%	1.3%	1.7%	14.2%	10.1%
Trinity	0.3%	0.0%	0.2%	0.1%	1.5%	0.7%	1.5%	0.4%	0.2%	0.1%	0.2%	5.4%

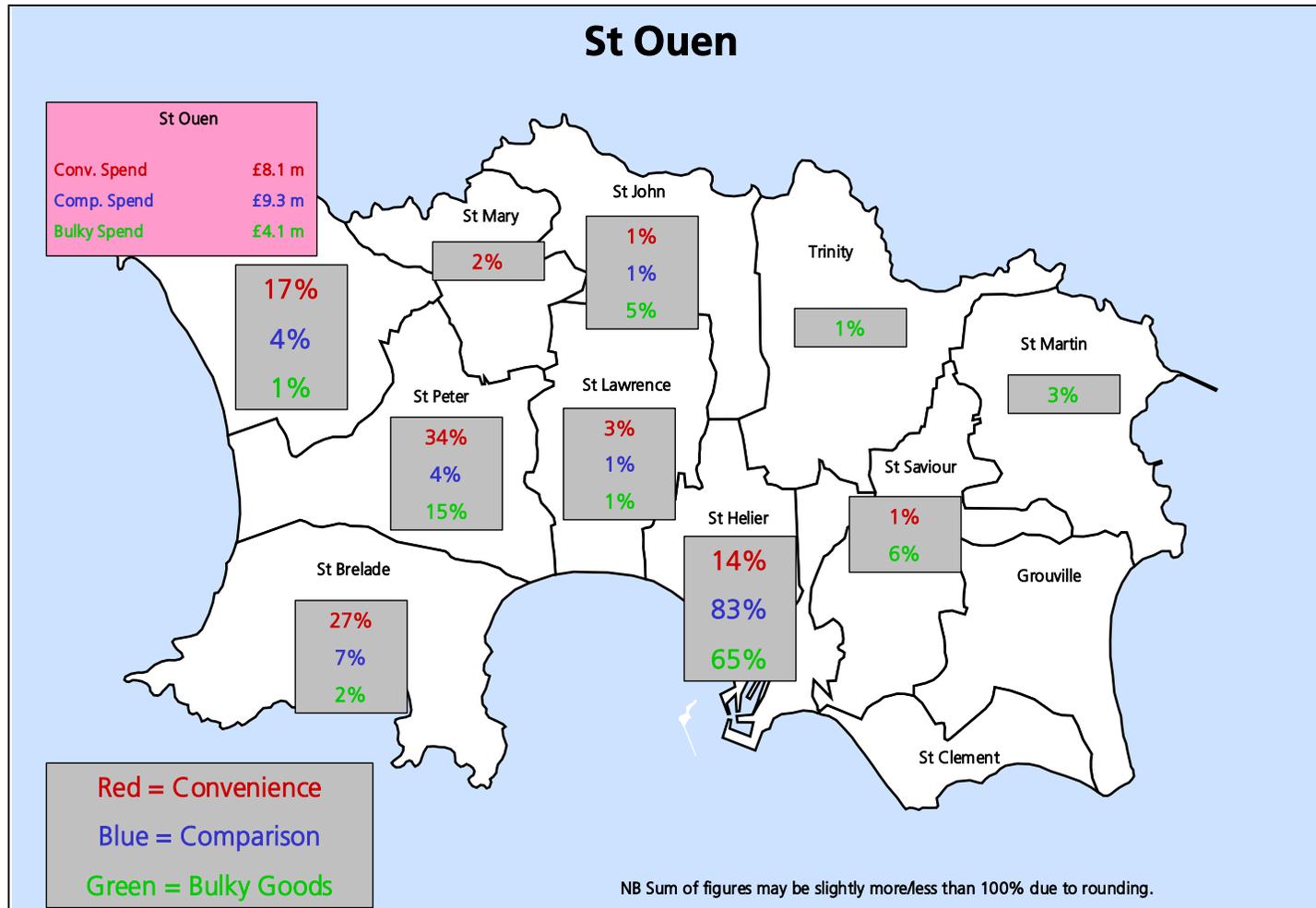
TABLE 12 - Interparish Spend Flows - Comparison

Destination	Grouville	St Brelade	St Clement	St Helier	St John	St Lawrence	St Martin	St Mary	St Ouen	St Peter	St Saviour	Trinity
Grouville	1.8%	0.4%	1.4%	0.5%	0.7%	0.6%	1.7%	0.6%	0.5%	0.5%	0.8%	1.0%
St Brelade	1.4%	10.0%	1.4%	1.5%	3.6%	3.9%	1.6%	5.1%	6.9%	6.5%	1.5%	2.2%
St Clement	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
St Helier	94.4%	84.0%	94.9%	96.3%	89.4%	89.9%	93.2%	86.9%	83.2%	85.6%	95.5%	92.3%
St John	0.1%	0.3%	0.1%	0.1%	0.9%	0.5%	0.2%	0.6%	0.5%	0.4%	0.1%	0.4%
St Lawrence	0.2%	0.5%	0.2%	0.2%	0.6%	0.7%	0.3%	0.7%	0.6%	0.6%	0.2%	0.4%
St Martin	0.6%	0.2%	0.5%	0.2%	0.4%	0.3%	0.9%	0.3%	0.2%	0.2%	0.3%	0.5%
St Mary	0.0%	0.1%	0.0%	0.0%	0.2%	0.1%	0.0%	0.2%	0.2%	0.1%	0.0%	0.1%
St Ouen	0.3%	1.5%	0.3%	0.3%	1.4%	1.3%	0.4%	2.2%	3.6%	2.0%	0.3%	0.7%
St Peter	0.5%	2.7%	0.5%	0.5%	1.9%	2.0%	0.7%	2.8%	3.6%	3.6%	0.6%	1.1%
St Saviour	0.3%	0.2%	0.3%	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%	0.3%	0.3%
Trinity	0.3%	0.3%	0.3%	0.2%	0.7%	0.5%	0.7%	0.5%	0.4%	0.4%	0.3%	1.0%

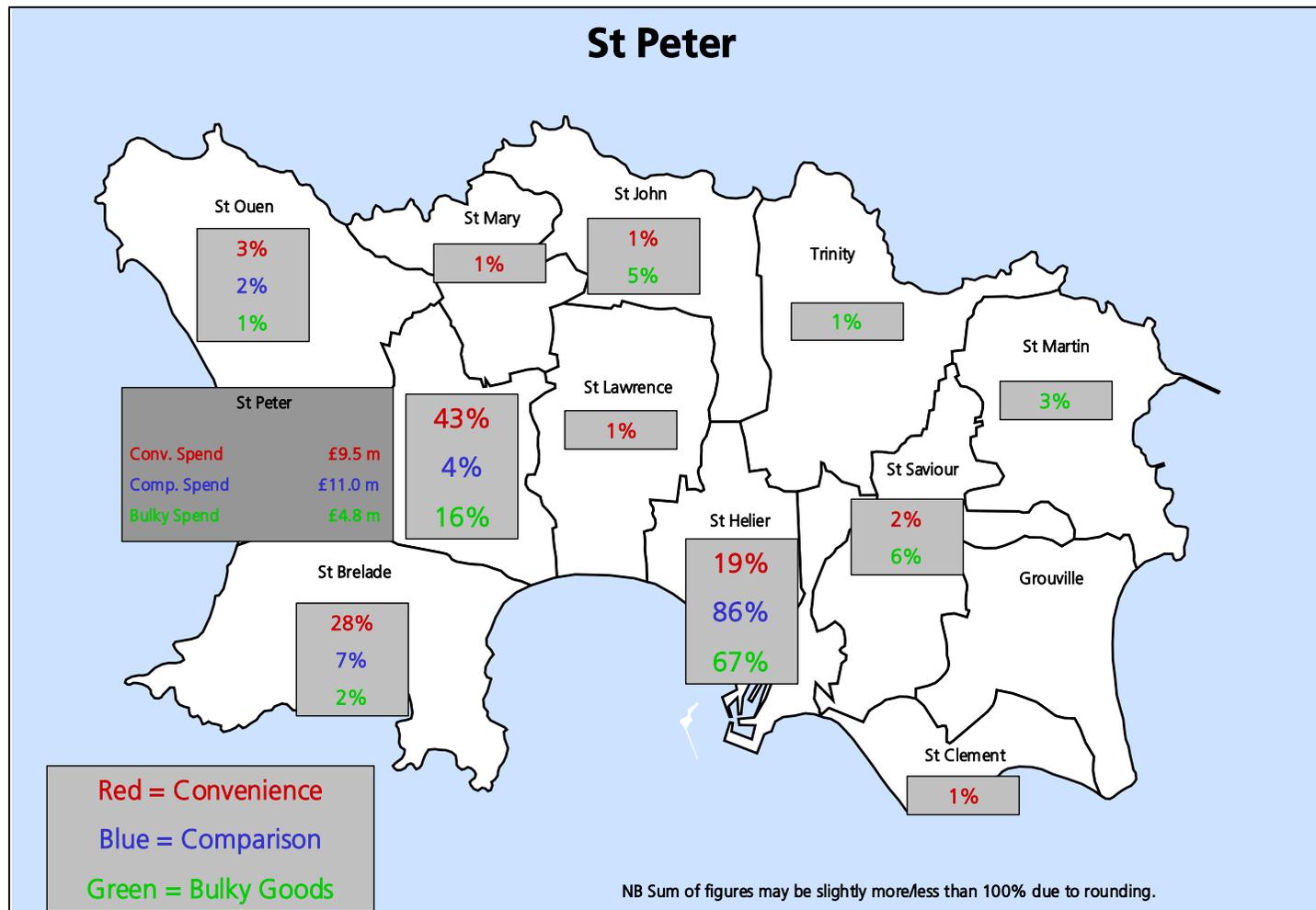
TABLE 13 - Interparish Spend Flows - Bulky

Destination	Grouville	St Brelade	St Clement	St Helier	St John	St Lawrence	St Martin	St Mary	St Ouen	St Peter	St Saviour	Trinity
Grouville	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
St Brelade	1.2%	2.4%	1.2%	1.3%	1.5%	1.6%	1.2%	1.8%	2.0%	2.0%	1.2%	1.3%
St Clement	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
St Helier	73.3%	68.0%	73.9%	75.5%	67.2%	68.5%	70.7%	66.5%	65.4%	66.4%	73.8%	69.8%
St John	3.4%	4.1%	3.2%	3.1%	6.6%	5.3%	4.0%	5.6%	5.3%	4.6%	3.4%	4.9%
St Lawrence	0.6%	0.8%	0.6%	0.6%	0.8%	0.9%	0.7%	0.8%	0.8%	0.8%	0.6%	0.7%
St Martin	4.3%	2.8%	4.0%	3.1%	3.6%	3.3%	5.6%	3.2%	3.0%	2.9%	3.6%	4.3%
St Mary	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
St Ouen	0.5%	0.9%	0.5%	0.5%	0.9%	0.9%	0.6%	1.1%	1.3%	1.0%	0.5%	0.7%
St Peter	7.9%	14.1%	7.9%	8.2%	11.8%	12.2%	8.4%	13.9%	15.3%	15.5%	8.2%	9.6%
St Saviour	7.8%	6.0%	7.6%	6.9%	6.5%	6.4%	7.7%	6.2%	6.0%	6.0%	7.8%	7.2%
Trinity	1.0%	0.9%	0.9%	0.8%	1.2%	1.1%	1.2%	1.0%	1.0%	0.9%	0.9%	1.4%

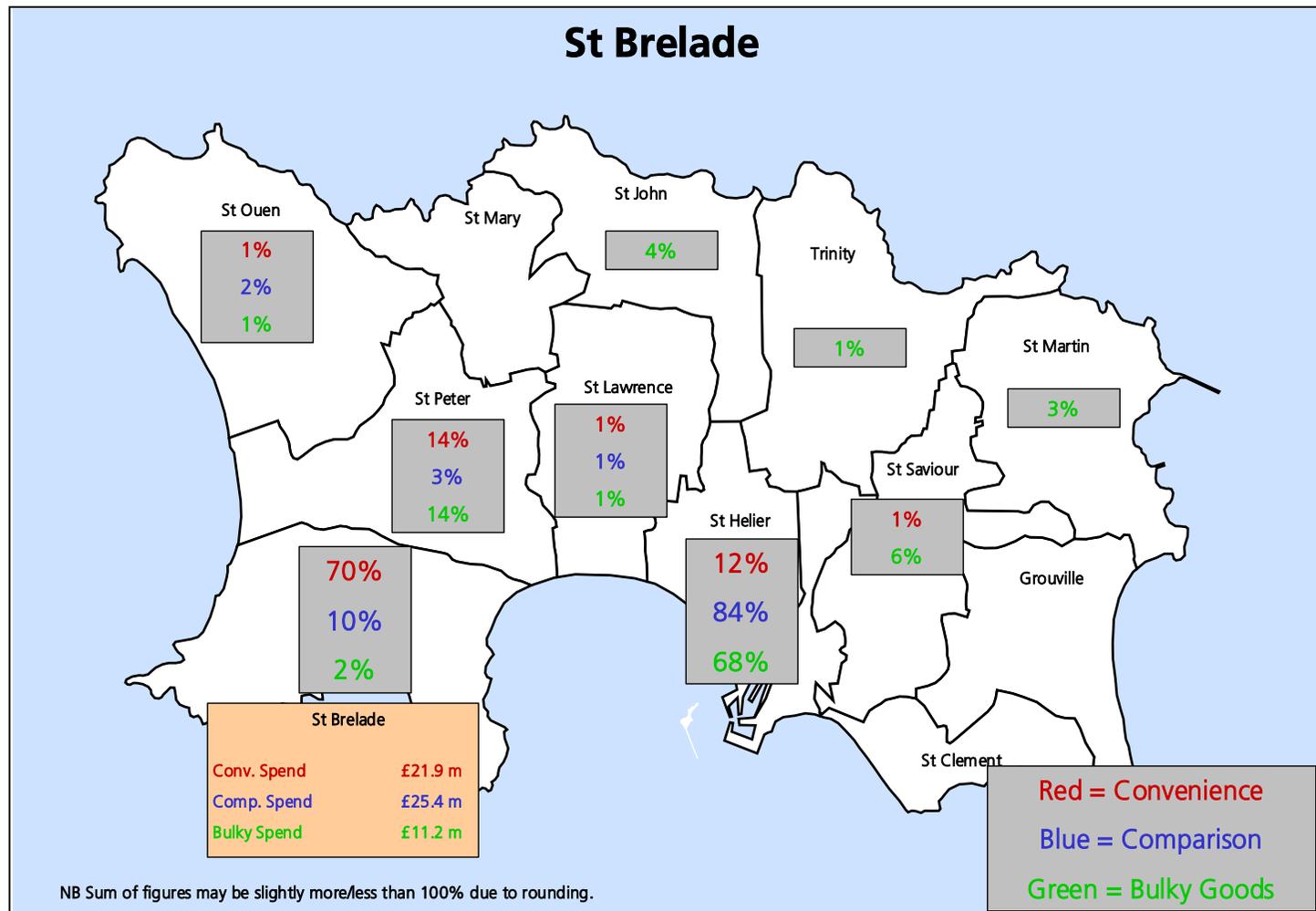
MAP 1 – Spend Distribution from St Ouen



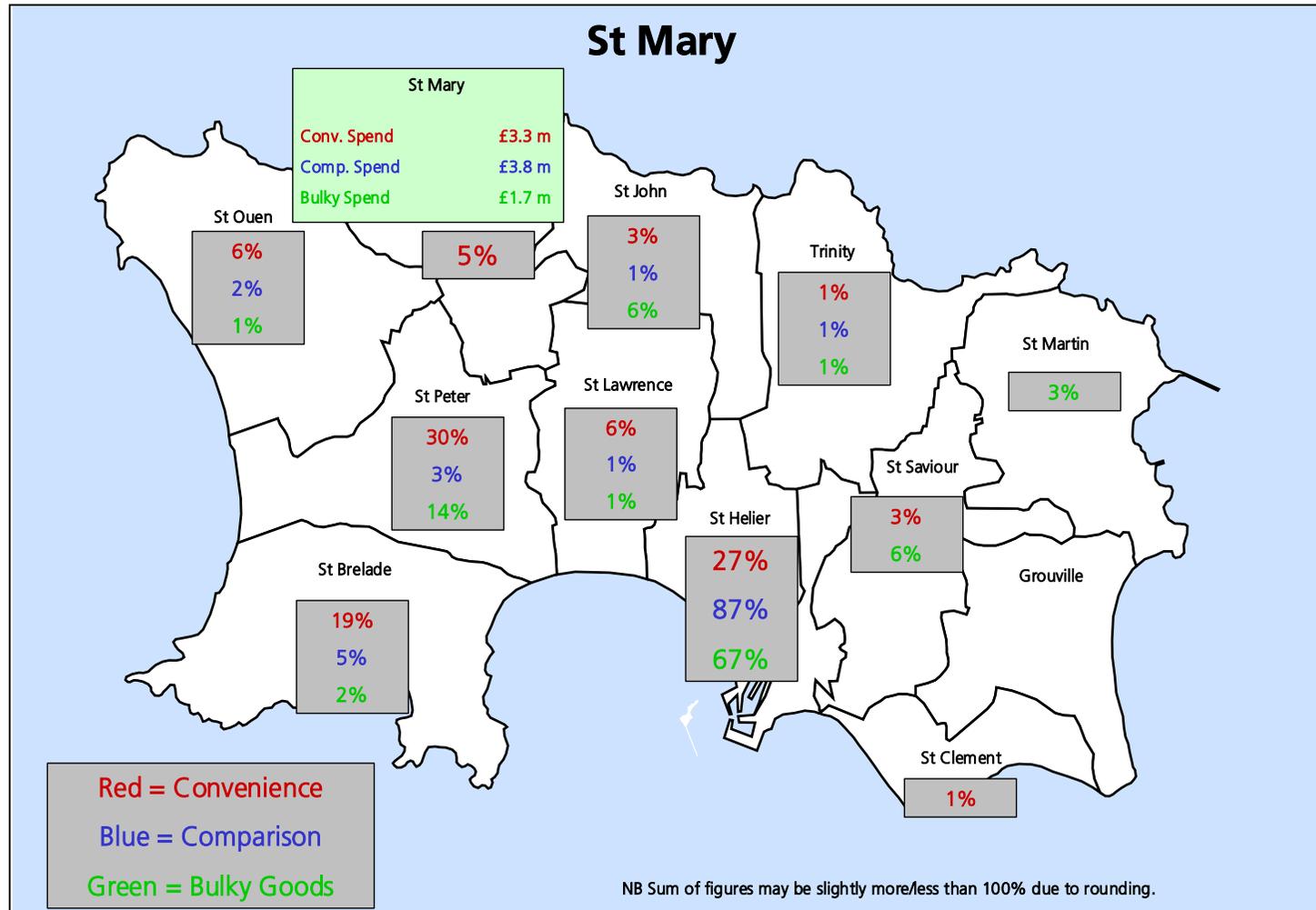
MAP 2 – Spend Distribution from St Peter



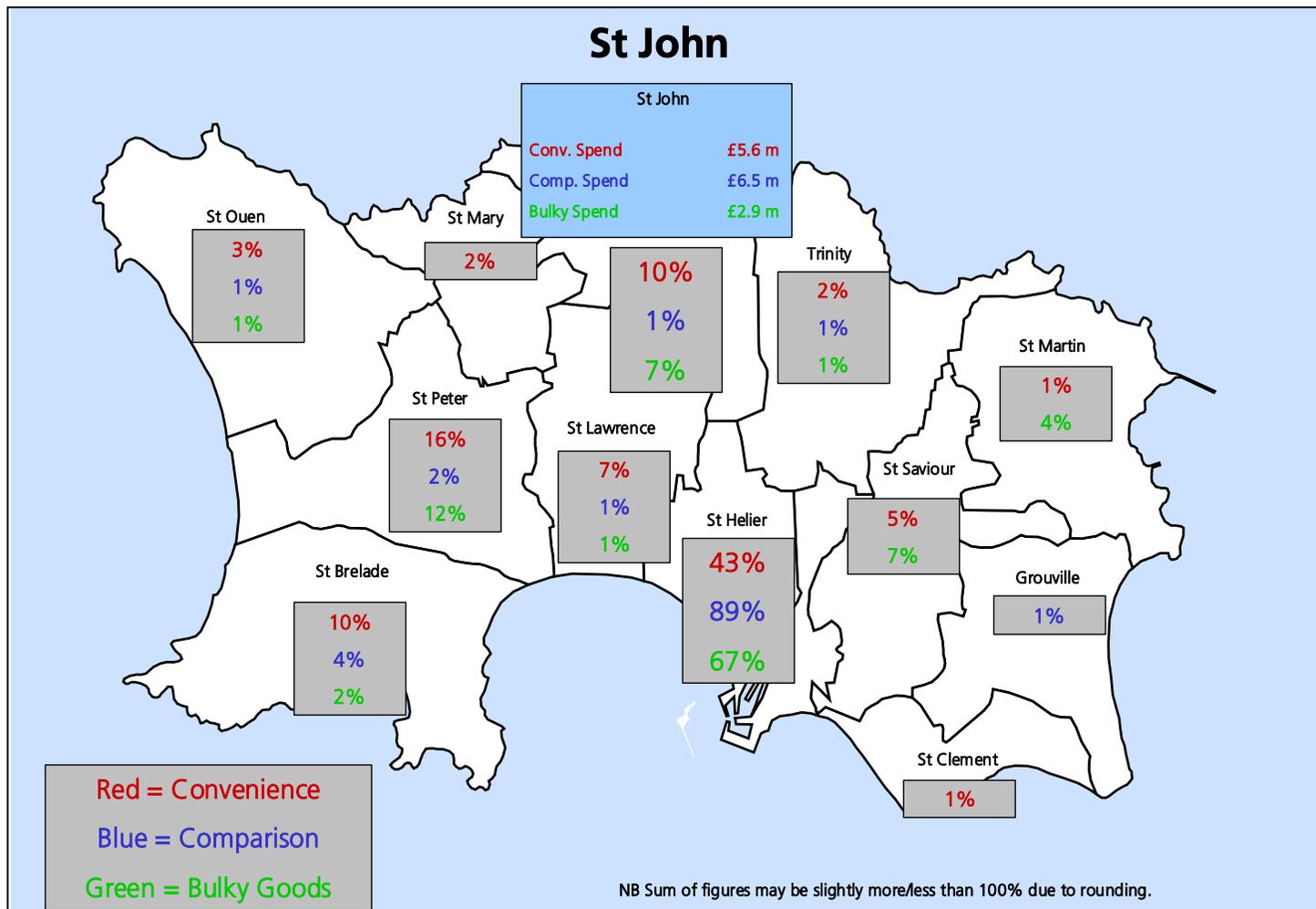
MAP 3 – Spend Distribution from St Brelade



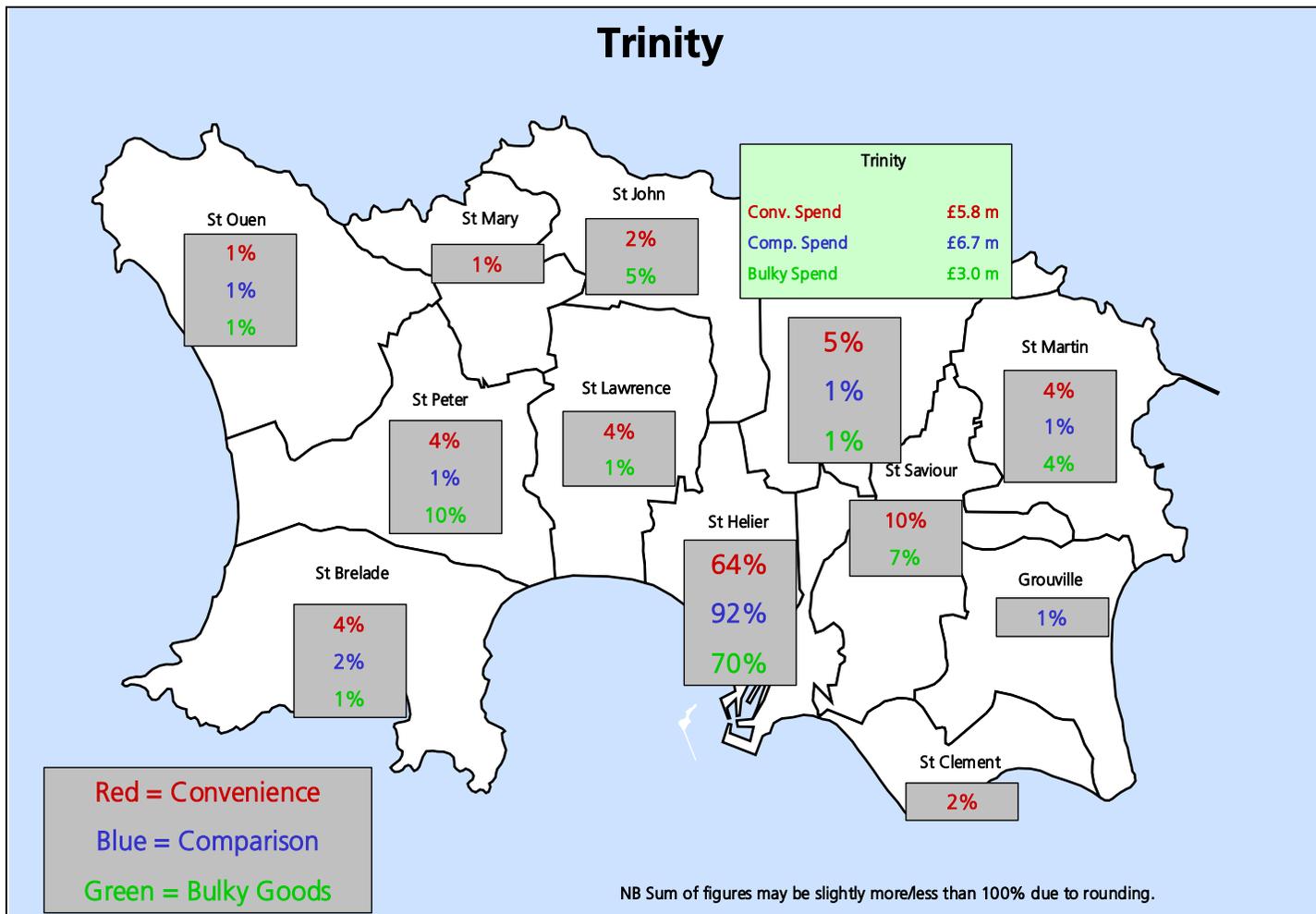
MAP 4– Spend Distribution from St Mary



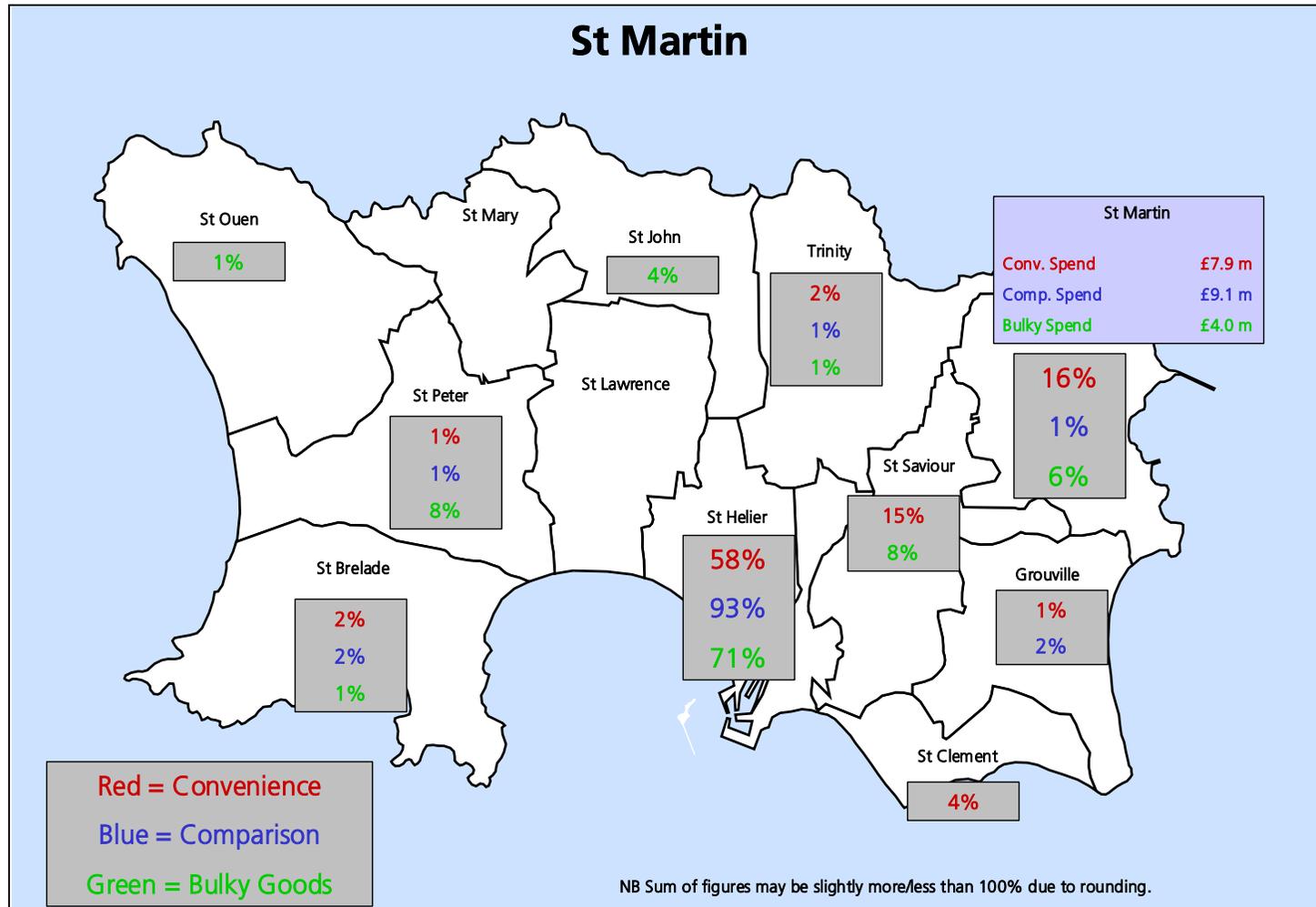
MAP 5 – Spend Distribution from St John



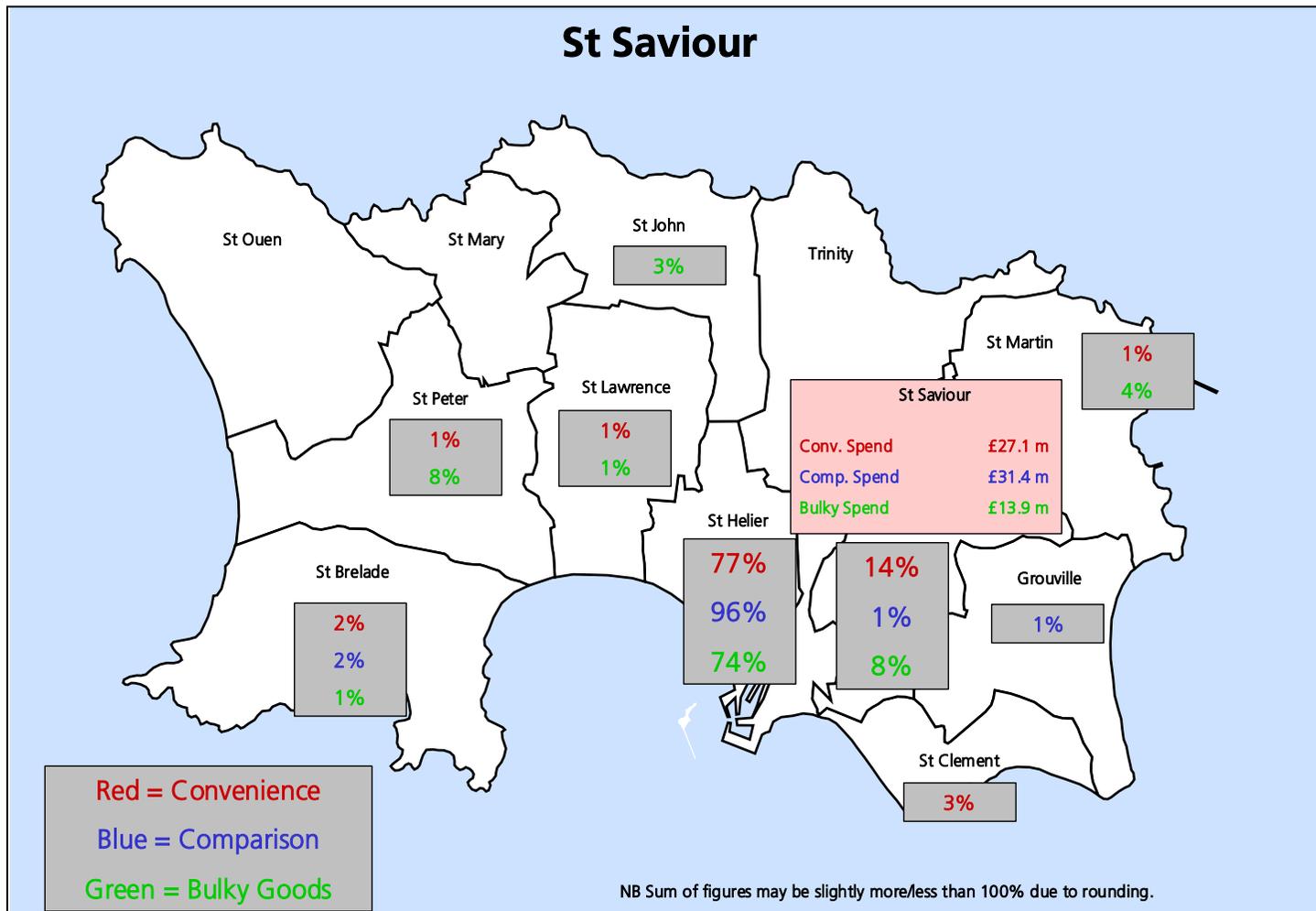
MAP 6 – Spend Distribution from Trinity



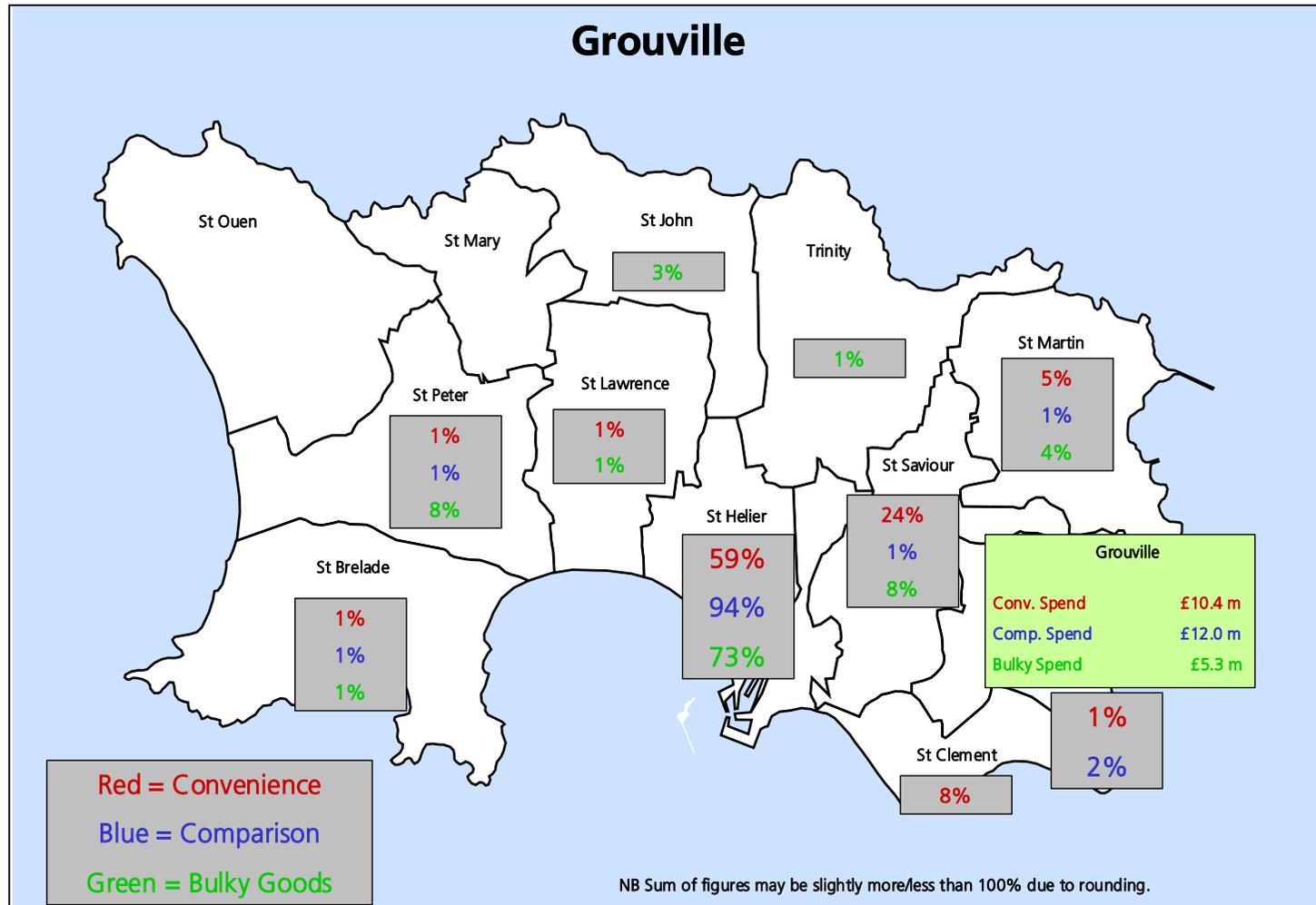
MAP 7 – Spend Distribution from St Martin



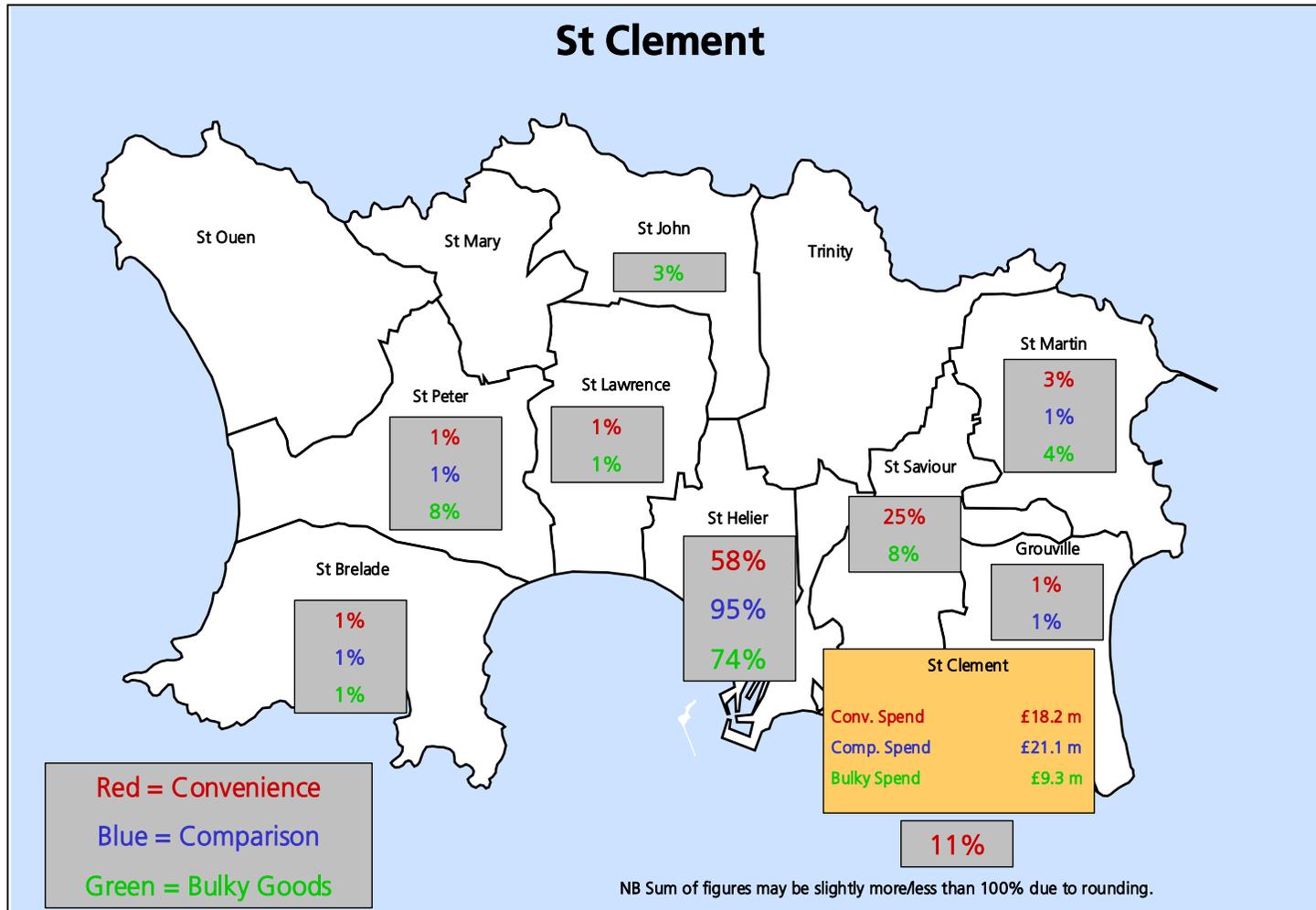
MAP 8 – Spend Distribution from St Saviour



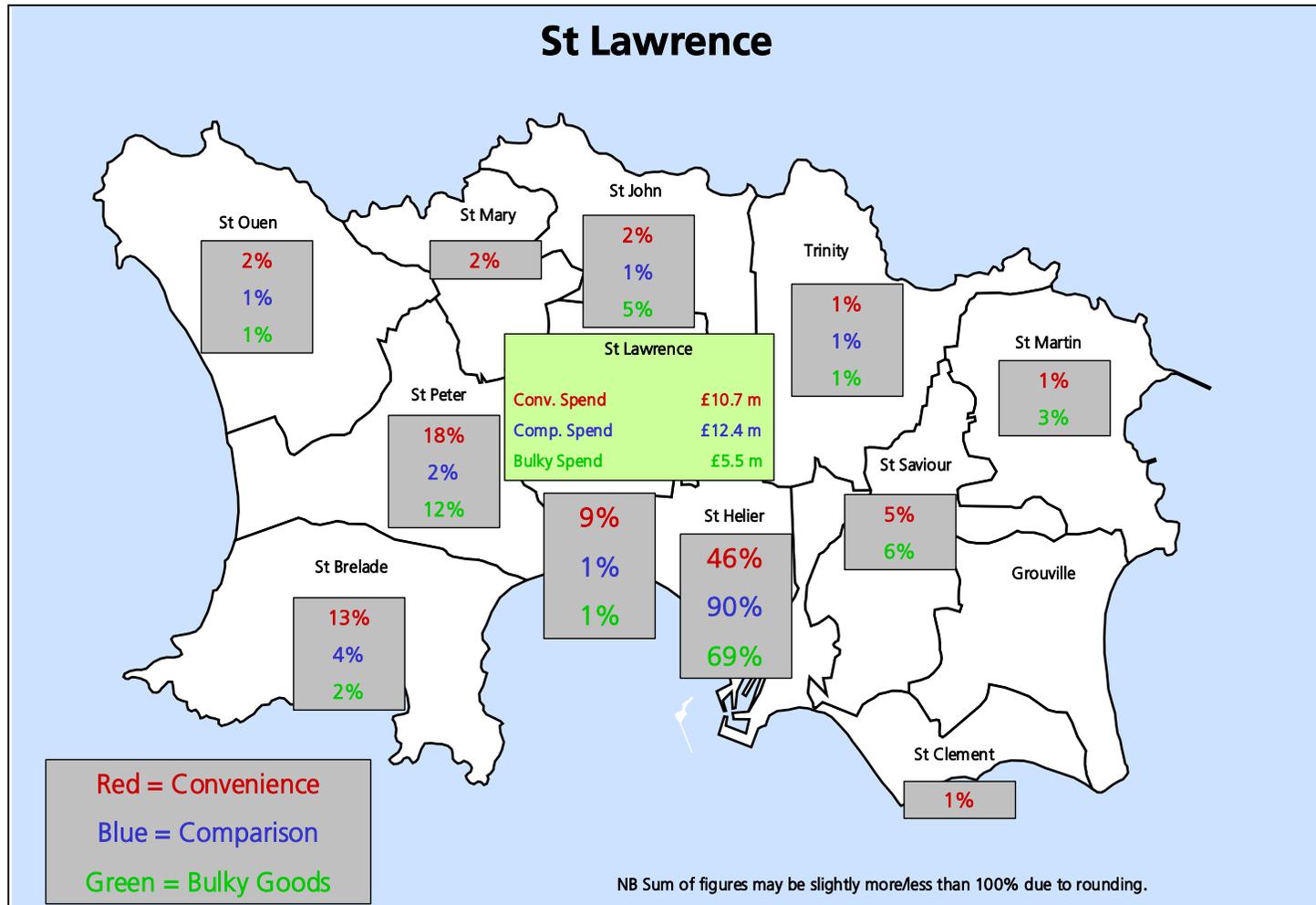
MAP 9 – Spend Distribution from Grouville



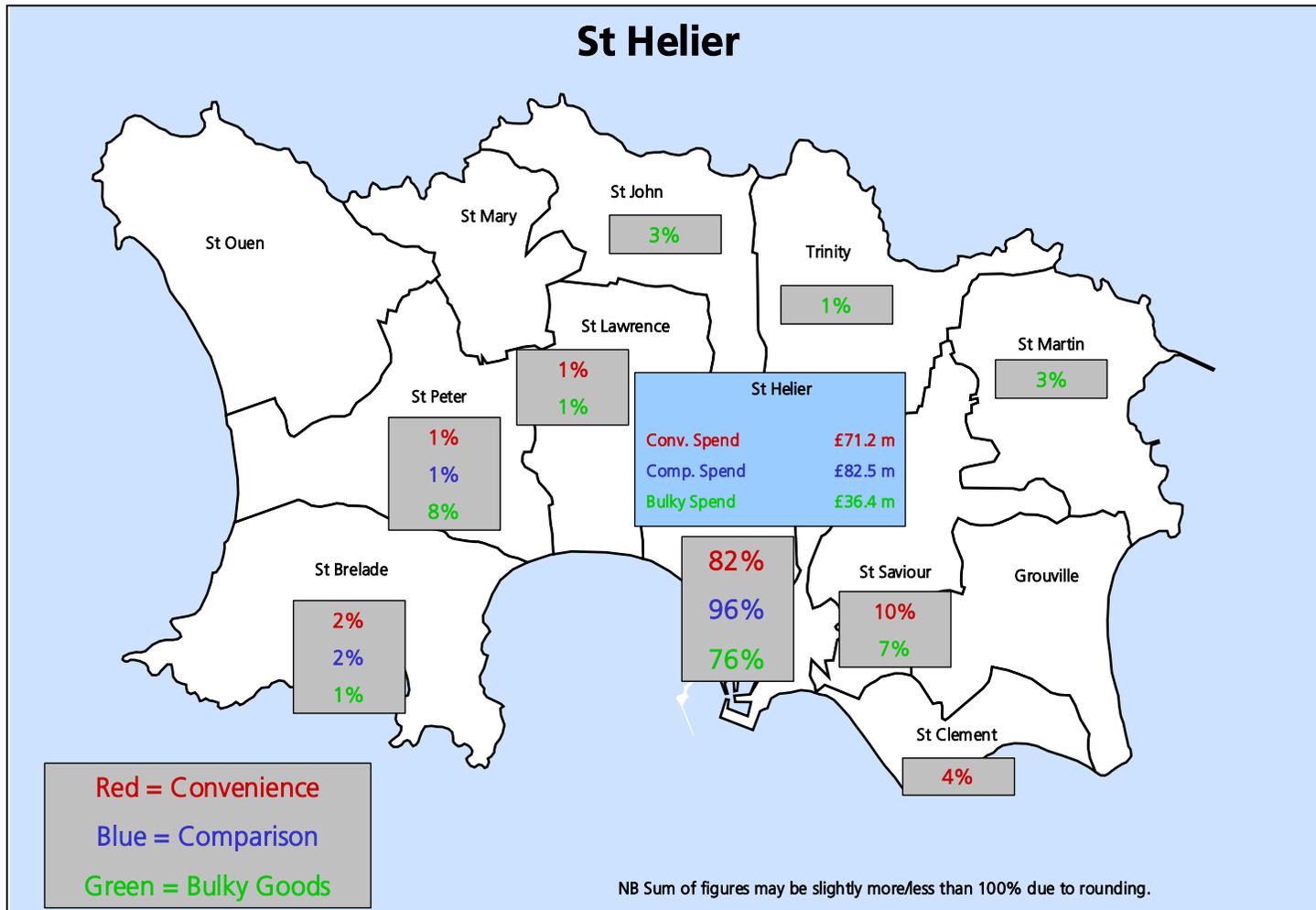
MAP 10 – Spend Distribution from St Clement



MAP 11 – Spend Distribution from St Lawrence

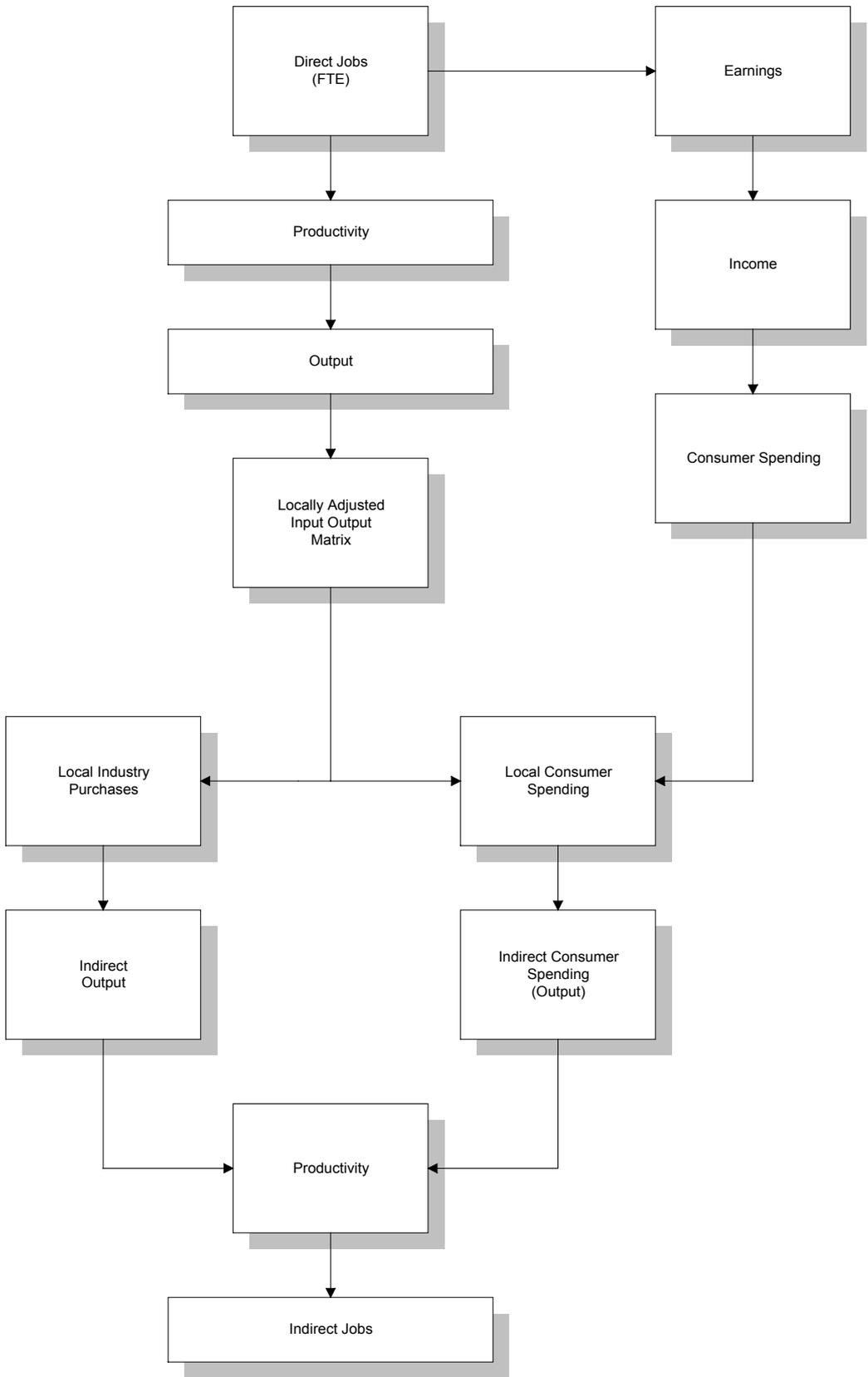


MAP 12 – Spend Distribution from St Helier



**Appendix 6**  
**Experian's *Input-Output* Model**

Input-Output Flowchart



**Appendix 7**  
**Basket Price Comparisons**

Table 14 lists the retail prices of a basket of goods at three Safeway stores. The prices were collected over a five day period (27 November – 2 December 2004) by the same fieldworker, ensuring the maximum level of consistency between price comparisons. We recognise that some prices will have changed since our audit.

**TABLE 14 – Basket Price Comparisons for Safeway**

	Tiverton (Devon)	Wimbledon (London)	Trinity Hill (Jersey)
<b>Food Items</b>			
Mediterranean Style Salad (bag)	0.99	1.19	1.19
Broccoli (medium)	0.36	0.41	0.99
Cauliflower (medium)	0.59	0.79	0.89
6 Eggs (large)	0.98	0.82	0.82
Thin and Crispy Pizza	1.49	1.49	1.49
Chicken Tikka Masala (ready meal)	1.69	2.39	1.69
Lasagne (ready meal)	2.39	1.79	2.39
8 Irish Thick Sausages	0.89	0.89	0.89
Smoked Back Bacon (8 rashers)	1.49	1.49	1.49
Minced Beef (1 lb)	0.89	1.09	1.29
Minced Steak (1 lb)	1.29	1.59	3.00
14 Birds Eye Fish Fingers	0.85	0.85	1.29
Haagen Daaz Ice Cream	3.18	3.18	3.99
Vienetta	1.49	1.49	1.89
Bisto Gravy Granules	0.69	0.69	1.09
Pedigree Chum	0.44	0.44	0.49
Heinz Soup (tin)	0.58	0.59	0.59
Pot Noodle	0.69	0.69	0.89
Heinz Tomato Ketchup	0.64	0.64	0.75
Schwarz Black Bean Stir Fry Sauce	1.29	1.29	1.49
Stella Artois Lager (4 pack)	3.99	3.99	3.99
Heinz Baked Beans (tin)	0.38	0.44	0.49
Milk (pint semi-skimmed)	0.30	0.30	0.51
Anchor Butter	0.82	0.82	0.95
Hovis 'Best of Both' Sliced Loaf	0.81	0.81	0.81
Mr Kipling Mince Pies (6 pack)	1.25	1.25	1.35
Pringles (tube)	1.29	1.29	1.29
<b>Non Food Items</b>			
Head & Shoulders Shampoo	1.79	1.79	1.85
Lemsips (10 pack)	2.49	3.19	2.79
Paracetamol	0.19	0.25	0.25
Radox Bubble Bath	1.79	1.79	1.69
Gillette Shaving Foam	1.19	1.49	1.95
Kleenex Tissues	1.44	1.44	1.53
Andrex Toilet Rolls (9 + 3 free)	3.75	3.75	3.99
Domestos Bleach	0.79	0.9	0.81
Harry Potter DVD ('Prisoner of Azkaban')	14.99	14.99	14.99
Harry Potter Video ('Prisoner of Azkaban')	9.99	9.99	9.99
U2 CD ('How to Dismantle an Atomic Bomb')	9.77	9.77	9.77
Keane CD ('Hopes and Fears')	9.77	9.77	9.77
Joss Stone CD ('Mind, Body and Soul')	9.77	9.77	9.77
<b>Total</b>	<b>99.46</b>	<b>101.59</b>	<b>107.14</b>

Table 15 lists the retail prices of a basket of goods at the same three Safeway stores and the Checkers store on Rue des Pres. The basket size has been reduced to ensure full congruency between the two retail fascia. The Checkers prices were collected during the same five day period (27 November – 2 December 2004) by the same fieldworker. Again, we recognise that some prices will have changed since our audit

**TABLE 15 – Basket Price Comparisons**

	Safeway (Devon)	Safeway (London)	Safeway (Jersey)	Checkers (Jersey)
<b>Food Items</b>				
Mediterranean Style Salad (bag)	0.99	1.19	1.19	1.59
Broccoli (medium)	0.36	0.41	0.99	0.69
6 Eggs (large)	0.98	0.82	0.82	0.92
Chicken Tikka Masala (ready meal)	1.69	2.39	1.69	2.89
Minced Beef (1 lb)	0.89	1.09	1.29	1.95
Minced Steak (1 lb)	1.29	1.59	3.00	3.04
14 Birds Eye Fish Fingers	0.85	0.85	1.29	0.99
Haagen Daaz Ice Cream	3.18	3.18	3.99	4.09
Pedigree Chum	0.44	0.44	0.49	0.42
Heinz Soup (tin)	0.58	0.59	0.59	0.49
Pot Noodle	0.69	0.69	0.89	0.75
Heinz Tomato Ketchup	0.64	0.64	0.75	0.73
Schwarz Black Bean Stir Fry Sauce	1.29	1.29	1.49	1.25
Stella Artois Lager (4 pack)	3.99	3.99	3.99	3.99
Heinz Baked Beans (tin)	0.38	0.44	0.49	0.42
Milk (pint semi-skimmed)	0.30	0.30	0.51	0.51
Anchor Butter	0.82	0.82	0.95	0.95
Hovis 'Best of Both' Sliced Loaf	0.81	0.81	0.81	1.47
Pringles (tube)	1.29	1.29	1.29	1.19
<b>Non Food Items</b>				
Head & Shoulders Shampoo	1.79	1.79	1.85	1.99
Radox Bubble Bath	1.79	1.79	1.69	1.69
Gillette Shaving Foam	1.19	1.49	1.95	1.79
Kleenex Tissues	1.44	1.44	1.53	1.47
Andrex Toilet Rolls (9 + 3 free)	3.75	3.75	3.99	3.55
Domestos Bleach	0.79	0.90	0.81	0.99
<b>Total (Grocery)</b>	<b>32.21</b>	<b>33.98</b>	<b>38.33</b>	<b>39.81</b>
<b>Non Grocery</b>				
Harry Potter DVD ('Prisoner of Azkaban')	14.99	14.99	14.99	14.99
U2 CD ('How to Dismantle an Atomic Bomb')	9.77	9.77	9.77	12.99
Keane CD ('Hopes and Fears')	9.77	9.77	9.77	12.99
Joss Stone CD ('Mind, Body and Soul')	9.77	9.77	9.77	12.99
<b>Total (Non Grocery)</b>	<b>44.30</b>	<b>44.30</b>	<b>44.30</b>	<b>53.96</b>

The other key point to note is that at the time of the audit, the Safeway store in Jersey was under Morrisons ownership. As we discuss in the main body of the report, the impetus behind Safeway prices being brought into line with its counterparts on the mainland has effectively been removed by the store changing ownership to CIT.

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