Wholesale and retail trade contributed 16% of economic output and 16% of employment in the UK in 2012.

The retail industry is subject to a number of pressures. These include changes in shopping habits and the recent economic downturn which reduced consumer spending.

This note sets out the key statistics on the retail industry in the UK including the value and volume of sales, the proportion of internet sales, and employment and business statistics for the retail industry.

It also sets out Government policy aimed at supporting the industry.

The Portas Review of the High Street was published in December 2011 and made a number of recommendations across a range of policy areas including planning, transport, and local government finance. In February 2012 the Government announced a competition for areas to be “Portas Pilots” to test some of the recommendations. 27 towns were chosen act as Portas Pilots.
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1 Retail in the UK

The retail sector involves spending by consumers in shops and online. Supporting the retail sector, the wholesale sector involves those businesses that supply shops.

In April 2014, consumers in the UK spent around £27 billion. For every £1 spent in the retail sector (online and in shops, but excluding petrol stations), 47p was spent in food stores and 46p was spent in non-food stores. The remainder was spent in other types of retailers, such as market stores or mail order catalogues.

The sector has come under pressure in recent years in a number of ways, including from the growth and evolution of supermarkets, online retailing and the recent recession.

This note sets out the key data on the retail sector in the UK, explores recent trends and outlines Government policy in this area.

2 Contribution to the economy

The table below shows economic output (Gross Value Added or GVA¹), employment and the number of businesses in the wholesale and retail sector.

<table>
<thead>
<tr>
<th>Wholesale and retail sector in the UK</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output £ billions</td>
<td>150.8</td>
</tr>
<tr>
<td>Employment 000s</td>
<td>4,272</td>
</tr>
<tr>
<td>Businesses 000s</td>
<td>515</td>
</tr>
<tr>
<td>Output % of UK total</td>
<td>15.9%</td>
</tr>
<tr>
<td>Employment % of GB total</td>
<td>16.0%</td>
</tr>
<tr>
<td>Businesses % of UK total</td>
<td>10.7%</td>
</tr>
</tbody>
</table>

Source: Output: ONS, Annual Business Survey; Employment: ONS, Business Register and Employment Survey; Businesses: BIS, Business population estimates

Notes: 2007 Standard Industrial Classification code G: Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles

1.1 Economic output

The retail industry contributed £151 billion to UK economic output in 2012, 16% of the total.

In 2007, the retail sector grew by a greater proportion than the UK economy. However, as the downturn began in late-2007, the retail sector declined more quickly and more deeply than the whole economy. At its trough in Q2 2009, output in the retail sector fell by 9.6% compared with the previous year - output from the whole economy fell by 6.7% in that quarter.

As the economy began to recover, growth in the retail sector increased more quickly. The retail sector has grown by over 5% in each quarter compared to the previous year since Q1 2013. Growth in the whole economy has averaged around 2%.

¹ GVA is the contribution of a sub-section of the economy, such as an industry or a region, to total economic output, minus any costs incurred in production.
1.2 Employment
The retail sector employed a total of 4.3 million people in 2012, 15.9% of the Great Britain total. This is the largest broad industrial group in Great Britain by the number and proportion of employees.²

1.3 Enterprises
There are 428,000 businesses operating in the retail sector in the UK, 8.9% of UK businesses. Despite representing less than 10% of all enterprises, the retail sector accounts for 35% of all turnover in the UK.

1.4 Wholesale and retail sector
Data on the retail sector can also be analysed in terms of the wholesale and retail industries.

Retail sector in the UK

<table>
<thead>
<tr>
<th></th>
<th>Output</th>
<th>Employment</th>
<th>Businesses</th>
<th>Output</th>
<th>Employment</th>
<th>Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£ billions</td>
<td>000s</td>
<td>000s</td>
<td>% of UK total</td>
<td>% of GB total</td>
<td>% of UK total</td>
</tr>
<tr>
<td>Retail</td>
<td>73</td>
<td>2,726</td>
<td>273</td>
<td>7.7%</td>
<td>10.2%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Wholesale</td>
<td>55</td>
<td>1,086</td>
<td>137</td>
<td>5.8%</td>
<td>4.1%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

Sources: As above, but Output: ONS, Annual Business Survey. Output data in the two tables is not comparable
Notes: 2007 Standard Industrial Classification codes 46 and 47: Wholesale and retail excluding motor vehicles

In 2012, retail accounted for 57% of the sector’s output and involved 67% of businesses. It employed 2.7 million people 72% of people working in the retail sector and over one in ten people working in Great Britain.

The retail sector can be divided into specialised and non-specialised stores. Non-specialised stores are shops which sell a variety of products, such as supermarkets, convenience shops or department stores. In 2012, non-specialised stores made up only 20% of retail businesses in the UK, but accounted for 51% of retail turnover and 47% of employment in the retail sector.³

² These data are from the ONS Business Register and Employment Survey. They are not consistent with official ONS estimates of public sector employment.
³ ONS, Annual Business Survey 2012. Non-specialised stores = SIC 2007 code 47.1
3 Sales statistics, footfall and vacancy rates

3.1 Retail sales

Data which show the total value and volume of retail sales are available from the monthly ONS publication Retail Sales.\(^4\) Generally, the value and volume of retail sale are consistent with one another. As the total value of retail sales increases, the volume can be expected to increase at a similar rate.

![Value and volume of retail sales, UK](image)

However, after 2008 and particularly after 2009, these trends began to diverge. The total value of retail sales increased by between 3% and 5% each quarter in 2010 and 2011. The volume of retail sales grew by a much smaller proportion or fell during this period. This was a function of higher inflation during this period – consumer’s money became less valuable meaning that the volume of goods they were able to purchase decreased, despite the amount they were spending increasing.

During 2012, as inflation fell, the patterns of the total value and the volume of retail sales converged once again. The rate of increase in the value and volume of retail sales fell sharply in the second half of 2012 but rose strongly through 2013 and the first part of 2014, compared to the same period a year ago.

The Library’s Economic Indicator page on Retail Sales provides the latest monthly statistics on sales of food and non-food items.

\(^4\) ONS, Retail Sales, Data series J5BY and J5EH
3.2 Online sales

The value of internet sales as a proportion of total retail sales rose from 2.7% in January 2007 to 11.1% in January 2013. In December 2013, average weekly internet sales peaked at 8.1 billion.\(^5\)

The increase in online sales is in part due to a move towards internet only stores and products. In 2008, online and mail-order businesses accounted for 3.4% of the total number of enterprises in the retail industry (except of motor vehicles and motorcycles). This had increased to 8.2% in 2012.\(^6\) In the music and film sector, more than half the sales of physical products (not including downloads) are already online. This has resulted in severe difficulties for retailers such as HMV, which went into administration in early 2012.\(^7\)

However, existing stores have also developed online sales services. Geographical expansion is no longer the only way that established retailers could extend brand reach and increase sales. The BIS commissioned research *Understanding High Street Performance*, explains that today the internet enables retailers to do both with far less financial commitment.\(^8\) The research report states:

> Renting a high street store requires financial commitment in signing a lease, fitting out the store, filling it with stock, employing staff and day to day operating costs; business rates etc in an environment where there are many void units footfall drops and these costs may become prohibitive.\(^9\)

The CBI publication *Business Voice* has explained, the move to online sales does appear to have damaged some high street names:

> In recent weeks US electrical behemoth Best Buy has announced it is closing 11 UK stores. Rival Comet has been sold for just £2 after its parent company could no longer cope with ongoing losses at the chain. And just over a quarter of electricals' sales are now online, where the dominance of well-known brands makes it easy for shoppers to compare prices...

> Even fashion stores are not immune to the changes. Between five and ten per cent of many fashion retailers' sales are now online and Javelin suggests that this could increase to as much as 25 per cent within ten years.

> Big names including Marks & Spencer and New Look are considering whether they have the right number and size of stores, while Top Shop and BHS owner Arcadia is

\(^5\) ONS, *Retail Sales*,
\(^6\) Annual Business Survey, *Division 47: Retail Trade, except of motor vehicles and motorcycles*
\(^7\) See *Business Voice*, December 2011
\(^8\) BIS, *Understanding High Street Performance*, December 2011, p31
\(^9\) *Ibid*
examining the future of 260 stores with leases due to expire over the next three years.\textsuperscript{10} 

Research conducted by Javelin has found that in 2020:

...ecommerce will capture 34\% of the sales in [Clothing & Footwear, Electricals, Furniture & Floor Coverings, and Health & Beauty] (up from 14\% today), with the internet influencing 75\% of sales (up from 44\% today). Sales through stores (including those researched online) will decline to 66\% (down from 86\% today).

The growth in ecommerce will be at the expense of town and shopping centre store sales especially, which will shrink by 27\%. This will result in 21\% less retail space and 31\% fewer stores in town centre venues. But the impact across retail venues will be far from uniform. Performance will continue to polarise, with secondary shopping venues declining further while prime venues such as Westfield will thrive, attracting customers and driving strong performance.\textsuperscript{11}

3.3 Footfall and town centre vacancy rates

Although the performance of the high street is not purely a reflection of retail performance, measures of town centre footfall, high street vacancy rates, and retail sales in specialised stores, are often used as indicators as indicators of the health of the retail industry.

The British Retail Consortium (BRC) publishes a footfall monitor report each month, although the majority of these reports are not freely available. The most recent freely available one is for the second week of December 2012. This report shows that:

- Consumer Footfall in all locations was down 2.6\% on the same week in December 2011.
- In high streets, footfall fell by 2.0\%, whilst footfall in shopping centres fell by 4.3\%.\textsuperscript{12}

The Local Data Company publishes the \textit{End of Year Vacancy Report} in February each year. In February 2013, the proportion of shops vacant on high streets in Great Britain (the ‘vacancy rate’) was 14.1\%. This compares to a vacancy rate of 14.6\% in August 2012.\textsuperscript{13}

In September 2011 the \textit{Guardian’s Datablog} published information taken from the Local Data Company’s research on empty shops on the high street. It shows the regional vacancy rates, and the worst 10 town centres by centre size. The LDC press release accompanying the data stated that it appeared the retail outlets on high streets were suffering more than those in shopping centres:

There is increasing evidence that the retailer pain is not spread evenly between the High Street and Shopping Centre. The latest results from several of the big, retail-owning property companies show their revenues have been surviving any tenant difficulties with ease. Solid rental growth, footfall and occupancy levels demonstrate that prime properties are taking market share away from other locations.\textsuperscript{14}

\textsuperscript{10} Business Voice, \textit{Retail therapy}, December 2010
\textsuperscript{11} Javelin Group press release, \textit{31\% fewer town centre stores by 2020, says Javelin Group report}, October 2011
\textsuperscript{12} BRC, \textit{Footfall monitor}, 19 December 2012
\textsuperscript{13} Local Data Company, \textit{Vacancy Rates}, February 2013
\textsuperscript{14} LCD Press Release, \textit{Shop vacancy rates stabilise in 2011 but the gap between the best and worst performing towns widens and over 14\% of shops still remain vacant}, 8 September 2011
The BIS paper *Understanding High Street Performance* included research which showed that in 2000 49.4% of retail spending took place on the High Street compared to 42.2% today. This was expected to fall to 39.8% in 2014.

![Chart showing retail spending by location: yesterday (2000) vs today (2011) vs tomorrow (2014*).]

Amongst the causes cited in the BIS published research for the changing face of the High Street were:

- pressures on prices exerted by online retailers and large grocery stores;
- increased costs including business rates, rents, and the introduction of the minimum wage;
- the ease and cost of starting an online business compared to a business on the high street;
- the digital delivery of some products (music, books etc) has removed the demand for high street music shops.

Retail Spending by Location, 2000 vs 2011 vs 2014
Verdict Research, Out of Town Retailing, 2010 and UK Town Centre Retailing, 2011
As quoted in Department for Business, Innovation and Skills, *Understanding High Street Performance*, 2011, p17
4 Government policy

The Government’s *Plan for Growth*, published alongside the Budget in March 2011, included a range of measures which aimed to support the retail industry.\(^{15}\)

The Government noted that the retail industry was subject to a particularly high level of regulation. A number of deregulatory measures were set out:

- The right to request time to train would no longer be extended to businesses with less than 250 employees.

- A moratorium exempting micro and start-up businesses from new domestic regulation for three years from 1 April 2011 was announced.

- The Government noted that an early indication of the level of the national minimum wage was a top priority for retail businesses and announced that they would invite the Low Pay Commission to consider and implement the best way to give business clarity on its future levels in their next report.

- The Government also stated that they would work to remove regulatory barriers to increased cross-border online retail, in order to help UK retailers access overseas online sales.

The *Plan for Growth* also set out how the Government planned to support SMEs including extending the existing Business Rate Relief holiday for one year (see House of Commons Library Standard Note, *Small Business Rate Relief*), and setting up new Enterprise Zones in England (see Library Standard Note, *Enterprise Zones*).

In October 2012, the Government published its *Retail sector strategy* which elaborated on a number of the ideas floated in the *Plan for Growth*. The Government committed to monitor progress towards the specific aims published in this report at six monthly intervals. These aims were organised into five categories: better regulation, knowledge transfer, local, Europe and international. The key measures under each of these headings are set out below:\(^{16}\)

- **Better regulation**: promote partnerships between regulators and regulated partly by delivering a “common standard of competency”. The Government will also seek to create a new code of practice in rested of age restricted products and raise awareness of this.

- **Knowledge transfer**: retailers collect rich data but there are gaps in their knowledge – the Government will help to identify and fill these gaps by encouraging knowledge sharing between retailers, academics and government. Science, technology, engineering and maths skills have been identified as lacking in the sector – the government will commission a skills gap analysis to suggest how this can be tackled.

- **Local**: Retail is “one of the few sectors with a presence in every neighbourhood”, and it has a considerable “multiplier effect” on local economies, with shoppers also supporting the tourism, food and drink, and leisure industries in local areas. In order to combat the decline of High Street retailing that has occurred in some areas, the Government commissioned the Mary Portas Review and will seek to implement its

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\(^{15}\) HM Treasury, *Plan for Growth*, March 2011, pp 111

\(^{16}\) BIS, *Retail sector strategy*, October 2013, pp 5 onwards
recommendations (see below). The Government will also support and promote the work of the Gloucestershire Local Economic Partnership (LEP), which is working as a pathfinder on promoting the local retail sector. In addition, the Government will seek ways of promoting regions and local areas in appropriate overseas markets.

- **Europe**: The Government will seek to publicise any EU measures which impact on the UK retail sector. In order to facilitate greater cross-border trade, the Government will also examine ways to boost consumer confidence in e-commerce.

- **International**: In order to encourage trade and boost the international reputation of UK retailers, the Government is creating a ‘taskforce’ of retailers, trade officials and diplomats. A toolkit will also be developed which will help retailers find and invest in appropriate overseas markets.

5 **Select Committee report**

The BIS Select Committee reported on the retail sector in early 2014.17

The report concluded that although the UK retail industry faced some significant pressures, both internally in the form of changing shopping habits, and externally in the face of an unfavourable business rates regime and economic conditions, it was still a strong and dynamic force in the economy.

The Committee’s central recommendation involved changes to the business rates system, which the committee called a “significant barrier to innovation.” They recommend a Government review of the system to examine the following questions:

- whether retail taxes should be based on sales, rather than property;
- whether the retail sector should have its own form of taxation, calculated in a different way from other businesses;
- how frequently the revaluation of Business Rates should take place.

Further information on this issue can be found in the Library note on *Business Rates*.

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17 BIS Select Committee, *UK Retail Sector*, 4 March 2014
Appendix: Mary Portas’s Review of the High Street

5.1 The Review

The Portas Review: An independent review into the future of our high streets, led by Mary Portas, was launched by the Government on 17 May 2011 “to identify what government, local authorities and businesses can do to promote the development of more prosperous and diverse high streets.”

The Portas Review was published on 13 December 2011. It made 28 separate recommendations. She concluded that:

- High Streets should be run more like businesses, with a “Town Team” to provide visionary, strategic and operational management. They could have the power to decide the appropriate mix of shops and services for their area and could focus on making high streets “accessible, attractive and safe”;

- Successful Business Improvement Districts could take on more responsibilities to become “Super-BIDs”. BIDs are areas where local retailers can contribute to improvements in through increased business rate contributions. The review suggested that BIDs could be enabled to exercise new community rights to buy assets and run services, as local authorities can under the Localism Act 2011. Landlords should be enabled to take part in BIDs. For more information on the existing BIDs structure, see the Library Standard Note, SN/PC/4591, Business Improvement Districts.

- Market stalls should be used as a way for new retailers to enter the high street. Portas recommended a new “national market day”, and recommended that it should be made easier for people to become market traders by removing unnecessary regulations.

- Changes should be made to the business rates regime to support small businesses and independent retailers. Local authorities should use their new discretionary powers to give business rate discounts to new local businesses, and uprating should use the Consumer Prices Index (CPI) rather than the Retail Price Index (RPI).

- Changes also be made to the ‘Class Use’ system to make it easier to change the uses of key properties on the high street, with betting shops put in a separate ‘Class Use’ of their own.

- the planning system should be reformed to encourage town centre rather than out of town retail development. For example, there should be Secretary of State “exceptional sign off” for all new out-of-town developments. For more information, see the Library Standard Note, SN/SE/1106, Town Centres, Planning, and Supermarkets.

The Department for Business Innovation and Skills published a commissioned research report, Understanding High Street Performance, alongside the Portas Review.

5.2 Government response

In February 2012 the Government announced that they had accepted Mary Portas’s recommendation to “run a number of High Street Pilots” in order to test some of her other recommendations.
On 4 February 2012 the Department for Communities and Local Government (DCLG) launched a competition to choose 12 towns in England to become “Portas Pilots”.\(^{18}\) The winners would receive up to £100,000 each, through a grant paid directly to the appropriate local authority. The successful teams would be expected to create a “Town Team” as a central part of their pilot bid. The deadline for applications was 30 March 2012.

On 30 March 2012 the full Government Response to the High Street Review was published. It announced a further competition for another twelve Portas Pilots.\(^{19}\) 27 towns were eventually chosen to be Portas Pilot towns. A list of all these towns is available on the Improving high streets and town centres policy page, along with a description of their aims and role. Due to the overwhelming response to the competition, all applicants were offered the opportunity to bid for funds from the High Street Innovation Fund (see below).

Other announcements made by DCLG in their response to the Portas Review included:

- The launch of the High Street Innovation Fund which is intended to support local authorities “in their efforts to improve the look of their high streets”. £10million is to be allocated to one hundred local authorities “to help address the issue of riots and empty shops”.\(^{20}\) The list of authorities awarded money from the High Street Innovation Fund will be paid is available here.

- A new Future High Street X-Fund is a £1 million fund intended to reward areas “delivering the most effective and innovative plans to bring their town centres back to life”. This will be awarded in a year’s time.\(^{21}\)

- Government backing for a National Market Day and “love your local market fortnight”;

- Plans to consult on draft regulations to make it easier for street traders to set up and conduct legitimate business on the streets;

- Encouragement for local authorities to look at their powers under the Localism Act 2011 to provide business rate discounts to small businesses and independent retailers.

In July 2012 DCLG published Re-imagining urban spaces to help revitalise our high streets, a document “aimed at anyone working to improve their high street, town centre or retail area” to encourage new uses for urban spaces. It includes references to a number of practical toolkits and examples. In the foreword, the Secretary of State, Eric Pickles, and the Minister, Grant Shapps, wrote that:

> There is no point in simply chasing the traditional model of the high street – a place where people come together to shop. Retail is an important element of a thriving town centre, but it is not sufficient. Instead you need to reimagine your high street and town centre, and drive towards a new future where people come together for many different reasons.\(^{22}\)

\(^{18}\) Department for Communities and Local Government, *Grant Shapps: Bid to become a Portas Pilot*, 4 February 2012

\(^{19}\) The prospectus for those wishing to bid in the competition is available here.

\(^{20}\) Department for Communities and Local Government, *High Streets at the Heart of our Communities: the Government’s Response to the Mary Portas Review*, 30 March 2012, p20

\(^{21}\) Ibid, Prime Minister’s Foreword and *Grant Shapps offers ‘Portas-Plus’ plan to revive ailing high streets*, 30 March 2012

\(^{22}\) DCLG, *Reimagining urban spaces to help revitalise our high streets*, July 2012