

A VISION FOR THE UK RETAIL INDUSTRY

DELIVERING FOR
SHOPPERS, EMPLOYEES
AND THE ECONOMY

BRC



FOREWORD

The UK has one of the most vibrant and dynamic retail industries in the world. One that accounts for 5% of our economy, contributes £98.4bn GVA, employs three million people and has higher productivity growth than almost any other industry. Retailers contribute £17 billion in business taxes – equivalent to funding our entire Police and Fire & Rescue budgets.

Meanwhile, there is a dramatic transformation happening in retail. New technologies are changing the way we shop, with companies spending millions in digital infrastructure and skills. The potential for success is huge, retail is expected to create £381 billion in spending by 2024.

The future remains uncertain. Hundreds of thousands of jobs have been lost, and many established brands have fallen by the wayside. The ever-increasing burden of public policy costs is holding back the industry and the investment it vitally needs.

Government must play its part. Our manifesto, 'A Vision for The UK Retail Industry', outlines our recommendations for a comprehensive, cross-Government strategy for retail, as well as measures to reform funding for digital skills, and tackle both instore crime and online fraud.

AMONG THE MANY RECOMMENDATIONS WE HAVE SET OUT, THERE ARE THREE THAT ANY NEW GOVERNMENT CAN IMPLEMENT QUICKLY AND EASILY:

1. Relieve the business rates burden by scrapping 'downwards transition', which takes £1.3bn from retailers over five years and uses it to subsidise other industries
2. Reform the Apprenticeship Levy to allow greater flexibility to spend on any form of accredited training
3. Protect hardworking shopworkers by bringing forward legislation to safeguard the 115 retail workers who are attacked every day in their workplace

This election provides an opportunity for action. As political parties draw up their manifestos in the coming weeks, they should spare a thought for their local retailers. For the three million voters those retailers employ. For the 65 million people those retailers serve. And for the billions in tax those retailers contribute.

Supporting retail is not just good policy, it's good politics.

RETAIL IS AN EXCITING, DYNAMIC AND DIVERSE INDUSTRY

It is 5% of the UK's economy, contributing £98.4bn GVA, and the largest private sector employer, providing 3 million jobs. Retailers touch the lives of millions of people every day, supporting vibrant communities where they operate.

The industry today is going through a period of profound change.

Technology is changing how people shop and online retail is growing fast – 26% of sales in 2018 and set to rise to 50% by 2030. Retailers are making significant investments in new technology to meet demand from customers – £1.1bn in 2018, up 29% from 2017.

The number of stores is falling but the role of the store is changing as retailers create innovative new experiences for shoppers. And while the number of people working in retail is also falling, careers in retail are changing at pace with increasingly more digital and higher skilled jobs across the industry, with productivity growth at 5.1% outpacing the rest of the economy.

The industry is adapting to change and moving forward. With the right Government policies, retail will continue to grow its contribution to the UK economy, provide rewarding careers, and support communities across the country.

RECOMMENDATIONS AT A GLANCE

THE RETAIL INDUSTRY COMMITS TO:

- Growing the economy
- Building careers for the future
- Supporting communities

GOVERNMENT SHOULD WORK WITH THE INDUSTRY ON A STRATEGY THAT:

- Promotes investment in skills and productivity growth
 - Better coordinates public policy initiatives
 - Protects the UK single market
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RETAIL'S COMMITMENT TO THE UK

GROWING THE ECONOMY

Retail is one of the most competitive sectors in the UK economy. The World Economic Forum ranks UK retail third in the world for competitiveness and OFCOM ranks the UK number 1 in the world for online retail. The intense competition between retailers benefits consumers through lower prices, choice, quality and innovation – the hallmarks of true competition – and is driving productivity growth across the industry.

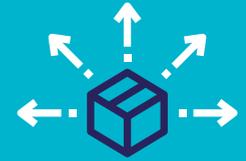
This investment in new technology – internet of things, machine learning, automation – will ensure that while profits may remain low on average, retail productivity will continue to outpace the rest of the economy. As a result, retail will provide better paid jobs, helping to raise living standards and support the UK's public services in the process. Investment in technology will transform the experience for the UK's shoppers and ensure UK plc remains at the forefront of retail innovation across the world.



RETAIL IS **5%**
OF THE UK
ECONOMY,
CONTRIBUTING
£98.4BN GVA



£381BN
RETAIL
SPENDING
BY 2024



RETAIL
PRODUCTIVITY
GROWTH **5.1%**
IN RETAIL VS
0.5% IN THE UK
AS A WHOLE
(2018)



IN 5 YEARS SHOP
PRICES (OR
PRICES ON SHOP
SHELVES) DOWN
5% OVERALL
CONSUMER
PRICES UP **8%**



IN 2018 RETAIL
INVESTED
£1.1BN IN NEW
TECHNOLOGY, UP
29% FROM 2017



£17BN
PAID IN
BUSINESS
TAXES



26% RISE IN
R&D SPENDING
TO **£1BN**
IN 2018



20% GROWTH
IN INVESTMENT IN
NEW TECHNOLOGY
IN 5 YEARS,
VS **5% GROWTH** IN
SALES OVER THE
SAME PERIOD



NET MARGIN
2.3% IN 2018 VS
4.4% IN 2012

BUILDING CAREERS FOR THE FUTURE

Retail is the UK's largest private sector employer, providing 3 million jobs across the country. The industry often gives people their first taste of the world of work, developing skills and confidence that people take with them throughout their careers. Many people work in retail for the flexibility it offers, allowing them to work around other commitments. For many more, retail offers a lifetime of progression and a rewarding, varied career. It is one of the few industries where the path from shop floor to boardroom is well worn and still open to colleagues. Traditional retail jobs will fall in the next few years, but there are already 100,000 people doing jobs in retail now that didn't exist ten years ago.

Upskilling and life-long learning will play a central part of the careers of the future in retail. Whilst technology and automation will reduce the number of traditional retailing jobs, the changes they bring also present an opportunity for the current workforce to retrain and for the industry to play a central role in training new employees in the future. Reform of apprenticeships funding to support apprentices of all ages and at all skill levels, as well as greater flexibility in the use of Apprenticeship Levy funds, will help positively towards the new and changing jobs that we are already seeing emerge in the industry. The jobs of the future will be better paid, with greater prospects for advancement, development and flexibility.



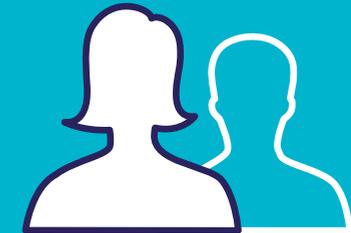
**1/4 OF JOBS HELD
BY UNDER 25s (2019)**



**58% HELD BY
WOMEN**



**2.3%
PAY GROWTH
IN 2017**



**9.1% MEDIAN GENDER
PAY GAP VS 17.9%
FOR UK AVERAGE**



**3.1 MILLION
JOBS**



**14% OF ALL APPRENTICESHIPS
ARE IN RETAIL**

SUPPORTING COMMUNITIES

Retail is at the heart of communities up and down the country and touches people's lives in a way few other industries can. Retailers provide vital services, including supporting less affluent areas, and are on the front line helping implement government policies and effect positive change through responsible business practices.

While retail's role on the high street is changing, the high street of the future will still depend on strong leadership and local partnerships between retailers and others working together to develop a high street's unique identity and a place where people choose to spend their time. There will be fewer stores, but shoppers will benefit from retailers' investment in new store formats that will provide world leading shopping experiences. And through initiatives like Better Retail, Better World the industry will play its part to meet some of the biggest challenges of the coming decades highlighted by the UN, including modern slavery & decent work, sustainable economic growth, climate change and responsible consumption and production.



BETWEEN 2016 - 2018
SCOTTISH RETAILERS RAISED
£41.1 MILLION FOR GOOD CAUSES



COLLECTED **£46BN**
IN VAT IN 2017



RETAILERS IN WALES
RAISED **£7.6M** FOR GOOD
CAUSES IN 2018



£2.25M FOR GOOD CAUSES
FROM THE PLASTIC BAG LEVY IN
SCOTLAND AND WALES IN 2018



REDUCED
CARBON EMISSIONS
IN 2018 BY **36%**



REFORMULATING
PRODUCTS TO REDUCE
SALT, SUGAR, AND FAT



CONTRIBUTED TO **2.9M** TONNES
REDUCTION IN FOOD & PACKAGING
WASTE, SAVING **8.1M** TONNES OF CO₂E



REDUCING SINGLE
USE PLASTICS AND
INCREASING RECYCLING

GOVERNMENT NEEDS TO PLAY ITS PART

OPPORTUNITY FOR REFORM

Brexit has dominated UK politics since the referendum and for retail this has been a period of increased cost and great uncertainty. Brexit has come while retail is in the middle of an unprecedented period of change. There is a golden opportunity for reform of UK domestic policy post-Brexit that Government should grasp, to create better conditions for investment and allow businesses to reach their full potential, particularly if current predictions for the public finances are borne out.

A RETAIL INDUSTRY STRATEGY

Retail is of major importance to the UK economy. The industry wants to collaborate with government to create a strategy that maximises its contribution to the economy, jobs and local communities. The strategy should focus on:

1. PROMOTING INVESTMENT IN SKILLS AND PRODUCTIVITY GROWTH

It is critical that the business taxation system is updated for the 21st century, with the broken business rates system requiring urgent attention. The rates burden on retailers is accelerating store closures, job losses and declining high streets and hindering the industry's ability to invest in the stores of the future and in new technology which will benefit UK shoppers.

Future retail jobs will be more flexible, better paid, higher skilled, and offer more opportunity for career progression. Retail productivity is growing faster than the rest of the economy, but we cannot rest on our laurels. Investment in new technologies has seen a new breed of retailer enter the market. This is why retailers have invested significantly in retraining colleagues for the digital economy with digital skills increasing across the industry. The BRC's own initiative, RethinkRetail, has sought to capture some of this progress.

Apprenticeships have been key to this effort, but the Apprenticeship Levy system cannot support the development of higher skilled, more productive retail jobs without significant reform. The ongoing review of the Levy needs to deliver a system that is fit for purpose – we need a system that is flexible and allows a broader range of training to be accessed and funded.



2. BETTER COORDINATION OF PUBLIC POLICY INITIATIVES

The retail industry is diverse and touches almost all Whitehall departments. Whether the debate is on climate change, health, or crime; there will almost always be an intersection with the industry. Retail has a strong track record of responding to public policy initiatives and playing its part, but the challenge for retailers is that they come from different government departments without consideration of their cumulative impact. Current policy initiatives that will have a significant impact on the industry include proposals under the Waste & Resources Strategy and the Childhood Obesity Strategy, as well as increases to the National Minimum Wage.



3. PROTECTING THE UK'S SINGLE MARKET

When the UK leaves the EU, it is set to herald a fresh chapter of devolution with substantial additional powers and responsibilities for the Scottish Parliament and the Assemblies in Wales and Northern Ireland. These new devolved flexibilities are positive, but will lead to a more diverse and complex public policy environment for retailers of scale – and their supply chains – to operate in.

Our concern is about ensuring that on key areas of relevance that there is the fullest possible alignment post-Brexit, with the UK and devolved administrations working together across the UK on a shared approach in order to minimise duplication and discrepancy for retailers.

Retailers operating across our four home nations benefit enormously from the existing and largely unfettered UK single market. It allows them to capitalise on the efficiencies derived from regulatory consistency and economies of scale which in turn reduces business costs, increases productivity, and ultimately keeps down prices and provides more choice for customers.





IN THE SHORT TERM, THE INDUSTRY NEEDS URGENT ACTION ON:

BREXIT, TO ENSURE A FAIR DEAL FOR CONSUMERS

TARIFF-FREE TRADE WITH EU PARTNERS AND OTHERS

FRICITIONLESS TRADE, BY MINIMISING NON-TARIFF BARRIERS (INCLUDING CUSTOMS ARRANGEMENTS AND REGULATIONS) AT OUR BORDERS

CERTAINTY FOR EU COLLEAGUES WORKING IN THE UK

CHILDHOOD OBESITY STRATEGY:

PROPORTIONATE AND EVIDENCE-BASED INTERVENTIONS ON PROMOTIONS AND MARKETING

BUSINESS RATES

ABOLISH 'DOWNWARDS TRANSITION' AND CENTRALLY FUND UPWARDS TRANSITIONAL RELIEF

FREEZE THE MULTIPLIER

INTRODUCE IMPROVEMENT RELIEF

REFORM THE VALUATION OFFICE AGENCY

WASTE & RESOURCES STRATEGY

IMPLEMENTATION OF A PROGRESSIVE STRATEGY AND LOOK AGAIN AT DEPOSIT RETURN SCHEME POLICY

SKILLS

ENSURE AVAILABILITY OF DELIVERABLE APPRENTICESHIPS AT ALL LEVELS AND AGE ENTRY POINTS.

ALLOW ACCESS TO LEVY FUNDS FOR ANY ACCREDITED TRAINING SUITING WORKFORCE NEEDS AND ESTABLISH OTHER FUNDING FOR TRAINING, SUCH AS THE NATIONAL RETRAINING SCHEME.

CREATE FLEXIBILITY TO THE 20% ASSESSMENT REQUIREMENT TO REDUCE THE COST OF BACKFILLING ROLES.

GIVE VOCATIONAL AND TECHNICAL QUALIFICATIONS EQUIVALENT RECOGNITION

CRIME

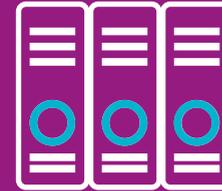
MAKE EXPLICIT REFERENCE TO RETAIL CRIME IN POLICE AND CRIME COMMISSIONERS' POLICE AND CRIME PLANS

BRING FORWARD LEGISLATION FOR THE PROTECTION OF SHOPWORKERS, AS HAS BEEN DONE IN SCOTLAND

RETAIL FACTS

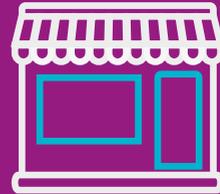


RETAIL IS **5%** OF THE ECONOMY, PAYS 10% OF ALL BUSINESS TAXES AND 25% OF ALL BUSINESS RATES – £7BN PER ANNUM

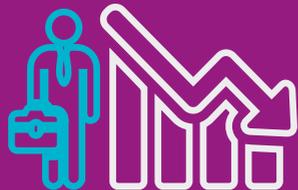


100% INCREASE IN CVAS (FROM 18 2017 TO 36 IN 2018)

3,200
NET STORE
CLOSURES IN 2018



125 RETAIL BUSINESSES
WENT INTO ADMINISTRATION
IN 2018



IN Q4 2018 RETAIL LOST
67,000
JOBS COMPARED
TO Q4 2017, A 2.1% DECLINE



10.3% OF BRITAIN'S HIGH
STREETS AND NEIGHBOURHOOD
SHOPS ARE SITTING EMPTY

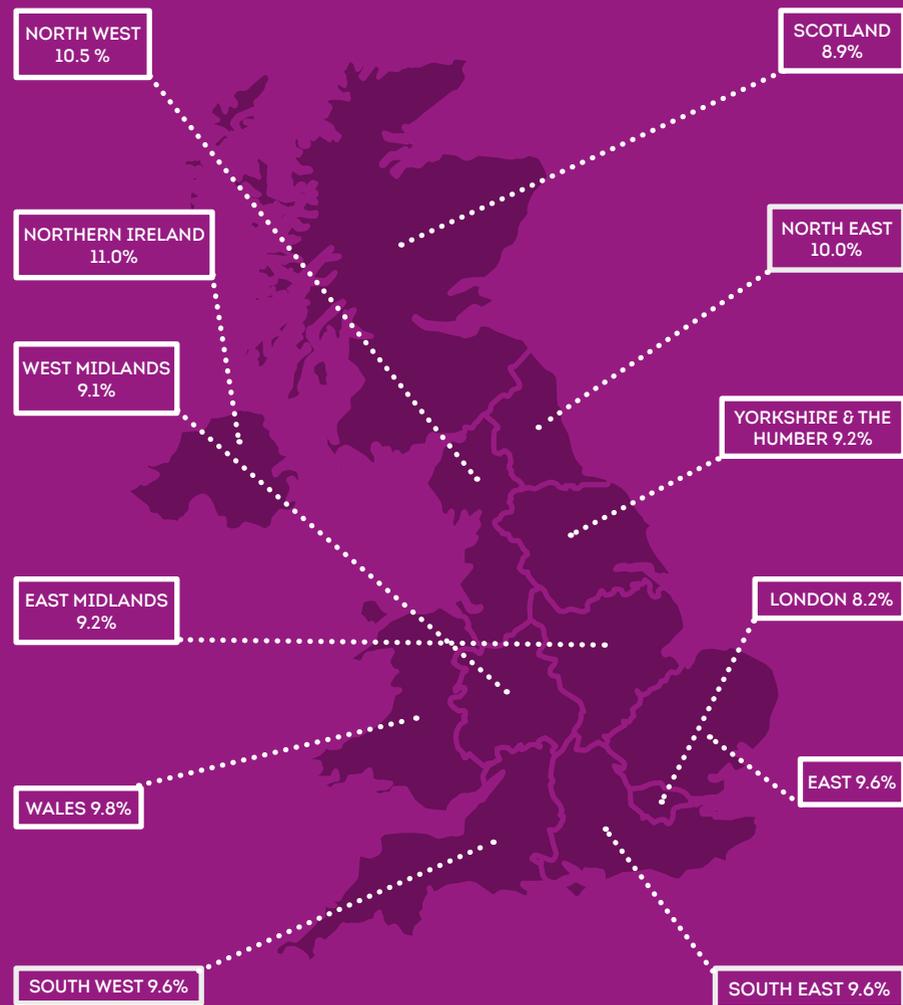
BUSINESS RATES
ACCOUNT FOR HALF OF
THE TOTAL TAX BILL OF
THE LARGEST RETAILERS



1/3RD HAVE BEEN VACANT
FOR AT LEAST TWO YEARS
AND MAY NEVER REOPEN



RETAIL JOBS AS A PROPORTION OF TOTAL EMPLOYMENT



The level of rounding applied varies by estimate. Please see article for further information on how rounding is applied [nomisweb.co.uk/articles/1103.aspx](https://www.nomisweb.co.uk/articles/1103.aspx)



THE BRITISH RETAIL CONSORTIUM

The BRC's purpose is to make a positive difference to the retail industry and the customers it serves, today and in the future.

Retail is an exciting, dynamic and diverse industry which is going through a period of profound change. Technology is transforming how people shop; costs are increasing; and growth in consumer spending is slow.

The BRC is committed to ensuring the industry thrives through this period of transformation. We tell the story of retail, work with our members to drive positive change and use our expertise and influence to create an economic and policy environment that enables retail businesses to thrive and consumers to benefit.

Our membership comprises over 5,000 businesses delivering £180bn of retail sales and employing over one and half million employees.



BRITISH RETAIL CONSORTIUM

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