



STATE OF THE ART

March 2016



EUROPEAN
PROGRAMME
FOR
SUSTAINABLE
URBAN
DEVELOPMENT



URBACT is a European exchange and learning programme promoting sustainable urban development. The URBACT Programme enables cities to work together to develop solutions to major urban challenges, reaffirming the key role they play in facing increasingly complex societal changes. URBACT helps cities to develop pragmatic solutions that are new and sustainable, and that integrate economic, social and environmental dimensions. The URBACT method enables cities to share good practices and lessons learned with all professionals involved in urban policy throughout Europe.

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I. PRESENTATION

The RetailLink Project

Today, medium-sized cities are challenged by rapidly evolving consumer trends and structural changes in the retail business sector. Larger neighbouring cities that provide a more diverse economic and cultural offer tend to attract people from the surrounding areas; their broader and more attractive retail offer in turn can have an impact on the retail sector on smaller towns unless the local retailers can come up with something different, unique and special to catch the interest of local residents and visitors.

URBACT helps European cities to develop solutions for their urban challenges by means of co-creating integrated and sustainable policies that demonstrate both innovation and the broad participation of local agents.

Aligned with the programme, then, the objective of the RetailLink project is to foster the revitalization of retail in the partner medium-sized cities*, positioning this sector as a key driver for local economic growth and job creation through the development of innovative retail strategies.

In order to do so, partner cities will develop Integrated Action Plans (IAP) that will incorporate the various dimensions of retail development including consumption trends, regulation, employment, urban planning, managing public spaces, mobility, cultural and creative industries and citizens' participation among others.

Because the present and upcoming challenges for cities today require efforts in acting beyond individual and top-down measures, RetailLink innovative proposal calls upon comprehensive bottom-up multi-stakeholder approach that brings together many different and relevant local retail agents in the URBACT Local Groups. ULGs will primarily comprise local public services, private business and real estate actors, cultural and creative sector entities and higher levels of government beyond the local Councils.

For the purpose of developing IAP solutions, the cities will create integrated urban policies, based on commonalities and shared goals, with long-term sustainability of the IAP initiatives in mind.

* The RetailLink project members are medium-sized cities and towns of between 40,000 and 150,000 inhabitants, although Functional Urban Areas and retail catchment areas tend to broaden their influence on much larger numbers of population, sometimes tripling them.



II. STATE OF THE ART

RetailLink's State of the Art frames the European retail industry from different perspectives to help envision anew the topic of retail revitalisation for medium-sized cities. It explains – despite the challenges – why retail is still highly relevant, if not vital, for a mid-size city's growth and its sustainable socio-economic fabric. But much more than this, it aims to provide a better understanding of the sector in order to give clues for public policy decision-makers who want to contribute to create an environment in the city in which retailers can thrive, compete, and innovate for the betterment of the city and its inhabitants.

The four sections consist of:

- 1. Facts & figures, featuring the dimensions of the European retail economic sector in the global context and within the EU internal market.**
- 2. Emerging trends in retail working as drivers of the sector deep changes and forthcoming developments.**
- 3. Regulatory aspects with regards to the local and national rules as well as the EU legal and programmatic guidelines.**

4. Relevance of retailing in medium-sized cities; new approaches to respond to the challenges posed by the new trends and opportunities opened for local economic development.

A section with preliminary conclusions summarises the framework for a successful retail strategy development in medium-sized cities, which requires good leadership and an integrated and stakeholder approach.

The information here is grounded on sector analysis, EU documents and Expert Group reports, private sector studies, as well as institutional documents and examples of good practices provided from RetailLink project partners or found in other European (and non-EU) country sources. Numerous studies and examples exist for the success stories and interactions between retailing and local economies in bigger cities. However, it is far more difficult to find examples when narrowing down the object of study to medium-sized cities. RetailLink's State of the Art therefore focuses on the realities and complexities of medium-sized cities and towns since they share common traits and challenges within the unavoidable bigger pictures of international commercial, financial, technological and socio-economic change.

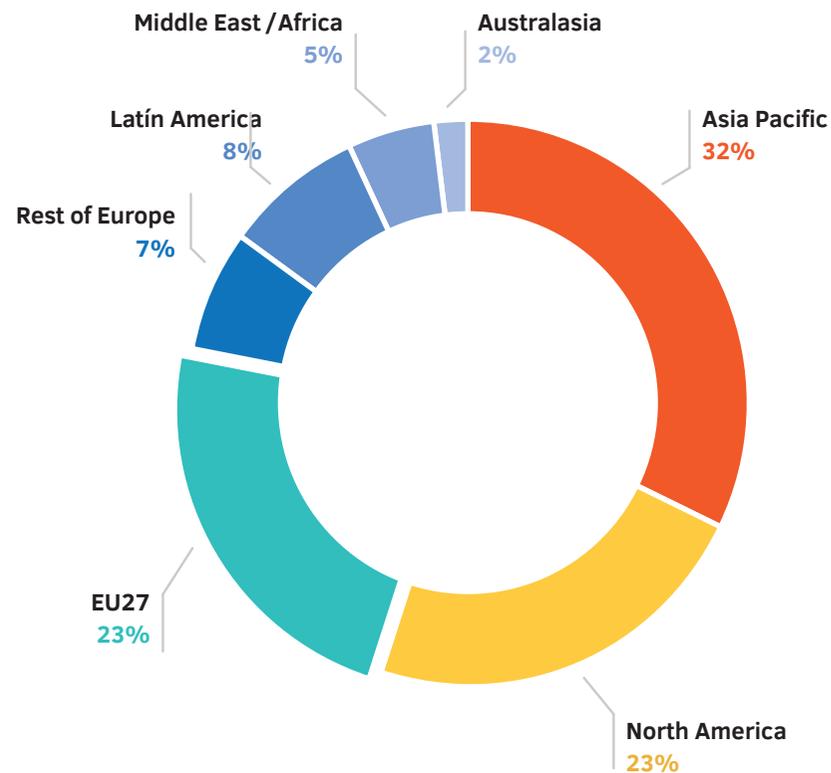
1. Facts and Figures: Snapshot of the European Retail Sector

Retail is no doubt a significant sector for the European economy. One half of global retailers are European. Retail sales in the EU-27 represented in 2012 23% of the world retail turnover, equivalent to the whole of North America's (US, Canada, Mexico).

Having a strong stimulating role in growth and job creation retail is the largest private economic sector within EU-28 in terms of number of companies and employment rates. Accounting for 4.2% of the total EU-28 GDP, it is a significant and diverse contributor to European economy with about EUR 451 billion in value added euros. 19 million Europeans are employed in retail and 16% of young people 15-24 years of age work in the retail sector.¹

Graphic 1. EU Global retail sales contribution. Global retail sales value 2012

Source: Reynolds, J. & Cuthberston, R., Oxford Institute for Retail Management. SAID Business School, University of Oxford, 2014



¹ Data from the Final Report of the Expert Group on Retail Sector Innovation, DG Research & Innovation, EC, 2013 and High Level Group on Retail Competitiveness, DG Internal Market, July 2015

Despite the economic downturn experienced by most of the European countries, retail is still a sector showing growth potential. At least 19 European countries are expected to create additional jobs in retail by 2025. From the one million new retail jobs, more than half will be created in Spain and Italy, these two countries leading the ranking.

UK, Germany, France, Italy and Spain dominate EU commerce. Eastern European countries, with an average of 11% increase in retail turnover, have taken different paths since the early 2000s when their commercial markets were relatively underdeveloped. Whereas markets in Estonia, Latvia, Slovakia and Slovenia have evolved in a way similar to the large business dominated Northern and Western Europe ones, Lithuania, Hungary and Romania have developed a commercial market populated by small, specialised companies.

**Map 1. Retail in Europe:
Different situation by Member State**

Source: Institut National de la Statistique et des Études Économiques found in Consultingeurope

- Markets of large dimensions
- Sharp growing markets
- Medium markets



As shown in the table on the right, the global EU-28 is expected to increase the employment level by 5.7% between 2013 and 2025.

Table 1. EU-28 medium-term employment forecast 2013 to 2025

Source: Cedefop (2014)
 Found in EU Skills Panorama.
 Analytical highlight focus on retail and distribution services

	Employment levels		% Change		2013-2015	
	2013	2025	2013-2025	Change in total employment (jobs created/ lost)	Replacement needs	Total number of job openings
Retailing	18,007,000	19,037,000	5.7	1,030,000	6,827,000	7,857,000
All sectors	223,763,000	231,241,000	3.3	7,598,000	96,623,000	104,221,000

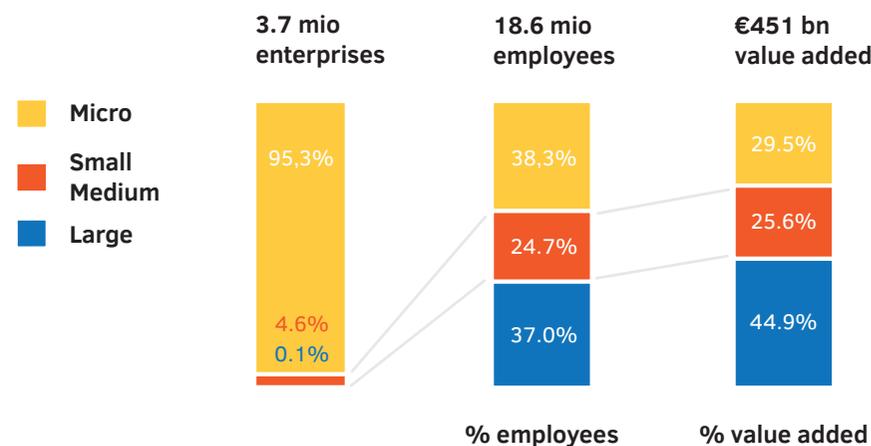
Looking at the business dimensions, retail SMEs represent nearly one in three European SMEs, which amounts to 3.7 million companies.² That translates into millions of shops operating in cities and close to costumers.

As it can be seen in Graphic 2, more than 95% of retail companies are micro businesses, employing less than 10 people. When we include SMEs, the share raises to 99% of the retail companies. Location still matters, it seems, but size is arguably tangential to capacity for adaptation and growth.

The digital economy – especially e-commerce - unavoidably impacts on retail sector developments. The European e-commerce accounts for 27% of worldwide sales (EUR 150 billion all global online retailing sales in 2014), being 7% the UK, 6% Germany and 5% France and Spain, while Italy and the Netherlands account for 1% respectively and the rest of the EU countries have less than 1%.

Graphic 2: Retailing's contribution by size of firm

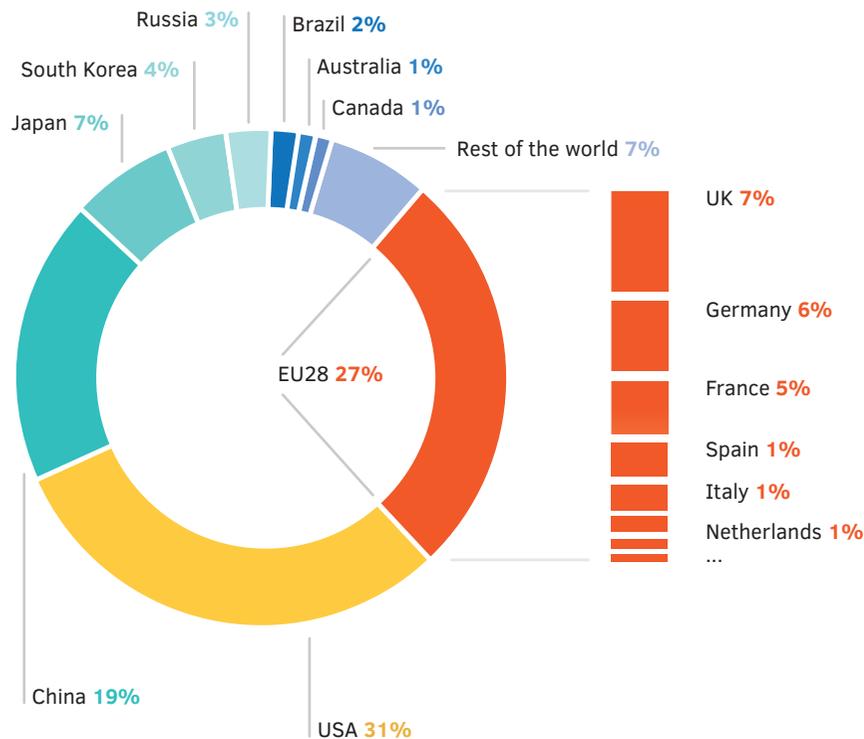
Source: Reynolds, J. and Cuthberston, R., Retail and wholesale: key sectors for the European economy. Understanding the role of retailing and wholesaling within the European Union. Oxford Institute for Retail Management. SAID Business School, University of Oxford. 2014



² Reynolds, J. & Cuthberston, R., Oxford Institute for Retail Management. SAID Business School, University of Oxford, 2014

Graphic 3. Estimated Internet retailing sales by country, 2014

Source: Reynolds, J. & Cuthberston, R., Oxford Institute for Retail Management. SAID Business School, University of Oxford, 2014



Ecommerce Europe estimates the share of the European Internet economy as 2.2% of its GDP, a percentage that is set to double by 2016 and to triple by 2020 (Ecommerce Europe, 2014, figures are for all European countries not only EU-28).³

Almost half of the European Internet users are e-shoppers and e-commerce increased by 20% yearly between 2009 and 2013. However, e-commerce currently still represents only 5% of total EU retail, which seems to indicate that there is still a great potential for growth (ICT usage and e-commerce in enterprises, Eurostat 2011).⁴ Countries with the highest online shares of their internal markets are the UK (15.2% forecast for 2015); Germany (11.6% in 2015); and France (8.0% in 2015).

Finally, the digitalization of the retail sector has significant implications for employment, both in terms of the total number of employees and the changing skills required. 2 out of 19 million European retail jobs come directly or indirectly from online retail. Medium-sized cities, therefore, should pay special attention, since upgrading and modernising the local retail sector will call for a new skills-building infrastructure and support system, altogether a potential source of new employment (Reynolds, J. & Cuthberston, University of Oxford, 2014).

³ European B2C E-commerce Report, Ecommerce Europe, 2014

⁴ Eurostat, ICT usage and e-commerce in enterprises, 2011

2. Emerging Trends: New and Outdated Retail Models

What follows is a brief explanation of the macro economic and social trends causing profound changes in the retail sector. It includes agents from both the global external context as well as developments inherent to the retail sector itself. These trends are captured in four areas:

2.1 The rapidly evolving global economic and social context and how the latest economic crisis and the demographic changes impact in retailing.

2.2 The changing retail business models that tend to increasingly concentrate in fewer brands addressed to a highly profiled customer and offering something beyond the mere action of buying.

2.3 The new digital and ICT tools as enablers of the new retail trends and developments.

2.4 The changes in the needs and preferences of consumers, leading to new customer-centred retail strategies.

2.1 The global context

As of this writing in 2015, on the one hand, there's been an apparent slowdown in many large economies, including China, Brazil, Russia (oil exporter) and the Eurozone due also in large part to austerity measures, falling credit markets and export-constraining regulations in countries like France and Italy. The ongoing conflict in Ukraine has also caused negative impact on the Russia-sensitive economies of Germany, Finland, Poland and the Baltic nations.

⁵ Global Powers of Retailing 2015. Embracing innovation. Annual Report, Deloitte, 2015

On the other hand, lower oil prices have led to reductions in energy prices. These lower energy prices have translated into increased purchasing power in energy consumer countries like Japan and India, which studies show can stimulate the retail industry (Annual Report, Deloitte, 2015. Global Powers of Retailing 2015).⁵

But in the EU, to a greater or lesser extent, all Member States have experienced the economic downturn that has ultimately impacted on the retail sector. A decline in consumers' purchasing power together with behavioural changes regards the very act of consuming itself has led to a moderation in household spending and shopping, and a subsequent decline in retail sales. What's more, the lack of credit flow as a consequence of economic stagnation has heavily impacted upon a sector that is significantly composed by a high rate of individual entrepreneurs and small companies, adding distress to an already difficult situation with repercussions outside the retail sector. Here's an example of the negative knock-on effect: the city of Hengelo, in the Netherlands, saw a steady decrease in retail employment, it also experienced a parallel steady rise in the number of vacant retail units from 2011 (53) to 2015 (70). No jobs, no retail units needed, no income, no business, no money earned by people to spend, leading to fewer jobs needed, and around and around.

Another global trend with relevance for European medium-sized cities' retail sector is the current demographic developments. Today Europeans are more numerous and are living longer, they are also more urban and diverse and what is more important, they are living differently, in smaller households increasingly consisting of a single person. Finally Europeans are becoming more educated, informed and technological. All this introduces new consumers' habits and demands, and has modified citizens' purchasing power and preferences. This is better explained in 2.4 below.

2.2. The new retail business models

During the 1980s and 1990s many medium-sized European cities adopted a retail model that consisted of the creation of out-of-town, large retail and leisure complexes. Displacing and fragmenting the traditional retail offer in cities, the implementation of this sub-urban model often altered the urban retail landscape with the result being that many cities saw both a sharp decline in commerce taking place in their city centres and the consequential increase in the number of vacant retail units due to the fact that small traders and service providers were forced to close down. Current local trends strongly indicate, however, that in many cities these very same shopping centres have also started to experience decay. Something's going wrong: new business models are needed.

The first disruption in the old model stems from the changing business models. Despite the apparent methodological differences between retailers and wholesalers, retail (selling for final consumption) and distribution are increasingly overlapping over time. The distinction between them, as well as their relation with manufacturing firms has become blurred since they are moving up and down the supply chain in real time together: retailers are gradually more producing and distributing their own products and wholesalers are moving closer to individual customers, particularly with the arrival of online shopping. Large brand specialization seems to be gaining ground in retail while the multi-brand distributors are progressively fading from view. Franchising has thus become the widespread business model, making it possible for the same brands to be found in each and every high street and commercial centre across Europe.

The second has to do with the friction between scale and personalization. This ties into issues about the overall, ownership structures and business models, and the different size firms and supply chains use. In brief, the driving factors transforming the sector's business models include the ICTs being applied to the sector, the search for efficiencies through economies of scale and the need for a differentiated profile before customers to be able to succeed to such scale without sacrificing the offer of the attractive "personalized" consumer experience.

The last involves the recent developments in retailing strategies, such as multichannel selling and the technological breakthroughs and the pressures for innovation. The nature of competition is changing within and between retailing formats. Competition has morphed from being about "choice" to being about "channel". Competition is not merely focused on the choice of products and prices but increasingly is on the shopping formats and channels, service levels, and experience offered. For example, customers enter physical shops to try on a pair of trousers but end up buying them online because they find better payment conditions through customer loyalty programs and discounts.

In terms of employment needs, the good news is that the retail sector shows a relatively good performance addressing the skills mismatch. In keeping with the scenarios of new retail business models, the range of skills needed go beyond mostly commercial skills but continues to grow with the development of new formats and channels, especially increased demand for e-skills.

2.3. Digitalization and ICT tools for integrated retail experience

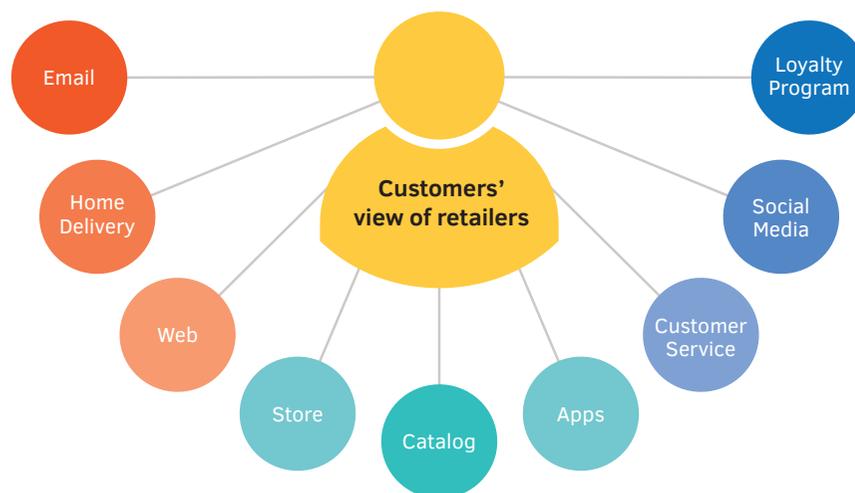
Here we highlight m-commerce, e-commerce, home-shopping and home delivery made possible by technology, which encompasses a wide range of self-service and personalized support. How Europeans access products and what they expect as benefits to their health and comfort by doing so are no doubt dynamics changing the retail landscape.

Indeed, ICT and digital tools allow an enhanced performance both in offer and on the demand side. E-commerce brings opportunities for greater efficiency since it transforms management, stimulates new business models and trading formats, and creates new jobs with new skill requirements. Consumers reap the benefits of greater convenience and price competition through loyalty marketing systems, mobile web sites and new payment platforms, which continue to transform the consumer's experience and the efficiency of retail businesses. (Annual Report, Deloitte, 2015).

However, digitalization is mostly adopted by big companies and new retail entrepreneurs. It challenges others, in particular family or traditional micro retail local businesses, whose owners are less savvy - or even interested - about new technologies, who find it difficult to adapt to a new world of rapidly changing tools and know-how.

Digitalization and ICT tools, including geolocation (position tracking for selected and personalised product and service offer), e-selling through PC or mobile and tablets, and new customer adapted services of delivering and collecting, contribute to a 24/7 shopping experience. The so-called omni or multichannel retailing strategies allow today's shoppers look for retailers that deliver a seamless brand experience on- and off-line. The current notion is that those retailers with the right balance of combined solutions: online, on street outlets, click and collect, mobile applications, e-solutions in shops, together with a great customer service will be the most successful (PriceWaterhouseCoopers Consumer Survey, February 2015).⁶

Graphic 4: Customers shopping options



⁶ Adapted from Total Retail 2015, Retailers and the Age of Disruption, PwC's Annual Global Total Retail Consumer Survey, February 2015

Some e-commerce facts:

1. Digital interactions today influence 36 cents of every dollar spent in the retail store, approximately US\$ 1.1 trillion
2. Digital shoppers purchase at a 40% higher rate in-store
3. 84% of digital shoppers reach for devices before or during store visits
4. 75% of consumers said product information found on social channels influenced their shopping behaviour and enhanced brand loyalty (Annual Report, Deloitte, 2015).

Retailers' multichannel strategies

Digital activities become further integrated into brick-and-mortar stores and many brands are opening physical shops in high streets. Apple and Burberry's have been leaders in creating experience-focused retail for many years, but today a wider range of brands, no longer luxury ones, are starting to experiment with new concepts, experience and storytelling. For example, Amazon announced the opening in November 2015 of its first physical bookstore in Seattle, near the University of Washington.

"The store helps drive traffic to the website" and the other way round, says Roger Wade, founder of Boxpark, a UK retailer selling local and global brands in pop up malls combining galleries, cafés and restaurants in an innovative and creative way. The objective is to facilitate the complete shopping experience. "You need to create good content, be able to drive good traffic to that content and then you've got to convert that traffic into sales. The principles are the same, whether you're online or in-person."

<http://www.theguardian.com/moo-partner-zone/2015/jun/17/physical-retail-role-brand-boxpark-roger-wade>

As part of the sector digitalization processes, Business Intelligence (BI) tools, applicable to many other areas domains help personalize communications to individual shoppers, i.e data mining is deeply changing the retail organisational process. In short, the extraction of intelligence from ‘big data’ helps to analyse consumer patterns and builds up consumer profiles. Information on sales, consumers’ preferences and inventory allows adapting and predicting new customers’ shopping preferences. Mobile retailing, faster retailing are part of this transformative use of BI tools.

2.4. Customers’ behaviours and expectations.

This fourth trend is probably the most important: the changing patterns of the consumer herself/himself - the ultimate agent that conditions the model for a retail strategy for the city.

First of all, as mentioned, demographic and social developments are changing today’s consumers’ habits and preferences.

Let’s look closer “how” in three areas:

a) Europeans are living longer and are increasingly concentrated in cities. While young people tend to move to bigger cities offering better training and job opportunities, medium-sized cities are normally the home for a higher proportion of retirees, and an older working population, with a higher share of school age children.

This directly impacts on consumer habits and shopping patterns, i.e elderly people typically slow consumption levels and purchase less while they also need small and close convenience shops (Retailing 2020, PWC 2012)⁷. That said, though, those caring for their grandchildren have new and additional shopping interests. In emerging economies, the ageing population is not so well off and may need financial support from relatives, which negatively affects the households’ overall capacity of spending.

In more advanced economies, though, a significant portion of families with children in medium-sized cities do enjoy a fairly good economic position, and this acts as an economic and retail driver.

Again, taking note of the example of grandparents: it is increasingly grandparents who pick the children in the schools in the afternoon. And it is they who spend time in the city’s public or leisure spaces, consuming entertainment and cultural goods, and shopping, too, for a whole new line of products and services. As for the younger adults, because of more and more smaller families, these consumers are demanding more simplicity and convenience in order to be able to spend more quality time for family and community concerns. In short - “take away” and “better use of energy” are “in” – “long lines” and “big refrigerators” are “out”.

b) Consumers are today better educated and more informed, as well as increasingly adept at using digital technologies: consumers are more expectant to get faster and easier access to information. What’s more, to a large extent both young people and adults are taking consumer decisions based on a new range of “green” and/or “sustainability-sensitive” attitudes. As a result, they reward businesses that demonstrate themselves to be more socially responsible and environment-conscious. Indeed, new consumer values and purchasing habits are associated with such profiles and have opened up exciting new market opportunities in retail. For instance, a growing share of consumers are in favour of proximity bio products. Paradoxically maybe, even though they use “faster” information tools, they prefer “slow” shopping options, new reuse-remake-recycle usage patterns and have a growing interest in product and service traceability.

A consequence of the mix of social changes and technological developments is the new customers’ expectations. As seen in the previous section, the disruptive effects of the digital economy on retail present immediate challenges to retail operations and profound, transformational impacts on customer purchasing behaviour. Customers show as much interest in the shopping experience as they do in the product itself.

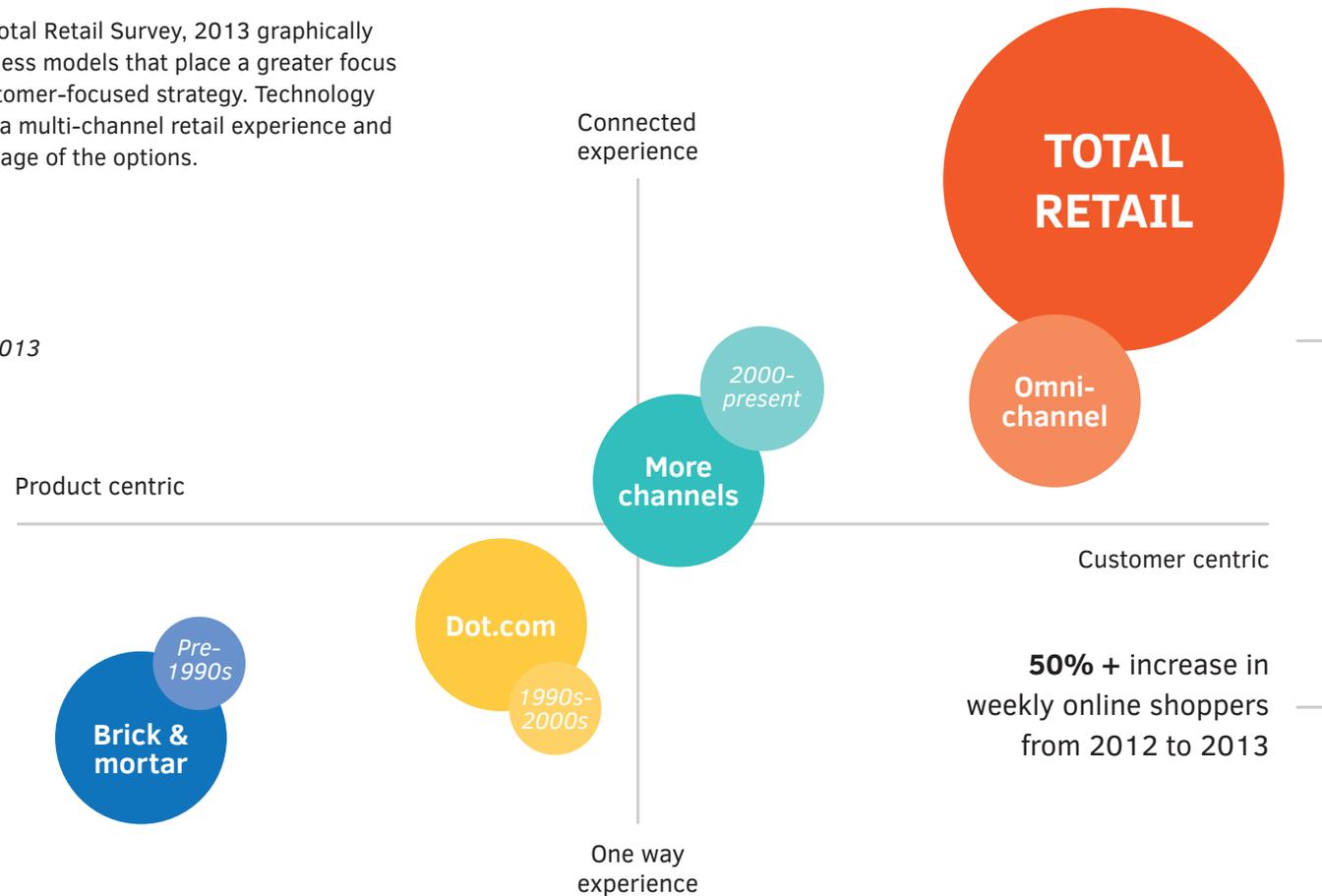
⁷ Retailing 2020, Winning in a polarized world, PriceWaterhouseCoopers and Kantar Retail, 2012

In this regard, the unique shopping experience offers not only an adequate product range and good price but also attractive customer service and an appealing atmosphere. Retailers are increasingly steering their marketing strategies towards a consumer-centric retailing and consumer-driven supply chain. The emerging role of personal shopper, for example, is an added value in a retail company that responds to these expectations (Retailing 2020, PWC 2012).

The figure below, from the PWC Global Total Retail Survey, 2013 graphically presents the evolution of the retail business models that place a greater focus on the consumer and an integrated, customer-focused strategy. Technology has taken off from a single-channel into a multi-channel retail experience and tech users have rapidly taken full advantage of the options.

Graphic 5: Evolution of retail models

Source: PwC Global Total Retail Survey 2013



3. Regulation, Policies and Programmes Relevant to Retail Revitalization in Medium-Sized Cities

This section frames the topic of retail revitalisation in medium-sized cities within the current European and national regulatory backgrounds and policies. Because retail revitalisation is influenced and touches upon a number of policies, the scope of RetailLink's approach lines up well with a number of policy areas that, planned and implemented at the local level, are also influenced and aligned with EU programmes and guidelines:

Going from the broader to the more specific regulation frameworks, RetailLink supports the **flagship initiatives of the EU2020** Smart, Sustainable and Inclusive Growth strategy, among them:

- The **Digital Agenda**, which proposes to better exploit the potential of ICTs to foster innovation, economic growth and progress - keys to growth in the private business retail sector;
- The **Innovation Union**. Innovation is to a large extent a shared responsibility of the private retail sector and of the local public powers who need to create innovation-friendly environments that bring about innovative ideas to generate economic growth and jobs;
- The **European Agenda for New Skills and Jobs** is relevant in that the emerging retail trends call for skills upgrading to match evolving employment needs;
- **Youth on the Move** is important because retail employs a significant number of young Europeans and new opportunities and greater stability in the retail labour market is required.

RetailLink also contributes to the EU2020 **Cohesion Policy Thematic Objectives** (TOs) in each of the partner cities. Specifically these:

TO3 Enhancing the **competitiveness of SMEs**, since the retail sector is dominated by small local retail businesses that will benefit from support in developing a more attractive offer and service.

TO2 Enhancing **access and use of ICT**. Retailers will be encouraged to combine the physical with the digital aspect of retail.

TO1 Strengthening **research, technological development and innovation**, mainly through proposing innovative approaches and policy solutions.

TO8 Promoting **employment and supporting labour mobility**. Efforts will be allocated to support strategies for skills development that match the local sector needs.

Finally, because retail is a business that mostly takes place in cities and its reactivation involves innovative policies and solutions at the local level, RetailLink falls within and complements work of the urban dimension of the Cohesion Policy, particularly Articles 7 and 8 of the ERDF on Integrated and Sustainable Urban Policies and on Urban Innovative Actions, respectively.

Strictly concerning the retail sector, the European Single Market is the broader framework while the [European Retail Action Plan](http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52013DC0036) (<http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52013DC0036>), approved in January 2013 (ERAP, DG Internal Market, 30.1.2013) responds to the goal of achieving a single market in retail and addresses the key obstacles that prevent the smooth functioning of the EU retail sector. It focuses on liberalisation, easing legal and regulatory obstacles, harmonizing the tax system, fostering freedom of establishment and of goods movement.

As an umbrella document, the Action Plan lays down the principles and working lines for the coming years, but falls short in addressing the specific situation and actions required for the revitalisation of the sector in the lower scale of policy making in the context of cities.

Within each member state, regulation is distributed at higher or lower government levels and differs from one country to another. On fiscal aspects for example, the business activity tax, is generally a direct tax income for the city, however differences appear with regards to the shares and collection procedures, i.e. whether these are locally collected and transferred to the central government in some countries, or collected as municipal income in others. Local tax management as well as the level of decentralisation can greatly influence any room for manoeuvre by local governments towards re-energizing the retail sector.

Then, there are other non-tax applicable rules that have a say. These are commonly decided at the national and local levels and include urban planning and regulation: opening hours, areas of location, type of retail unit in different city areas, land use, etc. Particularly sensitive is the issue regarding the municipal approval of retail developments in out-of-town locations, which is a EU-wide controversial issue that confronts liberalisation with local sensitivities about market balances.

As an example, the EU Working Time Directive and national regulations concerning Sunday trading, for example, is decided within each Member State. We have seen a trend to decentralise decision in many countries to the regional level (which is the case for Catalonia, Spain) or local level (as it happens in the UK.)

UK Councils to rule on Sunday trade

Local councils in England and Wales were given new powers to relax Sunday trading laws for high street stores to allow them to compete with large out-of-town shopping centres and online retailers. Under government plans to allow high streets to “grow and thrive”, councils will be given powers to zone areas where Sunday trading laws could be relaxed. The changes would mean that a local council could declare that shops on a designated high street could be allowed to operate under more relaxed hours while out-of-town shopping centres with fewer local ties could face restrictions.

The Guardian, 4th August 2015: <http://goo.gl/9xZpPH>

Training and occupational programs, business and retail incubators, regulation on mobility or incentivising entrepreneurship are in general terms competences that city councils can approve and implement as part of their urban development policies to reinvigorate the sector.

Again, in the UK for example, some local councils will give up to £1,500 (EUR 1,930€) off business rates to occupy a retail property with a rateable value below £50,000 (EUR 64,300). To be eligible, the property must mainly be used as a shop, restaurant, cafe or drinking establishment. Also empty properties re-occupation relief is of 50% off the business rates to start occupying a retail premises that has been empty for one year or more.

<https://goo.gl/Snu7dB>.

Finally, there are some EU Directives on matters such as waste management, environmental performance, or ethical standards of production that need to be heeded by retailers regardless of the scale they work on because the Directives are about retailers' responsibilities. Particularly relevant are the EU Directives on environment, such as the Waste Electrical and Electronic Equipment Directive; on health, with the EU Health and Safety Directives for certain occupations, and consumer protection.

Providing policy recommendations, market analysis, sector expertise and opinions - as well as lobbying and advocacy influence - are numerous pan-European institutional bodies and associations on behalf of the retail industry. Among these are:

- **EuroCommerce**, which advocates for EU legislation and policies on behalf of retail, wholesale and other trading companies' interests. Members include national commerce federations in 31 countries, Europe's 27 leading retail and wholesale companies, and federations representing specific sectors of commerce;

- **Independent Retail Europe** is the European association that acts as an umbrella organisation for groups of independent retailers in the food and non-food sectors. Its members include groups of independent retailers, associations representing groups of independent retailers and wider service organisations built to support them;

- **The European Retail Round Table (ERRT)** brings together the CEOs of Europe's leading international retail companies. The Round Table is active in a variety of retail markets, including food, furniture, fashion, and electronics, amongst others. Each retailer involved has both physical stores as well as multichannel operations in Europe.

- **National Chambers of Commerce.**

Other networks such as RENET INTERREG project dealt with retail revitalisation in the regions of the Baltic Sea. Its areas of work involved: associations for skills training, city centres revitalisation plans, different layers of government collaboration, tourism promotion. Its Final Report presents examples of each region's plans to be implemented.

4. New Approaches to Retailing as Opportunities for Medium-Sized Cities

This section presents an initial range of topics selected to be part of the RetailLink project's scope of work; these are acknowledged as key opportunities and consequently priority policy areas to address. Our RetailLink network of partners includes cities from different European regions and economic and policy backgrounds, thus the network will be able to provide evidence-based solutions from diverse perspectives and approaches. The contents embed examples of the good practices from the cities in our core partnership as well as those found from other cities and networks on the topic of retail, especially as they pertain to retail revitalization and our partnership's similar city dimensions.

4.1 Foreword on medium-sized cities

Small and Medium-Sized Cities (SMUAs) in the EU receive multiple definitions and EU member states use different methods of defining cities and towns within the hierarchies of urban areas according to population size, density, functional roles and historic status.

The Riga Declaration (<https://goo.gl/bVxlhp>) Towards the EU Urban Agenda⁸ recognises the significant role and potential for balanced territorial development of the small and medium-sized urban areas (see Annex I of the Declaration). In terms of inhabitants, 89% of EU cities have between 20,000 and 100,000 inhabitants; however, small and medium-sized cities are underrepresented in both policy and research, which tend to focus more on capital cities, second tier cities, and metropolitan areas.

Medium-sized cities face similar challenges as their larger neighbours, but due to the limited size of their economies and human capital, and less connectivity, they face these challenges with greater difficulty. Larger urban centres may at first glance look more attractive because they offer:

- Wider choice of services;
- An attractive cultural and leisure offer;
- A public transport network with smooth connections;
- More job opportunities;
- A fuller range of shopping options.

But medium-sized urban actors demonstrate strong advantages, too: they have higher economic performance despite lower population growth, lower unemployment rates compared to larger urban areas, as well as more affordable housing.⁹

4.2 Medium-sized cities and retail: Interactions and multiplier effects

Being highly internationalised, the retail sector is subject to the same kinds of major global changes and trends affecting cities in general. In times of economic downturn, most European cities have experienced a heavy decline of the retail sector resulting in vacant buildings, loss of footfall and fewer job opportunities. This is particularly evident in medium-sized cities, which need to now rethink their local retail models in order to provide a more attractive shopping experience.

⁸ Declaration of Ministers towards the EU Urban Agenda Riga, 10 June 2015, https://eu2015.lv/images/news/2015_06_10_EUurbanDeclaration.pdf

⁹ Challenges of Small and Medium-Sized Urban Areas (SMUAs), their economic growth potential and impact on territorial development in the European Union and Latvia. Research report to support the Latvian EU Presidency 2015. Social, Economic and Humanities Research Institute (HESPI) of Vidzeme University of Applied Sciences, Latvia & European Urban Knowledge Network EGTC, The Hague, Netherlands.

Indeed, such are the facts that a) the economic and social development of the European cities is so closely intertwined with the changes that retail sector is currently undergoing; b) retail is recognized as a key link in the overall economic and social development of a city, and c) retail is the closest sector to citizens and consumers in the value chain, mean cities that blend suitable diversified retail and the wellbeing of their residents can prevent their populations from leaving for bigger cities: ¹⁰

- The retail activity creates business, value added and jobs (direct, indirect and induced) that weigh heavily in the national and local economies. While it is difficult to calculate an exact multiplier effect, one in four jobs are estimated to be dependent upon retail and wholesale sectors. ¹¹

- Retail is also a source of direct income, through taxes in different regulatory rubrics. Local direct tax income may vary from one country to another and can be on property, sales, business activity or employee taxes, these being the most common.

- The retail sector is a strong leverage both upstream and downstream within the value chain, as the sector helps drive consumer demand for other firms' products and services. The sector creates spill-over effects in other local activities such as bars and restaurants.

- Finally, a retail district benefits from a programme of culture and leisure activities. Besides, parades, festivals, and open air activities create a sense of place and identity for a community and thus business owners are more likely to buy in and create a sense of ownership.

¹⁰ Final Report from the Expert Group on Retail Sector Innovation. DG Research & Innovation, EC, 2013

¹¹ European retailers contributed to an estimated €69.5 billion in labour, profit and other direct taxes in 2010, this is around 6% total tax intake of the European business economy covering industry, construction and service. Retail paid a further estimated €518 billion in Value Added Tax (VAT) to European governments in 2010. From: Reynolds, J. and Cuthberston, R., Oxford 2014.

Retail and public and business activity mutually reinforce

According to the authors of Delivering Change: Putting city centres at the heart of local economy, (www.centreforcities.org) sluggish retail is a symptom of a poorly performing city centre economy, not a cause. Those cities that have seen a weakening of their city centre economies pull fewer and fewer workers into their city centres. This reduces footfall, and subsequently the market that city centre retailers can sell to. Employment created in retail areas, in any type of sector activity pulls people in, thus increasing footfall and creating a valued added market for retailers and restaurants to sell to.

If politicians are to therefore ensure cities have strong and vibrant high streets, their aim should be to create policies that strengthen the city centre economy as a whole, rather than focus too narrowly on retail.

As an example, Coventry City Council (UK) will relocate in late 2016 to the new Friargate development in the city centre, a mixed-use business district adjacent to the railway station. The movement of council staff into the city centre is intended to be a catalyst for the movement of other businesses into the same district. Other blue-chip tenants are now following the Council's lead. The total economic impact is as yet unknown but the development as a whole is intended to bring 13,400 new office jobs into Coventry.

4.3 Retailing as part of the city strategy

Broad planning strategies such as urban regeneration policies or economic development through business improvement areas are instruments that help create the initial conditions to facilitate retail revitalization in the city or a given district. But a retail strategy alone will hardly succeed without a comprehensive public policy approach that mobilises a variety of public and private stakeholders.

Urban planning is mostly a public policy led by the local authorities. The BID format, for example, involves private and public stakeholders and can be used as a potential enabling body in a particular location given that it offers a proven means of bringing local business interests and the local authority together to consider strategic changes for the town. Equally, the Development Corporation concept has been successfully used to deliver regeneration in many locations, and, typically, has had the advantage of having its own planning powers (KPMG, 2015).¹²

Business Improvement Districts: Local development and management tools

The cities of Basingstoke and Hengelo, both partners of the RetailLink project from the initial phase have created or are in the process of approving a Business Improvement District. This special purpose public-private partnership vehicle generates a strategic view for the city or a specific district and the economic resources to support broad economic development plans and solutions, which among others, includes the retail sector, although it is not specifically created for it.

Although the scope of work varies from one country to another, depending on the regulation framework of the local governments, these platforms seek a joint business and networking strategy for development; promoting cooperation in a number of topics ranging from managing joint waste services; shared digital solutions; coaching and advisory support to business; and, programme support for cultural and art events that keep the city streets lively.

The RetailLink project well knows there is no single work approach that will solve the many challenges of revitalising the retail sector in cities. It does, though, recognize that a smart interlinking of different views, interests and expertise in retail and adjacent areas will help enable the design of a comprehensive and successful strategy for the city's retail sector. The core issues in 4.4 are identified as critical.

4.4 Consumer-focused retail

The City and the retail stakeholders must understand and acknowledge customers' new habits of consumption and preferences. Differing age ranges in retail districts, the potential local retail attraction, the tourism factor, etc. all may require adapting the typology of shops to the residents' and visitors' interests so as to be able to obtain a more appropriate retail mix that can provide the right product for the right consumer, in the right way, at the right price.

Consumers require the most optimum mix of product and service offer. Some consumers shop online, others use the car for the weekly supermarket buying, and others simply buy across the street in their neighbourhood. Interesting, too, is the sea change in values, as seen in the profile of more informed and technological consumers, as well as the trends towards more responsible attitudes and values (limiting consumption, re-using, environmental and social concerns). Consumers are indeed more environmentally and socially concerned. And because consumers are better educated and better connected, they are likewise empowered to ask for greater accountability from those they buy from. Where did commodity X come from? At what environmental and social costs? Who else locally is benefitting, who else is not?

In such a context, retailers must be aware of motivations behind behaviours and be ready to meet consumer requirements. And local policies need to be more sensitive to social and environmental demands while making sure that the local retail offer has the adequate and balanced offer of supermarkets, convenience shops, grocery stores, DIY, etc.

4.5 Urban planning and mobility

Urban planning and mobility issues have often taken the lead in the ranking of priorities to address retail problems in cities. Urban improvement of a shopping district may include refurbishing city-centre public spaces, rehabilitating buildings, enabling parking areas and public transport near retail districts, street lighting, making pedestrian-only streets and promoting meeting places, among others.

¹² Hope for the High Street. A new model for delivering change, KPMG, 2015, <https://goo.gl/RG5uvE>

With respect to the regulation aspects that the local Councils can manage and adapt towards shaping a local retail model we find opening days and hours, the use of empty buildings, local taxes or land uses. Regulations that fall short in responding to retail innovation and new proposals may negatively impact in stimulating retail activity.

The following, from the Joseph Rowntree publication, clearly sums up the success factors in commercial urban planning: these include - a) ensuring the match between market needs and adequate retail spaces; and, b) providing shop units of appropriate sizes, ranging from big superstores to market stalls and small retail units, which will benefit from marketing advice and business support. On the contrary, the negative impact factors include c) constructing ring roads; d) creating pedestrian only zones with parking in remote lots; e) relocating municipal functions away from retail districts; f), removing street-side parking, and g) creating one-way streets.¹³

One priority focus for a number of cities today, which is both cause and consequence of retail districts image deterioration, is the number of vacant units. Addressing this topic will help to better regulate retail establishments to foster competition while achieving public objectives. Some good practices on the temporary use of vacancies include cultural and civic uses as well as allocation of local stores with subsidised rents or retail incubators with both training and for-profit purposes. Overall, the joint assessment of the number, uses and eligibility of empty units have proven successful in optimizing allocation. Below are two examples of local vacancies' management initiatives:

Temporary Use as a Tool for Urban Regeneration (TUTUR). URBACT II Transfer Network Project

The objective of the TUTUR project is to introduce the method of temporary use in urban regeneration. In this URBACT II transfer network, the City of Bremen demonstrated opportunistic understanding about the new demand coming from the neighbourhoods. The policy undertaken integrates itself in an already rich contest of instruments managing urban transformations in the city, among them actions in different areas summed up in following points:

- Soft urban policy provoking transformation in under-used or abandoned areas;
- Cross cutting other planning instruments, building synergies based on specific projects;
- Promotion of socio-economic and cultural instances within the city, which could not arise in normal free market rules;
- Structuring and initiating urban transformations in looking for a balance between bottom up instances and the inputs coming from real estate, economy and political actors.

<http://urbact.eu/tutur>

¹³ Retailing, sustainability and neighbourhood regeneration. The Joseph Rowntree Foundation, posted 9 October 2001, <https://www.jrf.org.uk/report/retailing-sustainability-and-neighbourhood-regeneration>

Igualada's promotion of retail uses of city centre vacant units

Igualada City Council is promoting the use of vacant units in the city centre by supporting the opening of new stores. To this end, the local authority has reached an agreement with the owners of vacant retail units whereby the City Council pays the rent for a three-year period. In this case, it was the local authority who established the public tender to promote the creation of distinctive activities such as cultural, artistic, handicraft and proximity retail offer. These new activities and stores have generated a pull effect, attracting new retailers to the area. In the first phase, 5 vacant units were offered. <http://espaisdelcentre.cat/projecte/>

4.6 Business models and employment opportunities in retailing

The picture of the retail mix in medium-sized cities is usually one of concentration of big-box retail parks, with easy-access for cars, in the city's outskirts. This approach has polarised the sector, diverting both workforce and footfall from the city centre. As we saw earlier, new retail business approaches can help change this picture. The mix might include offering more prestigious and selected high street retail with local products combined with global brands and a variety of shopping and leisure options that all go towards reconfiguring the local shopping experience. On top of this, convenience retailers, street markets, and grocery shops in neighbourhoods should allow residents easy access to daily basic goods.

Harmonisation and connection of different local retail areas that are often competitors in the same city has also become a priority in many cities. Win-win situations are possible not only within a city but across cities in the same region (see 4.7 below). Cities need to find their own balance of retail typology and significance: independent retailers, chain stores, pop-up shops, outlets...

This will of course require long-term approaches and policies, and it is here where sector regulation can play a leading role in defining a retail model for the city. One that complements and differentiates individual shopping centres in the city and those in relation to other peer or bigger neighbouring cities. One that safeguards the interests of the various actors while contributing to make the city attractive for both locals and visitors.

Liverpool One: a success story with a flip side

Liverpool One is a retail-led regeneration project in Liverpool (UK) spread over 42 acres of prime real estate, in a very bright glass building with 165 shops, 500 apartments, two hotels, 25 restaurants, offices and a 14-screen cinema.

This city-centred commercial area was designed to bring new life to the city and has been successful in bringing crowds of people to the new socially vibrant and economically successful retail, leisure and mixed-use quarter. After the opening of Liverpool One 43.000 extra shoppers flowed into the city. However, this was made possible by drawing in people and businesses from the surrounding areas. There is little evidence of whether new retail development created new employment, or merely relocated it. Projects like Liverpool One seem not so much to create wealth as to concentrate it.

Some lessons to learn from Liverpool One: the number of newly created jobs or investment brought in should be compared to statistics of investment and jobs displaced from other city districts and other towns in the area.

Although large retail traders have been the main beneficiaries of exploiting economies of scale for increasing productivity and offering lower prices, the backbone of Europe's retail business, representing over 95% are the self-employed and microenterprises (SUDOE INTERREG Project, Valencia).¹⁴ That is why the local public policies should consider offering a programme of specific business support schemes for local retail, so as to bolster economic growth and employment. Such programmes would provide easier access to investment capital, professional advice for entrepreneurs, support for innovative initiatives and the use of ICT, plus skills development opportunities (REINPO RETAIL INTERREG project).¹⁵

In the skills development topic, it is increasingly evident that the offer and type of skills required are continuously changing, in particular due to the information technology. Managing and manipulating information (e.g., for rumour control), brand management e-blogs, e-newsletters, social media marketing and other forms of content to attract customers will need to develop a host of new skills, tools, and communication modes, both nimble and innovative. Moreover, increasingly integrated retail and distribution services require borrowing professionals from other areas, such as e-merchandisers, IT developers, graphic designers, web analysts and technical project managers (EU Skills Panorama, 2014).¹⁶

Gaining retail and entrepreneurial skills in Basingstoke

Basingstoke offers students of the local Technology College the opportunity to experience and embed skills in retail by making available a real space to work and try out new retail ideas. The Council provides a shop rent-free for a young entrepreneur over a period of two years to open a retail business where students can develop entrepreneurial skills.

¹⁴ SUDOE Interreg Valencia <http://4.interreg-sudoe.eu/ESP/f/109/44/Bolsa-de-Proyectos/Bolsa-de-Proyectos/I>

¹⁵ According to the conclusions of the INTERREG project REINPO RETAIL, <http://www.reinpoetail.eu/project.php>.

¹⁶ EU Skills Panorama (2014) Retail and distribution services. Analytical Highlight, prepared by ICF GHK and Cedefop for the European Commission.

Skills training on retail focused curricula

The INTERREG project of RENET offers some examples of setting up a training and Qualification Curricula for local shop-owners and employees in the town centres of Forshaga, Grums, Kristinehamn, Hammarö and Molkom <http://www.bsrinterreg.net/programm/project.php?id=10543&start=80>

A final word on work conditions to highlight the recruitment difficulties common in a number of countries, especially for shop sales assistants, reflecting both demand for these roles and high staff turnover. There is some reluctance of people with the necessary skills to enter these occupations for a number of different reasons, especially pay, shift work, unfavourable social hours, and work-life balance problems.

4.7 City positioning and innovative approaches

Throughout this paper we have affirmed that cities need to ensure their attractiveness for both retailers and consumers. Positioning the city in the regional context as a place to visit and with a unique and innovative retail offer can attract the public, prestigious brands, as well as investment from related sectors. Part of the city's own local and regional promotion should therefore be to develop marketing strategies in collaboration with the retail sector to make such an integrated and innovative case.

Innovative approaches to stimulate the retail sector are many and growing in creativity: these range from attractive cultural offers centred around the retail sector, coordinating street activities, races, competitions, kid extravaganzas with retail opening hours; district digitalization services that offer information and virtually-guided tours through the district's retail offer; attractions and public events that involve community, art, concerts and sports activities. Specific solutions for retail, such as open WiFi and geo-location can be enabled in agreement with the retail sector. The possibilities for innovation are high.

Luxembourg: municipal WiFi

The city of Luxembourg's HotCity scheme was launched in July 2007 with the primary intention of providing a platform for public services that would integrate workers and residents. By 2012, it covered 75 per cent of the city. It was initially free, but two payment tiers were later introduced. Access to the open internet requires a paid subscription but public utility services, such as bus schedules, finding parking spaces, weather, municipal bike rentals, hotels and shopping are provided free through an application, which results in greater usage and efficiency of public services that saves the city money. The service provides an advertising service for local businesses and also makes it easier for users to find services and retail units.

www.centreforcities.org

The best shopping districts, lively and with plenty of customers, combine retail provision with a range of community, cultural and creative activities. The social and cultural focus reinforces the leisure and experiential side of retailing while developing a sense of place, which underpins the retail vitality. Moreover, promoting cultural activity and creative industries generates spill-over effects.

Igualada Pop Up Stores Rec.0

REC.0 Experimental Stores is an event that has revolutionized the retail concept bringing together fashion, culture, music, gastronomy and the temporary transformation of an industrial area. Over 4 days twice a year, old tannery buildings are transformed into pop-up stores where international and local brands and designers offer their products with special discounts.

The offer of the ephemeral fashion stores is complemented by concerts, exhibitions, workshops and a concentration of street food vendors all along the route. <http://www.rec0.com/es/>

In terms of economic impact, 8 days of REC.0 attracted more than 117.000 visitors in 2014 (between the summer and the winter editions) and 66% of these visitors came from outside Igualada's area. Pop-up stores taking part in the event registered a total turnover of 7.5 M€. As a by-product of the event, local retailers and restaurants have benefitted from the large number of visitors to the city and the intangible benefits in terms of city branding is invaluable.

The City Council together with the retail associations are promoting the involvement of the traditional stores in the so-called initiative Igualada Slow Shopping consisting of an itinerary through the city where retailers and restaurants offer special promotions and organize in-store activities to attract public initially enticed by the REC.0 festival.

<http://www.rec0.com/igualada-slow-shopping/>

Conclusions

The new retail market trends call for new solutions and approaches. Medium-sized cities need to develop local plans that respond to customers' needs, preferences and expectations as well as to the rapid and profound disruptions that the retail business sector is exposed to. Retail strategies need to bring innovative ideas to respond to these challenges.

Medium-sized cities who want to foster economic development placing retail as a central factor will need to create and embed a local plan within the broader local development strategy. Urban development, economic promotion and retail strategy need each other, and can only succeed if they agree on a broad mid- or long-term vision.

Short-term aspirations and small and scattered projects, with a lack of vision, and lack of consensus on future aspirations, ignoring the need to achieve economic, social and environmental objectives simultaneously will most likely lead to failure in achieving sustainable solutions.

To begin with, the local plan will require a detailed study of the political and economic context of the city and the retail district, current global and local retail trends in the city and a measured knowledge of the residents and visitors habits and preferences. Only by clarifying the starting point and the measurement indicators will it be possible to understand the real impact of the local plan on retail.

Instrumental in fostering new local policies and governance and facilitating new solutions will be, among others, special partnership vehicles with public-private stakeholders, participative processes in planning and decision-making and strong leadership. Cities need to lead the process where retail stakeholders sit down together to agree on a strategy which brings opportunities for local retailers and which benefits local consumers, local producers and land owners altogether. The task is for both the private and the public sector but primarily it will rely on the smart combination of joined forces, expertise and the stakeholders' collective will.

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