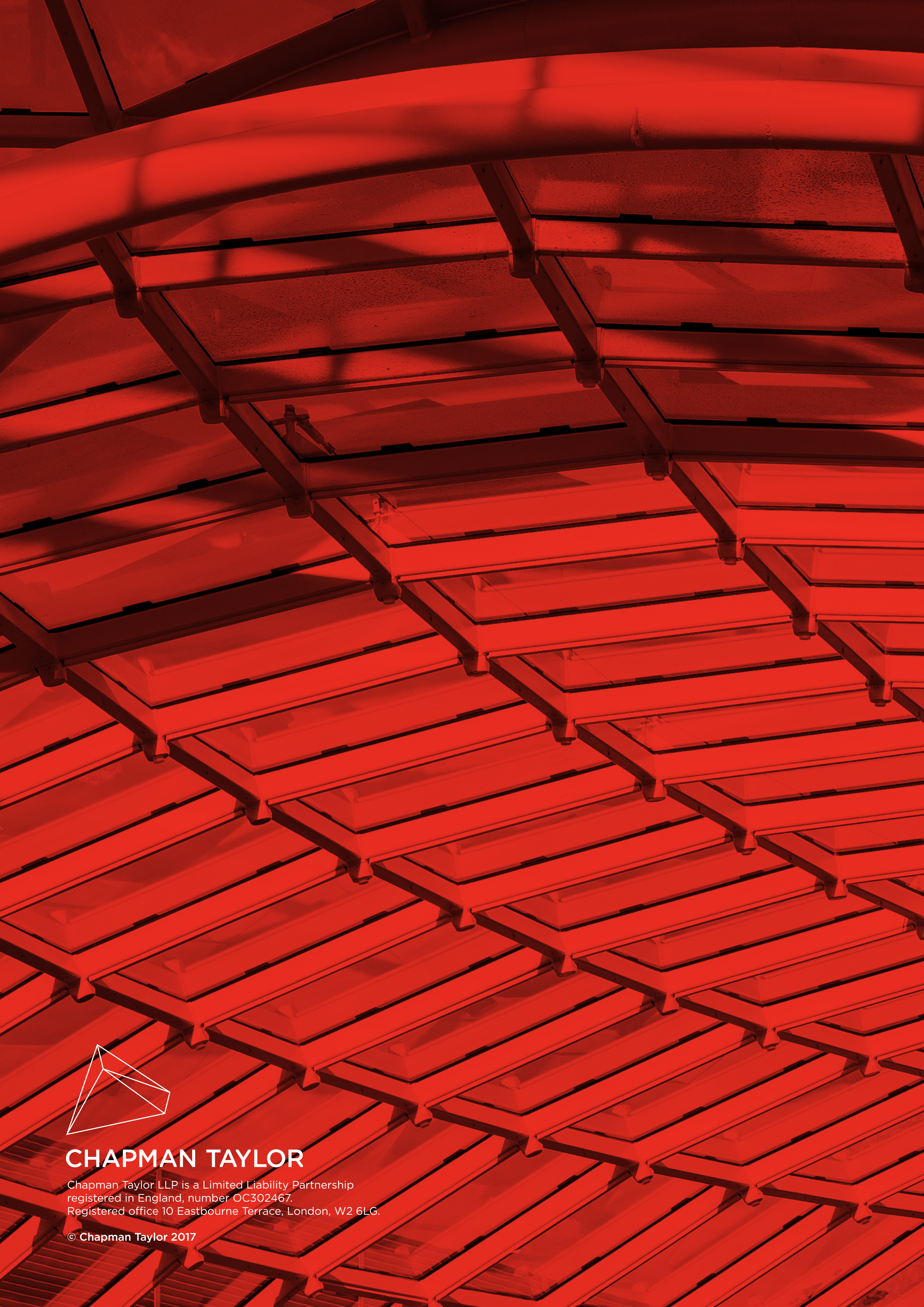
Insights:

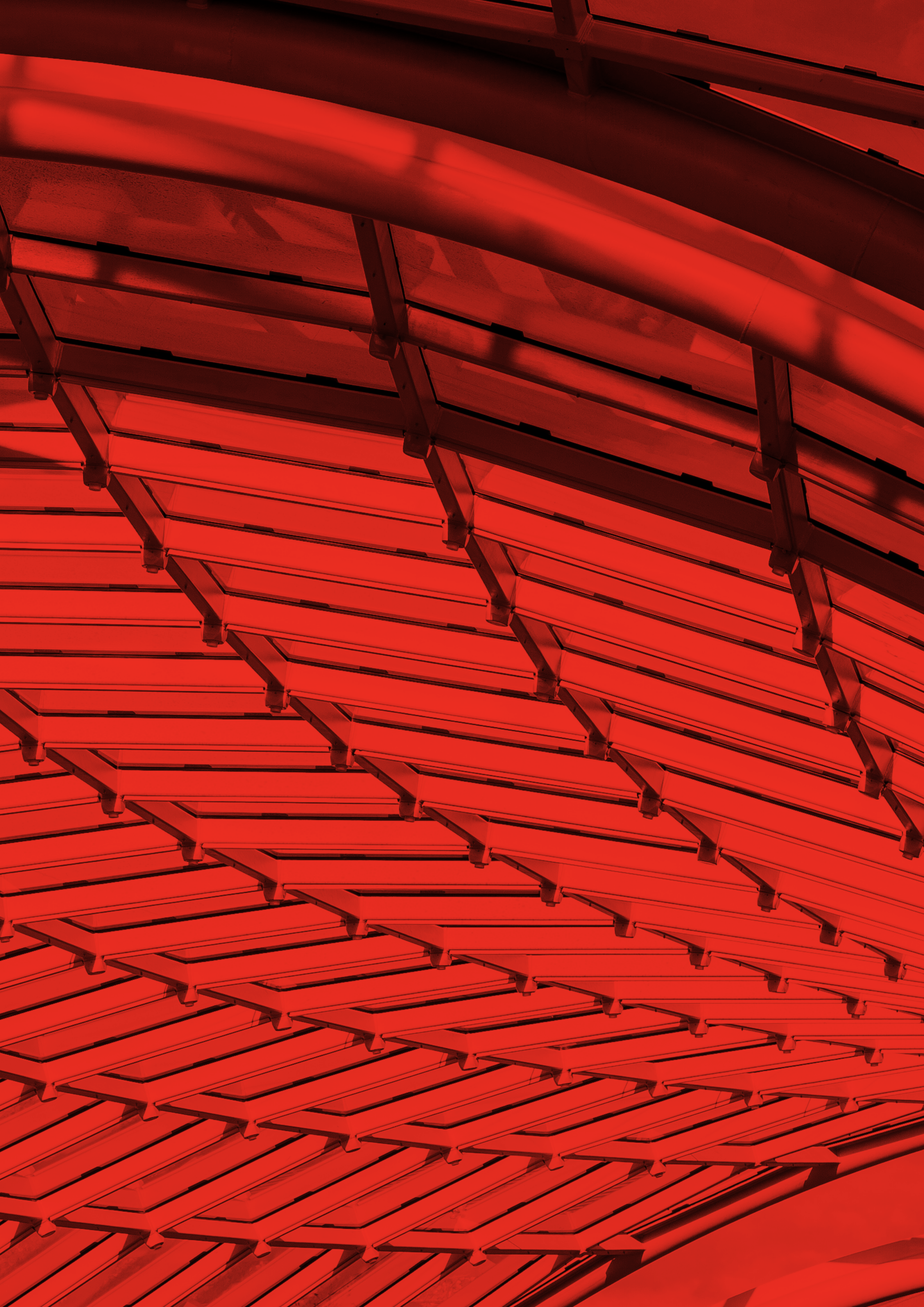
CRACKING THE FUTURE OF RETAILING CONUNDRUM

CHAPMAN TAYLOR
RETAIL



CHAPMAN TAYLOR

Chapman Taylor LLP is a Limited Liability Partnership
registered in England, number OC302467.
Registered office 10 Eastbourne Terrace, London, W2 6LG.



IN THIS ARTICLE, RETAIL DESIGN EXPERT, **ADRIAN GRIFFITHS**, ARGUES THAT THE MANNER IN WHICH RETAIL-LED, MIXED-USE DEVELOPMENTS IN THE UK ARE FINANCED IS FUNDAMENTALLY FLAWED.

Having written a number of articles on the future of retail, this will probably be the most controversial. As an architect and urban designer who has always been trying to push the boundaries, and coming from a family which includes chartered surveyors among my siblings, I have heard too many times, "Oh you can't do that, because the institutions and funders won't accept it!"

I think that the time has come where we all need to look at how schemes are funded and appraised, because, in simple terms, the future is not about the security of long-term income, but about how much money can be made each and every year. Long-term income is secured by agreeing long-term leases and collecting the rent. Maximising short-term income is achieved through strong management and having control, which ultimately means short leases.

Old model versus new

Historically, the basic formula for a UK retail-led scheme is to sign up a department store at a huge cost, underpinning the lettings of the value-generating shop units. The department store is managed by an operator, housing many brands which should be on the high street, and the rest of the scheme tends to fend for itself. If a retailer is struggling then tough luck, because they are tied in to pay the rent over a longer term.

Now let's compare this with a different model - for instance, Bicester Village, one of the most financially successful developments, despite being no larger than a major department store. This is a managed scheme, with the concessions on a high street rather than being inside a building. This scheme is no different to a department store but, most importantly, through effective management, marketing and control, the owners have been able to consistently raise the quality of the offer by churning the retail brands every year.

THE LAST THING THE OWNERS WANT IS LONG LEASES, AS UP TO 30% OF THE TENANTS CAN CHANGE IN ONE YEAR. UNDER-PERFORMING RETAILERS ARE OUT IF THEY DO NOT RAISE THEIR GAME, A PHILOSOPHY WHICH ENSURES THAT THE OVERALL QUALITY OF THE SCHEME IS NOT UNDERMINED.


www.cult.co.uk

THE FUNDAMENTAL POINT IS THAT WE NEED TO CREATE AN EXCITING ENVIRONMENT IN WHICH PEOPLE WANT TO SPEND MONEY.

So now is the time for all of us to realise that the financial model of the past is broken forever, as it has to respond to a new form of retailing which we have never seen before – a form which is difficult to value accurately on day one, but can be justified over time by its track-record.

Moving beyond just shopping

The future of retail is all about providing an experience. This experience does not just happen, but is designed for, planned and managed on a daily basis. If you want to look at the "best in class" in terms of delivering this experience, then let's take Disney, world leaders in creating a family day or week out. I am not thinking of the themed park experience, but the management skill-set and drive which we need to bring to our town centres.

So what is the experience of the future? Clearly, retail sits at the heart of this, but it will be about more than just shops. We shall see showcase pavilions, brand-experience destinations, the production of your own products etc., all of which might well be purchased online. We shall see transient pop-ups of retail, food and leisure, bringing more activity to the public realm. There will be innovation centres which could be funded by the main local industry leaders as a means of promoting what they do. There will be restaurants, flexible live work and offices, hotels, PRS housing of differing standards, libraries, culture, art galleries, cinemas, extreme sporting activity, the list goes on. What is not required is a department store, because the new management company will fulfil and curate this role.

How the promoters of these developments reap their rewards will be the challenge we need to resolve. Clearly, there will be a requirement to commit significant funds to create a development without a secured income, with local authorities playing a key part in this process. ***We must have faith in the product we can produce - faith that the experience we deliver will encourage the public to spend money, thus maximising the year-on-year turnover.*** Partnering and sharing in success is the aim, and cracking how online spend is shared with the physical sits at the heart of this conundrum.

Others already mentioned in this article, such as the designer outlets, Disney and even the likes of WeWork have demonstrated that there are other financial models which can reap huge rewards. Let's bring this entrepreneurial spirit to the high street. The future is bright and exhilarating, and a fantastic opportunity for those willing to grab the mantel and champion the management of these developments - the new Harry Selfridges of the high street. I look forward to working with the stars of the future.

About the author

Adrian joined Chapman Taylor in 1986 and was promoted to the Main Board in 1998. As an architect and urban design specialist, he is recognised internationally for his expertise in the masterplanning of major complex mixed-use developments which are key drivers in the regeneration of our town and city centres.

Adrian is conscious of the fact that the developments we build today create the societies of tomorrow, recognising the responsibility the profession has in influencing the quality of people's lives. He regularly speaks at conferences and prepares papers which promote the benefits of mixed-use developments as a sustainable model for the long term. Adrian leads the Concept Design Team in the UK.

www.chapmantaylor.com