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Background.

The Competition Commission enquiry into the grocery market will receive evidence from a variety of corporate and academic sources. This submission is from an independent retailer. It specifically examines the impact of a new Tesco development on Stalham in North Norfolk. Clearly there are a host of social and community impacts resulting from this development, however this paper focuses on the economic impact on the town and on local retailers. The purpose of submitting this paper is to show this impact and to debunk the common view given by the major supermarkets that their outlets are complimentary to existing local businesses.

Introduction:

On February 14th 2006, a meeting of the Brighouse (North Yorkshire) regeneration committee took place. Part of the meeting was a presentation by Mr. Tim Gittens of the corporate affairs department of Tesco Stores Limited in support of their application to increase the size of their non-food offering in their existing store from 15% to 35% of the retail area.

Mrs. Gail Subham is a member of the regeneration committee and attended this meeting. She asked Mr. Gittens if he could name a town where Tesco had built a store and it had had a beneficial effect in regenerating that town and increasing the footfall in the town centre.

Mr. Gittens reply was Stalham in North Norfolk. When it was pointed out that Mr. Dowdney's store in Stalham had experienced a 50% drop in turnover when the Tesco store in Stalham opened the reply from Mr. Gittens was, 'Mr. Dowdney is not a popular man with the Town Council'.

Following the relaying of these remarks to me, I wrote at the beginning of July to the Town Council, The District Council and Sir Terence Leahy; asking for evidence to substantiate the claims that had been made. Tesco had also said; in a statement to Radio Norfolk; that they were re-examining their policy of limiting parking in their car-parks to two hours. I asked for confirmation that this was being done.

I have to date received one reply from the Town Council which pointedly ignored the relevant questions and an acknowledgement; but no reply; from the Chief Executive of the District Council and from Tesco's Sir Terence Leahy, despite having sent two reminders and having been supported in my request by our local M.P Mr. Norman Lamb.

Thus I have come to the inevitable conclusion that there is no evidence to substantiate the claims made in Brighouse and that in fact there is strong evidence to the contrary; so I went out to find it.

Time for Action.

In 1996 North Norfolk District Council carried out a 'Health Check' on Stalham Town centre which came to the conclusion that the Town was 'underperforming' in relation to other Towns in the area and which justified a 'need' identified in an earlier study by Nathaniel Lichfield and Partners (a firm of consultants who do much work for the Big 4) for a supermarket of no more than 1400 square metres, which eventually opened in November 2002.

One of the main tests carried out in the 'Health Check' was a 'pedestrian flow' study undertaken from 4 points in the High Street on Friday September 6th 1996. (see Appendix a)

On the morning of Friday October 20th we recreated the pedestrian flow study from the same locations. We also added some counts of our own to test Tesco claims that their store attracts pedestrians from their car-park to the High Street.

The High Street:

Table A below shows the original 4 locations and the number of pedestrians counted in an hour in 1996 and again in 2006.

TABLE
A:

Analysis of Pedestrian flow in Stalham High Street, September 6th 1996 to October 20th 2006.

<u>Location</u>	<u>Foot fall per hour.</u>			
	<u>1996</u>	<u>2006</u>	<u>decline</u>	<u>% decline</u>
Clock Café	396	268	128	32.32
High Street, corner of St Johns Road.	264	120	144	54.55
Upper Staithe Road rear of Maids head.	210	26	184	87.62
120 High Street.	120	63	57	47.50
Totals	990	477	513	55.50

It is abundantly clear from these figures that there has been a dramatic drop in pedestrians on the High Street between 1996 and 2006 amounting to an average decrease in footfall of over 55%.

This loss of footfall and therefore business was recognised by the valuation officer in his letter to High Street businesses in 2003 where he stated that a reduction in business rates of 25% had been granted 'due to the detrimental effect the building of a Tesco supermarket' had had on the High Street.

The largest and possibly the most telling of these drops is of over 87% in Upper Staithe road, which is the traditional link between Stalham Staithe (one of the largest boatyards on the broads) and the High Street.

The Tesco store is positioned between the Staithe and the High Street and obviously is diverting traditional visitors from the boatyards into the store rather than into the Town. This concern was registered with NNDC in our letter of objections to the planning application dated June 25th 1999 (appendix b)

It should also be noted that on the basis of an eight and a half hour day and a six day week in 1996 there were around 50'500 pedestrian movements per week in Stalham High Street; whereas in 2006 this figure has decreased to around 24'300.

Unfortunately this decline in footfall rips the heart out of the retail base which was Stalham High Street and has a continual 'knock on' effect. As we see shops which attract pedestrians into the town; (Somerfields; The Co-op; The Cafes; a pub; the Greengrocer; The Fishmonger; the Bookshop; Soft Furnishings shop; Pine Furniture shop and so-on); closing down and being replaced by funeral parlours; Chinese restaurants and takeaways etc, we see the need to actually walk down the High Street declining in a continuing spiral.

This has a 'knock-on effect' for the people of Stalham as far as their 'shopping experience' is concerned. Where there used to be a broad plethora of different types of shops and outlets (including the market) for consumers, in particular the older population and; most crucially; tourists to visit, that choice has; since the opening of Tesco; been eroded dramatically therefore diminishing the overall shopping experience of Stalham High Street.

In fact the street has more cars in it during the evenings these days than in the daytime due to people driving in to collect their takeaways.

Table B below confirms this; comparing the number of customers visiting Stalham shopper between 10 and 11 on October 20th 2001 to the same time and date in 2006.

TABLE
B

Stalham Shopper Customer Count.

Customers per hour visiting Stalham Shopper 10-11 am.	20/10/2001	20/10/2006	decline	%decline
	51	34	23	45.10

The Market.

Another factor in the decline of Stalham Town centre has been the loss of the Tuesday Market.

The Market took place weekly on the site where Tesco have their car-park and (according to the terms of the local plan and the development plan) should have been continued on the car-park once the Supermarket had been built. Tesco 'negotiated' their way around this and during 2001 the market was closed and moved to a much smaller and less accessible site at the far end of the Town.

This has led to the decline of a large market and auction; which attracted people from all over North Norfolk to Stalham for many years; from at times in excess of 100 stalls to the present day total of around 12-15.

Again the effect on visitors to Stalham Shopper and by association visitors to the High Street (one has only to stand in the street to observe the difference) is marked and very clear. I should also add here that we have very clear video evidence of how the High Street was in pre-Tesco days; evidence that is indisputable.

Table C below compares the customer count of Stalham Shopper on two Tuesdays in 2000 and the same days in 2006. I have included customer count figures for some of the intervening years to illustrate the decline.

TABLE
C

Decline in Footfall/Turnover in Stalham Shopper on Tuesdays (Market Day) between 2000 and 2006.

Date:	13/06/2000	15/08/2000	11/06/2002	13/08/2002	15/06/2004	10/08/2004	%decline
Customer Count:	620	708	508	574	293	342	
Date:	14/06/2005	09/08/2005	13/06/2006	09/08/2006			
Customer Count:	347	379	304	338			51.65

Flood!

One will recall that on Monday 25th September this year North Norfolk was subject to a 4 hour burst of torrential rainfall which caused absolute chaos in Great Yarmouth and unfortunately forced the Tesco in Stalham to close because of the level of water in the store.

The interesting result of these particular phenomena was how it changed the pattern of trade in Stalham Shopper to one similar to pre-Tesco days.

Table D is a comparison between Monday September 25th 2006, Monday September 18th 2006 and Monday September 16th 2002.

TABLE
D

Comparison turnover and footfall Monday 25/09/06 (flood), Monday 18/09/06, Monday 16/09/02

Date	18/09/2006	25/09/2006	%increase	16/09/2002	%decrease between 2002/2006
Customer count	349	440	20.68	554	37.00
Turnover	1445.95	2320.19	37.68	2789.33	48.16

If one compares the increase in footfall on an hour by hour basis over the 4 hour period that Tesco had to close the increase is far more marked; around 70%. It is also of interest to point out that the main items bought by these 'distressed' purchasers were; bread (sold out within 1 hour) milk (ditto), sweets and crisps and alcohol.

This clearly proves that Tesco shoppers use the store for 'convenience' type top-up shopping as well as a weekly shop.

Having spotted several familiar faces not seen for some years we are of the opinion that former customers of Stalham Shopper have disaffected to Tesco and are in fact using a 1400 square metre store as a convenience store.

Tesco Car Park.

At the same time as counting pedestrians in the High Street we counted vehicular movements in the Stalham Tesco car-park, the number of people going from the store to the High Street and vice-versa and the number of people going from the car-park to the High Street and vice-versa. The latter counts took place at the two links that exist between the Town Centre and the car-park.

We found that in the same hour as the pedestrian flows were measured that 588 car movements took place (i.e. in and out of the car-park). If this number of vehicles is taken as the average over the period that the store is open (and the car-park was never full whilst we carried out our count) then this equates to some 60'000 car movements per week.

It was observed throughout the hour that a significant number of vehicles entering the car-park only contained one person. Several of these entered the store and emerged minutes later carrying a sandwich/snack/drink or newspaper.

We also observed a Tesco employee noting vehicle numbers in order to upkeep the two hour parking limit imposed by the company throughout the country.

Table E below lays out the interaction between the store and the High Street or centre of the Town.

TABLE
E

Comparison Footfall Tesco 20/10/06 measured at main entrance from Tesco to High Street

From High Street to Tesco Store	27
From Tesco Car Park to High Street.	8
From Tesco Store to High Street	0

Comparison Footfall Tesco 20/10/06 measured at rear car park entrance to High Street.

From High Street to Tesco Store	0
From car park to high street	7
From Tesco Store to High Street	1
From car park to High St. then into Tesco store.	1

As can be seen from the table; there were 27 people who walked down the pathway from the High Street to the front entrance of Tesco; all entered the store and the majority we saw emerged with just one carrier bag. No-one entered the store via the rather dark and overgrown rear entrance.

15 people were observed parking their cars and going into the High Street, of these only one returned to the car-park and subsequently entered the store; although two vehicles were still there when we finished counting.

It would appear then that some people use Tesco's car-park as somewhere to leave their cars whilst carrying out business in the High Street.

Only one person was observed parking their car; entering the store and subsequently carrying on into the High Street.

The 1996 Town Centre Health Check under the section 'Retailer Representation' states (Para 2.2.4) 'An outstanding agreed permission for a supermarket on the sale-ground remains valid. Securing a supermarket would enable the town to retain convenience goods trade presently lost to North Walsham and Wroxham. This would have positive spin-off effects on the High Street that presently suffers *very low pedestrian flows* (my italics). It may also enable some multiples, such as Superdrug, Mackays, Victoria Wine or Stead and Simpson to consider coming to the town.'

In my opinion the figures produced in this paper completely refute that statement and in fact if we were to take a slight generalisation; i.e. that of the 60'000 car movements per week 50% were taken as moving into and parking in the car-park (we did not include the petrol station), then we have at least 30'000 people per week entering the car park in a car. (We have been informed in the past by a former Tesco employee that around 6000 vehicles a day visit their store; 42'000 per week and this was 3 years ago).

The actual figure is probably far higher than this as the majority of cars are in multiple occupancy; however even on this broad basis we have only 5.7% of people entering the car-park going into the High Street; the majority of whom use the site as a car-park rather than being attracted by the store.

It would appear that an absolute minimum of Tesco customers visit the store and then go on to visit the High Street. This is borne out by the fact that tourist numbers in the High Street are down; as is the uplift in turnover experienced in the past during the summer 'season'.

Conversely nearly 10% of Tesco customers are being diverted from the High Street into Tesco's rather than the other way round (i.e. decreasing trade in the Town Centre rather than increasing it)

Vacancy Rates.

In the 1996 Town Centre Health Check paragraph 2.4.3 states;

'There are seven vacant units in the town; this represents 9% of all units. A single further unit is occupied by a charity shop. This is a high percentage and is only exceeded in the District by Fakenham where 12% are presently vacant. The other five towns show vacancy levels between 1% and 8%. Whilst some of this may be attributed to turnover in the property market and renovations etc. it is sufficiently high to indicate that there may be some shortfall in demand for floor space in the town. This must be treated with caution since the small number of units in the town means that the measured percentage rate could vary widely over time- it would only take three of the seven vacant units to be occupied for the rate to fall to 5%. At present however the indication is of some cause for concern.'

At the time of our survey there were eight empty units in the town; there were also 3 units occupied by charities and two by funeral parlours, one of the pubs has been converted for use as offices; however is as far as we are aware unoccupied.

The number of takeaways has grown from 3 to 9 since 1996 including 3 Chinese restaurants all within 100 metres of each other.

There are still no major national multiples represented in the High Street.

It therefore appears that; to a certain extent; the issues identified in the Whole Settlement Strategy Survey in 2002 (see appendices c & d); regarding what the people of Stalham feared about their future and felt sorry about in the past; have actually come about in the last four years.

The Planning Decision.

It is worth adding that the development control committee (east) carried out their remit correctly by recommending rejection of the planning applications for this site, for the reasons laid out in our letter (appendix b and e).

This recommendation was overturned one week later by the Executive committee of the District Council, where the fear of being sued for large sums of money was mentioned as a consideration of the decision (appendix e).

It is also worth noting that Councillor Phillip Kemp; District Councillor for Fakenham and Chair of the Development Control Committee (east) in 1999 and also member of the executive committee at that time; who was very in favour of the application and supported it fully throughout the process; stood up at a public meeting in Fakenham in 2004 and stated that he had been 'misled' by Tesco over their application for Stalham and what they would and could achieve for the town.

He also stated that the planning decision of which he had been part was the worst thing that could have happened to Stalham and that if he knew then what he knew now he would never have supported them. He therefore opposed Tesco's application to build a store in Fakenham.

Hindsight is a marvellous thing, especially where no risk is involved to the people making the wrong decisions. Unfortunately those independent retailers and businesses which have since closed and who have lost their livelihoods, pensions and savings; due to this monumentally poor decision; have no recourse for compensation.

Conclusion.

This paper provides clear evidence of the damage caused to the local economy due to the introduction of a new Tesco store in Stalham. The key issue to debate as a result of this is whether such developments are a natural outcome from the market working in a competitive fashion, or whether the effect on Stalham can be attributed to market failure. In my view, Stalham is an example of the consequences of market failure being brought to bear.

Customers in Stalham clearly no longer have the choice they previously enjoyed.

Furthermore the success of Tesco in winning business at the expense of the long established businesses in the Town is; in my opinion; a direct result of their buyer power. It is only through using this extensive buyer power that Tesco can undermine local competition.

Indeed it is worth noting that Tesco's gross margins will be significantly higher than those businesses who have vacated Stalham, yet their only demonstrable efficiency is in the way they can dominate suppliers to achieve a lower cost price, only part of which is passed on to the consumer.

At the very least the example of Stalham refutes the notion that Supermarket development is complimentary to local businesses and the local economy.

In my humble opinion, the example of Stalham and the indisputable reality of what has happened in this small market town since Tesco 'came to town' shows very clearly how failure in the UK grocery market has an ongoing damaging impact on local economies and a negative impact upon communities as a whole.

Nigel Dowdney
November 2006.