How will demographic trends in the UK affect the retail sector

2/3rds of retail spending growth will come from shoppers aged 55 plus

Ageing population will transform not only the face, but the role the high street plays in society

Part I: Executive Summary

Introduction
With a rapidly ageing population and migration trends changing the ethnic makeup of our cities and towns, UK shopping habits too are beginning to evolve and reflect these wider demographic changes. The KPMG/Ipsos Retail Think Tank (‘the RTT’) met in July to consider the implications of these demographic shifts for retailers. Should retailers adapt to meet the population's changing needs? David McCorquodale, head of retail at KPMG explains: “The changing demographic profile of the UK is a major influence on consumer purchasing power, shopping behaviour and shopping preferences. The age structure, ethnicity, household composition and demographic distribution of the UK population are all undergoing significant change and its implications are important for retailers to understand and anticipate.”

Over the next ten years two-thirds of all retail spending growth will come from those aged 55 and over
Vicky Redwood, Chief UK Economist at Capital Economics, believes that the main challenge facing retailers will be to adapt to the UK’s ageing population and get to grips with their specific tastes and demands. She says their influence will be significant: “By 2030, the number aged 65 or older is projected to reach 15.5m, growing 43% on its level in 2012, compared to an expansion of only 13% in the population as a whole. While this group currently accounts for less than £1 in every £5 of total spending, this share might rise to £1 in every £4 within two decades.”

The rising influence of this group could see sales shift towards the categories and methods of shopping that they favour. Health, DIY and home maintenance retailers, which attract a large share of elderly households’ budgets, should benefit from this change, whereas retailers selling clothing, beer and soft drinks, which are geared towards a more youthful market, could lose out.

An ageing population could also reshape the UK’s high street. “I expect not just the face but the role of the high street to evolve to meet the needs of this ageing population,” says Richard Lowe, Head of Retail and Wholesale at Barclays. “We have already begun to see some forward thinking town planners break with tradition and incorporate services and local amenities into the traditional high street. GP surgeries, libraries and other health services have begun to pop up in between convenience stores and chemists whereas traditionally they have been set back from the main
thoroughfare. These act as a draw for the older generation who are less inclined and perhaps less able to travel for their groceries but still need to access essential local services. Transport, accessibility and local infrastructure will therefore become increasingly important.”

What does this mean to retailers? The Group believes that retailers must rethink store design, marketing and advertising campaigns to attract the grey pound and above all understand these are older consumers who still think of themselves as young consumers.

Neil Saunders, Managing Director of Conlumino, adds: “The baby boomer generation has no intention of retiring quietly to a life of crochet and gentle gardening. They are down-ageing: acting younger, both physically and mentally. Understanding this is important because it’s this older segment that’s going to drive retail over the next ten years. An ageing population profile, helped by lower birth rates, longer life expectancy and the sheer size of the baby-boomer generation – many of whom are now retiring – are just three factors underpinning this trend. As a result, we estimate that over the next ten years almost two-thirds of all retail spending growth will come from those aged over 55.”

Retailers must also remember that not all baby boomers are awash with disposable income. Independent retail analyst Nick Bubb says: “Conventional wisdom paints a rosy picture of a growing number of affluent retired couples with plenty of time and money to spend, but the reality for many is rather different. With ultra-low interest rates and annuity rates, pension income is under considerable pressure, forcing many older consumers back onto the part-time job market to supplement their financial resources. And one painful consequence of people living longer is that many older consumers have the cost of looking after their own parents to consider. And their own children may not find it easy to get full-time jobs in a continuing climate of financial austerity.”

The importance of the social aspect of shopping to this age group should also not be underestimated. Martin Hayward, Founder of Hayward Strategy and Futures, says: “I have often asked ‘Why do pensioners go shopping on Saturdays?’ Clogging up the stores with their silly trolleys when they could easily go on Wednesday morning when there’s nobody else about. They do it because that’s when everyone else goes shopping, because the buzz of the market place is central to our human needs to forage and interact.”

The rise of Generation Y

The rising influence of so-called “Generation Y”, who are generally considered to be the under 30 to 35s is also having a major impact on retailers and their future strategy.

“This group is overtaking the baby boom generation in terms of their size”, says Vicky Redwood of Capital Economics. “Not only does this group desire different products from previous generations, but it has different ways of shopping and different attitudes to brands. Obviously the changes already underway – such as multichannel retailing – will particularly appeal to this generation.”

David McCorquodale of KPMG added: “The number of children aged 16 and under is projected to increase by 12% to 13 million by 2035 benefiting the infant and children’s sector.”

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This means a difficult balancing act for retailers. Whilst tackling the demands of the baby boomers, retailers must look at the other end of the age spectrum and work out how to attract the interest, and spending power, of the younger generation.

**Shift in Britain’s multicultural make up**

The RTT believes that those retailers that successfully understand and target the shifting cultural makeup of Britain will outperform those using antiquated research and customer stereotypes.

Understanding migration trends is of utmost importance for those retailers operating in London. Figures from the Office for National Statistics show that in the year to 30 June 2012 a third of migrants entering the UK headed to the capital city, demonstrating the city’s rapidly changing ethnic profile.

“Traditional social and racial stereotyping still prevails in most marketing studies, but half the babies born in London are now to non-indigenous UK mothers, so marketing and advertising campaigns need to adjust to the fact that the target market is changing, just as many supermarkets now sell Polish and Asian specialty foods,” says Nick Bubb. “As our big shopping centres embrace a “wifi” world they will also need to weigh up the kind of shops and facilities that a less young and a less “English” population will need in the next decade.”

Whilst a rise in ethnic communities, particularly in urban areas, is leading to increasing diversification, this differs from region to region and retailers must consider regional demographics when allocating products across their store networks. “There is no “one size fits all solution” here”, warns David McCorquodale of KPMG.

**The modern approach to property**

While demographic shifts happen very slowly, shopping patterns are constantly changing due to development activity. “The development of new shopping space – shopping centres, retail parks, factory outlets, retail parks, superstores et al – has had a major impact on where consumers choose to shop, regardless of demographics, and will continue to so in the future. What age change is doing however is strengthening demand for both improved shopping environments and better service/accessibility: older shoppers are far more demanding than the young,” says Mark Teale Head of Retail Research, at CBRE.

“The last 20 years has seen a steady reduction in non-food chain size as retailers have sought to concentrate their retailing activities in larger branches in dominant markets. This relentless network contraction has left a long tail of obsolete small-unit High Street shops in its wake. Half the population now shop for comparison goods in just ninety or so major trading locations nationally, down from over 200 in 1971. This steady market concentration has gone hand-in-hand with the homogenisation of offers in large dominant centres simply because mass market non-food retailers are all chasing space in the same places.”

And this trend for smaller, more strategic, property portfolios looks set to continue. “Retailers (particularly fashion retailers) are now reporting plans to further top-slice consumer markets, concentrating networks in just 150 or so of the largest centres, instead of following the traditional route of aiming for deep local market penetration via many hundreds of branches. ‘Click and collect’ activity is doing the same,” reveals Teale.
But this trend is not being followed by convenience goods retailers. Grocers are following a completely different strategy, consolidating network penetration by opening large numbers of small convenience goods branches, as well as superstores, increasing rather than reducing branch network sizes. Adapting merchandise offers to meet gradual demographic change is a lot easier than keeping step with underlying shopping pattern change.

**Technology will continue to play a pivotal role**

Technology will continue to play a pivotal role in shaping the way consumers shop and how retailers can communicate and market to them. “In some ways, the boom in the take-up of smartphone and tablet device technology (and the related explosion in the power of social networking) is a bigger influence on the pattern of retail spending than demographic change”, says Nick Bubb. However, retailers must also be careful not to alienate certain demographics through an over reliance on technology. Martin Hayward of Hayward Strategy and Futures says: “There is potential for many older consumers to be disenfranchised by a rapid rush towards new technology in retail by some players, without clear thought as to the needs of those who choose, or are unable, to embrace it. “Retailers must ask themselves to assess both the efficiency and the effectiveness of new technologies in the value chain if they are to enjoy the many benefits that it can bring. A good example is self-scanning technology in convenience stores - many love it, yet many, particularly older consumers, hate it. The answer has to be therefore to offer both options, not to insist on consumers using technology if they don't want to.”

**Conclusion**

The RTT believes that retailers will need to work much harder to understand customers and target ranges and products much more sensitively. That means greater segmentation, much better use of tools like sub-branding and much more clarity in offers on shop floors and websites. Over the next ten years, this fragmentation of consumer types will most likely mean that personalisation becomes an increasingly important watchword.

“Nowadays there's no such thing as an 'average consumer'; there is no universal,” says Neil Saunders of Conlumino. “What we have instead is a mosaic of minorities: lots of different tribes of people, with many people often belonging to more than one tribe. And for retailers and marketers making assumptions about a person from their looks, gender or age can be extremely dangerous. Reaching a mass market is much more difficult because there is no mass, homogenized market to reach.”

However, retailers have time on their side to plan for, and adapt to, the changing face of Britain. Demographic change happens slowly and can be anticipated, analysed and understood. This is a fundamental difference between it and the other challenges facing retailers in a competitive market place, which happen much faster, for example the effect on shopping behaviour caused by new technology. These can mean significant capital expenditure is suddenly required, which can catch businesses out.

Richard Lowe of Barclays says: “The implications of an ageing population are clear for all to see, so provided the sector continues to evolve in line with these shifting demographics and consumer
spending patterns, retailers won't find themselves asking where all their customers have gone in years to come."

David McCorquodale of KPMG says: "In summary, the evolution in demographics impacts product, space, offering and packaging and those retailers who monitor trends and adapt their offering will be best placed to benefit from the changes."

The RTT warns that traditional retailing and its hard learned values still have a central role to play and social interaction in stores and good quality customer service will remain important. Martin Hayward of Hayward Strategy and Futures: "There can be a tendency in society at large and the retail sector as well, to chase the novel at the expense of the proven, the new at the expense of the old. As has been said many times, there is also a natural inclination to initially over-estimate the impact of new technology, yet to underestimate it in the longer term."

"Efficiency should always be sought in retail, but your older shoppers and maybe your younger ones as well will still value the human touch. Remove it at your peril."

**Part II: In detail – Individual views of the RTT members**

**Vicky Redwood, Chief UK Economist, Capital Economics**

The main challenge for retailers will be adapting to the ageing population. By 2030, the number aged 65 or older is projected to reach 15.5m, growing by 43% on its level in 2012, compared to an expansion of only 13% in the population as a whole. While this group currently accounts for less than £1 in every £5 of total spending, this share might rise to £1 in every £4 within two decades.

Health, DIY and home maintenance, which attract a large share of elderly households’ budgets, should benefit from this change. Clothing, beer and soft drinks, which are geared towards a more youthful market, could lose out. All retailers will have to make changes, though. Store design, marketing and advertising will all have to be rethought to make the high street more appealing to an older demographic. Above all, there will be the challenge of appealing to older consumers who still think of themselves as *young* consumers.

At the same time, retailers will also need to appeal to so-called “generation Y” – generally considered to be the under 30 to 35s. These are overtaking the baby boom generation in terms of their size. Not only does this group desire different products from previous generations, but it has different ways of shopping and different attitudes to brands. Obviously the changes already underway – such as multichannel retailing – will particularly appeal to this generation.

The third challenge will be reacting to the more multicultural nature of the population. 15% of the UK population was not born in the UK. Even if the government succeeds in slowing net migration, births to immigrant mothers are rising. The most successful retailers could be those managing to blend the general and multicultural markets.

The general rise in the birth rate in recent years – after a period of decline – will open up further opportunities for retailers in the baby and children markets. And finally, the rise in female participation in the labour market probably has further to go, given female participation in the UK is still lower than in some other developed economies. Retailers will therefore have to respond to this rise in women’s disposable incomes.

**Neil Saunders, Managing Director, Conlumino**

Understanding shoppers is not easy.

Fifty or so years ago it was much easier to categorize people – mainly because things were much more uniform and people behaved according to accepted norms and traditional stereotypes. These days, consumers misbehave and do completely unexpected things.

Yesterday, people acted their age. The aged grew old gracefully. Many of the older generation of today, those who are 75 or over, still conform to this norm. But the baby boomer generation has no intention of retiring quietly to a life of crochet and gentle gardening. They are down-ageing: acting younger, both physically and mentally.

Understanding this is important because it's this older segment that's going to drive retail over the next ten years. An ageing population profile, helped by lower birth rates, longer life expectancy and the sheer size of the baby-boomer generation – many of whom are now retiring – are just three
factors underpinning this trend. As a result, we estimate that over the next ten years almost two-thirds of all retail spending growth will come from those aged over 55.

It’s not just age that’s more complex either. The same goes for lifestage. People no longer follow predictable patterns. We have a diversity of household types and of family structures. Income and social class is also much more complex. Yesterday it was very easy to predict where people would shop based on their class and income. Today, the old rules don’t apply: consumers are shopping at both premium and value ends of the market irrespective of income or social background.

Gender too has changed. Females are now more empowered that they used to be and men, especially younger men, are much more interested in retail sectors that were traditionally the province of women - as the rapid growth of men’s personal care attests.

So nowadays there’s no such thing as an ‘average consumer’; there is no universal. What we have instead is a mosaic of minorities: lots of different tribes of people, with many people often belonging to more than one tribe. And for retailers and marketers making assumptions about a person from their looks, gender or age can be extremely dangerous. Reaching a mass market is much more difficult because there is no mass, homogenized market to reach.

The upshot of all of this is that retailers need to work much harder to understand customers and, in so doing, they probably need to target ranges and products much more sensitively. That means greater segmentation, much better use of tools like sub-branding and much more clarity in offers on shop floors and websites. Over the next ten years, this fragmentation of consumer types will most likely mean that personalisation becomes an increasingly important watchword.

Ultimately, those that succeed will be the ones closest and most responsive to their customers.

**Richard Lowe, Head of Retail and Wholesale, Barclays Retail & Wholesale**

There is no denying that the population is growing older; the Department of Health expects the number of people aged 65 and over to grow by 51 per cent by 2030, and those aged over 85 to rise even more steeply, by 101 per cent. This certainly creates a challenge for retailers but, as these figures show demographic shifts take decades to emerge, not seasons so the sector has time to adjust to Britain’s ageing population.

That said, retailers should not ignore this issue as understanding how the market is changing today will be essential in the long term. The older generations are expanding in numbers, creating a large consumer audience but, while their needs may differ from younger consumers they are just as likely to be using technology in similar ways, particularly as new technologies and mobile devices become more user-friendly and intuitive.

What this points to is the increasingly important role retail formats will play and the need for retailers to focus on and develop their multi-channel offerings. Channels such as click and collect and e-commerce with home delivery neatly provide an alternative way of shopping for the older, often less mobile consumer. Similarly, I also expect not just the face but the role of the high street to evolve to meet the needs of this ageing population. We have already begun to see some forward thinking town planners break with tradition and incorporate services and local amenities into the traditional high street. GP surgeries, libraries and other health services have begun to pop up in between convenience stores and chemists whereas traditionally they have been set back from the main thoroughfare. These act as a draw for the older generation who are less inclined and perhaps less able to travel for their groceries but still need to access essential local services. Transport, accessibility and local infrastructure will therefore become increasingly important.

The implications of an ageing population are clear for all to see, so provided the sector continues to evolve in line with these shifting demographics and consumer spending patterns, retailers won’t find themselves asking where all their customers have gone in years to come.

**David McCorquodale, Head of Retail, KPMG**

The changing demographic profile of the UK is a major influence on consumer purchasing power, shopping behaviour and shopping preferences. The age structure, ethnicity, household composition and demographic distribution of the UK population are all undergoing significant change and its implications are important for retailers to understand and anticipate.
The UK population is growing and projected to rise to 73.2 million in 2035, creating new market demand and a growing market place. The ageing population and changing ethnic make-up of the UK are two of the most influential demographic forces shaping the UK retail market.

Over the next 10 years, 37% of the UK population will be over 50. Capital Economics predicts that the over 65’s will account for £1 in every £4 of retail expenditure. The labour market is also changing significantly. The number of people who are working aged 65 and over has doubled in the past two decades, coining the term ‘Silver Sloggers’. Older consumers will unquestionably be different from today with marked differences in lifestyle, attitude and preferences.

The way people shop will continue to evolve. Online shopping is becoming more widespread amongst the older population. Shopping facilities that assist mobility and convenience will continue to grow, as will delivery services. Retailers should consider revisiting their store layout, space allocation and product apportionment and packaging.

The financial and time demands being placed on the middle generation is growing, due to a growing number of dependent children staying at home for longer and a rise in the elderly being cared for at home. This is placing a further squeeze on disposable income and a growing demand for convenience led retail solutions.

The profligate spending youth market is shrinking and the proportion of 15-29 years olds is forecast to decline to 17%. However, the number of children aged 16 and under is projected to increase by 12% to 13 million by 2035 benefiting the infant and children’s sector.

Similarly, there is predicted to be more but smaller households. The number of one-person households in England is forecast to increase, single parent households are forecast to continue to rise, whilst the number of one-child households is growing and now account for 47%, increasing demand for smaller pack sizes and increasing the spend per child.

Net migration has become the primary driver of demographic change in the UK. Growing ethnic diversification is leading to further internationalization of demand and a rise in ethnic communities, particularly in urban areas. However, change is not being felt uniformly and differs by region. This forces retailers to consider regional demographics when allocating products.

In summary, evolution in demographics impacts product, space, offering and packaging and those retailers who monitor trends and adapt their offering will be best placed to benefit from the changes.

**Mark Teale, Head of Retail Research, CB Richard Ellis**

Retail markets are constantly adapting to economic and regulatory change; to cultural and social change and to seasonal demand variations. Demographic trends change too but at a snails’ pace in comparison to the main retail sector drivers and in ways that are highly uneven geographically. For example, population growth is apt to occur much faster in the south than the north; populations are apt to cluster by income and, in the case of migrants, often by nationality too. And age/life-
stage/employment prospects also impact upon where we choose to live. These factors all affect local per capita spending levels and goods purchasing proclivities locally to some degree. But there are many other factors in play, not least shopping pattern change caused by development activity, which also impact local consumer spending: factors that have a far greater effect on the retail sector over time than demographic trends per se.

For example, the last 20 years or so has seen a steady reduction in non-food chain size as retailers have sought to concentrate their retailing activities in larger branches in dominant markets. Continuing network contraction has left a long tail of obsolete small-unit High Street shopping in its wake. Half the population now shop for comparison goods in just ninety or so major trading locations nationally, down from over 200 in 1971. This steady market concentration has gone hand-in-hand with the homogenisation of offers in large dominant centres simply because mass market non-food retailers are all chasing space in the same places.

Although in part a recessionary gambit, the number of retailers (particularly fashion retailers) now reporting plans to further top-slice consumer markets, concentrating networks in just 150 or so of the largest centres, instead of following the traditional route of aiming for deep local market penetration via many hundreds of branches, has given market concentration a further boost. ‘Click and collect’ activity is doing the same. Grocers meanwhile are following a completely different strategy, consolidating network penetration by opening large numbers of small convenience goods branches, significantly increasing branch network sizes. So although trends like population ageing and the relatively high rates of inward migration from EU countries (largely affecting London and the south) will impact the retail sector, they are not key sector drivers. Other far more important factors are in play.

**Nick Bubb**

Conventional wisdom paints a rosy picture of a growing number of affluent retired couples with plenty of time and money to spend, but the reality for many is rather different. With ultra-low interest rates and annuity rates, pension income is under considerable pressure, forcing many older consumers back onto the part-time job market to supplement their financial resources. And one painful consequence of people living longer is that many older consumers have the cost of looking after their own parents to consider. And their own children may not find it easy to get full-time jobs in a continuing climate of financial austerity.

And older consumers are not necessarily the most IT-savvy people around, at a time when retailing is moving rapidly Online, although the fastest-growing part of the Online market is the fabled “silver surfers”.

In some ways, the boom in the take-up of smartphone and tablet device technology (and the related explosion in the power of social networking) is a bigger influence on the pattern of retail spending than
demographic change. And, in turn, the shifting ethnic mix of our increasingly multi-cultural society may also be now as important a factor as pure demographics.

Traditional social and racial stereotyping still prevails in most marketing studies, but half the babies born in London are now to non-indigenous UK mothers, so marketing and advertising campaigns need to adjust to the fact that the target market is changing, just as many supermarkets now sell Polish and Asian specialty foods. The influence of the UK’s shifting ethnic mix on markets like fashion is less clear, with the assumption being that “global” brands and styles will dominate. But as our big shopping centres embrace a “wifi” world they will also need to weigh up the kind of shops and facilities that a less young and a less “English” population will need in the next decade.

**Martin Hayward, Founder of Hayward Strategy and Futures**

There can be a tendency in society at large and the retail sector as well, to chase the novel at the expense of the proven, the new at the expense of the old. As has been said many times, there is also a natural inclination to initially over-estimate the impact of new technology, yet to underestimate it in the longer term.

At present, despite the long anticipated and signposted ageing of the population, there is potential for many older consumers to be disenfranchised by a rapid rush towards new technology in retail by some players, without clear thought as to the needs of those who choose, or are unable, to embrace it.

Retailers must ask themselves to assess both the efficiency and the effectiveness of new technologies in the value chain if they are to enjoy the many benefits that it can bring. A good example is self-scanning technology in convenience stores - many love it, yet many, particularly older consumers, hate it. The answer has to be therefore to offer both options, not to insist on consumers using technology if they don't want to.

The human interaction in shopping is crucial to consumer satisfaction, and we must acknowledge that we have yet to fully understand the impact that remote and technology driven interactions will have on satisfaction.

Will we tire of an endless stream on on-line offers, literally faceless transactions and conversations, or will we simply adapt to this new world order over time?

There is much talk of digital natives versus digital immigrants, with many citing that the younger generation are growing up in this digital world and will know and demand no different, whereas those over 35 are looking in on a world they'll never fully understand. Or will the younger generation tire of remote and online interactions and begin to search out the human face of retail again?

I have often asked **Why do pensioners go shopping on Saturdays?**............clogging up the stores with their silly trolleys when they could easily go on Wednesday morning when there's nobody else
about. They do it because that's when everyone else goes shopping, because the buzz of the market
place is central to our human needs to forage and interact.
Efficiency should always be sought in retail, but your older shoppers and maybe your younger ones
as well will still value the human touch. Remove it at your peril.

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Note to Editors:
First mentions of the Retail Think Tank should be as follows: the KPMG/Ipsos Retail Think Tank. The
abbreviations Retail Think Tank and RTT are acceptable thereafter.
The RTT was founded by KPMG and Ipsos Retail Performance (formerly Synovate) in February 2006. It now
meets quarterly to provide authoritative ‘thought leadership’ on matters affecting the retail industry. All outputs are
consensual and arrived at by simple majority vote and moderated discussion. Quotes are individually
credited. The Retail Think Tank has been created because it is widely accepted that there are so many mixed
messages from different data sources that it is difficult to establish with any certainty the true health and status of
the sector. The aim of the RTT is to provide the authoritative, credible and most trusted window on what is really
happening in retail and to develop thought leadership on the key areas influencing the future of retailing in the
UK. Its executive members have been rigorously selected from non-aligned disciplines to highlight issues,
propose solutions, learn from the past, signpost the road ahead and put retail into its rightful context within the
British social/economic matrix.
The intellectual property within the RTT is jointly owned by KPMG (www.kpmg.co.uk) and Ipsos Retail
Performance.

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Date Published: 8/30/2013 1:35 PM

Note to Editors:
The RTT panelists rely on their depth of personal experience, sector knowledge and review an exhaustive bank of industry and government datasets including the following:

**Members of the RTT are:**
- Nick Bubb – Independent Retail Analyst
- Dr. Tim Denison – Ipsos Retail Performance
- Jonathan De Mello – Harper Dennis Hobbs
- Martin Hayward – Hayward Strategy and Futures
- Maureen Hinton – Conlumino
- James Knightley – ING
- Richard Lowe – Barclays Retail & Wholesale Sectors
- David McCorquodale – KPMG
- Martin Newman – Practicology
- Mike Watkins – Nielsen

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**Definitions:** The RTT assesses the state of health of the UK retail sector by considering the factors which influence its three key drivers.

1. **Demand** – Demand for retail goods and services. From a retro-perspective, retail sales, volumes and prices are the primary indicators. When considering future prospects, economic factors such as interest rates, employment levels and house prices as well as others such as consumer confidence, footfall and preferences are used.

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2. Margin (Gross) – Sales less cost of sales; the buying margin less markdowns and shrinkage. Cost of sales include product purchase costs, associated costs of indirect taxes and duty and discounts

3. Costs – All other costs associated with the retail operations, including freight and logistics, marketing, property and people

The Retail Health Index – how is it assessed?
Every quarter each member of the RTT makes quantitative assessments of the impact on retail health of demand, margins and costs for the quarter just completed and a forecast of the quarter ahead. These scores are submitted individually, collated and aggregated in time for the RTT’s quarterly meeting. The individual judgements on what to score are ultimately a combination of objective and subjective ones, drawing upon a wide range of hard datasets and softer qualitative material available to each member. The framework follows the example of The Bank of England Agents’ scoring system on economic intelligence provided to the Monetary Policy Committee.

The aggregate scores are combined to form the Retail Health Index (‘RHI’) which is reviewed at that meeting and occasionally revised after debate if members feel it appropriate. The RHI tracks quarter on quarter changes in the health of the UK retail sector and as such provides a useful and unique measured indicator of retail health. The index ‘base’ of 100 was set on 1 April 2006. Each quarter, it assesses whether the state of health has improved or deteriorated since the previous quarter. An improvement will lead to a higher RHI score than that recorded in the previous quarter, and with a deterioration leading to a lower score. The larger the index movement, the more marked the shift in the state of health. The RHI has two main benefits. Firstly, it aims to quantify the knowledge of the RTT members in a systematic way. Secondly, it assesses the overall state of health of the UK retail sector for which there is no official data.

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