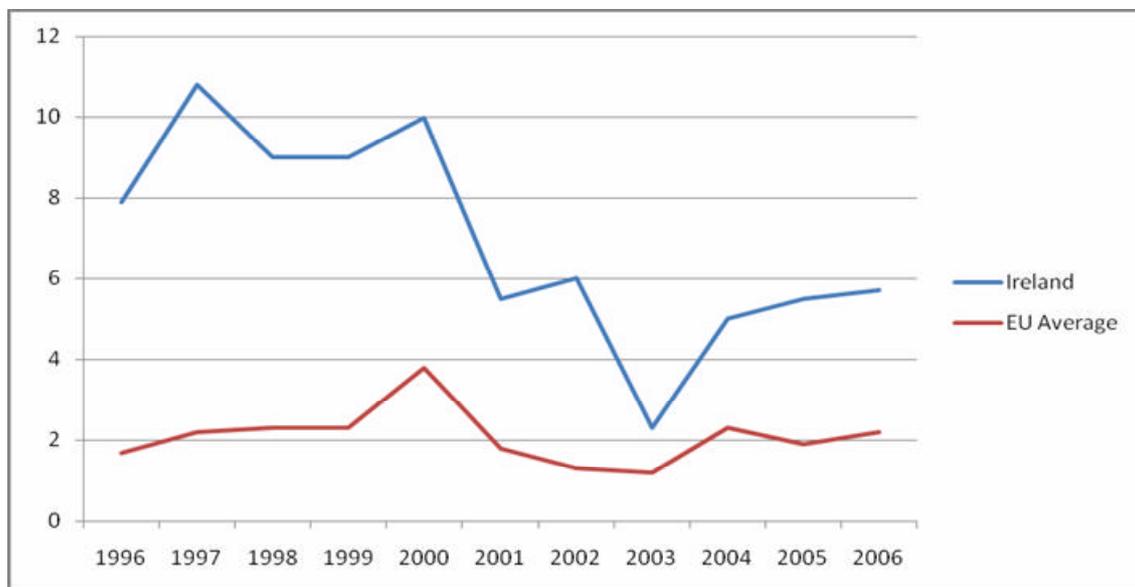


3.0 INTRODUCTION

In setting out this strategy it is important to assess the economic context at a national and regional level as current and projected economic growth can have a profound effect on factors such as expenditure change and thus on the nature and quantum of retail development that occurs. Indeed, the exceptional economic performance of the 'Celtic Tiger' coupled with continued immigration and falling unemployment rates has resulted in a broadening of the nation's retail offer. As can be expected, this rapid expansion in the country's retail market has been associated with the emergence of a number of distinct trends in retailing. One of the purposes of this chapter is to examine the principle retail trends which are likely to have an impact on the development of the retail sector in Longford.

3.1 ECONOMIC PERFORMANCE TO DATE

Ireland has one of the world's most globalised economies, with extensive external trade and investment links. It is also one of the world's most dynamic, with annual growth rates well in excess of averages for the developed world. Ireland's period of unprecedented economic growth began in the early 1990's. Between 1990 and 1995 the economy grew at an annual average growth rate of 4.8% and, between 1995 and 2000, it averaged 9.5%. Growth rates have since been maintained in the 4-5% range, a level almost five times higher than the old EU15 average.¹ The legacy of this 'Celtic Tiger' economy is substantial, in particular regarding the country's transition from one of Europe's poorest economies to one of its wealthiest.²



Source: Jones Lang LaSalle; 2006: Ireland Retail Report

Figure 3.1
Ireland and EU Average percentage of growth of GDP; 1996-2006

¹ Enterprise Ireland; 2006: Ireland: Economic Profile

² Enterprise Ireland; 2006: Ireland Economic Profile

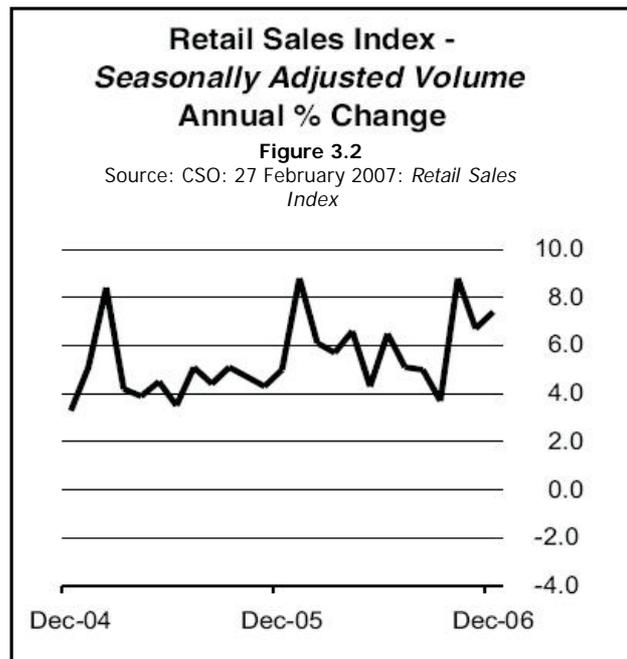
There is broad agreement that the key factors in Ireland's economic achievements are the following:

- A youthful population and rapidly expanding labour supply;
- Substantial inward investment;
- The strategic deployment of EU Structural and Cohesion Funds;
- Pursuit of pragmatic and innovative government policies;
- A Social Partnership approach to economic development;
- An openness to innovation in international trade in goods and services, and to new ideas; and,
- An emphasis on education and technological innovation.

The growth in the country's economic performance has resulted in a rapid increase in private consumption. This has primarily been due to the higher real disposable incomes and, more recently, lower interest rates which have supported consumer confidence. Consequent to this, there has been a significant increase in retail expenditure particularly on comparison and bulky household goods, with the most recent figures available suggesting a continued rise in disposable incomes. This is reflected in the volume of retail sales (i.e. excluding price effects), which increased by 7.4% in December 2006 compared to December 2005.³ There was a monthly increase of 0.8%. If Motor Trades are excluded the annual increase was 7.3% and there was no monthly change.

The value of retail sales increased by 8.6% in December 2006 compared to December 2005. November 2006 is the latest month for which final detailed figures are available. The three-month September 2006 – November 2006 volume figures show that, compared with the three months ending August 2006:

- The largest increase in the volume of sales was in the Electrical Goods (+9.5%) sector.
- The largest decrease in the volume of sales was in the Department Stores (-5.6%) sector.



³ CSO: 27 February 2007: *Retail Sales Index*

3.2 EMPLOYMENT

A key feature of the success of the 'Celtic Tiger' economy has been the rapid growth in population. The preliminary Census 2006 data published by the Central Statistics Office indicates that between 2002 and 2006 national population has grown from 3,917,203 to 4,234,925, representing an increase of 8.1% over the four year inter-censal period. The average annual rate of population increase in this four year period was 2% which is the highest on record. This compares with 1.3% for the previous inter-censal period 1996-2002 and the previous high of 1.5% which occurred between 1971 and 1979.

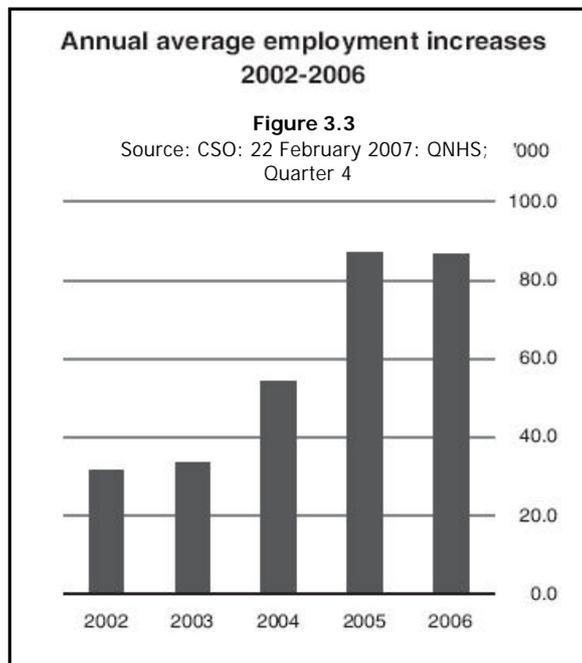
Taken together, the result of these changes has been a transformation of the country's economy from a concentration on agrarian and traditional manufacturing sectors, to one increasingly focused upon the high technology, pharmaceuticals, research and development, and internationally traded financial services sectors. The strong performance of the Irish economy is perhaps best exemplified by employment patterns.

Employment grew by an average of 86,700 persons or 4.4% in 2006. This compares with an average growth rate of 4.7% in 2005. The number of males in employment in 2006 increased by an average of 48,600 or 4.3% while the number of females increased by an average of 38,000 or 4.6%.

There were 2,066,100 persons in employment in the fourth quarter of 2006, representing an increase of 85,500 or 4.3% in the year. This compares to an annual growth rate of 4.2% in the previous quarter and to a rate of 4.6% in the fourth quarter of 2005. Interestingly, the strong growth in the construction (+28,400) and the health (+18,700) sectors accounted for just over 55% of the annual increase in the numbers employed.

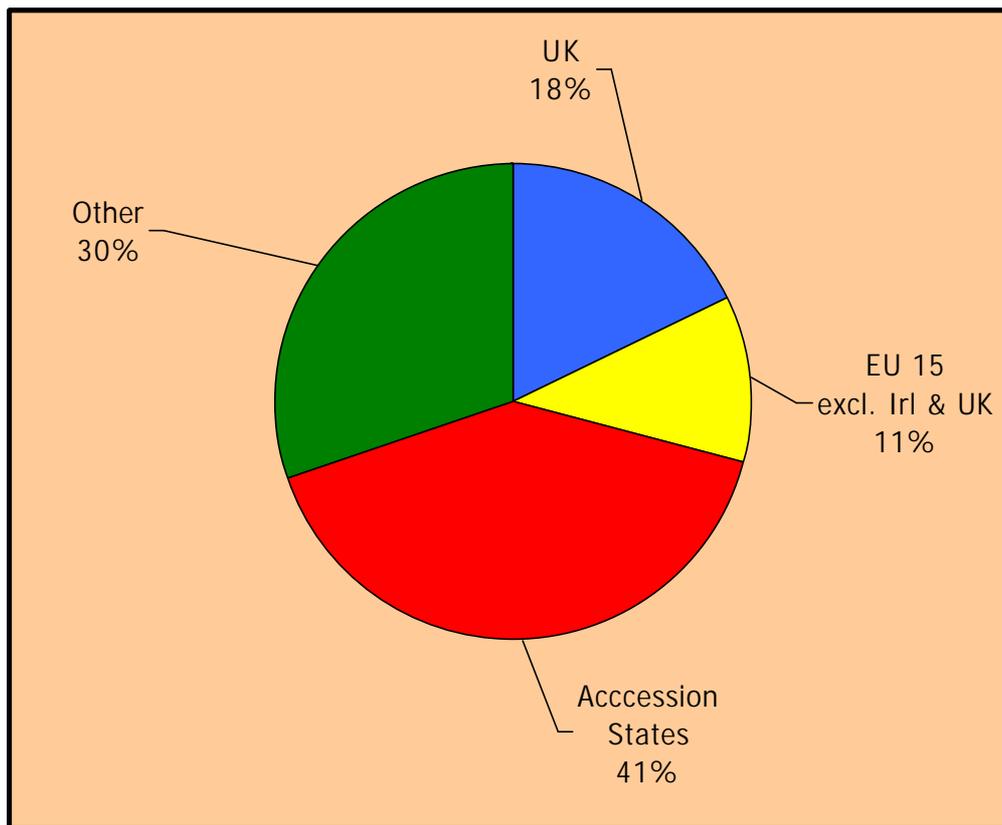
In the year to the fourth quarter of 2006 the labour force grew by 82,900 (+4.0%), while the total number of persons participating in the labour force reached 2,154,800, or 63.0% of all persons aged 15 years and over in the fourth quarter 2006. This compares with a participation rate of 62.2% in the same quarter last year. Male and female participation rates increased over the year from 72.5% to 73.1% and 52.1% to 53.0% respectively.

These latest available figures for all 25 EU member states reflect Ireland's continuing good economic performance. The latest figures, which are for the third quarter of 2006, show that between the third quarters of 2005 and 2006, Ireland's employment level grew



by 4.2% while its labour force grew by 4.4 %. The comparable figures for the EU 25 member countries were 1.9% and 1.0% respectively.

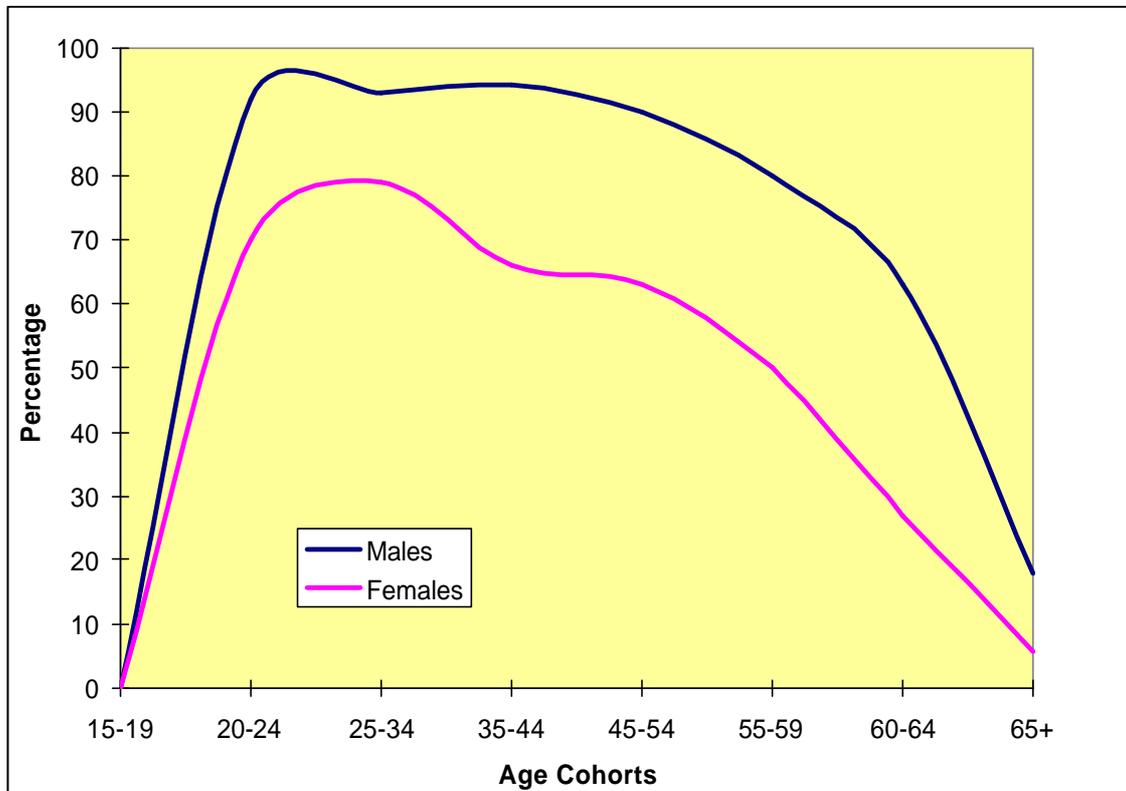
Demographic factors such as the increase in the number of people of working age in the population continued to fuel both labour force and economic growth. Indeed, those in the working age cohorts accounted for over 63,000 of the 82,900 people who joined the labour force in the year to the fourth quarter of 2006. Net inward migration continued to be the main source of this demographic change accounting for an estimated 75% of the demographic increase and is indicative of the nation's strong economic performance. There were an estimated 301,100 foreign nationals aged 15 years and over in the State in the fourth quarter of 2006. Of these, 215,500 were in employment while a further 14,300 were unemployed. Nationals of the new EU accession states were the fastest growing category (+30,400) accounting for over one-third (+28,300) of the overall growth in the labour force (+82,900). The number of persons from the new EU accession states in the labour force was 93,600 in the fourth quarter of 2006. The number of non-Irish nationals in the labour force from outside the EU also increased significantly from 51,500 to 69,300 over the year. In the fourth quarter of 2006 Non-Irish nationals accounted for just over 10% of all persons aged 15 years and over in employment.



Source: CSO: 22 February 2007: QNHS: Quarter 4

Figure 3.4
Non-Irish Nationals in the Labour Force: Sept. to Nov. 2006

Over 52% of the demographic increase can be attributed to those aged 25-34, the age group most affected by inward migration. This cohort is also the most economically active demographic age group and is an important indication of the country's economic vibrancy. Almost a quarter of the annual growth in the labour force, representing an increase of almost 20,000, was attributable to higher participation in the labour market. All age groups, with the exception of 15-19 year olds, showed increases in labour force participation rates over the year. The most significant increases were in the 20-24 year age group, rising from 74.9% to 76.1%, and the 55-59 year age group, rising from 61.5% to 62.7%. In absolute terms the largest increase in the labour force was for those persons aged 25-34, with an increase of almost 38,000 accounting for almost 46% of the total annual increase. The number of married women participating in the labour force increased over the year by 15,400 to 437,000, giving a participation rate of 52.6%.



Source: CSO: 22 February 2007: QNHS; Quarter 4

Figure 3.5
Participation rates classified by age cohort: Sept. to Nov. 2006

Employment grew by 24,800 (+4.9%) in the Border, Midland and Western region in the year to the fourth quarter of 2006,⁴ while the region experienced a decline in the number of unemployed persons during the same period (-600). The participation rate in the Border, Midland and Western region increased from 60.1% to 61.1% between the fourth quarters of 2005 and 2006, suggestive of a relatively slow but steady growth in the economy of Co. Longford.

3.3 ECONOMIC OUTLOOK

In January 2007, the Central Bank published the first of its annual Quarterly Bulletins. The Bulletin reports that, against a broadly favourable international background, the outlook for the Irish economy remains generally good. The Central Bank is forecasting a GNP growth rate of 5.75% (GDP 5.5%) for 2007. This rate of growth is only slightly less than the estimated growth rate for 2006 and may be slightly above the economy's medium-term growth potential. This will ensure that Ireland will remain one of the European Union's most dynamic economies with a growth in GDP far exceeding that of the European average which was 2.2% in 2006.⁵

Thus, the immediate economic outlook continues to be robust as the fundamental factors driving the Irish economy remain favourable. In particular, the economy faces a very fortunate set of demographic circumstances over the next 15 years. However, there are dangers, in particular the very high dependency on the building sector and the pace at which current construction levels are adjusted downward, rising levels of household debt, escalating cost levels, and the ongoing threat of global economic and energy imbalances. Medium and longer term prospects will depend crucially on maintaining competitiveness in the context of what is now a high wage economy. Nevertheless, most commentators still believe that the Irish economy can still grow at 4-5% per annum out to the end of the decade.

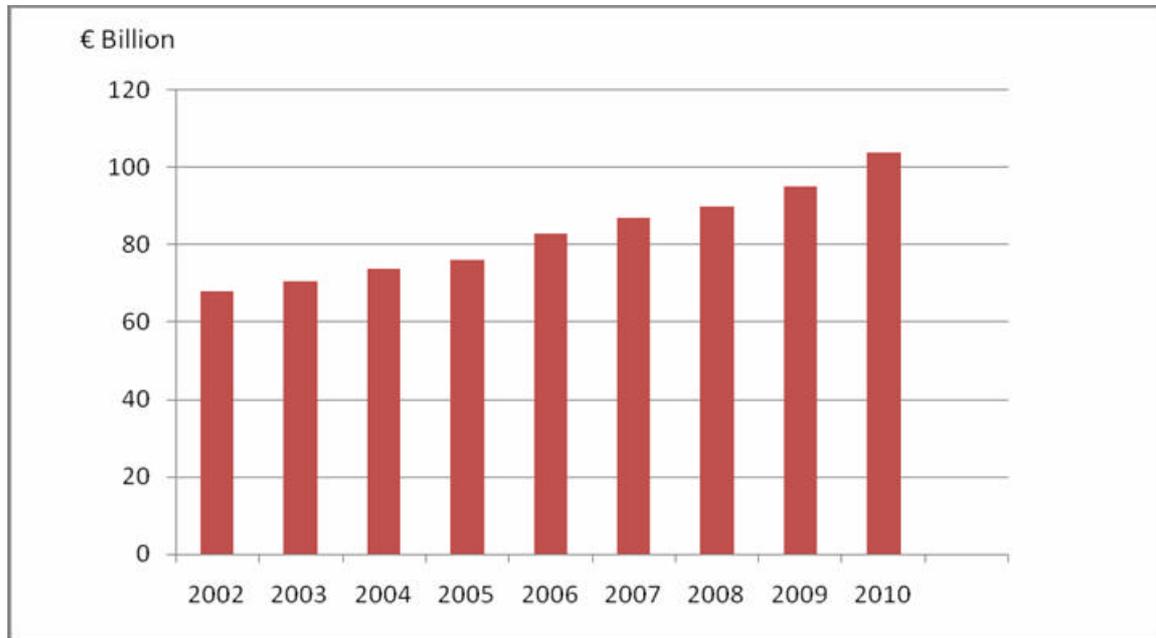
3.4 GENERAL RETAIL TRENDS

3.4.1 National Retail Growth

In line with the country's strong economic performance, retail trading levels have continued to grow in Ireland, as shown by the year on year performance of the volume and value of retail sales which increased by 3.9% and 4.7% respectively by September 2006. Indeed, the Economic Intelligence Unit (EIU) forecasts Ireland's personal disposable income to exceed €100 billion by 2010. The EIU estimates that in 2006 Ireland had a disposable income of €86.3 billion; an increase of 29.7% from 2002.

⁴ The regional classifications are those employed by the Central Statistics Office in its Quarterly National Household Survey for the Fourth Quarter of 2006 as published on 22 February 2007. These regional classifications are based on the NUTS (Nomenclature of Territorial Units) classification used by Eurostat. The NUTS3 regions correspond to the eight Regional Authorities established under the Local Government Act, 1991 (Regional Authorities) (Establishment) Order, 1993, which came into operation on 1 January 1994. The NUTS2 regions, which were proposed by Government and agreed by Eurostat in 1999, are groupings of the NUTS3 regions. Co. Longford is located in the Midland sub-region of the Border, Midland and Western NUTS2 Region.

⁵ Jones Lang LaSalle; 2006: *Ireland Retail Report*



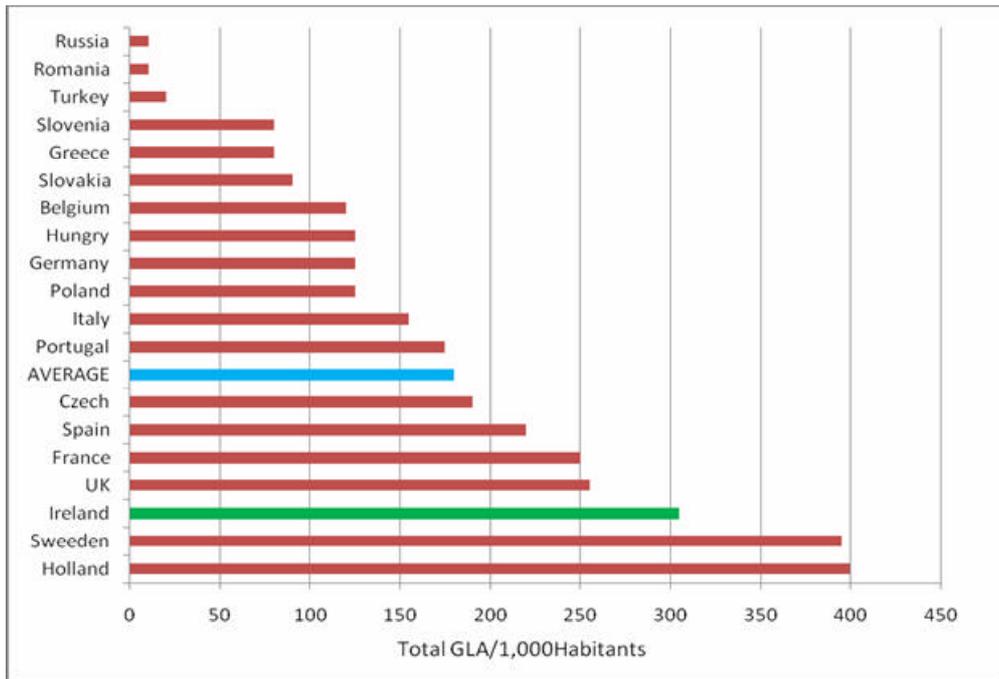
Source: Jones Lang LaSalle; 2006: Ireland Retail Report

Figure 3.6
Ireland's changing Personal Disposable Income

3.4.2 Growth in Shopping Centres

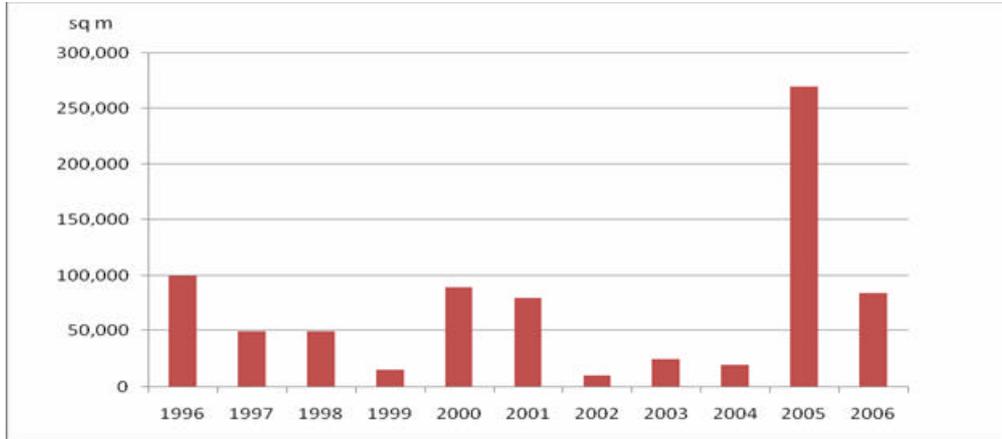
This fiscal buoyancy is reflected in the sizable national increase in shopping centre retail floor space in recent years. Despite rising rents for retail properties in Ireland, Ireland now has the third highest level of shopping centre space in Europe with many UK and European retailers actively undertaking expansion campaigns throughout the country. In Ireland a total of 371,272 m² of shopping centre space is currently under construction. This will add a further 23% to the total amount of shopping centre stock already built⁶. However, the breakdown of the overall figure for the country shows some striking variations. As a large proportion of the population live in the east of the country it is understandable that the Greater Dublin Area contains 48% of all shopping sector stock in the country. Nevertheless, despite the large volume of shopping centre stock already located in Dublin, 21% of the supply pipeline is located in the region. Two counties, Leitrim and Roscommon, have no shopping centres at all while five others, Laois, Kilkenny, Carlow, Westmeath and Louth, have the highest shopping floor space per capita in Ireland with more than 1,000 sq m for every 1,000 inhabitants.

⁶ Jones Lang LaSalle; 2006: Ireland Retail Report



Source: Jones Lang LaSalle; 2006: Ireland Retail Report

Figure 3.7
Existing Shopping Space per Capita⁷⁸



Source: Jones Lang LaSalle; 2006: Ireland Retail Report

Figure 3.8
New Shopping Centre Stock per Year in Ireland: 1996-2006

⁷ GLA signifies Gross Lettable Area: this is equivalent to *total mall floor space* as defined in the Retail Planning Guidelines – internal area (measured from inside walls) of a covered mall including gross retail area, floor space devoted to incidental activities, entrance space centre administrative office, toilets, lifts and escalators and walkways.

⁸ Shopping Centres below 5,000m² are not included in this figure.

3.4.3 Growth in Retail Parks and Retail Warehousing

Retail parks first emerged in Ireland in 1990. Retail parks are a single development of at least three retail warehouses grouped around a common car park. Retail warehousing is a form of retailing that specialises in the sale of mainly bulky goods. It operates on the basis of “scrambled merchandising”, which means that they sell everything from bird cages to chocolate selection boxes. Stock is generally displayed in a logistically functional rather than an aesthetically pleasing manner and is sold in bulk and thereby allows for sale at significantly lower prices than in traditional retail outlets. They are characterised by large display areas and extensive surface car parking with the public usually travelling to them by private transport.

According to the Retail Planning Guidelines “It is beneficial to group retail warehouses on planned retail parks so that the number of trips by car are minimised and outside the town centre so that there is relief for additional traffic within a congested town centre”. Both Planning Authorities and An Bord Pleanála have generally demonstrated conformity with these guidelines in the decisions with they have issued in respect of retail warehousing. Underlying such decisions is a broad agreement that retail warehouse parks should not adversely impact on the vitality and viability of town centres provided that the range of goods sold in the units is restricted to bulky items. However, there is a recent national trend towards expanding the range of goods offered in these parks, including general convenience goods and large scale comparison shopping (incl. discount foodstores). This may represent a potential threat to town centres as retail parks might present a more attractive location for new development, providing larger units and substantial car parking.

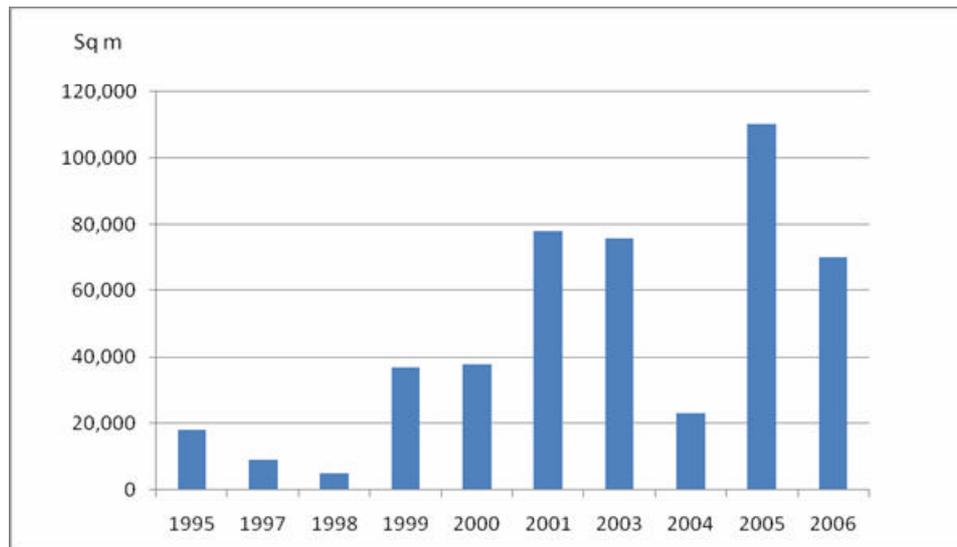
Since the advent of retail parks in 1990 there has been a strong retailer and developer interest in this sector (Figure 3.9). It is likely that this trend will continue. The development of retail parks has been prevalent in many Irish counties but is primarily concentrated in Leinster and Munster where 62% and 26% of the retail warehousing stock is located. The majority of retail warehouse stock is currently under construction in Munster⁹.

3.4.4 Growth in Factory Outlet Centres

Another retail sub-sector which is experiencing market expansion are Factory Outlet Centres which will have doubled from three to six by the close of 2007 following the completion of two new developments at Banbridge and Ballymascanlon on the M1 corridor between Dublin and Belfast. These centres comprise groups of manufacturers who trade from individual units on a common site, selling mainly end of line goods or seconds at significantly reduced prices. As is illustrated in the provision of both niche retailer and cafes in the Killarney Outlet Centre, these centres are part retail, part tourist attraction. The Retail Planning Guidelines state that town centre locations are not the best location for such developments and instead indicate that edge of town centres where public transport systems are provided may be more appropriate. Manufacturers also prefer them to be located in out-of-town locations so that they do not present

⁹ *ibid*

competition to same brand stores selling full-price products in a town's primary retail core. International experience suggests that there is a need for a large catchment population to sustain such centres. Given the steep competition that this retailing format faces from retail parks which also gravitate to densely populated areas, it is presumed that the multiplication of factory outlet centres in Ireland will be slow and geographically limited.



Source: Jones Lang LaSalle; 2006: Ireland Retail Report

Figure 3.9
Retail Park Stock per Year in Ireland: 1995-2006

3.4.4 Growth in Store Size

Across the board there has been an emerging trend towards the development of larger stores in the convenience, comparison and retail park sectors. However, while the overriding trend in both food, clothing and bulky goods retailing is towards larger sizes, it should not be inferred that speciality shops will not be successful in the future retail environment. The emergence of forecourt retailing and local convenience stores owes much to a consumer demand for convenience and 'top-up' shopping. These stores meet those needs with stores in convenient locations and extended opening hours. Other specialist retailers such as sandwich bars offer convenience, service and differentiated products and succeed in their respective niches. The continued success of boutiques and specialist clothes shops, based on high service levels is also likely to be ensured in any new retail environment.

3.4.5 Growth in Foreign Retail Investment

Nevertheless, the changing retail landscape of Ireland becomes evident upon an examination of foreign investment interest in the market. Twenty four new retailers from abroad opened shops in Ireland in 2006. These 24 newcomers add to the 172 foreign retailers already operating in the country in 2005 and include the likes of Starbucks, Borders Books, Stradivarius, Quicksilver, and Villeroy and Boch. Most of

these new entries are high street high-end comparison operators with the majority emanating from the United States and Britain, but with the list also including retailers from China, Spain, Switzerland, Australia and Portugal among others. The retail size requirements of these operators along with their model preferences are detailed in Table 3.1.

3.4.6 Increased Trader Diversification

A trend most obviously visible in the convenience sector has been the diversification of food retailers into non-food goods. In contrast to traditional retailing practices, the majority of large convenience shops (excluding specialist butchers and greengrocers etc.), and in particular supermarkets, now sell a wide range of non-food goods encompassing DIY, household, personal care, garden, computer and entertainment sectors. The fact that margins are higher on these goods than on food items is presumably the main driver behind this move. In addition, many convenience supermarkets are tending towards becoming one-stop shops with increases in product ranges aiding this trend. Recent product diversification moves of note by food retailers in Ireland and the UK include leading brand name clothing and the retailing of high-end electronics equipment.

A further strategy adopted by some retailers has been to diversify into other areas of the economy such as the financial services sector, with many leading supermarket chains, such as Tesco, forming alliances with major banking corporations thereby enabling them to offer own brand credit cards and insurance policies to their customers. The nature of such alliances seems most likely aimed at expanding retail banking into existing retail outlets and hence provide potentially significant growth opportunities for retailers operating in mature markets.

| Retailer | Type of Retailer | Size Requirement Sq m | Origin | Type of Retail Market | | |
|-------------------|------------------|-----------------------|-------------|-----------------------|------------------|-------------|
| | | | | Shopping Centre | Retail Warehouse | High Street |
| Harvey Nichols | Department Store | 3000 | UK | * | | * |
| Borders Books | Books | 1850 | USA | * | * | * |
| GAP | Fashion | 900 | USA | * | | |
| 53° North | Outdoor Fashion | 900 | Ireland | | * | |
| Guess | Fashion | 280 | USA | | | * |
| Stradivarius | Fashion | 230 | Spain | * | | * |
| The Works | Books/Crafts | 230 | UK | * | | * |
| LK Bennett | Shoes | 200 | UK | * | | * |
| Sales Jeans | Fashion | 190 | Portugal | * | | * |
| Quicksilver | Fashion | 170 | Australia | * | | * |
| Boodles Jewellery | Jewellers | 150 | UK | | | * |
| Designers Guild | Homewear | 140 | UK | * | | * |
| Starbucks | Cafe | 140 | USA | * | | * |
| T.M. Lewin | Fashion | 140 | UK | * | | * |
| Villeroy & Boch | Homewear | 140 | Germany | * | | * |
| CK Jeans | Fashion | 110 | USA | * | | * |
| TSE | Fashion | 100 | China | * | | * |
| Radley | Bags (Fashion) | 90 | UK | * | | * |
| Camper Shoes | Shoes | 90 | Spain | * | | * |
| North Face | Outdoor Fashion | 90 | USA | | | * |
| Swarovski | Jewellers | 74 | Switzerland | * | | * |
| 3 Mobile | Communications | 74 | UK | * | | * |
| Myla | Fashion | 69 | UK | * | | * |
| Links of London | Jewellers | 59 | UK | * | | * |
| Sunglass Time | Accessories | 51 | UK | * | | * |

Source: Jones Lang LaSalle; 2006: Ireland Retail Report

Table 3.1
Retailers who entered the Irish Market in 2006

3.4.7 Growth of Internationalisation

A further strategy of diversification has been to enter other country markets. Retailers who have internationalised have tended to open stores in a limited number of countries. The home bases of these retailers tend to be mature retail markets such as the United States, Germany, France and the UK, and only a small number of the larger chains within these countries have internationalised. The most common first step in internationalisation has been 'border hopping', that is moving to an adjacent country in the belief that this will be the country with greatest similarities. This trend is particularly evident in the prolific introduction of UK stores into the Irish market.

Internationalisation is undoubtedly a major trend affecting both the food and clothing sectors at present with stores which are perceived as brands in themselves such as Benetton and the Body Shop, becoming truly international retailers. However, one outcome of the internationalisation of retailers is the high degree of 'sameness' which dominates high streets throughout Europe, and in particular Britain and Ireland. Fashion retailers such as, Zara, Next and Oasis are known to shoppers in both the UK and Ireland with the suggestion been that the internationalisation of retailing has undermined high street individuality.

3.4.8 Growth in Home Shopping

Home shopping is of two types:

- non-interactive, comprising tele-shopping or catalogues; and
- interactive shopping which primarily comprises the Internet.

Online convenience retailing has increased in popularity in recent years with food retailers such as Tesco and SuperQuinn providing this facility to consumers. Although it is likely that the proportion of retailing carried out online is likely to increase in the coming years, it is most probable that the current trend of consumer preference for comparison over convenience items in on-line purchases will continue. It is believed that online grocery shopping will encounter slower growth for three reasons:

- there is a need to change entrenched consumer shopping patterns;
- there is a need to provide detailed information on products, including ingredients, nutritional information etc.; and
- the logistical problems associated with delivery.

However, internet retailing is particularly suited to non bulky comparison goods, such as books, computer software, CDs, DVDs and to a more limited extent, clothing. In recent years 'auction websites' such as eBay have significantly extended the depth, range and profile of internet shopping. In some instances, the internet has been used by traditional mail order service providers as a means of expanding their array of customer service

and providing an alternative means of shopping. The centre for retail studies UCD estimates that 30% of the population have already made one purchase on the internet. Thus, it is foreseen that the trend towards increased internet sales of non-bulky comparison goods will continue.

3.4.9 Extended Opening Hours

There are substantial differences in opening hours across Europe, ranging from Scotland which has no restrictions, to Germany, Austria and Switzerland which prohibit opening on Sundays and restrict Saturday opening. In Ireland, the past decade has witnessed an increase in business opening hours and the common provision of Sunday trading. In a study undertaken by The Irish National Policy and Advisory Board for Enterprise, Trade, Science and Technology (FORFAS)¹⁰, some major retailers indicated that late weekday opening hours and Sundays can account for as much as 40% of weekly turnover in particular locations. This study suggests that the experience of Irish retailers is that Sunday trading is now a significant element of the overall trading pattern, though little published data is available as yet to illustrate this.

3.4.10 Greater Vertical integration

As noted by FORFAS¹¹, examples of vertical integration within the Irish retailing sector are currently limited to specific products and in many cases, what are perceived to be examples are, in fact, cases where retail owners also have interests in certain manufacturing activities. Nevertheless, true vertical integration is an emerging trend in the Irish retail sector.

The concept of vertical integration however requires some consideration of the concept of control without ownership. Developments in the supply chain of retailers such as Tesco and Marks & Spencer have given the retailers substantial control over the distribution and processing system, while at the same time, ownership of the warehouses, operation of the vehicle fleets and manufacturing plants rests with third parties. In the retail sector much of the changing balances of power in favour of the retailer stems from them extending their influence over the supply chain and few examples of true vertical integration can be identified in Ireland. Of those that do exist, most relate to manufacturers seeking to develop retail outlets, such as The North Face and Patagonia outdoor clothing manufacturers. The view expressed by the retail sector in research undertaken by FORFAS is that other examples of vertical integration by manufacturers will emerge, but will most likely come from similar specialist manufacturers, who focus on a particular product category, be it in the clothing, fashion, household or food segments, and who will trade mainly through small to medium sized outlets, as they will not have the product range to fill large stores. To be successful, they will need to develop a unique brand image.

There is a conflict of views as to whether stores such as Dunnes and Marks & Spencer, which carry only own-label products, should be regarded as vertically integrated. Such

¹⁰ FORFAS; 1999: *Dynamics of the Retail Sector in Ireland*

¹¹ Ibid

stores are seen by some as exporters of the ranges they carry, and that by concentrating on own-label, they minimise the opportunities for local suppliers. The majority view is that such stores are not inextricably tied to particular producers, and as such, cannot be realistically described as vertically integrated.

3.4.11 Growth in use of Technology

The use of self-scanning devices at checkouts in Europe's retailers has been growing in recent years. Likewise, the use of self scanning checkouts in Ireland has emerged as a growing trend due to the implementation of scanning technologies by major retailers such as Dunnes Stores, Tescos and SuperQuinn, although the smaller symbol group retailers and independents have been slower to follow.

The advantages of scanning and the key drivers of its expansion are:

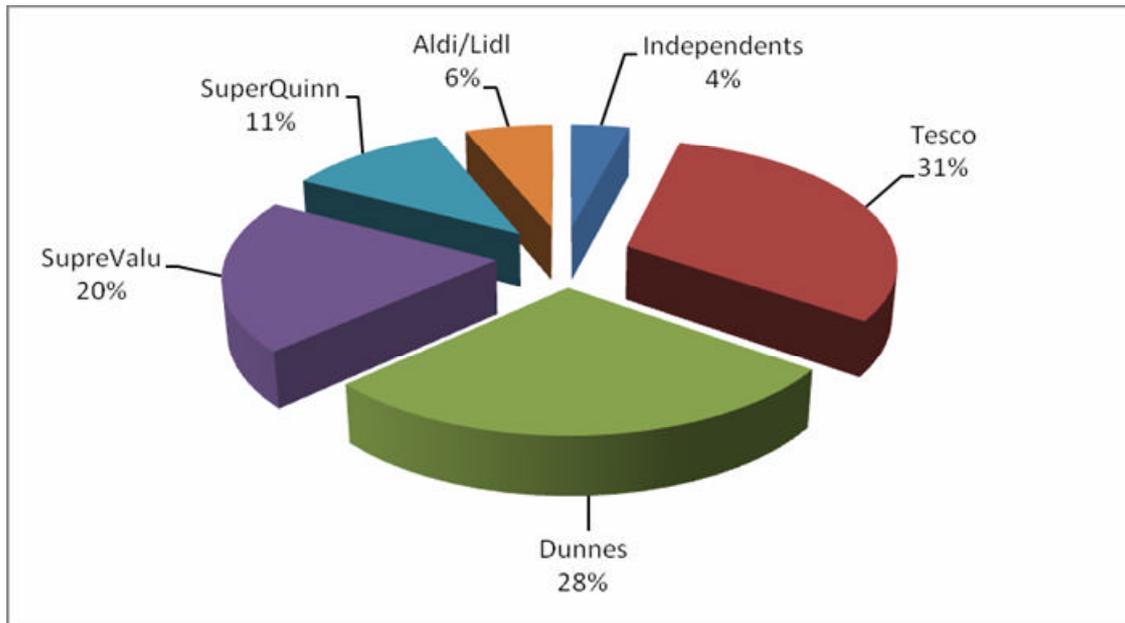
- faster, more accurate till operations; and
- more convenient for customers.

Given the logistical advantages to self scanning checkouts and the monies saved on checkout staffing salaries, it is probably that the growing trend of self-service self-scanning checkout devices will become an increasing feature in stores operated by larger retailers. However, it is not foreseen that the fitting of such devices will develop as quickly in smaller symbol group stores and independents given the costs of installation and the smaller queue sizes at checkouts.

3.5 SECTOR SPECIFIC RETAIL TRENDS

3.5.1 Convenience Sector Retailing

Convenience retailing in Ireland is dominated by five multiple companies and five symbol groups. The supermarket sub-sector of convenience retailing in Ireland is highly concentrated on two large multiples. About 60% is supplied by Tesco and Dunnes Stores, with the bulk of the remainder made up of SuperValu (20%), SuperQuinn (11%), and Lidl and Aldi (6%).



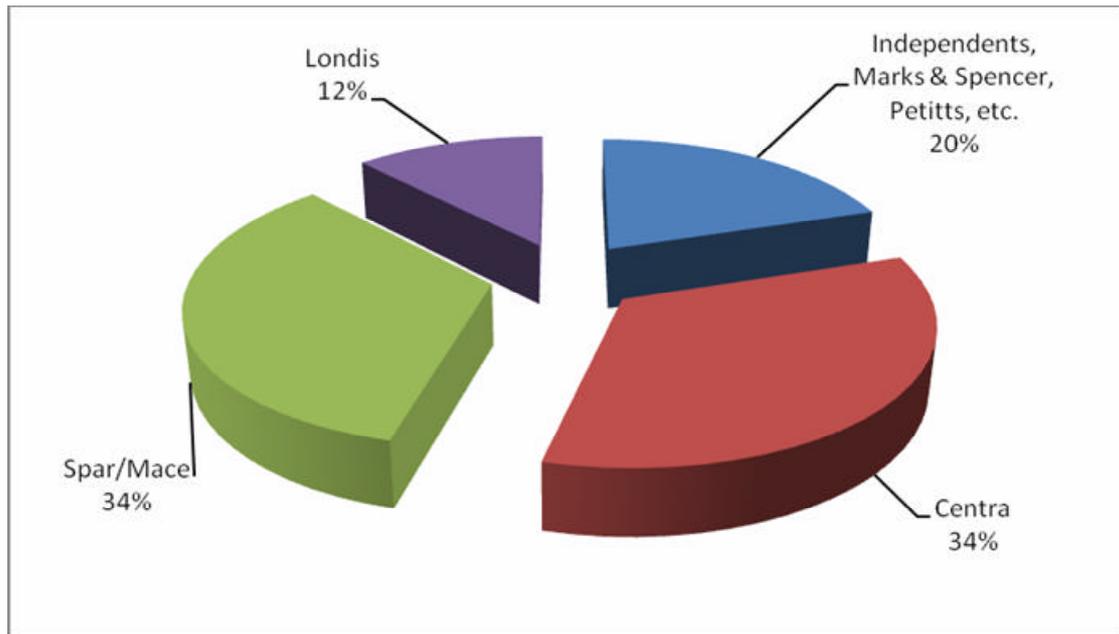
Source: Joint Committee on Enterprise and Small Business; March 2005: *Third Report: Interim Report on the Impact of Grocery Multiples on the Grocery and Retail Markets and its Effect on Consumers, Small Grocery Retailers and Small Grocery Suppliers.*

Figure 3.10
Market Share of Supermarket Retailers

As noted previously, there is a general trend for the major convenience retailers to seek larger scale stores than have been constructed to date, notwithstanding the cap on convenience floors pace set in the Retail Planning Guidelines (maximum of 3,000 m² net floor space with a maximum of 3,500 m² in the Greater Dublin Area). In line with this trend is an expansion in the range of goods now being sold in supermarkets, which has included the stocking of comparison goods. Consequent of this is the merging of comparison and convenience retailing within one store. This has implications for planning authorities who have traditionally distinguished between these formats in the formulation of retail policy. It also requires a more complex assessment of retail impact than would previously have been required.

While the town centre remains the preferred location for new retail development, there is an evident trend in demand for and provision of large convenience shopping facilities in out of centre/edge of centre sites adjacent to substantial residential populations. This can provide a more convenient means of shopping for persons who may only wish to carry out a weekly shop without travelling into the town centre. It also has the benefit of relieving town centre traffic congestion as the concept of a large weekly shop generally involves bulk buying and the use of private transport. The movement of convenience shopping to suburban locations suggests that the future role for town centres will be in the provision of higher order goods and have a greater role as a leisure destination. If the trend of dispersing convenience retailing to residential areas is to continue, there will be a requirement for proactive policies to retain other smaller convenience and comparison retailing services within existing retail core areas so as to ensure their vitality and viability as community centres.

In the non-multiple sector, the major trend has been the growth of voluntary group stores as compared with the independent stores. Indeed, by 2004 alone the market share of independent stores declined from 24.5% to about 5%. It is inferred that this trend will persist in the foreseeable future as multiple operators expand their market share and the movement of independent retailers to symbol groups continues. There are now over 2,000 independent grocery retail outlets that are part of symbol groups.



Source: Competition Authority quoted in Joint Committee on Enterprise and Small Business; March 2005: *Third Report: Interim Report on the Impact of Grocery Multiples on the Grocery and Retail Markets and its Effect on Consumers, Small Grocery Retailers and Small Grocery Suppliers.*

Figure 3.11
Market Share of Independent and Symbol Group Retailers

While independent retailers have generally suffered a decline in numbers with the introduction of large scale multiple retailers and symbol group competitors, their significant decline has also been furthered by the introduction of a new competitor, the forecourt retailer. Forecourt retailing has matured rapidly in Ireland through the development of linkages between petrol companies and symbol groups and the branding of the forecourt shops, e.g. On the Run. The emergence of forecourt retailing and local convenience stores reflects a growing consumer demand for convenience and 'top-up' shopping.

Although it may be stated that there will always be a place for the independent retailer, their survival now seems likely to be dependent on their ability to identify and fill a niche in the marketplace. To do so they may need to differentiate themselves from the larger operators by finding either a geographic area not covered by the multiples, or a product offer not currently available in that location. Some may be more suitable to speciality food stores than general stores, e.g. health and ethnic food shops. However, they must

be open to the possibility of operating longer hours and providing a high level of service. Their willingness to identify market niches and act upon them will be the difference between those who survive, those who flourish and those who fall by the wayside.

3.5.2 Removal of the Groceries Order

The Restrictive Practices (Groceries) Order was introduced in 1987. Its principle function was to protect small retailers by providing a ban on the selling of specific goods below net invoice price (and not below cost, as is often assumed)¹².

However popular the Groceries Order may have been with small retailers, it has more recently been interpreted as anti-competitive and restrictive, preventing retailers from passing on discounts and causing them to maintain higher price levels. Thus, the Groceries Order was subsequently revoked with the adoption of the Competition (Amendment) Act 2006. It is anticipated by the government that this will result in lower grocery prices. At this juncture, the full impact of the removal of the Order has still to be ascertained, although initial indications are that the revocation has resulted in a fall in prices for goods covered.

3.5.3 Comparison Sector Retailing

The trend towards increased sized units in the convenience sector is replicated in comparison shopping. A key factor in the structure of the comparison sector has been the surge in shopping centre construction over the last number of years. Generally, these centres depend on a major food retailer as anchor tenant. In Ireland Dunnes Stores and Penneys have a large percentage of the lower end of the clothing sector, while the department stores have traditionally dominated the upper end of the market. Nevertheless, there exists a strong emerging trend towards concentration in high-end comparison shopping in international multiples. Such concentration is expected to increase further as new international retailers from Europe enter the Irish market and open more stores. In particular, there has been a rapid influx of UK fashion retailers in recent years, so much so that relatively few indigenous retailers now remain on the main shopping streets of Ireland's largest cities. It is probable that this trend will persist as retailers continue to take up space offered in the large shopping centres with the easiest opportunities to obtain sizeable units with car parking, in both town centre and suburban locations. Examples of this trend for smaller scale high-end international multiples located in shopping centres include retailers such as House of Fraser, New Look, Harvey Nichols, Monsoon, Oasis, Next, and Zara.

Another growing trend is for international multiple retailers to concentrate investment in the largest retail centres in order to maximize their catchment areas and achieve critical mass. The result of this is a widening gap in the retail offer between the larger centres and the remaining smaller settlements. Consequent to this is an increasing leakage of

¹² It excluded fresh fruit, fresh vegetables, fresh and frozen meat, fresh fish and frozen fish which has undergone no processing other than freezing with or without the addition of preservatives and intoxicating liquors not for consumption on the premises and such household necessities (other than foodstuffs) as are ordinarily sold in grocery shops, and included grocery goods designated as "own label", "generic" or other similar description.

trade from smaller centres to larger ones, with suburban and smaller metropolitan centres being particularly vulnerable. Improving the comparison offer, vehicular and pedestrian circulation arrangements, along with up-grading the environmental amenity quality of smaller centres, such as Longford, may be the only way in which to reverse this trend.

A negative impact of such movements in the comparison sector upon Ireland's retailing landscape is that as concentration increases and European retailers expand here, the high streets throughout Ireland will continue to develop a significant degree of uniformity. Many high streets in Ireland now include a Next, Principles, The Body Shop, Monsoon, Oasis, Dunnes Stores, Penneys or other department stores. However, it is only the latter two stores that make Ireland different to the retail mix which might be encountered on almost any British high street. While there may be a move against this trend, with customers perhaps tiring of similar stores wherever they go and seeking out a more unusual retail mix, the power of these retailers together is a formidable attraction to shoppers.

Nevertheless, independent retailers still remain in this sector, particularly in small town or village centres and are likely to remain so, though their business volumes will diminish to some degree by way of increased competition and trade draw by larger centres.

3.6 Summary of the key National Economic and Retail Trends

- The immediate economic outlook is robust as the fundamental factors driving the Irish economy remain favourable. In particular, the economy faces a very fortunate set of demographic circumstances over the next 15 years. However, there are dangers, in particular the very high dependency on the building sector and the pace at which current construction levels are adjusted downward, rising levels of household debt, escalating cost levels, and the ongoing threat of global economic and energy imbalances. Medium and longer term prospects will depend crucially on maintaining competitiveness in the context of what is now a high wage economy. Nevertheless, most commentators still believe that the Irish economy can still grow at 4-5% per annum out to the end of the decade.
- In line with the country's strong economic performance, retail trading levels have continued to grow in Ireland, as shown by the year on year performance of the volume and value of retail sales.
- Ireland's fiscal buoyancy is reflected in the sizable national increase in shopping centre retail floor space in recent years.
- Since the advent of retail parks in 1990 there has been a strong retailer and developer interest in this sector. It is likely that this trend will continue.
- Across the board there has been an emerging trend towards the development of larger stores in the convenience, comparison and retail park sectors.

- While the town centre remains the preferred location for new retail development, there is an evident trend in demand for and provision of large convenience shopping facilities in out of centre/edge of centre sites adjacent to substantial residential populations.
- There has emerged a growing trend is for international multiple retailers to concentrate investment in the largest retail centres in order to maximize their catchment areas and achieve critical mass. The result of this is a widening gap in the retail offer between the larger centres and the remaining smaller settlements.
- There is a growing trend in the convenience sector for the diversification of food retailers into non-food goods.
- In Ireland, the past decade has witnessed an increase in business opening hours and the common provision of Sunday trading.
- The growth in the use of technology in the retail sector such as internet shopping and self scanning at checkouts is likely to continue.
- While independent retailers have generally suffered a decline in numbers with the introduction of large scale multiple retailers and symbol group competitors, their significant decline has also been furthered by the introduction of a new competitor, the forecourt retailer.