

Appendix [9]: Occupation of proposed retail unit by discount comparison goods retailer such as B&M Homestore

1.0 THE RETAIL OPERATION, SITE LOCATION AND THE POSSIBLE OCCUPATION OF PROPOSED UNIT

(i) B & M and its retail operation

- 1.1 B&M is one of the UK's fastest growing retailers and over the last 5 years the chain has grown from 21 stores to in excess of 325 stores. The business is based on a discount retail format, particularly targeting shoppers on restricted incomes, it has grown strongly through the recession. B&M Retail Limited (B&M) had only 21 stores seven years ago. Today it enjoys a turnover in excess of £950m per annum, and it employs some 13,000 staff. Over 10,000 of those jobs have been created in the last 5 years. The company is recognised in the Sunday Times Top Track 100 and the Sunday Times Fast Track 100. These accolades and the growth of the business are a testament to the popularity of this retailer in the current economic climate.
- 1.2 The primary activity of the "B&M Homestore" business is retailing of what are generally regarded as bulky and comparison goods. These include indoor and outdoor furniture, greening products, home textiles, household goods, housewares including small domestic electrical goods, home adornment, seasonal items particularly Christmas and garden centre items, paint, wallpaper and DIY products. These product categories account for approximately 70%-75% of the floor space and sales within the average B&M Homestore.
- 1.3 The business also sells ancillary product areas such as food, confectionery, drink and recreational goods. Together these categories can account for up to approximately 25%-30% of the floor space, and not one of those categories on an individual basis accounts for more than 10% of the floor space.
- 1.4 Retailing is a business which requires a high proportion of fixed costs. The overheads of a store are primarily built-up by its rent, rates, utilities, staff and other fixed costs. The net profit margin of B&M Retail Limited is 6%. If the turnover is reduced by 10%, the costs of the business remain the same and on this basis almost all profit is eliminated. In other words, B&M Retail Limited is dependent on the impulse and ancillary sales of non-core products in order to make it viable and support its store, head office and distribution centre costs.
- 1.5 The store's average basket spend is approximately £10.00 (2006 prices). Obtaining an extra £1.00 on impulse buys is highly material to the viability of the store given the low average spend per trip. However shoppers categorically do not visit a B&M in order to, for example, conduct a grocery shop. B&M's Homestore food range is extremely limited and relates to purely ambient, non-perishable packaged goods. There is no sale of fresh vegetables, meat, fish, chilled or frozen products.
- 1.6 Approximately 60% of B&M's shoppers are over 56 years of age. These 'time-rich: cash poor' shoppers are drawn to B&M by its low prices and many are on limited and restricted incomes. The company's market research indicates that 60% of its customers are in the social and economic groups C2 and below. A significant proportion of its products are clearance or short-dated discontinued goods purchased from factories. These socio-economic groups are attracted by clearance and end-of-line products (some of which are a very limited range of ambient food and drink products offered as an "Impulse Buy").
- 1.7 The business has also grown as the out of town DIY retail market has consolidated. That market is now dominated by B&Q, Wickes and Homebase. Focus DIY has gone into receivership due in part to its inability to respond quickly to changing market conditions. The company considers that the 3 remaining national DIY retailers are focused on the mid and upper market and they do not adequately serve the lower end of the socio-economic spectrum. In this regard no national retailer currently sells DIY products at discounted prices. Similarly the independents have been squeezed out of the DIY market and there are no regional DIY operators.
- 1.8 B&M's ability to trade successfully as a discounter is wholly dependent upon the sales of its ancillary product areas. To those outside the retail industry it may sound implausible that a retailer cannot trade successfully if it were to lose only a small percentage of its turnover. However, that is the case given the fact that many retailers trade on small net margins and rely on the quantity of lower value items to maintain their

profitability. This is particularly the case with discount operators with low gross margins and very little in store that is over a £30 unit price.

- 1.9 The display and sale of bulky goods requires a retail unit with a large floorspace. There is an essential requirement for sufficient space for the display of the bulky goods for sale as well as space required for customers to examine the goods and try them where necessary (for example beds and furniture). There is also a requirement for customer circulation space and customer service areas. Within a typical Homestore, goods are displayed as they may be in the home or garden, to provide customers with full information as to how products may meet their needs.
- 1.10 By way of an example is the sale of garden furniture, which must necessarily be set up 'in situ' in store so that customers are able to see the product prior to its purchase. Flat packed goods such as tables, chairs and wardrobes are displayed assembled, and the packaged goods are stored on the shop floor so that customers can transport them to the till.
- 1.11 The vast majority of goods are large bulky goods that need a trolley to transport them around the store. Customers transport the goods themselves to the till, then large goods are transported to the customer's own vehicle in the car park, there being no internet or delivery service available.

(ii) Catchment profile

- 1.12 With regard to its catchment profile and population demographics (see **Appendix []** for Bognor Regis's catchment), the following points are relevant:
1. Approximately 60% of B&M's shoppers are over 56 years of age. These shoppers are drawn to B&M by its low prices and many are on limited and restricted incomes. The town has a population profile similar to the national average with approximately 39% of the population aged 45 years or more.
 2. The company's market research indicates that 60% of its customers nationally are on restricted incomes particularly those who are unemployed or on incapacity benefit. While the average disposable income of households in Bognor is below the UK average, and there are nonetheless a significant number of households on more limited incomes reflecting those who are unemployed, permanently sick, in education or full-time study or who may have variable income levels such as the self-employed. Increasingly however B&M stores are also attracting more affluent customers who due to the recession and worries over job security are increasingly price conscious and are seeking good quality products at discounted prices. In this context a significant proportion of its products are clearance or discontinued goods purchased from factories around the world and all shoppers are attracted by clearance and "end-of-line" products.
 3. The company requires a minimum of 1,500 sq.m. of sales floorspace on a single floor. This necessitates a minimum store size of approximately 2,000 sq.m. gross. The average store size within the group is 2,600 sq.m. gross so the planned store is ideal.
 4. The availability of free parking very close to the store is particularly important in meeting the needs of older shoppers. Customers in general are unprepared to carry flat-packed furniture or heavy tins of paint and wallpaper from a high street location to a car hundreds of metres away.
 5. The company's discount operation does not provide for home delivery or internet shopping. Therefore all items have to be removed by the customers including any large flat packed items.

(iii) Proposed development and suggested condition

- 1.13 In order to enable beneficial occupation of the unit by B&M, the company would accept the following condition. As we have described above a B&M Homestore is primarily a DIY store selling household improvement items for the home, garden and car. In the event that B&M Retail Ltd trading as a 'Homestore' were to occupy the store the following condition would be acceptable to the company. The first part of the condition is based on condition 10 imposed on planning permission No. R/210/11¹ authorising the redevelopment of the Rustington Retail Park and condition 6 imposed on a retail warehouse development on the Bognor Regis Retail Park (App. No. BE/75/12)². The latter was judged to comply fully with the NPPF.

"The retail warehouse hereby permitted shall not be used otherwise than for the sale of furniture, floorcoverings and household textiles/goods; domestic electrical and gas appliances; cycles and cycle parts and accessories; pets and pet supplies; stationary and office supplies and equipment; hardware, DIY goods and decorators' supplies, and garden products; and goods and services for the repair and maintenance of motor vehicles; and for no other purpose (including any other purpose in Class A1 of the Schedule to the Town and Country Planning (Use Classes) Order 2005, or in any provision equivalent to that Class in any statutory instrument revoking and re-enacting that Order with or without modification).

(i) Food, drink and confectionery	Up to 175 sq.m.
(ii) Toys	Up to 120 sq.m.
(iii) Non fashion clothing	Up to 35 sq.m.
(iv) Toiletries	Up to 120 sq.m.

- 1.14 This approach follows a large number of planning permissions issued by other Local Planning Authorities. Examples of their decisions are attached.

(iv) The benefits of the scheme

- 1.15 The proposal involves private sector investment by B&M Retail Ltd that will result in the re-occupation of a retail warehouse in order to ensure its long-term future. Accordingly, planning permission will enable the company to occupy the unit and would assist the Council in meeting national and local objectives through improving the choice of shopping facilities, creating employment in a commercial property, and reducing social exclusion. These are considered further below.

(a) Improving the choice of shopping facilities

- 1.16 The proposal is not 'footloose'; there appears to be a general acceptance of the need to improve and extend shopping facilities serving the town. To disaggregate the additional goods required to be sold to enable beneficial occupation of the unit, from the proposed development would render the store impractical and unviable on the basis of the business model requirements set out above. This clearly is not the thrust of the NPPF which seeks to promote sustainable economic development.
- 1.17 In addition the proposed development involves only a very limited variation in the range of goods which could be sold. Such a limited variation in some food and non-food items would be related to the trading profile and operation of a named, national retailer. The variation would enable the sale of a modest range of ancillary items which form a key component to the company's operation and given national planning advice, there is no requirement to assess the likely trading impact. It is important to stress that the proposal is a

¹ Granted on 5th December 2011.

² Granted on 12th March 2013.

simple proposal to enable, B&M, to operate from the application site. B&M is a discount retailer and accordingly, it cannot be asserted that the scheme would have anything other than an inconsequential impact. In any event as the proposal falls below the threshold for assessing whether impact is significant or not both in terms of the NPPF and emerging local planning policy, there can be no grounds for concluding that the proposal would have a significant adverse impact on defined retail centres under the terms of paragraph 27 of the NPPF.

(b) Creating employment in a commercial property

- 1.18 The proposed development if occupied by B&M Retail Ltd will create up to 45 new full-time employment opportunities. The total full and part-time positions are predicted by the company to be 60. It will provide a boost to the economy and given the nature of the scheme the majority of the jobs will be available to local people. Employment within the retail sector is equally important as other sectors of the local economy.

(c) Reducing social exclusion

- 1.19 As mentioned above the town has a customer base which comprises both more affluent and less affluent households which will be attracted to products that are offered at discount prices. This will be at a scale and format which will complement provision within the town centre increasing choice in a sustainable manner.

2.0 IMPACT OF B&M HOMESTORE

- 2.1 As noted in Section 1 above the first part of the suggested condition is based on the approval granted by the Council on 5th December 2011 authorising the redevelopment of the former Focus store on the Rustington Retail Park. We have attached a number of tables to this appendix setting out the assumptions used in predicting the likely impact should the proposed unit be occupied by B&M Retail Ltd.
- 2.2 **Table 1** sets out the predicted turnover of the B&M Homestore which is estimated at approximately £6.66m inclusive of VAT. The turnover has been calculated on the basis of the gross area of the store to provide a worse case position. In practice around 80%-85% of the store would comprise the net sales area.
- 2.3 **Table 2** summarises the turnover attributable to the additional goods which have been calculated on a pro-rata basis applying the average sales density within the proposed store. This is consistent with the fact that all goods sold within the store contribute to its overall turnover and while a small element of ambient food and confectionery is proposed, it should be noted that the scale and nature of these products do not provide a basis for meeting top-up let along main food shopping needs. They provide the opportunity for impulse buys rather than a dedicated food shop. The majority of the goods proposed to be sold (c80%) would fall within the scope of those accepted in principle by the Council when granted consent for the redevelopment of the former Focus store. We believe that these goods would not have any material impact on existing centres and we have therefore concentrated only on those specified in Table 2.
- 2.4 The total turnover associated with the additional goods is £1.18m comprising £0.44m in terms of food/drink/confectionery and £0.74m of comparison goods.
- 2.5 In **Tables 3a** and **3b** we set out the comparison and convenience goods turnover estimates for Bognor Regis town centre based on the ADRS.
- 2.6 Finally in **Table 4** we set out two alternative assessments. The first assumes that the entire turnover attributed to the ancillary goods is drawn from the town centre in 2017. This is intended to provide an extreme and highly unlikely outcome. The second assumes that a proportion is drawn from the town centre with the remainder drawn from other locations including out-of-centre foods stores, retail warehouses and on-line retailers..
- 2.7 In terms of the first scenario the impact on the town centre would be approximately % while in the second approximately %. The impact on the town centre under either scenario is considered to be very limited.
- 2.8 In our opinion the assessment demonstrates that there would be no significant adverse impact on Bognor Regis town centre.

Tables relating to impact of B&M Homestore in proposed retail unit in 2017

Table 1: Estimated total turnover of B&M Homestore in 2017 £ms (assumed to be 2011 prices)

Existing store	
Gross floorspace	2,490
Proposed net floorspace	2,490 ³
Sales density of B&M Homestore £'s sq.m. (including VAT)	£2,500
Total turnover £ms	£6.22
Turnover drawn from study area	£6.22

Table 2: Estimated turnover attributable to additional goods £ms (2011 prices)

Floorspace	% of total gross area	Turnover £ms
Food/drink/ confectionery	7.0%	£0.44
Toys	5%	£0.31
Non-fashion clothing	2%	£0.12
Toiletries	5%	£0.31
Total	19%	£1.18

Table 3a: Estimated comparison goods turnover of Bognor Regis Town Centre £ms (2011 prices)(post implementation of the retail warehouse at Bognor Regis Retail Park)⁴

2012 £m
2016 £m

Table 3b: Estimated convenience goods turnover of Bognor Regis Town centre £ms (2011 prices)

2012 £m
2017 £m

³ Assumed to equate to gross area to assess worse case. Typically a B&M Homestore would occupy around 80%-85% of the gross area of a retail warehouse store.

⁴ The latter is predicted to lead to a diversion of £0.18m based on the Planning Statement submitted in support of the application.

Table 4: Bognor Regis Town Centre - Estimated trade draw to B&M Homestore from ancillary goods in 2017 £ms (2011 prices)

	Scenario A: Assumed trade draw from T.C.	Impact on T.C.	Scenario B: Assumed trade draw from T.C.	Impact on T.C.
Food/confectionery/drink	£0.44	%	£0.20	%
Toys	£0.31	%	£0.15	%
Non-fashion clothing	£0.12	%	£0.06	%
Toiletries	£0.31	%	£0.15	%
Total impact on food and convenience goods	£0.44	%	£0.20	%
Total impact on comparison goods	£0.74	%	£0.36	%
Impact on total town centre turnover	£1.18	%	£	%