Retailers need the Government to come up with a clear strategy to reflect 21st-century trading

Shopping has changed but, sadly, the taxation, regulatory and planning framework for property-based retailers has not

Date: 2nd December 2013
Author: Terry Duddy for The Telegraph

This Christmas is expected to see another jump in purchasing decisions and actual purchases made by consumers on PCs, mobile phones, laptops and tablets Photo: ALAMY

You might not thank me for reminding you but there are just 23 shopping days to go until Christmas. For many retailers, this is an exciting – and nerve-jangling – time as trading momentum builds across the sector and months of planning are put into practice.

Yet amid the careful build-up of trade, there is nothing steady about the astonishing transformation in our nation's shopping habits. The way we shop is now changing at the fastest pace I have seen in my 25-year career in the industry.

This Christmas is expected to see another jump in purchasing decisions and actual purchases made by consumers on PCs, mobile phones, laptops and tablets.

At Argos, for example, sales made on wireless devices jumped by 124pc to account for 16pc of total sales in the first half. In May 2010, before we launched our mobile app, these sales were at zero. Shopping has changed but, sadly, the taxation, regulatory and planning framework for property-based retailers has not. We operate in a multi-channel world of e-commerce, m-commerce, online and in-store trading. Tax and regulation, however, remains firmly stuck in the analogue age.

Take business rates. The outdated nature of this system has just been further reinforced. The Treasury has handed retailers a 3.2pc rate hike for next year, based on September's retail prices index (RPI) measure of inflation. This increases the tax burden on retailers by £242m from April 2014 and is the latest in a long series to hit the sector hard.

Home Retail Group paid £150m in business rates last year – that's an incredible 40pc of our total property costs. The latest hike means that retailers will have to pay £3.44 in business rates for every £1 in corporation tax in 2014.

In terms of costs, the business rates system is the most important area that needs to be reformed when more than one in 10 UK shops are currently vacant. Yet the Government has delayed the revaluation of business rates from 2015 to 2017.

The British Property Federation says this delay will see retailers continuing to pay rates based on top-of-the-market 2008 rents. It's a body blow for many struggling retailers, particularly those outside London and the South East, where commercial property prices have been more resilient during the downturn. It is also, for all businesses, an obstacle to longer-term planning.

Of course, no retail business wants to see its local council left without the funds to improve the shopping environment for its customers or to pay for vital local services. But there must be a way to square the circle and I strongly support the British Retail Consortium's work to develop a balanced and lasting solution for business rates in a rapidly changing retail landscape. I hope that politicians of all parties will listen to the BRC, property and taxation experts.

Regrettably, business rates aren't the only problem that Government seems to have placed in a box labelled "Too difficult to tackle".

In retail, growth prospects are being impeded on several fronts. Top of my list are rigid planning rules; car parking charges that make town centres no-go zones for many people and a lack of co-ordinated policy between local government, councils and businesses.

Our antiquated planning system is a major headache for large retailers such as Home Retail Group. Much has been made of the sometimes inordinate amount of time it takes councils to approve, or block, proposals to open new stores. Less well known are the restrictive rules governing where retailers can open certain types of stores.

Argos, for example, can open a shop on certain retail parks but not on those specifically designated for sellers of bulky goods. That's the planning classification for Homebase, another of our brands. The upshot is that Home Retail Group is prevented from combining both formats under a single roof on certain types of out-of-town retail parks, as we have previously considered.

For all retailers, such rigid rules give them fewer options when an unprofitable store's lease comes up for renewal and can lead to closures and regrettable job losses. Although the retail sector employs more than 3m people and is the UK's biggest private sector employer, out-of-date rules reduce our ability to do more, including offering a huge number of first-time jobs for young people.

Furthermore, retailers take on huge numbers of apprentices each year and provide them with a wide variety of training in different skills, including merchandising, design, stock-keeping, buying and accounting. These apprenticeships are not to be sniffed at, as some of the most successful retailers of the past 40 years have started life on the shop floor. Any new programme the Government could deliver, whether in terms of tax breaks or other incentives, to help retailers hire more young people could be hugely beneficial.

Unfortunately, the Government's overall approach is often to give the impression that it is dealing with a fledgling sector and not an industry which delivered sales of £310bn last year.
Retailers also help to support countless businesses in other industries including manufacturing, construction, wholesale distribution and logistics. So, when retail sales rise, the halo effect is felt much wider than just on high streets or in shopping centres.

In summary, the retail industry makes a massive contribution to UK plc. In the FTSE 100 alone, just eight retailers are valued at more than £80bn, which accounts for significant holdings in many investment funds and therefore has a direct bearing on the nation's pensions.Taking another measure, the sector pays £17.5bn of the four largest taxes - VAT, business rates, national insurance and income tax.

Despite the sector's huge contribution to taxes, employment, product innovation and manufacturing – to name but a few –the attention and policy focus that we need from Government to help us drive yet more growth often appears lacking. Put simply, we need a clear long-term strategy for the retail sector, which reflects a 21st century industry.

As we retailers head into the festive trading period, we are creating new jobs and wealth, offering new delights and experiences– and battling an ever-increasing tax and regulatory burden. Politicians of all parties should do their bit for Britain and grasp the nettle of widespread reform.

Terry Duddy is chief executive of Home Retail Group

Link: http://www.telegraph.co.uk/finance/comment/10487162/Retailers-need-the-Government-to-come-up-with-a-clear-strategy-to-reflect-21st-century-trading.html