

Dragon's Den star Theo Paphitis's damning verdict on Britain's failing shops

Theo Paphitis bristles when discussing the future of the High Street.

With 348 shops under his control, including those belonging to his most recent acquisition 12 days ago of Robert Dyas, he is something of an expert.

He is contemptuous of the Coalition's failure to tackle the slow, painful demise of hundreds of High Streets. Like many others he is also highly critical of the Government for drafting in self-styled 'Queen of Shops' Mary Portas to spearhead a revival followed by plans for a television programme.

Unlike others, however, Paphitis has clear views on what should be done to rescue High Streets up and down the country.

'You aren't going to sort out the High Street by doing a TV programme. It's PR nonsense,' says Paphitis, 52, a star of the BBC's Dragons' Den.

'In the end it's all party political claptrap. If you really want to sort out the High Street you ask someone like Kate Swann at WHSmith, who has done a fantastic job of running profitable shops,' he says, speaking to Financial Mail in a plush meeting room above his Boux Avenue lingerie store at the Westfield shopping centre in London's Shepherd's Bush.

Swann operates a chain of about 700 shops, nearly all of which are profitable, Paphitis points out. Only a decade ago people questioned whether WHSmith should exist at all. Swann has performed what many consider a miracle by looking at every minuscule detail of the chain. That makes her the envy of most retailers desperate to offload poorly performing stores.

Many retailers, including Paphitis, are concerned that Portas, who runs a PR company, does not have enough experience running her own shops to advise other retailers and the Government. He believes small shops have been caught in a 'pincer movement' between the internet, supermarkets and out-of-town shopping centres.

Paphitis says the best chance for towns is to concentrate on convenience goods and for the Government and councils to give support, most notably by shifting the heavy burden of business tax away from small shops as soon as possible. For that to happen, Paphitis says the least that needs to be done is a freeze in business rates after April's 5.6 per cent rise to allow recovery.

The number of vacant shops on the High Street has doubled to 15 per cent since 2008 – a fact apparently lost on the Coalition.

'Politicians are elected to do what is right but too many are just doing what is right for the party,' says Paphitis. The serial entrepreneur has run stationer Ryman for almost two decades. Last year it increased profits by 17 per cent to £5.5 million.

He sold women's underwear retailer La Senza just before the recession began, but says: 'I'm not massively academic. I'm a commonsense person. I sold out in 2006 not because I was clever but because I didn't understand what was happening in the world.'

Experts from banks visited to try to convince him economic growth would continue, but no one could. He sold it for a reported £100 million. By Christmas last year, under its new owner, La Senza collapsed.

After selling the business he struggled to find anything valued at a price that made sense. So he went to the banks, which have found themselves in control of assets laden with massive debt that needs to be written off. 'Banks are holding on to zombie businesses so there are a lot of retailers that should have been sold and restructured but haven't been,' says Paphitis.

Then, most unusually among today's headline-grabbing entrepreneurs, last year he started yet another company from scratch, lingerie chain Boux Avenue, which now has 15 stores.

He launched it in his frustration at being unable to get his hands on a business to turn round. Initial costs were set at £15 million over three years, although he admits that could stretch to £18 million, at which point it is expected to break even.

But this month he finally found something on which to spend a little more of the money he made in 2006 with the acquisition of Robert Dyas for less than £10 million. In the private equity boom it was sold for £61 million with a strategy to grow to 300 shops.

Paphitis has more realistic plans to expand the 96-store chain by another 50.

He says the brand fits into his view of the future for the High Street as somewhere to pop out to grab essentials rather than goods such as clothes because customers increasingly prefer to shop online or in malls. Paphitis is admirably supported by 'the long-suffering Mrs P', said with affection and an awareness that his work often takes over. They have five children. He says he struggled initially at work, but wasn't diagnosed as dyslexic until years later.

He is a firm believer in encouraging small firms and recently had his photograph taken with 400 separate small business owners at an event to help promote themselves.

He applies the same straightforward logic he places on his own businesses to others. When asked about the banking crisis, he says: 'I was having a brandy the other evening and I thought, "We've got to split them up". We survived for hundreds of years under the old banking structure. You'd have clearing banks, then merchant banks doing the racy stuff and then building societies where you'd join a waiting list for a mortgage. But then banks started buying stockbrokers, doing mortgages and you ended up with these big banking groups doing everything.

'The Government is paying all these people to look at what has happened but it's all there in the archives of newspapers. It's definitely reversible. That's how it used to be and it worked.'

Like his view of the High Street, it is a perspective that is hard to argue with. Maybe someone in Government should give him a call.

Link to article: <http://www.thisismoney.co.uk/money/news/article-2176988/Dragons-Den-star-Theo-Paphitiss-damning-verdict-Britains-failing-shops.html>