# 6  RETAIL NEED

6.1     In this section, quantitative and qualitative need for retail floorspace to 2021, and indicatively to 2031, is assessed.  Longer term projections are necessarily more 'indicative' due to uncertainty over longer term projections of expenditure and population growth.

6.2     The assessments follow closely requirements of Policy EC1.4 of PPS4 and the principles in the practice guidance.  Consequently, quantitative and qualitative need is afforded equal weight.   Quantitative need is assessed first using the class of goods approach for comparison and convenience goods as required by PPS4.

## Quantitative Need Methodology

6.3     The assessment of quantitative need for comparison and convenience goods adopts the widely respected step by step methodology.  The essential steps in the assessment of quantitative retail need are as follows:

- **Step 1:** establish appropriate catchment areas for the six town centres (Epping, Loughton High Road, Waltham Abbey, Loughton Broadway, Chipping Ongar and Buckhurst Hill), to be used as a study area for the assessment;
- **Step 2:** assess the existing level of population and existing volume of retail expenditure of those resident within the study area, deducting an appropriate proportion for Special Forms of Trading (SFT);
- **Step 3:** apply forecasts of population change and per capita expenditure growth, in order to establish the overall level of projected growth in expenditure for residents of the study area;
- **Step 4:** establish where the expenditure of the residents of the study area is currently spent, through use of an empirical survey of households resident in the study area (as discussed in **Section 5**), and thereby establish the proportion of expenditure which is currently retained by town centres and freestanding stores located within the district – that is the current retention rate;
- **Step 5:** make an allowance for under-trading or over-trading in the base year, if appropriate;
- **Step 6:** make allowance for 'claims' on the growth in retained expenditure and any over-trading in the base year.  These claims are:
  - □ floorspace efficiency change (that is the growth in turnover for existing retailers within existing floorspace);
  - □ commitments to new floorspace (either schemes under construction or extant permissions that would result in additional retail floorspace).
- **Step 7:** calculate the initial 'residual expenditure' pot that is potentially available for new retail floorspace under a constant market share scenario, based on steps 2-6 above and convert this expenditure to a floorspace figure;
- **Step 8:** develop alternative scenarios for calculating growth in residual expenditure, including applying sensitivity assessments if appropriate.

6.4     The assessment of quantitative need is set out in the Tables 1-16 as reproduced in
        **Appendix 6**.   These tabulations are referred to within the text and where necessary the
        main findings of the assessment are drawn out in tables within the report itself.

### Step 1: Definition of the Study Area

6.5     The study area was defined on the basis of the approach described in Section 5 of our
        report, and split into eight zones based on postcodes.   All eight zones are used as the
        study area for the comparison and convenience goods assessment.  The postcode
        sectors are listed at Table 1 (Appendix 6).

### Step 2: Existing Level of Population and Expenditure

6.6     The population by zone in the 2009 base year are set out in Table 2 (Appendix 6).  The
        data is based on 2007 zonal population figures supplied by MapInfo and rolled forward to
        2009 using population projections supplied by the Office for National Statistics Mid-year
        Population Estimates 2007.

6.7     The zonal per capita expenditure data are supplied by MapInfo for 2007 (Tables 3 and 9,
        Appendix 6 for comparison and convenience goods respectively).  The data are then
        rolled forward to 2009 first using an observed growth rate from 2007.

6.8     The existing expenditure in 2009 is derived from the product of Tables 2 and 3 for
        comparison goods and Tables 2 and 8 for convenience goods (Appendix 6).  Thus, the
        2009 expenditure pot, excluding SFT, is set out in Table 4 for comparison goods and in
        Table 10 for convenience goods.

6.9     In excluding SFT, the advice provided in Appendix 3 of Experian's Retail Planner Briefing
        Note 7.1 (August 2009) is used.  However, for the convenience sector, Experian's SFT
        advice is halved.  This is to reflect the trend for convenience goods bought over the
        Internet being supplied from shelves in supermarkets, rather than from distribution
        warehouses.

6.10    The total comparison expenditure in the study area in 2009 (excluding SFT) is £989.3
        million (final column of Table 4, Appendix 6) and the total convenience expenditure is
        £569.3 million (final column of Table 10, Appendix 6).

### Step 3: Growth in Expenditure and Growth in Retained Expenditure

6.11    The next steps are to apply forecasts of population change and per capita expenditure
        growth, in order to establish the overall level of projected growth in expenditure for all
        residents of the study area.

6.12    Population change is based on the Office for National Statistics Mid-year Population
        Estimates 2007 as set out in Table 2, Appendix 6.  The total level of population growth for
        the whole study area is 25,025 by 2021 and 44,304 by 2031.  Should the strategy for
        housing growth in the area change, then potentially the level of growth may need to be
        adjusted in subsequent updates to this study.  Consequently, monitoring is very important
        (as explained in **Section 8**).

6.13    The data on growth in per capita expenditure are as set out in Table 3 for comparison
        goods and Table 9 (Appendix 6) for convenience goods, utilising the forecast growth rates

to 2011, 2016, 2021, 2026 and 2031.  **Appendix 8** includes information on national retail trends and sets out the rationale for our expenditure growth rates.  These are set out in **Table 6.1.**

**Table 6.1 Annual growth rates for comparison and convenience expenditure**

| Timeframe | Comparison goods | Convenience goods |
|---|---|---|
| 2009-2011 | 0.3% | 0.2% |
| 2011-2016 | 3.6% | 1.1% |
| 2016-2021 | 3.2% | 0.8% |
| 2021-2026 | 2.8% | 0.9% |
| 2026-2031 | 2.8% | 0.9% |

Source: Appendix 8

6.14    In excluding SFT, the advice in Appendix 3 of Experian's Retail Planner Briefing Note 7.1 is used.  The deductions for SFT are set out in **Table 6.2.**

**Table 6.2 Allowance for special forms of trading**

| Year | Comparison goods | Convenience goods |
|---|---|---|
| 2009 | 7.4% | 2.0% |
| 2011 | 8.4% | 2.2% |
| 2016 | 9.6% | 2.7% |
| 2021 | 9.4% | 2.8% |
| 2026 | 9.1% | 3.0% |
| 2031 | 9.1% | 3.0% |

Source: Experian Retail Planner Briefing Note 7.1, Appendix 3 (for convenience goods, 50% of the Experian estimate is used)

6.15    The final row of Table 4 (Appendix 6) sets out the total growth in comparison goods expenditure up to 2031, which is £1,066.5 million. Similarly the final row of Table 10 (Appendix 6) sets out the total growth in convenience goods expenditure up to 2031 of £218.9 million.

### Step 4: Existing Retention Rate and Turnover for the six centres

6.16    The next step is to use the household survey findings to establish current patterns of expenditure and the current retention rate for the district, as described in Section 5.  The current pattern of expenditure and retention level for comparison goods, excluding SFT, is set out in Tables 5 and 6 (Appendix 6).  The overall retention rate for comparison goods is 14.4% (as set out in the final column of Table 6 under the row entitled 'Sub-total inside Epping Forest District').

6.17    For convenience goods, the pattern of expenditure and current retention rate, excluding SFT, is as set out in Tables 11 and 12 (Appendix 6).  This reveals a convenience goods retention rate of 33.8% (see the final column of Table 12, in the final column of the 'Sub-total inside Epping Forest District' row).

6.18    There will be further comparison and potentially convenience expenditure drawn to the six centres from beyond the study area.  This represents an additional source of expenditure growth that is not initially accounted for.  Whilst the study area is an appropriate comparison and convenience goods catchment for the six centres, the visitor surveys revealed that some visitors questioned travelled to the centres from beyond the study area.

6.19    It does not necessarily follow that visitors from beyond the study area undertake comparison or convenience shopping; for example some people may be using the centre for work or to meet someone.  In addition, with smaller surveys the margins for influencing the levels of inflow are tight and we must understand the context and the main reasons for visiting the centres before allowing for any inflows to the study area.  This exercise is undertaken in **Table 6.3**.

Table 6.3 Inflow Allowances to Epping Forest Town Centres

| Centre | % of visitors from beyond study area | Main reason to visit centre | Comparison inflow assumption (%) | Convenience inflow assumption (%) |
|---|---|---|---|---|
| Epping | 21% | Food and Grocery | 10% | 21% |
| Loughton High Road | 11% | Food and Grocery | 5% | 11% |
| Waltham Abbey | 17% | Personal Services | 5% | 15% |
| Loughton Broadway | 9% | Food and Grocery | 5% | 9% |
| Chipping Ongar | 36% | Work | 5% | 10% |
| Buckhurst Hill | 24% | Non-food goods | 24% | 12% |

Source: Volume 3 and RTP analysis

6.20    The second column of the above table shows the percentage of visitors to each centre based on visitor survey results.  The third column shows the main reason for visiting each centre.  The estimates of inflow are based on the main reason for visiting the centre and the composition of the centres as understood from the health check assessments (at Section 3).

6.21    In this analysis, where the main reason to visit the centre is food and grocery, the full inflow percentage from the visitor survey accounted for convenience expenditure but approximately half for comparison expenditure.  Likewise, for non-food goods shopping the full inflow percentage is accounted for comparison expenditure and approximately half for convenience expenditure.  For those centres where the main reason to visit is not retail related, a judgement is reached based on the retail composition of those centres.

6.22 In respect of comparison goods, the most significant inflow is apportioned to Buckhurst Hill since non-food shopping is identified as a main reason to visit the centre. The centre also has a number of specialist fashion operators that are likely to draw trade from beyond the study area boundary.  The inflows for other centres are much more limited and reflect the composition and range of comparison goods offered in each of these centres.

6.23 In respect of convenience goods, the allowances included in Table 6.3 are incorporated into the larger foodstores within each centre, since it is these stores that are most likely to attract trade from long distances.   The allowances for inflow are reflected in the assessments of sales densities in Table 7 for comparison goods and Table 13 (of Appendix 6) for convenience goods.

### Step 5: Adjustments for Under-trading/Over-trading in the Base Year

6.24 The concept of under-trading or over-trading in the base year is based on the turnover of centres according to the survey compared to a benchmark turnover of what centres are expected to achieve.  If the survey derived turnover exceeds the benchmark (i.e. over trading), then it could be argued that there is a pent up need in the base year that should be relieved by building more floorspace.  Similarly, if the survey derived turnover is below the benchmark, then it suggests that there is an oversupply of retail floorspace (i.e. under-trading).  These matters are assessed separately for comparison and convenience goods.

#### Comparison Goods Sector

6.25 To assess under-trading or over-trading, the existing sales density (turnover per sqm) of the comparison floorspace as derived from the household survey must be calculated.  This can be compared with an expected turnover per sqm based on the composition of the retail provision and the position of centres in the hierarchy.  **Table 6.4** sets out the sales densities for the main comparison shopping destinations in the district.

#### Table 6.4 Comparison Goods Sales Densities in 2009

| Centre | 2009 Turnover (£m) | Net Comparison Floorspace (sqm) | Sales density (£ per sqm net) |
|---|---|---|---|
| Epping | 29.8 | 8,382 | 3,558 |
| Loughton High Road | 51.4 | 8,576 | 5,993 |
| Waltham Abbey | 26.3 | 1,862 | 14,141 |
| Loughton Broadway | 14.3 | 2,580 | 5,561 |
| Chipping Ongar | 7.0 | 1,433 | 4,899 |
| Buckhurst Hill | 5.7 | 2,623 | 2,185 |

Source: Table 7, Appendix 6

6.26 There is no accepted 'benchmark' for comparison shopping, since it depends significantly on a number of factors including lease arrangements and rents.  In addition, CLG's practice guidance explains that it is often difficult to devise a meaningful benchmark for an acceptable performance of a whole centre.  Even so, Experian Retail Planner Briefing Note 7.1 (Appendix 4) provides advice on net sales densities in both modern and old in

"town centre" floorspace.  Adjusting the position to 2009 and to 2007 prices, the Experian estimates are as follows:

- **In town modern:** £4,891 per sqm
- **In town old:** £2,989 per sqm

6.27    In general terms, across the district the comparison floorspace stock is relatively old, but in places is combined with more modern units.  Focusing on the two main centres in the district, Epping (£3,558 per sqm) achieves a lower sales density than Loughton High Road (£5,993 per sqm).  It is expected that this is due to Loughton benefitting from more national multiples and modern units, contributing to a higher performance.

6.28    Waltham Abbey achieves a very high comparison sales density of £14,141 per sqm, However, this turnover includes comparison spending in the Tesco store that typically would achieve a much higher sales density than traditional smaller unit shops. Furthermore, the 'furniture, carpets and soft household furnishings' market share in the household survey is high for Waltham Abbey.  It is expected that part of this turnover should have been apportioned to the nearby Highbridge Retail Park.  In May 2009 the retail park included both a Carpetright store and a Harveys store selling furniture and carpets thus providing a plausible explanation of this high turnover per sqm.

6.29    Loughton Broadway also achieves a relatively high comparison sales density at £5,561 per sqm.  It is anticipated that this is due to the recent closure of the Woolworths store which would have represented a large proportion of the centre's floorspace.  When a large vacancy appears in a centre, there is often a time lag as shopping patterns adjust and this appears to be the case with the Loughton Broadway survey derived turnover.  Therefore, the expenditure allocated to the centre by the survey is spent in a smaller amount of floorspace than has been the case in the past and consequently resulting in an artificially high turnover per sqm.

6.30    Chipping Ongar (£4,899 per sqm) and Buckhurst Hill (£2,185 per sqm) both have a small comparison turnover and a small amount of comparison floorspace and therefore the margins for error are higher.  However, Chipping Ongar slightly exceeds broad expectation and Buckhurst Hill is slightly lower than expectations.

6.31    As explained, there is no accepted 'benchmark' for comparison shopping.  The centres are all generally performing successfully.  This is likely to be due in part to the sustained period of expenditure growth since 1992 and the relative affluence of this part of the country.   Taking into consideration the risks associated with comparison benchmarks, we find no justification to make any adjustment in the base year to account for overtrading as an additional source of comparison expenditure to support new floorspace.

### Convenience Goods Sector

6.32    The approach to the convenience goods sector is slightly different due to the availability of published data on average (or benchmark) turnover for the main foodstore operators. For the stores that attract a notable market share, the survey derived turnover has been compared against published benchmarks. This is summarised in **Table 6.5.**

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### Table 6.5 Benchmark Turnover of Main Foodstores in Epping Forest in 2009

| Store | Net Convenience Floorspace (sqm net) | Benchmark Turnover (£m) | Survey Derived Turnover with Inflow (£m) | Over/Under Trading |
|---|---|---|---|---|
| Tesco, Epping | 1,385 | 18.9 | 33.6 | 14.7 |
| M&S, Epping | 813 | 9.2 | 4.4 | -4.8 |
| Morrisons, Loughton | 2,039 | 25.1 | 28.8 | 3.7 |
| Sainsbury's, Loughton High Road | 1,880 | 19.5 | 30.0 | 10.5 |
| Sainsbury's, Loughton Broadway | 610 | 6.3 | 8.9 | 2.6 |
| Iceland, Loughton Broadway | 415 | 2.4 | 1.7 | -0.7 |
| Sainsbury's, Chipping Ongar | 836 | 8.7 | 19.2 | 10.5 |
| Tesco, Waltham Abbey | 2,660 | 36.3 | 47.9 | 11.6 |
| Waitrose, Buckhurst Hill | 1,642 | 19.5 | 18.7 | -0.8 |
| TOTAL | | 145.9 | 193.2 | 47.3 |

Source: Appendix 6

6.33 According to the analysis, six of the nine stores assessed are trading in excess of the company averages. In Epping, the Tesco store is overtrading, although the Marks and Spencer Simply Food appears to be under trading. Turning to Loughton High Road, the Sainsbury's store is achieving a turnover of £10.5 million in excess of the company averages, whilst the smaller store at The Broadway is also overtrading by £2.6 million. Similarly, both the Sainsbury's in Chipping Ongar and the Tesco in Waltham Abbey exceed the company average by £10.5 million and £11.6 million respectively. The Sainsbury's in Chipping Ongar has a particularly high level of overtrading, trading at over 100% in excess of its company average. In aggregate, our analysis shows the stores to be overtrading by £47.3 million in 2009 compared to company averages.

6.34 Over-trading is a contentious issue and there are mixed views as to whether it can be used to support a quantitative need case. This is because information from several leading operators shows that there is considerable variation around their company averages for convenience sales densities. It is not unusual for individual stores to trade at 20% to 30% above or below the company average, and a few stores trade at 100% or more above the company average. These variations can occur because of factors like efficient management or attractive store design and not just lack of competition and pent up need.

6.35 It is also an acknowledged feature of household surveys that they overestimate the turnover of larger superstores compared to the smaller stores. For example, most respondents are able to give meaningful information about the supermarkets they use but the remaining elements of convenience shopping are much more complex. They include:

▪ Purchases of foodstuffs from butchers, bakers, fishmongers and greengrocers;

- Purchases of alcohol from wine merchants and other off-licences;
- Purchases of newspapers, magazines, tobacco and confectionery from local newsagents; and
- Purchases of general convenience goods from local shops, including fuel stations

6.36 Finally, CLG's practice guidance states that the use of benchmarks should not be used prescriptively or in isolation as a measure of need and should be treated with caution unless they are corroborated by other independent evidence of under-performance or strong trading, such as the results on health checks or the extent of congestion in stores. To respond to this guidance, two further exercises have been undertaken to cross check the results and ensure the outputs are not considered in isolation.

6.37 Firstly, the turnover of other smaller stores in the district in 2009 was examined (these are those stores not listed in Table 6.5). In aggregate, the turnover of all small stores in the district was £21.1 million. This is calculated by deducting the study area derived turnover of all stores in the district (£192.3 in penultimate column from Table 12, Appendix 6) from the study area derived turnover of the main foodstores in the district (£171.3 million).

6.38 The £21.1 million figure accounts for the turnover of all small foodstores (including the Tesco Express in Chigwell) and other small independent grocery retailers. This demonstrates that the exercise has not ignored expenditure flows to other smaller stores in the district. However, it is expected that not all this expenditure has been captured and at the margin the turnover of stores may have been over-estimated.

6.39 Secondly, evidence of the congestion of stores and other examples of strong trading are considered. No obvious problems arising from over trading of stores have been observed. Indeed, we consider that overtrading in town centre stores should be encouraged unless there is any material discomfort caused by the overtrading, which would inhibit consumer choice.

6.40 In summary, the assessment explained from paragraph 6.32 above shows that the larger foodstores in the district are overtrading by £47.3 million. Due to the uncertainty over whether this can be used as a measure for quantitative need, two separate scenarios are assessed both including and excluding overtrading.

### Step 6: 'Claims' on Growth in Retained Expenditure

6.41 The next step is to make an allowance for 'claims' on the growth in retained expenditure. We have already allowed for the growth in SFT, as explained in Step 3 above. The remaining 'claims' are:

- growth in floorspace efficiency, which is growth in the turnover of existing retailers within their existing floorspace; and
- an allowance for the turnover absorbed by planning commitments.

6.42 The allowances for floorspace efficiency are linked to the levels of expenditure growth. The approach is explained at **Appendix 8**. The percentages used and the monetary value are summarised in **Table 6.6.**

Table 6.6 Floorspace Efficiency Growth

| Timeframe | Comparison Goods | | Convenience Goods | |
|---|---|---|---|---|
| | Per annum allowance (% per annum) | Growth from 2009 (£m) | Per annum allowance (% per annum) | Growth from 2009 (£m) |
| 2009-2011 | 0.1% | 0.4 | 0.1% | 0.4 |
| 2011-2016 | 1.4% | 10.9 | 0.5% | 5.6 |
| 2016-2021 | 1.2% | 21.1 | 0.4% | 9.7 |
| 2021-2026 | 1.1% | 30.4 | 0.4% | 14.4 |
| 2026-2031 | 1.1% | 40.3 | 0.4% | 19.2 |

Source: Tables 8a and 14a, Appendix 6

6.43    The next step is to allow for the future turnover requirements of planning commitments. The only comparison commitment modelled is the Brown's car showroom site in Loughton High Road. This has planning permission for 810 sqm (gross) of A1 floorspace and it has been assumed that (a) 100% of the floorspace will be devoted to comparison goods; and (b) it will be open and trading by 2011. Its turnover is estimated to be £3.0 million in 2011, increasing to £3.4 million in 2021.

6.44    The convenience goods commitments are scheduled in **Table 6.7** below, with the combined turnover of the convenience commitments shown in row G in Table 14 (Appendix 6).

Table 6.7 Convenience Retail Commitments within Epping Forest District

| Scheme | Gross Sales Area (sqm) | Net Sales Area (sqm) | Assumed Density in 2011 (£ per sqm) | Convenience Turnover at 2011 (£m) |
|---|---|---|---|---|
| Lidl, Cartersfield Road | 1,643 | 1,068 | 2,252 | 1.9 |
| Highbridge Retail Park | 1,485 | 965 | 3,413 | 2.3 |
| **TOTAL** | **3,128** | **2,033** | - | **4.2** |

Source: EFDC and Table 14a, Appendix 6

6.45    Originally it was intended that the Highbridge Retail Park unit would be occupied by Aldi, but that company has withdrawn. However, the unit is still considered as a commitment since the permission still exists and it could be occupied by an alternative occupier. Despite the uncertainty, it has been assumed that all commitments will be open and trading by 2011 representing a turnover of £4.2 million increasing to £4.3 million in 2021.

## Step 7: Residual Expenditure Potentially Available for New Floorspace

6.46    For comparison goods, Row H of Table 8a (Appendix 6) sets out the residual expenditure potentially available for new floorspace, having allowed for all of the claims on the growth

in retained expenditure – that is, growth over time in SFT, growth in floorspace efficiency and commitments (from step 6).

6.47    Rows I to K in Table 8a convert the comparison goods residual expenditure to a quantitative need for additional floorspace expressed as a net sales area, having applied an average sales density for comparison goods of £4,902 per sqm sales area in 2011, increased to £5,572 per sqm in 2021. This is then converted to a gross floorspace figure using a net to gross ratio of 75%.

6.48    For convenience goods, there are two approaches. Firstly without allowing for overtrading (residual expenditure is shown at Row H of Table 14a, Appendix 6) and secondly when overtrading is built into the assessment (residual expenditure is shown at Row I of Table 14b).

6.49    To convert residual expenditure to a quantitative need floorspace figure, a sales density for superstores or supermarkets of £12,800 per sqm in 2009 is applied, increasing to £13,378 per sqm in 2021. For small stores or deep discounters, £5,600 per sqm in 2009 is used, increasing to £5,835 per sqm in 2021.

6.50    Rows D to F and G to I (Tables 15a and 15b, Appendix 6) convert the residual expenditure into floorspace requirements, allowing for 30% to be spent in small stores or deep discounters and 70% to be spent in superstores or supermarkets. The net floorspace is converted to a gross requirement using a net to gross ratio of 65%, which is higher than comparison goods on the basis that foodstores need more storage space than comparison outlets.

6.51    It should be noted that the sales densities are averages and should a trading format be promoted that achieves a different typical turnover, then the floorspace outputs can be adjusted accordingly.

### Step 8: Scenarios

#### Scenario Testing: Comparison Goods Sector

6.52    Firstly, the overall retention level of the district's centres within the study area must be assessed. For comparison goods, this aggregate retention level of the district's centres is just 14.4%. This means that there is a high level of expenditure leakage from the study area and is reflective of the lower order centres in the district and the overlapping catchments from surrounding higher order centres.

6.53    The district's combined market share could be improved to reduce the level of expenditure leakage. But the close proximity of larger centres such as Harlow and other nearby proposals will make it difficult to sustain throughout the plan period. Improving the market share in the short term effectively 'front loads' the comparison goods quantitative need and brings it forward earlier in the forecast years to enable the district to 'claw back' expenditure that is effectively being lost to higher order centres.

6.54    To understand the implications of an increased market share, a scenario has been presented where the aggregate comparison expenditure market share of all centres within the district increases by 2.6 percentage points to 17% by 2016. The outputs for this scenario can be found at Table 8b (Appendix 6). It should be noted that for the centres to

achieve an increase in market share, then a 'critical mass' of new floorspace is required. This effectively means that the additional floorspace developed is of a sufficient scale and format that enable a step change in shopping patterns (for example, local residents switch from making comparison goods purchases in Harlow to one of the centres within Epping Forest).

6.55    Alternatively, should floorspace not be delivered or improvements not be made to the centres to consolidate their position, the centres may lose their cumulative market share to larger higher order centres compounding the recently observed polarisation trend in the UK (i.e. larger centres become more dominant and the retail function of smaller centres is diluted). The specific implications of a lower market share have not been presented, but the implications would be a significant reduction in the floorspace requirements for the district throughout the plan period and a potential negative impact on the vitality and viability of the centres.

6.56    In summary, for comparison goods two scenarios are presented. Firstly, quantitative need under a constant market shares approach is presented. This is a 'policy neutral' output that the district maintains its market share vis-à-vis competing centres. Secondly, an alternative increasing market share scenario is presented that would reduce expenditure leakage if a large comparison led development was promoted.

### Convenience Goods Sector

6.57    For the convenience goods assessment, two forms of scenario testing are built into the assessment already. These are testing the position with and without overtrading and dividing the quantitative need into a superstore or supermarket requirement and a small foodstore or deep discounter requirement.

6.58    Across the study area there is a convenience retention level of 59.5%, whilst the retention level for the stores within the district stands at 33.8%. Furthermore, examining the zonal retention level reveals that all but one of the zones achieves a retention level of less than 50%. Therefore there is evidence of expenditure leakage that could justify the district increasing its market share. However, the levels of accessibility and the number of large stores outside the district and study area that have contributed to low expenditure retention, must be borne in mind.

6.59    There is scope to claw back further expenditure travelling to large stores outside the district. This matter is linked closely to qualitative considerations and choice that are discussed in further detail below. However, it order to understand the implications for improving the convenience market share, a further scenario has been tested where the district's convenience goods market share increases by 4.2 percentage points to 38% in 2016. The outputs for this increased market share approach can be found at Tables 14c and d and 15c and d (Appendix 6).

## Quantitative Need Outputs

### Additional Comparison Floorspace

6.60    Tables 8a and 8b (Appendix 6) present the quantitative need for additional comparison floorspace in the district on the basis of a constant and increasing market share. These

quantitative needs are summarised in **Table 6.8** and represent gross requirements
presented on a cumulative basis.

Table 6.8 District Wide Quantitative Need in the Comparison Goods Sector (sqm gross)

| Year | Gross Floorspace (Constant Market Shares) | Gross Floorspace (Increasing Market Shares) |
|---|---|---|
| 2011 | -563 | -563 |
| 2016 | 5,042 | 13,704 |
| 2021 | 11,748 | 21,642 |
| 2026 | 18,504 | 29,640 |
| 2031 | 25,648 | 38,098 |

Source: Tables 8a and 8b, Appendix 6.  The floorspace figures are cumulative.

6.61    The immediate short term quantitative need to 2011 is negative due to the very limited
expenditure growth and the only commitment (the Browns car showroom permission in
Loughton High Road) absorbing all the expenditure growth that exists.

6.62    Looking to the longer term under the constant market share option, there is a modest
quantitative need for an additional 5,042 sqm gross of comparison floorspace by 2016,
increasing to 11,748 sqm gross by 2021.  Under the 'increasing market share' scenario,
and front loading the process, there is a higher quantitative need of 13,704 sqm gross of
comparison goods floorspace by 2016 that consequently increases to 21,642 sqm gross
by 2021.  The higher requirements under an increasing market share reflect the capture of
a larger amount of the expenditure in the study area and the need to build a development
of sufficient scale to change shopping patterns.  To improve the market share, it is
expected that a large proportion of the additional floorspace will need to be delivered in
one development.  This is because splitting the additional floorspace between different
centres is unlikely to create the 'critical mass' of choice to ensure both viability of the
scheme and improved choice to change shopping patterns and reduce leakage.  The
strategic options for delivering growth are outlined in Section 8.

6.63    It is advised that limited weight is afforded to forecasts to 2026 and 2031 due to
uncertainty.  However, under constant market shares the gross quantitative need
increases to 18,504 sqm by 2026 and 25,648 sqm by 2031.  Despite the uncertainty, the
figures demonstrate that the district will need to consider a form of additional comparison
floorspace in the longer term to meet its own locally generated needs under a constant
market share.

### *Additional Convenience Floorspace*

6.64    Tables 15a-d (Appendix 6) set out the quantitative need for additional convenience
floorspace.  The quantitative need has been presented for constant market shares and
increasing market shares, with and without overtrading.  There are also two sets of
outputs, for superstores or supermarkets (i.e. the larger operators, such as Tesco,
Sainsbury's, , Morrisons, Marks and Spencer or Waitrose) and for small foodstores or

deep discounters (i.e. The Co-operative Group/Somerfield, Iceland and  Lidl or independent retailers).  It should also be borne in mind that operators such as Tesco and Sainsbury's also trade from smaller format stores (i.e. Tesco Express or Sainsbury's Local), but these stores still normally trade at company averages.  So, the quantitative need for these type of stores should be accounted in the 'superstore or supermarket' allowance.

6.65    The district-wide convenience goods quantitative need is summarised in **Table 6.9** (superstores or supermarkets) and in **Table 6.10** (small stores or deep discounters) below.

**Table 6.9 Convenience Quantitative Need for Additional Superstore or Supermarket Floorspace (sqm gross)**

| Year | Gross Floorspace (constant market share) | Gross Floorspace (constant market share and over trading) | Gross Floorspace (increased market share) | Gross Floorspace (increased market share and over trading) |
|------|------|------|------|------|
| 2011 | 189 | 4,132 | 189 | 4,132 |
| 2016 | 1,252 | 5,093 | 3,703 | 7,524 |
| 2021 | 2,307 | 6,070 | 4,889 | 8,631 |
| 2026 | 3,414 | 7,090 | 6,135 | 9,789 |
| 2031 | 4,537 | 8,128 | 7,398 | 10,966 |

Source: Tables 15a-d, Appendix 6.  The floorspace figures are cumulative.

**Table 6.10 Convenience Quantitative Need for Additional Small Store of Deep Discount Floorspace (sqm gross)**

| Year | Gross Floorspace (constant market share) | Gross Floorspace (constant market share and over trading) | Gross Floorspace (increased market share) | Gross Floorspace (increased market share and over trading) |
|------|------|------|------|------|
| 2011 | 185 | 4,080 | 185 | 4,080 |
| 2016 | 1,277 | 5,029 | 3,628 | 7,430 |
| 2021 | 2,260 | 5,993 | 4,789 | 8,523 |
| 2026 | 3,344 | 7,001 | 6,009 | 9,666 |
| 2031 | 4,444 | 8,026 | 7,247 | 10,829 |

Source: Tables 15a-d, Appendix 6.  The floorspace figures are cumulative.

6.66    As with the comparison assessment, it is recommended that more weight is attached to the forecasts to 2021.

6.67    Due to the parameters used, the convenience assessment has a large number of outputs.  The outputs for the quantitative need incorporating overtrading are significantly higher than without it.  The reason is that there is a large quantitative need built in at the base

year and indicates that in 2009 there is already a quantitative need for over 4,000 sqm (gross) supermarket or superstore floorspace <u>and</u> over 4,000 sqm (gross) small store or deep discount floorspace. However, as advised by CLG, quantitative need on this basis should not be considered in isolation. Consequently, the qualitative implications of overtrading are discussed below.

6.68 Focusing on the outputs <u>without</u> overtrading, in the shorter term it is evident that under constant market shares the quantitative need is modest. The quantitative need for superstore or supermarket floorspace is 1,252 sqm (gross) across the district by 2016, increasing to 2,307 sqm (gross) by 2021. By 2021, the need equates to the size of a small supermarket. Similarly, the quantitative need for small foodstores or deep discounters is 1,277 sqm (gross) across the district by 2016, increasing to 2,260. By 2021, the need equates to approximately two smaller foodstores or deep discounters.

6.69 As with the comparison assessment, increasing the market share in the short term can 'front load' the process and create a higher quantitative need earlier in the study timeframe. For superstores and supermarkets, applying an increased market share (without overtrading) the quantitative need is 3,703 sqm (gross) across the district by 2016, increasing to 4,889 sqm (gross) by 2021. To put this in context, this would be a store broadly equivalent to the size of the Sainsbury's store in Loughton (i.e. a medium sized superstore).

6.70 The increasing market share approach could only be achieved through proposals for a new foodstore of a sufficient scale that would reduce expenditure leakage. Therefore, more weight should be afforded to the superstore or supermarket outputs, rather than the smaller stores or deep discount outputs.

## Sensitivity Testing

6.71 In order to reflect changing economic circumstances in the UK and the uncertainty over empirical assumptions, a sensitivity assessment has been undertaken for both the comparison and convenience goods sectors.

### Comparison Goods Sector

6.72 The sensitivity testing for the comparison goods sectors changes the following key assumptions:

- **Increased SFT:** SFT is 50% higher than the assumptions used in the base assessment (i.e. 14.4% in 2016, 14.1% in 2021 and 13.7% in 2026 and 2031)
- **Cautious Growth:** the annualised expenditure growth and floorspace efficiency growth rates are 50% less than the assumptions used in the base assessment (i.e. 0.2%/0.1% to 2011, 1.8%/0.7% to 2016, 1.6%/0.6% to 2021 and 1.4%/0.5% to 2031),
- **Increased SFT and cautious growth:** this is a combination of the first two bullet points.

6.73 The outputs of the sensitivity assessment (in terms of residual expenditure in £million and quantitative need in sqm gross) are summarised in the **Table 6.11** alongside the base approach.

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Table 6.11 Comparison Goods Sensitivity Analysis (Constant Market Shares)

|  | 2016 | 2021 | 2026 | 2031 |
|---|---|---|---|---|
| Base Assessment (£m) | 19.8 | 49.1 | 81.5 | 119.1 |
| *Base Assessment (sqm gross)* | *5,042* | *11,748* | *18,504* | *25,648* |
| Increased SFT | 16.5 | 44.3 | 75.4 | 111.0 |
| *Increased SFT (sqm gross)* | *4,189* | *10,604* | *17,120* | *23,907* |
| Cautious Growth | 9.5 | 25.2 | 41.3 | 57.8 |
| *Cautious Growth (sqm gross)* | *2,518* | *6,460* | *10,300* | *14,063* |
| Increased SFT/Cautious Growth | 6.8 | 21.8 | 37.4 | 53.1 |
| *Increased SFT/Cautious Growth (sqm gross)* | *1,798* | *5,589* | *9,326* | *12,901* |

Source: RTP sensitivity testing of the inputs to the spreadsheets at Appendix 6

6.74    The sensitivity assessment adopts much more cautious assumptions as a theoretical exercise.  This is particularly relevant due to the challenging financial conditions faced by developers.  As a further alternative, much more optimistic assumptions could be adopted that would provide an inverse of the sensitivity presented in Table 6.11 and provide an inflated level of quantitative need.

6.75    The forecasts used in our base assessment are our preferred approach to quantitative need since these are based on published sources and are widely respected in the industry.  Despite current economic conditions, the more cautious approach in the sensitivity assessment is not used since it does not allow the flexibility for the district to accommodate growth in the short term and thus encourage further economic activity in the district (i.e. if you do not plan for growth then growth is not achieved).  Equally, it is not considered robust to over-state the quantitative need by applying a more ambitious set of assumptions due to the viability challenges for retail and town centre schemes experienced across the country.

6.76    It is evident that residual expenditure (and thus floorspace capacity) is highly sensitive to empirical forecasts and there are numerous permutations in this exercise.  However, in order to ensure a robust evidence base, it is important to ensure regular monitoring of such assumptions.  A recommended approach to monitoring is outlined in Section 8 (paras 8.70 to 8.73).

### *Convenience Goods Sector*

6.77    A similar sensitivity testing exercise is undertaken for the convenience assessment. Changes to the key assumptions are listed in para 6.72

6.78    The outputs of the sensitivity assessment (in terms of residual expenditure in £million and quantitative need in sqm gross) are summarised in the **Table 6.12** alongside the base approach.  This assessment focuses on the convenience outputs for the constant market share approach <u>without</u> overtrading for <u>superstore or supermarket</u> floorspace.

Table 6.12 Convenience Goods Sensitivity Analysis (Constant Market Shares)

|  | 2016 | 2021 | 2026 | 2031 |
|---|---|---|---|---|
| Base Assessment (£m) | 10.7 | 20.1 | 30.3 | 41.1 |
| *Base Assessment (sqm gross)* | *1,252* | *2,307* | *3,414* | *4,537* |
| Increased SFT | 9.9 | 19.0 | 29.0 | 39.6 |
| *Increased SFT (sqm gross)* | *1,165* | *2,188* | *3,262* | *4,368* |
| Cautious Growth | 6.7 | 13.8 | 21.0 | 28.3 |
| *Cautious Growth (sqm gross)* | *796* | *1,617* | *2,439* | *3,254* |
| Increased SFT/Cautious Growth | 6.0 | 12.8 | 19.8 | 27.0 |
| *Increased SFT/Cautious Growth (sqm gross)* | *714* | *1,508* | *2,302* | *3,104* |

Source: RTP sensitivity testing of the inputs to the spreadsheets at Appendix 6

6.79    This sensitivity analysis shows that the empirical assumptions do result in alternative outputs. But the margins of difference are much lower than with the comparison assessment. It is more relevant to consider the variations in outputs when overtrading is taken into account and the different formats of development. However, as with the comparison assessment, the role of monitoring is fundamental.

## Qualitative Retail Need

### Approach

6.80    In the PPS4 plan making policies (i.e. policies EC2-EC8), there is one fundamental change from PPS6. It now awards equal weight to both quantitative and qualitative needs. Therefore, there is less focus on a specific floorspace output and there is more flexibility to plan for different levels of growth if supported by qualitative factors.

6.81    Policy EC1.4d states that when assessing qualitative need, local planning authorities should assess whether there is distribution of shopping services sufficient to allow genuine choice to meet the needs of the whole community. It also states that local planning authorities should take into account the degree to which shops may be overtrading and whether there is a need to increase competition and retail mix.

6.82    CLG's practice guidance provides further detail on what represents qualitative need. Since it is a subjective concept, a number of factors can apply. But the practice guidance outlines five frequently identified factors, namely:

- gaps in existing provision;
- consumer choice and competition;
- overtrading;
- location specific issues;
- the quality of the existing provision.

6.83    Assessments of qualitative need should take these factors into account, drawing on the
health check assessments (Section 3), the results of the visitor surveys (Section 4), the
analysis of spending patterns (Section 5) and, where relevant, the quantitative findings in
the above paragraphs.

## Demographic profile of population

6.84    It has been suggested by some stakeholders that there is an ageing population with the
six towns in the district.  The absence of shops and services for this population could
legitimately represent a qualitative deficiency in the district.  Therefore, a more fine
grained analysis of the demographic profile of the population in each zone has been
undertaken.  These data are presented in **Table 6.13**.

Table 6.13 Population Demographics 2006 in Study Zones (as a percentage of total population)

| Zone | Area | Age 0-15 yrs (%) | Age 16-Retirement (%) | Age Retirement Plus (%) |
|------|------|------|------|------|
| Zone 1 | Epping | 20.0 | 60.5 | 19.5 |
| Zone 2 | Loughton | 20.8 | 59.3 | 19.9 |
| Zone 3 | North East Rural Epping Forest | 20.1 | 62.7 | 17.2 |
| Zone 4 | North East Rural Epping Forest | 19.1 | 64.0 | 16.9 |
| Zone 5 | Chipping Ongar | 19.5 | 62.0 | 18.5 |
| Zone 6 | Waltham Abbey | 20.6 | 62.7 | 16.7 |
| Zone 7 | Buckhurst Hill | 19.6 | 62.3 | 18.2 |
| Zone 8 | Chigwell | 19.1 | 59.4 | 21.5 |
| National | | 19.0 | 62.2 | 18.8 |

Source: Oxford Economics 2009 via MapInfo Anysite 8.8.1

6.85    This shows that demographics in the study zones are mostly in line with national trends.
The proportion of elderly people in Zones 1 (19.5%), 2 (19.9%) and 8 (21.5%) is slightly
higher than the national average of 18.8%. At the same time, the proportion of younger
people (i.e. under 15) in Zones 1 (20%), 2 (20.8%), 3 (20.1%) and 6 (20.6%) is also
slightly higher than the national average.  Therefore there is no clear evidence of an
ageing population.  However, accessibility is an important qualitative matter and it is
important to have sufficient shopping provision locally to provide for the whole community.
This matter is reflected within our strategies for each centre at **Section 8**.

## Gaps in Provision and Consumer Choice

6.86    The assessments of spending patterns have revealed a high amount of expenditure
leakage in both the comparison and convenience sectors.  Although to some extent this is

to be expected due to the position of the centres in the hierarchy, it is recognised in the CLG practice guidance that healthy town centres have a 'critical mass' and diversity of retail development to attract consumers on a regular basis throughout the year. It is appreciated that larger centres will attract more trade, but it is also necessary to ensure that smaller centres (such as those in Epping Forest) have a sufficient range of shops and services to meet the needs of their local population on a regular basis. Consequently, opportunities to reduce expenditure leakage must be carefully considered.

6.87 **Table 6.14** below indicates the presence of the major Goad retailers in the six centres in the district.

**Table 6.14 Major Goad Retailers Presence in Town Centres**

| Major Retailer | Epping | Loughton High Road | Waltham Abbey | Loughton Broadway | Chipping Ongar | Buckhurst Hill |
|---|---|---|---|---|---|---|
| Argos | ✓ | | | | | |
| BHS | | | | | | |
| Boots | ✓ | ✓ | | ✓ | | |
| Burton | | | | | | |
| Carphone Warehouse | ✓ | ✓ | | | | |
| Clarks | | ✓ | | | | |
| Clintons | ✓ | ✓ | | ✓ | | |
| Debenhams | | | | | | |
| Dorothy Perkins | | | | | | |
| H&M | | | | | | |
| HMV | | | | | | |
| House of Fraser | | | | | | |
| John Lewis | | | | | | |
| Marks & Spencer | ✓ | ✓ | | | | |
| New Look | | ✓ | | | | |
| Next | ✓ | | | | | |
| O2 | | | | | | |
| Phones 4U | | | | | | |
| Primark | | | | | | |
| River Island | | | | | | |
| Sainsbury's | | ✓ | | ✓ | ✓ | |
| Superdrug | ✓ | ✓ | | ✓ | | |
| T K Maxx | | | | | | |

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| | | | | | | |
|---|:---:|:---:|:---:|:---:|:---:|:---:|
| Tesco | ✓ | | ✓ | | ✓ | |
| Topman | | | | | | |
| Topshop | | | | | | |
| Vodafone | | | | | | |
| Waitrose | | | | | | ✓ |
| Waterstones | | | | | | |
| WHSmith | | ✓ | | | | |
| Wilkinsons | | | | | | |

Source: Roger Tym & Partners analysis of Goad occupier data

6.88   This shows that there are eight major retailers in Epping, and nine in Loughton High Road, with a much smaller number in the other four centres.  Although the health check revealed a number of successful independents, it is expected that the lack of national multiples is contributing to high levels of expenditure leakage.

6.89   Although it appears that the two largest centres in the district are trading reasonably well, there is clear evidence that local residents are travelling to larger centres outside the district to undertake the shopping (principally comparison shopping, but also convenience shopping). Therefore, whilst there must be a balance between national multiples and independents, there is scope for an improvement in the national multiple offer in order to provide a local destination comparison shopping destination.

6.90   Requirements for floorspace within the six town centres indicate that there is an interest, including from some clothes stores, to locate within the district, and especially within Epping and Loughton High Road.  This indicates a qualitative need for a wider range of national multiples to provide a balance of independents and national multiples across the district.  This is particularly the case for Epping which suffers from the proximity to Harlow in the north.

6.91   Our assessments indicate that all centres have a good representation of convenience goods retailers and with some of them (such as Waltham Abbey, Chipping Ongar and Buckhurst Hill) it is mostly provided by smaller multiples and independent retailers alongside one major foodstore operator.  However, there is also expenditure leakage from the district to larger foodstores outside the district.

6.92   Examining this matter further, there appears to be evidence of a gap in foodstore provision within Epping itself.  Although there is good representation with a Tesco and a Marks and Spencer, Epping's home zone (i.e. zone 1) loses over half its convenience trade.  This is a function of the Tesco being a relatively small store and people travelling to larger stores in Harlow and Loughton to undertake their food shopping.  Therefore, there is a qualitative opportunity to provide a larger foodstore to enable more food shopping to take place locally.

6.93   In respect of consumer choice on the foodstore side, it is possible to undertake a more detailed analysis of the different foodstore fascias in the district.

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Table 6.15 Foodstore Operator Representation Across the District

| Foodstore Operator | Epping | Loughton High Road | Waltham Abbey | Loughton Broadway | Chipping Ongar | Buckhurst Hill |
|---|---|---|---|---|---|---|
| Tesco | ✓ | | ✓ | | ✓ | |
| Asda | | | | | | |
| Sainsbury's | | ✓ | | ✓ | ✓ | |
| Morrisons | | ✓ | | | | |
| Waitrose | | | | | | ✓ |
| Marks and Spencer (food outlets) | ✓ | ✓ | | | | |
| Co-op/Somerfield | | | | | | |
| Iceland | | | | ✓ | | |
| Budgens | | | | | | |
| Lidl | | | ✓ | | | |
| Aldi | | | | | | |
| Netto | | | | | | |

Source: Roger Tym & Partners analysis

6.94    The foodstore shopping in Epping Forest is dominated by Tesco and Sainsbury's and both are effectively 'mid-ranking' foodstore operators.  Although both these operators sell discount brands, there is a clear absence of the generally accepted lower ranking supermarkets that focus more on price competitiveness, such as Asda or Morrisons (other that Loughton High Road), or any deep discounters.   While a Lidl store opened in Waltham Abbey in February 2010, there is still a qualitative deficiency for an alternative lower ranking supermarket operator in the district to improve consumer choice.

### Trading Performance

6.95    The assessment of quantitative need revealed that for the comparison sector the centres were generally trading successfully.  However, there is no evidence to suggest that the comparison operators are overtrading.  It is expected that high levels of turnover per sqm are in part due to the relative affluence of the area and the constrained nature of some of the older floorspace (i.e. more money is spent in less floorspace, thus driving up the sales density).

6.96    However, for the convenience sector the quantitative assessment revealed that stores in aggregate are overtrading.  Although, this overtrading should not be considered in isolation, it does indicate an imbalance between the supply and demand of floorspace in the district.  Indeed, the main foodstores in Epping, Loughton High Road, Waltham Abbey and Chipping Ongar are all overtrading by more than £10 million compared to national averages.  Our health checks did not reveal any specific overcrowding or congestions in

these stores.  More detailed surveys of the trade would be required to fully understand whether there is any qualitative deficiency associated with the trading performance of these stores.  However, it can be reasonably concluded that if unchecked, the overtrading of these foodstores could potentially cause a qualitative deficiency within the plan period.

### *Quality of Existing Provision*

6.97    The CLG practice guidance states that retail activity has shifted towards new efficient floorspace capable of meeting modern retailer requirements.  In respect of comparison floorspace, the district's centres have not recently benefited from a major retail led development that delivered modern retail outlets attractive to comparison goods retail operators.  Consequently the stock of retail units is relatively old and is unlikely to be attractive to many retailers.  Therefore, there is a qualitative need to improve and invest generally in the stock of retail floorspace across the district with a particular emphasis in attracting new comparison operators to the centres.

6.98    In respect of convenience shopping, there have been relatively recent foodstore developments in Loughton High Road (Sainsbury's), Waltham Abbey (Tesco and Lidl), Chipping Ongar (Sainsbury's) and Buckhurst Hill (Waitrose).  The two centres that have not had any investment in new foodstore floorspace are Epping and Loughton Broadway.

6.99    Addressing Epping first, the only recent change in foodstore provision was the re-occupation of the former Co-op unit on the High Street with a Marks and Spencer store.  The Tesco store is more than 25 years old and compared to other stores inside and outside the district, it is relatively small.  It is likely that this has contributed to increased expenditure leakage to larger stores outside Epping and the apparent overtrading of the Tesco store itself.  Consequently, there is a qualitative need to improve the foodstore provision in Epping focusing on achieving a larger modern store.

6.100   In respect of Loughton Broadway, the main foodstore in the centre is the Sainsbury's store.  This is a particularly dated unit with a small floorspace.  There is a qualitative need to improve the quality of the Sainsbury's unit either through refurbishment or redevelopment.