

Interim Retail Strategy

Foreword

It is no understatement to say that the scale of change and disruption faced by Jersey's retail sector today, is unprecedented in our lifetimes.

The Covid-19 pandemic has enormously accelerated the trend towards remote shopping. It has closed down non-essential retail for long periods and has placed operational restrictions on all outlets, restrictions that may continue in one form or another, for a long time.

I can only pay tribute to the resilience of Jersey's retailers, whose determination and flexibility in the face of these enormous challenges, has ensured the sector, which is so important for all islanders and visitors, has not only survived but is in a position to learn from them, adapt to them and then thrive.

Jersey needs retail

Jersey needs a resilient retail sector, no one should ever doubt that. We rely on retailers to ensure we have food, clothing and everyday essentials. We also rely on them to add vitality to the island's tourist offering and to give a sense of place and belonging to our children, for whom the big cities of the UK and Europe may otherwise appear more attractive when it comes to choosing where to live their adult lives.

To help the sector make the move from surviving to thriving, government must work to ensure the right conditions are available so retailers can make the most of them.

Laying foundations

This Interim Retail Strategy lays the foundations upon which we will build a rich and vibrant retail sector that offers something different to other jurisdictions - Jersey - at its heart.

The four workstreams provided for in this interim strategy will ensure government and the sector have the data, resource, and space which a full retail strategy will use to ensure an exciting long-term future for our retailers and their customers.

Creating opportunities

That future will see a sustainable retail sector offering opportunities for the island's growers and producers to sell their goods, thereby improving food security and supporting the rural economy.

The island's young entrepreneurs will see the sector as a space in which they can innovate, try new ideas and launch successful businesses. Jersey's artisans and producers will be able to more easily form co-operatives or social enterprises to help them create the channels through which they can reach their customers.

Existing firms will now know that customers want to shop in myriad ways, online and in

person. They will need support to help learn the skills to market themselves in the digital space as well as via traditional bricks and mortar.

Crucially, the island's retailers need to recruit and train the people they need to provide their customers with the high levels of service that will ensure a small jurisdiction like ours is able to compete at the highest level.

The government must provide a level playing field and work with retailers to help them offer food and goods at affordable prices, so all islanders are able to enjoy their purchases rather than feel them as a burden.

In an island where high rents and long tenancies can be an issue, the government must work with landlords and tenants to find ways of reducing the levels of commitment needed for retailers to start or stay in business.

Sustainability means long-term success

A sustainable retail sector will reduce its environmental impact and so must engage with the carbon neutral and sustainable transport policies. For government's part, it must ensure the sector's needs are understood in policy formulation, so that more burdens aren't placed on the shoulders of firms that have already faced so many challenges.

With dedicated resource for the retail sector within government, work will start straightaway on drafting the full strategy that will give islanders will a strong retail sector for decades to come. To succeed will bring enormous benefits – a thriving town centre, exciting careers and opportunities for our young people, channels to market for our artisans, growers and producers and, most importantly, food and price security in a world where both are increasingly vulnerable.

This interim retail strategy provides for an excellent foundation. The full strategy which follows, will help us build the whole store.



Deputy Kirsten Morel
Assistant Minister EDTSC

Introduction

Existing Government retail policy is reflected in the Retail Framework of 2010 and the current Island Plan, which was originally approved back in 2011. The pace of change in retail and wholesale since then has been dramatic.

This document looks back on developments affecting the retail and wholesale sector since 2010 with the benefit of feedback from retail and wholesale sector stakeholders. It considers the impact of competition from online retail, changes in consumer behaviour and changes to the operating environment for bricks and mortar retail in Jersey immediately prior to and then following the advent of the Covid-19 pandemic.

Covid-19 continues to have a notable impact on Island life. Identifying and responding to the new normal for retail is not yet possible. On that basis, this Interim Retail Strategy advocates four specific workstreams to help support and reinvigorate the sector over the short to medium term, pending a further comprehensive sectoral assessment to be undertaken within 36 months.

While many retailers have been significantly affected by the current pandemic, the town centre is thought to have been most heavily impacted. On that basis, two of the four workstreams focus on St Helier town centre. Of those, one advocates the collecting of better data concerning footfall in St Helier. The other anticipates a submission from the Minister for Economic Development, Tourism, Sport and Culture ('EDTSC') to the ongoing interim review of the Island Plan in which the Minister can be expected to call for increased flexibility of permitted uses and development in the Core Retail Area of St Helier.

SECTION 1

Why retail matters

- 1.1 Viewed from a British Isles perspective, Jersey's resident population of just under 108,000 people plus visitors constitutes a small catchment area. The Island nevertheless benefits from a broad range of comparison, convenience, food and drink and wholesale businesses that might be the envy of many smaller British towns. A significant number of those businesses are locally owned. Others are part of larger chains with a presence in many UK towns and cities.
- 1.2 Together, the Island's retail and wholesale businesses work day and night with partners to meet consumer demand. They source, transport, store, market and ultimately strive to sell enough of the right product or service at a price Island consumers are willing to pay, whilst at the same time trying to cover costs, collect GST on behalf of the States and generate a reasonable profit. And a number manage to sell successfully to external markets.
- 1.3 Retail and wholesale business has a significant strategic value to the Island. Yet the historical success of the sector in making such a broad range of goods and services readily and reliably available on a comparatively small island has been such that local consumers could be forgiven for taking the sector for granted.
- 1.4 Food, pharmaceuticals, clothing and other necessities constitute a significant proportion of the goods sourced by the sector. While a number of retailers and wholesalers offer local produce ranging from bread to beer, approximately 80 per cent of locally consumed produce is obtained from outside the Island.¹ For clothing and other goods – including those used in the provision of services to consumers – the percentage of imports are generally much higher.
- 1.5 Consumer demand for retail products makes up a significant proportion of freight carried by sea, although additional retail consignments arrive via Jersey Airport. In turn, the revenues from carriage of sea freight have a bearing on the viability of car and passenger ferry services for the Island's only operator of such services on the northern (UK) route.
- 1.6 The sector remains a fundamental part of the Jersey economy, with some 920 businesses operating in the Island.² Just over three quarters of those are small businesses employing 5 persons or less. Together, the sector continues to provide well over 7,000 jobs across an increasingly diverse range of customer facing and back-office roles. This diversity of employment opportunities is of value to those who might not be attracted by the other major employment sectors in the Island and to some who aspire to build and run their own business. Only 6 % of jobs in the sector are filled by registered (or 'unqualified') employees.
- 1.7 Retail and wholesale businesses generates £314 million in GVA (Gross Value Added) – or 6.7 % of total GVA.³ By way of comparison, the sector is larger than the hospitality sector, the hotels, restaurants and bars of which generate £212 million GVA (4.5 % of the total).

¹ See Rural Economy Strategy 2017-2021 at gov.je

² See Jersey Labour Market Report Dec 2019.

³ N.b. 2018 figures

- 1.8 Retail activity sustains a significant proportion of the Island's commercial property market, which has benefited from the creation of some 16,000 square metres of retail floorspace under the current Island Plan.
- 1.9 Broadly half of the total GST collected across the economy is generated by the retail and wholesale sector.⁴ Further retail contributions to States and parish income are generated by Corporate Income Tax on large retailer profits (estimated at £6 million for 2019), commercial rates and via income tax paid by retail employees.
- 1.10 Retail continues to contribute to the overall attractiveness of the Island, both as a place to live and to visit. Tourist numbers have been rising since 2015 after an extended period of decline. Visit Jersey anticipates that a significant retail presence in Jersey will remain an essential component of the tourism offer that will keep visitors coming.
- 1.11 St Helier town centre remains the Island's number one year-round attraction and primary social hub. Residents and visitors make more than 200,000 visits to King Street per week during normal Christmas and summer peak periods. They do so to meet friends, eat, drink and shop.
- 1.12 While the broader Jersey retail offer is supplemented with a small number of larger scale out of town shopping destinations, the Island's planning policy has perhaps been more successful than other areas of the British Isles in maintaining St Helier town centre as the principal zone for retailing.
- 1.13 Neither is the scope for social benefit confined to St Helier. Community shops and small shopping centres across the Island provide both a valuable commercial service and opportunities for social engagement for those who might not be inclined to visit St Helier, or who might find it relatively difficult to travel there.
- 1.14 In summary, retail makes a significant and valuable contribution to the economy and to the quality of Island life. On that basis, Government continues to have an interest in securing the long-term sustainability of the sector.

SECTION 2

Retail policy since 2006

- 2.1 Government policy towards the retail sector has been settled for several decades. It has tended to support the retention of St Helier town centre as the primary retail destination, to limit the extent of out of town retail and to generally refrain from further intervention in the market.
- 2.2 The first retail policy of the ministerial era was the Retail Framework of 2006, which was adopted by the Minister for Economic Development. This Framework was updated in 2010 and focussed on two objectives in particular –
- a) a level playing field for both existing businesses and new market entrants, and
 - b) improving competition in the food sub-sector, the market structure of which was regarded as ‘not conducive to maximising productivity in the Island.’
- 2.3 The 2010 Framework had been developed alongside the establishment (in 2008) and subsequent development of the Town Centre Manager role within the Parish of St Helier. This parish-based function was originally funded through the joint States and Parish of St Helier-funded Town Centre Partnership.
- 2.4 By 2013, the then Minister for Economic Development had become increasingly mindful of the pace of change in the retail and wholesale sector. Preliminary work on a successor retail strategy commenced with the aim of supporting business development in a number of ways, including through the establishment of the Jersey Retail Association. This work ultimately concluded with the amalgamation, within Jersey Business, of the specialist industry support functions of the Retail Association.
- 2.5 A new phase of retail strategy development began in 2017, in response to growing awareness of challenging conditions facing the sector both in Jersey and across the British Isles. Stakeholder oversight of this work was secured via a Retail Strategy Steering Group (‘RSSG’) of government and sector representatives. Research and analysis commissioned to assist the RSSG included a broad consumer survey by professional insight and research agency ‘4insight’ and specialist industry input from consultants ‘The Retail Group’.

SECTION 3

The pre-COVID findings

- 3.1 A Retail Strategy was being drafted in the period January - February 2020, shortly before the Covid-19 pandemic reached the Island. It combined the extensive research and evaluation of the RSSG and additional specialist sectoral input with additional evidence from government and industry studies concerning the retail trade across the British Isles, including –
- Office of National Statistics Retail Sales Bulletins for 2019⁵
 - PWC reports on store closures during 2019⁶
 - the Institute of Place Management report ‘High Street 2030: Achieving Change’⁷
 - the February 2019 UK House of Commons Housing, Communities and Local Government Committee report ‘High Streets and Town Centres in 2030’⁸
 - the work of the Economic and International Affairs Scrutiny Panel (‘Scrutiny’), which had conducted its own detailed review of the sector in Jersey through the second half of 2018.⁹
- 3.2 The resulting draft Strategy identified that while food retail competition had improved, the following issues required attention –
- a) data on sectoral performance and consumer trends was limited;
 - b) while the local market was increasing in size, on-Island retail was increasingly being outcompeted by off-Island and predominantly online retailers
 - c) GST receipts were being impacted by the increasing popularity of e-commerce.
 - d) while the supply of retail space across the Island was increasing, demand for retail units in St Helier appeared to be decreasing;
 - e) on-Island retail and wholesale businesses were concerned that their operating environment was deteriorating.

Limited Data

- 3.3 Limited retail sales data was available from which to make an assessment of sectoral activity over time or the percentage of business being transacted online (and, in particular, off-Island). Quarterly Retail Sales Surveys were discontinued after the 4th quarter of 2015.¹⁰ Such surveys offered a degree of insight into the health of the

⁵ See Office of National Statistics website

⁶ See <https://www.pwc.co.uk/industries/retail-consumer/insights/store-openings-and-closures.html>

⁷ See https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/767529/High_Street_2030-Achieving_Change.pdf

⁸ See <https://www.parliament.uk/business/committees/committees-a-z/commons-select/housing-communities-and-local-government-committee/inquiries/parliament-2017/high-streets-and-town-centres-in-2030-inquiry-17-19/>

⁹ See <https://statesassembly.gov.je/scrutiny/Pages/Review.aspx?reviewid=297>

¹⁰ See Retail Sales Report Q4 2015

market, albeit that they were more limited in scope than equivalent reporting by the UK Office of National Statistics.¹¹

- 3.4 The last household spending survey had been conducted in 2014/15. At that time some 7% of all household spending was reportedly occurring online. According to the UK Office of National Statistics, UK online sales had exceeded 12% during 2015. An updated Household Spending Survey was in preparation but was not expected to report before the end of 2020.
- 3.5 Footfall data for St Helier had become more limited. Whereas there were previously three footfall cameras counting visitor numbers in St Helier town centre, only one camera was maintained (on King Street) after 2017. This reduction broadly coincided with new office accommodation coming on stream at the west of St Helier town centre and some vacating of office space to the east. It also coincided with the relocation of a prominent clothing and household goods retailer from Queen Street to new premises on the corner of King Street and New Cut. Assessing the impact of these changes and any resulting footfall migration from one part of town to another became more difficult.
- 3.6 Data on customer demographics and customer journeys through the town centre was minimal. While established individual retailers knew their customers well, broader sectoral and Government awareness of the St Helier customer base was limited.

Market Size

- 3.7 In theory, conditions for retail might have been more positive in 2019 than they were in 2010. There were more consumers within the local market (and, for those selling online, internationally).
- 3.8 By the end of 2019, Jersey's resident population was estimated at 107,800 – an increase in the order of 11% on the 2010 figure. While this remained a small catchment in British Isles terms, it nevertheless constituted a material increase.
- 3.9 There were also more staying leisure visitors. Back in 2010, Jersey benefited from 690,000 per annum. A decline during the first half of the decade was turned around by Visit Jersey and the industry it served. By 2019, over 770,000 staying leisure visitors were coming to Jersey. Moreover, total visitor spending had increased to just under £280 million by 2019 (more than 15% higher than in 2014).¹²

Consumer Trends

- 3.10 While there were more consumers, their mindsets and their capacity and inclination to shop changed over the course of the decade.
- 3.11 More of the population was economically active, with many reporting working more than their contracted hours and with leisure time at a premium.¹³
- 3.12 The majority had become smartphone users with all day mobile internet connectivity.¹⁴ This, combined with the linked rise of social media over the period, gave users access to compelling online community 'spaces' that competed with physical equivalents – including St Helier town centre. A number of retail commentators suggested that younger people in particular were now socialising

¹¹ See UK ONS Report January 2020

¹² See <https://business.jersey.com/jersey-statistics>

¹³ See Jersey Opinions and Lifestyle Survey 2019 – pages 17 and 18

¹⁴ See Jersey Opinions and Lifestyle Survey 2019 – page 64

less in town centres or other shopping centres across the British Isles and elsewhere.¹⁵

- 3.13 Remaining with children and young people, there was evidence that the fundamental meaning of going shopping might be changing for the younger generation. One local newspaper article published on 1st August 2019,¹⁶ reported that UK primary school age children had limited awareness of high streets, while many had 'never visited traditional high street shops.' Millennials that had left education and joined the workforce during or shortly after the Credit Crunch of 2008 were thought to be more cautious with spending, inclined to turn to the sharing economy and more likely to favour experiences over the acquisition of goods.¹⁷ On the basis of house prices relative to average earnings, it remained difficult for first time buyers to afford a home in Jersey. In turn, this may have impacted the inclination of younger adult consumers to shop for certain goods.
- 3.14 The fact that real terms average earnings had decreased over the period¹⁸ placed increased pressure on disposable incomes. Consumers were increasingly inclined to pursue the lowest price for goods and services.

Signs of Decline?

- 3.15 In geographical terms, the Island's retail and wholesale sector showed some signs of growth over the last decade.
- 3.16 Between June 2011 and June 2019, planning approvals for 8,200 square metres of new retail floorspace in the central Core Retail Area of St Helier were given.¹⁹ While planning consents were also given for the loss of 4,200 sq.m shopping floorspace in the Core Retail Area, the majority of the loss was accounted for by change of use to cafés or bars and restaurants. These were complementary uses that could add to the daytime and evening economies.
- 3.17 Additional permissions were granted for 7,800 sq.m of new retail floorspace elsewhere, approximately 1,200 sq.m of which was still within the vicinity of St Helier town. Several apartment developments with retail units incorporated into the ground floor were given planning approval outside the Core Retail Area. Of the remainder, some 3,600 sq.m was in out-of-town Built-up Areas, with 3,000 sq.m in Green Zone locations. The latter included a new garden centre, a charity shop for Durrell Zoo, an agricultural machinery store and a farm shop.
- 3.18 From an economic perspective, however, the retail and wholesale sector was showing early signs of decline, particularly relative to other sectors of the economy. In 2010, retail and wholesale accounted for 7.3% of GVA per annum, trumping construction (6.8%) and hospitality (3.5%).²⁰ By 2018, however, construction had overtaken retail to generate £335 million or 7.1% of GVA per annum. Retail and wholesale accounted for £314 million (6.7 %). By way of comparison, hotels, restaurants and bars of the hospitality industry accounted for £212 million (4.5 %) GVA in 2018.
- 3.19 Retail and wholesale productivity all but flatlined through the decade. In contrast, the productivity of the construction and hospitality sectors improved incrementally as the decade wore on.

¹⁵ E.g. see 'Retail Therapy: Why the Retail Industry is Broken – And What Can be Done to Fix It' – Chapter 12 © Mark Pilkington 2019, Bloomsbury Business ISBN: HB: 978-1-4729-7860-8

¹⁶ See <https://jerseyeveningpost.com/news/uk-news/2019/08/01/many-children-have-never-visited-traditional-high-street-shops-survey-finds/>

¹⁷ See <https://theconversation.com/consumerism-in-crisis-as-millennials-stay-away-from-shops-109827>

¹⁸ See Jersey Index of Average Earnings July 2019

¹⁹ N.b. via 14 separate planning applications.

²⁰ See Jersey Economic Trends 2011

Fig 1: Productivity (GVA per Full Time Equivalent Employee) in constant year (2018) values of income, 2010 – 2018: £ thousand (Source: States of Jersey Statistics Unit)

Sector	2010	2011	2012	2013	2014	2015	2016	2017	2018
Agriculture	35	32	30	32	27	32	36	37	37
Manufacturing	47	47	46	43	47	46	46	45	47
Electricity, gas and water	111	107	110	117	114	127	135	138	142
Construction	56	54	53	53	55	57	58	60	59
Wholesale and Retail	46	46	44	46	45	47	46	46	46
Hotels, restaurants and bars	34	34	34	34	35	36	38	37	38
Transport, storage and communication	64	64	62	66	65	68	65	66	65
Financial services	153	154	147	145	157	151	146	141	143
Other business activities (excluding rental)	51	49	47	47	46	46	46	45	44
Public administration	56	55	54	54	56	58	58	59	59

3.20 In 2019, 12% (over 7,200) of all jobs in Jersey were in retail and wholesale. This was a material reduction on the 2010 position, when the sector had accounted for 15% of all jobs (over 8,500).²¹ While the ending of Low Value Consignment Relief in 2012 had caused a significant one-off drop in job numbers,²² further incremental reductions in job numbers had followed. Some 110 retail jobs were lost during the 12 months ending in June 2019, of which a significant number were full time posts.²³

3.21 The above statistics were given some context by the available footfall statistics. King Street footfall fell by 1.5% in 2019 against the previous year, with the numbers for previous years having been broadly stagnant. While shop vacancy rates in central St Helier remained lower than other parts of the British Isles (around 2% at the end of 2019), several prominent units along King and Queen Street had remained vacant for over 12 months.

3.22 Out of town retail was also beginning to show signs of a struggle for custom. The Les Quennevais precinct in St Brelade had a significant number of vacant units through 2019. A newsagent, surf shop and several other comparison retailers had shut their doors over the course of the decade.²⁴

Operating Environment

3.23 Business tendency surveys demonstrated retailers' concern that trading conditions were deteriorating, particularly with respect to input costs and profitability.²⁵

3.24 Recruitment difficulties across a range of retail roles and salary bands were reportedly making it harder for businesses to trade effectively in 2019, notwithstanding that the sector had fewer jobs to offer overall. Government's own 'Jobs in Jersey' page regularly carried in excess of 60 retail sector job advertisements through the year. Feedback from Jersey Business indicated that a number of other retail jobs had been advertised for extended periods via means other than the Government website. This tight labour market created upward pressure on wages and / or retention issues for some employers. Some retailers anticipated that the problem would worsen following the UK's departure from the EU and with Jersey leaving the EU Common Travel Area.

²¹ See Labour Market Report June 2019

²² See <https://www.bbc.co.uk/news/world-europe-jersey-17563620>

²³ See Labour Market Report June 2010

²⁴ See <https://www.itv.com/news/channel/story/2015-09-22/alarming-number-of-shops-closing-in-les-quennevais/>

²⁵ See Business Tendency Survey Dec 2019

- 3.25 Industry had worked with government to try and mitigate this issue. Through industry engagement with Skills Jersey, a Level 2 (GCSE equivalent) and a Level 3 (A- Level equivalent) apprenticeship pathway was created to upskill the workforce and encourage school leavers into the industry. In 2017 the first cohort of 13 apprentices started. Three years on, the number of apprentices had trebled. Recruitment difficulties nevertheless remained a problem.
- 3.26 While there were some indications that out of town convenience retailers were trading relatively comfortably, some comparison retailers were understood to be fighting to stand still. Both convenience and comparison retailers were experiencing the same recruitment and retention issues as their town centre counterparts.
- 3.27 In late 2019, and in an effort to satisfy consumer demand identified in the 4insight survey and to improve retail trading conditions, the States voted to partially relax Sunday trading restrictions on larger shops by amending the Shops (Regulation of Opening) (Jersey) Regulations 2011. Shops with a retail sales area in excess of 700 square metres were then able to apply for a permit to open regularly between 10 am and 4 pm on Sundays throughout the year.²⁶ A limited number of additional town centre and out of town shops had already applied to open on Sundays by the start of 2020, though some of the larger non-food retailers had indicated that they would not pursue Sunday opening.

Food Retail

- 3.28 Food and grocery competition improved over the previous decade, thereby alleviating the concern flagged in the 2010 Retail Framework. Whereas there were only 2 supermarket businesses with multiple stores across the Island in 2010, there were 4 competing for business at the end of 2019.²⁷
- 3.29 Waitrose began operating the 3 large food and grocery stores it acquired shortly after the 2010 Retail Framework was published. The business nevertheless refrained from offering the online food shopping and delivery service it had rolled out in some UK districts as the decade wore on. None of its competitors did so either, though several offered to deliver shopping purchased in store.
- 3.30 Alliance had also entered the market during the period and had 4 stores selling Tesco-branded goods by the end of 2019.
- 3.31 Sandpiper invested in the introduction of Morrisons Daily supermarkets to supplement its offer, while Coop opened new Locale shops over the period. There was also some significant expansion in the local farm shop offer.
- 3.32 Additional competition came from external e-commerce. By 2019, both fresh food and shelf-stable food products and household consumables were regularly and reliably available online.
- 3.33 Other changes to the dynamics of the food and groceries market included some shifting in stock management. In 2015, the Coop moved further towards a just-in-time delivery model and closed its on-Island food warehousing operation. From a food security perspective, the impact of this change was limited on account of the number of other major importing retailers holding stock in Island stores and logistics practices by the Island's ferry and freight service provider, Condor Ferries. Condor worked with retailers to prioritise delivery of time-sensitive items whenever disruption to services was anticipated.²⁸ There was nevertheless scope for future

²⁶ N.b. Subject to the obtaining of a permit from the Connétable of the relevant parish.

²⁷ N.b. It should nevertheless be noted that neither of the major multinational discount food and grocery retailers cited in the 2010 Retail Framework chose to enter the Jersey market.

²⁸ See 'A Brief Review of Jersey's Food Security' at www.gov.je – page 10

impact in the event that customs checks were to create significant delays at the border following completion of the UK's exit from the EU customs union.

E-Commerce

- 3.34 The entry to the Jersey market of new online food businesses was symptomatic of a broader expansion of internet retail. While competition from national and international retailers had been a long-standing fact of life for many of Jersey's retailers (whether via catalogue, mail order or telephone), manifested consignment data and other available parcel traffic data indicated that Jersey consumers had become comfortable with, and had an increasing appetite for, online shopping. The clear majority of e-commerce orders were being placed with retailers based outside the Island.
- 3.35 Over 1 million manifested consignments of packets and parcels were delivered to Jersey in 2019 - more than double the 2014 figure. Given that not all packets and parcels arriving in Jersey were individually manifested, the actual number imported was undoubtedly somewhat larger.
- 3.36 Jersey Post had consistently reported growth in parcel volumes, with 5% growth being achieved through 2018 and the clear majority reportedly originating from the UK or other jurisdictions. The growth achieved by Jersey Post was achieved against competition from a number of other logistics companies operating in the Island.²⁹
- 3.37 During the 2014-2019 period, the proportion of UK retail spending captured by online retail increased from 12% to 19%,³⁰ with seasonal Christmas shopping pushing online sales above 20%. Such figures had a degree of relevance in Jersey. The Island's own retail sector had historically trended similarly to the UK because of the presence of multiple UK brands in the Island, the cultural and fiscal connections between Jersey and the UK and because consumers across the British Isles were exposed to some of the same newspaper, TV and online advertising campaigns. On that basis, it seemed probable that by 2019, the percentage of online spending by Jersey households had increased significantly above the 7% figure recorded back in 2015.

GST

- 3.38 While overall GST receipts increased over the course of the last decade,³¹ the quantum of GST foregone also increased as a consequence of the threshold below which taxes were collected (the de minimis threshold). More than £2 million of GST was foregone in 2019 on imported parcels and packets, albeit the majority was attributable to low value (below £60) consignments that would have been comparatively resource-intensive to pursue payment on.

²⁹ See Jersey Post Business Review 2018

³⁰ See <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/december2019>

³¹ See Tax Statistical Digest on gov.je

SECTION 4

Pre-COVID evaluation

- 4.1 A detailed evaluation of the above findings led to the conclusion that the developments in online retail, consumer trends and the on-Island operating environment for retail were hitting St Helier town centre hardest. Town centre retail was finding it increasingly challenging to compete with online on convenience, price and choice. There were indications that the town centre would need to differentiate its offer to remain sustainable beyond the medium term.

Online Retail

- 4.2 Traditional bricks and mortar retail in Jersey had been facing a steadily intensifying challenge from external internet retail for some two decades. In recent years, however, that challenge had broadened across a range of markets. For some, the impact had been transformational.
- 4.3 When the 2010 Retail Framework was published, music CD and other physical media sales were deteriorating but were still significant.³² By 2019, film, TV and music were fully digital products. Streaming had become the norm.³³ The Island's early adoption of a fully Fibre to the Home telecoms network helped Jersey consumers become early adopters of this technology. On the one hand, this resulted in media sales being booked in other jurisdictions. On the other, the loss of this business on Island may have released resource for more productive uses.
- 4.4 While digital technology was changing the very nature of some goods, e-commerce was disrupting retail's long-established distribution, warehousing and sales model for the products that remained tangible. The established retail model had developed in the wake of the industrial revolution to handle large manufacturing runs and push goods out efficiently to sites where they might be put within reach of an efficiently large catchment of consumers. Retailers were geared to close sales and, to an extent, to undertake localised marketing activity in support of that purpose. While that model had (and still does have) advantages, the disadvantages included the high fixed costs of building, staffing and operating stores and the multiple mark-ups required to sustain the traditional supply chain.
- 4.5 After 2010, e-commerce and the always-on mobile connectivity that supported it became increasingly advanced at displaying goods virtually to consumers wherever they happened to be. There was less of a need for physical stores holding significant stock or to tolerate the high fixed costs that those stores generated.
- 4.6 In turn, consumers were also in an increasingly stronger position because the resources of the internet weakened producers, distributors and retailers' control of product information. Consumers were now making purchasing decisions based on traditional advertising campaigns but also on blog posts, amateur YouTube video reviews and almost immediate word of mouth comments via Instagram and other

³² See <https://www.musicbusinessworldwide.com/uk-album-sales-have-been-cut-in-half-since-2010/>

³³ N.b. The all but obsolete vinyl music market nevertheless enjoyed a resurgence during this period.

social media platforms. Amongst other things, this mitigated the need for consumers to visit physical stores and inspect goods before purchasing.

- 4.7 In a number of cases, e-commerce had taken the form of direct selling by both new and established manufacturers and / or brands, who saw that by selling straight to the end consumer, they could exercise greater control over marketing, cut out the mark ups of the traditional model and give the consumer a better price while still increasing their own profit margins. Variations of this strategy were beginning to be adopted by brands as significant as Nike.³⁴
- 4.8 The extent to which the e-commerce challenge had broadened was well evidenced by looking at the grocery market. In 2019, Jersey Post embarked on its first year of partnership delivering HelloFresh food orders to Jersey homes. Within 7 months, Jersey Post reported having achieved a milestone of 1,000 boxes delivered to Jersey homes per week.³⁵ The fact that significant volumes were reportedly sustained into 2020 indicated that consumers were becoming comfortable with purchasing fresh food online.
- 4.9 By February 2020, Jersey Post was actively consulting the public regarding additional UK and international brands (e.g. Argos and Ikea) that Island residents might like the company to partner with to enable local deliveries. Social media traffic indicated that the survey generated significant interest.
- 4.10 Shipping remained one of the most significant brakes on the market penetration of external e-commerce. Jersey's Island status and the consequential logistical barriers that still prevented off-Island internet retailers from achieving same-day (or even sometimes next-day) delivery continued to present an opportunity for local retailers with the right stock available for immediate purchase. Jersey Post had nevertheless innovated with the rollout of its SecureDrop service and secure lockers at 6 separate locations around the Island, which made it easier to receive parcels that had arrived in the Island.
- 4.11 Locally based e-commerce also continued to develop, with several businesses actively and successfully selling to both local and external markets. Circumstantial evidence nevertheless indicated that some businesses were reluctant to develop an online storefront for fear of adding in significant operating costs and complexity while risking cannibalisation of their own bricks and mortar sales.

Consumer Trends

- 4.12 The 4insight consumer survey of late 2018 found that Jersey consumers remained motivated by convenience, experience and price. While these were factors that had prevailed both locally and across the British Isles for some decades, consumers' behaviour in response to those motivations seemed to be to increasingly favour e-commerce over bricks and mortar retail.
- 4.13 Convenience was a particularly strong driver. While some time-pressured Island consumers regarded shopping as a leisure activity (particularly if they could shop in the company of family and friends) others considered it a chore. For the latter, online retail had the upper hand with storefronts accessible 24/7 from a consumers' own sofa or via smartphone while out of the home. Bricks and mortar retail could nevertheless score highly for convenience when goods were needed the same day and / or when consumers wished to physically inspect or try goods before buying.

³⁴ See <https://footwearnews.com/2019/business/opinion-analysis/nike-dtc-competition-adidas-under-armour-digital-sales-120284551/>

³⁵ See <https://www.itv.com/news/channel/2019-07-19/the-growing-demand-for-food-delivery-in-jersey/>

- 4.14 On price, 4insight detected strong demand for certain discount retailers to open stores in Jersey. In the interim, the survey indicated that Jersey consumers readily associated online retail with lower prices.
- 4.15 Of the secondary drivers identified by 4insight, choice was highlighted, with the internet again being the natural default option. Other sources of data nevertheless indicated that both Island and other British markets were testing two extremes. On the one hand, internet retailers such as Amazon had successfully pursued a strategy of offering the broadest product choice. On the other, some online and bricks and mortar retailers were succeeding by offering a carefully curated choice of products to attract time-pressured consumers and build trust. Various industry analysts commented that those businesses trying to chart a middle course between the two extremes were the ones that tended to struggle.³⁶
- 4.16 4insight found that consumers were readily turning to internet retail for clothing and footwear, books and stationary, electronics and health and beauty products – and that most sectors, including fresh food, were now vulnerable to internet competition. This assessment broadly aligned with the UK market position, as reflected in several UK retail sales reports and UK Office of National Statistics data.
- 4.17 A majority of Jersey consumers (70%) continued to make use of their private car when shopping, just as they did in 2010. Significant levels of daytime and weekend traffic generated at supermarkets of various sizes across the Island, at the Powerhouse, Queens Road development and even at some out of town farm shops corroborated this statistic. Indications were that shopping was often one of a range of activities carried out at different locations across the Island before a consumer arrived back at their own front door.
- 4.18 For town centre shopping, 4insight found that car parking was a material consideration. Difficulty in finding a convenient parking space in St Helier deterred prospective shoppers, as did traffic congestion. Free parking at out of town locations acted as a mild consumer incentive. In this regard, the 4insight survey added weight to the shopper parking conclusions of the Scrutiny Panel in its report S.R.18/2018.
- 4.19 The broad thrust of the 4insight findings highlighted three key customer viewpoints that aligned with feedback already received from industry stakeholders.
- 4.20 First, Island resident consumers were calling for St Helier town centre to offer more reasons to go there. A greater leisure, entertainment, events and community offer – colocated with retail – was in demand. Two examples of the colocation issue were Fort Regent and Cineworld. Neither of these leisure and entertainment venues were easily accessed on foot from King or Queen Street, yet both had potential to generate footfall and consequential benefit for town centre retail, and vice versa.
- 4.21 The above view aligned with emerging thinking right across the UK on the future of UK high streets.³⁷ Various industry analysts had commented on the extent to which out of town retail parks benefited from such co-location.³⁸
- 4.22 Second, there were also indications that consumers were increasingly beginning to practise values-driven shopping. The whole life cycle of products offered for sale and other environmental and ethical considerations were influencing purchasing behaviour. Industry and general media reporting suggested that consumers were more conscious of the carbon footprint of excess consumption.³⁹ ‘Conscious

³⁶ See KPMG / IPSOS Retail Thinktank Outlook for 2020 – page 3

³⁷ For examples see <https://www.bbc.co.uk/news/business-51094109>, and <https://www.plymouthherald.co.uk/news/business/future-plymouth-city-centre-how-2573640>

³⁸ See <https://www.bbc.co.uk/news/business-49311298>

consumption' was thought to be of increasing importance to the younger Millennial and Generation Z consumers.⁴⁰ These tended to be more cautious with their purchasing activity and directed spend towards experiences at the expense of possessions.

- 4.23 The third, which applied to both town and out of town retail, was that Government policies could add or maintain friction to the process of shopping with bricks and mortar retailer. Given that online retail had become so well-practised in reducing friction (such that purchases could be completed in a minimal number of clicks), the perceived risk was that ever more retail sales would be pushed towards online retail. And as the majority of online transactions were placed with external businesses, more money risked being lost to the Island economy.

Operating Environment

- 4.24 None of the above had gone unnoticed by the sector, with many stakeholders having already set about responding to market changes.
- 4.25 On the matter of government policy, however, retailers were increasingly looking for comfort that Government was interested in maintaining the retail sector. This was notwithstanding positive feedback regarding the quality of support provided to small and medium enterprises by Government-backed Jersey Business. Transport policy and parking charges, the abortive attempt to introduce commercial waste charging and, more recently, the in principle decision to ban single use plastic and some paper bags and requirement to charge for longer life bags⁴¹ were each cited as policies that could secure sustainability gains but could, with some additional work, help level the playing field for on-Island retail and external e-commerce.
- 4.26 The policy on the application of GST to imported goods remained the most frequently cited concern in 2019. This was an issue that Scrutiny had previously flagged in its 2018 retail report. Retailers regularly questioned how GST could be deemed low, broad, simple and fair when online purchases up to the value of £240⁴² were being imported by end consumers without incurring GST. The de minimis level was perceived to be –
- encouraging money to be diverted out of the Island economy,
 - constraining funds for the upkeep of the infrastructure that external online retail relied upon to facilitate last mile deliveries and packaging waste disposal
 - enabling external online retail to undercut locally resident competition, particularly on product categories that were zero-rated for VAT in the UK (e.g. children's clothing and shoes).
- 4.27 The States decision to introduce Corporate Income Tax for Large Retailers at 20% was thought by some to have further unlevelled the retail playing field. While stakeholders generally agreed that on-Island retail should contribute to the tax base, the equity of the tax was frequently challenged on two grounds. The first was that one large food and groceries retailer and several businesses with a large wholesale division fell outside the scope of the tax. Second, several large online retailers importing to Jersey had captured a significant percentage of the market from on-Island businesses but were not liable to pay the tax. The same stakeholders predicted that the tax would generate significant revenues in the

³⁹ e.g. <https://www.telegraph.co.uk/business/energy-efficiency/reducing-carbon-footprint/>

⁴⁰ See <https://www2.deloitte.com/uk/en/pages/consumer-business/articles/retail-trends.html>

⁴¹ States Assembly proposition P.11/2020 refers

⁴² n.b. (£135 with effect from October 2020)

- short term but could make it harder to maintain a low town centre unit vacancy rate over the medium to longer term. A significant number of stakeholders were vocal in advocating 10% as a more equitable, proportionate and sustainable rate of tax.
- 4.28 There was nevertheless another perspective on the Large Retailer Tax to consider. UK retailers exporting to Jersey faced corporation tax, while the effective tax rate on retailers was, on average, thought to be lower than prior to the introduction of the current Zero-Ten tax regime. In any event, the operation of the tax is due to be evaluated in 2021, following the first full year of operation.
- 4.29 The developing Sustainable Transport Policy (P.128/2019 refers) was viewed with caution by some. While there was broad industry support for decarbonising travel, for increased walking and cycling options and for improving public transport, there appeared to be less of a consensus on private vehicle usage.
- 4.30 A number of businesses anticipated that their planning, investment and property strategies would need time to adapt to any significant policy or package of measures that might discourage private vehicle use. Several commented that a significant percentage of the Island's food and grocery market was designed around the continued dominance of some form of private car as a primary mode of transport. Business dynamics and property requirements might change considerably if cars ceased to become the default transport option for consumers.
- 4.31 Given that commuters also tended to be consumers (particularly those who worked in the town centre) some retailers considered that a reconfigured bus fleet would be needed in the medium term to make it easier for consumers to travel in some comfort with shopping.
- 4.32 The sector anticipated that Government and the Parish of St Helier would pursue greater pedestrianisation of the town centre to secure environmental and social benefit. In this regard, the potential benefit of having more open space and seating for shoppers to pause and relax, and of installing more public toilets and other facilities was recognised, particularly given Jersey's progressively ageing population and recognising the significant number of consumers in the Island with a disability. There was a recognition that open, greener spaces and facilities improvements had helped to attract and sustain footfall elsewhere in the British Isles.⁴³ Retailers nevertheless stressed that such measures had significant potential to disrupt existing business models and change consumer behaviour in ways that Government might not predict successfully.
- 4.33 Town centre rental values were another concern for retailers. While it was understood that rentals had softened slightly off the main King and Queen Street thoroughfare, Jersey grade A rental values had reportedly remained stable, with landlords achieving up to £140 per sq ft.⁴⁴ In contrast, some UK agents had been reporting material declines in high street rental values since 2008.⁴⁵
- 4.34 Several stakeholders suggested that rental values being openly sought by commercial real estate agents for premises on King or Queen Street were unsustainable over the medium term and that better quality footfall and other performance data for town centre retail might help to realign commercial rents.

⁴³ See <https://www.telegraph.co.uk/education/stem-awards/design/designing-green-cities/> and <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/1010/full-report.html>

⁴⁴ Source: D2 Real Estate Market Review 12th Feb 2020 N.b. ITZA or 'in terms of Zone A' rental methodology.

⁴⁵ e.g. https://www.savills.co.uk/research_articles/229130/293341-0/spotlight--shopping-centre-and-high-street---q3-2019 and https://www.jacksoncriss.co.uk/images/investments/pdf/1530089963_100739%20Southampton_V9...pdf

SECTION 5

The COVID-19 Pandemic

- 5.1 In March 2020, the Covid-19 pandemic reached Jersey. While this was a number of weeks later than for some other jurisdictions around the globe, the social, economic and environmental impact of the pandemic in Jersey was no less significant. Of all the economic sectors, retail and wholesale was one of the hardest hit by the virus, which remains a threat today.
- 5.2 Consumers (including most workers) were instructed to stay at home from the end of March 2020. Off-Island travel ceased and tourists stopped coming. Shops deemed to be non-essential had to close. While essential shops (e.g. grocers, pharmacists and petrol stations) generally remained open, they were required to operate with tight restrictions in place to mitigate risk of virus transmission. Customer throughput and cashflow was still being heavily impacted as restrictions eased progressively through the May – July period.

Quantifying the Impact

- 5.3 Material and readily available sources of data during this period have included –
- a) King Street footfall figures
 - b) Inbound parcel consignment data
 - c) direct feedback from industry stakeholders (the collation of which has been assisted by the Parish of St Helier, Jersey Business, Chamber of Commerce and others),
 - d) the Business Tendency Survey June 2020, and
 - e) other data accumulated by Government as a consequence of operating business support schemes to mitigate the economic impact of the pandemic.
- 5.4 Beginning with footfall, the numbers have been stark.
- 5.5 At the end of January 2020, the King Street footfall camera had been registering some 135,000 visits per week. Peak pedestrian traffic occurred between Noon and 2.00 pm on Wednesdays, Thursdays and Fridays, with numbers in the region of 3,000 persons per hour. This should ordinarily have been a low point for the year, or very close to it, with Summer and pre-Christmas footfall being some 60% higher.
- 5.6 During April and early May, however, instigation of lockdown in response to the virus caused King Street footfall to fall below 40,000 visitors per week. By August, when most retailers had reopened with 1 or 2 metre customer distancing and total occupancy restrictions in place in their premises, King Street footfall had still risen to only 60% of that recorded in June 2019. Moreover, it remained lower than the level recorded in January 2020.

Fig 2: King Street Footfall March – September 2019 vs March – September 2020
(Source: Springboard / Parish of St Helier)



5.7 It appeared that Island consumers' response to the lockdown and the restrictions on physical shopping through April and May was to –

- a) broadly replicate the 'isolation economy' spending patterns experienced across the British Isles (with spending concentrated on groceries, alcohol, entertainment and hobbies / home fitness),⁴⁶
- b) resort to a combination of e-commerce and telephone orders and / or an increased tendency to shop with retailers situated closer to home.

5.8 The latter resulted in a major increase in inbound parcel consignments arriving in the Island during (and in the immediate run-up to) lockdown. Jersey Post reported handling many more parcels and packets than usual in April 2020, with inbound Amazon consignments during April reportedly exceeding the number handled through November and December 2019 combined. By September, inbound packets and parcel consignments for 2020 were still up by over a third on equivalent volumes in 2019.

5.9 Customs and Immigration Service data also indicated that the number of manifested consignments arriving in the Island between January and May 2020 was significantly up on the year before and almost equal to the total number imported during the whole of 2017. The 2020 increase appeared to have been fuelled by parcels and packets containing goods to the value of £60 or less. Given that not all e-commerce purchases from outside the Island arrived as manifested consignments, the true number of packets and parcels containing imported goods could well have been larger still.

- 5.10 Circumstantial reports from postal and logistics companies indicate that a significant proportion of imported consignments delivered through April and May originated from Amazon UK and HelloFresh.
- 5.11 Locally based retail adapted rapidly and out of necessity. A number of Island businesses established or accelerated projects to establish a digital storefront. Some ran their own projects, while a number of businesses utilised the newly developed local shopping platforms and / or social media and various other methods to secure orders. A number of restaurants switched temporarily to fulfilling home delivery and takeaway orders in an attempt to maintain cashflow.
- 5.12 There were frequent indications on social media platforms and from retailers themselves that moving to a remote ordering and home delivery model at minimal notice had been a challenge. The sudden massive increase in demand from the online channel and the need to match those with stock tracking, picking and delivery capacity generated complexity and additional cost at a time when many businesses were short of cash flow and available staff.

SECTION 6

Post-lockdown evaluation

- 6.1 While retail and wholesale activity has largely resumed across the Island, there remains the risk of further lockdowns being needed to contain Covid-19. In any event, it seems probable that the virus will create a new normal for the sector. Forecasting that new normal is difficult and will remain so until such time as a Covid-19 vaccine becomes widely available and / or the global population adapts to living with the virus over the longer term.
- 6.2 In the intervening period, an indication of the direction of travel for retail and wholesale can be drawn from the experience of other jurisdictions that began exiting what may be the first of several periods of lockdowns earlier in 2020. Emerging trends have included –
- a partial and relatively slow recovery in town and city centre footfall, with a significant percentage of office-based workers continuing to work from home for at least several days per week
 - a markedly accelerated rise in online sales, with a significant portion of the increase being sustained post-lockdown
 - some sustaining of the elevated volume of food and grocery sales taken online
 - depressed discretionary spending, particularly in bricks and mortar stores
 - increased business (and basket sizes) for local convenience stores relative to pre-Covid levels
 - changes in travel patterns, with fewer consumers using public transport, an increased tendency to walk or cycle but with private motor vehicle usage broadly returning to pre-Covid levels
 - some sustaining of appetite for local produce and for health and fitness related goods and services.
- 6.3 Each of the above was evident to some extent in China and other countries in the Asia-Pacific region by June 2020. Clothing, beauty and other discretionary spending has been depressed – particularly in town and city centres. Local convenience store spending and basket sizes have tended to remain above pre-Covid levels when lockdowns ease, as consumers have continued to limit their travel.⁴⁷ Online shopping visits have remained some 15 per cent up in some jurisdictions.⁴⁸
- 6.4 As recently as 2019, Australia had relatively low levels of online shopping, with only 6.2% of sales being online as at May 2019. While that country saw a progressive return of custom to physical retailers through May 2020 as lockdown restrictions

⁴⁷ See <https://www.retailgazette.co.uk/blog/2020/05/costcutter-sales-reach-426m-in-outstanding-year/>

⁴⁸ See <https://www.mckinsey.com/featured-insights/asia-pacific/how-chinese-consumers-are-changing-shopping-habits-in-response-to-covid-19>

eased, online shopping remained at just over 10% in May 2020 (having peaked at 11.1% a month earlier).⁴⁹

- 6.5 More recently, broadly similar trends were evident across the British Isles. Changes in travel patterns were readily apparent, with public transport usage remaining depressed after lockdown restrictions were lifted.⁵⁰ Office of National Statistics data showed that online retail sales had risen from 19% at the end of 2019 to over 33% by May 2020.⁵¹ Total sales nevertheless remained some 13 per cent down on pre-pandemic levels, even following a partial recovery against the month before. Online grocery shopping hit record levels.⁵² Hardware store sales returned to pre-lockdown levels relatively swiftly, indicating that those working from home were improving the environment they were having to spend more time in. Clothing sales (particularly more formal attire) recovered more slowly and with a further shift to online selling. In mid-May 2020, the CEO of Marks and Spencer concluded that consumers might ‘never shop the same way again.’⁵³
- 6.6 The position in Jersey remains in a state of flux today. It is too early to tell how significantly overall consumer confidence has been affected by the pandemic, how that confidence will translate into consumer spending or how longer-term shopping habits have been permanently changed by the lockdown experience. There are nevertheless some strong indications that trends experienced across the UK and internationally are being seen here.
- 6.7 Manifested consignment data and other anecdotal reporting indicates that online shopping has begun to settle back from the April – May peak. It may nevertheless remain at an elevated level relative to 2019, increased home working means that more Islanders are well placed to receive deliveries at home and have less of an inclination to travel to the town centre or elsewhere to shop.
- 6.8 Reduced fears of infection following the success of the lockdown and the consequent relaxing of social distancing requirements to 1 metre have given retailers more customer handling capacity in their premises across the Island. While some consumers are responding positively to these improved conditions, the St Helier footfall figures suggest that Covid-19 may still be impacting overall consumer confidence.
- 6.9 As at the autumn of 2020, St Helier footfall remains at levels broadly consistent with a lower number of office workers and tourists in the town centre. Increased car and motorcycle parking space availability relative to 2019 (particularly since car parking charges were reintroduced at the beginning of July) sheds further light on the issue. Depressed bus travel statistics may also indicate the limited confidence that people have to venture into public spaces, albeit that reductions in the early part of the summer may have been a function of sensible reductions in passenger carrying capacity to allow for physical distancing.
- 6.10 Given that the finance industry and the public sector are the dominant employers with office space in St Helier, Government has engaged with relevant industry bodies to better understand the extent to which St Helier businesses are facilitating home working for the foreseeable future. Indications are that several thousand public and private sector employees that previously attended offices in St Helier for most or all of their working week are now working from home for at least several days per week. This is expected to remain the position into 2021 at least.

⁴⁹ See <https://www.abs.gov.au/ausstats/abs@.nsf/mf/8501.0>

⁵⁰ See <https://www.gov.uk/government/statistics/transport-use-during-the-coronavirus-covid-19-pandemic>

⁵¹ <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/may2020>

⁵² See <https://www.chargedetail.co.uk/2020/05/27/online-grocery-shopping-hits-all-time-high-of-1-2bn-with-boon-expected-to-continue-for-the-foreseeable-future/>

⁵³ <https://www.bbc.co.uk/news/business-52724901>

- 6.11 It is also important to acknowledge that a number of Island residents became unemployed as a consequence of reduced economic activity following the arrival of Covid-19. There were 1,980 people registered as actively seeking work at the end of June 2020.⁵⁴ This figure was over 1,100 higher than at the end of June 2019. Such an increase will have created further downward pressure on consumer spending in St Helier and across the Island. While the Island economy has proven to be relatively resilient through the summer months of 2020, there remains the risk of an economic downturn through 2021 that would have implications for the spending power of the wider population, including those who remain in employment. Given that consumers responded to reduced spending power in the wake of the Credit Crunch by turning to online shopping, the implications for on-Island retail and St Helier town centre in particular are clear.
- 6.12 The sustained reduction in custom in the town centre has made cashflow for many St Helier retailers a real challenge. Fixed costs in the form of rent, staffing and stock remain comparatively high in Jersey, though many landlords have responded to Government issued commercial property guidance during the pandemic.⁵⁵ In turn, margins that were under pressure before 2020 may now become critical. Anecdotal reporting indicates that while a number of retailers have welcomed the ability to access business support schemes offered by Government with effect from Q2 of 2020, a significant number have been facing difficulty since re-opening their doors, as landlords understandably seek to recover deferred rental payments from businesses that are trading again. Jersey Business and the Parish of St Helier report that the St Helier shop vacancy rate has increased beyond 7 per cent and that a significant number of retail businesses fear becoming unsustainable in 2021.
- 6.13 The general consensus is that pre-tax retail profit margins across the British Isles have already dipped below 5% in many cases⁵⁶ and that once 15 per cent or more of a retail sub-sector is taken by online retail, traditional bricks and mortar retail in that sub-sector can reach a tipping point.⁵⁷ While the available data is insufficient to indicate how many sub-sectors may have become marginal for traditional retail in Jersey, the 4insight survey of late 2018 hints at a level and breadth of online shopping that puts most sub-sectors at risk.
- 6.14 In summary, the short to medium term outlook for retail across the Island is now significantly more challenging following the arrival of Covid-19 in Jersey. For St Helier town centre, the deterioration in trading conditions has the potential to become serious in the relatively short term.

⁵⁴ <https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20Weekly%20Economic%20Indicators%202020703%20SJ.pdf>

⁵⁵ See <https://www.gov.je/SiteCollectionDocuments/Industry%20and%20finance/ID%20Guidance%20Residential%20Property.pdf>

⁵⁶ E.g see <https://www.retailgazette.co.uk/blog/2019/10/uk-retailers-store-profit-margins-halved-last-8-years/>

⁵⁷ See 'Retail Therapy: Why the Retail Industry is Broken – And What Can be Done to Fix It' – Chapter 12 © Mark Pilkington 2019, Bloomsbury Business ISBN: HB: 978-1-4729-7860-8 - Chapter 11

SECTION 7

The Government response

- 7.1 Retail's low baseline productivity performance and the ongoing success of the predominantly internet based off-island alternative could underpin an argument to manage decline, notwithstanding Covid-19. Jersey's scarcity of land, workforce constraints and population pressure might be cited in support of that approach. Off-Island retail may generate little in the way of economic benefit to the Island but it does generate societal benefit, in terms of providing convenience and value for money to Jersey households. Yet the comparatively low baseline for retail and wholesale in Jersey also indicates real scope to generate both disproportionately positive economic impact and social benefit.
- 7.2 The immediate challenge is to provide on-Island retail with a stronger foundation from which to adapt, both to pre-Covid and current conditions, and compete for business. There are three imperatives -
- i. stabilise the sector in the wake of Covid-19
 - ii. identify the new normal for the retail and wholesale sector
 - iii. help the sector to help itself adapt.
- 7.3 Various measures to stabilise the sector have already been taken by Government. These include the co-funded payroll and GST deferral schemes and the general work done from signage manufacture through to public health assessments that have led, amongst other things, to the decision that most retail and wholesale businesses could begin trading safely again before the summer of 2020 and again in February 2021.
- 7.4 Additional workstreams have been underway across Government to provide further analysis and support. Land use and employment assessments focussing on retail and hospitality have been commissioned as part of the ongoing Bridging Island Plan development. A Retail and Commercial Property Sub-Group with industry support has worked on measures to mitigate the risk of retail insolvencies. The ongoing development of the Economic Framework includes a specific workstream focussing on retail and hospitality, while a Strategic Workforce Planning Group has been commissioned to evaluate the future workforce requirements of the sector. There is also the £100 Spend Local Card. These were sent to every household in Jersey. Indications are that these cards boosted retail turnover by encouraging Islanders to spend at a range of on-Island businesses through September and October 2020.



7.5 A Retail and Hospitality Working Group, led by the Parish of St Helier and supported by the Minister for EDTSC, developed proposals to support both the retail and hospitality sectors in the run-up to Christmas 2020 and potentially into 2021 by –

- rebuilding confidence in town as a safe and vibrant destination
- offering experiences that attract visitors for a multitude of reasons
- helping to make travel to and from the town both easy and safe.

7.6 As at November 2020, arrangements were being made for Government and the Parish to jointly fund measures to keep shoppers dry and to retain a festive experience in town whilst mitigating the risk presented by Covid-19.

7.7 In the intervening period, four additional measures are proposed in this document to help with the transition to a new normal for retail and to provide a better platform from which to help the sector remain viable through 2021 and beyond.

Workstream 1 – Better Connection with Government (timescale: Q1 2021)

7.8 Government has accepted the case for allocating policy officer resource in the new Economy Directorate of Government to –

- a) serve as a single point of contact for the retail and wholesale sector,
- b) collate, summarise and evaluate data and specialist input from businesses, stakeholder organisations, statisticians and other sources within and outwith Government,
- c) connect with colleagues across Government and feed the resulting evidence base into the range of relevant policy development activity,
- d) develop policy in collaboration with Jersey Business, the Parish of St Helier and external stakeholders, and
- e) generally support the Minister for EDTSC in his role as ‘retail champion’.

7.9 New Sector Lead and Sector Officer posts have been created. These are to focus on the discrete but connected retail and visitor economies form a material part of a broader portfolio of compatible responsibilities. They will work in partnership with the Town Centre Manager at the Parish of St Helier and retail specialists within Jersey Business, who continue to perform important advisory and support roles at arms length from Government.

7.10 The seeds of improvement in government policy development were sown some time ago, with departmental siloes having been addressed and an increased number of policy officials working together in Broad Street offices across a broad range of policy projects. The following projects have commenced to some extent during this political term or are already well advanced –

- Carbon Neutral Strategy
- Disability Strategy
- Events & Public Entertainment policy review
- External Transport / Freight Policy
- Food Security Policy
- Economic Framework
- Land Use Policy (the Island Plan review)
- Migration policy
- St Helier markets policy

- St Helier infrastructure / regeneration policy
- Sustainable Transport Policy (STP)
- Tax policy amendments

- 7.11 Each of the above projects has significant scope for impact on the retail sector. In turn, the breadth of relevant work already being undertaken indicates that either a bespoke longer term retail strategy to follow this interim policy or the ongoing factoring of retail considerations into these policy projects could generate positive outcomes. This collation and advisory role will fall to the policy officer.
- 7.12 The ongoing Island Plan review is one of the more critical projects with scope to affect retail over the course of the next decade. This year, Government has needed to commission specialist consultants to undertake a broad retail study to inform the next Island Plan. This proposed appointment within Economy should allow for the engagement of narrower and therefore lower cost consultancy support in future years.

Workstream 1 Summary

Action	Allocate to a senior policy officer (or equivalent) the responsibility of serving as single point of contact and policy specialist for the retail sector
Timeframe	Q1 2021
Budget	Factored into new Economy target operating model
Targeted Outcomes	Improved stakeholder connectivity and confidence in government Enhanced rate and comprehensiveness of policy development across Government

Workstream 2 – Improving Data (timescale: 2021-2023)

- 7.13 Turning to data, the 2018 Scrutiny findings and recommendation on this matter carry significant weight. Many areas of the UK mainland have access to comparatively rich footfall, spending, catchment and other performance data (e.g. unit rental data) – not only to inform local government policy and private business development but to provide a prospectus to encourage new business to relocate to towns and cities.
- 7.14 There is a clear need to better understand the nature, volume and dynamics of custom available to St Helier town centre, whilst maintaining consumer privacy. In the short term, augmenting the single existing footfall monitors with additional monitors could give a much more accurate picture of footfall and movement through the town centre. It is also possible to utilise supporting technology to generate –
- Anonymised demographic data
 - Anonymised mapping of shopper journeys through the town centre.
- 7.15 This data would have a value to various parties including government (for policy development), retail landlords and tenants (to inform assessments of market rental values and business development decisions) and for informing potential inward investment by retail businesses. Government already has a demonstrably successful inward investment function within Locate Jersey, which works collaboratively with Jersey Business. Arming those parties with better data – and evidence that government policy is responsive to it – should strengthen their ability to persuade new retail business that the Island is a worthwhile place to invest.
- 7.16 To that end, Government will aim to supplement the existing footfall monitor budget of the Parish of St Helier with sufficient funding for at least two additional monitors.

- 7.17 Looking to the medium term, Government will work with Digital Jersey to assess options for securing better collation, evaluation and dissemination of industry data to stakeholders. This work can be expected to include consideration of scope to provide for suitably controlled and trustworthy data sharing between Government, various retail stakeholders and the wider population, perhaps through the use of a Data Foundation. This latter concept, though embryonic, has potential to help multiple stakeholders adopt a data-driven approach to solving real problems. Businesses could learn more about how consumers like to shop and move through the town without compromising consumer privacy. Government might better understand the market in which businesses are operating without those businesses having to lose control of data on which they may have secured a commercial advantage.
- 7.18 Government may also plan to augment forthcoming Household Expenditure Surveys with specific targeted questions in future Jersey Opinions and Lifestyle Surveys.
- 7.19 There would be benefit in knowing more about the volume and type of retail business being conducted on Island, as well as that which is being won by off-Island business (and therefore causing spending to be lost to the local economy). Government has now contracted with a data provider to secure anonymised credit card expenditure datasets. The anticipated data should allow for a more informed assessment of the broad extent and categorisation of on and off-Island spending.
- 7.20 Jersey Business, the Parish of St Helier and Government fulfil valuable and materially different roles and responsibilities in the retail space. Each has a specific role to play and different data and specific expertise to draw upon to help the sector maximise performance. The Parish of St Helier has its Town Centre Management function, which recently contracted with a commercial data provider to secure mapping data for the town centre. Jersey Business utilises separate commercial data sources to underpin its sector-specific practical advice, support, training and representation for both established retail businesses and start-ups. Other parties have engaged with government in recent months regarding the scope to secure useful data from on-Island loyalty card or app projects.
- 7.21 There is scope for the three entities to come together to re-evaluate the quality and quantity of retail data held by each of the three parties and to explore options to pool the available (non-commercially sensitive) data and knowledge to maximise stakeholder and Government benefit.

Workstream 2 Summary

Action	<ol style="list-style-type: none"> 1. Co-fund (with Parish of St Helier) additional footfall monitors across St Helier town centre. 2. Pursue opportunities with Jersey Business and Parish of St Helier for collaborative data analysis and reporting. 3. Explore, in conjunction with Digital Jersey, Data Foundation and alternative concepts for collating, evaluating and disseminating better industry data to stakeholders
Timeframe	2021 - 2023
Budget	Up to £40,000 per annum (with review prior to any extension beyond 2023)
Targeted Outcomes	Improved quality and quantity of data to inform Government policy development, PoSH and Jersey Business service provision and industry decision making.

Workstream 3 – Expansion of Business Support (timescale: 2021-2023)

- 7.22 Covid-19 placed many retail and wholesale businesses under significant and sudden pressure to develop an e-commerce channel and acquire digital selling skills. It also shone a spotlight on the financial management of some businesses, who found themselves with limited capacity to respond to the sudden change in market conditions. Demand for on the spot or problem-specific coaching and advice from Jersey Business staff increased significantly, with even younger entrants to the market showing signs of struggling to keep up with the pace of change in digital sales and marketing.
- 7.23 Given that there are grounds to conclude that the channel shift to online has accelerated in Jersey and elsewhere, it is becoming apparent that both e-commerce and financial management skills will remain a pressing priority for the foreseeable future. Existing local training capacity in both fields exists, though the indications are that it may be insufficiently retail sector-specific and charged at an hourly rate that smaller businesses are currently finding it difficult to meet. This position may change in the medium term as the market responds to demand. For now, however, smaller and medium-sized businesses can be expected to call on Jersey Business for support through this transitional period.
- 7.24 In order to meet this demand, Jersey Business would benefit from additional funding to augment its existing digital, financial support and general advisory capacity. Additional funding for Jersey Business was sought through the Government Plan 2021-24. Further economic recovery funding may also be pursued as necessary.

Workstream 3 Summary

Action	Provision of additional funding for Jersey Business to expand sector-specific digital and financial management support for SME's.
Timeframe	2021 – 2023 (with review prior to any extension beyond 2023)
Budget	Up to £50,000 per annum
Targeted Outcomes	Increased service provision from Jersey Business leading to greater financial resilience and productivity of SME's.

Workstream 4 – Interim Island Plan Review (timescale 2021-2022)

- 7.25 To the extent that data is currently available and with reference to experience in other jurisdictions, it suggests that St Helier town centre will need to adapt – and quite rapidly.
- 7.26 From a planning perspective, the scope for change is ultimately controlled by the Island Plan. The current Island Plan is already under review, albeit that Covid-19 has also impacted that project. An in-committee debate was held in the States Assembly in July 2020 that deferred development of a new 10-year Island Plan in favour of an interim 3-year Bridging Island Plan, to be lodged during 2021.
- 7.27 The retail policy objectives listed at Objective ER1 of the current Island Plan 2011 remain broadly relevant in 2020. These are –
- Protect and enhance the vitality and viability of the core retail centre of St Helier and the centres of the other urban and rural settlements;
 - Prevent a dispersal of new retailing outside the main centres;

- Retain and enhance the provision of local shopping areas and convenience stores to serve local needs;
- Concentrate new developments of retail and evening uses in locations that are accessible by pedestrians, cyclists or public transport;
- Promote mixed use areas; and
- Maintain an adequate provision of shopping facilities throughout the Island.

7.28 As at Q4 2020, however, there are indications that St Helier town centre may need less floorspace for traditional retail activity going forward, as online e-commerce makes further inroads into various sub-sectors. If some degree of increased home working remains the norm for office-based workers post-Covid – and both current footfall data and feedback from major employers in Jersey indicates that this is likely – then it is reasonable to anticipate that at least some of the recent further gains made by online retail may be sustained. In turn, town centre footfall might well remain short of 2019 levels without a degree of policy intervention. Considered refinements to the Island Plan might be one such policy intervention that helps the town centre keep pace with retail evolution.

7.29 Even before the Covid-19 pandemic, a number of local authorities across the British Isles were concluding that the future of their high streets or town centres would be best secured by broadening the mix of uses in those areas and increasing the experiential offer. Wiltshire Council advised the UK Housing, Communities and Local Government Committee that what brought people into their towns was –

‘...mainly employment, cinemas, parks, libraries, events, festivals, leisure activities and other services.’⁵⁸

7.30 Other parts of the UK have been working to increase the space available for events and entertainment (from street markets to music and theatre), community and other leisure uses, and have been reviewing their corresponding regulatory regimes, all with the goal of increasing the inclination of customers to visit those areas and to increase their dwell time (how long people stay in one area).

7.31 Returning to Jersey, Government is taking a similarly proactive approach to the future development of St Helier through the ongoing work of the Regeneration Steering Group. In turn, the Island’s retailers are themselves assessing their own options to adapt their offer over time, with some moving to make their own shopping environments more experiential. Based on the trends elsewhere, indications are that some of those who decide not to tread this path may face competition from new market entrants that will do so.

7.32 At the somewhat simpler level, retailers can be expected to implement augmented reality or other technologies in the near future. Such technologies are already being trialled in UK clothing stores via networked clothing rails and touchscreen enabled mirrors.⁵⁹ While a number of these may be easily deployed within existing retail units, others may have implications for the type of retail units that are in higher demand. At the more ambitious level, businesses might consider introducing themed concepts, such as London’s House of Vans.⁶⁰ This retail attraction blends clothing retail activity with a broad and integrated entertainment and lifestyle offer that includes an indoor skatepark, art installations and concert stages. While such new technologies and business models currently tend to be deployed by businesses with scale that operate in larger retail catchments, they reflect a general direction of travel for bricks and mortar retail across the British Isles. The challenge for the Island Plan may be

⁵⁸ See <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/1010/full-report.html#heading-7>

⁵⁹ E.g. See <https://prodisplay.com/products/interactive-mirror/> and

⁶⁰ See <https://www.houseofvanslondon.com/about> and <https://www.thestorefront.com/mag/7-case-studies-prove-experiential-retail-future/>

to respond if it becomes clear that the quantum of existing retail units that might practically be repurposed to serve as more innovative retail attractions is limited.

- 7.33 While responding to the land and property needs of established retail businesses is important, there is also a need to consider the requirements for start-ups. Both Jersey Business and the Parish of St Helier report significant demand for small and affordable retail 'incubator' units on short leases in St Helier and for flexible pop-up shop sites around the Island, where new retailers might trial concepts, test the market and generally learn their trade. The challenge is to ensure that demand is met.
- 7.34 A broader leisure, entertainment and cultural offer to increase the general vibrancy of the town centre might be expected to drive up footfall and also to generate consequent benefit for both retail and the hospitality industry. In turn, the colocation of town centre retail alongside a greater mix of complementary daytime and evening economy uses may encourage retailers to contemplate adjustments to their opening hours, in order that the two sectors of the economy can further maximise their scope to derive trade from each other.
- 7.35 Well-designed and appropriately situated new housing provision on land adjacent to the existing Core Retail Area and with easy access – or perhaps even suitably designed new schemes above retail units within the Core Retail Area - should also be expected to generate a positive impact on footfall and vibrancy through the day and into the evening. In this regard, it is important to acknowledge that the Bridging Island Plan will be considering how best to address the continued significant demand for new housing provision.⁶¹
- 7.36 It should also be recognised that the existing Island Plan already offers scope for complementary mixed uses in the town centre and scope to adapt to changing economic climates. Greater scope to encourage positive change might nevertheless be achieved in the forthcoming Bridging Island Plan by signalling a contraction in the Core Retail Area of St Helier as defined in Policy ER2 ('Protection and Promotion of St Helier for Shopping') of the Island Plan 2011. Alternatively, a similar effect might be achieved with more overt statement of Core Retail Area policy that actively invites a broader range of leisure, entertainment and community uses in that space. Given that a number of buildings within the Core Retail Area are listed, it may also be appropriate to give sensitive consideration to whether historic buildings policy has a role to play in facilitating redevelopment of the town centre.

Fig 3: Map of St Helier Core Retail Area



- 7.37 The Bridging Island Plan also has the potential to facilitate increased pedestrianisation, more quality open space and seating and improved public infrastructure in the town centre over the medium to longer term. Such a move would align with Sustainable Transport Policy and the direction of travel of the Regeneration Steering Group. A St Helier Movement Strategy is being developed as an integral part of the Island Plan development. If executed well and in partnership with the sector, such measures have scope to generate a much more attractive town centre destination. In this regard, the Minister for EDTSC anticipates a potential need to consider relatively bold options to improve the town centre environment, such as evaluating the feasibility of installing some form of roof or other structures to provide shelter over sections of the Core Retail Area.
- 7.38 St Helier town centre has a need to cater for retired senior citizens and children and young people – all of whom have spending power. The Island Plan review includes specific workstreams to ensure that the views and needs of both are taken into account. This will be important because while the infrastructure requirements of the older generation are relatively well known and understood, the sustainability of the town centre as a retail destination will become increasingly dependent upon its response to the expectations of the younger generation. In this regard, it is perhaps notable that the recently published Grimsey Covid-19 Supplement for town centres comments on the Norwegian planning process and, in particular, the potential benefits of replicating Norway’s statutory participation rights for children and young people.⁶²
- 7.39 A employment land study has also been commissioned as part of the ongoing Island Plan review. While officials supporting the Minister for EDTSC have contributed to this workstream and other elements of the extensive Island Plan review programme, the Minister anticipates supplementing this input with a formal submission regarding the future requirements of the Island’s retail sector and for St Helier town centre in particular.

Workstream 4 Summary

Action	Direct engagement with and, if necessary, a formal submission from the Minister for EDTSC to inform review of Island Plan retail policies concerning St Helier town centre
Timeframe	Q1- 2021
Budget	Existing resources
Targeted Outcomes	A broader mix of leisure, entertainment and community uses coexisting alongside retail in St Helier town centre. Increased town centre footfall in the medium to longer term.

SECTION 8

Longer-term strategy

- 8.1 While all four workstreams outlined above are intended as important first steps towards the new normal for retail and wholesale, that which concerns the Bridging Island Plan will help set the platform from which to develop retail strategy over the medium and longer term.
- 8.2 It has become increasingly clear that securing a sustainable future for retail will require government and industry stakeholders to work through a broad range of challenges in partnership.
- 8.3 Issues already on the horizon include, but are not exclusive to –
- Adjustment to the post-Brexit environment
 - food security policy
 - whether home / remote working becomes the post-pandemic norm for a significant proportion of office workers
 - the implications of increased home working on standard retail opening hours, both in and out of the town centre
 - the rate at which locally based grocery businesses deem it commercially viable to introduce online order and home delivery services
 - The impact of increased online shopping from on-Island businesses on existing property portfolios (including out-of-town supermarkets)
 - developments in the sea and air freight markets.
 - The long-term sustainability of retail, from freight transport, through on-Island transport policy for movement of both goods and consumers, to retail activity and the environmental footprint it generates
 - the future use of Fort Regent and its implications for the town centre
 - strategy for the Government-administered Central and Beresford Street Markets
 - the scope both to better integrate cinema, theatre and other public entertainment space with the town centre and also to make it easier to organise well-regulated events and public entertainment to draw in retail footfall
 - the longer-term use of Les Quennevais precinct
- 8.4 Of these, a number of forward-looking projects are already active. These involve or will inevitably require significant retail stakeholder input in order to complete. Their development should also be assisted by sector-specific output from the ongoing Future Economy Programme. A comprehensive and complementary report with a focus on the longer term is at an advanced stage. It will make recommendations on skills requirements, post-Brexit trading conditions, environmental sustainability and in other areas.

- 8.5 On Fort Regent, the programme of work to secure a viable future for Fort Regent is well advanced. The Council of Ministers is due to consider the scope for a new access link to the Fort from Snow Hill, before finalising a longer term plan for the future of the Fort and a linked plan for future sports facilities across the Island.
- 8.6 Sustainability is of particular interest to Ministers and the Assistant Minister with oversight responsibility for Retail is mindful that the Covid pandemic has caused supply chain disruption and a transition of consumer demand towards health-focussed consumption and socially responsible and environmentally sustainable business. He is clear that Government should not only pursue carbon neutral policies at a practical rate but should also ensure that the Island's regulatory frameworks do not discourage the formation of cooperatives and social enterprises that may champion demand for local products and deliver significant social as well as economic benefits.
- 8.7 In the Central and Beresford Street markets, Government has administrative responsibility for two of the largest and well-loved retail spaces in central St Helier. It is also landlord to a number of established and successful businesses. That responsibility brings with it a need to develop and execute a longer term strategy for both properties that maximises benefit for the public of the Island and the visitors it welcomes, while respecting the heritage of the properties and the value of the businesses that serve the public from those sites. The inclination of the Minister for EDTSC and his Assistant Ministers is both to maintain support for existing businesses operating successfully and investing in their market offer and to take a considered look at the scope to encourage local enterprise by providing cost-effective business incubation facilities for new and innovative small retail businesses.
- 8.8 Turning to Les Quennevais, the Minister considers the site to be an important local retail centre. He anticipates that the Bridging Island Plan may include proposals that will consider the employment uses in that area to catalyse renewed vibrancy through appropriate development.
- 8.9 The one relative certainty is that the pace of change in the retail and wholesale sectors will not decrease in the medium term and that there will be a need to revisit the state of the retail and wholesale sector again by 2023. In the intervening period, the planned boosting of policy capacity, data collection, business support and the anticipated interim Island Plan will help build momentum towards a sustainable future for on-Island retail.

