

## Planning and store growth

1. During the course of the inquiry the CC sent a competitor questionnaire to 14 grocery retail operators in the UK, including Somerfield. The questionnaire asked a number of questions regarding store and trading information, perceived competitors, new store growth, development processes and planning consents. A number of questions were also sent to more than ten Local Planning Authorities (LPAs).
2. The answers to questions regarding new store growth, development processes and planning consents highlighted a number of points including:
  - (a) store additions are dominated by convenience sector acquisitions;
  - (b) OSS retailers (see Appendix C, paragraph 2, for CC segmentation) are not focusing on growing the mid-range sector;
  - (c) many operators and LPAs believe planning consent is easier in town centres and with smaller stores (rather than other locations and larger stores), though it is by no means certain; and
  - (d) other factors such as site availability and cost constrain acquisitions of stores in town centre locations.

## Past store growth

3. Figures 1 and 2 show the growth in store numbers and square metres. [X] and [X] have added significantly more stores to their store portfolio than any of their competitors and have also added more square metres. Most of the growth in store numbers is driven by an expansion into the convenience sector,<sup>1</sup> largely by acquisition rather than opening new stores.

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<sup>1</sup>The number of new convenience stores added are: [X].

FIGURE 1

**Gross new stores since the Safeway merger**

[X]

Source: Competitor questionnaire.  
[X]

FIGURE 2

**Gross new square metres\* since the Safeway merger**

[X]

Source: Competitor questionnaire.  
[X]

\*The size of stores has been taken as the average except for the stores over 1,400 sq metres where it is based either on the information provided in the questionnaire response or the current average size of store in that category taken from verdict research.

4. Both [X] and [X] rank higher in terms of square metres added (Figure 2) than in terms of the number of new stores added (Figure 1) as the size of their OSS stores are on average much larger than their competitors. For example, the average size for a new [X].
5. The focus on the convenience sector by [X] may have been a result of a number of factors. [X] has suggested that the growth in the convenience sector by both firms is a consequence of a fill-in strategy ([X]) and the difficulties in building or acquiring new OSS stores. However, [X] also claims that its decision to expand convenience is driven by a change in customer shopping behaviour which started in the 1990s.
6. Somerfield has added [X] mid-range stores; however, [X] of these are new build.
7. None of the OSS operators currently seem to be adding many mid-range stores;<sup>2</sup> this may be because of constraints on site availability and perceived profitability. [X]

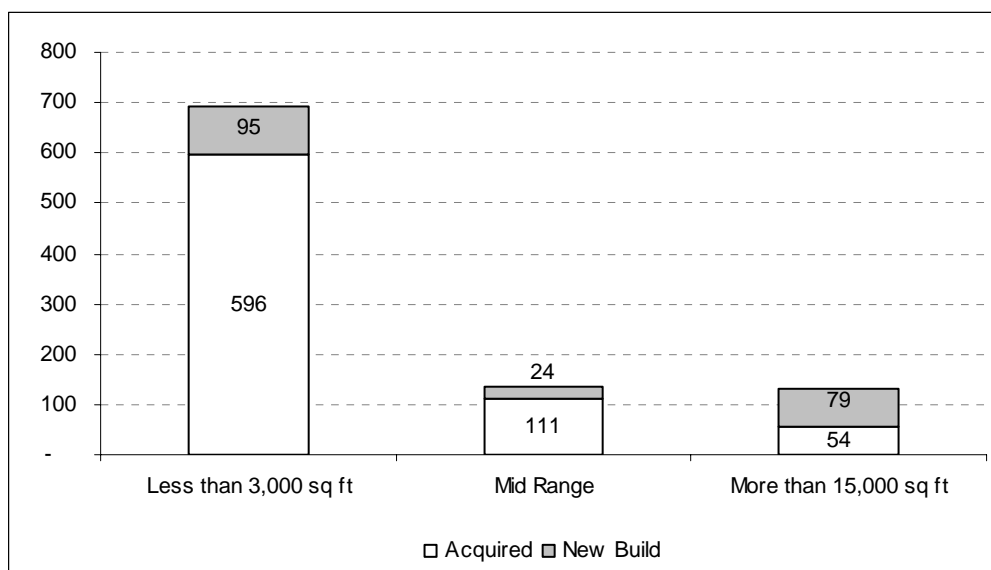
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<sup>2</sup>[X] of the stores that Sainsbury's acquired in the mid-range were a by-product of one of its convenience store acquisitions.

8. Most store additions since 2003 have been as the result of acquisitions (see Figures 3 and 4). Expansion by the competitor set into the convenience sector has been dominated by a number of acquisitions, such as T&S and Jacksons, while in the OSS sector Morrisons' divestments and [✂].
9. A greater percentage of OSS stores continue to be new built rather than acquired.<sup>3</sup>

FIGURE 3

**Competitor set: number of stores opened since the Safeway merger**



Source: Competitor questionnaire.

FIGURE 4

**Stores opened since the Safeway merger by each competitor**

[✂]

Source: Competitor questionnaire.

**New store development process**

10. Some retailers ([✂]) have indicated that they have a target location list or development plan which is sent to property agents around the UK to trigger the

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<sup>3</sup>These may be more likely to be built on brownfield sites ([✂]).

search for new store sites. Other grocers ([REDACTED]) wait for developers to come to them or rely on (local) management knowledge.

11. Once a potential site has been located a number of screenings have to take place; these screenings all include the likelihood of planning permission as well as the appropriateness of the site/retail outlet in question. Most of the companies have a dedicated team that assesses new openings in terms of the likelihood of planning permission, financial viability (including demographics of the catchment area), and strategic rationale, after which the potential openings will go to the board for approval. [REDACTED] has a slightly different approach and expects board members to view the site and come to a decision rather than relying on a dedicated team.
12. Planning is highlighted in all the responses to the competitor questionnaire and most competitors mention obtaining planning advice (Somerfield [REDACTED]) before going forward. One retailer ([REDACTED]) suggested that the developer is likely to obtain the bulk of the planning consents required; we note that this procedure would mitigate many planning concerns.
13. The timescale from identification to opening depends on a number of factors and can range from 13 weeks ([REDACTED]) for an acquired store to six years<sup>4</sup> ([REDACTED]). There seems to be no inherent differences in terms of timing for different types of operators. [REDACTED] and some of the LPAs have stated that the smaller the store, the shorter the timescale, while others have suggested that new builds take significantly longer. Another retailer ([REDACTED]) has stated that a conversion takes less than six months while a new build could take up to three years. All retailers have indicated that planning consents/permissions can take a significant amount of time.

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<sup>4</sup>[REDACTED]

## Planning and other development barriers

14. Operators have informed the CC that obtaining planning consent for grocery stores is primarily affected by two factors: the size of the store and the location.
  
15. Stores under 280 sq metres (3,000 sq feet) seem to be unlikely to be rejected purely on planning grounds. [X] has stated that only 3.5 per cent of its stores of this size were not taken forward as a result of planning advice (see paragraph 12) while [X] has stated that ‘few issues seem to be raised or constraints imposed in relation to convenience stores’. Furthermore, [X] has stated that small units tend to face fewer problems when ‘obtaining planning permission to establish the principle of retail use’.<sup>5</sup> However, as the store size increases, the likelihood of gaining consents seem to diminish.
  
16. The current planning regime has four different location categories and outlines a sequential approach to planning. As a result, the probability of getting a consent in a town centre is significantly higher than in an out-of-town location although still by no means certain. [X] claims that it is more difficult to obtain planning permission for sites the further away they are from designated centres. [X] stated<sup>6</sup> that in town centres the main planning issues will usually be design, amenity, traffic and car parking while for edge of centre and out of town the issues are more likely to be need, the sequential approach, impact and accessibility.
  
17. A number of other issues have been raised by competitors which will affect the ability to open new stores:

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<sup>5</sup>Competitor questionnaire.

<sup>6</sup>Competitor questionnaire.

- (a) The use of restrictive covenants (particularly in retail parks): [redacted] stated that the use of these restrictive covenants by the larger retailers has become much more restrictive and more widespread in the last few years.
- (b) Permissions for change of use: a number of LPAs have stated the change of use from non-food retailing to food retailing is subject to the same assessment as a new development.
- (c) The speed of decisions by the LPAs ([redacted]).
- (d) Two additional factors mentioned that make it difficult for operators to plan for planning in areas in which they do not currently operate are:
  - (i) the ability of planning authorities to refuse planning permission against the planning officers' advice ([redacted]), Somerfield also suggested that LPAs interpret the law differently; and
  - (ii) local circumstances: [redacted] stated that every town is unique and local circumstances govern the ease of identifying sites and securing consents. [redacted] stated that different authorities treat applications differently. [redacted] highlighted areas with planning regeneration.
- (e) The need for planning gain may also increase the cost of entry in certain locations ([redacted]).

18. Other factors that have been mentioned as constraining town-centre locations for grocery stores are the increasing level of rents and the scarcity of suitable sites. Increasing rental levels are driven by a lack of (suitable) retail space, competition from other retail uses and an increasing entry in the convenience sector by the larger grocery chains such as [redacted]. [redacted] stated that increasingly its potential city stores and convenience stores on the high street [redacted]. [redacted] stated that suitable sites are often already occupied and in many cases the ability to secure a unit depends on whether the current occupier leaves. [redacted] also questioned the availability of suitable plots and

[X] stated that town-centre sites often do not meet its needs as car parking and customer access is restricted.