Ian Parish, Head of Retail at BNP Paribas Real Estate, the leading property adviser, shares his views on potential growth areas within the retail sector:

“Today’s retailers have been hit hard by challenges affecting their growth prospects for the coming years, making it an uphill struggle for the sector to find new and innovative ways to develop their businesses. Tried and tested business models have had to be rethought and revised as retailers continue to battle with ongoing tight credit availability. This not only affects their business, but also impacts their customer base, as increasingly market savvy customers continue to dampen store sales.

High street stalwart Marks and Spencer is a good example of a retailer that has had to revise its ambitious growth plans. In November 2010, under the management of Marc Bolland, the retailer outlined its strategic plan which envisaged space growth of 3% per annum and sales growth of between £1.5bn and £2.5bn by November 2013. It has since been forced to reduce these ambitious plans, with sales growth targets cut to between £1.1bn and £1.7bn and space growth targets revised downwards to 2.5% per annum.

So, with the economy likely to get worse before it gets better, where are retailers likely to see growth? It’s still fair to look online for future opportunities; although it would be foolish not to recognise that internet retailing is now moving at a slower pace. The challenge for many high street names is to make a successful transition from store only models to a model that puts a multi-channel concept at the centre of its ethos, creating a seamless approach to retail operations. Department store operator, House of Fraser, is one such example of a retailer that has been investing heavily in its online operations. Its efforts have started to pay dividends, with like-for-likes reportedly up 2.6% in the 13 weeks to April 28.

What other options are there for retailers in search of growth? Could international expansion be an option, or is cost control a bigger issue? Does the company need to look
at its talent base and question whether it has the right individuals in place to ensure the business maximises its growth potential? Or perhaps, although not recommended, retailers could adopt a wait-and-see stance, waiting for competitors to hit the buffers to scoop up market share. All are valid options for those retailers in the pursuit of growth, but developing products that customers want to buy is at the heart of maintaining that competitive edge.

Card retailer, Clintons, is an example of a retailer who didn’t have the right product in place and ultimately paid the price. It suffered its fair share of competition, from online operators and supermarkets, which both repeatedly tugged on its coat tails, trimming its profits year-on-year. Eventually the family-owned business could no longer fight the competition and recently became one of the recession’s most high profile retailers to fall into administration. Whilst its collapse was the result of debt issues, its difficulty in keeping pace with changing shopper behaviours was likely to be one of the key underlying reasons for its ultimate demise.

In my opinion, those successful retailers who manage to grow over the coming years will be those who adapt quickly to the new and ever changing retail ecology – where multichannel retailing strategies will lead the way.”

For further information about BNP Paribas Real Estate’s retail team, please visit the website.

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About BNP Paribas Real Estate
BNP Paribas Real Estate is a leading international real estate provider. It offers to its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management.

BNP Paribas Real Estate has local expertise on a global scale through its presence in 30 countries (15 wholly owned subsidiaries and 15 by its Alliance network, that represent today more than 2,500 people) with 3,400 employees. BNP Paribas Real Estate is a subsidiary of BNP Paribas with more than 150 offices.

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