

Written evidence submitted by BIRA (British Independent Retail Association)

BIRA Introduction

The British Independent Retailers Association (BIRA) has been established for more than 120 years and has 4,000 members (with approximately 8,500 stores) throughout the UK. Our core membership is in hardware, fashion, cookware and homeware. We have members ranging from a small health food store to an independent department store and the retail sectors we cover include:

- fashion and accessories
- cards & gifts
- hobby and Craft
- sports
- furniture
- carpets and flooring
- DIY, home décor
- Cookshops
- Bookshops
- coffee shops
- restaurants
- hair and beauty

The breadth and geographical spread of our membership gives BIRA a unique insight into independent retail – both the challenges and the opportunities. Independent retail is an important part of the overall retail sector. All the winners from the Great British High Street Awards (held in January 2020) had independent retailers at their heart – retailers that offer diversity, quality and a genuine connection with the local community.

BIRA is actively engaged with BEIS, the Treasury and HCLG.

BIRA was invited to join the Retail Sector Council in 2019 and has given evidence to various select committees and the Low Pay Commission over the past 18 months.

To what extent do Government measures protect viable jobs in the future and reduce the risk of long-term unemployment?

The Government's furlough scheme has meant that a number of viable businesses have not had to close their doors because of Covid 19. After all, low national economic growth - often due to a recession or depression - directly affects the company's operations as this will often mean that the business will then no longer be able to sustain its expenses which can force closures.

However, the tier system, which has affected retailers and the hospitality industry in an inequitable way compared to other businesses, means that the Government should look to create a strategy that would allow these businesses to open as soon as possible.

To what extent are Government measures value for money for the taxpayer?

BIRA understands that the Government needed to make the decisions it has regarding supporting businesses, and as many members have been saved due to this support, we are grateful. However, in January to March 2021, it is likely that businesses will no longer be able to support themselves and will close as the Centre for Retail Research predicts that lost sales in 2020 will amount to -£17,281bn and that the sales total will fall by -4.6% this year¹. This in turn will potentially mean an extra 235,704 job losses just in this sector which will mean an increase in Govt cost around benefits and reduction in income through lack of tax receipts.

Therefore, the Govt needs to look to how they can open sectors of the economy safely now that there is a vaccine so that the economy can start moving.

How effective is the Government support to businesses and individuals across different regions and sectors? Does the effectiveness of the Government support vary across different regions?

There has been a lot of publicity around the 3 million that have been excluded from the Government support. BIRA supports the fact that the self-employed income protection grant omitted too many self-employed people. We understand that this is because directors of businesses take dividends as opposed to a salary. However, this should not be a reason for exclusion because dividends can be used as the basis of paying tax, getting credit and all other financial decisions meaning that it should also be able to be used as a basis for assessing whether or not a grant should be accessed. A blanket ban is not right.

What lessons can be learnt from the different approaches undertaken by the nations in the UK to combatting the coronavirus?

We have not seen any one nation deal with the crisis better or with better results than England. However, considering the different rules and regulations depending on where a business is within the United Kingdom, there has been frustrating and difficult for retailers to understand the rules of lockdown and safe trading.

What impact will a second lockdown have on the economy? How should the Government best support the economy if intermittent lockdowns become a feature over the next year?

Government should support retail firms in their efforts to keep staff and clients safe. They should therefore specify that businesses can use flexible opening hours and could re-assess the regulation of discount sales in physical stores. In several countries, existing rules only allow certain markdowns during short periods of time, which could both jeopardise social distancing efforts and restrict retailers' ability to implement business strategies that can help them compensate for the COVID-19 revenue shock.

In addition, ensuring that rules and regulations are much clearer would mean that there was a reduction in informational barriers and regulatory uncertainty.

¹ <https://www.retailresearch.org/retail-crisis.html>

Lockdowns are damaging. The support for closed shops needs to reflect the losses to the business during the closure period because the business is still liable for their bills during their period.

There are also costs of re-opening and closing in terms of getting the property up to the necessary safety standard, the disruption to people and to business planning.

Supply chains are also affected due to the potential waste and unpredictability. Businesses need to be able to make a plan to ensure revenue matches the businesses responsibilities.

Continual lockdowns will be a problem, and each time we close a shop we run the risk of it not opening again

What changes to the economy are now permanent?

An estimated 17.2 million consumers in the UK, nearly a quarter of the entire population, will permanently change the way they shop, redirecting their spending online. This is according to a study by global professional services firm Alvarez & Marsal (A&M) in partnership with Retail Economics, which found there is a substantial group who have adopted online shopping for the first time during Covid-19 and do not intend to change these new habits ².

The other significant change is home working and the detrimental impact on commuter areas and cities where people used to work. There could be a resurgence of local areas as people work closer to where they live but this will depend on businesses being able to adapt and move or open up new properties in these areas.

What difference will the discovery of a vaccine and/or treatment make?

It is important for the Government to move from “support” to helping the retail industry “back to work”. The four-week shutdown cost non-essential retail chains an estimated £8bn in lost revenue ³. December sales often support businesses throughout the quiet times of January, February and March, but stores will not have that buffer this year. Therefore, the discovery of a vaccine must encourage the Government to help businesses back to work.

The rollout of the vaccine has been very positive and shows there is light at the end of the tunnel but because rollout does depend on local infrastructure as well as just “having the vaccine”, independent retailers will need support in the first quarter of 2021 as life hopefully gets closer to normal.

Will behavioural changes such as working from home necessitate structural changes, whether or not a vaccine is discovered?

² <https://www.essentialretail.com/news/uk-consumers-shift-online/>

³ <https://www.theguardian.com/business/2020/dec/02/christmas-uk-retailers-covid-debenhams-arcadia-sales>

Yes, the current pandemic marks a sea change in the way people work; In the future many more employees will work from home, operating from spaces that are not subject business rates. The consequent resulting reduction in occupied business premises will, in the long term, have a marked impact on Government business rate revenues.

As a result of these changes, businesses which do require physical establishments, such as face-to-face retail, are financially disadvantaged by a taxation which does not apply to business that do not. Therefore, as a matter of long-term principal, we believe that the UK Government should migrate taxation away from commercial property to various measures of economic activity

Like all businesses, retail is of course evolving: Most BIRA members operate E-commerce systems to some extent and we anticipate that this trend will continue, adding to the downward pressure on retail floor-space requirements. Nevertheless, we believe that face-to-face retail is a highly valuable component of British social structure as well as a source of employment.

We also believe that retail can continue to play a significant role in levelling up the economy – a stated core strategic aim of this government. High street retailing provides careers, social mobility and social skills. However, the disproportionate burden of business rates on the High-Street retail sector has reduced its viability and its usual capacity to level up of the economy, especially in those areas worst affected by the pandemic. Therefore, we believe that business rates need to be fundamentally reformed.

How large a problem is corporate indebtedness? How effectively did the financial sector give assistance to businesses?

Financial institutions were slow to respond to the crisis until bounce back loans were introduced. Even once they were, bira members often had to wait before their applications were accepted. This often “added salt to the wound” as many members usually have little debt and would not choose to go down this path unless absolutely necessary to prevent closure or loss of jobs for their staff.

Is there a need for a new state sponsored investment bank? If so, what should it do?

bira can't comment on this without more details regarding how it would operate.

What improvements can be made to institutions to ensure that responses to crises like these are more robust in the future and policy makers have the data they need?

We understand that financial institutions need to be able to function as businesses. However, the current focus within many to cut costs and take more services online has meant that smaller businesses have often had to spend a lot of time filling out forms that may not even be seen by a person, meaning there is no flexibility within the rules that have been set. For example, as we have said before, if a business owner can undertake their financial obligations using the dividend system, then there

should be a flexibility within the system for them to be able to talk to financial institutions about their needs and for this to be followed by an intuitive answer, as opposed to a standard “one size fits all” response.

What further analysis should the Government do and make transparent?

The government should evaluate fully the cost of the lockdowns on the number of retail businesses lost, the number of jobs in retail lost and the corresponding cost to the economy through increased benefit expenditure

The government says it is led by science. SAGE have stated that non-essential shops present minimal risk and yet when cases rise, shops are closed. It is clear that science is overruled by the need to protect the NHS and save lives. We respect this but there is a lack of transparency around the cause of any virus outbreak. Closing of shops is used to change people behaviour, to make a statement rather than an action supported by evidence

What are the consequences of high national debt? What should the new fiscal rules be?

The best thing the Government could do for the economy is to allow businesses to get back to work.

The Spending Review was originally due in the Autumn 2019 but has now been postponed for more than a year. How robust is it in times of crisis?

The Government needs to understand the impact of the lockdown and make plans to ensure the economy can bounce back. This should include honesty about potential tax rises for businesses and allowing retailers to work.

How effectively did the Government work with the Bank of England? Was fiscal and monetary policy well-co-ordinated? Do there need to be changes to the monetary and fiscal framework?

After initial teething problems, the process did improve. However, Bira can't comment on the internal relationship between the Bank of England and the Government.

What are the productivity challenges in the wake of the coronavirus crisis?

There have been definite reductions in productivity as independent shops have to ensure social distancing and more cleansing processes. However, whilst there is a tipping point after which it may be impossible for a business to retain sufficient productivity to remain viable, productivity is not the only metric that matters.

In a constant drive to reach ever increasing levels of productivity the human cost has been overlooked. Independent shops may not have the highest productivity but add much more to the high street through interaction and experience. They are also a source of employment which in itself adds value. Therefore, if this pandemic is a snapshot to a future setting where everyone resides in their own silos with very little

social contact other than through a computer screen, we should also measure change in how it's affected the mental health of both those who are now isolated and those who are now jobless, hopeless and reliant on the state.

How has the crisis impacted on innovation and technological development?

Retailers are naturally innovative, and independent retailers have improved their digital footprint and on-line offer, but none will replace what they have lost from a shop being closed.

There is a perception that a shop can "just go on-line", but this is not the case. Internet retailing is a different skill set and whilst we have seen innovation in the way people work, and smart technology to help retailers, the pace of change has been so quick it will take time to catch up. Internet retailing plays into the hands of the likes of Amazon, the big winner from this crisis

What problems could technology solve and what problems will it cause?

Due to online trading, technology will result in more empty shops and an even more urgent need to re-purpose city centres and large town centers.

January 2021