

## FURTHER ADVICE ON ALDI APPLICATION AT TOWCESTER

AECOM was instructed in February 2010 by West Northamptonshire Development Corporation (WNDC) to review the draft Committee Report on the Aldi application, advise on whether its conclusions on retail impact were realistic in the light of the available documents, and advise on any amendments necessary. We were not instructed to undertake an independent review and critique of the Tesco application, as this had already been undertaken by Chase & Partners (C&P) on behalf of South Northamptonshire District Council. Our advice to WNDC on the draft Committee Report was prepared in the context that planning permission had recently been granted for a substantial extension of the existing out-of-centre Tesco supermarket in Towcester.

At the time we prepared our advice on the draft Committee Report, C&P's South Northampton Retail Study (SNRS), commissioned by South Northamptonshire District Council, had not been completed or published. It was published shortly afterwards, in April 2010. WNDC therefore instructed us in April 2010 to revisit our advice on the draft Committee Report, in the light of the SNRS, and report on whether the SNRS would cause us to alter our previous advice. We were not instructed to undertake a full review and critique of the SNRS, but to advise on the implications of it for our advice on the Aldi application.

We have now completed this limited review of the SNRS, and set out our conclusions in this report. In doing so, we focus principally on the expenditure for additional convenience goods shop floorspace in Towcester indicated by the SNRS. This is because one of the proposed planning conditions to be applied to the Aldi store if permitted, would limit comparison goods sales to not more than 15% of the net sales area. Comparison goods sales would therefore be likely to form a minor element of the total retail sales from the proposed Aldi store. We also focus on the likely impact on the town centre's convenience goods sales, cumulatively with that of the permitted extension of the Tesco store.

Under PPS4, there is no longer a 'needs test' for proposed new retail developments which are outside existing centres and not in accordance with an up-to-date development plan – as in this case. Instead the new impact test in Policies EC10 and EC16 includes '*impact on in-centre trade/turnover and on trade in the wider area*' as one of the impact criteria, '*taking account of current and future consumer expenditure capacity in the catchment area...*' (Policy EC16.1.d.). Therefore, whilst lack of adequate expenditure capacity to support a proposed retail development is no longer of itself a reason to refuse planning permission, availability of adequate expenditure capacity is still relevant, because the less expenditure capacity, the greater the likely impacts.

We have therefore reviewed the convenience goods retail capacity forecasts in the SNRS. These were based on a well-designed and up-to-date household interview survey of shopping patterns in Towcester and its catchment area. They follow a widely accepted step-by-step method of forecasting. The forecasts include substantial population growth at Towcester as a result of the planned urban extensions. They are based on local area-specific per capita expenditure data; and apply rates of growth in per capita expenditure which, whilst now slightly out-of-date, are still broadly realistic and take account of the recession. They apply the market shares of catchment area expenditure which the household interview survey shows are attracted, to the available expenditure, to calculate inflows of expenditure and hence base year (2009) sales in the existing shops and stores in Towcester. We consider that this is broadly sound; although we believe that the way in which the market shares for top-up convenience goods shopping indicated by the survey have been interpreted and applied, may well lead to a marginal under-estimation of base year sales and future retail capacity.

However, the SNRS includes what appears to be an erroneous assessment of 'benchmarking' of the existing main foodstores against company average retail performances. This has led C&P to conclude that the existing foodstores are modestly over-trading in terms of their convenience goods

sales; whereas we consider that use of correct data on floorspace and sales densities shows that the two largest foodstores are in fact significantly under-trading.

C&P's assessment of the convenience goods performance of the existing foodstores in Towcester is set out in Table 13 in Appendix E. However, the convenience goods net sales areas for Waitrose and Tesco are smaller than those adopted by White Young Green (WYG) in their analysis on behalf of Aldi. Further, the sales densities used appear to be averages for convenience and comparison goods floorspace combined – but have been applied to convenience goods sales areas alone. Thus Table 13 appears to be a hybrid calculation, rather than one which compares like with like.

We attach our own amended version of Table 13. This retains C&P's estimates of actual 2009 convenience goods sales in the existing stores, which appear broadly realistic. However, it applies net sales areas for convenience goods adopted by WYG; together with convenience goods sales densities derived from detailed information published by Verdict Research Limited. Our amended Table 13 shows:

- Waitrose is substantially under-trading compared with the 'benchmark' level based on estimated company average sales densities.
- The larger Co-op store (formerly Somerfield) is trading well, and somewhat above the 'benchmark' level.
- Tesco is marginally under-trading compared with the 'benchmark' level for the company.
- As a group therefore, these three principal foodstores in Towcester are significantly under-trading (by about 15%) compared with the level based on each store's company average 'benchmark'. Far from over-trading by *some £2m* as stated in the SNRS (paragraph 7.37), they are actually under-trading by about £5.38m.

C&P's apparently incorrect 'benchmark' assessment in Table 13 in their Appendix E means that they have over-estimated the capacity for new convenience goods floorspace in Table 12 in Appendix F. This is because they have not allowed in that table for sales densities to rise (and in the case of Co-op, fall) to 'benchmark' levels, before capacity for new convenience goods floorspace is forecast to arise.

C&P's capacity forecasts are all on the basis that the measured 2009 market shares of available convenience goods expenditure in the catchment area, which are attracted by the stores in Towcester, will remain unchanged throughout the forecasting period to 2026. This is unrealistic. In principle, we would expect the permitted extension to the Tesco supermarket, and the proposed Aldi store (if permitted) to increase the market shares to some degree, thus becoming partially self-justifying in terms of the attraction of expenditure capacity. However in practice, there is only limited potential for market share increases; because the household interview survey shows that Towcester's existing foodstores are already attracting high market shares from survey Zone 1 (Towcester itself) and 2 (the immediately surrounding area). Thus the combined market share of convenience goods expenditure currently attracted by Waitrose, Co-op (formerly Somerfield) and Tesco from Zone 1 is 83% for main food shopping and 78% for top-up convenience goods shopping. From Zone 2, the combined market shares of these three stores are 78% and 47% respectively. Only from Zone 3 are market shares much lower – but Zone 3 is too close to Northampton with its much larger superstores, for new and enlarged stores in Towcester to be able to attract significantly increased market shares. The SNRS confirms our view that these are already high market shares, by stating that *'70% retention of local convenience goods expenditure represents extremely good performance and shows that Towcester is largely self-sufficient in terms of food shopping'* (paragraph 7.17).

Our instructions from WNDC do not include preparing independent forecasts of retail capacity or modelling the effects of potential market share increases. However, our expectation is that the

permitted Tesco extension would result in small market share increases, which would go some way towards eliminating the current under-trading of this store, and partially support the extension itself in terms of convenience goods expenditure capacity. However, this would still leave Waitrose under-trading – in fact it would probably be under-trading to a greater extent, as a result of trade diversion to the extended Tesco. The marginal over-trading in the larger Co-op store would probably also be eliminated by the permitted Tesco extension, as a result of adverse impact.

We expect the overall result of allowing sales in the existing foodstores to rise/fall to 'benchmark' levels, and of allowing for the permitted Tesco extension, would be that the capacity for additional convenience goods floorspace thereafter would be substantially less than forecast by C&P in Table 12 of Appendix F. Theoretically therefore, there would not be sufficient convenience goods expenditure capacity to support the proposed Aldi store adequately by a design year of 2012.

This means that the proposed Aldi would be likely to result in additional trade diversion from the existing main foodstores in the town. However, much of this impact would fall on the extended Tesco. This store is out-of-centre, and therefore does not qualify for any policy protection from such impacts under PPS4. Because Aldi serves a very different sector of the convenience goods market than Waitrose, the additional impact on Waitrose as a result of Aldi would probably not be severe. There would probably be a significant additional impact on the larger Co-op store; but this store is shown by the SNRS (with our amendments) to be currently the best performing store in the town.

Overall therefore, we conclude as follows:

- As a group, the existing main foodstores in Towcester are shown by the SNRS (with our amendments) to be significantly under-trading, compared with 'benchmark' levels.
- The permitted Tesco extension will have a fairly substantial impact on the other existing main foodstores; but will be unlikely to cause closure of Waitrose or the larger Co-op foodstore.
- The proposed Aldi store in addition, would be likely to have a significant impact on the out-of-centre Tesco and on the larger Co-op store; but again would be unlikely to cause closure of either. It would be likely to have a smaller impact on Waitrose, and would be unlikely to result in closure of that store.

The Tesco extension has already been permitted and is highly likely to be implemented. Whilst the proposed Aldi would result in some additional impacts on the foodstores in the town centre, these would be fairly small in comparison with the impacts from the Tesco extension. We therefore remain of the view expressed in the Committee Report that the likely additional retail impacts from the proposed Aldi store would not of themselves be great enough to warrant refusal of planning permission for that store. However, the reduction in the convenience goods retail capacity forecasts in the SNRS which are implied by our amendments to Table 13 in Appendix E; together with the grant of planning permission for the Tesco extension, and an Aldi store in addition; would mean that there would be no capacity for any more convenience goods floorspace in Towcester for many years, despite the substantial planned housing growth. This is because the indicated under-trading in the existing main foodstores means that the Tesco extension and the proposed Aldi would be developed significantly in advance of the need for such floorspace. As a result, all the stores (including Aldi) would be likely to trade at below 'benchmark' levels for some years.