Investing in the UK retail market: 
A global opportunity 
Report highlights
Executive summary

Retail is one of the UK’s success stories: a vibrant and innovative sector generating £326 billion in sales each year and directly employing around 3 million people. Given its status, it is hardly surprising that many international retailers have made, and continue to make the UK a key target for their expansion activity.

It is easy to take this success for granted and to assume that the UK is meeting its full potential in terms of attracting international retail investors. This is not least because very little research has been done to explore why and how retailers make the decision to open up shop in the UK, and the challenges, difficulties and opportunities that they face.

This research addresses the issues. It provides views of a range of international retailers, exploring their key investment criteria and their attitude towards the UK as a potential or existing location to operate in.

What we did

- The research was conducted with three groups of international retailers (130 in total): those who have, or are, considering the UK as a market for expansion; those who have not considered the UK as a market for expansion; and those who have already expanded into the UK.

What we found

- Across all groups, the broad view of the UK is positive. The country is rated as being attractive across most of the factors retailers were asked to assess. A solid economic growth rate, a sensible approach to labour relations, a low corporate tax rate, and sound digital infrastructure are all areas where the UK scores particularly well.

- From the retailers surveyed, it is clear that the physical store continues to be a crucial element of their investment plans. The vast majority (97%) mentioned the desire to expand into the UK using either standard size units or flagship stores across a range of locations. This emphasises the importance retailers attach to having physical space in the UK. E-commerce is, for most retailers, an important but complementary channel to the store.

- However, the UK does not exist in a vacuum, it is competing with other countries for investment. Despite the positive sentiment around the UK, 73% of respondents said that they would prefer to expand into countries other than the UK. If the UK is to secure a significant share of the retail investment available, it must create a positive environment for retailers and work to remove or at the very least, minimise the potential barriers that they see.

- Taking such action is worthwhile. If all those retailers considering the UK market were to do so they would, over five years, have generated 75,000 new jobs; and would, on an annual basis, be generating £11.9 billion in rent, contributing £6.7 billion per annum in business rates and income taxes.
• At present the UK is unlikely to benefit from the entirety of this opportunity, mainly because many retailers are put off expanding due to a number of perceived barriers. This report outlines those barriers.

• Some barriers are not easily changed, such as high levels of competition, which is arguably good for consumer choice. However, there are other barriers that we believe can be either overcome or mitigated against. These include business rates, the complexity of the planning regime, challenges with the tax system, and – especially for retailers less familiar with the UK – a lack of expertise and understanding of how to navigate the UK’s business environment.

• Given the timing of the research, we also explored the UK’s exit from the EU. Amongst those surveyed, although there was some concern around the lack of information available from government, there was a pragmatic approach of wait and see, with a view that the UK remains an attractive destination.

What we recommend

• Based on research, this report makes eight recommendations for strengthening the UK’s appeal to international retailers.

• The first of these relates to business rates – the stand out barrier for retailers. Total occupancy costs, of which business rates make up a significant proportion, are higher in the UK than comparable markets and, unlike rent and service charge costs, are non-negotiable. Tackling this issue could potentially generate around 41,000 jobs and £4.2 billion in property and income taxes annually – which underscores the benefit of sensible reform.

• There are other, perhaps simpler, changes that will also help make the UK a more attractive investment proposition. These include proactively promoting the UK to international retailers, addressing issues relating to planning, easy access to advice and support, with a focus on helping to navigate the complex legislative and wider regulatory landscape.

• Overall this new research demonstrates that by listening to retailers’ views and responding positively and effectively, the UK has a significant opportunity to make its thriving retail sector even stronger. Government needs to seize this opportunity and we are ready to work with them to achieve this aim.
The business rates system in the UK is still not fit for purpose for retail. Government should take the same approach as it has to corporation tax and create an internationally competitive rate of tax that can be adjusted to reflect changing economic conditions.

Government should further simplify the planning system so that it acts as an enabler of retail investment, in an increasingly dynamic and evolving retail sector.

Ensure the availability of labour, movement of talent and skilled workers and that employment taxes remain competitive and sustainable; and commit to address skills shortages.

Increase the investment, speed and rollout of 5G, super-fast broadband and digital infrastructure to better embrace new technologies and early adoption, with a mandate to deliver full connectivity by 2020.

Commit to work with industry to identify and deliver small scale transport and infrastructure initiatives across the country.

Work with the retail property sector to create and implement a sector specific strategy and ‘Retail is GREAT’ marketing campaign to attract international retailers to the UK.

Create a Retail Starter Pack to educate new entrants and promote the UK as open for business, available to potential investors through the Government’s networks (including Department for International Trade, UK embassies, consulates and special trade envoys).

Provide certainty as early as possible on the strategic plan for withdrawal from the European Union.