

DRAFT
The Strategy for Kirkgate Market

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1.0 Context

- 1.1 Kirkgate Market is the oldest and largest retail destination in Leeds. It has survived and prospered through World Wars, the Depression and even a major fire in 1975. It is a central feature in the retail landscape in the city, and its importance goes beyond the historic to include a significant impact on the economic life of the city.
- 1.2 **Kirkgate Market** covers both the indoor and outdoor market, and the shops on George St. It does not include the shops on Vicar Lane (Boots etc), nor the shops on New York St, nor the NCP car park.
- 1.3 Kirkgate Market provides:
- over 400 businesses offering a range of affordable goods and services to a wide range of customers;
 - direct employment for an estimated 2,000 people;
 - opportunities for new entrepreneurs to enter retail and catering;
 - a tourist destination.
- 1.4 However Kirkgate market is facing many challenges and pressures; this Strategy considers the future of the market within the context of the recession, the UK retail sector and public spending cuts. More detailed background information on Kirkgate Market, the importance of the market to the city centre and wider city, the national retail context, the current economic climate, how other markets have responded, the issues facing Kirkgate Market and options on how the Council could respond is set out in the paper 'Towards a Strategy for Kirkgate Market: the Evidence Base'.

2.0 Challenges

- 2.1 The challenges facing Kirkgate market are being faced by traditional markets across the UK and include price competition from larger retailers, rising customer expectations, a shrinking customer base and the need for substantial investment to meet those expectations and expand the customer base.
- 2.2 Price competition.** The retail landscape has significantly changed in the last 10 years with the loss of Woolworths, Safeway, Dixons, Borders and Ainsley's and the emergence of new, often international, retailers. Many of the goods traditionally sold at markets are now available at discount prices at supermarkets and stores like Primark and TK Maxx. The share of non-food spending achieved by supermarkets has more than doubled over the last decade and is expected to continue to rise adding further pressure on other retailers. In the case of supermarkets and retail parks, this comes with the added convenience of free parking, 'pleasant' surroundings and card transaction availability.

- 2.3 A further pressure on 'value' shopping is the rise of internet shopping, from e-bay to Amazon; indeed many of the retailers who failed on the high street have been re-launched as online-only retailers, eg Zavvi and Dixons. Online retailers provide relatively low cost products with an easy returns facility.
- 2.3 Independents increasing face difficulties with obtaining stock at prices that can provide them with a realistic profit margin. The wholesale industry is shrinking as independents go out of business and chains by-pass them to deal direct with producers and importers. Increasingly independents cannot compete on price and convenience: instead they need to compete on customer service and the quality of their specialist products. If they cannot do that it is inevitable that more marginal independent traders/retailers will not be able to survive in the current economic climate – indeed some were struggling during the retail boom.
- 2.4 Not surprisingly perhaps, whilst there has been a gradual reduction in the number of traditional retail market traders nationally, there has been a steady growth in the success of specialist niche markets. From 1998-99 to 2003-04 there was a 250% increase in farmers' markets and a 233% increase in stalls, and shoppers visiting these events increased by 574% (Joseph Rowntree Foundation 2006) In the public consultation on Kirkgate Market undertaken in January 2011, around a fifth of respondents spontaneously mentioned that they want to see an improvement in quality and range of products. Both food and non-food niche products were also attractive to many. So Kirkgate Market needs to keep its excellent butchery, fish and game offer whilst increasing the proportion of delicatessen, ethnic and dairy lines as well as locally hand-made goods, specialist non-food lines and personal services.
- 2.5 **Customer expectations** have risen over recent years. Most consumers today expect clean, pleasant surroundings and excellent customer service. The expectation to be able to use debit/credit cards, to return goods without quibble and to try goods on before buying has become the norm. Not all traders on Kirkgate Market are able to meet these enhanced expectations.
- 2.6 Kirkgate Market buildings have not kept pace with customer expectations either – the market is too hot in summer, too cold in winter, it has a sloping floor and, due to its size and the proliferation of small 'stall' units, is not easy to navigate. The market now has extensive maintenance and capital investment requirements. The 1976/81 structures, erected as temporary buildings following the market fire in 1975, have now exceeded their fifteen to twenty year life expectancy. Water ingress through the roofs, for example, causes particular problems for traders and customers.
- 2.7 Both price competition and changing customer expectations is resulting in a **shrinking customer base** as our traditional customers are diminishing and are not being replaced quickly enough with new customers.
- 2.8 To turn this around brings us to possibly the greatest challenge the market faces: the need to secure **substantial investment**. This is required to help meet customer expectations by improving the fabric of the buildings, their heating and ventilation, some stalls and shop units, and customer facilities and to increase

the promotion of the market to new customers and tenants. Given the pressures on the Council's capital programme, investment needs to be found through prudential borrowing or private sector investment or both.

3.0 Consultation

- 3.1 Over the last couple of years there has been a growing national debate about the role and future of traditional markets. Locally the vitality, viability and condition of Kirkgate market has been the subject of recent media, public and Member discussion. Tenants have raised a number of issues which many of them believe are threatening the future of the market: the state of the buildings, the lack of investment in them, the limited marketing undertaken, rental and service charge levels, falling levels of footfall and the cost of adjacent car parking. Many people feel that these factors, combined with increased retail competition and changing customer expectations, are threatening the future of the market and the viability of many of its traders. In response to these concerns Members of the Development Scrutiny Board undertook an inquiry into Kirkgate Market and Executive Board instructed officers to undertake some public consultation on issues facing the Market.
- 3.2 In total nearly 1,000 people from Leeds Citizen's panel, customers at Kirkgate Market and traders completed a survey during January and February. Generally, respondents were positive, even passionate, about Kirkgate Market and the market is clearly seen as an intrinsic part of the city centre. It is also seen as offering an important space for new businesses to make a start in retail. However, there is also a clear recognition that the market needs to respond better to customer needs and that it will need to evolve to meet the changing requirements of the city's population.
- 3.3 One would expect existing customers to be fairly satisfied with opening hours, parking, access by public transport, customer service from traders etc or they wouldn't be shopping there; what is important to understand from the survey are the levels of dissatisfaction amongst those who rarely or never shop in the Market and how we can overcome the barriers to make them shop more frequently and spend longer in the market. The key findings are summarised below.
- **Opening hours** – for working respondents in particular opening times are incompatible with working in the city centre and using the market. Extending opening hours in the evening was seen as the most attractive, as this allows people to shop on the way home from work. There was also an appetite amongst some for Sunday opening.
 - **Temperature** – agreement that the current temperature provides a comfortable shopping experience all year round is relatively low however very substantial investment would be required to address this issue.
 - **Products** – around a fifth of respondents spontaneously mentioned that they want to see an improvement in quality and range of products and the introduction of more niche food and non-food products.
 - **Car parking** – this is clearly a barrier for many, especially amongst panel respondents who tended to be older than those who completed the

public survey. However it is not clear whether this is a barrier to shopping in the city centre or Kirkgate markets *per se*. The increase of 1,618 customer car parking spaces in the vicinity that the Eastgate development will bring will help to address this issue.

4.0 Making Kirkgate Market more successful

4.1 Kirkgate market has a number of **advantages**:

- an excellent location close to the retail heart of the city centre and adjacent to the bus station and a multi-storey car park;
- an excellent fresh food offer in butchery, fish and game that is largely unrivalled by other city centre food retailers;
- a strong daily outdoor market with a very wide range of goods and services;
- a loyal customer following;
- a large catchment area
- an iconic historic building providing a unique visitor experience..

4.2 Kirkgate Market has the potential to build on these advantages providing it addresses the issues outlined above. This strategy for the future of Kirkgate market faces up to the realities of the competitive pressures the market faces, the increased pressures on public sector funding and provides a way forward that will ensure that the market not only survives but thrives.

4.3 The changing retail landscape means that if Kirkgate market is to be more successful, in terms of tenants making more money, giving more potential independent entrepreneurs the opportunity to start a business, then it needs more customers to shop on the market, or for the current number of customers to spend more money or both.

4.4 For this to happen stallholders and the Council need to ensure that Kirkgate Market:

- sells what customers want to buy;
- is open when they want to shop,
- allows them to buy items in the way they want to (eg with debit cards, via the internet, with a guarantee and easy returns policy etc);
- provides an environment in which they wish to buy goods and services; and
- is constantly adapting to meet the ever evolving aspirations of retail customers and to beat the competition.

4.5 Kirkgate Market is not working as well as it could and needs to change. NABMA (The National Association of British Market Authorities) argues that authorities have two options to deal with struggling markets. They can either allow their markets to continue to decline or they can be decisive and bold. Those deciding to be bold may have to take a hit in terms of income – which is extremely difficult decision to make in the current climate – but the argument follows that authorities would at least be guaranteed an income for a period.

4.6 This is a critical moment for both the markets industry and specifically for Kirkgate Market. There clearly exists a long term opportunity but short term

challenges have to be carefully considered. Clarity and consensus is required on how the market can maximise opportunities and minimise the challenges surrounding its offer. This is not about marginal or incremental change but a more fundamental shift in the Council's approach.

5.0 Vision and objectives

5.1 Following the consultation and debate on Kirkgate Market, a vision and clear objectives for Kirkgate Market have evolved.

5.2 The Vision for the market is to be the best market in the UK:

- highly successful, profitable and sustainable;
- a centre of excellence for independent retailers and entrepreneurs;
- a top destination for residents and tourists.

5.2 Achieving this vision will enable Kirkgate Market to act as an important 'anchor' for the city centre, further enhance Leeds reputation for independent retail and leisure and help Leeds become the best city in the UK. The **objectives** to help realize this Vision are to:

- increase footfall
- increase new customers to the market
- increase frequency and duration of customers' visits
- increase income through new lets and business expansions
- increase the range of and value for money of goods and services
- reduce costs
- reduce the number of empty units
- reduce tenant turnover.

5.3 To address the issues Kirkgate Market faces and realise its Vision requires:

- a shorter chain of command with greater flexibility to ensure faster decision-making and implementation;
- significantly increased investment in the buildings and stalls, whilst keeping and enhancing the distinct character of the market;
- significantly increased marketing and promotion (eg a full programme of events all year round) so all Leeds residents know where it is and what its offer is. A visit to the market would be one of the top 5 'must dos' for any tourist;
- an improved overall offer on the market in terms of the range and quality of goods and services sold;
- an improved overall customer experience by ensuring the market is the optimum size, improving the 'legibility' of the market through signage, wayfinding and improved layout; and improving opening hours; customer service and customer satisfaction;
- better promotion of available units, flexible terms and better business support.

5.4 There are a number of important **principles** that underpin the future strategy for Kirkgate Market:

- Kirkgate Market continues as a market, where the majority of stall holders are independent businesses;
- Kirkgate Market always remains open during any improvements to provide continuity of business;
- the Council remains an influential shareholder and continues to receive revenue from the market;
- there continues to be both a daily market and an indoor market, ensuring affordability and choice for customers, and low risk opportunities for traders..

5.5 To achieve the vision and the Council's objectives, whilst being faithful to these principles, requires that we move to a more commercially orientated operation. This will require the Council to take a number of steps to prepare the market for this significant change.

6.0 Improve footfall and spend.

6.1 In the short term it is vital that we continue to make whatever improvements we can so that the market is best placed to take advantage of more significant longer term changes. Both the Council and traders are taking steps to increase footfall by broadening the demographic of our customer base in order to increase business viability and transaction value. The Council is also reducing the number of empty units by continuing to support new and existing businesses through events and promotions and extending the product range on offer. The focus in 2011/12 is specifically on building our reputation for excellent food, attracting students and promoting our offer to city centre dwellers. Successful initiatives to date include the following:

- The new website at www.leedsmarkets.co.uk profiles traders free of charge, and includes details of offers and events, recipes etc;
- Social media (Twitter, Facebook, Flickr, blogging) is proving particularly important as a means of communication with new target markets. For example @leedsmarkets has over 900 followers on Twitter, and bloggers regularly comment on the food offer;
- Markets promotions are linked wherever possible with wider events and opportunities, and staff work closely with City Centre management. Some traders have participated in the Leeds Loves Food festival in July 2010, and are actively involved in this year's event; also in the October's Leeds Loves Shopping week and in Festive Leeds as well as in a range of seasonal events and promotions in school holidays;
- New opportunities for joint working with external partners are an important part of the awareness-raising campaign; for example traders are participating in Good Food Friday at the Corn Exchange; and students from Leeds Met University have advised on the feasibility work into a 'box scheme'. A 'shop and drop' scheme to encourage early morning purchases from customers on the way to work will be available from July 2011;
- The markets actively encourage TV companies, local film producers and media students to use the market as a location where this gives a positive message, and the filming diary is extremely busy;

- A newsletter for traders is produced monthly, supported by a text alert service, and regular management meetings are offered to tenant representatives to keep traders up to date with the latest news, developments and initiatives. Management also conduct regular one-to-one sessions with traders to share views and discuss opportunities;
- Markets are working with an organization of national food promoters, Shelf Life@The Source to help position Leeds Kirkgate market as the 'Foodie Destination of the North' in respect of quality and variety of food. Their campaign includes food demonstrations, links with food experts and chefs, a permanent presence in Kirkgate market and a range of events and promotions aimed at food connoisseurs;
- The cost of additional space in front of stalls (Yellow Line areas) was reduced by 50% in 2010 and a new initiative allows traders who do not have a 'yellow line' to trial one free of charge for 3 months to see if it improves turnover;
- The Local Enterprise Growth Initiative (LEGI) project 'How Bazaar' allows new artisans to market test their product at low risk in the market. Several of these have gone on to be successful businesses and the project has now engaged with other organisations in the city to extend this initiative;
- The Markets Service is working with local interest group, Friends of Kirkgate Market, to run events and promote the market;
- Wednesday all day opening is supported with free car parking for Wednesday afternoon market customers and the popular Asian Bazaar market.

6.2 These initiatives are already having a positive impact on footfall which has been steady at around -3% on 2010 figures, which compares favourably with the rest of Leeds city centre. Since the start of April 2011, however, weekly footfall has *exceeded* the footfall for the same week in 2010 by as much as 8% - 11% on occasion.

7.0 Determine the optimum size for the market

7.1 Kirkgate Market is the largest in the country. Although vacancy rates across the whole of the market are about 14%, there are areas in the market where they are much higher and given retailing trends, this situation is unlikely to improve. Greater competition for stalls and lower vacancy rates would increase control over the quality of offer and add to the vibrancy of the market, as would concentrating footfall into a smaller area. The extensive consultation undertaken in 2008 on proposals to redevelop the market did involve a reduction in the size of the market and bringing the outdoor market into a covered area. The proposals received widespread support from both tenants and the public. More recently a Council Scrutiny Board recommended that the size of the market be reduced.

7.2 As explained above, a major challenge facing Kirkgate Market is extensive maintenance and capital investment requirements. The 1976/81 structures, erected as temporary buildings following the market fire in 1975, have now exceeded their fifteen to twenty year life expectancy and urgent works are required. However the permanent structures of the 1875 and 1904 halls are in reasonable repair although essential works are still needed to protect their long term future.

- 7.3 £200,000 has been set aside in the Council's 2011/12 Capital Programme budget for undertaking some of the imminent and essential works to the buildings which comprise the Kirkgate indoor market. An estimate of the total cost of these works, based upon the findings of a 2010 condition survey, is £1.7m. The most pressing repair issue is the leaking roofs of the 1976 and 1981 halls.
- 7.4 Recent estimates from roofing contractors set the cost of stripping back and resurfacing the roofs at over £800,000, assuming the relevant market halls are closed during the works. It would cost over £1m to undertake the work while the market remained open. These estimates increase the cost of imminent and essential works to between £2.1m and £2.3m.
- 7.5 Therefore the sensible option is to use the £200,000 to carry out repairs needed on the 1904 and 1875 halls, whilst the Council determines the optimum size for the market.

8.0 Move from a local authority operation to an arms-length business.

- 8.1 **Management and Ownership Models.** Markets are unique in retail and wholesale trading terms in that they are still predominantly managed by the public sector; 669 (60%) of traditional markets are run by the public sector, although 321 (29%) are now run by the private sector (The Retail Markets Alliance 2010).
- 8.2 The common forms of market management in the UK are local authority run markets; privately operated markets; and markets run in some form of partnership such as a joint venture, or contracted out operational management. Other options for local authorities are to run their markets as an arms-length company or to transfer the market to a Trust or social enterprise or share management between a number of local authorities.
- 8.3 Some local authorities have already made a fundamental shift in the ownership and management of their markets. Glasgow City Council has created an arms-length organization, in the form of a Limited Liability Partnership, to run its wholesale and retail markets, while Liverpool City Council has formed a partnership with Geraud Markets UK Ltd to create Geraud Markets Liverpool Limited which works in partnership with Liverpool City Council to develop, expand and invest in Liverpool's markets, running over 1,200 regular market days and over 100 Speciality Event Market days each year. Other authorities have sold their markets to private operators like Town & Country Markets Limited which runs Morley market here in Leeds and Spitalfields market in east London.
- 8.4 **For Kirkgate market** the preferred model of ownership and management is some form of arms-length business possibly in the form of a Limited Liability Partnership. Which type of arms-length company will best meet the Council's Vision for the Market needs further detailed investigation and analysis.

9.0 Conclusions

9.1 It is envisaged that the Council will be in a position to decide which form of arms-length company will best secure the future of Kirkgate market and how quickly this can be achieved in the next few months. In the interim the Council will continue to undertake activities as outlined in section 6.0 above to drive up footfall, extend the customer base, reduce voids and improve the overall offer as well as take steps to ensure the market is the optimum size as these are essential steps to ensure Kirkgate Market really does become the best retail market in the UK.