

Summary of the House of Commons Community and Local Government Select Committee Report: Market Failure? Can the traditional market survive?

- 1 The House of Commons Community and Local Government Select Committee has conducted its own review of the future of markets. Its report: ***Market Failure?: Can the traditional market survive?***, was published on 23rd July 2009. A link to this report is through <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomloc/308/308i.pdf>
- 2 This is a summary of the 88 page report, whose chapters include
 - 2.1 The benefits of traditional retail markets;
 - 2.2 Realising the potential of traditional markets in metropolitan centres; and
 - 2.3 The way ahead for central government
- 3 The report uses as its starting point a national review of the markets industry called The First National Survey of Retail Markets, published in 2005 by the National Association of British Markets Authorities (Par.13). This report is otherwise known as the Rhodes Report. It was written by Nick Rhodes, now Leicester City Council's head of markets and enterprise.
- 4 It concluded (Par 15) that "General Markets across the UK....are in decline. It also concluded that there had been a significant growth in farmers' and other specialist markets."
- 5 A review of London markets, undertaken in 2008, found that there were 63 more retail markets (at 180) than a decade earlier. The numbers of council-managed street markets fallen, or the size of markets had declined, but there had been a significant growth in privately-run farmers' or specialist markets (Par 15). By contrast, the Rhodes report had estimated that 1,150 markets were operating in the UK compared with 1,500 "twelve or more years ago." (Par 15).
- 6 Adviser to the Select Committee Professor Sophie Watson said that it would be unwise to draw the conclusion that all decline was in general markets and all growth was in farmers' or specialist markets. "There are many markets that are still viable that have been there for a long time" (Par 17).
- 7 Reasons cited for the decline in markets included the growth of the internet and the "juggernaut" of supermarkets and "the perception that they are cheaper" (Par 19). Ease of access and parking, opening hours, a perception that quality was better in

supermarkets and that it was not fashionable to shop in markets. (Par 19).

- 8 Supermarkets have also adopted features which were more associated with markets such as fresh fish and meat counters, and a wider range of food which is not pre-wrapped. (Par 19).
- 9 Perhaps counter-intuitively to this, the report also adds that “customers appear increasingly to want an easier shopping experience and market stalls, where customers need to be more proactive and knowledgeable in terms of quantity, type of cut, weight etc may sometimes be too challenging for today’s time-pressed shopper.” (Par 22). (Elsewhere, the report notes the bowls set out in Leicester market allowed people to see exactly what they were paying for (Appendix 2 Par 7).
- 10 A third factor affecting the health of general markets relates to planning decisions which have shifted the area of commercial and retail activity, leaving traditional sites isolated (Par 22).
- 11 “Even where planning has taken account of the local market it has not always been a success. We saw, for example, in Leicester the legacy of a rather grim, unpopular purpose-built indoor market which the council was now looking either to improve or simply replace. “ However this was by no means an isolated case.” (Par 23).
- 12 A fourth factor was that many councils simply neglected the markets under their control (Par 24), either by failing to invest in the physical structure or by not having proper market management expertise in place.
- 13 Councils often failed to appreciate the strategic value of their markets, seeing them as problems to be managed as opposed to a key part of the retail structure. (Par 24).
- 14 One issue points to the failure of markets themselves to react quickly enough to changing retail and economic environments. “Many traditional markets, market operators and traders have failed to grasp the need for change.” They have also not promoted themselves as effectively as they might. (Par 24).

The outlook for markets

- 15 Despite the factors set out above the evidence presented suggested that markets did have a long term future (Par 26). Nick Rhodes among others suggested that while non-food outlets might continue to struggle “food sellers were finding it easier to retain their niche” (Par 29).

- 16 Evidence from Leicester, among other places, suggested that “markets can renew themselves by selling to and from new ethnic communities” (Par 29). Professor Watson suggested that supermarkets could help strengthen traditional markets through their proximity to each other (Par 30).

The benefits of traditional retail markets

- 17 The All Party Parliamentary Markets Group in 2007 set out a range of reasons why markets should continue to prosper. They “contribute to the social, environmental and economic well-being of the country (Par 33) by

- 17.1 Providing a sense of place
- 17.2 Being part of the nation’s cultural tradition
- 17.3 Remaining an important element of the economy, particularly in relation to independent trading, local employment and business start-up opportunities
- 17.4 Offering local access to fresh produce and other commodities
- 17.5 Reducing environmental impact, e.g. by eliminating excessive packaging/waste.

- 18 Professor Watson pointed to their focus for a range of communities, highlighting their capacity to work as a centre of social inclusion. Councils also used markets to promote wider strategic goals such as helping economic growth and Improving the local economy (Par 35).

The economic benefits of markets

- 18 Thriving markets offer cheap fresh food. A 2005 survey found that a basket of food costing £4.74 on a local market would cost £7.18 from a supermarket. A more recent survey (2008) found markets were on average six per cent cheaper than supermarkets, while fresh produce was 32% cheaper (Par 38).
- 19 “The clear implication is that markets can be especially important for the poorer sections of the community – including many elderly people, single parents on low incomes, students and young people – particularly at a time of recession (Par 38).
- 20 Thriving markets also attract additional footfall into town centres, encouraging shoppers to buy not just at the market, but also at neighbouring shops.”. “Indeed a key point of evidence... is that markets should not simply be seen as competition to other forms of retail, but rather as complementary to it. (Par 39).
- 21 Nick Rhodes (Par 40) said markets offered business start-up opportunities and that most jobs created by Leicester market were

local to the market. Other authorities made similar points about local economic benefits.

The social benefits of markets

- 21 Combined with economic benefits were two strands of social benefits. One was important support for minority communities, including new communities (Par 44). Markets can also promote social cohesion, “encouraging different communities to inter-mingle and providing community support and information.
- 22 Professor Watson had concluded in a research paper that
- 22.1 markets were important sites of social interaction for all groups in the community, but most significantly for older people, especially women. Markets were also important as social spaces for mothers with young children, young people and families with children, particularly at weekends.
- 22.2 Markets had a significant social inclusion role, as places to linger, particularly for older people and young mothers. Some markets appeared to be inclusive of disabled people, although in other places this was less evident.
- 22.3 The social life of traders played a significant role in creating a vibrant atmosphere in markets, and in forging social bonds and links in the trading community as well as with shoppers. (Par 45).
- 23 “Markets thus provide a tremendous opportunity for local and central government, working with market traders and the industry, to foster community integration and to get messages and information across to hard to reach groups-such as the elderly and young people-who will be present on the market.” (Par 46).

Markets and regeneration

- 24 A number of witnesses said markets had the potential to help in town centre regeneration, partly by creating a flexible public space which can support other uses (Par 49).
- 25 Current regeneration schemes had learnt from previous projects which had removed markets from town centres – a practice which had led to the decline of both the market and the town centre. (Par 49). The Government also recognised the role markets could play in economic regeneration (Par 50).

Markets and health

- 26 Markets can promote the Government's agenda on obesity and healthy eating. The Retail Markets Alliance in evidence said "In addition to providing access to fresh fruit and vegetables at cheaper prices than the supermarkets many markets are now using their role as 'community hubs' to promote healthy eating and lifestyles" (Par 51).
- 27 Bolton council said the authority was:
- 27.1 Installing a demonstration kitchen to "celebrate local communities and different foodstuffs
 - 27.2 looking during school holidays to use that venue to sample new school menus; and
 - 27.3 working with the PCT we will have an opportunity to invite people from deprived areas to come in and do some domestic science (Par 52).

Markets and the environment

- 28 Markets can promote environmental issues – for example reducing food miles and carbon emissions, and by reducing waste through reducing packaging and offering bio-degradable bags. (Par 53). Some farmers' markets have a strong environmental dimension with their emphasis on selling locally-produced food (Par 54).

The contribution and social benefits of specialist markets

- 29 These are essentially farmers' and continental markets, and because they are occasional markets it is unlikely they could be sustained on more than an occasional basis (Par 55). They do not tend to offer cheap produce – and therefore attract a different set of customers.
- 30 "Over the last decade specialist markets have helped bring a new vibrancy to the market scene, a new energy...which some of the more tired older markets had lost the ability to generate." (Par 59).

Environmental and health benefits of specialist markets

- 31 Witnesses highlighted the contribution of farmers' markets to the environmental debate. These markets produced and sold food at local level. They also play a role in the healthy eating debate, championing locally produced good quality food and promoting a greater interest in what people eat and where it comes from. (Par 61). The Committee suggested that the government, in its evidence, had not overemphasised the role of farmers' markets, which is a small component of the total market sector (Par 62).

Tensions between farmers' markets and older markets

- 31 There is an “ongoing debate about whether farmers’ markets detract from or enhance older markets (Par 63).” Farmers markets also feel their identity could be eroded by being combined with older markets. There was also evidence of resistance to the newer markets by older traders (Par 64).
- 32 The Committee felt there was an advantage in specialist markets retaining their identity within a larger “ordinary” market – through increased footfall and the sense of putting on an event (Par 66).
- 33 The issue of market charters, which prevented markets being held caused tensions, the Committee was told, Leicestershire Foods, which runs five farmers’ markets, complained that “several councils and independent Charter holders within Leicestershire strictly operate Market Charters with or without Rival Markets policies which stop new markets evolving.
- 34 Their main criticism was not that their applications were being turned down per se, but rather that the Charter fees proposed to sanction the creation of new occasional markets were prohibitively high” (Par 67).
- 35 The Select Committee recommended that Councils “treat farmers’ markets sympathetically given the potential benefits they can offer whether in proximity to existing markets or in isolation. (Par 68).

Realising the potential of traditional retail markets in metropolitan centres.

- 36 The Committee identified a number of qualities which broadly speaking made for a successful market. A good market:
- 36.1 Should complement and act in sympathy with the wider town centre and with local communities (Par 71)
 - 36.2 Should be well managed (Par 74) with long term investment (Par 75), and with strong promotion – especially with the promotion budgets available to other parts of the retail sector. (Par 76)
 - 36.3 Has a USP – unique selling point – which will draw people to it rather than to a shopping centre or a different market. (Par 77)
 - 36.4 Must be well located in prime city or town centre positions with good transport links
 - 36.5 Should feature good partnership working between traders and the market operator.

Lessons from Europe

- 37 Jean-Paul Auguste, who chairs Geraud Markets Group, said markets should concentrate more on food “because people need to eat and buy each day of the week “(Par 82). Food stalls make up 40%-60% of Spanish, Italian and French markets.
- 38 He also said (Par 82) that England could learn from the long term commitments, including investment, which are more a feature of relationships on the Continent.
- 39 He suggested that there should be greater access by market traders to wholesale markets, “observing that on the continent all retailers – supermarkets and market traders – have access to the same wholesale markets whereas in England supermarkets tend to monopolise much of the wholesale market, giving market traders fewer opportunities in which to purchase a diverse range of fresh produce.” (Par 82).
- 40 In Barcelona, a market trader has greater responsibilities to look after the upkeep and promotion of the market. Greater responsibilities give a greater stake in the operation (Par 83).

Challenges for Local Government

- 41 Main challenges are finance and management (Par 85). A legacy of under-investment in many metropolitan authorities threatened the future of some local markets. Competitors, by contrast, have invested heavily in new outlets and marketing and promotion.
- 42 Leicester was singled out as an authority which had “already taken steps to increase and sustain investment in their markets.” (Par 86). ... By considering markets as part of the wider town centre and management agenda and in terms of their ability to deliver a number of strategic benefits, councils may find it easier both to release their own resources for markets and to obtain additional financial support from other local and regional partners – for example regional development agencies (regeneration agenda), primary care trusts (the health agenda) and third sector partners (the social cohesion agenda). We recommend that local authorities think laterally and innovatively along these lines.” (Par 86).
- 43 Councils should consider prudential borrowing as a way of reviving profitable but tired markets (Par 87).
- 44 Councils should also explore joint financing arrangements with local market trader organisations – with these organisations

having a more strategic role in the managing of their markets (Par 88).

Management

- 45 Much evidence was critical of council management of markets. Common complaints were of over-bureaucracy and lack of expertise. Because there are so many interests in markets, there was a danger that they would “fall between several stools” for councillors and officers. Nick Rhodes’ role in turning around Leicester market was much praised by other witnesses. (Par 89).
- 46 He said: “A lot of markets are, shall we say, treated poorly by local authorities. They do not recruit the right people (possibly they do not know how to recruit the right people – market management is a skill, and people have lost sight of the fact that it is a skill), and it has to be nurtured along and it does not happen overnight. You have to react to the outside world as well, and if you are not skilful enough ...there are going to be problems” (Par 89). The Committee recommended that market champions be identified within local authorities – both officers and councillors (Par 90).
- 47 Councils often had problems in building up in-house market management teams and looked to private contractors to manage their markets. The Committee was largely in favour of this approach – evidence suggested private management brought in new investment, a flatter, more reactive management structure and a more innovative and business-orientated approach. (Par 93).
- 48 The Committee recommended that councils “review their market management structure and give careful consideration to the most appropriate organisation for them that recognises the need to realise the wider economic and non-economic benefits of markets and gives due weight to the public and private sector alternatives on offer (Par 94).

The industry

- 49 The Retail Markets Alliance (RMA), an umbrella organisation for several markets groups, was promoting partnership working among several market industry factions (Par 112). The RMA was gathering industry data and trying to raise the profile of markets (Par 113). The RMA is also sponsoring a campaign to encourage new market traders, especially among young people. (Par 113). Members of the RMA were also looking to spread examples of best practice. (Par 115).
- 49 Nick Rhodes told the Committee that while there were good examples at local level of markets promotion, the national picture

was patchy, mainly for financial reasons. (Par 117). One consultant said the industry's attempts to promote itself were "lamentably poor" (Par 117).

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There was also a feeling that lack of training was a significant barrier to entry for a new generation of market traders. Some traders would benefit from customer care training. (Par 117).

Jerry Connolly
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