



**URGENT BUSINESS**

Cabinet

Tuesday, 15 February 2011

The following report to be dealt with under agenda item 3 is enclosed, as follows:

Agenda Item Number	Page	Title	Reason for urgency
3	1 - 60	LANCASTER MARKET	Decision required before the next meeting of Cabinet in March.

<b>CABINET</b>
----------------

## Lancaster Market 15 February 2011

### Report of Head of Property Services

<b>PURPOSE OF REPORT</b>			
To consider recommendations for the future of Lancaster Market			
<b>Key Decision</b>	<b>X</b>	<b>Non-Key Decision</b>	<b>Referral from Cabinet Member</b>
<b>Date Included in Forward Plan</b>		February 2011	
<b>This report is public</b>			

#### RECOMMENDATIONS OF COUNCILLOR BARRY

- (1) That approval be granted to undertake further investigations into the conversion of the City Museum to accommodate Lancaster Market and that a further report is made to cabinet in due course with the costs being funded from the proposed reserve.
- (2) To confirm the importance of the King's Own Royal Regimental Museum in the heritage offer of the district and to seek to improve that offer as part of any change to the City Museum.
- (3) That officers be instructed to enter into leases with traders at Lancaster Market Hall that would allow for the potential relocation to new premises or a break or redevelopment clause for the purpose of refurbishing and revitalising the market hall (should transfer into alternative premises not prove feasible).
- (4) That whilst investigations are undertaken into the conversion of the City Museum, measures continue to be implemented within Lancaster Market to improve its appearance and to continue with improved management and marketing of the market.

#### 1.0 Introduction

- 1.1 The Lancaster Market Cabinet Liaison Group which was formed to advise the responsible Cabinet Member has been considering issues relating to the future of Lancaster Market since Council resolved in March 2010 that the

market should be retained and traders should be offered new leases.

- 1.2 Funding was made available within the 2010/11 budget and following discussion by the Liaison Group of a scoping brief, a number of experts were invited to make submissions to the council. Following consideration of those submissions, the council appointed NCS (the consultancy arm of the National Association of British Markets' Authorities) to prepare a report. A copy of that report is attached at Appendix A.
- 1.3 If the council wishes to consider improvements to the market, the budgetary implications of the report need to be addressed. In addition, consideration of those implications will determine future issues with the leases to be granted to individual traders, details of which are referred to later in this report.
- 1.4 As a further consideration, this report provides some basic information regarding the future of Lancaster's City Museum in Market Square which members may want to consider as being part of the future for Lancaster's indoor market.

**2.0 Proposal Details**

**Consultant's Report**

- 2.1 The report from NCS indicates that funding should be made available for a number of elements as set out below:

	<b>Budget Figure (£)</b>
<b>Entrance doors</b>	40K per entrance
<b>Internal layout changes</b>	400K
<b>Drop down banners</b>	1K
<b>External glazing vinyl transfers</b>	12K (+ original images)
<b>Demountable stalls</b>	1K each
<b>Part-time business development manager</b>	20K per annum

- 2.2 Of these proposals, the Cabinet Liaison Group were of the opinion that the most important elements were the internal layout changes; the improvement of the doors into the Marketgate shopping centre (Gillisons Lane entrance); and the improvement to the development management of the market. Based on the above information, there would be an initial capital requirement of £440K with consideration of an additional revenue cost of £20K per annum for the business development manager.
- 2.3 On top of these costs, members should note that there are serious problems with the lighting system at the market. Advice received from Capita Symonds following two fires in lighting units in recent months has indicated that lighting in public areas should be replaced as soon as possible at an estimated cost of £80K. Lighting in stalls would cost approximately £73K to replace but much depends on whether the council decides to alter the internal layout of the market. If alterations are made, some of these stall lights would not be required, whilst other in some cases where traders have leases, some costs may fall upon traders.

- 2.4 In the meantime in order to meet immediate Health and Safety requirements some lighting replacement works could be carried out at a cost of approximately £10K to be met from existing repair and maintenance budgets, whilst further consideration of the future of the market is undertaken.
- 2.5 There are also other elements, not identified by NCS, albeit lower value, which are at the end or nearing the end of their useful life which would need replacing as part of the overall refurbishment if the existing market hall is retained, for example: fire panel and PA system and internal CCTV system with a total estimated replacement cost c£40K.
- 2.6 In terms of funding, the council made available a sum of £150K revenue in the 2010/11 budget for the consultation work together with any “quick win” works. To date only £20K is expected to be spent by 31<sup>st</sup> March 2011, leaving £130K which, if re-profiled into a specific reserve for Lancaster Market (as referred to elsewhere on the agenda) could contribute to any costs of moving forward with the market.
- 2.7 In considering the NCS report, the Liaison Group were concerned that there is no guarantee that there would be a defined change in the fortunes of Lancaster Market. For example, £440K may result in no further rental income for the market.

### **Leases**

- 2.8 In considering the way forward, members should be aware of the current situation with regard to the traders’ leases. In accordance with the instructions of Council in March 2010, and mindful of the fact that three traders had served notice on the council to renew their leases, notices to quit were served on the remaining traders with an effective date of 31 March 2011.
- 2.9 In most cases traders were advised that they would be granted a new lease with effect from 1 April 2011 for a 4 year term with a break clause which would be effective within the first 12 months of the lease to allow the council to effect the works agreed with traders. There was however a small number of traders who were advised that their leases would not be renewed because of persistent delay in payment of rent and service charge. It is quite possible that the majority of that group of traders will be asked to vacate the market unless significant payments are received in the next few weeks. The resultant reduced number of traders in the market may have an effect on how the council wishes to proceed whilst it may also have an effect on how many other traders wish to stay in the market as a result of potential reductions in footfall.
- 2.10 Three traders have already served notice on the council for the grant of a new lease. Discussions with these traders have been ongoing and a decision on how to proceed will largely be dependant on the outcome of this cabinet meeting.

### **Alternative options**

- 2.11 A further option for the council to consider has arisen as a result of considering the future of the Museum Partnership with Lancashire County Council. It is likely that the museums will return to the city council in due course and it will be for the city council to determine the future of each

building.

- 2.12 One option is to consider whether the council owned City Museum should be used wholly for the existing collections or to seek to utilise parts of the building for commercial purposes. Such a purpose could be Lancaster Market.
- 2.13 Initial indications are that the building would be particularly well located for a market use, being situated in the heart of the retail area. The centre of the Charter Market is also based in Market Square and the proximity of both markets would be particularly advantageous creating a critical mass that would be attractive to customers. There is however no direct link to passenger transport and no immediately adjacent parking facilities, both of which are benefits of the existing market hall building.
- 2.14 However, the museum building would have to be carefully adapted to house the market. It is a Grade II\* Listed Building and as such any alternative uses would need to be sensitively considered. One option is to create an extension or free standing structure at the rear of the building fronting New Street. Very brief discussions have been held with English Heritage who see merit in the idea but clearly would need much more detailed proposals to give a positive response. One issue to consider is that not all of the land at the rear of the Museum is in the ownership of the city council – the remainder is assumed to be highway. Further investigations on this would be required.
- 2.15 The building is considerably smaller than the existing market hall building and in considering stall sizes it is apparent that units in the Museum building would have to be smaller than existing market stalls. This will clearly be an issue for traders but perhaps there is a balance between the much improved location which should attract greater customer numbers and a smaller stall size. In addition careful thought would need to be given as to whether certain food trades could be accommodated within the building and its proposed extension or whether the council would need to consider completely alternative individual shop locations for such uses.
- 2.16 Issues relating to storage and deliveries will need to be addressed as would the provision of a suitable passenger and goods lift.
- 2.17 There are clearly further discussions needed with the King's Own Regiment as the Regimental exhibition is located within the City Museum and there is a formal agreement in place that this should continue. The City Council recognises the importance of this display and will need to work with the King's Own Regiment in bringing forward any changes to the City Museum.
- 2.18 Clearly if this option was to be undertaken, the council would still remain as a tenant of the existing market hall building. Reports to cabinet and council last year identified that the building could be converted to a “white box” suitable for letting to alternative retailers on the open market. The council would have to set aside the funding for this work on a similar basis to those considered last year e.g. refurbishment costs and potential rent free periods for incoming tenant(s).

### **3.0 Details of Consultation**

- 3.1 The report by NCS included consultation with all stakeholders of Lancaster Market.
- 3.2 The Cabinet Liaison Group has been consulted on the outcome of the report and the Lancaster Market Traders Committee has received a copy of the NCS report. However, there has not been time to have detailed discussions with traders regarding the museum option.

**4.0 Options and Options Analysis (including risk assessment)**

	<b>Option 1:</b> Retain Lancaster Market & invest in improvements as set out in the NCS report	<b>Option 2:</b> consider relocating the market into the City Museum building	<b>Option 3:</b> Do no further improvement work to the market
Advantages	This would provide an opportunity to reinvigorate the market and potentially bring in new tenants	<p>The market would be in an excellent retail location.</p> <p>A new use which is income producing would be found for the museum building</p> <p>Letting the market building to a single retailer should substantially reduce the deficit incurred in that building</p>	There would be no change to the market building although there would have to be money spent on replacing the lighting system as well as other essential health and safety related works as they arise.
Disadvantages	There would be a substantial cost to the council and no guarantee that the scheme would be a success or that the council's existing deficit would be reduced.	<p>There are substantial costs in undertaking both the works to the museum and to the market hall building.</p> <p>Appropriate retailers would have to be found for the market hall building.</p> <p>No direct link to passenger transport or car parking.</p> <p>The amount of space in the museum is much smaller than in the existing market hall building which could prove to be a problem with traders.</p>	<p>Reduction in trader numbers could occur as a result of the rent arrears situation.</p> <p>The council's deficit could potentially increase as a result of reduced trader numbers as well as ongoing general deterioration of the current market hall.</p>

Risks	There is a risk that reduced numbers of traders would continue in the market as a result of the rent arrears in some cases. This could lead to the market going in a downward spiral prior to refurbishment works being undertaken.	The main risks are that the market would not be successful in the new location after substantial investment has been made. In addition finding a retailer for the market hall building may prove to be problematical, leading to increased costs for the council in the short to medium term through ongoing rent, service charges and reduced income.	The council's deficit could increase significantly
-------	---	--	--

**5.0 Officer Preferred Option (and comments)**

- 5.1 The officer preferred option is to investigate further the opportunity of moving the Lancaster indoor market into the museum building on Market Square.
- 5.2 On the assumption that the Council still desires a thriving indoor market in line with the decisions taken back in March 2010, it is evident that options for investment need to be investigated and appraised thoroughly. It is considered that Option 3 would not fit with this aim, but nonetheless, the Council could reconsider its aspirations in light of other priorities and spending pressures.

**RELATIONSHIP TO POLICY FRAMEWORK**

Economic Regeneration – supporting our economy is one of the City Council’s key priority areas. It includes heritage and cultural tourism for the district including creative industries and employment.

The improvement of the Lancaster indoor market could attract more food-based businesses (particularly local food), attracting key businesses, such as a bakery, and marketing the market as a visitor attraction for the city centre. Looking at improving the provision of the market could therefore be aligned to supporting our local economy and the cultural agenda, depending on the retail offer made available within the market.

**CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

The City Council wishes to maintain an economically sustainable city centre and retaining and improving the provision of the indoor market can help to facilitate this.

**LEGAL IMPLICATIONS**

Legal Services have been consulted and will need to consider the impact of Option 1 and Option 2 in relation to the current statutory position applicable to the market tenancies if either these options are pursued once further clarity has been obtained on the preferred option.

**FINANCIAL IMPLICATIONS**

It is not possible to provide a fully costed analysis of the officer preferred option 2 at this stage, however it could be deemed appropriate to treat as an 'invest to save' scheme subject to the payback period calculated. This report is simply asking that further investigations are carried out, the results of which will inform the content of a further detailed report for Members prior to any final decision being made. It is possible however, that after initial one-off costs associated with transfer of the existing market facility to the City Museum and relocation of museum artefacts to an alternative site occurring in year 1 that significant combined annual savings could be achieved thereafter, even when taking into account reduced rental income likely to be achieved from fewer stallholders being accommodated within the museum building. This would also very much depend on how soon the Council could re-let the existing market hall building after refurbishment works are undertaken.

Members are reminded that the current market is currently being operated at an annual deficit c£550k to £590K subject to the number of vacant stalls arising during any given year. The City Council also pays an annual management fee c£540K to Lancashire County Council to manage City Council owned museum buildings (i.e. the City, Maritime and Cottage Museums). The City Council is nearly half way through a 2 year notice period served on County and it is expected that responsibility for ongoing City Museum management will revert back to the City Council from 1<sup>st</sup> April 2012, therefore providing a 12 month period in which to undertake further investigation and report back to members with a fully costed scheme for final consideration.

The table below highlights the main areas which will need to be fully costed so that a meaningful comparison between the options can be made:

	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>
<b>Revenue</b>			
Annual Savings (current Market Facility)		X	
Add't running costs relating to transfer		X	
Reduced rental income (Stalls)		X	X
Compensation/Relocation		X	
Rent Free Period		X	
ST Liability to Allied		X	
<b>Capital</b>			
Museum extension/refurbishment		X	
Museum artefacts relocation		X	
NCS Improvements	X		
Light replacement	X		X



Other H&S works	X		X
White box refit		X	

In order to accommodate the officer preferred option 2 as presented in this report it is recommended that the leases being issued from 1<sup>st</sup> April 2011 are flexible enough to cover either relocating to the City Museum or refurbishing the existing Market Facility (including realistic timescales), subject to meeting appropriate legal requirements.

#### **OTHER RESOURCE IMPLICATIONS**

##### **Human Resources:**

There are no direct implications within this report although depending on the resolution of cabinet, consideration does need to be given to future management of the market in line with the NCS report

##### **Information Services:**

There are no IS implications within this report.

##### **Property:**

The property implications are included within the body of the report.

##### **Open Spaces:**

Not applicable. Some loss with option 2.

#### **SECTION 151 OFFICER'S COMMENTS**

The report seeks consideration of potential opportunities to improve the value for money gained from both the markets and museums functions, though clearly much more detailed work would need to be undertaken in order to reach an informed final decision and this is recognised within the proposals. Accordingly at this stage, other than any feasibility costs, the budget framework does not provide anything specifically for this initiative. As part of reporting the outcome of any feasibility, however, any budgetary implications would be clarified for consideration by Cabinet. Subsequent to that, and depending on what might be needed financially, it may well be the case that Council consideration would also be required.

#### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments to make.

#### **BACKGROUND PAPERS**

Previous council and cabinet reports and minutes

**Contact Officer:** Graham Cox

**Telephone:** 01524 582504

**E-mail:** gcox@lancaster.gov.uk

**Ref:** N/A

## Lancaster Indoor Market Review



Final Report - December 2010

## Contents

Executive Summary	2
Section 1 – Introduction & methodology	10
Section 2 – Context	12
Section 3 – Findings	16
Section 4 – Conclusions	25
Section 5 – Options	28
Section 6 – Recommendations	40
Appendix 1 – Measuring success	43
Appendix 2 – Market traders' SWOT	45
Appendix 3 – Market user/non-user questionnaire	47

## Executive Summary

### Introduction

In October 2010 NABMA Consultancy Services (NCS) were appointed by Lancaster Council to undertake a critical analysis of the future role and performance of Lancaster's indoor market

### Methodology

- Desk top research
- Site visits
- Current performance evaluation
- Preparation of consultation questionnaires/processes
- Consultation with stakeholders using a combination of stakeholder workshops, face-to-face interviews and questionnaires.

### Findings

A summary of the market's strengths and weaknesses, informed by the stakeholder consultation is shown in the following table:

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Loyal customer base</li> <li>• Links to Marketgate shopping centre</li> <li>• Public transport and parking links</li> <li>• The traders</li> <li>• Its heritage</li> <li>• Supports local micro-businesses</li> <li>• Food offer/unusual lines</li> <li>• Cultural diversity</li> <li>• Student shopping</li> <li>• Shop mobility</li> </ul>	<ul style="list-style-type: none"> <li>• Accessibility</li> <li>• Internal environment</li> <li>• Two floor trading</li> <li>• Lack of traders/variety</li> <li>• Lack of marketing/PR</li> <li>• Poor communication between Council, traders and stakeholders</li> <li>• Lack of business support for new business start-ups</li> <li>• Lack of signage</li> <li>• Reputation</li> <li>• Burden of the head-lease</li> <li>• Comprehensive Spending Review (public sector cuts)</li> </ul>

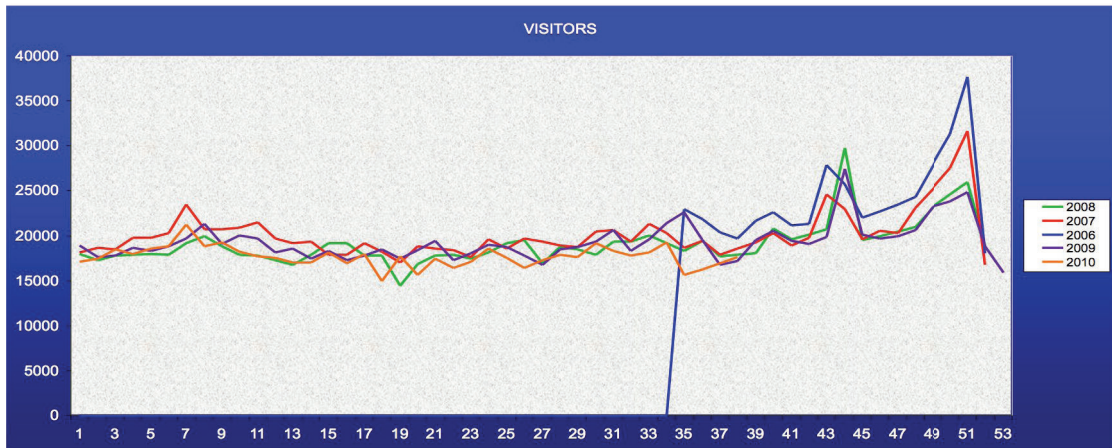
**Customer survey results**

<b>Users</b>	
Shopping frequency	32% shop once or twice a week 52% shop at least once a month
Main product purchases	1. Meat =2. Cheese/deli =2. Groceries/frozen foods 4. Sweets and chocolate 5. Cafes/catering 6. Cigarettes/tobacco 7. Fish 8. Pet food/accessories 9. Haberdashery/wool
Other products wanted	More food – particularly fruit and vegetables
Average spend per visit	42% spend between £6 and £10 24% spend between £11 and £15
Number of stalls shopped per visit	67% visit 2-3 stalls
Type of shopper	84% residents 1% workers 5% visitors 10% other (students)
Distance travelled	72% travel less than 2 miles
Mode of travel	60% travel by bus 29% walk to the market

<b>Non-users</b>	
Reasons for not shopping on the market	Old fashioned Lack of variety/traders Poor quality Don't shop on markets
What would make them shop?	More variety/traders Modernise the market Improve quality

## Footfall

Market footfall data, covering the period 2006-present was also provided by the Council. The graph below shows a very consistent pattern over this period, both in terms of seasonal peaks and the customer base-line.



## Conclusions

Based on a review of the findings, NCS draws the following conclusions:

### Accessibility

Most of the factors contributing to the decline of the market are physical in nature, and relate to the design of the market, its internal layout, and the relationship between the market and the rest of the shopping centre. The effort required by potential shoppers to access the market is currently not outweighed by the benefits of the shopping experience.

Although there is a financial cost to any improvements, some of the barriers can be addressed more easily than others.

### Occupancy agreements

The indoor market lease could in its current form act as a barrier to the refurbishment and revitalisation of Lancaster market, in that it does not contain a break clause, which would facilitate the significant internal changes required.

In addition, there appear to be no processes in place that link the provisions of the lease with the effective day-to-day regulation of the market (e.g. opening hours, encroachment, customer care).

### Location

Despite the close proximity of bus stops and car-parking facilities, the market, anchoring the southwest corner of Lancaster's retail centre, appears almost a secondary retail location in relation to both the Marketgate shopping centre and the City's retail profile. Most customer flow/footfall appears to be concentrated on the axes of Market Street and Penny/James Street.

## **Financial**

The financial burden of the head-lease, by which Lancaster Council are tied into a 99-year lease with upward only rent reviews and a service charge over which they have little or no control, is onerous.

The financial losses associated with the market account cannot be resolved solely by cuts in expenditure. If the market is to continue, there is a need to completely refocus and transform the offer, which will require initial financial investment.

## **The market offer**

The market looks tired, old-fashioned and neglected. It appears to have changed very little in the 15 years since it opened. In terms of private sector retailing, this timescale without a refit is very unusual, as it is recognised that refits generally generate improved turnover.

The large number of empty stalls also adds to the lack of 'atmosphere' inside the market.

That said, the market supports some good businesses and good commodities, with a small but relatively stable customer base.

## **Management**

The stakeholder consultation process raised a number of issues in relation to the management of the market. The sheer scale of the problems facing the market and the limited options for change may, to some degree, have created an element of inertia. However, there are a number of strategic and operational issues that need to be addressed:

- The need for an articulated vision for Lancaster market
- The need for a strategy to transform the market and deliver the vision
- The need for detailed annual business plans setting out how the transformation will take place
- The lack of proactive, commercially-focused operational management of the service
- A lack of focus on new business start-up opportunities
- The absence of a marketing and promotion strategy and budget for the service.
- Standards of repair, maintenance and cleanliness
- The absence of effective stakeholder engagement, in particular relation to communication with market traders.

It should also be noted that the current market portfolio consists of four retail markets, three of which appear to be performing well.

## **Data management**

There is clear evidence of very effective data management systems being in place in relation to market. Requests for information relating to tenant/commodity mix, occupancy, footfall both in the market and the shopping centre, and financial performance have all been met promptly.

**Reputation**

It is clear that the reputation of the market has been damaged, not just in relation to the current offer, but also in terms of the publicity/rumours of closure. It must be recognised that even if physical changes are implemented, those reputational issues will make attracting new businesses and customers into the market much harder.

**Customer demand**

For the market to survive, it is essential that the market offer recognises and responds to customer needs/demands. The stakeholder research carried out as part of this review identified a range of issues, products and services that current customers would like to see in the market. Equally non-users of the market identified a range of issues that might make them shop in the market. These factors must be programmed into the change process.

In addition to the purely commercial aspects of this change (i.e. introducing commodities that customers want to buy), this change process needs to focus on and improve the community aspect of markets as social space, a place to meet, and a source of wellbeing.

The existing customer base is unlikely to grow unless the offer is improved in line with the above.

**Linking the markets**

Although physical links between the market hall and the Assembly Rooms market can be improved, the options for improving the links between the market hall and the outdoor market are severely limited. A better strategy might be to focus on improving the offer of the indoor market, coupled with better marketing/promotion of all the markets.

**Overall**

There is no 'quick fix' solution to the market's problems. Equally, all the options considered carry an element of financial risk for the Council, from doing nothing to closing the market to investing to improve the performance.

**Investment costs**

Developing detailed specifications and quotations for the changes discussed in this section falls outside the scope of this review. However, some indicative 'budget' costings are provided below:

	<b>Budget figure (£)</b>
<b>Entrance doors</b>	40,000 per entrance
<b>Internal layout changes</b>	400,000
<b>Drop down banners</b>	1,000 each
<b>External glazing vinyl transfers</b>	12,000 plus original images
<b>Demountable stalls</b>	1,000 each
<b>Part-time business development manager</b>	20,000 p.a.



## **Recommendations**

NCS makes the following recommendations:

### **Strategic**

Lancaster market should be retained, though significant improvements are required.

On balance, it is recommended that the management of the market remains in-house. This is because this model gives the client more control over the change management process. However, other options should be considered as part of a medium to long-term strategy.

Draft a vision/strategy for Lancaster market focusing on its food offer, but not exclusively so. The strategy must focus on improving the retail offer/shopping experience of the market.

A business plan for the markets should be developed and implemented, setting out the strategic and operational priorities, change programme actions, resources and financial modelling.

Establish a capital account to fund reinvestment in the markets.

### **Accessibility**

There needs to be programme of investment in the market. The priority for changing the market should be the need to improve accessibility – entrances, internal layout and décor. The option of positioning some high visual impact stalls outside the market should also be examined.

Signage to and through the markets must be improved.

### **Occupancy agreements**

That the Council continues to offer, as its principal occupancy agreement, a 4-year lease. Given the need for significant refurbishment and revitalisation of the market, that lease should incorporate a break clause.

In addition, the Council should offer simpler, shorter-term occupancy agreements, particularly in relation to encouraging new business start-ups within the market.

The Council should also, in consultation with the traders, devise and implement new market regulations and an enforcement/disciplinary procedure that deals flexibly and effectively with the day-to-day management of the market.

### **Business improvement**

To help the transition from a reactive to a proactive management operation, resources need to be targeted on market development/new traders/marketing. This should include:

- Investing in a small number of stalls for new businesses
- Creating a business support package for new businesses with information and directions to other agencies and services
- Develop trader 'buddies' that will act as business mentors for new start-ups.

- Offering time-limited discount rents for key commodities.

The rental structure needs to be reviewed and made more flexible to ensure it is able to attract key new commodities/traders.

## **Marketing and promotion**

A marketing and promotional programme should be developed and implemented. This should include developing a separate identity/brand for the market. This should include:

- Improved web presence
- Improved macro and micro signage
- Developing 'good news stories'
- Targeted marketing improving links to tourism e.g. coach operators, town residents, businesses, and younger people.
- The option on market loyalty cards/short-stay parking rebates.

A programme of events should be developed and implemented to increase footfall and customer awareness of the market.

## **Customer service**

The Council should, in partnership with the traders, develop and implement a customer charter for markets, clearly setting out customer rights, service standards, and what to do and where to go if a customer wishes to complain. This should build on the existing 'Mission Statement' developed for Lancaster's markets.

Appropriate space for information on Council, police, health and other services should also be created.

## **Communications**

The Council should develop and implement a markets communication plan, which ensures regular dialogue with market traders and stakeholders. In addition to meetings, the plan should consider:

- Improved web profile and accessibility
- Newsletters to staff/traders
- Notice boards on the markets
- An agreed method for traders to feedback info/comments to market management

## **Partnership working**

Better partnership working should be introduced, including:

- Improving links with the universities e.g. using students to develop the market web site, offering discounts to students, exploring market-trading opportunities for students.
- Creating a markets forum for stakeholders. The market forum should consist of Councillors, senior officers, market management and traders' representatives.
- Developing specific links with the Chambers of Commerce in relation to promotion and the business support project
- Developing community links such as healthy eating demos on markets with the public health agencies

- Better liaison within the Council in relation to the economic benefits of markets/business start-ups and promotion.
- Raising the profile of markets in schools by curriculum links to local business/environment and encouraging active participation by schools on the market as part of their health/entrepreneur development.

### **Local food/products**

In addition to expanding the food offer generally, the Council should seek to make better use of local food and products on the market by:

- Targeting local food/products as a key commodity and attracting new businesses
- Creating a sub-brand within the market that makes local food/produce readily identifiable to customers
- Target marketing this as part of the market's Unique Selling Point.

### **Performance measures**

A range of Key Performance Indicators has been developed nationally for retail markets. Of these, it is recommended that the following are adopted by Lancaster:

- Occupancy rates
- Footfall
- Number of businesses supported through the portfolio's operation
- Number of market businesses managed by traders living within the local authority's boundaries
- Total number of people (FTEs) directly employed on the market
- % waste generated by the markets that is recycled
- Business confidence levels
- Customer satisfaction levels.

## Section 1 – Introduction and methodology

### Introduction

Lancaster City Council has established a Cabinet Liaison Group to consider the future operation of Lancaster Market. That group has visited various markets in the northwest and identified the layout of the market and the lack of food outlets within the market as areas of major concern. In October 2010 NABMA Consultancy Services (NCS) were appointed by the Council to undertake a critical analysis of the future role and performance of Lancaster's indoor market

### Background Information

Lancaster Market was opened in 1996 as part of the Marketgate Centre redevelopment. It is a detached two-storey steel framed building with stone and glass external panelling. There is a partial basement area that contains the services and some storage. The roof is part of the car park that serves the Marketgate Centre. The gross internal area of the building is 39,467 square feet with a net trading area of 19,758 square feet.

The building is held on a 99-year lease from June 1995 at a rent of £409,000 per annum, which is subject to five yearly reviews (the 2010 review is outstanding). In addition a service charge is payable that currently amounts to approximately £155,000 per annum. Traders occupy on a mixture of 4-year leases or periodic licences. The leases expired on 31 March 2009 with traders currently holding over on these leases. The council has resolved to renew the traders' leases.

The market is open from Monday to Saturday (excluding bank holidays) from 9:00 am to 5:00 pm.

### Scope of work

The review will encompass the following:

- Test the viability of providing a predominantly (specialist) food retail market in the context of Lancaster's developing role as a heritage city.
- Advise whether the current structure and layout of the market is fit for purpose and to identify any changes, if necessary, to provide the above.
- Advise on what appropriate lease arrangements should be in place between the council and the market traders, including the viability of a tenant's charter, to facilitate the above.
- Advise to what extent, if any, other complementary, non-physical works are required, e.g. marketing, to ensure a viable market.
- Advise on how the indoor and charter markets can be linked.

### Methodology

In order to carry out the review, the following project methodology was adopted:

## **Desktop review**

This stage of the review used a combination of web-based and documentary research. This included the information and data provided by Council.

## **Site visits**

The market was visited on number of occasions. For comparative purposes, the Council's other markets – Assembly Rooms, Morecombe and Lancaster outdoor market were also visited.

## **Stakeholder consultation**

Separate consultation processes were implemented for the different stakeholder groups. This involved a consultation workshop for market traders, a consultation workshop for Councillors, and one for Council officers. Face-to-face interviews were carried out for market users and non-users. In addition, the Marketgate Shopping Centre Manager provided feedback.

## **Evaluation criteria**

Research has identified a number of 'critical success factors, for retail markets. For a market to succeed and be sustainable it is important that it has at its heart as many of the critical success factors as possible. Those success factors are:

- Sense of place
- Critical mass
- Good management
- Accessibility and permeability
- Marketing and PR
- Safety and security
- Integration with surrounding retail offer and community
- Partnership working.

These are considered in more detail in Appendix 1.

## Section 2 – Context

### National context

#### Why Markets Matter – The National Picture

The Markets Policy Framework 2007, produced by the Retail Markets Alliance (RMA), identified that successful markets contribute to the social, environmental and economic well-being of the nation, by:

- Providing a sense of place
- Being part of the nation's cultural heritage
- Remaining an important element of the economy, particularly in relation to independent retailing, local employment and business start-up opportunities.
- Offering local access to fresh produce and other commodities
- Reducing environmental impacts e.g. by eliminating excessive packaging/waste.

The Policy Framework also identified five key policy areas that markets can contribute to:

- Regeneration/economy
- Food & health
- Culture & tourism
- Community cohesion
- Environment

Some aspects of these are now considered in a little more detail.

Research carried out by the Retail Markets Alliance, published in *Markets 21* (November 2009) shows:

Measure	Value
Total number of markets	2,105
Traditional retail markets	1,124
Farmers' Markets	605
Country markets	350
Wholesale markets	26
Number of retail market traders	46,000
Number of people directly employed	92,000
Annual business turnover (retail markets)	£3.3 Billion

In July 2008, the Cabinet Office published *Food Matters – Towards a strategy for the 21<sup>st</sup> Century*. It states: “Street markets can be an important source of affordable, good-quality food including fresh fruit and vegetables. They can be significantly cheaper than supermarkets and so provide access to good-quality fresh food to

those on low incomes.” It also states: *“The success of farmers’ and specialist markets and large revitalised city markets provide models for greater local engagement with fresh, affordable food and highlight an opportunity to modernise or develop new food markets. Cities and towns can, through their planning and food strategies, support farmers’ markets and traditional street markets by:*

- *Identifying sites for markets, especially sites with good links to local transport infrastructure;*
- *Promoting markets and access, and challenging restrictions that limit signage for shoppers about opening times, and*
- *Looking at easing parking restrictions near markets to increase access.”*

As part of the implementation of that strategy, the Retail Markets Alliance is currently in discussion with the Government in relation to the role of markets in:

- providing access to healthy affordable food
- providing sustainable food
- encouraging behaviour change
- food education
- helping meet the 5-a-day target
- contributing to the Change4Life programme

In 2006, the Joseph Rowntree Foundation published research on *Markets as social spaces*. It concluded that: *“Markets were important sites of social interaction for all groups in the community, but most significantly for older people, especially women. Markets also represent important social spaces for mothers with young children, young people, and families with children, particularly at weekends.”*

It also concluded that: *“where markets are managed by local authorities, good local management and a strategic vision by the council could help with their development. It was evident from the research, however, that some markets do not have a high profile or significant resourcing from the councils.”*

In July 2009, the Communities and Local Government Select Committee published the report of its inquiry into traditional retail markets. The report endorsed the role of markets in relation to the five policy areas listed above, and concluded:

*‘The situation as regards traditional retail markets in England today is complex. There is evidence of prolonged decline coinciding with the growth of supermarkets. But there is also evidence of continuing success for some in all types of markets. There is scope for optimism for the future provided that local authorities and other key stakeholders are willing and able to rise to the challenges that markets will continue to face.’*

In relation to local government, the report states: *‘We do not underestimate the challenge facing local authorities seeking to sustain their markets in the current austere climate. From the evidence we have received, it seems to us that there are two big challenges: finance and management.’*, and makes a number of recommendations:

- *‘We recommend that local authorities develop a strategic plan for the development of their markets...’*
- *‘By considering markets as part of the wider town centre 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*

*financial support from other 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.'*

- *'A third area that local authorities should, in our view, explore further is joint financial sharing with local market trader organisations, with the proviso that the latter in return gain a more strategic role in the managing of their markets.'*
- *'We recommend that local authorities with profitable but 'tired' markets consider prudential borrowing as a means of revitalizing their markets.'*
- *'We commend those councils who have already identified market champions and urge other councils with markets to adopt a similar model.'*
- *'We recommend 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 weight to public and private sector alternatives.'*

In relation to central government, the report also makes a number of recommendations:

- *'We urge the Government to emphasise the wider non-economic benefits that markets can bring and to encourage local authorities also to take them into account when making planning decisions, both in the PPS document, and in the future iterations of the accompanying good practice guidance.'*
- *'We recommend, therefore, that CLG (The Department for Communities and Local Government) takes on responsibility for providing a clear strategic central government focus for markets, and that this is reflected in the portfolio of a named Minister, in the terms of reference of a senior civil servant in the Department and in active engagement with the market industry.'*
- *'We further recommend that CLG lead an inter-departmental working group to ensure that best use is made of markets as a vehicle to further wider Government objectives as set out in this report.'*

The Government in its formal response accepted the findings of the Committee that successful markets play a valuable social and economic role. This includes:

- Offering consumers good value fruit and vegetables;
- Promoting town centres by bringing a stronger retail mix and encouraging consumers and added footfall for the whole centre;
- Offering new businesses a more affordable way of starting off in the current climate;
- Providing local jobs with flexible hours for people working part-time.

The Government accepted the recommendations of the Select Committee and agreed to champion the interests of all markets with a new body that brings together key government departments, representatives from the retail markets industry and the Local Government Association. Communities and Local Government leads the group and assumes the strategic lead for markets across Government.

The group's remit is to:

- Champion traditional retail markets and how they can contribute to the local economy, the character of the town centre and the wider community. Work with the markets industry to raise the profile of markets with local authorities and highlight benefits through best practise examples and case studies



- Work with councils to encourage them to use licensing powers positively to permit more markets in their town and city centres
- Give markets a forum to discuss and influence future government policy affecting markets for the first time. This includes planning and licensing rules.
- Work with the industry to see how street markets can also be used to encourage healthy eating, flexible working for young parents or a tourist attraction. The groups will also look at how best to communicate the varied benefits of markets.

Following the general election in May 2010, all government department support projects were reviewed. A decision was taken to continue with the retail markets working group, focusing on three previously agreed projects – namely:

- Good Practice toolkit (aimed principally at market management)
- Business Support (aimed at new and existing market traders)
- Management Models.

The Management Models and Good practice documents, together with an Executive Summary are available as free PDF downloads from the following website:

<http://www.communities.gov.uk/regeneration/publications/all/>

Information on the business support programmes for new and existing market traders, is available from the National Market Traders' Federation (NMTF) website:

<http://www.nmtf.co.uk/>

In relation to planning policy, in 2009 the Government published a revised *Planning Policy Statement 4 (PPS4)*. Policy EC4 states that “*Local planning authorities should proactively plan to promote competitive town centre environments and provide consumer choice by retaining and enhancing existing markets and, where appropriate, re-introducing or creating new ones, ensuring that markets remain attractive and competitive by investing in their improvement*”.

Although the coalition Government is currently reviewing its national planning framework, it has announced that it remains committed to promoting the vitality and vibrancy of the high street through the existing ‘town centre first’ policies.

## Section 3 – Findings

This section provides details of the key findings of the market review.

### Stakeholder consultation

As part of the review, NCS consulted the following:

- Market traders
- Council officers
- Councillors
- Market shoppers
- Marketgate centre management
- Non-users of the market

It is worth noting that there was considerable consensus amongst the groups, in terms of what is good about the market and about what needs to change.

### Market traders/Council

Separate meetings took place with the market traders, council officers including the market's operational team, and the Councillors on the Market Liaison Group.

The traders' session looked at the market's strengths, weaknesses, opportunities and threats (SWOT). The detailed SWOT analysis is attached at Appendix 2 of this report.

A summary of the market's strengths and weaknesses, informed by the stakeholder consultation is shown in the following table:

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Loyal customer base</li> <li>• Links to Marketgate shopping centre</li> <li>• Public transport and parking links</li> <li>• The traders</li> <li>• Its heritage</li> <li>• Supports local micro-businesses</li> <li>• Food offer/unusual lines</li> <li>• Cultural diversity</li> <li>• Student shopping</li> <li>• Shop mobility</li> </ul>	<ul style="list-style-type: none"> <li>• Accessibility</li> <li>• Internal environment</li> <li>• Two floor trading</li> <li>• Lack of traders/variety</li> <li>• Lack of marketing/PR</li> <li>• Poor communication between Council, traders and stakeholders</li> <li>• Lack of business support for new business start-ups</li> <li>• Lack of signage</li> <li>• Reputation</li> <li>• Burden of the head-lease</li> <li>• Comprehensive Spending Review (public sector cuts)</li> </ul>

**Customer/non-user surveys**

A total of 153 people were interviewed – 83 users, 70 non-users. The results of the surveys are summarised below:

<b>Users</b>	
Shopping frequency	32% shop once or twice a week 52% shop at least once a month
Main product purchases	1. Meat =2. Cheese/deli =2. Groceries/frozen foods 4. Sweets and chocolate 5. Cafes/catering 6. Cigarettes/tobacco 7. Fish 8. Pet food/accessories 9. Haberdashery/wool
Other products wanted	More food – particularly fruit and vegetables
Average spend per visit	42% spend between £6 and £10 24% spend between £11 and £15
Number of stalls shopped per visit	67% visit 2-3 stalls
Type of shopper	84% residents 1% workers 5% visitors 10% other (students)
Distance travelled	72% travel less than 2 miles
Mode of travel	60% travel by bus 29% walk to the market
Things liked about the market	Value for money The food offer The traders
Things disliked about the market	Accessibility Lack of variety/traders The physical environment
Improvements wanted	Better layout More traders/variety Modernise the market
Other facilities wanted	Cooking demonstrations/advice on healthy eating Entertainment Art/heritage displays Information on council services
Other shops in Marketgate	63% of market customers use other shops 37% don't

<b>Non-users</b>	
Reasons for not shopping	Old fashioned Lack of variety/traders Poor quality Don't shop on markets
What would make them shop?	More variety/traders Modernise the market Improve quality

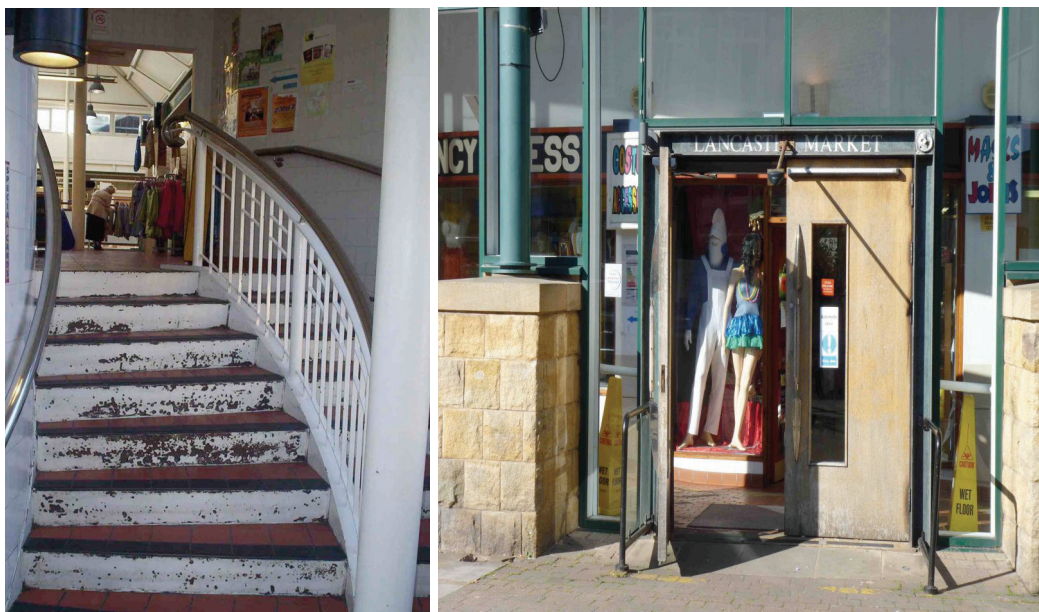
### Accessibility

The review looked at how easy it was for a would-be shopper to get into the market, and, once there, how easy it was to get through the market. It considered this on the basis of:

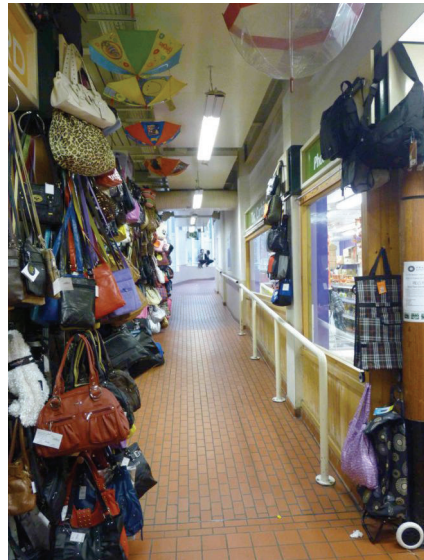
#### Effort v Reward

Whereby the greater the 'reward' for the customer in terms of the shopping experience or access to particular 'valuable' commodities, the more effort the customer will make to get there.

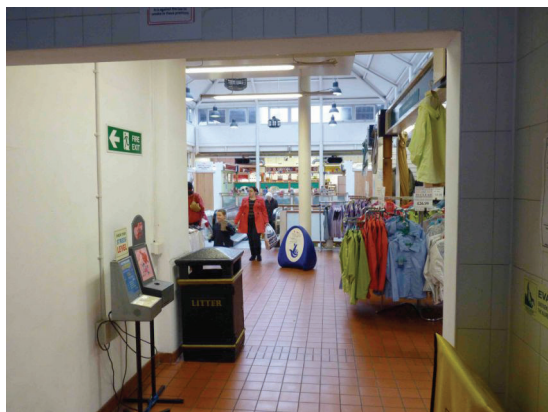
The market hall itself presents a dull and difficult exterior, with many entrances only accessible by stairs. The doors are relatively small, heavy and uninviting.



Once through the doors, the market presents another barrier to the would-be shopper in that there are no clear sight lines through the market to show what is on offer and entice the customer into and through the market. This is illustrated by the following photographs of the lower mall entrance. The sight line ahead is blocked by the presence of a stall, turning left leads back out the market via an upper exit, and turning right leads down an uninviting corridor.



The same is true of the upper floor, with uninviting/unattractive entrances leading to a view that is, at best, confusing and appears to offer very little of interest to the customer.



The consequence of this is that the experience is off-putting for too many people, with footfall concentrating on the more accessible stalls, leaving the most hidden areas to suffer.



Comparison with more modern shop fit outs within Marketgate show how entrances can be either a barrier as is the case of the market, or an invitation.

Similarly, the quantity and quality of signage for the market is very poor. For example, pedestrians entering Marketgate from Gillisons Lane do not see any signage promoting the market hall, and what signage there is above the lower mall entrance is unappealing.



**Footfall**

NCS was provided with footfall data for the Marketgate shopping centre. Four sample weeks were selected and compared over a 3-year period.

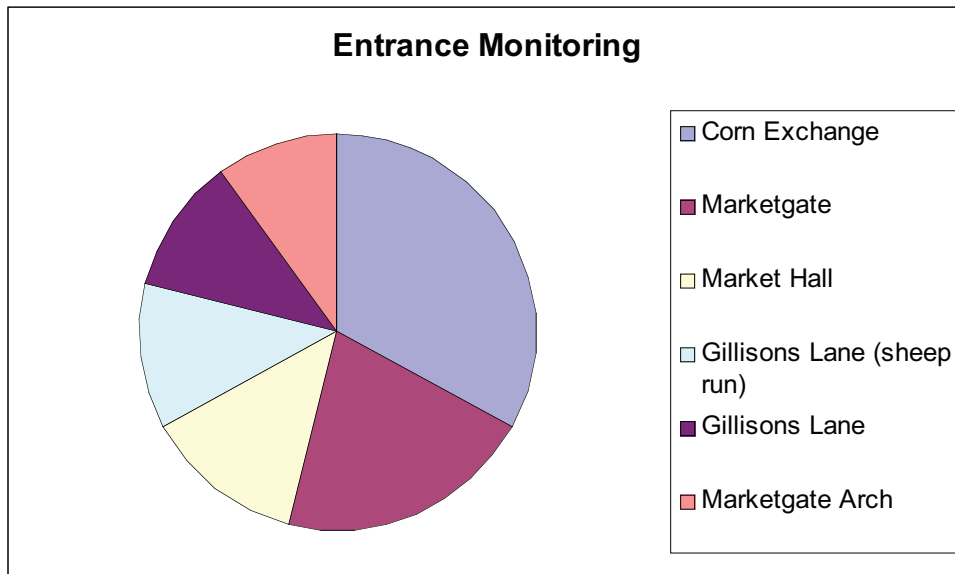
**Lancaster Marketgate Shopping Centre Footfall Analysis**

Date	2008	2009	2010
Jan w/c 12/1	101962	103918	111558
Apr w/c 13/4	104823	110900	113593
July w/c 6/10	107444	115356	115897
Oct w/c 12/10	113593	121196	124917

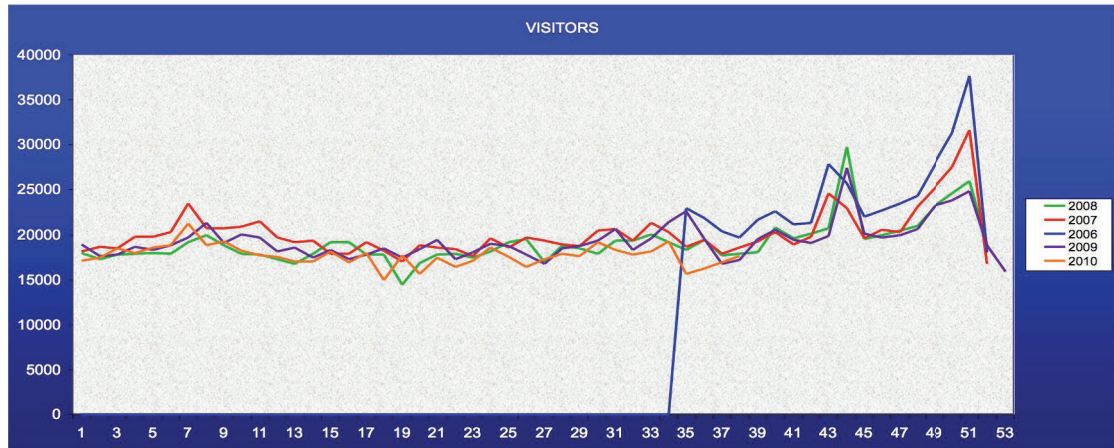
6 areas of the shopping centre are monitored for footfall.

The percentage breakdowns are as follows:

Corn Exchange	33%
Marketgate	21%
Market Hall	13%
Gillisons Lane (sheep run)	12%
Gillisons Lane	11%
Marketgate Arch	10%



Market footfall data, covering the period 2006-present was also provided by the Council. The graph below shows a very consistent pattern over this period, both in terms of seasonal peaks and the customer base-line.



## Financial Management

The market's financial performance is measured over the administrative year April to March.

Information relating to the market's historical performance was provided from 2006/07 to year-end 2009/10. The budget profile for the current year 2010/11 was also provided.

The financial performance is summarised in the table below:

	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
Other Expenses	330411	306732	342246	278949	347200
Rent	336786	349341	617339	409000	409000
Service Charge	128306	142586	153393	153559	155900
<b>Total Expenditure</b>	<b>795504</b>	<b>798660</b>	<b>1112979</b>	<b>841509</b>	<b>912100</b>
Total Income	-401460	-378424	-331524	-332013	-372100
<b>Total Deficit</b>	<b>394044</b>	<b>420236</b>	<b>781455</b>	<b>509496</b>	<b>540000</b>

- It should be noted that in the 2010/11 budget there is a one off item of expenditure for consultants (£150,000). This item has been excluded from this table for comparative purposes.

## Income

Whilst income has fallen since 2006/07 the last two years have been stable. In 2010/11, assuming that there is no seasonal income variation and income levels are static across each month, the market appears to be outperforming its expected income budget of £372,100. That in itself would be an achievement.

It should be noted that the full level of service charge incurred from the shopping centre is not been fully recovered.



## **Expenditure**

The main bulk of the expenses are derived from rent and service charge. In 2009/10 this accounted for 66.85% of the total expenditure. The other operational market costs have been controlled and indeed were reduced in 2009/10 from 2008/09 by 18.5%.

It appears that all operational costs have been kept extremely low in a bid to minimise the deficit.

Reducing costs such as advertising however could be seen to be to the detriment to the market.

The expenditure budget for 2010/11 has increased mainly due to building costs, increase in energy costs and internal recharges.

## **Occupancy agreements**

### **National picture**

There is no standard occupancy agreement for retail market traders in the UK. Outdoor markets, where traders set up and pack away each trading day, generally use licences. The situation regarding indoor market halls is more complex, with market operators offering a variety of agreements, including:

- Licences
- Tenancies at will
- Periodic tenancies
- Leases under the Landlord & Tenant Act
- Leases outside the Landlord & Tenant Act

Some operators will use only one form of agreement, others will offer more.

Most leases tend to be based on standard commercial leases, although the terms of the agreements vary, particularly in relation to such issues as rights of assignment (alienation) and break clauses. Equally, many leases are cross-referenced to detailed market regulations and enforcement/disciplinary procedures.

### **Lancaster market**

The current occupancy agreement is a fairly simple 4-year commercial lease, which addresses most key issues such as user, alienation, service charge and regulatory compliance. It does not, however, provide for a break/redevelopment option (break clause) for either the landlord or tenant.

The Council also offers a periodic licence for occupancy of stalls in the market hall.

The Council has proposed a new 4-year lease from 1 April 2011, incorporating a break clause to allow for the refurbishment and revitalisation of the market. Discussions between the Council and traders are ongoing.

This review was asked to "Advise on what appropriate lease arrangements should be in place between the council and the market traders, including the viability of a tenants charter, to facilitate the above." Whilst tenants' charters are common in

relation to the rented housing sector, no examples of them being developed in relation to market leases have yet been found.

The current lease contains a provision: "in all respects to conform to such reasonable regulations as the Landlord or the Superior Landlord may from time to time make for the orderly convenient and healthy management of the Market Hall and the adjoining property". No separate market regulations or bylaws are in place. Equally, it is not clear how such regulations would be effectively enforced.

## Section 4 – Conclusions

Based on a review of the findings, NCS draws the following conclusions:

### **Accessibility**

Most of the factors contributing to the decline of the market are physical in nature, and relate to the design of the market, its internal layout, and the relationship between the market and the rest of the shopping centre. The effort required by potential shoppers to access the market is currently not outweighed by the benefits of the shopping experience.

Although there is a financial cost to any improvements, some of the barriers can be addressed more easily than others.

### **Occupancy agreements**

The indoor market lease could in its current form act as a barrier to the refurbishment and revitalisation of Lancaster market, in that it does not contain a break clause, which would facilitate the significant internal changes required.

In addition, there appear to be no processes in place that link the provisions of the lease with the effective day-to-day regulation of the market (e.g. opening hours, encroachment, customer care).

### **Location**

Despite the close proximity of bus stops and car-parking facilities, the market, anchoring the southwest corner of Lancaster's retail centre, appears almost a secondary retail location in relation to both the Marketgate shopping centre and the City's retail profile. Most customer flow/footfall appears to be concentrated on the axes of Market Street and Penny/James Street.

### **Financial**

The financial burden of the head-lease, by which Lancaster Council are tied into a 99-year lease with upward only rent reviews and a service charge over which they have little or no control, is onerous.

The financial losses associated with the market account cannot be resolved solely by cuts in expenditure. If the market is to continue, there is a need to completely refocus and transform the offer, which will require initial financial investment.

### **The market offer**

The market looks tired, old-fashioned and neglected. It appears to have changed very little in the 15 years since it opened. In terms of private sector retailing, this timescale without a refit is very unusual, as it is recognised that refits generally generate improved turnover.

The large number of empty stalls also adds to the lack of 'atmosphere' inside the market.

That said, the market supports some good businesses and good commodities, with a small but relatively stable customer base.

## **Management**

The stakeholder consultation process raised a number of issues in relation to the management of the market. The sheer scale of the problems facing the market and the limited options for change may, to some degree, have created an element of inertia. However, there are a number of strategic and operational issues that need to be addressed:

- The need for an articulated vision for Lancaster market
- The need for a strategy to transform the market and deliver the vision
- The need for detailed annual business plans setting out how the transformation will take place
- The lack of proactive, commercially-focused operational management of the service
- A lack of focus on new business start-up opportunities
- The absence of a marketing and promotion strategy and budget for the service.
- Standards of repair, maintenance and cleanliness
- The absence of effective stakeholder engagement, in particular relation to communication with market traders.

It should also be noted that the current market portfolio consists of four retail markets, three of which appear to be performing well.

## **Data management**

There is clear evidence of very effective data management systems being in place in relation to market. Requests for information relating to tenant/commodity mix, occupancy, footfall both in the market and the shopping centre, and financial performance have all been met promptly.

## **Reputation**

It is clear that the reputation of the market has been damaged, not just in relation to the current offer, but also in terms of the publicity/rumours of closure. It must be recognised that even if physical changes are implemented, those reputational issues will make attracting new businesses and customers into the market much harder.

## **Customer demand**

For the market to survive, it is essential that the market offer recognises and responds to customer needs/demands. The stakeholder research carried out as part of this review identified a range of issues, products and services that current customers would like to see in the market. Equally non-users of the market identified a range of issues that might make them shop in the market. These factors must be programmed into the change process.

In addition to the purely commercial aspects of this change (i.e. introducing commodities that customers want to buy), this change process needs to focus on and

improve the community aspect of markets as social space, a place to meet, and a source of wellbeing.

The existing customer base is unlikely to grow unless the offer is improved in line with the above.

## **Linking the markets**

Although physical links between the market hall and the Assembly Rooms market can be improved, the options for improving the links between the market hall and the outdoor market are severely limited. A better strategy might be to focus on improving the offer of the indoor market, coupled with better marketing/promotion of all the markets.

## **Overall**

There is no 'quick fix' solution to the market's problems. Equally, all the options considered carry an element of financial risk for the Council, from doing nothing to closing the market to investing to improve the performance.

## Section 5 – Options

### **Strategic options**

#### **Do nothing**

This option simply maintains the status quo, whereby the Council, as the market operator, seeks to minimise expenditure on the market and hopes for growth. The lease burden of rent and service charge remain, but at least some of that cost is covered by income from the market.

There are several risks associated with this model:

- That operational expenditure e.g. energy, waste increase and are not offset by income
- That the trading performance of the market deteriorates so reducing income
- It offers no long-term solution to the financial burden arising from the lease obligations.

#### **Close the market**

Based on analysis of the financial data provided for this review, it appears that for most years the net cost of the rent and service charge has been offset to some degree by the revenue performance of the market. Closing the market without finding a new occupier, would potentially increase the net burden on the Council, not just in relation to the rent and service charge obligations arising from the lease, but also in the fact that the markets account currently contributes to corporate costs.

The review team is not aware of any interest from retailers in taking over the market space. Equally, even if there was retail interest, it is not certain that they would be willing to cover the full costs of rent and service – the obligation for which would remain with the Council.

#### **Find a single retailer to occupy one floor of the market**

This option looks at the potential to reduce the size of the market and sub-let one floor to a single retailer. In addition to the issues raised in the previous model, there is also the difficulty of who would occupy the upper floor. In our view, there is little doubt that a single retailer, assuming one could be found, would only be interested in the lower floor, so that the market would have to be relocated to the upper floor. This would result in it being even more isolated than the current operation.

#### **Re-profile the market**

This option recognises the fundamental constraints that the current operation has and seeks to progressively remedy them, such that the market offer is more in keeping with the demands of modern customers. It recognises that investment will be required, that it is not a 'quick fix', and that there is no absolute guarantee of success, but may offer the best long-term solution to resolving the current problems.

Increasing footfall and improving business sales will, over time, enable the Council to recover more of the rent/service charge.

The remainder of this section looks at the specific changes that could be considered as part of this change process.

### **Business Plan/ Change Management Strategy**

A detailed business plan/change management strategy should be developed, incorporating the vision for the market, the change processes required and the resources necessary to deliver that change. The change strategy also needs to identify short, medium and longer-term changes. Critical to its success will be the need to create momentum for change early on in the process.

### **Improving accessibility**

This section looks at improving accessibility to the market. In particular, it looks at three critical areas – entrances, internal layouts and signage.

#### **Entrances**

The market hall has to compete in a very competitive retail environment. Feedback from the consultation process showed that many people felt that the market needed to modernise. Retailers recognise the benefits of refits in that they can lead to significant sales growth. It appears no significant refit has been carried out in the market in the 15 years plus it has been open. On average, a retailer would have refitted once and possibly twice in that timescale, depending on the commodity group sold (food retailers tend to refit more frequently).

Attention should be focused on the entrances to the market, which need to be improved significantly. This can be achieved by replacing them with lighter glazed doors that show more of interior of the market, but, more importantly, show the brand. This could be done on a phased programme, starting with the lower mall entrance.

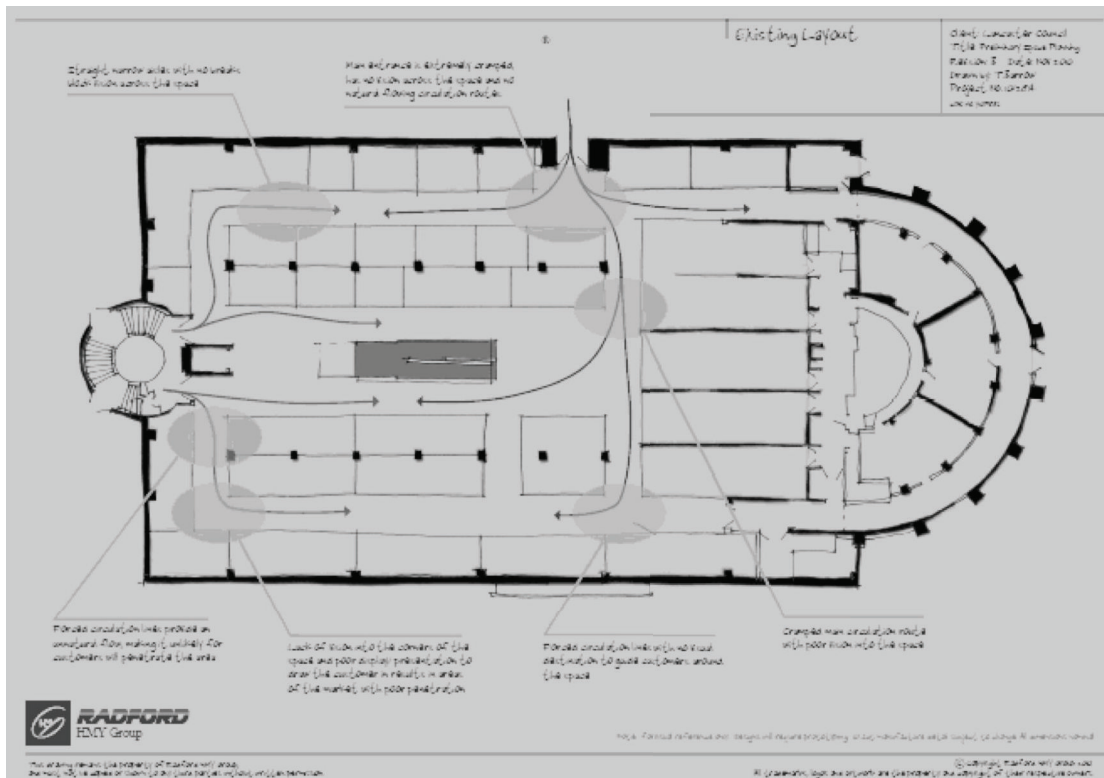


**Internal layout**

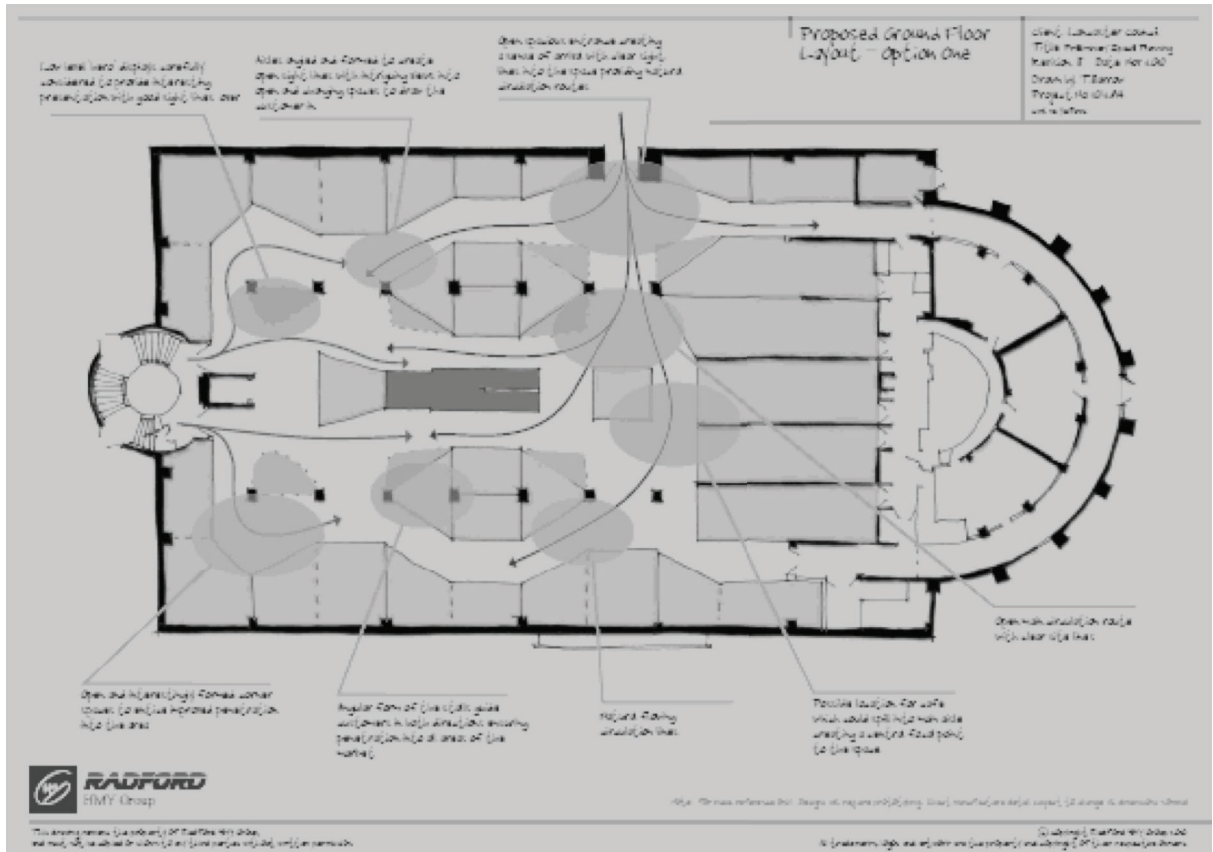
The review has found that the internal layout of the market has contributed significantly to the historic and current under-performance. It also acts as a barrier to improvement.

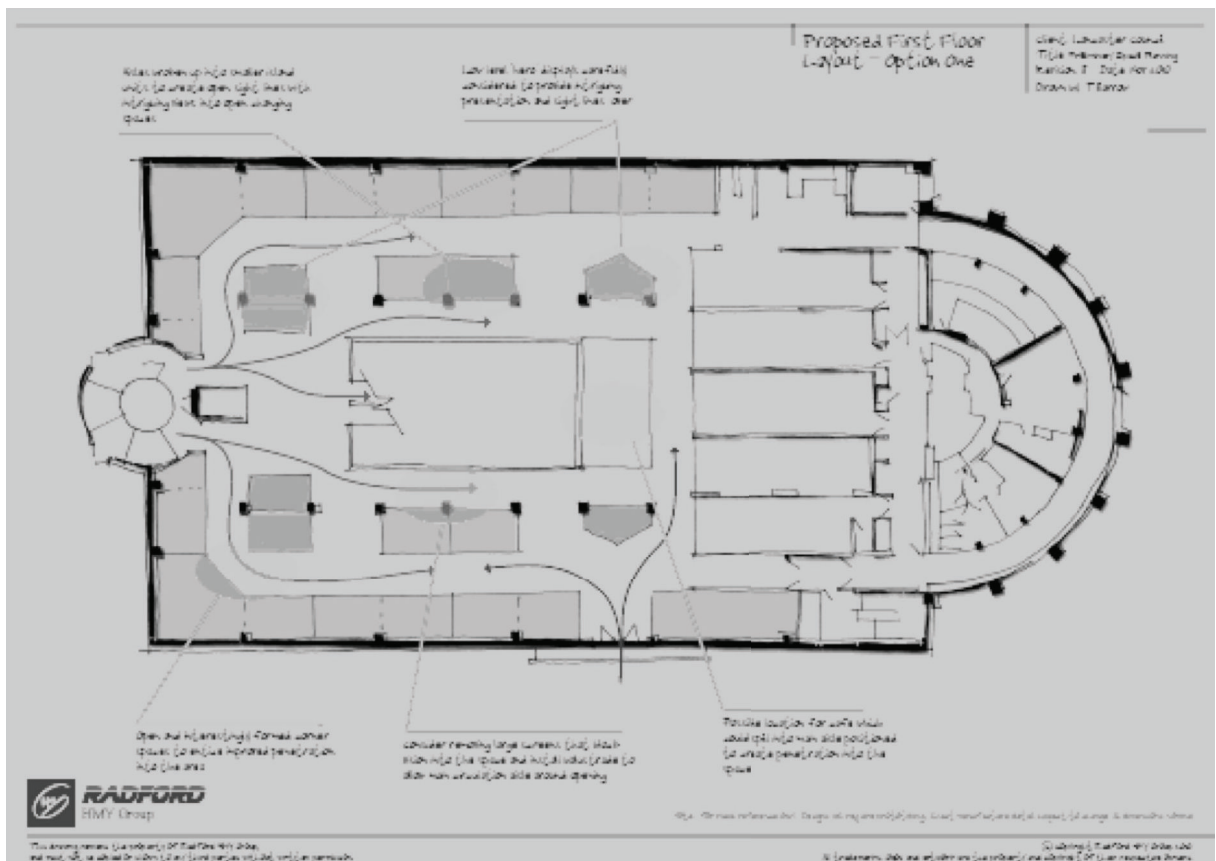
A specialist retail/market hall fit-out company – Radford HMY Group – was approached and asked to review the existing layout and design an alternative arrangement. The plan below shows the existing layout. This is followed by a new layout for the lower mall, which opens up sight lines, breaks up the linear form of the stalls and creates internal spaces that can be used for events, entertainment, cafe seating or demountable stalls. The third plan show an alternative layout for the upper floor, which removes the dead backs of stalls from initial sight lines. Indicative costings have also been provided which are considered in the financial section below.

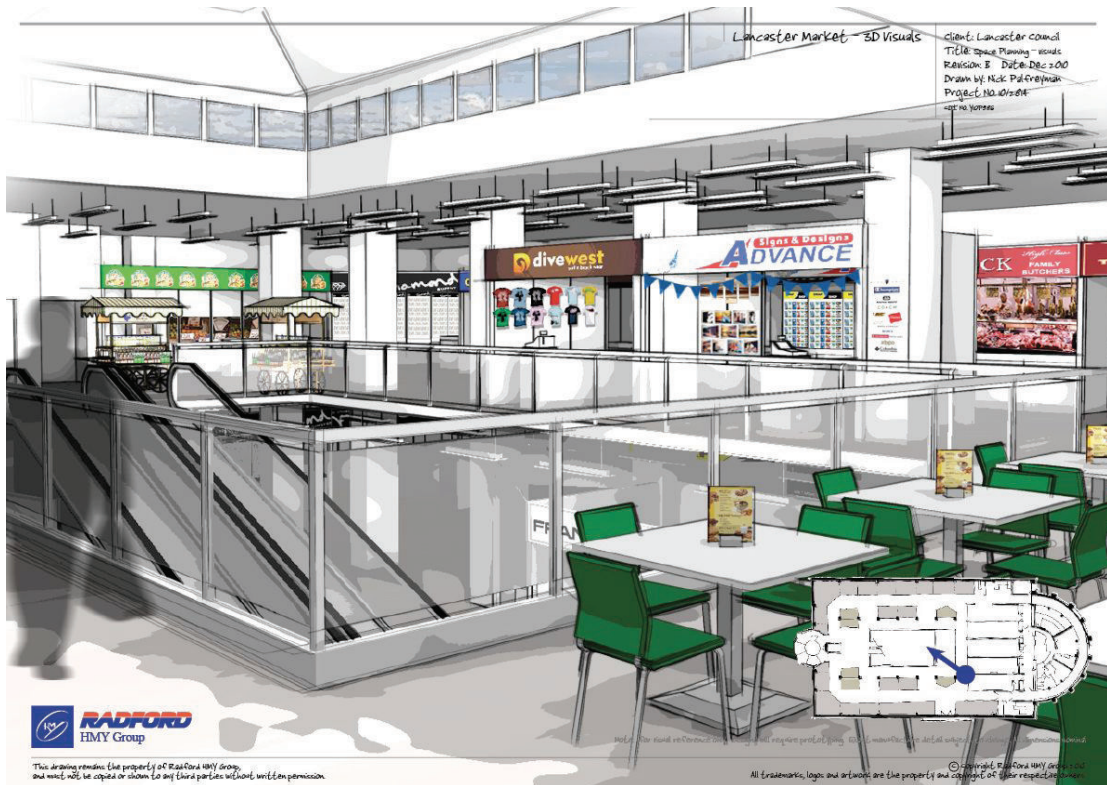
Artist’s impressions of these proposals have been developed and follow the plans.











## Signage

Signage into and through the market also needs to improve. The following photographs look at the market's glazed elevation on King Street, which compare with the open glazing and vinyl visuals on Manchester Arndale's retail market.



The market atrium may also lend itself to the use of large drop-down banners as used at Boqueria Market in Barcelona (illustrated). These can be used to promote the brand and can be changed seasonally if required.



### Occupancy agreements

Leases issued under the Landlord and Tenant Act afford tenants considerable protection. However, in the context of retail markets they can also act as a barrier to the effective day-to-day regulation of the market. Landlords have the right to apply to the courts for termination of the lease. However, this is an extreme and final remedy that it not particularly suitable to dealing with smaller-scale breaches that require timely resolution. Examples of this would include regular late opening or early closing by traders, encroachment of traders' goods onto walkways, or poor customer service (complaints about goods or behaviour).

Many market operators have sought to resolve this by introducing market regulations coupled with an enforcement/disciplinary code. Such a system could include, for example, the issuing of warning notices, suspension from trading for persistent breaches and ultimately termination, coupled with rights of appeal for traders.

This approach could also be taken in relation to agreeing quality standards for the market, which could be incorporated into an enforceable charter.

### Branding/Marketing

There is an opportunity to create a separate brand identity for Lancaster Market. In addition to the creation of a logo, signage, website and marketing materiel, there is also a chance to improve the visual presentation of the market entrances and directional signage within Lancaster.

Two examples of market web sites are linked below. Both are council run markets, but the websites are separate from their Council's web site, and have been developed from a more commercial perspective.

[www.manchestermarkets.com](http://www.manchestermarkets.com)

[www.norwich-market.co.uk](http://www.norwich-market.co.uk)

A marketing and promotion plan for the markets could be developed and implemented. This should include:

- Improved web presence
- Improved macro and micro signage
- Promotional material for the market
- Developing 'good news stories'
- The option on market loyalty cards/short-stay parking areas

To support this initiative a ring-fenced budget could be established, whereby a marketing levy is charged per stall per week, and the sum matched by the market management. This fund should be jointly managed with the traders, to ensure openness and effective targeting. It will also be necessary to ensure that marketing expertise is used – either from the in-house team or from external professionals.

### **Attracting new traders/commodities**

A vital element of creating a sustainable market in Lancaster will be the allocation of resources to attract new traders and new commodities. It must be recognised that the experience and expertise to carry out this function is different from the experience and expertise required to successfully manage the day-to-day operational requirements of the market.

Given the current lean and reactive nature of the market's staffing resources, the potential to create a new part-time post of business development manager should be considered. The role will be to proactively implement some of the change processes identified by this review, and develop the market.

Although requiring initial 'pump-priming' this post should become self-financing through increased rental income.

Lancaster Market should also develop a business support package to encourage and support new enterprise/local business development. This package should look at:

- Investing in a small number of stalls for new businesses
- Creating a business support package for new businesses with information and directions to other agencies and services
- Develop trader 'buddies' that will act as business mentors for new start-ups.
- Offering time-limited discount rents for key commodities

The stalls could be of the demountable type, typically used on outdoor markets:



They could equally consist of traditional market barrows or some retail merchandising units (RMUs) around the centre of the market or by the entrances:



### Events/footfall generation

There is evidence from market shoppers, non-users and traders of support for a programme of events/entertainment in and around the market area that could attract increased footfall. Equally there appears to be customer demand for wider information such as healthy eating/cooking demonstrations that could enhance the overall offer and attractiveness of the market.

Footfall can also be increased by improving the customer experience, such as ensuring that visually attractive stalls are located at key anchor points to draw shoppers in, improving seating and cafés/restaurants, improving the toilets and baby changing facilities, and adding customer information points. The opportunity exists to factor these into a revised business plan for the market.

## Financial/Performance Management

Although the traders are concerned at the current stall charges, comparative analysis carried out as part of this review suggests that the current charges are reasonable. Accepting this means that income from the market can only rise significantly if there is a significant increase in footfall and good conversion rates, and /or the market increases the number of traders. Both these approaches will require a proactive management approach, sufficient staff resources and initial expenditure.

There is also a need to introduce a range of key performance indicators. The Retail Markets Alliance has developed the following list of national indicators for retail markets, from which individual market operators can select the most appropriate for their market:

- Occupancy rates
- Number of businesses supported through the portfolio's operation
- Number of market businesses managed by traders living within the local authority's boundaries
- Number of Black and Minority Ethnic (BME) managed market businesses
- Number of female managed market businesses
- Number of people directly employed on the Markets - Full Time Equivalents (FTEs)
- Footfall
- Business turnover generated by the markets
- New business start-ups
- Business survival rates
- % waste generated by the markets that is recycled
- % of stalls/businesses selling food
- The number of health/community initiatives delivered on the markets
- Customer satisfaction levels
- Operating profit as % of budget target.
- Arrears as % of income.
- Marketing budget as % of income
- Business confidence levels.

## Investment costs

Developing detailed specifications and quotations for the changes discussed in this section falls outside the scope of this review. However, some indicative 'budget' costings are provided below:

	Budget figure (£)
<b>Entrance doors</b>	40,000 per entrance
<b>Internal layout changes</b>	400,000
<b>Drop down banners</b>	1,000 each
<b>External glazing vinyl transfers</b>	12,000 plus original images
<b>Demountable stalls</b>	1,000 each
<b>Part-time business development manager</b>	20,000 p.a.



## **Partnership working**

In order to capitalise on and increase support for the market, it is recommended that the Client seeks to improve partnership working by:

- Creating a markets forum for stakeholders
- Developing specific links with the Chambers of Commerce in relation to promotion and the business support project
- Developing community links such as healthy eating demos on markets with the Health Service.
- Better liaison with the Universities in relation to the opportunities for markets/business start-ups and promotion, as well as attracting students as customers
- Raising the profile of markets in schools by curriculum links to local business/environment and encouraging active participation by schools on the market as part of their health/entrepreneur development
- Creating space for information on tourism, Council, police, health and other services.

## Section 6 – Recommendations

NCS makes the following recommendations:

### **Strategic**

Lancaster market should be retained, though significant improvements are required.

On balance, it is recommended that the management of the market remains in-house. This is because this model gives the client more control over the change management process. However, other options should be considered as part of a medium to long-term strategy.

Draft a vision/strategy for Lancaster market focusing on its food offer, but not exclusively so. The strategy must focus on improving the retail offer/shopping experience of the market.

A business plan for the markets should be developed and implemented, setting out the strategic and operational priorities, change programme actions, resources and financial modelling.

Establish a capital account to fund reinvestment in the markets.

### **Accessibility**

There needs to be programme of investment in the market. The priority for changing the market should be the need to improve accessibility – entrances, internal layout and décor. The option of positioning some high visual impact stalls outside the market should also be examined.

Signage to and through the markets must be improved.

### **Occupancy agreements**

That the Council continues to offer, as its principal occupancy agreement, a 4-year lease. Given the need for significant refurbishment and revitalisation of the market, that lease should incorporate a break clause.

In addition, the Council should offer simpler, shorter-term occupancy agreements, particularly in relation to encouraging new business start-ups within the market.

The Council should also, in consultation with the traders, devise and implement new market regulations and an enforcement/disciplinary procedure that deals flexibly and effectively with the day-to-day management of the market.

### **Business improvement**

To help the transition from a reactive to a proactive management operation, resources need to be targeted on market development/new traders/marketing. This should include:

- Investing in a small number of stalls for new businesses
- Creating a business support package for new businesses with information and directions to other agencies and services
- Develop trader 'buddies' that will act as business mentors for new start-ups.
- Offering time-limited discount rents for key commodities.

The rental structure needs to be reviewed and made more flexible to ensure it is able to attract key new commodities/traders.

## **Marketing and promotion**

A marketing and promotional programme should be developed and implemented. This should include developing a separate identity/brand for the market. This should include:

- Improved web presence
- Improved macro and micro signage
- Developing 'good news stories'
- Targeted marketing improving links to tourism e.g. coach operators, town residents, businesses, and younger people.
- The option on market loyalty cards/short-stay parking rebates.

A programme of events should be developed and implemented to increase footfall and customer awareness of the market.

## **Customer service**

The Council should, in partnership with the traders, develop and implement a customer charter for markets, clearly setting out customer rights, service standards, and what to do and where to go if a customer wishes to complain.

Appropriate space for information on Council, police, health and other services should also be created.

## **Communications**

The Council should develop and implement a markets communication plan, which ensures regular dialogue with market traders and stakeholders. In addition to meetings, the plan should consider:

- Improved web profile and accessibility
- Newsletters to staff/traders
- Notice boards on the markets
- An agreed method for traders to feedback info/comments to market management

## **Partnership working**

Better partnership working should be introduced, including:

- Improving links with the universities e.g. using students to develop the market web site, offering discounts to students, exploring market-trading opportunities for students.
- Creating a markets forum for stakeholders. The market forum should consist of Councillors, senior officers, market management and traders' representatives.
- Developing specific links with the Chambers of Commerce in relation to promotion and the business support project
- Developing community links such as healthy eating demos on markets with the public health agencies
- Better liaison within the Council in relation to the economic benefits of markets/business start-ups and promotion.
- Raising the profile of markets in schools by curriculum links to local business/environment and encouraging active participation by schools on the market as part of their health/entrepreneur development.

## **Local food/products**

In addition to expanding the food offer generally, the Council should seek to make better use of local food and products on the market by:

- Targeting local food/products as a key commodity and attracting new businesses
- Creating a sub-brand within the market that makes local food/produce readily identifiable to customers
- Target marketing this as part of the market's Unique Selling Point.

## **Performance measures**

Of the Key Performance Indicators that have been developed nationally for retail markets (see previous section), it is recommended that the following are adopted by Lancaster:

- Occupancy rates
- Footfall
- Number of businesses supported through the portfolio's operation
- Number of market businesses managed by traders living within the local authority's boundaries
- Total number of people (FTEs) directly employed on the market
- % waste generated by the markets that is recycled
- Business confidence levels
- Customer satisfaction levels.

## Appendix 1 – Measuring Success

### Successful and Sustainable Markets - Critical Success Factors

The Retail Markets Alliance has reviewed a number of versions of Critical Success Factors for retail markets, and produced a 'hybrid' version taking the common and best elements of each. These are listed below. The more areas the market conforms to, the greater chance it has to succeed.

#### **Sense of place**

Locations are said to have a strong 'sense of place' when they have strong identity and character that is deeply felt by local inhabitants and by many visitors. Successful markets such as La Boqueria in Barcelona, and Borough market in London clearly demonstrate this. This sense of place reflects not just the physical nature of the market and location but also the cultural and social diversity of the area.

#### **Critical mass**

This measure looks at the scale of the market in relation to its location, and is not just about size. It is important that the market has critical mass for two reasons. Firstly, placing 25 stalls in a space that can support 125 stalls means that the market will appear small and inconsequential. Equally, a 20-stall market that fills its location is more likely to appear bustling and thriving. In relation to size, the larger the market, the more chance it has to survive economic downturn.

#### **Good management**

Good management is fundamental to any successful market and should not be undervalued. Good decision making, effective communication, business acumen and the ability to deliver a safe, clean and inviting environment are essential. Equally, the effective capture, management and analysis of information and data is an important constituent of successful markets. It is both strategic and operational and recognises the need for, and delivers investment in markets.

#### **Accessibility & permeability**

The market needs to be accessible for all users, so good transport links (public and private) are essential. The market must be welcoming with good entrances, and the interior must be designed to allow good customer flow. This factor also includes location, arguably, the single most important success factor. Markets placed in the wrong location fail.

#### **Marketing & PR**

The market needs to be promoted to raise the awareness both for shoppers and to retain and increase the traders' base. Marketing strategies should recognise the market's brand and emphasise its 'unique selling point' (USP). There should be strong positive links with the local media.

#### **Safety & security**

Customers do not like to frequent places that have high levels of crime and anti-social behaviour. Equally, they will react to perceptions of crime as well as actual crime. It is essential, therefore, that where this is an issue it is tackled robustly and effectively.

**Integration with surrounding retail offer and community**

The market offer has to be understood in relation to the surrounding retail offer. Is the market competing with or complementing that retail offer? What differentiates the market offer from the other shops, so that it can attract and retain its own customer base? Equally, the market offer has to be aligned to its demographic base. Understanding retail customer profiles, spend patterns and values and the types of commodity and services that different customer types prefer is essential.

**Partnership working**

Sustainable markets need partnership working. This involves not just effective working between managers and traders, but also building and maintaining links with, for example, other council departments, local businesses, town centre managers, local schools, colleges and universities, local primary care trusts, and the local media. They will vary from location to location.

## Appendix 2 – Lancaster market traders’ SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Experience of traders</li> <li>• Commodities/quality sold</li> <li>• Unique products not sold anywhere else</li> <li>• Cultural diversity (traders and shoppers)</li> <li>• Footfall of <b>some</b> areas of market</li> <li>• Community feel of the market</li> <li>• Dedication/commitment of the market</li> <li>• Public transport links to market e.g. bus stop for University</li> <li>• Car parking</li> <li>• Students shopping</li> <li>• Customer catchment (some coaches) but most from Lancaster</li> <li>• Shop mobility</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of advertising (markets not in brochure promoting Lancaster)</li> <li>• Car parking – not enough and cost</li> <li>• Signage – city centre</li> <li>• Management – communication</li> <li>• Lack of ‘ownership’ of the market</li> <li>• Communication with Council</li> <li>• Lack of trust – threats of closure several times over past 15 years</li> <li>• Speed of response by Council – no-one held to account</li> <li>• Outdoor market separate from indoor market</li> <li>• Entrances – very heavy doors and unreliable automatic opening</li> <li>• 2-floor trading</li> <li>• Temperature differences between the 2 floors</li> <li>• Through-draughts</li> <li>• Stall lay-out/aisles</li> <li>• Can’t see through the market</li> <li>• Poor management standards e.g. in relation to cleaning toilets</li> <li>• Management tied up with lots of small operational issues rather than focus on strategic change</li> <li>• Storage poor and floods</li> <li>• Lack of toilets</li> <li>• Routes diverting shoppers away from the market</li> <li>• Lack of new businesses coming into the market</li> <li>• Reputation – even though some good businesses still there</li> <li>• Lack of variety</li> <li>• Rents reasonable. Service charge virtually doubles costs</li> <li>• Poor lighting</li> <li>• Poor maintenance – painting/leaking roof//cleanliness</li> <li>• Quality of shopping centre – more downmarket retailers coming in</li> <li>• Traffic congestion in city centre</li> </ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>• Universities – build better links</li> <li>• Attract younger people</li> <li>• Community projects – create space (undercover)</li> <li>• Build on existing footfall – knock down blockages, open up the space and attract good new businesses already out there</li> <li>• Events/farmers’ market indoors</li> <li>• Assembly Room traders – incorporate them into the market</li> <li>• Option of relocating market to lower floor</li> <li>• Marketing &amp; promotion</li> <li>• Web presence</li> <li>• Ethnic food doing well – bring in more e.g. Indian food</li> <li>• More local produce</li> <li>• Healthy eating/cooking demos</li> <li>• New name/strap-line for the market (which is the Charter market?)</li> <li>• Create advertising space within the market</li> <li>• Send out a strong message about the market being open</li> </ul>	<ul style="list-style-type: none"> <li>• Doing nothing</li> <li>• Lack of vision from Council officers</li> <li>• Budget deficit</li> <li>• Risk of recession</li> <li>• Elections/different parties</li> <li>• Ownership/occupancy structure – stuck in 99 year lease</li> <li>• Expansion of outdoor market – replicating commodities sold indoors</li> <li>• People forgetting the market’s there</li> </ul>



## Appendix 3 – Shopper survey questionnaire



### Lancaster Indoor Market Customer/Non-customer Questionnaire

---

**Date of interview:**

**Location of interview:**

**Time of interview:**

**Name of person carrying out survey:**

---

The following questions are designed to understand why shoppers use the market, what they buy and how much they spend, where they come from, and how they travel to the market. It also asks non-customers why they don't shop on the market, and what would make them start using the market.

**1. Do you shop on this/Lancaster Indoor market? (depending on location of interview)**

Yes	
No	

If 'No', please go to question 18.

**2. How often do you shop on the market?**

First visit	
Every Day	
Twice a week	
Once a week	
At least once a month	

**3. What products do you buy on the market?**

Cheese/delicatessen	
Meat	
Fish	
Groceries/frozen foods	
Sweets and chocolate	
Oriental food	
Polish food	
African/Caribbean food	
Haberdashery/wool	
Bedding	

Footwear	
Bags/leather goods	
Jewellery	
Cigarettes/Tobacco	
Household textiles	
Electrical goods	
Pet food/pet accessories	
Picture framing	
Phone accessories	
Cobbler/key cutting/engraving	
Fancy dress	
Lottery tickets	
Outdoor wear	
Gents hairdresser	
Cafe/Catering	
Other	

If 'Other', please specify:

--

4. Are there any other products you'd like to the market to sell?

--

5. On average, what is the total amount you spend on the market on each visit?

Less than £5	
£6 - £10	
£11 - £15	
£15 - £20	
More than £20	

6. On average, how many stalls do you buy from on each visit to the market?

One	
Two	
Three	
Four	
Five	
More than five	

7. In relation to Lancaster, are you (please select one only)?

A resident	
A worker	
A visitor	
Other	

If 'Other', please specify:

--

8. How far have you travelled to get to the market?

Less than 1 mile	
1 - 2 miles	
3 - 5 miles	
More than 5 miles	

9. How do you normally get to and from the market?

Car (as driver)	
Car (as passenger)	
Bus (public transport)	
Coach	
Walking	
Train	
Bicycle	
Motor bike/moped	

10. What 3 things do you like about the market?

a	
b	
c	

11. What 3 things do you dislike about the market?

a	
b	
c	

12. Please list 3 improvements you would like to see at the market

a	
b	
c	

**13. What other facilities would you like to see on the market?**

Healthy eating advice	
Cooking demonstrations	
Information about Council services	
Entertainment	
Art and heritage displays	
Help to carry shopping to car/bus	
Other	

**14. Do you shop in other shops in the Marketgate Shopping Centre?**

Yes	
No	

**15. If yes, which ones?**

**16. Do you shop on any other markets?**

Yes	
No	

**17. If yes, which ones?**

**Please go to question 20.**

**18. Why don't you shop on the market?**

**19. What would make you start shopping on the market?**

We'd like to ask you a few questions about yourself now.

**20. What is your postcode?**

--

**21. What is your gender?**

Female	
Male	

**22. How old are you?**

16 - 18	
19 - 25	
26 - 35	
36 - 45	
46 - 55	
56 - 65	
66 - 74	
75 or over	

**23. Which of these groups do you feel you belong to?**

White	
Mixed	
Asian or Asian British	
Black or Black British	
Chinese or other Ethnic group	

**If 'Other", please specify:**

--

**Thank you for your help.**