

Business and Regulatory Impact Assessment

Getting the Right Change – A Retail Strategy for Scotland

Background

The Scottish Government's 2021-22 Programme for Government - A Fairer, Greener Scotland¹ contained a commitment to publish a retail strategy *“to help the sector in Scotland adapt, innovate and thrive and become an exemplar in sustainable and inclusive prosperity – supporting a robust, local supply chain and offering people and communities the goods and services that they want.”*

Work on the strategy began in early 2020, when proposals for a Retail Strategy Steering Group were developed and agreed. The 2020-21 Programme for Government committed the Scottish Government to “work with the sector and across government to develop our retail strategy”. In light of the need to prioritise the immediate response to Covid-19, and taking into account the pandemic's impact on the retail sector, the Steering Group was established in December 2020. It was chaired by Jamie Hepburn MSP, the then Minister for Business, Fair Work and Skills and comprised representatives from retail businesses, trade bodies, trade unions, academia and the public sector. Each was selected for their expertise in their field, so they could collectively consider the challenges and opportunities facing retailers and their employees in the face of Covid-19 and in the longer term.

The first meeting of the Steering Group took place in January 2021 and the Group's agreed vision for retail was published on 24 March 2021.

Scotland's Vision for Retail

Over the next decade, Scotland's retail sector will thrive through a process of positive change and innovation, to offer people and communities the quality goods, experiences and services they want.

The sector will embrace business development opportunities to foster sustainable growth; protect the environment; cultivate entrepreneurship; strengthen supply chains; support wellbeing; and ensure that retail offers secure, well-paid and rewarding employment.

The Scottish Government will work in partnership with the sector, trade unions and employees, whose experiences are crucial, to help the retail sector in Scotland become an exemplar for inclusive economic growth and play its part in creating a fairer, greener and stronger Scotland.

Subsequently, Tom Arthur MSP was appointed Minister for Public Finance, Planning and Community Wealth in May 2021 and assumed responsibility as Chair of the Steering Group.

¹ [fairer-greener-scotland-programme-government-2021-22.pdf](#)

Objective

This BRIA is focused on the impact of the potential actions in this strategy on retail businesses.

Once the Steering Group was established, proposals on what the strategy should focus on was considered by the Group. Those initial proposals were distilled into three thematic areas on which the strategy should focus – **Sector, People and Place**. The strategy document sets out our ambitions and supportive actions for each of these areas.

Sector – successful and profitable, by being more productive and innovative, and encouraging, promoting and celebrating entrepreneurial activity and business growth.

People – are at the heart of the retail sector, with the right skills to have rewarding and secure careers and grow businesses as we reorient our economy towards wellbeing and Fair Work to significantly reduce poverty

Place – strengthening the vital contribution that retailers make to the economic and social success of our local communities

The importance of sustainability and the role that retail has in helping contribute towards our net zero ambitions was prevalent in each of the three thematic areas and merited a further, separate area of **Just Transition**.

A Just Transition - is one that protects jobs and benefits the environment, our people and our economy whilst addressing the challenges around sustainable retail practices that contribute to reaching net zero emissions by 2045

Rationale for Government intervention

The relationship between the Scottish Government and retail sector had, pre-Covid-19, been limited to wider business forums with no formal sector-specific forum. By necessity during the pandemic there has been much closer and regular engagement directly with the retail sector.

Over recent years there has been a profound transformation within the retail sector - such as changing customer behaviour, particularly a shift to online shopping, high-profile store closures and job losses – which required a strategic response from both government and from industry. These trends have been accelerated by the Covid pandemic and work on developing a retail strategy commenced with the aim of addressing the particular opportunities and challenges faced by the sector, and providing a more resilient future for retailers in Scotland.

The rationale for developing a retail strategy is aligned with actions that promote the purpose of the National Performance Framework, namely to:

- create a more successful country
- give opportunities to all people living in Scotland

- increase the wellbeing of people living in Scotland
- create sustainable and inclusive growth
- reduce inequalities and give equal importance to economic, environmental and social progress.

Consultation

The Steering Group met six times throughout 2021 to inform the direction and content of the strategy. The membership of the Steering Group, their organisations and positions, are noted below. Minutes of the Steering Group meetings are published on the Scottish Government website².

Steering Group membership

David Lonsdale	Director, Scottish Retail Consortium
Dr John Lee	Head of Policy & Public Affairs, Scottish Grocers' Federation (SGF)
Tracy Gilbert	Regional Secretary, Union of Shop, Distributive and Allied Workers (USDAW)
Robert Deavy	GMB Scotland Organiser, GMB
Professor Leigh Sparks	Deputy Principal and Professor of Retail Studies, University of Stirling
Andrew McRae	Policy Chair, Federation of Small Business (FSB)
Hugh Lightbody	Chief Officer, Business Gateway
Katie Hutton	Director of National Training Programmes, Skills Development Scotland
Fiona Richardson	Chief Officer, Trading Standards Scotland COSLA
Colin Smith	Chief Executive, Scottish Wholesale Association (SWA)
Lucinda Bruce-Gardyne	Founder, Scotland Food and Drink and Founder of Genius Foods
John Brodie	Chief Executive, Scotmid Co-operative
Kathy Murdoch	Centre Manager, Buchanan Galleries
Andrew Murphy	Chief Operating Officer, John Lewis PLC
Emma Parton	Director, The Highland Soap Company
Reuben Chesters	Project Manager, Locavore Community Interest Company

² [Retail Strategy Steering Group: terms of reference - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/documents/2021/06/20210624-retail-strategy-steering-group-terms-of-reference.pdf)

Andy McGeoch	Chief Executive, M&Co
Keith Irving	Chairman, Castle Douglas Food Town Initiative and Owner of Irvings Homestyle Bakery Ltd
Lindsay Methven	Senior Manager, Scottish Enterprise
Neema Rathod	Policy Adviser, Scotland Office
Carron Smith	Principle Officer, Falkirk Council, SLAED
Jack Evans	Scotland Policy and Partnerships Manager, Joseph Rowntree Foundation

Three focused Workstream groups considered in detail the agreed priority themes of Sector, People and Place.

Each Workstream was led by an expert Chair with membership composed of steering group members plus additional invitees from external organisations and public sector representatives.

Sector

- Chair: David Lonsdale, Director, SRC
- additional members: National Federation of Independent Retailers; Tiso; Run4it; GrowBiz; ROX; The Scotland 5G Centre; Glasgow Chamber of Commerce

People

- Chair: Tracy Gilbert, Regional Secretary, Union of Shop, Distributive and Allied Workers (USDAW)
- additional members: Close the Gap; Aberdeen City Council; Young Scot; Reach Community Health Project

Place

- Chair: Professor Leigh Sparks, Deputy Principal and Professor of Retail Studies, University of Stirling
- additional members: South of Scotland Enterprise; Highlands and Islands Enterprise; Glasgow City Council; CLES (the National Organisation for Local Economies)

Scottish policy input was provided by officials from across the Scottish Government including, but not limited to, the Directorates of Economic Development; Local Government and Communities; Fair Work, Employability and Skills; Housing and Social Justice; Agriculture and Rural Economy; Energy and Climate Change.

The actions of the retail strategy were derived from proposals received by participants and used in developing the published strategy document.

Options

Option 1 - Do nothing

This would allow businesses to continue as before, with access to government information and support through published channels and representation on issues affecting the sector made either on an issue-by-issue or case-by-case basis by businesses directly or through an industry body.

This option was discounted in recognition of retail's importance to the Scottish economy and labour market and the profound transformation it was experiencing. There was also an appetite for and a request from industry representatives for a strategic approach from Scottish Government in supporting the sector through these changes.

Option 2 – Do not develop a strategy but continue to provide guidance and – where necessary – programmes of support to address the economic and operational impacts of Covid-19 and beyond

From March 2020, retail businesses and Scottish Government responded swiftly to the crisis caused by Covid-19, putting in place financial support packages and co-developing industry-specific guidance to assist both businesses and their customers.

Scotland's Strategic Framework Update, published on 21 February 2022, sets out our intention to rely less on legal requirements to manage the virus, and how we plan to remove the remaining baseline measures in Scotland. The Covid pandemic has highlighted the critical importance of retail to Scotland's communities, society and economy while accelerating pre-pandemic trends such as the shift to online shopping (which reached record levels during the pandemic) and the need to ensure staff have the right skills for the retail jobs of the future.

This option was discounted in recognition of the significant and long-lasting impact of these changes on the retail sector.

Option 3 - Develop and implement a retail strategy

This option involved co-developing a strategy with industry and trade unions that considers the immediate and longer term challenges and opportunities for the sector and its staff. It identifies a suite of actions that could effectively support businesses and employees to ensure that the sector is successful, competitive and productive and contributes to a fairer, greener and stronger Scotland as we rebuild after Covid.

Retail is a sector undergoing transformation, with changes in customer behaviour and market conditions accelerated by a multitude of economy-wide factors such as the impact of the pandemic and transition to net zero.

Supporting retail to build on the sector's existing strengths, negotiate challenges and maximise opportunities will be key to unlocking the full economic potential of the retail sector.

This option was endorsed by industry representatives, trade unions and government.

Sectors and groups affected

Retail and wholesale businesses, employers, employees, consumers, suppliers and the communities in which each of these groups operate.

Benefits

A strong, prosperous and vibrant retail sector is essential to the vision of a wellbeing economy described in Scotland's new 10 year National Strategy for Economic Transformation. The retail strategy contains a number of actions which aim to support retail businesses to be successful, profitable and to create new and better jobs, becoming an exemplar for inclusive growth.

It sets out the crucial role for the new Retail Industry Leadership Group which will be responsible for oversight and delivery of a number of priority objectives, including:

- the **actions in the National Strategy for Economic Transformation** that will directly support the retail sector
- a **Fair Work Agreement**, which encourages retail businesses to demonstrate their commitment to Fair Work principles
- a **Skills Audit and Action Plan** for the sector, in partnership with Skills Development Scotland
- a **Just Transition Plan** for retail to ensure a transition to an environmentally and socially sustainable sector, working with industry to guide the path to net zero
- agree, within the first six months of its establishment, a **Delivery Plan** that sets out how it will deliver its identified priorities as well as a critical review process and timelines for measuring success

The work of this group will flex and take account of changing economic circumstances and build on good practice and transformation in the sector.

Costs

There are no identified, quantifiable direct costs to businesses as a result of this strategy. The intent is to raise awareness of existing policies and programmes of support that retail businesses may be able to access, to highlight areas for investment to support profitability and business growth, and to co-develop future policies supporting the sector's transformation. Some of these future policies, such as the retail Fair Work Agreement and Just Transition Plan, may incur costs and deliver savings for some businesses depending on the final shape of the policy that is developed in partnership with the sector and trade unions.

None of the actions in this strategy require specific legislation that retailers would need to take into account as part of their operational arrangements. Should the consultation on new permitted development rights and/or changes to the use classes order lead to legislative change, a further BRIA will be conducted to take into account the impact of that policy, once known.

Secretariat for the Industry Leadership Group will be provided by the Scottish Government.

Scottish Firms Impact Test

Data that sets out in detail a Scotland-level disaggregation of characteristics of areas of the retail sector is in the Annex A of the Strategy, titled *Evidence* including estimates of employment, number of businesses and business sites and number of premises.

According to the Business Register and Employment Survey (BRES) 2020, the Wholesale and Retail sector³ employed 348,000 people – 13.7% of all employment in Scotland. Of this, 241,000 were employed in the Retail sector⁴, 9.5% of all employment in Scotland.

Economic Impact

Turnover & Gross Value Added

In 2019 retail turnover in Scotland stood at £23.1 billion and the sector contributed £6.1 billion in Gross Value Added (GVA), equivalent to around 6.2% of all Scottish GVA. These totals have remained largely unchanged over the last decade⁵ so while the economy as a whole has increased in size by around 10%, retail's share of GVA has decreased. Scottish Government estimates of monthly GDP show output (GDP) growth of 2.3% growth in Wholesale, Retail & Motor Trades from November 2020 to November 2021, and a 1.1% increase from October 2021 to November 2021⁶.

	2008 (£bn)	2019 (£bn)	Change (£bn)
GVA Basic Prices (Economy wide)	90.7	99.5	8.8
GVA Retail (47)	6.2	6.1	-0.1
Retail as a Share	6.8%	6.2%	

[Scottish Annual Business Statistics \(June 2020\)](#)

³ Defined as Section G (Sic 45, 46, 47) BRES 2020 via Nomis

⁴ SIC 47 only, BRES 2020 via Nomis

⁵ Retail's contribution peaked in 2014 with turnover marginally exceeding £27 bn and GVA £7 bn.

⁶ Scottish Government Estimates of Monthly GDP, [Economy statistics - gov.scot \(www.gov.scot\)](http://www.gov.scot)

Enterprises

Sector	Number of Registered Businesses	Micro Registered Businesses (0-9 employees)	Small Registered Businesses (10-49 employees)	Medium Sized Registered Businesses (50-249 employees)	Large Registered Businesses (250+ employees)
Retail Trade, (Division 47)	15,535	13,715	1,280	230	305
Predominantly Food Retail (Class 47.11 & Group 47.2)	4,665	4,155	450	35	25
Non-food/ Other Retail	10,870	9,565	830	195	280

In March 2021, there were 15,535 registered enterprises in the Scottish retail sector an increase from 13,790 enterprises in the prior year⁷.

Two thirds (66%) of registered businesses in the retail sector were in the non-food/other retail sub-sector while micro enterprises (0-9 employees) accounted for 87% of businesses in the sector. Large enterprises (250+ employees), which comprised around 2.2% of enterprises, accounted for 69.6% of employment and 76.8% of turnover.

Impact of Covid-19 on the Retail Sector

While the Covid-19 pandemic is first and foremost a health crisis, it has also had an unprecedented impact on businesses and the economy since March 2020. The public health measures introduced to contain the spread of the virus necessitated the temporary closure of many businesses during multiple lockdown periods and required others to restrict or change how they operate. As a result, impacts differed across sectors with non-essential retail stores (e.g. clothing) required to close for prolonged periods.

On the other hand essential retail (e.g. food) was allowed to trade and many businesses saw increased output throughout this period. However those businesses also had increased operational costs due to capacity restrictions; higher overheads through heightened cleaning regimes and staff training costs. Businesses that were able to trade online will have also had an advantage. These varying impacts should be noted as the following data cannot be broken down to compare these retail sub-sectors.

Monthly GVA statistics suggest the retail sector as a whole has now recovered from the pandemic with GVA now 2.3% higher than pre-pandemic levels months ago (January 2020). However GVA performance stalled slightly over the winter period of 2021, with GVA levels dropping nearly 5% from November to December 2021.

⁷ [Businesses in Scotland: 2021 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/businesses-in-scotland-2021/pages/10-12-tables-table-1.aspx) Table 1, SIC 47, total enterprises

In the most recent wave of the BICS survey (7 February to 20 February 2022) 22.7% of wholesale, retail, repair of vehicles firms with a presence in Scotland reported that their turnover has decreased compared to what is normally expected for this time of year, lower than the average for all businesses (27%). 13% reported increased turnover while 50% reported that turnover has not been affected.

Competition Assessment

Will it have an impact on the competitiveness of Scottish companies within the UK, or elsewhere in Europe or the rest of the world?

This strategy aims to improve the competitiveness of Scottish companies and maximise opportunities afforded by digitisation and the transition to net zero. It will also help the sector navigate its way through the changes brought by the UK leaving the EU and the impact of a worldwide pandemic.

Will the measure directly or indirectly limit the number or range of suppliers?

No.

Will the measure limit the ability of suppliers to compete?

No.

Will the measure limit suppliers' incentives to compete vigorously?

No.

Consumer Assessment

The following sets out the Scottish Government's view on the impact of implementing the strategy:

Will the measure limit the choices and information available to consumers?

No.

Does the policy affect the quality, availability or price of any goods or services in a market?

The vision for retail included in this strategy explicitly includes the aim of 'offering people and communities the quality goods, experiences and services that they want'.

Does the policy affect the essential services market, such as energy or water?

No

Does the policy involve storage or increased use of consumer data?

No

Does the policy increase opportunities for unscrupulous suppliers to target consumers?

There is nothing to suggest that this would be the case.

Test run of business forms - N/A

Digital Impact Test

The volume of online sales has grown significantly in the last 15 years – from less than 3% in 2007 to 27.1% in January 2022⁸. The strategy details government action already taken in improving digital capability and infrastructure and the commitment to exploring the introduction of a new national digital sales tax in Scotland, and to consider whether this could help make the tax burden more equal between bricks and mortar and online retailers.

Digital impact was considered under the Sector workstream of the Steering Group and examines issues facing the industry, such as the need to adapt to changes in customer behaviour; the speed of digital expansion; barriers to productivity in retail; and how best to support entrepreneurial activity and business growth.

The ILG will focus on the delivery of the actions in NSET that will directly support the retail sector and promote existing digital support to help it meet the increasing demand for e-commerce.

Legal Aid Impact Test - N/A

Enforcement, sanctions and monitoring

Enforcement and sanctions are not applicable.

One of the ILG's actions is to develop a Delivery Plan that sets out how the ILG will deliver its identified priorities and a critical review process and timelines for measuring success. The progress of strategy implementation will be monitored by the ILG and regularly reviewed.

Summary and Recommendation

The retail sector is diverse and dynamic, and undergoing a significant transformation, with changes in consumer behaviour, technological advances and accelerated growth in online shopping. The Covid-19 pandemic has revealed the sector's strengths – such as its crucial role in supporting individuals and communities during lockdown – and highlighted the need to ensure a successful, resilient, sustainable and profitable retail sector if we are to achieve our ambitions for a fairer, greener and wealthier Scotland as we rebuild after Covid. The sector will need to continue to evolve to meet the challenges and opportunities of the future, not least the global climate emergency which will require new business models with greener jobs and services.

Developing this strategy has been a collaborative effort with trade unions, business and industry experts working together with the public sector to identify interventions that will make a real difference to retail businesses and those who work for them. The commitment in the retail strategy to a retail Industry Leadership Group

⁸ [ONS Online Sales as a Percentage of Retail Sales](#)

underlines the importance of businesses, industry representatives and employees working together to tackle the challenges and grasp new opportunities.

Our evidence base and level of understanding of what we are trying to achieve will continue to grow as we work together in partnership with the ILG and as we work through the outcomes from connected policy streams, particularly the National Strategy for Economic Transformation.

Through this work we will develop a more comprehensive approach to understanding the impacts of this strategy - within the context of our vision and our outcomes - and contribution to the National Performance Framework.

Declaration

I have read the Business and Regulatory Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable interim view of the likely costs, benefits and impact of the measures set out in the regulations and guidance. I am satisfied that business impact has been assessed with the support of businesses in Scotland.

Signed: 

Date: 21 March 2022

Minister's name: Tom Arthur, MSP

Minister's title: Minister for Public Finance, Planning and Community Wealth