

**Summary of National Market Place Market Consultancy Report for
North Worcestershire Economic Development & Regeneration (NWedr)**

**As at December 2014
and insofar as it relates to Redditch Outdoor Market**

1. BACKGROUND

- 1.1 This Appendix summarises the review of NWedr's outdoor market operations, carried out by consultants National Market Place (NMP) insofar as it relates to Redditch Outdoor Market.

2. METHODOLOGY

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

2.1.1 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.

2.1.2 Site visits

Visits were made to each market. In addition, the surrounding retail, leisure and commercial areas were studied.

2.1.3 Consultation with Stakeholders

Interviews were conducted with key operational team members at NWedr, discussions with the senior officers in Economic Development, LSD Promotions and some market traders past and present.

2.1.4 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 detailed further under paragraph 3 below.

3. SUCCESSFUL & SUSTAINABLE MARKETS – CRITICAL SUCCESS FACTORS

3.1 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. 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.

3.2 **Critical mass**

This measure looks at the scale of a 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 a 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.

3.3 **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.

3.4 **Accessibility & permeability**

A market needs to be accessible for all users, so good transport links (public and private) are essential. A 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.

3.5 **Marketing & PR**

A 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.

3.6 **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.

3.7 **Integration with surrounding retail offer and community**

A 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 a market offer from the other shops, so that it can attract and retain its own customer base? Equally, a 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.

3.8 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.

4. REDDITCH MARKET

4.1 Located in the pedestrianised Market Place in Redditch town centre, the market currently comprises 35 permanently fixed stalls, a number of additional stalls/pitches and several trailer/catering van pitches.

4.2 The market currently operates 5 days a week on Monday, Tuesday, Thursday, Friday and Saturday.

4.3 It is operated by NWedr on Redditch Borough Council's behalf who collect the rents and oversee the day to day operation. Income collected is retained by Redditch Borough Council.

4.4 In 2013/14 Redditch Borough Council received a net surplus income of just over £25,000 and is on track to receive a similar sum during 2014/15.

4.5 The consultants consider that Market Place is the best available location for the market.

4.6 Trader numbers are pretty consistent and there does appear to be large trader loyalty to the market. Some traders will occupy more than one stall and most trade on the market for 3 or more days per week.

4.7 The most popular days (in order from the most to the least popular) are Friday, Tuesday, Thursday, Saturday and Monday.

4.8 Rental income reflects the above, although due to Saturday's higher rental levels Saturday becomes the second best day for income. The market is by no means fully allocated and it is considered that there is plenty of scope to increase income levels. It is unusual to find that the Saturday market is not the dominant day.

4.9 Whilst Market Place is potentially a nice setting, the stalls are not particularly appealing and do need regular cleaning. It is already acknowledged that the space taken by the market area is not especially inviting, particularly on quieter market and non trading days. It is understood that plans exist for improving town centre signage, as the current provision is somewhat lacking.

4.10 The fixed stalls restrict the opportunity to use the space for other markets/activities/amenities. The market is currently closed on Wednesday

and Sunday and infrequently operates to capacity on any trading day and consequently space is taken by empty stalls.

- 4.11 Operators of continental markets would seek to operate on two (maybe three days) minimum and always at the weekend. In NMP's opinion specialist markets would not work trading alongside the existing market and Alcester Street is not suitable for such markets.
- 4.12 There is however potential for specialist markets such as Farmers, Craft and collectables as these markets are one day markets and could potentially be delivered on the Wednesday or Sunday subject to the availability of operational staff.
- 4.13 In 2013 Redditch Borough Council approved the recommendations of a task and finish group that looked at ways to improve the market and how it would be best served in future years. The section below therefore focuses on Redditch Market and its specific issues and needs.

5. SPECIFIC ISSUES AND NEEDS

- 5.1 One of the main recommendations of the task and finish group was to reduce the market operation from 5 days down to 3 days. This is legally possible as traders hold a daily licence and thus notice can be quickly issued and any market day can be closed.
- 5.2 Monday is an obvious choice as it is by far the worst trading day. The second choice is not so obvious. On income and attendance alone Tuesday and Friday should be retained. There are more trader numbers on Thursday than Saturday although higher rents are received on Saturday. On current year estimates, Thursday would generate £5,435 per annum more rental income than a Saturday.
- 5.3 As a result if Redditch Borough Council felt there was enough opportunity to use Market Place for other themed markets and "non market" events the difference in annual income is not that significant that closing the Saturday market is not out of the question.
- 5.4 However, reducing the trading days does present severe operational and financial implications. The closure of the two lowest income generating days (Monday and Thursday) would see a reduction in rental income of approximately £35,000 per annum at current levels. Whilst it may be that some expenditure can be saved by reducing the days, these two days still make an operational surplus and the £25,000 overall annual net income Redditch Borough Council currently receive (latest figures for 2013/14) would be eradicated.
- 5.5 In addition one of the main intentions in reducing the trading days is to permit alternative use of the space. By implication this requires an operational team to erect and dismantle the stalls. Depending upon which days are closed the market will still be open for 3 days. NWedr is not currently resourced to undertake such a task.

5.6 An estimate of the cost to carry out such an operation would be as follows:

Capital Cost	£
35 Pop up style stalls	35,000
Vehicle and trailer	+ <u>5,000</u>
Total	40,000
Revenue Cost	£
Storage of Stalls	5,000
Erect / Dismantle (3 staff x 7 hrs. per day X 3 times per week x 52)	
Staff £8.00 per hour	+ <u>26,208</u>
Total	31,208

It is accepted that the erect / dismantle cost are an approximation however the additional costs of £31,208 per annum coupled with the loss of income of £35,000 per annum would result in the market making a significant annual deficit.

In Summary the estimated revenue implications are:

	£
Current net annual Income	25,000
Estimated loss of income (5 to 3 days)	- 35,000
Estimated cost of erecting dismantling stalls	- 31,208
<u>Savings and Extra income</u>	
Estimated operational savings (2 Days)	+14,000
Estimated income from Specialist Markets	+ <u>7,500</u>
Forecast Net Deficit	19,708

5.7 The benefits of introducing occasional specialist markets and using the area as an alternative events space would come at considerable cost to Redditch Borough Council.

6. FINDINGS

6.1 Management

There is scope to develop management policies that are more proactive and strategic. Operationally the market works well, but it requires strong directional management if it is to contribute in the delivery of a vibrant town centre.

6.2 **Location**

The location of the market could not be bettered. It has its own unique character and its potential is untapped.

6.3 **Appearance**

Redditch market is in need of new stalls; the current provision is not at all attractive and part of any external operator's proposal would include an element for providing new stalls.

6.4 **Marketing**

The website information is accurate but very unattractive. There is some planned advertisement for 2015. There is no social media presence.

6.5 **Financial Performance**

Whilst the market currently returns a surplus net income, the consultants advise that it is not maximising its income and an alternative operator would look to ways in which income could be increased.

6.6 **Prospects for Growth**

The market has the ability to continue to provide a good community market as it has the foundation of a good loyal trader base. It may be fair to say this market has "stood still" for a number of years, however with firm proactive management it has every chance of continuing to succeed.

6.7 **Potential Outsourcing of the Markets**

Consideration should be given to outsourcing the market. Wyre Forest has successfully outsourced Kidderminster market for nearly ten years. The market has flourished and added value to the towns retail offer. The market days of Thursday and Saturday are the towns two main retail days. The market has undoubtedly supported Kidderminster, provided opportunities for local employment and significantly contributed towards the local economy.

7. **Tender Price Options:**

In the event of undertaking a procurement exercise for outsourcing the market, the following options for tender price are available.

Option 1

To follow the more traditional route and tender each market individually or as a package and invite applicants to state the annual fee they will pay the local authorities for the right to operate their market across the contract period.

Pro

A traditional route whereby each Authority is clear on the level of revenue to be received each year across the contract period.

Cons

The Operator makes a significant success of the market and the income received by the Authority is not a fair reflection of trade.

No incentive scheme for the operator.

Option 2

To offer each market and/or the collective package to operate the markets over a 5 year period. However operators are invited to tender a price for each trading year during the 5 year period. This may result in a stepped increase across the contract period.

Pros

This usually results in an increase level of income received year on year.

Maximises the contract value.

Cons

The Operator makes a significant success of the market and the income received by the Authority is not a fair reflection of trade.

Option 3

The operator is invited to submit a tender and provide:

1. The management fee required by the operator (paid by the Council) to operate the market.
2. After an agreed income threshold has been achieved (set at the tender stage), the percentage of the additional monies to be received by the operator.

On this contractual basis all rents received are paid daily / weekly into the Local Authorities bank.

The costs to be incurred by the operator would need to be established in the tender document.

Pros

The operator receives a base fee for managing the market and also receives additional monies based on financial performance.

The operator has a clear financial incentive to perform.

Cons

There needs to be a greater trust between Local Authority and preferred operator.

Option 4

The tender document stipulates a number of income thresholds and invites the operator to submit the percentage to be received by the Authority at each income threshold.

Pros

The operator has a clear financial incentive to perform.

Cons

The Local Authority may receive less income if the operator underperforms

There needs to be a greater trust between Local Authority and preferred operator.

8. Management Options

A Department for Communities and Local Government paper on Retail Market Management models (September 2010) sets out eight different types of structures.

These are summarised below:-

Local authority

The majority of markets are still directly provided and managed by local authorities. This model offers the advantage of accountability, linking markets to wider policy strategic goals, and by understanding the 'public good' that markets provide.

Private

Many markets are operated directly by the private sector, either licensed by the local authority under its market rights, with their own charter rights, or in some instances, completely outside the licensing framework.

This model offers the advantage of reduced bureaucracy and costs, an increased focus on the core business, and the opportunity for directly raising investment capital.

Trader

There are a number of traditional and farmers' markets that are directly managed by the traders themselves. This offers the advantage of reduced bureaucracy and costs and an increased sense of ownership by the traders. This model is an example of localism made real.

Partnership

These can range from the local authority retaining the strategic management of its markets but outsourcing the operational management, to a formal medium- to long-term joint venture between the public and private sector. These models are useful where the local authority lacks the in-house capacity and capability to effectively manage the markets, and where external capital investment is required.

A variation on this model is the emergence of public-public joint venture companies whereby local authorities at a sub-regional or city-region level transfer the management of their markets into a separate company. This not only creates economies of scale and increased purchasing efficiency but also allows for much better strategic planning.

This model has the potential to match the development of local enterprise partnerships, which are a new proposal to empower a number of local authorities and businesses to come together to take action to support enterprise and drive economic growth in their communities.

Arms-length

In 2008, Glasgow City Council became the first UK local authority to establish its markets as an arms-length limited liability partnership (LLP). This model offers the advantage of reduced bureaucracy and costs, an increased focus on the core business, and the opportunity for directly raising investment capital.

Social/community enterprise

A social enterprise is defined as 'a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners'. In practice there are various (and quite different) business models that operate successfully under the social enterprise banner.

However, all share a commitment to trading ethically and generating wider social or environmental benefit through their trading activity. This should not necessarily be interpreted as meaning they are small players in a niche market: the Co-operative Society, John Lewis and the mutual building societies are all social enterprises.

However, the social enterprise model is especially suitable where a business is rooted within a specific locality or community, so could be of particular use for smaller markets that do not generate large profits but do want to add value through maximising the local economic, social, and environmental benefits that markets can generate.

Within the context of operating markets, there are three models that warrant particular attention (although in practice the boundaries between them are often fluid):-

- **Co-operative**

the market business is owned and managed by the market traders – primarily for their collective benefit but usually adding value through product range, contribution to the local economy, willingness to work in partnership with other local agencies.

- **Community enterprise**

the market business is owned by, managed by and accountable to the local community – primarily as a vehicle for benefiting the local community. Being a viable, profitable business is important but no more so than what the market means, to and offers, local people. With this local commitment, adding value through economic, social, and environmental outcomes is seen as 'core business' alongside the actual trading.

- **Social Enterprise**

the market business is run 'as a business' with a specific ethical focus which is likely to produce local benefit but is not the primary purpose of the business. For example profits could potentially be invested outside the area of operation – even overseas in developing countries.

Voluntary sector

Some markets, usually community-focused, infrequent and relatively small-scale, are managed by volunteers. This has the advantage of creating a sense of community-ownership of the market as well as reducing operational costs.

Shared management

As per the existing North Worcestershire Economic Development and Regeneration Service

The following table summarises some of the pros and cons of different types of market management model:

Management Model	For	Against
Local authority	<p>accountability</p> <p>linking markets to wider policy/ strategic goals (public good)</p> <p>generates revenue stream for the local authority</p>	<p>can be bureaucratic</p> <p>lack of capital to invest/competing priorities for bids</p> <p>management may not have retail skills</p> <p>time taken to respond to change drivers</p> <p>profile of markets within local authority – no statutory requirement to provide the service</p>
Private	<p>reduced bureaucracy</p> <p>cost efficient</p> <p>focus on core business</p> <p>access to capital investment</p>	<p>potential lack of accountability</p> <p>lack of interest/expertise in wider social/policy issues</p> <p>lack of security/protection for market traders</p>
Trader	<p>reduced bureaucracy</p> <p>cost efficient</p> <p>focus on core business</p> <p>increased sense of 'ownership' by traders</p>	<p>may lack capital for investment</p> <p>potential lack of accountability</p> <p>traders may lack time/wider management skills necessary to effectively run the market and their own businesses</p> <p>lack of interest/expertise in wider social/policy issues</p> <p>potential conflict of interest</p>
Partnership	<p>access to capital investment</p> <p>economies of scale</p>	<p>can be time consuming and expensive to establish</p>

	<p>improved strategic planning (links to local enterprise partnerships)</p> <p>potential for improved management capacity and capability</p>	<p>merging public and private sector styles can be challenging</p>
Arms Length	<p>reduced bureaucracy</p> <p>cost efficient</p> <p>focus on core business</p> <p>access to capital investment</p>	<p>can be time consuming and expensive to establish</p>
Social/Community Enterprise	<p>builds closer links to community</p> <p>wider community benefits</p> <p>reduced bureaucracy</p> <p>cost efficient</p> <p>focus on core business</p> <p>potential access to alternative capital investment</p>	<p>may lack experience and expertise in managing large market portfolios</p> <p>difficulties in attracting commercial capital</p>
Voluntary Sector	<p>cost efficient</p> <p>builds closer links to community</p>	<p>relies on volunteers – frequency of operation may be limited</p> <p>lack of expertise/experience of volunteers</p> <p>increased operational risk</p> <p>lack of capital investment</p>
Shared Management	<p>ability to share best practice</p> <p>ability to share and attract new market traders</p> <p>reduced operating costs</p> <p>ability to improve standards</p> <p>joint marketing and promotion and more integration with tourism promotional activities</p> <p>shared training and support programmes for traders</p>	<p>potential loss of identity of individual markets</p> <p>potential for one partner to be seen to be 'bailing out' the other</p> <p>can be bureaucratic</p> <p>lack of capital to invest/competing priorities for bids</p> <p>management may not have retail skills</p>

	shared back office systems and support for market management	time taken to respond to change drivers profile of markets within local authority – no statutory requirement to provide the service
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9. CONCLUSIONS

- 9.1 It is strongly noted that managing markets is not NWedr core business activity.
- 9.2 If under the current operational regime, the trading days were reduced from 5 to 3 days, the level of income and annual surplus would seriously be reduced with the potential for the market to operate at a loss.
- 9.3 For the markets to maximise their potential the market management team is critical. On the visits to the markets and further research, the markets would benefit from some additional strategic management, given that the market function forms only part of the officers' work responsibilities. It is suggested that this would include developing:-
- A Vision and Strategy
 - Effective performance management
 - Senior "market champions"
 - Proactive, commercially - focused operational management of the service
 - A focus on new business start up opportunities
 - Marketing and promotional strategies
 - An effective web site and use of social media
 - Improved stakeholder and trader engagement
- 9.4 NWedr should be commended for their commitment and drive in that they clearly make the best of the available resource, however for long term development and sustainability of Redditch market consideration should be given to looking at an alternative management model or provider to enable them to meet all the factors highlighted in paragraph 3 above.
- 9.5 The ideal time to do this would be when tenders are invited for the Kidderminster Market operation proposed for during the summer 2015.
- 9.6 NMP would recommend that consideration be given to invite potential operators to tender for each market individually and to express an interest to operate one, two or all 3 markets under NWedr's responsibility.
- 9.7 This methodology would not disqualify groups whom maybe interested in operating their local market and by offering a package it may provide the

opportunity to maximising income using one, two or three operators across the market portfolio.

- 9.8 In addition by inviting individual tenders each authority can receive its own market worth.
- 9.9 NMP would also recommend that an officer be appointed to manage the contract(s). This would not be a full time appointment but the monitoring of the contractor(s) performance is essential in ensuring the markets are operated effectively.

10. RECOMMENDATIONS

- 10.1 Consideration should be given to outsourcing Redditch market within the same package as the Kidderminster contract with interested parties be invited to tender for one or more markets accordingly.
- 10.2 The length of the contract awarded should be 5 years.
- 10.3 Operators to be invited to tender a price for each trading year during the 5 year period. This may result in a stepped increase across the contract period.
- 10.4 That NWedr cease operating Redditch market at the appropriate handover period.
- 10.5 If a decision is made to outsource the markets, joint funding should be made available to resource a client role to manage the contract(s) and to monitor performance.