CITY FOOD LECTURE, FEBRUARY 2012 : "UK GROCERY RETAILING – BACK TO THE FUTURE?"

Lecture given by Stuart King, Chief Executive Sainsbury's plc Feb 15th 2012

Introduction

Your Royal Highness; my Lords, Ladies and Gentlemen; Livery Masters; friends and colleagues - good evening.

My thanks also to the Livery Companies for asking me to give the City Food Lecture. This continues to be a hugely impressive event. One of the highlights of the year for the food sector.

I was delighted to be asked to deliver this lecture having been in the audience on a number of occasions and a panel member in 2005.

As many of you will know, the City Food Lecture was first started with sponsorship from Sainsbury's in 2001 and in partnership with the City Livery Companies.

So it's a great pleasure to see that the event is still going strong. And I would like to pay tribute to Laurence Olins of the Worshipful Company of Fruiterers who has been in charge of the event for all these years and has made it what it is today.

It is an understatement to say that the City Livery Companies represented here tonight have a long and distinguished history. As many of you will know, Livery Companies are thought to have their origins before 1066.

Livery Companies were responsible for maintaining high standards and this included imposing penalties for the sale of poor quality food.

Many of the grocery businesses represented in this hall today have their origins in the drive to sell good quality food at affordable prices, albeit none of our businesses were around over 900 years ago when the Livery Companies were started!

The Grocery Livery Company is one of the oldest, having been established in 1345. I am pleased to note that the grocers are part of what is known as The Great Twelve livery companies. This seems its rightful place, given the important role we play in feeding the nation!

Of course our businesses still have links with livery companies or guilds today. For example at Sainsbury's we train colleagues in butchery, bakery and fishmongery skills using the City & Guilds of London Institute. We are doing this because our customers tell us they value the craft skills and the personal service that they can get from well-trained colleagues on our counters. In fact last year, 6,000 Sainsbury's colleagues received City & Guilds accredited training.

So, turning to this evening. This is the 11th City Food Lecture. Much has changed over the last few decades. Tonight I want to talk about some of those changes.

And I also want to talk about where we have gone back to some "old ways" of doing things, but doing them in a more modern way. Hence the title of my lecture – "UK Grocery Retailing - Back to the Future?" - and the question mark.

I want to talk too about consumers, and where they are at the moment in these difficult economic times. How they are feeling. What they are looking for.
And I would also like to say something about the future of the High Street, which I believe does have a future. A vibrant one. A successful one. Contrary to what some commentators have been saying.

The grocery sector of the past

Napoleon famously disparaged England's preparedness for war with France by saying we were a nation of shopkeepers. Well, I for one, am proud to be a shopkeeper.

Like many of you in this room tonight, my whole career has been spent in the food industry. I have been in this industry for 29 years.

I started off in food manufacturing and then moved into retailing. I am passionate about food – making and selling it, and eating it!

One of my grandfathers and - as far as I know - several of my great uncles ran bakeries in the West End of London until the mid 1960s. I can remember the last bakery closing in Gerrard Street in Soho, and the odd early morning with my grandfather in the basement!

So you could say that grocery is in my blood.

Like many of you, I love the innovation and fast pace of change in grocery. But I also love the history and heritage.

A month ago The Grocer magazine – the "weekly bible" of our industry – celebrated its 150 year anniversary. It's a fantastic achievement for the publishers.

Reading through the commemorative issue was a great trip down memory lane.

I have already referred to the heritage of the Livery Companies. Of course grocery retailing has a significant heritage too.

Sainsbury's started in 1869, 143 years ago, in Drury Lane. Selling fresh, affordable food to the urban poor of London. Our slogan then was "Quality Perfect, Prices Lower".

But we are not the oldest grocer. I think that honour must go to Fortnum & Mason, who set up in 1705. But for a rather wealthier customer of course.

- The Co-op famously originated with the Rochdale Pioneers in 1844.
- Booths started in Blackpool in 1847.
- Morrison's started on a market stall in Bradford in 1899.
- Waitrose in 1904.
- Tesco also started on a market stall, in the East End of London, in 1919.

Asda began trading under that name in 1949; but the "Associated Dairies" name first appeared some years before that.

So we all go back a long way. And in our different ways, we have been serving consumers well for decades and in most cases for over a hundred years.

One interesting fact from the Grocer's 150th anniversary edition is that the weekly shopping basket in 1862 would have cost an incredible £1,254, in today's terms, compared to £94 today.

The calculation behind this would take a whole lecture to explain.

But there are two main reasons why the basket today is so much more affordable. First, average wages have increased significantly in real terms, so products are much more affordable. Second, innovations and efficiencies in the grocery industry have kept prices down.

The grocery sector today

By any measure, the UK grocery sector is a success.

Let me give you a few statistics…….

Food and drink is the biggest manufacturing sector in the UK and in 2010 accounted for 15% of all UK manufacturing turnover and employment.

Whilst UK manufacturing output overall has declined by 10% over the last 10 years, food and drink output has risen by 8%.

The food and drinks sector accounts for over 4% of the UK's total R&D spend and 7% of all UK goods exported.

Food and grocery accounts for 47% of all UK retail sales and is therefore the leading retail sector.

The UK's largest private sector employer is a supermarket chain - Tesco.
The grocery sector employs about 3.1 million people in the UK.

Many of these jobs are highly skilled. And our sector has provided opportunities for thousands of first-time jobs that lead to a career, or simply an introduction to the world of work. Today this is even more important.

Indeed in these times of economic uncertainty, it is worth noting that the grocery sector is one of the few that is continuing to grow and expand. We are investing in new products, new space and new jobs. Investing in communities around the UK. This benefits the whole supply chain too of course.

It's not just the jobs we create but the innovation that leads to new products, new services, and new business models.

The key to our success has been our relentless focus on the consumer. That's why most of us in this room work hard every day to deliver what the consumer wants, whether you are a farmer, a manufacturer, a processor or a retailer.

Where are consumers at the moment?

So, how are consumers feeling and behaving at the moment?

Well, as this slide shows, consumers are feeling gloomy. They have been feeling pretty bad since 2008, reflecting the economic situation. Times have changed, perhaps for ever.

This research is from IGD's Shopper Vista programme and shows that the majority of shoppers do not expect things to improve much in 2012.

Clearly they are dealing with difficult financial circumstances. The future for many people is uncertain.

We know that many of the Government's austerity measures have yet to take full effect, and that we will see those measures really starting to bite in 2012. However, it does seem as if those austerity measures have already influenced the behaviour of households.

So consumers have been concerned for some time. They are concerned today. And they are concerned about the future. As a result they have been changing their behaviour.

Consumer behaviour

We have seen for some time the return of what we term the "savvy" shopper. Consumers who are being careful with their cash and managing their household budgets very carefully. Just like our parents and grandparents used to do. So you could say this is a "back to the future" trend.

Similarly, payday is a bigger event these days. Payday is much more evident in our store takings than it used to be.
We know consumers are highly attuned to promotions. In 2011, a record 40% of all food sales were on promotion.

We are seeing coupon usage increasing too. There is no "shame" now about bringing out money-off coupons at the checkout. In fact, even the most well-off shopper wants to get a bargain and doesn't mind who knows it.

As Retail Week wrote :"The economic downturn has provided an excuse for consumers to ignore any stigma relating to coupons...Being savvy with cash has become fashionable.."

Over the past 30 years or so - since I joined the grocery industry - we had witnessed a trend towards people trading money for their time and convenience. They were buying convenience foods and shopping bigger baskets. We grocers were giving consumers time back so they could get on with other things in their lives.

In recent times, we have seen this change. There is a move towards more frequent, "little and often" shopping trips.

The traditionally large shopping trip for the weekend has been replaced by a slightly smaller basket, and top-up shopping in high street and neighbourhood stores. Another "back to the future" trend.

I believe there are a number of reasons for this particular change.

Of course, as I've already noted, households are managing their budgets more carefully. Just like a small business, they are managing their cash flow.

Paying for a smaller basket at the weekend, and then shopping during the week, is a way to manage your budget more closely - both your food shop and your fuel bill.

The proportion of household income that is spent on groceries over the last 30 years or so has fallen from around 25% to around 12%. In more recent times, perhaps the last 10 years or so, this has stabilised.

I believe that the combination of upward pressure on commodity prices and some of the consumer trends that I will turn to in a moment, mean that this percentage will increase in the future. Another back to the future trend.

Walking to your local shop or on the way home from the station is cheaper than jumping in the car.

It is also a way to manage food waste. Buying more often for specific meals allows you to do this. In the last year alone we have seen a volume decline of between 1 and 2 percent in groceries, and reducing food waste is a key driver of this.

And where food is leftover, we know that consumers are keen to use it, not throw it in the bin. As we found out at Sainsbury's when we ran our "Love Your Leftovers" campaign. Another back to the future trend.

As recent IGD research has found, consumers are now more disciplined, carefully planning their shopping.

Over a third of shoppers plan every meal before they set out for the shops, and almost 70% draw up a list. And when they get into the shops consumers are checking product prices very closely.

But we also know that consumers are looking for help with menus, looking for recipe ideas for cooking meals for their families that are tasty, nutritious and affordable. We did this at Sainsbury's with our Feed Your Family for a Fiver tip cards, which gave our customers simple ideas for nutritious family meals for £5.

We have also seen a trend towards cooking from scratch, as consumers buy more ingredients and components for meals.

As I said, they are trading back some of the time we first gave them when they bought into convenience food.

And of course, TV programmes like The Great British Bake-off have created interest in traditional cookery from our parents' or even grandparents' time.

The IGD found last summer that 39% of shoppers were cooking more from scratch since the start of 2011. In 2008 the figure had been 27%.

A greater interest in food and its provenance must be a good thing for our sector and for the nation.

At Sainsbury's we are also seeing more own label products being bought. And more mixed baskets with products from our budget *basics* range alongside *Taste the Difference* products from our premium range.

These indicators of "savvy shoppers" have allowed us to grow both ends of our own brand range, as well as the standard *by Sainsbury's* range.

We know that products from our *basics* range in particular are being bought by our customers as cooking ingredients.

For example, over the Christmas period, sales of *basics* unsalted butter increased by 82% and *basics* dried fruit sales were up by 30%, reflecting the growth in home baking.

Are consumers only looking for value for money?

Conventional thinking might suggest that in times of economic hardship, the consumer is only interested in saving money. That is important of course, but we know they are looking for more.

Consumers are increasingly well-informed and have strong views about getting value for money, whilst not compromising on their values.

In a nutshell, consumers want *Value for their Values*.

In other words consumers want to buy products that are value for money <u>and</u> give them quality and the high ethical standards they have come to expect.

Recently IGD asked consumers what they are prepared to pay extra for.

As you can see from this slide, the top three attributes by a significant margin were : high quality ingredients; higher animal welfare; and locally produced products.

For farmers in the audience, it is worth noting that country of origin is 10th out of the list of 14 attributes on the slide. This is somewhat surprising when many believe that consumers like supporting British farmers.

However consumers value Britishness not for its own sake, but for quality, seasonality, and value for money. So simply being British is not enough. The IGD research is consistent with this.

We also know from IGD data in January last year that when asked what they are looking to cut back on, consumers put eating and drinking out; buying clothes; going to the theatre, cinema or concerts; and holidays at the top of the list. In other words, these are the first items they will cut back on.

Reassuringly, the <u>last</u> things they say they will cut back on are food and drink; home and garden improvements; and charitable donations.

Of course, you might think it is easy for consumers to say they will not cut back on charitable donations and not actually mean this.

In fact, at Sainsbury's we have seen that consumers <u>are</u> doing what they said they would. In 2011 we made our largest single donation of £11.4 million to Comic Relief thanks in large part to our customers.

And the overall sum that Comic Relief raised last year was over £102 million. I fully expect that Sport Relief next month will raise a record sum too.

<u>**Ethical consumers**</u>

So – despite what we might all have expected – the economic downturn has not led to consumers becoming more selfish. Quite the opposite, as they realise that there are others worse off than themselves.

Moreover, as the CEO of the world's largest Fairtrade retailer, and the UK's largest *Freedom Foods* retailer, I can confirm that consumer interest in ethically sourced products has not only been maintained, but has grown.

But don't take my word for it.

The Co-operative Bank's Ethical Consumerism Report 2011 detailed the growing awareness amongst consumers of ethical products such as Fairtrade chocolate, solar panels and environmentally friendly cars.

The report showed that sales of ethical and Fairtrade products have increased by 8.8% overall, despite the economic situation.

So, one can see, as I touched on earlier, why it might be that consumers may spend a higher proportion of their household income on groceries in the future, than in the recent past.

Of course, businesses have responded to this interest and brought out new products or changed the sourcing of others.

In the UK, sales of Fairtrade food products alone rose 36%, from £749 million in 2009, to over £1billion in 2010.

And sustainable fish sales grew 16.3%, from £178 million in 2009 to £207 million in 2010.

Of course much of this interest in ethical sourcing has come about because of the media.

The TV programmes by Hugh Fearnley-Whittingstall on fish, and Jamie Oliver's on animal welfare, led to increased interest in sourcing and in welfare standards. This greater interest must lead to greater transparency and is good for the industry and for the consumer.

A key element in the consumer relationship with retail is trust. Many consumers want to do the right thing and rely on us to help them to do this on a day-to-day basis.

They expect retailers to exert a positive influence on each component in our supply chain.

Today, consumers enjoy greater transparency and access to information than ever before. Increasingly this is through the use of technology and social media where consumers can compare information and talk to each other about products.

Consumers can shop around without actually entering a store and they take note of what other consumers are saying, as much as the product information we businesses give them.

Corporate Responsibility

We have – I believe – all moved on from the days when we published an annual report about our Corporate Responsibility achievements, produced almost as an after thought and certainly quite separate from our main business reporting.

CR today has to be embedded in your business and be part of "the way we do things here". And consumers expect us to demonstrate our CR values every day and to communicate with them directly about them.

And let me be clear. This is a competitive issue. We all strive to out-do each other because it is important to our customers and our suppliers. Consumers benefit from this competition.

The 2012 Edelman Trust Barometer found that business is more trusted than government. But to be trusted, business needs to do more than make money and create jobs. 72% said that companies should be involved in solving social and environmental problems too.

There are plenty of examples of where the grocery sector is leading the way.
The major supermarkets are partners in WRAP's *Love Food, Hate Waste* campaign as well as the Courtauld Agreement, aimed at reducing our environmental impact.

Most of us have met - or have targets in place for – no food waste to landfill.

In an IGD project a few years ago, the food and grocery sector worked together to remove 124 million HGV miles off UK roads, thus significantly reducing our carbon footprint.

The major UK grocers moved away from sourcing conventional caged eggs well before the EU ban required us to do so. And some of us moved to completely cage free eggs even earlier.

And looking back to 1998, the industry led the way with the development of Guideline Daily Amounts, which has been one of the biggest steps forward in helping people to eat more healthily. GDAs are now being used across the UK and mainland Europe, even without the force of legislation behind them.

CR needs to be looked at in the round – perhaps it should really be called Corporate Sustainability.

Sustainability has three aspects : economic, social and environmental. Businesses need to make a positive impact on the economy, on the environment, and on society.

At Sainsbury's we have our *20by20* Sustainability Plan which we announced last autumn and is key to our business strategy.

There are 20 targets, to be met by the year 2020. They are designed to help us make a positive impact on the economy, the environment, and society. To move us on from simply addressing any negative impacts of our business to actually making a positive difference.

I talked earlier about consumers doing more of their shopping locally. And I talked about the economic drivers contributing to this behaviour. Alongside this, we see consumers valuing and enjoying being part of their community.

And consumers recognise and support those businesses that are part of their communities. They know that large multiple chains can be as much a part of their community as smaller, independent businesses. After all, many of their family, friends and neighbours work in our stores.

Between us, all the retailers in this hall have a presence in almost every part of the UK. We bring jobs, not just in our stores but in our supply chains, including manufacturers, farmers and growers.

We should all do more to get politicians and commentators to recognise the value our sector delivers for the economy along the whole supply chain, and therefore within the communities of which we are all a part.

The structure of the supermarket sector

Of course we have been creating jobs and growing our businesses for many years. But the sector is a dynamic one, responsive to changes in society but sometimes leading those changes too.

Even in the last decade since the first City Food Lecture there have been some significant structural changes in the grocery sector. And some familiar names have gone.

In 2004, Morrison's bought Safeway.

In 2007, Kwik Save disappeared.

In 2009, the Co-op bought Somerfield. Somerfield had, of course, previously taken over Gateway, who had taken over Fine Fare.....

In fact, I visited a store in Scotland where a colleague with 40 years service had seen the store as Presto, International Stores, Fine Fare, Safeway, Morrisions, Somerfield and now Sainsbury's!

And in 2010 Asda completed their purchase of Netto.

We can see from this slide that market shares have changed markedly over the last 10 years.

However the data does debunk the myth about the so-called rise of the discount chains.

The changes mostly reflect those acquisitions, just mentioned, and of course Tesco outgrew the market for much of that time.

<u>Changes in the grocery sector</u>

Over the years we have seen the "democratisation" of previously luxury food. Smoked salmon which 20 years ago may have seemed unattainable for many consumers is now widely available in all supermarkets. And of course, responding to consumer demand, some of us are selling sustainably sourced smoked salmon now.

Some foods that weren't even considered foods are now on grocery shelves as staple product.

For example, up until the 1970s if you wanted to buy olive oil it was usually to sort out an ear problem, and you would buy a miniature bottle from the local chemist. I'm not sure which multiple retailer was the first to sell olive oil but I like to think it was Sainsbury's!

We have seen an explosion in choice of foods from around the world.

We have also seen greater access to data about consumers and their purchasing behaviour. In 1995 Tesco launched Clubcard which at the time was revolutionary. For the first time a retailer was able to get insight into the shopping habits of its customers. Many retailers have this capability now.

As I have already noted, we have seen a huge growth in ethically sourced products, in response to consumer demand.

But sometimes we take consumers with us, as when Sainsbury's became the first supermarket to move to 100% Fairtrade bananas five years ago. At the time this was a leap of faith, but fully justified now. And we are still the only major retailer, along with Waitrose, to have made this move.

What else happened over the last few years?

Well in the year 2000, Sainsbury's signed up a fresh-faced young chef called Jamie Oliver to front a number of campaigns.

He became hugely influential, as Delia had been before him.

In 2005 one of our *Try Something New* TV ads showed Jamie grating nutmeg over spaghetti Bolognese and this led to a sales uplift in nutmeg of 400%!

So-called “celebrity chefs” are the natural successors to Fanny Craddock and perhaps even Mrs Beeton before that.

So, maybe hiring Jamie was another back to the future moment.

Online

One of the most significant changes of the last 10 years has been the growth of online grocery shopping.

Verdict Research reports that total online sales in the UK have more than doubled to £26.2billion in the past five years; and are expected to grow to £40billion by 2015.

In 2010, the proportion of total retail sales on the internet in the UK was twice as high as in the USA, the next largest online shopping market.

Sainsbury’s first online delivery was over a decade ago. Last year our online grocery sales grew at almost 20% and we delivered a record 160,000 orders a week over the Christmas period. Delivering shopping to people’s homes, just like over 100 years ago.

In 2008 when the Competition Commission published their report into the UK grocery market, online accounted for between 1 and 2% of UK retail grocery sales. Last year, that figure had risen to 4.2%.

Some forecasters predict that by 2020, about 10% of food and groceries will be bought online.

One might perhaps argue it is remarkable that 90% of grocery shopping is expected to stay in store, even if one takes a 10 year view. But it is clear this is a significant change.

So this does not mean the demise of physical stores.

But we have seen a move towards multichannel shopping. That is, customers picking up goods in store that were ordered online. What we call “Click & Collect”.

At Sainsbury’s, over the Christmas period, about 80% of our non-food internet orders were collected from our stores, including smaller convenience stores in high streets and neighbourhood centres.

So consumers can collect the goods they have ordered at a time and location that suits them – perhaps whilst doing their weekly shop - rather than having to wait in for deliveries. Reflecting family life today.

So whilst the internet is new, we can see that many of the trends today are very much in touch with the past.

The future is here already

And we could say that the future is here already.

Many of you will have read about trials of virtual stores in subway stations.
Commuters use their phones to scan posters showing products that they can then put into their virtual baskets. By the time they get home in the evening the basket of goods has been delivered.

In Canada, the “This Fish” phone app enables consumers to trace their sustainable fish right back to the time and place where the fish was caught, and the boat that the fishermen were on.

The Co-op have launched QRs so consumers can trace the supply chains of some their fresh produce.

Aldi shoppers in Austria can use the company’s website to trace the supply chain of their organic products.

In the USA, the “You Bar” website allows consumers to design their own health snack.

In China, there are shopping trolleys which alert consumers to special promotions as they walk past the products in store.

Drive-ins are making a come-back and some predict they are the next big thing in multichannel shopping. Of course, drive-ins started in the USA in the 1930s, in the food service sector.

In France, Auchan have developed a dedicated drive-through business where orders can be placed online and then collected at one of over 40 dedicated drive-through sites.

And Auchan have developed their drive through concept even further to team up with specialist chains and independent traders to create a drive-through village.

Using data

Of course , now we all get data about consumer behaviour from a wide range of sources beyond loyalty cards.

For example, at Sainsbury’s we now provide personalised deals through smartphone Nectar and Sainsbury’s apps. The offers go straight to the individual consumer so he or she is getting a customised and personal service.

And our unique Catalina system allows us to give immediate customised coupons at the checkout including offers for extra Nectar points, and our Brand Match scheme.

Although some people may think that technology can de-personalise relationships, I believe the opposite is true. Through the use of technology, the relationship between businesses and consumers can actually become more personal.

Are we returning to old style grocery retailing?

I’ve suggested that we may be seeing a return to old-style retailing. So is there any evidence to support this?

Well, as I’ve already said, we are seeing more shopping on foot, more top-up shopping. And this helps consumers to re-connect with their communities.

There are more home deliveries, just like our parents and grandparents used to have.

The relationship with customers in our stores is more personal. Whether through fish and meat counters, or product sampling. Or just excellent service which means that customers will return to our store, rather than our competitors.

I mentioned at the start that we are using the City & Guilds Institute to train thousands of our colleagues who work on our counters. This is in direct response to our customers who told us they wanted a more personal, better informed service; and help with buying and cooking ingredients.

So, yes we are seeing a return to some old-fashioned shopping. “Back to the future” if you like.

But this time it’s different.

Loyalty cards, smartphones, and the internet enable us to have a more personal relationship than perhaps has existed for a generation.

Home deliveries are not always convenient when everyone in the household is working, so we provide evening delivery slots and click & collect.

There is a return to the community but sometimes, especially for younger people, “community” can be a virtual one via social media, as well as the physical bricks and mortar presence in their town.

And online can be more democratic and anonymous than gossipy old high streets, as well as being very convenient for the elderly, the housebound or those with busy lives.

So, I see no evidence of a return to a past that in reality was not that idyllic.

We are not retracing our steps. We are doing it differently and, in my view, better.

Death of the High Street?

Of course there has been a lot of discussion and debate over the last year or so about high streets. More recently the almost complete demise of the high street has been predicted, linked to the growth of internet shopping.

It is true that many high streets are suffering, with shop vacancies across the UK at 14% - twice the rate 3 years ago.

It is also true that high streets have a special place in the heart of many people. And they form the heart of communities throughout the country.

As the Government report, Understanding High Street Performance, noted :
“High streets often have an historic or emotional resonance with the communities they serve…..”

But I believe that - to misquote Mark Twain - rumours of the death of the high street have been exaggerated.

I know that some commentators suggest that the high street has failed to keep up with a revolution in retail, and that this is largely down to big supermarkets that have changed the landscape.

Now, I do agree that there has been a revolution in retailing. I also agree that there are some high streets where a radical re-think may be needed.

But I do not believe that the high street is doomed nor that it is the fault of supermarkets.

There is a risk anyway of looking back through rose-tinted spectacles to an era that never really existed.

As long ago as 1939, chain stores and co-operative retail societies already controlled about half of the grocery market.

There are plenty of examples of thriving high streets around the country.

Where high streets have declined, I do not believe that the blame can be laid at the door of supermarkets.

Supermarkets have reflected society, and changes in society. Many shoppers do not have the time to potter between the butcher, baker and grocer.

And those rose-tinted spectacles don't always recall the often poor quality, poor choice, and poor value for money those "old" high streets were able to offer.

But in any case it is worth reminding ourselves that many supermarkets are still in high streets. 60% of Sainsbury's supermarkets are in town centres or edge of centre locations, and almost all our smaller convenience shops are in high streets or neighbourhood locations.

We know that the arrival of a Sainsbury's in a high street or town centre can have a positive impact for the whole community. We have numerous examples where the arrival of Sainsbury's on a high street or attached to a town centre has reinvigorated that location, not hastened its decline.

In her report on the future of the high street, Mary Portas did of course look at the factors that have impacted on the high street. There is much in that report that I can agree with.

Where high streets are in trouble it is usually because they are not providing what the local population wants. Of course, this does not just have to be retail.

What we cannot do is re-wind the clock to take us all back to some idyllic way of life that in reality only existed for the well-off few.

We need to recognise that the best high streets are a mix of retail and other activities.

We need to recognise that the best high streets are easy to access, with clean, tidy and well-invested public areas.
We need to be brave enough to re-shape the high street and allow empty shops to be converted for other uses such as residential where there is over-capacity.

We need to ensure that our offer fully reflects the trends in changing consumer behaviour that I have outlined.

And high streets need to learn from large successful retailers, and encourage their investment and participation in regeneration.

So, yes, I believe the high street has a vibrant and successful future as well as a past.

What are the lessons?

So, are there lessons we can learn from the past?

I would like you to think about foxes and hedgehogs, a concept suggested by Sir Isaiah Berlin in 1953. Although I believe he took the idea from an ancient Greek poet.

The hedgehog knows one big thing - to roll into a ball when under threat. That can sometimes work of course.

The fox knows many little things. The fox reacts to challenges by trying lots of different things and learning from them, and by being open to ideas. This means that sometimes mistakes are made, but foxes learn from those mistakes and they learn to change course as necessary.

In my view the best businesses – and indeed high streets and town centres - need to be foxes. They need to adapt to change, be flexible.

If you act like a hedgehog, roll into a ball and hope the threat goes away, then you will not survive.

Conclusion

So, we all need to adapt or die, be foxes not hedgehogs. Something that successful grocers have been adept at.

Let me summarise my messages from this evening:

Consumers are behaving as you might expect. They are “savvy shoppers”, watching their budgets.

But as you may not have expected, consumers are still interested in high ethical standards. They want value and values.

The UK grocery industry has thrived by delivering what the consumer wants.

There are signs of “back to the future” trends, but delivered in a modern way.

And the high street has a great future provided it responds to what consumers and society want.

I also wanted to end on an even more cheerful note.

There is no doubt that 2012 will a challenging year.

I started by saying that consumers were feeling concerned and we had seen changes in their shopping habits that reflect this concern.

But there are also great opportunities and reasons to celebrate as businesses, as consumers and as a nation.

The coming together of Her Majesty’s Diamond Jubilee, and the Olympic and Paralympic Games is a once in a lifetime chance to celebrate.

These will be fantastic opportunities to cheer on our sports people, to cheer on our Queen, and to celebrate what a great country we are privileged to live in. We all have a part to play in this. Let’s hope 2012 puts a little of the Great, back into Britain.

Thank you.