

A: Good evening and welcome to Business File. According to experts, more than 200 UK shopping centres are in danger of going bankrupt. Tonight, we look at the reasons behind the crisis in Britain's shopping malls. I have with me in the studio retail analyst Jenny Robinson. Jenny, how serious is the situation?

B: Well, many of the at-risk centres are owned by US private equity firms under deals that will need refinancing. They have to return money to their investors. That's not looking very likely. Frankly, the centres are either going to have to be sold at a lower price or have capital injected in order to regenerate, and we don't see banks having an appetite for that. Research in the Financial Times suggested about £2.5bn worth of shopping centres and retail parks are up for sale in towns and cities across the UK. The trend is moving quickly. You really don't want to be in the business of owning shopping centres at the moment.

A: To that of course we add the enormous costs of the coronavirus lockdown. If some centres do close, what will the consequences be?

B: It will be catastrophic, particularly in small towns. You could see increasing vandalism, increasing crime, with a knock-on impact on infrastructure. Many towns will face these problems.

A: But don't we have too many shopping centres, selling the same things, with the same range of stores and products?

B: Yes, there is certainly a problem of oversupply, but that's only part of the picture. In almost every one of the UK's shopping centres, you'll find a Marks and Spencer, Debenhams or John Lewis. They're some of the country's biggest department stores and usually occupy some of the largest spaces in the mall. The problem is, they are all performing below expectations. If the major anchor store moves out, that affects the other stores in that centre. It's a downward spiral and you can't fill shopping centres with nail bars and vape shops. The collapse of British Home Stores, a major chain, two years ago, left empty units in around 200 shopping centres. More than half of those large, empty units have not yet been filled.

A: But why are some of these oldest and most iconic names in UK retail struggling so badly?

B: Shopping centres have been hit with a perfect storm of weaker consumer spending, the impact of the internet, and rising rents and rates, making it very difficult for retailers to trade and make a profit. And then of course came the coronavirus lockdown. The landscape of retail economics is changing before our eyes. The growth of online retail in the UK has been faster than in almost any other retail market in the world.

A: So what's the solution? Is there any hope for Britain's shopping centres?

B: They must change if they are to survive. In fact, many of the challenges facing shopping centres in the UK are mirrored in the USA. Centres that have prospered there have been clever about expanding their offer. Malls need to think like a hospitality brand. There has been a marked shift to the 'experience economy'. Spending on food and beverage now accounts for over 20% of expenditure in some of the newest schemes.

A: Some of the big centres in the UK are now incorporating Sea Life Centres, ice rinks, and even indoor ski slopes.

B: Yes. These are the shopping centres that I think will survive. There's no doubt that if shopping centres don't deliver an experience consumers want, they will disappear.

A: So, despite their current problems, do you believe that there's a future for shopping centres?

B: Good question! What people like about shopping centres is that they are centrally located with good transport links. The problem is, these centres are run by investors who have a short-term approach and don't understand the changes needed in marketing management. For example, community facilities such as libraries, medical centres and even schools could all sit within retail complexes. One new Lidl store has a school built above it. Malls need more creative solutions like that.

### Summary

A retail analyst is interviewed about the crisis in Britain's shopping centres. Around two hundred are in danger of falling into administration. The closure of shopping centres could have serious consequences in areas such as crime and infrastructure. Some of the biggest names in British retail are struggling to survive. The reasons behind their current difficulties include weaker consumer spending, a rise in rents, and the impact of online shopping. To survive, shopping centres will have to change and expand their offer, with more emphasis on food and drink, and even include ice rinks or ski slopes. Another possibility would be to integrate community facilities such as schools or libraries.

### Questions

1. What do you like or dislike about shopping centres?
2. Have you visited shopping centres in other countries? If so, how do they differ from those in France?
3. What recent trends have you noticed when you go shopping?
4. How do you see the retail environment changing in the years to come?