KORN FERRY Institute

Handle With Care

The 2015 survey of UK retail chairmen

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Executive summary.

Almost all of the chairmen named economic stability as the main priority.

Britain's economic recovery is fragile. It could easily be blown off course if mistakes are made by whichever government comes to power after the May general election. This strong political message emerges from the 2015 edition of Korn Ferry's survey of the chairmen of leading UK retail companies.

In this fifth year of the survey, 55% of the chairmen are optimistic about the economic outlook for the next 12 months. Although this is less than the 73% who expressed optimism in 2014, the figures suggest that the retail sector remains more confident than it was in the coalition government's early years. An overwhelming majority of the chairmen expect to maintain or increase capital investment over the next 12 months. The size of their store portfolios will also increase.

However, this confidence is qualified by uncertainties. Only half the chairmen think the return to growth can be described as sustainable. The recovery is patchy, with some areas outside London not yet benefiting. Although non-food sales are more buoyant, trading conditions in the grocery sector remain challenging. And the chairmen expressed anxiety about the outcome of political and economic decisions that will have to be made after the general election.

Almost all of them named economic stability as the main priority. They want continued fiscal rectitude to reduce the deficit and lay the foundations for long-term prosperity. They worry about the uncertainty that would be caused if the election result does not quickly produce a stable government, and they are uncertain about Britain's relationship with the European Union and wider geo-political developments. Their anxiety is that such uncertainties may dampen consumers' confidence and reduce their appetite to spend.

For the chairmen, business is a force for good. It creates the wealth on which our welfare state is founded. Whichever government comes to power after the election, they want it to create an environment in which business can flourish.

Scope of the research. This survey presents the views of 35 retail chairmen, who lead the boards of 59 retail companies with a combined workforce of more than one million people and annual turnover of over £106bn[1]. They include all but one of the chairmen of the UK's 10 largest retailers[2] and a cross section of all retail sub-sectors: grocery, fashion, general merchandise and other specialists as well as pure-play online retailers. The survey participants are listed at the end of this report.

The 2015 retail survey is the fifth that Korn Ferry has conducted, starting in the pre-election period in 2010 and continuing on a regular basis during the period of the coalition government. Seven of the 35 chairmen participated in the survey for the first time.

Fieldwork was conducted between 13 January and 13 February 2015. The statistical graphs are based on replies to an online survey from 33 chairmen. Comments in this report were made in interviews with 32 chairmen that were conducted by Korn Ferry during the same period, either face to face or by telephone.

Some questions explored chairmen's views on the outlook for the economy as a whole, while others concerned their specific businesses. They were also asked more political questions about the coalition government's performance, the EU, immigration, and priorities for the government formed after the general election.

As in previous years, the interviews were non-attributable, allowing the chairmen to talk frankly about their hopes and fears for their own companies and for the sector as a whole. A number of chairmen have agreed to be quoted on some of their comments, reserving the right to anonymity on others. This flexibility has added greatly to this report, and we thank the chairmen for their openness.

The views in this survey are those of the individual participating chairmen and not necessarily those of Korn Ferry.

[1] Source: Retail Week Knowledge Bank
[2] Nine chairmen of the top 10 retailers contributed to the survey, where the role exists and where there is an incumbent in situ.

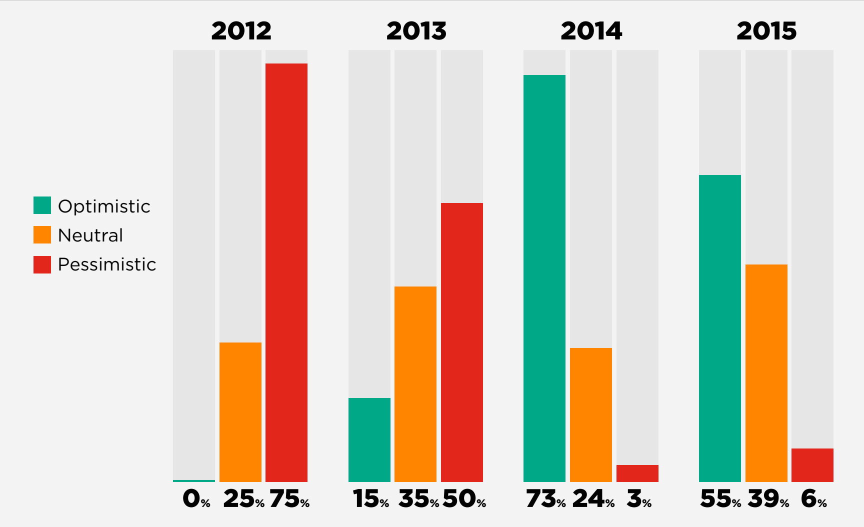
Optimism

A clear majority of the nation's leading retail chairmen are optimistic about the economic outlook over the next 12 months. Their mood is not as buoyant as it was a year ago, but it remains much more confident than in the early stages of the coalition government.

Three years ago, Korn Ferry found that none of the chairmen were optimistic about the economic outlook for the year ahead; an overwhelming 75% were pessimistic. The tide began to turn in 2013, and in 2014, 73% of the chairmen said they were optimistic, with 24% undecided and 3% pessimistic.

Results for 2015 show 55% are optimistic, 39% undecided and 6% pessimistic—the first time in these Korn Ferry surveys that optimism has dipped. Few respondents switched all the way from optimism to pessimism, but there are many more who are undecided at this point.

Figure 1
UK retail chairmen's prediction for economic outlook 2012 – 2015



As Archie Norman, chairman of ITV and Hobbycraft, said: "I am gently optimistic for retail—it is the best year for the retail industry at a macro-level for five to six years." But Debbie Hewitt, chairman of Moss Bros and White Stuff, cautioned: "Customers will be more uncertain than they were last year, because of the speculation that the election will bring. They on balance have more discretionary spend [but] the impact of online and a discount mentality has made the predictability of consumer spend so much harder to read." And Tony Campbell, chairman of The White Company, Drake & Morgan and TM Lewin, said: "Consumers are a bit more optimistic. However, they are still aggressively looking for deals and bargains."

> "I am gently optimistic for retail—it is the best year for the retail industry at a macro-level for five to six years."
>
> **Archie Norman**
> ITV
> Hobbycraft

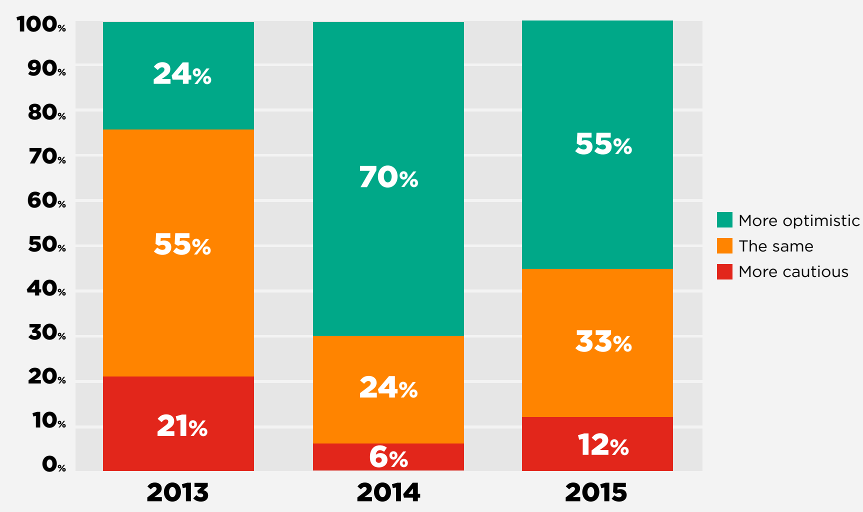
It is perhaps not surprising that the chairmen's descriptions of their own moods closely resemble what they detect in their customers. We asked them, "Will customers be more cautious or more optimistic over the next 12 months?" In response, 55% said more optimistic and 12% more cautious. The remaining third expected no change in customers' attitudes.

Again, the figures show more uncertainty than last year. Despite some clear recovery signs, the improvement has been spread unevenly across the nation. Slower economic growth outside London has helped make this a patchy recovery. This year, 55% of the chairmen said customers would be more optimistic over the next 12 months, compared with 70% in 2014, and 24% in 2013. The annual comparison becomes less stark when account is taken of customers whose mood is unlikely to change this year. The proportion of chairmen thinking customers will be more optimistic or stay the same is 88% in 2015, compared with 94% in 2014 and 79% in 2013.

> "The macro-economic factors suggest consumers should be feeling good, but we are not seeing them suddenly start spending."
>
> **Darren Shapland**
> Maplin Electronics
> Poundland

Robert Swannell, chairman of Marks & Spencer, observed: "Customers are reasonably optimistic. With the lower price of fuel and utilities, they are feeling somewhat better off." Others agreed, but with caveats. Andy Higginson, chairman of Morrisons and N Brown, said: "Customers feel a little better off. They are a little more optimistic, but there is a big geographic divide—and differences within different parts of the north." And Sir Charlie Mayfield, chairman of John Lewis Partnership, noted differences among retail segments. "On the one hand, the economy seems to be improving and real disposable income is rising.... Non-food is doing quite well. But the outlook for grocery is more challenging. The major players have little option but to compete for share with the inevitable consequences for price and margin."

Figure 2
Will customers be more cautious or more optimistic over the next 12 months?



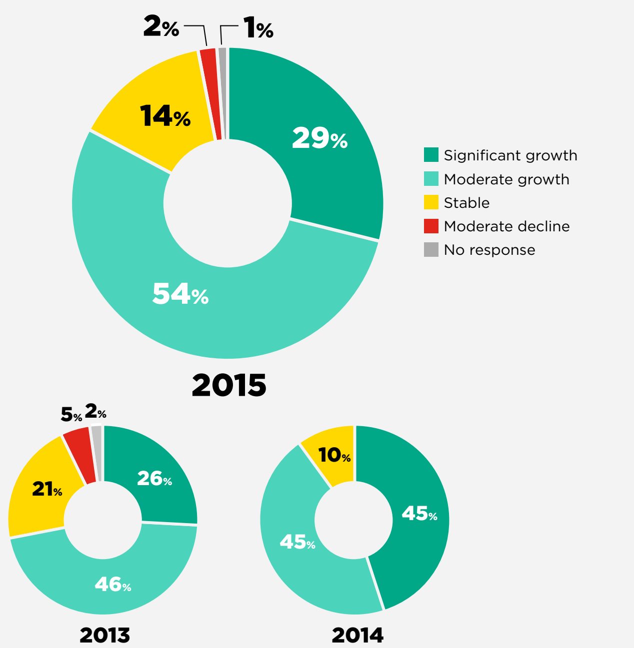
Paul Wilkinson, chairman of Thorntons, noted: "We have some interesting trends in retail—the humbling of 'the Big Four,' the rise of limited range discounters, changes in multi-channel shopping. Consumers might be feeling better, retailers are not feeling better yet." Darren Shapland, chairman of Poundland and Maplin, said: "The macro-economic factors suggest consumers should be feeling good, but we are not seeing them suddenly start spending."

Colin Holmes, chairman of Go Outdoors, said: “We are finding that even with a more favourable economic environment, the offer has to be pitch perfect to resonate with consumers.” And David Bernstein, chairman of Ted Baker, said: “I have never known a year with so many uncertainties. That said, on the whole, the UK consumer is reasonably positive. Notwithstanding, Ted Baker continues to perform extremely well.”

The chairmen’s forecasts of how they expect their retail companies to perform in 2015-16 were consistent with their optimism. A year ago, 45% were anticipating significant growth in their businesses and another 45% expected moderate growth—a combined growth score of 90%.

The position now: the proportion anticipating growth of some sort has fallen slightly to 83%. The big change is that only 29% expect significant growth, while 54% expect it to be moderate.

Figure 3
How do you expect your company to perform this year?



2015 responses from 32 chairmen across 62 companies.

Sustainable growth?

"Things are on the mend but are far from mended yet. Everything is still fragile. What most businesses need is consistency."

Richard Baker
DFS
Whitbread

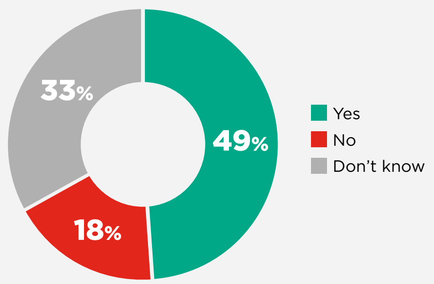
Korn Ferry asked the chairmen when they expected growth to return. When conditions were improving in 2014, 67% were confident enough to declare that they were witnessing a return to growth. But is it sustainable? When asked that tougher question in 2015, 49% of chairmen said they believe the UK has returned to sustainable growth, 18% think not, and 33% are undecided.

Sir Stuart Rose, chairman of Ocado, Fat Face and Soak & Sleep, said: "Yes it's a sustainable recovery. We have seen it accelerate and we are now growing on a par with or faster than most other developed countries."

Others were more cautious. Sir Charlie Mayfield said: "All the data suggests that the recovery is well established, but productivity—a key driver of wage growth and competitiveness—has stayed low, which is materially different to the recovery we have seen following other recessions." Richard Baker, chairman of DFS and Whitbread, said: "Things are on the mend but are far from mended yet. Everything is still fragile. What most businesses need is consistency. We need to continue on the path we are on. Austerity may be unpleasant, but we have no alternative but to continue on this path."

Paul Mason, chairman of New Look and Cath Kidston, said: "I am less worried about the UK. I am more worried about the world market—factors beyond our control. Gone are the days when a strong UK government can give you confidence that our position is sustainable."

Figure 4
Have we returned to sustainable growth?



The political mood.

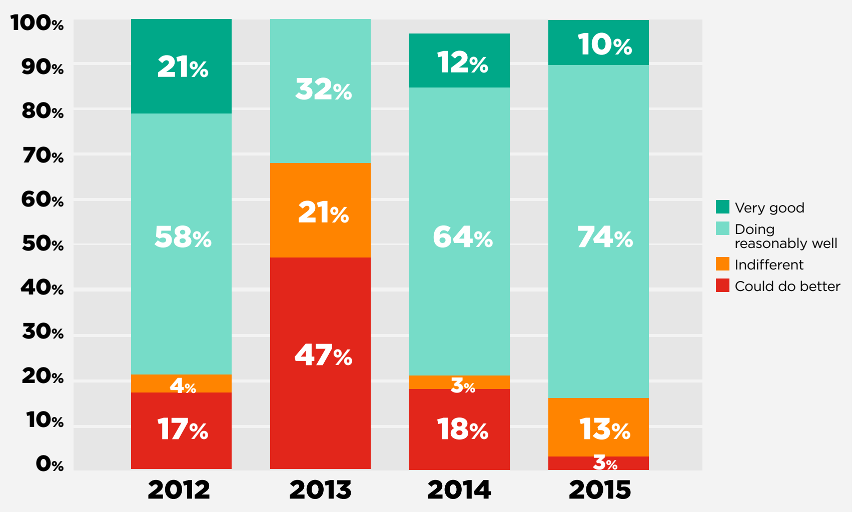
One of the most striking features of the Korn Ferry surveys is how the chairmen have warmed towards the coalition government. Two years ago, none said the government were doing well and only 32% said "reasonably well." In 2014, the percentage saying the government was doing well or reasonably well rose to 76%, and in 2015, it has climbed to 84%.

Approaching the end of the parliamentary term, only 6% of the chairmen said the coalition government has had a negative effect on the retail sector as a whole, compared with 42% declaring a positive and 52% a neutral effect.

On the one hand, the chairmen remain concerned that the economic recovery is still fragile and may be undermined by political uncertainty, including the outcome of the general election. On the other hand, they are prepared to give credit to the coalition for what has been achieved so far. They appreciate progress made but are concerned about the deficit and fearful that any knee-jerk policy initiatives by an incoming government might harm economic confidence, which could hurt retail sales.

Figure 5

How would you rate the Coalition Government's performance since coming to office?



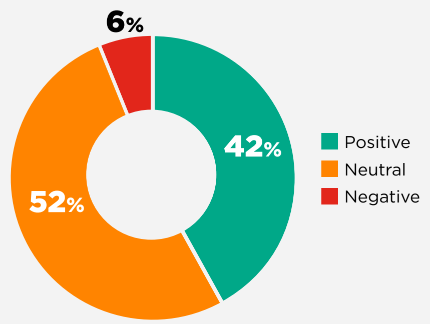
2014 percentages do not equal 100% as one interviewee declined to comment.

> "Economic stability is absolutely key for a sustainable recovery. Consumers and business value stability. Uncertainty, unrealistic economic promises and anti-business rhetoric are a real threat for the future prospects of our economy."
>
> **Rob Templeman**
> RAC

Rob Templeman, chairman of RAC, said: "I believe that the Conservative-led government has done a good job in managing our economy. It has been realistic and pragmatic about the issues and it has taken a lot of the right actions to deal with those issues. Economic stability is absolutely key for a sustainable recovery. Consumers and business value stability. Uncertainty, unrealistic economic promises and anti-business rhetoric are a real threat for the future prospects of our economy."

For Sir Stuart Rose, a key question for the incoming government to consider is, "Does the consumer think that the pound in their pocket is a spendable pound?" Ian Durant, chairman of Greggs, said: "I'm not looking for government to stimulate retail but rather provide a stable macroeconomic, regulatory, and taxation environment where people have confidence in policies the government is pursuing. High streets remain under pressure from changing shopping habits, especially continuing developments in digital and internet shopping."

Figure 6
Now that the Coalition Government is close to completing its term, has the government been positive/neutral/negative for the sector as a whole?



Election fears.

There was some anxiety among the chairmen about the economic consequences if Britain were to shift decisively to the left in the May general election. Paul Wilkinson said: “If the Conservatives get back in, or a coalition with the Conservatives in it, then it’s business as usual. If they don’t, the whole thing is on a cliff edge.” John Barton, chairman of Next, said: “If Labour gets in, they will be on a learning curve.” Another chairman, speaking anonymously, said: “A Labour/ SNP coalition could spook the financial markets. The current government is trying to address our economic difficulties, and its intentions are robust, but the situation is still very precarious.” Andy Higginson was concerned that a more left-wing government pumping more money into public services would be damaging. But he added: “History will show the Lib Dems to have been a good moderator on the Tories.”

Some chairmen have strongly partisan personal political preferences, but many also voiced a worry that uncertainty about the election outcome will be destabilising. Tony Campbell said: “Political uncertainty makes consumers and businesses more cautious and less prepared to invest.” Debbie Hewitt said: “A coalition is the most likely outcome. I think it may take longer to form a government, and uncertainty will likely lead to postponement of business decision-making.” One chairman cautioned: “I am concerned that we may be thrown into an extended coalition with smaller parties overplaying their hand.”

“Political uncertainty makes consumers and businesses more cautious and less prepared to invest.”

Tony Campbell
Drake & Morgan
The White Company
TM Lewin

Another coalition?

Most chairmen were unalarmed about the general idea of a new government forming through coalition. If that were to happen, 9% think it would have a positive impact on retail and 12% expect a negative or very negative impact. However, 64% said it would have a neutral effect. When the chairmen were asked about the impact on their own business, the results were similar.

Figure 7
If the new government is formed once again through coalition, how do you feel about the impact this would have on the retail sector?

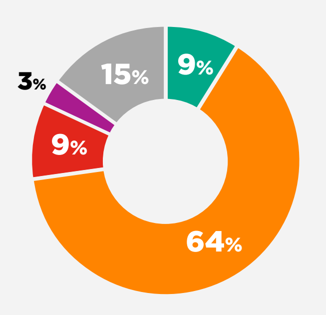
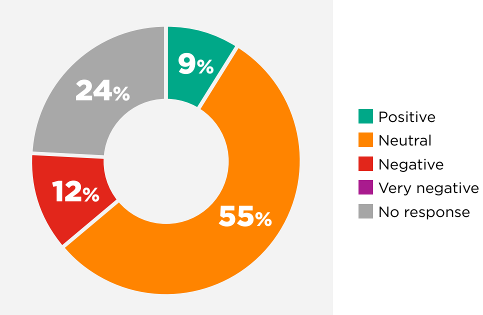


Figure 8
If the new government is formed once again through coalition, how do you feel about the impact this would have on your business(es)?



It is not the general possibility of another coalition government that worries the chairmen, but the specifics. Clearly, if there is to be a coalition, the impact on retail companies will depend on its political composition and whether it can command a stable majority in parliament. Geoff Cooper, chairman of Dunelm and Card Factory, said: “The prospect of a suspended parliament is scary. In general, uncertainty is bad for business. People wouldn’t realise the implications until the first inward investor, for example, decided not to invest and indigenous suppliers announced job cuts as a result. We would then move from a gradual decline in consumer confidence to a sudden drop.”

For many of the chairmen, the anxiety is less about coalition per se and more about the impact that mistaken policies might have on the recovery. Anything that dents consumer confidence will have a damaging effect on retail sales.

John Coombe, chairman of Home Retail Group, said: “If there is another Conservative government in coalition, either with the Lib Dems or UKIP, that would probably mean steady state for the retail sector, albeit in a growing economy. Perversely, a socialist government is more likely to go on a spending spree and stimulate the economy further, rather than continue with Conservative policies.”

Brian McBride said: “We have had a strong coalition that has got stuff done. A weaker coalition would threaten stability and the ability to govern decisively. The UK has been blessed since the war with strong governments from whichever side—but strong governance.”

David Bernstein said: “A minority government could get in and hold on and survive but be on the edge. In general terms, business doesn’t like uncertainty. There is every chance that the result may be inconclusive, and this could be negative for business.”

“A weaker coalition would threaten stability and the ability to govern decisively.”

Brian McBride
ASOS

EU referendum.

"There are many questions that haven't yet been asked, let alone answered."

Sir Charlie Mayfield
John Lewis Partnership

Further uncertainty surrounds the prime minister's pledge to hold a referendum on the UK's membership of the European Union. The chairmen were asked what effect this would have on retail and the wider UK economy. There were some concerns this might create another uncertainty that could put economic recovery at risk.

Neil McCausland, chairman of Snow & Rock and Joules, said: "The European issue has the potential to be the most disruptive. The UK election should be OK, but the potential of a European shock is greater." Geoff Cooper said: "I'm much more concerned about the EU referendum than about the next election. It would be terrible to have an extended period of uncertainty where potential investors may be deterred. It's difficult enough selling off a division of a company, let alone separating out a nation."

Brian McBride said: "A referendum would cast a shadow over business expansion and investment decisions. At AO World, conditions are great for us to expand into Germany and the EU. But if there is a referendum, we would certainly be slowing down our investment until the outcome is clear."

For Sir Charlie Mayfield, the problem is more one of uncertainty. He noted: "If we do have a referendum, it's important it is well informed. There are lots of strongly held views for and against, but there are many questions that haven't yet been asked, let alone answered. For example, if the UK were to leave the EU, would the government of the day repeal the Social Chapter? Would they abandon the working time directive? People often talk about being freed up from regulation. Which regulations and what effect? These are important questions. There are big gaps in the debate right now, and they can't just be filled with a lot of opinion."

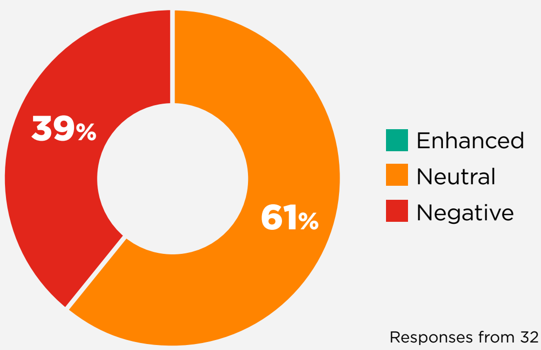
Others saw the proposed referendum as a positive opportunity to negotiate better terms for the UK. Richard Baker said: "It is no bad thing for the UK to have a proper debate and to rattle the cage to negotiate some sensible free market concessions, such as the removal of red tape around employment. A referendum would give us 18 months of uncertainty, but hopefully there would be some concessions from the EU. Ultimately though, the main benefit would be that the debate would be closed."

Dennis Millard said: “The best outcome is to stay in but on better terms.” Sir Stuart Rose said: “In general I think coming out of Europe would be bad, but I think we need to assert ourselves. Otherwise we won’t achieve the concessions we are looking for.”

However, support for the UK staying in the EU was by no means unanimous. Some of the chairmen were more neutral, with one saying: “I don’t think our trading balance would be massively affected. We need them; they need us.” Another said: “The effect of UK departure could be significantly less than certain people are saying. I am not overly concerned. I don’t wish to be in the euro. We wish to maintain control over our borders. We would maintain free trade agreements. Ultimately we voted to be part of the common market, not a federal European state.”

All the chairmen were asked how their retail companies’ prospects would be affected if the UK left the EU. A substantial minority (39%) answered that prospects would be diminished. The clear majority (61%) said they were neutral, suggesting they thought a UK departure from Europe would not affect their companies. Not a single chairman felt that leaving the EU would enhance the prospects for his or her business.

Figure 9
With the information you have now, would your retail companies’ prospects be enhanced, neutral, or diminished if the UK left the EU?



Responses from 32 chairmen across 62 companies.

> “The best outcome is to stay in but on better terms.”
>
> **Dennis Millard**
> Halfords

> "The EU, heavily influenced by UK leadership, would be much better run."
>
> **Stefano Pessina**
> Walgreens Boots Alliance

Stefano Pessina, chairman of Walgreens Boots Alliance, said: "The impact of leaving could be quite damaging, maybe not initially, but after a while it would be bad. Ultimately, as in Scotland, people will be pragmatic and keep the status quo and try and influence from the inside. But at present, I don't think that the UK is using its influence from within as well as it could. The EU, heavily influenced by UK leadership, would be much better run."

Another chairman said withdrawal would not be what it seemed. "We would have to renegotiate all the trading agreements, and therefore we would end up accepting what we thought we had stepped away from. We would end up signing up again to the directives we thought we were getting out of."

Debbie Hewitt said: "Coming out of Europe would be a distraction and could put our business development back 20 years. It would impact on the perception of London as one the leading financial centres, and we may lose our supremacy as a place for investment."

Alan Parker, chairman of Mothercare and Darty, said: "Short term, a departure from the EU may be beneficial, with a stronger pound emerging, but longer term the consequences would be very poor. Europe is our biggest trading partner. It would create political instability for us to be outside the European Union. The vision of where our country is would become more uncertain and more US-oriented. We would have more of a little England situation."

Immigration and low pay.

Another issue that provoked considerable debate among the chairmen was immigration, particularly what impact a tightening of policy and restrictions on non-British labour might have on the retail sector in general and their companies in particular. Most thought that immigration made a positive contribution to Britain's strong economic position and that people coming to Britain with skills, energy, and enthusiasm do useful work that deserves recognition and respect. While many chairmen saw immigrants as tending to be young earners who are not an immediate burden on the welfare state, some looked to the longer-term balance of benefits and costs of immigration as a legitimate area of debate.

Most chairmen did not think an immigration crackdown would affect their staff recruitment directly, but some were concerned that further restrictions might cause difficulties for suppliers. One said: "I worry the most about British agriculture. Without immigration, we would not have a workforce to harvest British vegetables, which would mean importing more. Immigrants also form an important part of the workforce in nursing and social care, without which the public services might struggle to cope."

Many of the chairmen saw immigration as part of a wider political and economic question. Sir Stuart Rose said: "There are lots of jobs that British people don't want to do or where we don't have enough people that are qualified to do them."

Tony DeNunzio, chairman of Pets at Home, said: "My family emigrated from Italy in 1956. I believe a restriction on immigration would be very damaging. Our economy is dependent on immigrants and the free transfer of labour, whether they work in the local coffee shop or the City of London."

John Barton said: "I think it would be bad for the economy. If you go into a Next store, say at Westfield White City or Stratford, you'll find a complete mix of people and nationalities both as staff and just as importantly as customers. I think immigration has helped the British economy."

"There are lots of jobs that British people don't want to do or where we don't have enough people that are qualified to do them."

Sir Stuart Rose
Fat Face
Ocado
Soak & Sleep

"I think immigration has helped the British economy."

John Barton
Next

> "I would prefer to see, say, an extra 1% on net minimum wage on a predictable basis for the next few years rather than to see restrictions on migrant labour."
>
> **Anonymous**

Phil Wrigley, chairman of Majestic Wine, Hobbs and Carluccio's, said: "There is good evidence that people from outside the UK come in and take the jobs that British people don't want."

Peter Bamford, chairman of Supergroup, said a big immigration crackdown would not be positive for the economy as a whole. "But I don't see it high up on the list as a retail chairman." John Coleman, chairman of Aga Rangemaster & McColl's, added: "Mainly the immigrants we have are young people, who don't use the NHS, who work and make a real contribution."

Several of the chairmen saw the immigration debate as part of a wider issue about low pay, with one observing: "Perhaps migrant labour is holding down pay. I would prefer to see, say, an extra 1% on net minimum wage on a predictable basis for the next few years rather than to see restrictions on migrant labour. The immigration debate is really a symptom of the low pay issue. We have benefitted enormously from being a plural, open nation."

Andy Higginson said: "I am concerned about the 'living wage' debate. We already have a minimum wage. If that's not enough, then take action, but don't create a PR story called the 'living wage.' It just creates extra complication, more confusion."

John Coombe said: "I understand the concerns over the inadequacies of the minimum wage. But we are a retailer, competing in the digital world, employing around 50,000 people, many of whom are on the minimum wage. If the 'living wage' becomes the minimum wage, this will put pressure on margins and thus on our ability to create entry level opportunities with great prospects in our company."

Investing for growth.

In a clear signal of confidence in the retail sector, an overwhelming majority of the chairmen said that over the next 12 months they will maintain or increase:

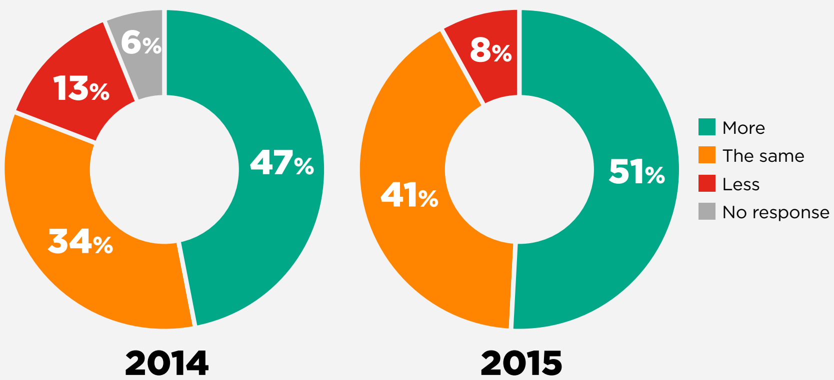
- Their companies' capital investments.
- The size of their store portfolios.
- Investment in jobs and developing the skills of their workforce.

Despite uncertainty about the general election's impact on consumer confidence, their plans for investment are even more bullish than they were a year ago.

Just over half (51%) said they plan to invest more in 2015 in their businesses inside the UK, and 41% said they would invest the same as in 2014. Combining these scores, 92% plan to invest at least as much in their businesses inside the UK as they did over the past 12 months. When the Korn Ferry survey asked the same question in 2014, 81% said they would invest at least as much as in the previous year.

Figure 10

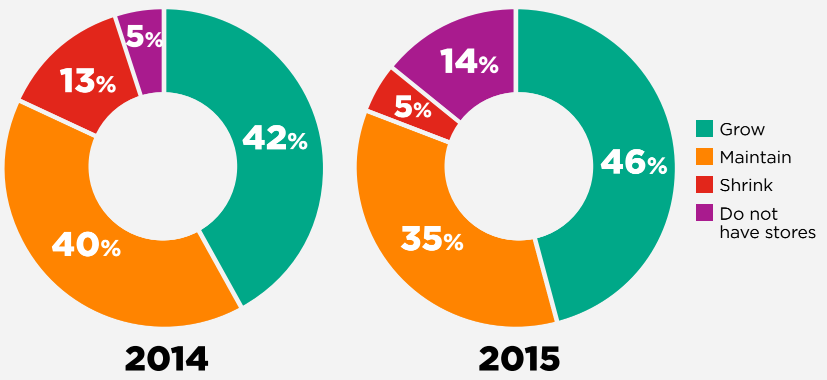
Will you invest more in your retail business(es) over the next 12 months compared to the previous 12 months in the UK?



Responses from 33 chairmen across 63 companies.

Similar signs of confidence came in response to questions on the size of the store network. Despite the continuing trend for more business to be done online, 81% of chairmen expect to grow or maintain their UK store portfolios over the next 12 months. This compares with 82% making a similar forecast in 2014. There is an even stronger commitment to invest in jobs, skills, and training, with 97% of chairmen saying they will maintain or increase these types of investment over the next 12 months.

Figure 11
How will your store portfolio evolve over the next 12 months in the UK?

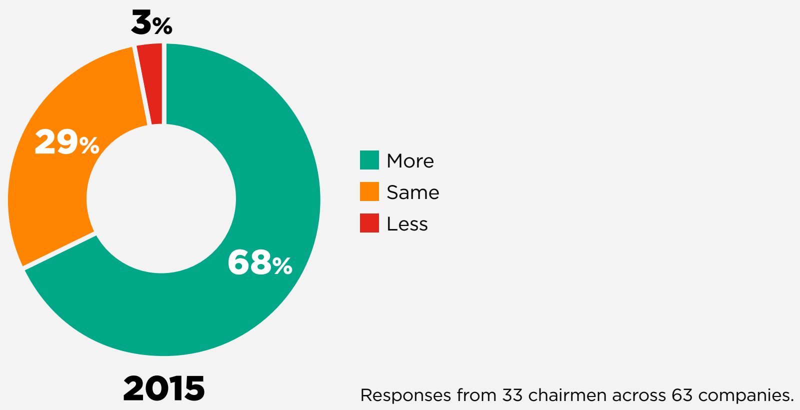


2015 results include responses from 33 chairmen across 63 companies.

Just over two-thirds will be investing more. In last year's survey, 24% of respondents had increased investment in this area throughout the downturn, while 63% had maintained the same level.

Figure 12

How will your investment in jobs, skills, and training in your retail companies in the next 12 months compare to the previous 12 months?

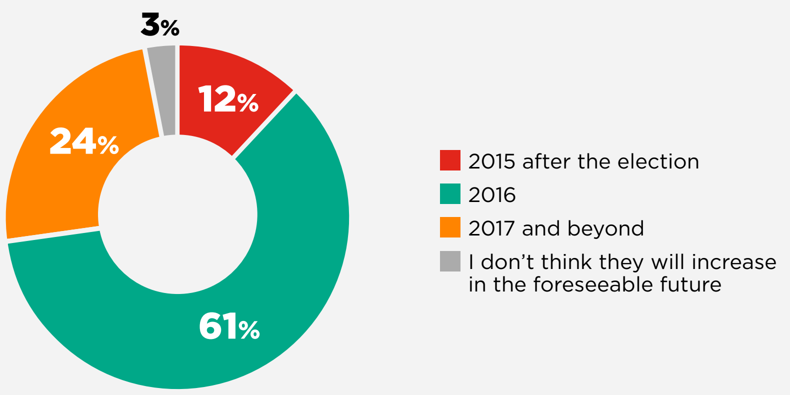


Responses from 33 chairmen across 63 companies.

Interest rates. Just 12% of the chairmen expect interest rates to rise in 2015. The majority (61%) believe that rates will increase in 2016, but 24% believe they will not do so until 2017 or beyond. Indeed, one chairman said he did not think interest rates would rise in the foreseeable future. Several commented that interest rate movements are difficult to predict and would depend on factors such as the UK election result and the strength of the US recovery.

Figure 13

When do you anticipate interest rates rising?



Business rates and the future of the high street.

> "We need a business rates system that is fair, equitable, competitive and adaptable across all sectors and businesses."
>
> **David Tyler**
> J Sainsbury

Despite these confident investment forecasts, the chairmen of retail companies with large store networks remain concerned about the burden of business rates, which puts them at a disadvantage when competing with online rivals.

David Tyler, chairman of J Sainsbury, said: "The government's decision to put in place a structural review of business rates is very encouraging and opens up the possibility of much needed fundamental reform. We need a business rates system that is fair, equitable, competitive and adaptable across all sectors and businesses." He said he appreciated that there was very limited room for "giveaways" by HM Treasury but added: "Substantial overhaul is very much needed. It could deliver really tangible benefits for government through job creation, reinvigorated high streets, and so on."

Several chairmen singled out business rates as a major issue. Henry Staunton, chairman of WH Smith and Brighthouse, said: "Business rates are too high and penalise people on the high streets, and these rates were set at a peak. This needs to be tackled if we want to give retailers a fair crack at it. And it's these retailers who create jobs."

John Coleman said: "Property rates are completely out of kilter and put bricks and mortar businesses at an unfair disadvantage to online businesses."

John Coombe said: "We're being taxed on the basis of bricks and mortar rather than how much money we make. This seems irrational. A switch to some form of tax on profits rather than bricks and mortar would be better."

David Hamid, chairman of Game and Ideal Shopping, said: "The Internet continues to have a profound, ongoing impact upon retailing around the world. This is very much to the benefit of consumers. However, high street retailers in the UK are taxed in a way that pure-play internet retailers are not. If we want high streets to thrive, government needs to react to this new world and find ways to reset the playing field fairly."

And Tony DeNunzio said: "We need a fair tax system between pure internet players and bricks and mortar retailers. We need appropriate taxation to support the changing business reality."

Others saw business rates as just one of the issues affecting the future of the high street. Peter Williams, chairman of Jaeger, Boohoo.com, and Mister Spex, said: "For retail, some structural things are still not right. We still have too much space. Some high streets are struggling to survive, and they will need to change in terms of what they do. As retailers and citizens we should encourage revitalisation, including change of use where appropriate, and central government has to encourage and support local authorities with this."

"We need appropriate taxation to support the changing business reality."

Tony DeNunzio
Pets At Home

Forward to the hustings.

"Don't put the tentative recovery at risk....recognise that business is the only engine of wealth."

Robert Swannell
Marks & Spencer

As Britain heads towards a general election in May, we asked the chairmen what a political party would have to do to earn their vote. Without prompting, almost all named economic stability as the main priority.

Robert Swannell said: "Don't put the tentative recovery at risk. Don't put the rating for UK bonds at risk. Don't assume business is bad and recognise that business is the only engine of wealth."

Sir Stuart Rose said the key issues were "confidence, confidence, confidence." He called for fiscal rectitude and added: "Carry on with not spending more than we are earning. Send out the message that hard graft will deliver success. Remember why we are in a better position than other countries. We have done something about it. The Greeks have hoped the problem will go away. We have a flexible workforce, an entrepreneurial spirit, good intellectual PR, education, social cohesion, a working multi-cultural society, no race riots. We should remember the things that help us to be successful."

Brian McBride said: "Don't mess about with the economy, don't slow down the recovery. If it's not broken, don't fix it. Steady as we go." David Adams, chairman of Conviviality Retail, added: "The signs of recovery are there, but it is not yet in cast iron. This needs to be the priority. I'm not a fan of what the coalition has done. It hasn't been a bad job, but to move too much off the direction already set would be wrong. We have momentum going up, so let's take advantage of this."

"Carry on with not spending more than we are earning."

Sir Stuart Rose
Fat Face
Ocado
Soak & Sleep

Peter Bamford said: "I think it's all about the competent management of the economy. It's about controlling spending and providing the climate to encourage businesses to invest, grow and hire more people."

Rob Templeman said: "Achieving a sustainable economic recovery is dependent on consistent and balanced stewardship. The UK economy is in pretty good shape compared to many other economies; inflation is low, disposable income is starting to rise.

Don't put our recovery at risk through too much change. Consumers and businesses become much more cautious when they see political uncertainty and unrealistic pre-election political gestures, which will impact our recovery."

Paul Wilkinson said: "Remember that the private sector funds everything. We need an environment where individuals and companies are encouraged to create wealth. Otherwise there is no way to fund public services. It's all about the economy and growth."

Phil Wrigley also wanted the creation of an environment for growth. He added: "Sponsor growth with social sensitivity. Don't be too southern-oriented. Look after those who are less fortunate. But we can only do this once the economy is in decent shape."

The chairmen raised similar issues when we asked them about the most important message for a new government to hear from the retail sector and business in general. David Tyler said: "There needs to be a continued focus on reducing bureaucracy and red tape to help create growth. The UK government is working hard to reduce the deficit, and we can support them in achieving that if we are given the right conditions for growth. For us this means making it easier to open stores and investing in local jobs and communities. Unnecessary regulatory burdens can also stop us from offering the best value products and services to our customers. Regulation needs to be clear in its objectives, clear in its full impact on industry, and implemented effectively. It is important there is a level playing field."

Debbie Hewitt said: "Nothing is more important to our national well-being than investment in skills and education. The return for the nation on capital well invested in education is considerable. It makes a positive difference to business and our competitiveness and improves our national well-being. Employers need to do more to support education."

For Geoff Cooper the message to the next government was straightforward: "Don't do a lot. Carry on cutting public sector waste. And have a higher regard for business. Without business there is nothing."

"Allow the economy to properly recover - we are emerging from a very bleak period."

Andy Higginson
Morrisons
N Brown

"Nothing is more important to our national well-being than investment in skills and education."

Debbie Hewitt
Moss Bros
White Stuff

“There is a huge opportunity for government to use its convening power to enable business leaders to address key issues.”

Sir Charlie Mayfield
John Lewis Partnership

And what should be the priorities for the new government formed after the May election? Andy Higginson said: “Don’t create any big swings in taxation policy, or regulation, or government interference. Let there be a period of stability. Allow the economy to develop at a natural pace. Keep a tight lid on public spending. Allow the economy to properly recover—we are emerging from a very bleak period.”

David Hamid agreed that the priority should be “keeping the economy steady in a difficult world.” He added: “I think the coalition has done a pretty good job with the economy. So for me, more of the same.”

Michael Jack, chairman of Topps Tiles, said: “Consumer confidence is a fragile flower—don’t let it wilt or die! The economy has still got a long way to go. So pursuing extreme policies—either of the left or the right—would be wrong. We don’t have the cash. We don’t need a period of uncertainty or instability.”

“I would like to see more political support and trust in the retail sector.”

David Tyler
J Sainsbury

For Sir Charlie Mayfield, the next government’s priority should be to develop a strong and clear industrial strategy. He said: “There is a huge opportunity for government to use its convening power to enable business leaders to address key issues.”

David Tyler added: “Retail is one of the most important industries in the UK, and I would like to see more political support and trust in the sector.”

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