Retail Compendium

Compendium on Retail Development, Planning Philosophies and Legal Instruments

Old Member States: Finland, Germany, Sweden

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Report

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Public-sector stakeholders need to know and reflect on the mechanisms of retail development and particular retail structures in order to be able to decide and act accordingly. This means being aware of the different ways of dealing with retail allocation, of different approaches and models of urban development and of the possibilities of integrating retail facilities into the infrastructure; in more general terms it means looking ahead to the future shape of the city or region.

Besides housing, production, industry and the service sector, retail has a crucial function for local development. Retail supply, depending on the structure, dimension and location of shops and formats, has implications on consumer behaviour and thus on mobility issues as well as on the relationship between residential and working places within a city and its region.

The aim of this compendium is not to create a general compilation of planning issues, but to produce a working document and reach a deeper understanding of retail structures as a practical hand-out for local stakeholders who face decisions on retail locations. This will also enable government officials to better understand and locally implement the development decisions of large international business companies.

The RENET project deals with retail development and its implications for urban and regional development. The European dimension of RENET is underscored in its incorporation of partners from the whole Baltic Sea Region. In the context of this transnational perspective, the Retail Compendium describes the approaches of the three participating old Member States of Finland, Germany and Sweden in handling local retail developments. The situation in the three Baltic States (Estonia, Latvia, Lithuania) is analysed in a second overview.

Fig. 1: The States examined in the Retail Compendium
Source: own compilation

National planning systems play an important role in the regulation of retail development. The selected countries demonstrate considerable differences across all levels of administrative, from the national to the municipal level. This section provides a short overview of the national planning systems and approaches, and also serves as an introduction of the structural characteristics of the three national contexts and the different ranges and levels of planning instruments at the disposal of government administrations, particularly as they relate to retail. Of particular interest in this overview is the question of how strategies of control and planning and or policies of discouraging retail establishments in certain locations differ in their possibilities of active intervention.

1.1 Settlement Structures and Socio-economic Background

The three Western European countries represent completely different structures (see table 1). Germany, as one of the biggest and most densely populated countries - in terms of retail as well -, is one of the most important markets. Sweden and Finland are among the richest and most advanced countries in the EU, but with a low population density, several important urban population centres and a huge number of smaller towns and villages in a rural context. The potential consumer market of the two Nordic countries is highly developed and has a high purchasing power, although the density and size of its populations are among the smallest in Europe.

Finland

Developed areas makes up less than three percent of Finland, but they are inhabited by more than 80% of the population. Settlements are generally concentrated in coastal regions and alongside important lakes and waterways.

Finland is a very large country, covering an area of 330,000 m², with a relatively small population of 5.2 million inhabitants, which is, however, expected to grow slightly to 5.4 million inhabitants by 2020 [1].

Finland is characterised by very strong contrasts in settlement structure:

Table 1: Socio-economic and structural data in the three countries

	Inh./ mill.	Inh./km²	GDP/inh. (2005)	Purchas. Power index (2005)
Finland	5,2	17	29,260 €	86
Germany	82,5	231	27,200 €	100
Sweden	9,0	22	31,897 €	86

Source: EHI 2006, own compilation

1 http://www.stat.fi/tup/suoluk/suoluk_vaesto_en.html

- The metropolitan region of Helsinki as a growth area: Two thirds of the Finnish population live in the triangle between the three biggest cities of Helsinki, Tampere and Turku in the southwest of the country. The Helsinki region is 100 times more densely populated than the rest of the country, while the entire Uusimaa Region is 10 times more densely populated.
- Regional centres such as Oulu, Tampere, Kuopio and Vaasa: These are larger cities with a retail structure that targets areas beyond the immediate economic regions of these cities.
- Smaller regional urban centres and their surroundings (such as Jakobstad): Competition between the centres is increasing, often at the expense of rural retail.
- Scarcely populated rural areas: Traditional village shops hardly exist any longer. Distances to shopping locations can be as much as 15-30 km, although highway gas stations have partly taken the role of the village shops.

Finland shares a 1,300 km border with Russia. The Finnish railways use the same gauge as Russia, making eastward transport from Finland cheaper and easier than from any other EU country.

Germany

Germany has a total area of 357,050 km², most of it land area and only 8,279 km² of it water (2.3%); 12.8 % of the entire area is developed transport area[2]. In 2005 the number of inhabitants was about 82.4 million, most of them living in urban areas (88.5%), e.g. large and mid-sized cities, metropolitan areas as well as small towns (CIA World Fact Book 2005[3]). Nearly one in three persons lives in one of the 84 large and mid-sized cities. According to the Federal Statistical Office, "population figures will – after a small increase to 83 million – drop from 2013 down to the 1963 level (slightly more than 75 million) by the year 2050"[4].

2 http://www.destatis.de/basis/e/umw/ugrtab7.htm

3 http://www.allcountries.org/wfb2005/

4 http://www.destatis.de/presse/englisch/pm2003/p2300022.htm

Fig. 2: Administrative structure in Germany (Federal Länder and administrative regions)
Source: ***http://www.archive.nrw.de/index.asp***

The country is relatively densely populated, with an average density of about 231 inhabitants per km². The city of Berlin is the German capital and the most populated city, with almost 3.5 million inhabitants; other large cities include Hamburg, Munich, Cologne, Frankfurt and Dortmund. By far the largest urbanised area is the Rhine-Ruhr region, which encompasses the Düsseldorf-Cologne district and the cities of Essen, Dortmund and Duisburg.

Sweden

Sweden is an oblong-shaped country, mainly characterized by long coastlines, large forests and countless lakes. While most of the population is now concentrated in the southern part of Sweden in the Stockholm-Gothenburg-Malmö triangle as well as along the coast to the north of Stockholm, in the year 2000 less than one third of Swedes lived in the five urban areas (tätorter) that have over 100,000 inhabitants each (Göteborg, Malmö, Uppsala and Västerås). Instead, over 50% of the population was at home in settlements with under 30,000 inhabitants[5]; in 2003 the average municipality had 15,210 inhabitants (HUI 2004). Population growth is occurring mainly in metropolitan areas; between 1994 and 2004, the Stockholm, Malmö and Gothenburg regions together experienced a population increase of 7.8%. All other types of regions experienced a population decrease (ITPS 2005). Economic growth increasingly depends on a diversified economic structure and a distinctive process of regional enlargement has taken place. Time spent commuting has increased, while the number of statistical labour market regions has decreased from 187 in 1970 to 87 in 2003 (SCB 2005).

In the year 2000, 84% of all Swedes lived in urbanized areas. But due to the definition of 'tätort', that does not mean that all of them are characterized by urban qualities such as high density and diversity. A 'tätort' is defined as a place with more than 200 inhabitants where the distance between houses is no more than 200 metres. 'Tätorter' make up only 1.2% of the country. The northern part of Sweden is particularly sparsely populated. The inlands in Norrland have a population density of only 0.5 inh./km², and even urbanized areas in Norrbotten County with 874 inh./km² have a population density far below that of Stockholm County (2.547 inh./km²) (SCB 2001).

In general, Swedish cities are characterized by a rather generous use of space. This is explained by the fact that the urbanization process did not seriously get underway until after 1940. Inspired by the ideas of neighbourhood planning and new-towns in England, cities began to expand beyond their former boundaries.

New settlements outside the town were planned in an orderly fashion, whereby the separation of functions was essential. Public functions such as shops were concentrated in the neighbourhood centres, around which flats were built, and workplaces were located in special commercial areas or city centres. Surrounding ring roads kept cars outside the living areas, although they also function as barriers. These principles also influenced the structure of the settlements that were built according to the so-called 'million programme', during which 100,000 flats were constructed per year between 1965 and 1974. The size of the new settlement areas was adapted to the catchment area of schools or shopping facilities in the centre. With the decreasing size of households and competition from other larger external shopping centres on motorway junctions, some of the commercial facilities were no longer viable and had to close down, so that the quality of the infrastructure in these areas can be unsatisfactory. The physical structure makes a spatial integration into the urban fabric difficult (Kylebäck 2004). Rather brutal inner-city renewal programmes made the centres more efficient for automobile traffic and large-scale retailing in many cities. As a result of the spatial planning policies, housing in Sweden has, on the whole, a very high standard, with every person on average having 47.5 m² of living space at their disposal (Boverket 2004:12). On the other hand, spatial planning has also aggravated the problems of sustaining a diversified retail structure in Sweden.

5 SCB: Tätorternas landareal, folkmängd och invånare per km2 1995 och 2000

1.2 Administrative Structures and Planning Systems

Finland

Finland's 452 municipalities vary greatly in size, from Helsinki with more than half a million inhabitants, to about 20 municipalities with fewer than 1.000 residents. Regardless of their size and urban or rural character, all municipalities have the same administrative structure and a strong local self-government. The self-governmental status of the Åland Islands is set out in the Finnish Constitution. Urban regions are the main organisational level for planning.

Land use planning and building in Finland are regulated by the Land Use and Building Act (2000). The act defines three levels in land-use planning: the regional land-use plan, the local (municipal) master plan and a local detailed plan. On the national level, the Ministry of Environment is responsible for legislation and national land use guidelines. The ministry plays an important role in the national coordination and guidance of land use planning.

Fig. 3: Regional councils of Finland
Source: Ministry of the Environment 2005

There are 13 regional environmental centres that belong to the state administration system. These regional environment centres control municipal planning within their respective region and promote and control the organisation of land use, planning and building activity as well as environmental issues in their area. A standardized procedure of negotiations concerning local plans takes place between the municipality and the respective regional environmental centre. In particular, the regional environmental centres must exercise control in order to ensure that national land use objectives are taken into account in all matters of planning, building and other land use, as provided

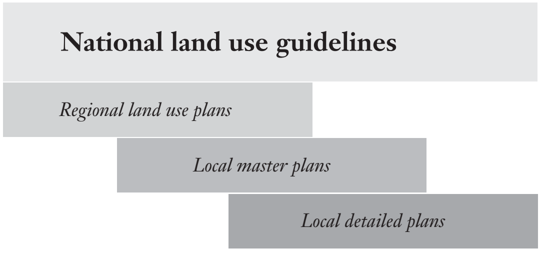

Fig. 4: Finland's land use planning
Source: Ministry of the Environment 2005

in the Land Use and Building Act. The six provinces that belong to the state administrative system have no spatial planning powers.

National guidelines are implemented mainly through regional plans. The central administration is strongly departmentalised and the regional administration has to bridge the different administrative levels and administrative boundaries. Regional land use plans and regional development strategies are drafted and approved by the 19 regional councils (*maakuntaliitto*), which are made up of representatives from the municipalities. Regional land use plans are submitted to the Ministry of Environment for ratification. All plans have to be based on an environmental impact assessment.

The Land Use and Building Act gives municipalities a high degree of autonomy in local land use planning. Municipalities are obliged to prepare local master plans and local detailed plans, but they are also given the right to draft inter-municipal joint master plans. The participating local authorities may delegate the preparation and approval of the joint municipal plan to the regional council or some other suitable joint body of authority for organisational purposes.

Germany

Germany is a federal republic made up of the Federation (*Bund*) and 16 Federal States (*Länder*). According to the federalist principle of the constitution, the authority of the German state is divided between the Federation and the Federal States. Federal States have their own state authorities and legislation. This fact characterises Germany as a decentralised state.

The federalist structure of the German state, made up of three central levels of the Federation, the Federal States and the municipalities as the organs of local self-government, has a decisive influence on the system of spatial planning. Spatial planning in Germany is decentralised along the same lines and thus arranged according to the legally determined distribution of responsibilities and tasks between the three levels of the Federation, the Federal States (subdivided into administrative districts and regions), and the counties and municipalities.

As a result, spatial planning in Germany follows a system of planning levels that are clearly defined in legal and organisational terms and with regard to content. On the one hand, each of the levels has its own legal basis; on the other hand they are closely interlinked by the principle of countercurrent as well as on the basis of complex sets of regulations regarding information, participation, agreement and cooperation, and obligation.

Fig. 5: Planning levels and main instruments in Germany

Federation (Bund)	**Federal Spatial Planning Framework (Bundesraumordnung)** Federal Legislation for Spatial Planning (Bundesraumordnungsgesetz) Self-binding policy affecting the federal states » Federal programme for spatial planning
Federal State (Land)	**Federal State Planning (Landesplanung)** Federal States' Planning Legislation (Landesplanungsgesetze der Bundesländer) » Federal state development plans and programmes
Administrative District (Regierungsbezirk, only in some federal states)	*Administrative District Planning, e.g. in North Rhine-Westphalia*
Region	**Regional Planning (Regionalplanung)** » Regional development plans and programmes
County (or County Free Cities)	**County Development Planning (Kreisentwicklungsplanung)** » County Development Plan
City, Municipality	**Urban Land Use Planning** Federal Town Planning Law (Baugesetzbuch) Federal Land Utilisation Ordinance (Baunutzungsverordnung) Federal State Building Order » Preparatory Land Use Plan (Flächennutzungsplan) » Binding Land Use Plan (Bebauungsplan)

Source: Own compilation based on Hotzan 2001, 234

At the federal level the Ministry for Transport, Building and Urban Affairs (BMVBS) is responsible for spatial planning. Spatial planning takes place in accordance with the German constitution (art. 75 no. 4) and is a policy area whose framework competencies lie solely with the Federation. Therefore, there is no spatial planning on the level of the federal states.

To coordinate the different policies in the area of spatial planning, a standing conference of the state ministers for spatial planning was founded. Their decisions have self-binding effects for the states. Among the federal states there are considerable differences with regard to the responsibility for spatial planning.

Basic Guidelines of Spatial Planning

According to Walter Christaller's theory that a country's dwellings follow a hierarchical system of central places according to size, particular functions and facilities, certain basic principles for spatial planning relating to central places have been developed (Vielberth 1995, 95). From this follows a hierarchy of central places (ibid., 96):

- small centres
- small to medium-sized centres
- medium-sized centres (towns with around 50,000 inhabitants)
- large centres (towns with more than 100,000 inhabitants)
- areas of high density.

Spatial planning has to ensure particular functions which are assigned to different levels of centres and must provide an adequate provision of land (European Commission 1999, 116). Large cities, for example, must offer a higher standard of infrastructure, including universities, theatres or specialized shops. The idea of a system of central places is the guiding principle for German federal state planning (Landesplanung) and regional planning (Regionalplanung). As a result, federal state and regional plans provide information on the centrality of places.

Another important basis for German planning is represented by the idea of the "town of short paths" (Stadt der kurzen Wege). According to this principle, municipalities attempt to integrate housing, shopping and commerce within settlements in order to avoid monofunctional districts such as suburban housing projects or shopping centres on "greenfield sites" (ibid.).

Sweden

Sweden's administrative structure is characterized by both a strong central state and a far-reaching local self-government. On the national level, the central administration is organized into two different kinds of organizations: the Government Offices (which include the Prime Minister's office and the ministries) and the central authorities which are responsible to the government as a whole. This means that the authorities are governed by general directives on objectives, organization and resources, and individual ministers cannot influence the course of specific affairs. All communication between the authorities and the government is public. The central authorities, with their approx. 300.000 employees, represent the official national body of expertise.

There is no single office that assumes responsibility for national spatial planning matters. However, several central authorities like the National Board of Housing, Building and Planning, the Swedish Environmental Protection Agency (*Naturvårdsverket*) or the National Heritage Board (*Riksantikvarieämbetet*) have competencies in the field of spatial planning and exercise them. The National Board of Housing, Building and Planning is the supervisory authority for the Planning and Building Act (*plan-och bygglagen*, *PBL*, from 1987) and edits and disseminates literature on how to apply the law and on best practices in planning and building.

The regional county boards (*länsstyrelse*) historically represent the central power on a regional level. Their task is to coordinate the implementation of national goals, and they have special responsibilities for matters of environmental protection, regional development and supervision of municipal spatial planning. The county boards ensure that spatial plans do not have negative effects in terms of national interests, coordination between municipalities, health and safety or environmental quality standards in accordance with the Environmental Code. With regard to spatial planning, the county administrative boards are also the judicial authority where initial appeals against municipal decisions can be filed.

In pilot projects in the counties (*län*) of Västra Götaland and Skåne there have been shifts in responsibility between central and local government. The responsibility for regional development has been transferred from the county administrative board to the elected county council. The experiences with these pilot projects will be incorporated in the final report that the parliamentary 'Committee on Public Sector Responsibilities' will present in 2007. Its task is to analyze and review the structure and division of responsibilities between the state and local self-government (comprising the municipal and regional level). Therefore comprehensive changes regarding both the geographical organisation of regions and municipalities and the division of responsibilities are to be expected in the near future.

Today's 289 municipalities are a result of reforms that took place in the 1970s, when municipalities were merged to ensure their ability to provide extensive welfare services. Among other things, their size was tailored to local labour markets. But local self-government has a long history in Sweden, and extends to issues such as the right of taxation and the planning monopoly. No land-use change may take place unless it is based on a municipal plan. As a result, there is no tradition of inter-municipal cooperation or regional coordination in the field of spatial planning, even though today many tasks require a coordination across municipal boundaries (ARL, BTH and Nordregio 2001).

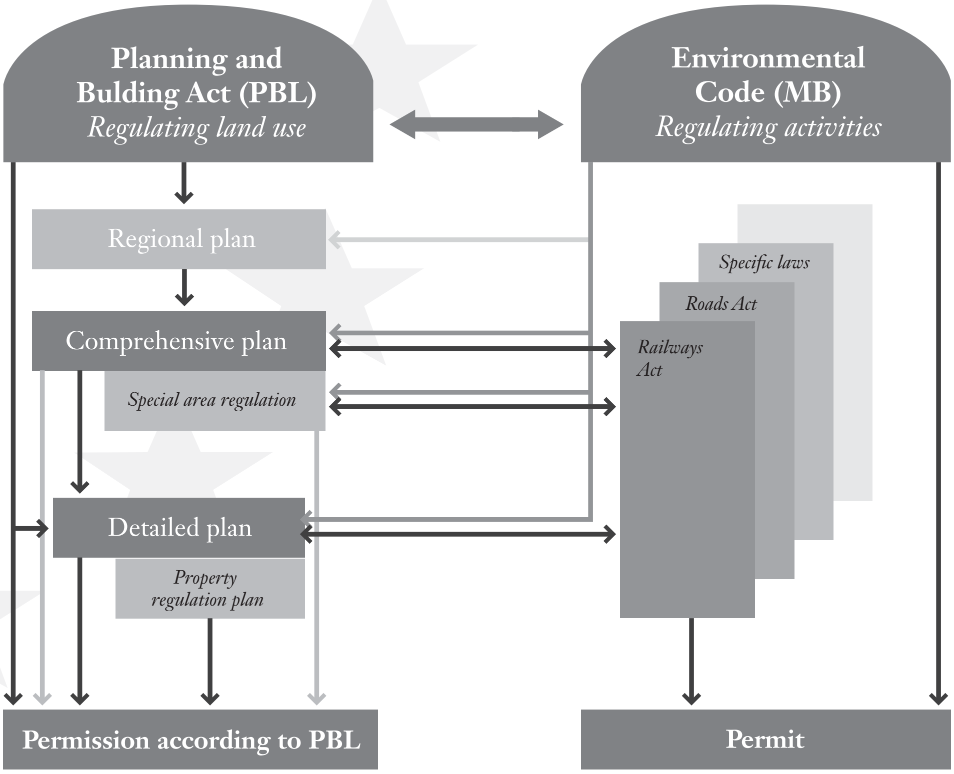

Fig. 6: Overview of main instruments and planning system in Sweden
Source: Nordregio 2001, 208

1.3 Formal and Informal Planning Instruments with Regard to Retail

Finland

Provisions regarding the management of the location of large retail outlets are incorporated into the Land Use and Building Act. One major objective is to slow the shift of retail trade from town centres and residential areas to large outlets constructed outside town centres. Planning for retail trade will give priority to urban centres when locating large retail outlets. A coherent structure of urban centres has been established for each region. According to the Land Use and Building Act, large retail units (larger than 2,000 m²) may not be located outside the area designated in the regional plan or the local master plan as central, unless the area is specifically designated for such a purpose in the detailed local plan. The maximum size of 2,000 m² does not apply to space-demanding retail (cars, building material, furniture etc.).

Regional councils and municipalities are expected to provide a basis for planning so that the central structure with a focus on town centres can be maintained. The Regional Council establishes the regional network of urban centres, local centres and the network of retail trade services in the regional land-use plan. The plans define areas as centres and thereby determine the scope and direction of large retail outlets. These can be located outside the town centres if it can be demonstrated that they do not contradict the objective of sustainable development. Regional land use plans should incorporate considerations such as the functionality of spatial and community structure, ecologically sustainable land use patterns as well as economic efficiency in land use patterns. Regional land use plans can have a direct influence on construction projects and other land uses through conditional building restrictions and protection orders. Protection orders can be designated in regional land use plans to limit construction and other land use changes that would endanger valuable natural or cultural features or landscapes.

The municipalities prepare local master plans, which are the main planning instruments for managing the location of retail trade. In the local master plan, the municipality can define areas as centres and decide which retail outlets are not large enough to have regional effects. In order to develop a common position on the service network of retail trade and principles for locating large outlets, several urban regions in Finland have worked out joint municipal master plans. These joint municipal plans - for example in the Turku or Oulu regions - lay out a more sustainable framework for local planning decisions. The joint municipal master plan in Oulu is based on an analysis of planning principles for local centres in the urban region, and the analysis also takes a position on the location of retail services. The urban regions of Tornio (Finland) and Haparanda (Sweden) have a long tradition of cross-border planning and cooperation in planning commercial projects, and have gained remarkable experience in this area. The municipalities have jointly prepared an analysis of the retail service network.

The separate regulation of large retail outlets is explicitly based on the local detailed plan. According to the Land Use and Building Act, a building permit for a large retail outlet outside an urban centre requires a local detailed plan or an amendment to an existing plan. The provisions of the local detailed plan may include preventing or restricting adverse environmental effects as well as influencing the type and size of the business if this is necessary to ensure access to retail trade services. For example, a local detailed plan may define the proportion of floor space in a business to be set aside for daily consumer goods.

Joint municipal plan and cross-border cooperation: the municipalities of Haparanda (Sweden) and Tornio (Finland)

On the border between Sweden and Finland in the Bothnian Arc, the municipalities of Haparanda and Tornio have created a seamless Swedish-Finnish region. Since the mid-1980s, cross-border cooperation has been continually developed and extended. In 1987, Provincia Bothniensis was established, an organisation aiming to develop, extend and deepen the cooperation between these municipalities. Today the cooperation spans nearly all fields of municipal activity. They have built a cross-district heating system and developed a common school system. Co-operation intensified after Sweden and Finland joined the European Union; in 1995 Haparanda and Tornio declared themselves to be one city, Eurocity, with 35,000 inhabitants and 2000 businesses. The cross-border cooperation is now oriented towards integrating the spatial framework and activities of the twin cities. Spatial planning is also carried out jointly. The objective for the region of the Bothnian Arc is to employ regional development planning instruments to create a common vision of the future of the region and a strategy for development that can bolster the community and business development of the Bothnian Arc. This includes proper use of land and water resources and the protection of cultural heritage and natural resources. The planning is also intended to stimulate improved cooperation in order to make business more diverse and competitive. In 2000, the municipal councils in both cities approved a joint comprehensive plan for implementing a common city centre spanning the national border between the towns. One objective is to integrate the towns into a well-functioning whole, another is that for the city centre to serve as a model for European cooperation between neighbouring countries[6] (Ministry of Environment and Energy, Denmark et. al, 2001, 16).

Germany

The legal framework for German planning issues is the Federal Building Code *(Baugesetzbuch)* in combination with the Federal Land Use Ordinance *(Baunutzungsverordnung)*. In accordance with the Federal Building Code, municipalities are responsible for drawing up two types of land use plans. The preparatory land use plan *(Flächennutzungsplan)* with a scale between 1:5,000 and 1:15,000 (depending on the area of the municipality) constitutes a framework instrument. This plan covers the entire municipal territory, indicates the intended development and defines intended or existing land use such as building development, public-sector infrastructure, green spaces, agricultural area or woodland. The preparatory land use plan is only binding for government institutions, not for private persons; it must be adopted by the local council and approved by the next higher authority. Out of the preparatory land use plan, binding land use plans *(Bebauungsplan)* are to be developed. These plans serve as regulatory instruments and are much more detailed (scale is usually 1:1,000); they design functions, basic urban design principles and determine the allocation of public-sector infrastructure. The Federal Building Code provides possible designations for binding land use plans, which include:

- type and degree of building and land use;
- coverage type and plot areas which may or may not be developed, as well as the location of physical structures;
- common facilities and public-sector infrastructure;
- green areas, open space areas and areas relating to conservation (VASAB Secretariat 2005, 47).

For development projects, a project-based binding land use plan can be prepared *(Vorhabenbezogener Bebauungsplan)* based on an implementation plan for the project and the associated infrastructure. Municipalities can sign an implementation contract *(Städtebaulicher Vertrag)* with the developer in order to ensure the implementation of projects within a fixed timeframe and to oblige him to wholly or partially finance the planning and the provision of public-sector infrastructure (ibid.).

Municipalities are obliged to arrange formal public participation processes within the development procedure for land use plans. In accordance with the Federal Building Code, public participation must be incorporated in two phases. The first phase is meant to ensure the early involvement of the general public, public-sector agencies and neighbouring municipalities. During a second phase the draft plan must be made accessible in a public place, and members of the public are given the chance to inspect the plan, make suggestions or raise objections. For the next phase the Federal Building Code sets clear regulations for municipalities on how to deal with suggestions and objections (ibid., 49).

6 The cooperation was part of the INTERREG IIIA programme between 2001 and 2003.

With regard to retail, the formal definition of land use areas (or zones) is of particular importance. According to the Federal Land Use Ordinance, commercial uses are permitted in core areas *(Kerngebiete)*, commercial areas *(Gewerbegebiete)* and mixed-use areas *(Mischgebiete)*. Core areas are intended "to provide space for commerce and for central business, administrative and cultural buildings" (European Commission 1999, 131). Commercial areas shall "provide accommodation for commercial and light industrial operations which are not seriously disruptive" (ibid.); and mixed-use areas are "intended to provide space for housing and accommodate businesses which do not exert a disruptive effect on the residential function" (ibid.). Furthermore, shops, restaurants or services for local supply are permitted in general residential areas *(allgemeine Wohngebiete)*. Within residential areas *(reine Wohngebiete)*, shops without disruptive effects for local supply may be permitted. In general, small and medium-scale retail operations under 700 m² in size shall be located in core areas or mixed-use areas. Shopping centres and large-scale retail operations with an area of more than 1,200 m² are to be located only in core areas or special areas *(Sondergebiete)*. Since local land use planning must be in line with the aims of federal, state and regional planning authorities, municipalities can designate special areas for large-scale retail only if they are places of medium or higher centrality. Thus, the establishment of retail outlets with an area of more than 1.200 m² must correspond to the regulations of state and regional planning.

In addition to formal planning instruments, German municipalities use a variety of informal plans which do not have legally binding character. Informal planning varies from city to city, and the names given to these plans may differ depending on their function. Informal plans can be helpful as a basis for developing formal plans or they can serve as work in progress, facilitating regular updates. The urban development plan *(städtebaulicher Entwicklungsplan)*, for example, may contain proposals for the entire municipal territory. Framework development plans *(städtebaulicher Rahmenplan)* deal only with a part of a city or district. They are widely implemented for urban renewal or urban conservation, often as an interim step between a preparatory land use plan and a binding land use plan, to be worked out in a later stage (ibid., 68). Other types of informal planning instruments deal with just one particular topic such as traffic, conservation, commerce or retail.

Current Problems and Tendencies of Planning Regarding Retail

In the case of the new establishment of large-scale retail sites, urban planning control in Germany concerning retail is exercised with the help of regional conferences and retail decrees valid beyond a certain dimension of sales area for non-integrated locations. This is meant to ensure a more restrictive behaviour concerning new building authorisations for outerlying locations. The goal of retail location policy is to focus on existing city centres and to strengthen the power of central places. As a result of this policy there has recently been a move to locate shopping centres at integrated sites – as an alternative to the existing retail structures in inner cities. In many cases there is a gap between the ideas of urban planners and those of investors, or between neighbouring municipalities. However, such differences are attempted to be overcome by means of joint conferences involving different stakeholders and also business representatives such as the Chambers of Industry and Commerce *(Industrie- und Handelskammer)*.

One specific attempt to formally deal with issues of inner city development is represented in the latest amendment of the Federal Building Code, approved in December 2006 and programmatically called "Law on the simplification of planned projects for the inner development of cities" (Gesetz 2006, BMVBS 2007). Due to the problem of long procedures involved in drawing up formal plans, the amendment focuses on legal simplifications for inner city developments; these will be achieved with the help of shorter procedures for setting up and implementing binding land use plans. A simplified and reduced procedure is already implemented for new developments on brownfield areas within urban structures. One key issue meant to speed up development processes is the waiving of environmental audits for inner city development projects smaller than 20,000 m² in size. This part of the amendment is intended to particularly affect large-scale retail sites to be developed within shorter timeframes. Furthermore, urban development concepts which focus on existing and new supply areas within municipal areas may be adopted as simple binding land use plans. For these kinds of binding land use plans it is no longer necessary to work out a complete urban design concept (Gesetz 2006). Another point pertains to urban renewal measures; the decision to set up a formal urban renewal area (according to the Federal Building Code) has to include a fixed time schedule. The aim is to provide clear information regarding a measure's costs and timeframe, especially for local retailers and shop owners. Thus the measure can be considered an aid and incentive for public-private alliances such as Business Improvement Districts (BID). In general, the amendment is beneficial to retail and commerce, which is why the proposal receives particular support from retailer representatives (DIHK 2006, HDE 2006).

Today, many cities use informal planning or joint conferences to deal with retail issues. Larger cities in particular often formulate guidelines or set up self-binding regulations regarding retail. The case of the city of Dortmund shall serve as an example.

Dortmund: Master Plan Retail

The city of Dortmund is situated in the Ruhr Valley, which has a population density that ranks among Europe's highest. With approximately 590,000 inhabitants (1.9 million including the hinterland), Dortmund represents a large centre within the system of central places and is one of the main retail spots within the Rhine-Ruhr region.

The retail sector has approximately 22,000 employees. Retail is basically concentrated in the inner city centre, but several district centres serve as essential retail spots as well. These centres guarantee the supply for approximately 50,000 inhabitants each, and can be categorized as medium centres. The polycentric urban structure with its different districts is considered an important factor regarding issues of supply, transport and mobility.

In 1999 the Dortmund city council agreed on a retail plan for the entire city that aimed at ensuring the general retail supply, focusing on the existing structure of centres and three special areas

Fig. 7: Location of Dortmund within the Federal State of North Rhine-Westphalia
Source: Stadt Dortmund

dedicated to retail. At the same time, a consulting group for large-scale retail was founded involving different stakeholders, which included the local Chamber of Industry and Commerce, the trade union responsible for the service sector and the municipal office for planning and construction.

In 2001, the city of Dortmund and 18 municipalities of the surrounding area signed a regional retail plan for the eastern Ruhr Valley which focuses on a joint arrangement of retail locations. In 2002, a draft version on the use of the three special areas for retail was presented. In 2004 the master plan for retail was approved as one part of a five-segment master plan for the city of Dortmund.

According to German planning legislation, a master plan is an informal planning tool with only advisory character, to be implemented through the preparatory land use plan and binding land use plans. Therefore, these five plans represent one step on the way to drawing up a new preparatory land use plan (Meltzer 2004, 89).

In the master plan for retail, the city of Dortmund clearly articulates its ideas on possible retail locations and kinds of retail. The guiding principle is a focus on integrated places such as the city centre and lower district centres as well as the three special areas with central functions for large-scale retail. With the help of this master plan, the city pursues three main objectives (Stadt Dortmund 2004, 11):

1. strengthening Dortmund's function as large centre
2. sustainable strengthening of the city centre and the district centres
3. ensuring basic supply within the entire city

The master plan is made up of four main components: a retail plan for the entire city, a retail plan for the eastern Ruhr Valley, a plan for basic supply and a plan for special areas.

The retail plan for the entire city includes specific guidelines for the different central areas.

The city centre is seen as the central retail spot with a concentration of 500 retail locations out of the city's total of 3,500 (amounting to 24.8% of total sales). As a central location the city centre is also a centre for services that are used not only by the inhabitants of Dortmund, but also by those from surrounding areas. In the past Dortmund had to compete with other centres in the Ruhr region such as Bochum or Essen, and in the process lost some of its central character. In order to strengthen centrality the master plan now suggests higher specialization, extension of retail space within the city centre, improved transport connections and entertainment facilities. The result are some concrete measures which include:

- the planned complete renewal of the central railway station to create 36,000 m² sales area, up to 36,000 m² for entertainment and another 10,000 m² for restaurants and services,
- an urban renewal strategy for the central rundown district of Brückstraße focussing on retail, entertainment and services (an example is the 2002 opening of the municipal concert hall in this district, which has had the positive effect of upgrading of the surroundings),
- private-public-partnerships to carry out and finance city marketing.

The next category of retail location are the district centres *(Stadtteilzentren)*, which account for almost 60% of total sales. These centres ensure mid-range supply (public and private services as well as retail offers). Borough centres *(Ortsteilzentren)* as a third category have the function of ensuring the supply for local inhabitants. As a fourth

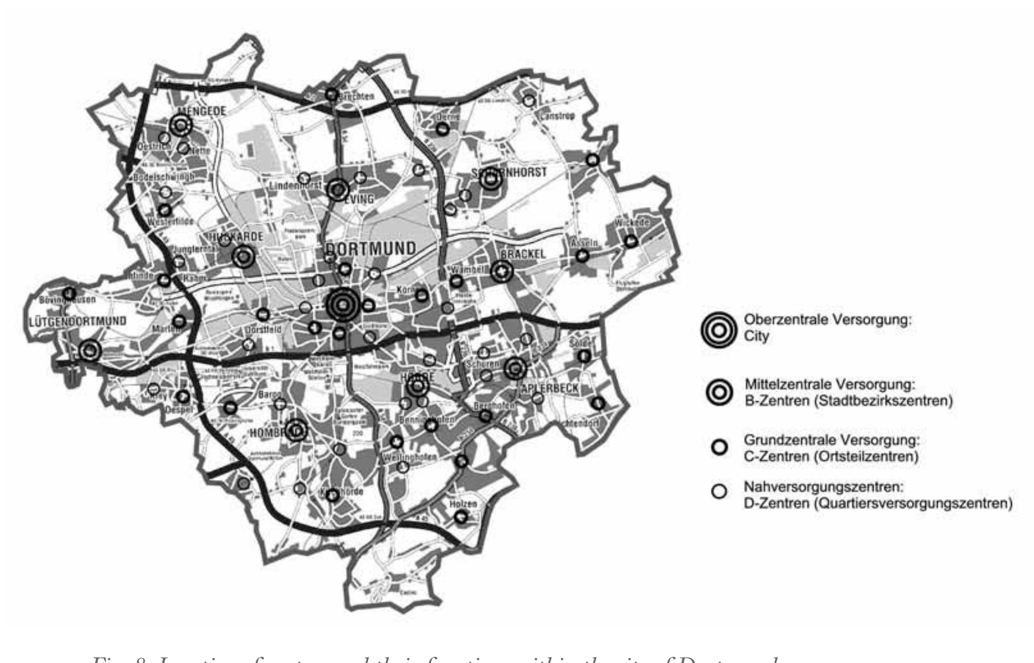

Fig. 8: Location of centres and their functions within the city of Dortmund
Source: Stadt Dortmund

category the master plan now contains so-called neighbourhood centres *(Quartierszentren)* which only ensure basic supply and lower services such as hairdressers.

Large-scale retail has to concentrate on the city centre while medium-sized retail concentrates on the city district centres and the three special areas. These special areas already exist and have to be maintained without further extensions except for retail which doesn‘t compete with central assortments (e.g. large furniture stores and hardware stores). The whole master plan is considered as a work in progress that constantly has to be adjusted (Stadt Dortmund 2004).

Sweden

All municipalities must have a comprehensive plan *(översiktsplan)* covering the entire municipal area. The most important formal instruments for controlling the development of retail trade are the comprehensive plan, the detailed development plan *(detaljplan)* and in some regions a regional plan *(regionplan)*.

The comprehensive plan is not legally binding, but it is the basis for all decisions regarding the use of land and water. This plan has to be overseen by the municipal council at least once during the legislative period of four years. It is possible to draw up a more detailed comprehensive plan for certain parts of a municipality or for certain sectors *(fördjupning av översiktsplan)*.

The detailed development plan *(detaljplan)* is the most important legally binding instrument for implementing the objectives of the comprehensive plan. It delegates responsibility between municipality and landowners. The detailed plan designates the uses of certain areas and the use and size of construction developments. The municipality has the possibility to demand a certain form, colour or material of a building. The landowners' rights are protected for the time of implementation of the plan, which can vary from 5 to 15 years. Due to its planning monopoly, all questions relating to the detailed development plan lie within the sole jurisdiction of the municipality. The municipality can deny a building permit declaring that a detailed development plan is necessary before the planning process can begin.

For questions concerning more than one municipality, the legislation allows for a regional plan *(regionplan)*. For that purpose, the municipalities in question have to ask the government to install a regional planning authority. Until now, such bodies are located only in the Stockholm and the Gothenburg region, whereby only the Stockholm region uses the regional plan as a planning instrument. A regional plan is not a binding instrument, but is meant to provide guidance for comprehensive plans and detailed development plans. With respect to the tasks to be dealt with, the formal regional plan is seen as an inadequate means (ARL, BTH and Nordregio 2001).

Although the central-place theory was the guiding principle behind municipal reform in 1971, there is no planning instrument that defines a hierarchy of places, neither within a municipality nor between municipalities. A municipality can have a *"centralort"*, that is the largest densely developed place *("tätort")* that often represents a concentration of municipal and commercial services. But this does not have direct implications for decisions on locations for retail trade.

Generally, there are no longer any nationwide directives concerning where to locate retail trade. The Planning and Building Act contains general objectives such as shaping "a good and in the long term sustainable living environment", as well as some more specific objectives, such as when it stipulates that in or close to developed areas there must be possibilities to provide adequate social and commercial services (2 kap. 4 § PBL).

Since there is no specific legislation regulating the localisation of retail trade in Sweden, it is up to the municipalities to decide how far go in establishing specific strategies for the retail trade. The municipal decisions on retail trade follow the general procedures of weighing public-sector interests (sustainability) and private interests according to the Planning and Building Act. General judgements on possible locations for retail trade can and should take place within the framework of the comprehensive plan, since the process of revising the comprehensive plan provides the possibility to discuss retail developments among affected actors, neighbouring municipalities and the public in general. 30% of municipalities use comprehensive plans or a retail trade policy as a basis for decisions on the location of retail trade. Both the establishment of new retail trade facilities as well as the expansion of existing ones normally have to be based on a detailed development plan, but it has also been the case that larger entities received a planning permission without such a plan. While the PBL initially (in 1987) allowed the municipalities to distinguish between different kinds of trade in detailed development plans, in the years from 1992 to1996 this possibility was prohibited to ensure fair competition. Since 1997 PBL has once again started to pursue a strategy of regulating the development of trade more in detail by making a distinction between wholesale and retail trade or between food retail and the sale of bulk goods (PBL-kommittén 2005). But these differentiating regulations require the presence of 'considerable reasons'. For this reason, the municipalities have to conduct a detailed analysis before applying this rule, and as a result do not use this instrument very often (Nordic Ministries of the Environment 2002).

Since the passing of an EU directive into national law in 2005, the Planning and Building Act and the Environmental Code *(miljöbalken, MB)* demand an environmental impact assessment for the detailed development plan in order to document potential effects on the environment, for example if an area is designated for a shopping centre. But until now, the legal framework does not contain a detailed, workable definition of a shopping centre or of retail trade in general. Until now, there have been no further regulations regarding how to assess social and economic effects of new retail facilities, even though the National Board of Housing, Building and Planning *(Boverket)* has proposed an impact assessment to analyse such issues as the new redistribution of sales, changes in travel patterns, the risk of shop closings, the effects on the labour market and changing land-use patterns (Nordic Ministries of the Environment 2002).

When the Planning and Building Act was revised in 2002-05, stricter specific regulations for the retail trade were discussed. But the parliamentarian committee assigned with the task to propose legal amendments *(PBL-Kommittén)* rejected the need for special regulations for retail trade facilities. Instead, it proposed strengthening existing general planning instruments by clarifying their content and putting higher demands on the information that decisions are based on (PBL-kommittén 2005). This includes setting up municipal retail trade policies based on up-to-date data.

Retail trade policies can also strengthen the municipality's interests when the county administrative board has to intervene in inter-municipal matters (Boverket 1999). In recent years, the government allowed several appeals against detailed development plans for retail trade locations on the grounds that effects on competition or the supply of services in a local and regional perspective had not sufficiently been taken into account (PBL-kommittén 2005). Generally, the opinion exists that Swedish policy for retail locations is the most liberal in Europe (RTK 2003 PM 16:2003).

The Regional Plan for Stockholm

The regional development plan for Stockholm county, called RUFS 2001 (Regional utvecklingsplan 2001 för Stockholmsregionen), was enacted in 2002 and is valid until 2008. Its aim is to describe how to deal with the projected growth during the next 30 years. One if its important goals is to develop what has until now been the region‘s monocentric structure into a polycentric one. For that, the development of seven outer centres will be encouraged. Most of them comprise a denser core, including a shopping centre and an external shopping centre in close proximity, whose sales and retail space exceeds the core in all cases but one, so that they are often dominated by large-scale building structures - this in turn creates problems with respect to accessibility and integration into the surrounding environment. However, all of these centres are well-integrated in the regional rail system (RTK 2003b).

The regional plan suggests that the expected growth of 1 million m² in retail space over the next 30 years should support the slowly developing polycentric structure. The importance of impact studies of new larger retail facilities in the inter-municipal consultation processes is emphasized, as is the need to increase competition in retail trade (RUFS 2001). So while the need to coordinate the development of retail trade on a regional level is recognized, the regional plan does not have the objective or possibility to do that.

A report which analyses the preconditions for enforcing polycentric structures ("Flera kärnor", RTK 2003a) proposed more strategic initiatives and actions, such as breaking up the large-scale physical environment in order to better connect the structures with housing areas and to create a more stimulating and creative environment for cultural activities - in short, to make them more "urban". It furthermore suggests clarifying the conditions for development and retailing in the cores and their hinterlands. But there is no expressed wish to control the development or regulate the location of retail trade by spatial planning instruments. The prognosis of the regional distribution of growth in retail space which served as a background for that report ("Handeln i kärnor", RTK 2003b) takes only market forces into account as factors shaping the retail structure in Stockholm. City centres are encouraged to compete with the external centres by investing in their developed environments and shopping streets. How external shopping centres will be built, with accessibility for pedestrians or without, is taken as an open question. Municipal spatial planning does not seem to have an influence on this. The emphasis on market instruments reflects this fact in the valid legal framework, and any attempts to control the development of retail trade on a regional level are based on the willingness of the respective municipalities to cooperate. The Stockholm municipalities deny that such a readiness currently exists (RTK 2004).

An overview of retail structure with the sector particularities shows the different national characteristics in terms of market structure and concentration and the different negotiating power of single retailers, as well as the hierarchical differentiation of the retail business, such as formats and spatial distribution. One of the findings is that the different profiles of the national contexts need an adequate and individual public-sector response rather than standardized solutions.

Internationalisation of retail is taking place in most European countries, but the changing interest of retail enterprises means they are constantly looking for new and profitable markets.

Eastern European markets are relatively new target countries for retail expansion. Despite their relatively low purchasing power, they have high potential, whereas the bigger old member states in particular are still important markets (table 2). Due to their relatively small population and consolidated markets, the Nordic countries are not among the most important target countries.

Table 2: Five most important target countries in Europe for retail enterprises

Before 1980	%	1980s	%	1990-1997	%	1997-2000	%	2000-2003	%
Belgium	15,5	Belgium	13,4	UK	8,8	UK	12,6	UK	11,1
France	12,1	Spain	9,6	Spain	8,3	France	11,0	Russia	7,4
Austria	11,1	Germany	8,8	Germany	8,3	Poland	9,9	Italy	6,4
Nether-lands	11,1	UK	8,6	France	6,8	Spain	7,3	Germany	6,1
Switzer-land	8,2	Nether-lands	8,5	Czech Rep.	6,2	Ger./Belg.	6,2	Spain	5,8
	58,0		**48,9**		**38,4**		**47,0**		**36,8**

Source: Jones Lang Lasalle (2003): Shopping for New Markets. Retailers Expansion Across Europe's Borders.

Table 3: VAT rates in the three countries in percent, 2005

	Normal rate	Reduced rate	Most reduced
Finland (AVL/MOMS)	22	17	8
Germany (MwSt)	19*	7	
Sweden (MOMS)	25	12	6

** from 1.1.2007 (previously:16%)*
Source: EHI 2006, 40

2.1 Retail Market Structure

The framework conditions for retail development are, on the one hand, the spatial planning regulations. On the other hand, and of more structural importance, are sector relevant rules and regulations, which are politically established in order to, among other things, provide support to small and medium-sized retailers regarding different fiscal regimes, occupational structures and opening hours regulations etc. The different VAT rates (table 3) indicate different price and cost calculations and thus competitiveness.

Finland

Finland is characterised by a relatively small domestic market and a strong global business: some 40% of GDP is generated by exports.

Finland has a high purchasing power and continuously rising expenditures for private consumption. The turnover in the retail sector in Finland is projected to grow by about 5% in the coming years.

Finnish households have a very low rate of savings. In 2003 only 0.4% of the disposable income was put aside as savings. Compared to all other countries in the EU, only Denmark showed lower rates of savings.

The prices of food in Finland (just like in Sweden or Denmark) is approximately 10 percent higher than the EU average. In the course of recent years, foreign chains have tried to underbid the price levels and have succeeded in gaining some market shares of oligopolistic retail chains.

Shopping hours in Finland vary depending on the sales area of the retail unit. Generally, shops may be open on weekdays between 7-21 h, on Saturdays between 7-18 h and on Sundays between 12-21 h. Sunday openings are permitted in the summer months and during the Christmas business. For shops smaller than 400 m², Sunday openings are always permitted. Shops smaller than 100 m², service stations, car stores, or shops located in sparsely populated areas may open whenever they want. There has been a sharp increase in the number of shops smaller than 100 m² which make use of the unlimited opening hours.

Already in 1999, Finland was the leading country in electronic commerce. In 2005, online shopping expenditures added up to 1,177.99 million USD.

Germany

In the German retail sector, a growing structural change has been observed beginning in the middle of the 1960s. Retail is one of the important economic sectors, covering 17% of the German GDP and 29% of private consumption (Auer 2006). Across all ranges of goods there is a growing concentration in the industry; the market share is shifting from family-owned shops to chain stores. In 2005, the market share of smaller specialised stores reached only half of the 1980 level. Associated with that, a retail format change towards big-size formats with less employees is taking place.

Between 1993 and 2003, the average annual growth of sales area in Germany has been 1.85 million m2, or roughly 2% of the entire sales area; growth rates are still forecasted until 2010.

At the same time, the number of employees in the retail sector, especially the number of fulltime employees, has declined,.

After a long period of restrictive rules followed by a progressive liberalisation beginning in 1996, the regulations regarding opening hours of retailers have recently been liberalised. Whereas shops were allowed to be open between 6 and 20 h, retailers are now generally allowed to open from 0-24 h, except on Sundays and holidays. Due to federalist reform, the Länder have gained the authority to approve regional regulations. Berlin was the first German state to establish the new law (Berliner Ladenöffnungsgesetz, 17.11.2006). The legislation that the respective Länder have introduced varies considerably; especially in the big cities and metropolitan areas, the possibility of late opening hours is being taken advantage of. The liberalisation of opening hours in Germany is considered a competitive advantage for bigger chains and stores whereas smaller, family-owned stores are not always able to make use of the longer opening hours. This is in contrast to the Finnish phenomenon of an increase of smaller and flexible formats as a result of deregulated opening hours.

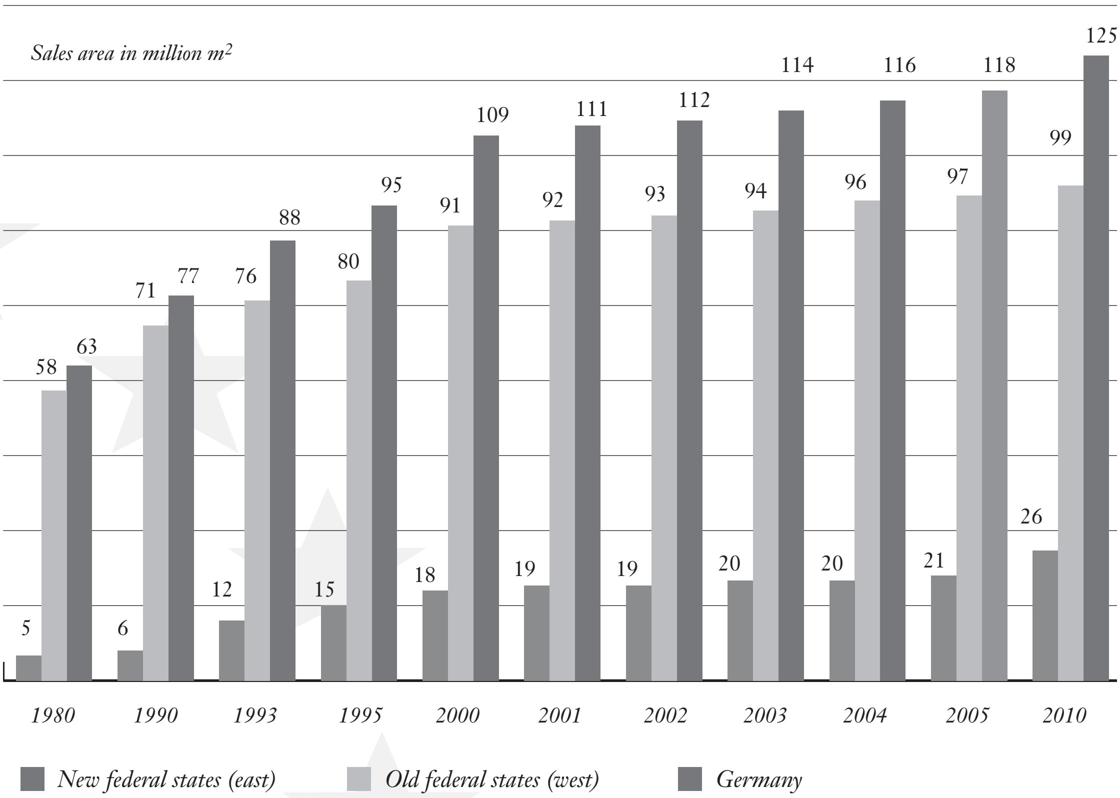

Table 4: Sales area in Germany between 1980 and 2010
Source: HGZ93, Metro, HDE Prognose

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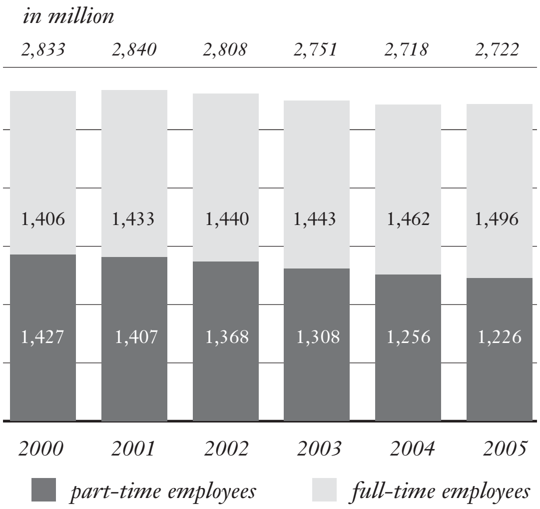

Table 5: Number of employees in the retail sector, 2000-2005, Source: Statistisches Bundesamt; HDE

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Sweden

Sweden is a small but highly developed market and as such is very attractive to international retailers. Particularly the Stockholm region, with about 1.5 million inhabitants, is an area of high economic growth and high purchasing power.

Over the past ten years, retail trade in Sweden has experienced stable to strong growth. Fuelled by low interest rates, capital value increases and a low inflation environment influenced by rising incomes and modest price increases, sales in 2005 were more than 60% higher than in 1995 (SCB 2006)[1]. The non-food retail sector showed especially high growth rates in the past 10 years (HUI 2005).

Prices in Sweden are between 11 and 18% higher than in other EU countries. This can be explained by higher income taxes and higher labour costs in Sweden compared to the rest of Europe (Bergman 2004 in Blank/Persson 2006). However, food prices in particular have increased at a lower rate than in other EU countries; between 2004 and 2005 they actually decreased by 1.2% due to increased competition (Nordic Competition Authorities 2005).

Since 1972, retailers have been freed from state intervention regarding opening hours. Especially service store retailers exploit this opportunity and offer daily shopping possibilities until late in the evening (Forsberg 1998). Supermarkets, department stores and external shopping centres regularly open on Sundays, while in inner-city centres, coordinated opening hours depend on the success of local initiatives.

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1 http://www.scb.se/Statistik/HA/HA0101/2006M03A/HA0101_2006M03A_DI_01_SV_EDTidsserier.xls

2.2 Concentration of Retail Enterprises and Internationalisation

Finland

In 2002, about 84% of shops in the retail trade had less than 5 employees. One fifth of the turnover in retail trade comes from the 10 largest companies. Especially in the retail business of daily consumer goods, large companies like Kesko and the S Group dominate the market. Those two groups dominating the retail trade of daily consumer goods have gained about two thirds of the market. Smaller players are Spar, Tradeka, Wihuri and Stockmann (see table 6). The "Joint Nordic Report on Problems in the Foodstuff Trade" notes that the rate of consolidation in the foodstuff trade is alarmingly high in the Nordic countries (Finnish Competition Authority, 2005).

The German hard discounter Lidl (Schwarz Group) has recently entered the Finnish market for daily consumer goods, with a rapidly growing market share that ranked 5th in Finnish food retail in 2005. Finland has the highest concentration of food retail in Europe: The market share of the Top 5 retailers (see table 7) is 89.9%, compared to Sweden which follows with 82.3% and Germany with 70.1% (Metro-Group 2006, 45).

Within the clothing trade, recent years have seen the entry and expansion of foreign chains such as H&M, Dressmann and the Bestseller Group.

Table 6: Top 6 retailers in Finland 2004

	No. of shops	net turnover bill. €
Kesko	1.797	6.43
S Group	1.371	3.78
Wihuri Oy	-	1.60
Tradeka	681	1.26
Stockmann	157	1.24
Spar Finland	287	0.57

Source: EHI 2005

Table 7: Top 5 food retailers in Finland 2005

	No. of shops	turnover bill. €
Sok (S Group)*	702	4.75
Kesko**	1.041	4.47
Tradeka ***	743	1.16 (net)
Spar Finland	292	0.74
Schwarz Group	98	0.28 (est.)

** only food retail turnover; ** only Kesko Food; *** from 08/2006 Wihuri Group included*
Source: EHI 2006

The German DIY group Bauhaus has opened several stores in Finland, and the one near Tampere, built in 2004, is the biggest Bauhaus store in all of Scandinavia (18,500 m²).

Germany

Enterprise consolidation is taking place. Among the 20 most important enterprises in terms of sales volume in Germany in 1990, two were from the retail sector; by 2002, that number had risen to six. Market share of the five biggest food retailers has grown from 44.7% in 1990 to 62.2% in 2000, and is expected to grow to 81.6% by 2010.

The German discounters Aldi and Lidl represent one of the most successful "export models" in retail. This format with limited space needs (although it is growing), a reduced range of goods and low discounted prices is changing retail structure and shopping behaviour in the cities and regions in a revolutionary way. Small shops and medium-sized supermarkets have trouble remaining competitive. In many neighbourhoods, the discounter has taken over a monopoly position in local supply (see table 9).

Table 8: Top 5 food retailers in Germany 2005

	Percentage food in %	turnover bill. €
Edeka-Gruppe*	86.5	35.72
Metro-Gruppe**	40.8	32.10
REWE-Gruppe	72.1	30.87
Schwarz-Gruppe (Lidl. Kaufland)	81.1	22.70 (est.)
Aldi	80.0	21.70 (est.)

** first consolidation of Spar AG/Netto Süd; Spar AG without Netto Nord/Netto Süd; ** incl. Praktiker Holding*
Source: EHI 2006, own compilation

Table 9: Aldi in Germany 1970-2005

Year	No. shops	Sales area (million m²)	turnover bill. €
1970	600	no info	0.77
1980	1,600	no info	5.62
1990	2,200	1.10	11.76
2000	3,200	2.01	18.00
2004	4,200	3.10	22.10
2005	4,210	3.15	21.50

Source: EHI 2006

Sweden

The Swedish food retail market has for decades been dominated by an oligopoly of three major groupings: ICA Sverige, Coop Norden Sverige and Axfood (Kylebäck 2004). Together they hold 89% of the food market; in 2002, ICA alone accounted for 44% (Blank/Persson 2006). All of them operate several retail concepts, from convenience stores to hypermarkets, and they manage wholesale operations as well. The three dominating groups manage both integrated retail and wholesale operations (see table 10).

In 2000, Dutch Royal Ahold became majority shareholder of ICA, which in the beginning of the 1990s had started to cooperate with the Norwegian Hakon group and later expanded into Denmark and the Baltic countries. The objective for this operation was to enjoy economies of scale and to get access to the knowledge of this world-player in retail. Axfood was founded 2000 as a merger of several retail chains with such distinct profiles as department stores, supermarkets and wholesalers which had cooperated already in different fields and were active in both Sweden and Finland. Coop Norden was created in 2001 by Swedish, Norwegian and Danish corporations as a reaction to the restructuring the Swedish and European competitors (Kylebäck 2004).

The dominant position of the three food retailers is also underlined by the fact that they account for 42.6% of the total retail market in 2004. The ten largest retailers in Sweden account for over 50% of the retail sales in the country (Jones Lang Lasalle 2005). The biggest non-food retailer is IKEA with a market share of 2.5%. The centralization of the retail trade has made retailing into a highly productive branch. While sales have been increasing, employment has decreased since 1994 due to the expansion of floor space and the use of advanced logistics (HUI 2005).

As a relatively small country in terms of population and population density, and with high establishment costs due to taxes and labour costs, Sweden was not a main destination for international retailers for a long time. Among other retailers entering the Swedish market are DIY-stores and bulk goods providers. Recently, the Swedish market has

Table 10: Top 6 food retailers in Sweden 2005

	No. of shops	Net turnover (billion €)	Internationalisation
1. ICA Sverige	1,417	4.99	NL: Royal Ahold, Joint venture Dansk Supermarket: Netto
2. Axfood	264	3.03	recently: Finnish market
3. Coop Norden Sverige	739	2.79	in coop. with other Nordic countries
4. Bergendahls Gruppen	30	0.60	family-owned
5. Schwarz Group	107	0.27 (net, est.)	2003: Lidl, from Germany
6. Netto Marknad	77	0.22	

Source: EHI 2006

been attractive for international retail property investors, mainly from Denmark, Germany and the UK (Jones Lang LaSalle 2005). Swedish retailers such as IKEA and H&M successfully export their retail formats with only minimal adaptation to the environment of the importing country.

Ahold (NL), which along with Wal-Mart is one of the global players in retail, bought the main Swedish retailer ICA. It was an attractive deal due to the high level of prices and the low demand for customer service in Sweden.

In very recent years, this situation has changed, most notably by the entrance of a new format: the discounter Netto Marknad, a 2002 joint venture between Dansk Supermarked Gruppen,the ICA group, and the German discount store Lidl, opened its first stores in 2003. In 2005, the Nordic Competition Authorities stated that, compared to other European countries, the number of discount stores in Sweden is still low (Nordic Competition Authorities 2005). However, in the 2005 ranking, the Schwarz Group (Lidl) occupied the 5th position in the Swedish food retail market, as it did in Finland as well.

2.3 Retail Formats and Their Locations

Finland

Over the last decades there has been an ongoing trend toward selling daily consumer goods in larger units such as large supermarkets and hypermarkets, while smaller specialised shops have been disappearing. The number of retail outlets exceeding 2,500 m² with more than half the floor space devoted to non-food nearly doubled in the 1990s, increasing from 50 to 95, while their market share of daily consumer goods rose from 6% to 20%. The transfer of retail trade to large outlets outside residential areas and town centres has comprised a significant factor in fracturing the spatial structure of local communities.

Perhaps the most controversial recent trend is the establishment of extremely large retail units of 50,000 to 100,000 m² of floor space well outside of any urban structures, usually near main highway crossings etc.. These shopping centres host up to 150-200 retailers, often both domestic and international chains, and incorporate a wide range of retail chains (e.g. computer and fashion shops, cafeterias, restaurants, jewellers - practically the whole range of formats) including food supermarkets.

On the regional level, these units – often with opening hours until 21.00h – compete with smaller city centres. The largest retail centres of this kind have already become centres for large-scale shopping tourism and attract customers from distances of 150-300 km or more.

Germany

Every year approximately 30,000 German retail establishments close, while only 15,000 new ones open; inner cities and district centres are particularly affected (Harm et al 2006, 1). On the other hand large-scale retail sites are to be found in peripheral areas. The risk of this development is not only rising traffic but also a slow dying out of formerly central retail zones. One strategy to deal with this tendency is the settlement of shopping centres in inner cities; real estate investors as well as municipalities support this strategy. Approximately 140 inner city shopping centres do already exist in German city centres. An additional 90 shopping centres are currently in the planning stage (see table 11). Most of them were established during the last 15 years (ibid.).

As a result, the actual amount of retail area is increasing while the effective spending capacity is still on the decline. Although the establishment of inner city shopping centres is mainly seen as a success, they can also influence the existing retail structure in a negative way. In some cases inner city shopping centres lead to a deprivation of previously central retail zones; empty stores, trading down-effects or the absence of customers are the visible consequences.

Sweden

Despite increasing turnover, the total number of shops has continued to decrease. Between 1994 and 2001, more than 1,000 shops disappeared, most of them smaller shops for day-to-day goods and supermarkets, while the number of hypermarkets increased. The concentration of retail trade is also underlined by the fact that fewer and fewer entities were newly established, while their size increased, reaching an average of 2,500 m² in 2000. In 2003, this had decreased to 1,600 m² - reflecting the entrance of Netto and Lidl onto the Swedish market (HUI 2005). Hypermarkets (>2,500 m2) were able to increase their food market shares from about 13% in 1995 to more than 20% in 2000 (Nordic Competition Authorities 2005).

The eminent success of shopping centres and larger retail parks supports the trend of geographical concentration. The number of shopping centres has increased by 86 since 1995, which amounts to a rise of 36%. Sweden has one of the largest per capita shopping centre density in Europe due to its tradition of neighbourhood planning around commercial centres. Typically, these centres housed one ICA-supermarket and one market run by the cooperative to sustain competition. With demographic changes and increased car ownership, the neighbourhood is no longer an appropriate catchment area for these centres, and as a result, they find themselves under pressure (Forsberg 1998).

However, external shopping centres on edge-city locations experienced a growth in sales of nearly 30% between 2000 and 2003. Larger shopping centres with more than 7,000 m² of floor space are directed at a customer base of at least 30,000 people (Jones Lang LaSalle 2005). Automobile-oriented locations see higher growth rates than inner-city retailers, but prime locations in city centres still develop quite well.

Many non-food chains do not settle in municipalities below the 30,000-inhabitant threshold (HUI 2004). As a result, 73% of all sales in the non-food sector (sällanköpsvaror) happen to be concentrated in the 50 largest municipalities, which are home to 57% of the population (HUI 2005).

Table 11: Shopping centres in Germany according to location (%) and opening years, 1964-2005

Location	1964-1990	1991-1995	1996-2000	2001-2003	2004-2005	Total
City centre	45.7	24.4	45.7	63.6	65.0	42.2
Neighbourhood	44.0	37.8	39.4	30.3	25.0	38.8
Out of town	10.3	37.8	14.9	6.1	10.0	19.0
Total	100	100	100	100	100	100

Source: EHI 2006

The sharp decrease in the number of shops has led to severe problems of supply with retail services in sparsely populated regions. Especially in the northern parts of Sweden, there are examples of non-profit associations taking over a retail facility in order to sustain a basic provision of goods, partly with state subsidies.

Retail is structured with relatively few shops with an average dimension of occupation and selling area. This means a very efficient organisation of retail activities. In the last decades, the highly centralised market structure (comparable in the EU only to Finland) has been accompanied by a shift of retail formats: from 1985 to 1996, hypermarkets gained a 10% share, supermarkets and superstores have increased by one half to 67%. At the same time, traditional retail decreased by a third, 22% alone in the mid-1990s.

Table 12: Development of number of shops in Sweden according to formats, 1976-2001

Year	Hyper-markets	Other department stores	Other super-markets	Service shops	Other daily food stores	Total
1976	36	321	1 132	787	7 754	10 030
1981	42	269	1 335	1 540	5 844	9 030
1986	54	195	1 565	2 350	4 686	8 850
1994	78	32	1 950	2 130	3 190	7 380
1995	77	27	1 950	2 110	3 036	7 200
1996	79	26	1 947	2 030	2 918	7 000
1997	78	19	1 889	2 306	2 608	6 900
1998	82	19	1 840	2 350	2 509	6 800
1999	82	12	1 845	2 466	2 168	6 573
2000	88	12	1 836	2 587	1 874	6 397
2001	89	11	1 834	2 715	1 619	6 268
1994-2001	14%	-66%	-6%	27%	-49%	-15%

Source: HUI 2003

The national planning systems in Europe are based upon a variety of traditions and upon different cultural, geographic and political factors. This means that the attitudes towards similar challenges and social and economic trends varies according to different policy approaches and planning systems. The framework conditions differ from country to country due to a varied understanding of market control and state intervention, as well as of town planning traditions and political-administrative structures.

For instance, the role of the national level in spatial planning is very different. In Germany, where the regulation of retail development is most advanced, constitutional principles of reducing territorial disparities are the basis for this policy. There is a long and consolidated tradition of spatial planning, including in framework planning at the national level, which is regularly updated. The influence of this tradition can be observed in the spatial regulation instruments for retail development. Traditionally, Sweden and Finland have no established system of preparing a national planning policy framework. There is a stronger sector orientation with national sector politics. National spatial development reports are published at irregular intervals and are produced without the explicit objective of providing political advice. Land use planning is more directly implemented at the municipal level.

In all the countries examined, retail development is characterised by internationalisation and concentration of retail enterprises, as well as by modernisation of formats, but a variety of different approaches can be identified in treating this economic sector in the balance between market and state. This has implications for the relationship between private stakeholders on the one hand - such as retailers, their institutional representatives like associations and chambers of commerce, and developers - and on the other hand the public sector, especially the local authorities.

There are considerable discrepancies between the structures of Germany, one of the biggest, most densely populated and most central EU countries, on the one hand and the two Baltic countries of Sweden and Finland with their low density, less accessibility and location at the periphery of the EU on the other. For retailers looking to the transnational expansion of markets, the size of the potential market is important. Germany, however, is considered one of the most difficult markets to enter due to its very low price level, whereas Sweden and Finland are attractive due to their high living standard and respective purchasing power, which is among the highest in Europe. Due to the settlement structure, the range of inhabitants necessary for a single retail outlet is much larger in Sweden and Finland, and the necessary density of outlets is lower.

In all three countries, a strong correlation between urban development and retail development exists, and there is a strong propensity towards integrated retail locations and away from out-of town development. Finland has adopted a hierarchical system of urban centres and local centres, similar to the Central Places model. Decisions regarding a single retail location are based on the principle by which they can be located outside town centres only if it can be demonstrated that they do not contradict the objective of sustainable development. This is very similar to the British "sequential approach", according to which the retailer has to prove that he was not able to find a suitable location within the town centre before he is given a license in another location (see Guy 2007; Bahn, Potz 2007).

In Germany, with its recent legislative reform of the Building Code (Gesetz 2006), accelerated procedures for integrated, city centre or re-utilised brownfield locations are incentives for a more sustainable development. Together with the binding and formal definition of land use zoning and the dimension of retail locations, there is a system of formal and informal instruments which by now has started to give strong priority to inner city retail locations. The case of the Dortmund master plan is an example of an informal plan that can be continuously adjusted yet contains an overall strategy for large-scale retail and its territorial and also regional distribution. In most German city regions and agglomerations there is cooperation, using different voluntary or binding models, on an inter-municipal level in order to coordinate retail development.

In Sweden, there is no specific legislation regulating the localisation of retail. Thus municipal decisions can be made within the framework of the comprehensive plan. The Planning and Building Act has traditionally been interpreted more as a guideline for fair competition in the development of retail. EU uniformity now requires an environmental impact assessment, but there is no detailed definition of what a shopping centre or a retail establishment consists of. The Swedish policy for retail locations is considered the most liberal in Europe (see RTK 2003).

Looking at the retail sector in these three countries, it is clear that there are considerable differences in market structure and concentration of retail. Finland has the highest concentration of food retail in Europe. In Sweden too, the food retail market is dominated by an oligopoly. In Germany there is a continuous trend towards retail concentration. Normally this relates to the fact that retail formats are becoming more standardised due to a micro-economically efficient way of sector development. Examples for this tendency are the hard discounters or the young fashion clothes companies. Efficiency in these terms also means bigger dimensions of stores, as well as a nationally and even internationally standardised range of products. Throughout the three countries, and nearly all over Europe, there is the clear trend towards more retail space with more chain stores.

What is interesting about the analysis of these three countries is that the different national contexts and framework conditions have led to different and individual public-sector responses in terms of territorial development control or regulation.

Learning from each other means that there are no standardised solutions for retail development in the urban context, but rather that there is a need for an intelligent local balance between viable city centre development and the integration of the economic interests of the retail sector as an essential and historically established part of the city.

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