

Submission in regards to the Planning for the Future of Retail Discussion Paper

IKEA opened its first Australian store in 1975, located in Artarmon NSW. In recent years it has pursued an ambitious growth agenda which has seen it double its footprint nationally from five to 10 stores in only five years. The state of New South Wales has been the epicentre of this growth with the opening of three stores in Rhodes, Tempe and most recently Marsden Park, providing a total retail floor space of over 90,000 square metres.

In addition, IKEA opened its first purpose built Distribution Centre in the country last year. It is the largest facility of its kind in Australia for a home furnishing retailer, connecting the IKEA global supply chain to its expanding Australian presence. This Distribution Centre will underpin IKEA's expanding multi-channel retail approach, supporting its stores on Australia's east coast.

During FY17, IKEA welcomed 137 million visitors to its three stores in NSW, employing close to 1,000 co-workers across the state. It is no co-incidence that IKEA decided to build its first purpose built distribution centre employing 150 co-workers in NSW nor that its national Service Office and Customer Support Centre employing over 330 co-workers together are also located in the state. Indeed, as the NSW population continues to grow and the State Government's multi-billion dollar infrastructure programme is rolled out, IKEA is wanting to 'reach more of the many people' and continue to be a strong supporter of employment throughout the state. However, its ability to do so rests on changes to policy in the retail sector.

IKEA Australia is a proud member of the Large Format Retail Association (LFRA). It strongly endorses the LFRA's submission to the Discussion Paper on 'Planning for the Future of Retail'. The adoption of the proposed definition of 'Specialised Retail Premises' will assist every LFRA member in terms of providing clarity, consistency and certainty in respect of the goods that can be sold and services provided. However, it won't impact on the supply of land on which Large Format retailing can occur. For IKEA, this is crucial for its business and ultimately its existence in Australia.

IKEA is somewhat unique in its position in the Large Format Retail sector in that it seeks to own the land on which its stores and associated real estate are located. As a result, its decision on where to locate is not only driven by consumer demand but also the availability of suitably zoned land as well as desire and ability of local planning authorities to work with it in addressing potential rezoning opportunities.

It is our contention that a more flexible approach be adopted to the existing planning system, and it should simplify the Land Use Zones relating to Business Use. This in turn would enable Large Format Retailing to operate in a wider range of zones, thereby increasing the supply of land suitable for its use, in the absence of newly released land by state government and local councils. Differences in ownership, size, ancillary facilities and consumer services all need to be taken into account in order to ensure that the retailer is achieving its aim – consumer satisfaction. Large Format doesn't necessarily mean oversized buildings and IKEA are wishing to embrace market changes with particular focus on how this relates to the size of its real estate portfolio in order to be at the forefront of multi-channel retailing.

IKEA Australia has identified the importance of, is in support of and in certain circumstances is in the process of, aligning its business with all five outcomes identified in the Discussion Paper that will serve the needs of the contemporary retail sector and today's consumers.

- ✓ Providing consumers with choice and convenience
- ✓ Providing the orderly development of new retail formats
- ✓ Providing new and innovative retail formats
- ✓ Providing better and innovative last mile distribution and supply chain initiatives
- ✓ Providing support to regional communities a customers

With regards to the three directions proposed for modernising the retail planning framework and achieving the right balance of customer and community amenity, IKEA would comment as follows;

Direction 1 – Better local strategic planning of retail

- *Establishing long-term place-based outcomes for retail at the local level consistent with local strategic planning statements*
Whilst IKEA acknowledges the idea of place-based outcomes, its concern is that they should not be at the expense of the large format retail sector, which itself is a legitimate retail use.
- *Updating local retail strategies to reflect current and future trends in the retail sector and the implications these have for floor space requirements and other planning considerations such as accessibility*
Careful consideration needs to be given as to the floor space requirements of the large format retail sector. Whilst IKEA traditionally seeks sites which can accommodate stores of approximately 20,000 – 35,000 square meters, changing consumer demands is making it necessary for it to reconsider its traditional approach and smaller formats may be sought in the future. It is imperative that this flexibility is considered and reflected in local retail policies.
- *Aligning strategic narrative and statutory planning controls*
IKEA is concerned that existing strategic documents such as regional and district plans, fail to recognise the large format retail sector. This sector must be recognised and considered in all future retail policy.

Direction 2 – A modern approach to retail development that reflects a range of retail formats in centres

- *Transitioning clusters of retail into an emerging centre in accordance with principles of planning for centre development*
IKEA currently trades from both stand alone and centre stores. Whilst it acknowledges the benefit of being an anchor in a centre in certain circumstances, it would not support a policy which focuses on encouraging retail only being located in centres. Indeed a more hybrid approach to retailing as being witnessed in other countries globally is gaining momentum, whereby a combination of large format, centre and strip retailing is combined in a mixed use format providing the consumer with choice, convenience and a sense of community all in one 'open centre'.
- *Ensuring appropriate levels of investment in infrastructure, accessibility and amenity are commensurate with the development of an emerging centre*
Whilst IKEA's business model is proving successful throughout Australia, it cannot be assumed that there is a 'one size fits all' policy when it comes to infrastructure, accessibility and amenity with the development of an emerging centre. Indeed IKEA often has varied requirements and therefore would strongly encourage a flexible approach to this matter.
- *Renewing main streets through greater coordination and targeting of investment in social and cultural infrastructure to help support local place-making, tourism and cohesion, particularly for regional towns*
Whilst IKEA is currently looking at ways in which it can 'reach more of the many people', it has fundamentally been built upon being a 'destination' retailer, where consumers have travelled long distances to shop and benefit from all the ancillary services the stores have to offer. The focus therefore cannot be exclusively on main streets but also for large format retailers outside of traditional centres.
- *Providing guidance to support councils in planning for retail*
IKEA would strongly support this initiative particularly if guidance involves how to best plan for increased supply of suitable land for future potential IKEA stores.

Direction 3 – Adaptability and certainty for retail modern approach to retail

- *Controlling permissibility by setting open zones*
IKEA would strongly support this initiative.
- *Establishing a retail innovation provision to allow a proposal that involves an undefined or prohibited use to be evaluated and potentially permitted*
IKEA would strongly support this initiative.
- *In the longer term, introducing a strategic plan aligned zoning framework as part of a comprehensive review of all zones*
IKEA would strongly support this initiative as long as the strategy involves planning sites suitable for future IKEA stores.

IKEA's ability to meet the outcomes and support the potential directions and initiatives detailed above, will rely on it working with a flexible planning system and forward thinking local councils and state led Department of Planning and Environment.