

Britain's Pop-Up Retail Economy 2015

Blurring the lines between pop-up and traditional retail

A report by the Centre for Economics and Business Research
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Executive summary

- The pop-up retail sector generated over £2.3 billion in turnover over the past 12 months – up from £2.1 billion a year ago and equivalent to 0.76% of total UK retail turnover.
- Total turnover in the sector grew by 12.3% compared with the previous 12 months – increase supported by a rise in the number of people visiting and an increase of over £8 in visitors average annual spend to around £124.
- There are approximately 10,500 pop-up shops across the UK employing roughly 26,200 people – with a number of successful ventures transitioning into established retailers, this growth has helped support the growing number of small retail businesses seen in recent years. The number of small retailers increased by 3.2% between 2013 and 2014, reversing the slight decline seen since the beginning of the decade.
- 44% of consumers have visited a pop-up shop in the last 12 months.
- The growth in the pop-up retail sector provides a strong catalyst to regenerate the nation's high streets. A net balance of 49% of people surveyed believed that the pop-up shops were a good way to revive the high street.
- The results suggest that this sentiment, while shared across each of the age categories, is most keenly felt by those aged 18-34.
- 8% of retailers and food and accommodation service providers report having opened a pop-up shop to complement their permanent locations over the past year. Over the next five years, 10% expect to open a pop-up and a further 12% were still unsure.
- Debit and credit card are rapidly growing as a share of overall payments. However, over 30% of retailers and food and accommodation service providers are unable to process card payments and rises to over 40% for small retailers in particular.
- Despite losing out on a minimum of £500 in sales on average through not being able to process card payments each year, 44% of retailers and food service outlets find that traditional Point of Sale systems are too expensive.

1 Introduction

1.1 The pop-up economy

Following from the inaugural 2014 report 'Britain's Pop-Up Retail Economy', this report has been produced by Cebr on behalf of EE to assess the state of the pop-up retail sector in 2015. With the growing number of disused retail spaces in the years following the financial crisis and the ever-evolving consumer culture, pop-up shops have flourished in recent years. Consumers have played a key role in the UK's economic recovery, a factor helped by the innovation generated in the hot bed of the pop-up sector.

Last year's analysis found that the pop-up retailing generated £2.1 billion in revenue in the 12 months to June 2014, 0.6% of the sales across the UK's retail sector as a whole. Our estimates suggest that this supported around 9,400 pop-up businesses last year and employed approximately 23,400 people. Last year's survey of consumers suggested that the sector would grow by 8.4% in the past year, something our latest analysis aims to assess.

Recent research from EE suggests that almost two thirds of new businesses will begin life as a pop-up, following in the footsteps of successful pop-up brands that have now evolved into established businesses. However, our findings suggest that it is not just innovative new start-ups driving the pop-up sector. The pop-up model is expanding, with established businesses, both traditional and online, launching a range of pop-ups to complement their other business activities.

With established retailers moving into the pop-up market and successful pop-up retailers making a quick transition from pop-up into other well-established formats, the lines between pop-up and traditional retail are fading fast.

1.2 Aims and objectives

In summary, the report aims to:

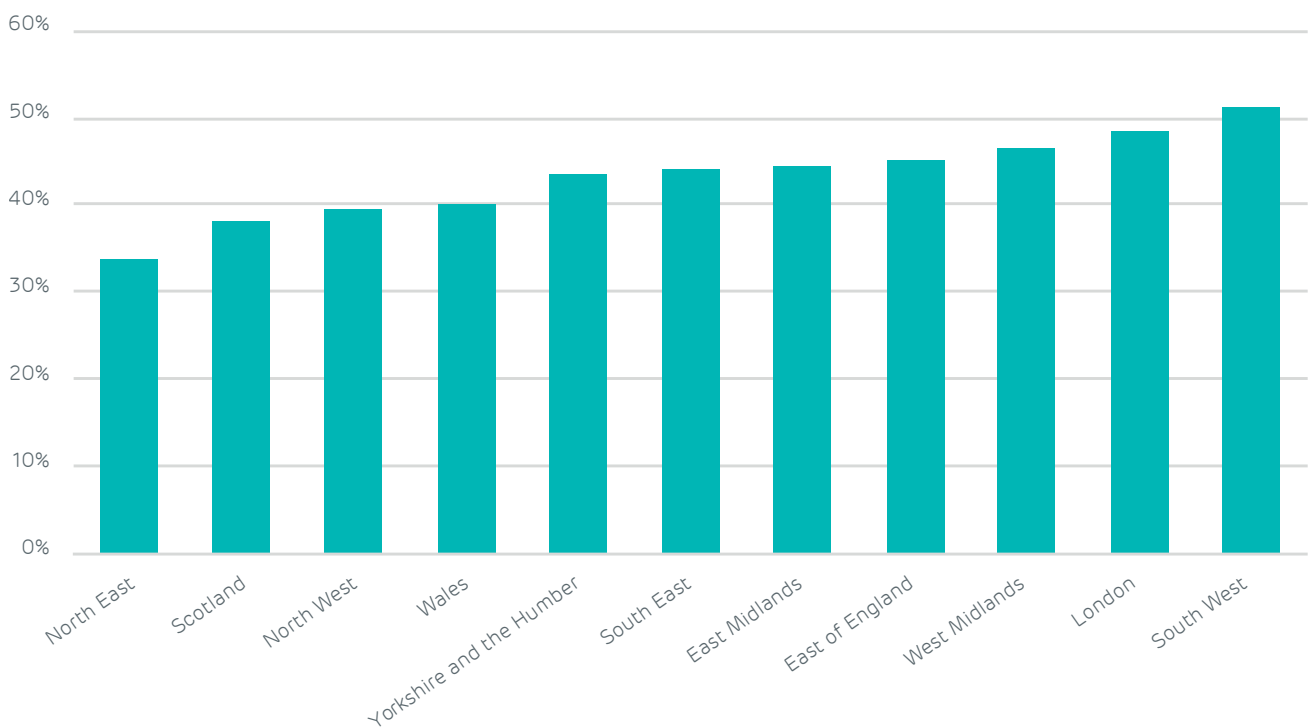
- Examine the findings of our 2015 consumer survey and assess how the size of the sector has changed
- Assess how pop-ups have evolved over the past year
- Evaluate the attitudes of more traditional retailers to the pop-up concept, analysing case studies and the results of our 2015 business survey
- Assess what barriers pop-up and small retailers face

2 Growth in the pop-up retailing sector

2.1 Year-on-year change in the pop-up retail sector

Over the past year, the pop-up sector has grown and consumers are increasingly engaging with the concept. Our latest consumer survey findings¹ show that, just in the past 12 months, 44% of adults across Great Britain have visited a pop-up retail outlet² an increase on the 42% of adults found to have previously visited a pop-up shop in 2014.

Figure 1 – Percentage of respondents who have visited a pop-up shop in the past 12 months



Source: YouGov, Cebr analysis

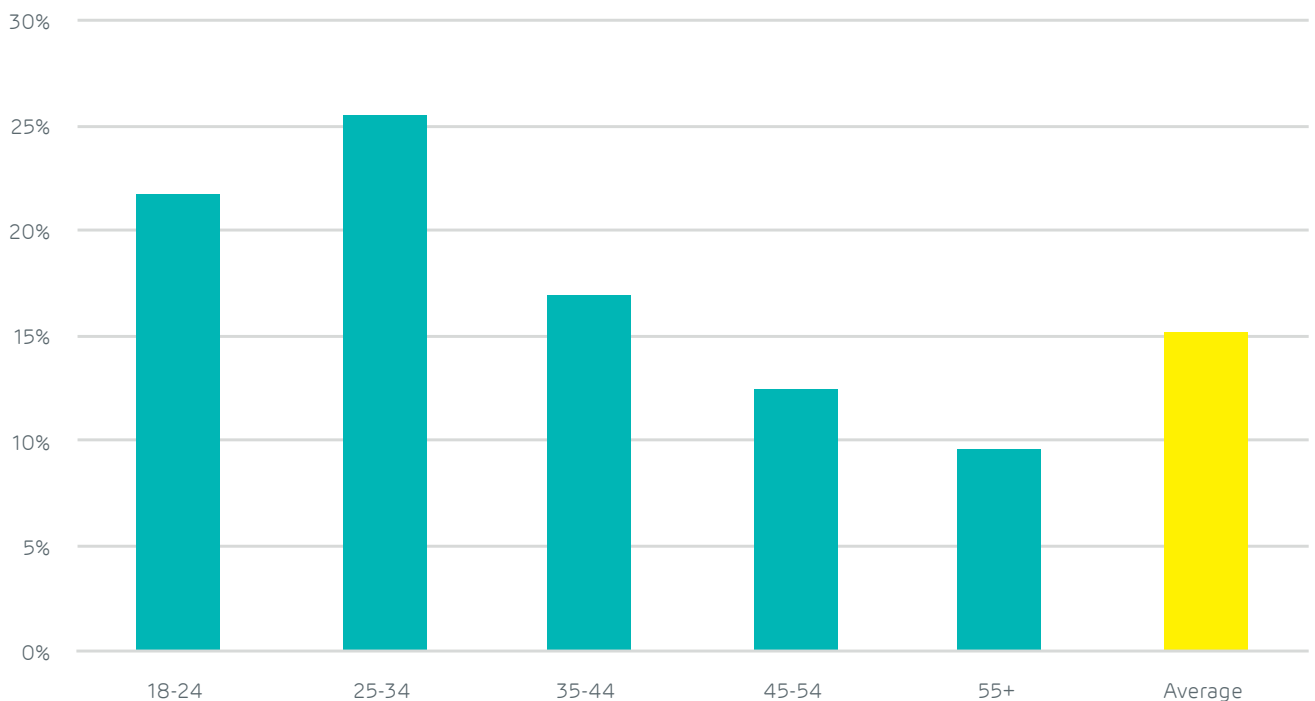
As shown in Figure 1, the largest proportion of consumers who have visited a pop-up shop in the past 12 months was in the South West, where over 51% of respondents had visited a pop-up outlet. This was closely followed by London, where around 49% of residents had visited a pop-up store in the past year.

Visits to pop-up retail outlets were least prevalent in the North East of England. In this region, just under 34% of residents had visited a pop-up in the past 12 months, 10 percentage points lower than the national average. This could reflect a range of factors including the relatively low levels of household discretionary income in the North East compared with other regions of the UK and perhaps a less prevalent pop-up sector.

¹ The survey was conducted by YouGov between 17th – 20th July 2015 and questioned a representative sample of 2,010 individuals across Britain.
² Excludes respondents who responded 'don't know/can't recall'

As the results of last year's report showed, those who did frequent pop-up stores typically visited five times over the past year. This average has remained unchanged, with the majority reporting no change in the number of times they have visited this year. However, the increased share of the population that has engaged with the concept over the past year suggests the total number of visits has risen, displaying the growing presence of the pop-up retail sector. Additionally, just looking at the number of people that have increased their frequency of visit (i.e. excluding those that have kept it the same or have decreased frequency), the 25-34 year old age group shows the biggest increase over the past year, with just over a quarter of respondents in this bracket reporting a rise. This is illustrated in Figure 2, while the group of those aged 55+ has increased by the smallest amount.

Figure 2 – Share of consumers who have increased visits to pop-up shops in the past year



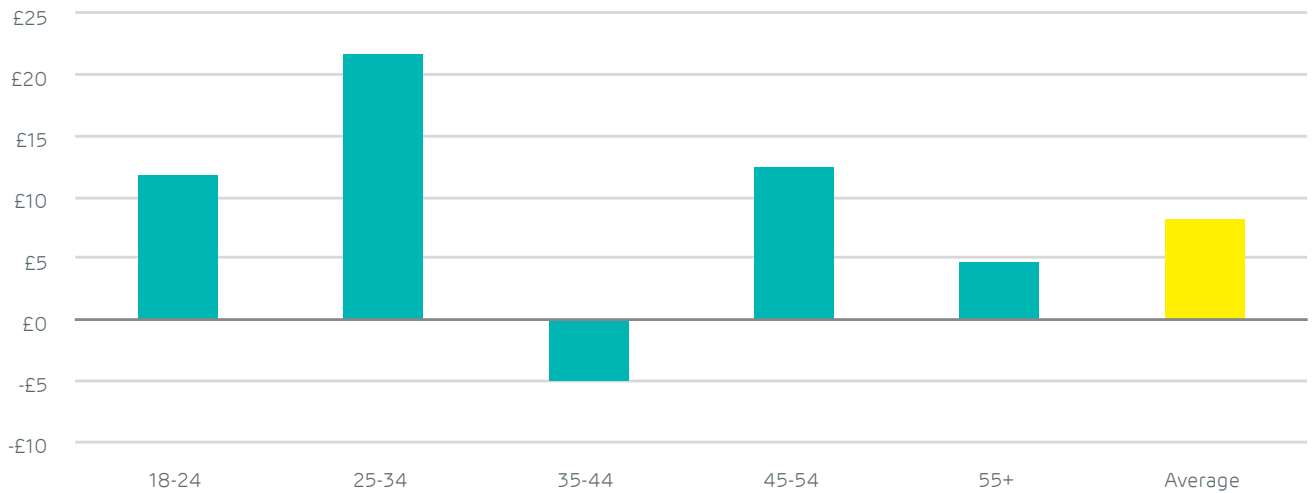
Source: YouGov, Cebr analysis³

Not only are a greater share of the population now visiting pop-up shops, the majority of those that are visiting are either spending the same or more than they were in the previous 12 month period. A net balance of 23% of pop-up store visitors increased spending in pop-up shops over the past 12 months. The average customer increased their expenditure by more than £8.20 in the past 12 months. This takes the average annual spend of the average pop-up visitor up to £123.50.

Again, the average increase in spending in pop-up shops varied across the different age groups. In line with the increase in visits, the 25-34 age group experienced the largest increase in expenditure in pop-up shops in the past 12 months, increasing their spend by over £21.50 compared with the previous 12 month period. At the other end of the scale, individuals aged 35-44 reported a slight decrease in their expenditure, just under £5 less than in the 12 months to July 2014.

³ Excludes respondents who answered 'Don't Know'

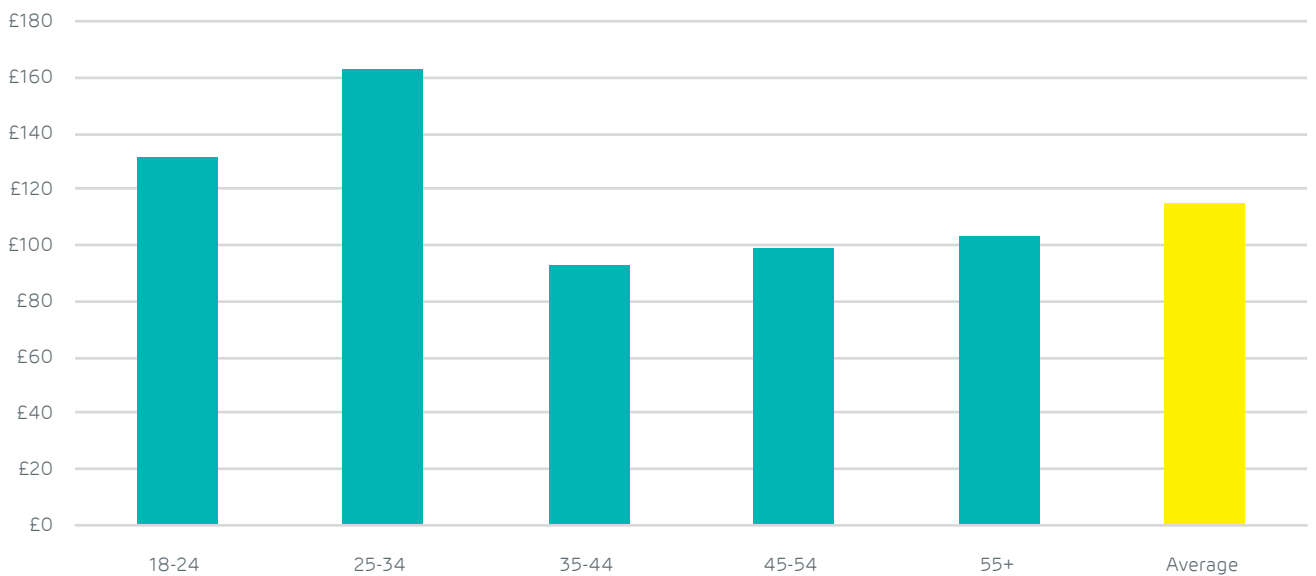
Figure 3 – Average change in annual spending in pop-up shops over the past 12 months



Source: YouGov, Cebr analysis

As shown in Figure 4, 25-34 year olds had the highest average spend in pop-up stores over the past 12 months, spending more than £162 over this period. Meanwhile, the fall in spend across the 35-44 year old age group means that, on average, this group spent the smallest amount of money in pop-up stores over the past year, spending around £93 in the last 12 months.

Figure 4 – Average spend in pop-up shops over the past 12 months



Source: Cebr analysis

2.2 The economic significance of the pop-up retail sector

By scaling up the number of visitors and average amount spent in pop-up shops over the past 12 months, we have once again analysed the economic significance of the pop-up retail economy in comparison to the retail sector as a whole. We estimate that the pop-up retail sector generated over £2.3 billion in revenue over the last 12 months, up from the £2.1 billion recorded in the year to June 2014.

While the value of pop-up retail sales increased by 12.2% over the past year, the value of total UK retail sales (excluding fuel) increased by just 1.1%. This implies that the pop-up retail sector is growing at a considerably faster rate than the overall retail industry. However rapid rates of growth in the pop-up sector do partly represent the small share of the total retail industry that the format currently accounts for. Utilising data from the Office for National Statistics, we estimate that the pop-up retail economy accounted for 0.76% of total retail trade over the past 12 months, up from 0.62% a year ago.

Using data on micro-sized businesses from Business Population Estimates collected by the Department for Business, Innovation and Skills (BIS)⁴, we can further analyse the impact of pop-up retail activity on the economy. Based on the data, we estimate that there are around 10,500 pop-up shops across the UK, up from around 9,400 last year. Additionally, these outlets employ approximately 26,200 people in the UK, up from around 23,400 in the 12 months to June 2014. With pop-up retailers increasingly broadening out into more established retail outlets, both on the high street and online, the rising number of pop-up businesses has likely fed through into the number of small retail businesses in the UK, which increased by 3.2% between 2013 and 2014. This represents a strong turnaround from the decline 0.4% decline seen between 2013 and the start of the decade.

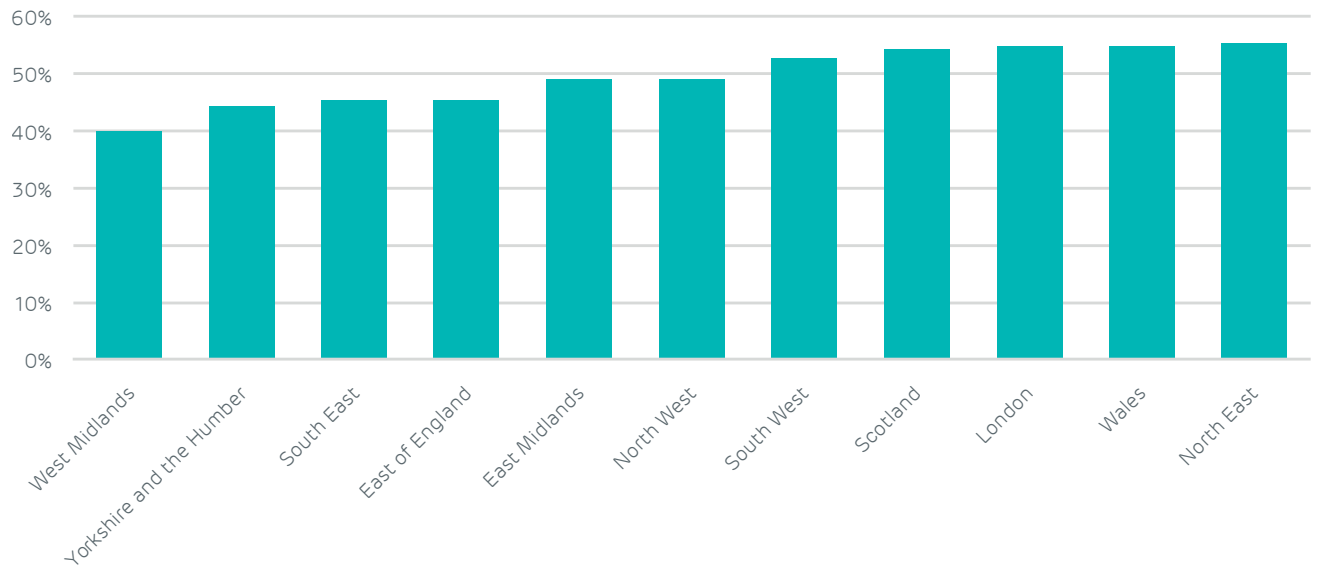
Pop-up retail remains a small segment of the overall retail sector. However, the growth in both the share of consumers visiting pop-ups and overall spend in these outlets over the last 12 months shows the pop-up sector continues to flourish, achieving levels of growth only neared by internet retail sales in recent years.

Given the physical, and often central location of pop-up retail outlets, the popularity of the sector has the potential to be a boon for the traditional high street in general. In our survey of consumers in 2014, we found that the main reason given for visiting a pop-up store was the ability to purchase unique goods while supporting local businesses. In our latest survey, we asked consumers whether they believed that the pop-up shops were a good way to revive the high street and found that a net balance⁵ of 49% of people in Britain believed that they were. Not only do pop-ups help to utilise the vacant floor space that still remains a feature of many town centres, the growing footfall that these outlets attract can only be good news for permanent retail outlets in the area.

⁴ <https://www.gov.uk/government/collections/business-population-estimates>

⁵ Net balance corresponds to share of respondents that agreed minus the share that disagreed

Figure 5 – Net balance of consumers who think that pop-up retail is a good way to revive the high street



Source: YouGov, Cebr analysis

As shown in Figure 5, above, there is a relatively broad agreement across Britain that the pop-up sector is a good way to bring life back to the high street. The results also suggest that the sentiment, while shared across each of the age categories, is most keenly felt by those aged 18-34. The pop-up sector therefore has the potential to not only regenerate the high-street but diversify the audience, bringing in younger generations who might have previously opted for the convenience of supermarkets, out of town shopping centres and online retailing.

Our case study below, Hang Fire Smokehouse, highlights the positive impact that consumer engagement in popular pop-up ventures can have on other retail outlets; in this case the pub industry.

Hang Fire Smokehouse:

Wales based Hang Fire Smokehouse, winners of 'Best Street Food or Takeaway' at the BBC Food and Farming awards, operate pop-up businesses cooking and selling American barbecue style food. While they now also set-up at events and festivals around the UK, the company's first venture took the form of a 'kitchen takeover', selling their food within a friend's pub in Cardiff in March 2013. The business is now based out of a small butchers shop in Llantwit Major, which utilises the company's mobile point of sale system powered by an EE 4G connection to help sell a range of products including the company's range of sauces and 'heat at home' BBQ products.

The 'kitchen takeover':

Hang Fire Smokehouse have now run pop-up restaurants within a number of different pubs around Wales, including a stint at Brewdog Cardiff. Given the company's cult following that has built up and the undersaturated market for their food, the 'kitchen takeover' events have proved incredibly popular.

This popularity means that Hang Fire hasn't had to directly pay to pop-up in the venues they've used so far, instead compensating pub owners with significantly increased drinks revenues. In Brewdog and other pubs, the business has achieved over 200 covers in a night, far more than the 20-30 customers some of the venues would have usually achieved on a Thursday night. This level of activity can have a profound effect on the profitability of these pubs – the first pub was three weeks from closing when they moved in but stayed open for another year.

The pubs that collaborate with Hang Fire can also achieve benefits outside of the increased sales from the footfall that Hang Fire has generated. The event itself is a great marketing opportunity for each individual pub. Even successful, profitable pubs can and have benefitted, exposing the venue to a broader audience than their typical customer base.

3 Pop-up retailer attitudes

3.1 Pop-up retailer attitudes to the market

Through a set of interviews with various businesses that have operated in the pop-up retail sector over the past year, we have tried to gain further insights into the health of the sector and explore how the industry and the businesses operating within it are evolving and changing.

In line with the findings of the consumer survey, pop-up businesses, from food and drink providers to traditional retailing, reported buoyant levels of activity in the market. A few of the case studies reported that they had, on numerous occasions, sold out of products before the day was out and consequently had to turn customers away.

A number of pop-up businesses have utilised their popularity gained through the product exposure in their pop-up stores to launch the brand into a more traditional store format. Our case study of Press London below highlights how start-ups have utilised the benefits offered by pop-up retailers as a test-bed for their concept before successfully launching into a more traditional retail format.

PRESS

Having launched as a pop-up store in 2014, London based juice company PRESS has evolved into an established business. The company currently has three of its own juice bars in central London in addition to outlets in Selfridges and Equinox Kensington. The business has also developed its own website, allowing customers to order products online for delivery in London.

Pop-up beginnings:

After developing the concept of bringing the cold-pressed juice trend from LA to London, PRESS utilised the online marketplace for short-term store space provided by Appear Here, to launch as a pop-up store in Old Street Underground Station between 17th April and 14th May 2014. The format offered a number of benefits. Firstly, it allowed the company to market test the product and gain exposure to consumers in a retail environment. Traditionally, this would require a company to agree to a lease on a shop and accompanying cost and risk associated with such an agreement. However, the pop-up format considerably reduced the risk associated with gaining such exposure to customers and testing the concept. In addition, the pop-up offered some marketing value in terms of exposing consumers to the PRESS brand and generated content for their marketing and PR activities. After this product-testing period as a pop-up stall, the firm quickly moved to both more traditional bricks-and-mortar premises and developed a website allowing their customers to order products online. Knowing from the start that they wanted to evolve into a more established retailer, PRESS were prepared to invest in mobile payment terminals. This allowed them to take card payments at their pop-up store and helping the transition to their traditional bricks-and-mortar outlets where card payments form an even greater share of all sales.

Lessons learnt:

After initially selling out within the first two hours of each day at the pop-up, PRESS noticed they were able to appropriately adjust their price point, settling at their current £6 a bottle. They also noted the value of offering free samples to customers. PRESS have maintained this element of their pop-up venture in their permanent store formats given the high conversion rates from sample to sale and the unique identity of their 'bath-top' sampling counters.

Advice:

Ed Foy, Director: 'Range is very important. If you seem very monochromatic and have a pop-up with one product, it's not that compelling. People are very demanding now, even of pop-ups, and people love to choose their own path and have a range of options so they can select the products that they think they'll like.'

Still, while some pop-ups have evolved into permanent retail outlets, others have continued to focus on the pop-up format. Hang Fire Smokehouse is one example of this. Despite requests to open their own restaurant, the business is still taking over kitchens in Wales and setting up at a range of events and festivals across the UK. However, while the traditional centre of the business has remained the same, the company has supplemented these activities, developing and selling a range of sauces sold in a range of local delis and collaborating with Pipes Brewery to launch a craft soda company.

The growing popularity of the format amongst consumers has been met by increasing numbers of pop-up businesses. Hang Fire Smokehouse reported to us that numerous start-ups had emulated their 'Kitchen Takeover' model in Cardiff, with there now being between 20-25 other businesses popping-up in the Cardiff area. While competition has the potential to eat into their own sales volumes, most businesses were generally positive about the growth in competition, confident in their own offering and welcoming the increasing customer engagement that the growing market offers.

Additionally, concerns were raised about the impact that the growing popularity of the pop-up format amongst new and existing businesses was having on the commercial real estate market. As the market for pop-up space is becoming more competitive, the premiums paid for the reduced risk of short-term rental agreements are rising.

The growing costs required to secure a suitable location has the potential to dent the innovation being created in the pop-up sector. Higher start-up costs mean that prospective ventures must be more strategically planned and financed than they may have previously been. One of the benefits of pop-up retail to date is that it has provided opportunistic entrepreneurs who have a low-level of start-up capital the opportunity to build a strong platform from which to attract further investment. A number of our case studies reported being approached by investors while operating their pop-up stores, with investors attracted by being able to see how the concept and customers engage in a real-world retail environment. While the growth of financing options such as crowdfunding offer innovative concepts new ways to raise the capital required, pop-ups, particularly the bricks and mortar format, may be at risk at becoming less inclusive and only open to those who have the funds to enter the market.

3.2 Attitudes to pop-ups from traditional retailers

While a number of established pop-up brands have now 'grown-up' into businesses with permanent retail outlets, there is a growing appetite amongst traditional retailers to engage with the pop-up concept. Both traditional bricks and mortar retailers and online stores can utilise temporary outlets for a variety of different purposes, ranging from transaction driven sample sales to purely marketing based activities.

With the significant variety in pop-up retail outlets, from temporary stalls to fully decorated spaces within vacant buildings, businesses both large and small can take advantage of the concept, taking their concepts to new customers and/or engaging in new ways with existing customers. One example of this is given in a case study below from Benefit Cosmetics.

Benefit Cosmetics

San Francisco based cosmetics manufacturer Benefit came to the UK over 20 years ago and is the number one selling premium make-up brand in the country. The company sells its products online and through traditional retail stores, both within their own boutiques and from beauty bars in retailers including John Lewis, House of Fraser and Boots.

Benefit's first foray into the pop-up format came during the Football World Cup of 2014, opening a World Cup pub aimed at women called 'The Gabbi's Head' for one month in London's Covent Garden. Following the success of the first project, the company launched a three-story, pop-up beauty salon and bar in Soho through Appear Here earlier this year.

What the pop-up format offered:

Unlike competitors, Benefit doesn't utilise traditional advertising as part of its marketing strategy. As a result, the company is always looking for other opportunities to engage with its current and potential customers. Pop-ups offer the chance for the company to create a brand experience for customers outside of the traditional retail environment or with the focus being on the product itself. Customers at these events had the opportunity to get their make-up done while enjoying items such as coffee, cupcakes and cocktails.

The second project, 'Curl's Best Friend' was specifically launched as part of the product launch for the company's new mascara range. Following the closing of the Soho pop-up, the bar concept was transferred to a truck and taken on tour, extending it to customers in other parts of the country.

How successful have past pop-ups been?:

While marketing and engaging with customers the central objectives of previous pop-up events, Benefit did set sales targets on each occasion. Both times these targets were exceeded. However, the success of the events was more apparent in the reaction of customers to the events. Throughout the events the company has seen positive reactions across its social media outlets such as Facebook, Twitter and Instagram, with customers live posting photos. Additionally, for the 'Curl's Best Friend' pop-up, the company developed a dedicated interactive app for the event. Customers took the time to provide feedback through the app and the comments themselves were 'very positive'. The feedback showed that visitors were successfully engaging with the products and brand.

Technological requirements:

With people more inclined to post on social media while they are at the event, as opposed to following the event, it was important that customers could successfully access the internet within the pop-up stores. The businesses solution was to install Wi-Fi into each of the spaces. However, the process takes considerable planning time, taking eight weeks to install phone lines and set up the Wi-Fi connection.

Alongside Benefit, our latest business survey⁶ finds a further 8% of retailers and food and accommodation service providers had opened a pop-up shop to complement any of their main locations in the last 12 months. Costs in terms of both time and money may be one reason holding the remainder of businesses back. Still, while the share of businesses remains relatively small, the number is encouraging and traditional retailers appear to be growing slightly more receptive to the concept, with 10% of businesses surveyed stating that they had plans to open a pop-up shop alongside their traditional locations over the next five years and a further 12% still unsure. Utilising solutions to issues such as the long planning times required to install fixed Wi-Fi connections can help to make the pop-up experience more seamless for businesses looking to adopt the concept. Solutions such as mobile payment systems and 4G connectivity provide more flexible options and can significantly reduce the planning required for this element of the planning process.

3.3 Internet pop-up retailers

One area where pop-up shops has the potential to considerably change the dynamic of the market is in the online retail space. Pop-ups offer online businesses the potential to create engaging and targeted customer experiences, breaking down the digital divide between online shop and real-world consumer. In a similar way to new start-ups, pop-ups offer online businesses a cost-effective way of testing new products and concepts, gaining the insight from observing the reactions of customers and being able to quickly obtain face-to-face feedback. However, as highlighted below in our case study with EjderforLife, online retailers can face significant challenges co-ordinating stock levels between their online stores and their pop-up shops.

⁶ The survey was conducted by YouGov between 17th – 20th July 2015 and questioned a sample of 342 middle managers and above in businesses in retail/restaurant services and hotel/lodging industries across Britain.

EjderforLife

Ejder, an independent online boutique, began life as a platform that provided new and independent designers with an opportunity to showcase their creations and now sells a range of menswear from its online platform across the globe.

Pop-up ventures:

Utilising the online marketplace for short-term store space provided by Appear Here, one of last year's contributors, Ejder opened its first pop-up shop in South Molton Street (Mayfair) in January 2014.

Since then, they have opened a number of others through Appear Here in London and have utilised personal contacts to open pop-ups in New York and Paris. While clothing sales, including specific promotions for purchasing items in store on the day, formed a part of the events, the ventures also allowed Ejder to connect with its online community on a physical basis. The connections made at these events have helped Ejder form relationships, allowing them to collaborate with up-and-coming brands, designers and artists and broaden their brand reach and customer base.

Challenges faced:

While the presence of Appear Here in the UK has allowed Ejder to find appropriate sites for their pop-up shops with relative ease, the ventures still require a considerable level of hard work and effort in order to set up the shop in a short space of time.

Given the nature of clothing purchases, payment systems are an important part of the set-up of each pop-up store. Ejder's current system syncs through Bluetooth to a laptop which is connected to the internet through a Wi-Fi connection. However, they have had issues with both connections leading to relatively lengthy processing times. Given the narrow window Ejder has had to set-up their pop-up shops, flexible solutions offered by mobile point of sale systems and 4G connectivity could help to reduce the stress of setting-up and maintaining the connection of their current point of sale system.

Given that Ejder's online store has remained open during events, the company has found that stock control is difficult. Their current method is manual and involves them assigning additional tags to each piece of clothing, which are then kept and recorded so that people back at their offices can be informed of sales. However, given the lag, Ejder have had instances where people have purchased an item online that they've sold out of at a pop-up event. Connected sales and inventory management systems could help to reduce the additional challenge of co-ordinating their pop-up activities with their established online platform.

4 Challenges facing small retailers

4.1 Challenges for pop-ups: Finding the perfect location

Finding a perfect location is a key pillar for the success of a prospective pop-up venture. Ideal locations combine high levels of footfall with retail space owned by landlords willing to offer short-term leases to businesses looking to occupy that space.

The rise of the pop-up retail sector and companies such as Appear Here, whose website allows prospective users to lease retail spaces from landlords with vacant units, have helped bring more short-term locations onto the market. Not only are new pop-up spaces being built, such as BOXPARK Croydon, landlords are increasingly open to the prospect of letting out space on short-term leases. Platforms such as Appear Here offer landlords a platform to sustainably utilise their spaces in a more profitable way, given the premium that they can charge for the lower risk of a short-term lease agreement.

The majority of our case studies had utilised contacts and/or Appear Here to secure venues and generally reported that they had few issues finding the right location. The growing ease in securing venues is likely to be a factor in the buoyant growth of pop-up activity in the UK.

However, alongside the concerns about rising rental costs raised in the previous section, some businesses can still find it more difficult to secure suitable new venues, despite the support from ventures such as Appear Here. While the number of available properties have grown, competition for the best locations is not only pushing up costs but also extending lease times, leading to firms with shorter projects losing out to those businesses being able to commit to longer leases. This is beginning to place challenges on some companies, raising the cost of projects; noticeably for those ventures where sales is not the key metric, or forcing businesses to compromise on their preferred location.

Location difficulties:

Having popped up in a number of pubs in Wales, Hang Fire Smokehouse are finding it difficult to find new venues for their 'kitchen takeover' pop-ups. Pubs are becoming increasingly reliant on their food sales and as a result are less willing to collaborate with the brand or are asking for either up-front payments or shares in food sales in order for pop-ups to take over their kitchens.

4.2 Challenges for pop-ups: Internet connection

As explored in the inaugural Pop-Up Retail report, getting access to a fast and reliable internet connection is a considerable challenge facing retailers and in particular pop-up shops. Given the growing importance of point-of-sales devices and real-time customer promotion through social media outlets such as Facebook, Twitter and Instagram, internet connection is an increasingly important element for a successful pop-up business.

Actively utilising social media provides a range of advantages to retail businesses. Firstly, for pop-up stores,

broadcasting and promoting their location can help to increase visits, with our research last year showing that 65% of consumers would visit a pop-up shop more often if they could easily find its current location. Further, social media allows customers to both promote and engage with the brand, helping to broaden and develop the customer base and lay the foundations for a more established presence in the market.

Kyra Oates, head of events and promotions at Benefit Cosmetics: 'People want to post live - they're keen to post about where they are now but not so keen on posting about where they went yesterday.'

However, as explored in the Benefit Cosmetics case study, it can take considerable amounts of time to have a Wi-Fi connection installed. This is often periods of weeks that retail outlets don't have time to wait for. Additionally, given the temporary nature of the stores, this level of investment can add a considerable cost to daily operating cost for a pop-up venture.

While some pop-up retail locations offer Wi-Fi access as part of the lease, such as the free Wi-Fi provided by EE at BOXPARK, not all locations offer pop-ups integrated internet connections. With pop-ups often moving location on a regular basis and having little more than a short space of time in the morning to set up, many retailers are increasingly turning to mobile internet connections through portable devices such as a phone or tablet.

This is particularly noticeable in our case-studies choices on which point of sale systems to use. The majority opted for devices such as iZettle that connect to the internet through a phone or tablet 4G connection. While, these solutions were not faultless - occasional problems had been experienced such as issues with Bluetooth connections and signal in certain locations (underground stations and basement stores, where Wi-Fi may be a better solution in those cases), the technology generally offers the ease and portability required by pop-up retailers and doesn't require significant up-front costs to put in place.

Card Payments

Hang Fire Smokehouse

Given that Hang Fire's activities range from selling products from their permanent base to pop-ups at street food festivals around the country, the company needed a system that it could easily transport from venue to venue. Their solution was to utilise an iZettle payment system powered by an EE 4G connection.

This has been particularly beneficial at their butcher shop, the permanent base for the company. Being able to take card payments in the shop can make a significant difference there is no cash machine nearby and it also allows customers the flexibility to make impulse purchases, such as buying from the company's range of sauces.

Pilau

After starting out accepting just cash for the first six weeks in Soho, Pilau have adopted the iZettle payment system and now take around 10% of their payments by card.

George Pitkeathley, Co-founder: 'In addition to the ability to accept card payments, the system gives you data on time, type and value of each sale. When we just took cash payments we didn't have that luxury during busy periods.'

PRESS

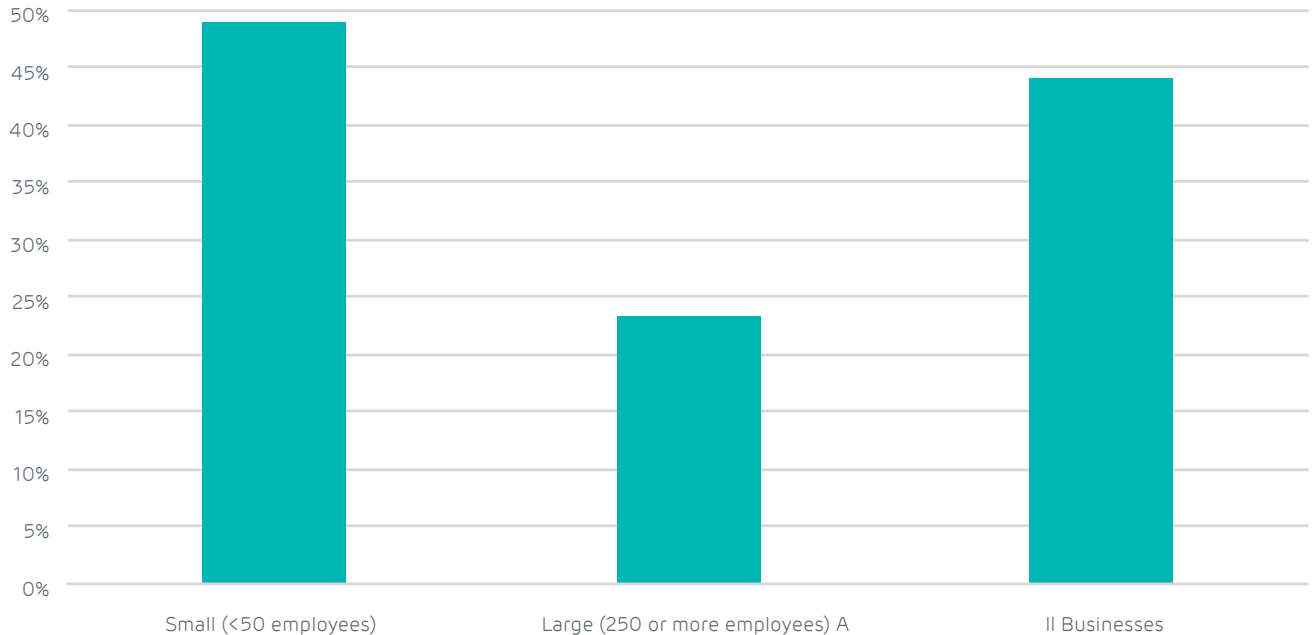
During their time as a pop-up store in Old Street Station, PRESS saw payments by card increase from around 5-10% to 25%. With their move to permanent locations, card payments have become even more important.

Ed Foy, Director: 'It's amazing how quick consumers have dropped cash. We had to open one store without the ability to take card payments because the terminal hadn't turned up and could barely sell anything because most customers didn't have cash.'

4.3 Challenges for retailers in general: Point of sale systems

As show in Figure 6, the volume of debit and credit card transactions has increased dramatically in recent years, more than doubling between May 2006 and May 2015. With card payments expected to overtake cash within the next decade, it is becoming increasingly important for businesses to put in place point of sale systems in order to allow customers to purchase using debit and credit cards. Despite the growing share of payments accounted for by these methods, our latest business survey found that only 66% of businesses in retail, food and accommodation service providers were able to take credit card payments (67% for debit cards). This problem is more prevalent amongst small retailers, where just 57% of businesses are able to accept credit card payments.

Figure 6 – Volume of UK card payments in the UK retail sector in the 12 months to month stated

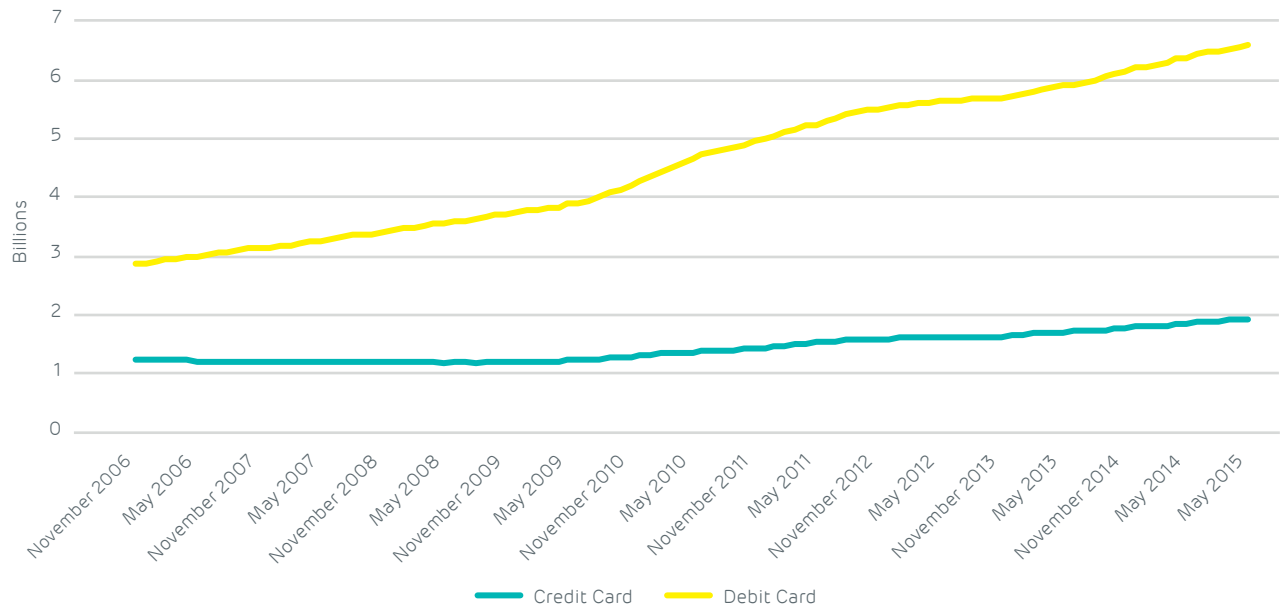


Source: The UK Cards Association, Cebr analysis

The cost and complexity of traditional, computer-based point of sale systems that include elements such as a touch screen, barcode scanner and credit card terminals may be one factor holding back investment into these systems. Our survey found that 44% of respondents felt that traditional point of sale systems are too costly to invest in, while 27% feel that they are too complex. This is despite the average small business without the ability to accept credit and debit card payments estimating that they lose around £500 a year due to the inability to process card payments. This is in addition to the additional sales that having the ability to process card payments can generate. Point of Sale systems do not only help to attract more customers who may have previously been put off because of a lack of cash, they can help to increase the size of purchases, offering consumers the flexibility to make impulse purchases. For example, the average spend per Visa purchase; credit card purchases average £42 and debit card purchases average £27, is consistently more than cash, which averages £11 per transaction⁷.

7 Visa Payment Panel Study Q2 2011 to Q1 2012. Conversion at \$1 = £0.64

Figure 7 – Share of businesses that agree that traditional point of sale systems are too costly to invest in, by size of business



Source: YouGov, Cebr analysis

The cost challenge is particularly noticeable for small businesses, with the share of businesses able to accept credit and debit card payments lower amongst the small business population. Almost half of respondents in small businesses said that traditional point of sales systems are too costly to invest in. With the growing proliferation of card payments, smaller retailers may be wise to follow in the footsteps of their pop-up counterparts and adopt more cost effective mobile point of sale systems.

4.4 Challenges for retailers in general: Stock management

Stock management is not only an issue for online retailers attempting to co-ordinate sales between their online platform and a physical pop-up platform, it is also a challenge faced by other retailers, co-ordinating sales and stock across multiple locations as well as between physical and online stores.

In the latest survey of businesses in retail, food and accommodation services, 40% of respondents with more than one permanent location found managing stock levels a challenge as a result of having multiple locations and 25% said they had lost out on sales due to not having sufficient stock management systems in place.

With businesses becoming more open to the concept of operating pop-up ventures alongside their traditional operations, the challenge of managing stock levels is only likely to grow. While these systems are likely to require an upfront investment, the gains in terms of lowering operating costs through more efficiently purchasing and transporting stock and reducing man-hours required to monitor inventories in addition to maximising sales volumes, mean that such investments would be beneficial to retailers if systems could be secured at an appropriate price level. However, stock management systems may also need to be better designed to operate within the changing retail environment, integrating with mobile systems to better suit the needs of coordinating pop-up ventures into a business's broader inventory system. Solutions such as Shopwave deliver a portable, iPad based point of sale system enabling retailers to co-ordinate across the increasingly omni-channel retail space and providing the data required for businesses to make efficiency improvements behind-the-scenes.

5 Conclusion

The UK's pop-up retail sector continues to flourish, with growth far outpacing that of traditional retail outlets. Over the last year, pop-up retailing produced over £2.3 billion in revenue, 12.3% more than recorded over the previous 12 month period, and increased its share of the total UK retail market to 0.76%.

The success of popular pop-up brands has seen a number of businesses evolve into established retailers, with combinations of permanent retail stores, pop-up shops and online platforms. With the continued proliferation of pop-up venues through platforms such as Appear Here, more people are opting to bring their ideas to life in the form of a pop-up store. Further, the ability to physically connect with customers in innovative ways has encouraged a variety of established retailers, both traditional and online based, to embrace the format and launch their own pop-up stores over the past year.

As a result, the lines between pop-ups and the traditional retail platforms such as permanent bricks-and-mortar stores and ecommerce are blurring, with pop-ups becoming a viable platform for an increasingly omni-channel retail sector. However, retailers face numerous challenges in co-ordinating various activities, ranging from staying connected across multiple locations and managing payments and inventory across online and physical (temporary and/or permanent) locations.

Experienced pop-ups have begun to address some of the challenges faced, adopting affordable and portable technology to give them easy access to the internet from different locations and allow them to process card payments, update social media etc. Such solutions may act as a viable option to the more than 40% of small retail, food and accommodation service providers who, despite the growing importance of card payments, do not have the necessary systems in place to accept these forms of payments.

With household spending continuing to grow strongly, supported by low inflation and rising earnings growth, the pop-up sector looks set to go from strength to strength over the next 12 months. However, as consumer engagement with pop-ups becomes more widespread and regular, potential pop-up ventures must be well thought out and executed in order to stand out from the crowd. Additionally, the increased competition for prime pop-up space means that location costs are on the rise and potential pop-up entrepreneurs need to put the plans in place so they can hit the ground running and make the most of the time they have with customers.

6 Appendix

6.1 Methodology

This report has been produced by Cebr on behalf of EE to assess the growth of the pop-up retail sector to the UK's retail industry.

This report draws on the findings of 2014's 'Britain's Pop-up Retail Economy' report, updating to 2015 using a survey of consumers. This primary research was conducted by asking 2,010 consumers an array of questions about their experiences with pop-up retailing, conducted by YouGov between the 17th – 20th July 2015. In addition to the consumer survey, a survey of 342 businesses in retail/restaurant services and the hotel/lodging industry was conducted by YouGov over the same period, with an array of questions covering attitudes towards pop-up retailing and the impact of technological challenges such as inventory management and adopting point of sale systems. Further, qualitative interviews with a number of pop-up entrepreneurs were also conducted in July 2015 to glean insights into the pop-up retail industry.

The overall retail turnover of the pop-up retail economy is calculated by combining consumer survey data from Vision Critical, YouGov and the Office for National Statistics (ONS) estimates on the number of over 18s within the UK. Combining the value for the average spend over the last 12 months in pop-up shops by over 18s and the number of over 18s within the UK, Cebr is able to put a pound figure on the amount of turnover generated in the pop-up retail sector.

To estimate the number of employees and businesses within the pop-up sector, Cebr utilised Business Population Estimates from the Department for Business Innovation & Skills to provide similar turnover to employee and turnover to businesses ratios. Utilising the calculation of the overall turnover of the industry and combining it with the Business Population Estimates provides an expected figure for the number of employees and businesses within pop-up retailing.

6.2 About Cebr

Centre for Economics and Business Research (Cebr) is an independent consultancy with a reputation for sound business advice based on thorough and insightful research.

Since 1992, Cebr has been at the forefront of business and public interest research, providing analysis, forecasts and strategic advice to major UK and multinational companies, financial institutions, government departments and agencies, trade bodies and the European Commission.

Cebr is recognised as one of the country's leading independent commentators on economics and business trends. Its forecasts are used by a diverse audience of business people, policy makers and journalists; even the Treasury publishes its predictions for the UK economy.

6.3 About EE

EE is the largest and most advanced digital communications company in Britain, delivering mobile and fixed communications services to consumers, businesses, government and the wholesale market. EE has approximately 14,000 employees and 548 retail stores, and serves more than 30 million customers across its mobile, fixed and wholesale businesses.

EE runs the UK's biggest and fastest mobile network, pioneering the UK's first superfast 4G mobile service in October 2012 and is the first European operator to surpass the 10million 4G customer landmark. EE's 4G coverage today reaches more than 90% of the UK population. EE's 2G coverage reaches 99% of the population while 3G reaches 98%. EE's superfast fibre broadband service covers 74% of the UK population, and ADSL broadband service covers 98.7% of the population.

In the last few years, EE has received extensive independent recognition including being ranked the UK's best overall network by RootMetrics®; Best Network at the 2014 and 2015 Mobile News Awards; Fastest Network at the 2013 and 2014 uSwitch Awards; Best Network at the 2014 Mobile Choice Consumer Awards and the What Mobile Awards 2013 and 2014; Number One for Network Innovation at the 2013 Recombu Awards; Best Mobile Network at the 2014 Recombu Awards; Best Network for Business at the 2013 and 2014 Mobile Industry Awards; and Best Consumer Network at the 2014 Mobile Industry Awards.



Disclaimer

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Authorship and acknowledgements

This report has been produced by Cebr, an independent economics and business research consultancy established in 1992. The study was directed by Rob Harbron and researched by Sam Alderson. The views expressed herein are those of the authors only and are based upon independent research by them.

The report does not necessarily reflect the views of EE

London, August 2015