ARL ACADEMY FOR TERRITORIAL DEVELOPMENT IN THE LEIBNIZ ASSOCIATION

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Retail trade

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Contents

This article is concerned with the conceptual fundamentals and parameters of the retail trade, and with developments that are described using selected types of operation in the stationary retail trade and online trade. It will also touch on the spatial impact of the retail trade, and on the scope for shaping this through spatial planning and city planning. In this regard, the significant aspects of the political and legal framework on European, national, federal, and municipal levels will be presented.

1 Terms, parameters, development

Retail trade is an economic sector of trade focusing on the end consumer, unlike wholesale trade, which concentrates on commercial distributors. It is a characteristic of the retail trade that the sales prices are shown with VAT. There are various definitions and delineations for the term 'retail trade' (cf. *IFH* [Institute for Trade Research] 2005; *gif* [Society for Real Estate Research] 2014: 5 et seq.). The official statistics define retail trade as the resale of new and used goods, above all to private households for private use and consumption in and outside of sales rooms (through mail-order companies and electronic commerce, for example). The official statistics record retail trade divided into nine groups according to the product assortment with futher subdivisions according to class and subclass (e.g. No. 4751, 'Retail sale of textiles in specialised stores'). This classification system has been used since 2008 and corresponds to that of the European Community and the United Nations (cf. *Destatis* [Federal Statistical Office] 2009). The term *adjusted retail trade* means that certain business sectors within retail trade are not taken into account; often these are petrol stations, pharmacies, and retail trade in fuel and motor vehicles. In addition to the official statistics, it is primarily the chambers of industry and commerce, associations, research and advisory institutes for commerce and marketing, market and consumer research as well as commercial enterprises that provide data that are relevant for the structural, market, and consumer analyses of retail trade in Germany.

Sales and the type and amount of private spending in the retail trade are essential indicators of trade relationships, economic power, consumer behaviour, purchasing power flows, and economic activity. The facts and figures of the German Retail Association *(Handelsverband Deutschland, HDE)* together with the results of official statistics and the data of other institutions provide an informative overview to that end. According to this, Germany is an extremely strong country when measured by the total purchasing power in Europe (cf. *HDE* 2014a: 23) and therefore an interesting and large market for investments in the retail trade. Measured by the purchasing power of each resident in comparison with its neighbouring countries, however, Germany is behind Denmark, Austria, Luxembourg, and Switzerland (cf. *HDE* 2014a: 23). In 2014, the annual purchasing power in Germany amounted to € 21,579 per resident, as opposed to € 37,153 in Switzerland (cf. *HDE* 2015: 23). In 2013 and 2014, adjusted retail trade sales accounted for 28.6% of private consumer spending in Germany (cf. *HDE* 2014a: 10, 2015). 10). In 2013, 9.3% of consumer spending was on food: a comparably low value in the Eurozone. For clothes and shoes, the value was 5.0% (cf. *HDE* 2014a: 11, 2015). 11).

In retrospect, it is clear that the actual trend in retail trade sales has slightly declined since 2000 and is subject to considerable annual, seasonal, and branch-specific fluctuations (cf. *HDE* 2015: 18 et seq.). However, the dynamic in the structural change of retail trade has generated a continual expansion of retail spaces. Retail space in Germany doubled from 1980 to 2013. In 2014, retail spaces covered 123.1 million m^2 (cf. *HDE* 2015: 28). The expansion of retail spaces in the retail trade has noticeably weakened, but it can be assumed that there is a further growth of spaces related to the number of residents. This is also confirmed through comparisons with the neighbouring countries Switzerland, the Netherlands, and Austria. In 2014, Germany had a retail space per capita of 1.46 m^2, which was lower than its neighbouring countries of Switzerland (1.50 m^2), the Netherlands (1.67 m^2), and Austria (1.74 m^2) (cf. *HDE* 2015: 29).

From a spatial perspective, a large part of consumer spending in the stationary retail trade remains tied to purchases in the vicinity of a residential location. However, the growth rates of online trade within overall retail trade sales (cf. *HDE* 2014a: 32) show that the spatial retention of purchasing power is declining, and market shares are shifting to favour new types of companies and sales models (cf. *HDE* 2014b). Therefore, the retail trade will further differentiate itself. It is already a strongly diversified and dynamic economic sector with various types of providers and companies of all sizes (micro enterprises, small and medium-sized enterprises, large enterprises), various organisational and ownership structures (e.g. cooperatives, purchasing associations, independent retailers) and various forms of operation (e.g. specialised firms, chains, discount stores, consumer markets, hypermarkets, supermarkets, retail parks, shopping centres, and forms of mail-order companies and internet trade). When measured against market shares, it is evident that the classic entrepreneur-led specialist retailers have lost a considerable share, but specialist chain-store retailers and retail warehouses have made gains, as have discount stores (cf. *HDE* 2015: 24).

1.1 Parameters of the stationary retail trade

The parameters for various forms of stationary operations in the retail trade are primarily the size of the retail space (a small space is up to around 250 m² and a large space starts at around 800 m²), sales per square metre of retail space – including assortment-specific sales – as well as the width and depth of the range. The width of the range is normally determined by the number of product groups, and the depth of the range by the variety of items in a given product group. Other parameters related to the product assortment include city-centre relevance (assortments relevant to the inner city, such as clothes and shoes) and the frequency of demand (daily, short-term, periodic, aperiodic, middle-term and long-term demand). Price level, the presentation of goods, and the range of services (self-service, customer service) are also consulted to characterise the types of operations in the stationary retail trade in Germany (cf. *gif* 2014: 49 et seq.). Due to the increasing diversity of the configuration of product assortments (main, complementary and peripheral assortments), especially the combination of food and nonfood items, and the additional new services offered (such as postal services or cash disbursement in partnership with financial institutions), there can be seamless crossover between the types of operations.

Depending on the size, intake area, and requirements in terms of logistics and accessibility, certain operations prefer certain locations (▷ *Choice of location*). Locations can be differentiated by their character in terms of urban design (peripheral location, scattered locations, special locations, urban borough, ▷ *Inner city*), by footfall (low/C level, medium/B level, high/A level, highest/top A level), and according to criteria relating to price and real estate (cf. *gif* 2014: 155 et seq.).

Each retail enterprise is associated with a sales intake area. It describes the geographic area from which its customers come. The local intake area is usually the area with the highest absorption rate for purchasing power, and the broader intake area the one with the lowest. Sales that are no longer spatially associated with the intake area are included in the determination in what are known as 'scattered sales'. The sales and purchasing power that flow into a stationary retail enterprise from the source locations and settlement areas within its intake area are decisive in assessing that enterprise's significance in supplying an area. They are normally determined by economic forecast models used to calculate the probability of sales (such as the Huff model), depending on the attractiveness to shoppers and spatial accessibility. Depending on the reach and product assortment, retail enterprises are allocated to local services, regional supply or supra-regional supply.

Parameters that describe the structure and development of the entire retail trade in one area include the number of employees and enterprises, the scope and size of the retail space, and the retail trade sales in proportion to the purchasing power relevant to retail trade in that area. The centrality of the retail trade is calculated from the relationship between retail trade sales and the purchasing power relevant to retail trade. It is considered a rough measure of an area's attractiveness and ability to retain purchasing power. A figure over 100 means that there are more retail sales in the area than corresponds to the potential purchasing power of the residents living there; in other words, purchasing power is flowing in from outside the area. Conversely, a value of under 100 means lower retention of purchasing power, so the purchasing power of the local population that flows out of the area exceeds the purchasing power that flows in from outside the area. Thus, the centrality of the retail trade is used to describe the quality of the supply of the retail trade structure in central places (▷ *Central place*) and as a benchmark for their supply function (lower-order, middle-order or higher-order), including in regard to individual product ranges. For the purposes of local and regional supply with stationary retail trade facilities, the parameters of the spatial supply structure include the spatial distribution and the functional context of retail enterprise locations, types of operations and sales, differentiated according to their location within, on the edge of, and outside existing settlement structures (▷ *Settlement/ settlement structure*). A commonly used parameter to characterise the existing supply situation is the ratio of retail spaces in the inner city to those outside the inner city.

Retail trade basically tends towards agglomeration (▷ *Agglomeration, agglomeration area*), since the spatial accumulation and concentration of various retail trade businesses can strengthen the spillover effects, enlarge intake areas, and increase customer frequency. This applies to both naturally occurring (i.e. unplanned) spatial clustering and the planned bundling of sales outlets in a building complex. Direct competition effects are normally avoided through the differentiation of product assortments. Retail trade agglomerations take different forms: as shopping arcades, shopping centres, and retail parks. A systematisation according to planned and unplanned functional spatial development, as undertaken by the *Gesellschaft für Immobilienforschung e. V.* (Society for Real Estate Research) (cf. *gif* 2014: 94), differentiates between historically evolved, loosely coordinated business centres (inner-city centre, urban borough centre, agglomeration of retail warehouses) and centres that are planned and managed as units. In the latter case, the outer appearance, the marketing strategy, and the centre management are geared towards optimally selecting retail trade and service operations, internal location allocation, marketing measures, joint tasks for safety, cleanliness, logistics and traffic from the same source to benefit the attractiveness and quality of the experience for visitors. The latter especially applies to shopping centres. On the contrary, the quality of the visit plays a lesser role in retail parks (cf. *gif* 2014: 93 et seq.).

Therefore, the real estate available (▷ *Real estate sector*) and its use by the retail trade are also parameters that are crucial to spatial structure. The vacancy rate is a significant indicator in that regard. It indicates how large the share of the available and offered retail-relevant space is to all potential retail spaces in a particular area. A 'structural vacancy' is one on which the owner of the real estate has hardly any influence because the reasons lie in e.g. an overabundance of retail spaces, the worsened favourability of the location, a declining attractiveness of the area, loss of purchasing power owing to changes in the population structure, or the social composition in an area. The recording of vacancies in retail spaces is therefore often one aspect of analysing the structure and development of the retail trade.

1.2 Development of electronic commerce

Electronic commerce involves the customer offering, ordering, and paying for goods by using a computer/internet and mobile devices. In Germany, electronic commerce was initially concentrated on individual segments such as books, sound recording media, computer accessories, and software. It has now been expanded to include almost all types of product ranges from fresh produce and foodstuffs to furniture. Clothing, shoes, electronics, and media are achieving especially high growth rates (cf. *HDE* 2014b: 23 et seq.). Although online trade accounted for less than 10% of overall retail sales in 2013, if we take fast-moving consumer goods (FMCG, such as foodstuffs and pharmacy products) out of the equation, the share immediately jumps to 16% (cf. IFH 2013). In trade research, a share of 20% in total sales of the retail trade by 2020 is considered to be a conservative estimate (*IFH* 2014; *HDE* 2014b: 13 et seq.). At the same time, the opportunities for sales growth in the overall commercial market is estimated as rather small.

Electronic commerce allows goods to be purchased from home, regardless of store business hours, and to be delivered to the desired address. User-friendly presentation, quick cost comparison, targeted product searches and direct ordering creates customer and sales advantages for the electronic commerce that the stationary trade has as yet been unable to offer. To remain competitive, the stationary retail trade has equipped itself with online sales channels. Conversely, there are also combination models, such as online shops with physical stores or showrooms, so that goods can be viewed and tested. Companies that operate various sales channels simultaneously (stationary, online, mobile, social media, and catalogue) are considered multichannel trade (cf. *gif* 2014: 16). In 2012, multichannel trade had the largest share in online sales volumes at almost 52% (cf. *HDE* 2014b: 13 et seq.).

Online trade in combination with online search engines, online advertising and online advice can absorb and retain targeted purchasing power. Stationary retail trade is in danger of losing that purchasing power. Therefore, linking up online trade and stationary trade is a way to develop traditional stationary retail trade into multichannel trade (cf. *HDE* 2014b: 11 et seq.). This is connected with changes in the spatial forms in which retail trade offers its merchandise and in the requirements for location and sites that particularly serve to make delivery times shorter and cheaper by optimising ordering and delivery systems (▷ *Logistics*). Customer and purchasing behaviour also changes if the available knowledge of what is offered by the local and regional retail trade increases and stationary provisions can be located and demanded more quickly. To that end, geodata on the retail trade, as well as commercial and public internet resources regarding local business centres and regional marketplaces, form the basis for digitally networked shopping experiences and are now also a component of city marketing and ▷ *Regional marketing*.

2 Location and land development for the stationary retail trade

Until the middle of the last century, the spatial distribution of consumers determined the spatial distribution of retail trade locations. From a spatial structure that had evolved in this way, the traditional structure of owner-managed shops evolved, concentrated on a few streets in the inner cities and neighbourhoods and some central locations in small cities and villages. Mass motorisation then loosened the close spatial ties between supply and demand. Consumption increased and retail trade became a growing industry. Investment in retail operations which had a large footprint led to an expansion of retail spaces and a broadening of locational structures, which in turn led to ever increasing land take and changes in the existing locational and supply structures of the retail trade.

Besides the historically evolved retail trade locations in urban and rural settlement structures, new locations developed into retail trade agglomerations that took over the supply function and more or less compete with each other and with the centres that were historically evolved. In the development of location and settlement structures, it is evident that certain types of enterprises and their need for retail space, agglomeration, location, and accessibility repeatedly constitute spatial development drivers and new competitors in the retail trade. How this development has or will manifest itself spatially depends on many factors, including ▷ *Urban land-use planning* by local authorities as well as spatial planning requirements (▷ *Spatial planning (Raumordnung)*). They set the framework for the permissibility of retail trade locations on new sites, for the subsequent use of spaces that become free, and for exploiting sites with new locational benefits and advantages in terms of accessibility, such as arterial roads and transport hubs such as train stations.

2.1 Developments specific to different types of retail operation

Historically speaking, department stores are part of the image of city centres in all medium and large cities in Germany from the second half of the 19th century. At that time, they appeared as competitors to the widespread shops in the inner cities and represent the starting point for modern, large-scale retail businesses. Today, department stores offer a broad and deep cross-sector assortment on multiple storeys, with a moderate to high price level, relatively high customer advice, and additional services such as food outlets and travel agencies. However, their market share has shrunk considerably since the 1970s, while at the same time chain-stores specialising in certain product ranges have substantially increased in inner cities, sometimes concentrated under the roofs of shopping centres planned and managed as units – especially those built as malls, galleries, and passages, or in single-storey retail parks on the periphery. The temporal overlap of these phenomena suggests a certain displacement of businesses from the market and particular locations, above all in the phase when shopping centres and retail parks on the greenfield land began to bring competition to inner-city retail trade. However, that development has mostly stopped. Today, shopping centres are mostly planned in inner cities or district centres. The historical development of the department store shows that the transformation of retail trade involves diverse factors, with the competitive factor owing to space and location being only one aspect. Depending on their configuration, those can have positive or negative effects on different types of retail operation and product ranges and can trigger corresponding agglomeration effects. Since the shopping centre density in Germany is clearly lower in a comparison across the EU, it can be assumed that shopping centres will continue to grow (cf. *HDE* 2014a: 24), which, if planning is adapted accordingly, can also help make inner-city locations more attractive (cf. *BBSR* [Federal Institute for Building, Urban and Spatial Research] 2013).

The situation is different regarding the still relatively recent development of factory outlet centres (FOC) in Germany. These outlet centres, which are also referred to as manufacturer-direct outlets, target solitary locations with a supra-regional intake area with population centres within a driving distance of 60 to 120 minutes (up to 200 km) and customers with cars. A sufficient distance from the metropolitan centres should prevent supply-side competition with the local specialist retail trade. What is preferred are easily accessible locations close to or between densely populated areas with national and international transport links and adequate space for construction, parking, and expansion. To that end, areas with a tourist focus that have a large number of tourists passing through are particularly favoured. In building complexes that are uniformly planned, financed, built and managed, manufacturers or vertically integrated retailers sell high-priced goods, primarily soft goods, to the end consumer in individual shop units (mostly single-brand shops) at greatly reduced prices. The products mostly consist of sell-offs of irregular goods (seconds, production surpluses, discontinued items, special collection pieces, sample collections, old and returned goods). Large-scale magnet enterprises, that normally function as customer magnets in shopping centres, are not used. The building structure and design of FOCs is similar to the upscale image of evolved inner-city centres and shopping streets. Smaller shop units interspersed with passages, food outlets, play areas and rest areas give the FOC a small-scale but self-contained character. According to the operating strategy, the size of the retail spaces is assumed to be between 5,000 and 20,000 m²; together with parking areas and service connection infrastructure, more than 100,000 m² of space could be required. Compared with some European countries (England, Austria, France, Spain), only a few FOCs have been realised in Germany (cf. ecostra GmbH 2014), because in many cases the location and assortment strategy is counter to spatial planning objectives (▷ *Objectives, principles and other requirements of spatial planning (Raumordnung)*) – normally, the congruence rule and, due to the core assortment as relevant to the inner city, the integration rule are violated. Therefore, the strategy has now also been tried as an inner-city strategy integrated into the existing settlement structure in cities of various sizes in combination with touristic focuses (e.g. Designer Outlets Wolfsburg, City Outlet Bad Münstereifel in the historical old town) (cf. *GMA* [Marketing and Market Research Association] 2014).

A further example of expanded-footprint project developments in a few locations, while concentrating the industry on ever fewer enterprises on the market, are the large furniture stores. Until the 1980s, furniture stores with a retail space of less than 10,000 m² located in middle- and higher-order centres were frequently represented in naturally evolved locations. Since then, a considerable concentration of enterprises and a thinning out of the site network has occurred, directed at locations with excellent transport access, often on the edge of higher-order centres or between heavily populated areas. Expanding retail space (to sometimes more than 40,000 m²) is a market strategy of the large furniture stores (‘the bigger, the better’) aimed at offering a comprehensive range of all types of furniture, a large peripheral product assortment (carpets, lamps, home textiles, glass, porcelain, ceramic articles, household goods, gifts) and additional ranges from retail warehouses (such as baby products, pictures, kitchen studio, and electronic devices).

Abandoned small furniture stores can subsequently be used for other purposes within the segment (sometimes as furniture discount stores), depending on the location and permissibility under building law (▷ *Permissibility of projects in building law*), or outside the retail trade, such as for sport and leisure purposes as a fitness centre or arcades. This example should make clear the dynamic development and diversity inherent in the spatial aspect of the retail trade. It should also illustrate how important it is for ▷ *Urban planning* and ▷ *Regional development* to plan the location and land development for retail trade settlements and the possibilities for subsequent use with a view to the future.

The retail food trade, which plays a significant role in the neighbourhood supply and local services, also has its own typical development (▷ *Neighbourhood/neighbourhood development*). It is marked by cutthroat competition combined with an intense concentration of enterprises, with a strong expansion of retail space, a high number of chains, and an assortment expansion into the non-food sector. Just a few enterprises now determine the image of the retail food trade in inner cities, neighbourhoods and residential areas, arterial roads, in agglomerations on the edges of cities and towns. With their own distribution strategy as large consumer markets and hypermarkets with up to 5,000 m^2 of retail space, as full-service providers (such as supermarkets with up to 3,000 m^2 of retail space and up to 20,000 items, with service counters for fresh produce and supplementary non-food assortment) or as discounters with an average of 1,000 to 1,400 items and with up to 1,200 m^2 of floor space (cf. *gif* 2014: 70 et seq.), the enterprises pursue a location and competition policy that allows little leeway for small-scale providers (village and neighbourhood stores, shops in the food production business, and special providers such as organic markets). To an extent, alternative forms to the stationary food trade, such as mobile shops in ▷ *Rural areas* and petrol station shops and kiosks at highly frequented locations in urban areas, play a role in supplying goods that are needed periodically.

The competitive pressure in the food market will force enterprises to modernise to make themselves more attractive and to expand to sales-favourable locations or relocate. There are currently indications that the growth in surface area is concentrated in the larger cities and is slowing down overall (cf. *BBSR* 2015).

3 The spatial relevance of the retail trade

The spatial relevance of the retail trade is indisputable:

- it uses sites and locations as stationary retail trade and shapes them and their urban environment.
- It tends to form spatial and functional centres, meaning it can strengthen locations due to the agglomeration effects and trigger locational advantages and disadvantages (for other retail trade locations and uses) as well as usage competition.
- It characterises the function of settlement structures, especially the retail supply structures of the central places.
- With its stationary and electronic retail offerings, it determines the distribution and quality of supply in urban and rural areas.

- As stationary retail trade, it generates footfall as well as incoming and outgoing traffic in customers, suppliers, and waste disposal.
- As stationary trade and electronic commerce, it raises environmental issues, especially as regards the impact of traffic, the strain on local infrastructure, the environmental effects of ever increasing logistics and the increasing transport of goods and merchandise.

The spatial relevance of the stationary retail trade is normally assessed when analysing and evaluating settlement projects in connection with approvals or expansions of existing enterprises, and is assessed in terms of their ▷ *Spatial impact* and spatial compatibility.

Due to the diverse factors that depend on spatial contexts, most studies regarding the spatial relevance of the retail trade are focused on the local or regional context. They are frequently concerned with the interdependent effects of shopping and tourist-oriented activities, food outlets, culture, and the quality of the visitor's stay in inner-city areas, but also with the effects of the distribution of purchasing power and a sudden decline in purchasing power (through the abandonment of military sites, for example). Findings from ▷ *Urban research* show that the decline of the retail trade in neighbourhoods and central business areas can be associated with significant urban development problems with trading-down effects that may even include vacancies. Conversely, retail trade settlements and retail property investments can also help with regeneration and forming a new centre (cf. *BMVBS* [Federal Ministry of Transport, Construction and Urban Development] 2011; *BBSR* 2013).

Findings concerning the regional effects of certain forms of retail trade are frequently only found in specific case studies and expert reports that were commissioned and are therefore generally not publicly accessible. They chiefly address the direct and indirect effects of individual projects in relation to employment, income, and sales (such as FOCs). The results allow only limited general conclusions. However, the increased use of GIS-based data (▷ *Geoinformation/ geoinformation systems (GIS)*) on the location networks and scope of supply of the stationary retail trade should henceforth provide more findings concerning how retail trade developments affect the supply structures in urban and rural areas, how accessibility changes for the population, and what product formats and spatial purchasing power retention is needed to achieve local services that are mostly within walking distance within the settlement areas (cf. *BBSR* 2015).

4 Policies relevant to retail trade, spatial planning objectives and city planning goals in relation to the retail trade and supply structures

4.1 European level

The European Commission believes retail trade holds considerable growth and employment potential for the European economic and ▷ *Labour market*. With its action plan for retail trade, it will create the foundations across Europe to improve the competitiveness of the retail trade sector and the contribution it makes to the economy, society and the environment. The EU's (▷ *European Union*) action plan includes measures to empower consumers, dismantle restrictions on setting up branches and other obstacles to obtaining permits, enhance electronic commerce, improve the ▷ *Infrastructure* for safer payment transactions, make supply chains sustainable, increase innovation, and improve the labour markets.

In particular in relation to ensuring the freedom of establishment in the sense of being able to choose the right location for the company's success, the European competition provisions at times conflict with the urban planning and spatial planning regulations and procedures of the EU member states. Restrictions based on the common good (consumer protection, environmental protection, spatial planning; ▷ *Common good*) are deemed justified, but must be appropriate, effective, and kept to a minimum, whereby the burden of proof must be borne by the regulating bodies according to the Court of Justice of the European Union.

The interfaces between the EU's objectives in relation to competition in the retail trade sector and its objectives in relation to ▷ *Territorial cohesion*, environmental protection, consumer protection, the balanced and sustainable development of cities, municipalities, and rural areas in Europe are not without contradiction. This mainly applies to ensuring supply that is close to consumers, developing traffic-minimising supply structures and maintaining the diversity of the retail trade in inner cities and neighbourhoods. From the perspective of European law, for example, the principle of non-discrimination could be breached if certain types of enterprises, such as FOCs or large DIY and furniture stores, were able to pursue their operating strategy (location, size of retail space, assortment) only to a limited extent, or only in a few locations suitable for them, due to spatial planning regulations. Therefore, the European Commission looks critically on the tests and assessments applied in Germany, as well as on the spatial planning requirements for settling large-scale retail trade (cf. European Commission 2013).

4.2 Spatial planning and urban design policies on the federal level

On the federal level, the Federal Spatial Planning Act (*Raumordnungsgesetz,ROG*; ▷ *Spatial planning law (Raumordnungsrecht)*) and the Federal Building Code (*Baugesetzbuch, BauGB*; ▷ *Building law*) lay the legal foundations for policies and planning directed at the spatial management of the retail trade. Section 1(4) and section 2(2) of the Federal Building Code create the central connections between both areas of law for the consistent spatial management of the retail trade. Accordingly, the urban land-use plans must be adapted to the objectives of spatial planning and coordinated with neighbouring local authorities, whereby local authorities can also invoke the functions allocated to them through the spatial planning objectives and the effects on their central public amenities.

The instruments of urban land-use planning enable the local authorities to operate an urban design policy (▷ *Urban design*) in order to protect and strengthen ▷ *Central public amenities*, guarantee their population a permanent supply that is close to consumers, manage the settlement of the retail trade in certain areas, and impose reservations and restrictions on areas designated for other uses. This especially applies to the spatial steering of the large-scale retail trade. According to the case of the Federal Administrative Court *(Bundesverwaltungsgericht)*, businesses are classified as large-scale starting with retail space of 800 m^2.

Since the amendment of the Federal Land Utilisation Ordinance *(Baunutzungsverordnung, BauNVO)* in 1990, large-scale retail trade businesses are permitted only in special areas as per to section 11, for which retail trade has been specifically stipulated, and in core areas as per section 7. Core areas primarily serve to accommodate commercial enterprises and the central institutions of the economy, administration, and culture. In all other specific land-use areas, large-scale retail businesses that exceed a floor space of 1,200 m^2 are subject to the presumption rule under section 11(3) sentence 3 of the Federal Land Utilisation Ordinance, according to which it must be assumed that such operations might have more than a negligible effect on the objectives of spatial planning and federal state spatial planning, urban structural development and organisation, the protection of central public amenities, and inner-city development. If the effects addressed in section 34(3) of the Federal Building Code can be justifiably assumed in cases of the establishment or expansion of retail trade locations, such a project would be prohibited.

In 2014, the federal legislature addressed the question of whether the regulation in section 11 sentence 3 of the Federal Land Utilisation Ordinance is still current, especially in terms of supplying the population of cities and rural areas with goods needed on a daily basis, and under the objective of promoting ▷ *Inner development*. Ultimately, the legislature confirmed the regulation and saw no need for change, especially regarding the development of a stationary food supply (cf. German Federal Parliament *(Deutscher Bundestag)* 2014; *Difu* [German Institute of Urban Affairs] 2014).

With numerous initiatives (such as the contest ‘Retailers make cities’ (*‘Händler machen Stadt’*)) and strategies for urban development promotion (▷ *Urban development promotion*), the Federal Government supports the inner development of cities, including by creating planning instruments for Special Urban Planning Law under section 171 et seq. of the Federal Building Code (▷ *Special Urban Development Law*), in order to support private initiatives for upgrading inner-city neighbourhoods and business centres. This often entails upgrading a location in favour of the retail trade. A few federal states exploited this statutory opportunity and created the requirements for Business Improvements Districts (BID).

Supplementing planning law, spatial planning law creates an independent legal foundation for establishing the objectives and principles for the spatial development of the large-scale retail trade, i.e. retail trade planning that has more than a purely local effect. This is based on section 2(3) of the Federal Spatial Planning Act. It contains a comprehensive principle for guaranteeing the supply of the population with ▷ *Services* and the infrastructure for the ▷ *Provision of public services*, for the accessibility of facilities and availability of basic services, and for equal opportunities across all areas. The Federal Spatial Planning Act allocates the planning function to establish the spatial prerequisites for maintaining inner cities and local centres as central public amenities, and to establish appropriate objectives and principles to that end in the spatial development plans of the federal states and regions.

4.3 Spatial development policies and spatial planning in the federal states

The spatial development plans of all non-city states contain objectives and principles for developing and steering the spatial aspects of large-scale retail trade. In accordance with the state-specific planning needs and emphases of the spatial development policies, the federal states have adopted various regulatory approaches and commitments regarding urban land-use planning.

The planning principles on which they are based are the concentration rule, the integration rule, the congruence rule, the no adverse effects rule, and the coordination rule.

The concentration rule demands that retail trade be located within a defined settlement area as the central place in order to achieve synergy and agglomeration effects there to benefit central place development. Beyond that, the integration rule restricts the location of planned projects with inner-city-relevant core assortments to settings integrated into the existing urban fabric and requires that those locations be within the public transport network (▷ *Public transport*). The integration rule should strengthen the inner development of central places and central public amenities. The congruence rule requires that the intake area of a planned large-scale retail trade project not significantly exceed the relevant interactional area of the central place in which it is to be located or expanded. This should ensure that the purchasing power basis for a potential supply that corresponds to the central place function as a lower-order, middle-order, or higher-order centre is maintained, and at the same time the supply function of neighbouring central places is respected. The no adverse effects rule is to ensure that balanced supply structures and their realisation, the functionality of the central places and integrated supply locations, as well as the supply close to consumers, are not significantly impaired by the settlement of large-scale retail trade projects. Any adverse effects are normally determined by the redistribution of sales to the detriment of existing supply structures. The coordination rule is to guarantee that the assessment of the effects of large-scale retail trade settlements in terms of spatial planning is spatially comprehensive and made, as much as possible, on the basis of regional retail trade strategies and mutual data and criteria, and includes the effects on neighbouring centres.

The stipulations in the spatial development plans of the federal states make it possible to assess large-scale retail trade settlements in terms of spatial development, and identify projects as compatible or incompatible with the space. Since the local authorities are obliged to pursue the spatial planning objectives with their own urban land-use plans, and must consider the relevant principles and other requirements in the course of a ▷ *Weighing of interests* process, the implementation of projects that run counter to the objectives of spatial planning can be prevented. Alternatively, a project can also be prohibited against the will of a local authority (▷ *Prohibitions in spatial planning (Raumordnung)*), and urban land-use plans can be required to be adapted to the objectives of spatial planning.

The case law, which continually develops due to such conflicting incidents, contributes considerably to the fact that the stipulations in the federal states' spatial development plans are adapted and the related assessment processes are further developed.

4.4 Regional planning

The shaping of the interplay between the urban land-use planning and project approval of the local authorities is an essential task of ▷ *Regional planning* and the federal state spatial planning authorities. The provisions on developing supply structures and on large-scale retail trade in the spatial development plans of the federal states are to be taken over and put into concrete terms in the regional plans. In particular, regional plans contain the spatial specification of the supply and retail trade structures which are being aimed for, the establishment of areas for central place retail trade development, and of criteria for the permissibility of large-scale retail trade projects. The stipulations are normally based on regional retail trade strategies, which incorporate the municipal development plans. If project plans do not fit into these concepts and it is to be assumed that spatial planning objectives are violated, the spatial and environmental impact of the project can be examined within the scope of a ▷ *Spatial impact assessment procedure (Raumordnungsverfahren)* and provisions and requirements for a spatially compatible project realisation can be specified if needed. The target-oriented implementation of a project can be secured with the help of a ▷ *Spatial planning contract*.

There is now a requirement for the regional coordination of retail trade development in all regions. Therefore, several regional have worked out strategies, procedural rules and project-related assessment criteria for the regional coordination of retail trade development.

4.5 Urban land-use planning and city planning

The steering of the development of retail trade in the municipalities is often based on municipal retail trade strategies and the local authorities' own lists of product assortments in order to identify the significance of envisaged projects for the inner city and local services. In practice, planned projects and project locations are already assessed in terms of spatial planning and urban development and coordinated with the sectoral planning before the urban land-use planning process and project approval process get underway. The evaluation of the effects on central public amenities in the municipality in question and in other municipalities is an essential forecasting and assessment step in the approval process. In so doing, a distinction must be made between competitive effects that must be tolerated and harmful effects on urban development. Effects can be assumed to be harmful if the supply area is materially prevented from fulfilling its function in general or in relation to individual sectors. The assessment is usually based on expert reports on sales forecasts and sales redistribution models, which are not infrequently the object of legal disputes. Therefore, it is understandable that local authorities, specialist lawyers, project developers, planners and other experts increasingly seek to exchange information and views and to create the foundations to realise project planning and the approval of large-scale retail trade in a manner that is transparent, open to participation, consensus-oriented, legally sound and spatially compatible.

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