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Just a week after takeover, department store group demands better terms

House of Fraser to tighten the screws on its suppliers

By Jessica Price Brown

House of Fraser's new management team will send a letter to suppliers next week demanding discounts and extended payment terms.

The department store group, taken private last week by a consortium of investors including new chairman Don McCarthy, retail entrepreneurs Kevin Stanford and Sir Tom Hunter, and Icelandic investment group Baugur, is the latest in a long line of retailers to squeeze suppliers.

The department store group's precise demands are unclear, but a source close to the company said he expected the revised terms to bring the department store in line with retailers such as Arcadia, Bhs and Matalan. The changes are expected to include concessionaires as well as own-label suppliers. He said: "House of Fraser is way behind the curve on this."

The last time House of Fraser imposed supplier discounts is believed to have been in the summer of 2003.

Suppliers and concessionaires contacted by *Retail Week* said they had not received any information from the retailer as yet, but that, following the buy-out, discounts "were a foregone conclusion". One said: "All the indications are that this is going to happen. It is an expected practice now when businesses go private."

King: incoming chief executive imposed discounts on suppliers at Matalan earlier this year

Incoming House of Fraser chief executive John King put the squeeze on Matalan suppliers earlier this year, demanding a 2 per cent discount on second-half orders.

Debenhams also demanded a 2 per cent discount from selected suppliers in September and Marks & Spencer imposed 0.5 per cent from suppliers to help it finance its hefty marketing spend.

In addition to imposing discounts, retailers have been extending terms. Mosaic, which owns Oasis, increased its payment period from 28 to 45 days in the summer. Arcadia extended its terms from 30 to 60 days and New Look lengthened its to 90 days.

No comment was available from House of Fraser.

● As *Retail Week* went to press, several Mango stores run by franchise partners had closed, fuelling speculation that the Spanish chain was switching to a company-owned store strategy.

It is unclear what sparked the closures, but sources in the market said that trading at the chain had been difficult this autumn.

MetroCentre takes top title from Bluewater

Capital Shopping Centres' MetroCentre in Gateshead has overtaken Lend Lease's Bluewater for the first time in six years in a report ranking overall attractiveness to shoppers, retailers and investors.

The report, *Going Shopping 2006 – The Definitive Guide to Shopping Centres*, was compiled by Trevor Wood Associates in conjunction with Savills. MetroCentre has regained the top spot after improving overall tenant mix and redeveloping the scheme to add the red and blue malls, extending it to 1.8 million sq ft (167,220 sq m).

"The switch is interesting because the results are very close, but MetroCentre has slipped into the lead because of its major reconfiguration," said director Trevor Wood. "Both schemes have vacant units, so it will be interesting to see what the results are when they are fully let."

Sheffield's Meadowhall has held third position because of strategic tenant changes that reconfigured the former Sainsbury's unit to add retail space.

Two entries to the top 10 ranking are East Kilbride Shopping Centre and Manchester Arndale, at eight and ninth place respectively.