THE RURAL SHOP REPORT 2017

A report by the Association of Convenience Stores

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#RuralShopReport

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CONTENTS

Introduction	2
Policy recommendations	2
Locations and ownership	3
Rural shops	4
Investment and technology	6
Products and services	8
Customers	9
Local jobs	10
Entrepreneurs	12
Community value	18
Methodology	16
About ACS	16
Acknowledgements	16

INTRODUCTION

The Rural Shop Report 2017 is a comprehensive look at the 19,128 stores that operate in rural communities across mainland UK. Rural shops provide an essential service to thousands of consumers, many of whom would otherwise have no local access to essential groceries and services without their local rural stores.

This report looks at the investment decisions being made by rural stores, the entrepreneurs that are running stores and the jobs that they create, as well as profiles of rural shop customers and the features that are being offered in stores.

This report brings together data from IGD, him!, Nielsen, William Reed Business Media, ComRes and the Plunkett Foundation along with primary research from ACS. Together this forms a detailed picture of the rural shops that are operating at the heart of their communities, the challenges that they face in ensuring their long term profitability, and recommendations to Government to ensure that rural shops are incentivised to invest and are able to offer a diverse range of products and services to customers in isolated areas.

POLICY RECOMMENDATIONS

ACS believes that there is more that the Government can do to help rural shops in the following policy areas:

Rural post offices: Review costs, income and viability of rural post offices and produce a specific plan on how to ensure delivery of the Government's manifesto commitment to sustain 3,000 rural post offices. Convenience stores host the clear majority of the Post Office network in rural areas. However, many rural convenience stores are struggling to sustain Post Office services in-store due to decreasing consumer demand and stagnant remuneration failing to match rising operating costs, such as the National Living Wage and the business rates revaluation. For the Government to deliver its manifesto commitment to sustain 3,000 rural post offices it must take action.

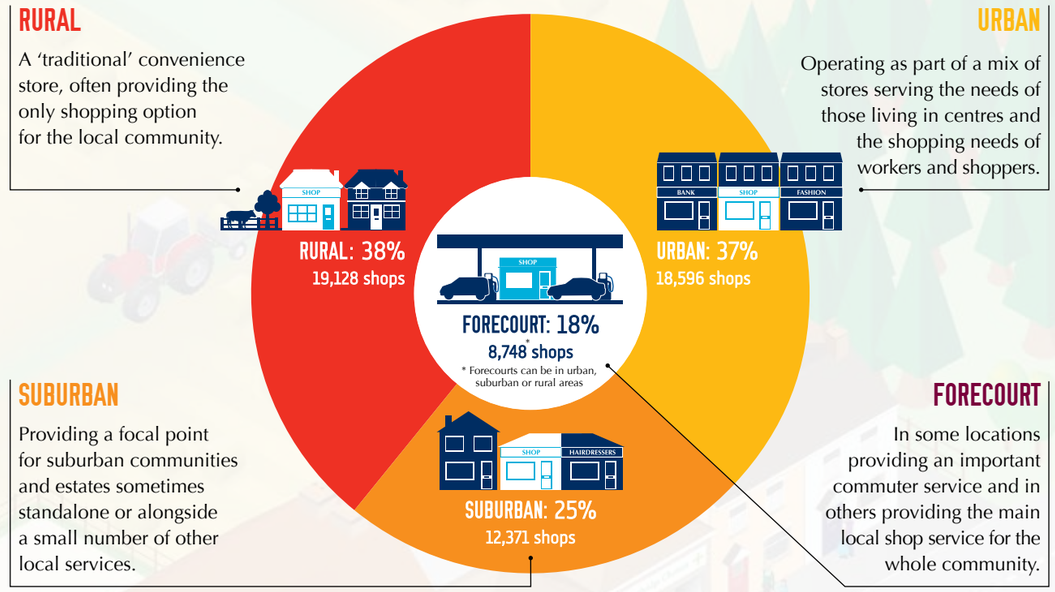
Rural rate relief for forecourts: Increase the rateable value threshold for rural petrol stations to benefit from rural business rate relief scheme beyond £12,500 rateable value. 60% of independent forecourts have ceased trading in the last 15 years[1]. The business rates revaluation for 2017 has resulted in a significant uplift in business rates liabilities for fuel retailers, which will have a knock-on effect for rural petrol stations. The revision to Rural Rate Relief in the Autumn Statement is welcome for rural convenience stores. However, fuel retailers will not benefit from this relief due to their disproportionately high rateable value thresholds, as they are rated based on turnover.

Broadband: Deliver the Universal Service Obligation at a minimum speed of 10mbps and address the lack of fast mobile data coverage in rural communities. 40% of convenience retailers indicate that they do not have access to high speed broadband in their businesses[2]. This has serious implications to the range of services they can offer to their customers and the ease with which they can administer basic elements of their business. The introduction of Real Time Information for payroll and upcoming Making Tax Digital reforms means it will be impossible for rural shops to operate their businesses without access to high speed internet or fast mobile data connections.

Rural proofing: Ensure that all policy developments are rural proofed at a national and local level to make sure that the specific needs and interests of rural communities are considered. The DEFRA Rural Policy Unit should monitor and communicate the role of rural proofing across Government. All impact assessments should consider rural businesses and the communities they serve.

[1] Catalist 2016. [2] ACS/him! 2016 (November 2016)

Convenience stores trade in a wide variety of locations, meeting many needs:



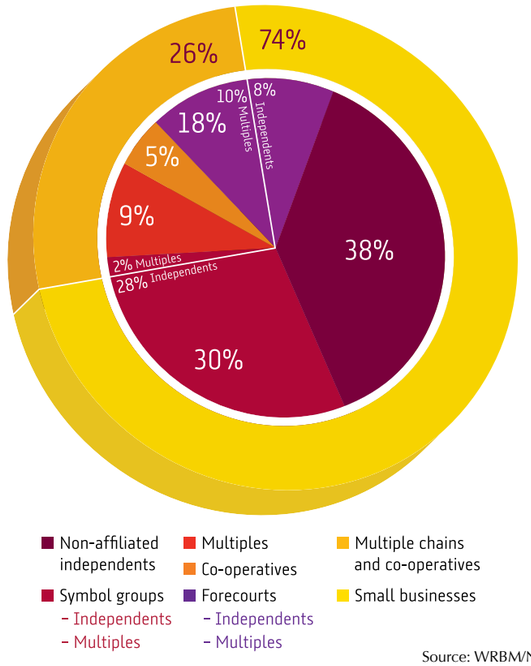
Source: WRBM/Nielsen 2016

SHOP OWNERSHIP

The vast majority of shops in the convenience sector are owned and operated by small business owners. Together, independent retailers make up 74% of the convenience sector.

Symbol groups are groups of independent retailers trading under a common customer facing brand – familiar symbol groups include brands such as Spar, Costcutter, Nisa Local, Premier and Simply Fresh. There are more than 14,000 shops run by independent retailers that choose to trade in this way. However, there are also 992 stores that trade under these brands but are chains of stores that are run from a central head office.

Convenience stores operating on petrol forecourts are an important part of the market with a combination of multiply owned and run stores and independently owned and run stores making up 18% of the convenience sector. More information about forecourts can be found in the ACS Forecourt Report.



Source: WRBM/Nielsen 2016

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RURAL SHOPS

19,128

RURAL CONVENIENCE STORES IN THE UK

There are a higher proportion of rural shops in Wales than in any other part of the UK

NEIGHBOURING BUSINESSES

ISOLATED STORE

59% OF RURAL STORES HAVE NO OTHER RETAIL/SERVICE BUSINESSES CLOSE BY

STORE LOCATED ON A SMALL PARADE

28% OF RURAL STORES HAVE UP TO FIVE RETAIL/SERVICE BUSINESSES CLOSE BY

STORE LOCATED ON A LARGER PARADE OR VILLAGE CENTRE

13% OF RURAL STORES HAVE MORE THAN FIVE RETAIL/SERVICE BUSINESSES CLOSE BY

SHOP SIZE

INDEPENDENTS

57% 0-999 sq ft

37% 1,000-1,999 sq ft

6% 2,000-3,000 sq ft

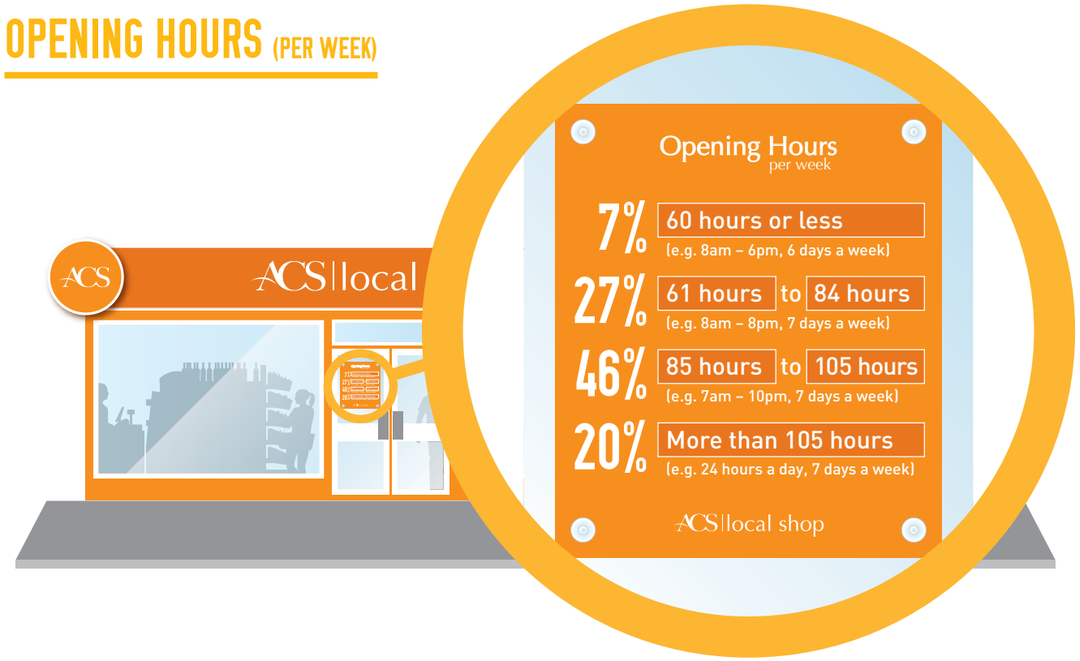
MULTIPLES

24% 0-999 sq ft

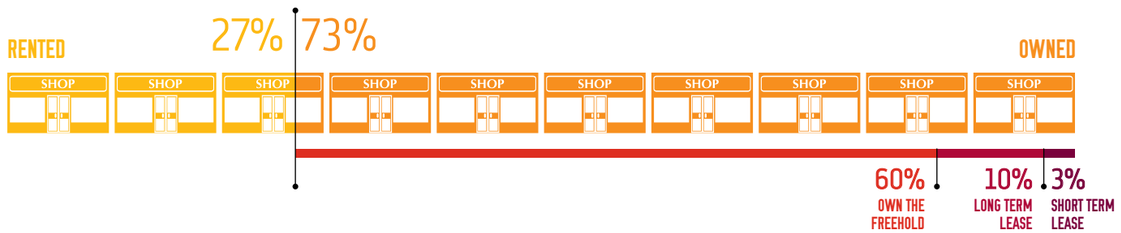
40% 1,000-1,999 sq ft

36% 2,000-3,000 sq ft

OPENING HOURS (PER WEEK)



PREMISES OWNERSHIP



All data on this spread – source: ACS/him! 2016

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INVESTMENT AND TECHNOLOGY

OVER THE LAST YEAR CONVENIENCE STORES IN RURAL AREAS HAVE **INVESTED £311 million** IN THEIR BUSINESSES

INVESTMENT PER QUARTER

FEBRUARY	MAY	AUGUST	NOVEMBER
£54m	£67m	£79m	£111m

2016

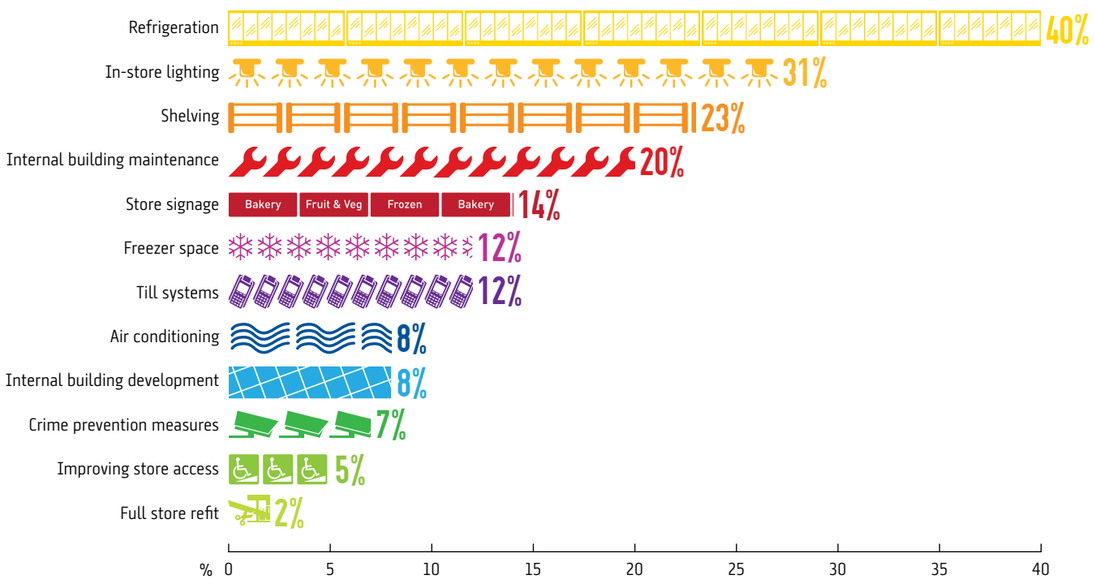
AVERAGE ANNUAL INVESTMENT PER STORE TYPE

Rural independents: £8,822

Rural symbols: £13,305

Multiples (UK average): £33,454

AREAS OF INVESTMENT (OF THOSE INVESTING)

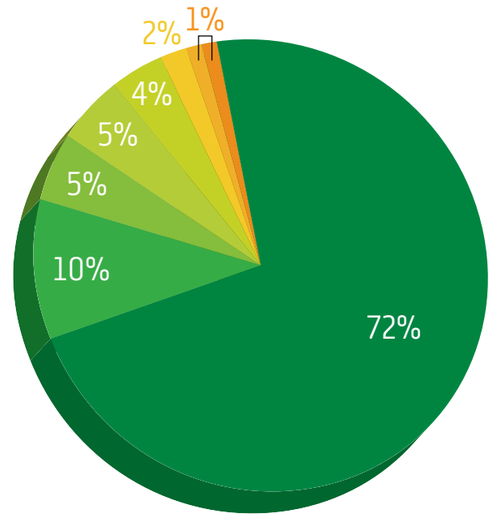


Source: ACS/him! November 2016

All data on this page unless otherwise specified – source: ACS Investment Tracker 2016

SOURCES OF INVESTMENT

(OF THOSE INVESTING)



Source: ACS/him! November 2016

HOW MANY RURAL SHOPS HAVE...

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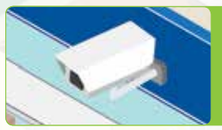
ACS FARNBOROUGH
ACS.ORG.UK

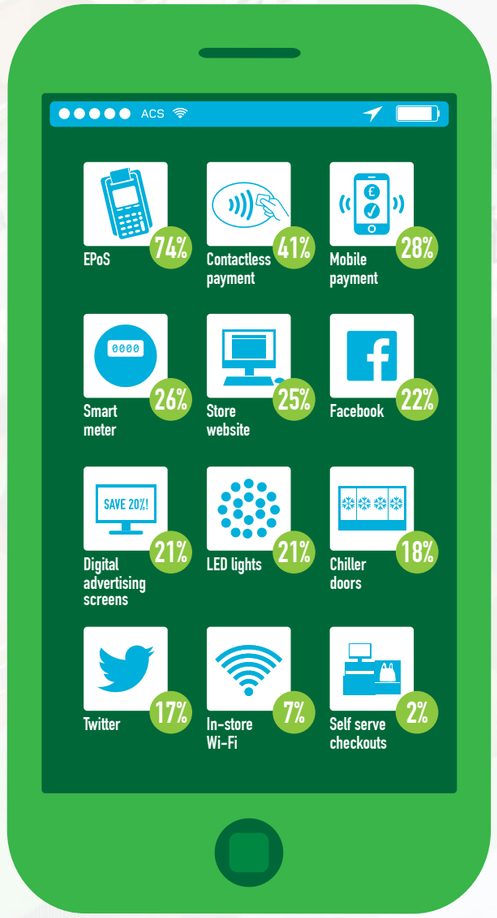
FREEZER UNITS	63%
CUSTOMER OPERATED COFFEE MACHINE	17%
HOT FOOD COUNTER	14%
IN-STORE BAKERY	13%
FOOD PREPARATION AREA	10%
STAFF OPERATED COFFEE MACHINE	6%
MICROWAVE	3%

DEBIT. PIN VERIFIED.
LOYALTY CARD POINTS EARNED: 17
POINTS BALANCE: 9166

····· PLEASE KEEP FOR YOUR RECORDS ·····
··· THANK YOU, CALL AGAIN SOON! ···



76% OF STORES HAVE CCTV



All data on this page unless otherwise specified – source: ACS/him! 2016

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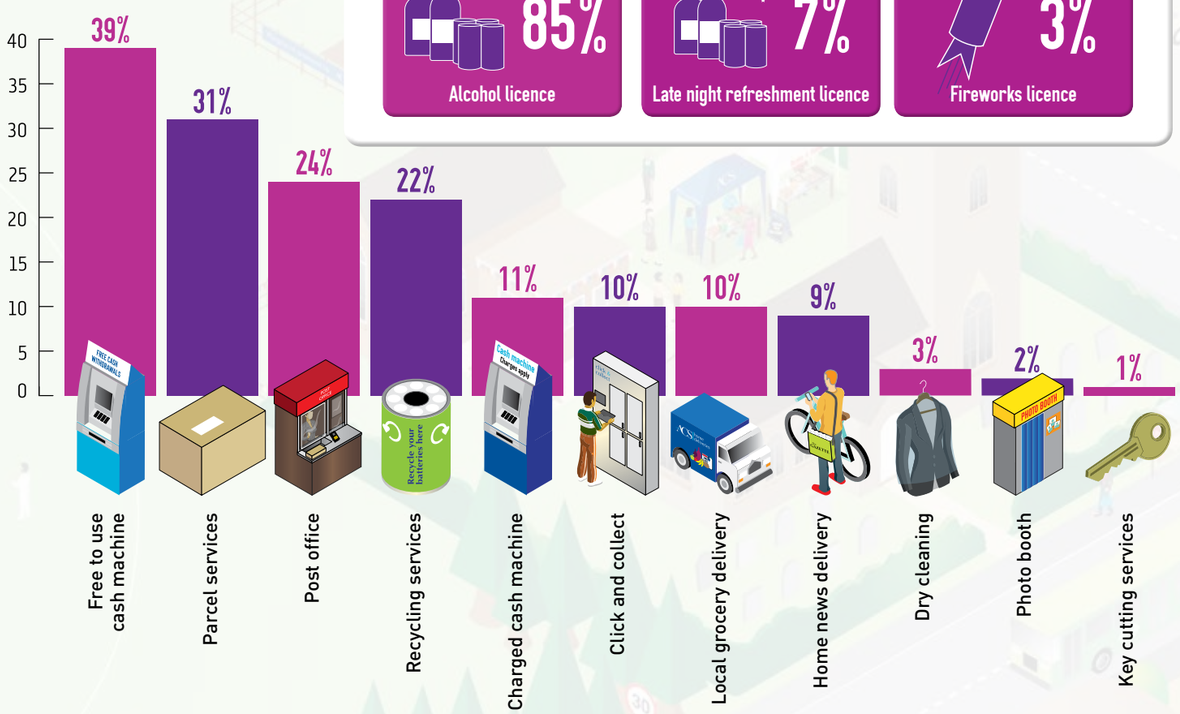
PRODUCTS AND SERVICES

- Lottery 73%
- Mobile phone top up 64%
- Bill payment services 54%
- Cash back 54%
- Loyalty card 28%
- Community noticeboard 22%
- Customer toilets 13%
- Seating area 6%
- Car Wash 5%
- Prescription collections 1%

SERVICES



LICENSING

- 85% Alcohol licence
- 7% Late night refreshment licence
- 3% Fireworks licence

All data on this page – source: ACS/him! 2016 except EPoS* – source: ACS/him! November 2016

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CUSTOMERS

ACCESSIBILITY

Wheelchair access 39%

Wider aisles to improve accessibility 9%

Hearing aid loops 7%

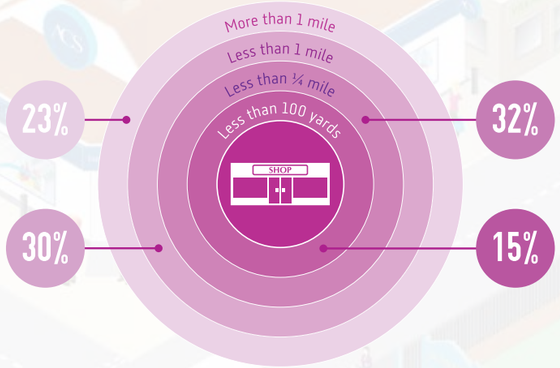
Home delivery for older customers 7%

Source: ACS/him 2016

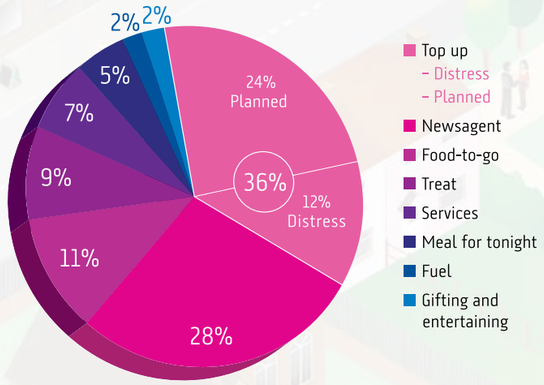
MODE OF TRAVEL TO STORES

- 54% Walk/on foot
- 45% Drive
- 1% Public transport / Other

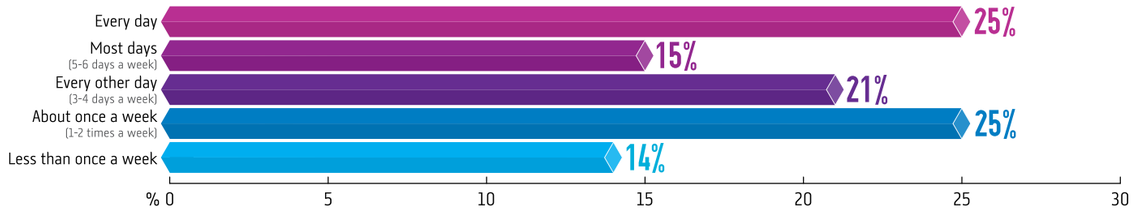
DISTANCE TRAVELLED TO STORE



SHOPPER MISSIONS



VISIT FREQUENCY



All data on this page – source: him! CTP 2016 unless otherwise specified

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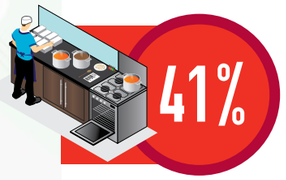
LOCAL JOBS

Convenience stores in rural areas provide over **150,000 JOBS**



41% of rural shops offer food safety training

Independent rural shops alone make first aid training available to more than... **16,000** people

*12% of convenience store staff have study commitments outside work

Source: ACS/him! 2016

*Source: ACS Colleague Survey 2016

TRAVEL

AVERAGE TRAVEL COST

£2.00 per day

AVERAGE TRAVEL TIME

13 minutes

MODE OF TRAVEL TO WORK

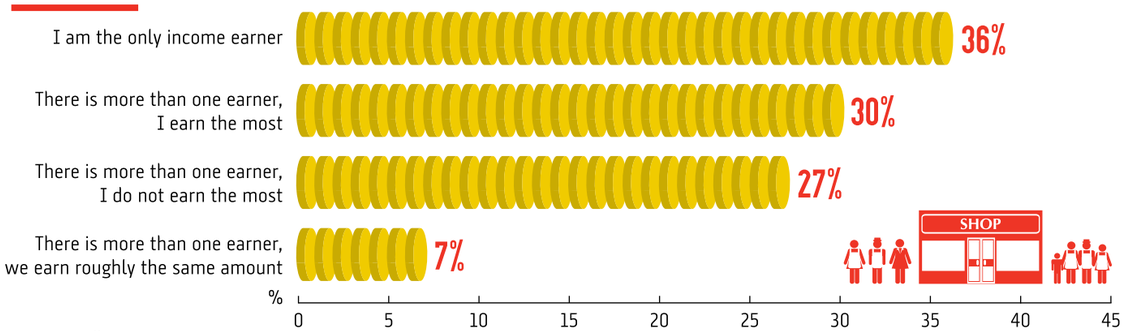
51% Walk/on foot

37% Drive

12% Public transport / Other

Source: ACS Colleague Survey 2016

INCOME



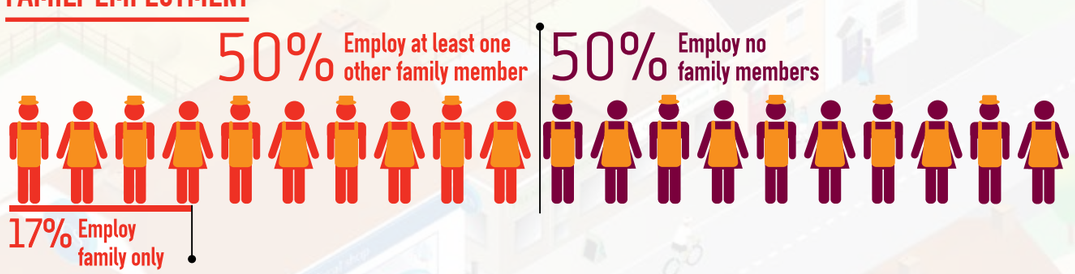
Source: ACS Colleague Survey 2016

PEOPLE

GENDER PROFILE

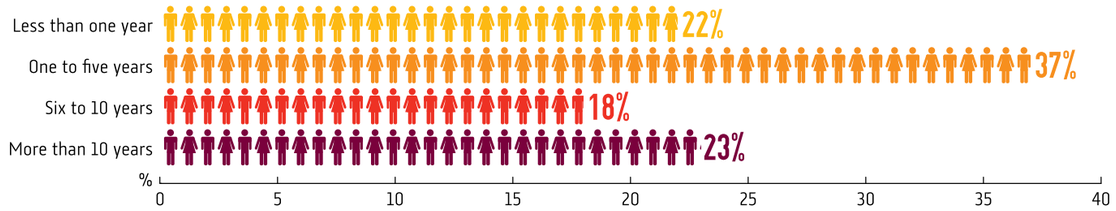
AGE PROFILE

FAMILY EMPLOYMENT



HOURS WORKED

LENGTH OF EMPLOYMENT



All data on this page – source: ACS/him! 2016, with the exception of Family Employment which is independents only

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ENTREPRENEURS

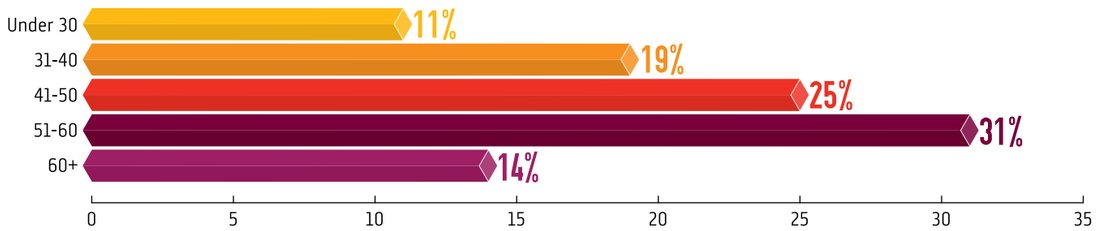
22% of rural shop owners work more than 70 hours per week

21% of rural shop owners take no holiday per year

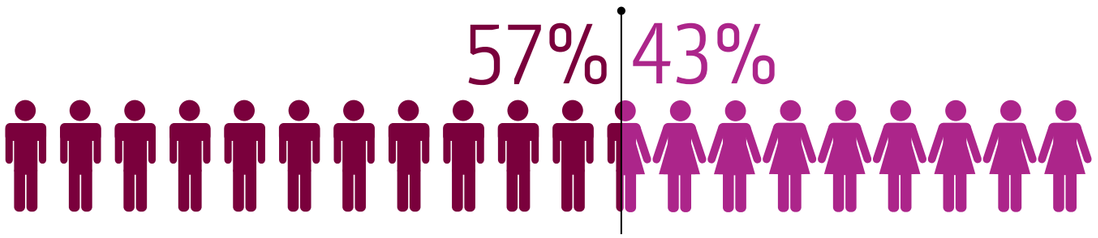
42% of rural businesses are owned by family partnerships

21% have been in the business for more than 25 years

OWNERSHIP AGE PROFILE

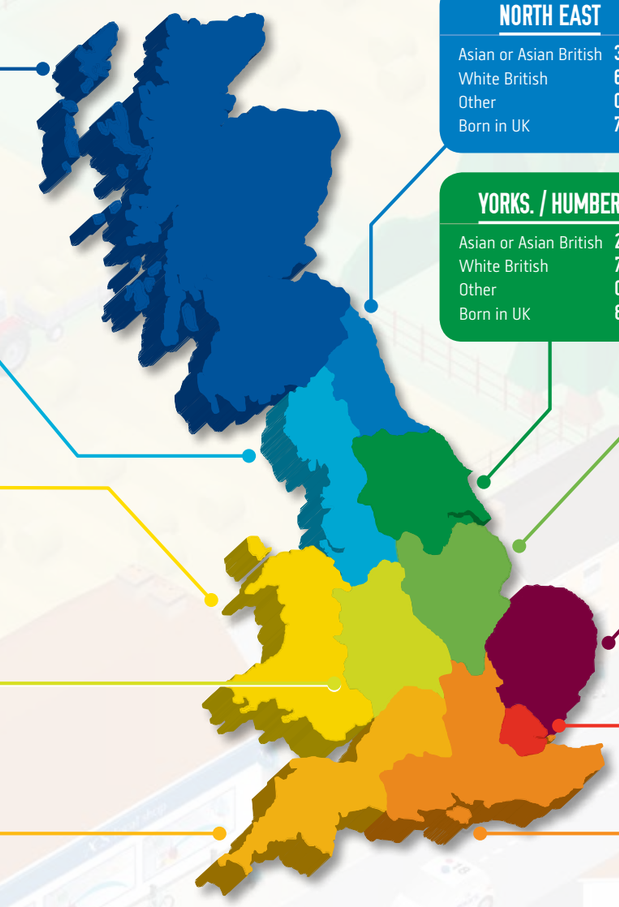


OWNERSHIP GENDER PROFILE



All data on this spread – source ACS/him! 2016 (independents only)

ETHNICITY OF OWNERS



SCOTLAND

Asian or Asian British	26%
White British	70%
Other	3%
Born in UK	85%

NORTH WEST

Asian or Asian British	30%
White British	68%
Other	2%
Born in UK	85%

WALES

Asian or Asian British	9%
White British	87%
Other	4%
Born in UK	90%

WEST MIDLANDS

Asian or Asian British	45%
White British	55%
Other	0%
Born in UK	67%

SOUTH WEST

Asian or Asian British	12%
White British	85%
Other	3%
Born in UK	91%

NORTH EAST

Asian or Asian British	36%
White British	64%
Other	0%
Born in UK	79%

YORKS. / HUMBER

Asian or Asian British	24%
White British	76%
Other	0%
Born in UK	84%

EAST MIDLANDS

Asian or Asian British	46%
White British	52%
Other	1%
Born in UK	74%

EAST

Asian or Asian British	34%
White British	64%
Other	2%
Born in UK	67%

LONDON

Asian or Asian British	86%
White British	11%
Other	4%
Born in UK	36%

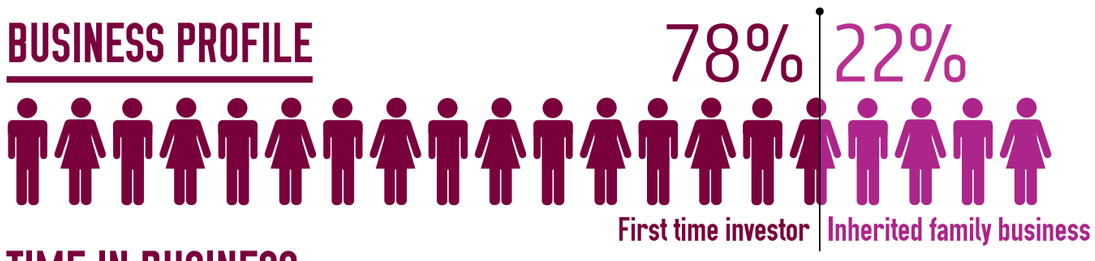
SOUTH EAST

Asian or Asian British	38%
White British	59%
Other	3%
Born in UK	66%

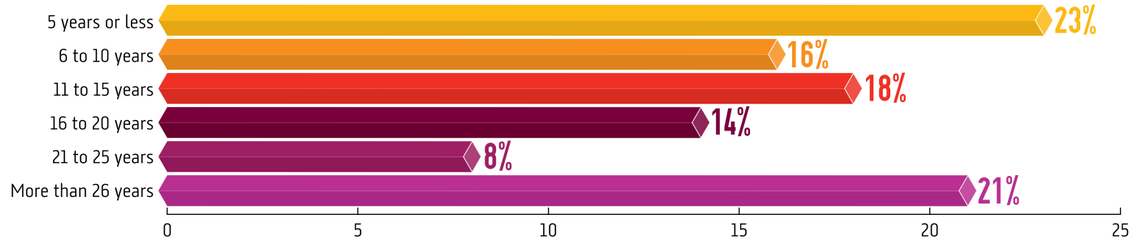
ENGLAND TOTAL

Asian or Asian British	39%
White British	59%
Other	2%
Born in UK	72%

BUSINESS PROFILE



TIME IN BUSINESS



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COMMUNITY VALUE

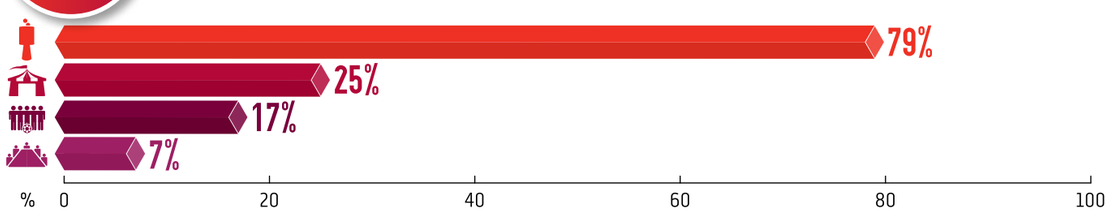
MOST POSITIVE IMPACT ON LOCAL AREA

TOP THREE MOST WANTED SERVICES

COMMUNITY ACTIVITY

KEY
- Collecting money for a national or local charity
- Providing funding, or in kind support, to a community event
- Providing sponsorship to a local sports team or other community activity
- Community, council or local business association meeting or project

83% of independent rural retailers engaged in some form of community activity in the past year



All data on this page – source: ACS Community Barometer 2016, with the exception of Community Activity – source: ACS/him! 2016

COMMUNITY SHOPS

Community-owned shops respond to some of the key challenges facing isolated rural communities. They trade primarily for community benefit and their interests are linked into community control. Community shops have open and voluntary membership, whereby members are part owners of the business and all members have an equal say in how the business is run, regardless of their level of investment.

There are many models for managing a community shop: the majority are managed and run directly by the community as community co-operatives, mostly by a combination of staff and volunteers, and some by volunteer or staff only. A lesser number of communities decide to lease or rent the running of the business to individual tenants or commercial operators once they have secured premises in community ownership. Each community will find a solution which works best for them, but the model promoted by the Plunkett Foundation is to employ a shop manager and a team of volunteers. A paid manager can help to ensure that the finances, stock ordering and control, all aspects of legislation, and staff cover is consistently managed, and a volunteer team will contribute to the vibrancy of the shop, inject a range of skills and ideas, and reduce staffing costs. Community shops engage large numbers of the community and stimulate social activity and community cohesion: they typically involve 153 members, 7 directors, 30 volunteers, and 3.3 staff.

347 COMMUNITY SHOPS TRADING AROUND THE UK

The past five years have seen an average of
17 SHOPS OPEN
under community ownership each year

The average for the last 10 years is
21 SHOPS OPEN
under community ownership each year

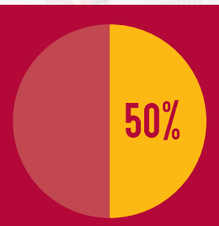
Community shops have a positive impact on the local economy

- They have average turnovers of £164,310
- Support local producers and suppliers
- Create employment

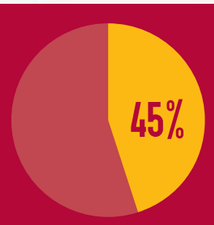
Community shops are resilient forms of business. The success rate is:

COMMUNITY SHOPS 95%

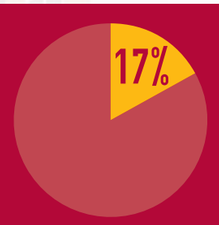
AVERAGE SMALL BUSINESS 46%



of community shops host post offices



of community shops have cafés



of community shops are co-located with other community buildings

Source: The Plunkett Foundation

METHODOLOGY

New primary data for the Local Shop Report was undertaken by ACS in the form of two surveys:

1. **Independent Retailer Survey** – a sample of 2,420 independently owned convenience store businesses in the UK. ACS contracted him! Research and Consulting to aid in the design and delivery of the survey. The survey was carried out over the phone by BCC Marketing between 13th June and 8th July 2016. The survey gathered responses from non-affiliated independent convenience stores, independent forecourt stores and independent stores that are part of central buying or marketing (known as 'symbol') groups. These are represented in the survey in the same proportion as they are represented in the market. The survey covers the nine regions of England, along with Wales and Scotland as set out in the report, each returning 200 responses. Respondents were asked "What best describes the location in which you operate? Urban area (town or city centre), Suburban area or Rural area." Rural data refers to a sample of 802 respondents who reported that they operate in a "Rural Area". A copy of the survey questions and responses is available on request by emailing katie.cross@acs.org.uk

2. **Multiple Retailer Survey** – ACS conducted a survey of its multiple chain members. This survey was based on the questions asked in the Independent Retailer Survey, where relevant, to ensure consistency and accuracy of results. This survey returned results related to a sample of 5,765 stores. A copy of the survey questions and responses is available on request by emailing katie.cross@acs.org.uk

The results of these two surveys have been collated and figures for non-affiliated independents, symbol group independents, independent forecourts and multiples have been combined according to the proportion of stores in the market, in order to determine overall results for the sector.

Nielsen and William Reed Business Media Sector data
Nielsen utilises cross referencing data from trade associations, retailers, suppliers and customer lists. This is supplemented by gap analysis and wide-search primary research.

WRBM continually updates data through re-registering customers thereby adding changed recipients, closures and new stores. This is through postal, telephone research, online delivery and events.

Convenience Retailing 2016 report – Institute of Grocery Distribution
This report is compiled by the IGD based on the sales data up to the end of April 2016.

Convenience Tracking Programme 2016 – him! Research and Consulting
This programme is a survey of over 20,000 convenience shoppers conducted at the 'moment of truth' in store. Data in this report refers to a subsample of rural stores only.

Population data – The Office of National Statistics
Data is taken from mid-2015 UK Population estimates.

Communities data – ComRes
Interviewed councillors, consumers and MPs.

Councillors – Interviewed 403 local councillors in Britain online between 11th April and 6th May 2016. Data was weighted by party and region to be representative of all councillors in Britain.

Consumers – Interviewed 2,089 adults in Britain between 15th April and 17th April 2016. The sample has been weighted to be nationally representative of the population in Great Britain.

MPs – Interviewed a representative sample of 150 MPs between 8th October 2015 and 12th November 2015, using a combination of paper and online surveys.

ACS Investment Tracker – Data obtained in the form of two surveys:

Voice of Local Shops survey – a sample of 1,210, independently owned convenience store businesses in the UK. ACS contracted him! research and consulting to aid in the design and delivery of the survey.

Multiples Investment Tracker Survey – a sample of over 3,000 multiple stores in the UK. Questions in the Multiple Investment Tracker Survey are based on the questions asked in the Voice of the Local Shop Survey, where relevant, to ensure consistency of results.

The results of these two surveys are collated and combined according to the proportion of non-affiliated independents, symbol group independents and multiple stores in the sector. The ACS investment tracker is completed every quarter and an average has been taken across the latest four quarters of the survey (February 2016 to November 2016) unless stated otherwise.

ACS Colleague Survey – A sample of 1,252 staff working within the convenience sector. The sample consists of people working for both independent and multiple retailers and results have been weighted to be nationally representative.

Community Shops – Data obtained from the Plunkett Foundation www.plunkett.co.uk

References
For full references please see the methodology on page 22 of The Local Shop Report 2016 www.acs.org.uk/research/local-shop-report/

ABOUT ACS

The Association of Convenience Stores is a trade association representing local shops across the UK. We represent our members through effective lobbying, industry leading advice and networking opportunities for retailers and suppliers.

Our membership includes a diverse range of convenience store retailers, from stand-alone family run independent stores to symbol groups and multiple convenience stores. These retailers operate in neighbourhoods, villages, on petrol forecourts and in city centres.

ACS' core purpose is to lobby Government on the issues that make a difference to local shops. We represent the interests of retailers on a range of issues, including business rates, energy, regulation, planning, alcohol and many more. All of our submissions to Government can be found in the Lobbying section of our website.

For more information about ACS, visit our website: **www.acs.org.uk**

CONTACT

For more details on this guidance contact a member of the ACS Team on 01252 515001.

For more details on ACS:
Visit: www.acs.org.uk
Call: 01252 515001
Follow us on Twitter: @ACS_Localshops

ACKNOWLEDGEMENTS

This report would not have been possible without the support of a number of industry and research organisations that have helped by providing data. These sources are referenced alongside the relevant sections of the report, and those organisations are:

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