



ACS Submission: Access to Finance Inquiry

1. ACS (the Association of Convenience Stores) welcomes the opportunity to give evidence to the Business, Innovation and Skills Select Committee inquiry. ACS represents 33,500 local shops across the UK including Spar UK, Costcutter Supermarkets, Nisa Retail and thousands of independent retailers.
2. The convenience sector employs 407,000 people in over 50,000 stores across the UK¹. The total value of sales in the convenience sector in the year to April 2015 was £37.7 billion, and turnover in the sector has grown by over 5% in the past year. However, the sector faces many challenges such as the introduction of the national living wage, the burden of business rates and the threat of Government reforms to Sunday trading legislation.
3. 71% of shop owners are first time investors while 25% of shop owners work more than 70 hours per week, showcasing the convenience sector as highly entrepreneurial². The grocery market has grown by 38% since 2006 and the convenience store sector has grown by 50% in this period³. During this time, larger companies have entered the convenience store sector and grown their estates of stores. This has led to increased competition, and despite the sales growth of the sector, the number of stores has remained about the same because of the decline in the number of unaffiliated independent retailers.

Banking Issues and the Convenience Sector

4. ACS does not have tracking data that runs from the financial crisis to present, but does have polling data on a range of banking issues since 2012. For example, ACS' Voice of Local Shops survey asked 200 independent retailers in July 2012: "Over the last year, do you feel that your bank has supported the growth of your business?". In response, 42% of businesses indicated their bank had been supportive, while 41% stated they had not⁴. This does not directly correlate with access to finance issues, but our experience of members' problems with banking and finance often relates to service, communication of terms and fee issues as opposed to simply direct access to finance packages.
5. In 2012, ACS asked retailers what negative experiences they have experienced with their banks over the last three years. 23% said unclear communications, 10% said they were misled on terms, 7% said they had been subject to arbitrary changes in

¹ ACS Local Shop Report 2015

² ACS Local Shop Report 2015

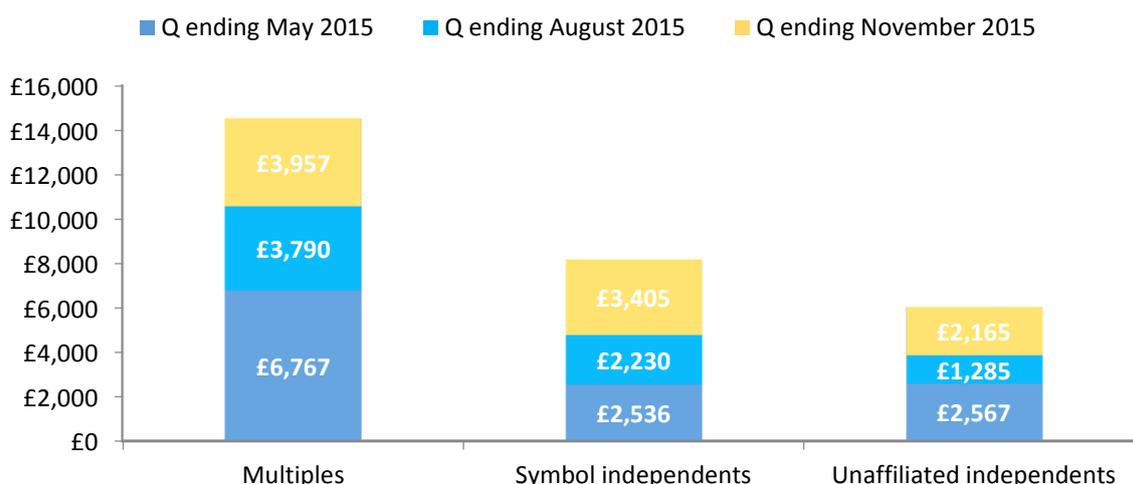
³ IGD Convenience Retailing Report; 2006; £24.9 billion, 2014; £37.9 billion

⁴ ACS Voice of Local Shops Survey: July 2012

terms and 6% said they had been mis-sold a financial product⁵. Retailers have anecdotally informed ACS that there are often stringent terms applied to securing loans, with many banks insisting on the retailer moving all business banking processes to the new bank in order to secure finance. This is often a timely and costly process to go through in order to secure finance from banks.

Convenience Sector Sources of Investment

- ACS has tracked investment across the convenience sector from May 2015 to November 2015 to determine the origin of retailer investment and discover what they are investing. ACS' Investment Tracker over the last three quarters has shown that convenience stores are investing between £1,285 per store and £6,767 per stores depending on their operating model⁶. The sector's total investment in the last quarter (November 2015) was £157 million. Retailers are prioritising investment in refrigeration in order to meet consumer expectation of a larger fresh food offer in stores.
- The graphs below show the level of investment that multiples, symbols and independent retailers have made over the last three quarters. Multiple retailers are investing significantly more in their existing stores than independent retailers. New store opening are flat.

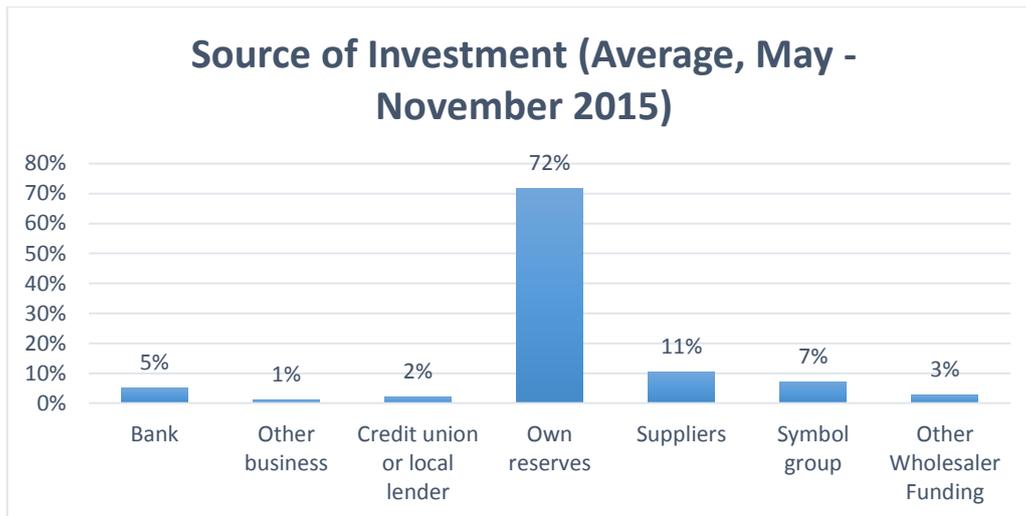


- ACS' Investment Tracker asks independent retailers where they secure finance from to grow their businesses. The overwhelming majority (72%) of convenience store entrepreneurs are still funding store investment through their own reserves⁷. On average only 5% of retailers are securing their finance from banks. Independent retailers may be using their own reserves to fund investment because they are investing smaller sums of money which do not require capital investment loans. Growth in the convenience sector continues to be dominated by multiple retailers who are likely to secure capital finance more easily than small independent retailers.

⁵ ACS Voice of Local Shops Survey: July 2012

⁶ ACS Investment Tracker: November 2015

⁷ ACS Investment Tracker: November 2015



9. For new store developments and store refits, retailers are also likely to look for support from their supplier/symbol group. As the business already has a relationship and financial agreement with the symbol group it is a convenient way for them to secure access to finance. The symbol group often knows more about business investment priorities and growth potential.

10. For more information on this submission, ACS' Investment Tracker or ACS' Voice of Local Shops survey, please contact steve.dowling@acs.org.uk or call the ACS Public Affairs team on 01252 515001.