

ACS Submission: Impact of Covid-19 on Businesses and Workers

1. ACS (the Association of Convenience Stores) welcomes the opportunity to submit evidence to the Business, Energy and Industrial Strategy Select Committee inquiry on the impact of Covid-19 on businesses and workers. ACS represents 33,500 local shops and petrol forecourts including Co-op, McColls, BP and thousands of independent retailers, many of which trade under brands such as Spar, Nisa and Costcutter. Further information about ACS is available at Annex A.
2. Covid-19 has reaffirmed the value of local shops in supplying essential products and services to communities that would otherwise lack provision. The convenience sector provides groceries and services within all types of rural (37%), suburban (26%) and urban (37%) communities¹. Rural shops often trade as an isolated store (38%) providing the only shopping option for the local community and shops trading in residential areas can serve significant populations, most typically from small parades (42%)².
3. The impact of Covid-19 on individual stores varies greatly depending on trading location. Many rural and neighbourhood stores have seen uplifts in sales but the outbreak is proving particularly challenging for stores in city centres, high streets and transport hubs more reliant on passing trade. Some stores in these locations are experiencing significant sales declines or have temporarily closed to protect the longer-term viability of the store.

Sector Response to Covid-19

4. The agility of convenience retailers has been key to efficiently responding to the outbreak and meet rapidly changing customer and community needs. Retailers are responding to the crisis by:
5. **Increasing Home Deliveries** – Before the Covid-19 outbreak, only 12% of convenience stores were providing a home delivery services for groceries; it has now become the new normal for many local shops³. ACS developed [guidance](#) with our primary authority partners, Buckinghamshire and Surrey Trading Standards, and endorsed by HM Government to support retailers seeking to offer this service and it has now been downloaded over 30,000 times. 38% of convenience stores have introduced a home delivery service due to Covid-19 and 45% of stores with existing home grocery delivery services have seen their sales increase to a large extent⁴. ACS has also developed a [Retailer Services Checklist](#) for stores to share with

¹ ACS Local Shop Report 2019

² ACS Local Shop Report 2019

³ ACS Local Shop Report 2019

⁴ ACS Covid-19 Impact Survey: May 2020

councils and leading charities, to raise awareness of local shop services with vulnerable individuals making queries via these key contact points.

6. **Adapting to lockdown measures** – Convenience retailers have introduced social distancing measures quickly and effectively to provide security and reassurances for both colleagues and customers. Typical measures being undertaken include limiting the number of customers at any one time (90% of stores), increasing hygiene measures (87%) and placing plastic screens at the till to protect colleagues (60%)⁵. ACS has produced [posters](#) to support retailers and their store colleagues to introduce social distancing and communicate changes to customers.
7. **Adjusting product ranges and services** – The groceries and services demanded by consumers have changed dramatically during the Covid-19 outbreak. Retailers have been quick to adapt their product ranges. Sales have risen in fresh food, canned and packaged groceries, but are declining from food to go and coffee.
8. **Tackling Supply Issues** - Like most retailers, local shops have experienced supply issues on some lines where there has been exceptional demand. Stores are stocking a full range of grocery categories, but individual product availability has varied. Where supply issues have arisen, retailers have often sought new supply by working to fill supply chain gaps arising within hospitality and other industries where more business closures have taken place, particularly with local producers that would otherwise struggle. ACS has also been working with the Department for Environment, Food and Rural Affairs, the Food and Drink Federation, and the Federation of Wholesale Distributors to discuss and resolve availability issues.
9. **Reporting Profiteering** – ACS has been working closely with the Competition and Markets Authority to stamp out isolated incidents of profiteering. The vast majority of stores are doing an incredible job to ensure availability to customers at normal prices, but a small handful are trying to take advantage, which is why we recently launched a [campaign](#) calling on retailers to report businesses in their community who are taking advantage of the outbreak by price gouging. We have also used the campaign to communicate to customers about price fluctuations where retailers have experienced wholesale price increases from goods in high demand or because they are having to diversify from their usual suppliers.

Impact of Covid-19 on the Convenience Sector

Employment

10. Absenteeism in convenience stores has inevitably increased as colleagues follow Government advice on self-isolation and shielding. Absenteeism rates are varying per store in line with the presence or absence of localised outbreaks but on average one-in-five (20%) of workers are currently off work⁶.

⁵ ACS Covid-19 Impact Survey: May 2020

⁶ ACS Covid-19 Impact Survey: May 2020

11. The increase in absenteeism has led retailers to increase recruitment to fill temporary roles aimed at meeting Covid-19 demand. Additional hours have also been offered to existing staff. It is integral that the Government can provide access to testing for essential workers in convenience stores to enable colleagues to return to work quickly.
12. Personal Protective Equipment (PPE) is in high demand from convenience retailers seeking to protect key workers as far as possible from Covid-19. The Government is understandably prioritising PPE support for the NHS, but retail colleagues, also coming into contact with a large number of people day-to-day at work, require better access to PPE. Common PPE actions from retailers have been supplying colleagues with gloves and installing plastic screens at tills, although hand sanitiser and other standard issue PPE remains difficult to source. If advice from Public Health England on face mask changes the Government will have to consider how they can prioritise access to key workers that are facing increased exposure when serving customers.

Crime

13. Convenience retailers and shopworkers are experiencing increases verbal abuse and antisocial behaviour during the Covid-19 outbreak. This has also included persistent shop thieves using Covid-19 related threats or coughing and spitting at shopworkers. This is a totally unacceptable and abhorrent method of intimidation. We have welcomed comments from the Director of Public Prosecutions that these offences will be dealt with as an assault. We hope that the Home Office can reinforce this view and believe that coronavirus testing should be extended to shopworkers that have been subjected to coughing or spitting attacks.
14. The escalation of retail crime due to Covid-19 is a serious issue for retailers, protecting colleagues and ensuring essential provisions reach local communities. This renews our resolve to call for additional legal protection of shop workers while we still await the Government's response to their call for evidence on violence and verbal abuse against shopworkers, which closed in June 2019.

Payments

15. Access to cash remains important for convenience store customers, and the ATM network requires support to ensure appropriate infrastructure to supply cash is available after the crisis. Data from the Retail Data Partnership shows 66% of transactions in independent and symbol group convenience stores were paid for in cash. This is a decrease from 79% in February following Government and retailers encouraging the use of contactless payments, but demonstrates the public value still attributed to cash as a payment method⁷.
16. The Government and payments industry cannot allow Covid-19 to destroy cash infrastructure that so many people rely on. ATMs are the only mechanism through which cash can potentially be accessed nationwide and are much preferred for

⁷ The Retail Data Partnership. April 2020

security and privacy reasons by customers⁸. LINK, the ATM network body, sets the interchange fees paid by banks to operators and retailers to sustain ATMs. These fees are paid on a per transaction basis but transaction numbers have halved during Covid-19, causing operators to cut fees for retailers and fundamentally undermining the viability of thousands of free-to-use machines.

17. The Payment Systems Regulator must proactively ensure interchange fees are set on a sustainable basis and business rates relief is provided to ATMs under these extraordinary circumstances. Commitments to replace a small number of isolated lost ATMs are ineffectual due to the prohibitive costs of installing new ATMs⁹.

Food Supply to Smaller Shops

18. We have welcomed engagement through Defra's Food Resilience Industry Forum to discuss issues related to food supply and availability through daily calls at the start of the outbreak and now through three weekly calls to respond to issues happening in different areas of the food industry, one of which focuses on smaller stores. These calls are extremely useful and have been well chaired by Chris Tyas, an industry expert appointed by Defra to run this process. Typically, actions agreed during these calls are also progressed swiftly, which is also welcome.

19. While we have welcomed this dialogue, when demand increases to the level that we have seen during the COVID-19 crisis, market forces have determined where food supply and products are allocated. We understand that getting this allocation right is challenging for suppliers, especially with an intense period of panic buying in the early stages of the outbreak, however, it is important to ensure that it is not detrimental to local shops, which have played an essential role to local communities during this outbreak. The right balance for product allocations to stores has not yet been achieved, which is particularly concerning as panic buying has slowed and sales are no longer fluctuating to the same extent. Issues which are of concern include skewed allocation systems based on obsolete information (for example if there is a shift to larger pack sizes and multipacks or if there is a shift to non-price marked pack SKUs, smaller retailers' sales histories do not accurately forecast their likely sales in the current situation) as well as fewer deliveries into wholesalers which distribute and deliver products to convenience stores.

20. So far, gaps in supply into our members' stores have been mitigated by convenience retailers' being incredibly proactive, working hard and innovating to find new suppliers and source products elsewhere to maximise availability in stores as best as they can. We encourage the government to monitor allocation of supply closely and step in if necessary. This is important to address in planning for future crises but also in the event of a second wave of the COVID-19 outbreak to ensure that there is adequate supply into the convenience sector.

⁸ <https://www.psr.org.uk/psr-publications/news-announcements/psr-publishes-report-into-how-people-and-business-access-cash>

⁹ <https://www.link.co.uk/about/news/maintaining-the-uks-free-link-atm-network/>

Compensatory Measures from Government

21. We welcome the unprecedented action from Government to support the business community through the Covid-19 outbreak. The key compensatory measures relevant to convenience retailers are:

Business Rates

22. The 100% business rates relief provided to all convenience stores and petrol forecourts has been welcomed and retailers are receiving amended bills from billing authorities. This policy is relieving financial pressure on retailers and allowing them to focus time and resource on adapting to Covid-19. We believe the Government should keep the policy under review and if necessary consider extensions to 2021/22 to support the retail recovery from Covid-19.

Cash Grants

23. Government cash grants are supporting retailers to finance the significant increases in operating costs and continue to provide essential services for local communities. The Small Business Grant Fund is providing £10,000 for stores eligible for Small Business Relief or Rural Rate Relief, while the Retail Grant Fund is providing £10,000 for stores under £15,000 rateable value and ineligible for the Small Business Grant Fund, and £25,000 for stores between £15,000 - £51,000 rateable value. As at 22nd April, 50% of cash grant funding has been distributed to businesses by local authorities¹⁰. We hope that local authorities will act urgently to distribute the remaining funds to support retailers to maintain services.

24. We have received many member queries about the cash grants caused by confusion on eligibility, leading us to produce guidance for retailers [here](#). Government communication on the impact of state aid rules has been minimal, which restricts claims for financial Government support to €800,000 under the Temporary Covid-19 State Aid Rules Framework for 2020, in addition to existing state aid rules capping financial support at €200,000 over a cumulative three year period. The state aid cap severely restricts cash grants for both large and small multi-site operators and we would like to see the Government to make the case for an extension to the State Aid Rules.

25. The £51,000 rateable value upper threshold for access to the cash grants in England appropriately intends to target support towards smaller retailers but does not account for the substantially higher rateable values given to petrol forecourts due to their turnover-based rating methodology. These stores are suffering significant declines in fuel volumes (18.9% from February to March 2020) and often shop trade due to their location¹¹. The rateable value threshold should be extended to £150,000 to ensure petrol forecourts and stores in prime locations, which are small businesses, can benefit as intended.

¹⁰ <https://www.gov.uk/government/publications/coronavirus-grant-funding-local-authority-payments-to-small-and-medium-businesses>

¹¹ <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/march2020>

Job Retention Scheme

26. The Job Retention Scheme has been used to furlough 8% of convenience store colleagues¹². The scheme is mainly being used by retailers in difficult trading locations such as city centres and transport hubs. The welcome scheme will clearly prevent lost jobs via redundancies but one issue to date has been clarity surrounding eligibility for the scheme. ACS is receiving a high volume of queries around shielding employees, requirements on communication with employees, short time working and the change in payroll cut off dates in particular. We continue to advise members about the scheme.

Sick Pay Scheme

27. Government funding for up to two weeks' statutory sick pay per employee for retailers with fewer than 250 employees will offset much of the rise in sick pay bills for independent retailers. We would support the Covid-19 sick pay funding being extended to larger retailers also experiencing significant increases in absenteeism and sick pay bills. The Coronavirus Act includes powers for the Government to amend sick pay funding and eligibility so this could be done without new primary legislation.

Legal Enforcement

28. Retailers, local authorities and the police have worked closely together to introduce and enforce new policies with no lead in time or reference points for how to achieve this operationally. In the vast majority of cases, members describe supportive enforcement officers helping them to comply with new guidance and legal interpretations. However, there have been some challenges with these relationships.

Environmental Health Officers

29. Overzealous and inconsistent enforcement of some Covid-19 measures has caused challenges for convenience retailers. The clearest example has been enforcement activity threatened against convenience stores for selling Easter eggs, stemming from a misinterpretation of Government guidance from environmental health officers. There is no distinction about which grocery products can or cannot be sold by retailers during the Covid-19 outbreak.

30. ACS has secured legally assured advice to overcome this challenge for retailers via our partnership with Buckinghamshire and Surrey Trading Standards: "All ACS members are able to continue trading throughout the lockdown and play a vital role in keeping our communities looked after in these very difficult times. There are no restrictions on the types of goods or services that ACS members can continue to sell - in effect you should continue with the stock ranges that you would normally have for this time of year (this includes seasonal goods or services like automated car washes)."

¹² ACS Covid-19 Impact Survey: May 2020

Police Constabularies

31. Convenience retailers have also been subject to fervent enforcement of social distancing measures, leading to some threats of store closures. For example, shop workers have been stopped and challenged for evidence that they are going to work, which is not a requirement or advised within any form of government guidance. ACS had to produce [template letters](#) for retailers to give to colleagues to overcome this issue. The National Business Crime Centre has been a valuable stakeholder in communicating concerns across the police community, including on managing socially-distant queue management¹³.

For more information on this submission, please contact Steve Dowling, ACS Public Affairs Manager, via steve.dowling@acs.org.uk

¹³ <https://nbcc.police.uk/news/letter-from-the-nbcc-regarding-covid-19>

Annex A

ABOUT ACS

The Association of Convenience Stores lobbies on behalf of over 46,000 convenience stores across mainland UK on public policy issues that affect their businesses. ACS' membership is comprised of a diverse group of retailers, from small independent family businesses running a single store to large multiple convenience retailers running thousands of stores.

Convenience stores trade in a wide variety of locations, meeting the needs of customers from all backgrounds. These locations range from city centres and high streets, suburban areas such as estates and secondary parades, rural villages and isolated areas, as well as on petrol forecourts and at travel points such as airports and train stations.

ACS | the voice of local shops

WHO WE REPRESENT

INDEPENDENT RETAILERS



ACS represents over 19,000 independent retailers, polling them quarterly to hear their views and experiences which are used to feed in to Government policy discussions.

These stores are not affiliated to any group, and are often family businesses with low staff and property costs. Independent forecourt operators are included in this category.

SYMBOL GROUPS AND FRANCHISES



ACS represents over 14,000 retailers affiliated with symbol groups. Symbol groups like SPAR, Nisa, Costcutter, Londis, Premier and others provide independent retailers with stock agreements, wholesale deliveries, logistical support and marketing benefits.

Symbol group forecourt operators and franchise providers like One Stop are also included in this category.

MULTIPLE AND CO-OPERATIVE BUSINESSES



ACS represents over 12,000 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColls and others.

Unlike symbol group stores, these stores are owned and run centrally by the business. Forecourt multiples and commission operated stores are included in this category.

THE CONVENIENCE SECTOR



In 2018, the total value of sales in the convenience sector was £39.1bn.

The average spend in a typical convenience store transaction is £6.50.



There are 46,262 convenience stores in mainland UK. 72% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.



The convenience sector provides flexible employment for around 365,000 people.

24% of independent/symbol stores employ family members only.



24% of shop owners work more than 70 hours per week, while 19% take no holiday throughout the year.

70% of business owners are first time investors in the sector.



Convenience stores and Post Offices poll as the two services that have the most positive impact on their local area according to consumers and local councillors.

81% of independent/symbol retailers have engaged in some form of community activity over the last year.



Between August 2017 and May 2018, the convenience sector invested over £814m in stores.

The most popular form of investment in stores is refrigeration.

OUR RESEARCH

ACS polls the views and experiences of the convenience sector regularly to provide up-to-date, robust information on the pressures being faced by retailers of all sizes and ownership types. Our research includes the following regular surveys:

ACS VOICE OF LOCAL SHOPS SURVEY

Regular quarterly survey of over 1,200 retailers, split evenly between independent retailers, symbol group retailers and forecourt retailers. The survey consists of tracker questions and a number of questions that differ each time to help inform ACS' policy work.

ACS INVESTMENT TRACKER

Regular quarterly survey of over 1,200 independent and symbol retailers which is combined with responses from multiple businesses representing over 3,000 stores.

ACS LOCAL SHOP REPORT

Annual survey of over 2,400 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 7,669 stores. The Local Shop Report also draws on data from HIM, IGD, Nielsen and William Reed.

BESPOKE POLLING ON POLICY ISSUES

ACS conducts bespoke polling of its members on a range of policy issues, from crime and responsible retailing to low pay and taxation. This polling is conducted with retailers from all areas of the convenience sector.

For more information and data sources, visit www.acs.org.uk

