THE LOCAL SHOP REPORT 2012

ACS the voice of local shops

A report by the Association of Convenience Stores

CONTENTS

ABOUT THE REPORT

Local shops are an important part of the fabric of community life for millions of people. They provide a crucial service and a sense of place for local people.

This report is a reminder that local shops play a vital economic role too. By employing people, fostering entrepreneurship and providing a vital route to market for a range of goods and services, local shops make a significant contribution to UK plc.

This report sets out the key facts about this important industry. It uses data from him! Research and Consulting, William Reed Business Media, the Institute of Grocery Distribution and Nielsen, alongside new research commissioned by ACS. Combined, these data sources give a rich picture of the economic and social value of local shops.

CONVENIENCE STORES – THE MODERN LOCAL SHOP

The local shop is long standing feature of UK communities, it is however constantly evolving and changing.

The modern local shop has developed along the convenience store format. It is typically characterised as follows:

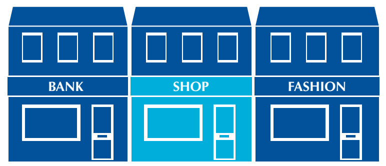
- Open for long hours, usually seven days a week, and not subject to restrictions under the Sunday Trading Act.
- Occupying a small store premises - usually smaller than 280 square metres or 3000 square feet (see page 7).
- Stocking a broad range of product categories (see page 9).

Beyond these three defining characteristics is a significant amount of variety. Local shops operate in and serve all types of communities across the UK.

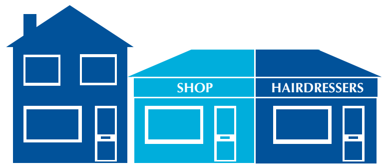
Industry experts tend to categorise the industry by ownership types (for a full breakdown see page 7) – there are:

- Co-operatives – groups of stores that are owned by their customers, the biggest by far is The Co-operative Group, but there are a number of smaller co-operative societies operating convenience stores around the country;
- Multiples – chains of stores run from a head office (examples are Martin McColl, BP and Tesco Express);
- Symbol groups – these are groups usually organised by a wholesaler that are made up of independent businesses but collaborate in joint buying and marketing initiatives (examples are Spar, Costcutter, Londis, Mace and Best One);
- Unaffiliated independents – these tend to be the smallest businesses in the market.

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

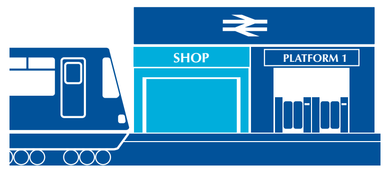


High Street
Operating as part of a mix of stores serving the needs of those living in centres and the shopping needs of workers and shoppers.



Suburban parade
Providing a focal point for suburban communities and estates sometimes standalone or alongside a small number of other local services.

Rural village
A 'traditional' local shop often providing the only local shopping option for the local community.



Commuter sites
A shop located in high volume commuter sites like railway stations, where people can buy things to eat or consume on the go, or on their way to and from work.

Forecourt
In some locations providing an important commuter service and in others providing the main local shop service for the whole community.

Convenience stores are located in communities of all types:

RURAL 39%

SUBURBAN 25%

URBAN 36%

Source: WRBM/Nielsen

SUMMARY

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SALES

The total value of sales in convenience stores is £33.9bn which accounts for 1/5 of the UK grocery market.

Sales in convenience stores grew by 4.6% year on year.

Sales by ownership
Symbol groups* are the biggest contributor to sales accounting for 40% (£13.6bn) of the total amount of sales. Non-affiliated independent retailers account for 20% (£6.6bn) of the total sales.

Multiple chains and co-operatives account for 29% (£9.7bn) of sales.

Sales by category
Convenience stores are increasingly catering for top up grocery shopping needs with chilled and fresh fruit and veg accounting for 19.1% of sales.

Diversification into a range of additional services is a vital feature for example:

- 51% provide cash machines.
- 70% of independents provide bill payment services.

Home delivery often seen as the preserve of the major supermarkets is an important feature of convenience retailing with:

- one in six of all stores offering home grocery delivery.
- 28% of independents offer home newspaper delivery.

* Symbol group means independent and multiple retailers trading together as part of a group.

SHOPS

There are 49,840 convenience stores providing access to essential grocery retail throughout mainland Britain.

- 41,461 in England.
- 5,368 in Scotland.
- 3,011 in Wales.

Scotland has more shops per head than any other part of the country with one shop for every 973 people, whereas the Eastern region has the least with one shop for every 1,918 people.

Over half – 53% – of the total number of convenience stores are very small (under 1,000 square feet.)

The vast majority – 77% – of the shops in the convenience sector are owned and operated by small business owners or 'independents'. Shops run by independents tend to be smaller both in terms of size and business turnover.

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 convenience stores.

JOBS

Convenience stores provide more than 372,000 jobs.

- 309,847 in England.
- 40,116 in Scotland.
- 22,502 in Wales.

Job profiles
Jobs in convenience are local and flexible therefore it attracts a wide variety of people:

- 64% of employees are women.
- 25% are aged between 16 and 24.
- 28% are over 60.

75% of employees work part time (less than 30 hours a week).

Staff turnover, defined as people employed for less than one year is 13.5%.

43% of employees have worked between one and five years, 2.5% over 10 years.

Convenience stores offer valuable career and training opportunities. 88% of businesses offer in-store training.

Family Employment
Amongst independent businesses 27% employ only themselves and members of their family.

60% employ at least one other member of their family.

ENTREPRENEURS

The vast majority of shops are run by small business owners. It is an entrepreneurial sector; more than 70% of owners are the first generation to own and run a business.

Among this group:

- One in 10 is under 30 years old.
- 29% of business owners are women.
- One in five business owners own more than one shop.

Convenience store owners work very long hours – more than 60% work longer than 50 hours a week and 31% take less than 10 days holiday per year.

Ethnicity
Almost half of business owners cite themselves to be Asian or Asian British (48%).

The same proportion that cite themselves to be White British (48%).

There are significant variations between regions; in London 89.5% of independent retailers are Asian British, whereas they account for only 13% of owners in the South West.

The predominant non-English languages spoken by retailers are Punjabi, Gujarati, Hindi and Urdu.

In Wales 20% of retailers cite being able to speak Welsh.

CUSTOMERS

The age profile of customers matches closely to the distribution of ages in the population, suggesting that most people use convenience stores.

There is a slight bias towards greater use by older customers.

Slightly more customers are women than men. Customers are overwhelmingly local with more than 77% travelling less than a mile to use the store.

Convenience customers use their local shop frequently:

- 84% of customers will use their local shop at least once a week.
- 27% of over 65s visit their local shop every day.

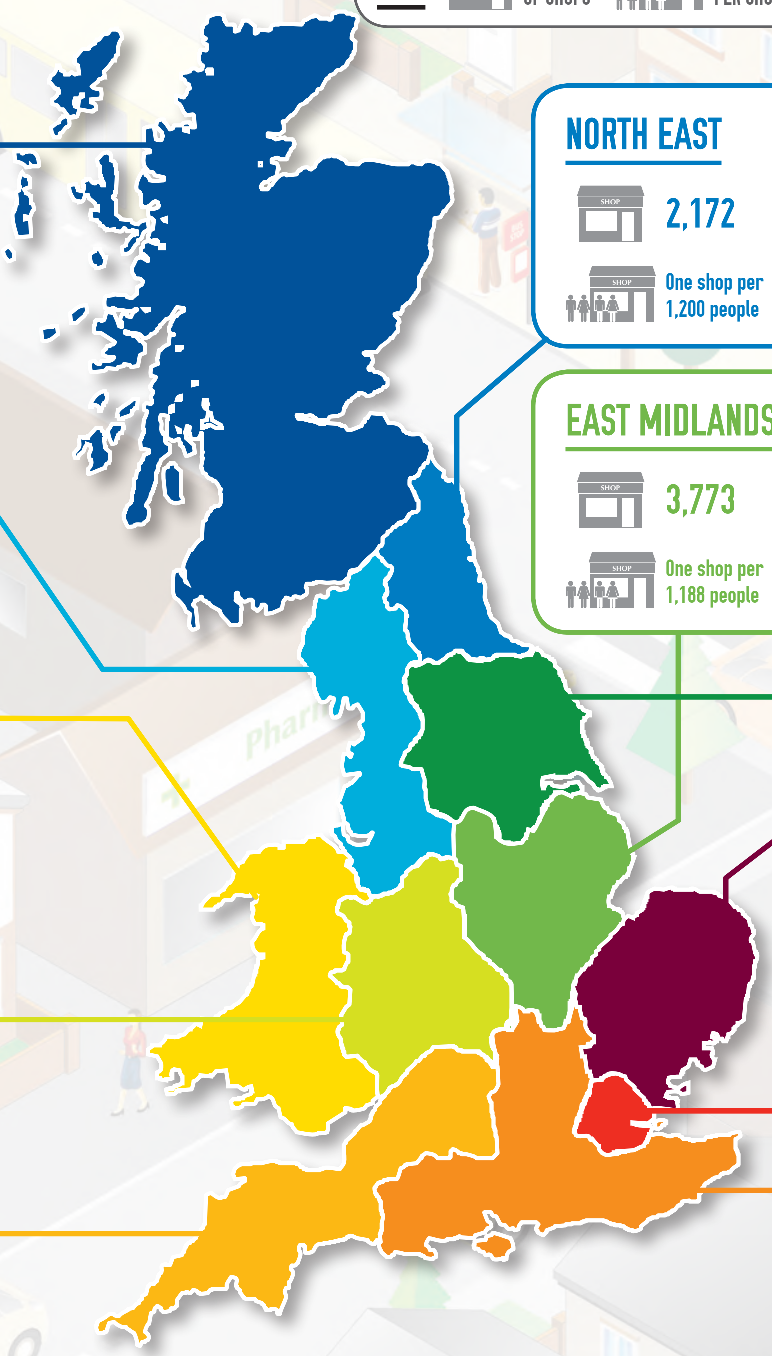
Data related to overall Sales is sourced from the Institute of Grocery Distribution; data related to Shops is sourced from William Reed Business Media and Nielsen, data related to Customers is sourced from him! research and marketing. All other data is sourced from bespoke research for ACS. For comprehensive details as to the sources used see the full report at www.acs.org.uk/research

SHOPS

SHOP NUMBERS

There are 49,840 convenience stores in England, Scotland and Wales providing access to essential grocery retail throughout mainland Britain. Scotland has more shops per head than any other part of the country with one shop for every 973 people, whereas the Eastern region has the least with one shop for every 1,918 people.

KEY: NUMBER OF SHOPS · POPULATION PER SHOP



	Number of shops	Population per shop
SCOTLAND	5,368	One shop per 973 people
NORTH WEST	5,491	One shop per 1,263 people
WALES	3,011	One shop per 998 people
WEST MIDLANDS	4,742	One shop per 1,150 people
SOUTH WEST	4,539	One shop per 1,162 people
NORTH EAST	2,172	One shop per 1,200 people
EAST MIDLANDS	3,773	One shop per 1,188 people
ENGLAND TOTAL	41,461	One shop per 1,260 people
YORKS. / HUMBER	4,167	One shop per 1,272 people
EASTERN	3,040	One shop per 1,918 people
LONDON	6,118	One shop per 1,279 people
SOUTH EAST	7,419	One shop per 1,149 people

Source: WRBM/Nielsen 2012 and ONS 2011

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SHOP SIZE

More than half of the small format shops are under 1,000 square feet or 93 square metres. The bigger chains and symbol groups tend to have a higher percentage of the bigger format shops.

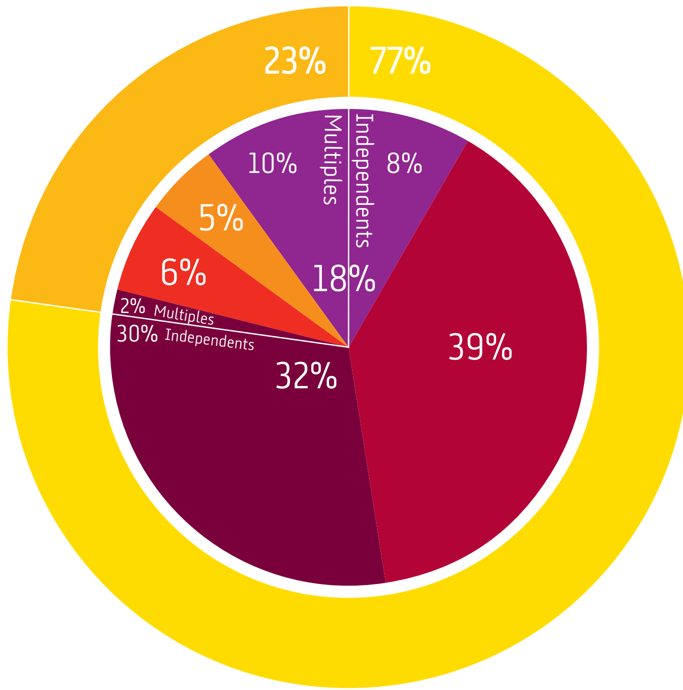
Source: ACS Survey 2012

SHOP OWNERSHIP

The vast majority of the shops in the convenience sector are owned and operated by small business owners or 'independents'. Together independents operate 77% of the shops in the convenience sector. However shops run by independents tend to be smaller, both in terms of size and business turnover. The chart on page 8 shows how multiple chains and co-operatives represent a significant higher proportion of sales as compared to the number of stores they operate.

The 'symbol groups' (as defined on page 3) are the fastest growing section in both store numbers and sales growth. This group includes more than 1,000 stores that are chains run from a centralised head office, as well as more than 15,000 shops run by independents that choose to be part of the group.

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 convenience stores.



Symbol groups
Unaffiliated independents
Multiples
Co-operatives
Forecourts
– Independents
– Multiples
Multiple chains and co-operatives
Small businesses

Source: WRBM/Nielsen

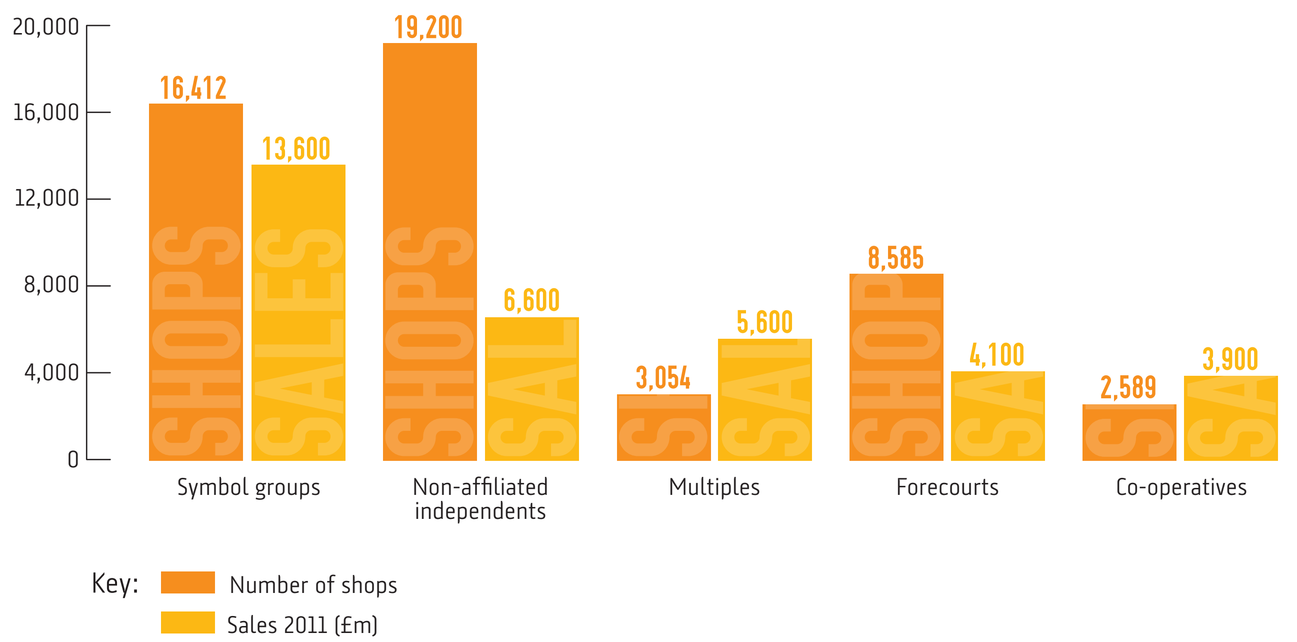
SALES

The total value of sales through the convenience market in 2011 was £33.9bn. This amounts to 1/5 of the total UK Grocery Market. It is also a sector in considerable growth having increased by 4.6% last year.

Convenience stores offer a wide range of products and services within their communities, ranging from staple groceries, to news delivery and bill payment services. These stores play an important role in ensuring that everyone has access to essential services, including cash machines and Post Offices.

SHOP OWNERSHIP / SHARE OF SALES

Despite independents having a much greater market share in terms of store numbers, the sales value of multiples continues to outperform their smaller rivals, with 28.2% of the sales value, but just 11.5% of the store numbers.

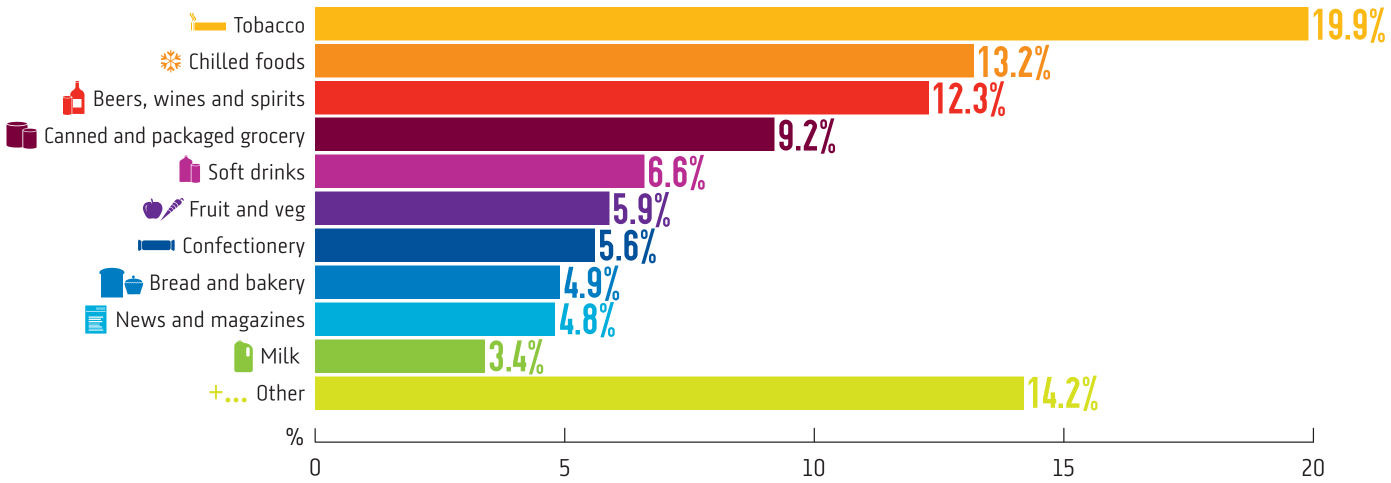


Source: IGD 2012

SHOP CATEGORIES

There is a lot of variety between the offering of different convenience stores depending on the type of store that they are, the location where they trade and their ownership model.

This chart shows the average sales contribution made by the main product categories.



Source: IGD 2012

51% of shops have cash machines

3,760 shops (7.5%) offer mail order/ collection services

More than 1 in 6 shops offer grocery delivery

70% of independent shops offer bill payment services

27% offer home news delivery

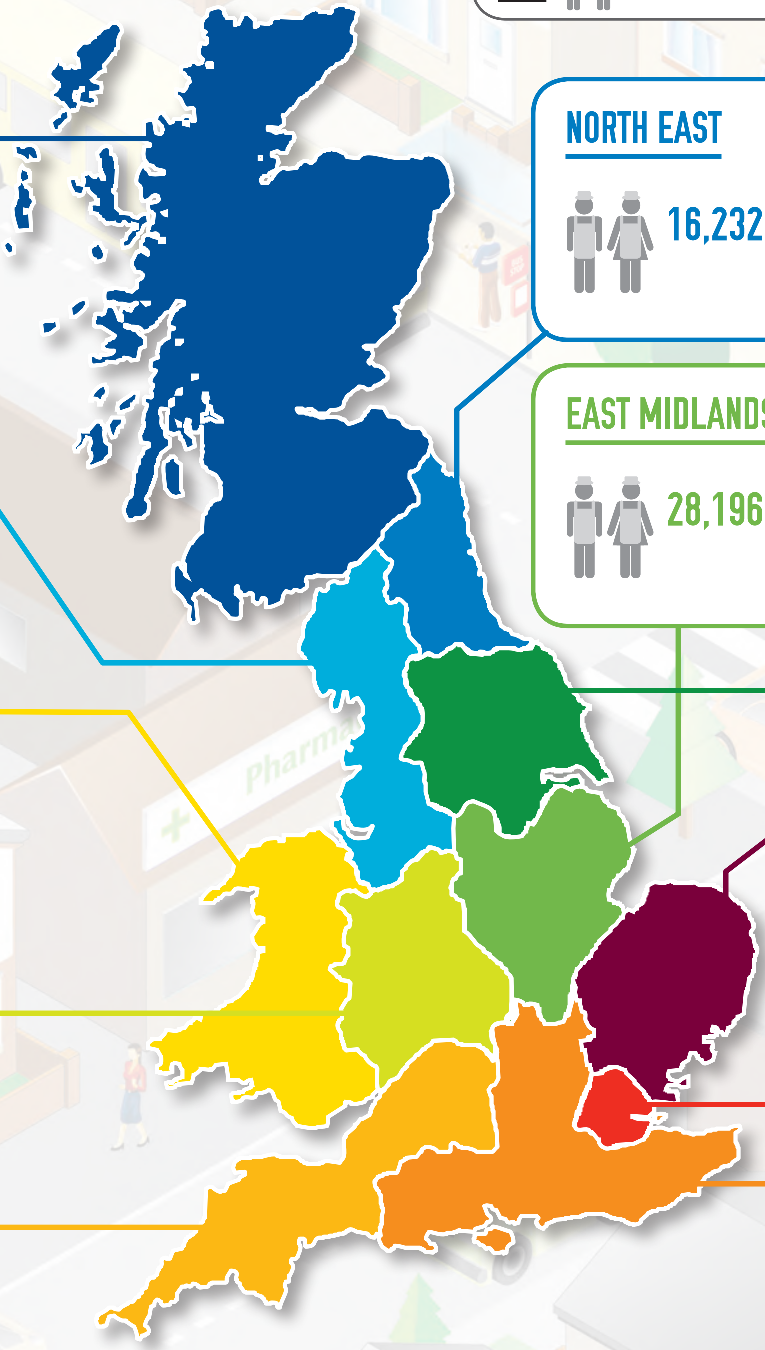
Source: ACS Survey 2012

JOBS

Convenience stores provide in excess of 372,000 jobs. The majority of employees are women; more than two thirds of employees work part time (less than 30 hours a week). Staff turnover (defined as people employed for less than one year) is 13.5%.

Amongst independent businesses, 27% employ only themselves and members of their family, 60% employ at least one other member of their family.

KEY: TOTAL NUMBER OF JOBS



	Total number of jobs
SCOTLAND	40,116
NORTH WEST	41,035
WALES	22,502
WEST MIDLANDS	35,438
SOUTH WEST	33,921
NORTH EAST	16,232
EAST MIDLANDS	28,196
ENGLAND TOTAL	309,847
YORKS. / HUMBER	31,141
EASTERN	22,719
LONDON	45,721
SOUTH EAST	55,444

Source: ACS Survey 2012

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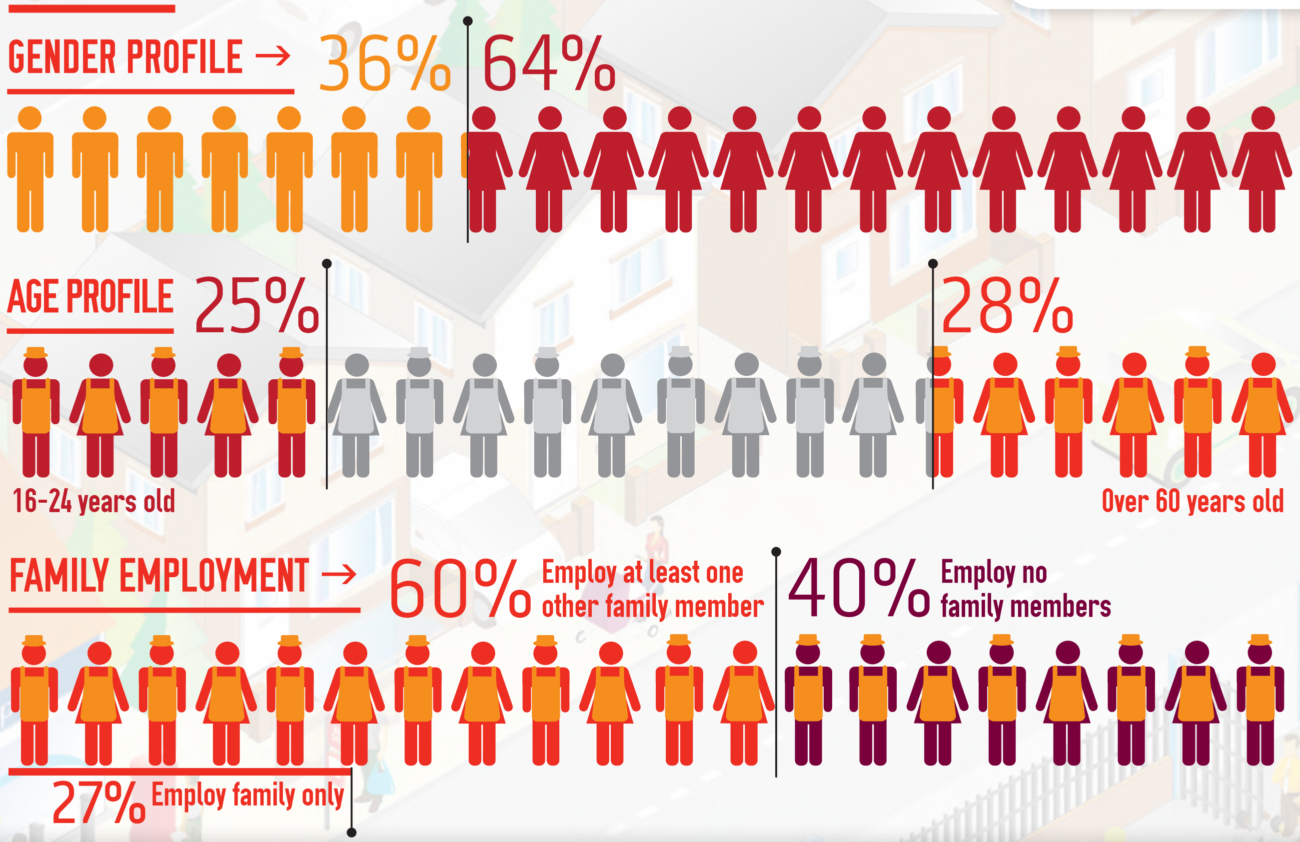
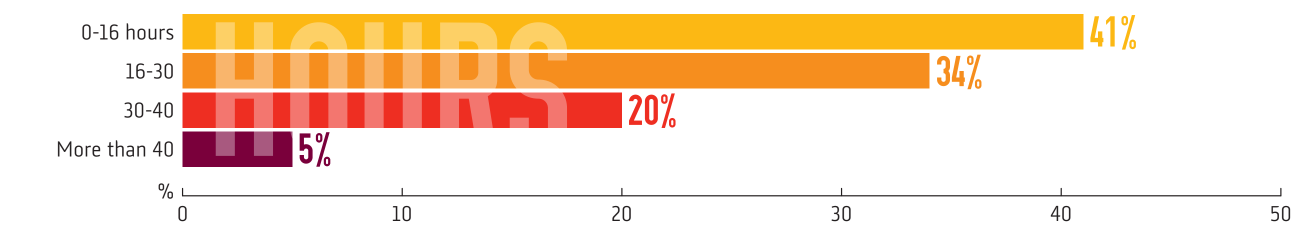
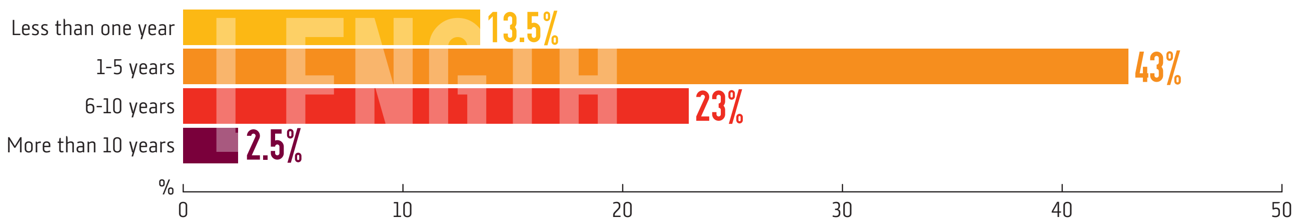
PEOPLE



HOURS WORKED PER WEEK



LENGTH OF EMPLOYMENT



88% of shops offer in-store training

Apprenticeship opportunities are available in 24% of shops

35% of shops offer staff the opportunity of formal qualifications

All data on this page – source: ACS Survey 2012

ENTREPRENEURS

The vast majority of shops are run by small business owners. More than 70% are new entrepreneurs and one in 10 is under 30 years old. These business owners work very long hours with more than 60% working longer than 50 hours a week.

Almost half of business owners cite themselves to be Asian or Asian British (48%), the same proportion that cite themselves to be White British (48%). There are significant variations in the country; in London 89.5% of independent retailers are Asian British, where as they account for only 13% of owners in the South West.

70% of owners are new investors

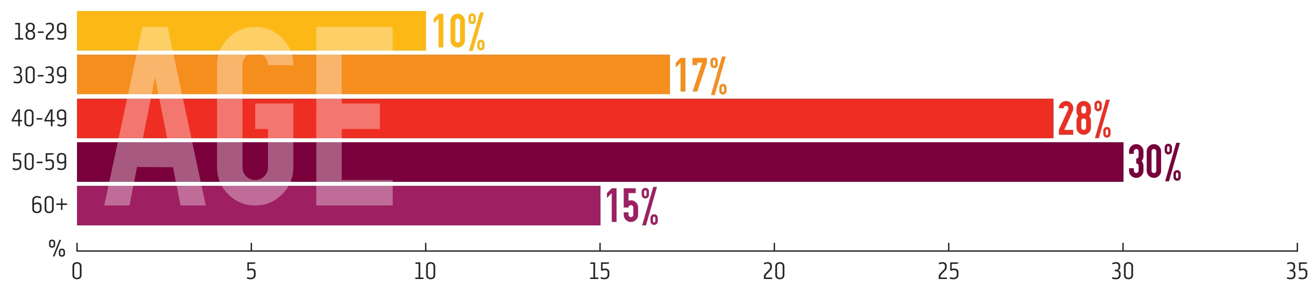
1 in 10 is under 30 years old

1 in 5 local shop owners own more than one shop

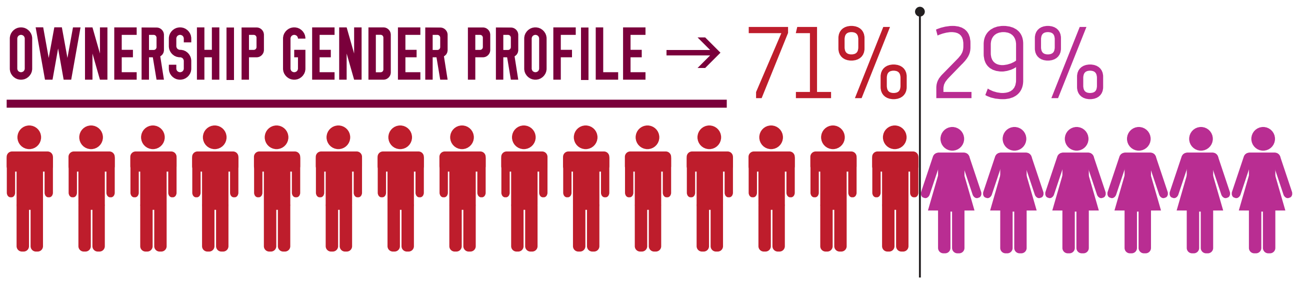
31% take less than 10 days holiday per year

60% of shop owners work more than 50 hours per week

OWNERSHIP AGE PROFILE



OWNERSHIP GENDER PROFILE → 71% | 29%



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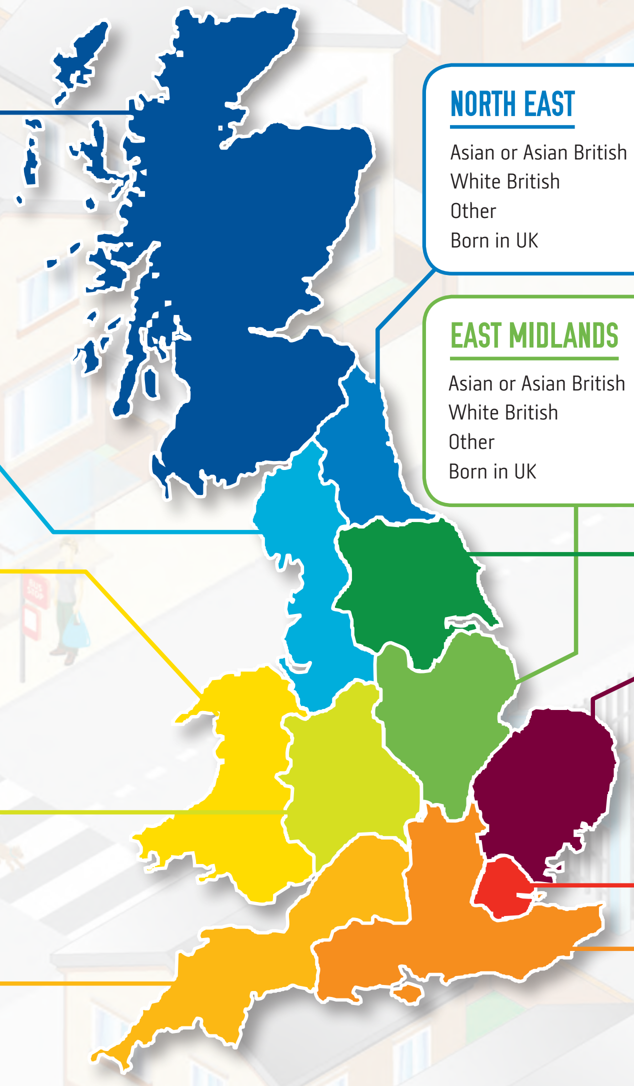
ETHNICITY OF OWNERS



SCOTLAND

Asian or Asian British	46.5%
White British	44%
Other	9.5%
Born in UK	71%

NORTH WEST

Asian or Asian British	35%
White British	63%
Other	2%
Born in UK	76.5%

WALES

Asian or Asian British	26%
White British	70%
Other	4%
Born in UK	81.5%

WEST MIDLANDS

Asian or Asian British	71%
White British	28%
Other	1%
Born in UK	61%

SOUTH WEST

Asian or Asian British	13%
White British	84.5%
Other	2.5%
Born in UK	85%

NORTH EAST

Asian or Asian British	49%
White British	50.5%
Other	0.5%
Born in UK	73%

EAST MIDLANDS

Asian or Asian British	59.5%
White British	38.5%
Other	2%
Born in UK	52.5%

ENGLAND TOTAL

Asian or Asian British	51.5%
White British	46%
Other	2.5%
Born in UK	61%

YORKS. / HUMBER

Asian or Asian British	40%
White British	60%
Other	0%
Born in UK	73.5%

EASTERN

Asian or Asian British	44.5%
White British	53%
Other	2.5%
Born in UK	62.5%

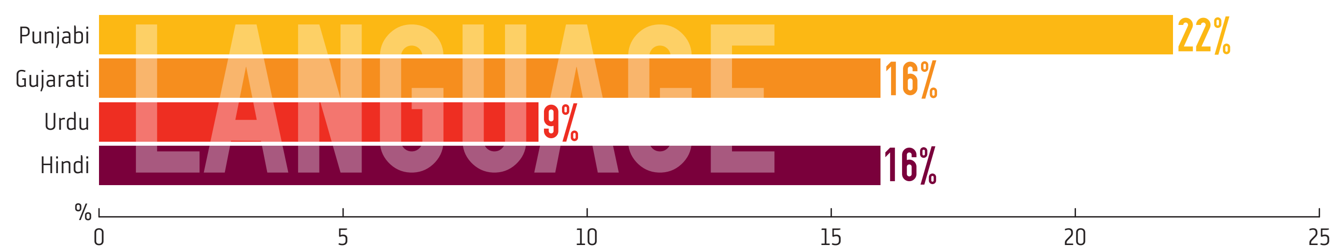
LONDON

Asian or Asian British	89.5%
White British	5%
Other	5.5%
Born in UK	24%

SOUTH EAST

Asian or Asian British	62%
White British	32%
Other	6%
Born in UK	44%

LANGUAGE



20% of retailers in Wales speak Welsh.

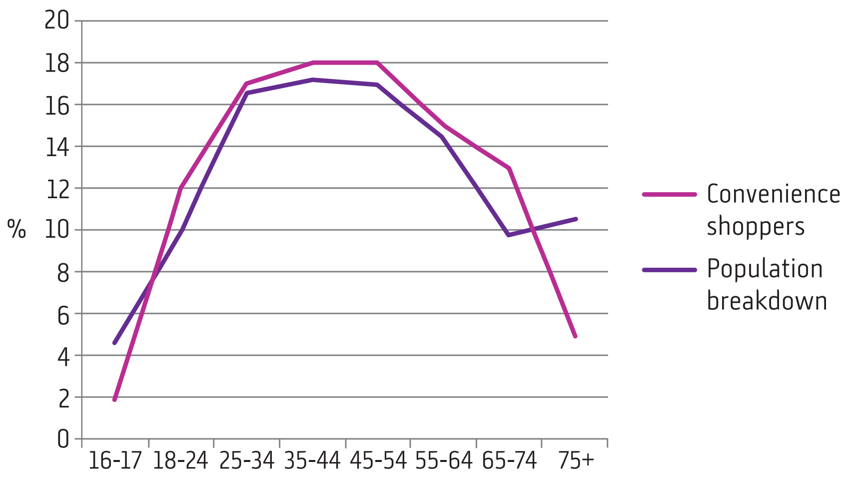
CUSTOMERS

Everyone uses the local shop, the age profile of customers matches closely to the distribution of ages in the population, with a slight bias towards greater use by older customers.

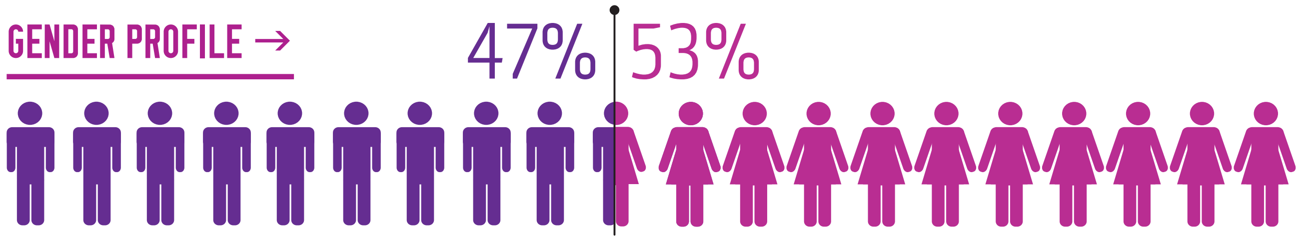
Convenience stores attract slightly more women than men. Customers are overwhelmingly local with more than 77% travelling less than a mile to use the store. 84% of customers will use their local shop at least once a week.

CUSTOMER PROFILE

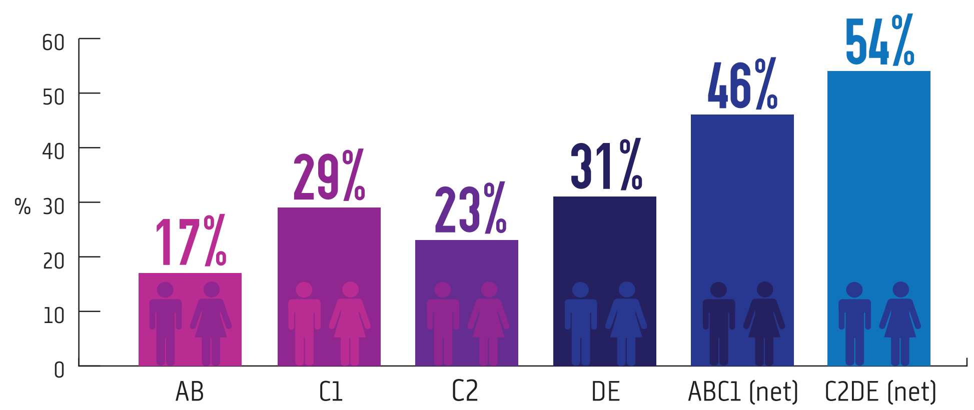
AGE OF SHOPPERS/AGE OF POPULATION →



GENDER PROFILE →

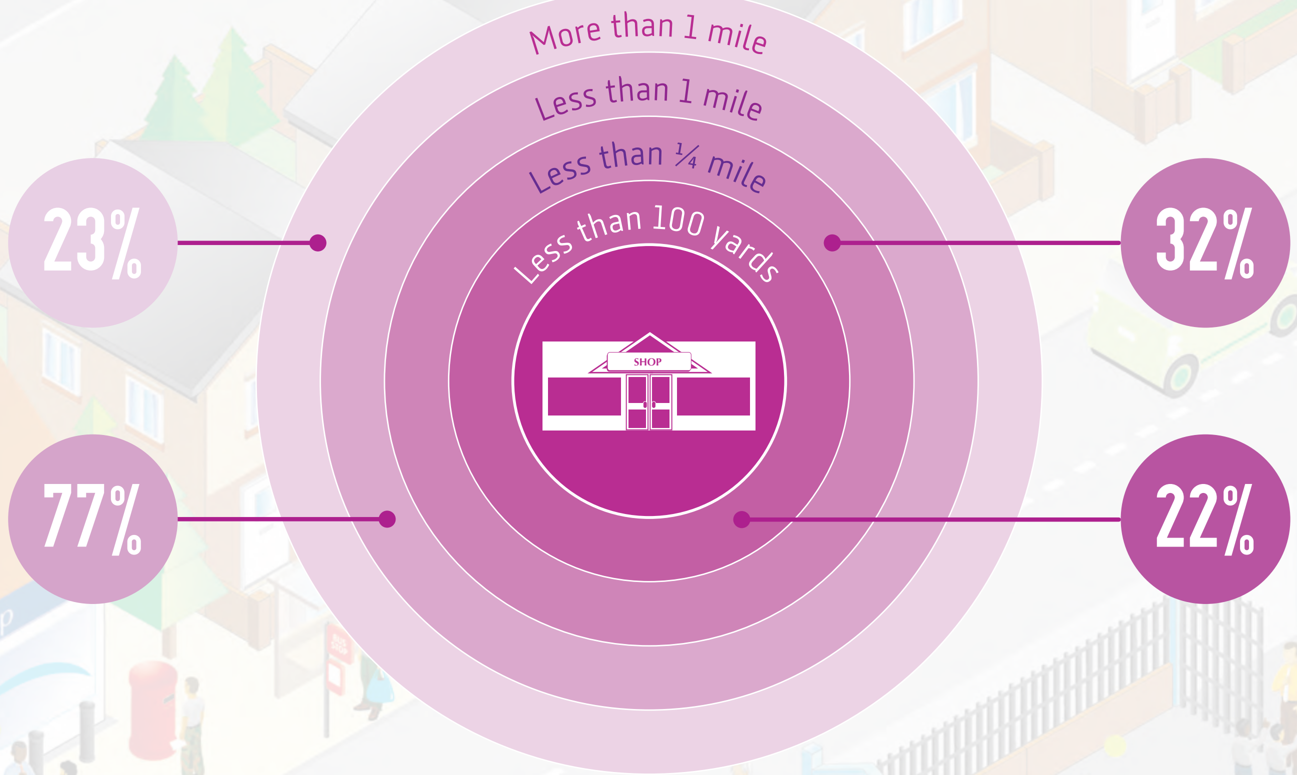


SOCIAL GROUPS →



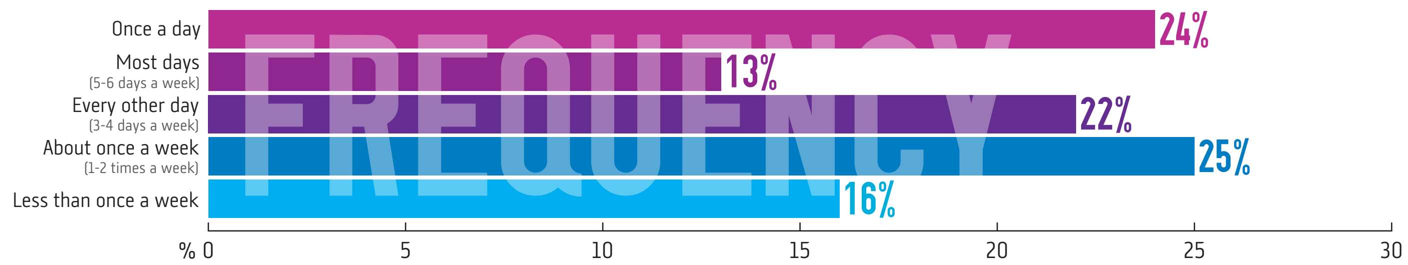
All data on this page – source: him! CTP 2012

DISTANCE TRAVELLED TO STORE



Source: him! CTP 2009

VISIT FREQUENCY



Source: him! CTP 2012

22% live alone

the average spend is £5.63p

27% of over 65s visit their local shop every day

Source: him! CTP 2012

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 2,200 independently owned convenience store businesses in the UK. ACS contracted him! research and consulting to help design and to deliver the survey. The survey was undertaken over the phone by BCC Marketing Ltd. between 9-31 July 2012. The survey was designed to reflect the balance between non-affiliated independent convenience stores and independent stores that are part of central buying or marketing (known as 'symbol') groups. It also covers 11 regions as set out in the report, each returning 200 responses. A copy of the survey questions and responses is available to download at www.acs.org.uk/research

2. Multiple Retailer Survey – ACS conducted a survey of its multiple chain members. This survey was based upon 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 5,635 stores. A copy of the survey can be found at www.acs.org.uk/research

The results of these two surveys collated and combined figures for unaffiliated independents, symbol group members and multiples according to their proportion of stores in the market, in order to determine overall results for the sector.

In addition to this new primary data, The Local Shop Report also uses data from five secondary sources. These are:

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 2012 Report – Institute of Grocery Distribution
This report is compiled by the IGD based on sales data up to the end of 2011.

Convenience Tracking Programme – him! research and marketing
This programme is a survey of 22,000 convenience shoppers conducted at the 'moment of truth' in-store. References are to the 2012 survey (unless otherwise referenced). This survey takes place at 1,225 convenience stores run by 30 companies across England, Scotland and Wales.

Population data – The Office of National Statistics
Data is taken from Region and Country Profiles – Population and Migration released on 28 October 2011.

References

The Modern Local Shop (page 3) – Percentages for population density sourced from William Reed Business Media. Definitions are based on population density, and are derived from post code data:

- Urban (density above 30 people per sq km).
- Suburban (density 10-30).
- Rural (density 0-10).

Shops (page 6-7)
- Store numbers – figures sourced from WRBM. These figures were divided by ONS regional population figures to obtain store per population results.
- Store size – Data obtained from ACS Independents and Multiples surveys. Figures for unaffiliated independents, symbol group members and multiples were collated and combined according to their proportion of stores in the market, in order to determine overall results for the sector.
- Store ownership – figures sourced from William Reed Business Media. Figures for symbol group multiples sourced from IGD.

Sales (page 8-9)
- Store ownership/Share of sales – Figures sourced from the IGD Convenience Retailing 2012 Report.
- Shop categories – Figures sourced from the IGD Convenience Retailing 2012 Report.
- Services – ACS Independents and Multiples surveys asked respondents to list which of a selection of services were offered in-store. Results for unaffiliated independents, symbol group members and multiples were collated and combined according to their proportion of stores in the market, in order to determine overall results for the sector.

Jobs (page 10-11)
- Jobs – Per store employment figures obtained from ACS Independents and Multiples surveys. Results for unaffiliated independents, symbol group members and multiples were collated and combined according to their proportion of stores in the market, in order to determine overall results for the sector.

Figures for jobs per region were calculated by obtaining an average employment figure per store (total figure divided by total number of store), and multiplying this per number of stores in each region.

- People – Data for age and gender statistics, family employment, hours worked, length of employment and training statistics obtained from ACS Independents and Multiples surveys. Results for unaffiliated independents, symbol group members and multiples were collated and combined according to their proportion of stores in the market, in order to determine overall results for the sector.

Entrepreneurs (page 12-13)
- All data in this section obtained from ACS Independents survey and reflects statistics for independent retailers only. Results for unaffiliated independents and symbol group members were collated and combined according to their proportion of stores in the market, in order to determine overall results for the sector.

- Ethnicity of Owners – Asian or Asian British Category combined results received for each of the following categories: Asian or Asian British; Bangladeshi; Pakistani; Indian; and, Any other Asian background.

Customers (page 14-15)
- Data for distance travelled to store was sourced from him! CTP 2009 (as this question has not been asked in more recent surveys). All other data in this section obtained from him! CTP 2012.

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:

- him! research and consulting www.him.uk.com
- William Reed Business Media www.william-reed.com
- Nielsen www.nielsen.com/uk/en
- The Institute of Grocery Distribution www.igd.com

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