



ACS Submission - COVID-19 Impact on Food Supply Chain

1. ACS (the Association of Convenience Stores) welcomes the opportunity to respond to the House of Commons Environment, Food and Rural Affairs Committee's call for evidence on the impact of the COVID-19 outbreak of the food supply chain. ACS is a trade association representing 33,500 local shops across the UK. Our members include the Co-op, SPAR UK, Costcutter and thousands of independent retailers. For more information about ACS, please see Annex A.
2. The COVID-19 outbreak 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. We welcome that the Government acknowledged the role of workers in convenience stores and that they were included within the definition of 'key worker' during the COVID-19 outbreak. There are 405,000 people employed in the convenience sector and each person plays an important role to ensure that local shops can continue to be open and trade, serving local communities where there may not be another shop nearby.
4. 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

5. 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:
6. **Increasing Home Deliveries** – Before the COVID-19 outbreak, only 12% of convenience stores were providing a home delivery services for groceries we now estimate that the convenience sector is making 600,000 home deliveries per week

¹ ACS Local Shop Report 2019

² ACS Local Shop Report 2019

with 38% of convenience retailers deciding to introduce a delivery service as a result of COVID-19³⁴. ACS developed [guidance](#) with our Primary Authority partners, Surrey and Buckinghamshire 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.

7. **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 adding signage throughout the store in line with Government advice, restocking stores outside store opening hours, increasing hygiene measures, and limiting the number of customers in-store at any one time. ACS has produced [posters](#) to support retailers and their store colleagues to introduce social distancing and communicate changes to customers.
8. **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.
9. **Tackling Supply Issues** - Local shops have experienced supply issues, particularly on lines where there has been exceptional demand. Availability across product categories is improving but there are still critical gaps in supply, which challenges our members and their customers. Retailers have sought new supply routes by working with suppliers to hospitality and other industries where more business closures have taken place and have increased their work with local producers. ACS has also been working with the Defra, the Food and Drink Federation, and the Federation of Wholesale Distributors to discuss and resolve availability issues.
10. **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.

Please see below for ACS' response to the relevant questions below.

Have the measures announced by the Government to mitigate the disruptions to the food supply chain caused by the pandemic been proportionate, effective and timely?

11. We are pleased to have worked closely with Defra during the COVID-19 outbreak, supporting with their response to the crisis. Defra has responded very well to emerging issues raised by food retailers and acted to introduce unprecedented measures to support food retailers during this challenging time. We are also welcome

³ ACS Covid-19 Impact Survey

⁴ ACS Local Shop Report 2019

the Secretary of State's work to specifically acknowledge the importance of food retailers and their role in supporting communities during the COVID-19 outbreak.

12. We have also welcomed Defra's decision to extend the F4 group to include additional representative organisations as well as the government's effort to respond to actions following meetings of the Food Resilience Industry Forum. These meetings were initially daily and have now evolved into three meetings each week, focusing on different areas of the supply chain including smaller stores. We outlined some policy areas below where lessons can be learned in the future:

Extension of Delivery Hours

13. We welcomed the government's decision to extend the hours that deliveries can be made to food retailers to support the industry to respond to the coronavirus. The extension meant that food retailers can increase their deliveries to stores and move stock more quickly to keep up with consumer demand. Ahead of the decision to extend delivery hours, there was consensus across the retail industry that there must be some form of relaxation so that stock can be replenished on shelves quickly.
14. However, the implementation of the policy was slow, the government had said that they would work with local authorities to extend delivery hours. However, there was a substantial delay between the announcement about the extension being made by the Defra on 9th March and implementation by local authorities, which was partly due to the delay of the Written Ministerial Statement by the Ministry of Housing, Communities and Local Government

Relaxation of Competition Law Between Supermarkets

15. We understood the need to take action to relax competition law in crisis situations to ensure food supply and that due to their size, there had been a focus on supermarkets to do this. However, relaxation of competition law can have negative consequences for less dominant elements of the food supply chain, including convenience stores and the wholesalers that supply them.
16. Our concerns about the relaxation of competition law were also exacerbated by the lack of transparency in developing the Statutory Instrument. While we understand and appreciate the need to move quickly in a crisis situation, we were surprised by the small number of stakeholders that the Defra and Department for Business, Energy and Industrial Strategy sought to consult with during this process and the timeframes given to provide feedback on the legislative change.
17. At the present time, we have seen very little evidence of the use of the relaxation competition law at this stage. We would encourage the Defra, at an appropriate time, to undertake a review of the relevance and impact, for emergency measures such as these during the COVID-19 outbreak in relation to future lockdowns or other crises.

Relevant Provisions in the Coronavirus Bill

18. The Bill allows the government to restrict or prohibit events and gathering during the pandemic in any place, and where necessary, to close premises. We welcomed the inclusion of convenience stores and off licences in the definition of essential

businesses that are allowed to remain open. Local shops have a unique reach to communities across the UK and therefore it is important that they are allowed to open, in particular, in isolated areas where two thirds of consumers would need to travel more than two miles to another shop⁵.

19. The Bill only provides the power for the government to require industry to provide information about food supplies, in the event that an industry partner does not co-operate with the government's current voluntary information-sharing arrangements. At this time, it appears that the government are satisfied with their current voluntary information-sharing arrangement with industry and has not yet enacted these powers.

Clarification about Enforcement of Alcohol Licensing Conditions

20. ACS through the Retail of Alcohol Standards Group wrote to the Home Office on 12th March seeking clarification about whether they were issuing guidance to local authorities about how to manage the impact of COVID-19 on the alcohol licensing system and whether there was any flexibility regarding the enforcement of licensing conditions which could be challenging to comply with if there were staffing issues, for example, requirements to have a security guard or staffing levels that could be impacted by absenteeism due to COVID-19.
21. The Home Office Minister wrote to Chairs of Licensing Committees on 8th April urging a considered and pragmatic approach to be taken to breaches of licence conditions and procedural defects caused by the COVID-19 outbreak, particularly where breaches do not have a significant adverse impact on the licensing objectives. While we welcomed the letter and the reassurances the Minister gave, we believe a more urgent response was needed, particularly as it took nearly a month from when the Retail of Alcohol Standards Group first raised these concerns.
22. We also have concerns that closure orders can still be used by the police in response to breaches in licensing conditions or where they believe the store has not adhered to one of the four licensing objectives. These are particularly unhelpful at this moment in time as it could mean that the police could close a store, that is provide essential products and services needed by the local community.

Are the Government and food industry doing enough to support people to access sufficient healthy food; and are any groups not having their needs met? If not, what further steps should the Government and food industry take?

Essential Businesses: Convenience Stores

23. We welcomed that the government included convenience stores as an essential business. Including convenience stores within the definition of an essential business is important to provide access to food to local communities in a range of geographic areas. Local shops operate at the heart of more British communities than any other type of business, and across every type of location: villages, housing estates, neighbourhood parades, petrol forecourts and high streets. Convenience stores are the hub of new housing developments, and the last remaining store in locations that can sustain one outlet offering a broad range of products and services. Convenience

⁵ ACS Local Shop Report 2019

stores often serve communities and individuals that are not as well connected to the modern economy, offering access to services via face to face interactions. With 38% of local shops are located in isolated areas with no other businesses nearby and 42% are located on a small parade with up to five businesses nearby⁶.

24. The whole food supply chain has gone to huge efforts to feed the nation during the outbreak. We believe it is important that Defra and wider government communications reflect the diversity of food retail provision, in particularly doing more to specifically acknowledge the integral work of local shops that often serve more isolated and vulnerable communities.

Adapting Product Range

25. Convenience retailers have responded quickly by adapting product ranges offered in-store to meet changing consumer demand. Convenience retailers have shifted their offer from food-to-go to more grocery, fresh and canned and packaged goods as consumers seek to cook from scratch at home. This reinforces that convenience retailers' food offer is driven by consumer demand and that the sector has the capability and the capacity to respond to demand quickly.

Home Delivery Services

26. Before the Coronavirus outbreak, only 12% of convenience stores were providing a home delivery services for groceries; it has become the new normal for many local shops⁷. ACS developed [guidance](#) with our Primary Authority partners, Surrey and Buckinghamshire Trading Standards to support retailers wanting to offer this service and it has now been downloaded over 30,000 times. In a recent survey of members, we found that 38% of convenience retailers had introduced a home delivery service in light of the COVID-19 outbreak. We now estimate that the convenience sector is making 600,000 home deliveries per week⁸.

Supporting Vulnerable Customers

27. We have also supported volunteers to purchase food on behalf of vulnerable people by encouraging retailers to offer more flexible payment options, including offering 'card not present' payments. 'Card not present' payments are an option for customers who are unable to come into store, the details are typically provided over the phone by the customer and entered by the retailer into the card terminal. ACS has developed guidance for convenience stores on accepting 'card not present' payments, available [here](#).
28. ACS has also produced a Retail Services Checklist to support retailers serve vulnerable customers in their area. We worked with Defra to develop the checklist and valued their input. The checklist can be used by retailers to highlight what groceries and services they offer to local councils and charities who then can direct vulnerable customers to the store when they are contacted. The Checklist is available [here](#).

⁶ ACS Local Shop Report 2019

⁷ ACS Local Shop Report 2019

⁸ ACS Covid-19 Impact Survey

Free School Meals

29. The government launched the free school meal vouchers scheme to provide parents of pupils eligible for free school meals with a £15 gift card to spend at a participating food retailer. The initial launch of the scheme only featured large supermarkets as participating retailers in the scheme due to capacity issues within government departments. We were disappointed that more was not done to include convenience stores in the initial launch as local shops have a unique reach into every community across the UK. We are working with the government and EdenRed, the voucher scheme operator, on how convenience stores can get involved.
30. To date, only one convenience store operator has been able to participate in the national free school meals voucher because of the requirement for retailers to commit to acceptance across every branded retail outlet. This is a very challenging policy for the convenience sector as most convenience stores are operated by independent retailers or symbol group retailers, which are independent retailers trading under a brand for example Spar, Costcutter or Nisa meaning complete coverage cannot be guaranteed.
31. As such, we welcomed the government's recent decision to revise their guidance for schools on free school meals which states that "if the national voucher scheme is not suitable, you could consider providing alternative vouchers for a local shop or supermarket". Flexibility regarding where vouchers can be used will increase access to a greater number of children that qualify for free school meals.

What further impacts could the current pandemic have on the food supply chain, or individual elements of it, in the short to medium-term and what steps do industry, consumers and the Government need to take to mitigate them?

Food Supply to Smaller Shops

32. 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.
33. 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.

34. 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.

Store Colleagues

35. The COVID-19 outbreak has presented challenges for convenience stores as they are under significant pressures due their workforce depleting as store colleagues are required to self-isolate either because they have COVID-19 symptoms or a member of their household has COVID-19 symptoms. While work can be undertaken to maintain supply chain to stores, we still need shopworkers to serve customers, restock stores and deliver services. Early evidence from our members suggests that absenteeism has been running between 10% and 20% in retail stores and with higher absenteeism levels in wholesaler and distribution centres.
36. Convenience retailers have looked to mitigate staff shortages by taking new staff onboard as quickly as possible and put in place social distancing measures in stores to protect staff members. ACS has communicated resources on employment law and legal induction requirements to ensure stores can meet local needs. We welcome that the government recognised that workers in food stores play an essential role and classed them as key workers.

Testing

37. We welcomed the government's decision to extend COVID-19 testing to key workers, including convenience retailers and their staff which is being led by the Department of Health and Social Care. Widespread testing of essential workers and members of their household is the most effective way to return people to work and secure food supply. However, there has been a lot of confusion about how the testing process works. Our understanding of the employer referral process was also different to what was launched as we had expected employers would be able to register directly with the portal but it appears that employers will have to instead email a Department of Health and Social Care email address to obtain login credentials.
38. This two-step registration process for the portal is resulting in significant delays for retailers seeking to refer employees for testing. At present, retailers have waited seven days to receive their login credentials to use the portal and it is still unclear when they will receive them. Defra played an integral role in ensuring that food retailers and representative organisations including ACS were involved in initial and ongoing discussions about the testing process. As such, it is disappointing that the Department of Health and Social Care has not continued to engage directly with food retailers particularly through these teething issues.

Action from Government

Tobacco

39. Retailers are also facing regulatory burdens on top of pressures they are facing directly from the COVID-19 outbreak. There are two imminent pieces of tobacco regulation due to be implemented on 20th May 2020 that are significant cause for concern for retailers; the menthol cigarettes ban and sell through period for unmarked stock in the tobacco track and trace system are due to come into effect.
40. We are supportive of both the tobacco track and trace system and the menthol cigarettes ban but our concerns relate to their timing as it makes it incredibly challenging as retailers are faced with the COVID-19 crisis. In particular, the loss of support of representatives from tobacco suppliers who visit stores to help retailers comply with legislation, additional staff resources required to organise and remove non-compliance stock from the gantry, and low consumer awareness about the menthol cigarettes ban which would lead to confrontations from customers in-store.
41. As such, we would welcome further clarity as to whether the government has taken consideration the capacity of retailers, large and small, to comply and communicate the changes effectively during the COVID-19 outbreak and what measures, such as the relaxation of enforcement, can be introduced to support businesses. ACS has written to Ministers⁹ asking for clarity but have not yet received a response from the Exchequer Secretary.

Environment Bill

42. The Environment Bill is also currently in Parliament which will introduce a wide range of measures that will impact businesses, including the introduction of a deposit return scheme which will require retailers to take back drinks packaging in-store. These measures are currently due to come into effect in 2023, however, we believe that the government should consider whether there is a need to delay in light of pressures retailers are facing from COVID-19 as there may be less time to prepare and invest in the infrastructure needed to be put in place. Moreover, if social distancing measures including limiting the number of customers in-stores continues indefinitely, the government should reconsider if it is sensible (or even feasible for manual returns) to locate return points in-stores.

How effectively has the Government worked with businesses and NGOs to share information on disruptions to the supply chain and other problems, and to develop and implement solutions? How effectively have these actions been communicated to the public?

43. We acknowledge the excellent work the government and civil servants are doing to respond to the crisis and have engaged extensively with Defra through a large number of working groups including: daily ministerial calls, weekly retailer forum calls and weekly Food Chain Emergency Liaison Group calls, as well as other direct contact with a wide range of officials to support the convenience sector's response to the COVID-19 outbreak.

⁹ [ACS Letter to Public Health Minister and Exchequer Secretary](#)

Communications

44. We would value more clarity regarding Defra's internal operating structures, their lines of responsibility, and points of contact for different policy issues. This could be achieved through a simple organogram to display the department structures and designated sector lead teams and which issues should be directed to which teams. Having this information could provide certainty to external stakeholders but also mean when a query is raised it can be answered more promptly as it was initially directed to the correct team.

Social Distancing

45. The grocery food supply chain has had to work quickly during the outbreak, often working quicker than government to develop and implement solutions in-store. This is particularly evidence regarding retailers' decisions to introduce social distancing measures in-store by installing plastic barriers at till areas, placing floor markers, and managing the number of people coming in-store. These types of measures were introduced before the government's official guidance what social distancing measures should be implementing in-store by essential businesses.

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.



WHO WE REPRESENT

INDEPENDENT RETAILERS



ACS represents almost 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 13,000 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

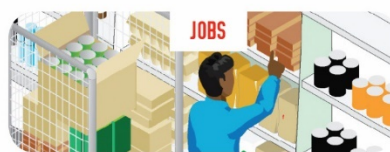


In 2019, the total value of sales in the convenience sector was £40.3bn.

The average spend in a typical convenience store transaction is £6.38.



There are 46,388 convenience stores in mainland UK. 71% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.



The convenience sector provides flexible employment for around 405,000 people.

18% of independent/symbol stores employ family members only.



19% of shop owners work more than 70 hours per week, while 17% 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.

78% of independent/symbol retailers have engaged in some form of community activity over the last year.



Between August 2018 and May 2019, the convenience sector invested over £633m 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 around 2,400 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 7,556 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