

ACS Submission: The Welsh Economy and Covid-19

1. ACS (the Association of Convenience Stores) welcomes the opportunity to submit evidence to the Welsh Affairs Select Committee inquiry on the impact of Covid-19 on the Welsh economy. ACS represents 3,000 local shops and petrol forecourts trading across Wales, including thousands of independent retailers, many of which trade under brands such as Spar, Nisa and Costcutter.

Impact of Covid-19

2. Covid-19 has reaffirmed the value of local shops in supplying essential products and services to communities that would otherwise lack provision. The Welsh convenience sector provides groceries and services within all types of rural (62%), suburban (22%) and urban (16%) communities¹. Rural shops in Wales 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 (43%)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 urban 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 meeting rapidly changing customer and community needs. Beyond quickly implementing social distancing advice, retailers have adapted their product ranges with sales increasing for fresh food, canned and packaged groceries but declining from food to go and coffee. ACS has also launched a campaign with the Competition and Markets Authority to both communicate to customers about price fluctuations due to either wholesale price increases or supply changes and call on retailers to report any price gouging activity from businesses in their community³.
5. Convenience retailers have also dramatically increased home deliveries to reach customers unable to get to store. Before the outbreak only 14% of convenience stores offered home delivery services, now we estimate that local shops are providing 600,000 home deliveries per week⁴. Although product availability has varied due to supply issues, local shops 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.

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

¹ ACS Welsh Local Shop Report 2020

² ACS Welsh Shop Report 2020

³ [ACS Urges Retailers to Report Profiteering to CMA in New Campaign](#) 7 April 2020. Association of Convenience Stores

⁴ ACS Covid-19 Impact Survey: May 2020

What additional financial support does the Welsh economy require in order to survive during the pandemic and to recover afterwards?

6. We recognise that the UK and Welsh Governments have acted decisively to announce business support measures. The cash grant funds are providing crucial injections to support cashflow. Business rates discounts, commercial renter protections and tax support via deferred VAT payments and extensions for filing Companies House accounts are relieving financial pressures and enabling retailers to focus time and resource on adapting to Covid-19. We believe a tapered easement of financial support to prevent 'cliff-edge shocks' and support the post-Covid retail recovery should be followed, for example by the Welsh Government extending business rates discounts into 2021/22.
7. Populus polling in May 2020 finds that 40% of Welsh consumers are either hesitant or do not plan to shop on the high street after lockdown⁵. A new High Streets Plan is therefore required to aid the post-Covid economic recovery. This Plan should be agreed after consultation with retail stakeholders of all sizes and contain overriding objectives to support the entire retail sector, instil consumer confidence and encourage placemaking activities.

What support is needed from the banking sector to support businesses and organisations during the pandemic and the reconstruction period that will follow?

8. The 100% Government-backed Bounce Back Loan Scheme should prevent retailers from being rejected for finance by removing risks for banks and has a far simplified application process over the Covid-19 Business Interruption Loan Schemes. However, the banking industry also has a responsibility to properly fund the ATM network to provide access to cash beyond the Covid-19 crisis.
9. Access to cash remains important for convenience store customers. 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 method⁶.
10. The Government and banking industry cannot allow Covid-19 to destroy the 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 security and privacy reasons by customers⁷. 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 as consumers stay at home, causing operators to cut fees for retailers and fundamentally undermining the viability of thousands of free-to-use machines.
11. 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 ATMs⁸.

⁵ ACS/Populus Grocery Shopping Survey: 7 May 2020

⁶ The Retail Data Partnership. April 2020

⁷ [PSR publishes detailed research into how people and business access cash](#) 24 July 2019. Payment Systems Regulator

⁸ [Maintaining the UK's Free LINK ATM Network](#) 10 April 2020. LINK