THE LOCAL SHOP REPORT 2014

ACS | the voice of local shops

A report by the Association of Convenience Stores

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ABOUT THE REPORT

The Local Shop Report 2014 is the third edition of this report on the growing convenience store sector. The report builds on the insights that were revealed in the 2012 and 2013 reports, updating information to reflect the changes in the sector whilst also including brand new data, providing a deeper understanding of the people who run convenience stores, their staff and customers.

New for the 2014 report is an entire chapter devoted to the services that convenience stores offer their customers and the technology that they are investing in to provide a better shopping experience. For the first time, we are able to provide a comprehensive view of the number of stores that offer services like home grocery delivery, and technological advances like contactless payment.

This report brings together data from well-respected research organisations such as him! Research and Consulting, the Institute of Grocery Distribution, Nielsen and William Reed Business Media, with new research designed and commissioned by ACS. Together these data sources provide a rich picture of the economic and social value of local shops.

CONVENIENCE STORES – THE MODERN LOCAL SHOP

The local shop is a 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:

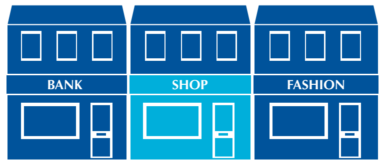
- Open for long hours, usually seven days a week, and not subject to restrictions under the Sunday Trading Act.
- Occupying a small store premises - usually smaller than 280 square metres or 3,000 square feet (see page 7).
- Stocking a broad range of product categories (see page 9).

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

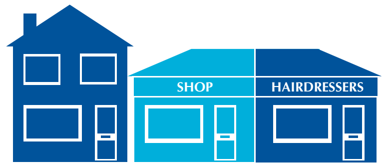
Industry experts tend to categorise the industry by ownership types (for a full breakdown see page 7) – there are:

- 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 McColl's Retail Group, 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:

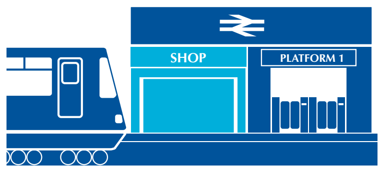


High Street
Operating as part of a mix of stores serving the needs of those living in centres and the shopping needs of workers and shoppers.



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 38%

SUBURBAN 24%

URBAN 38%

Source: WRBM/Nielsen

SUMMARY

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 Consulting. 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

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SHOPS

There are **50,747** convenience stores providing access to essential grocery retail throughout mainland Britain.
- **41,983** in England.
- **5,545** in Scotland.
- **3,219** in Wales.

Wales has more shops per head than any other part of the UK with **one shop** for every **955 people**, whereas the south east region has the least with **one shop** for every **1,418 people**.

The vast majority – **77%** – of the shops 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.

There are significant differences between the store sizes of multiple and independent retailers. Just **under half** of independent stores **(49%)** are under 1000 sq ft, compared to **24%** of multiple stores.

More than **two thirds** of independent retailers **(67%)** own the premises they operate from (rather than renting).

Convenience stores on petrol forecourts are an important part of the market with a combination of multiple and independent stores making up **17%** of convenience stores.

JOBS

Convenience stores provide more than **386,000** jobs.
- **319,925** in England.
- **42,255** in Scotland.
- **24,530** in Wales.

Job profiles
Jobs in convenience are local and flexible therefore attract a wide variety of people:
- **63%** of staff are women.
- **20%** are aged between 18 and 24.
- **9%** are aged over 60.

63% of employees work less than 30 hours a week.
17% of employees are engaged in full or part time study.

Over **77,000** employees have worked in their store for more than 10 years.

86% of employees have worked in their store for more than one year and **17%** for over ten years..

Convenience stores offer valuable career and training opportunities. **52%** of shops offer licensing qualifications for staff, and **47%** of stores offer staff the opportunity to complete other formal qualifications.

Family Employment
Amongst independent businesses **24%** employ only themselves and members of their family. **52%** employ at least one other member of their family.

CUSTOMERS

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

Customers choose stores based on the friendliness of staff (**26%** of customers cite this reason), followed by the range of products on offer (**21%**).

Customers are overwhelmingly local with more than **81%** travelling less than a mile to use the store. **57%** travel to their local shop by foot, compared to **39%** by car and **3%** by public transport.

Local shops serve slightly more female customers **(56%)** than male **(44%)**. Almost a quarter of customers **(24%)** use their local shop every day, and **81%** of customers pay by cash.

FEATURES

Stores now feature a variety of services and offerings for consumers. Popular services like mobile phone top up **(83%)**, lottery **(75%)** and an alcohol licence **(87%)** are staples of convenience.

Stores are also diversifying their service offering to include more technology to improve the customer experience:
- **10%** of stores have digital advertising screens.
- **19%** of stores offer hot food to go.
- **59%** of stores have a cash machine.

SALES

The total value of sales in convenience stores is **£37.4bn** which accounts for **a fifth** of the UK grocery market.

Sales in convenience grew by **5.2%** year on year.

Sales by ownership
Symbol groups* are the biggest contributor to sales, accounting for **41.5%** (£15.5bn) of sales. Non-affiliated independents account for **17.4%** (£6.5bn) total sales.

Multiple chains and co-operatives account for **30%** (£11.4bn) of total sales.

Sales by category
Convenience stores continue to develop their top up grocery offering with chilled and fresh fruit and veg accounting for **19.8%** of sales.

The diverse range of products that are offered has also been highlighted in this year's report:
- Frozen food accounts for **2.5%** of sales.
- Non-food items (including household and health and beauty products) account for **6.2%** of sales.

The range of food types offered by convenience stores is only possible through effective refrigeration. **95%** of stores have some form of refrigeration in-store.

* Symbol group means retailers – usually independents – trading together under a common brand.

ENTREPRENEURS

The vast majority of shops **(77%)** are run by small business owners. The sector is increasingly entrepreneurial; more than **75%** of owners are the first generation of their family to own or run a business in the UK.

Among this group:
- **31%** are women.
- **11%** are under 30 years old.
- **8%** have been in business for more than 30 years.
- **40%** of businesses are owned by family partnerships.

Convenience store owners work very long hours – **23%** work longer than 70 hours a week and **20%** take no holiday in the year at all.

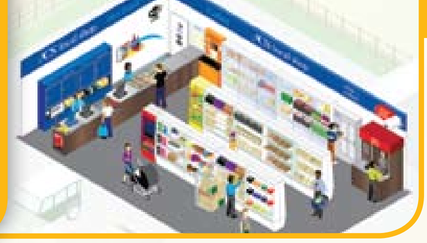
Ethnicity
Just over half of business owners describe themselves as Asian or British Asian **(51%)** and just under half **(47%)** describe themselves as White British.

There are significant variations between regions; in London **82%** of independent retailers are Asian, whereas this number is only **17%** in the south west.

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

In Wales **20%** of retailers speak Welsh.

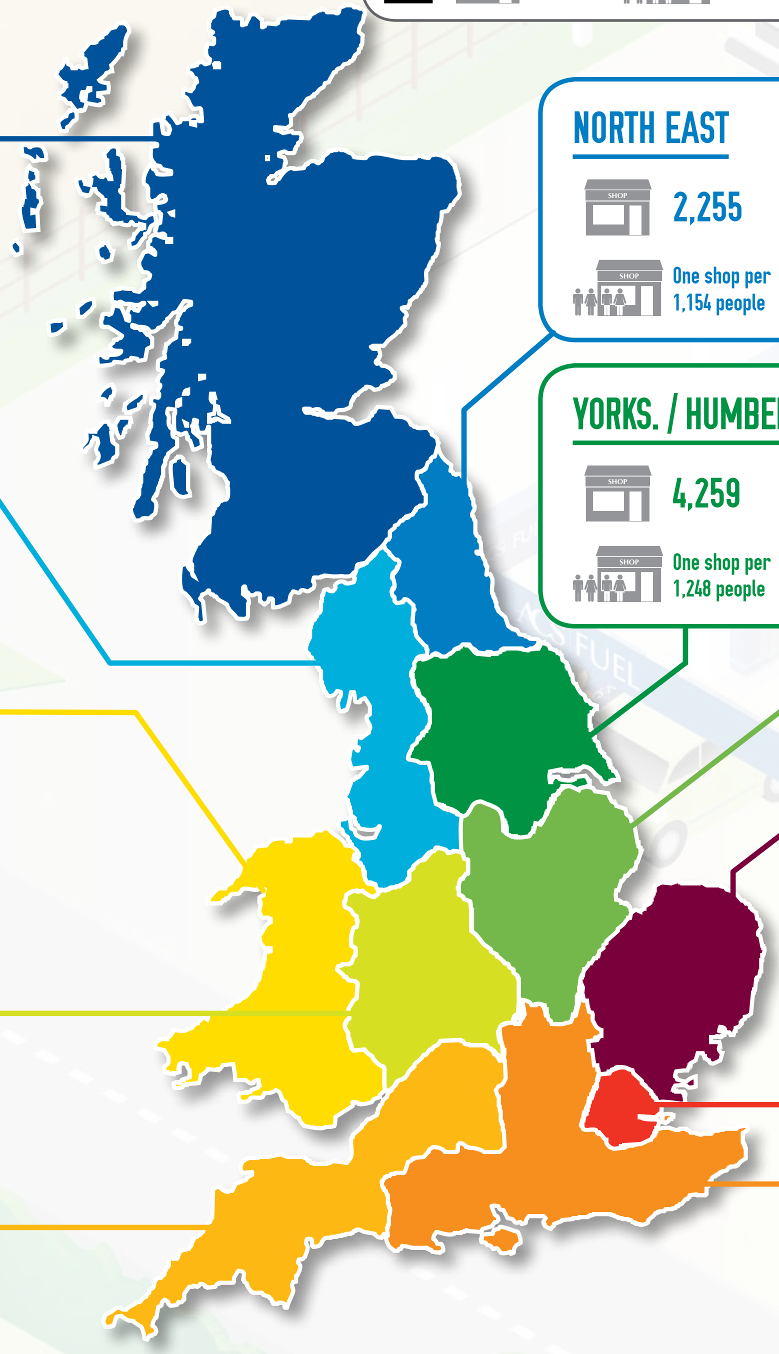
SHOPS



SHOP NUMBERS

There are **50,747 convenience stores in England, Wales and Scotland**. Wales has more shops per head of the population than any other part of the UK with one shop per 955 people, whereas the south east has the least with one shop per 1,418 people.

KEY: NUMBER OF SHOPS | POPULATION PER SHOP



SCOTLAND
5,545
One shop per 958 people

NORTH WEST
5,411
One shop per 1,309 people

WALES
3,219
One shop per 955 people

WEST MIDLANDS
4,827
One shop per 1,167 people

SOUTH WEST
4,741
One shop per 1,126 people

NORTH EAST
2,255
One shop per 1,154 people

YORKS. / HUMBER
4,259
One shop per 1,248 people

ENGLAND TOTAL
41,983
One shop per 1,274 people

EAST MIDLANDS
3,715
One shop per 1,230 people

EASTERN
4,292
One shop per 1,376 people

LONDON
6,332
One shop per 1,312 people

SOUTH EAST
6,151
One shop per 1,418 people

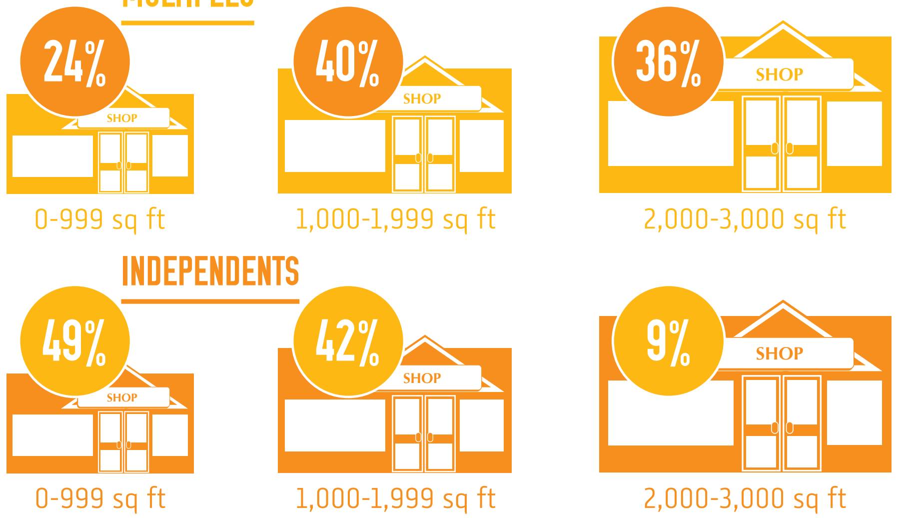
Source: WRBM/Nielsen 2014 and ONS 2011

SHOP SIZE

There is a significant difference between stores operated by multiple companies and by independent retailers. Multiple and co-operative owned stores tend to be larger, while the vast majority of independent stores are under 2000 sq ft.

There are a small number of multiple and co-operative owned stores which are over 3,000 sq ft, but these have not been included for the purposes of this report.

Source: ACS Survey 2014



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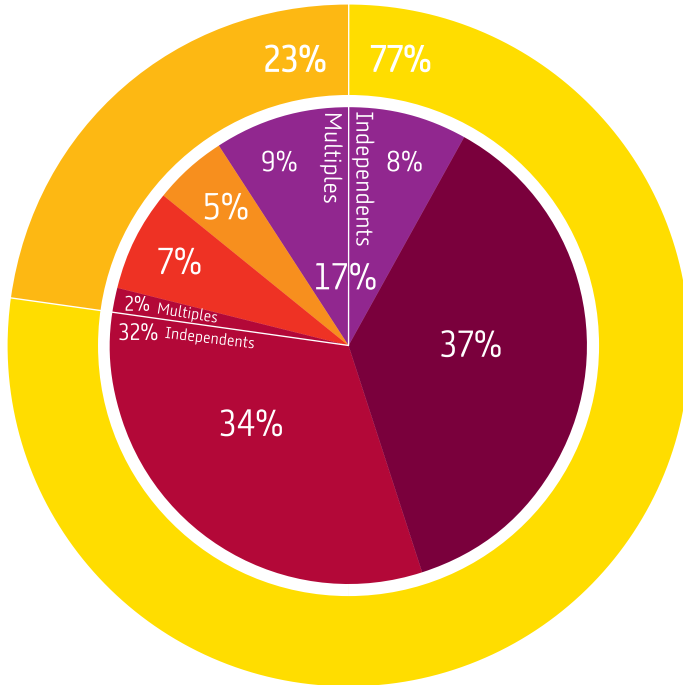
SHOP OWNERSHIP

The vast majority of shops in the convenience sector are owned and operated by small business owners or 'independents'. Together independents operate 77% of the shops in the sector.

The 'symbol' groups are predominantly groups of independent retailers trading under a common customer facing brand – familiar symbol group brands include Spar, Costcutter, Londis, Nisa Local, Premier, Mace and Best One. There are more than 16,000 shops run by independent retailers that choose to trade in this way. However there are also more than 1,000 stores that trade under these brands but are chains of 10 or more stores run from a centralised head office.

Convenience stores operated on 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 17% of the convenience sector.

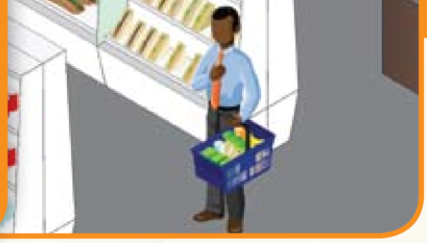


Source: WRBM/Nielsen 2014

PREMISES OWNERSHIP

Source: ACS Survey of Independent Retailers 2014

SALES



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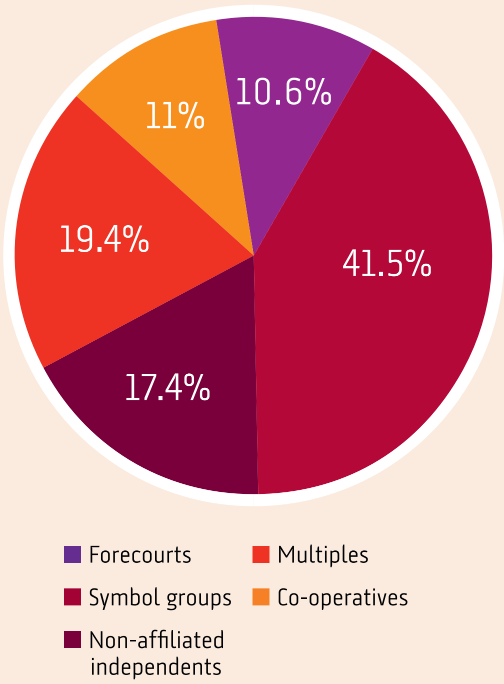
The total value of sales through the convenience sector in 2013 was £37.4 billion. This amounts to over a fifth of the total Grocery Market. It is also a sector in considerable growth having increased by 5.2% over the last year.

Shops run by independents tend to be smaller, both in terms of size and turnover. Multiple chains and co-operatives represent a significantly higher proportion of sales as compared to the number of stores they operate.

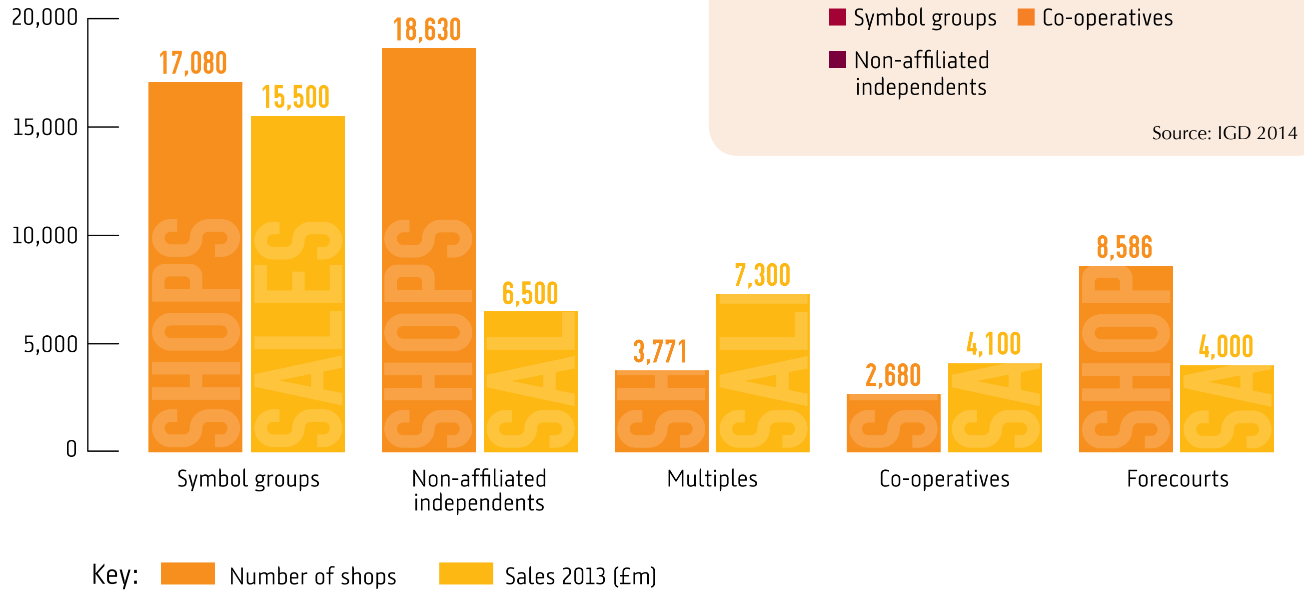
SHOP OWNERSHIP / SHARE OF SALES

Independent retailers (non-affiliated and symbol) are the biggest contributor to the overall sales of the sector, in addition to having the highest number of stores by a significant margin. However, the biggest growth area in convenience over the last year has been multiple retailing, which now account for almost 20% of the sales in the sector.

SALES / MARKET SHARE



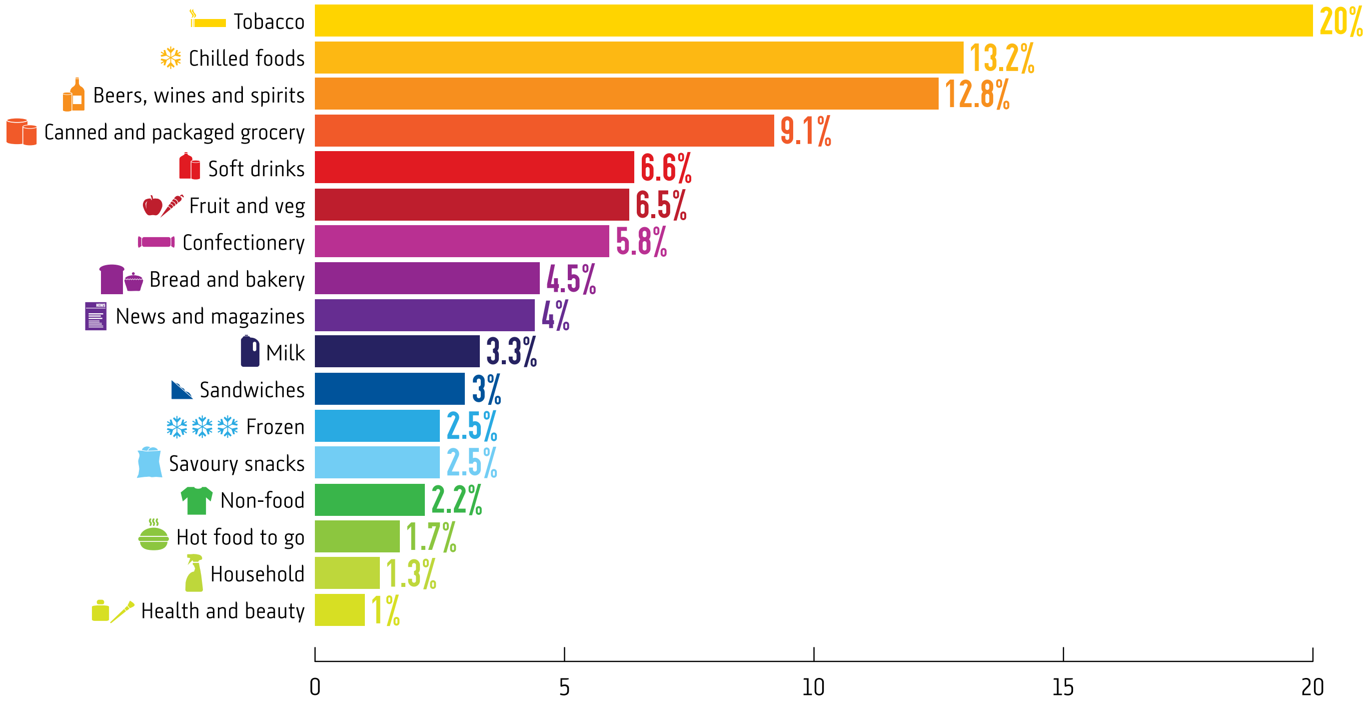
Source: IGD 2014



Store numbers: WRBM/Nielsen/IGD, Sales data: IGD 2014

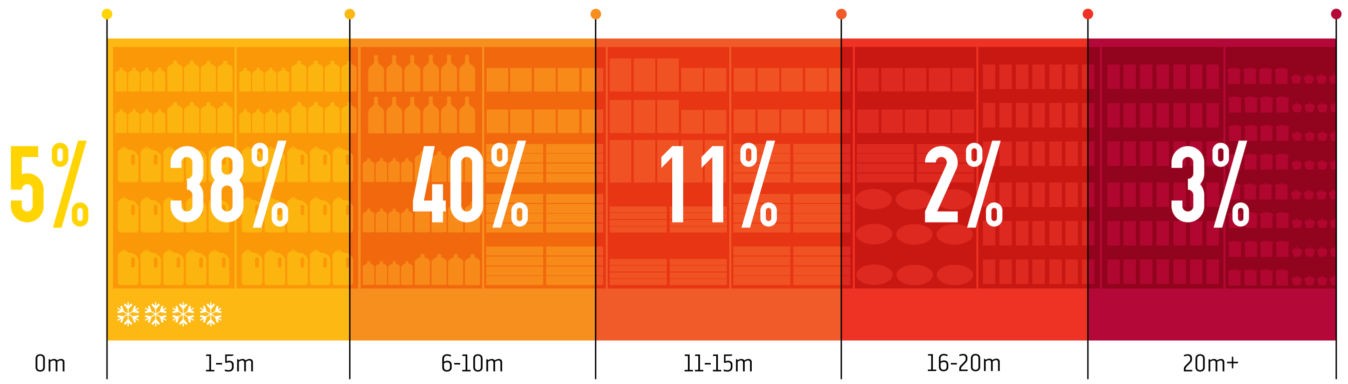
SHOP CATEGORIES

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 type. This chart shows the average sales contribution made by product category. Retailers who offer a diverse range of product categories have made investment in refrigeration in-store. Most retailers have between six and ten metres of refrigeration space in-store.



Source: IGD 2014

REFRIGERATION



Source: ACS Survey 2014

FEATURES

Convenience stores now provide a diverse range of services beyond the traditional top products. Key services such as bill payment, lottery and mobile top up are some of the most commonly available in stores, but others such as click and collect, loyalty cards and prescription collections are growing in availability. The food offer has also diversified into food to go and hot coffee.

There has been significant investment in technology, both with the intention of saving energy through smart meters and chiller doors, and also to provide a better experience for customers through in-store Wi-Fi and digital advertising screens, amongst other innovations.

IN-STORE FEATURES

- Community noticeboard: **23%**
- Customer toilets: **8%**
- Seating area: **3%**

LICENSING

- Alcohol licence: **87%**
- Late night refreshment licence: **8%**
- Fireworks licence: **4%**

TECHNOLOGY

- Chiller doors: **45%**
- Store website: **23%**
- Energy saving technology: **22%**
- Contactless payment: **17%**
- Digital advertising screens: **10%**
- In-store Wi-Fi: **8%**
- Digital shelf edge labels: **2%**

SERVICES

- Parcel services: **26%**
- Recycling services: **21%**
- Post Office: **21%**
- Local grocery delivery: **16%**
- Home news delivery: **13%**
- Click and Collect: **10%**
- Online / mail order collections: **9%**
- Photo booth: **4%**

BEHIND THE COUNTER

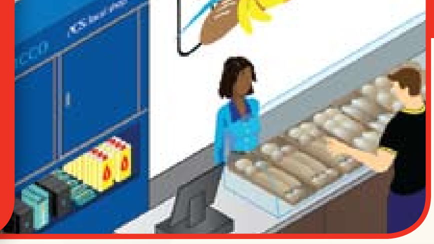
- Mobile phone top up: **83%**
- Lottery: **75%**
- Bill payment services: **51%**
- Cash back: **50%**
- EPoS: **48%**
- Loyalty card: **18%**
- Car wash: **5%**
- Prescription collections: **2%**
- Self-serve checkout: **2%**

FOOD AND DRINK

- Freezer units: **77%**
- Coffee machine: **27%**
- Hot food to go: **19%**
- Hot food counter: **13%**
- Microwave: **5%**

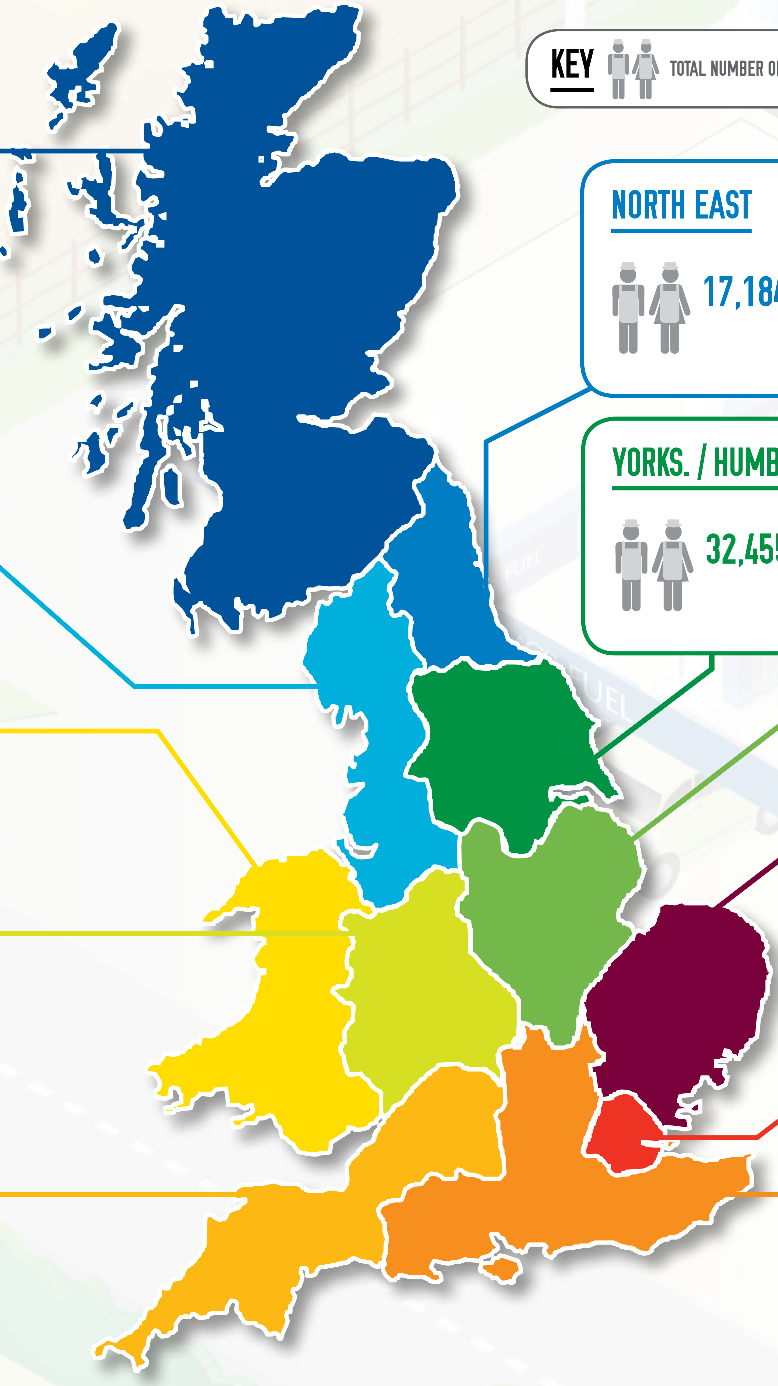
All data on these pages – source: ACS Survey 2014

JOBS



Convenience stores provide in excess of 386,000 jobs, an average of 7.6 employees per store. Roughly two thirds of staff are women (63%), and the same the same number (also 63%) work less than 30 hours per week. The convenience sector is often seen as offering temporary employment, but this is not necessarily the case as only 14% of staff have worked in-store for less than a year.

Amongst independent businesses, family employment is an important feature. 24% of independents employ only themselves and other family members. More than half (52%) employ at least one member of their family.



KEY TOTAL NUMBER OF JOBS

SCOTLAND 42,255

NORTH WEST 41,234

WALES 24,530

WEST MIDLANDS 36,783

SOUTH WEST 36,128

NORTH EAST 17,184

YORKS. / HUMBER 32,455

ENGLAND TOTAL 319,925

EAST MIDLANDS 28,310

EASTERN 32,707

LONDON 48,252

SOUTH EAST 46,873

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PEOPLE

GENDER PROFILE

37% 63%

AGE PROFILE

20% 9%

16-24 years old

Over 60 years old

FAMILY EMPLOYMENT

52% Employ at least one other family member

48% Employ no family members

24% Employ family only

HOURS WORKED

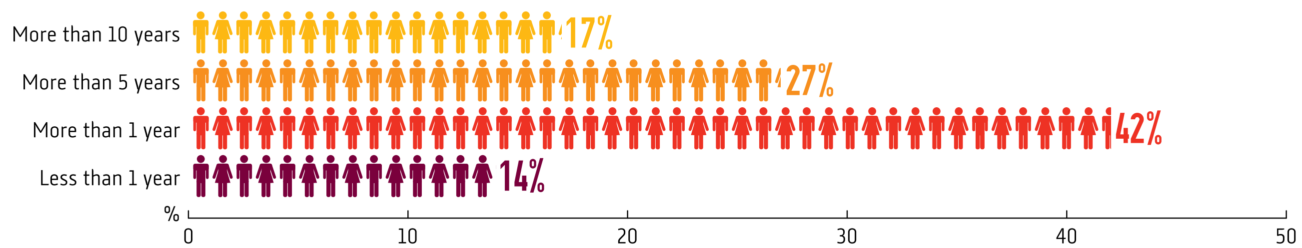
0-16 31%

16-30 36%

30-40 27%

40+ 6%

LENGTH OF EMPLOYMENT



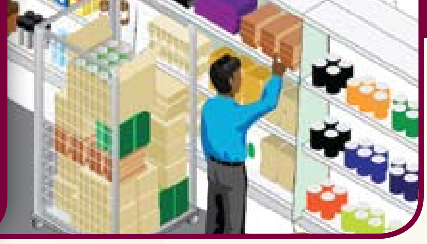
47% of shops offer staff the opportunity of formal qualifications

52% of shops offer licensing qualifications for staff

Over 66,000 staff have worked in-store for more than 10 years

All data on these pages – source: ACS Survey 2014

ENTREPRENEURS



The vast majority of shops are run by small business owners, having set up the store that they run. More than 75% are new entrepreneurs, while 8% have been in business for over 30 years. These business owners work very long hours, with one in five taking no holiday throughout the year.

Over half of business owners (51%) describe themselves as Asian or British Asian, compared to 47% that describe themselves as white British. There are significant regional variations in the country; in London, 82% of independent retailers are British Asian, whereas this number is only 17% in the south west.

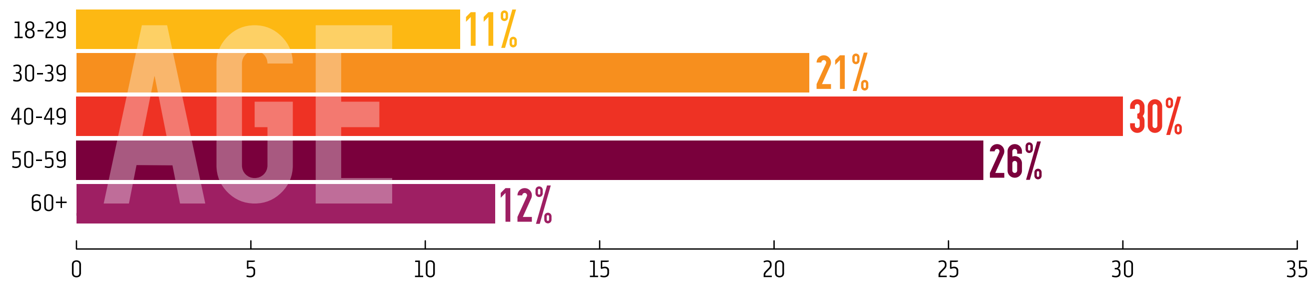
23% of shop owners work more than 70 hours per week

8% of shop owners have worked in their business for over 30 years

40% of businesses are owned by family partnerships

20% of shop owners take no holiday per year

OWNERSHIP AGE PROFILE

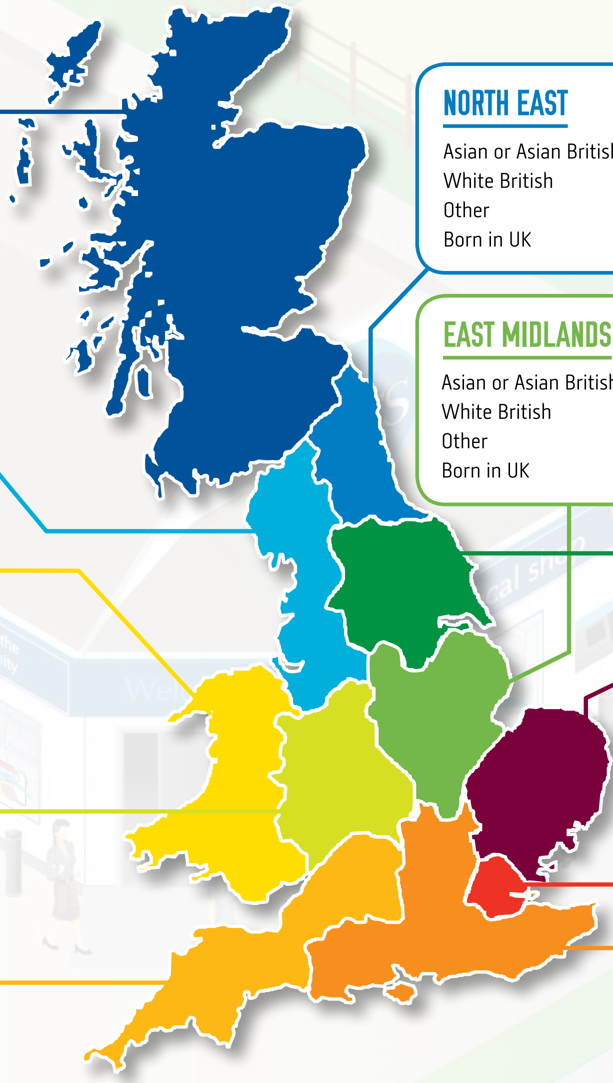


OWNERSHIP GENDER PROFILE

69% 31%

All data on this page – source: ACS Survey 2014

ETHNICITY OF OWNERS



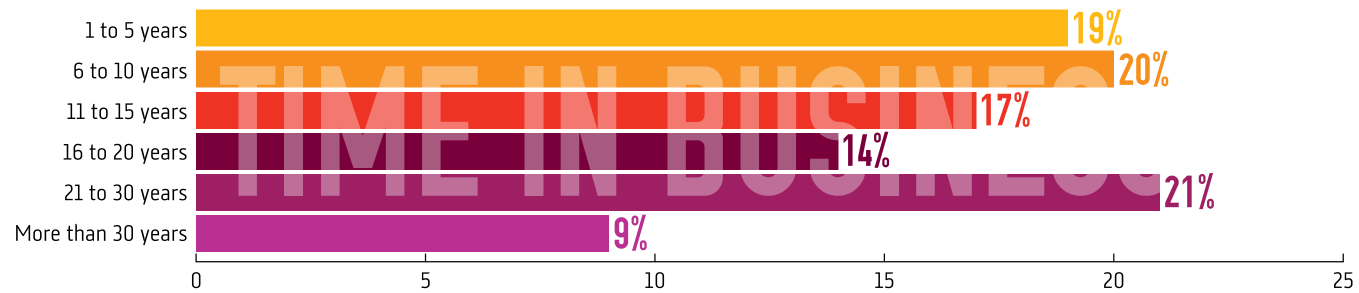
Region	Asian or Asian British	White British	Other	Born in UK
SCOTLAND	44%	55%	2%	77%
NORTH WEST	46%	52%	3%	72%
WALES	29%	69%	3%	81%
WEST MIDLANDS	53%	46%	2%	68%
SOUTH WEST	17%	79%	4%	85%
NORTH EAST	49%	50%	1%	76%
EAST MIDLANDS	55%	44%	2%	59%
ENGLAND TOTAL	50%	47%	3%	67%
YORKS. / HUMBER	44%	54%	2%	72%
EASTERN	47%	52%	2%	64%
LONDON	81%	10%	10%	32%
SOUTH EAST	61%	38%	2%	53%

BUSINESS PROFILE

75% 25%

First time investor | Inherited family business

TIME IN BUSINESS



All data on this page – source: ACS Survey 2014

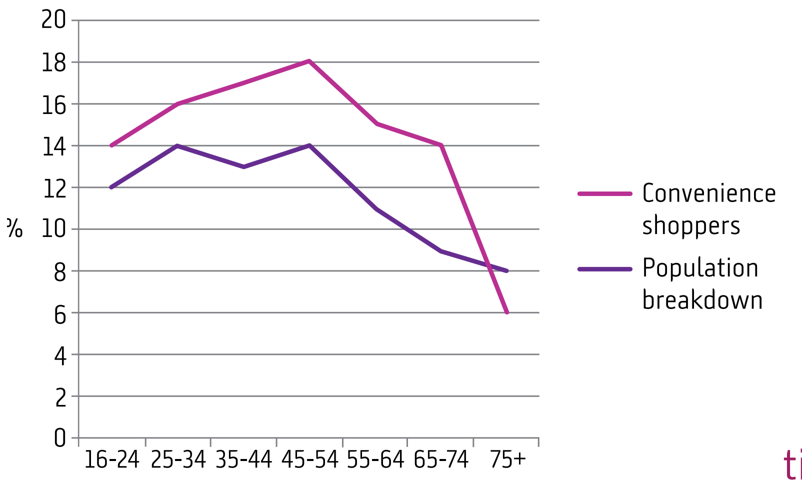
CUSTOMERS

People of all age groups use their local shop, with the age of customers matching closely to the distribution of ages in the population. From the viewpoint of the customer, the friendly staff are the most important reason for choosing a convenience store, followed by a diverse range of products.

Customers are overwhelmingly local with 81% having travelled less than one mile and 57% having walked to the shop. Customers also shop frequently, with 24% visiting the store every day.

CUSTOMER PROFILE

AGE OF SHOPPERS/AGE OF POPULATION



the average spend is £6.13p

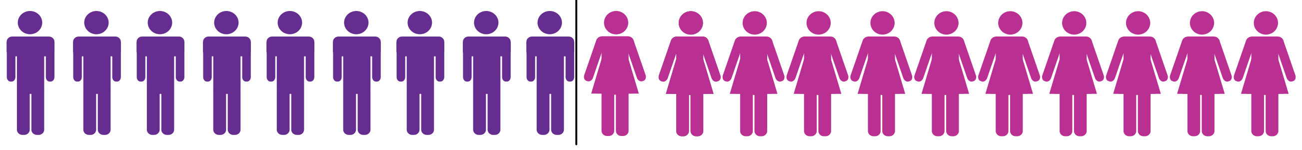
44% work full time

81% of customers pay by cash

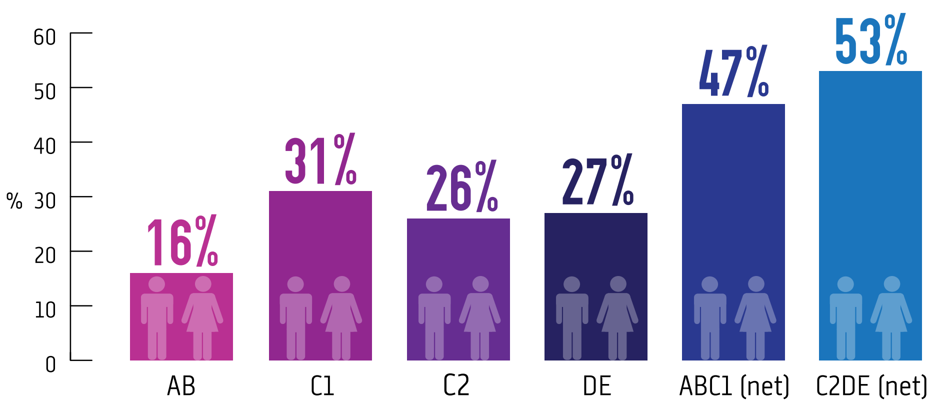
the average time in-store is 5 mins

GENDER PROFILE

44% 56%



SOCIAL GROUPS



All data on this page – source: him! CTP 2014

SHOPPER PROFILES

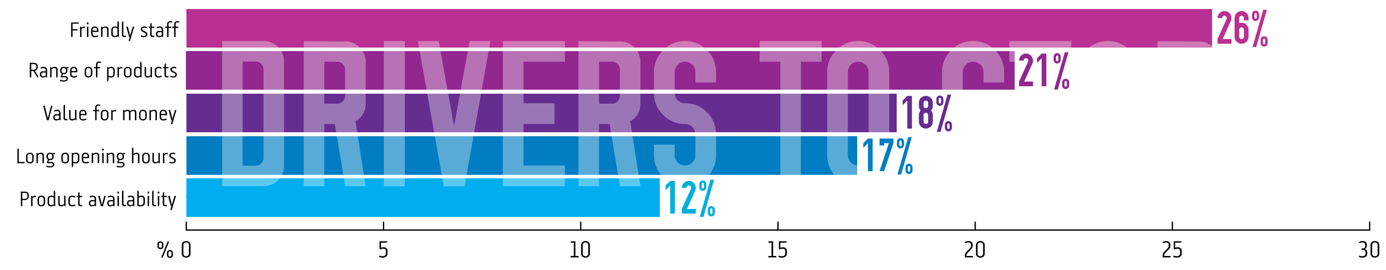
RETIRED GREYS 21%

COUPLES WITH YOUNG CHILDREN 19%

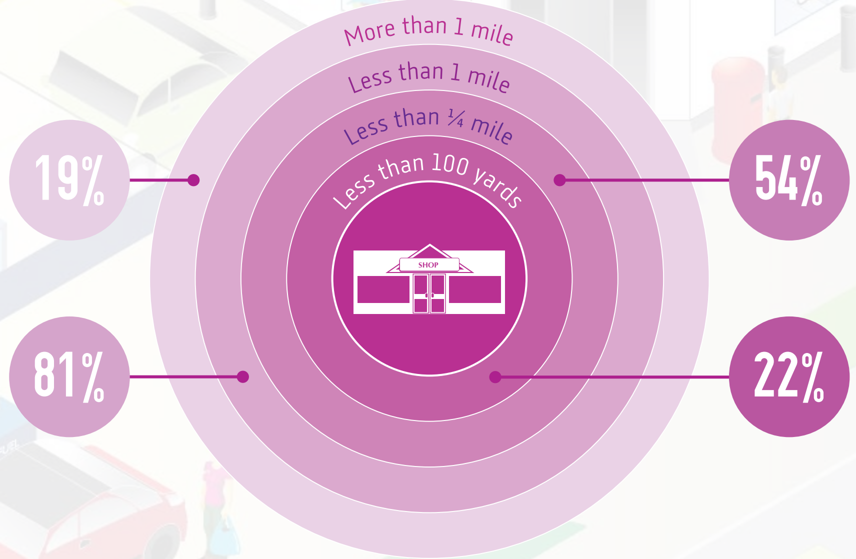
BUSY PROVIDER 17%

CHILD-FREE COUPLES 15%

TOP FIVE DRIVERS TO STORES



DISTANCE TRAVELLED TO STORE



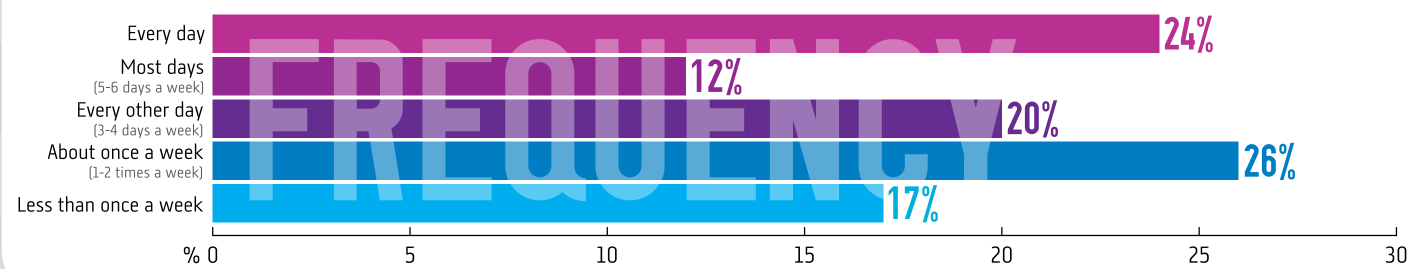
MODE OF TRAVEL TO STORES

57% Walk/on foot

39% Drive

3% Other

VISIT FREQUENCY



Source: him! CTP 2014

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 aid in the design and delivery of the survey. The survey was carried out over the phone by BCC Marketing Ltd. between 28th June and 19th July 2014. The survey gathered responses from non-affiliated independent convenience stores and independent stores that are part of central buying or marketing (known as 'symbol') groups. These are represented in the survey in the same proportion as they are represented in the market. The survey covers the nine regions of England, along with Wales and Scotland 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 on 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 5,486 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 several 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 2014 report – Institute of Grocery Distribution
This report is compiled by the IGD based on the sales data up to the end of 2013.

Convenience Tracking Programme – him! Research and Consulting
This programme is a survey of over 20,000 convenience shoppers conducted at the 'moment of truth' in-store. References are to the 2014 survey (unless otherwise referenced).

Population data – The Office of National Statistics
Data is taken from UK Population Estimates released on 26th June 2014.

References

The Modern Local Shop (page 3) – Percentages for rural/urban/suburban split sourced from WRBM. Definitions are based on population density and are derived from postcode 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 population per store results.
- Store size – data obtained from ACS independents and multiple surveys. Figures for unaffiliated independents and symbol group members were collated separately to the results for multiples in order to determine overall results for the sector.
- Store Ownership – ACS calculation based on figures sourced from WRBM.
- Premises Ownership – this figure relates to independent retailers only and is based on their response to the questions in the survey.

Sales (page 8-9)
- Store ownership/share of sales – figures sourced from the IGD Convenience Retailing 2014 Report.
- Sales/market share – figures sourced from the IGD Convenience Retailing 2014 Report.
- Shop categories – figures sourced from the IGD Convenience Retailing 2014 Report.
- Refrigeration – ACS Independents and Multiples surveys asked respondents to estimate how much refrigeration they provided 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.

Features (page 10-11)
- All numbers: 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 12-13)
- 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 and multiplying this by the number of stores in each region. The average employment figure was calculated by dividing the total number of jobs in the sector by the total number of stores in the sector. The following averages were identified for jobs per store in each retailer type:

  - Non-affiliated independent – 4.36.
  - Symbol group independent – 6.04.
  - Multiple/co-operative/forecourt multiples/symbol group multiples – 16.27.
  - Forecourt independents – 5.20.
  - Whole sector average – 7.6.

- People – Data for age and gender statistics, family employment, hours worked, length of employment and employee lifestyles was obtained from ACS Independents and Multiples survey.
- Qualifications – ACS Independents and Multiples surveys asked respondents to list which qualifications were offered to staff. 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 14-15)
- 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.
- Asian or Asian British category combined results received for each of the following categories: Asian or Asian British, Indian, Pakistani, Bangladeshi, any other Asian background.

Customers (page 16-17)
- All data in this section was obtained from him! CTP 2014.

Comparisons 2013/2014 (p19)
Fastest growing category: The total value of sales in the fruit and veg category in 2013 was £2.24bn; in 2014 it was £2.43bn. This is an increase of 8.4% (this figure is based on an extrapolation taking the total value of sales in the sector as reported on page 8, and the category share data on page 9).

COMPARISON 2013/2014

This page shows some of the significant changes between 2013 and 2014 Local Shop Reports. More detailed comparisons of the two reports are available to ACS members. Contact details are on the back page of this report.

ACS the voice of local shops

STORE NUMBERS

2013: 49,888

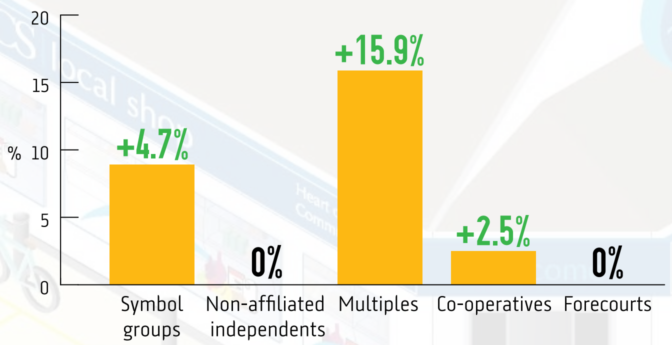
2014: 50,747 ▲

JOBS

2013: 374,944

▲ 2014: 386,710

SALES



FIRST TIME INVESTOR

2013: 73%

2014: 75% ▲

CATEGORIES

FASTEST GROWING

▲ Fruit and veg: +8.4%

WORST PERFORMING

▼ News and magazines: -4.5%

AVERAGE SPEND

2013: £6.04 ▲ 2014: £6.13

SERVICES

▲ Cash machines:
59% of retailers have a cash machine in 2014, compared with 54% in 2013

VISIT FREQUENCY

At least once a week:

2013: 84%

▲ 2014: 86%

24% of customers visit their local shop every day

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:

CONTACTS

For more details on this report, contact
Chris Noice at ACS at chris.noice@acs.org.uk

For more details on ACS:
Visit: www.acs.org.uk
Call: 01252 515001
Follow us on Twitter: @ACS_Localshops

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