

# A GUIDE



## HOW TO OPEN A LOCAL FOOD SHOP



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A GUIDE

# HOW TO OPEN A LOCAL FOOD SHOP

## INTRODUCTION

This publication is intended to demonstrate how a range of different people set up their food retail businesses and to highlight some of the lessons that can be learned from their experiences. You may have some ambition to set up a food shop yourself and thus be interested in how you might do it. For some of you, it may be a burning ambition that you feel you must put into practice, or it might just be a vague interest that could happen if you win the National Lottery but in reality is unlikely to go further.

This booklet is intended to help all of you, whatever your level of interest. Throughout this guide are case studies, which cover a range of different retailers. We can only give you a broad flavour as to how these individuals set up their businesses and there are hundreds of other cases that would be equally fascinating to examine. You will see that there is a lot of common ground between those we have chosen. In particular, you will notice that although we were looking primarily for companies selling fresh foods, several of them in fact also have cafés as an important part of their offer. Subsequent sections in this booklet try to draw out the common lessons, to provide you with a more structured toolkit on how to do it, should you decide to follow their lead.

By reading this booklet, we hope you can decide whether running this type of business really is the way you want your future to be. For those of you who decide to go ahead, we can give you some pointers. For those of you already involved in the industry, then we should be able to give you just a few ideas on how to run your business a little bit better. And if any of you decide on the basis of this booklet that food retailing is not for you, then hopefully we will have saved you a lot of heartache and money.

It is inevitable in a “how to do it” booklet that you spend more time thinking about overcoming problems than talking about the easy or fun bits. It is hard to describe the buzz from having a shop full of satisfied customers putting money into your till, or maybe the real satisfaction of helping a village regain its social heart. Look beyond the hassles - the satisfaction of successfully running your own retail business is very hard to beat.

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# THE BAKERY OMBERSLEY

It seems as though nearly every village in the country has a house called “The Old Bakery”. But where once a local working bakery was a feature of every locality, today one is a real rarity. The economies of large scale production and our obsession with price, the factors that led to the ubiquitous supermarket cotton-wool sliced white in the 1970’s and 1980’s, have now to some degree had their day, and those real bakers that are still in business are finding their products very much in demand.

Even so, there are few bakers like Ombersley Bakery in Worcestershire. Its success owes a massive amount to the sheer hard work and dedication of its owners, Max and Diane Seivewright, but also to their willingness to seize new opportunities as they appear.

In 1988 the traditional baker in the village was set to retire. With experience as a caterer and chef, Max was up to the challenge of continuing the tradition of baking from scratch in the village. In one weekend the heavy baking equipment was manhandled across to its new home in what was then the VG Stores. The baking ceased in one location on the Saturday and there was fresh local

bread for sale from its new site on Monday morning. Inevitably, there was a steep learning curve and new skills to acquire, but the venture prospered.

The shop operated for 5 years as a VG, with the bakery production in the back. Gradually the baking side started to become more and more important. In addition to the best-selling white bread, they developed a range of sandwiches, then fruit pies were baked to use fruit that would otherwise have gone to waste. These soon became very popular with customers. A further breakthrough came when a couple of customers asked for hot food. To test the market, the Seivewrights hired a unit for a month to enable them to cook hot pork and the Ombersley hot pork roll was born. It consists of good quality meat properly cooked and complete with crackling, traditionally made applesauce and a freshly baked roll. With hindsight it seems obvious that this tasty snack would succeed, but at the time it was a real departure. Initially local people appreciated this quality product, but before long a lorry driver had discovered it. Soon the lorry drivers' CB radio network was publicising this source of quality food. Ombersley is itself quite a sleepy backwater but close by is both the busy A449 Worcester to Kidderminster dual carriageway and also an important east west route. Soon drivers were pulling off to divert past the bakery. It was not long before lorry drivers were taking Ombersley bread to their homes, often a long way from Worcestershire. Clearly available parking outside the shop is important to its success; the vehicles outside can be anything from a huge artic, an old jalopy or a top-of-the-range Range Rover.

The range sold by the Bakery extended further. At one stage the business had quite a significant trade supplying local pubs and hotels, but the fact that the bread is made in the traditional way from flour, water and yeast and that the dough is allowed to prove naturally makes production both time-consuming and labour-intensive. The quantity that can be produced is finite and shop sales took precedence. For similar reasons, some specialist products such as chicken and ham pies are bought in from other quality local suppliers. Producing bread fresh each day is an activity that starts at 2am, so it is not surprising that there are few people emulating Max at Ombersley Bakery. Most shops go for the far easier "bake-off" compromise route to producing "freshly baked" bread. Even the large bakeries in supermarkets do not usually bake bread in the traditional way, using accelerators to speed up the whole process.

Remarkably, the traditions of the old VG Stores live on alongside the bakery. Although there are other shops in the village, Ombersley Bakery is still the local convenience store for many people in the community. Within a very limited space they are a bakery, sandwich shop, off licence, convenience store and coal merchant. Inevitably products are stocked in width rather than depth i.e. they stock a lot of different product types but only one brand of each. Unfortunately, the building is on two levels and an inconvenient flight of four stairs prevents the sales area being extended towards the back of the shop.

The business continues to develop: soup and jacket potatoes; ready-to-eat pizza slices; tables and chairs outside on which to eat; gluten-free bakery products; organic wholemeal bread on Wednesdays; speciality breads on Fridays. Customers are encouraged to sample new offerings.

Diane regularly reviews prices against those charged by other independents and by Tesco and other supermarkets. It is a fine balance to decide what the market will bear. A quality product properly baked – and with a taste to match – cannot be sold for the same price as factory bread; too many retailers are scared to charge a fair mark-up on their stock.



Conversely, it is a competitive market, customers do have choices as to where they shop, and even high quality food cannot be overpriced. Getting your pricing right is a balancing act but it is vital to get it right.

Special occasions warrant special breads, so specially shaped loaves for harvest festivals end up in a number of local churches. Diane puts in a lot of time on her window and other displays, which keep the shop interesting. Max's shaped breads, including bread letters, horseshoes and hearts, are popular for birthdays and weddings. This may be an area for further development in the future. In the past special customer orders have included bread shaped as an alligator, the Eiffel Tower, sandcastles, pumpkins and Pudsey Bear – we can only repeat, Max loves a challenge!

Equally, he is very willing to find the time (how - remember those 2am starts?) to share his enthusiasm for his craft with others. Visits by the local playgroup and school are very popular with the children and mean that at least in this part of Worcestershire children have a clear understanding that bread comes from wheat flour and yeast, not pre-wrapped on the supermarket shelf. It also means, of course, that their parents have heard at least a garbled version of what goes on in the Bakery and will have a positive attitude towards it.

This connection with the local community is an important component of the Bakery. The assistants are real live wires who make the prosaic matter of the buying of bread into a personal and entertaining transaction. But the really clever part is that this is done whilst keeping the customer transactions moving along – too many small local shop staff are good at talking to customers but to the detriment of speed of service for those behind them in the queue. There is a real team spirit, the shop is a friendly place to visit, a place to put a sparkle in your eye on a dull day. Diane has supported her staff in acquiring NVQ qualifications; their skills are well deployed in keeping customers smiling, but also in ensuring that there is little wastage of the short shelf life products in store. Enthusiastic selling reduces any overstocks on the shelves and increases the money in the till. Many of these lessons from Ombersley Bakery can equally apply to other specialist food businesses, such as butchery or greengrocery. The same key factors apply.



## KEY LESSONS & FACTORS FOR SUCCESS

- Businesses like this are often hard work with long and unsocial hours. Only go into it with your eyes open. Respect the knowledge and skills that may be involved. If you yourself do not possess them, go on training or employ skilled staff as necessary.
- Quality product from small local producers is in great demand; often sales are limited by how much can be produced rather than by how much can be sold.
- Do not be scared to price your product sensibly. The quality of a product deserves to be reflected in the price; a price needs to be fair to both parties of the transaction. Work out how much you are paying yourself per hour –if you dare.
- Parking and access is important. We live in a very mobile society – in some locations near a main road some of your customers may come from hundreds of miles away. When evaluating a site do not discount traffic making a small diversion if your offer is sufficiently good.
- Build relationships with the people in your community. Do not be a pushover for every local group wanting a raffle prize but do contribute and be part of it – some sections of the community will support you in return (but do not get bitter about the people who will not).
- If you can make the transaction a bright spot in your customers' day then they will certainly come back. Friendly customer service is a big plus. But it has to come across as genuine – there is nothing worse than seeing through false good humour.
- Holding on to good staff is a big challenge for most businesses. When you work out how much it costs to recruit, train and get new staff up to speed it is worth paying current staff a bit extra if necessary, but a lot of staff retention is about making the workplace a good place to be for them.
- Keep developing your offer. Try things. If it does not work, then you will not have lost too much (and make sure you don't). If it works, run with it enthusiastically. Listen to customers, pinch ideas from competitors, read trade magazines. In retail the one big crime is to stand still.
- When employing professionals do not become in thrall to them – sometimes you need to hear and act on other views as well.





# RIVER COTTAGE LOCAL PRODUCE STORE & CANTEEN AXMINSTER

River Cottage has developed into a British institution. Headed by the charismatic Hugh Fearnley-Whittingstall, whose newspaper column and frequent TV appearances keeps it in the news, the company provides a unique combination of the campaigning and the commercial.

The organisation is based near to the Devon town of Axminster. Disappointed that food shopping in his nearest market town was dominated by Tesco, Hugh decided to enter the retail field and set up a shop devoted to stocking and promoting locally sourced food, as well as setting up a "Canteen" offering café catering in the day and more sophisticated dining in the evening. The enormous marketing value provided by the River Cottage brand clearly provides a major boost to the project.

The town centre occupies a compact site on a hill, with the Tesco supermarket located down a long flight of steps at the bottom of it. Axminster has a very traditional feel to it, with a range of locally owned shops and even its own department store. The premises for the River Cottage venture were found right in the middle. The former Commercial Inn occupied a large site next to the parish



church and the site of the weekly open-air market. The building had been empty for about 9 years and hence the site was ripe for redevelopment. Once a 15-year lease was obtained on the run-down building, the builders moved in and the ground floor interior was largely gutted. The shop required a very different layout, but the refit extended beyond this obvious need, with new flooring, electrical and plumbing systems also needed. The extent, and cost, of the refit may go a long way towards explaining why the building had been empty for so long.

River Cottage was able to afford to have a team of staff working on the project upstairs whilst the downstairs was gutted, months ahead of the opening date. A lot of effort was put into finding and sourcing the local ranges that are the store's reason for being, with staff actively seeking out possible suppliers. There is also a policy to support other local retail businesses where possible and not to compete with them more than is inevitable. A consultation evening was held with 60 representatives of local companies before starting up to help ensure this happened. As a result of this policy, River Cottage does not stock fish to avoid direct competition with the local fishmonger, it sources some of its bakery goods from the local Punch and Judy bakery and the local butcher is contracted to process all the meat sold in the River Cottage shop. The arrival of any new business is bound to impact on other local retailers, sometimes positively, sometimes negatively. The team was very concerned to ensure that their arrival in the town was a positive factor for the community as a whole. Although it is too early to say, it is very possible that River Cottage's arrival will achieve their objective, to increase the whole market for fresh local food in Axminster so that everyone can benefit, other traders and customers alike. It would be interesting to know just what impact, if any, the opening of river Cottage has had on Tesco down the hill in their part of town.

Even whilst the River Cottage premises were being refitted, some sales were made on market day from them, as a way of generating interest in the project and letting the people of Axminster know what was coming. The shop opened fully in September 2007 with the Canteen side being built up more slowly. Café service during the day was started before the evening restaurant provision, which was launched in early November. There is a huge emphasis on fresh and chilled produce with full counter service. On entering the store there is a bank of serve-over chillers on both sides of the store with staff behind them, in some ways reminiscent of the layout of Sainsbury's shops of the 1930's. This area is selling high-class local delicatessen ranges such as cheese and meat. Fresh produce is displayed in large baskets and the products available are listed on boards behind the counters. An internal wall has been retained running the length of the store and dividing it into two clear halves, with the self-selection part quite cut off from the serviced area. The self-selection area sells English wines, beers, preserves etc. River Cottage merchandise items, such as branded books, are prominently displayed, emphasising the shop's links with the rest of the organisation and its activities. A regular programme of tastings is organised in conjunction with the suppliers.

The shop fit out and ambience is unusual. The background lighting is very dim; from the outside it is hard to see whether or not it is open without peering through the window from close up. However, inside lighting is used very much to highlight the product displays. The floor of the shop is bare concrete, the walls undecorated and in places covered in bare chipboard. This conscious austerity of look is taken further in places. For example, old crates are used to display bottles of beer in both the canteen and the sales area. Chrome wire racking is used extensively, rather than more conventional retail shelving. The relatively large floor space available in the shop means that this less efficient method of display can be sustained. Product details can be found on brown card-

board luggage tags tied to the shelf edge and dangling on their strings above the product; certainly a different approach from the norm. There are some quirky display items – “retail theatre” - scattered around on the displays, which provide a contrast with the other fittings. A map mural on the wall is designed to show the area from which product in the store originates. The whole ambience is clearly making a statement as well as reflecting a desire to keep fit-out costs to a minimum.

The range stocked is actually quite limited, with about 500 Stock Keeping Units (SKU's – it means different lines). All originate as close to Axminster as possible, with food miles and support for local producers key criteria in their selection, along of course with quality and ethical production methods. Producers are expected to deliver their products to the store, making it crucial that sales achieve “critical mass” to justify this transport investment on their part. Prices in the shop are inevitably higher than the norm, but the River Cottage provenance means that this should not be an issue for many customers. Already tourists are coming to the shop and in the summer one could see Axminster being firmly placed on the Devon tourist map as a result of River Cottage's presence. In this context parking could become a problem. The town centre car parks, although relatively close to the store, are already under pressure at peak times, such as market day.

The shop has been professionally managed right from the start of the project with an experienced retailer being made responsible for overseeing it. The local Environmental Health Officer was involved from the outset to make sure that she was happy with what was being planned. It is clearly far better to plan layouts, fittings and procedures to meet EHO's requests than to change matters to suit their requirements later on. This planning includes the walk-in refrigerators, a major expense but important for an operation of this size. These are located in the cellars, not ideal, but necessary on this site where back-up space is at a premium.

Staff recruitment has not been a problem. The River Cottage farm provided a training base before opening, with staff having been recruited for their enthusiasm rather than for their existing product knowledge or experience. The on-site kitchen is an important part of the offer and, indeed, is a resource for the whole River Cottage organisation as a development and test kitchen. Pies and similar products are baked on the premises.

The profitability of the whole operation depends on the catering side of the business. The café/restaurant – The Canteen - occupies a shed-like structure at the back of the shop, which in its time has seen many uses – ballroom, restaurant and function room. The Canteen makes good use of the original wooden floor, painted walls and preserved open shell roof trusses. This area is much lighter and airier than the shop, meaning that the two halves of the business have two very distinct ambiances. The menus reflect the business's philosophy with daytime sales mainly of the simple but good quality fare that River Cottage stands for, with local ingredients used wherever possible. The Canteen does seem to have added to the attractions of the town for local people, with many of them coming in for a coffee or a snack during the day. Evening service only started early November 2007.

Even for the main River Cottage retail business, which opened about a month earlier, it is too early to say how it will develop. Hugh Fearnley-Whittingstall has been quoted as saying this might be the start of a chain of outlets, but decisions like that will no doubt need to wait until a year or so has passed so that the concept can be assessed in the light of hard financial results and customer feedback.



## KEY LESSONS & FACTORS FOR SUCCESS

- Be flexible looking at sites. What you want may not be a shop currently but do be aware of planning permissions needed.
- If you have a coherent philosophy or ethical stance, make sure that everything you do is consistent within it.
- Be aware of the impact of your opening on potential competitors.
- Work with, rather than against, officials such as EHO's and H&S experts – their advice can help your project go much more smoothly from an early stage.
- Know what you are doing if you are intending to take on large multiples. You can do it and you can succeed, but do not underestimate the competition they represent – in general, compete with them on your ground, not against their strengths.
- If your scheme involves extensively refitting a building, do not underestimate the time or effort needed and see it as a project that needs constant attention from you or your manager.
- Catering and retail businesses can work very well together, providing a good experience for customers and generating extra profits from both parts.
- Most parts of the country have a whole raft of small local food suppliers which are worth seeking out and developing.
- Bear in mind that Hugh, the TV programme and the River Cottage brand are well known and will have contributed significantly to the shop's popularity. Not everyone will be able to replicate this level of commercial success.

WEBSITE

[www.rivercottage.net](http://www.rivercottage.net)





# SECTION A

## EARLY DAYS

# 1. THE PROS AND CONS

## 1.1 Why do you want to open a shop?

Do you want to run a shop? If so, your ambition is one that you share with a lot of other people. We all go shopping, everybody has an opinion on how shops should be run, and nearly everyone is convinced they can do it better. And at one level, there are virtually no barriers to trying it. After all, it is easy to set up a stall outside your house to sell your surplus plums – a table and a hand-written sign will suffice – and you are in business. The stalls at Axbridge Farmers' Market can be rented for a morning for a few pounds. But at the other end of the retail spectrum, a new shop like River Cottage is the result of months of planning and tens of thousands of pounds of investment. The chances are, of course, that your venture will lie somewhere between these extremes.

Running your own retail outlet, whether you are a group of people or just an individual, can be a really exciting and worthwhile challenge. Retailing is a very immediate business, you will see the results of your efforts very quickly and you can have a big impact on the local community. Financially, retailing can be rewarding if all goes well. It can give you a large measure of independence and control over your own life. Depending on the type of business, you can put into practice your own ideas. It can be a very fulfilling option.

However, it is crucial to understand that being a retailer is not just a hobby or a lifestyle choice. Too many people think running a shop in a pleasant location is a good option for semi-retirement, not knowing about the workload and punishing hours behind the attractive façade. Villagers can pull together magnificently setting up their community shop but totally underestimate the commitment needed to run it, not just tomorrow or next week, but for years to come. If you take just one thought from this guidance, let it be that retailing is a very competitive industry. It demands a professional approach to survive, yet alone to succeed in it, and that is true even if your ambitions are non-commercial or financially very modest. Even at a Farmers' Market, some stalls are thronged with customers whilst others have stallholders standing idly.

Probably a key decision is how "hands on" you yourself intend to be. Setting up a business for a professional manager to run on your behalf is a very different proposition from managing it yourself. Shops nearly always have one boss. Generally, committees are not good at running shops and community groups would be well advised to employ a professional manager for their shop if at all possible. The advice in this booklet assumes throughout that you will be a "hands-on" owner and involved in your retail venture, or else a manager with full responsibility.

If running a shop really is for you, there are few more satisfying business ventures. You get the immediate feedback at the end of the day of knowing how well your business has done. You are meeting your customers face-to-face and you know if they are pleased with your efforts. You can see what happens when you do your job well. If you have social objectives, you will see your intended outcomes come to fruition. You will see the local produce flying off your shelves; you will meet the old lady for whom her daily visit to your shop provides her only social contact. Retailing is the sharp end, where everybody's efforts come together. It is the moment of truth for producers, designers and marketing men. Products on your shelves either sell or they do not sell. It is down to you.



A very wide variety of people and organisations set up shops. Their reasons for doing so are also very varied. A parish that has just seen its village shop close and just wants to set up somewhere for its older people to meet will have a very different approach from an entrepreneur who specialises in taking on failing businesses and turning them round to make a quick profit, even though both sets of ambitions are valid. Only you can answer the question as to why you want to open a shop. But be warned; if you cannot answer this question, then do consider other ways of making a living.

Generally, all reasons for wanting to run a shop fall between the two extremes cited above, social versus commercial. Some other examples might be:

"I want a job where I can work with my partner."

"I am a professional retailer – it's what I want to do and am good at it."

"I've been made redundant, can't get another job and I am desperate to do something."

"I've just left the army with a reasonable pension and a lump sum. I've still got plenty of energy and want to do something with the rest of my life."

"The farm is making no money from agriculture. It has been in my family for 100 years and the profit from a farm shop will enable me to pass the land to my son in his turn."

"I live in a lovely market town and want to be able to work locally."

"I believe that the food we eat is poor quality and want to help people eat better."

"I am fascinated by the science of retailing."

"I want to help local farmers earn more from what they produce."

"I hate the big supermarkets and want to help the community fight back."

"I think I can do it better than the shops already in my town."

"I want to help my community."

"I want to set up a chain of shops and become the next Richard Branson."



They are all good reasons and no doubt there are hundreds of others. It is very important that you or your group understand what your personal reasons are. Express them in a short and pithy mission statement. The concept of mission statements has become a bit of a joke over recent years, but treated sensibly can be very useful and can then inform many of your decisions. It will also enable you to recognise your own success when you achieve it.

Your mission statement can be a mix of the personal, community-oriented and the commercial e.g.

- The business needs to generate a surplus of £5,000 p.a. for the village social funds
- The shop will pay local farmers 20% more for their output than existing outlets.
- I need £25,000 a year on which to live
- I want to be able to help my children through university in 3 years time by paying their tuition fees.
- I want to be the best outlet for organic produce in the district

Only you can come up with your own mission statement.

But, please remember, your first and key objective for your business is survival. This may sound obvious, but the failure rate amongst small retail businesses and catering establishments is very high. This means that even if your main objectives are charitable or community-based, you still need to make a profit, to generate enough money to cover all your costs and also to put a bit away for unexpected bills and future investment. Even community shops can and do fail and close. You ignore your profit & loss and your cash flow figures at your peril. If you are writing down your list of objectives, put SURVIVAL at the top of the list in big letters, in red ink and underline it.

## 1.2 Are you a retailer?

Obviously the demands do depend on the nature of the business. If you are talking about opening a farm gate shop for a few hours a week in the strawberry season only, then most of the following do not necessarily apply.

## 1.3 Do you like people?

Retailing is a people business. Perhaps one of the greatest achievements of the major supermarket chains is the way that they can train and motivate staff to provide good customer service. Particularly if you are running a small local shop or are trading in an area where providing specialist advice is key, then encouraging people to like you and your staff will be a key factor in

your success. Customers really appreciate a genuine smile, being greeted by name, staff remembering their favourite brand and other such little courtesies. Customers will continue to go back to Ombersley Bakery because of the genuine and warm welcome they receive.

Customers expect to be treated well even when you, behind the counter, are tired witless, have a pounding headache and are desperate to work out your order before the wholesaler phones in 5 minutes time. And the real killer is that often customers do not feel the need to reciprocate – if they're feeling rough they will let you know about it and expect your sympathy.

## 1.4 Can you work long hours?

Retailing is a business where long hours are the norm. A convenience store opening from 7am to 8pm, with perhaps slightly shorter hours at the weekend, is trading for over 75 hours per week. You may plan to employ a manager and staff to run the shop for you, but most new retailers have to keep staffing – a key cost – to the minimum, at least in the start-up phase. The chances are you will be working many of these hours yourself, or at least you will be on call in case of problems. In a similar vein, your shop may need to trade 363 days a year. It is common in some sectors of the retail trade for owners to go several years after start-up without a proper holiday or even a full weekend off. It is therefore important to go into it with your eyes open.

## 1.5 Are you united as a family in the endeavour?

In many retail businesses, the very long trading hours are just the start: there are the books to keep; VAT returns to complete; stock to order, shelves to replenish. If your family is involved in the business, they will be working these hours alongside you. If they are not, then your time commitments to the business will still impact on their socialising, their holiday plans and even just enjoying your company. Like many business start-ups, it is important for your family to be behind your ambitions from day one. For many people, being able to work with their partner is a key reason for wanting to establish their own retail business. Is it for you?

## 1.6 Can you afford it?

We will cover business plans later, but do be realistic about how much cash is needed to set up a business. Buying a going concern, or setting up afresh in premises, is not the end of the financial outlay. Things happen. Do consider how many staff hours you may need to employ, do not assume interest rates will stay at their current level forever and do consider what would happen if a large piece of equipment such as a chiller broke down. If you are going to give credit, even if it is just newspapers supplied to account customers, do not underestimate the effect on your cash flow. Before you start, ensure you have financial reserves or an agreed overdraft facility that will cover not only your predicted expenditure but also includes a contingency. Be realistic if you cannot afford the business – walk away.

## 1.7 Can you be your own boss?

If you have spent your life in a large organisation, becoming an independent businessman can come as a considerable culture shock. You are now managing director, Human Resources

Department, Information Technology Department, head buyer and toilet attendant. The chances are you will miss the chat round the coffee machine, the opportunity to bounce ideas off somebody and the sheer companionship of a large company. Conversely, if you are currently a hill shepherd, then you probably know already whether you enjoy your own company.

And on the plus side, when things go well there is nothing like the buzz when the success is not down to a committee of twenty people, it is down to you and nobody can take that satisfaction away from you.

## 1.8 Can you manage staff?

Retail is not usually a highly paid industry and staff turnover is very high indeed. Can you persuade people who do not necessarily share your ambitions to do as you want? Can you ensure that your beautifully written customer service policy does actually translate into a friendly greeting to customers, and that the 17-year-old student does turn up on time on Sunday morning despite a night out on the town?

## 1.9 Do you want to learn a new profession?

We have already said that retailing is a competitive industry and that amateurs can get their fingers burnt very quickly. It requires a professional approach. This does not necessarily mean going off to college and getting a raft of qualifications but it does require you to want to learn and to learn quickly – to approach the whole experience with the right frame of mind.

# 2. HOW DO WE GET STARTED?

Retailing is the easiest business there is. You buy stuff in and then sell it at a higher price – nothing simpler! And, at one level, it is that easy. The medieval English farmer or his modern African counterpart, walking into the local town and sitting on a street corner to sell his surplus vegetables, is a successful retailer if he finds customers prepared to give a good price for what he is selling. However, do remember that part of the same industry is Wal-Mart, with the largest turnover of any company in the world, with over a million employees and one of the most sophisticated computer networks in existence.

So, although it is easier to set up a shop than it is to establish many other types of business, to operate a shop successfully you still need to treat it professionally. You will need:

Premises

Stock

Staff

Fittings

A legal identity

Administrative systems

An identity, marketing and image

You are not likely to be expert in all of these fields, or perhaps any of them. Opening a shop



usually involves a last minute panic (finishing the process at 3am on the morning you open is pretty well the norm) but do treat it as a task that requires explicit project management. People will let you down, not deliver things when they said they would, and suddenly find that what they said they could easily do for you is now totally impossible. So having a plan could be the key to retaining your sanity. It does not have to be complicated, but even if it is not your usual style, do be disciplined and have a plan.

This plan needs to be on paper. Treat the seven aspects listed above as the main headings in your project and then manage them, with a clear indication as to what needs to happen when. For example, you will need to have your legal identity sorted before you commit to premises. It is common sense to get the Environmental Health Officer to visit you before you decide where to site the hand-washing facilities, or to organise the electrician to fit the new wiring before the plasterer arrives. It is not hard, but some people do get it wrong.

## 3. HOW CAN WE FIND THE BEST LOCATION?

### 3.1 Do you need premises?

Before even considering premises, do stop and think whether your business needs retail premises at all. Remember a lot of commerce is now conducted via the Internet. Some specialist food businesses now depend on this channel for a high proportion or even all of their sales and hence it becomes possible to start operating in a small way with your spare bedroom as the office and garage as stockroom. Particularly at the top end of the trade, a lot of food businesses take orders by phone or through a web site, supplying customers by carrier or post. It can be an attractive business model in its own right or a useful adjunct to a conventional retail business. Axbridge Farmers' Market operates without permanent premises. Somerset Local Foods Direct operates from cheaper premises on a trading estate rather than an expensive High Street location.

### 3.2 What is the best location?

There are few decisions that on their own will make or break your business but this is one of them. Before it was appropriated as the title of a TV show, "Location, Location, Location" was a retail mantra, as the three key factors for success. Obviously, if like Hilltop Farm, you are setting up a shop on your farm in order to utilise an abandoned cowshed, that's the decision already made. But even here, you can help make the most of it, with appropriate directional signs to help people find you, clear indications as to where to park and the entrance door well-sited. Similarly, if you are buying the only shop in your home village, there are probably very few options to consider in terms of site. Smiley's had no alternative options in Sandford. For most retailers, though, time spent evaluating a shop's location is time very well spent.

The problem is that every retailer tends to want the same sort of location and hence prime sites attract high rents. City centre rents can be eye watering, which is why the precincts in the centre of such places are all dominated by the same multiple retailers; they are the only companies who can afford to be there. You therefore have to decide whether your proposed new business really

needs a prime site. In extreme cases, your offer may be sufficiently unique to get people to travel to a remote barn miles from anywhere, as Hilltop Farm's offer certainly is. Drivers will deviate from their direct route to buy pork rolls at Ombersley. If you have a unique range of specialist chateau wines that aficionados are desperate to buy, then they will travel to you and you can save on rent. But if you are selling top-end Arab delicacies, then a fashionable address in central London may be a necessary expense. Often there is a balance – a prominent site with a lot of passers-by generates its own customers, whereas a less prominent site will need more advertising to get your business known.

In general, the main factors to consider when evaluating a site are:

- Population
- Passing trade
- Transport and access, including carparking
- Competing shops
- Possible future changes

Large retailers have specialist departments with complicated computer models to help them decide how much business they can achieve and hence the value of a particular site. Their research can be uncannily accurate and gives them a very clear steer as to how much to pay for a particular piece of land. You haven't got these resources, but you can still approach the situation professionally.

### 3.3 Population

In general, the more people who live or work near to your shop, the more potential customers you have. A market town of 10,000 people will tend to consume four times the amount of food of a village of 2,500. The major supermarket chains evaluate their catchment areas (the area from which most of their customers are drawn) in terms of drive time. For a large supermarket, most customers will be within a 30-minute drive time, for a convenience store in a housing estate, the catchment might be people within a ten-minute walk. Boots the Chemists, for example, have several branches dotted down Oxford Street in London, each serving a relatively short section of it within perhaps a five-minute walk. In the middle of London people are not prepared to walk far to shop at a chemists. Conversely, in rural Shropshire there is a shop selling specialist ranges of imported dolls' house furniture and some customers have been known to drive from East Anglia to seek out specific pieces that they want for their collection.

The easiest place to find information on how many people live in an area is the national population census. You can access this data from the Internet. Equally important to sheer numbers is information on the type of people living in an area. In an area with a lot of elderly residents, demand will clearly be for different things compared with a similar area occupied by city commuters (and opening hours will need to be different as well). Do access the data (your local public library will help you if you are not confident yourself) but also walk the streets. Talk to people. What sorts of houses are there? How many cars? How old are these cars? What sorts of people are on the streets? Is there a school attracting young families? Are there a lot of commuters driving out of the area in the morning and back again in the evening? Are there local paths or tourist attractions to add to demand, as at Smiley's? Really do your homework, it will not be time wasted.

## 3.4 Passing Trade

A lot of shops depend not on local residents, but people passing their door, either on foot or in a vehicle. This is something that you should pick up when you are walking round the area. A position on a main road with lots of cars passing can be good, but not if it is a dual carriageway with vehicles at 70mph. If the traffic is a constant fast-moving stream few drivers will stop, whereas if they are forced to slow to 30 m.p.h. through your village, they will be far more likely to use your shop, particularly if they can park outside easily, as at Smiley's. It is not unusual for a convenience store to get up to 50% of its business from passing trade. This needs to be incorporated into your business plan and would also suggest amending your range to accommodate more soft drinks, sandwiches and the like.

## 3.5 Transport and Access

Travel time is more important than distance when people decide where to shop. Hence urban congestion can make people loath to travel too far. Rivers, railways and motorways can act as barriers that are impossible to cross except at specific choke points and you do need to be aware of them. Just look at a map to see how important a barrier the River Severn is, for example. At a more local level, even a short stretch of narrow road without a pavement will discourage potential customers, particularly the elderly or those with children, from walking to your shop.

Parking availability is of course crucial. This means parking for customers wanting to stop for ten minutes or so. River Cottage will not get business from the hundreds of car drivers crawling at slow speed through Axminster because there is nowhere for them to park to visit the shop without making an effort to go to a car park and pay. Good, preferably free, parking immediately outside your shop or at least very close by is an enormous asset. And do not assume that in rural areas people will walk; it is as common for them to use their car to go a couple of hundred metres to shop as it is for their urban counterparts. Be realistic; even if one of your objectives is to encourage healthy living and walking, you will not change people's habits overnight.

## 3.6 Competition

It is a brave individual who sets out to go head-to-head with a major supermarket chain, and it can be fatal if one of them invades your patch. For example, competition from a new Tesco Express in Cheddar High Street in Somerset closed the independent convenience store a few doors away within about six weeks, a situation that has been repeated many times elsewhere. However, for River Cottage, going head-to-head with Tesco in Axminster was part of the reason for setting up in the first place, although do remember that you may not have the same financial resources as that very successful organisation. Remember, retailing is one of the most fiercely competitive areas of business and there are losers as well as winners.

Conversely, do not be too obsessed by competition. People have to shop somewhere, why not with you, particularly if you are the most convenient location for them. If there are several greengrocers down the high street, it at least shows there is local demand for fruit and vegetables. The key questions are then, "What can I offer extra?" "What can I do to make sure people switch to me?" or, indeed, "What will attract new customers to the town?" It could be that you can offer



organic or local produce or lower prices or expert advice. Look for the edge you offer in comparison to existing businesses. And do not (this is where it can get complicated) assume that existing retailers will not respond to your arrival. If you expect to undercut them on price, then do have a plan B for when they drop their prices to match your stunning opening offers. But again, competition and the cut and thrust it brings are some of the exciting aspects of retailing – just make sure the odds are in your favour.

As suggested already, do be wary of large multiple retailers. They have pockets far deeper than yours, they can move fast and can be surprisingly flexible. Waitrose now have sections devoted just to fresh produce sourced from within 50 miles of that particular store, Tesco in areas with high ethnic minority populations sell very specific ethnic ranges to cater for them. Nearly every supermarket chain is moving to sell Polish beer and vodka brands to new arrivals from Eastern Europe. This does not mean that you can never compete with them, but it does mean that you need to choose your ground with care and do bear in mind that they are all constantly evolving.

You need to visit and evaluate all your potential competitors. If you are considering a shop specialising in fresh produce, for example, this might need to include local box delivery schemes. If you want to major on Fairtrade products, consider if local churches have their own distribution schemes in operation. Understand how the market works now. Stand outside a potential competitor and count the customers. Are they coming out with a couple of items or carrying full baskets? What sort of people are they? What can you offer these people to make them switch to you?

Obviously, you would ideally like a location with limited existing competition for your business. Unless you are offering something totally new, the reality is that your potential customers are getting their requirements from somewhere before you open your doors. You may persuade people to switch and buy locally produced apples rather than imported French ones, but you have to make the case to them before it happens.

Remember, too, with today's long distance commuting that your main competitor may be many miles away. For example, a convenient railway station at Kemble in Gloucestershire enables many of its residents to commute to London. They may therefore buy their bottle of wine during their lunch break in the City rather than at their local village shop.

## 3.7 Possible Future Changes

Retail is a fast changing industry; that is why it is so exciting to be part of it. However, before you commit to your new venture, do find out if there any changes in the pipeline that could affect your business location. We have all seen petrol stations closed overnight as a new bypass made them redundant. There have been cases of people buying a post office only to find Post Office Ltd closing that outlet a few weeks later. Check everything that can be checked and listen to what you are told carefully, there may be subtle nuance in the answer, there is information in what is not being said as much as what is. Before you commit to buy or lease a property, you must contact the planning department of the relevant District Council to see if there are any planning applications that could affect your site, for good or ill. If a lot of the customer flow to your part of town is generated by the post office, is it likely to close? Conversely, is there going to be a new car park that will make it far easier to park near your location? You need to know.

## 3.8 Lease or buy?

You can either lease or buy premises. The choice may well be dictated by what you can afford or by what is available in your preferred locations. Buying obviously demands more capital up-front, but does mean you are not paying rent to somebody else, and you will be the beneficiary if property prices go up. Commercial property leases usually involve break clauses and defined points when the rent will be reviewed. You need to be totally sure that you understand what you are committing yourself to – a ten year lease means just that, even if your business moves premises at year seven, you are still legally responsible for the rent to the landlord up to the end of the lease. Unless you are experienced, then buying or leasing property in the commercial market really demands that you pay for appropriate professional advice before you sign on the dotted line. Do remember that business rates can add significantly to the cost of premises – you may need to contact your local district or unitary council to find out how much would be payable, but do this before you commit. Make sure you understand what you are committing to in terms of maintenance of the property. And do remember that you may take a lot of years to recover your investment in the property in terms of fitting out or redecoration – make sure the lease is of a length that gives you time to do so and with terms you can live with.

Mortgages on commercial properties are somewhat different from those on domestic houses, typically being for a lower proportion of the property's estimated value and also for a shorter term. You need to factor your mortgage repayments into your business plan.

When negotiating for a property, do not be scared to haggle. If you are leasing, for example, it is quite usual to negotiate a 3 month rent-free period up-front to help you move in and get established, but if you do not ask, it is not likely that the seller's agent will offer it. Do not fall in love with a property; remember, this is a business transaction. Even if there is living accommodation as part of the deal, do try to keep emotional factors to the minimum.

## Finding your premises

Rather like finding your dream house, finding your ideal commercial property may be a long and frustrating business. There will be estate agents in your target area who specialise in commercial properties, the internet, boards outside properties and local rumour. Do have a clear idea of what you are looking for in terms of sales area size, stockroom, access, location, carparking etc. You will probably have to compromise in the end, but it is important that you are aware of how closely a particular building matches your needs and therefore its worth to you. Do make sure that the premises have planning permission for the business you intend to pursue; gaining change of use can be long-winded and not a foregone conclusion. All commercial property has a code that indicates what uses are acceptable. Your local planning department will tell you what you can or cannot do in a particular building and whether change of use is likely to be granted if you apply.

## 4. WHAT LEGAL STRUCTURE DO WE WANT?

Even a very small enterprise has to have a degree of separation between it and its owner, your company having its own identity, and finances, different from the personal affairs of the owner. This is an important point. There have been a number of very high profile legal cases where some very rich company owners have forgotten this.

It is essential that your venture has some form of legal status. It does not have to be overly formal or complicated, but if nothing else you need to ensure that your business is on a proper footing with HM Revenue & Customs. The options depend on how your business is to be set up; a community enterprise has a different set of options from a commercial organisation. Your choice of structure is likely to be based on:

Tax and national insurance implications

The need to keep detailed accounts and for them to be publicly accessible

Your liabilities should the business not succeed

Sources of the money you put into the business.

The decision on which form of legal status you opt for is important and not easy to alter if you get it wrong. If you are unsure then do take professional advice – it will cost, but in the long term it could be money very well spent.

### 4.1 commercial company options

In general, it is a question of balancing the costs and tax implications against flexibility and safeguards. Depending on your needs, any of these forms could be suitable:

Sole Trader  
Partnership

Limited Liability Partnership  
Limited Liability Company

### 4.2 community shop options

Running a shop is not considered a charitable purpose and so some other form is required. For many communities, the Industrial and Provident Society offers the best mix of flexibility and safeguards.

The main options are:

Co-operative  
Company limited by guarantee  
Community Interest Company

Company limited by shares  
Industrial and Provident Society

You can find brief details of the pros and cons of each in appendix 1.



## 5. HOW DO WE PRODUCE A BUSINESS PLAN?

The mention of producing a business plan often promotes groans of protest from prospective shopkeepers. There is perhaps an element of justification for this; for some advisors and funders the production of a good business plan can seem far more important than anything else, including actually running a good shop. If you are seeking external finance then you will certainly be asked to produce a business plan. However, even if this does not apply, in the real world it is almost essential – trust us on this one - to produce a business plan for your own benefit.

What a business plan does it to make you sit down and think about your proposed business in a structured and logical way. It is a discipline. It is particularly useful when you have to present it or explain it to somebody else who is not involved, knows little of your plans and will tell you the truth. It really helps to get your thoughts together. If you are going to have to present your plan to a bank manager or use it to apply for a grant, get a friend or relative to really grill you on its contents. It is far better to find out the flaws, the things you have not thought of, at an early stage before you start talking to people who matter.

You may find it useful to have two versions of your business plan: an outsiders' version of your plan, but also a version for your own needs. The plan for bank scrutiny, for example, will show your company paying the loan off over its full term (and therefore making a lot of profit for the bank), whereas in your private plan you may want to scrimp and save to pay the loan off two years early. But do be wary if these versions differ by too large an amount. In bank plans, do not fall into the temptation of showing yourself working for nothing for too long – this is rightly considered unrealistic.

So, what does a business plan show? Basically there are two parts. Firstly, there are a series of sections in which you describe who you are, what your project is about, what market information you have showing a demand for what you intend, how you will go about it and what resources you need.

The core of the plan is the two main tables: the profit and loss and the cash flow accounts. You do need to understand the difference between these two tables and if you find it difficult find somebody to sit down with you and explain the differences. The P&L is intended to show how much money the business is making or losing. The cash flow statement is about the money in and money out of the business. It takes into account factors such as how quickly customers will pay you and when you need to pay suppliers. The P&L ignores VAT (it does not affect your profit, you are just collecting money for the government) whereas the cash flow forecast will show this money coming into your bank account and then at the end of the quarter being paid in a lump sum to HM Revenue & Customs.

Some of the numbers you put into your Plan will be pretty accurate; you may know precisely the rent you will be paying on your premises, for example. Other figures, including some of the most crucial such as predicted sales, may be little more than educated guesses. Do be conservative in your predictions. If you are arranging an overdraft facility, do not assume that you will achieve your sales targets from day one. Sales are more likely to build gradually and you need to allow yourself a margin of safety.

You can use one of the many business plan templates that are available, e.g. from your bank, Business Link or elsewhere. Alternatively, you can develop your own from scratch using spreadsheet software. One possible format for a retail operation is shown in Appendix 1.

It may be that your initial plan shows unacceptably low returns and you have to refine it, by trimming costs, for example, to come up with a plan that you can proceed with. Conversely, you may start off with a plan showing great profits but you have actually forgotten several costs such as waste disposal, electricity charges, and holiday pay for staff or wasted stock. There is a whole raft of smallish costs that can really add up if you forget them. Do put in a contingency – there are bound to be costs you have forgotten, or the refrigerator breaks down, or the council digs up the road outside the shop for a fortnight – things happen.

And if, after all your attempts at refining it, by raising sales by a few percent and reducing costs to the bone, your business plan still shows your proposed business is not viable, then do be very cautious indeed before deciding to proceed. This is not just an exercise for the bank manager, if it is for you as well. If it does not stack it is far better to find out on a spreadsheet rather than facing irate creditors.

External advisers or training courses may be very helpful to you with the mechanics of producing a business plan, almost essential if you have not done one before. But actually creating it is your job. If you have personally developed it, you will be far better prepared to present it to banks or other sources of finance. The core of a business plan is the tables of figures so even here, although your accountant can help, ultimately it is down to you.

## 6. WHAT FUNDING OPPORTUNITIES ARE THERE OUT THERE?

This can be quite different for commercial and community-run businesses. In both cases there is the need to distinguish between:

Set-up costs. The one-offs associated with a new business: registering the company, legal and professional costs, launch marketing expenditure.

Capital expenditure. This relates to items that will last for some time and will therefore be written down on the accounts over a period of time, e.g. fittings, refrigeration, vehicles.

Working capital. This is needed to pay recurring costs such as buying stock and paying wages.

## 6.1 COMMERCIAL BUSINESSES

### 6.1.1 Capital Introduced by the Owners

Any external organisation thinking of putting money into your business will expect you to demonstrate your commitment to the venture. This means that they expect you to put your own money into it. Remortgaging your house may be a possibility to raise capital. This can be put into the company through different financial arrangements but typically will be the purchase of shares (if a limited company) or through a director's/proprietor's loan to the company. Your own money is of course the cheapest source of capital for your company, although you can and should receive interest from your company on this money. Your financial adviser will help you decide the most tax-efficient way to organise your finances.

### 6.1.2 Bank Loan

This is essentially a long-term source of finance and is therefore suitable for capital expenditure such as refit costs, purchase of shop fittings, an EPOS system or whatever. You will usually be dealing with the bank's small business adviser (or somebody with a similar job title). You agree terms with the bank, with interest usually fixed at a defined percentage over the Bank of England base rate. The bank will almost certainly want your house or other asset put up as security against the loan and they may strongly suggest insurance to guarantee your repayments if you are ill or unable to work. Legally you do not have to take out this insurance. Do contact two or three banks, not just your own. If your proposal is a good one, they will compete with each other to secure your business. Hopefully pointing out the possible consequences of putting up your house as security against a loan is too obvious to need saying. It is something you need to think about very carefully.

### 6.1.3 Bank Overdraft

Bank overdrafts are often used to fund working capital requirements when you start up. An overdraft facility can usually be set up quite easily, with an upper limit agreed with your bank. You can then draw down money up to the agreed limit, as you need it. A serious drawback is that the bank can demand instant repayment, although in practice this is rare. You will probably be asked for a personal guarantee as director, even if the loan is to the company, to minimise the risk of default to the bank.

### 6.1.4 Family and Friends

You can tap into friends and family for loans. If you do, be scrupulous keeping records and keep the whole process as businesslike as possible. Do be aware that your personal relationships could be affected if you cannot repay when you say you will.



## 6.1.5 Shares

Small companies tend to have limited share capital and not to seek finance from outsiders, if only because shares in private limited companies are notoriously difficult to value or sell. If your start-up is large enough that issuing shares to venture capitalists or others is a realistic source of funding, you need professional advice before you do it and are way beyond the scope of this document.

## 6.1.6 Grants

From time to time there are grant schemes variously funded by the EU, central government, DEFRA, other bodies or charities. These schemes often apply to specific types of business, particular parts of the country, to certain age groups or against other criteria. Contact your local Business Link, the economic development department (it may be called something else) of your local district council or county council and search the Internet for possible schemes.

## 6.1.7 Commercial Mortgage

If you are buying premises you can purchase them with a mortgage in a similar way to buying a house. Do be aware that there are differences compared with residential mortgages in terms of length (shorter) and the proportion of the property value borrowed (less).

# 6.2 COMMUNITY OWNED BUSINESSES

There is a good argument that a community that wants its own shop needs to show its commitment by dipping its hand into its purse. In the same way a commercial applicant for a bank loan will be expected to put up as much of their own money as they realistically can and then put their home on the line, it is a reasonable measure of commitment to find out how much a community is prepared to put up itself.

## 6.2.1 Fund Raising

A whole range of community fundraising events, from jumble sales, fashion shows, casino evenings and whist drives through to sponsored parachute jumps and the like have featured in the past. However, given the usual need for large sums, these activities can often take a lot of energy to deliver only a small proportion of what is required. You can try to involve local organisations such as faith groups, schools or village hall committees since this helps to involve the whole community in the undertaking as well as raising finance.

## 6.2.2 Parish Council Grants

Parish councils have the right to contribute funds under powers contained in section 137 of the Local Government Act 1972. Some seem very loath to use these powers and may need reminding that they exist. The amounts most parish councils can put up are limited but they can be vital as seed money to get a project off the ground.

## 6.2.3 Gifts or Donations

Members of local communities can be very generous when a scheme has strong local support. Local businesses are also worth approaching.

## 6.2.4 Loans

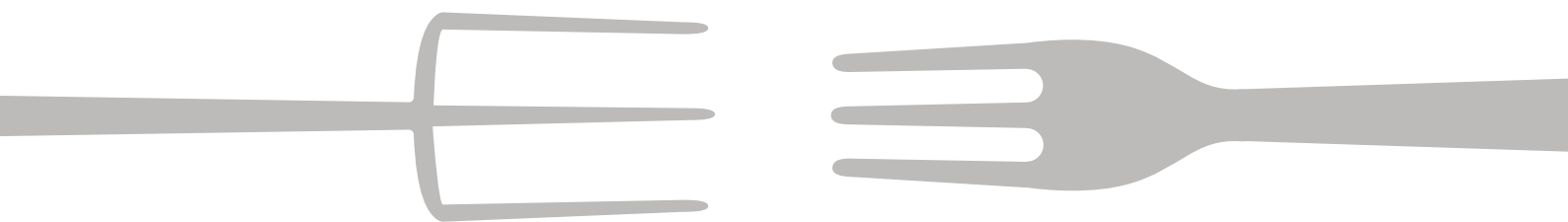
If a community shop committee accepts loans from residents, then they must record them properly and make sure that everybody knows repayment and interest payment terms, if any. They can be non-secured loans at zero interest, for example, where repayment in practice depends entirely on the enterprise making a sufficient surplus to do so. Commercial loans are also possible.

## 6.2.5 Share Purchase

This depends on the legal status of the shop, but an Industrial Provident Society, for example, can issue shares. In this case voting rights are one vote per member, and are not related to the number of shares held.

## 6.2.6 Grants

As with commercial shops, grant schemes do sometimes apply to particular circumstances or parts of the country. Applying for grants can be very time consuming and the task often needs an individual or small group prepared to take it on. At Urchfont Community Shop, for example, grants came from a range of organisations, each with their own rules and requirements. For details of possible grants to apply for, contact the Village Retail Services Association (ViRSA) and your local Rural Community Council.





# AXBRIDGE FARMERS MARKET

Axbridge as a town is a little gem. Once a Saxon burgh, it has been an important local centre, at one period even having a local mint. The medieval town's wealth was built on the wool trade and it received several charters to hold markets. Today the beautiful market square continues the tradition of farmers bringing their produce into town with its own monthly Farmers' Market.

This is organised by Somerset Farmers' Markets, a co-ordinating organisation which holds markets in eleven different towns across the month. The Axbridge Farmers' Market is held on the first Saturday of each month. Nationally there are about 500 farmers' markets of various sizes, all tending to follow a similar pattern.

The requirements for a farmers' market are relatively few. Most operators have rules about who is eligible to sell, and what they are allowed to sell, to make sure it really is a market by farmers or other producers from the area genuinely selling their own produce. Guaranteed provenance is a key part of a farmers' market attraction, but in law there is no definition of what constitutes a "farmers' market". The local manager or management committee can decide their own criteria.



The National Farmers Retail and Markets Association (FARMA) recommends restricting entry to farms within a 30 mile radius, extended if necessary depending on what is produced locally.

Axbridge Farmers' Market has 20 stalls, owned by Somerset Farmers Markets and rented to stallholders. The stalls arrive on a trailer and are erected before the start of the market, but other markets may insist that stallholders bring their own tables and canopies. Power comes through a cable from the town hall, which is located on the market square. The range of producers represented each month varies a bit depending on what is in season, although most are regulars. In November, for example, there are few fruits or vegetables in season and so the market shows a bias towards meat producers. In the summer the famous local strawberries are available (the railway line through Axbridge was nicknamed the Strawberry Line before its demise). There are a couple of stalls selling hot food (crepes at one end, burgers at the other), a stall operated by local allotment holders, one stall selling locally produced Oriental ready meals, bread and cakes stalls and so on. A Fairtrade stall, while not run by local producers, is in keeping with the philosophy of supporting local organisations. A good mix of product is important to the success of a farmers' market.

A market manager is on hand to make things go smoothly and to collect the charges from stallholders. This task is usually not onerous and at Axbridge, as occurs at many other farmers' markets, the manager helps on one of the stalls while the market is in operation.

There are Farmers' Markets in towns and villages all over the country and if you are considering setting one up it is very important to research what is in your area already. As with all retail outlets, the location of a market is crucial and the nature and size of the local population has to be researched. Car parking is important. At Axbridge, as in many places, the market square is normally used for car parking. However there are two alternative car parks (which get quite full on market days) and limited street parking.

Persuading enough producers to come can be an act of faith. Farmers and other producers value their time, they know how much it costs to drive their vans for a mile and they need a financial return. Some attend several markets on different days over the month; others stick with their local market only. There needs to be a critical mass of stalls if a Farmers' Market is to have a long-term future. Axbridge is well supported by the local farming community and 20 stalls are sufficient to attract people into the town for the market. Town organisations understand that the market brings people in and often there is another event being held on market day in the town hall – in November, for example, the school PTA was holding a sale with a number of stalls of their own in the building. Often local shops also benefit from the influx of people, particularly where they do not compete with ranges found in the market.

Finding a good site, certainly finding one as good as Axbridge, can be very difficult. Permission of the land's owner to hold a market (or a hall to rent if you intend to hold an indoor market) is needed. In the case of Axbridge, a town trust is responsible for the market square, so all negotiations are conducted with them rather than the local council, which makes life very much easier. If your plans involve closing a street or public car park then this can be a very complicated matter. You need to arrange an electrical power supply. You certainly need insurance cover for public liability and almost certainly you will want to discuss options for wider cover with your insurance company or broker.

Like any other enterprise, you need to charge stallholders enough to cover costs. This is typically about £20 per stall. You need to contact the Environmental Health Department about your plans and your market can expect Trading Standards Department and possibly even HM Revenue & Customs to visit. It is sensible to start a new market as a “one off” or short series of events to test the water before you commit to long-term leases or the purchase of too much equipment. Particularly in the early days you will need to put a lot of effort into letting people know about your market, telling potential customers what is on offer and, crucially, when and where the market will be open.

If you are a food producer and wish to sell your wares at a Farmers’ Market, you will need to contact the market manager to find out the rules of the particular market, costs and availability of stalls. Most markets will want to see your certification if relevant before you are allowed to trade.

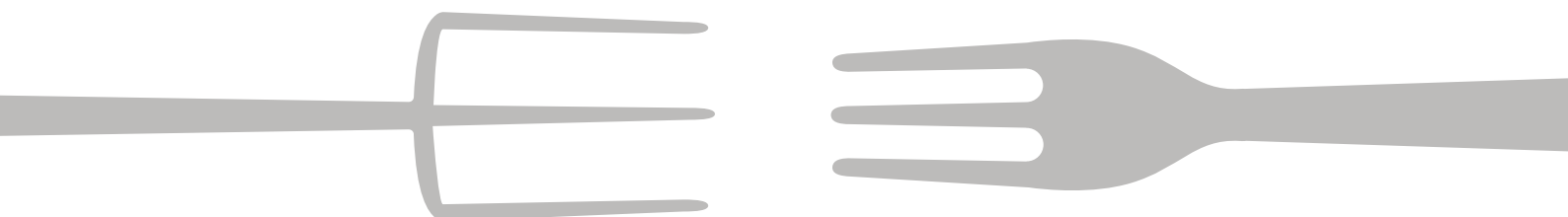
Axbridge is not a large town but the market attracts a good range of customers from the town, the surrounding areas and also some tourists (some regular visitors to the area have been known to buy their meat in bulk and take it home to their freezer). 20 stalls is a nice size for a market, it provides a good service and a buzz to the town, and it benefits the local farming community. It enhances the life of Axbridge and, for just one day a month, this magnificent market square fulfils its proper function.

## KEY LESSONS & FACTORS FOR SUCCESS

- There is an extensive network of Farmers’ Markets; see what already exists before you set up a new one.
- Finding a good available site with parking etc. can be difficult.
- Do ensure that you are properly insured and involve your EHO.
- Do not be tempted to weaken the stance of the market to include products that are not in some way local or are sold by traders rather than producers.
- Be a good neighbour. Leave the site clean and tidy.
- You will need to spend money to communicate to potential customers that your market is open.

WEBSITE

<http://tinyurl.com/ysmozq>





# HILLTOP FARM, FARM SHOP & CAFE

Hilltop Farm near Hunningham, Warwickshire, is located exactly where you would expect – on top of a hill. However, this particular hill is in a lovely rural location just off the Fosse Way and within easy reach of Leamington Spa, Warwick and Rugby. The farm has been in the same family for decades. It is well run and mainly produces very high quality beef and lamb. Like many farmers, the ups and downs of the farming industry encouraged the Ellis family to think of diversification.

Putting these factors together with the availability of grants to encourage farm diversification gave them the opportunity to create a really good retail business. In fact, Margaret Ellis started in a very small way, selling their own produce from a chiller located in the conservatory at the side of the farmhouse. This proved popular with local people, who appreciated the quality foods on their doorstep and were prepared to travel up the long drive from the road to reach the farm.

This success encouraged the Ellis family to consider converting a disused and derelict barn into a farm shop and café. The project was a total departure from their past experience of running a farm, but good project management skills and a willingness to take advice and learn the new skill



sets of retail and catering stood them in good stead. Cutting a very long and convoluted story short, the family eventually received decisive financial support from DEFRA and the building started to take shape. A lot of care was taken to preserve as much as possible of the original character of the building, to use proper wooden beams and to have the walls uncovered to show the quality brickwork. The front entrance to the shop is a real feature, a glass structure that provides a dramatic entrance for customers. The architect managed to create a real point of difference that can stand out in visitors' minds. However, it was also useful to get input from a professional retailer to temper the original visionary design for the building and to make the layout more practical in day-to-day operation, without losing the original "wow factor".

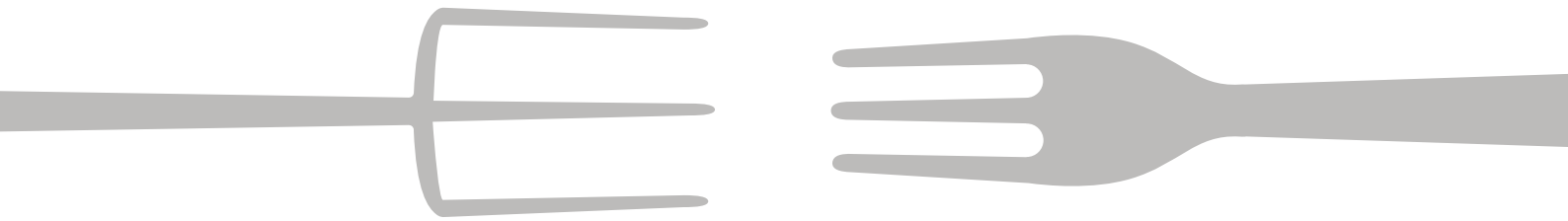
The offer includes as much local produce as possible, from everyday essentials to high-end speciality foods. The core of the range remains the high quality home-produced beef and lamb. All other meats are sourced from local farms with the same high standards of animal welfare. There is also an organic range that includes fruit and vegetables, cheeses and drinks, all attractively displayed.

The shape of the original barn dictated the shape of the shop and café so it is fairly narrow but long, setting its own challenges in terms of layout. The café is on two floors; a mezzanine inserted into the structure provides an upstairs seating area that becomes the Hayloft Restaurant for weekend evening dining. The food served in the café reflects the shop's emphasis on local produce and seems to attract customers from out of nowhere, even at times that one might think would be slack. The menu is continually changing, so that people on repeat visits experience a new choice of food. A key skill that the Ellis family have acquired is managing chefs and other catering staff and ensuring that they deploy their skills in accord with the overall theme of the café. Difficulty with the recruitment of local staff has led to the employment of some hard-working eastern European catering staff, which makes a massive contribution to the operation's success.

Hilltop Farm is performing better than the projections would have suggested, and represents a classic case that if you offer something good customers will somehow emerge out of the woodwork. There is very good prominent and tasteful signage on the Fosse Way. Although this is only a B road along this section, it is still a significant cross-country route, and these signs encourage long distance travellers to take a break here. Customers come out from surrounding villages and Rugby (although, interestingly, less so from nearby Leamington Spa, a fact which nobody can explain) to use both shop and café. The farm is rich in wildlife and there are interesting walks laid out, an outside seating area and a children's playground. All this makes it a very pleasant destination for a weekend afternoon outing, especially for those with children to entertain. Indeed, the whole site has a pleasant welcoming feel to it. In summer there is even space for a marquee and Hilltop Farm is becoming a popular venue for wedding receptions. All this costs money to set up and the whole enterprise represents a very significant investment. With modern health and safety regulations, even the provision of a children's play area is not an investment to be undertaken lightly. However, in this location it was vital that Hilltop Farm became a leisure destination, somewhere it is worth a few miles by car to visit, and the numbers show that the strategy has succeeded.

John Ellis still sells their produce at local farmers' markets and this is a good way of introducing new customers to the delights of their meat and to encourage them to visit the farm site. It is a time commitment, but meeting and talking to potential and actual customers is seldom time wasted for managers, both in terms of business gained but also in terms of gaining understanding of their wants and the resulting new ideas generated.

Hilltop Farm also has its own website and, through a customer feedback card, it is building up a list of customer e-mail addresses for mailings. This also gets across to customers that here is an organisation that cares what they think. Even if only a small proportion of them actually take the trouble to fill in a card, it still opens up the possibility of cheap direct marketing in the future. Although this is a business that has only been trading a couple of years, the strength of the concept means that it still has plenty of growth potential for the future.



## KEY LESSONS & FACTORS FOR SUCCESS

- Check out to see if grants are available to help your project. Different schemes come and go – do see what is available locally that might be relevant.
- Lack of retail experience is not a bar provided you are prepared to learn and adapt and become a professional retailer
- If people are going to travel significant distance, make sure there is enough “entertainment” for them and their family to make the trip worthwhile. Retail and catering are part of the leisure entertainment industry.
- If you have not got enough space do consider extending not only horizontally but also upwards – airspace does not sell and a mezzanine floor can be a very much cheaper option per square foot.
- Signage is vital if you are in an out-of-the-way location. People are quite sophisticated in the way they interpret media – professional design and sign production will probably say far more positive things about your business than cheap amateur design ever can. Few businesses do not need a good image.
- A project can need several income streams to stack – see what synergies can be created. Make your assets “sweat”; keep utilisation of buildings etc at a high level.
- Do not be too quick to abandon older trading formats – Hilltop Farm still gets real benefit from attending Farmers’ Markets.

WEBSITE

[www.hilltopfarmshop.com](http://www.hilltopfarmshop.com)





# SECTION B

## GETTING READY TO TRADE



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GROWN ORGANIC VEGETABLES

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100% home grown. Nothing bought in - Nothing imported  
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[www.linscombe.co.uk](http://www.linscombe.co.uk) Organic Certification UKS - Soil Association Symbol G2047

## 7. FINDING A GOOD LOOK FOR THE SHOP

People decide where to shop for a variety of reasons, some rational, some emotional. Even if you are the only shop in the village, you are still competing with other shops, maybe the petrol forecourt 5 miles away or the farm shop 2 miles in the other direction.

How people view your shop is a result of many things, but how it looks and feels is a key factor. It matters. This is partly quite basic e.g. is it clean and at a comfortable temperature, but part is quite difficult to define.

Write down some words that summarise what you want your customers to think about your business. Remember you cannot be all things to all men. If you have both “exceptional quality” and “rock bottom prices” on your list, you are not in tune with what is possible- get real! What you then need to do is translate your list of key attributes into a look that emphasises them, but at the same time producing a shop that is practical to run and flexible. It also needs to be different from any direct competitors you may have (unless, of course, your strategy is to mimic them). Most probably you will end up with a compromise. Smiley's, for example, has the Smiley's branding outside with a rather French feel to the tearoom and bright modern lighting, but it does not offend.

### 7.1 Design

If you are appealing to young customers, you will probably want a colourful, edgy, design-led sales environment. If you are appealing to upmarket families you will have a more solid look. For older customers, you may need to appeal more with traditional design aspects. If you are buying an existing business, you may find that customers actually like the fascia, unchanged since the 1960's and may resent your 21st century ideas. You may still decide to change, but be aware of these issues and address them head-on.

Practical considerations are important. Plain coloured floors show up dirt from customers' shoes far more than patterned ones. Beige may be boring but it is practical in this context. White does feel clean for walls and ceilings, making your shop seem bigger. Lighting levels need to be appropriate. Do consider in a larger shop the balance between an overall corporate look and the needs of different departments to have their own sub identity. Wooden racking is often used in an off licence section to give the image of a wine cellar, whereas this would be totally inappropriate for baked beans. River Cottage, with its dark almost minimalist approach, is very different in feel from Smiley's, where a high level of lighting is combined with more retail theatre to promote a very different atmosphere.

You may want to express your own personality in your shop design. It is tempting to say that this is a mistake, but that would be too simplistic. Clearly you need to distinguish your shop from competitors' and, provided it is not too quirky, your personality may be the way to do it. If you are selling expensive national food specialities to tourists, then design is far more important than if you are selling dog food cheaply. You may decide to employ a designer for part or all of the work, depending on how you rate your own abilities in this area. Certainly a professional may be able to stand back and be more objective and bring some extra ideas and flair, but as always, involvement of professional help will incur additional costs. Conversely, if you are on a very tight budget, then



a look that does not offend can work and be good enough, particularly if it enables you to use cheap fittings or even to re-utilise items you already have. The inside of most supermarkets is not particularly design-led, but that in no way stops them being successful.

## 7.2 The Name

Naming your business may take a lot longer than you expect (it is one of those areas where everybody has an opinion!), but it may matter less than you think. Historically, shops were named after their founders e.g. Sainsburys, Boots, W. H. Smith, and Morrisons. Then there are the now-obscure origins e.g. Tesco (originally T. E. Stockwell COmpany) or Asda (originally ASsociated DAiries). The most recent trend has been for names with appropriate connotations e.g. Somerfield. Some names mean nothing in this country – Lidl, Netto and Aldi. It can be a name extended from another related business, such as River Cottage. It can try to describe the marketing stance e.g. Bargain Booze. Many of these companies have traded for decades; ultra trendy or quirky names have a habit of dating quickly. Having said that, what else could you call the store in the village of Knockin in Shropshire but the Knockin Shop? (True). It is all very confusing, but do not worry too much about it - whatever sensible name you pick will quickly acquire its own image locally. The computer graphic smileys may pass into history but Smiley's will still remain as a valid shop name in Sandford.

You can check where a name is already in use by a limited company on the Companies House website. Do not be put off by the number of companies using names similar to your must-have one. There are vast numbers of companies with very similar names trading alongside each other without legal difficulty.

However, a key issue these days is the need to have an easily found website, leading to unique made-up names such as Google, Yahoo and eBay which aid on-line searches and ensure you can find them quickly. When people search on common names or words they may get tens of thousands of hits. The likelihood of your site coming up on the first results page amidst all the clutter of similar-sounding companies is very low.

## 7.3 Store Layout

Planning the layout of a 4000sq.m supermarket is pretty straightforward. The companies concerned have a lot of experience in laying out such large squarish sales areas, plenty of rules of thumb and, with a bit of tweaking, there is sufficient space to apply them properly. The chances are that your venture will be more difficult to plan and you have not got a whole team of people in head office to do it, so you need to do some thinking from first principles.

Firstly, make your shop entrance as inviting as possible with no barriers to people coming in to your store from the street or precinct. Unless you really have to, do not have a closed door as a barrier. Once they are inside your store, you must allow sufficient space for customers. There is a real temptation to pack the shop with stock at the expense of appearing to be an overcrowded area in which it is impossible to find things. You have to allow aisles wide enough for people to pass each other comfortably and also so they can stand back to see what is on a bottom shelf. No aisle should be less than 1m wide, preferably more.

Consider trying to ensure that customers circulate round the entire store if possible, but at the same time do not provoke them by being too blatant. A small newsagents can put newspapers on the back wall, past the confectionery and magazine displays, but a large branch of W H Smiths cannot get away with it.

Lighting is a very important part of your fit-out. Ensure that aisles are well lit (it is surprising the number of shops with strip lights that run across the aisles rather than the length of them) and use cheap halogen spotlights to “lift” certain ranges. Do ensure that there are particularly well-lit or colourful displays to draw customers into the shop, away from the entrance. Supermarkets often do this with colourful displays of fresh fruit and vegetables for example.

Very often the shape of the premises will dictate the basic elements of layout. A long, narrow building will almost dictate that you site the cash taking at one end, as at Hilltop Farm and Smiley’s. This is a key decision that will then help other things to fall into place. Some fittings, such as large chillers, almost always have to go along a wall unless you have a really large sales area. A good layout is a balance between conflicting requirements and often needs a great deal of trial and error to determine. It is far better to go through this process by drawing a scale plan of your sales area, then cutting out scale shapes for shopfittings. The scale shapes can be moved around far more easily than actual equipment in a shop. Remember basic points, which can easily be forgotten, to allow space behind a counter for two members of staff to pass each other without undue intimacy.

A big decision in small premises is what to do with any window you may have. Ideally people outside should be able to see into the shop through the windows, but if space is at a premium, you can block the window off, often by placing film across it. Done professionally it can look OK, but whatever you do, do not have the backs of your refrigerators as the view into your window as some shops do – it gives a very poor image.

## 8. WHAT FIXTURES AND FITTINGS DO WE NEED?

Before you decide on a layout or think about placing any order for shop fittings, do decide how much you want to do yourself. A professional shopfitting company will be able to produce a layout in line with your specifications, fit it into your sales area and leave you to get on with other things. The downside, of course, is that it costs more than doing it yourself. At the very least, if you get a couple of shopfitters to quote to your requirements you will see how much they would charge and, indeed, you can see their ideas for layouts. Be warned, however, they will not usually give you a paper copy to keep until you have signed on the bottom line.

### 8.1 Shelving

Do think very carefully indeed before commissioning a local carpenter to bespoke make your hearts-desire shopfittings in solid wood. Or, if you do, make sure it matches the commercially available models in terms of practicality. In particular, any shelving must be adjustable. The ranges you will be selling in three years time could be very different from the lines you are stocking today, and you must be able to accommodate change. When buying fittings, it may even be worthwhile

buying some spare shelves to give you flexibility in case that range of fittings ceases production.

Do also think carefully about anything that reduces the efficiency of space utilisation in your shop. Each square metre of space is costing you a lot of money in terms of rent, rates, heating, lighting and cleaning each year. It has to deliver a return. Hence, one antique pine table with a few wicker baskets of stock on it may have a legitimate role as a prop to establish store ambience, but a whole shop using such fittings would be hard to justify.

Community shops in particular may be offered ex-supermarket fittings. Often these are much larger than you really need, and so you must balance the advantage in terms of cost, perhaps free even, against the loss of efficiency in using your available space. Over the long term it is usually better to have the equipment you really need, although free fittings may help in the short term to get you going.

A compromise approach is to use what are essentially standard fittings but with a bespoke finish. Otherwise unproductive space, high up walls for example, can be used to provide image-enhancing pictures or items.

## 8.2 Electronic Point of Sale Equipment (EPOS)

Virtually all large stores use EPOS equipment. This kit allows you to scan the barcode that appears on most goods. Immediately this lets your “till” record what is being sold, charge the customer accordingly and produce an itemised receipt. It also lets your computer system know that you have sold one of that item so that you can re-order it. It records management information so you know which lines or sectors are doing well, which badly, and helps you decide when to extend a range or discontinue stocking a line. It makes your administration much easier. It provides the data your bookkeeper needs and assists with your VAT return. It also avoids the time-consuming need to apply individual price labels on each item. It ensures that your staff sell goods at the correct price – no unofficial discounts for their friends – and helps you identify theft. For community shops such as Urchfont, it actually helps volunteers cope with cash handling and selling. Why would you not want EPOS?

There is, of course, a downside. EPOS equipment has come down in price but is still more expensive than a simple till. There is a time commitment to setting up the system, imputing all your prices and item descriptions (although most suppliers of the equipment will help set it up for you). You will depend on the system and so any long-term power cuts or faults can affect your business badly. Do have contingency plans, perhaps even a back-up generator, should this happen.

On balance, though, unless your business is very small and simple, you need to invest in EPOS equipment.

## 8.3 Refrigeration

Many businesses will need chillers and freezers to sell appropriate ranges. Commercial refrigeration is very expensive compared with domestic models and yet it does not seem to last any longer. In many businesses it is a major expense. There are several well-known brands. Do be aware of deals on cheap equipment that seem too good to be true, breakdowns can be crippling in

terms of ruined stock, annoyed customers and expensive engineer call-outs. Remember all fridges produce heat around them (the compressors are the main source) and there are advantages in having the compressor situated outside the shop. These “remote” chillers are far more expensive to buy, need far more installation piping, ducting etc., but usually display more stock for a given size of unit. They remove heat and noise from inside the shop and may save the need for air conditioning. However, do be aware that neighbours may not appreciate the noise from external compressors and the law may be on their side if they live close to your site and decide to complain about it.

An important consideration is what type of freezer to buy. Chest freezers are cheaper to buy and cheaper to run. Upright freezers with glass doors are usually more expensive to buy and cost more in electricity because every time somebody opens the door the cold air spills out. Uprights occupy significantly less floorspace and make it far easier for customers to see and pick up product. This is a decision you need to make by balancing the factors but, certainly in small shops, uprights tend to have the advantage.

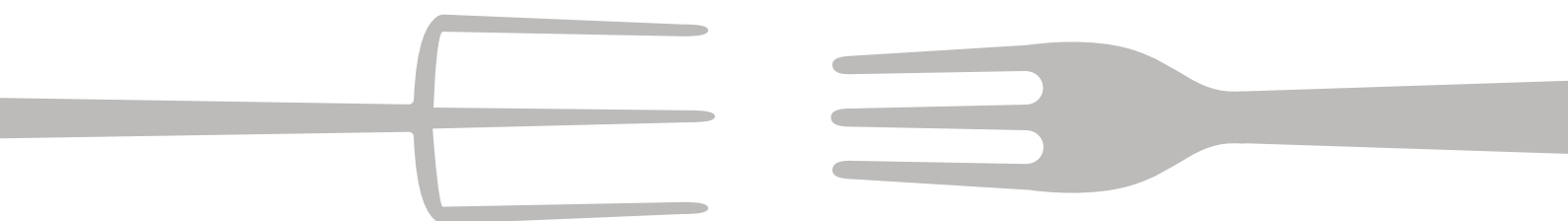
“Open deck” chillers, where there is a curtain of cold air rather than a physical door, are the best type of fittings for self-selection products such as pre-packed cold meats, dairy and sandwiches. Soft drinks and chilled beer and wine are often found in upright chillers, sometimes emblazoned with a drinks company branding, which makes them cheaper.

## 8.4 Air conditioning

Paradoxically a lot of refrigeration, like south facing windows, can lead to a lot of heat build up in a shop, to the detriment of customers, staff and stock (anyone for a melted Mars bar?). Many modern air conditioning units can also provide heating when required and this provision is becoming almost essential in many types of business.

## 8.5 Security equipment

Most shops of any size have security equipment to protect their staff and their stock. CCTV security camera equipment is relatively cheap. A typical system might include colour cameras covering your premises and perhaps the pavement outside, feeding through to a recorder with a hard disc and with a monitor in your office and/or by the till. Make sure the recorder is somewhere protected and that it will record images to police evidence standards. An alarm is needed as standard and if you are in a vulnerable location, night shutters will protect your glass, although you may need planning permission to install them. Your local police station can put you in touch with the crime prevention team who can advise you in detail for free.





## 9. WHAT ABOUT STOCK?

Most people intending to set up a new shop will have a good idea of what they want to sell. However, converting a general concept like “We want to run a village convenience store with a large selection of local farm produce” into a range with a few thousand separate lines, is one that needs some thought. Your range needs to:

- Meet the needs of your prospective customers
- Generate sufficient sales/profit margin to meet your financial objectives.
- Fit with the size of sales area and stockroom.
- Be available to your business
- Provide you with a strong offer compared with your competitors
- Be consistent with your overall image and mission statement.

### 9.1 Customer needs

Demand in your shop will divide broadly into two. Some element will result from you attracting custom away from your competitors; part will result from your shop expanding the market. For example, if you are selling souvenirs at a tourist attraction, most people will enter your door totally unaware of their need for the postcard they are about to buy.

It is also important to realise that in reality it is very hard indeed as a small business to measure customer demand before you open your doors to them for the first time. All guides to running a small business talk about market research as the solution to the problem. In the real world it is much more difficult. Professional market research is expensive and is still not that good at getting the right answer to hypothetical questions. “If there was a farm shop in the village would you use it?” How does the respondent know until they see how good it is? Many beer drinkers will tell a market researcher that they are attracted to the idea of buying local brews, but it is harder to find out whether it will taste good enough to buy a second time. Poorly done amateur research can be positively dangerous; it can give you false confidence in its wrong answers. Do ask questions of people, but do keep them factual. Even then, observing real behaviour is a better guide than asking hypothetical questions. If you watch the Tesco produce section and 1 in 20 customers buys organic items; that is real. If you ask people if they buy organic vegetables, they may well think that buying organic is the acceptable and desired answer and a proportion of them will respond accordingly and mislead you.

If you are setting up a village convenience store, you need to appeal to a wide range of age groups, social classes and types of people who live there. No one group is large enough to sustain a shop. If you are in the middle of London, you can appeal to a tiny niche because a minute percentage of eight million people is still a lot of business. There are exceptions; in a rural Herefordshire village there is a shop stocking almost entirely eastern European brands, a function of the massive influx of seasonal agricultural workers from there. So decide whom you are targeting as customers.

A starting point needs to be how precisely defined your target market is. There may be alternative strategies; the answer is not always clear-cut. For example, if your shop serves an area of social housing and an upmarket enclave, you could decide, after reviewing their relative sizes and what the competition is doing, to concentrate on a particular sector, or to try to meet the needs of both. Do not be vague. This is a decision you must make consciously. It is a basic strategy that will inform many aspects of your business and is a key determinant of your success or failure.

## 9.2 Sales/profit requirements

In most businesses, there is a very wide spread in the profit margins between different goods sold. For example, the margin on cigarettes is very low (about 5%) because most of the purchase price is made up of government taxes, whereas the gross profit on food sold in a café should be about 200% in order to cover the very high staff and property overheads inherent in this type of business. Work out whether the mix you intend to sell will actually generate the gross profit to cover all your costs and leave you with a surplus, which is termed your net profit. It can be quite hard to find out the normal profit margins on different ranges, but contacting potential suppliers will help you find out what will apply to your business.

In most retail sectors, there is a wide spread in the gross profit margins available on different lines. You do need to ensure that your overall mix delivers the profit you have budgeted.

## 9.3 Size of sales area and stockroom

If you have larger premises it is easier to stock lines within a product category at different price points. For example, Tesco often have three own label products, Value, standard and Finest. This is a clever feat to pull off, as they do, in 40,000 square metres. It is impossible to do it in 40 square metres.

There is usually a fairly direct relationship between the size of the shop and the number of different lines that can be stocked, depending on the type of merchandise. You will be seeking premises of a size appropriate to your ambitions. If you are successful, you can move to larger premises but this is a very disruptive and expensive process, to be avoided in the formative years of a retail business if at all possible. If nothing else, it means retraining your customers to come somewhere else.

Do not be tempted to overcrowd your sales area unless there really is no alternative. Very high rent, very small businesses such as kiosks at railway stations can get away with this approach, but this is not normal.

The relationship between sales area, stockroom and food preparation areas is very important to get right. It clearly depends on what you intend to sell and the constraints of your site. At Urchfont, for example, space in total is very tight and so little can be spared for stock. At River Cottage the walk-in refrigeration is down in the cellars, space that would be useless for sales area. At Hunningham, the meat preparation area is located in what is structurally a separate building.

Often architects get the balance wrong, so if you are building a new unit do keep on top of this aspect. From the user's point of view, the temptation is to have too small a stockroom; after all, it feels like dead space, but an efficient back shop area can contribute significantly to a well-run operation.

## 9.4 Availability

There is no point coming up with a brilliant retail concept if the merchandise to support it is not available. It would be easy to source locally produced fruit in the Vale of Evesham, much harder to do so in cereal-growing East Anglia. It may be impossible to find local cheeses in East Anglia or truly local beef in central London. If there is a gap in the market, there may be a reason for it.

However, the very fact that you are setting up may encourage suppliers to diversify or expand to meet the demand your business is creating. A farmer may plant half an acre of vegetables instead of wheat because there is now a market for them. It is important to address these problems with an open mind, and not too emotionally. You may desperately want to keep food miles to a minimum but if customers want bananas, then you probably have a compromise to make.

Do also remember seasonality. In this era of massive refrigerated lorries from Spain and airfreight from Kenya, we do tend to forget that truly local produce is often only available at certain times of year. Your business plan must reflect this. What are you going to sell at the slack times of year when little is being harvested in your area? Axbridge Farmers' Market in November had plenty of meat stalls but only a limited range of vegetables. Not very much is harvested in Somerset in November.

Being practical, you can only sell what you can source. If your offer is based on selling local fresh produce, for example, then you will be constrained by what local businesses can deliver. However, you may be surprised at what is available in your area once you really start looking and your original business concept may need to be expanded accordingly.

## 9.5 Strong offer compared with your competitors

Be realistic about competition. Everybody goes into business enthusiastic and convinced that they can develop a better shop than anybody else locally. Make sure any competitive advantage you are seeking is genuine. If you are selling bread, why is your bread better than that to be found in the bakers shop across the street? Conversely, do not get obsessed with competition. People have to buy their bread somewhere, why not from you?

As companies such as Tesco identify new markets very quickly, it is no mean task to beat them. But it can be done. Tesco sell a good range of malt whiskies, but if you are a specialist it is not hard to stock ten times their range. Toys R Us sells toys, but if you specialise in dolls house furniture you can sell high-margin specialist ranges that would never justify the shelf space in their stores. Supermarkets sell local produce, but as a small operator, your produce can be more local, from suppliers producing in quantities that would not keep a Waitrose store going for a day.

In most markets, you can find data on market size, brand market shares and the like. If all else fails, look in Tesco. If Nescafé has four facings on the shelf and Maxwell House has only one, it is a fair bet that their sales are broadly in the ratio of 4:1. Tesco has a team of people in head office drawing up shelf plans based on their sales data. You haven't.

## 9.6 Be consistent with your overall image and mission statement

Most successful retailers have a range that is compatible with their overall image and also has an internal logic. In other words, if you are setting up a high-class shop then selling some cheap lines is not a good idea. Similarly, too many expensive items can destroy a price-led offer. There are some possible exceptions. A gift shop, particularly in a small town, can get away with selling at a wide range of price points. In a village, the general store has to appeal to all sections of the population and customers do make some allowance for this.

## 9.7 Leading brands or unique products?

Many experts will give you confusing advice on whether or not to emphasise brand leaders. One website, for example, gives as its Top Tips “focus on top brands” and then says further down the same page “look for high profit opportunities” and “focus on niche products”. Now you may have space to do both but it is unlikely. In fact, all of our case studies in their different ways are trying to avoid selling mainstream brand leaders. This is not coincidence. The best way to sidestep competition from the large supermarket chains is to offer something different from them. You will never compete on price with Tesco for the weekly grocery shop, but you can run rings round them stocking smaller brands that an increasing proportion of the population will seek out. If a shop the size of Urchfont can develop an own label, then there is hope for everybody.

# 10. HOW DO WE MANAGE AND RUN THE SHOP?

A key decision from the early days is whether you will be managing the shop “hands-on” or whether you will employ a manager. If you do have a manager, let them manage. They will undoubtedly do some things you totally disagree with, but let them get on with their job within the overall strategy, targets or directions that you have provided for them. If there is more than one of you managing (you and your partner?) then do establish clear reporting lines.

Community-run businesses follow the same broad pattern. The normal situation will be for a committee to be responsible for strategic direction and a shop manager responsible for day-to-day running.

Beyond that general principle, the management structure does depend on the size of your business. A typical supermarket, employing perhaps 250 staff, will have a departmental structure, with a manager responsible for each part of the store. There will be a Human Resources manager responsible for recruitment, training and record keeping. There will be a warehouse manager, perhaps somebody responsible for security. If the store operates 24 hours a day, some of these roles will involve more than one person to ensure coverage throughout the store opening hours.

There is a real danger that in your business you will spend all your time responding to problems. There is a real temptation to say that you will deal with all customer complaints personally, or decide all orders, or set all prices. You may well be the best person to do all of these things, but the downside is that you do not then have the time or space to think and plan. You need to be



able to decide to have a barbecue promotion, to replace that tatty fitting, to introduce a new line, to go and see what your competitors are doing, or even just to watch customers browsing your shelves.

A written staff handbook can be useful, insofar as it can put all the legal requirements in one place, can communicate clear rights and responsibilities to staff, and ensure that you have not left anything to chance. The inevitable danger, of course, is that the result is so thick nobody reads it.

## 11 WHAT LEGISLATION SHOULD WE BE AWARE OF?

There is a vast raft of legislation that affects you when you start a business. This section could be a volume 1000 pages long and still not be complete. Large companies and one-man bands are often covered by the same laws, the difference being that the large companies have whole legal departments to ensure that they comply, whereas the small man is on his own. The following sections try to give you the key points but you do need to recognise when to consult a professional solicitor or accountant. They may charge you a day's profit for an hour of their time, but if you need their advice, then not consulting them could be far more costly.

### 11.1 Health and Safety and Food Hygiene

Any business selling food needs to register with their local Environmental Health Department. Depending what you are selling, there will be various requirements placed upon you. If, for example, you have refrigeration, then you will need to record its temperature at regular intervals. The Food Standards Agency has all the information you need and your local EHO will advise you but it would be a good idea, even if not legally required, to attend a food hygiene course (and when you pass the exam you can get a certificate to hang on the wall).

Beyond that, the basic principle to bear in mind is that you are responsible for the health and safety of everybody working for you and also for customers and other people visiting your shop. You also have responsibility for the products you supply. This is a pretty far-ranging list and you do need to take your responsibilities seriously. In general, you need to take all the steps that could be reasonably expected to keep these people safe. The Health and Safety Executive (HSE) and your local authority enforce the law but can also be useful sources of information and advice. Health and Safety inspectors can visit your premises to help you identify and evaluate risks.

You must:

- Have a written H&S policy (if you have 5 or more employees)

- Conduct a thorough risk assessment of your business. This means seeing what the likelihood is of something causing harm. Record it in writing. Do write it in language that you and your staff understand; a policy full of jargon taken from a web site or textbook is really of little use. It is likely to need to cover a wide range of things, such as, to quote just a few examples, potentially hazardous chemicals (covered by COSHH regulations), trailing electrical leads, use of stepladders, fire exits and use of equipment. Regularly repeat the exercise and record the results in writing.

- Have a system for recording and reporting accidents.

- Consult employees on H&S matters.

- Ensure that employees understand their H&S responsibilities and put into effect your rules.

Certain types of business (including restaurants) need to register with their local authority's environmental health department for H&S purposes.

Employers' liability insurance is a legal requirement if you employ anyone.

Consider public liability insurance (covering claims by people such as customers) and/or product liability insurance (covers harm caused by any products you supply) – almost a necessity in this litigation-obsessed age.

Enforce the ban on smoking in workplaces and have the compulsory signage.

Ensure you understand the regulations covering the handling of food, such as, for example, the requirement to record temperature readings on refrigeration.

Ensure you meet basic standards of space, lighting and toilet facilities.

Although initially daunting, much of H&S is, in fact, applied common sense.

## 11.2 Recruitment

When you are taking on your first employee, you need to register with HM Revenue and Customs.

Make sure that when you are interviewing staff you treat everyone in the same way. Make notes on how you reached your decisions. We would advise making a list of desirable attributes and how each candidate scored against each one. This seems very bureaucratic but could be vital evidence if there is a complaint or a prosecution under any of the discrimination acts. A conviction under the Race Relations Act, for example, could lay you open to an unlimited fine. If you do not inspect and copy documents showing the new employee's entitlement to work in the UK, you could be prosecuted for employing an illegal worker. Other information you might want to access could include references and health checks, depending on the nature of the job. There are specific rules covering the employment of young people still at school.

You enter into a contract the instant an applicant unconditionally accepts your job offer, with terms probably a mixture of oral, written and implied. It is therefore very sensible to provide a written statement as soon as possible, thus avoiding any uncertainty. This might include: pay; hours of work; holiday entitlement; brief description of the work; address of place of work; sick pay conditions; notice period; collective agreements (if any); pension details; dismissal, disciplinary and grievance procedures.

## 11.3 Staff Conditions

There are laws governing the National Minimum Wage that you have to pay staff and also provision for holiday entitlement. The minimum legal wage is updated annually, so check current rates. You need a payroll system, to deduct tax under the PAYE system and National Insurance contributions. This could be a spreadsheet on your computer but many small businesses contract out the administration of this to their bookkeeper or specialist firms. It costs, but it might just save your sanity and your marriage. The rules can be very complex.

Community shops can accept volunteer labour but if you give them anything at all as a regular payment related to their work for you, then you are almost certainly going to have to pay them at the national minimum wage and treat them as an employee. Occasional treats such as a free Christmas party are OK.

When you are planning your shop, do remember to provide space for staff facilities; what is needed is obviously dependent on the number of staff you employ. Remember new toilets have to follow the regulations governing the provision of disabled facilities and that disabled toilets are demanding in terms of the space they occupy.

## 12. HOW CAN WE MARKET OURSELVES EFFECTIVELY?

Marketing a new store has several aspects:

- Making potential customers aware of its existence
- Raising interest to encourage a visit
- Encouraging customers to spend whilst in the shop
- Ensuring they return for further visits.

Hence at one level everything you do in your shop contributes to marketing.

### 12.1 Develop Awareness

How you make people aware of your business depends on your target market, your location and how far you expect customers to be prepared to travel. For a small community shop, such as Urchfont, then most customers come from within the settlement. For River Cottage in Axminster, the draw of the brand name means that it will become a destination that people will travel a considerable distance to visit. River Cottage also demonstrates an important lesson: do not pay for marketing if you can get it for free. It does not come much better than a dedicated TV series. However, at a local level, media coverage could be achieved by creating a story that local radio and press can pick up on. Remember that they are as desperate to fill their space as you are to get coverage. An opening event, with a local celebrity if possible, is the obvious way, but think what other resources exist locally that you can tap into. You should use leaflets, paid-for adverts and network like crazy amongst your friends and acquaintances to make sure your launch weekend leaves your shelves denuded and your till full.

### 12.2 Raising Interest

People ran their lives quite successfully before you opened your shop. Many people will come to see your shop – once – purely out of curiosity. Others need to be given a reason to break their current habits to visit you. If you are in a town location, then people will be in the habit of using a small proportion of the shops on offer. You need to persuade them to break out of their shopping rut and visit you. Again, there is a well-worn path of opening offers, coupons, freebies etc. Do not dismiss such things, because they do work, but at the same time if you can come up with something original and relevant to your business, the impact will be so much the greater. The external appearance of the shop is critical in encouraging people to enter it - An attractive fascia, a clear view or indication of what to expect inside, no physical barriers to entry- it is very easy to say what is needed, but less easy to stand out in the competitive environment of the typical high street.

## 12.3 Encouraging Spend

Hopefully the experience of being in your shop will encourage people to get out their credit cards. However, this is where the internal signage should come into its own. It should not dominate but it needs to tell customers what different sections are to be found. It should bring your higher margin or speciality lines to their attention, conveying key selling points simply and at the same time contributing to the overall store image, whatever that is intended to be. Shelf edge pricing needs to be easy to read, again without being too dominant. Highlight particular lines e.g. if the sausages are made just down the road from local pork, tell customers their provenance and the low food miles involved. Your store should project a “story” that says that it is distinct from your multiple store competitors, a story that your customers can buy into.

## 12.4 Encouraging Return Visits

The best possible encouragement is to wow customers on their first visit. There are several well-tried ways of encouraging repeat visits. A book of coupons valid for one week only apiece, invitations to tastings or other events and weekly adverts/leaflets.

Do not assume that the job is done after your first week of trading. The best marketing is a constant ‘drip, drip, drip’ that keeps your business in people’s minds. Everybody in the neighbourhood knows you are there and what you sell, but you still need an advert in the local parish magazine to keep your offer fresh.

A very useful competitive tool is to sell ranges unavailable anywhere else. Supermarket own labels are a key part of their offer, one reason being that if you want to buy Waitrose ready meals you have to go to their stores to get them.

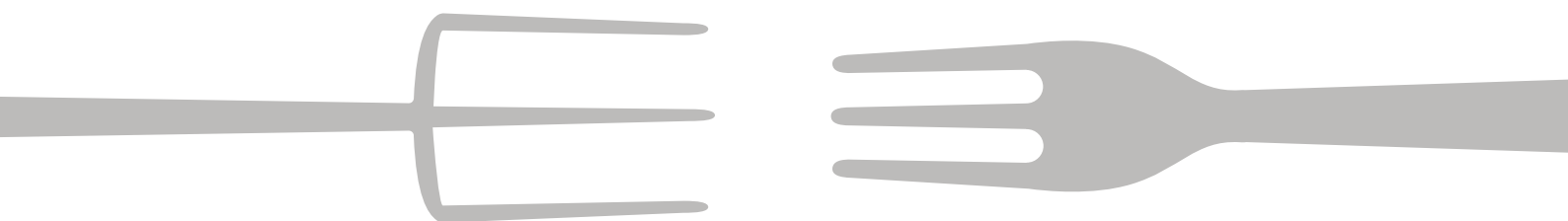
Another way to encourage return visits is to constantly refresh your offer, to always have something new and interesting on your gondola ends. In this way you are always giving your customers a reason to come into your store. This is an area where many community-run shops perform poorly. Their management is too focused on their social objectives to address the need to keep the offer fresh and vibrant (and yes, of course there are some community shops that are excellent at this!)

## 12.5 Opening Hours

Traditionally it was easy to define shop opening hours. However, today our 24/7 culture makes the decision as to what hours to open very difficult. A majority of women are in paid employment and people are working longer hours during the week. Your shop needs to be open when your customers want you to be, because your competitors will be pleased to serve them if you are closed. Somerset Food Local Direct has to deliver towards the back end of the week when customers want a large order, but can be more flexible as to when during the day they appear. River Cottage has the courage to stick with traditional opening hours for the shop part, including even a half day closing. Axbridge Farmers’ Market works on very restricted hours with the expectation that business can be concentrated into those few hours and customers will co-operate.



A typical convenience store may have to open 7am to 8pm 7 days a week. Remember that long hours have to be paid for in terms of staffing costs, heat and light etc. Certain types of business, such as farm shops, may have much shorter hours in winter, perhaps even staying closed all day on Monday and Tuesday. It really does depend on the business but it is one of the important decisions you will make.





## CASE STUDY

# SMILEY'S DELICATESSEN FARM SHOP AND CAFÉ, SANDFORD

The proprietors of Smiley's, June and Ron Young, are "serial shop owners", having established and then sold on businesses in Bristol, Cheddar, Winscombe and Weymouth. Their current venture is in Sandford, a village a few miles inland from Weston-Super-Mare in North Somerset. The retail premises they occupy have had a chequered history in recent years, having originally been a village shop cum post office, which eventually closed its doors for good. The local community was therefore overjoyed when their only food shop re-opened.

However, it did not re-open in the old format; Smiley's is not a standard village shop. At one end of the sales area is a café section, totally integrated with the shop but delineated by a pillar and a change in floor tile colour. The premises are surprisingly large inside, an impression enhanced by the uncluttered displays and the light airy décor. The building has a wide frontage and this allows the café to be at one end of the shop - part of it, but out of the bustle. The space has also allowed a lot of "retail theatre". In the shop section this includes a full-size 4-wheeled cart whilst the café boasts a welsh dresser with ornaments. Lighting is crucial to the ambiance of the premises. It is upfront and bright, without being too glaring (see the River Cottage case study for a very different approach), and makes the place inviting even on a dark winter's day.

The shop has a large serve-over dairy and delicatessen section, with fresh produce, much of it local, a limited range of groceries (for the “I forgot to buy it at the supermarket” brigade) plus a wide range of confectionery including loose sweets in jars for the nostalgic. Fresh produce is displayed with some flair in wicker baskets and in artistic piles. There is a decent sized food preparation area off the sales area but in sight of customers – provided whatever is going on is not too anatomical, customers do generally like to see their food being prepared in delicatessens and restaurants. Friendly customer service is a key part of the offer together with a willingness to listen to customers’ requests for items not already stocked.

The concept behind Smiley’s does walk a tightrope balancing the range of lines stocked and the different needs of teashop/café and the retail side. The shop range is obviously tailored to the modern reality that most people buy their cans and packets at the large supermarkets and the role of local shops is to provide short life products bought between the weekly or fortnightly treks to Tesco. The sweets cater for the treats market and are very popular with adults and children alike – as well as being profitable.

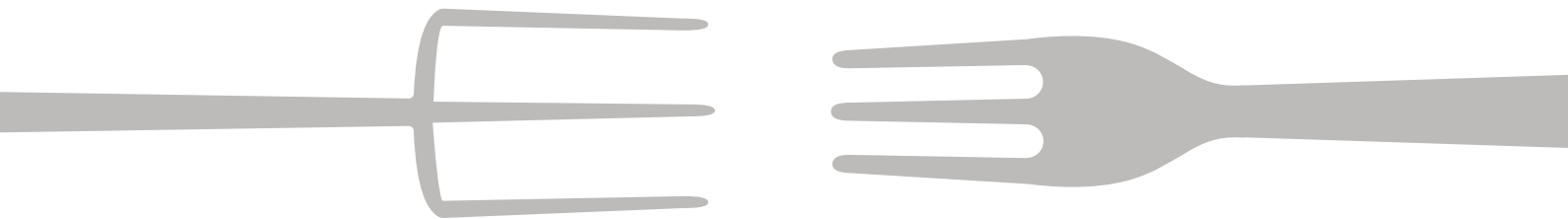
However, the most interesting aspect of the shop is the mix of retail and café. With 26 covers, the café provides informal eating with the possibility of evening service as well at weekends or other times. Lunch has proved very popular, in particular on Sundays. The challenge is to produce a menu that is interesting whilst being not too difficult to produce without a dedicated chef on the premises, that is “homemade” without eliciting the response, “Well, I could do it just as well at home”. Catering provides much higher gross profit margins than retail but there are higher costs as well, in terms of time required to prepare and serve the food, wastage, space, etc. Hence managing the balance between the two halves of a business like this is crucial - you do need to be able to cope with the inevitable peaks in customer demands - customers are not impressed if they have to wait a long time to be served.

Theories of retailing might suggest that the demand from the village itself is too small to sustain the shop or cafe on its own. However, there is also significant passing trade on the A road that passes through Sandford, the shop having a large forecourt for parking. There is also trade from walkers on the nearby official pathway along a disused railway line, and the Threshers Cider Shop, a minor tourist attraction just down the road in the village, also brings people to the area. A forthcoming major building development in Sandford will bring a welcome influx of building workers.

Overall, Smiley’s does represent a very interesting mix of offers that seems to provide a viable business model in a small catchment area. However, a somewhat similar business near Shrewsbury folded – the village was just too small to sustain it – so you do need to do your homework and count the chimney pots! Nevertheless, Smiley’s seems to have got the balance right for the people of Sandford and after just a couple of months’ trading there is plenty of potential to develop the business.

## KEY LESSONS & FACTORS FOR SUCCESS

- If you are going to try to combine concepts, do make sure you have enough staff to provide good service in all parts of the business (they can be family members in the back doing something else but on call if you get a sudden influx).
- Do research local sources of customers, such as passing trade, tourist attractions, cycle paths etc. and do understand your catchment area.
- A spacious retail area is usually good, the more the better, but remember it costs you - your rent/rates and other costs go up according to square footage.
- Try to make your sales area a pleasant and interesting place to be, particularly if customers are going to spend some time in a café section.
- If you find a retail formula that works in one location, there is a good chance it will work in others. After all, it works for Tesco!
- In recent years there has been a marked growth in the number of occasions people eat out or take pre-prepared food home rather than cook. There is a lot to be said for going with the trends rather than fighting them.
- If you are setting up a catering business, do talk to and take advice from your local Environmental Health Officer from an early stage.
- Car parking is crucial to many types of business – having your own car park or free street parking outside your premises is a big plus.







# SOMERSET LOCAL FOOD DIRECT GLASTONBURY

This company grew out of the farmers' market movement in Somerset. The idea is to enable customers to buy the same quality of local foods every week of the year as they can at farmers' markets. Somerset Local Food Direct was set up by an ex-pig farmer, with DEFRA funding designed to help support the farming sector.

The company has a strong philosophy to support the "re-awakening of a local food culture" that provides customers with value and convenience, as well as helping local agriculture survive in the face of imports. Given this stance and the company's history, it is therefore no surprise that many of the companies supplying the company are local producers also active at the local farmers' markets.

The concept of Somerset Local Food Direct is simple. They have a catalogue of locally sourced foods, augmented by organic and ethically sourced foods from further afield. Their proud boast is that 80% of their suppliers can see the local landmark, Glastonbury Tor. The catalogue can be accessed on their web site or as a paper copy. Customers can then place an order (80% do so on the web site, 20% by phone) up until first thing Tuesday morning. The company then places orders

with producers on Tuesday for exactly the amounts required to fulfil that week's orders. Suppliers then deliver their produce to the Glastonbury warehouse on Wednesday and it is put out onto the shelves. The orders are picked and a fleet of vans delivers the orders to customers' homes on Thursday and Friday. Produce is packed in insulated boxes to keep it fresh and this also means that customers do not need to be at home when it is delivered.

The company currently has the one warehouse, on a trading estate on the outskirts of Glastonbury (chosen for its functionality rather than its relationship with possible ley lines – do we want to keep this in? It doesn't benefit the text and risks negative association with 'hippy' or 'new age' lifestyles). The numerous contacts in the farmers' market movement meant that the Company was able to develop its product offer quickly. Achieving critical mass is crucial – if people have to go to a supermarket as well as receiving their order, the whole point of the concept is lost. There is also little advantage to a supplier driving several miles to deliver one cabbage; they need to work with reasonable quantities as well.

A number of companies have set up similar operations up and down the country. The keys to profitability are a strict control on costs, sufficient density of customers to make delivery viable, and an attractive range available in all seasons of the year. There is obviously a limit to the distance from the warehouse within which delivery is economic (the £3 delivery charge does not cover the full cost of this part of the operation). Satisfied customers recommending the company to neighbours can be a good way of developing delivery clusters, where several drops are close together and thus make the delivery operation more efficient, so "friend get friend" recommendation schemes can be particularly useful in this market.

A crucial element in the whole operation is the computer software system, in this case developed in-house. There are several complications that need to be addressed compared with a more normal ordering system, the main one being the need to cope with variable weight items. A customer may order a steak weighing about 500g. If the actual steak supplied weighs 486g then the system must be able to cope by firstly ensuring that the right piece of meat goes to the right customer and secondly that she is charged exactly the right price. This is not a trivial problem. The system also ensures that orders are printed out onto picking sheets in the order that they are laid out in the warehouse, improving efficiency of that task.

Given the determinedly local scale of the operation, Somerset Local Food Direct offers a remarkable range of goods, amounting to well over a thousand lines (SKUs) covering fresh locally produced meats, vegetables, dairy produce, eggs, breads, preserves and snacks. You really could obtain your entire weekly requirements from this source. As a result, the average order value is healthy, with some customers ordering up to £80 worth of food at a time. This is important to the economics of the operation, as, even with the delivery charge, small orders are unlikely to be economic to fulfil.

The drivers are the important public face of the company. Careful selection of the right sort of person has helped ensure that they do build positive relationships with their customers. For some elderly people the visit of the driver is a rare and very welcome human contact in their week. The delivery vans are owned and operated by their drivers who work as independent operators, usually having other jobs for the rest of the working week. This arrangement overcomes the potential problems of the weekly delivery cycle, with all the delivery activity concentrated into just two days.

If you are considering setting up a business like this, do your research carefully. It can be difficult to find out if other companies are operating in a similar way in your target area, for example, and do remember that the vast majority of customers prefer deliveries towards the back end of the week. Although you may not consider that you will be competing directly with them, do bear in mind the fact that there are several supermarkets, notably Tesco, Sainsburys, Asda and Waitrose, offering a delivery service over much of the country. In the case of Somerset Local Food Direct, another larger operator (Riverford's) provides a delivered box scheme over much of the same catchment area. This has proved to be a help rather than a hindrance, with customers being attracted to the idea of home delivery by Riverford's marketing but then switching to Somerset Local Food to take advantage of their wide range and flexible ordering.

Companies such as Somerset Local Food Direct are often run by individuals keen to encourage people to access locally grown produce and so will often help others attempting to emulate them in non-competing parts of the country. Somerset Local Food Direct, for example, would be prepared to licence their software systems, which might be a worthwhile investment for a new entrant to the industry, immediately helping to solve one of the key problems of such an operation.

## KEY LESSONS & FACTORS FOR SUCCESS

- This concept will only work if you can source your product within a reasonable distance of the warehouse. It is important that you know you can source a sufficient range of food locally before setting up.
- It is important to keep overhead costs low, especially warehousing and the vans.
- It is vital to have good computer systems in place from day one. You must not spend too much on order processing. Even more important, your system must be robust to ensure customers get what they ordered with a very high reliability.
- Your business plan needs to reflect the uneven pattern of demand for deliveries through the week. Asset utilisation cannot be as high as you would ideally like.
- Strong marketing up-front is desirable to achieve critical mass of customers.
- Do not over-extend your delivery areas whatever the temptations; your costs will expand faster than your income.
- Your drivers are crucial. They are the public face by which your company will be judged and even if you do not employ them directly, your customers will not know that.

WEBSITE

[www.localfooddirect.co.uk](http://www.localfooddirect.co.uk)



## CASE STUDY

# URCHFONT COMMUNITY SHOP URCHFONT

Urchfont is a village to the south of Devizes in Wiltshire, right on the edge of Salisbury Plain. A few miles away along the main road is the site of King Alfred's key battle against the Danes in 878 – perhaps the most important date in English history - ensured that this document is being written in English, not Danish. Today Urchfont is a pleasant place, but sufficiently isolated that any village activity has to depend largely on local support from the 950 people in the parish. Luckily, Urchfont has a very strong community spirit and this was a vital factor when it came to establishing a community-owned shop in the village.

The opening of this shop was the culmination of a very long process. It started after the closure of the post office in the village some 18 months earlier, itself the last surviving retail outlet after other shops had closed over the previous years. When their last surviving commercial shop disappears, many communities consider establishing a community shop, but only a minority of them actually succeed. There are currently about 170 community run shops across England, a tiny fraction of the total number. Urchfont already had a history of the community pulling together, for example, running a community minibus and a large annual scarecrow festival. A strong and dedicated committee is a must. To get the project off the ground requires an enormous amount of drive, time



and competence over a long period. Urchfont was exceptionally well served by the individuals who took up this challenge, with a very good range of skills represented on the committee. Many projects of this type ultimately depend on the energy of one or two individuals to drive it forward. In this case, a key contribution was made by the chairman in terms of driving the project forward, conducting the time-consuming task of applying for grant funding and co-ordinating the various strands. Without the commitment, and enthusiasm of this one individual this project might well have not reached fruition.

Supporting him was a very professional committee with a range of relevant skills, such as solicitor, architect and shopkeeper. The village seemed to buzz for a while with fund-raising events to support the shop project, and a significant by-product of creating the shop has been the way the community was drawn together even more. There is a danger with community projects like this – which was not a problem at Urchfont – which a clique emerges running the project and other people then feel uncomfortable becoming involved.

Another important ingredient was the availability of premises, in this case a disused store building adjacent to the village pub. The support of the brewery was obviously crucial in letting the village have use of this building. Once this hurdle was overcome, this structure was converted into a very pleasant shop. It is smaller than would be ideal, particularly after a significant proportion of the square footage had to be carved out for a disabled toilet, and it was thus essential to make maximum use of the remaining space available. A floor-mounted wood-burning stove (its installation attracted generous grants) took up still more crucial selling space. Professional retail advice helped the team make best use of the available space, but it remains tight.

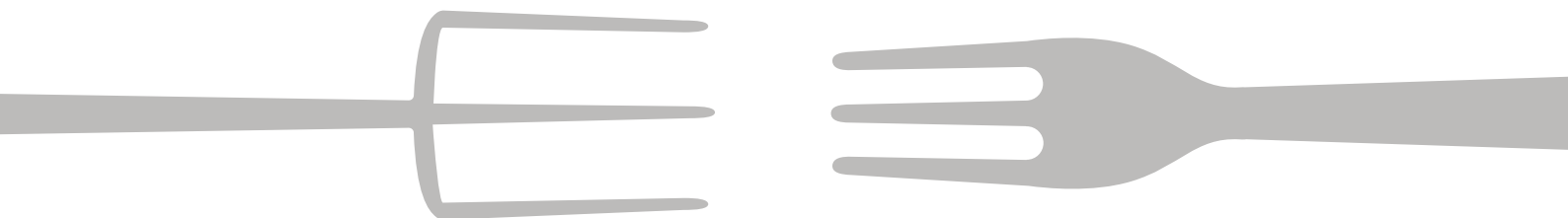
Demand for space was reduced a little by the brewery's demand that the shop should not stock alcohol, and the committee's own decisions not to sell tobacco products or Nestle lines on ethical grounds. Taken together, these would represent a significant proportion of sales in a conventional village shop and the fact that Urchfont can meet its sales targets without them is a sign of its strengths.

An important strength of the management of the shop is that the committee has not remained static. Some members, who felt that they had made their contribution in the set-up phase, have resigned, whilst new blood has come into the group to help in the very different job of steering the on-going situation.

The shop is managed as a proper business. Its operating procedures are exemplary and mean that there are clear expectations, well communicated to all involved with it. Volunteer staff know they are valued and there are sufficient of them to ensure that the onus of manning the shop is spread between many individuals. Employment of a paid manager has ensured that the shop is well run and continues to adapt and change with the times, which can be a problem with community-run shops. At Urchfont, the mix of merchandise is continually developing. A significant own label range – not what you would normally expect to find in a shop of this size – has proved very popular. Again belying its size, an EPOS system (Electronic Point Of Sale - a computer system that picks up information on goods from their barcode) has been introduced to help provide extra information and reduce costs such as wastage. ; Volunteers have adapted well to using it. There are a lot of small local suppliers to the shop, including people in the community who donate surplus produce from their gardens, and an external store cupboard has been pressed into service to display

fruit and vegetables because space inside the shop itself is so very tight.

The shop is at the very centre of the Urchfont community, as it was intended to be, and is a major social asset. It achieves its objective of making a modest financial surplus and hence is providing an excellent service in meeting the needs of the community, staff, and commercial pressures.



## KEY LESSONS & FACTORS FOR SUCCESS

- Strong community spirit and support is essential for this type of enterprise to stand a chance of success.
- A professional and dedicated management committee is needed to make sure that the right things happen when they should.
- Availability of grant funding from a range of sources can be crucial, but funders will need to see commitment from the community first.
- Input of professional advice at key points can help you learn from the experience of others.
- Availability of a suitable building and support from the landlord.
- A significant distance from supermarket competition helps a community shop just as much as it does a commercial one – do not expect people to buy just from a sense of obligation or duty. Your offer must meet their needs.
- Continued support from volunteers, who like working there, needs to be worked at – these people are the lifeblood of a community shop.
- A good manager will make the place run efficiently but will also help the shop to embrace continual development and change.
- The shop recognises, and is valued for, its crucial social role in the community, not just the money in the till.
- Continual development of the range keeps the offer interesting and moving with the times.

WEBSITE

<http://tinyurl.com/32cd6b>





# SECTION C

## OPEN FOR BUSINESS

## 13 FINANCIAL MANAGEMENT

The systems you use for financial management should have been set up from Day One in liaison with your accountant or bookkeeper. That way the paperwork should not take over your life, you will meet your legal obligations and your finances will be under control.

The key, particularly in your early months, is to ensure that your cash flow is under control. You must ensure that you have enough money available to pay the quarterly VAT bill when it falls due, and you must have enough in the bank to pay the month-end salary bill. Remember that the money from credit card sales takes time to come through, even though your small local suppliers may want cash in hand for each delivery. Keep the amount of money you have invested in stock under control. It may be hard to estimate this figure, particularly in your early days of trading when your systems for booking stock in and out of the EPOS system may not be foolproof. This is an area you need to keep on top of. Poor cashflow control can destroy your business very quickly.

There is a temptation to let the professionals get on with the boring figures whilst you concentrate on the more interesting retail decisions. Remember that you are responsible for your own figures. Even if you employ an accountant it is you who will sign the tax return to say it is correct. So do keep up to date with how your business is performing and do use the financial data to help you run it. Accounts are not just a legal requirement: If your profit margin is too low, the sooner you find out, the sooner you can rectify it.

## 14 STAFF MANAGEMENT

The retail industry is typically low paying, with a high proportion of staff working at or near the National Minimum Wage. A lot of staff also work part time. This allows for maximum flexibility with staff working only the hours when they are actually needed in store, and there can also be advantages in terms of lower National Insurance payments. Typically staff turnover is also very high in the retail industry. Partly this is the result of employing a lot of young people, including students, who inevitably move on, and partly the fact that multiple retailers may well be paying better rates or offer more promotional chances. Conversely, some staff can stay with you for many years.

Large retailers produce complicated staff schedules to match the number of staff available to the demands of the business. The fact that at times there are long checkout queues at supermarkets demonstrates that they are not always successful, but they are able to keep their staffing costs under tight control. In a small business you may have to compromise. You may find some of your best workers are women with children who cannot work after school hours, even though that can be a busy time for the shop.

So try to have a clear plan of when you actually need staff. Map out on a chart when, in an ideal world, you need staff manning tills, when the best time to restock the shelves would be, and so on. You will undoubtedly then have to compromise to create realistic shift patterns, but doing it this way will generate a better approach than the alternative, employing staff on the basis of when



they want to work. Community shops, scheduling volunteers for two or three hour stints, can actually be more flexible. For example, Urchfont Shop increases staffing one morning a week to ensure that the large delivery from the wholesaler is put away quickly. If you are in a holiday area, then you may need far fewer staff hours in the winter than in the summer, so employ staff on fixed term contracts.

If you are a “hands-on” proprietor, then it is almost inevitable that you will end up working the hours that your staff do not want, but that is part of being the boss.

Remember that there is a whole raft of legislation governing the employment of staff. Do manage people in line with their contracts of employment. If you do experience problems and need to discipline a member of staff, do make sure exactly where you stand and what you need to do before you address the issue. Even if you have caught them stealing red-handed, you must deal with them in accord with their contract and the law.

How your staff treat customers is a crucial factor in whether your business succeeds or fails. Poor service will not only put that particular customer off your shop, but they will also tell their friends about it – as we have said, everybody is interested in retail. Several of our case study companies excel at providing friendly efficient service, so that customers go away happy with the transaction and keen to come back again. Achieving the culture within the business that makes it happen even when you are not there is hard, but it starts with you. If you as the boss display the right attitude towards both customers and your staff, then you have a good foundation to build on.

## 1.5 STOCK MANAGEMENT

If you are using an EPOS system you should have tight control of stock. You know what is selling, what your theoretical stock figure is and you can therefore make informed decisions on re-ordering. Some systems will present you with a suggested re-order list that you can send through to the wholesaler at the press of a button. Do, however, take the time to review the order. You should know things the computer does not e.g. it is the end of the season, that line is now facing a new competitor, you’ve moved that range to a back corner and sales will suffer as a result. The same sort of logic applies, of course, if you are counting stock and ordering manually. Whatever you do, do not just wander off to the cash and carry with £2,500 in your pocket and use their shelves as a prompt to what to buy.

You will almost certainly want to record your takings by department on a daily basis. This will enable you to identify your strong performers and the weaker sections. The critical decision, of course, is whether to try to drag your poor performers back on track or whether to cut your losses and concentrate on your winners. In general, shop owners are often too slow to cut losses. Tired produce is left on display too long in the hope that someone will be desperate enough to buy it, the decision to reduce the price of stock coming to the end of its shelf life having been left too late. Remember that if you sell 18 out of a case of 24, the 6 you have to throw away probably wipes out the profit on those 18 you did sell.

Good stock rotation is absolutely vital. You need to have tight procedures to ensure staff do not

fill up from the front, putting newer stock in front of older batches. You need to have cast-iron procedures for removing out-of-date-code stock off sale and disposing of it properly. Your EHO will advise on procedures that could apply to your specific ranges, but in general it is straightforward. It requires constant vigilance from supervisors to ensure that nothing is overlooked.

There will be a stockholding level that is right for the business you are running, depending on the mix of fast and slow sellers, the case sizes you have to buy, your shelf space etc. For many small shops stock equivalent to three weeks sales is about right, but your business could be quite different from this. Once you have established your target, try not to let stock run away from you. High stock levels tie up your capital, probably in slow selling lines. Many food items have short shelf lives and wastage is expensive if they do not sell before you have to throw them away. A cluttered stockroom does not promote efficiency.

It is often far easier to introduce a new line into your range than to discontinue an old one. The range you should be stocking is a moving target as customers change their spending patterns. There are times when you need to take a gamble on new lines and times when you have to be ruthless discontinuing old ones, even though there is still a trickle of sales. Shelf space is a very valuable commodity and every metre should be contributing profit every week.

A key decision you will probably need to make is how to balance the best sellers against more specialist lines. Most textbooks tell you to concentrate on best selling lines in each category. However, many independent food businesses are based on an offer that is consciously different from that of the large supermarkets, where the best selling lines are sold at prices you cannot match and are staples of the weekly shop for most people. So decide within your strategy what the important lines are. Continually look for new niche products or lines where you can beat the supermarkets, particularly if they offer high profit margins. You may decide to stock just one brand and size of baked beans (for the convenience of your local customers when they run out) but 20 different ground coffees, providing a far more interesting range than the local retail shed. Do ensure that the individual lines and ranges you stock fit into your overall strategy. You can get away with a few special bargains that do not fit, but don't overdo them. If you do, the result is a loss of overall brand image for your business.

## 16. PROMOTIONAL AND MARKETING MANAGEMENT

### 16.1 Marketing

We have said many times in different sections of this document that what you need to do depends on what you are selling. The nature of your business will dictate the level of marketing activity and its format.

Do not "do" promotions through some vague idea that that is an industry norm. Promotional activity is subject to the same laws as the rest of your business, namely if it does not meet specific objectives (be they community-oriented or commercial) then it is not worth spending money on it.

If you are in a local neighbourhood, with most of your customers “regulars” then you need to keep reminding them of your presence and keep them interested with the occasional offer, but in reality it is not crucial to your business. If you are located, say, in a tourist area, then you probably need a higher level of spend in order to make a constantly changing population aware of your existence. The various tasks of marketing could be summarised:

1. Make potential customers aware of your existence
2. Tell them what you do
3. Raise their interest sufficiently to visit you.

Hence, for example, a shop dependent solely on locals probably needs to address only issue 3.

Your first marketing tool is the look of the shop itself – does the outside of the shop make it look inviting, is the fascia clean, does all your lighting work? External signs, including A-boards, can be used to communicate your offer.

Local press adverts, leaflet drops, adverts on local radio, all can be effective, but always try to balance the costs with the likely benefits. Try to get media coverage for free by producing stories for them, a visit by a food celebrity, an interesting demonstration, whatever your imagination can come up with.

Remember, too, the importance of the Internet. Particularly if you are trying to appeal to a natural market with mail order sales, then a web presence is now very important. The web is a great leveller, insofar as your site can look and feel as good as that for a company a hundred times your size. Do not ignore traditional avenues such as Yellow Pages. If, for example, you offer floral arrangements for funerals then they could be highly appropriate.

Your whole store - its look, the ranges, the fascia, the staff, the prices – all make up your offer and are in that sense your key marketing tool.

## 16.2 Promotions

If you have a strategy of having a price-led offer, then promotions will probably be crucial to you. If you are led more by quality then they will be less important.

Promotions work best on gondola ends or other high profile locations in store. Bold show material is a must to support them. Promotions do a number of things. Most obviously, they should increase sales of the lines being promoted. Make sure that you are making an adequate profit on these lines (there is no point selling 100 more brand A items at no profit if, as a result, sales of competing brand B at 25% margin collapse). In addition, promotions do two other things. They make your shop a more interesting place, hopefully attracting in more customers who may well buy things at full price. And they alter the image of your shop. Too many promotions can diminish your carefully cultivated high-class image, but the right number can add an extra layer, “high class and not too expensive”.

Generally it is a good idea to support promotions arranged by your suppliers, but even when you originate them, do try and get your suppliers to contribute towards the cost. After all, they will benefit too from your increased sales.

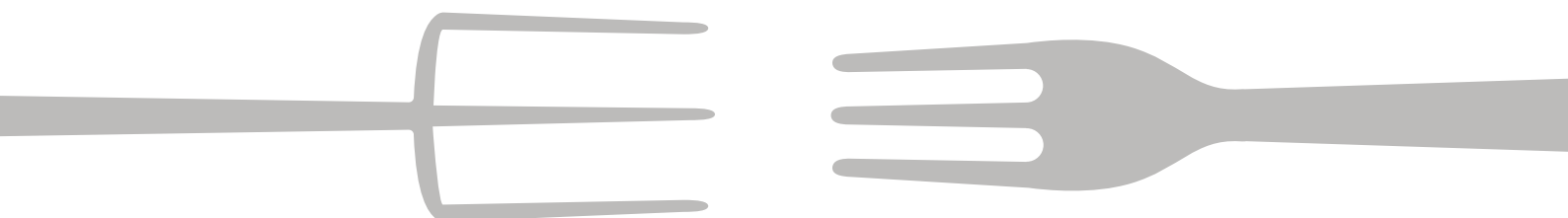
Do be aware of price points: three bottles of wine for £10, for example, is almost an industry standard at the time of writing.

## 16.3 Credit cards

Depending on the average transaction size you envisage, and in today's marketplace, then accepting credit cards may be essential. If you decide to go down this route, do investigate companies other than your own bank to handle these transactions for you – the costs can vary quite a lot. If you belong to a trade association, they may have a special deal with one company to enable you to get good rates.

## CONCLUSION

The preceding sections can only give you a taste of the retail business, but hopefully it will have given you a few ideas along the way. It is only a start. You will need all sorts of further information on the way, but most can be found when you need it on a website or in a book. A few useful website addresses can be found in Appendix 3. As we said at the start, a toolkit like this has to spend a lot of time on nuts and bolts issues and not enough on the dream. Don't lose that dream – you are now ready to see how much the public will spend in your shop when you open it!







# APPENDICES

# APPENDIX 1

## LEGAL STRUCTURES

In very simple terms, the pros and cons are as follows:

## COMMERCIAL ENTERPRISES

### Sole Trader

The simplest form of business. Record keeping is straightforward. You keep all profits, taxed as your income, but you are personally liable for all debts.

<b>Pluses</b>	Easy to set up. Few constraints on running the business. All profits accrue to you.
<b>Minuses</b>	Unlimited personal liability for debts of the business including your home etc. Obviously risky if a lot of money is involved.
<b>Set-up</b>	Download and complete form CWF1 from HMRC website to register as self-employed.
<b>Finance</b>	You finance the business from your own assets or loans. Profits/losses accrue to you.
<b>Accounts</b>	You submit a personal annual self assessment tax return to HMRC. Keep a tally of your business income and expenses.
<b>Tax</b>	Your profits are taxed as your personal income. You pay National Insurance Class 2 contributions plus Class 4 on a proportion of your profits.

# Partnership

Two or more people share the business. Each partner is self-employed and shares responsibility for decisions, takes a share of profits/losses, and is personally responsible for company debts.

<b>Pluses</b>	Easy to set up. Few constraints on running the business. All profits accrue to partners.
<b>Minuses</b>	Unlimited personal liability for debts of the business. Partnership must be dissolved if a partner dies or goes bankrupt or leaves the partnership (subject to the partnership agreement). Can be difficult if partners disagree on decisions.
<b>Set-up</b>	You are deemed to be a partnership by "carrying on a business in common with a view to profit". A written partnership agreement is not a legal requirement, but is highly advisable.
<b>Finance</b>	Partners raise finance from their assets and/or loans. ("Sleeping partners" contribute finance but do not share management responsibilities)
<b>Accounts</b>	Each partner submits their own tax return. The Partnership must keep a record of income and expenses.
<b>Tax</b>	Each partner is taxed on their personal income. The partners pay NI Class 2 and Class 4 contributions.



## Limited Liability Partnership

This is similar to an ordinary Partnership except that partners' liability is limited to the amount they have committed to the business as investments or personal guarantees or to an amount agreed with the partners/LLP, a significant protection for them if the business folds. Two "designated members" have extra legal responsibilities. LLP's must register at Companies House.

<b>Pluses</b>	Relatively easy to set up. Limited liability reduces your personal risks.
<b>Minuses</b>	Must be "for profit". Not well understood by social enterprise sector.
<b>Set-up</b>	Form LLP2 needs to be filed with Companies House.
<b>Finance</b>	Limited Liability Partnership can own property and obtain finance – mortgages, loans etc. ("Sleeping partners" contribute finance but do not share management responsibilities).
<b>Accounts</b>	Accounts must be filed with Companies House and signed by designated members. Partners will have to submit their own personal tax return if they are individuals rather than organisations.
<b>Tax</b>	In most cases, partners will be self-employed and will need to include details of any profits they get on their individual tax returns. Unlike other incorporated legal forms, LLPs do not pay corporation tax.



## Company Limited by Shares

Companies Limited by Shares are a separate legal identity from their members, with their finances kept apart from their individual shareholders. Shareholders are not responsible for the company's debts; their exposure is limited to the value of their shareholding.

<b>Pluses</b>	Limited liability reduces your personal risks. The business is separate from the affairs of individual directors and members. Well understood and respected legal form.
<b>Minuses</b>	Set up slightly more complicated. Annual returns required. Relatively complex administration.
<b>Set-up</b>	Must be registered at Companies House (agents can do this for you quite cheaply and easily) with various documentation. Directors of companies, elected by shareholders, make key decisions. In practice, in smaller organisations, directors and shareholders are often the same people.
<b>Finance</b>	Sale of shares in the company. Borrowing by the company, loan or overdraft. Retained profits. Profits can be distributed to shareholders as dividends.
<b>Accounts</b>	Accounts, in prescribed format, are filed annually at Companies House. Form 363s to be submitted annually.
<b>Tax</b>	Company pays Corporation Tax on profits – based on annual return submitted to HMRC. Directors may also be employees of the company and therefore pay Class 1 NI and PAYE income tax.

# SOCIAL ENTERPRISES

The UK Government definition of a Social Enterprise is: 'A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.'

Social enterprises are diverse. They include local community enterprises, social firms, mutual organisations such as cooperatives and large-scale organisations operating nationally and internationally. There is no single model for social enterprise. They include companies limited by guarantee, industrial and provident societies and companies limited by shares; some organisations are unincorporated and others are registered charities'.

When thinking about setting up any social enterprise (i.e. a community shop) a decision needs to be made about what sort of body it is in the eyes of the law i.e. its 'legal form'. There are two structures an organisation may choose when making this decision: whether to be incorporated or unincorporated.

An 'incorporated' body has a separate legal identity from its members: 'a corporate body'. The relationship between the people involved is direct with the body, and focused, because there are clear guidelines and guidance as to how this should operate.

## Co-operative structures

Co-operatives are firmly embedded in the social enterprise sector. Co-operatives are trading businesses which use their surpluses for the benefit of their members. Sometimes the members are the people working in business, but they can be users of the co-operative's services, consumers of its products, or the local community. In addition, co-operatives often have other social or environmental commitments – they have helped bring green, Fair-trade, ethical and organic goods into the mainstream, for example, and many commit a percentage of their surpluses to helping co-operative development, environmental protection and other causes. And, of course, unlike traditional businesses and other kinds of social enterprises, co-operatives are owned and run by the members for their benefit by their members, meaning that the workers, users and others have control over the business.

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. Co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others. The Co-operative principles are guidelines by which co-operatives put their values into practice. There are consumer co-operatives, worker co-operatives, community co-operatives, co-operative consortia, multi stakeholder co-operatives and secondary co-operatives.

There is currently no Co-operatives Act in the UK, as such organisations wishing to establish a co-operative structure have to choose one of the existing legal forms in order to incorporate. It is usually advisable for a co-operative, whatever its type, to incorporate in order to limit the liability of its members, although co-operatives can also choose to operate on an unincorporated basis when they first start up or if limited liability is not required, in which case they will still need to adopt a written constitution. All types of co-operative, regardless of the legal form, can be registered through Co-operativesUK.

## Unincorporated forms:

### Associations

There is no Act of Parliament defining or governing association, but there is a lot of case law. A judge defined an unincorporated association as:

'Two or more persons bound together for one or more common purposes, not being business purposes, by mutual undertakings, each having mutual duties and obligations, in an organisation which has rules which identify in whom control of it and its funds rests and on what terms and which can be joined or left at will'

The relationship between the members in an association is set out in the rules or constitution of the organisation. The rules or constitution then act as the contract. If a member or members break this contract, members may apply to a court to force them to follow the contract. The terms of the contract should be written down to avoid dispute over its content. This then produces a 'governing document'.

The governing document of an association should set out all the details of its aims and management. Everything that is agreed about the organisation should be written in its governing document.

## Incorporated forms:

### Industrial & Provident Society (IPS)

Pluses	Straightforward and a good combination of flexibility and safeguards for many community enterprises
Minuses	Set-up slightly long-winded
Set-up	Register with the Financial Services Authority (FSA), requires a sponsoring body and a set of rules (ViRSA and Co-operativesUK can supply both)
Finance	Finance can be raised through shares, loans and grants
Accounts	An annual return to the Registrar Accounting rules vary according to turnover – not overly onerous
Tax	Liable to corporation tax but can covenant surpluses to charitable trusts tax-free. VAT registration as appropriate.

IPSs are corporate organisations registered under the Industrial and Provident Societies Acts 1965-2002. To qualify for registration, an organisation must either be a 'bona fide co-operative' or a 'society for the benefit of the community'.

## Bona Fide co-operative:

It is generally accepted that the IPS (bona fide co-operative) route is the stronger form for a co-operative. It contains statutory protection of the co-operative principles, for example one member one vote, and is designed to enhance democracy and protect the rights of the members.

Industrial and provident societies are registered with the Financial Services Authority (FSA). The FSA scrutinises the governing document (Rules) of applications to register as an IPS. Before the co-operative is registered, the FSA checks to ensure that the Rules meet the requirements of the Act to register as a co-operative, and also has the power to refuse any amendments to the Rules post registration if they feel it is not in keeping with the original ethos of the society.

Industrial and provident societies are permitted to issue shares to the public, so if a co-operative – particularly a community co-operative – wishes to raise funds from the public then the industrial and provident society legal form is probably the most appropriate one to choose.

The cost of registering as an industrial and provident society is not as prohibitive as it has been in the past, and is reduced further if registration is undertaken through a sponsoring body such as Co-operativesUK or ViRSA. Registration takes three to four weeks to complete.

The basic characteristics of an IPS (bona fide co-operative) are:

i) One member one vote; ii) the return on capital must be limited; iii) If profits are to be shared out equally among the members, this must be done equitably; iv) No artificial restrictions on membership.

## Society for the benefit of the community:

The characteristics are similar to those of a co-operative but its profits and assets must not be shared among members, and the society must be able to show that it will benefit people other than its own members.



## Community Interest Company

CIC's are a relatively new option. They are limited companies designed for social enterprises that want to use their profits and assets for public good. They have two specific characteristics: an "asset lock" to ensure that assets are ring fenced for community benefit; and a "community interest test" to define their objective as having community purposes. Registration of a company as a CIC has to be approved by the CIC Regulator who has a continuing monitoring and enforcement role. (see <http://www.cicregulator.gov.uk/faq.shtml#eight>).

Pluses	Provides the advantages of a limited company. Asset lock and safeguards. A Charitable company can be given permission to convert to CIC under some circumstances or a charity can retain its tax advantages but own a CIC
Minuses	CIC Regulation could be an extra bureaucracy to deal with. A CIC cannot be a charity
Set-up	Registration as a CIC has to be approved by the Regulator.
Finance	Trades as limited company but can only dispose of assets under certain conditions.
Accounts	Filed annually with companies house.
Tax	Taxed on profits in normal way for a company for a company. VAT registration needed if turnover warrants it. There may be tax advantages to investors, through the CITR scheme, in providing money to CICs

## Company Limited by Guarantee

Whilst the company form is widely used by most types of co-operatives it does not offer any protection of the co-operative principles through its legislation. The company form, however, is flexible and the legislation governing it is accessible and up-to-date.

Private companies limited by shares are prohibited from offering shares to the public, so if the proposed co-operative wishes to raise funds from the public this legal form should not be considered. The limited company is the most common legal form and is therefore very familiar to the majority of advisers, professionals and funders.

Companies can be set up in as little as 24 hours, and are registered by Companies House.

Pluses	Limited liability reduces your personal risks. The business is separate from the affairs of individual directors. Well understood and respected legal form
Minuses	Set up slightly more complicated. Annual returns required. Relatively complex administration
Set-up	Must be registered at Companies House (agents can do this for you quite cheaply and easily) with various documentation. Directors of companies, elected by guarantors/members, make key decisions. In practice, in smaller organisations, directors and members are often the same people.
Finance	There are no shares Borrowing by the company, loan or overdraft. Retained profits. Grant funding.
Accounts	Accounts, in prescribed format, are filed annually at Companies House.
Tax	Company pays Corporation Tax on profits – based on annual return submitted to HMRC. Directors may also be employees of the company and therefore pay. Class 1 NI and PAYE income tax.

## THE DECISION PROCESS:

## APPENDIX 2

### Business plan format:

#### Remember the three reasons for producing a plan:-

To show to outsiders to help raise money  
To help you organise your own thoughts about the business  
To use within the business to help you track progress

For a small start-up, the plan could be just three or four pages of A4. The more complicated the business or the more finance you need to raise, the more detailed the plan needs to be. The following headings could give you a structure for your plan, but do adapt them to your own circumstances:-

#### Executive Summary

Write this section last after you have completed all the others. Include a brief description of the business, the market, key headline forecast sales and profit figures, how much money is needed and where it will come from and who is involved in managing the company.

## **Management Team**

Who you are, relevant experience, achievements and track record to date.

## **Description of the Business**

What it will do and how, what you will stock.

## **Premises**

Location, size, type, lease or purchase arrangements.

## **Marketing**

Any market research or market size figures, trends, different sectors, likely customer profile, image, promotional plans, advertising.

## **Competition**

Who they are and how you will beat them

## **Operational Details**

Staffing, opening hours, equipment needed etc.

## **Suppliers**

Where you will source your stock, agreements.

## **Financial Analysis**

Forecasts including:

Monthly profit and loss estimates for the first two years of trading, plus annual figures for the next three years

Monthly cash flow figures for the first two years, plus annual figures for the next three years,

Forecast balance sheet at the end of each of your first two years.

Clearly state the assumptions behind your forecasts.

SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats)

List under these four headings the key factors affecting your business now or in the future.

## **Prospects**

Future plans e.g. open another branch in 4 years, sell the business at a profit after 5 years. Where do you see it going?

Before you present your plan to anyone, do be sure that you have the key figures at your fingertips. The presentation is as much about you and whether you are worth backing as it is about the words and figures. You may have had help from your accountant, Business Link or other advisers in putting it together, but it is your plan.

	month1	month2	month3	etc.
<b>SALES</b>				
Cash sales				
Credit sales				
<b>TOTAL SALES</b>				
<b>COST OF SALES</b>				
Purchases				
+ opening stock				
- closing stock				
<b>GROSS PROFIT</b>				
<b>OTHER INCOME</b>				
Interest received				
Agency commissions				
PO salary (if applicable)				
<b>TOTAL GROSS PROFIT &amp; OTHER INCOME</b>				
<b>COSTS</b>				
<b>PROPERTY CHARGES</b>				
Rent or mortgage				
Rates				
Heat/light/power				
<b>DIRECT COSTS</b>				
Wages/salaries				
National Insurance etc.				
Equipment rental				
Telephone/internet/postage				
Consumables/packaging				
Cleaning and sundries				
Professional fees (accountancy, etc.)				
Insurance				
Repairs and maintenance				
Vehicle expenses, travel				
Waste collection				
<b>FINANCIAL CHARGES</b>				
Bank charges and interest				
Hire purchase/loan interests				
<b>DEPRECIATION</b>				
Fixtures and fittings				
Motor vehicles				
<b>TOTAL EXPENSES</b>				
<b>NET PROFIT</b>				

	month1	month2	month3	etc.
<b>OPENING BANK BALANCE</b>				
<b>RECEIPTS</b>				
Cash from sales				
Cash from debtors				
VAT receipts				
Capital introduced				
<b>TOTAL RECEIPTS</b>				
<b>PAYMENTS</b>				
Payments to Suppliers				
Cash purchases				
Drawings				
Wages/salaries				
National Insurance				
VAT payments				
Tax payments				
Rent/mortgage repayments				
Rates				
Heat/light/power				
Equipment rental				
Telephone/internet/postage				
Consumables/packaging				
Cleaning/sundries				
Professional fees				
Insurance				
Repairs and maintenance				
Motor vehicles/travel				
Waste collection				
Capital expenditure				
Interest/bank charges				
<b>TOTAL PAYMENTS</b>				
<b>CLOSING BALANCE</b>				

If you are presenting your business plan to a bank manager, for instance, then do make sure it is presentable. Have a copy to give to all those present in a meeting and put it in a smart folder. Hopefully, it goes without saying that it should be neatly typed and without spelling or other mistakes.



# APPENDIX 3

## Some useful websites:

Data on customer & industry trends:

[http://www.statistics.gov.uk/downloads/theme\\_social/Family\\_Spending\\_2005-06/Familyspending2005-06.pdf](http://www.statistics.gov.uk/downloads/theme_social/Family_Spending_2005-06/Familyspending2005-06.pdf)

<http://www.igd.com/>

<http://specialityfoodmagazine.com/site/>

<http://www.thegrocer.co.uk/>

Trade Association with useful advice:

<http://www.rural-shops-alliance.co.uk>

Trade Association with useful advice:

<http://www.acs.org.uk/>

Access to Business Link network:

<http://www.businesslink.gov.uk>

Advice for community shops:

<http://www.virsa.org/>

Food hygiene regulations:

<http://www.food.gov.uk/foodindustry/regulation/hygleg/>

Data on your local area:

<http://www.neighbourhood.statistics.gov.uk/dissemination/>

Help from Department of Food and Rural Affairs

<http://www.defra.gov.uk/>

Farmers' markets:

<http://www.farma.org.uk/links.htm>

Model staff handbook:

[http://www.virsa.org/pdf/advice\\_online/bestpractice/staff\\_handbook.pdf](http://www.virsa.org/pdf/advice_online/bestpractice/staff_handbook.pdf)

**H.M. Revenue and Customs:**

**<http://www.hmrc.gov.uk/online/index.htm>**

**HM Revenue & Customs New Employer Helpline:0845 607 0143**

**Written statement of employment:**

**[www.acas.org.uk/index.aspx?articleid=817](http://www.acas.org.uk/index.aspx?articleid=817)**

**National Minimum Wage :**

**<http://www.hmrc.gov.uk/nmw/#b>**

# ABOUT THE AUTHOR

## Ken Parsons

For most of his working life Ken has worked in the retail industry in a variety of roles for some major retail organisations, such as Boots the Chemists, Gateway Supermarkets and Somerfield. For the last few years he has specialised in addressing the issues facing rural retailers, operating as a Retail Consultant for such organisations as the Countryside Agency and more recently, the Rural Shops Alliance. As a result of this work, he is well-known to many shopkeepers in the West Midlands and South West regions. In November 2007 he was appointed Chief Executive of the Rural Shops Alliance.

## About Making Local Food Work

Local food matters. It connects people to the land. It creates opportunities for farmers to provide food directly to their customers and helps communities to build skills, trading systems, networks and resilience. Local food can also have many benefits for the local economy, community regeneration, health and the environment.

Funded by the Big Lottery Fund as part of its Changing Spaces programme, Making Local Food Work is rooted in the belief that the needs of consumers, producers and the land are interdependent, and that community enterprise can renew and strengthen these links to the lasting benefit of all.

The Plunkett Foundation is leading a group of organisations, who are using their expertise and specialist knowledge to offer advice and practical assistance to a range of enterprises. Together, we are developing and promoting sustainable ways to reconnect land and people through food.

For more information, please visit [www.makinglocalfoodwork.co.uk](http://www.makinglocalfoodwork.co.uk)

## Thanks

Our thanks to all the participating retailers, to Simon Deverell and Ed Ovenden at 0404 Creative, to Rob Love and Lucy Brazier at River Cottage, to Gill Withers, Erry Lilley and Jan Trefusis at Plunkett and to Sarah Alldred and Helen Barber at Co-operatives<sup>UK</sup>.

