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COMMUNITY SHOPS

A BETTER FORM OF BUSINESS 2022



About this publication

This publication is the most extensive and comprehensive research report to have been produced on the community shop sector in the UK. It was first published in 2011, and has become a much-anticipated annual report ever since, growing with additional information year on year. The report now serves as a start-up guide for new groups, a benchmarking tool for existing community shops, and is used by funders and support organisations (including Plunkett Foundation) to futureproof services and investment decisions concerning community shops.

The data collection, analysis and report writing were undertaken by Plunkett Foundation staff and advisers. This work was only made possible by the generous contribution from Power to Change.

Methodology

While compiling this report, Plunkett Foundation undertook a stringent process of data validation to ensure that historic records are as up to date as possible.

The data was gathered from:

- Plunkett Foundation records that record all shops engaging with the Foundation over a considerable period of years
- Statutory data sourced from the Financial Conduct Authority and Companies House
- A survey with 140 responses
- Data collated from EPOS readouts, supplied by a sample group of 10 community shops
- Four focus group discussions with community shops from Wales, Scotland and England to validate and illuminate findings
- Post Office data on the number of community shops offering postal services.

KEY FACTS

In 2021:

- **12** new shops opened
- **407** community shops were trading in the UK by the end of the year
- The average turnover for community shops increased by **10%** to **£184,000** in 2021, from £167,000. The whole community shop sector had an estimated **£75 million** annual turnover
- **220** community shops offer post office services
- **91%** of survey respondents consider improving their environmental sustainability 'very important' or 'somewhat important'
- An estimated **1,300** people work in casual, full- and part-time posts
- The sector has a workforce of approximately **7,550** volunteers
- The majority of community shops (**57%**) have between **100** and **300** members/shareholders
- The long-term survival rate of community shops was **92%**
- Community shops sourced stock from an average of **28** local suppliers

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Foreword

Cletwr Community Shop in Mid Wales started from small beginnings in 2013 when it opened in a former petrol station with just one paid member of staff. Before we opened, there was nowhere in the community to meet. The nearest supermarket required an expensive 18-mile bus trip.

During my nine years as Business Manager, the business has grown and we now have 20 paid employees and over 40 volunteers. It has been so rewarding to see young people gain experience and confidence with us, and go on to get their first jobs. The shop and café are also flourishing as a community hub, bringing people together who, despite living in the same village, had not met each other before.

We are delighted to have been asked, as a Plunkett Foundation member, to provide the foreword for this year's Better Business report. Knowing how Cletwr has evolved since opening, it is fantastic to have this opportunity to reflect on our growing sector and consider its priorities for the future.

As this year's report shows, community shops play an important role in re-localising the supply chain and contributing to the local economy. At Cletwr, our mantra is: "Is it local? Is it Welsh? Is it British?" Like so many other community shops, responsible local sourcing is a theme that runs throughout our business. By helping other local businesses, we are part of a ripple effect that creates jobs and enables more people to be able to live where they work. We currently have around 30 local suppliers delivering to us within a 15-mile radius of our business.

I've also been inspired to see in this year's report the sheer number of ways that community shops are reducing the environmental impact of their business and helping local residents to live more sustainably. As an area prone to flooding and significantly impacted by the effects of climate change, it is important for us at Cletwr to reduce our carbon footprint. In 2018, we installed the first fast electric vehicle charger in mid-Wales; we reduce packaging where possible and support farmers who



use organic methods. We know we cannot stop the climate crisis on our own, but we are actively playing our part in trying to stop its impact.

Our story is one of many. Since Cletwr opened in 2013, 100 new community shops have opened across the UK. We are proud to be part of a growing movement of businesses owned by local people, for community benefit. For ten years, the Better Business reports have played an important role in tracking the progress of this movement. Reading the stories of other shops has inspired us with ideas for new activities and improvements to our own business. The reports also offer a valuable benchmark, enabling us to measure the performance of our business year-on-year against the rest of the sector, and to understand how recent events have impacted other shops financially.

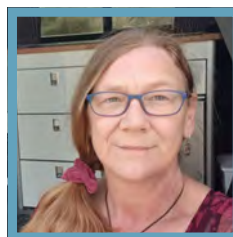
What is clear from this year's report is just how hard increasing energy prices, food price inflation and other rising costs are affecting community shops. As businesses committed to serving local people, community shops are facing particularly hard decisions. Many have been reluctant to raise their prices, even though it is an inevitable necessity to stay in business. Cletwr is no different – we have had to take a hard look at our margins and check our EPOS readings on a weekly basis.

Running a community shop is not easy. These reports are a reminder of the valuable service we provide – and that we are not alone. Our strength

comes from the support we receive not only from our own community, but also from Plunkett's membership community of over 400 businesses.

It is through being part of this network, and taking advantage of advice and support from our peers, that Cletwr has been able to adapt as a business. For example, we have acted as others have to make our business greener by installing solar panels and getting energy efficient equipment, financially supported by the community. These short-term investments have saved us money at a time when we need it most. My advice to all of you who are also facing a tough year ahead would be to assess your business, and access Plunkett's help to get the support you need.

Knowing that Cletwr is part of this national network gives me confidence for the future. Even as I take a step back from my role at Cletwr, I am proud to become a Supporter Member for Plunkett and to continue being involved in the community shop network.



Karen Evans
Community Business
Membership Panel,
Plunkett Foundation

What is a community shop?

Since 1919, Plunkett Foundation has been advocating for communities taking control of assets and services that are important to them, as a means for delivering wider social, environmental and economic benefits.

A community shop achieves this by being owned and controlled by a large number of people from within the community for community benefit.

Community shops are owned by their members (also known as shareholders) and are run democratically, often on the basis of one-member one-vote. Membership is voluntary, affordable and open to all, and is the way to ensure the community has a genuine say in how the business is run. This is what gives community shops their longevity. The active control and input by the business's members ensures it is continually adapting and serving the needs of its members and wider community.

Once in community ownership, an elected committee or board represents the wider

membership and determines how the business is managed. The committee will either delegate the day-to-day management of the business to a team of paid staff and/or volunteers (a managed shop), or in a small number of cases, sublet to a tenant who will operate the business within a framework set by the community (a tenanted shop).

Community shops often go beyond providing basic retail provisions and provide a wide range of additional services such as post offices and cafés. In addition, they become a hive of community and voluntary activity, providing a focal point for community events and services. Community shops actively promote inclusion and take care to involve people of all ages and backgrounds and particularly look out for those most vulnerable in society. They play an active role in addressing isolation and loneliness through the creation of employment and volunteering opportunities.

▼ **Yarpole Community Shop is based in a church in Herefordshire.**



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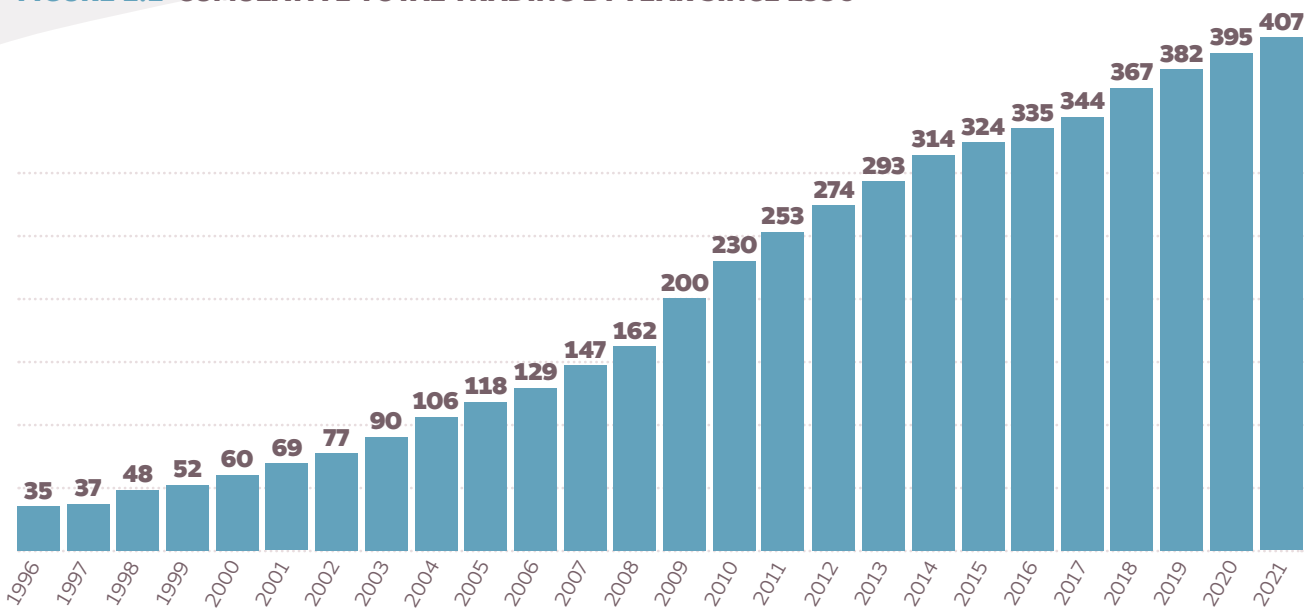
Growth in 2021

1.1 Sector size

In 2021, 12 new community shops opened, and one shop ceased to trade. There was a cumulative total of 407 community shops trading by the end of the year. The number of openings in 2021

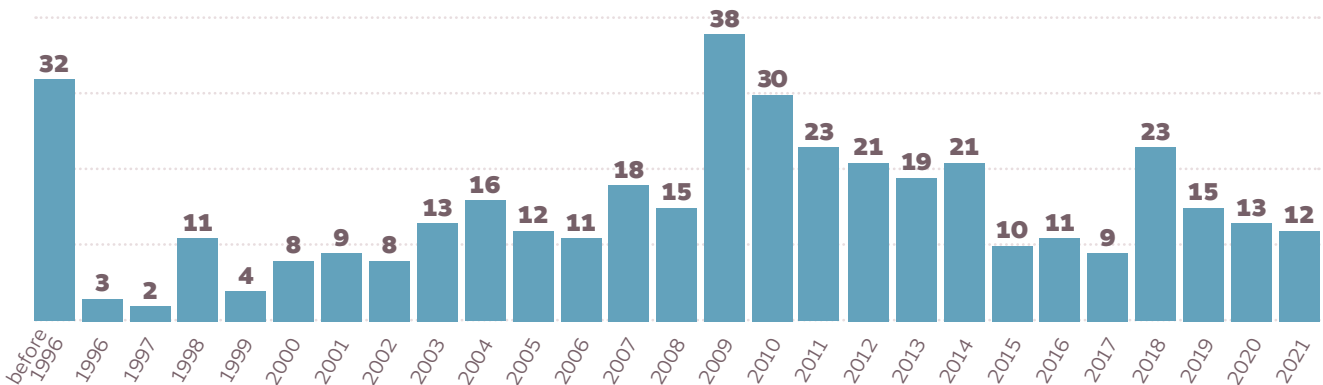
demonstrates a consistent, steady growth and indicates that the sector remains stable, despite a challenging year. The long-term survival rate remains high at 92%.

FIGURE 1.1 CUMULATIVE TOTAL TRADING BY YEAR SINCE 1996



Source: : Plunkett Foundation records, 2022.

FIGURE 1.2 NUMBER OF COMMUNITY SHOPS OPENING BY YEAR FROM 1996



Source: Plunkett Foundation records, 2022.

1.2 Geographical distribution

The distribution of community shops remains consistent with previous years with very few changes between 2020 and 2021. The highest density is in South West England with an overall bias to Southern and Central England and progressively lower densities in English regions moving northwards, with low take-up in the North East. Wales and Scotland have significant numbers of existing shops. Northern Ireland still does not appear to have embraced the community shop movement on any scale.

The geographical pattern of open and trading businesses broadly reflects the pattern of enquiries about setting up a new community shop. Although the South East and South West have a higher proportion of trading businesses compared to enquiries, this is likely due to a larger proportion of enquiries historically (i.e. preceding 2016) for those regions.

Existing data does not fully explain variations in the distribution of community shops. As part of our ambition to grow the number of community businesses trading across the UK, Plunkett commissioned Scotland's Rural College (SRUC) to undertake independent research that would map

the geographical distribution of the community businesses (including pubs, shops, woodlands etc.) that we have supported. The research forms the first step in a long-term project to shape the future delivery of Plunkett's support services to communities across the UK.

Comments on variation in distribution:

- There may be a 'cluster effect' in the 'hot spots' areas, whereby community businesses are more likely to be located near other successful community businesses as they can inspire and learn from one another.
- Country or region-specific funding programmes, such as More than a Pub (England) or Denbury Homes (East of England) have boosted numbers in those areas.
- Deprivation may affect the ability of communities to successfully set up a community business, due to limited community capacity.
- Community shops are the most common business type in rural areas of lower population density (such as in the South West of England).

A summary of the research, completed in May 2022, can be found here: <https://plunkett.co.uk/growing-the-community-business-network/>



▲ The Community Shop on the Isle of Canna in the Scottish Inner Hebrides.

FIGURE 1.3
GEOGRAPHICAL DISTRIBUTION OF COMMUNITY SHOPS

Location	New openings in 2021	Number trading in 2021	% of total shops trading in 2021 (2020 in brackets)	
South West England	3	121	30%	(32%)
South East England	0	86	21%	(21%)
London	0	0	0%	(0%)
East of England	0	49	12%	(12%)
West Midlands	1	28	7%	(7%)
East Midlands	1	23	5%	(6%)
Yorkshire & the Humber	1	18	4%	(3%)
North West England	1	20	5%	(4%)
North East England	0	4	1%	(1%)
Scotland	4	41	10%	(9%)
Wales	1	21	5%	(5%)
Northern Ireland	0	1	<1%	(<1%)
Total	12	407		

Source: Plunkett Foundation records.

New shops reducing plastic waste

Two of the new community shops opening in 2021 sell almost exclusively refillable products. Customers can bring their own containers to refill household detergents, pasta, rice, and all manner of other essentials. This reduces the need for disposable packaging and therefore reduces the amount of plastic going to landfill.

■ **Our Green Shop** in Bridgnorth was set up to make sustainable and ethical living simple and affordable to as many people as possible. It was not a straightforward journey to setting up, as the business was originally without a premises and had to move between temporary locations several times (including into the spare rooms of members) before finally settling into an empty retail space. After opening, the community group filmed a video guide to refilling in the shop to simplify the process and encourage new customers. The enormous range of products includes tea, coffee, nuts, herbs, dried fruit, snacks, cleaning products, soap, shampoo and conditioner. The shop also takes sustainable sourcing very seriously and stocks organic products where possible.

■ Without a refill shop based locally, it can be difficult to find somewhere to buy products without packaging. **Tis the Future**, based in Wiltshire, presents a solution to this problem, and is the only known community-owned shop with a fully mobile premises. A refurbished electric van now makes its way around Tisbury and its surrounding villages, helping residents to access essential groceries while also doing their bit to reduce their impact on the environment. The group has plans to visit schools and join 'green' festivals to highlight the benefits of plastic-free shopping and they are encouraging small, local producers to provide goods for the Tis the Future shop.



1.3 New shops opening in 2021

Of the 12 new shops opening, three offer post office services and two have café facilities. Nine of the 12 new shops opening in 2021 were set up as Community Benefit Societies and ran share offers. For 10 shops where data was available, this resulted in a total of £578,475 raised as share capital from over 1,729 new members.

1.4 Closures in 2021

One community shop ceased trading at the end of 2021. This was due to a combination of reasons, primarily a drop in volunteer numbers which was unsustainable for the business, and a change in

local customer shopping habits in favour of home delivery (following COVID-19). However, the survival rate for the sector at large remains strong at 92%.

1.5 New activity

Rural communities continue to show strong interest in seeking to establish a community shop. 54 groups looking to set up a new community shop made up 17% of all new enquiries to Plunkett Foundation in 2021. A rough estimate based on Plunkett Foundation data suggests that of all enquiries made, around 1 in 5 shop projects will go on to trading.¹

¹. Based on 85 openings and 370 enquiries from community shops in the period 2016-2021.

2

Business model

2.1 Legal structures

One of the first decisions that a community group makes when setting up a shop is on its legal structure. As community shops are trading businesses that employ staff, manage volunteers and enter into contracts and financial agreements, they need to be constituted so that the individuals running the business have 'limited liability', and to ensure they are compliant with legal necessities such as tax, insurance, trading standards and employment rights.

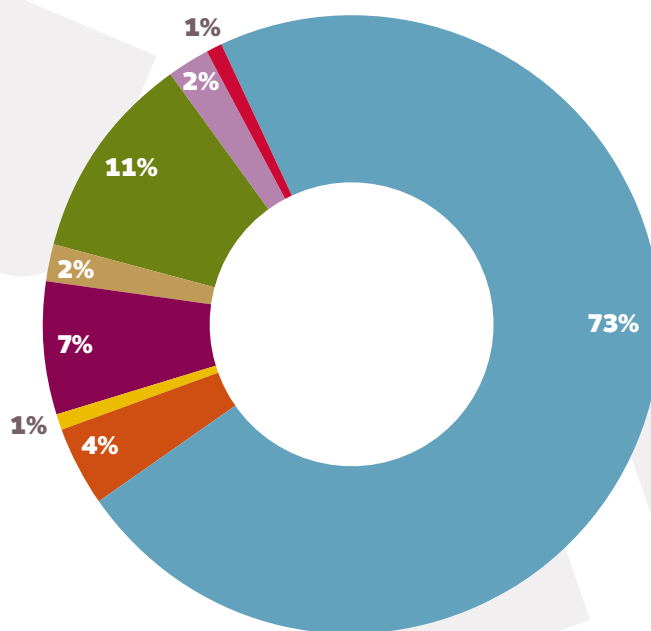
Plunkett recommends that community shops adopt legal structures that enable genuine community ownership with equal and democratic control. This would include:

- Open and voluntary membership
- A management committee drawn from members of the community
- The community clearly represented with the majority of members coming from it and having a genuine say in how the business is run, preferably with one member one vote
- Ideally, there should be an asset lock*
- Trading should meet the community's identified needs and represent a long-term commitment
- A commitment to re-investing profits in the local community.

Legal structures which allow for this include: Community Benefit Societies (CBS), Co-operative Societies, Companies Limited by Guarantee, and Community Interest Companies (CIC) and may also include a Private Company Limited by Shares if the above criteria can be established. The Plunkett Foundation offers model rules for the CBS, and nine of the 12 new shops opening in 2021 were established using these model rules. In general, the proportion of shops using the different types of structure has changed little since the previous year.

One major reason for the popularity of the CBS model is that under current legislation it is the only legal structure (other than a Co-operative Society) that can issue community shares, so that

FIGURE 2.1
LEGAL STRUCTURES ADOPTED BY
COMMUNITY SHOPS



Company limited by shares	5
Community Benefit Society	291
Co-operative / Friendly Society	17
Company limited by guarantee	44
Community Interest Company	29
Charity / Charitable Trust or similar	9
Unincorporated	8
Unknown	5

Source: Plunkett Foundation from 402 available records.

its members can also become shareholders. Having 'invested' members is one positive means to foster community engagement and support for community enterprises.

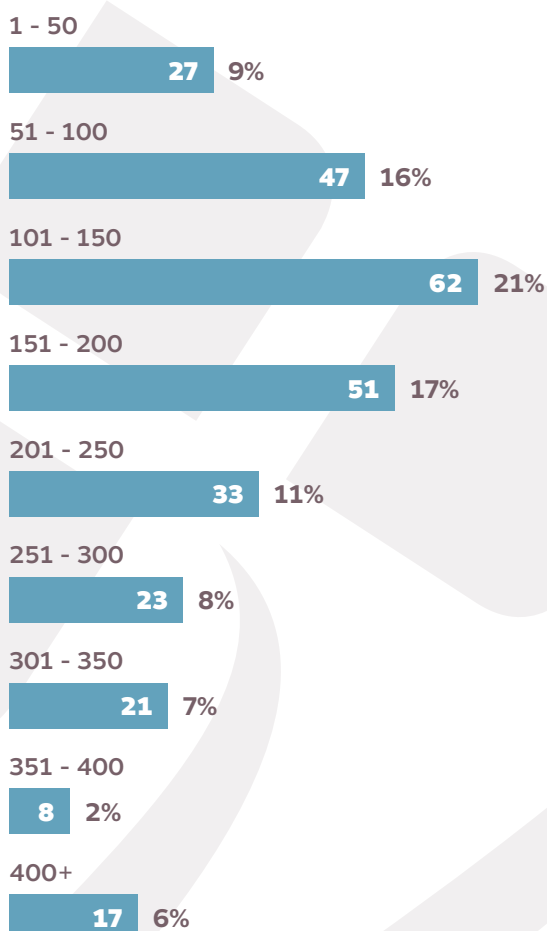
2.2 Membership and shares

The CBS model continues to be popular because it exists to benefit the wider and collective interests of a community and emphasises member

* An 'asset lock' is a legal promise stating that any assets (money, equipment, land or buildings) owned by the community organisation are protected and there is no opportunity for individuals to make any personal financial gains should the organisation close or merge, or its assets be sold.

FIGURE 2.2
COMMUNITY SHOPS:
MEMBER/SHAREHOLDER NUMBERS

NUMBER OF SHOPS



Source: Plunkett Foundation from 289 available records.

involvement. The benefits of having a larger membership base include:

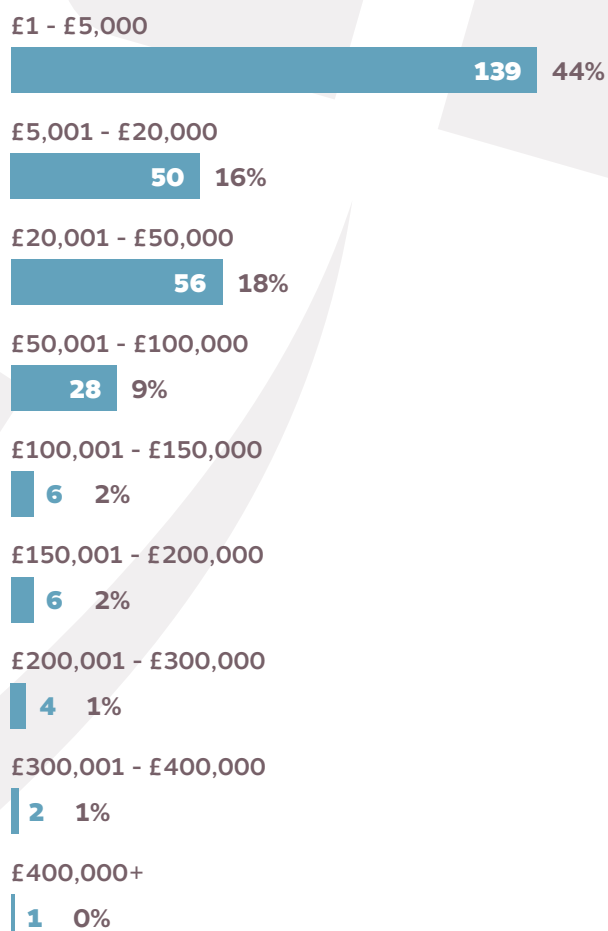
- A greater number of customers who are likely to use the business regularly
- A greater pool of people to call on as volunteers
- A greater range of expertise to elect onto the management committee.

A small membership can leave groups vulnerable when volunteer numbers reduce, or when the original directors or committee members are no longer able or willing to serve.

A cautious estimate of total members of community shops currently trading (based on a projection of those where data is available) suggests that 73,000 people are members of a community shop (93% of shops have a membership with share capital). More community shops (54%) have between 50 and 200 members. An equally cautious estimate of

FIGURE 2.3
COMMUNITY SHOPS:
MEMBER/SHAREHOLDER CAPITAL

NUMBER OF SHOPS



Source: Plunkett Foundation from 292 available records.

the value of community investment in community shops (based on a projection of those where data is available) suggests a cumulative total investment of £10.5m to date by members of these predominantly small rural shops, cafés and post offices. On average, community shops have 180 members (with wide variations).

2.3 Shop premises

Community shops come in all shapes and sizes. In 2021, eight (67%) newly opened shops were situated in existing shop premises taken over by the community, and four (33%) are in new builds. Many community shop start-ups are triggered by the closure of an existing shop, or the absence of an existing shop. In the case of the latter, an alternative premises must be found.

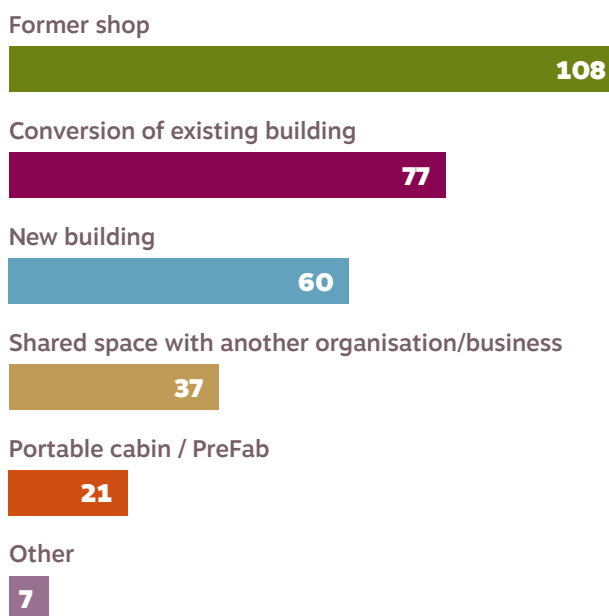
The shops opening in 2021 are a fairly typical representation of the rest of the sector. From

Plunkett Foundation records (see Figure 2.4) it can be estimated that just over a third (35%) of community shops are based in a former shop building. The other 65% of community shops are housed in a variety of different premises, such as converted toilet blocks, shared space in a village hall or a church, bespoke new community hubs and a significant number in portable cabins. “Other” types of building involve a combination of a new build and conversion of an existing building, or a mobile unit.

Not all community shops own their premises outright. According to 369 available Plunkett Foundation records, 60% of communities lease their shop premises and 40% own them. While owning a premises can ensure that the asset remains in community hands in the long term, leasing a premises can mean that the community does not need to raise as much money for the business when starting out.

FIGURE 2.4
COMMUNITY SHOPS: TYPE OF BUILDING

NUMBER OF SHOPS



Source: Plunkett Foundation from 310 available records.

INSIGHT

Innovative solutions to finding a premises

In 2021, four shops opened in premises that have an existing or previous purpose other than a traditional shop:

- **Whitley Stores Community Shop** leases space from the new owners of a former café. The shop shares the space with a bike repair workshop and coffee shop.
- A campaign to set up the **Cockburnspath Community Shop** began when the original village shop and post office closed. The new community business is housed in a new modular building next to the village hall.
- **Tis the Future**, Tisbury is a mobile refill station, helping customers reduce the amount of plastic packaging they use by refilling their own containers with household detergents and dry goods such as pasta and rice. The van is a fully electric refurbished refuse vehicle, and visits surrounding villages much like a mobile library.
- The last of several shops in the village of Llangors, in the Brecon Beacons National Park, closed in 2005. Following community consultation in 2019, a new hub was built next to the school from two donated portable cabins. The new space houses the **Llangors Community Shop** and café, and has level access and an accessible toilet.

The range of premises across these new businesses demonstrates the resourcefulness of rural communities in finding space for their business where there are few local community assets remaining.

3

Services and activities



▲ The Alfrick and Lulsley Community Shop in Worcestershire is still going strong and now offers a dementia-friendly space.

3.1 Core products and services

Community shops stock an enormous range of products such as essential goods, local produce and ethically sourced and ecologically sustainable products. Many community shops will draw their stock from a wide base of local suppliers, tailoring what they stock to the needs of their own community. This adds to their diversity and resilience, and can also be a unique selling point for the shop.

Alongside basic grocery and household goods, community shops stock fresh produce (fruit and vegetables, milk, bread etc.), newspapers, stationery, medicines, with a large proportion (over 80%) stocking fresh meat and freshly baked goods. Other products include road fuel, kindling and logs, bird food, plants and fresh flowers.

3.2 Local sourcing

The latest Plunkett survey shows that 100% of community shops stock locally-sourced products. Selling local food also creates a point of difference from the supermarkets, helps to engage the community and can reduce food miles.

Figure 3.1 shows the sheer range of local products stocked by community shops. Survey respondents were asked to select which product categories they sourced local produce for. The most popular product categories were mainly food items, such as eggs, meat, bread, dairy and vegetables.

Community shops often have quite a range of different local products on offer. 84% of community shops responding to this question (117) selected six or more categories. Figure 3.3 shows the number of community shops divided into three



▲ Local produce available at the Islip Community Shop in Oxfordshire.

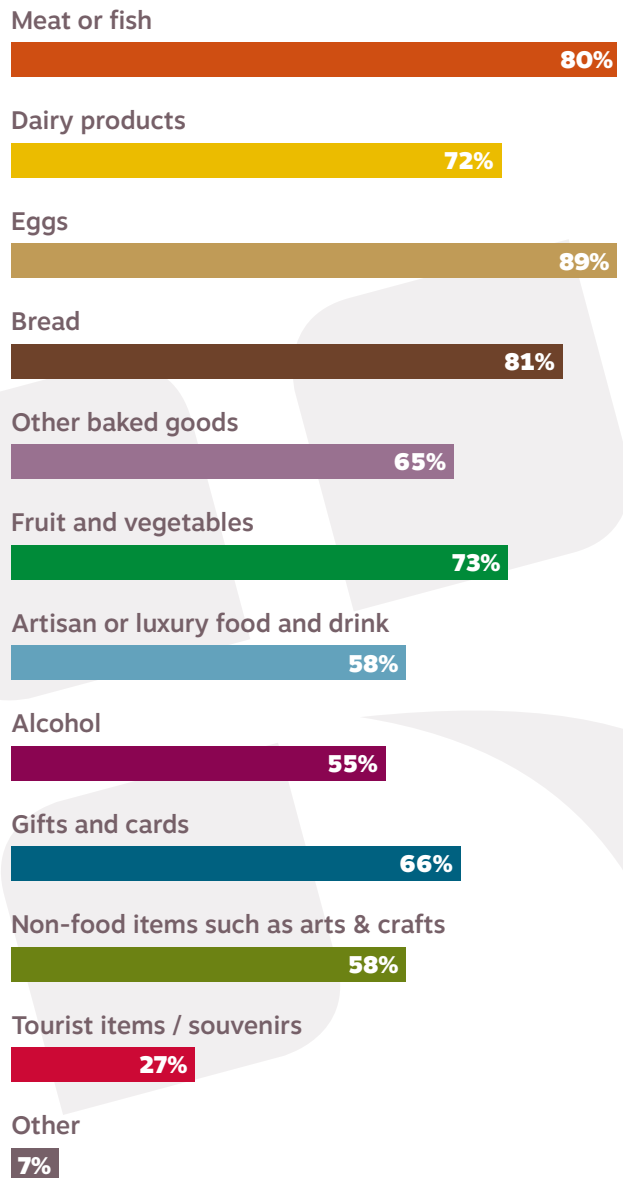
broad categories of local product range sizes: small (1-4 product categories), medium (5-8), and large (9-12). It must of course be noted that these definitions of range size are relative, and do not reflect the quantity of products stocked.

As part of this year's research, we also undertook a survey of a small sample of 15 community shops who volunteered to provide EPOS (Electronic Point of Sale) data.

- The 15 shops sourced from a total of 413 local suppliers
- Most of the shops (60%) had between 10-30 suppliers
- There was an average of 28 local suppliers per shop (ranging widely from 7 – 80).

The definition of "local supplier" used was being located within roughly 30 miles of the community shop. Although this is a very small sample and requires further corroboration, a crude estimate would suggest that the 407 existing community shops have supply relationships with around 11,000

FIGURE 3.1
COMMUNITY SHOPS SELLING LOCALLY SOURCED PRODUCTS



Source: 2022 Plunkett Foundation survey with 140 responses.

other small businesses (noting that some suppliers may be used by more than one community shop).

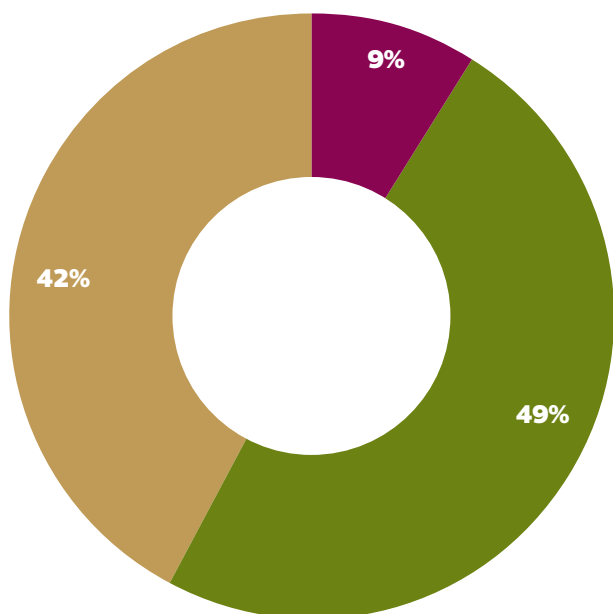
Why are so many community shops committed to sourcing locally? We posed this question to 2022 survey respondents. The top reasons were:

- To support other small businesses in the local economy (86%)
- To reduce the community shop's carbon footprint (73%)
- In line with a local sourcing policy (71%)
- In response to customer demand (66%).

Many survey respondents chose more than one motivation, which is unsurprising given the combination of environmental, economic and business benefits that local sourcing can have.

It must be noted that local sourcing is not easy, due to the time required to work with and organise stock deliveries from dozens of different suppliers. Focus group participants pointed out that simply having a small shop can limit the range of produce on offer. Additionally, locally sourced food may have higher prices that might put off customers, particularly at the moment with the cost-of-living crisis. What was evident in the focus groups was that, whether locally sourced or not, community shops were doing their best to offer an affordable range of products to local people. It is clear from the survey responses that in the majority of cases, in spite of the challenges raised at the focus groups, the benefits of local sourcing for the local economy and the environment outweigh the logistical difficulties.

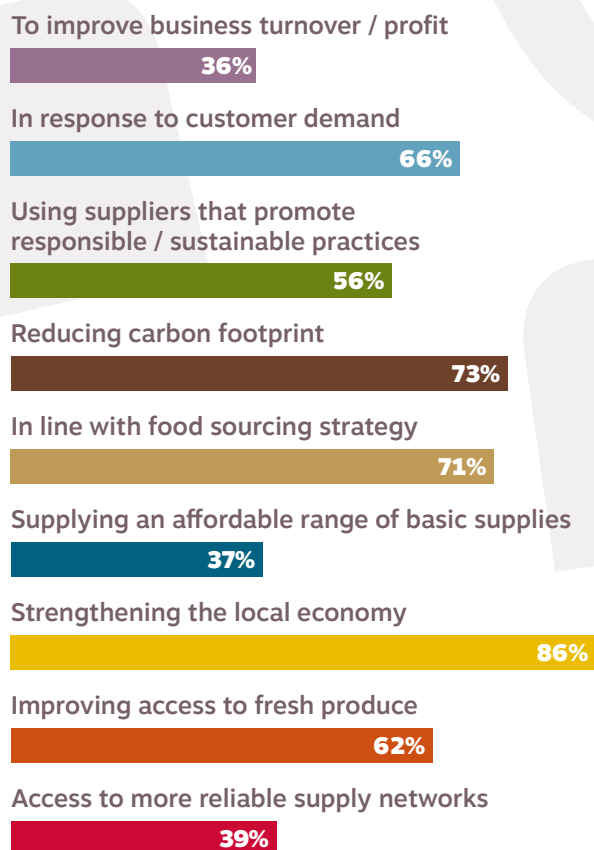
FIGURE 3.2
SIZE OF LOCALLY SOURCED
PRODUCT RANGE IN COMMUNITY SHOPS



■ Small (1-4 product categories)	13
■ Medium (5-7 product categories)	68
■ Large (8-12 product categories)	59

Source: 2022 Plunkett Foundation survey from 140 responses.

FIGURE 3.3
MOTIVATIONS FOR SOURCING
LOCAL PRODUCTS



Source: 2022 Plunkett Foundation survey with 140 responses.

Note: respondents could select more than one motivation.

INSIGHT: THE VILLAGE GREEN, MARSDEN, YORKSHIRE

Local food

The Village Green is a greengrocer owned by the Marsden Grocery Community Benefit Society in Yorkshire. After the closure of the greengrocer's, over 100 people gathered to discuss what could be done. It has been difficult to make the shop profitable but it has flourished thanks to local support, with increasing interest from customers in buying locally sourced food that has fewer food miles and no plastic packaging. During lockdowns, veg boxes in particular were extremely popular and helped to ensure food security. The shop stocks 68 lines and sources from a range of local producers: cheeses from Hilltop Cheese, bread from Roger's village bakery, honey from the Buzz Project, produce grown by refugees from Growing Communities and samosas from Dabbawala Meals.



▲ The Gawsorth Hub in Cheshire, North West England, is an all-round community space.

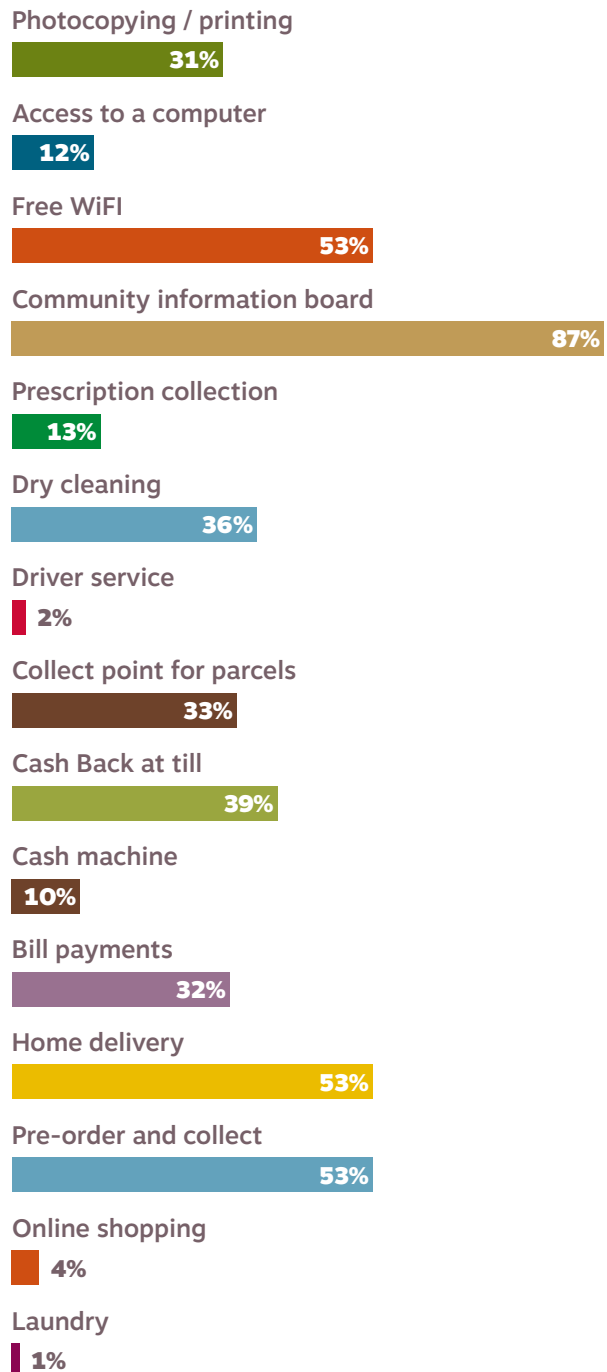
3.3 Services

Community shops also host a wide range of formal services, because they aim to support their communities in every feasible way. In addition to the core services shown in Figure 3.4, community shops offer many additional services as set out in Figure 3.5. These include repair cafés, charging points for electric cars; refilling water bottles; farmers markets; veg boxes; distribution point for village newsletter; laundrette; defibrillator; ticket sales for local events; and collections for local charities.

Community shops responding to the survey were asked whether they had changed their services in 2021. The results were as follows:

- 70% of shops made no changes
- 16% added services
- 6% dropped services
- 2% both added and dropped services.

FIGURE 3.4 COMMUNITY SHOPS: CORE SERVICES



Source: 2022 Plunkett Foundation survey with 137 responses (three community shops did not respond).

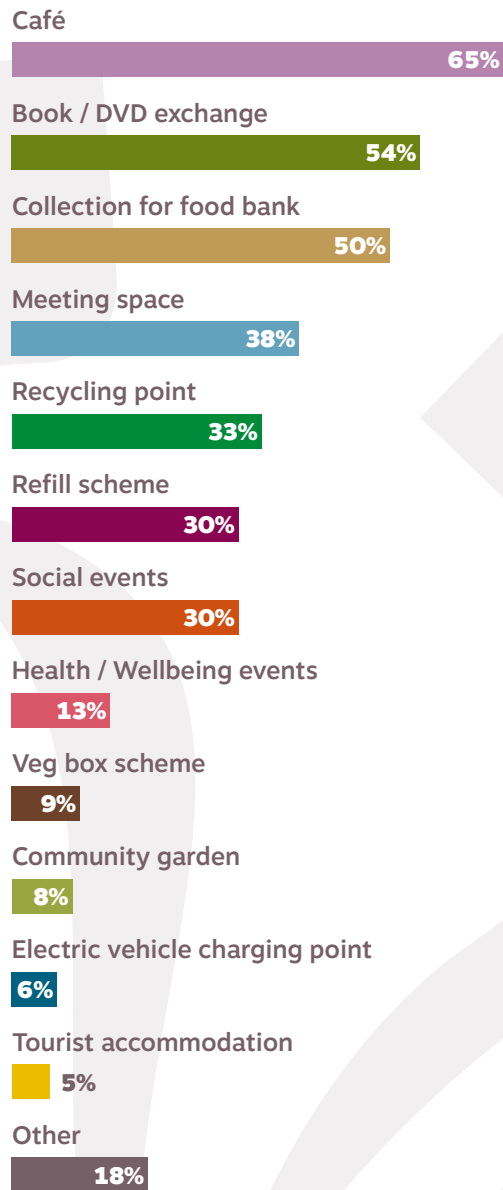
Overall, the range of services have remained similar to previous years. The key reasons for adding services were increasing benefits to the community, in response to customer demand and community engagement, and (to a lesser degree) improving business viability. Focus group discussions suggested that services are often run by volunteers and are therefore regarded as a community service rather than business activity.

Key reasons for dropping services were adjustments as demand subsided when COVID-19 restrictions began to lift and following the vaccination rollout. Some respondents also cited lack of staff or volunteer capacity.



▲ The refill dispensers at Farmborough Community Shop.

FIGURE 3.5 COMMUNITY SHOPS: ADDITIONAL SERVICES



Source: 2022 Plunkett Foundation survey with 140 responses.



▣ The community shop and café in Ilmington, Warwickshire, are based in a converted chapel.

3.4 Café services

Despite difficulties in recruitment faced by community shops and the hospitality industry more generally, café facilities are a popular addition to community shops and even some of the smaller shops manage to squeeze in a table in the corner, for people to come and have a cup of tea and a chat. This helps to increase footfall and may improve profitability (café products generally having higher margins, although may incur higher staff costs) as well as fulfil the shops' social mission of addressing isolation and loneliness. Cafés also provide volunteering, work experience or paid employment opportunities for young people.

According to Plunkett Foundation records, 154 community shops (38%) operate a café. Most community shop cafés tend to offer a limited menu that generally means coffee, tea, and cake (these tend to be run by volunteers). A significant proportion offer wider choice and generally include dishes prepared on the premises including hot food.

3.5 Post Office services

According to Plunkett records, 221 community shops run or host a post office. Figure 3.6 shows a breakdown of post office models, with a Community post office (i.e. legacy agreement) being the most common. 17% of new shops opening in 2021 (2 of 12) run or host a post office.

Running a post office within the shop can be challenging. The main challenges beyond covering the costs of running the services are:

- Training part-time staff and volunteers on a wide range of services
- Insufficient space for parcels or a second counter
- The technologies are difficult to use and prone to errors
- The frequency of outreach or mobile services is limited and not always reliable

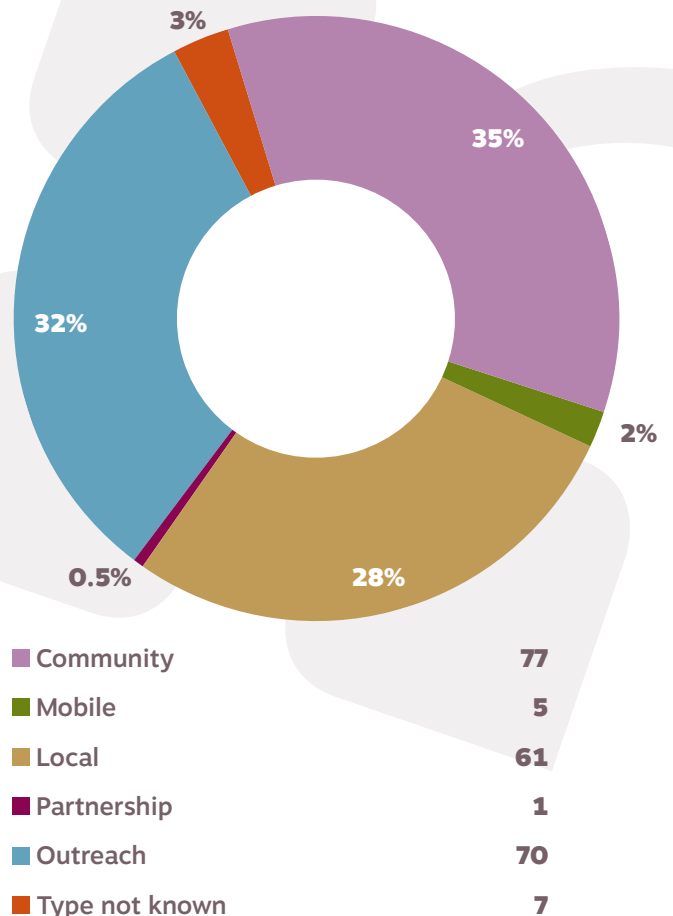
► **The Dryslwyn Community Shop in Camarthenshire was set up following the closure of the village's Post Office in 2008.**



However, as previous years' 'Better Form of Business' surveys and focus groups have shown, the majority of community shops believe it is worthwhile to continue their post office, because of the valuable services it provides to the community – such as access to cash, banking, and parcel services. Outreach services are perceived as unreliable, due to frequent cancellations and infrequent operating hours. Having a local post office can also support the local economy, acting as a banking service for small businesses and reducing the need to travel long distances to deposit cash at a bank branch. In the context of increased bank branch closures seen during the pandemic, and an increase in online shopping using parcel services, having a local post office has come to be seen as more valuable than ever.

There may, however, be a slowing of the growth of the number of post offices opening in community shops due to the difficulties in running them or even setting them up in the first place. The percentage of new community shops including a post office in their business has fallen in recent years (Figure 3.6). Plunkett Foundation data displayed in Figure 3.7 suggests that the rate of increase in the number of post offices operating in community shops has not increased at the same rate as the cumulative number of community shops. Before 2010, and especially following

FIGURE 3.6
COMMUNITY SHOPS: POST OFFICE MODELS



Source: Plunkett Foundation from 221 available records, July 2022.

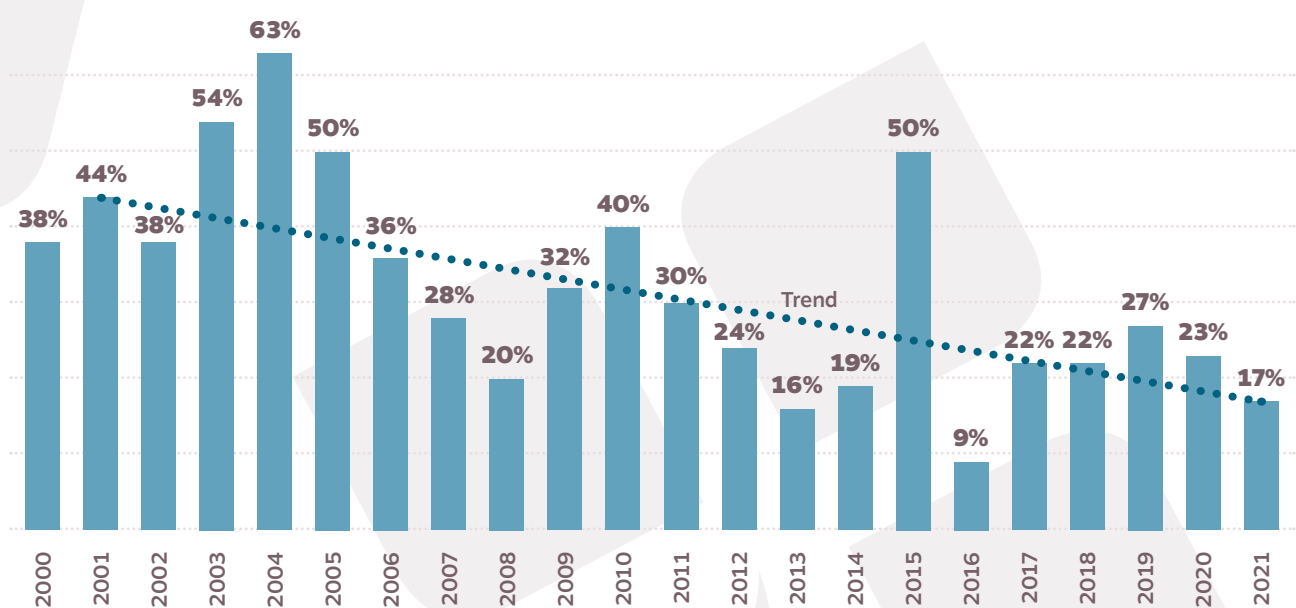
the 2008 financial crisis and the Village Core programme delivered by Plunkett, the number of shops opening with post offices increased along with the total number of shops opening. However, in the last decade, and particularly in the last five years, spikes in community shop numbers have not led to a corresponding increase in the number of post offices run within these businesses.

More investigation would be required to determine the causes of this trend. Causes other than the difficulty in setting up/continuing a post office could be, for example, a shift towards online services and therefore lower demand.



▲ The Post Office at the Alfrick and Lulsley Community Shop is a valued service.

FIGURE 3.7
PERCENTAGE OF NEW SHOPS OPENING WITH A POST OFFICE



Source: 355 Plunkett Foundation records of community shops opening between 2000-2021. Includes Community and Local Post Office models only.

4

People



▲ Volunteers outside Clapham Community Shop.

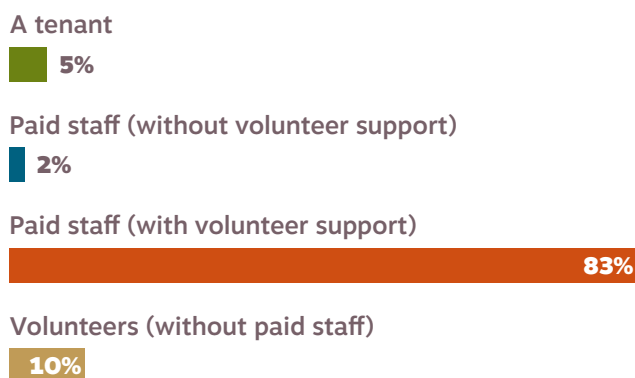
4.1 Governance model

The majority of community shops are managed directly by the community through a management committee elected by the members, with a very small percentage managed by a private tenant. As well as overseeing the business’s strategic direction and financial performance, the management committee also recruits staff or volunteers, or a combination of the two, to handle the day to day running of the shop.

From 390 available Plunkett records:

- 362 (93%) are managed directly by the community
- 19 (5%) are tenanted.

FIGURE 4.1
COMMUNITY SHOPS: MANAGEMENT MODELS



Source: Plunkett Foundation from 390 available records.

4.2 Employed staff

The popularity of employing at least one member of staff is most likely due to the continuity it gives to shop administration and ordering, and also because the complexity of the workload can appear challenging to run via volunteers alone.

The 2022 Plunkett Foundation survey responses showed that 110 participating community shops who had paid staff had around 80 full-time and 380 part-time employees, giving a full-time equivalent (FTE) employment figure of approximately 180 people.

A projected estimate, assuming the same ratios apply to all 407 shops and taking into account that 10% of shops are run solely by volunteers, suggests that community shops are employing 200 - 220 full-time staff and 900-1100 part time staff. This broadly (on a cautious estimate) amounts to some 400 - 450 full time equivalents.

This is an increase on last year which is unsurprising and is largely explainable by the fact that the sector is growing.

Whatever the caveats, these findings remain impressive, given that most community shops operate in small rural places and can be a significant source of employment – and that is before taking into account their indirect creation of jobs by sourcing and selling locally sourced products from other rural businesses.

32 responding shops employed new staff during 2021, 19 of which were permanent full- and part-time positions and 13 of which were seasonal jobs. Focus group attendees that ran hospitality or tourism services such as cafés faced similar recruitment difficulties as other businesses in the hospitality sector, with potential candidates being thin on the ground.

As community-owned businesses, community shops are committed to being fair employers. 63% of survey respondents said that they pay the Real Living Wage (as defined by the Living Wage Foundation, which was £9.20 in 2021). As evidenced in Figure 4.2, community shops tend to rely on a number of volunteers and part-time staff, with a small number of full-time staff or shop managers.

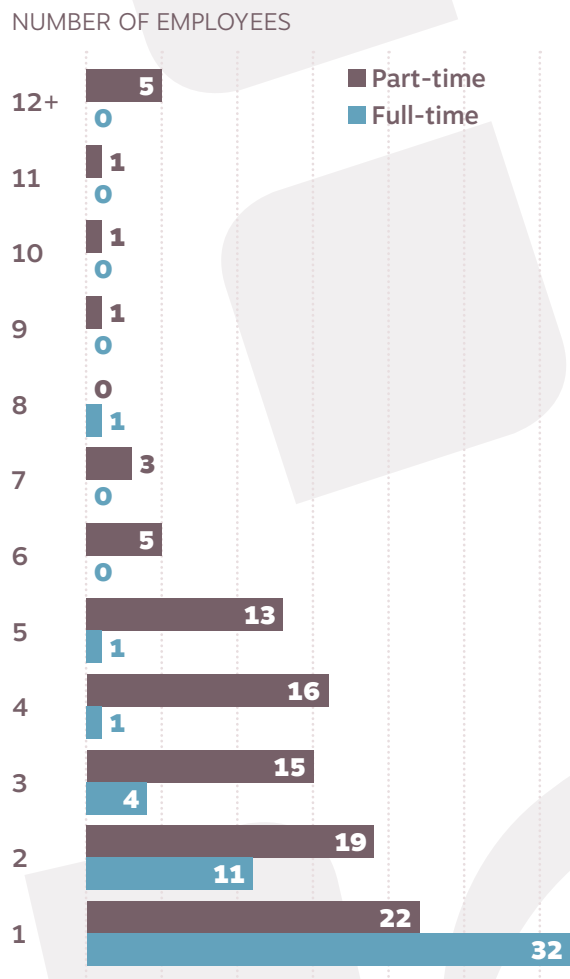
A review of the number of staff employed by turnover band, based on data from AR30 and Companies House returns, revealed a slight potential shift in staff numbers pre-COVID-19 and

during 2021. Community shops in higher turnover bands seem to have increased average of staff they employ, whereas community shops in lower turnover bands have remained at the same staffing levels or have even decreased their staff.

It should be noted that the changes in the average number of employees are slight and may be attributed to variations between community shops in the two samples, and therefore may not represent conclusive evidence for a reduction in staff numbers.

A review of staff costs by turnover band revealed no significant suggestion of rising wage costs in 2021, but data over the next two years will track whether this will change given wider inflationary pressures in the UK economy.

FIGURE 4.2
COMMUNITY SHOPS:
TOTAL NUMBER OF FULL-TIME & PART-TIME
EMPLOYEES BY BAND



Source: 2022 Plunkett Foundation survey from 140 responses.
Note: 30 survey respondents did not employ paid staff. Excludes tenanted shops.

FIGURE 4.3
COMMUNITY SHOPS: STAFF EMPLOYED

Annual turnover band	£50,001 - £100,000	£100,001 - £150,000	£150,001 - £200,000	£200,001 - £300,000	£300,001 - £400,000	£400,001 - £500,000	£500,000+	Totals
Average no. of employees to 31st March 2020	2	2	3	4	6	7	8	32
No. of shops sampled	35	50	35	31	15	8	7	181
Average no. of employees 2020-2022	1	2	3	4	5	11	13	38
No. of shops sampled	16	20	14	27	14	8	3	102

Source: FCA AR30 & Company House Returns from 2018, 2019 or 2020 to 31st March (taken from the most recent year for which data is available); and 31/01/2021 to 31/12/2021 plus two early 2022 records.

Note: Staff numbers are for total staff employed and include full-time, part-time, and casual staff. Available data on employees is a typical figure during the financial year reported on.

FIGURE 4.4
COMMUNITY SHOPS: EMPLOYMENT COSTS

Annual turnover band	£50,001 - £100,000	£100,001 - £150,000	£150,001 - £200,000	£200,001 - £300,000	£300,001 - £400,000	£400,001 - £500,000	£500,000+	Totals
Average cost of employees to 31st March 2020	£16,000	£19,000	£25,000	£36,000	£59,000	£60,000	£87,000	
No. of shops sampled	9	15	17	11	6	2	3	63
Average cost of employees 2020-2022	£16,000	£20,500	£26,000	£36,000	£55,000	£62,000	£93,000	
No. of shops sampled	9	14	11	20	12	9	3	78

Source: FCA AR30 & Company House Returns from 2018, 2019 or 2020 to 31st March (taken from the most recent year for which data is available); and 31/01/2021 to 31/12/2021 plus two early 2022 records.

Note: Staff costs cover all staff employed in a given year including 'on costs' (pension contributions, employers national insurance contributions etc.).

4.3 Volunteers

Volunteers are a key strength of the community shop sector, boosting the shops' viability by lending their skills, keeping costs down and spreading the workload to manageable levels, enabling the businesses to focus on growth and development. They also add to the friendly and community-focused nature of the shop environment. This research does not quantify the value of volunteer input, but if translated into an equivalent staff cost even at the minimum wage, it would render many community shops unviable.

Based on 390 available Plunkett records, we know that 93% of community shops are supported by volunteers, of which 10% are solely run by volunteers.

On a cautious projection from 140 survey respondents (of which 131 – 94% – rely to some degree on volunteers) for the population of 407

community shops (adjusted down proportionally for those not engaging volunteers), it can be estimated that there are:

- Some 6,250 – 6,750 'frontline' volunteers working in community shops and cafés
- Some 1,750 – 2,000 volunteers working behind the scenes e.g., on management committees, marketing, accounting, home deliveries or other roles
- A total of 7,250 – 7,750 volunteers, with an average of around 20 weekly volunteers per shop.

Note: there may be an overlap in the above counts, as management committee members often also volunteer in shops and cafés. The estimates above are based on survey responses from community shops stating weekly numbers of volunteers.

The increase in volunteer numbers compared to last year corresponds with the growth of the community shop sector.



▲ A volunteer (left) completed his Duke of Edinburgh award with Barford Community Shop.

5

Impact

Community businesses, as locally rooted and accountable enterprises, are able to adapt quickly to the changing needs of their communities. In rural areas, they may be the last remaining community asset offering vital services and a space for local people to come together. In their response to the COVID-19 crisis, community businesses have been critical in contributing to the resilience of their local community. Beyond the pandemic, community businesses offer a way of building a fairer economy centred on people, the environment and local benefit.

Plunkett Foundation's 2021 [Impact Report](#) released earlier this year provides details of how our advice and support helps community businesses to bring benefits to local people.

5.1 Provision of key products and services

In measuring impacts Plunkett has found that, almost without exception, wherever there is a community business, there has been increased provision of necessary products and services. These include:

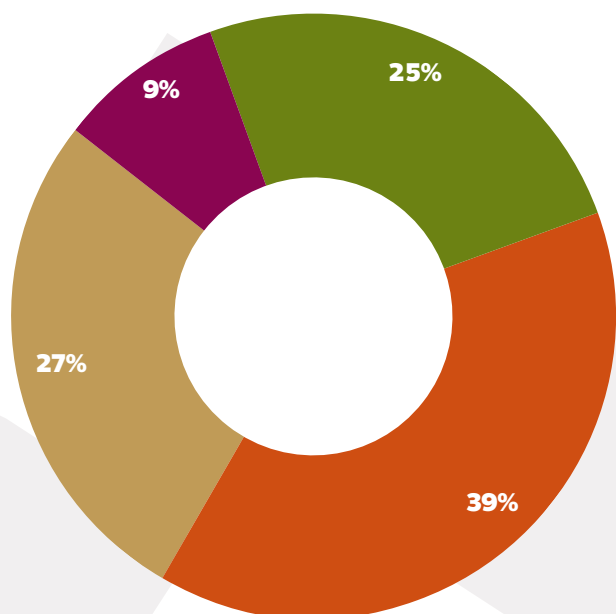
- Affordable essential items such as fresh fruit and vegetables, household items, fuel, and stamps
- A place to meet and specific activities for young people, families, older people, low-income households, people with disabilities or long-term health conditions
- Key services such as cash withdrawal, post office, deliveries, bill and utilities payment, food and household supplies, defibrillator, laundrette, prescription pick-up and delivery, access to health services or pop-up clinics
- A community café, garden, or meeting space

All of these services can contribute to a better quality of life and improved wellbeing. Often, the community shop provides these services in the absence of any other nearby business offering them. Around 1 in 3 (36%) of community shops responding to the survey said that their nearest general store or supermarket was more than 5 miles away.



▲ Fresh fruit and vegetables on offer at the Alfrick and Lulsley Community Shop.

FIGURE 5.1
COMMUNITY SHOPS: DISTANCE FROM
NEAREST GENERAL STORE OR SUPERMARKET



0 - 2 miles	35
3 - 4 miles	54
5 - 6 miles	38
Over 7 miles	13

Source: 2022 Plunkett Foundation survey from 140 responses.

Having a local shop is a necessity not only for those who cannot drive or do not have access to a car. It has also become increasingly important in light of rising fuel costs. For 147 communities with a shop based more than 5 miles away from the nearest shop, savings can quickly add up. Based on the assumption that a 10-mile trip costs a minimum of £4.50 (assuming that the cost of running a car is 22.5p per mile²), an individual could save £117 over the course of a year just by doing fortnightly top-up shops at their local community shop.

▶ **Clapham Village Stores is a welcoming place for cyclists, with bike racks and charging points for e-bikes.**

5.2 Community cohesion and inclusion

Establishing a community shop involves a great deal of time and effort from a large number of people in the community, who invest their time and experience in the project as members, committees, volunteers, staff and customers. There is usually a widely backed community campaign to set up a community shop that galvanises the community, identifying its importance as a community asset.

The presence of a community shop can lead to increased local engagement and participation, encouraging mutual support and care within the community. Social infrastructure, such as a community café or shop, can make an enormous contribution to a community's resilience in the face of a crisis. During the pandemic, community shops acted as a conduit for collective action. Volunteers (and staff) are generally local, meaning that they are immediately aware of anyone in the community needing support. This proved invaluable during the COVID-19 crisis. Now, in the face of the new challenges of the cost-of-living and climate crises, community shops are drawing people together in a variety of ways to tackle these problems at a grassroots level. Community shops have implemented 'pay it forward' schemes at their cafés, run community fridges to reduce food waste and offer free meals, and galvanised volunteers to set up growing schemes and allotments.



2. 22.5p is 50% of HMRC's mileage allowance, which takes into account fuel and running costs of a car. Only 50% has been assumed for this calculation, as there are some fixed costs of running a car (such as insurance and tax) that would not be reduced by being able to shop locally. The HMRC mileage allowance as of June 2022 did not include recent rises in fuel prices, so the amount saved by being able to access a nearby community shop may well be in reality somewhat higher.

Once open and operating, community shops become highly social places which bring people together of all ages, backgrounds, interests, and gives them a purpose to interact. In rural areas, a shop may often be the last remaining space for local people to meet one another. Under community ownership, shops can be transformed into inclusive businesses in a variety of ways. For example, they might offer training and employment opportunities to people with additional needs or disabilities; they may participate in social prescribing or in schemes that help people who have experienced mental health issues to return to employment; they prevent social exclusion by offering access to cash and help with accessing essential services such as bill payments.

At the focus groups, it was clear that volunteering offers particular benefits, enabling people to get involved in gardening projects, renovations or day-to-day shop operations that not only benefit the business and local community but also benefit the wellbeing of volunteers themselves. Volunteers have the chance to feel part of the community, meet new people, and be involved in a common cause.

5.3 Improving health and wellbeing

Community shops significantly reduce isolation and can boost mental wellbeing by providing opportunities for involvement, such as through volunteering or social activities. Even having a



regular chat with someone at the till can make all the difference to someone's mental wellbeing. For some, the shop is their only social point of contact.

Volunteering has benefits for a diverse range of people. It can offer people from all ages and backgrounds an opportunity for young people to develop a sense of purpose and improved confidence. Volunteering is also a route into community involvement for newcomers and those who have suffered bereavement, illness or redundancy, or need to find a way to interact with others.

Community shops can also improve physical health in a number of ways. For example, community shops may promote active travel by installing bike racks; encourage healthy eating through cookery classes in a community kitchen; or enable participation in physically active volunteering work, such as gardening.

INSIGHT: THE WALLED GARDEN COMMUNITY SHOP AND CAFÉ, LITTLE PLUMSTEAD, NORFOLK

Improving wellbeing

The Walled Garden Community Shop and Café in Little Plumstead, Norfolk, was built within a Victorian walled garden that formerly served Little Plumstead Hall. Once a beautiful space, it had been severely neglected for many years when it came into community hands in 2020. While work was underway preparing the shop and café for opening, a group of volunteers formed to plan a restoration of the garden. They put together grant applications, visited other walled gardens for inspiration, research the garden's planting history and put together a design.

Following the clearing of the site in 2020, the garden has flourished with ornamental and edible plants for locals to enjoy. The volunteer gardeners have planted for pollinators and are trialling a 'no dig' experiment to disturb the ground as little as possible, in order to improve the soil's structure and health. Now, the community business has two paid employment positions for people with learning disabilities, and supports people who have mental health issues to improve their wellbeing by volunteering in the garden.



▲ **Islip Community Shop in Oxfordshire.**

5.4 Boosting the local economy

Community shops are a resilient form of business that can help regenerate the local economy by:

- Stocking products and using services from local suppliers
- Improving access to other local services
- Creating local employment opportunities
- Raising money for local charities either through fundraising or surplus profits
- Encouraging collective investment via community shares in the local economy.

There are multiple examples of communities adding to their community business “portfolio” by tackling another local need or opportunity – after discovering they can set up and run their shops, several communities have been inspired into collective action to save their pubs or other critical assets. There are currently 16 settlements on Plunkett’s records that have more than one community business (excluding cities).

Community shops are part of a resilient network of like-minded businesses. 43% of community shops responding to the survey said that they cooperated with other similar enterprises locally, such as other community businesses, social enterprises or co-operatives.

As stated in section 3.2 on local sourcing, 100% of community shops source local produce, from an average of 28 suppliers per shop. Scaled up, this represents a significant impact on the local economy. Local sourcing can also create a more resilient food system – for example, many community shops were able to source items such as flour locally when these were difficult to get hold of from larger wholesalers and retailers. The existence of a community shop is particularly important in remote rural areas, particularly in the event of extreme storms that may cut people off and leave them in need of essentials.

5.5 Opportunities for young people

For the purposes of this research, ‘young people’ are defined as aged 16-24. Based on previous years’ surveys, we know that each shop benefits an average of 3-4 young people, meaning that the sector currently offers opportunities to around 1,400 young people in the form of volunteering positions, paid work experience, training and employment. From responses to the 2022 survey, we estimate that young people make up on average 22% of community shop employees (around 1 in 5 people).



▲ **Cletwr Community Shop.**

FIGURE 5.2
COMMUNITY SHOPS:
OPPORTUNITIES FOR YOUNG PEOPLE

WHAT SORT OF OPPORTUNITIES DO
 COMMUNITY SHOPS OFFER YOUNG PEOPLE?



Source: 122 responses from community shops to 2022 Plunkett Foundation survey.

Community shops, although small businesses, can have a meaningful impact in the context of rural depopulation. In a survey of more than 1,000 young people living in rural areas carried out in 2021, CPRE, the Countryside Charity found that just 43% of them planned to remain there in the long term. Only 1 in 5 (18%) thought that the future looked bright.³ The report demonstrates how rural depopulation is on the rise, with young people reporting that they felt driven out of rural areas by a lack of affordable housing, along with poor digital connectivity and public transport limiting their employment and social opportunities.

Young people feature strongly in the priorities of community shops. 87% (122) of survey respondents said that they offered opportunities for young people through volunteering, paid work experience or employment. 81% had a policy specifically aimed at helping young people into employment. As is to be expected from small businesses with 1-2 members of paid staff, the majority of community shops offering opportunities offered unpaid experience through volunteering. However, there were also other opportunities, such as casual vacation work, gaining a formal qualification, apprenticeships, and formal volunteering schemes such as the Duke of Edinburgh award. The availability of training opportunities at a local shop can be particularly valuable to young people without access to a car.



▲ The Isle of Canna community shop is proud to stock local products and proceeds go into a local community fund.

5.6 Environmental impacts

As responsible, collectively-owned businesses accountable to their local community, community shops share their customers' commitment to protecting the environment. 91% of community shops responding to the 2022 survey said that becoming a more sustainable business was important to them.

Community shops can have positive impacts on the environment in a number of ways:

- Sourcing products locally where possible, reducing their carbon footprint
- Using renewable energy suppliers or installing solar panels or other forms of sustainable energy generation such as heat pumps
- Operating a refill scheme for cleaning detergents and store cupboard goods like dried fruit, pasta and rice
- Hosting repair cafés, to prevent items going to landfill
- Encouraging active travel by installing bike racks
- Setting up a garden, where volunteers can grow food for the community, local people can enjoy the green space, and flowers and insects can thrive
- Providing key services locally, reducing the need to travel
- Selling ethically sourced, organic and environmentally friendly products and food without plastic packaging
- Acting as a volunteer hub for litter pickers, conservation work, or community food growing and composting.

3. 'Young people in rural areas: a report', Campaign to Protect Rural England (CPRE), October 2021.

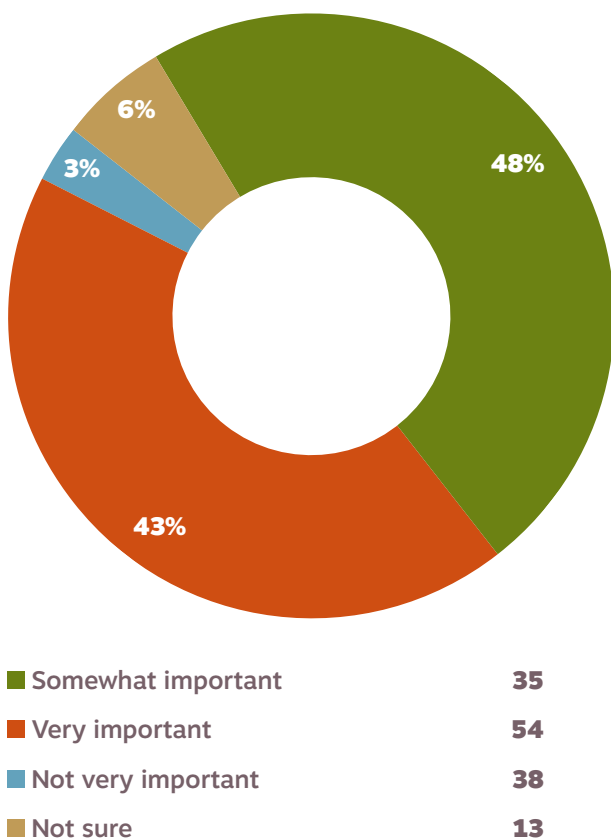


▲ **Farnborough Community Shop has a recycling scheme for hard-to-recycle items such as crisp packets.**

As the pandemic and the war in Ukraine have shown, international supply chains are not fully reliable, and there has been a growing awareness of the environmental impact of food miles. Community businesses have enormous potential for re-localising the supply chain and contributing to a greener economy that also benefits local people (see sections 3.2 and 5.4).

FIGURE 5.4
COMMUNITY SHOPS:
ENVIRONMENTAL SUSTAINABILITY

HOW IMPORTANT IS IT THAT YOUR COMMUNITY BUSINESS BECOMES MORE ENVIRONMENTALLY SUSTAINABLE?



Source: Plunkett Foundation 2022 Community Shops survey from 140 responses.

FIGURE 5.5
COMMUNITY SHOPS: ACTIONS TO
BECOME A MORE ENVIRONMENTALLY
SUSTAINABLE BUSINESS

Using electric vehicles / bicycles / walking to make deliveries

8%

Sourcing local food and drink

85%

Improving energy efficiency of premises

47%

Generating own electricity (e.g. solar panels)

19%

Using compostable / biodegradable takeaway containers

34%

Making building / garden more wildlife friendly

24%

Sourcing secondhand equipment or upcycling

11%

Switching to greener energy supplier

19%

Specific action to recycling or re-use

4%

Growing food for sale on site

2%

No action

6%

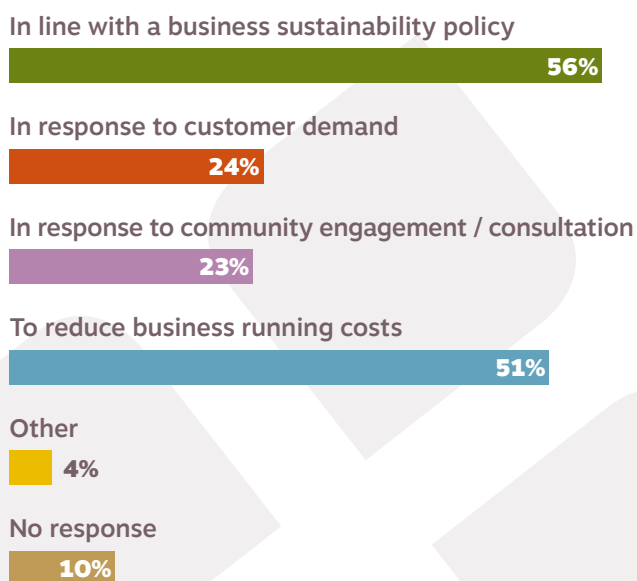
Source: Plunkett Foundation 2022 Community Shops survey from 140 responses.

Note: respondents could select more than one action.

Community shops are primarily motivated to become more sustainable by a commitment to lessen their impact in light of the climate crisis. 56% of survey respondents said that they had made changes to their operations in line with a business sustainability policy. Community shops are highly innovative in their sustainability actions – for example, 1 in 5 are already operating refill schemes.

However, an almost equally high proportion saw the benefits that becoming more sustainable could have for the business – 51% said that it would reduce their running costs. In light of increasing energy prices, we may see more community shops seeking to make their business more energy efficient, although this will of course depend on their financial situation and ability to fund such improvements.

FIGURE 5.6
COMMUNITY SHOPS:
MOTIVATIONS FOR TAKING STEPS TO
BECOME A MORE SUSTAINABLE BUSINESS



Source: Plunkett Foundation 2022 Community Shops survey from 140 responses.

Note: respondents could select more than one motivation.



INSIGHT: FARBOROUGH COMMUNITY SHOP, SOMERSET

Environmental Sustainability

Farnborough Community Shop in Somerset has taken a number of actions to improve the sustainability of their business and help local people reduce their impact on the environment. In 2020, the shop had solar panels installed on its roof, thanks to a combination of community pledges and grant finance. Included in the project were also plans to replace inefficient equipment such as refrigerators. The total cost was £6,000 and it was originally estimated that the shop would save £500 a year on its energy bills. However, this estimate was exceeded within the first six months, and has enabled the shop to reinvest the money saved in other areas of the business.

The shop now operates a ‘bring your own container’ refill scheme and also hosts a regular repair café for sewing repairs and fixing electrical items. Sam Ross, who is on the shop’s committee, decided to tackle the problem of the village’s situation in a ‘charge point desert’ and arranged to have an electric vehicle charging point installed at the village hall next door, with help from Charge My Street. It is the only 24-hour publicly accessible charging point within a five-mile radius. Sam commented, “It has been of huge benefit to the shop, as we get passing trade from people stopping off to use it, and villagers also pop in for a coffee or ice cream while charging too.” The new charge point also means that locals who do not have off-street parking or home charging can top up their charge at the shop.

6

Financial performance

6.1 Profitability

In order to understand the impact of the pandemic on the profitability and turnover of community shops, we gathered two sample sets of AR30 returns and Companies House returns (AR30 returns are required by the Financial Conduct Authority from Community Benefit Societies and Co-operative Societies). The first sample of 184 was taken from returns published in financial years 2018, 2019 or up to 31st March 2020. The second sample of 113 records was taken from returns published after 31st January 2021. Records were taken from this date in order to be able to measure the impact of several months of trading during the COVID-19 pandemic.

Profitability is assessed before accounting for depreciation and excludes sources of funding such as donations or grants, to show underlying profitability from the shop and any café and/or Post Office services for comparability purposes.

The proportions of community shops showing profits and losses in 2021 broadly reflects pre-COVID-19, with around two thirds of community shops showing a net profit. However, there is evidence of a polarization of the community shop sector in the results of the 2021 analysis:

- 49% shops showed a net profit of more than £5,000 (31% before COVID-19); but
- 14% of shops showed a net loss of more than £5,000 (7% before COVID-19).

While some shops reporting profits had improved their profitability in 2021, some shops reporting losses were making greater losses. These differences could be accounted for by the different locations and circumstances of community shops. For example, community shops in areas usually reliant on tourism would have experienced a significant detrimental impact on their business, whereas some other shops were able to attract more customers who wanted to shop locally during lockdowns.



▲ **Whitbourne Community Shop, Herefordshire.**

The experience of community shops varied widely during the pandemic, depending on factors such as:

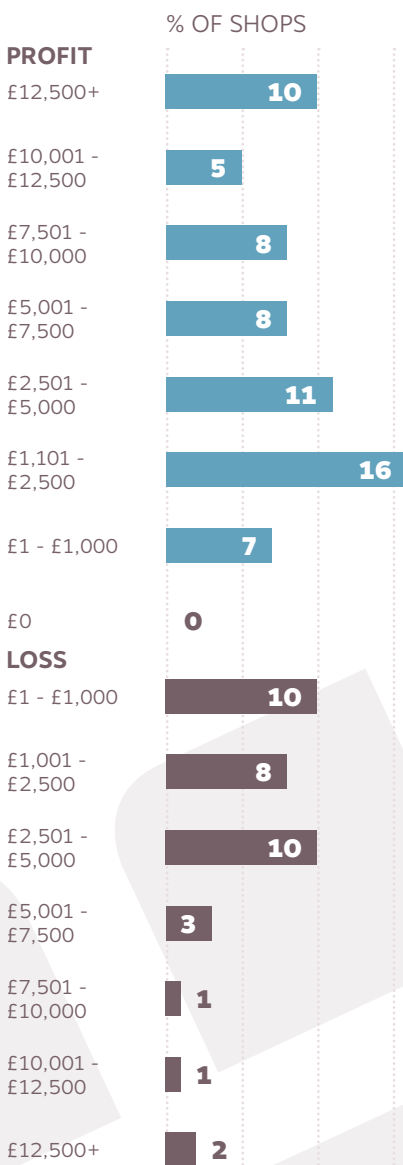
- Many benefitted from customers feeling safer in using convenience / community stores than larger retail outlets.
- Some incurred additional expenses in setting up and running new or extended services and that this included additional staff.
- Some shops recruited staff as a substitute for reductions in volunteers.
- Some shops will have lost revenue from cafés.

There is no consistent correlation between community shop turnover and profitability: for example, shops achieving a profit of £12,500+ have turnovers ranging from £100,000 to £500,000+.

It should be noted that many shops have other sources of income or rely on such as; grants, donations or other means to source external funding, so many of those showing losses will compensate by these means. Shops showing particularly high levels of profitability often have particular circumstances:

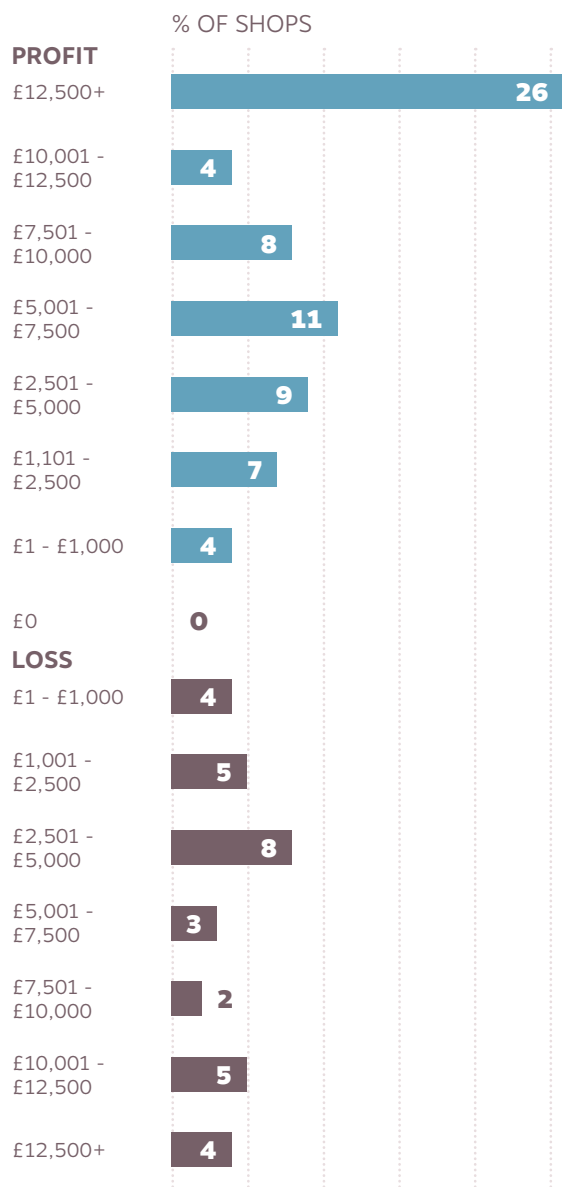
- Some rely wholly or mainly on volunteers with limited or no paid staff
- Some have high depreciation charges that are excluded for comparability purposes in the chart because these charges are highly variable and therefore not comparable
- Some have diversified to add additional services or activities to suit their customer base.

FIGURE 6.1
COMMUNITY SHOPS:
PROFITS AND LOSSES PRE-COVID-19



Source: FCA 2018, 2019 or 2020 to 31st March 2020 AR30 returns / Company House records from the most recent year for which data was available from 184 records.

FIGURE 6.2
COMMUNITY SHOPS:
PROFITS AND LOSSES DURING COVID-19



Source: FCA AR30 and Company House returns for most recent return for financial years ending on or after 31/01/2021: 113 records.

6.2 Turnover

Community shops are a durable form of business and in practice sustain themselves through:

- Substantial ‘in kind’ contributions from volunteers
- Community support
- Diversification in sourcing revenue
- Active fundraising.

Turnover figures in this study include:

- Core shop / café / post office services and related activities
- All other sources of revenue including income such as that from other property and grants, donations and other contributions.

From the sample of 195 annual returns from the FCA and Companies House filed in 2018, 2019 or before 31st March 2020 (drawing on data for the latest year available) as a “pre-COVID-19” benchmark, and a sample of 138 records from 31st January – 31st December 2021 as a separate sample to illustrate the impact of several months trading during COVID-19, there appears to be an

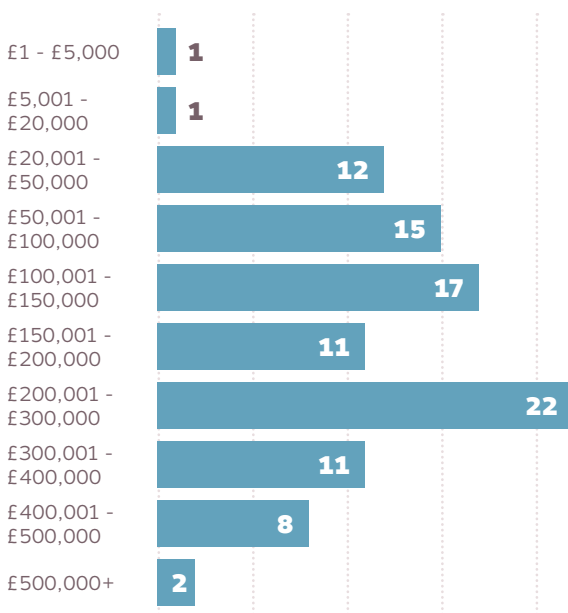
uplift in turnover for community shops. Figures 6.3 and 6.4 show a shift towards higher turnover bands. Pre-COVID-19, 26% of community shops had a turnover of more than £200,000. In 2021, this increased to 43%.

A cautious estimate for a “pre-COVID-19” turnover for the sector is approximately £61m p/a, whereas a projection based on the sample of 195 records suggests a sector turnover of £72.5m in 2021. This is an increase of 16%, resulting in an approximate average turnover for the years sampled of £156,000 per shop.

This uplift in turnover in 2021 could be explained by a sustained increase in custom. During lockdowns in 2020, community shops saw a huge increase in demand for their services. 88% of shops responding to last year’s survey said they had experienced some increase in trade in 2020. A year later, 65% of community shops responding to the 2022 survey said that during 2021 they had sustained some or most of this increase in custom. This is promising news, but with rising food price inflation and the cost-of-living crisis, further investigation will be needed in 2023 to see whether this proves to be a longer-term trend.

FIGURE 6.3
COMMUNITY SHOPS:
TURNOVER PRE-COVID-19

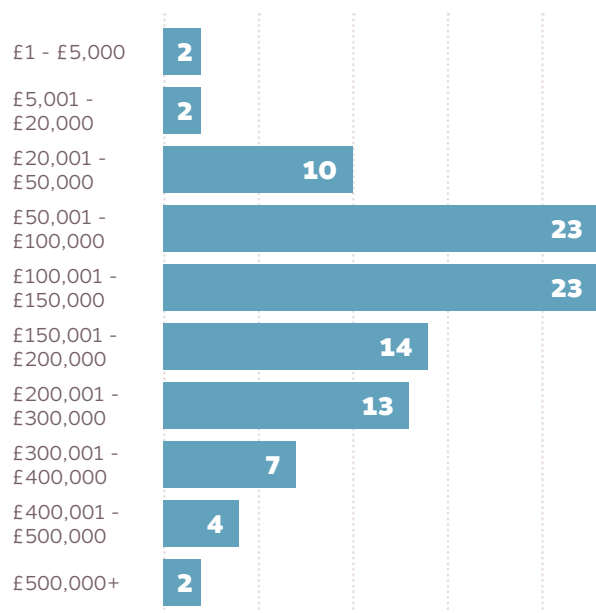
% OF SHOPS



Source: 2018, 2019 or 2020 to 31st March AR30 and Company House returns taken from the most recent year for which data is available. Sample from 195 records.

FIGURE 6.4
COMMUNITY SHOPS:
TURNOVER DURING COVID-19

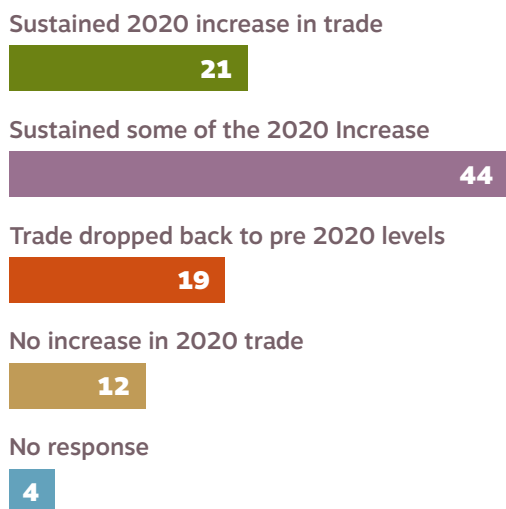
% OF SHOPS



Source: FCA AR30 and Company House latest returns for financial years ending on or after 31/01/2021. Sample from 138 records.

FIGURE 6.5
COMMUNITY SHOPS 2022 SURVEY:
WAS 2020 INCREASE IN TRADE SUSTAINED
IN 2021?

% OF SHOPS



Source: 2022 Plunkett Foundation Survey from 140 responses.

6.3 Loans and mortgage overheads

Those shops that own the land and building outright without mortgages or other loans or rents are generally the most secure given that they have an asset that is unencumbered and, under normal circumstances, valuable.

Many community shops have business models that build in (and rely on) modest or no borrowing to sustain profitability. Based on survey findings, community shops as a sector show an overall low level of indebtedness:

- 84% of the survey sample having no outstanding mortgages or loans (82% in 2019)
- 8% had outstanding mortgages or loans up to £40,000 (10% in 2019)
- 8% had outstanding mortgages or loans in excess of £40,000 (8% in 2019).

2022 findings are broadly similar to previous years, including during the pandemic.

Overall, this presents a healthy picture with modest overall indebtedness. However, significant outstanding mortgages or loans are not automatically a sign that the business is at risk if the underlying financial performance is able to comfortably afford the overhead.

6.4 Ongoing fundraising

Many community shops have business models that build in – and rely on – modest or no borrowing to sustain profitability – hence significant numbers raising funds or seeking grants for repairs, replacement equipment or improvements. According to the 2022 survey:

- The majority (61%) did not raise funds for these purposes
- 39% raised funds to support shop profitability
- 39% secured grants for maintenance, replacing equipment or improvements.

Despite increases in turnover, this picture remains broadly consistent with previous years.

6.5 Use of profits

2021 saw a significant shift in shop profitability, with a higher proportion of shops reporting higher levels of profits. There were also changes in the reported use of profits. Below are our observations based on the 140 shops responding to the 2021 survey:

- a. A drop in the proportion of shops showing no profits: 19% in 2021, compared to 29% in 2020 and 26% in 2019.
- b. Modest decrease in the number of shops reinvesting in the business: 60% in 2021 compared to 69% in 2020 but still higher than the pre-COVID-19 2019 picture of 51%.
- c. Little change in the numbers building reserves.
- d. A return to pre-COVID-19 levels in responding shops contributing to charities and/or other community projects: 30% in 2021 compared to 24% in 2020, but 28% in the 2019. This uplift may be due to recent crises, such as the war in Ukraine and the rise of the cost of living.

Note: some survey respondents used profits for more than one purpose.

6.6 Use of EPOS

A key tool to aid financial and stock management is an EPOS (Electronic Point of Sale) system, which can assist with:

- tracking sales and turnover figures, and trends in sales
- monitoring stock levels to help avoid holding excess stock, thus tying up too much capital
- recording wastage in detail.

80% of responding shops have an EPOS system, the majority of whom use it to review and manage their financial performance and monitor stock levels. This is broadly consistent with previous years.

FIGURE 6.6 COMMUNITY SHOPS: USE OF AN EPOS SYSTEM

Have an EPOS system

80

Use an EPOS system to review / manage financial performance and stock

66

Do not use an EPOS system

20

Source: 2022 Plunkett Foundation Survey from 140 responses.

Perhaps due to the benefits of using an EPOS system to improve business management, a slightly lower proportion of community shops using an EPOS system reported that they were feeling concerned about the next 12 months. Out of the 92 shops who said that they made use of their EPOS system to manage financial performance and stock, 21% were concerned. The proportion of concerned shops rose to 29% for community shops without an EPOS system. This suggests that good financial management will have benefits for some businesses, but the relatively small difference demonstrates the enormity of the impact the current economic situation is having on community shops.



▲ Westbury Community Shop offers training for people with learning disabilities.

INSIGHT: LAWRENNY COMMUNITY SHOP, PEMBROKESHIRE

A 24-hour service

Lawrenny Community Shop in Pembrokeshire was the first of its kind to operate a 24-hour self-service system, back in 2017. An electronic point of sale (EPOS) system can be operated by customers to make purchases, and there is a CCTV camera for security.

Customers can gain access to the shop outside of its core opening hours by paying a small monthly fee for a card. The accessibility of the shop, enabled through simple yet secure technology, has allowed local people who work full time to shop after their working day finishes or to be able to continue to access the shop even during staff or volunteer absence.

The shop provides an essential service, as the nearest alternative shop is a 15-mile round trip away.

7

Sector confidence and concerns



▲ The café at Candover Village Store.

Despite the new challenges arising in the first six months of 2022, in the form of food price inflation and rising energy costs, there is still relatively high levels of confidence in the community shop sector. When asked about how they felt about the coming 12 months, 76% of survey respondents said that they were confident or very confident about the future.

Although this is positive news for the outlook of the majority of the sector, the worsening situation with food and energy prices through 2022 may have affected these confidence levels. The survey in April 2022 returned the highest number of low confidence responses seen by the Plunkett Foundation in recent years, with 1 in 4 community shops reporting they were not feeling confident about the coming 12 months.

This drop in confidence is attributable to the current economic situation. Rising overhead costs has now risen to the top concern, with over twice the number of shops reporting this as a concern (87% in 2022 compared to 32% in 2021).

Another priority which saw a sharp increase in this year's survey responses was improving custom.

FIGURE 7.1
COMMUNITY SHOPS: CONFIDENCE LEVELS

NUMBER OF SHOPS

■ 2022 survey

■ 2021 survey

Very confident about the next 12 months



Confident about the next 12 months



Concerned about the next 12 months



Very concerned about the next 12 months



Source: 2022 Plunkett Foundation survey from 140 responses (137 responses in 2021).

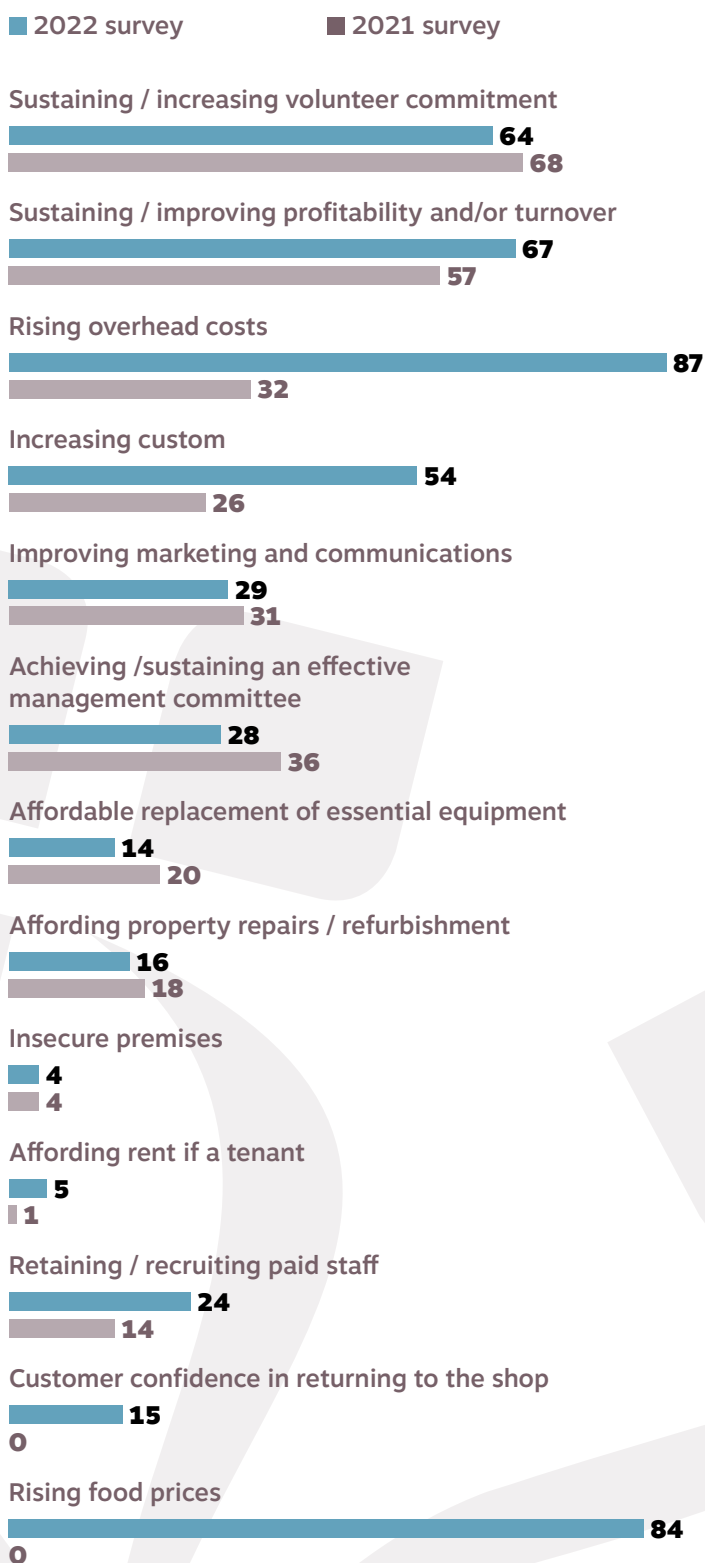
Last year, 26% of community shops reported this as a priority, but in April 2022 this rose to 54%. Discussion in the focus group revealed that some shops, although they had faced an increase in trade during periods of lockdown and wide-spread homeworking, are now seeing a return to pre-COVID-19 shopping habits. Additionally, some customers have moved to shopping online and getting deliveries.

Finally, there appears to be a slight increase in community shops reporting recruitment of paid staff as a concern. Focus group discussion revealed that this was primarily the case for shops with cafés, that were struggling along with the rest of the hospitality sector to recruit new employees. Coupled with sustained levels of shops reporting recruitment and retention of volunteers as a priority/concern, this means that most of the community shop sector is also stretched in keeping its day-to-day operations running.

Community shops at the focus groups expressed concerns not only for their businesses but also for their customers. Many were concerned about the effects that food price increases would have on their local customers. Some community shops, who already operated on narrow profit margins and relied on volunteers to keep running costs down, were effectively caught between a rock and a hard place – on the one hand, the business was being held back from improving through the recruitment of paid staff that would be able to better manage and enhance product ranges and profitability, but on the other hand the costs involved in recruitment were a barrier to this. Focus groups suggested that additional training (e.g. on product/waste management and sales monitoring through EPOS) and small funding packages may be beneficial to community shops, to increase their financial viability in the long-term.

FIGURE 7.2
COMMUNITY SHOPS:
PRIORITIES AND CONCERNS

% OF SHOPS



Source: 2022 Plunkett Foundation Survey from 140 responses

Note: respondents could select more than one option as a priority or concern. 2021 survey results are also included where comparisons can be drawn (from 137 responses to 2021 survey).



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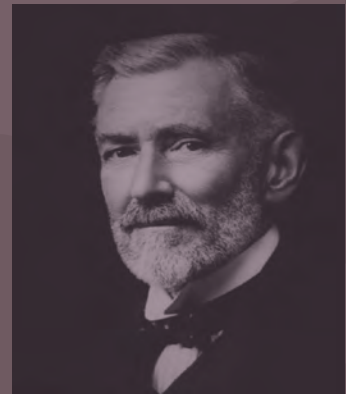
About Plunkett Foundation

Plunkett Foundation is a national charity with a vision for resilient, thriving and inclusive rural communities. To achieve this, we support people in rural areas to set up and run a wide range of businesses which are genuinely owned by local communities, whereby members have equal and democratic control.

Today, we represent over 800 community businesses throughout the UK, from shops and pubs through to woodlands, farms and fisheries.

If you share our vision for a vibrant rural economy with community businesses at its heart, why not join Plunkett as a member?

www.plunkett.co.uk/become-a-member/



The Plunkett Foundation was founded by Sir Horace Plunkett in 1919

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