

Community Shops

A better form of business
2014



It might sound strange, but when you visit a community shop you may come away with a lot more than bread and milk.

Take Port Appin Stores in Appin, midway between Oban and Fort William. The community co-op was formally set up in 1983. Its aim was to protect the village shop which was an essential service in the fragile community and to help develop the local economy.

After taking over Port Appin Stores in 1984 the co-operative has gone on to build a popular and successful business, with store profits being ploughed back into the community by funding the work of the Appin Community Trust. From a mobile shop to reach their less mobile customers, to an all-weather pitch for the local primary school, they've even bought land to be used by the local housing association.

Appin, like all community shops, places the needs of their community at the heart of what they do. So, when you next visit your local community shop (and, with 325 trading across the UK at the end of 2014, it's possible your local is closer than you think!) you'll likely be buying a lot more than a pint of milk; you might be securing a piece of the community for years to come.



About this publication

This publication is based on the results of surveys undertaken by the Plunkett Foundation between March and April 2015 and is based on new information provided by 95 of the 325 community shops open and trading across the UK at the end of 2014, as well as information gathered from nearly every community shop over the last 3 years. The majority of this information was collected through a telephone survey completed by appointed representatives of community shops. The wider report and conclusions drawn have been informed by the information collected in the survey alongside our wider work, and the work of others, to support communities to successfully set up and run community shops.

We hope that communities, support bodies and others will use the information in this publication to be inspired by the achievements of the growing number of community shops.

The community shop sector in 2014:

325 community shops trading across the UK

6% growth in number of community shops in 2014 alone

+5% like-for-like sales growth in 2014

54,925 total members

8,624 volunteers

Over 16,500 vulnerable residents in the UK have access to essential services that wouldn't exist without community shops in

325 community shops actually provide services to over 1,000 rural communities across the UK



Welcome to Community Shops: A Better Form of Business.

This is the Plunkett Foundation's annual report on the UK's community-owned village shops. This year's report makes very positive reading with new shops opening, many communities approaching the Plunkett Foundation for support, and established community shops thriving.

Alongside the statistics that provide evidence of the upward trend in trading, this report also illustrates the wealth of other services that shops are providing that enrich the whole experience. The benefits of having a community shop in a village go way beyond having somewhere close by to buy groceries!

2014 has also shown many community shops taking part in the Community Shop Fortnight in June and using this opportunity to celebrate their success and to be part of the wider network of community co-operatives. And once again, the Community Shop Awards gave a chance to share successes and have them recognised nationally.

Plunkett Foundation membership continues to grow and more and more communities recognise the value of the national representation, as well as the benefits and savings available from the support package.

As we all know, success does not come without a cost and one statistic that this report gives that needs celebrating is the estimated 842,296 volunteer hours given by 8,678 people. This is what makes it all possible!

Thanks also to all funders, partners and members who have supported the Plunkett Foundation's activities throughout 2014, many of whom have been long term supporters.

Sue Boer
Kingsbury Community Shop
Management Committee and
Trustee, Plunkett Foundation

Growth

2014 saw 17 new community-owned shops begin to trade, pushing the total at the end of the year to 325 across the UK, with a five-year average of 22 new shops opening per year.

The growth of the sector has remained consistent over the last 20 years. This is due to the community ownership model being more widely understood and deployed, partly as a response to market failure. Whilst village shops are closing at a rate of between 300 and 500 a year, organisations like the Plunkett Foundation, rural community councils and many others have been actively promoting and supporting the community shop model, with the result that more and more communities are finding the confidence to explore it for themselves.

Our own pipeline of groups exploring the model reflects this; at the start of 2015 we were working with 150 communities, and we expect that a further 16 community shops will open in 2015 (based on a conversion rate of just over 1 in 9 enquiries leading to an opening).

Not only is the sector growing, it's proving to be extremely resilient. Despite two community shops closing in 2014, only 16 have closed since records began in 1992, indicating a long-term survival rate of 95%. The 99% five-year survival rate of community shops also compares extremely favourably with estimations for UK businesses of 41% (Office for National Statistics).

Figure 1. Total number of community shops trading by year

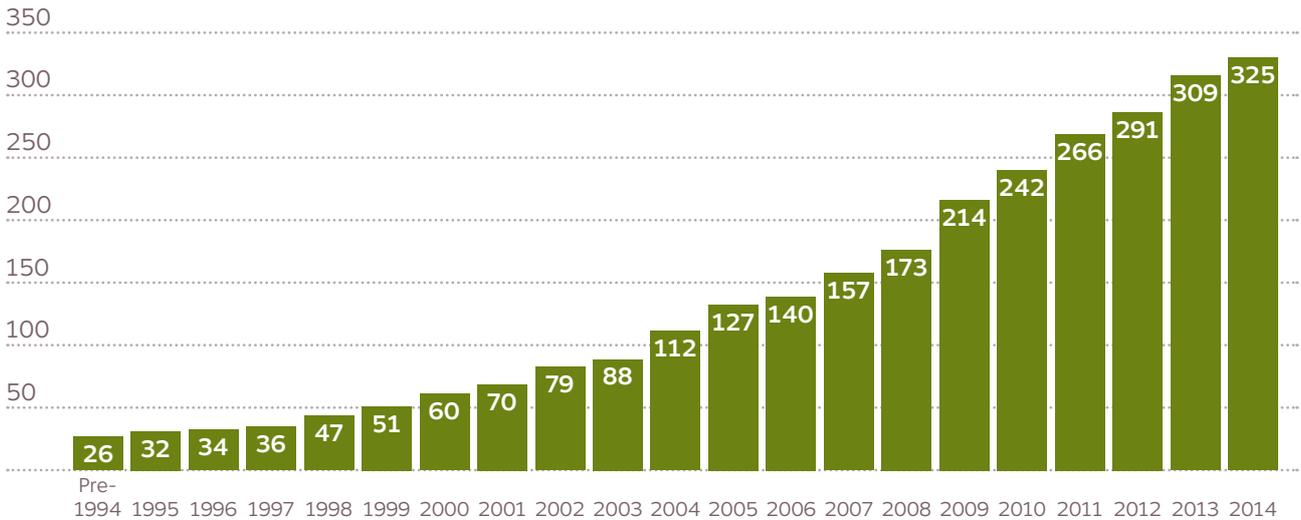
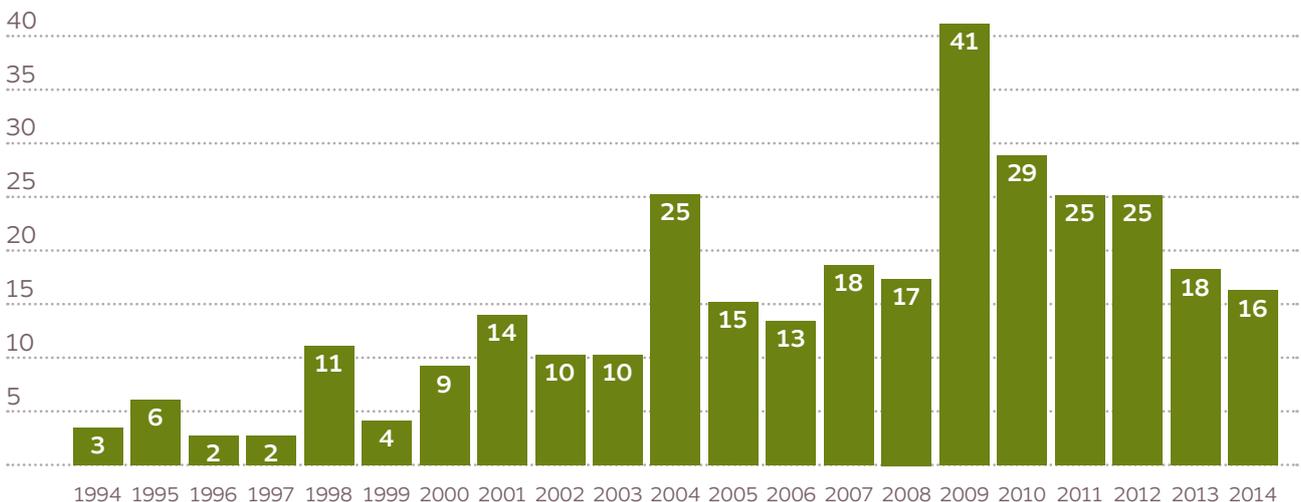


Figure 2. Community shop openings by year



Geographical spread

Community shops exist across the UK, from the highlands and islands of Scotland to the south coast of England. The highest density is in the South West and the South East of England, and we continue to receive a high number of enquiries from these regions. The increased level of awareness of the model here means communities who may be

considering the co-operative approach can not only be inspired by the achievements of their neighbours, but can actively be supported by them; knowledge sharing and mentoring is hugely important to developing groups and the ability to visit a thriving community shop in a community similar to your own is invaluable.

Figure 3. Distribution of community shops across the UK

- Community shops already established
- Community shops established in 2014

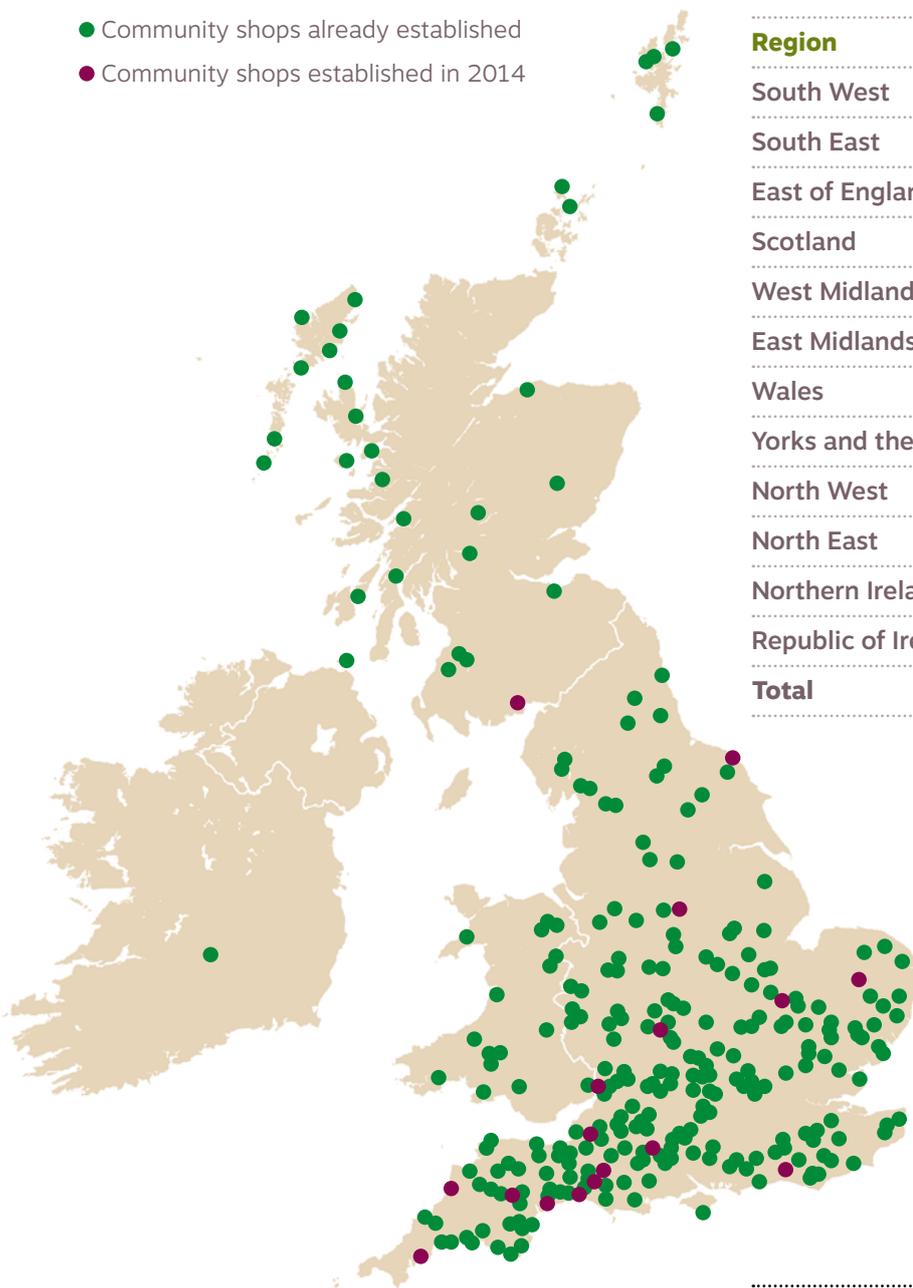


Figure 4. Community shop numbers by region

Region	New in 2014	Existing	Pre-start
South West	10	107	25
South East	1	74	27
East of England	2	35	12
Scotland	1	31	18
West Midlands	1	22	13
East Midlands	1	17	7
Wales	0	16	12
Yorks and the Humber	1	10	12
North West	0	9	20
North East	0	3	3
Northern Ireland	0	1	1
Republic of Ireland	0	1*	1
Total	17	326	151

*Although outside of the UK Plunkett supported Loughmore Community Shop & Tearooms in the Republic of Ireland

Legal structure

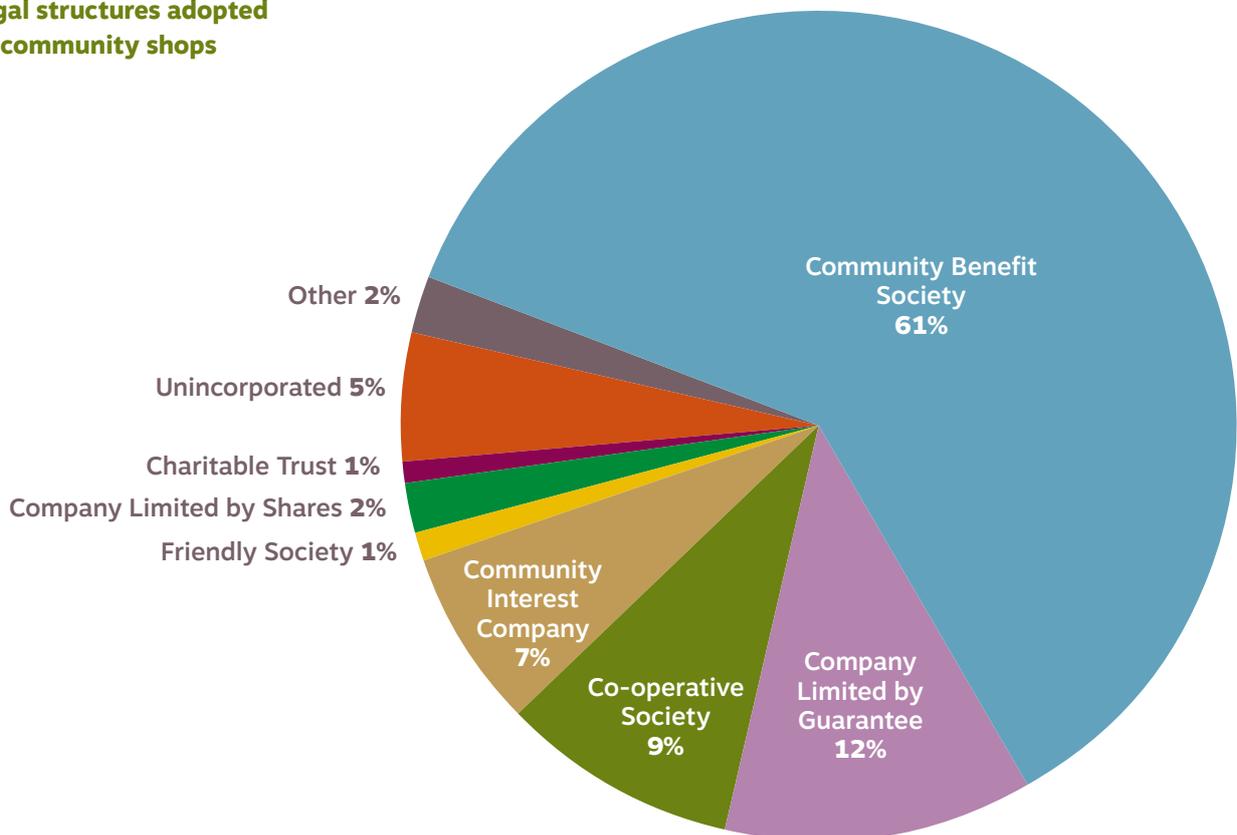
Community shops trade, employ staff, manage volunteers and enter into contracts and financial arrangements. They therefore require a legal entity to protect the individuals running the business by giving them 'limited liability', and they also require a legal structure to ensure that they are compliant with legal necessities such as tax, insurance, trading standards and employment rights.

Plunkett recommends that community shops adopt legal structures which enable genuine community ownership with equal and democratic control. We would expect this to include:

- Open and voluntary membership
- One member, one vote
- The interests of the shop to be linked into community control, disallowing any one member from having greater control than others
- No profit distribution to members based on investment (other than payment of interest).

During 2014 the Co-operative and Community Benefit Society Act came into force consolidating various pieces of legislation including the Industrial and Provident Society Act. The Co-operative and Community Benefit Society Act, and their equivalent previous forms are the most commonly chosen by community shops. Other suitable structures communities have adopted include Community Interest Companies, Companies Limited by Guarantee and Co-operative Societies (previously Industrial and Provident Society Co-operative).

Figure 5.
Legal structures adopted
by community shops



A Community Benefit Society exists to benefit the wider collective interests of a community, rather than that of its staff, members or committee. This fits with the aims and objectives highlighted by most community groups that are setting up a community shop. A Community Benefit Society structure also emphasises its members and member involvement and, on average, they have 181 members, compared to 121 for other structures. The average number of members across all legal structures is 169.

The benefits of a larger membership base include:

- Having a larger number of people who have a financial interest in the shop and who are more likely to use it regularly
- A greater number of people who attend AGMs and committee meetings and positively contribute to the overall direction of the business
- A more accessible pool of people to draw on when committee numbers are falling, or when more volunteers are needed to help run the business.

Community shops with Company Limited by Guarantee or Community Interest Company structures can include a membership but the majority have a significantly smaller membership base than Community Benefit Societies. This potentially makes such structures more vulnerable when volunteer numbers reduce, or when the original directors or committee members are no longer able or willing to serve.

The added benefit of the Co-operative and Community Benefit Society Act legislation is that it is the only legal structure that can issue community shares, which since 2012 have been responsible for raising an average £54,010 towards set-up costs of community shops.



White House Stores

Neatishead, Three Villages Association

Before White House Stores opened in Neatishead you could go for days without seeing anyone walking around the village. The shop now provides a focal point for residents to meet and since the shop opened in 2013 residents say they've seen the street come alive with activity again.

Finance

2014 was a successful year for community shops with increased average turnover, like-for-like sales and net profit. It is generally accepted that community shops can perform well where previously a privately-owned shop may have failed. This is because community shops have unique differences and advantages over privately-owned enterprises, such as increased engagement and lower staff costs.

Turnover

The average turnover for 2014 was £164,310 per shop (based on the data from 104 shops) and ranged from £9,395 to £1,104,018. The total combined turnover across 325 community shops in the UK is therefore indicated to be over £53 million, representing an increase of +10% from 2013 (previously £48 million).

The comparison of like-for-like sales for 2014 shows an increase of +5.3% (comparison of this year's sales to last year's sales for community shops that were trading in both years). This is a significantly better trading performance than the major supermarkets.



Turnover by floor area

The average annual turnover by floor area for 2014 was £274 per sq ft. This figure should be used as a reference rather than a target, owing to the wide range of turnovers and floor space that this calculation is based upon. A small shop, for example, will have a very different stocking and merchandising agenda to a larger shop. Figure 6 provides further guide on the averages and ranges of turnover for different sized stores. Again, this should be used as a reference rather than a target.

Figure 6. Turnover by floor area

Area of premises	Average turnover/sq ft	Lowest total turnover for bracket	Highest total turnover for bracket
100 sq ft – 400 sq ft	£112,199.27	£16,364.00	£259,292.00
400 sq ft – 750 sq ft	£152,944.16	£58,039.00	£376,066.00
750 sq ft – 1,000 sq ft	£193,553.75	£130,846.00	£279,481.00
1,000+ sq ft	£160,340.88	£9,395.00	£285,419.00

¹ Co-operative: Final results for Co-operative Group Limited for the 52 weeks ended 3 January 2015

² Sainsbury's: Preliminary Results for the 52 weeks to 14 March 2015

³ Tesco: Preliminary Results 2014/15

⁴ Morrisons: Annual Report and Financial Statements 2014/15

■ -1.9%: Sainsbury's = Like-for-like sales (inc VAT, ex fuel) down 1.9 per cent
http://www.j-sainsbury.co.uk/media/2467496/rns_1415_-_final.pdf

■ UK like-for-like sales excluding fuel declined by (3.6%)
http://www.tescopl.com/files/pdf/results/2015/prelim/prelim_2014-2015_results_statement.pdf

■ -5.9%: decrease of 5.9%
http://www.morrisons-corporate.com/ar2015/pdf/Morrisons_AR_2014_Full.pdf

■ +3.2% or +0.4%: Core Food convenience business delivers like-for-like sales increase of 3.2%, with like-for-like sales up 0.4% overall for the Food business
<http://www.co-operative.coop/corporate/press/press-releases/headline-news/results-2014/>

Wastage

84% of community shops recorded their wastage, whether through writing in a log-book or using a more sophisticated system like Electronic Point of Sale (EPOS). Of these, the average wastage recorded was £1,468 per shop. Community shops are increasingly finding innovative ways to reduce wastage, like Thorncombe Community Shop and Café in Dorset, who turn unsold bread from the shop into bread pudding which is then sold in the café.

Net profit

The average gross margin achieved in 2014 was 22%, with a range between 10%-37%. The average net profit recorded for the 2014 financial year was £5,152 and ranged from -£15,122 to +£66,689, suggesting a collective net profit of about £1.7 million in 2014.

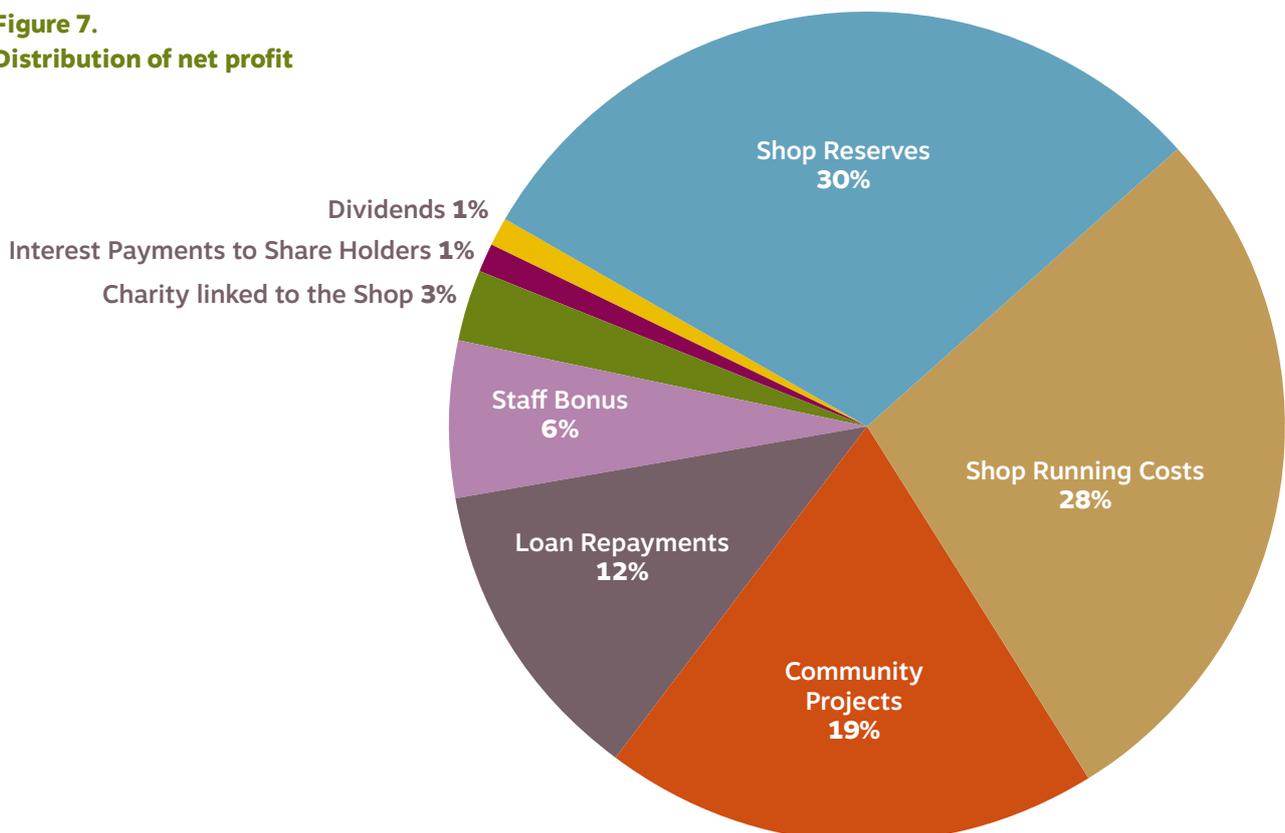
The average net profit of £5,152 in 2014 shows an increase in profitability of 60% compared to £3,220 in 2013.

- In 2014 average net profit was **£5,152**
- In 2013 average net profit was **£3,220**
- In 2012 average net profit was **£5,267**
- In 2011 average net profit was **£4,724**
- In 2010 average net profit was **£3,654**

Distribution of net profit

As well as providing a service to the village many community shops aim to invest their success back into the community. Firstly and the largest share of net profit – 30% – is invested into shop reserves. This is followed by 28% which was reinvested back into the running costs of the business and towards general improvements. Once the running of the shop is secure, the next amount – 19% – is distributed for community use and benefit. Based on the value of average net profit generated, around £316,468 was distributed for community use and benefit in 2014.

Figure 7.
Distribution of net profit



People

Governance

Community shops are membership organisations; the members being the owners of the business.

Management committees are elected by the membership to oversee the strategic operation and finances of the business. They also determine how the shop is managed and who manages it. On average, community shops have 169 members and 7 representatives of members on the management committee.

Tenure

The majority of community shops are run by the community. Figure 8 illustrates that only 6% of community shops are managed by a private tenant, with the majority, 94%, being managed by a management committee – who themselves will recruit either paid staff, or volunteers, or a combination of the two.

Figure 8. Management structures

Management Structure	Percentage
Managed by management committee	94%
Leased to a private tenant	6%

Staffing

At one end of the spectrum, there are community shops that are entirely run by paid staff (11%) and, at the other end, there are those entirely managed by volunteers (22%). However, the majority (67%) fall somewhere in between. There is no right or wrong way; all shops will need to work out what works best for their community and they will find there are pros and cons with all options.

Having paid staff can give a greater sense of control, continuity and stability to the business. Paid staff can also be tasked to help ensure the shop is meeting the performance targets set by the management committee. On average community shops will employ 4 members of staff, many of whom will be part-time, which equates to 1,014 people nationally.

Volunteers help add to the vibrancy of community shops. By their very nature they involve large numbers of people who are front-of-house. Having volunteers is a very visible way of demonstrating that the business is community-owned, and allows all those involved to feel a sense of ownership and contribution. In total, 89% of community shops use volunteers to support the running of the business. These community shops engage an average of 30 volunteers regularly.



This equates to 8,678 people nationally and it is estimated that community shops generated just under 842,296 volunteer hours throughout 2014. Applying this to the minimum wage of £6.50 gives a total saving of £5.4 million, or £18,928 per shop.

Figure 9. Staffing structures

Staffing structure	Percentage
Paid staff and volunteers	67%
Volunteers only	22%
Paid staff only	11%

Community shops and assets

Community shops are difficult to define on size, premises-type or ownership – the range is significant! As figure 10 illustrates, a third of community shops are in rented premises, just under a third own the freehold, a lesser number occupy their premises rent-free, and even fewer hold a lease.

Figure 10. Tenure of community shops

Tenure	Percentage
Freehold	27%
Leasehold	18%
Rent free / peppercorn rent	22%
Rented	33%

Figure 11. Typical premises for community shops

Premises type – 2015	Percentage
Original shop	38%
Converted premises	20%
New building	16%
Village hall	12%
Portacabin / pre-fab	9%
Church / chapel	4%
Pub / pub car park	1%
Modified petrol station	<0%



The largest proportion of shops are based in the former village shop premises (38%) but increasingly, communities have been establishing shops in converted premises (20%) and turning to new-build properties (16%). These have the advantage of more bespoke retail space, improved parking and access facilities, opportunities to combine the shop with additional community or commercial activity, and often at a lower freehold cost. For these reasons, we anticipate the proportion of community shops with freehold tenure to increase, and the proportion of community shops in former village shop premises to decrease.

Converted premises tend to be former agricultural buildings – such as barns and stables – and also outbuildings belonging to public houses. Of the more unusual conversions, we have seen shops open in a dovecote, a bus shelter, a former fire station, public toilets and used freight containers.

In 2005, the average start-up cost was £60,000, which has risen to approximately £103,000.

This rise is likely due to a growing trend towards conversions and new builds and more ambitious projects which combine community activities and services, but incur higher start-up costs. With many community shops setting up in buildings not initially designed to house a shop, such as churches or freight containers, the floor area of community shops varies dramatically. The largest community shop recorded is 5,164 sq ft, the smallest 129 sq ft, with an average of 720 sq ft.

Services and facilities



Everyday essentials

Community shops tend to have one or two national suppliers providing the core of their retail stock. They will, however, have an average of 24 different suppliers in total, 14 of which are local. This ensures they are able to source the everyday basics at a competitive rate, but also build up stock tailored to the needs of their wider community. This will range from bread and milk, to ambient goods and household items. The sheer number of suppliers they use adds to the diversity of community shops, meaning that no one shop will look or feel the same as another.

Figure 12. Most profitable lines

Most profitable line	No. of shops
Cards and stationery	43
Confectionery	38
Soft drinks	24
Dairy and eggs	21
Local food and produce	20
Café services	18
Fruit and vegetables	15
Alcohol	9
Wholefoods and groceries	7

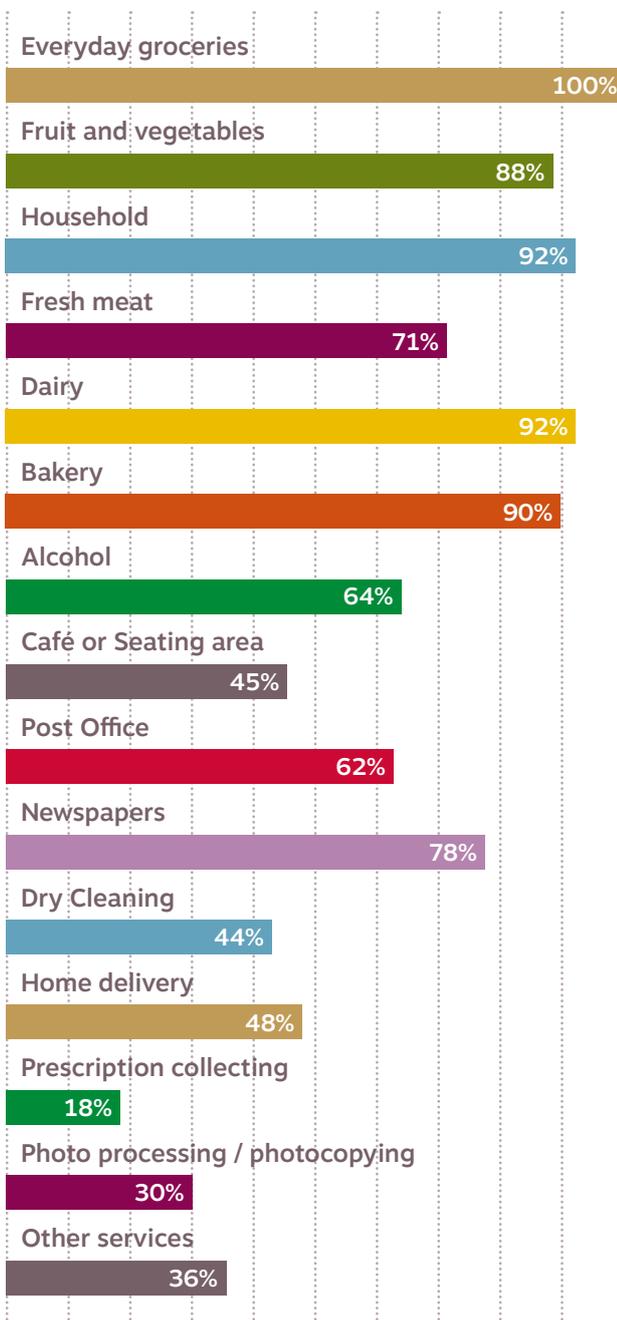
Figure 13. Most sold item

Most sold item	No. of shops
Dairy and eggs	113
Newspapers and magazines	51
Bread and bakery	47
Confectionery	20
Cigarettes and tobacco	17
Fruit and vegetables	10
Soft drinks	10
Alcohol	9
Café services	6

Local food

95% of community shops stock and sell local food to some extent, and this was rated by shops as one of the most profitable lines. Of community shops that sell local produce, it represented an average of 23% of their total sales. Stocking and selling local food helps engagement with the local community, promotes the local economy, and benefits the environment through lower food miles.

Figure 14. Range of products and services



Café facilities

7% of community shops note café facilities as their most profitable line, but community shops highlight the importance of a café or seating area for reducing social isolation within the community, in particular vulnerable residents. 45% of community shops offer café facilities or a seating area of some sort – from a fully serviced tearoom to a self-service coffee machine with a small seating area. Many community shops see residents returning to the shop more than once a day just for a conversation.

Postal services

The Post Office Limited services vary significantly from full-time provision provided from a secure counter to part-time outreach services. 62% of community shops offer postal services via Post Office Limited and 2% offer an alternative service directly with Royal Mail.

Impact

Community shops offer a vital source of retail provision within rural communities, particularly as they are almost always the only form of retail provision in the community in which they are based. Community shops also serve a wider geographic area and are, on average, an 8-mile round trip away from the next nearest food store. The greatest distance is a 46-mile round trip to the nearest shop, saved by the existence of the Co-Chomunn na Hearadh (Harris Community Co-op) on the Isle of Harris.

Bùth Dhiùra (The Jura Community Store) Isle of Jura

Bùth Dhiùra plays an essential role in servicing the less than 200 residents of the island of Jura in the Inner Hebrides. As well as providing a central point for the island, the ferry ride to the next shop costs £15. There's no problem if less-mobile residents aren't able to travel to the shop – a bus provided by the shop makes the hour trip around the one road the island has to deliver shop goods and provisions.



Community shops not only service the community they are situated in but are a lifeline to nearby communities as well. Each community shop on average provides services to between three and four other villages, therefore the 325 community shops service over 1,000 rural communities across the UK.

Extra services

As well as safeguarding general retail services community shops up and down the country are providing extra, sometimes bespoke, services to accommodate the specific needs of the community that would otherwise unlikely exist, especially in rural areas. For example, we are seeing more and more community shops offering regular doctor's surgeries, access to the internet through free Wi-Fi, ticket sales for local events such as the cinema, citizen's advice, local maps, bicycle loans, book exchanges, a delivery service at times of extreme weather and organised events such as running and knitting clubs.

Vulnerable residents

Vulnerable people, including individuals with limited mobility, elderly residents, those without transport, those with disabilities and low income residents often rely on community shops, especially in rural areas. Sometimes this means bespoke services that particular members of the community need, and for others it is merely the mentality of keeping a caring eye over residents known to be vulnerable.



Community shops reduce social isolation in rural areas and in more cases than not provide a lifeline for the community

Some of the ways community shops support vulnerable residents are:

- Home delivery of goods for those who are unable to travel to the shop
- Delivery service for those who can't make it to the shop
- Consciously keeping an eye on vulnerable people within the village
- A pre-pay customer accounting system which allows older or vulnerable customers' shopping to be collected by their home help
- Drop-off point for food bank supplies and donations to food banks
- Cheap meals, free refills of tea and coffee and a listening ear for those who are socially excluded or for those experiencing poverty
- Food voucher schemes
- Clothes bank collections
- Free cake and coffee afternoons.

Social isolation

Community shops engage, for the most part, with shoppers buying everyday goods, but we've seen an undeniably encouraging response from shops highlighting the importance of the shop for community members that would have very little interaction with people in their day-to-day lives.

Chalke Valley Community Hub

The shop and coffee shop provides a forum for everyone to meet on a casual social basis with no pressure. It has revolutionised village social life. Many of their 100 volunteers live alone and are widowed; they say the hub gives them a purpose.



Community shops provide essential and extra services to over 16,500 vulnerable residents living in the UK

Community shops reduce social isolation by providing a focal point in the village to meet and chat, but also often service the community with organised events. Each village is different, and the wide variety of events showcases the vibrancy of the residents and their interests. A handful of activities that community shops arrange are:

- Art classes
- Moon light walks
- Coffee mornings
- Hosting carers' groups
- 'Knit and natter' groups
- Reading clubs
- Story time club
- Book club
- Community venue for small groups.

But sometimes, all it takes is a chair, a table in the corner and a free coffee to feel included. Some shops see residents visiting the shop two to three times a day.

Environmental impact

Having a community shop in a rural location can significantly reduce the number of times individuals drive outside of their community to access alternative retail services. Each shop will be able to calculate their own contribution to 'saved journeys' and this will depend on the service they offer and the loyalty of their customer base. But if a community shop only saved two journeys per month for each of their members, this would be saving 10 million miles per year in car journeys, equivalent to enough CO² in a year to fill 19,622 double decker buses (3,967 tonnes CO²eq).



Improving rural lives together

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About the Plunkett Foundation

The Plunkett Foundation helps communities to take control of their challenges and overcome them together. We support people, predominantly in rural areas, to set up and run life-changing community co-operatives; enterprises that are owned and run democratically by large numbers of people in their community. They help people to tackle a range of issues, from isolation and loneliness to poverty, and come in many forms including shops, cafés, pubs and land-based initiatives, and everything in between.

Our core values are the values of the great Irish co-operative pioneer, Sir Horace Plunkett, who founded the Plunkett Foundation in 1919. He believed that rural communities didn't have to wait for someone else to make life better for them; they had the potential to do it themselves – with a little help. His values are embedded in the heart of what we do:

- We seek economic solutions to create social change
- We seek solutions that enrich rural community life
- We see self-help as the most effective way to tackle rural needs.

Ask us about becoming a member

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Design: Wave
Print: Seacourt

