James Lowman

Chief Executive

ACS

Agenda

- What convenience stores are for… right now
- Issues, opportunities and challenges
- A reason for optimism

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Who we serve

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Convenience customers are

51% 49%

Average age: 48

Source: Lumina Intelligence CTP 2022

How customers get to store

57% Walk/on foot

36% Drive

4% Public transport

2% Other

Source: Lumina Intelligence CTP 2022

Distance travelled to store

17% Less than 100 yards

51% Less than 1/4 mile

80% Less than 1 mile

20% More than 1 mile

0 100 yards 1/4 mile 1 mile

Source: Lumina Intelligence CTP 2021

Our colleagues

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Travelling to work

Average travel cost

£2.00
per day

Average travel time

13 minutes

50% Walk/on foot

38% Drive

10% Public transport

3% Other

Source: ACS Colleague Survey 2022

Where we trade

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Neighbouring businesses

37%

Isolated store

No other retail/service businesses close by.

39%

Located on a small parade

Up to five retail/service businesses close by.

9%

Located on a larger parade or a high street

Up to 10 retail/service businesses close by.

15%

Located on a main high street or within a city centre

More than 10 retail/service businesses close by.

Source: Lumina Intelligence 2021

The percentage of stores in the convenience sector that provide each service is as follows:

- **85%** Lottery
- **84%** Mobile phone top-up
- **76%** Bill payment services
- **69%** Cash back
- **44%** Free to use cash machines
- **26%** Parcel collection point
- **24%** Local grocery delivery
- **22%** Post office
- **18%** Charged cash machine
- **18%** Food bank usage
- **18%** Home news delivery
- **14%** Click and collect service (e.g. Collect Plus)
- **12%** Click and collect services for groceries
- **10%** Recycling bins
- Car wash
  - **5%** Jet wash (manual)
  - **3%** Automatic machine car wash
  - **1%** Hand car wash (attended)
- **4%** Dry cleaning
- **3%** Photo booth
- **3%** Prescription collections

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Who we serve

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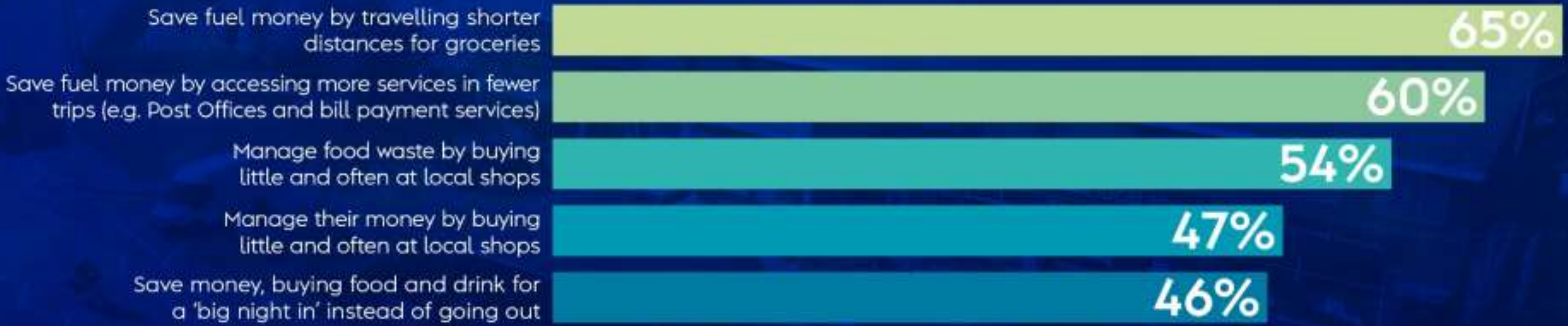
How local shops help during the cost-of-living crisis, according to customers



78% of customers believe local shops are good for the environment, as more customers walk to store

Source: ACS Community Barometer 2022

Pressures on Doing Business | **Inflation**

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- **Wholesale product costs rising on a frequent and unpredictable basis**
- **Risk of customers being alienated by increased prices of staple items like milk and bread**
- **Traditional models of stores operating with a gross percentage margin in the low 20s being reconsidered**
- **Retailers aren't passing cost increases on immediately, so they're playing catch up all the time**
- **Cost of doing business increasing at a time when business rates bills are about to be reintroduced**

Retailer Voices

"The price of of products is going up so frequently at the moment that it's very difficult to focus on the strategy of the business, we're spending our time focusing on making sure that we're getting enough margin on each product line."

Source: ACS Focus Group with Independent Retailers, January 2022

Pressures on Doing Business | **Energy Costs**

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- **Significant rises in gas and electricity costs across the board**
- **Making the business more energy efficient is expensive, and only pays back after several years**
- **Uncertainty over future rises, so difficult to fix costs over a period of time, which then impacts on other decisions**
- **Cost of utilities affecting service and product availability in store**

Retailer Voices

"We're looking at how we can generate electricity on site by investing in solar. We invested in the equipment two years ago and are still paying it off. Before Christmas this year, the cost of electricity has led to us offering less frozen product because the cost of running the freezers strips out all of the profit."

Source: ACS Focus Group with Independent Retailers, January 2022

Pressures on Doing Business | **Supply Chain**

- **Minimum order numbers increasing for wholesale deliveries, as well as additional levies on deliveries being introduced**
- **Higher prices on products at wholesale**
- **Less frequent delivery schedules being forced on retailers, especially those in rural areas**
- **Less frequent deliveries are not practical for retailers without space in store**
- **Ranges had already been cut back during the peak of the pandemic and supply issues have meant that retailers still aren't operating with full ranges**

Retailer Voices

> ***"Regulations like Natasha's Law are that much harder to comply with because of a lack of availability of good quality alternative suppliers in my location."***

Source: ACS Focus Group with Independent Retailers, January 2022

Pressures on Doing Business | **Employing People**

- **Rising National Minimum Wage and National Living Wage rates**
- **Higher expectations of pay and hours from new employees**
- **Harder to find new colleagues in the current market**
- **Ongoing isolation issues with colleagues leading to issues with cover in store**
- **Crime in stores continuing to affect morale of colleagues**

Retailer Voices

"There's a new expectation that the wages some bigger companies are paying are available everywhere. It's difficult enough to get people in for an interview, and when they do come in they're dictating what they're going to be paid."

Source: ACS Focus Group with Independent Retailers, January 2022

Pressures on Doing Business | **Investment**

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Retailer Voices

- **Urgent need to invest in reducing costs can take up resources that would otherwise be spent improving the offer for customers**
- **Businesses rethinking their plans for the coming years to focus on staying afloat rather than improving and developing their stores**
- **Experienced retailers are falling back on established relationships, credit lines and knowledge of how to find ways round problems, but this is very difficult time to start a business in the sector**

"We've invested in refrigeration and lighting, we're looking at ways to reduce our costs, but we'll get to a point where we've exhausted all of that and we're not sure where we go next."

Source: ACS Focus Group with Independent Retailers, January 2022

Who we are

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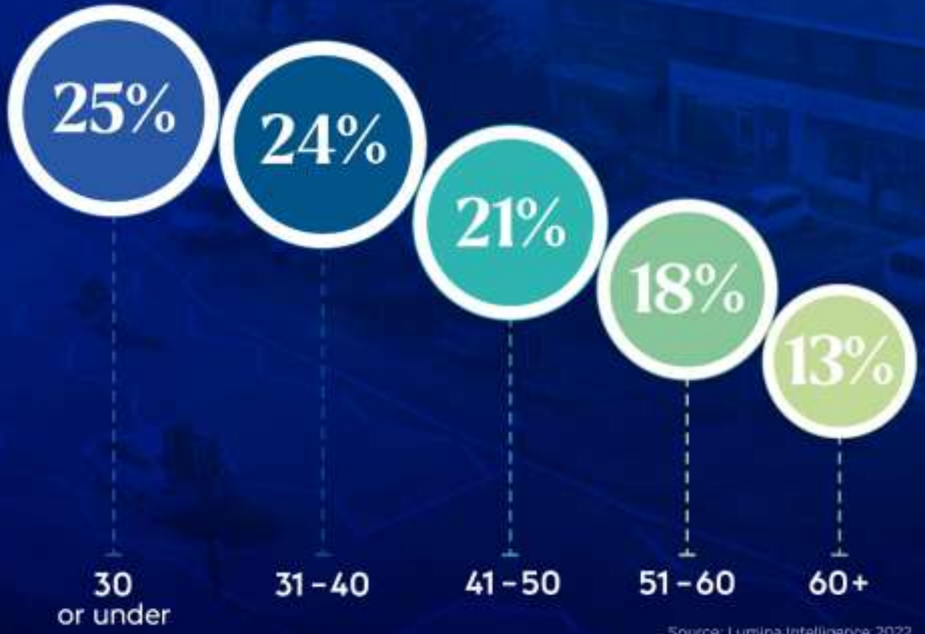
Entrepreneurs

The people who own and run stores are:



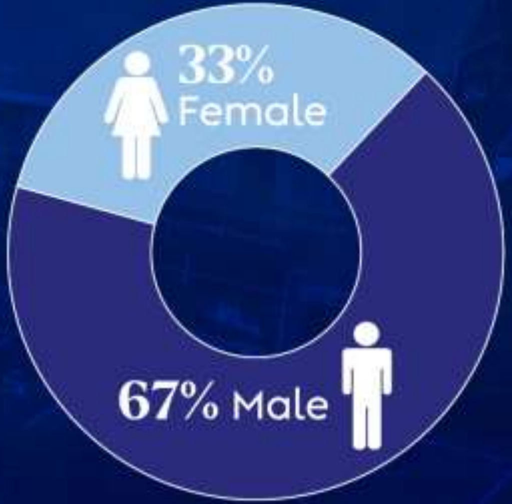
Source: Lumina Intelligence 2022

48% White British

44% Asian or Asian British

8% Other

Source: Lumina Intelligence 2022



Source: Lumina Intelligence 2020

How we operate

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Business origin

28% inherited family business

72% started business

Source: ACS/Lumina Intelligence 2021

Employment of family members

40% of retailers employ at least one family member

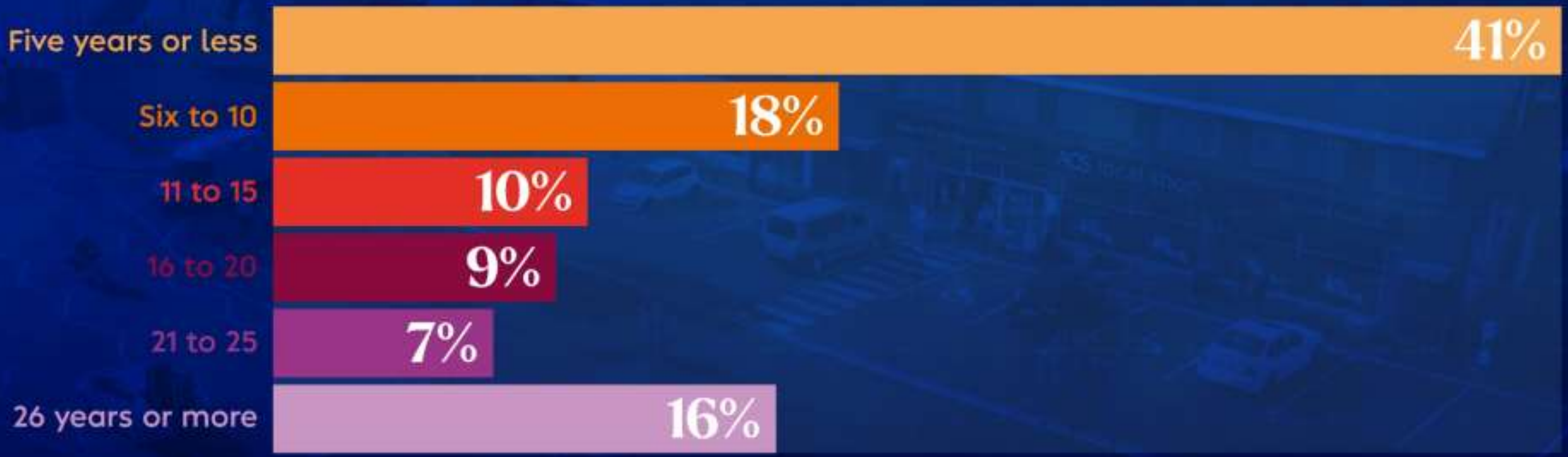
60% of retailers employ no family members

5% of businesses employ only family members

Source: ACS/Lumina Intelligence 2022

How we operate

Time in business



Source: ACS/Lumina Intelligence 2022

Thank you

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@ACS_LocalShops