

Community Shops

A better form of business
2017



About this publication

This publication provides quantitative and qualitative information about the size, characteristics and performance of the community shop sector in the UK. It is based on statutory data sourced from the Financial Conduct Authority and Companies House; electronic questionnaires and follow up telephone surveys; together with additional information held by Plunkett on every community shop going back over 12 years. It is the most extensive and comprehensive research report to have been produced on the community shop sector in the UK.

'Community Shops: A better form of business' was first published in 2011, and has become a much anticipated annual report ever since, growing with additional information year on year. Initially intended to be an internal document, the report now serves as a start-up guide for new groups, a benchmarking tool for existing community shops, and used by funders and support organisations (including Plunkett) to future proof services and investment decisions concerning community shops.

The data collection, analysis, and written report was undertaken by the Plunkett Foundation and supported by data provided by Co-operatives UK. This work was only made possible due to the generous contribution made by The Power to Change Research Institute.



In 2016:

- There were **348** community shops trading in the UK by the close of 2016. In turn, these:
 - provided essential services to **1,400** remote rural communities
 - created **1,114** paid jobs and **9,605** volunteer positions
 - generated a combined turnover of **£54m** and donated **£125,000** to community projects
- These 348 community shops were owned by over **62,000** shareholders
- No shops closed in 2016, resulting in a **95%** long term survival rate

Foreword

It is with particular pleasure that I introduce this year's Better Business Report for community shops, following another year of continued growth of the sector and its impact on their local communities.

As always, this report includes valuable statistical information related to the size, structure and financial performance of community shops, and this year's report doesn't disappoint. But for me, it's the insight into the additional services they provide, the role people play within the management of these businesses, and the social and community impacts that they generate that I find so heartening. It shouldn't be forgotten or taken for granted the extent to which community shops go beyond a core service of grocery provision and just how much of a lifeline they offer to many people in a rural community, not just those with less means of accessing services further afield.

I would like to take this opportunity to thank all of our funders and partners that help us to sustain

our service for community shops. During 2016 alone, Plunkett received 58 new enquiries from communities exploring a community shop venture; we supported 25 of these with specialist advice and support; and are proud to say, 10 of these commenced trading. Despite seeing a broader range of enquiries coming through our support service, community shops still represent the second highest number of all new enquiries received, demonstrating that access to retail services is still a significant issue affecting rural communities – clearly, our work in this area is not yet done!



James Alcock
General Manager,
Plunkett Foundation



Growth

Sadly, there is no single reliable data source informing us of how many privately or corporately owned village shops close across the UK each year, but estimations suggest the figure is somewhere between 300-400. Plunkett receives new enquiries for community shop ownership in response to such closures, but also in cases where a community has been without a shop for many years. In 2016, Plunkett received 58 new enquiries exploring this model, 25 of whom, went on to receive further advice and support. At any one time in the year, Plunkett was supporting an average of 65 community shops in the pipeline.

10 new community shops opened in 2016 marking a growth rate of 2.95% from the previous year. This brings the total number of community shops trading at the close of 2016 as 348. The average start-up cost for these 10 shops was just £83,000.

Based on our support records covering a five-year period, 1 in 7 community shop enquiries will go onto open and trade following our advice and support. Of the 58 new enquiries received in 2016, we might expect 8 of these to reach trading stage. However,

we are also seeing the pre-trading journey taking longer, which sadly means not all of these will open in 2017. A main reason quoted for this is national grant providers applying a quota on how many shops they are willing to support in an effort to achieve a diverse funding portfolio. Additionally, there has been a move towards loan finance within the sector, and whilst community shops are profitable, they are operating on a scale which makes it unaffordable to take on loans for the full start-up costs required. Instead, a larger proportion of the start-up costs are having to come from within the community via community shares and fundraising, and not all rural communities have the ability to raise large sums quickly.

The survival rate of community shops, however, remains strong. No community shop has closed since 2014, and only 17 have closed in total since our records began in 1992. This indicates a long-term survival rate of 95%. Their five-year survival rate of 99% also compares extremely favourably with estimations for all small UK businesses which is 41% (Office for National Statistics).

Figure 1. Total number of community shops trading by year

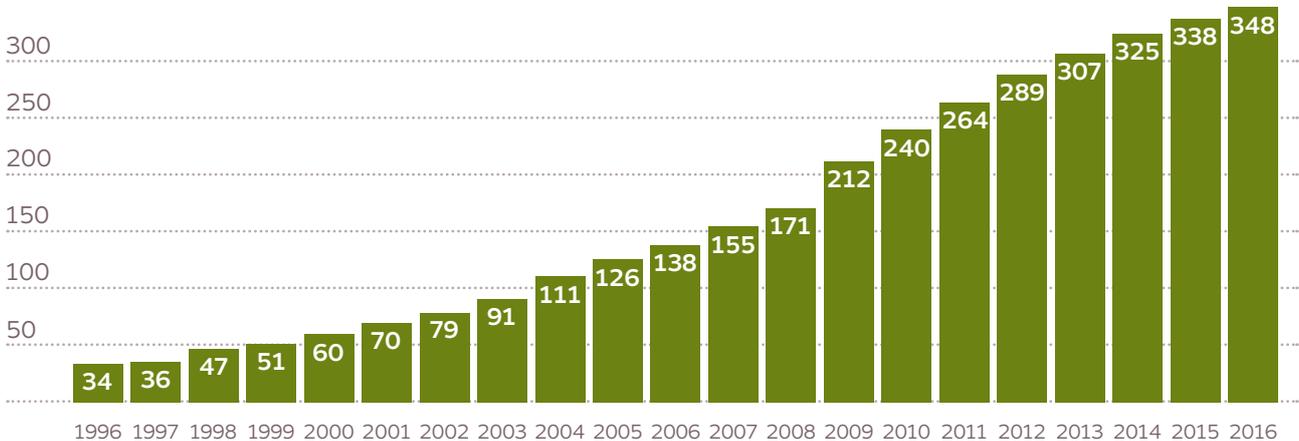
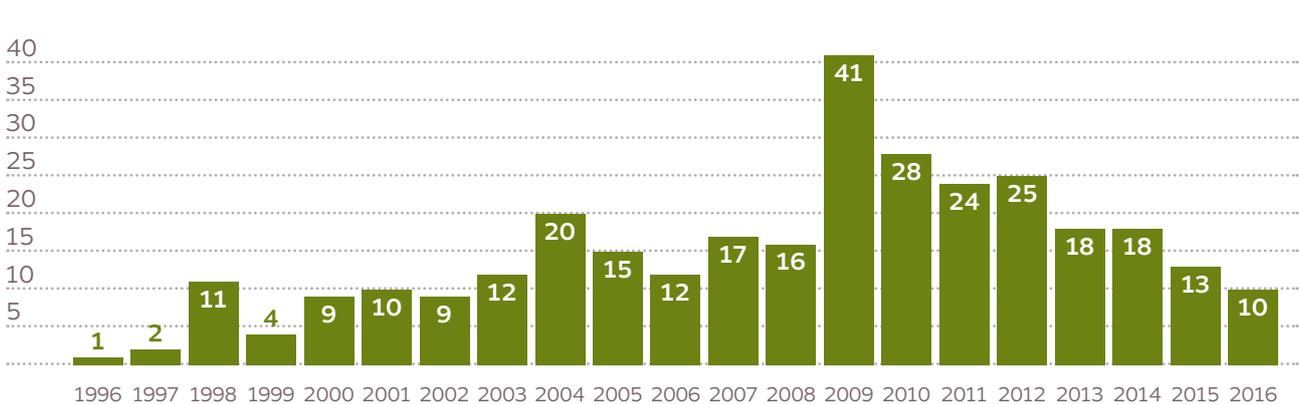


Figure 2. Community shop openings by year



Geographical spread

Community shops can be found in all parts of the UK, from the highlands and islands of Scotland, the coast of Northern Ireland, the Welsh uplands and valleys and all parts of England. Figure 3 shows quite demonstrably, that the southwest of England has the highest density of community shops. This can anecdotally be explained by this area having more settlements, a higher number of retirees living there who have more time to volunteer, and a mushrooming effect of community shops inspiring their neighbouring communities to follow suit.

Figure 3. Distribution of community shops across the UK

- Community shops already established
- Community shops established in 2016

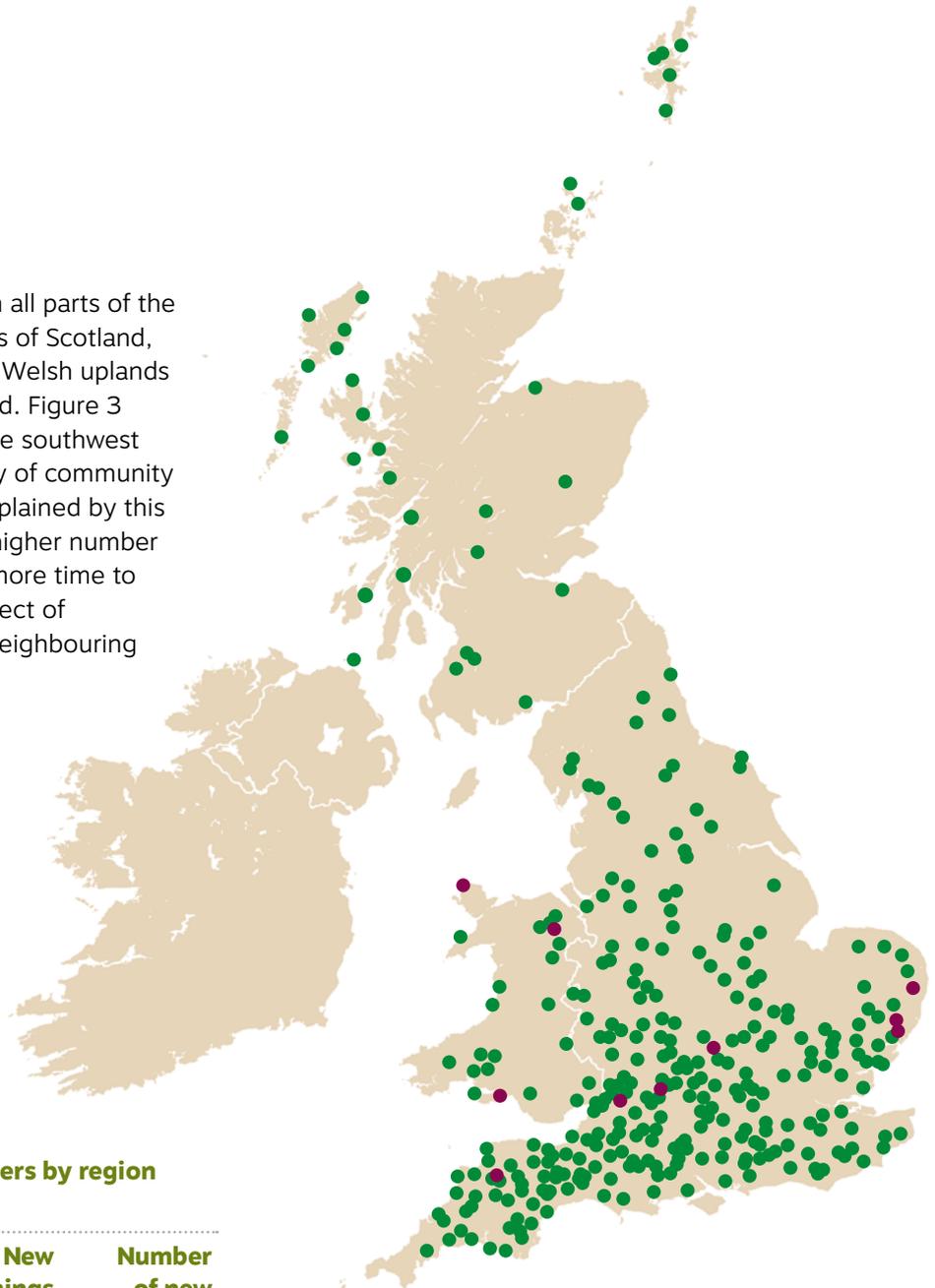


Figure 4. Community shop numbers by region

Region	Already trading	New openings in 2016	Number of new enquiries in 2016
South West	108	3	13
South East	77	1	9
East England	36	3	8
Scotland	31	0	8
West Midlands	25	0	3
East Midlands	17	0	2
Wales	17	3	2
Yorkshire & Humber	12	0	3
North West	11	0	6
North East	3	0	2
Northern Ireland	1	0	2
Total	338	10	58



Legal structure

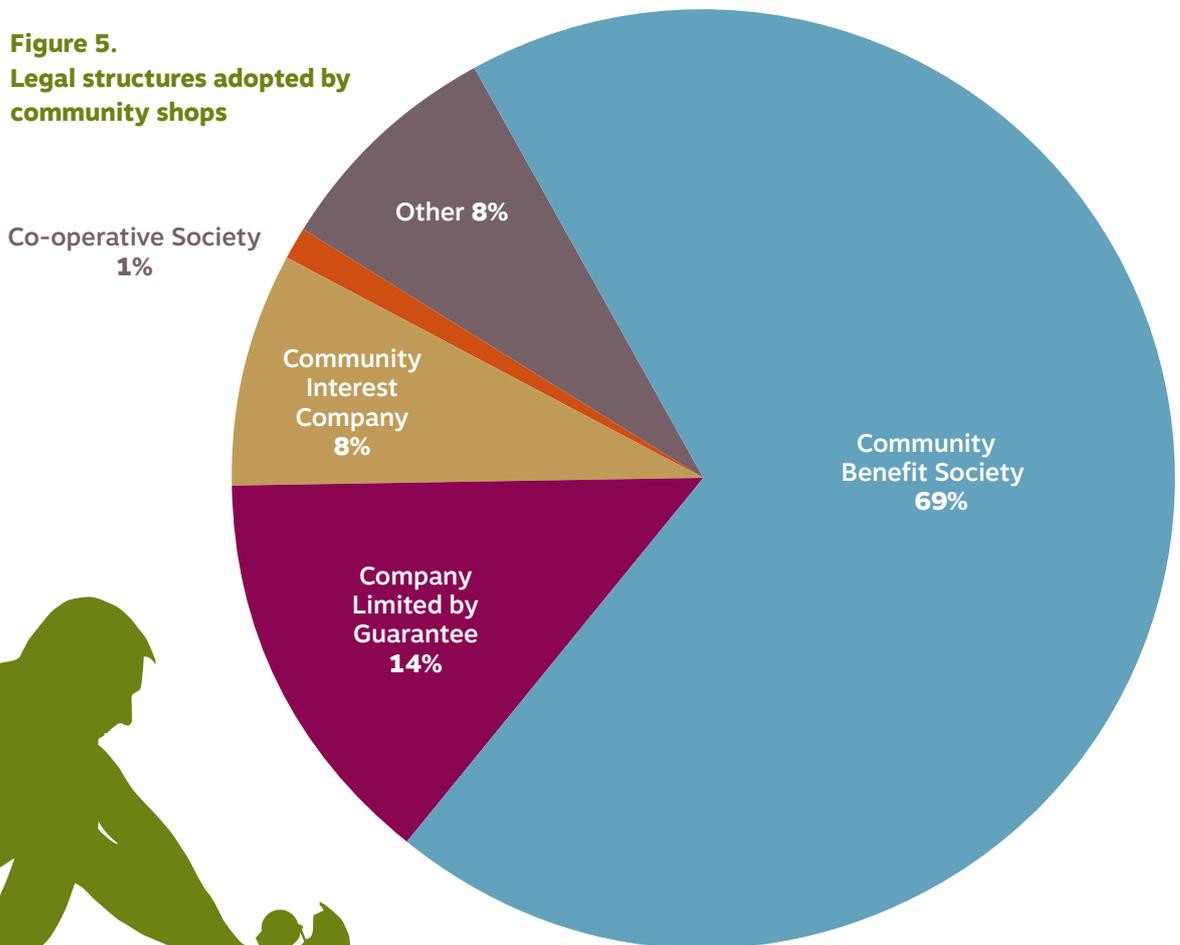


Community shops trade, employ staff, manage volunteers, and enter into contracts and financial agreements. Therefore, they require a legal entity to protect the individuals running the business by giving them 'limited liability', and to ensure they are compliant with legal necessities such as tax, insurance,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

Plunkett recommends that community shops adopt legal structures 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).

Figure 5.
Legal structures adopted by community shops





Legal structures which allow for this include Community Benefit Societies (CBS), Co-operative Societies, Companies Limited by Guarantee, and Community Interest Companies. The majority of community shops, 69%, are registered as Community Benefit Societies (prior to 2014 known as Industrial and Provident Societies of the Benefit of the Community). A CBS exists to benefit the wider and collective interests of a community, rather than that of its staff, members or committee. This fits with the aims and objectives of most community groups that are setting up a community shop i.e. they are doing it out of concern for those who will be particularly disadvantaged without such a service. A CBS structure also emphasises its members and member involvement and on average they have 182 members compared to 107 of other structures.

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.

Community shops registered as a Company Limited by Guarantee or Community Interest Company can have members, but the majority tend not to focus on this, resulting in significantly smaller memberships. This can leave them vulnerable when volunteer numbers reduce, or when the original directors or committee members are no longer able or willing to serve.

A further reason for the popularity of the CBS Model is that the Co-operative and Community Benefit Society Act legislation makes it the only legal structure (other than a Co-operative Society) that can issue community shares. Our records show that the average amount of community shares that has been raised and retained towards community shop set-up costs is £23,512. Since 2014 a total of £1,340,167 has been raised by shops in community shares.

Community Benefit Societies have 182 members on average compared to 107 of other structures

Financial performance

The following analysis is based on statutory accounts filed with the Financial Conduct Authority and Companies House from 200 community shops. They relate to trading years ending between 2015 and 2016 as opposed to actual trading performance between January-December 2016. We have excluded tenanted shops owing to their turnover being almost exclusively rent only.

Turnover

Turnovers ranged from £1,248 to £799,505 averaging at £156,043 per shop. Combining all 348 shops, total turnover of the community shop sector was in the region of £54 million. By floor area, turnover averaged at £2,400 per m². These figures, however, should be used as a reference rather than a target owing to the wide range of sizes, services and styles of community shops. A small shop for example, will have a very different stocking policy and merchandising agenda to a larger shop.

Net profit

Gross margins range between 10-37% averaging at 22%. Net profit before tax ranged from (£99,185) to £36,111, averaging at £3,274 per shop. This seems to be a fairly static figure, with £5,152 achieved in 2014, £5,267 in 2012, and £3,654 in 2010. Whilst this is not a substantial profit level, it should be remembered that these are businesses which have replaced examples of market failure. It is remarkable, therefore, that they are able to generate any profit at all. Furthermore, combining all 348 shops, total net profit of the community shop sector was in the region of £1.1 million. Net figures may be skewed by one shop that had a particularly difficult trading year, but with support they are now on the road to recovery.

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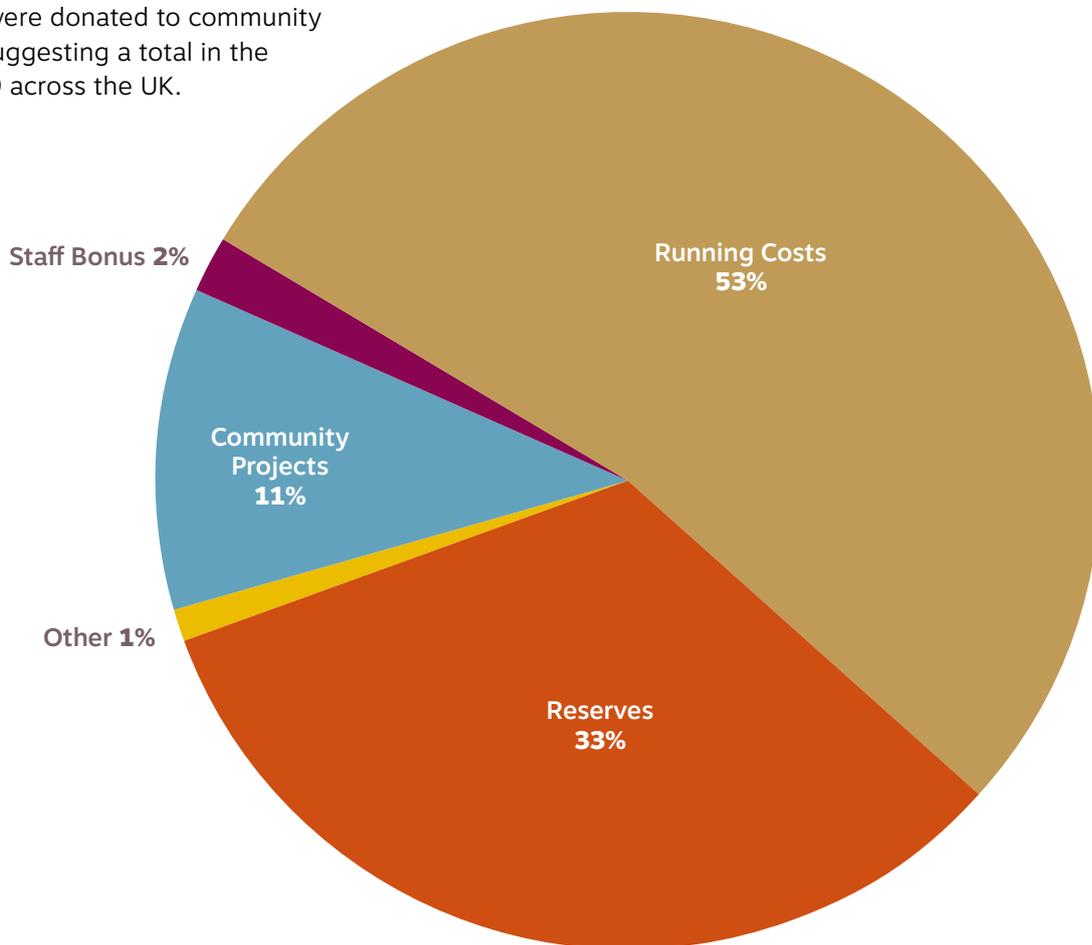
Distribution of net profit

Given the relatively low levels of net profit generated, it is no surprise that the largest proportions of profit is spent on running costs and investing in reserves for future need. This is perhaps an additional explanation for their long-term survival rate, as they are prepared for eventualities such as failure of key equipment, building repairs, or staffing needs. Unsurprisingly, the lowest portion of net profit is used to make interest payments or dividends to shareholders – unsurprising in that financial return is rarely a key motivation for community shop shareholders. 11% of net profits were donated to community projects in 2016, suggesting a total in the region of £125,329 across the UK.

11% of net profits were donated to community projects in 2016

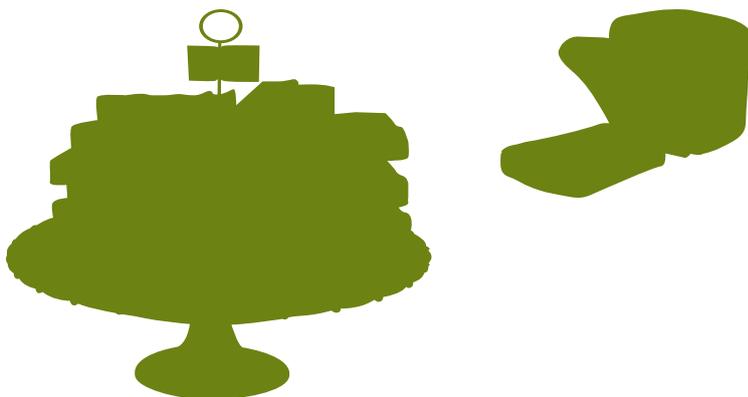


Figure 6. Distribution of net profit



Wastage

From a survey carried out with community shops in 2015, community shops recorded average annual wastage of £1,468 per shop. They are, however, finding increasingly innovative ways to reduce wastage, such as Thorncombe in Dorset, who use unsold bread from the shop to make and sell bread pudding in their café or others who partner with local food banks.



People

Governance

Community shops are membership organisations; members being the owners of the business. On average, community shops have 179 members which is 62,292 in total.

Members elect an average of 7 management committee members to oversee the strategic direction and financial performance of the business. They also determine who and how the shop is managed.

Tenure

The majority of community shops, 96%, are managed directly by the community via a management committee who then recruit staff or volunteers, or a combination of the two. Only 4% of community shops are managed by a private tenant.

Staffing

Figure 7. Management structures

Staffing Structure	Percentage
Volunteers and paid staff	57%
Volunteers	20%
Unknown	11%
Paid staff	8%
Tenanted	4%

8% of shops are run entirely by paid staff, and at the other end of the spectrum, 23% are run entirely by volunteers. The majority, however, are run by a combination of staff and volunteers (57%). There is no right or wrong; communities will need to work out what works best for them and there will be pros and cons with all options.

Paid staff can create a sense of stability, control and continuity to the running of the shop and this will give some peace of mind to the management committee that the business is being effectively run without the need for their daily intervention. Volunteers, however, spread the workload keeping costs low, and help add to the vibrancy and sociable environment on the shop floor. Having volunteers is also a very visible way of demonstrating that the business is community owned and allows members to feel a sense of ownership and contribution.

On average, community shops employ 4 members of staff, totalling 1,114 across the network – many of whom will be part-time. Community shops will also engage an average of 30 volunteers regularly which equates to 9,605 people nationally. Our survey suggests community shops generated 965,603 volunteer hours in 2016 and saved £7 million or £22,631 per shop (based on the National Living Wage of £7.50).

Figure 8. Number of volunteers

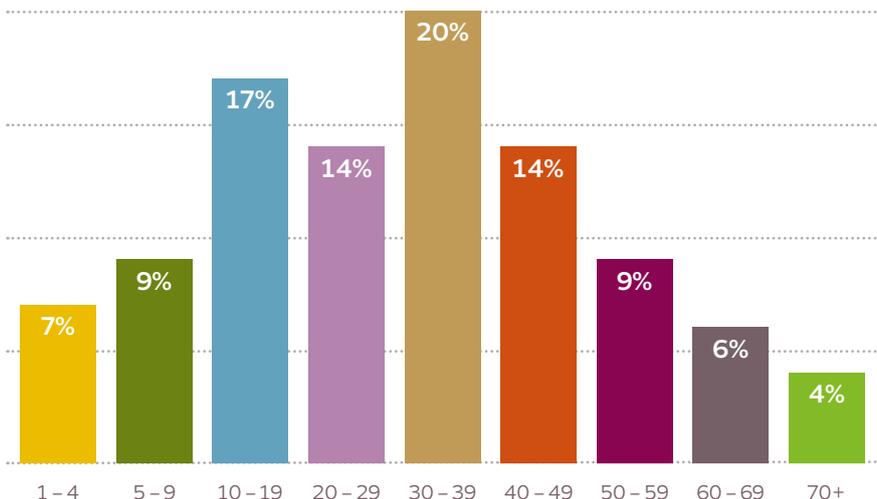
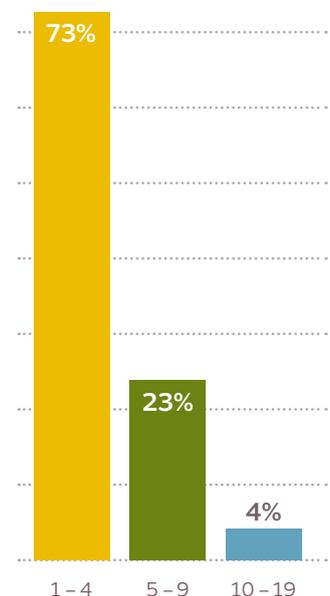


Figure 9. Number of paid staff





Nikki Kearley

Assets

The range of premises type, size and tenure is significant. The largest proportion (38%) are based in former village shop premises but increasingly, communities have been establishing shops in converted premises (21%) and new-builds (16%). Converted premises range from former agricultural buildings, outbuildings belonging to public houses, and more unique examples including a dovecote, bus shelter, former fire station, public toilets and freight containers. Conversions and new-builds offer 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.



Only 26% of communities own the freehold of their community shop, as the majority, rent, lease, or pay a peppercorn rent. This wasn't flagged as a concern by shops in the survey, but it is a risk to sustainability that Plunkett will monitor going forwards.

Figure 10. Typical premises for community shops

Premises type	Percentage
Existing building hosting a previous shop	38%
Existing building converted to a shop	21%
New Building	16%
Village Hall	12%
Portacabin / Pre-fabricated building	9%
Building with religious purpose	3%
Pub / Pub Car Park	1%

Figure 11. Tenure of community shops

Tenure	Percentage
Rented	34%
Freehold	26%
Rent free / peppercorn rent	21%
Leasehold	19%

With many community shops setting-up in buildings not initially design to house a shop, such as churches or freight containers, the floor area of community shops varies dramatically. The largest shop recorded was 469m² (Langdale & Neighbourhood Industrial Co-op Society) and the smallest was 12m² (Cheswardine Community Shop) averaging at 66m².

Services and facilities

Everyday essentials

Community shops tend to buy from one or two national wholesalers who supply their standard offering, plus a further 24 suppliers on average, 14 of which are local, to complement the stock range. This ensures they are able to offer the everyday items at a competitive rate, but also build up stock tailored to the needs of their wider community. 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

Rank	Items
1	Cards and stationery
2	Confectionery
3	Soft drinks
4	Dairy and eggs
5	Local food and produce

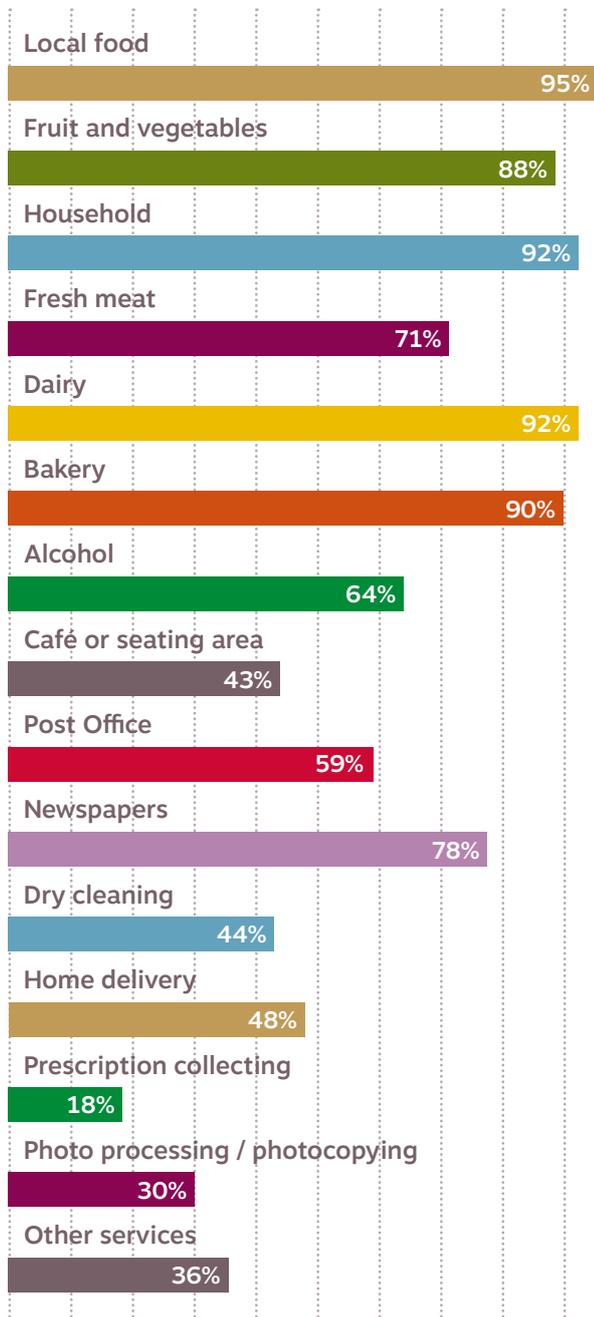
Figure 13. Most sold item

Rank	Most sold items 2016
1	Dairy and eggs
2	Bread and bakery
3	Newspapers and magazines
4	Soft drinks
5	Cigarettes and tobacco
6	Wholefoods and groceries
7	Confectionary
8	Alcohol
9	Cards and stationery
10	Café services

Local food

95% of community shops stock and sell local food, and was ranked as one of their most profitable lines (Figure 12). Stocking and selling local food was also reported to help with engaging the local community, promoting the local economy, and benefiting the environment through lower food miles.



Figure 14. Percentage of shops selling range

Café facilities

43% of community shops offer some form of café – from a fully serviced tearoom to a self-service coffee machine with one table and chair. Such facilities were cited as important for stimulating social interaction and addressing isolation and loneliness.



Postal services

59% of community shops offer postal services via Post Office Limited varying significantly between full-time provision provided from a secure counter to part-time outreach services. 59% are community post offices, 21% are outreach, and 20% are post office local. There have been a number of changes to contracts that community shops manage, and Plunkett offers advice and support to groups considering taking on a contract. In these cases, we stress that a Post Office should be treated in the business plan as a service rather than an income generator.



Impact

Access to retail

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 settlement in which they are based. 62% of shops suggest their next nearest shop is between 3 and 5 miles, 24% between 5 and 10 miles, and 4 % over 10 miles. The most remote community shop is in Glenuig in Scotland which saves a 48-mile round trip to the nearest small village shop and a 140-mile round trip to the nearest major town.

Community shops are often a lifeline to many other nearby settlements, and on average, provide services to between three and four additional villages. Therefore, an estimated 1,400 rural communities are benefiting from the 348 community shops currently trading across the UK.



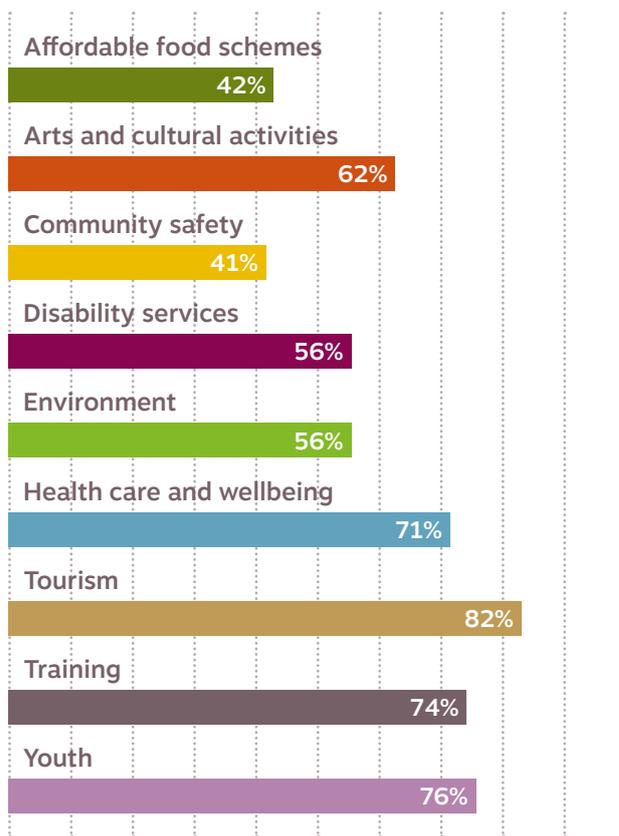
For some people, for example, those without their own transport, people with health conditions, and the less mobile, having a community shop and the access to basic retail services it offers, can make the difference of enabling them to remain living at home in their rural community for longer without the need to relocate.

Beyond retail

As well as safeguarding valuable retail services, we are seeing community shops providing additional and tailored services in response to community needs. Figure 15 shows the areas communities have been involved with to improve and contribute further to community life.

Figure 15. How shops improve and contribute to community life

Percentage of shops mentioning how they improve and contribute to community life



Taking health care and social wellbeing, for example, which 71% of shops suggest they are addressing in some way, the examples included:

- Installing or funding a village defibrillator
- Establishment of consulting rooms for visiting GPs and nurses
- Acting as a drop off point for prescriptions
- Organising first aid evenings and workshops
- Creating short and manageable volunteer opportunities for the elderly or infirm
- Setting up fitness classes or walking groups
- Home deliveries for the housebound
- Juicing and nutrition workshops
- Dementia awareness talk.



Figure 16.
Typical classes and activities hosted by community shop

- Art Classes
- Afterschool club
- Coffee mornings
- Hosting carers groups
- Reading clubs
- Film nights
- Lunch clubs
- Farmers meet-ups

Social isolation

Whilst provision of retail services form the primary trading purpose of a community shop, it isn't always the driving force that leads to its establishment or keeps it going. Essentially, from the setting up phase to the running of the shop, these businesses involve large numbers of people from the membership, committees, volunteers, staff and customers, and as such they become highly social places which bring people together. In addition to running a business, Figure 16 gives examples from the survey we carried out, of the range of additional classes and activities community shops typically host.

Community shops are a great leveller – they bring people together of all ages, backgrounds, interests, and give them a purpose to interact. This can benefit new residents who want to meet their neighbours, young parents who feel isolated at home, teenagers seeking work and life experience, the retired seeking opportunities to remain active, and those who live alone or are carers and have no other way of meeting people. Put simply, community shops reduce social isolation and loneliness.

Supporting people

86% of survey responses suggested they actively support those on lower incomes within the community and address poverty more generally. For example, a number of shops work in partnership with food banks, some discreetly offer discounted goods; many described how they price matched or were able to beat supermarkets on price by purchasing locally. A number of shops described putting on community meals for free or at subsidised rates by making homemade meals and using short-dated food.

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 11 million miles per year in car journeys, equivalent to enough CO² in a year to fill 18,010 double decker buses (3,641 tonnes CO²eq).

“We're always happy to put the kettle on and make a cup of tea for someone whom we know will appreciate someone taking care of them for a few minutes”



Case studies

Clapham Village Store, North Yorkshire

In early 2014 a small group of residents started to look into the idea of taking on the village store and post office as a community-owned business. Clapham Village Shop, in North Yorkshire, had been struggling for a few years and it now faced closure. The group carried out some community consultation, and there was overwhelming encouragement from local people. And so a steering group, made up of people with a broad range of skills, qualifications and experience, was set up to drive the project forward.

More than 50 people attended the first public meeting, and six more residents volunteered to help with a feasibility study, which indicated that the venture would be viable given sufficient custom and volunteer support. After gaining support from the Parish Council, and other organisations in the village, the group incorporated as a community benefit society with 165 members.

After writing a business plan, they raised nearly £5,000 in only five weeks to cover the start-up costs, with more than £33,000 coming from a community share offer. The shop re-opened in March 2015 with a manager and a team of more than 40 volunteers, and has since received two awards for Best Community Group 2016 and Best Social Enterprise 2015.



The management committee and volunteers take a proactive approach to running the shop – making things happen rather than waiting for something to happen. They are aware that for some residents a visit to the shop provides the only opportunity to talk to someone. When they first opened one customer said: 'I've seen more people today than I have in the entire last year.'

They also know that volunteering in the shop is a great antidote to loneliness and isolation, and so they aim to find a volunteering opportunity that meets the needs of the volunteer. They also have some younger volunteers, who find that working in the shop is helpful for community service and personal statements, and so they are always open to requests from younger residents.





Nikki Kearley

The Burrow Community Shop and Café, Exbourne, Devon

When the last shop and post office in Exbourne, Devon closed in December 2001, members of the local community, already severely hit by the foot and mouth disease crisis that year, took action. They quickly set up a temporary shop and post office facility in the village hall and started to plan for a more permanent solution, but it took much longer than expected.

For various reasons finding suitable and permanent premises in the village proved impossible and so a local architect, came up with an innovative idea – an underground shop. Although this unorthodox solution introduced many financial, legal and bureaucratic challenges, it also inspired local residents to move the project forward.

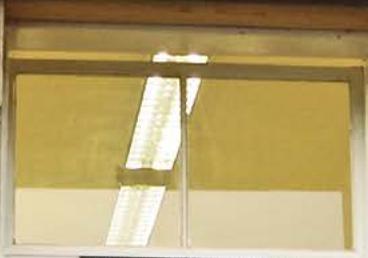
The importance of retaining services and safeguarding the quality of village life was keenly recognised, and the initiative was supported by the vast majority of local residents. Over £300,000 was raised from a wide range of sources and eventually, with a

loan from Co-operative & Community Finance, the new building was completed in 2012.

The Burrow Shop and Café has become a meeting place for many of the older people in the area, and prescriptions are dropped off every week from the three local health centres, saving unnecessary journeys and waiting times for patients. Young farmers' wives, many of whom live in the remote outlying villages, meet in the café on a weekly basis. During term time young local mothers, having dropped off older children at the primary school, meet up in the Burrow with their babies. This enables them to chat to their contemporaries, and reduces feelings of isolation often experienced in a rural community.

There is now a defibrillator on site, free Wi-Fi and a computer with Internet access. As well as regular and seasonal events to promote local food, other activities include a wool spinning group, a monthly book club and Crafty Wednesday for 8 – 11 year olds

Humshaugh Vill



Age Shop



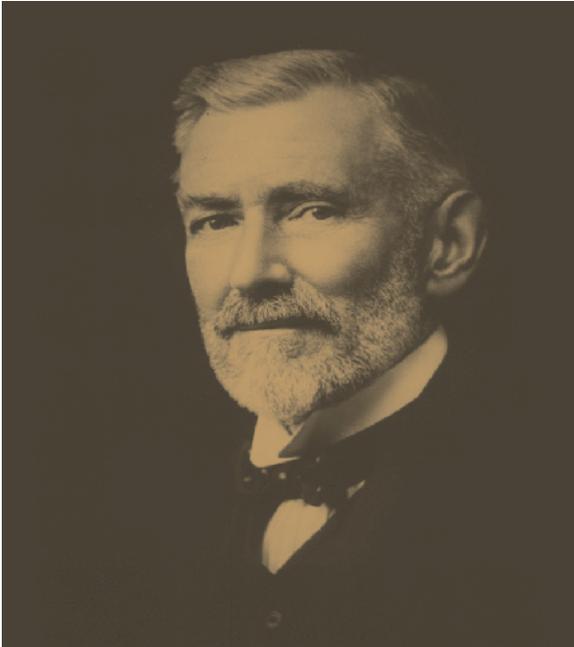
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MILLIONS
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ECONOMY

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About the Plunkett Foundation

Established in 1919, Plunkett Foundation helps communities to take control of their challenges and overcome them through co-operation. 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 such as isolation, loneliness and poverty, and come in many forms including shops, cafes, pubs and land-based initiatives, and anything in between.

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Improving rural lives together

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