

Written evidence submitted by the Association of Convenience Stores

1. ACS (the Association of Convenience Stores) welcomes the opportunity to submit evidence to the House of Commons Treasury Select Committee inquiry on the economic impact of Covid-19. ACS represents 33,500 local shops and petrol forecourts including Co-op, McColls, BP and thousands of independent retailers, many of which trade under brands such as Spar, Nisa and Costcutter. Further information about ACS is available at Annex A.

Impact of Covid-19

2. Covid-19 has reaffirmed the value of local shops in supplying essential products and services to communities that would otherwise lack provision. The convenience sector provides groceries and services within all types of rural (37%), suburban (26%) and urban (37%) communities¹. Local shops often trade in isolated locations (38%) providing the only shopping option for the local community and shops trading in residential areas can serve significant populations, most typically from small parades (42%)².
3. The impact of Covid-19 on individual stores varies greatly depending on trading location. Many rural and neighbourhood stores have seen uplifts in sales but the outbreak is proving particularly challenging for stores in city centres, high streets, petrol forecourts and transport hubs more reliant on passing trade. Some stores in these locations are experiencing significant sales declines or have temporarily closed to protect the longer-term viability of the store.

Sector Response to Covid-19

4. The agility of convenience retailers has been key to efficiently responding to the outbreak and meeting rapidly changing customer and community needs. Beyond quickly implementing social distancing advice, retailers have adapted their product ranges with sales increasing for fresh food, canned and packaged groceries. Convenience retailers have also dramatically increased home deliveries to reach customers unable to get to store. Before the outbreak only 14% of convenience stores offered home delivery services, now local shops are providing 600,000 home deliveries per week³.
5. Retailers have also played an important community role, linking up with local authorities and national charities to ensure vulnerable people can access food from local shops, including when volunteers are buying on their behalf. 83% of local shops have experienced disruption to supply during covid-19⁴. Retailers have worked quickly to establish new relationships to fill supply chain gaps with local suppliers and those that would normally serve other industries where more business closures have taken place⁵.

How should the Government prioritise which continuing sectors and groups to support as time goes on and ongoing support is needed?

6. In addition to measures to aid the recovery the Government should pay special attention and support to businesses deemed essential during the Covid-19 outbreak. It is important to ensure there is resilience amongst businesses that are essential for the functioning of the country in the

¹ ACS Local Shop Report 2019

² ACS Local Shop Report 2019

³ ACS Covid-19 Impact Survey: May 2020

⁴ ACS Covid-19 Impact Survey: May 2020

⁵ ACS Covid-19 Impact Survey: May 2020

event of a second peak or an alternative crisis. We are calling for a gradual withdrawal of Covid-19 business support measures, such as business rates holidays, but also priority for other essential government services such as Covid-19 testing services.

Should the Government intervene more actively in redeploying staff and resources to certain sectors of the economy (health/food delivery)?

7. We would not support the Government intervening directly in redeploying staff and resources. However, we believe it would be useful for BEIS to review regulations and develop guidance for businesses about how to quickly recruit and induct employees in the event of another outbreak. BEIS should also set out guidance on how businesses can collaborate to achieve this. This guidance does not have to authoritatively cover all sectors and scenarios, instead the guidance should primarily provide confidence to businesses that they can act quickly and not fall short of the law when attempting to onboard employees during a crisis.

How effective has the Government support been so far in terms of coverage and speed?

8. We welcome the unprecedented action from Government to support the business community through the Covid-19 outbreak. The key compensatory measures for convenience retailers are:
 - **The 100% business rates relief provided to all convenience stores and petrol forecourts.** This policy is relieving financial pressure on retailers, allowing them to focus time and resource on adapting to Covid-19 and make rental payments. A tapered withdrawal of this relief will be required to prevent sudden increases in operating costs risking business recoveries from Covid-19.
 - **The Small Business Grant Fund (SBGF) and Retail Grant Fund (RGF).** The SBGF is providing £10,000 for stores eligible for Small Business Relief or Rural Rate Relief, while the RGF is providing £10,000 for stores under £15,000 rateable value and ineligible for the Small Business Grant Fund, and £25,000 for stores between £15,000 - £51,000 rateable value. These grants have both improved cashflow and supported retailers to finance the significant increases in operating costs during Covid-19, mainly increased employment costs from high absenteeism and temporary recruitment to meet demands and the costs of implementing social distancing measures.
 - We would like to see the upper rateable value threshold of £51,000 increased significantly to enable petrol forecourt retailers to benefit from these schemes. Petrol forecourts attract disproportionately high rateable values because, unlike other retail premises rated on store footprint, they are rated based on turnover. This means that many petrol forecourt retailers have not been able to take advantage of grant funds despite a significant loss in trade as a result of lockdown measures.
 - **The Covid-19 Sick Pay Rebate Scheme.** This Scheme, funding up to two weeks' statutory sick pay per employee for retailers with fewer than 250 employees, will offset much of the rise in sick pay bills for independent retailers. However, larger retailers also experiencing significant increases in absenteeism and sick pay bills are ineligible and require support to manage employment costs.
9. Our comments on the other schemes covered by this inquiry's Terms of Reference are as follows:
 - **Job Retention Scheme.** The Job Retention Scheme has been used to furlough 8% of convenience store colleagues and prevent redundancies⁶. The scheme is mainly being used by retailers trading from locations still experiencing significant footfall declines such as city centres and transport hubs or for colleagues that are clinically shielding. The high volume of member queries has reflected the

⁶ ACS Covid-19 Impact Survey: May 2020

urgency with which these retailers have sought to access the scheme, with clarifications needed particularly on short time working, shielding employees and communication requirements.

- **Business Interruption Loan Schemes.** ACS' Covid-19 Impact Survey shows that at least three-quarters (75%) of retailers have not applied for the Business Interruption Loan Scheme⁷. When the online survey was live between 13th April and 1st May, 4% of respondents had received a loan through the scheme with 8% awaiting an outcome after application⁸. 11% of retailers report taking out loan or credit facilities as a result of Covid-19⁹. The Temporary Covid-19 State Aid Rules Framework, restricting claims for financial Government support to €800,000, may have limited use of these schemes by larger convenience retailers.

Economy, Public Finances and Monetary Policy

10. In response to the questions on economy, public finances and monetary policy, we would make the following suggestions:

- **Taper Business Support Measures** – the most relevant business support measures for convenience stores have been the business rates holiday and cash grants schemes. We would like to see these measures withdrawn gradually from April 2021 to avoid sudden spikes in operating costs threatening business recoveries.
- **Recognise Increased Operating Costs** – Many convenience retailers have seen an uplift in sales, but they have also seen large increases in employment and operating costs to cope with increased demand and comply with social distancing measures. Increased operating costs must be taken into consideration in future government impact assessments and policy decision making, for example during the Low Pay Commission's assessment of wage rates for 2021/22.
- **Secure Access to Cash** – We have seen a 50% decline in cash usage during the outbreak, which is putting cash infrastructure at risk, including free to use ATMs¹⁰. HM Treasury and the Payment System Regulator must look again at how interchange fees are set and the implications of recent cuts to interchange fees for the resilience of the payments industry, digital inclusion and consumer choice.
- **Focus on Covid-19 Response** – We recognise that the Government wants to proceed with a range of policy measures but encourage a cautious approach as businesses recover from Covid-19. This most urgently relates to the pace of implementation of the Waste and Resources Strategy, which requires significant capital investment from retailers and operational disruption.

June 2020

⁷ ACS Covid-19 Impact Survey: May 2020

⁸ ACS Covid-19 Impact Survey: May 2020

⁹ ACS Covid-19 Impact Survey: May 2020

¹⁰ <https://www.theguardian.com/money/2020/mar/24/uk-cash-usage-halves-in-few-days>

ABOUT ACS

The Association of Convenience Stores lobbies on behalf of over 46,000 convenience stores across mainland UK on public policy issues that affect their businesses. ACS' membership is comprised of a diverse group of retailers, from small independent family businesses running a single store to large multiple convenience retailers running thousands of stores.

Convenience stores trade in a wide variety of locations, meeting the needs of customers from all backgrounds. These locations range from city centres and high streets, suburban areas such as estates and secondary parades, rural villages and isolated areas, as well as on petrol forecourts and at travel points such as airports and train stations.



WHO WE REPRESENT

INDEPENDENT RETAILERS



ACS represents over 19,000 independent retailers, polling them quarterly to hear their views and experiences which are used to feed in to Government policy discussions.

These stores are not affiliated to any group, and are often family businesses with low staff and property costs. Independent forecourt operators are included in this category.

SYMBOL GROUPS AND FRANCHISES



ACS represents over 14,000 retailers affiliated with symbol groups. Symbol groups like SPAR, Nisa, Costcutter, Londis, Premier and others provide independent retailers with stock agreements, wholesale deliveries, logistical support and marketing benefits.

Symbol group forecourt operators and franchise providers like One Stop are also included in this category.

MULTIPLE AND CO-OPERATIVE BUSINESSES



ACS represents over 12,000 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColls and others.

Unlike symbol group stores, these stores are owned and run centrally by the business. Forecourt multiples and commission operated stores are included in this category.

THE CONVENIENCE SECTOR



In 2018, the total value of sales in the convenience sector was £39.1bn.

The average spend in a typical convenience store transaction is £6.50.



There are 46,262 convenience stores in mainland UK. 72% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.



The convenience sector provides flexible employment for around 365,000 people.

24% of independent/symbol stores employ family members only.



24% of shop owners work more than 70 hours per week, while 19% take no holiday throughout the year.

70% of business owners are first time investors in the sector.



Convenience stores and Post Offices poll as the two services that have the most positive impact on their local area according to consumers and local councillors.

81% of independent/symbol retailers have engaged in some form of community activity over the last year.



Between August 2017 and May 2018, the convenience sector invested over £814m in stores.

The most popular form of investment in stores is refrigeration.

OUR RESEARCH

ACS polls the views and experiences of the convenience sector regularly to provide up-to-date, robust information on the pressures being faced by retailers of all sizes and ownership types. Our research includes the following regular surveys:

ACS VOICE OF LOCAL SHOPS SURVEY

Regular quarterly survey of over 1,200 retailers, split evenly between independent retailers, symbol group retailers and forecourt retailers. The survey consists of tracker questions and a number of questions that differ each time to help inform ACS' policy work.

ACS INVESTMENT TRACKER

Regular quarterly survey of over 1,200 independent and symbol retailers which is combined with responses from multiple businesses representing over 3,000 stores.

ACS LOCAL SHOP REPORT

Annual survey of over 2,400 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 7,669 stores. The Local Shop Report also draws on data from HIM, IGD, Nielsen and William Reed.

BESPOKE POLLING ON POLICY ISSUES

ACS conducts bespoke polling of its members on a range of policy issues, from crime and responsible retailing to low pay and taxation. This polling is conducted with retailers from all areas of the convenience sector.