



**Plunkett
Foundation**

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COMMUNITY SHOPS

A BETTER FORM OF BUSINESS 2020



About this publication

'Community Shops: A better form of business' 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. 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 is used by funders and support organisations (including Plunkett Foundation) to future-proof services and investment decisions concerning community shops.

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

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
- Access to 367 publicly available Financial Conduct Authority AR30 Returns and Company House Records, from 2017 (late in the year), 2018 and 2019, updated where appropriate by the 2020 Plunkett Foundation survey to show the most up to date financial data
- A survey with 102 responses
- Focus group discussions with 28 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 2019:

- **12** new shops opened
- **372** community shops were trading in the UK by the end of the year
- The total share capital raised from their communities by newly opening shops was **£452,500** from over **2,000** new members
- Community shops had an average **£156,000** p.a. turnover, representing an estimated **£58 million** annual turnover for the sector
- **202** community shops offer postal services
- An estimated **225** full-time and **450** part-time staff were employed within the community shop sector
- Averaging at around **20** volunteers per shop, the sector has a workforce of approximately **7,000** volunteers
- The majority of community shops have between **50** and **250** members/shareholders
- The long-term survival rate of community shops was **92.5%**

Foreword

Positivity and optimism fuel our growing sector



As Plunkett's newly elected chair, I am delighted to provide the foreword to this year's *Community Shops; A Better Form of Business* report. I am even more delighted that the report finds the sector was in robust health in 2019 – equipping it well before the roller coaster events of 2020 and COVID-19 unfolded.

The dramatic challenges of a global pandemic were not in any of our minds this time last year, and yet they changed everything and touched every life and every business. Despite these challenges community shops have shown positivity and optimism – swelling their volunteer numbers, diversifying the services they offer and in many cases boosting their sales.

This report shows us that in 2019 the majority of community shops made a modest profit as they provide services for the needs of their individual areas. But community shops do so much more than just offer a service. These shops provide opportunities for friendship, tackle loneliness, bring purpose, enterprise and energy – and so often breathe new life into a community. The 372 community shops across the UK were in 2019, as in previous years, making an impact and a difference to people's lives in innumerable ways. As Section 1 shows, in their response to COVID-19, community shops intensified their wider contribution to their local communities.

Another ever-present challenge facing community shops is the successful management of the workforce of volunteers. Those individuals who give of their time to ensure community shops are stocked, cleaned and open are the very backbone of this sector. Without them, the flexibility and resilience we have witnessed through the 2020 pandemic could not have been achieved. This report finds that the sector has a workforce of approximately 7,000 volunteers in 2019 – and we know that every day more and more people are getting involved in their local community shop.

So I welcome these encouraging findings and pay tribute to all those who have given so much to the sector through hours of voluntary time – without you there would be no community shops and we would be all the poorer. Thank you, and here's to a rural recovery after COVID-19 which will surely be fuelled by the same optimism, diversity and creativity which are demonstrated in the pages of this report.



Stephen Nicol
Chair
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 and as a means for tackling wider social and community problems.

A community shop does 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 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.

1

COVID-19 and community shops

When we started putting together this report on 2019's community shop activity and trends, the UK had just gone into lockdown. The community shops were thrown into an extraordinary situation in which they had to navigate significantly increased uptake from their local residents who were queuing at their doors, a demand for local deliveries at a time when the supermarket delivery services had been thrown into meltdown, regular stock difficult or impossible to obtain, café facilities closed, some staff furloughed and volunteers forced into self-isolation and shielding.

Over the next few months we heard many stories of how these resilient small businesses coped with, and in many cases triumphed over, these challenges. We heard stories of diversification, ingenuity and determination. From bulk-buying flour with volunteers bagging it up for individual sale, to sourcing new suppliers to find the goods for their customers, the people behind the shops did everything they could to keep serving their communities. Local producers stepped up and new volunteers arrived to replace those forced into self-isolation. Processes for delivery and click-and-collect sales were set up from scratch. The profile of these local businesses suddenly soared. Reaction from the shops was generally very positive, albeit mixed with exhaustion!

We heard of effects both positive and negative. Sales turnover soared as people were suddenly confined to their villages. With café facilities closing and wholesalers cutting margins, the financial environment has been tough at times. But community spirit has been strengthened, volunteer support has grown, and new local supply chains have been established. Communities have been reminded why they needed their local shop in the first place.



In order to capture as accurately as possible this historical treasure trove of stories and experiences, we included in our survey a series of questions about the impacts of the COVID-19 pandemic. We also ran focus groups and webinars to explore the effects of the crisis.¹ Some of that information has been included in this report and will be explored more fully next year, when we shall have the full data from the sector on the impact of the pandemic.

¹ To find out more about the webinars and other resources we provided to community businesses during the first months of the pandemic, see the COVID-19 Live section of our website: plunkett.co.uk/covid-19-live/

2

Growth in 2019

2.1 Sector size

In 2019, 12 new community shops opened, and 5 shops ceased to trade. There was a cumulative total of 372 community shops trading by the end of the year.

The number of openings in 2019 demonstrates a consistently steady growth and shows a stability in the sector. The long-term survival rate is 92.5%.

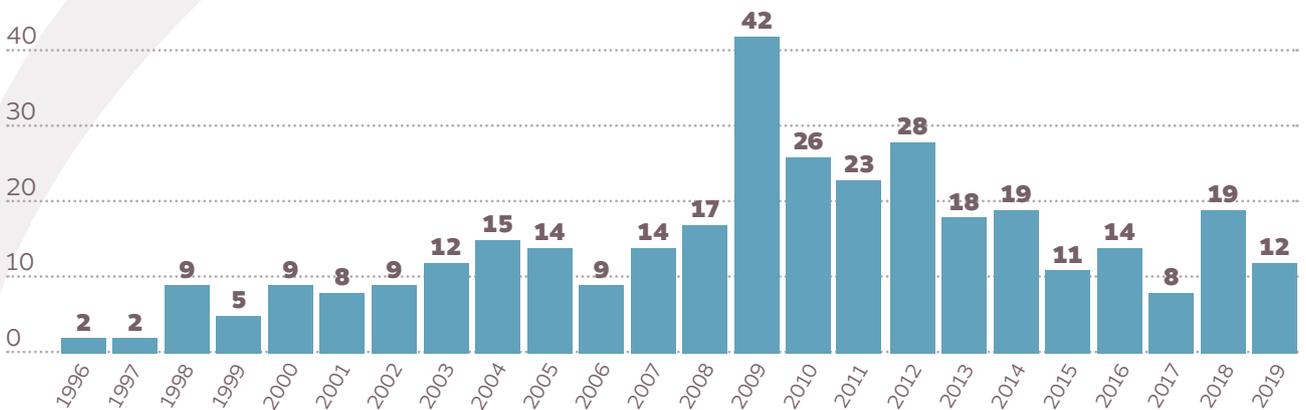
FIGURE 2.1 CUMULATIVE TOTAL TRADING BY YEAR SINCE 1996



Source: 2020 Plunkett Foundation records / 2020 Plunkett Foundation Community Shop Survey

Please note: the total number of shops trading is consistent with the 2019 report, but a review of data records includes some adjustments to the date on which shops started to trade and as a result two new shops have been added to the total.

FIGURE 2.2 NUMBER OF COMMUNITY SHOPS OPENING BY YEAR FROM 1996 (EXCLUDES ANY SUBSEQUENT CLOSURES)



Source: 2020 Plunkett Foundation records / 2020 Plunkett Foundation Community Shop Survey

2.2 Regional distribution

The distribution of community shops shows the highest density 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. The distribution of openings in 2019 follows the same pattern.

Wales and Scotland have significant numbers of existing shops, with Scotland showing another two openings, countered by the loss of two of its smaller stores.

Northern Ireland still does not appear to have embraced the community shop movement on any scale.

Existing data does not explain variations in these regional distributions but likely factors include:

- A “cluster” effect: the existence of successful and relatively local shops can stimulate other communities to set up their own shops
- Settlement patterns and population distributions: there needs to be sufficient local critical mass in terms of a customer and volunteer base
- The accessibility of other shops: whilst 89% of shops surveyed in 2020 are within six miles of another general store or supermarket, issues such as infrequent public transport or other accessibility constraints may make a local community shop more viable and attractive
- Sufficient community capacity and cohesion, and the availability of enough volunteers to successfully set up and run a shop
- The extent to which external help and support is available and accessible (be this third sector, public sector or other support).



FIGURE 2.3
REGIONAL DISTRIBUTION OF COMMUNITY SHOPS

Region	Trading in 2019 at the close of the year	Closures in 2019	New openings in 2019
South West	114	2	2
South East	85	1	3
London	-	0	-
East of England	43	0	1
West Midlands	27	0	1
East Midlands	19	0	1
Yorkshire & the Humber	13	0	2
North West	14	0	0
North East	3	0	0
Scotland	32	2	2
Wales	21	0	0
Northern Ireland	1	0	0
Total	372	5	12

Source: 2020 Plunkett Foundation Records

2.3 New community shops in 2019

Of the 12 new shops opening, eight offer Post Office services and five have café facilities.

Eleven of the 12 new shops opening in 2019 were set up as societies and ran share offers, resulting in a total of £452,500 raised as share capital from over 2,000 new members.



FIGURE 2.4
COMMUNITY SHOPS OPENING IN 2019

Shops opened in 2019	Region	Legal structure	Building type	Includes a café (yes / no)	Includes a Post Office (yes / no)	Number of members	Share capital raised
1	South West	Community Benefit Society	New build	Yes	No	339	£84,139
2	Scotland	Community Benefit Society	Existing building hosting a previous shop	Yes	Yes	216	£51,420
3	South East	Community Benefit Society	New build	Yes	Yes	250	£60,000
4	East of England	Community Benefit Society	Existing building hosting a previous shop	Yes	Yes	130	£50,000
5	South West	Community Benefit Society	Existing building hosting a previous shop	No	No	50 - 60	£26,000
6	Yorkshire & the Humber	Community Benefit Society	Existing building converted to host a shop	No	No	196	£12,190
7	East of England	Community Benefit Society	Existing building hosting a previous shop	No	Yes	30	£5,000
8	West Midlands	Community Benefit Society	Portable cabin / prefabricated structure.	No	Yes	350	£44,022
9	Scotland	Community Benefit Society	Existing building hosting a previous shop	No	Yes	207	£63,700
10	South East	Community Benefit Society	Existing building hosting a previous shop	No	No	98	£26,000
11	South West	Community Benefit Society	Existing building hosting a previous shop	No	Yes	100	£30,000
12	Yorkshire & the Humber	Company Limited by Guarantee	Existing building hosting a previous shop	Yes	Yes	100	£100

Source: 2020 Plunkett Foundation Records

2.4 New activity

2019 figures demonstrate that there continues to be a strong interest from rural communities seeking to establish a community shop. A total of 73 new community shop groups and projects got in touch with Plunkett in 2019 looking for help, advice and support. Of the groups that got in touch, 36 received free advice from one of Plunkett's advisers. Plunkett estimates that approximately 1 in 5 shop projects that are supported by Plunkett go on to reach trading status.

2.5 Closures in 2019

The five shops identified as closed in 2019 include two in Scotland which shut their doors prior to this year but have only been logged recently. The other three succumbed to falling levels of local support and custom. One shop met its demise when a nearby shop unit was acquired by a competitor grocery business. Community shops will always be as susceptible as any other retailer to such market forces and the reason for their continuing success is still the vital community input and support they engender. At 92.5%, the long term survival rate



of community shops is still much higher than the average UK SME. The five-year survival rate for an average SME is 44%.²

Postscript: one shop that closed in October 2019 was re-opened in April 2020 by the local pub landlord to serve the village community during the pandemic – which clearly demonstrates the huge need for these businesses in a rural environment.



² Figure based on data between 2011 and 2016 from Office for National Statistics
www.ons.gov.uk/businessindustryandtrade/business/

3

Business model

3.1 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:

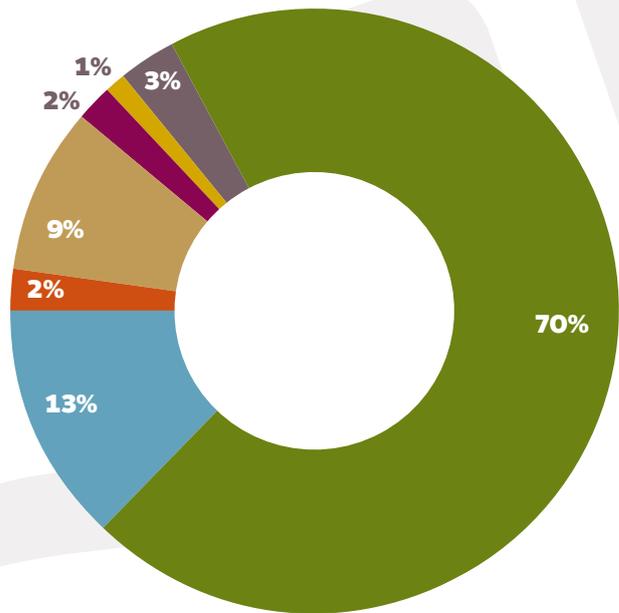
- Open and voluntary membership
- A management committee drawn from members of the community
- The community clearly represented with the majority of members coming from it and having a genuine say in how the business is run, preferably with one member one vote
- Ideally, there should be an asset lock
- 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 11 of the 12 new shops opening in 2019 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 its members can also become shareholders. Having 'invested' members is one positive means to foster community engagement and support for community enterprises.

FIGURE 3.1
LEGAL STRUCTURES ADOPTED BY COMMUNITY SHOPS



Community Benefit Society	258
Company limited by guarantee	48
Community Interest Company	34
Co-operative Society	8
Unincorporated	8
Charitable Trust / CIO	5
Other / unknown	11

Source: 372 Plunkett Foundation records

3.2 Membership

The continuing popularity of the CBS model is that it exists to benefit the wider and collective interests of a community and emphasises member 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 67,000 people are members and have therefore made a commitment to these enterprises that typically serve small rural communities (7% of shops having no members but 93% have a membership scheme, whether requiring some degree of financial commitment or not). A majority of shops (61%) have between 50 and 250 members.

An equally cautious estimate of the value of community investment in community shops (based on a projection of those where data is available) suggests a cumulative total investment of £7.5m to date by members of these predominantly small rural shops / cafés / post offices. This averages at some £112 per person (noting wide variations in individual financial commitments).

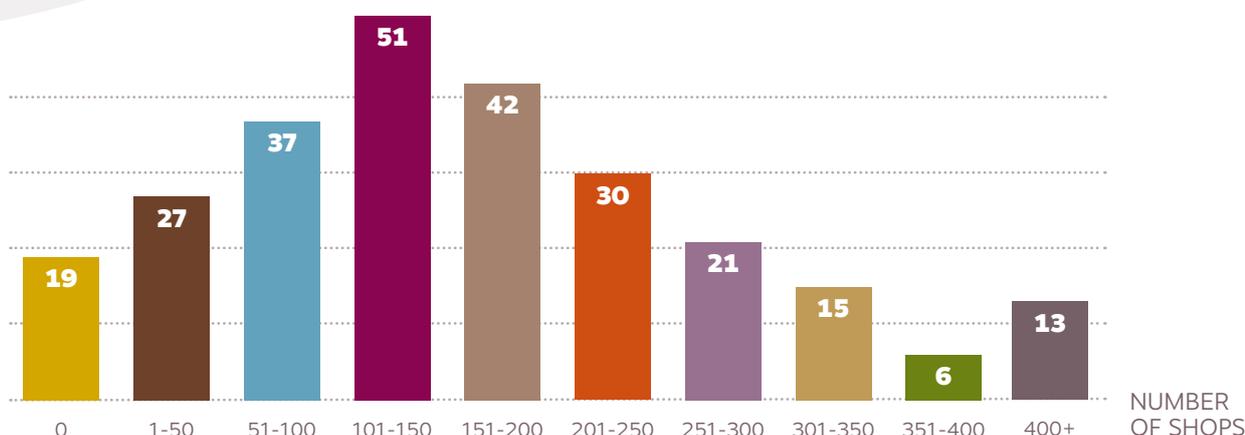
3.3 Community shop premises

Community shops come in all shapes and sizes. In 2019, eight (66%) newly opened shops were situated in existing shop premises taken over by the community. This high proportion bucks a recent trend to find alternative premises, as existing shops are frequently too expensive, too small, may be on a main road with little parking, or are too hard to separate from living quarters. Undoubtedly a majority of community shop start-ups are triggered by the closure of an existing shop, and 2019 was a lucky year to see so many successful examples of straightforward shop takeovers.

Of the remainder of 2019's new shops, two are new-builds, one is housed in a portable cabin and one is an imaginative conversion of a toilet block!



FIGURE 3.2
COMMUNITY SHOPS: MEMBER/SHAREHOLDER NUMBERS



Source: 2017, 2018 & 2019 FCA AR30 & Company House Returns and 2020 Plunkett survey from 261 records

4

Services and facilities

4.1 Core products and services

Many community shops are like Mary Poppins' handbag: they stock a seemingly endless range of products from basics such as household goods and groceries through to specialist or unexpected items and ecologically sustainable products such as refill services to reduce plastic waste. Many of the shops will draw their stock from up to 20-30 suppliers (though this is very variable), tailoring their stock to the needs of their own community. This adds to their diversity and resilience, and ensures that visiting a community shop will always be a unique experience.

Alongside basic grocery and household goods, the 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. The latest Plunkett survey shows that 100% now say they stock locally-sourced products (under a fairly wide definition) – a useful pointer to the contribution they make to local economic 'ecosystems'. Selling local food also creates a point of difference from the supermarkets, helps



INSIGHT

OTTERTON COMMUNITY SHOP in East Devon supports local producers and the rural economy by providing an outlet for fresh and processed produce. The shop stocks over 1,500 product lines and whenever possible, these are sourced locally and are competitively priced – in many cases, prices are lower than in local supermarkets. Their local product ranges and the names of their local suppliers are listed on their website and include: Devon ciders; apples and apple juice; award winning pies; pasties and sausage rolls; fruit and vegetables; fudges; frozen ready meals using only fresh Exmoor and Devon produce; free-range eggs, pork; beef and lamb products; cheeses and cold meats, beers; wines; milk and cream.

to engage the community and can be proven to reduce food miles. Many community shops also sell the most local food of all: locally baked cakes and surplus garden-grown fruit and vegetables.

Community shops provide more than a basic shopping experience as they also generally host a wide range of informal as well as formal services. They aim to support their communities in every feasible way.

There is a sizeable catalogue of services offered by these small businesses to fulfil local needs, in addition to the core services described in Figure 4.1, such as food banks, newspaper delivery, hosting events, bottle bank, bulk discounts, glass hire, food markets, workshops, tourist information, CAB outreach, ticket sales, charity collections, selling fishing permits, selling community bus tickets, a launderette, a chiropody service, a beauty therapist, antique sales, bike hire and school uniform.

FIGURE 4.1
CORE SERVICES OFFERED

Access to a computer

10%

Free wi-fi

45%

Book / DVD Exchange

37%

Community information board

88%

Prescription collection

16%

Dry cleaning

39%

Photocopying / Printing

27%

Driver service

5%

Home delivery

53%

Collect point for parcels

33%

Post Office services

53%

Cash back at till

46%

Cash machine

9%

Bill payments

30%

Social events

33%



4.2 Café services

Café facilities have been an increasingly 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.

Of the 37 shops who reported to the latest Plunkett survey that they offered café services (35% of total respondents):

- 22 (59%) offer a limited menu that generally means coffee, tea, cake and modest help-yourself arrangements
- 15 (41%) offer a wider choice and generally include dishes prepared on the premises including hot foods, in addition to teas, coffees etc
- Seven of the responding shops are planning to expand their café services
- Typically café services operated wholly by volunteers are those offering simple menus with coffee/tea, cake and prepared sandwiches, pies etc
- With a few exceptions, shops with cafés offering a wider menu that includes hot food tend to have paid staff either on a part- or full-time basis.

INSIGHT

Shop diversity

Community shops do not necessarily follow the quintessential village shop model – they respond primarily to local needs. Some of the more unusual examples include:

- **THE COMMUNITY SHOP ON CANNA, INNER HEBRIDES**, has an honesty box system that serves islanders, visitors and tourists, including people from yachts mooring nearby at the community quay, and the fishing community
- **HIGH STREET ORGANICS COMMUNITY COOPERATIVE IN BRUTON, SOMERSET** specialises in supplying organic produce, including wholefoods, vegetables, fruit, dairy and baked goods and draws on local smallholders and producers. The shop serves locals and visitors over a wide catchment and has built connections with schools locally to promote organic and fair-trade produce
- **UIG COMMUNITY SHOP ON THE WEST COAST OF LEWES**, arguably one of the most remote locations in the UK, functions as a shop, post office, launderette, petrol station, tea and coffee shop, supplier of crafts and tourist essentials.



4.3 Effects of COVID-19 on products and services

Focus group input has shown that community shops could benefit from their adaptability and their experience with managing many small suppliers and product lines. Local producers have become invaluable, new suppliers found and the shops have been resourceful in adapting their stock lists. Demand for fresh fruit and vegetables quadrupled in some cases at the peak of the crisis but the basic grocery lines became harder to source. Fresh food and bakery lines were of paramount importance. Flour particularly became an issue: “Everyone in the village was baking!”

Having a good volunteer team and entrepreneurial spirit also enabled many of the community shops to create services they had never offered before, primarily delivery services.

- Of 102 respondents, 91 shops (89%) introduced a COVID-19 triggered home delivery service (including one shop that closed and solely ran a delivery service)
- Only 11 shops (11%) did not offer delivery
- Shops typically adopted multiple means to receive orders, with telephone and email the most common; probably as these were the easiest methods to establish at speed. Others adopted paper-based ordering
- Volunteers were used as outreach to support shielded people, including the collection of orders and delivery of food parcels
- One responding shop already operated a home delivery service.

All café facilities operated by community shops were adversely affected by the pandemic and due to their generally small size, social distancing was an issue which delayed re-opening for many. There were some that managed to offer takeaway coffees throughout but the social element was missed. The loss of profitability from café lines might well have balanced out the large increase in fresh food and grocery sales for some businesses.



4.4 Postal services

In 2019 Plunkett records show that 202 of the 372 community shops are offering postal services, varying from full-time provision from a secure counter to part-time outreach services.

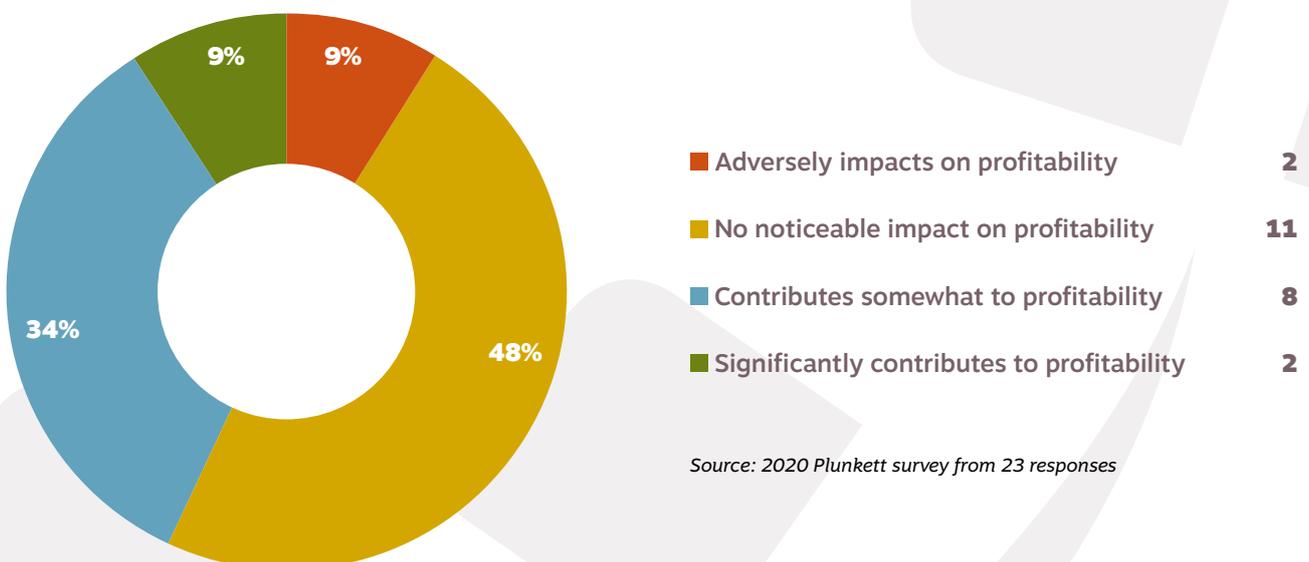
In the post office network, the majority of branches are now one of two new operating models: Post Office Locals or Post Office Mains. A number of rural post offices retain protected “community status” and continue to operate under the traditional sub-post office model with a salaried postmaster. In 2017, the government committed £370m to continue to support these “last shop in the village” branches to 2021. Plunkett records show that 101 (51%) community-run post offices in shops are designated “community status” branches. It will

not be possible for new post offices to take on protected “community status” in future. A further 39 community shops run Outreach Post Offices (20%), and 17% run the Post Office Local model, in which transactions are performed by general staff at the main retail counter, rather than having dedicated staff offering Post Office services at a separate counter.

As the Post Office Local is a relatively new model, and with 34 community shops hosting them, the 2020 survey looked at the pros and cons of running them, with volunteers as well as trained staff operating the service from the main counter.

Of the 56 shops with postal services that responded to the survey, 23 (41%) were running a Post Office Local, which was a good-sized sample from which to gauge positive and negative effects.

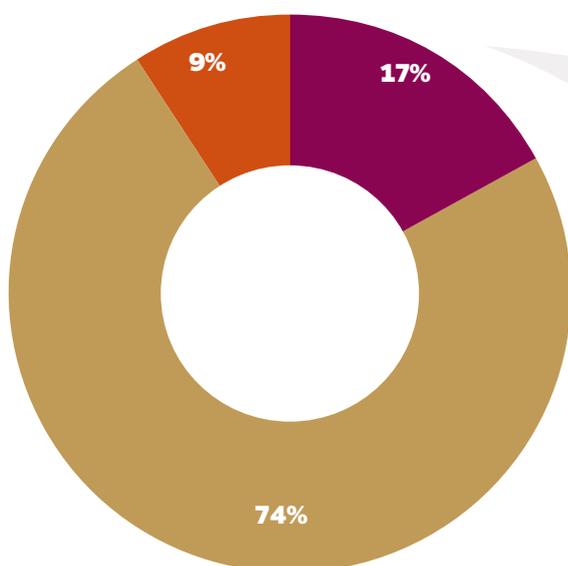
FIGURE 4.2
COMMUNITY SHOPS WITH A POST OFFICE LOCAL: PROFITABILITY



There was a fairly even split in feedback about the business impact of running a Post Office Local, with slightly less than half (46%) of the shops stating that the service contributes or significantly contributes to their profitability, while 46% recorded no impact on their profits and 8% stated that the Post Office Local adversely affected them.

Ease of management seems to be the chief issue with the Post Office Local model. 71% feel it is manageable with effort, 12% report it is easy to manage, while 17% find it challenging to run.

FIGURE 4.3
COMMUNITY SHOPS WITH
A POST OFFICE LOCAL:
EASE OF MANAGEMENT



■ Challenging	4
■ Manageable with effort	17
■ Easy to manage	2

Source: 2020 Plunkett survey from 23 responses

There are several likely reasons for this:

- Staffing the PO Local can be tricky in community shops that rely on several part-time staff rather than full-time staff. This means more people require training, the level of responsibility is high, and continuity is hard to achieve
- Volunteers are sometimes reluctant to take on the extra responsibility and commitment required
- Community shops are very often small and although the PO Local can be operated from the shop counter, it needs a separate till and plenty of storage space.

However, when asked whether they would recommend this model to other community shops, 40% said they would, while 56% thought they possibly would, and only 4% said no, they would not recommend it. Even if the contract is insufficient to pay staff directly, some shops regard this deficit acceptable because of its community value – particularly important during the COVID-19 lockdown.

A recent (July 2020) survey by Citizens Advice Bureau found consumer banking at PO counters has doubled in the past three years and for many people and businesses, PO banking is often the only remaining option. Vulnerable groups use PO banking most frequently, particularly those on low incomes and disabled people. A significant risk to the service is that 70% of postmasters told CAB that pay rates for banking do not cover the cost of providing the service.

4.5 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 means that a fifth of community shops do not have EPOS – these aren't necessarily shops that are longer established, but may include those for whom EPOS would be too time-consuming and cumbersome for their small size and turnover.

During COVID-19, some shops took advantage of their EPOS capabilities to set up accounts and store cards which, combined with email or telephone ordering, meant that customers could shop easily and without physical contact, settling their shop bills at the end of the month.

Having to rapidly train new volunteers to use EPOS during lockdown showed the necessity for easy-to-use systems for community shops.

5

People



5.1 Governance model

The great 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 – in the 2020 survey only one of the responses came from a tenanted shop.

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 the 2019 survey of 102 shops:

- 78% are managed day to day by paid staff (full or part time, with or without volunteer support)
- 21% are managed by volunteers, without paid staff
- Six shops employ seasonal staff, employing up to three people.

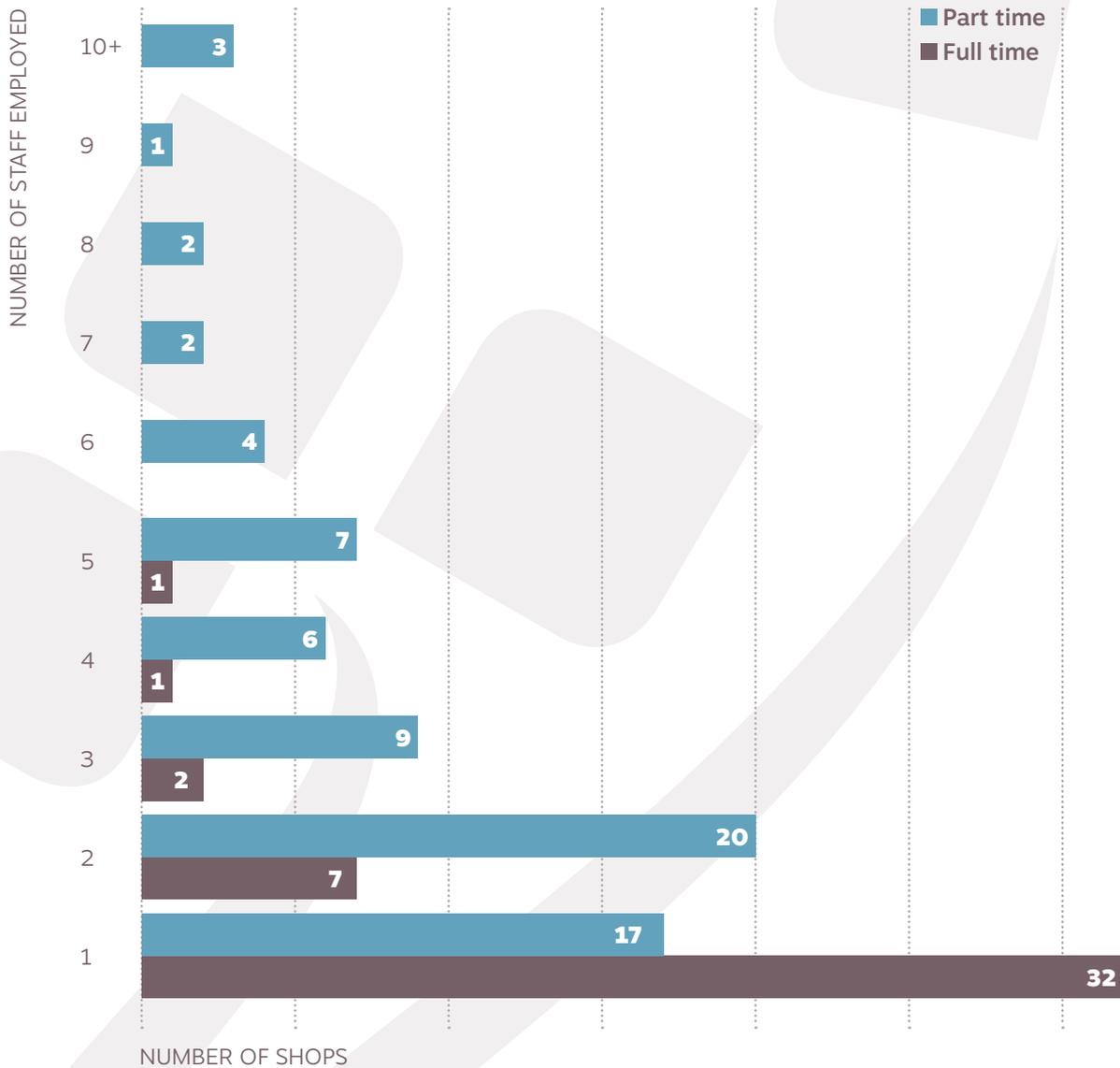
5.2 Employed staff

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 2020 survey shows 61 full-time employees and approximately 125 part-time employees, giving a full-time equivalent (FTE) employment figure of approximately 110-120. The following figures are extrapolated from the 82 out of 102 responding shops employing people (as opposed to the others which are run solely by volunteers or in one case tenanted) and validated by available public data from AR30 returns and Companies House records.

A cautious assumption that there is an approximate 80/20 split between shops employing staff and those solely volunteer run, suggests that community shops are employing an estimated 225 full-time

FIGURE 5.1
COMMUNITY SHOPS EMPLOYING STAFF:
FULL-TIME AND PART-TIME



Source: 2020 Plunkett survey from 82 responses

staff and 450 part time staff, amounting to 400+ FTE (an average of 1.2 FTE per shop).

Given caveats this remains an impressive figure. Most community shops operate in small rural places so are therefore a significant source of local employment – and that is before any associated economic and employment impacts from local product sourcing.





5.3 Employing young people

The provision of work and volunteering experience for young people also sustains last year's good news story. The 2020 survey suggests that some 370 young people benefited from some sort of work or volunteering experience from the shops sampled, so a cautious estimate would amount to 1000–1200 young people across all 372 shops.

5.4 Employment policies

Community businesses have the same responsibilities and statutory obligations as any other employer, and the requirements they need to meet are designed to protect and improve their staff's well-being, and to protect the business and management from legal action or other undesirable outcomes.

Drawing on 82 responses from the 2019 survey, many shops are professionalising their employment policies, although a proportion of community shops have yet to establish them. This could be caused by oversight, lack of key HR skills at management level, or because of the nature of local part-time employment. Even accepting that many shops are quite informal, community-oriented and local, this is a vulnerability. Of the sample surveyed:

- 95% offer staff contracts
- 68% keep staff training records
- 79% have a staff grievance policy
- 68% have an equalities policy
- 65% have a system to set staff pay and conditions
- 51% carry out staff appraisals.

5.5 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.

In the 2020 survey, only 3% of shops surveyed had no volunteers, while 75% reported volunteer numbers of between 1 and 30, and the remaining 22% reported that they had over 30 volunteers.

Extrapolating from the 102 survey responses (adjusting down for the 3% that have no volunteers) this suggests a broadly similar if cautious estimate to that drawn last year, which is that the community shop sector engages approximately 7,000 volunteers on a regular basis.

In addition to 'front-line' volunteers, a large majority of the shops surveyed reported they had several volunteers working behind the scenes (this could be assistance with marketing, accounting, driving to cash-and-carry, home deliveries, merchandising, maintenance, recycling etc.). With figures matching prior years' findings, the majority (74%) had 1 to 10 'back-room' volunteers, while 11% had more than 10 and only 15% had none.

INSIGHT

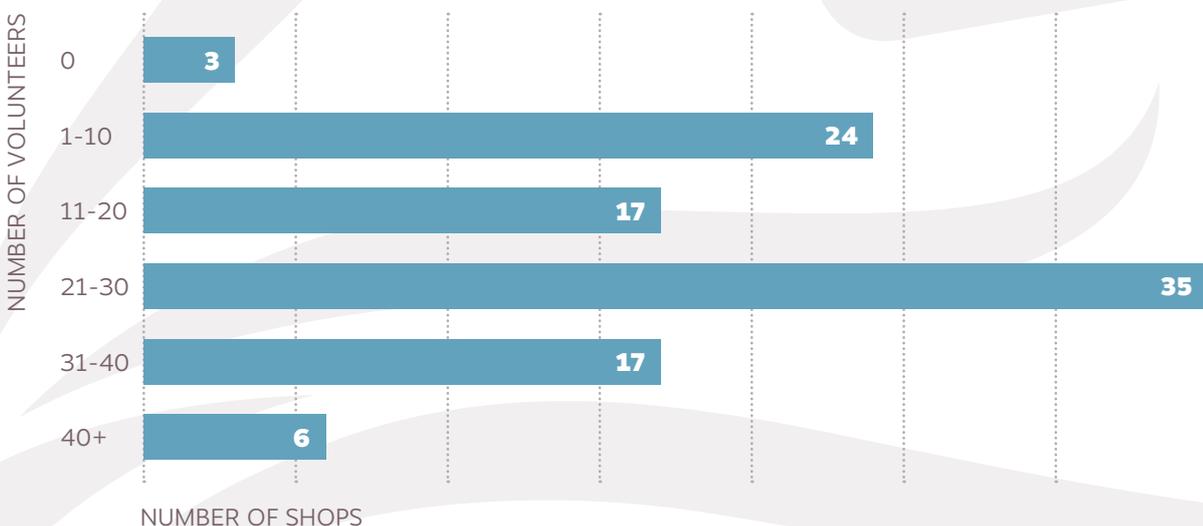
WIGGINTON VILLAGE SHOP in Hertfordshire has a very appealing shout-out for volunteers on its website: "Whether you have volunteered before or not doesn't matter as you will be fully trained. You could be looking for a way to get back into work, you may have retired, or be looking for work experience, or simply wanting to give something back to our community. It's an opportunity for you to work with friends or make new ones, share your valuable skills or learn new ones, or to get out of the house for a few hours."

There is a downloadable volunteer pack which is friendly and insightful and which explains the various kinds of roles that volunteers can play. Volunteers work within a supportive and flexible environment, with their achievements recognised and celebrated.

<http://wiggintonshop.org.uk/volunteers/>

Community shops also rely on volunteers at committee/board level. The management committees, which generally have between 5 and 10 members, are responsible for strategic direction, financial oversight, fulfilling fiduciary duties, staff employment, coordinating volunteers and troubleshooting, as well as carrying out their obligations to their members/shareholders, such as newsletters, annual reports and meetings.

FIGURE 5.2
VOLUNTEERS WORKING IN SHOP/CAFÉ PER WEEK



Source: 2020 Plunkett survey from 102 records

5.6 COVID-19 effects on volunteers

For many shops, one of the first impacts of COVID-19 was seeing a proportion of their regular volunteers who were older or had underlying health conditions having to leave their duties and self-isolate.

Luckily in most instances they were replaced by an enthusiastic new contingent of younger volunteers, those who were working from home and even students sent home from university.

New volunteers worked on a wide range of tasks, although a significant number were specifically tasked with the introduction of ordering and delivery services, and packing food parcels for the shielded and vulnerable. Sourcing of goods and suppliers was an important volunteer task and some shops reported permanently improved stock ranges due to this massive effort. One shop reported an “army of volunteers” going off to queue at supermarkets to purchase the essential stock for the shop (as a result of the difficulties of buying stock from the usual wholesaler).

As the lockdown eased, so those new volunteers started to leave to return to their normal lives, and the regular volunteers, some of whom had clamoured to come back, started arriving when they felt safe to do so.

FIGURE 5.3
NUMBER OF SHOPS ADOPTING COVID-19 DISTANCING MEASURES

Limit to customers in shop at any given time



Introduced a one way system



2m spacing markers on the floor



Installed screens at till



Reduced number of staff working in shop



Reduced number of volunteers working in shop



Source: 2020 Plunkett survey from 93 responses

Protecting their volunteers became a significant issue. In addition to distancing measures taken (Fig. 5.3) to protect volunteers, customers and staff alike, many shops also introduced:

- Sanitiser to clean hands before entry
- Distancing outside the shop entrance as well as inside
- Limited access to the shop such as serving from the entrance or a window, or even using door marshals.

The surveyed shops reported:

- 80 shops (75%) recruited new volunteers to replace and/or expand shop services (including ordering and home delivery)
- 26 (25%) shops did not recruit new volunteers, either because they sustained existing volunteers, or reduced the scope and scale of services offered
- In terms of recruiting and training volunteers, most respondents (63 out of 68) found this easy (when asked in the early stages of the disease outbreak)
- Five respondents found new volunteer training challenging, particularly around social distancing in training people on the till
- Although not definitive, because new volunteers were often younger than established volunteers and IT ‘savvy’, this helped with systems training such as the use of the till.



6 Impact

Community businesses make a critical difference to their communities by addressing priority needs. The Plunkett Foundation has produced an Impact Statement in partnership with Co-op for the sector called “Ripple Effect” (<https://plunkett.co.uk/ripple-effect/>) which has recently been updated to address some of the first effects of the COVID-19 crisis. The report covers in depth the wider impacts that community businesses are having on rural communities in the areas of:

- Community engagement, interaction and cohesion
- Creating local opportunities and participation over time
- Provision of critical products and services
- Employment and preparation for work.

6.1 Community engagement, interaction and cohesion

There is abundant evidence for the strong contribution made by community shops to increased community engagement and participation, support and care within the community and positive interaction between people.

Community shops improve communication and significantly reduce isolation, for example for elderly members of the community – for some, the shop is their only social point of contact. Community shops also benefit their communities via their volunteering ethos and wide range of extra activities.

On the basis of the evidence collected by Plunkett through this year’s survey, a cautious estimate for the number of volunteers supporting the 372 shops



is approximately 7,000 people (assuming an average per shop of around 20 volunteers – and many shops rely on substantially more than 20 volunteers).

Benefits of volunteering include improved personal wellbeing from social contact, sense of purpose and improved confidence, through to wider community benefits from people coming together to contribute to their community. 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.

Also, as volunteers (and staff) are generally local, they are immediately aware of anyone in the community needing support. This has proved invaluable during the COVID-19 crisis.

6.2 Creating local opportunities and participation

Community shops are run by teams of motivated individuals, ensuring the continuation of the business when the going gets tough. This creates a resilient form of business that can help regenerate the local economy by:

- Purchasing from local suppliers
- Improving access to other local services
- 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.

6.3 Provision of critical 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:

- Health, care, utilities, housing, postal services and cash facilities, food, and household supplies



- Specific support for young people, parents, families and the elderly, including products and services, events, mentoring, and networks
- Sourcing of food and drinks from local suppliers, supporting local sustainability
- Home delivery, carry-to-car services, prescription collection, and other support services.

Another notable impact derives from community shops' known ability to emergency plan. Many have the ability to deal with crisis by the provision of additional community-led services and coordination of volunteers along with other local community organisations – as has been seen in their response to critical weather events and, of course, to COVID-19.

6.4 Employment and preparation for work

Community shops have an excellent record in creating rural employment opportunities and offering training opportunities to staff and volunteers. With cautious estimates being extrapolated from the latest survey data, the 372 shops offer opportunities in the region of:

- 400 full-time equivalent roles
- employment opportunities and work experience for 1,000-1,200 young people (many aged under 18 years old) through volunteering, or schemes such as the Duke of Edinburgh (DofE) Award Scheme or the Welsh BaccaLaureate
- a volunteering force of around 7,000.

These are impressive statistics as they are driven by community-based businesses rather than through government employability programmes.

6.5 Environmental impacts

By promoting and selling local food, community shops not only shorten the delivery chain and save food miles but raise awareness of where people's food comes from. In turn, the community shops' support of local producers creates a local "ecosystem" of businesses which improves this effect of reducing food/ingredient miles.

A community shop opening in a rural location can significantly reduce the number of journeys people drive to access alternative retail services, and therefore save a calculable amount of car miles and emissions.

Community shops are also becoming more aware of the need to recycle where possible, and often offer re-usable bags as well as introducing policies to reduce plastic. Many shops also offer refills and other eco-friendly products. For many shops the desire to "go green" is very strong, although bulk buying and refill stations are not so easily achievable in smaller shops.

Many shops follow a business model which stock basic groceries at reasonable prices, alongside ethically sourced, organic and fair-trade products with an environmental slant.

INSIGHT



HAMPSTEAD NORREYS COMMUNITY SHOP in Berkshire, winner of the 2019 Countryside Alliance Award for Best Rural Shop in Britain, also won Plunkett's national competition for "Diversifying to Make a Difference" in December 2018. Included in the diverse range of projects run by the shop are several intended to provide environmental benefits, including an orchard for the shop of 65 mixed, heritage fruit trees, and Ecobricking, which has already led to the creation of an eco-bench at Hampstead Norreys Primary School. Ecobricking entails filling plastic bottles so full with plastic that they act as bricks. The bricks are then used as building blocks to create eco-friendly structures, removing single-use plastic from the environment.

<https://www.hncs.co.uk/community-projects.html>

Other environmental initiatives by the shop include:

- Toy Swap Shop to re-home unwanted toys
- Make Your Own Wooden Xmas Tree Workshops (reusable Xmas trees with wood supplied by Oxford Wood Recycling)
- Bring Me Back Bags for customers who have forgotten their bags, made by a sustainability sewing group from recycled materials e.g. unwanted duvet covers
- Recycling for the Community
- Greenfest, a Sustainable Living event, first run in Spring 2019 which attracted nearly 3,000 visitors, with plans to run again in September 2020.

7

Financial performance



7.1 Profitability

The data for the annual shop turnover and profits/losses has been gathered from a sample of 222 published AR30 returns or Companies House returns, made by community shops for financial years ending either in late 2017, 2018 or 2019 (AR30 returns are required by the Financial Conduct Authority from Community Benefit Societies and Co-operative Societies), or from the 2020 Plunkett survey where more current data was available. 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 PO services for comparability purposes.

The majority of shops are making either modest profits or modest losses (between £1 to £5,000 profit or loss):

- 63% (140) made a profit or broke even in the year recorded
- The average for those shops showing a profit was approximately £6,800, however 80 shops (57% of those making a profit) recorded net profits of between £1 and £5,000

- 37% of shops reported a loss in the year recorded with an average loss of approximately £5,050
- 55 shops (67% of those making a loss) recorded that year's loss as between -£1 and -£5,000.

Many shops have other sources of income or rely on grants, donations or other means of external funding, so many of those showing losses will compensate by these means.

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+.

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 7.1
COMMUNITY SHOPS: PROFITS/LOSSES



FCA 2017, 2018 and 2019 AR30 Returns/Companies House records or 2020 Plunkett survey, from 222 records

7.2 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.

The largest proportion of community shops, (56%), had an annual turnover in the range £50,001-£100,000. 17% had a turnover of under £50,000 and, at the upper end, 20% of shops had a turnover of between £200,001 and £400,000. Just 6% had a turnover exceeding £400,000.

Total annual turnover for this sample of 219 (with data drawn from the most recent year that data was available) was approximately £34.5m giving an approximate average turnover for the years sampled of £156,000 per shop. Although needing caution, if this average is applied to the full contingent of 372 shops, then annual turnover for this sector equates to approximately £58m p/a.

FIGURE 7.2
COMMUNITY SHOPS: TURNOVER



Source: FCA AR30 Returns from sample of 219 records



FIGURE 7.3
COMMUNITY SHOPS: TENURE

Purchased by the community

33

Rented / leased by community at full market rent

20

Peppercorn, other discounted rent or ground rent only

37

Rent free

11

Other

1

Source: 2020 Plunkett survey from 102 responses

7.3 Rents, 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. However, 70% of shops surveyed in 2020 that rent their premises are paying peppercorn, discounted or ground rent only, or do not pay a rent at all.

Community shops generally avoid debt capital: as we found last year, 82% of shops responding had no outstanding loans or mortgages. Less than 10% reported loan overheads of more than £20,000.

Approximately half of community shops rent their premises. There are substantial variations in both the nature and the security offered by the tenancy agreement, and in the length of tenure.

Of the 44 shops in the 2020 survey that reported their length of tenure, a surprising 43% had less than five years left on their agreement and four of these shops (9%) had either an annual or no formal agreement, potentially a destabilising lack of security of tenure.

The variation in monthly rents is substantial, with the largest proportion of those renting or paying ground rent (65%) paying no more than £200 per month (including peppercorn rents and rent free arrangements), rising to market rents up to and exceeding £800 per month.

7.4 Ongoing fundraising

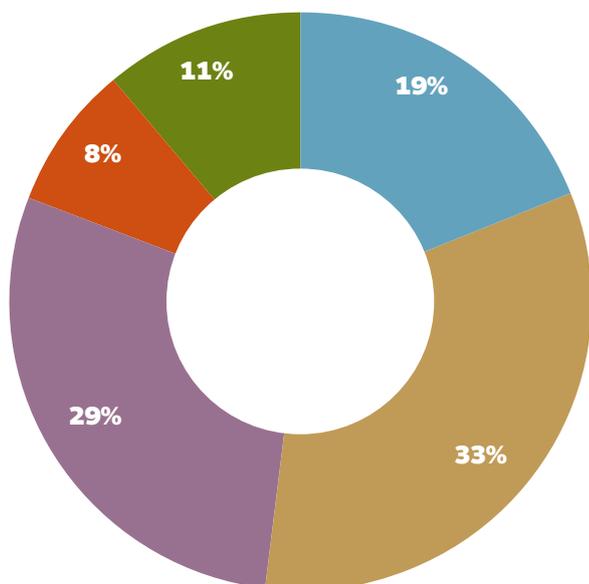
The majority (61%) of responding shops did not need to seek donations, grants or other funding in 2019 to support profitability, maintenance or to replace equipment. This is a higher proportion than last year and suggests the shops are managing to cover their costs despite modest net profits.

Of the remainder, those that needed to raise supplementary income, the majority raised up to £10,000. Four shops did not specify amounts but reported they had variously run a share offer, raised funds for completing shop construction, for staff costs given insufficient volunteers, and for general improvements.

7.5 Distribution of surplus profit

The business model for many community shops includes the ideal of distribution of net profit to its community (and in most cases this key principle is embedded in its legal structure).

FIGURE 7.4
USE OF PROFITS



■ No profits	30
■ Reinvest in the business	52
■ Contribute to reserves	45
■ Donated to charity	12
■ Donated to other community projects	17

Source: 2020 Plunkett survey from 102 responses

Please note: some shops report multiple uses of profits.

Where community shops have net profits these are usually of a modest scale, and the most common use is to reinvest in the business and/or build reserves. In this way they still fulfil their mission by strengthening their long-term survival and ensuring their communities retain the vital asset of a local shop. A similar proportion (19%) to last year responded that they had sufficient profits to donate to charity or community projects.

INSIGHT

PORT APPIN STORES in Argyll was taken over by the community in 1984 and is run by Appin Community Co-operative. Well-stocked with fresh, local foods and everyday groceries, the shop is at the heart of Appin community life, and its popularity and success enabled a new store to be built in 2001. The store's profits are ploughed back into the community via **Appin Community Trust**, established in 1991.

The Trust, whose income comes predominantly from the co-operative, enhanced by legacies and donations, donates to many charitable and educational activities in the north Lorn area.

In recent years the Trust has been the funding agent for several large projects – the community car park, the all-weather pitch, the reflooring of the Port Appin hall and the major refurbishment of the Jubilee Bridge.

The Trust also runs the 100 Club to raise funds to maintain and improve Appin's leisure facilities.



8

Sector confidence and concerns



The 2020 Plunkett survey asked respondents both about how confident they felt about the next 12 months for the success of their shops, and about priorities and concerns looking forward.

A strong majority were positive about the future (93%), but 7% less so – this is reflective of other findings from the research including analysis of annual returns and accounts and the accompanying commentaries that identify a number of shops that are ‘at risk’.

The focus groups were even more positive about the future and although several participants felt that it sounded rather insensitive to say it, they felt that COVID-19 had been a great boon to their businesses, making the shops stronger, giving time to remodel and restructure, and bringing in new customers and volunteers, along with stronger community awareness and support.

When it came to concerns, COVID-19 was clearly at the forefront of respondents’ minds, with a split between those solely focused on tackling the issues it raised and those balancing this with underlying concerns.

FIGURE 8.1 CONFIDENCE OVER THE NEXT 12 MONTHS

Very confident about the next 12 months

47

Confident about the next 12 months

48

Concerned about the next 12 months

6

Very concerned

1

Source: 2020 Plunkett survey from 102 responses

There were fewer responses to all non-COVID concerns.

However, as reported in the previous year, the top-scoring concern (61% of responding shops) for 2020 is to sustain and increase volunteer commitment. This is despite the large wave of additional volunteers that arrived to support the shops through COVID-19 lockdown, many of whom have already returned to their other working commitments.

Proportionally fewer respondents (49%) were concerned about sustaining or improving turnover and profitability but it is still seen as a challenge. It is less of a concern than last year, possibly due to increased revenue for many shops during the early stages of the disease outbreak.

A significant 26% of responding shops are concerned about achieving and/or sustaining an effective management committee. Succession planning and attracting younger committee members are commonly cited challenges.



FIGURE 8.2
SPECIFIC COVID-19 RELATED CONCERNS

Replacing volunteers shielding / unavailable

72

Prospect of furloughing staff

13

Retaining staff e.g. if concerned about personal safety

21

Other unhelpful creditors

0

Uncooperative banks / building societies re outstanding loans / mortgages

2

The speed of government's response

4

Unclear or conflicting government advice

18

Insufficient information or guidance on the outbreak

8

Managing social distancing in the shop

55

Ability to serve the community during the outbreak e.g. sourcing stock

69

Keeping the shop open during the outbreak

46

Source: 2020 Plunkett survey from 102 responses



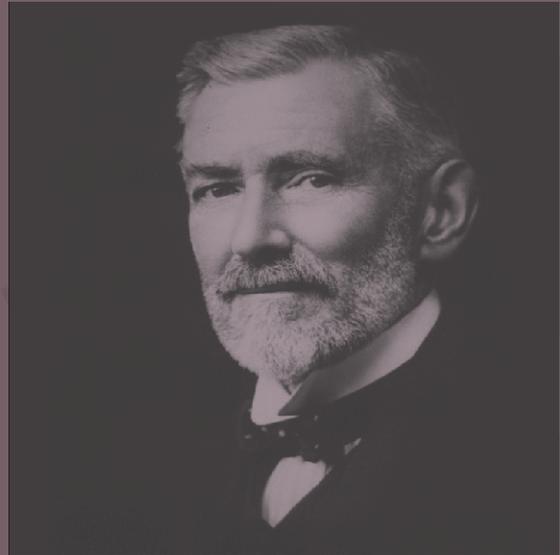
**Plunkett
Foundation**

www.plunkett.co.uk

About Plunkett Foundation

The Plunkett Foundation helps rural communities UK-wide to tackle the issues they face by promoting and supporting community business. Community businesses are enterprises that are owned and run democratically by members of the community and others, on behalf of the community. They come in many forms – including shops, pubs, woodlands and anything which lends itself to community ownership.

In addition to developing and safeguarding valuable assets and services, community businesses address a range of issues including isolation, loneliness, wellbeing, work and training. For over 100 years we have provided practical support to help communities establish and run these businesses successfully.



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

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