

Community Shops

A better form of business
2018



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, electronic questionnaires completed by 38 community businesses in 2017 and detailed telephone surveys from shops that opened in 2017, together with additional information held by Plunkett Foundation 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 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 written report was undertaken by the Plunkett Foundation. This work was only made possible due to the generous contribution made by the Power to Change Research Institute.



In 2017:

- 4 new shops opened
- There were **346** community shops trading in the UK by the close of the year
- These 346 shops were owned by over **61,000** shareholders with an average of **177** shareholders per shop
- Managed community shops generated average annual turnovers of **£161,874** per shop – **£53m** in total
- Each shop creates an average of **4** paid jobs – **1,380** in total
- Each shop creates an average of **30** volunteer opportunities – **10,350** in total
- The long term survival rate of community shops was **94%**

Foreword

It is a privilege to introduce this year's Better Business Report for community shops which illustrates through its use of statistical data and anecdotal evidence, yet another year of continued impact that community shops have on rural communities.

During 2017, Plunkett received 50 new enquires from communities responding to the closure of privately run village shops. This may well have been the initial motivation for exploring community ownership but very soon they will find that 'saving essential services' is just a small part of the picture. The impact will reach far beyond the shopping basket. Deep into the heart of residents' lives, providing, for many, a place to go that will help to reduce their isolation, give them a focal point and hub for information, companionship and sense of

belonging. It is in response to the social impact that many community businesses are growing beyond being a shop to include a diverse range of services that reflect the needs of their communities. From cafes, Box Office and book exchanges to art classes, education and reading groups, to name but a few!

I would like to take this opportunity to thank all of Plunkett's funders and partners that help support the essential service for community shops.



Sue Boer
Plunkett Trustee



What is a community shop?

Since 1919, Plunkett Foundation has been advocating 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 is just that – it's a business owned and controlled by a large number of people from within the community for community benefit.

Community shops are owned by members (sometimes known as shareholders) and are run democratically on the basis of one-member-one-vote. Membership is voluntary, affordable, and open to all in a community, and is the mechanism for ensuring the community has a genuine say in how the business is run. This is what gives community shops longevity, as member control and input ensures the business is continually adapting and serving the needs of its members and wider community.

Once in community ownership, an elected committee or board will continue to represent the wider membership and determine 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 volunteers (a managed shop), or 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 cafes. 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.



Growth

Interest from rural communities in setting up a community shop remains strong, with 50 new enquiries having been received during 2017 – a comparable figure to 2016. 29 of these went on to receive further advice and support. Only 4 communities, however, reached trading stage in 2017 which is a much lower number than previous years, and the lowest number since 1999.

Rather than more communities failing to reach trading stage, our records are indicating that it is more a case of taking longer to reach trading stage. Our records suggest, for example, that 1 in 7 community shop enquiries will reach trading stage following our advice and support which is a figure which has remained the same for three years. Based on 1 in 7 community shop enquiries reaching trading stage, we might expect 7 of the 50 new enquiries received in 2017 to eventually open.

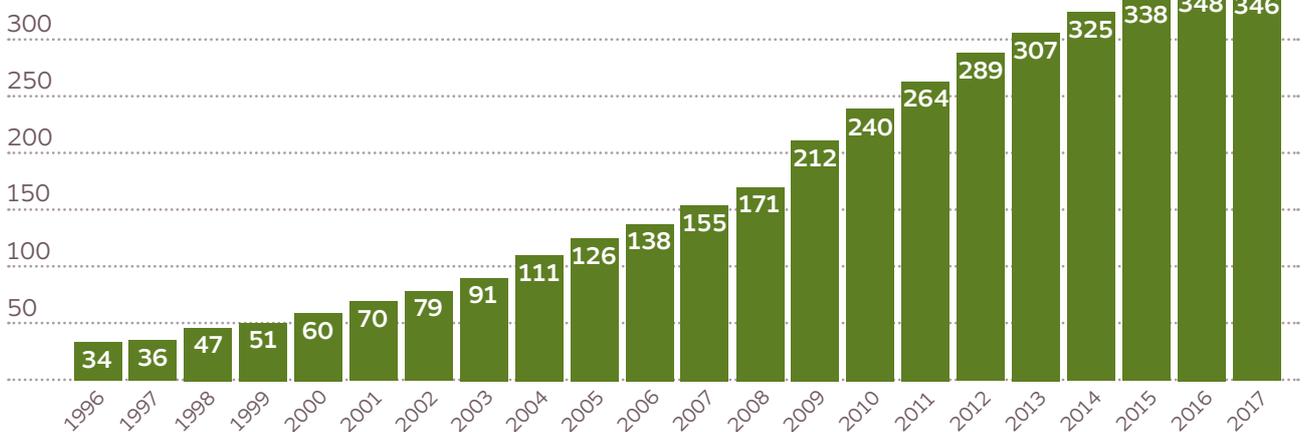
Key reasons given for communities taking longer to reach trading stage include:

- limited grant funding being available for rural communities and for smaller scale enterprises such as shops, and
- a lack of appropriately scaled loan finance available in the market

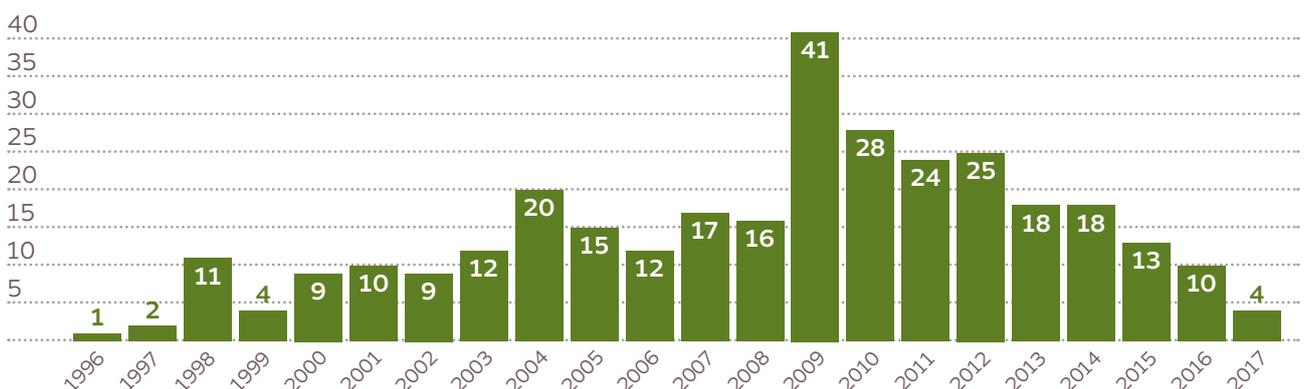
Communities are therefore increasingly dependent on sourcing the majority of start-up costs themselves through community share issues, and without a dedicated grant or loan programme, there is a lack of urgency or competition driving shop projects forward.

Of those that did reach trading stage in 2017, the average start-up cost was just £39,100. This is less than previous years as a result of none of these 4 shops having purchased the freehold of their premises, keeping costs to a minimum.

Total number of community shops trading by year



Community shop openings by year



It was also a disappointing year for community shops already trading. Two shops transferred into private ownership in 2017 and a further five ceased trading altogether. The primary reason given for the closures was a lack of permanent premises being available. 74% of community shops, for example, are based in rented or leased premises and don't all have long term security of tenure. A secondary reason for closures was a perceived lack of support from the community. There is clearly a need for a more proactive approach from Plunkett and partners to ensure existing community shops have access to the support they need to continue serving their local communities.

The total number of community shops trading at the close of 2017 was 346, which was slight reduction of 0.6% since December 2016. With 24 community shops in total having closed since 1992, the long term survival rate of 94% still compares favourably with estimations for all small UK businesses which is 44.1%.¹

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 across all of England. The map below 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 the mushrooming effect of community shops inspiring their neighbouring communities to follow suit.

Distribution of community shops across the UK

- Community shops already established
- Community shops established in 2017



¹ Figure based on data between 2011 and 2016 from Office for National Statistics www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/businessdemography/2016



Community shop numbers by region

Region	Trading in 2016	Closures in 2017	New openings in 2017	Number of new enquiries in 2017
South West	111	1	2	16
South East	78	3	0	13
East of England	46	0	1	5
Scotland	31	1	0	4
West Midlands	20	0	0	3
East Midlands	17	0	1	0
Wales	19	1	0	3
Yorkshire and Humber	12	1	0	1
North West	11	0	0	1
North East	3	0	0	2
Northern Ireland	1	0	0	2
Total	349	7	4	50

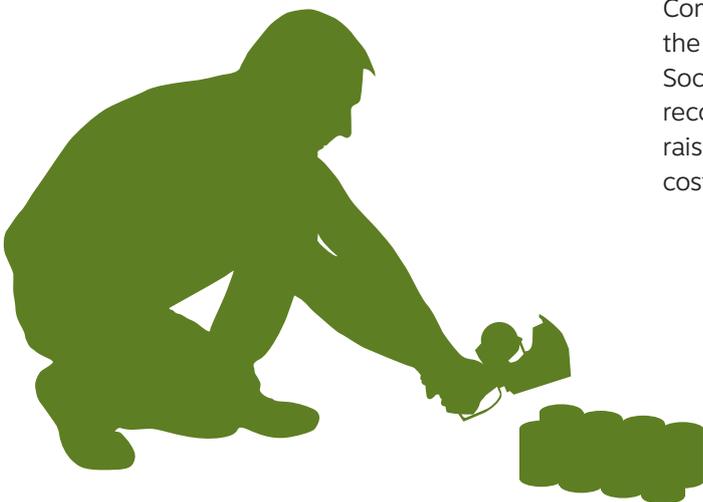


Legal structure

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:

- Being able to identify the community that the business will serve
- A management committee made up of members of the community
- Open and voluntary membership
- The community and its needs must be clearly represented with the majority of members from the identified community
- The interests of the shop to be linked into community control allowing the community to have a genuine say in how the business is run – ideally with one member one vote
- Ideally, there should be an asset lock
- Trading should meet the identified needs of the community and a long-term commitment to the community business
- A commitment to re-invest profits in the local community



Legal structures which allow for this most commonly include Community Benefit Societies (CBS), Co-operative Societies, Companies Limited by Guarantee, and Community Interest Companies and may also include a Private Company Limited by Shares if the criteria can be established. The vast majority of community shops, 68%, 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 177 members per group.

The benefits of having a larger membership base include:

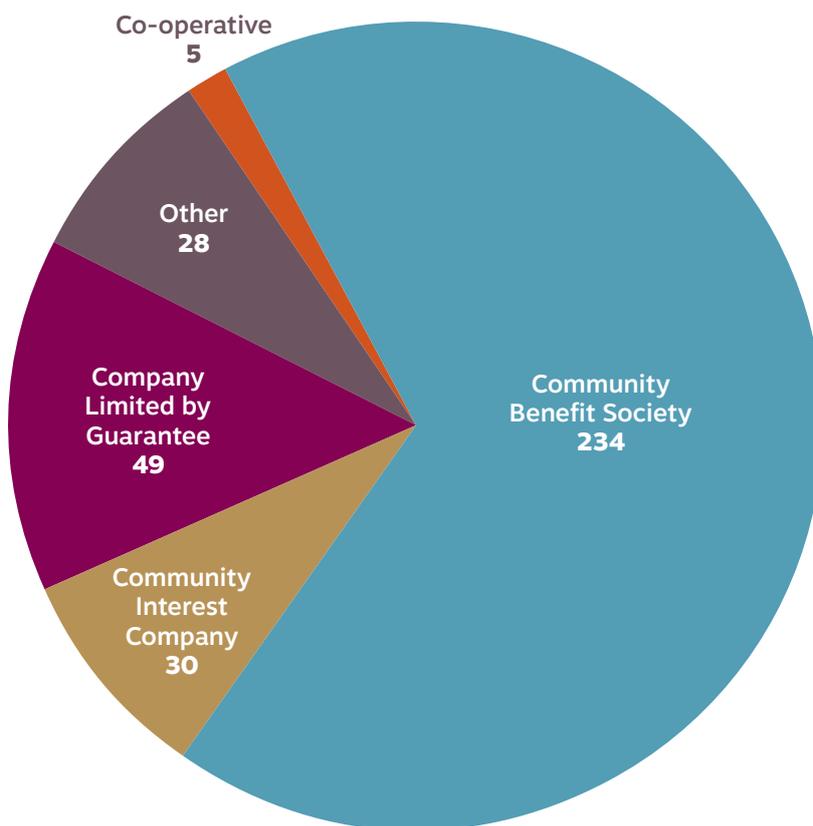
- A greater number of customers who are likely to use the business regularly
- A greater pool of people to call on as volunteers
- A greater range of expertise to elect onto the management committee

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 further reason for the popularity of the Community Benefit Society 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 that has been raised and retained towards community shop set-up costs in community shares is £24,364 per shop.



Legal structures adopted by community shops (by number)



Financial performance

The most accurate data available is from analysing the financial returns submitted to the FCA by Community Benefit and Co-operative Societies. For this section of the report, we have identified 210 such Societies with financial data that is no older than three years old and is the most up to date information recorded by the FCA. We have excluded tenanted shops owing to their turnover being almost exclusively rent only.

Turnover

Turnover values ranged from £1,383 to £782,368 averaging at £161,874 per shop. If this average was applied across all 328 managed shops, the total turnover of the managed community shop sector would be in the region of £53 million plus tenanted shop turnovers. 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 in community shops range from between 10% and 37% averaging at 22%. Net profit ranged from -£13,075 to £36,111, averaging at £3,816 per shop. This seems to be a fairly static figure, with £3,274 achieved in 2016, £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 328 managed shops, total net profit of the community shop sector was in the region of £1.25 million plus any profits achieved by tenanted shops.

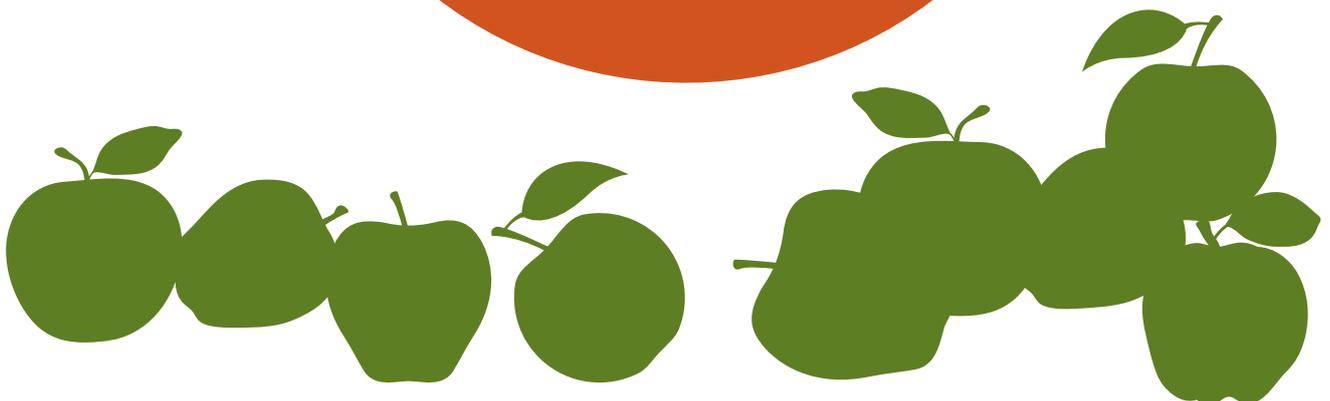
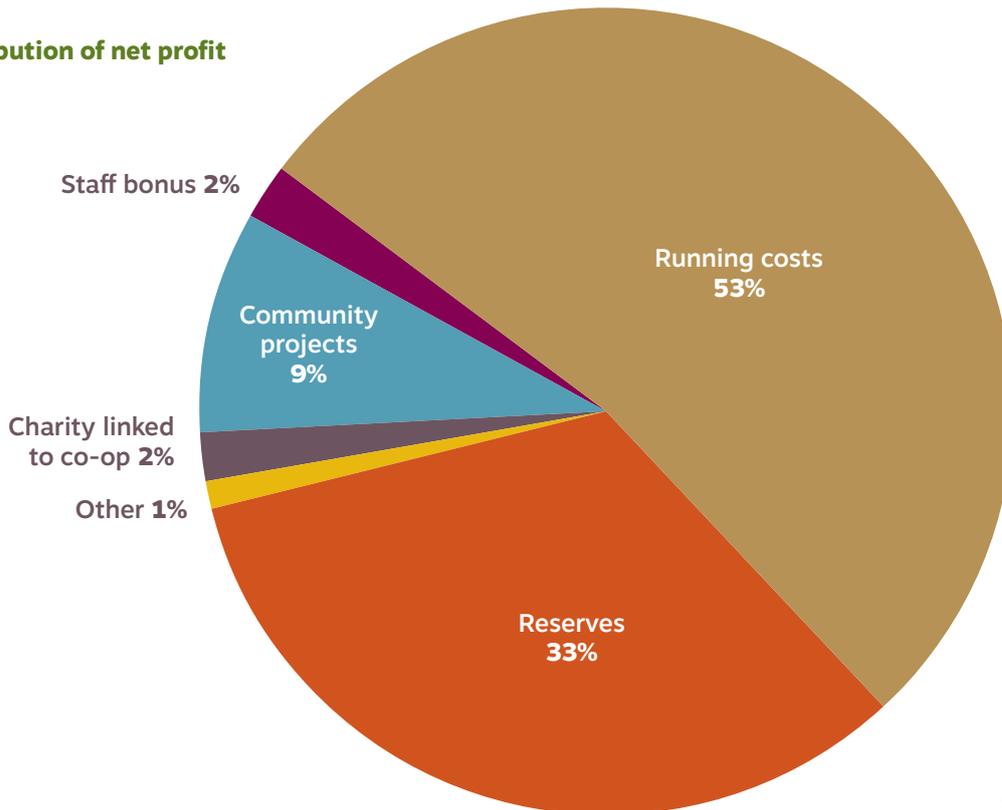


Distribution of net profit

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. Interestingly, the survey showed 9% of net profits were donated to community projects, which suggests a total in the region of £112,500 across the UK during 2017. 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.



Distribution of net profit



People

Governance

Community shops are membership organisations; members being the owners of the business. Based on data obtained mostly from the FCA and Companies House covering 240 community shops, there are on average, 177 members per shop.

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

Tenure

The majority of all 346 community shops (95%), are managed directly by the community via a management committee who then recruit staff or volunteers, or a combination of the two. Only 5% of community shops are managed by a private tenant.

Staffing

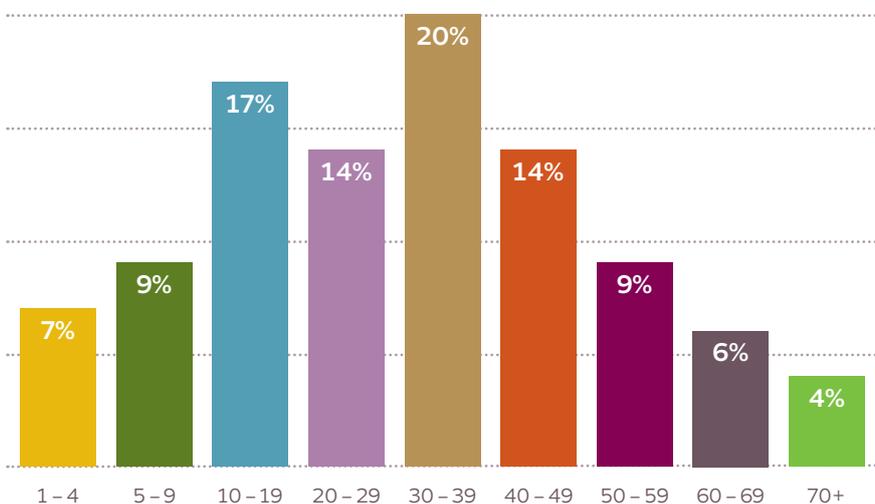
Staffing Structure	Percentage
Volunteers and paid staff	57%
Volunteers	20%
Paid staff	8%
Tenanted	5%
Unknown	10%

Previous data shows that 8% of shops are run entirely by paid staff, and at the other end of the spectrum, 20% 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.

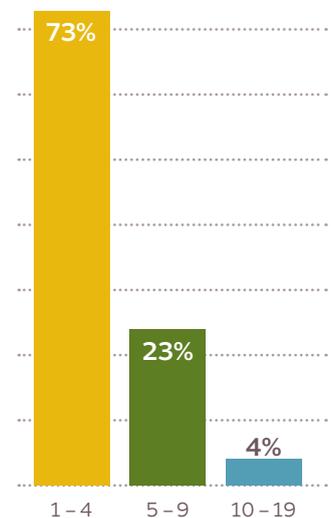
Paid staff can create a sense of stability, control and continuity to the running of the shop and this will give some peace of mind to the management committee that the business is being effectively run without the need for their daily intervention. Volunteers, however, spread the workload keeping costs 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.

Our data shows that on average, community shops employ 4 members of staff, totalling 1,380 across the network - many of whom will be part-time. Community shops will also engage an average of 30 volunteers regularly which equates to 10,350 people nationally.

Number of volunteers²



Number of paid staff²



² Based on data collected for 2017 report



Assets

Only 26% of communities own the freehold of their community shop, as the majority either rent, lease, or pay a peppercorn rent. The range of premises type, size and tenure is significant. The largest proportion (37%) are based in former village shop premises but communities have been establishing shops in converted premises (19%) and new-builds (15%). 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 to facilities, opportunities to combine the shop with additional community or commercial activity, and often at a lower freehold cost.

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

Typical premises for community shops

Premises type	Percentage
Existing building hosting a previous shop	37%
Existing building converted to a shop	19%
New building	15%
Village hall	11%
Portacabin / Pre-fabricated building	8%
Building with religious purpose	3%
Pub / Pub Car Park	1%
Unknown	6%

Tenure of community shops

Tenure	Percentage
Rented/leased	62%
Freehold	26%
Rent free / peppercorn rent	7%
Unknown	5%

Services and facilities

Everyday essentials

Previous research shows that 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.

Most profitable lines

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

Most sold items

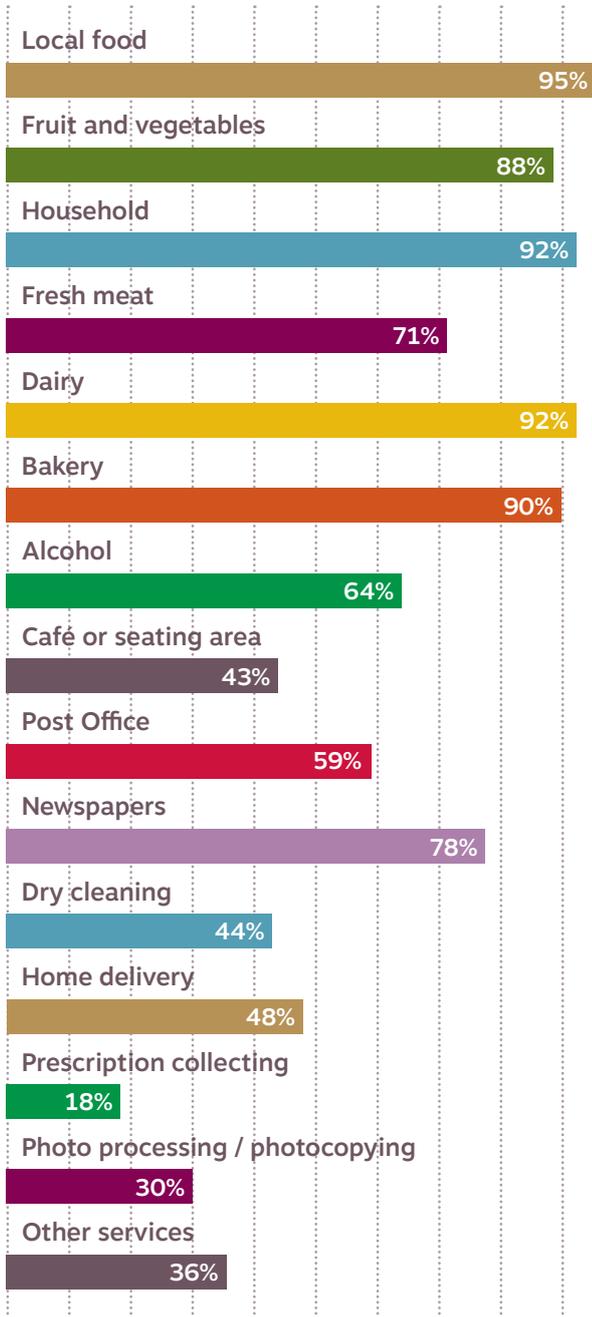
Rank	Items
1	Dairy and eggs
2	Bread and bakery
3	Newspapers and magazines
4	Soft drinks
5	Cigarettes and tobacco
6	Wholefoods and groceries
7	Confectionery
8	Alcohol
9	Cards and stationery
10	Café services

Local food

95% of community shops stock and sell local food, and was ranked as one of their most profitable lines. 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.



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

Community shops go much further than simply selling food and drink. They become the hub of their community by being open long hours, open to all the community, and often facilitate a wide range of services that are needed.

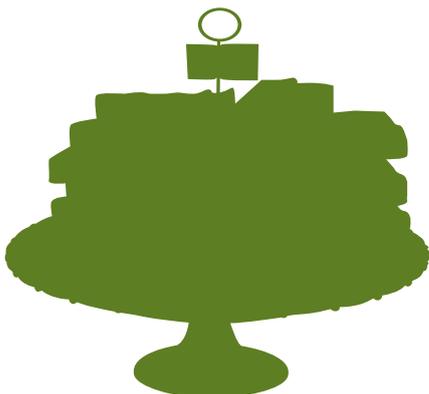
When considering setting up a community shop, it is important to evaluate how to create a positive impact in the community by looking at the social impact that is needed in the community.

Plunkett Foundation believes that when considering social impact, a community must identify the needs of the local community, usually via a consultation questionnaire, speaking at local events and working with local community groups or partners, and then to identify the services needed to address those needs. This might be by looking at how to:

- Alleviate social isolation and loneliness
- Improve healthcare and wellbeing
- Boost the local economy
- Support the environment

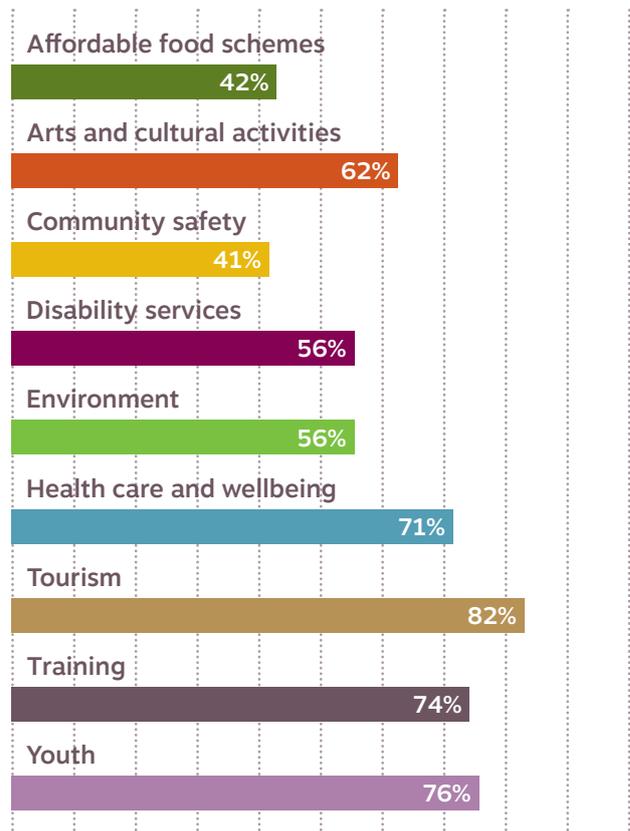
In a rural community, the shop can often help address the above by becoming a social hub in the community. It offers a lifeline to many other nearby settlements and on average provides services to between three and four additional villages. For some rural residents, particularly the less mobile, having a community shop and the services it offers, can make the difference in enabling them to remain living in their home without having to relocate.

As well as safeguarding valuable services, data shows that shops improve and contribute to community life as follows:



How shops improve and contribute to community life

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



Alleviating social isolation and loneliness

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. From the setting up phase to the running of the shop, these businesses involve large numbers of people from the community as members, committees, volunteers, staff and customers, and as such they become highly social places which bring people together. Community Shops are a great leveller – they bring people together of all ages, backgrounds and interests, and give them a purpose to interact. This can benefit new residents who want to meet their neighbours, individuals that may feel isolated at home, the retired seeking opportunities to remain active, and those who live alone or are carers and might have no other way of meeting people. Because of this, there is no doubt that community shops help address social isolation and loneliness.

Our most recent survey shows that community shops are aiming to tackle rural isolation by offering volunteering opportunities and by becoming a social hub offering a safe place for rural residents to meet up whatever their age.

In addition to running a business, below are examples from the 2018 survey, showing the range of additional classes and activities that community shops typically host.

Typical classes and activities hosted by community shops

- Art classes
- Walking groups
- Café meet ups/coffee mornings
- Soup lunches
- Art and history groups
- Knitting groups
- Offering surgeries covering areas such as policing and healthcare

Improving healthcare and wellbeing

Community shops improve the health and wellbeing of local residents in their communities. This may be by offering a meeting space or rooms for those offering health services such as NHS consultations, chiropody or counselling services, or it may act as a base for clubs and activities such as walking and cycling groups. It may also offer volunteering and employment opportunities for those that could benefit from the company of friends and colleagues or learning some life skills to enable them to gain paid employment.

Our 2018 survey shows that community shops aim to improve healthcare and wellbeing in their community by being aware of the need to offer affordable, healthy food. Some will discount short dated stock or even give it away and other initiatives were to be able to offer discounted fruit and vegetables grown in a community garden and to offer a senior citizens discount. Provision of affordable basics was considered a priority. Other examples include:

- Ensuring a compassionate community addressing loneliness, depression and dementia with soup lunches, walking, arts and history groups
- Assisting with buying choices for dementia sufferers and ensuring they get home safely
- Stocking food for special diets

- Serving as a hub for walking and other activities
- Prescription drop off and collection/stocking over the counter medicines
- Encouraging older volunteers and volunteers that need extra support and with confidence issues
- Offering home delivery for those with limited mobility
- Offering citizens advice, healthcare, policing and other sessions
- Providing a small café as a place to meet others
- Training staff and volunteers to be aware of the sick and elderly
- Providing lunches for those that cannot cook for themselves

Boosting the local economy

A community shop offers a resilient form of business that can help regenerate the local economy. This may be by:

- Creating employment opportunities
- Offering training opportunities to staff and volunteers
- Purchasing from local suppliers
- Improving access to other local services
- Raising money for local charities either through fundraising events or by using surplus profits to make donations
- Encouraging collective investment via community shares in the local economy

Supporting the environment

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 saved just 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).

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.

Case studies

Alfrick & Lulsley Community Shop

Alfrick & Lulsley Community Shop is a community owned shop, cafe and Post Office in the Village of Alfrick, serving rural Worcestershire and Herefordshire.

The shop, which was originally located in a temporary Portacabin building, opened its doors in 2012, following the closure of the last village store. Alan Soper, chairman of the shop committee, says: “When the original shop closed local people experienced a sense of loss, and they felt that they had lost the centre of their community”.

After consulting with local residents as to what was needed to bring the community back to life, a decision was made to set up a community shop - a shop complete with cafe and post office. The villagers set up a committee, they organised a community share issue, and a strong funding strategy was developed.

Grants were subsequently received from the Prince's Countryside Fund, BIG Lottery, the Community Business Fund, John Laing Charitable Trust and the European Agricultural Fund. The local community also raised £70,000 in shares and donations, and help and support from the Plunkett Foundation, particularly in those early years, was invaluable.

The popularity and success of the shop eventually led to a need for more permanent facilities, and a 99 year lease was negotiated on some land adjacent to the Village Hall, and planning permission for a new build was secured.

The new development, which officially opened on 8 September 2018, houses not only the shop and post office, but also a cafe with a kitchen, toilet facilities and an attractive garden area with seating for both shoppers and visitors.

The shop has become a successful social centre for Alfrick & Lulsley and the surrounding area, and residents regularly call in for a cup of tea to meet and talk with friends. It is an important point of contact for everyone in the village, and the café is a social hub that targets under-represented groups and combats isolation.

None of this would have been possible without the team of about 70 volunteers, who staff the shop and cafe and provide 'back office' services. The volunteer contribution by the whole community is the key to the whole operation, and it means that almost one in ten of the local population is involved in the shop.

In 2016, Alfrick and Lulsley Community Shop Ltd was recognised with the Queen's Award for Voluntary Service, the highest award a voluntary group can receive in the UK.





Ashton Hayes and Mouldsworth Community Shop

In 2009, the people of Ashton Hayes faced a problem that is familiar to many rural communities - the loss of their village shop.

The owner had tried to sell the general store and post office as a going concern, but there were no takers, so the Parish Council convened a steering group to look at purchasing the shop as a community business.

With help from the Plunkett Foundation, a business plan was drawn up, applications for funding were made, and with supportive contributions from the two Parish Councils, Ashton Hayes and Mouldsworth Community Shop opened in January 2010.

The shop is run by a paid manager, additional part-time assistant managers and some junior weekend staff: however, the shop could not operate without a dedicated group of 40+ volunteers, who cover most of the shop opening hours. The voluntary management committee of 8 people also oversees the operation of the shop, supports the managers and ensures that everything runs smoothly.

The shop works in partnership with many other local organisations such as the Community Café and the Time Bank. The shop also conveniently shares its premises with Ash-worth Time Bank, and the premises are leased from the owner of the building, who runs the Sub Post Office within the shop.

The purpose of the Time Bank is “To address rural isolation by sharing the skills, experiences and resources of the community so that individuals feel valued and included, and to encourage and enhance health and wellbeing”. Added benefits of the Time Bank are that it helps to build a cohesive, stable, self-perpetuating community of self-help, and it can turn strangers into friends and neighbours into extended family.

The Community Shop also plays an important role in the well-being of the whole community, ‘keeping an eye’ on vulnerable or elderly residents – some of whom may have a disability or dementia.

Lisa Allman, chairman, says, “The nearest shop is in Kelsall, which is three miles away, and we don’t have any public transport links with Kelsall. There is no bus service in the village and the nearest train station is a mile away from the village. We’ve also got a large elderly population, and many people do rely on the shop for their weekly shopping, so without the shop those people would be completely stuck.”

Prices are kept reasonable through the use of volunteers, and high quality local produce is made available to everyone within the village, which means that people without transport can still benefit from the convenience of a well-stocked local village shop.



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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 and collaboration. We support people, predominantly in rural areas, to set up and run community businesses; 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, cafés, pubs and land-based initiatives, and anything in between.

If you share our values, ask us about becoming a member

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