

Scottish Parliament Cross Party Group on Independent Convenience Stores

Minute of meeting held on 18th September 2018 in Committee Room 3

1. WELCOME AND INTRODUCTIONS

The Convenor welcomed attendees to the meeting including Richard Lyle MSP, Jackie Baillie MSP and Daniel Johnson MSP who were also in attendance and then outlined the main items of business. Apologies were received from John Mason MSP, Murdo Fraser MSP and Maurice Golden MSP.

2. APPROVAL OF PREVIOUS MINUTES AND ACTION POINTS

The Convener asked for the approval of the previous minutes from the 22nd May 2018 meeting. These were approved subject to Professor Leigh Sparks having his name removed from the attendance list as he was not present.

3. PROTECTION OF SHOP WORKERS

Daniel Johnson MSP informed the CPG his Protection of workers Private Members Bill was now at the drafting stage. The Bill would possibly be introduced around the Christmas period.

Daniel indicated that the proposed changes to the law by the Offensive Weapons Bill which was currently being scrutinised at Westminster could supersede elements of his own proposals.

The Convener thanked Daniel for the update.

4. THE FUTURE OF RETAIL

The convenor informed those in attendance that the CPG meeting was being held in partnership with the Scottish Retail Consortium and welcomed both David Lonsdale and Rachel Lund.

The following presentations were delivered:

Rachel Lund – British Retail Consortium

Rachel Lund explained that her presentation on the retail industry was UK wide in focus.

Rachel informed the CPG that UK retailers were experiencing tough times. Some of the issues highlighted were that: 1) Profit margins had fallen over the last five years and there was an increase in CVAs and insolvencies 2) There was a long term downward in trend in growth with the market growing slowly for retailers 3) Consumer income growth was slow and this was having a similar effect on retailers 4) Competition had driven down shop prices and it was noted that this had been the case for the last five years 5) Consumers had an on-line shopping appetite and Rachel highlighted that while on-line shopping only represented 18% of all UK retail sales this sector was where all the growth in retail sales was happening; 6) Footfall to shops had fallen and this was in part due to on-line shopping 7) Rising costs were impacting on the viability of maintaining store networks through costs such as business rates and wages and 8) Store numbers were falling for example in England and Wales. Investment in stores appeared to be in more central urban locations at the expense of provision in outlying areas leading to an uneven geographical spread of stores.

Rachel explained however that the 'store' was not dead as many stores did some things better than what an on-line shopping experience could offer. Stores offered a place to hang-out and meet friends; they were a fulfilment centre as a customer could click and collect purchases; they offered convenience and customers had the opportunity to touch and feel products as well as try certain items on. Rachel stated this showed stores were not dead but that their roles were changing.

Rachel indicated that the top five retailers in the UK were: 1) Amazon 2) Tesco 3) Sainsbury's 4) Dixons and 5) Next. This showed that traditional retailers were not dead and Rachel indicated that more than 50% of on-line sellers had a store network too.

Rachel informed the CPG that technology would transform retail and people would not distinguish between shopping on-line or in stores. Retail would involve artificial intelligence, the internet of things, virtual and augmented reality and automation. This in turn could lead to fewer but higher paid jobs in retail.

Rachel thanked the CPG for their time and the Convener thanked her for her contribution to proceedings.

Phil Prentice – Scotland Towns Partnership

Phil Prentice informed the CPG that Scotland Towns Partnership (STP) was the go-to-body for Scotland's towns and a hub for promoting all things towns. STP was also a repository for a wealth of intelligence around the Town Centre Action Plan and how to deliver it. Phil stated that the Scottish Grocers' Federation was a valued partner of STP.

Phil indicated that the focus of his presentation would be on shopping centres – of which there were around 900 in the UK - and stated that the billion pound revamp of St James Centre in Edinburgh was an anomaly as shopping centre development across the country had stopped. People were currently agitated as the country was moving from one type of retailing to another, that being a move to on-line retail. At present however 80% of retail sales were through the high street. Phil indicated that retailers reacted to what consumers wanted and so this was why many town centres were empty.

Phil stated that shopping centres offered economic and social benefits and that it was important that they were not lost. Shopping centres were ubiquitous. STP used the Understanding Scottish Places (USP) platform (www.usp.scot) to monitor data and algorithms. The USP offered a mechanism for understanding the similarity of places across Scotland.

Phil indicated that shopping centres could not compete with on-line or out of town shopping and that alternative solutions needed to be looked e.g. repurposing them for housing. Also public/ private collaborations were needed to help improve shopping centres as assets for their localities in terms of the services and shops they offered customers and also ensuring that they were value focussed and tailored to the demographic which they served. Phil explained that there was scope to use digital technology as part of this - such as 4G or 5G technology - but that there was a lack of knowledge to enable this digital infrastructure to be exploited.

Phil highlighted that Motherwell shopping centre had been on its knees 10 years ago but that the new shopping centre manager then changed the services on offer to customers for example by introducing other types of shops such as a Costa and a Warren James the jewellers. The shopping centre manager also utilised social media to promote the shopping centre and related charity events.

Phil stated that Kirkcaldy through the Kirkcaldy4All (www.kirkcaldy4all.co.uk) website and its social media presence had helped to promote the local town centre and this had positive benefits for retailers. Kirkcaldy4All had a sizeable social media following (50,000+) and so helped drive value for retailers. It was also noted that retail strategies for places such as Gartcosh and Troon had helped enable a return of independent retailers to their towns.

Phil informed the CPG that strategic leadership and a look to the future was required with regard to shopping centres.

The Convener thanked Phil for his presentation.

Antony Begley – Scottish Local Retailer

Antony informed the CPG that historically convenience stores (C-Stores) needed to make a 20% margin to survive however given the increasing pressures faced by C-stores, '30 was the new 20'. C-stores now required to make a 30% margin to stay in business. To do this C-stores needed to both generate revenues and cut costs. Costs included wages, business rates and personal licence renewals to enable c-stores to continue to sell alcohol.

Antony highlighted that 500 C-stores had been lost over the past three years and that previously Kenny MacAskill had indicated that C-stores were going to take a 'battering' due to the focus of the Scottish Government on healthy living issues. Antony stated that all C-store owners were real people who were also brothers, sons and fathers. The Scottish Governments focus on addressing societal issues was also having an impact on C-stores in that they were targeting the products which formed at least 80% of their turnover (e.g. cigarettes, alcohol and food).

Antony informed the CPG if things carried on the way they were going a lot more C-stores would be lost particularly in outlying areas. Cutting back on what C-Stores would be able to sell would have a real impact on their viability. There was limit as what the C-store sector could take before it would collapse. Large supermarket chains such as for example, Tesco, Aldi and Lidl were interested in selling stock and products whereas C-stores had a relationship with their customers.

Antony stated that illicit trade was also problem facing C-stores and highlighted that there had been occasions where people had come into his store to try and sell him illicit products. There was danger that retailers could fall into using illicit products given the cost pressures they faced.

Antony indicated that public intervention to help the C-store industry in Scotland was needed as the industry, including its economic benefits, tended to be overlooked while larger organisations such as Tesco did get listened to. While the standards set by Symbol stores were fantastic, MSPs etc. did not appear to recognise the significance of his.

Antony stated that the C-store industry in Scotland had to work with the Scottish Government as they needed to be made aware of the positive benefits of the sector to both the economy and Scotland.

Stephen Burnett – The Retail Data Partnership

Stephen Burnett informed the CPG that they provided a set number stores with their EPOS system which provided the Retail Data Partnership (RDP) with sales data. They analysed this data to see what products were selling and where. This in turn enabled them to provide insights for their retailers.

Stephen stated that the RDP used to provide national data to retailers but now in addition to this could also provide store profiles for a particular locality and relay this to retailers. This data was important given the massive competition faced by retailers in recent years.

The role of the RDP was to help retailer's gain insights through this sales data to enable them to run their businesses better given the regulatory and tax burdens which they also had to contend with. Complex businesses being run by one person could lead to these individuals being worn out and stressed out. On top of this business rates were changing and creating a situation where individual retailers suffered.

Stephen highlighted that there were opportunities for retailers such as through promoting healthy living products in-store via messaging and media screens. Such alternative products could be of benefit to retailers. Staff training for the store manager, staff and owner could also be of benefit to stores.

5. QUESTIONS AND ANSWERS

The Convener then invited comments and questions.

David Woodrow stated that the businesses were being faced with rising costs.

Linda Williams stated that Antony Begley was correct about the challenges faced by retailers and it was good that this had been raised at the CPG.

Dennis Williams indicated that the Living Wage would put businesses to the wall and that it was his biggest cost. He commented that the rate of £8.20 an hour would lead to more stores closing and said that the CPG and retailers needed to speak to politicians about this issue.

Ferhan Ashiq stated that MUP had been good for his store but that the policy changes being introduced by government compounded the pressure on sales. He added that the government should manage the decline of products they wished to target but that in the process they should not manage the decline of his store.

Stephen Burnett commented that retail data from IGD showed ever increasing retail sales whereas RDP data showed either stagnation or decline.

Colin Smith indicated that the wholesale industry would welcome being able to work with a 20% profit margin but that their sector had to operate on a 2% margin.

David Lonsdale indicated that the Scottish Government Bill which will follow on from their recent consultation on non-domestic rates could offer a fairer and more flexible rates system in particular the move to three-yearly rates evaluations.

Richard Lyle MSP stated that all four presentations given the CPG were fantastic and indicated he had been a grocer for 14 years and encouraged the CPG to speak to the Scottish Government about the issues and concerns raised.

Antony Begley stated that for years it was the retail industry's own fault for not speaking up about the challenges faced by the sector. Having the CPG was a huge step forward for the industry in this regard. On the issue a proposed deposit return scheme he commented that hopefully small stores would be excluded. He also stated the Scottish Government's understanding of the regulations effecting the convenience sector was going in the right direction.

Professor Leigh Sparks informed the CPG that at present business rates were not fit for purpose and represented analogue thinking. On the issue of the £8.20 hourly wage rate, he commented that it was the other costs around this figure which multiplied and so had a cumulative effect.

Pete Cheema OBE stated that the SGF had been working with Professor Leigh Sparks and Dr Maria Rybaczewska at Stirling University's Institute for Retail Studies on the real cost of employment and on the Local Multiplier Effect. He added that the Living Wage had imposed the biggest wage increase on retailers and noted that the staff hierarchy in convenience stores had been cut in order to reduce costs.

Antony Begley informed the CPG that there were more crime related incidents in-store due to only one person working in-store at a time.

Pete Cheema OBE added that lone worker situations were prevalent at petrol forecourts.

Mike Gordon stated that the difference between a corporate manager running a store and an independent convenience store run by an individual was that the former asked themselves 'What can I do to get out of here?' while the latter asked themselves 'What can I do to stay here?'. He also commented that a quality of life was offered by convenience stores.

The Convener stated that the four presentations which had been delivered had been very interesting. He indicated that the CPG should try to get a members debate in parliament on the issues raised at the CPG meeting. It would be important to get all political parties to support it.

Phil Prentice informed the CPG that shopping centres had absentee owners such as pension fund organisations but that STP were working to get them around the table. He noted that there was

complexity around ownership and property and that there was a need for co-investment and collaboration. In the 10 years post-recession he added that for the first four or five years of this period the view was to just to wait and see how things worked out. He also stated that independent convenience stores had returned to high net wealth areas.

Pete Cheema OBE informed the CPG that there had been a consolidation of the supply chain which had seen both the off trade and on trade get smaller. He added that the investment by superstores was going to treble and that this would affect the independent convenience sector the most.

John Lee asked CPG attendees whether small businesses were now to be seen as micro-businesses?

Professor Leigh Sparks responded by commenting that he did not know but there were enormous positives surrounding convenience stores such as them being community hubs and offering the social interaction. He stated that the bigger narrative needed to be flagged up such the pressures on convenience stores.

Pete Cheema OBE commented that he hoped the apprenticeship levy money paid by businesses would find its way back in the convenience sector.

The Convener stated that in terms of the apprenticeship levy, the NHS and public sector generally were not seeing a kick back from it.

6. ANY OTHER BUSINESS

The Convenor asked members to give any topics they wanted to be considered for future discussion at the CPG to John Lee.

John Lee asked the speakers who had given their excellent presentations to provide the SGF with a 250 word summary of their presentation which the CPG and SGF could present to both the Scottish Government and the Scottish Parliament.

7. DATE OF NEXT MEETING

The date of the next meeting was Tuesday 20 November 2018 in Committee Room 3.

Appendix A – Attendance List

MSPS	
Name	Company
Jackie Baillie	
Johnson, Daniel	
Lyle, Richard	

MEMBERS	
Name	Company
Akmal, Mohammed	United Wholesale Grocers' Ltd
Ali, Uzair	United Wholesale Grocers' Ltd
Ali, Zulfqar	United Wholesale Grocers' Ltd
Amabile, Jim	PGMA
Aslam, Harris	EROS Retail
Ashiq, Ferhan	Shads Supermarket LLP
Begley, Antony	55 North Ltd
Brown, Dan	Lothian Stores
Cheema, Pete	Scottish Grocers' Federation
Craig, Wendy	Camelot
Dobbie, Stewart	Scotmid
Edgar, Gillian	Healthy Living Programme
Gordon, Mike	Scotmid
Grant, Christina	Camelot
Lee, John Dr	Scottish Grocers' Federation
Lonsdale, David	Scottish Retail Consortium
McPherson, Scott	Nairns Oatcakes
McGarty, Luke	Scottish Grocers' Federation
McGookin, Chris	Camleot
McLean, Colin	C J Laing & Son
MacDonald, Yvonne	Healthy Living Programme
Neil, Kathryn	Healthy Living Programme
Russell, Macdonald Ewan	Scottish Retail Consortium
Shad, Waseem	United Wholesale Grocers' Ltd
Slaven, Thomas	United Wholesale Grocers' Ltd
Smith, Colin	Scottish Wholesale Association
Williams, Dennis	Broadway Premier
Williams, Linda	Broadway Premier

NON MEMBERS	
Name	Company
Burns, Alex	Scottish Grocer
Canham, Anne-Marie	Age Check Verification Scheme
Hay, Cat	Food & Drink Federation Scotland
Jarvie, Lorraine	Scottish Business Resilience Centre Ltd
Lund, Rachel	British Retail Consortium
Prentice, Phil	Scotland's Town Partnership
Roper, Adrian	NFRN
Rybczewska, Maria Dr	Stirling University
Sparks, Leigh (Professor.)	Stirling University
Woodrow, David	NFRN

