

ECONOMY, ENERGY AND FAIR WORK COMMITTEE

COVID-19 – impact on Scotland’s businesses, workers and economy

SUBMISSION FROM

Scottish Retail Consortium

SRC Initial Response to the Economy, Energy, and Fair Work Committee Inquiry into “How best can businesses, workers and the economy be supported during the Covid-19 crisis?”

1. The Scottish retail industry has been affected at every level by the Coronavirus crisis. While supermarkets featured in much of the early media coverage as shoppers denuded shelves of staple products, the reality is all shops have had to radically alter their operations.
2. The Scottish Retail Industry directly employs over 240,000 people, and indirectly supports supplier businesses who employ many more. Retail sales are an essential element of Scotland’s economy, contributing £25 billion to the Scottish Economy per year.
3. We of course recognise the absolute urgency of maintaining the lockdown to protect the public and our health service. However, at some point, when Ministers determine it is appropriate, we would hope to see a phased re-opening of retail premises as part of the economic recovery actions. We have written with some principles on this to the Economy Secretary.
4. Please find below a short update on market conditions and public policy. If there are specific issues the Committee would like to know more about, we’ll endeavour to provide more information if it’s available.

Market Conditions

5. The SRC published our Scottish Retail Sales Monitor for March on the 22nd of April. The Monitor covered the period 1st March to the 4th of April.

Overview

6. Scottish retail sales plummeted to their lowest decline on record since the inception of this monitor in January 1999, at -13.0% on a Total basis. It was a month of two halves, pre- and post-lockdown with growth of 9% in the first three weeks of March, followed by a decline of 44% in the last two weeks of the period. The first three weeks of the month saw the stockpiling of essentials (particularly in pharmacy and grocery) build up momentum to unprecedented levels. Meanwhile, non-essential products were neglected, unless linked to the preparations for working and schooling from home.
7. Fashion was hit particularly badly. After the lockdown was announced on 23 March, accompanied by the closure of non-essential stores, both Food and Non-Food experienced declines in the last two weeks of the period. The store closures hit footfall even to those shops that remained open. Even if online orders surged, they were far from compensating lost store sales as online orders are traditionally a minority of overall retail sales.

Food

8. Food grew 12.1% on a Total basis in March, reflecting the panic buying which culminated in the week prior to the announcement of a lockdown. The rush was not just on food but also on alcoholic drinks, as well as hygiene and cleaning products. However, this was followed by two weeks of declines, as social distancing measures resulted in almost permanent queues outside supermarkets and shoppers used up some of the stock bought in the preceding weeks. Consumer habits also changed, as people turned to their local convenience stores to make their regular shopping instead of just topping up there. The 3-month average growth of 6.1% was higher than the 5.1% recorded for the UK as a whole. The Total growth for March was the largest recorded since August 2008, which was a time of high inflation. Once the March Food inflation was taken into account, at 1.1% according to the BRC-Nielsen Shop Price Index, Food growth remained in double-digits at 11.0%, as volumes were the main drivers.

Non-Food

9. The Total decline of 33.6% for Non-Food in March was the worst ever recorded by this monitor since its inception in January 1999. Even adjusted for Online purchases, the decrease was a record 27.9%. For the three months to March, Online-adjusted Non-Food sales were down 10.3%, underperforming the whole of the UK at -6.6%. Like for Food, the contrast was striking between the pre- and post-lockdown periods. While sales were only slightly negative in the former, they dived in the latter, particularly fashion sales.

Public Policy

Taxation and Business Rates

10. The SRC originally called for the Scottish Government to use the Barnett Consequential revenues from the UK Government Budget to cancel the business rates uplift. Subsequently we asked for the Scottish Government to bring forward 100 percent rates relief in line with the measures to support retailers in England. On both occasions, following direct discussion with Ministers, the Scottish Government announced with alacrity support for those measures. It's important to note that approach has been vital in supporting the industry. Business rates are one of the largest costs retailers face. The emergency relief ensures retailers can focus on staying afloat in these times and helps fund the wide range of social distancing measures being implemented.
11. We have also seen Scottish Ministers provide the Retail and Hospitality grant scheme, which following our queries has now been extended to provide support to all smaller retail properties (within specific parameters of rateable value) rather than just each business. We supported the rolling over for a year of those Business Improvement Districts due for ballot renewals, as they will have a role to play in helping rejuvenate high streets and attracting visitors back once the worst of the crisis is past.

12. We note the First Minister has spoken about taking a phased approach to ending lockdown restrictions which may not be identical to the UK Government. Clearly Scottish Ministers must make the best decision to keep the public safe. We would however appreciate clarity on whether a longer Scottish lockdown would still see the same level of business support as is currently being received.

Operations

13. The SRC wrote to Scottish Government to ask that pharmacy and retail workers were considered as key workers so those employees could receive childcare – and subsequently sent a second letter to Scottish Ministers co-signed with USDAW. We would note the decision to leave this to local authorities has been very burdensome on national businesses having to engage with a plurality of local authorities.
14. That approach has exacerbated a significant absenteeism issue for those retailers. Across the industry we see thousands of retail workers unable to work through a combination of illness, because they are vulnerable and therefore retailers have removed them from store work, and family commitments. That has a very significant financial cost to grocery retailers who are investing in PPE and safety screens for colleagues dealing with customers, additional security to manage social distancing, import costs, and the hiring and training of tens of thousands of new staff.
15. Social distancing costs include flexi-plastic at tills, additional signage, additional cleaning, facemasks and personal protection equipment for colleagues, and extra security including marshalling queues. Based on a selection of member feedback from those continuing to trade, a very rough estimate would be UK expenditure is around £100 million so far.
16. We note in recent weeks that the provision of tests for pharmacy workers has increased, which will have a significant impact on those businesses operations. In March we wrote to the Economy Secretary to ask that wider testing be made available when practical to workers in the food and drink industry to help reduce absenteeism and enable more effective operations. Both the UK and Northern Ireland Governments are taking steps in this area – our Members would like to see similar steps in Scotland.
17. Our Members, along with USDAW, have seen a series of incidents where retail workers and property have been subject to abuse or damage in the last six weeks. We also see retail workers being asked to take on additional statutory burdens, not least enforcing the new legislation on 2 metre social distancing in and around stores. With that in mind we would urge the Committee to consider fast-tracking the appropriate provisions from Daniel Johnson MSP's Shopworker Protection Bill into law so retail workers can have the same protections as public sector workers during this crisis.
18. It is also worth noting retailers have committed millions of pounds to support charities, including foodbanks.

Regulations

19. Scottish Ministers have acted swiftly where practical to support retailers in reducing regulatory barriers to operating in this difficult time. Following a roundtable discussion with SRC Members during the initial phase of the crisis the chief planner wrote to local authorities to instruct them to temporarily lift restrictions on store opening and on delivery hours to stores and to warehouses – allowing vital deliveries to come in as efficiently as possible to restock shelves. We have also requested and seen positively delivered a temporary derogation on the Single Carrier Bag Charge which has helped speed up deliveries and keep colleagues safe, and on the necessity for an alcohol personal licence holder to always be on the premises.
20. We are currently working with Government and Food Standards Scotland on flexibilities on packaging labelling requirements on food products where ingredients have to be substituted due to supply chain interruptions. We hope to see practical guidance which recognises the challenges of specific sourcing of certain ingredients but maintains the essential food safety principles which our Members are completely committed to maintaining.

Other policy work

21. We welcomed the necessary decision from the Scottish Government to defer progress on the Circular Economy and Good Food Nation Bills along with other workstreams. Currently retailers are either operating at capacity or have been mothballed due to the necessary closure of their stores. In either case there is no or very little ability for our Members to focus on anything other than the day job responding to coronavirus. In that light, notwithstanding the helpful move to delay implementation to mid-2022, it was surprising Scottish Ministers continue to push forward on the proposed deposit return scheme as retailers and other businesses have no capacity to work on that project until this crisis has passed. We would urge all policy makers to recognise even once this has passed, it will be some time until the industry is able to return to business as usual as a conduit for public policy, hence the wisdom of postponing the introduction of the levy on disposable drinks cups.

Phased re-opening of stores

22. It is unlikely any retail firm of scale currently closed will re-open fully in the first instance, even if restrictions were to be lifted completely. Phasing will happen as a matter of course as these firms seek to match their approach to trading with expectations of demand, supplies, capabilities and processes. Our members with large store portfolios are reporting that they are already thinking and planning for such a phased approach. The important point to stress is that no retailer will seek to open without being very confident of their ability to protect customers and staff, and with the lessons learned from 'essential retail' in recent weeks we should be confident that this can be delivered.

23. If, however, a more cautious route were considered appropriate then candidates for the very first phases of re-opening may be sub-sectors of retail which are linked to those already identified as essential retail providing basic goods, and/or those which allow people to continue to do things at home under the broader 'Stay At Home' approach to public health during the current crisis.
24. While coffee shops and food-to-go outlets are already explicitly permitted to trade (takeaway only) within the current official government guidance, a number of the larger chains with a footprint across Scotland have chosen not to thus far. In order to ensure clarity and avoid confusion in public messaging, it may make sense if these businesses are encouraged to open in a co-ordinated way, aligned with wider decisions about the wider industry. Of course a wider re-opening of food-to-go takeaway would aid indigenous Scottish food and dairy producers, and reduce pressures on grocery and other food shops.

Building up to full strength

25. It will be some time before businesses are able to trade anywhere near normally – supply chains will take time to gear up, and consumer demand is likely to return slowly and unpredictably, according to evidence from businesses with operations in markets that are ahead of the UK in terms of easing restrictions. It is vital that while businesses' income remains weak, their costs do not spike overnight once restrictions are eased. Both the Scottish and UK governments have put in place very encouraging and welcome business assistance measures during the crisis, and our additional recommendations include:
- a. Allow for 'tapering' of financial support measures so that costs can continue to be partially covered while businesses ramp up to full capacity. For example, while the decision to extend the UK Government's Covid Job Retention Scheme to the end of June was very welcome, given that the speed and extent of the recovery in consumer demand will be uncertain for some time to come, government should remain open to further extension to ensure redundancies do not result.
 - b. Ensure sufficient notice is given of the intention to ease restrictions so that retailers can start to place orders with their suppliers. As an example, one food-to-go business has indicated that up to 3 to 4 weeks will be required for this purpose.
 - c. Ensure there is a coordinated approach to easing restrictions with the UK's manufacturing industry as many retailers' supply chains are domestic.

Confidence

26. The early stages of the crisis have shown that clear messages matter. It is possible as restrictions start to lift some customers may be unwilling initially to

return to stores because they perceive it is high risk, with some staff perhaps reluctant to return to work for the same reason. It will be vital therefore to hear public support from government for the steps retailers will have taken to comply with public health guidelines to protect customers and staff, and for clear messaging on what is allowed to open and why. This will help to stimulate consumer demand, reassure the workforce, and avoid the confusion for some that existed immediately after the 23 March lockdown announcement.

Practicalities

27. There are other practical concerns that government should consider:

- a. If, for example, it will be a requirement for staff to wear any sort of PPE to work in stores, it will be necessary to make businesses aware of this ideally several weeks in advance so that orders can be placed, and sufficient stock acquired. We recognise that it will be complex to decide what can re-open when, with location, public transport, policing, and many other matters to be considered. Retailers are ready to be flexible and, in some instances, could potentially stagger, reduce or increase opening hours to support wider needs.
- b. Many retailers could potentially operate only click & collect/contactless operations if required.