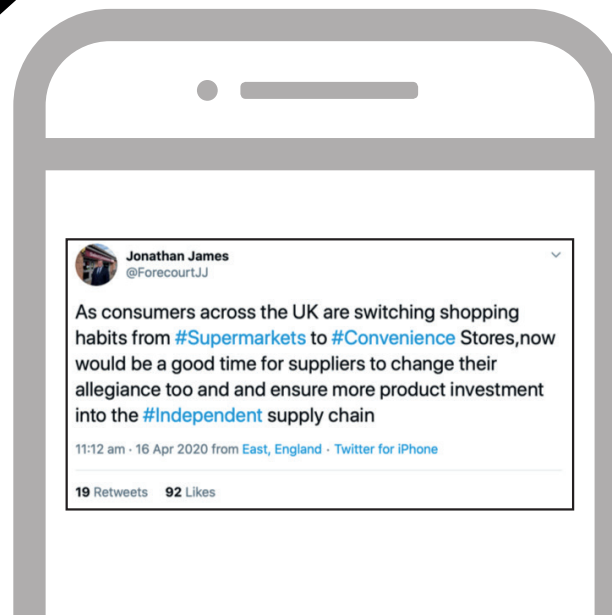


Coronavirus:

How independent retailers have adapted to change

Methodology

The findings in this report are underpinned by a survey of independent convenience retailers representing 1,500 stores in the UK and Republic of Ireland, and an online discussion with store owners from the Independent Retailer Owners Forum, founded by Scott Annan. Answers were given between 13-17 April 2020, three weeks after the UK and Irish governments announced nationwide lockdown of all non-essential retail.



Consumers' hearts and minds now lie with their local, independent, community store.

Independent retailers are leading the way through the coronavirus crisis, with the UK and Ireland's best examples changing their businesses overnight to protect and serve their local communities.

While people's lives have been turned upside down by the coronavirus and the subsequent governments' lockdowns, local independent convenience retailers have provided much-needed consistency and an unwavering service for the general public.

Despite the upheaval, many were ahead of the curve when it came to installing plastic screens at the till and implementing social distancing measures in stores. And as panic buying drained supermarket shelves, the best independent retailers were sourcing products by any means necessary. On the whole, suppliers were quick to support this effort, but there were several big household names that did not, and retailers have made it clear this will not be forgotten.

This report has two aims. The first is to bring suppliers up to date with the changing mindset and priorities of independent retailers – what was true before March is almost certainly not true now.

The second is to shine a light on the ingenuity displayed by the unsung independent retail heroes across the UK and Ireland, and inspire others to do the same. They have been generous with their time and money to keep communities fed, and put themselves at risk each day to do so.

People who have felt the benefit of a good-quality independent store in the past few weeks may have changed their loyalty and spend for the foreseeable future. Whether it stays that way, time will tell. In the meantime, we hope you find this report a useful tool in any business decisions you are considering.

Chris Dillon and Louise Banham

1. Leading UK and Irish retailers are optimistic about the future

Despite the challenges revealed in this report, top store owners remain overwhelmingly positive about what the future holds for their businesses. "We're ahead of the multiples because we care more about what we do," says Stephen Jempson, owner of Jempson's in East Sussex. "The multiples don't care if there are empty shelves, whereas we want to hold our standards all the way through this, and we've seen the benefits of that."

Guy Warner, owner of Warner's Budgens in the Cotswolds, agrees: "As independent retailers, we can make decisions quickly and are probably making better decisions than the multiples."

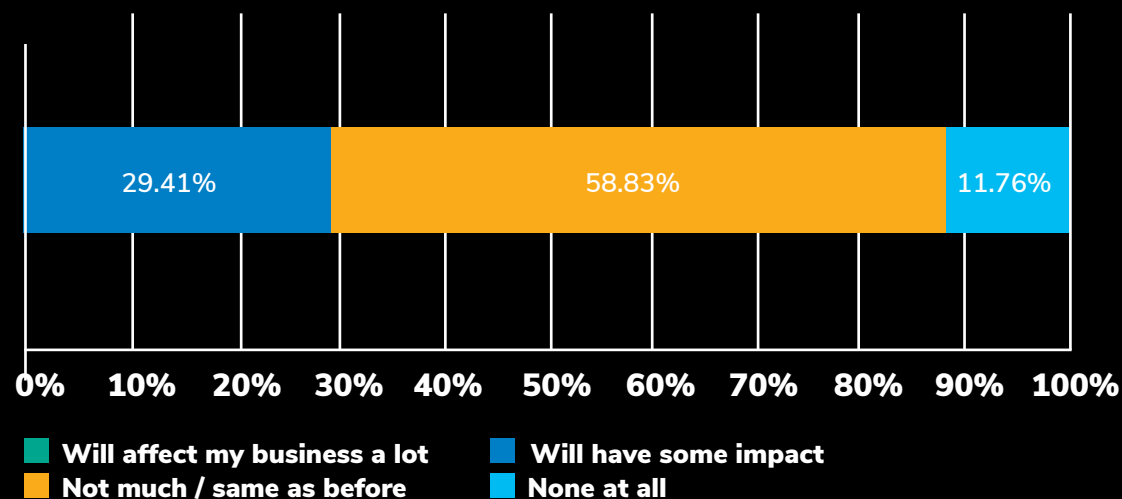
Similarly, Willie Forde, owner of Forde's Eurospar Supermarket in Castlecomer, County Kilkenny, says with business up by 55%, he is optimistic about his future. "We've always been good at branding ourselves as a local supermarket and that's come home to roost now," he adds.

Survey respondents remained largely unphased by the suppliers and wholesalers that have adopted B2C strategies, with 58.8% saying that these moves will have little impact on their businesses. However, a third are expecting it to come

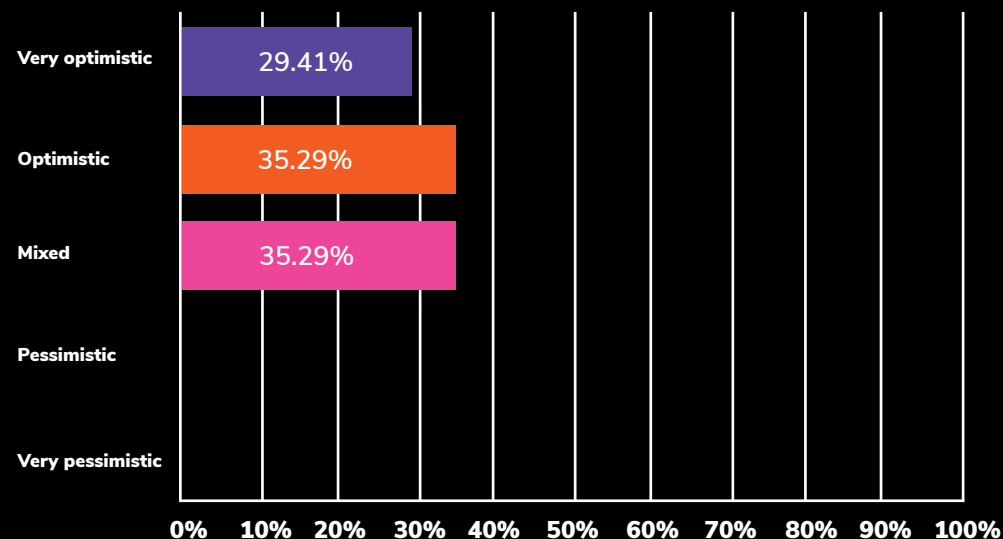
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with challenges. Retailers are wary that suppliers going direct to consumers might put their own shop at risk of low availability. "Availability has been a huge challenge," says Mital Morar, who owns six stores in and around Manchester, including Ancoats General Store. "I've got vans at Bestway, Booker, wherever we can, picking up whatever stock is available," he says.

To what extent will suppliers and wholesalers adopting a B2C strategy impact your business?



How optimistic are you feeling about the future of your business?





2. Location has been the biggest contributor to success

Any attempts to draw an 'average sales increase or decrease' has proven futile as stores that have remained open report overall sales swings of everything between +80% to -70%. Shops located in commercial areas have had nearly half of their business eradicated as companies made working from home arrangements for their staff. David Bagnall, BWG Foods board member, owns one such store in a business park in Dublin. "I don't believe I'll get my foodservice business back. I was serving 1,000 people for lunch and all of that business has reduced," he says.

"But, even if you're on a business park, you're still a community store. I now have a brand-new 'evening business'. It's not been easy, and we've had to make difficult decisions very quickly, such as reducing staff by 50%."

Stores located in suburbs and neighbourhoods have been more fortunate, with some in the survey reporting sales increases of 60%, 55% and 35%. Jonathan James, owner of 54 stores in the north of England, has been forced to close shops in bus stations that relied on transient footfall. "The stores that are open are doing

We're up 30-35%, but it's a nightmare

about 75% more than usual across the group," he adds.

However, this increase in sales should not be interpreted as a typical feeling across the board, as not all retailers feel they are in a stronger position. "We're up 30-35%, but it's a nightmare," says Tom McAvoy, owner of Nisa Milestone in Rathfriland, County Down. "We've closed our hot and cold deli, and our restaurant. A lot of the things I've spent the past 20 years developing have been closed down. We prided ourselves on being a destination and, currently, we're just a shop, just visited as a necessity."

For comparison, data from The Retail Data Partnership (TRDP) across 3,000 stores has revealed that average store sales for the week commencing 16 March rocketed by 34.8%, followed by 19.7% the week after and 25.6% from 30 March. Some retailers have revealed sales increases way into the hundreds of thousands, in what looks set to strengthen their business for months to come.



3. Sustainability has taken a hit, but is not completely off the agenda

As Starbucks began refusing reusable cups and supermarkets scrapped the plastic bag charge, it appeared that the momentum that the sustainability movement had gathered in 2019 had been all but quashed – at least temporarily – by the coronavirus. Not necessarily the case according to the graph (right), showing just over half of store owners maintaining as many standards in store. “We carry on – none of this should stop,” says one retailer.

It’s worth noting that one retailer who reported doing as many sustainability initiatives as before admits that the coronavirus has “scuppered or delayed” some of their further plans for 2020.

That said, 41.2% of businesses have similarly paused accepting reusable cups, while 47.1% are reporting more plastic-wrapped products than before to address hygiene concerns. However, retailers have seen drinks-to-go sales plummet as shoppers changed their eating habits. Louis Byrne, managing director of three convenience stores in Country Kerry, says: “In the second week of lockdown, turnover collapsed overnight and my food-to-go and coffee business was wiped out.” He is now offering pre-packed coffee

Our green credentials have taken second place

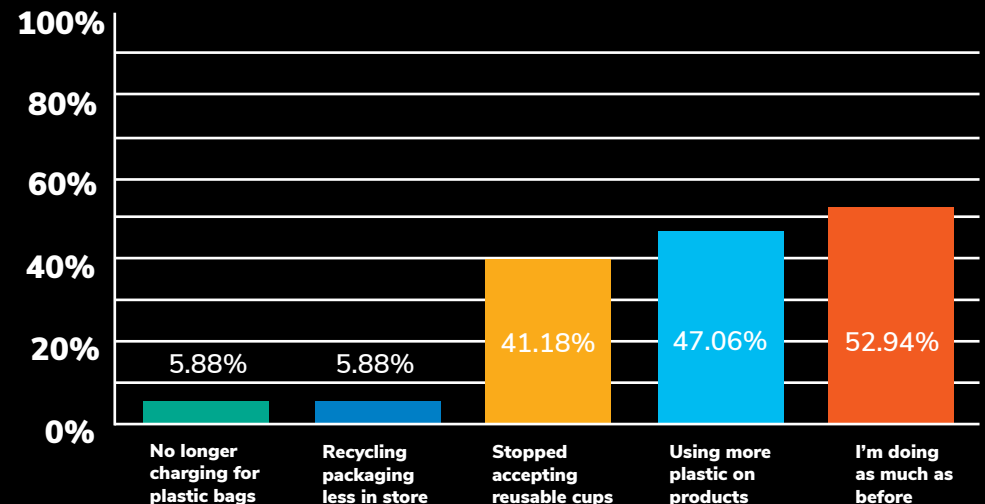
cups wrapped in plastic bags to help address hygiene concerns. “Customers were nervous about picking up items from stacks of disposable cups, lids and stirrers, so we’ve bagged one of each item and had a great response. Our green credentials have taken second place.”

Similarly, Thomas Ennis, managing director of a network of stores around Dublin, which include Spar Merrion Row, describes how his fresh food-to-go business had “gone”, but there are still workarounds, even if they use more plastic. “For us to stop doing things that have been successful for 15 years would be a mistake,” he says. “We’ve converted our salad bar offer into our pre-packed food business, which is still going strong.”

Expect sustainability setbacks to last as long as social distancing measures are in place, but also expect them to return quickly once they are lifted.



Have you relaxed sustainability measures since the coronavirus hit? If so, which ones?





8.8%
of business turnover
is now from delivery/
click & collect

4. Delivered and click & collect now a 'must have' not a 'nice to have'

All but one survey respondent states that at least some of their business is coming from shoppers using delivery or click & collect services. Considering the ACS Local Shop Report 2019 revealed that only 26% of convenience stores offered click & collect, and only 12% offered local grocery delivery, this suggests a dramatic shift.

"I'd been talking to delivery app Snappy Shopper for about six months. I'd never been sure about it as it's so labour intensive," says Steve Bassett, owner of Londis stores in Dorset. "Now I've got the local taxi firms doing it. I'm charging customers a delivery charge that goes to the driver. I didn't want to offer it for free because this could go on for months and it has to be sustainable.

"As of 22 April, we've served 540 customers, and, if I can keep 30% of them after this, I might have a reasonable delivery business."

Convenience retailers have had to completely revamp their business models overnight. Shane Cantillon, who owns Spar and Maxol stores in and around County Cork, is testing two initiatives. "One of our biggest successes has been kerbside collection, where customers

order and pull up at the door," he explains. "Another success has been offering a family gift box – a €20-30 box of essentials that a family member can pay for online for their parents and grandparents."

Now that the waves of panic buying that were seen before the first weeks of lockdown have somewhat subsided, expect to see more wholesalers and symbol groups looking at entering the delivery market. "We're only now trialling home delivery because the priority was keeping our retailers happy," says Colin McLean, chief executive officer of CJ Lang, which supplies 300 Spar stores in Scotland. Similarly, BWG Foods in Ireland is planning to launch a delivery app with 1,000 SKUs in the coming weeks.

The opportunities for retailers that get this right can be huge. The highest percentage of turnover from delivery reported was 20%, with one retailer stating that 24% of their home delivery orders are more than £100. That said, delivery doesn't come without its challenges. One retailer warned of fraud through apps like Deliveroo, where customers have claimed that they did not receive their delivery. More support is needed for independent shops to avoid unfair penalties.

5. New partnerships have been forged

The majority of independent stores are working with new suppliers and supporting local health workers. "Local suppliers have been key to our sales increase over the past four weeks," says one business owner, who has had an uptick of 28%. Shane Cantillon adds: "We're now working with local artisan suppliers for butchery, flowers, fresh fish, meat and bakery products to bring into two neighbourhood stores. People really like seeing us work with local companies, so it's been very successful for us."

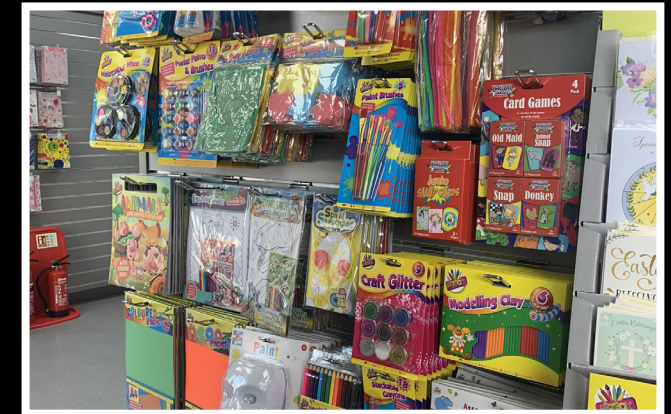
Other local partnerships being made include supporting local food banks, partnering with a delivery app and creating a 'dark store' to trade from. Mital Morar is building a website and is working with local craft beer suppliers as part of it to get local deliveries out to customers.

Just under a third of respondents have hired staff from closed-down local businesses or are working with other stores, such as vape shops, to continue to meet local demand. Patrick Sewell, who runs the Sewell on the Go chain of forecourts in Hull, says: "What has contributed to our success has been our contingency planning and having other suppliers we

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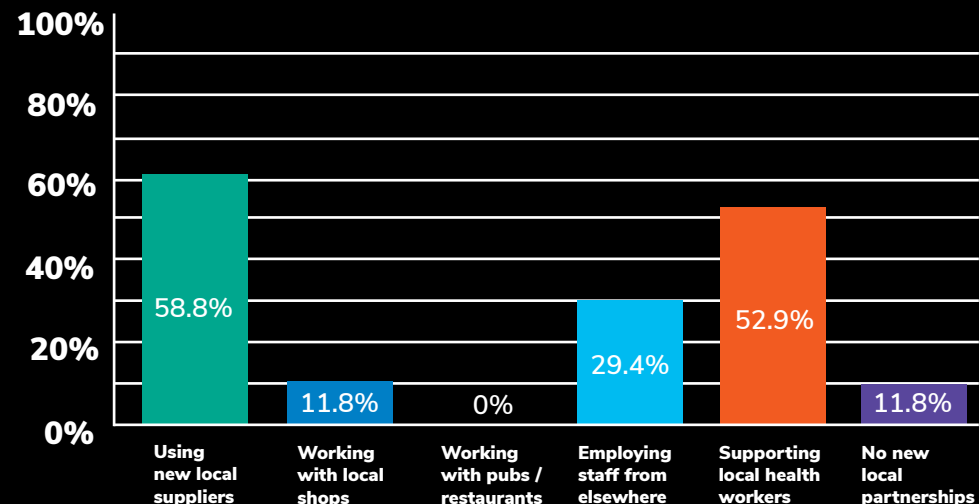
can work with. We've been moving around to get whatever products we can."

Retailers are being recognised for their local partnerships, too. Jonathan James says: "One of our stores was on BBC Radio as they'd been nominated by the community for the wonderful work they'd done. My team have really stepped up to the challenge and I'm hoping we can retain some of the goodwill we've earned."



Multi-site retailer Paul Delves has become the first convenience retailer in Wales to introduce a local milk dispensing machine, with less than 10 food miles from cow to customer. In other stores, arts and crafts have become a focus

What new local partnerships have you made?





6. Safety measures and delivered services win investment

Within days of the lockdown announcements, first in Ireland, then in the UK, many independent retailers had kitted their stores out with equipment and signage to protect staff and shoppers, including social distancing markers, limits on the number of customers in store at one time, and protective equipment at the tills and service areas.

"We put screens up on our food-to-go operation straight away," says Steve Bassett. "It makes it difficult to hear the customers, but it protects the food and the staff. I was quite surprised, but customers are still happy to buy something that our staff were making in front of them."

Despite the rocket in sales of grocery products over the past six weeks, with suppliers such as Birds Eye revealing that sales have doubled compared with a year ago, 29.4% of respondents have continued to invest in food to go. When asked 'what will you be investing more in?', it is perhaps unsurprising that additional safety measures to protect staff and customers came out on top.

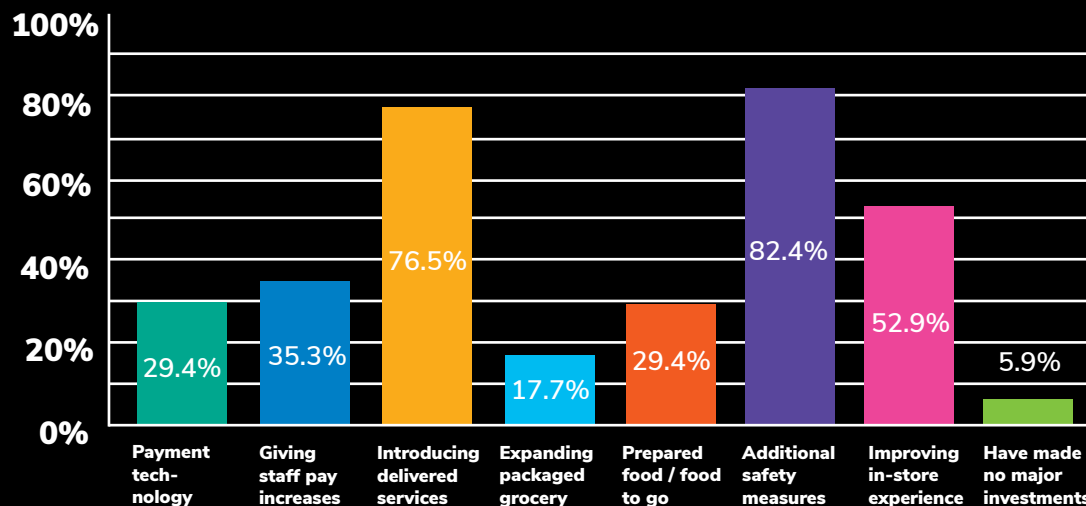
Retailers have found success in posting information about new safety measures they have put in place on social media. "Any

We put screens up on our food-to-go operation straight away

time we've announced additional safety measures, we've put it up on social media and we've got a huge response to this – it sends a really strong message to customers and has served us well," says David Sands, owner of convenience stores – including David's Kitchen – in Falkirk, Glenrothes and Kirkcaldy. It isn't just customers Sands has been protecting, but staff who are more anxious about working in an at-risk environment. "We are running night shifts to prepare ready meals, so those who feel a little bit vulnerable and concerned are able to work then, where there are fewer people and the shops are closed. They are quite happy to come in and work at night."

Meanwhile, a third of retailers are rewarding their staff with pay increases for stepping up to the new role of 'key worker' that has been thrust upon them, with regular bonuses being one way to reward loyal employees.

What will you be investing more in?



7. Dramatic swing in category popularity as consumer behaviour shifts

The trends at the start of the year that held retailers' focus and investment have been turned on their head. Food and coffee to go, snacks and impulse purchases like confectionery have taken a tumble, while spikes in sales are being reported for traditional groceries, alcohol, meat and frozen products.

"Alcohol has been absolutely phenomenal," says Patrick Sewell. "We've had pallets and pallets coming into our business, and as soon as it's in, it's out again. And grocery and household, which we wouldn't normally sell a lot of, is doing really well, like most other retailers."

Sewell has been working in partnership with a fruit and veg merchant to bring a market stall into half of his stores, which is driving people into the business, and has used other opportunities to his advantage. "As all the garden centres are closed, we're selling large volumes of plants and compost, so that's a really big growth area for us," he adds.

Willie Forde echoes this experience in his own business. "Our margin has been hit

because of the change in food-to-go demand, but we're seeing huge increases in alcohol, cigarettes, grocery and fresh food," he says. "We've been concentrating on making sure we have the basics right, so we have what customers are looking for, but we're also seeing other areas of the business that we can make margin on, such as plants, seeds and additional household stock." David Sands adds: "Categories that we'd never even thought about – like canned stews and beans – have suddenly become really important in our business."

Customer numbers are substantially down, but those retailers in the right locations are benefiting from the same level of, if not more, sales as shoppers buy more. Some retailers report triple-digit sales increases, and data from TRDP reports that the average basket spend across convenience stores has risen above £10 for the first time.

Adapting to change – and doing so quickly – comes up frequently among the respondents. And those who have successfully switched their business model are reaping the rewards.

Category uplifts and declines reported by top store owners



Scott Annan, founder, Independent Retailer Owners Forum

Many UK and Ireland independent retailers adapted their businesses within days to serve customers in the lockdown environments. It is encouraging to hear from IROF retailers that the majority of their store teams are working hard and that family members are also working in their stores.

The incidence of Covid-19 sickness is zero to few. Energy, passion, speed and care dominate the conversations, even among foodservice retailers that have taken 75% hits to their sales.

We are 100% certain that the new normal retailing environment will be different from what we left in February. Shoppers are fickle and money will be tight for most of us. Goodwill and relevance will be core to independent retailers retaining customers when the national grocers aggressively market their value pricing, safe stores and online service.

Convenience, digital, mobile, online, click & collect and 'scan, pay and go' are now shopping realities, not future investment considerations. I am confident that resilient independent retailers who use competitor intelligence and analysis to flexibly adapt will thrive.