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SUNDAY SHOPPING

Small Business Service
Focus Group on Sunday
Shopping

8 February 2006

JULY 2006

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Attendees:

NAME	DATABASE MEMBER	ORGANISATION	ADDITIONAL INFO
Adrian Boorman	Yes	Rural Shops Alliance	Chairman, RSA Public Affairs Group Rural retailer
Sean Carter	Yes	Rural Shops Alliance	Chief Executive, RSA
Chander Hingorani	No (responded to invite made direct to NFRN)	National Federation of Retail Newsagents	Financial controller, NFRN Retailer
David Mitchell	No	Federation of Small Business	Vice-Chair, Lincoln FSB branch Owns a corner shop
Chris Mitchener	No	Association of Convenience Stores	Independent retailer
Keith Ross	Yes (responded to direct database invite)	-	Rural retailer and District Councillor

Summary

- The main issues that arose were that:
 - Small shops were under pressure from a number of sides; Sunday was a critical trading day and further liberalisation of Sunday trading was a real threat if the Government did not look at the wider picture and act, small independent shops would continue to decline
 - Consumers were not in favour of change
 - There would be a significant impact on the community, particularly on the elderly, disabled or those without transport if small shops closed as a result
 - Large stores were trying to drive out the competition from small stores
 - Local shops reinvested their profits in the community and used local services and suppliers
 - Not all impacts could be easily measured in financial terms

Discussion

- In response to the question of whether the group members opened on Sunday, Chander Hingorani (CH) said that NFRN members were open and proactive on Sundays (open at 6am to sell newspapers). Sean Carter (SC) said that 70% of Rural Shops Alliance (RSA) members were open on Sunday. David Mitchell

(DM) traded on Sunday but commented that many retailers had stopped trading on Sunday in outer city or rural areas. Keith Ross (who also opened on Sunday) said this had been compounded by the Licensing Act.

3. CH said that small shops faced a major threat from further liberalisation of Sunday trading. The report from the Parliamentary Committee on Small Shops gave a flavour of the way things were going. Small shops could offer a level of service not available from supermarkets, for example, delivering a small number of items locally or reserving specialist magazines for customers. Big stores sold standardised products that weren't always appropriate to its customers (Chris Mitchener gave the example of a big brand selling melon balls on a council estate when that wasn't what the customers wanted). KR added that the revenue brought in by newspapers was critical. Without that KR would not bother to open on a Sunday between November and March. KR raised the example of cigarettes, where supermarkets had creamed off business from small shops by offering the top ten brands and said that allowing supermarkets to open longer than six hours would be doing a great disservice to the community. He added that local shops reinvested their profits in the community whereas supermarkets export their profits to shareholders.
4. CH said that without small shops the flow of entrepreneurs into the country would be stifled. For decades, immigrants had run shops because it was difficult to get into other professions, but gradually they moved on and sold up to other immigrants. CH also said that supermarkets had deserted the high street for out-of-town locations and were now coming back to the high street and opening up small stores and hence extending their dominance in the retail market. There were 8 shops within a mile in Maida Vale.
5. Adrian Boorman (AB) said that this was being presented under the guise of deregulation but it was a competition issue as well. AB identified four main issues:
 - a. What are the drivers for change?
 - b. What is the consumer issue?
 - c. What are the unintended consequences?
 - d. How does it fit with better regulation principles?

AB thought that the review was being driven by some of the large supermarkets fronted by Deregulate. However, not even all the major multiples were in the same boat.

Further liberalisation of Sunday trading would disadvantage elderly, disabled and less mobile consumers.

There were 76,000 stores of less than 280m² (source?) and shutting on Sunday would wipe out 1-2% of net profit. It would also have an impact on basket size. Buyers would still make distress purchases of essential items but there would be less impulse buying.

Up until now AB said there had been relatively poor consultation. The impact is very hard to quantify. It seemed to be viewed as an easy win on less regulation.

6. DM said that the big companies had beaten the Secretary of State with the deregulation stick, but in reality they were greedy and just wanted dominance. On Sunday and Monday, people had bought less in small shops since 1994. Families now went on days out to out of town centres where the parents could shop and the kids could go bowling. No change was needed. Further liberalisation could be the straw that broke the camel's back.
7. Chris Mitchener (CM) said that in the village where his shop was based there used to be three grocery shops in the village and now there was just his. There was also a national brand shop in the village and between the two they serviced the needs of consumers well. With more liberalisation, one would have to go. The nearest stores outside the village were 5 miles away. CM estimated that Sunday accounted for 17-20% of the week's takings. Sunday afternoon was generally flat and business picked up around 15.30 - 16.00. The shop was also busy in the morning, although this may be more to do with the fact that it sold croissants baked especially to meet the local demand. CM said that the 1994 Act had polarised the trade. He believed that some of the major retailers may be taking a neutral line because they know that it won't result in them taking more money, just spreading out the existing takings over longer hours resulting in higher wage costs for the same return.
8. CH added that if one store opened, everyone else would. SC said that RSA members took about 15% of weekly turnover on Sunday on average, members were busier in the morning and the evening and top selling items were newspapers, bread, alcohol, cigarettes (RSA's evidence refers). He warned that the social consequences would be quite horrendous if some of these rural stores closed. DM said that he took 12% of turnover on Sunday and would close on Sunday in the event of further liberalisation. KR also said he would close on Sunday, as there wouldn't be enough customers early in the morning and of the £50 he made on Sunday from newspapers, most went on wages. KR said that he had halved the number of Sunday employees he had in 1995 in response to trading conditions following the 1994 reform. KR said that he personally would be ok, if he closed on a Sunday but the socially excluded would lose out as there was no public transport on Sundays and the nearest supermarket was 11 miles away. CH said that Sunday was a critical day for newsagents - many were on the brink and couldn't afford even a small drop in income. CM said that he would not invest in his shop as he had done in the past if he faced losing trade from further liberalisation of Sunday trading hours. He estimated that he would lose half of his Sunday trade.
9. AB argued that a cost benefit analysis was the wrong tool. A small retailer was stuck with their prices and therefore they would have to respond by cutting costs. It was hard to measure the whole impact because as well as the direct effect, some custom would be lost due to the fact that the shop was not open all the time. CH said that supermarkets had a different psychology, they were only interested in their shareholders and not the local community and they wanted to kill off local competition. The big players already dominated suppliers. CM said that it was interesting that Tesco had taken over the One Stop chain but had kept the brand because they could charge prices that were 15% higher than Tesco Express. He

also argued that if bigger stores were open longer, there were less staff available, which put staff rates at a premium. CM went on to say that even an extension of a couple of hours would still change the profile of how people did things and would have a significant negative impact. There was a trend amongst the larger shops to move from 10.00 – 16.00 to 11.00 – 17.00 and this was pushing afternoon trade in small shops into the evening. Although increased hours would hurt small shops, it would be even worse to have hours that weren't fixed (for example, allowing shops to open for 9 hours in a 12-hour window). DM said that in Lincoln, one chain could open from 10.00 – 16.00 and another could open from 12.00 – 18.00, so small shops have competition throughout the day.

10. DM said that he had surveyed 24 retailers, out of which 8 didn't open on Sunday but used to, and 16 thought that business on Sunday used to be good and was now fair but still vital. Many of these retailers would consider giving up or selling up in the event of further liberalisation. However, it would also be difficult to sell the business in those circumstances, as it would have little value. DM said that between May '94 and April '95, trade had declined by 30% and since then it had declined even further. CM said that his current store had been repossessed from the previous owner in 1996 and his demise was caused by large stores being able to trade on Sunday. CM emphasised that a lot of retailers lived shelf to till (i.e. used takings from the last few days to restock). Sunday takings were crucial in obtaining stock at the beginning of the week.
11. Both SC and CM urged officials to look at Sunday trading in the context of the wider picture of what was happening to independent shops. It was linked to the demise of Post Offices. CM argued that if something like bird flu broke out there would be no infrastructure left. Communities would suffer dramatically and employment would decline. Ministers needed to consider whether it was in line with stated Government policy. In addition, this had a knock-on effect on those who benefited from the custom of independent retailers such as Cash and Carrys and delivered wholesalers. Then other businesses supplied by Cash and Carrys, such as hotels and restaurants, would suffer. CM said that he even bought stock from a large supermarket, as it could be cheaper than a Cash and Carry. DM said that the different types of small shop also needed to be considered, for example, badged chains, forecourts, independents, rural shops and specialised retailers. DM said that the only thing going in favour of small shops was the business rate rebate.
12. DM circulated a list of the top 10 risks to his business. The top risk was crime. CH agreed that this was a big risk for NFRN's members. KR said that crime was not an issue at all for him but car parking was very difficult. The members of the group were also in different financial situations. KR said that he did ok and employed 6 people (including farmers' wives to help with farm diversification). He constantly looked for new products and he was based in a tourist area, which helped. However, he would consider closing from November to March on Sundays. DM commented that many shopkeepers did not earn the minimum wage. His competitive advantage was that he would sell in whatever volumes people wanted. He also said that a customer in his shop had told him that he had left his job at a big supermarket because they kept asking him to work Sundays. CH said

that couples that previously worked together in a shop no longer found this sustainable and one of them often had to find other work as well.