

# Running A Village Shop

2008 and Beyond



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This guide was produced for the **Store is the Core** programme with financial support from SWRDA

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## ■ Introduction

The **Store is the Core** is a Partnership between the Rural Community Councils of the South West Region, VIRSA and the Rural Shops Alliance. It has the sole aim of helping rural retailers in the region to thrive.

As part of this work we have supported a considerable number of shops of all types and sizes, commercial and community run, with and without post offices, some close to large urban centres, others in isolated locations miles from another settlement. We have been impressed with the determination of the shopkeepers to do everything they can to support their local community and ensure that their shop has a long term

future. This booklet is intended to help you do just that. Much of the contents will be "old hat" to experienced shopkeepers, but we hope you all find at least one or two useful new ideas within its pages. In the appendix we try to give further guidance for those of you contemplating becoming rural shopkeepers.

We are very grateful to the South West Regional Development Agency (SWRDA) for the support that made the **Store is the Core** project possible.

## ■ Setting objectives

**This may seem too simplistic for words, but in any business you need to decide what you want to achieve. Even if you are an experienced retailer, it is still a question worth asking every so often. How do you know you have succeeded if you do not know what success is?**

You will probably have had to produce a business plan for the Post Office or for a bank manager when you first bought the shop. The section headed "Objectives" seemed rather academic then. It is actually an important part of what running your shop should be about. Measuring your weekly figures against sales and profit targets is a crucial way of determining whether you are doing well or whether you need to change

aspects of the business. It is very easy to see sales a couple of percentage points above last year and assume that all is well; with inflation, you can be running a gently declining business without realising it.

For many rural shopkeepers, personal objectives to do with their quality of life will be part of the picture. If your ambition is to provide a good lifestyle for your family but your 60 hour week prevents you seeing much of them, then this as important as the financial targets.

The following sections are intended to give you some broad guidance on how to meet your objectives.



# 1 Customer considerations

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### ■ 1.1 How they use the shop

Understanding your customers is vital to successful retailing, the starting point for all that follows. There is a tendency to say that every village is different.

There is some truth in this but it is not the theory that made companies like Tesco such forces in retailing. In general, the similarities between different communities in England outweigh their differences. You need to know your village. This means not just your regular customers, the people you see every day, not even just your existing customers, but also your potential customers, the people who live in your village but hardly ever use the shop. The typical village has a mix of different types of people. It probably has some social housing and some expensive large houses. It has a broad mix of age groups. It has close links with nearby urban centres for shopping and leisure.

A key piece of information – one you should be constantly reviewing – is the balance between the number of customers totally dependent on the local shop for their everyday requirements and the number for whom your shop is a convenience outlet for regular local purchases like bread, milk, chilled products, confectionery, soft drinks, newsagency and off-licence. Most village shops are gradually ceasing to be a major source of basic groceries, items where the supermarkets totally dominate. Your ranging, opening hours and store layout depend on how fast this national trend is happening in your village.

Different types of people use village shops differently. Hence the demographics are key indicators of the extent to which people are likely to use their village shop.

<b>High Usage</b>	<ul style="list-style-type: none"> <li>● Elderly</li> <li>● Tourists</li> <li>● Farmers and others in traditional rural occupations</li> <li>● Mothers at home with children</li> <li>● Residents of social housing</li> <li>● Transient workers</li> <li>● Home workers</li> </ul>
<b>Low Usage</b>	<ul style="list-style-type: none"> <li>● Active retired</li> <li>● Commuters</li> <li>● Residents of new housing estates</li> <li>● Second homeowners</li> </ul>

*Remember that these are only indicators that will not hold in every location, but they are a good starting point.*

In the past year (2007-08) the grocery market has been changing rapidly. Within the supermarket sector, discount stores like Lidl and Aldi are performing far better than mainstream stores like Sainsbury's. At the time of writing, the impact of higher food prices on consumers has changed their behaviour more than has the rise in petrol and diesel prices – at the moment they are prepared to drive further to get cheaper food. Green credentials and food quality is becoming less important and price is becoming more important in the equation, but this may change. If you read this in a year's time, you may laugh at just how much the picture has changed.

### ■ 1.2 Catchment Area – number and type of people

The catchment area of your shop is the area around it from which most of your customers are drawn. For a large department store, business might come from, say, 50 miles away. For a typical rural shop, it is probably one village with surrounding hamlets. Farm shops can pull customers from a surprising distance. Catchment areas are often defined in terms of drive time and people will drive half an hour or more to reach some quality outlets.

It is fairly obvious that the more people there are in the catchment, then the larger the potential market. The size of population needed to support a commercial village shop has been inexorably rising for the past 100 years. It is now very difficult to sustain a shop in a population of less than 750 (a population of 1000 or more would be better)

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and to establish a new shop perhaps double that would be desirable.

If you are used to searching sites on the Internet you can get details from the 2001 population census for your locality; otherwise go to a local library where the staff will help you access this crucial data.

A useful website is: <http://neighbourhood.statistics.gov.uk/dissemination>

Please note that the 2001 census information is currently the latest available.

### ■ 1.3 What customers want

**Customers usually want a set of conflicting ideals – low prices but an expensive level of shop fit-out, a huge range of goods but plenty of circulation space, a friendly personal atmosphere but long hours, high standards of cleanliness but a local character.**

They may want newspapers delivered but are unwilling to pay a realistic charge and certainly do not want their own child out on a winter's morning delivering them. Older people often claim to want things left as they are and to like personal service; younger shoppers want to see the standards of the urban supermarket replicated locally and are wedded to self-selection.

In general, communities are very possessive about their shop, even when the proportion of people actually using it is low. People like

the concept of having a shop. Usually the 80:20 rule applies – 20% of the community generate 80% of shop turnover. These heavy users may want very different things compared with the wider community and see “their” shop in a totally different light from less loyal customers.

Remember that your shop is probably a crucial central focus within community life, neutral territory where people can meet and talk, used by all classes, ages and income levels. It may be a lifeline for non car-owners, in some extreme cases enabling pensioners to stay in their homes rather than having to move into a town. You will provide human contact for those who would otherwise see nobody all day.

Meeting customer needs is hard. Many shopkeepers are convinced they live in a retirement village because it is older people they see every day. Sometimes the census data paints a different picture; it is just that younger people are shopping elsewhere. To some degree this is inevitable, but it is still a good plan to reach out to these younger people in terms of offer and marketing. They are coming home from work wanting a ready meal and a can of beer.

The danger is that you evaluate the demand for your services from the customers you see every day. You also need to consider the people you rarely or never see – what do you need to do to attract them and is it practical? You need to balance the obvious

demand from your existing customers, which is probably biased towards the conservative elderly, with the need to make your business attractive to younger potential customers whom you seldom see – a tricky tightrope walk.

Nationally about 75% of households have a car (and 36% have two or more); in the rural South West the figure is nearer 90% for car ownership. Many villages in the region have a significant number of residents who commute into urban centres each day to work. Commuters are often not in the village when the shop is open. The high percentage of women who are part of the workforce (nationally about 70% of women work) adds to this effect.

Rural areas tend to have a higher proportion of elderly residents than urban areas. The very elderly, often without cars, may depend on their local shop for nearly all their requirements, but active retired couples with a car tend to treat the weekly trip to the supermarket as a change of scene and have the time to view it as a leisure activity.

The best customers for village shops tend to be residents of social housing – the single parent does not want a long bus ride with a young baby to the nearest town to collect groceries. Even on estates of social housing, the vast majority of residents in rural areas have cars, although they are more predisposed to shopping locally and often. Downmarket households (almost irrespective of car ownership or income) tend to shop locally and often; an area of social housing is likely to hold your best customers, whereas the middle classes are culturally more disposed to carrying larger stocks at home and shopping less frequently, and then at a supermarket. A high proportion of second homes is usually bad news for local services such as shops; their owners arrive at the weekend with their food supplies in the car.

There are very few places in the region with a high proportion of the population engaged in agriculture, although often the farmers that remain do support their local shops disproportionately well. They tend to support local businesses generally and often do not like impersonal supermarkets. There are now a lot of people running small businesses



from home (in some villages estimated to be as high as 1 in 10 of the working population); these people can be excellent customers.

Older people make up a large proportion of the customers in a typical village shop. That is fine, but it is crucial not to forget the needs of the younger people. They may be awkward to reach, commuting out of the village early in the morning and coming back late. There is a real temptation to write them off as potential customers. This is usually a mistake. They often represent the extra business that is the difference between profit and break even. You probably need to stock the ready meals, the wine, the local produce, the modern brands that appeal to them. And you need to market to them in ways that actually reach them. It is hard, but in most cases you need to do it.

#### ■ 1.4 Passing trade and local workers

A location on a main road can be a crucial factor in the success of a village shop, particularly when combined with good parking. For village shops on main roads, it takes only a small percentage of vehicles to stop to generate significant extra business. In some villages the passing trade is crucial to the shop's survival. These customers tend not to want to linger – convenient positioning of sandwiches and soft drinks plus quick service are usually key.

A local trading estate or even a nearby building site can have a significant impact on sales. Consider taking orders by phone ready for collection later or even consider a delivery service if the level of business warrants it.

These days there are a lot of people on the move and they have the money to spend on food and drink on the go. So the demand is certainly there for tasty fast food. Compare the ingredient costs of a bacon butty and a cup of tea with its price to the customer and you will see the attractions. Even a small counter hot pie unit or a small coffee machine can make very good use of space. An increasing number of rural shops are recognising this potential but location is crucial to success. Ideally you need a prominent spot with good parking on a main



road, a factory estate next door, a large school or college, or maybe even a tourist site without its own café.

If you want to go down the food-to-go route, you must do some homework. You must make sure you can meet Environmental Health requirements. Of course, this may involve additional sinks, better splash-backs etc. Ask before you set off. Make sure that there are no legal barriers (in your lease, or as a covenant on the building for example). You must make sure that the primary purpose of your business remains retail otherwise you might have to apply for permission for change of use of your building. This could be difficult.

#### ■ 1.5 Tourists

**People on holiday are out of their usual shopping rut; they are more relaxed and less price conscious than usual. They are**

**often very keen to sample local food and drink.**

Most village shopkeepers in the relevant areas are well aware of this and do stock local produce. Often, however, they do not have sufficient show material to highlight local ranges. Have a common shelf edge ticket or theme to highlight local foods, give information on the source and perhaps the distance, name the farm, say it is three miles away, tell people it is based on a family recipe. It works.

There are tourists in a surprising number of places in the South West, beyond the obvious honey pot areas. A cycle path, a canal, or a nearby teashop can bring people to the area. Make sure your shop is signed well and that you can benefit from the trade in sandwiches, ice cream and cans of cola.

## 2 Staff Considerations

After the cost of goods, staff are usually the largest cost to a retail business. As such, this is an area that you need to manage well.

Particularly if you are new to retailing, good staff can make a huge difference to your life and conversely dishonest, lazy or rude staff can be a nightmare. Employment legislation means that you will almost certainly be taking on your predecessor's staff. By law they must have contracts of employment; make sure they do. If you intend to make staff redundant be very sensitive in how you handle the issue – villages can be very tight communities and perceived unfairness to a popular member of staff could affect the business adversely. Even if you are an experienced retailer and you are in this situation, or facing having to discipline a member of staff, proceed with extreme

caution – the law can be very precise in terms of what needs to happen. If in doubt, do employ a solicitor or subscribe to a legal advice service. In this litigious age mistakes can be costly and being forced to appear before an Employment Tribunal is not the most pleasant way of spending your day.

It may sound harsh, but staff should be working when you need them, not when it suits them. Of course, compromise is necessary at times. Where there is a good relationship you accommodate the needs of staff to work at certain times and they try to help you out when you need flexibility. Yes, you are part of the community and of course you want to employ local students etc. when they want to work, but do balance it with the real needs of the business. For example, the period after lunch but before the schools end is usually a slack period in the day. If you



organise one staff member to finish at, say, 1pm and another to start work at 3pm, you can match hours to demand and possibly save the cost of paying assistants for a lunch break. Use your till information to plot when you are busy and when you need minimum staffing. Part time staff provide a pool of people who may be prepared to increase hours as necessary.

The number of staff hours employed is usually closely related to opening hours. The national minimum wage and other legislation have made staff expensive when set against the turnover and profit margins of a village shop. By the time you add in national insurance, holiday and sick pay, breaks etc. you may well be shocked when you work out how much per hour worked your staff cost you. You need to balance your own input with that of your paid staff. Remember that you will be doing things such as stock ordering, VAT returns, visiting the cash and carry etc. – your time may not always be best employed behind the counter.

There is separate legislation covering young people. Paper boys/girls, for example, should be aged 13 or more, have the permission of their school to be employed and should not start work before 7 am.

If you are employing staff, do they have their own toilet and tea-making facilities, or are they using these facilities in the domestic part of the premises? How do you feel about that? Is it a problem when you are away on holiday, for example? Increasingly staff rightly expect, and professional businesses provide, a separate staff rest area. However, in small premises it can take up valuable space and can cost significant sums to install.



## 3 Opening Hours

Usually when estate agent's advertisements suggest a business has potential to increase takings they mean there are hours in the week when the shop is not open. There was a time when Sunday was often the best day of the week for village shops but the onset of 24/7 supermarket opening has changed that situation.

Long opening hours undoubtedly increase takings, but unless you are prepared to work punishing hours yourself, then it means employing staff for extra hours. If most of your takings come from local people who know your opening hours and are content to shop within them, then you will probably reach one conclusion; if you have a lot of passing trade and/or visitors to the area, then longer hours may be justified. Long hours are particularly important in dormitory village locations, where much of the population is leaving early in the morning and returning from work late in the day. Do bear in mind that you need and deserve some life outside of the shop and overly long hours do not help you achieve it. In holiday areas, it can make sense to have different opening hours in summer and winter.

There are a few village shops still operating with half day and weekend closing. Today these are the exception, usually smaller stores operated by husband and wife teams with few other paid staff hours, or else in

particularly remote parts of the country. Weekend opening is now the norm in the face of 24/7 supermarket opening, although on Sunday a couple of hours to sell papers may suffice.

As a general principle, it takes people far longer than you would ever expect to respond to changed opening hours – years in some cases. Hence it is important not to change them too often. Gather data on sales during different periods to help you estimate the effect of changed hours. Remember, longer hours may cost you more in staffing and other outgoings than they generate in terms of extra profit – do your calculations carefully before you make the changes. This is not an area where it is easy to experiment.



## 4 External Appearance

The external appearance of a shop is important. What message does it send? Can customers see into the shop before they enter? Is there natural daylight or is the shop totally artificially lit? If there are problems, can they be remedied by building work? Try to see it like a prospective customer – is this the type of shop that encourages me to go in?

Do try to ensure that customers can see into the shop as they approach, either through the window or an open door. Conservation areas and the like can impose restrictions on what you can do. When in doubt consult your District Council on the implications of what you are planning.

The Disability Discrimination Act (DDA) applies to retail premises. Remember that "disabled" means far more than just the stereotype of a person in a wheelchair.

The legislation expects you to take reasonable steps to adapt your premises but recognises that this must be relative to your profitability. What would be deemed as reasonable for a large Tesco would not be the same for your small shop.



# 5 Location of / Access to the Shop

A convenient location is very important and can be the difference between success and failure. A central site, or at least one that most people pass on their way out of the village, is ideal.

However, there are numerous examples of shops located a few metres from a main road which lose considerable trade as a result of their specific siting. A busy flow of traffic represents enormous spending power compared with a typical resident village population.

Clearly your shop is in a given location and there is little you can do about it. But the key point is that you need to recognise the strengths and weaknesses of your site and

respond accordingly. A poor location might suggest that you need to do more advertising or provide extra signs in order to attract customers. Signage, such as A-boards, on a main road can be very effective in bringing extra trade. Emphasise a unique offer, such as local produce or succulent bacon sandwiches, and people will make the extra effort to divert from their route.

Parking outside the shop is crucial. Shops in rural areas usually have good parking outside, but the few that do not are severely disadvantaged as a result. If you do have your own customer car park do remember that you need to keep it in good repair. If residents of nearby houses are parking on the road outside your shop all day, it may be

possible to get the Council to impose a time limit on parking during the day. 20 minutes allows your customers to park, but stops long term stays. Before you go down this route though, do consider its impact on your community. It may not be worth doing if you become deeply unpopular as a result.

There can also be tensions caused to neighbours by a business operating long hours in a residential environment; early morning lorries making deliveries, cars parked inconsiderately by customers, teenagers congregating outside etc. The noise of external compressors for refrigeration or air conditioning can also cause friction with neighbours – do consider such factors before signing up for new equipment.

# 6 Image and Ambiance

The shop should appeal to its customers. The result may be very different to your personal taste. This is not a big city fashion shop that reflects a designer's personality. People in a village often feel "ownership" of their shop; the older residents may have seen shopkeepers come and go whilst they have remained loyal customers through many changes.

Your shop in their village will be more successful if you try to meet their needs. However, do remember this is also your place

of work in which you are going to spend thousands of hours so do not accommodate an ambiance you yourself hate.

The internal décor and the external appearance of your shop must project the right values. People are actually very adept at sensing "atmosphere" in a place, even if they would have difficulty explaining it.

Your shop should come across as clean, bright, interesting, friendly and welcoming. Particularly in tourist areas, a non-

supermarket local feel is also an advantage, but do not sacrifice other key values to achieve it. Again depending on the area, you may also need to project a high quality feel – although do be cautious if this also implies high prices to customers. Know your market.

However, some shopkeepers over-emphasise the need to distinguish their outlet from the appearance of the large supermarket chains. The big supermarkets all look similar because it is the look that works. "Quaint" may be the right look in a tourist hotspot, but for most situations a clean uncluttered bright look is the best.

The sales area is a place of business, not an extension of your personality. And the customers who so passionately say that they like things as they are will have totally forgotten what used to be there a fortnight after your refit. To repeat – you do not want to slavishly copy the look of a supermarket chain but by and large they look that way because that is what customers like. Lighting, colour of floor, width of aisles, window size, quality of fittings and many other factors affect the feel of a shop. The name above the door – the branding - also plays a role. A SPAR or Londis fascia, for example, generates different expectations than a bespoke hand-painted shop name. Both are valid; which is right for your location?



## 7 Pricing

**Do not get hung up on price. On many major lines (the Known Value Items or KVIs, the lines that customers know the price of and which the supermarkets price keenly) you will usually be more expensive than the supermarkets. On others you may well be cheaper.**

Overall, do not try to undercut Tesco because Tesco will win. Aim for a sensible overall margin, not too ambitious but not needlessly giving away your profit percentage. Try to defeat a common perception amongst customers that village shops are more expensive because the owners are greedy by explaining the economics of the situation. Remember how much it costs to drive a car to the supermarket and make sure your customers do too. Think how much forecourt shops charge and how your customers willingly pay it on occasion. For all except the poorest households, it is all about perception.

Promotional stock is very important to help to give customers a good value for money perception of the store. Make full use of Buy One, Get One Free (BOGOF) promotions – manufacturers often subsidise these promotions so margins are not always reduced too much, particularly if you are able to buy in quantity.

There are two schools of thought about price-marked packs. Some shopkeepers like them because they project a good value image; others avoid them because they tend to come with a reduced profit margin. There is no right answer – you take your choice!

For most shops in the South West, the retail prices they charge will tend to be over the wholesalers' recommended level by a few pence.



## 8 Marketing and Promotions

**It is easy to assume that because the shop has been there 100 years and everybody in the village knows about it, you do not have to do any marketing. In fact, most of your customers are doing most of their shopping elsewhere. The average household probably spends about £60 per week on ranges stocked in their local village shop.**

Work out how much of this business your shop actually sees. You need to reinforce constantly that your shop is an interesting, vibrant and pleasant place to shop. Do not necessarily expect instant pay-off (even special price promotions may not deliver instant results) but a steady marketing drip over the years will improve sales. Make sure that your fundamental offer is right and then communicate it – simple really!

Ensure that your shop's external appearance says that it is the sort of shop that people want to use. Augment this with leaflets, regular adverts or articles in your parish magazine, an A-board outside the shop, and similar activities. Ensure you understand the legal situation before you put up any signs. Your objective is to continually remind your

audience that you exist, can meet their needs, and provide something that the supermarkets do not in terms of convenience and pleasant shopping. The "Use it or lose it" approach is not effective.

Guilt can make people use you more for a couple of weeks, but they soon revert to old habits. A positive message is far more effective long term in most locations than this negative one.



# 9 Competition



Many of the rural areas in the South West are within reasonable drive time of supermarket competition. However, the further away the supermarket is, the better the prospects for a village shop. There are some areas that are more rural in character than others. A village close to Bristol where everybody commutes to the city will face different challenges to a village in the middle of Exmoor.

It is very important to understand how your customers use your shop. If you are in a remote location you can compete for the main shopping trip when people buy basic grocery ranges. Elsewhere your business is a convenience store that people visit between main shops at the supermarket. (This may change as fuel prices for private cars increase.) Do visit your competitors regularly because you need to know what they are offering so that you can do it better.

It is sometimes hard to know exactly who your competition is, if only because some of your customers are likely to be very mobile. The vast majority of rural households have access to a car; a significant proportion have two or more vehicles. Many village residents work in the towns or commute further afield. Your competitor in the case of some customers may actually be a shop in central London, Bristol or Exeter that they visit in their lunch break from work.

So your competition takes many forms:

- Large edge-of-town supermarkets
- Town centre convenience stores and specialists
- Edge of town convenience stores/petrol forecourts on commuter routes
- Farm shops, especially for fresh produce and meat
- Home delivery



Do not be obsessed by supermarkets; they are a fact of life which village stores have been living with for decades. Typically, a majority of your customers will shop in an urban supermarket once a week or fortnight to buy their bulk requirements. For them, your niche is as a convenience store, selling items they need between these visits. Evaluate who your competitors really are and look critically at your offer compared with theirs. View them both as a potential customer would: where would you go to shop? Where would you go if you were a pensioner or a mother with a young family?



Watch out particularly for convenience stores or petrol forecourts sited on the main road out of your nearest big town to your village – they can be several miles away but still be your main competitor. The large operators have been buying up convenience store chains and individual sites and hence are operating increasing numbers of smaller shops in smaller markets.

Broadly, the longer the drive to an alternative outlet, the more loyal your customers will tend to be. This aspect may change rapidly – in your favour – if petrol prices continue to rise at a considerable rate.

# 10 Sales Area

The size and shape of the sales area are two crucial factors in the success of a shop. Most obviously, the larger the shop, the wider the range that can be stocked and the more opportunities exist to maximise sales. However, the size is also a basis for the ambiance and “feel” of a shop.

Within reason, the larger the shop the more customers will like it. Size certainly gives the opportunity to provide wider aisles, more space for customers to circulate and enjoy a reasonable shopping experience. The downside is that space costs money to stock, service, heat, light and maintain.

In small shops there is a balance to be struck between the need to stock as much as possible in a small space and the need to accommodate customers in comfort. As a rule of thumb, aisles need to be 1 metre wide as a minimum; more is better. Where there are constrictions e.g. pillars, then you need to take a view on what is acceptable – could a pushchair go round the obstruction down the other side of the fitting for example? Try not to obstruct flows. Watch how customers go round your shop and provide a layout that encourages them to

visit all parts of it. High fittings obviously carry more stock but make the shop feel cramped and dark. There is no point stocking a wide range if most customers never see it. The watchwords are balance and compromise.

If you are thinking of changing your store layout, plan it on graph paper first – moving fittings around is hard work and not to be done more than is strictly necessary.

Many village shops occupy buildings that were once domestic dwellings. Often the sales area consists of a number of rooms knocked through into one space. If this has not happened, then you need to at least consider the possibility of doing so. Modern retailing demands one clear uncluttered space, as large as possible. Can you give up some domestic space to increase your sales area, or is it possible to extend, for example into the garden?

Consider the costs involved very carefully and obviously consult not just the builder on likely costs but also your local District Council on planning permissions required before you commit yourself. Although some shopkeepers achieve a great deal in smaller

spaces, our advice would be that anything less than about 60m<sup>2</sup> is limiting, with 100m<sup>2</sup> as a far more comfortable space for a modern convenience store. The costs of extending can often be recouped very quickly.

It is a big mistake to try to operate a shop with the wrong balance between stockroom space and sales area. The temptation is to cram everything on to the sales area “where it can be sold”. Although this is a good principle, and certainly applies for large outlets, for smaller shops the issue is more complicated.

Stockroom space is important. Most goods are delivered in cases and often putting a whole case on display is a waste of good selling space. If the shop does newspaper deliveries, is there space to organise the papers into rounds? Staff are expensive and if they cannot work efficiently, remember it is you who ultimately pays in money or your own time. How easy is access from stockroom to sales floor? And how easy is it for deliveries to enter the back of the premises, rather than everything having to pass through the sales area?



# 11 Fixtures and Fittings

There is a real temptation to put off refits. They are expensive, disruptive and can be very hard to justify in financial terms. The right way to view replacement of fittings is to put aside two or three thousand pounds a year into your "refit fund". Refits are quite simply a cost of staying in business and should be treated as such. Of course refits can be postponed - somehow it is never the right time to do one. However, customers increasingly demand that the shops they use look the part and delaying too long is a dangerous strategy.

What state are the fittings in? When is the shop going to need to be refitted? Does the shop need rewiring? (Remember that recent legislation has made electrical work more expensive.) Is the post office section going to need replacing soon? What about the flooring? - the high-wear sheet vinyl or tiles that you need cost far more than domestic quality, especially as it will probably have to

be fitted out-of-hours.

The general trend is for convenience stores to need more and more refrigeration e.g. for chilled wine and beer, for produce, for readymeals etc. Remember that commercial refrigeration is very expensive. Upright freezers save floor space but cost more to buy and run than chest freezers - for most people they are a worthwhile investment. Remember that fridges and freezers create heat from their compressors and paradoxically are likely to lead to the installation of air conditioning, particularly in buildings with low domestic-height ceilings.

Shop fittings should be flexible - what you sell in 2 years time may be very different from what you have on those shelves today - so buy flexible units. Fittings made by a local carpenter may look good but if you cannot move the shelves up and down installing them is a wrong decision. Counters

and shelves may be used for 20 years so make sure they are durable and will continue to look smart. Second hand units from closing shops may be a good way forward but if they come from supermarkets they may be too big for your shop so a false economy. Be aware, too, of spares availability; it can be very frustrating to be stuck with an inappropriate shelf profile because you do not have any spare brackets.

Shops that have not been refitted recently may have counters too long for modern self-selection trading conditions.

If the shop does not have EPOS, then it may be desirable to install it, a process that can be expensive and time-consuming but well worth it in the long term.

At the time of writing, the cost of electricity is increasing all the time and you do need to factor this into your decisions.



# 12 Ranging – The Mix of Goods and Services

A hundred years ago, village shops often sold everything from tin baths to paraffin to mourning attire. Over the decades the ranges sold have changed. Many village shops still see themselves primarily as grocers. This is usually a mistake. Village shops are now much more convenience stores, with milk, bread, confectionery, soft drinks, magazines, newspapers, off licence, chilled and frozen foods making up the majority of sales – basic grocery lines tend to be bought elsewhere.

A typical large supermarket can stock about 30,000 lines; a village shop will typically stock 1,200 or less. The selection of the ranges on the shelf is therefore key to success. It is not easy. Pensioners buying all their food requirements in your shop may demand traditional items like canned vegetables, bagged flour and fresh vegetables, whilst younger commuters are more interested in bottles of wine, chilled ready meals and magazines. Too great an emphasis on traditional ranges can alienate the younger customers that are the future, whilst it is obviously crucial to meet the needs of your core pensioner market. Accept that what you offer is a compromise but continually review your range. Do not automatically re-order slow sellers – think whether it is right to order another case or whether some other item could use the space better. Remember the right balance and range of goods is continually changing as new lines are launched and promoted whilst others slide away and eventually die. Make sure your displays keep abreast of your customers' demands.

The main advantage village shops possess is of course their local situation. Increasingly the key to success is capitalising on this through lines and services that can either only be supplied locally or that people do not want to travel too far to obtain:

## ■ Off licence

It is increasingly important to offer these ranges, a real growth area. The key is to provide an attractive display with an interesting and varied range, particularly of wine.

## ■ Newspapers

These are a short shelf-life product that are often bought locally and daily, bringing customers into the shop and representing a useful profit opportunity in their own right, particularly if combined with the sale of magazines. Newspaper deliveries can necessitate a very early start to the day, it can be difficult to get reliable delivery staff in affluent villages, and the amount of money tied up as credit before customers pay their accounts can be significant. If you take a shop with existing rounds, they are probably worth continuing but it is not a service to start up. It is well worthwhile investing in modern specialist computer software to administer newspaper accounts.

## ■ Local ranges

Local fresh fruit and vegetables, ham, cheese, honey etc. can draw customers to the shop specifically for those items, provide an area of interest and distinguish your business from the supermarkets. Increasingly, these ranges are a key aspect of local retailing, but you need to stay ahead of the game – the big supermarket chains understand their importance and are rapidly developing ranges of local foods. Do use shelf edge tickets and posters to really highlight your local ranges – there is little point stocking them if customers do not know they are there.

## ■ Fresh produce

This is something that customers want to buy locally but they are very conscious of quality; hence it is difficult to stock profitably as wastage can be a problem. It can also be difficult to find local suppliers willing to deliver the relatively small quantities involved.

## ■ National Lottery

Although it generates a lot of turnover, the commission is not high (lower still if you have a post office as Post Office Ltd take a share of it). It does create extra customer flow but paradoxically on Wednesday and Saturday evenings long lottery queues can dissuade more profitable customers from shopping. It can be very difficult or impossible to get a terminal installed if the business does not already have one.

## ■ Paypoint and Payzone

These bill-payment systems allow your customers to pay bills locally; the commissions for having a terminal are low but they do generate customer footfall.

## ■ Food to go

In the right location, this can be a very good seller.



# 13 Merchandising

Every foot of shelving needs to contribute to your takings. If it doesn't then you have got it wrong. Display space is your main asset. If one regular customer wants a particular item, keep it back shop for them because display space in most village shops is far too precious to waste. Look at the planograms in trade magazines, listen to the reps you see and control your space. Think about shelf profile to maximise utilisation of your cubic space; empty air above a product is wasted space.

Try to block product groups logically, thinking vertically as well as horizontally. "Eye level is

buy level" is a well-known phrase in retail – consider carefully what goes on those crucial middle shelves and put key lines on the right since most people pick up items with their right hand.

Ensure that your ranges are moving with the times. If you have EPOS data, use it. Try to be ruthless (sometimes difficult in a village environment), cutting slow sellers and introducing new lines.

Think strategically: consider where the business is heading over the next couple of years and aim to stay slightly ahead of your customers' changing demands. This is hard,

but too often village shops stock ranges ten years behind the times rather than six months ahead. Regular line reviews need to be done and it is a key function of the manager to do it.

The ideal is for shelves to be nearly full. Over-full shelves can discourage customers picking up items, whilst sparse shelves are a major disincentive. If you have to, spread stock out to cover gaps.

Even if you do not have full EPOS, the chances are that your electronic till will have department buttons. Do make full use of these so that you at least have a departmental breakdown of your sales to help your decision making. Shops with just a VAT and a non-VAT button in use really are missing an opportunity to acquire important data.

You will be stocking perhaps one thirtieth of the lines of an average supermarket. It is therefore crucial that you choose the right ones to put on the shelves to meet your customers' needs.

On basic ranges, tea and the like, you must be ruthless in not stocking too many brands. Stock the smaller sizes of washing powders and breakfast cereals. Consider carefully the balance between your wholesaler's own label, brand leaders and smaller brands. What is right for your mix of customers?

Keep a constant eye on what is happening in the marketplace but concentrate on ensuring that your shop is the best it can be. At the end of the week, ask yourself what improvements you have made during it; if the answer is none then you are falling behind, because your competitors will surely be moving onwards.

Discount retailers such as Aldi probably stock the same number of Stock Keeping Units (SKUs) as you do – you can be very successful with a limited number of lines, provided they are the right ones.



# 14 Stock Control

**You have limited working capital with which to buy stock and only so much space in which to display it. Typically village shops work on 2.5 or 3 weeks stockholding.**

Milk and bread, for example, will turn over far faster than this, whilst some specialist (but hopefully high margin) lines will perhaps sell one a week – hence if there is a case of 12 then your average stock of these lines will be in excess of 6 weeks. Do have a system to count stock and generate orders – doing it off the top of your head whilst at the cash and carry is a recipe for disaster. Ideally shelves should be labelled so that you can immediately see what is out of stock when you see a gap.

Do use EPOS data if you have it to order intelligently. 100% service level is impossible to achieve since out-of-stocks will happen, but you must get as close as possible.

“There is no point going to the local shop, they never have what I want,” is the kiss of death for your business. Train staff to let you know when they spot out-of-stocks or lines running low. Have a book behind the counter to record them, plus details of lines not stocked which customers have asked for; great information to have. Occasionally visit your local supermarket; if they are giving a line a lot of facings, it is a fair indication that it is a big seller for them – are you stocking it and giving it enough prominence?

It is vital that you have a system of stock rotation in place; make sure older stock is sold before longer life items. Failure to do so can leave you with expensive out-of-date-code stock that you cannot sell, angry customers, or a pending prosecution. It is particularly important to keep track of short shelf life items such as bread or fresh vegetables – high wastage is a very quick way of destroying your profits. At the same

time never be tempted to keep produce past its proper life on shelf. It will not sell and it will destroy your reputation as a good place to shop. You will lose a certain amount of stock to theft. However, you can minimise this by sensible layout – not putting bottles of whisky in a hard-to-see far corner is a fairly obvious precaution. Do make sure staff know how to respond to any incidents, ranging in scope from a 5 year old stealing a penny chew up to an armed robbery on the post office.

Consider security cameras; they are much cheaper than they used to be and backup storage on hard discs rather than tapes makes it far easier to produce police evidence quality images if they are ever needed in court for prosecutions. Your local police station can put you in touch with your local crime prevention team, who will provide free advice.

# 15 Finances – The Accounts

**Many shopkeepers consider their annual accounts to be a chore, a necessary evil to keep the accountant in golf balls and the tax inspector satisfied. In fact, your accounts are a very useful snapshot in time of your business and can be a key management tool.**

## ■ Turnover

Remember that all figures in the accounts will be exclusive of VAT and so will differ from any figures you keep on takings including VAT. Sales per week can vary enormously between shops.

Despite the difficulties, you do need to take a view as to whether sales are acceptable for the location. If sales are too low, then it is important to find out why and take appropriate action.

Trend data can be useful. If turnover is going up faster than inflation then you are heading in the right direction. If it is static or even declining then you really need to consider why. One year of poor turnover is survivable but if the trend continues over several years, then your business will ultimately cease to be viable.

## ■ Gross profit margin

For a village shop the difference between the cost of goods bought in and the price they sell for is usually about 18%.

It could be a bit lower if tobacco is a major component of sales and higher if there is, for example, a strong delicatessen counter.

Ask questions if the figures in the accounts are very different from the norm. A low figure could suggest pilferage by staff or theft by customers, prices set too low, the wrong ranges being stocked, a proprietor taking more stock off the shelves for his own use than he is declaring, or a host of other reasons. You need to know the reason.

Similarly, too high a figure can also set off alarm bells – you need to know whether it is a true figure that can be sustained in the long term. In some cases it can.

Village shops in locations remote from supermarket competition can afford to put a few extra pence on prices to achieve an acceptable return; some shops are able to operate on up to 25% gross margin.

## ■ Costs

Apart from stock, the main costs to most businesses are the premises and staffing. As a rule of thumb, staffing should not exceed half of all costs, although if you are a “hands-off” proprietor or the shop opens very long hours, then the figure could creep higher. Remember that one minute of staff time is likely to cost you 12p (national minimum wage + National Insurance + holiday pay + sick pay etc.). Making sure that the level of staffing is appropriate is a key management role that many shopkeepers do not even recognise as an issue.

The cost of your premises is also important. Make sure you receive any entitlement to a reduction on your business rates. Contact your District Council for details if you are a sole shop or post office in your village. If you own the property, keep a constant eye on the cost of any mortgage and switch providers if appropriate. If the premises are rented, ensure that you treat rent reviews seriously. Know what your lease allows and take professional advice if necessary – although it will cost, it could be a very good long-term investment.

# 16 Electronic Point of Sale Data Capture (EPOS)

EPOS data capture equipment has revolutionised many aspects of retailing. If your shop already has a system, do spend time learning how to get the best out of it. If it does not, at least consider whether the investment would be worthwhile for you.

The data will put you in greater control of your business and save you and your staff time. Used properly, it will help you generate stock orders, plan what to stock, avoid individual pricing of goods, schedule staff to when the store is busy, reduce wastage of out-of-code items and enable you to make better management decisions. The key advantages of EPOS are:

- 1 You have accurate line-by-line sales data, so producing a quarterly VAT bill becomes very straightforward. This will reduce bookkeeping costs, ensure that you pay only the VAT due and, particularly if you are paying on the flat rate system, probably reduce your overall VAT bill.
- 2 It eliminates individual pricing of items, a considerable staff saving.
- 3 Price changes are implemented immediately and quickly, with less delay when a new cost price comes through.
- 4 All sales are made at the proper prices so there is less room for errors.
- 5 You are able to have a read out of sales so you can monitor stock losses more tightly.
- 6 Strategic management information shows the ranges to expand, contract or discontinue. You can monitor effects of promotions, changes in layout etc.
- 7 Easier day-to-day re-ordering. You have clear information on what is selling, when it needs to be re-ordered etc.
- 8 Scanning provides a more professional transaction at the till, with itemised receipts.
- 9 You can see when during the day your sales are made, thus helping you to schedule staff hours to best advantage.
- 10 You can accurately monitor the effects of any changes you make to the store – promotions, moving products to new locations, new show material etc.

When selecting a supplier of EPOS equipment, remember that many are selling fairly standard equipment. The key difference is the training, support and backup they provide.

# 17 Post Office Ltd



**You will undoubtedly be aware of the issues surrounding post office outlets and the current branch closure programme. If you run a shop with a post office you will know how much things have changed in the past few years. The post office has ceased to act as the local outlet for government and has become a provider of financial and postal services.**

The post office is primarily an agent for other service suppliers; the only product of its own is postal orders. Its future success or failure depends on persuading other organisations to use its services and to pay sufficient commission or fees to make the transaction viable. It is therefore more supply-led than demand-led. A classic case of this is that a post office can provide cash to customers of LloydsTSB and Barclays banks, but not for customers of RBS, NatWest or HSBC.

The Post Office has branched out into financial services offering personal banking, car insurance, travel insurance,

foreign currency, personal loans, telephone services etc., with further products expected in the future. The Internet has generated a lot of extra business for the traditional postal services, with the EBay site in particular generating considerable extra traffic in many offices.

The modern trend is for an open plan post office and the shop counter to be adjacent. If they are not, it can be an expensive business to make them so, although there may be grants available from Post Office Ltd. to help cover the costs. Open plan counters can free up valuable retail space and reduce staffing costs. This approach also offers the flexibility of opening the post office for the same hours as the retail.

You need to take your own view on how you see the future of Post Office Ltd. Do not ignore it as an issue and expect no changes to this business – the only certainty is on-going change.



# 18 Symbol Group Membership

Membership of one of the symbol groups immediately implies meeting their standard of fit-out and using their house style. Many village stores do trade under one of these fascias, often very successfully.

Symbol groups differ from each other in the precise way they work, but the principle is always to combine independent stores together to obtain economies of scale in buying, to provide a respected fascia under which to trade and to help create the standards of service that meet the chain's criteria. Membership has advantages, although some proprietors cannot afford to bring their businesses up to the required standard, baulk at the fees, think they can obtain better prices by shopping around, or resent the (usually modest) loss of independence. Most symbol groups are operated day-to-day by regional wholesalers. For example, Bookers Cash and Carry has several retail fascias, the main one being Premier.

In general, joining a symbol group is for the better outlets in good locations and with a decent sized sales area. Membership criteria can in some cases be quite tight; to join

usually entails having achieved a threshold level of turnover and paying for a complete refit in their house style.



# 19 Legal Requirements

Obviously you need to be aware of what the law demands of you. All businesses are subject to a large number of laws and regulations. These cover many aspects of running a shop.

It would be impossible to list them all here, let alone explain them. If you are a new inexperienced shopkeeper, you need to master the basics of a few fast:

## ■ Environmental Health

All districts employ Environmental Health Officers (EHOs) to ensure that premises such as shops meet required standards. Invite your local officer to visit your premises soon after you have taken over to ensure that you are meeting requirements and to advise you on best practice. Particularly if you are making changes it is far cheaper for you to do so in line with their requirements

than to have to alter things again later. Ensure you have good cleaning systems in place, rotate stock by date codes and remember it is mandatory to check regularly the temperature on your refrigeration to ensure that chilled or frozen foods are stored at the right temperatures.

## ■ Employment

Ensure that all staff have a contract of employment; this should mean that their duties and rights are clearly laid out. Obviously be aware of the national minimum wage. The Transfer of Undertakings (Protection of Employment) Regulations (TUPE for short) will probably apply if you purchase a business. Under TUPE regulations anybody selling a business must disclose a range of information about staff (including copies of their contracts) to the buyer in writing prior to the transfer.

## ■ Tax and VAT

Assuming you have a bookkeeper or accountant, sort out right from the start with them what records you need to keep and do so routinely. Make sure you are saving enough to pay your quarterly VAT bill and get your returns in on time. However tired you are at night, keep your paperwork up to date – once it has slipped then it is very difficult to get it back up to date.

## ■ Licence to sell alcohol

In order to sell alcohol you need a licence under the Licensing Act 2003 from your District Council. You need to send them the appropriate application forms, a plan of the premises in a prescribed format, and the fee. The latter depends on the Non Domestic Rateable Value (NDRV) of the premises (note, this is the rateable value, not the amount of rates actually paid). For

## ■ Running a Village Shop

information contact your local District Council or find details of the Act, together with downloadable application forms at: [http://www.culture.gov.uk/what\\_we\\_do/alcohol\\_and\\_entertainment/3189.aspx](http://www.culture.gov.uk/what_we_do/alcohol_and_entertainment/3189.aspx)

### ■ Health & Safety

You need to ensure that your premises are safe for employees and customers. Much of it is common sense but you do need to ensure that you have things like statutory

notices, first aid boxes and fire extinguishers in place. You need to be aware of food hygiene regulations and if you are new to the industry it is well worthwhile going on a short course to learn about them.

District Council Environmental Health Departments can advise you on this and any other aspects.

### ■ Sale of goods

In brief, you are responsible for ensuring that what you sell is of merchantable quality. Your local Trading Standards Department can advise you of what this means in practice.

## 20 Conclusion

A clean-looking convenience store, with a decent-sized sales area, modern fittings, a high level of refrigeration, the right ranges, long opening hours, friendly well-trained staff and car parking can do very well, even in a relatively small

community. If you meet local needs, then customers can “come out of the woodwork”.

Running such a business is not an easy option and needs to be approached as

seriously as any other job. Done badly it can lead to disaster. Approached professionally, it can be very rewarding both materially and in terms of supporting your local community. Try to keep the frustrations in context and enjoy the unique job satisfaction!



# Appendix: A New Business Venture?

This section is primarily intended for people new to the retail industry

## ■ A.1 SHOPKEEPING IS A PROFESSION

Before you enter this industry, decide what your objectives are. Some possible reasons are:

- Financial return
- A lifestyle in a rural location
- Being your own boss
- Being the centre of the community
- Career change/redundancy/early retirement
- Mastering a new set of skills as a professional retailer
- Giving your children a good start in a rural location

Everybody sees him or herself as an expert on retailing. After all, we all go into shops, we all have an opinion on the experience and how it could be improved. Many of us see ourselves as able to make those improvements. However, we are not all the right sort of person to carry them out. The above list of reasons may help you decide whether running a shop delivers what you are looking for.

If you do not have any retailing experience, a very good plan is to work for somebody else in a village shop for a couple of weeks, if necessary offering your services for free, to see life from their side of the counter. This will help you decide whether this is the life for you and also give you invaluable experience of the day-to-day operation of a shop. There are also a large number of trade magazines and web sites, any of which will give you a flavour of the industry that you are about to enter. Examples include The Grocer, Convenience Store, Independent Retail News and Asian Trader but there are several others.

Retailing is a very competitive business. Food retailing in particular is cut-throat, with even giants such as Sainsbury's and Morrisons losing trade the moment they slacken their efforts. For most village shops, you will be competing with professionally run multiple retailers in the nearest towns and cities. It is true that the majority of residents of villages in the South West do their main food shop in an urban supermarket. A major competitor may be a

forecourt on the edge of the nearby town, passed every night by commuters returning home to your village.

A couple of years ago an All Party Parliamentary Report, "High Street Britain 2015", went so far as to suggest that independent convenience stores and newsagents could disappear by that date unless there is a change in policies. This is an extreme view but nationally many village shops are closing every year and very few new ones open.

As a village shopkeeper you can compete successfully, but to do so you need to be very professional. Perhaps in the past you could run a village shop in gentle semi-retirement, but in the 21st century retailing is not a hobby business. It is crucial that you stack the odds in your favour right from the start by being professional.

This set of guidelines is intended to help you to do this. Our tone is sometimes quite negative. This is intentional - running a shop is not for everybody. If it is the wrong move for you, find out and admit it to yourself now. It will save you a lot of money and heartache. If you are the right person, do not be put off - you can reap considerable rewards from what you may come to think of as the best decision of your life.

### ■ A.1.1 Are you able, week after week, year after year, to be pleasant to all types of customer, even when you are feeling pressured, tired and over-worked?

Many shoppers have different expectations from the proprietor and staff in their local stores compared with impersonal town stores. Customers - mostly - really appreciate a genuine smile and personal recognition from the person behind the counter. Shopping in the village shop can reflect local loyalties, as much to you as the owner and a key person in the local community, as to the shop itself. Hence your personality can make or break your shop. If you "get it right" in terms of friendliness and attitude you will attract significant extra shopping visits. A trip to the village shop

becomes a pleasant event in the customer's day. Conversely, if customers do not like the owners, then shop takings can slide very quickly. We have seen a new shopkeeper with the wrong attitude halve the takings of a village shop in his first three months. There are proprietors who, without being unfriendly or rude, do not have the right interpersonal skills; their body language cannot disguise the fact that they really wish they were doing something else or even that they are simply very tired. And remember, you need to exercise your human relations skills even when the people you are serving resolutely refuse to show you any gratitude in return!

After several years in the job some shopkeepers forget to be pleasant to customers; they start taking them for granted. Even more common, they turn a blind eye or are unaware of poor service from their own staff. If the woman you leave to run the shop while you visit the cash and carry is known throughout the village as an awkward and rude individual, she will be doing your business considerable harm. You do need to be very aware of how customers see you and your staff.

### ■ A.1.2 Are your family prepared to work with you and support you?

Most proprietors work very long hours. Remember, there is work beyond store opening hours, be it stock ordering, visiting the cash and carry to buy stock, VAT returns or routine book-keeping. Many shopkeepers are dependent on family members for help; although wages in the retail industry are low, they are still a key cost to the business, and it is important to keep them to the minimum. The hours worked often cover every day of the week, including weekends. Running the shop will affect the family's ability to take holidays when they would ideally like. Even in the cases where one partner is not directly involved in the business, it will still impact on them. Is it something that both of you want to do?

A lot depends on what you are used to and what your requirements are. Some owners find that, used to a stressed all-hours job with a long commute, the hours are actually less and not so tiring. However, if you are

## ■ Running a Village Shop

currently in a 9 to 5 job, then you may need to adjust your expectations. And do not view running a shop as something that is compatible with supervising children at the same time – a lot of people have tried it and for most it does not work!

### ■ A.1.3 Do you really want to be self employed?

A key attraction of running a shop is, of course, being your own boss. You have total control over how the business is run. If you are moving from a large company, you will miss your colleagues and people to chat over problems and ideas. From now on, you will be your own expert in human resources, IT, accounts, logistics, marketing, buying, customer relations and possibly even building maintenance. For some people this sounds like heaven; is it you? A sensible approach can be to operate a shop as part of a group, such as Spar, Londis or Premier. Their experts can help you run the shop well, without detracting too much from your independence. There are of course pros and cons to this approach; if necessary, seek the advice of your accountant before signing up.

Are you a self-starter? Can you motivate yourself to initiate and take forward change, without anybody else to encourage you to get it done? So many village shops lapse into a position where they do not change much from one year to the next. I once advised a shopkeeper to change a fitting, only to be told that they would not be investing anything more in the business because they were retiring in 10 years time! This is an extreme case, but shopkeepers do forget. It is your business and improvements are down to you to implement.

### ■ A.1.4 Can you manage staff?

Staff are the main cost in most shops. At the time of writing, the National Minimum Wage for an adult is £5.52 per hour. With National Insurance, holiday pay, sick pay etc. a typical hour worked will cost you, say, £7, or nearly 12p per minute.

The vast majority of village shops have some employees, ranging perhaps from paperboys to an assistant who has been there 30 years and seen 7 different owners come and go. Staff may well include members of your own family - will your partner and possibly your children accept you in the different role of

boss? Are you yourself happy in the role of employer and manager? Can you motivate low-paid staff? Can you persuade people to work when you need them, not just when it suits them? Remember, a key part of the success of the large supermarket chains is their ability to provide high standards of customer service despite the low wage rates in the industry. Finally, can you understand employment legislation and apply it fairly?

### ■ A.1.5 What are your time and money needs: what size and type of business do you want?

Are you are looking to maximise your financial returns? Are you looking to achieve a good work-life balance? Do consider your own personal objectives carefully before you start looking at possible businesses. A high turnover shop with long opening hours is a very demanding full time job, but one with potentially a good financial return if done well. It is definitely not an easy way into retirement.

Conversely, a tiny shop in a small remote village will probably not provide an income to pay a mortgage and raise a family. If you are looking to buy a shop consider your situation, ambitions and needs very carefully before you start looking for your business. If you already own one, remember your needs change over time. If you want to start to unwind towards retirement but you are running a 6am to 10pm seven days a week operation, then you may want to think about selling up and taking on a less demanding business. This is not failure but sensible re-adjustment.

### ■ A.1.6 How much do you value your role in the community?

As proprietor of the village shop you are custodian of a key village asset. If you get it wrong and the shop closes as a result, it is your fault. But, on the plus side, when you get it right you are at the heart of the community and the job satisfaction is amazing. Everybody knows your name. You meet most people in the village. They need you. You know more about the goings on in the community than anyone else (with the possible exception of the vicar or the pub landlord). And you are doing a really worthwhile task helping the socially or economically disadvantaged stay within the

community. For many shop owners this is a key part of their life and more than outweighs the frustrations of the job.

## ■ A.2 A LOGICAL DECISION

Usually the decision to purchase or lease a shop involves two separate elements – where you will live and where you will work. It is a common mistake to muddle the two components of the decision. Most village shops include living accommodation on the premises and only you can decide whether it will meet your family's needs. However, far too many new shopkeepers buy a shop on the basis of the living accommodation and the attractiveness of the village as a place to live. This is totally understandable; after all you will have chosen houses to live in before and you know how to do it.

Of course such domestic matters are important to your family's future, but selecting a business is more complicated than this. Evaluating the retail premises is a science, not an art, and needs to be approached in a totally different way. You must be totally dispassionate, even if your partner has fallen in love with the village and your children are desperate to go to the local school. The right decision can make you a happy person; the wrong decision can see you moving again in a few years, dispirited and far poorer than when you arrived.

A lot of village shops in converted houses are not ideal as retail outlets. Some of the premises are not really suitable for the purpose in the 21st Century. The need is for a large square space with as few internal walls or pillars as possible. There is often a domestic floor plan, with staircases, internal walls, toilets, etc. preventing the creation of a modern efficient sales area. Spaces made up of separate "rooms" are difficult to manage, disliked by customers and encourage theft.

## ■ A.3 INFORMATION ON THE BUSINESS

### ■ A.3.1 Estate agents' details

These will provide at least some initial information on many of the points in the previous section. Read the details carefully. Do be wary of the standard phrases about the "potential of the business to expand". Why hasn't the existing proprietor realised

it? Most businesses have more potential if you are prepared to work 15 hour days, 7 days a week and end up in an early grave – but shrouds do not have pockets!

The price you should pay for a shop is usually far more to do with the bricks and mortar than the business. Most shops sell at a discount to the value the premises would fetch with residential planning permission, but it is almost always very difficult or impossible to obtain change of use for village shops – district councils in rural areas are usually very keen to protect them as a key local service and try to prevent them from closing. If potential conversion to residential use is mentioned to you to justify a high asking price do be very cautious. At the very least, discuss the matter with the local planning department.

Always check with the planning department what developments, if any, are planned for your village. A new estate of affordable housing could transform the economics upwards, but a by-pass taking away traffic through the village and hence your passing trade could destroy your business. If you are thinking of extending the premises, what would be their advice on the likelihood of gaining planning consent and what conditions might there be?

### ■ A.3.2 Accounts for the business

At some point you will need to see the latest set of accounts for the business. Do not treat the accounts of the business as “gospel”. They will illuminate some things but they may not reveal others. The figures can be presented to show a picture in line with the proprietor’s objectives. Did he want to minimise his tax bill? Did he want to keep his alimony payments to his ex-wife as low as possible? Did he want to make the business look profitable and hence make it easier to sell?

Remember that there may well not have been a proper stock take for some time – hence the stock figure - and all the other P&L figures that stem from it - may in practice be an estimate only. Ask what the figures are based on. It is rare, but not entirely unknown, for accounts to be totally fraudulent but nevertheless do keep your wits about you. Do also be aware that accountants vary considerably in their

expertise in retail businesses. If your financial adviser is not a retail expert, treat his advice with some caution.

If the current proprietor owns the premises outright but you will be paying off a mortgage, then your accounts could look very different from his. Remember that mortgages on commercial premises work differently from those for domestic houses. Similarly, if his partner works in the business without taking a salary then your profit will be much lower if you will be employing paid staff instead. Draw up a dummy account based on your personal circumstances rather than his – does it stack?

Stock at Valuation (SAV) is an innocuous-sounding term which can conceal a lot of heartache. You will typically agree to buy the stock of the shop SAV, with an independent stocktaker employed to come in and value it on a particular day just before the date of sale. Depending on your strength in the negotiations, you really need to go through the stock before this and get agreement that any obviously unsellable stock is valued appropriately. However well run, all shops have some stock like this tucked away. Watch particularly for the date codes on food items – will it sell before it goes out of code? Are the greetings cards the fashion of 10 years ago? Who is going to buy the ink cartridges for a computer printer long since discontinued?

If you are unsure about any aspect of a business you are thinking of buying do ask questions, even if it seems embarrassing to do so. Do consider employing an accountant to advise you if necessary – although it is a frustrating expense, it can prove a lot cheaper than buying the wrong business.

### ■ A.3.3 The existing proprietor

They should be a mine of information – after all, they should know more about their business than anybody else. Clearly they have a strong interest in providing a glossy impression in order to sell you the business, but once you have got to know them, then skilful questioning can elicit gems of information. Consider working alongside them for a while to pick up the way the shop works. A particularly interesting piece of information to find out, of course, is why they are selling the business.

## ■ A.4 RUNNING THE SHOP Year one, week one, day one

If you have just taken over a new business, there is usually an understandable desire to start improving your shop the day you take it over. Resist it. Even if you are an experienced shopkeeper, resist it. Instead, take some time to get to know your business. Unless you have evidence to the contrary, your predecessor was not a complete idiot. There may be reasons that things are done the way they are. Find out before you change things. Evaluate your new staff. Find out whose judgement you can trust. Learn all you can from them. They will know which customers will “try it on” to get goods on tick.

They will know which kids need particular watching near the sweet section. They know that you need to place an order every week with the frozen food supplier or else he will stop delivering. Ask questions, test ideas, but proceed with caution for your first few weeks. If you are on good terms with them, bounce ideas off the previous proprietor, but be prepared for them to defend their own past decisions – listen to what they say, but remember that something that did not work five years ago may work now. Be prepared for them to tell you something different before and after you have actually bought the shop and just smile to yourself when it happens. Talk to customers. Talk to suppliers. Talk to your accountant. And actually listen to the answers; you may not follow all this advice, but at least understand it.

Before you start investing in the business, do check out whether there is financial assistance available to you. Although rarer than they used to be, there are sometimes grant schemes to encourage shop owners to improve their businesses; check out whether any are available to you before you do the work.

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## ■ About the Author

Kenneth Parsons has spent his entire working life in the retail industry. After extensive experience with large chains such as Boots the Chemists, Gateway Supermarkets and Somerfields, He then became managing director of Senator Marketing Services, a small consultancy specialising in helping rural retail businesses.

For a number of years he was the retained retail consultant for the West Midlands and parts of the South West for The Countryside Agency and carried out a similar role for the

Warwickshire and Worcestershire Vital Villages programme.

He is now chief executive of the Rural Shops Alliance, a trade association for rural shopkeepers that, as well as representing the sector to government, retains exceptionally close links with the grass roots of the business.

He has visited and advised up to a thousand rural retail businesses including general stores, community-run shops, post offices, pubs, garages, and farm shops.



# Useful Contacts

The following are useful starting points for business information and advice in the various local authorities in the South West Region:

## Store is the Core Partners:

### ■ Community First

Wyndhams, St Joseph's Place,  
Devizes SN10 1DD  
T: 01380 722475  
E: enquiries@communityfirst.org.uk  
W: www.communityfirst.org.uk

### ■ Rural Shops Alliance

The Little Keep, Bridport Road,  
Dorchester, Dorset DT1 1SQ  
T: 01305 259911  
E: info@rural-shops-alliance.co.uk  
W: www.rural-shops-alliance.co.uk

### ■ ViRSA

The Quadrangle, Woodstock,  
Oxfordshire OX20 1LH  
T: 01993 814377  
E: virsa@plunkett.co.uk  
W: www.virsa.org

### ■ SWAN

c/o Community Council for Somerset  
Victoria House, Victoria Street  
Taunton TA1 3JZ  
T: 01823 333900  
E: enquiries@swan-network.org.uk  
W: www.swan-network.org.uk

## County Contacts:

### Cornwall

#### ■ Rural Cornwall & Isles of Scilly Partnership

South Wheal Crofty, Station Road,  
Pool, Redruth TR15 3QG.  
T: 01209 611110  
E: rcp@cornwallenterprise.co.uk  
W: www.ruralcornwall.co.uk

#### ■ Cornwall County Council

Treyew Road, Truro TR1 3AY.  
T: 01872 322000  
E: enquiries@cornwall.gov.uk  
W: www.cornwall.gov.uk/index.cfm?articleid=436

### Devon

#### ■ Community Council of Devon

County Hall, Topsham Road,  
Exeter EX2 4QD.  
T: 01392 383443  
E: info@devoncc.org.uk  
W: www.devoncc.org.uk

### ■ Devon County Council

Economy  
County Hall, Topsham Road,  
Exeter EX2 4QD.  
T: 01392 382831  
E: info@drn.org.uk  
W: www.devon.gov.uk/index/business

### Dorset

#### ■ Dorset Community Action

The Barracks, Bridport Road,  
Dorchester DT1 1YG.  
T: 01305 250921  
E: denise.paice@dorsetcommunityaction.org.uk  
W: www.dorcom.org.uk

#### ■ Dorset County Council

County Hall, Colliton Park,  
Dorchester DT1 1XJ.  
T: 01305 221000  
W: www.dorsetforyou.com/index.jsp?articleid=384235

### Gloucestershire

#### ■ Gloucestershire Rural Community Council

Community House, 15 College Green,  
Gloucester GL1 2LZ.  
T: 01452 528491  
E: naomim@grcc.org.uk  
W: www.grcc.org.uk

#### ■ Gloucestershire First

Chargrove Business Centre, Main Road,  
Shurdington, Cheltenham GL51 4GA.  
T: 01242 864190  
E: info@glosfirst.co.uk  
W: www.glosfirst.co.uk

### Somerset

#### ■ Community Council for Somerset

Victoria House, Victoria Street,  
Taunton TA1 3JZ.  
T: 01823 331222  
E: info@somersetccc.org.uk  
W: www.somersetccc.org.uk

#### ■ Economic Development

Somerset County Council  
County Hall, Taunton TA1 4DY.  
T: 01823 356870  
W: www.somerset.gov.uk/somerset/culturecommunity/ed/support

### Wiltshire

#### ■ Community First

Wyndhams, St Joseph's Place,  
Devizes SN10 1DD.  
T: 01380 722475  
E: enquiries@communityfirst.org.uk  
W: www.communityfirst.org.uk

#### ■ Wiltshire County Council

Bythesea Road, Trowbridge BA14 8JN.  
T: 01225 713000  
W: www.wiltshire.gov.uk/business-support-and-advice

### Former Avon area

#### ■ Community Action

Church House, 74 Long Ashton Road,  
Long Ashton, North Somerset BS41 9LE  
T: 01275 393837  
E: mail@community-action.org.uk  
W: www.community-action.org.uk

### Bath & North East Somerset

#### ■ Economic Development Unit

Trimbridge House, Trim Street,  
Bath BA1 2DP.  
T: 01225 477748  
E: economic\_development@bathnes.gov.uk  
W: www.business-matters.biz

### North Somerset

#### ■ North Somerset Council

Economic Development & Regeneration  
Team, Town Hall, Walliscote Grove Road,  
Weston-Super-Mare BS23 1UJ  
T: 01934 634967  
E: economicdevelopment@n-somerset.gov.uk  
W: www.n-somerset.gov.uk/business

### South Gloucestershire

#### ■ South Gloucestershire Council

Castle Street, Thornbury BS35 1HF.  
T: 01454 864950  
E: economicdevelopment@southglos.gov.uk  
W: www.southglos.gov.uk/BusinessMatters

## Others:

### ■ Business Links

W: www.businesslink.gov.uk/bdotg/action/directory?r.s=h

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