

Cross-Party Group on Independent Convenience Stores – approved minute.

16 March 2022 at 6.15pm

Minute

Present

MSPs

Jackie Baillie MSP
Stephanie Callaghan MSP
Foyso! Choudhury MSP
Gordon MacDonald MSP (Convener)

Invited guests

Eric Calderwood, University of Stirling
Liana C Fleming, Mondelez International
David Lonsdale, Scottish Retail Consortium
Seonag Mackinnon, National Federation of Independent Retailers
George Maglaras, University of Stirling
Adrian Roper, National Federation of Independent Retailers
Professor Leigh Sparks, University of Stirling
Kelly Lock, Biffa
Joanne Millar, Gilson Gray LLP
Dr Maria Rybaczewska, University of Stirling

Non-MSP Group Members

Harris Aslam, Eros Retail Ltd
Jamie Buchanan, Scottish Grocers' Federation
Craig Brown, J W Filshill Ltd
Dan Brown, Lothian Stores Ltd
Dr Pete Cheema OBE, Scottish Grocers' Federation
Martin Devlin, PGMA
Gillian Edgar, SGF Healthy Living Programme
James Harper, One-O-One Convenience Stores
Steven Irons, C J Lang & Son Ltd
John Kelly, Motor Fuel Group
Andrew Kenney, UK Retail, BP Oil UK Ltd
Dr John Lee, Scottish Grocers' Federation

Luke McGarty, Scottish Grocers' Federation
Kathryn Neil, SGF Healthy Living Programme

Apologies

The Convener noted that apologies had been received from Monica Lennon MSP, Maurice Golden MSP, and Daniel Johnson MSP.

Welcome and introductions

Gordon MacDonald MSP (Convener) welcomed attendees to the meeting including Jackie Baillie MSP, Foyso Choudhury MSP and Stephanie Callaghan MSP who were also in attendance.

Approval of minutes and action points

The Convener (Gordon MacDonald MSP) asked for the approval of the previous minutes from the 16 November 2021 meeting. These were approved.

What will convenience retail look like in the new post-pandemic landscape, how will it adapt and ensure that it continues thrive and play a key role in the Scottish economy and of course remain a key asset to the communities which they serve?

John Lee explained that the speakers would share their thoughts on what had been learned so far from the pandemic, what the retail industry was looking like now and how things might develop over the short to medium term.

John then introduced the speakers, and the following presentations were delivered:

Professor Leigh Sparks, Institute for Retail Studies, University of Stirling

Leigh Sparks spoke to his presentation and informed the CPG that the pandemic had accelerated pre-pandemic trends in retail such as the rise in internet sales; the growth of local convenience and authentic retailing; moving from a situation where people go to where shop are, to shops going to where people are; and concern around the sustainability of not just food but also the environment. While the move to internet sales had reduced the number of physical stores, a well-known department store while reducing its number of stores had still able to remain profitable through its online sales.

Leigh explained that in terms of living with the virus it was not back to business as usual and would not be so for many years. Consideration would also need to be given to the changing political, social, economic, and retail landscape in Scotland. Leigh indicated that further major disruption could be ahead. The pandemic had changed how people shopped and that the needs and wants of people had changed and

Scotland's needs had altered. Some important themes going forward would include omni and multi-channel (ship from store), home deliveries with a hyper local focus which could benefit convenience retailers and the growth of local, smaller sustainable stores. The possible emergence of 'Dark Stores' which could deliver fast grocery deliveries to customers was noted too. Going forward consideration needed to be given to what Scottish convenience stores wanted and how they could satisfy the needs of consumers. This would need to take account of the cost of living, health and wellbeing and sustainability issues. Leigh saw the future of Scottish convenience retailing as being very strong.

David Lonsdale, Director, Scottish Retail Consortium

David Lonsdale acknowledged the fantastic job that convenience retailing, retailers and their staff had done over the last two years. He explained that trading conditions had been tough and in terms of the latest SRC data on retail sales, Scotland was still about 6% short in terms of where the country was two years ago. There had been a bit of an uplift and improvement in recent months for example with people going back to work in offices and a lift from grocery sales. There had been a bit of polarisation between food and grocery on the one hand and non-food sales overall in terms of the retail sector. The recovery was underway but was protracted. In terms of current challenges, these centred around those faced by consumers, operational matters for businesses, tax, and other relevant policy issues. David explained that in terms of opportunities some of these could come from the Scottish Retail Strategy, City Centres Recovery Task Force Report, full Ministerial response to the Review of Town Centres Action Plan and the town centres and retail parliamentary inquiry. It explained going forward that it would take more time before the post-covid environment would settle down and what it meant for footfall, retail sales and the health of retail destinations. The retail sector however still remained remarkably resilient and convenience retailing was a great example of this.

Craig Brown, Chief Sales & Marketing Officer, J W Filshill Ltd

Craig Brown informed CPG that Scottish convenience retailers have had the ability to pivot throughout the whole of the pandemic however some had been affected quite drastically in city and town centres. Food to go was a big area which had experienced massive growth pre-pandemic and sales were moving back to this again, however over the previous two years retailers had moved away from that space in the store and had changed their store layout. He explained that convenience stores were high street enablers and facilitated economic spend on local high streets and shopping parades. There had been 5,000 jobs taken out of the sector over the past year however vacancies had risen. To attract people into the wholesale side of the business, J W Filshill had enhanced their packages to ensure they retained or attracted in a different type of employee. Government legislation was also a challenge and required to be sequenced to give retailers an opportunity to prepare for it including any unintended consequences. Other challenges included fuel and energy costs for both businesses and consumers and other costs such as increase national insurance contributions and pension contributions etc. Craig explained that in terms of future opportunities the landscape in convenience retail had shifted with shopper habits having changed and many retailers were adapting to this. Retailers were also investing in their stores and using technology and data and adapting to the demand for online shopping.

Questions and Answers

John Lee then invited comments and questions.

Gordon Macdonald MSP highlighted the point by Leigh Sparks that rather than people going to where shops were, shops would need to go to where people were and asked what impact this would have not only on town centres but also out of town shopping areas.

Leigh Sparks stated that this pattern had already started and that this would have an impact on out-of-town retail being able to attract customers. With the cost of travel and where people now lived, customers wanted retail services to be convenient and to be nearby to them. This could also lead to more locational shifts and possibly a showrooming element for some retailers in cities.

Seonag Mackinnon asked the CPG if it could identify the factors that had enabled some stores to survive and thrive.

Craig Brown stated that a key element was the location of stores and that suburban and rural locations had worked particularly well and pointed out that being well stocked was also important for a store. He noted however that situation in Ukraine was starting to have an impact. Successful retailers had been adaptive as to how and where they sourced stock and how they presented their stores to customers.

David Lonsdale agreed that retailers being able to pivot was important as was the location of their stores. He added retailers were now investing immeasurably in online as part of their offering to customers. Larger supermarkets and grocery chains went from 7% or 8% of sales being online to almost doubling these figures. Non-food items bought online – according to Scottish Retail Consortium data - had now settled down to about 40%.

Stephanie Callaghan MSP asked what impact Business Improvement Districts (BIDS) had made for retailers. She highlighted that the local BID in Hamilton had been very good at promoting the shop local message and supporting the use of personal protective equipment and social media related work.

Leigh Sparks commented that the Scottish Government had used BIDS Scotland get pandemic funding out to businesses and the feedback received had been about how much businesses had valued what the BIDS had been doing across Scotland. Scotland's Town's Partnership had also been heavily involved the Scotland Loves Local Campaign and BIDS had been part of this too.

David Lonsdale stated that the Scottish Retail Consortium were very supportive of BIDS and saw them as great model in principle. The challenge going forward would be around costs such as business rates and noted that workplace parking levies may add more costs onto businesses.

John Lee asked Craig Brown what the convenience store of the future would look like including any physical changes. Craig stated that there had been an increase in chilled products across all formats and geographical locations. He was seeing a significant increase in chilled and frozen space versus ambient, and this had moved quite rapidly over the last five years across all locations. Food to go footfall was still to return to previous levels.

John Lee asked John Kelly about whether there had been any issues around the forecourt supply chain. John Kelly informed CPG that the sector had shown resilience throughout the pandemic to date. The recent rapid increase in fuel prices however had impacted on their throughput of fuel. Some of the suppliers who supplied forecourts were now advising that they could not now deliver three times a week on sandwiches but only twice a week. This would impact on availability and sales at forecourts. He also highlighted they were now seeing fuel delivery levies and noted that there was less throughput of fuel as people were travelling less.

John Lee asked Kathryn Neil whether she had seen any changes in the sales, stocking, and consumption by customers of healthy eating products over the pandemic. Kathryn stated that they were seeing an increase in the sales of fresh food and over the last year had seen a greater engagement on the SGF Healthy Living Programme. She explained that retailers were placing greater emphasis on where fresh was situated within their stores. There was a move to also help educate customers in terms of health related issues.

John Lee asked Jamie Buchanan to provide an update on the SGF Go Local Programme. Jamie explained that over the last two years there had been a big swing towards supporting local stores as people had to stay or work from home. Despite supply chain issues during the pandemic, convenience retailers were able to switch very quickly to local supplies thereby keeping product availability high for customers. Sales of Scottish local products in local convenience stores had continued to grow and were second only as a category to the sales of cigarettes. He informed CPG that retailers who moved to local fresher products would out-perform those who did not and would continue to be successful.

Stephanie Callaghan MSP asked whether businesses offering customers the opportunity to order and pay for goods online also sometimes waived the cost of delivery charges for the vulnerable or those who were struggling.

James Harper explained that One o One had started a programme with Glasgow District Council a couple of years ago which involved creating a platform for one of their stores in the East End of Glasgow where customers worked with the council to help with home deliveries. One o One also had a community helpline which offered advice to customers who did not use mobile phones or who were not comfortable using technology and instead could place a grocery order over the telephone.

Luke McGarty also agreed to provide Stephanie Callaghan MSP with a copy of The Scottish Local Shop Report 2021 which included data about online and home deliveries in the convenience sector.

John Lee asked Craig Brown what convenience retailing industry was doing to reduce the miles that they had to drive such as for example delivery fleets and could they transition to electric or hybrid uses. Craig explained that one of the initiatives which JW Fillshill were looking at - through the Scottish Wholesale Association - was the potential use of hydrogen vehicles for HGVs. In conjunction with Scottish Power, they were also looking at having a hydrogen fuelling station at the new business park they would be moving to. However, until the range and cost came closer together such moves would be out the reach of the independent retailer to harness such new technology.

John Kelly added that from the forecourt perspective they anticipated there being a move to EV hubs where people could also shop and also have a great experience.

Steve Irons informed the CPG about the emergence of dark stores. Convenience retailing businesses in areas such London and Manchester were being negatively impacted by them. He explained that some operated from warehouses, had low on-costs and did not require a lot of people to operate them. Customers did not visit the premises; they simply placed an order via an App and it was delivered to them.

Gordon Macdonald MSP asked if there were any dark stores in Scotland. Steve Irons stated that there weren't any currently located in Scotland, but anticipated that they would be on the horizon.

Dr Pete Cheema OBE raised the point that the layout of the modern store was going to be one of the changes that retailers would have to adapt to because the product mix was fast changing and that those who embraced change would be the ones that succeeded in the future. Craig Brown added that this related to the ability of the entrepreneurial convenience store retailer to change and adapt to the market conditions at the time. He added that Independent retailers had already shown themselves to resilient and responsive and would be more prevalent going forward.

The Convener thanked all the speakers for their presentations.

Any other business

Gordon Macdonald MSP informed the CPG that the Scottish Government's retail strategy for Scotland would be published shortly with a Ministerial statement expected on 24th March.

He also stated the Economy and Fair Work Committee as part of its work around the inquiry into town centres and retail would be visiting Dumfries on 25th April and Hamilton, Fraserburgh and Inverurie on 16th May. CPG members were welcome to attend.

Date of next meeting

John Lee stated that the next Cross Party Group meeting would take place on Tuesday 31st May 2022. A decision would be taken shortly as to whether it would be held virtually or in-person.