

Community Owned Village Shops - A Better Form of Business

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Community-owned shops have been a recent success story for the UK co-operative movement, with a rapid increase in numbers over the past decade and especially in the past two years. The Plunkett Foundation is the only nationally based organisation that supports community shops in the UK and in this article two of the key staff offering this support present data on the recent history of the community shop movement. The article includes a brief history followed by data on issues such as growth rates, turnover rates, products and services, funding, and an analysis of how the shops work as businesses. The authors draw out a series of key success factors explaining why some community shops succeed while others fail. The article concludes with some thought about the future for community shops in the UK.

Introduction

Community-owned village shops have been one of recent success stories of the co-operative movement in the UK. There are now 247 community-owned shops in the UK with new shops opening most months. In 2009, a record 38 new community-owned shops opened. This, when compared to an estimated village shop closure rate of 400 that year, means that a co-operative approach is now saving 10% of village shops from closure. On 2 June 2010, a community-owned shop opened in Ambridge, the fictional home of *The Archers* which is the longest running radio drama in the world. Since October 2009, their 800,000 daily listeners have been taken through the process of setting up a community-owned shop. This has undoubtedly contributed to awareness of community-ownership being at an all time high.

Despite recent successes, there is much more to do. Around 90% of village shop closures are currently not prevented by community-ownership and more needs to be done to ensure that rural communities have the support to help them through every step of the process. With this in mind, it seemed an appropriate moment to ask: what next for community-owned shops? What role do they have in helping other communities in their area and beyond? How can they co-operate together to a greater extent to improve their viability and provide better services for their community?

This article addresses these questions from the perspective of the Plunkett Foundation, the only national organisation supporting the development of community-owned shops in the UK. Plunkett works in partnership with a range of funding and support organisations to assist

communities to set up and run a successful community-owned shop. The Plunkett Foundation was founded in 1919 by Sir Horace Plunkett, the pioneer of rural co-operation in Ireland and much of the English speaking world. He began his journey into the world of co-operative enterprise when returning to his family estate in Ireland from Oxford University. Despite being best known for helping to establish farmer co-operatives and rural credit unions in Ireland, his first venture was to help set up Dunsany Co-operative Society, a co-operative shop. There is more about Horace Plunkett in the two different books about his life which have been reviewed for this issue.

Sir Horace grew increasingly concerned with the economic and social development of rural Ireland. At the time, land reform was taking place and peasant farmers were becoming landowners for the first time, albeit on a small scale. Alongside this, the Industrial Revolution was impacting negatively on rural communities. In order for the farmers to do more than merely subsistence farming, he felt that farmers should come together by forming co-operative creameries. This meant that they could buy better machinery and advance technologically together and therefore be able to produce dairy products that were of a consistent high quality. They could also market their products together, purchase farming inputs together and above all, learn how to co-operate together.

Sir Horace went on to found the Irish Agricultural Organisation Society, now the Irish Co-operative Organisation Society, in 1894 to drive forward his work in Ireland specifically around farmer and rural co-operation with able support from co-operative pioneers A E Russell, R A Anderson, Father Findlay and many more. It

was so successful that by 1904, ten years on, there were over 800 co-operative creamery societies in Ireland. In 1919, the Plunkett Foundation was created by Sir Horace Plunkett to carry forward his work internationally. Originally based in Plunkett House, Dublin, the Foundation early on moved to London before moving to Oxford and finally to its current home, just north of Oxford.

The History of Community-Owned Shops in the UK

There are a number of co-operative societies operating village shops that can quite rightly

consider themselves as community-owned village shops. Some have been operating for well over 100 years. The history of community-owned shops as we currently know them began in 1984 in the village of Halstock in Dorset. The village shop was threatened with closure and the community responded by setting up a community-owned shop, alongside a support service for other communities looking to do the same. The Village Retail Services Association (ViRSA) was born. In 2004, discussions began between the Plunkett Foundation and ViRSA about merging after a number of years of working closely together. This process was completed the following year and ViRSA's activities



Figure 1. Distribution of community-owned shops in the UK in 2005
 Source: Plunkett Foundation, 2005a

supporting community-owned shops moved from Halstock to Woodstock in Oxfordshire where Plunkett is based.

Once ViRSA was established, other communities began coming to the organisation for advice and support to help them save their local shop. The organisation was predominantly staffed by volunteers in the early years. As it became better established, the team were able to generate funding to support their work and to do this they built a network of Community Retail Advisors based around England, a network that still exists today. The growth of community-owned shops was steady but accelerated as more communities saw the benefits that it brought and more communities who had been through the process were able to help. By 2000, there were 54 community-owned shops in the UK.

In 2005 the Plunkett Foundation undertook two pieces of work (Plunkett Foundation, 2005a; 2005b) which would have long-term implications on the development of community retailing in the UK. The first was a survey of community-owned village shops and the development of a database of community-owned shops in the UK. The second was a related piece of work which built on the survey and database and looked at sustainable models of community retailing. The

survey established that the sector had now grown to around 150 individual shops. The 49 responses to the survey indicated the geographical distribution of community-owned shops, highlighting prominent clusters in the South West and South East of England, some in the Midlands and Yorkshire and very few in the two northern-most counties of England. Just under 80% of community-owned shops at the time were located in the South West, South East and East of England. This distribution is illustrated in Figure 1.

The reasons for this distribution may be considered. In particular, it should be noted that ViRSA itself was established in Dorset following the successful formation of one of the very first community-owned shops in the village of Halstock. Thereafter, it would appear that other villages have become aware of this approach by 'looking over the garden fence' and copying what their neighbours are doing. Another commonly cited reason is that this is a commuter-belt phenomenon, with the combination of relatively dormant villages with the right levels of affluence to invest in their own communities.

The research also highlighted that community-owned village shops were a relatively recent phenomenon with very few

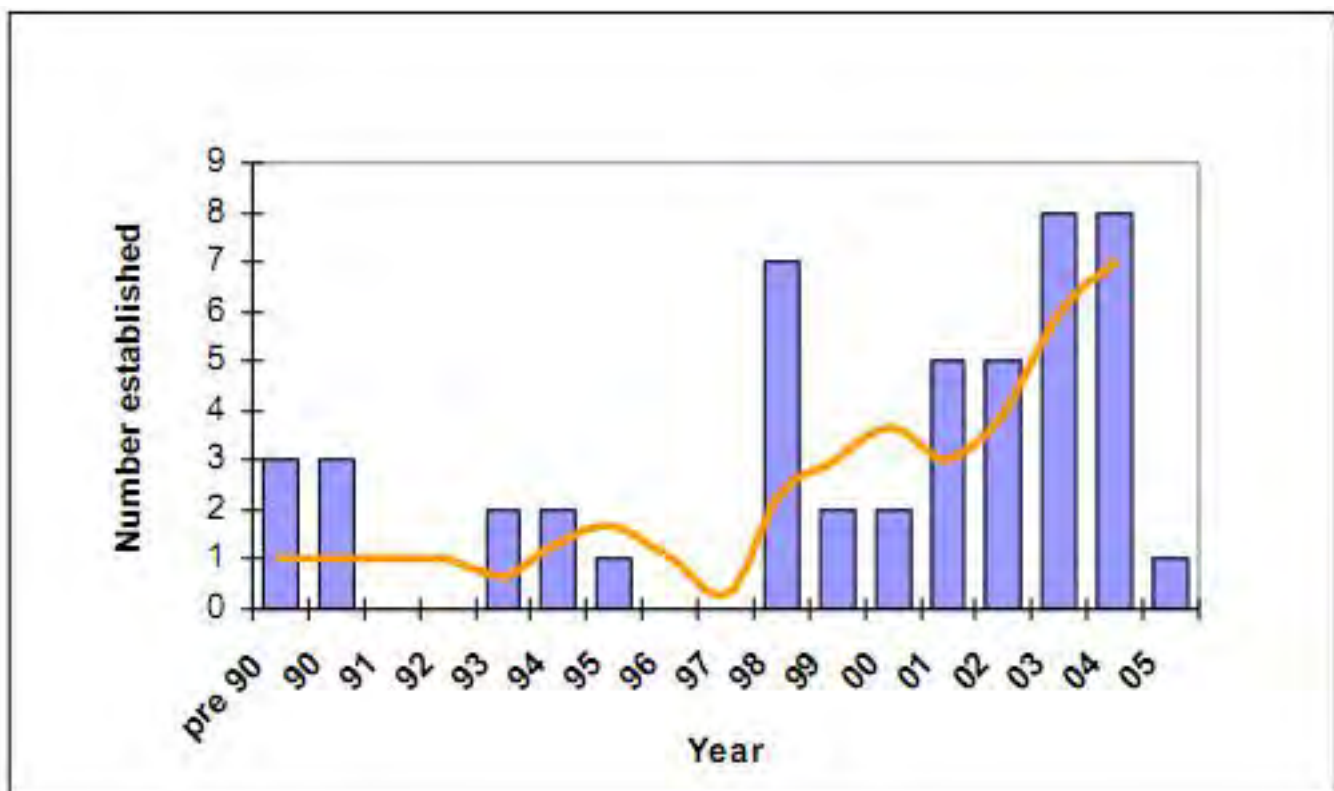


Figure 2. Growth rate of communities shops, 1990-2005

Source: Plunkett Foundation, 2005b

established prior to 1990. The growth rate, as the chart replicated as Figure 2 shows, increased rapidly from 1998 onwards.

The success of village shops in building community identity and cohesiveness has led to increasing policy and financial support in recent years, of which the most prominent example is the Village CORE Programme, which provides a targeted package of support to communities wishing to set up and run their own community owned shop. The Programme is a partnership between the Esmee Fairbairn Foundation, the Plunkett Foundation and Co-operative Finance and supported by Lankelly Chase Foundation. Esmee Fairbairn provides grants of up to £20,000 to each community, Co-operative and Community Finance provides loans of at least the grant value and the community matches this amount by fundraising, community shares and other avenues. Plunkett Foundation provides advisory support and manages the overall programme. In return the beneficiaries show benefit to at least 50 disadvantaged residents, match fund through community fundraising and adopt a community ownership model.

In 2009, Plunkett undertook an evaluation of the Village CORE Programme and the communities that it had supported. The evaluation found that the average Village CORE package when talking into account the grant, loan and community contributions element was just over £52,000 and this covered around two-thirds of the total start-up costs. An evaluation of the Village CORE Programme has found that communities are increasingly becoming ambitious with average set up costs now approaching £90,000 whereas before the programme existed it was around £60,000. Communities, by learning from each other, are looking to do much more at the earlier stages of development. Previously, a café facility or another service may have been added on years later. Now communities are doing this at the outset or doing it within the first few months.

Through the support offered by the Village CORE Programme, average set up times for communities to set up and open a shop has reduced from an average of 18 months to a typical set up time period of between three and six months.

There is an increasingly important role for community shares in financing new community-owned shop development. This is for the obvious reason that other forms of finance are becoming more difficult to access but it is also to a great extent the greater recognition of and support for communities looking to go down this route.

An Analysis of Community Shops as Businesses

The research showed that turnover based on 2003 figures ranged from very low levels to just under £250,000 (the data are reported in Table 1), reflecting the range of community-owned shops across the UK. This analysis demonstrated that virtually all community-owned shops were profitable albeit on a small scale and relying on voluntary labour. Any profits were reinvested in their business or donated to community causes.

Respondents were requested to indicate how their business had been funded: the results are reported in Table 2. The general picture was that community-owned shops have the ability to assemble a portfolio of grant and loan finance from both within and outside of the village. This premise remains true today, but the percentage mix of funding sources has changed over time. Around two thirds of community-owned shops who responded to the survey used the Industrial and Provident Society for the Benefit of the Community Model Rules which were developed by Derek Smith and colleagues. Others used IPS Co-operative (13%), Company Limited by Shares (9%) and Companies Limited by Guarantee (4%).

The research also looked at the age profile of the management committee as an indication

Turnover Range	Percentage
Over £200,000	10%
£100,000 to £200,000	35%
£50,000 to £100,000	20%
Under £50,000	35%

Table 1. Turnover Figures for Community Shops, 2003
Source: Plunkett, 2005b

Type of Funding	Average (£)
Member Shares	2,286
Member Loans	7,730
External Loans	8,673
Countryside Agency Grants	7,754
Local Authority Grants	5,183
Other Grants	9,184
Total Funds Raised	56,855

Table 2. Funding community shops: Average value of funds raised from a variety of sources
Source: Plunkett, 2005b

of the nature of the shops' membership. Typically, there were few committee members under 50 (27%) and a high percentage over 70. The gender split was broadly even. The fact that older people are the principal people behind running and benefiting from a rural social enterprise such as a community-owned shop was explored by Plunkett and others in 2004 (Plunkett Foundation, 2004). The survey found that an average community-owned shop had 114 members, 25 volunteers and 1.3 full-time equivalent paid staff.

The respondents were requested to indicate the range of products and services which they offer to customers. The results are indicated in Table 3. Unsurprisingly, the bedrock of provision consists of groceries, with fresh produce, newspapers and local produce forming an important part of the retail mix. Importantly, some 73.4% of respondents indicated that they also run a Post Office, which is normally the only operational Post Office in the village. This indicates the importance which the custom from the Post Office plays in ensuring the overall

viability of the shop. Whilst it could be expected that much of the range of services would be offered by community-owned or privately-owned shops, the propensity to offer a home delivery service and a prescription collection service are indicative of their commitment to disadvantaged members of the community.

The findings are in accordance with previous research conducted by the Plunkett Foundation in relation to this emerging social enterprise sub-sector. In essence, the survey shows that community-owned village shops are reasonably robust enterprises, having built their businesses on a tight web of community commitment, responsiveness to customer needs and a general adversity to risk. They are small economic units but have a disproportionate effect on community life through the services which they offer, the number of members who have invested in the enterprise and the number of volunteers who regularly offer their time to make them work.

To develop a more theoretically grounded understanding of the motivations of the

Type of Product/Service	Percentage
Groceries	98
Fresh Produce	83.6
Newspapers and Magazines	87.7
Local Produce	83.6
Local Crafts	49
Post Office	73.4
Home Delivery	28.6
Dry Cleaning	43

Table 3. Products and services offered by community shops
Source: Plunkett Foundation, 2004

community shops in the database, we attempted to categorise them in terms of a range of business models. This analysis resulted in a typology of six broad business models which appeared to be prevalent amongst the shops analysed. These models are:

- **Social Shops:** These are shops with limited opening hours and turnovers of less than £20,000 per annum which operate mainly as a service for vulnerable groups in the community to make essential purchases.
- **Volunteer Shops:** These are shops which are open most hours with turnovers of around £50,000 per annum, but which are run entirely by volunteers, without paid staff.
- **Managed Shops:** These are shops which are open most hours, with turnovers of around £100,000 or more per annum, which are run with at least one paid manager, supplemented by volunteers.
- **Privately-Managed Shops:** These are community-owned shops which have been leased out to an individual to manage and operate. They are not usually able to draw on the input of unpaid volunteers.
- **Multi-Service Outlets:** These are shops which regard themselves as providing multiple services to the community, in addition to basic retail services. Additional services may include a café, internet point, small library or prescription collection service.
- **Delicatessen-Style Shops:** These are shops, normally located in more affluent villages, which focus as much on the sale of local and speciality foods as they do on basic grocery provisions.

Success Factors for Community Shops

The research also looked at the success factors for community-owned shops which were seen to be as follows in interviews with Plunkett's network of Community Retail Advisors:

- **Demographic profile of the community (or communities).** All advisers believe that the demographics of the community have an effect on sustainability. Whilst the population is undoubtedly a major contributor to this, many advisers noted that the make-up of the population can be almost as important, and can counter simple rules of thumb regarding minimum settlement sizes. The prevalence of a high proportion of older people, home-

workers, local businesses or schools, or the general high average wealth of the community, all contribute towards sustainability.

- **Competition.** Alongside the demographic profile of the community, the location of competitors was also cited as a key factor. Clearly, community-owned shops are far less likely to be viable, or even considered as an option, if there is an existing convenience store in the village. Apart from this, however, the distance to, and accessibility of, competitors outside the village are also important factors. In some cases, advisers noted that community transport schemes can actually damage the viability of community-owned shops by offering a means by which residents can access the services offered by competitors. The analysis of competition also needs to take into account mobile traders and, increasingly, home delivery services.
- **Opportunities for passing trade.** Whilst the residents of the village represent the main customer group of a community shop, several advisers observed that shops or villages which are well situated for passing trade possess a distinct advantage. This may be due to the location of the shop on a relatively busy through road, or because the village itself attracts a high number of visitors, for example due to its location in a tourist area. These factors can also mean that community shops can achieve viability in smaller settlements than would otherwise be thought to be the case.
- **Post Office.** The opportunity to locate a Post Office with the shop is regarded by advisers as having little direct effect on viability, but several beneficial spin-offs in terms of increased footfall, image, and even a psychological impact on the enthusiasm of the initiative group.
- **Site location and premises.** All advisers stressed that a key early consideration in a prospective community shop initiative is the need to secure an appropriate site and premises. In this respect, communities which are able to take over an existing shop, either through purchase of the freehold or by lease, have a distinct advantage. New builds and conversions of existing premises are both possible, but the timeframes and cost implications are a significant barrier. In all cases, advisers comment that the location within the village and the availability of

accessible parking areas are positive, although not critical factors which contribute to success.

- **People.** The main work of Community Retail Advisers is to support the community to establish and run their shops, and in this context it is not surprising that almost all pointed to the importance of people within the community having the necessary drive and enthusiasm to make the initiative work. Most advisers believe that there is a need for one, and preferably two, driving individuals who champion the project in the village, supported by a steering group of people with a range of technical skills. It was also noted that some communities appear to be better endowed with the right level of 'community spirit' to make the venture a success. One adviser commented that almost all of the communities which she had worked with who had failed to establish a shop had done so for lack of community drive, and not because of practical considerations. The support of the Parish Council was also regarded as being important in this regard. It is very difficult to generalise about community-owned shops but on typically they will rely on volunteers in some capacity. Most will have a volunteer management committee elected by the members, and many will also rely wholly or partially on volunteers to run the shop itself. The research showed that on average a community-owned shop relies on 25 volunteers from a membership of 125.
- **Finance and Funding.** Surprisingly, few advisers regarded the availability of finance and funding as a key success factor. In most cases it would appear that, given the will of the community and a clear plan which addresses the other success factors, it is normally possible to raise the required funds over time. This appears to be borne out by the analysis of the database, which shows that some communities have managed to raise very large amounts of funding for some of the initiatives concerned.
- **How the shop is run.** The range of services offered, the opening hours, and the general attractiveness of the offer were all cited by advisers as being critical to success. Although the way in which the shop is run is somewhat outside the scope of the study, it is noteworthy in the sense that different business models require different environments in which they can succeed.

- **Turnover.** The research found that the average turnover of community-owned shops was £90,000 for the three years leading up to 2005. It also found that around 90% of community-owned shops could set up for £60,000. Some would cost as much as £550,000 but this was in exceptional circumstances. This and other information shaped the approach of the Village CORE Programme. How communities have funded set up costs has changed over time. When the research was undertaken, the dominant funding sources were grants and gifts and donations from members of the community.
- **Community characteristics.** The research also considered the characteristics of the communities in which community-owned shops were developing. In terms of population size, they tended to develop in communities of between 400 and 900. There are exceptions at either end of the spectrum but broadly a community below the lower threshold struggled to maintain a viable community-owned shops and those over the upper level were able to sustain a private shop therefore not creating the trigger to the development of a community-owned shop. Communities tended to have a high number of high earners indicating how reliant communities were at the time on specialist skills including business, financial and legal from within their community by relative high earners.

As mentioned previously, in 2005 and still today, around half of the community-owned shops in existence in the UK are in the South West of England. This is where the original new form of community-owned shops developed with the first being established in Dorset. What we saw was a clear case of learning from surrounding communities and a clear understanding of seeing it working in a community which you have something in common with – in this instance, geographical location. There is also a high number in the South East of England and the more northerly you travel, the fewer community-owned shops there are in each region. This is beginning to change as will be discussed later in this paper.

This research was updated in 2008 with a follow up survey. Much has stayed the same but due to increasing energy costs and the impact this had on the fluctuation of food prices, typical

profit levels of community-owned shops fell from £3,000 on average to just over £2,000.

Community-Owned Shops Today and in the Future

There are now 247 community-owned shops across the UK (correct at August 2010) and they are found from the tip of Cornwall to Shetland. They exist in varying forms depending on the need and resources of the community in which they are based. Some are located in former shop premises, some are based in village halls, pubs, churches, portakabins, or new shop buildings, while other have found a use for previously unused or underused community buildings. There is even a community-owned shop, in the case of Lanreath in Cornwall, which is based in a former public toilet!

The Archers community-owned shop storyline, which has run from October 2009 through to the shop opening in June 2010 and is continuing, has raised the profile of community-owned shops to a new level. It has been staggering how much credibility Plunkett has received for supporting a fictional shop compared with helping to support the majority of the 247 real community-owned shops in existence.

One fact about community-owned shops which is not given nearly as much recognition as it should be is the viability of the community-ownership enterprise model. Over the past 25 years, 245 community-owned shops have opened their doors and 240 are still open. This is quite an amazing statistic and proves, as does the sustainability of other forms of co-operatives, what a flexible and resilient business model this is. The vast majority of community-owned shops rely on volunteers partially or wholly for their labour input. This provides flexibility when trading is difficult to cut paid hours on increase them when trading conditions are good. The use of volunteers also provides additional resilience as the shops are able to draw upon the energy and creativity of a whole community rather than an individual or couple.

Community-owned shops are also supported widely through Making Local Food Work,¹ a programme which Plunkett leads which supports a range of community food enterprises across England. Community-owned shops are helped to source, market and sell more local food. They are also able to benefit from specialist business support, mentoring and peer-to-peer

study visits alongside specialist governance and legal support through Co-operatives UK, part of the Making Local Food Work partnership.

For a number of years, the focus of support for community-owned shops was at the start up stage. As numbers have grown and a sector has developed, their support needs have changed too. In March 2010 the Plunkett Foundation launched the first Community Shops Network.² The purpose of the network is to help community-owned shops become a more self supporting network where they can share challenges and successes, learn from each other and develop as a sector through peer-to-peer learning. This reflected the needs that community-owned shops have identified as being critical to their future success. The basis for the Community Shops Network was developed by borrowing great ideas from elsewhere in the world. In this case, it was from the Co-operative Grocers Information Network (<http://www.cgin.coop/>) which provides a network and much more for food co-operatives in the US. At the first meeting of the Community Shops Network, held in Plymouth during Co-operatives 2010, a motion was passed proposing establishing member services and a working group of community-owned shops was formed.

Plunkett has always been an organisation which works in partnership where possible to deliver better services. We have, and will continue to, work with the network of Rural Community Councils in England. We also work closely with the Wales Co-operative Centre and other organisations in Wales. In recent months Plunkett and the Community Retailing Network in Scotland have been building much closer links and now have trustees represented on each organisations board. The original community-owned shop Model Rules have served communities well over the last 25 years but are in need of updating and the Plunkett Foundation are working with Cliff Mills at Cobbetts Solicitors to make a next generation of model rules which existing community-owned shops can adopt.

It is clear that when a rural community goes through the process of setting up a community-owned enterprise, it changes the way that they tackle future challenges whether this is the withdrawal of an essential public or privately run service or introducing a service which is increasingly becoming important such as high speed broadband or renewable energy. Over the last twelve months, interest in community-

ownership as a model for saving pubs has skyrocketed. This led to Plunkett being announced in March as leading a new community-owned pubs support programme. Currently this programme, like all agreed since 1 January 2010, is being renewed but the interest in and demand for appropriate community-owned pubs support services is apparent, with 80 communities having been in touch so far despite our being unable to promote the programme during the election period.

Conclusion

Community ownership works. It works in a variety of different communities in a multitude

of different ways. It works, we at the Plunkett Foundation believe, because it meets all three of the principles which our founder Sir Horace set us up in 1919 to take forward in rural communities. It puts the people affected by a problem in charge of solving it. It uses enterprise which is often the most effective way of providing a sustainable solution. Lastly, it ensures that the enterprise is owned and run locally for the benefit of a community. Sir Horace believed that any co-operative that lost its connection with the community it came from was destined to eventually fail. For this reason, we see a bright future for community-ownership as a sustainable and relevant solution for past, current and future generations.

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Notes

1. More detail is available at the website: www.makinglocalfoodwork.co.uk.
2. Details of the Community Shops Network can be found at www.plunkett.uk.net.

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