

# **WEEK ST MARY COMMUNITY SHOP LIMITED – BUSINESS PLAN 2017 to 2021**

## **EXECUTIVE SUMMARY**

Unless the community takes over the existing shop and Post Office in late February 2017/early March, Week St Mary will lose its last retail outlet, its Post Office, banking services and a pivotal community hub. This would be a devastating blow for an isolated community with many vulnerable residents.

With considerable assistance from Jeff and Monica Roberts, a strategy has been developed to secure the future of the shop and Post Office for at least the next 4 years, creating the time for longer term options to be assessed.

Key success factors are finance for the take-over (well placed through pledges), volunteer support (more needed) and for the community to spend more in the shop than in recent years ("use it or lose it"). In addition, margins are below industry norms and need to be improved to get the business onto a firm footing.

Customers' shopping experience will be reinvigorated and the new enterprise will seek to add more community services to those currently offered including, subject to volunteer numbers, a delivery service for the elderly and vulnerable.

The building blocks are in place for our community collectively to be able to own and operate a modestly profitable shop and Post Office.

If the community does not seize the opportunity now, Week St Mary may become one of the estimated 300 to 500 UK communities losing their shop each year (*source – Plunkett Foundation website*).

## **INTRODUCTION**

Week St Mary Community Shop Limited ("the Society") will be run by the community for the benefit of the community. Any profits generated will either be re-invested in the shop or used to support community projects in Week St Mary Parish.

The Society's aims and objectives are set out in Appendix 1.

The overall plan has 2 phases. Phase 1 is for the Society to take over Jeff Roberts's business on his retirement and rent his premises for 4 years and then to either:

- acquire the freehold or long leasehold of the current shop premises as a permanent base;
- relocate to an alternative (not yet identified) site in the village; or
- seek to extend the initial rental arrangement.

Phase 1 will be funded by offering shares to the local community, supplemented by donations and grants. For phase 2 (in 2020/21) significant extra capital will be required to execute either option 1 or 2. This will come mainly from grants.

This Business Plan covers Phase 1 only. This will be for a maximum 4 years, extending to February 2021. A separate Business Plan will be prepared for Phase 2 in due course when the strategic options have been fully evaluated.

## **CUSTOMER NEED**

There is extremely strong support for retaining a shop and Post Office to satisfy customers' local needs and deliver social benefits within the community.

Time constraints have not permitted an up to date full parish survey. However, a random doorstep survey of 50 households in November 2016, showed 49 were strongly in favour of retention with 1 undecided. The 2008 Parish Plan showed "overwhelming support (98%) for the village shop and Post Office" and that "at least 81% use it regularly and see it as a vital service". All households were surveyed at this time.

Going forward, regular customer surveys will be carried out and customer suggestions encouraged to ensure needs are met at product and service level.

## **MARKET, STRATEGY AND COMPETITION**

Week St Mary's shop occupies a central village location, close to a significant majority of its 698 residents (*Cornwall Council 2014 parish population estimate*). Many live within walking distance. Those living further out and in more remote hamlets and farms drive to the shop, which has ample parking. Holiday makers increase the population seasonally whilst other visitors include cyclists using the national route which passes through the village. Collectively, this is the target market.

Most customers only use the shop for daily supplies, incidental items and "emergency" shopping. Whilst this will remain the case, an important part of Society's strategy is to convert a relatively small additional percentage of total household expenditure to local spend, rather than in supermarkets in towns 8 to 10 miles away or on line home deliveries.

In terms of local competition residents may choose to drive to Whitstone Village Stores, 4 miles away. This particularly applies to those living towards the south of the Parish. This shop/Post office is privately owned with a wider product range and longer opening hours, has a loyalty scheme and is expanding by opening a cafe/bar. The only other nearby shop is in the village of Marhamchurch, 4 miles to the north. It is a very small community shop with no Post Office. Unlike Whitstone Village Stores, it holds no competitive advantage over Week St Mary.

## **PROGRESS TO DATE**

Week St Mary Community Shop Limited was incorporated on 3<sup>rd</sup> January 2017. The Society is a co-operative, operating on a "one member one vote" principle, irrespective of the number of shares owned by any one member.

A Management Committee (currently 6 strong) is in place. In line with the Society's Rules, Management Committee members will retire and stand for re-election in mid-2018. The experience and skills of the team are summarised in Appendix 2.

Through a pledging process, the community has indicated that there is strong financial backing for Phase 1 and that a group of volunteers are willing to commit their time. A Community Share Offer prospectus has been prepared ready for launch on 21<sup>st</sup> January 2017. Other community shops in the region have been visited.

A Week St Mary Community Shop Handbook is in the process of being compiled. It will be a day to day guide for all those involved in the operation covering e.g. working practices, financial controls, Health & Safety, volunteer code of conduct, complaints procedure and job descriptions for employed staff. It will form the basis for volunteer training.

## OPENING HOURS AND STAFFING

Subject to volunteer numbers, initial opening hours will be:

Opening hours	Shop	Post Office**
Monday to Friday	8am to 1pm & 3.30pm to 6pm	9am to 1pm & 3.30pm to 5pm
Saturday	8am to 6pm	9am to 1pm
Sunday	9.30am to 12noon	

\*\* Until volunteers are trained, the PO may only be open 4 weekdays.

The half hour earlier morning start may prove beneficial to both customers and the business whilst the period from 2pm to 3.30pm has been identified as a quiet trading period. Opening hours will be reviewed in the light of customer feedback and volunteer availability.

The Society will be offering part-time contracts of employment to the two staff currently working in the business. Anna Willoughby will be the manager working mornings and concentrating on the retail operation. Caroline Fry will be assistant manager, working each afternoon, and will have specific responsibility for the Post Office operation. Together, their hours will equate to a full time equivalent.

They will be supported by a team of volunteers from the community working on a rota basis. Currently 23 have volunteered to help in the shop/Post Office. Ideally this team will increase to 35+ to allow for holidays and non-availability. 7 more residents have volunteered to carry out maintenance and several others for specialist tasks e.g. marketing, accounting and tax returns.

## BUSINESS DEVELOPMENT

Over the last 2 years, there has been a 16% decline in shop business. Gross margins reported in the (unaudited) accounts have been erratic and, on average (10.7% for the 3 years ending February 2016) are well below industry norms e.g. St Tudy Community Shop achieved 17.2% in 2016. Understandably, the business has been on a downward spiral as the current proprietor has approached retirement. A gross margin of 13% has been assumed for the first year.

Shop sales (excluding the lottery) are estimated at c£175,000 for the current year. Up until early 2015, turnover was close to £210,000. This plan projects sales being restored back to £200,000 and above by:

- the "community" factor whereby residents (many of whom will be members of the Society) are inclined use a community shop more, simply because they own it and appreciate the social value it delivers
- marketing e.g. special offers via social media
- publicity encouraging customers to switch a bit more of their household budgets to the Community Shop e.g. "spend at least a fiver each visit if you can"
- stock will be replenished from the current c£12,000 to c£15,500 (retail values), a 30% rise
- special product offers
- two staff will on duty most of the time to improve service
- local suppliers' produce will be given more prominence and they will be invited to hold open days on Saturdays in the shop
- a low cost make-over and layout will improve the atmosphere
- home deliveries to the housebound or less able and holiday let welcome packs
- the shop will have a dedicated notice board and a free book/DVD/jigsaw exchange
- road side signage so that cyclists and tourists are more likely to call in.

The above measures are aimed at increasing two of the three key drivers of the business i.e. footfall and average spend per visit. Bearing in mind the Parish population of 698 and that the shop currently has a footfall of approaching 100 customers each day, the £200,000 target for 2017/18 in the plan can be broken down like this:

<b>Number of customers</b>	<b>Spend per visit*</b>	<b>Annual Sales ***</b>
100	£5.55	£200,000
120	£4.64**	£200,000

\*Excl. Lottery and Post Office

\*\*Average achieved by St Tudy Community Shop

\*\*\* Based on 360 trading days

The redevelopment of 27 new homes at Treetops, adjacent to the shop, would provide a step change which has not been factored into the plan.

The following measures will contribute to gross margin improvement, the third key driver in the business:

- reviewing pricing strategy and procedures
- being more pro-active with the supplier base e.g. special product offers
- daily till reconciliations to confirm cash handling is working effectively
- a surveillance system will deter pilfering, as well as being of comfort to staff
- introducing some basic financial controls at the outset
- investigate introducing an EPOS system (September 2017)
- twice a year stock takes done on a consistent basis by independent professionals
- understanding product/product group profitability
- tighter management of sell/use by dates to reduce wastage costs

## FINANCIAL DATA

Profit & Loss Accounts for 2017/18 to 2020/21 are attached at Schedule 1. A break-even position is forecast in the first year of trading with modest profits coming through in succeeding years as the gross margin strengthens.

Post Office Outreach income and commission on national lottery sales supplement gross profit from trading. These are forecast to remain similar to current levels. Bude Post Office has confirmed the current outreach fee rate will continue for 6 months before being subject to review. Any Post Office shortages have to be borne by the shop, whilst surpluses are held in suspense against a future possible shortfall. This has not proved an issue historically at Week St Mary Post Office.

Total income of £29,800 is forecast for the first year of operation.

With break-even projected, overheads also total £29,800 in 2017/18:

- A 4 year lease to rent the shop premises will be taken out at with the current proprietor at a fixed rental of £6,000 per annum. The Society will have the option of terminating the lease after 18 months or at any time thereafter having given 6 months notice. If the Society makes a pre-tax profit, 50% of the profit will be paid to current proprietor to recognise that fixed assets used in the business were transferred for a nominal sum when ownership changed. These additional rent payments are capped at £9,000 in total.
- Employment costs are based on 35 hours per week in total at £8 per hour for the 2 paid staff, including National Insurance. Inflation at 3% per annum is added for years 2 to 4. There is an incentive arrangement whereby a bonus of 20% of any annual profit is shared by the paid staff (pro-rata to hours worked) up to a maximum pool of £5,000 in any one year.
- Other overheads (see Schedule 2) are based on costs for the existing business, reduced where relevant for work undertaken by volunteers. Again, inflation at 3% per annum has been applied.

The Society's profit will be subject to Corporation Tax.

Balance Sheets for 2017 to 2021 are shown on Schedule 2. The February 2017 Balance Sheet shows the position immediately after acquisition as set out in the Acquisition Costs and Funding section below.

Benchmarking indicates that stock averaging £12,500 at cost will support turnover of c£200,000 per annum. More will be required seasonally and intra-month which the cash balance will accommodate. A deposit of c£1,500 will have to be made with the newspaper wholesaler to secure local delivery and sale or return terms. This is shown in debtors. Some trade creditors will arise but for many suppliers cash on or shortly after delivery applies.

2017/18's capital expenditure (for which grant funding is being sought) covers an EPOS system, a surveillance system, a new back path and, perhaps, shelving and a replacement fridge. No capital expenditure is shown for later years. The Society does not wish to commit to major expenditure prior to the plan for Phase 2 firming up, particularly on premises which are only leased for a short term. The repairs and renewals budget will cover some smaller projects and further grant applications will be considered if a need for major spending arises.

After settling non-trade creditors and tax, cash of £8,300 is projected by 2021. In line with the Society's Rules this could be re-invested in the business (perhaps to help finance Phase 2) or deployed on community projects.

#### ACQUISITION COSTS AND FUNDING

The acquisition is forecast to require £23,600 of funding, chiefly for working capital:

	<b>TOTAL</b>	<b>ALREADY</b>	<b>FUNDING</b>	
	<b>COST</b>	<b>PAID/PLEDGED</b>	<b>REQUIRED</b>	<b>SOURCE</b>
	<b>£</b>	<b>£</b>	<b>£</b>	
<b>Set up costs</b>				
Registration fees (paid)	550	550		WSMPC/County Cllr's Community Chest
Legal fees (time donated)	950	950		Local solicitors
Transition & set up	1,100		1,100	WSM Parish Council
<b>Total</b>	<b>2,600</b>	<b>1,500</b>	<b>1,100</b>	
<b>Working Capital</b>				
Estimated stock at acquisition	9,300			
Replenish stocks	3,200			
Newspaper deposit	1,500			
Cash	4,000			
				Share issue/ Founder donations
<b>Total</b>	<b>18,000</b>	<b>17,725</b>	<b>275</b>	
<b>Capital Expenditure**</b>	<b>3,000</b>		<b>3,000</b>	Grant applications
<b>TOTAL FUNDING</b>	<b>23,600</b>	<b>19,225</b>	<b>4,375</b>	

\*\*The capital expenditure will be made post-acquisition after grant funding has been secured.

Registration costs have already been covered by donations. A further donation from the Parish Council is being sought to cover transition and set up costs e.g. signage, licensee course, aprons and badges. Significant sums to help execute the acquisition have already been pledged. Assuming these prospective members and others wish to proceed and invest by taking up the share offer, cash will be contributed in mid-February 2017.

Once the shares are issued, cash will be in hand so that the change of ownership can take place, if at all possible, on the weekend of 25<sup>th</sup>/26<sup>th</sup> February 2017. With no break in customer service, the Community Shop could begin trading as early as Sunday 26<sup>th</sup> February 2017.

The timetable is tight however and there may be a few weeks delay.

## **The Management Committee**

### **Week St Mary Community Shop Limited**

**19<sup>th</sup> January 2017**

## **ATTACHMENTS**

Appendix 1 – The Society's Aims and Objectives

Appendix 2 – Qualifications and Experience of the Management Team

### ***Separate links on the website***

Schedule 1 – Profit & Loss Accounts 2017/18 to 2020/21

Schedule 2 – Other Overheads 2017/18 to 2020/21

Schedule 3 – Balance Sheets as at 28<sup>th</sup> February 2017 to 2021

## **APPENDIX 1**

### **WEEK ST MARY COMMUNITY SHOP LIMITED: AIMS AND OBJECTIVES**

The Society's aims and objectives are to:

#### **GENERAL**

- provide a general store which will meet the needs of our community
- maintain a Post Office which will meet the needs of our community
- be an outlet for locally produced products and produce
- work with residents and customers to evolve the service and to ensure that local community needs are met
- provide close local access to, and provision of, essential items
- include the sale of alcohol, tobacco and lottery tickets

#### **ECONOMIC AND ENVIRONMENTAL**

- enhance our rural economy through proactive support of local businesses
- lower environmental impact through reduction of vehicle journeys and food miles
- increase visitor, tourist, holiday maker spend in the community

#### **SOCIAL**

- provide a limited delivery service to assist the less able in our community
- provide training and learning opportunities for volunteers and young people in the Community
- provide an opportunity for local people to volunteer within an inclusive community project
- contribute to the alleviation of social isolation of older and less able community members
- provide a social/support hub for the community and for visitors
- act as an informal information centre and meeting place
- retain the shop's positive effect on house prices
- retain and improve the attraction of the area

## **APPENDIX 2**

### **WEEK ST MARY COMMUNITY SHOP LTD: QUALIFICATIONS & EXPERIENCE OF THE MANAGEMENT TEAM**

#### **Lee Bacchus (Chair of Management Committee)**

I moved to Week St Mary 10 years ago to take up the position of head teacher of St Teath CP School. For the last 7 years I have been the head teacher of both St Teath and St Breward Primary schools. Previously, my work was in primary education as teacher, deputy head and six years as a numeracy consultant advising schools on ways to improve standards and teaching in mathematics. I have experience in leadership, team building, HR matters and project management.

#### **Sharon Barriball (Management Committee Member)**

I moved to Week St Mary almost 22 years ago as landlady of the then Green Inn. However, for most of my career I have worked within the legal profession starting as office junior when I left school, progressing through many areas of law over the years to my current position as a Legal Assistant within the Private Client department of Peter Peter & Wright in Holsworthy. I have sat on many committees within the community assisting in fundraising for community projects.

#### **Brenda Jennings (Management Committee Member)**

I moved to Week St Mary from North Petherwin over 30 years ago. After my children grew up, I returned to work doing various jobs locally. I now garden for several local people, care for an elderly lady at Crackington Haven and I am caretaker of a holiday cottage in the village.

#### **Andy Jones (Management Committee member)**

I retired from the Police Force in 2000 having been trained in various roles including search and rescue and high priority security. After retiring from the police, I moved to Cornwall resuming my previous occupation in the construction industry and ran my own timber frame construction business, fully retiring in 2016.

#### **Karen Poole (Secretary)**

I was employed by Severn Trent Water for 34 years in the Purchasing Department, mainly procuring construction tools, equipment and protective clothing. Starting as an assistant buyer, after successive promotions, I became Operational Manager before taking early retirement in 2014 and moving to Week St Mary. Skills include organisation and administration, interpersonal and relationship building and forward planning and strategy.

#### **Stephen Smith (Treasurer)**

I qualified as a Chartered Accountant in 1975. 20 years experience in financial and general management of divisions of operations owned by plc's followed by 15 years with a private equity group. The businesses were mainly in the light engineering and distribution sectors and included photographic equipment retailing. I have considerable experience of buying and selling companies. I semi-retired in 2005, when I moved to Week St Mary. I remain the Chair of Trustees of a large pension fund.

#### **Anna Willoughby (Manager)**

I worked at Wroes in Bude for 10 years, progressing from Saturday assistant to a sub-department manager. I also worked in the Jersey Cow Farm Shop, managing day to day operations. 5 years ago I moved to Week St Mary Post Office & stores where I trained to operate Post Office services. Having worked in several food outlets and kitchens, I have food and health and safety qualifications.

#### **Caroline Fry (Assistant Manager)**

I have worked part time in Week St Mary Post Office and stores since 1984 together with several other Post Offices in the locality. This included running Bridgerule for 6 months whilst the owner was in hospital. Currently, I also work part-time at Wainhouse Corner Stores & Post Office.

