

**THE RURAL SOCIAL ECONOMY: SURVIVING THE ‘CREDIT CRUNCH’
LADIESWOOD COMMUNITY SHOP
A CASE STUDY**

In recent months, media attention has focused on the impact of the credit crunch on high-street retailers, with substantial press coverage given to the closure of Woolworth's, Zaavi and other high profile casualties of the recession. At the same time, it has been noted that supermarkets have retained market share, in the case of Morrison's, whilst low cost shops such as Pound Saver, actually increased profitability against overall economic trends.

Much less attention has been paid to the impact of economic downturn on the rural economy – and particularly social enterprises such as community owned village shops. The Plunkett Foundation (2005) noted that these were a small, but growing, part of the rural economy as *“communities are finding that community ownership is the only way in which they can retain the provision of basic retail services in their community”*¹

So how has the recession affected community owned village shops?

JANUARY 2009

Ladieswood is a village with a population of just over 1,000 – some 10 miles from the nearest large market town with its accompanying supermarkets and retail outlets. It's local shop closed in 2006 – and through the efforts of a volunteer management group, sufficient capital was raised to re-open, alongside a post office outlet.

The shop manager commented:

“For the first two years, we grew steadily with the support of a couple of paid staff, volunteers and the management group. Nothing spectacular, but it was a sound business, and people really liked coming here. Not just for the food, but somewhere to have a chat and catch up on things. A business, but one that brought people together.”

Over the final six months of 2008, the financial situation for Ladieswood Community Shop changed:

“When we first opened, I was really surprised. Children would come in with £5 to spend on crisps, drinks and things. Gradually that fell off....and now it's more common to hear mum say ‘put that back’ or ‘not today’. People used to come in and buy ‘top of the range’ biscuits... now they seem to think twice about buying cheap custard creams.

¹ Plunkett Foundation (2005) *Small Business Service United Kingdom: Database and Survey of Community Owned Village Shops*. Plunkett Foundation, Woodstock

People are really watching what they spend and have been for a while. But for us, as a rural shop, it's not just the 'credit crunch' – it's the price of petrol. It's a sort of double-whammy for businesses like us. When [summer 2008] petrol was well over £1 a litre, they thought twice about driving to town. They would rather spend a penny extra at the village shop than fill up the car. Now that has changed as well. They think village shops are more expensive – they don't have to be, but people don't realise that – so now they will get in the car and drive rather than come here. And when they do come here, they are spending less and only on things they forgot at the supermarket.

Changing shopping patterns also had an impact on Ladieswood Village Shop beyond pure economics:

"When we first opened, it was sort of idealistic. We [the management group] really wanted to sell locally sourced food. Organic vegetables, organic meat. But no-one is buying anymore. It's difficult to keep to the ideal. Some people feel we have lost the ideal and are becoming like any old corner shop. But what do you do to survive? You sell organic and top of the range products and the margins are good. This is what makes you a viable business. But if no-one is buying, shouldn't we just sell cheap and cheerful? The things people are buying. But the margins are maybe 5% - so you just have to keep selling more to stand still and no-one is buying. They get in the car and go to the supermarket."

Hard choices lay ahead. In the three weeks before Christmas 2008:

"Our income dropped by over £1,200 in three weeks. That has always been a busy time of year and to take a drop like that, well it's the first time. We will have to make some hard choices. Do we make someone redundant?...and there are not a lot of local jobs. Do we open for longer hours? But will we have staff or volunteers to do this? There is no guarantee that this will bring in any extra money as we don't get 'passing trade'. We can't afford to pay people to work late and who would want to volunteer if no-one is coming into the shop? Do we stop selling local produce and stock tins and stuff with a long shelf life?

I'm not sure what the future holds. But as a business we have to make hard choices. People like the idea of a local shop in the village. But how do we make people spend so we can be a business with a future?"

SIX MONTHS LATER: JULY 2009

Six months on, the new Community Shop Manager commented:

"It looked ever bleak at the start of the year. To be honest we could have closed, income was down and on top of that we lost our [shop] manager.

But now...well, it has been a struggle, but we have survived. We are doing better than we ever expected [six months ago]. Our margins are better and turnover has returned to the level it was over a year ago. In fact, sales for

June and July are up 10% on the same time last year – and that was our best business ever to that point.

How did we do it? How did we survive? Well, I suppose in the run up to Christmas and immediately after that we did what a lot of businesses did – we went ‘down market’, tried to sell more cheap produce with a longer shelf life, reduce the stock of high quality fresh meats, fruit and vegetables: stack them high, sell them cheap! But that is the very stuff that gives you no margin: you have to sell an awful lot of cheap biscuits to stay in business. More biscuits than this village would ever buy.

So, with the manager leaving, as a management [committee], staff and volunteers we had to stop and really re-think everything. It really hit home when we got a bill from a supplier and paid it....only to find out that the shop had a direct debit and had paid already. That really made us stop short and start to really look at what we were doing. We realised that one person had come to know the whole business, and the rest of us didn’t. So we looked at that ‘business model’ of going down market – and then asked ourselves ‘what does this village really need and what can it afford? Are we selling something for everyone in a village this size?’

The recession has hit hard but in a way the crisis released some real energy. So we now have three part-time staff and we share responsibility for the shop. If one of us goes ill, someone else can cover – they know about the business as well. We realised that this was more than a shop, it is where people meet, chat, and catch up on gossip. It’s a social place, so we used that to recruit more volunteers. We now have nearly fifty – from those that are regulars to occasional people - and we have really tried to get more young people involved. Even if we became highly profitable we would keep those volunteers, they are part of the life of the shop.

We also became more business like, better at marketing the ‘top end’ products. We have improved our stock control and back office systems, so are getting better deals off the suppliers. We have also done other things. For example, the allotments here are large so in the summer there is a lot of produce owners cannot eat. They give it to us and we sell on at silly prices. We make a profit, but the community benefits as well. Now we serve both ends of the local market - ‘top and bottom’ - and we have seen more people come to the shop and spend that little bit more.

We have survived, and under the circumstances done quite well. But it’s fragile. At the end of the day the shop relies on a small number of people and the challenge is to keep them enthusiastic and get others feeling that way as well. And the lessons.....well, you can have a business model, but what we have really learned is that unless you know what local people need, serve the whole community and take risks, then that [business model] does not really mean that much.”

YOUR VIEWS

1 - is the 'credit crunch' story of Ladieswood similar to the experience of your community shop?

2 – how have you managed the 'credit crunch'?

3 – how/do you balance the social benefits of community owned shops with business goals?

3 – what is the future for your community owned village shops? What are the longer term plans for managing the recession?

If you have views or comments on these questions, please email Angus McCabe, Senior Research Fellow, Third Sector Research Centre, University of Birmingham – a.j.mccabe@bham.ac.uk or call 0121 415 8561 for further information.