

Establishing a Community Shop on the Isle of Tiree

Report 1: Research Report

Prepared for Tiree Community Development Trust

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Executive summary

I & F MacLeod General Store, one of only two general food stores on the Isle of Tiree, has been on the market for over 2 years. The opportunity to acquire this business, and thus save it from closure, has alerted Tiree Community Development Trust to the potential to create a community shop. In October 2013, the Trust commissioned Allanpark Consultants Ltd to undertake local market research and community consultation and to produce bespoke guidance on the acquisition and creation of a community shop on Tiree. This report focuses on the research. A separate report focuses on the guidance.

During November 2013, we undertook a series of community consultation events and interviews. A total of 65 individuals engaged with us (10% of the local population).

The key issues emerging from our research were:-

- People want MacLeod's to stay open.
- People want an alternative food store to the Co-op.
- People want to buy a wider range of products than is currently available, most notably, more fresh produce.
- Not all of the products lines requested by people will be highly profitable for the business.
- People want to buy local produce.
- People want a service primarily focused on island residents rather than island visitors.
- The location of the community shop should reflect the target market.
- Most people have a limited understanding of community shops and how they are owned, managed and operated.
- Some people remain unconvinced that the community can deliver a successful shop.
- For many people, who owns the shop is not so important.
- For most people, having volunteers in the shop is not so important.
- Hardly anyone raised the potential social impact of a community shop.
- People do not want other local businesses to suffer as a consequence of opening a community shop.
- Any public investment that serves to facilitate displacement would be of serious concern.
- Each local business buys from another local business.
- Some people question the financial viability of any shop run along similar lines to McLeod's.

Our analysis of these findings leads us to offer a number of recommendations as follows:-

- In light of the recent decision by MacLeod's to cease trading, we recommend that the Trust reviews its objectives for establishing a community shop.
- As far as the community is concerned, the case for community ownership has yet to be made. We recommend that the Trust clarifies and communicates its social impact ambitions.
- There are many ideas for what the shop should sell. We recommend that the shop should focus on being an alternative food store to the Co-op.

- We were unable to undertake a full feasibility study due to the presence of another potential buyer during the period of our commission. We recommend that the Trust now completes the feasibility study.
- Many people in the community have a limited understanding of community shops. We recommend that the Trust delivers a planned programme of awareness-raising activities which include inviting people from other community shops to share their experience.
- Securing community buy-in to this project is crucial. We recommend that the Trust gives careful thought to the membership of the group who will steer the project through the business planning stage.

Overall, we conclude that a strong case can be made to establish a community shop on the Isle of Tiree. There is a demand for an alternative food store to the Co-op and the existence, until very recently, of MacLeod's suggests that an alternative shop could be designed and managed in a way that ensures its financial viability.

Whilst a convincing case has yet to be made to the community, we are optimistic that after a planned programme of awareness-raising, focused around some clear messages, the community will get behind the project.

Unlike in the case of most other community owned shops, there are other retailers nearby. This means that the fear of displacing trade from other local businesses must be taken seriously regardless of whether this is a real or perceived risk. This is likely to mean that any attempts to attract significant levels of public funding to support the community shop would not be successful. A business model financed by community shares is likely to be more acceptable to the community.

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Introduction

1. I & F MacLeod General Store, one of only two general food stores on the Isle of Tiree, has been on the market for over 2 years. The owners of the business wish to retire. In June 2013, island residents voted to give Tiree Community Development Trust (referred to as “the Trust” in this report) a mandate to look into the feasibility and viability of purchasing the shop and operating it as a community shop. In October 2013, the Trust commissioned Allanpark Consultants Ltd to undertake a feasibility study to help inform the Trust’s decision on how best to proceed with this potential business acquisition.
2. Midway through the feasibility study, another potential buyer entered into exclusive negotiations with I & F MacLeod, the business owners. At this point, the Trust decided to step back from a full feasibility study and consequently altered the focus of our commission. This new focus was to produce two reports (i) a research report based on community consultation and (ii) bespoke guidance based on acquiring a going-concern. This report focuses on the research.
3. We now understand that the business owners, having failed to secure a buyer for the business, have announced their intention to cease trading. At this stage it is therefore not clear whether there is still a business to sell (i.e. a going-concern) or whether there are physical assets for sale (e.g. buildings, land and stock). We have therefore tried to ensure that wherever practical, this report covers all eventualities.
4. The report sets out the consultation approach we used and the key findings from each of the research methods. We then identify and discuss the most important issues that emerged and the potential implications for going forward with this, or any other business acquisition on Tiree. We then offer a number of recommendations. These recommendations should be read in conjunction with the separate guidance. We finish this report with our conclusions.

Section 1: Our Approach

- 1.0 This study ran from October 2013 until January 2014 with the local market research and community consultation exercises taking place in late November 2013. The study adopted a qualitative approach where we sought to identify and explore issues, rather than quantify the numbers of people who supported any particular view.
- 1.1 This approach was used for two reasons. Firstly, at the outset we had expected to get most of the quantitative data we needed from the sellers – i.e. number of transactions, average spend per transaction, daily and monthly spending patterns, etc. Secondly, establishing a community shop requires community support and so it is important that all views are heard and measures taken to accommodate these views as much as possible. This is not about only listening to, or accommodating, the views of the majority. In some cases, the views expressed by the minority can be very important (perhaps they have a particular insight) and/or can be held by a very powerful individual or group of individuals.
- 1.2 Our approach means that all views expressed in this report are of equal value in that they serve to indicate the range of issues, opportunities and concerns and as such can help the Trust to develop a successful approach to establishing and managing a community shop. Our approach comprised four elements:-

Consultation events

- 1.3 We set up and facilitated two community events, one on a Thursday evening and the other on a Saturday morning. They were both designed as drop-in events, the first lasting 2 hours and the second, 3 hours. We offered a range of activities for the participants in an effort to make the process as engaging as possible. Each activity was designed to draw out different information and so the participants were encouraged to engage with all of them. The results from all activities were anonymous.
- Questionnaire – participants were invited to complete a questionnaire designed to establish the purchasing behaviours of the participants and explore the factors which affected these behaviours.
 - *Prioritising Matters*[™] – consisted of a series of 24 cards each setting out a different feature of owning and managing a community shop. Participants were invited to sort these into priority order.
 - Shopping basket – participants were invited to write a list of all the items they currently purchased off-island, but would much prefer to be able to buy on Tiree.
 - Film - we put together a short film and showed this during the events. This offered examples of other community shops and drew out some of the key lessons from these.
 - Informal discussions – during these events we talked to the participants about their ideas and/or concerns, often using the film as a focus for these informal conversations.

Consultation with groups

- 1.4 We were conscious that some people may find it difficult to get to the community consultation events. We identify two groups that this might apply to – older people and young parents. We obtained permission to attend a lunch club for older and/or disabled people and a church congregation which attracted young parents and their children. We invited members of both of these groups to participate in our consultation either before or after their regular activities. The lunch club members participated in the *Prioritising Matters™* exercise as a group which led to some interesting conversations between the participants. The congregation members completed our questionnaire and the *Prioritising Matters™* exercise.

Interviews

- 1.5 We interviewed retailers who had retail outlets on the island. The purpose of these interviews was to assess the local retail market, learn any lessons about what makes a successful retail business on Tiree and identify any potential for displacement. These interviews were usually face-to-face, though one was done by telephone. All interviewees were guaranteed that their views would be reported anonymously.
- 1.6 We also interviewed a number of potential suppliers, all from the arts and craft sector. The purpose of these interviews was to determine whether they were interested in supplying their produce to a community shop, whether they had any expectations about how this would work and whether they were likely to have any special requirements. All interviewees were guaranteed that their views would be reported anonymously.

Lessons from elsewhere

- 1.7 Given the Trust's request for guidance to support the community in pursuing this, or any future business acquisition, we also have reflected on our own experience of assisting other communities to buy businesses and establish these as community shops, as well as some relevant publications (guidance, research and good practice). We have referred to these where appropriate.

Limitations of the approach

- 1.8 As with any research, it is important to understand its limitations. These limitations can be present for a number of reasons, some within and some outwith the control of the researchers. We set out the limitations in this study.

Participation levels

- 1.9 Out of an island population of around 650 people, we engaged with 65 individuals in total (i.e. 10% of the population). 33 people completed and returned our questionnaire and 57 people took part in our *Prioritising Matters™* exercise. In most cases, those who completed the questionnaire also took part in the *Prioritising Matters™* exercise.
- 1.10 We fared better with our interviews with retailers on the island. Of the 14 retailers with retail outlets on the island, we managed to secure interviews with 6 of these

(43% of retailers). We also interviewed the owners of one other business who relied on MacLeod's as a supplier.

- 1.11 We made two unsuccessful attempts to distribute our questionnaire wider. We published the questionnaire on the Trust's Facebook page, but only attracted one response. We were also invited to distribute our questionnaire to customers of the Co-op, but due to a misunderstanding, these were not distributed. Had we more time to engage with people, then the participation levels could have been higher. Also, had we not undertaken our study in the off-season, more people may have been available to participate.

Selection of participants

- 1.12 The participants were not selected randomly. In most cases (22 people), participants chose whether to attend the two consultation events, responding to local adverts. It may well be that those people who participated were already well informed about the proposal to acquire a shop or were concerned about the closure of MacLeod's. Neither of these positions may be typical of the community as a whole.
- 1.13 Two other groups were invited to participate – a group of worshippers who met for tea after a church service and a group of older and/or disabled people who attended a lunch club. Again, the views of these two groups may not be representative of the community as a whole.
- 1.14 In terms of the interviews with retailers and suppliers, we relied on the Trust to suggest who we should speak to and to provide contact details for them. We are confident that we met with a representative group of retailers, but it is more difficult to assess whether the suppliers we spoke to represented the range of potential suppliers on the island.

Changing Focus

- 1.15 The focus of our study was changed midway and after we had designed and set-up the community consultation. The Trust felt that we should nonetheless go ahead with the consultation as planned. This meant that we asked questions that, in some cases, were now no longer as relevant. It also meant that we missed the opportunity to rephrase some of the questions to align better with the new focus. It also meant that in analysing our findings, we have sought to bring out issues that are more relevant to establishing a community shop on Tiree in general, rather than specific to the sale of MacLeod's. This does not invalidate the results, but rather illustrates how difficult it can be to prepare for business acquisition given how quickly the situation can change.

Incomplete data

- 1.16 Given the exclusive negotiations between the seller and another potential buyer, we did not have access to MacLeod's business accounts, financial records or sales data. This meant that the Trust was not able to instruct a valuation of the business. The implications of all of this meant we were no longer able to carry out a full feasibility study. It also meant that we did not have another source to check against the

findings from the questionnaire. This is particularly relevant in terms of what people reported as their spending patterns in MacLeod's. To rely on data from only one source is not ideal.

Representativeness

- 1.17 Our approach has been qualitative rather than quantitative. Given this, and the points mentioned above, it would not be appropriate therefore to make any sweeping generalisations about the results given the unlikelihood that the findings represent the island population as a whole. This does not mean that the findings have no value. Instead it means that the results can be used to identify key issues and where these are considered to be important, can be followed up with further investigation. It also means that the Trust is forewarned about the challenges it may face in establishing a community shop and can use this insight to develop a successful approach and ultimately a successful business.

Section 2: Key Findings

2.0 This section sets out the results from the market research and community consultation exercise. The exercise included a number of different approaches; *Prioritising Matters™* cards, a questionnaire, a shopping basket exercise and a series of interviews. The findings are set out against each approach.

Results from the *Prioritising Matters™* cards

2.1 Participants were invited to arrange 24 different features in priority order, with the feature that mattered most to them first. The features covered many different aspects of owning and operating a community shop including product range, price, opening hours, management structure, volunteering, profit distribution, etc. People were free to add in, and prioritise, any other features that they considered important.

2.2. 43 individuals used the cards to prioritise the features that mattered most to them. In addition, a group of 14 people used the cards to prioritise the features as a group, negotiating the prioritisation between them. Given that only 10% of the island population participated in this exercise, it would be unwise to assume that these views are representative of the island community as a whole. Many of those who participated said that they were already regular customers of MacLeod's and were worried about the current owners' plans to retire. This no doubt was reflected in their wish to participate in the exercise and how they prioritised the features.

A diverse range of priorities

2.3 If we look at the features that people included in their top 3 priorities, then these were (with the most commonly cited issue first and then in descending order):-

PRIORITY GIVEN TO EACH FEATURE	No. of times cited	% of participants citing factor as top priority*
<i>The shop does not close down</i>	28	64%
<i>The shop remains a viable business</i>	23	52%
<i>The shop stocks fresh produce</i>	19	43%
<i>The prices are affordable</i>	17	39%
<i>The shop does not displace trade from other businesses</i>	11	25%
<i>The prices compare well to the Co-op's</i>	8	18%
<i>The staff are friendly, welcoming and helpful</i>	8	18%
<i>The shop stock a wide range of goods</i>	8	18%
<i>I can pre-order specialist items</i>	7	16%
<i>The shop is owned by the community</i>	7	16%
<i>The profits are reinvested to improve the shop</i>	7	16%
<i>The shop stocks high quality goods</i>	6	14%
<i>The shop caters for both locals and visitors</i>	6	14%
<i>Profits are reinvested in the community</i>	5	11%
<i>The shop opens early and closes late</i>	5	11%
<i>The quality compared well to the Co-op</i>	5	11%
<i>The shop is clean and tidy</i>	5	11%
<i>Volunteers are encouraged to help in the shop</i>	4	9%
<i>The shop will sell my produce</i>	3	7%
<i>The layout is good</i>	3	7%

<i>The shop is somewhere where I want to spend time</i>	2	5%
<i>I can have a say in how it is run</i>	1	2%
<i>The shop delivers to my house</i>	1	2%
<i>Sells magazines</i>	1	2%
<i>Leased to an operator</i>	1	2%
*This calculation is based on a total number of 44 sets of results: 43 individuals completed the exercise and group of 14 completed the exercise as 1 group set of results.		

2.4 This tells us that all of the features identified, bar one, (i.e. the shop offers credit to its customers) have been identified by atleast one participant as a priority issue (i.e. they see it among their top 3 most important issues). This suggests that people want different things.

The top priorities

2.5 If we look at the issue that people most frequently prioritised as their No.1 top priority, then this was about the shop remaining open and viable. This suggests that for those participants who took part in this process, their chief concern by far was to secure the ongoing future of MacLeod’s. The results also suggest that any preference for whether the community should own and/or manage the shop is considered to be less important than ensuring the shop continues to stay open and viable.

2.6 The next two issues most commonly cited as people’s No.1 priority issue were about the products. There appears to be a strong desire to see fresh produce being sold. This may reflect the current situation where people are able to purchase fresh island produce such as eggs and vegetables from MacLeod’s. The other priority concerns the prices of the products with people expressing a strong wish to ensure they are affordable.

2.7 The next most commonly prioritised No.1 issue was that the shop should not compete with other island businesses to the extent that it displaces trade from one business to another. The assumption here is that whilst people wanted to see the shop stay open and viable it did not wish to see this happen at the expense of other local businesses.

Results from the Questionnaire

2.8 A questionnaire was designed to establish the purchasing behaviours of the island community and the factors which affected these behaviours. 33 questionnaires were completed and returned. Again, with such a low participation rate, it is dangerous to assume that the results collected are representative of the island community as a whole. Furthermore, most of the questionnaire respondents came forward signalling their wish to participate in the consultation event and offer their views. They were not chosen at random but rather they self-selected themselves to participate. This in itself has likely created a bias in the results. It is also important to recognise that whilst the questionnaire asks questions about expenditure, asking questions about money can be problematic as people can be influenced by their financial aspirations rather than their financial reality.

Choice of shops

- 2.9 Nearly all of the respondents shopped in both MacLeod's and the Co-op on a regular basis, almost 60% reported that they regularly shopped online and very few reported that they shopped regularly in Tesco in Oban.

Reasons for choice of shop

- 2.10 Between them, people reported a wide range of reasons for shopping where they do. The most commonly reported reasons for shopping at MacLeod's were convenience and quality of service. The most commonly reported reason for shopping at the Co-op and online was the availability of a wide range of products.
- 2.11 Some people specifically commented on the importance they gave to MacLeod's range of DIY products, newspapers and fresh local produce. Others commented on the necessity to use online shopping to acquire goods that they cannot purchase on the island such as organic, fairtrade and other specialist products. Some reported that they bought off-island so that they could access larger-sized packs of products. Two or three referred to the loyalty they felt to either MacLeod's (as a family owned business) or the Co-op (as an employer of local young people and as a membership organisation).

Shopping frequency

- 2.12 Around half of the respondents said they shopped 2-3 times a week in MacLeod's and/or the Co-op and 15% saying they shopped in one or other daily.

Spending patterns

- 2.13 People generally spent less per visit at MacLeod's than they did in the Co-op. Most commonly people spent under £10 per transaction at MacLeod's with no-one spending more than £30 per visit. The spending pattern was very different at the Co-op with most people reporting that they spent between £10 and £30 per visit and a third of shoppers saying they spent over £50 per visit.

Spending levels

- 2.14 People were asked to report their average spend per transaction in expenditure bands. Applying the lower limits of these bands (in an attempt to be cautious), we estimate that on average each person spends:
- around £40 per month in MacLeod's,
 - around £250 per month in the Co-op, and
 - around £40 per month either online or in Tesco in Oban.

Range of products

- 2.15 People were invited to say what they would like a community shop to sell. Suggestions included:-

<u>Local produce</u>	<u>Dietary foods</u>	<u>Delicatessen/Butcher</u>
Local eggs	Wholefoods	Fresh meat
Fresh fruit & veg & salads	Vegetarian foods	Fresh fish
Artisan breads	Organic and free-range products	Dairy products
Fresh baking	Specialist groceries	Herbs & spices

<u>Bulk purchases</u> Essentials – e.g. olive oil Cleaning products Toiletries Eco products Kegs of beer <u>Gifts</u> Local crafts Children’s toys Island branded gifts	<u>Newsagent</u> Newspapers Magazines Stationary Office supplies Cards/postcards Books <u>Takeaway</u> Hot food Takeaway coffee Café	<u>Hardware</u> DIY materials Paint Kitchen ware <u>Petrol Station</u> Fuel
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Results from the Shopping basket exercise

2.16 We asked participants about what they currently buy off-island but would prefer to be able to source on Tiree. These included:-

<u>Fresh produce</u> Fresh herbs Fresh/loose veg Aubergines, celeriac, fennel Spices	<u>Dietary foods</u> Vegetarian food, quorn products, Gluten-free products Whole foods – museli, pulses, oatmeal, nuts, seeds, whole peanut butter, organic brown rice, etc Quality soy sauce, sweetcorn relish, mustard powder, coconut oil, ghee Variety of teas Peppermint pills	<u>Delicatessen/Butcher</u> Deli foods, mascarpone, Total yoghurt, Unusual meats e.g. offal and belly pork Fresh meat(with no additives) Fish
<u>Bulk purchases</u> Toilet paper Soap powder Dishwasher tablets Cleaning products Nappies, Tissues & Baby wipes Cling film, Quality bin bags Salt for water softener Light bulbs Dried fruits Sugar Tinned goods Olive oil, Vinegar, Sauces Dog food. Environmentally friendly products such as recycled tissues and Ecover cleaning products.	<u>Drinks</u> Non-alcoholic drinks Fevertree tonic water Botanist Gin Local Island beers (from Mull, Colonsay, Islay, etc)	<u>Hardware</u> DIY tools Wood Garden tools Plants and flowers Button batteries
<u>Gifts</u> Gifts Books Reams of printer paper	<u>Clothing</u> Lingerie Waterproofs	<u>Beauty products</u> Make-up

Results from the interviews with island retailers

2.17 Included in the brief issued by the Trust was a requirement that we should consult with all other retailers on the island. We approached 15 businesses and secured an

interview with 7 of these. These were all retailers, or businesses which directly supported retailers (e.g. a café which sourced its ingredients from a local retailer). The purpose of the interviews was to explore the retail market on the island, identify the lessons from their own experience and explore any potential for displacement. The key points raised in the discussions included:-

- 2.18 Achieving and maintaining the viability of any retail business on Tiree is a challenge. More than one respondent questioned whether a community shop could ever be viable, especially if it chose to run it along similar lines as MacLeod's. One or two cited the recent closure of the butchers to illustrate the fragility of retail ventures on the island.
- 2.19 Many of those we spoke to saw their target market as the island visitors and sought to ensure they generated enough business from visitors during the busy seasons to maintain their business through the quieter seasons. They recognised the restrictions placed on the size of the visitor market by such factors as the ferry size and frequency and the number of beds available on the island. They therefore had to work hard to ensure they made the most of the busy seasons. During the winter season, many businesses on the island close completely, are open by appointment only, or reduce their opening hours considerably.
- 2.20 Another retailer suggested that there were already too many retailers focusing on the visitors' market rather than on the local market. They were concerned that any replacement for MacLeod's should not end up being another tourist outlet. They suggested that part of MacLeod's success over the years had been its focus on the local market and that it had stayed true to this and had resisted any temptation to diversify. They argued that this is what allowed MacLeod's to remain open all year round.
- 2.21 Several of the retail businesses on the island have chosen to diversify in an attempt to improve their customer base, income and viability. Examples of this include a café and a campsite. They argue that this is about being responsive to the market and spotting opportunities to attract new income streams.
- 2.22 Others argue that by focusing their energy on their core business, rather than spreading it too thinly across what would in effect be several businesses, they have been able to build a loyal customer base and successful business.
- 2.23 Many of the businesses we spoke to did not rely on passing trade, but from effective marketing (signage, flyers, posters and online), referrals (from other businesses and previous customers) and repeat business (from visitors who return to the island many times).
- 2.24 Some of the retailers also sold via their website (often to repeat customers). However many of the retailers talked about the high "export" costs involved (e.g. transport and distribution costs) when trying to sell off-island. For most, this was just not a viable option.

- 2.25 Most of the retailers suggested that what the island needs was more entrepreneurs rather than more community projects. They explained that ventures that were privately-owned by entrepreneurs were more likely to be successful due to the drive, focus, motivations, skills and responsiveness of the entrepreneur. A few cited some unsuccessful community projects (e.g. a swimming pool and cinema) to illustrate their point.
- 2.26 One respondent commented that there is a tendency for Tiree to attract lifestyle businesses, where the drive and motivations of the owners are perhaps not so absolute, seeking instead to balance these with quality of life factors. This can affect how the business responds to challenge. Several respondents referred to businesses which appeared to prioritise their own needs rather than the needs of the customers – e.g. by restricting their opening times or their product lines.
- 2.27 Many of the respondents spoke about how many of the businesses on the island sold to other businesses and that this inter-dependency was an important factor to recognise (e.g. the owners of holiday cottages bought local artwork to display in their properties, the local haulage firm carried freight for island businesses and the local cafés bought their ingredients from local shops). They said that the impact of MacLeod's not being replaced would therefore be felt by many other island businesses.
- 2.28 One retailer said that they would be very concerned if any retail outlet on the island received public subsidy as this would give it an unfair advantage. They went on to say that this would be particularly unacceptable if this publicly-subsidised venture then competed for trade with other island businesses.
- 2.29 Another business commented that they would be concerned if the community shop chose to diversify into products or services that they were already supplying. Whilst several of the respondents said they would like to see an alternative to shopping at the Co-op, some said they did not wish to see an alternative to their own business.
- 2.30 One respondent suggested that one of keys to establishing a successful retail business in Tiree is about building customer loyalty by being transparent about who owns the business and how the income is being spent. People like to see the money trail (e.g. that the money is being used to support the owner's family on the island) and so where businesses are owned or managed remotely, this can be difficult to demonstrate.
- 2.31 Another suggested that the secret to MacLeod's success had been the very high quality of service where staff took time to advise you on your purchase, even although the transaction value was usually very low.
- 2.32 Most did not envisage creating any special partnership between their existing business and the community shop. One suggested that they would always prefer to deal with their own customers directly to ensure service quality remains under their control.

- 2.33 Several suggested that cross-referring customers between the community shop and their own business would be good. One suggested that the community shop could perhaps have a window display which showcased local produce and directed potential customers to local businesses where they could purchase this produce.

Results from the interview with potential suppliers

- 2.34 We were also asked to consult with current or potential suppliers who may be interested in supplying the shop. The Trust supplied contact details for 6 suppliers who all produced art and/or craft works. We secured interviews with 3 of them. In all cases the interviewees were individual suppliers as well as part of a wider group of suppliers. We have also included comments from 2 retailers where they were also suppliers. The key points from these discussions included:-
- 2.35 Many of the artists/makers we interviewed sold their work through their own and other galleries/workshops or online through their own and other websites. Most said that this worked well for them, citing a variety of reasons including that this gave them control over how and where their work was sold and allowed them to interact with their customers directly and thus gain invaluable feedback. Nonetheless, one or two chose to sell their work through one of the island's retail outlets, commenting that they felt that this worked well and were keen to see their work sold in more outlets. One said that they sold at the annual craft fairs on the island. Several said that they did not produce enough work to open their own outlet and so selling through other outlets and fairs was ideal.
- 2.36 Several of those interviewed stressed the need to balance the demand for their work with the supply of their work. As individual artists, many said that it took time to create their work and that they had got this balance right and so were not keen to do anything that might raise demand to a level where they can no longer meet it.
- 2.37 One or two felt that their work was unlikely to be compatible with the rest of the stock in a community shop, and thus argued that they were unlikely to attract their target customer group via a community shop. This may be for a number of reasons including the high price that their work commanded, the competition from other products available in such a shop and the amount of space required to show off their work was likely to be severely restricted.
- 2.38 For the few who were keen to sell via a community shop, one was interested in renting display space in the shop which would allow them to retain control over the layout, the way their work is displayed, protection against mishandling their work, pricing, etc. Another suggested that it may be difficult for a community shop to balance its desire to be inclusive (and thus be willing to accept work from all producers) with its need to control quality (and thus maintain its reputation for selling quality goods).
- 2.39 A few of the suppliers commented on how they would expect the fee structure to work. One said that they would expect that a community shop would charge less commission than a private owner. One interviewee stressed that it was important

that if the community shop sold local art and craft then it would need to take care that this did not displace the trade from the existing outlets in the island.

- 2.40 One raised the issue about the location of a community shop suggesting that if the shop wished to sell art and craft works, then there were better locations than MacLeod's. A more central location and nearer to the pier would be handier for locals and visitors alike. One or two people suggested that if the community shop was to be located at MacLeod's then they would need to extend the shop to provide space for art and craft works. One went on to suggest that if this was done, then perhaps the extension could include a workspace for local artists and crafters. Another disagreed, saying that the island needs a dedicated arts venue with workspace to support local artists and crafters.

Section 3: Emerging issues

- 3.0 Reflecting on the consultation exercises, albeit with the various caveats already mentioned about the representativeness of the participants and their views, a number of issues emerge, as follows:-

Degree of consensus

- 3.1 People want MacLeod's to stay open. More than half of the participants said that the shop remaining open and the shop remaining viable was very important. However there are many different views on what the successor to MacLeod's should look like. Different things are important to different people. In the *Prioritising Matters™* exercise, of the 24 different features of a community shop (ranging from its ownership model, to product range, to layout) each of these features, bar one, was considered to be very important to at least one person. This suggests two challenges in terms of how the Trust goes forward. Despite a clear signal from those participating in this exercise that they want to see the shop staying open and viable, it is likely to be difficult to design and deliver a solution that will please everyone, given that everyone is looking for something slightly different. This suggests that it may also be difficult to reach consensus on the best way to proceed. Helping people to understand the options, together with the strengths and weaknesses of these options, should help to move people towards consensus.

Desire for choice

- 3.2 People want an alternative to the Co-op. This did not seem to be a reflection on the quality of the Co-op. On the contrary, most of the respondents to the questionnaire shopped in the Co-op, mostly because of the wider range of products, quality of service, convenience and price. One or two referred to their loyalty to the Co-op based on an appreciation of the Co-op's reputation as an employer of local young people and their Co-op membership. The view being expressed here was about having choice. People said they did not want MacLeod's to close down because there would be no choice about where to shop. People appreciated that MacLeod's was located in a different village from the Co-op, that the product range was different, that the service was different and that the prices were different. This suggests that if the most important issue is about having an alternative to the Co-op, then people may be able to fulfil this need in other ways – e.g. by ordering from the large supermarkets online and having their shopping delivered to the island, or by increasing the frequency and/or value of the shopping they do when off-island.

Range of goods

- 3.3 People want to buy a wider range of products, most notably, more fresh produce. People are currently not having all their needs met, despite both the Co-op and MacLeod's offering to order specific items for their customers. Participants report that this request service is not as comprehensive, responsive or as affordable as they would like. Estimates suggest that the 33 respondents to the questionnaire are spending on average £40 per month off-island either buying their shopping online or when they make trips to the mainland. Much of this is spent on food, environmentally-friendly products, gifts, clothing and economy/bulk purchases. This

raises a number of issues. Firstly, there may be an opportunity to redirect some of the off-island spending to a community shop that offers the right range of products. Secondly, given the diverse range of products suggested in the questionnaires (from fresh herbs to fish to paint to fuel) getting the product range and mix right for the members of the community is likely to be a challenge. Also, providing sufficient shelf-room for such a diverse range of products is unlikely to be possible within the current space available in MacLeod's.

Profitable lines

- 3.4 Not all of the product lines requested will be highly profitable. For example, many of the participants said that they would like to buy more fresh foods, e.g. fruit, vegetables, herbs, meat and fish. There is likely to be high spoilage rates with such perishable produce (at least 20% of perishable produce are expected to be spoiled in an average shop) driving the need to mark-up these products by at least 50% which ultimately impacts on their affordability to the customer. Keeping spoilage and waste levels down will be a particular challenge on an island as remote as Tiree given the journey time for fresh produce to get to the island. Research from the Plunkett Foundationⁱ found that community shops in general report that their most profitable lines are (i) cards & stationary, (ii) confectionary, (iii) local food & produce and (iv) dairy & eggs. Balancing the customers' desire to see some less-profitable lines with the business's need to ensure financial viability will be a challenge. Considering how best these lines could become more profitable (e.g. reducing spoilage by sourcing some of these fresh product lines more locally) will be critical.

Local produce

- 3.5 People want to buy local produce. Many participants said that they wanted to be able to buy local produce and that they appreciated that MacLeod's for example, sold Tiree eggs and vegetables. Several commented on the high quality of Tiree lamb, beef and shellfish but were frustrated that it was not available for sale in any local shops. One or two commented that due to high transport costs it was not viable for many suppliers to sell their produce off-island and so suppliers were keen to sell through local shops wherever possible. Two or three people expressed a preference for local produce from an environmental perspective, looking to reduce their food miles. A few of the craft producers expressed a desire to sell their work through a local shop (e.g. "*it would be fantastic if I could sell through the shop*") although some expressed a concern about how any community shop would balance the need to maintain quality with any desire to be inclusive.

Target market

- 3.6 People want a service primarily for island residents rather than island visitors. Several participants commented that they are disappointed when the visitor season comes to an end and the Co-op changes and reduces its product lines. One retailer commented that there are not enough businesses focusing on island residents as their prime customer and "*what we don't need is another tourist outlet*". Most retailers however commented on the need for any business on the island to attract custom from the 22,000 annual visitorsⁱⁱ to the island. With a resident population of around 650 people and average incomes around £5,000 below the Scottish

averageⁱⁱⁱ, the financial viability of nearly all retail businesses heavily relies on income from visitors. Nonetheless the seasonality of this presents challenges in terms of the limited length of the season, the limits the size and frequency of the ferry has on the number of visitors, and how best to manage cashflow in the off-season. Many businesses simply close down over the winter months. While we need to recognise that the participants were all island residents and not island visitors, their comments do suggest that customer loyalty may be affected by how well the shop is seen to value and respond to the needs of island residents.

Location

3.7 The community shop's location should reflect the target market. Perhaps because both of our consultation events were held within walking distance of MacLeod's, several of the people who took part in the events lived close to MacLeod's and spoke about how convenient the shop was for them. Of the 33 survey respondents who said they shopped at MacLeod's, 27 of them said that one of the reasons they did so was because of its convenience. On the other hand, one or two others, including potential suppliers said that the shop would be likely to attract more custom, especially from island visitors, if it were located nearer the ferry terminal. This suggests that while there is an opportunity to locate any replacement to MacLeod's on the current site, any decision about location must be considered in the context of the target customer base and product range.

Awareness levels

3.8 Most participants had a limited understanding of community shops and how they are owned, managed and operated. This was clear from not just the community consultation events but also from the interviews. Some people took the opportunity to ask questions to improve their understanding (e.g. *"Will it mean lower prices?"* and *"Who will manage the staff?"*) while others expressed views which revealed their level of understanding (e.g. *"too many cooks trying to run the shop will be a disaster"* and *"using volunteers instead of staff is not right"*). This suggests that in order to secure support and buy-in from the community to the creation of a community shop, much work is required to raise awareness and understanding of the purpose, structure, governance, financing and operations of a community shop. This needs to be done at the earliest opportunity in order to prevent the spread of misunderstanding and confusion or the entrenchment of unsupportable views.

Community confidence

3.9 Some remain unconvinced that the community can deliver a successful shop. Two or three people expressed concern about the ability of the community to deliver successful projects and felt a community shop was unlikely to be successful due to a lack of business skills, there being *"too many leaders and not enough do-ers"*, a track record which included some previously unsuccessful projects, and questions over the Trust's *"ability to be a good employer"*. Several of the retailers on the island spoke about the need for entrepreneurship and how people who own and run their own businesses are more likely to have the drive, commitment and ability to establish and maintain a successful business. This suggests that there is a need for the Trust (or whichever organisation takes the lead) to demonstrate convincingly that they do

have the skills, experience and drive to establish and maintain a successful venture. It is imperative that the community as a whole shares their confidence in their abilities. It also suggests that a legal structure where members of the community take direct ownership of the shop (e.g. by having shares in the shop) may be able to tap into this “drive and commitment” within each member.

Community ownership

3.10 For many people, who owns the shop is not so important. There are other issues that are of greater importance (e.g. friendly staff, range of goods, fresh produce and price comparison). Focusing on some of the benefits normally sought from community-owned and controlled ventures and included in the *Prioritising Matters™* exercise, 5 participants prioritised (i.e. included the feature among their top 3 priorities) the shop being able to re-invest its profits in the community, 4 people prioritised the shop encouraging volunteers to help out, 1 person prioritised their wish to have a say in how the shop is run and 1 person said they wanted to see any community-owned shop leased to an operator. This was reflected in the interviews with retailers and suppliers, where several retailers said that they would prefer to see MacLeod’s bought by a private individual and one suggested that what is important is that the shop is owned by an island resident(s), rather than by someone based off-island, as this helps to develop customer loyalty. This suggests that for most people in the community, discussions about legal structure will not seem highly relevant. They would rather discuss other aspects of the shop. However, by framing any discussions about legal structure around building ownership, personal investment, customer loyalty and distributing profits locally, people are much more likely to appreciate the relevance and engage with the discussion.

Volunteering

3.11 For most people, having volunteers in the shop is not so important. With only 4 out of 44 people saying that encouraging volunteers to help in the shop was a top priority issue for them, other factors are generally considered to be more important. One participant questioned whether there were enough people on the island with sufficient spare time to volunteer in a community shop. Several people (including many of the participants in the lunch club group response) felt that volunteering was inappropriate as it removed the opportunity for someone to have a paid job. Over 80% of all community shops benefit from having volunteers^{iv}, arguing that this increases their social and economic impact by helping people to overcome their sense of social isolation, build employability skills and reduce overheads and thus increase profits. Our study did not examine the need for these social outcomes here. If there is evidence to support a need for volunteering, then our study suggests that the case has yet to be made to the residents of Tiree.

Social impact

3.12 Hardly anyone raised the potential social impact of a community shop. In fact, the only people to do so were two participants who were also members of the steering group set up by the Trust to oversee the feasibility phase of the community shop project. It is not clear if this omission was due to people’s lack of awareness of the social impact community shops can bring to a community, or due to this aspect not

being as important as simply keeping the shop open in order to give people an alternative to the Co-op. If MacLeod's had been the only, or even the principal, food store on the island, then we suspect the social and economic impacts would have featured much more strongly in the consultation exercise. This suggests that the case for a community shop as a vehicle to deliver social outcomes has yet to be made to the residents of Tiree. Making this case to funders will also be important as funders are becoming more interested in understanding the wider impact of their investment.

Displacement

- 3.13 People do not want to see any other business suffer as a consequence. 25% of the participants said that it was very important to them that the shop does not displace trade from other businesses. This was echoed in many of the interviews with retailers. It is assumed that here people mean displaced from any other local businesses e.g. it may be acceptable for the shop to successfully redirect some of the money people currently spend online or when they visit the mainland. People are not keen to redirect any spend away from the Co-op as it is not in the community's interest to see the Co-op suffer or downsize.
- 3.14 Given that one option is for the shop to replace and replicate MacLeod's, then if the community shop does this and achieves financially viable, then it is highly unlikely to displace trade from elsewhere. However, should the shop diversify into new areas as suggested by some participants (e.g. a café, a gift shop, a petrol station) then the potential for displacement becomes a real possibility.
- 3.15 Displacement is a very difficult issue to predict or assess as it assumes that there are finite resources e.g. people have no more money to spend and/or there are no more customers available and so the only option is for people to move their expenditure from one business to another. Our research did not test out this assumption. However research commissioned by Argyll & Bute Council^v suggests that each household on the island spends on average £400 a month on Tiree. If our own estimates are correct (and they may well not be given that we focused on individual expenditure and not household expenditure), then after their shopping at MacLeod's and the Co-op households may, at most, have around £110 a month available to spend. Given all the other local expenditure items this amount will have to cover (fuel, rent, etc) this may well not be available for additional food purchases.
- 3.16 Displacement is also usually assumed to be detrimental. Although many people said it was important that displacement should be avoided given the fragility of the retail sector on the island, many people also said that they appreciated that there was an alternative to the Co-op; a situation which no doubt facilitates displacement, although probably both ways.
- 3.17 The key points that arise from this are that once the community shop becomes clearer on the range of goods it wishes to offer, the impact of potential displacement must be assessed and tested (rather than simply assumed) and that any plans to

diversify away from the current product range of MacLeod's (and into products offered by other existing island businesses) should be considered very carefully.

Unfair competition

3.18 Any public investment that serves to facilitate displacement would be of serious concern. Although this issue was raised by only one person, it should nonetheless be treated very seriously. The concern here is that although competition between businesses is healthy and generally good news for the customer and that some displacement may well happen as a result, this should take place within a level playing field. If the community shop were able to attract public funding and then use this to give it an unfair advantage (e.g. be able to reduce prices because they do not have a mortgage to repay), then this could be considered to be unfair to other businesses. This particular participant said they would be forced to formally object should this happen. In the case of most community shops, there is no local competition. This is not the case here where at least two island businesses currently compete to some degree with MacLeod's. This raises two issues; whether retailers can be convinced that public subsidy would not create unfair competition and whether a shop could be created without the need for public subsidy.

Inter-dependency

3.19 Each local business buys from another local business. From the interviews with retailers it is clear that many of the local businesses trade with other local businesses. For example, holiday-home owners furnish their properties with local art and cafés buy their ingredients from local shops. This suggests that the impact of MacLeod's decision to close down and the potential of the shop not being re-opened may well put pressure on other local businesses such as cafés, restaurants, bed and breakfasts and perhaps even holiday homes. While the extent of this impact is not known, an analysis of MacLeod's accounts and sales records may help to quantify this. This also suggests that part of the decision-making criteria about the community shop should not just be about the impact on individual island residents, but also on the other 90 or so local businesses^{vi} and the island economy as a whole.

Financial Viability

3.20 Some people question the financial viability of any shop run along similar lines to MacLeod's. Although we did not have access to MacLeod's accounts and sales figures, the questionnaire results suggest that although customers visit the shop frequently, transaction values are very low (often less than £10) with the average monthly spend working out at around £40 per person. This is estimated to be around 16% of what people spend on average in the Co-op^{vii}. One or two of the retailers questioned how MacLeod's has been able to keep trading for so long.

3.21 At this stage it is not clear if the community shop will replace MacLeod's or will be a different kind of shop, offering a different product range to a different customer base. Nonetheless, research suggests that community shops can perform well where previously a privately-owned shop has failed^{viii}. With business survival rates around 96%, this is due to a number of factors such as increased customer loyalty, ability to raise finance, use of volunteer labour, favourable tax conditions, and collaborative

purchasing through the Community Shop Network. This suggests that although the financial viability of any shop is likely to be fragile in such a remote island location (and with competition from other retailers), with careful business planning and management, a community shop that is responsive to its customers could well be successful. Understanding the recent financial position of MacLeod's could be invaluable here.

Section 4: Recommendations

4.0 In considering these issues, in the current context, we offer the Trust a number of recommendations as follows:-

Review the purpose of a community shop

4.1 In light of the recent decision by MacLeod's to cease trading, we recommend that the Trust takes this opportunity to revisit their motivations and objectives for establishing a community shop. When we began this study, the principal driver for the Trust had been to save MacLeod's from closure. This had been supported by the community with a mandate to proceed to feasibility stage based on the idea of acquiring MacLeod's as a going concern.

4.2 Now that things have changed and MacLeod's will soon no longer be a going concern, we suggest that the Trust detaches the idea of establishing a community shop from the idea of saving MacLeod's. By separating the two issues, the Trust will be able to refine its objectives, in light of this research report, without feeling tied to MacLeod's. This will also free the Trust to consider other ways its objectives can be delivered – e.g. buying or renting the empty premises (previously) occupied by MacLeod's, building a purpose-built shop, co-locating within an existing facility, acquiring another going concern or buying or renting another vacant building. How these objectives are re-defined will impact upon how the Trust then proceeds and indeed the rest of these recommendations.

Clarify the social impact ambitions

4.3 Whilst the driving force for establishing a new food store may now be to offer the island residents the choice that they crave, this does not mean that the solution is necessarily a community-owned business. In fact, our research suggests that the ownership of the shop is not an important issue for many people. We recommend therefore that the Trust should clarify its social impact ambitions and set these out in a way that they can be understood and assessed by the community. This in essence becomes the case for community ownership.

4.4 These ambitions may include using the shop as a vehicle to:-

- reduce physical isolation^{ix} (e.g. helping people to get to a shop without having to travel far);
- reduce social isolation (e.g. providing opportunities for people to get out of their homes and socialise with other people);
- reduce unemployment (e.g. by creating job and/or training opportunities);
- improve quality of life (e.g. by investing profits in sports facilities or programmes to improve home insulation);
- reduce environmental impact (e.g. by reducing food miles and waste); and
- reduce economic fragility or poverty (e.g. by paying interest or dividends to community investors).

It is important that the case for social impact can be supported by clear evidence. Based on our findings, we think that a good case can be made for delivering social impact in terms of quality of life, environmental impact and economic fragility.

Confirm the general product range

- 4.5 The findings from our research suggest that there is a demand from island residents for an alternative food store to the Co-op where a wide range of produce, most notably fresh and local produce, is available for sale. We recommend that in designing a community shop the Trust, in the first instance, focuses on meeting this core demand rather than consider diversifying into other areas such as offering crafts, gifts, petrol, a café, etc.

Complete the feasibility study

- 4.6 Given the changes to our brief, we were unable to carry out a full feasibility study. We offer some suggestions here on how this work should be taken forward. If the community shop focuses on being an alternative food store to the Co-op it is likely to offer a range of products and services not too dissimilar from that offered by MacLeod's, albeit with a few changes. We would therefore recommend that the Trust approaches the owners of MacLeod's to ask if they are willing to share their experience, data and key performance metrics with the Trust (e.g. footfall, sales figures, turnover by square foot, running costs, stock levels, profitability, etc). We would suggest that given this information is privately-owned and sensitive, a non-disclosure agreement should be signed. This information will assist the Trust to prepare sales and cashflow projections to assess the feasibility of a similar shop and inform any business plan for going forward. We would expect that with some careful cost control, the figures will show that the day-to-day operations of running a food store on the island will be financially viable.
- 4.7 The Trust will also need to calculate the start-up costs for establishing a food store, including buying or renting premises, carrying out any improvements to the building, buying stock, buying equipment and fittings, recruiting staff, paying professional fees, working capital, etc. Research by the Plunkett Foundation suggests that the average start-up costs for a community shop are around £103,000^x (albeit, this includes newbuild shops). It is the viability of this aspect of delivering a community shop that requires careful consideration.
- 4.8 Our research suggested that a few members of the community may campaign against public subsidy being used to support the start-up costs of such a shop. We therefore recommend that the Trust begins to investigate legal structures whereby the money required to set up the shop is raised by the community themselves. One model which appears to be well suited to this is the community owned Industrial and Provident Community Benefit Society that does not distribute dividends. We would, however, recommend discussing this in further detail with a lawyer who understands various community legal models.
- 4.9 This model is useful for direct community ownership and would work whether the community wanted to own and run the business or simply own the business and contract out the running of the business. It allows for direct community engagement from both board involvement and also from the raising of funds via the sale of community shares. By owning shares in the business, people are much more likely to

be loyal customers to the business, an issue brought out in our research. This model also allows for an easy way of demonstrating community support for the business through the shares purchased by the community. If investment is required for future development of the shop, then it is important to recognise that community support evidenced in this way is a key metric for many grant funders.

Raise awareness

- 4.10 It is clear from our research that some members of the community have very limited knowledge and understanding of community shops, particularly in terms of how they are owned, governed, financed and managed. We would therefore suggest that as soon as the Trust completes the feasibility study and is ready to start developing its business plan (assuming that it decides to move to this next stage), it begins to deliver a planned programme of articles, leaflets and meetings to discuss their motivations and objectives, the challenges of running a community shop, the choices of legal structure and business model available, the practicalities of running a community shop, the role of the community in supporting such a shop, the benefits to the community, etc. This should be delivered in a way that builds understanding in a structured way, prevents misunderstandings spreading, deals with any fears, builds community confidence in the Trust (or whichever body leads on this) and builds support and buy-in from the community.
- 4.11 We would further recommend that this programme of awareness-raising activities should include inviting people from other communities who have established their own community shop to share their experiences. We would suggest that this includes someone from Jura, Gartmore, Glenuig and Bigton.

Engage the community

- 4.12 Engaging with the community and securing their support will be critical to the success of establishing and running a community shop. We suggest that one of the most important aspects is appointing the right people to the steering group to take the project from feasibility stage through to business plan stage. Our research suggested that ensuring you have the right skills and that these skills are recognised and valued by the community will be important in developing community confidence. We therefore recommend that you draw up a role specification for the steering group to ensure that you recruit the key skills that you will need at this stage. These skills are likely to include project management skills, business experience, facilitation skills, ability to communicate a clear vision, and a natural aptitude to empathise and woo.
- 4.13 Regardless of which business model and funding route is selected, the level of community support will require to be measured at some key points in the process. We recommend that you build these points into your business planning process in order to meet the requirements of any funders or test your ability to raise enough finance from community shares. Your advisors will advise on when, and how, it is best to do this.

Section 5: Conclusions

- 5.0 In concluding this report, we feel that a strong case can be made to establish a community shop on the Isle of Tiree. There is a demand for an alternative food store to the Co-op and the existence, until very recently, of MacLeod's suggests that an alternative shop could be designed and managed in a way that ensures its financial viability.
- 5.1 Whilst a convincing case has yet to be made to the community, we are optimistic that after a planned programme of awareness-raising, focused around some clear messages, the community will get behind the project.
- 5.2 Unlike most other community owned shops, there are other retailers nearby. This means that the fear of displacing trade from other local businesses must be taken seriously regardless of whether this is a real or perceived risk. This is likely to mean that any attempts to attract significant levels of public funding to support the community shop would not be successful. A business model financed by community shares is likely to be more acceptable to the community.

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