

Challenges and uncertainty, but also cause for some optimism in the Scottish convenience store sector

On Thursday and Friday last week, the 56 Degree Insight team attended the Scottish Grocers Federation Annual Conference in Glasgow – we were guests of a couple of the participants who we are working with. It's such an uncertain time for all sectors and industries just now – and the convenience store sector in Scotland is no exception. The issues were all raised at the Conference, but discussions also illustrated how this part of the Scottish retail sector is bucking the trend and is tackling the challenges head on to ensure it is fit for the coming decades.

The scale of the Scottish convenience store sector illustrates its importance to the Scottish economy: in 2019, there are almost 5,000 such outlets across the country employing 44,000 people. And with a significant supply chain, their economic importance is clear. In addition, we should not forget the role that so many of these stores play in their communities – especially in rural areas where they often provide a community hub with ancillary services beyond basic provisions. And even in terms of environmental impact, how many times have we all 'nipped to the nearest local shop' to get some essentials rather than get in the car and head to the superstore?

And positively, across the UK, c-stores have seen growth of 2% over the previous 12 months – whilst the major supermarkets have been flat. Of course, this is only part of the story – Discounters have seen annual growth of 11% in the last 12 months, while online has grown by 8%. With these trends in mind, much of the focus at the Conference was on how the c-store sector could continue to grow in the face of many conflicting trends. Mike Watson from Nielsen set the scene perfectly as he identified some of the key trends impacting on the industry – and subsequent speakers illustrated how their businesses were addressing each issue:

- Lower Growth
- New channels
- Better store experience
- Smaller baskets
- Health focus
- More disloyalty
- More sustainable

Mike also talked about the decrease in consumer loyalty within retail – but that the c-store experience meant this sector could benefit here. Technology is playing an increasingly key role with an opportunity to connect bricks and mortar and online/app offerings helping to deliver click and collect services. In addition, digital loyalty schemes will continue to evolve.

Scott Cooper from Tayto told the story of Golden Wonder snacks – and the dangers of not constantly evolving and moving with the times. Golden Wonder crisps were formed 70 years ago in Edinburgh – and for my generation, they were the main brand of crisps in Scotland as I grew up in the 70s. By 2006 however, the brand had stagnated and was close to disappearing completely before being rescued by Tayto. They have subsequently modernised and turned the brand around with clear messaging. Golden Wonder is growing again and has 95% recognition in Scotland.

Next up, Trystan Farmworth from Britvic soft drinks focused on the sustainability message. Its portfolio of brands takes recycling extremely seriously – including the

use of expensive TV ad space to remind Pepsi Max customers to recycle their bottles and cans.

Steve Leach from Nisa provided the retail perspective – and his focus was on how improving the in-store experience was vital for 'stand-out' but also highlighted the growing importance of premium own brand. Embracing technology is also key for Nisa – and he described their plans around connecting 'bricks and clicks'.

Technology was also a key theme for Chris Gallacher from United Wholesale (Scotland) where the need to evolve the traditional 'cash and carry' model using technology has been embraced – with a multitude of AV screens in each aisle, and electronic pricing labels that can be changed with promotions and to target specific types of customer. And of course, a state of the art mobile app to bring it all together.

The Conference key note was delivered by First Minister Nicola Sturgeon and this highlighted another challenging area for the c-store sector – legislation. Initial impact assessment of the Minimum Unit Pricing legislation provides some positive stories around health impacts and no negative impacts on the alcohol drinks industry – decreased volumes being offset by increased prices. The First Minister emphasised that the Climate Agenda should be front of mind for everyone – and hence the upcoming implementation of the Deposit Return Scheme showed Scotland taking a UK lead in this key area. And she announced that the Government had listened to pressure from the SGF and the wider industry to ensure rates relief would be provided for premises who install a Reverse Vending Machine (for bottle returns) meaning that the retailer would not be impacted financially.

So, a thought-provoking conference and one we can't really do justice to in so few words. But we were very impressed by the way the convenience store sector has evolved and modernised – and despite the obvious challenges ahead, it shows a willingness to evolve to be fit for the future. To discuss any of this in more detail, please just get in touch.

