

Scottish Parliament Cross Party Group on Independent Convenience Stores

minute of meeting held on 22nd May 2018 in Committee Room 3

1. WELCOME AND INTRODUCTIONS

The convenor welcomed attendees to the meeting and then outlined the main items of business. Apologies were received from John Mason MSP and Gordon Lindhurst MSP.

2. APPROVAL OF PREVIOUS MINUTES AND ACTION POINTS

The Convener asked for the approval of the previous minutes from the 24th January 2018 meeting. These were approved.

3. PROTECTION OF SHOP WORKERS

Daniel Johnson MSP informed the CPG following the conclusion of his recent consultation that he would be taking forward a Private Members Bill to protect shop workers from abuse and violence and those who were required to sell age restricted products as part of their job. He stated that he would soon publish the 400 (approx.) consultation responses that he had received to his consultation. There was a 95% rate of approval from these responses to this proposals. In addition there had been 600 postcard responses taking the total number responses to the consultation to around 1000.

Daniel indicated that he intended to formally lodge his proposal for a Private Members Bill by end of the week (25th May). The proposal once lodged, would then require the support of 18 MSPs with at least one MSP from each of the main parties forming part of this total. The intention was to introduce a draft Private Members Bill to the Scottish Parliament by the autumn where it would then be scrutinized and put through the required parliamentary stages for draft legislation.

The Convener thanked Daniel for the update.

4. CONVENIENCE STORES: SUPPORTING SCOTTISH BUSINESSES

The following presentations were delivered:

Alan Miller – Paterson Arran Ltd

Alan Miller informed the CPG that Paterson Arran Ltd employed over 200 people between their two operations, one being on the Isle of Arran which equated to 10% of the workforce and the other being the company headquarters in Livingston, West Lothian where the rest of the workforce were based. Investing in staff and their training was important to the company as was reducing the company's energy consumption and waste. He explained that the company had received many awards for the quality of their products and that Paterson and Arran's Jam Shortbread Rounds were up for an industry award. He explained that this product was low in saturated fat and sugar.

Alan explained that 75% of Paterson Arrans business was based on their own brands but that they also produced own brand products for retailers such as Boots and Café Nero etc. He stated that the company supplied around 250 major and small retailer/supplier businesses with Paterson Arran products.

Paterson Arran saw the independent convenience store sector as important to them in three main ways: 1) many of their customers shopped in convenience stores 2) convenience stores supported local brands and 3) convenience stores had a diverse customer base. He also added that convenience stores reached 9 out of 10 consumers and that retail data produced by IGD ShopperVista for the previous four week period confirmed this. Some of the reasons for these figures included customers shopping at convenience stores for the national lottery and other non-food services and that generally they provided services and products which customers wanted. He also said that convenience stores were good servants of the communities in which they served.

Alan stated that while Paterson Arran could survive without convenience stores this would restrict the company's ability in reaching consumers.

The Convener thanked Alex for his contribution.

Don Henderson – Goodfellow & Steven

Don Henderson explained they were a family owned bakery business which owned 19 of its own shops (located from Stonehaven to Edinburgh), employed over 160 staff and had an annual turnover of around £5m and were a profitable business. He said that as a business they were incredibly independent and were proud of their partnership with Scotmid which saw them supplying 37 of their stores. This relationship with Scotmid had helped their business to grow.

Don stated that Goodfellow & Steven's experience as a business would help them face the new challenges going forward such as: the National Living Wage, pension costs, prices of ingredients, on-line shopping reducing footfall on the high street, Brexit and associated implications for their valued EU staff. The business needed to aim to be more mechanized in production so as to make savings. He said that they needed to keep their differentials so as to remain lean and competitive.

Other key issues flagged up were as follows: 1) more help was required to help traditional businesses to survive e.g. more support needed from Scottish Enterprise and the Scottish Parliament etc. 2) Regulations on businesses were an ongoing problem 3) bakery products were now being seen as unhealthy food in some quarters and this was a challenge they had to face. A key action would now be about getting the message across that they produced wholesome, freshly made food.

Don thanked the CPG for their time and the Convener thanked him for his contribution to proceedings.

Alex Dalglish – Vertex

Alex Dalglish informed the CPG that he set up Vertex Refrigeration, Air Conditioning and Shopfitting in 1996 having originally started out in 1976 as an apprentice refrigeration engineer before then moving into the sales side of this and then becoming a branch manager. By the time of the recession Vertex employed around 50 staff and while this was a challenging time the business successfully got through it.

Since joining SGF Vertex had targeted multiple retailers for potential business and this had worked very well. He explained that Vertex made £7m in annual turnover compared to around £4.9m during the 2009 recession. He stated that 90% of his business was now coming from the convenience store sector.

The Convener thanked Alex for his contribution.

Sarah Lowry – Fresh On The Go Ltd

Sarah explained that her business was a relatively 'baby' company as it had only been started four years ago. Previously she had worked for United Whole Scotland liaising with convenience stores and while in that job noticed that there appeared to be a gap in the market for coffee-on-the-go within retail outlets. She stated that she decided to start up her own business to fill this gap in the market given that the bigger players in the market tended to cherry pick where to provide coffee-on-the-go. She stated that a successful businessman, John O'Brien, invested in her business to help to get it started and also thanked Anas Sarwar MSP for his support.

Sarah informed the CPG that her business was very reliant on the convenience store sector and its customer base. She stated that 400 convenience stores were being supplied with her machines and that they were supplied to stores on a revenue sharing business model. These machines were self-service and customers paid at the till. She commented that it was fitting that SGF was administering the Scottish Government's the Food-to-Go grant scheme.

She explained that her machines had a hot water button which allowed convenience stores to add 'bolt-on' products to their food-to-go offering e.g. customers could use the hot water from her machines to eat Pot Noodles bought in-store. Each machine recorded every time it was used and so helped to monitor sales trends and to provide analytical data back to clients.

The Convener thanked Sarah for his contribution.

5. QUESTIONS AND ANSWERS

The Convener then invited comments and questions.

Anas Sarwar MSP thanked Sarah Lowry for her kind comments about supporting her but also stated that he wanted to thank everyone for their informative presentations.

Harris Aslam stated that he relaunched his own business in 2014 and wanted to thank the four speakers for supplying his business with their products and those other businesses represented in the room who also provided him with their products.

Ferhan Ashiq referenced the points made by Don Henderson about the challenges presented by the National Living Wage and government regulations. He stated that these issues required further assessment in terms of their potential implications for convenience stores.

Jim Maitland commented that he felt that in terms of financing for businesses that banks were holding them back. In his opinion their treatment of SME's was disgraceful. He stated that a serious look was required in terms of what was available to SME's from banks.

The Convener highlighted that the Scottish Parliament's Economy, Jobs and Fair Work Committee were presently looking at the impact of bank closures on local businesses, consumers and the Scottish economy. He stated that similar issues to those by Jim Maitland had been raised.

Pete Cheema indicated that it was not just the issue of bank closures that was important but also the services that they offered to customers. He stated that the Scottish Grocers' Federation had met with the Head of Retail at RBS in London and also other RBS officials in Scotland to discuss these concerns.

Mike Gordon stated that the success of businesses (such as Goodfellow & Steven) was important for the convenience store sector. Differentiation was key for convenience stores as it enabled them to be stand out from the multiples.

Don Henderson informed attendees that Scotmid came to Goodfellow & Steven and helped their business. He was grateful that Scotmid hadn't went elsewhere and today his business was offering a wide range of products.

John Lee asked the four speakers for their views how important finance was for their respective businesses.

Alan Miller (Paterson Arran) stated that there was no shortage of banks wanting to lend to his business. He stated that they had built up their balance sheet and so did not need to attend golf days run by the bank.

Sarah Lowry (Fresh On The Go Ltd) indicated that she found it daunting when approaching banks to seek financing from them.

Don Henderson (Goodfellow & Steven) stated that in his view banks gave businesses money when the sun was shining but took it back when it rained. He added however that his business received offers for financing from the banks all the time due to how strongly it was performing.

Alex Dalglish (Vertex) commented that his business operated with an overdraft but that it was insufficient for their purposes. Seeking finance from banks was not any easy experience and stated that they made you feel as if they were doing you a favour by helping you out. He added that given this experience they tried to source financing through private funding.

The Convener had asked if any of the speakers had received support from Scottish Enterprise.

Sarah Lowry informed attendees that she had received no support from the Scottish Enterprise regional development fund.

Don Henderson indicated that had not received much support from Scottish Enterprise and that in his view they approached his business with a 'they survive or don't survive attitude'.

John Lee raised the question as to the potential as to how far coffee as a product could go?

Sarah Lowry commented that her business was focussed on the coffee-to-go market and that they were stocking retailers with their machines and convenience stores as they were her key routes to market.

John Lee raised the question about the possible implications of the Scottish Government/ UK government health agendas for food products?

Alan Miller stated that Paterson Arran now used rape seed oil to reduce the butter content in their products and to make them healthier. He indicated at customers still kept coming back to buy their products after these adjustments to the ingredients. He highlighted that the sugar content in their shortbread was only 17% and that this was well ahead of the Public Health England targets. He commented that Paterson Arran were not allowed by law state on their products that they contained less than 3% saturated fat.

Pete Cheema informed attendees that the retail industry had already done a lot of work to reduce fats and trans fats in products but that not enough had been done to highlight all the positive work carried out. He stated that the industry needed to inform the Scottish Parliament of the work which they had already undertaken on this.

The Convener stated that the CPG allowed the Scottish Grocers' Federation to present views from the convenience store sector. He added that the Scottish Parliament Economy, Jobs and Fair Work Committee would, later in the year, be conducting an inquiry on business support issues. At that point calls for evidence would be issued and that everyone present at the CPG and the public more widely would be welcome to actively participate in this process. Further details would available on the Scottish Parliament website in due course.

Mike Gordon made the point that there had been continual changes in the use refrigeration gasses.

Alex Dalglish commented that gas R404A was due to be phased out by January 2020 with potentially Co2 as a replacement solution to this. He also mentioned that as the gas R404A supplies decreased overtime the cost per kilo would rise. He stated that at present this gas cost £60 a kilo. If a retailer could not source a gas solution for refrigerators they would instead need to change their kit altogether.

Sarah Lowry stated that for her recycling coffee cups was an important issue. She highlighted that every normal cup was recyclable but that the problem lay the collection process. She indicated that there were four mills in the UK who could carry out the recycling work and who were wanting the cups. She mentioned that there was a cost involved in getting the cups to these mills and that she was presently in discussions with Zero Waste Scotland about these issues.

6. ANY OTHER BUSINESS

The convenor asked members if they had any other business.

John Lee stated that MSPs needed to get behind the forthcoming proposal on the Protection of Retail Workers which would soon be lodged by Daniel Johnson MSP.

The Convener stated that he could – should the CPG wish – request a Scottish Government Minister to speak to the CPG on a topical issue should they so wish as long as enough led-in time was given beforehand.

Dennis Williams suggested that a potential topic for discussion at a future CPG meeting could be the Scottish Government's Diet and Obesity consultation.

Pete Cheema asked the Convener if the UK Government had responded to letter sent to it on behalf of the CPG by Keith Brown, Cabinet Secretary for the Economy, Jobs and Fair Work.

The Convener stated that no response to date had been received and would follow up on this.

7. DATE OF NEXT MEETING

The date of the next meeting was Tuesday 18th September 2018 in Committee Room 3.

Appendix A – Attendance List

CROSS PARTY GROUP ON INDEPENDENT CONVENIENCE STORES – 22 MAY 2018 LIST OF ATTENDEES (DRAFT VERSION ONLY)	
MSPs	
NAME	
Gordon MacDonald	
Richard Lyle	
Daniel Johnson	
Gillian Martin	
Anas Sarwar	
MEMBERS	
NAME	ORGANISATION
Ferhan Ashiq	Shads Supermarket LLP
Antony Begley	55 North Ltd
Dan Brown	Lothian Stores
Gillian Edgar	Healthy Living Programme
Kathryn Neil	Healthy Living Programme
Yvonne MacDonald	Healthy Living Programme
John Lee	SGF
Pete Cheema	SGF
Mike Gordon	Scotmid
Jim Harper	Scotmid
Luke McGarty	SGF
Abdul Majid	NISA Bellshill
Dennis Williams	Broadway Premier
NON MEMBERS	
NAME	ORGANISATION
Cat Hay	Food & Drink Federation Scotland
Wendy Craig	Camelot
Lindsay Mennell Keating	Imperial Tobacco UK&I
Matthew Lynas	Scottish Grocer
Greg Deacon	Camelot
Alan Miller	Paterson Arran
Don Henderson	Goodfellow and Steven
Sarah Lowery	Fresh on The Go
Jim Maitland	NFRN
Michael McDougall	TLT LLP
David Woodrow	NFRN

Adrian Roper	NFRN
Alex DalGLISH	Vertex