

# The Impact of Community Co-operatives on Shopping Behaviour in Rural Communities in Scotland

by Eric Calderwood and Keri Davies\*

## Introduction

This paper looks at the current position of the community retail co-operative sector in rural Scotland. It is an interesting and currently topical area of research as the Scottish Executive recently established a new agency, that will further promote co-operatives as a mechanism for increasing economic opportunities for all on a socially and environmentally sustainable basis.



## The Role of Community Run Shops in Rural Areas

Small shops in rural areas suffer from many problems, including:

- competition from multiple retailers, higher costs and poor wages (Smith and Sparks, 1997; Shetland Islands Council, 2004);
- catchment areas that although often large geographically contain comparatively small populations, particularly as some areas are still suffering from out-migration and a rise in the number of temporary island inhabitants (second-home owners) (Byrom et al, 2001; McEachern and Warnaby, 2005);
- generally, those consumers who depend most on the village shop are those with the lowest spending power (that is, the aged, the poor, the infirm and the immobile) (Smith and Sparks, 1997; Broadbridge and Calderwood, 2002);
- supply difficulties that lead to prob-

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\* *Eric Calderwood is a retail consultant and an occasional researcher at the Institute for Retail Studies, University of Stirling, Stirling, Scotland, United Kingdom.*

\* *Dr Keri Davies is a Senior Lecturer in the Institute for Retail Studies, University of Stirling, Stirling, Scotland, United Kingdom.*

lems for food availability and choice in the stores, leading to restricted range of products, particularly for fruit and vegetables (Skerratt, 1999, p.543);

- a lack of training opportunities and support for small shopkeepers (Kirby, 1981).

In the light of these studies, community co-operatives and social enterprises have been suggested as one way that rural communities can both ensure local retail provision and take back some economic power (Kurimoto, 2005). Describing the Canadian experience, Winnington-Ingram (2003) uses the definition of a community co-op as "people coming together to help themselves," acting on opportunities to gain unity and self-reliance. Thus, the establishment of community retail cooperatives is seen as a bottom-up approach with the local communities reaching local goals through their own mutual and collective efforts. Also, Lorendahl et al (1996) argued that local co-operatives keep capital circulating in the local market, from the purchases made by local consumers, those made directly by tourists and those made by other businesses such as bed and breakfast establishments.

However, Hogeland (2005) was worried that small cooperatives might not be able to resist the "new supply chain ideas and relationships in supplier-consumer networks" where supply chain power is used for the capture of resources which can be transferred to other parts of the chain. There is a clear tension here as community run shops (whether in urban or rural

areas) tend to be small and locally-based and are therefore ill-equipped to deal with competition from larger retailers unless they retain the solid support of their members and the local community (Fullerton, 1992). This is not to suggest however that they can't receive support from larger co-operatives or social enterprises. Thus, Fairbairn argues that it is "important that consumer co-ops have strong centrals, centrals that provide support for locals in purchasing, in management systems, in training. This not only makes efficiencies for locals; it promotes good management, and it means the locals can't get picked off, one by one, when they sooner or later make mistakes" (Fairbairn, 2004, p.7).

In order to better understand the Scottish experience, we can look at two very different experiences in neighbouring countries: the Republic of Ireland and England. Since the late 1950s the Irish government has been trying to promote economic self-sufficiency in the western parts of the country in order to slow or halt further out-migration and also as a mechanism for supporting the local Gaelic-speaking communities. A number of community co-operatives were established in the 'Gaeltacht' region, most of which undertook a range of activities including some forms of retailing. The aim was to ensure that the co-operatives would have sufficient income to reinvest in the business and that they would not be over-reliant on any one area of trading (Briscoe et al, 2000). England, on the other hand, has had a very different experience. Shepherd

(2005) reported that there were around 150 community run village shops operating as social enterprises in England in 2005, two-thirds of which had been set up since 2000. Withers (2005) suggests that this growth can be attributed to the active support of the Plunkett Foundation and the network of advisors established by VIRSA (the Village Retail Services Association). The average annual turnover for these community stores in England in 2005 was £145,000 (Shepherd, 2005); this compares to an average annual turnover for UK independent convenience stores of £277,000 (IGD, 2005).

## **Community Retail Co-operatives in Scotland**

Faced with the sorts of rural problems outlined above, including declining retail provision, in November 1977 the Highlands and Islands Development Board launched an experimental scheme in the Western Isles of Scotland to encourage the formation and development of multi-functional community co-operatives, based on the model of the Gaeltacht community co-operatives (Gordon, 2001, p.14). By 1984, there were 19 co-operatives trading, providing 55 full-time and around 200 part-time, seasonal or outworker jobs, with community co-operative membership of about 3,000, total local capital subscription of over £0.25 million, and turnover of approximately £2.5 million. Initially, these ventures were more than just retailers and several of the enterprises included fish farming, craft work and knitting, with the hope

that the more profitable activities could subsidise weaker activities which were nevertheless felt to be providing a useful local service. However, changes in local economic conditions and the difficulties of exercising effective management control over a wide range of activities have meant that the pattern has changed in recent years (Gordon, 2001). Whilst many of the original enterprises are still trading, some were less successful and soon closed down or have been sold back into the private sector; nonetheless, several new community co-operatives have started operating in recent years.

Gordon found that by the year 2000, management committees were having increasing difficulty in recruiting new members, leading to more control passing to the managers. In at least one instance, he felt that, although successful, the enterprise retained little of the original community co-operative ethos. "However, this underlines the need (reiterated by other co-ops) for every co-operative to be run... as a viable and profitable business; without that, they are unable to fulfil any aims, economic or social" (Gordon, 2001, p.35 - emphasis in original). Part of the problem may also be traced back to the local communities which have tended to forget the original crisis that brought their shops into being and now tend to take them for granted, leading to more outshopping.

Unlike the position in England, the Co-operative Group has been actively supporting community co-ops in Scotland since their inception and this

relationship has been a vital part of strengthening the performance of the Scottish shops. Despite this relationship, in the late 1990s there were some problems with deliveries and also concerns about maintaining the range of goods for the smaller stores. In order to improve the links, in 2001 a Development Group was established after a series of joint meetings of the community retailers organised by the Co-operative Group. Then, in 2005 the Community Retailing Network Ltd was established with the aims of, first, creating a supportive network to improve the long term commercial health of and financial sustainability of community co-operative enterprises involved in retailing; and, second, the active encouragement and development of new community co-operative enterprises.

### **The Current Position of the Scottish Community Retail Co-operatives**

In mid-2005, when this research was undertaken, there were just ten community run shops in Scotland, six of which have been trading for twenty-five years or more, and only two have been trading for fewer than three years. Nine of the ten stores are located on the fringes of Scotland; eight are part of island communities. The bond with their local communities is assisted by their relative remoteness.

In order to understand the current position of the Scottish community retail co-operatives, research is being undertaken into the co-operatives and

their customers. This paper reports on an initial stage of the work in which store managers and directors were interviewed to discover their views of the role and strengths/ weaknesses of their co-operatives. From this survey it is clear that, like the English community enterprises, Scottish community retailers are generally the only shop in the community and also provide a focal point for other community activities. However, unlike the English enterprises, the surviving Scottish enterprises are generally co-operatives, generally have a larger than average turnover, have less dependence upon volunteers, are geographically more remote and, having been around for longer, can demonstrate greater progress towards a sustainable trading model. They are generally also corporate members of the Co-operative Group; they have a turnover sufficient to justify distribution support from the Co-operative Retail Trading Group (CRTG); and they are often the largest local employer in the area.

Despite their relative isolation, these enterprises have continued to develop over the last 25 years and have adopted a mixed merchandising approach to their retailing. Whilst they have reduced the non-retail functions that they carry out, they still offer combinations of a food store, post office, petrol filling station, milk deliveries, solid fuel, crafts and non-food. Many co-operatives also arrange a prescription (medicine) pick-up service, co-ordinate booking systems for community events, provide tourist information and sell per-

mits for fishing and golf. In 2005, the co-operatives employed an average of 2 full-time employees (both Eday and Eid had no full-time employees) and 6 part-timers (some of whom are seasonal workers).

The stores tend to reflect the local community very closely, and the store managers viewed both the co-operative members and local residents in general as comprising their key target markets. Whilst most of the stores are open for more than fifty hours a week, the smallest (Papay) is only open for twenty-two hours a week. Reflecting local custom, half of the stores do not open at all on Sundays.

A high degree of local support is evident from the share of local spending that the community co-ops are achieving. For such small communities, the Co-ops take a very high share of available spend; only one store had an average annual turnover of less than £100,000 per annum and the average was around £400,000 per annum, considerably higher than the average

turnover for independent convenience stores in the UK reported above. All but one of the co-operatives responded that both turnover and profit had increased over the previous three years.

As was noted above, rural retailers sometimes use different measures of success to their larger competitors. For example, an independent private retailer may be attracted to the 'lifestyle' accompanying running a rural shop (that is, before they actually appreciate the reality of retail). By comparison, first and foremost for the managers of the existing community co-operatives was the retention of a shop and adding to the overall vibrancy of the community. Only after community ownership and control and the creation of local jobs did the store managers then rate making a profit (Table 1). Not surprisingly, the Directors of the co-operatives scored profitability higher but they did not significantly alter the priority sequence.

Table 1: Measures of success used by the Community Retail Co-operative Managers

Measure	Score*
Retaining a shop within the community	1.0
Adding vibrancy to the community	1.4
Community ownership and control	1.4
Creation/ retention of local jobs	1.5
Financial profitability and viability	1.7
Improved availability of fresh foods	1.8
Improved access and availability of services	2.0
Local residents can learn/ develop skills and abilities	2.8

\* Average score on a 1-5 scale, where 1 = very important and 5 = very unimportant

Like small rural retailers in general, community co-operatives suffer from the dilemma of wanting to train but not being able to find suitable courses. Constraints such as the limited staff available, as well as the cost of travel and the training courses themselves, contribute to the difficulties of releasing staff for training. Further, it is also difficult for small enterprises to correctly identify and prioritise training needs, such as Health & Safety training.

The survey of managers also highlighted the importance of the links to the wider co-operative movement represented by the Community Retailing Network. These benefits are as follows. First, it has improved communications with the Co-operative Group and between the community co-operatives themselves. The community co-ops have gained access to key Co-op Group staff and a network of 'buddy stores' has been established to help answer common questions. The Co-operative Group has gained increased awareness of the role and needs of the community co-ops. Second, it provides improved access for the community co-operatives to the CRTG, allowing them to develop their product ranges, including, for example, Fairtrade items and more non foods. Importantly, many of the managers reported much improved availability of fresh foods, including fruit and vegetables, which may potentially have a significant effect on diet and on satisfaction levels in some of these remote communities. Third, as it is also delivering to Co-operative Group stores in Western and Northern Scotland, the CRTG has

also been able to offer greater flexibility on the size of orders and on the number of deliveries made each week. For smaller or unplanned purchases, many of the co-operatives have also been able to hold a Community Discount Card, which gives them a 10% discount on the retail price for purchases made in Co-operative Group supermarkets. Finally, it is an opportunity for the community co-operatives to compare and 'benchmark' their operations against similar small stores. In this way, becoming part of the larger movement can help to reduce any sense of isolation felt not just by the members but also by the Managers and Directors.

## **The Future for the Scottish Community Retail Co-operatives**

The materials collected for this study show that there is still a future for community retail co-operatives in rural areas. The stores studied here remain at the heart of their communities and fulfil a number of different needs for residents and visitors. However, there does seem to be a suggestion that there are two different types of stores hiding under the community banner. Figure 1 shows that these types of store share a common set of characteristics, some of which relate to their co-operative or social enterprise roots and some which may just be a function of their rural location. The more common form in Scotland is the 'General Store' which is remote from its nearest competitor,

covers a range of product categories, has relatively high turnover and takes a high share of local spending. This description covers many of the longer established Scottish stores and shows some evidence that the store is being taken for granted by many customers and even members. There are lower levels of participation in meetings and customers often don't realise that the store is a local co-operative.

The 'Convenience Store' form is less common in Scotland but may predominate among the English village stores run as social enterprises. They are located much closer to competitors and have lower turnover levels, being used primarily for small items and distress purchases. But they also have higher levels of usage by members and high levels of democratic activity and awareness. This may be related to their location but is more probably a function of their more

recent establishment, meaning that the local residents are more aware of the need to retain the shop and that local committee members are perhaps still more likely to be active in promoting the store. Lower sales mean that they are less able to take advantage of the purchasing power of the wider co-operative movement.

What this survey shows therefore is the balancing act that community retail co-operatives will need to perform in the years ahead. The larger retail operations have demonstrated that they are a sustainable model for the more remote locations and the extra support now being provided by the wider co-operative movement is helping to improve their operations and the service that they provide to their communities. But this very appearance of permanence makes it more difficult for them to get across their co-operative difference and to

Figure 1: Can we characterize a community retailer in Scotland?



encourage local participation in the business. On the other hand, the effort that has gone into establishing the smaller stores that lie close to competition is reflected in more apparent local community support. But doubts have to be raised about their sustainability because of their greater

reliance on volunteer staff and the inability to achieve better trading terms. If these enterprises are to be around in twenty years time then either they have to increase their size and buying power or new mechanisms need to be put in place to better support them.

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