



## **Submission - Microbusiness Strategic Review**

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to Ofgem's consultation as part of its strategic review of the microbusiness retail market. ACS is a trade association, representing 33,500 local shops across the country including the Co-op, One Stop, Spar, Costcutter and thousands of independent retailers. More information on ACS is available at Annex A.

The costs of energy are a critical factor in the viability of convenience store businesses, especially to small and microbusinesses which represent 72% of the convenience sector<sup>1</sup>. The nature of convenience retail, with long operating hours and extensive use of refrigeration means that the management of energy costs is important. ACS' Local Shop Report 2020 found that over the last year the convenience sector invested £585m in their business. The area of most investment was in refrigeration (42%) followed by internal building maintenance (35%), in-store lighting (30%), air conditioning (12%) and freezer space (8%).

Wherever possible retailers are trying to minimise cost increases by investing in energy saving measures. 43% of convenience stores have chiller doors, 47% have LED lighting, 32% have a smart meter and 5% have solar panels<sup>2</sup>. But despite this, retailers have told us that their energy bills continue to increase year on year.

We believe that microbusinesses face several difficulties when engaging with the energy market. It is difficult for microbusinesses to compare prices like for like across a range of energy suppliers and therefore in the absence of these types of comparison services, microbusinesses have relied heavily on third party intermediaries to navigate the energy market, who may not always act in their best interest. We welcome Ofgem's recommendations to regulate third-party intermediary market to ensure that microbusinesses are adequately protected.

Please see below for ACS' response to the relevant questions in the consultation. If you have any further questions on the consultation response please contact [Lydia.hamilton-rimmer@acs.org.uk](mailto:Lydia.hamilton-rimmer@acs.org.uk).

### **AWARENESS: KNOWING ABOUT OPPORTUNITIES AND RISKS**

#### **Question: What are the most effective ways to ensure that microbusinesses can access key information about the retail energy market?**

We support the policy proposals set out in the consultation document. We also suggest that Ofgem consider working more closely with business groups and trade associations to disseminate information to small and micro businesses. ACS has numerous channels for communicating with

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<sup>1</sup> ACS Local Shop Report 2020

<sup>2</sup> ACS Local Shop Report 2020

retailers that both suppliers and Ofgem can utilise to communicate information about the energy market.

### **BROWSING: SEARCHING FOR DEALS**

**Do you agree with our proposal to strengthen the requirements to present a written version of the Principal Terms to customers?**

Yes, we support the introduction of a requirement to ensure that third party intermediaries present a written version of the Principle Terms to customers. The move from 'a reasonable steps' to 'a requirement' for suppliers and any broker they work with to provide the principle terms is a positive step giving all parties clarity.

**Question: Do you agree with our proposal to require that suppliers disclose the charges paid to brokers as part of the supply contract, on bills, statements of account and at the request of the microbusiness customer?**

**Questions: Do you think that further prescription or guidance on the presentation and format of broker costs on contractual and billing documentation would be beneficial? If so, how should broker costs be presented?**

Yes, we agree that the charges paid to the brokers should be disclosed to the consumer. This should be displayed on the contract given to the consumer. We suggest keep bills as simple as possible for the ease of retailers.

There is no single prescriptive format that we can suggest for the presentation of broker costs. A clear distinction between the supplier contract price followed by this price plus the broker fee maybe the simplest format. This should be included in a prominent location on the contract.

### **CONTRACTING: SIGNING UP TO A NEW CONTRACT**

**Question: What do you think the impact of our proposal to introduce a broker conduct principle will be? Are there any particular reasons why suppliers/brokers couldn't achieve the broker conduct principle?**

ACS welcomes the introduction of a broker conduct principle as a first step for suppliers in their work with TPIs. We believe that it may be more expedient for Ofgem to directly regulate of TPIs instead of working through suppliers. The effectiveness of the broker conduct principle implemented via suppliers should be kept under close review. We have previously recommended to Ofgem that they should seek enforcement powers to ensure that TPIs are made accountable for their actions in the market.

**Question: Do you agree that our proposal to introduce a cooling-off period for microbusiness contracts represents an effective way to protect consumers during the contracting process? If so, do you agree that the length of the cooling-off period should be 14 days?**

Yes, we support a cooling off period to protect microbusiness during the contracting process and this should be 14 days minimum. Additionally, in our previous submission to Ofgem, we highlighted that in the situation of verbal agreements being used as means to establish a new energy contract,

the verbal agreement should be followed by a written agreement and a cooling period to ensure that microbusinesses understand the terms stipulated.

### **DIALOGUE: TWO-WAY COMMUNICATION WITH SERVICE PROVIDERS**

**Question: Do you agree that our proposal for a mandated ADR scheme represents an effective way to fill the existing consumer protection gap where a microbusiness has a dispute with their broker?**

Yes, we agree. Alternative Dispute Resolution schemes are successfully used in other markets so this is proven as a means of consumer protection. This should then be promoted on the website of the TPI to ensure that retailers and other consumers are aware to use it.

### **EXITING: SWITCHING AWAY FROM AN OLD CONTRACT**

**Question: Do you agree that termination notice requirements represent an unnecessary barrier to switching and should be prohibited? If so, do you agree that a prohibition on notification periods should apply to both new and existing contracts?**

Yes and yes. We recommend that the termination notice period is reduced from a 30-day period. Termination notice period are a significant barrier to consumers switching from both an administrative point of view and as a result of removing to a higher tariff contract.

**Question: Do you agree that our proposal to require that suppliers continue to charge consumers on the basis of the rates in place prior to a blocked switch for up to 30 days represents an effective approach to limiting the financial impact of switching delays? If so, do you agree that the time period should be 30 days?**

Yes.

**For more information about this submission, please contact Lydia Hamilton-Rimmer, ACS Public Affairs Assistant by emailing [Lydia.Hamilton-Rimmer@acs.org.uk](mailto:Lydia.Hamilton-Rimmer@acs.org.uk) or calling 07387262277.**

## Annex A

### ABOUT ACS

The Association of Convenience Stores lobbies on behalf of over 46,000 convenience stores across mainland UK on public policy issues that affect their businesses. ACS' membership is comprised of a diverse group of retailers, from small independent family businesses running a single store to large multiple convenience retailers running thousands of stores.



Convenience stores trade in a wide variety of locations, meeting the needs of customers from all backgrounds. These locations range from city centres and high streets, suburban areas such as estates and secondary parades, rural villages and isolated areas, as well as on petrol forecourts and at travel points such as airports and train stations.

### WHO WE REPRESENT

#### INDEPENDENT RETAILERS



ACS represents almost 19,000 independent retailers, polling them quarterly to hear their views and experiences which are used to feed in to Government policy discussions.

These stores are not affiliated to any group, and are often family businesses with low staff and property costs. Independent forecourt operators are included in this category.

#### SYMBOL GROUPS AND FRANCHISES



ACS represents over 14,000 retailers affiliated with symbol groups. Symbol groups like SPAR, Nisa, Costcutter, Londis, Premier and others provide independent retailers with stock agreements, wholesale deliveries, logistical support and marketing benefits.

Symbol group forecourt operators and franchise providers like One Stop are also included in this category.

#### MULTIPLE AND CO-OPERATIVE BUSINESSES



ACS represents over 13,000 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColls and others.

Unlike symbol group stores, these stores are owned and run centrally by the business. Forecourt multiples and commission operated stores are included in this category.

### THE CONVENIENCE SECTOR



In 2020, the total value of sales in the convenience sector was £44.7bn.

The average spend in a typical convenience store transaction is £7.46.



There are 46,955 convenience stores in mainland UK. 72% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.



The convenience sector provides flexible employment for around 412,000 people.

13% of independent/symbol stores employ family members only.



22% of shop owners work more than 60 hours per week, while 24% take no holiday throughout the year.

72% of business owners are first time investors in the sector.



Convenience stores and Post Offices poll as the two services that have the most positive impact on their local area according to consumers and local councillors.

80% of independent/symbol retailers have engaged in some form of community activity over the last year.



Between August 2019 and May 2020, the convenience sector invested over £585m in stores.

The most popular form of investment in stores is refrigeration.

### OUR RESEARCH

ACS polls the views and experiences of the convenience sector regularly to provide up-to-date, robust information on the pressures being faced by retailers of all sizes and ownership types. Our research includes the following regular surveys:

#### ACS VOICE OF LOCAL SHOPS SURVEY

Regular quarterly survey of over 1,200 retailers, split evenly between independent retailers, symbol group retailers and forecourt retailers. The survey consists of tracker questions and a number of questions that differ each time to help inform ACS' policy work.

#### ACS INVESTMENT TRACKER

Regular quarterly survey of over 1,200 independent and symbol retailers which is combined with responses from multiple businesses representing over 3,000 stores.

#### ACS LOCAL SHOP REPORT

Annual survey of around 2,400 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 6,700 stores. The Local Shop Report also draws on data from Lumina Intelligence, IGD, Nielsen and William Reed.

#### BESPOKE POLLING ON POLICY ISSUES

ACS conducts bespoke polling of its members on a range of policy issues, from crime and responsible retailing to low pay and taxation. This polling is conducted with retailers from all areas of the convenience sector.

For more information and data sources, visit [www.acs.org.uk](http://www.acs.org.uk)