

HOME DELIVERIES – CAN VILLAGE SHOPS BEAT THE SUPERMARKETS (AND MAKE A PROFIT)?

At the RSA we regularly see supermarket delivery vans parked up waiting for their delivery slot, or we come bonnet to bonnet with them down some narrow country lane, as we visit rural shops. We decided to ask rural retailers what the impact of these services has been and whether it is possible in 2010 for a village shop to run a profitable home delivery service.

Doug McLellan, owner of Kettlewell Village Store in the Yorkshire Dales, is one of a small group of rural retailers who do more than the occasional drop-off to a housebound villager. “We’re just as good as Tesco.com – we may only stock two varieties of toothpaste instead of 300 – but how many do you need?” he asks. Doug’s shop has offered a home delivery service throughout its 130-year history and he’s happy to continue the tradition. “We have a group of regular customers who spend about £25-30 a week. If we didn’t do deliveries we wouldn’t be providing a full service to the village.” He acknowledges the extra pressure he puts himself under to fulfil orders but says he has never missed one yet and ensures they continue during any rare holidays. “I would never let customers down – it’s just something else I have to do and I really don’t mind.”

Making money is not the principal aim of Jordans Village Store in Beaconsfield, which delivers to half a dozen shoppers each week, each typically spending £20. While delivery is free, that’s not the reason they choose the service over Tesco or Sainsbury’s, acknowledges staff member Judy Sanders. “I think most do it to support the store although some of them are elderly and can’t get out very easily, while some are working families,” she says.

If you’re thinking about offering home deliveries, one of the big issues is making sure people are in when you deliver – particularly if it’s a free service, as most are. Drumbeg Stores in Sutherland, The Scottish Highlands, gets round the problem by leaving orders in specified locations (such as the garage), or they will even pack away chilled and frozen food if given a key. Its service – popular with people holidaying in cottages within a 20-mile radius – is very well used, delivering between 20 and 30 shopping bags a week between June and September. Owner Steve Collie explains: “It’s good for people who don’t want to transport a boot-full of Tesco shopping 500 miles. Most order online before they arrive”, says Steve, who believes it is worth the effort as the store gets extra business. “We’re doing something other people in the area don’t.”

At the other end of the country, Dennis Lusby of St Brewards Stores in Cornwall also offers a service for visitors to the area, “We receive orders most weeks of the year, with the main peak in the 6 week holiday season. We use our own estate car, with a paid employee to pick the orders and to help with deliveries. We put the orders in the accommodation - milk in fridge, bread in bread bin etc. We rely on the holiday cottage owners either sending out an

order form or our email address for us to send an electronic form. Most of our orders come via the Internet. Most orders are for a Friday or Saturday and come from 4 main local holiday businesses. We rely on the owners' goodwill to refuse the increasing demand from holidaymakers for Tesco Direct etc to do the deliveries. More holidaymakers now use these supermarket deliveries, although in 14 years we have never had a complaint and many say what a brilliant service. I guess we service about 10% of the local holiday units and over 12 months this amounts to approx 3% of our turnover, which is significant for us. We are just about to invest in a dedicated website in an attempt to keep our existing business and hopefully improve it by letting others know what exactly we offer".

Graham Brown of Blagdon Stores in North Somerset operates a very different model. "We deliver newspapers to around 200 properties and milk to about 30; 95% of these deliveries are for older people. We have 6 customers that have grocery and fresh food deliveries. We have a dedicated van and driver. Orders are taken over the phone. The major arm of our delivery service is our commercial milk delivery business. We deliver milk to 9 different local companies. Deliveries overall are profitable, however you have to ensure that your delivery charge covers the true cost of running the service. Our commercial customers account for 60% of our profit on deliveries, you make far more profit delivering milk than you do with newspapers. Starting a delivery service from a standing start would be hard, but delivering to small businesses is the best area on which to focus one's attention."

Andrew at Otley Village Stores runs the type of service that used to be far more common, with a dedicated van covering 35 - 40 miles per week to deliver 7/8 drops. When the order is delivered an order for the following week is placed & then if needs be topped up by phone. "The customers are all elderly and because of this, numbers are declining. 5 years ago we used to do deliveries on a Wednesday & Friday, now just Wednesday. We have found it very difficult to recruit new customers, even though we have advertised & worked with the local doctors, who have promoted us".

Sam Samuels has also found that however willing you might be to provide home deliveries, sometimes there just aren't any takers. He just can't entice villagers in East Tisted, Hampshire, to take up his offer. Until recently, three elderly customers of the Post Office & Stores would regularly order up to £100 a week's worth of home shopping but, after they died, deliveries dried up, explains Sam: "We do the odd delivery if someone's ill but people would rather come in and have a chat with us than sit at home watching "Deal or No Deal" and waiting for a delivery." He adds: "If I'm honest, I like people coming in because they can be tempted to buy more."

When it comes to the impact of supermarket home deliveries, the experience of Dave Standing of Weston Stores is fairly typical, "About 10% of the village use these supermarket services. I think the impact on sales has been minimal, the reason being that we get the sales of the items they forgot to order (no visual prompts from walking round the supermarket). As a

consequence they sometimes begrudgingly come into the village shop for the urgent items that won't wait till their next Internet order”.

This accords with the experience of Martin Lovell at Shobdon Stores in Herefordshire, who thinks that although about 25% of local residents have deliveries, they tend to replace the weekly supermarket shop and not the distress/impulse purchases.

Andrew Sunaway differs. He thinks quite a few residents of where? use supermarket delivery services, “...Pparticularly the young and middle age professional people. All three main supermarkets deliver; Tesco, Sainsbury & Asda. It particularly hurts when they ask for directions!! Without a shadow of a doubt, this impacts on sales. The people who have deliveries very rarely come into the shop”.

Indeed, a significant number of shopkeepers do report supermarket delivery drivers coming into their shop to get directions, seemingly oblivious to the crassness of their actions.

Both the community benefit and commercial realities of deliveries are summed up by Marcus Williams of Canon Pyon Stores, “Some customers like to tell me that they use the supermarket service, but they need this particular item before the delivery turns up. I make one home delivery a fortnight to a customer who is ninety. We have got to know what she is likely to order; when she sent down an order with "Tbags, (not monkey tea)" we knew she meant Earl Grey as she only has those and PG Tips. Some things she buys, being from a thriftier age, we will stop selling when she no longer needs our services. She usually spends about £50, so it is worth the trouble, and it is always nice to see her. Then there are the exploiters who ring up for £10 worth of groceries (usually required immediately), the free papers and £100 in cash which of course they spend elsewhere, we have one of those. I have realised that I do not want to continue running a delivery service. There can't there be any money in them unless the customer wants a large quantity of high margin goods, is not too far away and pays on the doorstep with cash? 'Better to let them come to the shop for their six items”.

However, a few shopkeepers in more remote areas where supermarket competition has historically been less pronounced are feeling the impact of their home deliveries. One shopkeeper in this type of location reckons that 40% of his very rural customer base uses them, and that the impact may be enough to close his shop this winter.

The RSA View

We suspect the home delivery services of the mainstream supermarkets generate turnover but contribute little to their profits. We suspect that this is equally true of home deliveries made by rural shops. It was not so long ago that locally operated home deliveries or even mobile shops were common, particularly in remote rural areas. As car ownership spread and more and more people commuted out to work, demand fell. However, the evidence is

clear that there is now a real demand again, mainly from time-poor customers. They demand a good service. A delivery service has to be run professionally to meet their expectations as well as ensuring that there is some profit after vehicle expenses and the driver's wages have been covered— a big challenge. Both holiday lets and business customers can be good customers for a delivery service.

And at the other end of the spectrum, we know that many rural shopkeepers will be making a few deliveries to the elderly or the housebound without really worrying whether they make a profit on them or not – because they are caring people at the heart of their communities.