

Locavore's Big Plan

Social Enterprise Supermarket

Business Plan

Updated October 2017

Our Big Plan in Summary:

- *We want to scale up and launch a social enterprise supermarket which puts society first. We will use this as a vehicle for social good and as a tool to help shape a more prosperous and sustainable local food network.*
- *To do this we are seeking around £250k in small scale loans from individuals, institutions and businesses as well as grant funding.*
- *This will create a model which can be replicated to tackle the dominance of supermarkets in our region and beyond.*

1. Introduction

2. About us

3. The problem we're addressing

4. The opportunity for a sustainable local food economy

1. Example 1 - The local economic case for a new model

2. Example 2 - Growing local organic produce around Glasgow.

5. Our Proposal

1. Product range

2. Property & location:

3. Our customers / demographic

6. Our advantages and Unique Selling Points

1. Unique ethos

2. Unique offering

7. Our Team

8. Financial Track Record

9. Our Ask

10. Social Supermarket Financial Projections & Budget

1. Introduction

If you have been following our work and the launch of our Big Plan at the end of 2015, some of this document may be old hat to you. If on the other hand you are coming to Locavore and this project for the first time then we recommend you look at our Big Plan in conjunction with this document for a bit more background.

<http://www.glasgowlocavore.org/Big-Plan>

The main aim of this document is a business plan showing what we want to do in more detail along with financial projections and the assumptions they are based upon. We've tried to keep it as slim, transparent and as digestible as possible.

2. About Us

Locavore is a social enterprise which exists to help build a more sustainable local food system which is better for our local economy, the environment and our communities. It's about making the money spent on food do more for the benefit of society.

We've been working with this brief since 2011 to develop ideas and practical solutions which can be used to deliver a better food network. Over this time we have opened a shop, developed a market garden, established a veg box scheme and got lots of people more engaged in thinking about issues around food, where it comes from, and the fairness and sustainability of mainstream supply chains.

3. The problem we're addressing

Everyone eats food, and the food we choose to eat has far reaching impacts which shape our landscapes, streetscapes and local economic situations. At the most local level, what we eat impacts our health, but beyond that it impacts everything else in the world with issues as wide ranging as deforestation, climate change, animal welfare, public health, exploitation of the global poor and workers rights.

We think at the root of all these big overwhelming global and local problems is the basic model of the big corporations who run the food system. They exist to extract as much money as possible from customers for the benefit of their shareholders.

With supermarket chains in the UK holding 97% the grocery market they hold the power to shape the food system, and so we believe they are largely responsible for the state of crisis that it is in. At the same time their dominance has meant consumers often have very little choice but to shop in supermarkets even when their ethics tell them they would rather not.

Supermarkets are responsible for choosing what food reaches the consumer and the ways in which they do business throughout the supply chain. As organisations which exist chiefly to create wealth for shareholders their set up is at odds with looking out for the best interests of society.

4. The opportunity for a sustainable local food economy

If we can change the aim of the game for the business of food retail, our local economies and environment (and society at large) would benefit enormously. The problem is that supermarkets exist to make money for shareholders. They aren't interested in positive social outcomes unless they immediately lead to greater profits (so are a marketing tool), or public opinions are so strong that their profits would be hurt by a particular behaviour (so damage limitation).

Example 1 - The local economic case for a new model.

Imagine a local independent socially rooted grocery store (something like Locavore) took 5% of the market share for grocery spend in Glasgow. What would that do for the local economy?

Some figures:

- Around 5p out of every £1 spent in a supermarket stays local, mostly through wages.
- Over 62p out of every £1 spent in Locavore stays local, including all wages, rent and most of our stock and running expenses. (Much of the rest goes to co-ops and ethical companies).
- There are 286,134 households in Glasgow.
- The average UK household annual grocery spend is £3604.
- Meaning the total household annual grocery spend in Glasgow is around £1,000,000,000.
- 5% of this is around £50m
- Spent in supermarkets around £2.5m would stay in the local economy.
- Spent somewhere like Locavore around £31m would remain local.

Result: The impact of shifting 5% of Glasgow's grocery spending away from big supermarkets to models like Locavore would be an addition of £28.5m to the local economy.

But that's not all folks: The true impact and difference would be much larger if we consider the local multiplier effect (bit.ly/2Oc6pXO). Using this we follow that money again to see where it's spent by our staff, local suppliers and others. A comparable study found that money spent in a business like ours was worth double the initial value to the local economy, therefore the £50m spend would be worth £100m to the local economy.

Example 2 - Growing local organic produce around Glasgow.

We need more local organic growers if we are to feed Glasgow in a way which is sustainable.

One of the main problems holding back the development of local horticulture is lack of market for small growers to sell to. If the market can be developed through businesses like Locavore we can create the conditions needed to bring new people into careers in local organic horticulture.

If we again consider businesses like Locavore achieving 5% of Glasgow's grocery spend and assume 12.5% of that spend is on fresh produce which could be grown locally then we would have a market worth £6.5m. With this market 320 Living Wage jobs could be created in small scale horticulture using models similar to our market garden. Perhaps we could breathe life back into the decaying hothouses of the Clyde Valley for more exotic produce as well.

5. Our Proposal

We want to scale up our growth and launch a much larger grocery store so we can begin denting the market share of supermarkets at a local level and begin realising some of the opportunities a fairer, more sustainable local food economy can generate for society.

We aim to open a new spacious store of around 1000m² to create the sort of place in which most people can do most of their shopping, offering a real alternative to the big supermarkets.

That means providing a really good selection of everyday groceries which hold up our principles, including good value.

5.1 Product range

To up-scale what we do at the moment we will need to significantly expand our product range from the current 750 lines to 5000+. We will do this both through increasing the offering carried in the existing range and by extending our offering into new product departments. The following would be the key departments in the new store with the emphasis always on local, organic and ethical producers and suppliers:

- Fruit and vegetables
- Loose grains, flours, seeds, pulses & dried fruit
- Ambient branded grocery lines
- Household cleaning products, including refills
- Health and beauty
- Butcher selection
- Cheese counter
- Bakery
- Alcohol
- Deli counter
- Frozen food section
- Chilled food section
- Newspapers & magazines
- Cookery equipment
- Gardening supplies

5.2 Property & location

We have now secured a property which offers almost everything we were looking for in our search. The shop is located at 349 Victoria Road and was formally the Pandora Bar.

We have a 10 year lease in place with a one way option for us to break at 5 years and extend by a further 10 years, after 10 years.

You can find out a bit more about the property on our website:

www.glasgowlocavore.org/big-plan/big-plan-updates/

5.3 Our customers / demographic

Our current shop attracts a wide variety of customers from skint students to the comfortably retired. Despite a common perception that local, organic or ethical food is expensive our offer can be pretty competitive and this is represented by a survey which showed an even spread in customers household income across the brackets £10-20k, £20-30k & £30-40k. Above and below these brackets there was limited representation.

Previous customer surveys showed our typical customer is female, aged 25-34, lives in a household of 2-3 with a low to medium income. They do most of their grocery shopping with independents (including us). Many of them also identify as vegetarian. To an extent we identify this profile as a typical customer but feel it is skewed by bias in the type of people who are willing to take an online survey. Our team also feel many of our customers might be what you would call socially engaged or 'ethical consumers'. Many of our customers buy into what we are about and see shopping with us as doing something bigger than just buying groceries.

Interestingly, a separate survey showed over half of customers did less than 25% of their total food shop with us though a small sample did over 75%. This shows huge potential to increase our average sale spend through introducing a greater selection of what customers want to buy.

Going forward, we see our bigger store as having the gravity to attract the type of customers we already have from a wider area as well as attracting new demographics to engage with us by creating a more attractive shopping experience that meets more of shoppers needs. Greater choice and lower prices as a result of economies of scale will contribute to this.

6. Our advantages and Unique Selling Points

What makes us unique is our ethos and our purpose. We are different from the big supermarkets because our primary aim in trading is to create social benefit rather than to generate wealth for shareholders. This gives us a level of integrity and customer buy in which cannot be matched by the supermarkets.

6.1 Unique ethos:

Creating fairness for people and the community.

- We're a not-for-profit social enterprise so people know we're not in it for the money and as a Community Interest Company with an asset lock that is certified.
- We're a Living Wage certified employer.
- Participating in the Community Jobs Fund and employing & training young people who have been unable to find work.
- Setting up a different kind of food bank, The Good Food Fund, which lets us use donations to buy food at our cost price to give to those in desperate need.
- Using suppliers who share our values of fairness and equality and prioritising products that do.
- Paying our suppliers a fair price.
- Selling our products at a fair price in a way that is honest and transparent.

Reducing environmental impact.

- We look at the environmental impact of food on the food system and take it seriously in our decisions about how we do business. These include:
 - Promoting and developing local, organic and sustainable methods of production.
 - Reducing our own waste to an absolute minimum.
 - Creating opportunities for customers to reduce waste through loose goods and product re-fills.
 - Using renewable energy in our shop.
 - Raising awareness of the environmental impact of food with our customers and through our involvement in local organisations and our own initiatives such as The Croft.

Developing a more sustainable local food economy.

- Always looking to grow our business in line with our ethos and make our spending do as much good locally as possible.
- Creating interesting jobs that pay the Living Wage.
- Creating opportunities and markets for local growers and producers including organic farmers and small scale food processors.
- Creating opportunities to learn food production skills at our market garden and the Croft where we aim to give people the skills and experience needed to be the growers of the future.
- Working with other independent retailers to share our ethos / experience and encourage them to move with us to create wider positive change.
(bit.ly/1WNAaLD)

As well as being 'good' in terms of why we do things we're also good at what we do:

6.2 Unique offering:

- We already have a unique offering in Glasgow with our wide range of local and organic groceries. For many products we are the only local shop they can be purchased.
- We have our own market garden and Urban Croft where we grow fresh local produce, rear pigs for pork, and keep chickens for fresh eggs for our own markets.
- We have direct links with organic growers around the UK.
- We have direct links with producers and a wide range of wholesalers around the UK allowing us to offer a wider range of groceries at better prices than many of our competitors.
- We have great relationships with customers and involve them in what we do through our luminary programme, crowd funding campaigns and regular surveys. We also engage customers on social media, our website and through a mailing list. We have over 2000 people on our mailing list, 8,100 likes on Facebook and 3360 followers on Twitter.
- We have a skilled staff team with experience across the business who work well together to best pool our knowledge and experience to achieve our goals.
- Our team have a good understanding of the food system and a broad view of our operating environment within it. We've visited lots of similar businesses and actively learned from them.
- Our customer facing retail staff are knowledgeable of our products and able to provide good customer service and insight into what we do and what we are about.

7. Our Team

Around 25 people currently work at Locavore with around 15FTE staff. Our team have a really diverse range of skills and experience from graphic design and accounting to food retail and wholesale. To find out more about our team check out the Locavore Folk page on our website: <https://glasgowlocavore.org/about/the-team/>

As a social enterprise we believe in paying the Living Wage to all employees. We have a fairly flat management structure and most staff are involved in multiple parts of the business. The pay ratio between the lowest and highest pay staff is below 1:1.4.

8. Financial Track Record

The table below shows our financial performance in brief since we established in December 2011. As you can see we have had strong growth in our turnover each year and have always made a small surplus.

	Year end March 2013	Year end March 2014	Year end March 2015	Year end March 2016	Year end March 2017 (Unaudited)	Year end March 2018 (project excluding new store sales)
Income From Trading	£26,738	£104,776	£147,382	£268,937	£496,864	£700,000
Project Funding /Employ ability Allowan ce/Other	40,880	£19,622	£72,886	£76,687	£104,513	£100,000
Total	£67,618	£124,398	£220,268	£345,624	£601,377	£800,000
Surplus for financial year	£6,693	£494	£9,268	£1,365	£41,235	£20,000

Above excludes loans/investment we are seeking through this business plan and match funding through Launch Me.

Our full accounts for each year are available by following the links below:

2015-16 Accounts: <http://glasgowlocavore.org/2015-16accounts.PDF>

2014-15 Accounts: <http://glasgowlocavore.org/2014-15accounts.PDF>

2013-14 Accounts: <http://glasgowlocavore.org/2013-14accounts.PDF>

2011-13 Accounts: <http://glasgowlocavore.org/2011-13accounts.PDF>

9. Our Ask

We're looking to raise £250k to launch our first large store at 349 Victoria Road in the South Side of Glasgow.

We have secured this through the following sources:

- **Grant Funding** - Locavore secured a place on First Port's Launch Me programme which is designed to help social enterprises such as ours to scale up. Part of this includes match funding any investment we can raise up to £100k. We secured the full £100k.
- **Private Investment** - We have secured a loan of £50k through a private investor.
- **Loan Stock - We need to raise £100k.** Our initial loan stock offer attracted £105k in 'intent to invest'. Unfortunately due to the amount of time that has passed since then we anticipate we will have a shortfall to make up due to changes in circumstances of those who planned to invest. As such we are inviting you to invest.

10. Social Supermarket Financial Projections & Budget

Our financial projections for the first year of trading at the new property can be found at glasgowlocavore.org/invest.

The projections are based on a number of assumptions we've made, these are described below.

Assumptions and rationales:

Our average transaction value will start at £12.50 and rise slowly over time.

The average sale at our Nithsdale Road store was £10.31 in September 2017 and it has hovered at this level over the last year. We feel moving to a property many times the size of our existing one will allow us to increase this to £12.50. We will do this by increasing product range from under 1000 to over 5000 lines and by adding new departments so we can meet more of the needs of our customers and increase their spend with us.

We have have 3000 transactions a month raising to 4100 over 12 months.

The average number of transactions at our Nithsdale Road store is around 2500 per month and we have grown this from 1600 over the last 18 months. We think our new larger store will attract more new customers allowing our transaction to jump by 500 a month and then grow steadily over time. We feel this is realistic as a shop many times the size with a wider range of groceries and more competitive prices will attract more customers from a wider area to do their shopping on a regular basis.

Our average gross margin will be 34%.

We will price our stock to achieve this as our average gross margin. This is close to what it is currently is at Nithsdale Road shop and similar to that achieved by other large independent retailers we have met with. Using this figure we can work out the cost of stocking the shop.

We will borrow £100k through loan-stock at an average rate of 3% and repay it back over 3 years. From initial registrations of interest in our loan stock offer 3% was the average rate sought. Three years is the average term we are looking to repay loans over, though bonds will have interest paid back annually and the initial amount at the end of the period.