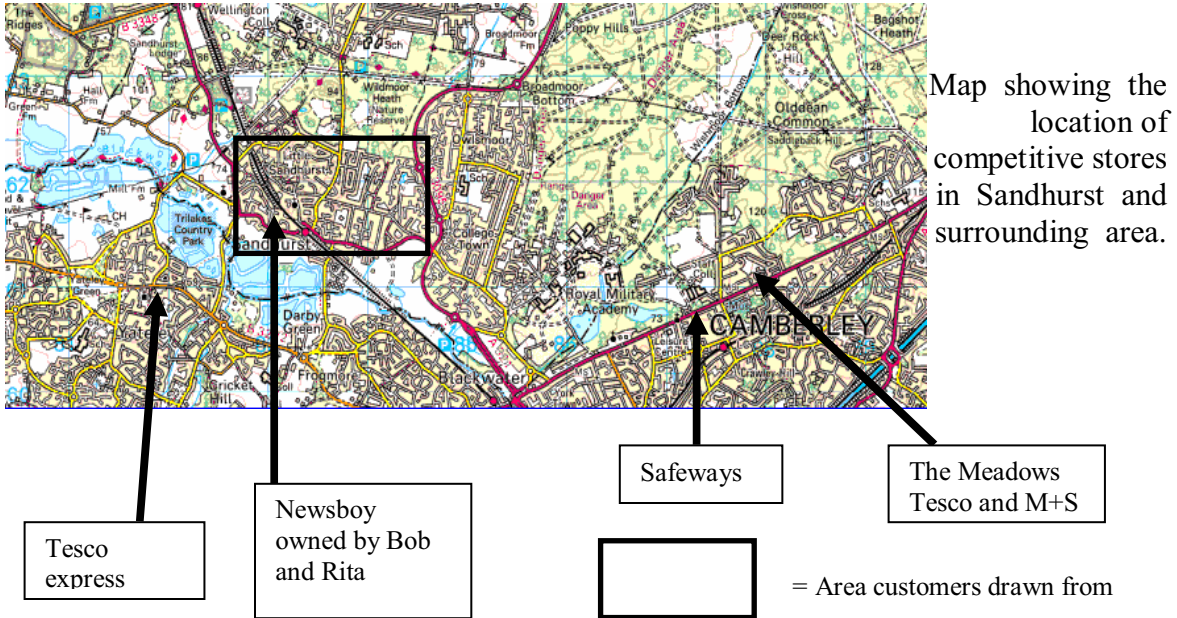


## How can small shops like “Newsboy” in Sandhurst survive against large chain stores like “Tesco”?

My project is about how a small shop survives with large chain stores nearby. It is being done on my local small shop “Newsboy” located half a mile away from Sandhurst High Street.



The owners also own the angling shop beside it and are located in a small row of shops. The shop has been there long before the current owners were there. Bob and Rita opened the shop in 1986. They brought they brought 1 unit located there and later brought another unit. One was turned into the convenience store and one into the angling shop next door. The angling shop had had two previous owners and the convenience store had had one previous owner. The row of shops has a 15-bay car park in front of it. The convenience store is rather small and has small aisles; it sells a number of everyday goods including cat food, dog food, milk and bread. My coursework is on how this shop survives in competition with the big stores. I think these stores survive by not competing because they can't. The prices they offer are not as low as the supermarkets and never will be so there is no point in trying. My method of how I am going ti get my information is questionnaires. I am going to ask 2 questionnaires. 1 questionnaire will be asked to the owner of newsboy and 1 to the patrons of the store. I went out and did some research asking the owners to fill in a questionnaire. Here is a copy of it with the answers:

### Questions for the owner of “Newsboy”

1) Did you choose where you located your store or were you restricted in the beginning?

**We were restricted by amount of capital available to us.**

2) Which type of goods brings in the most profit?

**Our most profitable items are stationery, greeting cards, newspapers, and magazines.**

3) Do you sell any unusual items that other shops don't sell? Do these sell well?

**We are the only place that sells fireworks all year round, they sell very well.**

4) Does the post office bring in a lot of revenue for the shop? What sort of percentage?

**The post office brings in a lot of footfall (people who come to use the post office)**

5) How many staff do you employ, and on what basis?

**We employ 6 part time workers and 10 paperboys.**

6) Why do you think people come to your store instead of going to the supermarket?

**They do not come to "Newsboy" instead of going to the supermarket. They come to our shop when they run short on the things they need like milk.**

7) Do you feel you have to compete with the large chain stores?

**We do not feel we have to compete with the large chain stores, in fact we know we cannot. (see note at bottom of questionnaire)**

8) Do you think you can offer the same services as a large chain store?

**I think we can offer a better, more personal service to our customers**

9) Do you have a busiest time of day, if so what time is it?

**The mornings are very busy at our store**

10) Are you subsidized as a small business, if so does the extra income keep you open?

**We are not subsidized as a small business.**

11) How long have you owned the store? Over the years, has it become more or less profitable?

**We have owned the store for 16 years; there have been many changes over the years so this is not a simple answer. In 1986 when we opened there was no "Tesco" nearby. We expanded the shop from one unit into two. When "Tesco" opened it**

**had a big effect on the local shopping community. We used to sell bread and vegetables, but when it opened our sales of these goods dropped drastically. Several other local, specialized shops like the bakery, the greengrocer and the butcher went out of business. We had to change our approach to maintain our trade (see note at bottom of questionnaire). This we have managed to do.**

12) What do you hope to achieve in the future?

**I wish to retire in the near future!**

Note: In question 7, Bob says that he cannot compete with the larger chain stores but in question 11 he says that when the large stores moved in he had to change his approach. When he changed his approach he was actually trying to compete with the large stores. I also want to see what he meant by a change in approach.

When he said change his approach he meant.....

So we see that before the opening of “Tesco” the store was doing very well. They had just invested in a new shop and they were happy with their income. Then the big chain stores moved in and ruined their prospects. Bob and Rita had already diversified into the angling store and they increased their range of stationery and greetings cards. They already had a good stock of perishables to cater for the surrounding community’s emergency needs. This helped in keeping them in business because they had not specialized so they were less vulnerable to a large store moving in and offering low prices.

Tesco employ many more people than Newsboy. They have lots of customers coming in and buying a large shop rather than buying a few small items. A usual family shop once a week in my house costs £100. As a family we usually spend about £15 in small shops a week. As you can see, a very dramatic difference in spending. As each family brings in more income for the shop the big stores don’t need to make as much profit on each item sold. For example both a small shop and a large shop buy bread at 15p. The large shop can sell it for 20p and still sell enough to make a profit. A small shop has to sell it at 25p to make enough to stay open.

The big stores also benefit from being national. In this situation the chain store can afford to lower one product in one area but raise it in another thereby one area can subsidize poor sales in another. This works on different products in 1 store and the same product all over the chain. Economies of scale also allow large stores to bulk buy then distribute it too many stores lowering the price at which they buy the goods. In turn this lowers the selling price of the item or raises the profit margin. The stores also have a larger base of suppliers as they buy large quantities. The small stores have fewer wholesalers willing to supply them with the small quantities they need. These small stores cannot benefit from economies of scale or cross- subsidizing

Chain stores lose when it comes to special goods and services. The little shops can offer something each large store strives to get right. That is friendly personal service. A company may have the largest store selling the best goods at half the price of anywhere else but no one is going to keep coming back if they don't like the shop. But because the specialist shops went out of business before Newsboy, suddenly Newsboy started to get more customers for things people had forgotten at the supermarket like bread and vegetables.

Bob and Rita are not the normal small shop owning couple; usually it is only people of an Asian origin. This is because they are determined to succeed. These people are could draw from a large pool of family labour so can keep the store open for long hours by working a rotation system. This used to mean the small shops had an edge over the large stores because the small shops were open on days and at times the large stores weren't, so they got all the custom. Now that the supermarkets are open 24 hours a day then the small shops can't make money at the times the large stores would be closed.

<b>Large chain stores (E.g.: Tescos)</b>	<b>Small shops (E.g.: Newsboy)</b>
Lot of workers, which work in shifts so the shop, can be open 24 hours a day	Few workers usually family members working long hours but not enough to stay open 24 hours
Large spacious stores which are inviting and clean. The store can fit more in by having higher shelves and storerooms holding lots of products	Small shops with little space in the aisle so people feel cramped. Very small storage rooms. Shorter shelves
Can't provide a personalized service. Each customer is just a walking wallet.	Shopkeepers learn what the regular customers want and have conversations with some people
Can use economies of scale to lower their purchasing costs. Therefore offering lower prices.	Have to buy small quantities of goods, which most suppliers aren't willing to supply.
Have more customers spending more money per week in the store. This means they can have lower prices, as they only need to make a small profit on each good.	Have fewer customers spending less money a week. This means that the store needs to make a lot of profit on each good.

The thing I have found out is that the small stores don't feel they need to compete with the large stores, as they are in different league. The large chain stores sell a large amount of goods to each person while the small stores are there strategically placed to sell a small amount of things people need. Another conclusion is that the small stores have found the margin that people are willing to pay over the prices in the large stores, for a convenient

way to buy goods. The owners of this small store feel it is not worth competing because they will only lose and after all they are in completely different markets. Their prices will always be higher and there is nothing they can do about it. To finish, I have realized that stores like this may find it difficult to last forever, because in the end large stores will buy them out or be able to offer the convenience of a small shop. For example they are opening Tesco “express stores” which are at petrol stations, with a mini shop at the till. Bob said at the end of the questionnaire that he now wanted to retire. So another younger couple will move in when they leave, and they will have a go at being as successful as Bob and Rita have been. They may fail, they may do well, but small shops will always struggle in today’s society.

By Ben Jeater 10Y