



Grocery Store Considerations for City Leaders

Rural Grocery Initiative
Kansas State University
September 2021



INTRODUCTION

In hundreds of neighborhoods across the country, nutritious, affordable, and high-quality food is largely missing. Studies that measure food store availability and the availability of healthy foods in nearby stores find major disparities in food access by race and income and for low-density, rural areas.

The presence of stores selling healthy, affordable food makes it possible for neighborhood residents to eat and consume a healthful diet. While the grocery store is just one strategy in enhancing access to healthy food, it is perhaps the most powerful and most equitable food system strategy for improving healthy food access.

This is because:

- Most community or neighborhood residents do their food shopping at grocery stores.
- Grocery stores offer the greatest variety of nutritional food at the most reasonable prices, and they offer healthy foods all year.
- Unlike food pantries, blessing boxes, or faith-based free meals, residents are able to equally shop as grocery customers and are not recognized as need-based consumers.
- Grocery store hours of operation are wider than other places of food access, thereby more fully accommodating residents' work and child-care obligations.
- Grocery stores support a broader use of SNAP and WIC nutrition assistance programs.

DEFINITIONS

Various grocery formats can strengthen food access and improve community health and economic outcomes. The list below provides several industry-standard definitions of food retail outlets, including those with smaller footprints, that can address food access challenges (PolicyMap, Data Dictionary).

Conventional Supermarket: A conventional supermarket is a traditional full-line, self-service grocery store with annual sales volume of \$2 million or more. This definition applies to individual stores regardless of total company size or sales, and therefore includes both chain and independent locations.

Examples: Dillon's Food Store, Hy-Vee Food Store, independents

Limited Assortment: A limited assortment supermarket has a limited selection of items in a reduced number of categories. These stores typically offer everyday low pricing. Principal differentiation from a conventional supermarket is often in the reduced size and completeness of produce and non-food categories such as Health and Beauty Care (HBC), cleaning supplies, paper products and general merchandise products. A limited assortment supermarket has few, if any, full-service departments, and less product variety and customer service than a conventional supermarket. Limited Assortment stores will occasionally have an annual sales volume of less than \$2M.

Examples Aldi, Save A Lot

Natural/Gourmet: A natural or gourmet foods supermarket is a self-service grocery store primarily offering natural, organic, or gourmet foods. These stores will either focus product offerings around healthy living with fresh produce and natural products, or around gourmet food preparations with upscale oils, spices, cheeses, meats and produce. Natural/gourmet foods supermarkets typically have expanded fresh foods departments and/or prepared food selections. These supermarkets also typically have a limited, if any, health and beauty care and general merchandise selection. A Natural/Gourmet supermarket does not have over 50% of product offerings in one category, as is the case with traditional butcher shops, delis, produce stands, or nutritional supplement stores. Natural/Gourmet stores will occasionally have an annual sales volume of less than \$2M.

Examples: Whole Foods, Sprouts Farmers Market

Superette: A superette is a conventional grocery store with an annual sales volume between \$1 million and \$2 million. Typically, superettes are independent, but many are affiliated with groups like IGA, Inc.

Examples: independent stores, ethnic groceries

Dollar Store: A dollar store is one that focuses on fast turnover of inexpensive consumables including health and beauty care, cleaning supplies, dry foods and candy, as well as toys, housewares, home decor, party goods, pet foods, stationery and school supplies. Most merchandise is priced below \$10 with no merchandise over \$20. The most common price point is \$1.00. The typical size of a Dollar Store is between 3,000 and 30,000 selling square feet.

Examples: Dollar General, Family Dollar, Dollar Tree

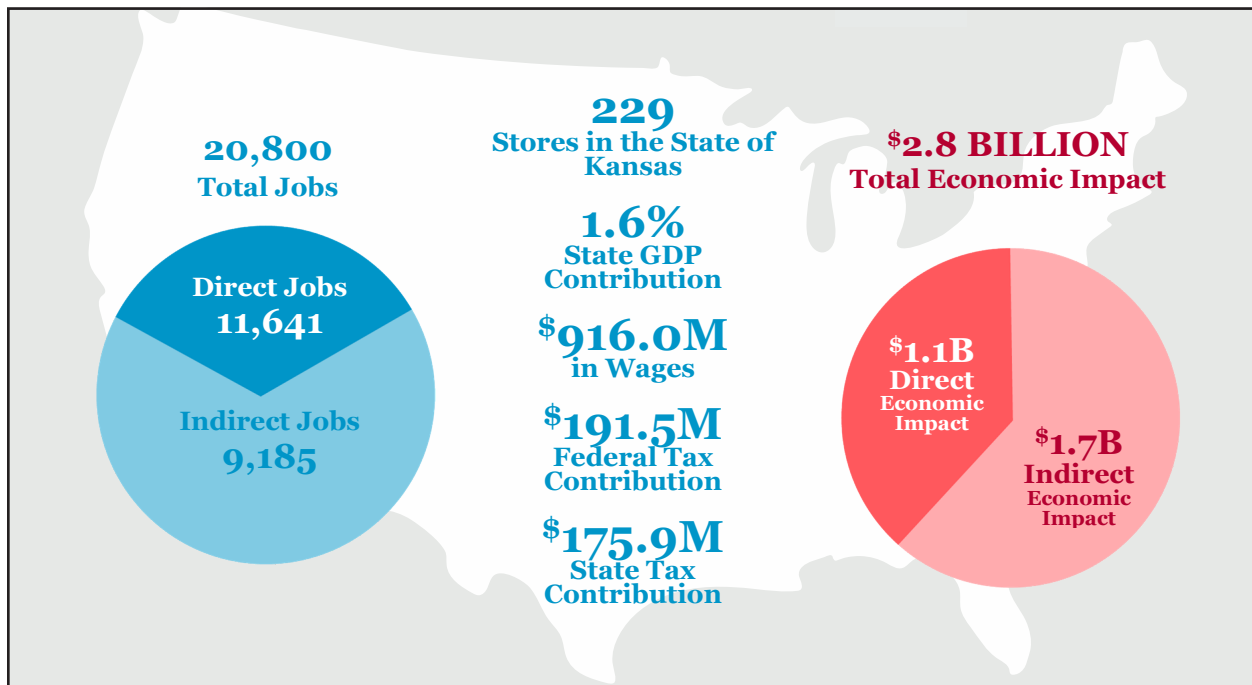
GROCERY STORE BENEFITS

Grocery as Economic Driver

Grocery stores generate significant economic stimulus by serving as anchors for further commercial development and revitalization – creating jobs, generating tax revenues, and capturing local dollars.

- It is estimated that 24 new jobs are created for every 10,000 square feet of retail grocery space (Bell et al., 2013).
- Even in times of economic downturn and national pandemics, grocery stores are resilient and even more important for neighborhoods and communities.
- Opening a grocery store increases nearby house values: because the neighborhood is viewed as having more amenities, it becomes more desirable. Introducing a new supermarket gives an immediate boost to the value of a home. In low-income communities, the opening of a supermarket also appears to largely mitigate any previously downward trend in local property values (Reinvestment Fund, 2007).
- Grocery stores provide both direct and indirect economic benefits. Grocery stores generate direct economic benefits through the grocery operation, distribution, and packaging. Indirect economic benefits occur when ancillary businesses work in support of the grocery operation, i.e. outside plumbers, electricians, carpenters, etc.

The graphic below summarizes the economic benefits independent grocery stores provide to Kansas (National Grocers Association, 2020).



Grocery as Community Hub

Grocery stores function as social anchors. These locally familiar places support the development and maintenance of social capital and social networks.

- Grocery stores are gathering places – places for socializing, meeting friends, catching up on the latest news, and building and sustaining bonds of community interconnectedness.
- Grocery stores are often referred to as “third places” (Oldenburg, 2001) or public places on neutral ground where people can gather and interact. In public and neutral places, people can put aside their concerns and simply enjoy the company and conversation around them.
- Facilities like grocery stores are the heart of a community’s social vitality and the foundation of a functioning democracy. They promote social and political equality by leveling resident status, enhancing citizen interconnectedness, providing a setting for grassroots politics, and creating habits of public association.
- With a focus on discussion and interaction, third places / social anchors allow participants to relax and ignore goal-oriented conversations. Instead, communication serves to enhance trust and bridge individuals across demographic lines. These components all work together and result in the construction of a strong network and community.

Grocery as Source of Healthy Food

Studies find that residents with greater access to supermarkets or a greater abundance of healthy foods in neighborhood food stores consume more fresh produce and other healthy items (Treuhaft & Karpyn, 2010). Specifically,

- Grocery stores remain the primary source of healthy foods in the U.S. providing the greatest variety of produce, dairy, grain foods, and protein options at the lowest cost for consumers.
- Grocery stores often provide a distribution point for the sale of locally-sourced foods.
- Grocery stores provide a greater variety of healthy and low-cost food year-round.
- In census tracts where grocery stores are absent, there tends to be higher rates of obesity. A dissertation written by a student at Kansas State University (Ford, 2009) found that an increase in obesity has significant implications for public health, as obesity is associated with increased risk for many other diseases, including high blood pressure, high blood cholesterol, type 2 diabetes, and coronary heart disease.
- Whitacre (2009) found that residents of low-income, minority, elderly, and rural neighborhoods with poor access to supermarkets and healthy foods have significant nutrition-related ill health effects.



GROCERY STORE CHALLENGES

Narrow profit margins

Independent grocery stores operate on a slim profit margin per item, with profits just over 1% (National Grocers Association, 2020). It's not unusual for a grocery store to make just a few cents per item and make money on volume.

Competition from other food retailers

Competition from dollar stores, online retailers, and other supermarkets is listed as the number one area of concern for independent grocers.

Finding an owner / operator

Because of the significant risk inherent in the first two grocery challenges, it is often quite a task to identify a grocery retailer willing to make the investment to open a new grocery store.

Local examples illustrate how powerful these challenges are. For several years, a small regional grocery chain – Rays Apple Market – had two grocery stores in Manhattan, Kansas. Both are now closed.

HOW CITIES CAN GET INVOLVED

Many city leaders across Kansas and the nation have recognized that healthy food access is critical for community well-being, public health, and a robust local economy. As such, local governments have used the numerous tools at their disposal to encourage the development of grocery stores and other healthy food retail outlets in their communities. Although not comprehensive, below are examples of how city governments can get involved to increase access to healthy food.

Appoint a taskforce: City and county leaders can help advance a grocery development by delegating responsibilities to a small group of community stakeholders. Within a given deadline, this dedicated team explores grocery store solutions, conducts research, identifies target areas and potential partners, gathers feedback from stakeholders, and presents their findings to both municipal leadership and the broader community (Rural Grocery Initiative, 2021).

Hold community meetings: Before moving forward with a project, city leaders should gather feedback to assess the interest and needs of stakeholders. In-person public meetings allow leaders to present information, answer and ask questions, and receive input quickly. When opening the floor for a facilitated discussion about the vision and direction of the community's grocery store, such events can promote creativity and innovation. They give people the chance to express their views. As such, public meetings are a good way for leaders to gather rich, in-depth feedback from constituents.

Public meetings should be accessible and inclusive, held at times when most people are available and in familiar, convenient locations. Consider recording the meeting so that it can be viewed by constituents who couldn't attend (Rural Grocery Initiative, 2021).

Use policy tools: When engaging in land use and economic development planning processes, access to healthy food retail should be incorporated. Many cities and counties are beginning to develop their own unique food system plans to guide decisions and create a roadmap for the future. This allows city leaders to identify current food system needs, set standards, develop strategies for improvement, and measure progress toward increasing food access.

Identify assets: According to one retailer survey, "land availability, market demand (and data demonstrating that demand), construction and operations costs, and approval/zoning requirements all pose barriers to locating in underserved urban areas." Therefore, cities can also help by identifying publicly available land and/or buildings that may be used for grocery development (Treuhaft & Karpyn, 2010).

Fund feasibility studies: One of the first steps in developing a grocery store is to conduct a feasibility study, which creates financial projections for potential locations based on the surrounding market area. Cities can use feasibility studies to show the viability of a grocery project and attract grocery developers to the area.

Use municipal financing tools: Numerous financing mechanisms may be used to incentivize the development of grocery stores. This could involve redirecting future tax revenues, increasing taxes, abating taxes, or using state/federal tax incentives and credits (Rural Grocery Initiative, 2021). Municipal financing tools include:

- Tax Increment Financing
- Community Improvement Districts
- Transportation Development Districts
- Industrial Revenue Bonds
- Opportunity Zones
- New Market Tax Credits

Leverage other financial resources: Various state and federal programs support projects that increase access to healthy food. City governments can be involved with applications to help secure funding. Examples of these programs include:

- Community Development Block Grants
- America's Healthy Food Financing Initiative
- Kansas Healthy Food Initiative

Engage in public-private partnerships: Communities across Kansas and the nation have overcome grocery store challenges by leveraging innovative partnerships between business owners and municipalities. For instance, a public-private partnership could involve the city owning and leasing the building in which a grocery store operates. This arrangement has several potential benefits: 1) by not having to purchase an entire building, grocers need less up-front capital investment to start their business; 2) by dispersing responsibility for building maintenance, the city helps alleviate the burden of operating a grocery store; 3) as a public entity, cities are eligible for different funding streams that a business owner may not be able to access, which could cover costs associated with building maintenance, and 4) the city's involvement in the grocery store signals long-term buy-in for healthy food access in the area. An example of this arrangement includes the Garden of Eden grocery store in Little River, Kansas.

Improve public transportation: At the very least, until healthy food outlets are made available to low access communities, cities can address transportation barriers. This could mean updating public transportation routes and schedules, adding bus stops, and/or creating specific public transportation shuttles for low income communities where a grocery store or supermarket is not within walking distance (Treuhaft & Karpyn, 2010).



TAKEAWAYS

While the grocery store is just one strategy in enhancing access to healthy food, it is perhaps the most powerful and most equitable food system strategy for improving healthy food access.

Various grocery formats, including those with smaller footprints, can address food access challenges.

Grocery stores provide numerous economic benefits, serve as gathering spaces for community members to form social bonds, and increase access to affordable healthy food options.

However, grocery stores face numerous challenges, particularly narrow profit margins and competition. As such, finding a grocery store owner/operator can be difficult.

City leaders have several opportunities to support the development of grocery stores. This includes appointing a grocery task force, gathering stakeholder feedback, using policy and municipal financing tools, funding feasibility studies to attract grocery developers, and engaging in public-private partnerships with grocery business owners. In places where healthy food retail is limited, city leaders can also address transportation barriers to improve food access.

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September 2021