

Overcoming Obstacles

# Dealing with Disruption: How Grocers are Tackling Challenges in the Grocery Industry

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- Changes in the retail landscape
- New trends affecting rural grocery
- Competitive challenges

# NGA: Who we are

The National Grocers Association represents independent community grocers in every congressional district across the country, as well as their wholesaler partners. Each year, independent grocers account for a little more than a third of all annual grocery sales. By advocating for the growth and continuing innovation of these community business leaders, we help them bring choice, convenience and value to hard-working Americans.



- More than 1,700 retailer member companies and 30+ wholesaler member companies
- More than 8,500 store fronts across the U.S., Puerto Rico and the U.S. Virgin Islands
- More than 21,000 independent community grocers in the U.S.

**Independent Supermarket Industry Economic Impact**

**Nearly 1.2 million jobs**

**\$42 billion in wages paid**

**\$255 billion to the U.S. economy**

At the **HEART** of the community

The infographic features a dark blue header with the title 'Independent Supermarket Industry Economic Impact'. Below the title are three icons: a red grocery store icon, a blue hand holding a coin icon, and a blue map of the United States icon. The statistics are presented in bold, dark blue text. The bottom of the infographic has a red background with the text 'At the HEART of the community' and a decorative border of colorful icons including a megaphone, a grocery store, a car, and various food items.

# The NGA Community



# Changes in the retail landscape

- Pandemic
- E-commerce
- Emphasis on fresh
- Prepared foods/meal solutions/grocerants

**The pandemic drove record supermarket sales** as consumers were forced to eat more meals at home.

That drove **accelerated acceptance of online grocery shopping**, bringing 5 years of anticipated growth in a span of just a few months.

Grocers that up until then had little or no web presence were forced to offer **online shopping, pickup or delivery to meet the demand from people hesitant to shop in person**, despite grocery being declared an essential business during the pandemic.

Grocers have **invested aggressively in the fresh perimeter** to enhance the shopping experience. Despite inroads by e-commerce, fresh areas remain a draw for in-person shoppers.

While the pandemic stalled in-store dining, grocers pivoted to offer **restaurant-quality meals in pre-packaged formats** (grab & go, heat & eat).

# Pandemic shifts in consumer behavior

**Increase in Grocery Spending:** The COVID-19 pandemic led to a 14% increase in U.S. household grocery spending *(March 2021)*

**In-home Eating:** Almost half (47%) of consumers say they cook more frequently now than before the pandemic *(March 2021)*

**Local:** 41% of shoppers say they will shop at their local community store *(May 2020)*

**E-commerce:** 43% of shoppers say they shopped online in the last six months versus 24% pre-pandemic *(September 2020)*

# Pandemic shifts in retail operations

**Independents make operational shifts** to address COVID challenges ...

- **Salad bars and foodservice were suspended**, substituted with pre-packaged, grab & go items
- **E-commerce platforms were launched or expanded**, often assisted by 3<sup>rd</sup>-party providers
- **Alternative sourcing channels were located** for hard-to-find, high-demand goods

Along with enhanced sanitation procedures, **some of these changes will remain**, depending on local demand or continued pressure on the supply chain

# New trends affecting rural grocery

Rural U.S. consumers may face **challenges finding access** to retail food stores, especially if they live in regions with high poverty rates and decreasing population.

**Single-location** grocery stores, as opposed to chain stores, made up a **larger percentage of the grocery stores in rural counties** than in nonmetro urban counties. In 2015, single-location grocery stores comprised about 82% of all food stores in rural counties, compared with about 70% in large urban nonmetro counties and 74% in small urban nonmetro counties. (*USDA, 12/7/21*)

From 1990 to 2015, the **share of rural grocery stores decreased**, while convenience stores, specialty food stores, warehouse clubs and supercenters, and dollar stores have become more plentiful. Dollar stores and supercenters grew the most in percentage terms—150% and 35%, respectively—partly because they were almost non-existent in 1990.

<https://www.ers.usda.gov/amber-waves/2021/december/rural-counties-losing-share-of-grocery-stores-gaining-other-types-of-food-retailers/>

# New trends affecting rural grocery

**Supercenters and dollar stores have flourished in rural areas**, often at the expense of smaller independent grocers, because of their scale and ability to dominate on low price and ample selection.

As smaller traditional grocers vanish, **consumers are often forced to drive longer distances** to purchase groceries, especially fresh produce.

# New trends affecting rural grocery

Some small-town grocers are capitalizing on the local foods trend. Almost 80% of grocery stores surveyed said they use local farmers as either major or minor suppliers for fresh produce.

*(University of Minnesota Extension study)*

Rural grocers can focus on the in-store experience. The future grocer could more intentionally integrate the social aspects common in small towns by becoming a “social anchor” of the community.

The new generation of consumers embraces authentic brand stories and food with simple origins. Rural grocers’ proximity to farmers can be an effective marketing tool.

# Competitive challenges

Fragmented market

Labor

Food deserts

Lax antitrust enforcement

**Traditional grocery's historic hold on the at-home food market has eroded.** Independent and large-chain grocers face increasing competition from mass/big-box retailers, club stores, drug, dollar, even home improvement (Menards), plus Amazon and other pure-play e-tailers. *Where do you rank on the spectrum as consumers prioritize quality, selection, experience, service and convenience?*

**The nationwide labor shortage pits retailers against each other for a diminished pool of talent,** making it more difficult to maintain a high level of service.

**Challenge of operating in less populated areas have driven some smaller operators out of business,** especially those forced to compete with large chains and superstores.

**Decades of non-enforcement of antitrust laws designed to protect smaller businesses** have tipped the scales in favor of large chains, whose power buyers compel suppliers of high-demand products to enter into exclusive supply arrangements.

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- **Jenny Osner**

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- **Jimmy Wright**

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