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Increasing Access to Food: A Comprehensive Report on Food Supply Options

URSP 666 (Commercial Revitalization)

Logan Ashby
Virginia Commonwealth University

Chesley De Leon
Virginia Commonwealth University

See next page for additional authors

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Authors

URSP 666 (Commercial Revitalization), Logan Ashby, Chesley De Leon, Vegas Krane, Eric Mai, Shekinah Mitchell, Michael Nixon-Garrison, Gabriella Pino-Moreno, Elizabeth Roderick, Chloe Rote, Jeff Smith, Charlie Wilson, Will Wilson, and Hunter Wood

Increasing Access to Food: A Comprehensive Report on Food Supply Options



Fall 2019 Urban Commercial Revitalization Class
Master of Urban and Regional Planning Program
L. Douglas Wilder School of Government and Public
Affairs, Virginia Commonwealth University

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Increasing Access to Food: A Comprehensive Report on Food Supply Options

By

The Fall 2019 Urban Commercial Revitalization Class
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Virginia Commonwealth University

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Dr. John Accordino, PhD, FAICP

Logan Ashby

Chesley De Leon

Vegas Krane

Eric Mai

Shekinah Mitchell

Michael Nixon-Garrison

Gabriella Pino-Moreno

Elizabeth Roderick

Chloe Rote

Jeff Smith

Charlie Wilson

Will Wilson

Hunter Wood

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Contents

INTRODUCTION 3

Big Box Supermarkets 5

Convenience Stores 18

Convenience Stores without Gasoline 27

Discount Variety Stores 41

Farmers Markets 49

Food Banks 60

Grocery Cooperatives 71

Franchise/Alliance Grocery Stores 80

General/Country Stores..... 87

Large Supermarkets/Small Format Franchise Stores 104

Mobile Markets/Grocery Stores 114

Small Format Discount Grocers 141

Small Independent Grocery Stores 149

INTRODUCTION

Access to food is one of the most important aspects of a healthy, sustainable community. Grocery stores and other suppliers can serve as an economic anchor and provide social benefits to communities. Unfortunately, many communities do not have convenient and/or affordable access to grocery items, particularly fresh produce.

As part of Virginia Commonwealth University's Fall 2019 graduate course on Urban and Commercial Revitalization, class members researched 13 retail and other food access options, which are described in this report. Each chapter covers a food access option and provides basic information that will be useful to individuals, organizations, or government agencies that wish to attract and/or develop grocery operations in their communities. The information resources and bibliographies at the end of each chapter are pathfinders for those who wish to perform additional research.

The grocery supplier chapters are:

Big Box Supermarkets (Walmart Supercenters)
Convenience Stores with Gasoline
Convenience Stores without Gasoline
Discount Variety Stores (Dollar General)
Farmers Markets
Food Banks
Food Co-operatives

Franchise/Alliance Grocery Stores
General/Country Stores
Large Supermarkets/Small Format Franchise
Stores
Mobile Markets/Grocery Stores
Small Format Discount Grocery Stores
Small Independent Grocery Stores

Each grocery supplier chapter is organized in the following format:

Organization

Type of Store
Basic Business Model
Legal Form
Management/Governance Structure
Funding Strategy
Number of Workers
Size of Operation/Square Footage of Stores
Average Number of Customers/Day
Customer Demographics and Characteristics

Operations

Type of Product Selection/Offering

Regional Partners

Wholesaler/s Institutional Supporters

Other Goods & Services

Social Services

Forms of Advertising

Locations and Physical Attributes

Typical Locations

Co-location Tendencies

Number of Residents and Workers in Market Area

Customer Access to Stores (walk, bike, car, etc.)

Parking Lots and Number of Parking Spaces

Community Contributions

Cases

Which Stores Succeed?

Which Stores Don't Succeed?

New and Testing Formats and Services

Useful Information Sources

Bibliography

Big Box Supermarkets (Walmart Supercenters)

By Jeff Smith



ORGANIZATION

Type of Store: Big Box Stores (that have full grocery offerings) “Walmart”

Basic Business Model: EDLP, EDLC: Everyday low price, everyday low cost

Walmart describes their business model in the following manner:

Our strategy is to lead on price, invest to differentiate on access, be competitive on assortment and deliver a great experience. Leading on price is designed to earn the trust of our customers every day by providing a broad assortment of quality merchandise and services at everyday low prices ("EDLP"). EDLP is our pricing philosophy under which we price items at a low price every day so our customers trust that our prices will not change under frequent promotional activity. Price leadership is core to who we are. Everyday low cost ("EDLC") is our commitment to control expenses so those cost savings can be passed along to our customers. Our omni-channel presence provides customers access to our broad assortment anytime and anywhere. We strive to give our customers and members a great digital and physical shopping experience (Walmart Inc., 2018).

Legal Form: Publicly Traded Company/Corporation: On the NYSE (1972)

Management/Governance Structure:

Jessica Lombardo in her 2019 article titled *Walmart: Organizational Structure & Organizational Culture* described their management and governance structure in the following manner:

Walmart has a hierarchical functional organizational structure. This structure has two features: hierarchy and function-based definition. The hierarchy feature pertains to the vertical lines of command and authority throughout the organizational structure. For example, except for the CEO, every employee has a direct superior. Directives and mandates coming from the top levels of the company's management are implemented through middle managers down to the rank-and-file employees in Walmart stores. On the other hand, the function-based definition feature of the company's corporate structure involves groups of employees fulfilling certain functions. For example, Walmart has a department for the function of human resource management. The company also has a department for the function of information technology, and another department for the function of marketing. These are just some of the numerous function-based departments in Walmart's organizational structure (Jessica Lombardo, 2019).

Funding Strategy: N/A: Corporate Structure

Number of Workers:

This depends on the store volume. Stores are coded by their volume which in turn determines how many team members are needed to run an effective workload. This can also fluctuate depending on availabilities and coverages needed. With that said, it could average between 120 up to 400 team members (sales of \$200k to \$300k/associate) (Kelly Benvenuto, 2016).

Size of Operation/Square Footage of Stores:

There are 3,561 Super Centers with a total of 632,479K SF. Average/Store = 178,000. Range for Super Center is 69,000 SF to 260,000SF (Jessica Lombardo, 2019).

Average Number of Customers/Day:

Traffic volumes vary greatly, but as a statistical average, about 3500-4000 customers a day shop at a Supercenter. Many stores are in the 10,000+ range (Ayers, 2019).

Customer Demographics & Characteristics:

The average Walmart shopper is a white, 51-year-old female with an annual household income of \$56,482. Walmart shoppers come primarily from the low and low middle class of the income with the majority of their shoppers are making less than \$50 thousand in annual income. Figure 1 provides the percentage of shoppers by income range for Walmart in comparison to Kmart, Target, Aldis and Kohl's. Ethnicity wise, Walmart shoppers are primarily White, non-Hispanic in origin. This group accounts for more than 70% of their shoppers. The remaining 30% of shoppers are made up of Black, Hispanic and Other races. Figure 2 provides the percentage of shoppers by race for Walmart and the other stores mentioned above. Women make up over 75% of the primary household shoppers at Walmart. Figure 3 provides percentage of shoppers by gender for Walmart and the other stores mentioned above. Looking at the percentage of Walmart shoppers by age one see relatively similar percentages across all age brackets from 25 years of age and older. Figure 4 provides percentage of shoppers by age for Walmart and the other stores mentioned above (Hayley Peterson, 2016).

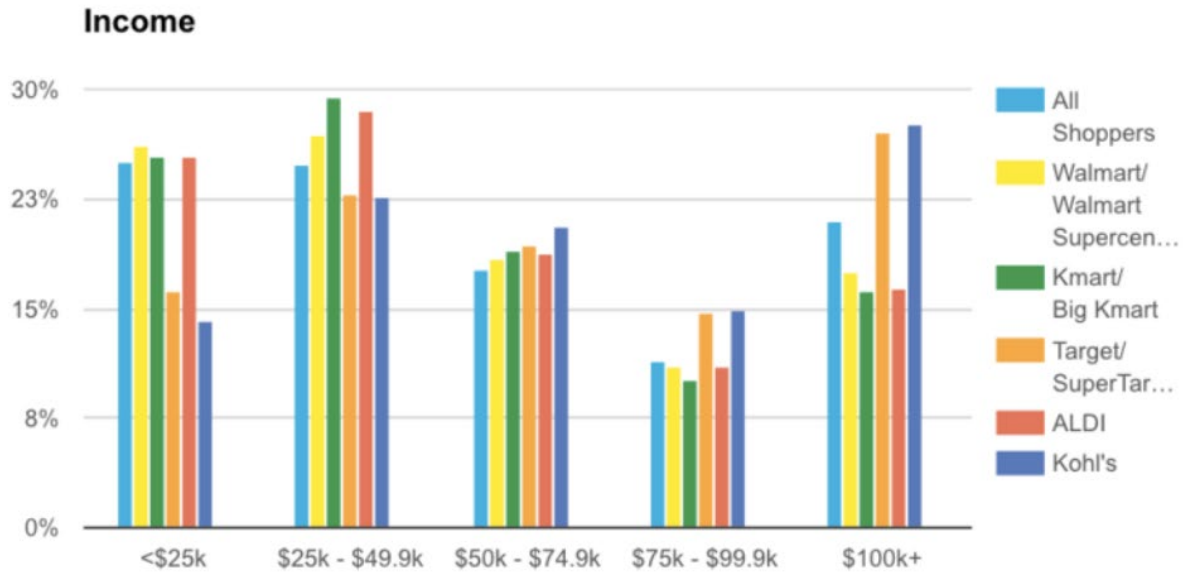


Figure 1 - Percentage of Shoppers by Income Range for Walmart, Kmart, Target, Aldi and Kohl's in 2016. Graph by Hayley Peterson, This is what the average Walmart shopper looks like, 2016, Business Insider.

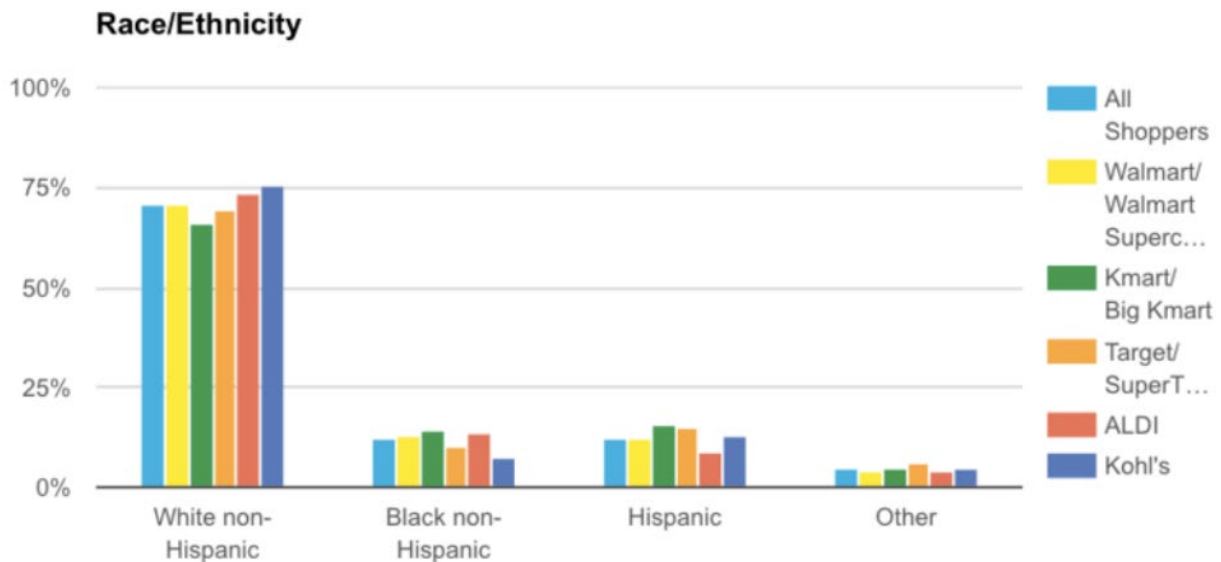


Figure 2 - Percentage of Shoppers by Ethnicity for Walmart, Kmart, Target, Aldi and Kohl's in 2016. Graph by Hayley Peterson, This is what the average Walmart shopper looks like, 2016, Business Insider.

Gender of Primary Household Shopper

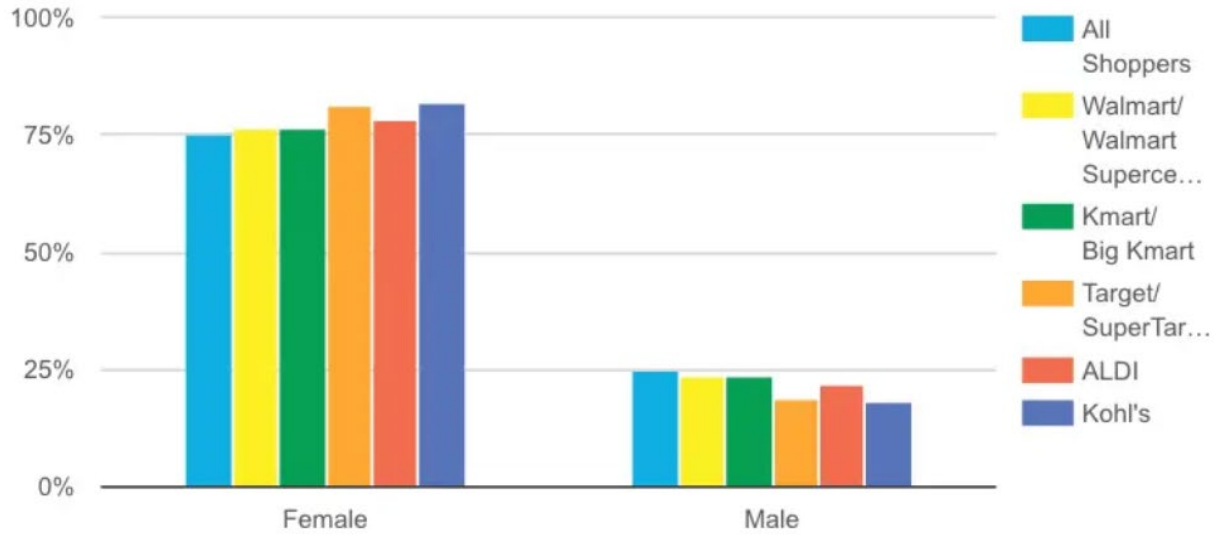


Figure 3 - Percentage of Shoppers by Gender for Walmart, Kmart, Target, Aldi and Kohl's in 2016. Graph by Hayley Peterson, This is what the average Walmart shopper looks like, 2016, Business Insider.

Age

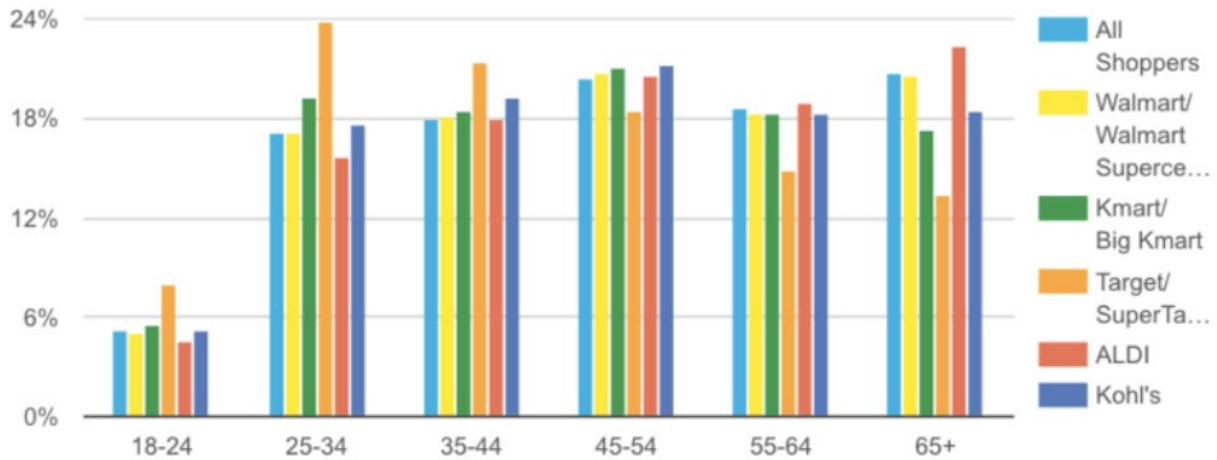


Figure 4 - Percentage of Shoppers by Age for Walmart, Kmart, Target, Aldi and Kohl's in 2016. Graph by Hayley Peterson, This is what the average Walmart shopper looks like, 2016, Business Insider.

OPERATIONS

Type of Product Selection/Offering:

Walmart U.S. does business in three strategic merchandise units, listed below, across several store formats including supercenters, discount stores, Neighborhood Markets and other small store formats, as well as on their eCommerce websites (Walmart Inc., 2018).

- Grocery consists of a full line of grocery items, including meat, produce, natural & organics, deli & bakery, dairy, frozen foods, alcoholic and nonalcoholic beverages, floral and dry grocery, as well as consumables such as health and beauty aids, baby products, household chemicals, paper goods and pet supplies;
- Health and wellness include: pharmacy, optical services, clinical services, and over-the-counter drugs and other medical products;
- General merchandise includes:
 - Entertainment (e.g., electronics, cameras and supplies, photo processing services, wireless, movies, music, video games and books);
 - Hardlines (e.g., stationery, automotive, hardware and paint, sporting goods, outdoor living and horticulture);
 - Apparel (e.g., apparel for women, girls, men, boys and infants, as well as shoes, jewelry and accessories); and
 - Home/Seasonal (e.g., home furnishings, housewares and small appliances, bedding, home decor, toys, fabrics and crafts and seasonal merchandise).

Regional Partners: (e.g., local/regional farmers, etc.)

Walmart has local supplier programs and clear instructions on how to get local product upon their shelves (Walmart Inc., 2014).

Wholesaler/s Institutional Supporters:

Walmart has its own business-to-business liquidation auction marketplace in which it offers bulk lots of returned and overstocked merchandise (Walmart Inc., 2019). Walmart also has a “Wholesale Store” area of its Walmart.com website in which it sells bulk product offerings to resellers (Walmart Inc., 2018).

Other Goods & Services: (offered in addition to sale of groceries) **See above under Selection**

Social Services: See above under Selection

Forms of Advertising:

Walmart uses a programmatic structure merged with in-store sales information to target its ads, through advertisement exchanges and private marketplaces. It also provides display media on: Mobile. Tablet (Vanessa Page, 2018).

LOCATIONS AND PHYSICAL ATTRIBUTES

Typical Locations: (e.g., town center, highway ribbon, etc.)

This decision area of operations management emphasizes efficiency of movement of materials, human resources and business information throughout the organization. In this regard, Walmart's location strategy includes stores located in or near urban centers. The company's aim is to maximize market reach. Materials and goods are made available to the company's target consumers through strategic warehouse locations. To address the business information aspect in this decision area of operations management, Walmart uses the Internet. The company has a comprehensive set of online information systems for real-time reports and monitoring. Thus, Walmart's main concern in this decision area is on the location of stores and related facilities (Nathaniel Smithson, 2017).

Co-location Tendencies:

Several studies have looked at colocation tendencies of stores. Of all the competitor pairs, just three exhibit statistically significant clustering. Target & Walmart; Starbucks and Dunkin' Donuts; McDonalds & Burger King all exhibit very strong tendencies to co-locate. (Ken Steif, 2013). Target & Walmart have a tendency to co-locate in a similar area because they are each targeting the same size markets and not because of any agreement that they have with one another. The demographic profiles of their customers differ.

Many Walmart Supercenters have featured McDonald's restaurants, but in 2007, Walmart announced it would stop opening McDonald's restaurants at most of their newer stores, most likely due to nutritional concerns. Most locations that opened up after the announcement had Subway as their restaurants, and some McDonald's inside the stores were replaced with Subways (James Covert, 2008). In some Canadian locations, Tim Hortons were opened. Recently, in several Supercenters, like the Tallahassee, Florida location, Walmart added Burger King to their locations, and the location in Glen Burnie, Maryland, due to its past as a hypermarket called Leedmark, which operated from May 1991 to January 1994, boasts an Auntie Anne's and an Italian restaurant.

Some locations also have fuel stations which sell gasoline distributed by Murphy USA (which spun off from Murphy Oil in 2013), Sunoco, Inc. ("Optima"), the Tesoro Corporation ("Mirastar"), USA Gasoline, and even now Walmart-branded gas stations (Welch, 2012).

Number of Residents and Workers in Market Area:

There were no locatable sources of information that provided the number of residents and/or workers in the average Walmart market area. Walmart has store sizes ranging from 69,000 square feet

to 260,000 square feet and this provides them the ability to size their store to the community in which they are locating. To gain an understanding of how small a community Walmart is willing to locate in, one can use the Walmart locator, from their web site, and Google Map to identify communities that only have a single Walmart. Jackson County, West Virginia is served by a single Walmart Supercenter that is located in the center of the county in the town of Jackson. The County of Jackson has a population of 29,211 citizens and the town of Jackson has a population of 6,397 citizens. This represents a small market which could be served by a single Walmart Supercenter. In comparison, San Antonio has a population 1,532,233 people and has 33 Walmart Supercenters, the most of any city. This averages out to one store for every 46,431 people. These are just two examples but show a wide market size variance. Walmart employs 1.5 million associates at approximately 5,000 stores giving an average of 300 employees at each store.

Customer Access to Stores: (walk, bike, car, etc.)

Super Centers are normally located in heavy traffic areas in which cars are required.

Parking Lots and Number of Parking Spaces:

Super Center parking lots are normally ~17 acres and provide 1700 to 2000 parking spaces (Institute for Local & Self-Reliance, 2006).

Community Contributions:

Below is how Walmart describes their philanthropic focus through the Walmart foundation:

Together, Walmart and the Walmart Foundation generally provide more than \$1 billion in cash and in-kind to support programs that align with our philanthropic priorities. We focus on areas where we can do the most good - combining the unique strengths of the business alongside our philanthropy. Our ability to draw on Walmart business strengths, providing more than just funding, helps our philanthropy to deliver greater societal impact. Today, Walmart.org, through the combined philanthropic efforts of both Walmart and the Walmart Foundation, creates opportunities for people to live better every day (Walmart Inc, 2019).

CASES

Which Stores Succeed?

Two factors that are attributed to the success of Florida Walmarts are the number of Walmarts per capita in the area of the store and its proximity to an international airport that has travelers that stock up on cheaper goods there prior to traveling home. There are 13 Walmart or Walmart

Supercenters serving Miami-Dade county's 2.591 million residents. That averages to one Walmart for every 200,000 residents. Miami-Dade stores are far more successful than those in Collier County, Florida which has five stores for 330,000 residents (one Walmart for every 65,000 residents) and those in Broward County which has 12 stores for 1.815 million residents (one store for every 151,250 residents) (Kyle Munzenrieder, 2014).

Which Stores Don't Succeed?

The previous case discusses how Walmart stores' sales are larger when there are less stores/capita in a defined area. The inverse is also true such that the more Walmart Stores that are in an area, the lower the sales/store in that area.

There are also a multitude of citizen groups that are against Walmart stores being constructed in their communities. Planned, but not constructed Walmart stores can and have been stopped from development. "Citizens groups often succeed in blocking big-box proposals. According to a recent study published in the *American Journal of Sociology*, between 1998 and 2005, citizens organized to block Walmart proposals in 563 locations. In 366 of those sites, Walmart was either defeated or withdrew its proposal" (Stacy Mitchell, 2007).

NEW AND TESTING FORMATS AND SERVICES

Walmart Neighborhood Market:

"Neighborhood Walmart" is Walmart's chain of smaller grocery stores ranging from 28,000 to 65,000 square feet (2,600 to 6,000 square meters) and averaging about 42,000 square feet (3,900 square meters), about a fifth of the size of a Walmart Supercenter. The first Walmart Neighborhood Market opened ten years after the first Supercenter opened, yet Walmart renewed its focus on the smaller grocery store format in the 2010s (Hayley Peterson, 2016 & Walter Loeb, 2015).

Walmart Pickup & Delivery:

In 2015, Walmart began testing a free grocery pickup service, allowing customers to select products online and choose their pickup time. At the store, a Walmart employee loads the groceries into the customer's car. As of December 17, 2017, the service is available in 39 U.S. states (Walmart Inc. Web Author, 2019a). Both Petersburg and Hopewell Walmarts provide this service.

In June 2016, Walmart and Sam's Club announced that they would begin testing a last-mile grocery delivery that used services including Uber, Lyft, and Deliv, to bring customers' orders to their homes. Walmart customers would be able to shop using the company's online grocery service at grocery.walmart.com, then request delivery at checkout for a small fee (Sarah Perez, 2016). The first

tests were planned to go live in Denver and Phoenix. Walmart announced on March 14, 2018, that it would expand online delivery to 100 metropolitan regions in the United States, the equivalent of 40 percent of households, by the end of the year of 2018 (New York Times Web Author, 2018).

In January 2019, Walmart announced the expansion of its grocery delivery services. Today, Walmart Grocery Delivery is available in more than 800 stores with another 800 being added this year. *Groceries can be delivered to customers as soon as the same day.* Walmart's Online Grocery Delivery carries a simple fee structure and a \$30 minimum order - no subscription, no price markups. Customers can get their first order delivered for free with promo code FRESHCAR with a \$50 minimum order. Walmart currently offers grocery delivery in more than 100 metro areas. The retailer will make grocery deliveries to more than 300 metro areas by the end of 2019 (Walmart Inc. Web Author, 2019b).

USEFUL INFORMATION SOURCES

Walmart – Wikipedia <https://en.wikipedia.org/wiki/Walmart>

Exhaustive and well cited source of information on Walmart including its history, operating divisions, subsidiaries, corporate affairs, charity, economic impact, labor relations and controversies. This Wiki is supported by 444 cited sources and is updated frequently. Although this isn't cited in my work, I utilized this page frequently to lead me to sources that would answer questions I was researching.

Corporate Walmart – Web Page <https://corporate.walmart.com/>

This web-site provides information on the Walmart story, its newsroom, global responsibility, as well as information for potential investors and suppliers. It is corporately biased to be mostly positive information but is a good source for any/all information on their corporate policies.

Walmart Financial Information – Web Page <https://stock.walmart.com/investors/financial-information/annual-reports-and-proxies/default.aspx>

Excellent source of detailed information on Walmart's business including its SEC Filings, Quarterly Results, Annual Reports and Proxies, Comparable Store Sales and Unit Counts and Square Footage. Form 10-K is especially useful. *A 10-K is a comprehensive report filed annually by a publicly traded company about its financial performance and is required by the U.S. Securities and Exchange Commission (SEC). The report contains much more detail than a company's annual report, which is sent to its shareholders before an annual meeting to elect company directors* (WILL KENTON, 2019).

Institute for Local Self Reliance (ISLR) – Web Page <https://ilsr.org>

ILSR champions local self-reliance, a strategy that underscores the need for humanly scaled institutions and economies and the widest possible distribution of ownership. Through our work across the economy, we seek to empower communities to take charge of their own future (Web Authors Institute for Local Self-Reliance, 2019). ISLR is empowers a lot of communities to stop Walmarts from taking over their local economies. This site has a Walmart based archive with over 230 articles in it that are primarily focused upon the positives of local based economies and the harm that Walmarts do to local communities.

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Convenience Stores with Gasoline

By Charlie Wilson



ORGANIZATION

Type of Store: Convenience store including fuel sales; “gas station”

Basic Business Model: Convenience “on the go”

Legal Form:

Varies. Anything from independent “mom and pop” to publicly traded company.

Management/Governance Structure:

Varies. Anything from independent “mom and pop” to publicly traded company.

Funding Strategy:

Subsidies are rare. Financing models can vary depending upon governing structure/legal form. Wawa is currently spending an average of \$6 million per store in Florida. Gas typically accounts for 70% of revenue, but only 30 percent of profits, per National Association of Convenience Stores (“NACS”).

Number of Workers:

Utilizing 121,998 store count number from NACS at the end of 2018, and 948,000 gas station workers per the Bureau of Labor Statistics (“BLS”), therefore yielding an average of 7.77 jobs per store. According to IBISWorld research and reporting, the 2019 average employee count per establishment is 7.6.

Size of Operation/Square Footage of Stores:

Per NACS, the average retail component of gas stations is approximately 2,776 square feet in area. However, many new stores are shifting to larger footprints. For example, Wawa typically prefers to build a retail store of 4,000 to 6,000 square feet in area (Site Submission Guidelines: Required Information & Criteria).

Average Number of Customers/Day:

According to NAICS, the average gas station serves approximately 1,100 customers per day.

Customer Demographics & Characteristics:

Overall, mixed and highly reflective of local demographics.

OPERATIONS

Type of Product Selection/Offering:

Perhaps the most "zeitgeist" example is Wawa, which has a highly popular and successful model that capitalizes its focus on the quality of its retail environment. It has gone so far as to develop its own in-house brand of grocery/convenience goods, which can streamline its supply chain and keep prices down. It also offers a full-service deli and is open 24 hours.

Typical gas station convenience stores will otherwise have a wide selection of snacks and beverages intended for a consumer who wants something quick to satisfy their immediate needs. Other goods offered include a variety of other items, including miscellaneous automotive care goods, lottery tickets, cigarettes and other tobacco products.

Regional Partners:

This is unusual for suburban/corporate franchise locations. However, it is not uncommon for rural "mom and pop" locations to establish some partnerships with local/regional suppliers for limited goods, such as eggs and dairy from local farms.

Wholesaler/s Institutional Supporters:

Oil and Gas industry. Chain stores tend to offer better gas prices due to volume discounts and other arrangements with fuel companies. These prices can be used to lure customers and create consumer habits.

Other Goods & Services:

Varies. At a minimum, gasoline/fuel with basic convenience items. Older stations may have an automobile mechanic/servicing component, particularly in rural areas.

Social Services:

Almost never any formalized social services. Gas stations are commonly used as de facto gathering places, primarily in rural communities.

Forms of Advertising:

Billboards, interstate exit signs, print and/or TV advertisements (typically reserved for larger corporate chains, such as Wawa or Sheetz).

LOCATIONS AND PHYSICAL ATTRIBUTES

Typical Locations: (e.g., town center, highway ribbon, etc.)

Gas Stations typically along main thoroughfares, and often near Interstate exits in suburban and rural areas. In areas without interstate access, gas stations often locate between primarily traveled local/state roads. In urban areas, gas stations may occur along main thoroughfares that go “in and out” of the urban area. They seldom occur at the centers of urban neighborhoods.

Co-location Tendencies:

In suburban areas, gas stations often locate amongst other gas stations and designated commercial/industrial areas. In rural areas, gas stations frequently occur alone, with no real pattern of collocation. Many rural gas stations have auto-service components, and may also have a more significant grocery/dry goods component than their suburban counterparts (Talwakar 2008).

Number of Residents & Workers in Market Area:

This varies for gas stations. Due to the necessity of gasoline, especially in rural communities, gas stations of some sort are likely to locate irrespective of Area Median Income (AMI), population count, vehicle count, etc. However, more corporatized companies like Wawa and Sheetz do look at these metrics but are less dependent upon them than a grocery store might be. By the end of 2018, there were 121,998 gas stations per the NACS Store Count. The national average, then, is one (1) gas station per every 2,690 people based on the US Census population at the end of 2018.

Customer Access to Stores: (walk, bike, car, etc.)

Almost entirely by automobile. Urban locations also benefit from customers who may not be coming by automobile.

Parking Lots and Number of Parking Spaces:

Usually dependent upon local zoning code requirements. For instance, Hanover County, Virginia requires one (1) space per every 200 square feet of the store component, and further requires an additional “stacked” space for every gas pump. Hanover County regulations are a good example for suburban municipalities with highly formalized land use and zoning regulations (Municode Library, n.d.). King and Queen County, being more rural and having a more simplified zoning ordinance, requires one

(1) space per every 150 square feet of the store component, and does not have any “stacked” space requirement (Municode Library, n.d.a).

Community Contributions:

Larger corporatized stores, such as Wawa and Sheetz, are more likely to be able to make contributions to their stores’ communities. Wawa, for instance, has founded The Wawa Foundation, Inc., which is a 501(c)(3)* that gives Wawa the opportunity to “create even more positive change and awareness for its community partners” (Wawa.com).

“*” The Wawa Foundation, Inc.’s non-profit status is pending approval by the Internal Revenue Service.

CASES

Which Stores Succeed?

With the overall decline in the number of gas stations in the United States, consolidation is key for future success and feasibility in the gas station market. New store development has high overhead, and offering competitive prices requires a store to be able to purchase fuel from a distributor with volume discounts and other supplier agreements. Because of this, large corporate franchises are likely to take even more precedence going forward. Wawa and Sheetz are successful because they have been able to establish a cult following due to their diverse retail offerings, clean store environments, comparatively well-paid employees, and overall brand recognition (Taylor 2019; Aspan, 2018). To any extent that a smaller chain or an independent operator can replicate or imitate the quality of service provided by these popular national chain stores, the likelihood for success should increase. This is particularly true regarding food offerings.

Which Stores Don’t Succeed?

Mom and pop gas station/convenience stores have been steadily declining. Many are legacy operations. There are practically no new-venture independently owned and operated gas stations with convenience stores. High overhead for EPA requirements, as well as generally more expensive fuel and shifting consumer preferences, make opening (let alone operating) a store more difficult. Tank replacements used to cost \$50,000, but now cost upwards of \$250,000 depending on size of the tank and the state wherein the store is located. Gas prices can also have redistributive economic effects, wherein higher prices have increasingly adverse effects on low income consumers (Yilmazkuday, 2019).

Stores that are unable to finance high-cost maintenance items—especially when they are unexpected—often do not succeed. Other stores may not succeed due to an inability to garner non-fuel sales revenues, considering that (as previously discussed in this chapter) fuel sales typically account for 70% of revenues but only 30% of profit. With that, some stores may be unable to compete when a

Wawa, Sheetz, or comparably-popular establishment locates nearby. These types of stores not only frequently out-compete when it comes to their food/retail offerings, but also on fuel pricing. Lastly, since many of the more profitable food/retail purchases are made as consequence to fuel purchase, any store that is unable to compete with fuel sales becomes even more unable to compete with food/retail sales.

NEW AND TESTING FORMATS AND SERVICES

Growth of the Electric Vehicle Market:

Electrification of the American automobile will create a market for new recharging stations. It's difficult to speculate how these will shape the industry. On one hand, the 15-30 minute charge times will boost the demand for retail environments. On the other hand, cheap electricity combined with long charge times lessen already slim profit margins achieved by gasoline sales in conventional gas stations (Holley 2019).

USEFUL INFORMATION SOURCES

Wawa – Website (multiple links)

<http://www.wawa.com/>

<http://www.wawa.com/about/real-estate/site-submission-guidelines>

Wawa's website, which has apparel, gift cards, food items, etc. One almost forgets that this is a gas station chain when looking at their website. Lots of effort put into the marketing of their store to help elevate their brand recognition and positive perception. The second link is particularly useful, as it specifically itemizes the metrics and preferences that Wawa looks for in their site selection process.

National Association of Convenience Stores (NACS) – Website (multiple links)

<https://www.convenience.org/Research/FactSheets/ScopeofIndustry/IndustryStoreCount>

<https://www.convenience.org/Media/NACS-Magazine/2010/November2010/Feature1>

<https://www.convenience.org/Research/FactSheets/ScopeofIndustry/Convenience>

The first link contains quick facts from the National Association of Convenience Stores, which is quite helpful, especially considering its brevity. National Association of Convenience Stores data showing amount of convenience stores that sell gasoline, which is more helpful if one is looking for data specifically on convenience stores, namely growth rates. The third link is an article directly from National Association of Convenience Stores that discusses the popularity of larger gas station convenience stores. This is helpful when analyzing the increasing popularity of Wawa, Sheetz, etc.

Harvard Business School – “Wawa: Rethinking the Convenience Store Experience”

<https://digital.hbs.edu/platform-rctom/submission/wawa-rethinking-the-convenience-store-experience/>

Harvard Business School-authored observations of Wawa, and its ever-improving methods that differ from the gas station industry's status quo. A good review if you are looking to better understand how companies can seek to answer the specific needs of consumers through vertical integration, marketing, and quality control.

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Convenience Stores without Gasoline

By Shekinah Mitchell



ORGANIZATION

Type of Store: Convenience Stores (without gasoline)

Basic Business Model: Convenience and Minimalism

Convenience stores are defined by the North American Industry Classification System as follows: “This industry comprises establishments known as convenience stores or food marts (except those with fuel pumps) primarily engaged in retailing a limited line of goods that generally includes milk, bread, soda and snacks” (U.S. Census Bureau, 2018).

Convenience stores provide foods and goods that can range from snack and shelf-stable foods, to alcohol and tobacco products, to hot foods and in some cases fresh produce. They are most commonly recognized for providing low nutritional value foods in low-wealth communities that are often considered food deserts; however, their proximity to populations that struggle with health challenges and illness like obesity, hypertension, heart disease and diabetes have led to innovative efforts to increase access to healthy foods. While research has affirmed the positive correlation between access to convenience stores and higher rates of obesity, there are emerging efforts to see corner stores as assets that can be leveraged for communal benefit instead of weakness (Gebauer & Laska, 2011).

In Virginia, the number of convenience stores has been decreasing since 2007 as illustrated in the graph below. In addition, in 2017, 77 percent of all convenience stores in Virginia had less than ten employees. Combined, these statistics show that convenience stores have a limited impact on the overall economy, and if these trends persist, convenience stores will continue to show stagnant growth. Opportunities to reverse these trends by activating these stores to advance public health and broaden food access are offered near the end of this report.

Figure 1: Virginia Convenience Stores 2007 - 2016

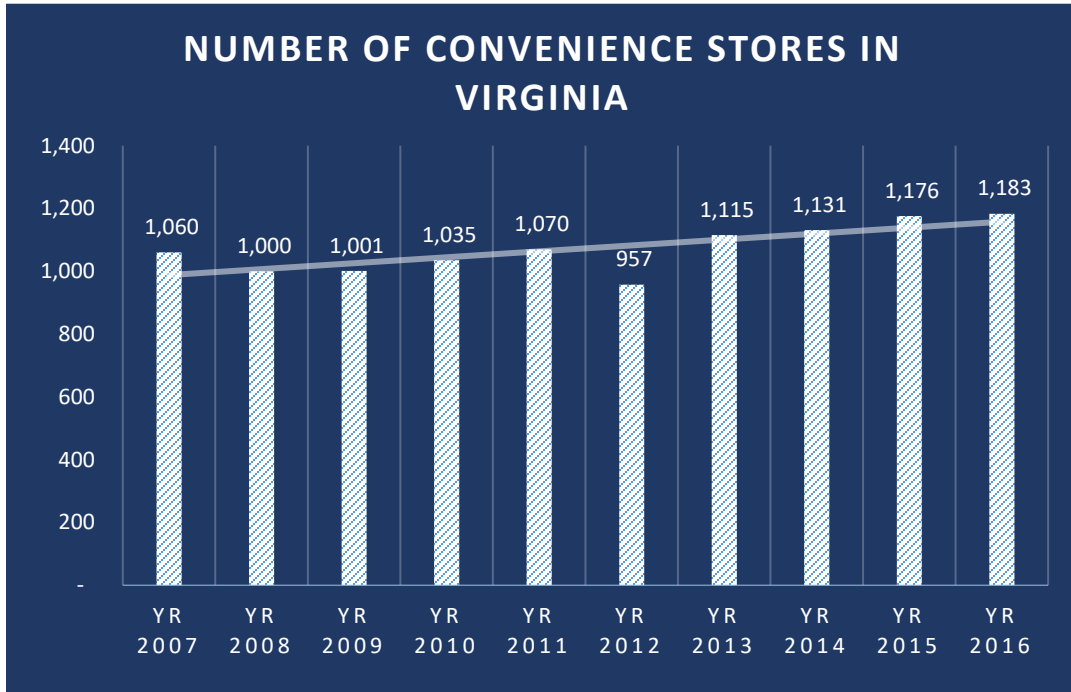


Figure 2: Virginia Convenience Store Employees 2007 - 2016

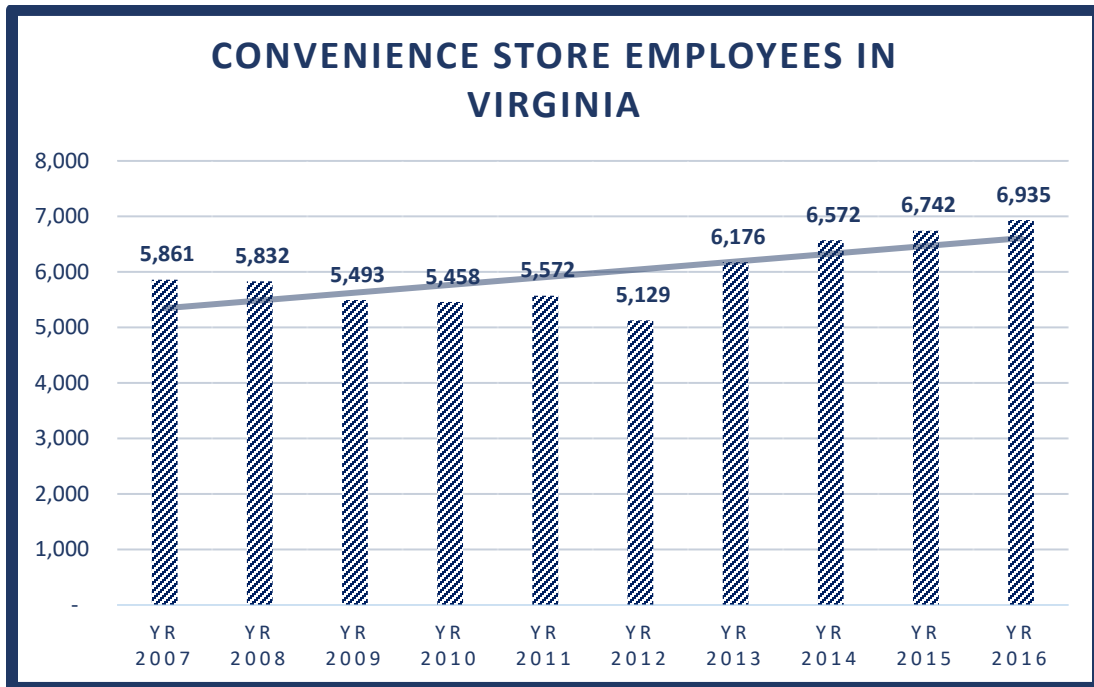
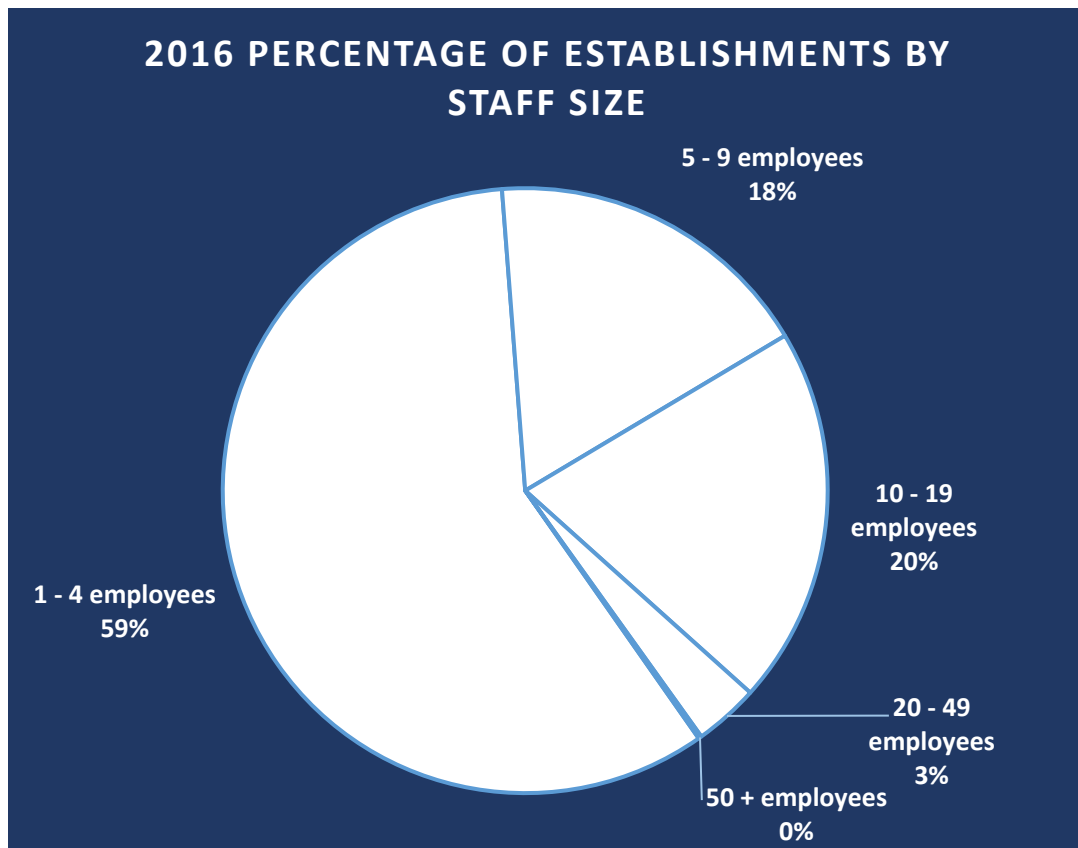


Figure 3: Virginia Convenience Stores Market Share by Staff Size, 2016



Legal Form: Privately owned small businesses (LLCs)

Management/Governance Structure:

Corner stores are predominately owner-operated with limited governance infrastructure. According to the National Association of Convenience Stores, 20.4 percent of all convenience stores do not sell gas, and 62.3 percent of all convenience stores are single-store operators (National Association of Convenience Stores, 2019).

Funding Strategy:

There are five primary ways to finance a convenience store.

1. Conventional loan
2. Small Business Administration 504 and 7(a) programs
3. Asset-based line-of-credit
4. Unsecured business line-of-credit
5. Merchant cash advance (cash advance based on historical sales)

While these loan options on average carry interest rates of 4 percent-9 percent and typically range between 15-25 years, these loans are often considered risky investments. Offered by traditional banks, credit unions or other non-bank lending agencies, these options carry high credit standards and usually require cash liquidity (BoeFly, 2019).

Profitability:

Similar to grocery stores, convenience stores operate with very small profit margins. On average, they earn two percent profit and use a “cash and carry” and “as needed” supply approach through local wholesalers. In some cases, they also work with independent distributors and produce trucks. Price mark-ups range from 50 percent to 100 percent.

Number of Workers:

In 2016 Virginia convenience stores had an average of six (5.86) employees (U.S. Census Bureau, 2016). As small establishments, they are most often family-run businesses that hire minimal additional staff support. The staff size has remained relatively stable since 2007.

Figure 4: Virginia Convenience Store Average Staff Size 2007 - 2016



Size of Operation/Square Footage of Stores:

Corner stores range in size from 800 square feet to 5,000 square feet. Most convenience stores without gas are less than 2,500 square feet. This allows for an easier point of entry in dense urban markets, lower start-up costs than full service grocery stores and minimal inventory (National Association of Convenience Stores, 2019).

Convenience Store Format	Size	Description
Kiosk	800 square feet	Primarily used at gas stations
Mini Convenience Store	800 to 1,200 square feet	Primarily used at gas stations, but also part of the profit margins for the site
Limited Selection Convenience Store	1,500 to 2,200 square feet	Typically offers wider selection including limited hot foods
Traditional Convenience Store	2,400 to 2,500 square feet	Offers a wider selection of food items (snacks, tobacco, beverages, beauty products etc.)
Expanded Convenience Store	2,800 to 3,600 square feet	Larger square footage and more grocery items and extended fast food operations.
Hyper Convenience Store	4,000 to 5,000 square feet	Includes a restaurant, baker, pharmacy, seating areas, etc.

Customer Demographics & Characteristics:

National and state level data on the customer base for convenience stores without gas is limited; however, a 2017 research study done in Minneapolis/St. Paul, Minnesota conducted interviews of over 600 customers at over 100 stores. They examined buying habits using healthy and unhealthy categories of food, and they also recorded customer traits. Below is a snapshot of the demographics they observed of the shoppers. In summary, 83 percent were at least 25 years old, and 53 percent were people of color. Nearly 60 percent of shoppers were male, and 26 percent had a Bachelor's degree or higher. They also found that 63 percent of shoppers had a body mass index of 25 or higher and 37 percent were unemployed or not working (Lenk, Caspi, Harnack, & Laska, 2018).

Comparing race/ethnicity data of the shoppers to the demographics of the broader Minneapolis/St. Paul region, the researchers found that people of color make up 24.5 percent of the total population, but 53 percent of shoppers in this study. In addition, 48 percent of the population in Minneapolis have a Bachelor's degree or higher while only 26 percent of convenience store shoppers do. In short, this study's findings confirm anecdotal evidence that convenience stores tend to locate in low-wealth communities of color (Lenk, Caspi, Harnack, & Laska, 2018).

Demographics of 2017 Research on Convenience Store Shoppers, Minneapolis/St. Paul, MN	
<u>Age:</u> 18-24 – 17% 25-44 – 46% 45+ - 39%	<u>Race/ethnicity:</u> White non-Hispanic alone – 47% Black non-Hispanic alone – 36% Other- 17%
<u>Sex:</u> Female – 43% Male – 57%	<u>Education:</u> High school diploma or less – 38% Some college – 37% Bachelor’s degree or higher – 26%
<u>Employment:</u> Employed – 63% Unemployed/disability – 26% Other (student, retired) – 11%	<u>Body Mass Index:</u> 16.0 – 24.9 – 38% 25.0 -29.9 – 30% 30.0+ – 33%

OPERATIONS

Type of Product Selection/Offering:

Convenience stores predominately sell “energy-dense”, “low-nutritive” foods and drinks, tobacco products and convenience goods. This includes sugary beverages, candy, chips and other snacks, but can also include hot foods, lottery tickets, beer etc. Some convenience stores also offer fresh produce and healthier food options, but this usually occurs through incentive-based programs involving grants, tax relief, training, technical assistance and/or inventory at a reduced cost (Borradaile, et al., 2009).

Regional Partners and Wholesaler/Institutional Supporters: (e.g., local/regional farmers, etc.)

Convenience stores rarely partner; their supply of inventory tends to come from local wholesalers like Costco, Sam’s Club, BJ’s etc.

Social Services:

While convenience stores are known for offering foods with low nutritional value, they are often located in communities with higher than average rates of families that qualify for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and the Supplemental Nutrition Assistance Program (SNAP). To serve these customers, some convenience stores accept these benefits and adjust their inventory to comply with eligible food offerings which include cereal, fruit and vegetable juice, eggs, milk, cheese, peanut butter, fruits and vegetables, whole grains, legumes, infant

formula and canned fish. In Baltimore, social services staff developed a program to increase convenience store participation in the WIC and SNAP programs. They used strategies like storeowner training videos offered in multiple languages, point of purchase promotion, strategic product placement, free display racks and data collection. While some results were promising, more research needs to be done to determine the long-term effectiveness of these types of interventions (Wensel, et al., 2018).

Forms of Advertising:

Convenience stores typically rely on word-of-mouth advertising and use posters, flyers and other forms of printed marketing materials on the exterior of their stores or within windows to attract customers (Gebauer & Laska, 2011).

LOCATIONS AND PHYSICAL ATTRIBUTES

Neighborhood Characteristics and Typical Locations:

While convenience stores exist across urban, suburban and rural locations across the country, they are most common in low-wealth communities of color. A study examining food store locations and corresponding neighborhood characteristics in Mississippi, North Carolina, Maryland and Minnesota shows this tendency. According to this study and illustrated in the tables below, predominantly Black neighborhoods account for the highest share of convenience stores (38 out of 74) and grocery stores (44 out of 105) and only a total of five supermarkets out of a total of 92.

Table 1: National Sample: Number of store types based on race

Industry group	Predominantly Black	Racially mixed	Predominantly White	Total
Supermarkets	5	19	68	92
Grocery Stores	44	27	34	105
Convenience Stores	38	15	21	74
Convenience store with gas	32	46	69	147
Specialty Food Stores	6	8	13	27

Research also shows that convenience stores are located within communities with limited access to private transportation at higher rates. When dissecting the data across income and race, the

inequitable distribution of wealth and corresponding implications for mobility become even more evident. Within the neighborhoods studied, Blacks account for 53 percent of low-income families and only six percent of high-income families. Regardless of income, Black families without a vehicle account for typically double the percentage of White families without a vehicle (Wing, Roux, Poole, & Morland, 2001).

Table 2: National Sample: Demographic trends in neighborhoods studies

Characteristics	Low-income	Low-medium income	Medium income	High-medium income	High income
Population	2,772	3,745	4,280	3,868	4,224
% of residents who are renters	46%	41%	29%	30%	22%
% of residents who are Black	53%	36%	18%	13%	6%
% of households without a vehicle					
White	19%	17%	6%	5%	3%
Black	32%	20%	11%	10%	6%

The tables above reference data taken from Mississippi, North Carolina, Maryland and Minnesota (Wing, Roux, Poole, & Morland, 2001).

Co-location Tendencies:

There is limited research on convenience stores' (without gas) location tendencies; however anecdotally, convenience store locations in rural and low-density suburban areas typically follow convenience store (with gas) location tendencies. Urban area convenience stores (without gas) tend to rely heavily on foot traffic and are concentrated in high density, residential neighborhoods along their commercial corridors or higher-traffic intersections. Convenience stores are typically located in lower-income communities with low-accessibility to full-service grocery stores. They are commonly found in areas considered food deserts and are most often the dominant choice for food purchase within those neighborhoods.

Customer Access to Stores: (walk, bike, car, etc.)

Convenience stores can be located in high or low traffic areas. Their most notable distinction is their ability to locate within neighborhoods to be accessible to pedestrians, bikers or drivers.

Parking Lots and Number of Parking Spaces:

Parking access is a minimal concern for most convenience stores because their primary customers walk or bike to their stores. They are positioned to be most accessible to pedestrians and not drivers.

Community Contributions:

While collective trends in community contributions have not been formally recorded, there is anecdotal evidence supporting the informal community contributions of convenience stores. From stories of residents opening tabs to bartering goods and services with store owners in exchange for store items, convenience stores participate in the low-wealth economy where informal trade and store credit help support the financial subsistence of families. Because many stores are owner-operated, proximity to customers creates an environment where relationships form with the customers. It is within the context of these relationships that owners establish loyal customers and interdependent exchanges within neighborhoods.

NEW AND TESTING FORMATS AND SERVICES

Healthy Corner Stores Initiatives (HCSI):

The Healthy Corner Stores Initiative is a movement to equip convenience stores with healthy food options. This initiative has program models across the country, and The Food Trust based in Philadelphia has led this work since 1992. Their program takes a holistic approach in order to increase the likelihood of sustainability. From support for the owners to education of shoppers, their comprehensive strategies have yielded positive results. They have even developed a National Health Corner Store Network for professional development and shared learning (The Food Trust, 2019). Their strategies are as follows:

- Increasing store capacity to sell and market healthy items in order to improve healthy options in communities
- Training and offering technical assistance to store owners to provide the skills to make healthy changes profitable
- Marketing healthy messages to youth and adults to encourage healthy eating choices
- Hosting in-store community nutrition education lessons
- Educating youth in schools near targeted corner stores to reinforce healthy messages and provide nutrition education through the Snackin' Fresh program
- Linking corner store owners to community partners, local farmers and fresh food suppliers to create and sustain healthy corner stores
- Offering free blood pressure checks and referrals by a Jefferson University health care provider to customers in select corners stores enrolled in the Heart (The Food Trust, 2019)

Local HCSI programs have been funded in part by the Virginia Department of Health. The focus has been to target areas classified as food deserts by the U.S. Department of Agriculture. Participants include eight corner stores within the City of Richmond in the Northside, East End and Southside. Qualitative data obtained from owner and customer testimonials in Richmond show a positive impact in the community, and the photos below show the physical transformation in the stores (Virginia Department of Health, 2019).



(Virginia Department of Health, 2019)

Convenience/Corner Store Networks:

Convenience store networks are an emerging effort in Philadelphia through the Food Trust and also in California through the Los Angeles Food Policy Council to address healthy food access. By establishing a network of stores, storeowners increase their buying power, supply options and professional networks while also building a sense of community with shared values and goals. In Los Angeles, the Food Policy Council created the Healthy Neighborhood Market Network of 25 convenience store owners and provided the following:

- Training
- Procurement Solutions
- Infrastructure improvements
- City-wide marketing/re-branding

Because of these efforts, which were funded through a USDA grant, Skid Row, a community notorious for its large homeless population, now has access to fresh produce and healthy food options in the local convenience stores (Bloch, 2019).

Considerations:

Whether through the Healthy Corner Store Initiative or the work of the Los Angeles Food Policy Council, government grants and subsidies were necessary to launch these efforts. They also took the support and efforts of local organizations to implement the programmatic components of the initiatives

beyond an investment of grants. These efforts require a wide range of strategies to achieve success, and in order for that success to be sustained, much of the infrastructure that was needed to launch these efforts must remain in place to continue them into the future. The Los Angeles Food Policy Council identified the following challenges to sustaining these initiatives:

1. Owner buy-in and education
2. Inventory supply, management and profitability
3. Buyer habits – addressing existing customer habits and cultivating an appetite for healthy food
4. Subsidy – government or private investment of financial, intellectual and programmatic capital
5. Sustainability

All five of these challenges should be addressed in any plans to activate convenience stores as a solution to food deserts. It is important to note that while the case study of Los Angeles has not yet been replicated in a rural community, HCSI strategies have been instituted in both urban and rural convenience stores.

USEFUL INFORMATION SOURCES

National Association of Convenience Stores: <https://www.convenience.org/>

The National Association of Convenience Stores website is an incredibly helpful tool providing research, data and trends across an exhaustive inventory of topics related to convenience stores. Survey data, professional development and certifications, and even a podcast are readily available through this website.

Convenience Store News <https://csnews.com/>

This web site provides news stories and market trends related to convenience stores across the country. The target audience seems to be convenience store owners, and it includes research and data, events and trends to support knowledge sharing for these small business owners.

The Food Trust <http://thefoodtrust.org/>

The Food Trust has been leading the Healthy Corner Stores Initiative for nearly 30 years. Their website offers educational materials, program descriptions and helpful resources, and they also offer consultation to sites across the nation. Resource links:

1. Heart Smarts: Partnering With Corner Stores to Improve Community Health
2. Healthier Corner Stores: Positive Impacts, Profitable Changes
3. Healthy Corner Store Initiative Sell Healthy Guide
4. Healthy Corner Stores as an Economic Development Strategy
5. Fresh Food Retail Development: Corner Store Conversions
6. The Supplier-Retailer Gap: Connecting Corner Stores with Local Foods

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Discount Variety Stores (Dollar General)

By Hunter Wood



ORGANIZATION

Type of Store: Discount Variety Store

Basic Business Model:

Save time. Save money. Every day!®. The basic business model for Dollar General is to open small, no-frills stores in towns that bigger retailers shun; offer a narrow product range; and limit staffing, the better to keep prices cheap, cheap, cheap (Bhattacharyya, 2019).

From the Dollar General website: “Dollar General stands for convenience, quality brands and low prices. Dollar General’s successful prototype makes shopping a truly hassle-free experience. We design small neighborhood stores with carefully edited merchandise assortments to make shopping simpler. We don’t carry every brand and size, just those our customers want the most.”

“Dollar General saves you time by staying focused on life’s simple necessities: laundry detergent, toilet paper, soap, shampoo, socks and underwear...and maybe a gadget or two that you just can’t live without” (Dollar General Corporation, 2019).

Legal Form: Publicly Traded Company/Corporation: (NYSE:DG)

Management/Governance Structure: N/A: Corporate Structure

Funding Strategy: N/A: Corporate Structure

Number of Workers:

As of September 9, 2019, Dollar General employed 140,000 individuals across 44 states. The number of employees employed by each location is 8-10 workers (Dollar General Corporation, 2019)

Size of Operation/Square Footage of Stores:

Dollar General is now the largest retail chain by store count in the U.S. As of May 2019, the total count was 15,472 with a total of 975 stores opening in 2019. Stores range from 7,000 square feet to 10,000 square feet. Newly developed stores typically use Dollar General’s 7,300 square foot model (Phil Wahba, 2019).

Average Number of Customers/Day:

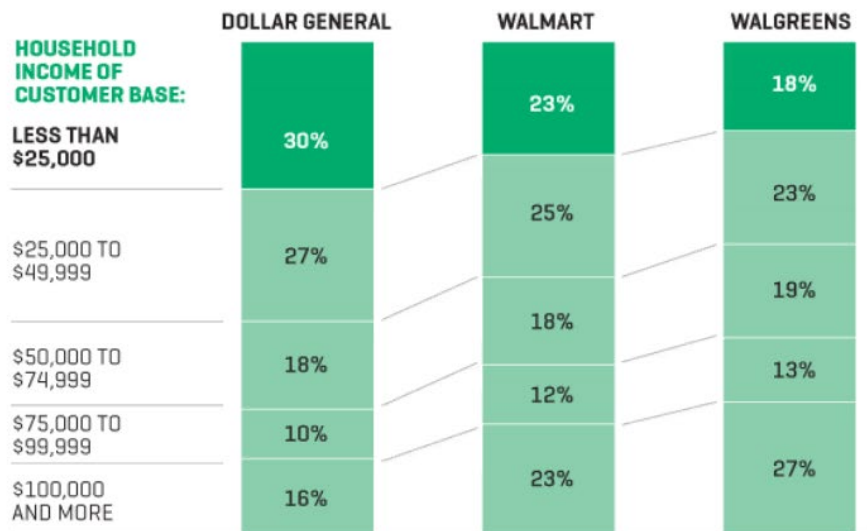
Customer traffic volumes vary greatly depending on market.

Customer Demographics & Characteristics:

In a 2016 ICSC (International Council of Shopping Centers) Retailer Overview, the average income per household shopper was \$20,000 - \$75,000. According to 2018 KANTAR data below, 57 percent of the Dollar General customer base has an annual household income of less than \$50,000 (Phil Wahba, 2019).

HIGH RETURNS ON LOWER INCOMES

Dollar General gets a much larger share of its business from low- and lower-middle-income households than its rivals do.



SOURCE: KANTAR

OPERATIONS

Type of Product Selection/Offering:

"We don't carry every brand and size, just the most popular ones. We sell products from some of America's most-trusted brands such as Clorox, Energizer, Procter & Gamble, Hanes, Coca-Cola, Mars, Unilever, Nestlé, Kimberly-Clark, Kellogg's, General Mills, and PepsiCo. Additionally, we carry high-quality private brands to provide customers with more options to purchase products at substantial discounts to national brands. Our private brands include Clover Valley®, true living®, DG Home®, Good & Smart®, Gentle Steps®, DG Health®, DG Office®, Comfort Bay®, Bobbie Brooks®, Smart and Simple® and more" (Dollar General Corporation, 2019).

Dollar General carries between 10,000 and 12,000 unique products (SPU's). Carrying a limited number of items and buying in bulk allows Dollar General more buying power with suppliers (Hanbury, 2019).

Products	
Cleaning	Baby
Pet	Toys
Health	Apparel
Personal Care	Auto & Hardware
Food & Beverage	Seasonal
Household	Party & Occasions
Office Supplies	Outdoor Living
Beauty	School Supplies

Source: Dollar General Website

Regional Partners:

Not Available

Wholesaler/s Institutional Supporters:

Not Available

Forms of Advertising:

Dollar General advertises with Dollar General Media Network. Below is a diagram shown on the Dollar General Website that explains some advantages in their marketing (Dollar General Corporation, 2019).

DG Media Network Advantages

Brands can customize their ad campaigns and deliver highly-targeted, personalized advertising and promotional content to known DG shoppers across the web, including all DG channels, Quotient's flagship consumer brand, Coupons.com, plus third-party properties including major digital publishers and social media channels.

Engage more shoppers and drive more sales with:



Proprietary Audience Data

Reach millions of verified DG buyers with precision at scale based on data that reflects past purchase behavior and future purchase intent.



Appropriate Media Channels

Connect with ready shoppers at the right time, wherever they are, with brand-safe, and contextually relevant digital media including web, app, mobile, email, and social/influencer media.



Mobile-Focused Creative Digital Ads

Engage shoppers with compelling in-ad calls-to-action, such as digital coupons or in-store specials, that look great on any screen.



Insights-Driven Analytics

Measure media engagement, promotional performance, and sales impact (assuming scale feasibility) to assess a campaign's effectiveness, develop insights, and optimize future campaigns leveraging DG's direct POS data.

The diagram shows how Dollar General uses big data to understand their customers and specialize their marketing.

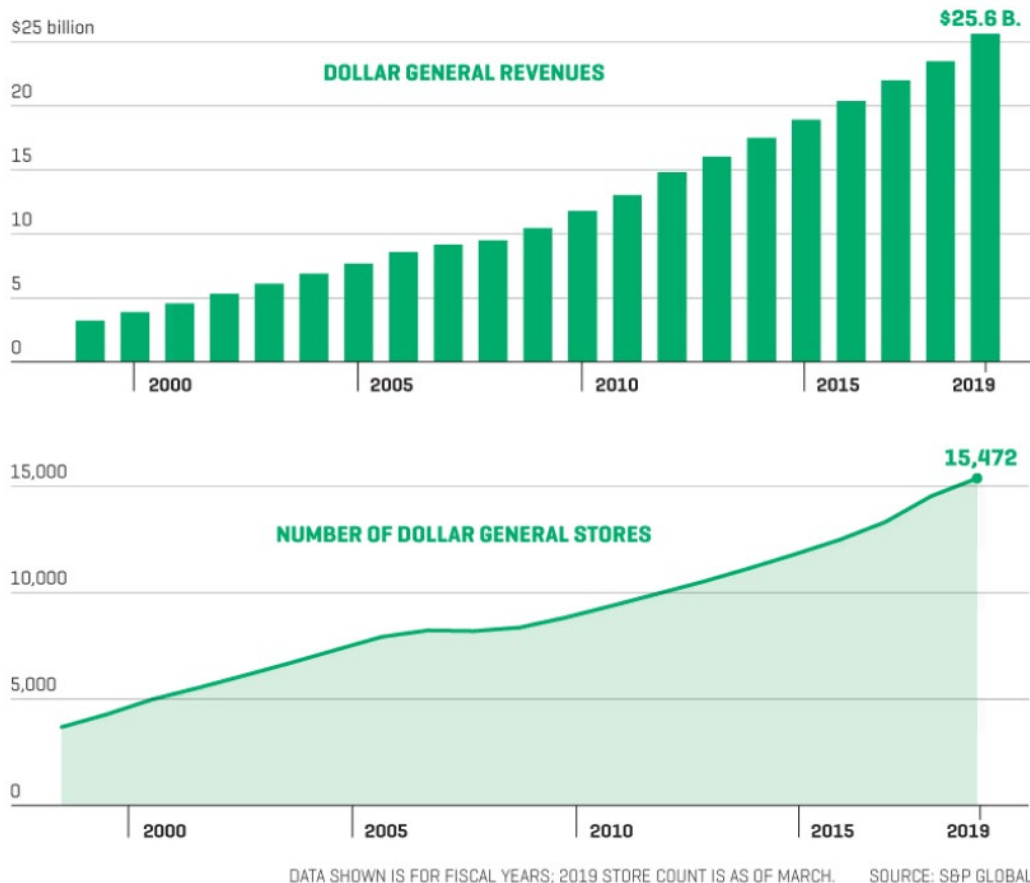
LOCATIONS AND PHYSICAL ATTRIBUTES

Typical Locations:

Dollar General is expanding rapidly in rural America and primarily seeks locations where other retailers won't go. "With its convenient locations for frugal shoppers, it has become one of the most profitable retailers in the U.S. and a lifeline for lower-income customers bypassed by other major chains" (Nassauer, 2017). Dollar General relies on rapid store openings to keep revenue climbing and investors happy; 2018 marked its 29th consecutive year of sales growth in stores open at least a year.

STEADY CLIMB

Over the past two decades, Dollar General's store count has more than quadrupled, while revenue grew almost eightfold. The chain is now the nation's largest retailer by number of stores.



Co-location Tendencies:

Not Available

Number of Residents & Workers in Market Area:

Not Available

Customer Access to Stores: (walk, bike, car, etc.)

Not Available

Parking Lots and Number of Parking Spaces:

Not Available

Community Contributions:

Dollar General views “Serving Others” as a critical mission for its corporate responsibility. The four pillars of this mission are:

- Customers – Safety & Regulation, Workplace Conditions Auditing, Training
- Employees – Employee Assistance Foundation, Training/Development Opportunities, Diversity & Inclusion
- Communities – Dollar General Literacy Foundation, Children’s Health, Holiday Support, Disaster Recovery
- Shareholders – Board Committees, 2020 Women on Boards

Dollar General provides an annual “DG Servicing Others Report” (Dollar General Corporation, 2018)

NEW AND TESTING FORMATS AND SERVICES

DG Fresh:

A key part of Dollar General’s increased spending this year will involve taking more of the distribution of perishable items, mostly fresh and frozen goods, in-house. DG Fresh will allow Dollar General to cut product costs, keep items in stock better and carry more of the fresh items under both national brands and an expanded private label assortment.

“We expect DG Fresh to allow us to do a better job of tailoring our product selection to fit the needs of our customers, particularly in rural areas,” Dollar General CEO Todd Vasos said. “Think of the opportunity, especially when many rural markets are so-called food deserts. Last year, Dollar General unveiled a line of what it described as healthier food options to cater to increased consumer demand” (Cheng, 2019)

DG GO!:

DG GO! is another way Dollar General is differentiating itself from the competition. DG Go! is a scan-and-go, in store, payment app. A key feature is the cart calculator that allows their customer base to budget while shopping.

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Farmers Markets

By Chesley De Leon



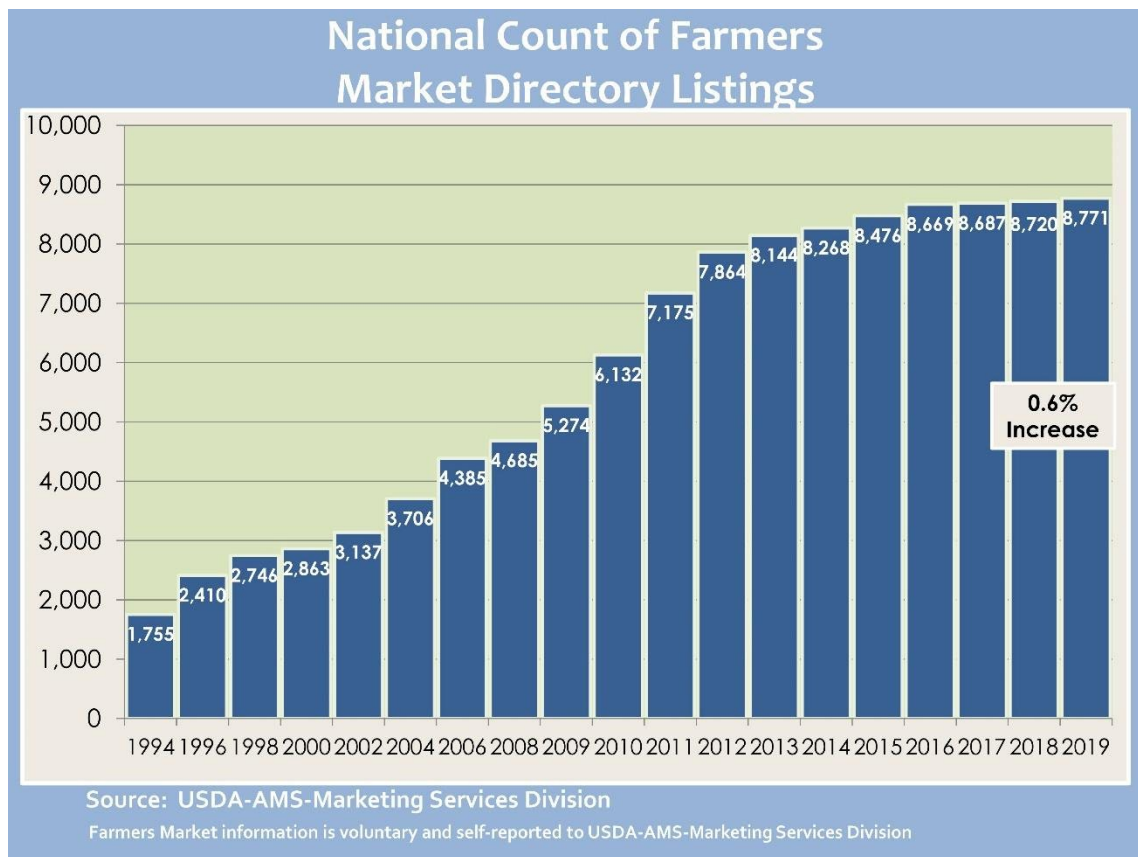
ORGANIZATION

Type of Store: Farmers Markets

Basic Business Model:

The USDA’s Agricultural Marketing Service (AMS) defines farmers markets as “markets that feature two or more farm vendors selling agricultural products directly to customers at a common, recurrent physical location” (Agricultural Marketing Service, 2019). As shown in Figure 1, the popularity of farmers markets has greatly increased across the nation in recent years. As of October 2019, there are 8,788 farmers markets nationwide (Agricultural Marketing Service, 2019). Farmers markets can be incorporated into public markets. The two market types share similar characteristics; however, they have distinct differences.

FIGURE 1. Farmers Markets in the U.S. from 1994 to 2019 (Retrieved from the USDA Agricultural Marketing Service)



Farmers markets are exclusively local and producer only markets. Since farmers markets depend on selling local and fresh products, the peak market season is the peak harvest season (Farmers Market Coalition, 2019). Therefore, farmers markets are temporary and outdoors. They generally operate once or twice a week during the peak seasons of spring, summer, and early autumn (Michigan State University Extension, 2013).

Public markets are not exclusively local because they also offer non-farmer and non-producer vendors, packaged and prepared foods, and non-food products. Since public markets are not limited by their products, they are able to operate permanently and indoors. Due to their extended seasons/hours of operation and wider variety, public markets are generally larger than farmers markets (Michigan State University Extension, 2013).

Both farmers markets and public markets directly connect food producers to consumers and offer local food to the public. Each market creates policies as to what can and cannot be sold by vendors (Michigan State University Extension, 2013). Every market, whether farmers or public, is different and varies by size, location, operating seasons/hours, and popularity. However, both have the same goals of providing consumers with clarity and assurance when purchasing goods directly from the producer.

Legal Form:

Anyone can start a farmers market - city governments, farmers, community groups, business associations, individuals, or a combination of any of these groups (Desmond, 2005, p. 6). Therefore, there are several legal forms of business to choose from when establishing a market. The market can be overseen by private sponsorship from a for-profit business – which includes sole proprietorship, partnership, corporation, and limited liability company (LLC) – or a nonprofit organization. The market can also be operated under an umbrella organization, such as a larger for-profit or nonprofit business. The umbrella organization can also be a public authority, such as city or local government, which would categorize the market as under public sponsorship. Typically, farmers markets are run by nonprofits or umbrella organizations. Nonprofits are eligible for grants and tax exemptions, while umbrella organizations do not hold a single individual or small group solely accountable for the costs and responsibilities of the market (Desmond, 2005, p. 56-58).

Management/Governance Structure:

Unless a market is a sole proprietorship, it has a board of directors and a market manager. The board of directors, also known as the governing board, is responsible for broad and long-range decision making and planning. The board provides vital guidance and support to ensure that the market's mission

and goals are achieved. They develop and establish the market bylaws and market rules, which the manager must invoke and to which the vendors must adhere. Additional duties include overseeing marketing and promotional activities, developing funding strategies, acquiring insurance, and establishing an annual budget. The board is also in charge of hiring a market manager (Desmond, 2005, p. 61-68).

The market manager has his/her boots on the ground and oversees the day-to-day operations of the market. His/her responsibilities include assigning stalls/spaces to vendors, recruiting new vendors, and enforcing the market's rules to assure that the vendors abide by them. He/she also must review the budget and record the market's expenses and income. Furthermore, he/she enlists volunteers and engages with the community (Desmond, 2005, p. 72-73). Since his/her boots are on the ground, the manager is seen as the face of the market and serves as the primary contact between the board, vendors, customers, etc. (Mainville, 2010). Typically, the board of directors and the market manager work closely together to nurture a mutually beneficial relationship that will guarantee market success.

Funding Strategy:

A market's funding strategy is dependent on the business structure of the market. The start-up costs of a market will most likely be covered by the founding organization and/or local partners. A majority of markets collect vendor fees through stall/space payments or membership dues. The market may also be eligible to receive grants from government agencies or nonprofits (Desmond, 2005, p. 47). Other funding sources include community and/or private sponsors and donors. Markets can also hold fundraising events that will benefit their revenue and popularity (Farmers Market Federation of New York, 2013, p. 36-37).

Number of Workers:

The number of workers a market needs varies and depends on the seasons/hours of operation and the size of the market. If a market operates year-round and has 100 vendors, the market demands more attention. So, the market might need to employ several workers in order to accomplish tasks in a timely manner. However, if a market is set up once a week and has only 10 vendors, the market is less labor intensive.

As stated earlier, there is always a board of directors and a market manager. Based on the market's finances, the budget accounts for the manager's salary but not the board's salary (Farmers Market Federation of NY, 2013, p. 36). The board of directors consists of people who helped establish the market, vendors of the market, and/or influential and dedicated community members (Desmond,

2005, p. 64-65). These members already have a source of income from an external force and volunteer their time to supervise the market. Therefore, in terms of paid workers, the market manager is usually the only paid employee. This explains why he/she must be capable of handling various responsibilities and duties. He/she can also recruit volunteers and delegate small tasks to them, such as helping with the set-up and break-down of the market.

Size of Operation/Square Footage of Stores:

The size of the market varies and depends on the seasons/hours of operation, the location, and the number of vendors. As stated earlier, a farmers market is comprised of two or more vendors. So, a site can be small and have space for only 5 vendor stalls or it can be large and accommodate 105 vendor stalls. Also, if the market is located inside, its growth is restricted by the building's size. However, if the market is outside, its growth does not need to be monitored since it will be easier to extend the site.

Ideally, the site is at least 40,000 square feet and can house two rows of vendor stalls (Desmond, 2005, p. 43). The market also must be mindful of the space needed for vendors to unload and load products, and it should have space to accommodate events and potential expansion in the future (Farmers Market Federation of NY, 2013, p. 49).

Average Number of Customers/Day:

The number of customers varies and depends on the seasons/hours of operation, the location, and the number of vendors. If the market is outside, its success is very weather dependent. If it's too hot, freezing, and/or raining, a market may report a decline in customers because they did not want to venture outside in inclement weather. However, there might be a great influx of customers if it's a sunny and inviting day outside. Also, a high number of vendors and larger variety of products will entice more customers rather than five stalls that sell similar products. A survey conducted by the USDA Agricultural Marketing Service in 2006 reported that the average number of customers per week at year-round markets was 3,622. The average number of customers per week at seasonal markets was 601 (Ragland & Tropp, 2009, p. 35).

Customer Demographics & Characteristics:

The demographics of customers vary and depend on where the market is located. There have also been few studies on the customers that shop at farmers markets. However, the typical customer is more likely to identify as female. The average age of the customer is over 40 years old (Byker, Shanks, Misyak, & Serrano, 2012). A market normally does not attract people with incomes lower than \$12,000 and higher than \$200,000 (Farmers Market Federation of NY, 2013, p. 11). So, the typical customer has a

middle to high income level and has attained at least some level of college education. Also, the average customer is willing to travel six to seventeen miles in order to get to the market (Byker et al., 2012).

The customer base cannot only be studied based on demographics, but also by motivational factors and personal preferences. The characteristics of an average customer are better at indicating whom markets attract. The customer base shares a mutual interest in fresh food, high-quality food, supporting local agriculture, and the social appeal of the market. Also, if a person thoroughly enjoys cooking, gardening, and has an interest in health foods, he/she is more likely to shop at a farmers market (Byker et al., 2012).

OPERATIONS

Type of Product Selection/Offering:

The product selection at markets always represents the region's agriculture with an emphasis on the products being fresh and local. The definition of "local" differs from market to market, but generally means that the products come from a limited distance, within the state, within a multi-county region, or within a multi-state region (Farmers Market Coalition, 2019). The product selection includes unprepared items, like fruits, vegetables, eggs, dairy, meat, seafood, nuts, and herbs. The prepared items include baked goods – such as bread and pastries – and value-added items – like salsas, jams, nut butters, and specialty oils. There can also be non-food products, such as flowers and locally-made arts, crafts, and jewelry (Desmond, 2005, p. 3). Although the product selection can vary, the market always makes sure that the vendors produce what they sell and that the products are from a certain area. This guarantees that the customers are purchasing locally-grown, locally-made, and/or locally-processed goods (Farmers Market Coalition, 2019).

Regional Partners:

Partnerships and community support are crucial to the establishment and development of markets. Since markets are heavily community-based, there are numerous partners with whom to connect and collaborate. The list includes community gardens, economic development corporations, food pantries and soup kitchens, local government, and religious groups. It is important to involve organizations and people who understand and endorse the mission of the market and want to see it succeed (Desmond, 2005, p. 14-15).

Wholesaler/s Institutional Supporters:

There is no ambiguity as to who the wholesalers are at a farmers market because they are the vendors directly selling their products to the consumers. Depending on what the market allows to be sold, the vendors can be farmers, farm-to-table restaurants, artisans, and/or jewelry makers.

Other Goods & Services: *(See above under Type of Product Selection/Offering)*

Social Services:

Markets can increase the public's awareness of the market and of access to fresh, local, and healthy food via educational programs and social events. Vendors can provide added customer service by offering tips on meal preparation, food-care instructions, and/or recipes (Desmond, 2005, p. 92). The market can also invite local chefs for cooking demonstrations using products sold at the market (Desmond, 2005, p. 99). These services break down barriers that farmers markets tend to face as they provide knowledge, inclusion, and comfort to the customer.

Forms of Advertising:

Markets can advertise or promote themselves in several ways. The market can create social media accounts and posts about their organization and its mission on Facebook, Twitter, and/or Instagram. They can display signs and banners in and near the market area to increase their visibility and draw the attention of passersby. They can also hang up and post fliers and posters around the area in well-trafficked street corridors, businesses, and public buildings (e.g. schools or libraries). Additionally, the market can write and send out press releases in order to capture the attention of media outlets, such as newspapers, radio stations, and television stations. Lastly, since markets reflect the community, they should develop and execute creative and engaging public events. For example, the market can organize raffles, cooking demonstrations, and/or have live music (Desmond, 2005, p. 98-99).

LOCATIONS AND PHYSICAL ATTRIBUTES

Typical Locations:

The location of markets varies and depends on the seasons/hours of operation and the number of vendors. If a market is open year-round and on a daily basis, it should be located inside a permanent structure in order to protect the market from the weather and other outdoor elements. Typically, indoor markets are housed in market halls, which are specifically built for public and farmers markets. If a

market is seasonal and open once or twice a week, it usually operates as a “pop up” and is set up temporarily underneath tents and/or pavilions in a commonplace location. The site can be a park or parking lot that is used for other purposes when the market is not operating (Michigan State University Extension, 2013).

Co-location Tendencies:

The co-location tendencies of markets vary and depend on where the market is located. If the market is located in a park in a suburban neighborhood, the market will be conveniently located near its potential customer base. However, a suburban market does not encourage one-stop shopping since it is secluded from other retailers. If the market is located in the city center or downtown district, it is close by offices and other retailers. This location will draw in workers on weekdays, but it is far away from residents who live in the periphery and do not want to travel into the area on weekends.

Number of Residents & Workers in Market Area:

The number of residents and workers in the market area varies and depends on where the market is located. If the market is located in a park in a suburban neighborhood, the number of residents will exceed the number of workers in the area. However, if the market is located in the city center or downtown district, the number of workers will trump the number of residents in the area.

Customer Access to Stores:

The customer access to markets varies and depends on where the market is located and how much the customers buy. Customers living and/or working near the market can walk or bike, but if they are purchasing a lot of goods, they might opt to drive. Customers living and/or working far from the market and are willing to travel to it can drive or take public transportation. However, public transportation is only an option if the market is situated near it.

Parking Lots and Number of Parking Spaces:

The parking lot size of a market varies and depends on the location and size of the market. If the market is located in a park in a suburban neighborhood, the customers can use the existing parking lot. They can also parallel park on the street, as long as there are no restrictive signs. If the market is located in the city center or downtown district, parking spaces may be limited right by the market, but there could be surface lots and/or parking garages in walking distance from the market. The parking lot size

also accounts for space needed for vendors to unload and load tents, tables, chairs, products, and other supplies (Desmond, 2005, p. 44).

Community Contributions:

Markets provide a unique experience for the community because they cut out the middleman and directly connect consumers to the person who grew and/or made their food. This interaction makes it easy for farmers, vendors, customers, and communities to cultivate personal connections and bonds. (Farmers Market Coalition, 2019).

CASES

TABLE 1. Three Markets in Virginia/Washington D.C.
Sources: River Street Market, Eastern Market – D.C., Grow RVA, & ReferenceUSA

River Street Market Petersburg, VA Farmers Market		Eastern Market Washington D.C. Public Market		South of the James Market Richmond, VA Farmers Market	
Year Founded	2017	Year Founded	1873	Year Founded	2007
Years of Operation	3	Years of Operation	146	Years of Operation	12
Operated By	Nonprofit organization	Operated By	Government organization	Operated By	For-profit organization
Seasons of Operation	Seasonal: April to October Every Saturday	Seasons of Operation	Year-round Tuesday to Sunday	Seasons of Operation	Year-round Every Saturday
Location	Outdoors: privately-owned parking lot in downtown, historic district	Location	Indoors: historic public market building in city center	Location	Outdoors: city-owned park in a suburban, residential area
Size	5,000 to 10,000 square feet	Size	40,000 to 99,999 square feet	Size	20,000 to 39,999 square feet
Number of Vendors	35	Number of Vendors	100	Number of Vendors	120

USEFUL INFORMATION SOURCES

National Farmers Market Directory – Online Directory

<https://www.ams.usda.gov/local-food-directories/farmersmarkets>

The Farmers Market Directory lists markets that feature two or more farm vendors selling agricultural products directly to customers at a common, recurrent physical location. Maintained by the [USDA'S] Agricultural Marketing Service, the Directory is designed to provide customers with convenient access to information about farmers market listings, to include: market locations, directions, operating times, product offerings, accepted forms of payment, and more. The directory is frequently updated and contains almost 9,000 farmers markets nationwide.

Starting a New Farmers Market – Book <http://sfp.ucdavis.edu/files/144703.pdf>

This 104-page manual is the first in a three-part professional development curriculum for farmers market managers. The first volume, *Starting a New Farmers Market*, examines the start-up process, and can be useful for both beginning and veteran farmers market managers. Desmond Jolly of the University of California's Small Farm Center directed the project and edited the series.

Farmers Market Coalition – Web Page <https://farmersmarketcoalition.org/>

The Farmers Market Coalition (FMC) is a 501(c)(3) nonprofit dedicated to strengthening farmers markets across the United States so that they can serve as community assets while providing real income opportunities for farmers. FMC works to equip market managers and farmers with the tools necessary to run successful markets, while also supporting research that promotes widespread understanding of the impact of farmers markets. Information is shared through webinars, newsletters, and our Resource Library. The site is a valuable resource of general information about markets and its Resource Library contains a plethora of external government, nonprofit, and educational sources.

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Food Banks

By Gabriella C. Pino-Moreno



ORGANIZATION

Type of Store: Food Bank - Feeding America (Feed More), Community Food Bank, Inc. (Chesterfield Food Bank)

Basic Business Model:

Food banks are centered around mass storing and distribution of healthy foods to individuals, local food pantries, schools, and other local organizations that distribute food to the community.

“Our mission is to feed America’s hungry through a nationwide network of member food banks and engage our country in the fight to end hunger” (Feed More, 2019).

“There are families in our shared communities that go to bed hungry every night. Chesterfield Food Bank strives to stop that from happening. We proudly serve a variety of our neighbors, the majority of whom do not qualify for government assistance” (Chesterfield Food Bank, 2019).

Legal Form: Nonprofit Organization

Management/Governance Structure:

Food banks are run by their board of directors as well as several paid employees. The purpose of the board of directors within a nonprofit organization is to oversee the organization’s activities and vote on the organization’s affairs. They focus on establishing the goals, mission, and strategies to be carried out by the management, who are responsible for the on-the-ground implementation. The president of the board supervises the business of the board. The secretary keeps the meeting minutes as well as organizational records. The treasurer oversees the receipts and disbursements in the organization’s books (Foundation Group, 2018). The board of directors is voted on annually and must have a minimum of one person on it. There are no residency or membership requirements and board members must be voted in through a majority vote. A committee consists of two directors. Officers prepare minute meetings and authenticate records for the board. There may be two or more officers present within each board so long as the board has voted on it. Chesterfield’s board has eight directors while Feed More’s board has twelve. Organizational membership is optional and annual member meetings are required. A quorum can be reached with 1/10th vote (Harbor Compliance, 2019).

Funding Strategy:

As nonprofits, food banks rely solely on external donations. These donations can come from individuals, foundations, bequests, or corporations. There is also the option to volunteer time and space

by holding a food drive. Food donated by individuals is also considered valuable because it increases the amount of food the bank can disperse to the community.

Number of Workers:

Food banks are nonprofit organizations, they have very few paid employees and use many community volunteers on the local level. These paid employees are in staff management roles such as “volunteer coordinator” or “senior leadership manager”. They are not concerned with paying large numbers of people for labor, so factoring in a city’s/region’s/county’s workforce is not considered in a location decision-making process.

- Chesterfield Food Bank - 5 paid staff, over 8,000 volunteers annually (Chesterfield Food Bank, 2019)
- Feed More - Over 200 volunteers a day (Feed More, 2019)

Nonprofit food distribution organizations are more interested in being in proximity to weak labor markets, or areas of high unemployment, because that is a usual indicator of low food access.

Size of Operation/Square Footage of Stores:

Food banks can store up to millions of pounds of food each year (Feed More, 2019). These headquarters locations typically occupy large lots with no other businesses connected or occupying the plot of land.

- Feed More - Over 36,000 square feet, Community Kitchen - 5,400 square feet (Feed More, 2019)

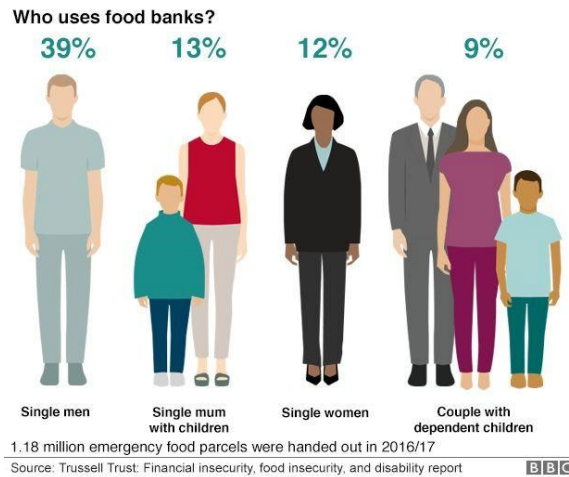
Food banks act as storage and distribution locations for smaller organizations that work within communities to fight hunger. These community organizations must be 501(c) organizations, which can be located anywhere dependent on the locality’s land use laws. For example, a church can have a food pantry within it. Churches can be located on major city streets or rural roads.

Average Number of Customers/Day:

This varies depending on where the food bank is located as well as the number of community partners with. It also depends on how many food insecure people live within the food bank’s area of operation.

- Chesterfield Food Bank - 1,800 people a week (Chesterfield Food Bank, 2019)
- Feed More’s programs and network agencies - 52,000 meals a day (Feed More, 2019)

Customer Demographics & Characteristics:



British Broadcasting Corporation (BBC) cites single men as being the demographic that depends the most on services provided by food banks. However, in 2009 Feed More assisted over 14 million children and 3 million senior citizens of the 37 million people assisted. Most food banks lead with the focus on children and ending child hunger, so there are many programs around feeding children throughout the entire year. However, there are several other demographics that they target as well:

- Working single mothers
- Low income individuals
- People facing emergency food shortages
- People receiving SNAP, EBT, and WIC
- Senior citizens living on social security
- Veterans on disability
- Unemployed persons
- Victims of disaster
- Homeless persons
- People living in food deserts/have trouble accessing food

The social services section goes into greater detail on the types of people targeted for food assistance and how the organizations address food insecurities in those demographics through different programs.

OPERATIONS

Type of Product Selection/Offering:

Food Banks distribute fresh produce, dairy, meat, fish, nonperishable food items, etc.

Regional Partners:

In order to partner with a food bank such as Feed More, a location must be a church, school, or 501(c) nonprofit that is devoted to alleviating community hunger through various programs that provide reduced price or free food. Feed More is looking for agencies specifically in the Central Virginia area, however they are not currently accepting applications.

- “Feed More’s Agency Network is made up of close to 300 nonprofits and community organizations, including pantries, churches, emergency shelters, rehab centers, soup kitchens and senior and child care centers...Spread across our 34 city and county service area, the members of our Agency Network are pretty diverse. From small church-based organizations that rely solely on volunteers to more sophisticated operations that include a formal Board of Directors and employees, we appreciate the support of all our agencies” (Feed More, 2019).
- Feed More (2019) Kids Cafe - In order to receive meals, a site must be a non-profit that is in a school zone whose free and reduced meal eligibility is greater than 50 percent. This program would be ideal for Petersburg, Virginia and Petersburg City Public Schools where over 90% of children are eligible for free and reduced fair lunches (Petersburg City Public Schools, 2019).
 - Free breakfast and/or lunch provided to children to ensure they get the nutrition needed to learn, play and grow during the summer
 - Program is open to children/teens who are 18 years and younger and for people over the age of 18 who have a disability and participate in a school program
 - Sites must be in the attendance area of a public school (elementary, middle or high school) where at least 50% of the students are eligible for free or reduced-price meals
 - Children / teens may be enrolled in a program at a site or drop-in during breakfast and/or lunch times. State and/or local licensing and health and safety standards must be met
 - info@FeedMore.org
- The link provided below is a search tool that shows the existing Food Bank supported agencies by zip code. This tool can help anyone in the Central Richmond area facing a food emergency find a Feed More sponsored food distributor within their locality.
 - <http://webforms.cvfb.org/agencylisting/searchagencies.php>

Wholesaler/s Institutional Supporters:

Below are lists of all the specific companies and local organizations that support the Chesterfield Food Bank and Feed More through both food, resources, and fund donations.

- Chesterfield Food Bank (2019)
 - A1 Steem It Inc., Argent Credit Union, Bankers Insurance LLC, barco Construction Co. of VA, Blue Moon Enterprises, Bon Air Rotary, C&F Bank, Caremore, Cavalier Coach Inc., Chesterfield Credit Union, Columbus Gas, Dixon Hughs Goodman, Electric Power Inc, Emerson Companies LLC, eTec Fire Protection, Excel Truck Group, GFWC Worthington Woman’s, Haley Buick GMC Midlothian, Hampton Parks Men’s Club, Huguenot Trail Rotary, Junior Federation Woman’s Club, Knights of Columbus Council, Life Lessons Family Service, Matoaca High School, MMG Insurance Company, N.B. Goodwyn & Son, P.R.O.C. Foundation INC, Piedmont Mini Storage, Preceptor Beta Omega, Primrose School, Simpkins

Powerwashing LLC, The Pit Crew, Trading as Suited for Success, VA Credit Union, Woodmen of the World, AA

- Feed More (2019)
 - Infotel, Wells Fargo, The Cameron Foundation, Performance Food Service, The Cabell Foundation, Capital One

Food can be obtained through a variety of different companies. Food banks solicit donations from local grocery stores such as Kroger, of non-perishable food items. Another way is to solicit donations from large-scale food manufacturing companies such as Performance Food Services. Other sponsors within the two lists name local schools, organizations, and businesses who raise funds and foods by themselves and then donate them to the food bank. There is no reported required number of sponsors. This is important because it is an example of how having a diverse donor pool is imperative to the efficiency of a food bank's mission.

Other Goods & Services:

- Hot meals through their community kitchens and community partnerships.
- Chesterfield
 - Every Friday night at the headquarters location (Iron Bridge Road) and every Saturday at community distribution centers (Hopkins Elementary, Reams Road Elementary, Ettrick Elementary, Chalkley Elementary). Also have the Jefferson Davis Hot Meals program. (Chesterfield Food Bank, 2019)
- Feed More
 - None at the headquarters location, all meals are made at headquarters and then distributed to community partners through collaboration programs. Over 300 agencies in distribution network which include local schools, churches, YMCA, Boys and Girls Club, soup kitchens, care centers, food pantries, and grocery stores: Kroger, Aldi, BJ's, Costco, Target, Food Lion, Walmart, Wegmans, Whole Foods, Trader Joe's, Sam's Club. (Feed More, 2019)

Social Services:

- Chesterfield Food Bank (2019)
 - Food on the Move - weekly food distribution to Hopkins Elementary, Reams Road Elementary, Ettrick Elementary, or Chalkley Elementary.
 - Kids Summer Food Program - providing children dinner meals during the summer (June - September) time at 7 distribution locations
 - Jefferson Davis Hot Meal Program - 5 different partnering locations that provide hot meals Monday through Friday.
 - Pantry Partners Program - partnering with pantries in the Chesterfield/Richmond/Colonial Heights area to provide food for community members

- Feed More (2019)
 - Hunger Hotline - connecting people with food/resources
 - Kids Cafe - meals made in the Community Kitchen and then dispersed to after school programs throughout region
 - Weekend Backpacks - providing children who do not have food/resources during the weekend/breaks with backpacks of food
 - Summer Food Service Program - Children under 18 receive free meals at various sites across region
 - Mobile Pantry – Partnership with Kroger: distributes food to people in underserved communities with limited access to food
 - Meals on Wheels - delivers meals to the homes of senior citizens
 - Commodity Supplemental Food Program (CSFP) - provides supplemental food for seniors
 - The Emergency Food Assistance Program (TEFAP) - providing food for low-income families who are facing an emergency food shortage

Forms of Advertising:

Food banks use a variety of different forms of advertisement to solicit funds and donations, bring awareness to issues surrounding hunger, interest potential volunteers, and notify the public that they have accessible resources. Television and radio commercials, billboards, online graphic ads, and local posters are all popular forms of advertisement. In addition, many nonprofits use direct mailers to engage their supporters and solicit additional funds from those who have previously donated to the organization (Tempel, 2016).

LOCATIONS AND PHYSICAL ATTRIBUTES

Typical Locations:

- Chesterfield Food Bank - located along major corridor Iron Bridge Road, only accessible by car or potentially bicycle
- Feed More - located off of I95 exit as well as a block away from bus stop with routes 14, 1A, 1B, and 1C. Could also be accessible on bicycle

Co-location Tendencies:

Both surrounded by retail and service establishments

- Chesterfield Food Bank - Patient First, Walmart,
- Feed More - Diversity Thrift, Micheal & Sons, Salvation Army, Hardywood

These two locations are the only food banks within the Central Richmond Region and are located within 20 miles of each other. They are both located within a 5-mile radius of several grocery stores:

- Chesterfield Food Bank - Walmart, Target, Dollar General, Aldi, Lidl, Kroger, Food Lion,
- Feed More - Kroger, Adli, Lidl, Walmart (Campus), Farm Fresh

Number of Residents & Workers in Market Area:

Richmond-Petersburg Metro Statistical Area population: 1.3 million or 15% of Virginia's population (Greater Richmond Partnership, 2018).

Customer Access to Stores:

Most people drive to both of the headquarters locations but are able to either access distribution locations through other methods of travel (bus, bike, walk) or live in a location of a mobile food distribution operation such as Meals on Wheels or the Jefferson Davis Hot Meals Program.

Community Contributions:

- Chesterfield Food Bank (2019)
 - Over 500,000+ meals served
- Feed More
 - "In total, Feed More's programs and network of agencies provide more than 52,000 meals each day to neighbors in need across 34 counties and cities across Central Virginia. From the Northern Neck to Louisa County and south to the North Carolina border, we distributed 19.2 million meals through our programs and partners to Central Virginians who face hunger." (Feed More, 2019)
 - "Feed More's recipients, served through nearly 300 food pantries, soup kitchens, group homes and other community sites, are largely the working poor who come to seek our assistance in emergency situations. Their need is typically episodic and by no means a long-term partnership." (Feed More, 2019)

CASES

Which Stores Succeed?

Feeding America was founded in the late 1960's and now has a network of over 200 food banks across the United States (including Feed More in Richmond, Virginia). They feed 1/7th of Americans a year, which is roughly 40 million people. Of these 40 million people, 12 million are children and 7 million are seniors. The national organization has a four-star rating on Charity Navigator and claims that 98% of all received donations go directly into programs that serve people experiencing food emergencies.

This organization has partnerships with several businesses as well as individual celebrities and media outlets. Some of their food and fund partners include French's, Tableau, BJ's Charitable Foundation, Allstate Foundation, etc. Some of their media partners include ABC, Dr. Phil. Taste of Home, TLC, Woman's Day, and much more. They also have disaster partnerships with companies like Del Monte, Aldi, and Google for food donation during a humanitarian crisis. Feeding America runs various

promotions around the nation that address food emergencies as well as actively involve volunteers from the community such as Produce for Kids, Red Nose Day, Food Lion Feeds, Brandless, and so on.

Which Stores Don't Succeed?

The biggest issue that negatively impacts food banks and their ability to adequately serve the food insecure population is internal food shortages. This most commonly happens when the demand for an emergency food supply is at its highest, such as the end of the month before food vouchers are replenished. During the most recent government shutdown, the Northwest Harvest Food Bank needed extra donations to provide for the demand of people seeking emergency food assistance because SNAP and WIC were suspended. Because food banks are centered around assisting people facing food emergencies they are often overwhelmed when there is a shift in food assistance programs or economic hardship such as layoffs in the community.

Many argue that food banks enable the hunger epidemic to go unaddressed by the government. Australian food banks were implemented in the 1990's as a "temporary solution to food poverty" and have instead morphed from "emergency to industry," 625,000 people in Australia seek food aid every month. In Australia, the Right to Food Coalition last year issued a position statement, *The Human Right to Food*. This included a detailed set of recommendations, drawing on the work of the United Nations special rapporteur on the right to food.

These recommendations specified the actions required from all levels of government, as well as industry, philanthropic, and community organizations. The statement called on the federal government to adequately finance income support payments so that all Australians can access a weekly basket of healthy foods and ensure that initiatives to rebuild local food systems are adequately supported.

USEFUL INFORMATION SOURCES

Feed More – Web Page <https://feedmore.org/>

This source has a plethora of information about food banks in general as well as specificities of Feed More. The website gives history of the organization, ways to donate/volunteer, and detailed descriptions of all the offered programs. There is also a link provided to find the existing food agency partners within the community. Feed More's website is built for everyone – from people looking for food resources to people looking to donate to people simply looking for wholistic information.

Chesterfield Food Bank – Web Page <https://www.chesterfieldfoodbank.org/home/>

This website is a good example of a typical local nonprofit's website. There is an advertisement on the first page stating that the bank is trying to recover from the summer and donations are needed as well as several statistical facts around the organization. The page also consists of detailed descriptions of their programs they offer as well as the members of their board or directors. While the page consists of information only specific to the organization, it is a great example of a smaller-scale food bank operation.

Harbor Compliance – Web Page <https://www.harborcompliance.com/information/nonprofit-governance-by-state>

Excellent source of detailed information on the legal requirements surrounding governance structures of nonprofit agencies for all 50 states. It is important to understand the internal operations of a nonprofit in order to evaluate whether or not an organization has a responsible administrative team and how the organization can be held accountable. It is also important to understand the differences between state jurisdictions for organizations that operate in several states.

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Grocery Cooperatives

By Logan Ashby



ORGANIZATION

Type of Store: Grocery Cooperative

Basic Business Model: Independent, Community Based

Grocery cooperatives are based on the cooperative business model. This business model is unique because shoppers who are members of the cooperative have democratic control of its operations and are owners. The purpose of a food cooperative is not to accumulate profit for investors, but to meet the aspirations and goals of its members. Surplus that is generated by a co-op is reinvested in the business or returned to members based on their use of its services (What is a Co-op?, 2019). This model values democracy, self-responsibility, member equity and self-help (National Cooperative Bank, 2010). Typically, they are not non-profits but can be associated with them, as is the case with stores that operate in states that do not recognize cooperatives (Reimer, 2010). Grocery cooperatives operate under a series of principles called the Rochdale Principles. These principles define cooperatives as autonomous associations of people that have united voluntarily in order to meet their common economic, social, and cultural needs. Cooperative Principles are as follows (Understanding the Seven Cooperative Principles, 2016):

1. Voluntary and open membership
 - Membership is open to everyone who can use its services and are willing to accept the responsibilities of membership.
2. Democratic member control
 - Members have control in the cooperative and can participate in setting policies and making decisions. Representatives are elected from among the members and are accountable to the membership.
3. Members' economic participation
 - Members contribute equitably the capital of their cooperative. Part of the capital remains as the common property of the cooperative.
4. Autonomy and independence
 - Cooperatives' are autonomous, self-help organizations that are member controlled. Any agreements with other organizations and governments are accomplished on terms that ensure democratic control.
5. Education, training, and information
 - Education and training are available for the cooperatives' members and elected representatives in order to effectively contribute to the cooperatives' development.

6. Cooperation among cooperatives
 - Cooperatives can improve services, strengthen local economies, and effectively address community and social needs by working together with local, regional, national, and international structures.
7. Concern for community
 - Policies that are supported by members should work for the sustainable development of their communities.

Legal Form:

Cooperative Corporation, in states that don't recognize cooperative corporations, they are sometimes considered to be a non-profit corporation (Reid, 2017).

Management/Governance Structure:

Grocery cooperatives are managed and owned by their members. Anyone in the community can become a member/owner of the grocery cooperative. Their management structure is very diverse, depending on the location and the group of people who initiate the food co-op. Typically, a development manager and a project manager are hired for the implementation stage. A general manager is hired well before the opening in order to allow for a smooth transition into operational status. Project managers oversee the construction of the new store while the general manager oversees staffing and preparing the co-op for opening (Reid, 2017).

Funding Strategy:

Generally, founding organizers contribute to cover initial expenses. Fundraising is crucial to the development of a food co-op. Fundraising generally includes: collecting donations at public meetings, donations from supporters, organizing fundraising events, local community incentives, and crowdfunding when there is a large volume of support (Reid, 2017). Community outreach is key to funding a food co-op.

Number of Workers:

This depends on the size of the store and is completely variable depending on the size and location of the store. Based on case studies of various food cooperatives, staffing can be expected to average around 20 or more employees. Working for the coop will make the

employee a member of the food cooperative. Management is usually some of the founding members of the stores (Reid, 2017).

Size of Operation/Square Footage of Stores:

Grocery cooperatives should have a minimum of 3,000 retail sq. ft. (FAQ, Food Co-op Initiative). This amount of space will provide the minimum requirement to create a financially feasible, full-service grocery store. Additional space should be considered in order to provide office and inventory space.

Customer Demographics & Characteristics:

These types of grocery stores can expect to attract a more affluent, middle and upper-class consumer base. Generally, these stores attract customers who have attained bachelor's degree or higher, and have white-collar, professional occupations. Customers that typically shop at food cooperatives are usually in their 30's through 50's (Suassuna, 2011). This more affluent demographic is most likely the result of the costs that come with a food cooperative. Local produce and other grocery products can sometimes be more expensive than the produce people find in big box grocery stores. Cooperatives that require membership, also attract more affluent people who are able to afford a membership.

OPERATIONS

Type of Product Selection/Offering:

Grocery cooperatives usually offer healthy organic food options for their customers and members. Healthy food options are usually in the natural food category. Natural foods can include organic produce, unprocessed foods and local meat options. Some food cooperatives also offer a local beer and wine selection. Many cooperatives also include the option to purchase wholesale foods in bulk (Reimer, 2010).

Health food is usually the priority in food cooperatives, but they can also have other options. Some cooperatives such as Friendly City Co-op in Virginia can offer in-house coffee and bakeries (Shop Your Food Co-op!).

Regional Partners:

Grocery cooperatives generally are supplied by local wholesalers. These suppliers can provide local produce, meats, dairy products, packaged foods, and locally made wellness options. Unlike big box and chain groceries, food cooperatives do not typically have a single source of suppliers, and heavily rely on local suppliers. Regional and local suppliers could provide the following:

- Local wines;
- Local craft beer;
- Local produce; and
- Local meats.

Forms of Advertising:

Community outreach is a crucial element to a successful food cooperative. Forms of advertising could include flyers, email lists, social media posts, etc. Community events are also a great way to advertise for a local food cooperative (Starting a Food Co-op, 2017). Effective communication strategies need to be implemented.

LOCATIONS AND PHYSICAL ATTRIBUTES

Typical Locations:

Population density is a key factor in finding the proper location for a food cooperative. Convenience-oriented stores would typically only need a relatively small trade area in a small neighborhood or in the middle of a cluster of neighborhoods. A full-service natural food store would require a much larger geographic area and a higher population density (Suassuna, 2011). Natural foods stores generally have large trade areas, so they need to be in a location with adequate access throughout the trade area. Locations off major arteries, expressways, and interstate highways would be ideal locations for food cooperatives.

However, several questions need to be addressed, such as if the co-op will lease, buy or build from scratch. Site selection should take the following into consideration (Reid, 2017):

- Feasibility and market study results;
- Negotiate a lease or buying options; and
- Approval process from the city or town for plans

Access and Parking:

Parking is an important element in the success of a grocery cooperative. Typically, at least six dedicated parking spaces for every 1,000 sq. ft. of retail space are necessary. Parking spaces should be reserved for customers of the grocery cooperative and should be located as close to the store front as possible. In dense urban settings, local zoning and business codes may set specific standards regarding parking (FAQ, Food Co-op Initiative).

CASES

Which Stores Succeed?

“Co-operatives are most successful when they are built on good governance, a clear understanding of purpose, and a potential market.” – Kyle White, Cooperatives First

Friendly City Food Co-op, Harrisonburg, VA

Development began for the Friendly City Food Co-op in 2005, as an interest to have a natural foods store for the local community. The first attempt failed, due its location being too small and not visible enough. In 2006 the organizers hired a consultant with expertise in food development and expansion. This revealed that they needed to raise more than \$1 million to get the food coop open. They organized a fundraising gala, which had huge community support. Finding an adequate location was the main problem during the development process. They needed something that was visible and provided adequate parking. Once they found an ideal location, they quickly reached out to the community for membership loans. They also got aid from private lenders and met their goal by 2010. The organizers for Friendly City Food Co-op emphasize that opening a grocery cooperative takes a lot of time and that community outreach is essential (Reid, 2017). Friendly City Food Co-op also teams up with 150 local vendors in Virginia, supplying all local products. They also team up with various local farmers markets.

Year incorporated:	2007
Year opened:	2011
Number of members at opening:	1,000
Number of members in 2014/15:	1,500
Member equity investment:	\$200
Cost of total project:	\$1.8 million
Member loans:	\$780,000
Member equity:	\$200,000

Private lender financing:	\$500,000
Retail square feet:	4,200

Which Stores Don't Succeed?

Case Study: Richmond Food Cooperative, Richmond, VA

Location and community outreach are key to having a successful food cooperative. However, due to their independent nature and not having corporate support, insufficient funding can cause a food cooperative development to fail. This was the case in the local food cooperative project that was in development in Richmond, VA. The project first struggled with finding a suitable site for its store. After securing a location, they ultimately were unable to meet the \$1.5 million required to start operating, only receiving \$330,000 in member equity loans (Platania, 2018).

Various factors come into play when cooperatives fail. Failure to incentivize shareholders is one example. Cooperatives take a lot of investment in time and money; not offering enough incentives can deter people from getting involved. Power being centralized to just a few shareholders can also deter people away from becoming members. Members need to be engaged and included to increase the chances of a cooperative becoming successful. Cooperatives also fail when they are simply just not right for the local market. The community needs to want to have the cooperative grocery business model for it to succeed (White, 2017).

Conclusion

Overall, grocery co-operatives provide opportunities for a unique form of economic growth. They are a great way to provide access to healthy and local food options. Grocery cooperatives are unique in how the businesses are run and their in-depth community involvement. However, the process to getting a successful grocery food cooperative is lengthy with community support and outreach being a critical element to their success. Without allowing for enough time to grow support for the operation, food cooperatives can fail before they even open their doors.

USEFUL INFORMATION SOURCES

National Cooperatives Grocers Association – Web Page <https://ncga.org/>

From the NCGA website: *“National Co-op Grocers (NCG) is a business services cooperative for retail food co-ops located throughout the United States. We represent 148 food co-ops operating over 200 stores in 38 states with combined annual sales over \$2.1 billion and over 1.3 million consumer-owners. NCG helps unify natural food co-ops in order to optimize operational and marketing resources, strengthen purchasing power, and ultimately offer more value to natural food co-op owners and shoppers everywhere.”*

National Cooperative Business Association - Web Page www.ncba.coop

From the NCBA website: *“The National Cooperative Business Association is the nation’s oldest and largest national membership association, representing cooperatives of all types and in all industries. We are democratically organized and operate according to internationally recognized cooperative principles. Our comprehensive programs helps co-ops strengthen their businesses so they can better serve their members and transform the global economy. NCBA also provides a strong, unified voice on Capitol Hill, and diligently works with lawmakers to enact cooperative-friendly legislation.”*

Grocery Cooperative Network

From the GCN website: *“Cooperative Grocer Network (CGN) is a nonprofit, 501(c)6 trade association intent on strengthening all retail food co-ops by a creating a community of cooperators who can develop and share their best resources and practices.*

Our community of board and staff from North American food cooperatives interacts using web-based discussion groups (Spaces) and contributes various resources to an online Library. Some of these resources are shared with the general public in order to promote the understanding and development of a cooperative economy. Others are available only to members of CGN, who log into the collaborative platform.”

FCI Guide to Starting a Food Co-op – Web Page

<https://www.fci.coop/sites/default/files/Startup%20guide-02.2017.pdf>

This is a great resource providing detailed steps for starting a grocery cooperative. It provides step by step instructions on the process and provides a series of successful case studies.

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Franchise/Alliance Grocery Stores

By Will Wilson



ORGANIZATION

Type of Store:

A grocery and/or supermarket utilizing a franchised resource in its operations. This is not to be confused with franchise models found across other food retail types – most notably, convenience markets and restaurants.

Basic Business Model:

Independent stores or smaller chains enter into a franchise agreement with a grocery franchisor. Established franchisor entity collects royalties from independent franchisees which in turn are able to access aspects of that entity's supply chain, business technologies, and marketing/advertising resources.

Independent Grocery Alliance (IGA)

"For less than \$500 a month depending on number of stores, the retailer gets access to the marks, they get the private label, they get the digital tools, they get the training library. The list of benefits is really long. We get stronger as we grow. The more we act like a national chain, the more we can leverage our collective voice — whether that's negotiating media costs, or negotiating better technology" (Browne, 2019).

Shopper's Value Foods

"Shopper's Value runs stores under the "cost-plus" discount format, which offers shoppers all items at the cost to the grocer, plus a 10% surcharge on the basket. Shoppers Value is a national program for independent operators available through supplier Supervalu, which has grown rapidly in rural markets in recent years" (Springer, 2018).

Alliance Retail Group

"ARG was established in January 2004 with 56 stores supplied by Associated Wholesale Grocers (AWG). Alliance was able to provide these retailers with a business model to help them join marketing forces with similar businesses in order to access the lowest possible cost of goods while maintaining the independence needed to compete in their marketplace. Alliance Retail Group specializes in vendor negotiations, full advertising services and industry-leading technology for all of its independent supermarkets" (Cloud, 2014).

"Alliance Retail Group is headquartered in Nashville, TN and is the largest self-negotiating ad group in the country with 960 stores in 27 states. In addition to negotiating the lowest cost of goods for

independent retailers, Alliance provides a suite of services including category management, advertising, and operation analytics for independents” (ARG, 2019)

Legal Form: Franchise

Management/Governance Structure:

Management structure varies based on type of independent operator. Most IGA/Great Value stores are single location businesses, so management/governance structure is comparable to single location independent grocers more or less.

There are many cases where franchisees will expand or maintain a chain of stores – Grant’s Supermarket (IGA) has 16 in VA/WVA – at that scale, characteristics of regional chain management structure set in.

In Australia IGA was able to grow into the nation’s 4th largest grocery brand due to strong regional franchise partners. Thus, the structure is variable based on the scale of the operation.

Number of Workers:

Independent Grocery Alliance (IGA)

In Virginia IGA records about 20-50 employees involved in a typical operation, which is somewhat below what a corporate supermarket would be (“ReferenceUSA - Detail,” n.d.) Undoubtedly this has to do with the distribution and nature of IGA locations in the state – here, the concept is primarily found in smaller rural markets.

Size of Operation/Square Footage of Stores/Locational Tendencies:

Independent Grocery Alliance (IGA)

Most stores are between 20,000 and 60,000 square feet, although this number can fluctuate given that operators tend to move into former shells of other concepts. A former IGA location in Roanoke, (Foodliner Grocery), was much larger as it used the shell of a former big box store, while down the valley another IGA concept in Wytheville calls itself a “foodette” (Dillon’s IGA Foodette) and is much smaller at around 10,000 square feet. This location appears to be using a retail shell from the mid-century (“ReferenceUSA - Detail,” n.d.)

Great Valu Markets

The two stores listed on Reference USA are between 20,000 and 60,000 square feet and are listed as having 21 and 30 employees respectively (“ReferenceUSA - Detail,” n.d.).

The Urbanna Great Valu Market in Urbanna, Virginia is located within a stand-alone retail shell at the entrance to the town’s main thoroughfare. It is located between the town’s neighborhood center

with other shops and restaurants and the Bethpage Camp Resort, which hosts a large seasonal population in the summer.

The Deltaville Great Valu Market outside of Deltaville, Virginia is located in a roadside shopping center on the outskirts of Deltaville’s residential neighborhoods along the main thoroughfare in and out of the area. It shares that shopping center with a Dollar General.

Shopper’s Value Foods

There are five stores in Virginia – four out of five of these are located in the principal towns within their rural counties; the other is in Highland Springs in the Richmond metro area. All 5 are in close proximity to Food Lion locations. Store location data indicate that many were independent grocery stores or smaller chains prior to switching to the Shopper’s Value format (“ReferenceUSA - Detail,” n.d.).

Shopper Profile

Independent Grocery Alliance (IGA)

IGA shoppers tend to be low income, are mainly Caucasian, and seniors in age. IGA shoppers tend to make small to mid-sized trips (“IGA Demographics and Shopper Insights | Numerator,” n.d.).

OPERATIONS

Independent Grocery Alliance (IGA)

“We have to deal from our strengths. We have the owner in the store. We are flexible enough to serve the consumer. Good service, clean stores, and a competitive value are our strengths” – William Olsen, former IGA CEO (Gorman, 1986).

While IGA, founded 1926, was a somewhat early example of the franchise model, it differed in an important way: instead of trying to set up the ramifications for how these local businesses should be run - it offered different kinds of help to those retailers. That help, traditionally, has come in the form of marketing and access to a consistent supply chain (Smith, 2016).

Type of Product Selection/Offering:

Store product selection varies as on-site owners can make flexible decisions about product offerings and can often incorporate other supply sources outside of franchisor’s supply chain. Many IGA markets are positioned as value or discount markets, and the product selection often reflects that.

Wholesaler/s Institutional Supporters:

Independent Grocery Alliance (IGA)

IGA uses a network of preferred partner wholesalers, although independent operators often complement their selection with local suppliers when ideal (Browne, 2019).

Shopper's Value Foods

Concept is controlled by the wholesaler Supervalu, the independent operator subscribes to this format.

Alliance Retail Group

This is the retail alliance entity of Associated Wholesale Grocers and blends the line between wholesaler program and traditional alliance model. (See Basic Business Model section)

Other Goods & Services:

This can vary due to the individual location, but many have like services to similar scaled grocery stores depending on the market.

Forms of Advertising:

Independent Grocery Alliance (IGA)

Besides giving its members the IGA name, the voluntary organization provides members marketing and promotion assistance, radio and television advertising help, and advice in purchasing new equipment, among other services. The wholesalers help their retailers to find new locations to expand. In addition, IGA has its own laboratory to test the quality of the more than 2,500 private-label items that bear the IGA name that are only available in its stores. IGA does not manufacture any of its goods (Gorman, 1986).

LOCATIONS AND PHYSICAL ATTRIBUTES

Typical Locations:

According to store locator maps for the four store concepts in Virginia, the locations tend to be in rural or in low-income neighborhoods in metropolitan areas. Most seem to anchor aging strip shopping centers or are in stand-alone buildings.

Customer Access to Stores:

Varies depending on location, most stores are adjacent to parking lots.

CASES

Which Stores Succeed?

Hometown Grocery, headquartered in Bluefield, VA maintains a chain of 16 stores franchised under IGA using the brand of Grant's Supermarket. Growing from a single location in 1949, the family run operation opened its 16th location last month in Bluewell, WV where it moved into the shell of a former Kroger location. *Eat This, Not That* magazine rated Grant's Supermarkets the most popular grocery store in West Virginia in 2019 (Boothe, 2019).

Which Stores Don't Succeed?

IGA CEO John Ross: "Sometimes when I worked in the independents, you get somebody who's gotten to the point that they want to harvest their business, and they're not as interested in running it. That's okay, go harvest it, go close it down, go sell it, pass it to your kids, whatever. So, you have some of that in the system all at the same time, and there's going to be some natural turn or the forced turn that I created, where I said, "We're going to be honest with ourselves and tell these stores to leave" (Boss, 2013)

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General/Country Stores

By Eric Mai



ORGANIZATION

Type of Store: General Store or Country Store

This store format can be called either a general store or a country store. In this chapter, the format will be referred to as a country store.

Basic Business Model:

Many modern country store business models are based on providing an experience that draws on nostalgia and serving community needs (Best-Selling Merchandise at Country and Variety Stores, 2018; General Stores Serve Modern-Day Purposes for Tourists and Locals, 2008). Often located in historic buildings that once served as a country store, proprietors stock wares and items that evoke a feeling of a time long gone: rock candy, penny candy, canned preserves, corn cob pipes, and coonskin caps (Van Druff, 2018). Some stores house soda fountains, ice cream parlors, and deli counters to further provide a nostalgic shopping experience (e.g. Floyd Country Store in Floyd, Virginia). Largely a tourist destination, country stores may also serve rural communities as a one-stop shop for convenience grocery items and other wares not easily found. Stores that offer seating and in-store prepared food continue to function as social gathering spaces for communities.

Legal Form:

Individual country stores appear to be organized similar to other small-business organizations - either as a sole proprietorship or partnership (Youker, 2011) where the owners are responsible for taxes, liabilities, and debts, or as limited liability companies wherein personal assets are protected from business liabilities. In the case of Mast General Stores, the legal form takes the form of a corporation, however, the company is employee-owned as the company utilizes an employee stock ownership plan (ESOP). Non-profits also operate country stores, such as in the case of the West Townshend Country Store where the West River Community Project operates a county store (West River Community Project, 2018).

Management/Governance Structure:

Country stores are typically seen as small-businesses and are structured as such (Blackford, 2003). Therefore, the majority of country stores are owner-operated. The owner manages the day-to-day operations or may hire a general manager to perform management duties (see Blanton & Pleasants - Cartersville, VA in McQuade, 2019). Corporate country stores follow a traditional governance structure wherein there is an officer hierarchy of a president, vice president, chief financial officer, treasurer, and

secretary. Meanwhile, non-profit country stores are governed by a board with officers such as president, vice president, and secretary (West River Community Project, 2018).

Funding Strategy:

As the overwhelming majority fall under the small-business designation, country stores can fund their business through two main ways: debt or equity financing (McIntyre, 2018). Debt financing comes in the form of traditional term loans, Small Business Administration loans, business lines of credit, and business credit cards. Equity financing occurs by selling ownership in the business to investors; however, this reduces ownership and control in the business. Additionally, competitive small business grants may exist, as well as tax incentives such as historic preservation tax credits that can help reduce expenditures. See Fundera - *The Top Small Business Funding Options for 2019* for additional information: <http://www.fundera.com/business-loans/guides/small-business-funding>

Number of Workers:

Based on a sample of Virginia country stores from the business database, *Reference USA*, the number of employees of independent country stores in Virginia depends largely on store size and sales volumes. Employees can range anywhere from one to over 25. Stores that bring in less than \$500,000 annually typically have less than six employees, while stores with an annual sales volume of \$1 million have anywhere from six to 25.

Mast General Stores employs over 500 employees across their nine individual stores, including officers. However, employee numbers fluctuate throughout the year depending on seasonal tourism (Tyre 2017). It can be assumed that other country stores that serve as tourist destinations are similarly affected by tourist seasons and trends.

Size of Operation/Square Footage of Stores:

The Food Trust includes country stores as a variation of a small food retailer and defines them as being sized between 500 to 5,000 square feet with a single point of sale (The Food Trust, n.d.). However the sample of Virginia country stores from the business database, *Reference USA*, shows that the typical independent country store in Virginia ranges in size from 1,500 square feet to 19,999 square feet.

Mast General Stores range from 6,500 to over 20,000 square feet depending on the existing building in which they choose to locate (Tyre 2017).

Average Number of Customers/Day:

The average number of customers per day is not available for Virginia stores. However, this information varies depending on the country store and the time of the year. The Brick Store in Bath,

New Hampshire (a town of 1,086 in 2015), which is considered America's oldest general store, sees 2,000 customers a day during the busy season (Harrison, 2015). Owners of country stores in Vermont note that they benefit largely from seasonal customers that come to visit the area during the summer months, while depending on a smaller local customer base during the winter months (Kapp and Peachin, 2019). Comparable to convenience stores or small format grocery stores, average number of customers per day at these two formats may be similar to country stores. An average convenience store that also sells fuel serves on average 1,100 customers per day (National Association of Convenience Stores, n.d.). Convenience stores without gas are likely to see lower numbers and be more akin to a smaller grocery store format such as an ALDI with daily customers numbering around 750 (RE Brochure, 2018).

Customer Demographics & Characteristics:

Customer demographics and characteristics are unavailable for country stores. However, the Food Trust asserts that country stores serve the surrounding local community year-round, while drawing tourists from within the state and from out of state during hunting, fishing, or tourist seasons (The Food Trust, n.d.). Therefore, customer demographics will be reflective of the surrounding community, while tourist demographics will be reflective of the particular tourist draw.

Fred Pfohl, owner of Fred's General Mercantile in Beech Mountain, North Carolina, states that many of his customers are also part-time residents who vacation during certain times of the year. He continues to say that his clientele does not only consist of working people like building contractors and carpenters, but also the wealthy (General Stores Serve Modern-Day Purposes for Tourists and Locals, 2008). Beech Mountain is a town of 322 individuals as of 2017; however, relying heavily on recreational tourism, Beech Mountain sees the population rise to 10,000 during the winter and 5,000 during the summer months (Town of Beech Mountain, 2019).

For Ruby's Inn General Store in Bryce, Utah, owner Tonya Syrett states that nearly 90 percent of their customers are tourists (General Stores Serve Modern-Day Purposes for Tourists and Locals, 2008). Located in a town of 224 individuals as of 2017, Ruby's Inn provides souvenirs geared towards visitors of Bryce Canyon National Park, but also provides a full-service grocery for residents and tourists. The park attracts 2.6 million people annually as of 2018, seeing its peak between May and September. The lowest number of visitors occurs during the month of January; with only 32,433 visitors in January 2018 (Bryce Canyon National Park, 2019).

OPERATIONS

Type of Product Selection/Offering:

Following the historical selection and offerings of country stores, modern day country stores tend to provide a wide variety of products that cater to tourists and the local community alike. Grocery items, beverages, snacks, candy, clothing, camping/fishing supply, gift items, housewares, and novelty items are common at country stores (Best-Selling Merchandise at Country and Variety Stores, 2018). Gourmet food and snacks such as homemade jams, pickles, fudge, barbecue sauce, and cheese are popular items at tourist locations (Down-Home Delicious: Selling Food at Country Stores, 2018).

Fresh produce and meats from local farmers are offered at some country stores (see Poor Farmer's Market in Meadows of Dan, VA). The size and range of these food offerings varies greatly depending on the focus of the store. For instance, Mast General Store focuses largely on dry goods and gourmet products in their food offerings, placing greater emphasis on gift items, clothing, and footwear.

Regional Partners: (e.g., local/regional farmers, etc.)

Country stores often work with local farmers and artisans to stock items that provide a sense of the local community, whether it be through local eggs or specialty jams ("Down-Home Delicious: Selling Food at Country Stores," 2018). Local artists may sell items in-store through consignment (Mease, 2018).

Wholesaler/s and Institutional Supporters:

Wholesalers vary depending on the particular items that country stores are looking to carry. There is no specific wholesaler for country stores, as it is up to the owner's discretion. Wholesalers also vary depending on customer demand. Local products may be bought directly from local manufacturers and crafters at wholesale prices. National brands such as Carhartt provide direct wholesale to businesses with storefronts. Meanwhile, independent distributors exist to provide food and beverage distribution in Virginia (Mr. Checkout, n.d.). Institutional support often comes in the form of local economic development agencies and local or state tourist agencies.

Mast General Store has a wide variety of vendors and utilizes a team of buyers to ensure that a wide variety of old-fashioned and modern products are stocked to keep up with trends and customer demand (Tyre, 2017).

Other Goods & Services: (offered in addition to the sale of groceries)

The Food Trust states that, "Household goods, hunting and fishing equipment, feed and farm supply goods, clothing, and automobile repair items are commonly sold" at country stores. Furthermore,

other services such as postal services, hunting/fishing licenses, boat/truck rental, and meat processing are typical (The Food Trust, n.d.)

Gift and novelty items such as cards, candles, jewelry, and toys are popular items at tourist-oriented locations (Mease, 2018). The assortment of goods offered at a country store is largely driven by the buying habits and demand of customers. Stores such as Floyd Country Store in Floyd, VA state on their website: “If you don’t find what you need in the store just ask. We are constantly adding new items that are good to have and hard to find.” In addition, sourcing from local vendors is a major focus for country store support within the local community (Mease, 2018; “Sweet Nostalgia,” 2012; “General Stores Serve Modern-Day Purposes for Tourists and Locals,” 2008).

The services provided at country stores can range from a full-service butcher to a barbershop to hunting/fishing license sales. Such services are at the discretion of the owner-operator and may depend on meeting unmet demands of a community. Coffee shops, bakeries, or restaurants can be located within country stores, contributing to the social aspect of country stores.

Social Services:

Country stores often serve as the community hub in rural communities but also in smaller downtown areas. The Mast General Store concept is often sought out to be a catalyst for revitalization and redevelopment (Hoppe, 2014). In small downtown areas such as Floyd, Virginia, the Floyd Country Store serves as a showcase of local culture with events that celebrate the music of Southern Appalachia. The non-profit West Townshend Country Store was created specifically to create a community space where one was lacking (The West River Community Project, 2018). Today, the West Townshend Community Store is a community-serving space that provides donation-based food, a community processing kitchen, a thrift store, post office, and family-oriented events/activities.

Forms of Advertising:

Country stores are often advertised through state or local tourist agencies and roadside signs to attract tourists. Community-serving country stores often rely on word of mouth or a storied history within the community and thus do little in the form of advertising. Marketing of country stores is largely focused on the nostalgia aspects of a store, whether in signage, store display, or services provided. Country stores are beginning to utilize web-based marketing through social media and websites.

LOCATIONS AND PHYSICAL ATTRIBUTES

Typical Locations: (e.g., town center, highway ribbon, etc.)

Country stores are typically located within historic buildings that once served as or have continued to serve as a country store. These stores exist largely in rural downtown areas or along major highway corridors.

Co-location Tendencies:

Country stores appear to be located near or enroute to tourist destinations such as historic downtowns or outdoor recreation opportunities. In some instances, gas stations are located adjacent to some country stores, coinciding with a focus on tourist travel.

Number of Residents & Workers in Market Area:

The number of residents and workers in the market area of country stores varies depending on location. For instance, many country stores in Vermont depend largely on seasonal tourist populations (Kapp and Peachin, 2019). The Sugar Tree Country Store is located in Highland County, Virginia, a county with a population of only 2,210 as of 2018, yet the county sees upwards of 10,000 visitors for the Highland Maple Festival in the month of March (Highland County, 2019). Convenience markets and small-sized grocery stores serve as a comparable retail format to consider the market size for a general store due to the stocking of similar convenience items that meet the needs of both residents and visitors. The Urbanna Market in Urbanna, Virginia, a town within Middlesex County, is a local grocery store under the IGA franchise format that serves as an example of minimum market size for a country store. With an approximate residential population of 463 in 2017, the Urbanna Market has been supported by this permanent population during the offseason and the major influx of tourists during the Urbanna Oyster Festival. This annual festival draws anywhere from 50,000 to 75,000 people to the small town of Urbanna over the course of a single weekend. To gauge potential success of a country store, the Urbanna Market can serve as a prime example of the numbers needed to sustain a country store format that draws upon both permanent residents and seasonal visitors.

Customer Access to Stores: (walk, bike, car, etc.)

Access to country stores varies depending on location. Centrally located country stores such as in rural downtown areas or along main thoroughfares within a village or town setting will see greater

pedestrian and bicycle access than a store located on a highway. Country stores that see a large share of customers from tourism will see a great amount of access by car and potentially by charter bus.

Parking Lots and Number of Parking Spaces:

Country store parking lot space varies depending on location and size of establishment.

Community Contributions:

Country stores often source products from local vendors, thus facilitating additional local economic development. This is evident in the case of the West Townshend Country Store in Vermont, where a non-profit organization established a country store to not only provide a community gathering space, but to also create access to local artisans and help develop small agricultural businesses.

Mast General Store makes an effort to support the local community by encouraging their employees to volunteer by paying up to eight hours towards volunteering. In addition, the company also has a matching donation fund.

CASES

Mast General Store



Original Mast General Store in Valle Crucis, North Carolina, Image from mastgeneralstore.com

Mast General Store, Inc. is a privately-held company that was founded in 1883. Headquartered in Valle Crucis, North Carolina, the company operates 10 general stores in nine different locations. Each store location carries different items depending on customer demand at each location (McDonald 2018). The original Mast General Store in Valle Crucis is housed in a building that has been a retail store since 1898 and still serves as a post office contract substation for the town of Banner Elk. Total annual revenue for Mast General Store, Inc. has exceeded \$9 million since 2017 (PrivCo, n.d.).

Stores are considered retail destinations with over 25,000 different items, such as sporting goods, clothing, shoes, and candy. While the original Mast General Store carried grocery items, the company no longer provides perishable grocery items, instead focusing on dry goods and non-perishables such as jams, cookies, and pickles (Mast General Store, 2019). Mast General Stores are generally located in downtown areas because of the synergy created by the presence of retail, restaurants, the arts, and people who live and work there (Yeldell, 2006). However, according to Mast President John Cooper, some customers travel over 100 miles just to shop at a Mast General Store, which is largely due in part to its eclectic product mix, but also to the co-location of other destination amenities such as historic downtowns (Yeldell, 2006).

Mast General Stores are seen as potential anchor institutions for commercial redevelopment and because of this, developers often seek out the company to locate at their sites (Brasier 2016). In the case of the Knoxville location, the city had been attempting to court the store for nearly 10 years and the use of a tax increment financing deal was able to help secure the Mast location in downtown Knoxville (Waters, 2008; Hickman, 2005). Similarly, Winston-Salem City Council utilized a \$1.27 million incentive package for Mast General to locate in its downtown area (Covington, 2013). Mast focuses on historic preservation in downtown areas when locating stores, as all of its stores are located in buildings constructed between 1883 and 1945 (Hickman, 2005).



Mast General Store located in Winston-Salem, North Carolina, Image from Winston-Salem Monthly

The success of Mast General Stores has been partly attributed to its choice of locations - areas that see not only a large influx of tourists but also growing populations such as Asheville, North Carolina ("Mast General Store takes down-home approach for success," 2017). Furthermore, their capitalization on the nostalgia of general/country stores continues to attract customers who seek a sense of community in their shopping experience and the ability to shop for a broad range of goods in a single location ("Mast General Store takes down-home approach for success," 2017). While Mast General Stores do not exclusively focus on food products, they carry a wide assortment of dry goods including their own line of food products - mainly candy and gourmet items such as jams and pickles.

In addition, the company places a focus on community within the company, as well as outside the company. In 1995, the company implemented an employee stock ownership system that allows employees to buy stock in the company. Through the program, employee owners are rewarded based on their hours worked when stores meet sales goals and expense controls. Twenty-one percent (21%) of capital stock is owned by employees (Mergent, Inc., n.d.). Employees are also paid up to eight hours of volunteer time each year and are encouraged to volunteer with organizations in the local community. Charitable contributions by the company are focused on three areas within the communities in which they are located: the arts, the environment, and human social services (Tyre, 2017). Even further, the company has a matching fund program for charitable donations.

See <http://www.mastgeneralstore.com> for more information

West Townshend Country Store



West Townshend Country Store in West Townshend, Vermont, Image taken from happyvermont.com

The West Townshend Country Store in the unincorporated village of West Townshend, Vermont is the result of the West River Community Project. Located within Townshend, Vermont, the area has experienced major population decline since 2010; with a reduction of 217 people from its 1,232 population in 2010, the community has decreased by nearly 18%. Established in 2011, the project began with the renovation of the West Townshend Country Store, a historic country store that dates back to 1848, in order to foster revitalization of the Townshend community. By supporting local farms, businesses, and community, the non-profit organization seeks to better the entire West River Valley region of Vermont.

The board of the West River Community Project consists of local residents who have a vested interest in seeing their community thrive. A store manager was hired in 2013 to staff, manage, and develop the store. Directly preceding the redevelopment of the store in 2011, the building was used solely as a post office that was in danger of closing (Faher, 2013).

The organization saw the revitalization of the country store as a catalyst to further support the local community by providing a shared space (Faher, 2013). As a result of the organization's work, the country store now houses a cafe/deli, a community processing kitchen, a community art gallery, a thrift store, a post office, and a space for community events. Focusing on the local community, the country store displays the work of local artists and arranges for local musicians and theatre groups to perform, allows locals to utilize the wood-fired, earthen oven, and partners with the Windham Hill Community Dairy to provide locally-sourced milk products. The country store also serves as the site of a farmers market during the summer season to support local growers. In the basement of the country store is a community kitchen that allows local producers to make products in bulk to be sold more widely; individuals and families may also utilize the kitchen to make goods for their own consumption. The kitchen space is also used for educational events and workshops (e.g. workshops on making kimchi, yogurt, or baking bread).



West Townshend Country Store Donation-Based Cafe, Image taken from happyvermont.com

In early spring of 2019, the cafe in the West Townshend Country Store transitioned to a donation-based concept to provide affordable food to the community (“West Townshend Country Store Dedicated to Feeding the Community,” 2019). For this concept, the store provides soups, sandwiches, and salads on a pay-what-you-can basis, but requires payment for additional items such as chips, cookies, and beverages. The transition to a donation-based concept was the result of a growing understanding of food insecurity in the West River Valley (“West Townshend Country Store Dedicated to Feeding the Community,” 2019).

See <https://westtownshend.wixsite.com/wrcp> for more information

USEFUL INFORMATION SOURCES

The Food Trust - <http://www.thefoodtrust.org>

The Food Trust provides consulting services to help public and private organizations to be educated on access to nutritious food, as well as how to increase access. They recognize general stores as a small food business store category. They can provide consulting services related to:

- Strategic planning
- Program/policy design, implementation and evaluation
- Comprehensive community food assessments and GIS mapping
- Customized training, webinars, reports and presentations
- Technical assistance (TA)
- Food event management

The Illinois Institute for Rural Affairs – Rural Grocery Store Start-Up and Operations Guide

Available at <http://www.iira.org/archive/pubs/Grocery-Store-Start-up-and-Operations-Guide.pdf>

The Rural Grocery Start-Up and Operations Guide provides an in-depth overview on information and resources for the development of a small grocery store. Those country stores that also serve as a small grocery store would benefit from the information provided within this guide.

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Large Supermarkets/Small Format Franchise Stores

By Michael Nixon-Garrison



ORGANIZATION

Type of Store: Large Supermarkets/Small Format Franchise Stores

This research focuses on two types of supermarkets (standard grocery and fresh markets). Stores used include Kroger, the nation's largest standard grocer chain, and The Fresh Market, the nation's most popular gourmet supermarket, to draw comparisons. The "Case Studies" section is focused on Dominick's, a Chicago-based grocery chain that officially went out of business in 2016.

Basic Business Model:

Supermarkets are comprised of several components and entities, including:

- Repeat customers
- A chain of retail stores
- Various transportation systems
- Warehouse distribution centers
- Product suppliers under contract

Supermarkets are a form of a business enterprise that provides a service, not a physical product of its own (Steeneken, Ackley, 2012). The typical flow of stock is as follows:

Remote Suppliers > Regional Warehouses > Local Stores > Local Customers

Supermarket Business Model

- Remote Suppliers – produce and release product stock
- Transporters – deliver each supplier's stock to regional warehouses
- Regional Warehouses – receive and assemble supplier stock for distribution among stores within the region
- Transporters - deliver warehouse stock to stores within the region
- Local Stores – organize/display stock from warehouse for purchase by local customers
- Local Customers – shop at local stores to purchase stock for household needs/wants

Legal Form:

- Kroger - Publicly Traded Company
- The Fresh Market - Privately Traded Company

Management/Governance Structure:

Both companies follow the same management/governance structure – a CEO, Board of Directors, and Shareholders.

Funding Strategy:

Corporate

Number of Workers:

As of 2017, Kroger has 443,000 employees (2017 Kroger Fact Book, n.d.). There are roughly 2,800 Kroger stores in the United States, with an average of approximately 158 employees per store. In comparison, The Fresh Market has 13,000 employees, and with 159 stores in the nation, this equates to roughly 81 employees per Fresh Market store.

Size of Operation/Square Footage of Stores:

Kroger supermarkets are sometimes referred to as “combination stores” - stores featuring a complete supermarket and pharmacy service, bakeries, delis, seafood, meat, and floral shops; expanded general merchandise; natural food and organic selections; pet centers, and high-quality fresh items such as seafood and organic produce (Grocery Retail, n.d.). Combination stores that were opened during the last three years average 63,000 square feet. Individual locations may vary widely from the average, depending upon the geography of the store. The Fresh Market stores average 20,500 sq. ft., about a third to half the size of a conventional supermarket (*The Fresh Market Inc: Company Profile, n.d.*).

Average Number of Customers/Day:

According to data from Kroger’s Precision Marketing, nine million people shop at Kroger each day. With 2,800 Kroger stores across 35 American states (*Customer-First Approach, n.d.*), there are an average of 3,200 customers per day, per store.

Customer Demographics & Characteristics:

According to *Coresight Research* consumer surveys, the typical Kroger shopper resembles the average grocery shopper, based on age and affluence (Coresight Research, 2019), i.e., a 44-year old female who is likely to spend 5.6 percent of her total disposable income on grocery shopping purchases (Lake, n.d.).

OPERATIONS

Type of Product Selection/Offering:

Kroger offers a full selection, plus health and beauty items. Its bakery, meat, and seafood options include both fresh and processed selections. Below is a detailed description, taken from Kroger’s official website.

Kroger operates its grocery retail stores in the following four formats:

- Supermarkets
- Multi-department stores

- Price-impact warehouse stores
- Marketplace stores

Supermarkets

The combination food and drug store is Kroger’s primary supermarket format. These stores can earn a return above the cost of capital by drawing customers from a two to 2.5-mile radius.

Although considered “neighborhood stores” – in terms of size, shopping experience, and travel time – they are large enough to offer the high-margin specialty departments that customers desire. Specialty departments include whole health sections, pharmacies, pet centers and world-class perishables, such as fresh seafood and organic produce (Grocery Retail, n.d.)

The Fresh Market chain specializes in perishable goods, including fruits and vegetables, meat, and seafood. Facing intense competition from other grocery chains that have expanded their specialty grocery selection, the company has increased its premium offerings such as USDA prime steaks and imported pastas and boosted its value promotions, such as meal kits. The Fresh Market enlarged its beverage section in 2019, adding 300 new beverages to its shelves, including cold brews, energy drinks, adaptogenics, and kombuchas. It also began offering grocery delivery through Instacart following a successful pilot program (The Fresh Market Inc: Company Profile, n.d.).

Regional Partners: (e.g., local/regional farmers, etc.)

Within the state of Virginia, there are two manufacturing and distribution facilities that Kroger has partnered with, including Westover Dairy (State Facts, n.d.).

Wholesaler/s Institutional Supporters: N/A

Other Goods & Services: (offered in addition to sale of groceries)

In addition to the sale of groceries, Kroger offers prepared foods, operates cafés, discount programs, grocery pickup options, fuel stations, and catering services. While the Fresh Market is significantly less diverse than Kroger in terms of additional service offerings, they have partnered with InstaCart, an online grocery delivery company, to offer personal shopping and home delivery service options (Press Room, n.d). Additionally, the Fresh Market provides weekly online recipes and videos for meal preparation using their grocery products.

Social Services:

Kroger’s previous efforts to connect with the Senior Citizen community included a Senior Day (Tuesday), in which seniors received shopping discounts as well the opportunity to participate in gatherings within the store’s café area, such as playing bingo.

Forms of Advertising:

Three types of advertising methods are typically used: advertising on properties, across the web, or simply through word of mouth. Additionally, mailing plays a role as well – customers typically receive pamphlets that include coupons and listings of weekly discounts.

LOCATIONS AND PHYSICAL ATTRIBUTES

Typical Locations: (e.g., town center, highway ribbon, etc.)

Kroger stores are typically located in neighborhood shopping centers, serving as the anchor tenant. However, on September 25th, 2019, Kroger opened its first downtown store in 50 years, in Cincinnati, Ohio, where its headquarters are located. The Fresh Market also tends to locate in neighborhood shopping centers, but typically in neighborhoods considered middle income or higher.

Co-location Tendencies:

Kroger stores, at least within the Richmond Metropolitan Area, include a pharmacy, as well as ATM access (SunTrust, etc.). Banks and small restaurants/shops can typically be found within the area. While the Fresh Market does not include a pharmacy, they are also commonly located within the same vicinity as banks, small restaurants, and shops.

Number of Residents & Workers in Market Area:

Supermarkets are typically located within neighborhood centers as the anchor tenant, and a full-size supermarket ranges from 45,000 to 60,000 square feet. The neighborhood center itself generally ranges from 70,000 to 90,000 square feet in total size (including the supermarket) and requires the support of 6,000 to 8,000 households in a one to two-mile radius (Steuteville, 2016).

Customer Access to Stores: (walk, bike, car, etc.)

Various methods, including cars, buses, walking, and biking.

Parking Lots and Number of Parking Spaces:

Both offer on-site parking, but number of parking spaces varies per store/location.

Community Contributions:

Kroger: Zero Hunger/Zero Waste Campaign - In September 2017, Kroger introduced its Zero Hunger/Zero Waste program to address the nationwide issue surrounding food waste and hunger. Studies show that 40 percent of U.S.-produced food goes to waste, and one out of every eight Americans struggles with hunger/lack of food. Kroger plans to address this issue through grant funding for innovative food waste solutions, plans to increase meal donations to one billion meals in 2020 and

three billion meals by 2025, and ensuring that meals donated are balanced and healthy, to help improve health conditions across the nation (Zero Hunger: Zero Waste, n.d.).

The Fresh Market: 1-3-5 Food Drive - The Fresh Market supported local food banks through the 1-3-5 Food Drive during the month of May 2018. Over \$425,000 was donated - the money raised from guest donations was dispersed to each store's local food bank, supplementing the day-to-day support they provide to kids and families alike (Community Involvement & Responsibility, n.d).

CASES

Which Stores Succeed?

"In any industry, knowing your audience is the key to success. This is especially true when it comes to today's grocery retail landscape." - Sylvain Perrier, President and CEO of Mercatus Technologies (Perrier, 2018).

The above quote emphasizes that understanding the shopping habits and preferences of a store's customer base plays a pivotal role in finding and maintaining success. Additionally, executives should aim to create unique shopping experiences—and remain willing to re-invent their format—without compromising signature elements in order to retain and attract customers.

Which Stores Don't Succeed?

Dominick's was a Chicago-based supermarket chain that was first established in 1918. The chain was successful up until the 1990's, when traditional, sometimes independent, groceries were unable to compete with larger chains due to their mergers with larger corporations. California-based Safeway, Inc. purchased the chain in 1998 for \$1.2 billion. Safeway instituted numerous changes to bring the chain in line with the way the corporate parent did business; most of these changes had disastrous effects. For example, they tried to save money by having the California office handle buying, in the process eliminating a host of middle managers who knew the tastes of local consumers. Familiar products were replaced by the higher-margin Safeway Select house brand of products, which were foreign to Chicago consumers. Safeway ended a longstanding practice of filling customers' special-order requests, a reversal of personalized neighborhood service that had made the chain a success in the first place (Dominick's Finer Foods, Inc. - Company Profile, Information, Business Description, History, Background Information on Dominick's Finer Foods, Inc, n.d.).

Customers did not like the changes and showed their displeasure by shopping elsewhere – as a result, Dominick's market share dropped to 22.8 percent by the end of 2001. Around this time, major players such as Target, Kroger, and Walmart began to enter the Chicago market and opened stores. The sale of outdated products became a major issue in the last 2 years of the chain's existence, attracting

local news coverage and driving away remaining customers. Dominick’s eventually shut down permanently in December 2013, due to low sales and overall poor performance (CBS, 2011).

Dominick’s decline and eventual closure drives home the point that, for any business to be successful, it must relate to its audience. This is even more important for local stores and franchises – national chains can test the market for new products and offerings in different regions without experiencing a major loss in terms of customers and profits. With a local chain like Dominick’s, however, the margin for error is extremely thin. Local chains become staples of the community and play a role in shaping culture for the city and its residents – in a sense, a connection is developed between the store and its customers. This is evidenced in some of the examples mentioned above, such as filling special-order requests for customers. Safeway’s acquisition of Dominick’s led to the opposite – an upheaval of the personalized shopping experience that Chicago residents had grown accustomed to, ultimately alienating the customer base and leading to a downward spiral that put the store out of business.

NEW AND TESTING FORMATS AND SERVICES

Kroger Express Partnership with Walgreens:

In December 2018, Kroger announced plans to open mini “Kroger Express” stores in 13 different Walgreens pharmacies across the country in order for both to find new customers and eliminate potential competitors within the market for both. Below is a pictured example:



Walgreens and Kroger kicked off their partnership in October 2017, with the drug chain offering Kroger online order pickup at 13 locations around Cincinnati. Two months later, Kroger began placing mini "Express" stores carrying more than 2,000 products — from private label groceries to fresh produce

— inside those same locations. Kroger also placed Home Chef meal kits inside 65 Chicago-area Walgreens stores.

Right now, the partnership won't move the needle much on grocery sales, with a tiny fraction of the nearly 10,000 Walgreens locations showcasing Kroger products. Outside of those locations, most Walgreens have a small but complete grocery offering including frozen foods, dairy items, fresh produce and shelf-stable products. With Kroger's partnership, Walgreens could build on these offerings and scale its grocery capabilities at thousands of stores, creating additional competition for grocery retailers (Dumont, 2019).

USEFUL INFORMATION SOURCES

CBS. (2011, February 17). Mom Blogger Finds Cartloads of Expired-Date Food at Popular Grocer. Retrieved October 13, 2019, from <https://chicago.cbslocal.com/2011/02/17/mom-blogger-finds-cartloads-of-expired-date-food-at-popular-grocer/>

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The three sources listed above are highly useful in terms of having an example of how a supermarket chain, or any profitable business, for that matter – can fail when management fails to connect with or understand its consumer base.

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This article is a good read for examining alternative, potentially cost-effective ways of improving healthy food access opportunities within communities. The Kroger-Walgreens partnership can also serve to test the market for larger store opportunities within cities such as Petersburg if the express store is profitable.

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Mobile Markets/Grocery Stores

By Elizabeth Roderick



ORGANIZATION

Type of Store: Mobile Grocery

Basic Business Model:

Mobile grocery stores are a retail intervention strategy to address the issue of geographic proximity and lack of public or private transportation by bringing grocery items directly to residents, usually on a regular schedule and with specific stops within neighborhoods. For the purposes of this study, we do not include stationary road-side produce markets or trucks serving only prepared food. Mobile grocery stores take the form of retrofitted buses, shipping containers, trailers, vans, beer delivery trucks, 18-wheeler trucks, bookmobiles, etc., and offer a variety of goods and services, ranging from only fresh fruits and vegetables to a full selection of standard grocery items, including dairy, eggs, poultry, meat, seafood, bakery items, dry goods, and health and beauty aids. Mobile grocery units can be more cost effective to deploy than brick and mortar storefronts, especially in vulnerable neighborhoods, thanks to lower barriers to entry and lower costs to maintain, retrofit, and operate (EcoDistricts, 2016).

Legal Form:

Possible legal forms include sole proprietorship, limited liability corporation (LLC), nonprofit organization, cooperative-worker ownership, or hybrid for-profit/nonprofit (Briejer & Carbary, 2016). In a sole proprietorship, one person owns and controls the business, and assumes full responsibility for acquiring a truck, sourcing goods, identifying sales locations, managing the back office, and otherwise performing all necessary activities to sustain profitable operations. The owner keeps all profits but assumes all risk of ownership and bears all the losses of the business.

Most of the mobile grocery operations we examined for this study are structured as a hybrid model, with a mix of private commercial, government, higher education, foundation, and nonprofit partners. While a stand-alone business can be viable, most of the successful mobile markets around the United States are successful because they have multiple revenue streams, such as from sales revenues and nonprofit funding. The introduction of grant and donor funding into the startup funds of a socially mission-aligned operation allows the business to take advantage of revenues from sales to support overall operations and outside funding to keep it viable when sales are low. Some examples of this model are MoGro in New Mexico, Fresh Truck in Boston, Twin Cities Mobile Market, St. Louis Mobile Market, and Fresh Moves Mobile Market in Chicago (Briejer & Carbary, 2016).

Management/Governance Structure:

The management and governance of mobile grocery operations vary according to their organizational structure. If a sole proprietorship or LLC, the management structure will be governed by incorporation or other documents. However, most mobile groceries are operated and funded by more than one entity, and one or more of those entities will take the lead.

Funding Strategy:

While less expensive than opening an actual supermarket, mobile grocery units still require significant investment to start and operate. Grants and other funding are integral, but the financial model should be sustainable if this funding diminishes. There is also very little room to pass additional costs to buyers (EcoDistricts, 2016).

Mobile markets employ a variety of capitalization/initial financing strategies. If a sole proprietorship, the prospective operator will use personal funds and/or personal or commercial loans to generate start-up funding. Most projects, because they are a public-private hybrid form, combine a unique mix of private and public funds from a number of different sources. Private financing sources include private banks, community development financial institutions (CDFIs) offering lower interest rates for projects with social benefits, private equity funds, and charitable foundations (PolicyLink, & Local Initiatives Support Corporation, 2008). Public financing sources include the USDA Local Food Promotion Program (LFPP), which offers planning and implementation grants with a 25 percent match to support the development and expansion of local and regional food business enterprises (U. S. Department of Agriculture, Agricultural Marketing Service, 2019).

To help address economic disparities, some mobile markets sell produce at or below cost and/or participate in United States Department of Agriculture (USDA) nutrition assistance programs for low-income households, such as the Supplemental Nutrition Assistance Program (SNAP), the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), the WIC Farmers' Market Nutrition Program (FMNP), and the Senior FMNP. Research suggests low-income individuals eat more fruits and vegetables when they have WIC and FMNP coupons (Herman et al., 2008; Kropf et al., 2007); Zepeda, Reznickova, and Lohr (2014) suggest policy makers at the national level can facilitate greater purchase of healthier foods by permitting the redemption of farmers market food vouchers at all mobile markets.

SNAP, WIC, FMNP, and other food subsidies can represent a large percentage of mobile grocery store income. In 2012, the Arcadia Mobile Market reported 40 percent of its sales came from SNAP, WIC, FMNP, and other matching incentive programs. Similarly, the Nashville Mobile Market reported 20 percent of its sales were to customers using SNAP (Robinson et al., 2016). Arcadia's Mobile Market reported SNAP, WIC and Senior FMNP transactions generated an average of \$8.44 per transaction. The Nashville Mobile Market reported customers spent an average of \$5.93 per transaction (Robinson et al., 2016).

The St. Louis, Missouri MetroMarket, in addition to relying on grants and donations, partners with a local hospital to allow doctors to prescribe fruits and vegetables for children based on their level of hunger. They can then use the prescription as a coupon for the MetroMarket. The MetroMarket is also available to corporate or wealthier shoppers, who are charged more than regular customers to help keep prices discounted for those of lesser means (Cherian, 2016).

Product sales alone are usually insufficient to cover operating costs. For example, the Arcadia Mobile Market in Washington, D.C., reported its gross sales in 2012 were \$43,478 while its general operating expenses totaled \$99,395. The Nashville Mobile Market reported \$22,922 in sales revenue for 2011 and \$25,932 in total expenses (Robinson et al., 2016).

Number of Workers:

The number of workers varies considerably and depends upon the configuration and scale of the operation. The Kansas City Rollin' Grocer employs ten paid team members and has numerous offers of help by volunteers; however, volunteers require the same amount of training and supervision as paid staff (Sauer, 2016).

Briejer and Carbarry (2016), in their feasibility study for Seattle, suggest the following staff roles at a minimum:

- 1) Sales: two sales staff members to manage sales at each location, drive the grocery unit from one location to another, and load and unload the unit at the beginning and end of the day. It is important to have at least two staff members be available to manage the sales volume, provide information, samples, and demonstrations, efficiently set-up and take-down between locations to maximize the number of stops per day, and provide a sense of security.
- 2) Inventory Management and Community Outreach: at least one staff member available during regular business hours to manage inventory, business administration, and community engagement. Engagement is directly related to sales, and if revenues do not permit the hiring of staff for this role, it may be possible to utilize strong partnerships or the outreach capabilities of a larger parent organization to meet outreach needs.
- 3) Training: a business expert who will train staff in sales, inventory management, and business management. This person may be a full- or part-time staff member, or

someone from a local college or university, a foundation or nonprofit organization, or a private consultant.

Trust is fragile, particularly for residents in vulnerable communities, and while they desire what everyone wants in a grocery shopping experience (value, service, quality, and convenience), these characteristics might not be present in their current shopping environment. According to Zepeda, Reznickova, and Lohr (2014), the shoppers in their study to evaluate the effectiveness of mobile markets in food deserts made it clear trust is built through experience and relationships, and they valued direct contact with mobile market staff they perceived as being part of their community. The implication is that hiring staff from the community, emphasizing relationship building with the community, and projecting a message of caring may be important to the patronage and financial success of the mobile grocery (Zepeda, Reznickova, & Lohr, 2014).

Size of Operation/Square Footage of Stores:

According to Zepeda and Reznickova (2013), at any given moment there are approximately 40-50 different mobile grocery markets operating in the U.S. As with staffing, the size of a mobile grocery store's operation and the square footage of its vehicle vary considerably. Retrofitted vehicle types include city buses, school buses, step vans, library bookmobiles, beer delivery trucks, trailers, shipping containers, and 18-wheeler trucks (Worley, 2017; Robinson, et al., 2016; Bloeser, et al., 2019; Cherian, 2016; Hellman, 2017).



The size of the operation of a mobile grocer will be reflected in the number of vehicles deployed, the number of routes, the number of stops along the routes, the distance between stops, the number of days in operation, etc. For example, in Kansas City, one truck can service 44,000 people at 15 stops without traveling long

distances. In spread-out, rural communities, more time will be spent during an operational day traveling from one location to the next, which means fewer and shorter stops, with less time selling and tighter profit margins (Fox, 2018; Bloeser, et al., 2019).

To determine the physical capacity—the size and number of vehicles—needed to achieve the South King County (Seattle) mobile grocery's (PUG) projected sales, Briejer and Carbarry (2016) used the following approach to convert the projected revenue into an estimate of volume and pounds:

- 1) Assume that households (with 2-3 members) consume approximately 23 pounds of the kinds of products PUG will stock each month;
- 2) If 10 percent of those products are purchased from PUG, this translates to 2.3 pounds of groceries per household per month;
- 3) Multiply this by total household customer base of 641 (0.5 percent of population in target areas);
- 4) These calculations indicate PUG's projected sales would translate to approximately 1,474 pounds of groceries per month (or about 368 per week or 73 pounds per day);
- 5) Therefore, the type and number vehicles needed for a day of operations must be able to handle at least 73 pounds of products.

In addition to the vehicles, the operation will also have back-office functions which will require housing of a certain size, and will also need access to suppliers, such as farms, farmers markets, wholesalers and retailers, etc., which have their own infrastructure and operational requirements.

Average Number of Customers/Day:

This study did not discover national data that aggregates statistics about all mobile markets currently operating. The average number of customers per day will vary depending upon numerous, locally unique variables, including the number of stops on the mobile market's route and the size and characteristics of the population served at those stops. The number of customers at a public transit stop might differ from the number at a public housing or senior citizen complex. The number will also depend on the effectiveness of public engagement, advertising and promotion, and the correct match between customers and the nature and price of goods offered.

An approach to determine the potential viability, and the number of customers, of a mobile market in a community or neighborhood is to examine "unmet demand" for grocery items, or "leakage." The Community Development Financial Institutions Fund (CDFIF) (2012) publication, "Searching for Markets: The Geography of Inequitable Access to Healthy & Affordable Food in the United States," offers a detailed discussion of leakage and an explanation for how knowledge of the economic landscape can help determine viable strategies for increasing access to food. The CDFIF describes leakage, in financial terms, as "a measure of retail sales lost by a community to a competitive market, indicating the need for more retail development in an area." Sales "leaked out" of an area represent the unmet demand for food in a community. So, a leakage figure captures the current amount of food that residents of an area purchase at another location. To calculate leakage, two amounts must be known: the existing amount of food that residents of the area purchase, and the total food sales occurring within the study area. If the total demand for food exceeds the total sales from stores, the difference in food sales is "leaked out."

The CDFIF calls areas with low access to healthy, affordable food “LSAs” (“Limited Supermarket Access”). Most LSA areas have demand in excess of what is captured by existing stores. The excess demand may indicate that the existing stores have limited selections or that they are inaccessible to area residents; either way, residents are shopping elsewhere to meet their food needs. Leakage estimates, combined with local market knowledge, in-store observations, and population spatial and density evaluations, can help define the parameters for proposed interventions to address unmet or inadequately met local demand for food. According to the CDFIF, LSA areas with less than \$6 million in estimated unmet demand are areas in which the most appropriate strategy can be either to upgrade existing stores or to introduce alternative approaches, such as mobile markets, farmers’ markets, a store delivery program, or improved transportation to an existing store.

We again turn to the South King County (Seattle) mobile grocery (PUG) feasibility study by Briejer and Carbary (2016), for a thought process model to estimate the number of potential customers and potential annual gross sales from a mobile operation. Briejer and Carbary assume only 0.5 percent of the population of each neighborhood or city in PUG’s target market would become customers of PUG, and these customers would spend just ten percent of their grocery budgets at PUG. Note: PUG only sells fresh produce; a mobile operation with a wider assortment of goods such as proteins, dry goods, canned goods, etc., might increase the grocery budget expenditure percentage.

To estimate potential gross PUG sales, Briejer and Carbary (2016) looked at the total population of each neighborhood or city in PUG’s target market (over 330,000 people), the average income per household (\$52,626), the average number of individuals per household (2.6), and the overall average percentage that Washington State residents spend on food compared to their income (12.8 percent). In their study’s community survey, South King County individuals stated that they spent an average of \$28 per week on fresh fruits and vegetables. By combining this data with data from the Bureau of Labor Statistics (2019) Consumer Expenditure Surveys, the study assumes, on average, residents spend approximately 12.8 percent of their income on food. Of that, 59 percent is spent on food prepared at home (i.e., groceries). Using this percentage, they calculate an approximate amount spent on grocery items in the target neighborhoods and multiply this amount by the appropriate variables to derive the amount that could be converted to weekly sales of fresh fruits and vegetables by PUG.

Customer Demographics & Characteristics:

This study did not locate national data that aggregates statistics about all mobile markets currently operating, and mobile market customer demographic characteristics will vary depending upon the location and the nature of the mobile operation. However, it is possible to make some assumptions

simply by considering the mission of most mobile groceries: they are typically deployed with the primary goal to help combat food insecurity and poor nutrition in food deserts or other areas without access to an affordable full-service grocery store. Contrast this with a large full-service grocery chain, which will adhere to established internal and industry-wide criteria and specifications when deciding if and where to situate a new store. These criteria might include population density and demographics, the number and types of other retail grocery offerings in the market area, access roads and public transit, and land availability for the store and customer parking (note: prospective mobile grocery operators can adapt some of these criteria to local market evaluations, as well). The primary goal for establishing most new stores will be to generate profits for the company's owners and shareholders.

The U.S. Department of Agriculture Economic Research Service (USDA) (2019) suggests measurements of access to healthy food include the following indicators, and these indicators can provide clues to the demographic characteristics of current and potential mobile grocery customers: 1) accessibility to sources of healthy food, as measured by distance to a store or by the number of stores in an area; 2) individual-level resources affecting accessibility, such as family income or vehicle availability, and 3) neighborhood-level indicators of resources, such as the average income of the neighborhood and the availability of public transportation. According to EcoDistricts (2016), a food desert is a community with more than 20 percent of residents living below the poverty threshold and at least 33 percent of the population living more than a mile from a supermarket. A more complex USDA measure considers a census tract with low access if at least 100 households are more than one-half mile from the nearest supermarket and have no access to a vehicle; or at least 500 people or 33 percent of the population live more than 20 miles from the nearest supermarket, regardless of vehicle access (U.S. Department of Agriculture, Economic Research Service, 2019). This measure accounts for the fact that community members with higher incomes can reside in a food desert, as well.

OPERATIONS

Type of Product Selection/Offering:



Mobile grocers offer a variety of goods and services, ranging from only fresh fruits and vegetables to a full selection of standard grocery items, including dairy, eggs, poultry, beef and pork, seafood, canned goods, spices, dry beans and rice, bakery items, dry goods, health and beauty aids, etc. (Sauer, 2016). It is important for the food to be affordable and culturally

appropriate for a neighborhood, and community engagement is critical to ensure product selection matches residents' needs. If the community helps decide where the mobile grocery will go and can inform its operators about the types of food residents want and need, they will be more likely to feel vested in the project and frequent it (EcoDistricts, 2016). In fact, the Good Food Bus in Maine tailors its offerings at some stops to the needs of residents of those specific neighborhoods (Andre, et al., 2018). And, staff at the Bell Tower Foods truck in Boston maintain a wall of Post-It notes behind the checkout counter—a list of requests from the customers who come through (Laskowski, 2012).

Regional Partners: (e.g., local/regional farmers, etc.)

Mobile groceries partner with a wide variety of local and regional entities, including government agencies and social services, institutions of higher education, foundations, and nonprofit and nongovernmental organizations. They partner with local farmers and farmers markets, food pantries, and commercial supermarket chains (see below).

Other Goods & Services:

Mobile groceries might, in addition to the sale of groceries, offer other goods and services, e.g., pharmacy, prepared foods for take-out or consumption on premises, café with or without seating, discount programs, food delivery, catering, automated tellers, mail/package pick-up/delivery, dry-cleaning pick-up/delivery, gasoline, etc. Also, several mobile grocers, recognizing that customers purchasing new types of foods may not know how to prepare them, partner their food sales with cooking demonstrations and recipes to help bridge this knowledge divide (EcoDistricts, 2016).

Social Services: N/A

Forms of Advertising:

As with any retail operation, mobile grocers deploy a variety of strategies to inform potential customers about offerings and services. Publicity and advertising include flyers and newsletters providing information about locations, times, products and prices in advance located around central areas to raise awareness in the general public, such as bus stops, and at senior centers, churches, public housing, schools, community centers, etc. Some mobile grocers place ads in the newspaper and on television (Andre, et al., 2018). Others use banners, flyers, loudspeakers, and jingles to attract customers (Zepeda & Reznickova, 2013). Maine's Good Food Bus developed reminder systems about when the bus would be at a stop using text and email messages and provided refrigerator magnets and reusable shopping bags displaying schedule information (Andre, et al., 2018).

LOCATIONS AND PHYSICAL ATTRIBUTES

Typical Locations:

See also Size of Operation/Square Footage of Stores and Customer Demographics & Characteristics.

Mobile markets tend to operate in high traffic, visible locations such as the parking lots of community centers, public housing, schools, parks, libraries, health clinics, churches, universities, and senior living facilities (Robinson, et al., 2016). To be near a bus stop, they cannot block traffic and will need space for customers to pull up if they are in a car (Sauer, 2016). Some mobile markets face challenges in the form of traditional zoning ordinances that may disallow their operation, requiring lengthy and complicated zoning changes (EcoDistricts, 2016).

Markets operate on a daily or weekly schedule, parking for an hour or two at a time at prearranged stops. Some function like a grocery store, inviting customers to walk down an interior aisle of a bus with goods located on each side, or function like an open-air market, with goods positioned on shelves affixed to the sides of the vehicle or displayed on tables in tents (Robinson, et al., 2016).

Co-location Tendencies

Mobile grocers will make stops at health clinics, schools, day care centers, farmers markets, parks, housing complexes, and other community sites (Urban Growers Collective, 2019).

Number of Residents & Workers in Market Area: *(see Average Number of Customers/Day)*

Customer Access to Stores: (walk, bike, car, etc.):

Mobile grocery stores are intended to reduce the distance between residents and grocery items. Therefore, they will typically locate stops where the majority of residents can walk or ride a bike to them; however, this does not preclude the use of private or public transportation to reach a stop.

Parking Lots and Number of Parking Spaces: N/A**Community Contributions:**

The Kansas City Rollin' Grocer donates out-of-date products to food pantries and inedible produce is composted and donated to local gardeners (Sauer, 2016).

Competitors: N/A**Wholesaler/s Institutional Supporters:**

Kroger, Food Lion, Whole Foods, and Pick 'n Save grocery operations have each partnered with local mobile grocery operations to expand access to food in local communities served by their companies. In Louisville, Kentucky, in 2019, Kroger partnered with Dare to Care, a local food bank and nonprofit, and Louisville Forward, the city's economic development arm, to create the Zero Hunger Mobile Market. Louisville Forward committed \$60,000 to the project and Dare to Care spent \$140,000 to purchase the truck and trailer. Kroger outfitted the truck and has three employees running it. Customers boarding the 50-foot refrigerated trailer can find nearly 200 different products ranging from fresh meat and dairy products to produce and staple food items. Kroger is building on the success of a similar program, Milwaukee's Fresh Picks Mobile Market, which is a partnership between the Hunger Task Force and Pick 'n Save, which is owned by Kroger (see below) (Hyken, 2019). Watch a video here: <https://www.youtube.com/watch?v=zOfaqBZbr0Q#action=share> (Dare to Care, 2019, August 16).

The Food Lion Feeds Charitable Foundation, as part of a pilot project, donated \$100,000 to fund the expansions of two mobile grocery markets in the Charlotte (the Bulb) and Greensboro, N.C. (Mobile Oasis) communities (Inman, 2019). These two grants were awarded in conjunction with the University at Buffalo research team's Veggie Van project, which studies the long-term impact access to fresh produce has on eating habits and nutrition. In addition to bringing food to underserved communities, Food Lion Feeds is also particularly interested in gathering information on whether mobile markets work and in what settings (Food Lion Feeds, 2019).

My Street Grocery represents a partnership between Whole Foods Market and local healthcare providers, social service agencies, faith-based organizations, schools, and neighbors. Operating from a refurbished classic trolley car, the grocery travels to neighborhoods throughout the Portland, Oregon,

metro area. The trolley is stocked with produce, pantry staples, as well as dairy, meats, and frozen fruits and vegetables. Whenever possible, the mobile grocery store sources from the hundreds of local producers Whole Foods Market partners with in the Pacific Northwest. Legacy Health recognized the value of providing patients with chronic diseases access to fresh, healthy food, and created an innovative Food Prescription Program. Supported by a grant from the Good Samaritan Foundation, patients receive vouchers to purchase produce and groceries from the My Street Grocery community market (My Street Grocery, 2015).

The Hunger Task Force of Milwaukee and Pick 'n Save launched the Pick 'n Save "Fresh Picks Mobile Market," housed in a former 100-foot NASCAR trailer, in late 2015. The Mobile Market, operating from Monday through Friday, makes about 34 stops each month, and offers approximately 40 varieties of fresh fruits and vegetables, and more than ten kinds of high-grade meat, poultry, and fish to underserved regions (Pick 'n Save, 2019). Watch a video here:

https://www.youtube.com/watch?v=zG_RV6DifE0&feature=youtu.be (Pick 'n Save, 2017, March 10).

CASES

Which Stores Succeeded?

Partnerships and Funding

According to Fuchs, Holloway, Bayer, and Feathers (2014), many factors contribute to the success of a mobile market. These include public-private partnerships, philanthropy that promotes and supports policy innovation, support for innovation from local government, involvement of a city agency with the sustained interest and capacity to implement an innovative program, and technical assistance for program promotion, including a branding campaign.

Routes, Stops, and Schedules

Mobile markets should offer the most convenient days and times to reach the most customers, and the convenience factor will vary by community. Most of the mobile grocery operations examined for this study operate only on weekdays. Several authors suggested the need to expand evening or weekend hours to cater to more residents, particularly those who are employed during the week (Zepeda & Reznickova, 2013).

Staffing

The most successful markets develop programs to hire community members and offer internships and opportunities for high school and college students (Zepeda, Reznickova & Lohr, 2014).

Bornemann, 2015, found that staffing markets with employees who speak the language of the communities they serve could predict a market's success.

Affordability and Goods Offered

Affordability is key to success; potential customers often shop at national chain grocery stores and search for bargains, promotions, and coupons due to limited budgets. Mobile markets must be competitive with such stores and can also be sensitive to end-of-the month budget challenges by providing specials and discounts to help those who have run low on money. Stores must also stock the quantity and variety of goods customers want and need, and must include non-food items such as dry goods (Zepeda, Reznickova, & Lohr, 2014).

Self-Efficacy

Several mobile operations offer activities such as cooking demonstrations, cooking practice, in-class tastings, take-home recipe cards, and take-home meal kits. These activities are intended to increase self-efficacy for healthy eating by increasing positive outcome expectations through social learning and practice. They can also promote shared cooking among residents (Cox, 2019). Zepeda, Reznickova and Lohr (2014) suggest providing simple guidelines and illustrations of recommended servings of fruits and vegetables to help those for whom these items are unfamiliar.

Community Engagement, Networks, and Trust

By involving the community at the beginning of the decision-making process, a mobile market will be more likely to succeed. One market has a "community council" to inform all decisions about its operation (Fox, 2018). The type of vehicle, the specific neighborhood the grocery will serve, its route, stops, and schedule, the type of items it will stock—if the community helps decide, members will be more likely to feel vested in the project and frequent it. [Bloeser](#), et al, 2019, note, as a practical matter, community-based research aims to create measurable changes in people's lives and can involve many different methods, ranging from survey methods, interviews, and focus groups. However, Bloeser's study concluded surveys provided new insights and helped them connect with members of the community; however, their limitations include their brevity, and one-time interactions among strangers lacking the give-and-take collaborative conversations that might alleviate suspicion and distrust.

Best and Johnson, 2016, provide a useful analysis of the importance of the "psycho-social dimensions" of market activity in forging informal, reciprocal social networks, or "the strength of weak ties" among market patrons and staff. The formation of weak ties between staff and customers through market activity enabled the development of trust bonds, which in turn spurs word-of-mouth outreach. "The strength of weak ties lies in its 'cohesive power'; weak ties, unlike the strong ties of close friends

and family, act as a bridge to others, thus allowing broad diffusion of ideas and practices across networks of individuals and communities” (Best & Johnson, 2016). By supplementing formal networks among partners and marketing strategies with this type of outreach, mobile groceries can expand their markets to more residents and generate more income.

New York City Green Carts Program

An example of a strong public-private partnership is the New York City Green Carts program. Green Carts evolved in 2008 as a partnership between two city government agencies—the Mayor’s office and the Department of Health and Mental Hygiene—and the private and non-profit sector, including several community based organizations (CBOs), a foundation (the Illumination Fund), and a consultant to help identify, launch, and drive a cross-sector partnership for sustainability and innovative food systems strategies.

Executive and legislative leadership was essential for designing the initiative, passing the necessary laws, and coordinating implementation with public and private partners. New programs are difficult to implement in city government unless there is a private funder with the resources and drive to move programs forward. Experimentation and implementation of innovative programs is where the role of philanthropy can have a powerful impact on public policy.

The partnership with the Illumination Fund allowed flexibility in altering the program model when certain elements were not working, and the foundation provided key components, such as technical assistance and a marketing campaign the government could not fund. The Illumination Fund also leveraged funds from philanthropic partners such as the Deutsche Bank Americas Foundation to support CBOs providing vendor technical assistance (Fuchs, et al., 2014).

Which Stores Don’t Succeed?

Lack of Community Engagement and Trust

Researchers conducting a focus group study with mobile market shoppers and non-shoppers found that non-shoppers did not use mobile markets because they perceived them to be exclusive, uninviting, and unfamiliar. Non-shoppers identified lack of trust, familiarity, comfort, and awareness as barriers to the use of the market (Bornemann, 2015).

Financial Sustainability

Mobile markets may not be a viable long-term strategy to reduce disparities in access to healthy food. A study of food deserts in Buffalo, New York, suggested that although mobile markets can increase

food availability among low income households, the cost of deploying mobile markets may outweigh the benefits (Widener et al., 2012). There is considerable tension between the purported mission of increasing access to fresh produce and other grocery items and operating a financially viable and sustainable enterprise. The low volume of purchasing can create pricing issues for markets.

Regulations, etc.

The regulatory climate can be an obstacle to successfully operating a mobile market. Depending on federal, state, and local regulations, mobile markets must secure a business license, health department certification, vehicle registration, insurance, and electronic benefit transfer (EBT) certification in order to accept SNAP, WIC and FMNP coupons (Robinson, et al., 2016). In order to accept these vouchers, the mobile grocery must procure and sell a variety of foods to enable customers to make healthy meals.

Zoning can also be an obstacle. The Dotte Mobile Grocer in Kansas City was initially treated like a farmers market, requiring a separate permit for each stop, and it faced difficulties establishing stops at churches or schools because they were not commercially zoned (Hellman, 2017). The Dotte operation also faced a barrier to success with a \$30,000 fee charged by the area's dominant grocery supplier to join its cooperative.

Chicago, Illinois, Fresh Moves Mobile Grocery

In June 2012, Chicago's Mayor Rahm Emanuel stood with U.S. Agriculture Secretary Tom Vilsack in front of a shiny red bus to announce a federal grant for two produce buses operating under the "Fresh Moves" moniker while promising to secure funds for four more of the vehicles. Instead, a year and a half later the two Fresh Moves buses were permanently parked, and the foundation running them, Food Desert Action, reported a loss of \$51,502 on produce sales in 2011 and a loss of \$185,520 in 2012. Under Food Desert Action's business model, the foundation purchased produce and turned around and sold it on the buses, operating on thin price margins (Ruthhart, 2015).

In 2015, the operation was taken over by Growing Power, an organization involved in urban farming projects around the world. Previously, Mayor Emanuel sold retired CTA buses to Food Desert Action for a dollar. This time, he contributed a bus from the Chicago Public Library, but the city also contributed \$110,000 in fuel and maintenance costs for the program in its first year (Ruthhart, 2015). Growing Power assumed it would be successful because it would have less overhead; 90 percent of the fresh fruits and vegetables would be grown within 200 miles of Chicago.

Will Allen, the founder of Growing Power, was known as "the godfather of urban farming." He won a MacArthur "genius" grant in 2008 and in 2010 *Time* magazine named him one of its "Time 100"

(Turck, 2017). Then, in November 2017, Growing Power crashed. After years of running deficits and with more than half a million dollars in legal judgments against the organization, Allen resigned and the organization closed its doors (Turck, 2017).

Money, or the lack of money, led to Growing Power’s demise. The blame could lie with the high cost of organic food production, or perhaps with the exponential growth of Growing Power, beyond the scale that could be effectively managed (Turck, 2017). The Growing Power team spun off into a new Urban Growers Collective, with a mission of “creating healing spaces through art and innovation rooted within the foundation of growing food” (Turck, 2017).

NEW AND TESTING FORMATS AND SERVICES

For much of U.S. history, perishable kitchen items such as produce, milk, eggs and ice arrived outside people’s homes on a daily basis, first by horse-drawn wagon and later by truck. This curbside service would eventually fall victim to refrigeration, automobiles, and the rise of the supermarket, making weekly shopping trips the modern American norm (Holley, 2019, January 22). Today, several companies are developing and testing new models of mobile groceries that deliver directly to customers’ residences or very close by.

In 2017, in Shanghai, Wheely’s, Inc., a Swedish startup, along with China’s Hefei University,



Moby Mart

began designing and testing a prototype of a new 24-hour mobile convenience store (“Moby Mart”) (Belz, 2017).

Customers use a downloadable “app” on their phones to summon the store, which is the size of a school bus, and unlock its door. As they shop, customers scan items or place them in a “smart basket” that tracks purchases, and the store automatically charges their payment card when

they leave. The tiny shop stocks fresh food and other daily supplies, and customers can place special orders using the store’s artificial intelligence for delivery during their next shopping session. Wheely’s, Inc., envisions that almost anyone could purchase and use its mobile markets (Peters, 2017). The company plans to mass-produce the Moby Mart stores for as little as \$30,000, making them cheaper to build than traditional local construction. In a dense urban neighborhood with high rents, the low-cost system could make it possible for a group of neighbors to launch their own local grocery store as a franchisee charged a small “community fee” to get support from the company on logistics. Solar panels

on top of the store are designed to power the vehicle's electric motor and all of the equipment and lighting inside (Belz, 2017).

In Korea, the grocery chain Tesco launched a virtual grocery store by wallpapering "shoppable" billboards along subway corridors. Commuters wander the "aisles" and order their groceries by scanning QR codes via a phone app while waiting for the train, which are later delivered to their homes (Turow, 2016).

In 2020, the Ahold Delhaize USA supermarket chain (Stop & Shop) plans to test autonomous electric vehicles from San Francisco-based startup Robomart, Inc., in the greater the



Robomart

Boston area.

Billed as a



Tesco

"self-driving grocery store," the vehicles will carry an assortment of produce, meal kits, and convenience items directly to customers'

residences (Holley, 2019, January 22). The vehicles

offer a checkout-free shopping experience and address a key consumer obstacle in online and mobile grocery shopping: the ability for customers to choose what they want on site (Redman, 2019). Staff in another location will operate the vehicles using cameras and navigation systems. The vehicle's RFID and computer vision technology will automatically track each item a customer removes from the vehicle before charging their accounts and emailing them a receipt. A single vehicle, which is about 12 feet long and six feet tall, can hold about a half-ton of goods. Moving forward, Robomart hopes to partner with other retailers that would lease its vehicles and brand them as their own, creating self-driving grocery fleets (Holley, 2019, January 22).

USEFUL INFORMATION SOURCES

Feasibility Study

Briejer, M., & Carbary, K. (2016). South King County mobile grocery feasibility study. Seattle, WA: Center for Inclusive Entrepreneurship. Retrieved from <http://www.cie-nw.org/cies-king-county-mobile-grocery-feasibility-study-2016-1>

Pinchot University's Center for Inclusive Entrepreneurship (CIE) received a USDA Local Food Promotion Program (LFPP) planning grant to study the feasibility of a mobile grocery business for SeaTac, Tukwila, and South Seattle, Washington. The resulting feasibility plan is based on a series of listening sessions, interviews, surveys, and review of work that has already been accomplished around the issues of food security and economic development. The CIE used the Harwood Institute (2019) Model of active listening sessions with potential consumers, entrepreneurs, and current vendors. These efforts inform and guide the structure of the business model, and the plan includes a market assessment and business plan. Survey: <https://us3.campaign-archive.com/?u=276d3f69d397aa03781b86c70&id=4f664f4c5e>

Case Studies/Evaluations

Andre, A., Cohen, J., Gillett, J., & Houde, N. (2018). Improving access, affordability, fairness, and efficiency of the Good Food Bus Mobile Market. *Community Engaged Research Reports*, Winter, 62. Retrieved from https://scarab.bates.edu/community_engaged_research/62

Pulled by a pick-up truck and operated out of a retrofitted trailer, the Good Food Bus (GFB) is a mobile market run through the St. Mary's Nutrition Center in Lewiston, Maine. The GFB was starting its fourth season of operations in June of 2018 when a group of students from Bates College assisted with a process of critical reflection on its successes, priorities, and areas of improvement. The assessment focused on a) waste management and storage; b) product display; and C) access and affordability. The assessors performed research on these subjects through a review of Internet-based and scholarly literature, outreach to other similar mobile market programs, listening sessions with community members, and trips to the GFB and other markets.

Best, A. L., & Johnson, J. L. (2016). Alternate food markets, NGOs, and health policy: Improving food access and food security, trust bonds, and social network ties. *World Medical & Health Policy*, 8(2), 157-178. doi:10.1002/wmh3.190

The authors discuss the importance of "psycho-social dimensions of market activity in forging informal, reciprocal social networks, what sociologist Mark Granovetter (1973) termed 'the strength of

weak ties' among market patrons and staff" (Best & Johnson, 2016). They highlight the role of "interaction-based respect and dignity work in strengthening an NGO's communicative ties with community members, with important consequences for mobile market success" (Best & Johnson, 2016). The formation of weak ties between staff and customers through market activity enabled the development of trust bonds, which in turn spurred word-of-mouth outreach. "In Granovetter's formulation, the strength of weak ties lies in its 'cohesive power'; weak ties, unlike the strong ties of close friends and family, act as a bridge to others, thus allowing broad diffusion of ideas and practices across networks of individuals and communities" (Best & Johnson, 2016).

Bloeser, A. J., Ams, K. E. M., Washousky, D., Waggett, C., Weisman, E., Blinn, H., Korzeniowsky, S., Porfilio, R., & Milstead, R. (2019). Responding to food insecurity in a low-income community: The challenges of generating trust and choosing research methods. *SAGE Research Methods Cases, Part 2*. London: Sage Publications. doi:10.4135/9781526479716

In response to issues of access to healthy food access in Meadville, Pennsylvania, the Community Wellness Initiative at Allegheny College began an applied research program that focused on helping low-income people get better access to food. The program resulted in the creation of a mobile food market that travels to low-income neighborhoods. This case study demonstrates how principles of community-based research can guide choices about when and how to use different methods of inquiry, such as surveys, interviews, and focus groups. By extension, the case study demonstrates one approach colleges and universities can use to address entrenched problems and create new services in their community.

Cueva, K., Lovato, V., Nieto, T., Neault, N., Barlow, A., & Speakman, K. (2018). Increasing healthy food availability, purchasing, and consumption: Lessons learned from implementing a mobile grocery. *Progress in Community Health Partnerships: Research, Education, and Action, 12*(1), 65-72. doi:10.1353/cpr.2018.0007

A mobile grocery (MoGro) was developed through a partnership with community stakeholders, community advisory boards (CABs), Rick and Beth Schnieders, and the Johns Hopkins Center for American Indian Health (JHCAIH). MoGro provided access to subsidized healthy foods, with complementary events, including fitness activities and cooking classes. Within a community-based participatory action research (CPBAR) framework (Burns, Cooke, & Schweidler, 2011), the JHCAIH and partners designed and administered household surveys at baseline and three months after MoGro's launch. A randomly selected 20 percent of households participated at each timepoint. Results: About 75 percent of respondents said MoGro had changed the foods they purchased, and 68 percent said MoGro

had changed how their families ate. Survey items included questions on food insecurity adapted from the 2005 National Health and Nutrition Examination Survey Food Security Module (NHANES) (United States Centers for Disease Control, 2019) and items on food availability and perceptions of the impact of healthy eating developed through Project Eat (University of Minnesota School of Public Health, 2019).

EcoDistricts (2016). Mobile grocery store units case study. Retrieved from <https://ecodistricts.org/information-exchange/mobile-grocery-store-units/>

The Twin Cities Mobile Market is a project of the Amherst H. Wilder Foundation. One of the foundation's priorities focuses on increasing community health. The Mobile Market launched in 2014 and operates out of a bus retrofitted to carry groceries, including fresh fruit, vegetables, and dairy products. The market operates in various low-income neighborhoods underserved by current grocery stores five days a week at 19 different locations. Food is available at prices lower than retail stores thanks to partnerships with bulk wholesalers.

Fuchs, E. R., Holloway, S. M., Bayer, K., & Feathers, A. (2014). Innovative partnership for public health: An evaluation of the New York City Green Cart Initiative to expand access to healthy produce in low-income neighborhoods. Case Study Series in Global Public Policy: 2014, Volume 2, Case 2. Columbia University School of International and Public Affairs. Retrieved from <https://sipa.columbia.edu/news/study-nyc-green-carts-expand-access-fresh-produce-low-income-neighborhoods>

The Columbia University research team was engaged to: 1) analyze the effectiveness of the New York City Green Cart initiative in improving access to fresh fruits and vegetables for low-income New Yorkers; 2) assess the economic viability of Green Carts as small businesses; and 3) consider the role of philanthropy in promoting and supporting innovative public policy. The research team developed a conceptual evaluation model and research plan to determine whether Green Carts was meeting its goals. The researchers collected extensive primary data on neighborhood characteristics, vendor locations and business practices, and customer behavior. An 11-person team of students spent three months locating and interviewing Green Carts vendors (July-September 2013). Interviews were conducted in English, Spanish, and Bengali. A sample of customers was interviewed in November 2013. The customer sample survey was designed to capture any differences among Green Cart customers based on location in the core or periphery of the designated areas.

Robinson, J. A., Weissman, E., Adair, S. Potteiger, M., & Villanueva, J. (2016). An oasis in the desert? The benefits and constraints of mobile markets operating in Syracuse, New York food deserts. *Agriculture and Human Values*, 33(4), 877-893. doi:10.1007/s10460-016-9680-9

This paper examines mobile markets as an emerging approach to serving communities with limited healthy food options. The authors first trace the emergence of contemporary mobile markets, including a brief summary about how and where they operate, what they aim to achieve, who they serve, and the general constraints on their operations. They report case study findings that examine the operational benefits and challenges of two mobile markets operating in Syracuse, New York. Their research suggests that although Syracuse's mobile markets play a positive role in alleviating geographic, economic and social barriers to fresh food access experienced by elderly, immobile and low-income residents living in Syracuse's urban neighborhoods, the impacts of the mobile markets are dampened by both operational constraints and larger political and economic forces.

Strome, S., Johns, T., Scicchitano, M., & Shelnett, K. (2016). Elements of access: The effects of food outlet proximity, transportation, and realized access on fresh fruit and vegetable consumption in food deserts. *International Quarterly of Community Health Education, 37*(1), 61-70. doi: 10.1177/0272684X16685252

This study surveys 900 supplemental nutrition assistance program recipient or eligible households, and 300 supplemental nutrition assistance program ineligible households, in local food deserts to identify the effects of different dimensions of access on fresh fruit and vegetables (FFV) consumption. While proximity and access to one's own car were not significant predictors of FFV consumption, realized access to non-supermarket outlets did have a positive effect. Among food insecure respondents, limited car access had a negative effect on FFV consumption. This research underlines the importance of focusing on dimensions of access other than proximity when considering interventions designed to improve nutrition and health outcomes in food deserts.

Zepeda, L., & Reznickova, A. (2013). Measuring effects of mobile markets on healthy food choices. U. S. Department of Agriculture, Agricultural Marketing Service, November 13. Retrieved from <https://www.ams.usda.gov/reports/measuring-effects-mobile-markets-healthy-food-choices>; doi:10.9752/142.11-2013

This article discusses a study conducted by researchers at the University of Wisconsin-Madison, in cooperation with the USDA Agricultural Marketing Service. The focus of the study was to determine whether mobile food markets may be effective in facilitating healthy food choices in their communities. The research objectives were to: 1) understand who does and who does not use mobile markets and why, and 2) investigate whether mobile markets have the potential to alter attitudes and food choices, and if so, how. The researchers conducted eight focus groups at four sites comprised of residents from

urban and rural communities and different ethnic backgrounds. While this is a qualitative case study that is not generalizable, it provides insights about strategies and policies that would assist mobile markets and can guide recommendations and future studies.

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Small Format Discount Grocers By Chloe Rote



ORGANIZATION

Type of Store: Small Format Discount Grocer

The three most well-recognized small format discount grocers operating nationally are Trader Joe's, Lidl, and ALDI. Most of the information contained in this report directly addresses ALDI. Trader Joe's operates fewer than 500 stores and projects a small growth trajectory, and Lidl's entry to the U. S. market has been significantly less successful than ALDI's, resulting in a need to slow growth targets. Further, approximately 1 in 5 shoppers who report changing their grocery store preference have switched to shopping primarily at ALDI. Where data in this report comes from some combination of the three stores instead of only Aldi, this is noted.

Basic Business Model:

Summarizing from information provided directly by ALDI, Lidl, and Trader Joe's, there are four common components to their business models:

- Private label products - Each retailer stocks their stores with approximately 90% private label products, removing middlemen and marketing costs associated with national brands.
- Volume purchasing - Fewer SKUs per item category allows stores to make larger purchases which gives them greater leverage in negotiating wholesale product prices.
- No hidden costs - No in-store non-essential services like banking, pharmacies, store-provided bags; No non-essential staff like baggers, cart returns.
- Curated, seasonal values - Variety in the stores through limited volume offerings of seasonal goods including food and non-food items like small appliances.

This offering is like Walmart's everyday low pricing, but even more narrow: There are no national brands for rebates or coupons, no clearance section, no rewards cards or loyalty programs (Watson, 2018). Cart rentals and bring your own bag policies are standard, as are displays in cardboard shipping boxes, called 'display ready cases,' to minimize the number of times a product must be touched by employees prior to a customer's purchase (Aldi History, n. d.) (Our Story, n. d.) (About Us, n. d.)

Legal Form:

All three brands are privately held.

Management/Governance Structure:

U. S. operations of these European-held companies are run through subsidiary companies, and management structures are relatively flat. In most cases, an entry-level employee is only 3-5 tiers away from C-suite personnel (ALDI Organizational Chart, n. d.). Corporate services in the U. S., such as accounting, IT or core product buying and sourcing are handled in the Chicago management office (Inc., 2014).

Funding Strategy:

All three brands are privately financed.

Number of Workers:

ALDI currently employs over 25,000 workers in approximately 1,900 U. S. stores and corporate offices (Aldi History, n. d.). Their employment mix is 39% full-time workers and 61% part-time workers, and 20% of workers have been with the company for over ten years (CR 2017, 2017). ALDI does not release employment figures per store, but analysts note that they tend to employ roughly half the number of employees per square foot of retail space than the average full-service grocery retailer (HartBeat, 2015). According to a 2015 report by the food and beverage industry analytics firm Hartman Group, ALDI stores typically only staff a forklift operator and one to two cashiers per shift, with the possible addition of a third-party loss prevention agent (HartBeat, 2015).

Size of Operation/Square Footage of Stores:

ALDI's average store size is 16,500 square feet, with 10,000 square feet dedicated to sales floor (Real Estate Opportunities, n. d.).

Average Number of Customers/Day:

ALDI states they generate 750+ customers per day (RE Brochure, 2018), and they prefer to locate on sites with traffic counts in excess of 20,000 cars per day prior to the store opening (Real Estate Opportunities, n. d.). This means that ALDI stores expect to capture, on average, 3.75% of existing passing traffic at opening, though capture rate may increase after the store is established.

Customer Demographics & Characteristics:

ALDI's customer base is essentially the same as Walmart's. Nearly half of ALDI's shoppers are over the age of fifty-five, and female shoppers outnumber male shoppers roughly two to one. Just under 30% (the largest portion) of shoppers have an annual household income between \$25,000 and \$50,000

(Peterson, 2016). However, since 2017 ALDI has opened a greater number of stores in zip codes where the annual household income is \$4,500 higher than the national average (Peterson, 2016).

OPERATIONS

Type of Product Selection/Offering:

ALDI stores have only five aisles, and typically stock only one option per item type. For example, where a traditional grocer may have several brands and types of ketchup, ALDI has one store label offering. ALDI stores do have fresh produce, but not extended offerings such as salad bars, deli counters, rotisserie chicken or other hot prepared meals (Peterson, 2016). 90-95% of ALDI items are store brand (Aldi History, n. d.).

Regional Partners:

ALDI has begun testing the addition of local, niche products to its stores, especially items where the private label, also called national brand equivalent (NBE), appeal is weak. The inclusion of national brands is similarly limited to products where the NBE has limited appeal, for example Snickers, Pringles, Bolthouse juices, or Amy's Organic pizzas (HartBeat, 2015).

Wholesaler/s Institutional Supporters:

ALDI is vertically integrated and does not utilize wholesale distributors like Performance Food Group (Aldi History, n. d.) (HartBeat, 2015), and instead utilizes its own distribution centers (CR 2017, 2017).

Other Goods & Services:

ALDI offers variable and seasonal goods that are stocked in limited amounts, sold through and not re-stocked. Examples include gardening implements and small appliances (Aldi History, n. d.).

Social Services:

ALDI does not offer non-essential services such as banking or pharmacy which are found in traditional grocers (Aldi History, n. d.).

Forms of Advertising:

ALDI has historically relied on printed mailers, newspaper advertisements, and in-store posters, and more recently has utilized targeted marketing on social media. ALDI recently began its first national advertising campaign which includes television spots (Redman, 2018).

LOCATIONS AND PHYSICAL ATTRIBUTES

Typical Locations:

Per ALDI's Corporate Real Estate Site (RE Brochure, 2018) (Real Estate Opportunities, n. d.):

- 22,000 square feet (approximately) with a minimum of 95 dedicated parking spaces
- 2.5-acre pads for purchase and development
- End-cap or inline space with minimum of 103' of frontage
- Signalized, full access intersection preferred
- Dense trade area population within 3 miles
- Sites located in community and regional shopping districts with convenient access to population
- Sites zoned to allow grocery use
- Daily traffic count in excess of 20,000 vehicles per day

Co-location Tendencies:

ALDI prefers to own its real estate, which typically means the construction of standalone stores on 2.5 to 3-acre parcels. Other stores may locate nearby on outparcels; however no group of service or retail organizations have consistently chosen to locate close to ALDI (RE Brochure, 2018).

Number of Residents & Workers in Market Area:

ALDI's real estate guidelines specify a desire for road frontage with greater than 20,000 daily vehicles and a signalized intersection, both of which indicate a relatively populous area (RE Brochure, 2018). ALDI has expanded into suburban areas but has chosen to locate more of those stores in zip codes with higher than average incomes which would likely result in high numbers of workers relative to total residents in an area (Peterson, 2016). Private market research conducted for retail real estate group ICSC (International Council of Shopping Centers) found that ALDI's 'dense trade area' likely translated to approximately 40,000 residents within the specified 3 mile radius (Retailer Central, n. d.), but this data predates ALDI's expansion into less dense communities as part of their fast growth strategy.

Customer Access to Stores:

ALDI typically locates in heavily trafficked areas, and most customers are expected to arrive via personal vehicle or transit (RE Brochure, 2018).

Parking Lots and Number of Parking Spaces:

ALDI's real estate guidelines specify 95 dedicated parking spaces per store (RE Brochure, 2018).

Community Contributions:

ALDI partners with Feeding America to donate 20 million pounds of food annually, and makes financial donations of an undisclosed amount to support Feeding America's organizational costs. ALDI began a new employee and customer donation program in 2017, and those groups donated a collective \$675,000 to those affected by Hurricanes Harvey, Irma and Maria. ALDI has also participated in product collaborations (CR 2017, 2017). While specific data are not published, sales campaigns have run intermittently with national non-profits as the targeted recipients (CR 2017, 2017).

CASES

Which Stores Don't Succeed?

Lidl offers, in theory, a nearly identical business concept and shopper experience as ALDI stores. However, the brand's 2017 U. S. market entry has been widely criticized for poor real estate and store location selection. Originally planning to open 100 stores in their first year in the States, Lidl's strategy had to reduce that number by half after a softer opening than expected (Burt, A., 2018). Beyond misplaced stores, Lidl expanded their store footprints to 20,000 square feet--double their European store's square footage and increased their number of SKUs fourfold from European counterparts (Ladd, 2018) (About Us, n. d.). Lidl replaced their head of U. S. business, and has since demonstrated a more aggressive store opening pattern (Burt, A., 2018) and a Progressive Grocer shoppers survey has shown that in the past year, shoppers under age 45 are shopping Lidl more frequently and with bigger average transaction totals (Ebner, T., 2018).

This rough market entry clearly illustrates that while small format grocers fit well with American buyer's current desires, overhead and location must be tightly controlled to ensure success.

ALDI stores in the United States do not have a published failure rate, and no reports by outside analysts on store failure could be located.

USEFUL INFORMATION SOURCES

Most information regarding ALDI, the most prominent of the Small Format Discount Grocers, is available directly from ALDI's corporate publications, as they are privately held and thus have fewer required disclosures than public companies of the same size. The most data is contained in their International Corporate Responsibility reports, of which 2017 is the most recent.

This report is located at <https://cr.aldisouthgroup.com/en/cr-2017> and is heavily cited here.

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Small Independent Grocery Stores By Vegas Krane



ORGANIZATION

Type of Store: Small Independent Grocery Store

Independent grocery stores are food retail establishments whose owners operate fewer than four outlets simultaneously. These stores generated 11 percent of all U.S. grocery sales in 2015, helping to ensure food access in areas that may not be served by chain grocery stores, including rural counties and counties with a high percentage of low-income households (Cho & Volpe, 2017).

Independent grocery stores play an important role for local communities, which includes improving food access. Studies find that areas with a high share of low-income households, as well as rural areas, tend to have more independent food retailers; relatively few chain stores operate in these areas. In contrast, counties with higher median incomes have fewer independent stores and more chain stores; the average size of a food retail establishment in these areas is larger as well (Cho & Volpe, 2017).

Basic Business Model:

There are several types of independent grocery stores:

- 1) Small-format grocery stores: specialty food stores, limited-assortment supermarkets, and “superettes” (grocery stores with annual sales of \$1 million to \$2 million);
- 2) Specialty food stores: grocery stores that primarily offer organic or gourmet food and typically have an expanded fresh and/or prepared food department; and
- 3) Limited-assortment supermarkets: grocery stores with a limited selection of items among fewer categories (Cho & Volpe, 2017).

Number of Workers:

In 2015, independent stores employed more than 330,000 full-time equivalent employees (Cho & Volpe, 2017).

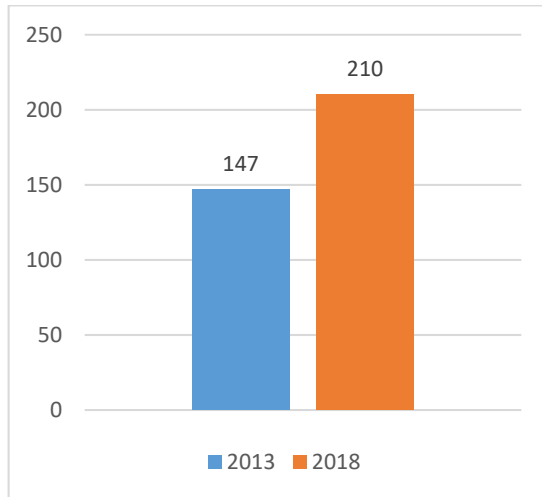
Size of Operation/Square Footage of Stores:

Independent stores generated \$70 billion in sales in 2015, or 11 percent of all U.S. grocery sales (Cho & Volpe, 2017). They made up at least half of all food retailers in 44 percent of U.S. counties. However, the share of food retail sales attributed to independent stores across the United States in 2015 was low—only 19 percent of all counties had at least 50 percent of total sales from independent retailers (Cho & Volpe, 2017).

Figure 1 shows the increase (43 percent) in the number of independent grocers from 2013 to 2018. This data only includes stores with sales in the range of \$12 to \$20 million sales range (Statista, n.d.). This increase suggests there is an opportunity for new players a new, niche market in local communities. However, even with the increase in the number of new

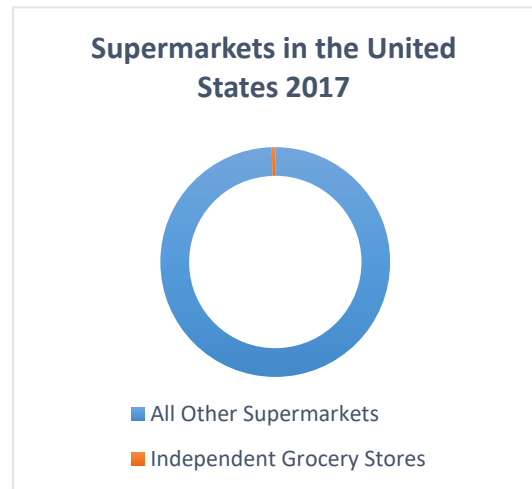
independent grocery stores, they represent a small portion of overall grocery options—in 2017, they accounted for five one-thousandth (0.005) of one percent of the 38,000 supermarkets in the U.S. as shown in Figure 2 below (Statista, n.d.).

Figure 1: Number of Independent Grocery Stores in the United States



Source: Conway, J. (2019, April 16).

Figure 2: Independent Grocery and Supermarkets



Source: Conway, J. (2019, April 16).

Independent stores were mostly “superettes” (58 percent) and supermarkets (33 percent), while chain stores were mostly supermarkets (67 percent) and supercenters (15 percent). Superettes are grocery stores with annual sales of \$1 million to \$2 million, while supermarkets are composed of grocery stores with at least \$2 million in annual sales; supercenters are stores that consist of a full-line supermarket and discount merchandiser under the same roof (Cho & Volpe, 2017). The shares of total sales for chain stores followed a similar pattern as the store make-up, with supermarkets having the largest share; for independent stores, the relationship reverses: supermarkets accounted for 58 percent of independent store sales and superettes accounted for 27 percent (Cho & Volpe, 2017).

On average, independent stores outnumbered chain stores (2.1 to 1.9, respectively) in nonadjacent rural counties. However, sales from independents accounted for only 18 percent of all food retail sales in these counties. The shares of independent store sales were even lower in rural counties adjacent to urban counties (16 percent) and in urban counties (ten percent) (Cho & Volpe, 2017).

Customer Demographics & Characteristics:

For each percentage-point increase of the share of Blacks in a county population, the number of independent grocery stores increased 1.5 percent, compared with only 0.4 percent for chain stores. Similarly, for each percentage-point increase of Hispanics in a county, independent stores increased in number by 1.1 percent, compared with 0.4 percent for chain stores. The relationship is reversed for other racial groups: for every percentage-point increase in the county population, independent grocery stores increased in number by 0.8 percent, but chain stores grew by 1.2 percent (Cho & Volpe, 2017).

LOCATIONS AND PHYSICAL ATTRIBUTES

Typical Locations: (e.g., town center, highway ribbon, etc.)

Independent grocery stores are not evenly distributed across the United States. Most U.S. counties (55 percent) had less than one independent grocery store for every 10,000 people in 2015. Although counties without any independent grocery stores are scattered throughout the United States, a large portion are in the South and East. In contrast, among counties with at least one independent store, about 21 percent had at least two stores for every 10,000 people (Cho & Volpe, 2017).

Examples:

Ellwood Thompson's Local Market, Richmond, Virginia

Category of establishment:

Independent

Grocer

Partnership

Operation: Privately held

Owner: Richmond

Shopping Center Inc C/o

Hutchinson Real Estate Inc

Location / physical attributes:

4 N Thompson St,
Richmond, VA 23221

Lot Size: Unknown

**Size of operation/store
in square feet:**

20,000

Location Type:

Commercial

Number of parking

spaces: Approximately
80

Year established: 1989

Annual Revenue

Estimate: \$20 to 50
million

Employees: 100 to 249

SIC Code: 5411, Grocery
Stores

NAICS Code: 44511003,

Business Categories: Independent Grocery Stores in Richmond, VA

Source: Manta

Figure 1. Ellwood Thompson: *Clockwise from Top*, Top: Storefront, Bottom Right: Aerial view of Store and parking lot, Bottom Left: Map view to display proximity to highway/main thoroughfare



Source: Google Maps

Co-Owner Rick Hood created the organization Real Local RVA, with a mission to educate, support, and raise awareness of the local food movement in the Greater Richmond Area. Real Local RVA is a grassroots group of independent, small grocery stores, restaurants, farmer's markets, farmers, growers, and supporters dedicated to growing the local food scene in Richmond and the surrounding area. The market is filled with products from small, independent, local vendors and from farmers who grow our food, all within a 100-mile radius (Manta) This organization grew into the Ellwood Thompson Local Market. The core values of Ellwood Thompson are to exceed other grocers in: Product Standards, Food & Product Safety, Environmental Impact, Community Engagement, Animal Welfare, Diversity, equality, and ethical treatment of everyone and Social Responsibility. Figure 1 shows the Ellwood Thompson storefront, along with an aerial view of the store and their parking lot, and their proximity to the highway. This proximity to Interstate 95 allows residents to stop on their commute home from almost any part of the City of Richmond. This interchange drops off into interstate 64 West and 95 North if a customer is heading to Ashland or the West End and it also drops into Route 76 South and Route 150 for those heading to Chesterfield or the Midlothian area.

Information obtained through phone interview with: Colin Beirne, Marketing Director, Ellwood Thompson's Local Market

Basic business model: Natural store with everyday basic staples

Management/governance structure? This is a top down management structure with the owners in charge of everything

Capitalization/initial financing/funding, e.g., private, foundation grant, government grant, one-time, continuous subsidy, no subsidy, etc.? No information available

Average number of customers per day: 2500-3000

Average dollar amount spent per customer: \$28-30

Table 1: Ellwood Thompson Amenities

Amenities	YES	NO
<i>Fresh: Bakery, meats/fish</i>	X	
<i>Dry goods only</i>		X
<i>Processed: Bakery, meats/fish</i>	X	
<i>Deli</i>	X	
<i>Pharmacy</i>		X
<i>Health</i>	X	
<i>Beauty</i>	X	
<i>Prepared foods: take-out or consumption on premises,</i>	X	
<i>Café: with / or without seating</i>	X	
<i>Food delivery</i>		X
<i>Catering</i>	X	
<i>Automated tellers</i>		X
<i>Mail (Package pick-up/delivery)</i>		X
<i>Dry Cleaning (Pick-up/Delivery)</i>		X
<i>Gasoline</i>		X
<i>Lottery</i>		X
<i>WIC/ SNAP</i>	X	

Average customers demographic: Mid to High-income resident, 25-60 years of age

Customer demographic characteristics: White, Urban Homeowners and renters, college students

Regional partners, e.g., local/regional farmers, etc.? yes

Wholesaler/s institutional supporters, e.g., Performance Food, Feed More, Corporate firm (e.g. Food Lion), etc.? Yes

Social services - elder care, health care, education/literacy, community center? No

Forms of advertising? Facebook, Local collectives, online

Number of residents & workers in market area? Unknown

How do most customers access store – Car, Bus, Walk

Competitors located nearby (i.e., do they avoid competitors, co-locate, etc.): Kroger is the closest competitor

Special features (including, but not limited to): None

Non-compete agreements, revenues contributed to community, other Cases? No

Jackson Street Market- Macomb, Illinois

Category of establishment:
Independent Grocer

Legal Form: Independent

Operation: Privately held

Owner: Terry & Mary Sparrow

Location / physical

attributes: 1601 W Jackson
St, Macomb, IL 61455

Lot Size: Unknown

**Size of operation/store in
square feet:**

7,800

Location Type: Commercial

Number of parking spaces:

Approximately 40

Year established: 2014

Annual Revenue Estimate:
\$219,203

Employees: 20 to 49

SIC Code: 5411, Grocery
Stores

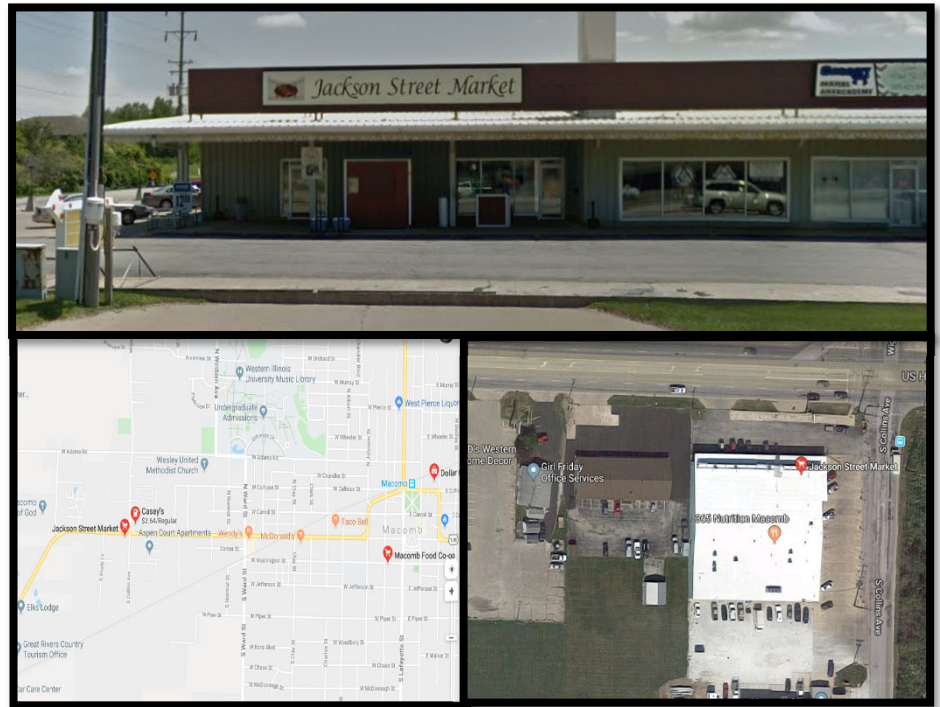
NAICS Code: 44511003,

Business Categories:

Independent Grocery Stores
in Macomb, Illinois

Source: Manta

Figure 1. Jackson Street Market: *Clockwise from Top, Top:*
Storefront, Bottom Right: Aerial view of Store and parking lot, Bottom
Left: Map view to display proximity to highway/main thoroughfare



Terry and Mary Sparrow have been the owners/operators of the Jackson Street Market in the college town of Macomb, Illinois, for the past three years. 7,800 sq. ft., it is a full-service grocery store with produce, frozen food and a meat department doing in-house butchering. Established in 2014, current estimates show this company has an annual revenue of 219,203. The Jackson Street Market, located on the west side of town, faces all the challenges common to most small grocery stores. Macomb is also served by Super Walmart Center and a Hy-Vee grocery store, both located on the east side of town close to most of the retail development. Figure 2 shows the Jackson Street Market storefront, along with an aerial view of the store and their parking lot, and their proximity to the highway. Near the center of town is a large County Market grocery store that benefits from having residential neighborhoods on three sides. As an independent grocer, Mr. Sparrow does not have the tremendous resources that these corporations have. While located on a busy thoroughfare, it is the out of the way location that helps it benefit. When speaking with Mrs. Sparrow in a phone interview, she said “Nearby residents prefer to visit this store (rather) than drive past it to a larger location that may be busier. We are the only grocery on the West Side.”

With the larger competition in town, how have they managed to stay in business for the past three years? Mrs. Sparrow says, “Terry says it best; our secret is in our business model:

1. We will offer ...the finest cuts (of meat) that will bring repeat customers in just for the meat selection.
2. We intend to stock the freshest produce available; organic selections will also be available.
3. We intend to have a full line alcohol selection that can operate with the store or on its own.
4. We can offer the personal touch and service that the larger stores cannot.
5. Our location will offer a convenient alternative to driving.”

Information obtained through phone interview with: Mary Sparrow, Co-Owner, Jackson Street Market

Basic business model (core of the business on which viability depends)? Fresh produce, Full Deli and Full alcohol selection

Management/governance structure? This is a top down management structure with the owners in charge of everything

Capitalization/initial financing/funding, e.g., private, foundation grant, government grant, one-time, continuous subsidy, no subsidy, etc.? Did not want to provide.

Average number of customers per day: Approximately 150

Average dollar amount spent per customer: \$30

Customer demographic characteristics? Low to Mid-income residents from the West Side

Regional partners, e.g., local/regional farmers, etc.? No

Wholesaler/s institutional supporters, e.g., Performance Food, Feed More, Corporate firm (e.g. Food Lion), etc.? No

Social services - elder care, health care, education/literacy, community center? No

Forms of advertising? Facebook, online, newspaper

Number of residents & workers in market area? Unknown

How do most customers access store - walk, bike, car, etc.? Public transit, walk

Competitors located nearby (i.e., do they avoid competitors, co-locate, etc.): Hy-Vee is the closest competitor

Special features (including, but not limited to): Full Deli

Non-compete agreements, revenues contributed to community, other Cases? No

Produce Center- Dinwiddie, Virginia

Table 2: Jackson Street Market Amenities

<i>Amenities</i>	YES	NO
<i>Fresh: Bakery, meats/fish</i>		X
<i>Dry goods only</i>		X
<i>Processed: Bakery, meats/fish</i>	x	
<i>Deli</i>	x	
<i>Pharmacy</i>		X
<i>Health</i>	x	
<i>Beauty</i>	x	
<i>Prepared foods: take-out or consumption on premises,</i>	x	
<i>Café: with / or without seating</i>		X
<i>Food delivery</i>		X
<i>Catering</i>		X
<i>Automated tellers</i>		X
<i>Mail (Package pick-up/delivery)</i>		X
<i>Dry Cleaning (Pick-up/Delivery)</i>		X
<i>Gasoline</i>		X
<i>Lottery</i>	x	
<i>WIC/ SNAP</i>	x	

Produce Center, Petersburg, Virginia

Category of establishment:

Independent Grocer

Legal Form: Independent

Operation: Privately held

Owner: Leonard Harrison Jr

Location / physical attributes:

5812 Boydton Plank Rd,
Petersburg, VA 23803

Lot Size: 1.59 acres

Size of operation/store in square feet: 8,468

Location Type: Commercial

Number of parking spaces:

Approximately 30

Year established: 1981

Annual Revenue Estimate: \$5 to 10 million

Employees: 20 to 49

SIC Code: 5411, Grocery Stores

NAICS Code: 44511003,

Business Categories:

Independent Grocery Stores in
Dinwiddie, VA

Source: Manta

Figure 3. Produce Center: *Clockwise from Top*, Top: Storefront, Bottom Right: Aerial view of Store and parking lot, Bottom Left: Map view to display proximity to highway/main thoroughfare



Produce Center in Petersburg has been open more than thirty years in the same location. Ishan Patel, the manager, said their location is a part of their success. Their location close to the highway and the military base, Fort Lee, gives them access to regular customers and military families. Patel advised he only had general information about the grocery suppliers because the contracts were finalized before he was employed.

Table 3: Produce Center Amenities

Information obtained through phone interview with Ishan Patel, Produce Center Manager

Basic business model (core of the business on which viability depends)?
County store with basic staples

Management/governance structure? This is a top down management structure with the owners in charge of everything

Capitalization/initial financing/funding, e.g., private, foundation grant, government grant, one-time, continuous? Unknown

Average number of customers per day: 20-100

Amenities	YES	NO
<i>Fresh: Bakery, meats/fish</i>		X
<i>Dry goods only</i>		X
<i>Processed: Bakery, meats/fish</i>	X	
<i>Deli</i>		X
<i>Pharmacy</i>		X
<i>Health</i>	X	
<i>Beauty</i>	X	
<i>Prepared foods: take-out or consumption on premises,</i>	X	
<i>Café: with / or without seating</i>		X
<i>Food delivery</i>		X
<i>Catering</i>		X
<i>Automated tellers</i>		X
<i>Mail (Package pick-up/delivery)</i>		X
<i>Dry Cleaning (Pick-up/Delivery)</i>		X
<i>Gasoline</i>		X
<i>Lottery</i>		X
<i>WIC/ SNAP</i>	X	

Average dollar amount spent per customer: \$15-50

Customer demographic characteristics? Rural Homeowners, 40-55 years of age

Regional partners, e.g., local/regional farmers, etc.? Unknown

Wholesaler/s institutional supporters, e.g., Performance Food, Feed More, Corporate firm (e.g. Food Lion), etc.? Unknown

Social services - elder care, health care, education/literacy, community center? No

Forms of advertising? None

Number of residents & workers in market area? Unknown

How do most customers access store - walk, bike, car, etc.? Car

Competitors located nearby (i.e., do they avoid competitors, co-locate, etc.): Food Lion is the closest competitor

Special features (including, but not limited to): None

Non-compete agreements, revenues contributed to community, other Cases? No

Which Stores Succeed?

According to Dumont (2019), independent grocers can improve by: maintaining the quality and personal connections in their communities, enhancing their website usability by providing consistent pricing online and offline, providing the same products online and in-store, and ensuring a user-friendly smartphone “app.” With many stores now offering online, delivery and catering options as well, they are also able to provide food options to many different demographics. This connection between the store and the community provides a basis for better health options for all residents (Conway 2019).

Cases

In the case study, *What Role Do Local Grocery Stores Play in Urban Food Environments? A Case Study of Hartford-Connecticut*, Martin, Ghosh, Page, Wolff, Mcminimee, & Zhang, 2014, identified several factors that affect stores’ performance and were determining factors that indicated success. The correlation between customer perception of the quality of the produce and the store appearance is a very important factor. A degraded store front or environment can often dissuade a shopper from visiting a store or even trusting the merchandise in the store to be fresh and of good quality. “Improving food quality and appearance of smaller stores in urban inner cities can potentially impact the food purchasing decisions of low-income residents in Hartford and a potential improvement to food insecurity” (Martin et al., 2014). The second factor that indicates success is the connections store owners from small- and medium-sized markets had in the community. Business owners who live in the area their stores serve caused them to be personally invested in the local economy and improvements to local business infrastructure. Most large corporations aren’t willing to re-invest their revenue back into a community without some incentive. Personal relationships with customers help build loyalty and a sense of community. Both are ways to improve the quality of produce, boost the local economy, and potentially improve food purchasing and consumption patterns of low-income residents (Martin et al., 2014).

The case study conducted by Moore and Roux (2006), *Associations of Neighborhood Characteristics with the Location and Type of Food Stores*, examined the relationship between neighborhood characteristics and the type of food stores available. First, they found that neighborhood racial/ethnic and socioeconomic composition are the biggest factors in determining the type of food options available. By examining the association of food stores and liquor stores with racial/ethnic composition and income in selected census tracts in North

Carolina, Maryland, and New York, they found that the location of food stores depends on a complex set of factors including the marketing decisions of large corporations, the perception of the market by small businesses, consumer demand and purchasing power, competition, local regulations, and also local culture (Moore & Roux, 2006). This suggests the problem must be approached from multiple angles; however, the solutions must have a common theme in order to be truly beneficial.

In this study, the authors (after they accounted for population and geographic size), discovered wealthier areas had more supermarkets than did predominantly minority and poorer areas—in these areas, small grocery stores were more common. Merchants want to locate in the area that can generate the most revenue, which is why generally, poorer areas and non-White areas tend to have fewer fruit and vegetable markets, bakeries, specialty stores, and natural food stores. In comparison, liquor stores were more common in poorer than in wealthier areas (Moore & Roux, 2006). This study does not suggest that wealthy people do not drink liquor or that poorer people do not eat fruits or specialty foods; it suggests merchants have a responsibility to provide access to a variety food options to gain additional revenue and include the highest level of a store's customer base.

These case studies identify three main factors necessary to be a successful independent market: the store appearance, its connection to the community, and its ability to carry a wide variety of items that meet the needs of most of the community's population. There are three significant factors of independent supermarket failure: ineffective control over product cost and quality, ineffective customer service programs, and lack of the ability to promote a favorable public image (Conway, 2019).

John Derderian, president and CEO of Allegiance Retail Services/Foodtown, an advocacy group for independent grocery stores, told *Progressive Grocer* that large retailers are unable to offer the strong neighborhood and community feel that independents offer. The reasons are:

- Independents are better able to institute community programs;
- Independents can provide superior service and quality compared to major chains;

Derderian predicts: "Online grocery ordering will grow but will reach a static number at some point. To remain competitive, independent grocery operators may want to save at least some center store space due to the fact that a certain percentage of top-selling items will be ordered online" (Farmer, 2019)

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