Grocery Stores!
Four Strategies Activating Retailers to Grow Equitable, Regional Food Systems

Presented by: Fair Food Network & Red Tomato

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Welcome & Intros

GETTING TO KNOW EACH OTHER

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Why Grocers Matter

**EVEN A SMALL SLICE IS BIG MONEY**

- **Total Supermarket Sales - 2016**
  - $668.680 Billion
  - Source: Progressive Grocer Magazine

- **Number of Supermarkets - 2016**
  - 38,441
  - *2 million or more in annual sales
  - Source: Progressive Grocer Magazine

**BIG IMPACT ON LOW-INCOME AMERICANS**

Why Grocers Matter
ANCHORS OF COMMUNITY
Grocery is in Flux

Where do you shop for your groceries?

Will your store survive?
Grocery is in Flux

70% of Consumers Will Buy Groceries Online by 2024

According to the “Digitally Engaged Food Shopper” study by the Food Marketing Institute and Nielsen.
Grocery is in Flux

Millennial Influence on Grocery

When it comes to brick and mortar, millennials put greater value on shopping amenities:

- exotic foods
- child-friendly stores
- samples
- creative menu ideas
- online ordering

Share of shoppers who have used an online-only retailer for groceries in the United States in 2017, by generation.

Grocery is in Flux

Amazon's acquisition of Whole Foods is 'a threat to everyone,' even restaurants
Grocery is in Flux

Amazon Fresh & Amazon Prime Now to Merge

Amazon is merging its Amazon Prime super-fast delivery service with AmazonFresh, its grocery delivery service.
Grocery is in Flux

“The loading docks at Whole Foods could eventually become airports for drones, delivering customers’ groceries across town.”

Dollar General will carry fresh produce in 450 stores by the end of 2018
Grocery is in Flux

Salvation Army Opens Its First Nonprofit Grocery Store to Combat Food Deserts

Huffington Post - https://www.huffingtonpost.com/entry/salvation-army-opens-grocery-store_us_5aa6a6b7e4b087e5aaec85d4
Grocery is in Flux

Kroger, BJ’s expand same-day delivery through Instacart

Walmart increases grocery delivery to head off Amazon threat

Aldi expands same-day delivery to Chicago
Grocery in poor areas worry about a proposal to replace food stamps with “Harvest Boxes,” saying it could hurt not only their bottom line, but also their patrons’ nutrition.

Grocery is in Flux

Supermarket Bankruptcies Are Beginning to Pile Up

Investors are rattled. So far this year, Kroger and Walmart have lost more than $30 billion in market value combined.

Grocery is in Flux

Margins of supermarkets have taken a hit from growing competition from big box stores, including Amazon.com

Winn-Dixie parent plans to file for bankruptcy and will close 94 underperforming stores

1. eCommerce – cultural shift beyond market share

2. Rising income inequality – hyper-focus on cost and value

3. Changing consumer behavior – segmentation of shopping trips

4. Size and scale – impact on cost and satisfaction
Grocery is in Flux

According to the “Digitally Engaged Food Shopper” study by the Food Marketing Institute and Nielsen.
“Almost unanimously in the industry, supermarkets respond that their highest strategic direction is a perishables emphasis [and yet] the nature of the supermarket formula is holding them back.”
Grocery is in Flux

“38% of consumers say they are buying more local than a year ago.”

Hartman Group Organic and Natural 2016.

Because...

• Shared values and trust.
• Smaller-scale production.
• Support of local economy.
• Freshness and seasonality.
• Knowing where it’s not from.
• A sensible way of sourcing food.
Grocery is in Flux
Grocers’ New Strategies

HOW GROCERS ARE STAYING RELEVANT & THRIVING

Grocers are partnering in new strategies to strengthen and differentiate themselves with advantages around local, healthy foods.
#1: FOOD HUBS
Food Hubs

EASE OF DOING BUSINESS

- Grocers like easy ways to buy local at competitive prices
- Buying from food hubs simplify food safety, invoicing, delivery
Food Hubs

CASE STUDIES & IMPACT

**Red Tomato: Plan A**

- Whole Foods – selling limited assortment regionally, nationally

**Red Tomato: Plan B**

- Hannaford – direct delivery of 230 SKUs to 16 sites in MA, program provides backbone for sales to institutions and other community orgs
#2 : SNAP INCENTIVES
SNAP Incentives

WHAT IT IS

- What sets grocers apart from other EBT retailers is fresh produce
- Double Up doubles the buying power of SNAP to make fresh, healthy, local produce more affordable
- Boosts both EBT and produce sales
- Boosts customer loyalty, staff morale
SNAP Incentives

CASE STUDIES & IMPACT

Double Up Food Bucks

- Grew from farmers markets
- *Early 2015:* 2 active grocery incentive programs
- *Early 2018:* with Farm Bill and USDA FINI funding, new programs in 30+ states in a wide variety of retail formats
- Huge learning re: technology, local produce sourcing, how to market a new program
SNAP Incentives

HOW YOU CAN PURSUE

• Partnerships!
  ◆ Lead organizations to raise funds and coordinate
  ◆ Outreach partners key to get word out outside of the store

• Mix of USDA FINI funding, philanthropy, and an increasing number of state and local governments
Financing & TA

THE NEED
Healthy Food Financing

**WHAT IT IS**

- The idea started in PA in 2004 with the Fresh Food Financing.
  - 88 new or expanded stores
  - 5,000 jobs
  - Increased access to healthy food for 400,000 people
  - $30M in seed money resulted in projects totaling $190M
Healthy Food Financing

WHAT IT IS

- In 2010, Obama Administration announced the Healthy Food Financing Initiative (HFFI) for financing to healthy food retail projects in underserved communities.
- Various local/state HFFI efforts have sprouted.
Financing & TA

HEALTHY FOOD FINANCING ACROSS THE COUNTRY

[Map of the United States showing states with federal or philanthropic HFFI funds available through CDFI in light green and states with state or local policy in dark green]

Federal or philanthropic HFFI funds available through CDFI

State or local policy
Healthy Food Financing

WHAT IT CAN DO

• Enables grocery stores to be feasible in low-income communities

• Upgrade and modernizes stores for aesthetics, efficiencies, and expansion for ‘good food’

• Helps stores stay competitive
Michigan’s HFFI

GROWING MICHIGAN’S GOOD FOOD FUTURE

A $30M loan fund that provides financing & business assistance to good food enterprises that benefit underserved communities in Michigan.
Lending Across the Value Chain

INVESTING IN ‘GOOD FOOD’ PROJECTS

Producers
Farmers market vendors
Farmers markets
Farm stands

Distributors
Food distributor
Food hub or aggregator
Food incubator
Processing facility

Processors
Small-batch value-added processors
Healthy food service businesses

Retail
Single or multi-site stores
Cooperative grocers
Corner stores
Mobile markets
Ken’s Fruit Markets

GRAND RAPIDS, MI
Ken’s Fruit Markets

GRAND RAPIDS, MI

- Multi-site family-owned grocery store featuring high-quality food at low prices in diverse neighborhoods each store serves.
- Anchors of healthy food access with a variety of Michigan-grown produce.
- Financing used to improve operational efficiencies including pre/post loan technical assistance.
- Supports 30 part-time and 40 full-time jobs while supporting Michigan farmers, processors, and distributors.
Park Street Market

KALAMAZOO, MI

- Second Kalamazoo location of family-owned grocery store business.
- Financing will re-open a previously shuttered grocery store anchoring a revitalized retail plaza in primarily low income area.
- The project will create an estimated 13 temporary construction jobs and 165 permanent full time positions with local hiring from the community.
Park Street Market
KALAMAZOO, MI

The store is anticipated to open spring 2018.
Technical Assistance

ACCELERATING BUSINESSES

Michigan Good Food Fund bolsters lending with business assistance aimed at helping entrepreneurs prepare for financing and take their ventures to the next level.

- One-on-One Consulting
- Workshops & Boot Camps
- Referral Network
Technical Assistance

BODEGA BOOT CAMP

One-day, crash course for 5 early stage grocers on how to develop a sustainable grocery business model that puts healthy, perishable foods at the center of their store.
Financing & TA

HOW YOU CAN PURSUE

• Position yourself as an ally to a grocery store to address these concerns and find ways to help.
• Examine the points of connection between supply and access to find innovative ways to streamline and remove barriers.
• Check your state’s healthy food finance options, CDFIs.
• Use financial and technical assistance to build capacity in the supply chain to pursue growth opportunities.
#4 : ONLINE ORDERING
Online Ordering

WHAT IT IS

- Last mile delivery
- It’s expensive but convenient for everyone
- It also address transportation issues to reach Americans with limited mobility
- Makes buying produce and other perishables a more regular option
Online Ordering

CASE STUDIES & IMPACT

Pairing with food hubs, Double Up, financing, TA

• Wright’s Market, Alabama
  ♦ USDA SNAP online ordering pilot
  ♦ Area Agency on Aging
  ♦ Farm Food Collaborative

• Ron’s Supermarket, Kansas
Online Ordering

HOW YOU CAN PURSUE

• Grocers pay for the software add-ons
• Challenge can be reaching hard-to-reach individuals
• Grocers can offer ancillary services to be competitive and retain local touch
• Meet with grocers and see how you can be an ally!
LET’S TALK!
To Discuss

10 – 15 MINUTES

What strategies are missing to create a win/win opportunity for people working in supply chain and retail?

Be prepared to report back on 1 idea/strategy that your group discusses.
What's one strategy, idea, or missing component that you want to raise?
MOVING FORWARD
Take Aways for the Field

HOW YOU CAN PURSUE

• Grocery is in flux, but local and independents are critical.
• Food hubs help grocery stores meet consumer demand for fresh, local product.
• SNAP incentives layer on to increase demand for healthy, fresh, and local.
• Financing and TA strengthen capacity to meet demand and help grocers stay competitive.
• Online does not mean the death of local. Seize the opportunity to stay relevant.
• Be at the table, no matter what sector you represent.
Thank You!

www.fairfoodnetwork.org  www.redtomato.org