

## Keeping a Grocery Store Downtown

By Neil Loehlein and Bill Ryan\*

Grocery stores are often an important anchor for downtown, bringing a significant amount of customer traffic to the center of a town. Downtown grocers often serve a sizable in-town market that includes elderly and residents without cars. Many of these customers depend on the convenience of a downtown food store. In many small towns, the availability of a grocery store is a signal of a community's viability.

With the rise of "superstores" (general merchandise and food) on the edge of town, many smaller grocery stores have closed their doors. The new stores are able to offer plenty of parking, a greater variety of products at lower prices. Smaller grocers often close their doors for fear they can't compete. Others react to the new competition with the wrong strategies and loose market share. In either case, their departure often leaves downtown residents underserved.

### Small Store Strategies

According to grocery industry experts, small grocers can grow and prosper even with new superstore competition. Generally, small food stores cannot compete on the basis of price and selection, but they can find special products and services that the superstores do not offer. Gaining customer loyalty through consistent value and good shopping experiences is essential. The National Grocers Association and others offer some tips for grocers facing the new competition from superstores.

- **Service.** A general weakness of large supermarkets is their inability to provide fast and friendly service, especially on weekends. Large stores often do not have enough employees or managers to solve problems. Small grocers can offer a smile and personal service (such as baggers that carry groceries out to cars).
- **Offer Convenience.** Many consumers today are looking for a one-stop shop (banking/ATM, childcare, pharmacy, restaurants, photofinishing,

etc.). Downtown grocers should explore ways to fit additional services in their limited space.

- **Use Technology.** New technology such as self-checkout lanes are being installed in many stores today. New technology on the horizon includes grocery carts with computer screens that promote an item or remind the shopper of things to buy.
- **Enhance Store Atmosphere.** Some argue that consumers are tired of long aisles and boring atmosphere. Consider creating a more pleasing shopping experience by changing the lighting and floor plans. Make sure the stores are easy to shop in and are clean and modern.
- **Offer Order-By Phone.** Local food stores that have a high elderly population within its market area may want to consider "order-by-phone" grocery service with personal delivery.
- **Collaboration with Other Stores.** A grocery store should choose products and services that are not duplicative of other businesses. Cooperation including among local businesses is necessary. In rural areas, regional grocers can work with each other by having one store deliver to other stores, helping each of them to stay in business.
- **Co-Branding with Other Stores.** Grocery stores can share store space with other food business to lessen the burden of overhead costs. Partners might sell organic foods, bakery items, ethnic foods, coffee, seafood, wine, pastas, health and nutrition, fruits/vegetables or meats and cheeses.



- *Don't be Fussy about Where You Get Sales.* Downtown grocers should pay close attention to their key market segments including walking-distance residents and downtown employees. However, they must recognize that other market segments (such as tourists) may provide the additional sales volume to make the business profitable. Aggressive promote is necessary.
- *Sell High Quality Perishable Food.* Customers indicate that quality and freshness are often more important than price. Quality fruits, vegetables and meats as well as use-before/sell-by dates are some of the most important factors in selecting a store. Most chains are weak on perishable foods. Some believe that fresh food sections will grow in popularity while canned and boxed good sections (the strength of superstores) are shrinking.
- *Ready-To-Eat Foods.* Today's fast-paced lifestyle is responsible for the steady growth in away-from-home food expenditures. This leads to a decline in sales on items for in-home consumption. Grocery stores can regain lost sales by preparing ready-to-eat foods, such as salads, soups, and pastas. Consider an in-store café.
- *Offer Unique Foods.* Gourmet items (i.e. fresh breads, deli meats, desserts), organic and vegetarian items, extensive Herbs & Spices, imported wines/beers and seasonal items can differentiate a store from the competition.
- *Don't Compete on Price.* Some industry experts argue that price is not as important as quality and freshness. However, prices should be reasonable in the eyes of the consumer. Develop marketing strategies with wholesalers and direct store delivery companies.

Many of these ideas require capital investment. The challenge facing a small grocer is how to generate sufficient sales volume (per square foot) to justify the investment. Nevertheless, industry experts recommend that grocers react and fix their weak points before the new competition opens. They should become involved in their community and work to build customer loyalty. While local residents are glad to have the convenience of a local store, they may not automatically support it.

### Community Strategies

Even with effective business and marketing practices, some small downtown grocers may not be able to

succeed on their own. The following are community approaches to keeping a grocery store downtown.

- *Municipal Assistance.* If a grocery is recognized as a critical service for community residents, the local municipality may be able to offer a financial assistance package to help the store upgrade and commit to staying in town. Recently, \$150,000 was provided to a help keep a grocer in downtown Akron, OH. Similarly, the mayor of Scranton, IA, formed a committee to help the community buy a closed grocery store through the sale of stock.
- *Establish a Co-op.* A cooperative provides employees and regular customers the ability to become paying members, giving them a say in the store's operation. Residents become shareholders with a nominal membership buy-in. Memberships allow discount purchases or end-of-year refunds, although sales can also be made by nonmembers. Often, members donate their time running the store.
- *Create a Marketplace.* A marketplace is similar to a farmers market but in a permanent enclosed structure. Local vendors operate in spaces for bakery, meats, produce, wine and liquor, and other items. They rent space from a grocer who owns the building and operates the packaged goods space. If done properly and in the right market, a marketplace can provide a unique destination shopping experience.

Grocery stores can survive and prosper in a downtown location and serve nearby residents. To co-exist with new superstores, a downtown grocer should offer products and services that the superstores do not offer. They must gain customer loyalty through consistent value and a good shopping experience. A market analysis can help be very useful in developing repositioning strategies. In some situations, the community can help keep a grocer in town through alternative strategies that involve local investment.

#### Sources:

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