

WEBINAR SERIES

Keeping Groceries Alive: Successful Ownership Transitions for Rural Grocery Stores

K-STATE
Research and Extension



What webinars have you attended?

[Poll Question]

Last week: Thursday, March 11

Recruiting Store Managers

Recordings available at www.ruralgrocery.org

Mastering Grocery Store Nuts & Bolts

Thursday, March 18

Grocery Business Transition Mentorship Program

Grocers who are accepted will be paired with a mentor to identify needs, clarify goals, and develop action steps to advance their objectives.

Eligibility:

- Based in rural Kansas.
- Up to 10 rural Kansas grocers accepted.
- Acceptance based on application

Expectations:

- Minimum of four one-hour meetings with mentor between April and June 2021.

Stipend:

- \$500 stipend

Visit www.ruralgrocery.org/events/webinars_and_workshops/KGA_Mentorship_Program.html



Our Partners

Food Co -Op Initiative
Kansas Center for Business Transition
Kansas Rural Center
K-State Research & Extension
NetWork Kansas
Rural Grocery Initiative

Our Sponsor

Ewing Marion Kauffman Foundation

Housekeeping

- This session is being recorded.
- A recording of today's webinar will be made available at www.ruralgrocery.org.
- We will leave time at the end of the webinar for Q&A.
- Please use the Q&A feature to post your questions to our presenters.

Mastering Grocery Store Nuts & Bolts

Thursday, March 18

**What size town are you
calling in from?**

[Poll Question]

Grocery Operations 101

Sean Park

Illinois Institute for Rural Affairs

My Background

- Education/Teaching - M.A. in Economics
 - Business Development
 - Micro/Macroeconomics
 - Community Dev. Leadership
- 10 years as Owner/Operator of a Rural Grocery Store
 - 10K Sq. Ft. IGA
- 7 years - Walgreens Retail Operations
- W.I.U. – IL Institute For Rural Affairs
 - 6 years as an ISBDC Adviser (EPI Exit Planner Training)
 - 4 years with Illinois Cooperative Development Center
 - Rural Fresh Markets Program – 2,500 Sq. Ft. or less

Problems Facing Rural Grocery

- Very Low Profit Margin - 0.75 - 1.5%
- High Startup Costs - \$250K to \$4 Mil.
- Shrinking Populations - Or rather, redistribution of Rural
- Dated Infrastructure - Buildings and Equipment
- Expensive Distribution - or none at all

Distribution

A problem for all rural food access

Grocery distributors

- Provide Support (for pay) – pricing, marketing, equipment, design
- Relatively high min. order and security deposit

Options for Smaller Stores

- Convenience store distributors
- Restaurant Suppliers
- Individual Product Vendors
- Cross Docking and Group Purchase Programs
- Local Farm Producers and co-ops (added benefits)

Product Mix/Layout – Small vs. Traditional

Traditional Supermarket – Single Store Independents

- Perimeter vs. Center Store

| Departments | Sales Percentage (2019) |
|---|-------------------------|
| Grocery (inc. Dairy, Frozen, GM) | 56.3% |
| Produce | 11.2% |
| Meat (inc. Deli at 9.9%) | 29.7% |
| - 2020 Independent Grocers Financial Survey | |

| Gross by Department | Single Store Independent |
|---|--------------------------|
| Grocery | 24.7% |
| Dairy | 25.4% |
| Produce | 30.8% |
| Meat | 26.4% |
| Deli | 44.6% |
| - 2020 Independent Grocers Financial Survey | |

Product Mix and Layout

Rural Fresh Markets

- Focus on Higher Profit Departments
- Leave competitive sales (i.e. low profit) to corporations - Walmart, Dollar Stores, Amazon
- Increase Value -Added items (higher profit)

This affects both the store's layout and marketing strategy



A Little Accounting Terminology

Accrual vs. Cash Based Accounting

- Cash Flow vs. Income Statement and Balance Sheet

Markup vs. Gross Profit

- Buy item for 75 cents and sell it for \$1.00
- Markup = 33%
- Gross Profit = 25%

How Do I Know If I'm On Track?

Key Performance Indicators (KPI) – A three Legged Stool

- Sales (not including Sales Tax)
 - Am I using my advertising budget?
- Profit (Gross Profit)
 - Have my costs changed? Do I have excessive shrink?
- Expenses (fixed vs. Variable)
 - Check Variables – creeping labor costs?

Cash Flow Projections as Road Map

- Sometimes part of a feasibility study (SBDC can help)
- Use this to predict bank account, not the other way around





Hired Man's Grocery & Grill, Inc.

Clint and Jenny Osner, Owners

Conway Springs, KS



This Is Hired Man's Grocery & Grill, Inc.!



Understanding Conway Springs' Community Size

- Conway Springs is 30 miles southwest of Wichita on Highway 49.
- Our school district is 2A.
- Population is between 1100 -1200 people.
- We're a smaller store, just over 7,000 sq. ft.
- We are the only grocery store in town.



Designed by TownMapsUSA.com



Before and After – Our American Dream



How Do We Even Build and Open A Grocery Store?

We needed a game plan –

- Who would distribute groceries to us?
- Who could design what we couldn't
- Finding contractors
- Water/sewer line approval
- State Regulations
- Funding – How much money will it take? Who can help us?

https://www.ruralgrocery.org/Conway_Springs_FINAL.pdf

Rural Grocery Toolkit wasn't around when we were opening, but it is there now!



Parking Lot Addition

Parking Lot Story



Community Support – Homegrown Theme

We use it to promote the store – what we are doing well on!



Hometown Heroes



KC's Country Market

Corey Christianson, Badger and Greenbush, MN

Growing Up in a Grocery Store



**Pete's Hartz
1983 - 2000**



My parents were change agents, and change was coming...

What can the owners' kid learn?



- Customer and community service
- Introducing new products
- Change generates interest and excitement
- Continuous improvement

Buy it?

No way!

I gotta get out of here!



KC's Country Market

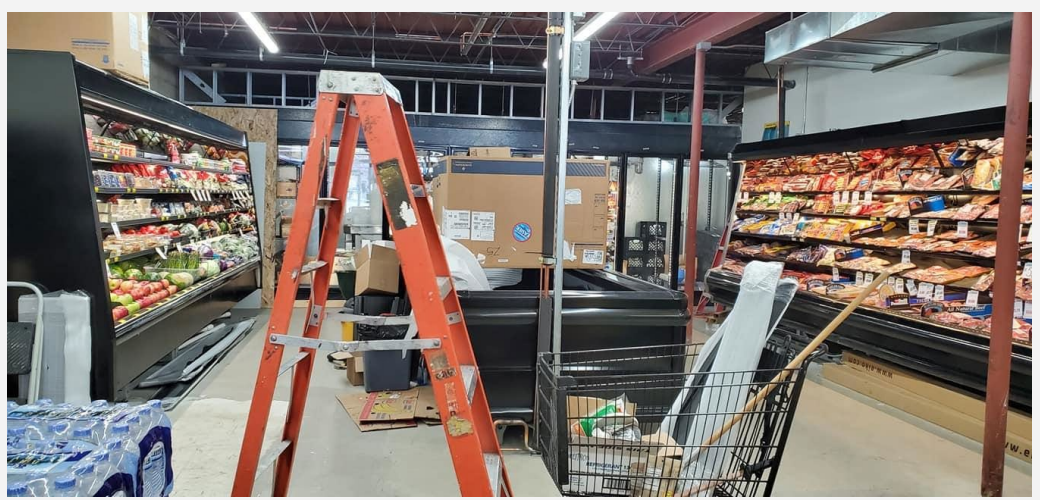
12/27/11

Returning home after
16 years

- Ideas
- Family
- School
- Community development



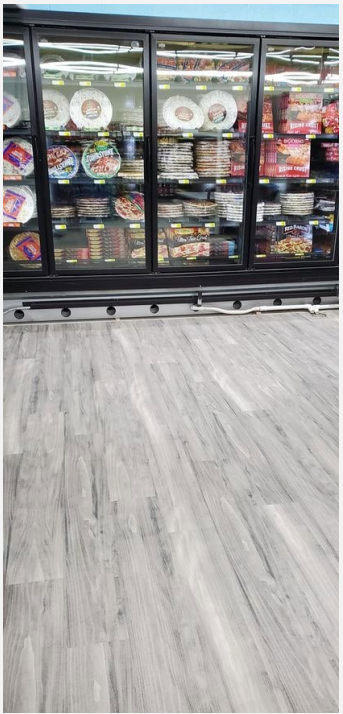
The second location



Be

- Flexible
- Adaptive
- Resourceful
- Aggressive
- Resilient

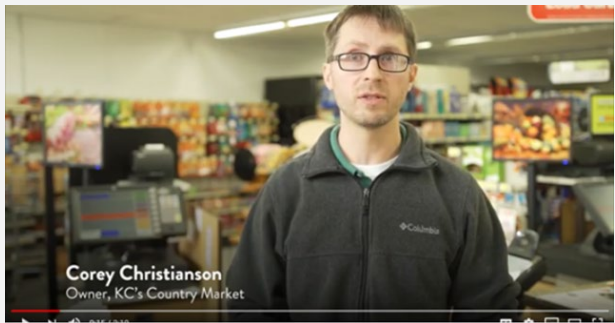




- Site visits for inspiration
- Multiple funding sources
- Surrounded by talent
- Become a destination
- Be unique!



MN grocers off to RGI Kansas State



YOUTUBE.COM
Minnesota's Good Food Access Program

Watch More



U of MN, KSU and Iowa State meet in Ames

- Be an advocate
- Collaborate
- Participate
- Teach/Learn
- Sell your story



Testifying at the State Capitol

Discussion

Jenny Osner, Hired Man's Grocery & Grill

Corey Christianson, KC's Country Market

Questions

Please use the Q&A feature

Webinar Recordings

*All webinar recordings are available on our website at
www.ruralgrocery.org*

| | |
|-----------------------------|--------------------------------------|
| February 4 Models | Understanding Grocery Ownership |
| February 11 | Preparing for Business Transition |
| February 18 | Assessing Markets & Community Needs |
| February 25 | Planning your Business |
| March 4 | Funding the Transition |
| March 11 | Recruiting Store Managers |
| March 18 | Mastering Grocery Store Nuts & Bolts |

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