

K-STATE
Research and Extension

Rural Grocery
Initiative

Rural Grocery Succession Planning



BEYOND GROCERY

Thursday, April 21, 2022

Featuring:

Jim Dudlicek, National Grocers Association

Bonnie & Theo Ramsey, Ramsey's Market and Fresh Out of the Box

About this series

- Monthly webinars hosted throughout 2022
- Continuation of business transition work & *Keeping Groceries Alive*
- Goals
 - Highlight resource providers
 - Identify key succession planning considerations
 - Present options
 - Share examples of grocery ownership transitions
- Additional resources available at www.ruralgrocery.org

Our Sponsor

*Ewing Marion Kauffman
Foundation*



EWING MARION
KAUFFMAN
FOUNDATION

Housekeeping

- This session is being recorded.
- A recording of today's webinar will be 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.

K-STATE
Research and Extension

Rural Grocery
Initiative

Rural Grocery Succession Planning



BEYOND GROCERY

Thursday, April 21, 2022

Featuring:

Jim Dudlicek, National Grocers Association

Bonnie & Theo Ramsey, Ramsey's Market and Fresh Out of the Box

Current Retail Landscape

Jim Dudlicek
Director, Communications and External Affairs
National Grocers Association

jdudlicek@nationalgrocers.org

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

NGA: Who We Are

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

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

Independent Supermarket Industry Economic Impact



**Nearly
1.2 million
jobs**



**\$42
billion
in wages
paid**



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



The NGA Community



Changes in the retail landscape

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

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

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

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

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

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

Pandemic shifts in consumer behavior

Increase in Grocery Spending: The COVID19 pandemic led to a 14% increase in U.S. household grocery spending *(March 2021)*

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

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

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

Pandemic shifts in retail operations

Independents make operational shifts to address COVID challenges ...

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

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

New trends affecting rural grocery

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

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

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

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

New trends affecting rural grocery

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

(University of Minnesota Extension study)

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

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

New trends affecting rural grocery

Rural grocery store owners want to hand their businesses down to a new generation; 63% of store owners said they do not intend to own their store 10 years from now. But a large percentage of respondents said they do not have a plan to transition their business. (*University of Minnesota Extension study*)

New ownership might be an opportunity for communities to modernize the business plans used by local grocery stores.

<https://extension.umn.edu/vital-connections/future-rural-grocery-stores>

New trends affecting rural grocery

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

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

Competitive challenges

Fragmented market

Labor

Food deserts

Lax antitrust enforcement

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

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

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

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

Future expectations

In-home eating continues

Grocers are looking to maintain the dollar share they gained from restaurants.

Expect grocers to continue more grab & go options as well as other innovative strategies to provide shoppers with mealtime solutions.

Inflation putting pressure on grocery shopping, but also dining out.

Leaning in on Local

Demand for local will take a leap forward.

During the pandemic, independents leaned on local sources to help stock shelves.

Locally sourced food and grocers' relationships with local farmers and suppliers will grow in importance.

Future expectations

Seamless E-Commerce Experience

Customer experience both online and offline will be important.

The increase in demand for e-commerce required more investment to beef up fulfillment infrastructures, as well as strategies for differentiating from competitors, including extensive training for associates so they can create a positive customer experience.

Value and Convenience

Consumers will be more sensitive to price, but there is no “one size fits all.”

Grocers will look to deliver on key differentiators such as value and convenience for their shoppers.

Future expectations

Increased Consumer Awareness – Transparency and Trust

The customer-retailer relationship has forever changed.

Communication will continue to be key – customers need more information to make important decisions that affect their lives and those of their family members, including on issues such as price, safety and health.

Going Beyond Grocery to Build Value

Erica Blair, Rural Grocery Initiative

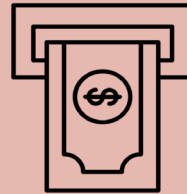


Business Transition Preparation

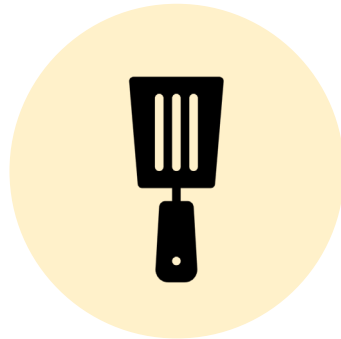
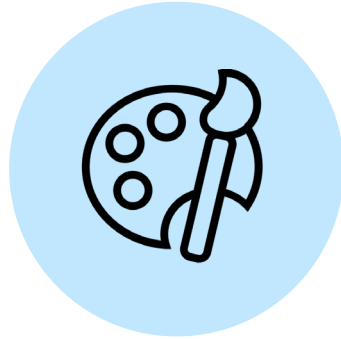
A key step in preparing for transition is **addressing the gap**:

- Is the business sale enough to fulfill your financial needs?
- **If not, how will you build value before exiting?**
 - Increase the cash flow
 - Reduce cash flow risks
 - Delay exit to increase revenue and profits
 - Improve your business infrastructure
- **Being innovative & building community support now is key**

Store offerings and partnerships beyond grocery



Community engagement beyond grocery



Case Study: Ramsey's Market

Bonnie and Theo Ramsey, owners of Ramsey's Market and Fresh Out of the Box







THIS KITCHEN IS FOR DANCING

THIS KITCHEN IS FOR DANCING





the fondest memories are made when we
Gather
AROUND THE TABLE

Make Today Count

If I have to stir it,
it's homemade

rise & shine
IT'S COFFEE TIME

GATHER

BAKE ME A CAKE

Kitchen

2025









TAYLOR COUNTY
CATTLEMEN

MARKET

Ramsey's ACE Hardware

TASTE THE WOOD-FIRED DIFFERENCE

2015
SUV

2014
Sedan

2015
Truck

2015
Truck

2015
Truck

2015
Truck

2015
Truck

LIFE HACK:

TELL SPOUSE YOU HAVE
TO GO TO

RAMSEY'S MARKET
AND
RAMSEY'S ACE HARDWARE.
(TRUE!)

GIVE YOUR LIST TO OUR TEAM
WE WILL DO THE SHOPPING FOR
YOU!

*KEEP THAT INFO TO
YOURSELF.*

HAVE A SEAT AT OUR BAR.

EAT **TACOS.**

HAVE A **DRINK.**

INSTANT 1 HOUR ME TIME





ACE Hardware

TIGER Taco

Eat 11a-9p, Mon-Sat

ACE

AWD











YOUR KEYS COVERED

NOW OPEN! **ACE**
The helpful place.

!!
Welcome
class
of 1966











Fresh
OUT OF THE **BOX**

Your friendly neighborhood
Grocery & Hardware
store



Brought to you by
Ramsey's
MARKET
Ramsey's
Hardware

SHOP
online

ORDER
online

PICKUP
HERE



Daily
Delivery

Shop online at
www.freshootb.com

your nearby neighborhood

Grocery & Hardware

store

FOOD LOCKER OPENS IN WESTERN LOWA
TOWN WITHOUT A GROCERY STORE

WISN
AT 5:00

WISN
AT 7:00



Fresh
OUT OF THE BOX

Proudly **serving**
your
community.



Fresh
OUT OF THE **BOX**



Brought to you by

Ramsey's
MARKET

Ramsey's
Hardware



SHOP
online

ORDER
online

PICKUP
HERE

Shop online at
www.freshootb.com

Daily
Delivery



Fresh
OUT OF THE **BOX**

Your friendly neighborhood
Grocery & Hardware

Shop online at
www.freshootb.com

SHOP
online

**Daily
Delivery**



Shop online at
www.freshootb.com

Fresh
OUT OF THE BOX

Your friendly neighborhood
Grocery & Hardware
store



Brought to you by
Ramsey's Hardware

SHOP
online

ORDER
online

PICKUP
HERE



Daily
Delivery

Questions

Survey

*Please share your
feedback to help us improve
future webinars*

NATIONAL RURAL GROCERY SUMMIT

June 20-21, 2022
Wichita, KS

Find more details at
www.ruralgrocery.org

K-STATE
Research and Extension
Rural Grocery Initiative

Registration
OPEN!

Travel Scholarships Available

Thanks to generous funders, travel support is available to help Kansans cover the cost of attending the National Rural Grocery Summit!

Funding can be used to cover:

- Registration
- Hotel lodging
- Travel

Funding is limited. Full details and application are available at:

<https://www.ruralgrocery.org/summit/registration/Scholarship.html>

K-STATE
Research and Extension

Rural Grocery
Initiative

Rural Grocery Succession Planning



Coming up:

PURCHASER PERSPECTIVES

Thursday, May 19, 2022