Appendix A: North Dakota Independent Grocer Survey, February 2015

North Dakota Independent Grocers

Report on the Opportunities and Challenges for the Long-term Success of Community Businesses

North Dakota Association of Rural Electrical and Telecommunications
Mandan, ND

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North Dakota Independent Grocer Survey

Introduction

This report highlights the results of North Dakota independent grocer survey conducted from June 2014 to January 2015. The survey was modeled after the Kansas State Rural Grocery Store Initiative survey.[1] The survey was conducted by North Dakota Association of Rural Electric Cooperatives (NDAREC), located in Mandan, North Dakota and The North Dakota Rural and Agribusiness Enterprise Development Center (see appendix 1 for the North Dakota survey questions).

The defining characteristics of the grocery stores on the list are that the majority of them are independently owned and located in a community of 2,500 people or less. The surveyors added additional grocers to the list based on knowledge of the region. The final list used for this survey consisted of 118 independent grocers in North Dakota (Figure 1). Of those, 53 grocers, or 45 percent, responded.

[1]. K-State (2010). Rural Grocery Store Survey. Retrieved in March 2014 from http://www.ruralgrocery.org/survey.

North Dakota Independent Grocer Survey

Methods

The surveyor attempted to contact all 118[2] grocery store managers and/or owners by phone and asked if they would participate in the survey. The protocol was to attempt to contact the store owner/managers three times before discontinuing contact. Upon successful contact and an affirmative response to be surveyed, 4 store owners/managers were invited to a round table discussion of commonalities, ideas, information sharing, and next steps. The survey instrument was revised and surveys were conducted starting in June 2014. The surveys were hand-delivered by the researchers and had help from several ND county extension agents. In addition, if managers and/or owners requested to receive the survey by mail the option was made available. Fifty-three independent and rural grocery store owners completed the surveys for a response rate of 45%. The survey results are from the participating 53 independent and rural grocery store owners and managers in the communities of Fort Totten, Maddock, St. Michael, Bowman, Lignite, Powers Lake, Langdon, Ellendale, Hague, Strasburg, Carrington, Beach, Reynolds, Carson, Elgin, New Leipzig, Binford, New England, Pettibone, Steele, Tuttle, Lamoure, Ashley, Wishek, Zeeland, Hazen, New Town, Aneta, Lakota, Michigan, Drayton, Edmore, Dunseith, Rolla, St. John, Belcourt, Forman, Milnor, Fort Yates, Finley, Cando, Hillsboro, Edinburg, Park River, Kenmare, and Harvey. Some towns had more than one store.

[2] A total of 134 grocers were initially contacted for the survey. During the survey period, 5 declined to participate, 7 stores closed, and 4 communities had grown too large and did not fit the parameters of 'rural grocers'. This left a total of 118 grocers that were provided surveys.

North Dakota Independent Grocer Survey

Survey Purpose
The purpose of the survey was to:
1. Inventory the range of challenges faced by rural grocers in North Dakota.
2. Inventory the variety of market and supply environments.
3. Identify networking opportunities to build capacity.

About the Grocers

Demographics of Respondents and their Stores
The respondents in the survey have been in the grocery business for an average of 17 years and the stores they represent have been in existence for an average of 40 years. Approximately 71% of the respondents have only one store location. Nearly 93% of the stores operate in a location near other grocery stores. The average distance to a large supermarket chain store (i.e. Safeway and WalMart) is 49 miles with a range of 90 miles to less than .5 miles. The stores employ a total of 640 people, 270 full time and 370 part-time employees.

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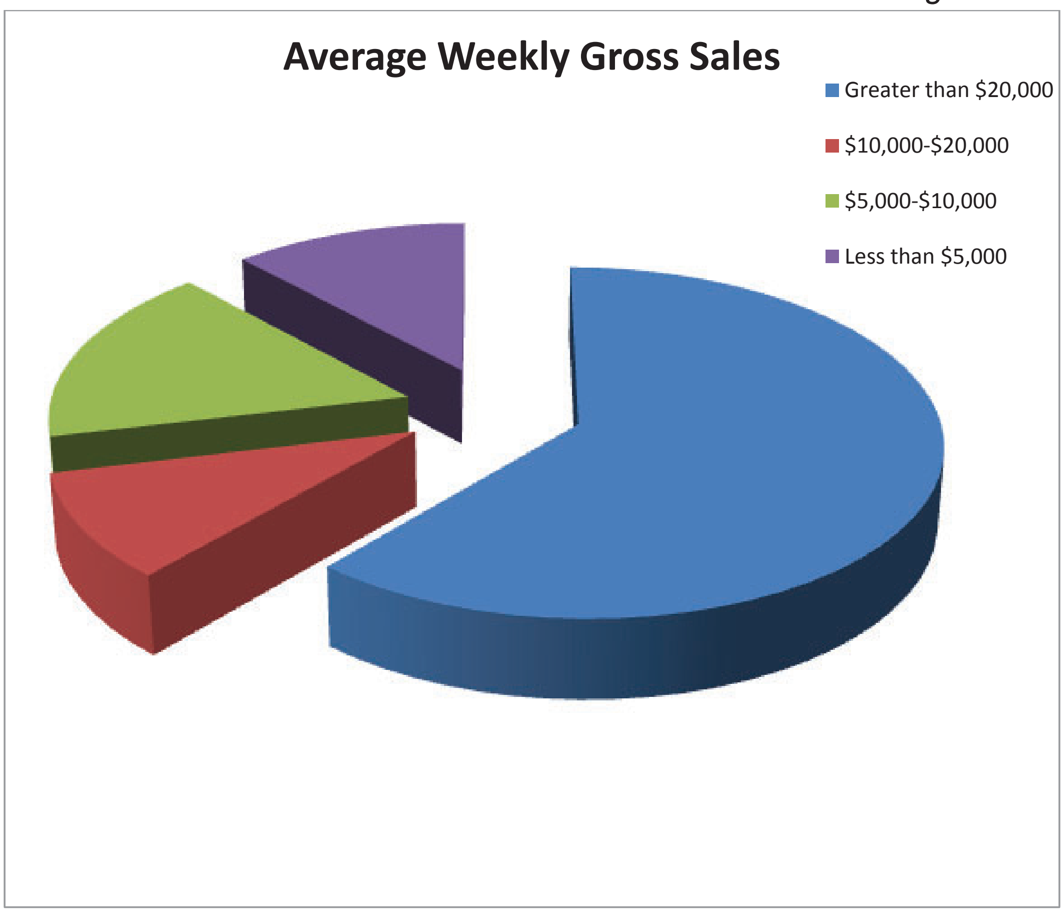
Weekly Sales

Approximately 62% of the stores reported weekly sales greater than $20,000; 10% reported weekly sales of $10,000-$20,000, 17% reported weekly sales of $5,000-$10,000; and 12% reported weekly sales less than $5,000. (Figure 2.)

Figure 2



5

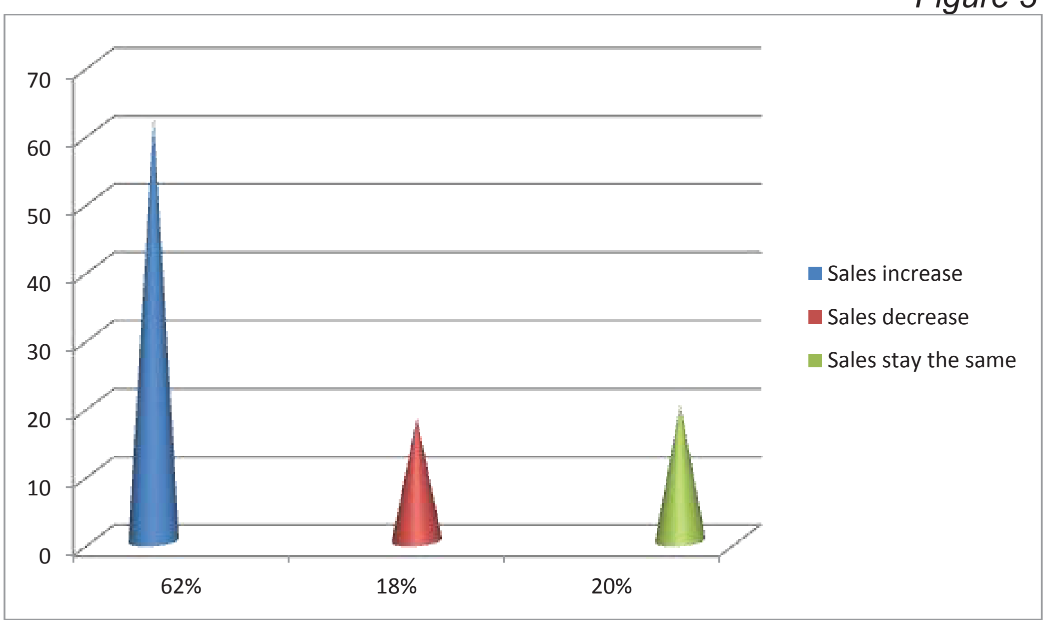
North Dakota Independent Grocer Survey

Future Sales

Respondents were asked where they expect their sales to increase, decrease, or stay the same over the next three years. Sixty-two percent said increase; 20% said stay the same; and 18% said decrease (Figure 3). Following is a selection of comments:

- "Population is dying/moving."
- "Community is growing."
- "Oil activity."
- "We gain a few customers who are unhappy with their own local stores."
- "We lose some customers and gain some customers so it evens out in the end."

Figure 3

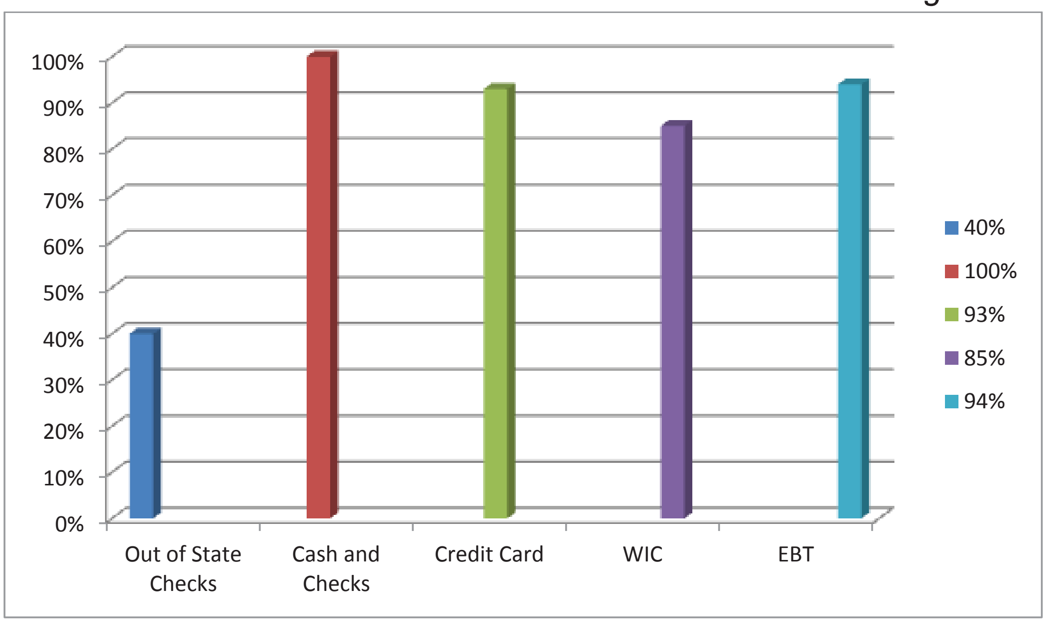


6

Suppliers
Super Valu, Spartan Nash, and Mason Brothers were the top three primary suppliers of the stores in this survey.

Payment Methods
All respondents accept cash and checks; 94% accept EBT; 93% accept credit cards; 85% accept WIC; and 40% accept out-of-state checks. (Figure 4).

Figure 4



Minimum Buying Requirements
Out of the 53 respondents, 25% indicated that meeting minimum case requirements is a problem. The following are a selection of responses:

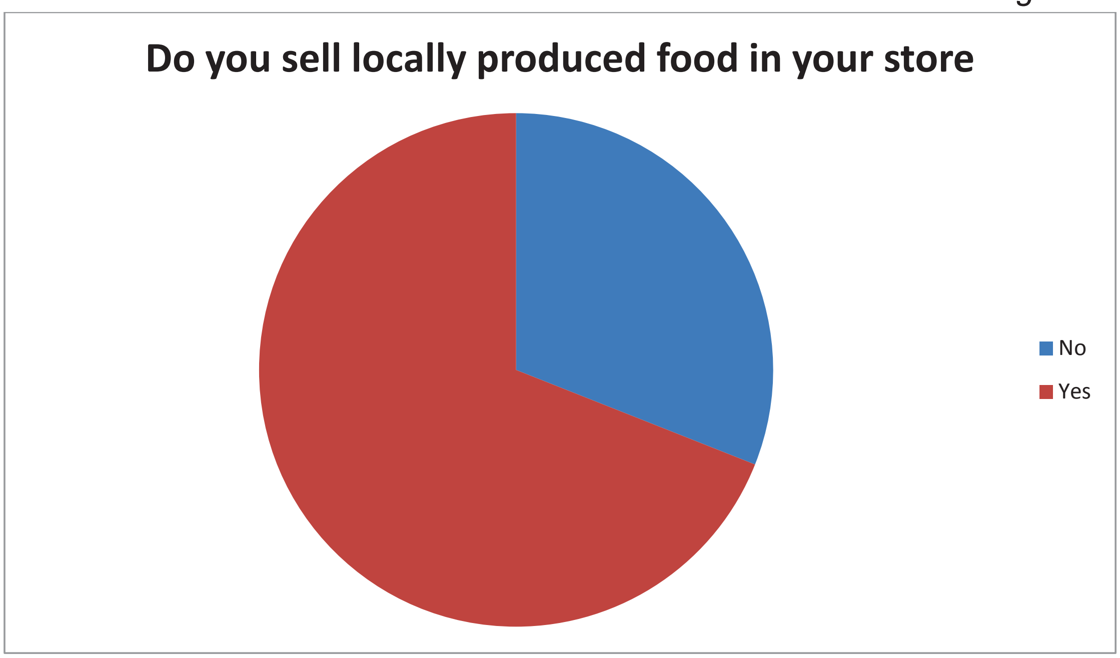
- "Unable to sell cases of some items before they expire."

- "Can't make case amounts, so we either skip it or order things we don't really need at the time."
- "Supplier requires a minimum order for delivery."

Local Food Sales

Approximately 69% of the grocers reported that they sell locally produced food/goods (Figure 5). Local food sales include produce (fruits and vegetables), honey, Pride of Dakota products, coffee, sausage, bakery items, bologna, kuchen, pumpkins, homemade pies, potato dumplings, lefse, salsa, smoked meats, and other types of meat.

Figure 5



North Dakota Independent Grocer Survey

A follow-up question was asked of those grocers, who do not sell local foods, asking what the barriers are, if any, that prevent this.

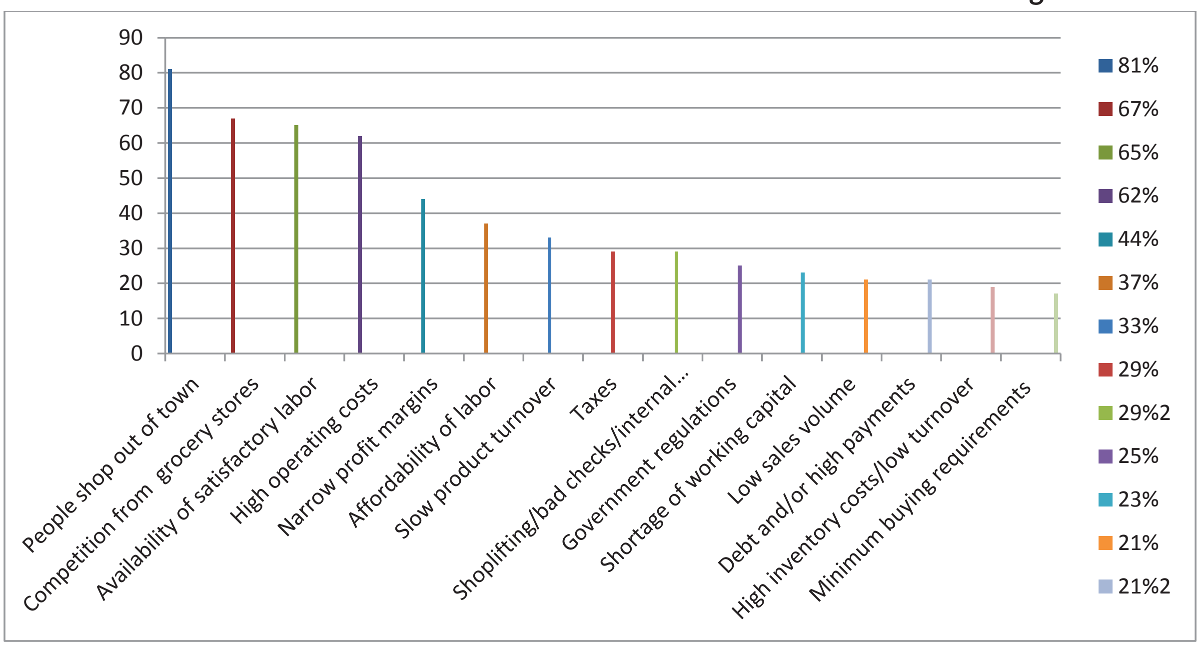
- "No one has approached us with products for sale."
- "None – no barriers."
- "No available space to put new items."
- "I don't know if the Health Department allows it."
- "People sell it themselves from their gardens or they give it away."
- "Locals must understand marketing – schedule ahead for availability."
- "Some people don't want to pay $200 per year if they're not selling a large quantity."
- Regulations – labeling; business license to do relations with any entity.

North Dakota Independent Grocer Survey

Challenges and Values

The biggest common challenges facing independent rural grocers in this survey are people shopping out of town, competition from large chain grocery stores, and availability of satisfactory labor (Figure 6).

Figure 6



10

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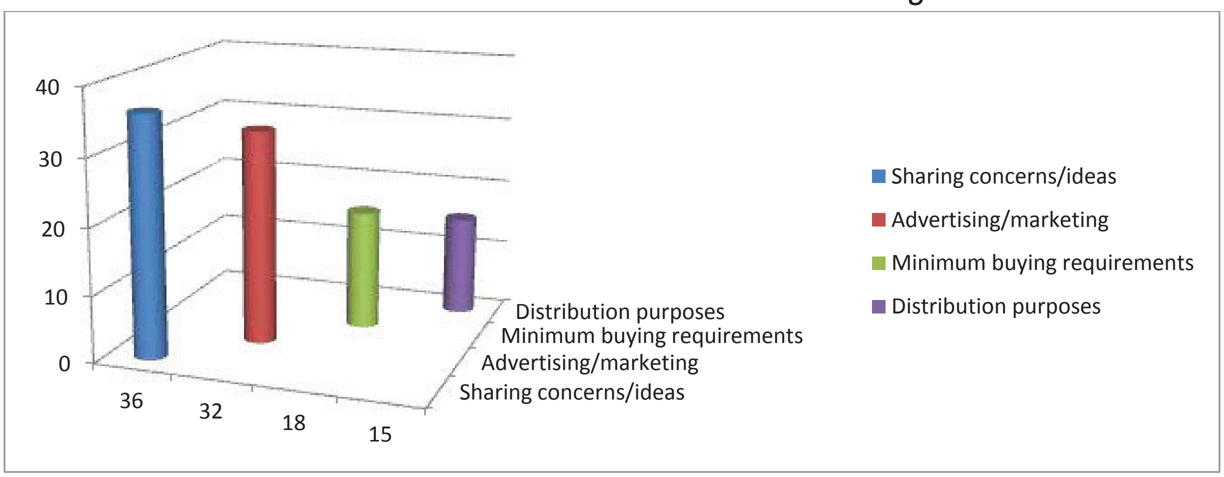
Collaborating with Other Stores

Out of the 53 surveys returned, 40% of respondents said they do collaborate in some way with other small independently owned stores. Thirty-six percent collaborate by sharing ideas; 32% collaborate on cooperative advertising/marketing; 18% collaborate to achieve minimum buying requirements; and 15% collaborate or distribution purposes (Figure 7).

Figure 7



Twenty percent of respondents who currently are not collaborating with other stores indicated that they would be interested in collaborating.

- "To seek solutions/benefits each other."
- "Buy larger quantities for better costs."

11

North Dakota Independent Grocer Survey

Concerns of why respondents may not be interested in collaborating are:

- "…time constraints and competition issues."
- "Too hard to transport."
- "Time consuming."
- "…maybe too far apart."
- "Owned and operated by a larger business so collaboration isn't an option."

Alliance

The question was asked if a statewide alliance of small, independently owned grocery store owners may have value, and 52% of respondents answered "yes." A follow-up question was asked – *how* could it help? The following are a selection of responses:

- "Sharing of ideas and learn from each other."
- "Larger voices can affect change."
- "As a co-op, to get better deals by buying in large quantities on major, standard items."
- "To help with competition of larger stores; expansion."

North Dakota Independent Grocer Survey

Local Support

Grocery store owners/managers answered whether or not the locals support their store. While 84% answered “yes”, there were many mixed responses indicating otherwise. In addition, in the graph on page 10, it was indicated that 81 percent of rural growers believe that residents shopping out of town is their major challenge.

- “…town is very supportive of store; we do what we can to support the community.”
- “I can give an accurate list of people who do not shop locally – they are the first ones here if there is a storm or they NEED something…”
- “Young people have no problem traveling long distances to larger stores.”
- “Many buy only “sale / staple” items.”
- “All go where it’s cheaper.”
- “Tough to compete with Wal-Mart prices.”
- “Some [locals] are great.”
- “Weather plays a factor, and time of the month, as far as food stamps.”
- “The majority do [support the store] – many for what was forgotten at Wal-Mart.”
- “I have good support from locals…”
- “A good percentage has supported the store, but [I] always try to get that percentage higher.”
- “Depends – when travel is an issue, people come and shop. …variety might be an issue.”

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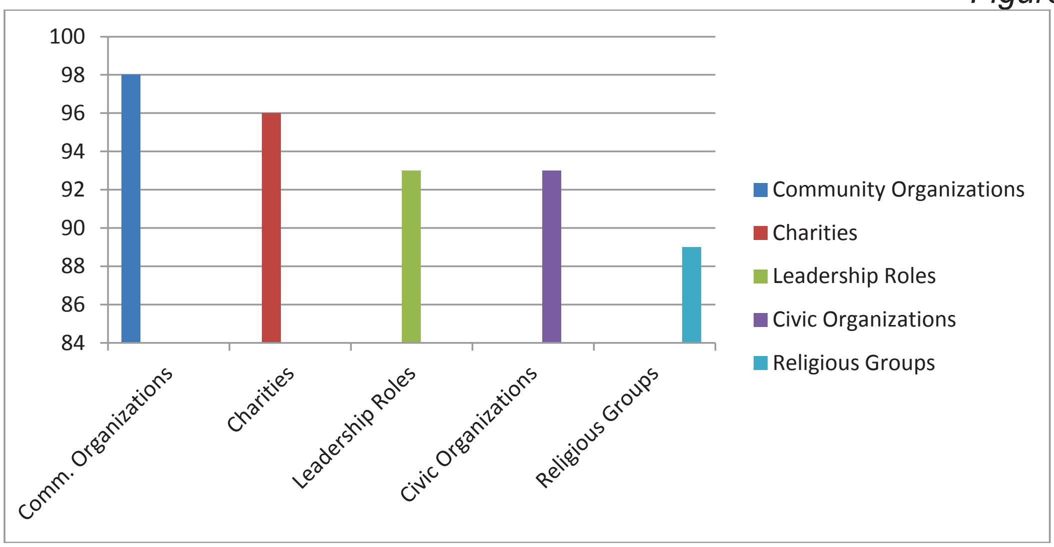
Supporting the Local Community

Ninety-eight percent are involved in community organizations; 96% contribute to charities; 93% are in leadership roles and civic organizations; and 89% are involved in religious groups (Figure 8).

Figure 8



14

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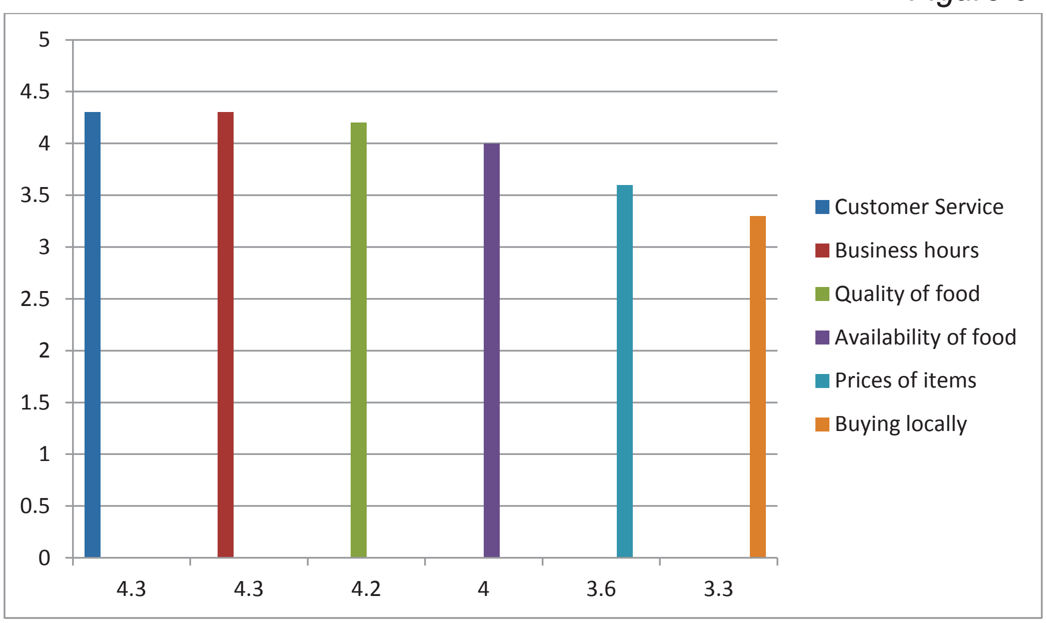
Assessing Customer Needs

Respondents were asked how they assess what products to offer to their customers. Respondents identified customer requests through casual conversations and request forms as the primary methods to identify items to offer in their stores. The marketing strategies and product selection appear to be customer centered.

Respondents were asked to evaluate how they feel *their customers* would rate the services at their store on a scale of 1 to 5 (Figure 9). According to the store manager/owner's perspective, customer service and hours of operation were the main areas of strength.

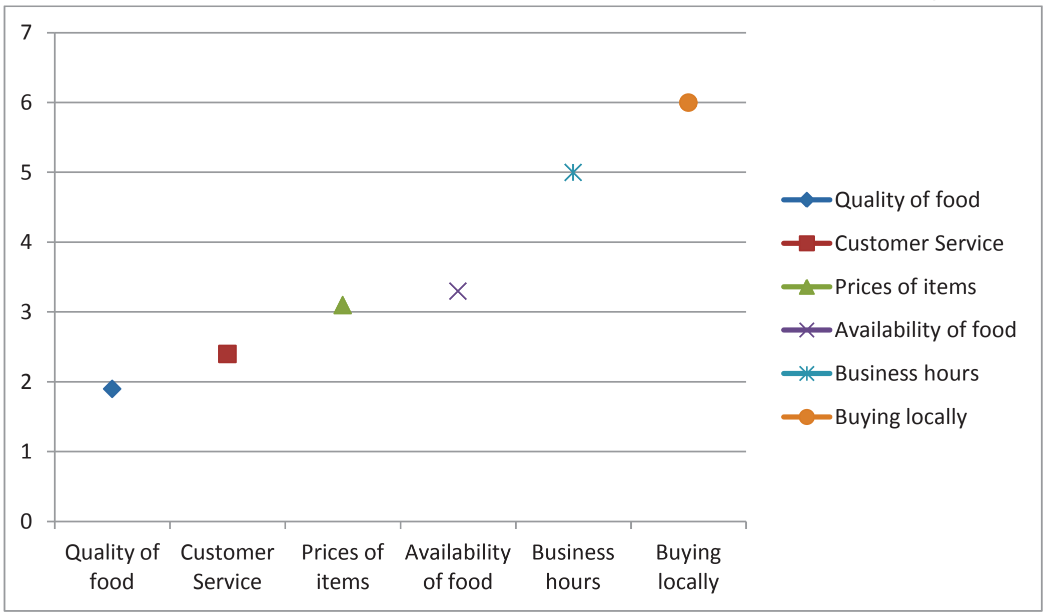
Figure 9



North Dakota Independent Grocer Survey

Grocery store managers/owners were also asked to rank factors they consider when operating their store. Respondents ranked items by putting them in order of importance; **number 1 is most important and number 6 is least important** (Figure 10).

Figure 10



Marketing Opportunities and Challenges

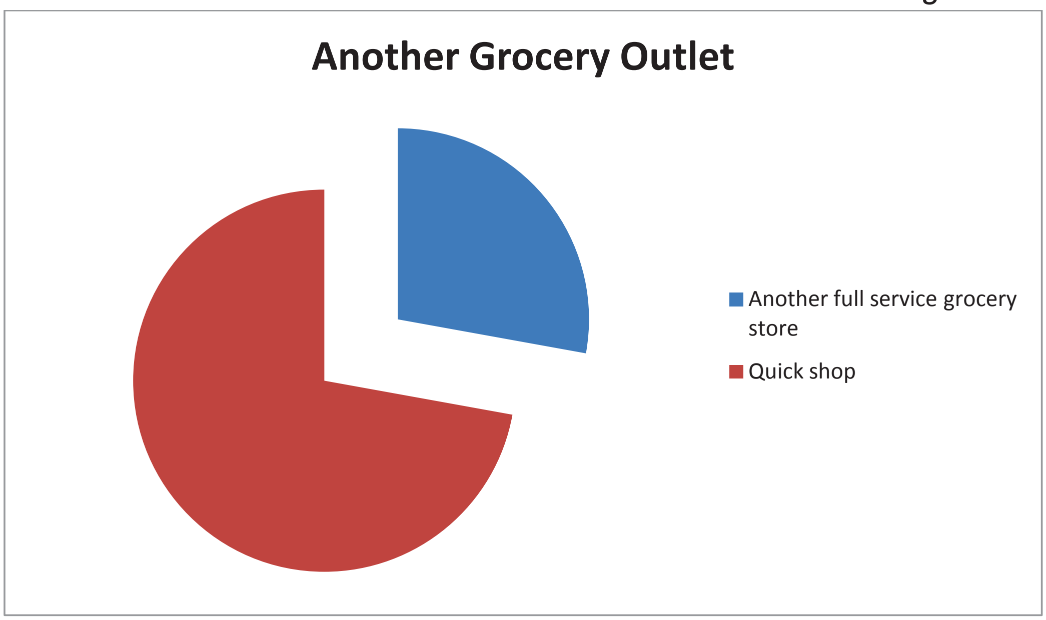
While the greatest marketing *opportunities* among the 53 surveys were listed as the local area and advertising/sales flyers, the greatest marketing *challenges* were affordable/cost of doing business, keeping customers shopping in town, and the cost of advertising.

North Dakota Independent Grocer Survey

Store Operations

While the average distance to the nearest discount grocery or large market chain is 49 miles, respondents were asked if there is another grocery outlet in their community. Fifty-seven percent indicated having a “quick shop”; while 22% have another full service grocery store in their community (Figure 11).

Figure 11



Employees

The average number of employees per store is 13, and 80% of respondents indicated that they have no volunteers.

North Dakota Independent Grocer Survey

Closing the Store

Grocery store managers/owners were asked if they plan to close the store within the next 1-5 years. Seven percent will close in the next 1-5 years, and over half of those have no transition or succession plan in place. The following are a selection of responses to the question “Why are you closing the business?”

- “Lack of help – I’m physically not able to work 60-70 hours per week.”
- “Family is grown; we want to farm.”
- If I do [close the store], it’s because of decreasing population.”

Summary

The North Dakota Independent Grocer Survey represents a snapshot of the challenges, strengths and opportunities facing rural independent grocers in North Dakota. A core theme throughout the survey appears to be people shopping out of town, competition from other stores, and availability of labor. Respondents appear to de-emphasize the price of food as a foundational business practice. Instead, the survey respondents emphasize the quality of food and customer service as the important business practices they strive for.

Nearly all of the respondents reported selling local food although how much volume, from what distributors and producers and in what frequency is beyond the scope of this survey. Local food purchasing can be improved through connecting grocers to distributors and producers, ensuring producers meet regulatory requirements and educating grocers on what regulatory requirements are being met by local producers. Local food could be a point of differentiation for independent grocers from chain stores, and it appears from survey responses that grocers are somewhat open to purchase more local food/goods. What this survey does not answer is if the customers value local food and would they support and/or ask for more local food. The customer perspective is an area requiring further research. A customer survey could serve to develop a clearer understanding of the buyers' perceptions of prices, availability and quality of products at small grocers in comparison to chain stores. It could also identify educational opportunities to better inform rural residents as to the economic and social importance or rural, independent grocers to the greater community.

Next Steps:

Several next steps and opportunities arose to the surface as a result of the survey:

1. Further research could be conducted on the consumer perception and knowledge about their community grocers as well as their shopping habits in order to inform grocer marketing and business decisions.
2. Grocers could be convened to share best practices as well as generate potential collaborative opportunities in the creation of a statewide independent grocer's alliance or the

enhancement of an existing association to provide some focus on their needs.

3. Networking opportunities between grocers and local/regional producers could be convened to open new and/or expand market opportunities for small and mid-scale North Dakota producers.

Appendix 1

North Dakota Independent Grocer Survey 2014

Tell Us About Your Store

Please note that it will not affect survey results should you choose to skip any questions.

Are you the owner or the manager? *(Circle one)*

Other ________________________________

What's the name of the community in which your store is located? ________________________
(Please address only one store location per survey.)

How long have you been in the grocery business as the owner/manager? ___________________

Did you start the store? Inherit the store? Buy the store? *(circle one – omit if manager)*

How long has there been a grocery store at your current location? _________________________

If owner, Do you have more than one location? _____ How many? _________________

List locations____

**Please note that unlike other surveys we conduct, this survey will not be entirely anonymous so that if a second, more detailed survey becomes necessary, we will be able to limit the audience to only those who are interested. However, your responses will not be shared and will be used only for further follow-up and to double check who has responded.*

Product/Service	Primary "Major" Supplier	Frequency of Delivery (If applicable)	Secondary Supplier	Frequency of Delivery (if applicable)	Overall % of Sales (Annual)
Grocery Items					
Bakery					
Meat					
Bread					
Frozen					
Dairy					
Prepared Foods					
Pre-packaged snacks					
Self-serve snacks/drinks					
Catering					
Deli					
Café					
Non-food Items					
Photo					
hunting/fishing/camping					
Books/cards/gifts					
Pharmacy Items					
Institutional-sized products					
Other					
Video rental					

23

1. What major products and services does your store offer?

2. What forms of payments do you accept? *Check all that apply.*
   ___ out-of-state checks
   ___ cash
   ___ checks
   ___ credit cards
   ___ WIC
   ___ EBT

3. Do minimum (purchasing/ordering) buying requirements from your suppliers create a problem for your grocery store?
   _____yes   ______no (Skip to #6)

   If yes, how?
   ____
   ____
   ____

4. If minimum buying requirements are a problem, what solutions might you suggest?
   ____
   ____
   ____

5. Have you had problems getting products delivered because of your location?
   _____yes   _____no
   Comments:
   ____
   ____
   ____

6. Do you sell locally produced food in your store?
   _____yes   _____no

   If yes, what products?
   ____
   ____

____
____
____
____

If you don't sell locally produced food in your store, what, if any, are the barriers that prevent this?

____
____
____
____

Comments:

____
____
____

If these barriers were eliminated, would you be interested in offering local foods?
____

7. Which of the following are major challenges for your store? *Check all that apply.*

___availability of satisfactory labor
___competition from large chain grocery stores
___debt and/or high payments
___government regulations
___high inventory costs/low turnover
___slow product turnover
___shortage of working capital
___high operating costs (utilities, building lease, repairs/maintenance, etc.)
___shoplifting/bad checks/internal theft/unpaid accounts
___required minimum buying requirements from vendors
___other (specify)____
___affordability of labor
___low sales volume
___narrow profit margins
___ people shop out of town
___taxes

Which of the above do you feel is the most significant for you and your store?
____
______
______

25

____
____
____
____

8. Do you collaborate with other small independently owned stores?
_____yes _____no

If yes, for which purposes? *Check all that apply.*
___cooperative advertising/marketing
___grocery distribution purposes
___sharing concerns and/or ideas
___to achieve minimum buying requirements
___other____

If you don't collaborate with other small independently owned stores, would you be interested in doing this?
_____yes _____no

Why or why not?
____
____
____
____

9. Do you feel that a statewide alliance of small, independently owned grocery store owners may have value?
_____yes _____no

If yes, how could it help?
____
____
____
____

10. Do local people support your store? Yes/No
Comments:

26

____
____
____
____
____
____

11. How do you support the local community? Charitable contributions, involvement in civic organizations, religious groups, leadership roles, involvement in community organizations, etc.

____
____
____
____
____
____

12. How do you think **your customers** would rate your store? Rate your store by circling the number that best fits your response.

	Not Very Well				Very Well
a. Quality of food ………………………………………..	1	2	3	4	5

Comments:

b. Availability of food………………………………..(variety, brand choices)	1	2	3	4	5

Comments:

c. Prices of items offered…………………………..	1	2	3	4	5

Comments:

27

d. Customer service……………………………………1 2 3 4 5
Comments:

e. Business hours………………………………………..1 2 3 4 5
Comments:

f. Buying locally…………………………………………1 2 3 4 5
Comments:

13. Explain which of the above you feel is the most significant for you and your store.

____
____
____
____
____
____
____

14. Please rank the following items in order of how important they are **in the management of your business**.
Which item is most important (#1), which is second (#2, etc). Each number, 1 through 6, can only be used once.

	Rank	Comments
Quality of food		
Availability of food (variety, brand choices)		
Prices of items offered		
Customer service		
Business hours		

28

Buying locally		

Tell Us About Your Customers

15. Who are your customers?

16. How do you assess the buying needs of your customers?

17. How large is your service area?
 ____
 What is the average age of your customer?
 ____
 What is the average age of the people living in your service area?
____

18. What is the percentage of business you do with customers who live within 5 miles of your store? _____
 Within 10 miles? _____________
 Within 25 miles? _____________
 Within 50 miles? _____________
 More than 50 miles away? ______________

19. Where do you see as your greatest marketing opportunity?
 ____
 ____
 ____
 ____

20. What is your greatest marketing challenge?
 ____
 ____
 ____
 ____

Tell Us About Your Store Operations

21. What are your hours of operation?

Mon ______ to ______
Tues ______ to ______
Wed ______ to ______
Thurs ______ to ______
Fri ______ to ______
Sat ______ to ______
Sun ______ to ______

22. Are you open on the major holidays (Christmas, New Years, Thanksgiving, etc.)? _______

23. Are there other grocery outlets in your community?

_____ a "quick shop"
_____ another full service grocery

24. How far is it to the nearest discount grocery or large market chain? _________________

25. How many people does the store employ? ________

____ full-time (40 hrs/week minimum)

____ part-time (less than 40 hrs/week)

_____Volunteers/unpaid

26. What are your average weekly gross sales?

_____ Less than $5,000

_____ Between $5,000 and $10,000

_____ Between $10,000 and $20,000

_____ Greater than $20,000

27. Do you expect the sales of your product/services to increase, stay the same, or decrease over the next three years?
______ increase
______ decrease
______ stay the same

Please explain your answer to question 27.
____
____
____
____
____
____

28. Do you plan to close your store within the next 1-5 years?
______Yes
______No (skip to 32)

29. If yes, in what year will the business be closed? _______

30. Why are you closing the business?
____
____
____

31. Do you have a transition plan to keep the store in the community?
______ Yes
______ No (If you would like someone to contact you to assist in creating a transition or succession plan please provide your contact information at the end of this survey.)

32. Anything else you would like to comment on?
____
____
____
____
____

Do we have your permission to do a follow-up contact with you?

_______ Yes
_______ No

If yes, please provide your contact information*:
____
____
____

**Please note that unlike other surveys we conduct, this survey will not be entirely anonymous so that if a second, more detailed survey becomes necessary, we will be able to limit the audience to only those who are interested. However, your responses will not be shared and will be used only for further follow-up and to double check who has responded.*