Grocery 101: Welcome to the World of Food Retail

Overview of the Food Retail Industry

U.S. supermarkets with annual sales of more than $2 million sold almost $412 billion of products in 2018, according to Progressive Grocer's 2019 Consumer Expenditures Study. Shoppers spent $44 billion on fruits and vegetables in these stores, or almost 11 percent of their total purchases.¹

In September 2019, almost 250,000 retailers were authorized to accept Supplemental Nutrition Assistance Program (SNAP) benefits. These retailers redeemed more than $55 billion in SNAP benefits in 2018, accounting for more than 10 percent of the total U.S. food purchases in that year.²

Most FINI and GusNIP grantees are working with independent grocery stores, a subset of the food retail industry with a slightly different profile than the industry average. These stores tend to be smaller than the median included in FMI: The Food Industry Association's data at 25,000 square feet rather than 42,000 square feet, and offer slightly fewer products.³ They account for 25 percent of supermarket industry sales and have almost 1 million employees.⁴ These stores are often owned by multigeneration grocery families or are employee-owned. Some grantees are working with corner stores, bodegas, or convenience stores, a group that represents a large percentage of the retailers authorized to accept SNAP but are not included in the industry data because many have annual sales of less than $2 million per year.⁵

In general, most grocery sales (56%) come from the “center” of the store, which include grocery, dairy, frozen foods, health and beauty, tobacco, and liquor. Meat and seafood account for about 30 percent of sales, followed by produce at about 10 percent.⁶ Industry averages do not tell the whole story and many independent stores participating in SNAP incentive and produce prescription programs have very different sales breakdowns, reflecting the cultures and food traditions of the communities they serve.

Grocery is a capital-intensive and competitive business. In 2018, independent grocers’ net profit was 0.63 percent – less than a penny on every dollar of merchandise sold.⁷ Smaller stores face the same competitive challenges, important to bear in mind when talking with prospective stores. Implementing SNAP incentive and prescription programs can be time-consuming and costly for retailers.

The store landscape has changed enormously since the 1980s, with a concentration of ownership in a handful of large, publicly traded companies including Walmart, Ahold-Delhaize,
Target, Albertsons, and Kroger. Amazon’s purchase of Whole Foods Market, along with the growth of online grocery shopping, are creating new pressure on smaller companies, and the aggressive expansions of Lidl, Dollar General, and Family Dollar are further squeezing independently owned stores. There are various ways to describe different segments of the food retail world, but the following descriptions might be helpful.

Ownership Models

Size alone does not tell you about a store’s ownership or management structure, but understanding who makes decisions in a company is important to implementing nutrition incentive programs.

Corporate stores – Publicly traded companies that operate stores, often under multiple banners. Some of these companies also have distribution services. Ahold-Delhaize is an example of the corporate model. Its stores operate under multiple banners, and decision-making is centralized. This can be an advantage if leadership is interested and there is sufficient funding to operate a nutrition incentive program in all of a region’s stores because the necessary point-of-sale (POS) adaptation can be done efficiently for all of the stores.

Large regional independent grocers – Privately, often family-owned, companies that operate several hundred stores across large areas and multiple states. Meijer and HEB are examples of this kind of store in the Midwest and in Texas, respectively. While these are not publicly traded companies, implementing a nutrition incentive program in these kinds of stores can have the same advantages and disadvantages as in large, corporate stores.

Independent Grocers – This term is used loosely to describe grocery companies that range from one to about 100 stores and that are either family- or employee-owned. These are stores in which most nutrition incentive programs have been implemented to date and are the stores that have shown the most enthusiasm and commitment to making the programs work. Most of these stores are between 20,000 and 30,000 square feet, but there are some large stores that are 70,000 square feet. A “big” store does not necessarily mean a large company; some of these are single-store, family-owned operations.

Consumer cooperatives – Usually just one or two stores, these are owned by their shoppers, and sometimes only serve those members. They carry a full range of groceries and tend to focus on organic and healthy food and natural care products. There are many committed cooperatives (“co-ops”) offering incentive programs, but these stores tend to have fewer SNAP shoppers.

Convenience and corner stores – Convenience stores are privately owned, often part of larger franchisee (7-Eleven, for example), with more square feet than corner stores but with fewer food items. Corner stores (also known as bodegas, “papi shops,” and “party stores”) are
physically smaller than convenience stores but stock more food, mainly shelf stable grocery items.

**Wholesale Cooperatives**

Wholesale cooperatives are a crucial piece of the independent store system. Understanding the roles that wholesalers play for their stores is an important factor in the stores' ability to implement SNAP incentive or prescription programs and in sourcing locally or regionally grown produce.

Organizing into co-ops allows stores to achieve economies of scale in purchasing both products for their stores and also technical services for their businesses. Wholesale co-op members will often use the same POS systems and sometimes changes to those systems are managed at the central co-op management level. Knowing which wholesaler group a store belongs to is important to understanding the process and capacity available to start a nutrition incentive program. Store co-ops also often manage store data systems, which are designed to meet the reporting requirements mandated by federal, state, and local governments. This means that the data that grantees or other nutrition incentive practitioners might want for incentive program evaluation purposes might have to be pulled from multiple reports and that individual store owners might not have easy access to the information.

**For more information** contact National Grocers Association Foundation at incentives@nationalgrocers.org.

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