Rural Grocery Store Marketing

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Kansas State University

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Rural Grocery Store Marketing

By Hannah Miller
Graduate Student in Agricultural Economics
About Me

- Graduate Student in Agricultural Economics
- From Enterprise, KS
- Worked at Zey's Market in Abilene, KS
- Sparked an interest in marketing and small town life
- Thesis over the economic impact rural groceries have on Kansas communities
Role of grocery stores in Rural America

- Economic development
  - Rural grocery stores are an important driver of local economy

- Food access
  - Rural grocery stores provide a primary source of nutritious foods

- Social infrastructure
  - Rural grocery stores provide local, civic, and social meeting spaces
What’s going on?

- Small Rural towns are struggling.
- Chain store dilemma
- 1960, there were 849,870 people in rural Kansas.
  - In 2010 that number was down to 736,157. 113,713 people left rural Kansas!
  - Have seen the entire population of Kansas decrease in recent years.
- We drive more than ever now. The average commute time to work in the U.S is 25 minutes.
The Stores

- Cuba, KS
- Minneola, KS
- Sedan, KS
- Smith Center, KS
- Hebron, NE
What’s Making you Successful?

- Meat counters
- Local Food
- Customer Service/Knowing your grocer
- Institutional Accounts
Custom Meat Counters

- High percentage of sales (40-50%)
- Custom cuts
- Consumers want fresh never frozen products
- Could be utilized to reduce waste
Local Food

- Consumers like the idea of buying local
- Meat, produce, and bake goods can all do well
- Rules and regulations can limit sales of these products
Customer Service/Knowing your Grocer

- In small towns, everyone knows who works at your store
- Can customize experience or orders because of frequency
- Puts a name and face to the local business
Institutional Accounts

- Working with nursing homes, schools, or businesses and creating accounts can help meet volume requirements for wholesale discounts.
- Can help with basic supplies or other orders.
- Biggest challenge is competing with food contractors.
- Market the image of buying local and locals business helping other local businesses.
- Use custom meat counters to help with potential catering options.
What’s Hindering Success?

- Dollar General Effect
- Lack of Selection
- Profit Margins on Services
- Small Town Norms
- Not necessarily price...
  - Small town stores are competitive on price with chain stores.
<table>
<thead>
<tr>
<th>Items</th>
<th>Store A</th>
<th>Store B</th>
<th>Store C</th>
<th>Store D</th>
<th>Store E</th>
<th>Midwest D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apples ($/lb)</td>
<td>$1.49</td>
<td>$1.39</td>
<td>$1.00</td>
<td>$1.99</td>
<td>$1.49</td>
<td>$1.55</td>
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<tr>
<td>Bananas ($/lb)</td>
<td>$0.75</td>
<td>$0.65</td>
<td>$0.59</td>
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<td>$0.75</td>
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<td>Broccoli ($/lb)</td>
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<td>$1.49</td>
<td>$1.86</td>
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<tr>
<td>Potatoes ($/lb)</td>
<td>$1.99</td>
<td>$2.09</td>
<td>$0.44</td>
<td>$0.60</td>
<td>$0.35</td>
<td>$0.50</td>
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<tr>
<td>Milk, 1% low fat ($/gal)</td>
<td>$3.89</td>
<td>$4.15</td>
<td>$3.49</td>
<td>$3.99</td>
<td>$3.99</td>
<td>$2.40</td>
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<td>Eggs, Grade A Large ($/doz)</td>
<td>$1.89</td>
<td>$2.03</td>
<td>$1.85</td>
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<td>$1.66</td>
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<tr>
<td>Ground beef ($/lb)</td>
<td>$3.69</td>
<td>$4.09</td>
<td>$2.99</td>
<td>$2.79</td>
<td>$3.69</td>
<td>$3.85</td>
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<tr>
<td>Basket</td>
<td>Cheapest Generic Brand</td>
<td>Store</td>
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<td>------------------------</td>
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<tr>
<td>Milk 2% (gallon)</td>
<td>$2.98</td>
<td>Ray's and Dillons</td>
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<tr>
<td>Processed Cheese (12oz)</td>
<td>$2.49</td>
<td>Ray's</td>
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<td>Orange Juice (59oz)</td>
<td>$1.81</td>
<td>Walmart</td>
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<tr>
<td>Eggs (1 doz)</td>
<td>$1.64</td>
<td>Walmart</td>
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<tr>
<td>Chicken $/lb</td>
<td>$1.99</td>
<td>Zey's</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Ground beef $/lb</td>
<td>$3.49</td>
<td>Zey's</td>
<td></td>
<td></td>
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<tr>
<td>Bacon $/lb</td>
<td>$2.99</td>
<td>Ray's</td>
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<tr>
<td>Bread Whole Grain (1 loaf)</td>
<td>$1.18</td>
<td>Dillon's</td>
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<tr>
<td>Canned Green Beans (14.5 oz)</td>
<td>$0.29</td>
<td>Hy-Vee</td>
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<tr>
<td>Canned Black Beans</td>
<td>$0.68</td>
<td>Walmart</td>
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<td>Peanut Butter (18oz)</td>
<td>$1.98</td>
<td>Walmart</td>
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<tr>
<td>Ranch Salad Dressing (16oz)</td>
<td>$1.55</td>
<td>Ray's</td>
<td></td>
<td></td>
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<td>Coffee Classic Roast (11.5 oz)</td>
<td>$2.79</td>
<td>Ray's</td>
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<td>Chunky Tuna (2.6 oz)</td>
<td>$0.98</td>
<td>Walmart</td>
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<td>Flour (5lb)</td>
<td>$1.64</td>
<td>Walmart</td>
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<tr>
<td>Celery $/each</td>
<td>$0.79</td>
<td>Zey's</td>
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</tr>
<tr>
<td>Bananas $/lb</td>
<td>$0.50</td>
<td>Zey's</td>
<td></td>
<td></td>
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<tr>
<td>Carrots $/lb</td>
<td>$1.20</td>
<td>Dillon's</td>
<td></td>
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<tr>
<td>Lettuce $/head</td>
<td>$0.98</td>
<td>Walmart</td>
<td></td>
<td></td>
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<tr>
<td>Ice Cream-Vanilla (1/2 gal)</td>
<td>$2.50</td>
<td>Dillon's</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$34.45</strong></td>
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</table>
Dollar General Effect

- Dollar Generals are popping up everywhere!
- They have a business model of trying not to compete with Walmart and set up shop in small towns
Lack of Selection

- This isn’t your fault. Sometimes you don’t have the space.
- It does cause customers to shop where they work verses shopping locally.
- Create seasonality among some products that you can’t dedicate shelf space for entire year
Profit Margins on Services

- Don’t nickel and dime customers, but don’t short yourself either.

- You are providing a service and resource for your customer.

- Increasing prices in some areas that are special to your store could help the bottom line. Don’t try to compete, but realize that it is a service that you are providing to customers.

  - Photo development, movie rentals, small gifts etc.
Small Town Norms

- Don’t compete with other businesses, cooperate!
- Sell local store items in your store too.
- Put a convenience price to them
- Everyone wins!
Having a Better Business

- Ordering and Shipment
- Restaurants or Read to Eat meals
- Competing with Dollar General
- Maintaining Selection
- Co-Branding/Co-Merchandising
- Keeping the Small Town feel
Ordering and Shipment

- Some stores may have trouble meeting minimum orders set by distributors.

- Depending on distributors policies, may be able to split palettes to help avoid penalties.

- Institutional accounts are a great way to help with this.
Restaurants or Ready to Eat Meals

- A restaurant may be too big of a commitment for some.
- Ready to Eat meals may be more feasible
- Created in house and a customer can take them when there on the go
- Have produce or meat that you can’t keep on the shelf any longer? Make it into a meal or offer to local places at a discount
- Reduces waste and creates a new sector of your business
Competing with Dollar General or other Chain Stores

- The biggest emphasis here is local

- Remind customers that those places are good for make up and party supplies, but don’t contribute to the local economy

- Emphasize what you do for the community and brag a little
Maintaining Selection

- Look towards providing some items on a seasonal basis
  - Football season, summer BBQ season, etc. could

- Get creative with how you present these items.
  - End caps or product displays with recipes are a good way to capitalize on this market

- Consumers will know that once the item is in season they will stock up
Co-Branding/Co-Merchandising

- Work with other local stores and not against them
- Sell both of your items in store!
- Market it to where it is from and work together on pricing
- Can keep the small town feel and loyalty amongst stores
Other Suggestions

- What does your online presence look like?
  - Facebook, Pinterest, Twitter, blogs are all free
  - Posting recipes, how to articles, or sales you are running get you name out there for customers

- If your supporting an event, are the provider for schools meals, get your name out there.
QUESTIONS???
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