

Cornhusker Economics

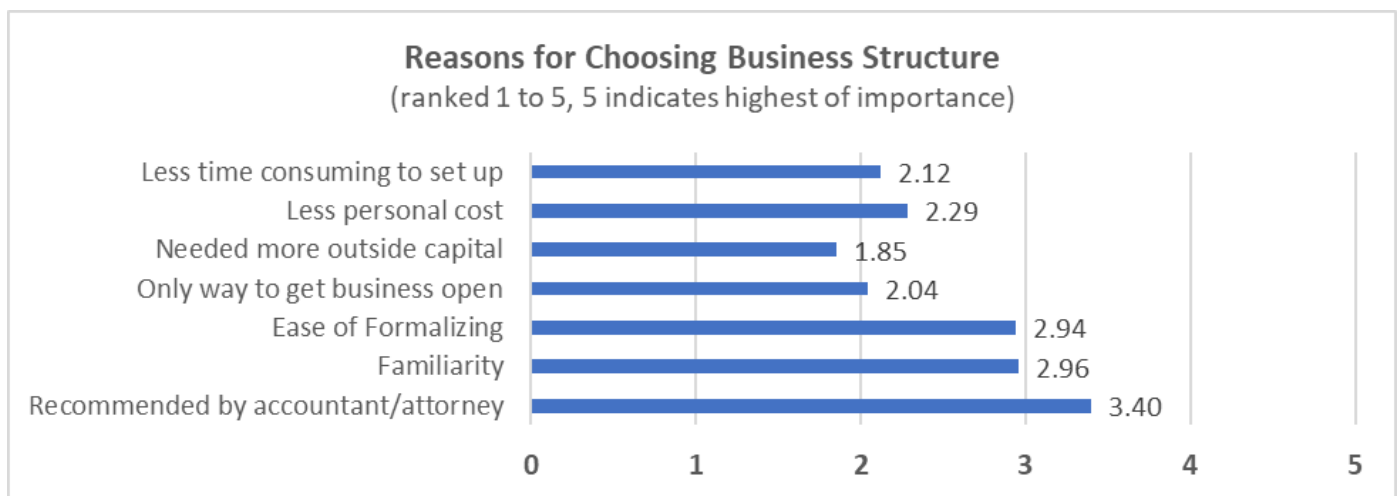
Insights into Nebraska Rural Grocery Store Ownership

In Fall 2020, University of Nebraska-Lincoln researchers started a research project to better understand the perceptions and experiences of transitioning a rural grocery store to new ownership. The project is part of the Heartland Challenge program funded by the Ewing Marion Kauffman Foundation. Researchers conducted a survey of Nebraska rural grocers to seek their input and determine future research directions. Sixty-seven of the 216 distributed surveys were completed either electronically or by print. Survey questions pertained to challenges and opportunities owners experienced while operating a rural grocery operation, community support and involvement in store transition, and motivations for continued operation or transition.

Choosing Ownership Structures

Survey responses indicated that 79% of the grocery store businesses are structured as a corporation or a Limited Liability Company with multiple owners. Other multi-ownership business structures included formal cooperative structures (5%) and non-profits (2%). When asked why they chose their current business structure, individuals stated that the structure recommended by an accountant/attorney was the most important reason, followed by familiarity with the structure and ease of formalizing the business.

When asked why the respondents chose to be in the grocery store business, 34% said they chose the business for personal financial benefits and 27% entered the business for the purpose of improving the commu-



Individuals who indicated that *Community Improvement* or *Personal Financial Benefits* were their reason for choosing the grocery store business, ranked the following criteria by importance, with 1 being the highest priority.

Community Improvement

Personal Financial Benefits

1	Access to retail service/food access for community	1	Self-employment
2	Sustaining/growing the community	2	Profit
3	Community amenity	3	Return on investment (ROI)
4	Quality of life	4	Tax advantage
5	Save/create local jobs	5	Maintain property values
6	Convenience	6	Other
7	Attracting new residents		
8	Other		

nity. Other entry reasons included growing up in the business, working as an employee and seeing an opportunity to buy the business, and keeping the store open to supply food for the community and provide an outlet for local farmers.

Start-up costs for the eight business owners who completed this portion of the survey ranged from \$5,000 to \$300,000. The majority of the businesses self-funded their business (55%) and received a loan from the local bank (27%). In one instance, the previous owner financed the business. No businesses sought federal or local government-backed loans or funds from a micro-lender. Additionally, the only resource used for technical assistance during the start-up phase was a food distributor.

Ownership Challenges

Eighty-two percent of the survey respondents said the most challenging aspect of rural grocery store ownership was maintaining profits. With weekly sales ranging from \$500 to \$30,000, comparisons are broad and provide insights to all stores experiencing the challenge of maintaining profits.

Weekly Sales Average	Level of Challenge
\$7,067	Minor
\$29,125	Major
\$67,600	Moderate

Reasons cited for the challenge included:

- Lack of customer base and volume of sales
- Price of products
- Freight costs and not being able to get all of the products which are ordered
- Competing with large box discount stores to keep prices competitive and ensure a variety of products are being offered
- Large weekly minimums required for a wholesale truck mean having to turn product quickly
- Local residents shopping at a nearby larger town

Future Plans

A subset of the survey respondents indicated possible plans for future ownership of their businesses. The majority of respondents (62%) would like to keep the business in the family, 25% plan to sell outside the family and one plans to close business with no transition planned. Two individuals indicated that they have considered transitioning their business to a community-owned cooperative. When asked how long the owners plan to own their grocery store, responses varied from 1-5 years and up to 50 years. One respondent said, “not sure, barely hanging on.”

This study of Nebraska’s grocery industry is still in progress. Results cannot be generalized to all rural grocery operations. However, they can provide insights into the challenges of operating a rural locally owned grocery

store, as well as opportunities for pursuing models for multi-owner, community-owned operations that help to secure food access for our many rural communities.

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