

farm to plate

STRENGTHENING VERMONT'S FOOD SYSTEM

Exploring the Next Frontier: Increasing Local Food Sales at Vermont's Independent Retailers

Phase 2—An Assessment of Barriers and Opportunities

Prepared By:

Sona Desai, Intervale Center
Annie Harlow, Farm to Plate Project Consultant




INTERVALE CENTER

VRGA VERMONT RETAIL & GROCERS ASSOCIATION

AGGREGATION + DISTRIBUTION WORKING GROUP

Key Messages

- Independent retail food outlets might represent the "next frontier" in local food development for producers and processors.
- This survey gathered data from 40 independent retailers about buying habits and interest in technical and marketing assistance designed to increase the availability and sale of local foods in independent grocery stores.
- 28% of respondents have gross sales under $1 million, 50% between $1 million and $5 million, and 22% over $5 million. 28% of stores are small (less than 2,500 sq ft), 36% are medium (between 2,500 and 5,000 sq ft) and 36% are large (over 5,000 sq ft).
- All independent stores face significant competition with larger chain grocery stores; are challenged by the low margin and limited resource industry of small-scale retailing; are in regions with low population density; and many independent stores in Vermont are located within economically depressed communities.
- Many stores purchase local foods *directly* from local producers, however most are using a single large-scale distributor as their *primary* source for procurement. Although these distributors provide a suite of valuable services to independent retailers, they are often not a good source for local products.
- The majority of stores were interested in workshops, trainings, and support services to improve procurement, marketing, and merchandising of local food. This information needs to be presented in multiple formats, including webinars/videos and printable materials that can be accessed when managers have time.

Click the image to read phase 1 of this project—
Exploring the Next Frontier: Increasing Local Food Sales at Vermont's Independent Retailers.

This statewide survey of independent retail stores and in-depth local food assessments with six stores found that a large percentage of independent retailers already carry local dairy, bakery, grocery, produce, beer, wine, and coffee products. Larger stores cited lack of consistent supply as their greatest barrier to purchasing more local food, while smaller stores reported they need more consumer demand for local products.

INCREASING LOCAL FOOD SALES AT VERMONT'S INDEPENDENT RETAILERS

PHASE 2—AN ASSESSMENT OF BARRIERS AND OPPORTUNITIES

INTRODUCTION

In 2014, the Vermont Farm to Plate Network, in collaboration with the *Vermont Retail & Grocers Association* (VRGA), completed a survey of independent retailers in Vermont, revealing that 100 percent of store managers value local products as critical to their store brand. In the second phase of research, we wanted to learn more about how independent stores buy and sell local foods, along with their interest in workshops, training and business support services that can help increase local food sales. Working together with the VRGA, we developed and implemented a survey to gather data about current buying habits and gauge interest in technical and marketing assistance designed to increase the availability and sale of local foods in independent grocery stores.

The project was led by Annie Harlow (*Farm to Plate project consultant*) and Sona Desai (*Intervale Center*), and implemented from January 2015 to August 2015. The report below summarizes the methodology, findings, conclusions and recommendations.

METHODS

The survey questions were organized across four categories:

1. Procurement;
2. Merchandising, marketing and promotion;
3. Tracking, reporting and business management; and
4. Workshops, trainings and support services.

The survey also gathered additional information about stores, such as location, square footage, number of employees, and annual sales.

The stores were selected based on geography, square footage and annual sales, with a total of 40 participants representing the variety of independent retailers in Vermont. For the purposes of this project, we maintained the scope from the first phase of our work: the independent retail sector includes 390 stores, excluding chain convenience stores and chain supermarkets. Based on this scope, 10% of Vermont's independent retailers participated in this second phase of research.

The survey was implemented from March through June 2015 through two channels: online (12%) and in-store interviews (88%). You can find the complete survey at the end of this report. Please note that this was not a scientific and statistically significant survey; it was intended to strengthen relationships with independent store owners and to gauge their interest in technical and marketing assistance.

SURVEY DATA FINDINGS

The survey findings are organized based on the following categories: procurement; marketing, merchandising and promotion; tracking, reporting and business management; and workshops, trainings and support services.

Procurement

In this section, respondents were asked their primary methods for purchasing local products, their level of engagement and pre-season planning with local producers and vendors, and their policies and/or standard operating procedures for vendors. We found that:

- Primary methods of purchasing local foods are direct from the producer and from local distributors (over 90% of respondents purchase through these methods). Only 13% indicated broadline distributors as their primary supplier of local foods.
- 39% indicated they are "fairly engaged" with their local producers, while 36% see themselves as "very engaged".
- 75% attend vendor trade shows.
- 92% do not set up contracts with local producers, and 72% do not meet with local producers to plan out orders in advance of the season.
- Top departments where respondents believe there is an opportunity to increase local food sales were: produce (58%), grocery (42%), dairy and eggs (39%), meat and seafood (33%) and beer and wine (31%).
- 63% have clear ordering and delivery times, 87% have billing and invoicing procedures, 76% have credit policies, 38% have product packaging specifications, and 18% have food safety/insurance requirements for vendors.

Merchandising, Marketing & Promotion

In this section, respondents were asked to indicate their use of a variety of marketing, merchandising and promotion strategies and to assess their current performance according to the following scale: excellent, pretty well, or needs improvement. We found that:

- 37% indicated that they could improve their ability to create re-sets for local foods, 21% indicated they could improve their variable pricing strategies for local foods, 39% indicated they could improve the use of endcaps and displays to highlight local foods, and 45% indicated they could improve their use of signage to showcase local products.

- 21% are not currently conducting in-store demos, 8% do not use signage to feature local products, 32% do not use social media to highlight vendors and foods, 42% do not include local vendors on their websites, 55% do not feature them in email updates fliers and newsletters, and 70% do not highlight them in radio ads.
- 36% indicated that they could improve their ability to conduct in-store demos, 44% indicated they could improve signage to feature local products, and 34% indicated they could improve their ability to include local vendors on their websites.

Tracking, Reporting & Business Management

In this section, respondents were asked about their point-of-sale system (POS) and their level of success at utilizing this system. This section also asked respondents to indicate whether they implement various business management strategies and to assess themselves in their ability according to the following scale: excellent, pretty well and needs improvement. We found that:

- 78% have a POS system and receive training from their provider.
- 57% indicated they are very successful at using their POS system.
- 27% do not provide any staff education and training to increase local food sales, while 46% indicated that they could improve staff education and training efforts.
- 75% indicated that they do a good job of monitoring store financial performance.
- 25% do not conduct annual stores audits, while 33% indicated that they could be improve their annual store audit process.

Workshops, Trainings and Support Services

In this section, respondents were asked about their level of interest in workshops, trainings and support services according to the following scale: very interested, somewhat interested, not sure and not interested. They were also asked about their preferred learning format according to the following scale: most preferred, somewhat preferred, not sure and not preferred. We found that:

- 92% are interested in workshops, trainings and support services.
- Primary areas of interest are procurement (82%), marketing, merchandising and promotion (78%) and business management (68%).
- The preferred learning formats are one-on-one in-store (79%), peer-to-peer in small groups (72%) and video (71%).

General Demographics

The 40 participating stores were selected based on geography, square footage and annual sales, representing the variety of independent retailers in Vermont. Of the stores that we surveyed:

- 28% have gross sales under $1 million, 50% between $1 million and $5 million, and 22% over $5 million.
- 28 % of stores are small (less than 2,500 sq.ft), 36% are medium (between 2,500 and 5,000 sq.ft) and 36% are large (over 5,000 sq.ft).

ADDITIONAL FINDINGS & CONCLUSIONS

Through our in-store visits, we were able to glean additional information on the high level challenges impacting the independent retail sector and their ability to increase their local food purchasing in Vermont.

Although all stores were not affected in the same way, below are the general overarching themes that emerged through our visits and conversations with store owners/managers:

1) *Competition* — all independent stores face significant competition with larger chain grocery stores.
2) *Low Margin Industry* — all independent retailers are challenged by the low margin and limited resource industry of small-scale retailing.
3) *Low Population* — most stores in Vermont are in regions with low population density, and this clearly affects sales.
4) *Depressed Economy* — many independent stores in Vermont are located within economically depressed communities.
5) *Regulations* — many independent stores, especially the smaller ones and/or those located in specific regions, feel burdened by state and federal regulations.

Despite the clear challenges facing the independent retail sector, there are examples of stores that are growing, thriving and successfully selling local foods. Below are two high level themes found among the stores that demonstrated economic viability and success with selling local foods:

1) *Business Management* — stores with skilled business managers tend to have an active and engaged staff and a strong marketing plan. These stores are more stable economically and are more willing to be creative and/or take risks.
2) *Geography* – stores that are located in affluent communities are more successful, as they have the local population base that desires and/or can afford the higher premiums associated with many local foods.

In addition to these findings, we reached the following specific conclusions from the survey results and the in-store conversations.

Procurement

Although many stores are purchasing local foods directly from producers, most independent retailers are using a single large-scale distributor, such as Associated Grocers, *Capital Candy* and/or *Pine State Trading Co.*, as their *primary* source for procurement. Although these distributors provide a suite of valuable services to independent retailers, they are often not a good source for local products. Stores working with these comprehensive broadline distributors often find it challenging to purchase from other vendors, leading to overreliance on a single distributor and limited accessibility to local products.

The stores that were most successful purchasing local foods bought directly from local producers and local distributors, as opposed to broadline distributors. These retailers were more engaged in relationship building with their vendors and were generally operated by store owners and/or managers with strong business skills. Although locally-owned distributors were a good source of local foods, many retailers indicated that distributors could be more assertive in introducing and promoting new products. Supportive credit policies by vendors could also help make it possible to increase local food in some stores by sharing the financial risk while new, untested products are introduced.

Marketing, Merchandising & Promotions

Marketing, merchandising and promotions of local food are tied to a stores' overall mission. Although in previous Farm to Plate research, 100% of stores indicated that they valued local as part of their store brand, we found stores have not implemented local into their purchasing, marketing and merchandising strategies. Stores that have a mission focused on local food were more skilled in their marketing, merchandising and promotional efforts. These stores were more successful in implementing variable pricing strategies, diverse product placement and social media marketing.

Regardless of mission and marketing plans, all stores value strong signage programs. Few stores have created consistent local food messaging. Factors limiting strong programs include lack of overall cohesion, over use of vendor or distributor material and the cost in time/materials to create a comprehensive look. Some retailers would gladly pay for a statewide local foods signage service; others thought an extra cost for signage would be prohibitive, negatively impacting their slim margins.

Tracking, Reporting & Business Management

While most stores have a POS system in place and are fairly successful at utilizing it to track sales by department or vendor, most do not capture local food sales. Using sales data can be an effective way to gain a competitive edge or find opportunities.

Through the self-assessment survey, store owners indicated a solid understanding of business financial performance. While stores are good at monitoring financial statements, not all were creative entrepreneurs and/or in a financial position to take risks to increase local food.

Workshops, Trainings and Support Services

Most stores are interested in attending workshops, trainings and/or support services. Though there is an expression of interest, resources of time, money and distance are real factors limiting participation. Some stores felt they were receiving appropriate levels of support through their distributor.

RECOMMENDATIONS AND NEXT STEPS

Procurement

- Develop a guide to make it easier for stores to discover local products
- Work with distributors to increase and promote local products with an emphasis on the high value departments of produce, grocery, dairy and eggs
- Develop Standard Operating Procedure (SOP) templates to streamline purchasing, receiving and credit operations
- Create workshops to teach how to maximize local food procurement through distributors, tradeshows and matchmakers

Merchandising, Marketing & Promotion

- Create and develop individualized marketing plans that include merchandising techniques
- Develop TA to support stores in determining the value of local to their brand as a quantification of the value to their business
- Identify best marketing practices and promotional strategies to enhance local foods, and then develop TA formats to support implementation
- Create workshops that feature strong and effective in-store signage and promotion
- Develop a statewide local food signage campaign

- Partner with marketing firms to create SOP templates for promotions, including events and demos of local and seasonal foods
- Maximize digital media to promote local products

Tracking, Reporting & Business Management

- Conduct workshops and one-on-one TA trainings on interpreting financial statements
- Provide training on how to conduct annual store audits to gain a competitive edge or sales opportunities
- Assess state and federal regulations affecting independent retailers
- Partner with state agency overseeing EBT accessibility and compliance to offer SOP and workshops

Workshops, Trainings and Support Services

- Create a suite of services that meet the varied needs and offer business trainings
- Develop short videos, webinars and in-store, one-on-one or small group regional trainings
- Partner with trade groups and distributors to promote attendance at workshops
- Learn more about the trainings and workshops currently available through *Associated Grocers of New England* and other distributors

Farm to Plate recognizes that some store owners and managers will be hesitant to attend trainings and workshops despite expressed interest. Based on our conversations with owners and managers, we also know that many last minute extenuating circumstances may take precedence over training. As such, we recommend that the technical assistance is developed and provided in a number of formats, including webinars/videos and printable materials that can be accessed when managers have time. In person trainings should also take place throughout the state and at various times to accommodate the busy schedules of store managers.

SUMMARY

Through this research, we have learned that independent retailers are selling local foods and are interested in receiving technical and marketing assistance to enhance their businesses. We have also learned that there are institutional barriers and limitations that influence these stores' ability to increase local food sales. Moving forward, the Vermont Farm to Plate Network will need to work with network members, independent retailers and the VRGA to learn more and to determine concrete next steps for supporting the independent retail sector in Vermont.

FARM TO PLATE NETWORK

Exploring the Next Frontier: Increasing Local Food Sales at Vermont's Independent Retailers

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STRENGTHENING VERMONT'S FOOD SYSTEM

THE PLAN

THE NETWORK

GETTING TO 2020

THE ATLAS

Credits

Increasing Food Sales at Vermont's Independent Retailers—Phase 2 was prepared by Sona Desai (Intervale Center) and Annie Harlow.

Aggregation and Distribution Working Group Chair: Sarah Waring (Center for an Agricultural Economy).

Supply and Demand Task Force Chair: Sona Desai (Intervale Center).

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On the cover: local produce: J.J. Hapgood General Store and Eatery; display: Jericho Center Country Store; Rock Art beer: Hunger Mountain Coop; Jericho Center Country Store, cheese: Willey's Store; milk and eggs: Willey's Store; display: J.J. Hapgood General Store and Eatery.

Layout and Design: Scott Sawyer

For more information:

Vermont Food System Atlas
www.vtfarmtoplate.com/network/aggregation-distribution

Independent Retailer Survey

Vermont has a thriving independent retail sector, and these locally owned and operated stores have been leading the local food movement for decades. As consumer demand for locally produced food increases, independent retail stores around the state have a tremendous opportunity to buy and sell more local foods.

Last year, Vermont's Farm to Plate Network, in collaboration with the Vermont Retail & Grocers Association (VRGA), completed a survey with independent retailers around the state, revealing that 100 percent value local products as critical to their store brand. Over the next few years, the Farm to Plate Network and the VRGA will be working together to support locally owned and operated retail stores of all sizes as they work towards strengthening their businesses, increasing their local food sales and preserving their brand as leaders in the local food economy.

Our next step involves hearing more about how you buy and sell local foods, along with your interest in workshops, training and business support services that can help you reach your goals for increasing local food sales at your store. We want to hear from you and encourage your participation in the following survey!

This survey includes the following categories: procurement, merchandising, marketing & promotion, tracking & reporting and general business management. It also includes demographic information such geographic location, number of stores, number of employees, annual sales, etc.

Next

Independent Retailer Survey

Procurement

1. Please rank how you purchase local foods 1-3 with # 1 being highest percentage of purchases.

- [ ] Direct from grower or food producer.
- [ ] Local distributors such as Best of Vermont, Upper Valley Produce, Black River Produce, Vermont Roots, etc.
- [ ] Broadline distributors such as Reinhart, Associated Grocers, C&S, Sysco, etc.

2. Please rate your level of engagement with your local food vendors.

- ○ Overall very engaged, taking time for regular meetings and or/phone calls.
- ○ Fairly engaged, but varies significantly by department.
- ○ Not very engaged, finding the time and/or resources to engage more is challenging.

3. Do you attend or send buyers and/or managers to vendor trade shows?

- ○ Yes
- ○ No

4. Do you set up contracts with local farmers?

- ○ Yes
- ○ No

5. Do you meet with local farmers in advance of the season to plan out orders?

- ○ Yes
- ○ No

6. What standards do you have in place for your local suppliers? Please check all that apply.

- [ ] Packaging specifications
- [ ] Ordering & delivery protocol (best days and times for suppliers to call buyers and make deliveries)
- [ ] Billing and invoicing procedures
- [ ] Credits/product refusal policy for each department
- [ ] Insurance/food safety requirements

7. **Merchandising – Self Assessment:** *Please indicate one description for each row for the self-assessment exercise.*

	Excellent	Pretty Well	Needs Improvement	Not at all
Creating re-sets to highlight local foods.	○	○	○	○
Implementing variable pricing strategies for low and high margin local products.	○	○	○	○
Incorporating diverse shelf and product placement strategies for local foods including horizontal & vertical product sets, endcaps, point of purchase displays, cross-merchandising, etc.	○	○	○	○
Incorporating signage and local product information on shelves and in displays.	○	○	○	○

8. **Marketing & Promotion – Self Assessment:** *Please indicate one description for each row for the self-assessment exercise.*

	Excellent	Pretty Well	Needs Improvement	Not at all
Conducting in-store demos of local products.	○	○	○	○
Using signage to feature local products.	○	○	○	○
Using Facebook, Twitter, Instagram, etc. to highlight local vendors and foods.	○	○	○	○
Including local vendors on website.	○	○	○	○
Featuring local vendors in email updates, flyers and newsletters.	○	○	○	○
Highlighting local vendors in radio ads such as WDEV, VPR sponsorships, etc.	○	○	○	○

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Independent Retailer Survey

Tracking & Reporting

9. Do you have a Point of Sale system?

- ○ Yes
- ○ No

10. What is the name of your Point of Sale system?

11. Do you receive training from your Point of Sale system vendor?

- ○ Yes
- ○ No

12. Please rank how successful you are at entering product data into your Point of Sale system (choose one).

- ○ Very successful; we have a great system in place.
- ○ Moderately successful; it depends on department managers and can be inconsistent.
- ○ Not very successful; we have not been able to make it a priority.

13. What attributes do you track? Check all that apply.

- ☐ Sales by department
- ☐ Local food sales
- ☐ Sales by vendors
- ☐ Special categories, such as organic, fair trade, 3rd party sustainable etc.
- ☐ Other (please specify)

14. **Overall Business Management – Self Assessment:** *Please indicate one description for each row for the self-assessment exercise.*

	Excellent	Pretty Well	Needs Improvement	Not at all
Providing staff education and training to increase the promotion of local foods.	◯	◯	◯	◯
Monitoring financial performance of each department and the overall store.	◯	◯	◯	◯
Crafting a mission statement & store brand to include local foods.	◯	◯	◯	◯
Conducting annual store audits to assess marketing and sales opportunities.	◯	◯	◯	◯

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INTERVALE CENTER SUSTAINING FARMS SUSTAINING LAND SUSTAINING PEOPLE

Independent Retailer Survey

Workshops, Trainings and Support Services

15. Which departments are your greatest priority to increasing local foods? Check your top three.

- [ ] Grocery
- [ ] Meat & Seafood
- [ ] Deli/Prepared foods
- [ ] Bakery
- [ ] Produce
- [ ] Beer & Wine
- [ ] Dairy & Eggs
- [ ] Bulk
- [ ] Coffee & Beverages
- [ ] Frozen
- [ ] Non-dairy Perishables

16. Are you interested in workshops, trainings and support services to increase your sales and availability of local foods?

- ◯ Yes
- ◯ No

If you answered yes to question 16, please answer the questions below (17-19). If you answered no, go on to question 20.

17. Please state your level of interest in receiving support in the following areas.

	Very Interested	Somewhat Interested	Not Sure	Not Interested
Procurement: Sourcing more local foods from distributors, vendor trade shows, matchmaker events and direct from Vermont producers.	○	○	○	○
Tracking & Reporting: Assessing current store product mix to make room for new local items.	○	○	○	○
Tracking & Reporting: Learning more about POS and reporting capabilities to enhance local purchasing and sales.	○	○	○	○
Marketing & Merchandising Local Foods: Marketing and promotional strategies to support the local foods currently stocked.	○	○	○	○
Marketing & Merchandising Local Foods: Creating efficient displays, end caps, etc. to feature local foods.	○	○	○	○
General Business Management: Providing staff education and training to increase local food knowledge and purchasing.	○	○	○	○
General Business Management: Conducting annual store audits to evaluate marketing and sales opportunities.	○	○	○	○

18. Are there any other priorities for you and/or general areas where you would like to receive additional support?

19. What learning formats do you prefer?

	Most Preferred	Somewhat Preferred	Not Sure	Not Preferred
Workshops at trade shows	○	○	○	○
One-on-one in-store trainings	○	○	○	○
Peer to peer learning in small group setting	○	○	○	○
A hands-on training at a store	○	○	○	○
Video	○	○	○	○
Webinar	○	○	○	○

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Independent Retailer Survey

Demographic Information

Please provide the following store information:

20. Store Name:

21. Town:

22. Zip Code:

23. Annual Sales: please check whole store sales range.

- Less than $250,000
- $250,000-1,000,000
- $1-5,000,000
- $5-15,000,000
- over $15,000,000

24. Approximately how many square feet is your store (retail space only)?

- Small: <2500 square feet
- Medium: 2500-4999
- Large: >5,000 square feet

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