

# Question & Answer Summary

## Keeping Groceries Alive: Understanding Grocery Ownership Models February 4, 2021

**Q: Do municipal-owned markets like Erie Market & St. Paul Market also receive revenue from a city imposed tax levy on citizens? For example, ¼ cent sales tax or maybe a portion of real estate taxes? On city owned stores, what is the city funding source?**

A: This question was answered live, however, additional details are included here. The funding structure will likely be different in every municipality. Here is information from two municipality-owned examples.

- In Erie, KS, the city had an economic development fund that was used in the initial set up fees for licensing, etc. Then the city obtained a short term note to purchase the grocery store and inventory. The inventory sales proceeds are expected to fund all expenses. If it doesn't, there can be an additional fee added to all utility bills to cover the deficit.
- In St. Paul, KS, the Grocery Store Fund is classified as a business or enterprise fund in the annual city budget. Other business funds in St. Paul would be the water operating fund, the sewer operating fund, etc.

**Q: What groups or organizations do you join/use to purchase inventory? And are the product costs higher for a smaller community store?**

A: There is a list of grocery suppliers working in Kansas on our website at [www.ruralgrocery.org/resources/Suppliers.html](http://www.ruralgrocery.org/resources/Suppliers.html)

Whether costs are higher for a smaller store will depend on the store and the distributor it works with. Generally, if a store is able to work with a wholesale distributor, it will be able to achieve competitive pricing. The challenge is when smaller store are subject to weekly minimum buying requirements that may be impractical to achieve.

One workaround for this challenge has been to work with other grocery stores and combine orders for multiple stores under one account. This can help the ordering store because they're able to purchase more from the supplier, meet their minimums and charge a small percentage-based upcharge. It also benefits the add-on store by giving that store access to competitive wholesale prices that they otherwise would be unable to receive.

**Q: Does your toolkit give you information on forming a business plan to use as a proposal to a bank for a loan?**

A: The Business Organization section of the Rural Grocery Toolkit includes some of this information, but we will talk more about this in Webinar #5, Planning Your Business scheduled for Feb 25, 2021.

A few key resources in Kansas that can assist with business planning questions are

- NetWork KS: [www.networkkansas.com/connections](http://www.networkkansas.com/connections)
- The Small Business Development Center: [www.kansasbdc.net](http://www.kansasbdc.net)
- SCORE: [www.score.org/find-mentor](http://www.score.org/find-mentor)

**Q: What is the average cost of purchasing an existing grocery store? Understanding that they will all be different depending on how successful the store is already. Just looking for a ball park number.**

A. The answer to this question depends on the size of the store, its location, and the condition of the building and equipment. Sometimes purchases are based on a percentage of the store's sales. Key categories of costs include the property and building, the business entity and inventory. Inventory costs for an initial set up of a store tend to fall around \$25-30 per square foot. This varies based on the depending on the quality and age of the inventory and type of transition.

**Q: Are there programs to help replace equipment to make them more energy efficient?**

A: USDA REAP (Rural Energy for America Program) provides grant funding to rural businesses to make energy efficiency improvements. We will talk more about this program in Webinar #6, Funding the Transition schedule for March 4, 2021.

**View the webinar recording at [www.ruralgrocery.org](http://www.ruralgrocery.org) under the Events tab to find the questions that were answered live.**