



Independent Grocery Stores in the Changing Landscape of the U.S. Food Retail Industry

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What Is the Issue?

Independent grocery stores are food retail establishments whose owners operate fewer than four outlets simultaneously. These stores generated 11 percent of all U.S. grocery sales in 2015, helping to ensure food access in areas that may not be served by chain grocery stores, including rural counties and counties with a high percentage of low-income households. They also provide employment opportunities and generate tax revenue for these areas. Given the ongoing transformation of the food retail industry and the continued importance of independent grocery stores to their local communities and to the U.S. economy, this study examines the current (2015) performance of independent stores and changes in their performance over 2005-15, particularly in relation to chain stores. The findings in this study lay the groundwork for future research on the economic impacts of independent grocery stores.

What Did the Study Find?

Although chain grocery stores dominate the U.S. food retail industry, independent grocery stores continue to play an essential role in the U.S. economy. Findings on the current (2015) performance of independent stores include the following:

- Independent grocery stores generated \$70 billion in sales, or 11 percent of all U.S. grocery sales. They made up at least half of all food retailers in 44 percent of U.S. counties. However, the share of food retail sales attributed to independent stores across the United States in 2015 was low—only 19 percent of all counties had at least 50 percent of total sales from independent retailers.
- Independent stores were mostly composed of superettes (58 percent) and supermarkets (33 percent), while chain stores were primarily made up of supermarkets (67 percent) and supercenters (15 percent). Superettes are grocery stores with annual sales of \$1 million to \$2 million, while supermarkets are composed of grocery stores with at least \$2 million in annual sales; supercenters are stores that consist of a full-line supermarket and discount merchandiser under the same roof.
- The shares of total sales for chain stores followed a similar pattern as the store make up, with supermarkets having the largest share; for independent stores, the relationship reverses: supermarkets accounted for 58 percent of independent store sales and superettes accounted for 27 percent.

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- Rural counties are split into those that are adjacent to urban counties and those that are not. On average, independent stores outnumbered chain stores (2.1 to 1.9, respectively) in nonadjacent rural counties. However, sales from independents accounted for only 18 percent of all food retail sales in these counties. The shares of independent store sales were even lower in rural counties adjacent to urban counties (16 percent) and in urban counties (10 percent).
- For every 10,000 individuals added to a county, the number of chain and independent stores increased by 2.4 percent and 1.9 percent, respectively. As the population shares of Blacks and Hispanics rose in a county, independent stores increased at a higher rate than chain stores.

Findings on changes in the performance of independent grocery stores and the overall food retail environment from 2005 to 2015 include the following:

- The total number of grocery stores over the decade increased by 7 percent. While chain stores increased in number, independent stores stagnated at the onset of the recession. As a result, by 2015, the share of independent stores had declined in 1,269 counties (41 percent of all U.S. counties).
- The number of independent and chain grocery stores increased in counties where population increased. While the number of independent stores increased in rural counties and in counties with a growing population share of Blacks, the number of chain stores decreased in these counties.
- The shares of independent stores (particularly small-format stores, or specialty food stores, limited-assortment supermarkets, and superettes) increased in counties in which the population share of Blacks increased and in rural counties not adjacent to urban counties.

How Was the Study Conducted?

This study uses data from TDLinX to calculate the number of independent and chain stores and their sales by county in the 48 contiguous States and the District of Columbia. Independent stores and their sales are mapped for each county to show changes from 2005 to 2015. The study includes empirical analyses to examine county characteristics associated with the number and share of independent stores and the share of their sales.