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Food Distribution in Low Income Areas

Food 70's

Sunday evening, the first night of the conference, a group of 12-15 conference participants, all with interests in the unique problems of operating food stores in low-income areas, met to discuss their observations, experiences, and points of view. The following is a brief summary of that discussion.

Prepared by:
Donald R. Marion
Assistant Professor, Food Marketing
University of Massachusetts

There was general agreement that inner-city, low-income locations have been difficult locations for most food retailers to operate successfully. One has only to observe the gradual erosion of food stores from these areas, including a steady decline of supermarkets, to realize that the business environment there must leave something to be desired.

Food Retailing Problems In Low-Income Areas

Within the discussion group were several persons who had had some involvement in studies or projects dealing with food retailing in low-income areas.

In New Orleans, a Louisiana convenience store franchising group has experimented with a proto-type store in a low-income area in New Orleans. Total investment in the store approximated $180,000. Sales reached a high of $8,000 per week, but then declined to $1,500 per week following a period of picketing by local residents, who were demanding that the store be turned over to them. In the early weeks of operation, pilferage exceeded the store gross margin, until tighter security measures were adopted. Insurance was also found to be a problem, the firm having to settle for limited coverage through Lloyds of London, at a cost of $3,600 per year. The franchising firm, which is white-owned, has decided not to expand its experimentation with low-income area franchises, at least temporarily.

From a study in North Philadelphia, it was observed that crime and violence are the most serious problems facing low-income area retailers. The study area, 5 blocks by 7 blocks in size, contained one chain store supermarket and 17 small stores. Ten of the small stores were operated by Spanish speaking persons, while the other seven were operated by whites. Only five of the stores, all white-owned, belonged to a retail cooperative.

From a study in Massachusetts, it was reported that low-income area retailers had been found to be operating at a substantial disadvantage relative to retailers in other areas. The principal problem areas observed were: high pilferage rates, high rate of bad check losses, added security and insurance costs, difficulty in securing and maintaining an effective labor force, threats and occurrences of crime, vandalism, and harassment, and lower rates of operating profits. A report based upon the findings of the study is in preparation.

A study being planned by the Economic Research, United States Department of Agriculture, will also investigate the problems of retailing in low-income areas. Store managers will be interviewed to obtain as much information as possible from all types of retailers, with the objective being the development of a proto-type food distribution establishment for low-income areas. Another phase of the study will examine the needs, preferences and wishes of low-income consumers, with respect to food shopping.

Minority Entrepreneurship

The observations and judgment of the discussion group were in general agreement that many black-owned and other minority group businesses face serious operating problems. As a result it was deemed unlikely that minority business would provide the answer to the problem of maintaining an efficient and effective food distribution system in low-income areas, at least in the immediate future. In the first place, many minority group businessmen do not possess the necessary background of management information and experience. In addition, there is still a very real question about the extent to which black businesses, in particular, will be accepted and supported by the black community. It was pointed out that in Delaware a black-owned shopping center was severely damaged by the people of the community.

Recognizing these problems, it was suggested that minority business be encouraged to proceed slowly and carefully in their ventures into the retail food business. Some might seek employment with a food chain, where they could take advantage of the management training and experience offered by such firms, while others might start by taking over small stores until they have developed the managerial proficiency to enable them to successfully operate a full-scale supermarket.

Those minority group food businesses already established, but lacking in experience and training in the retail food business, face an entirely different type of problem. It was suggested that they should seriously consider affiliating with a voluntary or co-op group, having well-developed, and highly preplanned programs of assistance in merchandising, management, and operations. Alternatively, they might seek the assistance of a chain store organization that could offer them the same type of assistance.

Educational Programs for Low-Income Area Retailers

There was general agreement that low-income area retailers could be assisted substantially with well-developed educational programs. Among those present for the discussion, the only ones who had had experience with such programs were from Ohio State University. The program there is being conducted as a series of weekly, evening courses, for a small group of black food retailers in the inner-city area of Cleveland. The program, organized with the aid of leaders from the black community, has been well received thus far. Among the concerns being expressed by the retailers is that of having a black wholesaler to serve them.

From New York there was one report of a disappointing experience in getting participation and industrious effort from students in a regular, on-campus, associate degree program.

The University of Massachusetts is commencing work on an educational program for low-income area food retailers that will be completed and available late in 1970 or early 1971.

(Time did not permit extending the discussion to questions of why these problems exist, what prospective solutions seem promising, and what are the needs for further information.)