

Module 4 - Locating Your Grocery Business

In the discussion of location, we generally assume the community in which the store will be located has already been chosen. However, if this decision has not been made, the prospective store owner will first need to consider the general geographic area of interest. This may be an entire state, a region within a state, or a county, for example. To begin to narrow the search even more, the entrepreneur will typically want to look for communities where there is no grocery store. If the state has a grocers' association or a retailers' association, these organizations should be able to help identify such locales. Other possible sources could be University Extension offices or state, regional, or county economic development officials.

Once we have narrowed our search to a specific community, the first order of business will likely be to search for possible locations within the community. The location and availability of suitable properties will help determine if a new store is feasible. In addition, the status of the property or properties identified will have a significant impact on total project cost. Below we consider the possible alternatives when determining location.

To begin the search, it may be helpful to have local assistance to identify suitable properties. This help could come from a variety of sources, such as a commercial realtor, city administrator, elected official, or a chamber director. While small communities may not have their own economic development staff person, the county or state may also be able to assist.

Locating Within the Chosen Community

As described in the sections below, location of the store may be pre-determined by the existence of a structure that was previously used as a grocery store. It is also possible the location could be influenced by the availability of another suitable building that was not necessarily a grocery. Ideally, any building considered will be located in a visible, high-traffic area. If the building is in good condition and is in a good location, it will make sense to use the existing structure.

If, however, no suitable building exists, or if it is determined that the building(s) available are in poor locations, a prospective owner will need to choose where to locate a new building. If the community has a "downtown" retail area, and has available real estate, this might be a good location with good traffic. Or, most rural communities have an access road that is either a highway or a paved county road. Locating on this route is another option that has been successful in some instances. Very simply, the ideal location will be one where there is good visibility, plenty of foot or vehicle traffic, and sufficient parking nearby.

Below is a summary of options to consider.

Purchase an Existing Grocery Business

For those looking to buy and operate a rural store, the simplest and fastest way to get into business is to purchase an existing store. This purchase may or may not include the building and property. Pricing of an existing store can vary widely, depending primarily on past financial performance, expected future performance, and whether the real estate is included in the purchase price.

Unfortunately, many store owners do not do the necessary planning as they prepare to exit the business, meaning the store may close before a new owner can be found. But owner(s) who plan ahead and sell the business rather than close and liquidate will reap a financial benefit. In addition, the entire community will benefit as the store remains open.

Purchase a Closed Store

In some instances, it may be possible to buy a store that has closed but remains largely intact. Fixtures and equipment are still in place and are largely functional. It is possible that certain pieces of equipment may need repaired or replaced. Other updates may be necessary, and the store may need a new look. But with an existing structure in place the new owners can gradually make upgrades and repairs as finances allow. As with purchase of an existing grocery, the building and property may or may not be included in purchase price and otherwise will be leased.

In most instances, buying a closed store will be an easier transition than starting with no building or with an empty building. Inclusion of the equipment and fixtures may increase the price, but in most cases this option would be expected to save the new owners time and money as compared to starting with an empty building.

Purchase an Empty Building

When a store closes, it is fairly common for the outgoing owners to sell everything in the store, including the equipment and fixtures. What is left is essentially a building shell, although walls and partitions are left in place. If the building is in good condition, purchasing this location would offer several advantages over building new. First, the time and expense of new building construction would be avoided. Next, it may be possible to rent such a building since owners may be anxious to realize revenue from this asset. This too can help new owners keep costs down. A third advantage would be the familiarity of the location, as residents are accustomed to buying groceries here.

Of course, empty buildings are not limited to former grocery stores. It is possible that other suitable locations may exist. If such a building is available, is in an attractive location, is of appropriate size, and is in good condition, the same potential advantages would be possible.

Build New

When no suitable building for a store exists, the obvious solution is to build. While this is likely the most expensive option, there are some advantages to this alternative. Starting new allows owners to choose their preferred location. They can design the building to their specifications for size and shape. The building will have a fresh and modern look, as compared to an older building. While a new building will add cost, the business should save on repairs and maintenance. If good used equipment and fixtures can be located, additional savings are possible.

Summary

Regardless of the situation in the town where the store will be located, options exist to build a new store, buy an existing but empty building, or buy a building that is already outfitted for grocery use (either open or closed). Costs will vary depending on the situation and potential owners should analyze the financial situation carefully to make sure a store is financially feasible. For a simplified analysis of potential revenue and expense for your business venture try our Rural Grocery Profit Simulator at this link: suindicators.shinyapps.io/RuralGroceryShiny/