

Module 7 - Grocery Suppliers

There are several factors to consider when sourcing inventory for the small rural grocery store. The suppliers required are directly related to the type and variety of products intended for sale in the store. Many stores rely primarily on wholesale distributors who can supply a wide variety of products. The store can then supplement with other products sourced from local producers or regional distributors. We will discuss these in detail below, beginning with the wholesale suppliers.

Wholesale Distributors

In most instances rural stores will be able to find one or more grocery wholesalers who will be available to service their store. These companies carry a wide range of products that include so-called “store brands” as well as national brands. These suppliers can offer the small stores the benefits of economies of scale, something the individual store cannot attain alone. These large companies move much greater volume and can therefore command lower prices from their suppliers. This means a retailer can purchase at a lower price and can then be more competitive when setting prices to be charged in their store.

Since these wholesale companies carry so much product variety, they can serve as something of a one-stop-shop. Rather than dealing with many suppliers for products throughout the store, these distributors can help a small grocer simplify things a bit. Associated Wholesale Grocers (AWG) based in Kansas City, Kansas is an example of such a supplier. AWG provides groceries to independent grocers in 28 states. Additionally, they can provide products for the following departments: Bakery, Meat, Deli, Grocery, Dairy, Frozen, and Produce. Numerous other wholesalers serve stores throughout the United States.

There are almost always up-front costs when partnering with these larger suppliers. For example, Associated Wholesale Grocers requires that member stores buy shares. In 2023, the amount required to buy into the program is \$23,250. If the grocer should exit the business or decide to switch suppliers, they are able to sell the shares back to AWG at the present value at that time.

Other benefits to consider when dealing with larger regional or national suppliers are the additional services they may offer. These larger wholesalers have data and expertise generally not available to your average rural store. They can provide category management, helping the independent grocer determine which products to carry. They may also provide shelf assistance, helping to determine how and where to position items, sometimes referred to as a plan-o-gram. These services can help a less-experienced grocer decide what to carry and where to place it in the store. These distributors will often be able to suggest pricing strategies, if desired by the store management. These ancillary services can be extremely helpful when it comes to minimizing cost and maximizing revenue. Should the retailer decide to use these other services (real estate assistance, plan-o-grams, etc.) there may be an additional charge associated with doing so.

National & Regional Suppliers

National and regional suppliers can usually be located relatively easily, due to their large footprint, web presence, and sales force. These suppliers would typically handle things like chips, snacks, and cookies, sodas and beer. Companies in this category include Frito Lay, Nabisco, Pepsi, and Budweiser. While these are national brands, they are often distributed through regional intermediaries, and not all products in these categories are national in scope. Regional and local brands are frequently available to compete with the “name” brands that all stores typically carry. In some cases (Nabisco products, for example), these are available through the wholesaler. In other cases (national soda brands, for example), the product is distributed through a regional company who will typically provide in-store service such as keeping shelves stocked, setting up displays, and so on.

Local Suppliers

Many customers want to support local businesses and local producers when shopping. This can sometimes pose a challenge for the grocer, since managing many small suppliers is more difficult than dealing with only a few large distributors. In addition, it can become more difficult to source those products since the smaller suppliers do not have the presence or visibility of the larger ones. On the other hand, carrying local products can create goodwill in the community, and often will result in higher margins for the grocer. The “buy local” movement is discussed in greater detail in Module 12 Grocery Trends.

Since in many instances the store owners or management are from the area, they may already have knowledge of at least some of the local producers. If however the owners are having difficulty sourcing local items to stock their shelves, there are a few different ways to find producers from their area. Some large suppliers (like US Foods) have very large networks, which means they already have connections to local suppliers across the country. The first step in finding local suppliers may be contacting one of these large suppliers.

Another avenue to pursue if looking for local producers or craftspeople is an online search. For example, a Google search for produce, plus the city and state, will likely return a number of websites (often Facebook pages) of producers in the area, even for small towns. Other possible search results could include websites who maintain listings of local businesses or producers. For example, a website called foodmarketmaker.com lists nearly 12,000 farms, and eatWILD.com has a directory of over 1,400. (Eatwild's Directory of U.S., Canadian and International Farms & Ranches, 2023) Other ideas for local sourcing include reaching out to business leaders in the area, contacting the chamber of commerce, or other government officials. Finally, the National Grocers Association has many resources for new and developing grocery stores, which can be accessed through the link provided below.

Other Considerations

When dealing with suppliers, there are several things to consider beyond the types of products they supply. One very important thing is the payment terms they offer. Many will be cash-on-delivery at first as the supplier develops a trusting relationship with a new customer. Managers should keep this in mind when planning the need for operating capital. After this initial period, terms can vary widely, from net-7 days (seven days to pay the total amount) to net-30 days (30 days to pay the total amount). Smaller suppliers will sometimes offer an incentive for cash payment. Others may offer a small discount for paying within a set number of days (1% off if paid within 10 days for example).

Another thing to consider is that some suppliers will require a minimum order amount. This is important because a small retailer may not wish to order large quantities as they cannot turn the inventory quickly. Excess product can clog an already small storage area, and inventory sitting on a shelf in the backroom is not making money. Unsold products can reach their “sell by” date and will need to be removed from the shelves. A small grocery store does not have much leverage, however, when it comes to negotiating minimum orders and other terms.

Below we list two of the major associations a grocer may wish to use as a resource or join as a member. Following that we have listed names, contact information, and a brief description of several national grocery distributors.

Grocery Trade Associations

- National Grocers Association
 - Website: www.nationalgrocers.org
 - Telephone: (202) 938-2570

- National Retail Federation
 - Website: www.nrf.com
 - Telephone: (800) 673-4692

National Grocery Suppliers and Their Products

- U.S. Foods
 - Company Product Description:
 - According to their website, US Foods has “over 350,000 products to choose from and over 300,000 US Foods customers.” (U.S. Foods, n.d.) They have a large variety of products to offer, from produce, meat, and dairy, to baked goods and even freshly prepared meals and salads.

- KeHE Distributors
 - Company Product Description:
 - “With more than 6,800 employee-owners and a 18-distribution center network across North America, KeHE is one of the largest and most respected pure-play grocery and natural distributors in the nation.” (About KeHe, n.d.)

- UNFI
 - Company Product Description:
 - “Discover one of the most comprehensive private label programs available today. With over 5,000 products across 200 categories throughout the store, we believe we have what today’s consumer is seeking from national brand equivalents to opening price points to gourmet, specialty and organic offerings.” (UNFI Private Brands Portfolio, 2024)

- SpartanNash
 - Company Product Description:
 - Our distribution segment provides a selection of dry groceries, produce, dairy, meat, deli, bakery, frozen food, seafood, floral, general merchandise, pharmacy and health and beauty care items.” (Spartan Nash, n.d.)

- Core-Mark Holding Co. Inc
 - Company Description:
 - “Core-Mark has 45 distribution centers strategically located across North America. Each of our distribution centers use state-of-the-art logistics and supply chain management to deliver the products and services demanded by the over 50,000 retail locations we serve in the U.S. and Canada.” (Core Mark, 2024) Core-Mark delivers to convenience stores across the country. Products include meat, seafood, produce, and bakery items, among other things.

- Dot Foods Inc.
 - Company Product Description:
 - “We can redistribute 42,000 stocked products from more than 1,500 suppliers... Our special-order items make up the remainder of our 123,000-product catalog.” (Dot Foods, 2024)

- AMCON Distributing Company
 - Company Product Description:
 - “AMCON and our strategic subsidiaries Team Sledd LLC and Henry’s Foods, Inc. collectively represent one of the largest wholesale distributors in the United States offering over 20,000 different consumer products to approximately 7,000 retail outlets including convenience stores, grocery stores, liquor stores, drug stores, and tobacco shop.” (AMCON, 2024)

- Associated Wholesale Grocers
 - Company Description:
 - “Associated Wholesale Grocers, Inc. (AWG) is the nation’s largest cooperative food wholesaler to independently owned supermarkets, serving 1,100 member companies and more than 3,300 locations throughout 33 states from 9 wholesale divisions. Consolidated sales for AWG in 2023 were \$12.4 billion. In addition to its cooperative wholesale operations, the company also operates subsidiary companies which provide certain real estate and supermarket development services, health and beauty care, general merchandise, pharmaceutical products, specialty foods, and natural and organic products.” (Associated Wholesale Grocers, 2024)
 - Products Description:
 - “AWG prides itself on having an optimized assortment of products for all different types of grocery stores. From fresh departments to health, beauty, and wellness and all areas in between, AWG category management teams work hard to provide breadth and depth

within categories while ensuring product performs well at the register. With more than 127,000 SKUs carried, member retailers can be assured they will find products to suit the needs of all different kinds of consumers.” (Associated Wholesale Grocers, 2024)

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