Business models for grocery stores in food deserts

Entrepreneur - Cooperative - Municipally owned - Nonprofit

Entrepreneur Model

- This is the standard retail business and can be legally structured as a sole proprietorship, as an LLC, as an S-Corporation, or as a C-corporation.
- The business is a stand-alone entity with no formal ties to the community.

Entrepreneur Model

Pros

- Can develop quickly.
- Doesn't rely on community time/effort to operate.
- Doesn't usually rely on donations.

Cons

- Can't apply for grants.
- The owner may not do what the community wants or needs.
- Can be very hard to find. High investment/Little return.

Cooperative Model

- This model starts with a community steering committee. The committee encourages community members to join the co-op by purchasing a lifetime membership.
- When enough members have joined, elections are held for board positions and the steering committee dissolves.
- Important to note that any can shop at the co-op whether they are a member of the co-op or not.

Cooperative Model

Pros

- Lots of input from the community.
- Might benefit from volunteers.
- Rotating board of community members for long-term sustainability.

Cons

- Has a higher markup and can be difficult to turn a profit.
- Can suffer from “too many cooks in the kitchen”.
- For profit business can’t usually apply for Grants.

Municipal Model

- In this model the municipality owns the building and equipment, and the request bids for a grocery operator to lease the space.
- It hasn't been used often, at least not yet. In the US there are only a handful of very small examples. Not much documentation or case studies to use for guidance.

Municipal Model

Pros

- Community cannot lose the grocery store, only the operator.
- Benefits from the experience of a grocery professional
- Community has a little more say in the store's operation.

Cons

- Complicated setup, including liability issues.
- Some communities might have trouble finding an operator with experience.
- Facility upkeep falls on the municipality.

Nonprofit Model

- Standard nonprofit model. Business still tries to make a profit to be self sustaining, but financial self-sufficiency is not the main driver.
- The nonprofit's board hires a manager to handle the day-to-day challenges.

Nonprofit Model

Pros

- Lots of grant opportunities.
- Benefits from volunteer time.
- Lots of buy-in from community members built-in.

Cons

- Lack of business acumen.
- No access to traditional, for-profit economic development incentives or financing.
- Very difficult to make all the business decisions that are necessary in a timely manner.