

INTRODUCTION

The D.C. store, a social enterprise and full line grocery store located in Northeastern DC. The store has a unique operating model and experiences that sheds light onto practices and programs useful for other small to medium sized food retailers within low-income communities (**Figure 1**).

- The store first opened in 2014, and aimed to serve the customer base in Ward 5 in D.C.
- The store has a non-profit, sister organization that supplies funding to the store, and also supports programming at the store and working local vendors.
- Store mission: *“Developing retail solutions that work in, and for, food desert communities through unique partnerships with local growers, producers and distributors our experienced retail team is able to offer a full-service grocery selection in a fraction of space.”*

There was limited street parking and the spaces in front of the store were mainly reserved for delivery of store goods, as there was no loading dock available in the back. There were also several bus stops along the avenue making the store accessible through public transit, although a majority of their customers lived within walking distance.

The store intends to serve the customer base in the Washington District of Columbia (DC) Ward 5. Ward 5 is one of 8 Wards of DC with significant past and present inequalities related to income, race, and food accessibility. In a 2021 study, Wards 5, 7, and 8 in the North and Southeastern regions of the city, were found to have the lowest incomes (\$82K, \$56K, and \$45K respectively), highest rates of unemployment (14%, 19%, and 22%), and the highest percentage of Black non-Hispanic populations (77%, 95%, and 94%). Along with these socioeconomic and racial divides, these wards also have the lowest percentage of full-line grocery stores per capita, limited healthy food options, and unreliable transportation.



Figure 1: D.C. Store Front

Store Setting

At the time of this study, there was one store in Ward 5 on the Northeastern side of the city, and another store was planned for Ward 8. The storefront faced a relatively busy street with a Family Dollar less than a block up, a small deli a block down, and a Giant (regional supermarket chain) about a mile down.

Methods	
Data Collection Tool	Number of Data Points
NEMS-S Short Form	3
Sales Recall	3
Staff/Stakeholder In-Depth Interviews	9
Reports	9
News Articles	3
Other	Photos, maps, peer debriefing

STORE OPERATIONS (prior to 2020)

Organizational Structure

- Opening in 2014, the D.C. store was originally overseen by the founder and two store managers.
- The following year, a non-profit community partners was created as a sister organization for the purpose of funding, programming, and supporting work with local vendors.
- The founder was on the board of directors, and one of the original managers was the executive director.
- The Ward 5 store managers were hired by the executive director and managed store staff.
- A majority of the central management and store staff were local hires who lived in the surrounding community for years.

Store Features

The Ward 5 store operated within 2,000 square feet, with 900 square feet available to customers. Additional room was below the store, housing a small office, storage, and a small kitchen where prepared food is made. Produce was displayed in temperature-controlled shelves, visible upon entering the store. Other refrigeration equipment is used throughout the store to display beverages, dairy, meats, cheese, and a small frozen food selection. Management and staff mentioned in the interviews that they took pride in being able to engage with customers and utilized the store layout to promote healthier items at eye-level. This also helped to drive conversation with customers about topics such as ethical sourcing, sustainability, and health.

According to secondary data from the stores about their customer base, around 20% of their shoppers in the year 2020 were reliant on government programs like

SNAP, EBT, and WIC. The store had the capacity to redeem SNAP and EBT credits, and they were working to expand their services to accommodate WIC. Their store-specific ‘Good Neighbor Reward Program’ provided rewards per dollar up to 200 points and was quite popular among customers, with 79% of 2020 sales being made by members of the program.

FOOD STOCKING AND SALES

The decision-making process for stocking goods relied on consensus of various store staff, including the general manager, assistant general manager, and the chef. The local community also had input in stocking as the store utilized a drop box where customers could place suggestions.

Staff mentioned that larger stores had an advantage in their ability to store excess produce and products. To compete with that, store managers and staff said they prioritized having a broader selection of local products to compensate for their smaller size.

Use of Wholesalers/Vendors

One of the themes that emerged during the interviews was that the store placed a high priority on sourcing quality produce from local partners throughout Washington D.C. Around 16% of their vendors are Black-owned businesses, which staff believe could be a stimulus for the local economy. While they noted the challenge to find vendors willing to sell groceries on a smaller scale, they cultivated partnerships with over 40 vendors, both wholesalers and local independent businesses. In addition, they noted having worked with their two packaging suppliers to use paper and recycled containers for prepared foods in an effort to reduce their impact on the environment.

In this same light, management at the store mentioned that they preferred to purchase, produce, and stock grocery items that had a “clean ingredient” list, defined as “no added preservatives”, and mentioned that they place extra value on organic products.

How Prices are Set

Although store managers mentioned using store sales data and wholesale catalogs to help determine what to stock and how to price products, one particular method utilized to stock and prioritize sales was to physically scope out the brands and prices of competing stores rather than relying only on data-driven metrics. Staff highlighted the importance of sticking with a budget when ordering to ensure that they do not go over or under budget. Products throughout the store were priced with a baseline 30% profit margin. However, management and staff noted that this was a highly flexible figure in light of their prioritization of the consumers and shoppers over profits.

COMMUNITY ENGAGEMENT

The D.C. store staff highlighted that community engagement was a critical part of store goals, and that as a small, local grocer, they placed a great amount of value on customer feedback and responses. The following community engagement strategies were used:

- Customer surveys or a customer drop box within the store used for suggestions and product preferences.
- They aimed to provide nutritional education and quality products for the customers they served.
- Attending local school, conference, holiday, and community events.
- Posting on their social media pages
- Sending out a regular newsletter highlighting sale items and new products.

- Sourcing produce from local farmers.
- Hosting free cooking courses about healthy food options.
- Previously, the store offered meal and grocery delivery to 75 homebound seniors.
- The store was highlighted by both local and national news coverage for its commitment and mission to help food deserts.

REGIONAL IMPACTS OF COVID-19

Washington D.C. plays a unique role as the nation’s capital, where regional events are attended by large numbers of people. Imposed curfews during the pandemic resulted in limited store operational hours. Staff mentioned that it was difficult to communicate the changing hours of the store to their customer base.

Prior to the pandemic, local policy efforts to improve food access included The Supermarket Tax Exemption Act of 2000, Food Environmental and Economic Development in the District of Columbia Act of 2010, Urban Farming and Food Security Act of 2014, and the Urban Farming Land Lease Amendment Act of 2019.¹ Although these policies incentivized new grocery stores and created the DC Food Policy Council, not all were fully implemented. Especially for those living in Wards 7 and 8, these policies lacked the abilities to empower local communities to participate in the production, process, and distribution of produce from urban farms, even within their own neighborhoods.¹ As a result, residents primarily relied on corner stores for groceries while the pandemic continued to strain the limited distribution systems in food deserts.

The impacts of the COVID-19 pandemic revealed gaps in the city food system where lack of systemic change, privatization of arable land, and lack of government accountability for environmental hazards compounded with stay-at-home mandates and business closures impair an unstable food system infrastructure.

Food insecurity in DC was expected to rise during 2020 from 10.6% to 16%.² The rates are expected to be even higher among vulnerable populations, including the elderly, children, undocumented individuals, and unhoused individuals.² Low foot traffic was mentioned as a challenge for the store as well, which could have been due to the decreased usage of the metro by 71% from 2019 to 2020.³

The struggles of the store during the pandemic also shed light on the problems of the national Paycheck Protection Program that was supposed to provide funding of small grocers, but instead helped bail out large companies.² The national small business loan program was ripe with fraud, forcing small organizations like the D.C. store to partner with other organizations to find funding elsewhere.

STORE OPERATIONS DURING THE PANDEMIC

Operational Changes

In light of the COVID-19 pandemic, retail staff and management at the store had to rapidly and creatively adapt to an evolving landscape in order to maintain their store operations:

- Staff shifted their roles and responsibilities towards disinfecting surfaces, enforcing a mask policy, and social distancing.
- Several staff members left out of fear and lack of initial information.

Procurement and Sale Changes

Lockdowns challenged the store communication and interaction with vendors. Deliveries were often late or canceled and many drivers would not enter the store. The understaffed store then had the added responsibility to bring in products dropped off on the sidewalk.

To receive feedback on the priorities customers valued the most during the pandemic, the store proactively distributed a customer survey to ask about their perceptions on the shift in procurement and alternative sourcing, the results showed a high demand for fresh produce (80%) followed by dairy and plant-based alternatives (66%), whole grains, and beans and legumes (50%).

The NEMS-S data collected showed that the D.C. store scored between 20 and 25 points out of a possible total score of 47. Availability had a possible total score of 25, with the D.C. store ranging from 15-19, suggesting that the store did not have the capacity of procuring a wide variety of healthy fruits and vegetables, most likely limited by the physical space. Price had a possible total score of 16, but was consistently -1 at all times, meaning that healthy options were often more expensive compared to less-healthy alternatives. The store met the quality possible total score of 6 for the first two observations, however the lower score near the end may be because the store could not replace undesirable looking produce or goods. (See **Table 1**)

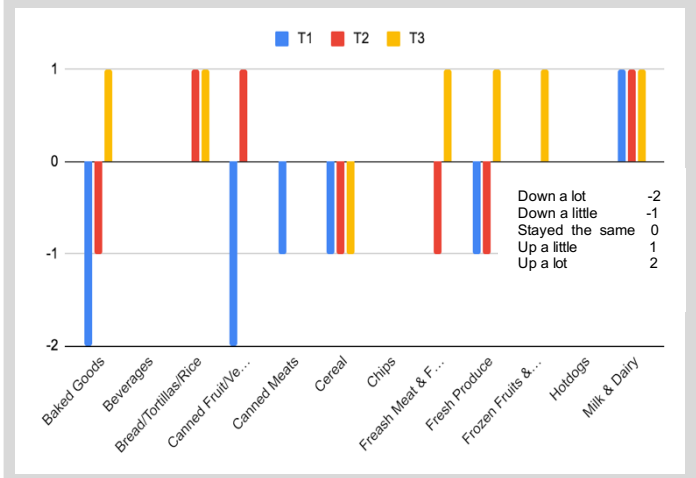
	T1	T2	T3
Availability (25)	15	19	17
Price (16)	-1	-1	-1
Quality (6)	6	6	5
NEMS-S Points (47)	20	25	23
HFAI Points (30)	18	20	20

Table 1: NEMS-S and HFAI Across Timepoints

Within the NEMS-S survey, the Healthy Food Availability Index (HFAI) measurements were included, with higher points indicating more availability of healthy foods. The D.C. store scored between 18-20 points out of a possible total score of 30. This was likely due to the fact that the store does not have the physical capacity to provide larger produce like whole cantaloupes or watermelons.

During this case study, the beginning of the pandemic saw large drops in sales for both baked goods and canned fruits and vegetables compared to the previous year (T1). Store management attributed these changes mostly to low product availability. In the continuing months, sales only fluctuated a little between the months of March to April 2020 (T2) and continued to go up a little from April to May 2020 (T3). Store managers believed the persistent fall in cereal sales was attributed to potential changes in personal behavior in breakfast choices. (See Figure 2)

Figure 2: Category Sale Changes Across Data Collection Timeline



Community Engagement Changes

Store management and staff noted that the store struggled to compete with larger grocers nearby. These grocers offered delivery services and maintained a larger space in which more customers could enter and shop at one time. Although delivery was not available, customers were able to place orders for in-store pick up. In addition, as in-person programs were shut down, the store transitioned to work with several local partners to create pop-up food banks and provide meals to children in the DC Public School system on Tuesday and Thursdays.

Customer Changes

Store staff noticed that during the pandemic there were shifts in customer demographics: a significant drop in elderly customer base, and an increase in people from around the D.C., Virginia, and Maryland region.

LESSONS LEARNED

Blend for-profit and non-profit to stabilize funding streams

Interviews with store management credited the non-profit community partners in helping them secure funding from both private and public investors after the first year of operations, as many organizations either only worked with 501(c)3s or were looking to work with a non-profit. This allowed the store to increase partnerships within the community and improve their relationship with the residents.

Promote social enterprise with a long-term vision

Community engagement with their customer base in DC was intrinsic in the store mission and operations. As evidenced in the interviews, the staff and stakeholders often mentioned how they valued providing social benefits to their neighboring communities, and there were seldom mentions of making a short-term profit. The store operates like a social enterprise, where its primary purpose is a specific social objective, and commercial strategies are applied to maximize improvements in long-term financial, social impact.

Nourish Vendor Relationships as a social enterprise

In line with their mission as a social enterprise, store staff mentioned placing value on building and establishing trusting relationships with vendors who are willing to work with small stores. In the same vein, interviews with stakeholders described how vendors appreciated the work and mission of the store outside of the retail space in accordance with their non-profit and social enterprise mission.

FUTURE DIRECTIONS

The D.C. store has substantial support from customers and partners, and with its unique mix of both for-profit and nonprofit structure, the store has developed several approaches that aim to bring ‘healthy and affordable’ options into food deserts. As the organization expands its mission in new areas of the city, it may have to address the balance between affordability and accessibility as they move from 900 square feet to a space of over 5,000 square feet. Funding, pricing, and prioritizing logistics in income constrained communities will also bring a new set of challenges. In preparation for the expansion, the store has hosted roundtable discussions with community leaders and stakeholders from Ward 8. However, only time will tell if this operation model can sustain itself and continue its transparency as a social enterprise on a larger scale.

IMPLICATIONS/SUMMARY

Despite the circumstances and challenges since opening and during the pandemic, the D.C. store maintained a positive outlook on continuing their mission to support and partner with local vendors, prioritize the stocking and sourcing of fresh produce and local products while providing an intimate shopping experience for consumers.

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