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Marilyn Schlake

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# Grocery Store Transitions to Multi-Ownership – Opportunities and Challenges

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## Cornhusker Economics June 15, 2022 Grocery Store Transitions to Multi-Ownership - Opportunities and Challenges

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By Marilyn Schlake

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Independent grocery stores, stores whose owners operate fewer than four outlets, play a vital role in Nebraska communities. These stores help ensure food access for residents, particularly in rural areas. The recent decline in Nebraska's total number of rural grocery stores is attributed to the closure of these independent stores, which are often owned by individuals or small groups. Finding qualified, motivated owners to purchase and operate independent grocery stores presents pressing challenges for many rural communities.

Despite challenges, research shows that rural Nebraska communities perceive their independent grocery store to be an important community amenity. This suggests rural communities may possess, or be willing to develop, retail grocery business models that involve community ownership when the business rationale for the store continues to exist. Rural communities may want to consider multi-ownership options (i.e., cooperatives, LLCs, interlocal agreements) as alternatives to the more traditional proprietorships.

In Fall 2020, University of Nebraska-Lincoln researchers surveyed Nebraska rural grocers to seek their input on perceptions and experiences of transitioning a rural grocery store to new ownership, be it privately owned, multi-ownership or community, cooperatively owned. Questions pertained to challenges and opportunities owners experienced while operating a rural grocery business, community support and involvement with store transition, and motivations for continued operation or transition. In-person and electronic interviews were also conducted with cooperatively owned store owners and private store owners. They provided a more in-depth analysis of experiences with business transition and new ownership models.

### Key Lessons Learned

Observations from survey and focus group responses provided several lessons about transitioning rural grocery store ownership into multi-ownership legal structures.

- Multi-ownership structures emerge from ownership transitions when a business rationale is preserved and when it meets dynamic community needs. For instance, one of the focus group participants indicated the ownership transition led to a new owner group as well as to a new retail environment, changed store location, and expanded product lines to include fuel sales. Existing community needs were met, and new areas of services emerged through the transition process.
- Multi-owner groups are aware of both the financial and community benefits that can be generated by a grocery store in the community. These include potential return on investment and retaining food access for less mobile populations such as community elders.
- Multi-owner group awareness of community benefits provided by a local grocery store suggests members of these groups are already community leaders who focused on ensuring community needs were met. Focus group comments indicated a complementarity between community leader approaches to meeting community needs and the social and community function rural grocery stores provide.
- Financial capital constraints are not reasons for choosing multi-ownership structures, nor do multi-owner groups perceive obtaining financial capital to be a serious constraint during the transition.
- Multi-ownership structures are feasible replacements for the prior structure. However, prior owner perception about community willingness to support a multi-ownership business and invest in the store is less encouraging. Nearly half of the survey respondents indicated that they had no interest in the community being involved in the transition process.

## **Challenges**

Observations revealed there are challenges to owners and communities when considering multi-ownership business structures.

1. Participants in the ownership transition process solicit counsel from attorneys and accountants. Recommendations from these professionals strongly influence the legal structure owner groups select. The absence of, or misunderstandings about, multi-owner legal structures within these professional groups affects the number of ownership transitions into multi-owner legal structures.
2. Groups participating in ownership transitions select from legal structures in which they have the most knowledge or awareness. Some groups self-discovered the cooperative legal structure during the transition process, while others sought information from other multi-ownership businesses and assistance from the Nebraska Cooperative Development Center. Absent these efforts, community members must be educated about multi-ownership legal structures to consider them as a viable option for retaining a vital business service.

3. Establishing a multi-ownership business requires a distinct sequence of decisions that may require a longer timeframe to formally incorporate and subsequently open the business. During the planning stages, study participants indicated that they continued to consider other ownership possibilities, even with their increased knowledge of community benefits provided by the multi-ownership legal structure.

The information gained through the grocery store study indicates a need for greater educational resources around multi-ownership formation processes, legal structures and cooperative governance for professionals, economic developers, community leaders and the owners themselves. Although the study focused on independent, rural grocery stores, multi-ownership business structures can be considered as possibilities for rural communities and neighborhoods to retain other vital business services.

To assist with multi-ownership transitions, a new tool, Business Transition Models ([https://ncdc.unl.edu/Documents/Research Report 6-1 FINAL for web.pdf](https://ncdc.unl.edu/Documents/Research%20Report%206-1%20FINAL%20for%20web.pdf)) is available for download. The full report of the Nebraska Rural Grocery Store research will be available by July 15, 2022.

### **PDF**

Marilyn Schlake  
Nebraska Rural Prosperity Educator  
Department of Agricultural Economics  
University of Nebraska-Lincoln  
402-472-4138  
[mschlake1@unl.edu](mailto:mschlake1@unl.edu)

### **Project Team & Researchers**

Shawn Kaskie  
Nebraska Rural Prosperity Educator  
University of Nebraska-Lincoln  
308-872-6831  
[shawn.kaskie@unl.edu](mailto:shawn.kaskie@unl.edu)

Dr. Greg McKee  
Faculty Member, Department of Economics  
Brigham Young University-Idaho  
208-496-3824  
[mckeeg@byui.edu](mailto:mckeeg@byui.edu)

Charlotte Narjes  
Nebraska Rural Prosperity Educator

Department of Agricultural Economics  
University of Nebraska-Lincoln  
402-472-4138  
[cnarjes1@unl.edu](mailto:cnarjes1@unl.edu)

Jason Tuller  
Nebraska Rural Prosperity Educator  
University of Nebraska-Lincoln  
402-768-7212  
[jason.tuller@unl.edu](mailto:jason.tuller@unl.edu)

Dr. John Westra  
Professor  
Department of Agricultural Economics  
University of Nebraska-Lincoln  
402-624-8022  
[john.westra@unl.edu](mailto:john.westra@unl.edu)