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The Underserved Consumer

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WHO ARE underserved consumers?



Traits: May be from low or middle income; lacks cars.

Habitat: Both inner-city and rural communities.

The underserved, who have attracted a great deal of attention this year as part of the national debate on obesity, are people who live in so-called food deserts, which are communities that lack proximity to a supermarket and its fresh food offerings. According to the U.S. Department of Agriculture, about 23.5 million people in the U.S. live in communities that are more than one mile from a supermarket or large grocery store.

Food deserts are stereotyped as low-income urban neighborhoods with largely minority populations. But many underserved areas exist in small-town, rural communities and even suburban communities, with substantial Caucasian populations. Pennsylvania, for example, is dotted with small underserved towns of mixed incomes and ethnicities.

Overall, though, “people of color, primarily African Americans, are more likely to live in a food desert, especially in urban areas,” said Mari Gallagher, principal of Chicago-based Mari Gallagher Research and Consulting Group, who has written extensively on the food desert issue.

In Chicago, where Gallagher has studied food desert conditions, 609,034 people lived in those neighborhoods in 2009, 23,940 fewer than lived there in 2006 when she conducted her first study. Of the 2009 total, 478,300 (78.5%) were African American, 56,863 (9.3%) Hispanic and 78,592 (12.9%) white.

In California, with its heavier Hispanic population, food desert communities have a primarily Hispanic makeup. For example, in South Los Angeles, where Fresh & Easy Neighborhood Market opened a store in February, the consumer base is 90% Hispanic, said spokesman Brendan Wonnacott. The neighborhood had been in need of more fresh food options for generations, according to a Fresh & Easy release.

Fresh & Easy, based in El Segundo, Calif., opened a store in downtown Fresno, Calif., another underserved community with Hispanic residents as well as daytime businesspeople, in January; it was the area’s first grocery store in two generations, said Wonnacott. The chain, a division of U.K.-based [Tesco](#), first entered a food desert area in February 2008 with a store in Compton, Calif., which has a mix of Hispanic and African American consumers.

“We’re opening stores in all types of neighborhoods because we fundamentally believe everyone — regardless of where they live — deserves access to quality, fresh food at affordable prices,” said Mary Kasper, vice president and general counsel, Fresh & Easy.

Fresh & Easy does not significantly alter its approach — small-format, low-price, focused on private label and prepared meals — by neighborhood or demographic, said Wonnacott. However, the chain does modify an individual store's merchandising and quantity of some products, based on location. In a Hispanic area like South L.A., a Fresh & Easy store would stock produce geared to that population such as chayote squash, he noted.

To further support the South L.A. community, Fresh & Easy held a job fair that attracted hundreds of residents, said Wonnacott. The company also partnered with L.A. City Councilwoman Jan Perry, who helped enact a moratorium on new fast-food establishments in the area.

Earlier this year, the Baltimore Health Department started the “Virtual Supermarket Project” to bring fresh foods to two underserved neighborhoods through a partnership with Santoni's Supermarket (see “New Online Programs Target Food Deserts,” *SN*, April 5, 2010). Health department staffers at two local libraries help residents place online orders to Santoni's, which delivers them to the libraries the next day.

One of the libraries is located in East Baltimore in the middle of several housing developments, where 95% of the residents are African American, said Ryan Petteway, a social epidemiologist for the Baltimore Health Department. But the other library is in a somewhat different area on the Westside of Baltimore called Washington Village, which is “racially and economically mixed,” he said, with 55% blacks, 35% whites and 10% Hispanic. The library is closer to the low-income segments but the neighborhood includes new row houses with higher income residents.

Since the latter consumers typically have cars, they have not been the ones who have come to the libraries to place online orders, though they would not be turned away, Petteway noted. The libraries are designed to serve lower-income residents who lack cars and would normally take one or two buses to get to the closest supermarket, and then return by cab.

Both Baltimore neighborhoods were identified as having residents suffering from the health consequences of poor access to healthy foods. “These areas have a lot of fast-food places and corner stores, and this has manifested itself in health outcomes like heart disease, diabetes, stroke and obesity,” said Petteway. To help educate residents in the program on nutrition, the health department has started basic cooking demonstrations at the libraries.

So far, about 24 residents have participated in the online program, often returning repeatedly, said Pooja Aggarwal, special assistant to the Baltimore health commissioner. To expand participation, the health department is reaching out to local health clinics and going door-to-door. It is also looking into other sites to offer computer access, and is seeking additional food retailers to deliver the orders. “Once we expand to more sites, we could potentially handle 100 orders per week, which would impact about 500 people” said Aggarwal.

In Pennsylvania, the public/private Fresh Food Financing Initiative (FFFI) has helped develop 83 new or improved grocery stores — generally independent operators — in underserved urban and rural communities. The grant and loan funding available through the program can help grocers overcome the lower buying power of residents of food desert areas as well the costs intrinsic to those areas.

But the challenges facing grocers in Pennsylvania will vary based on location, since the demographic makeup of shoppers in rural communities differs from that of the urban areas.

Gettysburg, for example, where Kennie's Markets received an FFFI grant to build a replacement store, “has low income and middle income families,” said Robert Gorland, vice president, Matthew P. Casey & Associates, Harrisburg, Pa., which does site feasibility studies for food retailers, including Kennie's. Towns like Gettysburg could have an older population, with about 10% of its residents not owning vehicles, he added. Another small town, Steeltown, which lacks a mainstream supermarket, has “blue-collar residents, some minorities and a little lower income,” Gorland said.

Gorland emphasized that supermarkets operating in underserved areas, whether rural or urban, still need to be priced competitively with stores outside the area. Otherwise, shoppers will “find a way to get to the other stores,” he said.

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