Project *brief*

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Dynamics of local supply in rural areas

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- **For less than half of the population in rural areas, local supply is safeguarded.**
- **The extent to which consumers actually shop in a planned village store can be predicted on the basis of the expressed intention to shop in the new store, the financial participation in the store, the attachment to the place and the availability of a car.**
- **Village stores can be operated economically even in unfavorable locations with a focus on regional products and fresh food counters as well as on the meeting place function.**

Background and aims

For decades, grocery stores and other services in rural areas have been closing, so that an area-wide local supply is not safeguarded. Local supply is generally understood as the supply with goods and services for daily needs within walking distance. Necessities include food, beverages, tobaccos and hygiene articles, i.e. all the things that are usually sold in grocery stores or drugstores.

The aim of the project was to investigate current developments, including new technical developments and new distribution channels, to assess the influence of changes in offers on consumers satisfaction and their actual purchasing behavior. In addition, we wanted to formulate recommendations for the further development of funding and planning instruments in order to maintain or improve the supply situation.

Data and methods

Different methods were combined in the project. In addition to the literature and document analysis, 15 semi-structured interviews with experts were conducted and the operators of 166 small local supply facilities were surveyed. In addition, we conducted postal household surveys in six catchment areas of village stores that have either opened or closed in recent years, i.e. in 2018 or 2019. One round of surveys took place before and one after the opening or closing of the store, which led to a total of 3,571 analyzable questionnaires. Furthermore, accessibility analysis to the nearest grocery store was carried out and finally we interviewed ten operators of village stores with a focus on corona-related effects.

Key Findings

Ever new food trends (organic, regional, vegan, "healthy" and convenience products) lead to an increase in the range of products in demand, which larger stores are more likely to provide and which in turn requires larger catchment areas. Due to overlapping catchment areas and higher car mobility, especially in rural areas, the intensity of competition continues to increase. Supermarkets currently seem to be able to react better to market developments than discounters. Small grocery stores are increasingly becoming the exception and continue to lose market share. The table below shows that the nearest grocery store in rural areas is about twice as far away as in non-rural areas and that less than half of the rural population can be considered to be conveniently supplied, while otherwise it is about three quarters.

Access to the closest grocery store

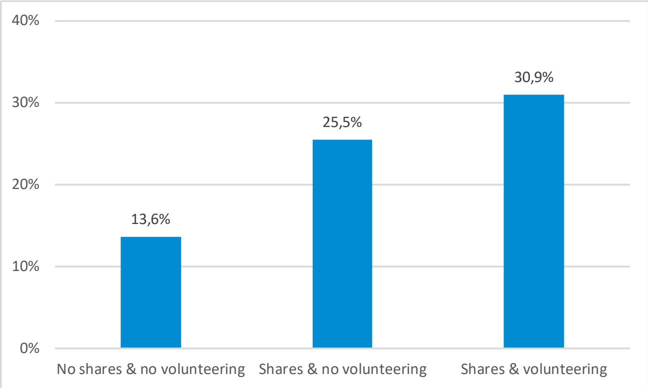
	Average distance	Share of the conveniently supplied population (< 1 km to the next store)
Germany in total	1,456 m	58.6 %
Rural areas	1,895 m	47.8 %
Non-rural areas	857 m	73.3 %

Source: adopted from Eberhardt et al 2021, p. 6.

Starting from a low level, online retail is growing fast and taking purchasing power away from stationary providers. At around 2 percent, its market share is already almost at the level of small grocery stores. However, the potential of online retailing beyond click&collect is limited in rural areas due to high delivery costs, even though there are mostly less attractive offers there than in densely populated areas. Automated 24/7 markets can be interesting for securing local supply, because this technique may allow to operate stores profitably in marginal locations. The combination with regular opening hours—a temporary presence of staff to restock the shelves is necessary anyway—also enables the social function of the markets. Whether such offers will be successful on the market in the long has to be proven yet.

If the consumers perceive a village store in such a way that they get everything they need there, the prices there are cheap and they will meet there with friends and acquaintances, they also shop in the store. The actual purchase in a newly opened store can be approximately predicted in advance on the basis of the expressed shopping intention, the financial participation in the store, the attachment to the place and the availability of a car. The following figure shows how in-store shopping increases with financial and civic engagement for that store.

Proportion of purchase of necessities in the village store across three case areas depending on financial participation and civic engagement



Source: adopted from Eberhardt et al 2021, p. 23.

The turnover of village stores is usually relatively low, but almost half of the operators surveyed are satisfied with their economic situation and profits are also made in small catchment areas. Regional products and counter goods are particularly important in the range of goods offered by such shops. Many of these local suppliers have a meeting place function with café or snack offers, but these are infrequently used in the majority of shops. Given the competitive pressure, the economic situation is often precarious and modernizations or replacement investments can hardly be generated.

Community store with café

Source: Winfried Eberhardt.

Recommendations

On the basis of our results, we derive numerous recommendations for action for shop operators and formation initiatives, municipalities as well as funding policy and spatial planning. Examples of recommendations include:

- Thorough planning and business knowledge are the basic prerequisites for the long-term existence of a village store. Even after the start-up phase, regular consultations and/or exchange with other operators are important in order to expand the existing knowledge and to learn to consider current market developments. Often, advisory services can be funded by the state. The same applies to investments.
- First of all, the municipality must be clear about what goals it is pursuing in the area of local supply: Does it want to strengthen central supply areas or promote decentralized supply facilities? To this end, a broad political consensus is critical, which can receive a certain binding force in the adoption of a local supply concept by the municipal council.
- Investments in local supply are always accompanied by a certain economic risk against the background of unforeseen market developments. Therefore, a commitment period of twelve years in the funding guidelines acts as a deterrent, especially for private investors. The commitment period could, for example, increase with the amount of funding. In addition, the subject matter of the commitment could be broadened, so that other uses related to basic service provision in the subsidized building would also be possible in order to ensure the commitment of funds.

Further Information

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