

Introduction

Independent grocers across New York City represent a high-potential, yet under-penetrated, channel for CPG manufacturers. These family-owned retailers serve hyper-local communities with unmatched cultural alignment and sales velocity. Manufacturers that embrace a tailored, collaborative, and agile approach can unlock significant growth in a space which is rich with multigenerational family legacy and entrenched in the communities they serve.

Market Overview

Independent Grocer Impact

NYC boasts **over 13,000 bodegas and numerous independent grocers** like Key Food, Foodtown, Associated Supermarkets, Food Bazaar and IGA to name just a few recognized banners. These establishments thrive by offering culturally relevant products and personalized differentiated services that are paramount to the communities they serve, often filling gaps left by exited larger chains. For instance, Food Bazaar has expanded by catering to diverse demographic groups, providing authentic products sought by local populations.

Too often overlooked is the retail food volume performance NYC's independent grocers achieve day-in, day-out, across a broad spectrum of edible products. When comparing NYC 5-Borough syndicated annual grocery sales, versus sales realized in Metro NY suburban grocers, the urban grocers' sales performance is impressive and compelling:

- Refrigerated categories – 5 Boro sector indexes 124 versus suburban sector, on a sales per MM ACV basis
- Edible (shelf-stable) Groceries – 5 Boro indexes 120 versus suburban sector
- All Bakery – 5 Boro indexes 113 versus suburban sector
- Grocery Beverages – 5 Boro indexes 112 versus suburban sector
- Frozen Food – 5 Boro indexes 110 versus suburban sector

Unique Store Formats

Often many manufacturers do not recognize the selling power the independent grocery channel delivers, as most of these independent retailers do not report their sales data to syndicated data aggregators. So, what often goes unnoticed is the velocity of sales driven through the registers per square foot.

Ranging from 8,000 to 40,000 sq. ft., many independent stores rival chain stores in sales per square foot despite lacking corporate-like operational infrastructure.

Often manufacturers get caught up in the legacy ways of spending their trade dollars to drive their brands following the same go to market strategies as the larger, corporate retail grocery chains dictate they should. Manufacturers are driven by ACV percentages and do not realize that many of these independent retailers lack operational efficiencies and process to create disciplines at the shelf, meaning, ***there is often no disciplined, automated ordering and/or planogram processes in place.***

This lack of understanding often forces manufacturers to spend their trade dollars in the larger homogenized retail chains which they feel can execute with greater efficiency and visibility.

Cultural and Community Anchors

These businesses are deeply embedded in their communities and respond rapidly to evolving local needs. They are often family-owned, multigenerational, and reflective of the neighborhoods they serve.

Challenges for Manufacturers

Manufacturers must work closely with their broker and the independent retail grocery buying groups to facilitate greater transparency to POS data, which can help offset the fact they are not reporting sales to syndicated data firms such as Circana and Nielsen, and therefore, could help the manufacturer identify ways to close voids and spend their trade dollars more effectively to drive incremental sales in the urban grocery channel.

When there is no transparency and collaboration among manufacturer, broker, and retailer buying groups this can contribute to the independent grocers missing out on key promotional trade dollars that should be afforded to them to help drive business growth.

What some manufacturers fail to recognize is that independent grocers in the urban market understand and cater to the demographic of the community they serve better than most large chains do. These independent grocers are also very nimble and can make decisions quickly thus cutting out much of the red tape associated with processes at the larger chains with regards to setting up new items and loading promotional plans on a structured calendar. Often the lead

times needed for the independent urban grocery channel are 1/3 that of the larger chains relative to building out their promotional advertising programs, and often independents can react and adapt much quicker than the larger chains can, allowing manufacturers to invest in incremental trade on promotions with greater efficacy.

To do this effectively manufacturers must leverage their broker's relationships with the numerous independent grocers in the urban environment, while manufacturers looking to achieve enhanced ACV levels should focus their energy on the larger buying groups that are centrally organized and better equipped to address an urban environment where most stores do not have computer assisted ordering and planogrammed product assortments based on varying shelf set sizes. It can be incredibly hard to get your brand distributed into the store, effectively and efficiently. Although it may not seem like an efficient spend, one way to improve your distribution performance in the urban stores is to support their advertising circular programs. Most independent owners are members of larger retail, buying groups, and do not wish to disappoint their loyal shoppers, so when a brand is advertised and in print these retailers will order product to support the promotional price displayed in the circular (or online). Often these promotions will be supported with secondary product displays. This approach enhances a manufacturer's chances of gaining distribution points in one of the highest velocity sales markets in the world. It is paramount for manufacturers to work with the right retail broker in the marketplace that is in tune and entrenched in the market dynamics of the urban independent grocer environment.

Manufacturers that get more granular within the process of understanding the dynamics of how independent grocer buying groups operate will ultimately get more out of their promotional trade dollar investment, thus yielding positive sales results.

Key Considerations for Enhanced Manufacturer Success:

- Insufficient syndicated data tends to underrepresent the sector's true performance and potential
- Limited trade dollar spending, due to legacy corporate retail models stagnates independent urban grocers' true growth potential
- Limited operational automation in independent stores (no planograms, no auto-replenishment) requires more field resources to effectively activate in-store

Strategic Recommendations

1. Tailor Product Offerings and promotion types to Cultural Preferences and a smaller urban living footprint, and avoid pantry-loading promotional approach aligning with smaller living spaces
2. Support Small Format and Hyper-Local/Culturally-sensitive shopper needs
3. Use POS + Syndicated Data together to best identify top selling item gaps
4. Invest in Broker Relationships and Independent Retail Buying Group organizations
5. Leverage Community Marketing and Circular Ad Support to help offset the unique roadblocks in the distribution model that serves independent urban grocers
6. Use AI to Understand Local Consumer Behavior

Conclusion

Manufacturers that strategically engage with the independent urban grocer ecosystem—especially through trusted brokers and buying groups—can unlock powerful growth. Recognize that a 2% lift in this \$13B sector can yield \$260M in incremental sales.

Mike Conese is VP of Portfolio Development & Growth at RDD Associates, responsible for managing a portfolio of Center Store Grocery clients in the NY Metro area. Mike has over 27 years of grocery and perishables experience, including several senior leadership roles in Retail. He excels at cultivating client and retailer relationships and building collaborative client growth strategies. In his free time, Mike can be found spending time with his wife and two sons, coaching youth sports and if lucky enough, out on the golf course. To learn more about the latest trends in grocery, Mike's food industry expertise or **RDD's ELEVATED service solution**, please visit our website or contact: info@rddassociates.com.