



Connecting with a Regional Supermarket Supply Chain

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A summary of **Collaboration and Commitment in a Regional Supermarket Supply Chain**, by Rebecca Dunning, published in the summer 2016 issue of the *Journal of Agriculture, Food Systems, and Community Development*, 6(4), 2139. See the full paper at <https://doi.org/10.5304/jafscd.2016.064.008>

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The issue

Many small- and midscale farmers sell their goods through direct-to-consumer markets such as farm stands, farmers markets, and community supported agriculture (CSA, or box) programs, in which there is no middle man between the seller and the buyer. However, when these market outlets become saturated, small- and midscale farm enterprises (SMFEs) often look next to break into more mainstream market channels, such as grocery store chains. Selling through these channels presents a range of challenges, but it can be a fruitful way for local food businesses to grow and diversify their sales.

To help integrate local food businesses into the conventional food system, it is essential to identify strategies for productive and long-term relationships for both trading partners. Collaborative supply chains are those in which businesses along the chain—from product to end consumer—share information, work interdependently, and make mutual commitments. Supply chain collaboration can increase the final product's value through improved efficiencies, resulting in lower costs and/or enhanced quality. This creates a competitive advantage for that value chain.

Study context and objectives

Past studies of how SMFEs have attempted to assimilate into the conventional food system have been conducted as case studies, using interviews and observational data, over a short period of time (less than a year). The central findings of these studies all point to the importance of establishing trust between the two sides as essential for forming a mutually beneficial business relationship in which the two partners make long-term commitments. This paper uses a case study of one regional grocery store

chain's attempt to source local produce directly from farmers to individual grocery stores over a three-year period. The longitudinal study maps the factors leading to the establishment and maintenance of trust, and the connection between trust and the development of interdependencies. This study employs a more thorough analytical and multiyear approach that uses both qualitative and quantitative data and analysis from the two sides of the business exchange: farmers and grocery stores.

How the study was conducted

The headquarters of the regional grocery store chain under study is situated in the mid-Atlantic region; the chain has 100 stores, mainly in and around metro areas in North and South Carolina. Starting in early 2013, the grocer began to source products from local SMFEs, taking many steps to encourage its stores to work with local farmers. Throughout this ongoing initiative (which included produce, dairy, and protein products), the produce department experienced the largest change in sourcing via direct-store-delivery (DSD) purchasing arrangements (that is, direct delivery of product by farms to individual stores). Three data sources were used in this study over the three-year time span:

- **Quantitative data on store-level purchases**, including volume and frequency from local farms between 2012 (the year before the initiative started) and September 2015: This data can be used to evaluate the change in sales at both the individual store and company level.
- **Quantitative results of an online survey sent to produce managers and DSD produce farmers** at the halfway point of the study period: This survey

was designed to determine satisfaction of the buyers and farmers with their relationship by asking them to rate their perceptions of their trading partner's trust, commitment, and reliability.

- **Qualitative data from the author's observations and interviews:** Throughout the project, the author conducted phone calls and meetings with those involved, and site visits to stores and farms. The author also conducted periodic semistructured interviews to help shed light on the state of the collaborative relationships at work along the supply chain.

Results and discussion

The author notes the following results:

- **An increase in the sourcing of local produce by the grocery store chain:** Over the three-year period, there were positive changes in the following factors: the number of farmers selling direct to grocery stores (5 to 30); the number of stores buying from local farmers (38 to 70); the overall sales value of the products (increased by four-fold, but values were not reported due to the proprietary nature of the data); and the diversity of the products being sold. Decreases were seen in the median value of DSD sales per vendor and the number of DSD transactions per vendor. This indicates that more stores were buying from more vendors, but the median value of annual sales by vendor decreased.
- **Organizational hierarchies and constraints can affect trust-building and the establishment of commitments to successful long-term collaborations:** Although high proportions of farmers and store buyers rated their trading partners as trustworthy, structural factors related to the organization of grocery retailing hindered development of the business relationship into one of high dependency (a characteristic of strong and lasting collaborative supply chain relationships). On the grocery store side, corporate policies regarding volume, pricing, and standards for product availability limited a reliance on local products. On the grower side, factors included variations in supply due to season and weather. There were difficulties for both parties in establishing dependable lines of communication.

- **While dependency between stores and farmers was low overall, two exceptions were noted:** Single-item vendors of soft fruits such as berries and peaches had the longest relationships with stores, and this relationship was institutionalized in multistore contracts made at the corporate level. These fruit vendors serviced a larger number of stores, delivered more frequently, and had higher total and per-transaction value than diversified vegetable farms. The second exception was vendors who had established a close relationship with a single store over a long period of time.


Conclusion


This case study finds success in the collaboration between stores and local farmers, as evidenced by rising numbers of stores and farms participating in these exchanges and high levels of trust expressed by both parties. Both grocery stores and growers viewed the development of these DSD relationships as desirable. However, mutual dependence and commitment between the two parties, which would enable long-term planning, was restrained by grocery store practices that limited the purchasing autonomy of individual store managers. It was also limited by a preference by farmers to prioritize sales to higher-priced, direct-to-consumer sales channels. The author suggests that food system practitioners, such as Cooperative Extension personnel, can support farms by

- facilitating regular and ongoing connections between buyers and farmers,
- providing training and support in starting and maintaining business relationships, and
- facilitating cooperation among growers (e.g., through a marketing cooperative) to provide a consistent supply of products to a group of stores.


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