

**Executive Summary:
AN ON-CAMPUS COMMUNITY GROCERY STORE**

A social purpose business model for Paul Quinn College

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1. EXECUTIVE SUMMARY

Paul Quinn College (PQC) has a vision for becoming an engine for economic and social change in the community, transforming the lives of residents in PQC's under-resourced neighborhood while providing invaluable learning experiences for PQC students. To start, Paul Quinn College wants to focus on addressing the neighborhood's most basic need – access to healthy food.

A small historically black college in Dallas, TX, Paul Quinn College (PQC) is located in a food desert neighborhood – a low-income community with low access to fresh fruits and vegetables. PQC has already begun to address the community's need for healthy food by starting the WE Over Me Farm on campus, but Michael Sorrel, President of PQC, wants to do more. To develop a strategy for creating healthy food access, PQC asked me to answer the following policy question.

1.1 Policy question (Section 2)

How should Paul Quinn College create a social purpose business for healthy food access that spurs sustainable economic development in the surrounding under-resourced community?

1.2 Recommendations (Section 8)

To create access to healthy food, spur community economic development, and provide educational opportunities to PQC students, I recommend that PQC pursue a small, limited-assortment format grocery store with an auxiliary business to supplement the grocery store's revenue.

I recommend that PQC build an 8,000 square-foot full-service store on the proposed on-campus site. Such a store is large enough to offer a full array of products and achieve some economies of scale in its sourcing. To capture the portion of the immediate market necessary to become financially viable, the PQC store should use its social mission to distinguish itself from its competitors, making itself a store of and for the community in the following ways.

- PQC should focus on offering those products that are not available at nearby stores – fresh produce, quality dry goods, and healthy prepared food.
- PQC should build a commercial kitchen into the grocery store to prepare quality food for a full-service deli.
- Sourcing, where possible, from local producers will distinguish the PQC store from its competitors as well as increase the store's beneficial impact on the local economy and the natural environment.
- The PQC store should hire local residents, pay living wages, and offer benefits.
- To gain traction in the community and develop customer loyalty, PQC should offer quality customer service and health education services, such as nutrition education.
- To help ensure profitability, the PQC store should have an auxiliary business with higher profit margins, such as a catering business, a rentable commercial kitchen space, or socially responsible retail financial services.

1.3 Methodology (Section 3 and Appendix B)

My strategy for answering the policy question included the following four major components.

1. Background research and a review of the relevant literature. (Section 4)
2. A grocery store market study of PQC's neighborhood. (Section 5)
3. Case studies of related businesses and organizations. (Section 6)
4. Grocery store income statement under different scenarios. (Section 7)

1.4 Market study and financial analysis findings (Sections 5 and 7)

As shown in Table 1.1, Highland Hills is much lower income than the United States as a whole with only \$24,000 in median household income compared to \$50,000 nationally. Area households spend about half as much on food for home consumption (food bought in a grocery store) than the national average and in total the neighborhood spends over \$14 million each year on food at home.

	Highland Hills	US
Area (square miles)	7.5	--
Population	16,906	--
Households	5,815	--
Median household income	\$24,183	\$50,157
Race: Black alone	90%	13%
Food at home expenditures per household	\$2,540	\$4,337
Total food at home expenditures	\$14,251,229	--

As shown in Table 1.2, residents within a 5-minute drive of PQC and not within a five-minute drive of a full-service grocery store spend about \$8.2 million on groceries. Residents spend only \$300,000 within this community, leaving \$7.9 million in potential local revenue. With an 8,000 square-foot store, PQC would need to capture 35% of this surplus to generate typical grocery store revenue. To achieve \$2.8 million in sales, each area household would need to spend about \$18 per week at the PQC store.

	Spending potential	Retail grocery sales	Retail gap	Households
Within 5-minute drive, exclusively	\$8,176,564	\$293,306	\$7,883,258	2,943
Square footage	Revenue per square foot	Annual sales	Percentage of gap captured	Spending per household per week
8,000	\$350	\$2,800,000	36%	\$18