Good Heart Grocery and Eat Right Deli Community Assessment & Strategic Plan

Ihanktonwan Dakota community, South Dakota

2012

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OF THE
"GOOD HEART GROCERY AND EAT RIGHT DELI"
NATIVE OWNED FOOD RETAIL STORE
IHANKTONWAN NATION
CHARLES MIX COUNTY, SOUTH DAKOTA

Cover photo: Good Heart Garden youth gardener, taken by Seva Foundation staff courtesy Brave Heart Society

Section A: INTRODUCTION

Executive Summary

Brave Heart Society seeks alternative ways to offer healthier and more humane food access and choices for under-served community members it serves in the Ihanktonwan (Yankton Sioux) community. Brave Heart Society with the assistance of partner Tiffany Beckman from University of Minnesota, Department of Medicine and College of Food, Agricultural and Natural Resource Sciences were Co-PIs which together conducted community-based participatory research. The product which follows is a Community Assessment and Strategic Plan for a healthy Native-owned retail grocery store ("Good Heart Grocery") and deli ("Eat Right Deli") in Lake Andes, South Dakota within the traditional boundary of the Yankton Indian Reservation. This grocery store and deli would be beneficial to the people (819) in Lake Andes, Charles Mix County (9,350), and especially to the 6,500 tribal members on Yankton Indian Reservation. More than 54% of the population is American Indian.

Through the assessment, the Co-PIs have assessed the potential retail trade area, consumer demand, health and nutrition interests and spending characteristics. In addition, they engaged in outreach with area agencies in order to propose models for integrating health and nutrition services.

Major findings of this analysis indicate that according to both the quantitative and qualitative data, the area cannot support a retail grocery store as envisioned in the Good Heart Grocery concept. Instead, the data points to the area of greatest opportunity is a prepared food option such as the Eat Right Deli, with a peripheral grocery area. The data also strongly indicates that a culturally-based approach to the food enterprise is a gap in the community that should be a central focus of the project. Two locations were identified as sites for the project. In addition, secondary businesses components such as catering and mobile market concepts were identified.

The assessment concludes with future research needs and next steps.

History of Brave Heart Society

Brave Heart Society (BHS) is a 501c3 non-profit organization which exists to "enhance and preserve the Dakota/Nakota/Lakota culture for coming generations, thereby creating strong, competent, worldly families with a strong foundation of values, morals, and worldview." It is a revival of a society that had forever existed within the traditions of the Ihanktonwan (Yankton Sioux) tribe.

The Brave Heart Society, much like olden days, is largely a volunteer organization. Volunteers represent a multi-generational age group, ranging from youth to elders. Brave Heart volunteers are governed by a *Kunsi* or Grandmother's Circle. Being a grandmother is a cultural requirement for membership.

Major accomplishments of Brave Heart since its revival in 1994 include:

- Revival of *Isnati Awica Dowanpi*, a coming of age ceremony for girls (1997- present). The ceremony is an all-important "rite of passage" for young women that promotes tribal and self-identity, provides healing for families separated from culture, utilizes knowledge of elders, and connects youth with outdoors.
- Sacred Sites Inventory for Yankton Sioux Tribe's cultural preservation efforts (2006)
- Facilitating of *Nagi Ksapa* (Spirit Smart) Family Group" four-day Trauma retreat consisting of group healing sessions, individual sessions, referrals and a follow-up retreat
- Waterlily Storytelling Institute and regular Dakota language "nests" to share cultural stories and language from gifted storytellers of Ihanktonwan Nation
- *Cante Waste Woju* (Good Heart Garden) Project (2003) and Taste of the Past Traditional Food Retreats to advocate for food sovereignty and revitalize an ancient Planter's Society of the Ihanktonwan. Garden produce is shared and distributed to elders and families, while instilling a life-long reconnection to *Ina Maka* (Mother Earth) in participating youth. In 2010, with support from Seva Foundation, Brave Heart's food access efforts grew to involve 1,000 people in gardening, distribution, and participation in traditional food feasts.
- Lacrosse camp (2011) in partnership with Elk Soldier's men's society

Brave Heart Society's accomplishments have been nationally recognized in press such as National Public Radio "Hidden World of Girls" (2010) and Oprah Winfrey Network "Our America with Lisa Ling" (2012).

After 17 years in the Yankton Sioux community, Brave Heart Society has solidly earned the trust of the community in carrying out culturally-based initiatives. Through these efforts they have come to know intimately and understand the historical trauma that has paralyzed and affected Dakota people, including the trauma related to food access. The proposed grocery and deli are a culmination of these food access efforts via the gardening and cultural leadership revivals. The grocery store and deli are thus not an isolated enterprise, but rather are woven into the larger vision and strategic plan of this traditional Society.

Scope of Investigation

"...in Wagner, some of the things you can get are over irrigated, the tomatoes are mushy or their skins are tough. You can always tell homegrown food. There's freshness in the taste. They don't care about the freshness of their vegetables because when you're the only store in town, some one's gonna buy your food."

"Talk about war. It's still going on. You know, we need to boycott the current businesses. "It's never gonna work, our people are too colonized," they said. "Where are people gonna go? They don't have money to go up to the plazas." And I said, "well we could figure it out." If we had our own grocery store, everyone would go there."[1]

Brave Heart Society's hypothesis was that by establishing an independent and Native-owned retail grocery store—Good Heart Grocery and Eat Right Deli—that would serve nutritive and Native-grown foods, the venture will attract sufficient local consumers in Charles Mix County and tribal members from the Yankton Indian Reservation to be a sustainable enterprise while simultaneously increasing healthy food access and curbing health disparities. This hypothesis stems from Brave Heart Society's 50-year plan which was formed after a group visioning process begun in 1994.

The *Healthy Foods, Healthy Lives* (HFHL) grant allowed Co-PIs Brave Heart Society and University of Minnesota School of Medicine to conduct an analysis testing the above hypothesis through surveys with community members in the Yankton Reservation area and an existing tribally-owned store at Rosebud Reservation.

The concept is that the store would be culturally relevant, including Dakota language and products, and integrating programs provided by area agencies such as health screenings and skills-building workshops such as cooking classes. It would thus enrich the social cohesion and interaction, sense of place, and identity, as well as bring nutritional benefits.

The following assessment provides a descriptive analysis of the Rosebud Reservation existing store (Turtle Crossing) derived from customer surveys, a descriptive analysis of market potential for the Yankton Sioux community derived from community surveys and market data research, and the resulting conclusions for feasibility of Good Heart Grocery derived from the results of this investigation.

Sample community surveys are displayed in the Appendix. The study was determined to be exempt from Institutional Review Board (IRB) review.[2]

[1] Community interviews conducted by Seva Foundation staff, Summer 2011.
[2] The University of Minnesota IRB: Human Subjects Committee determined that the referenced study is exempt from review under federal guidelines 45 CFR Part 46.101(b) category #2 SURVEYS/INTERVIEWS; STANDARDIZED EDUCATIONAL TESTS; OBSERVATION OF PUBLIC BEHAVIOR. Study Number: 1204E13441

Research Team

Faith Spotted Eagle, Brave Heart Society, SD MA in Counseling, *(Ihanktonwan Dakota)* has been a school principal, manager of Human Services Programs and a PTSD Therapist for the Veteran's Administration. Her cultural revitalization and trauma recovery work with Brave Heart Society has been nationally recognized. Being a private business owner of a gift shop and having owned a full-time consultant business, she also brings entrepreneurial skills to make this endeavor successful. For this study, Faith was Co-PI focusing on local knowledge, participating in all strategy, planning and oversight, ensuring Dakota community and cultural appropriateness, and guiding the implementation of the community assessment. Faith, aided by several other Brave Heart volunteers, administered the community assessments in Lake Andes and Rosebud.

Tiffany Beckman, University of Minnesota, MD MPH *(Leech Lake Band of Ojibwe)* is an Assistant Professor in University of Minnesota's College of Food, Agricultural and Natural Resource Sciences as well as the Division of Endocrinology, Diabetes & Department of Medicine. She mobilized Graduate student assistance for the community survey data analysis and participated in on-site discussion of potential health impacts of the enterprise. She also liaised with University of Minnesota HFHL program staff to ensure compliance and obtained IRB exemption.

Brahm Ahmadi, People's Community Market, MBA and CEO of People's Community Market, CA. He is also the co-founder of People's Grocery, a nationally recognized nonprofit organization with ten years of experience addressing food access and health disparities in the West Oakland, CA, through urban agriculture, fresh food marketing, nutrition education, job training, and leadership development. Brahm is also a Food and Community Fellow at the Institute for Agriculture and Trade Policy. For this study, Brahm served as an expert grocery store consultant, providing technical support in the overall strategy and planning, conducting the market and gap analysis, writing narratives of the feasibility, recommendations, and other findings, and participating in on-site strategy meetings.

Bonney Hartley, MSocSci *(Stockbridge-Munsee Mohican)* is Director of Community Services for Native American Health Center's Community Wellness Department in Oakland, CA. She formerly served as Program Manager for Seva Foundation's Native American Community Health Program, where she became acquainted with and committed to Brave Heart Society's food sovereignty efforts. Her interest is in the recovery of indigenous wellbeing through grassroots community capacity building and the use of social entrepreneurship models. For this study, Bonney had "her arms around the project," providing technical assistance such as project development, community survey design, writing, editing, and analysis.

Gilberto Daniel Rodriguez, *(Otomi)* is pursuing an Urban Studies major at San Francisco Art Institute with an emphasis on contemporary indigenous music and social activism as cultural production. As a Program Associate at Seva Foundation's Native American Community Health Program, his work has focused on supporting indigenous concepts of health that recognize spiritual and cultural renewal, economic self-sufficiency, and basic civil and human rights. For this study, Gilberto provided researched on Native and non-Native food enterprise models.

Section B: DESCRIPTIVE ANALYSIS: TURTLE CREEK CROSSING, ROSEBUD RESERVATION

Supermarket Overview

The Turtle Creek Crossing Supermarket is located one quarter of one mile West of the town of Mission on U.S. Highway 18. The town of Mission is located in the North-central area of the Rosebud Sioux Reservation and is the largest town on the reservation with a population of 1,182 at the 2000 Census. Buche Foods owns and operates a food store that is approximately 7,000 square feet in size and holds a strong competitive position in the local market.

The planning of the Turtle Creek Crossing Supermarket began in early 2006 and was led by the Rosebud Economic Development Corporation (REDCO). The commencement of the planning coincided with the establishment of an agreement with the Shakopee Mdewakanton Sioux Community Business Council to provide financial support for the development of a business plan and concept design. A marketing study was produced by Perkins Marketing, a firm based in Northfield, MN. The store planning and design was conducted by Store Design Services, a division of the Minnesota-based grocery retailer and distributor Supervalu.

The project planning and development covered a period of approximately three years. According to a senior manager from the REDCO agency, the total project cost was approximately $4.5M. According to an article in the Lakota Country Times, the Shakopee Mdewakanton Community provided a loan for construction and the Native American Bank provided a $1.3 million loan for equipment and starting inventory. The starting inventory was estimated at $750,000.

The Turtle Creek Crossing Supermarket opened on July 15, 2009. The store is a total of 27,289 square feet, with approximately 23,196 square feet of retail floor space. The store includes signage in English and Lakota, as well as décor featuring Sicangu Lakota history and culture. The décor, fixtures and equipment are high quality. In addition to consumer packaged goods, perishable products,

produce and household goods, the supermarket has a full-service deli with seating and a full-service bakery.

The supermarket offers a rewards card program in which participating customers earn 1 point for every $1 spent and receive a $5 discount for every 100 points accrued. The store accepts EBT and also stocks some WIC approved products. A discount bin displays items that are past term or are over stocked.

In August 2011, the supermarket was awarded a malt liquor license and a drive thru “beer shack” was opened in the same month. In September 2011, the supermarket opened a class two mini-casino. The supermarket has also developed a bottled water brand and distribution business. These developments are intended to boost the supermarket’s overall revenue and to progress toward financial sustainability.

The supermarket’s primary wholesale supplier is Supervalu, which is the third largest grocery company in the United States. Supervalu supplies the supermarket with consumer packaged goods, household products and a variety of refrigerated and frozen perishable products. US Foods is a primary supplier for the deli department. Land O’Lakes is a primary supplier for dairy products. Cash-wa (out of Aberdeen, SD) is a primary supplier for meats.

According to management, there were 52 employees at the opening of the supermarket. The number has since been reduced to 40 employees. Eighty percent of employees work full-time. Labor, including benefits, was at 26% of sales at the time of tour site visit. There has been turn over in senior management since the opening of the store. The General Manager during the time of my visit, Trent Poignee, had worked for the supermarket for approximately one year and has a background in casino concessions management.

Strengths of the Turtle Creek Crossing Supermarket

Tribal Ownership

The Turtle Creek Crossing Supermarket is owned and operated by the Rosebud Sioux Tribe. This ownership arrangement is a likely strength of the business for several reasons: 1) the business can design and manage itself in a way that would be most appropriate to the cultural values and sensitivities of the Rosebud tribal community; 2) the business may be more independent from external factors that can influence chain stores; 3) the business is able to receive support from the local tribal government.

It is unclear whether tribal ownership of the supermarket is of importance to a majority of the residents or whether it results in increased customer traffic and loyalty. A number of customers said that the tribal ownership of the supermarket was important to them. But several customers also expressed indifference about the nature of the supermarket's ownership. However, it is possible that the tribal ownership of the business and the benefits that local ownership brings to the community is not being sufficiently promoted in the business' marketing efforts and, as a result, many residents may be unaware of the benefits that the nature of tribal ownership provides. Tribal ownership could become a greater source of competitive advantage and differentiation if communicated more effectively to the local public.

Tribal Brand Identity

The Turtle Creek Crossing Supermarket's brand identity is centered on local cultures and traditions. Tribal art, symbols and historic photographs are featured in the store. Much of the store signage is in the English and Lakota/Dakota languages. These are very unique aspects of the Turtle Creek Crossing Supermarket's brand that help to differentiate the business from its direct competitors. This also provides a range of marketing opportunities that extend beyond the conventional marketing schemes common among supermarket and grocery operations. However, similarly to tribal ownership, it is unclear whether a tribal brand identity is of importance to many residents or whether it results in increased business and customer loyalty.

Meat Department

The supermarket offers a large selection of packaged meats in two large meat coolers at the back of the store. The store receives deliveries of meat every three to four days and cuts and packages the meat in phases on site. This enables the store to purchase meats in quantity (resulting in better prices) and maintain greater quality control. This approach also allows the store to make cuts based on an understanding of its customers' preferences for varieties of meats and cut styles. Thus, while the meat department is not a full-service meat department, the packaging of meats on site does provide some degree of customization. It appears that the store has built a reputation for offering the best meat selections and prices in the area. As a result, the meat department is the best performing department in the store. The meat department manager is somewhat more experienced and knowledgeable than managers of other departments in the store, which is also a likely contributing factor to the performance of the meat department.

As is standard practice in the supermarket industry, the packaged meats are repacked daily in order to remove excess liquid and keep the packs fresh. However, the repacked meats are given a new date, which can distort the actual date of the original packaging and the actual expiration date. This potentially increases the risk of expired or contaminated meat. Additionally, the meat cooler does not have any shelving. The meat products are either stacked in boxes on the floor or on pallets, or are kept on mobile carts. This potentially increases the risk of contamination. Finally, some meats are kept in a freezer when the meat cooler is full. This can result in freezer burns on the meat which can degrade the texture and flavor.

<u>Full-service Departments</u>
The Turtle Creek Crossing Supermarket features two full-service departments – a deli and a bakery. The deli is the second best performing department in the store and the bakery is the third best performing department in the store. The level of performance of these two departments partly indicates that providing full-service in these departments greatly adds value to the customer service and shopping experience that the supermarket offers. It also affirms that local customers are seeking convenience through prepared food options. While the Buche Foods does not have a full-service deli, it does have a small Chinese food eatery. However, the model of customer service at Turtle Creek Crossing Supermarket's deli appears to be much stronger and more effective at creating positive customer experiences. The deli also offers a much larger selection of diverse products. The full-service bakery, while limited in its product offering, appears to have settled on a staple set of bakery items that sell well with local customers.

The deli and bakery tend to emphasize products that are less healthy, such as fried foods, sugary foods, as well as a predominance of meat dishes and starch heavy dishes. The supermarket has in its recent past attempted to retail healthier foods such as prepared cut meats, vegetable dishes, salads and low-sugar baked goods. But many of these products were eliminated due to low sales. In order for the supermarket to sustain and increase its offering of healthier foods, it would have to increase its efforts at both educating its customers and promoting its healthy food offerings. This could include extra incentives and rewards for purchase such items.

Rewards Card Program

The Turtle Creek Crossing Supermarket has instituted a rewards card program. The program utilizes a proprietary and streamlined platform developed by Supervalu. The reward platform is integrated into the stores' point of sale system (EX Check software) so that rewards are automatically processed when SKUs delivered by Supervalu are purchased. One dollar of spending results in one reward point and a $5 discount if provided for every 100 points that a customer accrues (equivalent to a 5% discount). According to management, the reward program has proven to be successful and attracting more customers to the store.

EBT Acceptance

The supermarket has accepted food stamp Electronic Benefits Transfer (EBT) Cards from inception. According to management EBT transactions account for $100,000 in monthly sales, which represents approximately 45% of the stores' annual sales. Thus, accepting EBT is a critical strength of the supermarket and likely attracts many customers to the store.

Discount Bin

The supermarket features a discount bin for items that are being discontinued, are damaged or are near expiration. According to management, the discount bin has been a popular feature of the store and allowed the store to recover sales from discounted items that would otherwise likely not be sold. The store also relocated the discount bin to the back of the store so that customers do not purchase discounted items over new items.

Price Coordinator

According to management, the business had been experiencing many problems with price inconsistencies including inaccurate price changes and, most importantly, improper mark ups by department (resulting in lower gross margins than the store needed). A new management position was created, known as the Price Coordinator, to resolve this problem. The Price Coordinator provides a centralized and standardized system of pricing and enables greater control and consistency in pricing throughout the store. While the position was still very new at the time of our visit, it can be expected that the improvements in the pricing system resulting from the new position will begin to generate larger and more consistent gross margins.

Weaknesses of the Turtle Creek Crossing Supermarket

Insufficient Cash Reserves

The most critical weakness and area of risk affecting the Turtle Creek Crossing Supermarket is that it lacks sufficient cash reserves to cover the essential operating and inventory costs of the business. The result of this cash deficiency is that the business is often unable to maintain adequate inventory, as evidenced during our visit by a large amount of empty shelves throughout the store. Management stated that they are only able to place one order every other week for dry and perishable groceries and produce due to a lack of cash. Additionally, a number of suppliers n now require that the business pay for its orders in advance or at the time of delivery, further hampering its ability to generate cash from sales prior to fulfilling its outstanding payables.

The fact that the store is able to sell out of products, especially in dry groceries, indicates greater sales potential than is currently being attained due to its insufficient inventory. This means that the business is losing real sales, which likely exasperates its cash and profitability problems. In addition, a deficiency in cash and inventory likely results in at least some negative perceptions of the business by customers and may increase the incidences of customer dissatisfaction. Another potentially negative outcome is less than optimal quality and freshness in produce due to an inability to rotate fresher produce in shorter cycles. These reputational and perceptual problems can contribute to attrition in customer loyalty and repeat shopping, which further erodes sales and profit. Thus, the supermarket is caught in a negative cycle in which a cash deficiency problem is creating other related problems that further reduce the cash that the business can generate.

Inflated Project Scale

The most likely cause of the cash shortage problem is the project's scale. Specifically, the size of the store (and its related construction, startup and ongoing operating costs) is too large relative to two key factors: 1) the amount of capital that could be secured and 2) the level of sales and market share that can be achieved in the local market area.

With regard to capitalization, it appears that the project was limited to securing $4.5M. In many instances $4.5M in financing would be sufficient for all construction and operating costs of a retail project. However, the plan for this project was to construct a store of a size that resulted in capital requirements in excess of the amount of capital that could be secured. With a majority of capital going to construction and to the large amount of starting inventory required to stock the store, very little capital was left for cash reserves and ongoing operations. As the supermarket continues to operate it original size, it continues to stock inventory at a level in excess of its cash abilities and continues to incur disproportionate operating costs such as high energy cost for refrigeration that exceeds the store's current storage needs relative to its inventory.

The primary assumption behind the plan of constructing the store at its current size pertains to the second key factor of sales and market share potential. According to the Director of REDCO, the marketing study that was produced by Perkins Marketing projected that the supermarket would secure 25% of the local market share by the third year of operations. However, at the time of our site visit, management estimated that the supermarket had only reached about a 10% market share. While the reputational and perceptual factors discussed previously may be undermining the store's ability to secure greater market share, it appears likely that the original market study was too aggressive and overestimated the sales and market share that the business could achieve. This overestimation is the primary factor behind the construction of a store in size that is too large to be supported by the local market. In other words, not only is the store too large for its capital abilities, but it's too large to be sustained by the level of sales it can achieve.

<u>Limited Marketing and Education</u>

At the time of our visit it appeared that very little marketing was being implemented for the Turtle Creek Crossing Supermarket. While the Store Manager discussed a number of ideas he had for marketing the business, he stated that he did not have the financial nor human resources to implement his ideas. The store did not have a dedicated marketing position or any ongoing marketing communications with its customers outside of the store's walls, including no website. While the dry grocery department of the store is able to sell out of much of its inventory (and struggles with replenishing its inventory) the perishable departments such as the meat and produce department have low sales relative to industry averages. Management also stated that the organic items were offered for a short period and were terminated due to low sales. This problem stems from inadequate marketing of the store's perishable offerings. Thus, the store's shrinkage costs are driven primarily by the expiration of perishable products (as opposed to damage, theft or check out errors). In addition to deficient marketing, lower sales in perishables also stems from a very limited provision of education about the perishable products. Given that packaged products and meat appear to sell well (although meat sales are still somewhat low relative to the industry), it is likely that the local population would benefit from educational supports about the consumption of produce and other perishable foods.

Management Stability and Competency
According to the Director of REDCO, the supermarket has struggled to stabilize its management team and to recruit qualified candidates. As a result, it has struggled with a high rate of turnover in a number of top management positions including the Store Manager position. And, with the exception of the meat manager, it appeared the managers had very limited experience and knowledge in the grocery business.

There also appeared to be limited knowledge in finance and accounting, as evidenced by a number of inconsistent and unconventional accounting practices in the business' financial statements. Given that the store is faced with a number of financial problems, and requires very close financial monitoring and controls, the lack of expertise in finance and accounting is a significant risk.

Community Survey Results—Turtle Creek Crossing

Community surveys were administered at Turtle Creek Crossing grocery store (see Appendix) with the support of the store management. A total of 101 surveys were administered. 55.4% of the respondents were Female and 36.6% were Male. The average age of the respondents was 44 years old.

Main findings from the surveys were as follows:

- Customers most frequently shop at Turtle Creek (55%). Other than Turtle Creek, they choose Buches (35%) or Other (22%), mostly Walmart or Henderson's in Valentine, NE.
- The main reasons why they shop where they do are 1) Price; 2) Other, primarily because of support for a tribally-owned business; and 3) Location.
- Survey respondents ranked Fresh Foods, Price, Quality, and Healthfulness as the most important factors (approx. 55% designating each "Very Important").
- Respondents were only somewhat interested in adding Electronics or Floral (approx. 26%), but somewhat more interested (44%) in providing other ideas for store changes: "Lower prices", Addressing the issue of "Empty Shelves", and Improving "Customer Services" were all mentioned.
- There was interest in including new community services to Turtle Creek: Health Services, Food Education, Cultural Education, and Health Education were each equally supported by approx. 65% of respondents.
- Respondents did not heavily encourage the addition of social activities such as live music, speakers, or performing arts, and were somewhat interested in community dinners (41.6%).

The most distinguishing feature of the responses was the extent to which respondents felt it important that the store is locally and/or tribally owned.

- 86% of respondents felt it was important that the store is locally owned (only 3% felt it was not important).
- 84.2% of respondents felt it was important that the store is tribally owned (only 5.9% felt it was not important).

Similarly, respondents expressed strong support for the cultural/tribal connection of the store.

- 83.2% said it was important that the store featured Lakota tribal décor.
- 78.2% said it was important that Lakota language was featured in the store.
- 77.2% said it was important that tribal members are employed.

A detailed data report will be shared with the store management, so that the information can be used in designing store improvement strategies.

Recommendations

The top three recommendations for improving the performance outlook of the Turtle Creek Crossing Supermarket and reducing its currents risks are:

1. **Reduce the size of the store to align with the level of sales and market share that it can realistically achieve. It is likely that a store size of 15,000 square would be a more appropriate scale relative to the local market.**
2. **Increase the business' cash holdings in order to maintain an optimal level of inventory and product quality. This would also allow the business to implement much needed marketing and educational programs.**
3. **Stabilize management and recruit managers with sufficient grocery experience and/or finance and accounting knowledge. Depending on the local talent pool, this may require recruiting from outside the area.**

Additional recommendations from this analysis are:

- Increase promotion of tribal ownership of the business.
- Establish net payable terms with primary suppliers.
- Establish a staff position dedicated to marketing and education.
- Increase educational offerings and link them to healthy foods.
- Direct incentives and rewards toward purchase of healthy foods.
- Stamp repacked meats with original product dates, not repack dates.
- Install shelving in the meat cooler.
- Discontinue storing meats in a freezer.
- Increase rotation cycle of perishable products.
- Improve accounting systems and methods.
- Institute more stringent financial monitoring and controls.

Section C: MARKET ANALYSIS, GOOD HEART GROCERY, Yankton Reservation

Target Market

The Yankton Indian Reservation is the homeland of the Yankton subgroup of the Sioux tribe of Native Americans. It is the second-largest Indian reservation located entirely within one county. The Yankton Indian Reservation occupies 60 percent of southeast Charles Mix County in southeastern South Dakota and has a land area of 40,000 acres or 665 square miles.

Population and Income

The population, as of the 2012 US Census, was 6,465 persons. The two primary racial groups are Whites, who account for 51.4 percent (3,325 persons) of the total population, and American Indians, who account for 44.5 percent (2,878 persons) of the total population. The number of households, as of the 2012 US Census, was 2,211. The average household size for the entire Yankton Indian Reservation is 2.92 persons per household.

Approximately 57 percent of the Yankton Indian Reservation population lives in rural areas (3,672 persons). However, in contrast, 51 percent of households reside within the towns on the reservation. This discrepancy between a majority of the population being in rural areas but the majority of households being in urban areas derives from the fact that the average household size in the rural areas is 73 percent larger than the average household size in the towns (3.4 persons per household versus 2.47 persons per household).

According to the South Dakota Department of Tribal Relations, the median household income as of 2000 was $23,734. However, approximately 43 percent of all households (957 households) on the Yankton Indian Reservation earn less than the median household income, characterizing the entire reservation as predominantly low-income. Only 18 percent of households (393 households) earn $50,000 or more a year.

Primary Towns

The town of Wagner is the largest town on the Yankton Indian Reservation. It has a population of 1,599 persons, which is 24.73 percent of the entire reservation population. Wagner has 646 households, which is 29 percent of all households on the entire reservation and 57 percent of all households residing in towns. According to the 2006-2010 American Community Survey, the average per capita income for Wagner was $15,606 and the median household income was $28,578. Approximately 26.4 percent of the Wagner population earns less than the average per capita income and 31 percent earn $50,000 or more a year.

Wagner is located nearest to the geographic center of the reservation, has the largest number of businesses and has the largest trade area in which it serves most of the reservation. Wagner is the primary commercial destination on the reservation. Most residents travel there on a semi-regular to regular basis.

Lake Andes is the second largest town on the reservation. It has a population of 725 persons, which is 11.21 percent of the entire reservation population. Lake Andes has 62 households, which is 15 percent of all households on the entire reservation and 29 percent of all households residing in towns. The average per capita income for Lake Andes in 2010 was $18,288 and the median household income was $23,618. Approximately 56 percent of the Lake Andes population earns less than the average per capita income and 25 percent earn $50,000 or more a year. Lake Andes is located in the Western portion of the Yankton Reservation. The majority of residents live in the North and East part of the town area. There is a small residential area in the South near a community center, as well as a small senior home facility.

The town of Marty is significantly smaller than the other two main towns, with a population of 218 persons, which is 3.37 percent of the entire reservation population. Marty has 323 households, which is 3 percent of all households on the entire reservation and 5 percent of all households residing in towns. The average per capita income for Marty in 2010 was $7,818 and the median household income was $23,214. Approximately 10 percent of the Marty population earns less than the average per capita income and 10.3 percent earn $50,000 or more a year. Marty is located in the Southwestern portion of the Yankton Reservation. The majority of residents live in one of two residential developments. Although Marty has the lowest income population among the three primary towns, the day-time population increases significantly due to employees who work at the Tribal government headquarters/facilities in the town, as well as the students who attend one of a number of schools in the town. This may offset both population and income limitations of the area.

<u>Food Expenditures</u>
The food expenditure for at-home-foods on the Yankton Indian Reservation is characterized by the following:

- Average annual household food expenditure is $3,845.
- Average weekly household food expenditure is $74.
- Aggregate annual household food expenditure is $8,491,531.
- Aggregate weekly household food expenditure is $163,299.

The average annual household food expenditure figure of $3,845, as compared to the annual food expenditures by income provided by the 2010 Consumer Expenditure Survey, falls within the household income earnings tier of $50,000 - $70,000. Thus, the average annual household food expenditure on the Yankton Indian Reservation significantly exceeds its average household income of $23,734. The likely cause for this higher rate of average household food expenditure, in relation to average household income, is a higher average household size than is typical for a population with a similar average household income. The average household size of the Yankton Indian Reservation is 2.92 persons per household, while the average household size for the household income earnings tier of $20,000 to $30,000 in the 2010 Consumer Expenditure Survey is only 2.2 persons per household.

What this essentially means is that a much higher portion of the food budget of households on the Yankton Indian Reservation goes toward the purchase of foods for at-home-consumption than is typical for households with similar income earnings. This likely underscores the price sensitivity of local household as they are spending more of their income on food and groceries.

The aggregate annual household food expenditure of $8,491,531 is not a large food retail market by industry standards. This relatively small food market is a result of the relatively small population of the Yankton Indian Reservation. In fact, as is noted in the gap analysis section below, the aggregate annual household food expenditures of the reservation is not sufficient to support the number of existing food retail businesses within the trade area and, therefore, additional food expenditures from beyond the trade area boundaries must be captured.

The population of the town of Wagner accounts for $2,147,043 in annual food expenditures, which is 25 percent of the food market of the Yankton Indian Reservation. Our assessment is that, based on proximity and certain commercial attributes, Wagner likely captures the vast majority of food expenditures on the reservation. The following chart illustrates the market share and food expenditure capture rates of the two primary towns:

	Wagner		**Lake Andes**	
	%	$	%	$
Market Share of Towns				
Wagner	100%	$2,147,043		
Lake Andes			100%	$966,746
Marty	83%	$233,284	17%	$47,781
Pickstown			100%	$100,871
Dante	100%	$101,001		
Ravinia	13%	$17,472	87%	$116,931
		$2,498,801		$1,232,329
Market Share of Rural Areas				
	83.62%	$3,980,655	16.38%	$779,747
Market Share of Total Area				
	76%	$6,479,456	24%	$2,012,076

NOTE: Population and income data from the US Census Bureau and the Bureau of Labor Statistics were utilized to assess the food retail market of the Yankton Indian Reservation. However, as we were unable to acquire complete per capita spending data, household spending was utilized as the basis of the assessment. This required extrapolation from partial per capita data to arrive at certain household figures. We believe this extrapolative approach is reliable and produced a reasonable assessment of the local food retail market on the Yankton Indian Reservation.

Competitive Environment

Wagner has two food stores – Wagner Food Center and Buche's. Both business purvey groceries, produce and prepared foods. However, it appears that neither of these stores have particularly high standards in customer service, customer experience, product quality and price affordability. Wagner also has three convenience stores that retail a limited assortment of food products: Gus Stop (owned by the owner of Buche Foods), K's Kwik Stop and Casey's.

There is one food store located in Lake Andes, called the Jones Food Center, which purveys a basic mix of groceries and produce. This business does not offer prepared foods. It is unknown how much business or market share the Jones Food Center controls. There are also two gas stations in Lake Andes, including a Gus Stop.

Marty does not currently have any food retail businesses. It was reported by one Tribal member that there was once a Native-owned grocer store in Marty that drew customers from all over the reservation. This individual believe that the store's success was due largely to the fact that it included a gas station and sold gas at a price well below any other gas station on the reservation. However, this individual believed that the store's failure was primarily due to the fact that Tribal government members did not pay for their gas.

Market Gap Analysis

A market gap analysis determines the competitive gap that may exist in a given trade area between its existing food retail square footage and its aggregate spending power for groceries. The gap analysis determines the amount of additional food retail square footage that could be added to the trade area.

The first step in conducting a gap analysis is to divide the annual aggregate food expenditure by the industry average for annual revenue per square foot (RPSF). The following is the table of this calculation for the Yankton Indian Reservation:

Annual Aggregate Food Expenditure	$8,491,531
2010 annual revenue per sq. ft.	$612
Supportable Food Retail Square Footage	**13,875**

Knowing that 13,875 sq. ft. of food retail can be supported by the local spending power of the Yankton Indian Reservation, the next step is to determine the amount of food retail square footage that presently exists in the trade area. The following is a table of the results of a field survey of the food selling area of the existing food retail stores on the Yankton Indian Reservation:

		Total	Selling Area	Food Area	Warehouse
Wagner					
	Wagner Food Center	13,752	8,251	8,251	5,501
	Buche's	18,500	11,100	11,100	7,400
	Gus Stop	1,890	1,134	227	756
	K's Kwik Stop	2,580	1,548	310	1,032
	Casey's	2,720	1,632	326	1,088
		39,442	23,665	**20,214**	15,777
Lake Andes					
	Jones Food Center	7,000	3,500	3,500	3,500
	Gus Stop	1,890	1,134	227	756
	Pumper Nick's	1,940	1,164	233	776
		10,830	5,798	**3,960**	5,032
			Total:	**24,174**	

The final step in the gap analysis is to subtract the amount of food retail square footage that could be supported by the local spending from the amount of food retail square footage that exists. The calculation for the Yankton Indian Reservation is as follows:

Supportable Food Retail Square Footage	13,875
Existing Food Retail Square Footage	24,174
Potential Food Retail Square Footage	(10,299)

This calculation indicates that there are 10,299 more in square feet of food retail that currently exists in the trade area than can be supported by the food retail spending power of the trade area. Thus, the resulting conclusion of a gap analysis of the Yankton Indian Reservation is that there presently is no potential for additional food retail in the trade area. The analysis indicates that the trade area has a highly competitive environment for food retail and that the local food retail market is saturated with existing competition.

In fact, based on the analysis, the trade is actually capturing about $6.3M more in sales then there is spending from inside the trade area. This means that extra sales are coming from outside of the trade area. This suggests that the overall trade area footprint for the existing food retail businesses on the Yankton Indian Reservation exceeds well beyond the trade boundaries and services populations living in rural areas in other parts of Charles Mix County.

As shall be discussed in detail in the feasibility analysis in Section D of this study, the gap analysis indicates that a business case for the establishment of an additional grocery store cannot be made based on a market opportunity as measured by a quantitative analysis of the trade area. Rather, a business case for the establishment of an additional grocery store, or another business that may have a greater opportunity in the local market, must be based on the results of a qualitative survey analysis that may highlight a unique niche or unmet need that counterbalances the conclusion made by this quantitative analysis.

Community Survey Results, Yankton Reservation

A Good Heart Grocery community survey (See Appendix) was created to assess the shopping characteristics, interests and preferences of the target market. Brave Heart Society members under the direction of Co-PI Faith Spotted Eagle administered the surveys during the period October 2011-April 2012 through extensive outreach to community events and gatherings. University of Minnesota graduate students under the direction of Co-PI Tiffany Beckman completed an analysis of the survey results in August 2012.

A total of 400 surveys were analyzed. 59.5% of the respondents were Female and 36.1% were Male. The average age of the respondents was 42 years old.

Relevant highlights include:

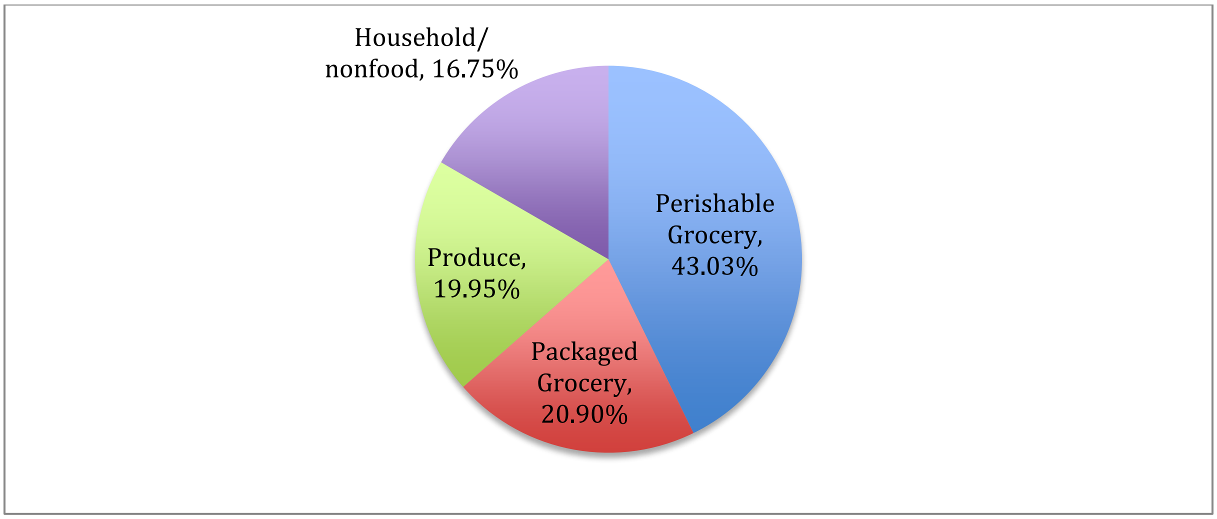
Current Shopping Characteristics:

- The majority of respondents (51.3%) currently shop at Wagner Food Center. Buches is the second highest response (34.8%) and Jones

Food Market is the third (22.3%). Other (21.9%) responses written in were Walmart or Hy-Vee.

- Nearly all respondents travel to the store by car. 12% Walk or bike.
- Most respondents shop at the store twice per week (41.4%) and many shop once per week (29.1%).
- Main reasons for shopping at the current preferred store are 1) Price (52.2%); 2) Convenience (51.3%); 3) Accepts EBT (42.4%). Other write-in responses included: "No transportation" and "Nowhere else to go."

Product Mix



Product and Store Quality Preferences:

- The top three preferences—features that respondents most frequently ranked as "Very Important"—were Price (62.2%), Quality (61.6%), and Freshness of Foods (61.6%).
    - Other options ranked as follows: Selection (52.7%); Convenience (50.9%); Healthfulness (50%); Locally-based Foods (36.6%); Culturally-based Foods (36.2%); Organic (33.5%).

- The concept of a Deli or Prepared Foods aspect to the grocery store was well received, with 71.4% saying it was either Somewhat or Very Important.

- The most common preferences for items to be included in a Deli were 1) Meat (*Examples listed included low-sodium meats, lunch meats, hamburgers, meatloaf*), 2) Native Foods (*Examples listed throughout were: Buffalo, Corn Soup, Rabbit, wojape, fry bread.*); 3) Fresh Salads

and Produce; 4) Cheeses. Each item was about evenly mentioned in the responses.
    - Other responses—each mentioned by 1-3 people—included: Hot tea, Fruit or vegetable smoothies, ready-made lunch or dinners, sub sandwiches, soups, potato or chicken salads, rice products, Mexican or Chinese foods, and cold fruits.

Customer Experience:

Respondents generally responded strongly to the customer service questions on the survey, with more than half (i.e. 52-64%) of the responses indicating the following qualities as "Very Important":

- Treating customers with respect; Friendliness and saying hello; Availability to answer questions; Knowledge about products; Employees greeting customers.

Respondents also responded favorably to interest in other services being available in a grocery store:

- **62% would like to see Cultural Education** (i.e. Dakota traditions) included in a grocery store.
- **58.5% would like to see Food Education** included in a grocery store.
- **57.8% would like to see Health Services** such as testing and screenings included in a grocery store.
- **50.9% would like to see Health Education** such as nutrition workshops included in a grocery store.

It is important to note that 25-32% of respondents for the above questions did not respond "No" to the questions but simply did not respond at all.

The three elements that most appealed to respondents regarding the look and feel of a store were:

- Cleanliness (Chosen by 90.6% of respondents); Pleasant Odors (Chosen by 50.4% of respondents); Ease of navigation (Chosen by 41.5% of respondents)

Respondents also responded favorably to the idea of creating a social experience in the store:

- The majority (66.1%) of respondents wanted to shop at a store that enables socializing with friends and relatives.
- The majority (54.5%) would like to participate in community dinners.

Respondents were less interested in Live Music (36.2%), Speakers/Workshops (33.5%), and Performing Arts (28.1%). Other write-in responses included: *Children's Music, Cultural Events, Powwows, and Magazines and Book selections.*

Perhaps most significantly, the community response shows a preference in several local or cultural/tribal interests that would differentiate the store:

- A decisive majority of respondents (79.5%) thought it was important that **Yankton tribal members be employed at the store.**
- A decisive majority of respondents (75.4%) thought it was important that the **décor have Dakota cultural images.**
- A decisive majority of respondents (70.9%) thought it was important that the **store be locally owned.**
- A decisive majority of respondents (69%) thought it was important that the **store be owned by Yankton tribal members.**
- A decisive majority of respondents (66.1%) thought it was important that the **store feature Dakota language in the signs.**

Location:

The surveys requested respondents to write in a choice for preferred location of the future Good Heart Grocery Store. Many respondents wrote an entry that cannot be adequately analyzed such as "close by," "near my house," or "convenient." However, the data shows a clear and equal preference for two areas:

Lake Andes (43 entries)
and
Casino Area, central between Marty, Lake Andes, and Wagner (43 entries)

Other responses were:
Wagner (37 entries)
Marty (19 entries)
Ravinia (5 entries)
Housing Area (3 entries)

SWOT Analysis

	STRENGTHS	WEAKNESSES
INTERNAL	• Strong foundation and extensive network of local stakeholder relationships • Influential community leadership by key actors within Brave Heart Society (BHS) • Strong foundation and track record of programmatic accomplishment by BHS • Well developed and consistently utilized 50-year strategic plan for BHS • Track record of responsible financial management and attainment of funding • Strong passion, work ethic and perseverance by the leadership of BHS • Reliable partnership and support from the SEVA Foundation • A general vision for the format and product mix of the retail store • Support and potential partnership with the Turtle Creek Crossing Supermarket • Independence from Tribal government	• Lack of business planning experience and know-how among key actors within BHS • Lack of retail management experience among key actors within BHS • Lack of financial resources to accelerate the feasibility and planning process • Lack of access to experienced and reliable industry advisors and service providers • Unstable and challenged financial condition of the Turtle Creek Crossing Supermarket • Lack of qualitative and quantitative data in support of comprehensive market study • Undefined trade area, store location and general strategy for the store development • Lack of food supplier relationships to develop cost effective and timely product sourcing
	Opportunities	Threats
External	• Generally poor characteristics of existing food retail stores (service, quality, price). • Limited competitiveness and lack of innovation among existing food stores • Limited local support among Native population of existing food retail stores • Likely large amount of food spending leakage from the area to outside stores. • Inconvenience and cost experienced by residents traveling far to outside stores. • Advisory and support relationship with Turtle Creek Supermarket • Growing interest among segments of community for a Native-owned store • Growing interest among various Native communities for locally owned businesses	• Potential lack of sufficient support from Tribal government for an independent project • Potential lack of sufficient community support for a Native owned food retail store • Potential lack of sufficient community support for provision of healthy food products • Potential hostility and harmful efforts by existing food retail stores • Potential failure of Turtle Creek Crossing Supermarket could harm business case • Prevalent stigma and prejudice against Native peoples could limit support from non-Natives • Potential barriers and negative consequences to accessing funding from Tribal sources • Recessionary macro-economic conditions could detriment ability to secure funding • Rising food costs could limit ability to be price competitive or source inventory • Rural location could limit access to suppliers and incur higher shipping costs

The following are the most significant factors that the planning and leadership group must attend to with the greatest focus:

Strengths

- Strong foundation and extensive network of local stakeholder relationships

  This is by far the strongest asset of the Brave Heart Society. It gives the effort a more substantive position for justifying the business case and, if properly demonstrated, mitigating some of the weaknesses that could otherwise undermine confidence in the ability of a Native-owned food business to be successful. At the moment this is the greatest competitive advantage and differentiation that the Brave Heart Society has within this project, as none of the other existing food businesses appear to have developed nearly as large or as strong of a foundation of local relationships. BHS must demonstrate that it can generate a broad base of support from the community to act as customers of its business. BHS must continue to develop and grow its network of relationships in preparation for the eventual launch of its food business.

- Track record of responsible financial management and attainment of funding

  Given that there are both perceptions and realities of financial mismanagement and misconduct among government, nonprofit and businesses interests associated with various Tribes, it is critical for the Brave Heart Society to effectively demonstrate and promote its track record of responsible financial management in order to secure the confidence, trust and support of potential financiers in the future stages of the project.

Weaknesses

- Lack of retail management experience among key actors within BHS

  This is the greatest weakness that BHS will face as it progresses through the business planning, financing and development process. Generally, it will be very difficult to develop accurate and thorough plans without the participation of at least one seasoned manager from the food industry. It will be virtually impossible to secure financing without seasoned management who demonstrate a track record of experience and management capability. Even if the project should get through the planning and financing stages without experienced management involved, the business operations will be greatly jeopardized by a lack of experienced management. The rural and somewhat isolated location of the territory increases the challenge of recruiting experienced management as it is unlikely that there are many such candidates presently residing on the reservation. If this is the case, then BHS must consider how it will go about recruiting at least one experienced manager from outside of the reservation who, at a minimum, can act as an interim manager to get operations off of the ground and train other management team members.

Opportunities

- Generally poor characteristics of existing food retail stores (service, quality, price).

- Limited competitiveness and lack of innovation among existing food stores

  The current competitors in the area are generally weak in their business models and operations. Although they may collectively wield a large share of the local market, their market dominance has been achieved primarily out of monopoly and limited competition, as opposed to superiority in their business operations or strong community relations. By most standards, these are not impressive operations. They are not conducted in a highly professional manner, they do not entail high standards for customers service, customer experience or product quality. And they do not demonstrate creativity or innovation in the way they continue to operate and develop their businesses. With the right business model, it is entirely possible for a new food business that leverages its strengths, differentiations and innovations to compete strongly against these existing food businesses. BHS must attend to developing a clear and strong business strategy and leadership team and develop a coherent framework for building its competitive advantages.

Threats

- Potential lack of sufficient community support for a Native owned food retail store

- Potential lack of sufficient community support for provision of healthy food products

  Although there are segments of the local community who have expressed an interest in a Native owned food business and/or access to healthy food products, it is not yet certain that there is a critical mass of residents willing to support such a business. As these components currently account for a large part of the overall business premise, they must be validated as having sufficient community support to be able to achieve financial sustainability. The demonstration of broad support will also be critical in mitigating other potential barriers such as resistance from Tribal government or the existing food establishments. If, through the feasibility study, it is determined that such support does not exist in sufficient scale BHS must consider adjusting its internal goals to align with the external realities.

- Rural location could limit access to suppliers and incur higher shipping costs

  This factor could become a much more significant threat than would immediately be anticipated. Generally, rural areas have a more difficult time sourcing inventory from suppliers who must travel far distances. This problem can be compounded if the food business is unable to place orders within a certain dollar amount and/or degree of regularity, such as in the current case of the Turtle Creek Crossing Supermarket. To resolve the longer distances, suppliers will often levee a higher shipping fee to rural stores. The inability to source products cost effectively due to higher shipping costs could jeopardize the ability of the business to generate sufficient gross margins to cover operating expenses. BHS must focus heavily on its supply chain strategy and develop a solution for how it will source products in a cost effective and timely manner. BHS must also mitigate any dependence on a single dominant supplier and develop a diverse supply chain in order to avoid the risks of a supplier terminating or changing its contract.

SECTION D: FEASIBILITY ANALYSIS, Yankton Reservation

Food Retail Market Feasibility

The preceding gap analysis determined that the Yankton Indian Reservation has a competitive environment for grocery retail, that the local food market is saturated beyond local demand and that the capture of food spending from beyond the trade area boundaries is required in order to sustain the currently existing grocery retail businesses. If looking exclusively at food retail market and competitive characteristics of the reservation, as defined by the quantitative analysis, one must conclude that the proposed project of establishing a grocery store, if it were to purvey a product offering with similar overlap to those of the existing competitors, would not be feasible.

However, the scope of our analysis has not only considered quantitative market data, but also considered qualitative and "psychographic" data gathered through community surveys. The surveys, as summarized in the preceding section, include questions about desires and aspirations of respondents that are currently unsatisfied by existing options in the area. The consideration of there "softer" forms of demand, which are associated with more subtle and nuanced aspects of human psychology, counterbalance the conclusions of the quantitative analysis and reveal that there is feasibility in, and potential market support for, crafting a food business that serves a specific niche and is highly differentiated from other existing offerings in the local market.

Specifically, the following results from the community survey point to opportunities for creating a niche business:

- 71.4% of respondents said a Deli or Prepared Foods aspect was either Somewhat or Very Important.
- Preferences of Native Foods in a Deli received equal mention as the other top two preferences.
- More than half of respondents indicated the following were important:
    - Being treated with respect
    - Friendliness
    - Availability to answer questions
    - Knowledge about products
    - Employees greeting customers.
- More than half of respondents indicated the following were important:
    - Cultural and food education
    - Health education and services
- A majority of respondents (66.1%) of respondents wanted to be able to socialize with friends and relatives.
- More than half of respondents (54.5%) would like to participate in community dinners.

If a business were designed to focus on the above outcomes that are currently un-served or under-served than creating a food business is more feasible as the business, while still in a competitive environment for grocery retail, would not be in as direct of competition as in the case of having to much similarity or overlap in products and services as existing competitors.

New Concept Feasibility

We have concluded that opening a grocery store that would be in direct competition with existing food retail operators is not feasible and, therefore, should not be pursued. However, through our research, and particularly through the results of the community survey, a food business concept has begun to emerge that could incorporate the following components:

- A prepared foods service program, in the form of a deli, café, restaurant or combination of these businesses, as the core business activity and offering.
- A limited assortment of niche grocery products targeted to Dakota cultural food traditions that are supplemental to the core business.
- A focus on creating a unique and differentiated customer experience attributes such as thematic décor and art, seating and social space, and community activities.

The strategy behind this concept is not to shift away from a grocery store but, rather, to focus the core business around prepared foods with a more limited offering of groceries and produce.

The above business concept, although different from the initial vision of opening a grocery store, would be more feasible in the following ways:

- A focus on prepared foods would reduce direct competition with established grocers and mitigate the risks of operating in an over-saturated grocery market by extending into the prepared foods market. Although there are a small number of food service businesses in the trade area, it is assumed that the prepared foods market has limited competition and a gap in demand satisfaction. Therefore, there are greater opportunities for the entry of a new business offering prepared foods.

- A prepared foods offering, as the primary offering of the business, could enhance and diversify the business' offerings to attract more customers, increase sales beyond groceries and boost gross and profit margins through the retailing of value-added prepared foods. This assumption is supported by the analysis of the Turtle Creek Supermarket, which noted that the deli is the supermarket’s best performing department. Such an offering could potentially create a commercial destination with a broad reach throughout and, possibly, beyond the trade area. A leading focus on prepared foods could, therefore, result in more financially sustainable business.

- The offering of cultural products, as well as of positive customer experiences through the business setting, provision of social space, etc., could set the business apart from any other business that exists in the trade area. This differentiation could result in the creation of a commercial destination with a broad reach throughout and, possibly, beyond the trade area.

More research must be conducted about the market opportunity for this potential concept. Additionally, examples of existing business with similar aspects as those outlined above should be reviewed and analyzed. Additionally, although there is good evidence in support of a prepared food business concept, other possible strategies should be considered that may offer a better fit to the capabilities of BHS, the external economic environment and opportunities for financing.

Additionally, a business concept must be selected not only on the basis of its alignment with BHS's long-term goals and the opportunities in the local market, but also in light of the results and key areas of focus outlined in the SWOT analysis contained in the preceding section. Considerations of BHS's current limited access to both experienced management and suppliers must be incorporated into the final selection of a business concept. A prepared foods program as the core business would potentially allow the management and staff to build their experience and the business to grow sustainably through running a profitable prepared foods program that will then position the business to expand into a full-service grocery store in the future.

Outline of Potential Strategies

A review of the following food enterprise options were selected as they exemplified models that are best suited to adapt to a Native focused food business. Each strategy incorporates aspects of cultural education, nutrition promotion, economic self-sufficiency and retention and blossoming of Native identity:[3]

[3] This section referred to information contained in the following sources:
La Cocina: http://www.lacocinasf.org/
Phat Beets: http://www.phatbeetsproduce.org/
Northern Colorado Food Incubator: http://www.nocofoodincubator.com/
Colorado Farm to Market: http://cofarmtomarket.com/additional-information/farm-to-school/
Native American Natural Foods LLC (NANF):
http://www.minneapolisfed.org/publications_papers/pub_display.cfm?id=4307

1. Farm to School

A focus on providing locally harvested foods and meats through a school system is an effective delivery method used to create access to healthier foods for students and their families. It provides an opportunity to interact with the community at large with a nutritious food alternative that cultivates local economies. In addition, there are methods to partner with school systems to grow food and create health based curriculum. This approach also addresses the growing concern of childhood obesity by providing nutritional food from local farms in place of processed food that is commonly served in U.S. cafeterias. A school garden on site may also serve as a living laboratory that may give children an opportunity to watch their food grow.

Guidelines would need to be considered that will insure topics that cover food handling, which may eliminate any potential food safety hazards. In creating a partnership with the food producers and school system one would be able to engage parent and teacher leaders to assist in preparation, production, pick-up, or nutritional education. A food enterprise in partnership with a school must be aware of local health regulations as well as federal and state requirements. There is also a competitive advantage in keeping contact with growers and hunters in the area to provide fresh foods to the farm to school enterprise.

Case studies:

- The following link is an interactive slideshow of a New Mexico based school garden at Native American Community Academy: http://www.nacaschool.org/what-we-teach/wellness-and-support-services/community-garden/
- Whole Kids Foundation provides information on national school garden projects through their School Garden Grants Program: http://www.wholekidsfoundation.org/gardengrants.php

2. Mobile Food Business

A mobile food business would allow the group to enter the food market with a lower financial risk than the large investment required to establish a grocery store. Mobile food facilities are also ideal for covering large geographic distances like Ihanktonwan Dakota lands. It would be possible to cater to a variety of events such as pow-wows and non-Native events that will create access to niche markets and communities that may not have the funds or knowledge to travel to a place-bound food market. In addition it would be possible to accumulate capital and reputation before opening a grocery store as well as keep very flexible hours of operation.

Consultation would be essential with local officials and/or property owners to see what steps are needed to access public or private property. In most cases it would be necessary to complete permit paperwork to sell from a mobile food facility. Another step would be to research potential locations and keep note of foot traffic, nearby restrooms, available parking for the food mobile and other peoples' vehicles. It is also important to review what other restaurants are serving in order to avoid be denied a permit on the grounds of serving "like foods". When entering a neighborhood of choice it would be important to connect with businesses as a way to build support for the mobile food business.

It is important to note that equipment costs include the actual manufacturing of the mobile food facility, which includes marketing, transportation, storage, labor and permits.

Case study:

- MoGro, a mobile grocery store that has a mission to provide nutritive rich and affordable food to New Mexico's Native communities: http://www.sfreporter.com/santafe/article-6861-going-mobile.html

3. Native Food Cooperative

A food cooperative is an autonomous association of persons who provide a space where people can buy affordable and wholesome food in bulk. A cooperative is usually owned by its members and because there are no outside shareholders, cooperatives are in nature more socially responsible than their corporate competition. The success and growth of this type of food retail option lends itself to the idea of providing the greater community with education about and access to good food. Interest in organic and natural foods markets can be supplemented with Native harvested foods that are brought in from the immediate plains region as well as from other Native communities that are working to restore their healthy lifeways.

Cooperatives can include non-profit community organizations and businesses that are owned and managed by the people who use its services (a consumer cooperative) and/or by the people who work there (a worker cooperative). Community allies and nonprofits could be leveraged create a strong network of support for the venture.

Case studies:

- Quetzal Co-op is an indigenous based warehouse serving residents in the Phoenix, Arizona area. Working towards an international indigenous trade enterprise, the main focus is on food sovereignty. Working in collaboration with Navajo Nation Agricultural Products Industry (NAPI), Cafe Maya Ik' a Mayan led supplier of coffee, among other indigenous suppliers, Quetzal Co-op is serving a regional base of 400 families (many of them migratory field working families) within 15 neighborhoods who are currently plagued with anti-discriminatory legislation and practices targeting their undocumented status. http://tonatierra.org/quetzalco-op/
- Rainbow Grocery is a Bay Area, California cooperative that was established in 1975. Information on how they began and developed their collective can be found under the "History" and "The Co-op Structure" links on their homepage: http://www.rainbow.coop/mission/

Although the following two organizations do not call themselves cooperatives they still employ many of the characteristics that are held by cooperatives:

http://www.tocaonline.org/Home.html http://www.nativeseeds.org/

4. Native Delicatessen/Juice Stand

By partnering with an existing food retail store it is feasible to establish an independent Native foods delicatessen that provides fresh meats and sandwiches. The shopping characteristics of a Native delicatessen are grounded in keeping a focus on prepared foods while maintaining fresh foods and other products as a peripheral aspect of the food business. It is a possibility to solicit local Native community to sell their harvested meats, fruits and vegetables at this location. By choosing a location that already has a customer base, the business would be able to tap into an existing market and as a result may gain broader appeal. There is capacity to broaden the orientation of the product to not only the Native community but to others such as health food fans, young people, and outdoor enthusiasts.

It is important to ensure the partner location is dedicated and understanding of the vision which should go beyond making a profit. Complementary skills should be emphasized. For example, if the partner location brings strong business skills then those should be complemented with marketing and organizational skills that will be adaptable to their business model and expand the reach of the business to fit the market. Another opportunity is the connections that have been established at the existing retail location, which will serve as an asset once you plug into that network.

Case studies:

- Tocabe, is a restaurant situated in the Denver metropolitan area that reflects Native qualities and which incorporates Osage traditional recipes. There is a strong focus on creating self sufficient and confident Native leaders that can educate Native and non-Native community members about the foods, traditions and tribes that these foods come from. Tocabe has also created their own community space within the restaurant where they area able to host community events and other positive aspects of Native identity: http://openmediafoundation.org/services/video-production-services/first-nations-development-institute-tocabe
- Desert Cafe is an entrepreneurial Native food business that serves traditional Tohono O'odham dishes sourced from Native food harvests and local farms. Desert Cafe offers innovative programming by inviting guest chefs who lead cooking classes that incorporate local traditional foods: http://www.desertraincafe.com/www.desertraincafe.com/Welcome.html

Section E: CONCLUSIONS

Recommended Strategy

The recommended strategy is to form a combination of the standout findings from the data into a model that:

- Focuses on **prepared foods,** as this shows the most financial viability in the shortest timeframe, would differentiate the approach from other competitors potentially give the business the capacity and positioning to eventually open a full-service grocery store.
- Takes a **culturally-based approach** to the business which strongly emphasizes Dakota language, foods, and community life at the center of the business, as this is currently a gap in the market and an expressed interest by community.
- Reorients the **grocery component to the periphery** of the business model, where it is included but is secondary to the prepared foods focus.
- Considers filling other **community niche opportunities** such as providing a Meeting Space in the store, and operating a Food Truck that would deliver and/or provide catering in the local area including at community events such as powwows.

The two options for the location of this model are:

- Option 1: **Lake Andes.** Acquire the Jones Food Market and remodel the business so that the focus on prepared foods is the core business. An acquisition of the Jones Market would have three major benefits:
  - It would eliminate the primary competitor in Lake Andes and the third largest competitor in the Yankton trade area. This would give the position a strong market position in both prepared foods and groceries through an existing customer base.
  - It would provide valuable physical infrastructure such as fixtures and equipment. This would reduce startup capital requirements.
  - It would provide valuable commercial infrastructure credit and accounts with vendors and suppliers. In many cases this would likely result in ongoing discount rates from wholesalers as a result of the many years of vendor relations and business credit established by the current operator of the Jones Food Market.

- Option 2: **Center of Reservation/Casino Area.** A Casino area option would likely mean new construction of the store. A food business located at or near the Casino area would provide the business with:
  - A highly central location all of the major population areas of the territory, enabling the business to reach a larger retail market.
  - Synergy with the casino, which would strengthen the business' attributes as a destination for a larger trade area.

- The potentially attribute of being a destination would support the Dakota thematic and menu focus as both locals and travelers seek to have an unique cultural experience.
- The support of the local tribal government which has a strong interest in more development and commercial activity in the area immediately surrounding the casino.

Next Steps and Further Research

Faith Spotted Eagle, who is an elder of the Brave Heart Society, has conveyed a preference for the option of acquiring the Jones Food Market in Lake Andes. This is partly based on a previous conversation that Mrs. Spotted Eagle had with the owner of the store in which he stated a willingness to sell the business at a relatively low price. Acquiring the market at a low cost could significantly reduce the cost of starting the business, thus requiring less start up capital and reducing the risk of the business.

More information and data are required before the preferred option of acquiring the Jones Food Market, or the secondary option of a location near the casino, can be validated. This research includes:

- Conducting a local data and market analysis of prepared food options on the Yankton Reservation area to determine the size of the market, the competitive landscape and the market opportunity.
- Further exploration of the interest and/or willingness of the owner of the Jones Food Market to sell the business including at what price, in what time period and what would be included in the sale.
- Examining and documenting additional case studies of business models that have a focus on prepared foods and/or Native foods.
- Scanning for possible financing strategies and sources including:
    1. Government funding such as Administration for Native American (ANA) Social and Economic Development grants, and USDA;
    2. Private Foundation opportunities such as future HFHL grants, First Nations Development Institute; Robert Wood Johnson Foundation;
    3. Native philanthropy or other direct loan options
- Generating pro forma financial projections for both options to assess capital requirements, operating costs and revenue potentials.
- Complete a Business Plan including the following components:
    - Product strategy
    - Supply chain strategy
    - Marketing strategy
    - Operations
    - Infrastructure requirements
    - Architectural design
    - Personnel plan

Section F: APPENDIX

Acknowledgements

Good Heart Grocery Store & Eat Right Deli Acknowledgements
By Faith Spotted Eagle

On behalf of the Brave Heart Circle of Grandmothers on the Ihanktonwan homeland, we wholeheartedly thank the following for assisting us in our all-important Food Sovereignty Efforts here on the Ihanktonwan homeland. They have graciously helped us to attain a position where we have the power to make choices about what and how we eat, including the awesome revival of a garden movement and hopefully now, the eventual funding of a Native owned grocery store. This has never been attained in our community and many other surrounding Native communities. For that we are eternally grateful for the following who assisted us in achieving the completion of a STRATEGIC PLAN for our proposed next step in Food Sovereignty and self-determination:

Brave Heart Kunsi Circle

Community Gardeners

Yankton Sioux Tribe

Rosebud Sioux Tribe

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Faith Spotted Eagle

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Brahm Ahmadi

Turtle Creek Grocery Store

Brave Heart Surveyors

Running Strong for American Indian Youth

Native American Advocacy Project

Ihanktonwan Oyate Dakota Treaty Council

Glenn Drapeau

Kip Spotted Eagle

This is another step in fulfilling the overall 50 year strategic plan that Brave Heart Society has created as a roadmap.

Sample Good Heart Grocery Survey

Good Heart Grocery Community Survey 2011

This Survey is being used by Brave Heart Society to involve the community in our store planning. *Wopida* for including your voice!!

Town/area I live in:

Age: Gender:

Please tell us about how you currently shop:

1. Which area store do you currently shop at the most?
☐ Wagner Food Center ☐ Buches ☐ Jones ☐ Other (Please list):

2. How do you travel to this store?
____Drive my own car
____Borrow a car
____Hire a car
____Walk or bike
____Use transit system

3. How often to you shop at this store?
____Once a week
____Twice a week
____Once a Month
____Twice a Month

4. What are THREE of the main reasons you shop at this grocery store? *(Please select only three)*
____Price
____Selection
____Quality
____Convenience
____Service
____Accepts EBT
____Accepts WIC
____Other (*Please describe*):

Please tell us about what products are important to you:

5. If you had $100 to spend, how much of it would you probably spend on each of these types of products?
____Produce
____Packaged grocery
____Perishable grocery (i.e. meat, dairy)
____Household/nonfood items
Please make sure total adds up to $100

6. On a scale of 1 - 5, how important are these attributes in the products you purchase?

Price	1	2	3	4	5
Selection	1	2	3	4	5
Quality	1	2	3	4	5
Convenience	1	2	3	4	5
Service	1	2	3	4	5
Fresh Foods	1	2	3	4	5
Healthy Foods	1	2	3	4	5
Culturally-based Foods	1	2	3	4	5
Locally produced Foods	1	2	3	4	5
Organic Foods	1	2	3	4	5

7. How important is it that a grocery store offers a deli and prepared foods?
☐ Very important ☐ Somewhat Important ☐ Not very important

8. What kinds of items would you like to see offered in a deli?
____
____

Please share your thoughts on Customer Service

9. On a scale of 1 – 5 how important are these attributes in customer service?

Employees are knowledge about products	1	2	3	4	5
Employees are available to answer questions	1	2	3	4	5
Employees are friendly and say hello	1	2	3	4	5
Employees treat customers with respect	1	2	3	4	5
Employees greet customers	1	2	3	4	5

Please share your thoughts on other store services

10. Which of the following services would you like to see offered at a grocery store?

Health Education (like nutrition workshops)	Yes	No	Unsure / Don't Know
Food education (like cooking classes)	Yes	No	Unsure / Don't Know
Cultural education (like Dakota traditional foods)	Yes	No	Unsure / Don't Know
Health services (like cholesterol testing or other screenings)	Yes	No	Unsure/Don't Know

What do you want a grocery store to look & feel like?

11. Please pick the top THREE things that appeal to you in a store: *(Please select only three)*
_____Cleanliness
_____Bright lighting
_____Soft lighting
_____Neutral colors
_____Bright colors
_____Music
_____Pleasant odors
_____No odors
______Natural décor (i.e. wood)
_______Standard décor (i.e. plastic)
______Ease of navigation

12. Would you stop at a store that enabled socializing with friends and relatives?
__Yes __No __Don't know/unsure

13. Which of the following social activities would you participate in?
_____Live music events
_____Speakers and workshops
_____Community dinners

_____Performing arts (i.e. plays, poetry)
_____Other______________________________

What else is important to you in thinking about a new store?

14. If a new grocery store were to open, where would you want the store to be located?

15. What else is important to you?

It is important that the store be locally owned	Yes	No	Unsure / Don't Know

It is important that it be owned by Yankton tribal members	Yes	No	Unsure / Don't Know
It is important that Yankton tribal members be employed at the store	Yes	No	Unsure / Don't Know
It is important that the store includes Dakota language in the signs	Yes	No	Unsure/Don't Know
Is it important that the store's décor includes Dakota cultural images/art	Yes	No	Unsure/Don't Know

WOPIDA! Would you consider being in a 1-hour focus group? A meal is provided.

If yes please write your name & contact info:

Yankton Reservation Trade Area: Grocery Retail Gap Analysis

2010 Industry Average Revenue per Square Foot:	612
Supportable Food Retail Square Footage in Trade Area:	13,875

Existing Retail Square Footage:		Total	Selling Area	Food Area	Warehouse	
Wagner						
	Wagner Food Center	13,752	8,251	8,251	5,501	
	Buche's	18,500	11,100	11,100	7,400	
	Gus Stop	1,890	1,134	227	756	
	K's Kwik Stop	2,580	1,548	310	1,032	
	Casey's	2,720	1,632	326	1,088	*% of Supportable Sq Ft: 145.69%*
		39,442	23,665	**20,214**	15,777	*% of Total Existing Sq Ft: 83.62%*
Lake Andes						
	Jones Food Center	7,000	3,500	3,500	3,500	
	Gus Stop	1,890	1,134	227	756	
	Pumper Nick's	1,940	1,164	233	776	*% of Supportable Sq Ft: 28.54%*
		10,830	5,798	**3,960**	5,032	*% of Total Existing Sq Ft: 16.38%*
Marty						
	N/A	0	0	0	0	
Pickstown						
	N/A	0	0	0	0	
Dante						
	N/A	0	0	0	0	
Ravinia						
	N/A	0	0	0	0	
Rural						
	N/A	0	0	0	0	
				24,174		*% of Supportable Sq Ft: 174.22%*
Potential Food Retail Square Footage:				**(10,299)**		