Healthy Food, Healthy Communities:
Improving Access and Opportunities Through Food Retailing

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Roots of the Access Gap

Discriminatory public and private policies have left people of color isolated from economic opportunity and services. Beginning in the 1930s, the federal government helped subsidize homeownership by insuring low-interest private bank loans for home mortgages. The government developed an appraisal method that categorized and mapped city neighborhoods based on their “desirability” for lending. African American and low-income neighborhoods—outlined in red on the maps—were considered the least desirable. This practice of discriminating against neighborhoods on the basis of race became known as “redlining.” Communities of color were systematically denied loans until the practice was outlawed in 1970. The maps became self-fulfilling prophesies that hastened neighborhood decline and disinvestment.

These trends of neighborhood decline happened as the white middle class population left urban centers in droves for homes in the suburbs in the 1960s and 1970s. Supermarkets, along with many other businesses, fled inner city locations and opened new stores in the suburbs, taking with them jobs and tax revenues in addition to their selection of healthy food. For example, in Rochester, New York, from 1970 to 1995, the number of supermarkets declined from 42 to 8. Cut off from opportunity and investment, inner city neighborhoods declined precipitously, becoming increasingly isolated and racially segregated. The only food retailers left in the neighborhood were small independent groceries that charged high prices and offered minimal variety, or corner stores selling a limited selection of processed foods.

Once they left the city, supermarkets adapted their operations to fit their new suburban locations. Suburbs contained abundant, inexpensive sites for development, and their residents had high rates of car ownership that enabled them to drive to stores located farther from their homes. As a result, retailers adopted bigger store formats with large parking lots. Because the movement to the suburbs was largely restricted to whites, and because suburbs were fairly homogenous with respect to income, communities had relatively similar product preferences. Large chain retailers developed business models that they applied across all the stores in their chain. To stock their stores at the lowest prices, they developed long-term contracts with large suppliers who offered price breaks in exchange for chain retailers’ vast purchasing power. A new business model emerged with across-the-board changes in industry practices starting with development decisions and extending through product selection and marketing.

A number of recent studies demonstrate how the marketing analyses influencing retailers’ location decisions systematically undervalue inner city neighborhoods. Some have referred to these modern business practices as “retail redlining,” the shunning of minority communities by retailers.
Researchers have highlighted a number of problems with the data and market analyses of private marketing firms and the ways they are used by grocery store decision makers. These firms use national data sources which tend to undercount inner city residents, especially minorities. Alternative market studies that use local data sources often find that population and purchasing power in low-income communities of color is significantly higher than figures given by traditional market analyses. A study of two Washington D.C. neighborhoods by Social Compact, for example, found that Census figures underestimated the population of the Columbia Heights-Petworth neighborhood by as much as 55 percent, and of the Anacostia-Hillcrest neighborhood by as much as 13 percent. Another problem is that retailers often look at average household income rather than at total area income, which would more accurately capture the density and therefore purchasing power of urban neighborhoods.

Private marketing firms’ characterization of low-income communities of color is also problematic. These firms use demographic and consumer spending data to categorize communities into pre-established “neighborhood types” ranked by investment potential. These neighborhood types with short names like “Difficult Times” draw on racial and class-based stereotypes. For example, one firm describes the residents of northside African American neighborhoods in Milwaukee as “very low income families [who] buy video games, dine at fast food chicken restaurants, use non-prescription cough syrup, and use laundries and laundromats.” The same company describes the residents of the suburban, white North Shore community as “interested in civic activities, volunteer work, contributions, and travel.” These descriptions are extremely subjective and are not accurate portrayals of the business potential of low-income communities of color. They can steer business decision makers away from locating in these communities, even when there are actually significant opportunities in these underserved areas.

New Food Retailing Opportunities in Underserved Markets

Academics and business organizations have begun recognizing the competitive advantage of inner cities—density of purchasing power, limited competition, and available labor force. Some supermarkets, faced with saturated suburban markets and competition from mass discounters such as Wal-Mart, have been able to move beyond assumptions about race and spending power to see potential opportunities in low-income communities of color.

Striking success is possible for stores that move into underserved, low-income communities. For example, Pathmark and Super Stop & Shop—two leading grocery store chains in the Northeast—have found that their highest grossing stores are in low-income communities. In addition to the potential profits to be made, supermarkets benefit by locating in
low-income communities of color because these store locations can help the entire chain understand how to better meet the needs of the increasingly racially and ethnically diverse suburbs.⁶

It is possible to achieve win-win solutions for businesses and communities—a double bottom line of financial return and community benefit. With a realistic evaluation of their potential for success in underserved communities—driven by accurate data and not clouded by racial stereotypes and assumptions—food retailers can identify and take advantage of opportunities in untapped markets. At the same time, increased food retailing options in underserved neighborhoods often translate to health and economic development benefits for residents and their communities.

These success stories are too few and far between. Some low-income communities have won improved access to healthy food, but many more still face a significant “grocery gap.” The promising food access models described in this report provide important lessons for those who seek to improve resident and community health through access to healthy food. They point to new strategies and policy interventions that can lead to win-win solutions for food retailers and communities.