

Solutions

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Beyond the Adage "Location, Location, Location"

BY PATRICIA CUMBIE

You hear it all the time. Location, location, location. It's one of the undisputed truisms of successful retailing. Many an entrepreneur believes a good location is the trump card to competition. Yet even though location as a word and concept often gets top billing, it is the site characteristics of a location that often really make or break a business.

Consultant Debbie Suassuna says it is important to understand the difference between "location" and "site," and how they work together, in order to get the best, most objective perspective on where to locate a business. Suassuna said that when you're familiar with an area, it's easy to make assumptions about the virtues of a site or location that may or may not pan out. "Getting expert market research on a site and location is your best insurance that you are opening in the right place and the right size for your

sales potential. It helps minimize risk," she said.

So why are location and site analysis considered two different and equally important things when they sound like variations on the same theme?

Location is the geographic place in your town that aligns your business with the right population and demographic profile. Infrastructure and other businesses in the area are also part of what makes a location good or not. Are there any distinct barriers nearby (railroad tracks, tunnels, rivers) to reaching a potential location? Will your food co-op have retail synergy with other retailers in the area also attracting the kind of customer you serve? In the scheme of things, Suassuna believes

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the right retail synergy plays a larger role in a business' success than most people realize.

A site analysis takes a look at the physical attributes of a specific location. Is the building big enough or adequate for your needs, how is the parking availability, is the space easy to get in and out of as a shopper? And most important, how visible is the site from the road? It's this last point that Suassuna argues that people most familiar with an area can be especially blind to and could benefit from outside assistance.

"Some people assume that people already know about the food co-op, especially in small towns," she said. "I've done a lot of consumer research that shows that visibility is often the number one driver to bringing in new customers." Suassuna

Getting Creative with Location

Throughout this past year, Solutions has examined the topic of expansions and relocations from many different angles, including planning, project management, and their costs and complexities. When it comes to finding a good location and adequate site, the focus of this issue's feature, more co-op leaders are reporting growing frustrations with the process.

Finding the right site in the best location to fit the co-op's vision and budget requires so many considerations, not the least of which is finding workable places in an increasingly competitive real estate market. Retail chain stores in particular are nabbing up A-list locations and making it harder for independents to gain a foothold in desirable retail areas because of cost and availability. The good news is that food co-ops are responding by getting creative with design and financing. Thus, using experts to help with the decisions of where and to what level to expand and relocate is even more imperative. Professional advice can help prevent costly mistakes that could seriously hamper the co-op's future, and used conscientiously, can help food co-op operators be aware of their impact on their trade area.

We are also pleased to share with you the news that our group of food co-op consultants has reorganized as the CDS Consulting Co-op. As you all have grown throughout the years, so has our work assisting you with governance, management, expansion and operations. We have a new name and organization to better administer our programs, but our commitment to you is as strong as ever.

—Patricia Cumbie

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Our Mission

CDS Consulting Co-op is dedicated to building and strengthening cooperative businesses by providing consulting, training and development services.

CDS Consulting is a network of independent professionals experienced in developing cooperatives. Our consultants have worked on over 500 projects and will tailor our services to fit your needs and provide solutions.

Board Leadership Development

- CBLD—Cooperative Board Leadership Development
- Board training and facilitation
- Strengthen board/manager relations
- Policy Governance® and Accountability
- Member owner linkage

Expansion and Relocation

- Expansion planning
- Financial pro forma
- Capitalization and member loans
- Business strategy
- Market, location and site analysis
- Trade area and market penetration analysis
- Project management
- Store planning and design services

Improving Operational Performance

- Business planning, goal setting and monitoring
- Audit and strengthen operational systems
- CoCoFiSt
- CoCoFiSt workshops
- Margin enhancement
- Labor controls
- Merchandising
- Financial system design and assessment
- Management training, coaching, and support

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noted that a location off the main drag might seem like a better deal financially at first, "But can you afford to wait until people find you?" Getting consumers to change shopping patterns, especially if your site is not noticeable or convenient, can be challenging and expensive. She argues that you can accelerate the maturity of your co-op and get sales faster in a more visible location.

The site plus location equation doesn't or can't always come out perfect. The ideal location may be too expensive. Or the site characteristics are great, but the location's terrible. Market, location, and site analysis offers third-party expertise to help you weigh available options and help validate to your lenders and stakeholders that you've done your research. As far as vetting a project's potential, it's invaluable.

"A professional market/location/site analysis conducted by a reputable market analyst is part of the due diligence of a large expansion," said expansion planning and business development consultant Bill Gessner. "To raise capital, external and internal, it's very important to have an independent assessment by a qualified analyst."

George Huntington, general manager of Bloomingfoods Market & Deli in Bloomington, In., opened the co-op's third location this past year on the Near West side of town. Originally, the site had been a restaurant that the co-op had leased and operated for a number of years. When the restaurant continued to struggle for profitability, the co-op's leadership considered its options.

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The prevailing opinion of the time was that Bloomingfoods should launch a hybrid restaurant and store in the space. However, after commissioning CDS for a market analysis, it was determined that an emphasis on groceries would probably better serve the area's consumers. Huntington said decisions made after receiving the location and site analysis results have contributed to the grocery co-op's current sales success. He knew instinctively the location was good, but the report also highlighted some site characteristics that he realized had to be fully considered before the project could proceed as a grocery store.

One of the report's key questions was about

the site's parking being inadequate for the size of the grocery co-op. Rather than pass on a good location with some middling site characteristics, the co-op looked at ways to improve the latter. "We decided to get bold with our design," said Huntington, by asking the city for angled parking in the two block radius around the store, thereby gaining more crucial parking that also

Bloomingfoods built a huge canopy in front of the co-op to improve visibility and encourage pedestrian and bike traffic.

serves as traffic calming measures. The co-op also built a huge canopy in front of the co-op to improve visibility and "stand out as a community gathering place," and that encourages pedestrian and bike traffic as well.

Maximizing a co-op's expansion potential is a bottom-line imperative for location and site research, but doing one regularly also offers other benefits to food co-op operations that should not be overlooked. Both Gessner and Suassuna argue that market analysis post-expansion can help managers better understand their operation's current standing in the marketplace, and they can use the information as a tool for improving or strengthening marketing and customer service.

Huntington continues to commission regular market studies for Bloomingfoods for those reasons. "It allows us to do target mailings to customers, depending on our strong or weak areas. It also gives us info on how deep we've penetrated certain areas of our trade area." He believes good management and staff should have a feel for what customers want, but a market study can help quantify hunches and focus efforts on what's tangible and understood and about their market.

Additionally, Bloomingfoods' success has brought them a continual stream of inquiries from local communities and developers seeking a grocery store. Having up-to-date market studies gives the co-op a tool for knowing which projects warrant serious consideration. Huntington believes market studies have also helped him understand the co-op's place so that Bloomingfoods is poised to take its influence on the city and its communities to a new level. "We have an awareness of the vision of our city leaders and we plan to be aligned with that," Huntington said.

CASE STUDY

River Valley Market

Finding a Home Between a Rock and Hard Place

The journey to River Valley Market's opening day this April in Northampton, Mass. is truly a saga, one that highlights a community's tenacity and earnest desire for a food co-op in a town where prime real estate locations are booked up through and through. However, their challenges are shared by many food co-ops around the country where market areas look favorable for co-ops, but in the places it makes sense to locate, have nothing available and/or sky high real estate costs. In River Valley Market's case, it was both.

Throughout their process, River Valley Market engaged the services of professionals to do feasibility and market studies. They even did it before they incorporated as a co-op. Research showed that the co-op idea was viable and the market considered strong, sophisticated and competitive. "There was an early decision to use professional services and not rely on local volunteers to try to figure things out," said Rochelle Prunty, who started in 2001 as River Valley Market's general manager. In a town with such enviable demographics, it was a wise decision. Finding the right site and location was a nuanced and complicated job.

Soon after Prunty came to the co-op, River Valley Market found what they believed was the perfect site, but the deal fell through. Plan B, on the same street, had potential, until they learned about a deed restricting grocery retails. Plan C, in a highly sought retail center would have worked if the site's landlord would have felt comfortable giving the startup a long-term lease. Plan A reemerged with a different developer, and fell through again. Plan D made the co-op consider a different town altogether. "There was a lot of competition to get retail locations. Property owners used retail chain stores to help raise prices. Being a startup was not very marketable in our real estate environment," Prunty said about the frustrations they encountered. Not only that, picking a less-than-ideal spot due to impatience wouldn't have been smart in the long run, either.

Where they ended up building the co-op is on the same street they originally wanted to be on but farther to the north. River Valley Market was able to lease the property, a former rock quarry, because it was a site not yet zoned for commercial



River Valley Market Northampton, Massachusetts

Year Founded: 1999

Year Opened: 2008

Retail Square Feet: 11,000

Number of Members: 3,250

Equity Investment: \$150 per household

Number of Staff: 75

real estate, giving them a little more negotiation leverage. "We were between a rock and a hard place," Prunty said, about the many years search for a site, "And the rock started to look good."

Market studies supported putting the co-op there, but it was not an easy decision because building a store from the ground up was a risky and expensive proposition for the startup. "We looked at going smaller to cut the budget, but it didn't make sense to lower our sales potential, given the development costs," Prunty said. With the help of New Market Tax Credit financing that brought millions of dollars into the project, they were able to make it work. "The market study was essential for getting the New Market Tax Credits, especially from someone like CDS's Pete Davis who has such a good reputation in the industry."

So many potential sites and feasibility and market studies later, they're finally open for business, and Prunty said they are on track to meet their sales projections. Not only that, she believes their co-op is well-positioned to build community, as everyone hoped, and participate in greater retail synergy in their area. The natural beauty of the quarry contributes to what she called a "non-mall" atmosphere that's a real pleasure to shop because it's natural, friendly and personable. It feels good, Prunty said. At long last River Valley Market found the right place.

New Co-op, New Name, Same Great People: CDS Consultants Reorganize

The CDS Consulting Co-op is the new name for the consultant group that has been providing services to food co-ops through Cooperative Development Services (CDS). In cooperation with CDS, we opted to create the CDS Consulting Co-op to focus organizational resources, increase efficiency and strengthen the mission of both cooperative organizations.

What does this change mean for our clients? Our name and address will change. That's about it. We'll be operating with the same talented consultants you've already developed relationships with. You'll still be able to reach us through our individual contact information printed on the back of this newsletter. Our group of consultants will continue to offer all the high-quality training seminars, coaching and technical expertise we are known for. If you'd like more information about this change, visit our website at www.cdsfood.coop or contact Marilyn Scholl at MarilynScholl@cdsfood.coop or 802-387-6013.

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