
CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

MARKET RESEARCH: FINDING THE RIGHT SITE FOR YOUR CO-OP AND PROJECTING ITS SALES POTENTIAL

**Debbie Suassuna, Location Research Consultant
Wednesday, October 29, 2008**

TODAY'S "GUEST HOSTS"

Kathryn Strickland
Director
LIFT Housing
Huntsville, AL

Dick Hiatt
Executive Director
Food Bank of North Alabama
Huntsville, AL

Karen Wagner
Steering Committee Member
Pendleton Community Co-op
Pendleton, OR

DESIRED OUTCOMES

- ❶ Participants will learn why a Market Study is needed
- ❶ Participants will learn when to request a Market Study
- ❶ Participants will understand what characteristics to look for when selecting a specific site for their co-op

PRESENTATION OUTLINE

- ❶ What is the purpose a Market Study and why do you need it?
- ❷ When should you request a Market Study?
- ❸ What are the steps involved in carrying out a Market Study?
 - Request Proposal
 - Market Area Fieldwork

PRESENTATION OUTLINE (Cont.)

- ❶ What are the steps involved in carrying out a Market Study (continued)?
 - Data Analysis & Sales Forecast
 - Final Report

CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

WHAT IS THE PURPOSE OF A MARKET STUDY AND WHY DO YOU NEED IT?

WHAT IS THE PURPOSE OF A MARKET STUDY AND WHY DO YOU NEED IT?

- ❶ A Market Study will determine the suitability of your proposed site, or if no specific site is being considered, it will identify areas where a site should be sought for the co-op.
- ❷ A Market Study will determine the appropriate size of the co-op based on the sales potential that exists within the market.

WHAT IS THE PURPOSE OF A MARKET STUDY AND WHY DO YOU NEED IT?(Cont.)

- ❶ A Market Study is an analysis used to determine the sales potential for a proposed co-op food store.
- ❷ The results of a Market Study are necessary for a co-op planning group to develop a Business Plan or a complete a Financial/Pro-forma Analysis.

WHAT IS THE PURPOSE OF A MARKET STUDY AND WHY DO YOU NEED IT?(Cont.)

- ❶ The results of a Market Study are generally acceptable by most banks and lending institutions as part of a loan application package.

CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

WHEN SHOULD YOU REQUEST A MARKET STUDY?

WHEN SHOULD YOU REQUEST A MARKET STUDY?

 In general, a Market Study is conducted after your co-op planning group has done the following:

- You have raised the funds to cover the cost of the Market Study through loans, grants, membership drive, etc. (i.e., \approx \$10,000 for a new market, depending upon travel expenses).

WHEN SHOULD YOU REQUEST A MARKET STUDY? (Cont.)

- You have worked with a local real estate broker and have identified 1 to 3 alternative sites for your co-op.
- *Optional:* You have surveyed your members to determine their opinions regarding the proposed co-op (e.g., desired products, special dietary needs, store hours, store location, etc.).

CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

WHAT ARE THE STEPS INVOLVED IN A MARKET STUDY?


WHAT ARE THE STEPS INVOLVED IN A MARKET STUDY?

- ❶ Request Proposal – The Board of Directors/Steering Committee requests a formal proposal for a Market Study.
- ❷ Market Area Fieldwork – Allows a trained location analyst to supplement demographic and population data with personal, impartial observations regarding the facility/site/location characteristics, the competitive

WHAT ARE THE STEPS INVOLVED IN A MARKET STUDY? (Cont.)

- ❶ environment, retail synergy, trade area access, etc.
- ❷ Data Analysis & Sales Forecast – A sales forecast is generated using a proprietary Analog Sales Forecasting Model (derived from “analogous” meaning similar).


WHAT ARE THE STEPS INVOLVED IN A MARKET STUDY? (Cont.)

-  **Final Report** – Summarizes the observations from the fieldwork, the study methodology, and the key findings and recommendations derived from the fieldwork and data analysis.

REQUEST PROPOSAL

- ❶ Once the Market Study funds have been raised through grants, loans, etc., the Board of Directors/Steering Committee will request a formal proposal outlining the work plan, timing, and fees for their Market Study.
- ❷ Work on your Market Study typically begins about 4-6 weeks after the proposal has been accepted.

MARKET AREA FIELDWORK: MEET WITH CO-OP PLANNING GROUP

-  Meet with co-op planning group on the morning of the first day of the field evaluation to gather background information regarding the proposed co-op site (e.g., the locations of the proposed co-op site, the contemplated size and merchandise mix of the co-op, any insights into the market, etc.).

MARKET AREA FIELDWORK: EVALUATION OF THE FACILITY

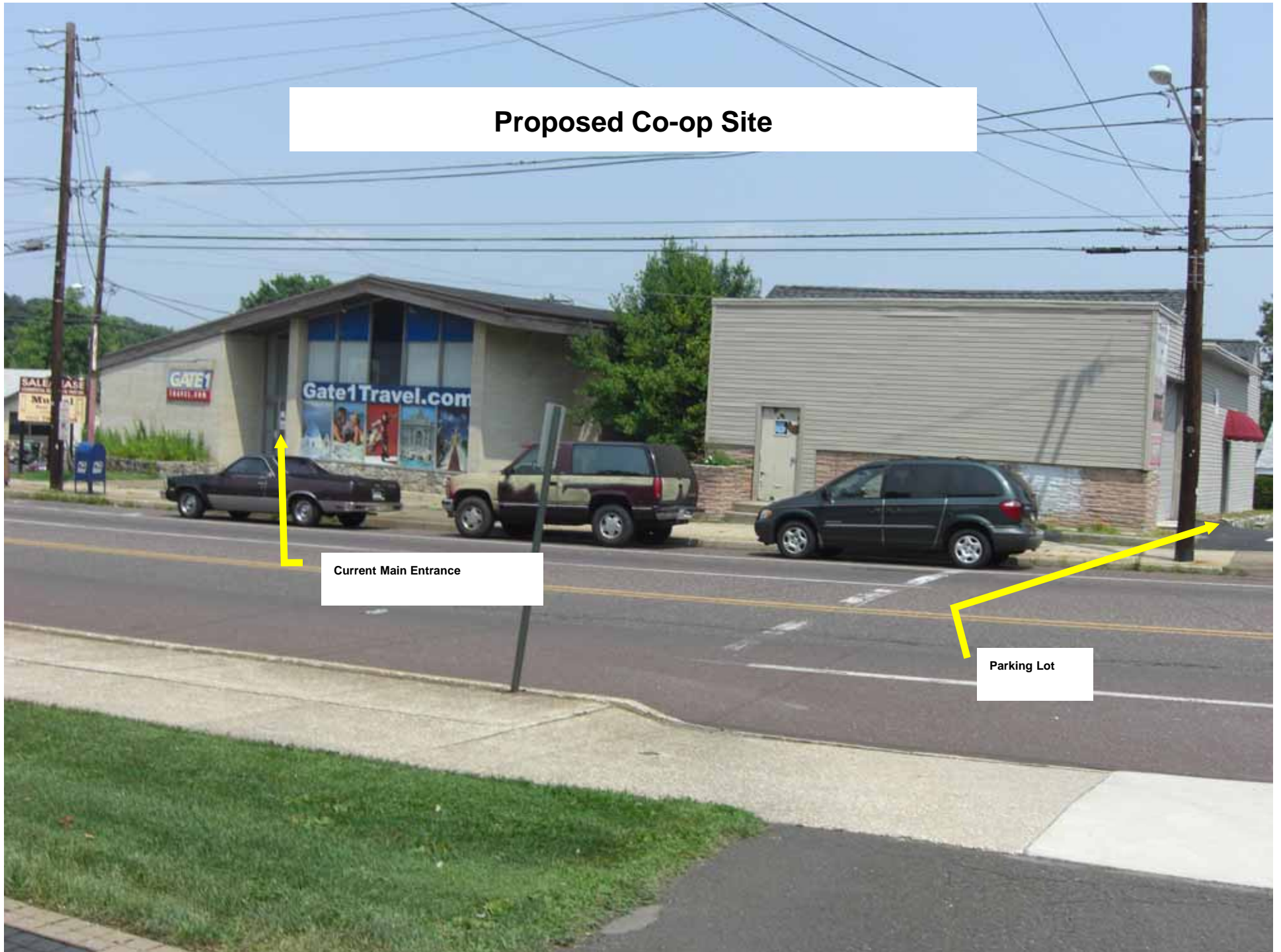
Evaluate the facility characteristics of the proposed co-op site(s).

- What is the size of the facility being considered?
 - » Sales area is usually 60% - 70% of total area.
 - » Minimum size: 4,500 – 5,000 sq. ft. necessary for sales area of at least 3,500 square feet (i.e., a “full-line” store).

MARKET AREA FIELDWORK: EVALUATION OF THE FACILITY (Cont.)

- What is the shape of the facility?
 - » Not overly long and narrow, or wide and shallow
 - » Single-story
- Where is the customer entrance?
 - » Front of store, near the middle of the façade
 - » Exterior/automatic door

Proposed Co-op Site



Current Main Entrance

Parking Lot

MARKET AREA FIELDWORK: EVALUATION OF THE FACILITY (Cont.)

- What is the layout of the facility on the site?
 - » Does the facility face its parking lot?
 - » Does the facility have a loading dock and is it easily accessible by delivery trucks without blocking parking spaces?

MARKET AREA FIELDWORK: EVALUATION OF THE SITE

Evaluate the site characteristics of the proposed co-op site(s).

– Visibility

- » From as many directions as possible
- » From as far away as possible
- » Signage can enhance visibility
- » Consumer research indicates that most shoppers first become aware of a store by driving by/walking by

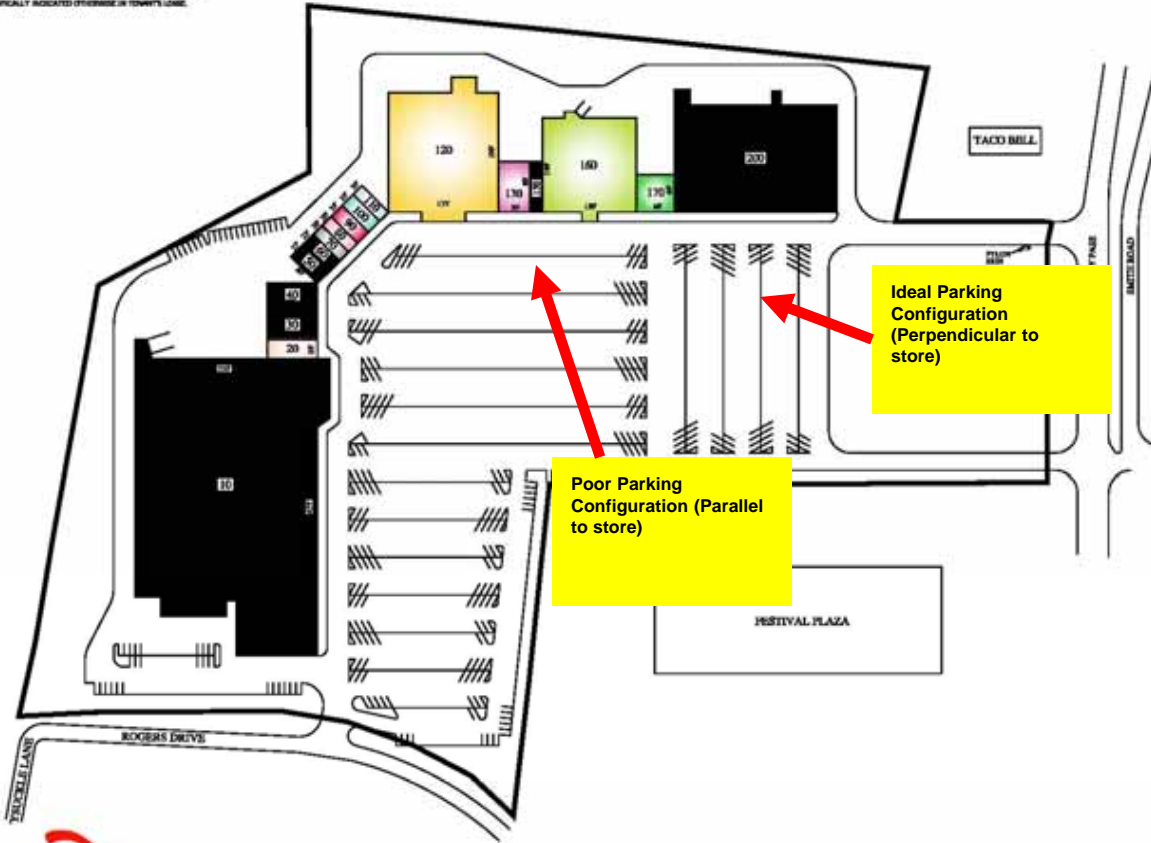
MARKET AREA FIELDWORK: EVALUATION OF THE SITE (Cont.)

- Ingress/Egress
 - » The ease or difficulty associated with entering or exiting a food store parking lot
 - » Presumes the existence of off-street parking lot
 - » Consider such things as deceleration lanes, left-turn lanes, medians, traffic signals, frontage street speed limits, etc.

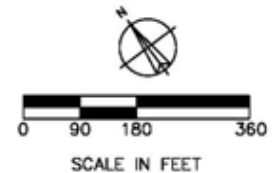
MARKET AREA FIELDWORK: EVALUATION OF THE SITE (Cont.)

- Configuration of the parking lot
 - » Drive lanes should be perpendicular to the front of the store
 - » The most advantageous parking exists within 300 -350 feet from the store entrance/exit
 - » Parking should be within sight of the store entrance/exit (not to the side or rear)

THE DESIGNATION AND LOCATION ON THIS SITE PLAN OF STORE UNIT NUMBERS, TENANT NAMES, AND OTHER INFORMATION ABOUT THE SHOPPING CENTER, ITS BUILDINGS, AND COMMON AREAS IS NOT A REPRESENTATION BY LANDLORD. THE RICH CONCRETE FOOT OR WALL CONTAINS TO EXIST THROUGHOUT ALL OR ANY PORTION OF THE TERM OF TENANT'S LEASE. THIS SITE PLAN AND OTHER INFORMATION CONTAINED HEREIN IS FOR INFORMATIONAL PURPOSES ONLY. EXCEPT AS SPECIFICALLY SO INDICATED OTHERWISE BY TENANT'S LEASE.



SPACE	NAME	AREA	LAYOUT
111	AVAILABLE	116,215 SF	310' x 473'
20	FRIEDMAN'S	2,400 SF	30' x 80'
30	AVAILABLE	4,400 SF	55' x 80'
41	AVAILABLE	2,800 SF	35' x 80'
50	AVAILABLE	1,620 SF	27' x 60'
60	AVAILABLE	1,380 SF	23' x 60'
70	ADVANCE AMERICA	1,200 SF	20' x 60'
80	H&R BLOCK	1,200 SF	20' x 60'
90	CELLULAR ONE/AT&T	1,500 SF	25' x 60'
100	PIONEER CREDIT	1,500 SF	25' x 60'
110	NAILS EXPRESS	1,200 SF	20' x 60'
120	PIEBLES	32,680 SF	175' x 190'
130	MARY ANNE'S HALLMARK	4,000 SF	50' x 80'
150	AVAILABLE	1,600 SF	20' x 80'
160	GOODY'S	22,500 SF	150' x 150'
170	RENTWAY	3,600 SF	60' x 60'
200	AVAILABLE	45,500 SF	259' x 195'



U.S. PROPERTIES GROUP, INC.
 310 S. HAMILTON RD. GAITHERSBURG, MD 20878
 LOCATION:
BARREN RIVER PLAZA
GLASGOW, KY.

AC	G/LA	DATE
29.700	245,295	12-3-07

PARKING: 1193 TOTAL SPACES (1162 STANDARD, 31 HANDICAP)
 DEVELOPER: 1989
 SCALE: AS SHOWN DATE PLOTTED: 12/3/07 BY: [unreadable] SHEET: 1 OF 1

MARKET AREA FIELDWORK: EVALUATION OF THE SITE (Cont.)

- Capacity of the parking lot
 - » Urban site with lots of walk-in shoppers needs at least 4 cars/1,000 sq. ft. of store
 - » Suburban site, where everybody drives to the store, needs 8 cars/1,000 sq. ft. of store
 - » In general, a suitable co-op site should accommodate 6 cars/1,000 sq. ft. of store (i.e., a 10,000 square foot store should have 60 “co-op only” parking spaces)

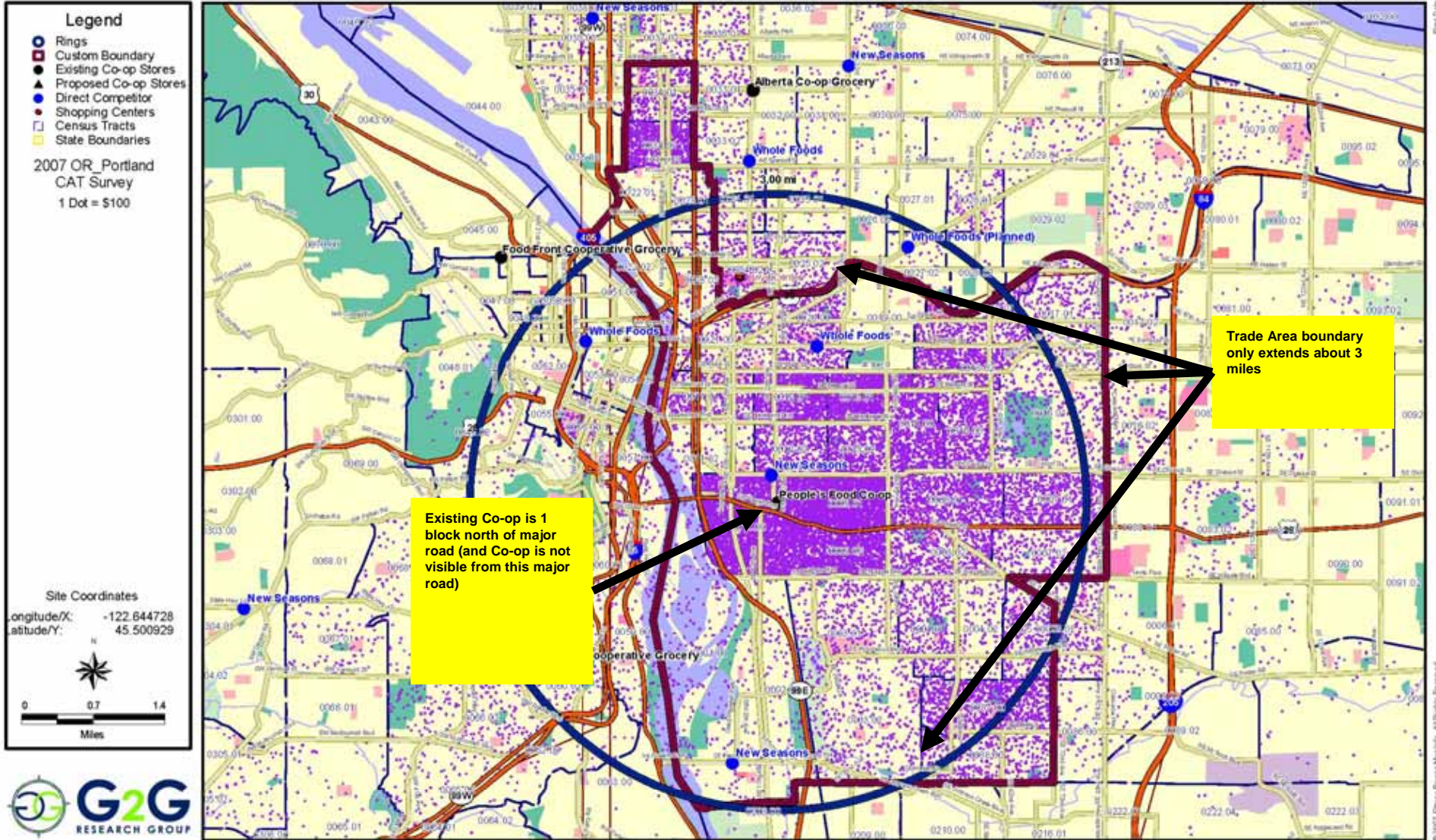
MARKET AREA FIELDWORK: EVALUATION OF THE LOCATION

- What is the trade area population?
- What are the trade area demographics?
 - » Percent with College Education
 - » Percent Employed in White-collar Occupations (in particular, Self-Employed, Federal Government, Education, and Health Occupations)
 - » Percent Aged 40 – 54 years
 - » Per Capita Income Levels (higher is better)

MARKET AREA FIELDWORK: EVALUATION OF THE LOCATION (Cont.)

- Trade Area Access
 - » Proximity to Major Arteries - major surface streets, expressways
 - » Is Access Local or Regional – it impacts the size and shape of the trade area, and affects the size of basket and frequency of shopping trips

Trade Area and Sales Distribution Map Portland (People's Food Co-op), OR



Legend

- Rings
- Custom Boundary
- Existing Co-op Stores
- ▲ Proposed Co-op Stores
- Direct Competitor
- Shopping Centers
- Census Tracts
- State Boundaries

2007 OR_Portland
CAT Survey
1 Dot = \$100

Site Coordinates
Longitude/X: -122.644728
Latitude/Y: 45.500929

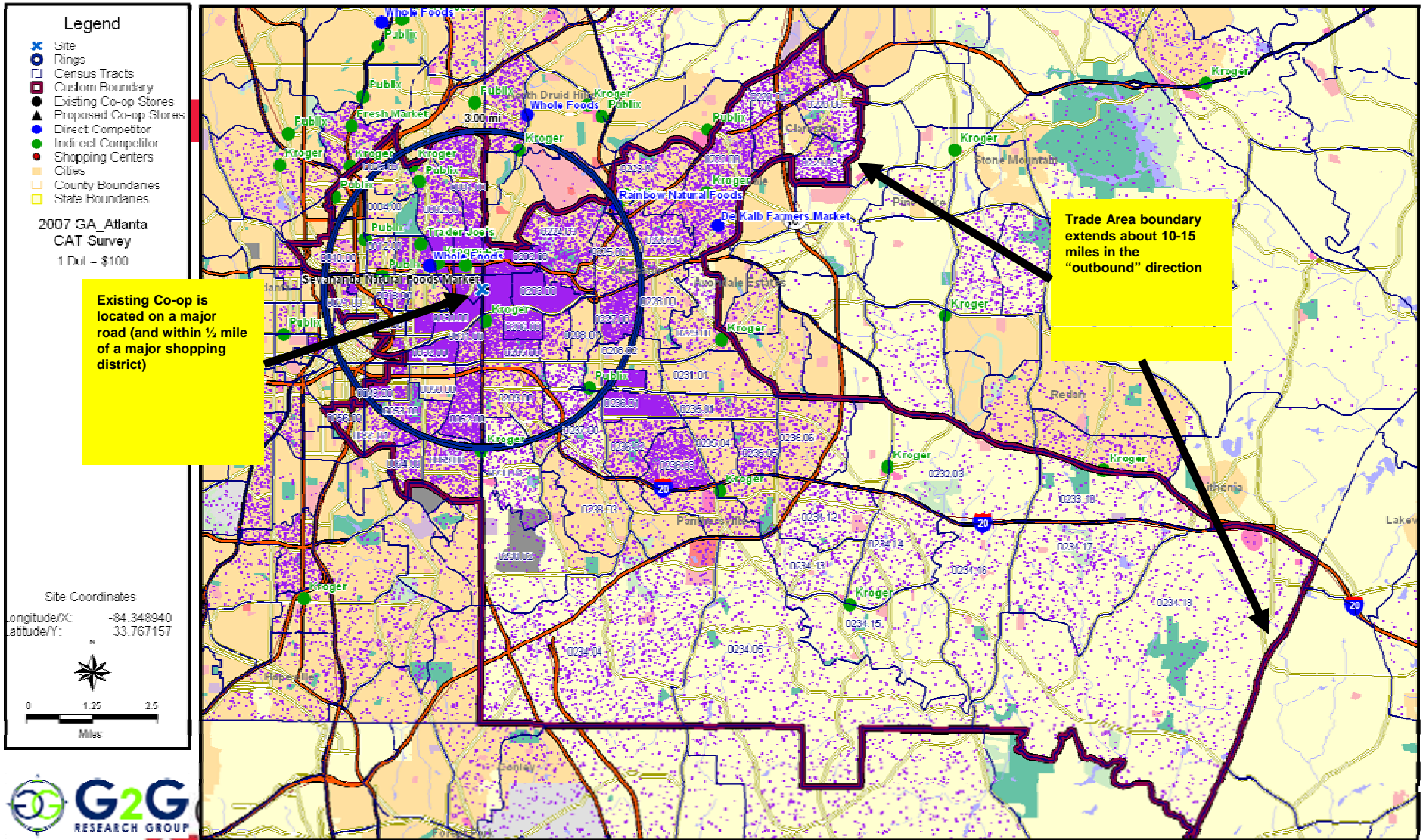
0 0.7 1.4
Miles



G2G 138-001

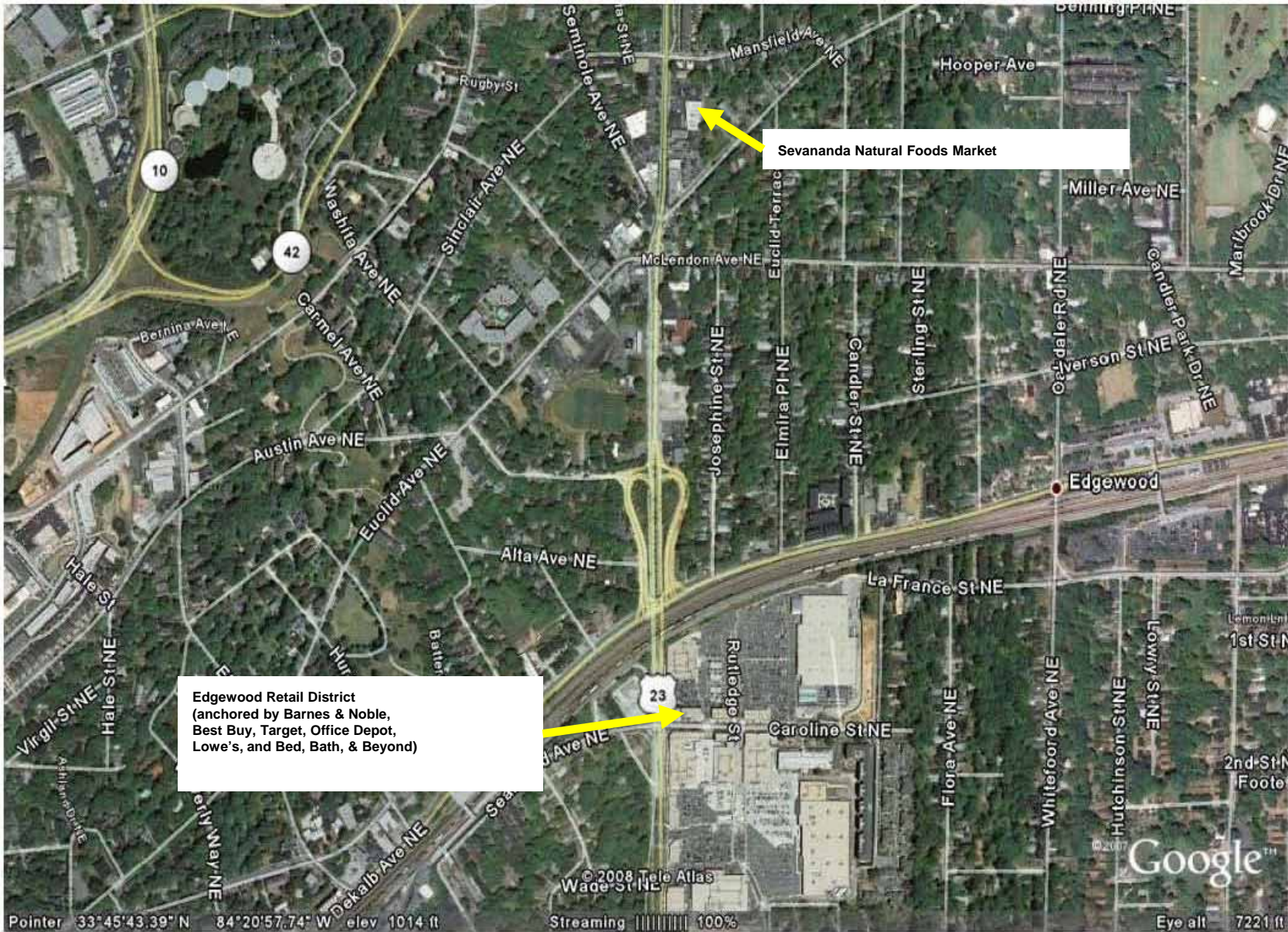
Data Source:

Trade Area and Sales Distribution Map Atlanta (Sevananda Natural Foods Market), GA



MARKET AREA FIELDWORK: EVALUATION OF THE LOCATION (Cont.)

- Retail Synergy – the presence of other retailers in the vicinity of the site
 - » Beneficial synergy – those retailers that appeal to the same type of customer (e.g., bookstores, office supply stores, coffee shops, bakeries, etc.)
 - » Detrimental retailers include those that, if located too close to the food store, tend to limit its effective parking (e.g., movie theaters, health clubs and gyms, fine dining restaurants, bowling alleys, etc.)



Sevananda Natural Foods Market

Edgewood Retail District
(anchored by Barnes & Noble,
Best Buy, Target, Office Depot,
Lowe's, and Bed, Bath, & Beyond)

MARKET AREA FIELDWORK: EVALUATION OF THE LOCATION (Cont.)

- Location of the store within the trade area:
 - » Is it relatively central to, or at least readily accessible to, the trade area population base?
 - » Is it located in a desirable area, to which potential shoppers travel on a regular basis?
 - » Does it face any trade area barriers (expressways, cemeteries, rivers/lakes, industrial belts, railroads, etc.)?

MARKET AREA FIELDWORK: EVALUATION OF THE COMPETITION


- Evaluate the competitive environment.
 - » Direct competition (i.e., other natural foods stores like Whole Foods, New Seasons, Earth Fare, etc.)
 - ◆ Similar merchandise mix and customer appeal
 - » Indirect competition (i.e., “conventional” stores)
 - ◆ Strength/weakness depends upon the store’s depth/breadth of natural and organic foods

DATA ANALYSIS & SALES FORECAST

Define the trade area:

- Based on fieldwork observations
- Based on barriers
- Based on distance to adjacent market areas
- Based on locations of competitors
- Based on analogous store performance

DATA ANALYSIS & SALES FORECAST (Cont.)

-  Assemble population and key demographic characteristics for each census tract within your co-op's defined trade area

DATA ANALYSIS & SALES FORECAST (Cont.)

- ❶ Review proprietary analog database, searching for analogous food co-ops in terms of trade area size, location type, competitive environment, store size, demographic characteristics, and any other characteristics that are important.

DATA ANALYSIS & SALES FORECAST (Cont.)

- For each individual census tract in the proposed co-op's trade area, select census tracts in the analog database that are a close match on the basis of distance, competition, demographics, etc. – and then use the sales penetration rates of the existing co-ops to forecast the sales penetration rate for the proposed new co-op.

DATA ANALYSIS & SALES FORECAST (Cont.)

- By adding the sales forecasts for each census tract in the proposed co-op's trade area, the sales forecast for the trade area as a whole is determined.
 - The trade area sales generally represent 65%-85% of the co-op's total sales




DATA ANALYSIS & SALES FORECAST (Cont.)

- Next, the sales from beyond-the-trade area is forecasted based on comparisons with analogous co-ops in the database. The proposed co-op's total sales forecast is then calculated as the sum of its trade area sales and its sales from beyond the trade area.

Final Report

- ❶ Introduction (Background information)
- ❷ Key Findings and Conclusions/
Recommendations
- ❸ Sales Forecast Analysis
- ❹ Trade Area Characteristics
- ❺ Facility, Site, and Location
Characteristics

Final Report (Cont.)

-  **Competitive Environment**
-  **Study Methodology**
-  **Sales Forecast Table and Trade Area & Competition Map**

SALES FORECAST SUMMARY

	Proposed Site	Co-op Database Store Average
--	---------------	---------------------------------

Sales Area (Sq.Ft.)	3,500	6,750
Analog Sales per Selling Sq. Ft.	\$901	\$1,236

Key Forecasting Variables

Total Population	88,305	124,804
Group Quarters Population	4,227	5,555
Total Population in Households	84,078	121,285
% Self-Employed/Federal Govt Worker	21%	26%
# Self-Employed/Federal Govt Worker	5,280	9,839
% College Graduate	32%	40%
# College Graduate	16,518	32,825
% Non-Family Households	34%	43%
Population in Non-Family Households	12,120	29,337
% Education/Health Occupations	12%	12%
# Education/Health Occupations	4,085	6,783
Per Capita Income	\$25,876	\$26,867
% Aged 40-54 Years	22%	21%
% White Population	78%	80%
% Annual Population Growth	1.0%	0.7%
% Pop Equally/More Convenient to other Co-op	0%	20%
% Pop Equally/More Convenient to Direct Competitc	39%	51%

Total Pop minus Group Quarters Pop = Total Pop in HH (i.e., prospective co-op shoppers within the trade area)

Key demographic characteristics that are positively correlated with co-op sales performance levels

Total trade area sales ÷ Tot Pop in HH

Analog Sales Forecast

Analog Trade Area Sales per Household	\$30.00	\$52.71
Analog Trade Area Sales	\$2,522,340	\$6,393,004
% Trade Area Sales	80%	76%
Analog Sales from Beyond Trade Area	\$630,585	\$1,949,997
% Sales from Beyond Trade Area	20%	24%

Total sales from each trade area census tract

Total annual sales if co-op were mature, and open today

Analog Total Sales	\$3,152,925	\$8,343,001
--------------------	-------------	-------------

Final Sales Forecast

2011 Total First-Year Sales	\$2,610,800 *	
2012 Total Second-Year Sales	\$2,987,067 *	
2013 Total Third-Year Sales	\$3,626,800 *	
2014 Total Mature Fourth-Year Sales	\$4,816,375 *	

Total annual sales (assuming first-full year of operation for proposed co-op is 2011) to be used in financial/pro-forma analysis

Sales for proposed co-op are discounted for maturity (the time it takes prospective shoppers to become aware of the co-op and begin shopping there)

This sales projection assumes the following:

Annual Population Growth of =	1.0%
Future Annual Sales Growth of =	5% (Based on historical sales growth trends of existing co-op stores)
First-Year Maturity Impact of =	65%
Second-Year Maturity Impact of =	70%
Third-Year Maturity Impact of =	80%

THANK YOU!

Debbie Suassuna
Site & Location Research Consultant
Office: (925) 833-8524

email: debbie@g2gresearch.com

website: www.g2gresearch.com