

## The Village Store

### How big a grocery store can Bayview Village support? Can it meet average monthly shopping needs?

We researched the web on grocery stores, gross square feet of floor area, sales per week, sales per square foot, SKU (stock keeping units, items sold) in store, SKUs per square foot, household grocery expenditures, shopping trip durations, and changing market demand.

### Grocery stores

The operations of retail grocers involve wholesale buying of foods and other products, coordinating delivery to stores, handling and stocking, advertising and pricing, and managing labor. The typical supermarket is 45,000 square feet and carries 40,000 different items, or stockkeeping units (SKUs), but some markets are over 100,000 square feet.

[http://www.edsuite.com/proposals/proposals\\_169/88\\_1\\_intel\\_-\\_grocery\\_stores.pdf](http://www.edsuite.com/proposals/proposals_169/88_1_intel_-_grocery_stores.pdf)

Gross floor area: Square feet within the outside walls including supporting functions such as kitchens and break rooms used by staff, storage areas, administrative areas, halls, elevators, and stairwells.

Entrepreneur, Inc. (1988), provides a suggested list of start-up expenses based on a hypothetical new convenience store of 1,500 to 2,000 square feet, with projected annual gross sales of \$300,000-\$450,000.

Sources: How To Start & Manage a Convenience Food Store Business: Step-by-Step Guide to Business Success , Lewis & Renn Associates, ISBN 1-887005-29-3; ISBN 1-887005-49-8.

<http://www.commerce.state.il.us/NR/rdonlyres/8D0B90B6-C149-437C-9C16-131E0D62CB9E/0/GroceryConvenienceStore.pdf>

A store of 1,800 to 2,400 square feet provides enough space to stock a variety of merchandise. About 25 percent of floor area is devoted to the checkout-customer service area. The checkout should be within ten feet of the front door and contain impulse items such as candy, magazines, cigarettes, film, batteries, and razor blades. The balance of the display aisles may be 60 percent. Position the aisles so that customers must walk through in-demand items to reach milk and other beverages in refrigerated coolers. Often inventory is relocated to avoid customers establishing “shopping routes” and therefore, additional items are often seen and purchased when customers seek regularly purchased items. Walls painted a light color or white make the store look larger and allow brightly colored signs to stand out.

Only 10 percent of the floor space should be devoted to receiving and storage, and 5 percent to office space. Receiving should be on the same side of the store as the milk and other refrigerated or frozen foods to avoid delays in refrigerating new stock. Large signs should not be placed on the front of glass doors of refrigeration and freezing units, forcing customers to open the door to make a selection.

Generally, carbonated beverages and beer are delivered by the vendor and can be located on the opposite side of the store, creating a cross pattern of impulse buying for customers purchasing only a few items

## Types of grocery store

**Traditional Supermarket:** about 15,000 to 60,000 sq ft and 15,000 to 60,000 SKUs, full line of groceries, meat, and produce; at least \$2 million in annual sales and up to 15 percent of their sales in non-food (general merchandise, HBC); may offer a service deli, a service bakery, and/or a pharmacy. (Another source says 38,000 to 55,000 square feet.)

**Fresh Format:** emphasize perishables and more ethnic, natural, and organic, e.g., Whole Foods, Publix GreenWise, The Fresh Market.

**Superstore or Supercenter** - A store with at least 90,000 square feet with 30,000 square feet or more for a supermarket, plus an equally large discount department store, plus extensive services, generating \$12 million or more annually, low prices. Wal-Mart, Costco.

**Warehouse Store:** limited service; very low prices; reduced SKUs, minimal décor; items may be displayed in their original shipping cartons rather than placed individually on shelves; may sell bulk food and large size items.

**Super Warehouse:** high-volume hybrid of a large traditional supermarket and a warehouse store; typically offer a full range of service departments, quality perishables, and low prices; smaller than a superstore. Cub Foods, Food 4 Less, and Smart & Final.

**Small Format Store:** low-priced with 2,000 to 5,000 SKUs, 3,000 to 15,000 sq ft; emphasis on fresh, organic, ethnic, gourmet and prepared food; faster shopping than a supermarket, cheaper than convenience, and faster and cheaper than eating out, serves grab and go customers. Fastest growing category. Aldi, Trader Joe's, Save-A-Lot, Tesco's Fresh & Easy, Wal-Mart's Marketside, Safeway's The Market, and Jewel-Osco's Urban Fresh.

**Convenience:** carry a limited selection of staples, fast food, and other convenience goods, higher priced; under 3,000 sq ft. approximately \$1 million in business annually. Old central city corner stores, 7-Elevens, gas stations

Food Marketing Institute, [www.fmi.org/facts\\_figs/?fuseaction=superfact](http://www.fmi.org/facts_figs/?fuseaction=superfact), 6/20/11

## Trader Joe's

Trader Joe's is by far the most successful small format store. Includes gourmet, organic, vegetarian, unusual frozen, and imported foods, domestic and imported wine and beer, "alternative" food items, and staples like bread, cereal, eggs, dairy, coffee and produce. Non-food items include personal hygiene products, household cleaners, vitamins, pet food, plants, and flowers. As of May 2011, Trader Joe's has a total of 356 stores in 28 states and Washington, D.C., with more stores being added regularly. Stores average between 8,000 and 12,000 sq ft, bigger than what Bayview can probably support.

<http://www.allbusiness.com/marketing-advertising/channel-marketing/219840-1.html>

In February 2008, BusinessWeek reported that the company has the highest sales per square foot of any grocer in the U.S.

“Typical grocery stores can carry 50,000 ...SKUs; Trader Joe's sells about 4,000 SKUs, and about 80 percent of the stock bears the Trader Joe's brand. The result: its stores sell an estimated \$1,750 in merchandise per square foot, more than double Whole Foods'.”

[http://money.cnn.com/2010/08/20/news/companies/inside\\_trader\\_Joe's\\_full\\_version.fortune/](http://money.cnn.com/2010/08/20/news/companies/inside_trader_Joe's_full_version.fortune/)

“...by reducing the number of SKUs from 50,000 items a typical grocery store has to about 4,000 items, Trader Joes sell twice as much per square foot than Whole Foods. Not only do they simplify the store and reduce the physical size required, they simplify the entire supply chain including elimination of distributors thus reducing costs and overhead. And as a result they sell much more of a particular item since they don't have to stock multiple brands of each type: they have 10 different types of peanut butter instead of the 57 choices at my local Safeway which has multiple brands with similar types in many different sizes. This increased volume per specific item further increases their negotiation strength to reduce their costs.”

<http://hightechbizdev.com/2010/09/01/ira-feldman-high-technology-business-development-beware-the-cost-of-complexity/>

Source for general description/explanation of grocery store sales and trends:

<http://valuation.cushwake.com/Documents/50905.pdf>

## **Tesco**

Tesco operates four different retail formats. Tesco Express, a smaller store format of up to 3,000 sq. feet, sells fresh produce, wine and in-house baked goods; mid-size Tesco Metro stores range between 7,000 to 15,000 sq. feet; larger Tesco supercenters of between 20,000 to 50,000 sq. feet also carry non-food items like DVDs and books and Tesco "Extra" stores of over 60,000 sq. feet have a more varied product mix including clothing, housewares, electronics, cosmetics and garden furniture.

[http://money.cnn.com/2006/02/24/news/companies/tesco\\_us/index.htm](http://money.cnn.com/2006/02/24/news/companies/tesco_us/index.htm)

Tesco Express has 2,500 SKUs and 2,150 square feet, is typically a convenience store at a gas station.

## **Walmart**

<http://www.retailwire.com/discussion/15120/walmarts-view-from-15000-square-feet>

Walmart's View from 15,000 Square Feet, By Tom Ryan, March 14, 2011

“..its first Walmart on Campus opened on the University of Arkansas early this year is "doing way better than anybody anticipated." The 3,300 square foot prototype carries 2,800 SKUs, half grocery/half GM/OTC/HBC. Mr. Simon added, "There's been a lot of interest from a lot of other college campuses, the universities on this project, and it's something that we think is going to play out pretty well for us.”

## **7-Eleven**

General Store Requirements 2,000 to 3,000 square feet. Over 3,000 SKUs

Site has details on site criteria for walkup locations.

<http://corp.7-eleven.com/RealEstate/RealEstateRequirements/tabid/181/Default.aspx>

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