



GROCERY STORE FEASIBILITY STUDY
CITY OF MADISON SOUTH SIDE NEIGHBORHOOD

JUNE 2015



Acknowledgements

Mayor Paul R. Soglin

Alder John Strasser – District 14
Alder Sheri Carter – District 14
and the
City of Madison Common Council

City of Madison Department of Community and Economic Development
Economic Development Division
Planning Division



Prepared by Place Dynamics LLC
New Berlin ■ Wisconsin
www.placedynamics.com

Table of Contents

- Introduction 1
 - Methodology..... 1
 - Findings..... 1
- Background..... 3
 - An Industry in Transition 3
 - A Market in Transition..... 4
 - A Neighborhood in Transition 6
 - Grocery Retailing on Madison’s South Side..... 6
 - Estimated Food Sales..... 9
- Market Demand 10
 - Demand for Food13
- Grocery Store Evaluation 16
 - Limited Assortment Value Format 16
 - Market Opportunity for a Limited Assortment Value Format Store 16
 - Potential Impact on Existing Food Retailers17
 - Conventional Full-Line Supermarket..... 18
 - Full-Line Supermarket with Broad Draw 19
 - Market Opportunity for a Limited Assortment Value Format Store 19
 - Potential Impact on Existing Food Retailers..... 20
- Support for Food Retailers 21
 - Expanding Sales Among Existing Businesses 21
 - Direct Technical Support..... 21
 - Neighborhood Redevelopment 21
 - Destination District Strategies 21
 - Public Perceptions..... 21
 - Grocery Store Attraction..... 22
- Appendix A – Grocery Store Product Line Sales 24
- Appendix B – Trade Area Grocery-Related Sales Estimates 27

INTRODUCTION

Madison's south side neighborhoods comprise an area that is thought to have limited access to grocery shopping. Current food retailers consist of a small Copp's supermarket, several small ethnic groceries, and a handful of other stores, such as pharmacies and gas stations with convenience stores, that sell a limited assortment of foods. Further compounding the issue of access, the area has several low income pockets with a high number of households relying on public transit or walking to meet their food shopping needs.

This study was commissioned to examine the market and the existing food retail environment, and to assess the options that may be available to provide a wider selection of food available within the neighborhood, particularly with regard to the area's diverse demographics. Based on this analysis, the study recommends potential strategies for grocery store recruitment and to enhance existing options in the neighborhood.

METHODOLOGY

The analysis begins with a description of trends impacting the grocery industry and competition within the Madison market. Two different measures are used to assess the market opportunity. Firstly, to understand food spending, the total amount spent by households on groceries and other food items for human consumption off the premises was calculated, and compared to the estimated food sales captured by businesses in the area. Secondly, the market potential for grocery stores was calculated. This is comprised of that portion of the product line potential for food items normally sold at grocery stores, and the portion of non-grocery product lines normally sold at grocery stores.

To test whether a new grocery store would be viable in the Park Street Corridor, the analysis considered three scenarios, determining the normal sales necessary to support the format, and comparing this to an achievable market share that could be captured by that format within the corridor. Lastly, the impact of a new store on existing retailers is discussed.

FINDINGS

The opportunity for a new grocery store on the south side of Madison is a story of transitions. The grocery industry is itself in transition as consumers are increasingly shopping multiple formats (supermarkets, supercenters and warehouse clubs, chain pharmacies, etc.), and grocery stores are becoming increasingly diverse. As a result, most traditional grocery stores are being squeezed at both ends, as shoppers turn to value-based options at one end and specialty grocers like Whole Foods at the other end.

In the Madison market there has been a great deal of recent change with the entry of several new chains. Walmart, Target, Costco, Sam's Club, Trader Joe's, Hy-Vee, and others have opened several new stores that have caused a shift in market share, perhaps impacting Copp's most of all. This change is continuing with the expected development of a Festival Foods store, and the probability of Meijer building stores in the Madison area.

Change is also an important consideration at the local level. The South Park Street corridor is an area where new investment is being attracted, and the City anticipates significant redevelopment in the corridor over the next two decades. Additional redevelopment is occurring throughout the isthmus and the campus areas, adding thousands of new households that may contribute to the market potential of a grocery store on the south side.

Existing stores on the south side, including a small Copp's, several ethnic grocers, and an assortment of other stores are estimated to sell around \$31 million in food, meeting less than half (45 percent) of the market demand for four trade areas defined in the study. Limited selection, strong competition, and diverse demographics deter these stores from capturing a greater market share.

The analysis considered three different scenarios for a new grocery store in the Park Street corridor. A limited-assortment, value-oriented store would have a reasonable chance of success. These stores are typically around 15,000 to 20,000 square feet and carry 2,000 products or fewer, compared to 30,000 SKUs found in a typical

grocery store. The other potentially viable format would be a large format grocery store with a market niche, such as a wide selection of ethnic foods. A store of this type could succeed in drawing customers from outside of the adjacent neighborhoods, making up for the otherwise insufficient market potential within these areas. It does not appear that a traditional full-line grocery would be able to capture enough sales to meet expected sales levels.

BACKGROUND

The opportunities for Madison’s south side need to be discussed in the context of a changing environment. The neighborhood is itself undergoing change as redevelopment occurs along primary corridors, adding a significant number of new housing units and changing the complexion of the area. Within a broader context, Madison’s grocery market has become extremely competitive over the last decade, with many new entrants vying for a piece of a pie that is only growing slowly. New store openings are likely to cause others to exit where they cannot be competitive. And finally, that competition is changing as buying habits evolve and new store formats appear.

AN INDUSTRY IN TRANSITION

Purchasing food once meant taking a trip to the grocery store. This still may be mostly true, but consumers have substituted a variety of other stores for some of those purchases. The percentage of food purchased at grocery stores has been in a steady decline for some time as more retailers are carrying food items, and in some cases greatly expanding their offerings. In fact, a majority of retail industries (measured at the 5-digit NAICS level) saw sales of food increase as a percentage of overall sales. Most of these increases came at the expense of traditional supermarkets, which lost nearly eight percent of the market share of all sales of food for consumption off premises, between 2002 and 2012. Warehouse clubs and supercenters have seen the largest gain in market share, followed by pharmacies and drug stores, and other general merchandise stores (the term used by the Census Bureau to describe “dollar stores”).

Appendix A provides a breakdown of the percentage of each retail product line typically sold at supermarkets and other grocery stores. These market shares are based on data from the U.S. Census Bureau’s 2013 Consumer Expenditure Survey. The following table presents a comparison of food sales at leading retail outlets over the decade between 2002 and 2012.

Selected Industry Statistics for Sales of Food for Consumption Off Premises

Retail Industry	2002		2012		Change in market share 2002-2012
	Food as a % of industry sales	Market share of all food sales	Food as a % of industry sales	Market share of all food sales	
Supermarkets and other grocery stores	73.36	66.4	70.56	58.73	-7.67
Convenience stores	45.76	2.14	49.67	1.73	-0.41
Specialty food stores	94.57	2.83	94.88	2.56	-0.27
Pharmacies and drug stores	2.86	1.01	4.94	3.97	2.96
Gas stations with convenience stores	12.03	5.14	7.79	5.13	-0.01
Warehouse clubs and supercenters	34.54	15.13	36.38	22.86	7.73
Other general merchandise stores	13.95	1.06	23.57	2.08	1.02

Source: Place Dynamics LLC, derived from the 2002, 2007, and 2012 Economic Census of the United States

Consumers use these stores in different ways. No longer are they shopping one type of store (channel) for a particular product line. Instead, the choice of store is dictated by other considerations such as pricing, selection, or the need for the shopping trip. People may prefer a supermarket for the selection of particular brands or the quality of specialty departments (produce, bakery, butcher, etc.). They may choose a supercenter for lower prices, or a warehouse club to “stock up” on essential items. Pharmacies and dollar stores may serve for small

“convenience” trips, or in neighborhoods where other stores are not available, can become a primary destination for food shopping, especially for people with limited access to cars.

Interestingly, while the numbers reflect growing spending are warehouse clubs and supercenters, this trend may not be sustained. Both Walmart and Target are struggling to grow same store sales, and food is said to be a problem of their stagnation. In Walmart’s case, it may be that their new stores are cannibalizing sales from existing stores. Meanwhile, Target is rumored to be considering scaling back on the area dedicated to food due to overall poor profitability.

Other changes are going on within the industry that seem to be threatening the traditional supermarket; a term that might be used to describe many of Madison’s older stores, such as most of the Copp’s stores in the market. Newer stores are generally adopting one of several approaches. At one end of a spectrum, supermarkets are targeting more affluent households and building large stores with many specialty departments, self-serve bars, prepared foods, and in-store restaurants. At the other end of the spectrum are a growing number of stores targeting an economy-minded segment. These stock mostly pre-packaged foods, offering a smaller selection of items and tending to have smaller specialty departments, if they have them at all. Walmart’s Neighborhood Market and Walmart Express formats are an example of the type. Aldi also fits this category.

Several other niche formats exist. Some that are well represented in the Madison market include specialty food stores like butchers or bakeries, stores focused on fresh, natural or organic foods, and ethnic groceries. In the Madison area, the ethnic groceries tend to be relatively small stores selling traditional foods, perhaps with a butcher or some on-site food preparation. In other regions, ethnic groceries can more closely resemble a traditional supermarket both in terms of their size and the selection of products sold.

A MARKET IN TRANSITION

The past decade or so has brought a great deal of change to the Madison grocery market, not only through changes in the industry, but also through intense competition as new stores have sought locations in and around the city, and older grocery stores have sometimes struggled to compete.

For many years, the Madison market was dominated by regional chains including Sentry, Copp’s, and Kohl’s. Fleming Companies, the one-time owner of Sentry, filed for bankruptcy in 2000 and sold its stores to independent operators. Many have since closed, including a south side store on Royal Avenue in Monona, and a store in Middleton. Madison’s east side Sentry closed in 2014, and the Sun Prairie store closed in 2013. The Hilldale store took a different turn, rebranding as Metcalfe’s Market and positioning itself as a more upscale grocery. It has a loyal following and appears to be doing very well.

Kohl’s was acquired by Copp’s and its parent company, Roundy’s in 2003. The merger led to the closing of two Kohl’s locations on the near east side and on the north side of Madison. The chain has a single Pick ‘n Save store in McFarland. A new Copp’s has since opened in Sun Prairie in 2009. In 2014 Roundy’s opened a new store in its upscale Metro Market format at Grandview Commons on the city’s east side. In general, though, Copp’s has been slow to remodel or reposition its stores in the face of rapidly expanding competition.

That competition began to heat up in the mid 2000’s as new chains and independents moved in, and others have changed their operations. A brief summary would include the following.

- Aldi currently has four stores in the area, on the far east and west sides of Madison and a store in Fitchburg that opened in 2014. A fourth store opened in Sun Prairie in January of 2015. Its small (16,000 to 20,000 square foot) stores offer about 1,400 mostly private label items at deep discounts. The chain has grown in popularity in recent years and plans to add 80 to 100 new stores, nationwide, in each of the next several years. Additional stores are likely within the Madison market.

- Costco. Two new Costco stores have opened in Middleton and Sun Prairie. These stores compete with low prices and unique offers on bulk items. Costco tends to have a very loyal following once established in the market, and will be the store of choice for stock-up trips.
- Cub Foods once had two stores in Madison. The chain made the decision to close these stores early in 2012. The West Towne location was acquired by Metcalfe's and reopened as a grocery.
- Fresh Madison Market. This store is located at the edge of the UW-Madison campus. It is an urban store and is not easily accessible by car, so that many of its customers walk from within the neighborhood. The small store has a large area of prepared foods with seating, a good selection of produce, and many organic items.
- Hy-Vee has a reputation as a well-managed grocery chain, and its two Madison stores certainly live up to that. These stores feature the latest innovations in grocery retailing, with an extensive selection of prepared foods and self-service bars, in-store dining, and high quality format. Hy-Vee opened its first store on the east side of Madison in 2009, followed by a store on the west side in 2013, and the Fitchburg store in 2014. The chain has indicated that it will likely add three or four more stores in the area over the next few years.
- Sam's Club. Though both started placing stores in Wisconsin around the same time, Sam's Club has few locations in the state while Costco has already opened several, with more planned. There is a single Sam's Club in Madison along the south Beltline.
- Target. Target has invested heavily in the Madison area, with store in Fitchburg (2007) and Sun Prairie (2009) in addition to stores in Madison at Hilldale (2010), on the west side, and on the east side. The older east and west side stores are not the Greatland format, but expanded their grocery offerings around 2012.
- Trader Joe's. The first Trader Joe's to open in Wisconsin was in Madison, on Monroe Street. The chain's approach to growth in Wisconsin has been to target an upscale demographic, which is different from its more established markets. It is unlikely that the chain will open a second store in the area in the near future, though eventually two more stores (in Middleton and Sun Prairie) are possible.
- Walmart opened its first Madison area supercenter on the south side along the beltline in 2007, and in 2014 replaced its store in Sun Prairie with a new supercenter. It has discount stores on the west and east sides of Madison. Elsewhere, the chain's strategy has been to convert existing discount stores to supercenters and to infill with its Neighborhood Market format, offering a full line of groceries in 40,000 square feet, which is somewhat smaller than the average grocery store. The chain has considered upgrading its Stoughton location to a supercenter format, but passed on the opportunity. It has not yet made a move to open Neighborhood Markets in the Madison area.
- Willy Street Coop. Among Madison's many independent grocers, the Willy Street Coop is one worth noting. It has been in existence 1974 in several locations on Williamson Street, and in 2010 opened a west side location in Middleton. The Coop has a focus on locally grown foods as well as natural and organic products, and remains a strong competitor in these areas.
- Whole Foods. As did Trader Joe's, Whole Foods choose to open its first Wisconsin store in Madison, at a location on the Isthmus on University Avenue. This store is smaller than the typical Whole Foods.
- Woodman's is an outlier in the grocery industry, with huge stores several times larger than the industry average. There are two Woodman's stores in Madison, the 90,000 square foot east side store on Milwaukee Street, and the 210,000 square foot west side store (which includes a warehouse). The chain is known for its low prices, and draws customers from a great distance to stock up on groceries.

Looking forward, there can be every expectation that other major players will enter the market. Meijer is one likely addition to the market. The chain will open four stores in Kenosha, Oak Creek, Grafton, and Wauwatosa in 2015. Additional stores are planned in Waukesha, Greenfield, and Sussex in 2016. The chain has indicated that it will be opening two or three stores in Wisconsin each year for the next four years. Meijer is credited with pioneering the hypermarket format, and operates 213 stores in Michigan, Ohio, Indiana, Illinois, and Kentucky. The typical store is 180,000 square feet. It is ranked the 27th-largest retailer in the United States.

Festival Foods is another expected entry into the market. Based in Onalaska, the chain has operated mostly in western Wisconsin. In 2014 it acquired a Sentry store in Fort Atkinson, and plans to open a Madison store on the 800 block of East Washington Street in 2015.

Early in 2015 there have been rumors of another potential change in the market. Kroger, the nation's leading grocery chain, has confirmed that it is looking to make acquisitions to expand into new markets. Roundy's, the owner of Copp's and Metro Market, is said to be a possible target. In past years Roundy's has actively sought to sell the chain to other potential buyers. Kroger has also indicated that may enter a new market (likely the upper Midwest or southeastern states) not through acquisition, but by opening new stores. Given Roundy's accelerating loss of Madison and Milwaukee market share, this may be a more likely scenario if Kroger were to target Madison.

A NEIGHBORHOOD IN TRANSITION

Madison's south side is undergoing a significant transformation as redevelopment spreads south from the Isthmus along Park Street. This growth is being spurred by the desire to live close to the city center, the presence of Meriter and Dean/St. Mary's Hospital, and other factors. The City is playing a significant role in encouraging this redevelopment, with well-defined plans for residential, commercial, and mixed use redevelopment along Park Street. Some of these targeted sites may be appropriate for a new grocery store to serve the neighborhood.

Importantly, redevelopment that has already occurred, along with future redevelopment, is projected to add significant numbers of new housing units in the Park Street corridor and elsewhere in the central part of Madison. Along with the increasing number of residents south of the UW-Madison campus, these will add to the potential number of households that might be served by a new grocery on the south side.

GROCERY RETAILING ON MADISON'S SOUTH SIDE

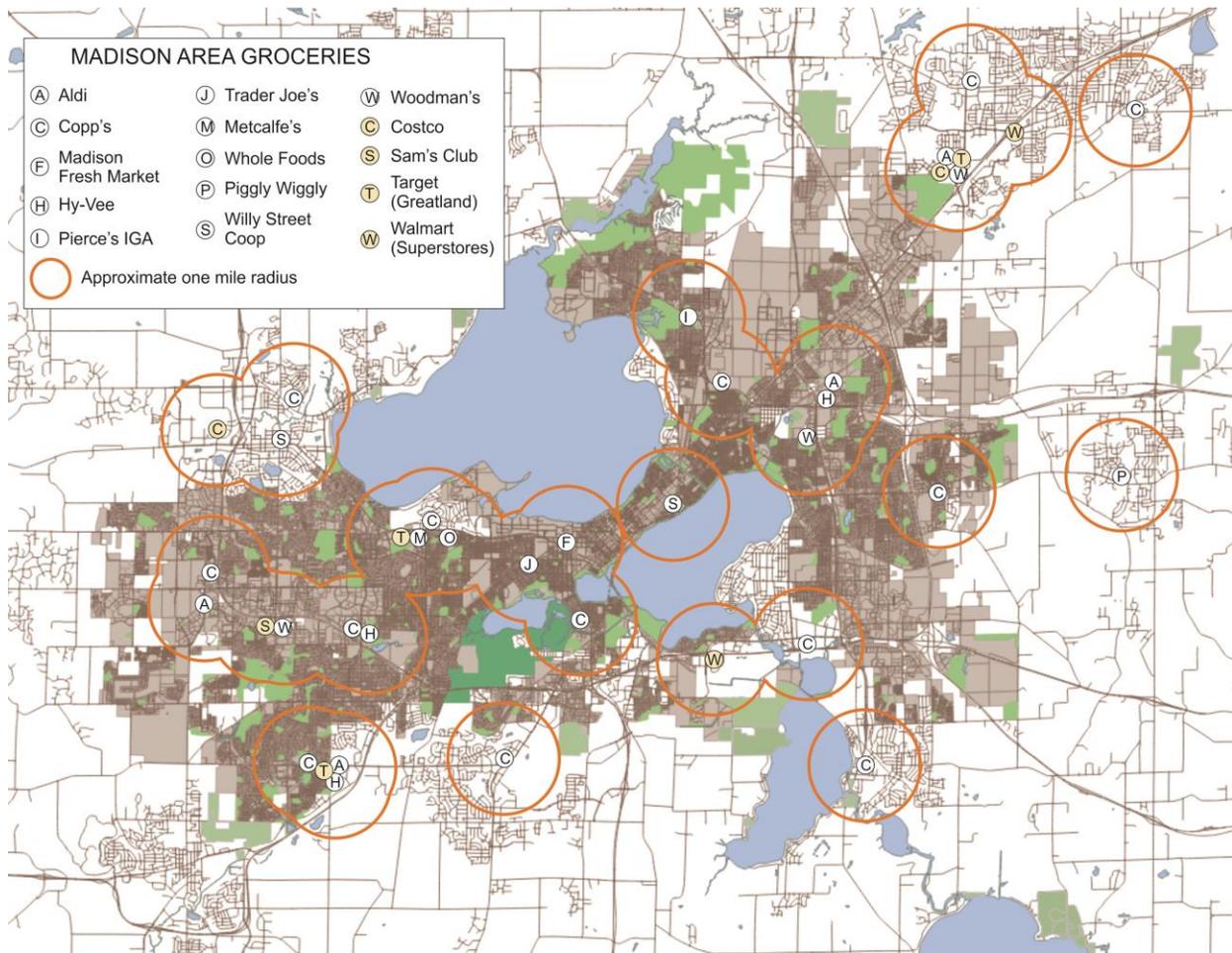
Figure 1 depicts the locations of major grocery outlets in the Madison area. This includes supermarkets along with warehouse clubs and supercenters, and some smaller or more specialized outlets including Aldi, Trader Joe's, and the Willy Street Coop. Although not as large and not offering as wide a selection as the other groceries, these stores have a significant customer base and meet at least the basic food shopping needs of nearby residents.

Drawing a ring around each store location can help to demonstrate how well a neighborhood is being served. From this it would appear that Park Street is being served north of the beltline, but perhaps not further south. A deeper look presents reasons to question coverage throughout the corridor, based on the stores in the area and the characteristics of households in the market.

Trader Joe's and Fresh Market are smaller stores that tend to carry a large number of specialty items. Both in terms of selection and pricing, they may not meet the more routine shopping needs of south side neighborhood residents. The remaining store in the neighborhood, Coops, is an older store that is a good deal smaller than typical. The store has received many unfavorable online reviews describing it as dirty, outdated, poorly stocked, and selling expired food.

One review also referred to the Park Street Copp's using terminology that may hint at lingering perceptions of the South Park Street neighborhood that can keep some people from shopping in the area. On the other hand, there are a great number of people taking transit or driving through the corridor on their daily commute, or to access the Isthmus. These can be potential customers for a grocery on Park Street.

Figure 1: Grocery Stores in the Madison Area

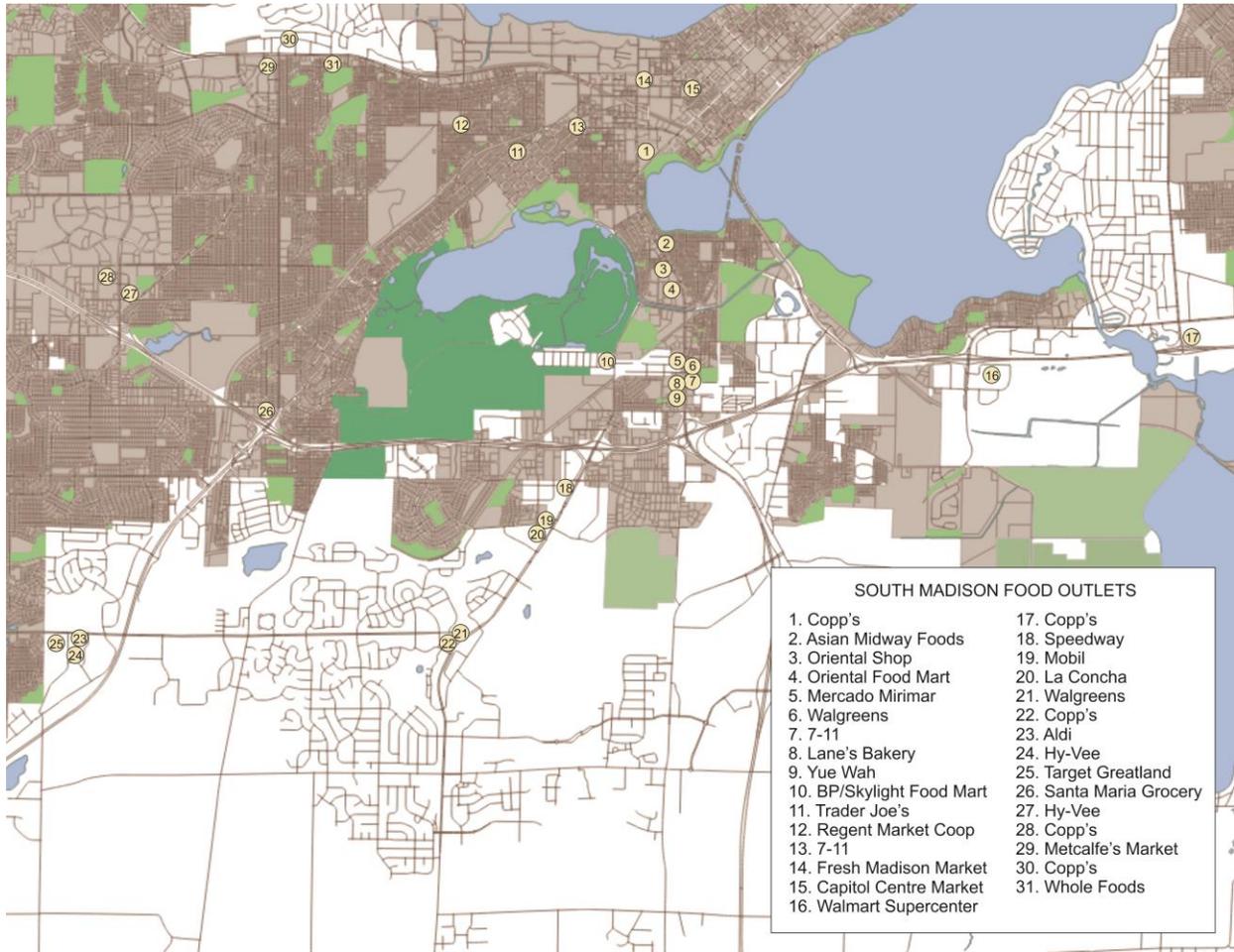


The South Park Street neighborhood is more racially/ethnically diverse than other parts of the city and has a higher percentage of low income households. Many of these households do not have access to private transportation, making "stocking up" trips to grocers outside of the area more difficult.

Even getting from the neighborhood to grocery stores in other parts of the city can be a challenge. Lake Monona to the east and the Arboretum to the west make travel in those directions difficult, with the beltline being the best option for east-west travel.

Figure 2 depicts the South Madison area in greater detail, noting the area's grocery stores, including smaller ethnic markets, along with other stores selling food, which may help to meet some of the grocery shopping needs of residents who cannot easily leave the neighborhood to shop. The figure shows several stores outside of the neighborhood that may be the nearest option for residents.

Figure 2: Stores Selling Food in the South Madison Area



Of the stores in the area, the most important as a destination for grocery shopping by south side residents is the Copp's on South Park Street. At about 25,000 to 30,000 square feet, this store is smaller than a typical modern grocery, and as already discussed, may not have a favorable view by residents of the trade area. The store's small size translates into a more limited selection of products than would be found in a typical grocery store, and especially in comparison to large new stores like Hy-Vee.

Trader Joe's, Asian Midway Foods, and Yue Wah are all approximately equally sized. Again, these are small grocers with a limited assortment of goods. Asian Midway Foods and Yue Wah specialize in ethnic (Asian) foods, meeting some neighborhood shopping needs and drawing people from other parts of the city who may be seeking these specialties. Trader Joe's similarly draws from all over the city, though it has a more traditional mix of products. Prices for some packaged items are discounted, however, fresh and prepared foods (vegetables, meats, dairy, bakery, etc.) tend to be more expensive than elsewhere.

Mercado Mirimar is a very small Mexican grocery that could be classified as a convenience store. It carries a basic selection of foods oriented to the Hispanic market. The store does have an in-house butcher and a limited selection of produce. It also prepares food on site.

Walgreen's South Park Street store is typical of the chain, dedicating about 1,500 square feet of space to selling around 500 food items. The grocery section focuses on basics with a high percentage of snack items. The store is

central to the neighborhood and therefore easily accessible to anyone who may not have access to private transportation.

Several other stores in the neighborhood sell small amounts of food. These do not have a significant impact on availability of food to the neighborhood. The area gas stations are mostly older establishments, and while many modern gas stations with convenience stores will stock a broader assortment of food products (similar to Walgreen's), these older stores do not.

ESTIMATED FOOD SALES

How much food is being sold on Madison's south side? Determining how much food is already sold in the area is the first step in the analysis necessary to determine the feasibility of new grocery store located somewhere along South Park Street. Later this study will examine the area from which a grocery store may draw its customers, the market potential available, and the effect of competition.

The area considered here is a roughly triangular region bordered by Regent Street on the north, The UW Arboretum on the west and Lake Monona on the east, and to Fitchburg on the south. This area contains 16 stores selling food items. Together, these stores ring up an estimated \$56,970,000 in annual sales. Of this total, \$30,977,000 is believed to be comprised of food sales.

Stores Selling Food on Madison's South Side

STORE NAME	ADDRESS	GROCERY SQUARE FOOTAGE
Copp's	1312 South Park Street	25,000
Asian Midway Foods	301 South Park Street	10,000
Oriental Shop	1029 South Park Street	500
Oriental Food Mart	1206 South Park Street	1,500
Mercado Miramar	2102 South Park Street	2,000
Walgreen's	2121 South Park Street	1,500
7-11	2201 South Park Street	500
Lane's Bakery	2304 South Park Street	500
Yue Wah	2328 South Park Street	10,000
BP/Skylight Food Mart	2050 Fish Hatchery Road	500
Trader Joe's	1810 Monroe Street	12,500
Regent Market Coop	2136 Regent Street	2,500
7-11	2932 Fish Hatchery Road	500
Speedway	2810 Fish Hatchery Road	500
Mobil	2956 Fish Hatchery Road	500
La Concha	3054 Fish Hatchery Road	1,500
TOTAL		70,000

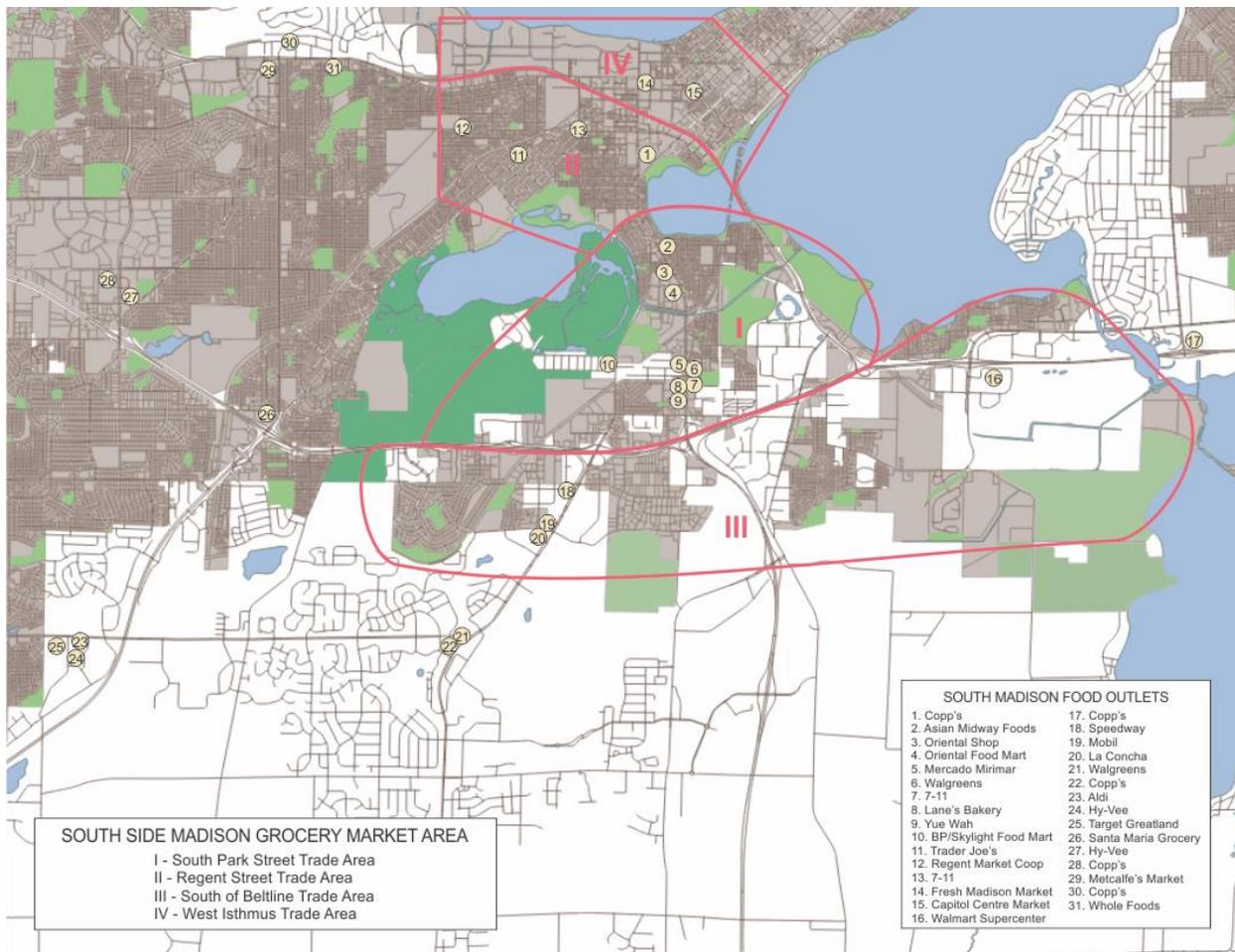
Source: Estimates by Place Dynamics LLC

MARKET DEMAND

The typical store selling food, whether a convenience store, traditional grocery store, or other format, receives only a portion of its sales from food. Depending on the kind of business, this may range from about five percent of sales at a pharmacy to 95 percent of sales in a specialty food store. In estimating the market potential for a south side grocery store, the analysis will consider sales across all product lines, breaking out food and other goods and services.

The type of store potentially attracted to the south side will have a bearing on the ability to draw shoppers. A limited-assortment chain such as Aldi, for instance, may attract primarily from within the immediate neighborhood. A full-line grocer may succeed better at drawing shoppers from the Isthmus or from the neighborhoods south of the beltline. Of course, the store's location will also influence its draw.

Figure 3: Potential Trade Areas for a South Side Grocery Store



Four trade areas (pictured in Figure 3) were defined to help understand the market potential for a south side grocery store. These areas were defined based on neighborhood characteristics such as urban character, demographics, traffic patterns, and barriers that inhibit movement. The type of grocery store considered for the south side, along with its location, will have a bearing on how well positioned it is to penetrate any of these trade areas.

Area I extends from Haywood Drive south to the beltline, and from the Arboretum east to Lake Monona. It is the core of the south side market and the likely location for a new store. This area includes the Bay Creek, Burr Oaks, and Capitol View Heights neighborhoods and parts of the Town of Madison. Aside from ethnic markets and stores such as Walgreen's, food choices are limited here.

Area II is made up of the Monona Bay, Greenbush, Vilas, Regent, and South Campus neighborhoods along with parts of Dudgeon-Monroe. This area is north of Haywood Drive, defined by Franklin Avenue, University Avenue, and the railroad. The existing Copp's store and Trader Joe's are located in this area.

Neighborhoods mostly south of the beltline are included in Area III. Madison neighborhoods included in the area include Arbor Hills, Leopold, Indian Springs, and Highland Manor, Waunona, and Bridge-Lakeport, lying north of the beltline, have also been included. Parts of Fitchburg and the Town of Madison complete the area. The Walmart Supercenter is located in this area, and several other grocery stores are located nearby.

Area IV includes the UW-Madison campus and a portion of the Isthmus lying west of the capitol building. These are the State-Langdon neighborhood and part of the Capitol Neighborhood. Food stores in this area are mostly small, niche stores.

Aggregate demand for all retail product lines was calculated for each of the four trade areas. This was then allocated to different retail types based on average industry market shares. The table in Appendix B presents the portion of all retail sales generated from the trade areas that would be expected to be captured at grocery stores.

Demographic Characteristics of the Southside Trade Areas (2015 Estimate)

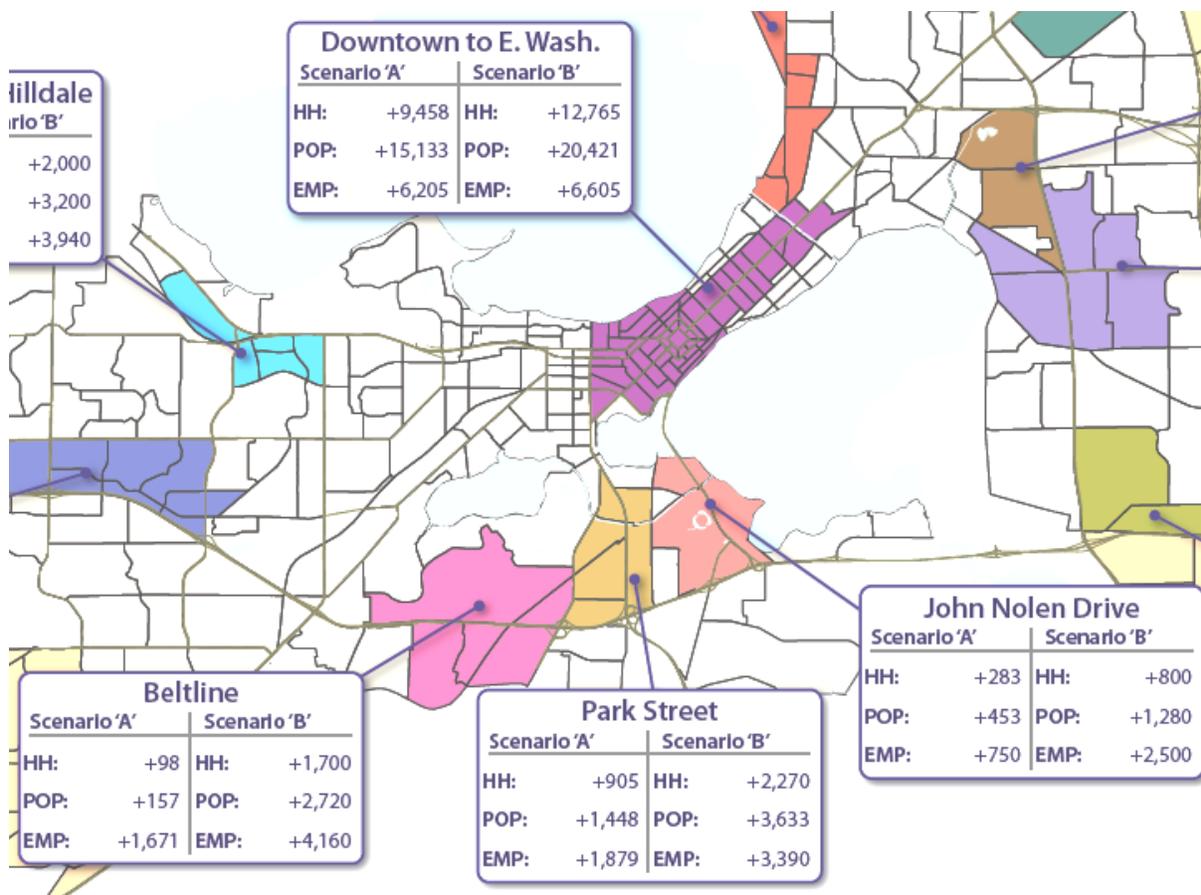
Product Line	TRADE AREA			
	I	II	III	IV
Population	9,973	14,552	9,620	22,903
Median age (years)	28.5	26.1	30.4	23.0
Households	4,380	6,126	4,092	7,926
Family households	2,106	1,912	2,100	562
Population in group quarters	60	173	4	8,169
Average household size	2.28	2.38	2.35	2.89
Race:				
White	5,368	12,496	5,763	18,926
Black	1,857	320	1,588	993
American Indian	85	49	95	68
Asian/Pacific Island	935	1,219	512	2,071
Other	1,267	3	1,225	256
Two or more races	460	326	415	589
Hispanic origin	2,466	506	2,224	960
Housing:	4,379	6,126	4,092	7,974
Owner occupied housing units	1,370	2,027	1,656	577
Renter occupied housing units	3,009	4,099	2,436	7,397
Income:				
Mean household income	\$43,056	\$54,880	\$41,855	\$28,754
Per capita income	\$20,274	\$26,486	\$18,928	\$11,449
Unemployment rate	8.14%	7.41%	9.15%	15.85%

Source: Place Dynamics LLC, derived from the Decennial Census (2000 and 2010), American Community Survey (2010 and 2013), and Wisconsin Department of Health (Vital Statistics)

A typical cohort-component projection of population growth for the south side of Madison will show a steady to declining population count. This is an area in transition, though, with considerable growth through redevelopment that can easily be seen occurring along Park Street and across the adjoining neighborhoods. The City of Madison’s transportation plan identifies several areas where change is anticipated, with projections through 2035. An excerpted section of the map depicting these projections, prepared by the City in October of 2014, is shown in Figure 4. Using this map, it is possible to estimate the number of additional households expected to be introduced in each of the trade areas:

- Trade Area I – This trade area includes all of the Park Street and John Nolen Drive growth areas shown in Figure 4, and roughly a quarter of the population growth anticipated in Scenario ‘B’ is possible within the next five years. The trade area also includes roughly half of the Beltline growth area, and about one-eighth of the anticipated growth is included in the trade area forecasts for 2020.
- Trade Area II – A small portion of the Downtown to East Washington growth area falls within this trade area, where a great number of new households are being built, and growth through 2035 is anticipated to be very strong. This analysis uses an estimate of five percent of the total new households falling within trade area.

Figure 4: Growth Scenarios for Neighborhood Areas (Through 2035)



Source: City of Madison 2035 Transportation Plan

- Trade Area III – A portion of the Beltline growth area falls into this trade area. As with Trade Area I, about one-eighth of the anticipated growth will occur in the next five years.
- Trade Area IV – All of this trade area lies within the Downtown to East Washington growth area. A third of the anticipated growth may be assigned to the trade area, with a quarter of that by 2020.

The additional households suggested in Scenario 'B' were added to the growth projections for each of the trade areas, in order to forecast the trade area population, and demand for food and grocery product lines in 2020.

Demographic Characteristics of the Southside Trade Areas (2020 Forecast)

Product Line	TRADE AREA			
	I	II	III	IV
Population	10,918	13,695	9,898	24,653
2015-2020 growth rate	9.48%	-5.89%	2.89%	3.10%
Households	5,517	7,142	4,723	10,704
Average household size	1.98	1.92	2.10	2.30
Owner occupied housing units	2,057	3,424	2,221	1,666
Renter occupied housing units	3,460	3,718	2,501	9,038
Income:				
Mean household income	\$43,696	\$59,160	\$43,252	\$30,583
Per Capita Income	\$22,557	\$30,855	\$21,006	\$13,278

Source: Place Dynamics LLC, derived from the Decennial Census (2000 and 2010), American Community Survey (2010 and 2013), and Wisconsin Department of Health (Vital Statistics), and population forecasts from the City of Madison 2035 Transportation Plan.

Trade Area I can expect strong growth, adding 1,138 housing units and 945 residents through 2020. Overall household size will shrink. This is consistent with the type of multifamily housing (apartments and condominiums) currently being added or considered for the area. While per capita income is projected to make some gains, household income remains relatively flat. This may be explained by growth in the number of younger and older households, the first with lower earnings at the start of their working years, and the second transitioning to retirement.

The large number of students living within Trade Area II can present challenges for any demographic model. In this case the model does a good job of capturing growth resulting from new high density apartment construction in the campus area, though it very likely over-estimates the number of owner occupied units versus rental units. The population is forecast to decline slightly.

The student population also presents some difficulty in forecasting growth in Trade Area IV. Here, the model predicts an increase in both rental and owner occupied housing, with the number of owner occupied units nearly tripling. These will have a smaller number of people per household, combining with fewer tenants per rental unit, to bring the average household size down from 2.89 persons to 2.33 persons. As a result, while a large number of households are added, population growth is more modest.

Trade Area III has the simplest trend of the four areas, showing modest growth through infill and redevelopment.

DEMAND FOR FOOD

None of the four trade areas has sufficient demand to support a full-line grocery store itself, especially when competition is taken into consideration. This competition may be from existing grocery stores in the neighborhood, or ones outside of the area. As noted earlier, existing stores falling within these trade areas are estimated to capture \$30,977,000 in grocery sales and another \$25,993,000 in sales of other product lines, for a

total of \$56,970,000 in annual sales. The list of existing stores includes many non-grocery stores such as Walgreens and several gas stations with convenience stores. The following table breaks out current year estimates of market potential for food sales and grocery stores.

Aggregate Market Potential for Food and Other Product Lines (2015 Estimate)

Product Line	TRADE AREA			
	I	II	III	IV
All retail goods and services	\$73,000,961	\$204,193,736	\$69,369,890	\$166,738,413
Groceries and other food items for human consumption off the premises	9,819,363	27,187,124	9,326,385	21,798,710
All other retail goods and services	63,181,598	177,006,612	60,043,505	144,939,702
Expected grocery store sales	\$8,791,408	\$24,047,495	\$8,338,261	\$18,577,730
Expected grocery store food sales	6,244,136	17,288,301	5,930,651	13,861,807
Expected grocery store non-food sales	2,547,272	6,759,194	2,907,610	4,715,923

Source: Place Dynamics LLC

Total Sales Expected at Supermarkets – All Four Areas Combined.....\$59,754,894
 Total Market Demand for Groceries – All Four Areas Combined.....\$68,131,582

Growth within the dollar value of market potential will occur due to a combination of changes within the trade area demographics and inflation. The forecast market demand for food sales and grocery store sales is shown in the following table.

Aggregate Market Potential for Food and Other Product Lines (2020 Forecast)

Product Line	TRADE AREA			
	I	II	III	IV
All retail goods and services	\$106,856,178	\$300,043,553	\$100,062,075	\$241,386,476
Groceries and other food items for human consumption off the premises	11,601,923	39,948,930	13,452,773	33,997,324
All other retail goods and services	95,254,255	260,094,624	86,609,302	66,064,751
Expected grocery store sales	\$12,868,547	\$35,335,540	\$12,027,462	\$28,973,875
Expected grocery store food sales	9,139,941	25,403,538	8,554,623	21,618,910
Expected grocery store non-food sales	3,728,609	9,932,003	3,472,839	7,354,965

Source: Place Dynamics LLC

Total Sales Expected at Supermarkets – All Four Areas Combined.....\$89,205,424
 Total Market Demand for Groceries – All Four Areas Combined.....\$99,000,950

Food purchases may be further broken down into the market potential for products, as shown in the following table. This data can help to create an understanding of the potential for specialty food stores, in addition to indicating the potential for specialty departments within larger grocery stores.

Aggregate Market Potential for Food Product Lines (2015 Estimate and 2020 Forecast)

PRODUCT LINE	PERCENT OF FOOD SALES	2015 MARKET POTENTIAL	2020 MARKET POTENTIAL
Food		\$113,105,246	\$164,351,487
Food at home	60.24%	\$68,131,582	\$99,000,950
Cereals and bakery products	8.23%	\$9,312,407	\$13,531,715
Cereals and cereal products	2.80%	\$3,168,971	\$4,604,783
Bakery products	5.43%	\$6,143,436	\$8,926,933
Meats, poultry, fish, and eggs	12.97%	\$14,672,365	\$21,320,187
Beef	3.31%	\$3,746,623	\$5,444,160
Pork	2.57%	\$2,908,993	\$4,227,014
Other meats	1.81%	\$2,045,175	\$2,971,812
Poultry	2.57%	\$2,909,948	\$4,228,401
Fish and seafood	1.85%	\$2,095,097	\$3,044,354
Eggs	0.85%	\$966,527	\$1,404,446
Dairy products	6.27%	\$7,090,595	\$10,303,234
Fresh milk and cream	2.30%	\$2,598,684	\$3,776,108
Other dairy products	3.97%	\$4,491,910	\$6,527,126
Fruits and vegetables	11.37%	\$12,857,705	\$18,683,332
Fresh fruits	4.09%	\$4,623,400	\$6,718,191
Fresh vegetables	3.57%	\$4,042,610	\$5,874,255
Processed fruits	1.74%	\$1,968,246	\$2,860,027
Processed vegetables	1.97%	\$2,223,449	\$3,230,860
Other food at home	21.39%	\$24,198,374	\$35,162,283
Sugar and other sweets	2.16%	\$2,445,235	\$3,553,133
Fats and oils	1.77%	\$2,000,436	\$2,906,803
Miscellaneous foods	11.02%	\$12,464,329	\$18,111,723
Nonalcoholic beverages	5.81%	\$6,572,549	\$9,550,470
Food prepared by consumer unit on out-of-town trips	0.63%	\$715,961	\$1,040,352
Food away from home	39.76%	\$44,973,664	\$65,350,537

Source: Place Dynamics LLC

GROCERY STORE EVALUATION

The objective of this study is to determine if the market could support a new grocery store in the south Madison market, what form that store might take, and how it might impact other businesses selling groceries in the area. Three potential strategies might be considered to bring a new grocery store to Madison's south side:

- Limited-assortment value-oriented format (such as Aldi)
- Conventional full-line supermarket (for example, Copp's). This approach might also encompass a remodeling and expansion of the existing Copp's store on South Park Street.
- Full-line supermarket with broad draw (for example, Cermak Fresh Market)

LIMITED ASSORTMENT VALUE FORMAT

These stores are smaller than a typical grocery store, stocking fewer than 2,000 SKUs compared to the 30,000 or more items at a full-line grocery. Aldi may be among the best-known of the stores in this class, but there are many others, and several chains are introducing new store formats in the category. Examples include:

- Aldi, with a prototype 16,400 square foot store
- Save a Lot, with stores from 12,000 to 18,000 square feet
- Hy-Vee, which is testing a 14,000 square foot "Mainstreet" format that includes a pharmacy and cafe
- Walmart, with the 15,000 square foot Walmart Express format that includes a pharmacy

Jones Lang LaSalle¹ provides some insight into the growth prospects of this format. Limited-assortment value stores are anticipated to see a 150 percent increase in their market share from 2013 to 2018, with a 38.4 percent increase in sales. Store count is expected to increase by 8.3 percent.

Sales per square foot can vary widely based on individual store characteristics. Trader Joe's is a chain in this format and has sales per square foot at the top of the grocery business, more than three times the industry average. But the limited assortment format also includes deep discounters with very low numbers, especially among independents. As an example, Save-a-Lot may average around \$275 per square foot while Aldi's number is closer to \$400 per square foot.

Market Opportunity for a Limited Assortment Value Format Store

These stores will generally serve a neighborhood market area, and may not draw from a great distance beyond. Except in cases where nearby competition may be limited and where a large segment of the population does not have access to a car, trips to these stores usually serve to meet basic shopping needs. Trips to other formats are used to "stock up" and to shop for name brand or specialty items not carried in these stores. For most households, a limited assortment grocery is not the primary food shopping destination. These considerations impact the potential market share that can be captured by a store of this type.

Because these stores are small, they may be developed on a site of two acres or less. Several locations along Park Street could be viable. Two likely general locations are Park Street at Badger Road, and Park Street at Wingra Drive. A store in this location would help to close the gap in food options for people in the neighborhood, and the format is matched to the demographics of the immediate area. Advantages of these sites include proximity to the Beltline to encourage shopping from people outside of the area and a location central to the population base in Trade Area I.

¹ Retail Shop Topic, September 2014

To test the viability of this format, this analysis considers a hypothetical 16,000 square foot limited assortment value chain store located on Park Street between Badger Road and Wingra Drive. Targeted sales might be in a range from \$350 to \$500 per square foot, resulting in an annual sales goal of \$5,600,000 to \$8,000,000. The following table assesses the likelihood of reaching that target.

Likely Potential for a Limited Assortment Value Oriented Grocery

Trade Area	2015 Market Potential	Market Share		Sales Potential		Percent of Store Sales	
		Low	High	Low	High	Low	High
I	\$8,791,408	25%	40%	\$2,197,852	\$3,516,563	42.57%	38.94%
II	\$24,047,495	5%	10%	\$1,202,375	\$2,404,750	23.29%	26.63%
III	\$8,338,261	10%	15%	\$833,826	\$1,250,739	16.15%	13.85%
IV	\$18,577,730	5%	10%	\$928,887	\$1,857,773	17.99%	20.57%
TOTAL	\$59,754,894			\$5,162,939	\$9,029,825		

Source: Place Dynamics LLC

Market share is the percentage of the market potential within the trade area that may reasonably be expected to be captured by a new store in this format. A range of low to high is considered to help capture some of the variability in drawing power and characteristics of various chain stores and actual locations. There is no “industry average” that can neatly sum up the potential.

A store in this location will draw the majority of its customers from Trade Area I, followed by Trade Area II, south of the Beltline. It may be less successful in drawing from the Vilas and Monroe-Dudgeon Neighborhoods, which have a different demographic and better access to alternative grocery stores in the region. It may be more successful in attracting some of the large, and budget-conscious student population.

Using the lowest market share figures, a store in this area could be expected to generate \$5,162,939 in sales. This falls below the low end of the target range by about \$450,000. If the higher market share numbers are used, the store could exceed the high end of the target range. Overall, it appears that a limited assortment chain grocer would have a very good chance of success in this neighborhood.

Potential Impact on Existing Food Retailers

As will be the case for any new grocery store introduced in this area, only some of the sales captured by the new store will be attributable to the growing population of its trade area. A majority of the store’s business will be the result of sales transferred from other stores existing in the neighborhood, or elsewhere in the region.

The stores most likely to be impacted by a limited assortment grocery opening on South Park Street would be the nearby Walgreen’s and Copp’s stores. The impact to Walgreen’s could be more significant if the neighborhood attracted one of the chain stores (such as Walmart Express or Hy-Vee Mainstreet) that include a pharmacy in their format. The impact to Copp’s could primarily be attributed to pricing, although store operation (cleanliness, freshness, etc.) and location could also factor into the outcome.

The several ethnic grocers in the area would be less impacted by the entry of a limited assortment grocery. Stores at the north end of Park Street would likely be too distant to lose significant sales on the sort of staple items carried at the new store. All of these stores also carry a majority of ethnic foods and brands that would not be available at a limited assortment grocery, and so would not face competition for those goods. Finally, many of these stores have a loyal following within their community.

A significant part of the new store's sales are likely to be shifted from other stores outside of the south side neighborhood. Currently, many residents are leaving the area to shop at stores elsewhere in the region, such as the Walmart Supercenter, the Copp's further south on Park Street, Woodman's, and other stores. A limited assortment grocery is not going to replace stock-up food shopping trips, but it will have the potential to intercept more routine trips for basic items (fresh produce, dairy, meat, and staples) that are not available in the neighborhood, or at least not in stores where people want to shop.

CONVENTIONAL FULL-LINE SUPERMARKET

Although the Copp's on South Park Street is technically considered a conventional full-line grocery, it cannot be described as typical of a modern store. It is roughly half of the current industry average size for a grocery store (46,500 square feet). Roundy's, the parent company of Copp's, is currently opening new stores with a 63,000 square foot prototype. With very stiff competition from other conventional groceries (including other Copp's stores), specialty grocers (such as Whole Foods and Trader Joe's), and regional competitors (Hy-Vee and Woodman's), the South Park Street Copp's location does not capture a very large market share.

The opportunity for a conventional full-line grocery store on Madison's south side could very well include an expansion or redevelopment of Copp's as an alternative to a new chain entering the area. Again, the particular chain and characteristics of the hypothetical store will have a bearing on its ability to capture market share. The rapidly-growing Isthmus and nearby areas tend to lack grocery stores, which could present an opportunity for new or expanded stores. At the same time, residents of these neighborhoods who need to drive to other parts of the city to shop for food will have many options, including some very strong competitors. This presents a dilemma for most grocery chains. A middle-of-the-road store will not attract middle to upper-income households in the outlying trade area. At the same time, providing the olive bar, salad bar, café, and other amenities of a higher-end grocery store will reinforce a pricing profile that is inconsistent with the needs of lower- and moderate-income households in the adjacent neighborhood.

These considerations may be moot, however, when a hypothetical case is considered. The following table is based on the prospect of a modern 50,000 square foot grocery store locating at the site of the existing Copp's on South Park Street. Using a range of \$450 to \$650 per square foot, the store would need to attain a goal of \$22,500,000 to \$32,500,000 in annual sales. For comparative purposes, the 2013 grocery industry average sales per square foot was \$616, and Copp's has an estimated average of \$393 per square foot in sales within the chain's stores.

Likely Potential for a Conventional Full-Line Grocery

Trade Area	2015 Market Potential	Market Share		Sales Potential		Percent of Store Sales	
		Low	High	Low	High	Low	High
I	\$8,791,408	25%	40%	\$2,197,852	\$3,516,563	18.58%	17.62%
II	\$24,047,495	25%	40%	\$6,011,874	\$9,618,998	50.82%	48.19%
III	\$8,338,261	10%	15%	\$833,826	\$1,250,739	7.05%	6.27%
IV	\$18,577,730	15%	30%	\$2,786,660	\$5,573,319	23.56%	27.92%
TOTAL	\$59,754,894			\$11,830,211	\$19,959,619		

Source: Place Dynamics LLC

Even under the most optimistic scenario, it does not appear that the demand is sufficient to support a new conventional full-line grocery store in the area. This observation is consistent with the industry trends described earlier in the assessment, which show that these types of stores are being squeezed by pressure from other formats, and an escalating trend for consumers to shop multiple formats for their food needs.

FULL-LINE SUPERMARKET WITH BROAD DRAW

The third possibility for a new grocery store on Madison’s south side is an outlier. This would be a store that does not simply cater to the nearby neighborhood, but has the potential to draw customers from throughout the city and outlying areas. Examples already exist, including Costco, Woodman’s (based on value and selection), and the new Hy-Vee stores that offer a great number of amenities and specialty services.

Cermak Fresh Market is another chain having a regional draw, and might serve as a model for this neighborhood. It is a regional chain based in the Chicago market, with one store in the Milwaukee area. A second Milwaukee store has been announced. At 60,000 to 80,000 square feet, the stores carry a full line of grocery products and specialty departments. Unlike Hy-Vee and similar competitors, they do not cater to an upscale customer with a great number of amenities. Instead, they offer value pricing and an immense variety of ethnic foods from many Asian, Hispanic, and European cultures, and kosher and halal products.

This, or a similar concept, could be a novel entry with broad appeal in Madison’s market. Madison has a reputation as a market with above-average interest in ethnic foods, and consumers could be drawn by the large selection of unique ethnic foods. As with Woodman’s they may also be drawn by highly competitive pricing. A Park Street location would be close to large Asian and Hispanic enclaves within the city. It is also a central and relatively easily-reached location for the broader community.

Market Opportunity for a Limited Assortment Value Format Store

The following table presents a conservative opinion of the potential market opportunity for a full-line grocery store with broad market appeal, based on a large assortment of ethnic products and value pricing. In addition to the four trade areas considered in the other options, an additional line has been added to estimate traffic from the broader region. A simple calculation of grocery store potential of Dane County was used, consisting of the current estimated number of households in the County (215,044)², multiplied by an average annual grocery expenditure of \$4,450 per household³. This results in an approximate market potential of \$956,945,800 spent at grocery stores.

Likely Potential for a Conventional Full-Line Grocery with Broad Draw

Trade Area	2015 Market Potential	Market Share		Sales Potential		Percent of Store Sales	
		Low	High	Low	High	Low	High
I	\$8,791,408	25%	40%	\$2,197,852	\$3,516,563	7.00%	5.95%
II	\$24,047,495	25%	40%	\$6,011,874	\$9,618,998	19.15%	16.28%
III	\$8,338,261	15%	25%	\$1,250,739	\$2,084,565	3.99%	3.53%
IV	\$18,577,730	15%	30%	\$2,786,660	\$5,573,319	8.88%	9.43%
County	\$956,945,800	2%	4%	\$19,138,916	\$38,277,832	60.98%	64.80%
TOTAL	\$1,016,700,694			\$31,386,040	\$59,071,277		

Source: Place Dynamics LLC

The test case for this scenario is a 65,000 square foot store with sales ranging from \$500 to \$750 per square foot. This would require sales generated to fall between \$32,500,000 and \$48,750,000. With the addition of the regional drawing power of this format, the market numbers are favorable.

² Wisconsin Department of Administration

³ Estimate of average purchases per household at supermarkets in the United States, Place Dynamics LLC

As a test of the plausibility of the regional draw, a comparison can be made to the market share of Woodman's, which closely approximates the proposed store format. Woodman's is generally considered to capture a 10 to 15 percent market share with each of its Madison stores. Company officials have stated that their Milwaukee-area stores are expected to each capture about three percent of that much larger market. This may suggest that the two to four percent figures used here are, in fact, conservative.

One of the challenges of this format is finding an adequate parcel in the Park Street corridor. It is primarily for this reason that the 65,000 square foot scenario was used instead of a larger store. The most viable location may be the U.S. Post Office site at Park Street and Wingra Drive.

Potential Impact on Existing Food Retailers

Introducing this type of store into the neighborhood will almost certainly have an impact on other area food retailers. Within the neighborhood, the large selection of ethnic foods provided in this grocery scenario will create competition for the smaller ethnic food stores. Many of the product offerings will overlap, so with a wider selection of goods overall, and potentially lower pricing due to volume, the new store could gain an edge over existing smaller outlets. This could be exacerbated if the new store adopts operating practices, such as longer operating hours and a greater amount of advertising, that could further redirect customers away from existing businesses to the new store.

While there are negative impacts, there is also the potential that a store of this type will offer some benefit, not only to the area's food retailers, but also to other retailers in the area. This store format succeeds because it has a regional draw, bringing customers into the area who would otherwise not shop there. The opportunity may exist to brand Park Street as an ethnic marketplace, creating a destination district with more traffic that can be lured to existing businesses. The opportunity may also exist to attract other ethnic retail and dining businesses into the corridor, strengthening the brand proposition.

The Copp's store on Park Street would also suffer a loss of sales due to the entry of a new large grocer in the area, particularly as the viable site is adjacent to its store. With a new, modern store, greater selection and lower product pricing, and ability to draw from a broader region, this format will shift a significant amount of traffic from Copp's. It is possible that enough sales will be transferred that the Copp's location would close.

SUPPORT FOR FOOD RETAILERS

The analysis demonstrates that there are viable options for bringing a new grocery store into Madison's south side, although doing so can have an impact on existing food retailers. Another option, having less impact but still improving the availability of food for local residents, is to expand or to improve the operation of the neighborhood's existing food retailers. This section of the study discusses some strategies that the City can employ to encourage either outcome.

EXPANDING SALES AMONG EXISTING BUSINESSES

The City may consider support for existing food retailers either to encourage them to expand their selection, or to compete more effectively if a new grocer is attracted to the neighborhood. Several possible strategies may be considered.

Direct Technical Support

Small businesses will often benefit from technical assistance to help them sustain or grow the business. Local governments most typically focus their effort on property improvements, which may be needed for some of these businesses, but the greater impact may be had by offering targeted technical assistance. Examples might include help in understanding the market, merchandising, customer service, and marketing.

One of the particular challenges faced by some of the ethnic grocers is that they may not be successful in penetrating the market aside from their core ethnic community. These stores do offer an assortment of staple products like dairy, meat, and produce, but nearby residents from outside of the ethnic community (i.e., non-Hispanic or non-Asian residents) are likely not shopping these stores. Capturing a greater share of the neighborhood market will improve their performance, and may provide justification for expansion.

Neighborhood Redevelopment

This analysis characterizes South Park Street and its broader trade area as an area in transition. The scale of redevelopment spreading from the isthmus is a compelling reason for new food stores to consider a south side location. The new housing units being developed will add more households, and they will also change the demographic composition of the area, helping to make it more appealing to both existing and new retail businesses.

The City's actions to encourage redevelopment in the South Park Street corridor will have a positive impact. Considerations for the City may include a proactive role in land assembly, developer solicitation, and financial participation through tax incremental financing or other means. In addition, the City should be tabulating redevelopment on an ongoing basis to have data available, demonstrating the scale of redevelopment to prospective businesses.

Destination District Strategies

South Park Street's central location and urban character, proximity to the UW-Madison campus and to large hospitals, and diverse ethnic neighborhoods suggest the potential to establish the street as Madison's destination district for multicultural shopping and dining. This type of strategy should have three dimensions: 1) building on the existing base of businesses (food retailers, other retailers, restaurants, and services) associated with a particular culture or ethnicity; 2) reinforcing the district brand through design in both public enhancements and private redevelopment; and 3) marketing to create awareness and drive customer traffic.

Public Perceptions

Whether deserved or not, many people within, and a greater number from outside of the neighborhood have a perception that the South Park Street area is unsafe, and that it does not have businesses catering to their needs. In fact, the corridor has many long-established businesses, like Lane's Bakery, that have a wide following. And

while crime rates in the area are higher than average for the City of Madison, they are consistent with national averages. Continued investment in quality redevelopment projects that change the appearance of the neighborhood and signal ongoing investment may impact these perceptions over the long term.

GROCERY STORE ATTRACTION

The two most viable grocery store scenarios are a limited assortment grocery serving the nearby neighborhood, and a large-format full-line grocery with a regional draw. This latter format should have a niche that distinguishes it from competitors, such as the example of Cermak Fresh Market and its emphasis on ethnic foods. While the most common approach would be to attempt to recruit from among several chains having a suitable format, the City will also want to discuss the possibilities of this market with independent operators in the region, who may be willing to experiment with innovative formats.

Some of the strategies that can be employed to recruit a store to the neighborhood include:

- Identify prospects for recruitment including chain stores and independent operators. Some of the potential targets discussed in this analysis include Aldi, Save-a-Lot, Hy-Vee Mainstreet, Walmart Express, and Cermak Fresh Market.
- Compile market and site information to present to recruitment prospects.
- Determine site needs, identify one or more preferred sites, and secure site control. This can be in the form of ownership or an option to purchase.
- Identify potential sources of assistance that can be provided to grocery stores locating in the corridor. This may include technical assistance and expediting, and marketing, in addition to financial assistance.
- Consider branding South Park Street as Madison's destination ethnic shopping and dining destination. Doing so will help to create a regional draw supporting all businesses, and will reinforce the opportunity for a destination grocery store.

CONCLUSION

Madison's south side presents both challenges and unique opportunities as a location for food retailing. The diverse population in surrounding area makes it difficult to target any single demographic, while road patterns shaped by the arboretum and lakes present barriers to travel from further neighborhoods. Still, Park Street is a major arterial carrying traffic to and from the Isthmus, and the north end of the corridor is anchored by large hospitals and the UW-Madison campus. The neighborhood is central to the metropolitan area, and is attracting new investment in redevelopment sites.

The food shopping needs of residents are currently not being met within the neighborhood, despite the presence of a handful of small grocers and other stores selling food. People are traveling outside of the area to shop at stores that are generally larger, offer better pricing and a wider selection, and in some cases, a better shopping experience. This need to travel can place a burden on households that do not have access to a car.

Market conditions can support development of a new grocery store on Madison's south side, though not a traditional format. One option would be to develop a limited-assortment, value-oriented store (such as Aldi). This type of store can meet basic shopping needs and may better serve low-income households. At the same time, it would not eliminate the need to make occasional trips outside of the neighborhood to purchase items not stocked in the store.

A second option would be to attract a large format grocer with an extensive selection of ethnic products. Chicago-based Cermak Fresh Market, which has one store in Milwaukee and is planning a second, may serve as an example. This format can succeed by capturing demand from outside of the trade area, as (similarly to the nearby Trader Joe's) it may establish a customer base seeking unique products not carried by competitors. The neighborhood's central location and ethnic diversity support that market positioning. In fact, they suggest an opportunity to brand Park Street as the Madison area's "international marketplace"; a destination for diverse ethnic shopping and dining.

Next steps for the City and for neighborhood leaders will include determining a preferred approach, identifying suitable locations, and reaching out to potential chain or independent operators.

APPENDIX A – GROCERY STORE PRODUCT LINE SALES

Product Lines as a Percentage of Average Supermarket and Other Grocery Store Sales

Products and Services Title	Average Product Line Sales per Establishment	Product Line as a Percent of Sales of Establishments Reporting Product Line Sales	Product Line as a Percentage of Sales of All Establishments
Groceries & other food items for human consumption off the premises	\$5,730,149	70.6	70.6
Produce, incl. fresh & prepackaged fruits & vegetables	\$863,613	9.9	9.6
Frozen foods, including packaged foods sold in a frozen state	\$480,345	5.6	5.3
Dairy products & related foods, including milk, cheese, butter, yogurt, eggs, etc.	\$625,572	7.7	7.3
Bakery products baked on premises	\$283,716	2.6	1.5
Bakery products not baked on the premises, excluding frozen	\$215,082	2.5	2
Delicatessen items, including deli meats & other service deli items	\$396,324	4.1	3.8
Ice cream & other frozen dairy products	\$102,881	1.5	0.8
Meat & poultry, including prepackaged meats	\$981,881	11.1	10.8
Fish & seafood, including refrigerated prepackaged fish & seafood	\$303,103	2.9	2.5
Candy, prepackaged cookies, & snack foods	\$318,610	4	3.2
Bottled, canned, or packaged soft drinks & other nonalcoholic beverages	\$343,824	4.4	3.6
All other groceries & food items	\$1,851,936	20.7	20.1
Alcoholic beverages served for immediate consumption	\$66,645	1.7	0
Packaged liquor, wine, & beer	\$434,253	4.6	3.9
Distilled spirits, including liquor, brandy, & liqueurs	\$183,210	1.8	0.7
Wine	\$215,853	2	1.4
Beer & ale	\$231,087	2.6	1.7
Cigars, cigarettes, tobacco, & smokers' accessories, excluding sales from vending machines operated by others	\$116,481	1.3	0.9
Drugs, health aids, beauty aids, including cosmetics	\$818,767	8.6	8
Prescriptions	\$995,062	7.7	4.1
Nonprescription medicines	\$152,780	1.5	1
Vitamins, minerals, & other dietary supplements	\$184,628	1.4	0.7
Cosmetics, including face cream, make-up, perfumes & colognes, etc.	\$150,609	1.1	0.5
Personal hygiene supplies	\$183,598	1.8	1.4
Health aids & home healthcare equipment	\$120,553	0.9	0.2

Products and Services Title	Average Product Line Sales per Establishment	Product Line as a Percent of Sales of Establishments Reporting Product Line Sales	Product Line as a Percentage of Sales of All Establishments
Household soaps, detergents, cleaners, & cleaning supplies	\$201,768	2.4	2.1
Household cleaning supplies	\$141,765	1.9	0.8
Household soaps, detergents, & cleaners	\$143,348	1.8	1.4
Paper & related products, including paper towels, toilet tissue, wraps, bags, foils, etc.	\$183,825	2.2	1.9
Paper & plastic tableware	\$47,402	0.8	0.2
Gift wrap, gift bags, & tissue paper	\$28,819	0.3	0
Paper towels, napkins, toilet & facial tissue, & food wraps, bags, foils & other related products	\$169,345	2	1.7
Men's wear, including accessories	\$163,996	0.9	0.2
Women's, juniors', & misses' wear, including accessories	\$219,338	1.2	0.3
Children's wear, including boys', girls', & infants' & toddlers' clothing & accessories	\$167,507	0.8	0.2
Costumes & unisex clothing	\$5,030	0	0
Footwear, including accessories	\$116,475	0.6	0.1
Sewing, knitting, needlework goods, including fabrics, patterns, sewing supplies, notions, yarns, laces, trimmings, needlework kits, etc.	\$4,494	0	0
Curtains, draperies, blinds, slipcovers, bed & table coverings	\$309,972	1.5	0.3
Small household appliances & personal care appliances	\$99,602	0.7	0.2
Audio equipment, musical instruments (new & used), radios, audio electronic components, CDs, records, tapes, audio books, sheet music, accessories	\$282,854	1.5	0.4
Furniture, sleep equipment & outdoor/patio furniture	\$34,833	4.5	0
Kitchenware & home furnishings	\$164,706	1.3	0.5
Outdoor charcoal grills, parts, accessories	\$24,769	0.2	0
Decorative accessories & home furnishings	\$46,052	0.4	0
Kitchenware	\$154,708	1.2	0.5
Jewelry, including watches, watch attachments, novelty jewelry, estate/antique jewelry, etc.	\$6,376	0	0
Books, including e-books	\$26,369	0.2	0
Photographic equipment & supplies	\$6,703	0	0
Toys, hobby goods, & games	\$115,820	0.7	0.2
Sporting goods & recreational equipment	\$124,845	0.6	0.1
Hardware, tools, & plumbing & electrical supplies	\$162,936	0.9	0.3
Lawn, garden, & farm equipment & supplies	\$353,447	2.7	2
Automotive fuels	\$2,234,557	13.2	2.2
Automotive lubricants, including oil, greases, etc.	\$111,401	0.7	0.2

Products and Services Title	Average Product Line Sales per Establishment	Product Line as a Percent of Sales of Establishments Reporting Product Line Sales	Product Line as a Percentage of Sales of All Establishments
Automotive tires, tubes, batteries, audio equipment, parts, access	\$7,640	0	0
Household fuels, including oil, LP gas, wood, coal	\$29,451	0.2	0
Pets, pet foods, & pet supplies	\$155,041	1.6	1.1
Baby goods not elsewhere classified, including bottles, monitors, carriers, swings, etc.	\$137,844	0.8	0.2
All other merchandise	\$186,424	2	0.9
Stationery products	\$114,213	0.7	0.2
Office paper, including computer printer, copier, fax, & typewriter cut sheet paper	\$10,567	0.1	0
Office, school, & packaging supplies	\$26,502	0.2	0
Greeting cards, calendars, maps, road atlases	\$55,967	0.5	0.1
Magazines & newspapers	\$85,926	0.8	0.3
Ice	\$21,111	0.3	0.1
Nonautomotive batteries	\$19,966	0.2	0
Souvenirs & novelty items	\$25,973	0.2	0
Seasonal decorations	\$109,104	0.6	0.2
All other merchandise	\$18,000	1.4	0
Meals, unpackaged snacks, sandwiches, unpackaged ice cream & yogurt, bakery items, other food items & nonalcoholic beverages prepared for immediate consumption	\$325,185	3	2
Soup & salad bars	\$157,244	1.2	0.4
All other meals & snacks, including hot coffee, fountain drinks & prepared sandwiches, etc.	\$277,266	2.5	1.7
Meals, snacks, & beverages prepared for catered events	\$58,604	0.9	0.1
All other merchandise, excluding lottery ticket sales/commissions	\$265,590	2.1	0.9
All non-merchandise receipts	\$112,615	1.2	0.2
Rental of DVDs, Blu-ray Discs, DVD/Blu-ray Disc players & recorders, electronic games & devices	\$21,276	0.3	0
Receipts from coin-operated amusement machines	\$31,329	0.2	0
Receipts from photofinishing performed by this establishment	\$19,730	0.1	0
Receipts from photofinishing contracted out to other establishments	\$10,019	0	0
Receipts from photocopying, faxing, & check cashing services	\$198,109	1.4	0.1
All other non-merchandise receipts	\$72,890	0.8	0.1
TOTAL	\$24,757,218		

Source: Place Dynamics LLC, derived from the 2013 Consumer Expenditure Survey

APPENDIX B – TRADE AREA GROCERY-RELATED SALES ESTIMATES

Expected Grocery Store Sales by Product Line and Trade Area (2015)

Product Line	TRADE AREA			
	I	II	III	IV
Groceries & other food items for human consumption off the premises	\$6,142,465	\$14,290,314	\$5,930,651	\$10,310,891
Alcoholic beverages served for immediate consumption	262	627	255	509
Packaged liquor, wine, & beer	286,406	684,681	278,358	556,406
Cigars, cigarettes, tobacco, & smokers' accessories, excluding sales from vending machines operated by others	143,214	326,789	136,813	272,358
Drugs, health aids, beauty aids, including cosmetics	750,945	1,736,574	705,383	699,049
Household soaps, detergents, cleaners, & cleaning supplies	386,146	871,577	372,772	560,911
Men's wear, including accessories	341	768	335	663
Women's, juniors', & misses' wear, including accessories	917	2,059	900	1,547
Children's wear, including boys', girls', & infants' & toddlers' clothing & accessories	1,738	5,290	1,716	6,553
Costumes & unisex clothing	0	0	0	0
Footwear, including accessories	499	1,103	498	900
Sewing, knitting, needlework goods, including fabrics, patterns, sewing supplies, notions, yarns, laces, trimmings, needlework kits, etc.	81	187	79	111
Curtains, draperies, blinds, slipcovers, bed & table coverings	79	174	77	105
Small household appliances & personal care appliances	1,424	3,048	1,361	2,039
Audio equipment, musical instruments (new & used), radios, audio electronic components, CDs, records, tapes, audio books, sheet music, accessories	2,929	6,791	2,841	4,745
Furniture, sleep equipment & outdoor/patio furniture	0	0	0	0
Kitchenware & home furnishings	23,549	53,634	22,927	37,819
Jewelry, including watches, watch attachments, novelty jewelry, estate/antique jewelry, etc.	174	410	169	344
Books, including e-books	2,349	5,528	2,231	2,884
Photographic equipment & supplies	837	1,940	812	1,356
Toys, hobby goods, & games	2,980	6,307	2,898	3,915
Sporting goods & recreational equipment	549	1,162	534	721

Product Line	TRADE AREA			
	I	II	III	IV
Hardware, tools, & plumbing & electrical supplies	2,438	5,611	2,358	3,315
Lawn, garden, & farm equipment & supplies	48,592	111,851	46,996	66,080
Automotive fuels	159,671	361,991	154,726	286,606
Automotive lubricants, including oil, greases, etc.	674	1,528	653	1,210
Automotive tires, tubes, batteries, audio equipment, parts, access	164	368	156	257
Household fuels, including oil, LP gas, wood, coal	1,147	2,587	1,107	1,059
Pets, pet foods, & pet supplies	50,741	107,381	49,350	66,659
Baby goods not elsewhere classified, including bottles, monitors, carriers, swings, etc.	0	0	0	0
All other merchandise	62,893	144,771	60,827	85,528
Meals, unpackaged snacks, sandwiches, unpackaged ice cream & yogurt, bakery items, other food items & nonalcoholic beverages prepared for immediate consumption	160,639	367,694	155,914	289,853
Meals, snacks, & beverages prepared for catered events	Included in figure above			
All other merchandise, excluding lottery ticket sales/commissions	382,966	881,534	60,827	520,793
All non-merchandise receipts	35,326	80,059	34,177	57,669
TOTAL	\$8,653,136	\$20,064,318	\$8,338,261	\$13,842,857

Source: Place Dynamics LLC