

STORE RELOCATION TO ROUTE 2

Summarize your idea:

- Moving the current co-op location to Route 2.
- Increase revenues above the level of break-even.
- Provide for future financial sustainability.

Why you are proposing this idea:

The current location has limitations in store space and visibility. The current level of sales does not seem to be sufficient to support the business in the long term. The expenses, under a normal management organization, exceed the margin of contribution (revenues less cost of goods sold).

Pros (top 5):

- Increases visibility.
- Addition of new permanent customers from other communities.
- Customers from passing through traffic, tourists.
- More parking spaces.

Cons (top 5):

- Away from the village, along a high traffic road.
- Loss of a convenience store in the village.
- Need to drive through the blinking light intersection for the majority of the current customers of the co-op.
- A loss for the community life of the village.
- It will require an investment of fresh capital.

What do members think?

- The recent survey indicated that 36% of the respondents are in favor of moving to Route 2, while 27% prefer to stay at the current location. 37% are neutral about the idea.

What are the pitfalls? That is, the biggest risks?

- Must find a suitable building along Route 2, with large parking area.
- Requires a decision about the destination of the current building. Sell. Transform it in a community center, more capital required, Questionable self-sustainability as a community center.

Who will be responsible for making it happen?

A dedicated committee that may include our experts and experts that are not necessarily from our community. Will need to seek guidance from the co-op movement experts. Requires approval from the town and from state agencies.

Back-of-the-envelope Cost-Revenue Analysis – what will it cost? What will it save? What revenue will it bring in? That is, how much of the gap does it close?

- See attached financial projection.
- Will close the recurring gap between gross profit and expenses in our current situation.
- Revenues just short of \$2 million.
- Short pay-back time, estimated in 5 years.

How long to make this idea come to fruition?

One to three years.

What is the interim plan to remain solvent?

Continue to do what we are doing now, in order to avoid the worsening of our P&L. This is probably the most difficult portion, requiring some difficult decision and shrewd managing.

**PLAINFIELD CO-OP
PROPOSAL FOR THE IMPROVEMENT OF REVENUES AND FOR A SUSTAINABLE FUTURE
MOVE THE STORE TO A LOCATION ON ROUTE 2**

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August 28, 2019

1. Scope

This proposal is designed to attain a sustainable future for our co-op by moving the store to Route 2, as suggested in the findings of the G2G Market Study by Debbie Suassuna of May 2018.

2. Current situation

The co-op suffers from a lack of visibility, from a store area of only 1,200 square feet, and a limited parking capacity. From month to month the revenues remain flat and the expenses fluctuate at levels equal or larger than the gross profit. Currently the P&L of the co-op shows a small net profit thanks to major volunteer time and efforts by the staff and management to streamline the operations. While some of these efforts have brought improvements, none is large enough to guarantee the long-term future of the co-op. Other efforts are being made to increase the co-op revenues with marketing activities aimed at attracting more customers and at asking current customers to spend more at the co-op. However, the market study made in May 2018 (available for download from the co-op website) gave us the following numbers to consider and to keep in mind:

- Our co-op sales per square foot: \$967 vs. the co-op database average of: \$1,569 (2017 data)
- Our trade area contains a population of 11,200 people vs. the co-op database average of 92,000 people.
- The modest trade area, combined with the lack of visibility, and with the limited parking capacity will continue to impede the co-op ability to capture a much larger sales potential.

To wait for the above situation to change, would most definitely condemn the co-op. To implement minor changes to the current situation would probably delay a few months or at the best a couple of years, before we will find ourselves in the same state of affairs. The cost cutting and the control of the expenses are already leveling off to the maximum achievable. The co-op needs to grow, i.e. needs to increase its revenues.

The current location of the co-op, while well known to its regular customers, is not helping when it comes to increase revenues. Moving the co-op to another location within the heart of the village, with more store and parking space (assuming such a space could be found) would not increase the present number of customers.

3. The possible future scenario

Opening a new location on Route 2 would increase the visibility, would allow for more store space, would provide more parking capacity, and it would, at the same time, allow the expansion of the co-op product offering, while attracting a much larger customer base.

The already mentioned market study of May 2018, suggests 3,000 square feet of sales area, with a parking capable of absorbing the larger number of customers. Expanding the sales area of the current location would not increase the revenues due to the limitations of the parking area.

The larger area would strengthen the dairy, meats, and produce departments that are at the very base of a food co-op, and allow the development of the highly profitable deli department. By using the same suppliers that the co-op currently has, the co-op could offer freshly prepared foods and beverages, hot and cold, to take out at breakfast, lunch, and dinner time. A self-serve bar area can offer different cold and hot foods that differ depending on the time of the day, similar to what is done by Hunger Mountain co-op. And/or a self-serve bar of grab-and-go bagels/sandwiches and self-serve cold and hot beverages. To differentiate from other competing establishments the co-op can use the leverage of freshly prepared natural/organic/healthy/vegetarian/vegan local foods. The grocery and the food/deli/beverage bars are complementing and strengthening each other, leading to an increased customer count, and to a larger customer basket per transaction.

4. Opportunity

Opportunities for a suitable building with a large parking area along Route 2 do not become available often. The value of land along Route 2 is high because it can be rezoned for commercial use, rather than farming or residential. Ideally, the property shall be as close as possible to the bridge connecting to the village, it shall be on the river side of Route 2 to avoid people having to cross Route 2, and it shall have plenty of parking, enough to receive a delivery truck or to allow for large vehicles, and it shall be easy to maneuver in and out of the parking area, without posing risks for the Route 2 traffic.

For almost one year there was a property for sale that had all the prerequisites listed in this proposal, and was offered at the right price. Regretfully it has been placed under contract 10 days ago.

5. Financial justification

Here below is a tentative financial plan for the investment.

	1st year	2nd year	3rd year
acquisition of property	270,000		
change of destination, permits & licenses	4,000		
change layout, restructuring	120,000	15,000	20,000
rewiring, heating & plumbing, utilities	50,000	5,000	5,000
equipment, furniture, supplies	100,000	20,000	
Contingency	30,000	10,000	5,000
TOTAL, cumulative investment	574,000	624,000	654,000
gross revenues per year	1,770,000	1,910,000	1,960,000
COGS	1,119,000	1,208,000	1,239,000
gross margin (33% groceries, 55% deli)	651,000	702,000	721,000
expenses (personnel, linens, utilities, maintenance, etc.)	530,000	570,000	580,000
taxes (property, sale, income)	25,000	28,000	29,000
net revenues, per year	96,000	104,000	112,000
return, years	6	6	6

The revenues have been built from the revenues of the store in its current location, adding estimated revenues from the deli department (\$260,000), and then adding the increase in revenues due to the expansion of the trade area as forecasted in the market study of May 2018. It must be noted that the revenue forecast of the market study was a lot more optimistic than the one shown in the above tentative financial plan (over \$2.5 million). Therefore, the above numbers shall be considered conservative.

The capital necessary for the relocation of the store will be easily found for several reasons. First of all, the lending institution will be inclined to consider a relocation of the store to Route 2 a lot less risky than lending money to cover the losses incurred, or to improve the store, in its current location. Second, the addition of a deli department with a better gross profit margin, will substantially reduce the number of years needed to pay back the loan. Third, such an investment will be regarded by the lending institution as a security for the long-term survival of the co-op.

6. Advantages

- Healthy food vs. fast food, offering a different product compared to the ones offered by competitors along Route 2.
- Attract a different customer base, made of:
 - Commuters that work in the Barre Montpelier Waterbury area, that live in Marshfield, Cabot, Walden, Danville, St. Johnsbury. Commuters would mostly use the self-serve deli breakfast portion in the morning on their way to work, and the store portion for their grocery purchase or a grab-and-go ready dinner from the deli department on their way back home.
 - Tourist that are interested in discovering the true spirit of Vermont with the possibility to taste some local comfort foods and to purchase local products.
- Customers stopping for the deli department, will also walk through the store and may find and purchase needed groceries.
- With more store area being available, the layout of the store can be arranged in a way that nobody will miss what is being offered on the shelves, by keeping entrance and exit separated.
- It will serve the village community living on the other side of the river, and bring that community closer to the village.
- The deli department can be advertised with the personnel of Goddard during their kitchen shutdown period, and with the personnel of the nearby Health Center.
- A few new jobs will be added within the community.
- Favorable perception of the new business by the Town of Plainfield.
- More life brought to the portion of the village on the other side of the Onion river.

Enclosures:

- End-Of-August Treasurer report
- 2019 Year End P&L projection.
- G2G Market Study – Debbie Suassuna – May 2018