

Village of Roseville Grocery Store Market Analysis

The Kiln Market & Eatery Feasibility Study

March 2019



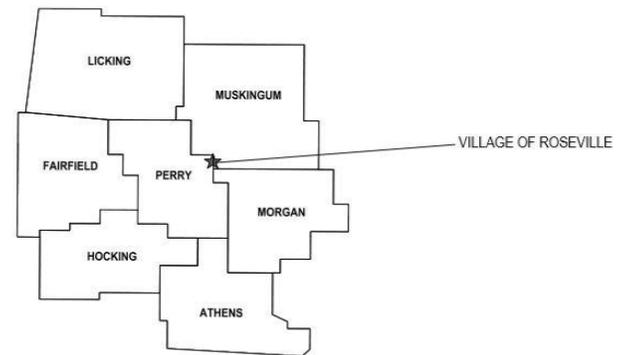
OHIO
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Background

There is strong initial indication for the viability of establishing an independent grocery store in the Village of Roseville. This Feasibility Study is designed to test initial indications through a market analysis in conjunction with industry standards, measures of market potential, sales forecasts, financial analysis, and other data-driven considerations.

Initial support for the hypothesis of the need and viability of an independent grocery store in Roseville stems from demand-side information derived from surveys and public meetings. The Village of Roseville conducted a survey in 2016 and a series of public meetings during 2017-2018 to collect input from residents about economic development projects and opportunities for new businesses to serve the community. The most popular and consistent citizen request was for a grocery store as the top priority with in-demand product offerings to include fresh produce, dairy, bread, and meats. The Village of Roseville has been without a local grocery store since 2007. The second most popular request was for a restaurant to serve as a community gathering place with both lunch and evening dining menus. An ice-cream parlor also made it to the list as among the top seven requests.



The Village solicited proposals to establish a grocery store operation in its downtown business district, received multiple applications, and approved the plan submitted by Bob and Debbie Birkimer, seasoned entrepreneurs with over 15 years' experience owning and operating a successful convenience store and restaurant in Crooksville, OH. The Birkimer plan proposed an enterprise — “The Kiln Market & Eatery” — that combined a grocery store concept responding to local demand along with a restaurant and ice-cream parlor operation to supplement its business model and contribute to Village's downtown revitalization goals. The Birkimer plan incorporates all three business ventures requested by citizens as both needed and desired enterprises for the Roseville market.

The Voinovich School of Leadership & Public Affairs at Ohio University was contracted to prepare a market Feasibility Study to evaluate and profile the conditions of success for the combined grocery store, restaurant, and ice cream parlor concept for the Roseville market. This work was funded in part by the Village of Roseville and in part by the Economic Development Administration through its University Centers program whose mission includes delivery of venture development services to businesses in the 32 counties of Appalachian Ohio. The analysis was conducted by John Glazer, Senior Executive in Residence for Strategic Development and the Technical Director for the Voinovich School's Social Enterprise Ecosystem project funded by the Appalachian Regional Commission. Mr. Glazer was assisted by Augustine Gyekye, Senior Graduate Student Researcher for the Social Enterprise Ecosystem and Master of Public Administration (MPA) candidate at the Voinovich School.

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Business Description

The Birkimers devised a unique business concept for a grocery operation that proposes to provide fresh fruits and produce, deli products, and other standard grocery store offerings as well as incorporate a food service and ice cream parlor operation serving the residents of Roseville and its surrounding market area.

The Birkimers' business plan calls for a small grocery store with healthy food options focusing on a variety of locally-sourced fresh fruits and vegetables, a fresh-cut meat case, specialty smoked-on-site meats, a deli counter with meats and cheese, as well as other standard grocery store offerings.

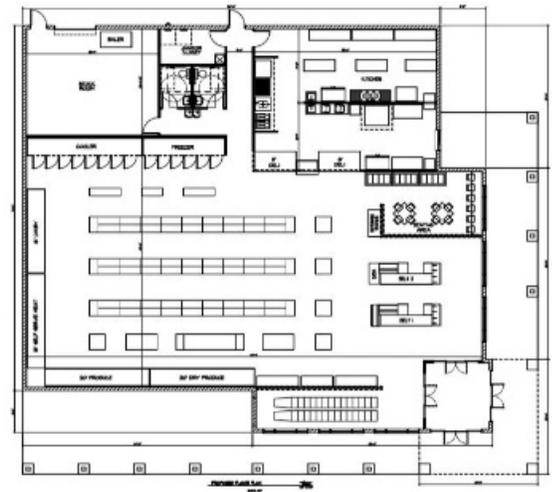
The restaurant portion of the proposed venture is integrated with the grocery store operation with a walk-up ordering counter fronting a menu board and an open-area kitchen encircled by the deli and fresh meats counter, providing customer visibility into the food preparation processes which incorporate air fryers (as opposed to deep fat fryers) for more healthy eating options. The Kiln Market & Eatery will also feature a 'grab-and-go' reach-in cooler offering customers ready-made sandwiches, fruit, vegetables, salads, and other prepared foods. The restaurant will have seating capacity for 16-24 inside diners along with additional outdoor seating for another 20-28 customers. Food would be served using disposable plates, containers, and flatware, increasing customer convenience and streamlining restaurant operations. The restaurant includes a signature coffee bar and will offer signature food items including breakfast, lunch, and dinner menus featuring both adult and children selections along with daily specials. Breakfast offerings include breakfast sandwiches, breakfast pizza, and eggs, sausage, biscuits, & gravy choices. Lunch offerings focus on sandwiches and wraps, with BBQ items, fries, shakes, etc. There will be daily dinner specials as well as desserts and ice cream options. The Kiln Market & Eatery aspires to offer distinctive signature items and is not a copycat look-alike to other restaurants in the extended market area.

The ice-cream parlor is incorporated into the restaurant space, but also includes a walk-up window and outdoor table seating under an awning separated from the outside dining area.

Takeaway: The Birkimer plan responds to market demand gleaned from surveys and in-person meetings. The potential impact of a successful grocery store and restaurant in Roseville is significant, catalyzing new businesses, creating new jobs, contributing to a revitalized downtown, attracting visitors, and enhancing community engagement and economic resilience.



Preliminary Exterior Design



Preliminary Interior Design

Site and Location

The Kiln Market & Eatery will be located on Potter's Lane in Roseville, wholly within Muskingum County. It is an integral part of the Village's larger plans for downtown revitalization which include widening Potter's Lane and increasing road access, demolishing selected buildings on Main Street, improving others, and adding critical infrastructure resulting in increased access by both vehicle and foot traffic as well as accommodating public parking and private delivery trucks.

The proposed venture's name (The Kiln) capitalizes on Roseville's historical heritage as the long-time center of the pottery industry, and its location leverages that heritage by occupying the former sites of both Ungemach Pottery and Cookson Pottery which offers opportunities for distinctive marketing and branding.

The downtown site for The Kiln Market & Eatery is an essential component of the overall business plan. The business's outdoor seating and walk-up window are key attractions in good weather. Access to the venture by both vehicle and foot traffic is crucial to the success of the concept. The Kiln Market & Eatery has the potential of being the anchor business in a revitalized Roseville downtown. The frequency of grocery shopping, the attractiveness of a downtown restaurant with both inside and open-air seating, and the popularity of a walk-up ice cream window in good weather months can increase downtown traffic and provide an initial critical mass for downtown revitalization to attract other entrepreneurs and new business development.



Takeaway: The Kiln Market & Eatery's long-term success is intimately tied to Roseville's downtown revitalization planning. As an anchor institution, The Kiln Market & Eatery is a major contributor and catalyst for the future of Roseville's downtown district, and its prospects can be expected to improve with Roseville's progress building critical mass for robust downtown development.

Grocery Store Competition

There is very limited competition surrounding The Kiln Market & Eatery location with only one traditional grocery store in the primary market area (defined as a 7-mile radius around Roseville): Ruff's IGA in Crooksville, six miles from the village center. Other alternatives in the primary market area are not sources of healthy food choices, offering only limited selections of packaged foods and lacking fresh produce, meats, and many other standard grocery items. These include two Family Dollar stores (one in Roseville and the other 3.3 miles away in Crooksville) and one Dollar General store (2.3 miles away in Crooksville).

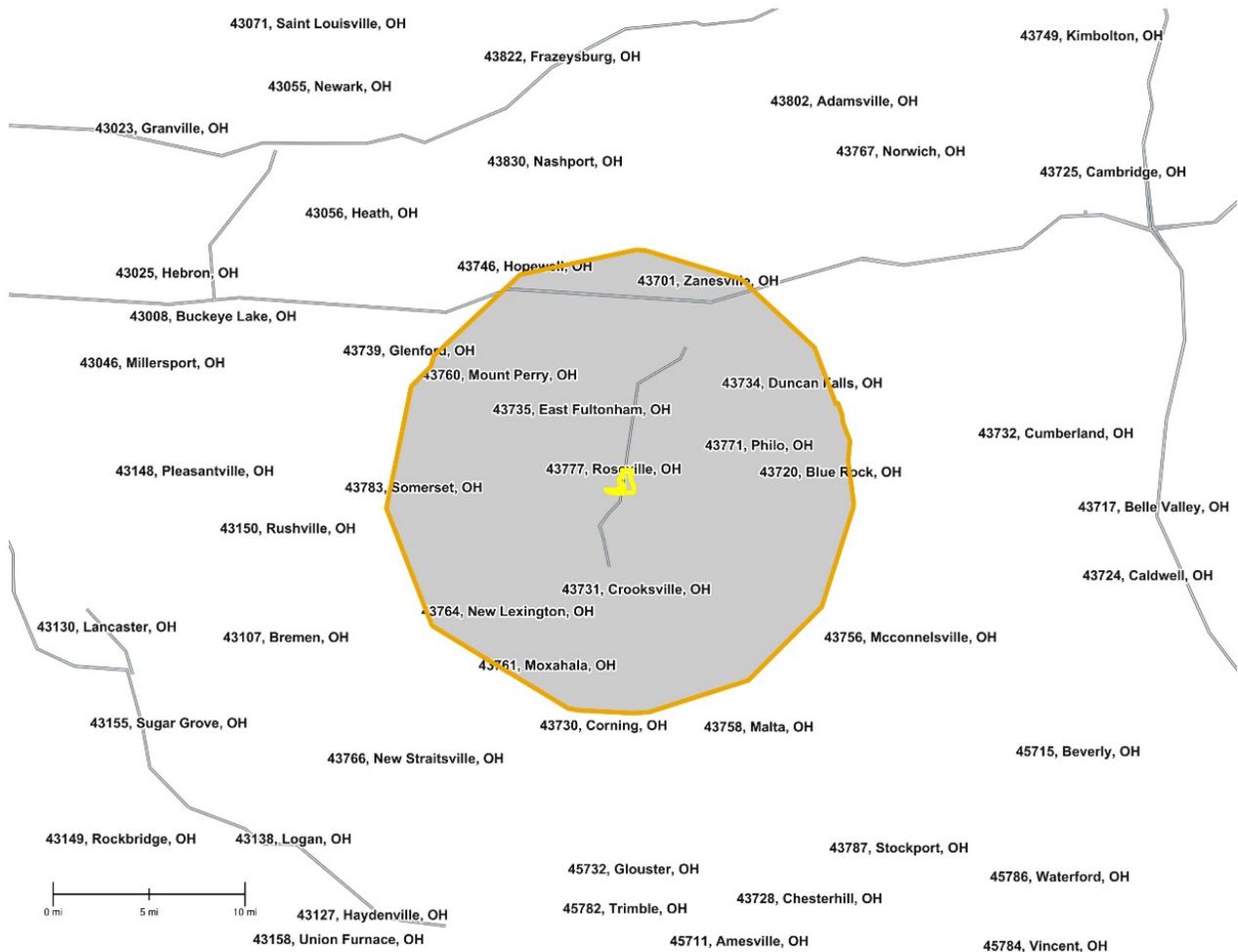
Similarly, within the secondary market area (defined as a 10-mile radius around Roseville), there is one traditional grocery store (Save-a-Lot, located 7.5 miles away in Zanesville) and two limited-selection establishments (a Family Dollar located 9.5 miles away and a Dollar General located 7.5 miles away, both in Zanesville).

Finally, in the tertiary market area (defined as a 15-mile radius around Roseville, there are five grocery store options: two Kroger locations (one 12.3 miles away in New Lexington and the other 15 miles away in Zanesville), one Save-a-Lot (12.2 miles away in New Lexington), one Aldi (11.3 miles away in Zanesville), and one Wal-Mart (14.5 miles away in Zanesville). There are also two Family Dollar and two Dollar General stores (all over 12 miles away in New Lexington and Zanesville).

COMPETITION		Primary Market	Secondary Market	Tertiary Market
Grocery Stores	Location	Within 7 miles	Within 10 miles	Within 15 miles
Ruff's IGA	Crooksville	6 miles		
Save-a-Lot	Zanesville		7.5 miles	
	New Lexington			12.2 miles
Kroger	New Lexington			12.3 miles
	Zanesville			15 miles
Walmart	Zanesville			14.5 miles
Other Food Stores	Location	Within 7 miles	Within 10 miles	Within 15 miles
Family Dollar	Roseville	1.4 miles		
	Crooksville	3.3 miles		
	Zanesville		9.5 miles	13.5 miles
	New Lexington			13 miles
Dollar General	Crooksville	2.3 miles		
	Zanesville			12.2 miles, 10.3 miles

Takeaway: The Kiln Market & Eatery can expect to draw the majority of its customers from its primary and secondary markets where its marketing efforts should concentrate. The proposed enterprise faces stiff competition only from its tertiary market in Zanesville and New Lexington. To pass feasibility threshold, the store's primary and secondary markets must be sufficient for sustainability.

Roseville Trade Area Map



Grocery Store Market Potential

To determine the revenue potential for a grocery store serving customers in the Roseville trading area, data was obtained from the Economic Policy Institute documenting average monthly spending by households of varying types and sizes based on the number and ages (adult vs children) of residents. This data was obtained from a family budget calculator developed by the Economic Policy Institute to determine the amount of money families need to spend on groceries in order to maintain “a modest, yet adequate, standard of living.”

National average household grocery spending, based on household type and size, is summarized in Table A below:

**Table
a. Monthly Expenditure Based on Family Type**

Family Type	Monthly Expenditure on Food
1 Adult, no Children	\$244
1 Adult, 1 Child	\$359
1 Adult, 2 Children	\$525
1 Adult, 3 Children	\$701
1 Adult, 4 Children	\$858
2 Adult, no Children	\$446
2 Adult, 1 Child	\$556
2 Adult, 2 Children	\$703
2 Adult, 3 Children	\$859
2 Adult, 4 Children	\$1051

Next, this national data was applied to the specific demographics of households located in Roseville’s market trading area. Demographic data related to Roseville’s market areas were derived from SimplyAnalytics, a national demographic database aggregating most recent census data with other sources of demographic profiling based on geographic search criteria.

The number and types of households within Roseville’s primary, secondary, and tertiary market areas is summarized in Table B below:

Table B. Household Types within the Roseville Trade Area

Attribute	Number of HH within 7miles	Number of HH within 10miles	Number of HH within 15miles
# 7 or More Person HH	57	120	391
# 6 Person HH	124	301	780
# 5 Person HH	267	675	1,633
# 4 Person HH	538	1,416	3,441
# 3 Person HH	769	1,964	4,908
# 2 Person HH	1,545	3,888	9,652
# 1 Person HH	984	2,471	7,397

Combining these two sets of data and applying national household spending averages to the specific

household profiles in Roseville’s trade area shows the total grocery store revenue potentially generated from each of the primary, secondary, and tertiary market areas that would be served by the grocery store operations of The Kiln Market and Eatery. These calculations are summarized in Table C below:

Table C. Roseville Trade Area Monthly Expenditures Data						
Household Size	# of HH within 7miles	Monthly Expenditure	# of HH within 10miles	Monthly Expenditure	# of HH within 15miles	Monthly Expenditure
# 7 or More Person HH	57	\$59,907.00	120	\$126,120.00	391	\$410,941.00
# 6 Person HH	124	\$130,324.00	301	\$316,351.00	780	\$819,780.00
# 5 Person HH	267	\$229,219.50	675	\$579,487.50	1,633	\$1,401,930.50
# 4 Person HH	538	\$377,676.00	1,416	\$994,032.00	3,441	\$2,415,582.00
# 3 Person HH	769	\$415,644.50	1,964	\$1,061,542.00	4,908	\$2,652,774.00
# 2 Person HH	1,545	\$621,862.50	3,888	\$621,862.50	9,652	\$3,884,930.00
# 1 Person HH	984	\$240,096.00	2,471	\$602,924.00	7,397	\$1,804,868.00
Total	4284	\$2,074,729.50	10835	\$4,302,319.00	28202	\$13,390,805.50

The total market potential for grocery store revenues is over \$13M per month. The feasibility test for The Kiln Market and Eatery needs to focus on the primary (7-mile radius) and secondary (10-mile radius) market areas due to competitive pressures further out in the broader trade area. Focusing only on the primary and secondary markets, the total market potential for Roseville grocery sales is \$4.3M monthly.

Clearly, 100% market share is unlikely and realistic market potential must take into account even the more limited competition in the primary and secondary market areas. Table D below shows potential grocery store revenue achievable for The Kiln Market & Eatery at different market share percentages for its primary and secondary markets:

Table D. Market Share Potentials						
Sensitivity Analysis Roseville Primary and Secondary Trade Areas (10 mile Radius)						
Total Market Area Potential Grocery Revenue	\$4,302,391.00					
Market Share Percentages	60%	50%	40%	30%	20%	10%
Total Potential Monthly Revenue	\$2,581,434.60	\$2,151,195.50	\$1,720,956.40	\$1,290,717.30	\$860,478.20	\$430,239.10
Total Potential Annual Revenue	\$ 30,977,215.20	\$ 25,814,346.00	\$ 20,651,476.80	\$ 15,488,607.60	\$ 10,325,738.40	\$ 5,162,869.20
Sensitivity Analysis Roseville Primary Trade Area Only (7-Mile Radius)						
Total Market Area Potential Grocery Revenue	\$2,074,729.50					
Market Share Percentages	60%	50%	40%	30%	20%	10%
Total Potential Monthly Revenue	\$1,244,837.70	\$1,037,364.75	\$829,891.80	\$622,418.85	\$414,945.90	\$207,472.95
Total Possible Annual Revenue	\$14,938,052.40	\$12,448,377.00	\$9,958,701.60	\$7,469,026.20	\$4,979,350.80	\$2,489,675.40

Takeaway. There is a high revenue potential from grocery sales in the Roseville market. A worst-case conservative scenario might assume The Kiln Market & Eatery achieves only a 10% market share of the grocery store revenue potential in its combined primary and secondary markets, resulting in sales revenue between \$2.48M and \$5.1M annually. More likely is the scenario where the Kiln Market & Eatery achieves a high market share percentage in its primary market and a much lower market share percentage in its secondary market. Assuming a 60% primary market share and only a 10% secondary market share, the Kiln Market & Eatery’s grocery store revenue could be in excess of \$20M annually. These scenarios provide a feasibility smell test justifying the conclusion that there is adequate sales potential for the Roseville grocery store operation.

Grocery Store Business Model

Next, this sales potential must be tested against grocery store business models to determine if revenues are adequate to support a sustainable grocery operation in Roseville. Information used to model grocery store operations is derived from two sources: (a) *Rural Grocery Store Start-Up and Operations Guide* published by the Illinois Institute for Rural Affairs at Western Illinois University, and (b) the research institute First Research which publishes industry profiles for grocery stores and supermarkets. Grocery stores are tight-margin businesses, with the cost of goods sold accounting for up to 75% of sales, operating expenses (including debt expense) accounting for 22-24% of sales, and bottom-line net income contributions of only 1-2% of sales. The key to sustainable viability is volume.

Grocery Store Pro Forma	
Sales	100%
COGs	75%
Operating Expense	24%

Table E below shows the profitability potential for grocery store operation of The Kiln Market & Eatery at varying levels of market share percentages for its primary and secondary markets:

Table E. Profitability Measures						
Profitability Potential Roseville Primary and Secondary Trade Areas (10 mile Radius)						
Total Market Area Potential Grocery Revenue	\$4,302,391.00					
Market Share Percentages	60%	50%	40%	30%	20%	10%
Total Potential Monthly Revenue	\$2,581,434.60	\$2,151,195.50	\$1,720,956.40	\$1,290,717.30	\$860,478.20	\$430,239.10
Total Potential Annual Revenue	\$30,977,215.20	\$25,814,346.00	\$20,651,476.80	\$15,488,607.60	\$10,325,738.40	\$5,162,869.20
COGs	\$23,232,911.40	\$19,360,759.50	\$15,488,607.60	\$11,616,455.70	\$7,744,303.80	\$3,872,151.90
Operating Expenses	\$7,434,531.65	\$6,195,443.04	\$4,956,354.43	\$3,717,265.82	\$2,478,177.22	\$1,239,088.61
Net Income	\$309,772.15	\$258,143.46	\$206,514.77	\$154,886.08	\$103,257.38	\$51,628.69
Profitability Potential Roseville Primary Trade Area Only (7-Mile Radius)						
Total Market Area Potential Grocery Revenue	\$2,074,729.50					
Market Share Percentages	60%	50%	40%	30%	20%	10%
Total Potential Monthly Revenue	\$1,244,837.70	\$1,037,364.75	\$829,891.80	\$622,418.85	\$414,945.90	\$207,472.95
Total Possible Annual Revenue	\$14,938,052.40	\$12,448,377.00	\$9,958,701.60	\$7,469,026.20	\$4,979,350.80	\$2,489,675.40
COGs	\$11,203,539.30	\$9,336,282.75	\$7,469,026.20	\$5,601,769.65	\$3,734,513.10	\$1,867,256.55
Operating Expenses	\$3,585,132.58	\$2,987,610.48	\$2,390,088.38	\$1,792,566.29	\$1,195,044.19	\$597,522.10
Net Income	\$149,380.52	\$124,483.77	\$99,587.02	\$74,690.26	\$49,793.51	\$24,896.75

Takeaway. There is adequate profit potential for a sustainable grocery store operation in the Roseville market areas. If its business model follows industry standards and is reflective of similar grocery store operations in rural areas, then The Kiln Market & Eatery is a viable enterprise for the Roseville trade area. There is sufficient volume potential in the market to yield a profitable enterprise even in the worst-case, unlikely scenarios. The more likely scenario where the Kiln Market & Eatery achieves a high market share percentage (assume 60% market share) in its primary market and a much lower market share percentage (assume 10%) in its secondary market, the Kiln Market & Eatery’s grocery store’s profitability could be in excess of \$200K annually.

Extended Business Model: Eatery & Ice Cream Parlor

The business model for The Kiln Market & Eatery is more than a grocery store operation. While the preceding analysis demonstrates market potential and financial viability for a stand-alone grocery operation, risk is further mitigated by additional revenue streams in the overall business plan. The synergies of the combined grocery store, restaurant, and ice cream parlor in the Birkimer’s business model go beyond multiple revenue streams and profitability margins: the ability of the business to attract customers (including residents, visitors, and commuters) is enhanced by the multi-faceted operation and the combined branding and marketing opportunities this enables.

Restaurant Comparisons

In order to model potential revenues generated and profitability contributed by the envisioned restaurant operation, data from comparable operations provide a range for sales per square foot calculations. The square footage devoted to the Eatery portion of The Kiln & Eatery operation is projected to be between 2000 and 2800 square feet. Table F below depicts the annual sales performance of familiar restaurants of similar sizes and featuring similar casual dining offerings:

Table F. Eatery (Sandwich Shop) Performance Data				
	PotBelly Sandwich Shop	Chipotle Mexican Grill	Carrols Group	Giggles N Hugs
Average Store Sales	\$923,200	\$1,735,282	\$1,311,516	\$1,008,000
Average Store Size (sq. ft.)	2,300	2,500	2,600	6,000
Average Sales/Sq.Ft.	\$401	\$694	\$482	\$168
Number of Stores	441	2250	753	3
Total Sales	\$407,131,000	\$3,904,384,000	\$943,583,000	\$3,024,000

Kiln Eatery Sales Potential

The key performance indicator in these comparable operations is their sales per square foot. Based on this range, it is reasonable to project potential restaurant sales for The Kiln Market & Eatery as falling somewhere near the average of \$436.25 and to depict the range of possibilities for both a low (25% of average) and high (125% of average) end. Table G below projects The Kiln Eatery annual sales based on a range of sales per square foot derived from industry averages of comparable operations.

Table G. Kiln Eatery Sales Potential			
	Low-End Sales/SqFt	Average Sales/SqFt	High-End Sales/SqFt
Eatery Sq. Ft.:	\$109	\$436	\$545
2000	\$218,125	\$872,500	\$1,090,625
2800	\$305,375	\$1,221,500	\$1,526,875

Kiln Eatery Business Model

Table H illustrates data from franchised sandwich shop operations depicting an average business model for similar operations:

Table H. Eatery Pro Forma Model		
	Restaurant	Ice Cream Parlor
Sales	100%	100%
COGs	35%	36%
Operating Expense	37%	31%
Net Income	21%	33%

Applying this model to the revenue potential of the restaurant operation at The Kiln Market & Eatery shows the potential profit contribution to its overall business model. Table I illustrates the range of profit potential for the Kiln’s restaurant operation.

Table I. Kiln Eatery Profit Potential			
	Low-End Sales/SqFt	Average Sales/SqFt	High-End Sales/SqFt
Eatery Sq. Ft.:	\$109	\$436	\$545
2000			
Sales	\$218,125	\$872,500	\$1,090,625
COGs	\$76,343.75	\$305,375.00	\$381,718.75
Operating Expense	\$80,706.25	\$322,825.00	\$403,531.25
Net Income	\$45,806.25	\$183,225.00	\$229,031.25
2800			
Sales	\$305,375	\$1,221,500	\$1,526,875
COGs	\$106,881.25	\$427,525.00	\$534,406.25
Operating Expense	\$112,988.75	\$451,955.00	\$564,943.75
Net Income	\$64,128.75	\$256,515.00	\$320,643.75

Takeaway. The supplemental revenue streams from the restaurant (and, additionally, the ice cream parlor) contribute to the viability of The Kiln Market & Eatery’s combined business operations, mitigate risk through diversification, and enhance its financial sustainability. At the unlikely, worst-case-scenario low end of performance expectations, the restaurant operation is profitable and adds positive contributions to overall profitability.

Conclusions

Based on industry standards and performance data applied to Roseville’s specific market areas and demographics, The Kiln Market & Eatery is a feasible business enterprise and sound business model. The clear need, expressions of demand, and revenue potential in the Roseville markets support the desirability and sustainability of a grocery store operation. Diversified revenue streams and potential supplemental profitability of the restaurant and ice cream parlor operations mitigate risk and add to the enterprise’s feasibility. The entrepreneurial background and business experience of the owners and operators greatly enhance the opportunities for success. The support of the Roseville community and ongoing downtown revitalization efforts create an environment where The Kiln Market & Eatery can be an anchor business for the downtown district, drawing customers, and contributing to the quality of life for area residents.

Risk Factors

This feasibility analysis is provided at the level of business modeling, industry standards, competitive landscapes, and market demographics. The actual development and launch of the enterprise needs to address capital expenditures, working capital considerations, cash flow and breakeven analysis, sales ramp-up, and growth patterns. A sound business plan, including supply chain, actual COGs and operating expense data, inventory management, marketing, workforce availability and training, and financial management tools going forward, are crucial to realizing the potential demonstrated by this analysis.

REFERENCES

First Research. (2013). Grocery Stores & Supermarkets. 1-18.

http://www.firstresearch.com/industryanalysis/First_Research_Industry_Profile_Sample.pdf

This website is a good resource for gathering hard data on grocery stores. For example, it has income statements, balance sheets, and financial ratios that will help a new grocer understand the economic side of the business. The research from first watch also shows some of the industry trends that may be found useful. Ultimately, this document goes into more detail about the business side of grocery stores than the *Rural Grocery Start-up and Operation Guide*.

Hartman Group. (2014). U.S. Grocery Shopping Trends 2014 Overview

<https://www.fmi.org/docs/default-source/research/presentation.pdf?sfvrsn=0>

The source above was not used to create this report; it is however a good resource for potential grocery store owners. This PowerPoint presentation has a lot of information on the shopping trends of people from around the United States. The data is two years old, but a lot of the data found in this presentation should still be relevant.

Illinois Institute for Rural Affairs at Western Illinois University. (2014). Rural Grocery Store Start-up and Operations Guide. 1-45.

<http://www.iira.org/archive/pubs/Grocery-Store-Start-up-and-Operations-Guide.pdf>

This site provides the reader with information on starting a rural grocery store. Take note that this paper was written for people starting businesses in Illinois and as a result some of the data does not pertain to Ohio. That said most of the information within this document is applicable to any grocer. Some of the information inside includes how to create an effective grocery floor plan, grocery store regulations and advice on how to lower the costs of required equipment.

The Ice Cream Entrepreneur's Guide (Getting started in the ice cream business: 1-27

<http://www.dreamcones.com/wp-content/uploads/2015/06/ICE-CREAM-ENTREPRENEURS-GUIDE-v2.pdf>

This site provides the reader information on how to start an eatery and the pros and cons involved in operating individually or through franchising. It also elaborates on serving the different variety of ice creams a parlor can serve and to be aware of what maximizes customer utility.

LINKS TO DATA SITES

SimplyAnalytics Database: (not free database)

<http://geographicresearch.com/simplymap/>

Ohio Department of Job and Family Services:

<https://jfs.ohio.gov/county/cntypro/pdf13/Vinton.stm>

Ohio Development Service Agency:

<https://development.ohio.gov/files/research/C1083.pdf>

United States Census Bureau:

<http://www.census.gov/quickfacts/table/PST045215/39163>