Market feasibility overview

FRESH FRUITS AND VEGGIES STAND

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Huntington Station, NY

Overview
Members of Source the Station have nominated and shown strong support for development of a fresh fruits and vegetables stand in Huntington Station. The Source the Station retail campaign website does not provide a detailed description of the proposed business. This report explores the feasibility of a fresh fruits and vegetables stand and provides suggestions on how it might operate.

Concept profile
For centuries, traditional downtowns functioned as marketplaces where people came to buy the staples of everyday living (like groceries) as well as to engage in civic and social functions. Many downtowns once included public markets where farmers would offer fresh food for sale – in smaller communities, typically once per week; in larger cities, every day.

But many of the retail functions downtowns once offered, including groceries, have moved to highway-oriented larger-format stores. Despite the consolidation to larger store formats, food remains largely a convenience purchase, meaning – other factors being equal (price, selection, etc.), shoppers still tend to patronize the closest businesses.

In essence, a fruit and vegetable stand offers a small subset of what a grocery store might offer. The potential success of offering a fresh fruit and vegetable stand in Huntington Station would depend on a number of factors, including these:

- Whether the fruit/vegetable stand offers products that consumers need and want
- Whether the quality of the fruits and vegetables offered by the fruit/vegetable stand is superior enough to persuade people not to buy these at a grocery store but, instead, to make a separate trip to the fruit/vegetable stand

- Whether there are compatible businesses in close proximity to the fruit/vegetable stand that can help attract customers and that offer products and services that complement the products the fruit/vegetable stand offers

- The ability of the business to effectively manage its inventory, including sourcing high quality products and managing perishability

- Whether the fruit/vegetable stand will operate year-round or seasonally

- Whether the fruit/vegetable stand will operate outdoors (and therefore be dependent on good weather) or in an indoor or other weather-protected space

- Whether sales will take place primarily during morning and evening peak commuting hours and whether the fruit/vegetable stand’s business plan includes strategies for generating revenue during non-commuting hours

- Whether the fruit/vegetable stand’s projected profit margins are sufficient to provide adequate income to its owner(s)

Existing fruit/vegetable store environment
There are 12 grocery stores within a two-mile radius of the Huntington Station LIRR station. In addition, there are 15 convenience stores, four meat markets, three fish and seafood markets, two fruit and vegetable markets (Plum Crazy Farmers Market, and Happy Farm), three confectionary and nut stores, 12 specialty food stores, and 12 beer/wine/alcohol stores. There are also 15 pharmacies and drug stores, many of which offer groceries. Overall, Huntington Station has a retail sales surplus of approximately $68.8 million in food and beverage stores,
meaning that the community’s food stores are capturing more sales than the community’s residents alone are likely responsible for.

Market demand

Using data from the 2010 Census of Population and the 2010 Consumer Expenditure Survey, we examined the market demand for fresh fruits and vegetables by Huntington Station LIRR riders, Huntington Station residents, and other LIRR commuters from stations east of Huntington Station on the Port Jefferson branch.

For each of these customer groups, we developed estimates of how much market demand a new fruit/vegetable stand located at or near the train station might be likely to capture (assuming good management and marketing, adequate capitalization, and other sound business practices), based on minimal, moderate, and aggressive levels of market penetration.

“Minimal”, “moderate”, and “aggressive” are relative, but some rough benchmarks include:

- **Minimal**:
  - Only “rush hour” operating hours
  - No special marketing activities

- **Moderate**:
  - Operation throughout the day and early evening
  - Fruits and vegetables superior in quality to those available in area grocery stores, farm markets, and other food outlets
  - Some special marketing activities

- **Aggressive**:
  - Operation throughout the day and early evening
  - An aggressive merchandising strategy, including both staples as well as unique products and services not available elsewhere within the region
  - Fruits and vegetables superior in quality to those in area grocery stores, farm markets, and other food outlets
  - A wider variety fruits and vegetables than are available from other area food outlets
Numerous special marketing activities, including customer loyalty programs
Multiple ways to reach customers and potential customers
Two or more sales distribution channels

Because of the likelihood that most area residents will buy most of their fruits and vegetables from the store in which they do their routine grocery shopping, we believe that LIRR commuters whose trips begin or end at Huntington Station would represent the most significant customer segment for a fruit/vegetable stand. In this case, we estimate that a fruit/vegetable stand might capture between $97,300-$291,900 annually in gross sales, depending on its level of market penetration [Table 1].

<table>
<thead>
<tr>
<th>Product/service</th>
<th>Estimated annual gross sales targets</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Minimum</td>
</tr>
<tr>
<td>Fresh fruits and vegetables</td>
<td>97,300</td>
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Table 1. Summary of likely market demand for fresh fruits and vegetables, assuming that LIRR passengers who embark/disembark at Huntington Station are the fruit/vegetable stand’s primary customers.

<table>
<thead>
<tr>
<th>Product/service</th>
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<tbody>
<tr>
<td></td>
<td>Minimum</td>
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<tr>
<td>Fresh fruits and vegetables</td>
<td>116,600</td>
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</tbody>
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Table 2. Summary of likely market demand for fresh fruits and vegetables, assuming that LIRR passengers embarking/disembarking at Huntington Station and Huntington Station residents are both primary customer segments for the fruit/vegetable stand.

It is possible that Huntington Station residents might purchase some of their routine fruit/vegetable purchases from a fruit/vegetable stand, particularly if the stand has excellent
access not only from the station but also from New York Avenue and if it is co-located with a cluster of compatible businesses (e.g., a cluster of specialty food stores) and/or with one or more businesses that already generate significant traffic. In this instance, we estimate that a fruit/vegetable stand might capture between $116,600-$349,900 in gross sales annually [Table 2].

Discussion
It appears that there is enough market demand to support a fruit/vegetable stand near the Huntington Station train station – but its margins would be relatively thin. Its chances of succeeding could be bolstered by:

- **Proximity to other specialty food stores**: If the fruit/vegetable stand were part of a cluster of specialty food stores (a wine/cheese shop, a butcher, a bakery, etc.), it is more likely the fruit/vegetable stand would succeed.

- **Proximity to high-traffic businesses**: Being located in close proximity to one or more high-traffic businesses could boost visibility for the fruit/vegetable stand.

- **Proximity to residents**: Being within easy walking distance of a cluster of housing units would provide the fruit/vegetable stand with a close-by residential market.

- **Sales during off-peak commuting hours**: The fruit/vegetable stand is likely to be busiest during peak commuting hours – leaving it with slow hours during the middle of the day. Building new sales channels during off-peak hours would help boost the business’s bottom line.

A few additional suggestions:
- Pair up with an existing restaurant for food storage. Renting refrigerated space from an existing restaurant could reduce the costly outlay required for sanitary refrigerated food storage equipment.

- Augment on-site sales of fruits and vegetables with other sources of revenue, such as operating a CSA (Community Supported Agriculture) food co-op or serving as a box distribution center for an existing CSA.

- Accept food stamps. This would make the stand’s products available to a larger market.

- Establish contact with the US Department of Agriculture’s Agricultural Marketing Services office, which provides assistance to fresh food vendors.
General limitations and disclaimer

Retail market analyses, their components, and derivative business development plans provide important guidance on how a business or commercial center should, theoretically, be able to perform and on the sales levels businesses should be able to achieve. However, a number of factors affect the actual performance of retail businesses and commercial centers, including the skills of the business operator and property manager, level of business capitalization, the quality of the physical environment, changes in overall economic conditions, the effectiveness of business and district marketing programs, and many other factors. The information in this report is intended to provide a foundation of information for making business development decisions for Huntington Station, but it does not, and cannot, ensure success.