11.439 Revitalizing Urban Main Streets
Spring 2009

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A2E
Ethnic Retail Analysis

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&
Graduate Student
Presentation Overview

- Research Objectives and Methods
- New Orleans Village de L’Est
  - Analysis and findings
  - Retail business opportunities and options
  - Discussion
- East Biloxi
  - Analysis and findings
  - Retail business opportunities and options
  - Discussion
- Best ways to grow local ethnic retail firms & jobs
  - Next steps
Research Objectives

- Identify promising market opportunities to for business start-ups or existing store expansion
- Survey customers on shopping habits and preferences
- Assess local interest and capacity to pursue opportunities
- Identify options to capitalize on market opportunities
  - Business models
  - Business development role and services
Methods

- Assess demand by consumer segment for different retail products and businesses
  - Secondary data and local knowledge
- Estimate sales of existing retail stores
- Compare demand and supply to identify under supplied retail businesses
- Customer surveys
- Interview local business development staff on retail conditions, trends, opportunities
- Summarize business development models used in community economic development
Methods

**Demand Side Analysis**
- Define market segments
- Estimate size & spending for each segment
- Sum spending by business type

**Market Demand**

**Supply Side Analysis**
- Inventory local stores & competition
- Informs local market share of spending
- Estimate sales by each store type

**Market Supply**

**Business Opportunities**
- Local capacity
- Preferences & Competition
Village de L’Est Market Demand

- Three Key Segments
  - Local households
    - 1,857 Vietnamese and 625 other households
    - Estimated annual income of $122 million
  - Regional Vietnamese-American households
    - 3,167 households
    - $223 million in annual income
  - Area employees
    - Over 2,900 workers in industrial area
    - Estimated local spending: $5.7 million yearly

- Tourists not yet source of local demand
### Village de L’EST Retail Spending by Product and Customer Segment ($ millions)

<table>
<thead>
<tr>
<th>Product Category</th>
<th>Local Residents</th>
<th>Reg Viet Residents</th>
<th>Workers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food at home</td>
<td>$10.02</td>
<td>$17.17</td>
<td>$.73</td>
<td>$27.92</td>
</tr>
<tr>
<td>Eating out</td>
<td>$6.96</td>
<td>$11.82</td>
<td>$4.39</td>
<td>$23.17</td>
</tr>
<tr>
<td>Housekeeping Supplies</td>
<td>$1.71</td>
<td>$3.12</td>
<td>$.15</td>
<td>$3.48</td>
</tr>
<tr>
<td>Personal Care Products</td>
<td>$1.59</td>
<td>$2.90</td>
<td>$.15</td>
<td>$4.64</td>
</tr>
<tr>
<td>Clothing</td>
<td>$4.89</td>
<td>$9.14</td>
<td>---</td>
<td>$14.03</td>
</tr>
<tr>
<td>Home Furnishings</td>
<td>$4.27</td>
<td>$7.80</td>
<td>---</td>
<td>$12.07</td>
</tr>
<tr>
<td>Liquor &amp; Tobacco</td>
<td>$2.32</td>
<td>$4.01</td>
<td>$.29</td>
<td>$6.62</td>
</tr>
</tbody>
</table>
Village de L’Est Retail Supply

- 50 stores with 103,000 square feet\(^1\)
  - $21.75 million in estimated sales
- 26 are food related:
  - 58% of total space:
    - 7 grocery stores
    - 4 convenience
    - 10 restaurants

<table>
<thead>
<tr>
<th>Store Type</th>
<th>Estimated Local Sales</th>
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<tr>
<td>Grocery</td>
<td>$7.94 million</td>
</tr>
<tr>
<td>Convenience</td>
<td>$1.20 million</td>
</tr>
<tr>
<td>Bars &amp; Cafes</td>
<td>$1.32 million</td>
</tr>
<tr>
<td>Restaurants</td>
<td>$4.01 million</td>
</tr>
<tr>
<td>Pharmacies</td>
<td>$1.07 million</td>
</tr>
<tr>
<td>Furniture</td>
<td>$1.29 million</td>
</tr>
<tr>
<td>Other</td>
<td>$4.92 million</td>
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</table>

\(^1\) Store sizes estimated based on averages for store type
Village de L’Est Retail Competition

- Moderate competition in groceries
  - 1 major supermarket within 5 minute drive
  - 3 other independent grocers within 5 to 6 miles
  - Several Asian/Vietnamese groceries on West Bank
- Three competing pharmacies within 5 minutes
- Clothing: Strong regional but few local competitors
  - Three malls in Metairie & Gretna 15 + miles
  - 7 department stores and 70+ clothing stores
  - Several Wal-Mart stores 12 to 15 miles away
- Home Furnishing:
  - Near by Home Depot
  - Multiple stores in Slidell and Chalmette, West Bank malls
- A dozen Vietnamese restaurants in West Bank and elsewhere in New Orleans
Estimating Sales by Store Type - Preliminary

- Use market share estimates for each segment:
  - Local Vietnamese residents: 60% market share for groceries, 40% dining, 50% to 75% other convenience items, 20% for clothing and home furnishings.
  - Non-Vietnamese: 20% groceries, 20% of dining, 50% other convenience items, 20% clothing & home items
  - Regional Vietnamese population: 25% for groceries and eating out, 5% for clothing and home furnishings
  - Workers: 75% of dining, 25% for convenience items

- Allocate product spending across store types
  - Groceries: 61% in supermarkets, 12% independent grocers, 5% convenience stores, 10% mass merchandisers, 12% other
## Village de L’Est: Local Spending by Key Store Types

<table>
<thead>
<tr>
<th>Store Type</th>
<th>Estimated Local Demand</th>
</tr>
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<tbody>
<tr>
<td>Supermarket</td>
<td>$7.0 million</td>
</tr>
<tr>
<td>Independent Food</td>
<td>$1.23 million</td>
</tr>
<tr>
<td>Convenience</td>
<td>$933,000</td>
</tr>
<tr>
<td>Restaurants</td>
<td>$8.77 million</td>
</tr>
<tr>
<td>Clothing Stores</td>
<td>$716,000</td>
</tr>
<tr>
<td>Home Furnishings</td>
<td>$669,000</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>$1.43 million</td>
</tr>
</tbody>
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# Village de L’Est Findings: Undersupplied Stores

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<tr>
<th>Store Type</th>
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<th>Supply</th>
<th>Sales Gap</th>
<th>Support SQ FT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grocery</td>
<td>$9,164,000</td>
<td>$7,575,000</td>
<td>$1,589,000</td>
<td>5,100</td>
</tr>
<tr>
<td>Restaurants</td>
<td>$8,771,000</td>
<td>$5,329,000</td>
<td>$3,442,000</td>
<td>18,100</td>
</tr>
<tr>
<td>Clothing</td>
<td>$716,000</td>
<td>$605,000</td>
<td>$111,000</td>
<td>740</td>
</tr>
<tr>
<td>Home Furnishing</td>
<td>$669,000</td>
<td>$1,291,000</td>
<td>($622,000)</td>
<td>0</td>
</tr>
<tr>
<td>Pharmacy/Drug Store</td>
<td>$1,432,000</td>
<td>$1,071,000</td>
<td>$361,000</td>
<td>1,200</td>
</tr>
</tbody>
</table>
Village de L’Est: Consumer Surveys and Interviews

- Customers shop often for multiple goods and services
  - Majority of local & regional customers shop at least weekly
  - Primary shopping area for > 75% of local residents for Vietnamese groceries, restaurants, and personal services
  - Main area for ½ of reg. shoppers for Viet dining & groceries
- Businesses catering to diverse customers are doing well
  - Restaurants and services for area workers
  - Grocery stores and restaurants serving Latinos
- Most new business proposals are service related:
  - Foot massage, dance studio, hair salon, real estate
- Area rated well for quality & selection of Viet goods but got low marks for cleanliness, appearance and safety
- Strong customer interest in more:
  - Large Vietnamese supermarkets
  - Vietnamese and American restaurants
  - Super centers (e.g., Wal-Mart)
New generation of younger residents interests in starting businesses
MQVN technical assistance capacity and connections to lenders
Local business association
Business new financial management and marketing expertise
Need to improve area image, especially around public safety and appearance
Area’s “brand” is strongest as Vietnamese food destination
Consumer desire for more Vietnamese retail and large format retail
Village de L’Est Findings: Business Opportunities

- **Restaurants**
  - Family-oriented Vietnamese
  - American chain restaurants and fast food
- **Café offering premium coffee and social gathering place**
- **Expansion of grocery stores to attract regional Vietnamese customers**
- **Services for local residents and workers**
  - Laundry/dry cleaning, banking, day care
- **Stores catering to younger residents**
  - Fitness center, bridal shop,
  - Café/boba/Vietnamese sandwich shop
# Small Retailer Financial Performance

<table>
<thead>
<tr>
<th></th>
<th>Home Furn.</th>
<th>Elect. &amp; Appl.</th>
<th>Food &amp; Bev.</th>
<th>Rest.</th>
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</tr>
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<tr>
<td><strong>Avg. Sales</strong></td>
<td>236,000</td>
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<td>309,000</td>
</tr>
<tr>
<td><strong>Avg. Assets</strong></td>
<td>143,000</td>
<td>124,000</td>
<td>131,000</td>
<td>124,000</td>
<td>86,000</td>
</tr>
<tr>
<td><strong>Prop &amp; Equip.</strong></td>
<td>26,000</td>
<td>17,000</td>
<td>34,000</td>
<td>54,000</td>
<td>36,000</td>
</tr>
<tr>
<td><strong>Net Worth</strong></td>
<td>50,000</td>
<td>39,000</td>
<td>41,000</td>
<td>35,000</td>
<td>28,000</td>
</tr>
<tr>
<td><strong>Profit %</strong></td>
<td>4.1%</td>
<td>6.5%</td>
<td>2.8%</td>
<td>6.5%</td>
<td>10.1%</td>
</tr>
<tr>
<td><strong>Return on Assets</strong></td>
<td>23%</td>
<td>30.5%</td>
<td>18.1%</td>
<td>34.5%</td>
<td>38.2%</td>
</tr>
</tbody>
</table>
Business Development Options

- Direct individual business start-ups to promising opportunities
  - Intensive training on restaurants, child care
- Work with existing businesses to expand
- Improve performance of existing stores
- Shared food court or marketplace for smaller scale enterprises (Mercado)
- CDC-initiated or jointly owned enterprise
  - Coffee shop, child care center
- Retail/shopping center development
  - Potential for larger scale destination retail
- Continue marketing and market development work
Discussion

- Do assumptions and results seem right?
- Reaction to retail business opportunities?
- What are best options to:
  - Promote new businesses?
  - Stabilize and grow existing businesses?
- What are ethnic retail development priorities and next steps for A2E?
Biloxi Market Demand

- **Four Key Segments**
  - **7,000 local population**
    - 394 Vietnamese households; 2,143 other households
    - Estimate total annual income of $67.7 million
  - **Regional Vietnamese-Americans**
    - 5,928 population; 1,793 households
    - Estimated total income of $69.6 million
  - **17,900 area employees, pre-Katrina**
    - Estimated $22 million annual local spending
  - **Biloxi tourists**
    - $1 billion annual spending
    - $337 million for meals and shopping
**Biloxi: Retail Spending by Product and Customer Segment ($ millions)**

<table>
<thead>
<tr>
<th>Product Category</th>
<th>Local Resid.</th>
<th>Reg Viet Resid.</th>
<th>Workers</th>
<th>Tourists</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food at home</td>
<td>$5.96</td>
<td>$6.12</td>
<td>$4.50</td>
<td>$0</td>
<td>$16.56</td>
</tr>
<tr>
<td><strong>Eating out</strong></td>
<td><strong>$3.59</strong></td>
<td><strong>$3.69</strong></td>
<td><strong>$13.4</strong></td>
<td><strong>$224</strong></td>
<td><strong>$244.92</strong></td>
</tr>
<tr>
<td>Housekeeping Supplies</td>
<td>$.948</td>
<td>$.97</td>
<td>$.89</td>
<td>$0</td>
<td>$2.82</td>
</tr>
<tr>
<td>Personal Care Products</td>
<td>$.880</td>
<td>$.90</td>
<td>$.89</td>
<td>$0</td>
<td>$2.68</td>
</tr>
<tr>
<td>Clothing</td>
<td>$2.71</td>
<td>$2.78</td>
<td>$0</td>
<td>$0</td>
<td>$5.49</td>
</tr>
<tr>
<td>Home Furn.</td>
<td>$2.17</td>
<td>$2.23</td>
<td>$0</td>
<td>$0</td>
<td>$4.40</td>
</tr>
<tr>
<td>Liquor &amp; Tobacco</td>
<td>$1.29</td>
<td>$1.32</td>
<td>$1.79</td>
<td>$0</td>
<td>$4.40</td>
</tr>
<tr>
<td>Gen shopping</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>$112.6</strong></td>
</tr>
</tbody>
</table>

**Total** $112.6
East Biloxi Retail Supply

- 14 stores with 28,000 square feet
  - $6 million estimated total sales
- 7 are food related:
  - 67% of total space:
  - 1 grocery store
  - 4 convenience
  - 3 restaurants

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<th>Estimated Local Sales</th>
</tr>
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<tr>
<td>Independent Food</td>
<td>$934,000</td>
</tr>
<tr>
<td>Convenience</td>
<td>$1,780,000</td>
</tr>
<tr>
<td>Restaurants</td>
<td>$1,460,000</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>$621,000</td>
</tr>
<tr>
<td>Liquor</td>
<td>$934,000</td>
</tr>
<tr>
<td>Other</td>
<td>$849,000</td>
</tr>
</tbody>
</table>
East Biloxi Retail Competition

- Strong competition in grocery
  - 2 major supermarkets with 10 minute drive
  - 4 other Asian grocers in region; 2 local grocers
- Many competing Pharmacies
- Clothing: Edgewater Mall within 6 miles
  - 4 department stores and 26 clothing stores
  - 2 more large malls in Gulfport (17 miles)
- Less competition in home furnishings
  - 1 major and 1 smaller store within 5 miles
  - Dept stores and Home Depot 7 miles away
- 3 Vietnamese and 7 other Asian restaurants
Estimating Sales by Store Type

- Use market share estimates for each segment:
  - Local Vietnamese residents: 50% for groceries, 25% to 50% other convenience items, 10% for clothing and 15% for home furnishings, 20% dining
  - Local Non-Vietnamese: 25% groceries, 10% of dining, 25% to 50% convenience items, 10% clothing, 15% home furn.
  - Regional Vietnamese population: 20% for groceries, 20% dining, 5% for clothing, 10% home furnishings
  - Workers: 10% of dining; 25% of convenience items
  - Tourists: 1% of dining

- Allocate product spending across store types
  - Groceries: 61% in supermarkets, 12% independent grocers, 5% convenience stores, 10% mass merchandisers, 12% other
## Retail Spending Key Store Types

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<tr>
<td>Supermarket</td>
<td>$3,150,000</td>
</tr>
<tr>
<td>Independent Food</td>
<td>$532,000</td>
</tr>
<tr>
<td>Convenience</td>
<td>$486,000</td>
</tr>
<tr>
<td>Restaurants</td>
<td>$4,737,000</td>
</tr>
<tr>
<td>Clothing Stores</td>
<td>$205,000</td>
</tr>
<tr>
<td>Home Furnishings</td>
<td>$337,000</td>
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## Biloxi Findings: Undersupplied Stores

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<tr>
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<td>$2,714,000</td>
<td>$1,454,000</td>
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<td>Restaurants</td>
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<td>$205,000</td>
<td>$0</td>
<td>$205,000</td>
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<td>$337,000</td>
<td>$0</td>
<td>$337,000</td>
<td>2,100</td>
</tr>
<tr>
<td>Pharmacy/Drug Store</td>
<td>$635,000</td>
<td>$621,000</td>
<td>$14,000</td>
<td>0</td>
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</tbody>
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Biloxi:
Consumer Surveys and Interviews

- Shift of residents and businesses to D’Iberville and Ocean Springs
- Survey customers use area for grocery and restaurants
- Health businesses and restaurants doing well
- New business proposed:
  - Restaurant, bar, nightclub, real estate development
- Good potential seen for more restaurants
- Perception challenges for Oak Street
  - Safety, sense that area is not active
  - Customers rate area well for quality and selection of Vietnamese goods and services
- Strongest customer interest in more grocery stores/restaurants
Biloxi: Local Capacity and Preferences

- Businesses face multiple challenges
  - High costs, shifting market, perception of area
- Entrepreneurs lack business expertise and business development resources limited
  - Need for business planning, finance and marketing assistance
- Area’s “brand” is strongest as Vietnamese food destination
- Consumer desire for more retail diversity
  - More American and Vietnamese options
  - More variety of stores and restaurants
Biloxi Findings: Business Opportunities

- Restaurants present strongest opportunity
  - Largest level of spending and retail gap
  - Serves many market segments
  - Builds on area strength

- Some potential for grocery store
  - Larger size and good quality

- Comparison retail difficult but may be feasible with careful business planning
  - Furniture/home supply – requires large spaces
  - Clothing least feasible with area malls

- Non-retail: construction and development
Business Development Options

- Direct start-ups to most promising businesses
  - Training on restaurant/grocery store planning and operations
- Target successful existing businesses to expand or open start new stores
  - Obtain food service concession in casinos
- Area marketing and improvements
  - Partnerships to attract tourists
- Expand geographic focus to address shift to D’Iberville and Ocean Springs
- Food court for small fast food enterprises
- CDC-initiated or jointly owned enterprise
- Shopping center development
## Small Retailer Financial Performance

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- What are best options to:
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  - Stabilize and grow existing businesses?
  - Strengthen area image and marketing?
- What are ethnic retail development priorities and next steps for A2E?