



Food Marketing Task Force

Christine James-Brown, President & CEO, United Way of Southeastern Pennsylvania
Walter Rubel, Director, Government/Community Relations, Acme Markets, Inc. — Co-Chairs

Minutes

Food Marketing Task Force Meeting September 25, 2003

Attendees: Bill Anderson (Longview LP), Murray Battleman (Richboro Shop N Bag), Lorraine Brooks-Body (Wakefern Food), Duane Bumb (Commerce Department), Cathy Califano (Housing and Community Development), Beverly Coleman (PNDC), Jacob Fisher (NTI), Kathy Fisher (PCCY), Eva Gladstein (Empowerment Zone), Bob Gorland (Matthew P. Casey & Associates), Rob Graff (PA Economy League), Jenny Hamilton (Planning Commission), Shelly Herman (MetroEdge), Christine James-Brown (United Way of Southeastern PA), Joe Mahoney (Greater Philadelphia Chamber of Commerce), David McCorkle (PA Food Merchants Association), Carlos Peraza (LISC), Duane Perry (The Food Trust), Bilal Qayyum (City Representative/Commerce), Walt Rubel (Acme), Rich Savner (Pathmark Stores), June Spring (Wawa), Randy St. John (PA Food Merchants Association), Pat Temple-West (Archdiocese of Philadelphia), David Thornburgh (PA Economy League), Shelly Yanoff (PCCY). The Food Trust Staff: Caroline Barth, Hannah Burton, Allison Karpyn, and Frank Sherlock.

Presentations:

David Thornburgh – PA Economy League

David Thornburgh proposed that the PA Economy League carry out research to help guide the Food Marketing Task Force's recommendations. He recommended a case study approach to provide a combination of economics and government/regulatory processes.

1. *Economic micro-analysis of Construction Costs* – Compare urban versus suburban construction costs. Analyze labor differences, financial structures, government structures, developers' perception of risk, etc.
2. *Economic micro-analysis of Government/Regulatory processes* – Compare the government process and regulatory barriers that exist in the city relative to suburban locations. For example, looking at land issues, site assembly, codes, L&I, etc.

Cathy Califano - Neighborhood Transformation Initiative

Cathy Califano discussed how the Neighborhood Transformation Initiative (NTI) can help bring more supermarkets to Philadelphia. Through NTI, the City of Philadelphia has been acquiring land and preparing it for development. NTI could identify for the supermarket industry which neighborhoods in the city are changing and how. NTI could RFP a parcel of land for commercial development purposes.

NTI goals, accomplishments and observations:

- Collaborative effort to address barriers to development through the private and public sector
- Concerned not only with residential development but also with land assembly for commercial development, public space, etc.
- Making housing available for all income levels in neighborhoods throughout the city.
- “Cleaning and Greening” because it is harder to visualize a development when you’re looking at blight

Shelly Herman – MetroEdge

Shelly Herman showed how innovative market analysis techniques can be used to identify untapped markets in urban areas. Traditional market analysis techniques are often ill-suited to capture the unique characteristics of the urban market place. Tremendous opportunity can be overlooked due to problems in gathering information. For example:

- There is a significant cash economy in low income communities that is not measured by the Census. MetroEdge calculates buying power which is different than median income because it takes density into account.
- Retail industries may not see low income communities as their customer base, but traditional data may give an inaccurate picture of the numbers and proportions of middle class customers living in low-income neighborhoods.
- MetroEdge looks at leakage – where is the buying power, where is it going (leaving the city, neighborhood) to identify untapped markets.
- MetroEdge conducts consumer research – looking at consumer attitudes, buying patterns, so retailers can use the data to find the right product mix
- MetroEdge uses local data through city agencies because it is more accurate. For example, to assess accurately demand for a Home Depot, MetroEdge looked at building permits for residential renovation as opposed to home loan rates.

Hannah Burton – The Food Trust

Hannah Burton presented eight potential strategies for the Food Marketing Task Force to pursue. The strategies are attached to these notes.

A detailed discussion of the strategies follows.

Discussion of Recommended Strategies:

Comparison of construction costs and regulatory barriers in city versus suburbs

This type of analysis might be a good first step to get a shared sense of what the barriers are. In the study done by The Reinvestment Fund, the next step was an overview of different neighborhoods and costs, and development strategies in different areas. It would also be helpful if such a study could marry cost analysis with demographic and population information.

Issues Raised:

- Development costs, construction costs are one thing but it is also important to be able to justify whether people are going to come to the store and buy food. In fact, cost to build is not the major factor. The baseline is where is your competition, where are the gaps, population potential, size of store, operator (chain vs. independent)? The break-even building costs will differ according to these factors.
- The cost of building and cost of operating do need to be studied. It is one of the important factors but not “the” factor – is there one main factor? If so, that question may how much assistance do urban supermarkets need? If that number could be projected by this type of analysis, it might be a useful guide for developing policy.

Assessing Market Demand:

It should be a priority of the Food Marketing Task Force to understand the demand side of the supermarket issue. Can we bring public resources to generate figures and promote markets analysis to discover untapped markets?

Issues Raised:

- Can different kinds of market analysis uncover unmet demand? From the supermarket perspective, a lack of density in underserved markets makes it unfeasible to develop a typical chain supermarket there.
- Philadelphia does not have updated population and growth estimates for various neighborhoods, which industry and developers need. When updated info is available, it should be easy for developers to find and use.

Developing a Store Format Suited to the City:

Supermarkets are starting to develop more 39,000-50,000 square foot stores; however, industry says that it is difficult to remain profitable at smaller size. Independent operators may have more flexibility in store design.

Issues Raised:

- When you can’t build a supermarket, how do you still follow the mission of high quality, low cost food? What do we do to support communities where traditional size/layout stores might not work? May be better to focus on “retail food” than “supermarkets.”
- It is very important to get the right operator. Operators that are currently in Philadelphia have the best chance for success because they understand the market. What recommendations can we make to increase profitability and lessen problems that would plague a supermarket? Does this fit into market analysis?

Role of City:

The Food Marketing Task Force should act as cheerleaders for the city’s work, encouraging the city to continue its support, reinforcing the importance of supermarket access, maybe focus on city improving or increasing resources. The Task Force calls on the city to be proactive on this issue, particularly as land becomes available through the NTI process.

Issues Raised:

- Can the city publicize what they are already doing to the supermarket industry and developers? NTI is looking for commercial sites as land is cleared and housing developed, seeking out appropriate parcels of land, making sure there are commercial corridors – we need to be sure industry hears about this.
- How can supermarkets be incorporated into the commercial areas supporting new housing development?
- Can the city provide accurate, timely market information to the supermarket industry? These resources and opportunities to work with the city do exist, but perhaps need to increase the level of involvement.
- How can the city help assemble land? The City is undergoing a reorganization of housing departments to clarify the issue of who do you go to for various issues.

Security

The FMTF should continue to look at the issue of security, which fits stores being able to remain in a location, being profitable, attracting employees, etc.

Issues Raised:

- Outsiders look at security when they are looking at developing in the city, particularly to see if security and safety are improving in the area.
- Security is something to factor into the cost differential between urban and suburban markets.



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Draft Recommendations

Regulatory

1. Adopt food retail as a priority for comprehensive neighborhood development.
2. Reduce regulatory barriers to supermarket investment.
3. Maximize impact of public incentives on supermarket site location decisions.

Financing

4. Offer grant subsidies and low cost, long-term flexible financing to the supermarket industry.
5. Develop a state grant pool to fund local supermarket development projects.

Land Assembly

6. Work with city government and real estate developers to assemble land for supermarket development.

Market Analysis

7. Employ innovative, data-driven market assessment techniques to highlight untapped markets in underserved communities.
8. Identify targeted market areas and promote them to real estate developers and the supermarket industry.