

RIVERWEST CO-OP

MILWAUKEE, WISCONSIN

**AN EVALUATION OF
CURRENT SALES PERFORMANCE
AND
SALES GROWTH OPPORTUNITIES**

Conducted by:

**Debbie Suassuna
Location Research Consultant
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DISCLAIMER

All information provided, and any conclusions and recommendations made, as part of this market study are provided in good faith based upon the experience and judgment of the consultant. However, it should be understood that the client remains responsible for the accuracy of all information provided to Columinate/G2G Research Group, all decisions made, and all actions or inactions that result from this work.

RECOMMENDED FURTHER RESEARCH

If any of the store actions contemplated in this study are carried out, it is recommended that a Customer Address and Transaction (CAT) survey be conducted at the store within about one year after the action is completed. The purpose of this follow-up research would be to define the store's trade area and determine its sales per capita levels throughout the trade area, so that its performance can be evaluated against the results of this market study. Such a comparison will enable the identification of any problem areas in the trade area, relative to customer acceptance, sales performance levels, and capture rates.

I. INTRODUCTION

Riverwest Co-op operates a natural foods co-op at 733 East Clarke Street in the Riverwest neighborhood of Milwaukee, Wisconsin. The co-op occupies approximately 1,100 square feet of sales area which includes 900 square feet of grocery store space and about 200 square feet of café space (excluding the kitchen area). With annual sales of \$795,400 in 2022 (calendar year), Riverwest Co-op achieved about \$723 per square foot of sales area which is significantly lower than the Co-op database store average of \$1,461. Additionally, 2022 sales for Riverwest Co-op are higher (i.e., 12% higher) than 2021 sales levels. And while the co-op's sales have been "rebounding" since the start of the pandemic, they have not yet reached pre-pandemic levels. This is most likely due to the limited operation of the co-op's café which accounted for over one-third of the co-op's total sales pre-pandemic, but only about one-fifth of the co-op's sales in 2022. In order to determine the best path forward for the co-op, in terms of its ability to best-serve the residents of the community while improving its financial stability, co-op management commissioned this market study to evaluate the current sales performance of Riverwest Co-op in order to identify any sales growth opportunities for the co-op. Specifically, this study is designed to address the following:

- To define the trade area currently being served by Riverwest Co-op.
- To evaluate Riverwest Co-op's sales performance levels throughout its trade area.
- To identify any areas within the trade area that appear to be underserved (i.e., areas where the co-op should be capable of generating higher sales).
- To draw conclusions from this analysis and make recommendations that could improve the co-op's sales performance.

The remainder of this report summarizes the results of a market study conducted in the market area within the past few weeks. Specifically, Section II summarizes the conclusions and recommendations emanating from this study. Section III presents the results of an evaluation of the co-op's sales performance and growth options, on which the findings and conclusions have been based. Section IV reviews the trade area served by Riverwest Co-op (as defined by its CAT survey data). Section V presents an evaluation of the co-op's facility, site, and location characteristics. Section VI looks at the competitive environment within the study area. Finally, Section VII reviews the methodology employed in carrying out the objectives of the study.

II. EXECUTIVE SUMMARY

This market study evaluates the current sales performance of Riverwest Co-op and explores various sales growth options for the co-op. This section will summarize those findings that have the most significance for Riverwest Co-op, as well as our recommended course of action given those findings.

Key Findings:

- The trade area for Riverwest Co-op contains a population base of only 16,700 people that reside in households, which is substantially lower than the Co-op database store average of 94,100 persons.
- With respect to the key demographic variables that positively influence the sales performance level of natural foods co-ops, the demographic composition of Riverwest Co-op's trade area residents is potentially less conducive to strong sales performance. Furthermore, the trade area population exhibits wide-ranging demographic characteristics that make the planning of the store's merchandise mix/pricing strategy more challenging in order to appeal to its diverse trade area residents.
- Riverwest Co-op possesses good visibility from East Clarke Street and North Fratney Street; however, both are residential roads that do not carry much vehicular traffic. In addition, the store does not have any off-street parking for co-op customers and there is no major/significantly beneficial retail activity in the immediate vicinity of the co-op.
- The competitive environment within the study area is strong as there are three natural foods stores located about 1-2 straight-line miles from the co-op (i.e., Whole Foods, Fresh Thyme, and Outpost Natural Foods Co-op). In addition, there are two conventional grocery stores located near the co-op (i.e., Pick' n Save and Pete's Fruit Market) which feature more limited selections of natural/organic/local foods than the co-op carries, but they do offer a much larger product selection and a lower-price advantage to trade area residents.
- Riverwest Co-op achieved an annual sales volume of \$795,400 (2022 calendar year) in 1,100 square feet of sales area, resulting in a sales per square foot performance level of only \$723 versus the Co-op database average of \$1,461. The vast majority of this lower-than-average sales performance is due to the collective impact of the low number of trade area residents; the demographic composition

of the trade area residents that is potentially less conducive to strong sales performance; and the strong competitive environment within the study area.

Conclusions/Recommendations:

- Based on an evaluation of Riverwest Co-op’s sales performance at a detailed level (i.e., at the census tract level), it appears to be performing somewhat lower than expected. More specifically, the co-op should be capable of generating higher sales (i.e., about \$205,000 more sales) in the areas located in the immediate vicinity of the co-op. **The main takeaway from the sales performance evaluation is that Riverwest Co-op was performing at its full sales potential prior to the pandemic. And it can likely return to its full sales potential by resuming normal/pre-pandemic operation of its café (or some combination of increased operation of its café and an expanded grab and go foods offering—whichever is financially feasible).**
- However, in order to expand the pool of co-op shoppers and further boost the sales for Riverwest Co-op (beyond the \$205,000), co-op management must implement changes that would broaden its appeal among its trade area residents. The most effective means of achieving this would be to add new product lines to the co-op. The following table summarizes the estimated sales increases from three possible growth options:

**Summary of Riverwest Co-op’s Sales Growth Options
(Beyond Its Current Sales Potential of \$1.0 Million)**

	Estimated % Sales Increase	Estimated Sales Contribution
Selling Beer/Wine	4% to 6%	\$40,000 to \$60,000
Selling Meat (Including Café Foods)	6% to 9%	\$60,000 to \$90,000
Selling Conventional Foods (About 50% of Total Product Mix)	17% to 22%	\$170,000 to \$220,000

- Adding new product lines such as beer/wine or meat would typically allow the co-op to broaden its customer base more than if it just expanded the product offering within the same departments within its store. And since the sales floor space within Riverwest Co-op is limited, the co-op should consider removing some of its indoor seating to allow more space for new products.

- Since there are many trade area residents that exhibit a demographic composition (i.e., per capita incomes, educational attainments, and occupations) that is indicative of fewer dollars available to spend at Riverwest Co-op, co-op management may want to consider a hybrid store model for the co-op (with approximately 50% natural/organic and 50% conventional foods—foods that contain artificial ingredients, high fructose corn syrup, etc.) as a means of broadening the co-op’s customer base while better serving its diverse community residents.
- It is important to note that any recommendations made within this market study are based **solely** on the sales potential for Riverwest Co-op. Consequently, co-op management must conduct a financial/pro-forma analysis in order to determine the financial feasibility of any sales growth option presented in this report.

It must be remembered that the sales growth estimates presented within this report are based on a program of sales promotion and advertising that will permeate the trade area on a regular basis, in order to convey information about the co-op and its product mix. They are based on an overall image of quality merchandise and knowledgeable customer service, provided in a facility that conveys an environment of ambiance and community. Finally, they assume a level of store management that is knowledgeable and experienced, with a significant amount of market and marketing savvy.

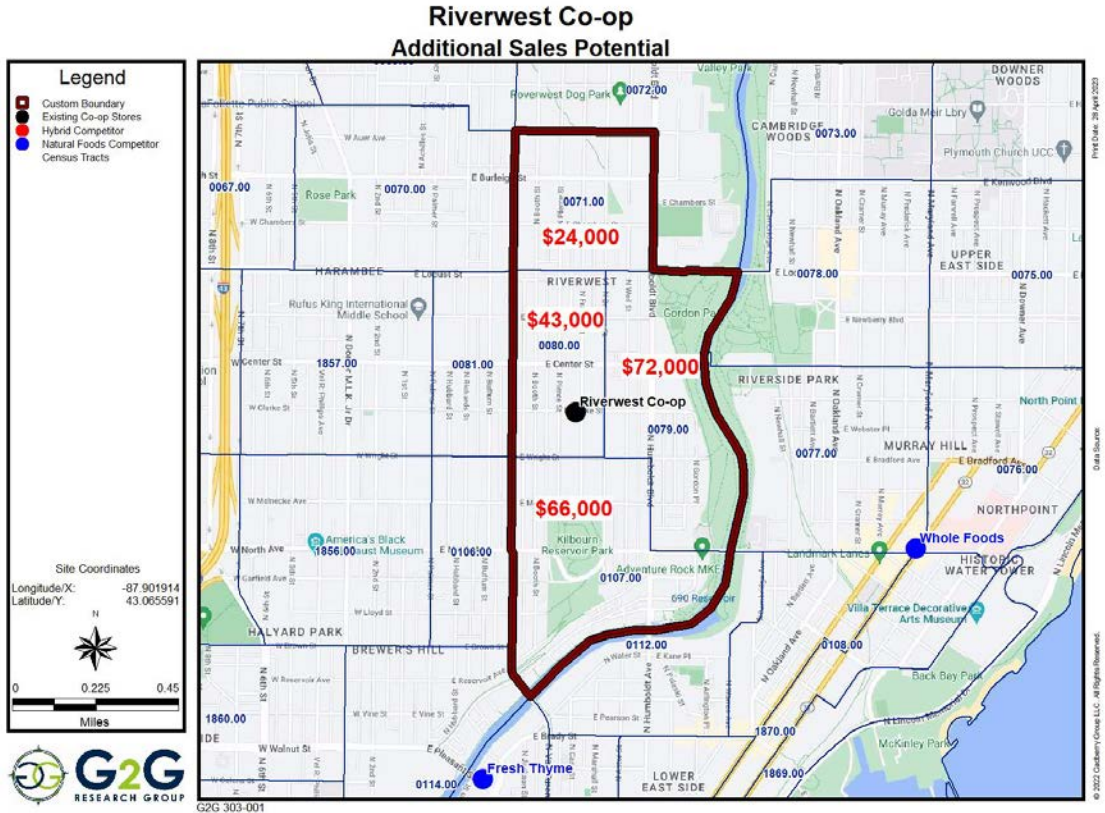
III. SALES PERFORMANCE EVALUATION

This section evaluates the current sales performance of Riverwest Co-op to determine whether the co-op is realizing its full sales potential, or if there are any areas where the co-op underperforms. These underperforming areas (or sales “gaps”) would represent areas where co-op management should focus its efforts (e.g., its marketing efforts) in order to increase the co-op’s actual sales performance levels to “expected” levels and as such, enable the co-op to realize its full sales potential. And since it is possible that closing these sales “gaps” may not be sufficient to ensure the financial stability of Riverwest Co-op, this section also explores various sales growth options that could further boost Riverwest Co-op’s sales performance. It is important to note that any sales growth option presented within this market study does not consider the expenses associated with implementing the option. Consequently, co-op management must conduct a financial/pro-forma analysis in order to determine the financial feasibility of each option.

Actual Sales Performance v. Expected Sales Performance of Riverwest Co-op. In 2022 (calendar year), Riverwest Co-op achieved sales of \$795,400 which is about 33% higher than its 2020 sales of \$597,300. While the sales for Riverwest Co-op have increased significantly since 2020, sales growth for the co-op has slowed in recent months and, further, it has not yet returned to its pre-pandemic level (i.e., \$922,200 in 2019). The difference between Riverwest Co-op’s 2022 sales performance and its pre-pandemic (2019) sales performance (i.e., about \$126,800) appears to be primarily attributable to the much more limited operation of its café. More specifically, the sales generated by the café averaged approximately 38% of the co-op’s total sales in 2019 (or about \$350,000), but only averaged approximately 21% of the co-op’s total sales in 2022 (or about \$167,000). Staffing issues and overall financial stability issues for Riverwest Co-op have contributed to the more limited operation of the café.

A primary goal of this market study is to determine the level of sales that Riverwest Co-op should be generating from its market area based on its population, demographic, and competitive characteristics and to compare this “expected sales performance” with its “actual sales performance” to identify any sales gaps (i.e., any geographic areas where the co-op appears to be underperforming and should be capable of generating higher sales). Based on the results of the CAT survey conducted by Riverwest Co-op in April 2023, it appears that there is about \$205,000 in additional sales that the co-op should be

generating in its immediate vicinity. And as mentioned previously, it is likely that a full reopening of the café could capture most of this additional sales potential. Alternatively, the co-op could realize its full sales potential through a combination of a partial reopening of the café (i.e., open on certain days or certain times during each day) and an increased/much greater offering of grab and go foods). The following map identifies those areas (i.e., census tracts) that appear capable of generating additional sales for Riverwest Co-op, as well as the estimated annual sales that could be generated within each area.



This estimated \$205,000 in additional sales that could be realized by Riverwest Co-op assumes that no other changes are made to the co-op aside from reopening its café and expanding its grab and go foods offering (and—if necessary—increasing its marketing efforts to promote the reopening of the café among its trade area residents). **The main takeaway from this evaluation is that Riverwest Co-op was performing at/near its full sales potential prior to the pandemic. And the co-op should be able to return to its full sales potential by resuming normal/pre-pandemic operations.** However, as previously mentioned, this market study only addresses the sales potential for Riverwest Co-op (and not its expenses or its profitability) and as such, this study alone cannot determine if resuming normal/pre-pandemic operations of the café will ensure the co-op’s financial

stability. As a result, this market study explores various sales growth options for Riverwest Co-op that could further boost the co-op's sales performance in order to help co-op management act more proactively and strategically to ensure the financial stability of Riverwest Co-op.

Sales Growth Options For Riverwest Co-op. In some cases, a food co-op will expand the size of its store in order to increase its product offering and realize more of the available sales potential within its market area. And if an on-site expansion is not possible, a food co-op will consider relocating to a larger facility within its market area. However, while it is true that the sales potential for Riverwest Co-op is partly limited by the relatively small size of the co-op (with only about 1,100 square feet of sales area), there are other major factors that are limiting the co-op's sales potential and thus would not support a major investment in an expansion/relocation of Riverwest Co-op. In fact, the main factors that are limiting Riverwest Co-op's sales potential are its very low number of trade area residents, combined with the wide-ranging demographic characteristics of these residents. More specifically, there are only 16,700 trade area residents which is substantially lower than the Co-op database average of 94,100. And the ability of Riverwest Co-op to expand its trade area extent (thus increasing its trade area population) is constrained by the barrier created by the Milwaukee River; the strong competitive influences from three other natural foods stores; and the neighborhood-oriented location of the co-op (with more local-than-regional access and no strongly beneficial retail synergy). In addition, Riverwest Co-op's trade area residents exhibit wide-ranging demographic characteristics (e.g., per capita incomes range from a low of \$11,700 to a high of \$46,300; college-education levels range from a low of 13% to a high of 48%; and in-profile occupation levels from a low of 1% to a high of 28%). As are result, there are many community residents that are less likely to purchase natural/organic foods which are typically more expensive than conventional foods. **The main takeaway from Riverwest Co-op's trade area population/demographic composition and its competitive environment is that co-op management will need to broaden its appeal among its relatively low number of (and diverse) trade area residents in order to increase its sales performance.**

One option would be to add a new product line such as beer/wine. This would enable the co-op to broaden its customer base more than if it just expanded the product offering within the same departments within its store. And since space within Riverwest Co-op is limited, the co-op should consider removing some of its indoor seating to allow more space

for new products. It is estimated that Riverwest Co-op could generate about \$40,000 to \$60,000 in annual beer/wine sales which is approximately a 4% to 6% increase over the co-op's full sales potential of about \$1 million (which includes the \$205,000 in sales that could be generated within the underperforming areas in its trade area). The only concern with this option is that it may carry some increased risk of safety issues for co-op staff.

A more promising option for Riverwest Co-op in terms of increasing its sales would be to add meat to its product offering. Currently the café only offers vegan and vegetarian options, and the grocery store only offers a very minimal amount of meat. While the café has long established itself as a vegan food destination, the competition from other establishments selling vegan foods has/continues to increase over time. Furthermore, vegans/vegetarians represent only a small subcomponent of all co-op shoppers. And given the very low number of prospective co-op shoppers within Riverwest Co-op's trade area, co-op management should consider offering a much greater selection of meat in its grocery store and offering meat options in its café (but continue to offer vegan and vegetarian options). In fact, co-op management could purchase pre-cooked chicken for its café from Outpost Natural Foods Co-op (which is already delivering eggs and milk to the food pantry in the Riverwest neighborhood and therefore could easily add a delivery stop at Riverwest Co-op). As such, co-op staff would not need to be concerned with any food safety issues from handling raw chicken. Should Riverwest Co-op offer a good selection of meat products in its grocery store, as well as in its café options, it is estimated that the co-op could generate an additional \$60,000 to \$80,000 in annual sales, which is about a 6% to 8% increase over the co-op's full sales potential of approximately \$1 million.

Lastly, if adding beer/wine or meat items to the co-op's product offering do not ensure the co-op's financial stability, co-op management should consider adding conventional foods (including foods that have high fructose corn syrup, artificial ingredients, etc.) into its product offering to increase sales from the more moderate-income residents within the study area. As previously mentioned, Riverwest Co-op serves a diverse trade area population that exhibits wide-ranging demographic characteristics. As a result, there are many low-to-moderate income neighborhood residents that are less likely to purchase natural/organic foods that are typically more expensive than conventional foods. Therefore, co-op management should consider a hybrid store model for Riverwest Co-op (with approximately 50% natural/organic and 50% conventional foods—foods that contain artificial ingredients, high fructose corn syrup, etc.) as a means of broadening the co-op's

customer base while better serving its diverse community residents. And regardless of the type of foods carried by Riverwest Co-op (natural/organic or conventional foods), the competitive environment faced by the co-op will remain strong. As was previously mentioned, there are other, much larger sized natural foods stores that are located about 1 and 1.7 straight-line miles away (and are likely drawing significant natural/organic food sales from the co-op's trade area residents). But there are also two large conventional grocery stores located near the co-op (i.e., Pick 'n Save is located only ½ mile south of the co-op and Pete's Fruit Market is located only ¾ mile southwest of the co-op), as well as numerous corner/convenience stores scattered throughout the trade area that sell conventional foods.

It is important to note that natural/organic foods typically have higher margins than conventional foods; therefore, it is possible that the inclusion of conventional foods would significantly increase the co-op's sales but may not significantly improve its profitability/financial stability. A pro-forma/financial feasibility analysis would be necessary to determine how a hybrid store model would impact the co-op's financial stability. In any event, if Riverwest Co-op were to shift to more of a hybrid model, with conventional foods representing about 50% of its total product offering, sales for the co-op are projected to increase by \$170,000 to \$220,000 (or about a 20% increase over the co-op's full sales potential of approximately \$1 million). The following table summarizes the estimated sales increases from the three growth options evaluated in this study. And it should be understood that it could take more than a year for Riverwest Co-op to realize these sales gains due to the greater amount of time it may take some trade area residents to become aware of the changes to the co-op's product offering and change their shopping habits (but an effective marketing campaign could accelerate this "awareness" process):

**Summary of Riverwest Co-op's Sales Growth Options
(Beyond Its Current Sales Potential of \$1.0 Million)**

	<u>Estimated % Sales Increase</u>	<u>Estimated Sales Contribution</u>
Selling Beer/Wine	4% to 6%	\$40,000 to \$60,000
Selling Meat (Including Café Foods)	6% to 8%	\$60,000 to \$80,000
Selling Conventional Foods (About 50% of Total Product Mix)	17% to 22%	\$170,000 to \$220,000

IV. TRADE AREA CHARACTERISTICS

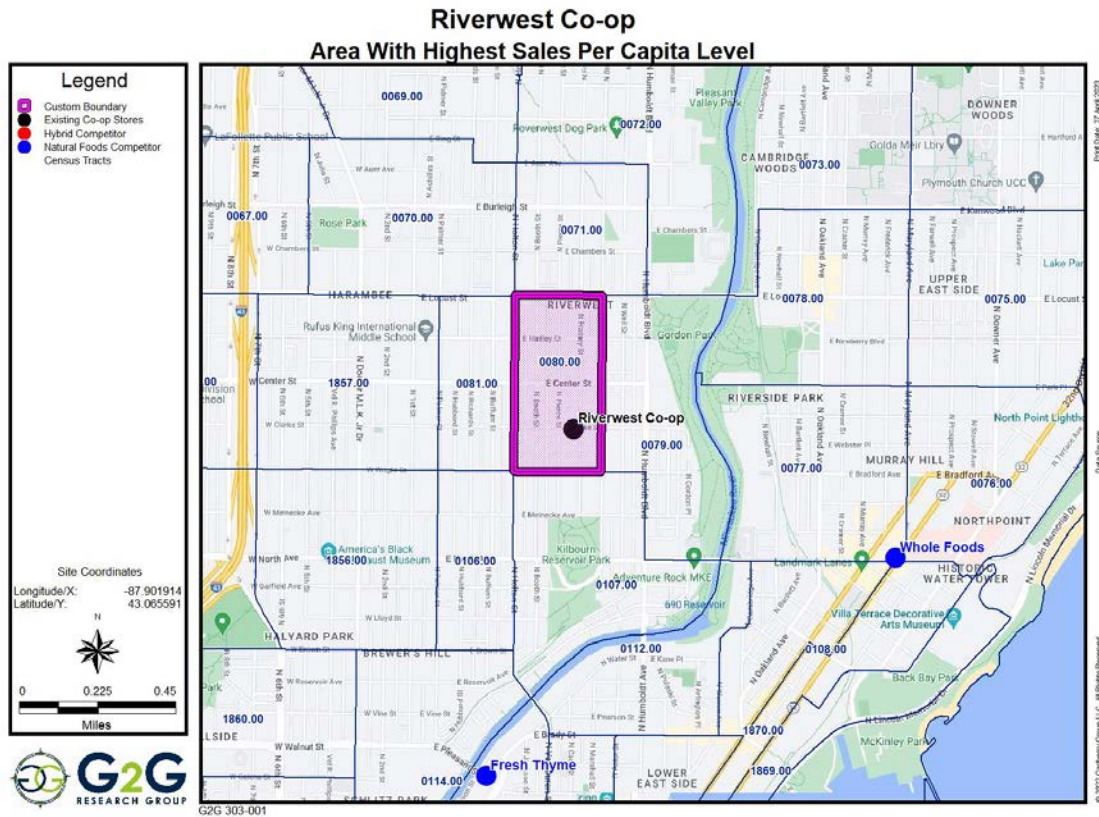
A natural foods co-op’s trade area is generally defined as the area closest to the store, within which the store obtains most of its volume. Further, it is defined as the geographic area within which the store has its highest sales per capita levels. Based on the Customer Address & Transaction (CAT) survey data gathered in April 2023, the trade area for Riverwest Co-op extends between 0.2 and 0.9 straight-line miles to the west and the Milwaukee River delineates the northern, eastern, and southern trade area extent (please refer to the Sales Distribution map attached to this report). In addition, the trade area for Riverwest Co-op accounts for 88% of the co-op’s total sales.

Within the trade area, there reside an estimated 17,200 persons. Of these residents, an estimated 500 live in some type of group quarters – institutions such as prisons, nursing homes, hospitals, military barracks, college dormitories (e.g., UWM Riverview Residence Hall), etc. The group quarters population is removed from the total population base because they are typically “immobile”, and usually eat institutionally; therefore, they do not constitute a significant pool of prospective shoppers—at least not for food to be consumed at home. In fact, many group quarters residents have no expenditures at all for food at home. As a result, there are an estimated 16,700 persons within the defined trade area that reside in households. Additionally, the demographic composition of Riverwest Co-op’s trade area residents is potentially less conducive to strong sales performance (particularly with regard to per capita income and college-education levels). The following table compares the population and demographic characteristics of Riverwest Co-op’s trade area with those that comprise the Co-op database store average:

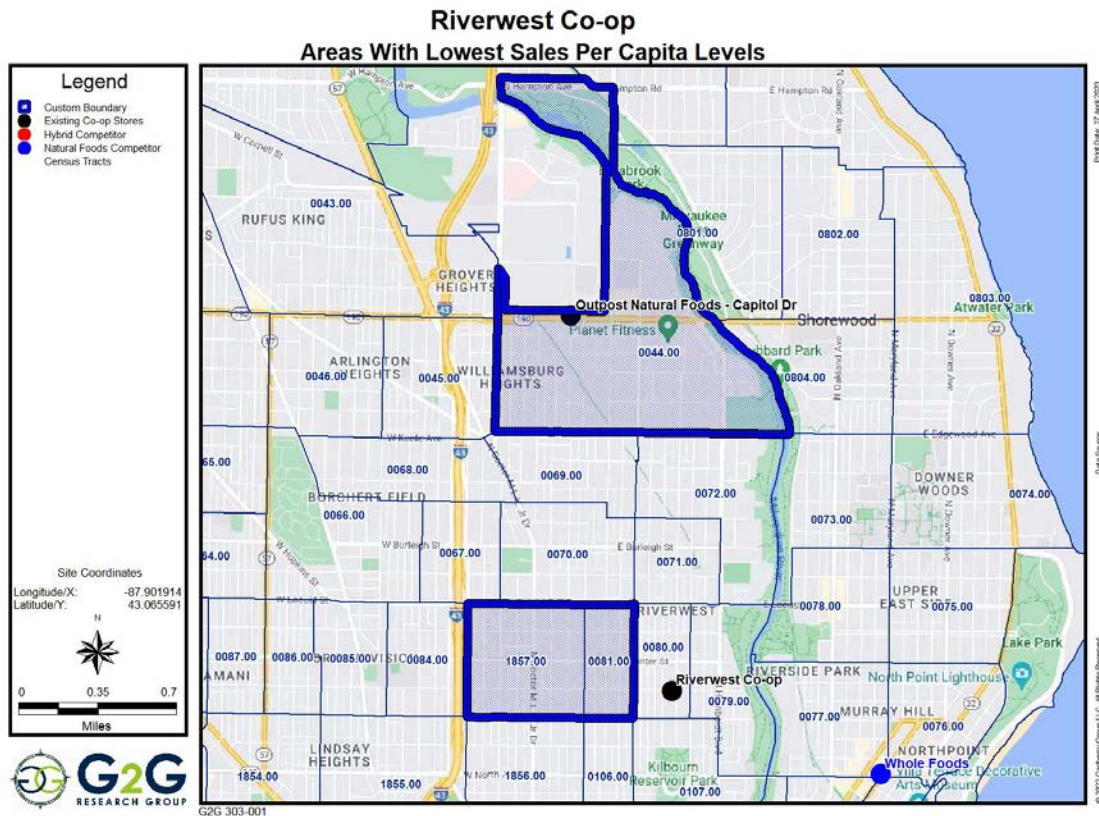
Population & Demographic Comparison

Key Variables	Riverwest Co-op	Co-op Database Store Average
Total Population	17,205	98,595
Group Quarters Population	530	4,534
Total Population in Households	16,675	94,062
% In-Profile Occupations	16%	19%
% Work at Home	6%	9%
% College Graduate	37%	44%
% Non-Family Households	63%	44%
Per Capita Income	\$30,616	\$41,381

In 2022, Riverwest Co-op achieved a sales per capita level of \$42 in its trade area (please refer to the Trade Area Sales & Demographic Summary table attached to this report). This means that, on an average per-capita basis, each and every household-based resident in the trade area spends an average of \$42 per year at the co-op. Based on the CAT survey data, it appears that Riverwest Co-op achieves its highest sales per capita level in its immediate vicinity (i.e., in its “home” census tract of 80.00; refer to following map):

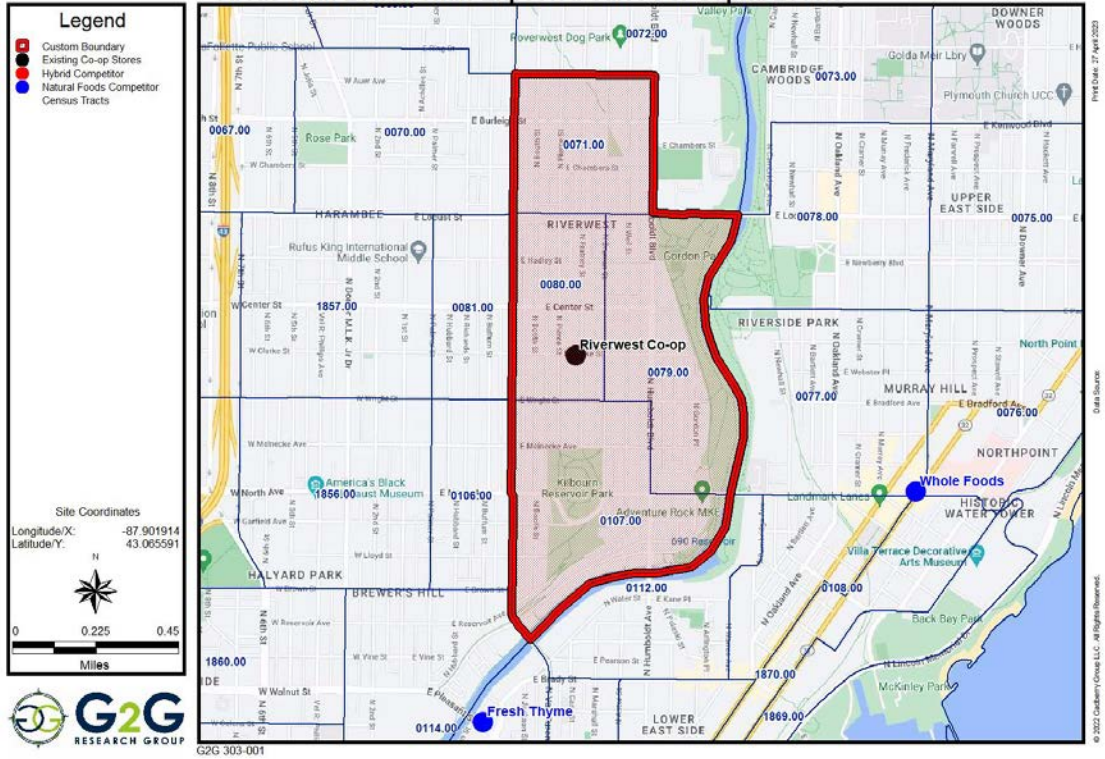


Conversely, sales per capita levels are lowest in the northern and western portions of the trade area (please refer to the map on the following page). This is likely attributable to the strong competitive influences to the north (most notably from Outpost Natural Foods Co-op) and the less favorable demographic composition of the areas to the west of the co-op.



In addition, it appears that there are some areas within the co-op's trade area that exhibit lower-than-expected sales per capita levels (refer to the map on the following page). Consequently, co-op management may want to increase its marketing efforts in these areas in order to improve the co-op's sales performance levels. Or these areas may experience sales increases through the reopening of Riverwest Co-op's café/the expansion of the grab and go foods offering.

Riverwest Co-op Areas With Lower-Than-Expected Sales Per Capita Levels



V. FACILITY, SITE, AND LOCATION CHARACTERISTICS

This section will put forth an evaluation of the facility, site, and location characteristics of Riverwest Co-op and it will also discuss the recommended facility, site, and location characteristics for a natural foods co-op.

Riverwest Co-op Store. The existing store is located at the southwestern corner of East Clarke Street and North Fratney Street (both are 2-lane residential roads with on-street parking) in the Riverwest neighborhood of Milwaukee.

Facility Characteristics. Riverwest Co-op occupies space within a 2-story, freestanding building. Specifically, the co-op has about 1,100 square feet of space on the ground level of the building (including both the grocery store and non-kitchen café space) and office space on the 2nd level. There is also basement space that is used primarily for storage. The grocery store entrance is located on the northeast corner of the building and a separate café entrance is located on the northern side of the building.

Site Characteristics. The store enjoys excellent visibility from East Clarke Street North and North Fratney Street, although both are residential roads that are not considered major thoroughfares traversing the study area. The co-op does not have any off-street parking, thus forcing co-op shoppers that arrive at the co-op via their cars to park along the surrounding streets. This is a less-than-ideal parking situation as food store shoppers will be required to carry groceries to their vehicle, home, or public transportation, which will limit overall basket size for shoppers. Overall, the site characteristics for the existing store are considered to be weak due to the lack of visibility from a major roadway and the lack of any off-street parking lot for co-op shoppers.

Location Characteristics. Population and Demographic Characteristics – A natural foods co-op has its greatest appeal to people who are better educated, with incomes that are above average, and with occupation types that are health-, education-, arts/sports/media/entertainment-related, and life/physical/social science-related. To the greatest extent possible, a food co-op should strive to be situated in the midst of such target demographics. In the case of Riverwest Co-op, it will serve a trade area that contains a population base of only 16,700 persons that reside in households and exhibits a wide range of demographic characteristics (e.g., per capita incomes range from a low of

\$11,700 to a high of \$46,300; college-education levels range from a low of 13% to a high of 49%; and in-profile occupation levels from a low of 1% to a high of 28%), thus making the planning of the store's merchandise mix/pricing strategy more challenging in order to appeal to its diverse trade area residents. While there continues to be an influx of higher income/more highly educated persons into the trade area that is leading to a shift in the demographic composition of the area, this is a slow/multi-year process and still leaves many trade area residents that exhibit a demographic composition that is indicative of fewer dollars available to spend at Riverwest Co-op.

Accessibility – A natural foods co-op needs easy access from the many parts of its trade area via major surface streets (or even expressways) that are designed to carry large volumes of traffic. Access to food co-ops can be limited by neighborhood streets which typically do not provide widespread access, as well as natural or man-made barriers such as bridges, cemeteries, industrial belts, parkland, rivers, railroad tracks, etc. The accessibility of Riverwest Co-op is considered more local than regional as it is accessed via neighborhood streets rather than major thoroughfares. And further, based on the sales distribution of the co-op (as defined by its CAT survey data), the Milwaukee River appears to function as a trade area barrier to the north, east, and south of the co-op, thus constraining its trade area population level and overall sales potential.

Retail Synergy – The greater the selection of retail stores in the vicinity of a food co-op, the stronger the allure of the co-op. This is particularly true when many of the nearby retailers are complementary (e.g., a pharmacy) or have the same demographic appeal as does the co-op (e.g., teaching kitchens, bookstores, yoga studios, bike stores, other locally owned businesses, specialty bakeries, etc.). Currently, there is no significantly beneficial synergy that is located near Riverwest Co-op that would help draw prospective shoppers into the vicinity of the co-op. This is not uncommon for a co-op located in a more neighborhood-oriented setting; however, it does contribute to its modest trade area extent and as such, its more limited sales potential.

Facility, Site, and Location Guidelines For a Food Co-op. There are three primary types of characteristics to evaluate when looking at potential food store locations. The first of these has to do with the facility itself, and includes such things as size (gross and sales area), layout of the site (relative to frontage streets, parking, adjacent tenants, etc.), condition, etc. The size of a food store is something that needs to be evaluated in terms of the sales

potential that is available, the size and configuration of the site, and the format to be implemented. Generally speaking, a food store sales area accounts for about 60% to 65% of a store's gross size if the store operates a commercial kitchen. For example, a 7,000 square foot store would typically have a sales area of about 4,400 square feet. And this is the minimum size necessary (i.e., 4,000 to 4,500 square feet of sales area) for a food store to offer the critical mass of departments that would allow shoppers to make most/if not all of their weekly grocery purchases.

As to the layout of the site, a grocery store facility can benefit from adjacent tenants—especially those types of tenants that appeal to the same customer profile and can complement the product offering at the proposed co-op (e.g., teaching kitchens, bookstores, yoga studios, bike stores, other locally owned businesses, wellness centers, pharmacies, specialty bakeries, etc.). On the other hand, there are certain types of tenants that, while they may produce a certain amount of beneficial synergy, should not be situated too close to the food store. Sit-down restaurants, physical fitness clubs, or doctor's offices that have high parking requirements tend to usurp food store parking spaces if they are situated too close to the co-op's customer entrance.

The second set of characteristics to be evaluated involves the site itself, relative to visibility, ingress/egress, and parking. Visibility should be as good as possible, in both distance and direction. That is, the store (or at a minimum its exterior signage) should be visible from as many directions as possible, and from as far away as possible. Another element of site characteristics is ingress/egress—the ease or difficulty with which shoppers can enter or leave the food store site. In this instance, consideration should be given to the position and orientation of major drive lanes in the food store parking lot; the number of entry/exit points; the type of traffic controls that exist to facilitate entry to or exit from the site; speed limits along frontage streets; the presence or absence of medians, left-turn lanes, and deceleration lanes; congestion along major frontage streets; and any other factors that either facilitate or hamper shoppers in their efforts to enter or leave the food store site. Parking is another site characteristic that is very important to a food store. There are two aspects of parking to be reviewed: configuration and capacity. As to configuration, food store shoppers typically prefer to park within sight of the store's entrance. Drive lanes between rows of parking should be perpendicular, rather than parallel, to the food store façade. Parking capacity likewise is an important consideration. Numerous food store parking studies have demonstrated that ideal food store parking can require up to 8

spaces per 1,000 square feet of food store GLA (gross leasable area), while parking for an urban-type store location in a densely-developed area—where many people walk/bike to, or use public transportation to get to the store—requires only 4 spaces per 1,000 square feet of food store GLA (or 28 parking spaces for a 7,000 total square foot food store).

The third set of characteristics involves the location of the food store (which is different from the site). In this context, the word location is a marketing term, whereas the word site refers to physical characteristics in a real estate sense. Location characteristics to be evaluated include population density (and proximity of the store to it), demographic characteristics of the trade area population (and the extent to which the trade area is in-profile), trade area accessibility (the ease or difficulty with which trade area consumers can find and get to and from the store), nearby retail concentrations (and the extent to which they provide beneficial synergy), barriers (such as rivers, cemeteries, freeways, railroads, industrial corridors, etc.), and so forth.

VI. COMPETITIVE ENVIRONMENT

Natural Foods and Hybrid competitors are defined as those stores that have a very similar type of merchandise mix as the co-op carries, and whose primary appeal is toward the same type of customer clientele. Natural Foods competitors would include stores such as Whole Foods and Fresh Thyme, as well as other food co-ops (e.g., Outpost Natural Foods Co-op, etc.). Hybrid competitors include stores (e.g., Trader Joe's) which offer conventional items combined with an abundant selection of earth-friendly, all-natural and organic products.

Other Key competitors, on the other hand, are defined as food stores that, as part of their merchandise mix, carry certain products (or groups of products) that may compete directly with the type of merchandise that is carried by Riverwest Co-op. Key competitors include conventional supermarkets (e.g., Pick 'n Save, Metro Market, etc.), superstores (e.g., Walmart), discount stores (e.g., Aldi) and warehouse clubs (e.g., Sam's Club, Costco) whose primary thrust is more conventional in nature. Within the conventional supermarket group, there tend to be three levels of competition. The strong ones tend to be stores that carry natural and organic food in a "store within a store" concept, which usually constitutes about 1,500 square feet or more of sales area space. Medium conventional supermarkets generally have a selection of natural and organic food scattered throughout the sales area, in 4-foot, 8-foot or 12-foot sections in their related gondolas. For example, along the juice aisle there may be the usual selection of V-8, Hawaiian Punch, Cranapple, HI-C, etc., but there will also be a 4-foot section of Knudsen's and perhaps a 4-foot section of Hansen's natural/organic juices. Further, these sections are generally identified with some type of shelf talker or hanging banner. The weakest level of conventional competition consists of those supermarkets that carry a minimal amount of natural food, in which it is generally integrated with the conventional merchandise without any specific product identification.

The competitive environment faced by Riverwest Co-op is considered to be strong and includes other natural foods stores that are located between 1 and 2 straight-line miles from the co-op. Specifically, Whole Foods operates a 54,000 total square foot store on North Prospect Avenue about 1 straight-line mile southeast of the co-op; Fresh Thyme operates a 29,500 total square foot store on East Pleasant Street about 1 straight-line mile

south of the co-op; and Outpost Natural Foods Co-op operates a 16,000 total square foot store on East Capitol Drive about 1.7 straight-line miles north of the co-op.

In addition, there are some other key competitors located throughout the study area that area worth noting: Pick 'n Save, Metro Market, Pete's Fruit Market, Aldi, Target, and Walmart. Both Metro Market and Pick' n Save are owned by Kroger and they have their natural/organic foods segregated primarily into 4-16 foot sections throughout their sales floors that are identified with Live Naturally signage and/or green shelf liners. Pete's Fruit Market does not offer any significant amount of natural/organic foods. Aldi offers its Simply Nature brand of lower-priced natural/organic foods throughout its store and has plans to expand its natural/organic food offerings in all of its stores throughout the US. Finally, Walmart has limited amounts of natural/organic foods that are integrated with its conventional foods throughout its sales floor.

In summary, the overall competitive environment is considered to be strong as the other natural foods stores are located relatively close to Riverwest Co-op. **And due to their proximity to Riverwest Co-op and their much larger sizes, these natural foods stores are likely drawing significant sales for natural/organic foods from the residents of the co-op's trade area.** In addition, there are some conventional grocery stores located within the study area which typically feature more limited selections of natural/organic/local foods than Riverwest Co-op carries, but they do offer a larger product selection and lower price advantage to the residents of the co-op's trade area.

VII. STUDY METHODOLOGY

Trade Area Definition for Riverwest Co-op

There were several activities carried out as part of this study. The first such activity involved identifying the extent of the trade area served by Riverwest Co-op. To determine this, co-op management conducted a Customer Address and Transaction (CAT) Survey in April 2023 to obtain the home address and transaction amount from co-op shoppers (both members and non-members). The next step was to process the CAT survey data and calculate the sales per capita levels that exist within each census tract in the trade area for the existing store. In order to do this, each customer address was geocoded to the census tract in which it is located. Then the transaction amounts for each census tract were aggregated, and subsequently divided by the total transactions reported for all members, to derive each census tract's percentage of the total (also called its capture rate).

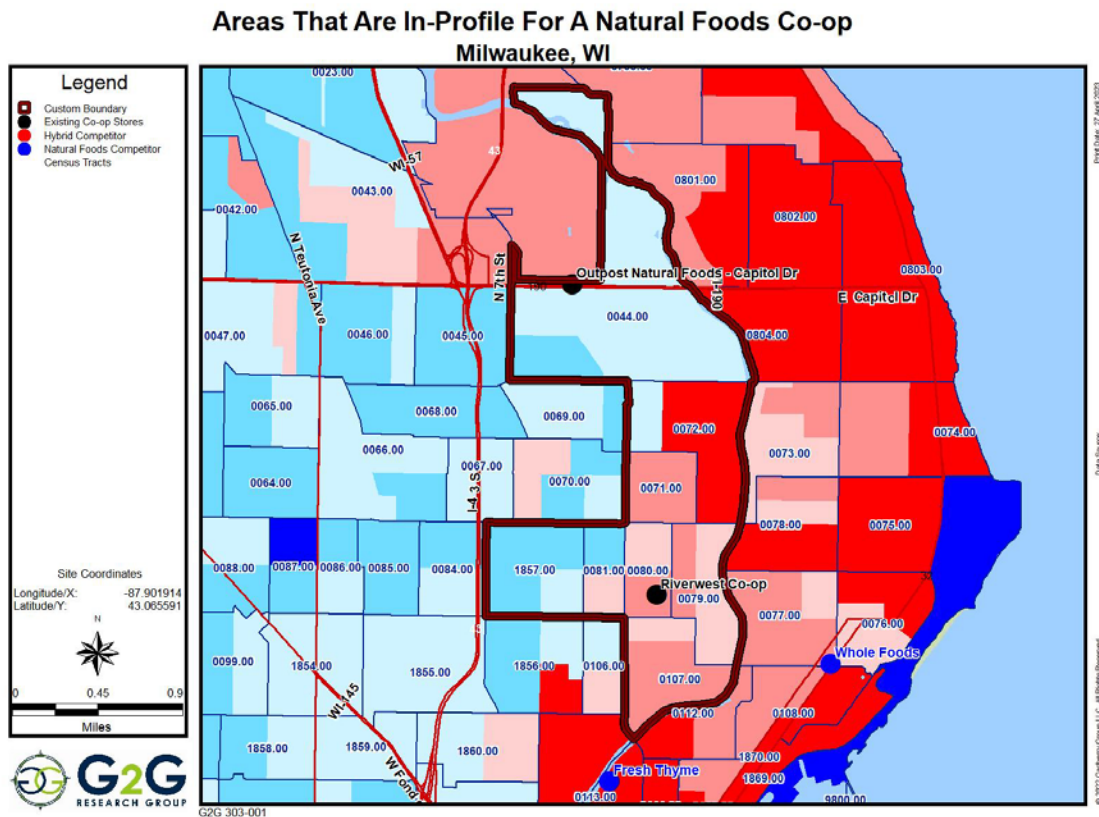
The capture rate percentages were then applied against the store's 2022 annual sales volume in order to determine the estimated annual sales that are derived from shoppers in each census tract. This census tract annual sales volume, when divided by the estimated current household-based population for the census tract, yielded an estimated average sales per capita level for each census tract in the relevant market area. This data was then used to refine the definition of the co-op's trade area. A table summarizing this data, called "Trade Area Sales & Demographic Summary" is attached at the conclusion of this report.

The Most "In-Profile" Areas for a Natural Foods Co-op

Based on a statistical analysis of the sales performance levels achieved throughout the trade area sectors (i.e., census tracts) of over 100 existing food co-ops within a proprietary database, the key demographic variables that correlate most strongly with co-op sales include:

- College-education levels (i.e., Bachelor's Degree and Higher).
- Persons employed in a Health; Education; Arts, Design, Entertainment, Sports, and Media; or Life, Physical, or Social Science occupation.
- People that work at home.
- Per capita income levels (higher is better, although no specific income range was identified by the statistical analysis),

The presence of these demographic variables within a market area dictates the sales potential for a natural foods co-op (in addition to other non-demographic variables such as competition, facility/site characteristics, lifestyles, retail synergy, etc.). Therefore, the distribution and concentration of each of these demographic variables throughout the study area was evaluated in order to identify the most “in-profile” areas for a natural foods co-op (shown in red on the map). In general, demographic characteristics are most “in-profile” in the east-central portion of the co-op’s trade area. Conversely, the least favorable demographic characteristics (shown in blue) are generally found in the northern and western portions of the co-op’s trade area. **The main takeaway from this analysis is that the most “in-profile” areas are concentrated east of the Milwaukee River and Riverwest Co-op is not able to draw any significant sales from these areas (i.e., the co-op serves the comparatively small “in-profile” area west of the Milwaukee River).** The following map illustrates the most favorable/least favorable areas for a natural foods co-op throughout the study area (i.e., areas shown in darker red are most “in-profile”, while areas shown in darker blue are the least “in-profile”) and shows the location of Riverwest Co-op and the other natural foods stores located in the study area:



DESCRIPTION OF COLUMNS IN TRADE AREA DEMOGRAPHIC SUMMARY TABLE

CENSUS TRACT: The census tract as defined by the U.S. Government.

DRIVE DIST: The driving distance (in miles) from the population center of the census tract to the site/store.

2022 POP: The total population in the census tract.

GROUP QTRS: The number of persons in the census tract that reside in group quarters (such as nursing homes, hospitals, prisons, or other institutions); in general, these persons do not shop for food at home.

2022 POP IN HH: The population in the census tract that resides in households (i.e., the total population less those living in group quarters).

% IN-PROFILE OCC: The percentage of the workforce in the census tract that is engaged in educational, health diagnosing/treating, arts/design/entertainment/sports/media, and life/physical/social science occupations (defined in terms of Bureau of the Census employment categories).

% COLLEGE GRAD: The percentage of adult persons in the census tract with at least a four-year college degree.

% WORK AT HOME: The percentage of the workforce in the census tract that works at home.

% NON-FAMILY HH: The percentage of the households in the census tract that are not occupied by families.

2022 PER CAPITA INC: The per capita income level for the census tract.

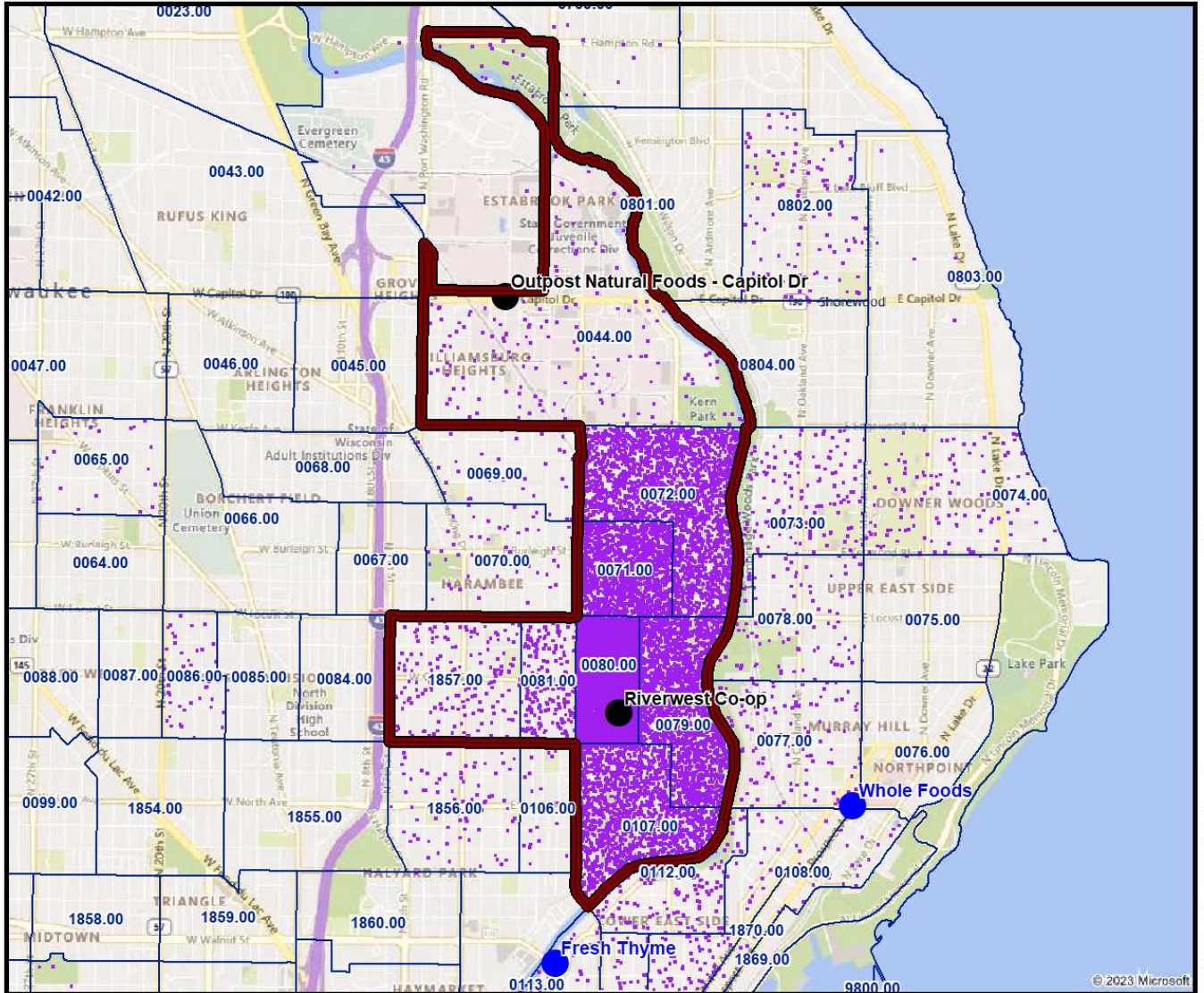
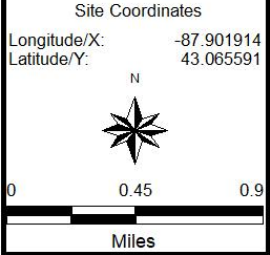
GLOSSARY OF SELECTED TERMINOLOGY

CAPTURE RATE:	A number that represents the percentage of a store's sales base that is derived from a specifically defined geographic area (a town, a county, or a census tract).
NATURAL FOODS/HYBRID COMPETITOR:	A store that is similar to the study store in terms of its merchandise mix, its customer clientele, its image, and its customer appeal.
OTHER KEY COMPETITORS:	A store that may carry <u>some</u> of the type of merchandise carried by the study store, but where the primary (or a significant) thrust is either with a different merchandise mix, a different customer clientele, a different image, and/or a different customer appeal.
MARKET AREA:	A term used to describe an overall area of influence, such as the "City/Town Market Area."
MATURITY:	That point in time when a new store has reached its forecasted level of sales; generally fairly soon (for the n th store in an existing market area) to several years (for a new store in a new market).
SALES PERFORMANCE:	A store's sales that are derived from a specific geographic area (such as a town, county, census tract or trade area) divided by the population of that geographic area; also called sales/capita or sales/person.
SALES POTENTIAL/FORECAST:	For a proposed store, given certain assumed facility, site, and location characteristics, the sales level it could be expected to achieve.

Riverwest Co-op Sales Distribution

- ### Legend
- Custom Boundary
 - Existing Co-op Stores
 - Hybrid Competitor
 - Natural Foods Competitor
 - Census Tracts

2022 WI_Milwaukee
RC CAT Survey
1 Dot = \$50



G2G 303-001



Trade Area Sales & Demographic Summary

Riverwest Co-op
733 East Clarke Street
Milwaukee, WI

Trade Area Demographics

Census Tract	Drive Dist	2022 Pop	Group Qtrs	2022 Pop in HH	% In-Profile Occ	% College Grad	% Work at Home	% Non Family HH	2022 Per Capita Income	2022 Sales per Capita	2022 Sales	Capt Rate	
80.00	0.2	1,854	0	1,854	16%	44%	10%	62%	\$32,159	\$151.57	\$281,014	35.3%	
79.00	0.3	2,195	442	1,753	17%	45%	7%	62%	\$32,424	\$59.14	\$103,674	13.0%	
81.00	0.4	1,143	1	1,142	10%	14%	3%	60%	\$14,722	\$10.24	\$11,690	1.5%	
107.00	0.5	2,447	5	2,442	14%	48%	6%	68%	\$46,304	\$33.14	\$80,937	10.2%	
71.00	0.7	1,856	0	1,856	22%	49%	4%	65%	\$36,157	\$42.16	\$78,252	9.8%	
1857.00	0.8	2,130	70	2,060	1%	21%	3%	54%	\$11,689	\$4.40	\$9,061	1.1%	
72.00	0.9	2,808	12	2,796	28%	48%	8%	61%	\$37,973	\$43.61	\$121,937	15.3%	
44.00	2.1	2,772	0	2,772	7%	13%	5%	68%	\$24,237	\$3.53	\$9,788	1.2%	
Trade Area Totals:		17,205	530	16,675	16%	37%	6%	63%	\$30,616	\$41.76	\$ 696,354	87.6%	
											2022 Beyond-the-Trade Area Sales Volume:	\$ 99,020	12.4%
											2022 Total Sales Volume:	\$ 795,374	100.0%