

# You've Got Your Market Study

## Now What?



FOOD CO-OP  
INITIATIVE

New co-ops start here.

Food Co-op Initiative | 2019

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# You've Got Your Market Study, Now What?

As a startup food co-op organizing team, you've been looking forward to this day for a long time. Finally, you've had your market study done and the results are in! Soon after receiving them, many startup boards find themselves wondering what they should do with the data and how to share it with owners. In this overview piece, we'll talk about how to get the most out of this big, important milestone you've just reached.

While the contents below are aimed at startup food co-op boards receiving their first market study for their potential food co-op, there is much that could be of use for startups getting their second study (one for a specific site) and for established food co-ops who have commissioned a study for a potential new site.

## BEFORE WE BEGIN

Some things to make sure you know, before we get started:

- **Provider** – who provided your market study? Is the provider tested and trusted in the food co-op industry?
- **Type** – is your market study a “preliminary” market study or a “full market study”? You should check with your provider to be sure, but one clue is whether the provider came on site for your market study. A full market study always necessitates a site visit, a preliminary market study may not.
- **Confidentiality** – the board must understand how important it is for the full market study report to be kept confidential. As cooperators, it's natural for us to want to be transparent about everything, especially with our owners. This is one of those areas, though, where full transparency can be very detrimental to your cooperative. The board should discuss this, understand this, and consider signing confidentiality agreements about the study.

With these questions answered and a confidentiality understanding in place, let's move forward!



*The full study should in no circumstances be shared outside of the board and your most trusted advisors.*

# THE STUDY HAS ARRIVED

The market study has been conducted by a trusted source and now, a couple weeks later, the full written report of the study has arrived. Here are your definite next steps, and a few to consider.

## READ IT

We know, it sounds too obvious. Of course you are going to read it! But there's reading it, and then there is *reading it*. Let's break down what we mean:

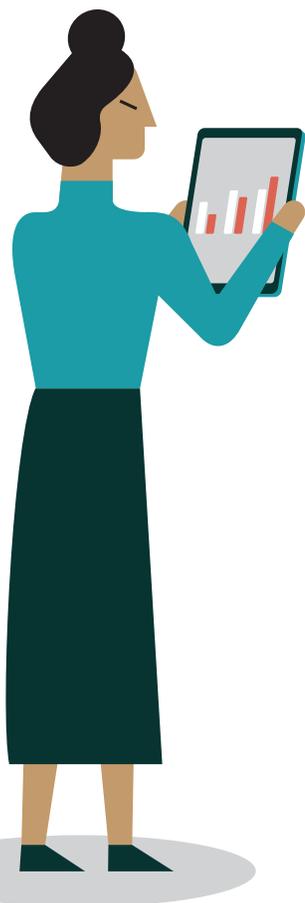
### Who reads it?

The entire board — The market study will be the basis of your co-op's fiscal feasibility and site selection work. Its importance cannot be overstated. We recommend strongly that everyone on the board read the entire study and participate in a robust board conversation about the study and its implications.

### Read the entire study, not just the “key” parts.

It's very tempting to jump right to the parts where the provider talks about how viable your market is, or to the size and sales assumptions. Do that if you're burning to do it, we get it, but then go back and read the entire study and take notes on things you have questions about and things that feel critical to keep front and center during your planning.

## DIGEST IT



Distribute the report to everyone on the board (with a reminder about your earlier discussion about confidentiality) and set a date to meet and spend time discussing what is in the report. All board members should answer the following questions before the meeting and either submit their answers before the meeting or share them at the meeting. You can save time by using a survey before the meeting and distributing the results.

### Pre-Meeting Questions:

- What are the 5 biggest takeaways from the report for you?
- What most concerns you, if anything, in the report?
- What questions do you want taken back to the report provider? What do you want to know more about?

### In Your Meeting:

- Share what you each saw as the key findings. Boil down the results into an agreed upon list.
- Discuss your concerns and questions and create a list of questions to take back to the study provider (and potentially FCI or your mentor co-op GM).
- Delegate the next step (“Listen To the Experts”, below) to 2–3 members of your board who will then report back to the board. If you already have a project manager, they could be a part of this team.

## LISTEN TO THE EXPERTS

Now that you've had a chance to do some preliminary digesting of the study as a board, it's time to go to the experts.

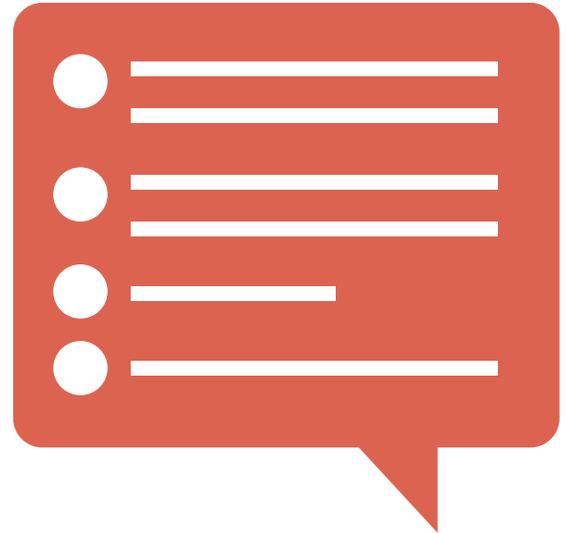
### FCI or your Pro forma consultant

Before meeting with the market study provider, we suggest sharing your market study report, the board's list of key findings from the study, and the board's list of concerns and questions with a trusted advisor. If you are working with someone who specializes in food co-op Pro formas they would be a great resource here, or this is a place FCI could help. Why? Because they can help you refine your questions and make sure you're covering all the bases, as they work on these very issues every week with food co-ops and/or startups and have extensive experience reading these reports.

### Market Study Provider

The delegated board members should now be ready to have an excellent phone meeting with your market study provider. The team should set that meeting as quickly as possible, take great notes, and bring the results back to the board as a whole. We recommend sharing your board's agreed upon key findings and your questions from the board's process with the market study provider before the call. You want to walk away from this meeting with three things:

- 1. Answers** — the answers to all the board's questions from your meeting, and/or who to talk to about those questions if the market study provider is not the one who can answer them for you
- 2. Discounting** — every market study provider does things a bit differently because each one has their own sales modeling method and reporting method. Make sure you find out exactly what the sales projections they have offered mean. Some firms will list the first-year annual sales in their report for each area or site. Others will list the average weekly sales for the first year, and still others will give you the projected weekly sales for the last week of your first operating year, after you've had time to build up community awareness and loyal shopping patterns. Does the sales projection from your study need any discounting or adjusting to get an accurate number for total first year sales? Make sure to ask. This number will be critical in your Pro forma.
- 3. Key Assumptions** — you want them to highlight for you what are the assumptions that must be met to deliver the sales projected. These will likely be things like the store size, visibility, number of parking spaces, experience level of your GM, etc. These are the things your site and store must deliver on and, if you were to change in any significant way, you'd need to go back to your market study provider to discuss how much it might impact sales. An example can be finding what feels like a perfect site, but it has half the parking spaces that were listed as needed in the market study.



You've read it, digested it, and now gotten expert input — but only you as the elected board of your startup food co-op can decide how it will shape your forward movement. As a board, discuss at your next meeting:

### Concerns

Now that we're on the other side of the conversation(s) with experts, do we have any lingering significant concerns about the viability of our project as studied? "Concerns" are defined here as significant worries about the viability of your project based on what you've learned from the report that could lead to the decision to change the overall project (size, area to locate the store, or the decision to open a store at all). At your next meeting, ask all board members if there are any concerns to be put on the table. If so, discuss, and then ask for a proposal on how to move (or not move) forward and vote on it.



*If there are concerns the board feels are unresolved, stop here, reach out to FCI or other trusted experts to discuss next steps.*

### Watch Points

If there are no concerns, now is the time to discuss, identify, and agree on "watch points". Watch Points are defined here as facts/issues that it is critical to keep an eye on as your co-op continues to develop. A watch point could be that you have found out the study's estimated sales per square foot is on the low end of what experts have seen for viable co-ops in the last few years, which will make it harder to achieve viable financial projections and may require adjustments to your capital strategy. As a board, you're aware of it, you've decided it does not reach the level of a concern, but it is something you'll have to plan for and put extra focus on.



*Do not skip this step, as tempting as that may be. It's critical the board has an agreed-upon understanding of the market study results to reference and make decisions from.*

### Key Assumptions

As a board, review the key assumptions list you got back from your market study provider conversation. Everyone on the board should know and understand these key assumptions, as deviation from them can result in your co-op's actual sales not meeting projections, increasing risk to the overall project.

### Formalize

Create a formal list of your board's watch points and the key assumptions identified by your market study provider. Turn this into a one-page document approved by the board as your reference sheet for all future discussions. Put it in your shared file and bring a copy to every board meeting — this should be used often! As you delegate work and even decisions through your startup's development, this is the agreed upon list of things that must be addressed and/or cannot be changed without full board discussion and approval.

# USING YOUR STUDY

As a board you've now processed your study and understand it. It's time to put it to work in two key areas: messaging and business planning.

## MESSAGING

How much can we say and who can we talk to about the results of the study? How do we best communicate about the study to our owners to engage them in moving the co-op forward? These are usually burning questions for the board of a startup.

There are three audiences for communications about the study results. Let's identify them and touch on what to communicate.

## OWNERS

Without a doubt, the primary audience for your messaging about the study results is your owners. As the owners of your co-op, they deserve to hear the results first. If you've been talking about the importance of this study (or even set an ownership goal connected to it), they should be eager to hear it.

### Format

You can communicate the results through an owner meeting or through a board e-mail, depending on the timing and what best fits your calendar and capacity as a co-op. Either way, the date it will be shared should be promoted through newsletters, social media, etc., beforehand.

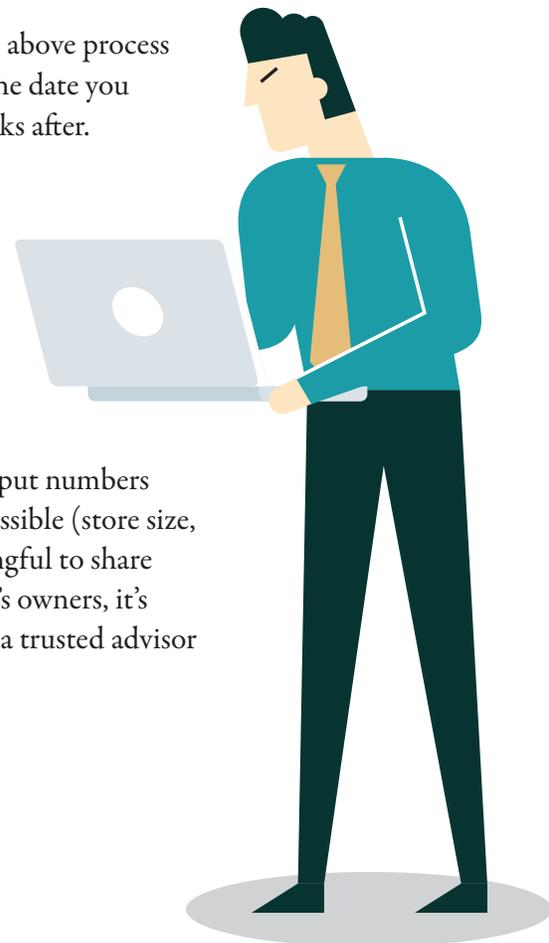
### Setting the date

When can you share the results with owners? As soon as the board has run the above process and feels ready. We recommend setting the date no less than four weeks after the date you receive the market study report from the provider and no more than eight weeks after.

### What *can* be said

So, what can we actually say and not say? Here are the things we suggest you share (if they are true):

- **Projected sales range** — to share your projected sales or not to share your projected sales, that is the question! Is it a good idea to? We need to be careful with our study and or numbers from the study, as we outlined above, but it's also important to be transparent with the owners about their business. But, does it serve owner transparency in meaningful ways to put numbers out there, instead of just explain what the store says those sales will make possible (store size, departments it can support, etc)? If your leadership decides that it is meaningful to share something about the projected sales range from your study with your co-op's owners, it's important not to use the numbers straight out of the study. Get input from a trusted advisor on what numbers to use, if you decide to share sales projections.



- **Size** — our study found that the most viable physical size for our store is between \_\_\_\_\_ square feet and \_\_\_\_\_ square feet which means...
- **Scope** — based on the likely size of the store, you can speak to what departments and areas it will likely offer. Most of this information will come right from your market study report, but also check in with one of your trusted food co-op experts about what you can reliably expect and which things it might be better not to promise yet.

### What *should* be said

In addition to what you *can* say from the study, here are some additional things to share with owners:

- **Next steps** — “Based on this study’s results, it’s time for us as a co-op to move forward with our ownership growth and financial feasibility study so we are ready to launch a site search when we reach \_\_\_\_\_ owners...”
- **Questions** — State that the board welcomes questions and where to get their questions answered (list both the board e-mail and the date and time of your next board meeting).
- **Get involved** — this is a great time to list three ways owners can get involved with getting the co-op to the next step in its development; build on good news with ways they can be a part of the work.
- **Impacts** — from your market study projections, many things can be estimated with a good degree of accuracy, like the number of jobs that will be created, the dollars that will go back to local farms annually, etc. Find out what impacts can be estimated by contacting FCI with your study, then communicate the heck out of them! These estimated impacts will begin to make tangible to your owners how their co-op will change their community for the better.

## PRESS

Press coverage is a big boon to building awareness and momentum for your co-op throughout the development process. Don’t miss this opportunity!

### Format

Send a press release. There are circumstances when inviting the press to be at the owner meeting might work for you, consider carefully if you’d have to expose anything to extend that invitation that you would not want to get out to the public before owners hear it.

### When

The press will have access to your news within minutes of you sending the owner e-mail or holding the owner meeting, so there’s nothing to be gained by waiting. By being prepared with a press release, you get the chance to shape the message if you reach out to them. Have everything prepared beforehand and hit “send” on that press release the minute the owner meeting is over or a half hour after sending out the owner e-mail.



## OFFICIALS

It takes time to build understanding of your project and buy-in from your municipalities and it's critical to build. Make a list of key players that should get an update directly from the board about this milestone moment.

### Format

If you have not yet had a significant meeting with your city planning department, now is the time. Ask them for a 45-60-minute meeting to talk about what the co-op is, your plans, and the results of your recent market study. If you have recently had a significant meeting with development officers or city leaders, an e-mail from the board updating them on the study results and an offer to answer any questions will suffice.

### Who

Whether a meeting or an e-mail, send the invitation and info to not only the city planning department but the mayor, city council members, etc.



*Local officials will often ask for you to share the actual study. Do NOT do this. They will promise confidentiality, but unfortunately, you cannot bet on it. Politics is politics; they want that data to use for their own planning, which may include courting competition or discussions with developers that will never work with the co-op. Building a relationship with your city is important, but city officials should not be considered your trusted advisors when it comes to your market study. The information you are sharing with your owners and the press are enough for your city officials as well.*

## BUSINESS PLANNING

The market study plays a key role in all your business planning, whether you are a startup opening your first store or an established food co-op working on an expansion/additional location. In what ways does the market study influence your business planning and in what key areas? There are three of them for startups.

## FINANCIAL FEASIBILITY/PRO FORMA

The sales projections from your market study will be the foundation of your financial projections; with them in place, your Pro Forma can now truly be used to test financial feasibility.

### Revisiting Discounting

We've already discussed discounting once with our market study provider, we're done, right? Not so fast. In this day and age of fierce competition and shifting markets, we highly recommend further discounting of the sales projections.

- **Why?** — It is usually a point of frustration for startup food co-op organizers when they are told they need to (further) discount the market study sales projections. If they aren't accurate, why did you bother getting them? The reality is that every startup, no matter how many things go right, will likely not meet one or more of the key assumptions of their study. There is no way to predict at this point in your development that you will be able to meet key assumptions like, "the co-op will hire a general manager with 3 or more years of experience as the General Manager of a food co-op", or, "adequate lit



*You will absolutely face times when it is tempting to remove discounting to solve feasibility issues in your Pro Forma as you go through the financial feasibility process. As tempting as it is, it's risky, possibly dangerous, move for your startup.*

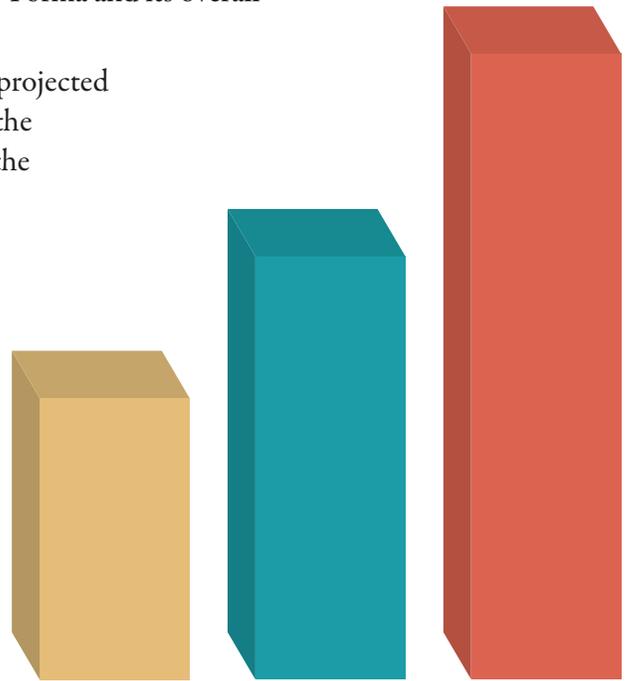
signage that faces both egresses on Smith St and MLK Drive”. The market study predicts your co-op’s sales if you are able to fulfill all key assumptions and no new competition enters the market before you open. Not being able to predict whether those things will happen, discounting is crucial to stress-test your co-op’s financial feasibility.

- **How much?** — this is something to be discussed and decided with the input of your market study provider and key expert support like your Pro Forma provider. It can depend on many factors.

### Sales per square foot

A little talked about, but very important piece of your co-op’s market study is the projected sales per square foot. It greatly affects the co-op’s Pro Forma and its overall financial viability.

- **What it is**— Sales per square foot is estimated by taking the projected annual sales (after discounting) and dividing those sales by the number of retail square feet the store is assumed to have in the market study.
- **What you are looking for** — Startup expenses such as building costs and equipment will be about the same per square foot no matter what your sales volume, so as sales per square foot increase, the co-op has more revenue to cover those costs, making the project more financially viable. Your viable level of sales per square foot will be determined by startup costs, debt service, and other factors, so be sure to have a conversation with your Pro Forma provider (if they are deeply experienced in working with startup food co-ops) or with the FCI team.



## SITE SEARCH

Once your co-op has a market study, it has the parameters to search for the right site, or, in the case of a site-specific study, to decide if your preferred site is truly feasible. Here's what to look for in your study.

### First, the easy stuff

The "easy stuff" is the estimated total square feet you'll need for your site, the amount of parking, and sometimes details about visibility and signage. These things are right in the study, all you have to do is pick them out and use them as part of your site search parameters. The not-so-easy part ahead is finding a site that is available, affordable, and meets the "easy stuff".

### But where?

Your market study tested several locations and potentially multiple size scenarios at those locations. So, can your co-op locate in any of the areas that were tested in the study? Not so fast! There will be variations in sales performance for each area that was tested in your study. If the variation was minor, the study is saying you can make similar sales in any of those areas. In this case, if the projected sales range works in your Pro Forma, go forth and look in any of those areas. But, often, there are significant variations in the sales each area can generate. If this is the case, your co-op might be financially viable in one area of town, but not in another. If there is any marked variation in sales forecast for the different areas tested in your co-op's study, you'll need to see what level of sales your Pro Forma can work at before deciding if you can afford to go after a site in any of the areas that were not the top sales performers.

**STOP**

*It's tempting to assume that if a new potential site comes up that is relatively close to one you've already had market study tested that the sales will be the same. This may be a reasonable assumption for now while considering the site, but you will absolutely need to test that specific site before making any commitments to it, as a move of even a block can make a significant difference in sales due to factors you don't have the training and experience to see.*

**Your market study is a treasure map that must be poured over and regularly referenced throughout the development of your co-op. Don't leave it gathering dust on a shelf! Read it well, listen to it closely, and it will point to a financially viable way forward to make your co-op dreams a reality.**





## FOOD CO-OP INITIATIVE

New co-ops start here.

### Our Mission

FCI aims to increase the number, success and sustainability of new food cooperatives delivering access to healthy food in diverse communities across this country. It provides information, training and technical assistance, as well as seed capital, and engages in research to blaze, maintain and improve the development path for new food coops.

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