

## Midtown Market Study for Indianapolis LISC

### Introduction

#### The project

In furtherance of their mission to “help transform distressed communities and neighborhoods into healthy ones — good places to live, do business, work, and raise families,” Indianapolis LISC initiated this project to support the growth and enhancement of the Mid-North neighborhood in the city. The area is served by three dedicated community development corporations: Near North Development, Mapleton Fall Creek Development and Midtown, Inc. The CDC’s in this initiative have come together under the leadership of the Midtown CDC.

The objective of the project is to “conduct a market analysis... with regards to the demand for supermarkets and other related grocery outlets.”<sup>1</sup> Of course, LISC’s goal for this project is much broader, and may best be described by the slogan of the Indy Food Council: “We envision a food system that provides everyone access to healthy and nutritious food, enhances ecology, and creates meaningful economic and civic opportunities.” The project is about much more than food; it is about the role that food plays in the welfare of a livable, walkable community with a local economy that sustains its residents with work, sustenance, and social interaction.

Our immediate objective was to examine the market forces that determine whether grocery would be a sustainable retail category in the neighborhood; the longer term question is what role and form grocery will take to make this neighborhood a desirable places to live, work, and enjoy a healthy lifestyle. Our analysis of the neighborhood includes these elements:

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<sup>1</sup> This quotation, and the mission statement quotation before it were taken from the “Supermarket and Grocery Outlet Market Analysis, Indianapolis, IN, Request for Letters of Interest” document published February 4, 2015 by Indianapolis LISC.

- Sales forecast analysis
- Market demand estimate
- Trade area characteristics
- Facility and location characteristics
- Competitive environment summary-intersection and surrounding area

### **Study methodology**

JGSC conducted analyses for the location (a target intersection, and all commerce within a 0.25-mile radius of that intersection) to compare similar data. The first level of analysis was field observation. A principal of JGSC Group met with the manager of the CDC and obtained background information for the district. That background information included projections of new housing that is approved for construction within their study area; we included the projected new populations that would inhabit this housing in our projection of future grocery demand.

The manager interview was followed by a tour of the district and interviews of willing merchants within a 0.25-mile radius of that district's target intersection. From the tour and the interviews, JGSC was able to derive characteristics of the trade area for the district. JGSC also examined available grocery options.

Back in our office, JGSC obtained online market data for the district as well as for a 4.0-mile radius that encompasses the district and the downtown area. From this data, we were able to identify all retail grocery outlets in the area. Separately, the client provided JGSC with information about food cooperatives, food pantries, CSA's (community supported agriculture), and other alternative food sources impacting the study areas. The information on grocery and non-grocery food sources was combined to form our analysis of grocery supply.

Additional analyses were conducted to compare the primary data based on population density as well the number of households served within the study area, utilizing economic data from subscription services. Specifically, the following data was compiled and analyzed:

- A detailed site map was created to show a 0.25-, 0.5-, and 1.0-mile radius around the center-point of the location.
- Demographic data was compiled and compared including data about the population, households, housing, age, income, education, and similar data.
- Data concerning access to and use of the Internet was compiled and examined.
- Vehicle traffic counts were compiled and examined.
- Business and workforce data was compiled and analyzed.
- Data was compiled and analyzed for expenditures for retail goods and services, including food at home, food away from home, and certain grocery categories.
- A retail marketplace profile (supply & demand) was compiled and analyzed to determine levels of consumer demand, retail supply, and retail leakage.
- An analysis of grocery spending analyzed to determine levels of consumer demand, retail supply, and retail leakage.

Finally, we took into consideration national and local trends in the grocery industry, and how those might impact development of new grocery in the location.

## **Trends in grocery: national**

The supermarket is a suburban concept that has dominated the way Americans shop for food since the 1960's. The key thing to understand about the supermarket model is that it has been designed to encourage impulse buying, which is not a healthy way to acquire food. Studies estimate that "... fully 60% to 70% of purchases [in supermarkets] were unplanned, grocery industry studies have shown us.<sup>2</sup> The floor plan, displays, shelving layout—even the large size of the shopping carts, and convenient parking—are all designed to stimulate shoppers to purchase more than they had in mind to buy.

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<sup>2</sup> *Why We Buy: The Science of Shopping*, Paco Underhill, 1999. We note, however, that ten years later, a study ("*Unplanned Category Purchase Incidence: Who Does It, How Often and Why*") done by David R. Bell, Daniel Corsten, and George Knox found supermarket impulse buying to comprise about 20% of all purchases, with variations in that number being more attributable to the type of person shopping, rather than the layouts and displays emphasized by Underhill.

The model evolved in the 70's with the appearance of warehouse grocery shopping—the evolution of the idea that the market exists to persuade people to buy still larger quantities of goods than they may have planned. The first Price Club warehouse opened in a converted airplane hangar in San Diego in 1976; 20 years later they merged with another warehouse retailer to become Costco. Walmart created its first “supercenter” in the 1980's, combining a supermarket with their general merchandise sales. The concept flourished; today there are over 3,100 Walmart supercenters, making them the largest supermarket chain in the world. Other bulk retailers like Sam's Club (another division of Walmart) and BJ's entered the warehouse grocery arena. Product packaging, and package sizes—bulk canisters of snack foods and 2-liter bottles of soda, for example—also contribute to an unhealthy trend of buying massive quantities of products that are appealing to the eye. Buying in bulk can save money for the shopper, but the real beneficiary is the grocery retailer, who is moving a higher volume of product and growing sales revenue.

Of course, what appears to be a bargain for the family budget has proven to be a disaster for family health. The American family has seen a rise in eating-oriented health problems, such as obesity, early-onset diabetes, high blood pressure, cancer and heart disease—that are directly related to overeating, and malnutrition.<sup>3</sup>

Rising concern about diet and health have forced the grocery industry to adapt to new demands for new alternatives. Traditional supermarkets now find themselves competing with several newer categories of grocery market:

- Deep discount/limited assortment—these stores go beyond the warehouse model to drop prices even lower by avoiding or limiting grocery categories like produce or meats that result in spoilage and waste, and focusing instead on dry goods, canned or packaged foods, and bulk items. This model poses a new health problem for consumers: it reduces their access to several basic components of a healthy diet. Examples of retailers in this category are Aldi, Dollar General, Dollar Tree, Food 4 Less, and Sav-A-Lot.

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<sup>3</sup> Citations for this point are too numerous to list; we cite *National Health Priorities: Reducing Obesity, Heart Disease, Cancer, Diabetes, and Other Diet- and Inactivity-Related Diseases, Costs, and Disabilities*, National Alliance of Nutrition and Activity, a consumer advocacy branch of the Center for Science in the Public Interest, 2010.

- Ethnic—Asian and Hispanic/Latino grocery chains that offer specialty imported products that cater to the tastes of their ethnic audience are growing, particularly in urban settings.
- Specialty and natural foods—the demand for organic, gluten-free, GMO-free, and more food product lines was originally satisfied by natural foods stores. One of those, Whole Foods, understood the depth of that demand and expanded from just a few stores in Texas to be an international chain. Trader Joe's is a national grocery chain that is known for the organic and vegetarian food lines that it carries, as well as its imported and specialty foods that target upscale customers. Their model is an interesting one for urban specialty grocers to follow: their stores are typically limited to 10,000 SF in size and a product offering of no more than 4,000 items (typical supermarkets carry 50,000 items). Yet, Trader Joe's surpasses Whole Foods in terms of sales per square foot. A Fortune magazine article<sup>4</sup> estimated Trader Joe's sales to be \$1,750 per square foot, which is more than double the amount they estimated for Whole Foods. (This category also includes upscale grocery, offering more choices of high quality foods that affluent consumers demand.)

It is also important to note that the supermarket and warehouse grocery stores are suburban models; to survive, they require shoppers with cars, living in homes with substantial storage space for groceries bought by the car-load. These models never quite fit the urban lifestyle, in which much of the population lives in apartments, or smaller-sized homes, and a high percentage of households rely on public transportation and do not own a personal car. The urban model for grocery is a smaller store (while the suburban supermarket ranges from 40,000 SF to over 100,000 SF, the typical urban grocery is no more than 20,000 SF), and little or no on-site parking. By its nature, the urban grocery relies on customers who primarily walk or take public transportation to the store, and who purchase lower volumes of groceries per trip than their suburban counterparts. Urban shoppers also visit their grocery more frequently—typically every few days, rather than weekly or even bi-weekly as suburban shoppers do—because they don't have the space to store as much food. As a result, urban shoppers rely less on bulk goods and frozen foods, and buy more fresh foods.

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<sup>4</sup> Kowitz, Beth: *Inside the Secret World of Trader Joe's*, Fortune magazine, August 23, 2010

These more recent trends in the grocery industry are relevant to this analysis, as they reduce operating costs, and increase grocery sales:

- Digital technology is having an impact on the way we shop for groceries. Many chains are experimenting with “click and collect,” which is a method of placing your grocery order and paying for it online on the supermarket’s website. Supermarket staffers assemble the order for subsequent delivery or pick-up. Grocers are not yet certain of the impact of this method; they fear that it will eliminate impulse buying, but that loss may be offset by the increase in business by attracting new customers who prefer electronic shopping.
- Groceries are transitioning from paper to digital circulars, which again indicate the growing importance of Internet connectivity for access to the discounts that shoppers have pursued for generations through paper coupons. Several grocers are making these and other tools (loyalty cards, shopping list tools, coupons, shop from home tools, and more) available on Smartphone apps.
- Supermarkets are experiencing a surge in demand for their private brands over national brands, resulting in expansion of private brand product lines. Sales of store brands grew more than 18% from 2012 to 2014, which is more than double the rate of growth of national brands. This acceptance of local brands in lieu of national brands bodes well for local grocers, suggesting that they can reach a broad audience of consumers across a wide band of income levels with these less expensive brands.
- Loyalty programs (in which shoppers swipe store cards to receive discounts, but also document each purchase) yield a high amount of data on consumer habits, that merchants now can analyze to decide whether a particular promotion yields a net benefit (for example, the shopper is shown to make an extra trip to take advantage of a promotion, and winds up purchasing items in addition to the promoted item) or a net loss (know as “pulling sales forward,” an ineffective promotion only encourages shoppers to a larger quantity of the item being promoted, in lieu of making later purchases when that item is offered at full price). This information allows the merchant to avoid the types of promotion that result in a net loss to the store. Grocery stores operating at extremely low margins of profit have a better chance of success by taking advantage of this information.

- The rapid decline of newspaper advertising as an effective tool for grocers is both a cause and an effect of the continuing rise of Internet/social media marketing. Effective grocers are using social media as a broad-based way to communicate with their shoppers. It's much more than a format to advertise weekly specials; effective managers build store loyalty by offering a social experience: publishing recipes (especially ones that highlight dishes that use seasonally available produce or other foods), providing cooking tips, and promoting in-store events. This media is also the most effective way to build the millennial customer audience. Finally, this is the most cost-effective method of advertising—an important factor for smaller, local grocers that do not have the benefit of advertising campaigns mounted by national and regional grocery chains.

## **Trends in grocery: local**

At the local level, most significant has been the withdrawal of Kroger's Supermarket from urban markets.<sup>5</sup> Two years ago, the company announced a policy of supporting stores no smaller than 65,000 SF. (This runs counter to the more common downsizing of many retail chains. Walmart, for example, is moving away from the Walmart "supercenter" model that is sized as large as 260,000 SF, in favor of their "discount store" model that averages 102,000 SF, and the "neighborhood center" model that is only 42,000 SF.) While there is no public indication that this might be planned, the fact remains that Kroger stores like the one in Westside (which is only 15,000 SF) are being phased out in other markets by Kroger<sup>6</sup>.

Other small grocery chains operating in Indiana have felt the pressure brought on by over-expansion in the early 2000's, and the recession of 2008. Buehler's filed for reorganization bankruptcy in 2005, and shed millions of dollars in debt in order to survive.

Perhaps the most significant trend both nationally and locally is the recognition of the need to address food deserts, which is directly relevant to this project. The USDA defines food deserts as "... parts of the

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<sup>5</sup> However, the company did announce on April 29, 2015 a plan to build new stores, and expand/renovate existing ones in Central Indiana, including within Indianapolis. See more information on that announcement, here: <http://www.indystar.com/story/money/2015/04/29/kroger-build-new-indy-area-stores-add-jobs/26573557/>

<sup>6</sup> For example, a 32,000 SF Kroger store closed in 2009 at the Manhattan Plaza Shopping Center in north Toledo, OH in favor of a suburban Krogers 5 miles away. North Toledo is very similar in household density and income to the Westside CDC neighborhood.

country vapid of fresh fruit, vegetables, and other healthful whole foods, usually found in impoverished areas.” While grocery stores are available to residents in each of the three neighborhoods studied, the question is whether what is offered is nutritionally adequate for local needs. Can residents find healthy meal options at their grocery stores, or are they confronted with choices that are largely empty calories? State government agencies have recognized the problem<sup>7</sup> and non-profits (The American Nutrition Association is in the forefront nationally as a health-based organization, but community-based non-profits like LISC and The Reinvestment Fund are also prominent in the effort), and proactive healthcare institutions (such as ProMedica in Toledo, Ohio) are creating new grocery models to address the problem.

ProMedica’s Ebeid Institute will provide healthy grocery alternatives at grade, and free instruction, counseling, and dietician services on the upper floors. ProMedica is recognizing the need to educate consumers in distressed communities not only to what healthy food alternatives are, but also why they are important, and how to prepare them. This is emerging as a valuable new model to serve the grocery needs of the urban poor.

## Client input

Before beginning this study, we sat down with Deputy Director Tedd Grain, Senior Program Advisor Sara Van Slambrook, and Program Manager Whitney Fields of Indianapolis LISC to discuss the project. In that discussion, it was made clear that this project is one step in the larger mission of the “Great Places 2020” program, which is an effort



<sup>7</sup> The Public Health Department of Marion County published a map of Food Deserts by Census Tract showing that two of the three targeted intersections fall within tracts that are designated as food deserts, and the third (38<sup>th</sup> & Illinois Streets) borders on one (at Census Tract 321900).





to focus community development over the next five years in select neighborhoods that are within the city, outside of downtown Indianapolis. LISC is one partner in a coalition of government agencies, non-profit organizations, and private industries that have as their goal to enhance the designated neighborhoods into “dynamic centers of culture, commerce and community”<sup>8</sup>. They see healthy food options, and the growth of a market to provide them, as an important ingredient for the successful conversion of this community from distressed to desirable.

This report will provide the findings from the application of our study methodology to the neighborhood, and respond to each of the issues raised by LISC in its original request, and all of the economic data that we obtained for this analysis is attached in an appendix.

## Areas examined

JGSC compiled and analyzed syndicated data for a 0.25-, and 0.50-radius around this center-point:

East 38<sup>th</sup> Street at North Illinois Street, Indianapolis, Indiana 46208

For the purposes of comparison, JGSC also examined a 4.0-mile radius that was centered on the intersection of North Meridian Street between 14<sup>th</sup> and 16<sup>th</sup> Streets.

## Data sources

The data was provided from a number of reputable sources including: Bureau of Labor Statistics, DataMetrix, Dun & Bradstreet, Esri, GfK MRI, Market Planning Solutions, and U.S. Census Bureau.

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<sup>8</sup> “Great Places 2020 Launches Successfully,” article posted on November 26, 2014 on Indianapolis LISC website, here: <http://liscindianapolis.org/2014/11/great-places-2020-launch/>.

## Midtown CDC (Mid-North)

### Interview of Director Michael McKillip

A JGSC representative met Michael McKillip at the North United Methodist Church, which often offers its meeting rooms to the Midtown CDC. It became quickly apparent that their partnership—the CDC and the church—was driving a renaissance of redevelopment in the community. Over a century ago, the church acquired the entire city block of the site where the church now sits. Most of that land is either set up for parking or is undeveloped. Half of it fronts on North Illinois Street, which is the main business corridor of the neighborhood. The church is preparing to redevelop this property and is working closely with the CDC for guidance and to the community for input.

McKillip explained that the Church sits at one of the busiest intersections in the city: 38<sup>th</sup> and Meridian Streets. Thirty-eighth Street has become the primary east-west connector for the residents of the northern part of the city. It will host both the purple and red BRT (bus rapid transit) lines that are projected to open between 2017 and 2020.

That transit line will only strengthen the appeal of this neighborhood to potential new residents.

Thirty-eighth Street has also become an economic boundary of sorts: a higher percentage (25%) of people living south of 38<sup>th</sup> are below the poverty line; while only 17% above that street are in poverty. South of 38<sup>th</sup>,



people live in 600 SF bungalows; just a few blocks north of 38<sup>th</sup> there are \$2 million mansions. There are several high-density apartments on Meridian and office towers that drive demand for retail, and support greater retail diversity than the residents south of 38<sup>th</sup> Street could do otherwise. Thirty-eighth Street is also a physical barrier: with 6 lanes of fast-moving traffic, it's difficult to cross the roadway. People from south of 38<sup>th</sup> Street tend not to shop north of the line, and residents north tend not to shop south of it. The difficult thing for residents below 38<sup>th</sup> Street is that higher crime there has driven many businesses away; they don't have the shopping options that are available on the north side of 38<sup>th</sup>.



Meridian is also a barrier that prevents many residents from crossing east or west of it to shop. (McKillip and I walked across both streets and had to wait for pedestrian signals that are infrequent and short. It is understandable that pedestrians wouldn't want to have to cross regularly unless they had to.)

McKillip provided JGSC with information about pending development projects on Illinois Street and in Tarkington Park. In all, the group aims to bring as many as 450 new residential units to the area over the next five years. In 2015-16 the park will receive \$5 million in Phase 1 improvements as part of a long term \$12 million master plan for the redevelopment of the park. A transit transfer station will be built at 38<sup>th</sup> and Meridian that will stimulate even more people to want to live here and take advantage of it. Their goals in the development will be:

- To bring the residents north and south of 38<sup>th</sup> Street more together
- To provide better quality housing, and better public amenities
- To provide a more balanced mix of retail stores and restaurants
- To create a parking deck that would encourage the thousands of people passing every day on 38<sup>th</sup> and on Meridian to stop to shop and dine there
- To develop a 20,000 to 40,000 SF grocery that would serve as an anchor store

### **Facility and location characteristics**

Of the three neighborhoods examined, this one is the only one that continues to function as originally designed: as a walkable business district with a diverse range of stores. In one block on North Illinois Street, this location has a traditional hardware store, a costume rental shop, a T-shirt imprinting shop, a hat shop, a dry cleaner, a bar, and a supermarket. Several of those businesses (Costumes by Margie, Dad's Hats, and the Melody Inn bar) are destination businesses with a clientele that comes from all over the city and beyond. The site in consideration for possible supermarket development is at the corner of 38<sup>th</sup> and Illinois, and currently there is a now-closed florist shop on the site. That building would have to be razed in order to develop a supermarket on the site.

There are several businesses on the north and south sides of 38<sup>th</sup> Street and on Meridian Street, all within 0.25-mile of the targeted intersection. More importantly, there is vacant, developable land on the east side of North Illinois Street. It is here that the property owner, North United Methodist Church,

intends to build new mixed-use building with up to 17,000 SF of retail topped with residential units. This is a viable, active business corridor that is in growth mode.

### **Trade area characteristics**

The trade area for the Midtown business corridor is large with several destination businesses that attract visitors from as much as 50 miles away. The corridor sits near the intersection of two major arterial streets: Meridian Street, which flows north-south, directly into the heart of downtown Indianapolis; and 38<sup>th</sup> Street, a 6-lane high-traffic east-west roadway that carries visitors to several major tourist destinations including the Children’s Museum of Indianapolis, the Indiana State Fairgrounds, and the Indianapolis Museum of Art—all within a 2-mile radius of the targeted intersection.

Retail demand for this neighborhood needs to be measured beyond just the demand of its residents. There is such a steady stream of outside visitors through this neighborhood, as well as people who come to work in this area on Meridian Street and 38<sup>th</sup> Street, that retailers here must anticipate capture of a substantial share of visitor and workforce business, too.

### **Merchant interviews**

We interviewed six merchants in the district:

- Cheryl Harmon, owner of Costumes by Margie at 3818 N. Illinois Street;
- Kristen Leep, owner of PRN Graphics at 3822 N. Illinois Street;
- David Anderson, owner of Anderson Ace Hardware of Indianapolis, at 3833 N. Illinois Street;
- Michael Knowlton, owner of Curley’s Cleaners at 3838 N. Illinois Street; and
- Mitzy Park, owner of Dad’s Hats, at 3842 N. Illinois Street; and
- Steve Isa, owner of Big City Grill and Lemonade, at 23 E. 38<sup>th</sup> Street.

Collectively, the number of years that these six businesses have been operating in this neighborhood total an astonishing 189 years! The least of these—PRN Graphics—has only been in business here for 2 years, while Big City Grill and Lemonade moved here (from the Bronx, NY) 6 years ago. Each of the others has operated successfully here for multiple decades: Dad’s Hats for 37 years; Anderson

Hardware for 38; Costumes by Margie for 46; and Curley's Cleaners for 60 years. Curley's and Anderson Hardware only draw from 2 to 3 miles away, but the others all draw their customers from other parts of the city and beyond. Big City Grill and Lemonade is not a destination business, but its location on 38<sup>th</sup> Street with access to all of its commuter traffic, has allowed him to capture the drive-by business of people from all over the region. Six years in, he does little advertising now, but originally he pursued and developed the business of college students in the area, giving a 10% discount to students making purchases with their student debit cards. He was fortunate to receive a great review on CNN's Food, Dining and Wine review, and that made his business something of a local landmark.



Most telling is his personal story: owner Steve Isa brought his business to Midtown all the way from the Bronx, NY. After the harrowing events of 9/11, he wanted to leave NYC. His brother lived in Indianapolis and told him of a new high-rise apartment building across the street from a half-empty retail strip on a very busy roadway (38<sup>th</sup> Street). Steve came out and decided immediately to move into the apartment building and open his business across the street. He has never regretted that decision: he walks to work every day and has seen his business grow each year. He enjoys living in Midtown, close to some of the city's great attractions.

Steve Isa is not only the type of merchant that Midtown CDC hopes to attract; he is one of the new residents that they seek, too. He wants to live near his work and in a community with a great quality of life. He had only two complaints about living in Midtown. The first was poor grocery options—he considers the Double 8 Food store on North Illinois Street to be too “run down” for him to shop there, and it doesn't carry the items that he wants. He leaves the neighborhood to shop at other supermarkets. The other complaint was that there is not enough police presence in the neighborhood. There is too much crime in the area at night and that deters people from visiting his restaurant after dark.

Michael Knowlton, owner of Curley’s Cleaners, is a long-time resident of the neighborhood and we asked him about his shopping options. He complained that he must leave the neighborhood for almost everything except hardware. When asked about grocery, he said that he can’t find the quality and variety of groceries that he prefers here, so he goes to Marsh’s supermarket.

Kristen Leep at PRN Graphics is a neighborhood resident, too. She also leaves the neighborhood for grocery—usually to go north 20 blocks to a Safeway Grocery store, but often she goes to Englewood to shop at Pogue’s Run Grocery. Even though it is far to go, she finds the store very appealing. She expressed interest in having something like that in Midtown.

### **Grocery options in the neighborhood**

Currently, there is only one supermarket in the neighborhood: Double 8 Foods at 3902 North Illinois Street. This is a very small market—only 8,250 SF—with on-site parking for 100 cars. The lot was virtually empty when we visited on a Thursday afternoon. The building was originally constructed to house an auto repair shop. This grocery is extremely limited in departments and offerings, and did not have any customers in the store when we visited on a Thursday afternoon. This absence of customers and signs of lack of maintenance suggest that this may be a business at risk of failure<sup>9</sup>.

The 46205/46208 neighborhood also provides these options to supplement traditional grocery: there are 19 community gardens/urban gardens, which comprise 1.71 acres of production area. That area could yield about 51 lbs/day<sup>10</sup> of mixed vegetables over approximately 90 days of growing season, for a total of 4,600 lbs. Given a population of 4,822 people within a 0.5-mile radius that will consume this produce, it is slightly less than 1 pound of vegetables per person during the growing season. This amount will have barely a marginal effect on produce sales in neighborhood groceries. These are the gardens:

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<sup>9</sup> According to information received by Indianapolis LISC as this report was being finalized for print, the owner of the four Double 8 Food stores in the city is retiring, and selling these stores. The store at 39<sup>th</sup> and Illinois is currently in negotiations for sale. It will remain to be seen whether a new owner will make the investment required to make this store a viable competitor for the neighborhood’s grocery business.

<sup>10</sup> Based on home garden crop yield verification data published by The Garden of Eden Project, found here: <http://www.gardensofeden.org/04%20Crop%20Yield%20Verification.htm>

- 3001 Building, LLC
- Barnes Community Outreach
- Broadway Community Garden
- Burkhart Community Garden in Rocky Ripple Neighborhood
- Fall Creek Gardens
- Goose the Market–Slow Food Restaurant Garden
- Grassroots II Community Garden\*
- Haven Garden
- IPS 42 Garden
- IPS 43 Garden
- Northwood Christian Church
- Park Avenue Garden
- Riverside Civic League
- Riverside Park
- SHarP Community Gardening
- Unitarian Universalist Church of Indianapolis Community Garden
- United Northeast CDC
- Urban Mountain Farms
- Walls Urban Garden\*

## **Competitive environment summary**

Other than the Double 8 Food Store at 3902 North Illinois Street and the Dollar General store, both within the 0.25-mile radius, the next nearest supermarket is over 1.5 miles away. That, too, is a Double 8 Foods Store at 555 Fairfield Street. At 17,000 SF, it is much larger than the Illinois Street site, but still not large enough to offer diverse departments like deli or bakery. There is a Safeway Grocery 2.5 miles to the north, a Fresh Market upscale grocery 2.5 miles to the northeast, and a Best Price Dollar & Food store 2.5 miles to the east. Two miles to the south, there is another Double 8 Foods store and a store called “Goose the Market,” which is owned by a chef and has a focus on fine food and wines. But for Fresh Market and Goose the Market, all are specialty grocers with limited selection of foods and/or high-end pricing.

## **Market demand estimate**

People living within a 0.25-mile radius of the intersection of 38<sup>th</sup> and Illinois Streets spend the most on groceries of the three neighborhoods studied: \$1.78 million/year. At a 0.5-mile radius, annual demand triples to \$4.94 million/year. This, too, is the greatest of the three 0.5-mile radii measured, and a substantial amount to support a small supermarket. Our data indicated zero grocery supply within the 0.25-mile radius, which is flawed, since we know that the Double 8 Foods supermarket is present within that radius. At 0.5-mile, the supply nearly doubles, to \$168,000 in grocery sales/year. This number is

suspect, because average weekly grocery sales in US supermarkets in 2014 were \$9.77/sf.<sup>11</sup> Using that average, the Illinois Street Double 8 Foods store should have generated \$4.2 million in grocery sales in 2014 (8,250 SF x \$9.77 x 52 weeks). While we suspect that Double 8 performed below average, its performance could not have been as low as \$168,000; the store would have had to close.

In any event, it is apparent that current residential demand alone is sufficient to support a supermarket of at least 10,000 SF. When we add the grocery demand of people who live within a 5-mile radius of the location, and people who do not live there but work in the neighborhood, and the thousands of people who pass through on 38<sup>th</sup> Street and on Meridian Street, it is apparent that a much larger supermarket—at least 30,000 SF—could be supported.

### Other market data

In addition to supply and demand data for grocery and other retail categories, we ran a comprehensive set of demographic, psychographic, summary of businesses, electronic and internet use, household expenditures, market profile, traffic counts, and more data for 0.25-mile, 0.5-mile, and 1.0-mile radii around the targeted intersection. That data is attached to the appendix of this report. Some salient points that we would like to highlight from that data:

- **Business summary:** there are 201 businesses employing 1,232 people within 0.25 mile; 440 businesses employing 2,669 people within 0.5 mile; and 1,027 businesses employing 7,226 people within 1.0 mile of the targeted intersection.
- **Internet usage:** Only 73% of the residents within 0.25 mile; 71.2% within 0.5 mile; and 74.8% within 1.0 mile used any Internet in the previous 30 days. That is a moderate penetration rate; these rates are approaching 80%, the level at which traditional media are less significant to a retail marketing campaign to reach all potential consumers.
- **Psychographics:** the majority of the residents of this neighborhood fall within the lifestyle types of “Emerald City” (33.5% to 57.5%), “Set to Impress” (22.2% to 28.7%), and “Social Security Set” (21.9% to 38.7%). These are diverse mixes of people. The “Emerald City” group is well educated,

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<sup>11</sup> Based on survey data compiled by Statista, an internet statistics research firm, and found here: <http://www.statista.com/statistics/240970/average-weekly-sales-per-square-foot-of-us-supermarket-stores/>



young (average age 36.6 years), and dedicated to healthy, nutritious foods; they buy organic groceries. The “Set to Impress” group is younger and well-educated like the Emerald City people, but more of them (over 40%) are single. They are “image-conscious consumers that dress to impress and often make impulse-buys.” The “Social Security Set” is much older (their average age is 65 and older). They prefer to cook and eat at home rather than eat out. (Profiles for all three lifestyle groups are attached to the appendix to this report.)

- **Traffic counts:** car counts are higher on 38<sup>th</sup> Street than on West Michigan and East Washington combined! There are 42,318/day on 38<sup>th</sup> Street west of the targeted intersection, and 46,340/day just one block to the west of that intersection. These numbers are extraordinary and would be a strong beneficial siting point for any retailer in need of high auto traffic.

## Sales forecast analysis

Current grocery demand is \$2,003/year/household within the 0.25-mile radius. There are 890 homes within that area today, generating annual demand for grocery of \$1.78 million. Within three years, 311 units of new housing are planned to be built in this area; if so, it would increase grocery demand by another half million dollars, to \$2.11 million/year. That yields a grocery demand level per square mile of



\$12,260, which is one-third higher than the other two neighborhoods in this study. Only one other grocer, a Double 8 supermarket, operates in the 0.25-mile radius currently; our field examination of that store revealed operational shortcomings that suggest it is not competitive for the grocery business of this densely populated neighborhood. At a time (Thursday afternoon) that should have been the beginning

of the busiest period of the week, the store was staffed by only one cashier and we observed no customers inside the store. We examined the store’s website ([www.double8foods.com](http://www.double8foods.com)) and found that it is one of a chainlet of four such markets on the north side of Indianapolis. The website language targets the progressive consumer interested in healthy foods (“We are always exploring ways of bringing in

locally grown and produced items and support the many local urban gardeners,") but the store building itself appears tired, in need of maintenance, and not the sort of place that would attract the younger "Emerald City"-lifestyle shopper that comprises the largest segment of the local populace. This store does not appear poised now to capture the grocery business of its neighborhood, let alone the anticipated half-million dollars in grocery demand growth that may occur in just a few years with housing development directly across Illinois Street.

## Key findings

**Urban/suburban hybrid** – The Mid-North neighborhood that is the subject of this market analysis is neither suburban nor urban, but a hybrid of both. People in the neighborhood live in single-family homes, as suburban residents do; however, the homes are smaller and more densely clustered than usually found in suburbia. Commerce in the neighborhood is structured in a walkable format, with storefronts built to the sidewalk. Car ownership is also lower than in the suburbs, although not as low as in true urban areas.<sup>12</sup>

We note that the neighborhood shares economic characteristics that are more common to urban locations than suburban ones: it has lower levels of household income and higher levels of unemployment than State of Indiana or national averages<sup>13</sup>. This hybrid character suggests that the suburban supermarket model should not be viewed as the exclusive grocery option for this neighborhood. In fact, other more urban models could be more effective ways to provide fresh groceries, particularly within the 0.25-mile radius around the targeted intersection.

**Population density** – We captured demographic and economic data for the district, but also for a wider 4.0-mile radius around the center of downtown Indianapolis that includes Westside, for comparison. Within the region (4.0-mile radius) the population density is 3,400-residents per square mile. The 38<sup>th</sup> Street location has a higher population density with 8,000-residents/square mile within a 0.25-mile radius and 6,100-residents/square mile in a 0.5-mile radius.

**Population growth** – The population of the region (4.0-mile radius) is projected to grow by 0.59% between 20014 and 2019. The 38<sup>th</sup> Street location is projected to have growth of 1.11% within a 0.25-mile radius and 0.74% within the 0.5-mile radius.

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<sup>12</sup> Car ownership by household typically exceeds 90% in suburban communities, and drops to 50% or even lower in urban communities. We measured car ownership by household within 0.25- and 0.5-mile radii of the targeted intersection, and found the numbers to be squarely between suburban and urban averages: at 38<sup>th</sup> & Illinois, households with cars were 72.9% at 0.25 mile, and 72.0% at 0.5 mile.

<sup>13</sup> As of March 2015, the State unemployment rate for Indiana was 5.8%, and the national rate of unemployment was 5.5%. Meanwhile, the neighborhood rate for Midtown was 11.6% at 0.25-mile radius. State and city statistics from the US Department of Labor, Bureau of Labor Statistics, found here: <http://www.bls.gov/>; 0.25-mile unemployment data from ESRI market profile report, attached in appendix.

**Household income** – The average income for households in the region (4.0-mile radius) is \$38,231 annually. Midtown has average household income levels that are slightly higher than the region.

**Age distribution** – The residents of the region (4.0-mile radius) have a median age of 33.2 years. The median age for the Midtown area is significantly higher at 40 years.

Within the region (4.0-mile radius) 14% of all residents are under the age of 9 years, while 10% are ages 65 or older. The Midtown area has a lower percentage of residents ages 9 or younger and a higher percentage of population ages 65 or older.

**Education levels** – On average, 19% of residents of the region (4.0-mile radius) have attended college, but do not have a degree. Another 5% have an Associate degree, 12% have a Bachelor's degree and 7% have a Graduate degree. Residents of the Midtown area tend to have higher levels of education.

**Access and use of Internet** – Within the region (4.0-mile radius), 72% of residents have accessed the Internet in the past 30 days, and 65% have accessed it from their home. Residents of the Midtown area have a higher percentage of access to the Internet generally, as well as access to the Internet from their homes.

**Occupations of residents** – Most residents of the region (4.0-mile radius) hold white-collar jobs (52%), while 25% are employed in service industries, and 24% work at blue color jobs. Residents of Midtown are more likely to have a white-collar job at 65% and less likely to work in a blue-collar job.

**Business and workforce** – Within the region (4.0-mile radius) there are 13,637 businesses employing nearly 185,000 people. There are 271 businesses per square mile and 3,680 employees per square mile within the region. The workforce population in the region is equal to 107% of the residential population, meaning the region attracts population from outside of the 4.0-mile radius.

Within the 0.25-mile radius of 38<sup>th</sup> and Illinois Streets, the business density is four times greater than the region and the workforce population density is nearly double.

**Total retail spending** – Within the region (4.0-mile radius) consumer demand for retail goods and services is \$16,155 per household. However, retail supply exceeds consumer demand by the amount of \$369 million a year. At \$16,076/household at the 0.25-mile radius, and \$16,348/household at the 0.5-mile radius, the Midtown neighborhood has consumer demand that is similar to the region. However, consumer demand in Midtown exceeds retail supply by as much as \$25 million a year within a 0.5-mile radius—signifying a real opportunity for more grocery development.

**Spending on food at home** – Within the region (4.0-mile radius) the average resident spends \$2,843 a year on food at home. Midtown residents spend slightly more (\$2,859) than the wider region.

**Spending at grocery stores** – Within the region (4.0-mile radius) there are 98 grocery stores with combined total sales of \$283 million per year. However, consumer demand for grocery is just \$140 million, resulting in excess supply of \$143 million annually. In Midtown, there is only one grocery store (Double 8 Foods) and consumer demand for grocery stores exceeds available supply by as much as \$4.7 million per year.