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Site Development Supplement

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- ▶ How to Choose a Site
- ▶ Why 'Green' Is More Than Trendy

A special supplement to CSP magazine



“You’re going to have **folks on planning commissions** who want to design your store.”

Digging in the Dirt

Get to know a site—and your company needs—before breaking ground

BY TRACI CARNEAL

A lot of affordable land is sitting pretty and empty, anxiously wooing the next buyer eyeing a desirable new store site.

But it’s vital to fight the temptation to commit to a piece of property—no matter how sexy—without considering a host of factors, from traffic flow and surrounding competition to consumer needs, your company’s market strengths, and local developmental barriers.

The property that appears to be the obvious choice and easiest to develop may in reality be the wrong location for a company’s niche, according to Jim Fisher, CEO of site development research firm



IMST Corp., Houston.

“Many people have a tendency to fall in love with dirt,” Fisher says. “Rather than falling in love, the dirt should be analyzed to see if it is truly viable for the intended use. All dirt has a purpose, but the challenge is to find the right purpose.” Build it and they will come? No, says Fisher. “It’s the exact opposite. If the trade area is not there to support it, don’t build it.”

Some retailers, for example, want to develop a property they already own or can get for a good price. Price and ownership alone cannot be the reasons to break ground, concurs Dennis Ruben, managing director of NRC Realty & Capital Advisors LLC, Chicago.

“It’s important to do your research before making site choices and decisions,” Ruben says. “Using a site-analysis company before starting the development process can help determine traffic patterns, average income in area, range of employers and other factors.

“Do you want to be on the side of the road with early-morning or evening traffic? What image do you want to portray?

Who are your competitors?”

According to Scott Hartman, president & CEO of York, Pa.-based Rutter’s Farm Stores, a significant question is, how much capital are you willing to invest? “The amount we put into a project before we can even turn a piece of dirt to start is most often in the hundreds of thousands of dollars range,” he says. “It’s a risk to pay upfront for professional fees to determine if a site is viable, and that can be hard for the independents.”

With the credit crunch, stricter zoning regulations, a tumultuous economy, and increasing competition, retailers face immense challenges while looking to expand. However, thorough planning can ward off a huge mistake or open the aperture to greater long-term payoffs.

BEFORE DIGGING IN

Whether building from the ground up or remodeling, consider your objectives before you embark—and when you do, think beyond just the store itself. Is the prospective property in a residential area that lacks a c-store? Or is it in a heavy traffic area that provides a chance for a new store to fill a niche? Is a store’s offerings better geared toward morning or evening commuters?

Most c-store retailers, especially independents, will conduct some due diligence before approaching a site-analysis company, spending money on drawings or meeting with real-estate lawyers, according to Travis Heiser, president of IMST. “By the time a site reaches us, normally the client knows it’s available, knows the contract terms and is looking to us to see if they should close the deal,” he says.

Bob Stein, president of fuel-pricing software specialists KSS Fuels, which recently acquired Market Planning Solutions Inc. (MPSI), says successful retailers

rely on predictive site-selection models to help them identify new site locations. “Considering the average cost of a new store is about \$3 million, it’s important to not only understand how a store will perform at a particular location, but how it will impact other stores in your existing network,” he says. “A predictive model allows you to analyze the outcome of making changes to your network before you spend any capital.”

H.N. Funkhouser of Winchester, Va., operator of 21 Handy Mart stores, believes strongly in prepurchase market research and analysis. Many of the company’s stores feature a Subway, Dunkin’ Donuts and Baskin-Robbins.

“The first thing I do is hire a consultant ... to study whether a site makes sense for my business,” says Ken Rice, executive vice president & COO. “I want to know the projected volumes before I commit to a property. Their analysis also provides our realtor with a tool for marketing the other sites in a property, since we often develop a large piece of land and then sell off the other retail spaces.”

Whether positive or negative, site consultants should identify potential changes affecting a site: a rumored road change, or a new center across the street with a Best Buy, Barnes & Noble or Staples, for example.

Part of any site analysis, of course, involves traffic flow. It’s critical, says Heiser, to clarify why cars are passing by a site: “If you can explain traffic demand, then you can start to determine if you can meet this demand.”

Network Expansion, One Step at a Time

Here's some advice from Market Planning Solutions Inc. (MPSI) for retailers looking to expand existing business through new build opportunities:

1 Know the market: Gain market intelligence to ensure your strategy is based on sound, reliable and factual information.

2 Identify market objectives: Using the intelligence gathered in step one, begin the process of prioritizing and identifying objectives for each market of interest.

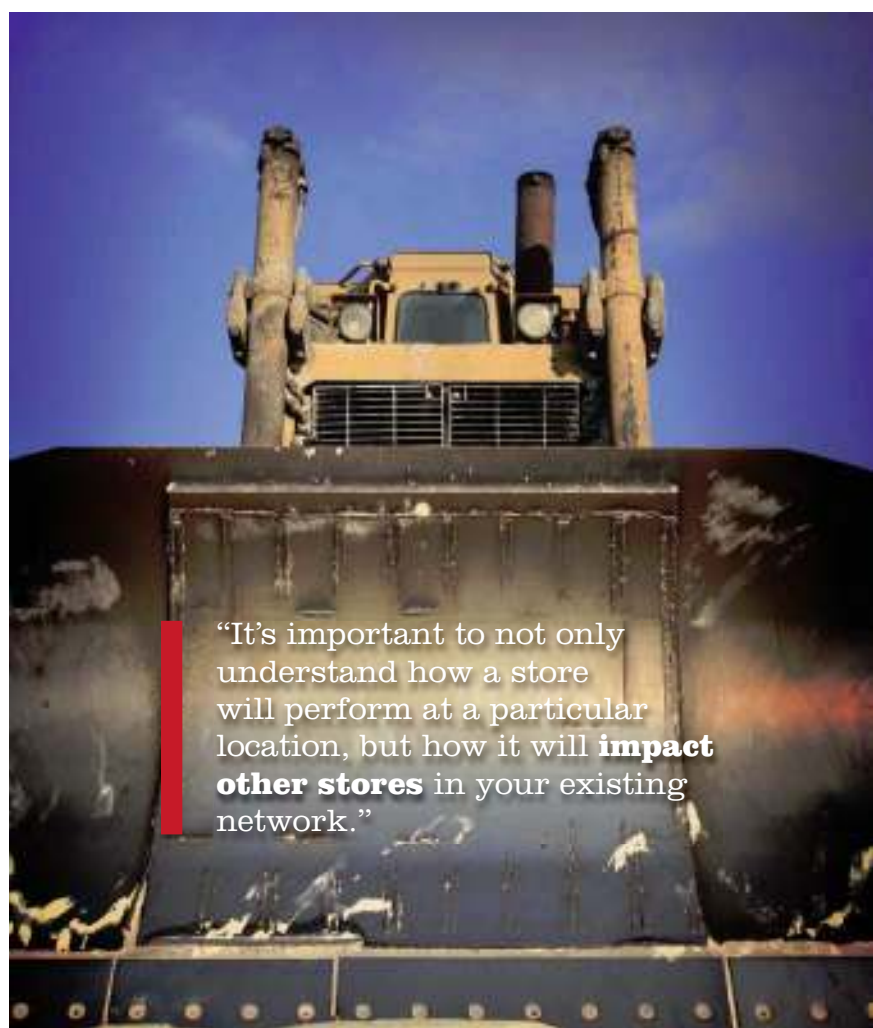
3 Determine site strategies: Best-of-class retailers ensure their site strategies are consistent with market objectives. Employ tools to test "what-if" scenarios.

4 Develop an integrated network plan: After determining the strategy to implement on a site-by-site basis, it's time to create your network plan on a holistic basis, not just by individual sites. Use predictive modeling to evaluate interaction and cannibalization.

5 Finalize the plan: Development of the final market strategy involves an economic evaluation of the proposed changes. The economic results and zoning/permit restrictions may redirect the proposed plan.

6 Implement the plan: Create a detailed implementation schedule and continually review market conditions before investing capital. Ensure supply/demand has not changed.

7 Monitor the plan: Continually review and update your network plan to accommodate market dynamics and internal changes in corporate direction. Institute audit programs to stay on track with objectives.



"It's important to not only understand how a store will perform at a particular location, but how it will **impact other stores** in your existing network."

Equally important is knowing the competitive landscape that already exists at a site under consideration. "C-store retailers need to realize that people are buying gas and convenience items right now, before your site goes in," he says. "Where are they getting it?"

It's not just how many competitors you have across the street or a few blocks down; it's also who they are, how they price their offerings, and how they operate that can be more important. Heiser explains, "We see clients re-enter established urban areas confident they can dominate the market."

These trade areas typically are more mature, saturated with older and often outdated outlets that lack amenities or consumer appeal. Being the new player in such neighborhoods can mean a fresh opportunity to differentiate from the competition, but also the risk of being dismissed by a nonchalant consumer

base blinded by a same-old-same-old mentality.

That said, Fisher believes 98% of competition is self-generated. He says new competitive activity takes place because existing facilities in a trade area are older and have been abandoned in many ways, and some strong, aggressive new retailer sees an opportunity to establish a dominant position.

In some cases, it's a plus to be located near a successful competitor, much like two likeminded retailers anchoring a mall or two QSRs competing on a block.

Handy Mart, for example, elected to locate a store directly across from a Sheetz, a family-run chain regarded among the best in the c-store industry. According to H.N. Funkhouser's Rice, "The Sheetz store had no competition, and we saw they were doing very well. After talking to people in the community, we felt there was an opportunity for us

Modular: A Growing Trend

to also thrive.” Rice says the Sheetz is a complement to Handy Mart’s offerings: “There’s plenty of business for both stores—multiple brands and multiple offerings for consumers.”

SO NOW WHAT?

With due diligence completed and site in hand, in comes a company such as Lend Lease (formerly Bovis Lend Lease), which is the project manager through site completion. Lend Lease not only looks at how to develop a site, but also how to build it, says David MacDonald, executive vice president for Chicago-based Multi-Site Group, a business unit of Lend Lease specializing in turnkey retail design/build.

“We run these tasks at parallel paths,” he says. “It’s not like running a race, with the baton being passed from one person to another. From the time the site is identified until the end, we have the baton.”

The company will be doing exactly that for 7-Eleven Inc. at least for the next three years (see sidebar, p. 10).

Integral to Lend Lease’s strategy are site investigation reports (SIRs), which MacDonald calls a “best practice in the development industry.” An SIR helps identify the unknowns with a project—the need for a traffic light at an intersection, storm-water management, a vacant underground utility line—and makes recommendations to the client.

“That diligence upfront prevents a lot of false starts,” he says. “Too many people spend a lot of money developing properties they have to write off because they didn’t discover the unknowns.”

One client, for instance, lost \$50,000 in architectural drawings because “they jumped the gun” before zoning was approved. “You can look at past history of a township and get a good idea

whether a request will be accepted or not,” MacDonald says. “If the past 400 sign variance requests were not approved, there’s a good chance yours will not be, either. It’s the delicate balance of time and money with the investment you want to make.”

The No. 1 issue today with ground-up construction is storm-water management, MacDonald says, explaining regulations are only getting tougher, particularly in Colorado, Florida and the Pacific Northwest. “Water is very precious,” he says. “The quality of the water and how you reclaim it is a big cost to consider today.”

DIG IN

“We talk a lot about ground-up, but there are two other areas that c-stores are focused on: going into existing buildings or shopping centers and taking an endcap placement, and conversions of existing convenience stores,” MacDonald says. “These are the three major strategies people are using to grow their chains.”

Some major chains prefer building stores from scratch to ensure a consistent store profile. For Rutter’s, Hartman gets personally involved in the selection process. When it comes to building on a new property, sometimes “we know what we are dealing with, and sometimes we get thrown a curve ball,” he says. Local and state governments play a significant role in how smoothly a project progresses.

H.N. Funkhouser’s Rice also prefers starting from the ground up, “because we have a vision of a better cookie cutter for the customers of today, what they are looking for.”

“It takes about one year to build a store and a year to get it running smoothly,” he continues. “We finance our stores ourselves and move at a slow

Modular construction is on the rise in the convenience industry, according to David MacDonald, executive vice president for Chicago-based Multi-Site Group, a business unit of Lend Lease.

“For many years RaceTrac would only do ground-up—sticks and bricks,” MacDonald says. “But this strategy is difficult today, with the economy resulting in fewer inspectors and other related challenges. Imagine building a facility when the inspector is only coming out on Wednesdays. I’m not dismissing ground-up, but a retailer needs to look at the best approach for the company and the area.”

Los Angeles-based Madison Industries developed the modular construction design for Race Trac’s Raceway franchise stores. As a result, the chain has reduced the development phase (from breaking ground to completion) from 120 to 150 days to as low as 55 in some cases, says Mike Davis, Madison Industries’ vice president and general manager. Madison has designed and constructed at least 280 stores for the national chain.

“Hess is now 100% modular with new builds,” Davis says. “It’s an economical way to produce multiple sites cost-effectively.”

While going modular may not be a feasible alternative for smaller chains, it can work for larger chains with multiple sites. “Plus, the steel and metal construction has been shown to withstand harsh weather like hurricanes,” he says.

Another growing trend is pre-engineered solutions, where sections of a building are delivered on a semi-truck, MacDonald says. “You have to ask yourself: Am I building a one-off or an entire program? When building an entire program, it makes sense to invest in a pre-engineered solution since this ... requires some upfront investment.”

7-Eleven Selects Lend Lease for Site Expansion



Scheduling an interview with David MacDonald, executive vice president of Multi-Site Group for Chicago-based Lend Lease, for this story was a challenge, but only because business is booming for the company—and that's a good sign in light of today's economic climate.

"Business is coming back," MacDonald tells *CSP*. "Everyone wants to meet; everyone wants to talk. These are great issues to have."

In fact, a strong indicator of increased development activity is 7-Eleven's selection of Lend Lease as its exclusive construction service provider for the next three years. 7-Eleven plans to add at least 500 stores in the United States and Canada this year through traditional growth (individual store leases-purchases), business conversions and acquisitions.

"Basically, 7-Eleven outsourced their construction department to us," says MacDonald.

The Multi-Site Group's three-year agreement with 7-Eleven, signed in March, gives the company immediate responsibility for 7-Eleven's new-store construction.

"This responsibility does not just start with the construction phase," he says. "Lend Lease has full responsibility to take the 7-Eleven sites through the planning and zoning cycle, and this starts the moment a site has been selected by the 7-Eleven real-estate team."

pace—about one new store every two years. We also are doing some remodels at the same time and refreshing our existing stores."

Rice starts out looking for a multi-acre lot, and in most cases opts to develop an entire retail center to help defray some of the infrastructure costs. The economy has caused the company to slow down a bit, but it plans to complete development of a 10-acre site that contains a Handy Mart store and Dunkin' Donuts drive-thru, with 7 acres left for additional retail.

IN THE ZONE

Working with different municipalities can pose zoning challenges, according to Bob Vallario, vice president of real estate for Whitehouse Station, N.J.-based Quick Chek Corp. Calling New Jersey "dysfunctional," Vallario says he has to comply with 563 different municipalities in New Jersey alone, where the c-store retailer operates 116 stores—90% of its business.

"None of [the zoning boards] plays by the same rules. They all have attorneys to handle the many subject areas prone to misinterpretation, so we have to have legal guidance as well," he says. Vallario warns of additional pre-development costs, including extended due diligence, professional fees for engineering, traffic planning and zoning code research.

"We've had cases where we were 100% in compliance with the rules and regs, but the township still voted us down," Vallario says. "You are guilty until proven innocent with the zoning boards in our area. There are opportunities to grow and expand, but you have to be prepared for

the challenges."

Quick Chek was facing such obstacles in the spring, where it was proposing to build a 4,524-square-foot store and 12-pump fuel island at a former auto dealership on a major New Jersey thoroughfare. Needing multiple variances, the company faced some legitimate concerns about site views and minimum lot sizes.

But the company also faced questions from residents that bordered on the ridiculous, such as dangers of having gas tanks near a residential community (c-stores with gas are commonly found in residential neighborhoods); and envi-

ronmental concerns stemming from exhausts, even though the proposed site is adjacent to a highway that carries more than 20,000 vehicles a day.

Despite the broader challenges of operating in a patchwork state, Quick Chek has identified more than 20 sites for future development and is on track to meet its corporate objective for new store openings, Vallario says.

Handy Mart operates primarily in the Shenandoah Valley of Virginia, and its biggest challenge has been building stores that fit the somewhat traditional image zoning officials want to maintain. The company keeps this in mind from early in the design stages, and this philosophy is reflected in the company's success with local zoning officials.

"I haven't had one zoning request rejected to my knowledge," Rice says. "You're going to have folks on planning commissions who want to design your store. I anticipate that and try to

keep their culture in mind as we create the designs."

Rice does point out the new challenges his company faces, with more transportation/roadwork costs being shifted to the retail development: "The government feels taxpayers should not have to pay for such changes because we want to build a new store."

While hesitant to divulge the location of the specific site, Hartman described a situation in which Rutter's faced a heavily traveled road, and railroad tracks running next to the property. Rutter's had to get the railroad operator's input to address issues such as setbacks and rights of way.

“Do you want to be on the side of the road with early-morning or evening traffic? **What image do you want to portray?** Who are your competitors?”

“We were required to make some improvement to the road that crossed the tracks,” he says. “That, combined with the fact the road was sitting at an interstate exchange, and the future of the interstate on- and off-ramps was up in the air, led transportation officials to speculate that we were building a store that possibly could inhibit one of their road options in the future. We had to work through that with the powers that be.”

As part of the approval process, Rutter’s was required to plant trees and build a wall around the front side of the same store, which inhibited some of the vis-

ibility. It took four and half years from property settlement to store opening. “In today’s ideal world, we would like to think we could build them in two years or less,” he says. “But most are taking up to four years now.”

REASONS TO REMODEL

While it’s often more economical to take over an existing site, that’s not always the case, according to IMST’s Heiser. For instance, some situations require costly retrofitting or underground tank problems that can lead to expensive reclamation, or taking down a dilapidated structure.

Despite these risks, taking over an existing facility can be more economical than ground-up construction. According to Heiser, one IMST customer, a multi-unit operator, has changed strategies from new build (freestanding c-stores with fuel) to remodel. The company faced so many developmental barriers—cost of land, zoning problems, utilities, easements—that occupying space in ailing retail centers became the more appealing approach.

“This company owned five good sites and they couldn’t get any of them out of the ground for various reasons,” Heiser says. “They identified weak retail occupancy in market areas where they excelled and began to move into retail centers to become the neighborhood store, with or without gas.” ■



LIGHT UP: Quick Chek Corp. is in the process of switching over to LED lighting for all of the company's exterior lighting needs.

Eco-nomical

Painting stores 'green' has become more affordable—and profitable

BY JEREMY SETH DAVIS

For more than a decade, retailers have grown increasingly interested in environmental initiatives. The public image of being a good corporate citizen is an attractive benefit for retailers, many of whom have long struggled with dual allegiances to shareholder profit expectations and customer desire for environmental priorities.

Those companies who over the past decade or earlier took “green” action often did so at the expense of corporate profits. In 2001, for instance, Burlington, Vt.-based ice-cream giant Ben & Jerry's changed its containers to “Eco-Pint” packages, more environmentally friendly containers. The company later found the move to be financially untenable and reversed the decision.

For several reasons, the convenience industry has not been at the forefront of the green crusade. This is in part because

c-stores' target demographic is generally less passionate about environmental issues and sustainability than the customers of retail brands in other industries, such as Ben & Jerry's or Starbucks. This is also because most operators lack the scale to forgo percentage points on their take-home pay.

However, as environmental moves increasingly make better business sense, the trend is changing. According to a PricewaterhouseCoopers study, companies that report their sustainability initiatives achieve overall higher returns on their assets than companies that do not report sustainability efforts.

By following the data, many convenience stores have discovered that corporate profit and environmentalism are no longer mutually exclusive priorities. In fact, well-crafted green initiatives are becoming seamless stitches in the corpo-

rate fabric of ROIs and profit expectations.

Rick Wisler, director of engineering for Quick Chek Corp., says the Whitehouse Station, N.J.-based chain recently went through the LEED (Leaders in Energy Efficient Design) certification process, which would certify one of its new builds under energy- and water-efficiency standards. The certification process was intensive—and educational—and the company is now in the process of applying much of this knowledge.

“We've taken a lot of what we've learned from LEED about energy efficiency, and we are switching over to many of the things that we've learned, particularly those with good ROI,” Wisler says.

Examples are plenty. The multi-generational company, with more than 120 sites in New Jersey and southern New York, plans to install white roofing materials and reflective glass to minimize energy

costs inside the store. Already, the company has installed solar panels in its corporate headquarters, a move that reduced energy usage in the office by about 25%. And Quick Chek is researching whether to install the panels on the stores' gas canopies. The company also won plaudits for a site built last year, in the gritty municipality of Bayonne, using recycled construction materials and installing low-flush toilets.

Other retailers have achieved similar financial benefits by prioritizing green initiatives. Reggie O'Donoghue, director of marketing for Sidney, Ohio-based Emerson Climate Technologies, says the company often works with c-store clients to save money by adding controls to their systems.

A glut of operators continue to operate inefficiently, unnecessarily triggering higher utility costs at a time when the c-store is becoming more multi-dimensional, offering foodservice, expanded cold vault and other services that run on costly power. O'Donoghue says, "When we go in, they have things like the HVAC controlled just by a bunch of thermostats, lighting is manually turned on and off, and refrigerated cases are powered by just electromechanical controls."

All of these inefficiencies are bad for the environment, and bad for corporate profits. In addition, anti-condensation heaters are poorly monitored, and are nearly always on.

Transitioning to a controlled environment, O'Donoghue says, can typically save clients 13% of their usual heating costs—an appreciable savings, considering utilities cost c-stores an average of more than \$4,000 a month per store, according to preliminary figures from the NACS® State of the Industry Report of 2010 Data. "The bottom line is, we're about saving

energy," O'Donoghue says. "We add value by adding controls in this previously uncontrolled environment."

Wayne Howell, principal for Clive Samuels & Associates Inc., a Princeton, N.J.-based consulting engineering affiliate of Emerson Climate Technologies, has worked with several c-store chains that operate full-scale foodservice programs. In such cases, where equipment can rapidly drive up cost—too often not even factored into a total foodservice budget—it is

"If you choose to do one or the other, the savings are much less realized. When you implement all of the technologies, you can see a real benefit."

critical to deploy energy-efficient systems equipped with automatic control systems that drop exhaust-fan consumption by half when cooking facilities are not in use.

"And that is the majority of time that these places are open," says Howell. The technology, he says, can shave fan energy usage by more than 80%. According to Melink Corp., a manufacturer of this exhaust technology, most customers see a payback on the investment in a year or two.

Another initiative Howell considers a wise investment is "demand control ventilation," a form of outside-air introduction. The system monitors carbon-dioxide levels through the use of CO2 sensors and modulates the amount of air funneled in through air-conditioning units based on the need to offset the set point. Grouped together, the energy-efficiency systems coupled with the demand-control ventilation and the modulating cooking exhaust save up to 25% of energy costs related to the mechanical cooling of a building.



Green Tips to Consider

Sustainable technology ranges from relatively simple replacements of supplies and materials to intensive engineering projects. Below are several initial steps operators can take to make their stores more sustainable while also improving their profits.

1 LED lights: Replacing traditional lighting equipment with more energy-efficient LED lights is one of the easiest sustainability initiatives to implement. The move to LED lights can lead to 75% savings on lighting costs, with an ROI of 36 months.

2 Water conservation: The ranks of c-store operators who are interested in water-reduction technologies are growing. Water conservation methods such as low-flow toilets, dual-flush toilets and waterless urinals can reduce water usage by 30% to 40%.

3 HVAC control systems: Energy-management systems control store temperate uniformly. Not only do they prune electricity costs substantially, but they also enable early detection of refrigeration problems.

4 Energy-efficient construction materials: When planning new construction projects, early choices about which construction materials to use can have a lasting effect on the energy and heating expenses of a building. The installation of white roofing materials, reflective glass and solar panels are among the most popular trends.

5 Set-point management: Contractors provide an ongoing service to monitor any changes to the stores' temperature and electricity settings, providing in-depth analysis to prevent human intervention.



EASY TO HANDLE: Low-flow toilets and automated flushometers are used to reduce water usage at many Quick Chek stores.



CLEAN AND NEAT: Some retailers use concentrate 118, a hydrogen-peroxide-based, eco-friendly cleaning product that in some cases can replace a dozen chemical containers.

However, Howell cautions that payback varies greatly based on the climate and power costs specific to an operator's geographical region.

DO YOU SEE WHAT I SEE

From homes to home offices, lighting is often one of the first areas to undergo an environmental makeover. The easiest way to cut lighting costs is by using LED lighting. Until recently, the staggering upfront costs of LED lighting discouraged many c-stores, but that impediment is no longer much of a factor. Wisler of Quick Chek says companies are now able to achieve an ROI on LED lighting within 18 to 36 months.

More advanced lighting initiatives can also have a notable effect on energy efficiency. Yoram Perelman, a senior project manager for Clive Samuels & Associates Inc., says light harvesting is another emerging initiative. The new technology uses diffused skylights accompanied by a light-sensing system that maintains a fixed lighting level for each indoor area.

Simply put, this system cuts down consumption based on the weather. So, on those brilliant sunny days, power usage

can drop as low as 1% of its normal level, says Perelman. "That could be about six hours of daylight or more," he says. "It can be a substantial cost savings for the client."

Of course, technology and complex efficiency systems come at a hard cost. Retailers will need to assess which investments to undertake. At the same time, they should not rely on last year's numbers when budgeting capital outlays. Costs continue to slide on items from cooler sensors to LED lighting, making going green a more profitable venture than even three or four years ago.

"Our core values demand that we look at things like energy efficiency."

Also, beyond the energy savings, there are less tangible benefits that come with sustainability efforts. For instance, Quick Chek adopted an energy-management system that controls store temperature and has reduced the company's electric bill by more than 15%. Wisler estimates that the ROI for this system

was approximately five years, but other benefits were far greater.

"The ROI was multifaceted," he says. "It wasn't just energy, although the energy did pay for it. The ancillary benefits were huge for us." He values the ability that he now has to control store temperature uniformly, through a system in which store managers are alerted by an alarm system if a freezer case fails.

This trend applies in other domains as well, Wisler says: "You start to look at things that have an energy-saving component to it, and find that sometimes there are other benefits to it."

The use of ultra-high-efficiency packaged air-conditioning units is another example of such complementary benefits. These rooftop units provide up to 20% energy savings over the minimum federal standards of air conditioning, but they also have two other significant benefits, says Howell of Clive Samuels & Associates. The units use waste heat from the compressor cycle to control in-store humidity and increase customer comfort. This also lowers the need to run door heaters and reduces the amount of electric defrost time an open-air cooler

case needs to run to melt any ice buildup.

Along similar lines, Howell encourages operators to undertake a holistic approach built on a broader game plan centered on energy efficiency. “They are all combined on top of one another. If you choose to do one or the other, the savings are much less realized,” he says. “When you implement all of the technologies, you can see a real benefit.”

For instance, reducing a company’s water load not only decreases the water bill but also lowers the water heating, and delivers a greater aggregate impact. By implementing technologies that work in tandem, many stores are capable of saving at least 30% of their energy costs, depending on local costs and geographical region, Howell says.

Another aspect in which a green initiative translates into significant financial ROI is water conservation. Wisler says Quick Chek uses all low-flow toilets, automated flushometers and automatic water faucets. According to Howell, these efforts can reduce water usage by 30% to 40%. “Many c-store businesses are looking at water reduction,” he says. “They are looking at technologies like low-flow toilets, dual-flush toilets and waterless urinals to significantly cut water consumption.”

While these environmental initiatives can create impressive cost savings for c-store operators, inexperienced operators may attempt to execute a one-time fix. O’Donoghue believes this is a mistake. Owners typically see immediate savings when a more efficient device is installed, but he warns that those savings can erode as quickly as 10 to 12 months if the systems are not properly maintained.

This is most often the result of human intervention. Although a c-store chain may establish a corporate policy to set

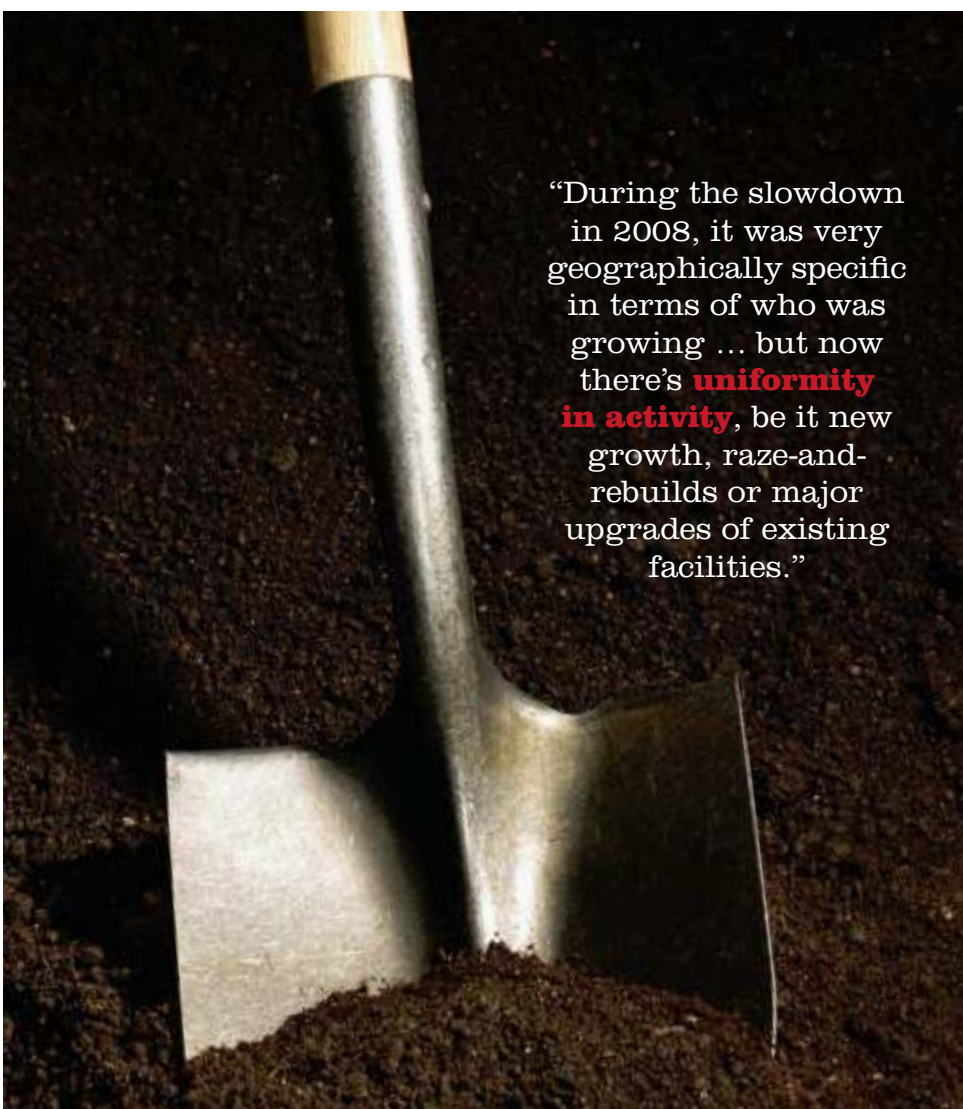
an established temperature throughout the year, if a particular clerk is uncomfortable with the temperature, it is not uncommon for the person to try to override the settings.

To prevent this situation from running amok, many environmental and energy consultants offer a service in which an energy-savings protocol is established within the store, and the stores are continually serviced by contractors to prevent the loss of savings initially achieved. “When you look at the data, you are able to track discrepancies and find the root cause of inefficiencies,” says O’Donoghue. “These systems can provide so much data that you are able to do a much better job managing your fleet and containing your energy costs.”

“The ROI was multifaceted. It wasn’t just energy, although the energy did pay for it. The **ancillary benefits were huge** for us.”

Of course, not every green initiative has a clear financial benefit. Advanced energy-reduction technologies have a much longer ROI than standard technologies. By implementing a well-planned strategy that pairs corporate pragmatism with energy conservation, convenience operators can quickly discover that environmental stewardship is an ROI win.

Quick Chek takes the position that it will implement any green initiative if the cost of the green item is equal to the cost of a nongreen item. If the cost of the green item is greater, says Wisler, “We may do it. Our core values demand that we look at things like energy efficiency. We think it’s the right thing to do.” ■



“During the slowdown in 2008, it was very geographically specific in terms of who was growing ... but now there’s **uniformity in activity**, be it new growth, raze-and-rebuilds or major upgrades of existing facilities.”

Setting Your Sites

Retailers large and small seize upon cheaper dirt to augment their store portfolios

BY BILL DONAHUE

With his company in the midst of a “massive building spree” that will stretch into 2012, one might consider this something of a mini-boom for Greg Parker.

Of course, the spree is “massive” only in the context of his company’s somewhat diminutive size—24 stores now, and

more than 30 by April of next year—but such ambitious growth bodes well for an industry that’s been stuck in a cryogenic freeze for the past three years.

“It’s fair to say that you can build cheaper and get it done more quickly now,” says Parker, president of The Parker Cos., Savannah, Ga. “Lending is very cheap, and

it’s a great time to be building because the cost of construction has come down and you can negotiate the heck out of it.

“During the boom from a few years ago, you might have had a plumber not show up; now everybody’s hungry.”

Parker’s team has opened three stores in the past six months, with four more due to open by year’s end and another three by the first quarter of next year. The new stores, all of which are ground-up construction, follow one of two formats: 4,500 square feet with a full kitchen, or 4,000 square feet with limited foodservice.

“We look for rooftops when we’re opening a new store, but we look for a lot of things,” Parker says. “I would think No. 1 is traffic count, but it’s also the number of houses, and that’s more important than demographics—meaning who’s living within a 1-, 2- or 3-mile radius.”

More than anything else, for Parker, it comes down to one central question: Does it feel comfortable?

“It’s a matter of does it fit into our company footprint, but more so it means in terms of just a comfort of getting into a site,” he says. “What are the visibility blockers? What are the access issues, like ingress and egress? It’s all of those things.”

Parker’s growth is no anomaly, according to Jim Fisher, founder and CEO of IMST Corp., a Houston-based retail sales analysis firm with customers ranging from Fortune 500 companies to independents throughout the United States. Essentially, his firm helps retailers build out store counts or otherwise manage their growth strategies.

“We’ve been blessed as much as we’ve been busy, and the interesting thing is that we’re busy almost uniformly across the U.S.,” he says. “During the slowdown in 2008, it was very geographically specific in terms of who was growing ...

► Like a Good Neighbor ...

but now there's uniformity in activity, be it new growth, raze-and-rebuilds or major upgrades of existing facilities. It's really across the gamut throughout this industry."

NOTHING PERFECT

If his experience in the Western part of the country is any indication, then John Jackson is inclined to agree. Jackson started his company in 1975 with a single store and has since grown it into a chain of 220 company-operated stores and 380 dealers in Idaho, Nevada, Oregon, Utah and Washington. Growth slowed to a trickle during the nation's recent economic mess, but his company is once again eyeing new locations.

"We do both [ground-ups and acquisitions], but we're looking primarily for existing assets," says Jackson, CEO of Jacksons Food Stores Inc., Meridian, Idaho. "There are pros and cons to both strategies, but there's no way we could have grown as fast as we have if we had tried to build assets.

"I don't think there's a perfect site," he continues. "Because we are more focused on acquiring existing sites, we're not looking for something site-specific; that doesn't mean we're not interested in finding that perfect site, but the focus is really to find more of an existing chain" that fits into the company's geographic footprint.

Jacksons Food Stores also has its own grocery distribution so it's careful to avoid markets where it doesn't yet have critical mass, which would build in unnecessary cost and inefficiency. In Utah, for example, the company operates only two stores but supplies as many as 100 stores with wholesale fuels.

"The biggest challenge is dealing with the entitlement process," Jackson says. "[Local governments] throw a lot

Greg Parker considers himself "fortunate" that community leaders now come to him, asking him to build a convenience store bearing his family name. But such a sterling reputation doesn't come unearned.

"I can't tell you how many times a mayor of a town will call us and say, 'We need a Parker's here,'" says Parker, president of the Savannah, Ga.-based Parker's chain. "We've got a good reputation, with beautifully landscaped, spotlessly clean sites. We want to be part of a community, and that means philanthropically and also being a good corporate citizen."

It also comes from communicating with local residents and community leaders when building a new store, whether to put homeowners' fears to rest or simply to gather feedback when trying to beautify a host neighborhood.

"One of the things we like to do is get in front of local groups and then build from a base of community support, especially if there's any controversy associated with it," says Parker. "You can essentially create your own town-hall meeting and meet with the homeowners association or whomever. ... You go and sit down with people and tell them your story."

He recalls a series of town-hall meetings concerning the rezoning of a parcel that would include a Parker's store in the neighborhood of Wilshire. He listened to

residents' concerns and took their recommendations into consideration, ultimately agreeing to create a pillared entryway into the community as part of the rezoning. After the store opening, the president of the neighborhood association asked Parker to meet her at the store, where she had assembled the press to unveil a plaque thanking Parker and his company for going "above and beyond."

"The great thing is that those people are now loyal customers because they like what we did there," he says. "They're raving fans of Parker's, they're advocates, and the word spreads. It's all about exceeding expectations of where you are."

Even so, sources suggest, working with local governments still ranks among the most difficult—and often most frustrating—aspects of site development.

"Pennsylvania has a municipal-based government; thus local rules vary all over the place," says Scott Hartman, president of York, Pa.-based Rutter's Farm Stores. "We operate in six counties with probably 20 municipalities with different rules. Understanding the rules and what can and cannot be done in a particular market is quite challenging at times.

"We are a local company," he continues, "and we do work very closely with anyone who wants to work with us to understand the best development options."

of curveballs at you in terms of requirements, landscaping and other things, and sometimes they throw up so many hurdles that you just can't do it. We're creating jobs and adding a little bit of stimulus to the area, and they have their positions, too, which I can understand, but sometimes it just seems to be overreaching.

"It depends on the municipality," he continues. "Some are helpful, and others just don't want you; they have a vision of

something else."

Parker agrees that the permitting process is among the most difficult aspects of managing one's growth, but sources suggest they are seeing "kinder, gentler" local governments in the aftermath of the financial downturn because, simply put, they need the money from a beefier tax base. For Parker's company, it doesn't hurt that it builds stores that are typically upscale both inside and out.

“Wide aisles, low gondolas, granite countertops, Italian tiles, a lot of glass, a clear line of sight into the building, beautiful restrooms—this is what the inside of each store looks like,” he says. “You’ll see no [stores] with finer building materials, and we’re not done with making them better. We’re also known for our great landscaping, so that when we go before a review board, they say, ‘Oh my gosh. This is so far beyond anything else we’ve seen.’”

BIGGER PIECES

Past performance of nearby sites is one indicator of future success, but most times it’s difficult to tell how a new store will perform because each market—and each corner, for that matter—is a unique, ever-changing environment.

“We’ve built some sites we thought would perform pretty well and didn’t, and I didn’t always understand why,” says Jackson. “It can be hard to quantify. Of course you need to do the research and check the demographics, income levels and population density, and sometimes all those factors point to a positive direction and you get a different outcome. Sometimes it works out and sometimes it doesn’t. And that’s what keeps it interesting.”

Unlike Jacksons, Rutter’s Farm Stores prefers to grow chiefly—almost exclusively, in fact—through new builds, according to president Scott Hartman.

Although York, Pa.-based Rutter’s, which operates more than 50 stores in central Pennsylvania, considers everything from municipal governments, rooftops and nearby competition when targeting potential sites, Hartman insists consumer traffic pattern is the No. 1 consideration.

Amid rising costs and stiffer competition, Rutter’s site-development strategy continues to evolve as it expands into new areas. The company now spends \$5

million to \$6 million developing a new site, requiring larger buildings and overall acreage to meet volume and profitability goals. In May, for example, the company opened a new, 5,200-square-foot store in Fayetteville, Pa., which includes a fuel court with eight gasoline pumps, two diesel pumps, a two-bay car wash and restaurant seating for 12.

“We keep buying larger parcels and doing co-development,” Hartman says. This has become an increasingly common approach to expansion.

“Retailers on the whole are looking at larger land parcels to co-develop,”

“The biggest challenge is dealing with the entitlement process. [Local governments] throw a lot of curveballs at you ... and sometimes they throw up so many hurdles that you just can’t do it.”

Fisher says. “To get more sites and keep growing, sometimes you have to buy more land than you need, which takes some creativity and some intuitiveness. If you need an acre and a half or 2 acres to accomplish what you want to accomplish, maybe you’ve got to buy 5 acres and co-develop the site.”

CHOOSE CAREFULLY

Although the industry continues to evolve as a means of keeping up with competitors and consumers, the core elements of site development have not changed, according to Fisher.

“It’s a matter of population base—not just residential, but a full day-part for employment and consistency

throughout the day,” he says. “It’s the same as a day-part menu for foodservice; you need strong potential customers throughout all the daytime hours—full day-part hours. That’s what [Tulsa, Okla.-based] QuikTrip and other mega-performers look for, not just people who are spending dollars between 6 a.m. and 8 a.m. and 4 p.m. and 6 p.m.”

“The new modern, multifaceted facilities that are being developed by many in the industry need that kind of traffic for the 300,000 gallons [per month] and \$150,000 to \$200,000 in [monthly] inside sales they need to be profitable.”

Retailers such as Parker’s and Rutter’s have built progressively larger stores from one generation to the next, but larger stores are not ideal for every corner—or even every market. Developing a virgin site in a small, rural market could cost as little as \$750,000, compared with a site in a large metropolitan market where good real estate is tough to come by, which could cost in excess of \$4 million.

Despite the lingering availability of prime real estate, and even though some retailers suggest funding from industry lenders is now easier to come by, adding units to one’s store count isn’t the only way to spur growth. Rationalizing and/or investing in current assets, for example, could be another worthwhile investment.

“The easy way to get the highest rate of return may be the evaluation of the assets we’ve got,” says Fisher. “You have sites that may be 20 or 25 years old, and by evaluating them you can decide to upgrade this, modernize this, find out where to spend the money or say, ‘Hey, this one’s life is over.’ By doing an upgrade, facelift, expansion or raze-and-rebuild, and assuming you can physically accomplish it, you might be able to get another 15 years out of [an asset].” ■