

D. FOOD: CAPTURE WHAT YOU SHOULD OWN

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As was stated several times in other parts of this assessment, non-discretionary retail expenditures will be most resistant to cuts during the economic “troubles” DANTH foresees downtown retailers facing over the next five years. Providing household members with food to eat is based on a fairly inelastic demand and the associated line items in household budgets are not likely to be cut either quickly or with a hatchet. However, the manner in which those funds are spent may indeed change, in part because of rising prices. Also, because of time pressures, many American households now see two major ways of feeding household members -- cooking meals at home or obtaining meals prepared away from home – and how household food-related expenditures are allocated among them will have a big impact on downtown eateries.

Table. 1. How Americans Spend Their Money

	HOUSEHOLD INCOME QUINTILE*		
	Lowest Fifth	Middle Fifth	Highest Fifth
Avg HH income	\$ 9,974	\$ 44,933	\$ 149,963
Avg HH Consumption	\$ 18,153	\$ 34,476	\$ 69,863
Avg HH Size	1.70	2.50	3.10
Consumption Per Person	\$ 10,678	\$ 13,790	\$ 22,536
Food	\$ 3,193	\$ 5,614	\$ 10,243
Apparel & Services	\$ 845	\$ 1,680	\$ 3,548
Housing	\$ 5,428	\$ 9,640	\$ 21,598
Tel., Util, Pub. Services	\$ 2,090	\$ 3,307	\$ 4,902
Transportation	\$ 3,038	\$ 7,662	\$ 16,426
Health Care	\$ 1,485	\$ 2,647	\$ 4,086
Entertainment	\$ 879	\$ 1,898	\$ 5,105
Misc	\$ 1,195	\$ 2,028	\$ 3,955
Taxes	\$ 927	\$ 5,299	\$ 23,376
Charitable Contributions	\$ 1,054	\$ 2,188	\$ 7,040
Education	\$ 556	\$ 575	\$ 2,513
Financial Flows	(\$10,716)	\$ 2,395	\$ 47,171
Source: W. Michael Cox and Richard Alm, “You Are What You Spend,” New York Times, February 10, 2008			
* Statistics are for 2006			

The total annual household expenditures for food (both home and away) are substantial. In 2006 the average total expenditures for food by households in the bottom, middle and top income quintiles were \$3,195, \$5,614 and \$10,212 respectively (see Table 1).

Small- and medium-sized downtowns should “own” the food expenditures of local residents, be they for food to cook and eat at home or for meals prepared and purchased in local eateries. People most often prefer not having to travel far to obtain food. Proximity and convenience should be big advantages for local food emporiums and eateries. During tough economic times food shops and eateries can help keep downtowns active.

Some restaurants play critical social roles not only for their downtowns, but for their entire communities. On one level, restaurants are places where people not only eat, but they also spend time with their significant others, friends and family. Good restaurants help reinforce the downtown as the Central Social District and the social heart of the community. In some downtowns, usually in smaller locations, some eateries serve the function of a town forum, the place where everyone goes to meet everyone else in town. On another level, restaurants also are entertainment venues where the performers are the other diners and the restaurant’s staff.

Restaurant niches have been pivotal in the revitalization of many downtowns, e.g., Manayunk (PA), Old Pasadena (CA), Englewood (NJ), etc.

1. Food At Home. Nationally, households average 2.1 supermarket shopping trips a week, making supermarkets potentially huge generators of downtown and Main Street customer traffic.¹ For most small and medium-sized downtowns, food at home is their most important retail niche because of its ability to attract the customer traffic that other nearby retailers can benefit from. Contrary to the views of too many downtown retailers, DANTH’s research in Rutland, VT, showed supermarket shoppers do not just put their groceries in their cars and drive back home: 62 percent also shop in other nearby shops.²

However, some supermarkets can adversely impact a downtown. For many years, downtown revitalization efforts brought in large supermarkets located in self-contained, pedestrian hostile shopping centers that occupied several acres of very scarce and very valuable downtown land. A 60,000 SF market, for instance, will require about 105,000 SF for parking, constituting a total land requirement of almost 4 acres. That’s hard to find in most downtowns. Such projects discouraged pedestrian activity which meant that very few of their customers cross-shopped at merchants located outside of these centers. Consequently, these projects had negligible ripple effects and did not stimulate further downtown revitalization.

¹ http://www.fmi.org/facts_figs/keyfacts/grocerydept.htm

² DANTH, Inc, An Updated Retail Marketing Strategy For Downtown Rutland, (Kew Gardens, NY: 1998) pp 37, p.11

But, some supermarket chains are downtown friendly and more are joining them. Whole Foods has squeezed 25,000 SF to 35,000 SF stores into many tight urban locations such as: downtown Beverly Hills (CA), downtown Portland (OR), and Midtown Manhattan. Usually, a downtown Whole Foods market will be located in a large mixed-use project having an onsite pedestrian-friendly parking structure.

What is really new since DANTH's 2003 assessment is that smaller downtown food markets seems to be a growing trend, with many chains, national and regional, trying the down-sized formats:

- Kings, aiming at upscale shoppers, only has small to medium-sized markets, that are roughly 7,000 SF to 25,000 SF in size
- Balducci's also has stores in this size range (Formerly known as Sutton Place and Haymarket)
- The Aldi chain, a German firm, has a growing number of stores in the 10,000 SF range. It also owns Trader Joe's, which has stores ranging from 8,000 SF to 15, 000 SF
- Supervalu is experimenting with several chains having similarly sized markets in three separate parts of the country
- Tesco, the British supermarket giant, has just started to enter the US with markets in the 10,000 SF range opening in CA, AZ and NV. Their entry is being watched very closely by their competitors and getting a lot of attention from the industry's press
- Garden of Eden and Zeytinia have markets in NY, NJ and CT in the 6,000 SF to 12,000 SF range. DANTH's interviews with several store apostles indicate that these markets have developed strong followings in such locations as Union Square (near Whole Foods and Trader Joe's), Wilton (CT) and Croton-on-Hudson (NY).
- The Natural, in the 6,000 SF to 8,000 SF range, is extremely popular in Forest Hills and just opened in Garden City (both in NY)
- Other small chains are popping up in many parts of the country
- Even Wal-Mart is exploring a smaller format. It recently announced plans to open grocery stores in smaller market areas that will have about one-tenth the floor space of their regular stores.

This trend towards smaller, often gourmet markets means it is much easier to locate a quality food market, capable of drawing many customers, in more downtowns without their size and parking requirements threatening the urban landscape for pedestrians. Also, because they are smaller:

- They require less land and are cheaper to build
- They are easier to locate near commuter rail stations, which is beneficial for them since the markets' products have a great affinity with homeward bound commuters
- They mesh well with consumer shopping patterns. As reported in DANTH's 2003 trends assessment, "the behavior of supermarket shoppers clearly shows the impact of time pressures. Because they are so

busy, only about 20% of the shoppers make a list or plan ahead. Most shop impulsively and just for a meal or two.”³ A lot of this “meal or two” shopping is done on the trip home after work. Most shoppers are not looking for week’s groceries and the smaller shops make it easier for customers to quickly find and pay for what they want.

And because they are downtown, they generate a lot of traffic other merchants can feed off of.

Furthermore, because they are smaller, these food markets can succeed on smaller shares of the consumer market than the average-sized supermarket. It is now possible for many small and medium downtowns to attract quality food stores that will both satisfy local shoppers and generate significant customer traffic for other downtown retailers. Plus, quality food stores can slip into many more tight densely urban locations.

For downtowns, this is an exceptionally important trend!

Pick- Up Meals. Many downtown food markets, especially the smaller ones that fashion themselves as gourmet food shops, have focused heavily on “pick-up meals,” where shoppers purchase prepared foods they can eat immediately at their home or office or eat after quickly nuking them in a microwave oven. It is both a financially critical part of their business model and what makes them able to build a strong customer base led by many store apostles – advocates. Some of the small gourmet markets even become “quality-of life” stores – when local residents are asked what they like most about their town they frequently will mention the gourmet market in their replies.

Pick- up meals place food markets in direct competition with the take out businesses of local restaurants. In DANTH’s past field experience, in middle-income and upper income communities, there is usually enough consumer expenditure potential for both to do well. This might change somewhat under current economic conditions.

2. Food Away From Home. Because of time pressures the proportion of household food budgets spent on food away from the home has grown from 25% back in 1955 to the current 48%.⁴ Meals obtained away from home can either be eaten in a restaurant or taken elsewhere to be eaten, e.g., the car, a park or back at home. The market research firm NPD claims that: “We use restaurants more today, but mostly for take-out.”⁵ This is an important fact for downtown leaders to

³ <http://www.pressdemocrat.com/outlook98/stories/26915.html>

⁴ Ben Rooney, “Restaurant industry sees slower growth in 2008 - Dec. 12, 2007,” http://money.cnn.com/2007/12/12/news/economy/restaurant_association/index.htm.

⁵ “NPD Press Release - October 6, 2005,” http://www.npd.com/press/releases/press_051006.html.

realize. NPD's research found that the number of restaurant meals eaten per person annually has declined from 93 in 1985, to 80 meals in 2005. The NPD report concluded that: "As a result of time-pressed lifestyles, the major factors that drive our eating habits seem to be time and money. If a meal is not cheap, it better be quick, and vice versa."⁶

According to the National Restaurant Association restaurant sales are expected to grow 4.4% during 2008, down from the 4.6% growth rate expected for 2007. The Association expects the "snack-and-nonalcoholic beverage bars" segment to have the strongest growth. It also believes full-service restaurants will rely more heavily on "takeout, delivery and curbside service to meet Americans' desire for convenience." while quick-service restaurants will try to generate more sales from menus aimed at "healthy eating."⁷ Industry associations are often correct about the directions their industries are taking, but too optimistic about growth.

Expenditures For Food-Away-From-Home. According to Randy White's analysis of data from the Bureau of Labor Statistics between 2000 and 2006 food-away-from-home spending was increasing faster than inflation.⁸ This was true for all family types, but much less so for families with an oldest child over 18. White also found that:

- The largest increase was in households in the top income quintile.
- The top 40% of all households in 2006 controlled a larger share of food-away-from-home spending than in 2000 -- 62% .
- In 2006, households with children accounted for 40% of all food-away-from-home spending in the nation.⁹

The wealthiest households, with their ability to resist recessions, will probably continue dining in their usual restaurants. Poor families overwhelmingly eat at fast-food restaurants and their dining behaviors consequently will have little influence on sit-down, full service restaurants.

It is in the middle and upper-middle-income households where needs and pressures will conflict most. The working parents –especially the mommies-- with minor children will still feel time pressed and have the need for convenient meals, yet they also will be keenly aware of their declining discretionary dollars. DANTH believes these working parents will be very loathe to substantially forego the convenience of meals prepared outside of the home. Consequently, their discretionary budget crunch probably will translate into the following behaviors:

⁶ Ibid.

⁷ Ben Rooney, "Restaurant industry sees slower growth in 2008 - Dec. 12, 2007," http://money.cnn.com/2007/12/12/news/economy/restaurant_association/index.htm.

⁸ Randy White, "The shifting nature of leisure time and expenditures", "Leisure eNewsletter - January/February 2008"

⁹ Ibid.

- More take out and pick up meals, fewer visits to full service restaurants
- Ordering at full service restaurants will be more limited with more shared entrées, appetizers instead of entrées, fewer deserts and coffees, etc.

3. Pick Up Meals, Take Out and Downtown Parking. Between a downtown's food markets and restaurants, a large number of auto trips are being generated to quickly stop, order and pick up food. These trips require very short-term use of parking spaces –15 to 20 minutes at most. National fast food chains like drive-throughs to quickly accommodate this type of business and even in downtown locations they often have enough on-site parking spaces to handle the “take-out” parking demand. But, very frequently DANTH has found that downtown gourmet markets and independent local restaurants do not have enough nearby, short-term parking and as a result their pick-up and take-out sales have suffered.

Consumers on these short food-getting trips do not want to park in garages – too much time involved in driving through the structure, finding a spot, getting out of the garage, walking to their destination, etc. They want convenient (fast, easy and pleasant) parking that is in sight of their destination – the closer the better -- and at street level.

Here is an equation that far too many downtowns will need to solve: over the next five years take out and pick up food trips will be strong potential drivers of their downtown's economy + consumers on those trips need many more short-term parking spaces = ????? actions by the downtown organization and the local government.