

# PIDC and Weavers Way Co-op: Bringing a Co-op Retail Store to Chestnut Hill

Glenn Bergman, General Manager, Weavers Way Co-op  
08 December 2014

## Project Overview

Weavers Way Co-op (WW), a consumer-owned cooperative retail food market, opened in 1973 in the West Mt. Airy section of Philadelphia. By 2005, WW had grown to over \$7.5 million in retail sales in a small 3,200-sq-ft corner store format. WW is owned by member-owners, and in 2005, the membership was 2,200 households, about 5,000 individuals. By 2006, revenue exceeded \$8 million.

Our trade area at the time had 11 major competitors; however, none of these were located on the 'Main Street,' Germantown Avenue in Chestnut Hill. The last of the family-owned stores, Caruso's, had closed during our search for a location. This store had been in operation for 100 years and left the main shopping district with no food store.

Weavers Way trade area residents exhibit the following characteristics:

- An estimated 31.4% of the population is ethnically white;
- An estimated 30.6% of them are between the ages of 35 and 54;
- An estimated 38.0% of those over age 25 have a college education;
- An estimated 72.4% of the employed persons are engaged in white-collar occupations;
- An estimated 39.0% of the households have annual income levels of between \$50,000 and \$150,000; and
- The median annual household income level for the trade area is estimated at \$51,603.

The market was planned for about 30% walking shoppers, compared with the industry standard for conventional markets of below 5% walking traffic. Our plan in staying on the main street was to position the market so it would have the positive effect of increasing walking traffic for other retailers in the area. When we purchased the space, there was very little traffic on the block and few parking spaces were being used in the rear.

As a company, WW provides health and dental benefits, retirement and other progressive company benefits. The co-op is also committed to the principle of paying a living wage: Currently, all staff earn at least \$10.50 per hour, including part-time high school students. Members participate in the operation by donating six hours of labor per year, which enables the co-op to provide products at

a lower price and to employ staff at favorable wage and benefit levels.

## **Project Impact**

WW opened in May 2010 after a few years of planning and searching. We spent over \$6 million in purchase, professional fees, build out, equipment, inventory, labor for setup and other associated fees.

## **Projected vs. Actual Sales**

The purchase price of \$2.9 million, with closing costs, was about \$600,000 more than we had projected and more than the property was appraised for when the deal was completed. Our projected sales were to be \$5.5 million, but our first-year sales exceeded \$7 million, and after four years, today's sales are at over \$10 million. Weekly shopping visits are just over 8,100. The 8400 block of Germantown Avenue increased its number of shoppers to 1,200 customers who walk or drive to the location every day; just four years ago, there was little to no traffic on that same block.

## **Member-Owners**

As a co-op store, we measure our success not only with growth connected to increased sales but also by member equity in the business. In 2010, member-owners comprised about 2,500 households, and a year after we

opened, that number was up to 4,800 member-owners, 1,000 more people than we had budgeted for - a pleasant surprise.

## Staffing

Staffing was expected to be about 35, but today, we're at over 70 staff, and most are full-time; this 100% increase in staffing plans was due to sales and programming. In October 2014, we expanded to a second store called WW Next Door and expanded our offering of wellness, natural body care and merchandising products. With this expansion, we added three full-time staff and an additional 800 sq ft of retail space on the avenue.

## Local Focus

WW has a focus on local and regionally grown or produced items (meats, poultry, produce, dairy, cheese, finished baked goods and other sustainable products). In FY 2014, we had total storewide revenue of \$19.4 million, and about 30% of that was from local suppliers, just over \$6 million in local sales.

Purchasing locally made products, we believe, will help in a small way to improve the Philadelphia community and provide supplier jobs to retailers like WW. Buying local Pennsylvania products creates substantial economic impact for the region, and a primary goal for our expansion was to increase our capacity for local product

sourcing and increase urban farming.

## **Patronage Rebates to Owners**

As a consumer-owned co-operative, one of over 500 in the United States, WW experienced a sharp increase in sales as more and more customers wanted to purchase local products, unadulterated food, products with less processing and artisanal products from a retailer that followed the 'triple bottom line' philosophy of running the business. We are a for-profit business but also an IRS Sub Chapter T Corporation. That means as a consumer-owned cooperative, we give the operation's profits back to the owners in proportion to their purchases. Since our expansion, WW has given back over \$480,000 in profits to the owners based on their patronage. We have also given back to the staff over \$225,000 in bonus pay over the last four years based on their hours worked and our profits.

## **Working Member-Owners**

Co-op member-owners can sign up to work six hours a year and receive a 5% discount on shopping for the rest of the year. In 2014, WW gave over \$400,000 in discounts to our working member-owners.

## **Financials of WW Chestnut Hill: FY2010 through FY2014**

\$500,000 long-term loan received from PIDC

Philadelphia wage, sales and net income taxes for WW and Chestnut Hill come to about \$300,000 over five years.

- Chestnut Hill sales: \$38.2M \*
- Chestnut Hill wages: \$5.2M \*
- WW State Tax: \$32K\*
- WW City Tax: \$103K\*
- Chestnut Hill State Tax withholding: \$161K
- Chestnut Hill City Tax withholding:Â close to \$200K
- Chestnut Hill City Sales Tax Collected: \$77K
- Chestnut Hill State Sales Tax Collected: \$231K

\*These figures do not include any additional administrative staff who were hired to support the store (IT, marketing, graphics, etc.) or their associated wage taxes.

We recently completed a transportation survey that shows that of the 76 staff currently assigned to the store, 14 come from outside of Philadelphia. Over 50% of the staff either walk, bike or take the train to work, and one of our goals is to reduce car traffic and move as many staff as we can to mass transit over the next few years.

## **Innovations/Best Practices**

The innovation of this Main Street project was that a consumer-owned cooperative could come to an old

commercial location and corridor that had many empty storefronts and be successful even during a recession, and weâ€”ve found that ownership in the co-op has made it an important anchor for this block in Chestnut Hill.

## Lessons Learned

Purchasing in an area such as Chestnut Hill does not come easily; our property was purchased at \$600,000 more than we believe it was worth. The conditions of the property were such that we had to increase our 'uses' of construction by over \$500,000, and we incurred additional equipment costs of \$100,000. Fees for financing and taking care of the existing conditions exceeded our original projections by over \$60,000.

One favorable lesson that we learned was that a market study is just that and that final conditions of the retail corridor cannot be known until the storeâ€”s been designed and the products and staff have been selected. In our case, the increase in member-owners also turned out to be favorable compared with the market study.