

SMALL WONDERS

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Opportunities are expanding for small stores, but risks remain

A former Ford dealership in New York City. An antiques mall in South Carolina. A closed specialty store in Pittsburgh. The corporate headquarters of a car-rental company on Long Island. An open-air power center in Louisville.



Give up? All of them are or will be new [Trader Joe's](#) sites before the year is over.

The Monrovia, Calif.-based specialty chain has demonstrated that a little creativity and adaptability can go a long way in making a small store work. Then again, crafting and maintaining a unique product offering and an adored brand image has helped people find Trader Joe's wherever they happen to appear next. In many communities, fans petition for Trader Joe's arrival or blog about their obsession with shopping there.

For landlords, Trader Joe's appeal means steady traffic without the giant footprint of a traditional grocery store, and a small selection that allows them to lease neighboring space to a dynamic mix of co-tenants. In

Louisville, for example, Trader Joe's will join the lineup at Shelbyville Road Plaza, a 400,000-square-foot shopping center between two regional malls on Louisville's main retail artery. Set to open later this year, it will be the chain's first site in Louisville and the answer to many a Kentucky foodie's prayers.

"Trader Joe's has a huge following, and a great customer who shops there, and I think they will benefit from the other stores here," Tommy Edwards, retail leasing representative for Hagan Properties, the center's Louisville-based developer, told *SN*. Those neighbors include Cost Plus World Market, Off-Broadway Shoes, a Nike Factory Store and a 20,000-square-foot post office.

While Trader Joe's has been an unusually successful story in food retail, a proliferation of other small food store concepts indicates that small stores are becoming a big phenomenon. With conventional supermarkets closing faster than they open, stores between 10,000 and 20,000 square feet — including discounters like [Save-A-Lot](#), [Aldi](#) and [Dollar General Market](#); specialty retailers like [The Fresh Market](#) and Trader Joe's; and convenience-focused "express" stores like Fresh & Easy Neighborhood Market — are where the new store growth has been in the food retail industry.

[Wal-Mart Stores](#), which this year opened the first of its Walmart Express stores, is also getting in on the small-building trend. In many cases, [those stores are aimed at penetrating urban markets like Chicago and New York](#) where land for large-scale supercenters is especially difficult to come by.



These companies are using smaller stores to exploit niches in the market and grow share, often at the expense of large supermarket competitors, sources said. In cities and other mature markets, small stores are increasingly all a market can absorb, although a steady stream of big-box bankruptcies and other store closures keep the supply in flux.

"The fact is, you can't just go to the corner of Main and Main anymore," Matt Casey, president of supermarket site-selection specialists Matthew P. Casey & Associates, Clark, N.J., told *SN*. "In markets like the Northeast, the supermarket companies know every corner already."

Nationwide, the size of food stores is going down — except where it is going up. According to Food Marketing Institute, companies are experimenting with more smaller-footprint stores

and stores with larger floor plans than they used to.

According to FMI's 2011 Speaks, 28.6% of retailers that constructed at least one new store in the past five years reported that at least one of those new stores was smaller than the ones they built previously. A roughly equal share (26.2%) said the stores they built in the past few years are larger than the ones they built more than five years ago. The average store size is fairly constant at about 45,500 square feet, FMI added.

While the small store presents a seeming opportunity to grow, the recent history of the group also illustrates that it comes with plenty of risk. Some small food store concepts like Wal-Mart's Marketside and Supervalu's Sunflower Market were scrapped after limited tests. Dollar General's DG Market had stalled for years before more recently coming to life again.

[Tesco](#)'s Fresh & Easy, which is approaching 200 stores since being founded in late 2007, has encountered numerous struggles and subsequent reinventions. Its story, sources said, illustrates the opportunities and challenges inherent in the small store.