

Convenience
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Decisions

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Street Corner

CORNERING *the* NONTRADITIONAL MARKET

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Cornering *the* Nontraditional Market

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By John Lofstock, Editor



FOR MORE THAN 83 years, the convenience store industry has focused on meeting the daily needs of busy consumers. Those needs have changed quite a bit since 1927 with demands evolving from milk and ice to tobacco, fuel and fresh food. But the one constant has been the demand.

The industry's evolution has hardly been limited to product mix. A pressing question for retailers these days is where to best position themselves to stay ahead of their competition and, more importantly, relevant with today's customers. Good corners are much harder to come by, and when one is available its price is another massive obstacle. Enter Street Corner Sips, Snax & Stuff, a convenience concept targeting customers across the country in malls, airports, hospitals, office build-

ings and college campuses.

"We have been under the radar for quite some time, but our growth has been pretty consistent since we opened our first store in 1988," said Peter La Colla, vice president and chief executive of McColla Enterprises, which oversees 52 Street Corner convenience stores in 20 states. "It's often a difficult task for me to classify our business since we operate in several different venues, but our focus is the same everywhere we operate—we look to provide convenience and value to busy customers."

Unlike other convenience stores, Street Corner serves two masters—those customers visiting malls, hospitals and airports, and employees of the venues where the stores operate.

"Our repeat business from mall employees, hospital workers and stu-

dents is off the charts," La Colla said. "Part of our company strategy is to focus on this captive audience, and we do that by offering things like free refills at the soda fountain and our fresh iced tea program, but it's clearly not the only audience we are after. That customer shopping at the mall is often looking for a bottle of water or a bite to eat, and we've positioned our stores to meet their needs."

There was a time when drug stores seemed to rule the mall, but not so much anymore. Street Corner has muscled its way into key locations to garner a large portion of the sales drug stores left behind. Just as important, is how the company is able to execute its offering. The Street Corner concept requires only a small amount of space—300 to 1,000 square feet for an inline store and as little as 150 square



feet for a freestanding kiosk—making it an ideal option for property owners looking to optimize high traffic, but are stuck with small or difficult-to-lease space. A kiosk operator can be up and running in as little as one or two days after signing on.

Since the brand is entirely franchised to local operators, Street Corner is not limited to a specific geographic region or venue. "Part of our brand experience is that we have operators in many different areas that know what it takes to be successful, and they offer their feedback to help other operators run effectively and efficiently," said Daniel McCabe, La Colla's long-time business partner and president of McColla Enterprises.

GROWING THE BRAND

This experience is paying hand-

some dividends. Street Corner is entering a new phase of development that could see its store size triple in as little as five years. The company inked a deal in April with one of the largest foodservices and facilities management companies in the country, to make Street Corner sole convenience brand.

"This is a very exciting deal for us," La Colla said. "Our goal is to become one of the most adaptable convenience retailers, using viable locations that are overlooked by other merchants, and this deal will go a long way toward fulfilling that goal."

While the deal could lead to countless new stores, it was also an essential step to keep the brand growing.

"We have to constantly seek out new locations beyond the malls because, quite frankly, if we're going

to limit ourselves to Grade A regional shopping centers, we've pretty much tapped them out with 50 stores," McCabe said. "There are maybe 200 malls in the country that meet our criteria of performance, and the odds of all 200 having a location for us—where the economics makes sense and we're able to find a qualified franchisee at the same time—aren't too good. Fifty is probably about it."

Aside from colleges and universities, the deal could gain Street Corner entry into 11 different retail environments, including military bases and local school districts—even offshore oil platforms have been discussed. What makes the deal even more appealing is that will be a brand franchisee, meaning it will assume responsibility for hiring, training and prospecting for new locations.



Fresh-brewed iced tea and free refills on all dispensed beverages are part of the sales strategy at all Street Corner stores.

"At this point I'm still trying to grasp what the opportunity is, but we expect our growth with to far exceed what we've done in regional malls," McCabe said.

Not to be overlooked is that this growth will come without the courtship required to recruit a new franchisee. "Not only do we have to find them, we have to sell them on the concept and then overcome the financial hurdles," La Colla said. "This deal basically eliminates the obstacles for growth that we have in a traditional franchise model. There's a huge savings in not having to negotiate both our franchise agreement and the lease. With , those are already done."

MEETING CONVENIENCE NEEDS

Though smaller in size than a traditional convenience store, Street Corner captures all of the elements of convenience

sans foodservice and gasoline. Each location's open-space design is heavy on beverages, sweet and salty snack foods, tobacco and various in-demand sundry items, such as over-the-counter remedies. There's also a selection of office products, and some locations sell lottery tickets.

In short, Street Corner offers all the necessities for a busy existence, and some optional niceties as well, said Kunal Kapadia, a three-store operator based in Patterson, N.J. Though her stores are in high-volume malls that are open only from 9 a.m. to 10 p.m., each of the units averages about 2,500 customers per day.

"Location plays a big role in our success," said Kapadia, whose brother Neil Joshi also is a Street Corner franchisee operating three stores in New York and Connecticut. "We're highly visible to mall customers and all mall

employees know where we are. With such a good location, our focus has been on driving traffic. Since our ticket ring is relatively low, we need high volume to compensate. As a result, we focus on shelf space and move products in and out based on demand. We can't afford to keep anything around that isn't selling."

Street Corner's free refills program was designed specifically to drive traffic from surrounding employees throughout the day, a program Kapadia described as "extremely successful." She also credited the brand's retail design, which features warm, inviting earth tones, bright lighting and friendly graphics, for attracting new customers.

Kapadia gets direct store deliveries from the likes of Coke, Pepsi, Snapple, Red Bull and other beverage companies, but she partnered with Consolidated-Simon Distributors in Union, N.J., for candy, tobacco and snacks.

"One of the benefits of partnering with Street Corner is that we have the flexibility to choose our own wholesaler," Kapadia said. "We explored deals with larger wholesalers, but found a local company proved to be the cost-effective option. We need to

BEHIND THE BRAND: KEY DECISION MAKERS

- Daniel McCabe, President: McCabe has served as the president and a director of McColla Enterprises since 1987. McCabe is an attorney licensed to practice law in New York and in North Carolina, and maintains a business law practice in Poughkeepsie, N.Y. He also acts as the chief legal officer for the company, and in that capacity is responsible for lease negotiations and landlord relations for the company's Street Corner outlets.
- Augie Meier, Director of Store Development: In this position, Meier's responsibilities include pre-qualifying prospective franchisees; directing prospective franchisee in all aspects of the sales process; negotiating site locations; directing franchisees to qualify and obtain financing; and managing the store development process. He joined the staff as the director of sales before moving over to operations in 2005.
- Peter La Colla, Vice President and Chief Executive Officer: La Colla has served as the vice president of Street Corner since 1987. In 1988 he was appointed CEO, and it's in this capacity that La Colla oversees the day-to-day operation of all of the Street Corner business, including its franchising operations. He also acts as a liaison between leasing agents and potential franchisees in attempts to find new store locations and to screen prospective franchisees.
- Kirk Braun, Director of Marketing and Public Relations: An employee of McColla Enterprises since 2001, Braun plans and implements all public relations, marketing and advertising launched from the corporate office. He devises, researches and implements new programs to benefit current franchisees. Braun also serves as a liaison between the corporate group and potential franchisees, business brokers and leasing agents.

buy cheaper in order to sell cheaper. It's nice to have a captive audience, but we have to be reasonably priced to expect their business."

COMPANY HISTORY

While Street Corner is in growth mode, the story behind the chain's inception is as unique as it is humorous, beginning with a nightclub and a hot dog vendor. At just 18 years old, La Colla, a budding entrepreneur, saw an opportunity in hawking franks and pretzels to late night club goers in Poughkeepsie, N.Y. He satisfied many a craving between the hours of 9 p.m. and 5 a.m., suffering through frigid winter nights and sweltering summer evenings, but learned there was good money in catering to people's spontaneous needs.

Incidentally, the name of the club was "Let's Dance," to which La Colla branded his hot dog cart, "Let's Eat."

La Colla gave more than a few free hot dogs to the local cops and club bouncers, ensuring they looked out for him. But one person who didn't partake was the Poughkeepsie city manager, who had an intense dislike for street vendors.

"I was arrested seven times for violating city ordinances, mostly by the same cops I was giving hot dogs too. They apologized every time as they



arrested me," said La Colla, recalling how he'd sometimes see the city manager grinning in the police car.

While thumbing through his list of choices for a defense attorney, La Colla turned to one of his hot dog customers—current business partner McCabe—who just happened to be teaching real estate and business entrepreneur courses La Colla was taking.

It was a smart move. The young hot dog vendor beat the rap six times. Only one citation stuck—for having the leg of his easel encroach on a city sidewalk. La Colla paid a \$25 fine, moved the easel and went back to work. But he knew he needed to get off the street. "It was too cold, too hot, and I got tired of being arrested," he said.

La Colla and McCabe had become friends and quickly discovered that La Colla's entrepreneurial vision complemented McCabe's business acumen and legal expertise, so when a local developer began building a new mall in Poughkeepsie, they eyed it as the perfect location for an indoor food shop, one where they wouldn't be harassed by local authorities.

"Just a few weeks before we were set to open, the developer backed out of the deal," La Colla said. "So I began scouting other new malls being built."

His search brought him to a Simon property under development in Topeka, Kan. Relocating to the Midwest, he opened his first shop, Street Corner Cuisine, in the West Ridge Mall's food court, where he sold

Street Corner developed the Kid Zone candy display to cater to younger customers and their parents.

hot dogs, shish kabobs, and something seldom seen in Kansas—bagels. Six months later, in 1988, he and McCabe opened a second store in the mall, Street Corner News, which sold snacks and convenience items.

La Colla and McCabe thought they could fill this need, offering such items to not only shoppers but an army of mall employees, who were virtually a captive audience. Based on the success of the first Street Corner News, they opened locations in seven more malls, including the nation's largest, the Mall of America in Bloomington, Minn.

La Colla and McCabe decided to extend the opportunity to other enterprising business people by franchising the concept, not just for malls, but anywhere there are people on the go. Today, there are 52 stores in 20 states. The "News" was dropped from the name in 2003, and the tag line, Sips, Snax & Stuff, was adopted, providing a good indication of the store's offerings.

"Our venue may be nontraditional, but our focus has never changed. We will go where customers crave convenience," La Colla said. "Regardless of location, that's the one thing that binds this industry and keeps the customers satisfied." **CSD**

AT A GLANCE: STREET CORNER SIPS, SNAX & STUFF

- **Headquarters:** Topeka, Kan.
- **Total number of stores:** 52 units in 20 states
- **Number of employees:** 6
- **First store:** 1988, West Ridge Mall, Topeka, Kan.
- **First franchise sold:** 1995
- **Average square footage:** 500 square feet for a full c-store; 200 square feet for a kiosk
- **Franchise fee:** \$19,900
- **Top-selling item:** Cold and dispensed beverages
- **Most unusual item sold regionally:** Miami iced tea jubilee with oranges