

A MATTER OF CONVENIENCE

Street Corner enters uncharted c-store territory: The mall

BY MAURA K. AMMENHEUSER

For the most part, convenience stores keep out of malls. But Street Corner doesn't shy away. On the contrary, malls are just about the only places where this Topeka, Kan.-based convenience chain can be found so far.

To date, 46 U.S. shopping centers, including Mall of America, contain a Street Corner franchise.

The exodus of drug chains from shopping centers has only heightened the appeal of Street Corner, which offers aspirin and the other sundries found in drugstores, says Street Corner co-founder Peter La Colla, who serves as CEO of McColla Enterprises, Street Corner's corporate parent (the company is named for its founders, La Colla and his partner, Daniel McCabe, who is president). "One of the nice things about our business model is [that] we are universally accepted and needed by all people." Much like hotel convenience stores, Street Corner also carries batteries, beverages, candy, gum, newspapers and the like.



For most of its 17-year history, Street Corner (the chain comprises strictly franchises now, but initially, the stores were company-owned) favored enclosed malls spanning at least 800,000 square feet and posting about \$300 per square foot in sales. The company will depart slightly from this formula when it opens a unit this fall at Irvine (Calif.) Spectrum Center, an upscale open-air center owned by The Irvine Co. Street Corner is seeking residence also in lifestyle and strip centers, office buildings, university campuses and in freestanding facilities.

"There is literally no limit for our stores," McCabe said, noting this diversity of high-traffic locations. Street Corner is enjoying healthy growth. As of June the chain had 14 stores in development, and McCabe says he anticipates having at least 50 up and running by year-end, versus a total roster of eight units roughly 10 years ago. The stores are small. They occupy just 300 to 800 square feet of in-line space, or 225 to 250 square feet in kiosks. Street Corner demands highly trafficked areas, often near the food court. "The only thing that's important is traffic," La Colla said, adding that upscale demographics don't have much bearing. After all, he notes, all income groups read newspapers and get headaches. Street Corner franchises averaged \$XXXX in sales last year, according to La Colla.

Despite the name, Street Corner's look is all about a slick modern mall, not urban street peddling. The stores have no doors; they're typically open from lease-line to lease-line, to encourage shoppers to flow in and out for impulse buys.

The stores offer immediate-need items, such as film or single-serve bags of potato chips. Beverages, including self-serve fountain drinks, account for 35 percent of sales, cigarettes 30 percent and snacks 15 percent. (The company slogan is "Sips, Snax & Stuff.") Mall visitors aren't the only ones who buy; nearly half of Street Corner's business comes from mall employees.

Today La Colla pilots a private jet to scout new locations. That's a luxury he can afford now, but at the outset, his only hard asset was a hot-dog cart. He once worked nights peddling franks and coffee outside a Poughkeepsie, N.Y., disco. McCabe, a lawyer, taught business courses at local colleges, where La Colla occasionally turned up. When Poughkeepsie police began arresting La Colla repeatedly — seven times, on a variety of city vending-law violations — he asked McCabe to represent him.

In the late 1980s McCabe suggested La Colla move his business into a mall. La Colla said he would pursue it if McCabe would join him, so the two agreed to form a partnership. They designed a highly themed hot-dog stand called Street Corner Cuisine, which featured a facade resembling a stainless-steel vending cart, some painted New York City backdrops, umbrellas and even a dummy manhole cover on the floor.

La Colla began calling shopping centers nationwide, looking for a lease. This took work. "I was not only a street vendor, I was 20 and not finished college," he said. "Most developers wouldn't give me the time of day." Eventually, Melvin Simon & Associates did, though. Street Corner Cuisine opened at Simon's West Ridge Mall, in Topeka, in 1987.

Why did Simon take the risk?

"I had a lot of questions for them; they had the answers," recalls Jerry Munson, CSM, vice president of leasing at Simon Property Group, as Melvin Simon & Associates is called today. "They were so enthusiastic and had obviously done so much homework. You had to respect that."

Eventually, though, McCabe, found it to be a hard way to make a living, and turned his mind to the newstand trade. "This was a much cleaner way to do business," McCabe said, meaning there are no food wastage or spoilage issues. Simon let the men open their first Street Corner News at West Ridge and then a second at Mall of America. When magazines' margins proved to be too low, the partners dropped them — along with the word "News" — from the store name.

It soon became difficult for La Colla, in Topeka, and McCabe, in Poughkeepsie, to keep tabs on a growing national business. So in 1995 they changed tactics and became franchisers, converting all the existing stores. But growth has not come without obstacles. In particular, the company has had to overcome landlord reluctance to lease it prime space. But perhaps that's changing.

A miniconvenience store is "a good use," said Nina B. Robinson, vice president of marketing at the Irvine Co., which developed Spectrum. "It's something we think is important to have."

"They're a miniature version of 7-Eleven," said Kurt Utterback, manager of Westfield Shoppingtown MainPlace Mall, a 1.2 million-square-foot center in Santa Ana, Calif. Street Corner opened there in 1999. "It would work at any mall."

Still, shopping centers are not exactly stampeding to install miniconvenience stores, notes Ralph Sloan, senior partner at GroupRed, a New York City-based retail consulting and design firm. For one thing, other tenants' leases may limit the convenience items a newcomer can sell, he notes. And there are other deterrents. Many of the products they sell are relatively low-margin products, so an owner "needs a good location," said Munson. Thus, Street Corner's insistence on high-traffic locations. So far, big convenience store chains have not shown much interest in malls either, says Jeff Lenard, a spokesman for the National Association of Convenience Stores.

A few convenience chains, however, are at least considering the idea. Circle K, which operates about 2,880 convenience stores in 16 states, mostly in the South, is researching American malls. Its Canadian parent, Couche-Tard, runs convenience stores in 50 Canadian centers, says Michel Guinard, Circle K's vice president of real estate. Shops at Desert Passage, the 425,000-square-foot mall anchored by Las Vegas' Aladdin Hotel & Casino, includes Street Corner and a 6,000-square-foot ABC Stores unit, said Russell Joyner, CSM, the mall's manager. ABC Stores (not to be confused with the government-run liquor shops in some states, which are called "ABC stores"), based in Honolulu, has 67 stores selling convenience and souvenir items.

This leaves Street Corner competing mainly with food court tenants, La Colla says. The chain may expand into office buildings and condominium complexes, McCabe says, but malls will remain its primary focus, now that the industry is beginning to recognize a convenience store's value. As McCabe puts it, "They need this use."



Street Corner
Topeka, Kan.
No. of stores: 46 as of late August
Preferred locations: Regional enclosed malls (possibly other formats in the future)
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