



Downtown Idea Exchange

Improving physical, social and economic conditions downtown

BUSINESS RECRUITMENT & RETENTION

Community develops locally owned department store to meet needs

When large department stores go out of business in rural areas, or are not attracted to those regions, residents can be forced to drive an hour or more, or to go online, to buy basic necessities. Some communities are opening local-investor-owned department stores that save residents time and gas money while also drawing more business downtown.

The Saranac Lake Community Store is New York State's first community-owned store. According to Melinda Little, president of the store's board of directors, the enterprise was modeled after a successful community-owned store in Powell, WY (est. pop. 6,314).

In Powell, more than \$400,000 was raised via sales of \$500 shares to local residents in just over three months. The Powell Mercantile does about \$600,000 in annual sales, making a profit most years, and even paying investors a modest dividend one year.

Choosing a business model

Implementation of the vision in Saranac Lake, NY (est. pop. 5,406), took years rather than months. The volunteer board drafted a business plan in the fall of 2006. "We never looked at becoming a nonprofit," says Little. "It just wasn't part of our mindset. We did look at forming a co-op, but people are already confused about whether the store is open to everyone or just to investors. I think had we formed a co-op people

would have been even more confused. This seemed like a cleaner model to us."

A local lawyer was hired to prepare and file incorporation documents and stock offerings for the store, which operates as a C corporation. For the most part, any profits will be invested back into the business, but eventually, investors may see a return.

"Ninety-nine-point-nine percent of those who invested looked at this as an investment in the community," says Little. "If they get a return someday, that will be gravy. That said, we do want to run the business as rigorously as possible and be very cognizant of the bottom line, or the business is not going to succeed." Little says nobody was promised that they would make money, but the board did make it clear that they wanted the store to be profitable.

The board also wanted the business to be widely owned so that no one group or person could have unfair influence. Thus, investment was capped at \$10,000 per individual.

"The beauty of this model is that if you can get a lot of investors, those are built in customers who want the store to succeed," Little says.

"Selling" the store

Little says that keeping the project before the public, and keeping investor enthusiasm strong through the recession were key to reaching the \$500,000 goal required to open the store. The initial public offering of shares launched in July, 2007, at a rate of \$100 per share. When stock offerings

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closed in December, 2011, 750 investors had put up \$541,700. It took a sustained effort to succeed, including:

- Free office space donated by a downtown business owner so that the Community Store group could provide regular hours for purchasing shares.
- Participation in multiple community events, including having a parade float, and marketing shares as Christmas gifts during holiday craft fairs.
- Hosting open houses, trivia nights, and other awareness events.

“But what was most effective was that we enlisted the help of some of our more enthusiastic and connected investors to host Share Parties,” says Little. Potential investors were invited to hear a pitch by Community Store board members. “In almost every case, the people hosting picked up the cost of food and wine, as well, so they were doing a lot when they took on hosting a party.”

Planning for success

The board made it clear from the beginning that the Community Store would complement what other downtown businesses carried, rather than compete for sales.

“Many of the business owners are investors in the store because they could see that bringing a store like this downtown would ultimately be good for them,” Little says.

Having so many stockholders also meant a ready list of volunteers for renovation labor. “We had projects for people to do, and set aside work days. Once

people could see that space becoming a reality, they just offered to help us.” Some downtown business owners donated or discounted materials for the renovation.

The Community Store opened in November, 2011, and business is on target thus far. The store has three full-time employees, and hires part-time help seasonally. The pay is better than average for the area, and employees get health benefits and paid sick days. Craig Waters, store manager, uses his retail savvy and connections from past employment as a buyer for a national retail chain to secure affordable merchandise for Community Store customers.

A notebook hangs by the registers for customer suggestions, and those, too, guide merchandise decisions. The Community Store also carries the work of local crafters and writers. The space is programmed frequently with book signings, music, free gift wrapping, fashion shows, and more, to keep people coming through the doors.

“We’re planning some sort of tasting event this summer, and we’ll be doing sidewalk sales,” says Little. “Another thing to be aware of is the need to be outgoing to the community rather than waiting for them to come to us.” For example, an event is planned at a nearby college this summer to let students and faculty know that the store is a resource available to them.

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