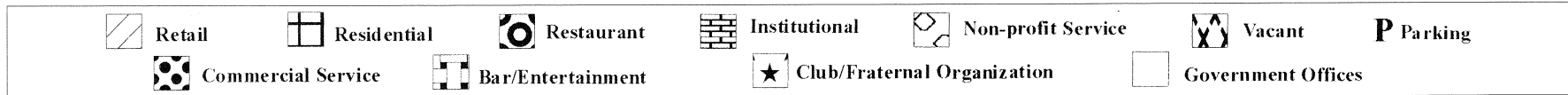
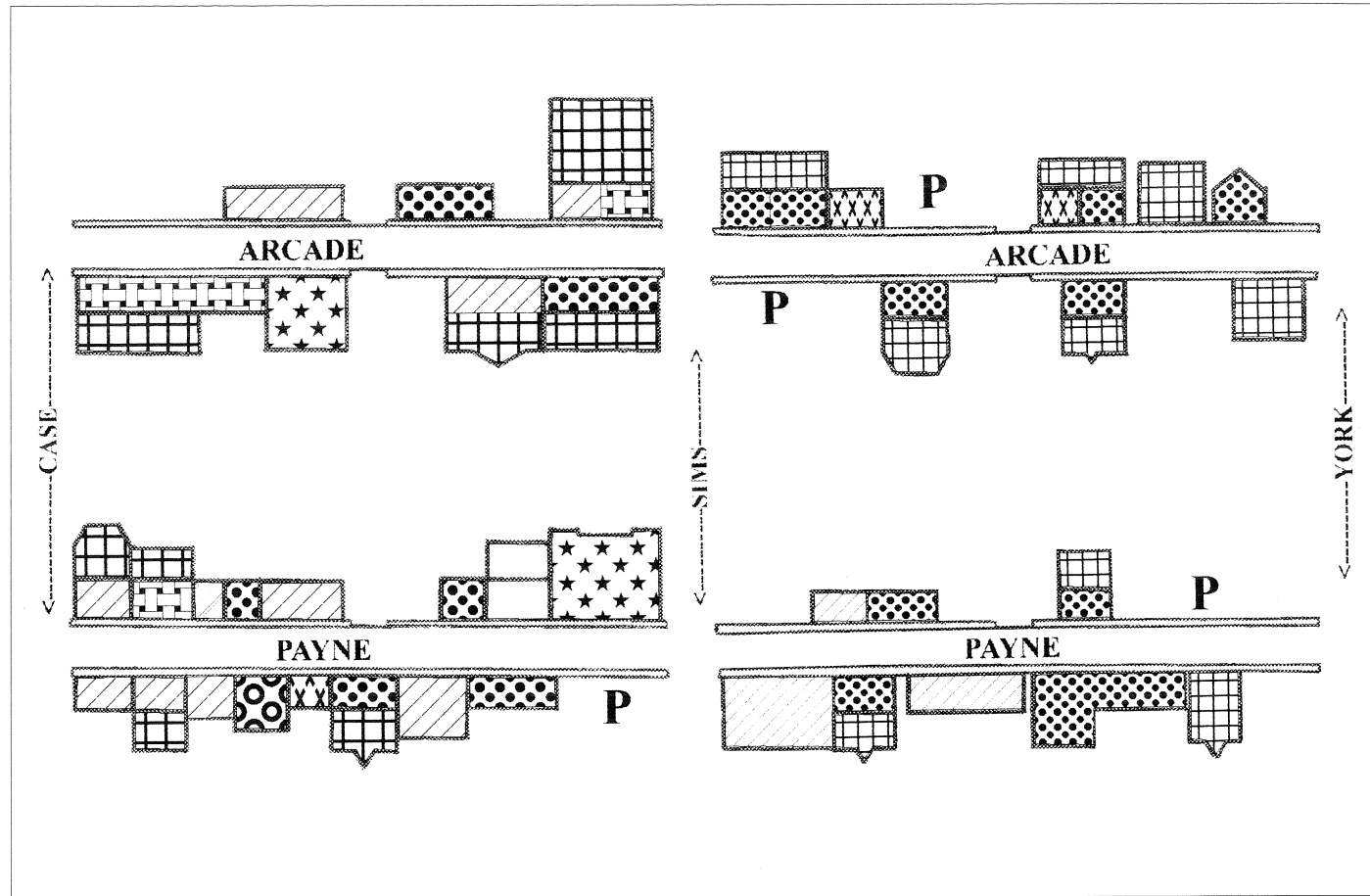


## Payne

*Case to Wadena- Aside from the large amount of commercial activity in this area, there are several vacant sites. The highest concentration of vacant areas is on the corner of Wells and Payne. There are also three bars, one of which is also a strip club. Most retailers in this section are concentrated at the intersection of Case and Payne. The other three blocks are characterized by a more even distribution of retailers. Residential areas are likewise evenly distributed.*



Unfortunately, successful application to the NRHP does not require building owners to adhere to historic guidelines in any way. Inclusion on the NRHP is seen more as an element of prestige and provides a great marketing tool to attract potential new businesses and cus-

tomers.

Another tool available to rehabilitation enthusiasts is the securing of local designation through the City of St Paul and its Historic Preservation Commission. This process also requires careful analysis of historical data, but unlike the NRHP design-

ation, local area designation influences the issuance of building permits. The redevelopment of the street becomes strengthened anytime an owner applies for a permit to construct, remodel, or improve property.

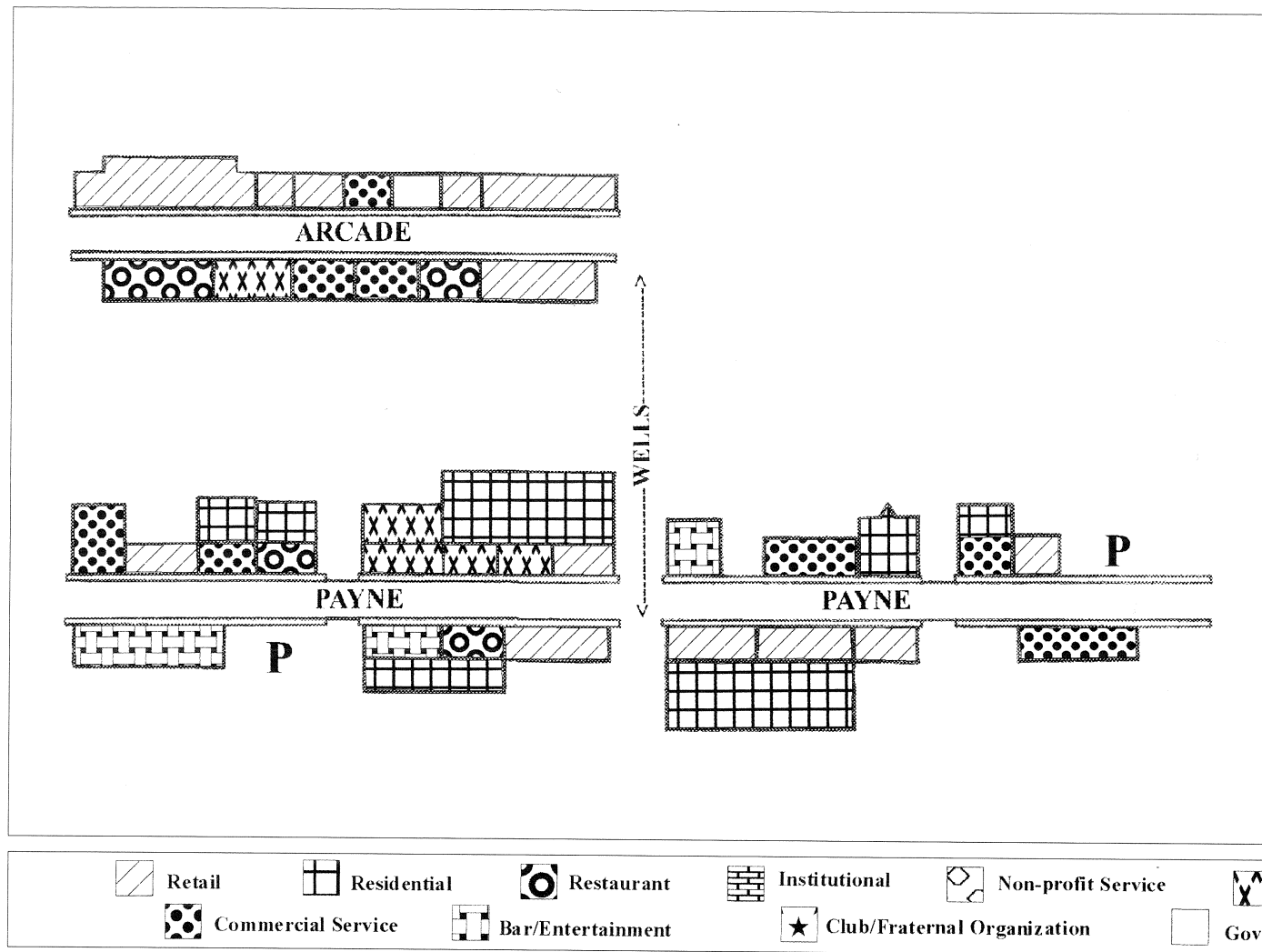
Experts in redevelopment and architectural standards are needed to

insure that a complete and justified approach is applied to Payne. While committed community members could do a majority of the detailed analysis and documentation for the application process, consultants experienced in this line of work are the link between designation and imple-

## Arcade

*Case to Wells- The first two blocks from Case to York are extremely diverse in land use. There are two bars, several retailers, and some commercial services alongside residential areas. There is a large amount of vacant building space and one vacant lot. The third block, from York to Wells, has the highest concentration of commercial land use on Arcade characterized by retailers, services, and restaurants.*

Land use maps by Ian Duncan and Ian H. Shaw



mentation of rehabilitative work. A detailed survey of each structure is needed to determine whether the materials and architectural style of each building are consistent with its original use and materials. The Ramsey County survey of 1983 serves as a model for developing

such a historical analysis. Much of the historical information on each building is located within the individual survey forms and serves as a link to many additional sources. Construction standards should also be determined, detailing the techniques necessary to reinstate any lost archi-

tectural details. This process can be aided by both the Minnesota Historical Society's State Historic Preservation Office and the City of St Paul's Historic Preservation Commission.

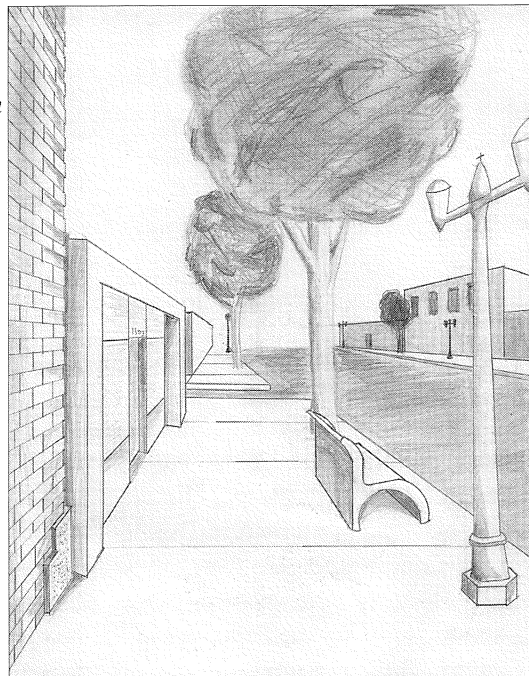
Arcade Street, while containing some structures old enough to be

considered historic, lacks the unity required to apply for designation. Land use coding for both commercial strips demonstrates, Arcade has less commercial infill, more vacant property, and a higher concentration of housing. While housing along both streets should not be considered an



Photo by Wilson Lau  
Illustration by Ian Shaw

*A current view of Payne Avenue, above. At right an artist's rendition of Payne shows street furniture and new lighting.*

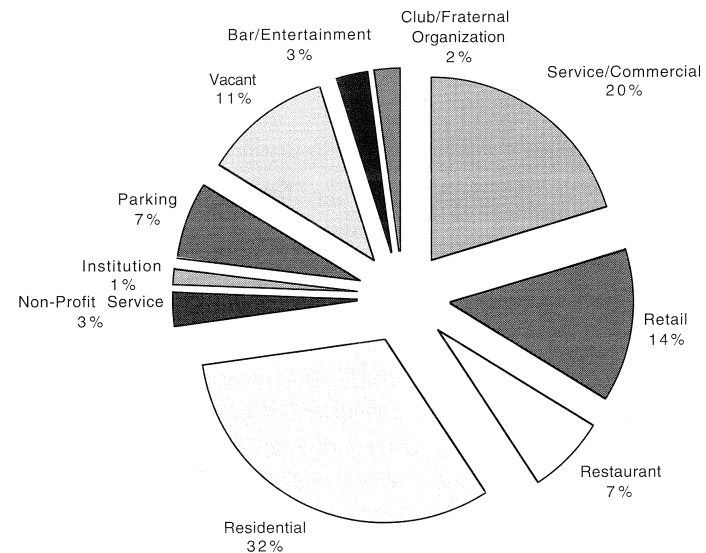


improper land use, it should be contained to upper story units. Workable examples of this are demonstrated by the City of Portland, Oregon. In Portland, a different approach to multi-purpose development has been taken. Single family dwellings are being eliminated from busy corridors such as Payne-Arcade and infilled with higher density, multi-purpose buildings. Viability of a commercial street relies upon it having many commercial functions. Thus the conversion of storefronts to housing is better than vacancies, but it is not optimal. The northern portion of Arcade Street has a low density of businesses and lends itself to a different function than that of Payne.

Analysis of both Payne and Arcade demonstrate a need to redevelop, restore and preserve buildings. Redevelopment should be aimed at new structures added to the existing streetscape. Implementation of a design standard will lead to the development of consistent themes for both streets. Restoration of windows original sizes will create a more inviting atmosphere. Removal of inappropriate building materials, such as T1-11 siding, will aid in restoration efforts when suitably replaced.

Preservation of Payne-Arcade requires substantial effort. To coordinate all aspects streetscape improvement, is key to establish a district plan, and to apply for historic designation.

### Percent Land Use on Payne and Arcade



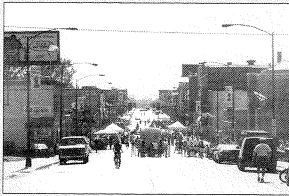


*The Harvest Festival  
draws a crowd to  
Payne Avenue*

*Chapter Four*

# ***Payne-Arcade's Potential Markets***





Chapter Four

# Potential of Payne- Arcade Business District

- Potential & Current Trade Area
- Spending Power
- Customer Perspectives
- Interview: Larry Laughlin

Photo by Cathleen Murphy

## Introduction

From the turn of the century until the 1950s and 1960s, the Payne-Arcade corridor, the stretch of streets on the East Side of St. Paul, lying between Maryland and Wadena Avenue supplied its sector of the city with the majority of its commercial needs. Groceries, drug stores, and more specialized businesses captured the patronage of area residents and customers came from further away for specialties such as lutefisk, and products imported from overseas

### Examples of Business Ordering

#### Low Order

Video Rental  
Liquor Store  
Laudromat  
Gas Station

#### Medium Order

Florist  
Shoe Store  
Clinic  
Restaurant

#### High Order

Furniture Store  
Antique Dealer  
Used Car Dealer  
Boutique

by ethnic markets and restaurants. While the corridor bustled with business, the relationships between people were more than professional. During a “remembrance night” held by the East Side Arts Council and mediated by historian Margot Fortunato Galt, residents told stories about their experiences on Payne Avenue. Longtime neighborhood resident Roger Hallman, told the story of a trip his wife took to Damiani’s, an Italian market. “My wife was going to have a spaghetti and meatball party. And she went down to Damiani’s and asked him how to make the sauce. The store was full of customers, but he spent twenty minutes giving her the recipe.” Other residents recounted the way businesses delivered goods, extended families credit, presented children with candy upon payment of a bill and went to extraordinary lengths for their customers. As Galt puts it, “Because its population was relatively

*High-order businesses such as furniture stores must attract customers from a larger area than their lower order neighbors, meaning that the Payne-Arcade trade areas vary in size depending on the particular business studied.*

**...residents recounted the way businesses delivered goods, extended families credit, or otherwise went to extraordinary lengths for their customers.**

stable until the 1960s, it developed the character of a small town.”

Today some of the older businesses remain. One avenue institution is Donald’s Department Store. The owner, Larry Laughlin, has upgraded the store’s merchandise and found specialized niches in the market to fill. These tactics have allowed Donald’s to extend its trade area and prosper. Unfortunately, success through this sort of innovation is rare and many of the areas businesses have closed or relocated in response to changes in residential patterns, retailing techniques, and demand for goods. Attempting to reverse this trend requires information in order to formulate a strategy for revitalization. **In this section, different techniques are used to identify the potential and actual trade areas of the Payne-Arcade business district, as well as their wealth.**

## Order of Goods

In order to utilize the different techniques of trade area analysis, it is important to understand the drawing power of different businesses in the Payne-Arcade business district. The district contains a mixture of businesses that draw both local and more distant customers.

People will travel farther for certain products and services than others, depending on how frequently they need these products and services. For example, potential car-buyers may travel many miles to browse at a dealership, but few people would drive more than a few minutes to rent a movie. The distance or time that an average person is willing to travel for a good determines the size of a business's trade area.

Our study considers trade areas for three different types, or "orders" of goods. Low order goods are those purchased most frequently, medium order goods are purchased with less regularity, and high order goods are consumed only rarely. The follow-

**Concentric rings measure trade areas by distance. Drive time maps measure trade areas by time.**

ing table gives examples of business offering each type of good in the Payne-Arcade district.

## The Potential Trade Area

In order to revitalize the Payne-Arcade business district, it is essential to find its potential trade area. Businesses need to know where potential customers live. With this information, they can estimate the wealth and preferences of their market area and make informed marketing decisions. **We use two methods to delineate Payne-Arcade's potential trade area:**

**1. Concentric rings drawn at one, three and five-mile radii from the center of the district.**

**(see map on page 44)**

**2. 'Drive time' maps, showing all areas within five, ten and fifteen minutes of the district by car.**

**(see map on page 45)**

Concentric rings provide a standard geographic unit to measure one area or store's potential customers and their wealth against others. Using this method, the trade areas drawn for each individual Payne-Arcade business would overlap. So, instead of drawing concentric rings

## Demographic Data

*Within Concentric Rings Trade Areas (see map pg. 44)*

Category	one mile	three mile	five mile
Med. Household Inc.	27760	28812	34438
Total Population	30267	141196	295528
Percent White	76%	71%	78%
Percent Black	8%	10%	9%
Percent Asian	10%	13%	8%
Percent Amer. Indian	2%	1%	1%
Percent Hispanic	8%	7%	6%

*Within 'Drive-Time' Trade Areas (see map pg. 45)*

Category	5 min.	10 min.	15 min.
Med. Household Inc.	33,869	38,082	39,135
Total Population	221,859	642,341	1,139,884
Percent White	78%	86%	85%
Percent Black	8%	5%	6%
Percent Asian	10%	6%	5%
Percent Amer. Indian	1%	1%	1%
Percent Hispanic	6%	4%	4%

*Note: 'Hispanic' was not recorded as a racial category in the last census update. Hispanics were double counted as either White or Black for race.*

for each of several businesses, they were drawn around the whole business district study area. The generalized trade area depicted allows us to develop strategies for the future of the business district as a whole.

While concentric rings measure



trade areas using *distance*, drive time maps show neighborhoods that can access a business within a given amount of *time*. When people think of where a store is, they do not think of how many miles away it is, but rather how long it takes to get there.

# Hypothetical Trade Area of Payne-Arcade



## Concentric Rings

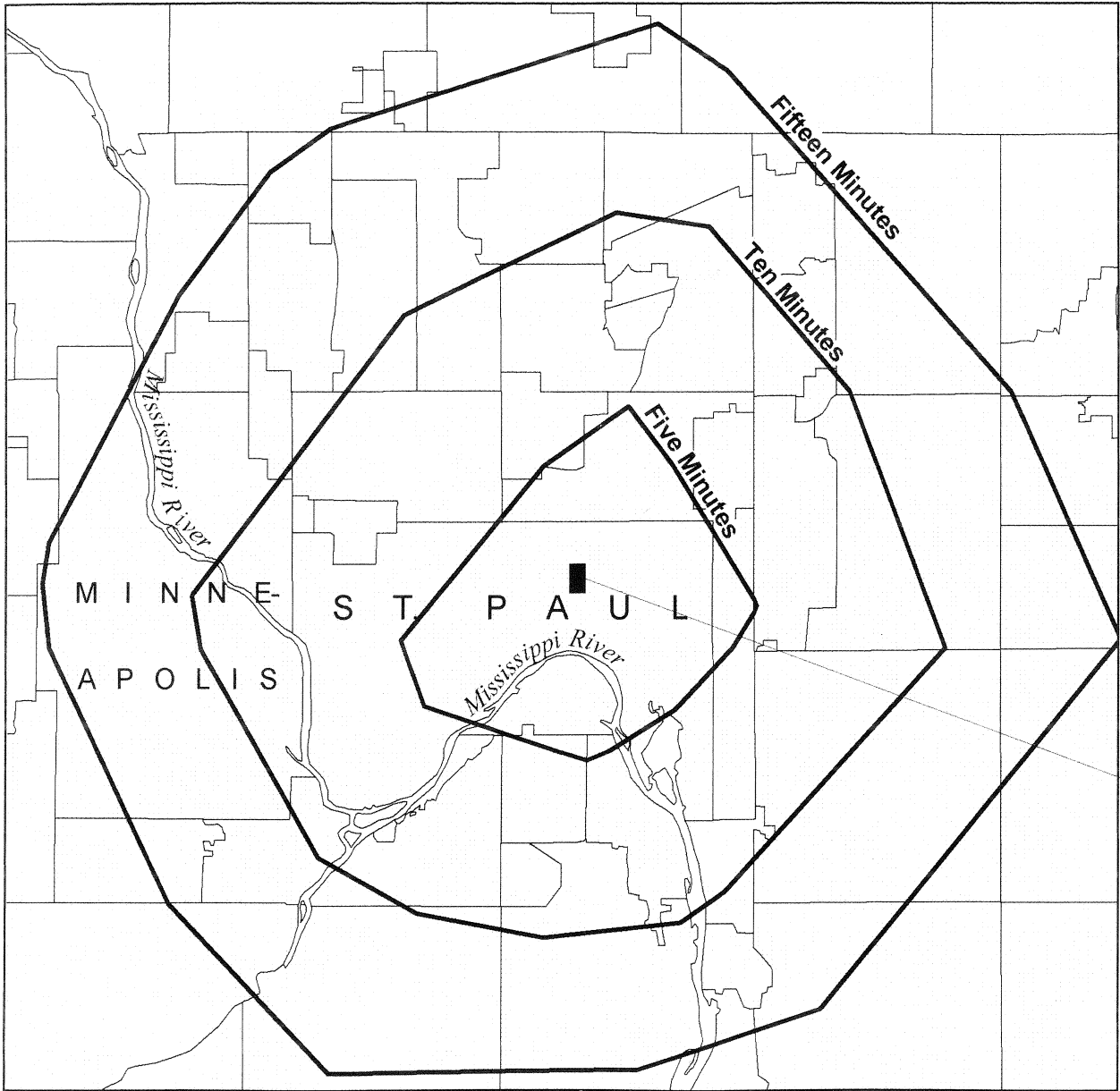
Shaded areas are census tracts whose center lies within each ring.

-  Payne-Arcade Business District
-  Tracts within one mile
-  Tracts within three miles
-  Tracts within five miles
-  City Boundary



Map by Claudia Fonkert

# Hypothetical Trade Area of Payne-Arcade



## Drive Time

Drive time rings assume travel at posted speed limits, without traffic delays or stops at traffic signals and stop signs.

 City Boundaries

 Payne-Arcade Business District



Map by Claudia Forkert

A potential trade area delineated by a drive time map is more reflective of where customers are coming from, because it indicates all areas with quick access to a business.

### Potential Trade Area Observations

These two methods of trade area delineation reveal several general characteristics of the potential Payne-Arcade trade area. First, the further one gets away from the center of the trade area, the higher the median household income. The second trend also concerns distance. Neighborhoods near the edges of the potential trade area have a more racially homogenous population. Finally, the drive time maps show that customers travelling to Payne-Arcade from the west east and north have faster access than those travelling from the south. The Mississippi River is a physical barrier limiting potential market penetration in this direction. These trends are important to note, as businesses must know the customers they seek to capture.

The trade area established by the five minute drive time map has a total population and yields demographic data similar to the trade area delineated by the five mile concentric ring (see 'Deomographic data' table on page 3). This comparison of data from the two methods of potential trade area analysis shows that the

Payne-Arcade business district has an accessible location despite infrastructural and natural barriers such as the river.

### The Current Trade Area

To determine the actual extent of the Payne-Arcade market area, six local businesses provided information about their patrons. These were

lists of customers' ZIP codes (from checks or customer accounts) from time periods they selected. Information was collected at the remaining two businesses by surveying customers and recording license plate numbers in the store parking lot. Because of differing sample sizes and methods of data collection, care should be taken when comparing the resulting trade area maps.

The choropleth trade area maps on the following pages indicate what

closed by ZIP code 55106, but due to its proximity to Payne Avenue, we still expect many of its customers to come from the 55101 ZIP code.

### Current Trade Area Observations

As expected, the Payne-Arcade business district attracts more customers from the surrounding neighborhood than more distant locales. This holds true for low order businesses, which draw a majority of their support locally, as well as for medium and high order businesses. The latter have customer bases which extend into suburban neighborhoods, bringing an infusion of outside dollars into the business district. Trade areas expand as the order of business increases, as expected.

The trade area maps also show several unexpected patterns. First, the supermarket and dentist's office both drew larger than expected shares of customers from suburban areas. This may be explained in part by the Payne-Arcade district's proximity to downtown St. Paul and other employment centers. Arcade Street, in particular, is a major artery for traffic entering and leaving St. Paul. It has a high volume of suburban commuter traffic on weekdays. Thus, the large number of suburban customers at the dentist, supermarket and possibly other area businesses may be workers who are com-

### Observations of Current Trade Area

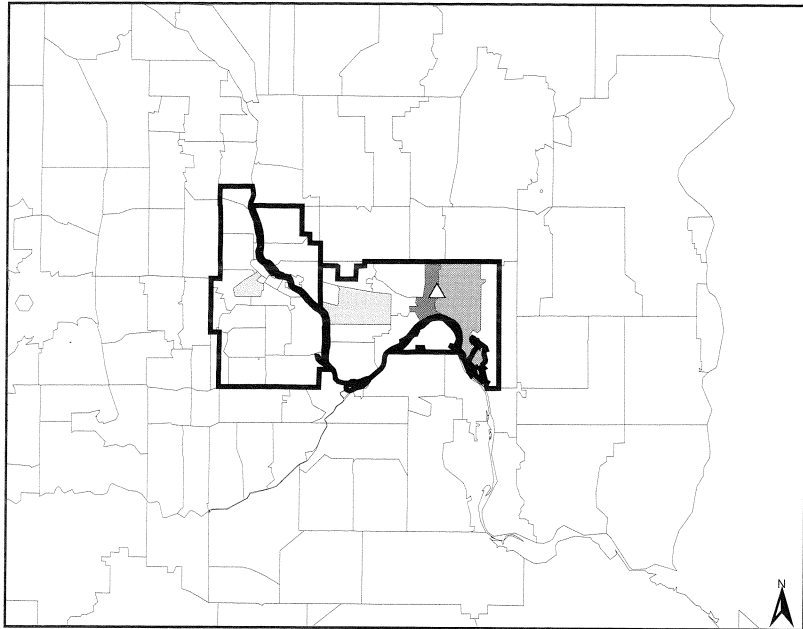
- *All orders of businesses are the strongest in the local area (zip codes 55106 and 55101).*
- *Trade areas expand with increasing order of good.*
- *More customers than expected come from suburban areas.*
- *Trade areas extend far to the northeast, but not in other directions from the business district.*

a pharmacy and supermarket (low order); a hardware store and dentist's office (medium order); and a department store and antique dealer (high order). We expected each pair of businesses to attract clientele from different geographic areas.

Each of the six businesses provided information in different forms. Four sample businesses provided

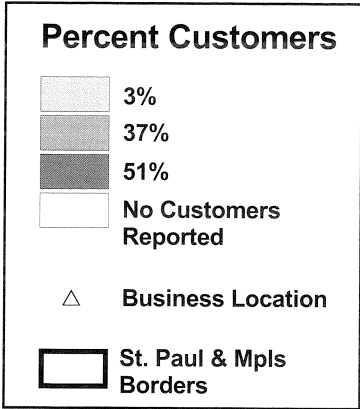
percent of the sample customers live in a given five-digit ZIP code. For any business, more customers should come from local ZIP codes than any other areas. Payne Avenue forms the boundary between two ZIP codes, 55101 and 55106, suggesting that the Payne-Arcade business district's core trade area will be shared by the two areas. Arcade Street is entirely en-





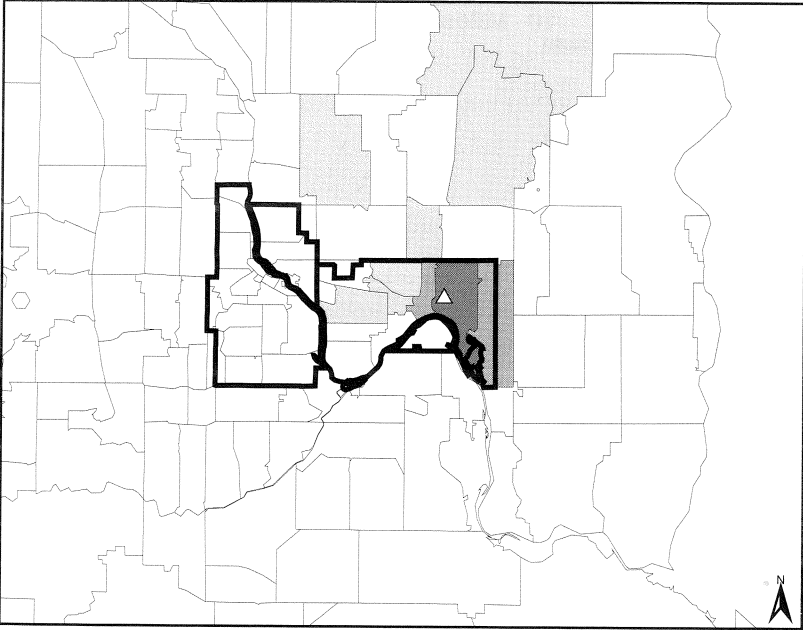
## Trade Areas of Lower Order Goods and Services Providers

### Pharmacy, Payne Ave.

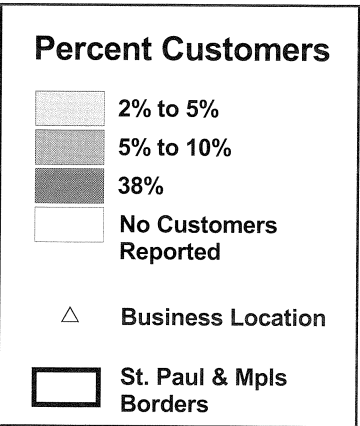


Most pharmacy customers are local residents who can walk or drive to the store in a few minutes. Nearly 90 percent of customers surveyed live in the two ZIP codes surrounding the store. Many types of stores offer pharmacy products. The goods and services offered at these businesses are often interchangeable, making customers unlikely to travel long distances for pharmaceutical needs.

Sample based on survey of 46 walk-in customers on two consecutive Saturdays. 3% equals one customer.



### Supermarket, Arcade St.

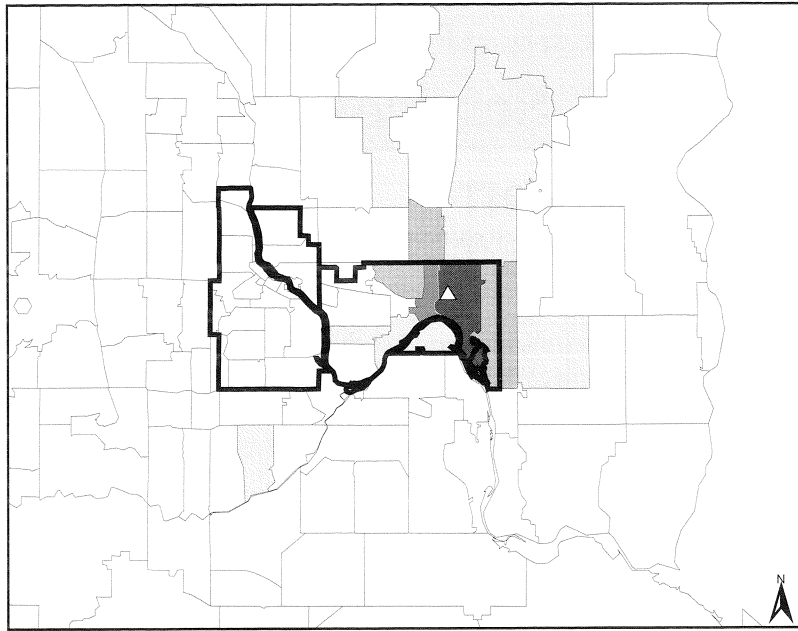


Data collected at the supermarket indicate a larger than expected trade area; less than half of the customers reside in the immediate neighborhood. Supermarkets or grocery stores are located in most city neighborhoods, making it unnecessary for consumers to travel far from home. This store is part of a major chain, so its products and services are duplicated frequently throughout the city. The large number of customers who reside outside of the immediate neighborhood may include people who work in the neighborhood but live elsewhere. The method used in data collection also excluded people who arrived at the store on foot or by bus—a potentially significant percentage of local business in this neighborhood.

Data obtained from a weekday morning survey of 79 license plates in the store parking lot.

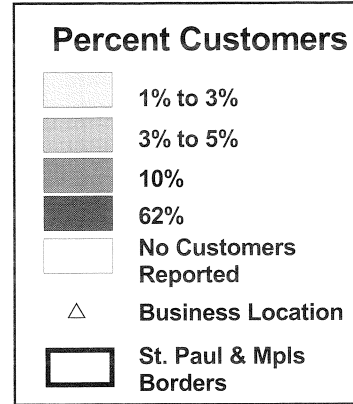
Maps by Claudia Fonkert





## Trade Areas of Medium Order Goods and Services Providers

### Hardware Store, Arcade St.

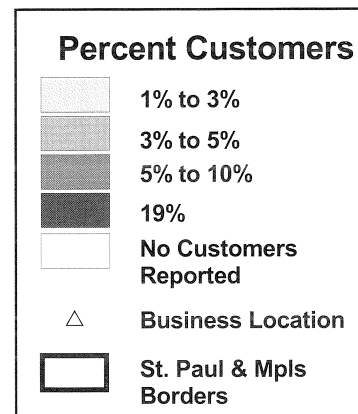
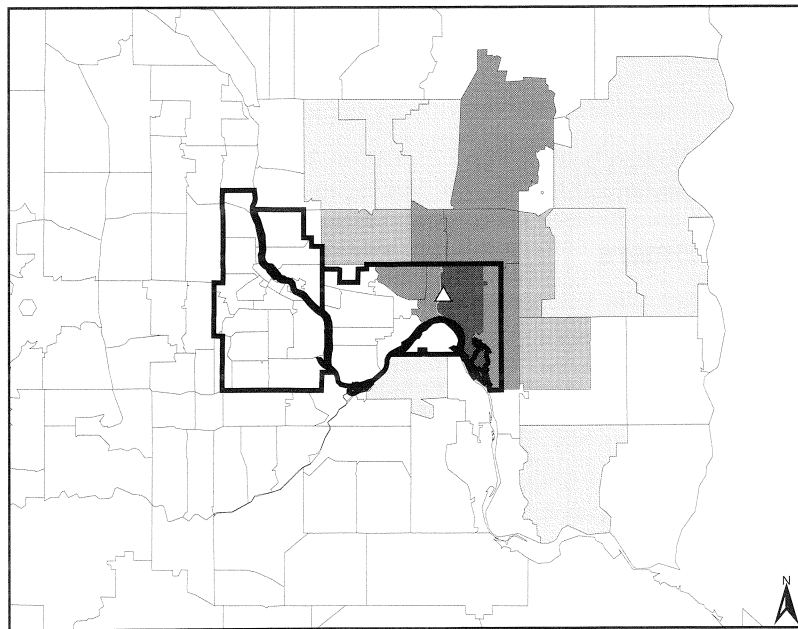


The hardware store draws most of its customers from its home ZIP code, but attracts additional business from a five-mile area around the store. The trade area extends farthest to the north and northeast, into suburban residential areas. Hardware stores are located in most neighborhoods, but some may offer specialized services or departments, making people more likely to travel farther from home for purchases.

Data is ZIP codes from 185 customer checks received during nine consecutive business days (including two weekends).



### Dentist's Office, Payne Ave.



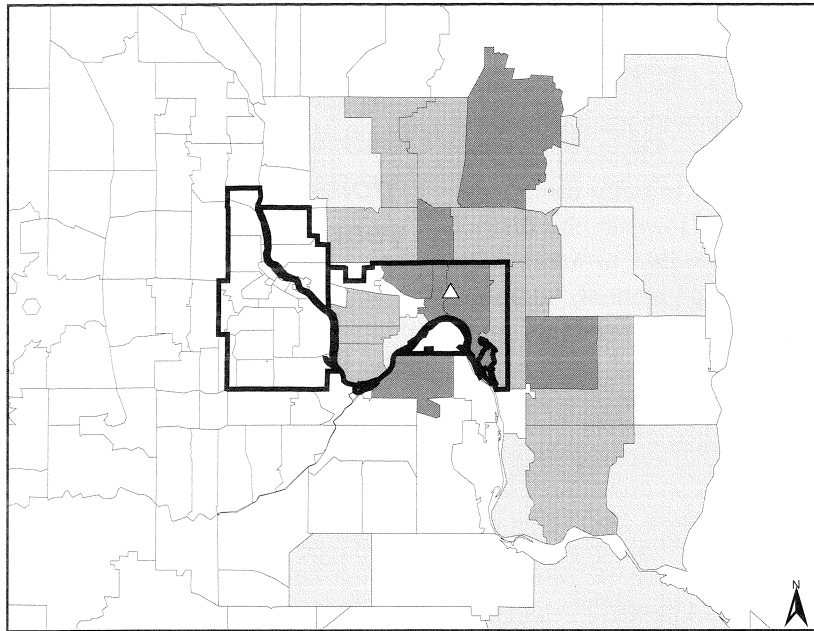
Less than 30 percent of the patient accounts at the dentist's office come from the two surrounding ZIP codes. Nearly half of the patients travel more than five miles from home to visit this business. Some of the distant customers may be people who work in the area during business hours. Others may be former residents of the area who continue visiting this business after moving, because of quality of services or familiarity with the dentist.

Data is ZIP codes from 553 patient accounts. Each account may include multiple patients.

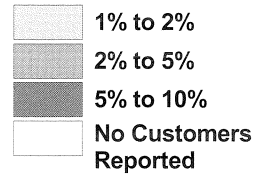
Maps by Claudia Fonkert

## Trade Areas of Higher Order Goods and Services Providers

### Department Store, Payne Ave.



#### Percent Customers



 Business Location

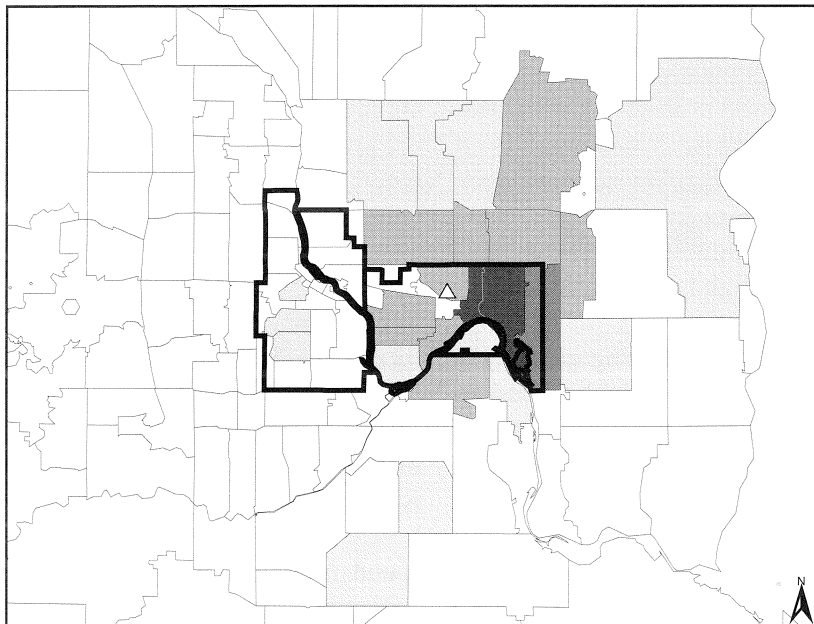
 St. Paul & Mpls Borders

The department store has several highly specialized departments that attract customers from a large area. The store depends on the surrounding neighborhood for less than 20 percent of its customers. Other patrons are spread throughout St. Paul and its suburbs. The department store's market area stops abruptly at the western edge of Ramsey county, but extends far to the north and east.

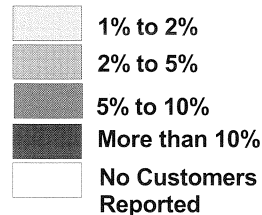
Data is 203 ZIP codes requested from customers at cash register.

10 0 10 Miles

### Antique Dealer, Payne Ave.



#### Percent Customers



 Business Location

 St. Paul & Mpls Borders

The antique dealer is one of nearly 10 antique stores (1998/1999 Yellow Pages) on Payne Avenue. Antique stores can attract business from large areas because of their specialized and unique products. The stores on Payne may draw from an even larger territory, as people may come to the district to browse at several shops at once. This particular store draws less than a quarter of its customers from the two surrounding ZIP codes. Most of its remaining customers are spread throughout St. Paul and its suburbs. The store does a small amount of business in Minneapolis. Many other customers reside beyond the extent of this map; a few come from other states.

Data is from store records of 562 customers from 1993 to 1998. Repeat customers are recorded only once. Some ZIP codes containing single customers lie outside the boundaries of this map.

Maps by Claudia Fonkert

with their jobs. In general, residents of northeastern suburbs will confine their travels to a wedge extending from the central city. They will pass through the Payne-Arcade area frequently, but have limited knowledge of other parts of the Twin Cities. This is important because suburban residents can dramatically increase the potential customer base of Payne-Arcade stores, and likely have more disposable income than Payne-Arcade residents. The district might attract new businesses if this commuter potential were realized.

Second, trade areas for medium and high order businesses extend much farther to the north and east of businesses than they do in other directions. The trade areas are not circular with the business at the center, rather, they appear as half-circles. There are few customers from the west and south, and no businesses studied draw significant numbers of customers from Minneapolis or its suburbs. Payne-Arcade businesses may be stronger in the northeast due to a sectoral bias in residential migration patterns. As people move outwards from city to suburb, they tend to relocate in the same sector of the city as they previously lived. In the case of St. Paul's East Side, people have moved from the city into the adjacent northeastern suburbs such as Maplewood. Some suburban residents are therefore familiar with

long-time Payne-Arcade businesses. Residents of other parts of the metropolitan area lack this traditional connection with the Payne-Arcade area.

## Spending Power

Despite the recent decline of Payne-Arcade as a commercial center, there is great potential in the surrounding neighborhoods to support new and existing businesses and recreate a thriving business district.

### Trade Area Spending Potential

- *Core trade area has relatively low-income residents.*
- *Large number of consumers in core area have large aggregate spending.*
- *Payne-Arcade is close to middle and high income neighborhoods in St. Paul and surrounding suburbs*

Many businesses are reluctant to locate in low-income areas because of limited profit opportunities. Payne-Arcade, with median income levels below those in many parts of St. Paul, might initially discourage new ventures. However, the district is easily accessible to areas with higher spending potential. Additionally, neighborhood residents must purchase a variety of daily needs, which can be met by local businesses. Enough people live in Payne-Arcade to create a large aggregate spending power.

The following maps compare the spending power of the Payne-Arcade neighborhoods to other parts of St. Paul. They indicate how much residents of a given census tract spend on certain goods in a given year. Two types of goods, apparel and groceries, represent commonly purchased items. People buy groceries frequently, so we do not expect great variation in spending per person per neighborhood. The purchase of expensive products and brands will only add slightly to a basic level of spending.

We expect clothing spending to vary more from neighborhood to neighborhood because clothing purchases vary more in price than groceries and consumers can shop at a range of stores, from the most expensive boutique to a secondhand or discount store. Also, while clothing is a

**...even within one mile of the Payne-Arcade district, over 70 million dollars are spent per year on groceries and clothing alone.**

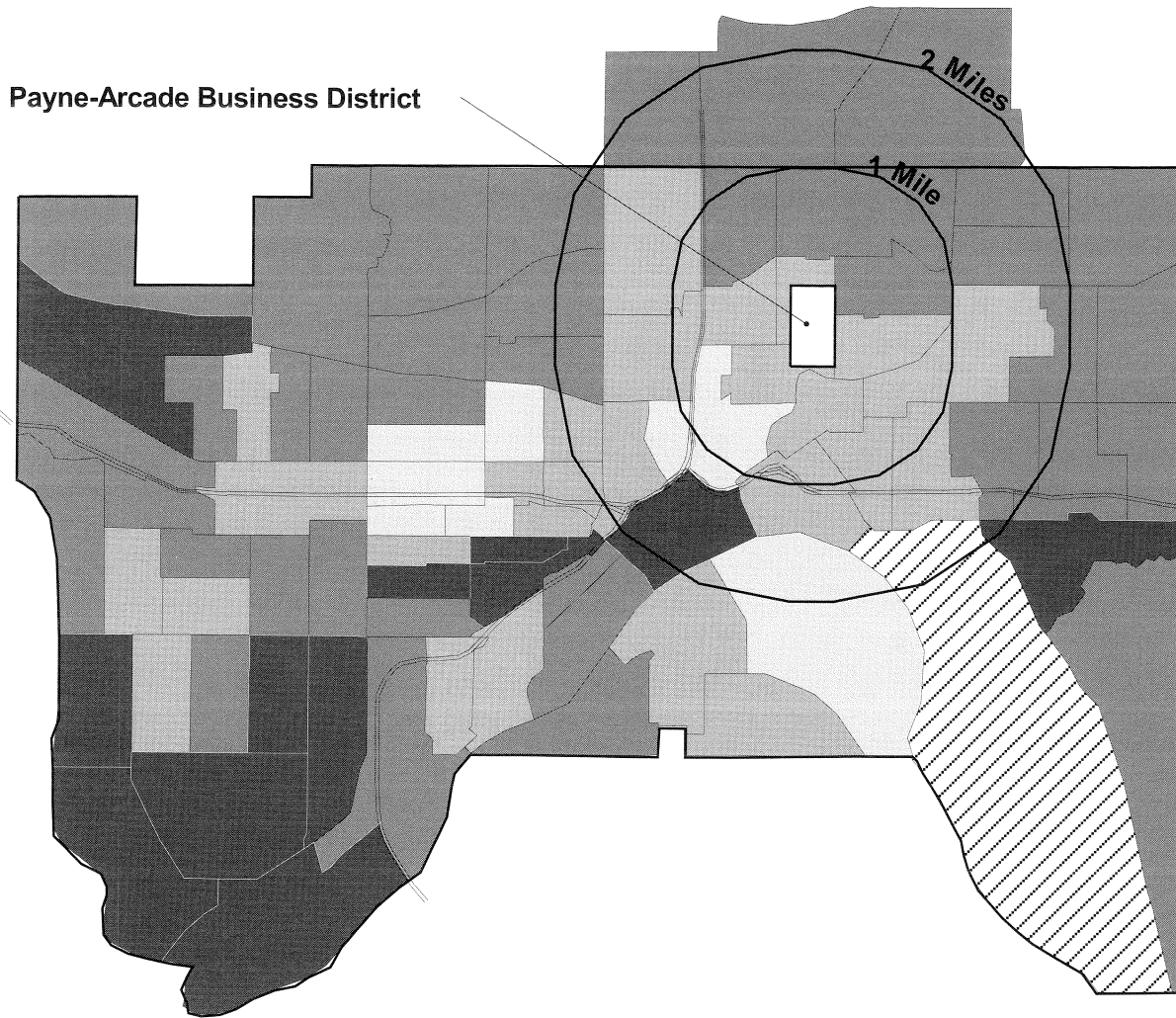
basic need, people can make more or fewer purchases depending on their economic status. Still, each person will spend some money on basic clothing needs.

### Observations of Spending Power

The maps of spending on groceries and apparel clearly show that residents of Payne-Arcade have less money to spend on basic needs than people in other parts of St. Paul. Higher total and per capita spending occurs in higher income neighborhoods located generally in the corners of the city. As expected, apparel spending illustrated this pattern more strikingly than grocery spending. We would expect even more polarized spending patterns to appear on maps of non-essential purchases such as entertainment or electronics. But no matter what Payne-Arcade's position is relative to other St. Paul neighborhoods, residents do have money to spend. Individual families may have below average incomes, but even






# Per Capita Spending on Groceries


## 1997 by Census Tract




Per capita spending on groceries is lower near the Payne-Arcade district, especially to the south, than in many parts of the city. This is a reflection of the many lower income residents that live in the area.

**Dollars Spent per Person per Year**

-  1180 - 1300
-  1301 - 1500
-  1501 - 1700
-  More than 1700
-  No Data

 Interstates

 St. Paul Border

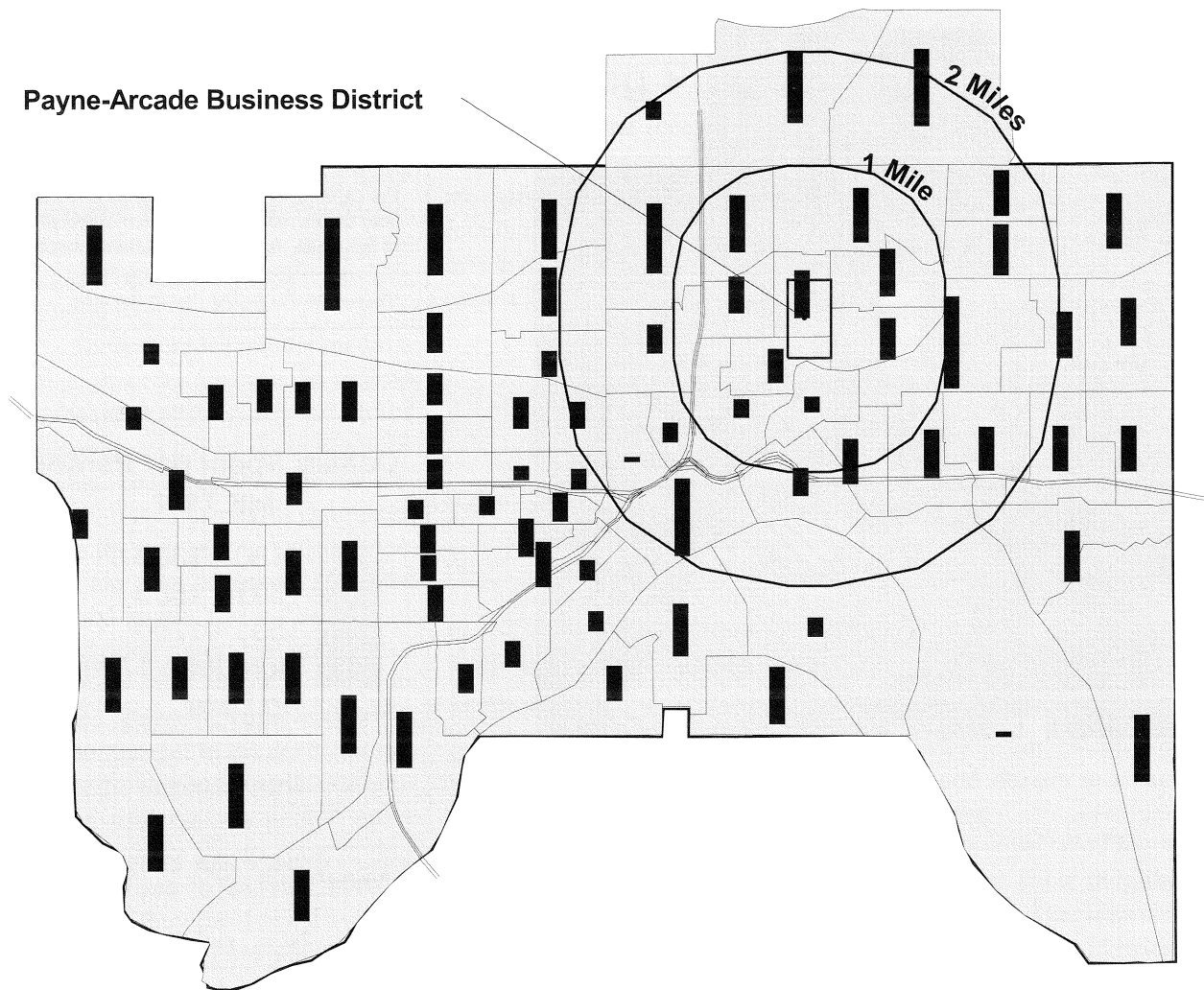
Source: Claritas Inc.

Map by Claudia Fonkert

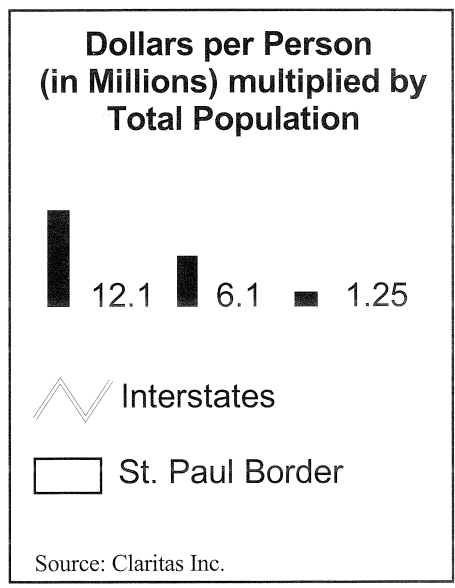


# Total Spending on Groceries 1997 by Census Tract

Payne-Arcade Business District

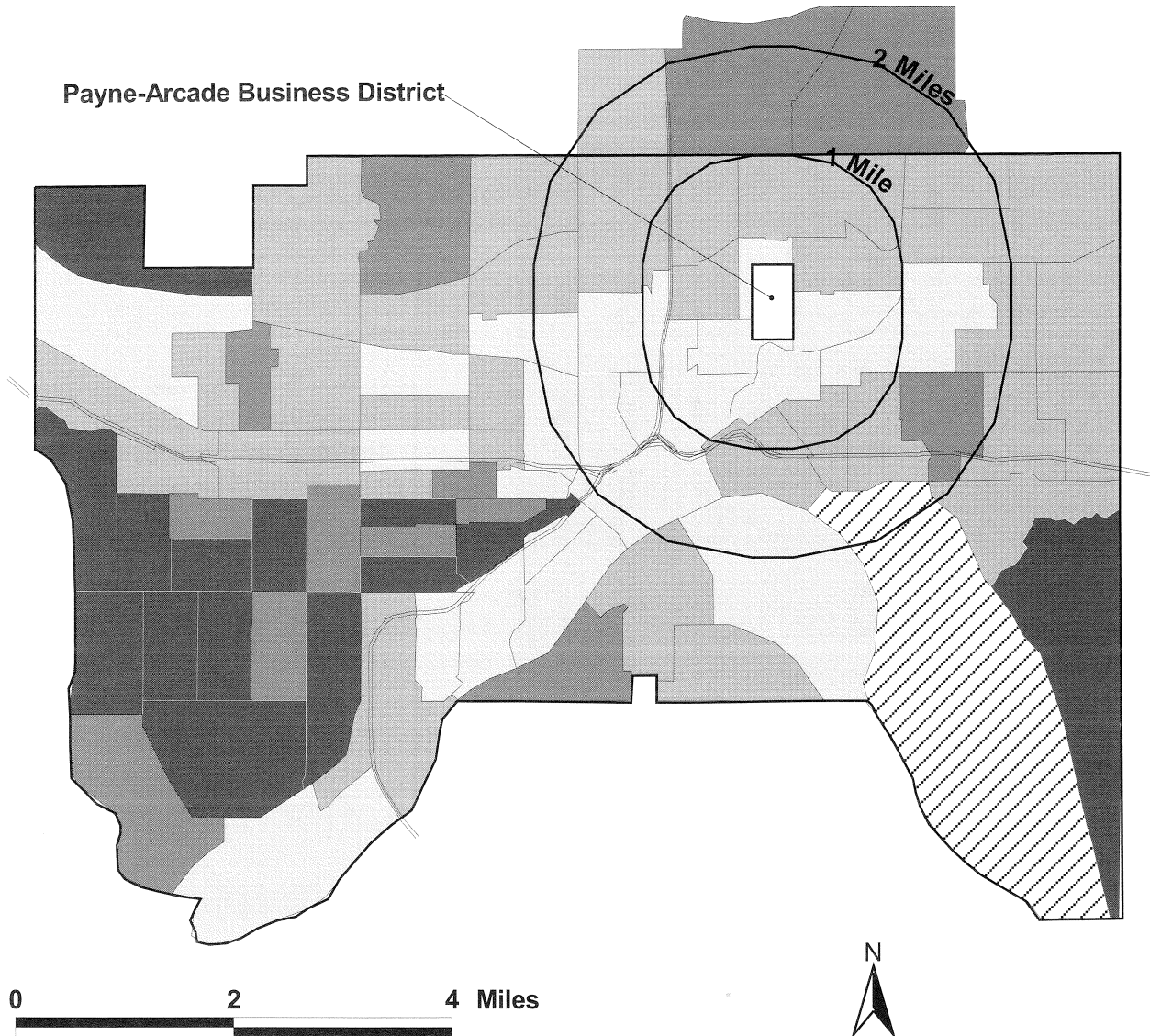


The height of each bar indicates a tract's total spending on groceries in one year. While per capita spending on groceries near the Payne-Arcade district was quite low, higher population density gives the neighborhood aggregate spending power closer to that of other city neighborhoods.











# Per Capita Spending on Apparel 1997 by Census Tract




Per capita spending on apparel is lower near the Payne-Arcade district, especially in the south, than in many parts of the city. This is a reflection of the many lower income residents that live in the area.

**Dollars Spent per Person per Year**

-  Less than 2400
-  2400 - 2900
-  2901 - 3500
-  More than 3500
-  No Data

 Interstates

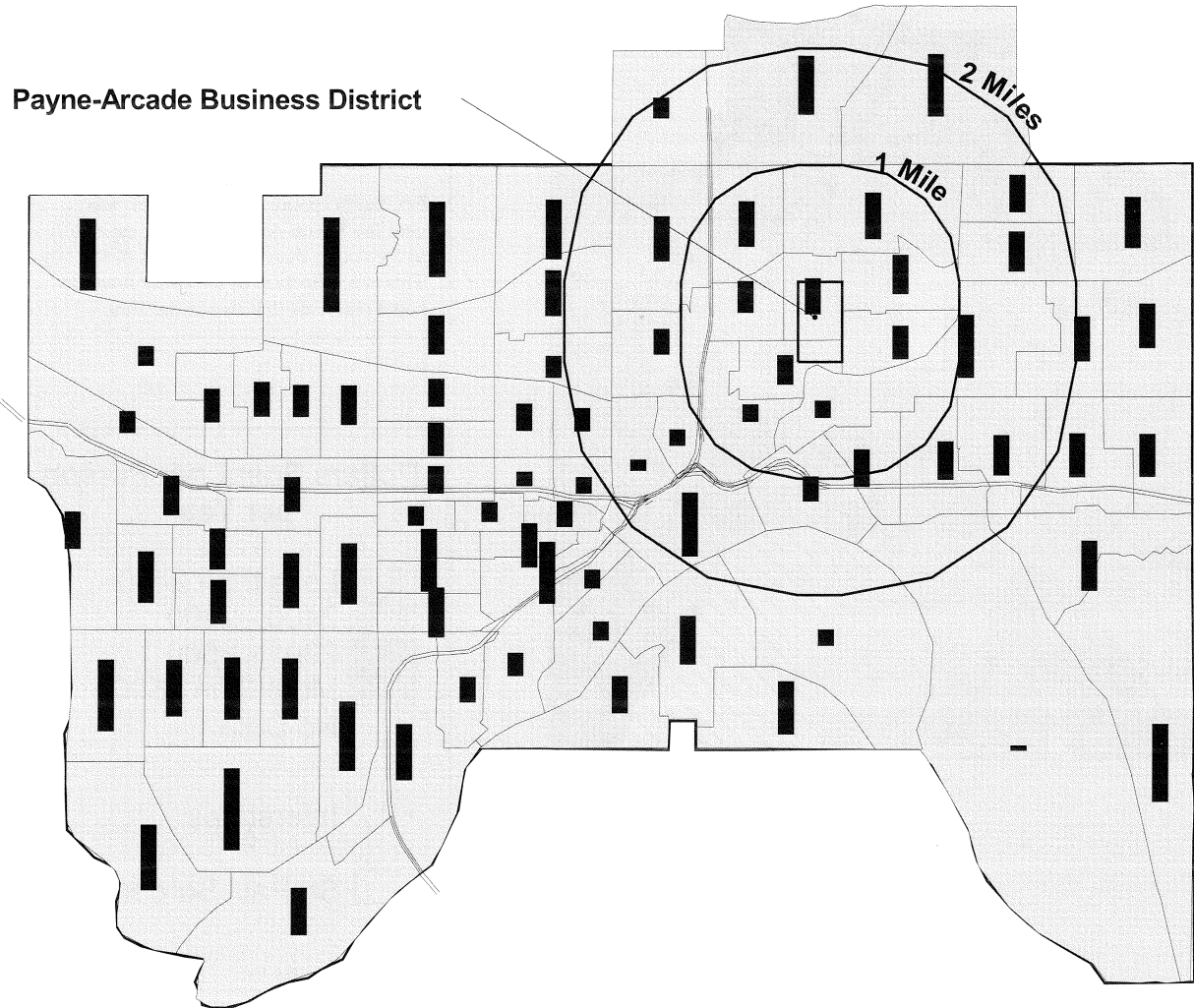
 St. Paul Border

Source: Claritas Inc.

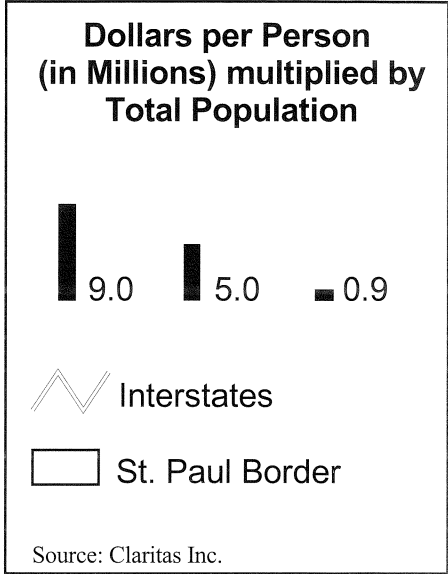
Map by Claudia Fonkert



# Total Spending on Apparel 1997 by Census Tract



The height of each bar indicates a tract's total spending on apparel in one year. Per capita spending on apparel was low near Payne-Arcade, and remains relatively low compared to St. Paul, when aggregated.



Map by Claudia Fonkert

0                      2                      4 Miles



**Millions of dollars in potential business are leaving the Payne-Arcade district each year.**

district, over 70 million dollars are spent per year on groceries and clothing alone. This figure does not include more distant neighborhoods which still fall within the Payne-Arcade trade area. Other products add to the neighborhood spending total. Additionally, **higher income neigh-**

**borhoods to the north and east have ready access to the business district, greatly increasing potential purchasing power.**

## Who Shops in Payne-Arcade District?

We conducted a survey of shoppers to complement the statistically-based measures of trade area and to identify strengths, weaknesses, and strategies for future growth in the Payne-Arcade business district. We located current customers, identified competing shopping districts and surveyed customers about their shopping habits and perceptions of the Payne-Arcade district. Based on our findings, we propose several strategies for improving business in the area.

### Survey Methodology

The customer survey was designed to gain information about the typical shopping trip to various types of businesses within the Payne-Arcade district (see appendix 1). We chose the following East Side businesses to participate in the customer survey because they represent a range from low to high order retailers and service providers. The ZIP code data from the surveys and businesses' own databases confirm the

relative ordering of the survey participants as follows.

### Shopping Patterns at Low-Order Businesses

Customer surveys were sorted into two groups: low order businesses and medium/high order businesses.

The results from the surveys conducted at the Borgstrom's pharmacy, Lisa's Wash and Dry and Payne Liquor demonstrate the shopping patterns and habits of customers that patronize low order businesses in the study area (see appendix 2). Seventy-seven percent of the customers come from zip codes 55106 and 55101, which border and include the Payne-Arcade business district. These results confirm the theory that most customers of low order businesses live in the surrounding area.

This theory is further supported by the fact that more than 50 percent of the people surveyed come to Payne-Arcade establishments by foot, suggesting they live nearby. Another 16 percent come by bus or bike, while only 33 percent come by car.

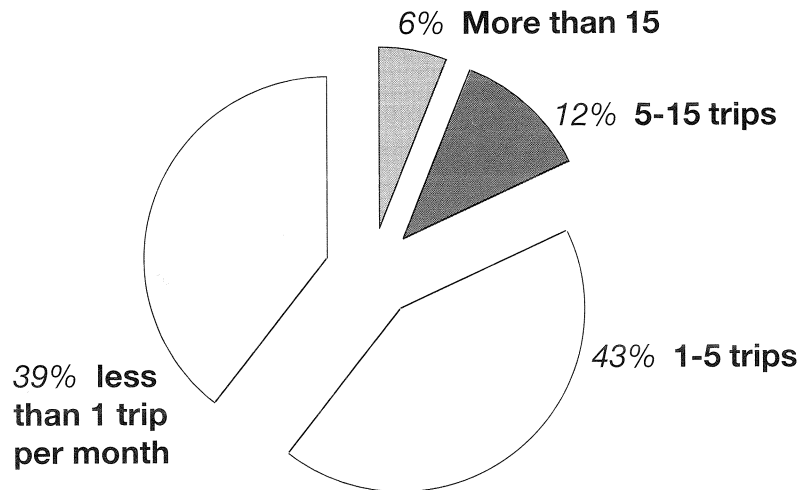
Furthermore, surveys show that over 40 percent of respondents shop in the Payne-Arcade business district more than 15 times a month, while another 21 percent shop in the district 5-15 times a month. **These high percentages of daily and weekly**

## Payne-Arcade Spending Power

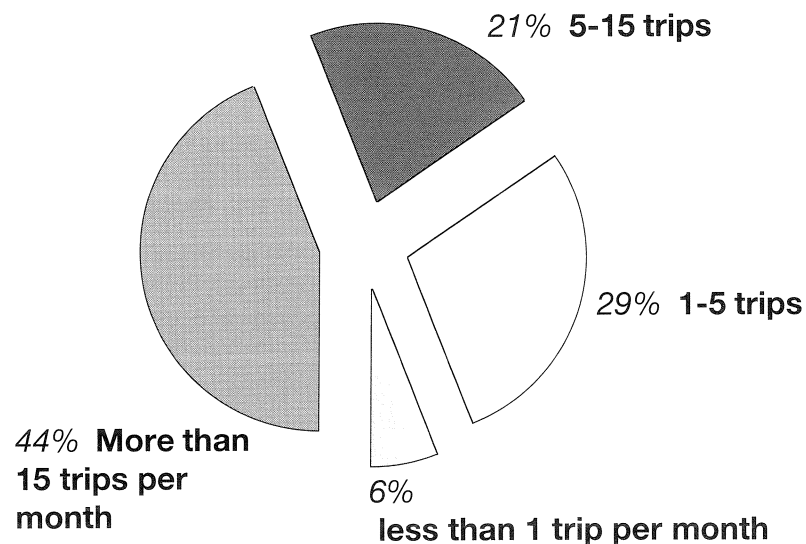
<i>Type of Good</i>	<i>Spending per Year</i>
<b>Apparel</b>	<b>\$77,000,000</b>
<b>Appliances</b>	<b>\$22,000,000</b>
<b>Auto</b>	<b>\$84,000,000</b>
<b>Convenience Goods</b>	<b>\$309,000,000</b>
<b>Fast Food</b>	<b>\$86,000,000</b>
<b>Groceries</b>	<b>\$117,000,000</b>
<b>Hardware</b>	<b>\$92,000,000</b>
<b>Liquor</b>	<b>\$172,000,000</b>
<b>Photo</b>	<b>\$16,000,000</b>
<b>Sporting Goods</b>	<b>\$103,000,000</b>
<b>Toys</b>	<b>\$36,000,000</b>
<b>Video Rental</b>	<b>\$62,000,000</b>

*Data aggregated from census tracts with centers within two miles of the Payne-Arcade business district. Source: Claritas Inc.*

How often customers of medium & high order businesses shop in Payne-Arcade (shopping trips per month)



How often customers of low order businesses shop in Payne-Arcade (shopping trips per month)



Source: customer survey - see appendix 2

shoppers show that local consumers shop frequently in the study area.

It is also encouraging that over 60 percent of the customers were shopping at two or more businesses in the Payne-Arcade business district on the days of the survey. This is a great sign for businesses in the area because customer traffic at many businesses is created by multi-purpose shopping trips.

One can clearly see that core customers of low-order businesses come from the surrounding area. Not only do they shop in the district, these customers are repeat clients that shop at more than one business at a time.

### Shopping Patterns: High Order Businesses

Responses from customers of Donald's, Jolly Tyme Specialty Store, Maria's Restaurant and Serlin's Cafe, represent the shopping patterns and habits of the customers at medium and high order business. Only 33 percent of the respondents were from the nearest ZIP codes, 55106 and 55101. This shows that most of the customers of these businesses come from areas located further away from the district. That could be why 94 percent of customers of these stores drive to the Payne-Arcade business district to shop.

Although, two-thirds of the

**Businesses in the district should focus on getting more of the customers from medium and high order businesses to shop at multiple businesses in the district on a given shopping trip.**

customers from these medium and high order businesses come from areas outside the two closest ZIP code areas, a surprising number shop once or more a month in the area. Forty-three percent of them shop in the area 1-5 times a month while 18 percent shop in the area more than five times a month. This shows that even higher income customers that come from areas further away are regular customers.

While customers frequent these medium and high order businesses regularly, most of them only patronize one business on a given trip. Over 60 percent of the customers responded that they were planning to only patronize the business at which they were surveyed. Another six percent planned to visit another business located in a competing area while 33 percent stated they were going to visit another business in the Payne-Arcade business district. Businesses

## Interview: Larry Laughlin Owner, Donald's Department Store

The ability to recognize and respond to changing customer desires often primarily determines the longevity of businesses. Fifty years ago, six to seven retail clothing stores dotted Payne Avenue. In 1998, one remains — the family-owned Donald's Department Store on Payne Avenue, owned by Larry Laughlin of St. Paul. Though the trends in retail business have changed significantly in the last half century, the Payne Avenue lo-

### ***Donald's is celebrating its 46th year on Payne Avenue***

cation still accommodates the department store, and offers benefits to other retail businesses.

Donald's celebrated its 46th year of business this November. Laughlin's father (whose first name is the name of the store) opened his own store on Payne Avenue after having worked in management as a buyer for Dayton Hudson in Minneapolis and the former Emporium in St. Paul.

Larry Laughlin began working at the store at age 12. After graduating from college, he began working full-time at the store.

The business began as a women's and children's clothing store and also offered fabrics, buttons, zippers and other materials for homemade clothing. According to Laughlin, the biggest challenge in the early years of clothing stores was convincing women to buy ready-made clothing instead of buying materials to make the clothing themselves. "The tough thing was to get somebody to pay \$2.99 for this outfit, because they'd say [they] could make that thing for \$1.65. [That's because] they weren't paying themselves anything," Laughlin said. Laughlin's father, however, recognized growing consumer preferences for ready-to-wear clothing and focused on offering those quality goods at reasonable prices. The business thrived.

But a boom in retail in the Twin Cities, particularly the emergence of "category killers," brought new challenges to retail businesses. Category killers are businesses that specialize in one particular product area and

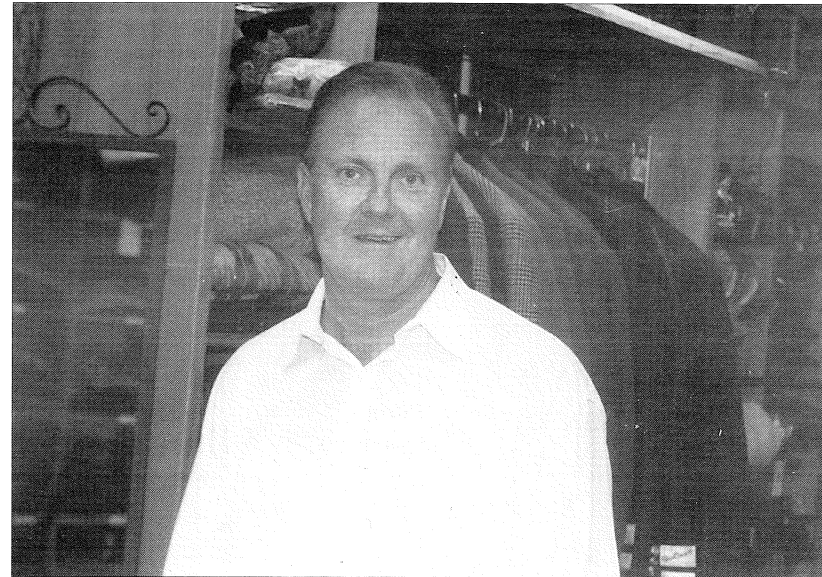


Photo by Cathleen Murphy

sacrifice some of their margin of profit in order to offer goods for lower prices. As a result, other businesses need to lower prices (and therefore their margin of profit) to be competitive. A tremendous increase in other kinds of retail space in the Twin Cities also contributed to a more competitive business climate. According to Laughlin, the Twin Cities offered two to three million square feet of retail space in the late 1970s for approximately two million people in the seven-county metro area. Today, the Twin Cities offers 30 million square feet of retail space for approximately the same number of people as in the late 1970s. By comparison, the Chicago market

serves six million people with 35 million square feet of retail space. Customers in the Twin Cities now have more choices, and retail businesses have had to be more competitive to attract business.

Donald's responded in two primary ways to the effects of category killers and an increase in occupied retail space. "We have continued to upgrade, because we have found that the market is just better when we get into better quality merchandise," Laughlin said. Expanding into niche businesses, such as wholesale school uniforms, scouting uniforms and corporate apparel,



has also been important to the success of the business. Donald's has sold school uniforms for a number

***“We were a regional neighborhood shopping area, and drew exclusively from people on the East Side,” Laughlin said. “If we’d stayed that kind of store, we’d have been out of business, along with those six or seven other businesses that were here. . . we needed to get bigger to survive.”***

of years, but the certain kinds of scouting uniforms and corporate apparel niches have developed in the last ten years.

Laughlin said that although niche businesses may not provide margins attractive to large corporations, the profit is considerable. “We’re looking at other niches all

the time, and it’s one of the ways in which you survive as an independent,” Laughlin said. “With corporate America being extremely sensitive to making money, they’ll say ‘we can’t make money if we can’t do a huge volume in it.’ So a lot of them have said [they’ll] get out of that business completely, because there’s not a return on their investment. We’re not going to do a huge business in it, but there is business to be done. There are still people out there who want those items. So, you try to find your niches that you can grow with and do something with.”

Sometimes, however, a niche market booms and attracts more businesses. Laughlin says that school uniforms have become more popular, particularly in public schools. But Donald’s has been able to hold its own in the market because of its reputation and experience in how to run the business. “We’ve got more competition here, but we’re still number one in the market because we’ve established ourselves and have been in it for 40 years and we can deliver the service better than a Mervyn’s or a Target or somebody like that,” he said.

Although the business has changed dramatically over time, Laughlin says that Donald’s still benefits from its location on Payne



Photo by Thomas Hofer

Avenue because of its accessibility to the greater metropolitan area, according to Laughlin. “The location advantage [is being] centrally located . . . because we draw from throughout the Twin City area, he said. “We’re close to Minneapolis; we’re close to [the rest of] St. Paul; we’re close to the suburbs; we’re close to 94 and 35; and so it’s accessible by car.” Laughlin says the location also offers convenient parking for his customers, most of whom drive to the store.

Retail business on Payne Avenue has changed over the past 50 years, as illustrated by the success of Donald’s and the demise of other department stores. “We were a re-

gional neighborhood shopping area, and drew exclusively from people on the East Side,” Laughlin said. “If we’d stayed that kind of store, we’d have been out of business, along with those six or seven other businesses that were here. . . we needed to get bigger to survive.” Yet the Payne Avenue location has proved beneficial to Donald’s expansion, and could provide benefits to other businesses because of its accessibility to the metro area. Laughlin also noted that businesses looking to move to the shopping district could benefit from the traffic his store draws to the area and vice versa. •

in the district should focus on getting more of the customers from medium and high order businesses to shop at multiple businesses in the district on a given shopping trip.

From these results, we can see that customers from medium and high order businesses are primarily from areas further away from the Payne-Arcade business district. The primary mode of transportation among this group is the automobile and customers shop regularly in the business district. Although they shop on a regular basis in the district, most of these consumers only stop at one business in the Payne-Arcade business district on a given shopping trip.

Though results from both groups contrast each other in where customers reside and how they get to businesses in the area, the relative ordering of the businesses is confirmed.

The most encouraging response from both groups is the high frequency with which customers shop in the Payne-Arcade business district.

### Encouraging Multi-Purpose Shopping

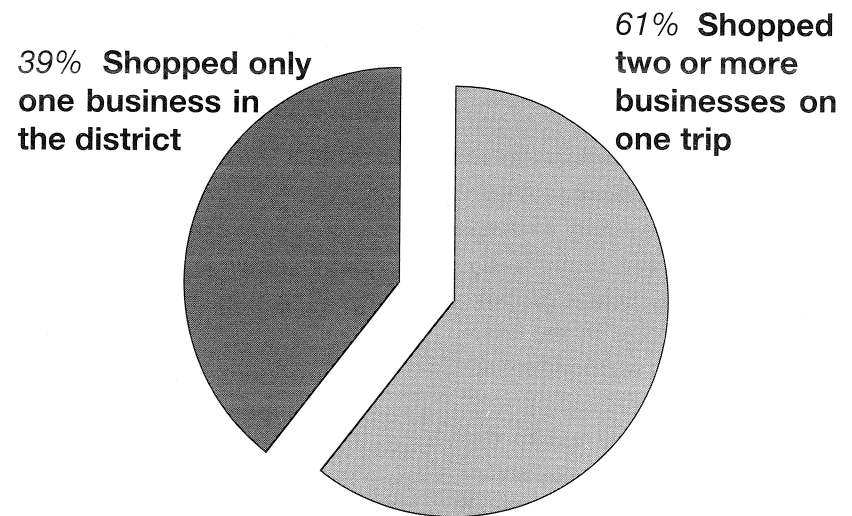
The business district should explore methods to change the shopping patterns of the customers of medium and high order of businesses from one stop shopping to multi-stop shopping, in order to capture more

of the money from this segment of the market. Multi-purpose trips often involve stops at complimentary businesses such as bookstores and coffee shops.

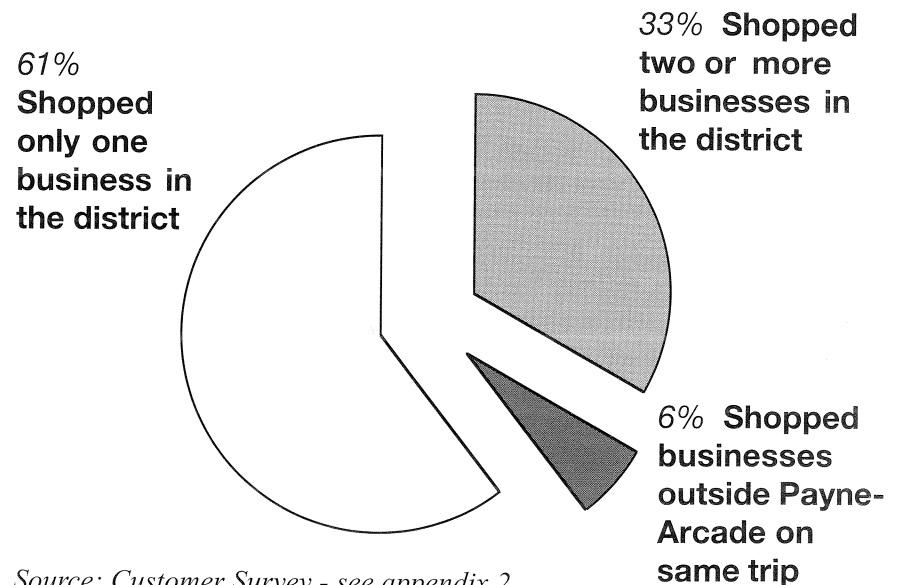
One way Payne-Arcade business district can increase multi-stop shopping is by encouraging new complimentary businesses to locate in the area. The seven businesses where these customers were surveyed represent a mix of low and high order businesses within a fairly compact three-block section of Payne Avenue. However, not enough customers were surveyed at each establishment to identify existing complimentary businesses or suggest particular businesses which would complement existing businesses. Nonetheless, the high rate of multiple purpose shopping displayed by the customers of low order businesses suggests that much like a mall, the pair of pedestrian-oriented north-south streets depend on each other to generate customer traffic.

Businesses should focus upon increasing the number of multi purpose shoppers, especially in the medium and high order segments of the market. By adding complimentary businesses, the district can capture more of the wealth of the full extent of the potential trade area. Although new businesses, particularly chain retailers, might push some existing businesses out of the market, the dis-

*Multi-stop shopping by surveyed customers of low order businesses in the Payne-Arcade area*



*Multi-stop shopping by surveyed customers of medium and high order businesses in the Payne-Arcade area*



Source: Customer Survey - see appendix 2