

Red Apple

CONVENIENCE

CHICAGO ~ DAMEN

Introduction

Red Apple Convenience located in East Village opened its doors for business in November 2011 and has since become a valuable staple to many of the constituents of the neighborhood. It offers a safe and convenient location for consumer goods and grocery needs. Red Apple seeks to continue to fulfill the needs of the community and serve it to the best of its ability. Red Apple provides the sale of groceries, produce, health snacks, frozen foods, soda, coffee, and tobacco products. With the addition of alcohol to our list, we hope to ensure that all the needs of the community are met, making this a one stop shop for the great people of Wicker park.

Red Apple is a locally owned family business, driven by the need to provide convenient options to neighborhoods in the food and liquor market, in a sustainable and secure fashion. We are experienced small business owners with the extensive knowledge of how to manage successful businesses for the benefit of individual communities. For the past eight years, we have served the local community with our ownership and operation of another small business, the CITGO gas station located at the corner of Augusta and Damen. The decision to continue to expand our business undertakings in the same community reflects our appreciation and understanding of the needs of the local community residents. Operating the CITGO, we developed these relationships and cultivated them by constantly seeking to better our business by customizing our offerings to the interests and needs of the residents. In the course of this evolution, we recognized and identified the diverse character of the neighborhood. That was one of the driving forces that spurred us to reinvest in the community, a richly diverse community that we believe reflects Chicago's vibrant cultural history.

In our overall business model, we strive not only to succeed as a business, but to contribute to the success of the neighborhoods we do business in. For example, in 2003, when we purchased the current Citgo gas station, it used to be an old, run down Clark gas station defaced with graffiti that did not even remotely reflect the aesthetics of the neighborhood. The lot was regularly riddled with beer bottles and garbage. After the purchase, we immediately undertook steps to transform the rundown location into a business that promoted the elegance of the community. We demolished the old Clark building and erected a new building with complete lush landscaping, high quality lighting, and new fixtures.. Additionally, we worked tirelessly to eradicate problems that were infesting the location. We hired security to ensure no loitering on the property took place. This created an inviting nuisance-free atmosphere for all our customers to feel confident they would not be solicited, harassed, or bothered by anyone, day or night. As a result of our efforts, we can proudly say we are a small business that enhanced the aesthetics of the neighborhood and the experience of our customers. Our latest business venture, Red Apple Convenience, follows the same fundamental principles that guide all our businesses: providing quality goods and services in a clean, secure, and aesthetic environment.

Common Concerns

Adding alcohol to our current product offerings is a goal born from feedback of our customers and from our company goal of diversifying our business. We think it would be to the benefit of the community if we are able to offer sale of alcohol in the safe and convenient environment we have created over the past few months. There are a few liquor stores near our location, and we have received many complaints from our customers regarding their service and atmosphere. It is our hope that with the sale of liquor, we can provide a full service one-stop shop and better position ourselves to supply the community with all its needs. That being said, we understand the natural concerns that arise when sale of alcohol is involved in a business. We are confident that our proven and unique way of conducting business, along with our track record in the local community (and other communities) will more than satisfy those concerns. The key to satisfying those concerns is engendering discussion in efforts to the address those concerns. The following are some of the concerns any neighborhood would have, along with a brief discussion of how Red Apple Convenience plans on addressing them.

Concern 1: Attract unwanted clientele

We do understand the criticism and concern over the distribution of alcohol potentially attracting unwanted clientele. However, mere sale of alcohol on its own doesn't qualify every buyer of that alcohol as "unwanted." It is the manner in which alcohol is sold and the environment fostered that attracts that type of client. Included in our small business portfolio is a grocery store that also has liquor as part of our product offering, located on the south side of Chicago,. We have owned this business for over 20 years now, and it is that experience that has taught us how to avoid this issue. We directed our focus and efforts to maintaining the store's image in the community, and ensured safety was never something a customer had to worry about. Additionally, as we identified correlations between products and unwanted clients, we proactively took action. Almost one year ago, we, along with the Bronzeville District and 3rd ward Alderman Patricia Dowell, decided action was needed, and to clean up the community to make it a safe place for people to live and shop. Our store was one of the first stores to discontinue ALL high-gravity malt liquors, fortified wines, and the sale of loose cups. By maintaining certain standards and not carrying malt beverages, high gravity beers or fortified wines, we removed the identified incentive for the unwanted clientele to patronize our location. With that incentive being removed, so too were that customer class. Knowing our customers, their purchase trends, and the behavior associated with the purchases are byproducts of our knowing the communities we conduct business in. As to Red Apple, our strategy in the sale of alcohol will be geared toward craft beers, fine wines, and cognacs. We will also be on guard monitoring what products may potentially attract the unwanted clientele, and quickly, and unilaterally, act to remedy the problem. It is the proactive nature of Red Apple's trained workforce that ameliorates this concern.

Concern 2: The Use of Curbside Service

One aspect of our mission was to provide ultimate convenience for our customers, and therefore we made the decision to include curbside service when we opened our doors in November. While this is not the selling factor for individuals to visit our business, it is a

value-added service favored by some customers, particularly families with children. The service allowed parents the ability to make their necessary purchases, while at the same time, not have to potentially leave their children alone in the vehicle. However, this benefit must be weighed against the cons of having curbside service when liquor becomes part of the service offering. After an internal analysis, we have decided that curbside service will be discontinued as the cons outweigh the benefits. A myriad of potential issues would arise such as checking identification outside of the physical location, risk of transporting alcohol outside, safety of employees and customers, etc ...

Concern 3: Late night hours

Red Apple is currently open 24 hours, as is typical in the convenient store industry. In fact, that's one of the primary reasons a "convenient store" is "convenient." We are able to cater to customers that leave for work at the break of dawn, so they come in for their coffee and snacks before they head out. We also cater to customers who work late into the night and need to make purchases at a time when most stores are closed. For many others, we solve the issue of middle of the night needs going unmet: a baby needs milk, someone needs medicine, a household needing bath tissue, etc ... We are open 24 hours for the convenience of the community. It is for the same reason that many of the other business in our Chicago & Damen business district open 24 hours as well, and they are not technically "convenient" stores.

When liquor is added to our product offering, Red Apple understands that sales policies will be immediately adjusted to keep Red Apple in compliance with all laws. Chicago ordinances mandate that the sale of liquor not be allowed after 2am and before 7am Monday through Saturday, and 11am on Sunday. Red Apple will strictly abide to the laws and regulations set forth by law. Liquor sales will discontinue at the proper cutoff times by closing off the liquor sales area, disallowing customer access, and also by programming our point of sale system to disallow sales during the prohibited hours. Red Apple will also, as part of our internal customer behavior identification and analysis, monitor and constantly assess whether we need to expand the restricted times. By doing so, we will evolve rapidly, and maintain the reputation of our establishment.

Concern 4: Selling of Liquor to Minors

All of our workforce is thoroughly trained in maintaining our businesses and servicing our customers in a manner that comports with all state, county, and city laws. Expanding our business portfolio would not have been feasible but for having a well-trained staff. By implementing proper protocols, expanding to new communities has been a turnkey process. Knowing the laws and regulations, training employees to be cognizant of those laws, and how to follow those laws are things we take very seriously. Whether it is carding individuals purchasing tobacco, making sure all products are fresh and not expired, or maintaining the cleanliness of the businesses, our staff's hard work reflects our dedication to maintaining our reputation as superior operators. Selling alcohol to minors is no different in that our staff is well trained from our other liquor business. Picking and choosing who to card is not something that should be left to the discretion of employees, despite the thorough training they undergo. The risks are far too great to our youth, and our business. Therefore, our liquor business on the South Side institutes a

zero-tolerance policy for carding: meaning we card ANYONE who purchases alcohol. If they fail to present identification, even if they are clearly over 21, will not be served. Our POS age verification feature also ensures that the staff carries out this policy by not allowing a sale to go through unless an identification, driver's license or state i.d. is scanned into the system.

Concern 5: An increase in the rate of crime.

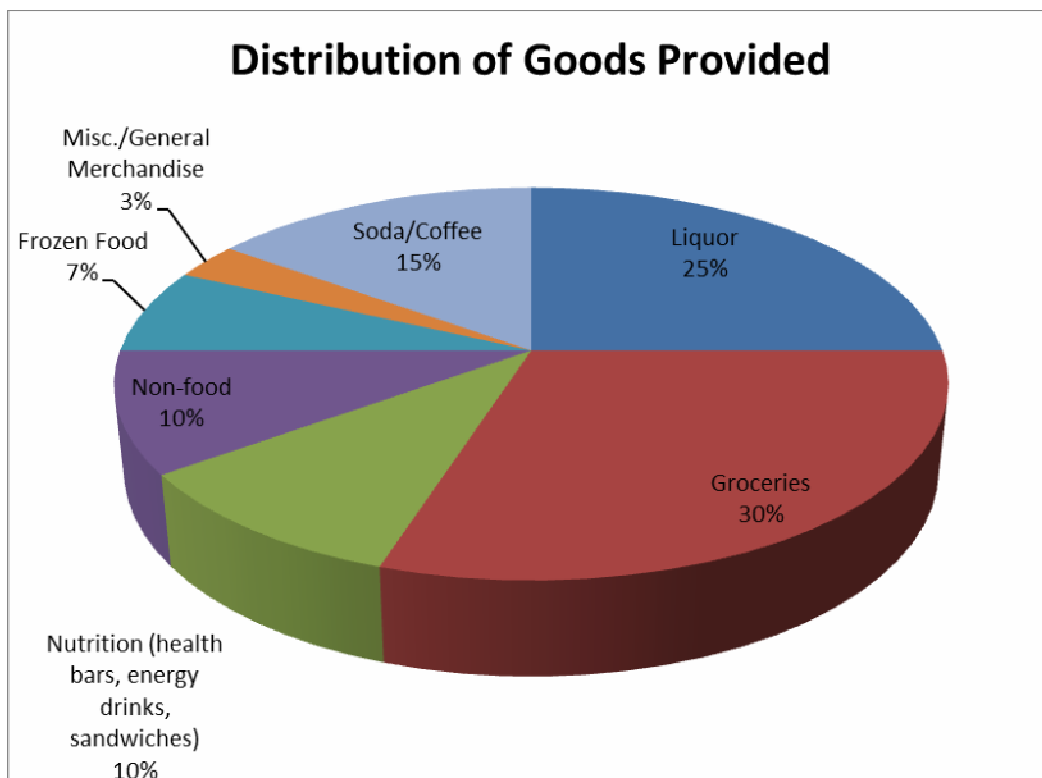
We take this issue very seriously. Increasing crime rates are not beneficial to anyone, including the residents of the neighborhood and the businesses that service them, like Red Apple. To fight crime, it requires more than law enforcement combating the problem. It takes the citizens, the businesses, and the leaders of the community collaborating together to identify the specific problems and solutions needed. From the business perspective, we take the micro-approach by identifying what systematic crime issues plague our locations and the immediate areas surrounding them. We develop solutions that will deter those specific issues, such as installing extra lighting outside the buildings, setting up cameras inside and outside to assist law enforcement by monitoring for suspicious activity, and communicating with our local ward offices to stay abreast of the latest problems afflicting our communities. Since opening Red Apple, the corner is now vibrant with light, cameras are visible inside and out, and the corner is sprawling with activity. Crime around our establishment has decreased, panhandlers are immediately asked to leave the premises, and residents are feeling safer visiting our location. Additional steps that will be taken once liquor is added to our product offerings is to hire professional security. We will create an atmosphere of safety, and an atmosphere that will put anyone on notice that if they fail to abide by the laws of the community, or if they cause a disturbance inside or outside Red Apple, our security will take immediate action and notify local law enforcement. Security drives our businesses and it is because of the trust of the people in the neighborhood that we are able to grow

Concern 6: Why Bulletproof Glass?

As previously mentioned, convenient stores, because they are "convenient," are open 24 hours per industry standards. Because that is common knowledge, no matter what neighborhood they are in, criminals find them prime targets for robberies. At night, business is slower, traffic is significantly less, and sales are down. To that regard, not only do we have a responsibility to our customers, but to our staff as well. Bulletproof glass was incorporated into our business merely as a precautionary step to protect employees while also accommodating the needs of our customers in the middle of the night. While we do not foresee any robberies, that does not mean we let our guard down. It is those locations that do so that are invariably robbed. Therefore we installed bulletproof glass; however, it is only utilized during the late evening/overnight hours to protect our employees from the risk. Doing so is a reflection of our view that safety of our customers, our staff, and our community at large is paramount. Adding liquor to our product offering will not change this store policy. Again, please take note that during the day hours, the glass is ALWAYS opened to allow for one-on-one interactions between our customers and our staff.

Concern 7: Will this be a liquor store?

No, this will not be a liquor store. Our store name brands itself: Red Apple Convenience, operating word, convenience. Convenience stores, like the 7-11 chains, are never associated with being “liquor stores,” but rather “stores that sometimes carry liquor, depending on the neighborhood’s desires.” We engage in the sale of a wide array of convenience store industry standards, and hopeful to include liquor as well.. The addition of liquor will not constitute more than 25% of our sales, maximum. Our industry experience leads us to believe this is the case by virtue of the proportion of the store we will dedicate to liquor. If 90% of your inventory is liquor, there is a high probability most of your sales will be liquor. But when we control the liquor display ratios versus our other products, we will be capping potential liquor sales so to not lose the character as a “convenient store.” We carry a full line of products, from milk, eggs, bread, groceries, household items, sodas, juices, energy drinks, health snacks, sandwiches, coffee, fresh donuts, tobacco, dairy, frozen foods and more, and the space devoted to these items will significantly exceed any space reserved for liquor. The breakdown of the goods we will carry, inventory, and display will be as follows:



Concern 8: Dominicks already sells liquor, so why do we need another source?

Dominicks carries milk, so why do we need another source? Dominick’s carries cigarettes, so why do we need another source? The inquiry seems to suggest that neighborhoods will pick winners and losers, and protect winners from potential competition. This goes against the very grain that built this country, a free enterprise

system. If the source has high pricing, poor service, and a weak product line, does that mean we still pose the same inquiry? Of course not. And if the inquiry is still posed, who determined that the source has met all of these standards we believe all customers of every location deserve? The inquiry is fatally flawed. Despite the flaw, basic economic understanding will tell you that competition spurs those competing to provide customers better service, better pricing, and better product offerings. Monopolies of industries violate anti-trust laws. And monopolies of neighborhoods violate resident's freedom to choose. Despite all of the above, to address the specific Dominick's reference, it is worth noting that Dominick's liquor prices are high, selection limited, and customers have to wait in long lines to make a quick purchase. These conclusions were based upon our own internal studies and feedback from community residents. Therefore, we seek to add liquor sales to our product lines and effectively give the residents of our community more competitive pricing, better selection, and the freedom to choose who they patronize based off of who they deem meets their expectations. We can and will do so, and at the same time, be the "convenient" alternative to Dominick's.

Closing Summary

We hope that we have conveyed the message that Red Apple is no new player. Red Apple's owners have been members of this community, amongst a host of others. The owner's have had great success not by their ability to find ways to scare customers away, but rather by winning customers over one by one. Red Apple fosters relationships with the community, the community leaders, and the local businesses to ensure they stay connected to the needs of the community. It is precisely this outlook that contributes to the evolution of the company, getting better one store at a time, and expanding, one store at a time. Learning the character of the community, identifying the individual needs of our residents, and applying our core principles enables us to "customize" a clean, secure, and well-imaged brand. Adding liquor sales is the effort we are undertaking as a result of this process. Our experience in a "grocery store that also sells liquor" is immensely important in our consideration. This is not a trial by fire experiment. This is an undertaking that is met with confidence, experience, know-how, and the requisite skill sets. Good judgment comes from experience. That we have. As previously mentioned, our location in the Bronzeville district implemented policies and procedures that go above and beyond the concerns addressed, including no sales of malt liquors, fortified wines and high gravity beers. No ordinance says we couldn't sell these items. We decided to because of what we identified as problematic. We also have professional security on the premises, cameras inside and outside, and vibrant lighting. The policies and procedures that are fundamental to that business are also fundamental to Red Apple if liquor is added. We have no intentions to denigrate the integrity of the neighborhood, because we care about the community and our Red Apple brand.. It is our desire to be known as a respectable business and a staple in the neighborhood. Being known for the quality of service we provide and for the professionalism and concern we show for our customers, our neighbors, and our community is paramount. That's why our clientele is a higher caliber.

One of our business mottos is: we can look to the past – we can see and learn from it, but we can't change it. When it comes to the future, we can't see it, but we can influence it. Our experiences in operating successful businesses with strong ties to the communities they serve empower us to have the confidence in adding liquor to Red Apple's product line without fear of the store or community falling into disrepute. The goal is to become a model for other stores, with or without liquor, to look to us and ask, "what are they doing right that we are not?" (including the Dominick's) We hope our message resonates with those reading it, and more so, hope they see the dedication we have to our customers, their in-store experience, the communities we serve. We appreciate the opportunity to present our business plans at greater length, and we welcome any feedback you may have.

Thank you.