

TESTIMONY ON THE FLEA MARKET AT EASTERN MARKET

Overall Economic Activity, Visitation and Businesses Incubated at the Flea Market at Eastern Market

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Introduction

The Eisen Group is a Washington DC-based consulting company that provides architecture, urban design, market and economics, interiors, development strategy and planning services to public and private clients in the DC area and across the country. The firm was founded in 2009, and its principals and staff of fifteen bring decades of experience across multiple disciplines to resolve real estate and design issues and analyze opportunities and proven solutions. Our firm was retained to create a survey format and to analyze the data collected through an on-line survey service to measure economic activities at the Flea Market at Eastern Market by assessing visitation, volume of sales, and business incubation resulting from participation in the Flea Market.

Overall Findings

The Flea Market at Eastern Market has grown over thirty years to generate total sales of \$5 to \$6 million per year, on average, to provide a low cost of entry into consumer sales for hundreds of exhibitors over the years, and has incubated over sixty businesses from operating a vendor space in the Flea Market on Sundays into well over sixty stores and supported dozens of working artists establishing their careers. Flea Market exhibitors have expanded into multi-store regional operations, have painted Presidential Portraits on commission, and have created jobs and economic opportunity for area residents, immigrants and entrepreneurs.

Similar to other formats that offer a vehicle for small business start-ups, the direct and indirect benefits resulting from the local Flea Market's economic activities are often not well documented, or are not standardized in the manner that information is collected and presented. In an effort to understand and summarize selected conventional operating and business implications and economic characteristics of the Flea Market at Eastern Market (and to do so in a format that would be consistent with economic activity measures used for store-based retailers), two recent surveys were conducted – one requesting information from vendor/exhibitors through an anonymous electronic format, and the other by in-person 'intercept' surveys at the site, in order to document consumer and operator information. The first was prepared and conducted by The Eisen Group and the Flea Market management, and the second by WB&A (which conducted the on-site survey) and by Owens Economics (which analyzed the consumer survey results and developed the findings). The consumer-based survey data is analyzed in the testimony presented by Owens Economics; The Eisen Group's testimony addresses the business-oriented information resulting from vendor/exhibitor information collected through our company's survey and analysis of operations at the Flea Market at Eastern Market.

Methodology for the Vendor/Exhibitor Survey

To gather information from current vendor/exhibitors, an on-line survey was prepared by The Eisen Group and distributed to over a hundred twenty exhibitors who

participate in the Flea Market each year. Of those who received the confidential survey, fifty one responded, and forty-six provided sales information. This response rate (approximately 38%) is considered a high penetration rate for a survey of this nature and indicates that the findings are statistically valid. The operating and sales information provided was aggregated by the survey company and the summary results sent to The Eisen Group for analysis in late May 2012. Of the data provided by individual vendors/exhibitors was aggregated by the web-based survey company [Survey Monkey.com] to protect the confidentiality of individuals who responded. A copy of the online survey questions is attached. The purposes of the Exhibitor Survey were to document a series of data points which could be summarized to present the aggregated business and economic activity generated by the Flea Market at Eastern Market to the District government and to individual operators, and to present summary data regarding gross sales and other business-related activities provided by the Flea Market.

Visitation Counts at the Flea Market

In addition to the exhibitor survey, visitation at the flea market was measured. Because the Flea Market is a free (no admission) activity, establishing a seasonally adjusted average weekly attendance total was a critical first step in being able to compare several economic projections between the consumer and exhibitor revenue findings. In the analysis of any type of attraction, it is best to plan for Average Peak attendance, as opposed to using either the Peak Peak (highest volume days, resulting in over planning average volumes) or the lowest attendance days (resulting in underplanning for average volumes). Because the Flea Market at Eastern Market is held in an open space with only one entrance, it was possible to measure the attendance on what can be considered Peak Peak days during May, 2012 (good weather, not a peak DC area vacation time, such as August, but including local and area residents and some tourist visitors). The entrance counts for these days totaled approximately 11,000 persons over the Sunday operating hours, but excluded exhibitors entering and re-entering the Market area, as they were known to the counters. The “click count” methodology is widely used by museums and other attractions that do not charge an entry fee (such as the Smithsonian Institution in Washington, DC and others). For purposes of the analysis of exhibitor data provided, the Peak Peak volumes were then adjusted down to better reflect attendance in other months. May, June and July are considered the Peak Peak months, while April and September through December (during which Flea Market attendance increases due to holiday gift shopping) are more typical average attendance months. Post-holiday season from January through March are the months with the lowest average attendance at the Flea Market at Eastern Market and include fewer exhibitors as well. It is noted, however, that the average expenditure per purchase does not change much despite the lower consumer volumes, as the Flea Market shopper during this period (worse weather, etc.) is a more motivated shopper.

Economic Activity Findings

The table on the following page (Table 1: Estimated Total Annual Visitors and Sales) was developed to compare estimated sales for all of Eastern Market (outside the Food Hall, along 7th Street and at the Flea Market at Eastern Market) against information provided by exhibitors. This analysis utilized estimated annual attendance patterns and comparison with stated expenditures by consumers according to the Consumer Survey. By comparing sales and attendance volumes reported in the two surveys, it was possible to analyze the rationale for the reported sales numbers, both as a measure of known Flea Market at Eastern Market data and as a cross-check of reported expenditures against average spending per transaction.

Table 1: Estimated Total Annual Visitors & Sales

Month	Avg # of Visitors per Sunday	% of Peak Month (May)	Sundays per Month (2012 Calendar)	Total Visitors per Month
January	5,500	50.0%	5	27,500
February	5,500	50.0%	4	22,000
March	5,500	50.0%	4	22,000
April	8,250	75.0%	5	41,250
May	11,000		4	44,000
June	11,000	100.0%	4	44,000
July	11,000	100.0%	5	55,000
August	7,333	66.7%	5	36,667
September	8,250	75.0%	4	33,000
October	8,250	75.0%	4	33,000
November	8,250	75.0%	4	33,000
December	8,250	75.0%	5	41,250
Total/Average Annual	8,164	74.2%	53	432,667

Total Annual Sales Estimate

Total Individual Visitors	432,667
Average Group Size	2.17
Total Annual Visitor Groups	199,386
Average Spend per Group	\$50.00
Total Annual Sales	\$9,969,300

Flea Market Share of Total Annual Sales

Average Annual Vendor Participation - 7th Street (# of booths)	100
% of Total Participation	50.0%
Average Annual Vendor Participation - Flea Market (# of booths)	100
% of Total Participation	50.0%
Total Participation	200
Average Annual Sales per Eastern Market Complex Vendor	\$49,847
Adjustment for Flea Market Vendors	1.20
Average Annual Sales per Flea Market Vendor	\$59,816

Total Annual Flea Market Vendor Sales	\$5,981,580
Implied Total Annual 7th Street Vendor Sales <i>per Vendor</i>	\$3,987,720 \$39,877

It should be noted that there are no comprehensive data to document exact attendance totals per day, per month or per year, nor has this type of information been collected over multiple years. Other factors can also determine sales volumes at the FMEM: annual weather conditions can affect Market volumes (for example the unusually mild winter of 2011–2012 was said to have increased typical winter Flea Market at Eastern Market consumer volumes, while years in which winter weather was less mild (such as the winter of 2010, which brought significantly greater snowfalls and volumes than the following year). The general economic conditions in the Washington DC area also influence sales; retail spending and average transaction size at the Flea Market has decreased since the economic downturn in 2008. Absent continuing hard data on attendance levels at the Flea Market at Eastern Market, it was necessary to develop an analytical approach that would reflect reasonable conditions, parameters and findings.

While total annual projections and estimates are affected by many variables, as a general characteristic the estimates used in the methodology illustrated in Table 1 may be considered to be conservative, rather than aggressive. Combined survey data was applied against the projected average annual attendance levels by month and monthly totals included the following additional variables:

1. Annual projected attendance totals resulted from the distribution of documented Peak Peak attendance days in May, 2012. The Peak Peak average attendance volumes were then discounted to reflect the attendance volume characteristics of other months. Criteria such as past shifts in attendance volumes over the year were applied to determine the appropriate proportion of Peak Peak attendance that was applied to the other months.
2. Using these criteria, annual attendance volume (for the Flea Market at Eastern Market) totaled almost 433,000 persons per year. The slowest months were January through March with 22,000 to 27,500 Flea Market visitors per month (depending on the number of Sundays, and due to the increased number of Sundays in July this year, that month is projected to have a volume of 55,000. In all cases, the monthly totals were based on average attendance per Sunday that changed according to other external conditions and the assigned percentages used for the discount rate on Peak Peak attendance.
3. The average number of visitors per Sunday is 8,164 persons, and the annual total visitation is projected to be 432,667 persons.
4. To determine a reasonable basis for projected sales per month and per year, the visitation amounts per month were multiplied against the reported expenditures per visitor group in the Consumer Survey (average group size was just over 2 persons per group, or 2.17). When attendance was calculated as total number of groups, there would be just under 200,000 groups of visitors in 2012.

5. Not every visitor or group of visitors actually makes a purchase while visiting the Flea Market at Eastern Market. The reported 'spend' (that is, the amount of money actually spent for the average purchase at the Flea Market) was about \$70 per transaction. This suggests that in addition to actual spenders, there are many browsers or walk-through visitors included in the attendance totals. It should be noted that there are also many Flea Market visitors who come multiple times over the year, but may make a purchase after seeing and contemplating buying a product after several visits. The average amount spent per transaction is both a reflection of reported sales transactional averages in the Vendor/Exhibitor survey data, as well as anecdotal reporting by Flea Market exhibitors. The amount of the actual spend is also affected by the overall quality of goods offered and the average price points among multiple vendors. It was observed that the average price level of goods sold by vendor/exhibitors in the 7th Street stalls is about 20% lower than the average pricing of goods within the Flea Market at Eastern Market.
6. The overall area allocated to the Flea Market at Eastern Market can hold up to 150 vendor stalls, although exhibitors selling larger objects such as furniture and garden accessories may lease 2 or 3 stalls to have enough space to present larger items. Within the 150 potential stalls, a typical Sunday includes an average of about 100 vendor/exhibitors. This average also accounts for the lower number of vendors in the winter months. It should be noted that this total represents a critical mass of vendor/exhibitors that sustain shopper traffic and sales year-round. Review of smaller Flea Markets indicates that a significantly reduced number of exhibitors would diminish both traffic and annual sales volume.
7. The vendors along 7th Street are not included in the totals for the Flea Market at Eastern Market; the 7th Street canopy and other spaces can hold about 100 additional vendor/exhibitors, but average participation in the 7th Street NE is about 80 vendors per week (again, taking into account the differences between peak exhibitor/vendor participation months and the slower Winter season, when fewer 7th Street NE vendors participate).
8. To avoid over-counting vendor participation (both in the Flea Market and the 7th Street NE vendors), the potential participation levels for both were then discounted by 50%, meaning that typical exhibitor/vendor participation for both the Flea Market and the 7th Street NE market average participation of about 200 vendors per Sunday.
9. Average Sales per Vendor at the entire Eastern Market Complex total almost \$50,000 per year (including both 7th Street NE and the Flea Market). This also reflects adjustments for typical exhibitor/vendor participation levels, as there

are more than 120 participating Flea Market vendors, and some do not exhibit for every available Sunday over the year).

10. The average annual sales volume per exhibitor/vendor across all of Eastern Market has also been adjusted upward by 20% to reflect the higher average transaction size/price point levels for Flea Market vendor/exhibitors.

Total Annual Sales

Using this methodology and supporting facts taken from the Consumer and Exhibitor Surveys, total average annual sales for the Flea Market at Eastern Market **ALONE total between \$5,000,000 and \$6,000,000 per year**, with sales in 2012 estimated at about \$5.99 million for the Flea Market . The remaining total annual sales for the 7th Street exhibitors/vendors would total almost \$4 million in 2012 (\$3.99M), or about \$40,000 per vendor per year. Both sales totals can be considered conservative, and may be larger.

Business Incubation at the Flea Market at Eastern Market

The FMEM has also compiled data from a number of former vendors who started their businesses at the Flea Market and succeeded well enough to ‘graduate’ to full retail operations in permanent stores. Based on this data, the following small business starts-to-sticks and bricks stores information can be concluded:

- From the early years of the FMEM (1982 and 1983) through mid-2012, at least 62 businesses have started at the Flea Market and grown into permanent retail locations, almost all as independent retailers, and several as successful suppliers whose products are now commissioned or sold at major retail stores such as Barney’s New York, Betsy Fisher, Nordstrom Department Stores or other retailers.
- Of the 62 reporting businesses, 12 of the “incubated” businesses have grown into multiple store operations, with branches in DC, MD, VA, PA, NY, FL and CA. The average business operating tenure of these 12 companies since growing beyond the Flea Market is over 14 years
- The average tenure at FMEM for businesses who “incubated” at the Flea Market and evolved into their own retail businesses is almost eight years (7.8 years in total); the new businesses that grew out of the FMEM have sustained operations for an average of almost 10 years since growing beyond the Flea Market, including 12 operations that have grown into multiple store locations

- The greater majority of incubator businesses that began at the Flea Market at Eastern Market have remained in DC. Of the 62 reported incubator businesses , **FORTY** (66%) remained in the District of Columbia, **TEN** (16%) relocated/expanded to Virginia, **FOURTEEN** (23%) expanded/ relocated/expanded into Virginia, and **EIGHT** (13%) expanded/relocated into other states (West Virginia, Pennsylvania, New York, Georgia, Florida and California. The impact of the incubator businesses is strongest in DC and reaches far beyond the immediate states around the District.

The incubated businesses have performed strongly beyond operating in the Flea Market: almost 84% are still in operation after many years of operations. Of those businesses reported, the average number of operating years per business after opening is 8.8 years, with the longest operating for 23 years after beginning at the Flea Market. This suggests that the growth and sustainability of incubated businesses is stronger than typical retail operations. the Flea Market at Eastern Market has continuously played a critical role in the origination and sustainability (at very low costs) of dozens of new retail and service businesses for the District of Columbia and the surrounding region. The Flea Market has provided the opportunity for vendor/ exhibitor start-ups to establish full scale businesses, gain valuable sales experience and introduce products to the DC area consumer market, all at very low costs of entry. In addition to the business incubation results, at least 15 successful working artists, whose works are represented at galleries, have won major recognition and awards, and include Presidential Portrait commissions have begun at the Flea Market at Eastern Market. This cultural richness continues to support these and other artists who initially needed public exposure and income to support their work, another critical role played by the Flea Market at Eastern Market.

Table 2. Business Incubator Results: Flea Market at Eastern Market							
No	Category	Number of Years @ the FMEM	Year Outside Businesses Established	Business Still Open?	Number of Years Operating as Outside Business	Current Status	Location of Business
1	Antiques	8	2002	Y	11	Store in Berkely Springs	W VA
2	Imported Furnishing	4	1987	Y	26	Multiple stores	MD
3	Leather, accessories	12	1990	N	23	Mall kiosk business (multiple locations), cl	DC,VA
4	Vintage Apparel	12	1995	Y	18	Multiple stores	DC
5	Imported clothing	11	1990	Y	23	Store in neighborhood district	MD
6	Rugs, home décor	9	1995	Y	18	Capitol Hill store	DC
7	Vintage Apparel	4	1994	Y	19	Multiple stores	MD
8	Artist	22	N/A	Y	N/A	Commissions, DC Gallery, awards	DC
9	Silver Jewelry	3	1994	Y	19	Regional chain in airports, malls	DC, NY, PA, VA, MD, FL
10	Artist	6	1997	Y	16	Working artist, closed gallery 2007	DC
11	Dollmaker	3	1992	Y	21	Supplier to FAO Schwarz, others	DC
12	Hats and accessories	4	1996	Y	15	Supplier to multiple fashion stores	DC, NY
13	Vintage Apparel	4	1994	N	13	Georgetown store, closed 2007	DC
14	Artist	8	N/A	Y	N/A	Presidential portraits, other commissions	DC, MD
15	Sports Apparel	11	2002	Y	10	Capitol Hill store	DC
16	Artist	12	1996	Y	17	DC, CA galleries,commissions, awards	DC, CA
17	Mugs	1	1994	Y	19	Multiple stores in commercial district and	MD, VA
18	Artist	2	1994	Y	19	Working artist, commissions. Gallery & Age	DC
19	Apparel	3	1995	Y	18	Downtown DC store closed 2006	DC
20	Hat Designer, Millen	4	1992	Y	21	Supplier to Barney's, Nordstrom, Betsy Fish	CA
21	Imported Home Déco	4	1998	Y	17	Vending business	DC
22	Imported Houseware	10	2003	Y	10	Dupont Circle store	DC
23	Artist	15	1993	Y	20	Downtown DC gallery	DC
24	Artist	15	N/A	Y	N/A	Working artist, commissions, gallery, awar	DC
25	Pet Supply	2	1995	N	16	Capitol Hill store, closed in 2011	DC
26	Artist	5	N/A	Y	N/A	Working artist, commissions, gallery	MD
27	Artist	6	N/A	Y	N/A	Working artist, commissions, gallery repre	MD, GA
28	Artist	18	N/A	Y	N/A	Working artist, commissions, gallery repre	DC, NY
29	Used Furniture	2	1997	Y	16	Capitol Hill business	DC
30	Artist/Sculptor	1	1996	Y	17	Working artist, commissions, representatio	DC

31	Artist	2+3	1997-1998 2001-2004	Y	N/A	Working artist, commissions, gallery repre	DC
32	Imported Crafts	8	2005	Y	8	Adams-Morgan store	DC
33	Gallery and Imports	8	2005	Y	8	Northern VA store	VA
34	Antiques	15	2005	Y	8	DC store	DC
35	Artist	15	N/A	Y	N/A	Working artist, commissions, gallery repre	DC
36	Glass Gallery	4	2002	N	7	Business closed in 2008	MD
37	Art and Jewelry Galle	11	2007	N	3	Annapolis store closed 2009	MD
38	Artist	15	N/A	Y	N/A	Working artist, commissions, gallery repre	DC
39	Vintage Kitchenware	15	2000	Y	13	Multiple store locations	MD
40	Imported Crafts	3	2001	N	9	DC store closed 2010	DC
41	Art & Accessories Im	6	2005	N	4	Capitol Hill gallery, closed 2008	DC
42	Apparel & Accessorie	13	2000	Y	12	Multiple store locations	MD
43	Artist	13	N/A	Y	N/A	Working artist, commissions, gallery repre	VA
44	Rugs, home décor	3	2003	Y	9	Northern VA store	VA
45	Imported Home Deco	5	2005	Y	8	Union Station store	DC
46	Imported Apparel &	10	2010	Y	3	Northern VA store	VA
47	Photographer	12	2003	Y	10	Northern VA business	VA
48	Estate Liquidators	12	2005	Y	8	Capitol Hill business	DC
49	Imported Antiques	12	2002	Y	5	Capitol Hill store closed in 2006, still at FM	DC
50	Artist	3	2003	Y	10	Working artist, commissions, awards	MD
51	Antiques	6	2006	Y	6	Silver Spring store	MD
52	Mirrors	9	2009	N	4	Northern VA store, closed this year	VA
53	Imported Antiques	8	2005	N	6	Silver Spring store closed 2010, still at FM	DC
54	Architectural Antiqu	10	2002	Y	10	Multiple store locations	DC, NY, PA, CA
55	Perfumes, Oils, Craft	1	2003	N	3	Capitol Hill store, closed in 2010	DC
56	Home Furnishings	3	2005	Y	8	Northern VA store, Potomac Mills	VA, MD
57	Imported Arts and C	10	2006	Y	7	Silver Spring store, still at FMEM	DC, MD
58	Vintage Apparel	9	2011	Y	2	Columbia Heights store, still at FMEM	DC
59	Jewelry	8	2011	Y	2	Adams Morgan store, still at FMEM	DC
60	Vintage Apparel	8	2011	Y	2	Columbia Heights store, still at FMEM	DC
61	Imported Arts and C	2	2007	Y	6	Adams Morgan store	DC
62	Leather Belt Designe	6	2010	Y	3	Multiple New York, DC area locations, still	DC, NY
		484			606		
		7.81			9.774		