

Building on a long tradition of five and dime stores, Mike Collins and his team knew how to take this chain to the top.



When Woolworths announced it would be closing its US locations, a group in Santa Fe decided to do something about it. Earl Potter, his wife Deborah, and Mike Collins, manager of the Santa Fe Woolworth's location, sold the idea of a new kind of something-for-everyone store to a group of investors. Thus, the first Five and Dime General Store opened on the plaza in downtown Santa Fe, preserving a tradition of serving locals and tourists for nearly 80 years.

Since that opening, Five and Dime General Store, which operates under UTBW (Used to Be Woolworths), LLC, has grown to four locations and has increased its profit margin every year. Even in this recession, managing partner Mike Collins said the company expects an 8% increase. Five and Dime's newest store opened in 2007 and is the company's second location in San Antonio. The first underwent an expansion last fall. In the next year or so, Collins aims to open a store in downtown Las Vegas and on the California Coast.

"We're not recognized as a main player yet; more like a link than a chain," said Collins. "Our goal to overcome that is to open a few more locations, reaching out into the rest of the western half of the country." He added that the company chose locations very carefully, applying a strict criteria to each potential spot: it must have high pedestrian tourist traffic, preferably within walking distance of a certain number of hotel rooms but not near other generic merchandise stores like Walgreens.

That clear growth strategy is one part of Five and Dime's successful equation. Collins said the most challenging part of his job to date was convincing the company's original investors this concept could turn a profit where Woolworth's had failed, especially since he was dealing with a store that was one-fourth of the size and had dramatically more expensive rent.

"The key is our merchandise mix," Collins said, explaining that Woolworth's had never capitalized on the souvenir market and had instead devoted space to items like bicycles or bedding, items that few people turn to a neighborhood knick-knack store for. "We focus on the big guns: health and beauty aids, over the counter medication, snacks and beverages, and stationary items," he said. Where Woolworths made 70% of its volume with 20% of its products, Five and Dime's ratios are much tighter.

The recession has changed things a bit. Collins said it has been challenging to keep rising costs from impacting prices, and a hike in the minimum wage in Santa Fe to nearly \$10.00 hour hasn't helped.

However, despite these rising costs, the store was able to increase its margin in 2008 by promoting the higher grossing merchandise, such as T-shirts and sunglasses.

“We are not recession proof, but we have a greater chance of maintaining profitability in times like these because we carry a lot of necessities,” he said. “And we don’t have any direct competition because we have something for everyone, no matter what they need.”

The cost of minimum wage is something no retail business can control, but Collins said Five and Dime works to make good use of its work hours and only hire high-quality workers. Many of the associates and managers have worked for the company since the beginning, and some worked with Collins at Woolworths.



### **A venerable tradition**

The old Woolworths held a lot of sentimental value for the residents of Santa Fe, a city that hosts hundreds of thousands of tourists each year and is, in the opinion of many, overrun with art galleries and luxury shops. Woolworths originally opened on the plaza in 1930 and was a reminder of the past to many who were grateful that Collins and his partners worked to maintain the same look and feel. Even some of the fixtures in the Five and Dime are the same.

Opening the first store required a lot of work. First, the team needed to negotiate with the owners of the rest of the building to build a dividing wall. Once that was finished, Collins said they realized their space didn’t have an opening to the street, and out came the sledgehammers. Finally, they needed to modernize the building, adding such necessities as a sprinkler system.

Perhaps the most important tradition the group protected for the future is the Frito Pie, a local delicacy made of beef chili, Frito chips, and cheese. The pie was invented by a Woolworths’ employee and has become an institution in the city. Collins said the company gets as much publicity for the Frito Pie as it does for its success.

One thing that makes Five and Dime different from other established retail companies like Woolworths is the autonomy each manager is allowed over his or her store. Managers are encouraged to bring local products they think they can sell to their store shelves, and if their store’s profit increases based on their initiatives, they receive a monetary bonus.

“We have a great balance between a big-company vision with long-term goals for growth and small-town common sense that keeps us grounded in our communities,” concluded Collins.