

Retail Revitalization and Recruitment: Action Programs for Downtown

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Introduction

It's hard to imagine a more important aspect to urban and town life than retailing: from food and beverage offerings, to personal services, to entertainment and culture — retailing creates the places where people both meet and get their needs met. While larger towns and cities have more people employed in offices or light manufacturing than retailing, retailing is what gives a city its character. And retailing is what local people, visitors, and investors judge the city's core by, declaring it either “vital” or “dead”. So beyond paying and generating taxes, creating employment, and serving shoppers, retailing is the face and heart of your community. Investors, office locators, residents, convention organizers, tourists, and shoppers all make their spending decisions based on how alluring a downtown retail area is. Think about it: Is it more fun to visit downtown San Francisco or Dallas? Would you rather work in Manhattan or Newark, New Jersey? Will your investment be more rewarding in Atlanta or Buffalo? Is shopping more fun in Downtown Chicago or Downtown Los Angeles? The economic and social spin-offs from a vibrant downtown retail scene are key to life of a city and its citizens.

But the role that downtown cores play in cities and towns is under new pressure. Department stores continue to decline. Office space demand is moderate. There is no market for mega or large development projects.

As a result, retail recruitment has become increasingly more challenging for private leasing companies and individuals, as well as public agencies. The retail marketplace has gone from the turmoil of the nineties to the current hyper-competitive situation.

Many downtown cores are experiencing slow growth and some are saddled with inventories of vacant office and retail space. On the up side, this has helped the shopping center industry reach maturity and forced developers to lose some of their arrogance. They're much more aggressive on leasing deals now, have opened their “power centers,” and will take tenants whom they would not have considered previously.

To help downtown managers and planners deal with these shifts in the retail landscape, the approach to revitalization itself needs an update. A fresh, professional approach that takes into account the multitude of forces that determine your urban core's future.

With this book Urban Marketing Collaborative hopes to present you with the crucial information and tools you need for a successful revitalization and recruitment action program.

Understanding Retailing

Retailing is a very special industry. Because we all experience it on almost a daily basis, it is easy to assume that the shopping environment “just happens” and that opening and managing stores is a simple business. Nobody reflected this attitude better than Canadian shopping center developer Robert Campeau, when he said as he took over the leveraged buy-out reins of Federated and May Companies, “I know about retailing. I shop.” Campeau filed Chapter 11 shortly after.

As a guide to helping you make wise decisions about retailing in your city or town, here are some basic principles of retailing:

100% Customer Driven

Retailing is a direct mirror of society, the market segments in the trade area, and particularly the residents in the trade area. With the exception of a handful of large cities with huge office and visitor populations, the downtown retail mix is determined by the character of the immediate and nearby residential and office population (i.e. clerical and mid-management). When a downtown tries to force high-end retailing into its core with no up-market residential in it or nearby, the plan is bound to fail. For example, downtown Cleveland’s Tower City, with no up-market residents within five miles, opened to great fanfare, but lost all its high-end retailers in five years. One downtown BID insisted that we approach Nordstrom and Saks to locate there. They ignored the fact that while the BID’s retail committee members’ incomes were in the ± \$120,000 range, the average family income in the immediate residential trade area was \$27,000 – just a tad short of Nordstrom’s and Saks’ desired

income range of plus \$100,000! So no phone call to the Real Estate V.P.s was made. Obviously, a thorough understanding of your market is critical to success.

Retailing follows and serves a market. Retailing does not lead or go in first. Why? Because the economics of operating a store or service are so fragile (just a 2-7% profit is typical) that anything less than a steady, robust demand and flow of shoppers will put a retailer under. This is why locating just one-half block off a main street, or expecting stores to pioneer in locations will not work.

Hyper-competitive

Retail competition comes from a wide range of competitors. Not only do suburban malls pose direct challenges, but there are also new formats such as big box category killers like Circuit City, Toys R Us, and Wal-Mart, not to mention lifestyle centers along with the non-store based channels of catalogues and Web-bases. So remember, retailing is a challenging business. Its challenge is to serve even more demanding consumers (like you) in an over-stored hyper-competitive environment. But by finding the right opportunities and niches, your downtown retail can flourish and add to your city’s vitality.

Retailing is in a state of constant flux. If it’s not, then it’s in trouble. This change happens by the hour, day, month, and year. So ensure that change is facilitated in as many ways as possible, such as convenient hours, sufficient service, sidewalk cafes, visible policing, flexible and friendly zoning, required parking, transit, and a residential base in downtown.

The Basics in Place

Retailing success requires that the basics be in place. By the basics, we mean a vibrant street scene with pedestrian traffic (at 500 to 1,000 per hour at peak shopping times in large cities), +95% occupancy, and use in the evenings and weekends. For this to happen, here's what you need:

* *Must Have:*

- residential population that will walk the streets from 7:00 a.m. to 11:00 p.m.;
- a safe feeling (which will exist with a lot of street traffic);
- destination retail nodes or districts that do not exist in the suburbs or nearby towns;
- a significant office population.

* *Nice to Have:*

- a tourist industry with hotels, restaurants, convention center;
- universities and colleges;
- another industry center like health, courts, or government sectors;
- ample parking;
- great road and transit structure.

* *Good to Have if You Can Get Them:*

- cultural institutions (Varying attendance and nighttime performances help restaurants, but not stores.)

* *Highly Overrated:*

- sports stadiums and ballparks. (You cannot build a retail business on sporadic attendance and people in a non-shopping mode.)

So timing is the critical issue in tackling retail revitalization. **And key to this is having retail retention and recruitment programs in place so that early discussions build logically towards the goals, and problems do not arise later on.**

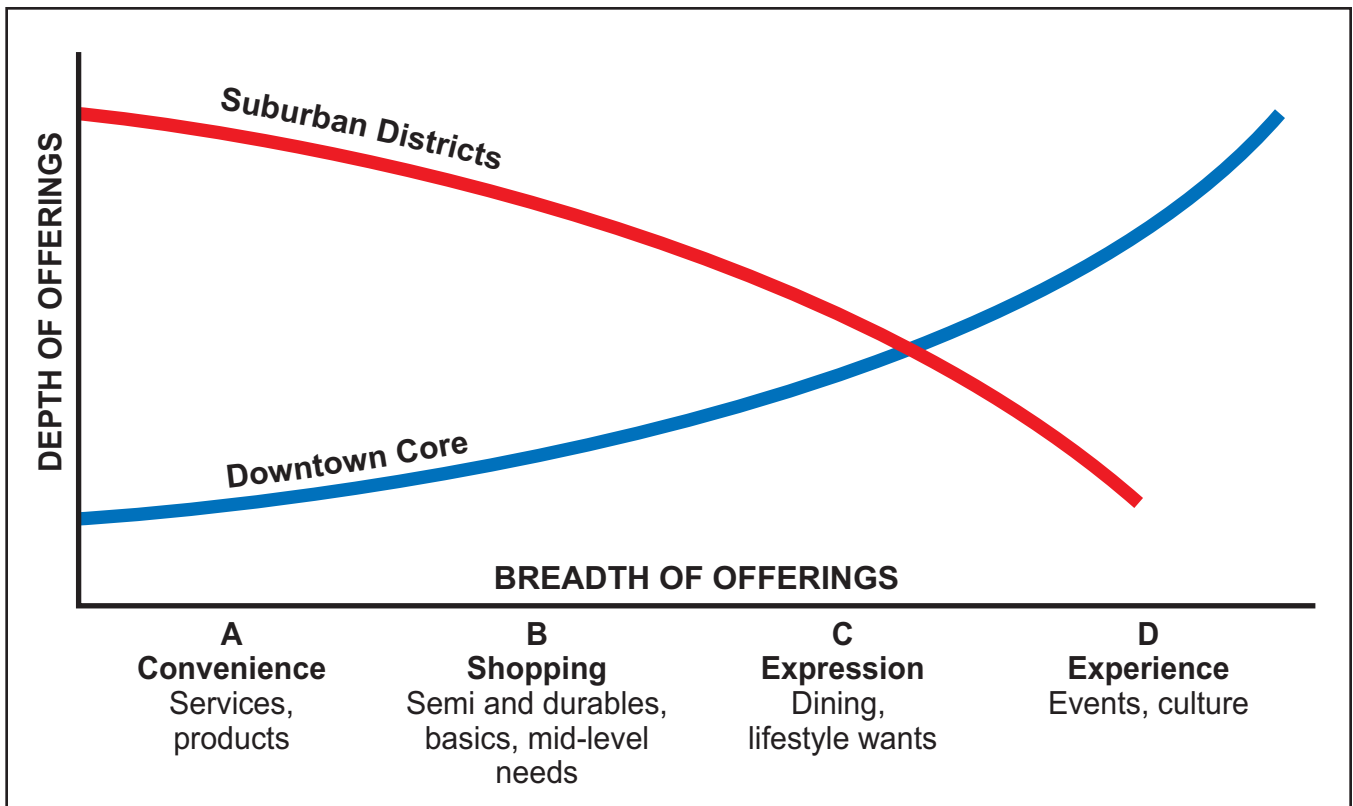
Retailing is obviously very visible. You can have an office building virtually vacant and people would not know about it. Yet when one or two stores or a department store close, the media's reaction can be negatively out of proportion.

Thinking About Retailing in Your Downtown

In the diagram below, the horizontal axis suggests that retail offerings can be viewed as serving a wide variety of needs, from must-have basics to nice-to-have experiences. The vertical axis indicates the area's depth of products offered. Downtowns usually offers less in service products and much more in culture than the suburbs. Ask yourself where your city is in relationship to the depth and variety of retail offerings as portrayed by the two shopping lines? Where are there opportunities for building unique strengths?

You also need to think about where retailing in your city core will be positioned strategically and practically. Remember, it must have a full range of (A) Convenience personal services and

products (i.e. banking, beauty and hair, magazines, fast food) to serve the basic needs of the working population. But these alone will not pull in the crowds. Shopping products (B) such as replacement hosiery, shirts, accessories, books, office products, and cafés must be offered. Here again these are needed downtown, but the suburbs will have far more breadth and depth of offerings, just as they will for (C) Expression merchandise. This range comprises apparel, footwear, and home accessories and furnishings that are in the malls and power centers. But for many cities, the balance shifts (or should shift) in favor of downtowns when (D) Experiences are offered. These can range from places to hang out (Denver's 16 Street Mall), to New Orleans' French Quarter, to created environments such as Chicago's Navy Pier or San Diego's Horton Plaza.



Creative Planning

Using this chart, downtown managers can think of what to focus on and what not to waste resources on for hip urban districts, such as Philadelphia's South Street and Denver's LoDo. (For instance, *not* trying to compete with the suburbs on basic shopping products, but rather focusing on the opportunities like restaurants and art galleries).

Successful retailing requires creative thinking. Trying to replace what "went dark" with another store selling the same old stuff will not work.

What will work is preparing a strategy and action plan that will meet the **key economic goal of turning shopping outflow into inflow**, so that more people will come downtown to use your city's core than will leave it to spend dollars and time elsewhere. This can only be done by **creating a total retail experience that is both right for your city and your target market - one that is wanted, unique, and superior!**

A new awareness means understanding that:

- downtown plays an important function in the region and community, but it should have its own unique character;

- a specialty niche for downtown must be developed;
- reuse and rehab of buildings should come before new buildings;
- culture, health care, education and social agencies are important future users of downtown space;
- entertainment and tourism facilities can support retail by providing customer traffic;
- government offices will also support downtown service businesses as well as office facilities;
- cities and downtowns must embrace the experience economy.

Each downtown must reflect and serve the unique characteristics of the local community. For example, Rodeo Drive in Beverly Hills, Bloor Street in Toronto, The Alleys in Los Angeles' Downtown Garment District, and discount warehouses in Freeport, Maine all fit well within their local communities.

To begin the process of developing an appropriate and competitive retail base, you must have a pretty clear picture of how you want your downtown to look in the end.

The changing retail scene is being driven by many dynamic forces:

PRO

- Good long term economic outlook
- Boomer-echo family formations
- Continued need for retail expansion
- Discovery of downtowns
- Decline in importance of mall shopping
- Increased interest in sophisticated experience
- Professional management, BIDs

CON

- Boomers maturing, spending less
- Declining interest in fashion
- High consumer debt
- Lack of time to shop
- New retail formats/channels

The Process

