


Welcome to Retailopolis



**'Hyper Developments' pose challenge
to retailers both small and not-so**

Now there's a Target, Best Buy, Kohl's, Wal*Mart... plus you name it... all together, spread out across hundreds of acres of real estate that may once have been farmland not too far outside town. Why would anyone need to go downtown, to a strip center or even to the mall anymore? Yes, the retail landscape has changed dramatically. Art and framing retailers both small and large would do well to be aware of this, um, development in order to stay competitive.

By JAN NIEHAUS

On the perimeter of every metropolitan area, major and mid-market alike, mega shopping centers are sprouting like soybeans in spring. Also called power centers, big-box plazas, lifestyle centers and in-line malls, these massive retail developments follow residential expansion, bringing groupings of familiar big boxes to freshly populated areas: Wal*Mart; Target; Costco; OfficeMax; Home Depot; Lowe's; HomeGoods; Borders; Best Buy; Circuit City; Ultimate Electronics; Toys "R" Us; Marshalls, Michael's; Restoration Hardware; World Market; EXPO; Linens-N-Things; Bed, Bath & Beyond; and more.

Big, Big Business...

In 2002, U.S. shopping centers generated sales of \$1.23 trillion—half of all retail sales in the nation, excluding auto dealerships and gas stations. Plus, they collected \$53.1 billion in state sales tax and employed 10.7 million people. Each month in 2002, 201 million adults visited one or more of the 46,336 U.S. shopping centers. Note that this visitor total does not include the millions of adolescents “hanging” at centers’ skating rinks, racetracks, climbing walls, multiplex movie theaters and other entertainment venues.

California, Florida and Texas lead the pack: These three states together account for 27.3 percent of the nation’s total gross leasable square footage in shopping centers.

...and Growing Bigger

We are most definitely a nation of consumers. The number of shopping centers, square footage, acreage occupied and revenues generated all continue to expand, despite a less-than-robust economy the past few years. International Council of Shopping Centers (ICSC) projections for 2003 to 2005 anticipate the construction of 19 additional “large” shopping centers, with “large” meaning 690,000 to 1.6 million square feet.

Are these numbers underreported?

In St. Louis alone (metropolitan population of 2.6 million), close to 7 million square feet of space was added in the past year or so, in just eight new or expanded shopping centers—all but one on the metro rim. In addition to retail, two of the developments include space for office and light industrial tenants.

Not Your Mother’s Mall

The 1.1 million-square-foot St. Louis Mills, which describes itself as a “value shopping and entertainment destination,” includes in its range of attractions an NHL-regulation-size ice skating rink available for public skating, figure skating competitions, youth hockey leagues, skating clinics and rink-side viewing of St. Louis Blues hockey team practice sessions. The Mills’ NASCAR SpeedPark offers indoor racing in electric cars and an outdoor track for racing gas-

powered carts.

Additional entertainment at the Mills includes children’s rides, miniature golf, bumper boats, a climbing wall, soft play area, laser tag, banquet area and state-of-the-art arcade games. As if that weren’t enough to keep the whole family happily occupied for an entire weekend, the Mills also boasts a 40,000-square-foot indoor ESPN X Games Skatepark with facilities for skateboarding, bicycle motocross and in-line skating.

“Shopping centers have become an integral part of the economic and social fabric of their communities,” concludes the ICSC website.

Outlet and big-box developments dovetail perfectly with suburban lifestyles today. Offering everything a family might possibly need in a single location, these giant shopping centers accommodate families’ jam-packed schedules. Situated close to interstate interchanges, with ample parking, they are consummately convenient in communities where travel by automobile from home to school to work to recreation and shopping is a way of life.

The annual investors guide “Emerging Trends in Real Estate 2003,” produced each year by Pricewaterhouse Coopers and Lend Lease Real Estate Investments Inc., quoted one research participant: “It seems Americans were put on earth to do one thing—shop—and they’ve been doing it no matter what.”

Small But Vocal Opposition

One of the strengths of our democratic society is the freedom to step outside the throng, harken to one’s own personal drummer and freely express minority opinions. Just do a Google search on “big box” and “listen” to thousands of Americans protesting the big-box proliferation.

In fact, some communities have outlawed the construction of new big boxes. In San Diego, for example, the City Council is considering a proposed ordinance targeted specifically at Wal-Mart Supercenters that would prohibit the construction of discount retail stores that exceed 130,000 square feet, stock over 30,000 items and generate more than 10 percent gross sales from groceries or other non-taxable items.

Shopping centers have become an integral part
of the economic and social fabric of their communities.

—ICSC website





Objections to Wal*Mart and other big boxes include price competition that drives smaller retailers out of business, lower wages and part-time schedules for store employees, fewer product lines and limited choices, lower property tax and sales revenues than projected, a uniformity of design that tends to ignore the character of the surrounding community, vehicular congestion and resulting compromised air quality, the heat island effect and resulting air pollution created by large-footprint buildings and large parking lots and soil contamination from parking lot run-off, to name the biggies.

Trends Come and Trends Go

Authors of the "Emerging Trends in Real Estate" annual guides advise against investing in big boxes and power centers. From their 2002 report: "America is overstored—too many formats cannibalize each other. ... Dead and dying malls litter the nation's suburbs. Most power centers are risky propositions."

In the same 2003 report: "Of the 1,200 regional malls operating today, 250 will 'cease to exist' in coming years," says a top mall executive. And "the most over-retailed country in the world hardly needs more shopping outlets of any kind."

One public policy and research organization in Wisconsin has identified more than 3,000 empty Wal*Marts dotting the national landscape. Big-box retailers reportedly vacate existing stores and build anew when demographic shifts promise higher volumes. It is estimated that one-half billion square feet of U.S. retail space—10 percent of the 5 billion total—sits vacant.

The Congress for a New Urbanism (CNU), U.S. Green Building Council and scores of other governmental, civic and environmental organizations are actively promoting the redevelopment of abandoned retail property into mixed-use retail, commercial and residential communities. CNU's 2002 book "Greyfields into Goldfields: Dead Malls Become Living Neighborhoods" presents economic and demographic considerations and design strategies.

But while we're waiting for the next big trend to catch on...

Capitalizing on Consumer Education

Competing with big boxes has been tough for smaller

retailers, even fatal, as evidenced by the demise nationwide of independent bookstores, pharmacies, hardware stores, jewelers, neighborhood grocers, office supply stores, florists—and frameshops.

However, in some of the more fashion-sensitive sectors, the enormous influence of big boxes, via their huge advertising budgets, has proved beneficial to retailers large and small.

"Smaller shops and designers can't afford to advertise, but the big boxes do," said Minneapolis interior designer Larry Kerchner of LEK Design Group Inc. "The big boxes are giving the home exposure. There's a great deal of awareness out there. What got people to this point are the big boxes."

Cases in point: Michael Graves, designing for Target, has brought good taste to the masses; Kmart's Martha

Stewart has raised the home decor bar throughout the nation; designer Todd Oldham is working these days for La-Z-Boy.

June Roesslein, president of St. Louis' June Roesslein Interiors, speaks of the mass educational value of the big boxes: "I think they're a great educational resource for the buying public. Seeing the variety helps educate consumers on what they like and don't like."

Although, by and large, Roesslein's clients don't purchase their home furnishings from big-box retail establishments, they are nonetheless influenced by them. Says Roesslein: "My clients come to us with ideas based on things they've seen in these stores."

The same types of things happen in the art and framing business.

The Draw of Small

As do Kerchner and Roesslein, John Martin, manager of Creative Art Gallery and Framing in St. Louis, serves a clientele more discriminating than the average big-box or mall shoppers. Visitors to Creative's 4,000-square-foot gallery and 2,500-square-foot frameshop are not price shoppers. Rather, they come in search of a custom look or a unique solution that, by definition, is not available from mass merchandisers.

"Our customers have been with us for close to 30 years," says Martin. "We deal with a lot of collectors. Once you get a hold of them, they won't go anywhere else."

Coping Mechanisms, Winning Strategies

As is the case with many if not most small retailers, Creative's advertising budget is limited. Every year, Martin and owner Mary Ellen Shortland spend almost all of it on a half-dozen art exhibit openings, half of them showcasing the winners of local art competitions—the Watercolor Society, for example. "The shows are a big draw. They're more personal than conventional advertising. They generate a lot of new business for us," Martin says. The emphasis on "local" and "personal" is key.

Eddy Kay, an author, speaker and

ITW AMP

Technology for Frame Assembly

100 Fairway Drive, Suite 114, Vernon Hills, Illinois 60061
(Phone) 1-800-322-4204 • (Fax) 1-800-426-7019

Custom PICTURE FRAMING



*We have been in the Frame Assembly business for over 20 years and have sold 50,000 machines worldwide. Our products are designed for quality, reliability, and ease of use. **Time Tested!***

Mitre-Mite® VN 2+1

The model shown here is the highest selling machine in the Custom Picture Framing Industry. It is compact, well built, and assembles a wide range of frame sizes.

Mitre-Mite® "Pulling Power" V-Nails®

Our fastener technology is unique. The difference is our patented design which provides an enhanced "pulling" effect for tight and true corners.

"Pulling Power" fasteners do the job right the first time!



View all of our products at www.itwamp.com

retail industry consultant, advocates what many consider the most ballyhooed oxymoron in the language today: customer service. "Good old-fashioned service ... never goes out of style," Kay counsels. In his three-part publication series, "Good News about Retailing," Kay teaches specialty retailers how to differentiate themselves from the superstores and capitalize on what is unique and special about small businesses. "The pressure to succeed, to boost your bottom line, to increase your customer base, to thrive in the shadows of those big-box retail giants is always with you. But if you have no control over the means to achieve that success—your employees—your life will be filled with nothing but stress. Take charge and the stress goes away!" says Kay, who sees staff training as a critical component of service.

Another strategy that's worked extremely well from Wall Street to Wal*Mart is diversification. The Calvin Klein name graces garments, fragrances and home decor. Betty Crocker now licenses kitchen furniture. At the International Home Furnishings Market in High Point, NC, last fall, National Geographic introduced a new 2,500-item line of home furnishings and accessories to complement their established framed photography business.

The diversification strategy holds promise for smaller retailers, as well. Independent furniture stores add accessories or offer complementary interior design service to loyal customers. A frameshop installs a display case for original jewelry fashioned by local artisans. An independent bookstore offers a community bulletin board or carves out space to showcase and celebrate the talents of local artists. An art gallery pairs flat art with accessories—a clock, a ceramic vase, a mirror, a candlestick, a small foyer table—silently inviting customers to envision the art in their residential environment.

Partnerships and community involvement are another route to increased retail traffic. Nearby bookstores and coffee shops can capitalize on the in-store cafe concept that Barnes & Noble and Borders seem to have made all the rage. Neighborhood

restaurants host public readings by local poets, while some boost business by donating a portion of receipts on specified evenings to a popular charitable cause. An art and framing shop located on the route of a well-publicized marathon fund-raiser offers good will and water to runners—free water if shop management partners with a local grocer or bottled water distributor.

Cleverness has always worked well, especially with non-conforming consumers. An independent bookstore in Milwaukee once boasted in their marketing that they were not likely carry any book that customers might have seen in other bookstores. A national branding campaign by the American Booksellers Association captured the attitude perfectly in their slogan "Independent Bookstores for Independent Minds."

Constantly Changing Retail Landscape

Looking out to the retail horizon, we recognize the indisputable truth of the cliché: "The only constant is change itself."

Shopping has moved from the ancient market square to central business districts and town centers, outward throughout the 20th century to malls and shopping centers, and more recently into a digital shopping arena via television shopping channels and Internet e-commerce. The construction of mega centers on the edge of metropolitan areas is in full swing, even as some urban planners urge the reclamation of the inner urban core and young professionals flock to downtown warehouses-turned-lofts. The retail landscape and the nature of the shopping experience will continue to evolve as we consumers exercise our myriad options, expressing our preferences in the market place and creating yet another vision of retail and community. □

Jan Niehaus, based in St. Louis, has been published on the national American Institute of Architects (AIA) website and in *Decorating Retailer*, *Today's Home*, the British journal *Stadia*, *American School and University*, *Paint and Wallcovering Contractor* and *St. Louis Design Magazine*.