

LEADING THE WAY THROUGH THE 21ST CENTURY

SHOPPING CENTER BUSINESS

**THE
TAUBMAN
MYSTIQUE**

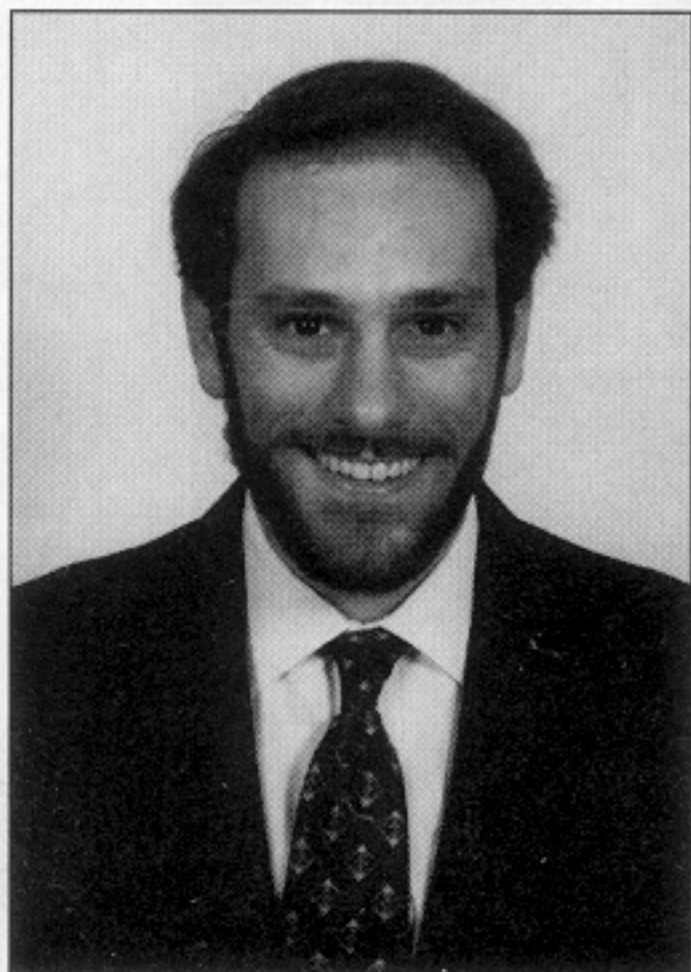
MAY 1997



Using The Site Package As An Innovative Way To Lure A Retailer

Customizing a site selection package to a retailer is the latest way to get interest.

Adam Epstein



first needs to convince the retailer that this site will be a slam dunk winner on the sales side of the equation.

WHAT SELLS

Convincing the site selector is a two-step process. First, the developer has to stand out from the crowd so that the retailer opens the package rather than throwing it in the corner pile. Second, once he's got the retailer's attention, he has to quickly demonstrate the value of the contents inside the package.

These are the battles which consumer goods makers have fought for years, and now they have perfected the art of getting you to buy their box of widgets. Walk down the cereal aisle of a supermarket and they assault you with splashy colors and graphics. Then, once they've captured your eye, they start to prove the benefits of the product: "High Protein! Low Fat! More Oats!" Now shopping center developers are starting to apply these same lessons to their site packages.

The primary tool developers have been using to pique the interest of jaded retailers is that eye-catching dash of color. No longer do the top developers simply include a few photocopied black-and-white pictures in their packages; now they use phosphorescent colors, embossed logos, book-quality binding, and portrait-quality photos.

According to Laura McCormick, spokesperson for Kinko's, Inc., "Research shows that lasting impressions are made within 90 seconds, and color accounts for 60 percent of acceptance or rejection." As the cost of using better visuals has fallen, the data tell the unmistakable story: the fraction of printers sold in the U.S. which

are color has risen from 11 percent in 1993 to 67 percent today, reports Larry Jameison, analyst with Lyra Research.

Some avant-garde firms are starting to make use of other modern imaging technologies as well. Todd Smith, president of Sites USA, says, "For most people, video doesn't make a lot of economic sense yet. But in time, with improvements in software, and people seeing the real value in having that readily available, I think you'll see a lot more activity in that direction."

NEW PACKAGING TECHNIQUES

Site brokerage is also starting to make its presence felt on the Internet. Several firms are in the early phases of posting thousands of sites in readily searchable formats on the World Wide Web. Smith warns, however, that technology is a double-edged sword.

"As we find better ways of showing properties which are available, we're also going to see changes in consumer buying habits...It's a Catch-22 because that same technology is also helping people shop from their living rooms on-line rather than going to the mall or power center," he says.

But now that these new "packaging" techniques are becoming widespread, developers are turning their attention to the "More Protein, Less Fat" side of the equation — they are standing apart from the crowd through innovative site report content.

The most significant improvements in content recently have been made possible through the smarter use of demographics. Traditionally, developers have paid a national statistics vendor to print a "full demographics" report for a 1, 3, or 5 mile radius around their site. By including these in the

The next time you visit the home office of a chain retailer, take a moment to peek in the corners of the real estate director's office. You are likely to find a treasure trove of site reports. There will be stacks of brochures, photos, and site plans which have been sent — unsolicited — by developers hoping to attract that hot concept to their malls.

A national powerhouse such as Staples, Inc., receives up to ten packages per day, according to Bob Goehle, Staples' vice president of real estate. Even a smaller regional player such as Cucina! Cucina!, Inc. gets four to five per day, says Craig Michel, senior vice president of real estate & construction.

Sifting through this pile of marketing material can be a daunting task, even for the most seasoned site selector. Many of the pictures look attractive; many of the blueprints seem logical. So how can the site selector be expected to figure out which sites will truly funnel the most customers to his stores? A broker may be offering a package which includes rock-bottom leases, no CAM charges, and a first-round pick in the 1998 draft, but he

standard package, the developer is hoping and assuming that the data will be relevant for every pet shop, restaurant, and jewelry store he is trying to attract to the mall.

Unfortunately, the factors which are relevant for a QSR are very different than the variables which are important for an upscale restaurant. And, of course, the franchisee of a teen-oriented laser tag game is looking for a different local populace than

is the owner of a store with products to soothe aching backs.

The aggressive developer today recognizes that not all chains are created alike, so he tailors his message accordingly.

"Developers now are trying to present things which are much more targeted and focused for a specific retailer. They're trying to duplicate what type of research that retailer would want to do if they were doing

it themselves in their internal research department," said Joan Primo, principal of The Strategic Edge.

Those internal research departments, of course, are making increasing use of GIS systems to create sophisticated sales forecasting models. But the developers often are unable to duplicate precisely those models because they are not privy to the retailer's existing-store sales data. So some leasing agents are now taking an in-between approach. To wet the retailer's appetite, developers can use specific, publicly-available data to paint an attractive picture.

Michael McCarty, senior vice president of development with the Simon DeBartolo Group takes that approach to heart: "When our leasing people meet with a potential client, we will tailor as much of that package as we can to the specific merchandise product and the specific vendor," he says. "And that's one thing which GIS has enabled us to do more effectively, [although] we have only scratched the service with how we are all going to be using GIS in the future."

The payoff comes quickly. "Most of the prepackaged demographic information — we don't look at that anyway. It's not important for us to know how many children there are in a 3-mile radius under the age of 5," says Staples' Goehle. "But if someone wants to take the time to really understand our customer profile and cater the packages and their analogues and site comparisons to what specifically our profile looks like, then that's very helpful."

CUSTOMIZE FOR RETAILERS

How can a developer truly make sure his site is going to be productive for a prospective tenant? If the site he is pitching matches up well with the retailer's existing sites, according to several criteria, then it is a safe bet that this site perform well, too. So developers need to demonstrate to retailers that their site will be a great fit within their current portfolio. They can do so by comparing the space they are proposing to the near-



Fleet Financial Group

Is Pleased To Announce The Formation Of

The Shopping Center Finance Group

Providing Interim, Acquisition and Construction
Financing for Shopping Center Development

Joanne McClatchy, Managing Director

Ron Lubin, Senior Vice President

Tom Hanold, Vice President

Peter Leahy, Vice President

Peg Mulcahy, Vice President

Claudia Pynchon, Vice President

Ed Terry, Vice President

John Wolff, Vice President

Aron Levine, Assistant Vice President

Circle No 120 On Reader Service Card

Member FDIC. Fleet is a registered mark of Fleet Financial Group, Inc.

For More Information, Please Call (617)346-2874

by existing sites that the retailer has already built.

Ideally, a custom-crafted site report will: 1) Find the 10-30 existing stores for that retailer which are nearest to — or most similar to — the site being pitched; 2) Sift through hundreds of demographic, business, and site statistics to highlight the ones which are most useful to the retailer; 3) Select the variables which help make the site shine in comparison to the current locations; 4) Produce tables which demonstrate exactly why the site is such a perfect choice for them.

"Occasionally a developer will turn my head and change my mind if they can substantiate the proper demographics...If they want me, they will usually provide me the evaluation that I want and the marketing research that I'm looking for," says Cucina! Cucina's Michel.

This type of custom-built report helps from both the "packaging" side

— it shows the retailer that the developer is truly serious about attracting that chain to their mall — and it adds a strong dose of content.

Some developers are even using this type of approach when seeking financing to construct the mall. Steven Parker, director of research for New England Development Co., has determined which variables correlate best with sales at their existing malls. He uses those findings to develop sophisticated forecasting tools which demonstrate the value of a new project to lenders.

"For our recently opened Solomon Pond Mall," Parker says, "one of the lenders that was interested in financing the project had to have that type of (sales modeling) analysis for his board of directors to review, so he was very impressed when we presented it to him. He asked me specific questions relating to the process of forecasting these numbers and we made them comfortable with the in-

formation we were providing."

Going that extra step to help the retailers and the lenders do their job better not only captures their eyes, but smoothes the working relationship as you lease the site and work with the tenant over the years.

Retail real estate directors are going to continue to get many site packages. But if a savvy developer can first grab their attention — and then hold it by convincing them sales will be terrific — he can keep his package on top of the desk rather than on the pile in the corner of the office. **SCB**

Adam Epstein is President of Site Analytics Co., a Newport Beach, California-based consulting firm which develops specialized site selection tools for chain retailers and for shopping center developers.

Announcing

ONE OF SOUTHERN CALIFORNIA'S MOST EXCITING NEW PROJECTS

Glendale Town Center

A UNIQUE 500,000 SQUARE FOOT URBAN ENTERTAINMENT DESTINATION,
DINING-ANCHORED, OPEN-AIR PEDESTRIAN RETAIL ENVIRONMENT
ADJACENT TO THE PREMIER SUPER REGIONAL MALL, GLENDALE GALLERIA.

a 100,000 square foot multi-screen cinema

large themed and fine dining restaurants

entertainment, retail and open-air public park

high daytime population with surrounding office buildings

24 million visits to Glendale Galleria per year



DONAHUE
SCHRIBER



OPENING FALL OF 1999

FOR LEASING INFORMATION, CONTACT MARK MCGAUGHEY (818) 502-6785 OR E-MAIL: DONAHUESCHRIBER@DSRG.COM

Circle No 122 On Reader Service Card



We're Deal Making

Kmart and Builders Square stores now vacant or identified for closing may offer good opportunities for your company to enter or expand into new or existing markets at favorable rates. These stores, which may be divided, are available for sublease or assignment throughout the country.

If you would like to know more about these excellent Real Estate Opportunities for your company, please feel free to call us:

Greg Bell,

CT, IN, KY, ME, MA, NH, RI, TN, VT, DE,
IL, LA, MD, NJ, NY, OH, PA, WV

(810) 643-1668

Jeffrey Poole,

FL, GA, NC, SC, VA, AL, AR, ID, IA,
KS, OR, MI, MN, MS, MO, MT, NE,
ND, SD, WA, WI, WY

(810) 637-4727

Steve Zula,

AZ, CA, CO, NV, NM, OK, TX, UT

(810) 643-5670

or write us at:

Kmart Corporation

3100 West Big Beaver Road

Troy, Michigan 48064-3163

Fax: (810) 643-2689

Circle No 123 On Reader Service Card