

How To Meet Your Center's Market

When someone says their mall is changing for the worse, is it really?
Or is it that they're just not meeting the center's changing market.

Melanie Goldman

Just outside Atlanta is the Cathedral of the Holy Spirit, an African American church that seats 8,000. Every once in a while, you can go there and hear a powerful voice radiating throughout the sanctuary as though it's coming from the Heavens. But it's not. It's coming from the pulpit, and it's the voice of Dan O'Leary, owner of South DeKalb Mall.

"The pastor will call me to the pulpit and say, 'We have Mr. O'Leary here,' and I'll talk to the congregation about what's going on at the mall," says the man with the voice. "Church is a big part of life here. It's terribly important for [a mall] going through a demographic shift to really get involved with the community. We're getting involved with our community, and our community is coming back to support the mall."

O'Leary's story rings true across the country, in regional malls and neighborhood shopping centers. Although it's a bit unusual for the mall staff to make a guest appearance at local places of worship, the fundamentals are the same from Pasadena to Pittsburgh.

When the demographics of a trade area shift dramatically, shopping centers must listen. They must re-evaluate and analyze and make appropriate changes. Time and time again, owners and developers deny that changes are occurring in their markets, so properties and profits suffer in response. As O'Leary knows, staying in the groove with your community takes more than a good prayer.

"This market was predominantly Caucasian 15 years ago," explains O'Leary. "Over the last 10 years, within a five-mile radius [of the mall], it



The customer service booth at South DeKalb Mall has brought attention to customers and helped the mall meet its market. The kiosk serves as an official voter registration site, sells public transportation cards and acts as a clearinghouse for all job openings in the mall. In addition, South DeKalb has created a mall-walking program, a senior citizens program, gospel hour on Sundays and a college fair twice a year.

has become about 80 percent African American, and the income level went down. But then it went up again, and today, it's middle to upper class, well-educated African American families... the second most affluent predominantly African American trade area in the country."

O'Leary purchased the mall in December 1996 under the Capitalist Ventures name. It was a 700,000 square foot mall, built in 1970, with a tenant mix that wasn't appropriate for the community and a perception that would be even harder to change than the tenants. He says the most important step in repositioning a center is establishing a good rapport with the community.

"Ask them what they want," he says. "They're your customer, and they'll tell you the types of tenants they would like." In the first year of operation after O'Leary's purchase, sales were up almost 12 percent from the previous year.

Working with the community also means understanding their needs beyond retail. South DeKalb Mall has a customer service desk that serves as an official voter registration site, sells public transportation cards and acts as a clearinghouse for all job openings in the mall. There is a mall-walking program, a senior citizens program, gospel hour on Sundays and a college fair twice a year.

"In this community, they've never

had this level of service," O'Leary says.

He stresses that the key in repositioning is for the staff to be "extremely in-tune" with what the community wants, and then it's the community that really "makes it happen."

SOLVING THE PROBLEM

Guyla Sineni, principal of United Commercial Realty in San Antonio, says repositioning a center is as simple as solving a problem and creating a solution, although many people "aren't willing to take the time to do that."

Sineni helps troubled properties analyze the current market and then helps them develop marketing and leasing plans. "The first thing you have to do is make sure your existing tenants are happy," she says. "Get them to buy into the process of turning the center around. Then find out who the customer is, what they're looking for and what they haven't been able to find. Once you have your

anchors, the smaller tenants fall into place because they see the commitment."

The crucial preliminary step, Sineni stresses, is understanding the needs of the owner and whether they coincide with the needs of the community and the tenants.

"We always interview the owner in depth," she says, "because maybe he's not the person to bring it back to life. You have to want to do it."

"The developer who recognizes there's a shift in demographics and empowers the marketing team to aggressively market to those changing demographics... this will be the one who survives... not those who deny it's happening," says Susan Crusoe, president of Crusoe Marketing in Chicago. Crusoe, a former vice president at FAC Realty Trust, created the firm earlier this year to specialize in multicultural marketing to owners of shopping centers. As she says, "I'm here to help the developer make money and feel comfortable with chang-

ing demographics."

Mira Bergen's Atlanta-based company, A Store is Born, Inc., also helps developers turn around centers to fit a changed market. She works with clients where the "retail no longer supports the community. The people no longer want to shop in the stores because the stores no longer encompass what they need or no longer meet their lifestyles," Bergen says. "They'll start shopping elsewhere, and you start to have attrition with your tenants."

STEREOTYPES AND BUZZ WORDS

Developers across the country tend to make "mistakes" when dealing with minority communities, Crusoe says. "There's a perception from developers that when the demographics change, there's a safety issue, so they go overboard with security. This tends to upset their primary market very much. Most minority groups — Hispanic, African American, Asian — are very loyal. They

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spend a lot of money on designer labels, they tend to spend a lot of money per store, and they want to know the business they do business with wants them as a customer."

Another common mistake is defaulting to stereotypes rather than performing due diligence on the community and its residents.

"When you say African American," Crusoe says, "you think hip-hop and rappers, and you forget about the over-35 African American with a six-figure income."

Getting to know your trade area is a highly personal and localized task, which involves meeting your neighbors and understanding how they make their money and how they spend it. Albeit there are certain characteristics of minority groups that are factored in to many developer's solutions.

"There are key buzz words," says Carlos Montemayor of Houston-based Montemayor Y Asociados, one of the nation's top Hispanic advertising agencies. "Hispanics are very loyal and very brand conscious. They might buy the store brand in a grocery store, but they won't buy the generic brand."

He also says that Hispanics tend to shop as families because there is a high concentration of relatives living close together. Often, after a woman marries, she and her husband will live with her parents and grandparents, so a trip to the mall becomes a family affair.

"This should dictate the mix of shops you have in a center," Montemayor says.

He notes that the states with the highest Hispanic populations are California, Florida, Illinois, New York and Texas. By the year 2005, he says, Hispanics will be the largest minority in the U.S.

Simon DeBartolo Group trains all of its shopping center security personnel to communicate effectively with shoppers in different minority groups.

"For example, Koreans find it confrontational to be looked at straight

in the eye," says Director of Public Relations Billie Scott. "Particularly in malls with an ethnic mix, it's important to have a security force that's sensitive to other cultures."

John C. Melaniphy, president of Melaniphy & Associates, Inc., in Chicago, says the two most important factors in retail are the customers' ages and income levels. "If income is declining," he says, "you really have a significant impact on what can be spent on goods and services." Melaniphy's firm conducts interviews at shopping centers to learn exactly who the customer is. They also call people in the community; "we want to find out why customers don't come here anymore, and how we can get them back. If it's a combination of a new major mall and a change in demographics, you may not get them back."

Ed Wulfe, president of Wulfe & Co., a Houston-based brokerage and property management firm, has a formula for repositioning centers: 1) Monitor the center at all times (i.e., when vacancies rise and sales fall); 2) Evaluate what's happening with demographics, economics and competition; and 3) Decide which way to go.

"It sounds simple, but unlike the development of malls, where they tend to be cookie-cutter, the re-development of malls is a case-by-case entrepreneurial situation," Wulfe says. "It requires a hands-on, creative, individual approach. There are no cookie-cutter answers."

In the early '90s, Wulfe bought Myerland Plaza, a Houston neighborhood shopping center built in 1957. Its history included an owner who filed for bankruptcy and a period when it was only 35 percent leased and in poor physical condition. Between 1991 and 1995, Wulfe surveyed residents in the trade area and found out what they wanted Myerland to be. Today, retailers include Bed, Bath & Beyond, Border's Books, Marshall's, Office Max and Service Merchandise. The center is 98 percent leased.

"You need to have a game plan," Wulfe says. "You need to see who's

already serving that market and who's not." He says if a center doesn't work for retail anymore, an alternative use may be considered.

"Fortunately," he says, "most centers are well-located with good visibility and accessibility, and there are many options for other uses.

"You can't just look at the obvious retail," notes Bergen. "For example, if you have a shopping center near office buildings, look at non-traditional ideas like a daycare center. You need to look at the needs of the people who live in the area, but also those who come to the area [for work, sight-seeing, etc.]"

Scott MacDonald, president and CEO of CenterAmerica Property Trust in Houston, also uses a formula when it's time to reposition one of his 110 neighborhood centers. "You have to match the environment, the tenant and the consumer," he says. "Once we've done that, we may introduce some marketing programs."

The company has a sponsorship with the March of Dimes, which sends its "MOM Van" to neighborhood centers to provide prenatal and nutritional counseling to pregnant women. "It provides a service to the surrounding customer base," MacDonald says. "It brings lower-income, often minority women into the center to learn how to stay healthy while they're pregnant. Healthy women can continue shopping, so it's a win-win for everyone."

Greg Greenfield, former president of Compass Retail and former executive vice president of the Retail Group at ERE Yarmouth, says repositioning or reclaiming a center requires a "vision of what the customer wants, an assessment of the real estate fundamentals and an assessment of the building structure itself. And most importantly," he adds, "You better have the capital to do it."

Greenfield, who is currently forming Gregory Greenfield & Associates, Ltd., spearheaded the renovation of upscale Phipps Plaza in Atlanta and Tallahassee Mall in Florida. He took the latter from 40 percent occupancy

to more than 90 percent (for more information on Tallahassee Mall, see *Shopping Center Business*, May 1997, page 114). The mall had expanded in the early 1990s, and then it was never leased.

"It wasn't working because the owner wasn't willing to commit the capital to do what was necessary to turn it around," he says. "But all the other factors were there — an intersection with good accessibility, good demographics with the college kids, it's a state capital... So we felt the only thing necessary was to reposition it."

Greenfield added a 20-screen theater and retailers such as Barnes & Noble and Old Navy, creating a hybrid center that fit what the community needed. There are many factors that act as a catalyst for change, Greenfield says.

"A campus opening, a new company, a new subdivision, a change in the roadways, competitive forces... It all needs to be taken into account."

THE CHURCH PICNIC FORMULA

When the catalysts for change are determined, when the property is released and the parking lot is re-stripped, it ultimately comes down to the people who make the decision to shop or not shop at the center. Understanding the psychology of a struggling center — one whose original market has abandoned it — first and foremost means understanding its customers. Often, as Dan O'Leary knows, the perception of a center is quite different than reality. Yet if you ignore perceptions, you may ignore your customer base.

"My biggest challenge at this property is changing the perception, trying to overcome the negative ideas about the mall. They may have been true in the past, but to get your shoppers back, you try to change the perceptions in their mind. Programs like our gospel hour bring the right people back to the mall. It's a family-type customer."

Food court sales have increased 35 percent, due in large part to the well-attended gospel hours, O'Leary says. In O'Leary's case, knowing a community well enough to pinpoint their 'hot buttons' takes more than contributing money to the local schools or bringing a baby grand into the food court during the holidays. It's even more than 'filling in the blanks' with the right tenant mix.

As Mira Bergen says, "Don't think about filling spaces, but filling needs according to people's lifestyles."

Indeed, a genuine solution to the repositioning problem requires wanting to know your customer to the extent that you will go to church picnics, speak in front of congregations of 8,000 and be able to actually think like your customer.

"You have to know the community," O'Leary says. "You can't just guess." **SCB**



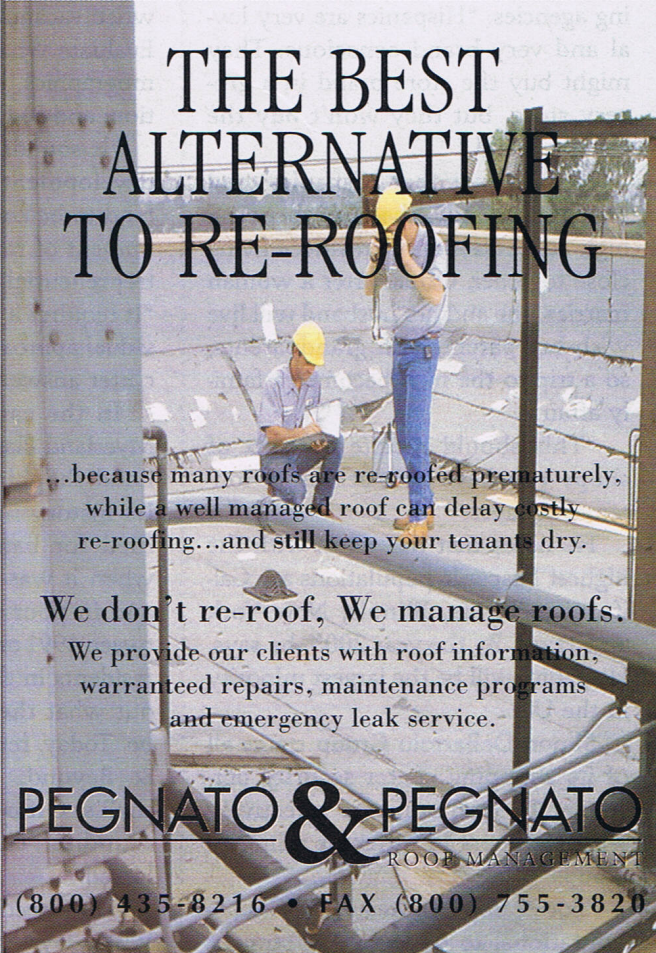
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