



MK 322 Retail Management

Chapter 7: Retail Locations Part I

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Types of Retail Locations



Types of Retail Locations

- Many types of locations are available for retail stores, each type with its benefits and limitations
- Two basic types of location are unplanned (free standing and urban sites) and planned (shopping centers)
- Unplanned locations do not have centralized management that determines what stores will be in a development
- In planned locations, the shopping developer and/or manager makes and enforces policies that govern store operations such as the hours that a store must be opened

Types of Retail Locations

- The shopping center management also maintains the common facility such as parking area- an arrangement referred to as common area maintenance (CAM)
- And responsible for providing security, parking lot lighting, outdoor signage for the center, advertising, special events to attract consumers and so on.

Types of Retail Locations

EXHIBIT 7-1

Characteristics of Different Retail Locations

	Size (000 sq. ft.)	Trading Area (Miles)	Annual Occupancy Cost (\$ per sq. ft.)	Shopping Convenience	Pedestrian Traffic	Vehicular Traffic	Restrictions on Operations	Typical Tenants
UNPLANNED AREAS								
Freestanding	Varies	3-7	15-30	High	Low	High	Limited	Convenience, drug stores, category specialists
Urban locations/ central business district	Varies	Varies	8-20	Low	High	Low	Limited to medium	Specialty stores
SHOPPING CENTERS								
Neighborhood and community shopping centers	30-350	3-6	8-20	High	Low	High	Medium	Supermarkets, discount stores
Power centers	250-600	5-10	10-20	Medium	Medium	Medium	Limited	Category specialists
Regional and super-regional enclosed malls	400-1,000	5-25	10-70	Low	High	Low	High	Department and specialty apparel stores
Lifestyle centers	150-800	5-15	15-35	Medium	Medium	Medium	Medium to high	Specialty apparel and home stores, restaurants
Outlet centers	50-400	25-75	8-15	Low	High	High	Limited	Off-price retailers and factory outlets
Theme/festival centers	80-250	N/A	20-70	Low	High	Low	Highest	Specialty stores and restaurants

Sources: Personal communications with industry executives; "North American Retail Highlights 2009," http://www.colliers.com/Content/Repositories/Base/Corporate/English/Market_Report_Corporate/PDFs/RetailNaHighlightsSpring2009.pdf; http://www.icsc.org/srch/lib/2009_S-C_CLASSIFICATION_May09.pdf.

Unplanned Locations



Types of Unplanned Retail Locations

- **The three types of unplanned retail locations are freestanding sites, urban locations, and mainstreet locations**

Freestanding Sites

- Freestanding sites are retail locations for an individual isolated store unconnected to other stores
- Advantages are convenience for customers(easy access and parking); visibility to attract customers while driving; fewer restrictions on sign, and hours
- Disadvantages are limited trade area; higher occupancy cost than shopping centers, do not share CAM costs; little pedestrian traffic

Freestanding Sites

- Outparcels are freestanding stores that are not connected to other stores in the shopping area, but located on the premises of a shopping center typically in the shopping area
- Advantages compared to other freestanding location is convenience of a drive through window, extensive parking and clear visibility from the street.
- Popular for fastfoods restaurants and banks

Freestanding Sites



Drugstore chains use freestanding locations for their stores with drive-through windows to make it easy for customers to pick up prescription pharmaceuticals

Urban Locations

- **Urban areas in large cities offer three types of locations: the central business district, inner city, and gentrified residential sites**



Urban Locations - Central Business District

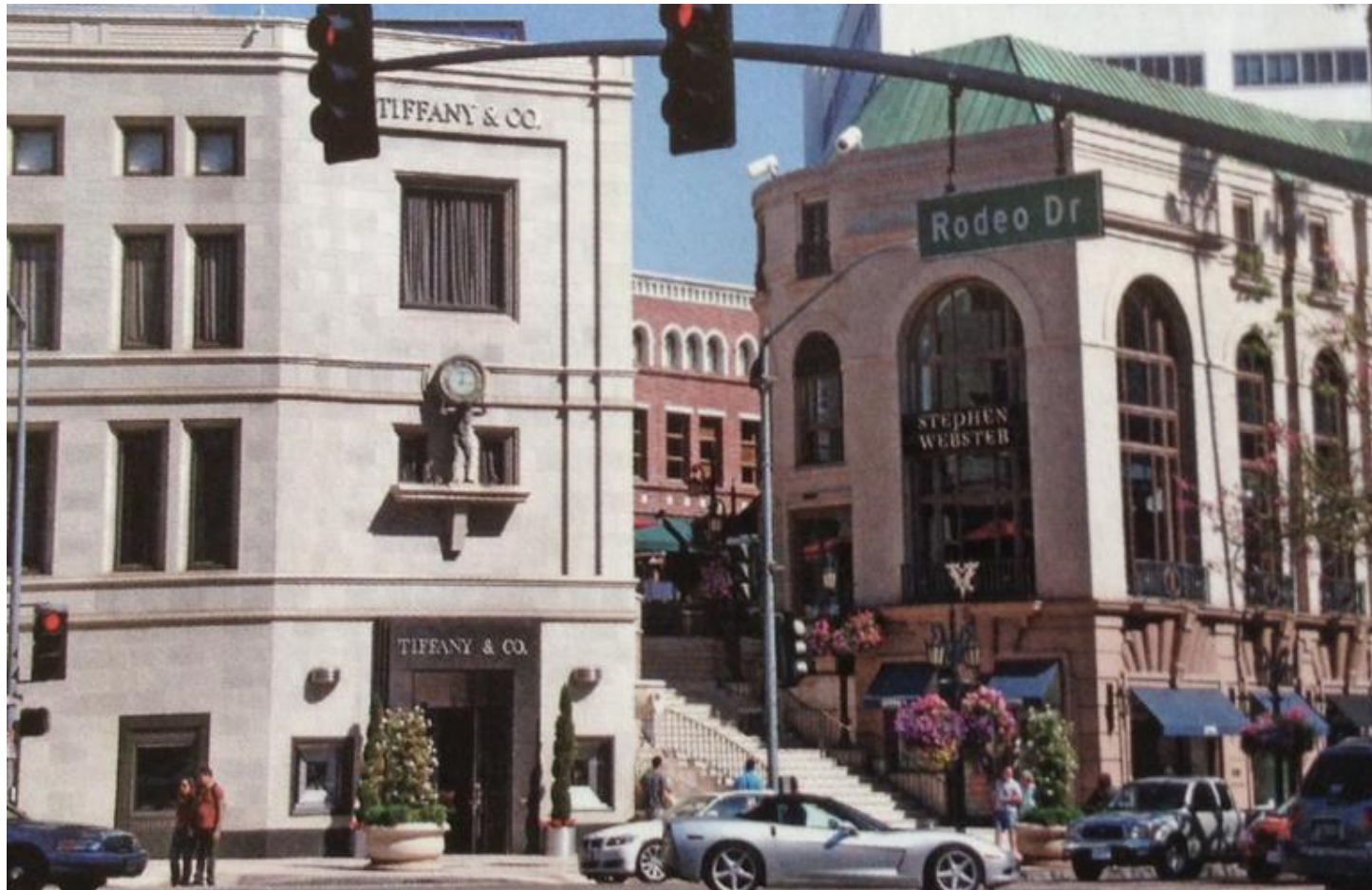
- The central business district (CBD) is traditionally downtown financial and business area in a city or town
- Due to its daily activities, it draws many people and employees in the area during business hours
- High level of pedestrian traffic, but shopping flow on evenings and weekends is slow
- Vehicle traffic is limited, parking problems
- Evening and weekdays special events to attract pedestrian traffic

Urban Locations - Central Business District



Cleveland's East Fourth Street development attracts consumers to the CBD.

Urban Locations - Central Business District



Rodeo Drive is an CBD location that is one of the most highly regarded locations by retailers of high-fashion merchandise.

Urban Locations – Inner City

- During 1970s and 1980s, many U.S. And some European cities experienced urban decay.
- Urban decay is a process of a previously functioning city, or part of the city
- The inner city is a low income residential area within a large city
- Retailing can play an important role in inner-city development activities by providing needed services and jobs for the residents

Urban Locations – Gentrified Residential Areas

- Many inner-city areas are going through a process of gentrification- the renewal and rebuilding of offices, housing, and retailers in deteriorating areas
- Young professionals and retired empty nesters are moving into these areas to enjoy the convenience of shopping, restaurants, and entertainment near where they live
- Big-box retailers like Target, Walmart, Office Depot, Home Depot and Costco are opening outlets in cities, typically with smaller stores

Main Street

- Main Street refers to the traditional downtown shopping area in smaller towns and secondary shopping areas in large cities and their suburbs
- To attract consumers and retailers, Main Street development efforts focus on providing better shopping experience than big box retailers
- They develop pedestrian walkways, ie. Receive grants for new signage, attractive entrances
- Town administration work to improve downtown aesthetics with landscaping, repaved sidewalks, updated street lights, etc.

Main Street



Shopping Centers and Planned Retail Locations



Shopping Center

- Shopping Center is a group of retail and other commercial establishments that are planned, developed, owned, and managed as a single property
- Attract customers due to many stores
- Shopping center management carefully select a set of retailers that are complementary to provide consumers with a comprehensive shopping experience at one, convenient location

Shopping Center

- Lease agreements require retailers to pay for CAM, according to size of their store space and/or sales volume and a retail fee based on sales

CENTRAL RETAIL



ZEN



COL
Capital Group
www.col.com



B2S
Banks, Books, Browsers



Office
DEPOT



Shopping Center

- Most shopping centers have at least one or two major retailers, referred to as anchors such as Macy's, Walmart or Kroger
- Managed by shopping center property management firm.



Shopping Center

Number, Sales per Square Foot, and Growth Rate of Shopping Centers **EXHIBIT 7-2**

	Number	Total GLA (millions of square feet)	Percentage of Overall Shopping Center GLA	Growth in Number of Centers 2008-2011	Anchor GLA Percentage of Total Center GLA	Sales per Square Foot (\$)	Growth Rate in Sales per Square Foot 2009-2011
Community, neighborhood, and convenience	101,630	4,981	67.8%	1.3%	30-60%	12.68	5.7%
Regional and super- regional enclosed malls	1,505	1,321	18.0	1.1%	40-70	21.20	1.7
Power centers	2,023	822	11.2	2.8%	N/A	10.85	4.1
Lifestyle center	396	126	1.7	6.9%	0-50	N/A	N/A
Outlet centers	334	71	1.0	1.9%	N/A	N/A	N/A
Theme/festival centers	201	27	0.4	1.2%	N/A	N/A	N/A

Source: eData, International Council of Shopping Centers.

Convenience, Neighborhood, and Community Shopping Centers

- Convenience, Neighborhood, and Community Shopping Centers also called strip shopping centers are attached rows of open-air stores with onsite parking usually located in front of the stores
- Usually smaller centers are 10,000 to 60,000 sq.feet
- They offer customers convenient locations and easy parking
- They lack limited trade area, lack of entertainment and restaurants due to their size

Power Centers

- Power centers are shopping centers that consist primarily of collections of big box retailers, such as full-line discount stores (Target), off-line price stores (Marshalls), warehouse clubs(Costco), category specialist (Toys"R" Us)
- Power center offers low occupancy cost, modest levels of consumer convenience, and vehicular and pedestrian traffic

Enclosed Shopping Malls

- Shopping malls are enclosed, climate controlled, lighted shopping centers with retail stores on one or both sides of the enclosed walkway
- Parking is provided within the perimeter
- Shopping malls are classified as either regional malls(less than 800,000 sq.feet) or super-regional malls (more than 800,000 sq.feet)

Enclosed Shopping Malls

- Advantage over several locations
- Large trade area
- In expensive form of Entertainment
- Hang out with friends, older citizens exercise
- Generate pedestrian traffic within mall
- No need to worry about weather
- Uniform open and closing hours

- Disadvantage: high occupancy costs, retailer selling similar merchandise, parking in front not feasible

Enclosed Shopping Malls



An increasing number of malls are using exciting stores like Forever 21 to attract younger customers

Lifestyle Centers

- Lifestyle centers are shopping centers that have an open-air configuration of speciality stores, entertainment, restaurants, with design, ambience and amenities such as fountains and street furniture, ice cream carts, events, concerts
- People enjoy the ambience, shops
- Occupancy cost lower than enclosed mall
- Ease of parking, very convenient for shoppers

Lifestyle Centers

- Located near high income areas, part of mixed-use development
- Disadvantage: bad weather



Mixed-Use Developments

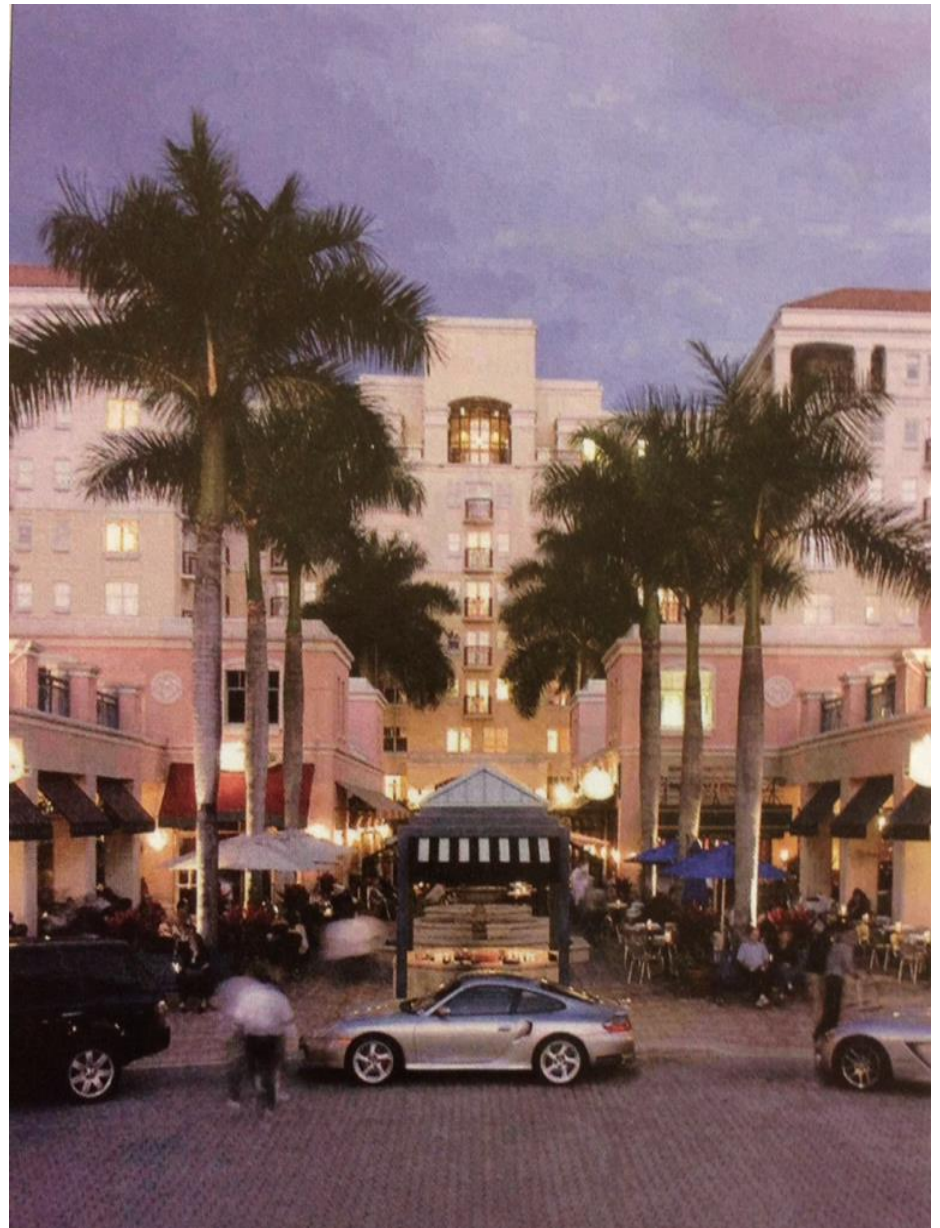
- Mixed-use developments(MXD) combine several different uses into one complex including retail, office, residential, hotel, recreation, or other function
- They are pedestrian oriented and therefore facilitate live-work-play environment
- They appeal to people who have enough of long commutes to work and looking for a lifestyle that gives them more time for things they enjoy

Mixed-Use Developments

- MXDs are popular with retailers since they attract additional shoppers to their stores
- And popular with urban planners, developers and environmentalists because they provide a pleasant, pedestrian environment and efficient use of space

Mixed-Use Developments

Mizner Park in Boca Raton, Florida, combines retail, residential, and entertainment offerings in one location with unique boutiques, eateries, music, movies, and art galleries conveniently located close to ocean-front apartments and condos



Outlet Centers

- Outlet centers are shopping centers that contain mostly manufacturers' and retailers' outlet stores.
- Some outlet centers have a strong entertainment component, including movie theaters and restaurants to keep customers on the premises longer.
- Typically outlet centers are in remote locations. These remote locations offer lower costs and reduce competition between outlet stores and department and speciality stores offering branded merchandise at full price.

Outlet Centers



Themes/Festival Centers

- In theme/festival centers, a unifying theme is generally reflected in each individual store, both in their architecture and merchandise they sell,



Themes/Festival Centers



The Florentia Village outlet center in China draws young and evidently wealthy customers from around the country.

Larger, Multiformat Developments- Omnnicenters

- Omnicenters are new shopping center developments are combining enclosed malls, lifestyle centers, and power centers.
- They reflect the growing tendency of consumers to cross-shop, which is a pattern of buying both premium and low-priced merchandise.





That's All Folks