



Stepping up to the challenge: Don't just survive, prevail

February 06, 2009 - Shopping Centers

For the better part of the last decade retailers in New York have enjoyed the benefits of a fantastically robust economy in which everything from small necessities to high-ticket luxury items seemed to virtually sell themselves from behind the glass of their display cases.

That is not to say that merchants, store managers, sales representatives and employees don't put in hard work in very strong economies too. Far from it. It takes talent and dedication to keep a store thriving in this extremely competitive city. But the focus of those labors must be adaptable. Successful retailers are always looking at the big picture, thinking long-term and working hard to stay in sync with the times.

The good news is that when products no longer fly off the shelves based solely on their appeal, retailers can change strategies and still do very good business. Weathering the challenges posed by an economic slowdown takes not so much extra effort on the part of merchants, but a different kind of effort. The evidence is plain to see. New stores continue to open and consumers are still shopping. Starting with the basics is the best way to attract them to your store. First and foremost, that means lower prices.

With expectations for the holiday season so low, retailers were bracing for the worst and immediately began offering deep discounts to entice shoppers. Smart businesses had already begun compensating for the weakened economy with low seasonal inventories. These are the businesses that rang in a happy new year. In fact, according to the Federal Reserve's newly-released consumer spending report, "The Beige Book," local holiday season sales, though understandably lower than those in 2007's robust economy, exceeded nearly everyone's expectations. Moreover, shoppers quickly boosted post-holiday sales, which are reported to be up from a year ago and even "ahead of plan."

The Psychology of Shopping

People tend to choose en masse whether or not they are comfortable spending. There have been a lot of doom and gloom headlines out there, but it doesn't take consumers long to look around and determine reality for themselves. Crowds in malls and across urban shopping districts are still the norm. People may be shopping differently, but they are shopping nonetheless. That's a far cry from the pessimism propagated by a few bad apples. The relatively healthy holiday season here was fueled entirely by the enthusiasm of the locals. For retailers, the key to weathering new challenges is to adapt with the ever-changing psychology of shoppers.

Fast Forward: Retail Climate 2009

As the new year unfolds, we will continue to see a luxury rebound that is already underway. Both wealthy tourists and New Yorkers will purchase products large and small, but they will go about it with a new sensibility. Exclusivity, quality and dependability will be simultaneously embraced. Luxury brands are already beginning to offer (drum roll please) discounts, something many have never

done before.

Consumers are becoming more and more selective. They understand they have more leverage but when it comes to top-tier designer products they tend not to flaunt it. Turning a high-end shopping expedition into a blatant bargain hunt does tend to ruin the fun, after all. But make no mistake. This is the best time in recent retail history to purchase those classic, iconic "must haves" that never ever go out of style. A Chanel suit, the Cartier watch, a Burberry trench and a Gucci bag are all timeless essentials that are always in style. To see them on sale is the essence of what will make 2009 the year of "shopopportunities."

The savvy shops have always survived and will come out on top this time too because they understand how to sell products in the here and now. Retail success is all relative and needs to be considered in the context of the economic yin and yang. Every slowdown is followed by a leap ahead, and in the long run the stores that embrace change thrive. There is a changing of the guards and we are set up for a skyrocketing 2009.

Faith Hope Consolo is the chairman of the retail leasing and sales division at Prudential Douglas Elliman, New York, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540