



New positive and creative ideas are being implemented daily

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For those of us on the retail side of commercial real estate, the most recent assessments by the Beige Book and other industry resources are tantamount to a collective sigh of relief. By all accounts, there has been an uptick in consumer spending in a variety of categories. Many retailers are holding their own through innovative marketing and merchandising strategies.

The deep discounting that defined last year's winter holiday season kept stores and shopping centers filled with customers and helped to deplete excess inventory. It was a strategy that was effective enough to continue well into 2009, which may also be categorized as a year of great deals. But massive markdowns also had a serious effect on revenues and the greatest impact was among such luxury retailers as Saks Fifth Ave., Neiman Marcus and Nordstrom. But survival of the fittest is this year's call to action. Moving forward into the next two quarters, better results are predicted as retail businesses increasingly embrace practical and sound solutions. While the fight for revenue will continue through the foreseeable future, commensurate with the economic climate, positive strategies are already in play.

Signature retail brands such as Louis Vuitton and Hermes are offering incentives in their own stores, as well as in department stores. Coach is changing its in-store product mix to achieve a 10%-15% reduction in unit prices over the next year. This plan relies heavily on brand loyalty but it should also have the effect of potentially broadening its customer base, thereby increasing sales even more.

In addition to adjusting prices, another strategy being employed across the retail spectrum is a reduction of inventory. The stores that fared best in the last few quarters were those with manageable inventories, which also mitigated the need for deep discounts.

From private label to designer brands, department stores are cutting back on styles and sizes. Among the categories being downsized are plus sizes, once a significant category in shopping malls and department stores. Ellen Tracy shuttered its plus size Sigrid Olsen brand and Dana Buchman is topping off at size 16. Ann Taylor and Loft have eliminated the larger size category in all their stores, making limited styles and sizes available exclusively online.

Certain product categories continue to thrive in this market, especially food, cosmetics and home goods-in other words, the basic necessities. But in an effort to maintain profitability, many of the major discount retailers, drugstore and supermarket chains, including Wal-Mart, Target, Rite Aid, Walgreens, Jewel and Kroger, are dramatically cutting back on the extensive array of products for which they have been known. Several have already reduced in-store product assortments by at least 15%. The days of 88 Pantene hair products being displayed in Target stores will soon be a thing of the past. That same principle is also being applied in major supermarket chains as they downscale product lines that may include a dozen or more varieties of Oreo cookies, 25 different Jimmy Dean breakfast entrees, hundreds of salad dressings and so on. Whether it's perceived as largesse or excess, stores are opting to sensibly trim down their merchandise for better returns.

After years of niche concept stores catering to overlapping markets, most notably in the teen category, e.g., surfer, preppy, hip hop, retail businesses nationwide are finding it beneficial to consolidate their images rather than dividing themselves into multiple competing brands. At the high end, Tiffany & Co. has shuttered its Iridesse stores. Mid-market Talbot's has sold its "artistic" brand J.Jill in an effort to shore up its base. Teen concept store Martin + Osa, from American Eagle Outfitters, and post-teen concept brand Ruehl Stores, from Abercrombie & Fitch, are being eliminated to strengthen the parent brands. In this carefully strategic world, only Aeropostale is venturing into concept territory with a pre-pre-teen entry, P.S. Aeropostale. But of all these youth brands, Aeropostale is the only one showing solid gains.

Clearly, the new ethos is leaner and smarter. The excess that helped define an era ending just under a year ago is not germane to today's economy. Retail businesses are readjusting the way they market their merchandise and consumers are responding positively. For example, Macy's is successfully picking up consumers who formerly shopped in stores like Circuit City and Linens N Things by expanding those departments. And when Macy's began closing 11 stores in such markets as Indianapolis, Colorado Springs and West Palm Beach, Nordstrom's and Neiman Marcus were there to pick up the former's base.

In the current retail market, when one door closes, it appears a window of opportunity opens. Amidst so much desultory news these days, we're also seeing plenty of creativity, with new ideas being implemented daily. The upside is that, as the economy continues to improve, these businesses will be that much stronger.

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