



## **Interview with International Council of Shopping Centers president Michael Kercheval**

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The New York Real Estate Journal interviewed Michael Kercheval, president of the International Council of Shopping Centers, with questions relating to the current shopping center real estate market.

**Q. How can the shopping center industry encourage entrepreneurs to develop new retail concepts? What assistance can ICSC offer to the small entrepreneur?**

**A.** Often it is difficult for entrepreneurs to get the financing they need to pursue their dream. Shopping center owners could take a financial interest in start-up companies by providing them with the capital they need to get started. They could also assist them with back-office functions like bookkeeping. I know of one developer that is providing free space to entrepreneurial retail concepts in the hope that they succeed and grow into full inline tenants. ICSC can be a great place for an entrepreneur to learn about the industry in a very nurturing environment. For instance, ICSC has the largest retail real estate library in the world and it contains many guide books and periodicals that an entrepreneur can use to quickly learn about the industry. Much of the library's resources are available online which makes it an even more valuable and practical resource. ICSC also hosts several schools for professional development. These are week long institutes where students immerse themselves in a course of study that is directly related to their profession whether they are in leasing, marketing, management, or finance. Also, beyond our publications and schools, ICSC is comprised of over 70,000 members who are willing to share their experience and knowledge with one another. This sharing of knowledge takes place at ICSC meetings. In a typical year, ICSC will host over 300 meetings throughout the world. In short, there are a number of ways an entrepreneur can get involved in ICSC and learn from ICSC.

**Q. What can ICSC do to encourage regional retailers to attend ICSC deal making conferences?**

**A.** ICSC deal making conferences are extremely productive and cost efficient because attendees get to meet with their clients in one place at one time. If you had to meet with ten different clients in ten different locations, just think how much time and money you would spend on these meetings. At an ICSC meeting you could meet with all ten clients over the course of two days making it a more cost efficient option. Additionally, these meetings are not just about deal making. Many of them have a significant educational component attached to them so in addition to making deals you can keep up-to-date on the latest developments in the industry. While attendance is off on a year-over-year basis, attendees are reporting that ICSC meetings are more productive simply because participants

are serious and eager to make deals. This was certainly the feedback we received from attendees at RECon. I believe once this positive buzz starts to circulate throughout the industry, people who have not attended our deal makings because they "heard" no one was attending will start to realize that they have to be there or they run the risk of losing business to a competitor. Cisco's job is to make sure that our deal makings are cost efficient and that the educational content is relevant to today's business environment. By and large, I believe we have done a good job of reacting to the economic conditions and adjusting cost and meeting content accordingly.

Q. What non-retail users best co-exist and bring the most traffic to a shopping center?

A. This has been an issue that has probably been debated since the first modern shopping center opened. I think there is no one-size-fits-all answer to this question. Each shopping center is unique and the market it serves is different. A number of factors go into creating a successful tenant mix including a consideration of what other retail is in the market. Overall, I believe that shopping center concepts have evolved to the point that old stereotypes don't apply anymore. In the past, the industry structure used to be very clear: you had super-regional centers then regional centers, power centers, community centers, and neighborhood centers. The mention of any of these types of centers immediately gave us a clear mental picture of what it looked like and who the tenants were. Then lifestyle centers were built in increasing numbers and they broke the mold by going anchorless and incorporating mall tenants. At the same time, you had a lot of consolidation in the anchor store segment and strip center retailers started taking mall anchor slots. The combined elements of a record number of store closings and the growth of lifestyle centers were a watershed event because they accelerated the crossover of tenants from one shopping center format to another and encouraged a lot of experimentation. This has sparked the evolution toward where we are today - the successful elements of different shopping center formats are now being blended freely in response to market demand to create superior shopping destinations. Now, new and redeveloped centers can incorporate components of power, lifestyle, and traditional regional centers with a grocery store in there as well. Shopping center developers rely on retailers to create new and innovative retail concepts and products that drive consumers into their shopping centers. There are clearly some positive developments in this area with new and/or expanding retail concepts and formats particularly in categories of fashion, upscale family restaurants, and supermarkets.

Q. Will the department store, the backbone of our regional malls, survive?

A. Yes, I think the department store is a viable concept that has a long life ahead of it. This is not to say that it is not without its challenges. It is a unique retail format in that it competes with just about every other store in the mall on one level or another. As such, the department store needs to differentiate itself from its competition and it needs to clearly promote its brands and value proposition to the customer. I think consolidation in the industry has created stronger and better positioned department store companies that are expanding beyond regional malls and experimenting with new formats. In short, I believe the department store is an important component of the enclosed mall and because of its name recognition, brands, and national advertising strategy contributes greatly to the success of the regional mall.

Q. Now that a few weeks have passed since RECon in Las Vegas, are there any suggested changes that ICSC has been hearing that may be needed to improve the conference format? What worked and what didn't work and what measures will ICSC be taking during the next several months of planning to institute those changes?

During RECon, ICSC hosted a town-hall meeting and invited our members to share with us their thoughts for improving the show. In addition to this, ICSC had several computers setup throughout the Leasing Mall and Trade Show so attendees could give us their feedback online, and immediately following RECon ICSC emailed a survey to all participants. The response has been outstanding as we received over 16,000 comments and suggestions. Some of the suggestions pertained to the hours and duration of RECon and we are working to address these issues. However, the major concern among members is the costs associated with exhibiting at the Las Vegas convention center. Labor, freight, and catering costs were some of the items frequently mentioned by our attendees. ICSC did a good job of working with hotels in Las Vegas to reduce room rates during this year's show and now our charge is to work with the Las Vegas Convention Center to reduce the cost of exhibiting at RECon in 2010. We have recently established a members task force to help us evaluate all of the member feedback we receive and to work with us to convince the authorities in Las Vegas that they need to adjust their costs.

Q. How was ReConnect received at RECon?

We received positive feedback from our members who participated in the ReConnect pavilion. The mentors, universities, head hunters, and participants all reported a positive experience. Based on this success, ICSC plans on incorporating ReConnect pavilions at some of our larger regional meetings. It is an opportunity for members who are unemployed to look for jobs, and enhance their skills while staying active in ICSC.

Q. What tools are available to the volunteers to increase public participation, and can there be some discussion of reducing/eliminating cost for public attendees to increase their participation?

A. As a membership organization, costs are socialized at ICSC. This makes it difficult for the association to eliminate costs for one class of membership without increasing the costs for other classes of membership. For instance, if you admit public officials into an ICSC meeting for free, the average attendee's cost would increase to offset the expenses associated with the free attendees. It may come as a surprise to our members but the costs of running a meeting are shared by all the attendees at the meeting. ICSC doesn't mark-up what the venue charges us to run a meeting. The costs are divided among the attendees evenly. So, if you let a large number of attendees in for free, the cost rises for others. Public officials recognize the value of participating in ICSC meetings, and the costs are part of their marketing budget to promote their municipalities. At this point, we haven't received any feedback that the costs associated with attending an ICSC meeting are prohibiting municipal officials from participating.