Downtown Idea Exchange

Essential Information for Downtown Revitalization

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Perspectives

Consumer trends signal opportunities for downtown retail

By Carol Gies

Several consumer trends triggered by the recession signal real opportunities for downtown retail — that is, for downtowns willing to resist the pressure to fill vacancies with just any retailer. The record number of vacancies, while painful, can also be useful as a window in which to fine tune, reposition or upgrade downtown retail offerings to fit what I'll call the New Consumer values created by recession — if you have a well-researched retail strategy.

First, we need to know "what's up?" with the New Consumer. When will they start spending again? What will they buy? Who will be buying? What retail categories will recover first? And how will consumers be shopping?

• **When will consumers start spending again?** They already have … somewhat. Holiday sales were higher than projections — but that was compared to 2008 — the worst season in 40 years. Most retailers expect some rise in sales after midyear — if jobs turn around. The major retail trade organizations (International Council of Shopping Centers, Urban Land Institute, Retail Forward, National Retail Federation) predict very slow sales and retail expansion in 2010 and into 2011, as there are still retailers due to fail, mergers to be made, weak units to close, and billions of dollars in shopping center loans to restructure, and consumer credit to restore. New development is not expected to rebound until 2012 or 2013.

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• **What will the New Consumer be buying?** The New Consumer is a conservative, purposeful, smart shopper who comparison shops on the Web and is trained to get the best quality for the best price — with a perk. For 80% of the nation's shoppers, necessity, price, and deals will be THE decision factors in 2010. Retailers that will rule are the daily living stores and services: grocery and drugs; moderately priced foodservice; discounters, warehouse clubs, and mass merchandisers; moderately priced teen stores; and merchants who know how to use social media and the mobile Web. The other 20% — the nation's most affluent shoppers — are already inching back to some luxury buying and fine dining.

The New Consumer's change in values will last until jobs — and their portfolios — are confidently on the up curve. Downtowns can make the most of 2010 by emphasizing not only discounts and promotions, but also perks like special services or validated parking — things that independent retailers and restaurants are so creative at doing. The other favorable trend is the demand for locally crafted products and food that will spur new entrepreneurial downtown businesses.

• Who will be doing most of the spending? Other than in the most affluent trade areas, it won't be the Baby Boomers, who drove the last two recoveries. They are downsizing and saving for retirement. Downtowns can attract Boomers more with "experiential retail" and services than with hard goods. They like casual dining, specialty foods, books and music, health and comfort services, and stuff for the grandkids — at moderate prices. The 2010 Census will indicate two other major shifts in buyers. First, the suburbs are no longer kid havens. In fact, 70% of the households in the suburban trade areas we analyze, on average, don't have children at home. Nationally, the most common household type is people who live alone — 28%. That suggests downtowns should do more marketing and events that adult couples and singles can relate to.

Second, for the first time, most U.S. households are headed by women — so downtowns would do well to find out what women in their trade areas want in stores, services, and the shopping environment. Women, for example, will avoid parking structures, especially on upper floors, if they are not brightly lit.

Whatever the trade area's income scale, for a solid, long-term recovery, downtown retail will need Gen X (the "30-somethings") and Gen Y (teens to mid-20s). They want places to socialize and be entertained, and retail that doesn't close at 5 p.m. That means taverns, coffee shops, Internet cafes, small music venues, comedy clubs on second floors, Potbelly or Mongolian Grill-type quick-serve restaurants, organic foods, gamestops, upgraded "cool" secondhand fashion stores, eco-friendly goods, cell phone stores — anything electronic. "Green" retail will be hot, but most consumers won't pay much more for it.

• How will consumers be shopping? This is the most important trend for downtown retail: Consumers are increasingly integrating their shopping into their daily activities, rather than making special trips from home. Shopping's now a quick stop "on the way to somewhere else." And the mobile Web will skyrocket this trend — it grew 20 percent last year alone. This is a huge opportunity for downtowns to capture quick stops from not only residents coming from home "on the way to someplace else," but also from the thousands of workers and non-resident consumers who come into the trade area every day for non-shopping purposes. They all have to eat and run errands. And happily, this is the category of retailers who are expanding now.

By understanding and planning a retail strategy around these New Consumers, their new values, and their new shopping patterns, downtowns can better survive the aftermath of this recession and prosper in the recovery.

Carol Gies is president and founder of 4Insights Inc., a Chicago consulting firm that helps downtowns and other retail specialty districts develop realistic business strategies based on market analysis. Contact her at carol.gies@4insights.com. DIX