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### Shopping For Value

**Research says that customers are looking for value in purchases. Here's what shopping center owners should know to help consumers find what they are looking for.**

Bruce Katz

We all know about the success of value-oriented retailers — particularly discounters — during the past holiday season and into this year. Wal-Mart has continued to capture the headlines, as have other discount and off-price retailers like Costco, Sam's Club, Dollar Tree and TJ Maxx. This stands to reason as the economic downturn has created a sobering concern for consumers' personal financial situations. As a result, values and shopping habits are changing.



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But there's another story in the news these days: the retailers — not discounters or off-pricers — that are doing relatively well because they offer value in whatever category or price range they represent. A list of retail companies from H&M and Urban Outfitters to Sephora and Coach has reported various degrees of success and continuing expansion. Their collective message is loud and clear: customers are shopping for value.

But what is the value these retailers — and others like them — offer? What is it that they have in common with each other — and with the Wal-Marts of the world — that has led to their positive news stories?

Customers have naturally become more cost-conscious and price is a key factor in their purchasing decisions. But it's not the only factor. The list of viable non-discount retailers demonstrates that customers are seeking other features in the products and services they shop for, such as quality, design and experience. Price is only part of the equation that leads to a purchase. If the price is competitive and makes sense in relation to other attributes, then it's good value.

As shopping center professionals what can we take away from this robust consumer response to value? 2009 will continue to be challenging for retailers and managers of retail properties. How can we best position and merchandise these properties to meet our customers' expectations? How can we translate the consumers' demand for value into shopping trips, sales increases and improved productivity?

**The answer lies in what today's consumers are valuing. Here's some of what's on their shopping lists:**

#### 1. Quality

The carefree way consumers were spending before the downturn now seems inappropriate; a desire for moderation has replaced it. Customers haven't stopped purchasing, but they have cut back on discretionary spending and are more selective. In this atmosphere, they are seeking out quality. Quality means longevity, buying things that will last so that we won't have to buy them again.

One measure of quality is brands, which stand for excellence in a given category, such as North Face, Timberland and Lego. These brands are perceived as value in great part because of the quality of their make. As a result, customers are willing to buy them at regular retail prices. Brands such as these are well positioned going forward because their name recognition and reputation for quality insure their ongoing destination status.



## **2. Fashion — but at the right price!**

People will always want to look fashionable no matter what their bank accounts look like, so fashion is still — and always — important. Fashion means newness and offering something new is the best way to bring customers into the malls and stores.

Since consumers are spending less, individual fashion purchases matter more and need to be right in price and styling. Luxury fashion brands have performed poorly because prices don't relate to the products' other features. Additionally, conspicuous consumption, often identified with these brands, no longer feels right. Luxury brands have work to do if they hope to position themselves for an economy where values have shifted.

Michelle Obama, the First Lady, has become the symbol of a new era by shopping "off the rack." Fashion at the right price is still working. Brands that are often referred to as "cheap chic" — such as Forever 21 and Zara — have performed relatively well and are expanding. New ones, such as Topshop, are entering the market. Upper Moderate-priced retailers, such as Aeropostale and Urban Outfitters, have been successful with their fashion/price value equation. Some specialty chain retailers hope to cash in on the trend by spinning off less expensive concepts, as is the case with J. Crew's Madewell and Gymboree's Crazy 8.

## **3. Affordable Luxuries**

Low-ticket "luxuries" are the products and services that allow shoppers to indulge in something new and special without breaking the bank. Customers may not want to buy a new suit right now, but can still update a look with a fresh blouse, scarf or brooch. Or they can pamper themselves with a facial or new fragrance. Some fashion accessories and cosmetics concepts are poised to leverage this business.

Coach, with a focus on the "aspirational" designer customer, is an example of a retailer who represents more accessible luxury. To address the realities of the downturn, Coach has recently created a new secondary line called "Poppy," offering small leather goods and handbags at prices well below their average.

## **4. Value Entertainment**

Attendance at movie theaters has been heading up as the economy heads down. The reason is that taking the family to the movies is a relatively inexpensive way to get out and have fun. Movies have traditionally been an escape from the realities of hard times. If a movie theater isn't an option for a given property, other entertainment uses, such as bowling lanes and sports bars, could help create customer draw. Centers would do well to take note, as casual dining and food specialty uses benefit synergistically from entertainment venues.

## **5. Keeping Fit**

Fitness centers are also busy these days, as people seek to relieve stress and lift their spirits. Center managers should evaluate the possibility of reusing empty boxes with expanding fitness concepts such as Urban Active Fitness and Gold's Gym. Customers are seeing plenty of value in exercising and will continue to patronize sports-related retailers too, such as REI and Road Runner Sports. The spa is another use that reflects the current interest in fitness and is potentially also a good reuse of space in this economic environment.

## **6. Staying Connected**

As the success of social and career networking sites — like Facebook and LinkedIn — demonstrates, connecting with others, for business or pleasure, has grown in relevance. A related retail opportunity is the fast growing "smart phone" sector, where retailers, such as Best Buy and Radio Shack, are spinning off new mobile phone concepts. Another potential growth area is computers and software. Microsoft, for example, in trying to imitate Apple's success, has recently announced the opening of a concept store to sell its own products and services.

## **7. Being Responsible**

Personal responsibility — in everything from finances to the environment — has emerged as an important value with impact on retail. Concepts like American Apparel have performed well, not only because they offer compelling price/quality, but also because of their "anti-sweatshop" policies. Timberland is also enjoying customer support because of its community outreach programs, particularly its "greening" efforts. And recycled clothing chains, such as Crossroads Trading Co. and Buffalo Exchange, are expanding as a result of their dual appeal to consumers' pocketbooks and environmental concerns.

### What Shopping Center Owners And Managers Can Do

Getting the tenant mix right is — and always will be — Number 1, since merchandise is the heart and soul of our business and what drives customers to the malls. Value-oriented retail is the key, but equating that only with off-price or discount will miss the mark. Every market and property is unique and requires its own distinctive value equation. The consumer has slowed down, but not gone away. He and she will be back and it's clear their values, with regard to spending, will have changed. As we anticipate better times, this is an opportunity to look for and enhance the ways we can best respond to them. SCB

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