

Bell Tower Shops
Fort Myers, Florida



Tenant Relations 101

How to Attract
Emerging
Concepts and
Help Them
Succeed

The faltering economy is forcing retail real estate operators to rely less on established national brands and more on emerging local and regional retail concepts to fill center vacancies. As tenant mixes shift, so too must the approach of center management and marketing.

Upstart retail concepts require far more support from center management than national brands. Most national chains have well-established store opening strategies, full marketing programs in place and well calibrated performance benchmarks to monitor. These fundamental elements of successful retailing are not fully developed in many local and regional concepts. Instead, they rely on center management to help. If operators fail to heed their call, the shift in tenant mix may not be the panacea they expect.

Getting the Doors Open

By Nick Jacobs

The founders of the next J.Crew, Starbucks or Barnes & Noble are not in the standard rolodexes that leasing

professionals have come to rely upon. They are operating carts in nearby centers, operating stores in urban neighborhoods or slowly expanding in adjacent markets. Reaching these merchants requires “guerrilla leasing” tactics that demand hitting the streets, thinking creatively and selling a vision of new opportunity.

The best approach to identifying new concepts is to be on the road meeting local retailers. It requires patience because it often takes several attempts to begin a dialogue with a promising entrepreneur. Once in the meeting, it is important to listen and understand their vision of the future and then begin to demonstrate how a new center can help achieve and surpass their expectations.

From the beginning, local and regional retailers need to see that a center is serious about helping them transition and grow. That may mean offering consultants to help design their new store or offering financial assistance for build-out costs.

In addition to carefully navigating the lease negotiation process, it is also important to let prospective tenants

know that the center will provide ongoing support. They need to understand the center's commitment to their success — that help and assistance does not end with a signed lease.

Marketing Support

By Robyn Marano

One of the most important ways a center can provide ongoing support for tenants is through marketing assistance. This support can be crucial for new store concepts that do not have a built-in customer base or the marketing infrastructure that national retailers enjoy.

Prior to the store opening, marketing can send out press releases, email blasts and put up signage to announce that the retailer will be "Opening Soon". For

For many non-nationals, center management can provide vital market expertise and intelligence. Providing tenants with information about shifts in consumer preferences, actions of nearby competitors or shopper demographic details is critical because of how quickly market dynamics change in today's environment. Center management should assist retailers as they retool their merchandising mix and store design to stay competitive.

Also, trust and information sharing should flow both ways. As merchants become comfortable with center management, they will be more willing to share sales information and other performance measures that can help inform center marketing and merchandising strategies. More importantly though, it can reveal potential problems and allow center managers to step in before a tenant fails.

Center management must be proactive by constantly generating new ideas.

retailers that are new to the market, center marketing directors can be a valuable resource of information regarding local outlets for advertising, customer demographics, vendor recommendations and a variety of other marketing related needs. In addition, it is not uncommon for the shopping center management team to aid in employee recruitment by allowing local retailers access to the shopping center for resumé gathering and on-site interviewing.

Center management should also help support Grand Opening events and on-going store promotions. These activities can be posted on the center's website, featured in email blasts to the center's database of loyal shoppers, or highlighted in consumer advertising efforts.

One advantage that local and regional retailers have over their national counterparts is flexibility. They are able to quickly launch promotions to address merchandising issues or agree to participate in center-wide events without needing corporate approval.

Most local tenants are so focused on the day-in and day-out responsibilities of running their businesses that they often lose sight of marketing opportunities. Center management teams must be proactive by constantly generating new ideas, anticipating tenant needs and keeping the lines of communication open.

Forging Relationships

By Mark Wampler

Center management must "walk the floor" and interact with merchants on a daily basis. Constant communication not only builds trust and confidence, but it allows issues to be resolved quickly.

There should also be regular center-wide merchant meetings. Quarterly gatherings are standard, but more frequent meetings may be appropriate during times of uncertainty. The communication should be augmented by monthly newsletters and other formal updates on center activities and information.

A Helping Hand

By Jonathan Shartar

It is crucial that center management take an active role in preventing store closures and addressing issues long before they become insurmountable.

The leading indicator of merchant performance issues is the health ratio — the relationship between sales to total occupancy costs (TOC). A healthy range for rent and other occupancy costs is between 12% and as much as 18% of sales. If the figure begins to grow beyond that, it is a sign that the tenant may be struggling.

Another red flag is when inventory levels get low — suggesting vendors are no longer confident in the retailer's financial footing. Other obvious signs include late rent or employee departures.

When trouble signs do appear, it is important that center management meets with the retailer and provides recommendations for improvements immediately. Help may include specialized marketing support, merchandising advice or even in some cases rent-relief.

From the opening conversation with a prospective tenant to the ongoing dialogue after launch, developing a strong rapport with all tenants is a fundamental part of managing a successful center. A positive reputation in tenant relations can also become a leasing advantage when competing with other centers to secure the next hot concept.

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TENANT INCUBATION

Contributed By Courtney Johnson
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Mike Pimco was already a celebrated local singer and a successful online apparel retailer when he opened Style Rocket on the **Asbury Park Boardwalk** in June 2008. Months earlier he had approached Madison Marquette with his bricks and mortar concept and they immediately saw synergies with the boardwalk's new vibe.

Asbury Park, New Jersey's famed boardwalk is finally being restored to its former glory after decades of neglect. Since taking control of redevelopment efforts in 2007, Madison Marquette has implemented an aggressive redevelopment campaign, including the rehabilitation of several entertainment venues and merchandising the 1.5 mile stretch of oceanfront property.

The new Asbury Park Boardwalk is a hip, year-round destination with dozens of unique shops, bars and restaurants. When the redevelopment team learned of Mr. Pimco's retail concept, they moved quickly to help make his vision a reality.

Style Rocket takes a unique spin on stylish clothing, art, home décor, accessories and music. It is meant to capture the lifestyle of the trendy, forward-looking creative movement he sees bubbling over in Asbury Park.

Madison Marquette's first priority was to help make the Style Rocket store design match its energy and vibe. They created special lighting, shelving and even designed a way to convert the store into runway that extends out into the boardwalk for special events.

The investment in Style Rocket has paid off considering the brisk pace of sales immediately after the store's debut. It has also been a real catalyst for other merchants and proved the potential for trendy retail at a crucial time for the redevelopment project.



Style Rocket, Asbury Park, N.J.