



↓ Often retail stores have not adapted to changes in the composition of the market and are no longer suited to their current location.

BORN AGAIN

The antidote for zombie stores

“He’s already dead, he just doesn’t know it yet.” That phrase, popularized by horror movies, describes the living dead who naively roam the earth, not realizing that their lives have passed. This phrase has also been applied to retail outlets—stores, restaurants, and service venues—with declining businesses and dwindling operating capital that are limping along with marginal profits.

Although these businesses have outlived their usefulness in their current locations, their owners cling to the hope that they will be able to keep the lights on for just one more lease cycle.

“This recession has created zombie stores, stores that appear to be alive but that are really dead,” said Ted Hurlbut, a consultant at the retail consulting firm Hurlbut Associates. “In good times, in every chain there are below-average stores that only generate 70 percent or 80 percent of the average store but are still four-wall profitable. In this downturn, with sales in some of these weaker stores off by as much as 10 percent to 20 percent, these stores are now four-wall cash drains.”

Finding the Best Use

GIS can help retailers fight off the zombie virus. In real estate, it all comes down to one simple question, What is the best use for this land or this building? according to David Beitz, GIS director at EDENS, which is a developer, owner, and operator of community-oriented shopping places in primary markets along the East Coast of the United States.

“If a retail site is barely making it, GIS can be used proactively to spot opportunities that could increase the value of the real estate,” Beitz said. “Maybe that tired chain store location would make a great bank branch. Or maybe it could be combined with several other parcels to build an apartment complex. GIS gives us the tools to research locations and find opportunities in order to make smarter real estate decisions.”

Matt Felton, GIS director at MacKenzie Commercial Real Estate Services, agrees: “With GIS, we can help owners of vacant stores with *[information on]* current, up-to-date market reach, customer profiles, and market potential for zombie sites. Most of these zombie stores are in markets that have dramatically changed quicker than the owners can adapt. Often, these types of stores have outlived their nature in a given market and should instead turn into something new, or they have been completely out-positioned so that no other retailers will want to show interest in the site.”

Connecting People to Real Places

As a shopping center company, EDENS uses GIS in the leasing process to first identify potential retailers for a site, then uses the technology to communicate to the retailer why EDENS leasing and development staff think a site is good for it. “Studies show that the more time customers spend at a shopping center, the more money they spend,” said Beitz. “Great shopping places provide a variety of activities for people in the community to connect through shopping, services, entertainment, and restaurants.”

For example, when EDENS has a retail space or outparcel *[a small lot at the outer edge of a shopping center, reserved for later sale]* that—if developed as a restaurant—would complement one of their shopping centers, staff look at a number of questions:

- What other restaurants are nearby?
- Who is not in this market but is successfully operating in other similar markets?
- How do the demographics of their target site line up with the potential restaurant’s other locations?
- Is this a breakfast/lunch crowd or lunch/dinner crowd?
- What is the daytime (employment) population?

- Where are the schools nearby that help determine commuting patterns?

GIS helps EDENS to understand and communicate the answers to these questions, determining if additional retail square footage might be profitable for landlord and tenant. In addition to maps and demographics, EDENS has also been using Esri Tapestry Segmentation data to better understand its markets. Tapestry classifies US residential neighborhoods into 65 unique market segments based on socioeconomic and demographic characteristics. By understanding lifestyles, life stages, likes, and wants of people, it is easier to understand what may interest people living in specific neighborhoods.

"Above and beyond demographics, the Tapestry data profiles the households and gives us a deeper view of the consumers in the market," said Beitz. "I think the key here is to add retail space only if it accomplishes the larger goal of creating a dynamic shopping place where people want to spend time. If you only look at retail square footage per capita, then you will see that lots of areas are overretailed. The problem is that often the retailer has not adapted to the changing composition of the market. Tapestry gives us the consumer understanding of the business equation to better capitalize on opportunities in the market."

Secure Access to Information Anywhere

MacKenzie brokers and retail partners can present retail centers in the most positive light using an online dashboard created by Felton. MapDash, built on ArcGIS Online for Organizations, a cloud-based solution from Esri, provides designated staff with secure access to information from anywhere.

When an anchor store leaves a mall, customer counts and sales often decline. This triggers the material adverse change clause in most leases and affects the rates other tenants pay. To counter this situation, Felton and his team use MapDash to define the current customer dynamics in trade areas and quantify the market opportunity, depth of demand, and spending capability of consumers in the area. With this information, MacKenzie staff can match opportunities with tenant prospects.

"I think about the world I was in just 10 years ago—me having to build applications and run analyses for people—and now the barriers have been lifted," said Felton. "Today, I can focus on the content, the business use, and not worry about the infrastructure."

From Reactive to Proactive

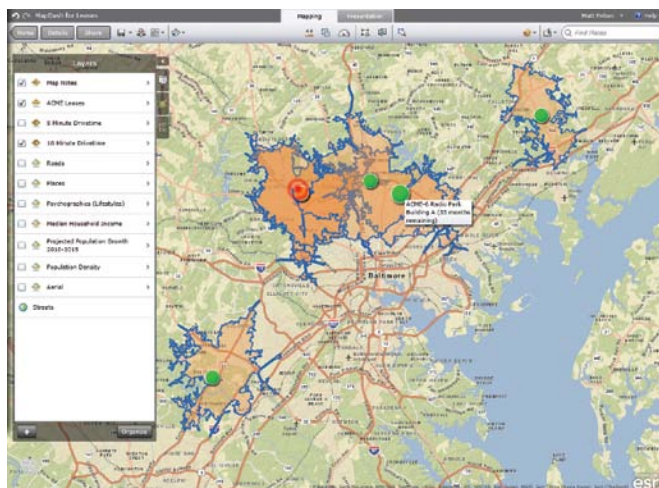
MapDash helps the brokers communicate lease information to their customers. The dashboard helps organizations that hold between 10 and 40 leases in a region access all related information, identify where properties are located, and know when leases on those properties should be renewed.

Red flashing dots on the dashboard map signify stores that require attention relating to a time-sensitive issue such as a lease option. Clicking these dots provides both street and bird's-eye views of the retail location, along with reports that summarize the pertinent information about the lease such as length of lease, price per square foot, and length of time at the site. This gives decision makers a better understanding of the terms of all leases, turning the often reactive lease renewal process into a proactive strategy for optimizing the company's portfolio.

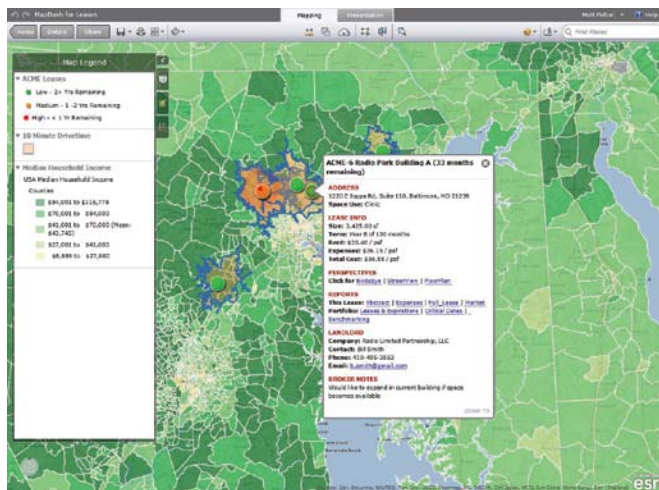
"MapDash allows our customers to see their entire portfolio, not just one lease at a time," said Felton. "Accessing information in this manner is better and faster and keeps our clients more informed. This gives them more leverage in the process, and this translates into healthier retail stores."

Opportunity in a Sea of Change

Today's retailers have a tremendous opportunity to leverage their retail locations to gain significant competitive advantages. GIS technology and data help retailers gain a comprehensive understanding of daily store operations and the customer. These retailers can more quickly identify key trends, make decisions, and respond to changing consumer behavior. This is a key competitive advantage. Being agile and responsive is the key to maintaining a viable and growing business in a dramatically evolving economic landscape. For more information on how GIS can help retailers, visit esri.com/retail.



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