

OUTLETS

NO LONGER ON THE
OUTSKIRTS

by Beth Feinstein-Bartl

M

igrating from their boondock origins and creating their own boom towns, outlets are no longer on the

outskirts. Outlet malls have evolved to become part of both Main Street and the mainstream shopping experience.

Gone are stores with a warehouse feel and outdated merchandise on out-of-the-way parcels. These transformations are more eye-catching and centrally located. Adding a chic vibe, well-known brands are creating cachet with items for less cash in high-traffic suburban and metro areas. For luxury designers, especially, outlet has become an aspirational bridge—an important introduction to the product line.

Settings are less stressful and more entertaining. Today's thoughtful approach infuses diverse dining vignettes, popup gardens, and restful seating areas into large footprints.

The result: Customers are reaching for their wallets, in droves. "Outlets are and have been the main growth vehicle in the retail-real-estate sector for the last five years," says Steve Ferris, EVP of global property consultancy JLL.

Outlet centers are consistently performing well with strengthening sales, increasing rents, low vacancies, and significant construction activity, according to JLL. The firm's latest available figures (from Q3 2015) show:

- 41 outlet centers have opened in North America within the past four years, totaling almost 15 million sq. ft.
- They represent \$45.6 billion in sales, up 8.6% from \$42 billion in 2013.
- Sales per sq. ft. grew from \$532 in 2013 to \$545 today.

BREAKING BARRIERS

It wasn't always that way. "Historically, outlets were developed in cornfields," says Jim Harkin, SVP and principal at retail design firm FRCH. "But that was back in the 1980s."

Developers originally chose remote locations due to wholesale sensitivity to major brands in department stores. Over the past decade, barriers have been broken down. Developers are opening new centers in urban/metro areas; the Fashion Outlets of Chicago, for instance, is about 10 miles from three major malls, says JLL's Ferris.

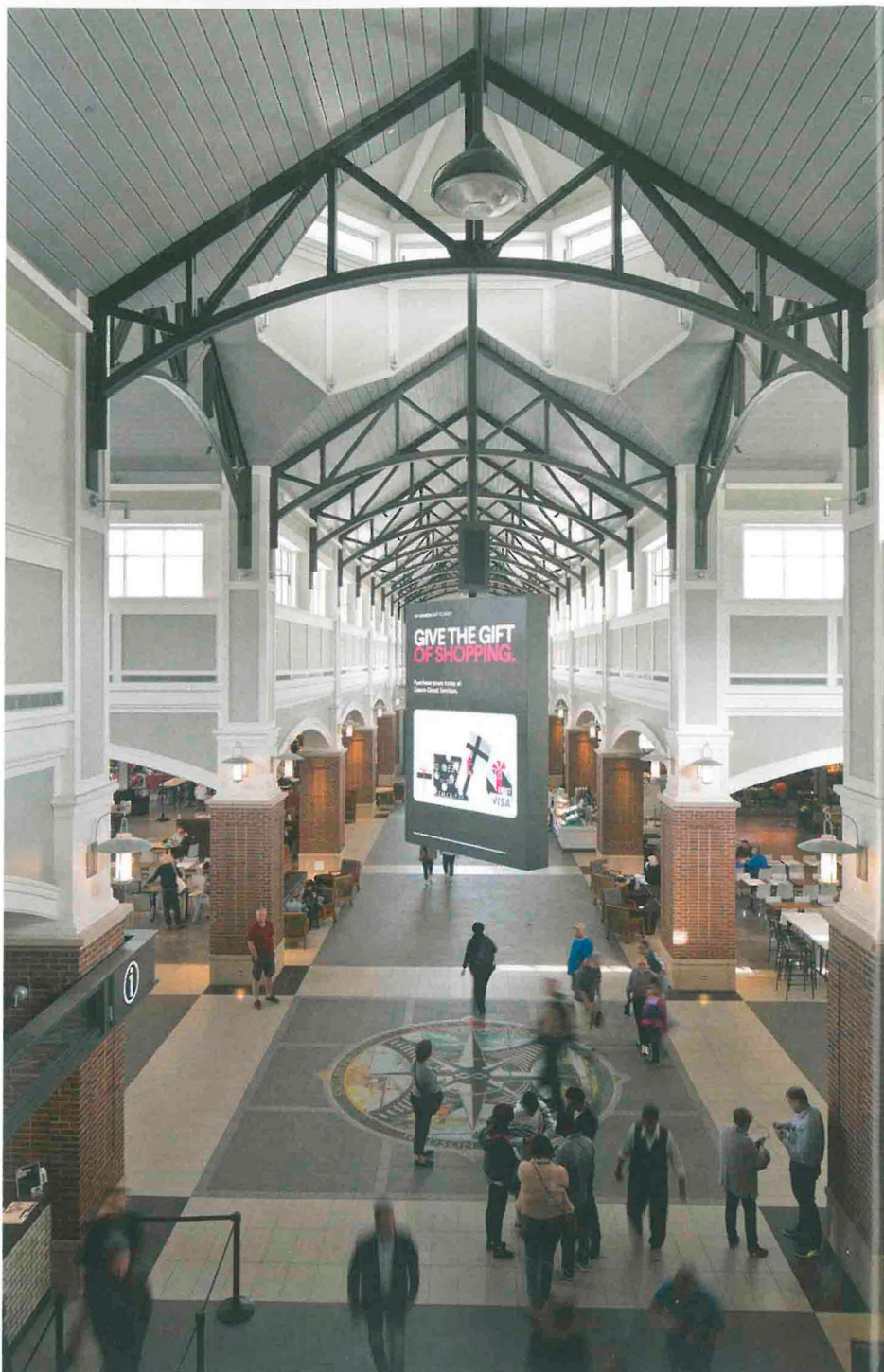


Photo: Jim Reaf Creative





Photos: Feinknopf Photography/Brian Feinknopf

TOP and LEFT: Socialization is encouraged both inside and outside at centers like Woodbury Common Premium Outlets in Central Valley, N.Y., which was recently renovated with design by FRCH.

BOTTOM: Graphics by Great Big Pictures, a “halo” treatment on the ceiling by KMDI, and idX fixtures contribute to the stylish ambiance of this Guess Factory Accessories store in The Outlet Collection in Elizabeth, N.J.



In some instances, once-remote areas have become bustling due in part to an outlet center's draw. Take Sawgrass Mills in Sunrise, Fla., for instance. Hotels and a concert/sports arena are among the amenities and attractions now surrounding the massive mall.

In other cases, full-price and outlet venues commingle. For example, Destiny USA in Syracuse, N.Y., expanded to include outlets under the same roof as full-price stores, Ferris adds.

The mentality has changed. Outlet is no longer the end of the

line, but rather a destination, says Sarah Holstedt, a senior associate specializing in retail center design at CallisonRTKL.

Whether you consider them outlet or off-price stores, retail chains are increasingly adding lower-priced counterpart stores. Witness Macy's plans for some 50 new Backstage stores by 2018, HBC's plans for up to 25 new Saks OFF 5TH stores across Canada by 2018, and Nordstrom's plans for 120 or so more Nordstrom Rack stores by 2020, according to news reports.

And those stores are sometimes being situated near complementary full-line brands. “We see outlet brands in closer proximity to their full-line counterparts, particularly in urban areas where a wide variety of customers are readily available,” Holstedt says.

Ken Nisch, chairman of retail design firm JGA, agrees, saying “Today, a Nordstrom Rack could be found in an outlet center, in a lifestyle center, or down the block from the full-price store.”

Indeed, this year, Macy's will even test the inclusion of Backstage shop-in-shops within Macy's stores.

DEFINING DEMOGRAPHICS

The proliferation of made-for-outlet goods has blurred the line between promotional/sale pricing in full-line stores, outlets, and the fast-growing off-price segment, Nisch says. Experts estimate that this inventory comprises 70% to 80% of the offerings within the outlet channel.

Brands, particularly recognizable names and luxury labels, are the stars of this show. “Outlets are being developed—and increasingly redeveloped and expanded—at a more aggressive pace than full-price malls,” Nisch says. “While more measured and strategic than it was years ago, the involvement of major traditional shopping center developers such as Simon and Taubman is bringing the outlet centers closer to full-price centers in brand mix, location, and customer experience.”

Developers look for key tenants. For the typical outlet mall with 100 tenants, 20 brands—including Nike, Under Armour, and Burberry—drive the show, FRCH's Harkin adds.

Targeting budget-conscious crowds, retailers who once avoided outlets now embrace them to appeal to “haves” who will continue to shop at high-end boutiques and to “have-nots” who have accepted

Today's outlet centers welcome both retail chains and consumer goods manufacturers. Teva made its foray into retail with this Huen-designed store in Orlando Premium Outlets.



dollar stores in abundance. The outlets, once a bargain hunter's milieu, have become mainstream shopping centers, says Dean Rubin, CEO of Rose Displays, a retail signware solutions company.

"It's reaching a different demographic," says Ron Singler, SVP of retail at Callison-RTKL. "To a certain extent, it's become an extension of the brand." Most customers know there's a trade-off in shopping outlets, he adds.

But helping the consumer save a buck doesn't mean skimping on experience.

Brands should make outlet visits satisfying and rewarding for shoppers, yet make a distinction, says Robyn Novak, VP and creative managing director at FRCH. She believes the outlet should be a teaser or a taste that drives consumers to the flagship.

Rebecca Huston, principal and strategy director of retail design firm Huen, agrees. Her suggestions:

- Brand product lines for outlets under a different or related name.
- Partner with other brands, especially companies with narrow lines.
- Make the in-store experience fun and entertaining.

She cites the weekend stylist at Topshop in the U.K. "You can get your hair and nails done. They understand that an inexpensive product can go along with a premium experience."

JGA's Nisch advises against trying to make an outlet look like the full-price store, which would confuse the consumer.

"You still want great operating standards, fitting rooms that respect the customer, and an orderly floor," he explains. "But this is a different experience being delivered in a different way for a different purpose. If you don't create some differences, why should people pay full price? It's a delicate line."

COMPELLING CONNECTIONS

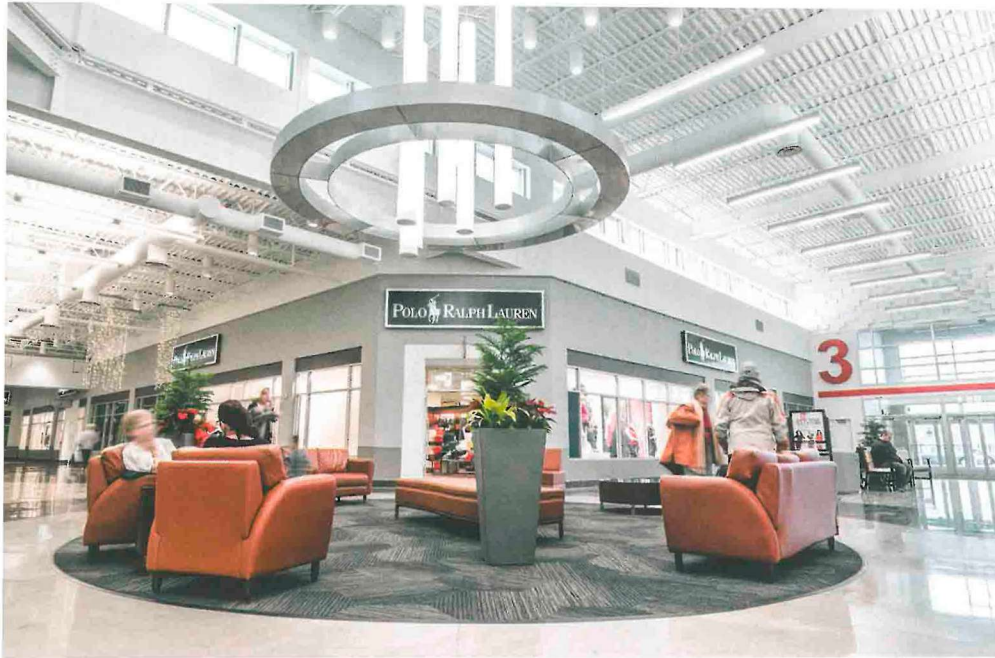
Given the growing consumer demand, outlet designers are creating more upscale, compelling connections. These sophisticated solutions focus on efficiency and flexibility.

Durable materials are needed to accommodate more foot traffic. Storytelling must be simplified, as most merchandising is done by in-house staff. And green-building strategies, such as energy-efficient lighting, should be incorporated, Singler says.

365: THE BUDGET SIDE OF WHOLE FOODS

Lower-price alter egos aren't solely the domain of apparel and electronics retailers and the like. The grocery segment is seeing a similar movement from Whole Foods Market. The chain's new 365 by Whole Foods Market will offer low-price natural and organic products. The first store will open this year in Los Angeles, with two more to follow in 2016 and up to 10 the next year. President Jeff Turnas promises a modern, streamlined design with innovative technology and a carefully curated product mix. "We are not looking at a dumbed-down version of Whole Foods because we're never going to sacrifice our quality standards," he says.





LEFT:
Restful seating areas are being incorporated into outlet malls like this Tanger Outlet in Cookstown, Ont., Canada.

BELOW:
CallisonRTKL created a modern, fresh look for The Outlet Collection in Auburn, Wash.

Photo: Eventscape

Not that the factory look can't be advantageous. The warehouse-inspired material palette takes on a clean, contemporary vibe at the Wolverine outlet in Las Vegas. FRCH's design incorporates lifestyle and brand imagery covering a sliding panel system for over-stock footwear. Library ladder-style merchandisers place accessories and apparel close to related footwear for cross-merchandising.

Inventive stylishness is in, beginning at the mall entrance. It's about architecture that's fresh, recognizable brands, entertainment options, and a nod to the locale.

One of CallisonRTKL's clients, The Outlet Collection in Auburn, Wash., got an overhaul in 2013 that speaks to the modern vision being adopted nationwide. The design team installed dramatic entryways, a reconfigured racetrack, a Designer Row to attract luxury outlet shopping, indigenous landscaping, and a popup bamboo garden.

"The environment was close to a full-line mall," Holstedt says. "It opened new ways to lease space."

Some new features are encouraging a community feel. At FRCH-designed Gloucester Premium Outlets in Blackwood, N.J., artificial turf doubles as space for events in the midst of Colonial Revival-style buildings.

Eateries augment the socialization aspects of today's outlet centers. For instance, comforting, warm graphics surround dining vignettes and diverse food offerings at Market Hall, an FRCH-designed addition to the Woodbury Common Premium Outlets in upstate N.Y.

MAINTAINING THE DNA

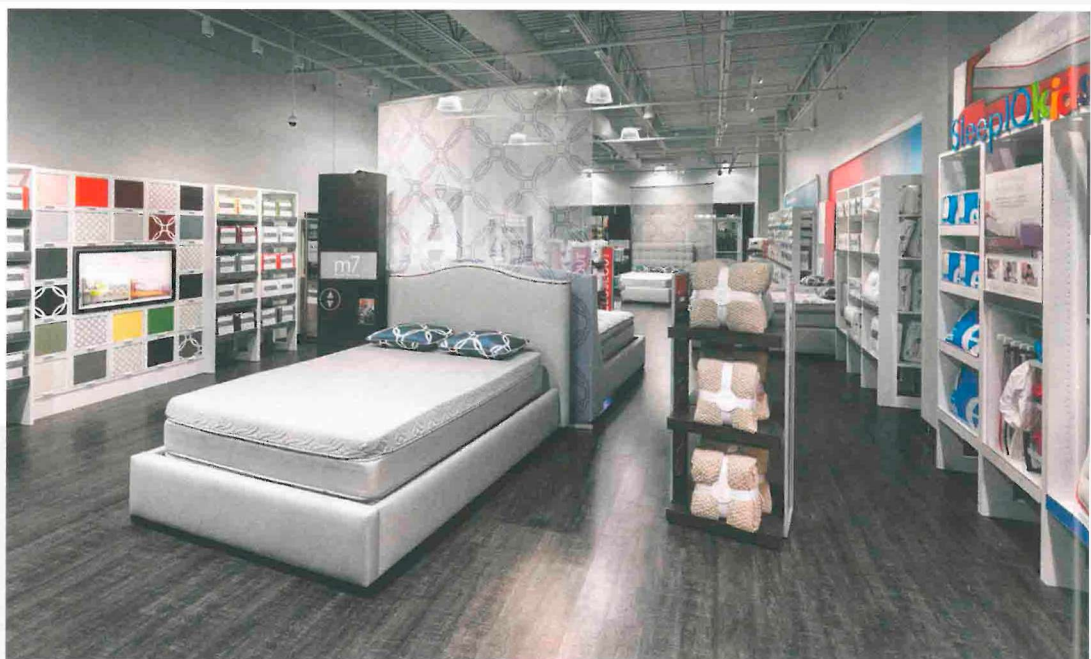
As more major retailers tap into the outlet segment, its core values remain the same. Consumers are still looking for bargains, so retailers must keep their own outlet stores from diluting the brand.

"It's being authentic and 100% true to our DNA in all aspects of our business," says Richard Hamori, SVP of store planning and design at Hudson's Bay Co.



Photo: ©Callison

Sleep Number features factory outlet bed models and closeout bedding products in this award-winning, JGA-designed store in the Houston Premium Outlets mall.



Global markets import the North American outlet

Globally, outlets' strongest growth is in North America. But the venue is gaining ground internationally.

In China, for example, outlet malls are among the fastest-growing sectors of the commercial property industry. At the 63,000-sq.-ft. Chengdu Times Outlet alone, sales rose 21% last year, according to *Inside Retail Asia*.

Total tax-free sales reached record highs in 2014 at the McArthurGlen's 20 Designer Outlet centers across Europe. Topping the list, Russian travelers accounted for 29% of those sales. Chinese visitors came in a close second, with 25%, reports *Inside Retail Asia*.

Australia's outlet-center industry has matured in the past 10 years. Today, 18 locations (including hybrids) nationally account for a total gross leasable area of around 3.1 million sq. ft., according to JLL.

The Australian market is a prime example of the differing needs of various cultures. A recent *International Outlet Journal* report notes that Aussies prefer more utilitarian outlet design to engender the perception of bargains.

Even so, some overseas outlets are creating buzz in new markets with footprints unlike anything in North America. For example, a CallisonRTKL-designed outlet mall is about to open next to an amusement park in Dubai. "It's totally different than what we would create here," says Sarah Holstedt, senior associate at the firm. "It's an exciting new frontier."

HBC's outlet footprints are smaller and more intimate than its mainline stores, yet feature a common design language for ease of shopping. Banner-specific product and knowledge training for associates is similar at outlet and mainline stores, Hamori says.

Sleep Number's two new stores in the Premium Outlets in Texas and Virginia are expanding the brand's reach. The outlet stores target value-orientated consumers who might not be shopping in the brand's traditional locations, says Angela Gearhart, the brand's senior director of store experience.

"The Sleep Number target consumer is living a digital, connected life and appreciates brands that integrate technology while maintaining a person touch," she says. "The outlet customer is destination- and value-focused, but still expects the complete Sleep Number brand experience. In addition, they want a factory outlet shopping experience that is simple and intuitive, with products that add value to their lives."

The stores feature factory-outlet bed models and an expanded assortment of closeout bedding. The spaces have a modern feel, but feature more simplified technology and visual packages than their mainline counterparts.

"Simple, modern and dynamic, the Sleep Number outlet brand experience exaggerates the value proposition in a way that is convenient and effortless to the customer," she says. "This experience may be the consumer's only interaction with the brand and needs to support the relationship-based selling model, delivered in a warm, approachable, and intuitive environment."

LOOKING AHEAD

Figuring prominently in outlet centers' future are technology, more entertainment, and the addition of online and catalog stores to the mix, experts say.

"The industry will continue to evolve," Holstedt says. "We're still learning what the magic tricks are."

One puzzle piece is extra emphasis on food and beverages, "not just at outlets, but in the entire retail industry," she says. "You can't experience that online."

People enjoy socializing, and malls enable that. Outlets also counter online shopping by offering bargains combined with immediate gratification, Rubin says.

"Somebody will come in and be the Starbucks on outlets and change it with an experience about fashion and entertainment," Huston predicts. "It will be a game changer."

Beth Feinstein-Bartl is a seasoned freelance journalist who has covered many retail environments topics. Her retail experience includes a stint with a luxury retailer in an outlet mall.