

Keeping It Local

Everyone benefits when locally owned businesses open in shopping centers.

Nathan Anda's Red Apron Butcher shops are one of the most buzzed about local businesses in the Washington, D.C. area. Anda, who began his career as a chef, actually started the business by selling locally sourced meats and handcrafted charcuterie at farmers' markets. But as his business started to boom, Anda decided the natural next step would be creating brick-and-mortar stores where he could expand his food offerings into a go-to spot for customers.

For his locations, he chose shopping centers—where he knew he'd get foot traffic from nearby stores. He could meet and share ideas with other store owners and offer convenient parking to his customers.

"Somebody might be

looking for something in one store and then stumble across mine," says Anda, who now has three Red Apron shops in Washington, D.C. and Northern Virginia.

"They might learn about our products and what we do—and become regular customers."

American shopping centers are often identified with national chains, but current trend analysis shows that couldn't be further from the truth. Today's shoppers are increasingly looking for unique products and experiences—and that often means seeking out locally owned businesses. It might be a specialty food shop or a cool boutique that features

jewelry designed by local artisans. Or it may be a barbershop, an independent hardware store or a craft brewery.

"Shoppers today are on a treasure hunt and want authenticity" says Kenneth F. Bernstein, chairman, president and chief executive of Acadia Realty Trust. Not only do consumers feel good supporting locally owned businesses, but they also desire the experiences they can only get by being in a certain place at a certain time. "Any time you can meet the chef, the food at the restaurant just tastes better," he adds.

THE LOCAL APPEAL

To meet this growing demand, many shopping centers are actively seeking out local entrepreneurs as tenants—sometimes offering free or discounted rent and other assistance to help them

get up and running. About half of all neighborhood shopping centers—meaning non-mall centers—are occupied by locally owned businesses, according to CoStar, a commercial real estate information company.

"New entrepreneurs, new thinkers, new ideas can really change the dynamic of the shopping center," says Conor Flynn, president

and chief executive of Kimco Realty Corp., which owns interest in more than 500 shopping centers nationwide. His company has a program called Kimco Entrepreneurs Year Start (KEYS) that gives entrepreneurs who have never opened a physical retail store a chance to open a shop in a center rent-free for one year. The entrepreneur gets time to figure out the business model, and if it's successful, he or she can take advantage of a favorable four-year lease. The company has about 600 spaces—all 2,500

square feet or less—available for KEYS participants nationwide and provides the entrepreneur with a personal Kimco retail business counselor as well.

Flynn points to one of several KEYS success stories: A current California store owner used to bring coolers full of shaved ice to stadiums and sell it to sports fans. He realized he might be able to turn his roving business into a physical store, selling shaved ice and other desserts year-round. Soon after opening in a Kimco-owned shopping center in 2014, "he had lines around the block" and has been successful ever since, Flynn says. "Why not try to use our real estate as an experiment and encourage people to be creative?"

A 'WIN-WIN-WIN'

Decades ago, of course, most tenants of neighborhood shopping centers were locally owned small businesses. But competition from national brands that sold the same goods or services at lower prices made it challenging for them. Today, the tide is changing again, and Bernstein sees local merchants providing distinctive items and services in ways that appeal to today's shoppers. "You still have to be price-competitive—and service and selection still matter," he says. "But local merchants are competing, and I think that's exciting."

Some large retailers are even understanding the emerging benefits of having smaller-footprint stores with merchandise curated for a local community's needs. For example, Target Corp.—which has more than 1,800 stores across the country—has prioritized adding small-format stores to dense urban and suburban neighborhoods, as well as college campuses, says Laurie Mahowald, vice president of real estate for Target.

Melissa Gonzalez, founder and chief executive of The



Lionesque Group, which creates pop-up retail experiences, says the revival of locally owned businesses is a “win-win-win situation” for entrepreneurs, national brands and shopping centers.

“There’s a nationwide initiative for malls to rethink space and place-making,” she says. “A lot of that place-making is building community and creating a place of discovery”—which local businesses help achieve.

A locally owned business might open in a shopping center for the exposure, but it also helps the shopping center owners attract other tenants, Gonzalez adds.

“A fresh, imaginative store that’s beautifully designed makes a strong showroom for a mall’s leasing department to sell other spaces,” she says. “It helps create stronger adjacencies for existing tenants. It changes the energy of that floor or wing of the mall when a locally owned retailer has a cult following that they can activate and drive to their location.”

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