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STANLEY EICHELBAUM, President of Marketing Developments, Inc.

❖ On the first day of spring, IMEvents in association with Commercial Real Estate Magazine is holding a conference entitled “New Formats for Retail Centers”. The aim of the conference is to provide information about new formats for retail real estate and their potential market benefits and pitfalls.

The Lifestyle Center is the future

Ahead of the conference we had the opportunity to interview the conference chairman, Stanley Eichelbaum, President of Marketing Developments, Inc. Marketing Developments provides consulting and planning services, feasibility studies and economic forecasts as well as a full range of marketing solutions for retail and entertainment real estate.

- Mr. Eichelbaum what are the global trends in the development of retail centers?

- I would describe the main trend in the retail real estate market as disillusionment with the entertainment component of retail centers. Retail and entertainment centers took upon themselves the role of organizing leisure activities for their visitors. But, in practice, throughout the world these centers have either failed or enjoyed minimal success.

The development of this format has been limited for a whole range of factors. Across all markets, the centers were aimed at achieving maximum weekend profits. But excellent results over the course of two to two and half days were simply not sufficient to make the projects a commercial success. Moreover, the influx of weekend visitors was often very large and as a consequence at peak times there weren't enough services to go round.

In addition, it became clear that projects with an entertainment component enjoy the most popularity amongst young people. Only a few developers were able to accumulate a large enough number of retail operators aimed at this target audience. You also have to bear in mind that an entertainment center aimed at the youth market requires serious investment in the content, maintenance and safety infrastructure.

And, finally, the majority of entertainment centers attract visitors who are cinema goers. However, in practice visitor streams to cinemas are unstable as there are periods without crowd-drawing blockbusters. Taking all of this into account, many tenants had difficulty enduring the quiet periods.

- In your opinion what do retail real estate developers show a preference for in a fast growing market: proven models or new format retail centers?

- For a long time, the professional community and the media have tried to galvanize the retail real estate market with revolutionary concepts but in practice retail develops in an evolutionary rather than a revolutionary way. Entertainment centers, as a revolutionary type of industry are a quite controversial development; however, entertainment centers are often successfully reprofiled into stores or household centers.

- What has to be done before the opening of a new format retail center?

- First of all you have to identify the demand. In order to launch a new format retail center you have above all, to analyze the current demand and supply and prove that there is a real demand for the project. Nowadays, project feasibility studies are carried out by large companies and include modeling, and analyses of the demographic situation and economic trends. This kind of research can be extremely accurate and minimize the risks for a project in virtually any country in the world.

- Today in Russia there are several projects being realized which are positioned as Lifestyle Centers. Could you tell us about this new format for Russia.

- Lifestyle Centers are usually smaller than regional retail centers. They are generally open air which provides for greater economic efficiency and planned in such a way that retail operators are close to or clearly visible from visitor car parks. Lifestyle Center tenants are oriented towards household necessities. This usually includes a large share of household goods and products, book shops and restaurants. The centers usually also house a cinema and perhaps department stores. In general, Lifestyle Centers are situated in regions with high population densities.

- How much demand is there in the West for this type of retail center?

- The Lifestyle Center concept has large potential. But there is a difficulty in that a Lifestyle Center requires a more accurate economic efficiency analysis than any other type of retail site. After extensive research, the forecast we provided to our institutional clients was that Lifestyle Centers have a huge potential and will become the leading type of retail center in the world retail market.

- At the moment in Russia the reconstruction is underway of several airports. What kind of opportunities are there for retail operators in airport retail areas?

- We have studied and been involved with retail in both airports and railway stations. This type of retail is extremely productive if it is carefully and comprehensively planned and marketed, and staff are well trained in the technical procedures.

- What type of retail is right for airports?

- At the very top of the list comes “saving time” so all the products should be easy to pack and easy to pay for. Naturally goods sold in airports should be aimed at men. Ideally they should be small in size so they can fit easily in a briefcase or suitcase. It should be possible for the products to be consumed and discarded during a flight. Small presents for wives and children are also very successful

- How do you rate the Russian retail real estate market?

- In Russia there is a large and fast growing market which has already attained unprecedented heights and new standards. Consumers have demonstrated their enthusiasm for better environments and better products. In America the cycle that ended with primary market saturation was 35-40 years, for Singapore it was 10-15 years, for Malaysia 5-10 years and in India it may be less than 5 years. CRE

