

Marketing Tourism

How Prime Outlets Repositioned Itself for Success

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KAREN FLUHARTY, SENIOR VP OF MARKETING FOR PRIME OUTLETS, WAS THE KEYNOTE SPEAKER AT THE 13TH ANNUAL SHOP AMERICA TOURISM CONFERENCE (SAA) and provided attendees with an excellent overview of the State of the Outlet Industry, including how she and her team repositioned Prime Outlets for success.

Since the SAA conference in January, the news continues to be positive for the outlet industry. According to VRN, 4th quarter sales took a “leap in the right direction.” Simon Property Group’s Premium Outlets reported comp sales increases of 6%, with sales per square foot of \$500. Prime Retail also finished the year with positive sales growth.

It’s All about the Outlets

As reported in the March JONESREPORT Plus, outlets’ success was a recurring theme throughout the SAA conference. According to SAA President and Conference Coordinator Rosemary McCormick, “We recognized the strength of this category in the shopping center industry, but more important is its strength for the visitor market. We felt non-outlet retail professionals would appreciate the opportunity to learn more about what makes the outlet industry so successful. This industry has worked hard over the years to get to where it is today to make its retailers profitable.”

To better understand this industry, it is important to appreciate the background and how the industry has evolved to keep up with consumer demand. The outlet industry has been around for years, going back to when apparel and mill stores offered excess and damaged goods to their employees at stores attached to their factories. Brands such as Vanity Fair and Mikasa actually started their outlet programs as far back as 1936. The first newly constructed outlet center opened in 1975. Once thought of as a place for last year’s fashion, outlets now are a viable channel of distribution selling current season, high-fashion goods.

Fluharty discussed how the credibility of the industry has evolved from a place to liquidate only merchandise that would not sell at full price to a legitimate way of doing business and promoting the brand. “Today’s outlets are vibrant, offer real value from real designers, are located much closer to major markets than in the past and are a valid, prof-

itable channel of distribution,” she explained.

For a retailer to be truly successful in today’s economy, multiple channels of distribution are necessary. She said the industry has become more credible as it has evolved to feature 25% to 65% savings every day by famous designers and brand names.

The Brand/Value Proposition

“The ‘brand/value’ proposition is still the key to the outlet industry,” claimed Fluharty, emphasizing that without the full-price distribution channels, the outlet category cannot succeed.

“The outlet brand/value proposition only makes sense when there is the full-price store for value and price comparison. A no-name store offering a huge discount is meaningless if you don’t have a basis for comparison of the actual retail cost of the product,” she added.

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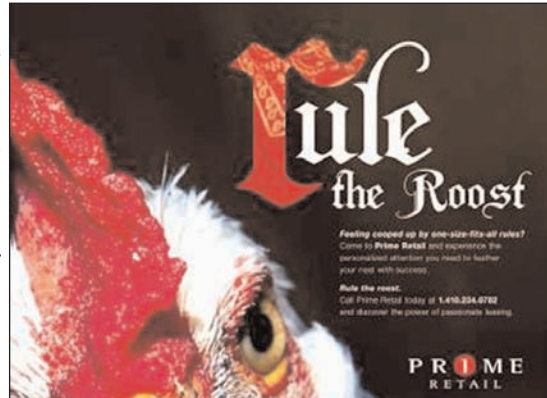
Today there are 389 outlet centers worldwide, 216 of which are in the US. Others are in the UK, Japan, Korea, Germany, Italy and Mexico. In the US just four companies dominate this industry. The largest is Chelsea Property Group, followed by Tanger Factory Outlet Centers, Prime Retail, Inc. and Craig Realty Group. These four represent 67% of the industry.

Massive Repositioning

Formerly with Chelsea Property Group for 13 years, Fluharty was hired by Prime in 2007 to lead a massive repositioning of their 22-center portfolio, which was necessary due to weak sales and traffic and the need to gain upscale market share from competitors. Fluharty brought to the table a wealth of knowledge and experience not only in marketing but also in leasing strategy and development, both domestically and internationally.

“We realized that much of the problem was lack of a key message that spoke to the cus-

tomers’ mindset, no continuity in the messaging, no fashion sensibility, no prominent brand presence and most important, no value statement,” Fluharty said.



Old Prime Outlets ad versus new fashion-oriented ad.

“The outlets are about two things: value and recognized brand names. Also key to our success on every level was what I call ROR, Return on Relationship. We mined our relationships with the tenant community, the communities in which we do business and like-minded marketing partners. You get all these elements

working together and the rest will fall in place.”

The new campaign for Prime Retail reflected the fact that many centers were completely re-merchandised with upscale brands and, in some cases, remodeled to bring a fresh, new and more upscale experience.

Communicating Fashion Message

The campaign, “The World is Your Runway,” clearly communicated a fashion message that was available to all at a price that was appealing

to the value-conscious consumer. The media mix was rebalanced to reach more potential customers. Television was used in major markets, as was print. A new website, was launched to offer extra savings and a members rewards program:

<https://www.primeoutlets.com/prime-my-closet>.

As a result of the redevelopment and repositioning, 2009 sales through November were up 2.7% at a time when the rest of the world was claiming flat is the new up! Traffic was up 8.7%. More than 124 new leases were signed in the 24-month period, and the value

of the portfolio escalated, going from a 2005 selling price of \$638 million to Lightstone Group to \$2.3 billion to Simon Property Group a little over five years later!

Non-Traditional Media

Much of this success is due to Fluharty's understanding of the markets, the consumer and how the consumer is changing. "Today's consumer expects change in the way we, as marketers, provide information," explained Fluharty. "Also, consumers have changed in the way they travel and shop. We need to harness this information to be more strategic and effective."

To begin with, a thorough understanding of inbound markets is crucial, including changes in currency and government regulations in the different countries that travel to your destination. Second, understand how consumers gain information. Thirty-four million Americans researched travel online in advance of their trip. On average, 20 sites were visited and four hours were spent on this travel research.

"You need to carve out your 'shopping share' of a visitor's time in advance," Fluharty advised. "We do this with innovative partnerships such as with Expedia, the most visited travel website in the world, with more than 27 million unique visitors per year. We developed shopping packages with them that populate during the end cycle of a consumer's online travel booking. The package also appears under the activities section of each respective center's gateway city search.

"The benefits? This helped us garner more traffic to all of our key tourism centers using a non-traditional medium and it also generated a new revenue stream of \$6 per package sold. This required no cash investment from our centers, as Expedia.com collects a percentage commission on each package sold and we worked with our merchant partners to build the package elements. We estimate that the advertising value garnered on this package is approximately \$2.5 million per year," explained Fluharty.

Public relations continues to be a key component and is referred to as "thought leadership" by Fluharty. PR was targeted not to the masses but to key mindsets including both the Frugal Fashionistas and recession-minded shoppers.

Relationships Still Count

Social media has changed the way consumers gather information, with real time worldwide conversations on sites such as TripAdvisor, LinkedIn, Facebook, Twitter, etc. The next generation is local social media platforms based on the GPS system. The current frontrunner is foursquare.com, but tread cautiously as foursquare.com could go the way of myspace.com, the initial front-runner to Facebook.

And finally, as Fluharty expressed, it is all about the ROR, Return on Relationships. In spite of the rise of social media, she says face time is critical. This goes for your merchants, your marketing partners, your DMOs, media and even the public sector. "As savvy marketers, you can



Karen Fluharty, senior VP of marketing, Prime Outlets

embrace the new while expanding your relationships as a formula for success," Fluharty concluded.

We are continuing this series of articles on tourism every other month and would like to focus on some of the more innovative programs. Please submit your programs to me, either via e-mail at Carolyn@CJFMarketingInternational.com, fax (732/545-3138) or mail. If possible, include samples of your graphics. Full credit will be given to the person or team responsible for the program. Visit our new web site: www.cjfmarketinginternational.com. ■

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