

Downtown Idea Exchange

Perspectives

Question is, Will downtown be ready for the bounce back?

By Kent Burnes

I will never forget receiving editor Paul Felt's email: "Could you offer some thoughts today about the state of downtowns and downtown development and marketing as we look ahead to 2009 and beyond in light of the current trends?"

My first reaction was to simply say, "We told you so," about oh, 15 years ago!

Preachers of the downtown religion (I being one of them) have for years been warning cities, counties, and downtowns themselves that someday times would get really, really tough, and you better get ready.

It did not take a brain surgeon to see that the housing market was a house of cards, and that Congress was going to continue to demand that Fannie May and Freddie Mac continue to weaken the house that credit built. I don't, however, think that many people had a grasp on how severe or deep the collapse would be.

Prepare for consumer strain as well as investment opportunities

As the economy continues to spiral down; what are my thoughts about the state of downtown?

I think that the downtowns that have done nothing — made no investments or have merchants groups that still spend more time fighting than planning and doing — are in trouble, serious trouble.

Downtowns that invested in improvements, with business owners with the foresight to assess themselves to increase the money available for promotions, design improvements or marketing, have a chance.

What is going to happen? Heck, I don't know!

But there are some things that are going to happen for sure:

1. Money will be extremely tight. If you are in a downtown that got on the bandwagon and did more than have a big promo committee and pay lip service to revitalization by actually affecting change in the downtown, you will

want to read the following information and pay attention to the opportunities that are being created during these tough times.

If you are in a downtown that was marginal before the tough times, don't give up, just know that your long-term survival might rest in making sure that you are finding those folks that will be looking for bargains in things like buildings. As some people lose, others win.

When the economy comes back as it has before, historically it roars back. Investors like to steal during tough times to prosper during the roar back. As long as the downtown does not turn into a shooting gallery, there is always hope.

2. Consumers are going to get squeezed. Spending has already dropped, and consumers are really shopping price. Downtown retailers can't always match price, but combining some type of sale that moves merchandise, gets a decent margin, and keeps the customer happy is possible, à la "Buy one at regular price, get the second at half-price." Ideas like that are done to not only turn cash but to turn inventory, as keeping inventories lean will be mandatory. Another sales promotion to suggest: "Buy one for \$100

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and get a gift certificate good for \$75 on your next visit.” Most retailers will have an actual cost of \$37.50 or less on the certificate, so you get a second visit, inventory turning, and a really happy customer. These types of ideas will work better in downtown than just “50% off,” turning downtown into a discount district.

3. Consumers are emotionally burnt. This is real. Everyone is cutting back. I was in a mall in Miami and they have now cut the bathroom cleaning to two times a day instead of every hour. It shows. Skeleton crews, unfriendly faces, it is true that consumers are getting good deals but there is a price. Downtowns that I visited on the same trip that had always had good businesses were still seeing good crowds and there was a noticeable difference in the attitudes in the stores. Keeping customers happy has never had so much meaning in my lifetime as it has now.

4. Retail is shrinking. By now most folks have seen the partial list of businesses that are closing their doors. Household names like Sharper Image are closing all their stores. Malls are losing stores like water running through a sieve. Most areas have been over-retailed for years. Now the big contraction and those communities that had no “soul”

(independent businesses) to their retail community will suffer the most. Once healthy-looking strip malls might fall into the ugly abandoned category. Downtowns are not always occupied by an abundance of chains that can leave gaping holes when four or five go out of business over night. Most of the leveraging on homes and commercial buildings was done largely in suburbs and areas outside of downtown. In many areas of the country, the most intact shopping area is often downtown, which is an attraction in itself.

5. United we stand, divided we lose. Never before has this been so true for downtown business and property owners. The economy is going to continue to spiral down until it hits a floor, where that is no one knows but the economy will find it. Downtowns can actually come out of this pretty well if the folks with the most to lose will continue to work together. Property owners will only be adding to some of the only insurance they may have left by participating in meaningful downtown organizations. Downtown property values will likely fall in most areas creating more challenges that can only be met through 100% participation by business and property owners.

Keep it business as usual

With all that is happening and that will happen in our economy, it will soon be a topic of discussion on late night TV.

Think not? Do you remember September 11th? Of course you do, but does it feel like over seven years ago? Time passes quickly. In a few years, we will be feeling the rebound taking effect. There will be good bargains in downtowns. Some will buy and some will sell, some will win and some will lose. Those are the risks we all take when we invest.

Cities, towns and downtown organizations should continue to try to keep it business as usual. For the rest of us, the world is anything but usual. Keeping downtown that way makes it a safe, fun, and compelling place to be.

Your downtown program cannot stop. It must continue to take full advantage of what this bust will bring in the boom. This economy is temporary, and it will change. In many ways, the question is not, “How are you going to handle the spiral down?” It is, “Will you be ready for the bounce back?”

*Kent Burnes is owner of Burnes Consulting, a downtown and economic development consulting firm. Email him at kent@burnesconsulting.com. **DIX***