



Madison's Central Business Improvement District (BID)

Downtown Retail: Strategy, Actions, Policy Recommendations

EXECUTIVE SUMMARY: 2014 Outlook

2014 is a year of transition for the central downtown. Retailers are facing expanded competition from online shopping, continued soft economy, and significant construction impacts (private redevelopment, city) in the district. Most new residential and office development, and the resulting customer base, will not come online until 2015.

Customer convenience (parking, access) and a quality downtown experience (**clean, safe**) are essential for downtown bricks-and-mortar retail to compete and thrive in 2014. Downtown must capitalize on its advantage as an "experience" destination, with a unique mix of shopping, dining, entertainment, hospitality arts, culture and events. Small retailers can win with high touch and high quality plus convenience.

In 2014, city priorities should focus on:

- A clean, safe and convenient downtown;
- Convenient multi-modal access to and through downtown, minimizing disruptive street closures;
- Convenient and ample short-term parking, with options for quick purchase pickup and merchant delivery services;
- Encouraging quality "3rd places" (business and other) that differentiate downtown as a social and experience destination;
- Flexibility for retailers to adapt to market changes (e.g., store size) and to optimize capture of existing foot traffic (signage).

Efficient and business-friendly city permitting, licensing, and communication are key for retaining and recruiting the retail businesses which will follow the increased residential and workforce customer base.

Recognizing the impact of online and mobile shopping, BID will prioritize an updated online and mobile presence for the district while maintaining other programs (e.g., marketing, events, visitor services).

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I. Madison's Central BID vision for the Central Business District

Creation of a downtown BID was one of the recommendations of the 1999 State Street Strategic Plan. The BID vision for central downtown echoes that Plan's vision for State Street, including:

- *As the city's commercial, cultural, and entertainment center, State Street should be a truly urban environment where all citizens feel welcome and a part of the community;*
- *The vitality of the Street depends upon it providing a broad and expanded array of retail goods, services, entertainment, and cultural activities.*

The BID believes the downtown retail and entertainment district should be:

- **Dynamic and evolving** as retail, uses and users evolve.
- **A destination that attracts and serves a highly diverse customer base:** downtown residents, downtown workers, greater Madison residents, visitors (regional, national, international), students, and more.
- **A distinctive "experience" destination**, offering a unique mix of shopping, dining, entertainment, hospitality, arts and culture.

The percentage of central downtown restaurants/food and drink businesses has remained between 30%-40% for the last 15 years (currently 39%, was 38% in 1998). The current retail businesses percentage is 26%. The BID would like to see this rebound to at least the 2009 level of 35% (was 50% in 1998).

- *Food, entertainment and cultural organizations are new anchors for retail. A healthy retail district will have between 30% - 40% restaurants/food and drink offerings. (International Downtown Association Annual Conference, 2012)*
- *"This long-term trend will gradually redefine shopping center tenant mixes (look for more dining and entertainment uses) and retail development. . . . Restaurants will account for about 40% of all new tenancy. . . ." (ChainLinks Retail Advisors, 2013).*
- *"It increasingly takes "an experience" — not just run-of-the-mill retail — to draw customers . . . hair salons, specialty restaurants and other businesses that cannot be easily replaced by the Internet." (Five retail trends to watch in 2014, The Washington Post, 2/23/14)*
- *"From a retailing perspective, you're looking at . . . extending your hours and having restaurants and entertainment activities . . . We have to think less like enclosed shopping centre people and more like streetfront retailers." (Metro Vancouver malls go al fresco, Vancouver Sun, 2/28/14)*

- **A mix of local, regional and national retail, including destination retail.**

86% of central downtown businesses are locally owned, up 3% from 2010.

- Downtown retail must be predominantly unique and distinctive, while including general merchandise, apparel, furniture and convenience options.
- The current merchandise mix includes specialty food, apparel & accessories, gifts, books, and sporting goods. It needs general merchandise and neighborhood-serving retail, including more clothing and accessories, furniture and home furnishings, electronics and appliances, and office supplies.
- Downtown would benefit from more “destination retail” to make downtown a destination for shopping as well as for dining, arts, entertainment and events. Destination retail draws people from outside the immediate area. Destination stores are usually relatively larger than other stores, and have what it takes (product, variety, inventory) to motivate customers to make a special trip.
- *“Many well-intended policy-makers have discouraged national chains from locating in downtowns, which has resulted in an undesirable situation: urban residents must drive to the suburbs [or shop online] for most of their primary goods and services.” (Building a Better Foundation for Urban Retail’s Future, Robert Gibbs, 2012.)*
- *“In 2013, two-thirds of shoppers planned to shop locally at small businesses, independent retailers or boutique shops. . . . consumers cite desire to support the local economy (60%), to find one-of-a-kind gifts (53%) and because it is more convenient (44%).” (Deloitte Annual Holiday Survey: More Consumers Shopping Mobile and Local, 2013)*

- **A mix of store sizes and types**, including medium and larger footprints that could accommodate general merchandise, destination retail, and store as fulfillment center.

Store size is not tied to whether a business is a local independent, a locally owned franchise, or a regional or national chain. Local independents, franchises and chains all occupy the full range of store sizes. The largest store on State St. is the locally owned University Book Store. Among the smallest are US Cellular & Red Mango (600 SF).

Downtown retailers must have options larger than 2,500 SF (avg. downtown store size). Stores must compete with online ordering and fulfillment centers for same-day or next-day delivery (e.g., Amazon Prime). Stores need larger options to stock selection to immediately satisfy the customer and/or for back-office space for order fulfillment.

- *“Same day delivery services [are expected] to grow steadily this year, even among smaller retailers . . . stores now double as distribution centers.” (Five retail trends to watch in 2014, The Washington Post, 2/23/14)*
- *“Turning the store into a fulfillment center . . . critical for competing long-term with the likes of Amazon and other resourceful retailers.” (Retail In Crisis: These Are The Changes Brick-And-Mortar Stores Must Make, Forbes, 2/14/14)*

Retail Store Sizes – Examples:

- 1,500 SF - An average State Street or “Main Street” store. The majority of central downtown retail spaces are 2,500 SF or under.
 - 4,500 SF – The North Face (Hilldale)
 - 5,000 - 6,000 SF – Typical J. Crew, current Room of One’s Own Bookstore, Gap on State St. (5,000 SF), Insignia (6,350 SF after 2nd expansion combining storefronts).
 - 7,000 SF – Minimum for destination retail (apparel, home furnishings), e.g. Fontana, 8,000 SF; Community Pharmacy (7,200 SF). NB: Both combined smaller storefronts.
 - 12,000+ SF – Destination retail, e.g., Urban Outfitters on State St., University Book Store (recent expansion to 64,000 SF total, 42,000 SF for retail).
 - “City” department store (“City Targets”), 60,000-100,000 SF, often multi-level, in major metro areas Compare to non-city-center sized stores:
 - 160,000 SF – Shopping center department store, e.g., Macy’s Hilldale
 - 200,000 SF – Woodman’s
 - 250,000 SF – Wal-Mart supercenter
- **Clean, Safe, Convenient.** A standard of excellence for customer experience in:
 - Safety
 - Cleanliness and maintenance of public spaces
 - Convenience (**has become a top factor influencing shopping decisions**)
 - Access (parking, transportation)

“Clean and Safe” is the baseline for any shopping district, and must be a given for a downtown experience that can compete with online shopping.

Shopping is highly influenced by convenience and habit; if disrupted, customers do not return. Online shopping is increasingly competitive on convenience. Shopping districts must also be convenient to get to, and facilitate quick customer pick-up of purchases and same-day delivery by merchants. Businesses must be able to communicate their presence, personality and products quickly and efficiently to capture foot traffic.

If the customer experience with bricks-and-mortar retail is high-effort and low-quality (e.g. streets closed, can’t find convenient parking, dirty environment, can’t find the store), the customer will shop elsewhere or online—and share the negative experiences with friends, family and social media.

- *The director of the Times Square BID in New York City emphasized clean sidewalks as a critical measure of an area’s ability to attract people. (Business Improvement Districts, Lawrence O. Houstoun, Jr. 2nd edition)*
- *“Now, shoppers are time-starved and spend more money in less time per visit. The key is to provide **convenience** – shoppers must be able to park nearby, run in, and*

get what they need efficiently.” (Robert Gibbs, “Retail Planning Principles for Cities,” CNU 2011)

- “The Internet moved into the top spot among holiday shopping destinations . . . [with] free shipping, free returns and in-store pickup . . . More than three-quarters (76%) of consumers cite **convenience** as a reason for shopping online.” (Deloitte Annual Holiday Survey: More Consumers Shopping Mobile and Local, 2013)
 - “Consumers find researching and shopping on the Web far more convenient than brick-and-mortar visits. . . . Wal-Mart said it would pour resources into online and mobile shopping. The retailer also announced that it would open twice as many neighborhood stores throughout the country. Both moves are a response to **customers’ search for more ‘convenient’ shopping options**, the company said.” (Retail In Crisis: These Are The Changes Brick-And-Mortar Stores Must Make, Forbes, 2/14/14)
 - [RadioShack] closings will partly negate its chief competitive advantage -- **convenient** locations. . . . You have to pass a RadioShack on the way to the grocer. If all of a sudden that store is closed, I’m not going to another RadioShack.” (RadioShack to close up to 1,100 stores, USA Today, 3/4/14)
 - “Big box retailers have mastered . . . **convenience**, simplicity, and reach . . . They make it so easy to shop that it’s no wonder they’ve taken over.” (Ease and Simplicity: The Saviors of Independent Retail, Huffington Post Canada, 6/6/13).
 - “**The more ‘effort’ expended by the customer to complete an interaction, the higher the cost to the business and the lower the loyalty to the brand.** . . . Typical responses to a poor customer experience include “telling family and friends about the experience (52%); and ceasing doing business with the company (40%).” (ClickFox Customer Service Tipping Point Survey Results)
 - How do I get more foot traffic to my store? . . . If you are in a pedestrianized area . . . This could be as simple as . . . promoting your latest offers using sidewalk signage.” (7 Ways to Increase Foot Traffic to Your Small Business, U.S Small Business Administration, 2/7/13).
 - “Signage is such an important part of any retailer’s store and overall brand communication.” Nicole Reyhle, founder and publisher of Retail Minded, Indie Retailers Get Help With Signage, 2014 Independent Retailer Conference.
- **A standard of excellence for the business experience in:**
 - Permitting and licensing (city)
 - Information/communication on policies, regulations and services (city)
 - Marketing (BID)
 - Downtown environment (city and BID)

See BID Board Recommendations, Development Process Improvement Initiative.

II. BID sees two challenges (and opportunities) in the current business mix:

- Contracting brick-and-mortar retail sales, due to continued soft economy and increased online shopping. Small retailers can win with quality, high touch, convenience.
 - “Online shopping rose 10% to \$46.5 billion in November and December, according to research firm Comscore. Meanwhile . . . the number of customers in stores dropped 14.6%.” (Changing shopping habits affect Wal-Mart, Amazon, USA Today, 2/1/14)
 - “The key to retail sales growth lies in the nation’s labor market, which still has not fully recovered, economists say. Economic forces aside, retailers are still adapting to changing shopping habits, analysts say. That includes online and mobile shopping, which stores embraced in larger numbers last year.” (Wal-Mart’s poor 4th quarter, bleak 2014 outlook bode poorly for retail sector. The Washington Post, 2/20/14)
 - “In addition to the economy, omni-channel is a challenge for retailers as they cope with e-commerce growth of 15% and mobile growth of 40%. . . . Many stores are struggling with declines in foot traffic, while e-commerce is booming. Shopping behavior has changed, reflecting a younger consumer very connected and tech-savvy who is shopping online and using mobile for access to everything.” (CohnReznick Retail Outlook 2014)
 - “A big challenge for the brick-and-mortar retailers is that the purely online players are trying to become more like the brick-and-mortars. . . . immediate gratification by creating an emotional rush through flash sales, social shopping and near-real experience through augmented reality (AR) apps. . . . As customers demand instant gratification . . . Same-day delivery and free shipping are no longer unique — they are expected.” (Deloitte 2014 Outlook on Retail)
 - “Shopping for fun is not dead – customers still enjoy exceptional brick-and-mortar events.” (Retail In Crisis: These Are The Changes Brick-And-Mortar Stores Must Make, Forbes, 2/14/14)
 - “Many big businesses are trying to emulate the very thing that we love about small business: heart, personal connection, and engagement. . . . If independent retailers and designers can make it easy (in other words: less time and energy-consuming) to shop good and shop well, and to do business together, then they’re competing on just a grand a scale as the big guys.” (Ease and Simplicity: The Saviors of Independent Retail, Huffington Post Canada, 6/6/13).
- A need for more diverse entertainment options. Bar and entertainment options are disproportionately geared towards “vertical drinking”/college student market. We need more “grown up,” non-drinking-focused options for non-student downtown residents (young professionals, empty nesters) and visitors (business, convention, leisure). In addition, the business mix needs more entertainment options for those ages 18-21.

New development should bring nearly 2,500 new central downtown residents and hotel guests by the end of 2015, many of them in market-rate apartments. Additional market-rate apartments are coming online in the greater downtown area. Downtown will be an entertainment destination for these new residents and visitors, many non-students, who will want an urban experience with innovative entertainment and leisure-time options.

III. BID Recommendations to encourage retail business retention, expansion and recruitment, based on demonstrated actions and policies shown to improve retail and business mix in downtowns:

- **Short term: Prioritize the downtown customer experience - Clean, Safe, Convenient**
 - Clean, well-maintained and attractive public spaces.
 - Safe and well-lit public spaces.
 - Convenient, good-value public parking focused on the customer experience:
 - Prioritize cleanliness and safety of public parking facilities.
 - Maintain and improve the vehicle parking supply.
 - Expand short-term parking convenient to shopping/dining, including quick pickup of purchases and merchant delivery services.
 - Improve the special event parking system to provide convenient options for non-event parkers.
 - Improve real-time information about where parking is available.
 - Improve the bicycle parking supply (beyond on-street parking).
 - Convenient access to and through downtown, vehicle and multi-modal.
 - Strategic consideration of the impact of downtown construction and events on customer experience and perception. Analyze event volume. Minimize road closures and removal of parking. Prioritize good wayfinding signage, communications, and alternate access for events and construction.
 - Improved (not necessarily more) wayfinding signage to and through downtown, including better “trailblazing” signage to lead visitors to major attractions and parking.
 - Multi-platform communications to serve diverse populations: Adapt information sources to support the increased use of mobile devices without abandoning traditional communications (signage, print materials).

- **Medium term: Support business development and a quality business experience:**
 - Handbook for small businesses with customer-focused information resources about city policies, regulations, and services. This could be developed by city agencies in collaboration with business organizations, perhaps using the model of the Road Construction Survival Guide.
 - Sign ordinance updates to help small retailers who rely on signage to communicate to customers and capture foot traffic.
 - Process and customer service improvement for small business permitting and licensing.
 - Tenant Improvement or other incentive funding, e.g.:
 - Expand façade improvement grant program to include signage package or retail build-out
 - Update TIF policy to allow use of TIF for (non-food) retail build-out.
 - Explore incentive funding along the lines of the package of grants and forgivable loans implemented in Milwaukee (2010) to provide incentives for retailers to locate downtown.

- **Long term: Expand downtown resident and worker customer base.**

- Recognizing that retail follows the market (it doesn't lead), it is essential to foster increased residential and workforce density in downtown. To attract neighborhood-serving retail and general goods and services, we need to significantly increase the market of residents and workers with disposable income in the central downtown. Currently, the visitor and student markets predominate in central downtown; these markets are inconsistent and don't generate demand for neighborhood-serving retail.

The city's recently approved Downtown Plan (2012) and revised Zoning Code are helping facilitate increased residential density.

Central downtown developments recently completed, under construction, or approved will bring an additional 1,399 residential or hotel units (2,446 beds) by fall 2015, the majority market-rate apartments. Even more residential development has been completed or is under construction, approved or planned for the greater downtown area. This increase in customers living within walking distance of the central business district (State Street and Capitol Square areas) will help generate demand for retail businesses.

IV. About Madison's Central Business Improvement District (BID)

Madison's Central Business Improvement District (BID) is a special assessment district that encompasses the greater State Street and Capitol Square areas. It includes some 220 commercial properties and 350 retail, restaurant, entertainment and service businesses, many of which are locally-owned and/or small businesses. The BID Board consists of business owners (retail, restaurant, hospitality), property owners (large and small) and other key stakeholders (downtown resident; nonprofit, University of Wisconsin and city representatives).

The aim of the BID is to increase the vitality and health of the district and promote business within it. Our constituents are commercial property and retail business owners in the district, and their customers, both residents and visitors.

How the BID works to support business retention, expansion and recruitment:

- Marketing Downtown Madison as a shopping, dining, and entertainment destination.
- Visitor services: Ambassador Program, Downtown Map & Guide.
- 2014 priority project: Re-launch "visitdowntownmadison.com" website, optimized for mobile (while maintaining a printed Map & Guide and in-person visitor services).

*"Mobile capabilities [are] being used in new ways, not just by retailers, but also by entire shopping centers. A mobile app by Simon Property Group, for example, reminds customers where their cars are parked, provides a mall directory and alerts them to discounts at nearby stores. . . smaller developments should create similar apps to help guide customers." (Five retail trends to watch in 2014, *The Washington Post*, 2/23/14)*

- Enhancing the downtown environment: Plantings, flowers, holiday lights.

- Producing/supporting events that drive business and brand downtown as a shopping and family destination (Holiday Open House, Family Halloween, Cars on State).
- Supporting business development and recruitment with market data, leasing inventory.
- Advocating for policies and projects that will support a vital retail district:
 - Safety (e.g., panhandling ordinance amendment).
 - Clean: Downtown cleaning and maintenance (Mall Maintenance).
 - Customers: Increasing the market of residents and workers with disposable income in the central downtown (Downtown Plan).
 - Parking: Continuing to improve parking supply and customer experience, and to find a better special event parking system for non-event parkers.
 - Signage: Advocating for sign ordinance updates to help small retailers who rely on creative signage to communicate to customers and capture foot traffic.
 - Permitting and licensing: Creating a handbook for small businesses; continuing to improve process and customer service for small business permitting.
 - Convenient access (Ride the Drive, taxi access to State St.).
 - Business Mix (Alcohol License Density Ordinance).

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