LIFESTYLE CENTERS – EXAMINATION OF A NEW RETAIL FORMAT

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ABSTRACT

Lifestyle centers are open-air retail centers characterized by a main-street ambiance, high architecture and landscape costs and a tenant mix of entertainment and higher-end retailers. This retail format is catching on as malls lose steam. Many developers are using the term “lifestyle center” as a catch-all phrase to capture some of the publicity on this newest retail format. This has lead to confusion on defining the format. This paper examines the evolution of lifestyle centers and whether the format is a fad or a long-term replacement for other types of retail formats.

INTRODUCTION

The time-starved American consumer is constantly searching for ways to make shopping more convenient. Consumers long for times when shopping created a sense of community. Consumers want a place where people can meet for social and civic events and enjoy entertainment that is not a city away from home. Customers want more than to just shop, they want an experience. Enter the lifestyle center.

Lifestyle centers are defined by the International Council of Shopping Centers (ICSC) as an open air retail format located near an affluent residential neighborhood. The following attributes are also in the definition of a lifestyle center: an upscale orientation; 150,000 sq. ft. to 500,000 sq. ft. of gross leasable area (GLA); and at least 50,000 sq. ft. of national specialty chain stores.

The number of lifestyle centers has been growing nationwide in the last few years (Ogden and Ogden, 2005). The term “lifestyle center” is attributed to Poag & McEwen, one of the earliest and most active developers of the retail format. This paper examines the evolution of lifestyle centers and whether the format is a fad or a long-term replacement for other types of retail formats, specifically the mall.

HISTORICAL PERSPECTIVE

Opened in 1922, the first shopping center in the U.S. was the Country Club Plaza. The idea for a suburban shopping district was attributed to Jesse Clyde Nichols, a city planner, developer and realtor in Kansas City (Pearson and Pearson, 1994) Nichols was a visionary who believed the automobile would allow shoppers to venture away from the downtown area. According to Nichols,

Wide streets, squares, and plazas are needed in these days of parking...Main traffic ways should have great width, but byways should be wide enough only to give capacity to go from one traffic way to another...The shops are built around a square or plaza ...and the main streets in commercial areas are 100 to 200 feet in width (p. 491).

The Country Club Plaza featured unified architecture, sculptures, fountains and mosaics from around the world. Many doubted the longevity of Nichols design and dubbed the project “Nichols’ Folly” (Mines, 1999). Nichols design was successful and led the way for communities throughout the country to follow his path.

Over the years, shopping centers have experienced many changes. Each decade has experienced one or two dominant retail formats. Small retail strip centers appeared in the late 1920s. The 1930s and 40s witnessed the advent of the freestanding store and nighttime shopping. By 1964 there were 7,600 shopping centers in the U.S. (Ibid, 2000).

Begun in Reading, PA by Vanity Fair, the 1990s was the decade for the factory outlet centers (Frankel, 2002). Power centers also began to appear on the retail landscape (A Brief History…, 2000). These evolutions in retailing gave rise to the modern mall. The first fully enclosed mall the Southdale Center in Edina, Minnesota, opened in 1956. By the 1970s there were over 13,000 shopping centers. Regional malls became more prevalent. Superregional centers (malls over 800,000 square feet) became popular in the 1980s. During this time, Americans averaged four trips to a mall/month (Ibid, 2000).

Begun in Reading, PA by Vanity Fair, the 1990s was the decade for the factory outlet centers (Frankel, 2002). Power centers also began to appear on the retail landscape (A Brief History…, 2000). Power centers are characterized by three or more category dominant
anchors and a few small tenants. The 1990s was also
the era of Internet shopping (Gilbert, 2004) as the new
format gained a foothold and gave rise to “bricks and
clicks,” the combination of both a storefront and online
presence.

THE RISE OF THE LIFESTYLE CENTER

Dan Poag and Terry McEwen are credited
with developing the term and the lifestyle center
concept. The first lifestyle center was the Shops of
Saddle Creek in Germantown, TN which opened in
1987 (Aldinger, 2004). Other lifestyle centers include
Aspen Grove (Littleton, CO), Alamo Quarry
Marketplace (San Antonio, TX), CocoWalk (Coconut
Grove, FL) and Shops at Cameron Village (Raleigh,
N.C.).

There are many trends that led to the
development of the lifestyle center retail format. First
the changing demographics show that more women are
in the workforce which means there is less time for
shopping. The time-starved shopper also wants
convenience and looks for places where it is easy to
shop. The 1990s and early 2000s witnessed a
slowdown in the construction of new malls as well as a
desire for upscale shopping (Kercheval, 2004).

Before 1990 there were only about six lifestyle
centers in operation. According to the International
Council of Shopping Centers (2005), today there are
130 lifestyle centers, which is over twice as many as
there were in 2003. In addition, there are 17 lifestyle
centers scheduled for completion in 2005. The format
started in warmer climates but has recently taken hold
in cold-weather cities. Many of these centers have
outdoor heaters to keep shoppers comfortable in colder
months.

Target Market

Although a complete picture of the target
market for lifestyle centers is still developing, in
general, the market is middle aged, affluent, and is not a
frequent regional mall shopper. The average household
income of a lifestyle center shopper is $75,000 (Sarkar,
2005). Compared to a typical mall shopper, who
spends 76 minutes shopping, lifestyle-center customers
spend 56 minutes, but spend more money per visit
(Grant, 2004). In essence the lifestyle center shopper is
willing to trade money for time and will pay extra for
convenience (Dunne and Kahn, 1997).

The Wheel of Retailing

A prominent theory in retailing was suggested
The “wheel of retailing” theory holds that new retailers
tend to enter the market as low-priced, low-margin, and
low-status innovators. Over time these retailers
improve their stores through investment and design
changes. Eventually these retailers become high-cost, high-priced businesses. These retailers must be careful
of the new types of low-price entrants into retailing
which turn the wheel and proceed through the same
evolution.

The lifestyle center format departs from the
wheel pattern by starting out as high-cost, high-margin,
high convenience retailing. The nonconforming nature
of lifestyle centers makes it difficult to predict the
future of this format. It may be that the lifestyle format
development will mirror the development of department
stores. Hollander (1996) states that department store
branches started as high-cost, high margin, more
exclusive retailers and over time adjusted to the
demographic characteristics of the location.

TOWARD A DEFINITION

In recent years, the definition of lifestyle
centers has been a matter of debate for many retail
experts. Even with the formal ICSC definition, many
retailing professionals put their own spin on the
concept.

Although the lifestyle center term has been
around since 1987, due to the popularity of the retail
format, developers across the country are using the
“lifestyle center” label to help create excitement about
new projects. The overuse of the term has created
confusion among consumers and retail professionals
alike.

Many new shopping centers or community
centers are being called lifestyle centers or some
variation of that name. Other variations that have
appeared include fashion centers, urban entertainment
centers, town centers, leisure time centers and urban
villages (Steiner, 2005).

To keep up with the new retail format, many
malls are planning “lifestyle additions” which mean
they are adding an outdoor, upscale component to the
existing enclosed mall. The price tag for these
renovations costs about $25 million (Smith, 2005). The
quest to remain competitive leads to a blurring of retail
channels. It is no longer as easy to classify a retailer
into a category as it once was. Nevertheless, in an effort to define different types of retailers, the International Council of Shopping Centers has defined the various formats prevalent in retailing.

Both the mall and lifestyle center fit under the umbrella of shopping centers. The mall is defined as “typically enclosed, climate-controlled and lighted, flanked on one or both sides by storefronts and entrances. On-site parking, usually provided around the perimeter of the center, may be surface or structured.” The lifestyle center is subcategorized under open-air centers. These centers are “most often located near affluent residential neighborhoods…caters to the retail needs and ‘lifestyle’ pursuits of consumers in its trading area…has an open-air configuration and typically includes at least 50,000 square feet of retail space occupied by upscale national chain specialty stores…role as a multi-purpose leisure-time destination, including restaurants, entertainment, and design ambience and amenities such as fountains and street furniture that are conducive to casual browsing” (ICSC, 2004). When the technical definition is applied, it is apparent that many so-called lifestyle centers do not fit the definition.

New on the horizon are hybrid, mixed-use lifestyle centers that combine lifestyle, entertainment, health club and restaurant tenants with residential and hotel components. Many retail experts believe that successful future projects will blend services (dentist, medical) with living spaces and retail stores (Hazlett, 2003). These centers create a community within one property. A common theme for hybrid centers is they are “mix-and-match destinations designed to drive traffic and destined to redefine the regional mall” (Field, 2005).

**MALLS VS. LIFESTYLE CENTERS**

The advent of the lifestyle center may indicate that the mall format is passé. The reality is that malls are not going away. In fact as of 2005 there were 1,130 malls compared to 130 lifestyle centers. The construction of malls has decreased considerably, due to the saturation of the format throughout the U.S. Since 2002 there have only been seven malls built. In comparison, there were about 100 lifestyle centers built during the same period (Sarkar, 2005).

There are many differences between the mall and lifestyle center. The size of a typical mall is 400,000 to one million square feet. Sizes for lifestyle centers are smaller and range from 150,000 to 500,000 square feet (Grant, 2004). Because lifestyle centers are smaller, they cost less than a mall to build. According to the International Council of Shopping Centers a lifestyle center has median sales of $298 per square foot, compared to $242 median sales per square foot for a mall. The larger non-productive areas of a mall account for the difference. Common area maintenance (CAM) costs are also lower for lifestyle centers compared to malls because tenants in a lifestyle center do not have to pay for heating and cooling of common areas.

Lifestyle centers rely less on department store anchors than malls. This is a challenge because each store in a lifestyle center must pull in customers on their own instead of feeding off the customers pulled in by an anchor as many mall merchants do. Thus tenant selection is more important for a lifestyle center in comparison to the mall (Mander, 2001).

The landscaping and architectural costs for lifestyle centers are similar to malls although overall maintenance costs can be higher for lifestyle centers due to the costs of maintaining the outdoor environment.

Although many are touting lifestyle centers as replacements for malls, there are many experts that believe these two formats can coexist. Many malls target the middle-class consumer. Because lifestyle centers cater to a different market, there can be room for both. In addition, lifestyle centers have a smaller trade area of 8-12 miles compared to a mall which can have a primary trade area of 25 miles or more, depending on size. In addition, the retail tenant mix is often different for both formats. Finally, lifestyle center developers tend to pursue secondary markets where malls are not as prevalent (Gose, 2004).

**SUMMARY**

As the lifestyle center format gains ground, more people will distinguish between the true lifestyle center and the pretender. The format has gained such momentum and it appears to have longevity and is not a retail fad. Lifestyle center managers must be careful with the retail mix to ensure the long-term growth and viability of the center. In addition, the ambiance should create a safe environment where people go for the retail experience. The development and blurring of new retail formats will continue as competition intensifies. Sounds like the lifestyle center takes consumers back to the shopping experience of earlier decades. Jesse Clyde Nichols had a strong formula is building an outdoor shopping center for the affluent of the period. His vision has come full circle. The saying, “everything old is new again” is appropriate for the lifestyle center format.
REFERENCES


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