

# Sustainable Success Criteria for Outlet Center - The Tenants' Point of View

A Master's Thesis submitted for the degree of  
„Master of Science”

supervised by  
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Vienna, 05.04.2012

## Affidavit

I, **HARALD ANDREAS JOHANN HAINZL**, hereby declare

1. that I am the sole author of the present Master's Thesis, "SUSTAINABLE SUCCESS CRITERIA FOR OUTLET CENTER - THE TENANTS' POINT OF VIEW", 88 pages, bound, and that I have not used any source or tool other than those referenced or any other illicit aid or tool, and
2. that I have not prior to this date submitted this Master's Thesis as an examination paper in any form in Austria or abroad.

Vienna, 05.04.2012

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Signature

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## ABBREVIATIONS

BCSC	British Council of Shopping Centres
BRE	Building Research Establishment
BREEAM	Building Research Establishment Environmental Assessment Method
DOC	Designer Outlet Center
EU	European Union
FOC	Factory Outlet Center
gif	Gesellschaft für immobilienwirtschaftliche Forschung - society for real estate economic research
GLA	Gross Leasable Area
GmbH	Gesellschaft mit beschränkter Haftung - limited liability company
HVAC	Heating, ventilation, air conditioning
HVACR	Heating, ventilation, air conditioning, refrigeration
ICSC	International Council of Shopping Centers
LEED	Leadership in Energy and Environmental Design
MFO	Made for Outlet goods
OC	Outlet Center
UK	United Kingdom
USA	United States of America
USGBC	United States Green Building Council
VF	Vanity Fair

# **1 INTRODUCTION**

The work during the employment at Raiffeisen Leasing (from 2008 until today) was the initial point of contact with Outlet Centers. The activity gave knowledge and insight into this specific retail format and sparked the curiosity to dig deeper into the world of Outlet Centers.

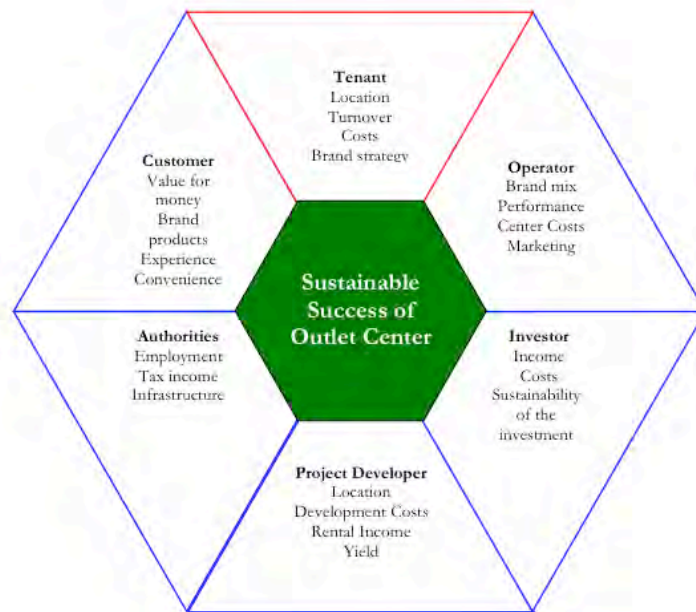
This relatively new (brick and mortar) retail format is growing and spreading in many countries. At first sight it is an incredible success story, but despite this current global success and strong economical performance, there are also several centers that failed in this prospering phase. The motivation is to find out if the success is sustainable and if there are certain criteria, which decide between success and failure.

## **1.1 PURPOSE OF THIS STUDY**

In this thesis six main stakeholders are defined as essential players in the development and operation of an Outlet Center. These stakeholders are the following

- Project Developer
- Operator
- Tenants
- Local Authorities
- End-Investor
- Customers

All of these stakeholders have their own specific interests in the development and operation of an Outlet Center (see Insert 1.2-1). The daunting challenge is to find a sustainable equilibrium of all parties' interests and expectations.



*Insert 1. Depiction of the six defined Outlet Center stakeholders and their key topics (source: own design)*

Every single one of these six stakeholders and many of their interests are worth taking a deeper look into, but it would exceed the limits of a master thesis. Therefore the focus is on only one of the stakeholders: the tenants.

The Outlet Center tenants have a special position in several aspects compared to regular shopping center tenants. Firstly, OC tenants are usually either brand manufacturers or license holders, which means that is a direct sales channel for manufacturers. Secondly, their brand power and products have a fundamental impact on the successful operation of an Outlet Center. The brands or rather the collective pulling power is crucial to attract consumers.

This study's objective is to cover the following topics

- Outlet Centers as part of retail
- Specifics of Outlet Centers
- European Outlet Center market
- Important Criteria for successful Outlet Center
- Sustainability of Outlet Center real estate and business model
- Future market development and trends

The purpose of this master thesis is to find out Outlet Center tenants' success criteria, the tenants' current motivation to operate stores in Outlet Center and if the current business model and real estate structure really are sustainable.



## 1.2 RESEARCH QUESTIONS

The research aims at finding out tenants' experiences and expectations in Outlet Centers. All entrepreneurial operations have a strong financial driving force, but at the same time money has never been everything in business. Consequently the task is to understand the tenants' motivation to operate Outlet Center stores and look beyond the obvious.

Therefore three key research topics are defined

### Tenants' Requirements on an Outlet Center Store

- What are tenants' important decision criteria to rent a store in an Outlet Center?
- What are essential requirements on Outlet Center stores?
- What are crucial rental contract provisions?
- What do tenants consider to be worth investing in?

### Environmental Performance of Outlet Center

- How do tenants view sustainability and environmental performance?
- Is an environmental certification important to tenants?

### Trends in the Outlet Center Industry

- Is sustainability of growing importance to Outlet Center tenants?
- What are the coming trends and challenges in the Outlet Center industry?

These research topics aim to uncover tenants' criteria to rent an OC store and operate it successfully and sustainably.

The topic "Tenants Requirements on an Outlet Center Store" is geared toward the operation of a store in an OC. Tenants decide for a center depending on their own strategy and requirements. The store parameters and rental contract are other fundamental components. These hard facts are crucial for the daily operation of an OC store.

The topic of "Environmental Performance of Outlet Center" deals with tenants' perspective on the environmental performance of an OC's building structure. Energy-efficiency, sustainability and environmental certifications are considered to be important for a future-proof building. It is reasonable to question if tenants share this view and how they implement it practically.

"Trends in the Outlet Center Industry" covers an outlook into future. The fast growth of the OC

market in Europe raises several questions on future development of this specific retail format as well as potential threats to the current success.

The decision to rent a store in an Outlet Center depends on many variables and circumstances, such as external factors (location of the OC) and internal factors (tenants' sales strategy). In order to answer the above stated research questions the existing literature was studied profoundly, an extensive questionnaire was conducted and complemented with expert interviews.

## **1.3 LIMITATIONS**

The definition of the scope of work is important to understand what this thesis contains and what it does not cover. The clear and concise frame should answer the central research questions for the thesis

### **The tenants' point of view**

In the beginning the objective was to cover the various stakeholders (developers, operators, end investors, communities and naturally the customer) point of view. Instead of covering all superficially, this thesis covers only the tenants' point of view.

The other stakeholders and the whole picture might be the topic for a future dissertation.

### **Europe**

This master thesis focuses on the European Outlet Center market. The origin of Outlet Centers and hence also a lot of trends are the USA. However there is more information and contacts available for the European market.

### **Focus on Real Estate**

The research is geared toward real estate. Products, logistics and supply chain are not part of this study, although they are essential parts of a sustainable business.

### **Restrictions**

There are natural restrictions on how much information can be obtained. First of all, many topics and questions are touching strategic issues many companies are not willing to share or give detailed insight. Secondly, a questionnaire that would cover all the necessary topics in an appealing level of detail is not reasonable.

Economic data is unfortunately not openly available, which limits the analysis of the financial performance. Turnover, rents, additional costs and incentives are not available and can therefore only be described generally.

## **2 METHODOLOGY**

In order to capture the tenants' point of view on Outlet Centers it was obvious that it required more than a literature study. An intensive form of interaction with all tenants in European centers would be the most yielding path, but also the most time consuming and probably also unfeasible. The thin line of covering as many different tenants (different in size, segment, country) with a reasonable effort was hard to find. After all it led to the conclusion that a questionnaire with a large sample complemented with several expert interviews should fulfill the requirement. The survey would cover the general topics while the expert interviews add more detail and depth.

### **2.1 WORK EXPERIENCE**

Raiffeisen Leasing is a specialized financial institution of the Raiffeisen Group. The company is one of the leading leasing institutions in Austria and has also a strong market presence in Eastern Europe and some other selected markets. In addition to the regular financing business it has a project development department for real estate, which is investing in residential, retail and office projects in Europe.

Raiffeisen Leasing takes on the role of a developing investor. In other words, the company enters into projects at an early stage and guides its development. Usually the development is done in cooperation with other companies such as local developers and co-investors. The company works as a mid-term investor with the target to sell the projects once they perform well.

The company started looking into development and investment opportunities of Outlet Centers in 2007 and realized the attractive potential to complement the existing retail investments. In the course of the following years several projects in various development stages were analyzed and taken into consideration. The company has a wide experience ranging from green field retail developments to end-investments, but mainly aims to sell off the investment once it is fully let and the tenants have a solid performance.

It was necessary to take a look beyond the developers' point of view to meet the expectations and requirements of international institutional investors. The investment market for Outlet Center is international. In order to sell the project with a profit, it was necessary to fulfill the primary criteria.

The work during the employment at Raiffeisen Leasing (from 2008 until today) was the initial point of contact with Outlet Centers. Since 2007 Raiffeisen Leasing has been pursuing actively several development projects in Europe. These projects are located in Italy, Germany, Denmark and Slovenia. The activity gave knowledge and insight into the specific retail format.

## **2.2 LITERATURE STUDY**

The multifaceted master thesis required a thorough study of existing literature and market information. Although Outlet Centers have a significant media exposure in comparison to their market share, there is only limited information openly available. Work experience had opened some information sources, but most could not be used academically. Consequently it was necessary to break down the key topics of the research and define the requirements of each.

Outlet Centers constitute a very specific retail format with its own characteristics. Never the less, it is a retail class and has a great deal in common with other retail formats. Therefore it is meaningful and even necessary to take a general look at retail first. This initial starting point is important to understand the retail industry and what distinguishes an Outlet Center from the rest.

Other key topics are Outlet Center markets, their development and the sustainability of real estate.

There was also the curiosity to look for insights beyond the obvious. Naturally these are very hard to come by, but it is a fascinating add-on.

### **2.2.1 OBJECTIVE**

The objective of the literature study was to find out the current available information on Outlet Centers and its business model. Since Outlet Centers are just one of many retail formats and to cover the following topics

- Retail
- Specifics of Outlet Centers
- European Outlet Center market
- Sustainability of Real Estate and Business Models
- Market development and trends

### **2.2.2 EXECUTION**

At first sight there was an infinite amount of information available on the topics in question. A closer look revealed that the sources for specific information on Outlet Centers are scarce. The starting point were reports and scripts of ecostra as well as various presentations and information materials from outlet conferences. Based on these papers it was possible to find more relevant sources, but the access was somewhat limited as most books and papers were not available at the library of the Technical University of Vienna. However, the freely available information provides sufficient information on the necessary topics. Some details may therefore not be examined in full length, but that would exceed the reasonable limits of this thesis.

Internet searches with various engines (e.g. Google Scholar) and special sites, such as [www.uppsatser.se](http://www.uppsatser.se), provided many interesting papers on general retail topics and also some special topics, such as real estate certification. In relation to retail matter the International Council of Shopping Centers (ICSC) and its British subsidiary (BCSC) proved to be valuable information sources.

It was even harder to get a grip on the economical side of Outlet Centers. Most European companies do not publish exact numbers on turnover and footfall. The largest US American Outlet Center companies Tanger and Simon Property Group publish annual reports with some details on tenancy, sales and rent. The provided information is normally consolidated for all outlets, so the performance of the single centers cannot be extracted. Some information on the financial performance of Outlet Centers could be gained from sources such as Firmencompass, Bundesanzeiger and Dun&Bradstreet. Naturally these reports only contain a limited information depth and furthermore it is impossible to find out the background of the stated numbers. Regardless of these limitations and vagueness it offers a good stepping stone to obtain a rough estimation.

## **2.3 ONLINE QUESTIONNAIRE**

The empirical part of the thesis consists of an online questionnaire and some selected expert interviews. The questionnaire forms the main part and is the backbone of this study. The expert interviews are only used to complement and deepen the results of the survey.

### **2.3.1 OBJECTIVE**

The enquiry was supposed to cover the tenants' point of view on European Outlet Center as far as possible. It was obvious that it is impossible to cover the whole range for several reasons. The fundamental target was to find out tenants' motives to rent and operate a store profitable and sustainable in an Outlet Center. The principal issues are

- Rental decision criteria
- Real estate requirements
- Costs and investments
- Sustainability (and energy-efficiency)
- Developments and trends

### **2.3.2 DESIGNING THE QUESTIONNAIRE**

It would be easy to ask hundreds of questions in order to find out all the details, but there are two major roadblocks to do so. First of all, nobody would have the time and energy to answer all of them and secondly a lot of questions would touch topics that are in-house information and cannot be divulged to third parties.

#### **Coverage**

The first drafts contained more than 200 questions with many answering options. In an iterative process the volume of the questionnaire was gradually reduced. In each step the survey was sharpened to cover the most essential topics. In the end it was a challenge to find the balance between covering all the topics and yet obtaining interesting details. It took some pondering to filter out all questions that cover details that companies are not able or willing to divulge.

As a consequence the question groups besides the statistical information changed in the course of the work. In the beginning the focus was on the tenants interfaces and interaction with the other stakeholders, the tenants success criteria and the sustainability of the real estate and business model. Finally the question groups were refined to a more detailed level. The conceptional level of interaction and sustainability was eliminated in the final version of the survey. They were instead part of the other methods. However some questions were integrated as far as possible in the final topics.

In the end the survey comprised 18 questions in three categories and all in all each participant had to give a total of 134 answers.

#### **Structure**

The questionnaire consisted of the following three question groups

- Statistical Information
- Location and Center Criteria
- Store Criteria and Rental Agreement

The statistical information allows grouping the participants into relevant tenant groups, such as manufacturers and franchisers. This grouping enables a detailed analysis if some tenants have a different point of view on some issues.

Generally speaking the suggested order started from the birds eye view.

#### **Answers**

The answering options were mostly quantitative. The initial scale from 0 to 10, referring to a percentage scale was abandoned after some testing. A smaller scale from 1 to 5 allowed a much-improved overview, but at the costs of less detailed answers. The grading logic remained the same, 1 representing the low and 5 the high end of the importance scale.

### **2.3.3 TARGET GROUP**

The questionnaire is geared towards persons who are working in brand manufacturer and license holder companies and are in charge of a geographical area with several Outlet Centers. Preferably someone who knows and has experience with the whole life cycle of an Outlet Center store. Hence the target group contains retail, leasing and expansion managers of brand and franchise managers.

### **2.3.4 EXECUTION**

The survey relies on the goodwill and support of the target group, who are decision makers of brand manufacturers. Their most limited resource is time.

The company ecostra provided their contact database with 1.150 persons. The list was extended with some industry contacts to a total of 1.201 persons. The questionnaire (Survey ID 89975) was restricted to the email address and was secured by a special token. The participants were invited by email on 10<sup>th</sup> of June 2011. 407 emails were returned as unknown addresses in the first mailing. In the end 734 participants remained in the database.

Other industry contacts, which have contacts to the target group, did not want to divulge their details. Therefore a second survey (Survey ID 35138) was put online, which was openly accessible with a link. These contacts disseminated an introduction email with the link to the survey. Internet and telephone was used to gain more potential contacts.

### **2.3.5 ALTERATIONS**

The first results were not as solid as expected. In order to reach an interesting number of answers it was necessary to remind the participants from time to time.

So in addition to the previously stated approach alternative ways were applied. Several Outlet Centers' management of the leading European operators were contacted and asked to disseminate the survey among their tenants' contact persons. The contact was done either by email or via homepage contact form and was later followed up by telephone calls.

## **2.4 EXPERT INTERVIEWS**

Expert interviews are essential to increase the depth of information. The questionnaire enables to bring out general trends of tenants, but cannot cover the whole issue. Especially when it comes to discuss the trends of the retail industry, outlet center, and economic development it takes a more detailed approach.

### **2.4.1 OBJECTIVES**

The two main objectives of the expert interviews were to complement the tenants' point of view and add depth to the findings of the questionnaire. The opinion of handful industry experts facilitates to see the big picture and work as a reminder that the tenants form only one of several stakeholders. The questionnaire had already a considerable size, but could not cover all the interesting details. Hence the interviews should generate insight into more details.

### **2.4.2 TARGET GROUP**

The target group for expert interviews is wide as it basically contains all persons who are involved in the development and operation of Outlet Center. Hence ranging from industry consultants, center managers, leasing companies, operators, retail managers and so on.

### **2.4.3 EXECUTION**

For each person a small set of questions was assembled and sent by email. The results were transcribed and are listed in the Annex.

## **2.5 CASE STUDIES**

In addition to above mentioned methods it was considered to use case studies to gain better insight in tenants' point of view. Especially when it comes to topics like future trends of the Outlet Center industry and strategic matters it is a useful tool.

The objective was to find at least two major companies, which are active tenants in several European countries. On the one hand a typical clothing tenant was chosen, either from sports (e.g. Nike or Adidas) or fashion (e.g. Levi Strauss or Mexx), on the other hand non-fashion tenants, who are a bit out of the ordinary (e.g. Lindt or Villeroy Boch) were considered to have interesting input.

However, there was not enough feedback to feature the case studies in this master thesis.



### 3 SUSTAINABLE SUCCESS CRITERIA

In order to assure a common understanding the title of the thesis will be outlined. The initial study focus was on tenants' decision criteria, because it is interesting to know on what basis tenants take their decisions. However, not all decisions have proven to lead to commercial success or at least not to a continuous commercial success. Hence it makes more sense to investigate criteria, which have proven to lead to durable success.

The approach to a transparent definition of sustainable success criteria was to differentiate an Outlet Center operation into meaningful categories. The starting point was the annual „FOC Performance Report“ by ecostra and CBRE<sup>1</sup>, which already features a very good overview of criteria, which are important to tenants. This research aims to examine the topic on a more detailed level, wherefore a top down approach was chosen to define different criteria groups. These are based on the project developers point of view where the planning starts from the location and goes step by step into more details such as the operation of a center. Naturally these categories interfuse and there are no exact interfaces, but they offer a structural overview.

The following five criteria groups are defined as research parameters for sustainable success criteria

- **Location Criteria** summarize the geographical location of the center and the existing traffic infrastructure situation as well as the regional economic parameters of the relevant region
- **Center Criteria** contain the centers' architectural style, parking and access roads. Tenant mix and anchor tenants
- **Store Criteria** include the layout of the store and its characteristics
- **Operational Criteria** are the tenants own operational, logistics, sales network, operation of the store, interaction with operator
- **Sustainability Criteria** are mentioned as a separate group although they form an integral part of all other groups. This separation ought to point out the specifics of sustainability topics.

#### 3.1 LOCATION CRITERIA

In real estate there is an old wisdom that there are three things that matter: location, location and location. Although the origins are of this insight is unknown<sup>2</sup> and there is more to a real estate project

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<sup>1</sup> ecostra and CBRE (2009): Factory Outlet Centre Performance – European Report 2009. Wiesbaden, Frankfurt.

<sup>2</sup> <http://www.nytimes.com/2009/06/28/magazine/28FOB-onlanguage-t.html>. Retrieved on 10.11.2011

than just its location, it remains paramount. The location is irrevocable and one of the most defining and influencing characteristics. It is almost impossible to compensate any disadvantages of a site and to do so would require an incredible effort.

Location criteria takes a closer look on the characteristics of a geographical location for an Outlet Center. The origins are the pure geographical characteristics of visibility and accessibility. From the geographical location it is possible to define an approximate catchment area by considering the Outlet Center's attraction, existing infrastructure and retail structure. Market data can be used to estimate the purchasing power within this area and by combining it socio-demographic profiles it is feasible to assess the turnover potential.

### **3.1.1 LOCATION**

The location of a real estate project is irreversible once it is chosen and it has a very high influence on its potential use as well as the economical and emotional value. The economical value is based on the existing neighborhood and the existing demand. Real estate projects contribute to the economical development of a neighborhood, but the use has to have sufficient supply to succeed commercially. Although some projects manage to create new demand and increase the value, unsuccessful projects will not do so. The emotional value has its springs in the image of the location. While a good image is only slightly beneficial, a negative image has a severe impact on the project. Although this value may develop or change with time, it is tough to make up for a negative and may never be able to shake it off.

In a fast paced world it is hard to foresee the future developments, which quickly change requirements and conditions. All locations outside the city centers are however exposed massively to economical and urban development cycles.

Over time values may change. Outlet Centers like e.g. Cheshire Oaks generate such a strong footfall that it draws attention from other retailers and entertainment companies. Once an Outlet Center has reached the critical mass and is an established retail site, the value of the adjacent land increases significantly in value.

ecostra differentiates in the Outlet Center Handbook 2011 <sup>3</sup> between four different micro locations

- City center
- Urban district
- Periphery
- Greenfield

Every location can be successful if its existing conditions (local retail competition, marketing) are taken into consideration. The location of an OC must balance the distance between the main cities of the catchment area and distance to the highstreet and shopping center stores.

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<sup>3</sup> ecostra (2011): The big ecostra Outlet Centre Handbook Europe 2011. Wiesbaden.

Once the geographical macro location is determined the **land plot** has to fulfill a wide set of attributes in order to be suitable for a project development. These attributes are

- Configuration (size, shape of and access to the land plot, visible front)
- Topography (angle, orientation, sun)
- Soil (sand/stone, load bearing)
- Water (precipitation, ground water, flood area)
- Utilities Infrastructure (electricity, gas, sewer)
- Interfering factors (noise, smell)
- Preservation (cultural heritage)
- Contamination

All of these attributes must be fulfilled in a satisfactory manner in order to be able to provide an attractive setting for an OC.

Outlet Centers are built in phases, hence expansion possibilities are important.

There is a minimum size and the shape of the land plot is important in order to enable a useful and convenient planning. The soil has to be free of any contaminations and has to carry the load.

### 3.1.2 VISIBILITY

The visibility of an Outlet Center comprises the visibility of the center itself and the **visibility** of dedicated road signs and advertisements. Even when a center itself is notable, it might not be obvious to potential customers what kind of structure it is.

Often it is not feasible to build a center, which is perfectly visible from the main traffic road. The sheer size of the structure usually permits to create some degree of visibility, but it is very important to enable the passing traffic to immediately understand what kind of structure it is. Ideally it should create an inviting and welcoming impression.

A coherent and easily understandable **guidance system** in the surroundings of the OC is essential to attract and lead customers smoothly and clearly to it. If passing drivers get the impression that it is just a quick drive to the center, there is lower barrier to give in to curiosity and have a look at it. Therefore the guidance system, consisting of dedicated road signs and eye-catching advertisements, has at least the same importance as the center visibility. Ideally an OC fulfills the visual visibility requirement as well as having a coherent guidance system.

A splendid way to seize the full potential of the visibility would be to create a **landmark**. Merriam Webster defines a landmark as *„a structure (as a building) of unusual historical and usually aesthetic interest;*

especially: one that is officially designated and set aside for preservation"<sup>4</sup>. The term is however more and more frequently used in order to describe unique and recognizable modern architectural buildings. A landmark OC would be able to draw more attention and visitors from a wider customer basis.

### 3.1.3 ACCESSIBILITY

Outlet Centers are usually planned and situated in the outskirts of a city or on a green field outside the city. The distant location requires high quality roads to ensure the access to the center. High quality roads such as motorways and main (link) roads offer a fast and reliable connection, which has a positive influence on the catchment area. It increases the size of the catchment area and allows customers a smooth access to the center.



Insert 2. Road accessibility of the planned Outlet Center Exit 66 between Brno and Prague (source: <http://www.exit66.eu/index.php?com=lokalita&page=letecky&lang=en>. Retrieved on 14.9.2011)

Furthermore the available infrastructure (roads, exits, parking) must have the capacity to cope with the massive amount of traffic, which successfully operating centers induce.

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<sup>4</sup> Merriam Webster Dictionary <http://www.merriam-webster.com/dictionary/landmark>. Retrieved on 20.06.2011

### Psychological accessibility

Beside the technical and measurable accessibility there is also the psychological accessibility. Naturally there is an interdependence of these two, but customers' perception is also important. When customers perceive that the access to a center is easy and fast, it does not necessarily correlate with the travel time. If the center is located along to the natural traffic flow, the center is perceived to be closer than an equidistant one, which is off the traffic flow. Furthermore do high quality roads, good visibility and guidance contribute significantly that the perceived accessibility is much better than the measurable.

### Multimodality

Outlet Centers are historically a pure individual car traffic destination. Currently most centers are still focused on and depend heavily on car traffic. The rising oil price in 2008 had a short time effect of decreased fuel consumption and person kilometers in Austria<sup>5</sup> as well as in several other countries. Although this threat has faded temporarily, it has not vanished and the customers' mobility pattern will probably change in the future. Public transportation (mainly busses) and other transport services (bus operators, small shuttle buses, shared taxis) ought to be included in the operation of a center in order to ensure accessibility for an as large as possible customer base.

### Barriers

In some countries the authorities are using **tolls** to manage the infrastructure and guide traffic. Basically there are three types of tolls: highway, city and special (tunnel, bridge) tolls. City tolls have the lowest barrier effect, as inhabitants are quickly accustomed to them. However highway and special tolls create a barrier effect, which have negative effect on the accessibility of an Outlet Center.

## 3.1.4 CATCHMENT AREA

The German research company Gesellschaft für immobilienwirtschaftliche Forschung (abbreviated gif) defines the catchment area for a retail operation in the following way

*„The catchment area of a single stationary retailer or a spatial agglomeration of retailers (inner city or shopping center) is the geographical area, from which its customers origin. The deterministic differentiation of catchment areas of a retailing business assigns a place of consumption (usually the consumers' place of residence) to a certain retailing operation if no other retailing operation has a higher relevance.*

*According to the probabilistic view catchment areas of various retailing operations may overlap. In that case the borders of the catchment area indicate with which probability a consumer from a certain place will shop at a certain retailer. This view allows determining several catchment areas with differently associated probabilities. Cities and areas with small shares are not allocated geographically, although their sum can be significant. The generated turnovers from these areas are denominated as scattered turnover. ”<sup>6</sup>*

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<sup>5</sup> [http://www.statistik.at/web\\_de/Redirect/index.htm?dDocName=034835](http://www.statistik.at/web_de/Redirect/index.htm?dDocName=034835). Retrieved on 14.8.2011

<sup>6</sup> Gesellschaft für immobilienwirtschaftliche Forschung (Unpublished draft, 2012): Ausgesuchte

The Catchment Area (A) split in Zones of a Factory Outlet Center in Crespina



The Catchment Area (B) split in Zones of a Factory Outlet Center in Crespina  
- competitive FOC Locations in operation or under construction were considered -



Insert 3. Unrestricted catchment area of a potential Outlet Center  
(source: ecostra)

Insert 4. The reduced catchment area due to competing Outlet Centers  
(source: ecostra)

An Outlet Center is a special retail format and is usually able to attract customers from a much larger area than a shopping center. Operators usually use the non-constrained catchment area within 60 minutes driving distance to compare potential catchment areas.

Experience has shown that some centers are able to attract customers from considerably longer distances. Natural barriers and the available traffic infrastructure have to be taken into account when the actual catchment area is determined.

If there are competing retail structures (Outlet Centers, off-price centers and local specialties) within the projected catchment area or if they have overlapping catchment areas, this has an impact on the actual catchment area. These structures compete for the same customers and they will choose where they will spend their money depending on their personal preferences (e.g. certain brands or center) and the natural traffic stream. The catchment area is reduced according to the expected effects of the competing structures (see Insert 21).

An approximation of a minimum catchment area is 1,5 million inhabitants in 60 minutes driving distance<sup>7</sup>. This approximation is sometimes not met, but a larger city in 90 minutes driving distance or a strong touristic potential may very well compensate for it. The catchment area contains solely the registered inhabitants, but for centers with touristic attractions and venues it makes sense to tap into this potential to increase the customer base (see chapter 4.1.6 Tourism).

### **3.1.5 PURCHASING POWER**

*„In location studies purchasing power is the sum of money, which the private households of a spatial unit (e.g city or region) have available for expenses during a certain period of time. This amount relates to the available net income plus grants, saving withdrawal and loans deducted by savings, loan costs“<sup>8</sup>.*

Basically it is calculated by the sum of salary and other incomes (contributions, rental income etc) minus payment commitments (rents, loans etc). EUROSTAT performs periodic updates of regions' purchasing power in the European Union.

### **3.1.6 TURNOVER POTENTIAL**

The turnover potential is calculated on the basis of the purchasing power of the catchment area. For every relevant product group the potential market share is estimated. The most common product groups in OCs are clothing, shoes, accessories, houseware and services. Scattered turnover from tourists and other people from outside the catchment area increase the turnover potential.

### **3.1.7 TOURISM**

Most Outlet Centers are located in the vicinity of larger cities in order to capture the catchment area made up by its population. Some Outlet Centers have the bonus that there are interesting touristic destinations either within the cities or around. An existing blooming touristic infrastructure provides the Outlet Center with the opportunity to tap into a very interesting extra economic potential.

Especially all year round venues are extra valuable, because there is a constant stream of tourists and seasonal fluctuation are reduced. If operator and/or investor can form cooperations with touristic companies it is possible to create mutually beneficial effects.

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<sup>7</sup> Ecostra (2010): Factory Outlet Center – Aktuelle Marktentwicklungen, Konzepte und betriebliche Kennzahlen. Lecture script for International Real Estate Business School Regensburg. Wiesbaden. Page 13

<sup>8</sup> Gesellschaft für immobilienwirtschaftliche Forschung (Unpublished draft, 2012): op. cit.



### 3.1.8 LEGAL FRAMEWORK

The European countries have developed different laws despite their common history. The European Union has started to align the legal framework, but the applicable laws for the development and operation of an OC are mostly regional. This creates significant differences for the centers.

Several different laws, mainly the following, affect Outlet Centers

- planning and building laws
- environmental laws and regulations
- tenancy laws
- commercial laws and regulations (opening hours)
- labor laws (working hours and conditions)

While planning and building laws as well as environmental laws and regulations do not effect tenants directly, they have of course an impact on the development of OCs in general. Other laws, such as tenancy, commercial and labor laws, are more important. Especially the opening hours are important, as it is a great opportunity to be able to be open on Saturdays and Sundays.

## 3.2 CENTER CRITERIA

The chapter Center Criteria deals with the physical configuration of OC, the tenant mix as well as the key stakeholders investor, project developer and operator.

### 3.2.1 ARCHITECTURE AND LAYOUT

The exterior and interior architecture as well as the layout of a center have a considerable influence on the customer shopping experience and consequently on the successful operation of it.

Currently the exterior architecture of Outlet Centers is subdivided into three different types.

#### Strip Center

The strip center is an open-air center and basically designed as one line. The stores are next to each other and are forming a straight line. The center surrounds the parking on one or more sides, leading to the common L- or horseshoe-shapes. In order to offer a shopping friendly environment many strip centers offer some kind of weather protection, e.g. roof or arcades.



*Insert 5. Aerial view of a strip center (source: <http://www.cyberurbia.org/forums/showthread.php?32855-Lifestyle-center-as-deteriorating-1940s-plaza-alternative-press-prefers-the-latter>. Retrieved on 21.01.2012)*



### Mall Center

Most shopping centers are designed as a shopping mall and since many Outlet Centers originate from old factory buildings or converted shopping centers, this type is widespread. This type sometimes features buildings with two floors and parking garages, which distinguishes it from the other two Outlet Centers types, which generally one-story buildings with open-air parking.

The center is enclosed and provides a comfortable atmosphere for its customers. Lighting and air condition enable to be independent to weather. The parking is usually placed around the mall. However parking garages can also be attached or connected, providing direct access to the OC.



Insert 6. Inside view of McArthur Glen Salzburg (source: [http://www.ganz-oesterreich.at/media/salzburg/shopping/salzburg\\_designer\\_outlet/090910salzburg\\_designer\\_158.jpg](http://www.ganz-oesterreich.at/media/salzburg/shopping/salzburg_designer_outlet/090910salzburg_designer_158.jpg) Retrieved on 28.10.2011)

### Village Center



Insert 7. McArthur Glen Center Barberino (<http://www.panoramio.com/photo/24711118>. Retrieved on 23.9.2011)

Village centers are just like strip center an open-air design. They are frequently inspired by local architecture and cultural heritage of the region. The layout is formed to look like the center of a small village with alleys and squares. Thereby the Outlet Center is supposed to create a stronger local connection.

The design elements of a Village center are articulated facades (windows, doors), green areas, cafés, square. The center is opened out with squares and green relaxation areas. Often there are also playgrounds or crèches integrated. Also

weather protection is most of the time integrated into the architecture either by arcades or roof elements.

## 3.2.2 PARKING

An OC must be able to supply sufficient parking spaces for its customers. Experience has shown that customers prefer ground parking. Neither underground nor parking garages have proven to be well accepted. Customers expect that parking is provided for free. Alternatively the parking can be offered for free under the condition that a minimum amount was spent at the OC.

Ideally the parking manages the trade-offs between short distances and plenty parking spaces. Furthermore it should be well-arranged, easy to orient and safe for customers and their cars. Additional features that can increase the attraction are roofed parking. Depending on the climate the roof provides shelter either against sunlight or rain. Thereby customers either enjoy a cool car when they return or a dry passage to the center. In Mediterranean countries it would also be possible to use the roof for photovoltaic system.

### **3.2.3 INTERNAL TRAFFIC FLOW**

An OCs internal traffic flow shall pass all the stores and be as natural as possible. There must not be any dead corners or hidden alleys. It shall inspire the customers' innate curiosity to discover the next corner. At the same time customers must be able to recognize their position and orient themselves easily within the center. Although most countries have integrated requirements for handicapped people into building laws, the solutions are not always thought through and built to full extent.

### **3.2.4 TENANT MIX**

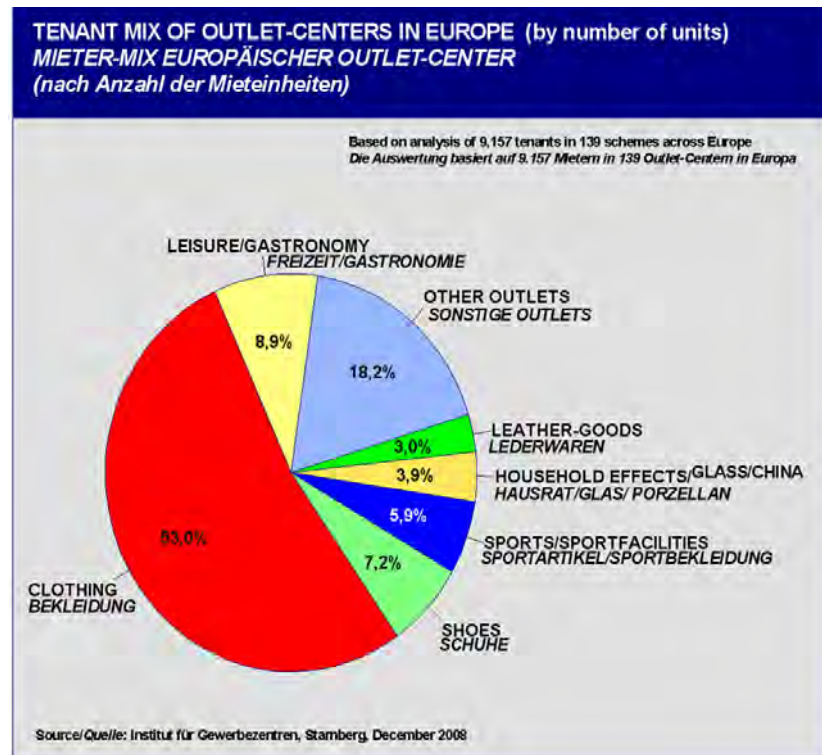
*"Tenant mix refers to the combination of business establishments occupying space in a shopping centre to form an assemblage that produces optimum sales, rents, service to the community and financiability of the shopping centre venture"*<sup>9</sup>.

The tenant and brand mix is one of the most crucial success criteria for an Outlet Center. It is delicate to find the right balance of brand, product and quality.

Currently European OC feature tenants from the following product segments and store shares

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<sup>9</sup> Downie, Mary Lou et al (2002): Managing Tenant Mix in Shopping Centers in the United Kingdom, Research Paper, Northumbria University, Newcastle upon Tyne. Page 5



Insert 8. Approximate distribution of assortment based on the analysis of 139 European Outlet Centers (source: Institut für Gewerbezentren (2009): European Factory-Outlet-Center Report 2009. Starnberg, Page 8.)

### 3.2.5 OPERATOR

The operator has a central role in the operation of an OC and a major impact on the economical prosperity. The daily operation covers extensive tasks such as customer management, marketing, public relations, facility management, security, contract management, economical and performance reporting. Owners have a long term interest and their own objectives. In order to run the business smoothly owners and operator ought to coordinate closely.

Some international operators (e.g. Value Retail) have a proven track record of operating OCs successfully in Europe. On top of the know-how they enjoy a certain reputation and have an attractive image to retail brands.

### 3.2.6 INVESTOR AND PROJECT DEVELOPER

Project developers and investors are the key stakeholders for the development of OC. They plan and decide everything in the development process, even if they cooperate with operators. For tenants it is important to have reliable investors and project developers. An active and entrepreneurial investor is a reassurance for tenants.

Some companies such as Neinver and McArthur Glen do not only act as operators, but also as project developers and investors. This combination is beneficial as all aspects are covered during the planning phase and it is a long-term investment.

### **3.3 STORE CRITERIA**

The Store Criteria contain criteria concerning the physical parameters of a store (such as store size) as well as the crucial points of the rental contract.

#### **3.3.1 STORE PARAMETERS**

The store is the tenants' point of sale and place of interaction between stakeholders. The store size, flexibility to adapt the store to their corporate design and technical requirements, storage and internal logistics are important parameters.

Tenants strive to make the most of their stores, both in regard of economic performance and visual merchandising. Therefore store fittings and interiors are changed or updated to keep the store appealing to customers. Since tenants have different requirements it is a difficult planning task to fulfill all the requirements of operator and tenants.

#### **3.3.2 RENTAL CONTRACT**

The rental contract is the tenants' most important contract and a crucial link between investor, operator and tenants. Among usual rent provisions such as rent and duration, there are also very specific provisions such as turnover rents, ratchet conditions and pricing regulations.

The base and turnover rents (with fixed percentage or in steps) are a mainstay in the OC industry. The ratchet conditions contain often three different adjustment mechanisms of the base rent. Firstly, a low fixed rate to guarantee a certain increase of the base rent. Secondly, a national consumer price index is applied if it is higher than the fixed rate. Thirdly, there is a turnover rent clause, which is applied if a percentage (e.g. 80%) of the turnover rent, exceeds the base rent and the two before mentioned adjustment mechanisms.

Tenants are obliged by the rental contract to always offer discounts on their retail price, usually at least 30%. This is to ensure a permanent price advantage and a clear distinction to highstreet retail. Service companies (restaurants, bars and chocolate) are exempt.

Performance clauses allow the operator to cancel agreements if the tenant does not achieve a certain performance.

### **3.3.3 ADDITIONAL COSTS**

On top of the rent tenants have to pay

- Center Management costs,
- Marketing costs and
- Operational costs

Center Management and marketing costs are significantly higher than in shopping centers, because of the higher manpower requirements for the more intensive interaction with tenants and massive marketing.

### **3.3.4 INCENTIVES**

In the course of rental contract negotiations many tenants bargain for incentives. For higher rents the tenants may receive incentives in different forms. In the Outlet Industry the following incentives are common

- interior fittings and technical installations
- rent free periods
- capital contribution

The stronger the tenants' negotiations position the better chances to receive one or several of these perks.

## **3.4 OPERATIONAL CRITERIA**

### **3.4.1 PRODUCTS**

The original purpose of a factory outlet store was to create a separate sales channel for production faulty, production overrun and last season products. It does not interfere with other channels. Usually these stores are adjacent to the factory, but outlet centers are not. The expansion of Outlet Center has created a strong demand, hence the sustainable supply may not be guaranteed.

- past season products
- irregulars or factory seconds
- damaged products
- sample products (for testing)
- made for outlet
- discontinued products
- over run products

### **3.4.2 PRICING**

Outlet Centers compete with other retail formats for customers' purchasing power. Most tenants are operating a multi channel sales network and sell their products in highstreet, shopping center and Outlet Center stores. Hence, they are keen on differentiating their sales channels as distinctively as possible in order to have clear market position and minimize the friction with their retail partners.

Tenants rental contracts usually contain binding clauses to offer a minimum discount (e.g. 30%) to regular retail prices. The price difference between the regular and the outlet price shall be marked evidently for customers.

The main unique selling proposition of OCs is the pricing promise, which offers customers reliable discounts and good value for money.

### **3.4.3 EXTERNAL LOGISTICS**

OC is one of retailers several sales channels and are just one piece in tenants sales and distribution network. The logistical optimization of reliable supply, low costs and environmental impact is a constant process. Currently transport costs are low, but are expected to rise sooner or later (fuel costs, tolls), which will increase the need for action.

### **3.4.4 MARKETING**

The operator is in charge of marketing the center and it is one of the most important tasks to generate customers' interest as Outlet Centers. The marketing has to draw the attention of customers and convey the branding position "value for money".

In order to improve and well direct marketing measures the operator collects data on footfall, patterns, consumer spending and time. Also customer feedback and store performance checks are essential information basis for marketing.

### **3.4.5 INTERACTION**

The OC features six stakeholders (tenant, project developer, operator, end-investor, community and end-customer) and all are dependent on each other for the successful development and operation of a center. The project developer has an integrative role as he usually works with all other stakeholders in order to collect their needs and ensure the success of the project as far as feasible.

The early and transparent communication is important to balance the various stakeholders' requirements as they influence the outlining of the project.

## **3.5 SUSTAINABILITY CRITERIA**

This thesis introduces separate sustainability criteria in order to emphasize on the topic of sustainability. Naturally most sustainability issues are or should be integral parts of the before mentioned criteria, but since these separates sustainability is a widely used term.

### **3.5.1 SUSTAINABILITY OF THE BUSINESS MODEL**

For manufacturers outlet stores have an important and natural sales function. It is a useful sales channel to sell off certain products without interfering with the regular sales channels. Thereby allowing the manufacturer to manage the product flows and pricing.

The strong growth of the European Outlet sector raises several questions concerning the sustainability of the entire business model. These questions can be summed up in the following categories

- Turnover potential
- Products
- Consumer Behavior
- Format

### **3.5.2 CONSTRUCTION**

The construction of any stand-alone retail structure has to fulfill economical, technical and operational requirements, which are partially opposing. On the one hand project developers aim to keep construction costs at a minimum, but on the other hand technical and operational requirements tend to increase the construction costs. These requirements stem from end-investors and operators who have a long-term view on the operation of an OC.

The construction has to be as flexible and modular as possible to be able to react to tenants changing needs (e.g. larger store area, new technical equipment). It is necessary to be able to adapt, improve and extend a center without any major interference.

The construction also covers the necessary land consumption and soil sealing for the building structure. Another topic, which is often neglected is the demolition and disposal of the center once it has reached the end of its economical life.

### 3.5.3 HVACR

HVACR (heating, ventilation, air conditioning and refrigeration) is a common abbreviation for indoor climate control systems. All modern buildings have some kind of HVACR systems, but the degree of implementation and energy efficiency differ widely. Usually they control temperature and air circulation in buildings. More advanced systems do also regulate humidity and have control systems, e.g. inclusion of weather forecast.

In the European Union buildings are responsible for 40% of the energy consumption and 36% of CO<sub>2</sub> emissions<sup>10</sup>.

Most of retail buildings energy is used for HVACR, pointing out the importance of this aspect. The potential financial and environmental savings are significant, especially if energy prices continue to rise.

### 3.5.4 RE-USE OF OUTLET CENTER

Usually most projects, not limited to real estate projects, are planned and executed to fulfill the requirements of the designated use. In the flow of life everything moves and may lead to unexpected outcomes. Since it is unexpected it usually is hard to prepare for it, but for real estate projects it is a healthy approach to consider some potential alternative uses. The conversion of hotels or offices to residential buildings can be quite feasible, since these usages share many requirements.

Outlet Centers are in contrast a special property type with a very clearly defined and narrow use. This confined specification implies a very low flexibility for alternative uses of the real estate structure. As functional it is when it is in normal operation, as challenging is the task to find a suitable alternative use. The dimensioning of the wall structure and foundation are not designed to for example carry the load of another floor.

### 3.5.5 LIFE CYCLE COSTS

The **Life Cycle Cost** (LCC) is calculation concept for the total costs of a real estate structure during its commercial life. The total costs contain all single and recurring costs for development, operation, refurbishment, demolition and waste disposal (i.e. from cradle to grave). The life cycle assessment is defined in the ISO 14040 standard.

In addition the life cycle costs it is also essential to consider the concept of **embodied energy**, as the LCC usually does not include the required energy. The definition of embodied energy is the sum of necessary energy that was used to produce a product. Starting from the mining of natural resources to disposal of the product. Similar to the life cycle costs it covers the whole product life cycle.

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<sup>10</sup> [http://ec.europa.eu/energy/efficiency/buildings/buildings\\_en.htm](http://ec.europa.eu/energy/efficiency/buildings/buildings_en.htm). Retrieved on 20.9.2011



Some tools (e.g. University of Bath has compiled the Inventory of Carbon and Energy) contain already embodied energy ratings for materials and ratings. These ratings can be used in order to assess the embodied energy of a structure. Currently these tools are based on different methods and contain varying degree of detail. In future it will be necessary to define a consistent and generally accepted model.

### **3.5.6 HEALTHY ATMOSPHERE**

Although health is an important socio-economic factor, it is probably one of the most neglected ones. Our surroundings have a subtle, but potent influence on organisms. Materials, light, colors, radiation, humidity and smells influence our well being, but only in most real estate projects these factors are hardly worth any attention or investments. Customers and especially personnel spend a lot of time within an Outlet Center and from a socio-economic standpoint it would be wise to offer an appealing and healthy indoor and outdoor environment. Old teachings like feng shui have a natural approach to layout, lighting, colors and materials of rooms. However these findings have been unvalued for a long time in industrialized countries, but are emerging slowly. Modern medicine and psychology are coming step by step to similar conclusions. Although these insights are hardly put into action, the awareness is increasing. It might take some time but sooner or later some insights will be integrated in the planning and construction.

### **3.5.7 MACRO ECONOMIC DEVELOPMENT**

The macro economic development has a large influence on the companies and consumers' means and behavior. Through globalization the regional economy is more and more interwoven with the global economy.

The current state of the global economy is interesting as most countries are heavily indebted and the rate of inflation is picking up. It is a key question how the national and regional economies will develop in the coming years. Depending on the economic development the consumer market conditions may change more or less.

Many areas such as demographics, unemployment rate, inflation, development of costs, access to natural resources, transport costs, mobility and purchasing power have an important impact on how companies and consumers behave. Thereby influencing how the future of retail will look like.

## 4 ANALYSIS

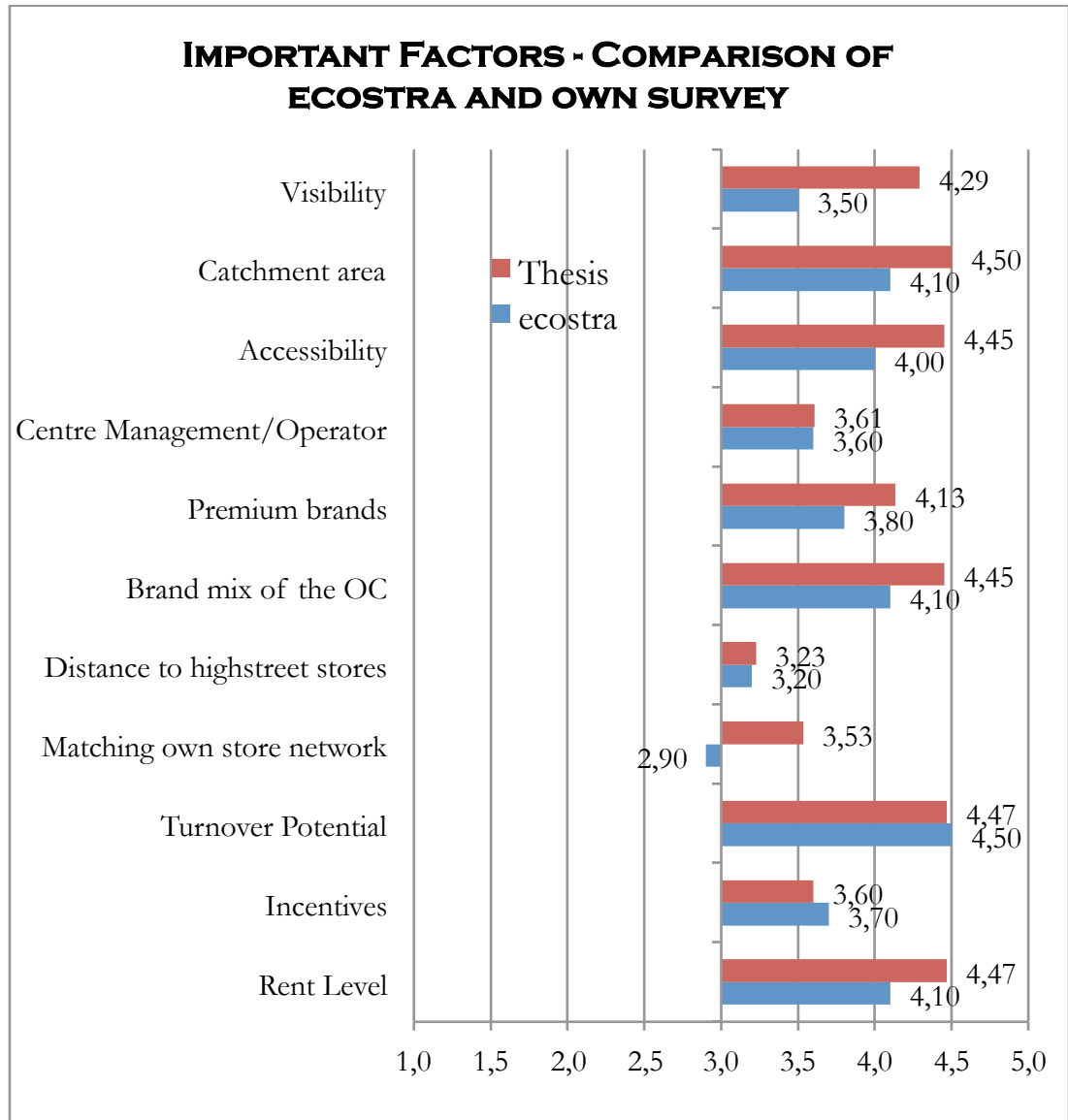
The Analysis chapter starts with the comparison of the conducted survey results with the results of the FOC Performance Report 2010 by ecostra and CBRE<sup>11</sup>. Thereafter the results of the survey, expert interviews and findings of the literature study are analyzed according to the structure defined in the previous chapter „Sustainable Success Criteria“. Each criterion is structured into these three analysis items, regardless if it was analyzed or not.

The survey contains some overlapping factors with the annual FOC Performance Report by ecostra and CBRE in order to allow a calibration and comparison of the results. The FOC Performance Report has been conducted since 2008 and enjoys an increasing acceptance among tenants. It delivers grading results on the economical performance of OC stores, general market conditions and important rental factors.

The graph shows that the overlapping control factors generally correspond very well with the results of the FOC Performance Report. There are mostly higher grades in the survey of this thesis, but the tendency is very similar in both. Hence it is legitimate to assume that the results of the questionnaire supply useful data for the analysis and depict an approximate state of the OC tenants point of view.

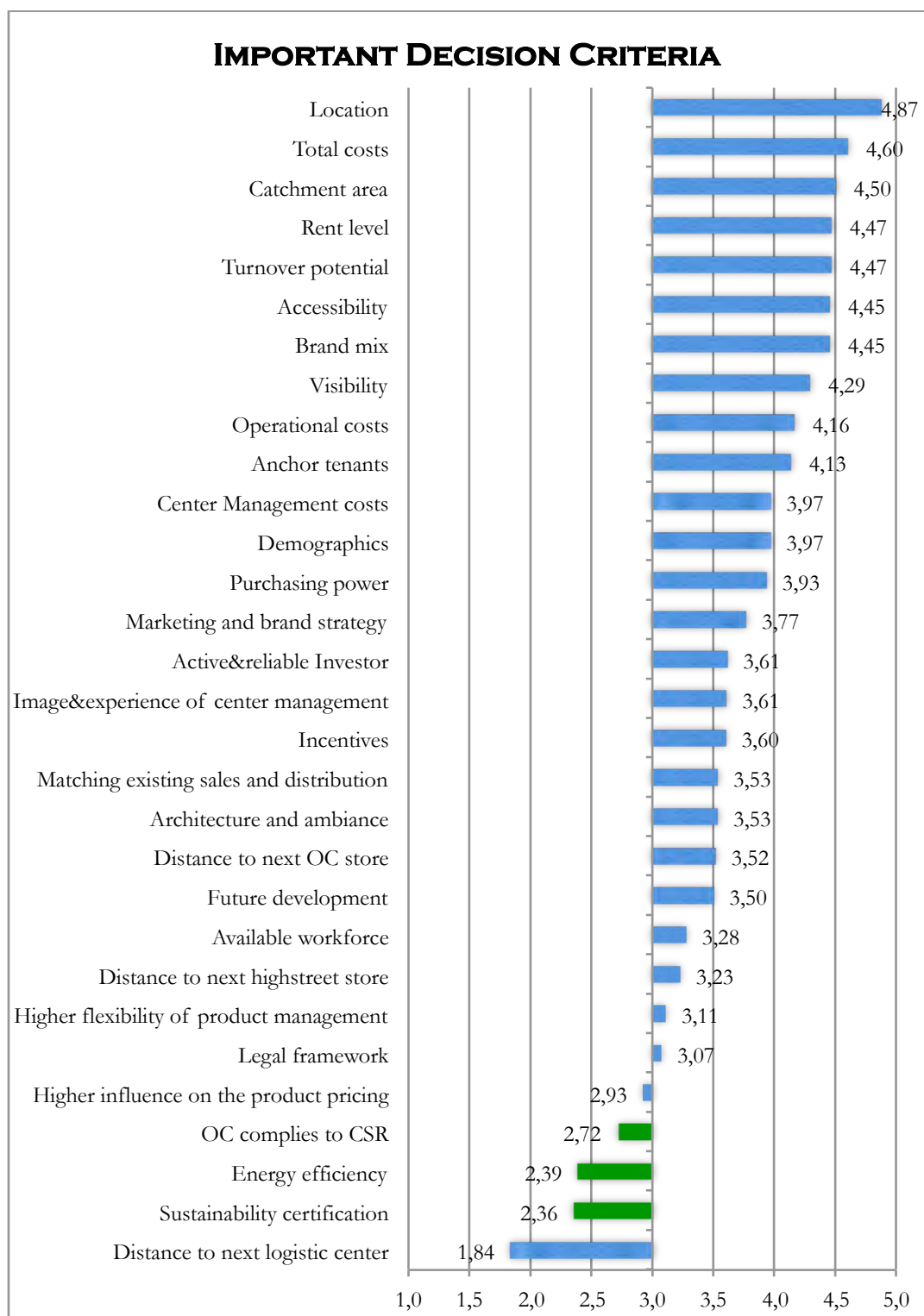
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<sup>11</sup> ecostra, CBRE (2010): Update of the Survey 2010 – Factory Outlet Centre - Performance European Report, Wiesbaden, Frankfurt. Page 24.



*Insert 9. Comparison of selected important factors between FOC Performance Report and the results of the own survey (5=very important, 1=not important - ecostra results were adapted to the thesis grading system) (source: own survey)*

For a better overview and understanding all important decision criteria are presented first. Thereby it is easier to assess the general importance of several issues. It is noteworthy that all directly related criteria to environmental topics (marked in green) are the least important ones, while location and total costs are paramount.



*Insert 10. Results of the polled important decision criteria for tenants when they decide to rent a store in an Outlet Center. Environmental related factors are marked in green (Grading system 5=very important, 1=not important) (source: own survey)*

### **Results of the survey**

In total there were 49 participants in the two performed online questionnaires, which is satisfactorily considering the fact that the FOC Performance Report 2009, Update 2009 and 2010 performed by ecostra and CBRE had 19, 36 respectively 79 participants. Several companies, among them also common Outlet Center tenants, did answer by email that they preferred not to participate in the survey for various reasons. The survey fared rather well considering that time is a very limited resource for the target group and the 136 answers of the questionnaire require quite some time to sift through.

The participants of the two online questionnaires were

- 44,9% manufacturers
- 18,4% wholesalers
- 8,2% license holders
- 18,4% other, while
- 10,1% preferred not to answer

Most participating companies offer products in one or several of the following categories

- 44,9% clothing
- 32,7% accessories
- 28,6% shoes
- 18,4% sports and
- 18,4% housewares

In general the companies are large,

- 32,7% have more than 250 million EUR annual turnover
- 32,7% have 51 - 250 million EUR annual turnover
- 12,2% have 11 - 50 million EUR annual turnover
- 4,0% have less than 10 million EUR annual turnover, while
- 18,4% preferred not to answer

This is also reflected in the fact that 38,8% of the companies have at least two brands and on average rent stores in roughly 24 Outlet Centers. The highest stated number of outlets was an eye popping 200, which is achieved by a franchising system. 61,2% of the participating companies (or their respective mother companies) are a corporation and 24,5% are listed on the stock market.

The most companies have their headquarters in

- Germany (30,6%),
- UK (12,2%) and
- USA (10,2%), while
- the remaining participants are spread over Denmark, France, Italy, Netherlands, Slovakia, Spain and Switzerland.

## **4.1 LOCATION CRITERIA**

### **4.1.1 LOCATION**

#### **Survey results**

Participants gave an average grade of 4,87 to the importance of the location, where 1,0 represents “no importance” and 5,0 represents “very high importance”. Almost 82% of the participants found it to be very important, while the remaining graded it as important. It is noteworthy that not a single one chose it to be of average or lower importance.

It was the highest obtained grade in the survey confirming location as the most important decision criteria for tenants.

#### **Expert interviews**

Gerhard Graf lists location as the one of the most important criteria.

Both experts have the impression that brand manufacturers have become less sensitive to the full price retail channels.

#### **Findings**

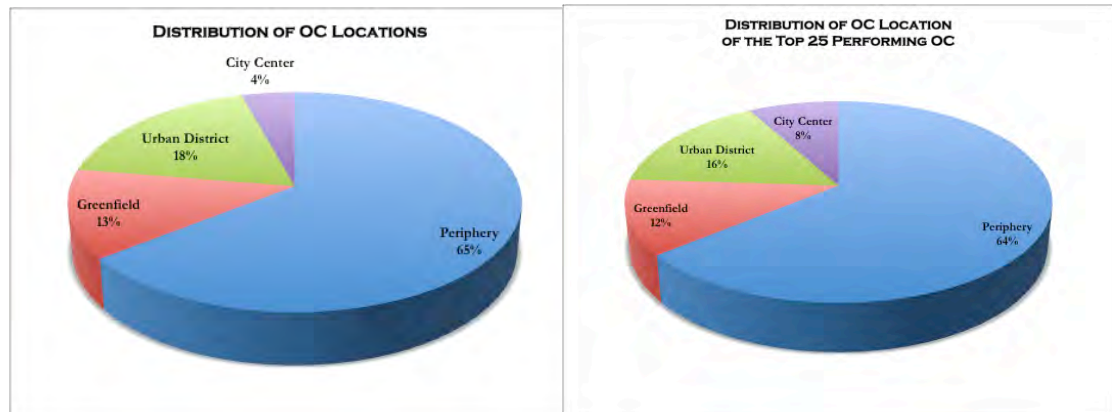
The European Outlet Centers are located

- 65% in the periphery,
- 18% in an urban district
- 13% greenfield and
- 4% in the city center<sup>12</sup>.

The Top 25 Outlet Centers according to the FOC Performance Report 2011 reflect this distribution very well.

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<sup>12</sup> ecostra (2011): Outlet Centre Handbook Europe 2011. Wiesbaden. Own research and compilation of Outlet Center data.



Insert 11. Distribution of Outlet Center locations in Europe (source: own research, ecostra (2011): Outlet Centre Handbook Report 2011. Wiesbaden) Insert 12. Distribution of location of the Top 25 performing Outlet Centers in Europe (source: own research, ecostra, CBRE (2011): FOC Performance Report Update 2011. Wiesbaden.)

Most Outlet Centers are spatially separated from highstreet and shopping center locations in order to limit the sales interference between the sales channels.

This is important as the majority of the Outlet Center tenants are manufacturers and license holders and they do not want to infringe on the regular retail channels. Hence it is a delicate balance between separating the sales channels and keeping customers travel time attractive. This sensitivity of influencing the full price channels has declined over the last decade on the side of the brand manufacturers according to the experts. The study of Sobermann states that the average distance between Outlet Center and the closest shopping center has been decreasing over the years<sup>13</sup>.

Furthermore it may be well advised to factor in the future city development as “*increasing urban sprawl means that many outlet malls that were formerly located an hour from major metropolitan areas are now located closer to the center of gravity for major urban agglomerations*”<sup>14</sup>. The reduced distance and the characteristics of the developed area may have an impact on the positioning and performance of an OC.

#### 4.1.2 VISIBILITY

##### Survey results

Almost 79% graded visibility to be important or very important, resulting in an average grade of 4,29. However 12% saw only an average importance. Naturally visibility will remain important to attract customers and guide them.

<sup>13</sup> Soberman et al (2004): A Survey of Outlet Mall Retailing: Past, Present, and Future. INSEAD. Page 6

<sup>14</sup> Soberman et al (2004): op cit. Page 17

### **Expert interviews**

It was not part of the interviews.

### **Findings**

The competition for consumer's purchasing power is increasing and therefore Outlet Centers will have to create a unique position in the market. A landmark function might be one of the ingredients to achieve a unique and attractive center.

Guidance systems are essential to lead customers to the centers, especially draw attention from passerby's, attract them to the center and generate turnover.

## **4.1.3 ACCESSIBILITY**

### **Survey results**

The accessibility of Outlet Center received a combine score of 4,45 making it the sixth most important decision criteria for tenants. Almost 85% rated it to be important or very important.

### **Expert interviews**

It was not part of the interviews.

### **Findings**

As defined in chapter 4.1.3 Outlet Centers are traditionally an individual traffic destination, but future economic and environmental developments will probably increase the pressure on offering alternative and complementary means. *"Attractive transport solutions with free flowing roads are needed to maintain the market for extended leisure shopping visits"*<sup>15</sup>. Flexible and multimodal transportation will have a higher importance for an OCs accessibility in order to reduce the dependency on car traffic. The temporary fuel price peak in 2008 decreased the transport performance in several countries. Although the effect was brief it showed the vulnerable dependence. However mobility has always been a major factor in the life of human beings and it is noteworthy that the number of trips and the time spent are more or less constant over the ages. The velocity and distance have increased significantly, which has implications for the spatial structures<sup>16</sup>. This development has led to structures such as Outlet Centers, which are spatially separated from their customers residence and thus dependent on a far-reaching accessibility. Increasing transportation costs due to higher fuel prices and taxes will have an effect on the consumers' mobility patterns, but it is expected to be rather low in foreseeable future.

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<sup>15</sup> British Council of Shopping Centres (2006): The Future of Retail: Future of Retail transport, London. Page 56

<sup>16</sup> <http://www.theeuropean.de/hermann-knoflacher/9513-automobilfreundliche-verkehrspolitik>. Retrieved on 29.03.2012



Alternative means of transportation such as bus and shuttle services or car sharing allow reducing the dependence on car traffic and increasing the customer base of Outlet Center. Several operators already offer bus services from city centers and shuttle services for tourists from their hotels. Copenhagen Designer Outlets will have a train station within walking distance, but otherwise the integration of high quality public transportation will probably remain the exception. Pedestrian traffic can only be of some relevance for Outlet Centers in the city center or urban districts, such as Quai des Marques Bordeaux and planned London Designer Outlet and Nordic Design Village Kolding. In the modal split these transportation means will most probably only be complementary to car traffic, but can be or become a valuable addition to attract more customers.

#### **4.1.4 CATCHMENT AREA**

##### **Survey results**

The catchment area was rated as the third most important criteria (average grade of 4,50) when tenants choose whether they rent a store in an Outlet Center or not. For 32,7% it is very important, for 26,5% it is important and for 2,0% it is of average importance. Tenants graded the distance to the next Outlet Center to an importance of 3,52.

##### **Expert interviews**

It was not part of the interviews.

##### **Findings**

Some centers such as McArthur Glen Parndorf have managed to enlarge their catchment area beyond the usual. A significant share of visitors (33,9%) origin from outside the 60 minutes driving distance<sup>17</sup>. According to ecostra this share has grown since then as the operator has successfully established the center as an attractive shopping destination in Austria and Eastern European countries (see also 5.1.7 Tourism). McArthur Glen Salzburg has more than 32% visitors from Germany<sup>18</sup>. Value Retail Wertheim Village attracted in 2007 more than 55% customer with a driving distance longer than 60 minutes<sup>19</sup>.

These centers, especially Parndorf, have achieved unique market positions as they have increased their catchment area beyond the usual. Although there are other Outlet Centers in the catchment area of Designer Outlet Center Parndorf, it succeeds in attracting more customers than the centers in Budapest and the closed center Leoville, south of Vienna. So while the distance to the next center is important, there are criteria like size and brand mix that have more weight in the decision making.

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<sup>17</sup> GMA (2005): Die Auswirkungen des Designer Outlet Center (DOC) in Parndorf (Bezirk Neusiedl am See) auf die regionale Einzelhandelsstruktur, die Tourismuswirtschaft und den Arbeitsmarkt. Ludwigsburg/Wien. Page 118

<sup>18</sup> <http://www.firmenpresse.de/pressinfo255659.html>. Retrieved on 18.02.2012

<sup>19</sup> [www.icsc.org/srch/mt/speaker/2007EOS/0494.pdf](http://www.icsc.org/srch/mt/speaker/2007EOS/0494.pdf). Page 25. Retrieved on 13.2.2012

#### **4.1.5 PURCHASING POWER**

##### **Survey results**

Tenants gave an average grade of 3,93 to purchasing power.

##### **Expert interviews**

It was not part of expert interviews.

##### **Findings**

Most European OCs are located in Western Europe and in areas with high purchasing power. In Eastern Europe there are several OC in operation or development, despite the weaker retail structures and lower purchasing power. Poland and Croatia have comparable gross domestic products (9.300 € per capita respectively 10.400)<sup>20</sup> and purchasing power standards (63 respectively 61, where EU 27 average is the base value of 100)<sup>21</sup> in the year 2010, but the performances of the Outlet Centers are divergent. While the Polish centers are performing satisfactorily the Croatian ones are performing poorly. Poland has the advantage of being in the European Union and being a much larger market facilitating business administration and product supply for the tenants.

#### **4.1.6 TURNOVER POTENTIAL**

##### **Survey results**

Turnover potential (4,47) is more important than purchasing power (3,97). The reason might be quite simple. The turnover potential is calculated specifically for an Outlet Center and offers a more detailed grade of information than the general purchasing power.

##### **Expert interviews**

It was not part of the interviews.

##### **Findings**

No detailed analysis conducted.

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<sup>20</sup> [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama\\_aux\\_gph&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_aux_gph&lang=en). Retrieved on 12.01.2012

<sup>21</sup> <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tec00114&plugin=1>. Retrieved on 12.01.2012

#### 4.1.7 TOURISM

##### Survey results

It was not part of the survey.

##### Expert interviews

James Kirby expects more “*tourism infill sites*”.

##### Findings

The ability to attract tourists is becoming more important in order to widen the customer base and persist in the market. Developers and operators pay more attention of integrating tourists, as also the evolution of the format (see chapter 2.6.2).

Traditionally Vienna is a popular touristic destination, especially for Eastern Europeans, and it was one of the first Outlet Centers in Central Europe. McArthur Glen has done well in seizing the available touristic potential for the Designer Outlet Parndorf. The operator has done well to cooperate with touristic companies, such as bus operators and hotels and has managed to develop the center itself into a tourist attraction. Czech and Hungarian customers still drive to Parndorf although there are closer Outlet Centers. Even customers from distant countries such as Romania and Serbia frequent the center regularly.

In Designer Outlet Castel Romano in Rome McArthur Glen offers a minivan shuttle service to and from hotels in order to facilitate customers’ drive.

Designer Outlet **Soltau**, which is under construction at the time of this thesis, is strategically situated between the cities of Hamburg, Hanover and Bremen, which already has a substantial catchment area. The center is located in the same city there as the resort Heidepark, which is one of Germany’s largest amusement parks with 1,5 million visitors annually. The spatial proximity has been used to forge co-operations with several touristic venues. On top is the proximity to recreational area Lüneburger Heide, which boasts 5 million annual visitors. Both venues will provide the center with additional visitors and increase the regions attraction.

These examples show the some possibilities on how to seize the touristic potential of an OC. Such measures allow increasing the catchment area and creating synergies with touristic operators for mutual benefit.

## **4.1.8 LEGAL FRAMEWORK**

### **Survey results**

The wide field of legal framework received an average grade of 3,07.

### **Expert Interviews**

It was not part of the interviews.

### **Findings**

So despite having an important impact on the development and operation of Outlet Centers, it does seem as though tenants see no barriers. Therefore one might conclude that tenants choose to operate stores in most markets as they can accept and settle with the existing laws and regulations.

The severe impact of strict planning and building laws is obvious in the German market. Although Germany is the strongest economy in the EU, it has the lowest area density. As a result several centers around the German border prospered by attracting German customers.

The laws and regulations can support the investment in environmental and sustainability measures (e.g. demolition and disposal). The region of Tuscany requires new commercial real estate to produce 25% of the required (according to the official estimation) energy with renewable energy (e.g. solar power, biofuels). Such regulations certainly support to create more energy-efficient and sustainable buildings. These regulations must not become too restrictive as it may either cripple the profitability or create an investment barrier. Therefore it is recommendable to use a combined system of regulations and incentives. Tax breaks and other financial stimuli help to offset the higher investment costs.

## **4.2 CENTER CRITERIA**

### **4.2.1 ARCHITECTURE AND LAYOUT**

#### **Survey results**

Architecture and ambiance obtained an average grade of 3,53.

#### **Expert interviews**

It was not part of the interviews.

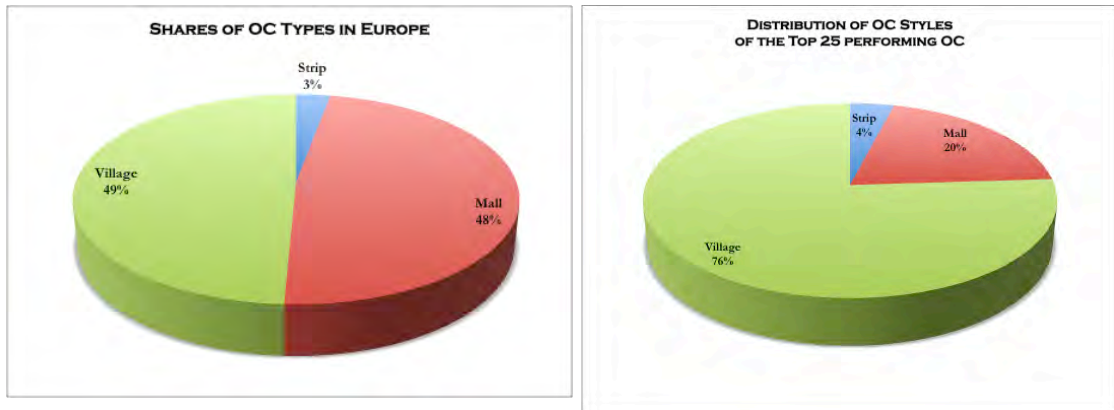
#### **Findings**

*“Cognitive and emotional psychology has shown that consumers behavior in a shopping area can be influenced consciously and that architecture has a decisive role“<sup>22</sup>.* The impact of this role is hard to quantify, but one way is to take a closer look on the outer architecture of Outlet Center.

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<sup>22</sup> Mairhofer, Wolfgang (2008): Mehrwert-orientierte Investitionsentscheidungen in Einzelhandelsimmobilien unter Berücksichtigung der Architektur. Ein Erfolgsfaktorenmodell. Master thesis. Danube University Krems, Krems.

Currently most Outlet Centers in Europe are designed in the village style (49%), but mall centers (48%) are almost equal. Strip centers are distant third in Europe as they have not been able to compete with the other two popular styles. The distribution varies from country to country. In the UK there is an equal number of mall and village centers. Italy is dominated by village centers (86%), while Spain is dominated by mall centers (81%) and Poland has only mall centers.



*Insert 13. Distribution of Outlet Center styles in Europe (source: own research based on ecostra Outlet Center Handbook Report 2011)*

*Insert 14. Distribution of architectural styles in the Top 25 performing Outlet Centers (source: own research based on FOC Performance Report)*

The FOC Performance Report 2011 by ecostra and CBRE<sup>23</sup> ranks the performance of Outlet Centers based on the tenants comparative satisfaction with the achieved turnover.

In the Top 25 there are 19 village centers, equivalent to 76% of the centers. In the Top 10 there are 9 village centers, equivalent to 90% of the centers. This predominance of village centers in performance does not reflect the architectural distribution as seen in Insert 18.

## 4.2.2 PARKING

### Survey results

It was not part of the survey.

### Expert interviews

It was not part of the interviews.

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<sup>23</sup> ecostra, CBRE (2011): FOC Performance Report 2011 Update. Wiesbaden.

## Findings

Generally all Outlet Center supply sufficient parking possibilities. There are some centers that offer plenty of parking spaces (Mondovicino 4 m<sup>2</sup> GLA/parking) and some offer comparably few (Sveta Helena 28 m<sup>2</sup> GLA/parking). The average size of gross leasable area per parking is within a span of 10 to 18 m<sup>2</sup> GLA/parking.

On the psychological side it is an interesting challenge to offer sufficient parking spaces at all times, but not give the impression of an empty parking when there are few customers.

There have been plans for Italian Outlet Centers to use the parking more efficiently by roofing the parking with solar panels. Roofing the parking allows to offer weather protection (against either sun or rain) to customers and at the same time produce energy. The governmental subsidized feed-in tariff in Italy was very lucrative until the End of 2010 and could have helped to improve

the economic and environmental performance of OC. Although most solar power feed-in tariffs in Europe have become less attractive, the costs for solar panels has decreased sharply and might elude some investors around the Mediterranean to invest in such a solution.



*Insert 15. Parking with solar roof at Rutgers University (source: <http://news.rutgers.edu/medrel/news-releases/2011/04/rutgers-board-of-gov-20110405/SolarLot.jpg>, Retrieved on 15.1.2012)*

## 4.2.3 INTERNAL TRAFFIC FLOW

### Survey results

It was not part of the survey.

### Expert interviews

It was not part of the interviews.

## Findings

The locations of the brand stores have to be arranged in a manner to draw people through the whole center and avoid areas with low pedestrian flow<sup>24</sup>. The operator has to balance the demands of some powerful tenants and his own optimized allocation.

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<sup>24</sup> Downie, Mary Lou (2002): Managing Tenant Mix in Shopping Centers in the United Kingdom. Research Paper, Northumbria University, Newcastle upon Tyne. Page 8.

Customers must always feel safe and be able to easily orient themselves. On top of that, customers have to have the impression that the center is doing well and that is crowded to a certain degree. On top of that it is important to have a personal space on the one hand, but on the other hand it is also unpleasant being alone in a store. So the true challenge is to manage the customers' paths that never the impression arises that a center is neither too crowded nor too empty.

#### **4.2.4 TENANT MIX**

##### **Survey results**

The tenant mix scored an average importance as decision criteria of 4,45. It is the seventh most important factor in total. Disregarding locational and financial criteria, it is the most important. Anchor tenants, or rather key brands, obtained an average grade of 4,13.

##### **Expert interviews**

James Kirby *"We (author: McArthur Glen) believed that tenants needed to see good co-tenancies"*.

Gerhard Graf mentioned *"other key tenants"* to be important decision criteria for tenants.

##### **Findings**

*"The actual mix of stores is a dynamic process that changes as stores fail and trends in retailing shift"*<sup>25</sup>. This active management is one of the key responsibilities of the operator. This task is facilitated by the closer relationship between tenants and operator in an OC and the higher availability of sales relevant data.

*"The attraction of an Outlet Center and thereby its spatial effect are based on the so called collective pulling power. It refers to the concentration of many retail units within a structure, where as the supply and quality of brands, especially premium brands, have special significance"*<sup>26</sup>. The tenant mix is the most essential ingredient of the collective pulling power. Although there are no anchor tenants in the same sense as in shopping centers, there are certain kinds of brands that can be considered to be anchor tenants for OCs. Some brands have a very high customer attraction and are important for the marketing of the center, although these stores do not necessarily generate the highest turnover.

The tenant mix and the brands have to be aligned with the centers market positioning and customers preferences.

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<sup>25</sup> Wheaton, W.C. (2000): Percentage Rent in Retail Leasing: The Alignment of Landlord-Tenant Interest. Real Estate Economics 28(2). Page 185 - 204

<sup>26</sup> ecostra (2010): Factory Outlet Center - Aktuelle Marktentwicklungen, Konzepte und betriebliche Kennzahlen. Wiesbaden. Page 16

## 4.2.5 OPERATOR

### Survey results

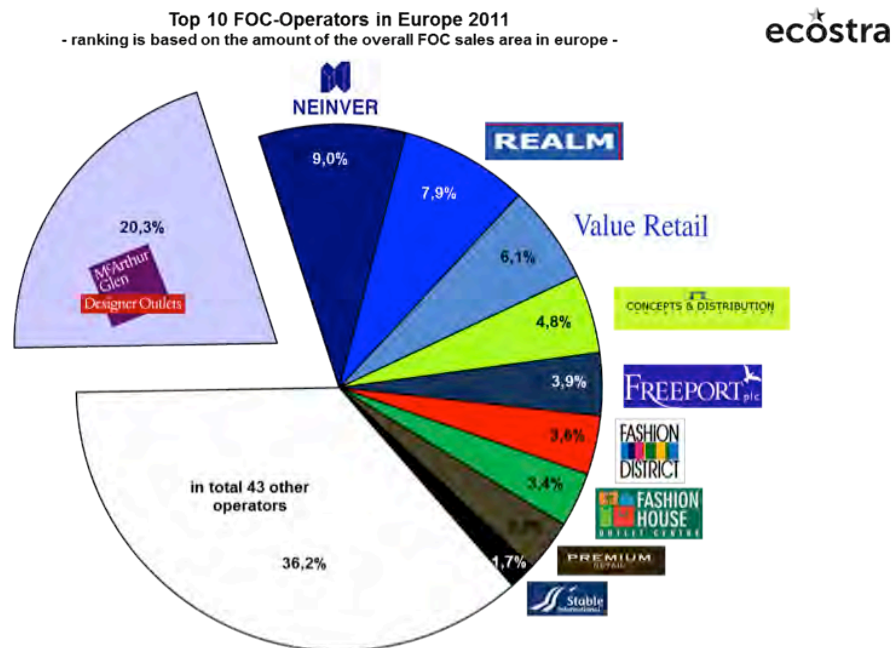
The image and experience of the operator is important to the participants of the survey with an average grade was 3,97.

### Expert interviews

Gerhard Graf summarized it well by saying that *“tenants are in the meantime aware that the outlet business only works with a high quality center management”*.

### Findings

The top three operators McArthur Glen, Neinver and Value Retail have proven over the last decades that they are the prime center managers across Europe. In the top 25 of the FOC Performance Report 2011<sup>27</sup> these three operators are responsible for 19 centers and they have almost the same sales area (35,4%) under management as the other 43 operators in total (36,2%).



Insert 16. Overview of the market shares per sales area of the active operators in Europe (source: ecostra, June 2011)

Realm (number 3), Concepts&Distribution (number 5) and Fashion District (number 7) are in the Top Ten, but all three operators are currently only active in their respective home country. All in all the European market had 53 active operators in June 2011<sup>28</sup>.

<sup>27</sup> ecostra, CBRE (2011): Update of the Survey 2011 – Factory Centre Performance European Report. Wiesbaden. Page 13

<sup>28</sup> ecostra (2011): Factory Outlet Center in Europa – Marktübersicht aller in Betrieb und in PLANung



The importance of the operators is very well displayed in Berlin. The inexperienced operator could not make the B5 Outlet Center in Berlin flourish and sold it to McArthur Glen. They decided to demolish the existing center and rebuild it according to its standards. Also the first phase was kept small with a sales area of 9.620 m<sup>2</sup> (8.500 m<sup>2</sup> retail area) to reduce the letting pressure. The experienced operator succeeded to turn the center around and added a second phase in 2010, doubling the area to 20.520 m<sup>2</sup> (16.500 m<sup>2</sup> retail area).

The operator has a direct influence on the success of an OC, because the active management of the center is in his hands, everything from store allocation, determining and optimizing the tenant mix, pushing marketing and forging co-operations while driving footfall and maximizing turnover.

#### **4.2.6 INVESTOR**

##### **Survey results**

Tenants see an active and reliable investor not as one of the most crucial elements of success for an OC as they gave an average grade of 3,61. The reason could be that any serious investor can develop and operate an OC as long as the other criteria are fulfilled. The Center Management was graded to 3,97 and naturally it has a more important impact on the success from the tenants' point of view, as the operator is the main interaction partner.

##### **Expert interviews**

James Kirby strengthens the results by stating *“As an investor, very few tenants sought to talk to us. ...they want reassurance on the financial strength of the investor”*. Gerhard Graf confirms that active and dedicated investors and operators are very important, because they have an influence on the tenants' business.

##### **Findings**

Some companies such as McArthur Glen, Neinver and Value Retail do not only function as operators, but have also taken on the role as project developers and end-investors. The successful operation and being able to offer the complete package has helped them to establish and operate centers successfully in several European countries.

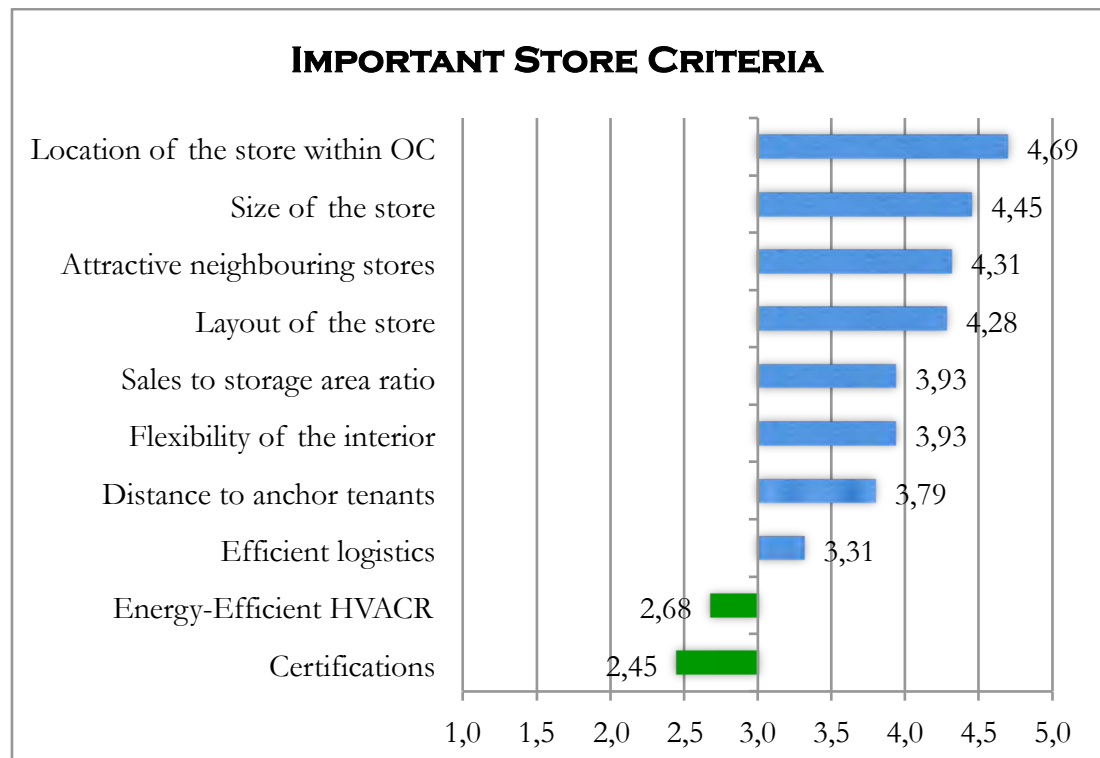
Tenants do not have the focus on the investor, but know that it is an asset to have a reliable and involved investor, who is committed to success, constantly seeking to improve and innovate business.

## 4.3 STORE CRITERIA

### 4.3.1 STORE PARAMETERS

#### Survey results

The location of the store within the center is almost equally important as the location of the Outlet Center itself. Similar to the results of the center location only important and very important grades were given, although the distribution is slightly different (64,5% very important and 29% important). In addition to the sole location of the store, the neighboring stores are also of importance. Having attractive brands as neighbors is important or very important to more than 77% of the tenants, while the remaining 16% respondents put an average importance on it. The distance to anchor tenants itself has some importance (3,79).



*Insert 17. Importance that the store criteria match the tenants' requirements (grading system: 5=very important, 1= not important. Environmental related factors are in green)*

Concerning the store itself it is important that the size (4,45) and the layout (4,28) match the requirements of the tenants.. Despite the simple and minimalist origin of outlet stores, it has become important to offer more than a no-frills environment. Tenants are keen on offering a pleasant ambiance (4,12) and an attractive point of sale (4,03).

It is also appreciated if the interior is flexible (3,93) and therefore can be adapted to the changing requirements and corporate design line.

The internal logistics of the store (supply and storage) do not seem to draw any special attention from tenants, as the importance is only a notch above average (3,31).

### Expert interviews

The experts made the same experience, as *“European tenants want right sized stores”* and Gerhard Graf states that *“stores in Europe must be high quality. Neither tenants nor customers accept a cheap appearance”*.

### Findings

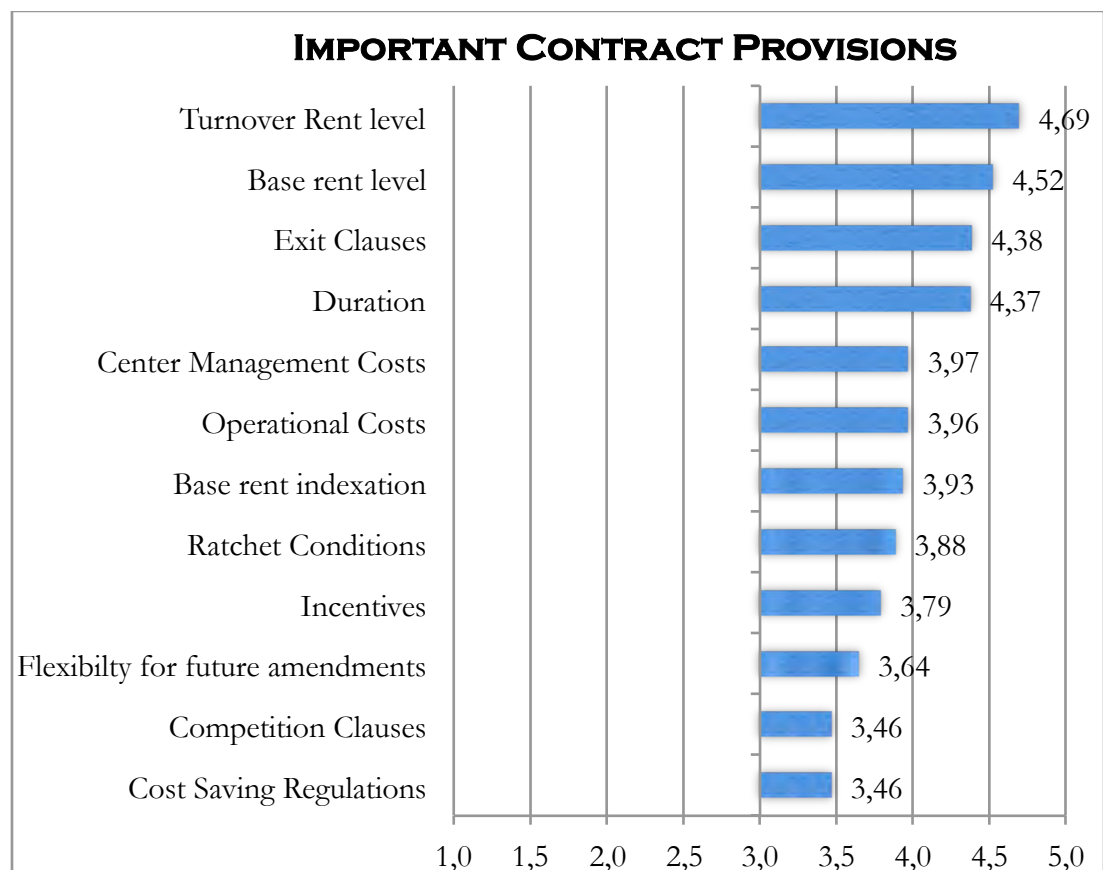
No detailed analysis conducted.

## 4.3.2 RENTAL CONTRACT

### 4.3.2.1 PROVISIONS

#### Survey results

The most important contract provisions in the rental agreement are, as expected, related to the rent level. The ratchet conditions (3,88) are not as important compared to the base (4,52) and turnover rent (4,69) level. The turnover rent level received a significantly higher grade than the base rent level. This indicates that most Outlet Center tenants expect to achieve store turnovers that will result paying turnover rent.



Insert 18. Important rental contract provisions from the tenants point of view (grading system: 5=very important, 1=not important).

**Exit clauses** and **contract duration** form the second group of important contract provisions with grades of 4,38 and 4,37.

**Cost saving regulations** were given the least importance compared to the other polled contract provisions. However it was graded with 3,46, which is above the average.

#### **Expert interviews**

It was not part of the interview.

#### **Findings**

**Exit clauses** are important for the successful operation of a center as the operator aims to optimize the performance. The operator may relocate the tenants store or cancel the contract of under performing tenants.

The usual **contract duration** has settled in the range of five to ten years, depending on country and tenant. In the UK rental contracts used to have a duration up to 25 years, but due to the accelerated general economical pace and active management of the tenant mix the durations dropped to ten years.

In the report “Environmental Performance - A Global Perspective on Commercial Real Estate”<sup>29</sup> **cost saving regulations** were mentioned as a possibility to motivate tenant and operator to behave as environmental friendly as it is financially reasonable. The question was therefore included in the survey to see if there is any interest from tenants in such a rental contract provision. For now they are not very common yet, which might depend on the difficulty to define a fair sharing provision for all possible events between investor, operator and tenant.

### **4.3.2.2 RENT LEVEL**

#### **Survey results**

The rent level has an importance of 4,47 as a decision criterion for tenants.

#### **Expert Interviews**

Gerhard Graf put it down as one of the key criteria.

#### **Findings**

Rent levels in average performing Outlet Centers are high in comparison to retail parks and very well performing centers achieve impressive numbers in turnover, sales density and rents.

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<sup>29</sup> Kok, Nils et al (2010): Environmental Performance - A Global Perspective on Commercial Real Estate. University of Maastricht and the European Centre for Corporate Engagement. Page 14

In an interview the chairman of Value Retail Scott Malkin indicated that Bicester Village achieved a sales density of 2.240 US\$/sqft (approximately 17.500 €/m<sup>2</sup>)<sup>30</sup>. In 2006 the same center achieved a turnover rent share of more than 41% of the total rental income, which is exceptional. Other well performing centers of various operators are in the range of 15% to 28%.

Most new Outlet Centers have initial base rents in the range of 20 to 40 €/m<sup>2</sup>, where the level is dependent on several circumstances. First of all the tenants' brand power and his negotiation strength are of fundamental influence. *"For certain anchor tenants we will give them a softer deal, but only if we see real potential in the ability of their brand to pull consumers from a wider catchment than our existing mix"*<sup>31</sup>. Attractive brands have the luxury to start with lower rents, but if they perform as expected they usually achieve higher turnover and consequently pay a higher rent.

If a center is well established and successful tenants pay monthly rental costs in the range of 60 to 80 €/m<sup>2</sup>, while some also break the 100 €/m<sup>2</sup> barrier (see chapter 5.7.2).

#### 4.3.2.3 INFLUENCES ON THE RENT LEVEL

##### Survey results

The highest influence on the rent level is the existing **brand mix** (average grade 4,38).

The **center management** has an important impact on the rent level with an average grade of 4,3.

Tenants see an average influence of 4,25 of the **center turnover** on the rent level.

**Country** and the served market (average grade of 4,18) are also influential on the rent level.

The marketing **positioning** of an Outlet Center was graded to 4,15.

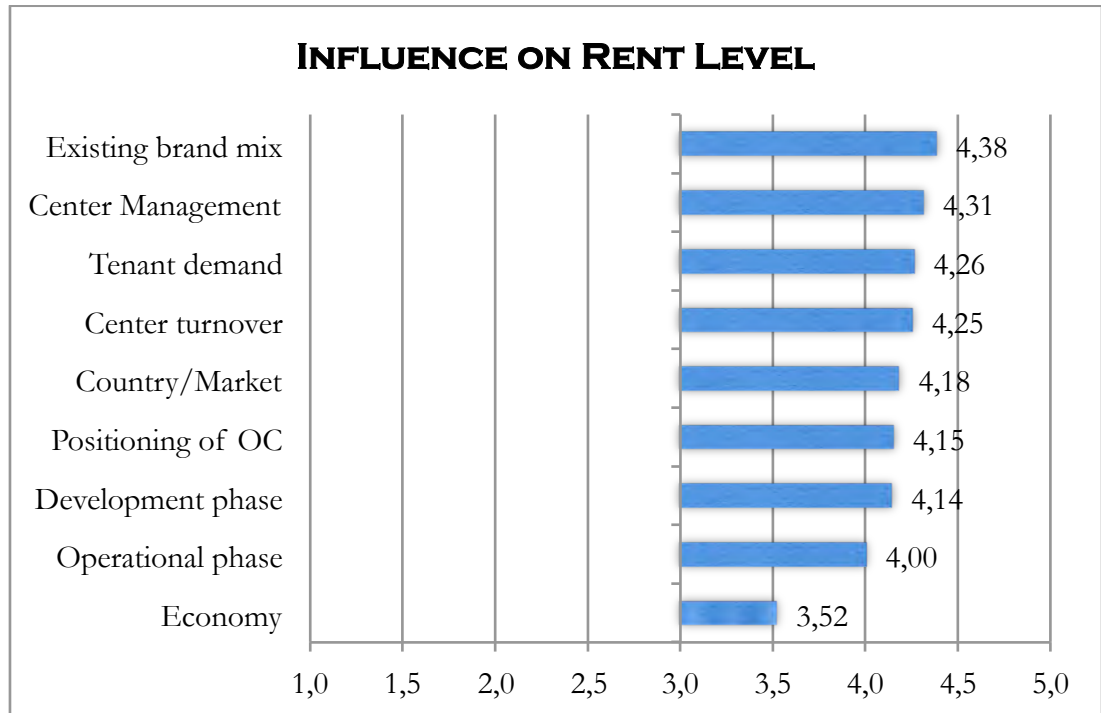
The current **phase** of the OC is not as important, as the development as well as the operational phase both score high grades of 4,14 and 4,00.

The state of the **economy** has the least influence on the rent level of all the polled factors. The average grade of 3,52 however shows that there is an influence, but not as strong as the others.

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<sup>30</sup> Women's Wear Daily (2012): Value Retail booms with Outlets. <http://www.valueretail.com/res/content/documents/C5742-Eprint.pdf>. Retrieved on 14.2.2012

<sup>31</sup> O'Reilley, Brendon (2006): An examination of operational management within the UK Factory Outlet Sector. Master thesis. University of Stirling. Page 44.



Insert 19. Overview of factors that influence the rent level (Grading system: 5=very high influence, 1=no influence)

### Findings

If there already is a strong **brand mix** in the center, the operator has a stronger negotiation position and can achieve higher rent levels.

Well-known and established **operators** have the advantage of a proven track record and established industry contacts. Tenants financially honor this assurance. Small or new operators have yet to prove themselves.

Once a center is performing well and the **tenant demand** increases, naturally the rent level will increase. Additionally the operator is able to cherry pick the new tenants bearing in mind the rent level and the brand strength.

**Center turnover** reflects the customer attraction, footfall, spent purchasing power and ultimately the success of an OC. The result of the survey confirms the assumption that well performing centers will be able to demand high rents while poorly performing centers will have to accept lower rent levels.

**Country** and **market** related factors such as economical strength (purchasing power, economic development), underdeveloped markets with a low OC density and stable countries have an increasing effect on rents. New Outlet Centers in Germany achieve higher rents due to all of the above-mentioned factors. Italian centers on the other hand will have to cope with the higher competition between the centers.

It is a difference if a center is **positioning** itself on the upper level scheme or as a middle/lower scheme. A Designer Outlet, which offers many quality brand names, will be able to obtain a higher rent level than a lower scheme such as a Off Price center.

The operational **phase** of an Outlet Center has a higher influence on the rent level than one in a development phase. The advantages that a successful operational phase boasts are also reflected in the other factors brand mix, tenant demand and center turnover.

#### **4.3.2.4 IMPACT OF ENERGY EFFICIENCY AND SUSTAINABILITY ON THE RENT LEVEL**

##### **Survey results**

Neither corporate social responsibility (2,72) nor energy efficiency (2,39) nor sustainability certification (2,36) are important decision criteria in the eyes of tenants.

##### **Expert interviews**

Gerhard Graf says that although tenants are interested in energy efficiency, they are not willing to pay a premium.

##### **Findings**

In several articles and reports the information is spread that green buildings achieve higher rental incomes. According to the study „Doing Well by Doing Good?“ by Nils Kok office tenants pay above six percent premium on the rent for building with a green rating<sup>32</sup>. Anne Aubree, BREEAM Europe manager, said, „*developers also see the (author: BREEAM Europe) scheme's value in helping to market new developments and attract tenants*“<sup>33</sup>. Sascha Kurzidem, Real I.S., stated that „*international tenants from USA or Europe are nowadays only prepared to rent certified buildings*“<sup>34</sup>.

In the survey neither energy efficiency nor certifications were considered to be important by the tenants. The expert interviews underlined this result, as tenants are only interested in energy efficiency if they have a direct financial benefit. Real estate certification increases neither the demand by tenants nor the rent level they are willing to pay.

Consequently, the above stated quotes, which referred to office and retail buildings, are not true for the Outlet Center industry. The newspaper Immobilien Zeitung published the results of the Shoppingcenter Performance Report 2011, which showed a similar result. Energy efficiency was the least important factor among 23 deciding factors for renting a store in a shopping center<sup>35</sup>. The difference between retail and office tenants is also underlined by the fact that for example in Germany primarily office buildings in the seven main cities are certified. In addition, the property owners themselves occupy more than half of these certified buildings<sup>36</sup>.

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<sup>32</sup> Nils Kok et al (2009): Doing well by Doing Good? Research paper, University of Maastricht. Page 4

<sup>33</sup> <http://www.icsc.org/government/breeam.php>. Retrieved on 9.11.2011

<sup>34</sup> [http://www.institutional-money.com/cms/magazin/uebersicht/artikel/immobilieninvestments-attraktive-immobilien-sind-gruen/?type=98&tx\\_ttnews\[backPid\]=88&cHash=1e9d013b62](http://www.institutional-money.com/cms/magazin/uebersicht/artikel/immobilieninvestments-attraktive-immobilien-sind-gruen/?type=98&tx_ttnews[backPid]=88&cHash=1e9d013b62). Retrieved on 13.2.2012

<sup>35</sup> Immobilien Zeitung (2011): Deutschlands beste und schlechteste Einkaufszentren. Ausgabe 45/2011. Page 13

<sup>36</sup> Deutsche Hypo (2012): Nachhaltigkeit in der Immobilienwirtschaft. Deutsche Hypo Market Analysis,

Investors and operators, who invest in energy efficiency and sustainability, may although have a competitive advantage as the price pressure on not certified and energy inefficiency centers increases.

#### **4.3.2.5 SUSTAINABILITY OF THE RENT LEVEL**

##### **Survey results**

During the credit crunch in 2008 and its wake Outlet Centers profited from consumer spending as most centers were able to increase their turnover while the total retail sales decreased. Despite this strong performance it is an important question if the current rent levels and the indexation system are in fact sustainable.

##### **Expert interviews**

The expert interviews drew the picture that tenants did not seize the opportunity of the credit crunch to renegotiate their terms, which was common in other retail formats such as shopping centers and retail parks. One explanation was that tenants were generally content with the performance in Outlet Centers. In underperforming centers some tenants may have used their negotiation power to improve their cost structure.

##### **Findings**

In Richard Jones master thesis two tenants were quoted. *“I don’t care what we pay as long as I can get the profitability I am looking for”* and *“We don’t mind paying high rents, as long as we’re making a return”*.<sup>37</sup>

Consequently the high rent level respectively the total costs are part of the industry, but once OCs can not perform according to the high expectations of all the stakeholders, it will probably be a different story. It might be advisable to integrate rent reduction provisions in the rental contract in order to increase adaptability and flexibility. In addition it might be wise to find a system that motivates tenants and investors alike.

#### **4.3.3 ADDITIONAL COSTS**

##### **Survey results**

Operational and center management costs (including marketing costs) are both valued as important contract provisions with average grades of 3,96 respectively 3,97. The operational costs (3,73), center management costs (3,50) and marketing costs (3,38) are perceived as rather high, while only the influence on the operation costs is average (2,97).

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Hanover. Page 30

<sup>37</sup> Jones, Richard O (2005): An Examination of tenant evolution within the UK Factory Outlet Channel. Master thesis, University of Stirling. Page 54





Insert 20. The tenants perceived cost level and influence on additional costs (Cost grading system: 5=very high costs, 1=very low costs. Influence grading system: 5=very high influence, 1=no influence)

### Expert interviews

James Kirby underlines that “they all look at total costs” and therefore do not separate too much between rental and additional costs.

### Findings

These costs are also perceived as the highest costs on top of the rent. At the same time the influence on center management and marketing costs is perceived as very low, which is natural as these costs depend on the operator and rental contract. Only few, powerful brands are able to negotiate exceptions, but investors and operators would prefer to compensate these brands with incentives.

The operational costs are highest additional costs, but the influence is also perceived to be the highest. Costs for HVAC-R are perceived to be lower than rental and center management costs, which explains the investment willingness.

Jones Lang LaSalle<sup>38</sup> states average monthly additional costs of 4,29 €/m<sup>2</sup> for the sample of 41 shopping centers. These costs include among others center management, electricity, heating, but exclude marketing.

Outlet Centers have in comparison higher additional costs. As an indication 10€/m<sup>2</sup> operational costs (including center management) plus 5€/m<sup>2</sup> marketing costs. These monthly costs are usually in the range of 12 to 18 €/m<sup>2</sup>, with exceptions up to 22 €/m<sup>2</sup>. This significant cost difference is due to the higher service level and intensive marketing. These extra efforts are necessary to position the center in the market and operate it professionally. In general these costs pays off.

The distribution of costs is not important to tenants, they are only interested in the total costs and what they get in return for it.

<sup>38</sup> Jones Lang LaSalle (2010): Retail OSCAR – 2010 Nebenkosten für Shopping Center 2010. Page 6

#### **4.3.4 INCENTIVES**

##### **Survey results**

In regard to important decision criteria to rent a store in an Outlet Center the respondents graded incentives with an average of 3,60. More than 30% graded it to be important or very important and there is a direct correlation to between the importance and the tenants' turnover.

As part of the rental contract incentives are of higher importance than as a decision criteria. It was graded on average with 3,79 and almost 35% found it to be important or very important. The correspondence between turnover and incentives is also stronger.

##### **Expert interviews**

Gerhard Graf stated that strong brands negotiate for capital contributions.

##### **Findings**

The higher the turnover the more important it is to receive incentives. This corresponds well with the assumption that strong brands are courted and highly valued among investors and operators.

Incentives are an integral part of the Outlet Center industry, but they do not have the same importance as the location of the center or the rental costs. However strong brands use their negotiation power to receive incentives in order to facilitate the decision to rent a store.

## 4.4 OPERATIONAL CRITERIA

### 4.4.1 PRODUCTS

#### Survey results

Just like the location of an Outlet Center is the most important decision criteria for tenants, products are the most important investment for consumers. After all, the product is the commercial mainstay for tenants and it is reflected by the highest average grade of 4,53. **Conscious choice** products are the least interesting investments with an average of 2,52.

**Specific product choice**, such as for over 65 year olds, are right on average with 3,00.

The product management has only an average importance (3,11) when tenants decide to rent a store in an Outlet Center.

#### Expert interviews

Also Gerhard Graf, CEO of ROS Management, underlined the importance of this consumer group for tenants and operators in regard to brand mix and marketing strategy.



Insert 21. Importance of investments for customers in order to make an Outlet Center successful (Grading system: 5=very important, 1=not important. Environmentally related factors are in green)

## Findings

While offering desirable products to consumers is paramount, **conscious choice** and fair trade products are not. It appears that tenants have made the experience or assume that consumers are not willing to pay more for a more conscious choice product. *“The most popular reason for purchasing a T-shirt was its brand name (31,6%). Value for price and quality were a close second and third with 23,5% and 23,0% of respondents citing these reasons, respectively”*<sup>39</sup>. The site Eco Fashion World provides information on eco and socially responsible fashion and the brand list<sup>40</sup> does not contain any regular European OC tenants.

Barclays Corporate ranked the focus on the older consumer as a top ten trend in their report<sup>41</sup> and the British Council of Shopping Centers<sup>42</sup> see them as an opportunity, but the survey results do not reflect it.

## 4.4.2 PRICING

### Survey results

Tenants value an appealing price (4,00) higher than offering a substantial discount (3,72).

Higher influence on product pricing received a below average grade of 2,93.

### Expert interviews

It was not part of the interviews.

## Findings

The US consumer organization Consumer Reports ([www.consumerreports.org](http://www.consumerreports.org)) conducted a survey between April 2009 and June 2010 on outlet shopping and *„the results show that some outlets offer serious bargains on well-made merchandise...“*. This clear price proposition is one of the characteristics of OC and it is well received, as *“60 percent of the surveyed readers were completely or very satisfied with their experience...”*<sup>43</sup>. The VRN data shows that US American Outlet Centers offer an average discount of 38%.

All these statements are for the US American market, but it shows that tenants and operators are keen on keeping the market positioning as clear as possible. Experts share this insight for the European market. The consumer perception of buying good value for the money is more important than pure bargain hunting. The constant and reliable value proposition is key in attracting customers to Outlet Centers in the long run.

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<sup>39</sup> Wright, Richard (1999): Brand Consciousness, Illinois Wesleyan University, page

<sup>40</sup> <http://www.ecofashionworld.com/Brands-/listA.html>. Retrieved on 13.2.2012

<sup>41</sup> Barclays Corporate (2011): Current trends and future opportunities for the UK Clothing Industry, London, page 15

<sup>42</sup> British Council of Shopping Centres (2006): The future of Retail Property- Consumers over 55: Silver Shoppers Provide a Golden Opportunity. London

<sup>43</sup> Value Retail News (2011): Consumer Reports on outlets: definitely worth the trip. Page 11

### 4.4.3 EXTERNAL LOGISTICS

#### Survey results

External logistics and supply seem to be of no significant importance with the absolutely lowest grade of 1,84.

#### Expert interviews

It was not part of the interviews.

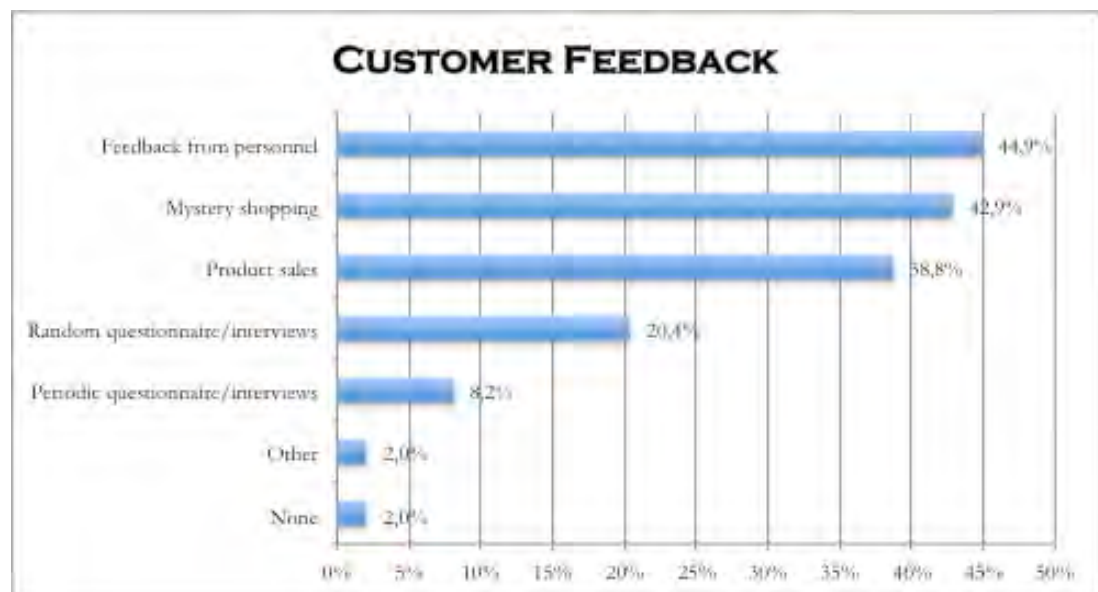
#### Findings

Tenants have their supply chain under control and currently it is not an important topic as transport costs are low. Once transport costs rise (fuel costs, taxes or tolls) to a certain level it will change the view on the supply chain. First signs could be that several American and European companies reduce their outsourced sites in China and shift focus to their home markets<sup>44</sup>. Although these companies are not involved in the Outlet Center industry, it may be just a matter of time until OC manufacturers change their production planning and logistics.

### 4.4.4 MARKETING

#### Survey results

Tenants are very keen on their brand image and in the survey it was graded as almost equally important as products (4,52).



Insert 22. Survey results on how tenants collect customer feedback, multiple answers were allowed (source: own survey).

<sup>44</sup> <http://www.manager-magazin.de/politik/weltwirtschaft/0,2828,807918,00.html> Retrieved on 17.1.2012

In addition to the data collected by center management, tenants collect feedback from their customers in multiple ways. The most common approach is to seize the insight of the own employees (44,9%), use mystery shopping (42,9%) and exploit the data on the sold products. Random questionnaires are used by 20,4% of the tenants, while a periodic scheme is only used by 8,2% of the tenants.

#### **Expert interviews**

It was not part of the interviews.

#### **Findings**

This brand conscious thinking is also reflected in the Boston Consulting Group report “The Business of Sustainability”, where approximately 35% answered that the improved image is the main benefit of sustainability<sup>45</sup>.

Measures are much more interesting if they can be marketed to customers. It is all geared towards the consumer perception and creating a believable blend of attraction and environmental performance.

The collective pulling power is made up by the strength of the represented brands in an OC. The higher the collective pulling power is, the more customers are attracted and a higher turnover is achieved. The tenants are therefore very interested in strengthening their brand.

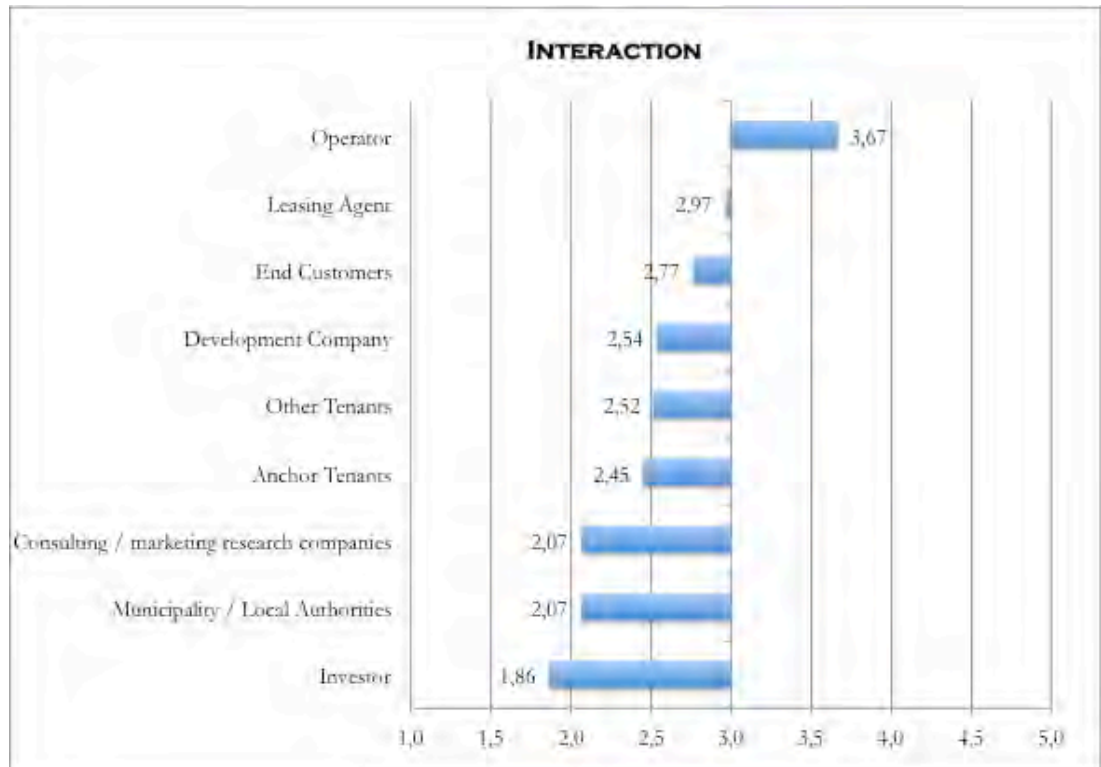
### **4.4.5 INTERACTION**

#### **Survey results**

Tenants interact only with few parties during the development and operation of an OC. The following insert shows the clear tendency that the operator is the main contact for tenants. The leasing agent is placed second with an average interaction. Tenants seem to poll end-customers as they are ranked third place. It is not surprising that tenants have almost no interaction with the investor and local authorities, as they are not of direct importance. At first sight it seems that tenants do not seize the services of consulting and market research companies. However 12,1% have high interaction with consulting companies. Companies with medium and very high turnover use the services.

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<sup>45</sup> Boston Consulting Group (2009): The Business of Sustainability. Boston. Page 11



*Insert 23. Intensity of the interaction between tenants and other entities (Grading system: 5=very intensive interaction, 1=no interaction)*

### **Expert interviews**

It was not part of the interviews.

### **Findings**

No detailed analysis conducted.

## **4.5 SUSTAINABILITY CRITERIA**

Outlet Centers are per definition almost unsustainable. They are located out of town, inducing a massive amount of individual car traffic, which produces emissions and wears down the road. They take up large land areas and most areas are sealed, as most parking are concrete or tarmac ground parking. So the starting point is not ideal, but since Outlet Centers are successful in the market, the more important issue is how to create a sustainable Outlet Center.

### **4.5.1 SUSTAINABILITY OF THE BUSINESS MODEL**

In order to better assess the sustainability of the Outlet Center business model the treats the following issues

- Turnover potential
- Products
- Consumer behavior
- Format threat

#### **4.5.1.1 TURNOVER POTENTIAL**

##### **Survey results**

Tenants see demographics of the catchment area as important (3,97) and do also factor in the future development to a certain degree (3,50).

##### **Expert interviews**

It was not part of the interviews.

##### **Findings**

The turnover potential of Outlet Centers must remain high in order to catch tenants interest. The turnover potential is depending on the catchment area and its demographic, economical and infrastructural development. In order to seize the full potential of the catchment area and touristic potential the Outlet Center offer has attract customers by having a strong collective pulling power and communicating this fact to them.



#### 4.5.1.2 PRODUCTS – SUPPLY AND THREAT

##### Survey results

It was not part of the survey.

##### Expert interviews

According to Gerhard Graf is “...stock availability is not an issue anymore. They (author: tenants) can “plan” overstock” as they “... have learned the outlet business which means that they have adjusted their production lines”.

##### Findings

Currently OCs are known to provide great value for money. Attractive brands at great prices are a special offering that completes the customers hybrid purchasing.

Made-for-outlet products have the danger of undermining the consumers shopping experience by giving the feeling of less attractive brand products and thereby endanger the sustainability of the brand products attraction. According to the findings of another master thesis<sup>46</sup>, these products “*enhance the point of difference*”, but also that “*the true focus of outlets will always be to clear residual full price stocks*”. The importance of made-for-outlet goods (mfo) to increase the OC product range depends on the brand. While Nike aims for a low share, Bloomingdales has 80% of mfo<sup>47</sup>.

“Retailers can't depend on leftovers, returns, and seconds to stock the outlets, so goods are being made specifically for sale in this distribution channel.”<sup>48</sup>. Customers expect an appealing product range in Outlet Centers, because if the product supply should suffer the strong sales performance of Outlet Centers is in dangers. Consequently it makes sense to complete the product range with mfo.

If the share of specifically produced merchandise for Outlet Centers is thinning out the brand product line and customer have the impression of a vapid product line, the business model will probably have run its course. In case the customers do not find the brand promise, an acceptable assortment at attractive prices, Outlet Centers will quickly lose their pulling power. The onset of a deteriorating product line would degrade it to an Off Price Center and also involve it in the competition with discounters such as TK Maxx.

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<sup>46</sup> Lovell, Nicolette (2007): Is ‘made for outlet’ product undermining the point of difference for the UK Factory Outlet Channel?. Master Thesis. University of Stirling. Page 56

<sup>47</sup> Humphries, Linda (2011): Outlet program showcases ideas. Value Retail News December 2011. Page 38 and 41

<sup>48</sup> <http://www.consumerreports.org/cro/magazine-archive/2011/november/shopping/outlet-stores/outlet-malls-then-and-now/index.htm> . Retrieved on 12.02.2012

#### **4.5.1.3 CONSUMER BEHAVIOR**

##### **Survey results**

It was not part of the survey.

##### **Expert interviews**

It was not part of the interviews.

##### **Findings**

Consumer behavior is a special research field on its own. There are many models on categorizing and modeling consumer behavior, but it is hard to pin down something definite. There is a study, which segments consumers into six different categories<sup>49</sup>. Two of these categories (sophisticated fashion consumers and fun oriented consumers) combine for 41% of all consumers and are characterized by their fashion interest and willingness to spend money on fashion.

In Chapter 4.4.2 Pricing the value proposition of Outlet Centers was defined as key in their market positioning. This clear positioning must be maintained to attract customers in the long run and offset the sales promotions in shopping centers and highstreet stores, which have become more frequent and substantial. Outlet Center customers want and demand

- Good value for money
- Attractive price (difference)
- Bargain

At least customers must have the perception of good value for money and the notion that the price advantage is offered reliably.

Operators and tenants have to feel the pulse of consumers in order to be able to offer the package they demand. This is of course quite a challenge in such a fast paced world.

#### **4.5.1.4 FORMAT THREAT**

##### **Survey results**

It was not part of the survey.

##### **Expert interviews**

It was not part of the interview.

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<sup>49</sup> Lausberg, Isabel (2002): Kundenpräferenzen für neue Angebotsformen im Einzelhandel – Eine Analyse am Beispiel von Factory Outlet Centern. Dissertation, Universität Essen. Page 260

## **Findings**

The European Outlet Centers have been very clean cut until now, although centers have evolved from being a complementary sales channel to an interesting profit center for brand manufacturers.

In order to improve the competitive advantage, increase the customer attraction or profit from the generated footfall, OC may be expanded with other retail and leisure areas.

The strong and increasing footfall of the Outlet Center in Serravalle was seized to build an adjacent retail park with full price tenants. In Cheshire Oaks even more areas and facilities were added. These are two examples of additional retail and leisure structures in the vicinity of the OC.

As long as the share of complementing areas does not take the upper hand and the distinction to the OC is clear, it adds to the attraction and increases the time consumers spend at the center. It becomes a threat when the format is mixed or trades down. This means it would develop into a Value Center (mixing) or an Off Price Center (trading down).

## **Hybrid**

In Syracuse, New York, the existing Carousel Center shopping center is complemented with a 79.000 m<sup>2</sup> expansion, which will have luxury outlet, off price retail and entertainment areas. The center will be rebranded to Destiny USA and strengthen its market position as a huge shopping destination. This kind of centers are common in the USA, but has not yet gained ground in Europe.

For some shopping centers it is an option to extend their sales area with outlet space<sup>50</sup> or to substitute some tenants with outlet tenants to complement the tenant mix. Until now this format has not gained enough momentum in Europe to be considered a threat for Outlet Centers.

## **Competition**

Freeport Scotland was operating well until McArthur Glen entered the market with a larger center with higher quality brand mix. Within four years Freeport lost 30 of its 36 store tenants, whereof some switched to McArthur Glen<sup>51</sup>. The center was eventually squeezed out of the market.

In the future there will probably be tough competition between Outlet Centers in several regions. One of these regions will be Copenhagen where the operating Premier Outlet Ringsted will face competition from Copenhagen Designer Outlet.

The economic potential of Outlet Centers attracts investors to develop more centers than the market can absorb, which leads to competition and usually natural selection in the end. Outlet Centers as a retail format are already exposed to tough competition with other retail segments (discounters, online) and question is if it is advisable to continue on the path of survival of the fittest or if it is the path to the tragedy of the commons.

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<sup>50</sup> <http://www.scs.at/W/do/centre/geschichte>. Retrieved on 12.02.2012

<sup>51</sup> Property Week (2005): Scotland's forgotten village. <http://www.propertyweek.com/news/scotlands-forgotten-village/3039839.article> Retrieved on 20.11.2011

## **4.5.2 CONSTRUCTION**

### **Survey results**

It was not part of the survey.

### **Expert interviews**

It was not part of the interviews.

### **Findings**

Achieving a very high cost efficiency and tailoring to the specific requirements of tenants heavily drive the construction of Outlet Center. It goes without saying the all buildings, especially commercial ones, are aiming to optimize the construction costs, but retail parks and OC are reduced to the maximum.

Project developers and initial investors have a different point of view on the construction costs than end-investors and operators. While the former target low short-term costs and a good profit when the center is sold. The top three operators are also taking on the role of project developer and end-investor, either directly (Value Retail) or indirectly (McArthurGlen, Neinver). This fact shifts the focus from a short-term to a long-term investment, where higher construction costs can be offset by lower operating and maintenance costs over the whole life cycle.

The construction costs range from 1.000 to 2.000 €/m<sup>2</sup> depending on quality, extensiveness and region. At the lower end are simple constructions in Eastern Europe while the higher end are more advanced constructions including among others better quality, insulation and certification.

The life cycle costs and embodied energy of materials are usually not taken into account. For example earth is a great construction material, as it offers many advantages for slightly higher initial construction costs. Earth improves the indoor climate by regulating humidity, cleaning the air, lower the radiation and dampens the sound level. The material is ubiquitous available, requires little processing energy and is easy to recycle.

Most construction methods optimize the initial construction costs, but at the price of higher costs during operation, re-use and demolition. Probably the most effective triggers to improve the environmental performance of commercial real estate is the increasing demand for sustainability certifications by end-investors and legal regulations by authorities.

## **4.5.3 HVACR**

### **Survey results**

Tenants are not keen on energy efficiency per se. In the questionnaire the participants gave an average grade of 2,39 and sustainability certifications scored even lower with 2,36.



*Insert 24. Survey results of the influence strength of certain factors on tenants' willingness to invest in energy-efficient systems and sustainability (Grading system: 5=very high influence, 1=no influence)*

If a certification and energy efficient systems deliver lower total costs, tenants are all ears (4,22). If the costs remain the same, the influence drops sharply to 3,39. This insight also offsets the investors' idea that the lower operational costs can be compensated by a higher rent. The fact that a certain cost-benefit ratio (3,81) reached the second highest average grade, indicates that tenants are not willing to experiment and prefer certain performance.

If customers would notice the difference (3,58) between a sustainable and an unsustainable center or tenants could market it (3,52) it would have a positive influence on tenants investment willingness. Probably it is also understood between the lines that customer do not only notice the difference, but also honour it financially by spending more. In case tenants could use sustainability and energy efficiency for marketing and it had a strong leverage among customers, it would also spur tenants interest.

### Expert interviews

It was not part of the interviews.

### Findings

It is hard to come by any detailed information on heating, ventilation, air condition and refrigeration installations in Outlet Center. All centers will have to comply to the legal building laws and requirements of the applicable country, but these differ quite a bit between all European countries. The certification systems BREEAM and LEED have a strong focus on HVACR as it is one of the largest operating costs and score it accordingly. These certification systems are adapted quicker to the technical advancements than the countries or EUs building laws and are therefore a useful tool to improve Outlet Centers energy

performance.

In order to have an indication on Outlet Centers energy consumption only McArthur Glen has published some absolute numbers in their sustainability report, while Neinver only states relative numbers. Their centers have very different energy use intensities ranging from 31 to 574 kWh/m<sup>2</sup> per year<sup>52</sup>. This difference was not laid out in detail in the report, but the center with the highest value had its renovation in 1999. The share of HVACR was also not specified.

On the topic of what might motivate tenants to invest in sustainability and energy efficiency the poll results were very clear. The results can be divided into cost and marketing related factors. The findings of the Boston Consulting Group take the same line as their poll resulted in 35% of the respondents state that image is the most important benefit of sustainability. Cost savings are a distant second.

The results imply that there are two paths to spur tenants motivation to invest in energy efficient solutions. One is by decreasing the total costs, hence to provide a direct financial advantage to tenants. The other one is related to marketing. If tenants could market the use of energy efficient systems noticeably to customers, there is a higher willingness to invest in it.

#### **4.5.4 RE-USE OF OUTLET CENTER**

##### **Survey results**

It was not part of the survey.

##### **Expert interviews**

It was not part of the interview.

##### **Findings**

Outlet Center can reach the end of their economical life either by not performing economically or by not fulfilling new operational requirements (e.g. too limited space). Both cases present inconvenient challenges, as Outlet Centers are a specialized retail format with a very specific building structure. Retail Parks and Outlet Centers are tailored to fit their specific use, but once it has to be re-used it becomes apparent how difficult it is to re-use it. This narrow specification limits the flexibility for using the building for other purposes. The village and strip types are usually more challenging to re-use than malls as they are even more tailored to the use.

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<sup>52</sup> McArthur Glen (2010): Greenprint Performance Report, Page 9.

It is rather normal that factory buildings or shopping center are converted to Outlet Center, but not the other way round. The “*conversion of Outlet Center as urban sprawl swallows the center*”<sup>53</sup> might become an issue for centers in urban districts and periphery. There are several Outlet Centers, which have been closed after a few years of operation, but only a few of them have been re-used successfully. Here are three interesting examples

In Greater Stockholm Area the Outlet Centers “Arlandastad Outlet Village” and “Festival Park Södertälje” had to be closed, because they did not perform economically. Both centers were sold to new investors.

The truck manufacturer Scania bought the **Festival Park Södertälje**, because it was located strategically adjacent to the companies headquarter according to Gunnar Boman of Scania Corporate Relations. After owning the land for more than two years the company opted to create a medical center and restaurants for its employees as well as



Insert 25. View on the entrance of the re-used Outlet Center "Festival Park Södertälje" (source: <http://www.panoramio.com/photo/47363497>. Retrieved on 28.12.2011)

additional office space. Despite relatively high reconstruction costs the decision was made to keep the existing building structure intact and adapt it for the new purpose. The overall costs for the reconstruction were lower than the costs of a new construction.

Gelba Fastigheter AB was already in charge for the operation and rent management when it bought **Arlandastad Outlet Village** from its original developer. The purchase price had a mark down of approximately 90% of the initial Outlet Center investment. The new owner, who also owns, develops and operates the adjacent retail structures and land, decided to implement a completely different kind of operation. Although the remaining tenants were not forced out, the new concept “Motortown” is geared toward an one stop shop for car owners. The Motortown was reconstructed step by step according to specifications and demand of tenants, which limited the financial risk and interest costs.

Today there are tenants such as the governmentally owned car auditing company (although two thirds of the station network will be sold in 2012), long-term parking service, and several used car dealers, tuners, training companies, a brewery and a children crèche. According to the Chief Financial Officer Sten Hildemar the company is valued almost three times higher than their total investment costs. At the same time it is approximately a fourth of the original investment costs for the Outlet Center.

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<sup>53</sup> Sobermann, David et al (2004): A Survey of Outlet Mall Retailing: Past, Present, and Future, INSEAD, Paris, page 17

**Foxtown Factory Stores** in Rümlang, Switzerland did not prosper as the other Foxtown locations and was consequently converted into Riedmatt Shopping Center. However this center is a special case as it was originally built as a shopping and office center in 1960ies and refurbished and extended later on. After its short stint as an Outlet Center it was simply converted back to a mixed-use building. It has to be noted that the center is still struggling economically today.

In 2008 the **Outlet Center Leoville** (south of Vienna, Austria) was closed after three years of unsuccessful operation. The owning banking institution analyzed the possibility of a relaunch and potential re-uses, but did not opt for any option. In 2011 a private investor, who wants to create a lifestyle center, purchased it. According to plans it will be opened in 2012 under the brand „Bloomfield“. Sixty stores with a total sales area of 14.000 m<sup>2</sup> are planned. In addition to classical Outlet Center tenants there are plans to offer recreational, wellness and medical services as well as integrating local craftsmen. The concept can be considered as interesting as lifestyle centers are an upcoming trend. However it should be noted that general problems of the center (location, visibility, accessibility) have not been resolved yet. The location will be exposed to even more competition from surrounding retail parks and shopping centers.

None of the found re-uses performs economically as well as the initially planned Outlet Center. The re-use is therefore always combined with a large financial loss for the primary investor. All of the found re-uses of Outlet Centers have to find unique solutions for a suitable use due to the location and building style.

#### **4.5.5 LIFE CYCLE COSTS**

##### **Survey results**

It was not part of the survey.

##### **Expert interviews**

It was not part of the interviews.

##### **Findings**

Although life cycle costs and embodied energy are useful concepts, neither is yet an issue for any Outlet Center stakeholder. Currently there is no stimulus to apply them and the available models are not yet mature for an easy implementation.

Some topics of the LCC and embodied energy are partially contained in sustainability certifications, but there is still a long way to go before it will become fully applied. These topics will be probably pushed by either end investors who try to improve the sustainability or by authorities that impose legal restraints in order to achieve cost reflectiveness.



## **4.5.6 HEALTHY ATMOSPHERE**

### **Survey results**

The survey resulted in an average grade of 2,56. It is well below average and was second last of the polled important investments for customers.

### **Expert interviews**

It was not part of the interviews.

### **Findings**

Shopping is an emotional and cognitive process, which starts from the outside of the shopping center and goes all the way to the moment the customer, feels the product. In this moment all senses are active and influence the decision to buy or not to buy. Smells, sounds, visual impression (light, colors), atmosphere and feng shui are normally neglected in Outlet Centers.

Changi Singapore Airport has several gardens and ponds where its passengers can rest and find peace. These peaceful spots are a positive experience, which has according to shopping center operators two effects: customers spend more time in the center and footfall is increasing sustainably.

All the mentioned atmospheric influences contribute to a healthy atmosphere and the well being of customers and employees. The impact of these influences is currently hard to measure and quantify, which makes the implementation by tenants improbable. In the future two developments could increase the interest in a healthy shopping atmosphere. Firstly, the measurability of the effects is improved and can be put into the context. Secondly, the increasing competition between all retail formats may require OCs to distinguish themselves. One way to achieve such a competitive advantage could be the creation of a healthy atmosphere, because when customers feel comfortable they are more likely to stay longer and come back.

## **4.5.7 MACRO ECONOMIC DEVELOPMENT**

### **Survey results**

It was not part of the survey.

### **Expert interviews**

It was not part of the interviews.

## Findings

After the credit crunch in 2008 and its wake, economy was coming back again. But as many critics warned, no lessons were learnt or at least no consequences were drawn from it. So in 2011 the consequences of the unsustainable economical system start to cast a shadow on the coming years. Restructuring and economical challenges are omnipresent for countries and companies and from today's point of view it is hard to tell what will develop during the next years. The political and financial power is shifting from USA, EU and Japan to either Asia, especially China, or a more balanced and shared worldwide distribution.

The economical change will probably affect customers' mobility as well. The decreasing purchasing power is strengthening more economical traffic modes, but mobility has always been important and will remain it.

The demographics are changing as life expectancy is increasing and the fertility is decreasing. The golden generation (over 55 year olds) has had the privilege to enjoy a steady life and receive a pension. They probably form the group with the highest purchasing power, which means that their demands have to be taken into account.

## 4.6 TRENDS

All the polled trends for the Outlet Center industry obtained probabilities around average and the difference between the highest and lowest trend is just above one grade.

### 4.6.1 IMPROVEMENTS

#### Survey results

**Public transportation** is the second most probable trend according to the tenants (3,65). The increased focus of public transportation is important to establish multimodal accessibility for customers. It is important to diversify in order to counterbalance any changes in the mobility pattern and stabilize customer flows.

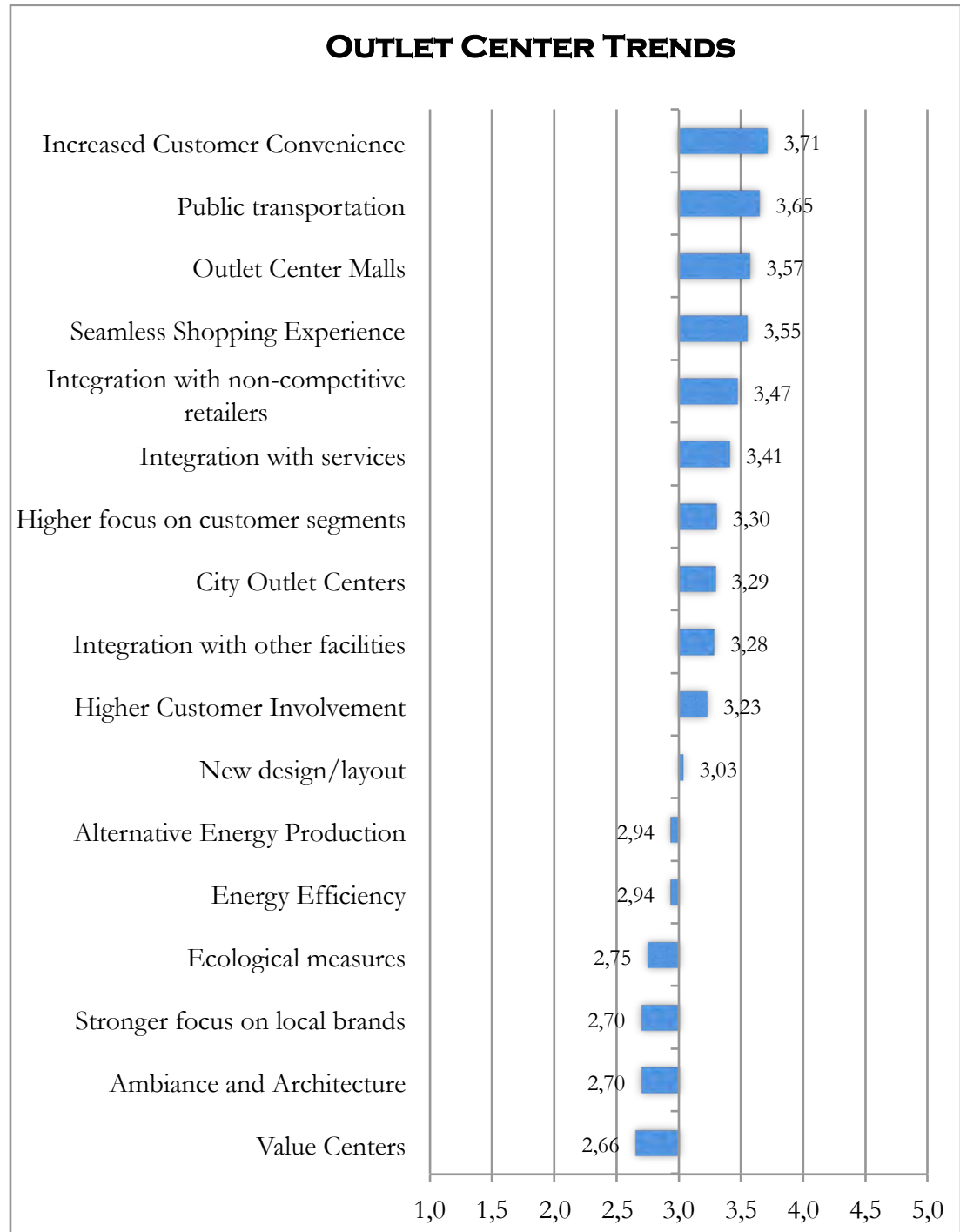
Although **customer involvement** can be seen as a slight trend (3,23) for the future, tenants do not consider it to really be a valuable investment (2,75) for customers. This division might arise from the cost awareness or a low expectation of added value or the limited possibilities to do so in a modern Outlet Center.

#### Expert interviews

It was not part of the interviews.

## Findings

Tenants are dependent on their customers to sell their products. Hence it is only natural from the tenants' point of view to focus on the needs of the customer. Complimentary to their products they want to create a shopping experience for the customers. This shopping experience shall be as pleasant and convenient as possible. For example McArthur Glen offers home delivery.



Insert 26. Results of the polled Outlet Center trends anticipated by the tenants (grading: 5= certain, 1=unlikely)

## 4.6.2 TYPES AND FORMATS

### Survey results

Currently the Village type of OCs is the most popular style, just edging Outlet Center malls, while Strip malls have a negligible market presence.

There are few **City Outlet Centers** and it appears to stay this way as it obtained 3,29 on the probability scale. The planned project in Kolding, Denmark is one of few, while Wembley, UK is not strictly located in the city center. Due to the urban location neither will be a pure outlet, because building regulations foresee mixed use. Mixed-use centers have often been fated to spur conflicts of interest between the various users.

**Value Centers** obtained the lowest probability as a future trend with an average grade of 2,66. While this retail format has a considerable success in North America, it seems that it will not gain ground in Europe during the next couple of years. One reason for the low probability could be the fact that the market penetration in Europe has been unnoticeable so far and the format has not spurred too much interest until now.

**New design** or layout schemes were graded close to average with 3,03. The existing designs seem to be satisfactorily and well received by customers.

The **integration of non-competitive retailers** and **services** has been weighted to a probability of 3,47 respectively of 3,41.

**Architecture and ambiance** (e.g. creating a landmark) obtained a mere average of 2,70.

### Expert interviews

Gerhard Graf expects *“a smaller format, which will avoid the name outlet, but will act on similar rules”* to spread on the market. This format does not have such stringent planning regulation and has been established successfully in several sites, among them Ochtrum Park in Bremen. This trend might be a modification to the stricter planning regulations in Germany, because most of the time sales area size matters for a wide brand range and a strong collective pulling power.

Gerhard Graf underlines the trend of integrating non-competitive retailers and services by pointing out that *“...full price very often seeks the vicinity of an Outlet some years after the opening”*.

### Findings

Once an Outlet Center has achieved a certain footfall level, the location becomes attractive for other commercial uses. Cheshire Oaks and Serravalle are very good examples of this kind of development since there full price retailers, leisure and entertainment facilities have been established next to the OC.

Barkarby Handelsplats in Northern Stockholm was initiated with the opening of the second IKEA in Stockholm in the year 1993. In its wake other retailers started to establish in the same area. In 2000 the Stockholm Quality Outlet, which is owned by the IKEA group, opened business and profited from the already established business area.

Service companies have also discovered to the potential. More and more services are added in and around Outlet Centers offering diverse services such as transportation, home deliveries, children creche, and also hairdressers. Package deals (e.g. hotel, spa and shopping vouchers) are becoming more common and demanded.

Schmitz and Brett indicate that *“shopping center types are becoming less distinct as tenants typically found in regional malls venture into other center formats, and vice versa. Furthermore, hybrid formats targeting specific market segments are emerging”*<sup>54</sup>. The survey however showed that OC tenants do not anticipate that hybrid centers such as value centers will be a strong future trend. Enclosed malls and city centers seem to be more probable trends, as customer convenience is increased.

Although **ambiance and architecture** received a sub average grade and it might not become a general trend in the industry, there are some exceptions. London Designer Outlet is part of a city redevelopment and seizes the opportunity to use the urban environment to create a noticeable building.



Insert 27. Architects impression of the London Designer Outlet (source: <http://www.london-designer-outlet.com/gallery/pictures/> Retrieved on 01.02.2012)

#### 4.6.3 ENVIRONMENTAL PERFORMANCE AND SUSTAINABILITY

##### Survey results

**Alternative energy production** and **energy efficiency** measures had both the same below average grade of 2,94.

Other **ecological measures** such as reducing water consumption are at an even lower average of 2,75. Although tenants do not exclude that they will become more common, the grading certainly makes the impression that it is not their job.

##### Expert interviews

It was not part of the interviews.

##### Findings

Considering that building laws in the European Union are becoming more stringent and demand the use of energy efficient systems, there might be little interest in investing more than necessary.

McArthur Glen La Reggia has a solar plant of 10.000 m<sup>2</sup> and a projected annual electricity production of 390.000 kWh, which equals approximately 30% of the centers consumption. Currently there are no other

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<sup>54</sup> Schmitz, Adrienne et al (2004): Real Estate Market Analysis: A Case Study Approach. Urban Land Institute

centers known to the author, which have their own alternative energy production. The region of Tuscany has a regulation that all new retail structures have to produce 25% of their estimated future power consumption, so in case a third center will be built in Tuscany, it will probably have a solar power installation. In countries with lower solar radiation geothermal energy might be an option.

McArthur Glen as the leading European operator has integrated sustainability in their business. They, as well as other Outlet Center related companies (e.g. Henderson Global Investors; Hermes Real Estate) are members in the Greenprint Foundation <sup>55</sup>.

#### 4.6.4 ETAILING

##### Survey results

**Seamless shopping experience** will probably be one of the more probable trends in the Outlet Center industry with an average of 3,55. However the investment for it obtained an average grade of 3,06.

##### Expert interviews

James Kirby confirmed that *“if you can compete in both genres (author: bricks and clicks), you can create a competitive advantage”*.

##### Findings

One of the current topics in retail is e-commerce or e-tailing and it is also the fastest growing segment of the retail market. Since the IT-boom in the late nineties technology has had a massive influence on the retail industry. New competitors such as Amazon.com focused on Internet sales directly to consumers and used streamlined logistics to keep costs at a minimum. A few competitors were able to establish themselves and take a share of the turnover. Established retail companies implemented the new technology slower, but caught up by offering online shopping and modernized logistics.

However, in order to put get a feeling for its importance, it is interesting to know that in 2007 only four EU-countries had a online retail sales share higher than 2%. UK is the leading country with close to 5%, also ahead of USA with approximately 2,7%.

Despite this trend, the majority of retail sales is still in regular brick and mortar stores. *“Shopping is the second most important leisure activity in North America, and although watching television is indisputably first, much of its programming actually promotes shopping...”*<sup>56</sup>

Younger generations, so called digital natives, are accustomed to new technologies and are becoming more and more of a commercial factor, so there will be a certain percentage of retail sales that will shift towards etailing, but since shopping involves much more than just purchasing necessities, brick and mortar stores will remain important.

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<sup>55</sup> McArthurGlen Group (2010): Greenprint Performance Report. Volume 2 2010. <http://www.mcarthurglen.com/sustainability.htm> retrieved on 28.01.2012

<sup>56</sup> Goss, Jon (1993): The „Magic of the Mall“: An Analysis of Form, Function, and Meaning in the Contemporary Retail Built Environment, Annals of the Association of American Geographers 83(1), page 18

Online outlet stores are developing as a new retail format and into a new competitor. These online stores are either a special section of a online store specialist (e.g. Amazon) or an outlet online store with direct sales (<http://www.overstock.com/>) or with a partner like eBay (<http://onlineoutletcenter.com/>). More and more brands have their own online stores complementing the regular retailer sales channels. Some of these brands have added an outlet section like Desigual.

## 4.7 OUTLET CENTERS' FINANCIAL PERFORMANCE

### 4.7.1 RENTAL INCOME COMPARISON

The annual FOC Performance Report by ecostra and CBRE publish a ranking based on tenants grading of comparative sales satisfaction. The true numbers on center turnover, sales density and rental income are unfortunately not published, but some numbers are available. These numbers are put together in order to create an estimation of the economical performance of Outlet Centers. The numbers are from companies' divulged information (e.g. fund performance), credit report companies (e.g. Dun&Bradstreet) and authorities (e.g. Firmencompass).

Center	Operator	2002	2003	2004	2005	2006	2007	2008	2009	2010	m2	Rental Income
Bicester	Value Retail	13.885.000	15.931.000	18.111.000	19.944.000	22.556.000					22.135	85
Stockholm	JLL								9.771.208	11.940.075	12.500	80
Serravallo	McArthur Glen						26.805.808	27.907.499	28.818.020		38.710	62
Roermond	McArthur Glen						11.133.931	12.270.591	12.832.473		17.500	61
Barberino	McArthur Glen								13.968.603		21.232	55
Pamidorf	McArthur Glen								10.969.000	12.161.212	19.450	52
La Roca	Value Retail	4.807.000	5.569.000	7.543.000	10.050.000	11.177.000					18.500	50
Las Rozas	Value Retail	3.599.000	4.647.000	5.103.000	6.573.000	9.413.000					15.870	49
Barlin	McArthur Glen						5.000.000	5.100.000	5.300.000		9.620	46
Valdichiana	Premium Retail									9.777.778	20.000	41
Palmanova	Promos										22.322	34
Franciacorte	Premium Retail						5.456.688	9.117.907			28.000	32
Kungsbacka	Freeport									10.666.667	16.700	27
Norwegian Outlet	Norwegian Outlet						3.241.577	3.441.253	5.479.845		12.500	26
Ringsted	Freeport									3.913.740	12.525	8
							655.518	1.129.463	1.177.478			

*Insert 28. Overview of the rental income of several Outlet Centers, in order of the monthly rental income per square meter (source: own compilation based on various sources).*

Roermond was ranked as the best performing Outlet Center in Europe in the FOC Performance Report 2011, however the relative rental income of the first phase cannot compete with Value Retail's Bicester. Stockholm Quality Outlet is not part of the FOC Performance Report, but has very high relative rental income outperforming many well-known centers.

So while the tenants relative grading of the centers performance gives a good impression, it would be interesting to analyze the turnover centers generate, the rental income and the necessary costs for operation and marketing to achieve the performance.

The available data indicate that Outlet Centers' rental income increased despite the credit crunch and the brief European recession in the wake of Lehman Brothers. The whole Value Retail portfolio performed well, as turnover increased by 8%, footfall increased 7,5% and spending per visitor increased

by more than 8 percent<sup>57</sup>. McArthur Glen increased total sales by 17% percent and footfall by 7% in January 2009<sup>58</sup> on average for all its centers. In Italy the number of visitors of Outlet Centers grew in August 2009 between 5% (Neinver Vicolungo) and 58% (Neinver Castelguelfo) compared to the previous year<sup>59</sup>.

*“Outlet Centers have grown and thrived regardless of the economy as shoppers have increasingly flocked to them during the economic downturn to maintain their families’ standard of living.”*<sup>60</sup> The analyzed data reflects the economic success Outlet Centers have had during the last years, also during the economic crisis.

### **Some comments on the data**

The obtained company turnover figures may include additional costs such as service charges, except for the rental income figures of the three Value Retail centers and McArthur Glen Parndorf.

The data of Value Retail are outdated as the latest are from 2006.

McArthur Glen Roermond contains only the first phase of the center, McArthur Glen Parndorf contains only the first and second phase of the center.

Norwegian Outlet was only in operation for seven months in 2010 and the income was adjusted to the whole year.

Ringsted has a very high vacancy rate of approximately 50%, which explains the low rental income per square meter.

Currency exchange rates were obtained on [www.oanda.com](http://www.oanda.com) for the last banking day at the end of each year.

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<sup>57</sup> Humphries, Linda (2009): Top challenge this year: Helping brands perform percent. International Outlet Journal Spring 2009. Page 12

<sup>58</sup> International Outlet Journal (2009): Holiday, January sales are holding strong for outlets. Spring 2009. Page 13

<sup>59</sup> [www.largoconsumo.info/072009/PL-0709-006.pdf](http://www.largoconsumo.info/072009/PL-0709-006.pdf). Retrieved on 17.02.2010

<sup>60</sup> Kercheval, Michael P. (2011): Outlets a shining light during a dim economy. Value Retail News, December 2011. Page 36



#### 4.7.2 VALUE RETAIL BICESTER VILLAGE

There are no current numbers for **Value Retail Bicester Village** publicly available, but it is possible to perform an interesting approximation. Assuming an annual double-digit growth<sup>61</sup> of the lowest possible percentage of 10%, the total rental income in 2011 must have been over 36 million Euro. According to Scott Malkin the center generated a total turnover of 675 million US Dollar in 2011<sup>62</sup>. The rental income can be derived from this turnover by assuming an average turnover rent of 8%. Hence the rental income of Value Retail Bicester Village is above 135 €/m<sup>2</sup> and might even be beyond 155 €/m<sup>2</sup>.

	2006	2007	2008	2009	2010	2011
Center turnover (USD)						675.000.000
Approximate rent share						8%
Approximate rental income (USD)						54.000.000
Exchange rate (USD-EUR)						0,77384
Rental Income (EUR)	22.556.000	24.811.600	27.292.760	30.022.036	33.024.240	36.326.664
						41.787.360

<sup>61</sup> <http://www.valueretail.com/the-villages/bicester/bv-facts>. Retrieved on 11.2.2012

<sup>62</sup> Women's Wear Daily (2012): Value Retail booms with Outlets. <http://www.valueretail.com/res/content/documents/C5742-Eprint.pdf>. Retrieved on 11.2.2012

## 5 CONCLUSIONS

This analysis is only a snapshot of the current market situation. If the circumstances alter significantly the tenants' opinion may change as well. Most tenants are in the fashion industry, which means that their daily business is in a fast paced and quickly changing market. They know how to adapt to changing parameters. If the cost side will increase sharply, strong tenants have the power to negotiate new terms with the operator and investor, because they depend on tenants' brand power. If the tenants change their opinion about green Outlet Centers the economic performance of older centers will be under pressure.<sup>63</sup>

The conclusions are divided into four different groups

### **Summary of Research Questions (Chapter 5.1)**

The research questions of Chapter 1.3 are answered briefly on the basis of the survey results and analysis.

### **Tenants' Criteria (Chapter 5.2-5.4)**

Summary of the criteria defined in Chapter 3 and analyzed in Chapter 4. These criteria are classified into three different criteria clusters and ranked in order of importance from the tenants' point of view.

### **General Criteria (Chapter 5.5)**

A brief look on other aspects from a general point of view in order to counterbalance the tenants' point of view.

### **Further Research (Chapter 5.6)**

This chapter contains recommendations for further research on the topic of Outlet Centers' sustainable success.

## 5.1 SUMMARY OF RESEARCH QUESTIONS

### **TENANTS' REQUIREMENTS ON AN OUTLET CENTER STORE**

#### **What are tenants' important decision criteria to rent a store in an Outlet Center?**

For tenants there are three crucial decision topics: criteria related to the location of the Outlet Center and the costs for the operation of a store in it as well as the existing brand mix.

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<sup>63</sup> Bonde, Magnus (2009): Hur värderas energieffektiva och miljöanpassade kommersiella fastigheter?. Royal Institute of Technology. Page 47.

**What are essential requirements on an Outlet Center store?**

When tenants are in the decision process for a store in an Outlet Center the location of the store within the center is the most important requirement they have. Furthermore the store should ideally match their requirements on the store size and layout as well as having attractive brands as neighbors.

**What are key provisions in rental contracts?**

The primary provisions for tenants are rent level, exit clauses and contract duration. Center Management and operational cost provisions as well as the rent indexation are secondary, but also important.

**What do tenants consider to be worth investing in?**

The tenants are focused on their daily business and have consequently their emphasis on products and brand image.

**ENVIRONMENTAL PERFORMANCE OF OUTLET CENTER****How do tenants view sustainability and environmental performance?**

The sustainability of business is important to tenants, while other topics such as energy efficiency are of no immediate interest, neither for the center in general nor for their own store.

**Is an environmental certification important to tenants?**

Environmental certifications such as BREEAM and LEED are currently not important to tenants when they consider renting a store in an Outlet Center.

**TRENDS IN THE OUTLET CENTER INDUSTRY****Is sustainability of growing importance to Outlet Center tenants?**

All sustainability and environmental issues obtained below average probabilities in the questionnaire. Experts concur that tenants pay no special attention to these issues, since they focus on the daily business.

**What are the coming trends and challenges in the Outlet Center Industry according to the tenants?**

Tenants see the highest probability in all trends geared towards the customers. Increasing customer convenience, offering public transportation possibilities and creating a seamless shopping experience by integrating the technological advancement.

## 5.2 CRUCIAL CRITERIA

The results of the study lead to the conclusion that there are basically four main crucial criteria from the tenants' point of view, which are absolute necessities for the successful operation of any Outlet Center. Crucial criteria were defined as criteria obtaining scores in the range of 4,50 to 5,00. However the included results of the questionnaire are in the range of 4,45 to 5,00, because there were several criteria with that score level and there is a significant gap the next group of criteria.

- **Products and image**

Selling products is the core business for tenants; hence their main focus is on products and brand image. In order to achieve any success tenants know that they have to offer attractive products, build up a desirable brand and drive the daily operation successfully. Outlet Centers have developed into profit centers for manufacturers and are an attractive, independent sales channel from regular retail sales channels. Manufacturers seize this opportunity by producing special goods for Outlet Centers.

- **Primary location criteria**

The most important criteria for an Outlet Center is its location and therewith linked characteristics such as catchment area, turnover potential, accessibility, and visibility of the center. The same criteria apply for the store as location, accessibility and visibility within the center are of utter importance for the success of Outlet Centers. These primary locational criteria are strongly related to the center and the store itself.

- **Costs**

Only second to location are the total costs that the tenants have to pay in order to operate a store in an Outlet Center. It is the strongest driving force to motivate tenants. The rental and additional costs are secondary, as the distribution of costs is not as interesting as the total amount.

- **Brand mix**

The brand mix (or the centers collective pulling power) is one of crucial criteria, as it influences locational criteria such as catchment area and turnover potential. The challenge is to continuously adapt the brand mix to consumers changing taste and demand.

Outlet Centers are only one of several sales channels, but with a growing importance to manufacturers. At first the fear of interference with the retailer sales channels kept tenants wary, but as OCs have developed into important profit centers they have become an interesting complimentary sales channel. It also increases manufacturers independence from retailers and allows direct contact with consumers.

### 5.3 NICE TO HAVE CRITERIA

Once the crucial criteria are fulfilled there are other criteria tenants like to see, but they are not condiciones sine quibus non. Nice to have criteria were defined as criteria obtaining scores in the range of 3,50 to 4,49. However the included results of the questionnaire are in the range of 3,50 to 4,29.

- **Secondary locational criteria**

The locational criteria of demographics, purchasing power and the future development of Outlet Centers' catchment area are secondary locational criteria for tenants. These are related to the surroundings of the Outlet Center.

- **Tenants marketing and brand strategy**

If the tenants marketing and brand strategy matches the Outlet Center site in question it facilitates the decision, but it is not a necessity for it. Appealing centers, which fulfill the essential criteria, will persuade tenants to consider renting a store.

- **Operator and investor**

The operator and investor have important functions in the development and operation of an Outlet Center. The renowned companies naturally have an edge over smaller companies, but if the overall package is good tenants buy it. The increasing competition for consumers' spending power requires active operators and investors to absorb the maximum.

- **Incentives**

Incentives are part of the industry and especially strong brands expect some kind of incentive in order to sign a rental contract in an Outlet Center.

- **Architecture**

If architecture and ambiance have something special to offer tenants are certainly interested, but it is not what is regarded to drive turnover.

### 5.4 EXTRANEIOUS CRITERIA

Extraneous criteria are not important to the success of Outlet Center and were defined as criteria with scores from 1,00 to 2,99.

Sustainability, energy-efficiency, certifications, conscious choice and corporate social responsibility may very well be popular topics in media, but from the tenants' point of view they are not important, neither for the tenants' performance nor for the success of an Outlet Center.

There is no interest in paying higher rents or investing in energy efficient systems. Tenants focus primarily on increasing turnover and decreasing costs, as they are financially driven companies.

Therefore there are only two key triggers for tenants to consider investing in these environmentally related topics

- **Costs**

If the total costs are lower there is some interest, but if investments are necessary, then it would take a very short return on investment period to convince tenants to invest.

- **Marketing**

Tenants are prepared to invest in sustainability and energy-efficiency if it could be used in marketing or if customer noticed and valued it. Thereby increasing brand strength.

## **5.5 GENERAL CRITERIA**

The tenants' point of view does not cover all the angles of an Outlet Center operation. The other stakeholders, developers, operators and especially end-investors, have to consider different interests and facts, which also contribute to the success.

End-investors are the driving force behind the environmental performance and certification of Outlet Centers, because they want to safeguard their investment. On the one hand they want to be sure that income and costs are well balanced and on the other hand ethical and ecological investments are in high demand.

The long-term view of end-investors increases the importance of a sustainable rental income (high demand by tenants, low vacancy rates), which means that the real estate structure has to fulfill the tenants' requirements of today and be flexible enough to be adapted to unknown future needs. If certifications become an industry standard, centers without one will come under pressure as tenants might use their power to reduce the rent level.

For end-investors, but mostly for society, the re-use and recycling of a center at the end of its economical life are important topics, which ought to be considered already during the project development.

## **5.6 FURTHER RESEARCH**

This thesis covers only the tenants' point of view and in order to have the whole picture it would be necessary to analyze the other stakeholders as well. Not only would it be interesting to see where there are differences between them, but also especially how the balance of interests and power is lived out.

In addition to analyzing all stakeholders' interests and success criteria it would be worth taking a deeper look into the performance of Outlet Centers. One aspect is the turnover of the center and the linked rental income; another would be the efficiency of the whole operation (e.g. effectiveness of marketing). Benchmarking this information, finding best practice and peculiar exceptions would be valuable information for the assessment of Outlet Centers' sustainable performance.

## **ABSTRACT**

This thesis aims to examine the criteria, which influence the successful performance of Outlet Center from the tenants' point of view and how it can be sustained.

Outlet Centers are a specialized retail format and have enjoyed an impressive growth in Europe since the first center opened in 1983 in France. The market has grown from just a handful of centers in France and UK to more 140 Outlet Centers across 22 European countries. Along this growth there have been several centers that failed to achieve economic success.

Sustainability and energy efficiency are popular topics in media, but it is worth questioning if these topics are implemented in Outlet Centers. How far are energy efficient systems already in practice and how is sustainability of the real estate structure and business model dealt with? The tenants and their brand attraction are vital ingredients for the success of Outlet Centers. Their view from the daily operation is key, as they will have to pay for the bill in the end.

In order to approach these topics the research for the master thesis was conducted by using the insights from work experience, an extensive online questionnaire among Outlet Center tenants, complementing expert interviews and a wide literature study.

In order to establish a research basis the location, center, store, operation and sustainability criteria were defined. The analysis was done along of these criteria and sustainability criteria were analyzed separately although they are integrated into the other criteria.

Outlet Center tenants are very focused on their daily business. Products and brand are their main business focus and pivotal to the success of Outlet Center. The other crucial criteria they have on Outlet Center are related to its location (among others turnover potential) and costs. Furthermore tenants value the brand mix as one very important component and they like to have attractive brands as neighbors to increase their own footfall.

Investors and especially operators are also important contributors to the success of Outlet Centers, but are not as vital as the before mentioned ones. The tenants marketing and brand strategy are influencing the decision on an Outlet Center, but quality locations are always attractive.

Sustainability and energy-efficiency are currently not important to tenants and they are not prepared to pay a premium for it. Tenants are only interested in sustainability if the total costs can be decreased or if the brand strength can be improved by it.

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# **APPENDIX**

Background Information on Outlet Centers

Questionnaire

Combined results of the two questionnaires

Expert Interview James Kirby

Expert Interview Gerhard Graf

Outlet Center Data in Europe

# **1 BACKGROUND INFORMATION ON OUTLET CENTERS**

The background chapter provides general information on all covered topics, which span from Outlet Centers as part of the retail industry to sustainability issues of Outlet Center structures and their business model. The below stated topics will be treated in the following chapters in order to provide solid background information on European Outlet Centers.

## **Outlet Centers in the European Retail Industry (Chapter 1.1)**

General account on Outlet Center as part of the retail industry, their economic importance as well as their state in the retail life cycle.

## **Definition of Outlet Center (Chapter 1.2)**

Definition of Outlet Center and disambiguation to related retail formats

## **Origin of the Outlet Center Format (Chapter 1.3)**

Description of the history and evolution of the special retail format to today's form

## **Current Outlet Center Market in the USA (Chapter 1.4)**

Specific characteristics of Outlet Center

## **European Outlet Center Market (Chapter 1.5-1.8)**

The beginning of the European Outlet Center Market (chapter 1.5), its development (chapter 1.6), today's state (chapter 1.7) and outlook (chapter 1.8)

## **Sustainability (Chapter 1.9)**

Account on sustainability and sustainable business

## **Certification (Chapter 1.10)**

A specific chapter is dedicated to real estate certifications in order to value the growing importance of them for end-investors.

## **1.1 OUTLET CENTERS IN THE EUROPEAN RETAIL INDUSTRY**

The following chapter determines the role of Outlet Centers in the retail industry. A theoretical excursion into the definition of retail life cycle and identifying in which phase the retail format Outlet Center is.

### **1.1.1 ECONOMIC RELEVANCE OF OUTLET CENTERS**

The European retail sector is one of the most important economic sectors as 4,2 % of the European GDP and 8,4% employment (17,4 million employees) is related to retail<sup>64</sup>.

Shopping Centers have 4 million employees directly and indirect employment accounts for another 13 million people. They generated sales worth more than 500 billion Euro in 2006.<sup>65</sup>

The International Council of Shopping Center and European Shopping Centre Trust researched the importance of shopping center to the European economy. In their report they logged in the year 2007 a stock of 5.682 Shopping Centers with a total sales area of 111,4 million m<sup>2</sup>, whereof 104 were outlet centers with a sales area of 1,7 million m<sup>2</sup><sup>66</sup>. This means that roughly speaking the Outlet Center format represents 1,8% of shopping centers and 1,5% of the retail sales area.

Outlet Centers are a small and specialized retail format and accounts only for a fraction of the shopping centers, both number- and area-wise. This small niche is however a dynamic part of the retail industry. In comparison to shopping centers OCs generate higher turnover, sales densities and rental income per square meter making them profit centers. On top of it the outlet sales channel is a valuable addition to the regular sales channels for many manufacturers and it allows controlling the sales of last season products.

### **1.1.2 THE WHEEL OF RETAILING AND THE RETAIL LIFE CYCLE**

The becoming of new retail formats and their development display how markets and customers demand change over time. There are several theoretical models that try to capture the development and change of retail formats. Malcolm P. McNair formulated the famous “Wheel of Retailing”<sup>67</sup>, although he did not mark the terminus technicus. Originally it featured three phases, but over time there have been adaptations it comprises four phases

- **Phase 1 – Innovation**

In the beginning the new format offers distinct differences to the existing formats and compete on the low price end (also margins and status are generally low) to establish itself in the market

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<sup>64</sup> European Commission (2010): Commission Staff Working Document On Retail Services in the Internal Markets, Brussels, European Commission, page 7

<sup>65</sup> European Shopping Centre Trust, International Council of Shopping Centers (2008): The Importance of Shopping Centers to the European Economy, ICSC, page 8

<sup>66</sup> European Shopping Centre Trust, International Council of Shopping Centers (2008): The Importance of Shopping Centers to the European Economy, ICSC, page 13

<sup>67</sup> <http://oasis.lib.harvard.edu/oasis/deliver/~bak00026>. Retrieved on 30.03.2012.



- **Phase 2 – Trading Up**

The competitive advantage leads to strong growth of turnover, profit and market share. Therefore the format experiences a trading up regarding location, design and customer service. The pricing is adapted according to the new demands.

- **Phase 3 – Vulnerability**

The format is established and has become conservative. The cost advantage and degree of innovation are decreasing. The format is challenged by new format with low price strategy.

Many, among others by Hollander, have questioned the Wheel of Retailing model. The main points of criticism are the assumption that all formats enter the market on low price proposition, that they trade up over time, regional conditions are not taken into account and last but not least the Wheel of Retailing is only descriptive and fails to explain how the evolution of retail formats takes place.

For example shopping centers are positioned on as a high price format and entered worldwide markets with mid to high end pricing. Also the trading up is not a necessity as discounters stick rigorously to their concept while some shopping centers are rather trading down and become Off Price Center. Regional differences and special circumstances are not taken into account<sup>68</sup>.

The **Retail Life Cycle** is based on Rogers curve for diffusion of technology. It describes the various stages of a retail format during its life cycle.

- **Early Growth**

In the beginning the new format offers distinct differences to the existing retail formats. It creates new benefits or offers higher convenience to customers. The necessary investment in order to establish the new format and market it usually implies a period of financial loss.

- **Accelerated Development**

Popularity and demand is increasing significantly. The competitive advantage of the new retail format leads to strong growth of turnover, profit and market share.

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<sup>68</sup> Brown, Stephen (1984): 'The Wheel of Retailing: Still Rollin' After all these years, University of Ulster, Ulster

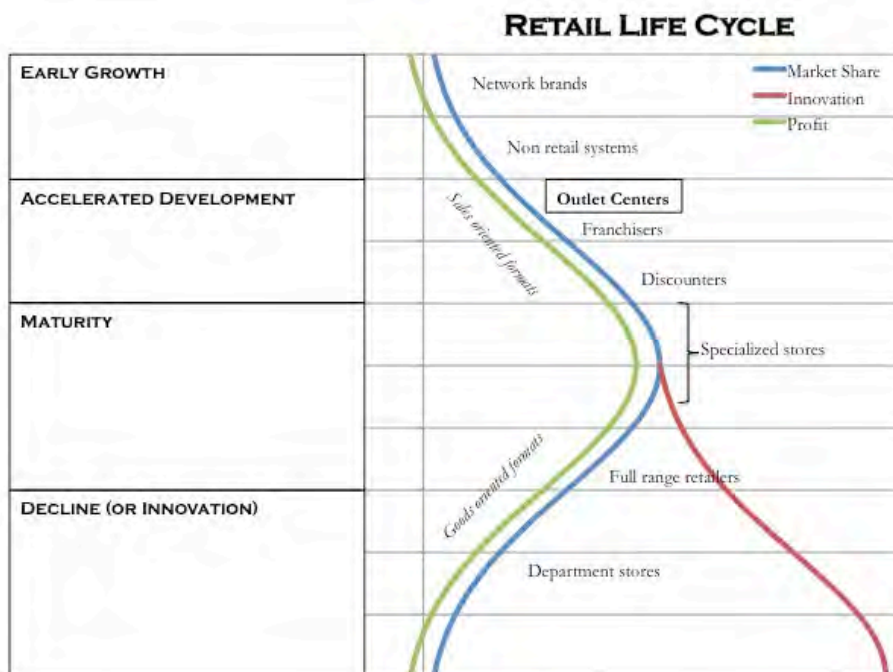
[http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&sqi=2&ved=0CCAQFjAA&url=http%3A%2F%2Ffaculty.quinnipiac.edu%2Fcharm%2FCHARM%2520proceedings%2FCHARM%2520article%2520archive%2520pdf%2520format%2FVolume%25205%25201991%2F179%2520brown.pdf&ei=Fn4sT\\_n-KoPIsgbDu6D4DA&usg=AFQjCNEijhAtG9yr0rGN7IpJHUPu1O8U3g](http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&sqi=2&ved=0CCAQFjAA&url=http%3A%2F%2Ffaculty.quinnipiac.edu%2Fcharm%2FCHARM%2520proceedings%2FCHARM%2520article%2520archive%2520pdf%2520format%2FVolume%25205%25201991%2F179%2520brown.pdf&ei=Fn4sT_n-KoPIsgbDu6D4DA&usg=AFQjCNEijhAtG9yr0rGN7IpJHUPu1O8U3g). Retrieved on 30.11.2011.

- **Maturity**

The format is well established on the market. It starts to trade up and also offer more services to counter the arising competition. Thereby the cost advantage is decreasing and the market penetration is slowing down. At this stage it would be advisable to start the renewal and innovation process as it lays the foundation for the next phase.

- **Decline (or Innovation)**

Innovations and new retail formats increase the competitive pressure plus the own competitive advantage has diminished. The format is losing ground in market share, turnover and profits. It is the crucial point to innovate the format or lose the market power.



Insert 29. Retail Life Cycle of various retail formats (source: ecostra (2009): *Dynamik im Handel II: „Survival of the Fittest“ – Oder: vom Bazar in Damaskus zu den virtuellen Marktplätzen des Cyberspace.* ecostra Newsletter Juli 2009, Wiesbaden, page 2. Own design)

The point of innovation in Insert 2.1.2-1 was chosen at the peak, because it would be the best case in theory. The starting point may however occur at any point in the maturity or decline phase.

### 1.1.3 OUTLET CENTERS IN THE RETAIL LIFE CYCLE

Outlet Center is a rather young retail format and shows clear signs of growth in many European markets. In the ecostra Newsletter July 2009<sup>69</sup> a graph of 2005 was published with Outlet Centers being at the start of the “Accelerated Growth” phase, however the assumptions of region and time were not stated. This publication is several years old by the time this thesis was written and therefore outdated as the European Outlet Center market constantly develops.

Furthermore it is probably difficult to determine the phase for the retail format in general. It is better to differentiate the phase for every single country, or may be even region (e.g. Northern Italy compared to Southern Italy). In UK, Italy and Switzerland the OCs are already in the Maturity phase, as the overall growth has ceased respectively slowed down considerably. The only growth is the competition between the existing and new centers, where smaller and weaker centers get squeezed out of the market. This competition might indicate that there is a need to innovate in order to succeed against other centers and formats.

The German market is still underdeveloped and is therefore in the accelerated development phase.

Small countries such as Austria, Czech Republic and Sweden have established sites and a constant market. These markets are mature, but the competition will be limited as the markets are too small to attract more projects.

In Eastern Europe the market is still in the early growth phase with a massive opening of centers in Russia and some planned openings in other countries like Romania, Slovakia and Ukraine.

## 1.2 DEFINITION OF OUTLET CENTER

### 1.2.1 DEFINITION OF OUTLET CENTER

The International Council of Shopping Center defines an Outlet Center as *“a consistently designed, planned and managed scheme with separate store units, where manufacturers and retailers sell merchandise at discounted prices that may be surplus stock, prior-season or slow selling”*<sup>70</sup>.

The German Society for real estate economic research (Gesellschaft für immobilienökonomische Forschung - gif) offers a more extensive definition of Outlet Center. *“Factory Outlet Center (also known as Designer Outlet Center, Outlet Center or Outlet Village) are agglomerations of many store units within one building or a spatially connected building complex. Manufacturers and vertically integrated retailers sell last season products, irregulars, production overruns. The coordination, organization and marketing is performed by a professional center management.”*<sup>71</sup>.

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<sup>69</sup> Ed. ecostra (2009): Dynamik im Handel II: „Survival of the Fittest“ – Oder: vom Bazar in Damaskus zu den virtuellen Marktplätzen des Cyberspace. ecostra Newsletter Juli 2009, Wiesbaden, page 2

<sup>70</sup> International Council of Shopping Centers ICSC Directory Glossary of Terms <http://directory.icsc.org/content/ICSC%20Directory%20Glossary%20of%20Terms.pdf> Retrieved on 20.9.2010

<sup>71</sup> Gesellschaft für immobilienökonomische Forschung (unpublished): Ausgesuchte Begriffs- und

These general definitions of Outlet Centers can be further refined when taking the market positioning of its tenancy mix into account. In theory there are five different types of schemes<sup>72</sup>.

- Upper Level Schemes - very high share of designer brands tenants and a low share of leisure areas. Almost exclusively company brand stores.
- Upper / Middle Schemes - comparable to Upper Level Scheme, but with fewer designer brands.
- Middle Ground Schemes - well balanced mix of tenants of top and mid brands, but only few designer brands. Leisure and service facilities have a relatively high importance.
- Middle / Lower Schemes - is tending to Off Price center with only few brand companies.
- Lower Schemes - due to the high share of discount retailers this scheme is very close to Off-Price Center. Almost exclusively multi-brand stores.

### **1.2.2 DISAMBIGUATION TO RELATED RETAIL FORMATS**

There are several retail formats, which have similarities one way or another with Outlet Centers. In order to disambiguate them from Outlet Centers the most common formats are described in the following section.

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Lagedefinitionen Entwurfsfassung Januar 2012, Wiesbaden. Own translation.

<sup>72</sup>ecostra (2010): Vorlesungsskript Factory Outlet Center – Aktuelle Marktentwicklungen, Konzepte und betriebliche Kennzahlen, Wiesbaden. Own translation.

### Shopping Center

Outlet Centers are a special shopping center format and share therefore many characteristics with shopping centers, but with there are some distinct differences as well. In the following table the main characteristics are compared for these two formats.<sup>73</sup>

Characteristics	Shopping Center	Outlet Center
Location	Inner city, urban district	Mostly periphery, greenfield Spatial separation from regular retail sales channels
Accessibility	Pedestrians, public transportation and car traffic	Strong focus on car traffic
Type	Mall or strip	Village, mall, strip, converted factories
Catchment area	15 – 45 minutes	Approx. 90 minutes
Touristic Potential	Usually not taken into account	Growing importance for many centers
Sales area	15.000 – 100.000 m <sup>2</sup>	5.000 – 50.000 m <sup>2</sup>
Store size	20 – 20.000 m <sup>2</sup>	75 – 800 m <sup>2</sup>
Product range	Wide and deep product range. Everything from short to long term demand	Narrow and shallow product range. Mostly clothing, shoes.
Anchor tenants	1 to 4 anchor tenants (large grocery, electro, DIY)	No classic anchor tenants, but strong brands and collective pulling power
Tenants	Retailers, tradesmen	Manufacturers, license holders
Rent	Base rent, turnover rent is only an add-on component	Strong focus on turnover rent
Contract	Regular retail provisions	Stronger contractual provisions, especially for performance, exit, control
Pricing	Depending on marketing strategy (no contractual obligation)	Pricing is minimum 30% off regular retail price (contractual obligation)
Center Management	Yes	Yes, includes also retail manager
Collective Marketing	Yes	Yes, higher effort and costs
Parking factor	10 – 30 m <sup>2</sup> GLA/parking	7 – 20 m <sup>2</sup> GLA/parking

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<sup>73</sup>Institut für Gewerbezentren, Falk, Bernd (2009): Shopping Center Handbuch. Starnberg, page 224. Translated and adapted by the author.

### **Outlet stores and conglomerates**

Many manufacturers had their own outlet stores adjacent to their factory. While Vanity Fair was developed into an Outlet Center, there are also conglomerates of outlet stores. In Metzingen, Germany the founders of Hugo Boss initiated and partially developed the Outlet City Metzingen. The starting point was their own factory outlet store and the success drew attention. Hugo Boss expanded the area and other companies took the opportunity to establish an outlet store themselves.

#### **DIFFERENCE OF OUTLET STORES AND CONGLOMERATES TO OUTLET CENTER**

- Size of sales area
- Not planned as an entire center
- No common center management

### **Off-Price Center**

An Off-price center is a center consisting mainly of retail units, but retailers instead of manufacturers operate the stores. Similar to OC the stores offer discounts in the range of 20% to 70% to manufacturers list prices. However it should be noted that the offered product range normally is widely varied. The retailers purchase overproductions, seconds and returned products opportunistically from various sources.

#### **DIFFERENCE OF OFF-PRICE CENTER TO OUTLET CENTER**

- Size of sales area
- Tenants
- Markenangebot nicht im Fokus des marketings  
Warenversorgung
- Less extensive center management

### **Value Center and Lifestyle Center**

Both value and lifestyle centers are well-established retail formats in North America, but are not yet common in Europe. However, for the sake of a complete overview they are included.

Value center is considered to be a hybrid center, combining elements from two or more of shopping center types and the share of outlet stores is lower than 50%<sup>74</sup>.

Lifestyle is a multi-purpose leisure-time destination, including shopping, restaurants, entertainment and leisure areas in a design ambience.

#### **DIFFERENCE OF LIFESTYLE AND VALUE CENTER TO OUTLET CENTER**

- Size of sales area
- Tenant and sector mix
- Less extensive center management

## **1.3 ORIGIN OF THE OUTLET CENTER FORMAT**

The modern Outlet Centers originate from the factory outlet stores, which emerged in the late 19<sup>th</sup> century in the USA. They sold damaged goods exclusively to the companies' employees. In the course of time the companies discovered the potential to increase their turnover while having an effective sales channel for damaged and slow-selling goods. There are many Internet references on the early years of this retail format, but none does specify any detailed information or sources<sup>75</sup>.

Anderson-Little, an apparel manufacturer from Massachusetts, opened 1936 their first "factory direct to you" and expanded this format to eleven locations by 1960<sup>76</sup>. It was the first factory outlet store that was spatially separated from the factory.

Harold Alfond, the founder of Dexter Shoe Company, is often credited with establishing the first factory outlet store. In the 1960ies he opened an outlet store at Dexter's Skowhegan factory. Other manufacturers observed the success and seized the generated footfall by opening their own outlets in the vicinity. In 1990ies the company was operating their outlet stores exclusively in Outlet Centers.<sup>77</sup>

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<sup>74</sup> ICSC Factory Outlet Industry Resource Guide [www.icsc.org/vrn/VRNkit.pdf](http://www.icsc.org/vrn/VRNkit.pdf) Retrieved on 20.9.2010

<sup>75</sup> ICSC Factory Outlet Industry Resource Guide [www.icsc.org/vrn/VRNkit.pdf](http://www.icsc.org/vrn/VRNkit.pdf) Retrieved on 20.9.2010

<sup>76</sup> <http://andersonlittle.com/history>. Retrieved on 20.9.2010

<sup>77</sup> [http://en.wikipedia.org/wiki/Harold\\_Alfond](http://en.wikipedia.org/wiki/Harold_Alfond). Retrieved on 20.9.2010

In 1970 the VF Outlet Store was opened on the site of the former Berkshire Knitting Mills, which was once the world's largest hosiery mill. Originally the store was separated from the manufacturing floor by a simple drop cloth. It quickly developed into a bustling place where Vanity Fair brand products could be bought at a great price. The success and high customer traffic drew other brands to the location<sup>78</sup>.



*Insert 30. Front view of the VF Outlet in Reading (source: <http://www.icsc.org/vrn/vrn0107/> retrieved on 20.8.2011)*

In 1979 Belz Enterprises opened the first enclosed factory outlet mall in Lakeland, Tennessee. In 1981, Stanley K. Tanger pioneered the Outlet Industry by building the country's first authentic outlet shopping center in Burlington, North Carolina.

In 1985 Western Development (which was later rebranded to Mills Corporation) opened Potomac Mills in Woodbridge, Virginia, which was the first project to combine shopping center features with bargain outlet stores.

## 1.4 CURRENT OUTLET CENTER MARKET IN USA

The US American Market grew from the beginnings of the VF Outlet very quickly.

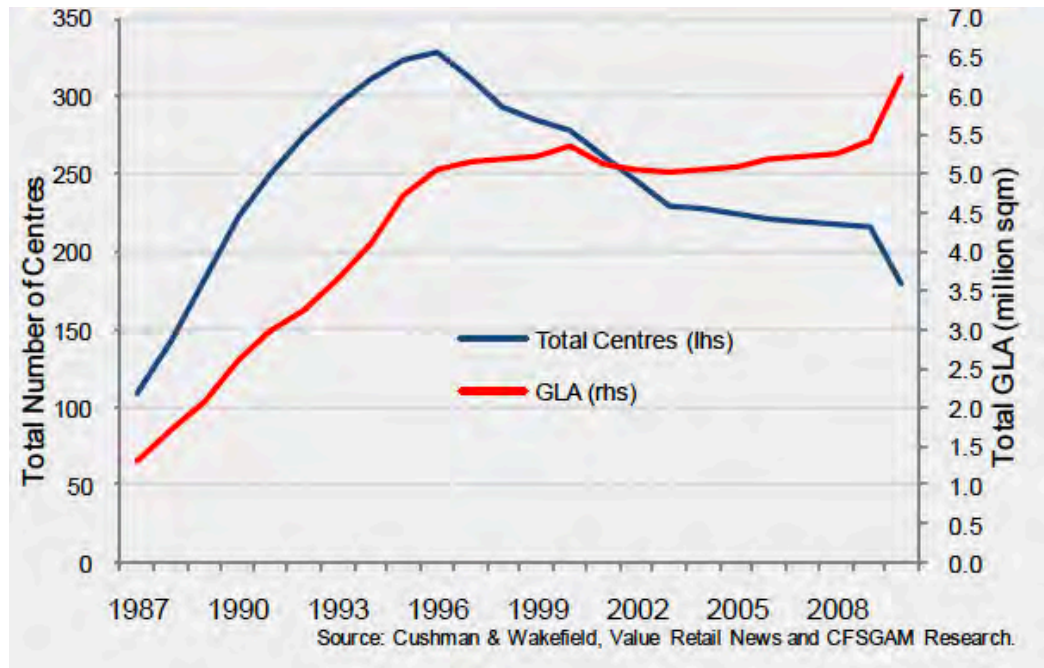
Since the mid Nineties the total number of Outlet Centers in operation have been decreasing. The total sales area remained more or less on the same level (approximately 5 million m<sup>2</sup>) and started to grow since 2008. This development is due to new centers with a larger sales area entering the market and squeezing out smaller and older centers<sup>79</sup>. However one reason for the reduced number of Outlet Centers is that Value Retail News updated their database and removed several centers, which did not fulfill the criteria for Outlet Center (e.g. at least 50% occupancy by manufacturers)<sup>80</sup>.

<sup>78</sup> <https://www.vfoutletcenter.com/our-history.aspx>. Retrieved on 20.9.2010

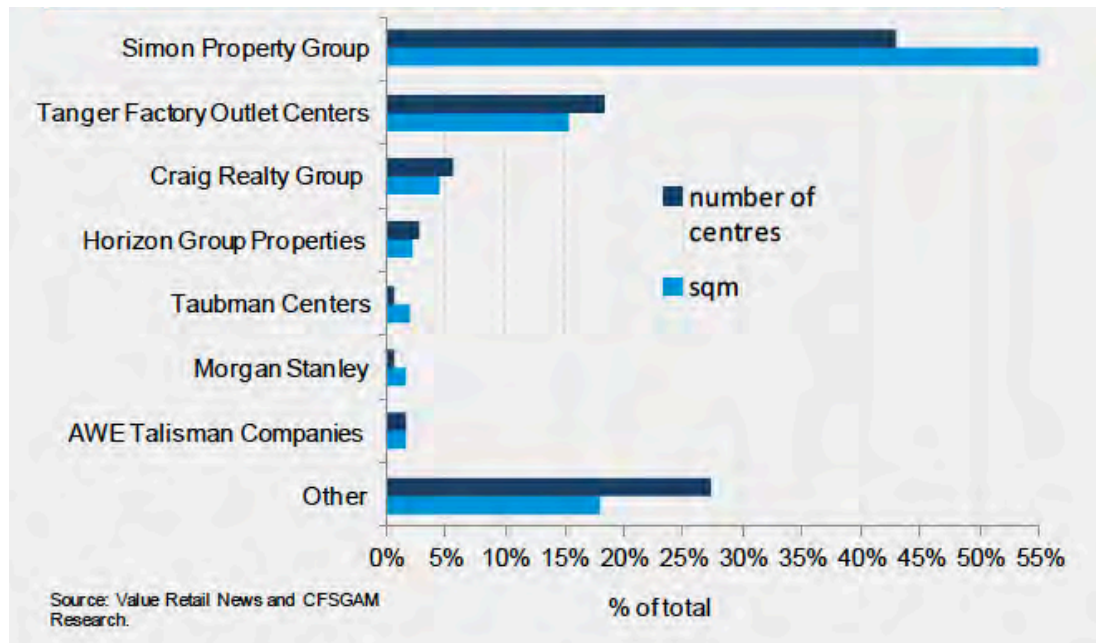
<sup>79</sup> Latella, Richard et al (2006): Manufacturer's Outlet Center Analysis. Cushman&Wakefield Retail Real Estate, page 4

<sup>80</sup> Humphries, Linda (2011): Outlet Centers Report, 2010. Value Retail News March 2011, ICSC. Page 12





Insert 31. Development of the Outlet Center market in the USA from 1987 until 2010. The total number of operating centers is the blue line and the left scale. The total sales area is the red line and the scale on the right hand side. (source: Radanovic, Dejan; Sears, John (2011): Outlet shopping centres are making their mark across the globe. Property Spotlight, Colonial First State, Sydney)



Insert 32. Ownership of Outlet Centers in the USA (source: Radanovic, Dejan; Sears, John (2011): Outlet shopping centres are making their mark across the globe. Property Spotlight, Colonial First State, Sydney)

The American market has consolidated during the last decade on the ownership as well as on the tenant side. In the USA “only four players owned 125 centres or around 77% of total GLA of 6,3 million m<sup>2</sup>”. Only 20 chains operate a single Outlet Center store, while 119 chains operate more than 30 stores. The average chain operates 43 stores in Outlet Center and the average store size is 384 m<sup>2</sup> <sup>81</sup>.

## 1.5 THE BEGINNING OF THE EUROPEAN MARKET

The European Outlet Centers were originally started in France and a decade later in UK. Once the format was established it grew quickly and spread to many European countries.

### 1.5.1 FRANCE

The City of Troyes claims to be the European place of birth for Outlet Centers. In 1936 the first outlet store was opened for the workers and later on also for the employees. In 1968 the first outlet store was opened to the general public. In 1983 the first Factory Outlet Center ADIS with around 20 stores on less than 2.000 m<sup>2</sup> sales area was inaugurated, but the center goes mainly unnoticed, because the city already features more than forty outlets. More and more centers are opened in the following years, but it is not until the Nineties that modern outlet centers are established.

In 1996 the French government issued a law regulating the use of the name factory shop as „*The name outlet store or factory deposit will be used by producers selling directly to the public part of their production not past in the distribution channel or being returned. These relate exclusively to direct sales from the previous season productions marketing justifying a sale price minus*“. <sup>82</sup>

Marques City is the first center to break ground in Troyes and opened its gates in 1990, three years later Marques Avenue and in 1995 McArthur Glen followed. This new generation of Outlet Center brought for the first time professional and specific management and marketing.

Other sources claim that the first outlet center was established in Lille. In 1984 the two cousins Ghislain and Hugues Dalle bought the Motte Bossut factory located at Avenue Alfred Motte in Lille, France. After a trip to the United States, where the Outlet Center concept had been in practice for a few years, they were inspired to import the concept to France. Their idea to group 25 scattered factory outlets throughout the city of Lille into one center, made them embarks on the adventure Factory Outlet Center Roubaix. On May 15<sup>th</sup> 1984 the L’Usine Roubaix (translated: factory) opened its doors with 25 stores. Already two years later the center was expanded to 70 stores, in 1998 more than two million visitors came to the center.<sup>83</sup>

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<sup>81</sup> Humphries, Linda (2011): Europe’s outlet brands have unique character. International Outlet Journal, Spring 2011. Page 7

<sup>82</sup> Lamy, Caroline (1998): Historique du secteur des magasins d’usine à Troyes. Magdus. <http://www.magdus.fr/Troyes-capitale-europeenne-des>. Retrieved on 5.8.2011.

<sup>83</sup> <http://www.usineroubaix.fr/informations-de-lusine-roubaix/histoire-de-lusine-roubaix/> Retrieved on

### **1.5.2 UNITED KINGDOM**

In Street, Somerset redundant factory buildings of the wool and shoe manufacturer C&J Clarks were converted to the Outlet Center Clarks Village. When it was opened in August 1993 it offered 22 retail outlets with a total sales area of 3.700 m<sup>2</sup> <sup>84</sup>. Today it features 96 units and the original manufacturer Clarks rents two shops. In 2010 more than 3,5 million consumers visited the center.

In March 1995 McArthurGlen opened the Cheshire Oaks Outlet Center in United Kingdom. It is situated in Chester. At the opening it had approximately 96.000 sqft (8.900 m<sup>2</sup>) GLA. Today it is the largest OC in the UK with 140 units and 31.300 m<sup>2</sup> GLA and more than 8 million customers visits.

The success of the Outlet Center increased the attraction and over the years the neighborhood seized the opportunity. Adjacent to the Outlet Center there is the leisure park „The Coliseum“ which provides shopping and entertainment facilities like cinema and bowling. In the area there is also a museum, a business park and car dealers.

The Outlet Centers quickly became very popular in the UK, which led to a rapid development of new centers over the whole country. The strong and swift growth has made the UK the most developed Outlet Center market in Europe. Other countries like Italy and Spain followed quickly, while Germany is still underdeveloped.

## **1.6 DEVELOPMENT OF OUTLET CENTERS IN EUROPE**

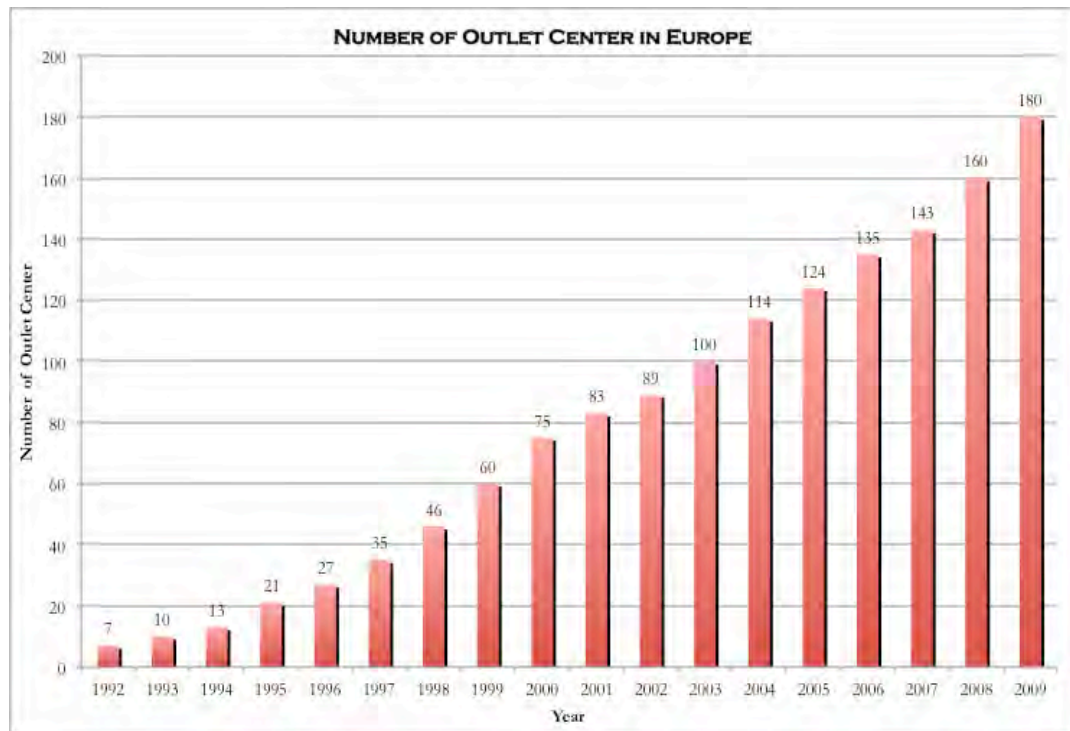
### **1.6.1 MARKET DEVELOPMENT**

In general the European market has had a tremendous success as the Inserts 33 and 35 depict. Insert 33 shows the market development from the early days until 2008 with an estimation for the number of Outlet Centers in the year 2009. The data of Insert 35 is based on own research and available market reports by ecostra, GMA and other sources, such as Cushman&Wakefield.

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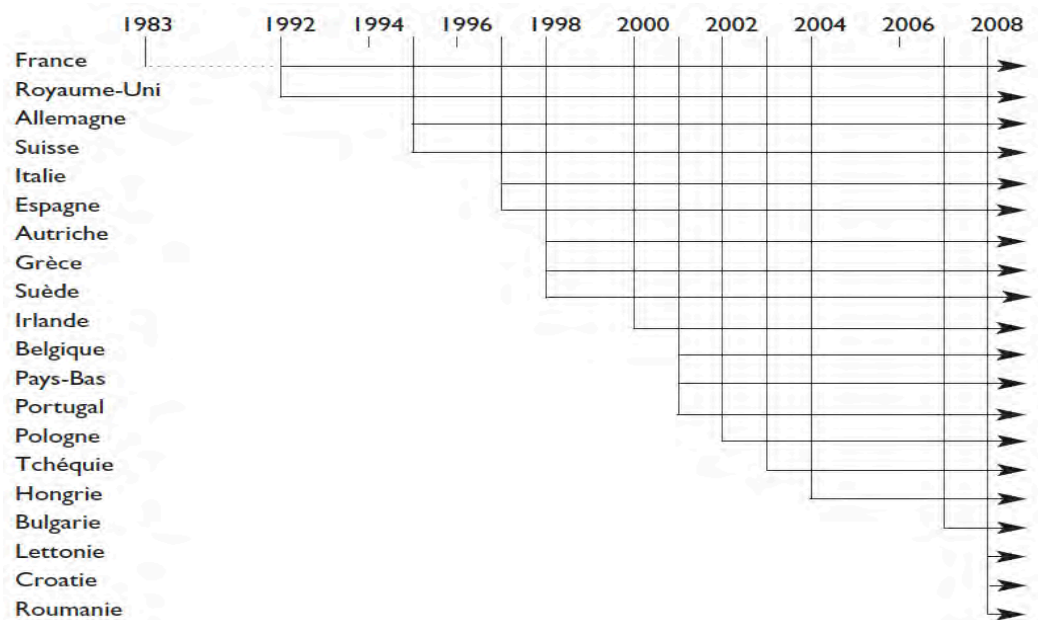
20.9.2010

<sup>84</sup> O'Reilly, Brendon (2006): An examination of operational management within the UK Factory Outlet Sector, Master thesis, Institute for Retail Studies, University of Stirling. Page 13

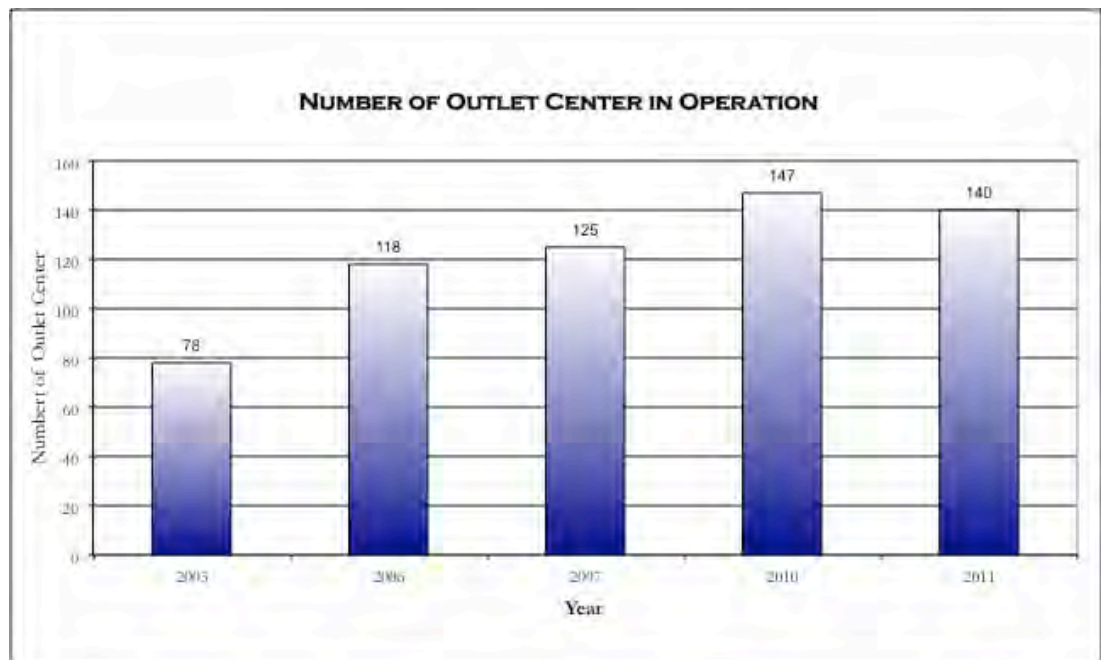


Insert 33. Development of the European Outlet Center market from 1992 until 2008 with an estimation for 2009 (source: Institut für Gewerbezentren (2009): *European Factory-Outlet-Center Report 2009*. Starnberg. Page 2. Own design)

Insert 34 shows the point in time when Outlet Centers first entered the market of specific countries. The Inserts 33 and 35 give a good impression on how the format grew in the European market.



Insert 34. The time of market entry in specific countries (source: Lamy, Caroline (2009): *Les magasins d'usine et villages des marques – Temples du shopping touristique*. Espaces 269. Avril 2009. Page 31)



*Insert 35. Development of the number of operating Outlet Centers in Europe from 2003 to 2011 (source: own research).*

The stated number of Outlet Centers differs in the Inserts 33 and 35 due to two important differences. Institut für Gewerbeimmobilien has a wider definition of Outlet Center and also included Turkey in the statistic.

Insert 35 is based on the current market information, which shows a declining total number of Outlet Centers in Europe from 2010 to 2011. This decrease is due to the fact that the competition in the United Kingdom, Italy and Spain has put several centers out of business.

In the period from 1993 to 1997 the number of operating OCs grew in the UK from 1 to 15. Following this fast growth phase the British government changed spatial planning regulations, which inhibited the unbowed expansion. Especially smaller centers were not able to enter the market easily<sup>85</sup>. Nonetheless did the number of centers more than double from 15 to 36 from 1997 to 2003. Thereafter the competition between existing centers and new centers started to grow and led to decline of some.

As Western Europe became more and more developed, the Eastern European countries started to attract the attention of project developers. The capital cities have the population and purchasing power to enable the operation of prospering Outlet Centers. Neinver was the first investor and operator of an OC in Eastern Europe. In 2002 they started their operations in Warsaw, Poland. Until today Poland remains the strongest Eastern European market with seven OCs in operation.

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<sup>85</sup> Fernie, John et al (1997): The development of a US retail format in Europe, International Journal of Retail & Distribution, Volume 25 Number 11, Page 345



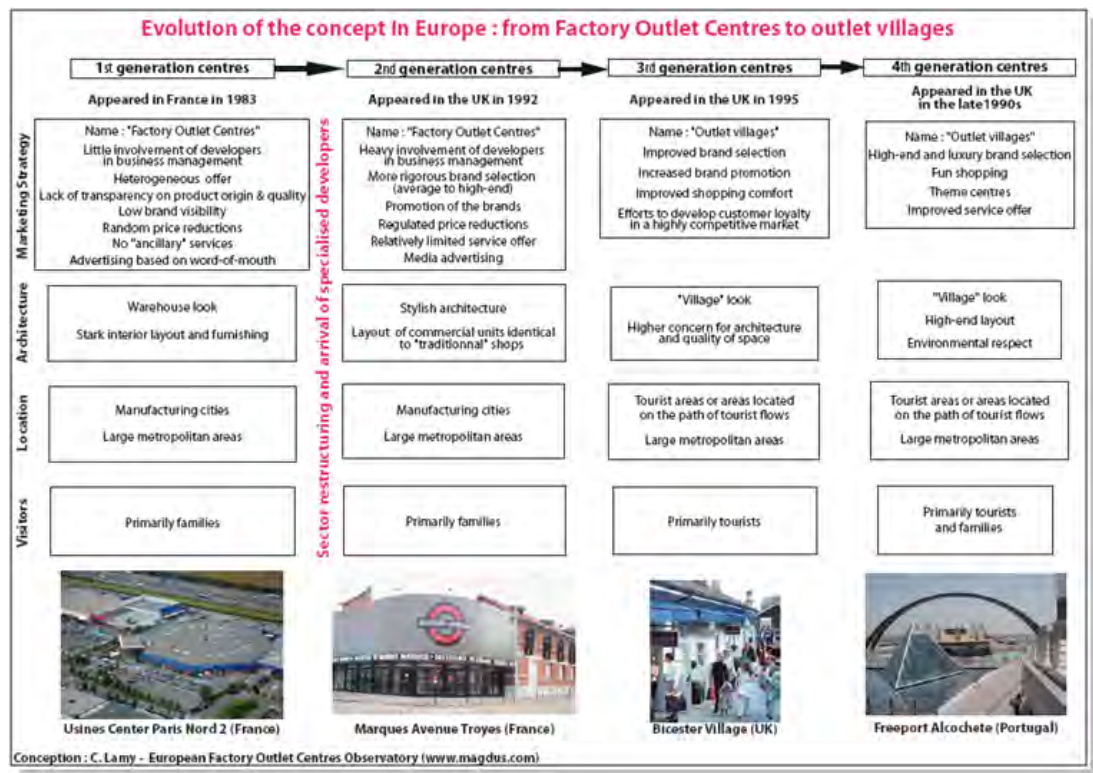
## 1.6.2 EVOLUTION OF THE OUTLET CENTER FORMAT

The retail format of Outlet Centers has developed and evolved in Europe in a brief period of time. According to Caroline Lamy there have been four generations of Outlet Center since the first center opened in 1983. These generations are distinguished by the following four criteria (see insert 9)

- Marketing Strategy
- Architecture
- Location
- Customers

The first generation centers were only common in France and did not perform notably. In 1988 there were 21 Outlet Centers in operation in France, but less than two years later 17 had been closed or converted. Several factors influenced this regrouping, but the lack of professional center management was certainly a main reason.

The second generation came in the beginning of the Nineties to France and the UK and was marked by the entry of professional operators such as Concepts&Distribution in France and McArthur Glen in UK. The professional management managed the tenant mix and center actively. The contracts were more defined and obliged tenants to offer discounts of at least 30%. The French centers were primarily located close to cities with clothing industry heritage.



Insert 36. The evolution of the retail format Outlet Center in Europe (source: Lamy, Caroline (2009): *Les magasins d'usine et villages de marques - Temples du shopping touristique*. Espaces 269. Avril 2009. Page 33 et seq)

The third generation brought a trading up of the whole format. The architecture and ambiance of centers and stores were designed to be more appealing to customers. The brand mix was upgraded by adding international brands. Tourists came into the focus as a customer segment.

The fourth generation brought an emphasis on the experience shopping as a leisure activity. Entertainment and leisure facilities complement the Outlet Center offering in order to attract customers and increase the time they spend.

Several countries did not go through the evolution of all generations and started with the more developed concepts.

## **1.7 TODAYS OUTLET CENTER MARKET**

The European Outlet Center market is much more scattered than the US American market. On the ownership side “...*the top 10 players accounted for 56% of total outlet space*”<sup>86</sup>(USA: Top 4 account for 77%) and on the tenant side there are 2.736 (USA: 304) active tenants in Europe.

In Europe there are 1.630 tenants with only one store and only 5 tenants with more than 30. The average tenant operates only 3 Outlet Center stores.

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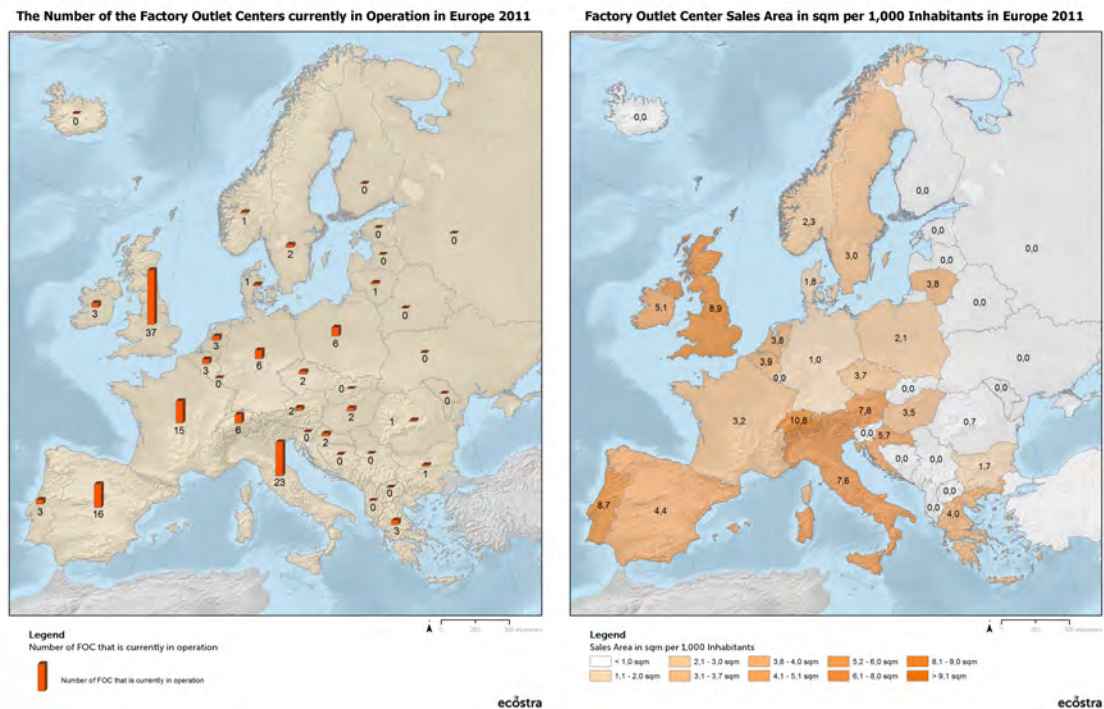
<sup>86</sup> Radanovic, Dejan; Sears, John (2011): op. cit.

COUNTRY	NUMBER	TOTAL SALES AREA	AVERAGE SALES	
			AREA PER CENTER	
UK	37	549.830	14.860	
Italy	23	459.300	19.970	
Spain	16	203.300	12.706	
France	15	209.700	13.980	
Switzerland	6	85.600	14.267	
Poland	7	114.675	16.382	
Germany	6	84.000	14.000	
Portugal	3	92.350	30.783	
Netherlands	3	62.900	20.967	
Belgium	3	42.300	14.100	
Ireland	3	22.800	7.600	
Czech Republic	2	38.500	19.250	
Hungary	2	35.000	17.500	
Croatia	2	25.050	12.525	
Sweden	2	29.200	14.600	
Austria	2	65.300	32.650	
Greece	3	45.500	15.167	
Romania	1	16.000	16.000	
Denmark	1	10.000	10.000	
Lithuania	1	12.700	12.700	
Bulgaria	1	13.000	13.000	
Norway	1	11.000	11.000	
<b>Total</b>	<b>140</b>	<b>2.228.005</b>		

*Insert 37. Table of the European Outlet Centers in operation by December 2011 (source: own research, ecostra)*

**UK** is the largest European market and features today the most centers and the highest sales area in Europe. The market peaked in 2010 with 40 Outlet Centers, but it shows clear signs of market saturation. The competition between the centers is growing and several centers have already been closed due to the lacking economical success. In 2011 37 centers with a total sales area of 549.830 m<sup>2</sup> were in operation. Realm and McArthur Glen are the leading operators with eleven and seven centers, otherwise the market is divided between numerous operators.





Insert 38. Number of operating Outlet Centers in Europe  
(source: ecostra, June 2011)

Insert 39. Outlet Center sales area density in Europe  
(source: ecostra June 2011)

**Poland** was the first Eastern European country where an OC was established and is still today the most developed country in Eastern Europe with seven centers and a total sales area of 114.675 m<sup>2</sup>. Currently the operators market is a duopoly, as Neinver has four and Fashion House three centers.

The small country of **Switzerland** has currently six operating OCs with a total sales area of 85.600 m<sup>2</sup>, making it the country with highest sales area density (10,8 m<sup>2</sup> per 1.000 inhabitants) in Europe. The market reached its peak in 2010 with seven centers, but one refurbished shopping center (see chapter 5.5.4 Re-use) never really became a success and was reconverted into a shopping center again.

**Portugal** has three centers, among them the largest European Outlet Center with a sales area of 48.350 m<sup>2</sup>, with a total sales area of 92.350 m<sup>2</sup>.

Although **Germany** is the largest economy in the European Union it has only six centers with a total sales area of 84.000 m<sup>2</sup> in operation, resulting in the lowest sales area density in Western Europe. The existing centers are performing very well as four centers managed to get into the top 13 in FOC Performance Report 2010. However the strict building regulations in Germany have spurred the development of centers in the neighboring countries (e.g. Roermond, Maasmechelen, Salzburg). This cross border competition is a phenomenon in continental Europe and several locations depend on foreign customers (Palmanova, Brennero, Znaim).

## 1.8 MARKET OUTLOOK

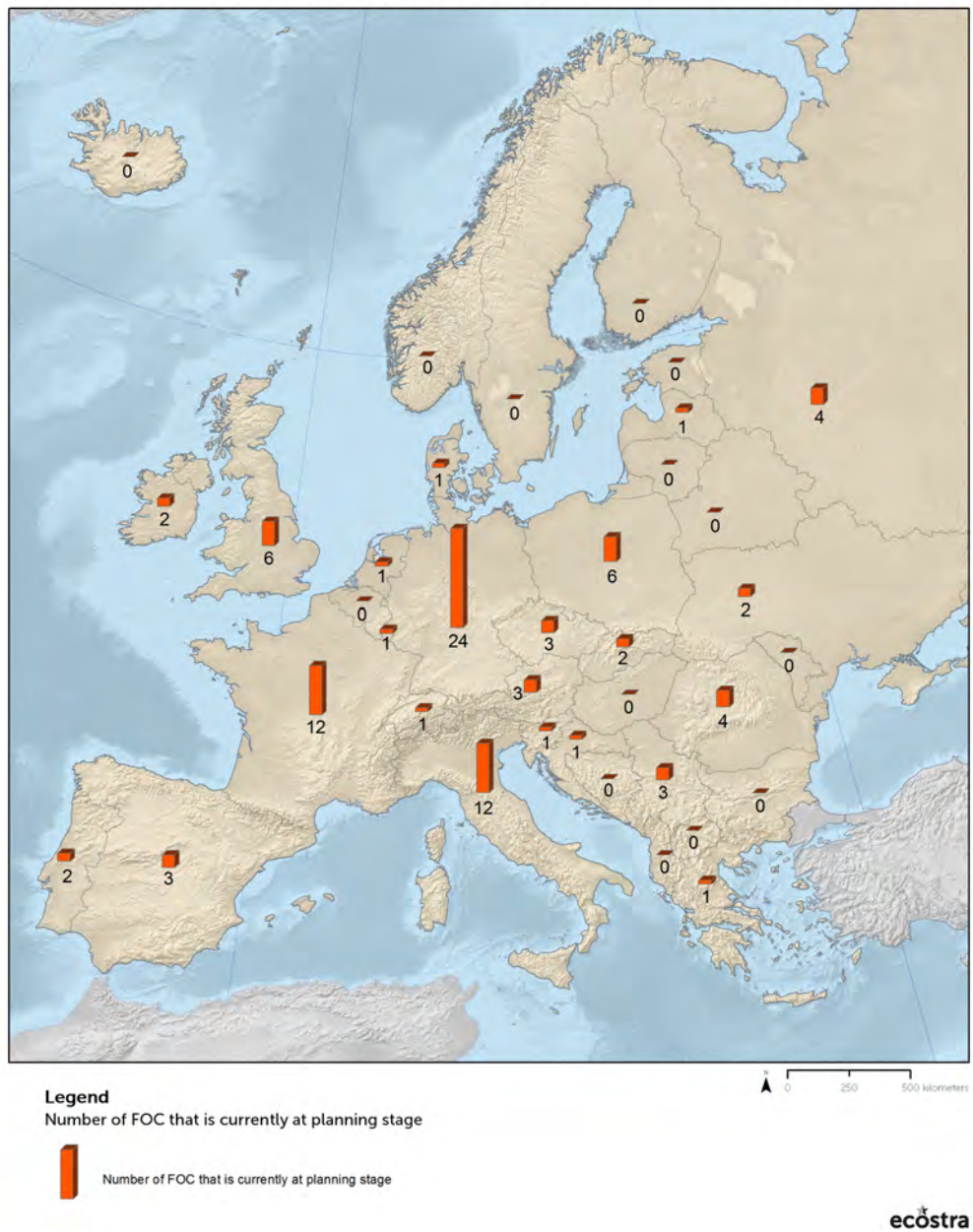
Currently **Germany** is the most coveted market in Europe. Germany is a hot market as many developers and investors covet it for several reasons. The stable and strong economy combined with the fact that Germany has a very low Outlet Center sales area density. Due to the restrictive building and planning laws relatively few centers have been established until now. Only few projects are able to obtain all the necessary permits after a long and cumbersome legal endeavor. Two of these projects are located in the vicinity of Hamburg, where Designer Outlet Soltau (13.000 m<sup>2</sup> GLA) by Mutschler Group and Designer Outlet Neumünster (15.000 m<sup>2</sup> GLA) by McArthur Glen will open their doors in 2012.

These regulations lead to challenging situations such as in Leipzig, where there are two projects (Brehna and Wiedemar) working on obtaining all the necessary permits. These two centers are only 10 km apart and are separated only by one highway exit, which means that in the end only one center will be able to be successful in the market.

It is expected that the strict regulations will be softened somewhat as the existing centers have proven that they did not have the adverse effects, which local retailers feared.

The uneasy economic situation of most EU countries and the stricter banking standards will probably have an adverse effect on the development of the current project pipeline. While the financing has become more expensive and financing institutions require more securities, the consumer market is unstable.

### The Number of the Factory Outlet Centers currently at Planning Stage in Europe 2011



Insert 40. Number of Outlet Centers in planning stage in Europe (source: ecostra)

In the **UK** there are currently six projects in the planning stage, where the London Designer Outlet is the most outstanding. The Outlet Center is part of the Wembley City, which is a huge city regeneration development on a land area of 350.000 m<sup>2</sup> adjacent to the famous football stadium Wembley Stadium. When it is opened in 2013 it will offer offices, commercial and residential areas, hotels and a civic center on top of the 84 stores on 16.000 m<sup>2</sup> retail area of the Designer Outlet. It will have the largest and greatest density of any UK outlet and the catchment area has also the highest purchasing power. The developer expects that the whole center will attract 21 million visitors annually.

In **Eastern Europe** there are several interesting projects on the way as the first Outlet Centers are planned to open in Moscow, St. Petersburg, Kiev and Belgrade in 2012. These centers aim to attract the brand loving upper and middle class of these megacities. In Moscow three centers are planned to open in 2012 in different corners of the city. The greater Moscow area has 15,5 million inhabitants and more than 4 million foreign tourists annually.

Two new OCs are planned in **Denmark**, one in Copenhagen and one in Kolding. The Copenhagen Designer Outlets will be located adjacent to the existing shopping center City2 in the city of Taastrup. The OC will compete directly with the existing Premier Outlet Center in Ringsted, which has a lackluster performance, as almost half the stores are still available after several years of operation.

In Kolding the first OC on the Danish mainland is planned. Due to the fact that the site is located between the city center and train station the building regulations require the center to be fully integrated into the city structure. The Outlet Center will be on ground level and first floor and the residential areas on top of it. It will be interesting to see how the various interests of residents and center manager will be balanced and this completely integrated structure unfolds.

**Austria** will have one opening in 2012 when “Villaggio Fashion Outlet Center” will open next to McArthur Glens Designer Outlet Parndorf. It will offer 40 shops on 10.100 m<sup>2</sup> in the first phase and aims to tap into the strong footfall of the existing Outlet Center structure. Unlike most Outlet Centers it features an anchor tenant with a 2.500 m<sup>2</sup> store.

BIGG was opened in 2005 and it was the first hanger-on of McArthur Glens successful center. In the end the Henderson EOMF purchased and integrated it into the existing McArthur Glen structure. Thereby the operator had complimentary areas to the Outlet Center area and achieved a higher flexibility for store allocation and rental terms. Now the second hanger-on Outlet Center will compete for customers and time will tell how well customers will embrace it.



*Insert 41. Overview of the Outlet Center area in Parndorf, Austria (source: own design based on information from [www.villaggio.at](http://www.villaggio.at) and [www.designer-outlet-parndorf.at](http://www.designer-outlet-parndorf.at))*

## 1.9 SUSTAINABILITY

Sustainability is one of the most used buzzwords of the last decade. In almost every business and real estate magazine the word is used. Also most stock listed companies have a sustainability report, either as a stand alone report or as part of the annual or corporate social report. In 2006 the Global Language Monitor declared „sustainable“ to be the Top Word of the Year<sup>87</sup>.

The ecological movement started in Europe slowly after the end of the Second World War. The awareness that the human way of life was effecting the environment grew, but for a long time this insight did not have any impact. In 1972 the UNO held the United Nations Conference on the Human Environment (also known as the Stockholm Conference). It was the first important international conference on environment and conservation, which turned out to be „*the beginning of modern political and public awareness of global environmental problems*“<sup>88</sup>. Consequently many countries and supra-national entities started to increase their focus on environmental topics, e.g. the European Community created the Environmental Action Programme. The first Oil Crisis of 1973 increased the momentum.

In 1987 the Brundlandt Commission defined sustainable development in its report<sup>89</sup> to be the „*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*“. It has probably become the most quoted definition of sustainability.

This master thesis approaches sustainability from a wider point of view. One central point is the research on sustainability, which contains the technical measures of Outlet Centers and their stores as well as the consumption of resources. These range from energy efficient air condition to healthy building materials and life cycle costs.

The other central point is the business model of Outlet Centers. The current prospering and growth of the Outlet Center industry raises the question if the current growth and strategy really are sustainable. Therefore it is necessary to look at the whole picture of the retail industry and understand Outlet Centers‘ part in it.

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<sup>87</sup> [http://www.languagemonitor.com/top\\_word\\_lists/history-of-the-top-words-of-2009-2000/](http://www.languagemonitor.com/top_word_lists/history-of-the-top-words-of-2009-2000/). Retrieved on 3.8.2011

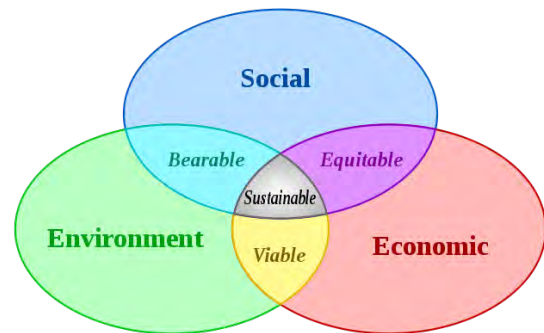
<sup>88</sup> John Baylis, Steve Smith. 2005. The Globalization of World Politics (3rd ed). Oxford. Oxford University Press. P.454-455

<sup>89</sup> <http://www.un-documents.net/ocf-02.htm#I>. Retrieved on 24.7.2011

### 1.9.1 MODEL OF SUSTAINABILITY

Currently there are many different models of sustainability, which were developed by many different organizations, universities and entities in various countries. There are three dimensional (triple bottom line, three pillars and three spheres), four dimensional (prism, MAIN prism, four pillar and four spheres), human linked ecosystems (egg of well-being, human linked ecosystem, fuzzy boundaries and concentric rings) systems.

All models share in principle economic, environmental and social components and the fact that there must be a sound balance between them in order to achieve sustainability. Furthermore all have the hope that the current human generation not only passes on economic values of the industrialized world, but also environmental and social values.



#### **Economic dimension**

The economic dimension has evidently capital as its origin, but it has been expanded to cover related and interacting areas. So in addition to capital the resources of production, human and knowledge are essential parts of the economic dimension.

*Insert 42. Three spheres of sustainability (Source: <http://katarinafoods.files.wordpress.com/2011/01/sustainability20spheres202.jpg>)*

From the commercial real estate point of view Outlet Centers shall generate a long-term economic gain. This objective can only be achieved when the building fulfils the current and future (unknown) requirements of all involved stakeholders, especially those of tenants and operator. When these requirements are fulfilled vacancy rates will be low and the rent sustainable. Furthermore it is essential to assess the buildings life cycle costs, because the costs of demolition and disposal are often neglected.

#### **Environmental dimension**

Nature and its ecosystem provide all living creatures with their basis of life. Sustainable life implies that the human consumption of natural resources does not exceed the natural rate of replenishment, hence respecting the circle of life.

The construction of building structures is an intrusion into nature as it consumes resources, seal the soil, influence the surrounding biota and hydrologic balance. The operation implies the use of resources for operation, maintenance and generates indirect effects such as traffic.



### **Social dimension**

The social dimension covers all units of society, from countries, companies down to clubs and every single individual. All shall act and interact in a social and fair manner. This dimension is very hard to quantify, because most of its aspects are immaterial and subjective.

Outlet Centers shall provide a safe and healthy environment for workers, employees and customers during development and operation. This includes tolerable working hours, adequate pay and healthy atmosphere. Ideally the center is integrated in the social structure of its catchment area.

The model is often criticized for its theoretical approach. The two main challenging arguments are that all three dimensions are of equal importance and the fact, that it is not possible to derive directly an objective, measurable and operational system. Despite this criticism it is a very good tool to illustrate the important principles of sustainability.

## **1.9.2 SUSTAINABLE BUSINESS**

Sustainability has many different connotations and in this thesis the following quote is a satisfying and broad definition.

*„Sustainability is about ensuring long-term business success while contributing towards economic and social development, a healthy environment and a stable society“<sup>90</sup>.*

This definition satisfies the two mainstays of sustainable business, i.e. on the one hand business and on the other hand sustainability. The common understanding of sustainability was described in the previous chapter, while this chapter focuses on the business aspect.

A sustainable business operation is probably very hard to find as many market leading companies have lost their leading position to innovative competition. Joseph Schumpeter created the economic theory of creative destruction, which is a disruptive transformation process through innovation. These developments may also come from outside the competing industry.

The Outlet Center industry has basically two components that must be sustainable in order to continue being successful in the market. On the one hand there are the tenant companies, many are manufacturers, on the other hand there is the retail format (branding, positioning, business model, rents).

Assuming that there always will be manufacturers for fashion, clothing, shoes and housewares, and that they will produce overruns and customers are interested in brands, the focus will be on the retail format.

The sustainable real estate business has been well defined by the Royal Institution of Chartered Surveyors. *“Sustainable property investment can therefore be described as investing in pursuit of sustainability, or, to be*

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<sup>90</sup> SustainAbility, International Finance Corporation (2002): Developing Value - The business case for sustainability in emerging markets, London. Page 7

*more precise, as investing in pursuit of greater durability, adaptability, usability and efficiency of buildings and the building stock, leading to enhanced productivity, well-being, and economic benefit measured in terms of financial, natural, manufactured, human and social capital.”<sup>91</sup>*

The real estate certification is one transparent and accepted method to prove the environmental performance of a building.

## **1.10 REAL ESTATE CERTIFICATION**

Investors are increasingly recognizing the importance of the environmental performance of their real estate portfolios in terms of long-term financial performance, image and reputation. An economically viable system has to be established, which enables investors to assess the environmental impact and performance of real estate. Currently the share of certified buildings is still low in comparison to the total building stock, but more and more new buildings are certified and some investors do also start to certify their already in-use buildings.

### **1.10.1 MOST COMMON CERTIFICATION SYSTEMS**

Today there are worldwide numerous real estate certification systems, which range from simple equipment to complete building certifications. The most common real estate certifications originate from a national institution and have therefore different emphasis depending on their roots. Only few certification systems have gained importance beyond their national boarder, especially the American LEED and the British BREEAM standards have spread internationally. This is mainly due to American and British investment funds seeking opportunities globally.

In retail buildings BREEAM has developed to be one of the most used and accepted standard, as in office buildings LEED. Some developers choose to conduct double or triple certifications in order to market the environmental performance and make an attractive offer to a maximum number of investors. For example, the office building Rivergate in Vienna has been awarded both an EU Green Building Certificate and a LEED certification.

Generally speaking certification systems are used to create comparability and transparency for buildings' environmental performance. In addition to the setting a performance standard it is also useful to underline the buildings branding and marketing and investment reasons.

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<sup>91</sup> Royal Institution of Chartered Surveyors (2008): Sustainable Property Investment and Management. London. Page 6.



### 1.10.2 BREEAM

The Building Research Establishment (BRE) in the UK developed the Environmental Assessment Method (BREEAM). It was released in 1990 making it the first sustainability certification system for real estate. Since then there have been periodic updates and expansions of the system.



*Insert 43. The logo of BREEAM (source: [www.breeam.org](http://www.breeam.org) Retrieved on 15.11.2011)*

BREEAM is the dominating system in the UK and has also found a strong demand within the European retail industry. According to its homepage more than 200.000 buildings are BREEAM certified and over a million buildings are registered to be certified<sup>92</sup>.

BREEAM offers several different certifications for various real estate types and adaptations to specific countries. For Outlet Center the BREEAM Europe Commercial scheme is applicable and can be used to assess office, retail and industrial buildings in Europe and EU Member states.

The assessment method enables developers to evaluate, improve and demonstrate the environmental credentials of their building in a consistent way in different countries across Europe.

BREEAM has defined the following ten categories as basis for its assessment

- Management,
- Health and Wellbeing,
- Energy,
- Transport,
- Materials,
- Waste,
- Water,
- Land Use and Ecology,
- Pollution and
- Innovation,

The assessment method shall provide an independent means of assessing key environmental impacts associated with construction projects. Within these ten BREEAM categories credits are awarded according to the performance of the development, although minimum standards apply for all categories. The score achieved in each category is then weighted to reflect the importance of each category as an environmental issue in Europe. The weighted scores are combined and the final score translated into a rating of Pass, Good, Very Good, Excellent or Outstanding.

The ICSC Sustainability Working Group evaluated the worldwide most common certification standards for sustainable buildings and finally selected BREEAM. BRE and ICSC jointly launched the BREEAM Europe Retail scheme for the assessment of new and refurbished shopping centres throughout Europe.

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<sup>92</sup> <http://www.breeam.org/page.jsp?id=66>. Retrieved on 8.2.2012

### 1.10.3 LEED

The United States Green Building Council (USGBC) administers the Leadership in Energy and Environmental Design (LEED) certification. It was created in 1998 and has become the national certification standard in the USA. Since the start until 27<sup>th</sup> March 2012 12.000<sup>93</sup> buildings have been LEED certified and approximately 25.000 buildings in 91 countries have registered to become certified<sup>94</sup>.

LEED can be adjusted for all types of buildings through modification of the entry-level version of LEED. The version used for retail real estate certification “LEED 2009 for retail: NC” evaluates the buildings environmental impact on these factors:

- Integrative Process
- Location and Transportation
- Sustainable sites
- Water Efficiency
- Energy and Atmosphere
- Materials and Resources
- Indoor Environmental Quality
- Performance
- Innovation
- Regional Priority



*Insert 44. Logo of the LEED certification (source: <http://www.usgbc.org/leed> Retrieved on 15.11.2011)*

### 1.10.4 EU GREEN BUILDING

The European Commission identified in its Green Paper on Energy Efficiency that the building sector is an area, where important improvements in energy efficiency can be realized. As a consequence the GreenBuilding Programme (GBP) was launched in 2004. This programme aims at improving the energy efficiency and expanding the integration of renewable energies in non-residential buildings in Europe on a voluntary basis.<sup>95</sup>

In the years 2005-2006 setting up a GreenBuilding network in nine countries commenced a pilot phase. The network is supporting interested companies to



*Insert 45. EU Green Building logo (source: <http://re.jrc.ec.europa.eu/energyefficiency/greenbuilding/index.htm> Retrieved on 15.11.2011)*

<sup>93</sup> <https://www.usgbc.org/ShowFile.aspx?DocumentID=18681>. Retrieved on 30.03.2012

<sup>94</sup> <http://www.sgbc.se/index.php/certifieringssystem/leed>. Retrieved on 8.2.2012

<sup>95</sup> <http://www.eu-greenbuilding.org/> retrieved on 5.8.2011

understand and implement the requirements in real estate projects. The success led to a second project „GreenBuildingplus“, which was completed in 2010. The European Commission is continuing the GreenBuilding-Program.

In thirteen EU-countries there are national contact points handling the administration of the program. Companies which are interested in participating in the program are supported during the whole process by the national contact point. Information, education, system check, measurements and final approval are all conducted by the official institution.

By September 2011 the Joint Research Centre had certified 537 non-residential buildings. One major reason for the success of the program lies in its simplicity. The clear focus is on the reduction of buildings' energy consumption. Therefore it is easier for companies to estimate the necessary effort to obtain the certification. This slim lined approach makes it an attractive alternative or complement to certifications such as BREEAM or LEED.

For Green Building certified properties there are three different categories

- Refurbishment of existing non-residential buildings

primary energy consumption is reduced by at least 25% (if economically viable), total or related to the end-use or subsystem, which is being modernized.

- New non-residential buildings

primary energy consumption 25% below building standard (if economically viable) or below the consumption of “conventional” buildings presently constructed.

- Building(s) already renovated or refurbished (after 01.01.2000)

primary energy consumption reduced by at least 25% or the buildings consume 25% less energy than required by the national building standard in force at that time.

### **1.10.5 SIMILARITIES AND CRITICISM**

Regardless of which certification system is chosen it implies a considerable effort in planning, system choice, construction and documentation. The effort can be held at a moderate level when the necessary steps are taken in the early stage of the project development. The later the requirements are taken into account, the more effort is necessary and fewer solutions are still feasible.

The various certification systems have different assessment criteria and weighing for buildings performance (see previous insert), which means that a building may receive quite different scores depending on the system<sup>96</sup>. All the common certifications have both a strong focus on energy performance, but the assessment values different measures.

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<sup>96</sup> Saunders, Thomas (2008): A discussion document comparing international environmental assessment methods for buildings. BREEAM. Page 40 et seq.

Although there are discussions on the usefulness and procedure of energy efficiency and sustainability certificates, but it is an internationally accepted assessment method for the environmental performance of a building. The systems are updated regularly and therefore more up to date than building laws. Since each certification scheme is the same all over the world the transparency and comparability for investors is improved.

#### **1.10.6 OUTLET CENTER CERTIFICATION**

Neinver developed „Coruña The Style Outlets“, which was designed to fulfill tenants demands as far as possible and comply to the requirements of a sustainability certification. The center was opened in May 2011 and received the BREEAM Certified Buildings 2008 environmental sustainability certification. It reached the level “good“, which is the second lowest of a total of six grades.



*Insert 46. View on Neinvers' The Style Outlets Coruña, certified according to BREEAM (source: [http://breeam.es/images/comunicacion/Noticias/style%20outlets%20corua\\_sostenible.jpg](http://breeam.es/images/comunicacion/Noticias/style%20outlets%20corua_sostenible.jpg). Retrieved on 30.03.2012)*

Neinver is continuing their effort to certify their new Outlet Centers. In 2011 the Outlet Center “Factory Krakow” was also certified by BREEAM Europe Retail 2008. Both centers were the first outlet as well as shopping centers in these two countries. “Factory Warsaw Annopol“ is due to open in 2012 and will also be certified according to BREEAM.

Neinver and MAB Development have formed a joint venture for the development of Outlet Centers in France, Netherlands and Germany. Currently two Outlet Centers are under construction in France. In Normandy the project „Honfleur“ is developed, which will be the first certified Outlet Center in France. It will be certified according to the national certification standard NF Bâtiments Tertiaires – Démarche HQE.

In Germany, just south of Hamburg, Mutschler Group is developing the Designer Outlet Soltau. The center is ideally located just next to the highway and close to one of Germany's largest entertainment parks, the „Heidepark“. Currently it is under construction and is also expected to be certified as BREEAM Europe Retail 2008 once the construction works are completed in 2012. It will be the first certified Outlet Center in Germany.

Most new development projects have considered in one way or another to incorporate a certification. Although not all developers may choose to invest the necessary effort to achieve a certification, at least the awareness is increasing constantly. Some developers prefer to invest the money in energy efficient systems rather than in a certification. Some are still not convinced that a certification is necessary, although most end investors have a strong preference for certified real estate. This trend will continue as certification systems are continuously improved to represent the technical progress and increased insight.

# QUESTIONNAIRE

## Sustainable Success Criteria for Outlet Center - The Tenants' Point of View

Dear participant,

thank you in advance for taking part in this survey. As recognition for your effort you will receive a copy of the master thesis.

My name is Andreas Hainzl and I'm studying "Real Estate Development and Valuation" ([immo.tuwien.ac.at/imbwneu/english/](http://immo.tuwien.ac.at/imbwneu/english/)) at the Technical University of Vienna. As part of my studies, I'm writing my master thesis on "Sustainable Success Criteria for Outlet Center - the Tenants Point of View". The research company Ecostra ([www.ecostrade.com](http://www.ecostrade.com)) and especially Dr. Joachim Will are supporting me in this endeavour.

My research is focused on the success story of Outlet Center. Since there are several stakeholders involved in the development and operation of an Outlet Center, I decided to concentrate on one. The tenants and their brand strength are vital to the success, so I want to approach this topic from the tenants point of view in order to answer questions like

Which criteria beyond the necessary ones like e.g. location and turn-over potential are crucial for the success?

How prepared are tenants for the challenges of the future?

How can the success of Outlet Center be sustained in the future?

All provided information is strictly confidential and anonymous. It will not be possible to trace any information, neither to a specific person nor a company. All answers will only be used for the purpose of this master thesis.

This survey comprises 18 questions in three categories

Statistical information (7 questions)

Location and center criteria (6 questions)

Store criteria and rental agreement (5 questions)

Thank you for your time and support!

If you have any questions or comments please feel free to contact me by email  
andreashainzl@yahoo.com

Best regards,  
Andreas Hainzl

For more information about me please check out my profiles on the internet  
[https://www.xing.com/profile/Andreas\\_Hainzl](https://www.xing.com/profile/Andreas_Hainzl)  
<http://at.linkedin.com/pub/andreas-hainzl/4/349/836>

There are 18 questions in this survey

## Statistical information

Please provide some statistical information on your company in order to categorize the company properly.

### 1 Please indicate for which kind of company you work for \*

Please choose **only one** of the following:

- ☐ Manufacturer
- ☐ Wholesaler / importer
- ☐ License holder
- ☐ Other:

### 2 To which category does your company belong? Please check the boxes that apply \*

Please choose **all** that apply:

- ☐ Clothing (menswear, womenswear, childrenswear)
- ☐ Sportswear
- ☐ Shoes
- ☐ Accessories
- ☐ Houseware
- ☐ Service, cafés, restaurants
- ☐ Other:

### 3 How large is your company/group by turnover?

Please choose **only one** of the following:

- ☐ Less than 10 million EUR
- ☐ 11 - 50 million EUR
- ☐ 51 - 250 million EUR
- ☐ More than 250 million EUR

### 4 Does your company (or mother company) manage more than one brand in outlet center? \*

Please choose **only one** of the following:

- ☐ Yes
- ☐ No

### 5 In how many Outlet Centers is your brand renting a store?

Please write your answer here:

### 6 In which country is your company's (or mother company's) headquarter based?

Please write your answer here:



**7 Is your company (or mother company) a corporation?**  
**example given: SE, plc, SA, AG, AB, Inc, OY**

Please choose only one of the following:

- ☐ Yes and it is listed on the stock market  
☐ Yes and it is NOT listed on the stock market  
☐ No

#### Location and center criteria

**8 How intensively do you generally interact with the following entities during the development and operation of an outlet center?**

Please choose the appropriate response for each item:

	1 - no interaction	2	3	4	5 - intensive interaction
Development company	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Leasing agent	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Anchor tenants	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other tenants	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Operator(s)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Investor	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Municipality and local authorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
End customers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Consulting/marketing research companies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**9 What do you consider to be worth investing in for customers to make an OC successful?**

Please choose the appropriate response for each item:

	1 - not important	2	3	4	5 - very important
Brand image	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Appealing price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Substantial discount	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Desirable products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Attractive point of sale	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Convenient shopping (easy access to goods, good overview)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Conscious choice (fair trade, CSR, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Shopping experience and/or entertainment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pleasant ambience/atmosphere	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Healthy environment (materials, feng-shui)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Customer friendly personnel	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Knowledgeable personnel	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Advertisement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internet/social media presence and interaction	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Product choice for specific consumer segments (e.g. above 55 year olds)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Higher customer involvement (e.g. customization, public showing)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### 10 How important are the following criteria in your decision to rent a store in an outlet center?

Please choose the appropriate response for each item:

	1 - not important	2	3	4	5 - very important
Location	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accessibility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Visibility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Catchment area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Demographics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Purchasing power	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Turn-over potential	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Prognosis of future development (economy, demographics)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Marketing and brand strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Architecture and ambience	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Rent level	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Operational costs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Center management costs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Incentives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Total costs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand/tenant mix	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Anchor tenants	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sustainability certification (e.g. BREEAM, LEED, DGNB, NF-HQE)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Energy efficiency	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
OC complies with CSR policy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Image and experience of Operator/Center Management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Active and reliable investor/owner	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Legal framework (labour laws, trade unions)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Available work force	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Higher influence on product pricing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Higher flexibility of product management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Matching existing distribution and sales network	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Distance to the next highstreet store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Distance to the next outlet center store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Distance to the next logistic center	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### 11 How would the beneath mentioned factors influence your willingness to invest in sustainability and energy-efficiency?

Please choose the appropriate response for each item:

	1 - no influence	2	3	4	5 - high influence
Certain and profitable cost-benefit ratio (e.g. ROI in 7 years)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Strong marketing leverage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Customers would notice the difference	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Equal total costs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lower total costs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Energy costs would increase rapidly	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mutual initiative by the tenants	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Initiative by the owner/operator	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The savings were shared among tenants and owner	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Attractive contractor solution (3rd party)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In depth knowledge on profitable system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## 12 How many regular stores do you generally require to ensure the supply for one outlet center?

Please write your answer(s) here:

EU-countries

Non EU-countries

## 13 Which trends do you anticipate for European outlet centers?

Please choose the appropriate response for each item:

	1 - unlikely	2	3	4	5 - certain
New design style or different layout	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Integration with other facilities (sports, entertainment)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Integration with non competitive retailers (e.g. food)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Integration of services (kindergarten, banking)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ecological measures (healthy materials, rainwater usage)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Energy efficiency measures (HVACR)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Alternative energy production (combined heat pump, solar modules, geothermal, wind)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ambience and architecture (healthy materials, feng-shui)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outlet center mall	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
City outlet centers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Value Centers (Shopping and Outlet combined)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Stronger local focus (local brands and specialties)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Higher focus on segmented consumer groups	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increased customer convenience	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Higher involvement of the customer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Seamless shopping experience (highstreet, outlet, internet)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Higher importance of public transportation and bus operators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Store criteria and rental agreement

### 14 How important is it that the following characteristics should match your requirements for an outlet center store?

Please choose the appropriate response for each item:

	1 - not important	2	3	4	5 - very important
Size of the store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Layout of the store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Flexibility of the interior (walls, roofs, installations)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ratio sales to storage area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Location of the store in the center (accessibility, visibility, traffic pattern)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Attractive neighbouring stores	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Distance to anchor tenants	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Energy-efficient HVACAR (heating, ventilation, air-conditioning and refrigeration)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sustainability and energy certifications (BREEAM, DGNB, NF-HQE, LEED)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Efficient logistics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**15 Which sources do you use to collect customer feedback?**

Please choose all that apply:

- ☐ Product sales  
☐ Feedback from personnel  
☐ Random questionnaire/interviews  
☐ Periodic questionnaire/interviews  
☐ Mystery shopping  
☐ None  
☐ Other:

**16****How important are generally the following elements of your rental contracts during the negotiation?**

Please choose the appropriate response for each item:

	1 - not important	2	3	4	5 - very important
Duration	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Base rent level	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Base rent adjustment (index, fixed)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Turn-over rent level	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ratchet conditions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Incentives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Operational costs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Center Management costs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Exit clauses	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Flexibility for future amendments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cost savings regulations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Competition clauses	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**17 According to your experience and opinion, how strong is the influence of the mentioned factors on the rent level?**

Please choose the appropriate response for each item:

	1 - no influence	2	3	4	5 - high influence
Operator / Center Management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Country / market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
State of the economy at contract signing (expansion or recession)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Phase of the outlet center at contract signing - in development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Phase of the outlet center at contract signing - five years in operation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Positioning of the OC	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Existing brand mix	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tenant demand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Center turnover	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**18****How high do you generally consider the following costs to be?  
How strong is your influence on these costs?**

Please choose the appropriate response for each item:

	1 - low	2	cost level	3 - average	4	5 - high	1 - low	2	influence	3 - average	4	5 - strong
Operational costs	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Electricity costs (lighting)	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Heating/cooling costs	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Center Management costs	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Marketing costs	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Thank you very much for your effort and time!**

01.01.1970 – 01:00

Submit your survey.

Thank you for completing this survey.

## QUESTIONNAIRE RESULTS

Number of records in this query: 49  
Total records in survey: 49

### STATISTICAL INFORMATION

<b>Please indicate for which kind of company you work for</b>		
Answer	Count	Percentage
Manufacturer (1)	22,0	44,9%
Wholesaler / importer (2)	9,0	18,4%
License holder (3)	4,0	8,2%
Other	9,0	18,4%
No answer	5,0	10,2%
Field summary for 1-2		
<b>To which category does your company belong? Please check the boxes that apply</b>		
Answer	Count	Percentage
Clothing (menswear, womenswear, childrenswear) (1)	22,0	44,9%
Sportswear (2)	9,0	18,4%
Shoes (3)	14,0	28,6%
Accessories (4)	16,0	32,7%
Houseware (5)	9,0	18,4%
Service, cafés, restaurants (6)	1,0	2,0%
Other	5,0	10,2%
Field summary for 1-3		
<b>How large is your company/group by turnover?</b>		
Answer	Count	Percentage
Less than 10 million EUR (1)	2,0	4,1%
11 - 50 million EUR (2)	6,0	12,2%
51 - 250 million EUR (3)	16,0	32,7%
More than 250 million EUR (4)	16,0	32,7%
No answer	9,0	18,4%
Field summary for 1-4		
<b>Does your company (or mother company) manage more than one brand in outlet center?</b>		
Answer	Count	Percentage
Yes (Y)	19,0	38,8%
No (N)	25,0	51,0%
No answer	5,0	10,2%

Field summary for 1-5		
<b>In how many Outlet Centers is your brand renting a store?</b>		
Calculation	Result	
Count	43,0	
Sum	1.040,0	
Average	24,2	
Field summary for 1-6		
<b>In which country is your company's (or mother company's) headquarter based?</b>		
Answer	44,0	89,8%
No answer	5,0	10,2%
Field summary for 1-7		
<b>Is your comany (or mother company) a corporation? example given: SE, plc, SA, AG, AB, inc, OY</b>		
Answer	Count	Percentage
Yes and it is listed on the stock market (1)	12,0	24,5%
Yes and it is NOT listed on the stock market (2)	18,0	36,7%
No (3)	13,0	26,5%
No answer	6,0	12,2%

## LOCATION AND CENTER CRITERIA

Field summary for 2-1(1) <b>How intensively do you generally interact with the following entities during the development and operation of an outlet center?</b> <b>[Development company]</b>		
Answer	Count	Percentage
1 - no interaction (1)	9,0	27,3%
2 (2)	5,0	15,2%
3 (3)	6,0	18,2%
4 (4)	6,0	18,2%
5 - intensive interaction (5)	2,0	6,1%
No answer	5,0	15,2%
	33,0	
	2,54	

Field summary for 2-1(2)		
<b>How intensively do you generally interact with the following entities during the development and operation of an outlet center?</b>		
<b>[Leasing agent]</b>		
Answer	Count	Percentage
1 - no interaction (1)	8,0	24,2%
2 (2)	8,0	24,2%
3 (3)	2,0	6,1%
4 (4)	5,0	15,2%
5 - intensive interaction (5)	9,0	27,3%
No answer	1,0	3,0%
	33,0	
	2,97	
Field summary for 2-1(3)		
<b>How intensively do you generally interact with the following entities during the development and operation of an outlet center?</b>		
<b>[Anchor tenants]</b>		
Answer	Count	Percentage
1 - no interaction (1)	10,0	30,3%
2 (2)	9,0	27,3%
3 (3)	4,0	12,1%
4 (4)	4,0	12,1%
5 - intensive interaction (5)	4,0	12,1%
No answer	2,0	6,1%
	33,0	
	2,45	
Field summary for 2-1(4)		
<b>How intensively do you generally interact with the following entities during the development and operation of an outlet center?</b>		
<b>[Other tenants]</b>		
Answer	Count	Percentage
1 - no interaction (1)	9,0	27,3%
2 (2)	8,0	24,2%
3 (3)	6,0	18,2%
4 (4)	5,0	15,2%
5 - intensive interaction (5)	3,0	9,1%
No answer	2,0	6,1%
	33,0	
	2,52	

Field summary for 2-1(5)		
<b>How intensively do you generally interact with the following entities during the development and operation of an outlet center?</b>		
<b>[Operator(s)]</b>		
Answer	Count	Percentage
1 - no interaction (1)	2,0	6,1%
2 (2)	4,0	12,1%
3 (3)	7,0	21,2%
4 (4)	6,0	18,2%
5 - intensive interaction (5)	11,0	33,3%
No answer	3,0	9,1%
	33,0	
	3,67	
Field summary for 2-1(6)		
<b>How intensively do you generally interact with the following entities during the development and operation of an outlet center?</b>		
<b>[Investor]</b>		
Answer	Count	Percentage
1 - no interaction (1)	17,0	51,5%
2 (2)	6,0	18,2%
3 (3)	1,0	3,0%
4 (4)	3,0	9,1%
5 - intensive interaction (5)	2,0	6,1%
No answer	4,0	12,1%
	33,0	
	1,86	
Field summary for 2-1(7)		
<b>How intensively do you generally interact with the following entities during the development and operation of an outlet center?</b>		
<b>[Municipality and local authorities]</b>		
Answer	Count	Percentage
1 - no interaction (1)	13,0	39,4%
2 (2)	8,0	24,2%
3 (3)	4,0	12,1%
4 (4)	4,0	12,1%
5 - intensive interaction (5)	1,0	3,0%
No answer	3,0	9,1%
	33,0	
	2,07	



Field summary for 2-1(8)		
<b>How intensively do you generally interact with the following entities during the development and operation of an outlet center?</b>		
<b>[End customers]</b>		
Answer	Count	Percentage
1 - no interaction (1)	11,0	33,3%
2 (2)	3,0	9,1%
3 (3)	6,0	18,2%
4 (4)	2,0	6,1%
5 - intensive interaction (5)	8,0	24,2%
No answer	3,0	9,1%
	33,0	
	2,77	
Field summary for 2-1(9)		
<b>How intensively do you generally interact with the following entities during the development and operation of an outlet center?</b>		
<b>[Consulting/marketing research companies]</b>		
Answer	Count	Percentage
1 - no interaction (1)	14,0	42,4%
2 (2)	4,0	12,1%
3 (3)	8,0	24,2%
4 (4)	4,0	12,1%
5 - intensive interaction (5)	0,0	0,0%
No answer	3,0	9,1%
	33,0	
	2,07	
Field summary for 2-2(1)		
<b>What do you consider to be worth investing in for customers to make an OC successful?</b>		
<b>[Brand image]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	1,0	3,0%
4 (4)	14,0	42,4%
5 - very important (5)	18,0	54,5%
No answer	0,0	0,0%
	33,0	
	4,52	

Field summary for 2-2(2)		
<b>What do you consider to be worth investing in for customers to make an OC successful?</b>		
<b>[Appealing price]</b>		
Answer	Count	Percentage
1 - not important (1)	1,0	3,0%
2 (2)	2,0	6,1%
3 (3)	5,0	15,2%
4 (4)	11,0	33,3%
5 - very important (5)	12,0	36,4%
No answer	2,0	6,1%
	33,0	
	4,00	
Field summary for 2-2(3)		
<b>What do you consider to be worth investing in for customers to make an OC successful?</b>		
<b>[Substantial discount]</b>		
Answer	Count	Percentage
1 - not important (1)	2,0	6,1%
2 (2)	2,0	6,1%
3 (3)	8,0	24,2%
4 (4)	11,0	33,3%
5 - very important (5)	9,0	27,3%
No answer	1,0	3,0%
	33,0	
	3,72	
Field summary for 2-2(4)		
<b>What do you consider to be worth investing in for customers to make an OC successful?</b>		
<b>[Desirable products]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	1,0	3,0%
4 (4)	13,0	39,4%
5 - very important (5)	18,0	54,5%
No answer	1,0	3,0%
	33,0	
	4,53	
Field summary for 2-2(5)		
<b>What do you consider to be worth investing in for customers to make an OC successful?</b>		
<b>[Attractive point of sale]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	9,0	27,3%
4 (4)	14,0	42,4%
5 - very important (5)	10,0	30,3%
No answer	0,0	0,0%
	33,0	
	4,03	

Field summary for 2-2(6)		
<b>What do you consider to be worth investing in for customers to make an OC successful?</b>		
<b>[Convenient shopping (easy access to goods, good overview)]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	8,0	24,2%
4 (4)	19,0	57,6%
5 - very important (5)	6,0	18,2%
No answer	0,0	0,0%
	33,0	
	3,94	
Field summary for 2-2(7)		
<b>What do you consider to be worth investing in for customers to make an OC successful?</b>		
<b>[Conscious choice (fair trade, CSR, etc )]</b>		
Answer	Count	Percentage
1 - not important (1)	5,0	15,2%
2 (2)	11,0	33,3%
3 (3)	10,0	30,3%
4 (4)	4,0	12,1%
5 - very important (5)	1,0	3,0%
No answer	2,0	6,1%
	33,0	
	2,52	
Field summary for 2-2(8)		
<b>What do you consider to be worth investing in for customers to make an OC successful?</b>		
<b>[Shopping experience and/or entertainment]</b>		
Answer	Count	Percentage
1 - not important (1)	1,0	3,0%
2 (2)	6,0	18,2%
3 (3)	10,0	30,3%
4 (4)	9,0	27,3%
5 - very important (5)	7,0	21,2%
No answer	0,0	0,0%
	33,0	
	3,45	
Field summary for 2-2(9)		
<b>What do you consider to be worth investing in for customers to make an OC successful?</b>		
<b>[Pleasant ambience/atmosphere]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	6,0	18,2%
4 (4)	17,0	51,5%
5 - very important (5)	10,0	30,3%
No answer	0,0	0,0%
	33,0	
	4,12	

Field summary for 2-2(10)		
<b>What do you consider to be worth investing in for customers to make an OC successful?</b>		
<b>[Healthy environment (materials, feng-shui)]</b>		
Answer	Count	Percentage
1 - not important (1)	4,0	12,1%
2 (2)	13,0	39,4%
3 (3)	9,0	27,3%
4 (4)	5,0	15,2%
5 - very important (5)	1,0	3,0%
No answer	1,0	3,0%
	33,0	
	2,56	
Field summary for 2-2(11)		
<b>What do you consider to be worth investing in for customers to make an OC successful?</b>		
<b>[Customer friendly personnel]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	4,0	12,1%
4 (4)	11,0	33,3%
5 - very important (5)	18,0	54,5%
No answer	0,0	0,0%
	33,0	
	4,42	
Field summary for 2-2(12)		
<b>What do you consider to be worth investing in for customers to make an OC successful?</b>		
<b>[Knowledgable personnel]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	9,0	27,3%
4 (4)	14,0	42,4%
5 - very important (5)	9,0	27,3%
No answer	1,0	3,0%
	33,0	
	4,00	
Field summary for 2-2(13)		
<b>What do you consider to be worth investing in for customers to make an OC successful?</b>		
<b>[Advertisement]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	5,0	15,2%
3 (3)	8,0	24,2%
4 (4)	12,0	36,4%
5 - very important (5)	7,0	21,2%
No answer	1,0	3,0%
	33,0	
	3,66	

Field summary for 2-2(14)		
<b>What do you consider to be worth investing in for customers to make an OC successful?</b>		
<b>[Internet/social media presence and interaction]</b>		
Answer	Count	Percentage
1 - not important (1)	2,0	6,1%
2 (2)	9,0	27,3%
3 (3)	9,0	27,3%
4 (4)	9,0	27,3%
5 - very important (5)	3,0	9,1%
No answer	1,0	3,0%
	33,0	
	3,06	
Field summary for 2-2(15)		
<b>What do you consider to be worth investing in for customers to make an OC successful?</b>		
<b>[Product choice for specific consumer segments (e.g. above 55 year olds)]</b>		
Answer	Count	Percentage
1 - not important (1)	3,0	9,1%
2 (2)	8,0	24,2%
3 (3)	9,0	27,3%
4 (4)	10,0	30,3%
5 - very important (5)	2,0	6,1%
No answer	1,0	3,0%
	33,0	
	3,00	
Field summary for 2-2(16)		
<b>What do you consider to be worth investing in for customers to make an OC successful?</b>		
<b>[Higher customer involvement (e.g. customization, public showing)]</b>		
Answer	Count	Percentage
1 - not important (1)	4,0	12,1%
2 (2)	11,0	33,3%
3 (3)	10,0	30,3%
4 (4)	3,0	9,1%
5 - very important (5)	4,0	12,1%
No answer	1,0	3,0%
	33,0	
	2,75	
Field summary for 2-3(1)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Location]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	0,0	0,0%
4 (4)	4,0	12,1%
5 - very important (5)	27,0	81,8%
No answer	2,0	6,1%
	33,0	

4,87		
Field summary for 2-3(2)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Accessibility]</b>		
Answer	Count	Percentage
1 - not important (1)	1,0	3,0%
2 (2)	0,0	0,0%
3 (3)	2,0	6,1%
4 (4)	9,0	27,3%
5 - very important (5)	19,0	57,6%
No answer	2,0	6,1%
	33,0	
	4,45	
Field summary for 2-3(3)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Visibility]</b>		
Answer	Count	Percentage
1 - not important (1)	1,0	3,0%
2 (2)	0,0	0,0%
3 (3)	4,0	12,1%
4 (4)	10,0	30,3%
5 - very important (5)	16,0	48,5%
No answer	2,0	6,1%
	33,0	
	4,29	
Field summary for 2-3(4)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Catchment area]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	1,0	3,0%
4 (4)	13,0	39,4%
5 - very important (5)	16,0	48,5%
No answer	3,0	9,1%
	33,0	
	4,50	
Field summary for 2-3(5)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Demographics]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	3,0	6,1%
3 (3)	5,0	10,2%
4 (4)	12,0	24,5%
5 - very important (5)	10,0	20,4%
No answer	3,0	6,1%
	33,0	
	3,97	

Field summary for 2-3(6)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Purchasing power]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	2,0	4,1%
3 (3)	9,0	18,4%
4 (4)	8,0	16,3%
5 - very important (5)	11,0	22,4%
No answer	3,0	6,1%
	33,0	
	3,93	
Field summary for 2-3(7)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Turn-over potential]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	4,0	8,2%
4 (4)	8,0	16,3%
5 - very important (5)	18,0	36,7%
No answer	3,0	6,1%
	33,0	
	4,47	
Field summary for 2-3(8)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Prognosis of future development (economy, demographics)]</b>		
Answer	Count	Percentage
1 - not important (1)	1,0	2,0%
2 (2)	3,0	6,1%
3 (3)	9,0	18,4%
4 (4)	14,0	28,6%
5 - very important (5)	3,0	6,1%
No answer	3,0	6,1%
	33,0	
	3,50	
Field summary for 2-3(9)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Marketing and brand strategy]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	1,0	2,0%
3 (3)	8,0	16,3%
4 (4)	18,0	36,7%
5 - very important (5)	3,0	6,1%
No answer	3,0	6,1%
	33,0	
	3,77	

Field summary for 2-3(10)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Architecture and ambience]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	1,0	2,0%
3 (3)	14,0	28,6%
4 (4)	13,0	26,5%
5 - very important (5)	2,0	4,1%
No answer	3,0	6,1%
	33,0	
	3,53	
Field summary for 2-3(11)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Rent level]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	3,0	9,1%
4 (4)	10,0	30,3%
5 - very important (5)	17,0	51,5%
No answer	3,0	9,1%
	33,0	
	4,47	
Field summary for 2-3(12)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Operational costs]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	7,0	21,2%
4 (4)	12,0	36,4%
5 - very important (5)	12,0	36,4%
No answer	2,0	6,1%
	33,0	
	4,16	
Field summary for 2-3(13)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Center management costs]</b>		
Answer	Count	Percentage
1 - not important (1)	1,0	3,0%
2 (2)	0,0	0,0%
3 (3)	9,0	27,3%
4 (4)	9,0	27,3%
5 - very important (5)	11,0	33,3%
No answer	3,0	9,1%
	33,0	
	3,97	



Field summary for 2-3(14)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Incentives]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	3,0	9,1%
3 (3)	12,0	36,4%
4 (4)	9,0	27,3%
5 - very important (5)	6,0	18,2%
No answer	3,0	9,1%
	33,0	
	3,60	
Field summary for 2-3(15)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Total costs]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	2,0	4,1%
4 (4)	8,0	16,3%
5 - very important (5)	20,0	40,8%
No answer	3,0	6,1%
	33,0	
	4,60	
Field summary for 2-3(16)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Brand/tenant mix]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	3,0	6,1%
4 (4)	11,0	22,4%
5 - very important (5)	17,0	34,7%
No answer	2,0	4,1%
	33,0	
	4,45	
Field summary for 2-3(17)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Anchor tenants]</b>		
Answer	Count	Percentage
1 - not important (1)	1,0	2,0%
2 (2)	0,0	0,0%
3 (3)	5,0	10,2%
4 (4)	12,0	24,5%
5 - very important (5)	12,0	24,5%
No answer	3,0	6,1%
	33,0	
	4,13	

Field summary for 2-3(18)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Sustainability certification (e.g. BREEAM, LEED, DGNB, NF-HQE)]</b>		
Answer	Count	Percentage
1 - not important (1)	7,0	14,3%
2 (2)	10,0	20,4%
3 (3)	6,0	12,2%
4 (4)	4,0	8,2%
5 - very important (5)	1,0	2,0%
No answer	5,0	10,2%
	33,0	
	2,36	
Field summary for 2-3(19)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Energy efficiency]</b>		
Answer	Count	Percentage
1 - not important (1)	5,0	10,2%
2 (2)	12,0	24,5%
3 (3)	8,0	16,3%
4 (4)	1,0	2,0%
5 - very important (5)	2,0	4,1%
No answer	5,0	10,2%
	33,0	
	2,39	
Field summary for 2-3(20)		
<b>How important are the following criteria in your decision to rent a store in an Outlet Center?</b>		
<b>[OC complies with CSR policy]</b>		
Answer	Count	Percentage
1 - not important (1)	4,0	8,2%
2 (2)	8,0	16,3%
3 (3)	11,0	22,4%
4 (4)	4,0	8,2%
5 - very important (5)	2,0	4,1%
No answer	4,0	8,2%
	33,0	
	2,72	
Field summary for 2-3(21)		
<b>How important are the following criteria in your decision to rent a store in an Outlet Center?</b>		
<b>[Image and experience of Operator/Center Management]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	1,0	2,0%
3 (3)	5,0	10,2%
4 (4)	18,0	36,7%
5 - very important (5)	6,0	12,2%
No answer	3,0	6,1%
	33,0	
	3,61	

Field summary for 2-3(22)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Active and reliable investor/owner]</b>		
Answer	Count	Percentage
1 - not important (1)	1,0	2,0%
2 (2)	2,0	4,1%
3 (3)	9,0	18,4%
4 (4)	15,0	30,6%
5 - very important (5)	4,0	8,2%
No answer	2,0	4,1%
	33,0	
	3,61	
Field summary for 2-3(23)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Legal framework (labour laws, trade unions)]</b>		
Answer	Count	Percentage
1 - not important (1)	1,0	2,0%
2 (2)	8,0	16,3%
3 (3)	9,0	18,4%
4 (4)	8,0	16,3%
5 - very important (5)	2,0	4,1%
No answer	5,0	10,2%
	33,0	
	3,07	
Field summary for 2-3(24)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Available work force]</b>		
Answer	Count	Percentage
1 - not important (1)	1,0	2,0%
2 (2)	4,0	8,2%
3 (3)	12,0	24,5%
4 (4)	10,0	20,4%
5 - very important (5)	2,0	4,1%
No answer	4,0	8,2%
	33,0	
	3,28	
Field summary for 2-3(25)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Higher influence on product pricing]</b>		
Answer	Count	Percentage
1 - not important (1)	1,0	2,0%
2 (2)	5,0	10,2%
3 (3)	17,0	34,7%
4 (4)	3,0	6,1%
5 - very important (5)	1,0	2,0%
No answer	6,0	12,2%
	33,0	
	2,93	

Field summary for 2-3(26)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Higher flexibility of product management]</b>		
Answer	Count	Percentage
1 - not important (1)	3,0	6,1%
2 (2)	5,0	10,2%
3 (3)	8,0	16,3%
4 (4)	10,0	20,4%
5 - very important (5)	2,0	4,1%
No answer	5,0	10,2%
	33,0	
	3,11	
Field summary for 2-3(27)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Matching existing distribution and sales network]</b>		
Answer	Count	Percentage
1 - not important (1)	3,0	6,1%
2 (2)	4,0	8,2%
3 (3)	5,0	10,2%
4 (4)	10,0	20,4%
5 - very important (5)	8,0	16,3%
No answer	3,0	6,1%
	33,0	
	3,53	
Field summary for 2-3(28)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Distance to the next highstreet store]</b>		
Answer	Count	Percentage
1 - not important (1)	3,0	6,1%
2 (2)	6,0	12,2%
3 (3)	9,0	18,4%
4 (4)	7,0	14,3%
5 - very important (5)	6,0	12,2%
No answer	2,0	4,1%
	33,0	
	3,23	
Field summary for 2-3(29)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Distance to the next outlet center store]</b>		
Answer	Count	Percentage
1 - not important (1)	2,0	4,1%
2 (2)	4,0	8,2%
3 (3)	8,0	16,3%
4 (4)	10,0	20,4%
5 - very important (5)	7,0	14,3%
No answer	2,0	4,1%
	33,0	
	3,52	

Field summary for 2-3(30)		
<b>How important are the following criteria in your decision to rent a store in an outlet center?</b>		
<b>[Distance to the next logistic center]</b>		
Answer	Count	Percentage
1 - not important (1)	16,0	32,7%
2 (2)	7,0	14,3%
3 (3)	5,0	10,2%
4 (4)	3,0	6,1%
5 - very important (5)	0,0	0,0%
No answer	2,0	4,1%
	33,0	
	1,84	
Field summary for 2-4(1)		
<b>How would the beneath mentioned factors influence your willingness to invest in sustainability and energy-efficiency?</b>		
<b>[Certain and profitable cost-benefit ratio (e.g. ROI in 7 years)]</b>		
Answer	Count	Percentage
1 - no influence (1)	1,0	2,0%
2 (2)	0,0	0,0%
3 (3)	11,0	22,4%
4 (4)	12,0	24,5%
5 - high influence (5)	8,0	16,3%
No answer	1,0	2,0%
	33,0	
	3,81	
Field summary for 2-4(2)		
<b>How would the beneath mentioned factors influence your willingness to invest in sustainability and energy-efficiency?</b>		
<b>[Strong marketing leverage]</b>		
Answer	Count	Percentage
1 - no influence (1)	1,0	2,0%
2 (2)	3,0	6,1%
3 (3)	11,0	22,4%
4 (4)	11,0	22,4%
5 - high influence (5)	5,0	10,2%
No answer	2,0	4,1%
	33,0	
	3,52	

Field summary for 2-4(3)		
<b>How would the beneath mentioned factors influence your willingness to invest in sustainability and energy-efficiency?</b>		
<b>[Customers would notice the difference]</b>		
Answer	Count	Percentage
1 - no influence (1)	0,0	0,0%
2 (2)	3,0	6,1%
3 (3)	14,0	28,6%
4 (4)	7,0	14,3%
5 - high influence (5)	7,0	14,3%
No answer	2,0	4,1%
	33,0	
	3,58	
Field summary for 2-4(4)		
<b>How would the beneath mentioned factors influence your willingness to invest in sustainability and energy-efficiency?</b>		
<b>[Equal total costs]</b>		
Answer	Count	Percentage
1 - no influence (1)	2,0	4,1%
2 (2)	3,0	6,1%
3 (3)	11,0	22,4%
4 (4)	6,0	12,2%
5 - high influence (5)	6,0	12,2%
No answer	5,0	10,2%
	33,0	
	3,39	
Field summary for 2-4(5)		
<b>How would the beneath mentioned factors influence your willingness to invest in sustainability and energy-efficiency?</b>		
<b>[Lower total costs]</b>		
Answer	Count	Percentage
1 - no influence (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	7,0	14,3%
4 (4)	11,0	22,4%
5 - high influence (5)	14,0	28,6%
No answer	1,0	2,0%
	33,0	
	4,22	

Field summary for 2-4(6)		
<b>How would the beneath mentioned factors influence your willingness to invest in sustainability and energy-efficiency?</b>		
<b>[Energy costs would increase rapidly]</b>		
Answer	Count	Percentage
1 - no influence (1)	4,0	8,2%
2 (2)	1,0	2,0%
3 (3)	10,0	20,4%
4 (4)	8,0	16,3%
5 - high influence (5)	6,0	12,2%
No answer	4,0	8,2%
	33,0	
	3,38	
Field summary for 2-4(7)		
<b>How would the beneath mentioned factors influence your willingness to invest in sustainability and energy-efficiency?</b>		
<b>[Mutual initiative by the tenants]</b>		
Answer	Count	Percentage
1 - no influence (1)	3,0	9,1%
2 (2)	7,0	21,2%
3 (3)	10,0	30,3%
4 (4)	7,0	21,2%
5 - high influence (5)	2,0	6,1%
No answer	4,0	12,1%
	33,0	
	2,93	
Field summary for 2-4(8)		
<b>How would the beneath mentioned factors influence your willingness to invest in sustainability and energy-efficiency?</b>		
<b>[Initiative by the owner/operator]</b>		
Answer	Count	Percentage
1 - no influence (1)	2,0	6,1%
2 (2)	5,0	15,2%
3 (3)	11,0	33,3%
4 (4)	8,0	24,2%
5 - high influence (5)	3,0	9,1%
No answer	4,0	12,1%
	33,0	
	3,17	

Field summary for 2-4(9)		
<b>How would the beneath mentioned factors influence your willingness to invest in sustainability and energy-efficiency?</b>		
<b>[The savings were shared among tenants and owner]</b>		
Answer	Count	Percentage
1 - no influence (1)	2,0	6,1%
2 (2)	5,0	15,2%
3 (3)	10,0	30,3%
4 (4)	9,0	27,3%
5 - high influence (5)	4,0	12,1%
No answer	3,0	9,1%
	33,0	
	3,27	
Field summary for 2-4(10)		
<b>How would the beneath mentioned factors influence your willingness to invest in sustainability and energy-efficiency?</b>		
<b>[Attractive contractor solution (3rd party)]</b>		
Answer	Count	Percentage
1 - no influence (1)	2,0	6,1%
2 (2)	5,0	15,2%
3 (3)	12,0	36,4%
4 (4)	8,0	24,2%
5 - high influence (5)	0,0	0,0%
No answer	6,0	18,2%
	33,0	
	2,96	
Field summary for 2-4(11)		
<b>How would the beneath mentioned factors influence your willingness to invest in sustainability and energy-efficiency?</b>		
<b>[In depth knowledge on profitable system]</b>		
Answer	Count	Percentage
1 - no influence (1)	1,0	3,0%
2 (2)	8,0	24,2%
3 (3)	11,0	33,3%
4 (4)	5,0	15,2%
5 - high influence (5)	2,0	6,1%
No answer	6,0	18,2%
	33,0	
	2,96	
Field summary for 2-5 [EU-countries]		
<b>How many regular stores do you generally require to ensure the supply for one outlet center?</b>		
Calculation	Result	
Count	23,0	
Sum	465,0	
Average	27,6	



Field summary for 2-5 [Non EU-countries]		
<b>How many regular stores do you generally require to ensure the supply for one outlet center?</b>		
Calculation	Result	
Count	14,0	
Sum	176,0	
Average	12,6	
Minimum	0,0	
Maximum	100,0	
Field summary for 2-6(1)		
<b>Which trends do you anticipate for European outlet centers?</b>		
<b>[New design style or different layout]</b>		
Answer	Count	Percentage
1 - unlikely (1)	0,0	0,0%
2 (2)	9,0	27,3%
3 (3)	14,0	42,4%
4 (4)	2,0	6,1%
5 - certain (5)	4,0	12,1%
No answer	4,0	12,1%
	33,0	
	3,03	
Field summary for 2-6(2)		
<b>Which trends do you anticipate for European outlet centers?</b>		
<b>[Integration with other facilities (sports, entertainment)]</b>		
Answer	Count	Percentage
1 - unlikely (1)	3,0	9,1%
2 (2)	2,0	6,1%
3 (3)	11,0	33,3%
4 (4)	15,0	45,5%
5 - certain (5)	1,0	3,0%
No answer	1,0	3,0%
	33,0	
	3,28	
Field summary for 2-6(3)		
<b>Which trends do you anticipate for European outlet centers?</b>		
<b>[Integration with non competitive retailers (e.g. food)]</b>		
Answer	Count	Percentage
1 - unlikely (1)	1,0	3,0%
2 (2)	4,0	12,1%
3 (3)	11,0	33,3%
4 (4)	11,0	33,3%
5 - certain (5)	5,0	15,2%
No answer	1,0	3,0%
	33,0	
	3,47	

Field summary for 2-6(4)		
<b>Which trends do you anticipate for European outlet centers?</b>		
<b>[Integration of services (kindergarten, banking)]</b>		
Answer	Count	Percentage
1 - unlikely (1)	4,0	12,1%
2 (2)	2,0	6,1%
3 (3)	8,0	24,2%
4 (4)	13,0	39,4%
5 - certain (5)	5,0	15,2%
No answer	1,0	3,0%
	33,0	
	3,41	
Field summary for 2-6(5)		
<b>Which trends do you anticipate for European outlet centers?</b>		
<b>[Ecological measures (healthy materials, rainwater usage)]</b>		
Answer	Count	Percentage
1 - unlikely (1)	5,0	15,2%
2 (2)	6,0	18,2%
3 (3)	14,0	42,4%
4 (4)	6,0	18,2%
5 - certain (5)	1,0	3,0%
No answer	1,0	3,0%
	33,0	
	2,75	
Field summary for 2-6(6)		
<b>Which trends do you anticipate for European outlet centers?</b>		
<b>[Energy efficiency measures (HVACR)]</b>		
Answer	Count	Percentage
1 - unlikely (1)	3,0	9,1%
2 (2)	7,0	21,2%
3 (3)	12,0	36,4%
4 (4)	7,0	21,2%
5 - certain (5)	2,0	6,1%
No answer	2,0	6,1%
	33,0	
	2,94	
Field summary for 2-6(7)		
<b>Which trends do you anticipate for European outlet centers? [Alternative energy production (combined heat pump, solar modules, geothermal, wind)]</b>		
Answer	Count	Percentage
1 - unlikely (1)	3,0	9,1%
2 (2)	6,0	18,2%
3 (3)	14,0	42,4%
4 (4)	6,0	18,2%
5 - certain (5)	2,0	6,1%
No answer	2,0	6,1%
	33,0	
	2,94	

Field summary for 2-6(8)		
<b>Which trends do you anticipate for European outlet centers?</b>		
<b>[Ambience and architecture (healthy materials, feng-shui)]</b>		
Answer	Count	Percentage
1 - unlikely (1)	7,0	21,2%
2 (2)	5,0	15,2%
3 (3)	10,0	30,3%
4 (4)	6,0	18,2%
5 - certain (5)	2,0	6,1%
No answer	3,0	9,1%
	33,0	
	2,70	
Field summary for 2-6(9)		
<b>Which trends do you anticipate for European outlet centers?</b>		
<b>[Outlet center mall]</b>		
Answer	Count	Percentage
1 - unlikely (1)	2,0	6,1%
2 (2)	3,0	9,1%
3 (3)	6,0	18,2%
4 (4)	11,0	33,3%
5 - certain (5)	6,0	18,2%
No answer	5,0	15,2%
	33,0	
	3,57	
Field summary for 2-6(10)		
<b>Which trends do you anticipate for European outlet centers?</b>		
<b>[City outlet centers]</b>		
Answer	Count	Percentage
1 - unlikely (1)	3,0	9,1%
2 (2)	7,0	21,2%
3 (3)	5,0	15,2%
4 (4)	10,0	30,3%
5 - certain (5)	6,0	18,2%
No answer	2,0	6,1%
	33,0	
	3,29	
Field summary for 2-6(11)		
<b>Which trends do you anticipate for European outlet centers?</b>		
<b>[Value Centers (Shopping and Outlet combined)]</b>		
Answer	Count	Percentage
1 - unlikely (1)	7,0	21,2%
2 (2)	6,0	18,2%
3 (3)	9,0	27,3%
4 (4)	4,0	12,1%
5 - certain (5)	3,0	9,1%
No answer	4,0	12,1%
	33,0	
	2,66	

Field summary for 2-6(12)		
<b>Which trends do you anticipate for European outlet centers?</b>		
<b>[Stronger local focus (local brands and specialties)]</b>		
Answer	Count	Percentage
1 - unlikely (1)	5,0	15,2%
2 (2)	10,0	30,3%
3 (3)	6,0	18,2%
4 (4)	7,0	21,2%
5 - certain (5)	2,0	6,1%
No answer	3,0	9,1%
	33,0	
	2,70	
Field summary for 2-6(13)		
<b>Which trends do you anticipate for European outlet centers?</b>		
<b>[Higher focus on segmented consumer groups]</b>		
Answer	Count	Percentage
1 - unlikely (1)	1,0	3,0%
2 (2)	6,0	18,2%
3 (3)	10,0	30,3%
4 (4)	9,0	27,3%
5 - certain (5)	4,0	12,1%
No answer	3,0	9,1%
	33,0	
	3,30	
Field summary for 2-6(14)		
<b>Which trends do you anticipate for European outlet centers?</b>		
<b>[Increased customer convenience]</b>		
Answer	Count	Percentage
1 - unlikely (1)	0,0	0,0%
2 (2)	3,0	9,1%
3 (3)	10,0	30,3%
4 (4)	11,0	33,3%
5 - certain (5)	7,0	21,2%
No answer	2,0	6,1%
	33,0	
	3,71	
Field summary for 2-6(15)		
<b>Which trends do you anticipate for European outlet centers?</b>		
<b>[Higher involvement of the customer]</b>		
Answer	Count	Percentage
1 - unlikely (1)	1,0	3,0%
2 (2)	7,0	21,2%
3 (3)	11,0	33,3%
4 (4)	8,0	24,2%
5 - certain (5)	4,0	12,1%
No answer	2,0	6,1%
	33,0	
	3,23	

Field summary for 2-6(16)		
<b>Which trends do you anticipate for European outlet centers?</b>		
<b>[Seamless shopping experience (highstreet, outlet, internet)]</b>		
Answer	Count	Percentage
1 - unlikely (1)	1,0	3,0%
2 (2)	3,0	9,1%
3 (3)	9,0	27,3%
4 (4)	14,0	42,4%
5 - certain (5)	4,0	12,1%
No answer	2,0	6,1%
	33,0	
	3,55	
Field summary for 2-6(17)		
<b>Which trends do you anticipate for European outlet centers?</b>		
<b>[Higher importance of public transportation and bus operators]</b>		
Answer	Count	Percentage
1 - unlikely (1)	1,0	3,0%
2 (2)	4,0	12,1%
3 (3)	8,0	24,2%
4 (4)	10,0	30,3%
5 - certain (5)	8,0	24,2%
No answer	2,0	6,1%
	33,0	
	3,65	
<b>STORE CRITERIA AND RENTAL CONTRACT</b>		
Field summary for 3-1(1)		
<b>How important is it that the following characteristics should match your requirements for an outlet center store?</b>		
<b>[Size of the store]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	5,0	16,1%
4 (4)	6,0	19,4%
5 - very important (5)	18,0	58,1%
No answer	2,0	6,5%
	31,0	
	4,45	

Field summary for 3-1(2)		
<b>How important is it that the following characteristics should match your requirements for an outlet center store?</b>		
<b>[Layout of the store]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	3,0	9,7%
4 (4)	15,0	48,4%
5 - very important (5)	11,0	35,5%
No answer	2,0	6,5%
	31,0	
	4,28	
Field summary for 3-1(3)		
<b>How important is it that the following characteristics should match your requirements for an outlet center store?</b>		
<b>[Flexibility of the interior (walls, roofs, installations)]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	7,0	22,6%
4 (4)	17,0	54,8%
5 - very important (5)	5,0	16,1%
No answer	2,0	6,5%
	31,0	
	3,93	
Field summary for 3-1(4)		
<b>How important is it that the following characteristics should match your requirements for an outlet center store?</b>		
<b>[Ratio sales to storage area]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	1,0	3,2%
3 (3)	6,0	19,4%
4 (4)	16,0	51,6%
5 - very important (5)	6,0	19,4%
No answer	2,0	6,5%
	31,0	
	3,93	

Field summary for 3-1(5)		
<b>How important is it that the following characteristics should match your requirements for an outlet center store?</b>		
<b>[Location of the store in the center (accessibility, visibility, traffic pattern)]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	0,0	0,0%
4 (4)	9,0	29,0%
5 - very important (5)	20,0	64,5%
No answer	2,0	6,5%
	31,0	
	4,69	
Field summary for 3-1(6)		
<b>How important is it that the following characteristics should match your requirements for an outlet center store?</b>		
<b>[Attractive neighbouring stores]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	5,0	16,1%
4 (4)	10,0	32,3%
5 - very important (5)	14,0	45,2%
No answer	2,0	6,5%
	31,0	
	4,31	
Field summary for 3-1(7)		
<b>How important is it that the following characteristics should match your requirements for an outlet center store?</b>		
<b>[Distance to anchor tenants]</b>		
Answer	Count	Percentage
1 - not important (1)	1,0	3,2%
2 (2)	4,0	12,9%
3 (3)	3,0	9,7%
4 (4)	13,0	41,9%
5 - very important (5)	8,0	25,8%
No answer	2,0	6,5%
	31,0	
	3,79	

Field summary for 3-1(8)		
<b>How important is it that the following characteristics should match your requirements for an outlet center store?</b>		
<b>[Energy-efficient HVACAR (heating, ventilation, air-conditioning and refrigeration)]</b>		
Answer	Count	Percentage
1 - not important (1)	3,0	9,7%
2 (2)	8,0	25,8%
3 (3)	12,0	38,7%
4 (4)	5,0	16,1%
5 - very important (5)	0,0	0,0%
No answer	3,0	9,7%
	31,0	
	2,68	
Field summary for 3-1(9)		
<b>How important is it that the following characteristics should match your requirements for an outlet center store?</b>		
<b>[Sustainability and energy certifications (BREEAM, DGNB, NF-HQE, LEED)]</b>		
Answer	Count	Percentage
1 - not important (1)	4,0	12,9%
2 (2)	10,0	32,3%
3 (3)	13,0	41,9%
4 (4)	2,0	6,5%
5 - very important (5)	0,0	0,0%
No answer	2,0	6,5%
	31,0	
	2,45	
Field summary for 3-1(10)		
<b>How important is it that the following characteristics should match your requirements for an outlet center store?</b>		
<b>[Efficient logistics]</b>		
Answer	Count	Percentage
1 - not important (1)	1,0	3,2%
2 (2)	4,0	12,9%
3 (3)	12,0	38,7%
4 (4)	9,0	29,0%
5 - very important (5)	3,0	9,7%
No answer	2,0	6,5%
	31,0	
	3,31	



Field summary for 3-2		
<b>Which sources do you use to collect customer feedback?</b>		
Answer	Count	Percentage
Product sales (1)	19,0	38,8%
Feedback from personnel (2)	22,0	44,9%
Random questionnaire/interviews (3)	10,0	20,4%
Periodic questionnaire/interviews (4)	4,0	8,2%
Mystery shopping (5)	21,0	42,9%
None (6)	1,0	2,0%
Other	1,0	2,0%
	49,0	
Field summary for 3-3(1)		
<b>How important are generally the following elements of your rental contracts during the negotiation?</b>		
<b>[Duration]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	3,0	9,7%
3 (3)	2,0	6,5%
4 (4)	4,0	12,9%
5 - very important (5)	18,0	58,1%
No answer	4,0	12,9%
	31,0	
	4,37	
Field summary for 3-3(2)		
<b>How important are generally the following elements of your rental contracts during the negotiation?</b>		
<b>[Base rent level]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	4,0	12,9%
4 (4)	6,0	19,4%
5 - very important (5)	19,0	61,3%
No answer	2,0	6,5%
	31,0	
	4,52	
Field summary for 3-3(3)		
<b>How important are generally the following elements of your rental contracts during the negotiation?</b>		
<b>[Base rent adjustment (index, fixed)]</b>		
Answer	Count	Percentage
1 - not important (1)	1,0	3,2%
2 (2)	0,0	0,0%
3 (3)	10,0	32,3%
4 (4)	7,0	22,6%
5 - very important (5)	11,0	35,5%
No answer	2,0	6,5%
	31,0	
	3,93	

Field summary for 3-3(4)		
<b>How important are generally the following elements of your rental contracts during the negotiation?</b>		
<b>[Turn-over rent level]</b>		
Answer	Count	Percentage
1 - not important (1)	1,0	3,2%
2 (2)	0,0	0,0%
3 (3)	2,0	6,5%
4 (4)	1,0	3,2%
5 - very important (5)	25,0	80,6%
No answer	2,0	6,5%
	31,0	
	4,69	
Field summary for 3-3(5)		
<b>How important are generally the following elements of your rental contracts during the negotiation?</b>		
<b>[Ratchet conditions]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	1,0	3,2%
3 (3)	8,0	25,8%
4 (4)	9,0	29,0%
5 - very important (5)	7,0	22,6%
No answer	6,0	19,4%
	31,0	
	3,88	
Field summary for 3-3(6)		
<b>How important are generally the following elements of your rental contracts during the negotiation?</b>		
<b>[Incentives]</b>		
Answer	Count	Percentage
1 - not important (1)	2,0	6,5%
2 (2)	2,0	6,5%
3 (3)	7,0	22,6%
4 (4)	6,0	19,4%
5 - very important (5)	11,0	35,5%
No answer	3,0	9,7%
	31,0	
	3,79	
Field summary for 3-3(7)		
<b>How important are generally the following elements of your rental contracts during the negotiation?</b>		
<b>[Operational costs]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	1,0	3,2%
3 (3)	7,0	22,6%
4 (4)	12,0	38,7%
5 - very important (5)	8,0	25,8%
No answer	3,0	9,7%
	31,0	
	3,96	

Field summary for 3-3(8)		
<b>How important are generally the following elements of your rental contracts during the negotiation?</b>		
<b>[Center Management costs]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	2,0	6,5%
3 (3)	8,0	25,8%
4 (4)	8,0	25,8%
5 - very important (5)	11,0	35,5%
No answer	2,0	6,5%
	31,0	
	3,97	
Field summary for 3-3(9)		
<b>How important are generally the following elements of your rental contracts during the negotiation?</b>		
<b>[Exit clauses]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	3,0	9,7%
3 (3)	1,0	3,2%
4 (4)	7,0	22,6%
5 - very important (5)	18,0	58,1%
No answer	2,0	6,5%
	31,0	
	4,38	
Field summary for 3-3(10)		
<b>How important are generally the following elements of your rental contracts during the negotiation?</b>		
<b>[Flexibility for future amendments]</b>		
Answer	Count	Percentage
1 - not important (1)	0,0	0,0%
2 (2)	3,0	9,7%
3 (3)	10,0	32,3%
4 (4)	9,0	29,0%
5 - very important (5)	6,0	19,4%
No answer	3,0	9,7%
	31,0	
	3,64	
Field summary for 3-3(11)		
<b>How important are generally the following elements of your rental contracts during the negotiation?</b>		
<b>[Cost savings regulations]</b>		
Answer	Count	Percentage
1 - not important (1)	1,0	3,2%
2 (2)	4,0	12,9%
3 (3)	9,0	29,0%
4 (4)	9,0	29,0%
5 - very important (5)	5,0	16,1%
No answer	3,0	9,7%
	31,0	
	3,46	

Field summary for 3-3(12)		
<b>How important are generally the following elements of your rental contracts during the negotiation?</b>		
<b>[Competition clauses]</b>		
Answer	Count	Percentage
1 - not important (1)	2,0	6,5%
2 (2)	6,0	19,4%
3 (3)	6,0	19,4%
4 (4)	5,0	16,1%
5 - very important (5)	9,0	29,0%
No answer	3,0	9,7%
	31,0	
	3,46	
Field summary for 3-4(1)		
<b>According to your experience and opinion, how strong is the influence of the mentioned factors on the rent level?</b>		
<b>[Operator / Center Management]</b>		
Answer	Count	Percentage
1 - no influence (1)	0,0	0,0%
2 (2)	2,0	6,5%
3 (3)	3,0	9,7%
4 (4)	8,0	25,8%
5 - high influence (5)	16,0	51,6%
No answer	2,0	6,5%
	31,0	
	4,31	
Field summary for 3-4(2)		
<b>According to your experience and opinion, how strong is the influence of the mentioned factors on the rent level?</b>		
<b>[Country / market]</b>		
Answer	Count	Percentage
1 - no influence (1)	0,0	0,0%
2 (2)	0,0	0,0%
3 (3)	5,0	16,1%
4 (4)	13,0	41,9%
5 - high influence (5)	10,0	32,3%
No answer	3,0	9,7%
	31,0	
	4,18	

Field summary for 3-4(3)		
<b>According to your experience and opinion, how strong is the influence of the mentioned factors on the rent level?</b>		
<b>[State of the economy at contract signing (expansion or recession)]</b>		
Answer	Count	Percentage
1 - no influence (1)	2,0	6,5%
2 (2)	1,0	3,2%
3 (3)	12,0	38,7%
4 (4)	8,0	25,8%
5 - high influence (5)	6,0	19,4%
No answer	2,0	6,5%
	31,0	
	3,52	
Field summary for 3-4(4)		
<b>According to your experience and opinion, how strong is the influence of the mentioned factors on the rent level?</b>		
<b>[Phase of the outlet center at contract signing - in development]</b>		
Answer	Count	Percentage
1 - no influence (1)	1,0	3,2%
2 (2)	0,0	0,0%
3 (3)	4,0	12,9%
4 (4)	13,0	41,9%
5 - high influence (5)	11,0	35,5%
No answer	2,0	6,5%
	31,0	
	4,14	
Field summary for 3-4(5)		
<b>According to your experience and opinion, how strong is the influence of the mentioned factors on the rent level?</b>		
<b>[Phase of the outlet center at contract signing - five years in operation]</b>		
Answer	Count	Percentage
1 - no influence (1)	1,0	3,2%
2 (2)	1,0	3,2%
3 (3)	4,0	12,9%
4 (4)	13,0	41,9%
5 - high influence (5)	9,0	29,0%
No answer	3,0	9,7%
	31,0	
	4,00	

Field summary for 3-4(6)		
<b>According to your experience and opinion, how strong is the influence of the mentioned factors on the rent level?</b>		
<b>[Positioning of the OC]</b>		
Answer	Count	Percentage
1 - no influence (1)	0,0	0,0%
2 (2)	1,0	3,2%
3 (3)	3,0	9,7%
4 (4)	14,0	45,2%
5 - high influence (5)	9,0	29,0%
No answer	4,0	12,9%
	31,0	
	4,15	
Field summary for 3-4(7)		
<b>According to your experience and opinion, how strong is the influence of the mentioned factors on the rent level?</b>		
<b>[Existing brand mix]</b>		
Answer	Count	Percentage
1 - no influence (1)	0,0	0,0%
2 (2)	1,0	3,2%
3 (3)	3,0	9,7%
4 (4)	9,0	29,0%
5 - high influence (5)	16,0	51,6%
No answer	2,0	6,5%
	31,0	
	4,38	
Field summary for 3-4(8)		
<b>According to your experience and opinion, how strong is the influence of the mentioned factors on the rent level?</b>		
<b>[Tenant demand]</b>		
Answer	Count	Percentage
1 - no influence (1)	0,0	0,0%
2 (2)	1,0	3,2%
3 (3)	4,0	12,9%
4 (4)	9,0	29,0%
5 - high influence (5)	13,0	41,9%
No answer	4,0	12,9%
	31,0	
	4,26	

Field summary for 3-4(9)		
<b>According to your experience and opinion, how strong is the influence of the mentioned factors on the rent level?</b>		
<b>[Center turnover]</b>		
Answer	Count	Percentage
1 - no influence (1)	0,0	0,0%
2 (2)	2,0	6,5%
3 (3)	3,0	9,7%
4 (4)	9,0	29,0%
5 - high influence (5)	14,0	45,2%
No answer	3,0	9,7%
	31,0	
	4,25	
Field summary for 3-5 [1][Label 1]		
<b>How high do you generally consider the following costs to be?</b>		
<b>How strong is your influence on these costs?</b>		
<b>[Operational costs]</b>		
Answer	Count	Percentage
1 - low (1)	0,0	0,0%
2 (2)	3,0	9,7%
cost level _____ 3 - average (3)	7,0	22,6%
4 (4)	10,0	32,3%
5 - high (5)	6,0	19,4%
No answer	5,0	16,1%
	31,0	
	3,73	
Field summary for 3-5 [1][Label 2]		
<b>How high do you generally consider the following costs to be?</b>		
<b>How strong is your influence on these costs?</b>		
<b>[Operational costs]</b>		
Answer	Count	Percentage
1 - low (1)	7,0	22,6%
2 (2)	3,0	9,7%
influence _____ 3 - average (3)	8,0	25,8%
4 (4)	6,0	19,4%
5 - strong (5)	5,0	16,1%
No answer	2,0	6,5%
	31,0	
	2,97	

Field summary for 3-5 [2][Label 1]		
<b>How high do you generally consider the following costs to be?</b>		
<b>How strong is your influence on these costs?</b>		
<b>[Electricity costs (lighting)]</b>		
Answer	Count	Percentage
1 - low (1)	2,0	6,5%
2 (2)	2,0	6,5%
cost level _____ 3 - average (3)	15,0	48,4%
4 (4)	4,0	12,9%
5 - high (5)	3,0	9,7%
No answer	5,0	16,1%
	31,0	
	3,15	
Field summary for 3-5 [2][Label 2]		
<b>How high do you generally consider the following costs to be?</b>		
<b>How strong is your influence on these costs?</b>		
<b>[Electricity costs (lighting)]</b>		
Answer	Count	Percentage
1 - low (1)	7,0	22,6%
2 (2)	8,0	25,8%
influence _____ 3 - average (3)	11,0	35,5%
4 (4)	2,0	6,5%
5 - strong (5)	1,0	3,2%
No answer	2,0	6,5%
	31,0	
	2,38	
Field summary for 3-5 [3][Label 1]		
<b>How high do you generally consider the following costs to be?</b>		
<b>How strong is your influence on these costs?</b>		
<b>[Heating/cooling costs]</b>		
Answer	Count	Percentage
1 - low (1)	1,0	3,2%
2 (2)	3,0	9,7%
cost level _____ 3 - average (3)	15,0	48,4%
4 (4)	4,0	12,9%
5 - high (5)	3,0	9,7%
No answer	5,0	16,1%
	31,0	
	3,19	



Field summary for 3-5 [3][Label 2]		
<b>How high do you generally consider the following costs to be?</b>		
<b>How strong is your influence on these costs?</b>		
<b>[Heating/cooling costs]</b>		
Answer	Count	Percentage
1 - low (1)	6,0	19,4%
2 (2)	10,0	32,3%
influence _____ 3 - average (3)	10,0	32,3%
4 (4)	2,0	6,5%
5 - strong (5)	1,0	3,2%
No answer	2,0	6,5%
	31,0	
	2,38	
Field summary for 3-5 [4][Label 1]		
<b>How high do you generally consider the following costs to be?</b>		
<b>How strong is your influence on these costs?</b>		
<b>[Center Management costs]</b>		
Answer	Count	Percentage
1 - low (1)	0,0	0,0%
2 (2)	5,0	16,1%
cost level _____ 3 - average (3)	8,0	25,8%
4 (4)	8,0	25,8%
5 - high (5)	5,0	16,1%
No answer	5,0	16,1%
	31,0	
	3,50	
Field summary for 3-5 [4][Label 2]		
<b>How high do you generally consider the following costs to be?</b>		
<b>How strong is your influence on these costs?</b>		
<b>[Center Management costs]</b>		
Answer	Count	Percentage
1 - low (1)	11,0	35,5%
2 (2)	10,0	32,3%
influence _____ 3 - average (3)	4,0	12,9%
4 (4)	1,0	3,2%
5 - strong (5)	3,0	9,7%
No answer	2,0	6,5%
	31,0	
	2,14	

Field summary for 3-5 [5][Label 1]		
<b>How high do you generally consider the following costs to be?</b>		
<b>How strong is your influence on these costs?</b>		
<b>[Marketing costs]</b>		
Answer	Count	Percentage
1 - low (1)	2,0	6,5%
2 (2)	2,0	6,5%
cost level _____ 3 - average (3)	9,0	29,0%
4 (4)	7,0	22,6%
5 - high (5)	4,0	12,9%
No answer	7,0	22,6%
	31,0	
	3,38	
Field summary for 3-5 [5][Label 2]		
<b>How high do you generally consider the following costs to be?</b>		
<b>How strong is your influence on these costs?</b>		
<b>[Marketing costs]</b>		
Answer	Count	Percentage
1 - low (1)	10,0	32,3%
2 (2)	9,0	29,0%
influence _____ 3 - average (3)	5,0	16,1%
4 (4)	2,0	6,5%
5 - strong (5)	2,0	6,5%
No answer	3,0	9,7%
	31,0	
	2,18	

## EXPERT INTERVIEW WITH GERHARD GRAF

CEO of ROS Management GmbH

McArthur Glen

What are the key decision criteria for tenants to rent a store in an Outlet Center?

Let me answer these in bullet points:

- Location
- Retail Sensitivity
- Outlet penetration in the country
- Centre Management
- Other Key Tenants
- Rent,
- Service Charge
- Marketing Conditions
- Capital Contributions
- Turnover Potential

Rent and service charge is in my opinion not the main criteria. It is important, but when the other circumstances are positive, tenants are prepared to pay high prices.

Besides the primary decision criteria (location, turnover potential, etc), what are important secondary decision criteria (store network, logistics etc)?

Criteria like stock availability for the next years, positioning in the market, new board members.

Have these changed in the course of the last decade?

What has changed is the degree of retail sensitivity, which means that brands are less afraid of the retailers reaction. What has also changed is that Outlet business is seen as a real attractive profit centre. So it is not only a channel to get rid of trash, it is in the meantime a professional way to get to achieve 2 positive outcomes: less stress with overproduction, high margins in selling overproduction.

Do some tenants decide depending on which other (key) tenants already signed?

Yes! Sometimes it is a criteria for a sport brand to have another sport brand on board. Sometimes tenants even negotiate break rights if certain tenants do not sign.

Do some tenants come in groups? (e.g. similar to Deichmann and Takko in retail parks)

Only if this is in a franchise or master lease system. Outlet business is as you are aware not always done directly. So there are some franchise partners that would represent several brands.

Do tenants want to know who the investor(s) and operator are?

They are interested who the investors are, but they very often want to know before they sign who the operator is.

Tenants are in the meantime aware that the outlet business only works with a high quality centre management.

Is it important to tenants to investor and operator are active and dedicated?

Yes it is very important, because in most tenancy agreements investors and operators get a lot of operational rights that influences the business of the tenants.

Do some tenants or rather potential tenants lack the necessary supply from highstreet stores?

For experienced tenants stock availability is not an issue anymore. They can “plan” overstock.

Newer outlet center projects (e.g. Neinvers Coruna and Honfleur, Design Outlet Soltau) are or will be certified by BREEAM or NF. Do tenants mention or value it? Which tenants have shown most interest? (Multinationals, stock-listed companies etc) If yes, are they willing to pay a premium? Or does it only pressure older OCs?

Tenants are only interested if it results in lower costs. Certifications are more important for potential investors.

Are tenants interested in energy efficient solutions (such as heat pump, geothermal system etc)? If yes,

are they willing to pay a premium?

They are interested, but are not willing to pay a premium. Only if you can present a concrete project that proves a long term saving for them, there might be a chance.

Do tenants invest regularly to offer end-customers an attractive point of sale? Or do they rather want to minimize it to separate OC stores from highstreet?

They are forced to invest by the Investor/Operator. In comparison to the US Outlet Centres and stores in Europe must be high quality. Neither tenants nor customers accept a cheap appearance.

Are multinational tenants driven CSR or marketing to invest in e.g. energy-efficient systems or in healthy materials? Or is it a pure economical decision?

I can only say that in the last negotiations we have made this topic was not really discussed. If this is a topic it is not linked to outlet business.

Do tenants negotiate the total costs (rent+marketing+operating costs) or the single positions?

If marketing and operating costs are reasonable and there is a common understanding of what is reasonable, they will negotiate rent and big names also capital contributions.

This also because Investors are very reluctant to accept caps on service charge and marketing costs.

How did the tenants react during the credit crunch? Was there any nervousness about footfall and turnover?

Did tenants seize the opportunity to renegotiate contract terms or demand incentives?

In underperforming locations they did. But given the fact that even poor performing outlets are still on a ok level compared to full price retail it was not a real issue.

Do you expect that more and more facilities and services (sports, entertainment etc) will be attracted to the vicinity of Outlet Centers?

Factory Outlets have always attracted – and vice versa – entertainment and touristic attractions. What can be seen is that full price very often seeks the vicinity of an

Outlet some years after opening (Parndorf, Serravalle, Livingston etc).

Are there any plans or thoughts on combining bricks with clicks, in other words create a seamless shopping experience for the customer? Are tenants or operators more interested in integrating these services?

This already exists in the US and just a week ago we have visited some these so called Value Centres. This is a combination of Outlet, Full Price, Entertainment.

This concept is realised in a seamless way which means that there is not an Outlet sector and then a full price sector, it is an interesting mixture with no clear split.

The centres in the US are midmarket but still attractive. A concept which might have a future for some poor working full price centres in Austria.

Tanger has a location based app with special promotions. Furthermore they offer Groupon promotions. Have these kinds of promotions been of interest to tenants in European Outlet Centers?

Yes this is of increasing importance, because outlet shopping is a leisure event.

Do you see any threats for the retail format of outlet centers? (e.g. brand owned outlet stores, internet stores, high mobility costs, insufficient product supply)

The main threat that we see especially in the UK as a mature market is the distinction between the permanent high street sales and the outlet price reductions.

The feeling of bargain hunt must be maintained otherwise the customer will see no added value. The feeling of permanently getting more for less is crucial for the outlet shopper.

Do you consider "free riders" such as BIGG and Villaggio in Parndorf as a threat/liability to a professionally managed outlet center (too confusing for customers)? Do tenants seize the opportunity to renegotiate contract terms or demand incentives? Are customers overwhelmed or confused by the various offers?

This very much depends on the operator. If there is a clear marketing strategy which professionally

manages the differences the customer will even see an advantage.

BIGG for example made a very successful development since McArthur Glen has taken over the Management. Brands that are attractive Outlet brands, but that are not

prepared to pay the high rents in the original part, found their place within BIGG (Gerry Weber, Daniel Hechter, Pierre Cardin etc.)

The American OC market shows a decreasing number of Outlet Center, but the total sales area is increasing. Do you expect a similar development in Europe?  
Or are there significant differences?

In the second half of the 1990s a peak was reached in the US. From then on the number of outlets trading decreased but the average sizes increased which means that successful centres grew bigger. I don't see the same development in Europe, because when the first outlets were built the project developers already knew that there has to be a critical mass to attract customers long term. So most outlet destinations in Europe were already planned with 20.000, 30.000 or even bigger.

I think that market penetration will come to a peak (UK around 38 outlets for many years now) and will then stabilize.

The profitable operation of Outlet Centers has led to a strong growth across Europe. Has this growth led to difficulties for tenants to supply all their Outlet Centers with products and/or offer an attractive product mix to end-customers?

No! The tenants have learned the outlet business which means that they have adjusted their production lines. This is also positive for the full price sector because stock availability has increased in total.

What do you expect to be the future trends in the OC segment?

There is a new generation of smart shoppers coming. Youngsters that communicate via Facebook, Twitter or other media. Our marketing philosophy is about to change because we need to reach these new customers for the future. Classical media like radio and print is decreasing in importance.

In terms of Outlet concepts I think that we will see a smaller format which will avoid the name outlet but will act on similar rules.

In Germany you see already that formats like in Piding, Ochthum Park Bremen, Herzogenaurach are growing and do not have the same planning restrictions.

It could be a discount or value type with some strong midmarket brands with a catchment area of 30 minutes located in the vicinity of midsized or big cities (depends on the country).

This format even works in addition to an existing outlet.

Do tenants take demographic developments into consideration (e.g. stronger focus on above 55 year olds [higher purchasing power, but different expectations])?

Yes tenants do and operators as well. The brand mix and the marketing strategies more and more discover these target groups.

Are tenants well prepared for different development scenarios (e.g. credit crunch, changed mobility, changed consumer behaviour)?

If you look at the development of retail within the last 30 years you have seen a constant change of high performers and losers.

Take Puma for example. 20 years ago they were nowhere and the last 10 years they had the most successful period of their company history.

In the meantime they consolidate on a high level but if they are not creative they will fall as they have done before.

What I want to say is that it is not so much the surrounding circumstances but more the flexibility of the brand to react in advance on changing markets, customer behaviours etc.

To give you an example: When H&M discovered that to be cheap is not sufficient anymore they added a quality level in their marketing strategy. Designers were used to

promote a new H&M. They saw that the customer wants to add this special feeling even for cheap products.



## EXPERT INTERVIEW WITH JAMES KIRBY

Assistant Fund Manager, European Outlet Mall Fund at Henderson Global Investors

Senior Surveyor at GVA Grimley Outlet Services

What are the key decision criteria for tenants to rent a store in an outlet center?

From an owner perspective, we believed that tenants needed to see good co-tenancies, a good design, critical mass size, proximity yet remoteness from full price markets.

Besides the primary decision criteria (location, turnover potential, etc), what are important secondary decision criteria (competition, store network, logistics etc)?

Site availability. Investor appetite for that country, region etc. Eurozone. Tenant sensitivity to full price markets/accounts.

Has the importance of these changed/shifted in the course of the last decade?

Yes. Tenants are less sensitive to full price.

Have you experienced that American and European tenants have a different mindset on Outlet Centers?

Yes. American occupiers have a mindset of opening in every center in a large store. European tenants seem to be more selective (with a view to surplus stock availability etc) and want the right sized store.

Do tenants want to know in the pre-letting phase who the investor(s) and operator are?

In certain circumstances. Some tenants have developers or investors that they follow. They would rather go with a “sure-thing”.

Is it important to tenants to investor and operator are active and dedicated?

Not necessarily. As an investor, very few tenants actively sought to talk to us. That said at a center level they want reassurance on the financial strength of the investor.

Newer outlet center projects (e.g. Neinvers Coruna and Honfleur, Design Outlet Soltau) are or will be certified by BREEAM or NF-HQE.

Do tenants mention or value it? Which tenants have shown most interest? (Multinationals, stock-listed companies etc)

If yes, are they willing to pay a premium? Or does it only pressure older OCs?

I have not encountered these certifications. Many global corporates need to see LEED or have their own sustainability targets to meet. I don't believe there is much of a premium for the certifications.

Are tenants interested in energy efficient solutions (such as heat pump, geothermal system etc)? If yes, are they willing to pay a premium?

Some are. However my experience shows that they want a very short ROI payback. Some solutions such as geothermal would take 10+ to see a payback. Others want these solutions for marketing reasons.

Are multinational tenants driven CSR or marketing to invest in e.g. energy-efficient systems or in healthy materials? Or is it a pure economical decision?

I believe both but primarily return.

Do tenants negotiate the total costs (rent+marketing+operating costs) or the single positions?

They all look at total cost but generally the landlords are unwilling to negotiate on marketing or operating costs so the rent is the item that is negotiated. Only the strongest brands can negotiate the marketing or operating costs.

How did the tenants react during the credit crunch? Was there any nervousness about footfall and turnover?

I was not in the market at this time.

Did tenants seize the opportunity to renegotiate contract terms or demand incentives?

See above, but probably.

Do you expect that more and more facilities and services (sports, entertainment etc) will be attracted to the vicinity of Outlet Centers?

Yes, we have seen this in mature markets, such as US and UK. I believe this will continue to grow as the retail/leisure destination competes against other activities that consumers spend time doing.

Are there any plans or thoughts on combining bricks with clicks, in other words create a seamless shopping experience for the customer?  
Are tenants or operators more interested in integrating these services?

I believe so. Like Amazon with Kindle. Bricks and mortar Ebay stores. If you can compete in both genres you can create a competitive advantage.

Tanger has a location based app with special promotions. Furthermore they offer Groupon promotions. Do you expect that these kinds of promotions are of interest to tenants in European Outlet Centers?

Absolutely. The platform needs to be strong though. E.g. if Groupon is not in the communal psyche in a population it will not work.

Do you see any threats for the retail format of outlet centers? (e.g. brand owned outlet stores, internet stores, high mobility costs, insufficient product supply)

The biggest threat is supply from other outlets. These compete for tenants and consumer dollar. High petrol costs are a huge issue as is a lack of a "bargain" to be found, creating dissatisfaction.

Do you consider "free riders" (later, adjacent retail projects) as a threat to a professionally managed outlet center?  
Do tenants seize the opportunity to renegotiate contract terms or demand incentives?  
Are customers overwhelmed or confused by the various offers?

Sometimes. It is frustrating to lose control, yet other developments may bring additional visitors. Professional management and liaison can help to mitigate. I have seen tenants jump from one ship to another, e.g. Troyes, so it is a leverage point at renewal time. Customers can get confused. E.g. Roubaix.

The American OC market shows a decreasing number of outlet center, but the total sales area is increasing. Do you expect a similar development in Europe?

Not yet. Much of Europe is still undershopped. It feels like we are a long way from this. Getting planning approval is much harder so I don't think it will be a huge problem.

Or are there significant differences between Europe and USA?

Many differences. Availability and price of land. Propensity to drive longer distances. Much more coupons/discounts in department stores, e.g. Macy's coupons.

What do you expect to be the future trends in the OC segment? Are they different in Europe and USA?

More mixed use.

More expansion eastwards.

Tourism infill sites.

More brands launched in outlet sector.

Do tenants take demographic developments into consideration in store and product planning (e.g. stronger focus on above 55 year olds [higher purchasing power, but different expectations])?

Yes. Developers use this information to sell the center to the tenant.

Are tenants well prepared for different development scenarios (e.g. credit crunch, changed mobility, changed consumer behavior)?

No, I don't think so. It feels like they are worried about their main, full price business and outlet strategy follows along behind.

## EUROPEAN OUTLET CENTER DATA

Country	Number of Sites							
	2003	2005	2006	2007	2008	2009	2010	2011
UK	36	37	36	39	40	41	40	37
Italy	4	15	18	17	23	24	25	23
Spain	9	12	14	15	18	18	18	16
France	12	14	14	13	15	15	15	15
Switzerland	4	5	6	6	6	6	7	6
Poland	1	2	4	5	6	6	6	7
Germany	3	3	4	4	6	6	6	6
Portugal	1	4	4	4	4	4	4	3
Netherlands	2	2	2	3	3	3	3	3
Belgium	2	3	3	3	3	3	3	3
Ireland	-	2	3	3	3	3	3	3
Czech Republic	-	1	1	1	2	2	2	2
Hungary	-	3	2	2	3	2	2	2
Croatia	-	-	-	-	1	2	2	2
Sweden	3	4	4	5	2	2	2	2
Austria	1	2	3	4	1	1	2	2
Greece	-	-	-	1	1	1	2	3
Romania	-	-	-	-	1	1	1	1
Denmark	-	-	-	-	1	1	1	1
Lithuania	-	-	-	-	-	-	1	1
Bulgaria	-	-	-	-	-	-	1	1
Norway	-	-	-	-	-	-	1	1
Latvia	-	-	-	-	-	-	-	-
Luxembourg	-	-	-	-	-	-	-	-
Russia	-	-	-	-	-	-	-	-
Slovenia	-	-	-	-	-	-	-	-
Serbia	-	-	-	-	-	-	-	-
<b>Total</b>	<b>78</b>	<b>109</b>	<b>118</b>	<b>125</b>	<b>139</b>	<b>141</b>	<b>147</b>	<b>140</b>

Country	Total Retail Floor-space in m²							
	2003	2005	2006	2007	2008	2009	2010	2011
UK	438,530	520,280	515,780	551,630	574,430	618,430	600,330	549,830
Italy	74,700	188,900	270,900	283,900	427,280	476,800	488,300	459,300
Spain	93,850	143,700	194,700	203,030	266,350	266,350	266,350	203,300
France	198,400	187,000	192,300	189,700	243,850	245,150	232,150	209,700
Switzerland	37,530	39,000	59,500	59,500	71,500	71,500	91,500	85,600
Poland	8,100	26,000	66,900	55,820	82,210	84,910	91,840	114,675
Germany	31,230	34,600	44,000	45,900	78,800	71,800	78,000	84,000
Portugal	22,500	83,460	83,460	83,460	83,500	83,500	83,500	92,350
Netherlands	24,320	27,500	36,400	56,800	62,100	62,100	62,100	62,900
Belgium	23,670	43,380	43,220	43,220	43,220	43,220	46,020	42,300
Ireland	-	14,500	36,500	25,000	25,000	25,000	25,000	22,800
Czech Republic	-	22,400	22,400	22,400	46,400	46,400	46,400	38,500
Hungary	-	33,800	29,800	39,460	50,040	33,540	33,540	35,000
Croatia	-	-	-	-	9,200	30,000	28,050	25,050
Sweden	37,550	59,700	59,700	73,700	29,000	29,000	29,000	29,200
Austria	18,000	20,450	50,000	60,000	37,300	37,300	65,300	65,300
Greece	-	-	-	13,000	13,000	13,000	26,000	45,500
Romania	-	-	-	-	16,000	16,000	16,000	16,000
Denmark	-	-	-	-	12,580	12,580	12,580	10,000
Lithuania	-	-	-	-	-	-	12,000	12,700
Bulgaria	-	-	-	-	-	-	15,500	13,000
Norway	-	-	-	-	-	-	13,000	11,000
Latvia	-	-	-	-	-	-	-	-
Luxembourg	-	-	-	-	-	-	-	-
Russia	-	-	-	-	-	-	-	-
Slovenia	-	-	-	-	-	-	-	-
Serbia	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,008,380</b>	<b>1,453,670</b>	<b>1,705,560</b>	<b>1,806,520</b>	<b>2,171,760</b>	<b>2,266,580</b>	<b>2,362,460</b>	<b>2,228,005</b>

# **TYPES OF OUTLETS**

	Strip	Mall	Village	Periphery	Greenfield	Urban District	City Center	
France	1		9	5	9	0	5	1
Italy	0		3	19	15	7	0	0
Spain	0		13	3	14	2	0	0
UK	0		18	18	22	1	10	3
Sweden	0		0	2	2	0	0	0
Switzerland	0		5	1	6	0	0	0
Romania	0		1	0	1	0	0	0
Portugal	0		1	2	2	0	1	0
Poland	0		7	0	5	0	2	0
Norway	0		0	1	1	0	0	0
Netherlands	0		0	3	2	0	0	1
Lithuania	0		1	0	0	0	1	0
Ireland	0		2	1	2	0	1	0
Hungary	1		0	1	0	2	0	0
Greece	0		2	1	2	0	1	0
Germany	0		1	5	1	3	1	1
Denmark	0		0	1	1	0	0	0
Czech Republ	1		1	0	0	1	1	0
Croatia	0		0	2	1	1	0	0
Bulgaria	0		1	0	1	0	0	0
Belgium	1		0	2	2	0	1	0
Austria	0		1	1	0	1	1	0
	4		66	68	89	18	25	6