

DRAFT

**REGIONAL MARKET PENETRATION
OF
DOWNTOWN BOULDER/PEARL STREET MALL
AND
FLATIRON CROSSING MALL**

Prepared for

*P. K. Eklund Interests
and*

Downtown Boulder Business Improvement District

September, 2001

FOREWORD

This telephone research was commissioned as a joint project by P.K. Eklund Interests and the Downtown Boulder Business Improvement District . The goal of this highly-focused research was to assess the relative strength of Flatiron Crossing Mall and Downtown Boulder/Pearl Street Mall. The telephone calling area was designed to reflect the extended Boulder retail trade area. A copy of the survey instrument appears in the Appendix of this report.

The telephone calling area has a population of more than 370,000 in 135,600 households. Telephone surveying was conducted in late August, 2001, at a time when University of Colorado freshmen and returning students were present in the community. Fully 12 percent of the random telephone interviews reached households containing at least one University student.

The telephone survey identified adults over age 18 who had visited Downtown Boulder (Pearl Street Mall) for non-work purposes of shopping, dining, entertainment, or strolling. The survey also identified adults over age 18 who had visited Flatiron Crossing Mall for the same non-work purposes.

Eastern Research Services conducted the telephone interviewing from their branch office in Virginia Beach, VA during daytime and evening hours. Using a telephone list provided by a national vendor, Eastern Research Services made random calls which accurately reflected the distribution of households within the calling area. A table comparing the distribution of households and completed interviews by Zip code is in the Appendix of this report.

Respondents were asked about visits to Downtown Boulder/Pearl Street Mall and Flatiron Crossing over multiple time periods including the past 6 months, the past 90 days, and the past 30 days, this analysis is based upon past 90-day usage because this conforms to traditional shopping center research as conducted by firms such as Scarborough and Belden.

The results demonstrate that Downtown Boulder/Pearl Street Mall and Flatiron Crossing have comparable rates of 90-day adult "market penetration." The data also clearly depicts Downtown Boulder/Pearl Street Mall enjoying significantly greater visit frequency than Flatiron Crossing. In addition, Downtown Boulder/Pearl Street Mall have developed niches of strength among specific age and income groups that Flatiron Crossing has not developed with comparable strength. Perhaps of greatest significance, the opening of Flatiron Crossing has not altered the usage rate of Downtown Boulder/Pearl Street Mall by the vast majority of its patrons.

Blount Hunter
H. Blount Hunter Retail & Real Estate Research Co.
September, 2001

EXECUTIVE SUMMARY

Pearl Street Mall and Flatiron Crossing Mall have identical 6-month market penetration rates and 90-day market penetration rates:

63 percent of all adults in trade area have been to Downtown Boulder/Pearl Street Mall in the past 6 months for shopping, dining and entertainment; the 90-day penetration rate is 53 percent

64 percent of all adults in trade area have been to Flatiron Crossing Mall in the past 6 months for shopping, dining, and entertainment; the 90-day penetration rate is 51 percent

Pearl Street Mall's frequency of use is more than twice the level of Flatiron Crossing:

Average 90-day visit frequency to Pearl Street Mall is 8.2 visits (one visit per 11 days) compared to average 90-day visit frequency to Flatiron Crossing Mall is 3.6 visits (once per 25 days)

The opening of Flatiron Crossing has had minor impact on frequency of using Pearl Street Mall; even those patrons who have curtailed their usage of Pearl Street Mall in response to the opening of Flatiron Crossing visit Pearl Street Mall more often than Flatiron Crossing:

82 percent of adults in the trade area say that the opening of Flatiron Crossing has had "no impact" on their frequency of use of Pearl Street Mall.

16 percent of adults have decreased their frequency of visits to Pearl Street Mall because of Flatiron Crossing, but 2 percent say they have increased their usage of Pearl Street Mall subsequent to the opening of Flatiron Crossing.

Those who have "decreased" their frequency of use of Pearl Street Mall since the opening of Flatiron Crossing report an average of 7.4 visits to Pearl Street in the past 90 days compared to an average of 8.4 visits by those whose usage pattern has not changed.

One source of Pearl Street Mall's strength is multiple dimensions--shopping, dining, entertainment, and a "people place" compared to the single dimension image of Flatiron Crossing.

Pearl Street Mall's most frequent patrons are 18-44 year olds and households with incomes over \$55,000; Flatiron Crossing's patron profile does not reflect specific demographic strengths. University students visit Pearl Street Mall almost three times more often than Flatiron Crossing with 90-day frequency to Pearl Street Mall averaged 13.5 visits versus 5.1 to Flatiron Crossing.

6-MONTH AND 90-DAY MARKET PENETRATION RATES

Downtown Boulder/Pearl Street Mall and Flatiron Crossing Mall enjoy identical 6-month and 90-day market penetration rates than Flatiron Crossing among adult residents of the extended Boulder retail trade area:

63 percent of adults have been to Downtown Boulder/Pearl Street Mall for non-work purposes including shopping, dining, and entertainment in the past 6 months

53 percent of adults have been to Downtown Boulder/Pearl Street Mall for non-work purposes including shopping, dining, and entertainment in the past 90 days

51 percent of adults have been to Flatiron Crossing Mall for shopping, dining, and entertainment in the past 6 months

51 percent of adults have been to Flatiron Crossing Mall for shopping, dining, and entertainment in the past 90 days

Perhaps due to its multi-dimensional character, Downtown Boulder/Pearl Street Mall enjoy significantly higher frequency of use than Flatiron Crossing Mall (which is perceived predominantly as a "shopping destination."):

8.2 average visits to Downtown Boulder/Pearl Street Mall in past 90 days

3.6 average visits to Flatiron Crossing Mall in past 90 days

Downtown Boulder/Pearl Street Mall and Flatiron Crossing Mall have 75 percent "overlap" of patrons. This sharing of shoppers reflects the geographic proximity of the two retail destinations. Respondents who had visited Downtown Boulder/Pearl Street Mall without visiting Flatiron Crossing were young (average age 43) and relatively affluent considering the preponderance of University students in this group (average household incomes of \$57,400). Conversely, those who had visited Flatiron crossing Mall without visiting Downtown Boulder/Pearl Street Mall were somewhat older (average age 50) and more affluent (average household income of \$66,060).

Usage of both destinations "cumes" to approximately two-thirds of all adults over a 6-month period. Routine market penetration for Downtown Boulder/Pearl Street Mall and Flatiron crossing is approximately half of all adults over a 90-day period. The most significant variation is in frequency of usage where Downtown Boulder/Pearl Street Mall have a major advantage over Flatiron Crossing Mall.

USAGE FREQUENCY BY AGE, INCOME, AND OTHER CONSUMER CHARACTERISTICS

Frequency of visit is the most significant distinguishing factor between Downtown Boulder/Pearl Street Mall and Flatiron Crossing Mall. Usage patterns by age and income group reveal that Downtown Boulder/Pearl Street Mall has developed niches of strength while Flatiron Crossing Mall has not developed comparable demographic dominance

The tables on the facing page (and the accompanying bar charts) depict:

Downtown Boulder/Pearl Street Mall has higher 90-day frequency of use than Flatiron Crossing Mall by every age group.

Downtown Boulder/Pearl Street Mall has exceptional strength among patrons between the ages of 18 and 29 and in the age group 55 to 59. Downtown Boulder/Pearl Street Mall also demonstrates strength among 40 to 44 year olds.

Downtown Boulder/Pearl Street Mall has higher 90-day frequency of use among virtually all income groups with specific strength among households with incomes between \$55,000 and 99,999 and also among households with incomes over \$150,000.

90-DAY VISIT FREQUENCY BY CONSUMER CHARACTERISTIC

	<u>DOWNTOWN</u>	<u>FLATIRON</u>
	<u>BOULDER</u>	<u>CROSSING</u>
Male	8.1 X	3.3 X
Female	8.2 X	3.7 X
University Students	9.9 X	5.5 X
Households with Child(ren)	7.9 X	3.7 X

Downtown Boulder/Pearl Street Mall delivers higher visit frequency among highly desirable consumer groups as judged by age and income. Flatiron Crossing Mall has not developed similar "skews" among its users.

COMPARATIVE 90-DAY VISIT FREQUENCIES

90-DAY VISIT FREQUENCY BY AGE GROUP

	<u>DOWNTOWN</u>		<u>FLATIRON CROSSING</u>
	<u>BOULDER</u>		
18 TO 24		11.5 X	4.0 X
25 TO 29	11.6 X		4.0 X
30 TO 34	6.5 X		4.4 X
35 TO 39	7.5 X		3.6 X
40 TO 44	9.3 X		3.3 X
45 TO 49	7.9 X		2.5 X
50 TO 54	4.9 X		2.0 X
55 TO 59	13.5 X		10.5 X
60 TO 64	3.4 X		1.9 X
65+	3.8 X		3.7 X
AVERAGE	8.2 X		3.2 X

90-DAY VISIT FREQUENCY BY INCOME GROUP

	<u>DOWNTOWN</u>		<u>FLATIRON CROSSING</u>
	<u>BOULDER</u>		
Under \$25,000	12.4 X		1.7 X
\$25,000-\$34,999	2.7 X		3.2 X
\$35,000-\$44,999	8.3 X		1.3 X
\$45,000-\$54,999	5.4 X		3.7 X
\$55,000-\$64,999	8.1 X		3.8 X
\$65,000-\$74,999	7.9 X		3.0 X
\$75,000-\$99,999	7.9 X		3.3 X
\$100,000-\$149,999	5.3 X		6.7 X
\$150,000+	11.7 X		2.8 X
AVERAGE	8.2 X		3.2 X

SHOPPING IN DENVER

Incidence of shopping in Denver was probed as part of this market study.

20 percent of respondents had shopped at least once in Denver in the 90 days immediately prior to being interviewed.

The most prevalent reason for shopping in Denver is to gain access to stores that are not located in Boulder. Some Denver shopping occurs as part of trips which are generated by other reasons (business or personal errands). Less than 10 percent of respondents indicated that they leave the Boulder retail market in search of "better prices" in Denver.

REASONS FOR SHOPPING IN DENVER

	<u>PERCENT</u>
Stores unavailable in Boulder	34 percent
Shopped while in Denver for other reasons	18 percent
I like to have variety in my shopping	13 percent
Denver stores have better prices	9 percent
Stores in Denver carry different merchandise	8 percent
Stores in Denver offer better customer service	4 percent
All other reasons	12 percent

Many markets experience the type of sales transfer or erosion that was documented in this research. The explanations which would signal problems within the Boulder retail offering are not the primary explanations for shopping outside of the Boulder market.

CONSUMER IMAGES OF DOWNTOWN BOULDER

Compared to impressions of Flatiron Crossing Mall, Downtown Boulder is a multi-faceted place in the minds of consumers:

Downtown Boulder/Pearl Street Mall has a well-established "sense of place" and equal impressions of dining and shopping.

Flatiron Crossing Mall is overwhelmingly perceived as a "shopping center." This may relate to the sales weakness encountered by the outdoor "village" at the mall.

TOP-OF-MIND IMPRESSIONS OF DOWNTOWN BOULDER AND FLATIRON CROSSING MALL

	<u>DOWNTOWN BOULDER</u>	<u>FLATIRON CROSSING</u>
Stores and shops	20 percent	67 percent
Restaurants and cafes	23 percent	7 percent
Bars/Night Spots	4 percent	---
Entertainment Venues	4 percent	1 percent
Nice Place to Stroll	34 percent	6 percent
Miscellaneous Other Images	15 percent	18 percent

The ambience of Downtown Boulder/Pearl Street Mall is a competitive advantage that can be used in marketing appeals. Restaurants and cafes are of equal importance with shops in establishing the drawing power of Downtown Boulder/Pearl Street Mall.

CHANGE IN USAGE PATTERN OF DOWNTOWN BOULDER / PEARL STREET MALL

The opening of Flatiron Crossing Mall in late 2000 has had marginal impact on merchant sales at Pearl Street Mall.

Taxable retail sales reached \$137 million in 2000 in Downtown Boulder--an increase of 14.9 percent over 1999 despite the August, 2000 opening of Flatiron Crossing (1.5 million square feet anchored by Foley's, Dillard's, Lord & Taylor, and Nordstrom).

Downtown Boulder's sales in the 1st quarter of 2001 have dipped by only 5.6 percent compared to the 1st quarter of 2000--very modest impact considering the size and quality of merchandising at Flatiron Crossing, and well below the reported 15 percent sales decline experienced at Westminster Mall which is Flatiron Crossing's closest competing enclosed suburban mall.

Confirming the interpretation that Flatiron Crossing has had little direct impact on Pearl Street Mall, consumers indicated that they have not significantly curtailed their usage of Downtown Boulder/Pearl Street Mall since the opening of Flatiron Crossing Mall:

82 percent of all respondents have not changed their frequency of visits to Downtown Boulder/Pearl Street Mall in the past year in response to the opening of Flatiron crossing Mall

16 percent of respondents have decreased their usage of Downtown Boulder/Pearl Street Mall as a result of the opening of the new regional center, but their average 90-day frequency of use of Downtown Boulder/Pearl street Mall remains high at 7.4 visits compared to 8.4 visits by those whose usage is unchanged

2 percent of respondents have increased their usage of Downtown Boulder/Pearl Street Mall since Flatiron Crossing Mall opened in August, 2000

Downtown Boulder/Pearl Street Mall have demonstrated sales resiliency in the face of significant competition from a new suburban mall. This resiliency stems from inherent qualities such as open-air ambience, a strong mix of independent and national merchants, and the combination of shopping with dining in a pedestrian-oriented "people place."

TELEPHONE CALLING AREA

The distribution of completed interviews closely mirrors the distribution of households by Zip code within the telephone calling area defined as the extended Boulder retail market:

	<u>ACTUAL</u>	<u>SAMPLE</u>
80301	8.7 percent	6.3 percent
80302	9.7 percent	6.6 percent
80303	13.1 percent	11.6 percent
80304	7.8 percent	8.7 percent
80503	7.6 percent	8.8 percent
80455	0.1 percent	0.2 percent
80481	0.2 percent	0.2 percent
80510	0.1 percent	0.4 percent
80540	1.4 percent	2.0 percent
80504	3.5 percent	5.2 percent
80516	1.8 percent	3.0 percent
80026	7.8 percent	6.4 percent
80027	5.3 percent	4.8 percent
80020	14.8 percent	12.1 percent
80530	0.5 percent	1.6 percent
80514	0.3 percent	1.8 percent
80466	1.3 percent	1.4 percent
80501	15.7 percent	18.7 percent