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FEATURE Guest Author: Sanford Stein, STEIN LLC

WHO, WHAT AND WOW: LOOKING AT RETAILING IN THE NEW NORMAL

We have all been witness to some fundamental economic "resetting"— anyone intimately connected to retail has seen a dramatic industry contraction, and an inelegant one at that. Only a few years ago, this adjustment would have seemed unimaginable as we were feeding our seemingly endless need for goods and goodies.

Store closings have vastly outnumbered store openings; Chapter 11 bankruptcy filings that used to make headlines have become commonplace. The ICSC recently reported an 8% vacancy rate in regional malls and 11% vacancy in strip centers. Meanwhile online shopping has grown steadily from its virtual inception a mere decade ago, with forecasted growth of nearly 10% per year through 2013 according to eMarketer. The next bite out of the retail pie is expected to be mobile commerce, which has made inroads in other world markets ahead of the U.S.

Department store anchors initially responsible for the inception and growth of regional malls are dying and being replaced by discounters. Specialty retailers—the secondary lifeblood of the regional malls that carry the lion's share of

mall operating costs—are suffering unprecedented closures from over-expansion and lack of differentiated products. Economic times, internet e-tailing, newer shopping formats and changing consumer values conspired to devalue this once vital shopping phenomenon and the center of popular culture for at least three generations of Americans.

Since their rise in the mid-50s, American shopping malls have been as ubiquitous as the suburbs that surround them. They've been the default city center for a society quick to turn its back on its once thriving and architecturally diverse downtowns, and in a hurry to build a utopian dream of nearly identical multi-story, skylit, escalator-filled, generic marketplaces to fuel our need for all things new and fashionable.

Like most other businesses in the 21st century, retailing has become increasingly complex. What worked in the latter half of the 20th century is simply not good enough in a time of increased competition, a more demanding and sophisticated consumer and the impact of the internet on consumer behavior, to name a few key factors. Simply put,

SNAPSHOT

THE GROVE



Location: Interstate 94 and Maple Grove Parkway, Maple Grove
Month/Year Opened: October 2007
Owner/Managing Agent/Construction Contractor: Ryan Companies US, Inc.
Center Manager: Krista Kay – Ryan Companies US, Inc.
Leasing Agent: Terese Reiling/Amy Senn, Welsh Companies (952) 897-7700
Architect: RSP Architects and Ryan Companies US, Inc.
GLA: 550,000 sf retail (450,000 sf power center, 100,000 sf retail)
Current Occupancy: 88.21% (overall development), 44.5% (the village)
Anchor Tenants: SuperTarget, Home Depot, Slumberland
Market Area Served: Northwest Metro
Additional Facts: Located close to the new North Memorial Hospital, planned 610 extension, and the new Metro Transit Park and Ride, The Grove is situated to take advantage of Maple Grove's growing retail, residential, office, and medical marketplace. In addition to anchors, tenants include Chipotle, Subway, Great Clips, North Memorial Credit Union, DaVita Dialysis, Park Nicollet Rehabilitation Services, and Kalla Lily Salon & Spa. Available space from 1,200 sf to 20,000 sf, as well as prime fast food and sit down restaurant pads.

Who, What and Wow - continued

the days of having the right product at the right price and screaming about it are over.

How then do we begin to reinvigorate the millions of square feet of retail that are underperforming, with increased vacancies and decreased visitation? What will re-engage consumers of vastly different demographics and psychographics once the economy begins to turn the corner and consumer confidence improves?

Permanent Change

A few years ago TNS Retail Forward, in conjunction with Price Waterhouse Coopers, compiled a report entitled *Retailing 2015* which pointed out that the retail industry is becoming more complex and changing at an ever-increasing rate. They focused on four key areas of change including shifting demographics, household downsizing, a more educated community and new channel formats. They went on to say that as a society we are in a time of transition and retailing must also transition. They noted that many of the retail concepts that were responsible for the growth of the regional malls had reached the end of their expansion runway. Additionally they reported that popularity of neighborhood centers would continue because of their mixed use as well as their catering to more specific tastes than the more ubiquitous national mall chains.

While these observations are undeniably true, I believe to truly understand the needs of the changing society and point the way to a viable strategy to reinvigorate mall retailing, we must analyze three key areas; I'll call it the WHO, WHAT and WOW of retail.

WHO—Psychographic Relevance

To attain market relevance we must first focus on the emotional needs of the consumer. We look at psychographics as opposed to demographics because understanding the differences which are driven by lifestyle, life stage and social groups gives far more behavioral clues than mere demographics can offer. But for the sake of this brief overview, I will use the key demographic groups (Millennials, GenYs, GenXs, Boomers and Elders) to make the point about customer relevance. This economic resetting has created a "tipping point" for several of the distinct demographics. Behavior has been altered; priorities and attitudes have been changed. While it will not likely leave the scars of the Great Depression, it's fair to say that both the boomers' and elders' spending habits have been altered irrevocably. This after the

boomers spent a half century feeding economic growth only to be confronted with an under-funded retirement.

The younger groups, particularly the Millennials and GenYs, will be the first to start spending again, against the backdrop of their immersion into social networking, the largest experiment in social interaction in history. Key brands focused on these groups are quickly learning how to speak this new language and become part of this great experiment. Additionally, both of these key buying groups have the greatest appetites for green products and services. This presents another engagement opportunity as well as a responsibility to demonstrate a real commitment to sustainability.

WHAT—Unique Customer Experiences

Today's retailers must execute at a very high level across many "brand touch-points" to achieve the desired end-to-end retail experience that customers demand and have come to expect from leading retailers. These factors include **pre-shop**: the online experience; **shop**: the ease, enjoyment and relevancy of the in-store brand experience; **purchase**: the ease of the transaction; and **post purchase**: the satisfaction of expectations. A recently published study by the Wharton School of Business informs us that one of these four factors is both more important to consumers and coincidentally less frequently experienced by them: that is the in-store "brand experience."

The declines in department store popularity and that of many of the specialty retailers have been due to undifferentiated product offerings as well as the poor quality of the in-store brand experience. Mass merchandisers like Target have capitalized on this, successfully executing their brand on each key brand touch-point. Specialty players like Urban Outfitters have focused on a more refined customer demographic as well as spending amply on creating unique in-store experiences that resonate with their customer.

WOW—Dynamic, Not Static; Active, Not Passive Engagement

To properly engage today's customer with an ever-decreasing attention span, increased time challenges and constantly evolving e-commerce options, the malls will have to up the entertainment and engagement ante to find its mojo, once again. The next shoe to drop will be m-commerce (mobile), already a huge force in Europe and Japan where internet systems

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continued on page 7 ➔

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Target Corporation

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HOT SPOTS

by Stephanie Cadmus, Mod & Company

TAP INTO YOUR OWN TREND SPOTTING

Calling the information and resource universe for current trends in consumerism, buying habits and, in turn, the latest and greatest ideas for retail and commercial development in order to find something new and undiscovered left me realizing that although there is breath coming back to the marketplace, we're all still waiting for the collective exhale. Sales are up and consumers are thoughtfully tip-toeing back into the water, but what is unclear is which body of water – pool, lake, or ocean? And when, if ever, will people jump back in with both feet, let alone the abandonment of jumping head first into the deep end?

As we continue to hold on with a less white-knuckled grip and an air of optimism for the immediate future, we look for the long term directions that will ensure the future. We can actively tap into, and keep an eye on, the marketplace from an array of vantage points via some great resources. Here's a short list of a few of the resources I found to be both informative and somewhat inspirational.

Springwise.com is all about sharing innovative new business ideas from across the world utilizing a network of 8,000+ "spotters," all of whom give an account of the newest, most unique and promising business ventures, ideas and concepts that are ready for regional or global expansion, partnering, investments or support. Springwise tracks business ideas in 20 different industry categories from "Eco & Sustainability" to "Financial Services" to "Retail." One retail offering included a store that only sells cookbooks but provides a test kitchen and café to expand the experience. Springwise generally provides additional information and resources to allow you to research further, such as the website for this retail cookbook concept: www.25degreec.com. In addition to their searchable website, Springwise offers weekly e-newsletters free of charge.

Trendwatching.com is similar to Springwise in its use of spotters across the globe scanning for promising consumer trends, insight and business ideas. An independent trend firm, trendwatching.com relies on their network of "happy spotters" to spot new product ideas, services and consumer experiences. Many of their findings are collected and shared via a free monthly e-newsletter as well as through their website. Visit trendwatching.com to read their "10 Crucial Consumer Trends for 2010," including "Urbany," "(F)luxury" and "Mass Mingling." Trendwatching.com is a website providing content as a business development tactic, but that doesn't mean it doesn't have good information to share.

DailyCandy.com will satisfy your trend and what's-happening-now sweet tooth. However, consider yourself forewarned: if you register to receive their e-newsletters, they arrive daily and your inbox will fill up very quickly with the possibility of over 20 separate e-newsletters. Don't let this dissuade you. You can control your information load by visiting their website on a regular basis as well. Cities on the DailyCandy radar include: Atlanta, Boston, Chicago, Dallas, London, Los Angeles, Miami, New York, Philadelphia, San Francisco, Seattle and Washington, D.C. You can all search or subscribe to one or more category-specific daily emails, including: Home, Fashion, Beauty, Deals, Food & Drink, Culture, Home & Garden, Travel and Gifts.

BrandChannel.com offers information on current business happenings within big brands and, although tipped more to a brand and marketing viewpoint, BrandChannel offers current information that could direct one to consider trend-changing activities, such as the report that "Phillips-Van Heusen spent \$3 billion to acquire the Tommy Hilfiger company." Of course, you could subscribe to the BrandChannel e-newsletter, but you can also surf their website by key topics, including retail. The site reported Urban Outfitters' robust fourth quarter sales and record profit for 2009, and discussed Urban Outfitters' plans to launch a bridal brand.

Interestingly, Urban Outfitters' winning formula of youthful, chic, city, urban wares and wearables seems to support one of trendwatching.com's "10 Crucial Consumer Trends for 2010": Urbany. Hmm... coincidence, or are we starting to not only spot, but track trends and potential future opportunities ourselves? I'd like to think we are.

EVENTS

- Apr 7 **Development/Redevelopment**
- May 5 **Shopping Centers**
- Jun 2 **Transportation**
- Jun 21 **Golf Tournament**
- July 14 **Retail Focus**

For program times and more info, please log on to www.msca-online.com

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MN MARKETPLACE

- **Little Caesar's Pizza** will open a new 1,183-sf location in June at Tamarack Village in Woodbury.
- Construction is underway on a new 1,500 sf **Sally Beauty Supply** store that will open in May at Woodbury Commons.
- Additionally, **Clothes Mentor** will open in May at Woodbury Commons in a new 3,493-sf space.
- Scottsdale, Arizona-based Nyman Group created the concept for **Aperitif**, a new 270-seat restaurant located at 772 Bielenberg Drive in Woodbury. Aperitif features a menu inspired by countries that border on the Mediterranean.
- **Bin Wine Bar** has opened at Sixth and Sibley in St. Paul's Lowertown. With light fare and wine upstairs and tete-a-tetes in the private cellar below, the wine bar will offer \$1-an-ounce wine flights as well as \$200-plus bottles.
- As an expansion of their Grand Avenue location, **Amore Coffee** has taken over the former Cafe Juliahna in West St. Paul at 879 Smith Avenue South and is remodeling. They will be serving house-roasted coffee as well as an expanded menu of soups, salads and sandwiches.
- **Kieran's Irish Pub** moved a few blocks into the former Bellanotte on Block E in downtown Minneapolis. Kieran's new larger space, with an authentic Irish pub bar that was built to order in Ireland, opened on March 16th.
- Now open in Eden Prairie, **Hot Mama** will open a seventh Twin Cities location in April at the Shops at West End in St. Louis Park.
- **Finnstyle**, a store featuring modern Scandinavian décor, has relocated to the Designer Marketplace at 160 Glenwood Avenue in Minneapolis.
- **Inizio** gift store is moving to 2309 W. 50th Street in south Minneapolis, next to Broders' Pasta Bar.
- **Casa Nostra Pizzeria & Ristorante Italiano** has opened at Heritage Commons development in Lakeville.

COMMITTEE CHAT

Since self-management in 2000, MSCA and The Caring Tree have run solely on the staff of one, then two and now three. Karla has been with the association for 11 years, Stacey for five years and Danielle for one year. Together, Karla, Stacey and Danielle are responsible for the Association as a whole including leadership and strategic planning to organizing and implementing all programs, events and committees.

In addition, the three manage The Caring Tree, founded by MSCA as a community outreach project. Karla, Stacey and Danielle work with a separate board and implement The Caring Tree program as well as year-round fundraisers. MSCA is always looking for new ideas regarding networking, education, membership benefits or event ideas. They welcome all feedback and as always, MSCA staff is here to assist members in any way possible and looks forward to continuing to serve both organizations in years to come! If you're interested in getting more involved in the organization, just call the MSCA office and Karla, Stacey or Danielle will assist in introducing you to the right opportunity!

MSCA STAFF

WATCH

MEMBER PROFILES

Rhonda Peare

Guaranty Commercial Title, Inc.



Primary Career Focus: Building relationships
Education: Northwestern College, Roseville
Family: Husband, Mark and two kids, Katie and Nick
Hobbies: Golfing, camping, spending time with family and friends
Very First Job: K-Mart deli
Dream Job: Working for a charitable organization helping others
Secret Talent: Sorry, not a very gifted person unless talking falls under this category
Favorite Food: Mexican along with a Corona
Favorite Book: Just finished school – the only books I have gotten to read are text books – how boring!!
Favorite Movie: *Sweet Home Alabama* – really any chick flick!
Mentors: Dad and Mom - taught me that if you respect others good things will come your way. Curt Glaser, one of my favorite people when it comes to the working world!
Favorite Place Traveled: Maui, Bahamas and Canada (both summer and winter)
MSCA Involvement: Program and Technology Committees

Mike Broich

Target Corporation



Primary Career Focus: Attorney, real estate corporate and law
Education: Augustana College, Sioux Falls; Northwestern University Law School, Chicago
Family: Wife, Tara, and kids, Rose, Oscar, Lincoln
Hobbies: Reading, carpentry, landscaping
Very First Job: Sold turkey legs at the Renaissance Festival
Dream Job: Own a tree nursery / farmer
Secret Talent: Computer gaming
Favorite Food: Giordano's Pizza - Chicago
Favorite Book: *Huckleberry Finn*
Favorite Quote: "I may be a fool, but I'm not stupid." - Mike Broich
Favorite Place Traveled: Beach vacation on the Mediterranean, between France and Spain
MSCA Involvement: Sponsorship and Retail Report Committees

MEMBER NEWS

Meyer and Reimann Join Mid-America.

Mid-America Real Estate-Minnesota LLC is pleased to announce the addition of industry veteran, Stefanie Meyer, as the new Principal, Senior Vice President of Brokerage as well as the addition of Johnny Reimann as a Retail Brokerage Specialist and a valued part of the team for the Mid-America Minnesota office.

NEW MEMBERS

Robert Jodsaas
Horizon Roofing, Inc.

Jim Vitt
Capital Real Estate, Inc.

A.J. Schoenecker
BELFOR USA Property
Restoration

Christopher Youngdale
Burton Insurance Agency

Anne K. Smith
Kearney Partners

BOOKMARK

SMALL TALK 

There are 2 books I'd like to introduce you to this month:

The Checklist Manifesto: How to Get Things Right by Atul Gawande

In [The Checklist Manifesto](#), the author reminds us that we are living in a very complex world and, as a result of this, we may tend to do things intuitively rather than systematically. Also, in our current world each task has become so complex that it cannot be performed well by a single person. This can often result in errors of ignorance or ineptitude. It sounds as if the checklist approach can be used as a way of team building as well as improving performance in critical situations. This book was Amazon's Best Book of the Month in December 2009.

Have a reading recommendation? Contact Christopher Max Naumann at christopher@christophermax.org or Judy Lawrence at jlawrence@karealty.com.

Linchpin: Are You Indispensable? by Seth Godin

[Linchpin](#), on the other hand, emphasizes the necessity to become indispensable in this environment of competition and a changing business climate. The author suggests that the best way to approach this is to become "an artist." An artist is someone who acts out of passion and emotion, someone who looks at things from all angles. This is how we should look at our work. This should invigorate us, should create change, and help us to see new opportunities and solutions. The reviews suggest that this book will help you to do these things. One of Godin's supporters is Tony Hsieh, CEO of Zappos, and, lets face it, we'd all like to be him! Alan Webber, founder of Fast Company says, "If Seth Godin didn't exist, we'd need to invent him—that's how indispensable he is! You hold in your hands a compelling, accessible, and purposeful book. Read it and do yourself a big favor. Your future will thank you."

RETAIL INVESTMENTS 2010: THE BUYER, SELLER & ANALYST PERSPECTIVE

What a difference a year makes! From a stock market of 6,594 to 10,406; from clients canceling purchase agreements to the demand on <\$2M projects outpacing supply; from who is going away to who is going to stay? Our panelists provided three perspectives on our current market expectations moving into 2010 and beyond.

Confidence is returning, says Lou Quilici, who has been with Inland since 1984. He is responsible for \$2.6B in assets and provided an overview of Inland Real Estate

Acquisitions. Inland has diversified over the years and weathered many recessionary periods. Inland has sponsored five REITs and purchases for two other entities, an opportunity fund and a 1031. Inland purchases with cash, then finances with 55% leverage. The good news is cap rates on acquired properties are returning to the range of 8-9%.

Dan Levitt stressed that we can't generalize. We must look at the fundamentals specific to each property. Smaller is better, and liquidity is slowly returning. Levitt shared graphs that demonstrated that REIT implied cap rate declined from December 2008 through January 2010, but also a recent, if slight, incline. He also shared that REIT implied cap rates falling may be an indicator for the private market into 2010.

Lauri Brunner provided some great perspective from a stock analyst's point of view. Reviewing a mixed group of 10 public companies, Brunner helped identify potential patterns of recovery looking at same store sales and dollar psf sales growth. The forecast is modest growth. Capital spending will focus on remodels and IT projects over new store growth. An interesting analysis was the review of companies' cash flow patterns. Brunner explained several analytical techniques in terms of relation to dollar psf to aid in reviewing company performance and in reviewing overall trends.

Overall, the consensus is that through 2010 and into 2011, retail is on the slow climb back from this past downturn.



March program presenters left to right
Keith Sturm (moderator), Upland Real Estate Group, Inc.
Lou Quilici, Inland Real Estate Acquisitions, Inc.
Lauri Brunner, Thrivent Investment Management
Dan Levitt, Ryan Companies US, Inc.

MARCH PROFESSIONAL SHOWCASE



RLK Incorporated is a professional consulting firm that provides services for developers and communities throughout the Upper Midwest. Founded in 1991, RLK currently offers over 50 professional staff from our offices located in Minnetonka, Hibbing, and Duluth. Their professional staff includes civil engineers, traffic engineers, surveyors, planners and landscape architects.

SMALL TALK

YOUR MSCA WEBSITE TIP:

Remember that great speaker and the topic from the last MSCA meeting? You know they were good, but what company was she from and what was his name?

We have a section of our website dedicated to our past presentations where you can find the speakers and the slides they used in their presentations. Go to the website, click on **Meetings** located just under the MSCA logo and then on **Presentations** in the menu that pops up and you'll be able to select presentations by date or author name. You also have the option of viewing the presentations online or downloading them (unless there are confidentiality clauses).

Thank You!

On behalf of the Board, we would like to thank you, our members, for renewing your memberships and to those involved in committees, thank you for your time and talents.

If you have feedback, please contact any of the Board members or MSCA staff.

WEB SITES: ICSC PREPARATIONS

SMALL TALK

With the International Re-Con event occurring May 23-25, many in the real estate industry are starting their preparations for the trip. These links may help!

www.icsc.org If you are attending ICSC in Vegas, this is your one stop event coverage. Be sure to sign in, and look for Re-Con in the events area.

www.visitlasvegas.com This is the site for the Las Vegas Convention and Visitors Authority. It's a good reference of places to stay and visit if you are traveling to Re-Con.

Social Networking

Be sure to reference Re-Con and ICSC on various sites like Facebook, LinkedIn and Twitter. Many convention goers are moving to social media to network and connect prior to the event. Don't be left out!

Who, What and Wow - continued from p. 2

are faster and customers routinely use their mobile devices to buy goods and services.

For the shopping center to truly reinvent itself for a changing retail world, the terms *dynamic* and *active* must replace *passive* and *static*. We will need to create unique events, changing venues, and brand engagement that is personal and highly relevant to an increasingly demanding and changing audience. This may ultimately drive the concept of pop-up stores and temporary tenancies to new and more highly evolved levels. Leveraging social networks, blogs and other virtual gathering spaces to drive traffic to special, spontaneous events, performances and product previews can motivate like-minded brand advocates to act in mass' energizing a center.

Emerging technology, *near field communication* (NFC) chips that speak to the consumer through their smart phones, will provide retailers with new methods of customer engagement and personalized offerings. These devices employed in "smart displays" will work in close proximity to a product or brand venue and will provide special in-store offers, and engage the user in a new and dynamic way.

As product distribution channels continue to evolve, the perception of the net being the brand's first touch-point will increase. The issue of where and how the customer "actually" engages with the brand will also take on new meaning and importance. As the size of established retailers continues to increase and the number of competitors decrease, there will be added pressure on manufacturers to control their brand and their story, particularly if they are being commoditized in multi-brand mass retailers, which is likely.

The Board is pleased to report that MSCA is poised for a strong year despite the overall concerns regarding the economic recession. So far in 2010, MSCA has 53 corporate sponsors, which exceeded the association's goal, and we are 600 members strong. MSCA leadership has taken steps to trim the budget, while still providing excellent services to members, such as relevant monthly programs, an enhanced website, better networking opportunities and solid committees to keep you, our members, engaged.



Creating entertaining and highly engaging venues for brand interface in malls can become the antidote to this problem. These interactive venues can celebrate new products or ideas to an audience for testing and feedback (think traveling trade shows usually reserved for industry insiders). Additionally, they become a place for like-minded people to gather and interact. This creates an obvious paradigm shift for the shopping center industry as management's roles move from pure leasing to orchestrating events and experiences. However, the nature of the shopping center can evolve to become a blending of product, entertainment and soft branding in a dynamic, kinetic and celebratory fashion. This will fulfill the needs of a highly diverse audience seeking new and genuine means of socialization and human interaction while still having a brand experience, whether or not the mall happens to be the final point of purchase.

For additional information contact sstein@steinllc.com.

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