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MINNESOTA SHOPPING CENTER ASSOCIATION

DECEMBER 2019

The Connection



Malls Are Dying, But There's A 3-Step Plan That Can Save Them



by Chris Walton,
RED ARCHER RETAIL

After spending the last few weeks writing about the grocery industry, it is time to discuss another industry that is in an even greater state of upheaval — the shopping mall industry.

The mall game has become a split between the haves and the have-nots. **Class A malls are thriving, while Class B and C malls are struggling.** That is especially true of Class C malls. Pictures of recently abandoned malls, are some of the scariest things going on the internet right now. One smart, enterprising mall in Minnesota converted an old anchor tenant location, formerly a Herberger's department store, **into a haunted house this past October.** Talk about irony!

It is easy to see why all this is happening. Prior to the 1990s, malls were an incredibly efficient way for consumers to shop and to buy products. Everything was all in one place. Gap, Victoria's Secret, Foot Locker, you name it, were all under one roof. Malls were a cornucopia of conspicuous suburban consumptive delight. They were the only and best game in town.

Then things changed with the rise of e-commerce. Now the entire product catalog of the world is available to the American consumer right from the palm of his or her hand, on the way to or from work, at work, or even sitting on the couch at home. The convenience factor of malls as a one-stop shop for "closet-loading" (my term to reference the specialty apparel equivalent of grocery pantry loading) is dead. Malls just aren't worth the time investment anymore. If you are not a Class A, experience mall destination, chances are you offer no compelling reason for being. At the very least, you're fighting an uphill battle.

The data bears this out. As search data shows, malls as a means of find, seek and destroy product acquisition are no longer relevant. **According to Survata**, when consumers know what they want to buy, 85% of the time they go to Amazon or Google to find what they want. It is easier to look things up and buy them online than it is to go to the mall — consumers can either buy the things they know they want on Amazon or discover the things they did not know they wanted on Instagram.

All is not lost, however. It just takes chutzpah and the willingness to break from convention. The real irony in the whole situation is that malls actually could be just as important and relevant in people's lives as they ever were. It is just that how and why they are relevant is going to look very different from the days when hearing the Gap was coming to your town was like Christmas in July.

"...when consumers know what they want to buy, 85% of the time they go to Amazon or Google to find what they want."



— continued on page 2

CONTINUED: MALLS ARE DYING, BUT THERE'S A 3-STEP PLAN THAT CAN SAVE THEM

HERE ARE THREE ACTIONS MALLS COULD TAKE TODAY TO RECLAIM THEIR RELEVANCE WITH THE AMERICAN CONSUMER IN EVERY TOWN NATIONWIDE:

1. ADOPT A NEW RETAIL, DATA-FIRST MINDSET

Just as retailers need to know their customers at an individual level, so too do mall operators. This knowledge comes from putting into place the foundations for real-time data capture. Malls of the future should act and behave like video games. The mall goer should be thought of as the main player in the video game, and everything within the mall should act as a non-player character within the game, reading and reacting to the mall goer at all times.

That might sound super geeky, but it is actually really straightforward. Mall operators should strive to know, all things being equal, anything and everything going on within their malls — how many people come to them, how many people go to a given store, how many people use their restrooms, to even how many people throw coins in the fountain, for example.

All this starts with mall operators adopting the foundational pillars of **New Retail, espoused by Alibaba and others**: 1) Cloud Technology 2) Real-Time Data Capture 3) Location and Context Analytics. That way they can begin to treat their “malls” like a Silicon Valley product, i.e. not as something that will obsolesce over time but as an organic idea that will adapt itself iteratively, as the world around it changes.

2. GET HIPPIE WITH IT

Malls are about so much more than leasing space to retailers. The mall itself, not the shops within it, is the product the American consumer actually consumes.

A box and four walls are no longer compelling enough value propositions for either the consumer or the retailer. As a result, new technology and architectural infrastructure needs to be part of the 21st century mall value equation.

Mall operators should get with their tenants and make like it is the 1960s, commune-style. They should become one with each other by:

- Creating front-facing e-commerce marketplaces
- Establishing cooperative backroom fulfillment operations
- Demanding a universal point-of-sale system

- Investing in architectural improvements for concierge services, like order pickup and curbside deliveries and returns

STEP ONE — malls should build branded digital marketplaces. They should showcase all the retailers within their walls, “extend the aisle” of those retailers, and also exhibit local level retail that may not be ready for the prime time of everyday physical retail operations.

The fact that this has not happened already boggles the mind. For decades retailers used malls as their physical marketplaces, so why in the hell should they not use malls as digital marketplaces as well? Everyone wins at a relatively low cost, and, heck, many of the retailers to which the malls lease their space are already using Amazon for this very idea! It is hardly a change at all.

STEP TWO — build the physical infrastructural guts to let the love flow. This effort starts with malls designing collaborative backrooms.

While this step also requires getting the retailers on board, it too should be an easy sell. For instance, what on god’s green earth is the benefit of every specialty retailer operating their own backroom? Stocking and replenishment (say nothing of shipping!) is now almost a white-label activity at this point for digitally-native brands, and yet, at malls throughout the country, Gap still thinks it needs to operate its own backroom logistics and J.Crew does too.

STOP THE MADNESS!

“Pool the backrooms!” should be cry that rings out across the land, from sea to shining sea, and mall operators should then design the guts of their buildings so that retailers can operate out of these shared “fulfillment communes” behind the scenes. Intraday operations would not be affected and, lo and behold, the latest in automation and fulfillment tech could be used to pick and pack orders too, which leads to the next point.

STEP THREE — design the mall to be a full concierge/ style experience for consumers. An enticing marketplace front end and a more efficient back end fulfillment setup should be complemented with a universal mall mobile point-of-sale system, so mall goers can shop any store they want, however they want, both online and in the physical

— *continued on page 3*

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CONTINUED: MALLS ARE DYING, BUT THERE'S A 3-STEP PLAN THAT CAN SAVE THEM

world, alongside amenities, like curbside pickup hubs and/or order pickup lockers, for both consumers and crowd-sourced delivery drivers alike, and for the products that may not even be carried within the four walls of the mall.

That way the mall becomes a choose-your-own adventure mode of convenience. Consumers can still go to the mall if they want, but they can also start to interact with it on their way home from work, on their way to the soccer game on the weekends, or even after a hard night out.

And, most importantly, they can walk from place to place, store to store, with their phones as a remote control in one hand and a glass of wine, beer, or coffee in the other and never have to worry about carrying shopping bags from more than one store or having to take out cash or a credit card ever, ever again!

3. GO WITH THE FLOW

What starts to emerge from the above is a new human, digital, and physical experience design, one part mall as we used to know, one part e-commerce, and one part local strip mall convenience.

Now put all this together and go the final step – malls operators should invest in new experience design improvements and partnership relationships that operate within the flow of the communities within which consumers live.

The most important question of all is, “Why come to the “mall” to begin with (and, I now use the term “mall” very loosely)?” The answers to that question and that question alone should guide this activity.

There is no blueprint here. For some communities, it could mean refashioning the above as senior citizen hovels. For others, it could mean giving millennials a new way to live, work, and play without lifting a finger. While still for others, it could just mean figuring out how to alleviate the pressures of everyday life and the unending mental dredge that is social media.

IS THE ANSWER GROCERY? Could be.

IS IT GYMS? Could be.

IS IT DOCTORS' OFFICES? It could be that too.

But, it is definitely not just the same damn retail that one can find anywhere. That is the art to it. That is where qualitative genius will come into play. The foundation is in steps one and two above, and the icing on the cake is in how one mixes the architectural design to allow for the amenities that matter most in the context of the jobs different communities of consumers have to get done every day.

Malls were invented to make things easier for Americans. It is time they go back to their roots. It is time they leave shopping at the door. We have Amazon for that. ■



Protecting businesses isn't a sideline for American Family—it's a big part of who we are. American Family has been protecting the livelihoods of business customers like you for over 35 years. In fact, we're the **Top Commercial Insurer in Minnesota!** Our strength allows us to offer a broad range of high-quality products and services at competitive prices. As an American Family agent, and a business owner, I have knowledge of your insurance needs, as well as the responsibilities and challenges you face. Whether you own residential, office, industrial or retail property we'll focus on keeping your business protected so you can focus on keeping your properties competitive in the market.

* Based on Commercial Multi-Peril direct premiums written, according to a 2013 report by S&P Financial.

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Bacon Social House

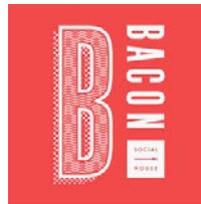


by Connor Bruns,
MID-AMERICA REAL ESTATE –
MINNESOTA, LLC

Founded in 2015 in Colorado, **BACON SOCIAL HOUSE** (BSH) opened its first Minnesota location in Downtown East near U.S. Bank Stadium and are seeking to open more Minnesota locations within the next two to three years. BSH is your bacon mecca, but also offers a full-service bar, plus a variety of other meats, salads, walleye & vegetarian options as well! BSH has a retro cool, modern buildout with a playfully sophisticated vibe. With an open layout, lots of light, comfortable banquette seating and iconic pop art mural, the spaces are inspired with lots of energy.

BRUNCH is available daily from 7:30-4:00, with **DINNER** running 4:00-10:00 Monday through Thursday, 4:00-11:00 Friday and Saturday, and 4:00-9:00 on Sunday.

For future locations, BSH will be strictly focused on brunch.



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Minnesota Marketplace

- ▶ The Nicollet Mall location of **ROJO MEXICAN GRILL** closed at the end of October after less than a year in business.
- ▶ Kaskaid Hospitality, which has run **UNION DEPOT BAR AND GRILL** in St. Paul's historic train station for just over a year, is looking to sublet the space after sales haven't met projections. Nonprofit Appetite for Change, which operates **BREAKING BREAD CAFE** in North Minneapolis, hopes to open in the location by December with a focus on locally grown food.
- ▶ Golf simulator new to this market, **X-GOLF**, opened at South Pond Shoppes and Northtown in November. Look for more locations to come.
- ▶ **PANERA** now open at Highway 610 and Zane in Brooklyn Park.
- ▶ **CHIC-FIL-A** opening at the Stone Mountain Pet Lodge development.
- ▶ **ROLLS AND BOWLS** has opened in the former Pita Pit across the street in the Park Place Promenade retail center anchored by Cub Foods.
- ▶ Look for **TEQUILA BUTCHER** to open in Chanhassen in the former Applebee's restaurant.
- ▶ Now open at Rosedale in Roseville, **BALDAMAR**, sister restaurant to 6Smith in Wayzata.
- ▶ **WEST SEVENTH STREET ACTIVITY: SEVENTH STREET SOCIAL** on West Seventh in St. Paul has closed after a six-year run, along with **CHICAGO TASTE AUTHORITY. ALDI** and **PLANET FITNESS** are now open at Sibley Plaza.
- ▶ Blaine Phalen, and St. Louis Park recently added two more **ALDI'S** to the total of 71 stores by years end in Minnesota. Other notable openings in 2019 included: Chanhassen, Cloquet, Chaska, Richfield.
- ▶ Wayzata recently lost **THE DOUGH ROOM**.
- ▶ Brewery & Distillery Activity: Check out **STILLHEART DISTILLERY** joining **LULULEMON** and **FAIRGROUNDS COFFEE & TEA** in the North Loop. Also, **FALLING KNIFE BREWING COMPANY** opened in Northeast on Harding Street. **FORGOTTEN STAR** opened in Fridley in November. **ONE FERMENTARY & TAPROOM** is soon to open in the North Loop. **FAT PANTS BREWING COMPANY** in Eden Prairie has opened. Rochester is home to a new brewery called **PAW PRINT BREWERY**.
- ▶ D'Amico's & Partners recently completed a comprehensive décor refresh of **THE METROPOLITAN BALLROOM & CLUBROOM**.



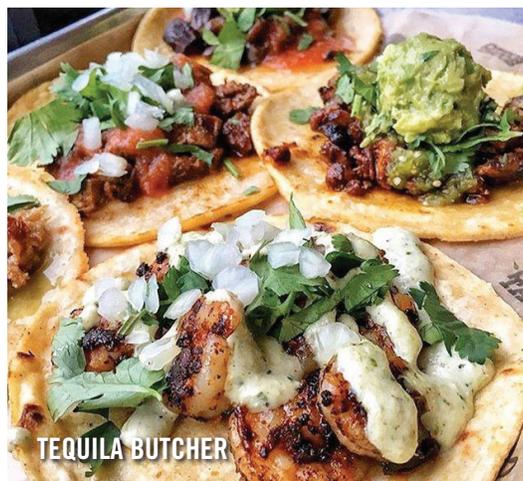
by Johnny Reimann,
MID-AMERICA REAL ESTATE –
MINNESOTA, LLC



by Lisa Diehl,
DIEHL AND PARTNERS, LLC



X-GOLF



TEQUILA BUTCHER



STILHEART-DISTILLERY & COCKTAIL LOUNGE

CONTINUED: MINNESOTA MARKETPLACE

- ▶ **THE LINDEN HILLS FARMERS MARKET** is going inside this winter to Wagner’s Greenhouse in South Minneapolis.
- ▶ **INVER GROVE BREWING COMPANY** opened in the former Ruby Tuesday building in the south metro suburb of Inver Grove Brewing.
- ▶ **RAAG PROGRESSIVE INDIAN** recently opened on 50th east of 50th and France in Minneapolis.
- ▶ The longtime owners, Dan and Kris O’Gara, of legendary **O’GARA’S RESTAURANT** in St. Paul have decided to turn the lights out for good. They will, however, be keeping the restaurant at the State Fairground open next year.
- ▶ The former Joe’s Crab Shack in Roseville is looking to be transformed into **HIGH PINES BREWING CO.**, a brewery and taproom.
- ▶ **BRICK & BOURBON** expanded from a small Stillwater spot to a massive Maple Grove restaurant, with locations slated in Eden Prairie and St. Cloud.
- ▶ **WHISKEY INFERNO MEAT HOUSE** in Savage and **BOURBON BUTCHER KITCHEN + BAR** in Farmington.

- ▶ **BARK AND THE BITE** opened a brick-and-mortar restaurant on St. Paul’s west side. **MARKET BAR-B-QUE** packed up its entire downtown Minneapolis building and recreated it in the northeast neighborhood.
- ▶ **CAROUSEL + FOLK**, Etsy shop turned brick-and-mortar boutique in South Minneapolis with curated vintage good for you + the home.
- ▶ **VAN GUILDER’S JEWELERS** has relocated to the former Oska space on France Avenue at 50th and France with a larger retail store. Also look for **COCCINELLA** on France Avenue.



Cornerstone – MSCA’s 2019 Philanthropic Charity of Choice



THANK YOU FOR THE MSCA’S PARTNERSHIP AND SUPPORT OF CORNERSTONE IN 2019.

We are truly grateful for all the amazing donations you made at the April bowling event and for your presence at our annual fundraising breakfast. We are always grateful for the opportunity to share information about our work with victim/survivors of domestic violence, sexual violence and human trafficking so that the community knows how to access our services if they (or someone they care about) need help.

THANK YOU

PROFESSIONAL SHOWCASE



Founded in 2008, **CONTINUUM CONSTRUCTION** is a mid-size commercial general contractor located in Roseville. Continuum has completed projects in 22 different states and has an extensive resume of medical, retail, and higher education projects. The team at Continuum prides itself in using innovative pre-fabricated construction techniques to deliver our projects to market faster, with a higher build quality and at a substantially reduced cost. From interior buildouts to ground up construction, the team at Continuum is ready to help. Give us a call today!

HAVE YOU SEEN?



Panera, the corner of Zane and Highway 610, opened in November!

HAVE YOU SEEN?



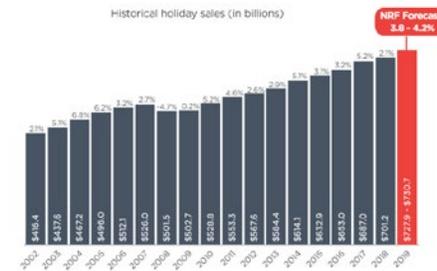
Chick-fil-A: Coming to Stone Mountain Plaza this winter.

2020 MSCA ADVERTISING AND SPONSORSHIP OPPORTUNITIES

MSCA has released all 2020 advertising/sponsorship via first come, first served.

Please consider taking advantage of these great opportunities.

Holiday sales for 2019 are expected to increase by 3.8-4.2% over 2018.



Source: U.S. Census.
NRF holiday spending is defined as the months of November and December. NRF's forecast excludes automobile dealers, gasoline stations and restaurants.

RETAILER TID-BIT

Holiday sales for 2019 are expected to increase by 3.8-4.2% over 2018...\$26.7-\$29.5 billion more than in 2019!

Source: U.S. Census. NRF holiday spending is defined as the months of November and December. NRF's forecast excludes automobile dealers, gasoline stations and restaurants.

REGISTER FOR THESE 2019 CALENDAR EVENTS

DID YOU KNOW: YOU CAN VIEW THE LIST OF ATTENDEES TO ANY OF OUR EVENTS IF YOU CLICK ON THE EVENT?

EVENT	VENUE	DATE
STARR SM AWARDS / YEAR END CEREMONIES / HOLIDAY PARTY	Golden Valley Country Club	December 3rd

WWW.MSCA-ONLINE.COM/EVENTS/CALENDAR/DATE/2019-12

NOVEMBER PROGRAM WINNERS



2019 State of Retail – Retail Tournament of Champion Winners: Table 15 (left to right)

- PETER ARMBRUST** – Cushman & Wakefield
- CHAD STURM** – Upland Real Estate Group, Inc.
- TRICIA PITCHFORD** – Mid-America Real Estate – Minnesota, LLC
- MARK ROBINSON** – Mid-America Real Estate – Minnesota, LLC
- JEN HELM** – Newmark Knight Frank

- SARA SWENSON** – Upland Real Estate Group, Inc.
- BRIAN MERZ** – H.J. Development, Inc.
- DAN RODICH** – Noble Conservation Solutions
- CHARLES BIRD** – Ebert Construction
- STEFANIE MEYER** – Mid-America Real Estate – Minnesota, LLC



NOVEMBER MONTHLY SPEAKERS

Left to right:

- DOUG SAILOR** – Mid-America Real Estate – Minnesota, LLC (moderator)
- DAN REGAN** – Launch Properties
- LISA CHRISTIANSON** – Christianson & Company Commercial Real Estate Services
- MATT HAZELTON** – CBRE
- JESSEKA DOHERTY** – Mid-America Real Estate – Minnesota, LLC

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Trisha Sieh – Kimley-Horn
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Zander Fried – Cushman & Wakefield

NETWORKING **Emilee DeCoteau** – RPT Realty
Sheri Tessier – Grindstone Construction Services

NEWSLETTER..... **Scott Clemente** – SERVPRO of Minnetonka
Suzanne Jones – Mid-America Real Estate–Minnesota, LLC

PROGRAM..... **Amy Remely** – Whitewater Management, LLC
Gavin Tugana – Mint Roofing

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MEET LEADERSHIP...



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Jon Fahning
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CRAIG MIELKE Allweather Roof
ALEX CLOUTIER..... RMA Real Estate Services, LLC
MARY ROEHL..... Guaranty Commercial Title, Inc.

MEMBER NEWS:

At the MNCAR expo **LISA CHRISTIANSON**, Christianson & Company Commercial Real Estate Services, won the Broker of the year award. **LISA DIEHL** of Diehl and Partners, LLC won an award for Outstanding Knowledge in Retail Properties. Congratulations to both of them!

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Happy Holidays!

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