UTILIZING ECONOMIC THEORIES OF RETAIL TO REVITALIZE INNER-CITY NEIGHBORHOOD BUSINESS DISTRICTS: THE CASE OF UPHAMS CORNER MAIN STREET

by

Andy Waxman

B.A., African-American Studies
Oberlin College, 1993

Submitted to the
Department of Urban Studies and Planning
In partial fulfillment of the requirements for the degree of

Master in City Planning
at the
Massachusetts of Institute of Technology

June 1999
© 1999 Andy Waxman
All Rights Reserved

Author: Andy Waxman
Department of Urban Studies and Planning
May 20, 1999

Certified by: Karl Seidman, Lecturer
Department of Urban Studies and Planning
Thesis Supervisor

Accepted by: Associate Professor Paul Smoke
Chair, MCP Committee
Department of Urban Studies and Planning
Utilizing Economic Theories of Retail to Revitalize Inner-City Neighborhood Business Districts: The Case of Uphams Corner Main Street

by

Andy Waxman

Submitted to the Department of Urban Studies and Planning
In partial fulfillment of the requirements for the degree of
Master in City Planning

Abstract

Community development corporations, as well as other stakeholder organizations in inner-city areas, are increasingly taking on the tasks of economic development in general and commercial revitalization in particular. In order to improve the effectiveness of these interventions, this thesis has two purposes: 1) to provide a rigorous, widely applicable framework for approaching the task of revitalizing inner-city neighborhood business districts, and 2) to provide an example of how this framework can be used by applying it to the Uphams Corner neighborhood in Dorchester, Massachusetts.

Four economic theories of retail provide the backbone of this framework. Economists use these theories to explain the success of malls and to describe what attracts people to one shopping area over another. This thesis also uses the theories to explore the strategy of orienting commercial districts around particular niches or clusters of stores. While many have recommended niche-based strategies, they do not explicitly connect this to the economic dynamics of retail areas. Therefore, this thesis seeks to explain: 1) what creates the connection between stores in various types of niches, 2) how the nature of competition between stores differs across various types of niches, 3) how these theories can be used to develop concrete strategies for working with existing stores and recruiting new ones, and 4) which types of new stores will be the most successful and add the most to the health of the area.

In the process of developing this framework, the thesis describes a number of doubts as to whether the economic theories of retail are applicable to inner city areas. If these doubts cannot be overcome, it does not make sense to use the theories in these districts. The first doubt concerns whether or not commercial revitalization in general, and the economic theories in particular, can be used to achieve the goals of community economic development. The second is that improving factors such as parking, cleanliness, and safety may be more important to neighborhood commercial revitalization than altering the economics of the area. The third is that malls may only be able to take advantage of these economic theories because they are owned by a single entity. Inner-city commercial districts have multiple property owners and under resourced store owners, making coordination more difficult. The fourth is that there may be something different about inner-city consumers such that they might not shop in the way that the theories predict. This thesis argues that each of these doubts can be overcome, and that the theories can be used effectively to revitalize inner-city neighborhood business districts.

The thesis concludes with the argument that more emphasis should be placed on economically based strategies for revitalizing commercial areas. The current models, the Main Street approach, Business Improvement Districts, and others focus primarily on improving non-economic, physical factors of these areas. While these efforts are important, this thesis asserts that a greater understanding of the economic dynamics of these retail nodes should permeate all of the work of these organizations.

Thesis Supervisor: Karl Seidman, Lecturer
Thesis Readers: Phillip Clay, Professor of Urban Studies and Planning, Associate Provost
Mark Culliton, Program Manager of Uphams Corner Main Street
ACKNOWLEDGEMENTS

Many people deserve thanks for their support in making this thesis possible.

Karl Seidman, my thesis advisor, has been incredibly helpful and encouraging. This has included weekly meetings, very quick turnaround on reading drafts of the thesis, pushing me to explore issues more deeply, stimulating ideas, and assuring me that I was writing something worthwhile.

Mark Culliton, the Program Manager of Uphams Corner Main Street, has also played a crucial role. He opened up the organization to me, provided access to many interviewees, gave practical feedback on my ideas and written material, and kept my feet on the ground of reality (for the most part, at least).

Phil Clay, my MIT reader, also provided valuable feedback and perspective.

Alvaro Lima of ICIC/Boston Advisors helped me focus my original vague thesis ideas. He provided important insights while I was writing my thesis proposal, and encouraged me to pursue the idea that commercial revitalization needs to focus more attention on the factors which attract shoppers, and less on those that repel them. I am also thankful that he assured I had access to ICIC research on Uphams Corner and in general, and encouraged my participation at various ICIC meetings.

Many interviewees took time out of their busy schedules to share with me their ideas and insights. I am especially grateful to Josh Bloom, David Milder, and Bob Hass, as well as the UCMS Board of Directors and the UCMS Economic Restructuring Committee.

My parents, grandparents, sister, and other relatives provided love and support throughout the process as they have my whole life. They also helped make my MIT education financially possible, as well as the earlier education that allowed me to get here in the first place. I am deeply grateful.

My housemates, Jess Andors and Noah Berger, assured that I did not take this thing too seriously, and that I had some fun throughout the process. They made sure I did not stray too far from the “Aristotelian Mean,” and they kept my eyes on the prize of the meta-revolution.

Tamar Kotelchuck, who came here with me, and also made it to the end, also deserves thanks. I would probably still be at WISH if it weren’t for her. Even though we parted ways in the middle of this process, I wish it had worked out between us. We could have conquered the community development world together.

Brian Schneiderman has been an incredibly great friend across the miles, not to mention keeping me honest on the issue of chain stores and locally owned businesses.

The HCED thesis group gave me the early deadline that got me on track.

Rebecca Lieblich put in many hours proofreading this thing, and gave me the assurance that non-planners would understand what I was writing.

A number of musicians also deserve thanks for providing background noise during the endless hours I sat in front of the computer writing. They include: Sonic Youth, Elliott Smith, Sebadoh, the Make Up, Dinosaur Jr, Tom Waits, Sleater-Kinney, Blonde Redhead, Guv’ner, the Rondells, and Fugazi.

Last but not least, I want to thank William and Thurston, who have kept my lap warm, sat on top of the computer while I wrote, chased the mouse on the screen, woken me up well before feeding time, and kept me company when no one else was around.
# Table of Contents

<table>
<thead>
<tr>
<th>Chapter 1</th>
<th>Introduction</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 2</td>
<td>How Neighborhood Revitalization Achieves the Goals of Community Development</td>
<td>13</td>
</tr>
<tr>
<td>Chapter 3</td>
<td>Why Understanding the Economic Theories of Retail is an Important Part of Revitalizing Inner-city Business Districts</td>
<td>28</td>
</tr>
<tr>
<td>Chapter 4</td>
<td>The Economic Theories of Retail</td>
<td>37</td>
</tr>
<tr>
<td>Chapter 5</td>
<td>Overcoming the Problems of Multiple, Under Resourced Merchants and Property Owners</td>
<td>51</td>
</tr>
<tr>
<td>Chapter 6</td>
<td>Observing the Economic Theories of Retail in Uphams Corner</td>
<td>64</td>
</tr>
<tr>
<td>Chapter 7</td>
<td>A Framework for Economic Restructuring, With Recommendations for Uphams Corner</td>
<td>79</td>
</tr>
<tr>
<td>Chapter 8</td>
<td>Conclusion</td>
<td>103</td>
</tr>
<tr>
<td>Bibliography</td>
<td></td>
<td>113</td>
</tr>
<tr>
<td>List of Interviewees</td>
<td></td>
<td>118</td>
</tr>
<tr>
<td>Appendix 1</td>
<td>Customer Intercept Survey</td>
<td>119</td>
</tr>
<tr>
<td>Appendix 2</td>
<td>Maps of Uphams Corner</td>
<td>122</td>
</tr>
<tr>
<td>Appendix 3</td>
<td>Photos of Uphams Corner</td>
<td>125</td>
</tr>
</tbody>
</table>
CHAPTER 1

INTRODUCTION

In the early 1800’s, Amos Upham decided to build a general store at the intersection of two dirt trade routes in Dorchester, Massachusetts. The neighborhood that grew around that intersection eventually came to be known as Uphams Corner. By the 1930’s, Uphams Corner had become highly developed. It was a thriving shopping area, partially because it was a major transfer point for trolley lines. Yet by the 1980’s, the commercial district and the surrounding neighborhood had deteriorated significantly. There were a number of causes of this decline: 1) the trolley lines were discontinued as residents came to rely more heavily on their cars; 2) the demographics of the area changed as the total number of people living in the area went down, and the area became poorer and less white; and 3) residents did much more of their shopping at malls instead of in areas such as Uphams Corner.

The story of Uphams Corner is not unique. Around the country, whites as well as middle-class blacks migrated to the suburbs. This left cities less populated and with a lower median income. At the same time, commercial districts like Uphams Corner saw rising vacancy rates and large amounts of blight. The deteriorating infrastructure in inner-city areas occurred simultaneously with increased poverty, a loss of jobs, and a lower quality of life.

One of the counter forces to these trends has been the rise of the community development corporation. These neighborhood organizations have sought to reverse the degeneration of inner-city neighborhoods. For many years, the major focus of CDCs has been to improve and rehabilitate the housing stock in low-income neighborhoods, and they have had much success on this front. In recent years, however, practitioners of community development are increasingly adding the tasks of economic development to their strategic arsenals. There has been a growing sense that improving housing alone will not turn around a neighborhood, nor raise people out of poverty.

The move to economic development has involved a number of strategies. These include job training, small business development, and commercial real estate development. This thesis concentrates on one type of community economic development: the revitalization of neighborhood commercial business districts, with Uphams Corner as the case study. I will argue that commercial revitalization is one important aspect of the broader community development
effort. Many believe that inner city retail development is a job creation tool that allows money to recirculate through the community. I argue in Chapter 2, however, that this work is better thought of as returning needed services to the neglected neighborhoods, increasing the quality of life, reducing harmful blight, and helping attract and retain stable working residents. It is one part of an outward, regional strategy that can help create the conditions for the alleviation of poverty.

My main hypothesis is that greater emphasis should be placed on commercial revitalization strategies that have a set of economic theories of retail as their foundation. These theories have been used to explain what attracts shoppers to malls. If neighborhood commercial districts, through the use of these theories, can draw more customers, then these areas will become healthier and more vibrant. This will increase the success of existing stores, new establishments will locate in these areas, and the community development benefits of revitalization can be realized.

AUDIENCE AND PURPOSE OF THE THESIS

There are two main audiences for this thesis. The first is Uphams Corner Main Street (UCMS), an organization that is currently working to revitalize Uphams Corner. The second is the broader array of organizations and stakeholders that want to turn around other similar inner-city neighborhood commercial districts. For the second group, the purpose of this thesis is more general: to provide a rigorous, economically based framework for approaching the task of turning around these business districts. For UCMS, the purpose is more specific: to use this framework to develop specific recommendations for how to bring more customers to Uphams Corner, thus creating a more successful business district. As stated above, creating more vibrant neighborhood retail nodes is part of accomplishing the broader goals of community development.

A number of frameworks already exist for increasing business in these districts, and many books and articles have been written to advise groups who are seeking to accomplish this goal. One main source of information on this topic comes from the National Main Street Center (NMSC), a group started in 1980 by the National Trust for Historic Preservation (NTHP). The
NMSC has created a nationwide network of “Main Street” organizations, of which UCMS is a part, who all have the goal of revitalizing traditional town centers. In addition to the main street approach, a whole industry has been created around revitalizing downtowns. This has spawned the ideas of Business Improvement Districts and Centralized Retail Management, which also have lessons for people working towards neighborhood commercial revitalization.

Despite the existence of these books and articles offering advice, there is very little rigorous explanation of the economics of retail in these areas, nor any framework that deals explicitly with how to harness the economics of these areas so as to draw more customers and increase business. Much of this advice discusses the importance of niches, an important concept for retail markets. Nonetheless, the description of niches is very basic. The weakness of the existing advice becomes apparent during meetings of UCMS’s Economic Restructuring (ER) Committee. They are familiar with many of these manuals and articles, and realize that they need to identify niches. Nonetheless, after they brainstorm a list of stores that they would like to recruit to the area, they have difficulty evaluating which ideas are better than others.

The ER committee and other groups like it around the country need a more rigorous understanding of the economic dynamics of their neighborhoods. For example, the ER committee needs to move beyond the general idea that clusters are important. They need a framework that answers more specific questions: 1) what different types of niches exist? 2) how does the existence of a niche help customers choose one shopping area over another, and how does this attraction effect differ across various types of niches? 3) how does the nature of competition between stores differ within various types of niches, and what does that imply for recruiting strategies? 4) which types of new stores will be most successful and which will add most to the health of the area? 5) how can existing stores adjust their product offerings and work together to take advantage of these dynamics?

If such a framework existed, groups like UCMS could be more strategic and intentional with the use of their limited resources. They could evaluate more effectively the ideas they have for recruiting new businesses and concentrate their technical assistance efforts on existing establishments in such a way as to create the most impact. Because use of the framework

---

1 These include: David Milder’s: Niche Strategies for Downtown Revitalization (Milder, 1997), the National Main Street Center’s Fill in the Blank Business Recruitment, (Joncas et al, 1995) and a series of articles that appeared in the National Main Street’s newsletter Main Street News, starting with the February 1997 issue (Smith, 1997).
increases the likelihood that businesses located in the area are successful and will add to the health of the business district, the positive benefits to the neighborhood listed above can more easily be realized.

Because the framework leads to a richer understanding of the dynamics of these areas, it can improve the effectiveness of a variety of interventions beyond those of ER committees and Main Street organizations. It would also help government agencies and other funders decide how to target resources in inner-city commercial areas. Currently, there is an emphasis on creating façade improvement programs. With knowledge of this new framework, funders would see the importance of giving grants to pay for the data analysis needed to understand how to apply the framework to a specific area. Once this analysis was completed, they could use the framework to determine which projects to target with additional funds.

This research is part of a larger effort to create a better understanding of the dynamics of inner-city areas so as to increase the effectiveness of interventions. UCMS has a relationship with the Initiative for a Competitive Inner City (ICIC), a nonprofit organization started by Harvard Business School professor Michael Porter. Part of ICIC’s mission is to push the thinking of people concerned about inner city economic development toward a more market driven approach. ICIC accomplishes its mission by publishing research and providing technical assistance to inner city businesses. As one of its tasks, ICIC is currently studying Uphams Corner in hopes of developing a replicable methodology for revitalizing inner city shopping areas.

THE ECONOMIC THEORIES

There are four economic theories of retail that form the basis of a new framework for interventions in these areas. They are all based on the assumption that people seek to minimize the time they spend traveling to shopping areas. A mix of stores in one particular shopping area can help people minimize travel time by allowing them to accomplish multiple tasks in one place. With this assumption in mind, the four theories are as follows:

1) Certain stores, called anchor stores, are the primary attractors to particular shopping areas. Once people travel to the area that has the anchor, they minimize shopping time by staying in that area to accomplish additional tasks.

David Milder’s book does a good job of answering this question, but it does not explicitly deal with many aspects of the economic theories of retail.
2) People shop differently for homogenous, less expensive goods that they buy frequently (convenience goods) than they do for differentiated, more expensive goods that they buy infrequently (comparison goods). People are likely to go to the nearest store for convenience goods. For comparison goods, however, people minimize travel time by traveling to more distant shopping areas that contain multiple stores that sell the particular comparison item they want.\textsuperscript{4} Time is minimized because people are unsure that they can find the exact item they want at one store, thus they travel to areas that allow them to “shop around” before making a purchase.

3) Different demographic groups buy goods and services at different rates, and prefer different styles of goods. Stores are more successful when they have product mixes that match the preferences of the demographic groups in their market area.

4) Retail linkages exist, whereby people prefer to buy certain groups of goods at the same time. People minimize travel time by choosing shopping areas that contain these linked goods.

**DOUBTS ABOUT THE APPLICABILITY OF THE ECONOMIC THEORIES IN INNER CITIES**

Despite the fact that economists have performed studies that demonstrate the validity of these theories, there are many doubts as to whether they are applicable in the context of inner city shopping districts. If these doubts can not be assuaged, it does not make sense to use a framework for revitalization that uses these theories as their foundation. Much of this thesis is dedicated to demonstrating that these doubts can be overcome, and that the theories are a valid basis for increasing the success of neighborhood commercial districts.

What are these doubts? The first is that there are other factors that are more important to neighborhood commercial revitalization than altering the economics of the area. While economists claim that an understanding of the economics of retail explains much of the success of malls, others argue that the success of malls is due to large amounts of parking, a cleaner, lower crime environment, and perhaps even the roof over the grouping of stores. If this is true, then groups like UCMS should focus their efforts on replicating these physical conditions, while

\textsuperscript{3} The relationship is formally with Boston Advisors, a subsidiary of ICIC which focuses only on Boston.

\textsuperscript{4} Trips for comparison goods are more appropriately called multi-destination than multi-purpose. A shopper may have only one purpose in mind when shopping for such a good, yet they still choose centers that have more than one store with this item, thus allowing them to minimize shopping time.
giving less attention to altering the economic dynamics. In Chapter 3, I argue that issues such as parking, cleanliness and safety are very important, but that they only explain what keeps people away from areas such as Uphams Corner. Strategies using the economics of retail deserve greater emphasis than they are currently given because they help attract more people to the district. The attraction of a positive mix of stores can work to counteract the negative effects of crime and lack of parking.

The second doubt is that malls are only able to take advantage of these economic theories because they are owned by a single entity. This entity has the power to coordinate the mix of stores and has the financial resources to conduct studies and develop an understanding of the economics in its particular area. In an inner city commercial district, there are often multiple owners, very few of whom have the time, financial resources, or the trust of other stakeholders that is needed to facilitate the coordination of activities. While these difficulties are real and are not easy to overcome, there are a number of models that provide a guide for coordination of stakeholders in business districts. As mentioned above, these include the Main Street model, Business Improvement Districts, and Centralized Retail Management. Chapter 5 discusses each of these models, and describes a number of specific steps that such organizations can take that are specific to the economics of retail.

The last doubt is that the shopping behavior of inner city residents may be qualitatively different from that of the majority of Americans who shop in malls. Many of the economic studies quoted in this thesis were performed in places such as rural Iowa and North Carolina. Economists may have observed behavior that would not be observed in inner city neighborhoods such as Uphams Corner. Through the use of customer surveys, sales and other data collected from merchants, and interviews with merchants and other stakeholders, Chapter 6 demonstrates that people in Uphams Corner, for the most part, shop the way the theorists predict. The observed behavior does not match the four distinct theories as neatly as the theorists would hope. Nonetheless, the theories provide a framework that leads to a rich understanding of the way people shop in Uphams Corner.

After overcoming each of these doubts, Chapter 7 lays out the general framework for approaching the economic revitalization of an inner city neighborhood commercial district. It then describes how to use this framework in Uphams Corner, laying out some specific recommendations.
METHODOLOGY

Data for this thesis was collected from a number of primary and secondary sources. Academic and practitioner literature is heavily quoted in the sections related to placing neighborhood commercial revitalization in the context of community development’s goals, explaining the economic theories of retail, and describing how mall owners use these theories. A number of industry manuals, periodical articles and studies are cited. Comments taken from interviews of practitioners in the field of neighborhood and downtown commercial revitalization are also included.\(^5\)

There are a number of data sources on Uphams Corner. Since October of 1998, I have been attending UCMS Board of Directors’ meetings, as well as UCMS’s Economic Restructuring Committee meetings. I have participated in a number of informal conversations with board and staff members. I conducted formal interviews with 16 stakeholders in Uphams Corner. These included merchants, property owners, real estate brokers, and UCMS Board Members. A number of interviewees fit into more than one of these roles. I also met with a group of residents from a near by housing development, asking them about how they use Uphams Corner’s shopping district. In terms of numerical data, there are two main sources: 1) data from ICIC and 2) data from an intercept survey. ICIC, as part of its study of Uphams Corner, collected extensive data on each individual store in the area. The main data I use from ICIC is the square footage, and the foot traffic per week of each store. In November and December of 1998, on behalf of UCMS, I coordinated the collection of about 350 intercept surveys.\(^6\) The surveys asked people on the streets of Uphams Corner a number of questions about their perceptions of the area as well as their overall shopping behavior.

THESIS OUTLINE

Following this introduction, Chapter 2 of this thesis places neighborhood commercial revitalization in the context of historical debates about community development, and describes how it can play a part in meeting the poverty alleviation goals of this movement. Chapter 3 places the use of economic theories in the context of other methods for revitalizing shopping

---

\(^5\) A list of all interviews is in the back of this thesis.

\(^6\) A copy of the survey is included as an appendix.
districts, and describes how malls view these various methods. Chapter 4 describes the economic theories of retail in detail. Chapter 5 describes various methods for overcoming the difficulties of coordination and trust building in a business district with multiple, under resourced property owners and merchants. Chapter 6 provides evidence that the behavior predicted by the economic theories can be observed in Uphams Corner. Chapter 7 provides a framework for revitalization of inner city shopping areas, with the economic theories as the backbone of that framework. It also demonstrates how that framework can be used to develop specific recommendations for Uphams Corner. Chapter 8 provides some concluding remarks.
CHAPTER 2

HOW NEIGHBORHOOD COMMERCIAL REVITALIZATION ACHIEVES THE GOALS OF COMMUNITY DEVELOPMENT

The purpose of this chapter is to provide a rationale for why community development practitioners should pursue neighborhood commercial revitalization. This is just one strategy among several available to practitioners, and its effectiveness has been questioned by those who argue that it does not rectify the problems that community development is trying to solve. I argue that turning around neighborhood shopping areas does meet the goals of community development, but not in the ways that many have traditionally argued. In this chapter I will answer the following questions:

- What are the goals of community development?
- What do the historic debates say about how the various strategies for community development meet these goals?
- Taking into account these debates, how can a neighborhood commercial revitalization be formulated in such a way as to meet these goals?

INTRODUCTION TO THE DEBATES ABOUT COMMUNITY DEVELOPMENT STRATEGY

Community groups have undertaken a number of strategies to bring about economic development in their neighborhoods. Researchers have sought to understand these activities by placing them into various groupings. Blakely divides the strategies into 4 categories: 1) Physical Development, 2) Business Development; 3) Human Resource Development; and 4) Job Creation.

Before picking one or more of these strategies, practitioners should be clear on the goals that they are trying to achieve. Furthermore, they should have a general theory as to how and why their chosen strategies will achieve these goals. I operate from the assumption that the underlying, primary goal of inner-city community development is to improve the lives of low-income people by moving them out of poverty. Part of my assumption is that poverty involves more than just having an income below the government defined poverty level. Thus, the goal of

---

7 Cordero-Guzman, p.13. He summarizes the categorization of economic development activities in 5 different articles written over the past 14 years.
8 Blakely, 1994. p.137-139. I chose this categorization because it was the most simple and straightforward.
poverty alleviation goes beyond increasing people’s income. It also includes activities that improve the places where poor people live, and that increase their human capital.

Being clear on the goals of community development means that the activities Blakely describes should not be carried out for their own sake. They should only be done in such a way that they lead to a reduction in poverty. For example, neighborhood commercial revitalization is often pursued in order to create jobs for local residents. Yet certain retail jobs do not pay a wage that lifts people out of poverty. Similarly, while creation of a local business can reduce the amount of vacant commercial space in a neighborhood, if the business only has one or two jobs, it has only limited success in reaching this goal. Of course, others may have different goals for undertaking the same activities, such as making a positive return on an investment, or preserving historic buildings. While I do not denigrate these goals, the standard by which I judge community economic development is the extent to which it alleviates my expanded definition of poverty.

Because strategies listed by Blakely can be carried out in ways that do not meet the goal of poverty alleviation, it is important to have an underlying theory that explains how certain activities can lead to the desired outcomes. The community development literature has a number of debates that inform this issue. Proponents on each side of these debates seek to explain why their approach will improve the lives of poor people. The theory one accepts will inform the strategies one ultimately chooses.

The first debate that informs this discussion is known as “people vs. place.” The proponents of people-based strategies argue that improving the lives of poor people can be done directly by upgrading their skills. This will allow them to get better jobs and to increase their incomes. Proponents of place-based approaches argue that the places and neighborhoods where people live should be improved, and that the betterment of people’s lives will flow from the revitalization of these places.

A second debate is primarily among the practitioners of place-based approaches, yet it also has implications for people-based strategies. This debate concerns the locational focus of practitioners: should they focus inward, seeking to improve the neighborhood from within, or should they take a more outward, regionally oriented approach? An inward focus would lead to strategies to make a neighborhood more self-sufficient. A regional approach sees the
neighborhood as part of a larger economy, and argues that practitioners must connect poor neighborhoods to regional economic strengths.

I argue that some combination of all of these approaches is best. The revitalization of neighborhoods can not be ignored. Neighborhoods are the home base from which people enter the regional economy. Neighborhoods with high concentrations of poverty exacerbate the problems of the residents who live in them. To ignore neighborhoods is to stack the cards against the growing number of low-income people who reside in these marginal areas, and who want to get out of poverty. While neighborhood commercial revitalization is often thought of as an inwardly focused, place-based strategy, I believe that such a strategy can and should be reformulated. It should be pursued as part of a regional strategy, and should also include people-based activities.

COMMUNITY DEVELOPMENT DEBATES IN THE EARLY DAYS OF CDC'S

The people vs. place and inward vs. outward debates are not new. They have their roots in the beginnings of the community development movement. Many CDC's have chosen inwardly focused, place-based strategies. Understanding the beginnings of this movement explains why many groups have chosen this route to meeting the poverty alleviation goals.

Bennett Harrison, in a survey of urban economic development theories, argues that the modern community development movement started in mid-to-late 60's, when the civil rights movement turned more turbulent and violent. The urban riots increased white Americans' concern for the economic fate of the “ghettos.” Robert Kennedy visited Bedford-Stuyvesant, in Brooklyn, New York just after the Watts rebellions in Los Angeles. His visit led to the creation of one of the first and largest CDC's, as well as of the US Office of Economic Opportunity (OEO). Harrison, in 1974, called the OEO “the government’s most important program for the support of minority economic development.” The focus on improving ghettos, as opposed to concentrating on the people who live in ghettos, is a direct cause of the use of place-based strategies by many CDC's.

In the African-American community, concern for inner city areas did not start in the 60's. The long-standing debate about integration versus separation contains elements of the inward/outward and people/place community development debates. Booker T. Washington and Marcus Garvey, two very influential African-Americans of the late 19th and early 20th centuries,
argue for their own forms of separation and inward focus as the best way to bring about economic development and improve the lives of poorer African-Americans. By the 1960’s, Malcolm X’s version of separation became more popular as impatience with the nonviolence of Martin Luther King grew. Harrison characterizes Malcolm X’s views as follows:

Malcolm came to believe that “the economic system was exploitative” and advocated extreme autarchic\(^\text{10}\) development for the black community, based on a mercantilist analysis of “the basic fundamentals; that whenever you take money [i.e. profits] out of the neighborhood, the neighborhood in which you spend it gets richer and richer, and the neighborhood from which you take it gets poorer and poorer. This creates a ghetto . . . We have to teach our people the importance of where to spend their dollars.” \(^\text{11}\)

Malcolm X’s ideas about economic self-sufficiency were similar to those of anti-colonialists of his time who were developing economic theories about how to turn around the economies of newly independent third world countries. Advocates of dependency theories believed that these countries needed to establish import-substitution policies, whereby they would develop industries that could make all of the goods needed by their particular country. This way, these formerly colonized countries would not have to “depend” on the exploitative first world countries.

Few Americans were as extreme in their push for autarky as Malcolm X\(^\text{12}\), and few believed that the situation in a poor neighborhood was directly analogous to that of a third world country. Nonetheless, the general ideas of self-sufficiency and import substitution were very influential at the beginning of the CDC movement. Combined with the increased concern among whites about the “ghetto,” it is no surprise that CDC’s have gravitated towards inwardly-focused, place-based strategies.

**RECENT USE OF INWARDLY FOocused, PLACE-BASED STRATEGIES**

The influence of these theories is still with us. A relatively recent handbook for local economic developers put out by the Center for Neighborhood Technology (CNT) uses language very similar to Malcolm X and the dependency theorists. It states that a bad neighborhood “is

---

\(^\text{9}\) Harrison, 1974. Halpern, 1995, provides a similar historical account.

\(^\text{10}\) Webster’s Dictionary defines autarky as “economic self-sufficiency, esp. on a national basis; national policy of getting along without imports.”

\(^\text{11}\) Harrison, 1974. p.3.
like a country that can’t produce what it needs, so that everything has to be imported.” It goes on to say that turning around a neighborhood economy:

... usually starts with people taking a hard look at what is being imported into the area. They then figure out a way to supply at least part of that need, at a lower cost in a way more carefully tailored to local demand. New industries emerge that substitute locally produced goods for imports.13

CNT believes that the primary goal of neighborhood economic development, and of its import substitution strategy, is the creation of jobs for neighborhood residents. By preventing leaks out of the neighborhood economy, and by spending more money locally, positive multiplier effects will be created, and jobs for local residents will increase. CNT does not believe in pure neighborhood economic self-sufficiency, yet the manual clearly exemplifies an inwardly focused, place-based strategy.14

CRITICISMS OF PLACE BASED STRATEGIES

Inwardly focused, place-based strategies have been criticized on a number of fronts. Most critics argue that these approaches fail to see the neighborhood in the regional context, and lead to an unhealthy isolation of neighborhood residents and businesses. Luther Snow believes that the inward focus leads neighborhood advocates to take a zero-sum approach. Therefore, place-based strategies often devolve into smokestack chasing. While this terminology is often used to criticize municipal and metropolitan level economic development efforts, Snow uses a different term to apply this phenomenon to the neighborhood level: “checkout chasing.” By this he means trying to encourage retail stores to move into one neighborhood instead of another:

By approaching economic development from a zero-sum perspective, we create a self-fulfilling prophecy: Development efforts focus on attracting businesses, retaining businesses, and “stealing” businesses. Because of this, economic activity is only shuffled around, and nothing new gets created that was not already going to be created.15

12 According to Harrison, Malcolm X called for the creation of an African-American controlled country to be formed in the American south.
14 A more recent though less extreme example of the use of inwardly focused language comes from the Dudley Street Neighborhood Initiative’s 1998 Annual Report. The section on “Economic Power” talks about the importance of: “cooperative community economics, local control over the means of production, circulating dollars within the community, wealth creation, and the creation of a local currency.” (p.3)
Others have a more basic criticism. Michael Tietz argues that neighborhood economies, as such, do not really exist, and that it does not make sense to apply national dependency theories to a neighborhood context. Neighborhoods are not static, self-contained places. Again, they exist in the context of the broader regional economy. Tietz argues:

Neighborhoods, by their very nature, are problematic as targets of economic development strategy, insofar as such a strategy is intended to generate economic activity and employment directly within their boundaries. As the places where people live, neighborhoods reflect most clearly the conditions of their residents. Thus, they are a logical focus of advocacy and of political mobilization. But the historic divorce of workplace from residence is so far advanced in American cities that localized economic development efforts face great difficulties in raising incomes or bringing people into the economic mainstream. 16

Jeremy Nowak argues a similar point, yet he leaves the door more open to a regional economic development strategy that includes improving neighborhoods:

Healthy neighborhoods are first and foremost dynamic places to which people want to move, and where businesses and residents want to maximize their advantages vis-à-vis other places, relationships and markets. Neighborhood economic self-sufficiency has no meaning in this context [Emphasis added]. Strong neighborhoods are destination places and incubators; they are healthy not because they are self-contained or self-sufficient, but because their residents are linked to non-neighborhood opportunities. The current interest in developing comprehensive community development programs must consider this issue carefully, for, to the extent to which comprehensive programs are service based and neighborhood introverted, the essential linkage between residents and work opportunities will be minimized.17

Sawicki and Moody also argue that advocates of place-based solutions do not understand the nature of the connection between where people live and where they work. They state that, not only has there been a divorce of workplace from residence, but that physical proximity to jobs does not guarantee that people living near jobs will have the skills or the connections to get those jobs. In order to make their point, they discuss traditional enterprise zone strategies which have had little success in bringing jobs to the places where poor people live:

The enterprise zone approach, as it was conceived and implemented in England, provides a good example of how place-based strategies can fail to benefit poor residents. First, there are questions about whether the incentives actually are successful in attracting jobs to poor areas. Second, there is substantial evidence that when there are net new jobs to the area, they are simply jobs being transferred from other poor areas. And finally, the jobs that do get created do not usually go to poor residents of the zone. Some researchers

cite “skills-mismatch” as the reason, but Kasinitz and Rosenberg provided a convincing case in Red Hook in Brooklyn that physical proximity to jobs was unimportant compared to social and ethnic networks.18

The criticisms of inwardly focused place-based strategies are many. 1) They lead to a zero-sum approach, 2) they have an unrealistic view of the neighborhood economy as an isolated entity, 3) they underestimate the importance of connections to the regional economy, and 4) they misunderstand the linkage between workplace and residence.

PEOPLE BASED STRATEGIES

These critics believe that the solution to these problems is a refocusing of the attention of community developers away from place, to a focus on people, and to adopt a more outward looking approach. The basic people-oriented approach is described by Cordero-Guzman:

These are approaches based on investing in the human capital of inner-city residents through increased education, employment training programs, and other human resource and workforce development policies. This approach also includes policies that increase individual access to employment, social resources, and opportunities for advancement through the strengthening of individual ties to community organizations, access to social capital and social networks.19

These approaches respond to many of the criticisms of place-based strategies. They have as their basis a more accurate assessment of the link between workplace and residence. Much of the new job creation is occurring in the suburbs, yet public transit-dependent poor people have trouble getting to these locations. Therefore, helping people find the transportation to these areas becomes an important strategy. If another problem is lack of skills, then designing job-training programs to help people qualify for these jobs becomes important. Accordingly, the training programs should prepare people for jobs in sectors of the regional economy that are growing and have promise for future advancement.

A related people based-approach is that of dispersal. Again, Cordero-Guzman describes this approach:

These are initiatives and programs that attempt to move the population away from inner-city areas and into other parts of the metropolitan areas or to suburbs where unemployment is lower and the opportunities are presumably more abundant. The dispersal argument suggests that since there has been a suburbanization of jobs and the

19 Cordero-Guzman, p.10.
ghetto is the incubator of cultural conditions that discourage work and reduce business opportunities, the best way to fight poverty is to encourage the population to move out of the barrio or ghetto.\textsuperscript{20}

**LIMITATIONS OF PEOPLE-BASED APPROACHES**

Few people have criticized people-based approaches directly. Nonetheless, many think that implementing them on a wholesale basis is unrealistic, and that they can make the situation worse for those who are not reached. The strategy of dispersal is the most difficult to implement. According to Nowack:

For now, no matter what kind of logical case can be made for residential dispersal strategies, the deconcentration of low-income residents is unlikely to occur. As one who has financed affordable housing in affluent suburban counties near Philadelphia, I know how the cards are stacked against significant progress. Land values, subsidy scarcity, zoning requirements, and public opposition make even incremental steps costly and time consuming.\textsuperscript{21}

Another limitation of the dispersal approach comes from asking the question: what happens to the people left behind? Even if a substantial number of affordable housing units could be built in wealthy suburbs, it is inconceivable that there would be enough to house all of the people currently concentrated in ghettos. As more people moved out, the ghettos would continually become worse places to live. Services to the area would decline, and the people who could afford to leave would do so. The people left behind would face a substantially worse situation than before the dispersal began.

In fact, this is what has been occurring over the past 30 years. The nature of the ghetto has been changing, and the concentration of poverty has become more severe. According to research by Paul Jargowsky,\textsuperscript{22} from 1970 to 1990, the number of census tracts with populations where 40\% or more of the population is poor\textsuperscript{23} has doubled. Put a different way, in the same time period, the number of poor people residing in high poverty neighborhoods went from 1.9 million to 3.7 million people.\textsuperscript{24}

\textsuperscript{20} Cordero-Guzman, p.11.
\textsuperscript{22} Jargowsky, 1997.
\textsuperscript{23} According to Jargowsky, “the census bureau defines a person as poor if their total family income falls below the federally defined poverty level, which varies by family size, and is adjusted each year for inflation.” (p.9)
\textsuperscript{24} Jargowsky, 1997. p.40.
According to William Julius Wilson\textsuperscript{25}, the increasing concentration of poor people has created a new, more severe type of poverty. Many of the negative effects of living in poverty are exacerbated for people who live in these areas. For Wilson, a primary reason for the increased instability of poverty concentration is that these neighborhoods have a much higher level of unemployment than in poor neighborhoods of the past. This means that there are fewer working people who can act as role models. The habits of going to work every day become more foreign to residents of these areas. The higher amounts of idleness, and the lack of income, also lead to higher rates of crime. Higher crime leads to more isolation of residents, in that they become scared to leave their homes. At the same time, these areas exhibit much lower levels of social organization and resident participation in voluntary and formal organizations. There is a greater sense of isolation. Furthermore, the lack of social networks makes it that much more difficult to find a job. Lastly, Wilson quotes a number of residents who talk about the sense of hopelessness about the future that pervades such neighborhoods.

Why has this increased concentration of poverty occurred? According to Wilson and Jargowsky, a major demographic reason was an exodus of non-poor people from formerly mixed-income areas. This exodus creates a worsening cycle where greater and greater levels of disinvestment and abandonment occur. Loans and insurance become more difficult to obtain, people feel less safe, stores leave the area, and there is less and less of a reason for people to stay. Those who can afford to leave do so.

While people-based approaches address a number of these issues, to the extent that they improve the lives of certain individuals, they can have the effect of exacerbating the problems for the people left behind:

As Wilson argues in \textit{The Truly Disadvantaged}, “As their economic and educational resources improve, they will very likely follow the path worn by many other former ghetto residents and move to safer or more desirable neighborhoods.” (p.158) This will further destabilize inner-city communities and \textit{worsen} conditions for those who remain behind.\textsuperscript{26}

\textsuperscript{25} Wilson, 1996.
\textsuperscript{26} Jargowsky, 1997. p.205.
INTEGRATING PEOPLE- AND PLACE-BASED STRATEGIES, FOCUSING ON NEIGHBORHOODS AND REGIONS

To summarize the previous arguments, inwardly focused, place-based strategies will not be successful at alleviating poverty. They ignore the realities of the separation of workplace from residence, they are too isolated, and they do not connect people to the regional economy. People-based strategies that ignore place are also not enough. In fact, they may leave those not helped worse off. Is there a way that these approaches can be integrated in such a way that the lives of low-income communities will be improved? Nowak provides some clues as to how this can be done:

The connections between neighborhood revitalization and poverty alleviation are easy to identify; they exist when the former creates the conditions for the latter [emphasis added]. Affordable housing developments can provide both social and economic stability and savings. Inner-city retail and small business developments offer local services and some employment opportunity. Renewed economic investment in a local real estate market creates construction jobs and new business opportunities as well as increasing real estate values, all of which can have an impact on incomes and assets. Social services that support household stability increase the likelihood that adults will be able to work, and children will be able to learn. The renewed involvement of mediating civic institutions clearly broadens opportunities for residents by entering into association with public and private institutions. 27

Neighborhoods can not be ignored. They are the home base of large numbers of low-income individuals. Neighborhoods are the places from which these individuals enter the regional economy. It is important to focus on the neighborhood, yet to view it in a regional context. Furthermore, because the conditions in high-poverty neighborhoods make it harder to get out of poverty, it is important to reverse these negative effects. Neighborhood revitalization should be carried out in a way that specifically “creates the conditions” for the alleviation of poverty.

This is clearly a different focus on neighborhoods than the Center for Neighborhood Technology espoused. Their primary goal was the creation of jobs in the neighborhood. A more regionally focused neighborhood approach does not believe that a substantial number of jobs can be created in the neighborhood. This new approach involves moving the focus from creating jobs to improving the home base, easing connections to the regional economy, and retaining and attracting an employed population that can provide needed stability.

USING NEIGHBORHOOD COMMERCIAL REVITALIZATION TO CREATE THE CONDITIONS FOR THE ALLEVIATION OF POVERTY

In the previous quotation, Nowak laid out a variety of ways that focusing on neighborhoods can “create the conditions” for poverty alleviation. I will focus on those tasks that have most relevance to neighborhood commercial revitalization, the topic of my thesis. Inner-city areas face a number of conditions that make it difficult to get out of poverty, including: high concentrations of poverty, limited access to basic services which reduces quality of life, inability to attract external resources, physical blight, and lack of information on how to fit in or connect to the regional economy. Working to revitalize a shopping area and increasing retail activity can play a role in improving these conditions, therefore increasing the likelihood that poverty can be reduced. The betterment of the area will not only benefit the low-income people who are seeking to get out of poverty, but will play a role in retaining and attracting the employed middle income residents who Wilson finds so important for maintaining neighborhood stability.

The first way that turning around a neighborhood shopping district can create the conditions for poverty alleviation is by improving certain quality-of-life issues for neighborhood residents. Inner-city residents do not just lack access to jobs, as argued above. They also have less access to high quality, reasonably priced consumer goods. According to Bendick and Egan:

One symptom of economically distressed inner-city areas is a dearth of retail and service businesses . . . Minority shopping areas, in particular, generally have fewer and more limited variety of stores than non-minority neighborhoods, and these stores are more often marginal establishments offering a limited range of goods, lower quality of goods, higher prices, less customer service, less attractive shopping environments, and higher credit costs. [Therefore,] more stores, higher quality stores, and more customer responsive stores would increase the quality of life and reduce the cost of living for inner-city residents. 28

Lack of high quality, reasonably priced goods is one reason why people move out of these areas if they have the ability to do so. Neighborhoods that allow residents to meet their convenience needs are more likely to retain those residents.

The second benefit of revitalizing neighborhood commercial strips is the reduction of physical blight in the area. Though Bendick and Egan argue that retail uses alone will likely not

be enough to fill such space, reducing the number of vacant buildings with retail businesses is still an important part of the strategy:

Because these storefronts tend to be on major streets, they are the community’s most visible face to the world. The appearance of commercial strips along major thoroughfares sometimes is a primary influence on decision makers from outside of the community—such as politicians and bankers—in forming opinions concerning the condition of the neighborhood. Thus, it has been observed that visible improvements in commercial areas may increase the willingness to grant mortgages to rehabilitated housing on adjacent streets.29

The inability to finance the purchase or renovation of a home is another reason that people will move out of a neighborhood. The increased availability of bank financing due to improvements in a commercial district reduces the amount of disinvestment and abandonment and encourages people to stay. As more houses are renovated, a positive cycle of reinvestment can occur. With more employed people attracted to the area, once unhealthy neighborhoods can be turned around. More people with connections to social networks will live in the area, and the sense of isolation and hopelessness described by Wilson can be reduced.

Neighborhood commercial revitalization can also create conditions for the alleviation of poverty by acting as an entry point into the job market for neighborhood residents who have difficulty finding jobs. A convincing case has been made that neighborhoods can not provide enough jobs for residents. Nonetheless, positive results can come about through supporting businesses that have entry-level jobs that lead to promising career ladders. As Nowak states, this will help “create a pipeline of local jobs that can be used to develop skills and relationships for later employment.”

On a less concrete level, the improvement of local shopping areas improves the neighborhood by creating a community center, a place for people to gather, and a place to have fun. Jane Jacobs, in her classic work on what makes cities healthy, talks about the importance pedestrian friendly streets where people can shop, stroll, and gather.30 To the extent that neighborhood commercial districts are revitalized, they create these crucial meeting places. As with access to home loans, lower priced goods, and a pipeline for jobs, having healthy neighborhood centers keeps people from moving out and maintains neighborhood stability.

Building and maintaining a healthy neighborhood shopping area can create the conditions for the alleviation of poverty by creating a desirable mixed-income neighborhood.

**A Regional Perspective for Neighborhood Businesses**

In order for the shopping area to be healthy, businesses located there must be successful and profitable. If they are not, they will go out of business or relocate, and the benefits of a healthy shopping area will not be realized. In addition to benefiting residents, an outwardly focused, regional perspective is also important for bringing about the success of local establishments. An inward focus can hinder these businesses.

This outward focus can take on a number of different forms. One is the attraction of external resources, which can come about due to the joint efforts of the major stakeholders in the area. The Main Street approach, which Uphams Corner Main Street (UCMS) follows, encourages the formalizing of ties between retailers, land owners, nonprofit agencies, and other players in shopping districts. Because of these joint efforts, UCMS as a coordinating body has been able to bring in a number of outside training resources and technical assistance providers that any one player would have had much more difficulty accessing.

In a similar vein, joint bodies such as UCMS can take a number of actions that facilitate a greater understanding of the regional economy. Small business owners rarely have the resources to access comprehensive, sophisticated market and demographic information, or knowledge about competing shopping areas. Joint stakeholder organizations can conduct surveys and other research, coordinate collective purchasing of such information, or find someone to donate it. In the process of disseminating this data, coordinating bodies can encourage businesses to operate in such a way that takes into account regional competitors and other trends in the regional economy.

One aspect of businesses operating in the context of the regional economy, as opposed to only in the neighborhood economy, is developing an understanding of 1) why shoppers choose one shopping area over another, and 2) how to attract shoppers from a larger market area than just the neighborhood. On the first point, business owners as a whole should become organized around specific niches so as to distinguish the district from others. This will encourage shoppers to accomplish specific tasks that they can not carry out in other areas, and can reduce the zero-sum nature of “checkout chasing.” This niche strategy will play an important role in the rest of
my thesis. On the second point, if local businesses only seek to attract customers from nearby residences, it is unnecessarily limiting its potential customer base. Through the use of the economic theories of retail, merchants can obtain an awareness of what types of goods people shop for locally, and which they will shop for in a larger market area. This will facilitate expansion of their customer base where possible.

Bodies like UCMS can also facilitate direct connections between larger regional companies and local retail businesses. This could take a number of forms: finding inexpensive distributors of goods that local retailers sell, encouraging larger regional businesses to use local businesses as suppliers or subcontractors, or attracting franchises which have extensive training and financing resources, as well as positive name recognition. Each of these connections to the regional economy, as well as others mentioned before, will lead to a more healthy business district. This will facilitate the creation of a more stable, mixed-income neighborhood, and the conditions for the alleviation of poverty will have been created.

CONCLUSION

I view the main goal of inner-city economic development as the reduction of poverty. Can neighborhood commercial revitalization play a role in this effort? And if so, how?

It has been argued that neighborhoods should focus internally and become self-sufficient. This will allow for the employment of large numbers of neighborhood residents, and thus reduce poverty. Others have argued that neighborhood economies do not, as such, exist. Few people live and work in the same place; internally focused development encourages zero-sum competition, and reduces possibilities of externally focused growth.

In response to these arguments, advocates of people-based approaches believe that the reduction of poverty will come about through alternate strategies. These include increasing the skills of local residents and helping them either travel to or move to the suburbs, where the real job growth is occurring.

Yet these approaches can also be taken to extremes, and in some cases are unrealistic. Wholesale dispersal of poor people is unlikely. Furthermore, to the extent that employed individuals do move out of poverty neighborhoods, those who are left behind are worse off. One debilitating aspect of poverty is living in a below standard area. Therefore, a more integrated
approach is needed: one that combines people and place based approaches. Such a strategy should work to create conditions in a neighborhood that allow for the alleviation of poverty.

Improving neighborhood commercial districts is one aspect of such a strategy. The alleviation of poverty is made possible by retaining and attracting employed individuals, improving the quality of life, reducing blight, bringing in mortgage and other external resources, and positively situating the shopping area in the context of competitors and regional retail trends.

None of these conditions can be created if the neighborhood shopping area does not have enough customers to sustain healthy businesses. When more customers shop in the commercial district, the retail area generates the benefits listed above. My hypothesis is that more customers will come to the shopping area when steps that are influenced by economic theories of retail are taken. The next two chapters give specific arguments as to why the use of these theories deserves greater attention.
CHAPTER 3

WHY UNDERSTANDING THE ECONOMIC THEORIES OF RETAIL IS AN IMPORTANT PART OF REVITALIZING INNER-CITY BUSINESS DISTRICTS

Having demonstrated that improving neighborhood retail districts is a worthwhile economic development strategy, it is important to determine the best method for bringing about such a revitalization. My hypothesis is that economic theories of retail explain what attracts shoppers to particular retail nodes. Therefore, I argue, creating strategies based on these theories is a very important component of turning around such areas. While the next chapter explains those theories in detail, this chapter is dedicated to putting the theories into the context of other revitalization strategies. In this chapter I will answer the following questions:

- What factors have been used to explain the decline of neighborhood shopping areas?
- How much should revitalization efforts focus on improving these factors?
- What role does improving the mix of stores play in reviving these districts?

As mentioned in the introduction, malls now capture many of the shopping dollars that 50 years ago were spent in areas such as Uphams Corner. Understanding why malls are successful can provide important clues as to how to increase the success of neighborhood commercial areas. While I argue that malls attract shoppers because they have effectively employed the economics of retail, others argue that the success of malls is derived from the demographics of the areas around malls, as well as from other non-economic conditions such as parking, safety, and cleanliness. If these other factors are more important than the dynamics of the retail in the area, then the focus of Uphams Corner’s revitalization strategy should be on improving these non-economic conditions.

DEMOGRAPHIC TRENDS

One factor often cited to explain the success of malls, and thus the lack of success in neighborhood shopping areas, is the demographic trends mentioned at the outset of this thesis. Because there has been an exodus of people from the city to the suburbs, some believe that shopping areas can only be successful in the latter location. Furthermore, areas like Uphams Corner consist of low-income residents. Therefore, there is less of a market to be served and it is
more difficult for stores to be profitable. The exodus of retailers out of downtowns and inner-city areas in particular supports this claim.

Nonetheless, these arguments can be refuted on a number of fronts. First, while it is true that there has been a population shift to the suburbs, population densities are still higher in the city. In Boston, the population density at the center of the city in 1990 was approximately 1.5 times higher than the density 6 miles away from the city center, and was 3 times higher than the density 12 miles away from the city center.31

Despite these densities, retail may be destined to fail in inner-city areas because the spending power there may not be enough to sustain a large number of stores. Michael Porter’s Initiative for a Competitive Inner City refutes this point. ICIC argues that there is a huge untapped retail market in poor, inner-city areas:

The retail market in inner cities—defined as economically distressed urban communities—is large, concentrated by consumers with significant aggregate spending power, yet lacking in competitive offerings, and under-penetrated by retailers of all kinds. The revenue potential of the inner city is enormous. The estimated 7.7 million households in America’s inner cities possess over $85 billion per year in retail spending power. . . . This amounts to nearly 7% of total retail spending in the US. 32

In the last few years, a number of retailers have discovered the potential of these untapped markets. Their high level of success in the inner city indicates that retail is not destined for failure if it is located in low-income areas:

An analysis of inner-city supermarkets in the six major markets we examined revealed that inner-city markets can generate average grocery sales per square foot of up to 40 percent higher than the regional average, and in some markets, grocers average twice the regional average. . . . The Super Stop & Shop located at the South Bay Center in Boston’s inner city [and located about a mile from Uphams Corner] is the highest grossing store in the 186-store chain. . . . An analysis of drug stores in our sample indicates that inner cities can generate average store sales of up to 45 percent higher than the regional average. . . . Solid returns have also been witnessed in other retail categories such as apparel and department stores. K-Mart’s inner city Super K store in Oakland, California generates 50 percent higher sales volume than comparable stores throughout its chain, and its South Bay Center Store in Boston [a mile from Uphams Corner], is the highest grossing store in Massachusetts. Foot Locker’s store in Harlem is among the Company’s top stores, recording sales in excess of $1,000 per square foot. 33

31 Author’s calculations using a chart entitled “Boston-Area population density gradients” from DiPasquale and Wheaton, 1996. p.65. In 1970, the population at the center of the city was 2 times denser than 6 miles out, and 3.66 times denser than 12 miles out.
33 Boston Consulting Group, 1998. pps. 11-12.
High urban population densities combined with the recent success of inner city stores refutes the claim that demographics explain the rise of malls and the decline of inner-city shopping areas. Other explanations must be found.

CRIME, PARKING, AND CLEANLINESS

Three other factors used to explain the success of malls and the fall of neighborhood commercial districts are crime, parking, and cleanliness. People rely on their cars to a much greater extent than they did 50 years ago. Many older neighborhood shopping areas were built at a time when there was not a need for large amounts of parking. Malls, however, have seas of parking. With respect to crime and cleanliness, malls have their own cleaning crews and security forces. Malls are private spaces, thus owners can push out undesirable activities. If an urban shopping area is dirty and high in crime, people are unlikely to go to the area regardless its economic set up.

The nationally proven Main Street approach to revitalizing urban shopping areas recommends focusing a great deal of attention on improving these three factors. Although she does not suggest ignoring economics, Kennedy Smith, the current head of the National Main Street Center speaks to the limits of focusing solely on economics, solely on seeking to attract new stores:

Strengthening commercial activity involves more than just recruiting new businesses or expanding old ones. It also requires correcting the tangible problems that deter people from shopping in the main street area, changing attitudes and perceptions, and distinguishing the commercial district from all other shopping areas in the region. This is the most important principle of retail market analysis for main streets.35

In Uphams Corner, interviews with merchants and property owners, and surveys of customers, revealed the importance of improving these factors. A recent survey of 350 customers

---

34 This approach can not be ignored when trying to determine the proper method of revitalizing a neighborhood commercial district. Originally developed in 1976 by the National Trust for Historic Preservation, the National Main Street Center (NMSC) has advised hundreds of groups nationwide that have grappled with this question of the best method for revitalizing urban shopping areas. NMSC has designed a comprehensive approach, in which looking at the economics of the area is but one element. They recommend creating four committees of local residents and businesses: Design, Organization, Promotion, and Economic Restructuring.

in Uphams Corner revealed that parking, cleanliness, and safety are 3 of the 4 lowest rated characteristics.\textsuperscript{36}

When asked the general question: “What can be improved about Uphams Corner?” most, but not all, merchants and property owners mentioned parking and crime. While there are a few large parking lots in close proximity to the main shopping area, they are hidden behind buildings, and people do not feel safe in them at night. Andre Medina, the owner of the anchor grocery store in the area, believes that sales at his store would be substantially higher if there was a large parking lot in front of his store. Both the main street manager and a barber on the street have had their cars broken into while they were parked in the lot.

Ed Grimes, the Executive Director of the Uphams Corner Health Center and a life-long resident of Uphams Corner, went one step further in emphasizing the importance of these issues. He stated that Uphams Corner is in a “time warp.” He believes that the layout of the area, with large buildings located close to the street and with the parking difficulties, creates a situation where Uphams Corner’s retail sales will never be able to grow significantly.

Certainly any approach to revitalizing neighborhood shopping districts that ignores issues such as crime, parking, cleanliness or other negative perceptions of the area can not be successful. Nonetheless, many argue that the importance of these issues can be overstated. Roberta Brandes Gratz argues that far too much emphasis has been placed on making downtown and neighborhood shopping areas car friendly. She reasons that doing too much to accommodate car users can actually hurt these areas.

Gratz tells the story of San Bernadino, California, which she says, “did everything possible to kill its downtown. Its story parallels the undoing of most of the county’s currently dismal downtowns.”\textsuperscript{37} San Bernadino, over the course of several decades, sought to reorient itself to what it perceived as the realities of the auto-centric development. It knocked down old historic buildings, and replaced them with parking lots and an enclosed mall. As Gratz sees it, an enclosed mall in a downtown cuts off retail growth by keeping window-shopping pedestrians away from traditional on-street stores.

In recent years, San Bernadino has taken the opposite approach. With their more pedestrian-friendly strategy, they have reversed the decline of the downtown. One step was to

\textsuperscript{36} There were 8 characteristics rated. Traffic Flow was rated lowest. The other four characteristics, from highest to lowest, were Access by Public Transportation, Selection of Goods, Shopping Hours, and Cost of Goods.

\textsuperscript{37}
convert a large parking lot into a public square. Another was to upgrade bus stops. A third was to reintroduce on-street parking. This narrowed the road and slowed down traffic. Accordingly, the number of people walking on the sidewalks doubled. At the same time, the public square is evolving into "the 'heart' of the community." Concerts and markets occur on the square, attracting residents and workers to the area.

Even while cities like San Bernadino try to reverse their anti-pedestrian strategies, they often feel pressure from retailers to continue their auto-centric ways. This pressure has increased as retailers begin to see sales potential that Porter points out. Yet Gratz argues that aspects of the suburban formula for success, mainly the desire for large amounts of parking, are not necessary in urban commercial districts:

Most big box retailers don't know how to be urban, even when they locate in the city. They don't understand that the urban pedestrian shopper does not require the same things as a suburban car driver. They don't even realize that they may have more customers within a ten-minute walk than they are used to having in a ten mile radius. In fact, for some superstores in New York City, foot traffic has accounted for greater sales than anticipated.\(^38\)

She also points out that retailers used to the suburbs often neglect to use attractive window displays to attract passersby. They are used to having blank walls and large parking lots. "K-mart, for example, put cash registers, shopping carts, and wheel chairs in the window of its new 34\(^{th}\) Street Manhattan store by which thousands walk daily, instead of dresses, toys kitchenware or linens that customers might buy."\(^39\)

It is not only parking that is sometimes misunderstood by retailers. Even the need to focus on reducing crime can be overstated. David Milder, a consultant who has worked with downtown development associations for over 20 years, acknowledges that reducing crime is very important. Nonetheless, he offers the story of the Bowery in Manhattan's lower east side as an example of a place where the powerful draw of a certain set of stores caused people to put aside their fear of crime.\(^40\) In the Webster's Dictionary, the word "bowery" is defined as "a street in New York City, or the district around this street, characterized by flophouses, saloons etc."\(^41\)

\(^{40}\) From an interview with Mr. Milder.
\(^{41}\) Webster’s defines flophouses as: “a very cheap hotel frequented chiefly by indigents.”
Milder says it was the prototypical downtrodden area with large numbers of homeless people, drug dealing, and prostitution. He said it was “not a wholesome place.”

Nonetheless, the Bowery was a nationally renowned retail destination for home lighting. When Milder was familiar with it, it had over 300 stores selling this product. Not only did people from all over the city shop there, he had friends from Ohio who would specifically go to the Bowery because the selection was broad enough that they knew they could find the exact merchandise that they wanted. According to Milder, shoppers have an internal calculus. On the one hand, they weigh factors like crime that keep them away from the area. On the other hand, they weigh factors like the mix of stores and merchandise that provide them reasons to go to these areas. If there is a strong enough incentive for people to go to a shopping district, the draw factors will outweigh the deterrent factors.

Again, it is clear that commercial district revitalization strategies that ignore parking, crime, and other negative perceptions of the area can not be successful. Yet my argument is that the drive to remove these problems is often over-emphasized to the exclusion of more economically based approaches. Let us suppose that these problems were solved. What if there was no crime in Uphams Corner? What if there were clean sidewalks, sufficient and appropriate parking, as well as no crime? If all this were true, yet the stores did not meet the residents' needs, people would still not go to the area. Not only does Uphams Corner need to remove the reasons why people do not go there; it needs to create reasons for them to be attracted to it in the first place. It is the economic theories of retail and an appropriate store mix which explain much of what attracts people to shopping areas. Even in the more realistic situation where negative perceptions are a problem, a positive tenant mix can provide at least a partial counterweight to the parking and crime problems.

MALLS AND TENANT MIX

While the example of the Bowery is extreme and rare, it is not only advocates for downtowns that who acknowledge the importance of store mix in overcoming other problems in shopping areas. According to an operating manual for small shopping centers put out by the International Council of Shopping Centers:

Several elements are essential to the success of any shopping center. They include, but are not limited to location, layout, access, visibility, population base, and tenant mix. A
good tenant mix can improve a center’s chances for success at a poor location; conversely, a poor tenant mix will adversely affect even a strong location.\textsuperscript{42}

A review of several manuals on how to run shopping centers finds similar advice. Almost all of the manuals that I looked at contained whole chapters on tenant mix. A typical statement at the beginning of such a chapter goes as follows: “The choice of tenants is actually one of the most important features that distinguishes a prosperous shopping center from one that is failing.”\textsuperscript{43}

Bernard Winograd, the former Chief Financial Officer of a nationally successful mall developer, the Taubman Companies\textsuperscript{44}, states the importance of tenant mix in a slightly different way.\textsuperscript{45} Winograd believes that the major innovation of his former boss, Alfred Taubman, was the idea that malls should employ leasing strategies that optimize the shopping experience for the consumer. This was a break from past real estate practices, where the tenant was usually viewed as the customer of a particular piece of property. In order to develop successful malls, Taubman saw that he needed to use leasing strategies that created a mix of stores which drew customers to a particular shopping area. Winograd called this “the whole strategic insight for the creation of the regional mall.”

James Rouse, a renowned developer with experience both in traditional mall settings as well as with revitalizing downtowns\textsuperscript{46}, had similar thoughts on the subject. He was skeptical that simply replicating the non-economic factors of malls would lead to the success of urban commercial districts:

Jim Rouse, whose shopping center innovations are legendary . . . considered management and leasing to be key factors in a mall’s success—not its enclosed, climate controlled design, nor its abundant parking. Rouse said he always felt that downtown retail areas could be competitive if they used modern retailing management and leasing strategies.\textsuperscript{47}

\textsuperscript{42} Alexander and Muhlebach, 1997. p.7.
\textsuperscript{43} Alexander, 1983. p.193. A tenant mix chapter with similar statements can be found in the International Council of Shopping Centers’ Leasing Small Shopping Centers, 1997.
\textsuperscript{44} According to The Taubman Companies’ web site: “Our organization is recognized as one of the preeminent retail developers/owners/managers in the United States, and our properties are among the most productive in the nation . . . . The Taubman portfolio today represents the largest single market share of America’s most productive retail properties. In 1997, sales in Taubman centers averaged $384/sq. ft. This compares to a 1997 national average of $200/sq. ft. for all regional malls.” (www.taubman.com, 3/15/99).
\textsuperscript{45} Remarks made during the MIT class: “Managing in the Real Estate Industry” 2/8/99.
\textsuperscript{46} Rouse is the developer of the Inner Harbor in downtown Baltimore, and of Fanuel Hall in downtown Boston. He also created the town of Columbia Maryland, which has housing a major mall, as well as a number of neighborhood shopping centers.
These modern leasing strategies used by mall owners are not limited to simply finding the right set of tenants and keeping them. It is a constant process of analyzing the performance of stores and measuring complementarity:

Charles R. Cope, general manager of Tyson's Corner Center, an upscale mall in northern Virginia with 230 stores, says that stores are constantly being evaluated for how they add to the tenant mix of the property. “We constantly review sales figures, rank stores in categories, evaluate merchandise levels, and just generally make sure that each store is a good fit for our location. These factors all weigh heavily when deciding whether to renew a lease.”\(^{48}\)

Malls believe that finding the right store mix is important both in affluent areas as well as in low-income areas. Michael Thum, senior vice president of The Weitzman Group, a retail real estate brokerage in Dallas, states that:

> ... tenant mix is important not only for upscale developments, but for developments targeting all types of demographics. “It's important that a development's tenants cater to the consumers in the area for a property to be successful. Having a check-cashing store next to an upscale furniture store benefits no one.”\(^{49}\)

**IMPLICATIONS FOR UPHAMS CORNER**

Uphams Corner is located in a low-income community. Customers rank parking, crime, and cleanliness as three of the four most negative characteristics of the area. These factors are often cited as key reasons why neighborhood shopping areas such as Uphams Corner fail. Uphams Corner Main Street can not ignore these issues if it wants to increase the amount of business that occurs in its district. Nonetheless, the importance of improving these factors is at times overstated. Porter has proven that the spending power of densely populated inner cities is huge and largely untapped. A number of major retailers have been highly successful in areas very near to Uphams Corner.

Furthermore, although cleanliness, parking, and crime are important factors that must be dealt with in order to increase the amount of business that occurs in Uphams Corner, Gratz and Milder demonstrate that these issues are often overemphasized. Major retail developers, both of malls and of neighborhood and downtown shopping areas, have stated that creating an effective mix of tenants can draw customers to an area. This is true even when other indicators of retail

---

\(^{48}\) Bertram, 1998.

\(^{49}\) Bertram, 1998.
success are not very positive. In order to revitalize inner-city shopping areas, organizations such as Uphams Corner Main Street must have an understanding of the elements of a positive store mix.

The importance of focusing on store mix has recently taken on increased importance for Uphams Corner. The results of the intercept survey described above, when compared to results of a similar survey done in 1992, show a significant increase in scores across the board, including in the categories of parking, cleanliness, and safety. The table below shows that there was improvement in all of the characteristics where similar questions were asked.\(^{50}\)

Interviews with merchants and others who have been in the area over a significant period of time confirm these results. While no one says that there are no problems with safety, there is general consensus that it has improved considerably.

<table>
<thead>
<tr>
<th>Ratings of Uphams Corner's Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>1992</td>
</tr>
<tr>
<td>Traffic Flow</td>
</tr>
<tr>
<td>Parking</td>
</tr>
<tr>
<td>Cleanliness</td>
</tr>
<tr>
<td>Safety</td>
</tr>
<tr>
<td>Cost of Goods</td>
</tr>
<tr>
<td>Shopping Hours</td>
</tr>
<tr>
<td>Selection of Goods</td>
</tr>
<tr>
<td>Access by Public Transportation</td>
</tr>
</tbody>
</table>

Note: Average of all responses. The scale is from 1 to 5, with 1 being the lowest and 5 the highest.

The improvement of these factors has not been so great such that UCMS should cease working to improve them. Nonetheless, as the factors that deter people from shopping in the area are lessened, improving the aspects of the area that draw people in takes on added importance. The next chapter explains in much more detail the economic theories of retail, and how Uphams Corner can use them to increase business activity in the area.

\(^{50}\) The wording of the questions were slightly different from 1992 to 1998.
CHAPTER 4

THE ECONOMIC THEORIES OF RETAIL

The previous chapter demonstrated that mall owners place a high level of importance on creating a positive store mix, and cited retail analysts who state that effective leasing strategies can counteract negative aspects of a shopping area. This chapter lays out in detail what these analysts mean when they talk about a positive store mix. There are four interrelated economic theories of retail which, together, explain much of what draws shoppers to one particular shopping area over another. This chapter answers the following questions:

- What are these economic theories of retail, and what are the assumptions on which they are built?
- How do they explain what draws people to one shopping area over another?
- What evidence is there that these theories do not just exist in the minds of economists?
- What implications do these theories have for the strategies that Uphams Corner should employ?

ASSUMPTION: MINIMIZATION OF SHOPPING TIME

Before exploring the four theories, it is important to understand the assumption on which they are based. An explanation of how early retail economists used this assumption to draw an overly simplistic picture of the market dynamics of shopping areas is also needed. After laying out this assumption, this chapter describes the four theories that today form the basis of economists’ understanding of the retail dynamics of commercial areas.

The assumption that underlies each of the four theories of retail is one of the foundations of urban economics.\(^{51}\) Put simply, it is that time is money. Stated differently, economists believe that there is a disutility to travel. All things being equal, people prefer shorter travel times to longer travel times. Time spent traveling is equated with lost wages, or with the inability to participate in recreation or other enjoyable non-work activities. Shoppers will choose the shopping area that allows them to minimize the time they spend traveling.

Early retail economists\(^ {52}\) used this assumption to create a model whereby shoppers would always choose the store closest to where they lived. These theorists believed that shopping

\(^{51}\) Wheaton and DiPasquale, 1996.
\(^{52}\) The history of the economic theories of retail and the various studies that challenged these early theories are described in: Eppli and Benjamin, 1994.
centers formed in central places, defined as places where many people would have to travel only a short distance. An important assumption of this “nearest center postulate” was that people only purchased one item during particular shopping trips.

The nearest center postulate was challenged by a number of studies that showed that people often did not shop at the nearest store. One study showed that only 35% of Iowans shopped at the nearest grocery store. Other studies showed people did not always shop at the same store for the same item, further challenging the assumption that people always shopped at the nearest store.

Yet, the response of economists was not to challenge the assumption that people choose to minimize travel time. Instead, more complex theories were developed and tested so as to explain why people would choose one shopping area over another. The assumption that economists added was that consumers minimized shopping time by accomplishing more than one purpose during a particular trip.

One early study performed by Clark\textsuperscript{53} sought to prove that people travel longer distances to the shopping centers at which they can accomplish the highest number of tasks. Clark segmented a sample of shopping centers into five categories: Class I contained centers with the fewest functions, and Class V contained those with the most. He found that the great majority of customers at Class I centers were people using the nearest center. Yet in Class IV and V centers, less than half of the customers were using the nearest center. People bypassed centers closest to where they lived to shop at centers with the most functions. At the same time, they rarely bypassed nearby centers so as to shop at more distant centers with only a few functions.

Though the Clark study is helpful, its conclusion that more functions are better is inadequate because it is too simple. In order to find a more complete explanation, theorists sought to find more complex reasons for why people travel long distances to some centers and will not travel as far to others. They wanted to know if there were different types of multi-purpose trips, and if the types and combinations of goods people were purchasing on a particular trip changed which center they chose. In order to gain more clarity, four new theories were developed, which take time minimization and multi-purpose trips as their foundations. Stated briefly, they are as follows:

\textsuperscript{53} Described in Eppli and Benjamin, 1994.
1) People prefer to buy certain groups of goods at the same time. People minimize on shopping time by choosing shopping areas that contain these linked goods. 2) Certain stores, called anchor stores, are the primary attractors to particular shopping areas. Once people travel to the area that has the anchor, they minimize shopping time by staying in that area to accomplish additional tasks. 3) People shop differently for inexpensive homogenous goods that they buy frequently (convenience goods such as milk) than they do for expensive differentiated goods that they buy infrequently (comparison goods such as furniture). People are very likely to go to the nearest store for convenience goods. For comparison goods, however, people minimize travel time by going to more distant shopping areas that contain multiple stores with a comparison item. Time is minimized because people are unsure that they can find the exact item they want at one store, thus they travel to areas that have a number of stores containing the general type of good they seek. 4) Different demographic groups prefer different goods, and stores are more successful when they sell the goods preferred by the people who shop in their particular district.

The remainder of this chapter explains each of these theories in more detail, provides evidence to demonstrate their validity, and offers strategies to Uphams Corner based on the theories.

**Retail Linkages**

The theory of retail linkages is that consumers often purchase related clusters of goods during a single shopping trip. Therefore, they will travel further distances to shop in centers that allow them to purchase these related goods at the same time. Two examples of such linked goods are shoes and clothes, or school clothing and school supplies.

Two studies demonstrate the fact that such retail linkages exist. The first was performed by Hanson \(^{55}\). For this study: “the travel data were collected via a travel diary kept for a five week period, by the adult members of the sample households. Every time a panel member left home, he or she was to record the sequences of places visited and for each stop on each trip, the individual noted the particular space visited, [and] the purpose of the stop.”

---

\(^{54}\) Trips for comparison goods are more appropriately called multi-destination than multi-purpose. A shopper may have only one purpose in mind when shopping for such a good, yet they still choose centers which have more than one store with this item, thus allowing them to minimize shopping time.

\(^{55}\) Hanson, 1980.
Hanson drew three important results from the data: 1) 63% of all trips were multi-purpose, 2) when people were shopping for more than one item, they chose different shopping areas than when they were only buying one item, and 3) there were common “bundles of functions that [were] frequently combined on the same multipurpose trip.” While the first result was similar to that of Clark’s earlier study, the other two provide significant advances to the theory of multipurpose trips. The second result demonstrates that people do not simply pick centers with the highest overall number of functions. Instead, they pick the center that has the highest number of the particular stores that they want to visit on a specific trip. The third result points to the specific “bundles of functions” people tend to like to accomplish on multi-purpose trips. The statistics cited in the study state that when shoppers go to a clothing store, they are also likely to go to other clothing stores, to a department store, or to a bookstore. When people go grocery shopping, they are also likely to shop at a bakery, a drugstore, or a barbershop.

Though the difference between Clark’s study and Hansen’s study is subtle, it is an important distinction that leads to a more nuanced strategy for customer attraction. Shopping areas should not simply provide customers with the ability to accomplish a large number of tasks, but should provide them with the opportunity to accomplish the particular linked tasks that they seek to complete on specific trips.

A second study\textsuperscript{56} that demonstrates retail linkages explored shopping behavior in rural counties in Nevada and Utah. The study looked at shopping areas that contained at least one of the following store types: 1) Building Materials and Garden Supplies (BMGS), 2) Furniture and Home Furnishings (FHF), and 3) General Merchandise (GM). The study looked at the differences between counties that contained one, two, or all three of these types of stores. It compared each county based on the extent to which the stores there captured shoppers from inside and outside that county.\textsuperscript{57}

According to the authors, the results, “provide substantial evidence for interdependencies among retail sectors selling complementary goods.” Counties that contained stores in both the FHF sector as well as the BMGS sector captured 66% more sales than those that only had FHF stores. If the county contained stores in all three sectors, there was an increase of 359%.

\textsuperscript{56} Harris and Shonkwiler, 1997.
\textsuperscript{57} More technically, the study measured the “pull factor ratio” of each county. If a pull factor ratio is greater than one, then the county is “pulling” in customers from outside the county. If it is less than zero, county residents are shopping outside of the county.
These two studies provide evidence that retail linkages exist, and that people choose shopping areas that have stores selling linked items. If this type of behavior can be observed in Uphams Corner, then the theory points to a line of activities that will attract more customers to Uphams Corner: 1) determine which goods Uphams Corner shoppers seek to buy at the same time, 2) through marketing efforts, make sure people are aware of existing stores that sell these linked goods, and 3) during recruitment efforts, attract additional stores that offer these items.

ANCHOR STORES

A second theory concerns the concept of anchor stores. The textbook definition is that anchor stores “are those whose retailing reputation and name help identify the center’s character, define its main clientele, and draw a core of customer traffic.” Based on the evidence presented below, the definition should also include that an effective anchor is one that draws customers who go on to shop at other secondary stores in the center and thus increase the sales at those stores. Without the draw of the anchor, however, the shoppers would not go to the area in the first place. The non-anchor stores do not attract a significant number of shoppers; therefore, their success depends on the presence of an anchor. Grocery stores and department stores are traditional shopping center anchors.

Four studies provide evidence of the positive effects of anchors on a shopping area. The first shows the loss of income by non-anchor stores when an anchor leaves. The second and third show the increase in income by non-anchors when there are more anchors located nearby. The fourth shows that mall owners charge anchor stores lower rents because they are willing to forgo that money in order to have the positive effects of the anchor at their mall.

A study published in 1993 demonstrates that, when there is a loss of an anchor tenant, the rental income to the owner from remaining tenants declines significantly. The study examined rents of small to moderately sized neighborhood shopping centers located in Florida and Georgia. It compared rents in centers where there was a loss of an anchor with those where there was no such loss. Two types of statistical methods were used to measure the effects of the loss. The authors describe the results as follows:

Both methods indicate that loss of an anchor tenant substantially affects the rent rates of remaining tenants, and both yield similar estimates. [One] model suggests a direct 26.14% loss in rents. The [other] model indicates the decline in rent rates result from an

---

approximate 33% increase in vacant space (not including the space vacated by the anchor). The subsequent decline in rent is estimated to be 27.3%. 59

Eppli and Benjamin describe two studies that are based on the same data set as each other. Both demonstrate the positive effects that anchor stores have on the sales of non-anchor stores:

Employing an extensive database of 54 regional shopping centers with 4,513 non-anchor tenants, Eppli analyzes the externality effects of anchor stores on non-anchor tenants in regional shopping centers. For shopping centers with high fashion image anchor tenants, non-anchor tenant sales increase by $35 to $123 per square foot. Applying a market expansion potential model to the same database as that of Eppli (1991) Eppli and Shilling (January 1993) test for the effects of anchor tenant size on nine different retailer merchandise types. Regional shopping centers with greater quantities of space devoted to anchor tenants have higher non-anchor tenant sales for eight of the nine merchandise types, with an average increase in sales of $83.00 per square foot for centers with a higher concentration of anchor tenants. 60

The fourth study, published in 1992 by Benjamin, Boyle, and Sirmans, “empirically demonstrates that both anchor and non-anchor externality generators pay reduced shopping center rents for their ability to draw customers to a center.” 61 The authors viewed the leases of 103 neighborhood and community centers located in North Carolina. Though there are a number of factors that go into the rent setting process, the study demonstrates that anchor tenants pay approximately 10% less rent than non-anchors.

These studies prove that anchors have positive effects on shopping areas, and that mall owners are willing to pay for these benefits. If it can be demonstrated that anchors have similar effects in inner-city areas such as Uphams Corner, then the theory points to a number of strategies to attract more shoppers to the area: 1) find out which stores are the anchors and support and improve these stores; 2) in recruitment efforts, seek to bring in additional anchors.

COMPARISON VERSUS CONVENIENCE STORES

The third theory is that there are two main types of goods, convenience goods and comparison goods. The way people shop for these types of goods is quite different.

Convenience goods are inexpensive items that are purchased most often, and for which there is little differentiation between goods of that kind. The typical example is a quart of milk. People often need a quart of milk, and, because each quart is identical, they do not need to see four or five brands of milk before deciding which one to buy. Accordingly, they will not travel far to purchase this item. A comparison good is a more expensive item that is purchased less frequently, and for which there is differentiation between goods of this kind. One example is furniture. People will travel further to buy a sofa than they will to buy milk. They buy sofas very infrequently and each purchase takes on added importance. They minimize the time spent traveling by shopping in areas that contain a store or group of stores that sell a large variety of sofas. This maximizes the chances that they will find the particular sofa they want during that single trip.

**Evidence of Comparison Shopping**

Eppli and Benjamin describe two studies that empirically demonstrate that the income of a mall increases when a sufficient amount of comparison shopping is available:

Employing survey data collected from consumers of five regional shopping areas in Madison Wisconsin, Nevin and Houston (1980) find that the assortment variable (i.e. variety of retail merchandise for comparison shopping) explained over half of all the explained variation in shopping center sales. . . . Hise, Kelly, Gable and McDonald (1983) confirm the findings of Nevin and Houston, demonstrating that the number of secondary competitors in a shopping center is positively correlated and significant in determining the income of a shopping center and the rate of return on assets. 62

Eppli and Benjamin summarize two additional studies that give credence to the claim that shoppers are more likely to choose a shopping center when it contains a sufficiently large number of similar comparison retailers:

[In a 1984 paper by Ingene,] 13 independent variables 63 are tested against the dependent variable, retail expenditures, for eight different types of retail merchandisers: apparel, department, drug, furniture, general merchandise, grocery, hardware, and variety stores. Out of thirteen independent variables, retail assortment is the only variable that is positively correlated and significant over all merchandise categories, a finding that clearly reveals the importance of assortment or comparison shopping in the consumer’s decision to select a shopping location. Weisbrod, Parcells, and Kern (1984) also find the

---

63 Eppli and Benjamin list five of the thirteen variables: shopping assortment, service quality, service quantity, store density, and atmospherics.
number of stores, and in particular the number of clothing stores, to be an important determinant in a shopping center selection decision.\textsuperscript{64}

**Evidence of Convenience Shopping**

The existence of convenience shopping is demonstrated by studies which show that convenience stores are in direct competition with each other, and that sales at convenience stores decrease when they are located near each other. This is the opposite of what the studies showed for comparison stores. Stated differently, “When the product offerings of different stores are virtually identical [as they are in convenience stores], the boundary between the market areas of neighboring outlets is sharp. But when the product offering and store image differ across outlets, [as they do in comparison stores], market area boundaries are less sharp owing to more complex travel patterns.”\textsuperscript{65} One study that empirically demonstrated the conclusion of sharp market area boundaries was based on data from sales at 33 different convenience and larger grocery stores. This study found that grocery stores act as convenience stores for those located most close to them. However, when people are located closest to a convenience store, they do not pass the closest convenience store in order to shop at the larger grocery store.\textsuperscript{66}

**How Malls Optimize Convenience and Comparison Shopping**

Eppli and Benjamin quote two studies that demonstrate how planned malls incorporate the differences between convenience and comparison shopping into their strategies:

Eaton and Lipsey (1982) show that planned shopping center developers restrict the entry of low-order\textsuperscript{67}, convenience retailers to one per merchandise type. By restricting the entry of low-order retailers, who often sell the same merchandise, shopping center developers prevent head-on competition. Shopping center developers also enhance comparison shopping by including numerous homogenous high order retailers in the shopping mix.\textsuperscript{68}

The second study quoted by Eppli and Benjamin not only shows that malls exhibit the above behavior, but that unplanned shopping areas are different with respect to these tenant selection decisions:

\begin{flushleft}
\textsuperscript{65} Craig et.al, 1984. pps.7-8.
\textsuperscript{66} Houston and Stanton, 1984.
\textsuperscript{67} The term “low-order goods” is used to mean the same thing as convenience goods, and “high-order goods” is used to mean the same thing as comparison goods.
\textsuperscript{68} Eppli and Benjamin, 1994. p.15.
\end{flushleft}
West et al prove, with a 99% level of significance, that planned shopping centers differ from unplanned centers with respect to the type of tenants that each of the centers attract. More specifically, West et al show that retailers depend on the appropriate level of retailer agglomeration with limits placed on the amount of low-order replication.69

These studies demonstrate that shoppers behave differently when purchasing convenience goods than they do when purchasing comparison goods. They also demonstrate that mall owners take these theories into account when selecting tenants. If it can be demonstrated that shoppers in Uphams Corner also shop differently for convenience and comparison goods, then similar strategies should be employed: 1) maximize the number of comparison shopping opportunities in the area. The more such opportunities exist, the more likely shoppers are to choose Uphams Corner over other areas; 2) minimize the number of convenience goods stores that sell the same items. These stores directly compete with each other and are trying to divide a pie of a fixed locational size.

MARKET DEMOGRAPHICS

The fourth theory is different from the previous three. First, it does not purport to explain the time management strategies of shoppers. Second, it is much more widely observed, and can be proved by looking at US Census data. Nonetheless, it informs the specific manner in which the time minimization strategies discussed above should be implemented.

The “theory” is that retail markets are very segmented. Different demographic groups purchase quite different items. Markets are segmented by race, gender, income level, education level, and other distinctions. Stores can be more successful if they understand the segment of the market they serve, and then use that knowledge to sell goods that this demographic group purchases most regularly. This information can also be used to target marketing campaigns to the precise group that most prefers the goods a store sells.

The evidence that different demographic groups purchase different items is overwhelming. The main source of data to prove segmented shopping habits comes from the US Department of Labor’s Bureau of Labor Statistics. On an annual and quarterly basis, the BLS issues the Consumer Expenditure Survey (CES). According to their web site, the CES “collects information from the nation's households and families on their buying habits (expenditures),

income, and characteristics. The strength of the survey is that it allows data users to relate the
expenditures and income of consumers to the characteristics of those consumers.”

<table>
<thead>
<tr>
<th>Age</th>
<th>Apparel</th>
<th>Footwear</th>
<th>Household Furnishings and Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25</td>
<td>$1,198</td>
<td>$248</td>
<td>$600</td>
</tr>
<tr>
<td>35-44</td>
<td>$2,071</td>
<td>$289</td>
<td>$1,524</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Race</th>
<th>Apparel</th>
<th>Footwear</th>
<th>Household Furnishings and Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>White or Other</td>
<td>$1,681</td>
<td>$244</td>
<td>$1,299</td>
</tr>
<tr>
<td>Black</td>
<td>$1,638</td>
<td>$292</td>
<td>$667</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income</th>
<th>Apparel</th>
<th>Footwear</th>
<th>Household Furnishings and Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10-15,000</td>
<td>$959</td>
<td>$168</td>
<td>$634</td>
</tr>
<tr>
<td>$40-50,000</td>
<td>$2215</td>
<td>$310</td>
<td>$1598</td>
</tr>
</tbody>
</table>

Source: US Department of Labor, Consumer Expenditure Survey, 1992-93

The above chart provides a sample of differences in shopping patterns based on a few
demographic categories. People categorized as “white or other” spend nearly twice as much
money per year on “Household Furnishings and Equipment” than do people who are black.
Because black people have less money to spend overall, the difference in the percentage of total
annual expenditures is not quite as large, 4.1% to 3.2%. For footwear, people under age 25 spend
less per year than people between the ages of 35 and 44 ($248 to $289), yet in percentage terms,
they spend more of their income (1.4% to .8%). Understanding these absolute and percentage
differences can lead to alternative business strategies in areas that have different demographic
groups.

While the consumer expenditure survey has very valuable information, it does not go
beyond calculating the amount and percentage of money that market segments spend on generic
categories of goods and services. More detailed studies seek to understand additional aspects of
consumer behavior. One such study, in addition to uncovering spending habits, sought to
understand how different market segments value such items as customer service, brand identity,
style, and specialty stores. This study, performed by PriceWaterhouseCoopers and the Initiative
for a Competitive Inner City, sought to determine the specific preferences of inner-city shoppers. It was performed by a survey mailed to a random sample of inner-city households. Among the study’s findings are that 1) there are a number of different market segments in inner city areas; 2) inner-city African-American consumers spend more on apparel than the average household; 3) inner city-shoppers in general are more likely to shop in specialty stores than the average household in product categories such as men’s and women’s apparel; and 4) across all product categories, inner-city shoppers are more selection- and customer service-oriented than the average shopper. More of the results of this survey will be presented when the recommendations for Uphams Corner are presented.

A third study proves market segmentation from a different perspective, relating it to the theory of retail linkages above. This study, conducted by the MIT Center for Real Estate and a local consulting firm, Cambridge Systematics, sought to create a model that explained what attracted Boston area shoppers to different regional and super regional malls. For this study, a series of phone interviews were conducted in which participants were asked which centers they had visited in the previous week. The authors divided shoppers into five income categories and found distinct differences in the attributes of the centers patronized most often by each grouping. Upper-income shoppers were more likely to frequent centers with more restaurants, department stores, and furniture stores. Lower-income shoppers preferred centers with discount and variety stores. The inference is that a center can be more successful if it creates a mix of stores that all target the demographic groups that live in the area.

**Evidence of the Importance of Market Segmentation Data**

Evidence of the validity and usefulness of this data for both stores and shopping areas comes from the large and diverse number of groups that use this data to understand market segments. The National Main Street Center advises local shopping area improvement groups to use this data in determining the market dynamics in their area. A book published by the Urban Land Institute uses the data to explain consumer demand for stores in super regional malls as well as in smaller malls. It states explicitly that: “in the next century, marketing and retailing will

---

70 The report defines inner-city areas as “economically distressed urban communities with a median household income of at least 25% less than the city average, a poverty rate of at least 50% higher than the city, and/or unemployment of at least 30% higher than the city average.”

be dominated by market segmentation, the process of understanding demand, and developing marketing programs that have special appeal to defined segments of the market.”

Other evidence of the importance of market segmentation data comes from the existence of firms whose main purpose is to collect, analyze, and sell this data. At least two firms package census and other survey data about shopping habits and then sell it to interested firms for a hefty price. One such firm, Claritas, breaks the population into 62 different demographic clusters, and publishes a guide with detailed descriptions of the shopping habits of members of each cluster. They also sell data that shows how many people from each cluster live in particular zip codes. According to Claritas, by cross-referencing the geographic data with the cluster descriptions, marketers and retailers can “identify, locate, target, and reach their best marketing opportunities.”

Evidence of the importance of market segmentation also comes from the ubiquity of non-census data that is being collected and used to inform marketing and retailing strategies. From supermarkets, which use bar codes and frequent shopping programs to determine exactly what various types of consumers purchase, to Internet web sites, which flash different ads to people with different demographic profiles, the importance of market segmentation is permeating all parts of our society.

**Using Demographic Data in Uphams Corner**

Market segmentation is becoming more and more pervasive. Individual storeowners will benefit by gaining an understanding of the preferences of the shoppers in Uphams Corner. Increased sales will result when owners adjust their product mix to reflect the products that the specific market segments are buying, and by targeting marketing to these segments.

The theory can also be extended to inform collective strategies in shopping areas such as Uphams Corner. This is done by combining the market segmentation theory with that of retail linkages; the mix of stores in the area should be targeted towards the particular market segments that frequent the area the most. The more stores that target the appropriate market segment, the more likely it is that shoppers in that segment will be able to achieve multiple purposes when

---

72 Smith, February and March 1997.
74 Two firms I know of are Claritas and Micro Vision.
going to the area. As I have argued above, this will increase the attractiveness of the area vis-à-vis other shopping areas.

One caveat to the use of market segmentation data in Uphams Corner is that focusing on only one demographic group contradicts the advice in Chapter 2 of seeking to create a mixed-income community. Creating a center that only targets low-income residents will result in an area with relatively little appeal to middle-income residents. In that the attraction and retention of working families is a crucial element in linking retail revitalization to poverty alleviation, resolving this contradiction is important. There is no easy solution to this problem. Nonetheless, I will return to this issue in subsequent parts of this thesis when discussing the specific ways that the theories can be implemented in inner-city areas.

**RECENT EVOLUTION OF THE ECONOMIC THEORIES OF RETAIL**

Recent demographic shifts have altered the ways that these theories are observed. These shifts, in conjunction with the theories, may explain a recent decline in the success of malls. This also leads to the possibility for increased success of neighborhood shopping areas. The most important change has been a reduction in the amount of time people spend shopping. With more women in the workforce, and with both men and women taking on multiple jobs in order to make ends meet, minimization of shopping time has become that much more important in recent years. Some have argued that malls have been less successful recently because they are too time consuming. With large parking lots to traverse, and long walks from one end of the mall to another, people are searching for ways to shop that take less time. The data show that shoppers spent ten hours per month in shopping centers in 1985, compared to four in 1996.76 Because of a neighborhood shopping district’s proximity to people’s homes, the creation of positive store mixes that meet multiple needs takes on added importance.

A non-mall observation of these theories comes from the rise of category killer77 stores such as Circuit City. These stores provide large amounts of one particular category of good, thus creating a clear merchandising focus. The importance of good complementarity and comparison shopping still exists, yet the manifestation has changed. Instead of a mix of stores containing a

---

77 A category killer is defined as “a retail chain, particularly a national chain, that is the dominant retailer within a trade area for a particular category of merchandise.” From O’Mara et al, 1996. p.149.
sufficient number of comparable and complementary goods, one store meets both these needs. This also allows shopping time to be minimized.

**CONCLUSION**

Economists have conducted a number of studies demonstrating the explanatory effect of the economic theories of retail. The evidence is fairly strong that the theories explain the behavior of shoppers. Seeing this evidence, mall owners have developed a number of strategies that flow from these theories. My thesis is that inner-city shopping districts such as Uphams Corner can also use these strategies to increase business and create more healthy, vibrant neighborhood centers. Yet two doubts remain as to the applicability of these theories in areas like Uphams Corner. The first is that mall owners have the power to coordinate the activities of all of their tenants, and to unilaterally control leasing decisions. Urban shopping districts have multiple owners; thus this coordination is much more difficult. The second doubt is that these studies were not conducted in inner-city areas. It is possible that residents of these neighborhoods shop differently than those studied by the economists. The next two chapters argue that these doubts can be overcome.
CHAPTER 5
OVERCOMING THE PROBLEMS OF MULTIPLE, UNDER RESOURCED MERCHANTS AND PROPERTY OWNERS

While I have demonstrated that mall owners and other retailers derive specific benefits from applying the economic theories of retail, it is still unclear whether urban retail districts are set up in such a way that they can take advantage of these theories. In a mall, there is one owner who decides what the mix of stores will be. In Uphams Corner, similar to other urban retail districts, the ownership is dispersed, and no one entity has control. This makes the task of leasing to a complementary mix of stores more difficult. Second, many of the property owners and merchants in Uphams Corner are either small, sole proprietors, or people who have very limited resources. This situation makes it very difficult for the merchants and property owners to acquire the market, demographic, and other information needed to apply these theories. It also makes it harder for them to coordinate joint marketing campaigns and take other collective actions.

The ultimate goal of this thesis is to develop recommendations for the economic restructuring of Uphams Corner based on the economic theories of retail. Before this can be done, however, it must be demonstrated that the ownership situation there does not preclude the application of the theories. Therefore, in this chapter I will answer the following questions:

- What are the difficulties that urban districts face in applying these theories?
- What are the existing models that areas such as Uphams Corner have used to overcome these differences, and which one makes the most sense for Uphams Corner?
- Within the structure of these models, what specific steps can Uphams Corner take to benefit from the economic theories of retail?

CAPTURING POSITIVE EXTERNALITIES

As described in the preceding chapters, a major argument of my thesis is that a shopping area with a complementary mix of stores will attract more customers than one without such a mix. Stated another way, an individual store has the potential to provide benefits to other stores. Yet these benefits are only received when specific types of stores are located near each other. For example, as described in the last chapter, one store that sells comparison goods provides a benefit to another store that offers that same item, if those stores are located near each other. This allows customers to easily "compare" the goods at both stores on one shopping trip.
Economists have a name for the positive benefits that one store provides to other stores: "positive externalities." The textbook definition of an externality is: "an activity that affects others, for better or worse, without those others paying or being compensated for the activity."\(^{78}\) The benefits that one comparison store provides to its neighbor is "external" to the first store. The second store does not have to pay for this benefit, and the first store receives no benefit for providing it. Because there is no price for this benefit, economists view externalities as a form of market failure. It is a failure because this lack of pricing often results in the benefit not being fully realized.

A similar phenomenon is a negative externality. In this case, one entity takes a harmful action, yet the damage that they cause is mostly felt by others. Because they are not hurt themselves, they have no incentive to change their behavior. The classic example is a company that dumps polluted materials into a river. Neighbors downstream are hurt, yet the company itself is not harmed. In the context of a shopping district, negative externalities can include: 1) keeping irregular store hours, thus reducing the amount of synergy between stores; 2) not renovating the façade of a building; or 3) renting to a tenant that does not improve the mix of stores.

In a mall, the singular ownership of the entire area allows the mall owner to capture both positive externalities and prevent the problems of negative externalities. This corrects the market failure. The last chapter explained a number of ways the positive externalities are captured. Examples include charging a lower rent to anchor stores, which, in effect, causes the other stores to pay for the positive benefit of the anchor. Charging rent on a percentage-of-sales basis allows the owner to capture the increased sales that come about due to the positive externalities of individual stores. Mall owners can prevent negative externalities from arising because they have the control to induce changes of behavior in stores that cause harm. One method for overcoming these problems is creating leases that require storeowners to keep set store hours that match those of all the other stores.

**THE DIFFICULTIES OF DISPERSED OWNERSHIP**

In an urban district such as Uphams Corner, the dispersed ownership of property makes the capturing of positive externalities much more difficult. Therefore, the retail market in

\(^{78}\) Samuelson and Nordhaus, 1989. p.972.
Uphams Corner can be classified as an example of a market failure. At Uphams Corner, an individual owner has no incentive to charge lower rent to an anchor store. The benefits would go to the stores nearby, and the first owner would simply receive less rent. Similarly, bringing in a second or third store that sells a particular comparison good would benefit the area as a whole. However, the owner who would rent to these additional stores would not receive all of this benefit. Therefore, they have less of an incentive to follow this strategy in the first place. This is especially a problem if the landlord can rent to a tenant who does not create positive externalities, yet is willing to pay a higher rent.

Some form of coordination of activities by individual owners could allow disparate owners to capture some of the positive externalities. Yet coordination becomes more difficult more owners there are. If there were only a few owners, each entity would capture more of the positive externalities generated by the joint activities of the group. This would be closer to the situation of a mall. Yet, with very dispersed ownership, the benefits are more spread out, making it more difficult to persuade small owners to take action. Furthermore, when there are many owners, the logistics of coordination are more difficult and the amount of convincing needed is greater.

How dispersed is the ownership of property in Uphams Corner? According to a database of property owners maintained by the Dorchester Bay Economic Development Corporation, there are 40 owners of property in Uphams Corner’s commercial district. Of the 600,000 square feet of lot space, no one entity owns more than 100,000 square feet, or 16%. The largest owner is the Roman Catholic Archdiocese, which owns a school and a church, space that is not appropriate for retail uses. The second biggest owner is the City of Boston, which owns 9% of the space. Unfortunately, this space consists of several pieces of property spread around the area. Some of this includes upper-story office space. The third biggest piece of property is at one end of the district, consisting of underused storage space that would be difficult to convert to a use of benefit to the business district. After the three biggest owners, no one entity owns more than 5% of the space. This dispersion of property in Uphams Corner makes capturing the positive externalities much more difficult.

Another factor determining how easy it would be to coordinate activities is the attitudes of the individual owners. Interviews with various area stakeholders revealed that some of the current owners have little incentive to alter their current business strategies.
There is a group of individuals who have owned property in Uphams Corner for many years. These people bought their property at very low prices, and have already paid off their mortgages. They do not have the external discipline imposed by the need to make monthly loan payments. They have little incentive to try to increase their rental income. Furthermore, despite the desire of others to purchase this property and convert it to more productive uses, most long-time owners will not sell. One reason is that they would have to pay a large capital gain tax upon sale of the property.

One owner interviewed, the son in one of the largest property-owning families in the area, exhibits some of these behaviors. He runs the store that takes up the majority of the space owned by his family. When asked about employing strategies based on the economics of retail that would increase the amount of sales in his store, he stated that he was not interested because: “financially, I have nothing to worry about.” He stated that he was “backed by bank of [my father].” Another long-time property owner/merchant exhibits similar behavior. He operates a furniture store in his property, which he opens on some days but not on others. Another owner, commenting on the furniture storeowner, stated that this space could be used much more efficiently, and that large sums of rental income could be generated. This third owner has unsuccessfully attempted to buy this property.79

THE DIFFICULTIES OF SMALL SIZE AND LIMITED RESOURCES

Another barrier to capturing positive externalities is the small size and limited resources of the store and property owners. Coordination of the various stakeholders requires that people have sufficient information to figure out which business strategies to pursue and enough time to pursue them. In order to take advantage of market segmentation, demographic data is needed, as well as information about how people in different groups shop. Furthermore, joint advertising raises awareness about the ability to take advantage of retail linkages. There is a similar positive affect of coordinated recruitment of tenants that will positively add to the mix of stores. Yet, stakeholders need time for going to meetings and for interacting with each other so as to plan and implement these activities. They also need a forum for creating the trust that would facilitate the

79One interviewee with long-term knowledge of the area had particularly negative impressions of certain owners. He called some of them “slimy” and “sleazy.” He also stated that some owners, in years past, had played a role in neighborhood arson, as well as bank and insurance redlining.
pooling of funds for advertising and other such tasks. In a mall, again, the owners are larger and are the joint entity that pools together the needed resources.

Maria Mulkeen, in a study of Codman Square, an urban commercial district similar to Uphams Corner, concludes that it is very difficult to involve small merchants in efforts to turn around such areas:

The marginal nature of the majority of Codman Square’s businesses and constraints such as lack of business knowledge, time and resources preclude many merchants from being involved. On account of these obstacles, merchants do not have the long relationships of trust and reciprocity, shared vision, mutual interest, and financial nexus to overcome problems of collective action to cooperate with one another or with other actors around business district improvement efforts.\(^{80}\)

How small are the owners in Uphams Corner? One proxy for measuring this factor comes from the analysis of the area performed by ICIC. ICIC rated the strength of all of the stores in the area. One of the factors of strength was whether or not the store was part of a chain or other multi-store grouping, and whether it had sufficient access to capital that would allow the store to smooth out business risk. Each store was rated from 0 to 1, with one being the highest rating. Over 80\% of the stores received a ranking of .5 or below, while 65\% received a zero. This data matches the general perception that most of the storeowners are sole proprietors who do not have a large amount of resources to dedicate to joint efforts.

**METHODS FOR OVERCOMING THE BARRIERS TO COORDINATION**

Urban shopping areas have used a number of methods to overcome the difficulties of capturing externalities. The four main, formalized approaches are known as: 1) Merchants’ Associations\(^{81}\), 2) Main Streets, 3) Business Improvement Districts (BIDs), and 4) Centralized Retail Management (CRM). To simplify somewhat, these three approaches can be seen on a continuum from the lowest level of coordination of merchants’ associations to the highest level of coordination of CRM. These are not exclusive categories; some Main Street organizations have also become BID’s, as have some areas with CRM. With each of these forms, there are examples of organizations that take on a large number of tasks and some that have more narrow purposes. Nonetheless, for clarity’s sake, this section will describe for each separate model the

---

\(^{80}\) Mulkeen, 1997. p.70.

\(^{81}\) Sometimes known as business associations, chambers of commerce or boards of trade.
advantages, disadvantages, and experiences with respect to overcoming the problems described above.

**MERCHANTS’ ASSOCIATIONS**

The approach with the least amount of organization is a merchants’ association. Generally comprised only of storeowners in the area, these groups work to address the concerns of their members. This can include joint promotion of the area, running street fairs, and collecting and disseminating information about the district to store owners. According to Josh Bloom of the National Main Street Center, merchants’ associations generally have trouble obtaining funding from sources other than their members. They are perceived as narrowly focused on the interests of businesses; therefore they attract less funds from the government, corporate contributors, or local residents. While a merchants’ associations can be a forum for overcoming coordination difficulties amongst storeowners, the narrow membership base rules out dealing with issues related to property owners. Thus issues of leasing and store mix are not dealt with by this approach.

**MAIN STREETS**

The second coordination strategy is the Main Street approach. Developed by the National Trust for Historic Preservation in 1976, it was originally used by older downtowns in rural parts of the country. It is now becoming more prominent in urban areas, including inner cities. It is seen as a more comprehensive approach than a merchant’s association, both because of its membership base and because of the issues it deals with. The membership usually consists of merchants, property owners, residents, and other institutional stakeholders in the community such as nonprofits. The National Main Street Center recommends creating four committees to deal with the issues of design, organization, promotions, and economic restructuring. This leads to a focus on improving the aesthetics of the area, improving city service delivery, altering the economics of the area, and coordinating promotional activities such as joint marketing.

With a range of stakeholders dealing with all of these issues, a broad range of interests is incorporated. Therefore, the overall revitalization of the area becomes the primary goal. Because
of this comprehensiveness, the Main Street organizations have an easier time raising funds from a variety of sources.\textsuperscript{83} In many places, including Boston, the city government funds a large share of the operating budget. Contributions are also received from corporate donors and residents who have a stake in seeing the area turn around.

**BUSINESS IMPROVEMENT DISTRICTS**

The third approach is the BID.\textsuperscript{84} As stated above, this is not a category exclusive of the others, as some Main Streets have formed BIDs. Accordingly, many BIDs deal with a similar comprehensive list of issues. What sets BIDs apart is: 1) the manner in which they raise funds; 2) their ability to perform city services and capital projects themselves; and 3) the formality of the relationships created between the property owners, the BID, and the city government. Though there are variations in each state as to how BIDs are formed, the basic process is that the city government and a majority of the business owners agree to add an assessment on top of current property taxes. The income from this assessment is dedicated to the budget of the BID. Once the BID is created, all property owners in the area have to pay the fee; otherwise they face the same penalties associated with not paying taxes. Although there is usually some form of government oversight, the board of the BID, made up of local stakeholders, has wide discretion in how the funds are used. Usually they are dedicated to increasing the level of services in the area, such as hiring security personnel and cleaning public spaces. Some BIDs undertake capital projects such as building parking structures.

The organizing phase for a BID is usually quite long. In New York City, the average time in 1994 was 30 months. Nationally, a year and a half is the typical length of time, with many reporting two years or more.\textsuperscript{85} In the three years since Massachusetts passed its BID law, only one organization has completed the process. One factor that causes the process to take so long is that a majority of the property owners must be convinced to submit themselves to added fees. According to Josh Bloom, the need for an organizing and convincing process often leads Main Street organizations in neighborhoods and small downtowns to wait until they have two to six

\textsuperscript{82} The Local Initiatives Support Corporation (LISC) a national intermediary that funds community development corporations in inner-city areas, has partnered with The National Main Street Center in order to bring the Main Street approach to more inner-city areas.

\textsuperscript{83} From an interview with Josh Bloom of the National Main Street Center.


\textsuperscript{85} Houstoun, 1996. p.9.
years of a positive track record before trying to institute a BID. Only in larger downtown areas do stakeholders jump directly to a BID. Mr. Bloom also stated that low-income neighborhoods, where property values are very low, have a more difficult time instituting BIDs. In order for a sufficient amount of funds to be raised, the assessment rate needed on top of current property tax levels is so high that owners often resist the effort.

Though there are a number of added funding and service delivery benefits of instituting a BID, these are only indirectly related to improving the economics of the area. Additional money can help this process; cleaner, safer streets can reduce the factors that repel shoppers; and the structured relationship amongst property owners can facilitate coordination. Nonetheless, the BID structure provides no concrete tool specific to formalizing leasing coordination or altering the mix of stores. It is only through convincing, organizing, and creating trust that these economic issues are dealt with in a BID.

CENTRALIZED RETAIL MANAGEMENT

In CRM, on the other hand, there is a formal mechanism for dealing with issues directly related to the economic theories of retail. A strategy developed in the 80's with assistance from the US Department of Housing and Urban Development, CRM is the model that most directly seeks to apply techniques used by mall owners to an urban, dispersed ownership situation. The main tool for doing this is a contract between all of the property owners in an area and a central management entity. The contract lays out modes of interaction, and payment for certain services. As with a BID, the CRM entity has a staff that is responsible for items such as common security, maintenance, and marketing. The most relevant element of a CRM contract, with respect to this thesis, is a provision giving the CRM entity veto power over retail leases that are not in accordance with an overall leasing plan.

Unfortunately, the success with CRM has been limited, and it has not been used to anywhere near the degree that the other approaches have. David Milder, a downtown revitalization consultant who has worked around the country on these issues for 20 years, believes that CRM has been “by and large, an ignominious failure.” He says that the results have been marginal and tenuous, and that it has been difficult to convince stakeholders to buy into the

---

formalized structure that CRM requires. Therefore, although the added benefit of CRM is the higher degree of coordination with respect to leasing and other economic issues, it is precisely this aspect which makes it so difficult to implement. Furthermore, unlike with BIDs, there is no governmental authority that binds all owners to sign the CRM contract or follow its rules. Again, it is only after extensive convincing, organizing, and building trust that such a contract would be signed.

WHICH APPROACH WILL HELP UPHAMS CORNER THE MOST WITH ECONOMIC RESTRUCTURING?

While the broader question of which approach would help Uphams Corner the most overall is an interesting one, the narrower question stated above is one that can be answered in the context of this thesis. As stated before, each approach is not exclusive of the others. Therefore, there is no reason for stakeholders to stop using the Main Street approach. The question then becomes whether or not UCMS should try to institute a BID and/or CRM.

A BID in Uphams Corner is problematic for a number of reasons. In addition to the problems of BIDs described above in communities with low property values, and in smaller communities where the Main Street only has a limited track record, there is also a problem with BIDs that is specific to Massachusetts. In this state, the law authorizing BIDs does not allow for involuntary assessments on property owners in the area. Add this to the fact that the benefits of a BID for economic restructuring are only indirect, it does make sense at this point for UCMS to embark on the very labor intensive task of instituting a BID.

As for CRM, the hurdle for reaching this goal in its pure form is extremely high and would be difficult to reach in Uphams Corner. Its limited success in other areas begs the question of why it should be tried here. It is the approach that most directly relates to altering the economics of retail. Nonetheless, implementing its strategies involves large amounts of trust and track record building. UCMS can aim to accomplish these goals, and perhaps take some of the individual strategies from the CRM bag of tools. In the near term, however, before more trust is built up, it does not make sense for UCMS to spend staff energy on convincing owners to sign a CRM contract.

87 Not all CRM contracts are the same, and the authors of the CRM handbook acknowledge that a veto provision is the hardest to negotiate.
88 UCMS just had its second anniversary.
CAPTURING EXTERNALITIES

With the more formal, contractual relationships closed off by state law or the difficulties imposed by dispersed ownership, Uphams Corner Main Street is left with the more informal yet still structured coordination embodied by the Main Street approach. Does this approach provide enough of a framework for capturing positive externalities and removing negative ones? It is unlikely that any amount of coordination among a diverse group of stakeholders will provide as strong a mechanism as ownership by a single entity. Ideas such as having Owner A pay Owner B for the positive externalities generated by Owner B’s tenants could accomplish this goal, but would be extremely difficult to implement. Nonetheless, organizing, creating trust and coordinating activities amongst stakeholders can allow for capturing some of the external benefits and reducing the negative effects.

How so? In general, one barrier to changing behavior in a situation of externalities is the fear of what economists call free riders. Consider the dilemma a landlord faces when deciding between leasing to a tenant that will positively effect the mix of stores, or to a higher paying tenant that does not add to the mix. Let us assume that, although the short-run gain is higher when picking the tenant who pays more rent, the long-run benefit would be higher if the owner picked the lower paying tenant. This higher long-run benefit comes about because a) all of the landlords repeatedly face this dilemma; b) if they all picked the lower paying tenant in the short-run, in the long-run, more and more customers would come to the area, and c) this would make the area more valuable to future tenants, causing rents to rise at a higher rate than they otherwise would have. If each individual owner were certain that all other owners would rent to tenants that improved the mix, they would take this short-term risk. Yet, if they did not trust the other owners, and were uncertain of the long-term benefits, they would pick the short-term gain of leasing to the higher rent tenant. Coordination, communication, education, and trust building help overcome this problem by convincing each owner that none of the other owners will behave as free riders. These actions will not provide as strong an assurance as a contractual relationship, yet they are steps in the right direction. At the same time, getting to the stage where people will sign a contract also requires building trust. Therefore, this must be a primary goal of UCMS.

The previous example provided a general explanation of how coordination deals with the problems of externalities. On a more specific level, the following are many tasks that UCMS can
undertake that would allow the area to capture some of the positive externalities, reduce negative externalities, and prevent the problems of free riders. 89

1) UCMS can provide an educational function to local merchants and property owners. This can take the form of traditional technical assistance to businesses, and can also include education about how the economic theories of retail work in the area. Informing people about how to apply the theories can go a long way toward convincing owners to change their leasing strategies.

2) UCMS can collect, analyze, and disseminate information about subjects such as demographics, the competition, local and regional markets, and the behavior of shoppers in the area. This information can be part of the education function described above.

3) UCMS can coordinate promotional activities. Small owners may not have the resources to run large advertising campaigns. By providing a venue for the coordination of advertising, joint campaigns can create more bang for the limited buck.

4) UCMS can work with stakeholders to develop a joint tenant recruitment plan. This should be based on the economic theories of retail. The more education and buy-in that UCMS creates around a joint planning effort, the more likely owners will be to hold off in leasing to businesses that do not create a more positive retail mix.

5) UCMS can work to implement the joint recruitment plan by facilitating relationships between property owners, potential tenants, and real estate brokers in the area. Specific activities can include creating a brochure that describes the area to retailers, and providing positive leads to owners. The more success UCMS has in bringing retailers to owners, the more trust will be generated, and the more forthcoming owners will be in coordinating with the Main Street organization.

6) UCMS can leverage available funds by a) requiring recipients of façade improvement funds to lease according to the general leasing plan, or b) offering to pay for unleased space until a complementary tenant is found. This more extreme approach would increase UCMS’s leverage in effectively vetoing tenants that did not meet with the joint recruitment plan described above. UCMS would have to convince government and other funders to invest in these strategies.

89 UCMS already performs a number of these services. Also, Chapter 7 provides more detail on a number of these strategies.
7) UCMS can recommend a model lease to property owners. Provisions in this lease could include requiring tenants to: a) stay open during set hours; b) clean the area in front of their stores; c) prohibit employees from parking on the street in front of stores, leaving these spaces for customers; and d) financially support the Main Street’s activities. It can also recommend charging rent on a percentage-of-sales basis, increasing the incentive of property owners to rent to stores that strengthen the existing mix.

Is there evidence that suggests that UCMS could successfully take on these tasks and achieve the desired outcomes? Yes. They already carry out a number of these activities. They provide technical assistance, and they obtain and distribute much of the information described above. They also carry out some of the activities associated with developing an overall leasing strategy, and of assisting in the filling of vacant space. A number of property owners already share leasing information with the UCMS, and have stated a willingness to entertain leads provided by the organization.

Another piece of positive evidence is that many owners have a sense of the economic theories of retail. Various owners stated that they do not lease to the first potential tenant that shows interest in the space. Leasing criteria varies, but owners mentioned a number of factors, including credit worthiness and tenants that do not duplicate existing uses. One major space owner specifically stated that he was looking for tenants that would add to the mix of stores. Owners vary in the time they can hold out until finding such a positive tenant. One mentioned the ability to hold out more than a year. Others feel the pressure sooner.

Some of the perceptions owners have about leasing strategies and the economic theories are only partially correct. Nonetheless, a willingness to hold out for a better tenant is better than simply picking the first prospect that comes along. UCMS can refine the owners’ understanding of what makes a positive retail mix through trainings or regular meetings. Furthermore, to the extent that they have luck in referring positive retailers to owners, the more the owners will come to trust and rely on UCMS in this role.

David Milder, in his book *Niche Strategies for Downtown Revitalization*, spends a whole chapter discussing tenant recruitment strategies. Not once does he mention the need for a BID or CRM in working with owners to alter their leasing strategies. According to him, the key is to develop “relationships between landlords and the downtown organization that are filled with
trust and confidence.

This lesson holds equally true in a neighborhood situation such as Uphams Corner.

CONCLUSION

Dispersed ownership and the constraints of small owners provide formidable barriers to overcoming the market failures associated with capturing externalities inherent to individual retail stores. The singular ownership of a mall provides one vehicle for doing so, yet this situation does not exist in an inner-city commercial district. A number of approaches are available to these areas: 1) Merchants’ Associations, 2) Main Streets; 3) Business Improvement Districts; and 4) Centralized Retail Management. CRM and BIDs are either too difficult to implement, or are of limited effectiveness as related to the economics of retail. Therefore, in the short run, Uphams Corner must operate within the context of a Main Street organization where independent stakeholders take voluntary actions. There are a number of useful actions that Uphams Corner can undertake within this context. Chapter 7 provides details on which of these strategies are most appropriate. Before that, however, the final doubt about the application of the economic theories of retail in Uphams Corner must be addressed: do inner city shoppers act in the way predicted by the theories?

---

CHAPTER 6

OBSERVING THE ECONOMIC THEORIES OF RETAIL IN UPHAMS CORNER

There is one remaining doubt about the viability of developing strategies for neighborhood commercial revitalization based on the economic theories of retail: whether or not people in an inner-city area such as Uphams Corner actually shop in the way that the theories predict. Perhaps the inner-city culture is different than that of the places where the studies cited in Chapter 4 were carried out. Perhaps inner-city residents value time differently. Perhaps the fact that fewer inner-city residents have cars means that their shopping behavior is significantly different. Therefore, this chapter will answer the following question:

- Do shoppers in Uphams Corner behave the way that the economic theories of retail predict?

The short answer to this question is yes. There is both quantitative and qualitative data to back up this claim. The evidence in Uphams Corner for the validity of each individual theory is presented separately. This is done for the sake of clarity. Nonetheless, the reality is that each theory is interrelated, and that one piece of data can provide proof of the validity of three of the theories.

EVIDENCE OF CONVENIENCE VERSUS COMPARISON SHOPPING

The shopping behavior in Uphams Corner that most clearly matches that predicted by the theories is in the area of convenience versus comparison shopping. To restate, the theory is that there are two main types of goods, convenience goods and comparison goods. The way people shop for these types of goods is quite different. People only travel short distances for convenience goods because they buy them frequently, and because there is no differentiation between each individual item of that good. People travel longer distances for comparison goods because they buy them less frequently, and because each comparison is slightly differentiated. Shoppers do not necessarily shop for comparison goods at the closest location; instead, they maximize the chance that they will find the exact good they want by shopping in an area with many stores selling the general type of item they seek.
RESIDENTS IN UPHAMS CORNER'S ZIP CODE

As the following table shows, users of Uphams Corner shop differently for convenience items than they do for comparison goods. Shoppers who live in the Uphams Corner zip code (02125) are much more likely to use the area as their primary destination for convenience items (or to obtain convenience services). By contrast, they are much less likely to use Uphams Corner as their primary destination for comparison items. On average, 73% of “02125” respondents use Uphams Corner as their primary place to purchase convenience items, while less than half that number, 32%, use Uphams Corner as their primary place to purchase comparison items.

<table>
<thead>
<tr>
<th>Percent of people most likely shop for the following in Uphams Corner</th>
<th>02125 (n=200)</th>
<th>not 02125 (n=107)</th>
<th>Difference between 02125 and Non-02125</th>
<th>Convenience or Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>78%</td>
<td>59%</td>
<td>19%</td>
<td>Convenience</td>
</tr>
<tr>
<td>Drug Store/Pharmacy</td>
<td>72%</td>
<td>44%</td>
<td>28%</td>
<td>Convenience</td>
</tr>
<tr>
<td>Groceries</td>
<td>68%</td>
<td>56%</td>
<td>12%</td>
<td>Convenience</td>
</tr>
<tr>
<td>Health Care</td>
<td>56%</td>
<td>33%</td>
<td>23%</td>
<td>Unsure</td>
</tr>
<tr>
<td>Restaurants</td>
<td>42%</td>
<td>31%</td>
<td>11%</td>
<td>Either</td>
</tr>
<tr>
<td>Clothes</td>
<td>36%</td>
<td>31%</td>
<td>5%</td>
<td>Comparison</td>
</tr>
<tr>
<td>Furniture</td>
<td>28%</td>
<td>20%</td>
<td>8%</td>
<td>Comparison, Most sq. ft. of stores</td>
</tr>
<tr>
<td>Hardware/Paint</td>
<td>27%</td>
<td>19%</td>
<td>8%</td>
<td>Either, No store in UC at time of survey</td>
</tr>
</tbody>
</table>

02125 is the zip code in which Uphams Corner is located.

The three types of goods and services listed on the intercept survey that can most clearly be called convenience items are Banking, Drug Stores, and Groceries. These are the three that 02125 residents are most likely to shop for in Uphams Corner. Banking fits the theoretical description of a convenience item in that, while people do shop around to find a bank in which to deposit their money, once they decide, they transact business at the branch that is closest to where they happen to be. Drug Stores fit the description as well. The items in the Strand Pharmacy, the one drug store in the area, are mostly those found in a “convenience store:” home supplies and a limited number of food items. Drugs are also a convenience good. Each pill of a

91 The table shows data from an intercept survey conducted on the streets of Uphams Corner in December of 1998. The survey had the following question: “Where are you most likely to do the following?” It listed seven different locations in which people could say they were most likely to do one of the items listed on the table. The table lists the percentage of people who chose Uphams Corner as the location where they were most likely to purchase that item. There is a copy of the survey in the appendices.
particular drug is identical. There is no need to find the best aspirin (other than choosing between
the three brands on the shelf) or the best pill of a particular type of drug. People go to the nearest
drug store to purchase this item. Groceries are also a convenience item. There are, however, two
types of grocery trips. This may be the reason why groceries are the lowest ranked convenience
item. One type of grocery trip is to buy a very small number of items. These types of trips are
more likely to be to the small corner convenience store. The second type of trip, to purchase a
large number of groceries, is less frequent, and thus people are willing to travel slightly longer
distances. Furthermore, they want a store with a fuller range of goods than the small corner store.
Even with this second type of trip, people do not go to multiple grocery stores to find the best
head of broccoli. It is more convenience than comparison.

Two of the three types of goods that 02125 residents are least likely to shop for in
Uphams Corner closely meet the definition of comparison items: clothing and furniture. These
are classic comparison goods, where each individual item is slightly differentiated, and where
people prefer to shop around at a number of stores before finally purchasing this item. Furniture
is a more extreme example, because it is bought much less frequently and has a high cost.
Therefore, each purchase takes on added importance. Clothing is generally shopped for in this
manner, yet people at times may only go to one store and purchase a piece of clothing. Malls are
often tenanted with a great number of clothing stores, thus facilitating comparison shopping.92 In
Uphams Corner, furniture stores take up the most square footage of all types of stores, yet this is
the category of stores people are second least likely to choose as a primary location.

<table>
<thead>
<tr>
<th>Type of Store</th>
<th>Number of this Type in Uphams Corner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing and Shoes</td>
<td>9</td>
</tr>
<tr>
<td>Furniture</td>
<td>6</td>
</tr>
</tbody>
</table>

The other items on the survey are more difficult to classify as convenience or
comparison. Hardware stores, the type 02125 residents are least likely to patronize primarily in
Uphams Corner, can be either one, depending on the type of store. A small hardware store might
have everyday household items that people shop for frequently (i.e., tape and keys). A big
hardware store might have big-ticket items for which people prefer to comparison shop (lawn

92 This comes from two interviewees: 1) David Milder, a downtown consultant, and 2) Josh Bloom of the National
Main Street Center.
mowers and grills). At the time of the survey, there was no hardware store in Uphams Corner, thus explaining the low percentage that shop for the item in the area. Restaurants can be comparison when there are many of them located together, and where people can decide to eat dinner in that location because they know they will find one restaurant they like (i.e. in the South End or Chinatown). Yet the types of restaurants in Uphams Corner are more convenience in nature. The restaurants in Uphams Corner are a neighborhood sandwich store, a take out Chinese restaurant, and a pizza place. People do not come from all over the area to eat generic pizza or Chinese food. The market is more local in nature. The survey did not break these categories out, thus partially explaining the low number on this item. I am not sure how to classify Health Care.

Comparing 02125 and Non-02125 Respondents

The validity of the convenience/comparison theory’s prediction is also seen when comparing the answers of people who do not live in 02125 to responses from those who do. The ranking of how frequently non-02125 residents chose Uphams Corner for various types of stores is very similar to 02125 residents, yet the actual percentages are lower in each case. The similar ranking can be explained by the relative closeness of most non-02125 residents. 63% of the non-02125 residents who answered the survey live in contiguous zip codes. Another 18% live in Dorchester or Roxbury in non-contiguous zip codes. It is possible that Uphams Corner is the most convenient location for many of these non-02125 residents.

Another important statistic that demonstrates the validity of the convenience/comparison theory is the variation in the differences between 02125 and non-02125 residents across the various types of stores. While, as stated above, the ranking of types of stores is very similar for these groups, the differences between the two are much larger in the convenience stores than they are in the comparison stores. On average, non-02125 residents are 20% less likely than 02125 residents to use Uphams Corner for convenience items, while they are only 6.5% less likely to use the area for comparison items. This indicates that the draw for comparison goods is similar for 02125 and non-02125 residents, while the draw for convenience goods is quite different. The larger drop off for the convenience goods is likely due to other areas being closer to people’s homes, and thus more convenient. This is in accordance with the theory that the market for convenience goods is much smaller, and that people do not pass a nearby convenience store to shop at another one further away. The closer figures of the two groups for comparison
items indicates that people both near and further away use a more similar criteria when deciding to shop at Uphams Corner for these items. While the drawing power of convenience stores is very dependent on proximity to people’s homes, for comparison goods, the ability to “shop around” before making a purchase plays a much larger role no matter how close people live.

CLOTHING

The last statistic to support this theory’s validity comes from the full responses to the question: where are you most likely to purchase clothing? This is the only category for which Uphams Corner did not finish first. Downtown came in first, likely because there are many places there to buy clothes, thus many places to compare. In accordance with the theory, people pick a more distant location in order to find a place where they can compare goods before making a purchase. Uphams Corner did come in first for furniture, the other main comparison good. One explanation is that there is no single place that is as popular for furniture shopping as downtown is for clothing shopping. Thus, while a very low percentage of people primarily use Uphams Corner for furniture (26%), it is still the place people are most likely to go compared to any other one place.

<table>
<thead>
<tr>
<th>Where respondents are most likely to purchase clothing?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downtown</td>
</tr>
<tr>
<td>Uphams Corner</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>South Bay Mall</td>
</tr>
<tr>
<td>Other Mall</td>
</tr>
<tr>
<td>Do Not Buy</td>
</tr>
<tr>
<td>Dudley Square</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

INTERVIEW RESPONSES

Qualitative data also backs up the claim that the theories correctly predict the difference between convenience and comparison shopping. Interviews with merchants and customers indicate that shoppers behave the way the theories predict. One clothing store manager specifically stated that she has observed shoppers who engage in “style shopping,” going from store to store until they find the item they want. One woman from a focus group described how she shops for clothes in a way that is in accordance with comparison shopping: “Sometimes you
shop around. Sometimes if there is a sale, you just go to the place with the sale. Sometimes you just go, and if you find something, you find something.” A sale might override the desire to comparison shop at multiple stores. Nonetheless, she indicated that she did not always find what she wanted at a particular store, indicating that she was comparing what was at that store to what she wanted.

This observed behavior, as well as a knowledge of retail, has lead Uphams Corner’s shoe and clothing merchants to an understanding that they are not directly competing with other stores that sell the same items. A few said they are not competing on price, but on style. Most of the clothing store owners interviewed stated that additional high quality clothing stores would add to the attraction of the area; expanding the pie, not dividing it up.

The last piece of evidence comes from the former manager of the Payless Shoe Source in Uphams Corner. He provided an example of a shoe comparison cluster in another neighborhood shopping area with similar demographics: Dudley Square. There are three shoe stores located right next to each other. One store has been there for many years, while two others are relative newcomers. He indicated that the community originally feared that the first store would fail when the two additional stores arrived. However, he states that each is doing well because they do not sell the exact same shoes. Therefore, people can go to the area knowing that it is likely that the shoe they want will be at Dudley Square. In other words, they can comparison shop.

**Evidence of Anchor Stores**

The evidence of anchor stores is also strong. Nonetheless, the data is more qualitative, as the intercept survey did not directly address the issue of anchor stores. To review, the textbook definition is that anchor stores “are those whose retailing reputation and name help identify the center’s character, define its main clientele, and draw a core of customer traffic.”\(^93\) To this definition, I would add that an effective anchor is one that draws customers who go on to shop at other secondary stores in the center. Anchor stores are thus one part of retail linkages. The evidence of the two is therefore closely related.

Data collected by the Initiative for a Competitive Inner City (ICIC) shows a small number of stores provide the majority of the draw to the area.\(^94\) ICIC asked all the stores in the

---

\(^93\) DiPasquale and Wheaton, 1996, p.139.

\(^94\) The data does not account for people going to more than one establishment, thus there is likely double counting.
area, including offices and other service establishments, how much foot traffic they see in an average week. America’s Food Basket, the only full-service grocery store in the district, had by far the highest count, drawing nearly one-fifth of the total foot traffic. AFB is the primary anchor store. The top six establishments together draw 48% of the foot traffic. Of the remaining 79 businesses, none draws more than 4%, with 72 drawing less than 1% each.

<table>
<thead>
<tr>
<th>Business</th>
<th>Percent of total foot traffic</th>
</tr>
</thead>
<tbody>
<tr>
<td>America’s Food Basket</td>
<td>17%</td>
</tr>
<tr>
<td>Fleet Bank</td>
<td>7%</td>
</tr>
<tr>
<td>L&amp;M Bargain</td>
<td>7%</td>
</tr>
<tr>
<td>Uphams Corner Health Center</td>
<td>6%</td>
</tr>
<tr>
<td>Bank Boston</td>
<td>6%</td>
</tr>
<tr>
<td>Strand Pharmacy</td>
<td>6%</td>
</tr>
</tbody>
</table>

Interviews with merchants and shoppers confirmed that these are the stores that provide the primary draw to the area, especially AFB. At a focus group of local residents, the overwhelming answer to the question: “why do you go to Uphams Corner?” was: “to go to AFB.” Only after repeated follow-up questions did people name other stores. The other stores mentioned by most were the banks, and the grouping of clothing and shoe stores, of which L&M Bargain is one. Establishments mentioned less frequently were the Strand Theater, as well as the dollar store and nail salons.

Merchants have observed evidence of the positive effects of anchors. One mentioned seeing people with bags from other stores going into her store. She most frequently sees bags from AFB. A few mentioned the long line that forms outside of L&M Bargain at the beginning of the school year. L&M is a discount children’s clothing store, which is one of the few places in the city that sells inexpensive school uniforms. One clothing store owner who sells young men’s clothes stated that, when the line forms outside of L&M, parents take their younger kids to L&M while sending their older kids to his store. This is the classic behavior predicted by the theory: the anchor draws people to the area, then people shop at a secondary store once they are there.

The data on anchors points to an important difference between urban districts and malls; a number of the main attractors to the area are not retail, indicating more varied types of usage of the business district. One such non-retail anchor is the Uphams Corner Heath Center. It draws a high percentage of people to the area and then creates a spillover effect when these people go on to patronize other stores in the district. The health center has a number of offices in the area,
spread out among a number of different buildings. In addition to providing basic services, UCHC has dental care, and runs a “Women with Infants and Children” (WIC) Program. The head of UCHC, Ed Grimes, states that two programs create specific spillover effects: 1) food vouchers that are handed out as part of the WIC program, and 2) nutrition classes, which WIC participants are required to attend quarterly. People often spend their food voucher at AFB after receiving it from the WIC office. Furthermore, he stated that mothers who come to his offices go to L&M after an appointment or the nutrition class. A third link is to the Strand Pharmacy, the only drug store in Uphams Corner. Mr. Grimes states that about 80% of UCHC patients who need prescriptions have them filled at the Strand.

Data and interviews point to two other potential non-retail anchors: youth centers and the Strand Theatre. The St. Kevin School, the Bird Street Youth Center, and the Ruth Darling Child Care center combine to create 7% of the traffic. The Strand Theatre also runs youth programs, increasing that percentage somewhat. These create an important draw to the area, and add to the number of youths and mothers who are regularly there. The Strand Theatre has the potential to be a very important anchor. It attracts people from all over the Boston area. The main problem for calling the Strand Theatre an anchor is the second half of the definition. People rarely stay in the area to shop in other stores either before or after going to shows. Very few Uphams Corner establishments stay open at night, which is when the Strand usually has its shows. A small number go to one of the bars in the area, or to the billiard hall. Yet these are the exception, not the rule. It will be worthwhile to explore the possibility of making the Strand more of an anchor, but it is currently only a weak one.

**EVIDENCE OF MARKET SEGMENTATION**

To restate, the theory of market segmentation is that different demographic groups purchase different items. Markets are segmented by race, gender, income level, education level, and other distinctions. Stores can be more successful if they understand the segment of the market that they serve, and then use that knowledge to sell goods that their segment purchases most regularly.

Before providing evidence that market segmentation can be found in Uphams Corner, it is useful to understand some of the demographic groups that live nearby. Based on 1990 census data, the racial/ethnic mix of the area is quite diverse. Columbia Road and Dudley Street, the two
main thoroughfares of Uphams Corner, divide the four closest census tracts. These streets also divide the area racially. One census tract is about 55% white (non-Hispanic), the second is about 60% black (non-Hispanic), and the third is about 50% Hispanic. Overall, the four closest census tracts are 26% white (non-Hispanic), 32% black (non-Hispanic), 25% Hispanic, and 17% other.

The sense of people in the area is that the racial mix is generally the same as when the last census was taken. There is a sense that the number of Cape Verdeans has increased, and that there has been a recent increase in the number of white people moving into the area. Thus, while there are racial divisions by census tract, the overall diversity in the area in close proximity to Uphams Corner is quite high.

Despite the diversity, there is evidence that the stores in Uphams Corner do not cater to the white population. Instead, the market segments served by the area are predominantly Hispanic, African-American, and Cape Verdean. Unfortunately, the intercept survey did not ask people their race. Nonetheless, one of the regular topics of conversations at UCMS board and committee meetings concerns trying to figure out ways to attract the white population to the area. Furthermore, a survey of customers at AFB conducted in 1995 revealed that only 4% of their customers were “white American,” while 75% were “of Hispanic and Portuguese origin.” 11% were African American.95

The evidence of racial and ethnic market segmentation is bolstered by the fact that the goods sold at the store specifically meet the preferences of the ethnic groups that shop in the area. The most concrete data comes from AFB. There is a conscious effort to provide food that meets Hispanic preferences. The owner states that they stock specific cuts and types of meat that this population buys. Furthermore, they have relationships with suppliers that sell Hispanic food items. The 1995 study by business school students states that AFB’s knowledge of the proper product mix is one of the three keys to AFB’s success.96 There is anecdotal evidence that Cape Verdean residents come from towns as far away as Brockton and New Bedford because of the specifically tailored food products that can be found at AFB. They have difficulty finding these items at stores closer to where they live.

95 Cavazos and Molina, 1995. In this study, people of Hispanic origin are exclusive of those classified as “White Americans.” This classification is not the same as that of the census. Furthermore, it is unclear how Cape Verdeans, who made up 21% of AFB’s customers in 1995, are classified on the census. My guess is that they are considered black, and not hispanic. Their native language is a Creole version of Portuguese.
96 The other two were the excellent location and the high level of customer service.
A more specific ethnic market segment is being tapped by a new business in the area. The Casa Lia Bakery is about to open. It will cater to the Cape Verdean populations of both Uphams Corner as well as of the whole Boston region. They have created relationships with neighborhood supermarkets and they plan to distribute baked goods that can usually be found only in Cape Verde. They have received a positive response from Cape Verdean residents who look forward to the availability of these items.

There is also evidence that there is a fairly specific market segment based on income: the very low end of the spectrum. All of the clothing and shoe store merchants interviewed indicated that the market they serve has a particular style preference and looks for very inexpensive items. The “low-price point” for clothes is usually under $15. The main shoe store in the area is “Payless Shoe Source,” a national chain which sells low-end shoes. J. Silver is a regional chain that has stores in a number of low-income neighborhoods around the city, and sells very low-end yet stylish clothing. L&M Bargain also has very inexpensive children’s clothing. Another clothing store, Style, consciously altered its product mix to meet this market. The current owner purchased the store in 1993. At that point, the store mostly sold pants that cost around $45. He implemented an inventory tracking system, and quickly realized that the lower end products sold at a much higher rate. Now most of the pants cost $15, or sell two for $25. Sales have increased 60% since the change was implemented. The owner maintains that his customers are very focused on value, and can not afford to pay the higher prices with which he started out.

The low-end price preferences of the customers are confirmed by the intercept data. The survey found that 52% of the people who shop in the area have household incomes of less than $20,000. 83% have incomes of less than $40,000. This compares to the 1990 census data which showed that only 44% of households in the four closest census tracts had incomes of less than $25,000, and approximately 66% had incomes less than $40,000. With the added effect of inflation increasing the incomes of people in the neighborhood, it is clear that the lower income residents are the more frequent shoppers in the business district. The higher income residents of the area are not being served.

97 From author’s observations of price tags in a number of stores.
98 The census data breaks the data into different groupings than the intercept survey. On the census, 60% of households had incomes less than $35,000, and 79% had incomes less than $50,000. Assuming that people are
EVIDENCE OF RETAIL LINKAGES IN UPHAMS CORNER

While there is clearly evidence of retail linkages in Uphams Corner, it points to a slightly different conception of the idea than was presented by the economists in Chapter 4. The theorists believed that there was an inherent link between certain types of goods such that shoppers purchase these groupings of goods on one trip. While this is true for comparison goods, other types of linkages come about more because of the type (or market segment) of the person buying the good than because of the good itself. In this way, the theory of retail linkages builds on many aspects of the first three theories. Restated in this new light, the theory is that people like to purchase linked goods and shop in linked stores during a single shopping trip. Therefore, they will travel further distances to shop in centers that contain these linkages. One such linkage exists in a shopping area that contains a mix of comparison stores selling the same item. Another type of linkage exists in a shopping area that contains stores that offer a wide variety of items preferred by one type of person or market segment. It is this second type of linkage for which evidence will be provided in this section.

David Milder, in his book Niche Strategies for Downtown Revitalization uses the word niche to describe what this thesis has called “retail linkages.” In addition to describing niches that are based on particular goods and services, he identifies niches that are formed around specific consumer groups. In describing this second type of niche, Milder is building on the theory of market segmentation. Not only do specific consumer groups prefer particular types of goods, they also prefer to shop in areas that contain multiple items that they prefer. He identifies a number of consumer-based niches: 1) age based, 2) ethnic based, 3) tourist based, and 4) office-worker based. An example of this is Harvard Square in Cambridge, which caters to a youth (age) niche. There one can find bars, clothing stores, music stores, and movie theaters that all cater to the teenager and young adult market.

With retail linkages defined in this way, proving the existence of retail linkages can be done by demonstrating that people who shop in Uphams Corner shop at more than one store per trip. If people who are already in Uphams Corner patronize multiple stores in one trip, then new...
stores that contain goods that appeal to these groups will have an added likelihood of success. At
the same time, existing stores that adjust their product mix to meet the needs of those who
already shop in Uphams Corner should also have added success. With more stores selling linked
items, the health of the whole area increases. This occurs because people in these market
segments will find the mix of stores in Uphams Corner that much more attractive.

Is there evidence that Uphams Corner shoppers go to more than one store during
particular shopping trips? Unfortunately, the quantitative data collected did not address this issue
directly. Nevertheless, there are other indications that this type of behavior exists. First, the
evidence laid out above of shoppers going from an anchor store to a secondary store
demonstrates that people in Uphams Corner shop in this manner. Again, retail linkages are the
second half of the spillover from an anchor.

The second piece of evidence of single trip, multi-store shopping comes from one of the
participants in a focus group of local residents. This woman stated that she often went window
shopping when she was in the area. She stated that she often went into a few smaller stores
during a single trip. Sometimes this was after grocery shopping, and sometimes not. Similarly,
the merchant who saw customers with AFB bags in her store also saw people with bags from
other non-anchor stores.

Evidence of retail linkages also comes from an owner of strip centers located in areas
with similar demographic mixes as Uphams Corner, Jeffrey Levine. He also owns the Uphams
Corner building in which AFB operates. Mr. Levine is more similar to a mall owner, in that he
has control over all leasing decisions in his center. Therefore, he has the ability to create a
positive store mix. Mr. Levine stated in an interview that cross shopping does occur, and that he
views creating a positive retail mix as very important to the success of his strip malls. What types
of stores does he put together? Interestingly, he has replicated some of the mix he sees in
Uphams Corner. He encouraged the owner of AFB to open a second store in his strip
development in Hyde Park. Next to the AFB is J. Silver, a clothing store that is also located in
Uphams Corner, and which also targets a similar segment. Mr. Levine is currently developing a
strip center on American Legion highway. While AFB does not have a store there, there is
another similarly sized grocery store. J. Silver will also be opening a branch in that center, as will

niche, and the jewelry niche; all comparison goods. He also identifies a “food-for-the-home” niche. When I
interviewed him, he referred to this as a convenience based niche.
L&M Bargain. Interviews with each of the three store owners/managers revealed that they all respect each other, and realize that there is a positive synergy between their stores.

**DIFFICULTIES OF RIGID APPLICATION OF THE THEORIES**

A wide range of quantitative and qualitative data strongly suggests that consumers who shop in Uphams Corner are behaving in the way that economic theorists of retail predict they would. Customers there shop differently for convenience items than they do for comparison items; they are drawn to the area by a few anchors, then go on to shop at other secondary stores; they shop for different items depending on their market segment; and they shop in linked stores that carry various items that are preferred by their market segment.

Despite this evidence, the reality is not quite as neat as the theorists would suggest. Sometimes one theory outweighs another. Other times, single-mindedly following the advice that the theory suggests would have unintended negative consequences due to the particularities of Uphams Corner. Before attempting to apply the theories to a specific situation, it is important to understand these interactions so as to craft a strategy that weighs the theories accordingly.

One contradiction of the theories is the success of comparison stores that are not located near any other stores that sell the same goods. A rigid application of the theory would be to assume that such a store could only be successful if it were one of a number of stores selling the same items. L&M Bargain is one example of such a contradiction. It is the only children’s store in the area, yet it is quite successful. Another example is the J Silver in the Hyde Park strip mall. It is the only women’s clothing store in the area, yet it has also achieved respectable sales.

While these examples counter the theory of comparison shopping, the contradiction comes about because of the strength of the behavior predicted by the other theories. In the case of L&M Bargain, the anchor and market segment effects outweigh the need for comparison shopping. L&M has a unique product offering that matches very well with the preferences of market segments in the area. The low-priced, stylish clothing, as well as the school uniforms, can not be found at many other stores. Thus people are drawn to this store. In the case of J. Silver, retail linkage and convenience effects outweigh the comparison effect. In Hyde Park, there is an AFB that caters to a similar market segment as J. Silver. People often buy clothes at J. Silver after being drawn to the area because of their preference for buying food at AFB. They find it convenient to buy both at the same time.
Market segmentation is another area where directly taking the advice of the theorists will only lead to partial success. In some ways, it is the validity of the theory that makes figuring out how to take advantage of it so difficult. Uphams Corner is a very diverse area, perhaps one of the most diverse in the city. There are many market segments there. Some retailers have figured out how to target some of the main segments, yet white residents who live nearby feel underserved. This problem also speaks to the difficulties of linking the theory of market segmentation to the goal of creating a mixed-income community. As argued in Chapter 2, this is one of the key methods for linking retail revitalization to the community development goal of poverty alleviation. If the retail area only appeals to the lowest-income residents, fewer middle-income residents will be attracted to the area. This will make it more difficult to end the negative cycle of disinvestment experienced in many low-income areas.

In a similar vein, focusing on the youth market segment provides both advantages and disadvantages. A number of anchors in Uphams Corner draw in youth, and the clothing and shoe stores appeal to the same segment. Store owners can profit by orienting their goods to this segment. Yet youth can also repel other types of people from the area. David Milder states that the factor which has the second strongest effect on perceptions of the safety of a shopping area is “likelihood that one’s own ‘type of people’” are there. For older individuals, youth are not of the same type. Furthermore, youth of color may increase the perception of crime for a variety of individuals. There is no easy resolution to this dichotomy.

A crucial task for Uphams Corner is figuring out how to craft strategies that appeal to a number of market segments. This will tap into the nearby customer base that currently shops elsewhere, while also attracting existing customers and potential new residents. Unfortunately, doing so will be difficult. Even if one or two anchor stores that cater to multiple consumer groups move to the area, the lack of retail linkages that appeal to white residents will limit the spillover effects and multi-store shopping that usually results when an anchor arrives. Furthermore, the fear of youth in the area will weigh on the negative side of the attract/repel internal calculus discussed in chapter 3.

Direct application of the theories is also difficult when it comes to placing many of the uses one finds in Uphams Corner into the categories of convenience or comparison stores.

---

100 This claim was made by Mt. Auburn Associates in their 1992 study of the Uphams Corner Business District.
Services make this task particularly difficult. Banking is one example. While clearly a convenience item to the extent that people go to the nearest branch of their bank, the nature of competition between banks is quite different than that found between two corner grocery stores. Banks can locate near each other while not being in direct competition, while corner grocery stores would be in direct competition. As described above, hardware stores and restaurants are difficult to place into these categories. In exploring the market dynamics of a shopping area, therefore, it is important to understand the particular manner in which people "shop" for each individual good or service.

In a similar vein, linkages in Uphams Corner come from uses that are not only "retail" in nature. The health center is a case in point. Examples include patients who go from their doctor to the Strand Pharmacy, to WIC recipients who go from nutrition classes to AFB and L&M. Multipurpose urban business districts include more than just shopping opportunities. Malls that include entertainment functions, such as movie theatres, also fit this expanded view of retail linkages.

These contradictions, expansions, and variations lead to the conclusion that a rigid application of the theories would not always be successful. Despite these difficulties and inconsistencies, there is little doubt that the market dynamics and customer behaviors predicted by the theorists can be found in Uphams Corner. The challenge is to understand how they play themselves out in this specific situation, and to apply this new knowledge accordingly when creating economic restructuring strategies. This is the topic for the next chapter.

---

101 Milder, 1987. p.16. The strongest factor influencing perceptions of safety is the "perception of the areas' attractiveness."
CHAPTER 7

A FRAMEWORK FOR ECONOMIC RESTRUCTURING,
WITH RECOMMENDATIONS FOR UPHAMS CORNER

The stage has now been set for presenting recommendations, based on the economic theories of retail, which will help revitalize Uphams Corner. Before these recommendations could be detailed, it was important to overcome certain doubts about the viability of such strategies. With these doubts addressed, the following questions remain:

• How can the economic theories of retail be used to create a framework that is helpful for practitioners who are attempting to revitalize inner-city shopping districts?
• What specific strategies, created with the use of such a framework, should Uphams Corner Main Street use when working to increase business in the area?

As presented in the introduction, one main purpose of this thesis was to provide a concrete strategic framework for the Economic Restructuring (ER) committee of Uphams Corner Main Street. During several monthly meetings that I attended, committee members struggled with the issue of what type of businesses they should try to recruit, and what other steps they should take to increase the amount of business activity in the area. While they generated many valuable ideas that would likely lead to positive changes in the area, they seemed to not have a detailed understanding of the dynamics of retail markets, nor did they have a fully systematic approach to altering the economics of the business district. Because of the combined community development experience of the committee members, as well as the fact that the program manager has an MBA, one can guess that this committee is more advanced than many other ER committees around the country.

Therefore, the second purpose of the thesis was to use the example of Uphams Corner to create a broadly applicable framework that could be used by similar groups trying to turn around other inner-city commercial districts. Yet the audience is broader than just ER Committees. It also includes other stakeholders such as government and private funders who seek to make strategic investments in business districts in low-income neighborhoods. With this second broader purpose in mind, the first part of this chapter will provide a general framework. The second part will demonstrate how this general framework can be used in Uphams Corner.
Before laying out the details of the framework for economic restructuring, it is important to reiterate a number of precursors to the use of the economic theories of retail. As stated in Chapter 3, non-economic factors such as cleanliness, safety, and parking play an important role in determining the success of an urban retail node. If there are major problems in these areas, the framework described below will not be as helpful. In places such as Uphams Corner, however, where there have been reductions in the factors that repel shoppers, shifting the emphasis to improving economic factors though the use of this framework becomes more important. Another precursor, as described in Chapter 5, is that local stakeholders need some level of trust and some forum for organizing themselves. For example, owners need to be willing to coordinate their leasing strategies. Without trust and organization, it is very difficult to capture the positive externalities generated by the stores. While these factors increase the effectiveness of the use of the framework, the framework can also be used to increase the amount of trust and create a stronger organization.

With these conditions in place, an ER committee can begin to implement a strategy to attract more customers. There are two main levers for increasing business in the area: 1) attracting new stores, and 2) repositioning existing stores in terms of product mix and marketing techniques. There are a number of subsidiary tasks underlying these major levers. They include collecting, analyzing and distributing data, and convincing storeowners and property owners to work together. The use of all of these levers should be informed by the economic theories of retail. Of course, as stated in the last chapter, the four theories are interrelated, and any strategy utilizing them can not view them as separate or distinct.

Data collection and analysis is the first step in using this framework. As described in the introduction, there are a variety of manuals that have their own methods for bringing about economic revitalization of Main Street areas.102 While they only have limited descriptions of the economics of the areas, they all state that the starting point is collection of data. Similar to statistical information used in earlier chapters of this thesis, the manuals talk of the importance of census data, consumer expenditure data, intercept surveys, square footage and sales figures of

102 These include: Milder, 1997; Joncas, et al, 1995; and Smith, February and March 1997.
existing businesses, visual inspection, interviews with stakeholders, and national shopping center data. 103

How should the data be analyzed? The existing manuals do a good job of describing a number of analysis techniques that lead to an understanding of market segments, and sales gaps. Yet these techniques should be pushed one step further so as to create a more detailed understanding of the economics of retail in the area. The previous chapter described a number of ways to do this, including the definition of anchors and searching for retail linkages. Another important step not mentioned in the last chapter is to place each store into general retail categories, and then to sort the categories into two sections: convenience and comparison. Later in this chapter, an example of such a categorization for Uphams Corner will be described. It is based on the retail categories used by the Urban Land Institute’s Dollars and Cents of Shopping Centers. This allows for a comparison to national numbers. With the data analysis in hand, the ER committee is ready to develop strategies relating to the two major levers it has: working with existing businesses and recruiting new ones.

WORKING WITH EXISTING BUSINESSES

The data analysis is particularly important for strategies dealing with existing businesses. Unlike recruiting new businesses, which is a periodic and infrequent activity, existing businesses need to become organized and work together regularly in order to exploit the economics of retail. Information from surveys and sales data can point out the interdependencies and synergies between stores in a similar niche 104, thus convincing store owners to work together.

The straightforward categorization of all stores can make people aware of relationships they may not have realized existed. David Milder, a downtown consultant, describes a number of locations where merchants and other stakeholders did not realize that a niche of stores was already existent in their downtown. 105 He cites the example of Rutland, Vermont, where it was only after research that stakeholders and merchants realized that there was a large number of

103 While this thesis benefited from ICIC collecting large quantities of numerical data, this amount is not needed in order to learn a sufficient amount about the economic dynamics of the business district. In addition to a well written intercept survey, only three pieces of information are needed about each store: what it sells, its square footage, and its periodic customer traffic.
104 As described in the last chapter, I am using the word niche as a catchall phrase which includes separate groupings of comparison stores, the whole group of convenience stores, and the individual groupings of stores linked because they target the same market segment(s).
stores selling products and services to people who would soon be having weddings. Similarly, in Englewood, New Jersey, it was only after an intentional effort was made to identify niches that people realized a “home center” cluster existed.

Beyond this more basic data, intercept surveys and focus groups can convince merchants of synergies and interdependencies. As done in the previous chapter, combining foot traffic data with interviews that point out multi-store shopping can convince secondary stores that they are dependent on the drawing power of the anchor. Unfortunately, Uphams Corner’s intercept survey did not explicitly ask people about the specific stores they visit on a particular trip. If such a survey showed that a high percentage of people visiting store X also visit stores Y and Z, a powerful tool would be available to convince the three store owners to work together.

Once the merchants come to realize the existence of the niche, they need to develop joint advertising strategies. If store owners have not realized that they were part of a particular grouping of stores, it is unlikely that potential customers know this either. Even if some shoppers are aware, merchants can expand their joint customer base by advertising to others in the same market segment. This joint marketing should identify the niche as a grouping, perhaps even giving it a name. In Rutland, the stores named the area “the Wedding Center.” Waynesville stores declared that the area was “The Antiques Capital of the Midwest.” In Kensington, Maryland, a smaller grouping of stores is located in what they have named: “Antique Row.”

With a collective identity, the niche can take other joint promotional steps such as 1) putting out a flier or guide listing stores in the area that are part of the niche, 2) having a logo in area store’s windows to identify niche members, 3) placing ads in the newspaper, on the radio, or on TV. Another use for intercept surveys is to ask customers the media outlets that they most frequently listen to or watch. The retailers can then target these outlets for similar customers. Not only will joint marketing bring in new customers; it can help reduce individual advertising budgets by spreading the costs over a number of different stores.

Another way that existing businesses can build on and strengthen niches is to alter their product offerings to better match the niches and thus increase sales. There are a number of ways to determine which types of products could help individual businesses. One method would be to assist merchants install inventory control systems that would indicate which items sell the most

107 Author’s observation.
and which sell the least. The merchant would then see the benefit of adjusting their mix to match the preferences of their customers. Another method comes about during the process of organizing merchants, and educating retailers about the economic theories. As described in much more detail in the next section, the theories are used to determine which types of stores to target for recruitment. Instead of attracting new stores to meet these needs, existing stores can adjust their products to serve the same purpose.

Merchants will likely need assistance implementing the adjustment of their offerings. This can be accomplished through ensuring that providers of technical assistance are familiar with the theories, and thus assist in implementing these ideas. Additionally, some Main Street or similar organizations have access to funds that can be granted or loaned to businesses. If possible, these funds could be oriented toward paying for inventory control systems or other items needed to facilitate this process.

**RECRUITMENT NEW BUSINESSES**

**DEVELOPING A BUSINESS RECRUITMENT PLAN**

The second main lever for an ER committee is attracting new businesses to the area. It is important that the business district stakeholder organization develop a well thought out strategic plan that lays out the types of stores that will be targeted. If such a plan is based on an awareness of the economic dynamics of a shopping area, it will lead to the targeting of stores that will have a higher likelihood of success, and stores that will add the most to the overall health of the area. The use of the business recruitment lever is constrained both by the type and amount of existing space that is available, as well as by the cooperation of the owners of the property. Even the best of plans will not be successful if there is no space that is appropriate for the types of retailers that a district is attempting to recruit. Similarly, if an uncooperative owner owns a piece of property in a prime location, the plan’s effectiveness will be reduced. Nonetheless, because an area like Uphams Corner has a low vacancy rate and has only limited opportunities to bring in new stores, it becomes all the more important that a well thought out strategy is developed. While the recommendations laid out below explicitly refer to recruiting “stores,” this word should be interpreted broadly so as to include the targeting of establishments that provide needed services or that add to the entertainment options available.

108 Milder discusses these marketing ideas.
How should a Main Street organization go about developing a recruitment plan? The data analysis, niche and anchor identification, and merchant organizing described in the last section also play key roles in this step. These tasks are prerequisites to using the economic theories to develop a detailed recruitment strategy. At the same time, property owners should play an important role in the development of this plan. This will create greater buy in, and facilitate the implementation of the strategies.

What attributes should the developers of such a plan look for when deciding which types of stores to recruit? First, the target store(s) would ideally have the properties of an anchor. This way, a large number of customers will be drawn to the area, and there will be an increase of business at the secondary stores. In order to create this spillover effect, the recruiters should be conscious of retail linkages and market segments. What demographic groups come to the area? What types and styles of goods do they generally buy, and at what price points? What type of anchor would attract customers who would then go on to shop at the secondary stores in the area, or at the other anchor stores? It will not always be possible to attract an anchor, in that all available space will not be appropriate. Nonetheless, similar questions about linkages and market segments must also be asked while recruiting non-anchors.

An important overlay to the discussion of recruiting both anchors and non-anchors is an understanding of convenience versus comparison shopping. This is important for two reasons. First, it creates an understanding of which types of stores will be successful in the district, and which will not be. Second, it informs the discussion of creating a mixed-income community.

On the first point, it is important to understand that the market dynamics of convenience and comparison stores are quite different. The market area for convenience stores is more local in nature, and more circumscribed by the location of other stores selling the same items. Therefore, recruiters should target convenience stores for which there would be few or no competitors nearby. This will avoid dividing up a pie with a fixed size.

When targeting comparison stores, the issue is the opposite. In this case, it is helpful to have other stores in the district selling similar items. Because each comparison good is slightly differentiated, bringing in new comparison stores can add to the size of the pie. On the other hand, if there are no other stores in the area selling the same item, the store is going to have a more difficult time being successful. Shoppers will prefer going to areas with other stores selling

---

109 This is what the owner of Style in Uphams Corner did, and he saw a 60% increase in sales.
the same item, to allow for comparison opportunities. Nevertheless, in certain situations, a comparison store might be successful even if it is the only store of its kind in the area. This could occur if it has a product offering that is unique to a large market area. This could make it an anchor store in its own right.\textsuperscript{110} Alternatively, it could target its product mix towards the type of customer that is already in the area, perhaps due to an anchor store.\textsuperscript{111} When deciding on a comparison grouping to strengthen, the ER committee should be aware of which other nearby shopping areas have similar groupings. If the competition is particularly strong, it may not make sense to target this niche.

With respect to creating a mixed-income community, it is the existence of stores selling convenience goods, not comparison goods, which is most important for attracting residents to the area. As the theories state, people will not be wed to shopping for comparison goods at the place closest to their homes. They will, however, prefer to live in an area that has stores in which they can purchase convenience items. Therefore, the goals of attracting middle income residents and ending the cycle of disinvestment also lead to the strategy of filling in all of the gaps of convenience goods currently not available in a neighborhood.

There are a number of caveats that an ER committee must be aware of when deciding on which type of store to recruit. It should not rigidly follow the theories, but should understand the particularities of how they play themselves out in their area. It should look for non-retail opportunities. It should be aware when one theory outweighs the importance of another. Areas with diverse populations like Uphams Corner also need to be careful not to take the market segmentation advice too far. It is important that they look for crossover opportunities. If targeting an anchor, the creator of the recruitment plan should determine what type of anchor would draw from three groups: 1) people from demographic groups already in the area; 2) people who live nearby but are currently under-represented in intercept surveys; and 3) people from demographic groups that the area is trying to attract so as to create a more mixed-income community.

\textsuperscript{110} In Uphams Corner, L&M Bargain fits this model. There are no other children's clothing stores in the area that would allow for comparison shopping, yet it has its own drawing power on its own, thus making comparison opportunities less important. This drawing power includes inexpensive school uniforms, which are difficult to find in other areas, as well as the unique combination of a very low price point and the urban style that is also difficult to find in other stores.

\textsuperscript{111} J. Silver fits this model with some of the stores in its chain. It is near AFB in Hyde Park, or L &M Bargain and another similar grocery store on American Legion Highway. These other stores draw J. Silver's market segment into the area, and then they go and shop at J. Silver because it is convenient.
Another important overlay to the discussion of retail recruitment is the debate regarding whether or not to target chain stores. Opponents of this strategy argue that big national chains destroy local businesses, take profits out of the community, and are prone to leave the area based on the whims of corporate headquarters. Proponents of recruiting chains argue that there is little sacred about locally owned stores.\textsuperscript{112} Many of these “mom-and-pop” stores employ just one or two people, pay low wages, and may be prone to going out of business because of bad management practices or lack of access to sufficient capital. The truth is likely somewhere between these two arguments. An integrated strategy, which recognizes the benefits of locally owned stores as well as national chains, is best.

There are benefits to having both types of stores, and both can be targeted. An understanding of the economics of retail leads to the conclusion that chains that have broad name recognition can be anchors that draw many diverse customers to the area. This can create positive spillover effects that benefit locally owned stores thus increasing neighborhood wealth. Moreover, chains have access to greater resources including market information, corporate knowledge of the dynamics of selling their products, and financing to improve the look of their stores and the area. Furthermore, the existence of a national chain can signal to potential customers that the area is safe, thus improving their perception of the area.\textsuperscript{113} Lastly, ICIC counters the argument that chains drains away the community’s wealth by pointing out that profit margins on retail are usually about 2-3% of revenues. This is much lower than the 20% of revenues that usually goes to salaries and can stay in the community.\textsuperscript{114} Despite these benefits, targeting a national chain should be balanced with targeting and supporting of local stores. These stores do have greater potential for increasing local wealth and providing an outlet for entrepreneurial activity. If national chains do provide direct competition, technical assistance can be oriented to helping local stores fill in niches that the chains do not understand.

\textsuperscript{112} Ed Grimes, Executive Director of the Uphams Corner Health Center, points out the area always had national chain stores. He has lived in the area all his life, and remembers the time when Kresge’s and Woolworths were major anchors for the area.

\textsuperscript{113} Charles LaToure, owner of an Athlete’s Foot franchise in Egelston Square, points out that his customers have made statements to him indicating that their image of the area has improved since the opening of his store, as well as that of the McDonalds located next door.

\textsuperscript{114} Habiby and Davis, 1999. p.32.
IMPLEMENTING THE RECRUITMENT PLAN

After developing a plan for which types of stores to target, the next step is to implement the plan. The work with businesses in existing niches described above plays an important role in carrying out the recruitment plan. With existing niches identified and merchants working together, current store owners can play an important role in recruiting new stores. They will understand that adding the right type of establishments to the mix will increase their business. Therefore, they will be more willing to provide sales data and other information that could help convince new stores to move to the area. Furthermore, the naming and advertising of a particular niche may not only attract customers, but other retailers who want to be a part of an organized group. It can also educate and inform property owners; thus encouraging them to buy in to the niche based strategy.

The relationship with property owners should extend beyond informing them of the niche strategy. As described in Chapter 5, creating positive trusting relationships with property owners is important in creating buy-in to a retail recruitment plan. Other steps include involving them in the development of such a plan, and keeping in touch with owners and brokers on a regular basis so as to stay abreast of rent levels and specific space that is available. If there is a large amount of vacant space, the coordinating body should also keep a database of that space so that they can easily direct tenant prospects to the most appropriate location.

The Main Street or similar organization should be explicitly involved in outreach to potential tenants. One important aspect of this effort is the creation of a marketing packet that contains the various pieces of information mentioned above. Other information in the packet should include foot and auto traffic numbers, details on demographic groups that frequent the district, a listing of stores in specific niches, the particulars of the available space, and descriptions of other positive attributes of the area. Once this packet successfully peaks the interest of a potential tenant, the staff of the coordinating body should participate in taking the prospect on a tour of the area and explaining its positive attributes. It should then follow up after the visit. The extent to which the staff can be involved will depend on the size of the organization and the staff time available.

To summarize the advice on recruiting businesses, the ideal store is an anchor with the crossover appeal to a variety of market segments. At the same time, the demographic groups
attracted will prefer to shop at existing stores, thus maximizing the positive spillover effects created by retail linkages. Lastly, the store will either fill an existing hole in the convenience store market, or it will blend in with existing comparison stores. An organized merchant base with well identified niches will facilitate putting this strategy into practice. The Main Street staff should be involved in recruiting tenants, putting together marketing materials, and facilitating the relationship between property owners and potential tenants.

OTHER LEVERS

There are a number of other steps that a business district stakeholder organization can take in accordance with the economic theories of retail other than working with existing businesses and or recruiting new ones. Researching these steps in detail was not possible within the timeline of this thesis. Nonetheless, a brief explanation of each follows. 116

Stakeholder organizations have access to a variety of sources of funds. They can leverage these funds by directing them towards activities that strengthen niches. One example is a façade improvement program. In administering such a program, the business district organization can require that recipients follow the leasing plan that they have developed. In a similar vein, if the organization has a large budget, they can create a pool of funds that is used to pay the rent of vacant space until an appropriate tenant is found. A related idea is to use these funds to subsidize the rents of anchor stores, similar to what malls do. These strategies are more likely to be possible in a downtown or with a Business Improvement District that has the ability to raise a large amount of funds. Nonetheless, most business district organizations have some connection to the local government. They should use their influence to lobby for additional funds that can be used for these purposes.

Another lever is to become directly involved in real estate development activities. It is possible that, after developing a thorough retail recruitment plan, there is no space that is appropriate for the types of retail uses envisioned by the plan. All of the larger spaces may be rented on long-term leases. Vacant space may have deteriorated and be in need of redevelopment. By renovating such structures or building on vacant land, the stakeholder

115 Milder, 1997, provides many of the ideas for implementing a retail recruitment plan listed below.
116 Many of these ideas come from a pamphlet entitled: “Taking it all Home – Leasing Ideas for Main Street” This was handed out at a workshop at the 1998 Nation Main Street Conference. The workshop was lead by PH Cuffy Sullivan, Assistant Director of the Savannah Development and Renewal Authority.

88
organization can create space appropriate for retailers that are called for in the recruitment plan. If the organization does not have the staff time or the capabilities to carry out these activities, they can partner with a community development corporation or another entity that would take on these tasks.

The last tactic is to develop a model lease that can be used by property owners. Provisions in this lease could include requiring tenants to: 1) stay open during set hours; 2) clean the area in front of their store; and 3) prohibit their employees from parking on street where customers should be able to park; and 4) financially support the Main Street’s activities. It can also recommend charging rent on a percentage-of-sales basis, increasing the incentive of renting to stores that strengthen the existing mix.

SUMMARIZING THE FRAMEWORK

The key to the framework for the economic restructuring of an inner-city commercial district is the identification of niches, and carrying out activities that will strengthen those niches. Data collection is the first step, and analyzing that data through the lens of the economic theories is the second step. There are niches based on convenience shopping and niches based on comparison shopping. The nature of competition between stores in each of these two situations is quite different. There are also niches wherein stores that sell to the same market segment have retail linkages. Anchor stores are an important part for each of these niches. They attract the largest portion of the shoppers. Therefore, they supply customers to other stores that sell to the same market segments, sell the same comparison item, or sell different convenience items. There are also interactions between these niches, and they play out in different ways according to the specifics of each shopping area.

With niches identified in this way, the next steps are working with existing businesses and recruiting new ones. Stores in the same niche should create a collective identity, perhaps giving themselves a name. They should also engage in joint advertising, raising awareness among customers who did not know of the existence of the niche. It may be profitable for some stores to adjust their product offerings to better match the preferences of the customers of this niche. Another way to strengthen the niche is to attract new stores to the area in such a way that is in accordance with the economic theories of retail. This will assure that new businesses will have a higher likelihood of success, and will strengthen the overall area. The stakeholder
organization should direct the process of developing and implementing a tenant recruitment plan that takes into account all of these factors. They should also leverage existing funds so as to take advantage of the economics of retail, become involved in real estate development activities if appropriate space is not available, and create a model lease that would reduce negative externalities.

**USING THIS FRAMEWORK IN UPHAMS CORNER**

Having laid out a generic framework for the economic restructuring of an inner-city shopping area, the next task is to use that framework to develop specific recommendations for Uphams Corner. As stated above, the first step in using this framework is to collect and analyze data. This data is used to identify potential niches upon which promotional and recruitment activities can be built. Based on the data described in the last chapter, as well as some additional information presented below, the following are five niches that have potential for further exploration: 1) Convenience Goods, 2) Clothing and Shoes, 3) Home Furnishings, 4) the Cape Verdean market segment, and 5) Arts and Entertainment. The remainder of this chapter looks at each of these potential niches separately. For each potential niche, as recommended above, the following is described: 1) whether the niche is based on comparison or convenience goods, or on a market segment; 2) what work can be done with existing stores in the niche; and 3) what types of stores could be recruited to strengthen the niche. Lastly, there is an assessment of both the positives and negatives of concentrating on each particular niche.

**CONVENIENCE GOODS**

Uphams Corner’s main strength is its ability to meet the convenience needs of its nearby residents. Data presented in the last chapter points to the fact that most of the shoppers who come to the district live in fairly close proximity. Sixty-five percent of the intercept survey respondents live in the same zip code as Uphams Corner, and an additional 22% live in contiguous zip codes. Only 13% live further away. The goods for which the highest number of people use Uphams Corner as their primary purchase place are convenience goods.
The chart on the following page also confirms the importance of convenience goods for Uphams Corner. This chart is a full categorization of all the stores into the Urban Land Institute’s retail categories, followed by placing each retail type into either the convenience or comparison group.\textsuperscript{117} It also compares Uphams Corner’s categorization to a number of types of shopping centers described by ULI.\textsuperscript{118} 66% of the square footage of stores in Uphams Corner are convenience stores.

Why group all of the convenience stores together into one niche instead of having a few separate niches within the convenience category? The reason comes from the nature of competition between these stores. It would not be helpful to bring in more of a particular type of convenience store, as it would be competing directly with the ones that are already there. It would not add to the size of the pie. However, if there are types of convenience stores or goods that are missing from the area, adding new stores that sell these items could build on the current use of the area for convenience. These stores would have a high likelihood of success in that they would be building on a customer base that is already in the area, and because people would choose their store over the competition because the new store would be the closest to where the customers lived. The ideal new convenience store would have an anchor effect, with a crossover appeal that attracts multiple market segments.

What types of convenience stores are lacking in Uphams Corner, and could meet the additional criteria laid out in the framework? Three stores appear to meet these criteria: 1) a new drug store; 2) a video store, and 3) a Radio Shack. The pharmacy idea is one talked about with frequency by the ER committee as well as others in the area. Furthermore, the convenience/comparison chart shows that Uphams Corner is well below the national average of space devoted to drug stores in neighborhood shopping centers (8.7% compared to 0.9%). In Uphams Corner, interviews reveal that the need is not so much for the pharmacy itself, but for many of the other goods normally sold by a drug store. Many market segments in the area frequent the existing pharmacy, the Strand Pharmacy. It has a very positive relationship with the Uphams Corner Health Center and the patients there who need prescriptions filled, 80% of

\textsuperscript{117} Margaret Barringer suggested that I do this type of analysis with ULI as the comparison point.
\textsuperscript{118} According to ULI: “As the Shopping Center evolved, four basic types emerged, each distinctive in its own function: the neighborhood, the community, the regional and the super regional. In all cases, a shopping center’s type and function are determined by its major tenant or tenants; they are never based solely on site area or square footage of the structure. This special report also extends that group to convenience centers.” ULI, Dollars and Cents of Convenience Centers: 1997 p.4.
## Convenience vs. Comparison Stores

**Percentages Computed by Square Footage of Stores**

<table>
<thead>
<tr>
<th>Comparison</th>
<th>Uphams Corner</th>
<th>Central City Shopping Centers</th>
<th>All Shopping Centers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of total sq.ft. stores</td>
<td># of stores</td>
<td>Neighborhood</td>
</tr>
<tr>
<td>General Merchandise</td>
<td>2.0%</td>
<td>4</td>
<td>3.5%</td>
</tr>
<tr>
<td>Clothing and Accessories</td>
<td>9.2%</td>
<td>7</td>
<td>3.0%</td>
</tr>
<tr>
<td>Shoes</td>
<td>1.4%</td>
<td>2</td>
<td>0.9%</td>
</tr>
<tr>
<td>Home Furnishings</td>
<td>20.3%</td>
<td>6</td>
<td>3.6%</td>
</tr>
<tr>
<td>Home Appliances/Music</td>
<td>0.9%</td>
<td>3</td>
<td>3.7%</td>
</tr>
<tr>
<td>Building Materials/Hardware</td>
<td>0.0%</td>
<td>0</td>
<td>3.2%</td>
</tr>
<tr>
<td>Hobby/Special Interest</td>
<td>0.0%</td>
<td>0</td>
<td>2.3%</td>
</tr>
<tr>
<td>Gifts/Specialty</td>
<td>0.0%</td>
<td>0</td>
<td>2.4%</td>
</tr>
<tr>
<td>Jewelry</td>
<td>0.2%</td>
<td>1</td>
<td>0.4%</td>
</tr>
<tr>
<td>Other Retail</td>
<td>0.0%</td>
<td>0</td>
<td>4.1%</td>
</tr>
<tr>
<td><strong>Total Comparison</strong></td>
<td><strong>34.0%</strong></td>
<td><strong>23</strong></td>
<td><strong>27.1%</strong></td>
</tr>
</tbody>
</table>

### Convenience

<table>
<thead>
<tr>
<th></th>
<th>Uphams Corner</th>
<th>Central City Shopping Centers</th>
<th>All Shopping Centers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>16.2%</td>
<td>13</td>
<td>29.3%</td>
</tr>
<tr>
<td>Food Service (restaurants)</td>
<td>5.0%</td>
<td>8</td>
<td>10.4%</td>
</tr>
<tr>
<td>Automotive</td>
<td>4.0%</td>
<td>5</td>
<td>1.7%</td>
</tr>
<tr>
<td>Liquor</td>
<td>0.3%</td>
<td>1</td>
<td>1.4%</td>
</tr>
<tr>
<td>Drugs</td>
<td>1.1%</td>
<td>1</td>
<td>7.2%</td>
</tr>
<tr>
<td>Personal Services</td>
<td>5.2%</td>
<td>19</td>
<td>10.7%</td>
</tr>
<tr>
<td>Recreational Community</td>
<td>20.1%</td>
<td>11</td>
<td>3.2%</td>
</tr>
<tr>
<td>Financial</td>
<td>11.4%</td>
<td>9</td>
<td>3.1%</td>
</tr>
<tr>
<td>Offices (Other than Financial)</td>
<td>2.6%</td>
<td>9</td>
<td>6.0%</td>
</tr>
<tr>
<td><strong>Total Convenience</strong></td>
<td><strong>66.0%</strong></td>
<td><strong>76</strong></td>
<td><strong>73.0%</strong></td>
</tr>
</tbody>
</table>

| Total # of Stores                  | 99            | Avg. # of stores              | 11                  |
| Total Square Footage               | 243,182       | Avg. Sq.ft.                   | 19,434              |

Note: Does not include Uphams Corner Health Center

1 From data collected for ICIC study of Uphams Corner. 2 Calculated from data in Dollars and Cents of Central City Shopping Centers: 1997

3 Calculated from data in Dollars and Cents of Shopping Centers: 1997 (except for Convenience category.)

4 Calculated from data in Dollars and Cents of Convenience Centers: 1997
whom use the Strand. Nonetheless, it does not sell many of the items sold by national drug stores, items such as greeting cards and other household items. A national chain such as CVS or Walgreens would have the crossover and anchor appeal needed by the area. An alternative would be to convince the Strand to expand its product offering. In fact, the store has recently expanded, and intends to do so again. An interview with the owner suggests that the limited product offering is due to problems with shoplifting. UCMS should work with the Strand Pharmacy to overcome this problem, perhaps supporting the purchase of surveillance cameras. ICIC reports that there are a number of additional ways to reduce shrinkage, such as altering the layout of the store, hiring local residents, and training staff to avoid creating situations where shrinkage is likely to occur.\footnote{Habiby and Davis, 1999. p.30.}

There is no video store in Uphams Corner. A Blockbuster or a West Coast Video would also have an anchor effect and crossover appeal. It is the type of store that would add to the quality of life in the area. Furthermore, it is the type of missing convenience good that, if it were available in the neighborhood, could play a part in attracting and retaining residents with a variety of income levels. UCMS could add to its next intercept survey a question asking how many customers own a VCR. This could be used in attracting a video store.

Radio Shack is another store that has the name recognition to create an anchor effect and crossover appeal. One reason for including it as a recommendation is that other Radio Shacks are located in shopping areas demographic mixes similar to Uphams Corner. Shopping strip owner Jeffrey Levine, who has recruited AFB, J. Silver, and L&M Bargain to open stores in his centers, also has recruited Radio Shack to these same centers. (In at least one of these centers there is also a video store.) These parties see the ability to capture positive externalities by locating near each other. Uphams Corner should take advantage of the same synergy. The anchor effect and positive signaling it generates comes about because it is a national chain. How is Radio Shack a convenience store? It has similarities to the smaller hardware stores described in the last chapter. It sells some electronic goods that people need to purchase with some frequency. Some goods they sell are comparison. Nonetheless, because it fits well into the existing niche and has the positives of a national chain, it could work in the area in a similar way that L&M Bargain has.

UCMS should attempt some joint advertising amongst the convenience retailers. People who come to the area to meet one convenience need may not realize that they can also
accomplish other tasks while they are there. They may be able to attract people from slightly further away if these people realize they can accomplish multiple convenience needs in the same location. Andre Medina of AFB puts out a weekly circular in the mail. He expressed to me an interest in adding other stores’ ads to this circular.

There are limitations to building on the convenience niche. As demonstrated by the last chart, even though the square footage and number of stores in Uphams Corner matches more closely with Community Shopping Centers, the convenience/comparison mix is more similar to Convenience or Neighborhood shopping centers. This latter type of mall has a much more circumscribed market area. This is due to the nature of convenience shopping; the high percentage of convenience stores limits the ability of the area to draw customers from a much wider area. Only by increasing the number of comparison shopping opportunities, for which the market draw is much wider, will Uphams Corner significantly expand its market area as well as the number of people who shop there.\footnote{This is not to say that Uphams Corner will ever compete with a regional mall. Nonetheless, it can expand its market draw somewhat.}

**Clothing and Shoes**

The ULI convenience/comparison analysis shows that, among comparison stores, clothing and shoe stores make up the second largest proportion of the square footage in the area, consisting of 9\% of the total. Though ULI does not combine these two categories together, interviews with the merchants indicate that there is a linkage between the stores. Furthermore, some clothing stores also sell shoes, thus making the separation of the two categories less useful.

There are nine Uphams Corner stores in this category. They include L&M Bargain, one of anchors in the area; J. Silver, a regional chain; Payless Shoe Source, a national chain; and Style, whose owner is very sophisticated. All nine stores in this grouping are located on Dudley Street, thus allowing the stores to benefit from a locational advantage. Among the nine stores are many that are repeatedly mentioned in interviews as the strongest in the area. During a focus group, the four stores listed above were mentioned most frequently by name as destinations, second only to America’s Food Basket.

What is the nature of this linkage between these stores? It is a combination of all four of the theories. Some comparison shopping occurs, as evidenced by merchants observations of
“style shopping” as well as of people with bags from other clothing and shoe stores patronizing their store. There is also a linkage based on the common market segments being served. The large number of youth in the area, drawn by the youth centers, and the mothers in the area, drawn by the health center, add to the number of people in these market segments who frequent Uphams Corner. Furthermore, all of the merchants in this category who were interviewed discussed the very low price point at which they sell their goods (generally under $15), as well as the high level of style consciousness of their customers. A few mentioned a specific “New York” style. Lastly, L&M Bargain is an anchor, and people go from that store to others in the niche.

How can this niche be strengthened? While some of these owners recognize the importance of working together, the group as a whole could use some more convincing. A specific intercept survey could be conducted. It could target customers in these stores, asking them which of the other clothing and shoe stores in the area they shop at. It could also ask them which media outlets they use. Cashiers could ask customers to fill out this survey as they paid, thus reducing the amount of labor required by UCMS. If the survey shows a high percentage of people shopping at multiple stores in this niche during the same trip, it will be easier to convince the owners to do joint advertising in the outlets mentioned most often by their customers.

One or two more clothing or shoe stores would also strengthen the niche. A national chain selling these items at a similar price point and style would create another anchor for the area, and would likely have a positive spillover effect. There is currently no athletic footwear store. If the merchants are convinced to work together, they can submit statistics about their stores that could be used to attract such an establishment.

Two additional pieces of data suggest the viability of strengthening the clothing and shoe niche. The first is from a study commissioned by the Initiative for a Competitive Inner City, and performed by PriceWaterhouseCoopers. The study states that inner-city shoppers enjoy shopping for apparel more than the average American shopper does, and spend more than the average consumer. “A significant share, 72% of Hispanic and 70% of African-American [inner-city] shoppers enjoy shopping for apparel, compared to 50% of the general shopper population. . . . African-American and Hispanic shoppers were almost twice as likely to wish they had more time to spend browsing for clothing, an attitude consistent with their enjoyment of shopping.”

121 PriceWaterhouseCoopers/Initiative for a Competitive Inner City, p.7. All shoppers referred to in the study, unless specifically specified otherwise, are shoppers who live in the inner city. ICIC defines the inner city as zip codes in
indicates that providing more opportunities for apparel comparison shopping would be a viable strategy. The study also states that:

Inner-city African-American households spend, in absolute dollars, roughly 20% more annually on women’s apparel than does the average US household, nearly 75% more on men’s apparel, and twice as much on children’s apparel. Although average spending by Hispanic households on children’s apparel is not that much more than the general population, they are important children’s apparel customers because nearly 50% of Hispanic households include children.

This high level of expenditure is consistent with the ICIC analysis of spending gaps in Uphams Corner. ICIC conducted a density analysis that compared the projected spending of residents within a mile of Uphams Corner to the revenue received by the stores in the commercial district. Retail Apparel was one of the four best prospects for capturing additional revenue. If Uphams Corner captured just 10% of the non-local apparel expenditures of local residents, they would see sales increase by 50%, from about $6 million a year to $9 million a year.

There are some pitfalls to concentrating on the clothing and shoes niche. The first is that it targets the same market segments that are already coming to the area, instead of bringing in new segments. It is unlikely that the white population, who has different stylistic preferences, will come to Uphams Corner in large numbers to purchase the clothing found at these stores. Nonetheless, the African-American, Cape Verdean, and Latino populations frequent these stores. Joint advertising, as well as adding another anchor store in this category, could draw additional people from a broader area who are part of the same segments.

Yet competition from nearby stores places a limit on the amount of growth that is possible. Of the three closest main streets to the area, one (Dudley Square) also has a cluster of clothing and shoes stores of a similar size to Uphams Corner, and another (Codman Square) has a cluster about half the size. The Bowdoin-Geneva area has no clothing stores. Because of the need for a large number of the same type of store, it is unlikely that the Codman Square or the Bowdoin-Geneva areas will be able to create as strong a cluster as Uphams Corner’s.

economically distressed urban communities with a median household income of at least 25% less than the city average, a poverty rate at least 50% higher than the city, and/or unemployment of at least 30% higher than the city average.

12 All stores in Boston Main Street areas are listed at the web site: www.bostonunwrapped.com downloaded April 1, 1999.
This speaks to the pitfalls of placing an emphasis on comparison stores in general. On the one hand, strengthening a comparison niche widens the market area. On the other hand, because proximity to residences is less important for these stores, there is more competition that, if stronger, can draw away the same customer base. Despite these pitfalls, the clothing/shoes niche is already the strongest in Uphams Corner. Further strengthening will help the entire area by drawing in customers from a wider area.

**HOME FURNISHINGS**

While clothing and shoes have the second most square footage amongst comparison stores, the home furnishings group has the most. It has almost double the space of the clothing/shoes group. Because of the large amount of space dedicated to furniture stores, further exploration into the viability of the home furnishings niche is warranted. When a closer look is taken, however, it becomes clear that focusing UCMS staff energy on this area makes little sense.

There are six furniture stores in Uphams Corner, accounting for nearly one-fifth of the total square footage in the area. Nonetheless, combined, they account for only 2.3% of the total foot traffic. This combined total is still one-third the size of most of the other anchors, and only one-eighth the draw of America’s Food Basket, the store that generates the most foot traffic.

While most of the area stakeholders interviewed made positive statements about clothing and shoe merchants, they had mostly negative comments about the owners of furniture stores. Some furniture store owners only open periodically, and most do not have significant financial incentives to increase their incomes. Many of these merchants bought their buildings over 30 years ago at very low prices. Therefore, without the discipline created by the need to make mortgage payments, they have less of an incentive to maximize their sales. As mentioned in the last chapter, one furniture store owner provided some evidence of this mentality when he stated in an interview that “financially, I have nothing to worry about.”

There is little reason to believe that these owners would be willing to work with each other. They have little understanding of comparison shopping or the possible synergies between the stores. One owner stated that: “as far as I am concerned, the other furniture stores in the area

---

123 From ICIC collected data. Data was not collected on one of the furniture stores. Yet this store opens only periodically, and there is no reason to believe it is any different from the other furniture stores in the area.
do not exist.” Another stated that he views the other stores more as competition instead of sources of positive externalities. When I explained to him the theory of comparison shopping, however, he thought it made sense. Nonetheless, he did not seem ready to act on this information. Two other furniture store owners were unwilling to be interviewed. It would be very difficult to organize this group. When combined with the low benefits of doing so, it makes little sense to pursue strengthening this niche.

CAPE VERDEAN ETHNIC NICHE

A much more promising niche to pursue is that of Cape Verdeans. There are a number of reasons why this strategy makes sense. These include the success of other similar ethnic niches around the country, the high population of Cape Verdeans in the immediate area, and the attraction to Uphams Corner by Cape Verdeans who do not live in close proximity. There are a number of ways this niche could be strengthened. As with the other strategies, however, there are pitfalls.

A number of statistics point to the growth of the Cape Verderan population in Uphams Corner. Unfortunately, the census does not have a category for Cape Verdeans. Nonetheless, there are other sources of information. In 1995, a survey of customers at America’s Food Basket indicated that 21% of their shoppers were Cape Vereran. This was up from 11% the previous year. Cape Verdeans were second only to Puerto Ricans, who made up 29% of the customers. The intercept survey conducted at the end of 1998 found that 26% of the shoppers in all of Uphams Corner spoke Cape Vereran Creole.

There are only a few places in the Boston metropolitan area where there are significant numbers of Cape Verdeans. These include Uphams Corner, New Bedford, and Brockton. Cape Verdeans see Uphams Corner as an important locale for their ethnic group. One Cape Vereran merchant who owns a store in the area called Uphams Corner: “the belly of the community.” Anecdotal evidence suggests that Cape Verdeans from New Bedford and Brockton come to America’s Food Basket for their unique food selection. AFB’s owner states that a number of these people have asked him to open a store in the towns in which they live.

UCMS should work to strengthen the ties of the broader Cape Vereran community to Uphams Corner, thus encouraging more of them to conduct business in the area. There are a

number of examples of similar ethnic niches in commercial districts throughout the country. These areas not only attract members of the target ethnic group, but they also draw in members of the wider community who want to experience this culture. Successful Chinatowns exist throughout the country, including in Boston. The Cuban community in Miami and the Korean community in Los Angeles also have ethnically based commercial districts.  

These models are not entirely appropriate. In those, one particular ethnic group dominates the area while Uphams Corner is more multi-cultural. Nonetheless, there are a number of ways that Uphams Corner could take advantage of a similar draw, attracting more Cape Verdeans as well non-Cape Verdeans. The first would be to bring more cultural institutions to the area. In 1989, the Cape Verdan cultural center located about a mile from Uphams Corner was closed down. Ever since, there has been an attempt to relocate the center. UCMS could assist this work, with the goal of having the center in Uphams Corner. Furthermore, there has been talk of the Cape Verdan Consulate opening an office in the area. This should also be supported. On a similar front, the Strand Theater reports that very few Cape Verdan events are held there, while other ethnic groups regularly rent their space for cultural events. Encouraging each of these cultural institutions to open in Uphams Corner will draw more Cape Verdeans to the district. Evidence has already been presented which shows that Cape Verdeans, once they are in Uphams Corner, go on to shop at secondary stores in the area. Additional Cape Verdeans will only increase this effect.

In addition to cultural institutions, UCMS can focus on attracting additional stores that cater to the Cape Verdan community. Currently, AFB is the main store that does this. A Cape Verdan family owns one of the furniture stores, but their business does not have a specific ethnic orientation. They are, however, in the process of opening up a bakery that will sell Cape Verdan goods. They plan to market their bread to Cape Verdan groceries throughout the region. They are considering opening a Cape Verdan restaurant in place of the furniture store. UCMS and the Dorchester Bay EDC have supported the opening of the bakery, and should do the same with the restaurant. This restaurant could have the crossover appeal needed to attract many market segments, if it worked to draw in a wide audience. UCMS’s President, Jan Mattamoe, stated that a Cape Verdan restaurant would appeal to the white residents if it had certain characteristics. These include tablecloths, a wait staff, no glaring lights, high quality food,

and the clean, neat atmosphere of a high-quality restaurant. She stated that many of her neighborhood friends, few of whom currently shop in the area, yet many of whom eat a variety of ethnic foods, would go to Uphams Corner to eat in such a restaurant.

Even without the restaurant, AFB and the bakery, as well as other stores in the area who draw many Cape Verdean customers, could do joint advertising on Cape Verdean radio. They could also go to Cape Verdean cultural events and pass out fliers. Another strategy is to become a sponsor at some of these events, raising name recognition of the area in an alternate manner.¹²⁶

There are drawbacks to this strategy. The Cape Verdean furniture store owner stated that his co-ethnics are a very homebound group. Eating out is not as common an occurrence as it is for other ethnic groups. This bespeaks the importance of creating a broad appeal for the restaurant. He also states that many in the younger generation are on the one hand more willing to eat out, yet on the other hand, they are less likely to eat at a Cape Verdean restaurants. A further drawback is that a high association with the Cape Verdean community could limit the appeal of the area to other ethnic groups. Nonetheless, as described above, there are ways to structure the appeal so that this does not become the case.

ARTS/ENTERTAINMENT/RECREATION NICHE

The last niche that UCMS could focus on is arts and entertainment. The Strand Theater is a very unique entertainment institution for a neighborhood shopping area. This has the potential to be a strong anchor, attracting people from around the region, and having many positive spillover effects. One would be providing customers to restaurants where people would eat before or after going to see a show. National data indicate that Uphams Corner has much less space dedicated to restaurants than other neighborhood shopping centers. The difficulty with this strategy is that the niche is currently very weak and would take a lot of work to strengthen. There are no sit-down restaurants in the district. Furthermore, the Strand Theater is in a transitional period with no permanent Executive Director. Due to the time constraints of the thesis process, more research is needed on this area.

¹²⁶ Charles LaToure, the former manager of the Payless Shoe Source in Uphams Corner, currently owns an Athlete’s Foot store in Egelston Square. He sponsors a number of community events to raise his store’s profile.
USING OTHER LEVERS

The framework laid out a number of additional steps that a business district association could take to strengthen the retail dynamics of the area. While some of these are appropriate for Uphams Corner, others are not. Uphams Corner Main Street is on a very tight budget, and does not have extra funds to use for subsidizing the rent of anchors or paying for vacant space until appropriate tenants are found. It does administer a facade improvement program, and there is the potential to leverage these funds. Unfortunately, very few merchants are using this program, and the staff has to lobby merchants and property owners to do so. Therefore, adding additional requirements to the program would likely have limited success. Despite these difficulties, UCMS and all of the Main Street organizations in Boston work with the city government. They could use this relationship to convince the city to budget additional funds for these purposes, or to reprogram underused facade improvement money.

A low-cost lever UCMS could use is the creation of a model lease. Such a lease could include provisions mandating that a store stays open during set hours and requiring clean street fronts. UCMS should involve owners and merchants in developing this lease so as to increase buy-in and increase the likelihood of implementation.

One lever listed above that UCMS already uses is to partner with the local CDC to carry out real estate development activities. The Dorchester Bay Economic Development Corporation is active in UCMS, as well as in trying to acquire and redevelop vacant property in Uphams Corner. They have recently purchased one piece of property and are working with architects to develop a scheme that would attract a large anchor tenant. They are seeking a retailer that meets with the recommendations listed above.

CONCLUSION

This section lists a number of recommendations that flow from the generic framework listed in the previous section. The framework leads to an inquiry of five different niches. Four have strong potential, one does not. Two with potential, the convenience niche and the clothing and shoes niche, are currently quite strong, yet could benefit from additional measures. The Cape Verdean niche shows some signs of strength, yet could have a very high upside with additional work. The last, arts and entertainment, also has very high potential. Unfortunately, a large amount of work would be needed to strengthen this niche. There are a number of other steps
UCMS can take: leveraging new and existing funds, redeveloping vacant buildings, and drawing up a model lease.

None of these steps will provide the magic bullet that will turn around the area. Some will be more successful than others. Only through trial and error will stakeholders learn what works best. One example of this is with joint advertising. A number of different advertising strategies were suggested, and a number of groupings of stores were recommended. Some stores are in more than one cluster. For example, AFB could be part of a convenience centered advertising effort, or an effort targeted at Cape Verdeans. Each of these ideas should be tested to determine which has the most success.

Luckily, ICIC has promised to periodically collect and analyze the data that it accumulated this past year. They plan to use the original data as a benchmark against which future gains can be measured. UCMS can perform a similar analysis with its intercept survey. All of this information can be used to test which tactics work the best, and strategies can be refined accordingly.
At the outset of this thesis, I stated that there were two target audiences for the recommendations herein. The first is Uphams Corner Main Street, an organization that is working to revitalize an inner-city neighborhood business district in Dorchester, Massachusetts. The second is the broader array of stakeholders and organizations that are trying to turn around similar areas throughout the country. These include other Main Street organizations, Business Improvement Districts, local and state governments, nonprofit and foundation funders, as well as residents, businesses, property owners, and other institutions located in these districts.

The two main goals of the thesis were to inform these groups by: 1) creating a generically applicable framework for incorporating the economic theories of retail into economic revitalization strategies for inner-city retail nodes, and 2) demonstrating the usefulness of such a framework by applying it to a specific neighborhood: Uphams Corner. Before reaching these goals, this thesis sought to overcome many of the doubts as to whether or not these theories are appropriate for low-income neighborhoods. Chapter 2 addressed the concern that neighborhood commercial revitalization might not further the goals of community development, arguing that a locally based, yet regionally oriented strategy could help create the conditions for the alleviation of poverty. Chapter 3 addressed the concern that methods other than using the economic theories of retail are more important strategies. It argued that the theories lead to strategies that draw people to these areas, whereas other methods only seek to remove factors that deter people from shopping there. Chapter 4 explained the economic theories in detail, describing how they could help draw more people to Uphams Corner. Chapter 5 addressed the concern that it might be too difficult to apply economic theories of retail in areas with a dispersed and under-resourced ownership structure, arguing that organizing strategies are available to overcome these problems. Chapter 6 addressed the concern that the economic theories might not be applicable to inner city shoppers, arguing that there is sufficient evidence to conclude that people in Uphams Corner do shop in substantially the way that the theorists predict.

After addressing these doubts, Chapter 7 laid out the details of a framework for economic revitalization that had the economic theories of retail as their base. It explained that the key to the framework is identifying niches, and carrying out activities that will strengthen those niches. The
first step is data collection, and the second is analyzing that data through the lens of the economic theories. There are a few types of niches, each with different characteristics. There are niches based on convenience shopping and niches based on comparison shopping. The nature of competition between stores in each of these two situations is quite different. There are also niches wherein stores that sell to the same market segment have retail linkages between them. Anchor stores are an important part each of these niches. They attract the largest portion of shoppers, thus supplying customers to other stores that sell to the same market segments, sell the same comparison item, or sell a different convenience item. There are also interactions between these niches, and they play out in different ways according to the specifics of each shopping area.

With niches identified in this way, the steps of working with existing business and recruiting new ones are next. Stores in the same niche should create a collective identity, perhaps giving themselves a name. They should also engage in joint advertising, raising awareness among customers who did not know of the existence of the niche. It may be profitable for some stores to adjust their product offerings to better match the preferences of the customers of this niche. Another way to strengthen the niche is to attract new stores to the area in such a way that is in accordance with the economic theories of retail. This will assure that new businesses will have a higher likelihood of success, and will strengthen the overall area. The stakeholder organization should direct the process of developing and implementing a tenant recruitment plan that takes into account all of these factors. Other steps include leveraging existing funds and lobbying for new funds that can be used to strengthen the retail dynamics of the area, creating a model lease with merchants and property owners, and joining with a real estate development entity to renovate space that is not currently in productive use.

The evidence presented in this thesis proves that the economic theories of retail are very relevant to the revitalization of inner-city neighborhood business districts. A framework can be created which uses the theories as their basis, and that framework can be applied to a specific area.

Having proven these points, two additional issues remain. Both bring together many of the points discussed throughout the thesis, yet both deserve further exploration. The first is the tension between the goals of community development on the one hand and the specific strategies called for by the economic theories of retail. The second issue concerns how the economic
theories of retail should inform the broader strategies of the various stakeholders who are the second audience for this thesis. The remainder of the thesis addresses these two issues.

THE TENSION BETWEEN COMMUNITY DEVELOPMENT GOALS AND THE ECONOMIC THEORIES OF RETAIL

While Chapter 2 addressed the issue of using retail revitalization to meet the goals of community development, it did not specifically discuss the relationship between the economic theories and the methods for meeting these goals. Throughout this thesis, I touched on some of the tensions involved in combining these strategies. This section discusses these issues in more detail, discusses some avenues for resolving these tensions, and points out future areas for research.

One aspect of the tension between these strategies involves the relative importance of targeting a narrow market segment, as the theories would suggest, versus trying to create a more mixed-income community, as the community development goals would suggest. According to the economic theories, businesses can be more successful if they adjust their product mix to meet the preferences of the shoppers who are already in the area. Furthermore, the types of stores that will fit into the area best are those which also target the existing demographics. In Uphams Corner, the people who already shop in the area are the poorer people of color, and the white people who live nearby shop in the district much less frequently.

Alternatively, the goals of reducing the negative effects of poverty are met by creating a mixed-income community. Sociologists have argued that poor people are worse off when they live in areas where there is a high concentration of poverty. Therefore, commercial revitalization can create the conditions for the alleviation of poverty by providing retail services that appeal to potential and existing working residents of these neighborhoods. Targeting retail strategies towards the poorer residents who already shop in the area would not attract and retain as many middle-income residents.

This tension is part of a larger issue that is being hotly debated today: gentrification. Boston’s housing market is currently very hot, and rents are rising at a rapid rate. While community developers are happy that neighborhoods are improving and are more appealing to higher income individuals, there is a fear that the long-term residents of previously low-income
areas are being pushed out. The issue of which residents to target with retail strategies, lower income residents or middle income residents, is very relevant to this debate.

Another topic in this thesis that relates to this tension is recruiting chain stores versus helping small, locally owned stores. While the theories suggest that attracting chain stores creates a positive anchor effect, many community developers argue that these stores may cause locally owned stores to go out of business. These smaller stores are very important for local wealth creation strategies and for providing an outlet for entrepreneurial energy.

Can these tensions be resolved? The short response is that there is no easy answer. Nonetheless, I believe that the best way to address these issues is through acting in a balanced manner, while not weighing too heavily on one side or the other. There should be a focus both on attracting middle-income residents as well as meeting the needs of lower income residents. Concentrating only on attracting people with higher incomes will lead to gentrification. Focusing only on meeting the needs of existing low-income residents will reduce the benefits achieved by the deconcentration of poverty.

Can an area be successful when targeting more than one market segment? Does this contradict the theories of retail? More research is needed on how to answer these questions. Other topics for further exploration include: Are there examples of shopping areas that have successfully targeted multiple market segments? What strategies have retailers and other stakeholders followed when faced with these issues?

Notwithstanding the need for additional research, some answers are currently available. As mentioned above, some chain stores provide this type of crossover appeal. For example, low-income respondents to the Uphams Corner intercept survey stated that they would like to see a CVS or Walgreens in the area, as well as a video store. These stores would also appeal to middle-income residents.

Another answer is that the types of residents that will lead to a healthier, more mixed-income area may be less different from the existing residents than one might think. The idea of deconcentrating poverty often leads to images of bringing in rich white people to live in neighborhoods where poor black people currently live, or vice versa. Yet this is too simplistic of a view. Paul Jargowsky argues that one important cause of the increased concentration of poverty is that middle-income residents have moved out of these areas, leaving only the poorer people behind. Often it is people who were once poor that move out when they make more
money. By more fully serving the needs of existing demographic groups, these residents are less likely to leave when they have higher levels of economic success. Furthermore, some who have left may be induced to return. The larger point is that the difference in income level, and therefore in consumer preferences, between people in poverty and people who add to community stability is not as great as the original formulation of the problem would suggest.

A number of additional research questions are raised by this argument. What type of “mix” are sociologists talking about when they speak of the benefits of a mixed-income community? How different are the various members of this mix? What are the consumer preferences of these groups? How different are they? What overlaps exist? What strategies can be developed to exploit these similarities?

The idea of a balanced approach also applies to the tension between chains and locally owned stores. I discussed in Chapter 7 many aspects of such an approach. Yet further research is needed in this area as well. I argued that there were synergies between chains that have an anchor effect and locally owned stores that receive spillover customers. While the theories state that there is a positive relationship between multiple comparison stores selling the same items, as well as between convenience stores selling different items, a more finely grained analysis could shed more light on these relationships.

The entrance of the South Bay Mall into the local retail market illustrates why this type of research is important. South Bay is located about one mile from Uphams Corner and includes a number of large chain stores. It has had a mixed effect on the neighborhood district. On the one hand, locals report that the mall’s Home Depot played a big part in driving out of business two hardware stores formerly in Uphams Corner. Yet the Marshall’s and K-Mart, which sell discounted clothes, have not negatively impacted the local clothing stores.127 The Super Stop & Shop, a huge, highly profitable grocery store located at South Bay has only capped the growth of America’s Food Basket. It has not driven it out of business.128 It is important to determine what the nature of the competition is within these more specific types of stores, and to more fully understand the synergies between them.

---

127 Only 9% of respondents on the UC intercept survey stated that South Bay Mall was their primary location for purchasing clothing. This compares to 38% for Downtown and 35% for Uphams Corner. Mark Salzberg, the owner of L&M Bargain states that these stores have not had a big impact on his store.

128 This is how Andre Medina, the owner of AFB, characterized the impact of the Super Stop & Shop.
Lastly, a number of additional questions would shed light on this issue: What other types of relationships can be created between these chains and locally owned stores? Can larger stores offer technical assistance to local establishments? Can they provide smaller stores with important connections to a broader network of resources? Are there models of these types of relationships?

Of course, not all of the theories of retail are in tension with goal of creating a mixed income community. All income groups prefer to minimize the time they spend traveling to shopping areas. This includes the ability to shop for comparison goods in the same area or to go from an anchor to a secondary store. The most important theory in this regard is creating the ability to meet convenience near to where potential residents live. When deciding on a neighborhood in which to live, people prefer areas that provide the ability to meet these specific shopping needs.

Even with these potential resolutions, there are no easy answers to these tensions. Nonetheless, balanced strategies that take the benefits of both approaches appear viable. Further research on this area would help determine the feasibility of these ideas.

**Broader Implications of the Use of the Economic Theories for Neighborhood Commercial Revitalization.**

Another topic that deserves further exploration is the broader implications of the framework presented in Chapter 7. While I stated in the introduction that one of my two target audiences was the broad array of stakeholders interested in neighborhood commercial revitalization, much of this thesis focused on new ways that economic restructuring committees should think about and perform their tasks. This section describes in more detail the implications for the larger audience.

My overall advice for this group of stakeholders is that a much greater emphasis should be placed improving the economic dynamics of these districts. The Main Street literature is very clear that a multifaceted approach is needed when seeking to turn around urban commercial areas. NMSC believes that focusing only on narrow tasks such as recruiting national tenants, or only on lavish public improvements, or only on endless promotional events, will not do the trick. They are correct. Nonetheless, they do not address the relative weight of these issues. This thesis indicates that a focus on the economics of these districts should play a larger role than it currently does, and should inform the work of all facets of an improvement program. Even work
to improve the physical, non-economic aspects of these districts can benefit from an awareness of these ideas.

As argued in Chapter 3, mall owners understand the critical importance of the economics of retail for the success of their malls. One manual on operating small shopping centers makes the point very succinctly: "A good tenant mix can improve a center’s chances for success at a poor location; conversely, a poor tenant mix will adversely effect even a strong location." While it would be inaccurate to say that crime, parking, and cleanliness are unimportant issues for commercial districts, these factors must be seen placed in the correct context; they are only factors that repel people from shopping areas. Even if all these problems are removed, no one will go to the district if the tenant mix does not attract people in the first place.

Though the Main Street program calls for a balanced approach, one gets the sense that the focus is more on removing these physical factors which repel people, and is less on creating economically based strategies that draw people in. Much of the infrastructure of the program is concentrated on making these areas more attractive. The clearest example is the façade improvement program. In Boston, government money is specifically set aside to pay for upgrading the streetscape. Similarly, the Boston office of the Local Initiatives Support Corporation, a national intermediary which funds an array of community development efforts, has set up a companion program to lend low interest money to pay for façade improvement. In Uphams Corner, this program is barely used because merchants are uninterested and do not see how it will improve their business. While this program goes unused, local businesses do not have the money to pay for activities that would draw more people to the area. There are no corresponding grant and loan programs that explicitly deal with altering the economics of the area.

The city government, LISC and other entities around the country that fund such organizations should create programs that: 1) earmark funds towards studies of the retail dynamics of the area, 2) pay for the development of a retail recruitment and niche strengthening plan, and 3) provide incentives for new and existing businesses to participate in

---

130 This is only available to UCMS and one other main street group.
131 Boston Main Streets allocates money towards a general "technical assistance" that can be used for some of these purposes. Nonetheless, a specific allocation towards some of these uses would highlight their importance and encourage more of a focus on these areas.
activities that are in conjunction with these plans. Such activities include assisting stores to alter their product mix, paying for joint advertising and tenant recruitment materials. Another is offering subsidies to anchor stores that would draw the most customers to the area, or to tenants that would strengthen existing niches.

It is not just funding that exemplifies the bias towards physical improvements. Last fall, for example, the Boston Main Street Program ran a training on marketing retail stores. The brochure states that the training will cover: “how to create the right marketing environment,” and “how to design appealing window and in-store displays.” While creating a window displays that attract walk-by customers relates to the concept of retail linkages and drawing in an anchor store’s shoppers, the message is that changing the appearance of a store is what is important. Similarly, Main Street groups are encouraged to have clean-up days and to put up banners on light poles, further emphasizing appearance. All of these activities are positive and will improve the area; I do not mean to suggest that they be discontinued. The problem is that there are few corresponding institutional efforts that seek to infuse an understanding of the economics of the area. Where is the training on the importance of altering a store’s product mix? When is “niche joint advertising day” or a day for a collective clothing store sale?

Perhaps it is the National Main Street Center’s connection to the National Trust for Historic Preservation that creates the focus on physical improvements. Yet the infrastructure of many BID programs is also more concerned with these non-economic issues. Many groups start BIDs because they can improve and supplement city services such as street cleaning and security. The legal framework of the program is set up to facilitate these activities. There is no similar emphasis on improving the tenant mix or facilitating activities recommended by the economic theories of retail. While BID legislation often requires a plan to describe the existing level of services and the proposed method for improvement, there is no requirement that BID members develop a joint business recruitment plan or niche strengthening strategy. While state governments have the authority to foreclose on owners who do not pay BID fees and assessments, the legislation does not give BIDs the authority to veto tenants that do not fit in with a business recruitment plan.

132 LISC pays for such studies, but has not recognized the importance of using results of these studies to informing other activities.
133 From a brochure for the training entitled “Success Is In Store! Boston Main Streets and McDonald’s Corporation cordially invite you to attend a retailing marketing workshop.” Trainings occurred in November of 1998.
This programmatic emphasis on changing the appearance of the area and reducing factors that repel people feeds the overall impression that changing physical factors is the most important way to turn around these commercial districts. This impression came through during interviews with property owners and merchants. Many people I spoke with made statements such as: “if only there were better parking . . .” or “if only there was not so much traffic . . .” These items were rated the lowest on Uphams Corner’s intercept survey. Yet in the Back Bay, Harvard Square, or the South End, these factors would also be rated negatively. However, people continue to patronize stores in these areas at high levels despite having to drive around for long periods of time until they find one of the few open parking spaces. The positive store mix outweighs the negative lack of parking. If the Main Street and BID organizations began to emphasize more of the economic aspects of revitalizing these areas, perhaps more merchants and owners would start to make statements such as: “if only all the clothing merchants worked together . . .” or “if only an anchor store came that would bring more customers to my store . . .”

The Main Street approach is structured in such a way that an increased emphasis on the economics of the area could easily be incorporated. NMSC recommends four standing committees: Design, Organization, Promotions, and Economic Restructuring. The ER committee should not be the only one that is aware of these issues. The work of all of the committees should be informed by the economic theories of retail. The organization committee can work to raise awareness about each of the niches, encouraging greater participation by merchants and property owners who fall within a particular grouping. The promotions committee should have an understanding of the market segments in order to target marketing efforts. Furthermore, it should increase recognition by these demographic groups of local niches and work with retailers to coordinate joint advertising efforts. The design committee can prioritize physical improvements to anchor stores, or in other areas that will have the most impact to the whole area. They can also tie the doling out of façade improvement funds to meeting the requirements of the business recruitment and niche-strengthening plan.

The Main Street board of directors should be involved in approving the overall business recruitment and niche strengthening plan; work on this plan should not stop with the ER committee. Uphams Corner Main Street states that it emphasizes these economic issues more than most Main Street organizations. Its ER committee has informally created a plan to recruit businesses. Yet neither the board nor the other committees were involved in creating this plan.
Many of the Uphams Corner merchants and property owners that are involved in UCMS are on committees other than the ER committee. Furthermore, while UCMS includes many stakeholders, there are many that are not involved. In accordance with general planning theory regarding citizen participation, if there is greater inclusion of stakeholders in developing this plan, the result will be a consensus incorporating many points of view. Therefore, the plan will be more sustainable, and the larger amount of up front buy in will facilitate implementation.

The economic theories of retail should be incorporated into most of the activities of Main Street programs and Business Improvement Districts, as well as public, private, and nonprofit funders of these efforts. While it is important to improve the physical and other attributes that repel people from commercial districts, the overall emphasis should be shifted towards improving the attributes that attract people. Specific programs that seek to change the economic dynamics of the area should be created and placed along side already existing programs that seek to change the physical dynamics. This will lead to a greater understanding by all stakeholders that economics matter, and that collective action can make a difference. It will also facilitate the trust building and collective plan making that is needed in a situation where no one entity has the ability by itself to create significant positive change.

The economic theories of retail do not provide the magic bullet that will turn around inner-city neighborhood business districts. Such a bullet does not exist. Nonetheless, incorporating the lessons that they provide into collectively determined strategies can make a large positive difference. Through trial and error, various strategies can be tried. The end result will be a more vibrant commercial district and a healthier place for neighborhood residents to interact and to meet many of their retail needs. In turn, this will help counteract the negative cycle of disinvestment and blight, and will lead to a more mixed income neighborhood.

Furthermore, a decent number of new jobs will be created, and there will be more opportunities for local entrepreneurialism. In the end, retail revitalization, with the help of the economic theories of retail, can create the conditions for the alleviation of poverty.
BIBLIOGRAPHY


Boston Consulting Group, in partnership with Initiative for a Competitive Inner City “The Business Case for Pursuing Retail Opportunities in the Inner City” June 1998.


Stokvis, Jack R. and James Cloar “CRM: Applying Shopping Center Techniques to Downtown Retailing” *Urban Land* April 91: 7-11.


LIST OF INTERVIEWEES

Alvaro Lima, Director of Boston Advisors (a subsidiary of Initiative for a Competitive Inner City), ongoing

Juan Carlos Ferrufino, Program Manager, Bowdoin/Geneva Main Streets, ongoing

Bob Haas, Planning Director, Dorchester Bay Economic Development Corporation, UCMS Board Member, on-going

Josh Bloom, New England Staff, National Main Street Center, ongoing

Margeret Barrenger, Lecturer, Tufts University, 1/20/99

Suzanne Shorpfer, District Manager, J. Silver, UCMS Board Member, 2/22/99

Andre Medina, Store Owner, America’s Food Basket, 2/22/99

Yassir Mohammed, Store Owner: Dublin House (Bar), UCMS Board Member, 2/23/99

Mark Salzberg, Store Owner: L&M Bargain, Property Owner, 2/26/99

Louis Talmore, Store Owner: Style (Clothing Store) 2/26/99

James Jackson, Store Owner: Jackson’s Barber Shop, Property Owner, 2/25/99

Charles LaToure, Store Owner, Athlete’s Foot, Egelston Square, Former Manager of Uphams Corner’s Payless Shoe Source, 3/1/99

David Milder, Downtown Revitalization Consultant, 3/1/99

Mark Bell, Store Owner: Bell Furniture, Property Owner, 3/3/99

Ed Grimes, Executive Director: Uphams Corner Health Center, 3/6/99

Eileen Doumachel, Store Owner: Strand Pharmacy, Property Owner, 3/7/99

Dana Narley, Property Owner and Local Real Estate Broker, 3/8/99

Joyce Bishop, Acting Director: Strand Theatre, 3/9/99

Andre Corria and his son, Store Owners: Casa Lia Furniture and Cape Verdean Bakery, 3/12/99

Jan Mattamoe, President: Uphams Corner Main Street, Neighborhood Resident.

Bruce Friedman, Real Estate Broker: Triad, 4/6/99
APPENDIX 1

CUSTOMER INTERCEPT SURVEY

Surveys were conducted in English, Spanish, and Portuguese.
UPHAM'S CORNER CUSTOMER SURVEY

Upham's Corner Main Street would like to find out more about the people who live and shop and visit Upham's Corner: who they are, where they shop, what goods and services they need, and their impressions of the shopping district:

Please answer the questions below and return the survey to the designated box.

Thank you for taking the time to participate in the survey!

SHOPPING PREFERENCES

1. What brings you to Upham's Corner today? ____________________________

2. How did you get here? (circle one): walk/bicycle/car/bus/train/taxi

3. How often do you come to Upham's Corner?
   □ More than once a week    □ Less than 3 times a year
   □ Once a week             □ Other: ___________________
   □ 1-3 times per month

4. When do you usually visit Upham's Corner? (circle as many as apply):
   morning/lunch/afternoon/evening    Mon/Tue/W/Th/Fri./Sat/Sun

5. Where does your household usually shop for the following items?
   Note: Please check the ONE place you are most likely to shop for EACH item.

<table>
<thead>
<tr>
<th>Item</th>
<th>Upham's Corner</th>
<th>Downtown</th>
<th>South Bay Mall</th>
<th>Other Mall (specify)</th>
<th>Dudley Square</th>
<th>Other (please specify)</th>
<th>We don't buy this</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drug Store/Pharmacy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Groceries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hardware/Paint</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Care</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restaurants</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. Please rate the following characteristics of the Upham's Corner Main Street district: Check the box that most closely describes your view.

<table>
<thead>
<tr>
<th>Upham's Corner Attributes</th>
<th>Excellent</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
<th>Very Bad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parking</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safety/Policing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shopping Hours</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selection of goods and services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access by public transportation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of goods and services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traffic flow</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleanliness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
7. What type of business or service would you like to see (or see more of)?

8. Is language a problem/factor when you visit Upham's Corner?
   □ Yes □ No If Yes please describe:______________________________

9. What do you like best about Upham's Corner?

CUSTOMER PROFILE (check appropriate box)

<table>
<thead>
<tr>
<th>Sex:</th>
<th>Age:</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ Female</td>
<td>□ 13-17</td>
</tr>
<tr>
<td>□ Male</td>
<td>□ 18-24</td>
</tr>
<tr>
<td>□ 25-34</td>
<td>□ 65 or over</td>
</tr>
<tr>
<td>□ 35-44</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Annual Household Income:</th>
<th>Primary Language spoken at home:</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ Under 10,000</td>
<td>□ English</td>
</tr>
<tr>
<td>□ $10-20,000</td>
<td>□ Spanish</td>
</tr>
<tr>
<td>□ $20-40,000</td>
<td>□ Cape Verdean Creole</td>
</tr>
<tr>
<td>□ $40-70,000</td>
<td>□ Portuguese</td>
</tr>
<tr>
<td>□ Above $70,000</td>
<td>□ Haitian Creole</td>
</tr>
<tr>
<td></td>
<td>□ Vietnamese</td>
</tr>
<tr>
<td></td>
<td>□ Other (please specify):</td>
</tr>
</tbody>
</table>

Where do you live? (please ask if unsure of neighborhood)

| □ Upham's Corner (check one) | □ Hyde Park/Mattapan/J. P. |
| □ Jones Hill | □ Other Dorchester |
| □ Eastman/Elder | □ Roxbury |
| □ Virginia/Monadnock | □ Other (please specify): |
| □ Hancock Street area | |

Zip Code __________________

If you are employed, where do you work?

| □ Upham's Corner: | □ South Bay |
| □ Downtown | Hospital |
| □ Upham's Corner Health Center | Other (please specify): |

Thank you for taking the time to fill out this survey! If you are interested in learning more about Upham's Corner Main Street, please ask the surveyor for a Main Street brochure, or call us at (617) 265-0363.

MANY, MANY THANKS!
APPENDIX 2

MAPS OF UPHAMS CORNER

Map 1: Retail Stores and Zip Codes
Map 2: Census Tracts around Uphams Corner
Source: Appendix D of Robicheau, 1992.
Note: This map is not up to date with respect to retail stores. Uphams Corner currently has a supermarket.
The Main intersection in Uphams Corner is at Dudley Street and Columbia Road.

APPENDIX 3
PHOTOS OF UPHAMS CORNER

Street Sign Identifying Uphams Corner Main Street

Intersection of Dudley St. and Columbia Rd.
(with Downtown Boston in the Background)
FOUR VIEWS OF DUDLEY STREET

AMERICAS' FOOD BASKET ENTRANCE

J. SILVER, WITH AFB TO THE RIGHT

L&M BARGAIN, WITH COMMUNTER RAIL PASSING BY IN THE DISTANCE

BUILDING RECENTLY PURCHASED BY DORCHESTER BAY EDC
THREE VIEWS OF THE STRAND THEATRE

THE VIEW DOWN COLUMBIA ROAD
AMERICAS’ FOOD BASKET

TWO VIEWS OF THE FRONT ENTRANCE

REAR ENTRANCE

(WITH PEOPLE LOADING GROCERIES IN REAR PARKING LOT)
SOON TO BE OPENED CAPE VERDEAN BAKERY

NEW CLOTHING STORE (FILLS HALF OF THE SPACE OF FORMER HARDWARE STORE)