

Courting food at the mall

By Wendy Webb

Food is big business in malls, as big as, if not bigger than the retail stores themselves. But it wasn't always that way, according to Christopher C. Muller, professor at the University of Central Florida's Center for Multi-Unit Restaurant Management.

Some 30 years ago when malls took off as destination points, they were anchored by major department stores, big-box retailers, placed at the mall entrance points to draw in shoppers, with smaller-concept stores filling in the spaces between them.

Shoppers flocked to the malls for the convenience of finding their favorite stores and brands under one roof. They also found an Orange Julius to quench their thirst and perhaps a pretzel shop where they could pick up something to nibble as they walked from one major department store to another. And that was the extent of mall food.

But then Chick-fil-A became the first restaurant to offer full-meal service to hungry shoppers. Other concepts followed suit and from there, and in the 1980s, the food court concept was born. Suddenly, more than shoes and sweaters was beckoning shoppers into the malls.

"Food courts became attractions by themselves," said Muller. "And soon, savvy mall developers started putting 'flags,' highly recognized, full-service restaurant concepts, at the mall entrances in addition to, or instead of, the big box retailers to draw people into the malls. Within the 30 years that malls have been around, we've seen the drivers, what draws people into the malls, flip flop completely."

That flip-flop occurred, Muller explained, when stores such as Barnes and Noble, Pier One, and Target, which are not typically located in malls but across the street from them, began to gain popularity, taking business away from the big-box retailers that had traditionally anchored the malls. At the same time, smaller shops such as the Limited, the Gap and other specialty shops also began to siphon business away from the big-box retailers, and suddenly mall developers were faced with their big draws not drawing as well as they used to. They needed something new to entice customers into the malls, and they began to focus on food.

"Now, food courts are the center of the mall, just as kitchens in today's homes are the center of the household," Muller said.

Food courts are powerful draws, especially for families, said Muller, because a family of four, all with different tastes, can sit together for a meal that satisfies everyone.

"My wife likes pizza, I like Chinese food, my daughter wants a burger, and a

food court is like a giant branded buffet," he said. "We all get the brands we want, different brands, and we can sit together. Everybody's happy."

Other foods, like specialty snack foods that are primarily available in malls, become destinations themselves, he said. Concepts like Mrs. Fields' Cookies and Cinnabon are widely recognized, wildly popular treats for mall-goers who know they can't get these specialized indulgences anywhere else.

Muller believes the future of mall-based restaurants will continue to evolve toward that kind of specialization.

"The food business in general is good at copying," he said. "One successful hamburger concept leads to a thousand others. So I think we're going to see an explosion in the juice smoothie segment, and in specialty pretzels. And I think we'll soon see a Krispy Kreme outlet in every mall in America. These kinds of things people can't get elsewhere will continue to draw customers into the malls."

Cinnabon

Steve Foltz knows about selling food in a mall. Foltz, co-owner of Cinnamon Bums, Inc., which owns and operates Cinnabon World Famous Cinnamon Roll stores in the Portland area, also owns a Jamba Juice, a Seattle's Best Cafe, and two Ranier Roaster restaurants, all located in Portland-area malls.

"People asked me why I wanted to go into the malls when the cost of retail space there was so much higher than on the street," Foltz said. "But we're in Portland—why put a concept on the street where

it's rainy much of the time?"

Cinnabon, he said, is a concept that needs the constant foot traffic provided by a mall environment. But, that environment doesn't come cheap, and the cost is rising.

"I think the biggest change I've seen in the malls is the cost of the space," he said. "All people can talk about now is how expensive it is. We're talking about \$100 per foot of retail space, when you can get a location on the street for \$25."

But, he said it's worth it, because of the heavy traffic guaranteed in a mall.

"And we don't have a down season," he added. "Foot traffic really drops off in the winter for non-mall stores."

Another change he has noticed since he entered the cinnamon roll business 11 years ago is the fluctuating nature of people's obsession with health food, which, by all accounts, a Cinnabon roll is not.

"We were doing fantastic business until about 1994," he said. "Then, that group that does the newsletter about fat in foods—they targeted movie popcorn, Chinese food and others—came after us. After that, we took a big, big hit. Business really dropped for us."

The drop in business was so pronounced, Foltz said, he would have sold his stores if he had found the right buyer. Now he's glad he didn't.

"Business is fabulous now," he said. "AFC (Cinnabon's parent company) has come up with some great new things—Cinnabon sticks, for one, which makes a Cinnabon more portable—and our business is really going gangbusters."

That's not to say his customers are less concerned with their health. Instead of obsessively counting fat grams, customers are adopting more of an "everything in moderation" attitude. That includes occasional indulgences found at Cinnabon.

"People look at us as an indulgence," he said. "We're hard to get, you have to come to the mall to get a Cinnabon. And so it's special for people. Once a month, say, you have a treat like this, you want it to be amazing."

Mallard Holliday, director of communications for Cinnabon agrees, saying the snack food industry is growing, and so is Cinnabon.

Sales for the brand—from its 187 company-owned and 264 franchised units—were \$184.4 million last year, up from \$150 million the year before. The brand opened 81 units in 2000.

Holliday said Cinnabon has recently stretched beyond mall-only concept to include new venues such as airports, hospitals and casinos.

"Because of the growth of the industry, we're looking at these and other venues to put our product in reach of more people," he said.

Mall traffic remains heavy, he said, and the brand has new things going on there, too.

"We're now accepting credit cards at all of our company locations and a large number of our franchised units as well," he said. "Where cellular service is available, we're using wireless credit card approval. The service is faster in terms of approval time and it's portable so we can set up temporary locations away from the bakery during peak times of the year."

Mrs. Fields

Nearly everyone has heard the story about how Debbi Fields started her cookie empire—a young mother with a homemade recipe for chocolate chip cookies, a storefront in Palo Alto, Calif., and voilà, an empire was born. But Chicago-based franchisee Scott Rubin tells a little-known part of the tale that adds to the story's appeal.

"The owner of the Oakland Athletics baseball team was trying all kinds of things to get people to come to the games," he said. "One of the gimmicks was having pretty women bring cookies and milk to the umpires during the 7th Inning Stretch. One of those women was Debbi Fields. That's how it started."

Fields opened her first store in Palo Alto in 1977. Today, 650 domestic and 65 international Mrs. Fields stores provide those same chocolate chip cookies and more to mall shoppers.

According to Mrs. Fields spokespeople, the typical store is located in a major mall and operates best within 600 to 800 square feet. Most importantly, a Mrs. Fields store needs to be where people are, where they are likely to buy impulsively. Malls are best, but more and more, the locations are branching out into urban areas, convention centers, airports and other highly traveled locations.

Rubin, who owns nine Mrs. Fields stores, agrees that the traffic level is key.

"In a mall, you have built-in traffic that isn't seasonal," he said. "We pay for that premium. But malls are bustling all of the time, much better than a downtown location because most downtowns don't have weekend traffic."

Rubin got into the cookie game on impulse.

"I saw an ad that someone was selling



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—Christopher C. Muller



Travis Ford, left, and Jennifer Sanders of St. Paul, Minn., take a break from shopping at the Rosedale Mall in Roseville, Minn., to indulge in a Cinnabon cinnamon roll.

FRANCHISE FOCUS

let's go shopping

his Mrs. Fields stores," he said. "I saw the ad on a Wednesday, by the next Wednesday we had approval to bid on the stores, and the next week we were running them."

Rubin, who also owns 37 Auntie Annie's pretzel shops, said he relied on his new stores' employees, and several of his own who had worked at Mrs. Fields' shops, to operate the stores

seamlessly during the transition.

Rubin decided to expand from pretzels into cookies because the customer base was similar, and he knew them.

"People aren't coming to the mall for a cookie or a pretzel," he said. "We're not a destination, we're an impulse."

He chose Mrs. Fields despite the fact that his pretzel franchises

"Let's hear it for the mall rats. Apparently, the economy and the labor markets have not faltered enough to scare away households from the malls."

—Joel Naroff of Naroff Economic Advisor commenting in an AP article on the healthy retail sales despite a not-so-hot economy.



Heather Homich of Mrs. Fields in the Rosedale Mall in Roseville, Minn., hands over a freshly baked cookie to customer Tara Moorehouse of Minneapolis.

compete with Mrs. Fields' Pretzel Maker and Pretzel Time stores, because of the high visibility of the cookie brand.

"Mrs. Fields has incredible name recognition," he said. "The brand awareness is huge. Everyone knows Mrs. Fields."

What's new in the mall these days, he

noted, is co-branding. While Mrs. Fields co-brands with its own pretzel companies, Rubin won't be co-branding his cookie and pretzel empires anytime soon. But, he is looking at co-branding with TCBY yogurt.

"It's another concept that will build our customer base," he said. FT

Hey, guys, I'm going to the mall!

By the time you read this, there will be only about 207 shopping days until Christmas. Which just goes to show there are more reasons to go to the mall than just to have a cookie or pretzel. Just for fun, we thought we would list some food-for-thought stats.

- There are 44,367 shopping centers in the United States.
- The vast majority of shopping centers (95 percent) are strip centers.
- Each month, 190 million adults shop at various shopping centers in the United States.
- In 1999, shopping centers accounted for \$1.16 trillion in sales, more than half of all non-automotive retail sales.
- Shopping centers employed

10,537,700 people in 1999.

•Shopping centers collected \$47.5 billion in states sales taxes in 1999. Retail sales taxes account for about 49% of all state tax revenue—more than individual and corporate taxes combined.

•In 1999, there were 784 more shopping centers operating in the United States than in 1998.

•California has the most shopping centers—5,978. Wyoming has the least—52.

•Four states place individual shopping centers as either the first or second most-visited sites in their states.

•40 million people a year visit the largest mall in the United States—The Mall of America in Bloomington, Minn.

—*International Council of Shopping Centers*