

LET'S TALK BUSINESS

Ideas for Expanding Retail and Services in Your Community

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Retail Outlet 'Incubator' Reusing a Downtown Department Store

by Kevin McGuire and Jim Schuh*

Many downtowns have large underutilized buildings that once housed a department store or other large retailer. These downtowns face difficulty finding retail tenants who need such large spaces. Further, increased competition in the marketplace, including the development of "big-box" retail on the edge of town, have forced communities to look for new uses for underutilized downtown buildings.

Metropolitan Shops is a unique, new development in Downtown Chippewa Falls, Wisconsin (pop. 12,925). It provides one example of how a former department store can be transformed into a unique retail center. This case study demonstrates the importance of local entrepreneurial energy in creating a successful project that is economically sound and in character with the community.

Developer with a Vision

Jeff Novak, local business owner and developer, found himself drawn to the architecture of the three-story Metropolitan Block. He could see behind the sheet-metal facade and modernized interior to the historic character and potential that lay beneath. The 1889 Metropolitan Block occupies a prominent corner in Chippewa Falls' historic district and, in the past, had been home to downtown department stores. Jeff decided in 1995 that the Metropolitan Block was the space he was looking for, and restoration began.

Soon his telecommunications company had settled into elegant, spacious offices in the upper floors, while the first floor was being re-invented as a kind of interior street-scene. Along this indoor "main street on main street" completed in 1998, the first floor's metal structural columns now resemble old-fashioned light poles. Stylish interior storefronts present inviting window displays to the central hallway.

Main Street Catalyst

Jim Schuh, Executive Director of Chippewa Falls Main

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Street made the connection between the unique retail spaces Jeff had created and the concept of a retail outlet incubator for local manufacturers. In downtown Chippewa Falls, the value of a retail outlet for local manufactured goods is not a new concept. Mason Shoe Manufacturing Company, with its factory in the city's industrial park, is the world's largest shoe catalog sales company. Their only retail outlet is one of downtown Chippewa Falls' anchor stores. It provides a shopping attraction for residents and visitors alike, drawing many people into the downtown.

With several highway bypass projects slated for the area and the potential for these to spawn additional "big-box" retail, Jim knew that much of the downtown's future strength would lie in maintaining unique types of stores and shopping experiences as key components of its retail mix. He began identifying potential recruits for the Metropolitan Block from listings in a local manufacturer's directory, looking for companies making unique products with a strong local or Wisconsin identity.

Anchor For the Project

In their factory, one block north of Downtown Chippewa Falls, Duncan Creek Manufacturing designs and builds high-quality custom furniture, mantelpieces, and unique wooden gifts. In 1999 they were just about to sign another lease for seasonal kiosk space at the re-



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gional mall—some ten miles away—when Jim’s persistent invitations and a reduction in Jeff’s rental rates finally persuaded them to sign-on as the first retail outlet in the Metropolitan Shops. Their shop, Duncan Creek Woodworks, opened for business in time for holiday shopping and their arrival set the stage for the Metropolitan Shops project to blossom.

Jim continued to promote the idea of bringing additional local products and manufacturers downtown, and Jeff implemented a two-tiered rental rate scale for the spaces in the Metropolitan Shops. A basic rate would be charged for 100 sq. ft. of space, and a higher rate would rent the space and pay for a modest level of retail sales staff service.

Who would serve as the retail sales staff? Kathy Hall, owner of Duncan Creek Woodworks, was in the building managing her shop anyway, and the “main street on main street” layout allowed her to easily extend her customer service and cashier role to the other shop spaces as well. Since Jeff would pay her for filling this role, Kathy could quit a second job and focus her full attention on developing Duncan Creek Woodworks and the Metropolitan Shops.

Filling the space

With Kathy in place as both manager and sales staff, the Metropolitan Shops were poised to offer local manufacturers a unique opportunity, a chance to try-out retail sales in a charming space on a prime corner in a nationally registered downtown historic district, *without* the usual costs associated with hiring and maintaining a sales staff.

Jim and Kathy now worked as a recruiting team, using direct mail, classified ads, phone calls, and personal visits in the search to find others who would join the project. A couple of additional wood product manufacturers signed-on, and a pick-up and delivery site for an area dry-cleaner began to generate new and welcome foot-traffic past the Metropolitan Shop’s indoor storefronts.



Food in the Retail Mix: Bohemian Ovens, Cow Caviar, and the Glen Loch Candy Shop share a space, providing an enticing attraction and increasing the flow of potential customers past the other shops.

July of 2001 brought a splash of stylish color to the Metropolitan Shops with the opening of XMI Downtown. XMI is a Chippewa Falls manufacturer and national distributor of men’s neckwear, shirts, and silk scarves. Other than the Metropolitan Shops their top-of-the-line products grace only the shelves of certain exclusive department stores.

Foodstuffs joined the increasingly diverse product mix in the fall of 2001. The unique brick-oven baked goods from Bohemian Ovens, Cow Caviar’s wholesome dairy products, and the delectable sweets from the Glen Loch Candy Shop share a space, providing an enticing attraction and increasing the flow of potential customers past the other shops.

Coordinating the Businesses

This approach makes economic sense because businesses in the “incubator” share in basic overhead and operating expenses. Each business does not have to have its own staff or on-site management. The following are examples of how operating systems are coordinated:

- Jeff purchased a multi department cash register to assist in tracking sales.
- Kathy opened a bank account for the Metropolitan Shops so that weekly checks can be easily written to pay each tenant for product sales.
- Kathy maintains inventory information, and individual businesses restock and price their own items.
- Businesses may share in joint purchasing of advertising for the Metropolitan Shops, saving money and reaping benefits from combined promotion and product mix.

Conclusion

To be a true incubator the Metropolitan Shops should provide an environment that initially shelters, then supports and nurtures, and finally graduates new ventures in downtown retailing. With sufficient sales volume and related expansion a current Metropolitan Shops tenant will some day outgrow the incubator and find its own place among the mature retail businesses of downtown Chippewa Falls. That will be an indicator of the project’s success as an incubator. In the meantime, a large, hard-to-fill, downtown space is brimming with a delightful array of unique retail goods. The diverse and unique product mix—food, furniture, apparel, gifts, and service (dry-cleaning)—creates a synergy and critical mass of attractions that is clearly a benefit to all concerned and a new jewel in this historic downtown. It reflects the identity and business base of the community while providing a unique retail opportunity that makes economic sense.

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