

Landlords Have Some Advice in Store for Tenants

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With big-box stores and boutiques shuttering left and right, landlords are facing more and more vacancies, and they're trying harder to prevent them from cropping up.

Some have offered discounts on rents, but others are now paying for business consultants to advise their tenants, a service most haven't offered in the past.

The consultants, who advise retailers on inventory management, employee productivity, lease deals and vendor relations, used to work on contract to retailers.

But now, Dan Jablons and Dave Leib, retail consultants who operate as Retail Smart Guys out of Lake View Terrace, have recently signed La Jolla-based Protea Properties as a client. The company owns Flower Hill Promenade in Del Mar, an outdoor mall with mostly boutiques as tenants, and Pangaea Outpost in the Pacific Beach neighborhood of San Diego, an indoor open-floor mall made up of local craftspeople.

Jeffrey Essakow, chief executive of Protea, heard about Jablons and Leib through a Flower Hill retailer who had hired them to realign its business. With about 5 percent of the center's retail space vacant, Essakow has already offered rent relief to some of his tenants. He has also organized special events, such as fundraising parties to benefit charities, and is planning a renovation to help drive customer traffic.

Essakow decided that hiring Retail Smart Guys to share their expertise with some of his tenants could be a good long-term investment.

"These small mom-and-pop stores are saying they need some kind of assistance, whether it's rent relief or having someone advise them," Essakow said. "Cutting rent, having a vacancy or hiring a consultancy is a cost to my business, so I'm looking for the minimum amount of cost with the highest return. I think hiring consultants is the way to go."

So far, about 10 of Flower Hill's nearly 30 retailers have signed up for the consultancy services. The center also has some restaurants, a day spa and a movie theater.

It could become more common to see mall owners hiring consultants to advise their retailers.

"I haven't heard about this, but frankly it doesn't surprise me," said Richard Giss, a retail analyst with Deloitte & Touche LLP in Los Angeles. "In this environment, you're not going to fill an empty space very quickly. If owners can spend a little and help a retailer make their way through this mine field, both sides will be better off."

Not always receptive

Sandy Sigal, chief executive of Woodland Hills-based retail property manager NewMark Merrill Cos., said he has hired business consultants for tenants in the past, but retailers haven't always been receptive.

"Now people are open again," Sigal said. "If they think they need it, we'll try to provide it for them."

He also said he has tried offering rent relief in years past, but sometimes retailers fail even with free rent. Instead, NewMark, which manages and develops properties all over Southern California, has focused on lowering operating costs and enhancing marketing efforts.

"We're all in this together," Sigal said. "I need them to thrive so they can pay their rent, and I need to make it a good place for people to come shop."

Retail Smart Guys meet with their clients monthly, going over what kinds of products a store should sell, how much it should carry, and how much the store should spend for it.

For example, if a store is stocking the same shirts and they haven't been selling, Retail Smart Guys will tell them to change things up.

"You have a lot of retailers who have been doing this for a very long time, but what worked 10, 20 years ago isn't working now," Leib said.

"Many haven't established good relationships with their vendors," Jablons said. "They were under the impression that they're too small to negotiate, but that's not the case."

Jablons and Leib charge clients based on the number of "classifications" sold by the store: dresses would count as one classification, pants as another. They try not to charge more than 1 percent of a store's sales volume on a monthly basis because they don't want to be cost prohibitive, but will adjust accordingly if the store requires more help. The consultants are also available for questions by phone and e-mail. Jablons and Leib have been consulting retailers for more than 15 years each and joined forces a year ago to form Retail Smart Guys. They now have 15 clients.

Retail Smart Guys used to work lease negotiations only for retail tenants, but are now working with center owners.

"We've helped businesses negotiate better deals on rent, and landlords are realizing they would rather have us on their side," Leib said.

Jablons and Leib are also getting some promotion from the Downtown Ventura Organization, a business group.

While the organization isn't paying the consultants to advise its local retailers, which are mostly small boutiques and restaurants, it has made introductions through quarterly meetings. Retail Smart Guys recently signed its first client on Main Street, Fusion Home.

"Most people are too shy to ask for that kind of help, but I know that they need it," said Rob Edwards, executive director of the Downtown Ventura Organization. "We've had one or two stores go out of business right before and after Christmas. On my to-do list is to find those retail consultants to introduce them to this neighborhood."