

Merchants struggle to keep it unique

By GUY LASNIER
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It's tougher to make a buck on the Santa Cruz Pacific Garden Mall today than it was 10 years ago. And it's going to get even tougher for the rest of the '80s.

More changes — businesses in, businesses out — have occurred on the Mall in the past year than in the five previous years, according to an informal survey and interviews with merchants and planners. The reasons are many and the trends are easy to spot.

"The trend is toward higher rents," said Marilyn Frame, general manager of the Cooper House and chairperson of the city's Downtown Commission. "Property owners are looking for business who can pay the rents they want to charge."

"You need very high productivity to make any money," said Sam Leask IV, president of Leask's, the Santa Cruz department store. That means, he said in a talk last month to the Governmental Affairs Committee of the Santa Cruz Chamber of Commerce, "you won't have

large stores, low margin or general merchandise stores."

The Pacific Garden Mall "is no longer the commercial center of Santa Cruz County," said Leask, who is also a member of the Downtown Commission. "It does not serve as a general purpose shopping center."

It is more specialized, he said, noting the downtown remains the financial center and governmental center of the county.

Figures from the city finance department show a steady erosion of downtown sales as a

nesses, based on standard design and merchandising techniques and backed by the buying power of dozens, sometimes hundreds of kindred outlets, have a higher profit margin on sales and can afford higher overhead.

"Retail stores are a kind of dinosaur. As rents go up, the only people who can afford to stay in business are the factory-owned stores," said Pete Schipper, president and general manager of Schipper-Dillon, a clothing store begun by his father and uncle 38 years ago.

But Mall merchants who

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percentage of city-wide sales. In 1980, the downtown accounted for 41 percent of taxable sales. In 1983, it was 38 percent. That doesn't mean business is bad. Total sales have shown a healthy increase in the same period, the numbers indicate.

Businesses are not about to pack up and leave the tree-lined street based on these developments. The Mall and downtown commerce will remain; the only question is what kinds of stores will be able to prosper.

Some merchants look with trepidation at the increase of franchise stores, or formula and factory stores, as they are sometimes called. These busi-

nesses, based on standard design and merchandising techniques and backed by the buying power of dozens, sometimes hundreds of kindred outlets, have a higher profit margin on sales and can afford higher overhead.

The key word is mix. What is the mix to be. "Carmelization" and "Boutiqueization" are the terms of derision that describe the merchants' fears.

"High rent and high productivity mean a trend toward frivolous and highly speculative stores, rather than staples," says Neal Coonerty, owner of Bookshop Santa Cruz at the north end of the Mall and a partner in Lulu Carpenter's bar next door. "That seems to be the direction of the street," said Coonerty, also a Downtown Commission member.

"How many of the staple businesses could afford the new prices? I don't think many bookstores could."

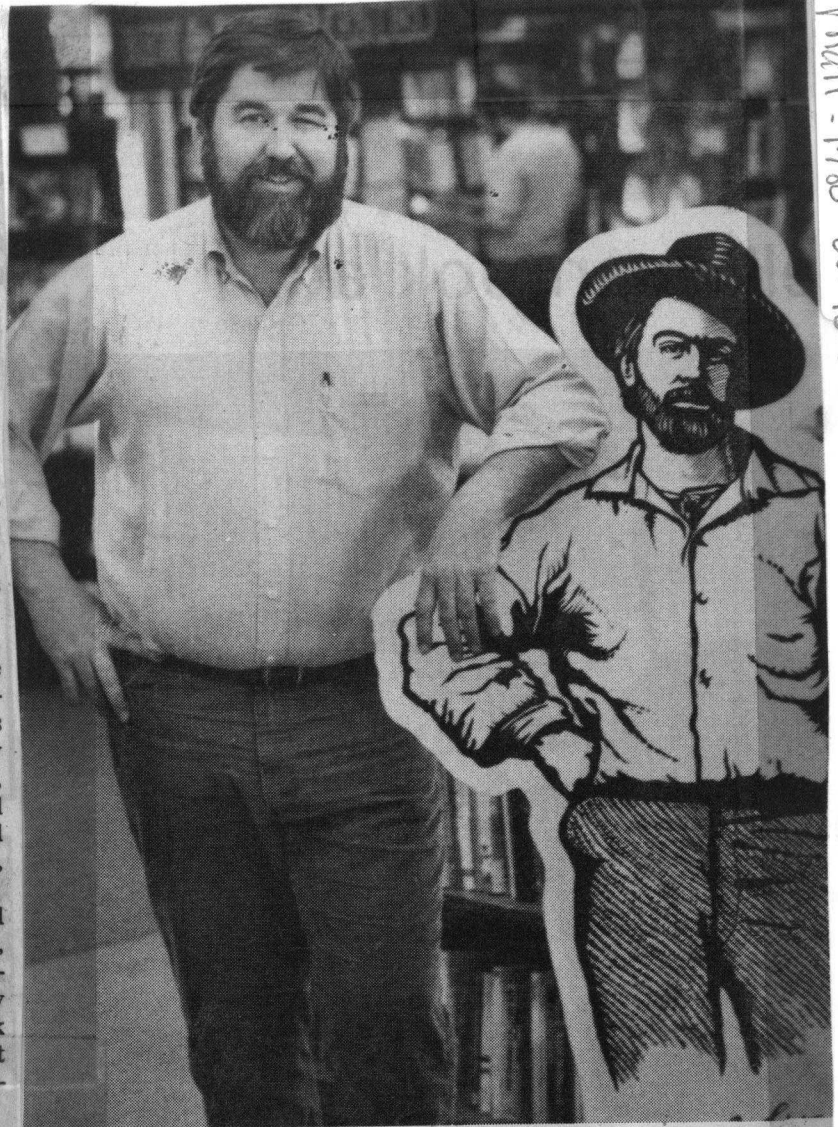
One can't help but notice the pink plastic Cadillac inside Fun City, even from across the street. In the space where the Western Store once sold saddles, boots and cowboy clothing, Fun City now sells "fun stuff" and symbolizes the new kind of store. Two doors down, Simple Pleasures peddles chocolates, cards and gift items where Santa Cruz Appliance used to be. (Simple Pleasures is on its way out, however.)

And in the other direction, The Ice Cream Bank, the corner eatery in the old landmark Wells Fargo building, has been replaced by the Rocky Mountain Chocolate Factory, an outlet of a Denver-based chain. The owners of the local franchise live in Santa Cruz, however.

The candy store shares retail space with Intergrand Design, a purveyor of high-tech ultra-modern kitchenware. Rocky Mountain's brass and oak antique fixtures stand 10 feet from the ID's high-tech merchandise.

Coonerty would like to see some kind of control on the kinds of business that move onto the Mall to avoid disturbing the mix so "we're not overwhelmed by T-shirt shops and fudge shops."

"There is strength in diversity," he said. Wholly-owned shopping centers control what kinds of stores come in, he noted. It is a difficult proposition, however, along a street



Neal Coonerty believes there's strength in diversity with different property owners.

"We can control that in the Cooper House," Marilyn Frame said. "But when you're working with owners along a street who don't have to listen to anybody, it depends on conscience," she said.

Coonerty has proposed that downtown merchants "actively

and aggressively" seek out certain kinds of businesses after identifying a need when a vacancy comes up. The idea is in its early stages.

"We need some sort of clearing house," Frame said in response to the notion, "similar to what the Chamber of Commerce does with industry."

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year it was "In Search of Excellence," the blockbuster business book.

"A retail merchant has to change with its customers or he will die," Coonerty said.

Roger Sherman, an advertising man and Mall-watcher since 1968, underscores the point. "People who are making it are the ones making changes. People dying are the ones complaining everything is changing," he said.

"It's now a yuppie market," he said. Sherman said business has had to become more professional. Cigar box tills and hand-drawn advertising, don't make it.

"Professional with a personal touch," is the delicate balance Sherman said is needed to make it along the Mall.

Downtown merchants are counting on a bill proposed by Sen. Henry Mello, D-Watsonville, that would allow them to become a "Business Improvement District" and tax themselves enough to raise \$60,000 to \$70,000 a year. Leask calls it a "war chest to allow us to compete effectively against Capitola Mall and Rancho del Mar (where he also has a store)."

The money would pay for a full-time promotion director for the downtown. Since the late '60s downtown stores have raised about \$18,000 a year to fund do-it-yourself promotion, Frame said. The sum has remained the same and the promotion project requires volunteer effort by merchants who must take time away from their businesses.

The outlook for the Mall is by no means dreary. A forecast prepared by an economic consulting firm estimates 20 percent growth in shoppers' goods by 1990. The report estimates 50 percent growth each in specialty goods and restaurant and bar sales.

The Mall is also expanding to the south with the opening of the new transit center. The exodus of car dealers to 41st Avenue will cut overall downtown sales figures but also opens up space at the southern end of Pacific Avenue.

The Mall is going to survive and thrive "as long as people care," Frame said, adding that businesses have to remember their base is local people. "We have the summer season for only three months," she said.

Sam Leask takes the other tack. Describing himself as a "free marketer," Leask believes in the leveling force of competition.

"I have a basic faith our market economy will take care of (the mix)," he said.

Pete Schipper says he falls somewhere in between. "I'm not so concerned with the mix," he said. "It takes care of itself. My concern is that we have good stores, well-run stores."

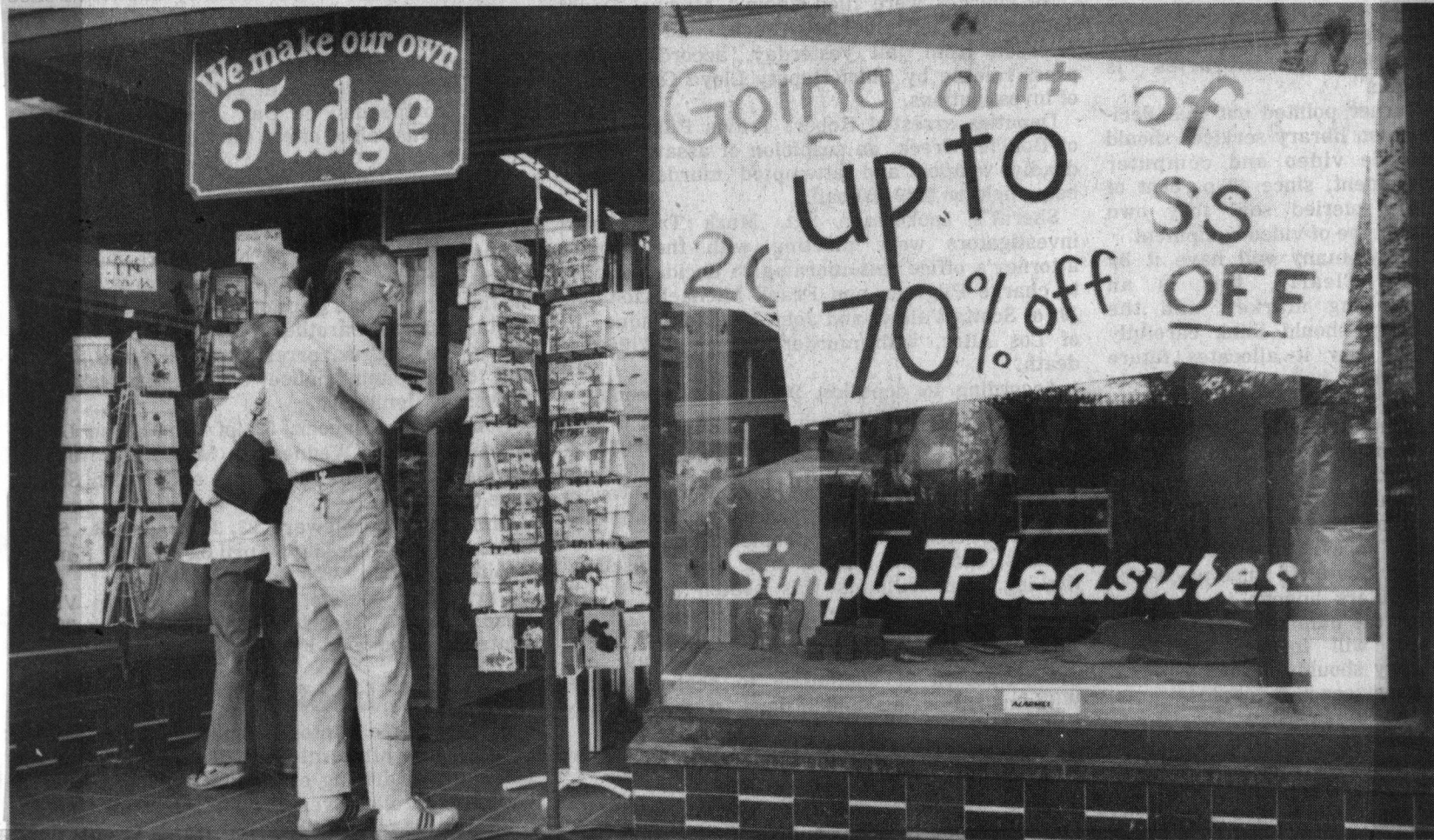
Customers' changing tastes demand a retail merchant's attention as much as any other factor in business. Coonerty, as the operator of a bookstore, says he has a good notion of changing tastes by the popularity of titles he sells.

In 1974 "Tales of Power," the story of metaphysical mysticism and psychedelic drugs was a best-seller, he said. Last



Sam Leask IV has faith a free market will maintain variety of commerce.

Santa Cruz Mall's changing face



As one retail commercial venture on the Santa Cruz Pacific Garden Mall calls it quits...



...another prepares to try its luck with 'ultra-modern automatic clothing.'