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Revival of the historical centre of a small spa town by a city outlet. The example of Bad Münstereifel

Summary:

Compared to the worldwide dissemination of FOC, Germany has only seen a very reluctant adoption of the concept, with a low number and density per capita. Furthermore, in contrast to the original concept several FOC have been generated within or close to the city centre. The paper presents the even more atypical case of the City Outlet Bad Münstereifel, which is located in a small spa town. After a crisis in the spa business led to vacant shops, factory outlet stores now blend in with the existing stores in an attractive historical setting. The paper shows the strategy behind its realization and the effects on the visitor composition and discusses implications for the management and marketing of city centres. The City Outlet Bad Münstereifel has attracted great interest among small German towns with well-preserved historical centres.

Keywords: *FOC, Germany, Bad Münstereifel.*

It is generally assumed that globalization leads to an increasing homogenisation of lifestyles and economic systems. One example seems to be the spread of Factory Outlet Centers as centrally planned and managed retail agglomerations that offer their merchandise at highly reduced prices.

They have their origin in the United States, where the first FOC came into existence in 1974 as a follow-up utilization of a former knitwear factory and in 1979 the first FOC started in a building erected explicitly for this purpose. After a maximum of 32 to 43 new openings in 1987-1990 there followed a decrease down to 5 to 7 new FOC in 1997-1999 (Hahn, 2002, p. 63). The main principle behind the location of a FOC was a maximum distance from the established retail agglomerations, because otherwise the conventional distribution channel of the producers (offering up-to-date articles at regular prices!) would be damaged by the low priced FOC.

In Europe 166 FOC with a total retail sales area of 2.7 mio. sqm were operating in 2016, according to surveys by ecostra. The UK tops the list (36 FOC); Italy ranks second at some distance with 22 FOC (according to Terra 32 in 2013); Spain and France follow shortly behind (21 / 17 FOC). In Germany 14 FOC are operating in 2016 (including two "atypical Outlet Centres"). In respect to the sales area Germany lags even farther behind the European front-runners with 2.4 m^2 per 1,000 residents. The respective densities are 8.7 in the UK, 8.0 in Italy, 5.0 in France and 4.7 in Spain; high densities can be found in Switzerland, Austria and Portugal as well (10.1, 8.4 and 9.2) (unpublished statistics by ecostra, for more details see Will, 2012, 2014)[1].

The reason why Germany lags so surprisingly far behind lies in cultural differences that result in a restrictive approach to approvals on the part of legislation and regional planning, whose strategic purpose is to preserve the historical system of central places. The opposition of local retail associations also plays a role. This resulted in a very slow expansion. Currently, three FOC are under construction, but several more FOC are planned (sometimes contested). Many projects have been given up, often after years of controversy. Experts expect only 20-25 FOC in Germany by 2030 (Will, personal communication 2016).

What is even more important when we compare Germany with other nations is the great variety in the concept, location and ownership among the FOC. Less than half of them belong to the "classical" non-integrated FOC of the "village style" (Ingolstadt, Neumünster, Wertheim, Berlin-Wustermark, Zweibrücken). They were mostly established by large international enterprises.

An increasing number of German FOC is located close to the centre of the city or even within it. The largest German outlet agglomeration at Metzingen developed in a long process starting from the Boss Factory Sales. Their great success attracted 90 more Factory Outlets that spread across the entire city. In 2012, sixty of them founded the Metzingen Marketing und Tourismus GmbH jointly with the City of Metzingen. Further FOC have been developed at former factory sites located in the city centre: FOC Ochtrup (representative building complex of a former textile factory; it started 2004 as Euregio Outlet Center), Factory In Outlet Center Selb (it uses the buildings of a former porcelain factory since 2001) and seemaxx FOC Radolfzell (new building at the site of a former textile factory).

The Designer Outlet Wolfsburg is located on a former site of the municipal utility at the Mittellandkanal in continuation of the high street and opposite the Phaeno Science Center and the VW entertainment park "Autostadt". It opened in 2007 and is the first custom-built FOC at an inner city location. At Montabaur a FOC opened in 2015 between the main railway station (high speed connection Frankfurt - Cologne) and the city centre; it has direct access from a main freeway as well. Three FOC under construction are integrated right into the city centre: in Wilhelmshaven as a redevelopment of a former C&A department store, in Wuppertal as a conversion of a historical office building and in the neighbouring Solingen reusing a former shopping center.

The following contribution deals with an even more atypical case of a FOC that shows the high esteem in which historical urban settings are held in Germany: the City Outlet Bad Münstereifel. It is integrated into the existing building structure of a small historical city centre, mixing the outlet stores with the local business premises. This model has provoked broad interest among other small cities with a well preserved historical town centre and retail vacancies (Dinkelsbühl is a good example). In contrast to the usual approach taken in economic geography, this article focuses on the question whether the organizational principle of a FOC can be compatible with the local conditions from the perspective of urban, social and political geography.

The case of Bad Münstereifel has to be considered against the background of the general trend in the German urban system. The continuing dynamic of change in retail and consumption lifestyles leads to a strengthening of strong centres and a weakening of weak ones. Because of the diversity of retail goods they offer, their appealing architecture and public open spaces and their excellent accessibility by public transport and car, metropolitan city centres are attracting increasing investment by leading national and international retail brands (especially flagship stores) as well as by real estate businesses in a self-reinforcing process. At the same time, small cities are losing out, especially those situated in economically weaker and/or peripheral regions.

The problems of retail in city centres are reinforced when the overall economy also drops into crisis. Frequently, this is a result of changes in industrial structure. Spa towns have lost a significant number of guests, and accordingly revenue, because of changes in regulations in the public health sector. This has caused considerable vacancies in retail which undermined the attractiveness of the city centre, leading to a vicious circle. The reduced economic power led to deficits in the maintenance of buildings that accelerated the downward trend.

One example of this problem and an initiative to counter this challenge is the spa town of Bad Münstereifel (18,600 inhabitants). In its old town, a nontypical outlet agglomeration opened in the summer of 2014 whose shops are spread across the entire main shopping street, mixed with local retailers, restaurants and other local users[2]. The new concept was ranked second in the Innovation Prize for the category "City" by the German Council of Shopping Centers, as well as the Real Estate Manager Award in the category "Urban Development"[3].

Bad Münstereifel is located in the Eifel region, around 60 km southwest of the greater metropolitan area of Cologne-Bonn. The historic centre is characterized by half-timbered houses. It is crossed by the river Erft and surrounded by a medieval town wall. Bad Münstereifel has been a "Kneippkurort" since 1926. In addition, its landscape and townscape make it an attractive tourist destination with more than one million day tourists per year.

The crisis of the spa economy was a result of restrictions on the number and duration of cures granted by public health insurances. This caused a 40% reduction in overnight stays between 1990 and 2005 that has amounted to around 110,000 overnight stays per year since then. Within the old town, shop vacancies increased more and more.

In 2009, three local entrepreneurs developed the idea to acquire historical property (first under cover) and then run it jointly in the form of a Factory Outlet. In 2011, they informed the public. Assured of the support of the city, they founded the company "Bad Münstereifel Immobilien Management GmbH" in the same year. 34 of 75 shops in the city centre were vacant in 2013; 14 were already bought by investors. The renovation works under the surveillance of the state-run historic preservation agency took more time and investments than originally planned.

The Austrian specialist "ROS Retail Outlet Shopping" was awarded the mandate to select

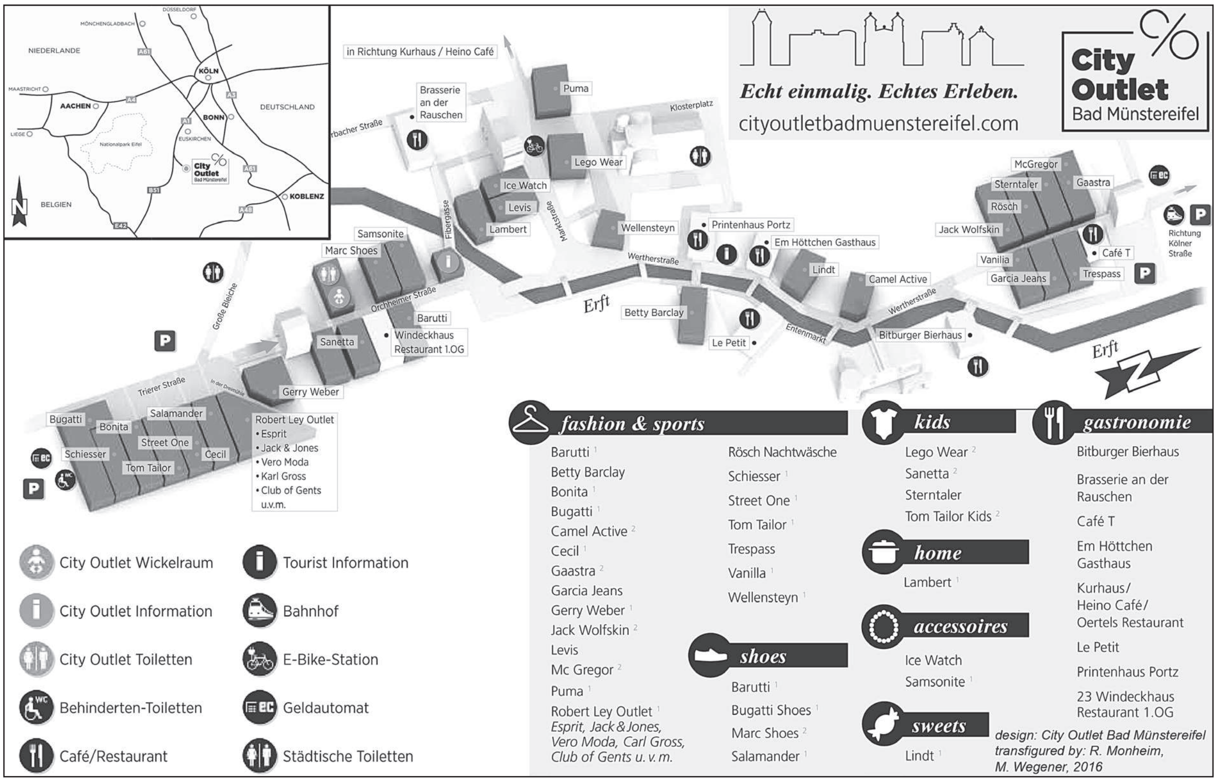

Fig. 1. Shopping Guide City Outlet Bad Münstereifel.

the products to be offered, find tenants and manage the start of the outlet center (meanwhile the center is managed by its owners and ROS serves as a consultancy). When the outlet started it offered goods by 40 brands with a price discount of 30% to 70% in 30 shops on a total sales area of 12,000 sqm (fig. 1). In 2016 it is being enlarged by nine more shops (including one restaurant) with 4,000 sqm additional sales area.

21 shops located in the old town have mostly small floor areas and a rather inconvenient layout. Outside the old town, immediately behind the southern gate, nine shops with 420-800 sqm of retail area were erected to host large-scale shops with a more modern layout.

For the continuing success of the outlet it is considered necessary to attract additional renowned brands. Due to the scarcity of appropriate real estate inside the historical centre, the southern location will be enlarged by an additional commercial building of 2,500 sqm of retail sales area in 2017. Moreover, more small shops will be acquired by the outlet inside the old town in the near future[4].

The speciality of the City Outlet Bad Münstereifel lies in the mixture of outlet shops with 42 additional local shops, all located together in the same public realm. Some have adapted themselves by offering special sales. This broadens the choice for shopping tourists. The requisite gastronomy is provided by 29 autonomous suppliers. This has to be taken into account when comparing the City Outlet Bad Münstereifel with “normal” FOCs.

Within the leading inner-city sales segment, *clothing and textiles*, 21 of 45 providers are part of the outlet, among *shoes and leather goods* the ratio is 3 of 11. The nine shops for *giftware, souvenirs and hardware* in the city centre are a heritage of the traditional spa and excursion tourism; only one of them belongs to the outlet, however.

Comparisons with the common standards of FOC reveal the special features of the Bad Münstereifel outlet. Normally the retail area is 50 to 100% larger; the number of shops is three to four times higher and the number of brands offered two to three times higher. Furthermore, the novelty of the concept and the lack of buildings with a floor plan corresponding to the regular standards had the effect that many operators that are commonly represented in FOC were unwilling to rent shops in Bad Münstereifel. Meanwhile, however, due to the visible success there is an increasing demand to rent shops in the City Outlet.

The heritage authority had imposed strong restraints with regard to advertising. As a consequence, the appearance does not differ much from that of the other shops. The developer designed the public realm of the entire 650 m of the main shopping street in a manner that looks modern but nevertheless fits the historical environment well. It underlines the romantic character of the old town and looks quite authentic – in strong contrast to the artificial sceneries of the village-style FOC.

The catchment area of the City Outlet Bad Münstereifel differs from "normal" FOC. The share of visitors travelling from more than 90 minutes distance is smaller, whereas more than average live at a distance of 30 to 60 minutes[5]. One reason is that it is less accessible by car than the many other FOC located close to a freeway. Furthermore, the small number of renowned brands and the total lack of top brands limits the supraregional attractiveness. As a consequence, the marketing budget is smaller than usual. The predominantly regional catchment area is another point with which it deviates from the FOC definition by ecostra (2016: 1), according to which "above all customers from far away are addressed". The FOC under construction at Wilhelmshaven, Solingen and Wuppertal will likely also serve regional markets.

The customers come mainly from the metropolitan areas of Cologne and Bonn and, to a lesser extent, the western area of Düren/Aachen and the southern Netherlands. In addition, there are visitors from the neighbouring medium-sized town of Euskirchen, whose retailers complained particularly about the risk of losing customers. The residents of Bad Münstereifel play a minor role. The catchment area corresponds largely to that of the local recreational clientele of Bad Münstereifel and the northern Eifel.

According to an early survey in a Master's degree thesis at Bonn University (Bodenheim 2015, n = 98) only every second visitor to the old town lists the outlet as the main reason for his stay, whereas 40% are on a recreational one day tour in the region. 28% do not shop at all, 61% purchase goods in outlet shops, 22% of them in combination with other shops; 11% visit other shops exclusively. Three quarter of the visitors are at least 50 years old. That contrasts with the most successful German Fashion FOC, Metzingen, where only 30% of visitors are above 50 years. Apparently the additional range of goods offered has stabilized the attractiveness of the area for elderly recreation seekers, many of whom have been coming for a long time.

The local investors wanted to integrate their initiative into the local economy and society using various strategies. They hired local firms for the extensive renovation works. Shopkeepers who were worried about the crisis of retail collected signatures in favour of the outlet. A consortium of citizens and business people, called "The Optimists", helped to create an atmosphere of anticipation. One year before the opening a large city festival was organized in which 80 clubs and associations, retailers, gastronomists, both retirement

Photo1. Bad Münstereifel - pedestrian street Wertherstraße, river Erft and castle (Meffert, 2014).

Photo 2. Half-timbered houses with City Outlet shops and local shops in the Orchheimer Straße (Meffert, 2014).

homes and the spa and business association of the city participated. In addition, 30 historical flower bowls were placed on the streets. With this "social entrepreneurs" cooperated in the sense of "place making" and strengthened the "social capital" of Bad Münstereifel.

As a conclusion one can state that the City Outlet Bad Münstereifel represents an atypical case, whose long-term chances of success are seen critically by several experts. However, from the point of view of town planning and city marketing it offers thought-provoking impulses. First of all, one could mention that this outlet represents the model of a property alliance that has long been called for as an alternative to the usually uncoordinated actions of individual shop – and real estate owners. It creates new opportunities for the city centre by coordinating the mix of business sectors, management, advertising, the public realm and the renovation of the building infrastructure. Furthermore, the new retailers served as multipliers for innovations in the retail business, in addition to their contribution of higher volumes of customers and turnover. Especially at locations suffering from a crisis it is important to create a sense of optimism and a "we-feeling".

The model of Bad Münstereifel has attracted lot of attention among mayors and retailers associations of small cities with historical town centres all over Germany. This is reflected in press reports, articles in trade journals, visits of delegations and feasibility studies. Currently, in twelve small cities initiatives have started to look for comparable solutions to the problems of historical centres that are suffering from vacant shops. However, many obstacles have to be overcome. Local politicians and the general public may develop doubts because of critics who spread devastating news about Bad Münstereifel. Entrepreneurs need a considerable degree of perseverance, not least because there may be significant delays in accomplishing the project (this happened in Bad Münstereifel, but is the case with many conventional projects as well). According to the outlet specialist Will (ecostra) banks are hardly prepared to give loans due to the incalculable risks. The brand suppliers who are essential as tenants are often reluctant because they do not know the potential market area that may be developed in the long run and cannot control the retail environment.

In principle, initiatives for strengthening the city centre would be possible without a FOC. They would, however, require an entrepreneurial approach, which is in short supply, especially in cities suffering from problems.

When we compare the City Outlet Bad Münstereifel with a typical Outlet Village of a conventional developer, as for instance the Sicilia Outlet Village at Agira (Province of Enna; see Graziano and Nicosia 2013), the contrast to such an isolated "Cathedral of Consume" that represents the "classical village style model" of a FOC becomes clear. In these FOC the illusion of a historical village is stage-managed with the help of fake building facades that are typical of the region. The nice "show", however, cannot compensate for the problematic location (maybe also deficits in management and marketing?). As a result, according to a poll among the tenants of all European FOC by the consulting specialist ecostra, the Sicilia Outlet Village ranks 98 out of 107 FOC in respect to their satisfaction with the economical performance. Three more Italian FOC, however, do even worse, with the Soratte Outlet Shopping at Sant'Oreste ranking last.

It will be interesting to observe how the authentic version in Bad Münstereifel will turn out in the long run (the owners are quite confident!) and whether other small cities suffering from shop vacancies will establish similar FOC. In view of the numerous small historical town centres in Italy one could imagine that some local entrepreneurs together with their mayors might take up the idea.

Furthermore, it will be interesting to observe whether in Germany more FOC developers will adopt the lesson learned by the shopping center industry, that is: back to the city centre (Monheim, 2008). As shown in the introduction, eight FOC have already been established and three more are under construction within or close to a city centre. This can be seen as a result of the strength of German city centres well-grounded in their specialization as destination for shopping tourism, which plays an important role nowadays in the development of the retail system (Monheim, 2013).

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Notes

[1] Current information on FOC in Europe can be found on the internet in the annual reports by the consultancy ecostra, including surveys on FOC in Europe. Ecostra (2016: 1) gives the following definition: *Outlet Centres are an agglomeration of many outlet store units within a coordinately planned or a spatially-interrelated complex of buildings with more than 5,000 m² retail sales area (= approx. 6,000 m² GLA) and with more than 20 outlet stores. There brand manufacturers and vertically-integrated retailers sell past seasons, surplus stock etc. directly to the consumer, without using retail businesses as (intermediate) distributive channels. All products are sold with a discount to the original high-street price of at least 25%, whereas double-pricing ("High street Price" / "Outlet Price") is ruled by the leasing contract. The marketing targets a superregional area and above all customers from far away are addressed. The coordination, organization and marketing of an outlet centre is carried out by a centre management".*

For detailed information on FOC see ecostra (2011, 2015, 2016) and Will (2012, 2014). The GMA Gesellschaft für Markt- und Absatzforschung mbH has published an interims balance (Beck 2014) and a list of FOC in Germany and Austria (GMA 2015).

A study of the FOC principles was carried out by Hüttner (2005) in a doctoral thesis; its emphasis is on the role of shopping tourism and smart shoppers. The thesis continues a retail focus of the University of Regensburg (Schmude 2000). For critics of the model of FOC see the polemical paper by Brune (2014).

The higher number of 32 Italian Factory Outlet Centers in 2013 given by Terra (2013: Tab. 6-2) probably results from a broader definition in comparison to ecostra. For Italian examples of FOC see Miani (2006).

[2] In the opinion of ecostra (2016) the City Outlet Bad Münstereifel cannot be defined as FOC because it is not a contiguous construction; the suggested alternative is "Organized Outlet Agglomeration (OOA)".

[3] The special nature of the City Outlet Bad Münstereifel was picked up by the university geography departments of the region with several bachelor and master theses and seminars (Ritter 2013, Thomas 2013, Jansen 2014, Bodenheim 2015) – a sign of the practical orientation of German geography (for the unpublished theses and further information on the City Outlet Bad Münstereifel see Monheim 2015).

[4] A stepwise enlargement can be observed in many conventional FOC as well. It is a means to test the market and it helps to reduce the hurdles to approval of the plans and the opposition of local retailers.

[5] The share of visitors coming from more than 90 minutes travelling distance is 23%-27% at Ingolstadt Village, 34% at the Designer Outlet Soltau and ca. 35% at Wertheim Village and Designer Outlet Roermond (NL) (Will 2014: 12).

At the Metzingen Factory Outlets 46% come from more than 90 min. travelling distance (about one third are foreigners); cars parked in front of leading international brands (Boss, Joop, Escada, Bally) come from an average 147 km compared with 84 km in front of national or regional brands (Hüttner 2005: 56).