

BUSINESS

Tanger's Tango With Alternative Uses And Experiences

● CEO Stephen J. Yalof spells out the strategies to capture wider audiences and increase the dwell time at the company's outlet centers.

BY DAVID MOIN

At Tanger Factory Outlet Centers Inc., it's no longer entirely about shopping.

Micro breweries, gourmet groceries, golf simulators, electric car recharging stations, selfie concepts, even robotic dinosaurs and other alternative uses and entertainment features are popping up and taking over more of the real estate, along with greater amenities and food and beverage options. That "treasure hunt" for deep discounts on branded merchandise has for decades drawn shoppers to outlet centers and off-primers, but now much more is needed to attract wider audiences and get them to stay longer.

"In Deer Park, we did the Dino Safari during the summer. We had 40 animated dinosaurs in the parking lot where you pay a fee and drive-through. Those animatronic, three-dimensional full-size dinosaurs that moved — they were a great draw," Stephen J. Yalof, president and chief executive officer of the 40-year-old Tanger Factory Outlets, told WWD.

"We have activated our parking lots in the past, but this was a pretty spectacular activation. I'd love to see Dino Safari come back year-over-year. If you want to keep that shopper and create a sense of loyalty, there has got to be something other than just the experience of shopping that holds them and gets them back more frequently," Yalof said.

"One of our strategies is to get new customers and younger customers and get them to spend more time when they shop with us. Interesting new uses and creative use of our space has definitely given us this opportunity. We have a strategy to become more of a customer-experience destination."

At outlet centers, traditional malls and all kinds of shopping venues, space has opened up because of the wave of restructurings and downsizings many brands and retailers have undergone recently, before and through the pandemic. Tanger, which owns or has an ownership interest in 36 upscale, open-air outlet centers mostly in the South and often near resort communities, recaptured 135,000 square feet this year through the end of July, 80,000 square feet during the first half of 2021 alone and about 380,000 square feet during the first half of 2020.

"There is definitely opportunities for some alternative uses in our shopping centers," Yalof said. "Sit-down restaurants are pretty new to our format and we are finding that a lot of great local micro breweries and sit-down restaurants that serve alcohol are looking for locations. They are relocating in certain geographies and coming to shopping centers. We just added a very famous, high-end gourmet grocery, Nantucket Meat & Fish Market, in our outlet center in Hilton Head, S.C. It draws a totally new customer, who shops us more frequently, and while they are there, they will cross shop our shopping center and build bigger baskets."

Among other alternative formats recently arriving to Tanger Outlets is Alvéole bee hives. Since last spring, six Alvéole honey bee colonies were installed atop

Tanger centers in the U.S. and Canada. Alvéole, a social beekeeping company that provides programs and habitats for the country's declining bee population, offers opportunities for consumers to learn and get involved with urban beekeeping.

At the Grand Rapids, Mich., outlet center, there is a 5 Lakes Brewery and Entertainment District, an evolving space with outdoor games such as a putting green, cornhole and bocce ball, with a social gathering space, and the Mebane, N.C., outlet center houses a Bright Penny Brewery. At the Hilton Head center, there is a Byrds Famous Cookies, and an X-Golf food and beverage establishment with golf simulators is under construction. At Deer Park, there is a new My Cookie Dealer, a digitally native company famous for its half-pound cookies as well as serving coffee and lemonade.

Five Tanger centers, so far, house "selfie stores" where customers pay entry fees to interact with art installations or other photographic backdrops and vignettes to



take selfies.

Last spring, Fillogic, a New York City-based start-up logistics platform, opened a "tech-enabled micro distribution hub" at the Deer Park center. Fillogic offers a variety of shipping services, including same-day delivery for local residents, ship from store fulfillment, storing and shipping of direct-to-consumer orders, international shipping and aggregating shipments in trucks to save time and money for retailers.

Tanger also not long ago formed a partnership with Volta charging stations for electric automobiles. "More than half of our properties will have that. We don't have gas stations on our properties," Yalof said.

"We have a team looking to activate our excess land."

For the future, Yalof sees a substantial portion of Tanger real estate transformed to alternative uses. "Fifteen to 20 percent would be a great number," he said.

Tanger has other strategies in motion changing the complexion and composition of its centers. "At Riverhead, we have been pretty successful bringing in a number of furniture and home decor stores," he said, citing Mitchell Gold + Bob Williams furniture, and a major national furniture retailer soon to sign a lease. "Riverhead seems to be a destination for furniture and home decor right now. We have a number of stores there that serve that use. Restoration Hardware, West Elm, Pottery Barn are there." And in Tanger's center in San Marcos, Texas, there's a Purple mattress outlet.



"There is a lot of growth in the furniture business. That's going to fuel some of our growth going forward."

Several Tanger markets — Riverhead, Deer Park, National Harbor and Myrtle Beach, among them — have been designated prime for increasing better-priced and luxury offerings. In the last six or seven months outlets for Giorgio Armani, Lafayette 148, Hugo Boss, Moose Knuckle and Tory Burch have opened.

"There are a handful of other brands at that level that we are working with, that will be new to our portfolio. We are in various late stages of completing transactions," Yalof said. Outside the luxury sector, on Memorial Day this year, Tanger opened the first Dick's Sporting Goods warehouse in Deer Park.

Tanger's top 10 tenants are Gap Inc., represented by Old Navy, Gap and Banana Republic; Premium Apparel, which includes Talbots, Loft, Ann Taylor and Lane Bryant; PVH Corp., represented by Tommy Hilfiker, Van Heusen and Calvin Klein; SPARC, including Aéropostale, Brooks Brothers, Eddie Bauer, Forever 21, Lucky Brands and Nautica, and Tapestry, including Coach, Kate Spade and Stuart Weitzman.

The other five top brands in Tanger centers are Under Armour; American Eagle and its Aerie division; Nike including its Converse and Hurley brands; Columbia Sportswear, and Carter's including the Oshkosh B'gosh brand.

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Despite the rise in COVID-19 cases, traffic to Tanger's open-air centers during the second quarter of 2021 surpassed the same period of 2019, according to the company. Consolidated portfolio trailing 12-month tenant sales were \$424 a square foot, an increase of more than 7 percent from the comparable 2019 period and the highest tenant sales reported in Tanger's history. Consolidated portfolio occupancy rate was 93 percent as of June 30, compared to 91.7 percent on March

31, and 93.8 percent on June 30, 2020. And on a same-center basis, average tenant sales increased 5.5 percent compared to the trailing 12 months ended June 30, 2019.

Same-center net operating income for the consolidated portfolio increased to \$69.4 million for the second quarter of 2021 from \$37 million for the second quarter of 2020 driven by a better-than-expected rebound in variable rents and other revenues in 2021 and the impact of the COVID-19 pandemic during the second quarter of 2020.

"We are getting a larger share of wallet," Yalof said. "People who are coming to visit are definitely spending more money," and a lot of that had to do with the return of students to classrooms this fall, as well as Tanger's open-air format, which many consider safer environments than enclosed malls in a pandemic, and its value proposition.

"You get a lot more product for your dollar in an outlet shopping center," Yalof said. "Our shopping centers are largely apparel, footwear, accessories, and that's a lot of the product the customers have been looking for now, particularly during back-to-school."

Geographically, the South has been performing better, traffic-wise, than the North, Yalof observed. "A lot of these summer-oriented resort destinations saw a tremendous amount of traffic," such as in Hilton Head, S.C., and Vero Beach, Fla. "People are traveling. Last year, nobody was buying luggage. Now I can't keep luggage in stock. That's a great indication that people are [traveling] around. If they're not flying, they are certainly doing it by car. Driving to American resort cities has been extremely popular, especially in the summer."

Asked if he was concerned about the new rise of COVID-19 due to the Delta variant, Yalof replied: "We are prepared. Last year, when the stay-at-home mandates were first instituted, we went to work and developed great safety protocols. We definitely followed the government's guidance. Now we have great experience operating our centers during that time period, so we can stand that up extremely quickly if need be. Again, we are open-air shopping centers, and I think what we found at least when the mandates were lifted and nonessential retail stores were allowed to reopen, was that our stores opened very quickly and customers returned very quickly.

"As we add new uses to our outlet centers, we are really drawing new kinds of customers to our centers," Yalof added. "And we are increasing the frequency of which they shop our centers."

BUSINESS

10 Questions for Tanger's First Fashion Director

● Brazilian-born Ray Oliveira discusses his role at Tanger and says some people have outdated perceptions of outlets.

BY DAVID MOIN

Outlet centers are known for bargains, excess inventories and big crowds, and not so much for casting a sophisticated, stylish image and providing service.

The 40-year-old Tanger Factory Outlet Centers, however, took a step forward last spring by hiring its first fashion director, Ray Oliveira. Originally from Brazil, Oliveira started his career as a fashion stylist and costume designer in the late 1990s while living in Los Angeles. His work includes fashion shoots, music videos and TV projects. He relocated to New York City in the early 2000s, where he was signed by an agency and started working with publications, celebrities, advertising and TV.

Among other tasks for Tanger, he's been offering style tips and advice on scoring the latest looks at value prices, which appear on social media and on the Tanger app and website. Tanger enables customers to build a basket from multiple outlets to purchase online, receive help from virtual shoppers and has employees that collect the selected items from the outlets to ship to homes, or have them ready for a pickup, curbside.

In an interview with WWD, Oliveira discusses his mission at Tanger, how he's communicating with consumers and working to raise the fashion profile of the outlets.

WWD: I haven't come across many malls or outlet centers that have fashion directors. Do you think your position at Tanger is a rarity in the retail real estate world?

RAY OLIVEIRA: Yes, I think Tanger is a bit of an innovator on this project. Tanger's goal is to be a style and savings leader. Shopping is so personal, and Tanger centers offer an environment that is engaging, exciting and interactive. I hope that through this collaboration, we can continue to create meaningful style experiences for guests, including personalized fashion guidance and access to the latest trends and seasonal merchandise.

WWD: Describe your responsibilities at Tanger and merchandise categories you cover.

R.O.: I collaborate with the marketing and creative teams at Tanger, and collectively with our retail partners, define seasonal trends, creative campaign development and execution of Tanger's content. We cover style categories for women, men and kids, and we really want to make sure we're sharing content and styles that meet our shoppers' diverse lifestyles. With 500-plus brands, we have something for everyone.

WWD: What are your key objectives?

R.O.: My goal is to help Tanger shoppers maximize the great value they find at Tanger with the latest trends and practical style advice. Personal style is an expression. I want our shoppers to feel inspired and explore their personal style. Whether their day-to-day look is classic or edgy, casual or dressy, I want them to feel great in what they're wearing. From



Ray Oliveira

fashion magazines to the runways, my objective is to bring Tanger shoppers access to the latest styles for less and show them ways to make them their own.

WWD: What are the most effective ways to communicate with consumers and get your fashion message across? What kinds of events, live or virtual, have been done?

R.O.: Social media as a channel, and more specifically video as a format, provide us an immediate connection with our audience and the most exposure and shareability to spread the message. Aside from our presence online, we recently surprised a few lucky shoppers onsite with \$500-plus shopping sprees and private styling sessions. We've launched and will be launching a few fun campaigns including a video series highlighting iconic closet essentials that shoppers can always count on, no matter the decade, as part of Tanger's 40th anniversary, "Pink" style advice as part of "TangerPink" savings starting in October benefiting breast cancer research and we'll release another video series in November highlighting gift giving and winter trends/styles as part of our TangerStyle Holiday campaign.

Live shopping events and flash sales through our social channels and TangerOutlets.com provide great ways to showcase merchandise in store, raise awareness of our brands and fulfill sales for shoppers not wanting to visit the destinations in person. We recently partnered with DKNY, Karl Lagerfeld and Theory to name a few.

WWD: How do you come up with recommendations on trends and inspirations?

R.O.: As a native of Brazil, an international stylist and a costume

designer, I'm constantly inspired by the world stage. At the moment, I am turning to an age-old concept: neutrals go with everything. When it comes to black, white and everything in-between, mix and match to your heart's content. Gray, tan and even denim count. If that sounds too subdued for your personal style, choose patterns, details and textures for added interest.

WWD: Do you work with brands directly? Describe your interactions and do you scour the outlets?

R.O.: I work directly with Tanger's chief marketing officer and her agency collaborating with our retail partners during the seasonal TangerStyle campaigns – spring, fall, holiday. First, I compile a trend report based on what I'm seeing on the runways and in the fashion forecasts around the world. Our brand partners then send us the latest styles from their collections that fit our curated seasonal edit. This collaboration makes our seasonal campaigns even more relevant to our shoppers, as they get to see what new arrivals are available in stores before they shop – almost in real-time. I frequent the outlets, specifically Tanger's two Long Island locations, Deer Park and Riverhead, as they're so close to New York City. During these visits, I bring our retailers' special collections to shoppers through live shopping and flash sales events. We also surprise our shoppers from time to time with a personal styling session and shopping sprees from their favorite designer brands. Visiting the outlets allows me to stay up-to-date on what our brand partners are doing and gives me an opportunity to interact with our shoppers, which I value greatly.

A fall look from Tanger.



WWD: How is being a fashion director for an operator of outlet centers different from being a fashion director for a store, a magazine or a website?

R.O.: My role as Tanger's fashion director is unique and exciting as I get to work with so many brands, styles and shoppers. Unlike a store/brand fashion director, Tanger Outlets provides a multidimensional shopping experience for all types of shoppers, allowing me the opportunity to curate campaigns with multiple styles, trends and shoppers in mind. It's been a fun and fulfilling challenge as I get to define looks for all style personalities.

WWD: It's indicated online that you freelance. What are you currently involved in?

R.O.: In addition to my role as Tanger's fashion director, I style for various publications, celebrities, advertising and TV clients as well as seasonal campaigns for major brands.

WWD: Many people regard outlets as a place for great bargains on basics, leftovers from full-price stores or brand labels specifically produced for outlets and of inferior quality. Do you agree? Do outlets need an image overhaul?

R.O.: Some people may have an outdated perception of what outlets offer. Many of fashion's hottest brands have outlet locations, so the game has definitely changed. The beauty of outlet shopping is that guests can still score great basics at incredible value, but they can also discover on-trend looks and styles that allow them to update their wardrobe for the season – either with a few new accessories or a complete closet overhaul. Tanger's retail mix of iconic labels and up-and-coming brands ensures there's always something for everyone.

WWD: What are consumers buying at outlets these days?

R.O.: In the wake of the pandemic, we're seeing a real appetite for refreshed, casual wardrobes. As consumers are slowly returning to the office, many are taking on "workleisure" attire, an elevated workwear spin on athleisure. Loungewear to chic work wear is everything right now. From comfortable style to knitwear and light layers, it's on trend, yet functional. Consumers are looking for hybrid fashions that they can wear at home, at work, and out and about. It's much more versatile and relaxed than pre-pandemic. The rules have changed, and consumers are dressing more expressively the way that works for them. This will evolve, but for now fashion is so individual.