

# **Factory Outlet Malls: The Example of Prime Outlets at Grove City**

(Draft version of paper published in *A Geographic Perspective of Pittsburgh & the Alleghenies: From Precambrian to Post-Industrial*, eds. Kevin J. Patrick and Joseph L. Scarpaci, Jr. Washington, DC: Association of American Geographers, 2000, pp. 189-95)

**James T. Hathaway and James C. Hughes**  
**Department of Geography and Environmental Studies**  
**Slippery Rock University**  
**Slippery Rock, Pennsylvania 16057**

## **Introduction**

The purpose of this essay is to examine the phenomenon of factory outlet malls, and to place them in the context of larger issues that economic geographers study, including economic restructuring. We examine the Prime Outlets at Grove City, Pennsylvania, while placing them against the development of the outlet mall industry.

Outlet malls are an important part of the new retail landscape. They combine producer- owned stores offering name-brand goods at reduced prices with no-frills designs and locations in what we call the "metropolitan shadow." The first multi-tenant factory outlet center opened in Reading, Pennsylvania, in 1974. By 1998, there were 312 factory outlet malls nationwide. A relatively new development, factory outlet malls are the fastest-growing segment of shopping center retailing, but in 1998 they only had \$12.2 billion in annual sales compared to \$1,040 billion in total sales for all types of shopping centers (ICSC 1999).

## **Theoretical Context**

The development of the outlet mall industry exemplifies capitalism's continuous struggle to adapt to changing conditions. We use factory outlet malls as an example of retail restructuring, i.e., change in or between the constituent parts of an economy. We draw from literature in three overlapping areas: the geography of services, the new retail geography, and the geography of consumption.

Consumer services provide most of the new jobs in America (U.S. Department of Commerce 1998:421). As the service sector continues to expand its share of the national economy, geographers are researching the impact of this expansion on local economies. Outlet malls illustrate the flexible and gendered nature of contemporary service employment. Unlike the traditional 40-hour workweek associated with Fordist manufacturing, many service workers find that employers have made work hours flexible. Service jobs also tend to be gendered, with a particular job dominated by one sex or the other. For example, 65.7% of all US sales workers in retail and personal services were female in 1997 (U.S. Department of Commerce 1998:418).

A revitalized retail geography would look at local retail phenomena in the larger context of national and global economies. Topics that the new retail geography may investigate include new forms of retailing, changes in labor markets and work organization, movements of retail capital, and reconfigured consumption spaces (Blomley 1994). We will show how each of these topics is manifested in the outlet mall phenomenon.

Academic interest in consumption has been growing rapidly (Miller et al. 1998). Geographers have shown only intermittent interest until recently in the study of consumption of commodities despite the ubiquity of consumption in everyday life, its immense economic importance, and the interest it has stimulated in other social sciences (Thrift 1994). Economic geography has been dominated by studies of production, but a new focus on consumption has helped provide a more complete rendering of the nature of changes in the economy. Factory outlet malls are an important and relatively new component of America's landscapes of consumption.

### **Why Factory Outlet Malls?**

Factory outlet malls are a response to the changing needs of retail, producer, and investment capital. Retail capital is nervous, with consumers spending less on apparel and with retail competition intensifying. The American retail market is increasingly saturated. Americans are spending more on cars, dining out, and entertainment, and less on clothing and home furnishings (Steinhauer 1997). Competition is especially fierce in retail clothing, with discounters, revitalized department stores, mass merchandisers, and mail order retailers all after the same market.

Factory outlet malls reflect the struggle between producers and retailers. Producers lost ground to retailers in recent decades as retailing became increasingly concentrated in the hands of fewer and larger retailers (Miller et al. 1998). Retailers could increasingly dictate terms in scheduling production and negotiating prices and delivery dates (Jones 1995:25). Producers are trying to get control and profit back by using factory outlet malls. In fact, in a factory outlet mall, retailers and producers are largely the same, although there are usually some non-producer owned stores in the mix. Outlets have become new profit generators for the manufacturers. Prices are kept down by acquiring merchandise in increasing proportion from overseas plants, particularly ones in Mexico and the Caribbean Basin (Jones 1995:25-26).

Factory outlet malls are also a response to consumer demand. Customers accept the notion of designer label desirability. Designer labels are the prime feature of an outlet mall; virtually all stores are named after a brand. A few examples are Ann Taylor, Reebok, Mikasa, Brooks Brothers, J. Crew, Sony, etc. (see Appendix for a full list). The 12.2 billion dollars in annual sales suggest that many consumers are buying the factory outlet concept.

Investment capital is looking for new investment opportunities. The funding for outlet malls is often complex. For the Prime Outlets at Grove City, some money was originally put up by Prime Retail, a Baltimore-based publicly-traded company, some originally by FruCon, a private company in Germany, and some by real estate investment trusts. Since 1996 Prime Outlets at Grove City has been fully owned by Prime Retail (PR Newswire 1997).

### **The Prime Outlets at Grove City**

A recent expression of these trends is the proliferation of outlet malls. The Prime Outlets at Grove City, which began as a \$40 million development along I-79 fifty miles north of Pittsburgh, is an example. The development opened in August, 1994, and had 4.1 million visitors in 1998. The development has

already expanded three times, and further expansion is being seriously considered. There are presently 143 stores (including restaurants) and 533,000 square feet of floorspace. The industry average was 50 stores in 1995. In 1998, factory outlet malls averaged 177,564 square feet of floorspace (Prime Retail 1999). Prime Outlets ranks seventh in the nation in terms of number of stores (Outlet Bound 1999). One thing that sets this factory outlet mall apart from many others is the fact that it serves both tourists and an unusually large proportion of regional shoppers because of lack of competition.

Location is carefully considered by factory outlet mall developers. Prime Outlets at Grove City and other outlet malls are located near interstate highways in the rural "metropolitan shadow." A major firm in the industry (Prime Retail) strives to have metropolitan areas totaling 2.5 million within 100 miles of a site, and a daily traffic count of at least 30,000 on nearby interstate highways. The Prime Outlets at Grove City have 8.1 million people living within a 100-mile radius, and are easily accessible to two major interstate highways: I-79 and I-80.

A further locational criterion is a distance of more than 20 miles to existing shopping centers. The Grove City Shops' nearest competitors are a declining, older mall 25 miles away near Sharon, Pennsylvania, a small enclosed mall 20 miles away near Butler, and the nearest super-regional mall in the Pittsburgh area, which is 46 miles away. In fact, the Pittsburgh region as a whole has been reported to be relatively "under-retailed" (Hazel 1994a). Seventy-eight percent of visitors to the Prime Outlets at Grove City come from seven nearby counties, and over 90 percent come from either western Pennsylvania or eastern Ohio (Figure 1). The average travel time of visitors was 68 minutes in 1997 (Herald 1998).

Finally, the factory outlet mall's developer wants at least 3 million tourists annually within the trade area. The Prime Outlets at Grove City' trade area has 8 million tourists. Nevertheless, only 16 percent of customers in 1997 were tourists. Prime Retail, owner of sixteen other factory outlet malls, finds that 22 percent tourists is the average for its outlet customers.

A less tangible locational aspect of factory outlet malls is perceived safety, which may be related to their rural settings. Fear of crime influences shopping patterns (Cockerham 1994, Halverson 1996, Nicholls 1994). Only twenty-five percent of Americans in a survey said they feel that malls provided a safe and secure environment (Underwood 1994). This perception is reinforced by articles in the popular press such as "Danger at the Mall" in *Good Housekeeping* (Kiger 1998). Non-store retail formats (e.g., television shopping networks) have begun playing on customers' fears for their safety (Forseter 1994, Anonymous 1995). The typical enclosed shopping mall is seen as a microcosm of society that includes "criminals, gangs, drug dealers, and transients" (Johnson and Warchol 1997:87). Crime seems out of place at the rural bucolic settings of Prime Outlets at Grove City and similar outlet malls. A comment from a Slippery Rock University exam paper may be representative: "When shopping at the Grove City outlets you don't have to worry about getting mugged, you just have to worry about getting the best deal."

Developers carefully consider mall design. The mall manager told us that they want prestige brand names to be visible from the interstate (Ackerman 1995). Factory outlet malls typically have a simpler design than traditional regional shopping centers. The Prime Outlets at Grove City are unenclosed, one-story in height, anchorless, and relatively small in terms of square footage considering their draw. By and large factory outlet malls may be described as "no frills." This may reinforce shoppers' perceptions of bargain pricing, and the Prime Outlets at Grove City fit this profile.

Prime Retail designs its malls to be at the upper end of the "no frills" category. Prime Retail describes its Grove City mall as follows: "Nestled in the countryside like a village, its architecture suggests an elegant, rural main street and creates a pleasant shopping environment" (Prime Retail 1999). This description contains themes of nostalgia and nature that are attractive to affluent American consumers. The village-like setting helps set it apart from what may be seen as chaotic and dirty downtown shopping areas

and from the placeless aura of generic suburban shopping malls. A component of the nostalgia theme at Prime Outlets at Grove City are their Victorian appearance. Goss notes that much of America's retail built environment evokes the Victorian era, and that this time is "associated with the simple virtues, stable identity, and sense of purpose of America's halcyon days" (1999:68). The reference to the countryside in the Prime Outlets at Grove City self description calls attention to "nature." In fact, this outlet mall has gone a step further by preserving and incorporating a wetland area into its design. These features are part of a recent trend in American shopping center design. For Price (1995:195), "developers install nature like a sign to affluent middle-class shoppers, saying this place is a real place, and it's for you."

Outlet mall customers tend to be relatively well off. The median household income of customers in 1995 at the Prime Outlets at Grove City was \$44,457, about \$10,000 above the national average. The typical Grove City shopper is white (95%), female (78%), a homeowner (77%), and married (67%). The median age is 48.3. Twenty-nine percent of shoppers have children under 18, and 23 percent are retired (Ackerman 1995).

The employees tend not to be affluent. Most factory outlet mall jobs are typical of the new flexible service economy. According to an information sheet distributed by Prime, Prime Outlets at Grove City's estimated 1995 payroll was \$10,500,000 for one thousand employees, which works out to an average of \$10,500 a year. The addition of one thousand plus jobs has created a labor shortage, and some employers pay \$1.50 more than the minimum wage (Allied 1998). Sony, for example, starts its employees at eight dollars an hour. However, most mall employees are employed part time and do not receive benefits. We estimate, based on numerous visits, that well over three-quarters of employees are women.

Consequences for the area surrounding Prime Outlets at Grove City are mixed, although we believe that most people within a few miles have a somewhat positive view of the mall. Like some other factory outlet malls, it has generated a profusion of gasoline/convenience stores, motels, and restaurants. Prime Retail is considering an additional 107,000 square feet of retail space within Prime Outlets at Grove City to be devoted to home furnishings (Adams 1999a). Nearby construction is set to begin on a nine-story, 100-room resort along a scenic creek (Greggs 1999). Local papers report the possibility of a \$200 million aviation-themed museum in the area (e.g., Adams, 1999b). These kinds of developments make residents feel that the rural tranquility that they value is quickly disappearing. Traffic volumes began to overwhelm capacities and a third lane was added to the bridge over I-79, but local municipalities do not yet have the resources to cope. For example, the Springfield Township Volunteer Fire Department is concerned about its ability to respond to an emergency, and there are police, sewer, and water concerns (attendance of township meetings by one of the authors, Adams 1999c). On the other hand, the mall has brought shopping opportunities, new tax revenues, and jobs to a relatively rural area with few other job prospects.

Beyond the immediate environs of the outlet mall, the consequences are again mixed. Many residents appreciate the convenience of having many more shops and restaurants within easy driving distance. Millions of people know about Prime Outlets at Grove City; this helps put the area "on the map." On the negative side, the mall has led to several store closings in the two main shopping districts of Grove City, about five miles away.

## **Conclusions**

This paper provided an overview about how factory outlet malls reflect broad trends in retailing. These include the rapidly changing nature and institutions of capitalism, including the appearance of a unique producer-retailer combination, the diverse strategies of the apparel sector, and the increasingly flexible and gender-based nature of employment.

The sites selected by factory outlet malls depart from prevailing post World War II locational patterns. With space-time convergence and retail saturation in urban areas, the industry has chosen once seemingly remote locations. Locations in the "metropolitan shadow" are now accessible to millions of customers because of expanded interstate highways and cheap fuel costs. The \$12.2 billion outlet mall industry seems to reverse the traditional rural to urban flow of retail dollars, to disaggregate services, and to disperse development.

Factory outlet malls are a relatively new and successful form of consumption space. Consumers perceive factory outlet malls to be price-competitive, crime-free sources of name brand merchandise. Investors see the malls as attractive destinations for their money. Outlet malls are a product of investors seeking profitable opportunities in the turbulent retail industry, producers fighting back, and consumers perceiving branded goods to be superior. The Prime Outlets at Grove City have been exceptionally successful so far. But how long will it last?

As in most forms of retail, not all factory outlet malls have remained successful. For example, the Shops at Georgian Place, which are fifty miles east of Pittsburgh in Somerset, Pennsylvania, had much of their trade area captured by Prime Outlets at Grove City. A recent visit by one of the authors reveals that Georgian Place has a capacity of approximately 60 stores, but only 43 are in business while the remainder stand vacant.

Competition will get tougher as additional factory outlet centers and other retailing opportunities – including on-line shopping – develop. Prime Retail has built another outlet mall 105 miles away in Lodi, Ohio, near Cleveland which will cut into Prime Outlets at Grove City's trade area. Factory outlets may be losing their price edge over regular stores (Forest 1995), and the factory outlet industry itself may already be reaching saturation. The success of new developments comes largely at the expense of existing market share. This will intensify because most builders insist that others won't be able to build, while saying that they themselves have ambitious construction schedules (Hazel 1994b). However these trends may play out, we believe that Prime Outlets at Grove City and the retail development it has spawned will remain an important part of the Pittsburgh region's postindustrial economic landscape.

## Appendix

### List of Businesses at Prime Outlets at Grove City

9 West Outlet	Boardwalk Fries
Adidas	Bombay Outlet
American Outpost	BonWorth
Ann Taylor Factory Store	BOSE Factory Outlet
Arby's	Britches
Atlantic Luggage	Brooks Brothers Factory Store
B.D. Baggies	Bruce Alan Bags, Etc.
Baldwin Brass Home Accents	Bugle Boy
Banister Shoe Studio	Burger King
Bass Outlet	Calvin Klein Outlet
Bible Factory Outlet	Carter's Childrenswear
Big Dogs	Casual Corner Outlet
Black & Decker	Champion Factory Store
Blowout Video Studio Outlet	Chicago Cutlery etc.

Children's Apparel  
CinnaMonster  
Claire's Boutiques Outlet  
Coach Factory Store  
Corning Revere  
Cosmetics Company Store  
Country Clutter  
Crabtree & Evelyn  
Damon Big & Tall  
Dansk Factory Outlet  
Designer Fragrance & Cosmetics Co.  
Donna Karan Company Store  
Dress Barn  
Dress Barn Woman  
Eddie Bauer Outlet  
Elisabeth  
Esprit Direct  
Etienne Aigner  
Evan-Picone  
Factory Brand Shoes  
Family Apparel  
Famous Brands Housewares Outlet  
Farberware  
Fargo Clothing and Supply Co.  
Food  
Fossil Company Store  
Fuzziwig's Candy Factory  
Gap  
Geoffrey Beene Co. Store  
Gloria Jean's Gourmet Coffee  
Gorant's Cards Plus  
Guess? Factory Store  
Haggar Clothing Company  
Harry & David  
Hartstrings Childrenswear  
Health & Beauty  
Home Style Factory Store  
Hoover  
House of Heinz  
Hushpuppies  
Izod  
J. Crew  
Jockey  
Johnston & Murphy  
Jonathan Logan  
Jones New York Factory Store  
Jos. A. Bank Clothier  
Kasper A.S.L.  
King's Jewelry Outlet  
Kitchen Collection  
KoB Toy Outlet

Koret  
Leather Loft  
L'eggs/Hanes/Bali/Playtex  
Levi's  
Levi's®  
Liz Claiborne Outlet Store  
London Fog Factory Store  
Maidenform  
Maternity Works  
Mikasa  
Music for a Song  
Naturalizer  
Nautica Factory Store  
Nike Factory Store  
Off 5th - Saks Fifth Avenue Outlet  
Olga-Warner  
Oneida Factory Store  
OshKosh B'Gosh/Baby B'Gosh  
Perfumania  
Perry Ellis  
Petite Sophisticate Outlet  
Pfaltzgraff  
Pittsburgh Steelers  
Polo/Ralph Lauren Factory Store  
Pretzel Time  
Reebok Factory Direct Store  
Rockport  
Rocky Mountain Chocolate Factory  
Royal Doulton  
Rue 21 Company Store  
Rug Decor by Shaw  
S & K Menswear Outlet  
Samsonite Company Store  
SAS Factory Shoe Store  
Shoebilee  
So Fun! Kids  
Sony Factory Outlet  
Specialty  
Springmaid-Wamsutta Outlet Store  
Stiffel The Company Store  
Stone Mountain Company Store  
Stride Rite  
Sunbeam/Oster  
Sunglass World  
The Eagle's Eye  
The Great Steak & Potato Company  
The Hoover Company  
The Paper Factory  
The Pro Image Outlet  
The Sunglass Outlet  
Timberland

Tommy Hilfiger Co. Store  
Ultra - The Gold & Diamond Outlet  
United Colors of Benetton  
United States Postal Service  
Value Booksellers  
Van Heusen Direct Store  
VF Factory Outlet  
Villa Pizza  
Vitamin World  
Wallet Works

Waterford/Wedgwood  
Welcome Home  
We're Entertainment  
Wok & Roll  
Women's Apparel  
Woolrich Company Store

## References

- Ackerman, A. M. 1995. Personal interview, Prime Outlets at Grove City, May.
- Adams, N. 1999a. Mall expansion, restaurant planned. *The Herald* (Sharon, PA), March 24:1.
- Adams, N. 1999b. Foundation eyes Springfield for elaborate air museum. *The Herald* (Sharon, PA), March 24:1.
- Adams, N. 1999c. Springfield's Top Spot Grows with Township. *Allied News* (Grove City, PA), May 12:8.
- Allied News (Grove City, PA). 1998. Springfield Development Only Answer. October 7:17.
- Anonymous. 1995. Keeping Centers Safe: Managing Security Needs. *Chain Store Age Executive with Shopping Center Age*. April: AM14-AM16.
- Blomley, N. 1994. Retailing, Geography of. In R. J. Johnson, D. Gregory, and D. M. Smith (eds.), *The Dictionary of Human Geography*, 3rd. ed. Oxford: Blackwell.
- Cockerham, P. W. 1994. Safe Shopping. *Stores Magazine*, June: 38-39.
- Forest, S. 1995. I Can Get It for You Retail. *Business Week*, September 18: 84-88.
- Forseter, M. 1994. Fear & Loathing in Retailing. *Chain Store Age Executive with Shopping Center Age*; April: 70.
- Goss, J. 1999. Once-upon-a-Time in the Commodity World: An Unofficial Guide to Mall of America. *Annals of the Association of American Geographers*. 89:45-75.
- Greggs, C. 1999. Leesburg Falls Resort Plans Receive Final Nod. *Allied News* (Grove City, PA), July 14:1, 16.
- Halvorson, R. 1996. Crime Steal Shoppers' Confidence. *Discount Store News*. May 6: 70, 2p.
- Hazel, D. 1994a. Where to Put Them in Pittsburgh? *Chain Store Age Executive with Shopping Center Age*, February: 69-71.

\_\_\_\_\_. 1994b. Can Outlets Keep Expanding? *Chain Store Age Executive with Shopping Center Age*, March: 184-5.

Herald (Sharon, PA). 1998. Grove City Factory Shops, a Success 4.6 Million Times Over. February 15:F-9.

International Council of Shopping Centers. 1999. Retail Sales in Shopping Centers break \$1 Trillion in 1998. <http://www.icsc.org/srch/about/impactofshoppingcenters/retailsales.html>. July 20.

Johnson, B. and Warchol, G. 1997. Giving Security Space at the Mall. *Security Management*. June: 87-91.

Jones, J. 1995. Forces Behind Restructuring in U.S. Apparel Retailing and its Effect on the U.S. Apparel Industry. *Industry, Trade, and Technology Review*, March: 23-27.

Kiger, P. 1998. Danger at the Mall. *Good Housekeeping*. February: 82, 4p.

Miller, D., Jackson, P., Thrift, N., Holbrook, B., and Rowlands, M. 1998. *Shopping, Place and Identity*. London: Routledge.

Nicholls, J. 1994. Feelings of Safety Based on When, Why Shoppers Visit Mall. *Marketing News*; August 15: 13.

Outlet Bound. 1999. Search Outlet Centers by Location. <http://www.outletbound.com/searchbyloc.html>. August 27.

Price, J. 1995 Looking for Nature at the Mall: A Field Guide to the Nature Company. In W. Cronon (ed.), *Uncommon Ground*, Cambridge: Harvard University Press.

PR Newswire. 1997. Prime Retail. <http://www.prnewswire.com>. October 25.

Prime Retail. 1999. Prime Outlets: Grove City. <http://www.primeoutlets.com/GroveCity/index.html>. September 4.

Steinhauer, Jennifer. 1997. Stores Look to Rest of Year As December Sales Flatten. *New York Times*: October27:D1.

Thrift, N. J. 1994. Consumption, Geography of. In R. J. Johnson, D. Gregory, and D. M. Smith (eds.), *The Dictionary of Human Geography*, 3rd. ed. Oxford: Blackwell.

Underwood, E. 1994. Mall Busters, Like Crime, a Boon for Home Shopping. *Brandweek*. January 17: 18, 2p.

U.S. Department of Commerce 1998. *Statistical Abstract of United States*, 1998, Washington, DC.