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RETAILING & RESTAURANTS:
RETAILING

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From the print edition
Industry Outlook

Retailers to seek growth via brand partnerships

Andrew Tellijohn
Staff Reporter

Minneapolis-based Target Corp. kicked off its New Year by teaming with Napster and Oakdale-based Imation Corp. to offer consumers a number of digital music products.

That might not be the only deal the retailer makes this year, said George Rosenbaum, chairman of Leo J. Shapiro, a Chicago consulting firm.

Consolidation -- mergers or similar partnerships -- might become the norm for retailers in 2003, he said, because it can upgrade their mix of products and services, leading to bigger profits.

For example, Boise, Idaho-based Albertsons Inc. will roll out dual-branded stores in Southern California this year.

"I could very well see a Staples section in Target," Rosenbaum said. "That hasn't happened, but if Toys R Us builds a Toys R Us in an Albertsons, why wouldn't a Staples be able to build a Staples department in a Target?"

Target has another leg up that could make 2004 a good year. Since it's more upscale than its chief rival, Bentonville, Ark.-based Wal-Mart, Target is in a better position to take advantage of the economic recovery, Rosenbaum said.

Retailers such as Best Buy Co. Inc., Richfield, and Plymouth-based Select Comfort Corp., which peddle higher-end products, will see the biggest boon. "Their portfolios have grown and they have made some money in the last six to 12 months," said Chris Krueger, an analyst with Minneapolis-based Miller Johnson Steichen Kinnard Inc.

Value and discount retailers also will improve, though not as quickly. A full recovery will be delayed until more people find jobs, he said.

Retail real estate brokers also are optimistic about 2004. Though last year was good, with Sweden-based Ikea breaking ground and retailers Lowe's Cos. Inc. and Trader Joe's Co. Inc. committing to the Twin Cities, 2004 should be just as solid, said Roger Lenahan, principal with Cambridge Commercial Realty, Edina.

"It's still a hot market and there is still going to be a shortage of good space," he said.

New construction will favor mixed-use projects that combine housing and retail, said Kathy Anderson, founder of Minneapolis-based Architectural Consortium.

Communities want integrated projects and the economy is doing better. "I think it will be a busy year," she said.

atellijohn@bizjournals.com / (612) 288-2102