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**'Buenos Dias, Shopper'**

Can Latino Spending Power Revive the Traditional Mall? Lures: Salsa, Films in Spanish

By Ryan Chittum, The Wall Street Journal, 1134 words  
Jul 19, 2006**Document Text**

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Phoenix -- FOUR YEARS AGO, Desert Sky Mall here was in trouble. As has been the case with many other malls across the U.S. during the past 15 years, overbuilding, demographic shifts and new competitors had taken their toll. The future looked bleaker still -- until management realized that the road to salvation was right outside, cutting through the city's growing Hispanic neighborhoods.

Today, Hispanic shoppers crowd a revitalized Desert Sky -- now a mall with a Mexican accent. Moviegoers get salsa with their popcorn, salespeople are as likely to speak Spanish as English, and sneaker store Finish Line abuts Mexican bootmaker La Gran Bota, which was recruited from a swap meet down the road. Sales at the mall are up 15% annually since 2004.

While ethnic shops catering to Latinos and Asians have long existed in small strip malls, many larger malls have been slow to wake up to the Latino potential. "The malls got there before the market did, and some malls don't see the opportunity," says Michael Falkenstein, a senior vice president at La Curacao, a Hispanic-focused, Los Angeles-based department-store chain that plans to open a store early next year at Desert Sky, its first outside California.

But Latino buying power -- \$24 billion in Arizona alone, according to Arizona State University -- is spurring a reassessment by retailers and investors. In Fort Worth, Texas, an investor group last year began converting the dying Fort Worth Town Center into a Latino mercado (market square) called La Gran Plaza. Malls across the country in high-immigration areas are experimenting with bringing in a Latino store or two.

But Desert Sky is in the vanguard. It was opened in 1981 in suburban west Phoenix by Westcor, an Arizona mall developer bought by Desert Sky's current owner, Macerich Co. of Santa Monica, Calif., in 2002. By 1993, competing retailers and a new mall 12 miles away were drawing away part of Desert Sky's customer base.

During the 1990s, the area also changed from predominantly white to mostly Hispanic. Management struggled to attract national retailers but none seemed interested in the mall's changing demographics.

In 2000, J.C. Penney Co. closed its Desert Sky department store, and Montgomery Ward followed the next year, leaving the mall with two gaping holes in its five anchor spots. A year later, Harkin Theaters shut down its six-screen cinema in the mall.

The exodus prompted Westcor to give mall general manager Zeke Valenzuela license to set out on a strategy appealing to the area's changing demographics. To replace the shuttered cinema, Westcor in 2003 brought in Cinema Latino, a four-theater chain that shows first-run Hollywood movies with Spanish subtitles.

Mr. Valenzuela flew to Mexico City to talk to established Mexican chain retailers, but he had more luck in Phoenix at a nearby swap meet in a converted grocery store. In addition to La Gran Bota, he signed up Oscar Piel Leather & Clothing and jewelry shop Palacio De Oro.

The culture of the swap meet is more bazaar than Bloomingdale's, though, and merchants at first were skittish about making the jump from a booth to a mall store. Mr. Valenzuela overcame that by offering temporary leases at discounted rent.

But he had to set some ground rules. At the swap meet, "display is not a main thing for them," says Mr. Valenzuela, a native of Mexico. "Everything is either on the floor or on the walls just hanging haphazardly. It's very claustrophobic, very chaotic." The new tenants agreed their stores would display merchandise in a more orderly way, with help from a professional merchandiser if necessary.

Another big cultural change Mr. Valenzuela insisted on: no haggling. Palacio De Oro owner Eladio Martinez, who owns two jewelry shops at the mall now, had to shut down his swap-meet location because customers couldn't understand why they could haggle at it but not at the mall.

Meanwhile, some longtime tenants changed too. When sales of puppies slowed at pet store Animal Kingdom, it started stocking more grown-up dogs. "We Hispanics like bigger dogs," says Elsa Sandoval, Desert Sky's assistant marketing manager.

Simon and Maria Sanchez opened CandyMania two stores down from Spencer Gifts about a year ago and run it with their four school-age daughters. Almost all of its 300 candy products as well as the pinatas that line the ceiling and walls are from Mexico. The top seller is tamarind candy flavored with salt, chile or lemon. "It sells a lot better than that," says Ms. Sanchez, pointing to the small rack of M&M's and Snickers. The couple recently signed a five-year lease.

Shoppers at Desert Sky can buy land in Baja, pick up Spanish- language books at Libreria and get a shrimp taco at Taquitos Real in the food court. The mall celebrates Mexican Independence Day in September by hiring strolling mariachis who take song requests from shoppers.

During the state fair in October -- typically a slow time for the mall -- Desert Sky hosts Fiesta de la Familia, with food booths, a kids' play area and concerts by Mexican stars such as Ramon Ayala. Last year, the event drew nearly 100,000 people.

National retailers that not long ago wouldn't touch the place are opening stores at Desert Sky -- among them, the Children's Place and music retailer F.Y.E. -- and owner Macerich is preparing to spend millions of dollars renovating the mall. But the transition has faced some resistance. When Mr. Valenzuela proposed putting in bilingual signage three years ago and encouraging bilingual hires, some retailers balked. Now almost all are on board but he says he still must walk a fine line in making sure the mall isn't "too Mexican," alienating the white and black longtime shoppers who still make up nearly 30% of customers.

Janice and Brad Braun, a middle-age white couple who have lived in the area for years, say they don't like the changes. "It's too Hispanic," says Mr. Braun, who works for an envelope manufacturer. "Everything is. It's more like a cultural change than the language or anything." The couple shop at other malls more often now, though they still go to Desert Sky because it's close.

But to the Hispanics, who make up more than 70% of Desert Sky's customers -- up from less than 25% in 1990 -- the changes are welcome. On a recent Saturday afternoon, Desert Sky bustled with mostly Latino shoppers, many with several generations of family members in tow. Guadalupe Rodriguez, 21, says she comes to Desert Sky about five times a month, mostly to shop for clothes for her and her baby.

"It's, like, my type," Ms. Rodriguez says, partly with translation help from her younger brother, who is fluent in English. "I feel more sure when I [ask] a question because people speak my language."

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