



Downtown Economics

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Ideas for Increasing Economic Vitality in Community Business Districts

Serving Downtown Office Workers

Summary by Matt Kures*

Urban downtowns have long been recognized as the commercial centers of both cities and regions. The major companies, government institutions, and other businesses traditionally located in downtowns generate large amounts of local revenue, income and economic activity. These organizations also bring a daily stream of office workers into the area. While the businesses themselves are commonly acknowledged as catalysts of economic growth, their employees also have an impact on the downtown economy.

Most downtown employees commute to work. Given the non-local nature of these commuters, downtowns are faced with the challenge of keeping its employees downtown after working hours, while also encouraging them to spend more money during the day. In general, the more time spent by workers in and around their offices, the more likely they are to make purchases at downtown establishments.

Recognizing these challenges, a recent study conducted by the International Council of Shopping Centers (ICSC) analyzed how the habits of office workers have changed between 1987 and 2003. The study examined changing consumer preferences among office workers, along with the impact of retail availability on employee shopping habits. Specific findings include:

- In 2003, weekly lunch expenditures among downtown office workers were 20% higher than those reported by suburban office workers (\$26.80 versus \$22.50).
- The lunch frequency has remained stable between 1987 and 2003, averaging 4.4 days per week (the average number of days purchased lunch is 2.9).
- Office workers spend an average of \$7.10 on lunch when dining out.
- When compared to their suburban counterparts, downtown office workers are more likely to eat out (85% versus 76%), and also eat out more frequently.

- Fifty percent (50%) of downtown office workers eat out at least 4 out of 5 days, versus 38% of suburban office workers.
- The deli/grocery/carry-out business has surpassed sit-down and fast food restaurants in market share. Almost twice as many lunches were purchased at these types of convenience food shops in 2003 than in 1987 (up from 15% to 27%).
- The share of office workers shopping during their lunch hour (32%) has remained stable since 1987.
- The market share of lunches purchased at fast-food restaurants has remained at 16% since 1987, while the share from sit-down restaurants has decreased from 22% to 16%.
- The share of office workers who stop after work for dinner or drinks closer to their office has doubled since 1987 (an increase of 12% to 25%). The average weekly expenditure for all office workers who stop after work for dinner or drinks was \$44 per patron in 2003.
- Downtown, after-work entertainment activities have increased from 29% in 1987 to 35% in 2003.
- Use of public transportation has increased dramatically (43% in 1987 to 63% in 2003), among office workers in downtown areas with above average retail density.



Photo Source: Milwaukee Department of City Development

The preceding findings suggest that downtown office workers do not simply travel between their homes and offices each day. Office workers are spending money in the areas near their workplaces both during and after the workday. These behaviors leave downtowns poised to take advantage of the office worker market and encourage even greater economic activity through the most appropriate retail offerings, entertainment options, and food/beverage outlets.

The aforementioned ICSC study also determined that if downtown retail offerings were similar to those near a worker's residence, 66% of office workers are more likely to shop closer to home than work. However, in markets offering superior retail shopping opportunities, nearly 40% of non-grocery shopping trips are made closer to work than home. In areas with weak retail options, only 24% of shopping trips are made closer to work. Furthermore, workers in downtown areas with abundant retail are twice as likely to shop over their lunch break, compared to workers in downtown areas with limited retail.

The presence of hospitality and entertainment establishments also affects where office workers socialize. When going out for drinks or dinner after work, office workers in downtown areas with ample retail are more likely to stop closer to their office, than are those working in downtowns with limited retail. When dining out for lunch during the workweek, 9 out of 10 office workers in downtown areas with ample retail offerings will walk to lunch compared to only 6 in 10 workers in areas with limited retail (ICSC, 2004).

On average, office workers spend \$96 per week when shopping over lunch, during the day, or after work. Apparel, home goods, toys, electronics and other destination-type purposes accounted for \$56 of weekly spending. The remaining \$40, was spent on convenience-type items like groceries/snacks, personal care, and cosmetics. The following table reports what percentage of downtown office workers make a retail purchase in any given week along with the type of goods purchased.

Frequencies and Types of Purchases Made by Downtown Office Workers

Type of Purchase	Percent of Workers Making a Purchase
Any Purchase	58%
Groceries	37%
Snacks/Incidentals	33%
Personal Care/Drug	31%
Apparel/Accessories	27%
Home Items	22%
Gifts/Cards	21%
Sports/Toys/Electronics	20%
Newspapers/Magazines	15%
Cosmetics/Perfume	10%

Source: ICSC, 2004

If downtowns offer a desirable retail mix, office workers will be more likely to utilize their shopping opportunities during the day and after work, rather than make purchases closer to home. In particular, these options include convenience food stores for buying lunch, hospitality/entertainment options for after work, and an above average density of retail offerings that offer both destination and convenience shopping opportunities.

Source

This summary is based on research by the International Council of Shopping Centers as published in their *Office Worker Retail Spending Patterns* report, 2004

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