



The Factory Outlet Shopper—A Breed of Its Own

Outlet shoppers are wealthier than the average shopper

Factory outlet centers occupy a special niche in the shopping center industry. In 2004, they generated approximately \$15 billion in retail sales—around 1/2 percent of total retail sales. Nonetheless, over the last two decades, factory outlet centers have enjoyed steady growth in physical dimensions as well as in their depth and variety of tenant mix. More importantly, factory outlets have transcended the perception that their merchandise is overstock, of lower quality and/or clearance items—thanks to serious repositioning by factory outlet center developers and retailers. For the high-end or brand- and price-conscious consumer, factory outlet centers are the way to go.

But, beyond this, what do we really know about the factory outlet shopper?

KEY TOP-LINE FINDINGS OF THE STUDY

To answer this question, ICSC tapped into Scarborough Research’s consumer shopper database¹, which annually surveys more than 200,000 adults aged 18 years and over, and in 75 major U.S. markets. Respondents are surveyed via a combined telephone and mail-in, self-administered questionnaire about their shopping, lifestyle, media usage and demographics. Factory outlet centers selected for this study were only those that met ICSC’s definition that at least 51.0% of the tenants are manufacturers’ or retailers’ outlet stores².

¹For more information about the survey, refer to Scarborough’s Web site at <http://www.scarborough.com>.

²As such, Mills Centers are “value-oriented” and, therefore, excluded from this sample. In terms of tenant mix, value-oriented centers are comprised mostly of value retailers, which include superstores; catalog outlets; department store clearance units; retail clearinghouses; apparel off-pricers; discounters; entertainment retailers; food vendors; and other non-outlet, value-priced formats.

³Data are collected for 44 weeks of the year, however, Scarborough reports the results for each market only twice a year based on 12-month rolling averages.

⁴“Profile of the Factory Outlet Industry,” *ICSC Research Quarterly*, Vol.5, No. 1, Spring 1998, pp. 1-7.

The insights reported here were drawn from surveys that were conducted from August 2003 to September 2004.³ For this study, 29 markets were selected from an available pool of 75 in Scarborough’s database. Those 29 were chosen on the basis of strong factory outlet center presence in their respective areas. Respondents included those who shopped for apparel, footwear, home furnishings and general merchandise in the past three months.

This current study updates one that ICSC conducted in Spring 1997 in collaboration with several major factory outlet developers and ORMA (Outlet Retail Merchants Association)⁴. Both the 1997 and 2004 studies found that factory outlet shoppers were more affluent than typical shoppers. In general, as seen in Table 3-1, the factory outlet shopper has remained the same in terms of demographic profile over the years—i.e., mostly White, females in their 40s and mostly married. Compared with the U.S. population (also shown in Table 3-1), the factory outlet shopper is *indeed* unique.

Table 3-1

COMPARISON OF DEMOGRAPHIC PROFILES				
Characteristic	Outlet Shoppers*		All Shoppers	U.S. Population
	1997	2004	2004*	2000**
Median Household Income	\$53,587	\$55,558	\$47,360	\$41,994
% Married	65%	62%	57%	57%
Gender (shares)				
Male	26%	42%	48%	49%
Female	74%	58%	52%	51%
Median Age (years)	40	43	44	35
Ethnicity (shares)				
White	82%	74%	72%	77%
African-American	} 18%	8%	10%	13%
Asian		2%	2%	4%
Other		3%	2%	6%
Hispanic		13%	14%	13% ***

* Adults 18 years and above

** Total population

*** In the 2000 census, Hispanic not mutually exclusive of ethnic categories above.

Sources: Scarborough Research; U.S. Census Bureau; ORMA; ICSC Research



DELVING DEEPER INTO THE 2004 FACTORY OUTLET SHOPPER PROFILE

In general, factory outlet shoppers differ significantly from all shoppers in their respective markets for many of the key demographic variables. The uniqueness of outlet shoppers is underscored by the fact that factory outlet centers have a lower penetration (14.8%) compared with enclosed malls (76.7%) and discount department stores (86.1%).

The following describes the factory outlet shopper in greater detail.

Income and wealth

Factory outlet shoppers are relatively affluent. The median household income of outlet shoppers across the 29 markets—which ranged from a low \$43,172 in Fresno to a high \$80,191 in New York—is \$55,558. This is significantly higher than the market average of \$47,360. Table 3-2 summarizes these findings as well as other demographic characteristics of factory outlet shoppers for all 29 markets.

Home ownership rates among outlet shoppers average 74% across the 29 markets, which is higher than the market average of 69%. Furthermore, some 13% of outlet shoppers own a second home. In any case, home ownership is highest in West Palm Beach (88%) and lowest in San Diego (58%).

Another income-related variable is financial investment. More than two-thirds (66%) of factory outlet shoppers have investments of some kind (e.g., bonds, stocks, mutual funds, money market funds). This is significantly higher than the 29-market average (59%).

To some extent, educational level is also indicative of wealth. About 27% of factory outlet shoppers hold a college degree or more, which is slightly higher than the market average of 23%.

Age

The median age of factory outlet shoppers across the 29 markets (keep in mind that Scarborough surveys only adults aged 18+) is 43, a year younger than the 29-market average. Factory outlet shoppers are youngest in Kansas City (37 years) and oldest in Fort Myers (54 years).

Gender

At factory outlet centers, there are significantly more female shoppers (58%) than males (42%). This compares with the gender composition for the overall markets of 52% females vs. 48% males. Moreover, female factory outlet shoppers outnumber the female shoppers in their respective markets by as much as 15%.

Ethnicity

The racial/ethnic composition of outlet shoppers is very similar to that of the overall market. However, there are more Whites among outlet shoppers (74%) than in the overall market (70%). More specifically, there is significantly a higher proportion of White outlet shoppers in 21 of the 29 markets.

Additionally, the outlet shopper is less likely to be African-American or Hispanic. Even in geographic markets with a high concentration of Hispanics (e.g., Houston, Dallas, San Antonio), there are fewer Hispanic outlet shoppers than in the overall market.

Household Characteristics

There are more married people among factory outlet shoppers (62%) than in the overall market (57%). Understandably, there are only 9.8% single-person households among outlet shoppers, compared with 13.2% in all markets.

Mean household size for factory outlet shoppers is 3.03, which is slightly larger than that for all 29 metro areas (2.93). The mean number of children under age 17 for outlet shopper households is 0.77, which approximates that of the 29 surveyed areas (0.76).



Table 3-2

OUTLET SHOPPER DEMOGRAPHICS IN 29 U.S. MARKETS

Demographics	ATLANTA, GA	AUSTIN, TX	BUFFALO, NY	DALLAS, TX	FORT MYERS, FL	FRESNO, CA	HARRISBURG, PA	HOUSTON, TX	JACKSONVILLE, FL
Median Household Income	\$60,487	\$54,073	\$54,062	\$67,906	\$57,921	\$43,172	\$53,366	\$71,839	\$54,653
Mean Household Size	3.1	3.0	2.9	3.1	2.7	3.4	2.9	3.1	3.0
Mean Number of Children	0.8	0.8	0.8	0.8	0.5	1.2	0.8	1.0	0.8
Median Age (Years)	43	41	43	38	54	40	45	46	43
% Single-person households	10	12	13	8	10	6	11	7	10
% Own Home	74	73	74	74	81	60	79	79	75
% College graduate+	26	34	25	35	30	15	26	30	26
% Employed	66	73	73	72	53	74	72	70	67
% Married	58	61	59	64	71	57	63	75	65
% Single	43	39	41	36	29	43	37	25	35
Race:									
White	71	67	85	76	84	53	89	76	77
Black/African American	19	5	9	10	2	2	4	10	16
Asian	1	2	2	3	1	0	1	1	1
Other	2	2	2	1	2	8	2	1	3
Hispanic	7	23	2	10	11	37	5	13	3
Gender:									
Men	39	50	43	39	47	42	41	34	41
Women	61	50	57	61	53	58	59	66	59
Investments household has:									
Bonds	19	17	22	20	25	14	25	15	20
Money market funds	22	25	20	22	40	14	27	22	28
Mutual funds	34	39	40	38	43	23	44	36	34
Second home or real estate property	13	11	8	8	27	10	11	16	12
Stocks or stock options	46	42	42	49	49	23	40	48	42
Other security or investment	25	19	20	33	27	17	24	21	25
None	35	35	31	30	27	62	27	40	34
% who did not visit any domestic place in past 12 months	13%	10%	19%	13%	13%	19%	18%	10%	8%

Demographics	KANSAS CITY, MO	KNOXVILLE, TN	LOS ANGELES, CA	MEMPHIS, TN	MIAMI, FL	NASHVILLE, TN	NEW YORK, NY	ORLANDO, FL
Median Household Income	\$53,152	\$47,302	\$61,250	\$55,789	\$67,266	\$53,083	\$80,191	\$54,750
Mean Household Size	3.3	2.7	3.5	2.8	3.2	2.7	3.2	3.0
Mean Number of Children	1.1	0.6	1.0	0.7	0.7	0.6	0.8	0.8
Median Age (Years)	37	46	41	43	43	41	44	42
% Single-person households	4	11	7	10	7	9	9	10
% Own Home	72	80	63	81	83	73	63	72
% College graduate+	28	20	28	28	30	25	32	28
% Employed	84	61	74	68	70	78	73	66
% Married	73	66	58	60	57	62	59	62
% Single	27	35	42	40	43	38	42	38
Race:								
White	90	93	48	64	38	84	68	70
Black/African American	4	3	5	31	16	7	10	13
Asian	0	0	7	1	1	1	4	1
Other	2	3	4	2	2	6	3	2
Hispanic	4	1	36	2	44	2	17	14
Gender:								
Men	43	45	45	42	33	40	45	43
Women	57	55	55	58	67	60	55	58
Investments household has:								
Bonds	23	14	20	11	14	12	34	18
Money market funds	31	19	23	28	24	27	26	28
Mutual funds	46	28	39	35	31	28	40	39
Second home or real estate property	11	16	11	9	18	9	11	14
Stocks or stock options	45	29	35	35	31	35	42	38
Other security or investment	18	27	19	20	27	20	19	26
None	30	36	39	42	34	33	32	32
% who did not visit any domestic place in past 12 months	19%	15%	13%	20%	11%	15%	13%	18%

Source: Scarborough Research



Table 3-2

OUTLET SHOPPER DEMOGRAPHICS IN 29 U.S. MARKETS

Demographics	PHILADELPHIA, PA	PITTSBURGH, PA	ROCHESTER, NY	SACRAMENTO, CA	ST. LOUIS, MO	SAN ANTONIO, TX	SAN DIEGO, CA
Median Household Income	\$49,868	\$52,875	\$57,525	\$55,870	\$59,394	\$49,535	\$55,558
Mean Household Size	2.8	2.9	3.0	3.1	3.1	3.3	3.3
Mean Number of Children	0.6	0.7	0.8	0.9	1.0	1.0	1.0
Median Age (Years)	51	48	43	42	43	42	41
% Single-person households	14	10	9	10	7	9	8
% Own Home	77	87	73	67	82	67	58
% College graduate+	21	26	30	24	24	23	28
% Employed	64	62	73	66	68	69	72
% Married	60	73	58	54	68	62	58
% Single	40	27	42	46	32	38	43
Race:							
White	76	97	86	61	85	50	53
Black/African American	12	2	5	10	10	5	5
Asian	2	1	2	4	0	1	6
Other	1	1	3	7	2	1	3
Hispanic	8	0	5	19	2	42	32
Gender:							
Men	39	43	46	47	37	44	47
Women	61	57	54	53	64	56	54
Investments household has:							
Bonds	24	33	21	17	19	12	16
Money market funds	34	35	27	22	37	24	28
Mutual funds	37	45	46	40	43	30	35
Second home or real estate property	8	6	6	16	10	10	14
Stocks or stock options	37	45	42	37	43	30	33
Other security or investment	16	25	26	21	26	19	22
None	39	27	31	34	27	45	39
% who did not visit any domestic place in past 12 months	13%	19%	23%	11%	11%	15%	20%

Demographics	SAN DIEGO, CA	SAN FRANCISCO, CA	SYRACUSE, NY	TAMPA, FL	WEST PALM BEACH, FL	WILKES-BARRE, PA
Median Household Income	\$55,558	\$78,002	\$52,723	\$51,768	\$61,173	\$57,461
Mean Household Size	3.3	3.1	2.9	2.6	2.5	3.0
Mean Number of Children	1.0	0.8	0.8	0.6	0.5	0.7
Median Age (Years)	41	43	46	51	51	46
% Single-person households	8	10	14	16	13	9
% Own Home	58	63	76	78	88	83
% College graduate+	28	34	30	28	27	29
% Employed	72	72	71	61	66	67
% Married	58	62	60	61	62	63
% Single	43	38	40	39	38	37
Race:						
White	53	64	95	81	86	89
Black/African American	5	7	1	7	7	3
Asian	6	10	1	1	0	1
Other	3	6	3	2	1	2
Hispanic	32	14	1	9	6	5
Gender:						
Men	47	49	44	42	39	44
Women	54	51	56	58	61	57
Investments household has:						
Bonds	16	24	22	24	23	28
Money market funds	28	31	28	36	36	24
Mutual funds	35	43	43	46	44	36
Second home or real estate property	14	15	10	16	22	17
Stocks or stock options	33	46	43	47	55	42
Other security or investment	22	22	28	30	35	27
None	39	25	28	27	26	32
% who did not visit any domestic place in past 12 months	20%	9%	17%	13%	9%	23%

Source: Scarborough Research



Chart 3-1

FACTORY OUTLET VS. MALL VS. DISCOUNT DEPARTMENT STORE SHOPPERS

How does the factory outlet shopper compare with a mall shopper or a discount department store patron? The most striking answer is that factory outlet shoppers are more affluent.

Among the three shopping venues, factory outlet shoppers are the wealthiest, reporting a 29-market median household income of \$55,558 compared with \$49,556 for mall shoppers and \$47,295 for discount department store shoppers.

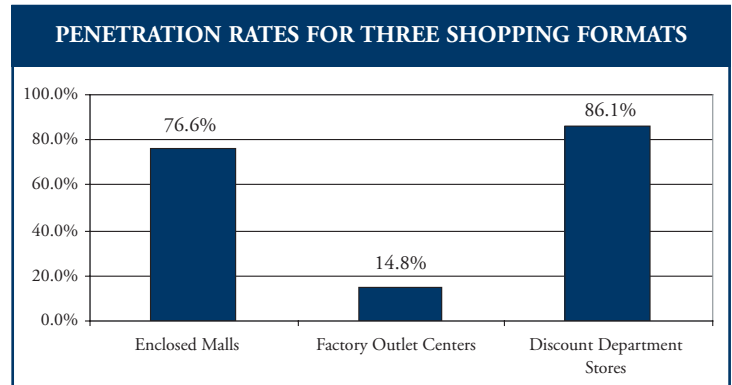
Not surprisingly, given the income differential, factory outlet shoppers also appear to hold more wealth than mall or discount store shoppers. About 66% of outlet shoppers in the 29 markets have an investment (i.e., property and/or financial assets) of some kind vs. 61% for mall shoppers and 58% for discount department stores. The average home ownership rate, too, among factory outlet shoppers (74%) is higher than for the mall shoppers (70%) and discount department stores (69%).

As for other demographic characteristics, there are some key differences. Although factory outlet shoppers are about the same age as shoppers at malls and discount department stores, there are significantly more women, more married people and a higher percentage of Whites among outlet shoppers.

Because many factory outlet centers are found along interstate highways, it is the tourists who usually visit this type of shopping center. Indeed, according to the Scarborough data, factory outlet shoppers reported the highest proportion of having visited any domestic place in the past 12 months (85%). (This compares with 79% and 76% for mall and discount department store shoppers, respectively.) It is highest in Jacksonville (92%) and lowest in Wilkes-Barre (78%).

PENETRATION AND CROSS-SHOPPING PATTERNS

As shown in Chart 3-1, factory outlet centers have substantially lower penetration rates than enclosed malls



Source: Scarborough Research

and discount department stores. However, a majority of consumers are “non-exclusive” shoppers. People shop in a variety of retail formats for similar or different products, permitting a significant amount of cross-shopping.

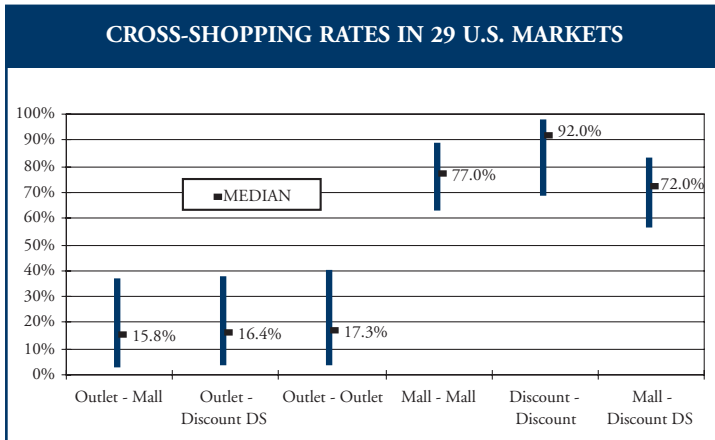
Table 3-3

CROSS-SHOPPING RATES: OUTLET CENTERS VS. MALLS VS. DISCOUNT DEPT. STORES		
Market	Outlet Shoppers Cross Shopping	
	Enclosed Malls	Discount Dept. Stores
Atlanta, GA	16.4%	18.7%
Austin, TX	22.2%	25.1%
Buffalo, NY	19.9%	20.3%
Dallas, TX	9.6%	9.8%
Fort Myers, FL	31.7%	34.8%
Fresno, CA	6.6%	6.8%
Harrisburg, PA	34.7%	35.4%
Houston, TX	3.7%	3.8%
Jacksonville, FL	25.3%	26.7%
Kansas City, MO	4.9%	5.4%
Knoxville, TN	28.4%	29.9%
Los Angeles, CA	11.1%	11.1%
Memphis, TN	12.3%	13.5%
Miami, FL	3.4%	4.0%
Nashville, TN	8.1%	9.6%
New York, NY	13.8%	12.3%
Orlando, FL	17.1%	17.1%
Philadelphia, PA	5.7%	6.0%
Pittsburgh, PA	10.7%	11.1%
Rochester, NY	19.9%	19.9%
Sacramento, CA	19.7%	18.9%
St. Louis, MO	11.3%	12.3%
San Antonio, TX	17.6%	18.8%
San Diego, CA	31.5%	33.5%
San Francisco, CA	14.8%	17.4%
Syracuse, NY	16.7%	16.4%
Tampa, FL	18.2%	18.1%
West Palm Beach, FL	9.0%	8.5%
Wilkes-Barre, PA	15.8%	16.1%

Source: Scarborough Research



Chart 3-2



Source: Scarborough Research; ICSC Research

ICSC calculated the cross-shopping rates between factory outlet centers and enclosed malls, as well as those between factory outlet centers and discount department stores.⁵ Table 3-3 shows the cross-shopping rates for each of the 29 markets studied.

As shown in Chart 3-2, cross-shopping rates ranged from 3.4% to 34.7% between factory outlet centers and enclosed malls, and from 3.8% to 35.4% for factory outlet centers and discount department stores. However, this cross-shopping relationship is significantly weaker compared with malls and discount department stores⁵, which has a median rate of 72%.

Ironically, despite factory outlet shoppers having a demographic profile that is more akin to mall shoppers, they are more likely to cross-shop discount department stores than enclosed malls. The median cross-shopping rate between factory outlet centers and discount department stores is 16.4% compared with 15.8% between factory outlet centers and malls. In fact, the cross-shopping rate between

factory outlet centers and discount department stores is stronger than that between factory outlet centers and malls in 22 of the 29 markets.

Chart 3-2 also shows the shopping rates for each of the three shopping formats. Discount department stores posted the highest median shopping rate of 92.0%, while factory outlet centers showed the lowest: 17.3%. Enclosed malls reported a median shopping rate of 77.0%. Overall, this suggests that discount store shoppers are less likely to be found at factory outlets.

SUMMARY

The profile of a typical factory outlet shopper is a person who is likely married with at least one child, highly educated, belongs to the younger side of the baby-boom generation (43 years old) and is relatively wealthy. Generally, factory outlet shoppers possess a demographic profile that is similar to that of mall shoppers. However, in terms of shopping at other retail formats, factory outlet shoppers remain the so-called “value-conscious” consumers in that they are more likely to cross-shop discount department stores.

⁵ The cross-shopping rate between the shopping formats was calculated by dividing the number of shoppers who shopped in *both* formats in the past three months by the total number of shoppers in each market.

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