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The Real Impact of Technology on Retail

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IRVINE, CA — Online retailing has proven to enhance brick-and-mortar to create a better overall experience for the consumer and more profits for the retail sector, experts tell GlobeSt.com in Part 2 of this exclusive discussion about the shifting face of retail. In Part 1, we explored how Millennials have both revived and transformed the sector. Here, we discuss the true impact of technology on the sector.

The rapid growth of platforms to serve the online and mobile consumer is one of the most significant adjustments the retail sector has had to make in recent years, according to **Chris Macke**, managing director of research and strategy for **American Realty Advisors**. Macke tells us, “Millennials increasingly demand that retailers come up with solutions that meet their consumption pattern through today’s electronic channels rather than relying solely on traditional ‘bricks-and-mortar’ approaches their parents knew. This will only increase as this cohort ages and increases their percentage of total sales. In addition, as baby boomer consumption is increasingly shifting from goods to services, this will impact the way that retailers deliver goods to consumers.”

For years, since consumers are doing a lot more research online before a major purchase, the retail sector has been worried about showrooming, whereby shoppers test a product in the store and then buy it online for a lower price, says **Faith Hope Consolo**, chairman of the retail group at **Douglas Elliman Real Estate**. “That does take place to some degree with electronics, but what’s really happening is web-rooming—thoroughly researching items and then going to the store for a final in-person test and purchasing (usually with a few other items added in). They’re buying much more prepared fresh food, but not always in supermarkets: drugstores have become general-merchandise stores where you can get your prescriptions and lunch in the same visit. Shoppers want less stuff, more experiences, so stores are trying to become more social, offering classes, food and events.”

Retailers, therefore, are including much more information on their websites, making returns free or offering to take them in-store (where, of course, shoppers will buy more), Consolo adds. “Boutiques like Tommy Bahama and Ralph Lauren are placing coffee bars and even full restaurants in their stores. Fashion shows, classes and more are taking place, too.”

Now that finding the best price for an item requires little more than looking it up on the Internet, most stores — even mom-and-pop retailers — are offering price matching as a way to keep business that would have otherwise been lost to a cheaper online price, says **Shahin Yazdi**, SVP of **George Smith Partners**. “Adapting and staying competitive are key in today’s retail landscape.”

In addition, as online sales soar, retailers are making these sales more of a priority in their business operations, Yazdi adds. “Those retailers that have embraced their own online retail components are focusing on online sales, giving them the same importance as brick-and-mortar sales.”

Product returns are another area that has changed in response to the demands of today's consumer, says Yazdi. "Millennials want convenience in terms of returns. Providing an easy way for shoppers to return online purchases to a physical store has become a necessity for retailers."

This activity continues to guarantee the survival of the physical retail location, Yazdi adds. "In fact, many online retailers are now partnering with or establishing a brick-and mortar presence as an added convenience to their online shoppers. By doing so, these e-retailers are providing shoppers the opportunity to not only return product but also to browse items in-store."

Online retail is also deeply impacting the physical attributes of brick-and-mortar retail, says Yazdi. "Many retailers have now shifted to smaller physical stores while adding larger warehouse spaces to accommodate the ever-increasing volume of online shopping."

The way in which consumers are purchasing goods and services today has changed how retailers interact and communicate with them, says **Derrick Moore**, a principal at **Avison Young**. "Smartphones, tablets, social media and the abundance of information generated by having 24/7 access have changed marketing strategies. Retailers are much quicker to respond to consumer comments and adjust advertising accordingly. Also, many of the ads are driven by social media and 'likes' or smartphone-enabled ads vs. traditional print media. If advertising isn't 'smartphone enabled,' it's probably not getting noticed."

The new consumer buys socially, **Rick Chichester**, president and CEO of **Faris Lee Investments**, points out. "They're not just shopping on- and offline in isolation. Rather, they research and make decisions based on comments and recommendations via social media — peer-to-peer communications. To that end, retailers are developing multiple communication channels and providing consumers the opportunity to engage and comment. Additionally, retailers are tracking more of the consumer's interests and habits and creating a more personalized shopping experience through tailored, relevant, individual communications of product information."

Moreover, advanced technology has developed and enabled a well-informed consumer, says **Chris Hite**, president of **Coreland Cos**. "Price and product comparisons take little to no effort online. Your neighborhood sandwich shop or dry cleaner with poor service can't skate by anymore given the influence of Yelp. These resources weed out poor operators faster than ever."

Technology and mobility also allow small start-ups to gain market share more quickly, Hite adds. "Social media outreach has taken word-of-mouth to a completely new level, reinventing the speed at which a brand can establish itself and grow."

Macke points out that as a result of the recession and continued relatively weak income growth, consumers are increasingly looking for value, meaning not just low prices but lower prices on branded/quality goods. "Just 'cheap' isn't good enough anymore—now it has to include significantly discounted pricing on higher-end label goods. This is hurting old-line department stores that traditionally serve middle-income consumers and simultaneously benefiting those retailers who have figured out how to deliver quality at an attractive price."

Since many of the consumer's essential goods are now being purchased on the Internet as if they are a commodity, retail centers are more challenged to use creative means to generate traffic, says Lefton. "Consumers can find specific merchandise at the lowest price offered and have it delivered to their door within 24 hours or less. In order to entice that consumer to leave the comfort of their home, the brick-and-mortar side of the industry needs to create an engaging and entertaining experience every time one visits a retail center."

Moving forward, we are likely to see more online purchases and smaller physical stores, says Moore. "Brick-and-mortar will not go away, but we may see them shrink or be combined with other retailer categories like food and fashion."

Chichester says he would expect to see more retailers looking to adopt the high-touch, high-energy, personal-service environment of Apple retail stores, “along with the online ease of shopping on Amazon. Online and in-store will become a seamless, integrated and holistic experience.”

As mobile apps become more efficient and same-day deliveries become the norm, buying habits will continue to change, says **Cary Lefton**, CEO of **Agora Realty & Management**. “Developers will strive to find thematic approaches to their centers in order to appeal to the evolving needs of their visitors. For example, at Plaza Del Valle in Panorama City, CA, an old movie theater has been transformed into a banquet hall that seats 300 for wedding receptions and quinceañeras—a Latin-American coming-of-age celebration for 15-year-old girls. One building has been removed to allow street views into the center, and our programming includes music, children’s activities and community events every weekend.”

Over the next 10 years, the graying of America will shift consumption among baby boomers even more from goods to services, and this cohort will spend less overall since spending at a certain point decreases with age, Macke predicts. “Astute investors will target on ‘medtail’ providers — retail formats that increasingly offer services including health/medical services — that can successfully profit from the fusion of two major parts of senior consumption patterns.”