

Is Retail Dead, or Just Changing?



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Four retail and industrial experts took to the stage at [I.CON: The Industrial Conference](#) to discuss the intersection of retail and industrial. Here are the top 10 soundbites from this jam-packed session that tried to answer the ultimate question: Is retail dead?

1. There has never been a time when the supply chain world and retail world have had to be so closely integrated. Nothing that happens on the retail floor or in a store – especially as consumers are constantly demanding change in retail – unless the right adjustments and improvements are made upstream to the supply chain.

2. For industrial real estate, every space today can be a winner – not so much in retail. But don't believe the "retail apocalypse;" retail isn't lifeless, it's simply changing. Experiential retail is crucial and satisfies customers' desires to see and touch some purchases before they buy, whether they ultimately buy online or in the store. Sure, there are some bad retail assets in bad markets, but most failing retail is doing so because the communities that support it are failing, too. Conversely, malls in thriving communities are succeeding. More than \$1 billion was spent last year in reinventing the mall. In short, retail is not dead – it's just changing rapidly.
3. The next disruptor is going to be food: Consider the Blue Aprons and Amazon Meal Kits of the world, as well as one-hour grocery delivery and even home delivery options by Target. Is the best supply chain for these items fulfillment from a centralized cold storage facility, or pick-up in a retail store? The answer depends on the market – suburban buyers want online-to-door delivery, but shoppers in urban, walkable markets want to pick up their groceries at the retailers on their way home. An even bigger shift? For the first time, the amount of money Americans spend on eating out has overtaken grocery purchases.
4. Some of the best brands are trying to find their way in this new landscape, whether they are value brands or luxury or in between. After the Great Recession, 80 percent of shoppers interviewed for a survey say their preferences had shifted to more value retailers (think the T.J.Maxx and Aldi stores of the world). Luxury retailers are still doing fine thanks to dedicated luxury buyers, but mid-level retailers like JC Penney Co. and Kohls have been forced to make changes to their business models, much like Best Buy did successfully five years ago. One of the biggest in-demand retailers today? Chick-fil-A. Besides amazing chicken sandwiches, Chick-fil-A's customer service is lauded as top-notch and the stores always draw a crowd.
5. Retailers right-sizing their store portfolios to support their distribution portfolios, considering repositioning empty shelves and converting retail footprints to fulfillment. But their success largely depends on where the property is located: Those near highway and transportation routes are better positioned. Hypothetically, repositioning regional malls as fulfillment centers makes sense, but this option faces vocal NIMBY outcries from residents who don't want heavy truck traffic.

6. Online retailers' biggest challenge? Returns – and nearly 30 percent of online sales are eventually returned to the seller. This not only increases supply chain costs (after all, we all expect free shipping and free returns), but then the retailer must decide if an item can be re-sold (often impossible for seasonal and fashion items), should be sent to an outlet or discount retailer, or must simply be tossed in the landfill.
7. Even as retailers are focused on right-sizing and “fixing” their stores, they're not fully considering how to reposition their space to serve both in-store clients while they also fulfill e-commerce purchases. This lack of omnichannel retail platforms could be considered deliberate: Retailers like Costco and T.J.Maxx still want buyers on their store floors.
8. Soaring e-commerce purchases equal tons of boxes delivered daily, putting massive pressure on everything from office buildings to post offices to multifamily leasing offices for receiving rooms. High-tech storage lockers, called package concierge, are being built into projects today to handle the more than 5 billion packages delivered annually by Amazon Prime alone.
9. The Last Mile: Is there enough demand for multistory distribution across U.S. markets? Yes – and make that a strong yes! Transportation costs make up 55 percent of costs of distribution, so locating these multistory fulfillment centers in dense, urban areas (bonus: These areas are also closer to major labor pools) will be key. And as consumers continue to “want it now” – and don't forget that we want it with free delivery – multistory warehouses make sense, particularly as more food is sold online.
10. Retail investment remains strongest in the bigger markets – Dallas, Chicago, Los Angeles – although millennials finally moving to the suburbs is resulting in greater retail demand in smaller markets.

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