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INTEGRATING BRICKS & CLICKS

In re-imagining retail to attract customers, technology investment ought to be among the top priorities of mall owners



MUCH has been said about the demise of brick-and-mortar stores. To be clear, physical retail is far from dead. What is firmly buried six-foot under, however, is staid retail – boring, unimaginative and disengaging retail.

In the last few years, retailers – roiled by changing retail trends and disrupted by the sweeping tech tsunami – have been forced to bring on their A-Game in the battle for their share of consumers' wallets. Those that do not have a captivating proposition nor meet customers' evolving expectations will soon find themselves out of the game.

In this brave new world of retail, customer experience is key. Today's consumers have no

lack of options when it comes to shopping, both online and off. Simply having goods on the shelves is no longer good enough. Shopping needs to be fun, entertaining and interesting as well. Motivation drives action; and retailers have to offer compelling reasons to get customers from their armchairs to the stores.

The rise of e-commerce – helped by a high smartphone penetration rate and increasingly tech-savvy consumers – was a rude awakening for many retailers. Online shopping offers greater convenience, provides more detailed product information including reviews, and allows the shopper to locate a desired product almost instantly via the search function. It is little wonder that e-commerce has caught on so quickly.

Interestingly, despite its unprecedented growth in recent years, e-commerce still makes up a very small proportion of total retail sales. In the US, e-commerce accounts for about 10 per cent of retail sales, according to data from the US Census Bureau. Meanwhile, figures from the Department of Statistics showed that online retail sales contributed an estimated 4.9 per cent of total sales in Singapore in September 2018.

What this means is that the majority of transactions – more than 90 per cent of total retail sales – still take places in physical stores. So do not write-off brick-and-mortar shops just yet.

That said, retailers should not ignore the digital platform. An omni-channel retail strategy – seamlessly integrating digital

and physical touchpoints – will help to enhance shopper experience, and is critical to achieving retail success. Indeed, many retailers including supermarkets have embraced omni-channel marketing.

Simply put, retailers have to offer something that customers cannot get online to bring them back to the stores. A KPMG report suggested that experience per square foot will become an important metric for retailers as stores become experience hubs as well as points of sale. Experiential retail is taking off with big brands leading the way.

- **Apple:** The tech giant rolled out its Today at Apple programme to boost in-store experience by offering a variety of workshops and events, such as Photo Walks, Music Lab, Live Art and Kids Hour.

- **Gentle Monster:** The cult Korean eyewear brand is revolutionising its retail space around the world. Each new flagship store is a visual treat, featuring creative – most times intriguing – in-store art installations. It has opened its second store in Singapore recently at The Shoppes by Marina Bay Sands, after setting up in ION Orchard last year.

Another retail concept being tested is showrooming. The idea is that by turning a physical shop into a show gallery and having the customer purchase the goods online after browsing the item at the showroom, the retailer would not need to carry as much inventory nor hire as many sales staff, thereby reducing real estate and labour costs. In addition, the customers can also “touch and feel” or try out the products – something that they could not do via online shopping.

Still, showrooming appears to be a trend that is more prevalent among online businesses. E-retailer Zalora had a different spin on the concept, setting up temporary pop-up stores in ION Orchard and Bugis+ malls.

BUILD RELATIONSHIPS

The Internet and social media have led to the convergence of retail and community. Retailers can now reach a large number of followers via social platforms at little incremental cost. Customer interaction should continue long after a transaction is made – with the aim of developing a community around the brand and cultivating an engaged customer base.

Community engagement can take many forms. For instance, athleisure brand Lululemon organises free yoga classes; while Aesop, an Australian skincare label, created a microsite Taxonomy of Design – a digital archive of all its unique store designs, their features and materials used.

Consumers not only demand more personalised experience and top-notch customer service, they also expect real-time engagement. Hence, retailers must understand customers' profile and needs, anticipate issues, and proactively provide insights and solutions at every stage of the product lifecycle.

Technology such as data analytics can help retailers learn about their customers, segmenting

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them by their behaviours, needs and wants. Research firm Gartner expects the global retail sector technology spending to grow 3.6 per cent year-on-year to reach nearly US\$203.6 billion in 2019, with similar growth rates for the next two years as retailers invest heavily in digital capabilities to meet customer expectations.

Similarly, technology investment ought to be among the top priorities of mall owners. Apart from using big data to better understand consumer behaviours, landlords can also leverage sensors and cameras to track footfall, identify hot spots and under-utilised space, and even monitor sales conversion rate at different shops within the mall.

Curating an effective tenant-mix continues to be a key pillar of retail real estate strategy for landlords. Over the past years, retail landlords have increased the amount of space devoted to food and beverage (F&B) to attract shoppers and keep them in the mall.

Experiential shopping is the buzz word among many landlords as they strive to keep malls vibrant – be it installing rock climbing walls, introducing an ice-skating rink, hosting carnivals in the atrium, or having tenants with experiential

offerings such as virtual reality gaming.

Colliers Research has observed that activity-based tenants – such as game arcades and gyms – made a comeback in the retail scene in the first half of 2018, as landlords sought to inject more lifestyle components to woo consumers back to the malls. Retail-to-flexible workspace conversions also appear to be ramping up, with Orchard Road gaining interest among flexible workspace operators.

Store closures have been widely reported, but let's not forget that new ones have opened as well. Colliers International's Real Estate Management Services team, which is leading the leasing and facility management of retail properties including a strata-mall, believes that physical retail will continue to be relevant as it is a hub for social interactions. The ability to adapt, create positive experiences, and develop a 360-degree view of the customer will help the retail sector weather the storm. ■

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