

## Op-Ed: The Retail Comeback – For all the gloom and doom in retail there are some sunny things to consider

By: David Zoba, Commercial Observer, August 16, 2017

It seems that every day I read another article predicting the end of retail. With the continuing growth of e-commerce, the popular narrative is that brick-and-mortar shopping is in peril.

I flat out disagree.

While retail is evolving (and will continue to evolve), I believe that the future is bright for those who innovate and invest in the customer experience.

Let's start with some facts:

National vacancy rates are below 5 percent.

Over the past few years, lease spreads have been in the double digits.

There is minimal new supply coming online, and in the next few years we will see the demolition or repurposing of about 300 lower-tiered malls out of 1,100 total malls.

Finally, let's remember that companies want physical retail because e-commerce is extremely expensive. With free shipping and average apparel return rates of 38 percent, e-commerce margins suffer, and brick and mortar is an outright bargain.

While retail fundamentals are strong, continued success will require a focus on the "experience economy." Humans are social beings, and shopping is fundamentally a social experience. Many retailers and landlords are already capitalizing on this, finding ways to provide experiences you can't get on the web.

Take Athleta, an athletic apparel store owned by Gap Inc. Its Flatiron District store in Manhattan has a fitness studio offering free yoga classes. So, go for a free class—and *then* maybe you'll decide you need some new yoga pants.

Other apparel stores like Neiman Marcus, Nordstrom and Uniqlo are using new technology like memory mirrors, which essentially take a picture of you in the outfit you are trying on. This allows shoppers to see their outfits from a 360-degree angle and to compare one outfit another one in real time.

The \$500 billion beauty business is also investing in technology that is transforming the customer experience. Sephora, for example, introduced an augmented reality mirror that allows customers to try an endless palette of colors in real time via "virtual photo realistic color rendering technology."

Retailers aren't alone: Owners of malls and retail complexes are also investing in experiences that attract customers. One approach is focusing on unique tenants. For example, better malls will soon be seeing Kidzania, an interactive indoor theme-park that enables children to learn about different careers, the inner-workings of a city and the concept of managing money through role play. This is a great strategy—while the kids are playing, the parents eat, drink and shop.

The Country Mart shopping centers in California are taking another approach. In addition to finding attractive tenants, they have invested in a full slate of supplemental activities to draw customers. Farmers' markets, food trucks and weekly live jazz and pony rides for kids are available for the entire community, and they aren't available online.

Earlier this summer, I sat on a panel for the Urban Land Institute New York where a group of industry experts came armed with data on emerging market trends, arguing that while some retailers are facing challenges, companies that reinvent retail concepts to drive business are thriving.

Change is happening, yes, but I, for one, am optimistic that those who innovate, evolve and provide shoppers with an experience they can't get online will continue to thrive.

*David Zoba is the chairman of JLL's Global Leasing Retail Board.*

