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STAYING STRONG

Solid strategies are required to navigate this new era of retail, given that the challenges and volatility facing retailers are far from over



ANY casual observer may notice, store closures and vacant lots are undeniable signs of these times of change for brick-and-mortar retail. Reflecting the soft leasing market, the latest data released by the Urban Redevelopment Authority's (URA) showed the islandwide retail vacancy rate climbing to 8.1 per cent in the first half of 2017, from 7.5 per cent as at end-2016.

In this structurally upended retail era, those who are weak and slow to adapt will certainly be eliminated. Conversely, Darwin's Law should also ring true – the strongest will not merely survive, but also thrive and establish an even stronger presence.

In an indication of this inflexion point, prime retail rents appear to be stabilising recently, according to Colliers International's research. The second quarter of 2017 saw a marginal pick-up in prime retail rents for floors with the highest foot traffic in premium shopping malls along Orchard Road. Prime retail rents in the shopping district rose a slight 0.4 per cent in the first half of the year, arresting the 10 consecutive quarters of decline between 2014 and 2016. Furthermore, some thriving retail brands are capitalising on the soft rental environment to expand their footprint and open in choice locations.

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new era of retail, given that the challenges and volatility facing retailers are far from over. Those who are better prepared, and adequately agile, may emerge stronger than ever. On this note, we offer three key recommendations for small and medium-sized enterprises (SMEs):

• Focus on stealing time (and attention), and the money will follow

How does a brick-and-mortar store compete with comparable online offerings? Memorable, engaging experiences are key. Although online shopping is convenient and often more economical, most consumers will never be content with just sitting at home and clicking on webpages. There is still a strong need for a space where one can experience the engagement of all five senses, be inspired, learn, interact or simply just relax.

A lot of such experiential place-making is already taking place on a precinct level (for instance, the 10-day Star Wars festival at Orchard Road in September) and asset level (the Tree of Life at the upcoming Funan Mall redevelopment is an example of this).

However, store-level experiential retail in Singapore is still only in its nascent phase. Apple and Challenger are a couple of retailers leading the charge on this front, with interactive offerings for shoppers such as robots, drones and virtual

reality (VR) gaming counters.

For retailers, the desired end-game is to draw the crowds in by providing an enjoyable and intriguing experience. Given the increasing strategic importance of “stealing” shoppers' time, retailers should pay attention to the average time spent by shoppers, alongside the usual metrics such as shopper traffic and conversion rates. Creative engineering of the business model may also yield greater extraction of shoppers' time. For instance, a number of cafés are doubling up as casual coworking spaces, by providing free Wi-Fi and power outlets for customers to work during the F&B outlets' non-peak hours.

Finally, workshops and events are another crucial tool in the experiential retail arsenal. Retail brands should explore partnerships with neighbouring tenants, and even peer brands. Synchronised promotion of events will generate greater hype and a critical mass of interest to draw the crowds to the storefronts. Ideally, the entire precinct or shopping mall has to come together to create a compelling space, and “Instagram-able” experiences where social media interest can snowball over time to generate much-coveted hype.

- **Great spaces are nothing without great service**
Brands across various retail verticals are moving towards the replacement of cashier counters with electronic ordering points (think McDonalds, Burger Up, Popeyes, Golden Village). However, the importance of a good service desk or concierge can never be over-emphasized. Premium space is best paired with great service.

Retailers should aspire towards hospitality-inspired levels of customer service and attention to detail. The Japanese word *omotenashi* captures this notion perfectly. It refers to whole-hearted, dedicated service and meticulous attention to detail and customers' needs. Japan and Taiwan are two examples of Asian markets with high levels of service embedded in their cultural DNA.

In this vein, retailers should invest in maintaining great service levels while engineering a sense of differentiation and exclusivity. This approach would yield tangible, long-term value for their brand and image, rather than a myopic focus on short-term costs. Restaurant chain HaiDiLao Hot Pot, and local fishmonger DishTheFish are among the retailers at the forefront of this shift in operational mindset. The former provides customers with complimentary manicure services before their hot pot meals, while the latter offers avant garde cooking demonstrations alongside hawking their fresh fish produce at their upcoming mall outlet.

One needs to bear in mind that in this new climate of booming e-commerce and soft rents, generic offerings can be easily procured online, while copycat F&B or retail outlets may pop up anytime, anywhere. Customers will be drawn to stores with the most memorable and satisfying retail experiences, on both extrinsic and emotional levels.

- **Strategise and plan out your entire ecosystem**
The accelerating trajectory of e-commerce embodies a future where shoppers no longer need to juggle shopping bags as purchases are delivered to their homes directly. Retail outlets will ideally evolve into “inventory-less stores”, with a focus on retail therapy and high service standards. For that to happen, an overhaul and



strategic optimisation of the overall real estate portfolio and supply chain is in order.

The experiential retail footprint will be complemented by a larger warehouse component plus an efficient last-mile distribution system. For instance, Castlery has a 10,000 sq ft showroom at Alexandra Road, plus a warehouse spanning 30,000 sq ft at Mapletree Logistics Hub in Toh Guan.

The entire ecosystem should be supported by intelligent, real-time data and analytics that enable it to run smoothly on its own.

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Advanced data analytics also entails some form of predictive power – apart from keeping track of inventory levels, the algorithms should be able to discern customer demand trends during particular seasons and in specific localities. This predictive capability will drive greater efficiency and cut down on retailers’ redundant inventory space. Identifying a logistics partner who can efficiently and effectively distribute the goods to the door step of the customer is also crucial to complete the shopping experience.

We believe that there is no better time to re-engineer your retail business, and the backend operating model. Retailers need to optimise their real estate footprint and their overall ecosystem, from a top-down, self-aware perspective, while accounting for the volatile trends on the ground. The age-old adage of knowing the ground and thyself retains its wisdom and relevance even in

these changing times.

Partnering a retail consultancy allows one to right-size, find the right location, and engineer optimal leasing strategies such as a gross turnover rent component, or more flexible lease tenures. A retail specialist is also well-positioned to assist brands in optimising the 3 Es of retail future-proofing – “experiential, experimental and exclusive”.

Lastly, a tripartite relationship between the retail brand, the consultant and the landlord that is firmly anchored by a common vision of embracing the future of retail, will certainly expedite this future-proofing journey for all parties. ■

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