



Where to Next?

Top 5 Retail Trends
Shaping Success for 2018



Accelerating success.



Adidas Virtual Footwear Wall, Oxford Street, London

Top 5 Retail Trends Shaping Success For 2018

It is nearly impossible to get through the day without hearing about a new advancement in technology. Whether in driverless cars or new medical equipment, our technologies are making us faster, quicker, and more accurate. To stay afloat in today's markets, companies and their employees need to be at the front line of innovation and efficiency, or they risk a near-certain failure.

This technology crunch rings even more true for the retail industry. Countless retail giants have faced closures, bankruptcies, and layoffs through their failure to adapt to the market and to draw patrons to their stores. This lack of innovation by some, however, has opened opportunities for a range of new market entrants, forward-thinking brands, retailers, and shopping centres to establish or gain market share.

As such, despite the common headlines predicting 'the end' for bricks and mortar, there simply isn't the evidence to suggest that this is the case. Rather, the reasons for consumers to choose to shop offline has changed, and there remains a clear opportunity for those retailers prepared to respond in kind. For 2018, expect accelerated market capture from shopping centres, precincts, brands, and retailers who have accepted this change, who embrace technology, and who truly understand their customers.

In the following pages, Colliers provides the Top 5 Trends that will shape success stories for brick and mortar retail in 2018.

1

Make it or Break it with Data and Technology

Forward-thinking retailers and start-ups alike have embraced data analysis and technology to better engage with their customers. For years Home Depot has linked your email address with your credit card to make returns easier and encourage repurchases. Furthermore, established start-ups like Warby Parker and Bonobos use data to reduce inventory risk and increase customer satisfaction, and Loblaw's PC Optimum Points program sends curated emails to customers to entice more in store visits using time-sensitive deals specific to previous products purchased. Expect 2018 to bring further adoption of technology to understand shopping patterns, customer loyalty, and spending habits to 'connect' with customers online then draw them to a brand's offline retail experience.

Applications and augmented reality will also play a significant role in retail through 2018. Take IKEA's new Place App which aids in the pre-purchase planning of furniture through augmented reality. Customers with the app can now pick a product they want to visualize in their home, their smartphone and the app will then digitally place selected furniture in the house and match the scale and lighting to the surrounding environment. Also in the house and home sector, never search for a tape measure again – use Lowe's new app: Measured. Although relatively basic in nature, this virtual measuring tape gives your smartphone the ability to measure any area, height, distance, or object through the phone's camera. Users can then save these measurements for the next time they are shopping instore. However, augmented reality is not just for the big players in international retail, and we are starting to see increased awareness and application of this technology by domestic, and even local retailers. Canadian company Hakim Optical recently launched their Virtual Try-On app ahead of their 2017 Black Friday sale. This technology allowed customers to virtually test the fit and style of a pair of sunglasses before the sale date. In using this technology, customers could reduce time spent instore trying on frames or feel more certain when they are purchasing online. Over 2018, expect to see significant growth in the use of augmented reality as retailers increasingly understand the technology and identify unique applications to drive traffic to their stores.

IKEA Place App | Augmented reality purchasing UX

With IKEA's new Place App, Customers can now pick a product they want to visualize in their home. The app will then digitally place the selected furniture in the house and match the scale and lighting to the surrounding environment.





The RAAS Market, West Edmonton Mall



Frank and Oak Store, Toronto

2

E-Commerce Brands Driving Change in Brick and Mortar

Many tout e-commerce as a killer of retail but to some, it will bring a resurgence in retail leases. E-commerce companies are bullish when they come into brick and mortar expansion. Take eyewear brand Warby Parker (originally e-commerce only) who opened 20 retail stores in 2017, bringing their total store count to 62 in the US and 2 in Toronto. Other e-commerce companies are making strides in brick and mortar retail as well, clothing company Bonobos has opened 48 stores in 6 years, while Canadian clothing company Frank + Oak has expanded to 16 stores in most major Canadian markets. E-commerce brands are continuing to find success in brick and mortar through their customer-centric attention to detail and service. One can only imagine what Amazon will do with Whole Foods in the next year or two. Having a physical retail space helps e-commerce brands increase legitimacy (read conversion rates) and acquire customers that may not be shopping online yet. For landlords, e-commerce brands bring modern store designs and draw engaged customers to the centre.

3

The Offline Retail Experience Will Prevail

Expect continued marketing spend by top retail precincts, business associations, and shopping centres on their brand perception. As more shoppers place a higher value on life experiences versus material goods, retail destinations continue to launch events indirectly related to shopping. The Khatsahlano Street Party, for example, features food trucks, beer gardens, and live music each summer along Vancouver's posh West 4th Ave. In recent years it has attracted attendance numbers over 150,000 people in one day, who, once on site, shop and develop a connection with the retailers along this ten-block retail node. Developing a plan to market your centre, space, or precinct as a brand or destination will encourage consumers to travel further for the experience and entice retailers to establish their stores there. Some other great examples of effective and creative marketing come from around the world. Dinosaur exhibits in shopping centres have been successful for more than a decade. The Cityplaza Mall in Hong Kong launched its first exhibit in 2005 attracting more than 3.8 million guests in just five weeks. UK's Telford Shopping Centre also experienced massive attendance rates of 263,000 visitors in the first week of its exhibition in 2016.

Attractions need not be as grand as dinosaurs and music festivals. Events of any size can spark interest and explode on social media without massive marketing budgets. Knowing the target market and creating experiences they seek is essential. Knowing their niche has paid off exponentially for Vancouver's fashion brand Lords of Gastown in part through their list of annual events from charity motorcycle cruises to bikini contests, and head-rattling show and shines. This type of gathering might not be for all operators, but there are lessons to be learned. There is a customer for everyone; it is a matter of finding them and engaging with them. Other successful examples of low cost, high engagement events include art festivals, public cooking classes, charity events, farmers markets, and DIY seminars for example. Starting small and building profile can reduce risk and build popularity sustainably while shopping centres and brands alike benefit from growth in a loyal customer base.

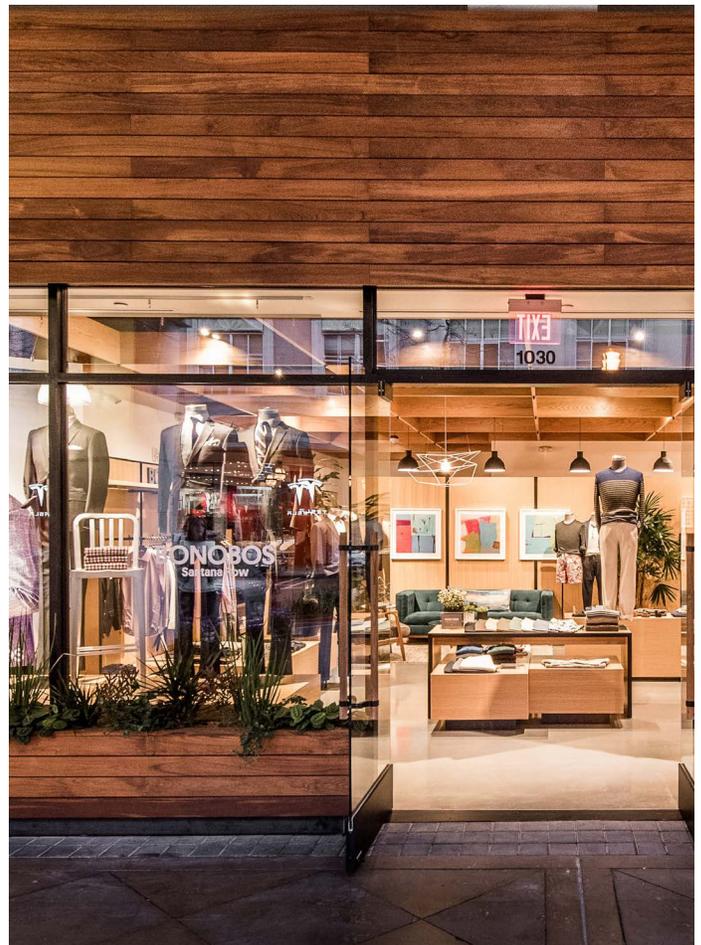
4

Creative Leasing Models

The growing number of start-up and e-commerce brands choosing to open physical stores is changing the way spaces are being leased. Landlords are filling temporary vacancies with pop-up shops and short-term rentals to draw more customers and increase engagement with their properties. In Fall of 2017, West Edmonton Mall launched the RAAS Market (Retail As A Service). The concept is to create a micro-mall inside the largest mall in

Canada. RAAS granted 25 short-term leases (a minimum of three months) to local brands, artisans, and food vendors to test their brands in a brick and mortar setting. The structure is permanent within the mall, in a high traffic location and designed to capture the eye and to encourage engagement. This concept gives local brands massive exposure while the West Edmonton Mall owners benefit from increased rental space and publicity. Supporting local brands with unique offerings, tenants of the RAAS market are complementary to the mall's tenant mix and has already proven to be extremely popular with consumers.

Traditionally, these short-term leases are not ideal for the landlord, but it may allow for costly tenant improvements to be recovered faster and for the centre/precinct to gain significant exposure to the regional draw these e-tailers and artisans have. From a risk perspective, brands can test locations, décor, and sales systems, while landlords can recoup rent at a higher rate with more bargaining power and less commitment to improvements. Considering shorter term leases for unique opportunities can, therefore, reduce risk and increase profile for both the landowner and the brand. The landlord also benefits from the added press of supporting local and creating an experience for the community.



Bonobos Guideshop, Santana Row, San Jose, CA



5

Technology and Retail Infrastructure

As retailers seek new ways to draw customers to their stores, tenants will change their space requirements through 2018. The big players like Fred Meyer and Walmart have been testing click and collect systems where customers shop online and pick up outside the store. This trend is expected to continue growing through 2018 and can require some adjustments to the property's infrastructure. Drive through lanes, check in boxes, and reserved parking spaces near the retailer's entrance make it easy for shoppers to accept their groceries without ever leaving their vehicle.

Smaller retailers and new to brick and mortar e-commerce brands will seek landlords who are flexible with tenant improvements and understand their business model. It is not uncommon for these retailers to require excellent lighting, high-speed internet, large windows, and flexible design guidelines even in the smallest of units. In the back end of the store, expect the storage space to be set up for both retail and online sales, where employees can ship e-commerce orders directly to customers all while servicing the needs of instore clientele. Picture this new store format as a showroom and adjust the space accordingly. Less shelving, and more open space to create an engaging environment. In return expect these brands to draw highly qualified foot traffic to your centre through their social networks and digital advertising.

Accepting Change for 2018

Through 2018, flexibility, understanding, and acceptance to change will to fuel growth in brick and mortar retail. Shopping centres and retail precincts should set goals to accept new formats, launch unique events, and draw business from niche markets. Forward-thinking brands utilizing technology and data will accelerate change in the retail environment all while building an incredibly loyal customer base. Combining great brands and shopping destinations to provide the consumer with a convenient and unforgettable experience will be the key to success through 2018 and into the future.

A close-up, low-angle shot of a white, futuristic robot head. The robot's head is tilted slightly to the right. Its face is a large, curved screen displaying the words "SMART" and "RETAIL" in a bold, white, sans-serif font against a dark blue background. The robot's body is white and sleek, with a circular opening at the base of its neck. In the background, a clothing store is visible, with several mannequins dressed in modern attire. The lighting is bright and even, highlighting the robot's features. The overall aesthetic is clean and modern, suggesting a high-tech retail environment.

SMART
RETAIL

396 offices in 68 countries on 6 continents

United States: **153**

Canada: **29**

Latin America: **24**

Asia Pacific: **79**

EMEA: **111**

\$2.6B

US* in annual
revenue

2B

square feet
under management

15,000

professionals
and staff

*Based on 2016 results

About Colliers International Group Inc.

Colliers International Group Inc. is an industry leading global real estate services company with more than 15,000 skilled professionals operating in 68 countries. With an enterprising culture and significant employee ownership, Colliers professionals provide a full range of services to real estate occupiers, owners and investors worldwide. Services include strategic advice and execution for property sales, leasing and finance; global corporate solutions; property, facility and project management; workplace solutions; appraisal, valuation and tax consulting; customized research; and thought leadership consulting.

Colliers professionals think differently, share great ideas and offer thoughtful and innovative advice that help clients accelerate their success. Colliers has been ranked among the top 100 outsourcing firms by the International Association of Outsourcing Professionals' Global Outsourcing for 11 consecutive years, more than any other real estate services firm.

colliers.com

Copyright © 2018 Colliers International.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

Primary Authors:

Brad Westerop
Market Intelligence Coordinator | Vancouver
+1 778 995 4636
brad.westerop@colliers.com

Regional Authors:

Andrew Rojek | Manager, Market Intelligence | Western Canada
+1 604 662 2667
andrew.rojek@colliers.com

Contributors:

James Smerdon | Vice President and Director of Retail Consulting

Colliers International | Vancouver

200 Granville Street, 19th Floor
Vancouver, BC | Canada

TEL +1 604 681 4111



AON®

BESTEMPLOYER

PLATINUM | CANADA | 2018



Accelerating success.