

Retail Space in the Future:

How Technology has Changed the Way We Shop

BY CHRISTINE CARLYLE, AIA, AICP

FROM MAIN STREET TO VIRTUAL SHOPPER

LIKE MANY MARKET SECTORS, THE USE OF TECHNOLOGY IS transforming the retail real estate models. For most of recent history the experience of shopping was a physical experience of going to a store to buy a product using tangible currency or other form of barter. Shopping required going to a real place that was identified with specific products. As the urban shopping district developed, especially in North America, this shopping experience evolved from an individual shop to an entire street or district, with inviting windows that lured one into visiting a favorite store, search for bargains, getting fashion advice and information about products. Prior to the development of the Internet, most shopping involved a physical experience to see and touch real products, make selections and ultimately taking home the purchase.

AUTOMOTIVE RETAIL

The retail environment transformed through the mobility offered by the automobile and the evolution towards suburban development models. This transformation can be traced from the Main Street model of the 19th and early 20th centuries to a 1960s shopping center or commercial strip, to the rise of the regional mall in the 1970s and 80s, and now the ubiquitous arterial Big Box and upscale Life Style Centers of the 1990s and 2000s. Throughout this 90-year time period of suburban retail development, the urban city center has faced many challenges to keep pace with the changes in shopping habits for a variety of reasons: declining urban populations; perceptions of the city as unsafe; shops that were located far away from one another; perceptions among suburbanites that the city environment was “confusing;” and expensive and inconvenient parking. Looking

forward, the urban lifestyle preferences of Generation X and the Millennial Generation are reversing many of those trends and revitalizing urban retail zones.

VIRTUAL REALITIES

Today we experience a steady flow of digital transformations affecting the way we live, with new smartphone applications, quick links, endless supplies of electronic coupons, and a constant barrage of email advertisements.

About the Author



Christine L. Carlyle, AIA, AICP, principal and director of planning, Solomon Cordwell Buenz (SCB), Chicago, has more than 25 years of experience in planning, urban design and architecture, and is recognized for her work creating sustainable and livable communities. As a planner and architect, Carlyle is significantly impacting cities and communities across the globe through urban design, transit oriented development, form-based codes, land use policy and economic planning. Carlyle founded the SCB Planning Studio in 2002, and has directed a diverse portfolio of urban design and planning projects in the Midwest, nationally and internationally. Prior to joining SCB, she was director of planning at Farr Associates, designing sustainable communities, senior planner at Skidmore Owings and Merrill developing the Chicago Central Area Plan and Harvard University North Campus Framework Plan, and assistant director at the City of Dallas, Department of Planning and Development, where she directed urban design plans with a focus on downtown revitalization and implementation of the new DART transit system. Carlyle is an active member in the Chicago Central Area Committee, Urban Land Institute, Public Policy Committee and board member of Greater North Michigan Avenue Association, and co-chair of Planning & Advocacy Committee to develop the 2025 Plan, a 21st Century Vision for the Avenue and environs. She received her bachelor's degree in architecture from Carnegie Mellon University and a master's degree in architecture in Urban Design from Harvard University.

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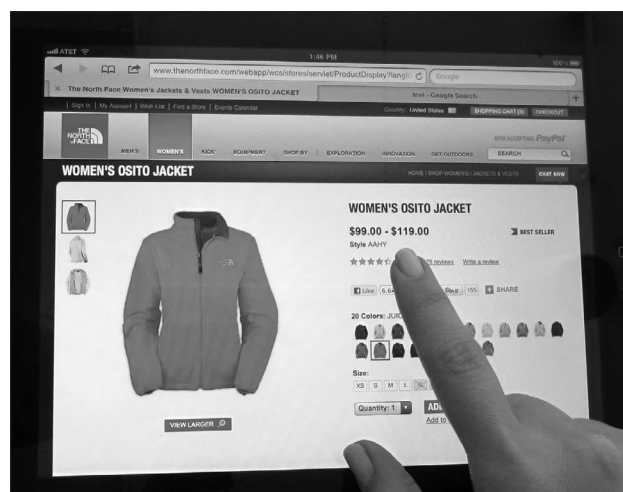
Advancements in barcodes, such as the new QR code developed for the smartphone, offer shoppers the opportunity to download product information from a shop window, price tag or magazine article.

A heavy reliance on technology is being integrated into all aspects of life, including how we choose to shop. Asking the question, “How does the virtual world impact the physical world?” can seem like an existential question. For some retail market sectors, the rise of technology is an existential issue and the kiss of death, eliminating a once-thriving business. Technology is transforming, and in some cases, overpowering many retail sectors—music, books, electronics, movies and entertainment, to name a few. A prime example is the fate of Border’s Bookstore, a once-thriving national book store chain that lost its market share overnight because of the competitive pricing of online Internet sales, digital books and e-readers.

DEMAND VOLATILITY OF RETAIL

The speed and volatility of public opinion that technology can bring to the decision-making for a large segment of the population is a powerful, and in many cases, fickle force that is difficult to balance with the “brick and mortar” realities of real estate. The retailers fear the effects of these rapid changes, but so do municipalities and other governmental units that rely heavily on sales tax dollars for supporting services. A high profile vacant building or a proliferation of smaller scale empty storefronts can signal the economic decline of a community. The changeability of retail market forces creates winners and losers. Unfortunately, real estate is not fluid and able to address these changes quickly. Many communities have an oversupply of retail, especially in the suburbs where the retail is more auto-oriented. In our economically challenged times there is a tendency for communities to compete amongst themselves for the same limited supply of desired retailers. There is greater need to re-think and reposition these vacant properties and hopefully address and improve the quality of place-making in these environments.

Mobility and access literally drove an automobile-centered society, and in response, the retail environment adapted through physical form. Identity needed to be recognizable from the dashboard, with big signs and easy parking near the front door. The construction methods tended towards building cheaper buildings to create lower overhead in order to offer more savings to the savvy



shopper. Now, savvy shoppers can turn to the building-less world to compare price points, and purchase without leaving the comforts of home. If the act of shopping is just a transactional process of acquiring a specific commodity, then many retail environments are doomed and will be replaced by the UPS truck, as people change their purchasing habits and rely more heavily on the easy access of technology for goods and services.

RETAIL CHOICES

The retail choice for the shopper is still the same as it always has been: it's a balance between “convenience and price” and “experience.” However, technology has added a new virtual dimension. This virtual option can be very competitive for the “convenience and price” criteria and a real threat to stores that rely on those values only. With more purchasing power moving towards Internet sales, communities need to think about what factors sustain their retailers and how much retail is sustainable. Do they have too much available retail space on the market? How can they reduce the amount of retail to match demand?

THE RETAIL RELATIONSHIP TO PLACE

The ability to make shopping an experience with a heightened sense of place can offer a total package that builds loyalty to a place, a sense of authenticity and fulfillment of a basic human need for physical and social interaction. People also like to see, touch and interact with merchandise to form opinions and make purchasing decisions. This is especially true of apparel, where people want to make sure clothing fits, is well made and is fashionable. In Chicago, North Michigan Avenue is a prime example of place-making within an urban context to establish a heightened sense of experience. The

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continued success of the “Magnificent Mile” is based on many unique factors: it has a limited geography with continuous high-value investments and is located within a high density, mixed use district that offers a very large local base market. This urban market can offer a greater sense of place because it also offers civic design with landmark quality historic buildings, and Michigan Avenue is a wide tree-lined boulevard with compelling seasonal landscape displays. The gateways into the district are very dramatic, with DuSable Bridge over the Chicago River to the south and lakefront access to Oak Street Beach to the north. This sense of place also has invited cultural institutions to the area including museums, universities and medical facilities. These are all unique and rare urban assets that combine tourism with the retail experience.

Beyond the physical form of the retail district, the issue of place-making also requires the programming of inviting activities and events that support shopping and creating a heightened sense of experience. An individual store can hold an event such as fashion show, but to gain a greater synergy, it takes a district-wide event to have significant impact. This event planning requires a supporting merchant’s organization. In the case of North Michigan Avenue, there is a robust membership organization, the Greater North Michigan Association that orchestrates district-wide events such as the Magnificent Mile Lights Festival at the beginning of the Christmas shopping season or the In-Fashion Shopping Festival to introduce the new fall fashions. As a district or street builds a sense of place, it becomes the chosen location of civic events such as parades or protests. Chicago’s Michigan Avenue was the stage for Oprah Winfrey’s final show featuring the Black Eye Peas, and the filming location of one of the *Transformers* movies.

RETAIL MARKETING

Technology can enhance the synergy between experience and place. The daily combining of promotional sales and target marketing are at the core of companies such as Groupon or Open Table. These special promotions require interaction from an online market population to make real-time decisions about their personal purchasing power. These new interactive apps or applications available via smartphone or websites can provide immediate access to special coupons or enticements to frequent particular restaurants or specific events or entertainment venues.

Retailers make decisions about place when they choose where to locate a store. They utilize highly sophisticated formulas to analyze demographic data about what makes a good place for their brand. Trends in these location decisions by national and international companies have similarities, because they have technological access to real-time sales information and who is purchasing. This data can be very influential in changing the retail mix of a place. For example, during the last decade, Michigan Avenue has seen a substantial increase in European retailers opening stores on the Avenue, initially Zara, H&M and more recently Top Shop and All Saints. In the process, Michigan Avenue transformed from an exclusive high-end fashion district to the preferred regional location for a flagship store. Technology is changing the role of the flagship store, to more of a showroom for online shopping. For major furniture firms, the flagship store is not only a showroom; it is also the support structure for the warehouse distribution center. Behind all these Internet sales, there is significant growth in the logistics companies delivering those online purchases and the endless supply of *amazon.com* packages.

GROCERY TRANSFORMATIONS

These technological transformations and advancements are determining how we shop, and are affecting our more basic purchasing decisions—including with food. Many grocery stores are adding a greater sense of place and experience to their brand identity. The website for grocers, as with many businesses, can be the initial contact for a new customer. Whole Foods’ website is themed for well-being and includes a broad segment of lifestyle categories beyond the purchase of food products, such as recipes, nutritional tips and wellness programs, with a strong sustainability message woven throughout the site. With Peapod, the website *is* the store where you shop, and its truck delivers your groceries to your home.

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Mariano's Fresh Market, a subsidiary of the Roundy's grocery company, is a local Chicago grocer/restaurant hybrid model that is aimed at the individual with a busy lifestyle with no time to cook, but who wants quality home-cooked meals to eat-in or take out. These new grocery models work to create a sense of place and brand loyalty through the experience. They offer a unique dining experience with a lower cost model for food preparation, attracting a variety of people in search of a good meal, a casual dining atmosphere and immediate food availability.

BALANCING TECHNOLOGY AND RETAIL

As our culture continues to engage this digital world, we

are seeing new ways our physical world is responding to the endless variations of technological interactions. A cycle is being created between online product research and online purchasing with the real stores and tangible places. Many stores are now seeing the website as an extension of the store, where the initial purchase is made online, returns take place at the physical store and a second purchase is made at the store.

Looking forward, the retail world is adapting and embracing technology in new and unpredictable ways. Convenience shopping is transforming into concepts around place-making, lifestyle and event programming to create a greater interactive experience. ■