

Convenience counts

Competition is putting owners and retailers under pressure to make shopping ever quicker and easier.

By: Joel Groover

If the global real estate industry were to hold its own Top Buzzwords contest, the term “experiential” would surely be in the running. After all, landlords and retailers worldwide are keen on exploring new ways to create the kinds of brick-and-mortar destinations shoppers love to visit. Often the goal is to boost the amount of time shoppers linger by offering them trendy bars and restaurants, outdoor cafes, special events, personal services and the like. But thanks to such factors as e-commerce and the near-ubiquity of smartphones, observers say, a

practical imperative is increasingly in play as well — namely, the need to make the experience fast and hassle-free. “Convenience is the major driver of 21st-century shopping,” said consultant Paco Underhill, CEO and founder of Envirosell, a consumer-behavior research firm. “Even during the recession, if you asked people whether they felt more money-poor or time-poor, the answer was often time. That’s part of why we have so much mobile e-commerce today: It saves time.”

SCT asked several experts to share their thoughts on the opportunities and challenges associated with making malls and stores more convenient. The following articles explore a range of issues: convenience-oriented strategies like the use of technology to create “smarter” parking lots or faster checkout lines; the potential for easier-to-shop store formats to boost convenience across grocery, specialty apparel and other categories; and similar subjects.

To be sure, the subject is complex. Landlords and retailers should bear in mind that the proper role of convenience may vary widely among different stores and properties, according to consultant Nick A. Egelanian, president of Annapolis, Md.-based SiteWorks Retail. For commodity-oriented convenience stores, drugstores, grocers, big-box discounters and warehouse clubs, in particular, striking the right balance between price and convenience is critical, Egelanian says. “Customers are constantly making subconscious choices between price and convenience,” he said. “Let’s say you have a gas station sitting right in front of a Walmart. The gas station sells gum for a dollar a pack. The Walmart sells six packs of gum for a dollar. Why would anybody not go to the Walmart to buy gum? Because they value their time more than the price.”

By contrast, convenience tends to be less important for specialty-focused stores and malls, Egelanian says. In these environments, people feel more comfortable slowing down and spending their discretionary time and money. “A Simon mall really cannot compete on convenience,” he said. “What they are competing on is exclusivity of merchandise.” Nonetheless, amid gridlocked roads, overscheduled kids, longer work hours and other pressures of modern life, some mall owners should consider ramping up convenience for their time-pressed shoppers, Underhill says. According to the World Health Organization, about 54 percent of the global population now lives in cities, up from 34 percent in 1960. As cities continue to grow, malls stand to benefit by functioning as one-stop-shop destinations that make life easier, Underhill says. “It’s common for malls in Asia and Australia to have locksmiths, supermarkets, day-care centers, medical offices and gyms to help drive traffic,” he said. “In most U.S. malls, the focus is still on apparel and gifts, not these edge-city functions.”

THE CHECKOUT PROBLEM

Cash-register lines have always sparked complaints, and some want to eliminate the hassle altogether Retailers and tech firms across the globe are working to make shopping as easy and convenient as possible by speeding up, or even doing away with, checkout lines. But the challenges here are not just technological: Banks and credit-card issuers also shape the payment process, and their focus tends to be on fighting fraud rather than boosting convenience, observers say.

Consider the global shift to chip-enabled credit cards. While the technology has been in wide use across the European Union for upwards of a decade, many U.S. retailers began accepting so-called smart credit cards only in 2015. Much to the consternation of some, this transition to a more secure payment technology slowed checkout lines just as the holiday season was getting under way. “The one thing you hear retailers talk about — and they have been talking about this since 1975 — is improving checkout,” said consultant Todd Werden, a vice president at Boston Retail Partners. “And what have we done to checkout? We just screwed it up.”

When all goes smoothly, the shopper inserts the chip card into the reader and waits for completion of the verification process before removing the card. This system takes longer to process than a swipe, however. Worse, at times a shopper will remove the card too soon, which forces the clerk to restart the transaction. In other cases, a consumer will dutifully insert the card into the reader only to be told to swipe as usual, because the POS system has yet to be upgraded to verify

chips. “The amount of time it now takes to pay for something has gone up by a multiple,” Werden said.

In 2005 banks made smart cards the norm in the EU by forcing retailers to accept liability for any fraud perpetrated by means of the older, magnetic-stripe cards. A similar liability shift took effect in the U.S. last October. But though getting away from the older cards has caused headaches, a sharper focus on security should make it easier for retailers and tech firms to forge ahead with next-generation checkout systems, according to an American Banking Association statement submitted to a subcommittee of Congress.

Chip cards (sometimes referred to as EMV — for EuroPay, MasterCard and Visa, which originally developed the technology) are necessary in today’s era of hackers and data breaches, the American Banking Association noted in its statement. Other weapons in the fight against hackers include systems that encrypt payment data at all points of the transaction, as well as so-called tokenization technologies that replace account numbers with random digits at the point of sale; Apple Pay and Samsung Pay fall into this latter category. “In addition to today’s sophisticated neural networks, which spot fraud at the point of sale, these new technologies will be layered on top of EMV and create multiple dynamic layers of security necessary to fight increasingly sophisticated forms of fraud,” the association said in the statement.

Ultimately, technology holds -potential to eliminate what has always been the most inconvenient part of shopping: the checkout line, says Jeffrey S. Edison, a principal and the CEO of Phillips Edison & Co., which specializes in boosting the value of underperforming, grocery-anchored centers. “You’re going to be able to do it in real time,” he said. “There will be cameras all over the store that can tell what you pick up and put into your cart.” This is precisely the idea behind Atlanta-based NCR’s new whole-store scanner system, Edison notes. According to NCR’s U.S. patent application, “the process can be as simple as placing items in a cart, picking up an electronic or paper receipt and leaving the store.” The system can integrate with shoppers’ mobile-payment apps as well as retailers’ self-checkout units, which might still be needed for alcohol purchases or to weigh fresh produce, according to the patent application.

The new Fast Scan system being tested at several Texas stores by grocery chain HEB aims to speed up checkout rather than eliminate it altogether. Shoppers put items on the conveyer belt, which whooshes them past automatic bar-code scanners. This eliminates the need for shoppers or clerks to manually scan the items. “It’s like we’re living in the future,” said an HEB clerk in a YouTube video about the technology.

Given the near-universal adoption of smartphones today, mobile solutions represent another potential way to speed up the checkout process. Tech firms such as U.K.-based Powa Technologies, or Dashlane, which has offices in Paris and New York City, aim to expedite checkout by offering encrypted digital wallets and faster payment platforms. In one scenario, shoppers scan items with their phones as they walk through the stores, instead of waiting for clerks to do the scanning. “When I show up at checkout, my cellphone automatically downloads everything I just scanned,” Werden said. “I then use Apple Pay or something similar to complete the transaction, all on the phone. Within five years, we’ll see that kind of scenario routinely.”

PARKING SMARTER

Leveraging tech to take the headaches out of parking.

When Unibail-Rodamco opened the Mall of Scandinavia last November, an estimated 50,000 shoppers in Solna, Sweden, got their first look at the 1.1 million-square-foot mall’s experience-oriented architecture and tenant mix. The experience includes hundreds of shops and restaurants, along with entertainment venues such as an Imax movie theater and a Formula One racing simulator. Convenience, too, is part of the offering — the mall is the latest retail property to offer so-called smart parking, which can help shoppers find open parking spaces when they arrive, and then, when they are ready to go home, help them avoid the maddening experience of being unable to remember where the car is parked.

At Westfield’s newly redeveloped Valley Fair Mall, in Santa Clara, Calif., shoppers can find open spaces by looking for green lights positioned above. On the way out, they can type in their license plate numbers at a kiosk to see a visual representation of where they are parked (of course, the trick here is to remember one’s plate number). Along the same lines, two city-owned parking decks that serve Macerich’s Santa Monica (Calif.) Place mall guide shoppers to open spaces by means of sensors and lights; reader boards and end-of-aisle arrows point drivers to the number of open spaces in each direction.

Efforts to bolster the convenience of parking are strategically sound, given the potential for a stressful parking experience to linger in a shopper’s mind, observers say. “It is shocking, but the parking field really defines a lot of people’s feeling about convenience,” said Jeffrey S. Edison, a principal and the CEO of Phillips Edison & Co., which specializes in boosting the value of underperforming, grocery-anchored centers. “An extra 50 yards of walking will bother a lot of people. They will feel that it isn’t convenient anymore, even though you’re only talking about 15 or 20 seconds.”

Does this mean that every shopping center should buy expensive parking technology in a bid to stay competitive? Not necessarily, says Mark Braibanti, director of marketing and business development for Santa Monica-based ParkMe, a

software and data company that specializes in smart parking. The company's database of parking information includes some 29 million spaces across 64 countries, according to Braibanti. Some of the data is static, such as parking-garage addresses, hours, costs and similar fixed info. ParkMe also works with parking-facility operators, however, to obtain real-time occupancy data showing exactly how many spaces are available in a particular lot or deck. "If a parking garage or lot is ticketed or gated — meaning if someone has to pull a ticket to get in or out — we can tap directly into that information," Braibanti said. "We have software integrations with all of the leading parking companies."

ParkMe licenses this occupancy data to car companies, which funnel it to drivers' onboard navigation systems and to parking software or app developers. ParkMe's own consumer app and website leverage the information as well. "If I'm headed to a downtown Los Angeles shopping area, I can open the ParkMe app, see what lots are available, and even look for prompts like 'Get two hours free if you shop at this store,'" Braibanti said. "If a lot is 80 percent full, we can show drivers that information before they get there."

ParkMe users rave about being able to find or even reserve parking spaces in congested areas, Braibanti says. But in the future, the ongoing shift to "connected cars" — GPS-connected vehicles that can be tracked at all times — will make smart parking even more widespread, he says.

When most cars on the road are connected, ParkMe will be able to tap satellite feeds to supply car companies with real-time occupancy data even for unmanaged parking areas, Braibanti says. This would make smart parking viable even for a regional mall or power center with a large parking lot rather than a ticketed, structured deck. Because unmanaged parking is commonplace across the industry, connected cars will enable more landlords to do things like offer real-time occupancy maps of their parking fields on websites or apps, or reservations and similar smart-parking services — all without investing in expensive new hardware, Braibanti says. Over time, he predicts, smart-parking functionality will become something drivers simply expect to have as a standard feature of any vehicle. "We really feel like, with the future of transportation, smart parking is going to be fully integrated into your car's navigation system."

THINKING SMALLER

Ramping up convenience via smaller stores and showrooms.

In response to the fiscal crisis of 2008, many retailers focused on slashing prices in their existing stores or even launching off-price spinoffs. But another strategy — shrinking store formats and merchandise offerings in a bid to make shopping more convenient — is gaining ground around the globe, experts say. "When both Macy's and Lord & Taylor have value concepts, you know value is saturated," said Rachel Elias Wein, founder of WeinPlus, a consultant firm specializing in competitive strategies for real estate owners and retailers. "People have been trained to continuously get 50 or 40 percent off. The alternative is convenience."

The trend is perhaps most visible in food retailing. According to an April 2015 Nielsen report titled *The Future of Grocery: E-commerce, Digital Technology and Changing Shopping Preferences Around the World*, consumers are shifting toward smaller, easier-to-shop grocery formats. The 33-page report uses data from surveys of 30,000 consumers across 60 countries and other Nielsen market research. "Across the globe, we're seeing the rise of proximity retailing," said Patrick Dodd, Nielsen's president of global retail, in the report. "In the eyes of global shoppers, small and simple is beautiful right now. While there is some growth for large stores, the real winners are mini markets, small supermarkets and convenience stores."

According to Nielsen, the growth of smaller-format stores tends to be strongest in developed economies. Nonetheless, the authors write, "convenience and drug stores demonstrate strong growth potential in both developed and developing markets, which underscores consumers' desire to use brick-and-mortar stores for quick trips and special (often urgent) purchases."

Whole Foods Market's 365 by Whole Foods Market spinoff typifies this trend, according to consultant Paco Underhill, CEO and founder of Envirosell, a consumer-behavior research firm. The roughly 30,000-square-foot 365 by Whole Foods Market stores offer what Whole Foods says is a "curated" — meaning streamlined — product selection dominated by the chain's 365 private-label brand. According to a press release, the company has signed eight leases for the smaller-format concept thus far, with the first stores opening this year and up to 10 additional ones set for next year. "In the United States, as in Europe, the fastest-growing chains are Aldi and Lidl," Underhill said. "The idea is to have a smaller, curated store with your own branded products in it. Today people do not see house brands as a compromise. Part of what is driving the convenience factor is the recognition that we have reached the apogee of the big box."

Cavernous stores filled with thousands of products can actually be inconvenient for some shoppers by requiring longer drives and overwhelming them with too many choices, says Jeff Green, who heads an eponymous retail consulting firm in Phoenix. By contrast, he says, smaller-format stores such as Trader Joe's and Sprouts are all about a quicker and easier experience. Within the grocery industry, in fact, some even speculate about a future in which smaller stores supplant traditional supermarkets, according to Jeffrey S. Edison, a principal and the CEO of Phillips Edison & Co., which

specializes in boosting the value of underperforming, grocery-anchored centers. “We’re not big believers in the model, but the idea is that the center of today’s supermarket will basically go away,” Edison said. “You’ll buy your Cheerios, Campbell’s Soup and other commodity items online, and then go to smaller-format stores to buy your perishables, prepared foods and meats.”

Fashion, electronics and other nonfood chains are also using so-called curated merchandise selections to make shopping more convenient, observers say. Wein cites British fashion retailer Ted Baker, which operates some 350 stores and concessions across 24 countries. “Ted Baker is my new -favorite store,” she said. “They have one of each size on the rack, with plenty more in the back for you. The customer service is fantastic, but the point is, you can breathe and see. It’s much more of a boutique experience.” By comparison, shopping at some department stores can seem like a chore, Wein says. “You walk through and the racks are just packed, with clothes falling off the hangers and onto the floor. If there are 10 places in a store where you can find a black skirt, that is not convenient for anyone.”

Though the specialty sector does not typically rely on convenience-oriented strategies, the showroom-style stores of such chains as Bonobos, Pirsch, Restoration Hardware and Warby Parker highlight the potential benefits of making shopping easy by eliminating clutter, Wein says. Restoration Hardware’s new RH showrooms feature multiple floors of carefully arranged furniture, lighting and other home furnishings — all of it sold as delivery-only, with no backroom for inventory. “RH, the new Restoration Hardware format, truly looks like a home you would never want to leave,” Wein said. “Affluent shoppers — RH’s target customers — can walk in and say, ‘I want all of this.’ That’s convenient. Customers don’t have to run around town and deal with an interior designer. They can just walk in, love it and have it.”

Formerly online-only retailers like Bonobos and Warby Parker, in particular, are adept at running showrooms in ways that please the customer, says Green. “They’re already accustomed to delivering all of the merchandise,” he said. “We’re going to see this [showroom model] more and more as other online retailers go into the brick-and-mortar space.” Bonobos and Warby Parker take convenience a step further by focusing on personalized service as well, Green says. “Convenience is more than just your proximity to a store,” he said. “It’s also about how much interaction you have with the salesperson.”

The showroom model is certainly not appropriate for every retailer, cautions Jerry Hoffman, founder of Hoffman Strategy Group, an urban retail and integral-use consulting firm. “When people go shopping, they often still want to leave the store with their items,” Hoffman said, “but if you’re doing something like tailored clothing, then the showroom is a brilliant model.”

In adopting smaller store formats with fewer items on display, retailers also risk losing out on revenue from impulse purchases, notes Underhill. “Part of what we know is that in the grocery store and mass-merchandise sectors, half of what we buy we had no intention of buying when we walked in the door,” he said. Even something as seemingly benign as removing clutter can, in some cases, carry unintended consequences, Underhill says. “If you stop somebody on the street or in the store and ask whether they like clutter,” Underhill said, “it is sort of like saying, ‘Do you beat your wife?’ The answer is always no. But research shows that once you take the clutter out, sales decline.”

In its own way, in other words, a “stack it high” merchandising approach can communicate messages about the balance between price and convenience at a given store. For Nick A. Egelanian, president of SiteWorks Retail, an Annapolis, Md.-based consultant firm, JCPenney’s failed reinvention is a cautionary tale about the need for such messages to be easily understood by consumers. “When Ron Johnson went to Penney [as CEO], he moved to everyday low prices trying to compete with the Walmarts and Targets of the world,” Egelanian said. “But Penney was never going to be as convenient as Walmart and Target, which are positioned much closer to the customer.”

Moreover, Egelanian observes, Johnson’s focus on bringing specialty store-in-store concepts to Penney sent a contradictory message — namely, that the chain aimed to focus on specialty retail, which is typically associated with higher prices. “Trying to be something that appeals to the discretionary income of the customer, that didn’t work, either,” Egelanian said. “If it doesn’t compute, you don’t go. Johnson confused customers, and they stopped going.”

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