

FLASH REPORT

Top 5 Takeaways from ICSC RECon 2017 Las Vegas, Day Three



Source: Fung Global Retail & Technology

The Fung Global Retail & Technology team is attending the International Council of Shopping Centers (ICSC) RECon 2017 convention held in Las Vegas, Nevada this week. Here, we share our five key takeaways from day three of the event.

- 1) Barbara Corcoran, “My best success came on the heels of my failures”
- 2) Retailers’ investing in stores is driving traffic
- 3) Disruption from store closures provides an opportunity
- 4) The store format of the future is small, leased by shelf space, with rotating concepts
- 5) Food trends include quick serve, customized, local design and healthy eating

This week, the Fung Global Retail & Technology team is in Las Vegas, Nevada attending RECon 2017, the largest global convention for the shopping center industry organized each year by the International Council of Shopping Centers (ICSC). More than 37,000 attendees and over 1,200 exhibitors are expected at this year’s event, where participants can network, make deals, and learn about the topics and trends affecting the industry across the globe.

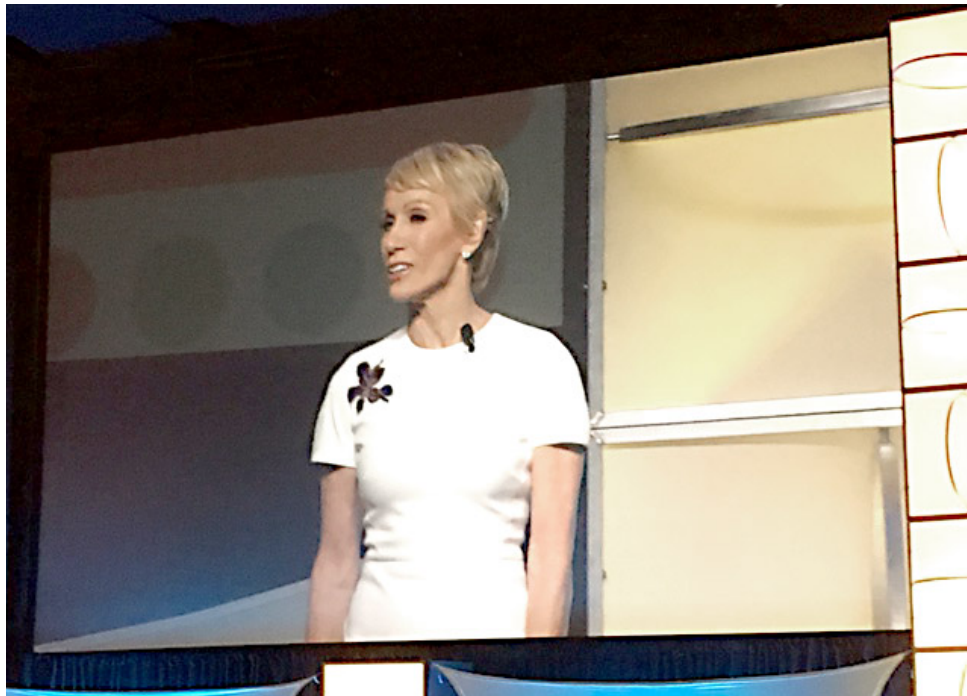
The convention began on Sunday and included sessions on trends in the food and beverage industry, and the state of retail. The keynote session on day three was hosted by real estate entrepreneur Barbara Corcoran.



Source: Fung Global Retail & Technology

1. Real Estate Entrepreneur Barbara Corcoran—“My Best Success Came on the Heels of my Failures”

Barbara Corcoran gave the keynote lunch presentation with an animated account of her life experiences and lessons learned building The Corcoran Group’s billion dollar empire. Now in her eighth season as a panel member on the TV entrepreneur pitch show Shark Tank, she also shared behind-the-scenes stories from the show. Corcoran said that her best success in life came on the heels of her failures and highlighted that this helped to propel her further to the next phases of her career. She elaborated on success, to say the difference between a top salesperson and one that is not is how one handles “taking a hit.” The superstar salesperson moves on without feeling sorry for themselves or blaming things on someone else. She said she can spot talent by finding this quality and knows right away if someone has it, or does not.



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Perception is reality. Corcoran built the Corcoran Report using information from only 11 properties, and sent the report to *The New York Times*. The newspaper published her report and it became official. She said she realized then the power of the media, and would spend 50% of her time determining the types of stories to publish.

Emphasizing that fun is both good for work and good for business, she said it helped her to lead the Corcoran Group to become a creative industry powerhouse. She ended her talk, highlighting that she believes competition is good, but that recognition is really what people want, and it is powerful.

2. Retailers’ Investing in Stores Is Driving Traffic

The theme we are hearing over the past few days is that retail is evolving and transforming. The retailers that are adapting are seeing results through initiatives such as click-and-collect or buy online, pick up in store (BOPIS). This is a concept that stores are implementing to drive customer traffic into the stores to help to increase business once consumers are in the store. For example, Walmart is implementing a new BOPIS

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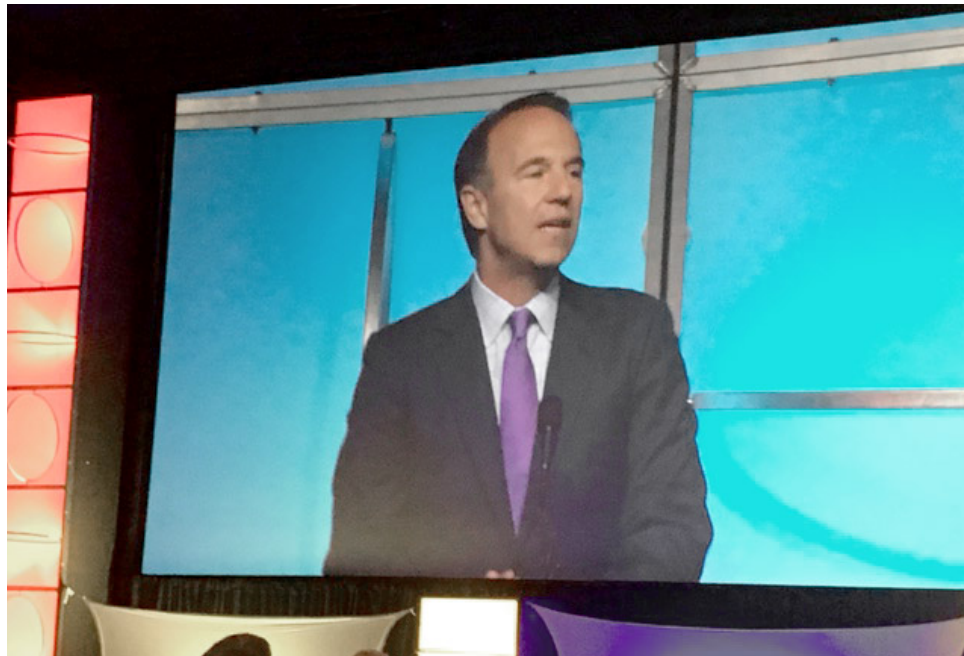
program that will feature discounts of up to 10% off of the sales price on selected merchandise. Home Depot is using an augmented reality (AR) tool to help users visualize what products will look like in their homes, and by using the visual search function, consumers can take a photo of the items and search for them from Home Depot’s inventory.

The restaurant industry is also moving toward mobile ordering and delivery. Starbucks and Panera are just two examples of companies using mobile ordering and pickup. Mario Bauer, Executive Board Member of German restaurant franchise company Vapiano SE, estimates that 12%–15% of its restaurants’ in-store business has been taken away by the internet, so restaurants have to provide online-delivery options in order to remain competitive. Some specialty local restaurants are partnering with regional delivery companies or self-delivering, while some larger chains are using Uber Eats.

Brookfield Place, a high-end mall in New York City’s financial district, has partnered with Ritual, which is a “skip the line” app. This has not only benefitted the mall by helping to alleviate congestion, but consumers are also more likely to frequent the food hall when it is less busy.

3. Disruption from Store Closures Provides an Opportunity

The resounding message over the past few days at ICSC is that although there have been an increasing number of store closures and bankruptcies in 2017, these store closures have not come as a surprise. The overall sentiment of participants at the convention was that retail is alive. According to Ken Bernstein, ICSC Chairman, retail has always been both cyclical and Darwinian, and brick-and-mortar real estate has always retained its value. Although the apparel segment has been hit the hardest amongst all the retail segments, the industry is viewing this as an opportunity to replace unprofitable stores with better operators at higher rates, while unlocking lease restrictions. Store expansion categories include fitness and wellness, and restaurant fast food and fast casual.



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4. The Store Format of the Future Is Small, Leased by Shelf Space, with Rotating Concepts

Smaller stores are in and larger stores are out. The stores of the future will be convenient, accessible, more specialized and small. According to Ross Bailey, Founder and CEO of Appear Here, products that are receiving the most traffic are ones that are fresh, rotating and represent a moment in time. An Appear Here team redeveloped a rundown train station in London, which is now considered one of the trendiest places in the city, with over 500 vendors providing curated content based on the time of year, who only “stay” for two weeks with no lease terms. The station has increased its rent by over 500%.

In the store of the future, entrepreneurs may also lease shelf space as a way to market their products. Retailers would become concept owners and curate their shops based around shelf space. This always-fresh, always-new concept is one that will reimagine how stores are designed and conceived in the future.

5. Food Trends Include Quick Serve, Local Design and Healthy Eating

Food is an integral part of the shopping experience. In the past, food used to comprise 10%–12% of shopping center tenants; today, they comprise 20%–30%, according to George Banks, Partner at Revel, a food hall development and hospitality consultancy. Restaurants are being positioned as anchors to draw customers to malls and shopping centers. According to Banks, many operators are moving into quick serve to get away from having to employ wait staff. Most towns have less qualified staff, so restaurants are shrinking and moving from table to counter service.

Additionally, according to Mario Bauer, Executive Board Member at Vapiano SE, customization, transparency and local design are increasingly important, taking into account regional concepts and flavors. Healthy eating is still very popular, and consumers want to know where their food comes from. Ryan Esko, President and CEO of Smokey Bones Bar & Fire, said, “It doesn’t matter what it is, but it has to be great. Good doesn’t keep you in business.”



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