

## Top 5 Takeaways from ICSC RECon 2017 Las Vegas, Day Two



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 two of the event.

- 1) Steve Wozniak on innovating: “Every time you do a project you learn something”
- 2) Need-based retail is being hit hardest by Amazon
- 3) The proposed border adjustment tax in the US is estimated to tax imports by 15%–20%, if passed
- 4) Mall anchor spaces are pivoting to serve a bigger purpose
- 5) London startup Dropit consolidates brick-and-mortar purchases in one on-demand home delivery

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 tax reform, specialty leasing and capital markets. The second day keynote session was hosted by Steve Wozniak, Co-Founder of Apple.

### 1. Steve Wozniak on Innovating: “Every Time You Do a Project You Learn Something”

For more than 30 years, Silicon Valley icon and philanthropist Steve Wozniak has shaped the computing industry with his design of Apple’s first line of products. Wozniak and Steve Jobs founded Apple Computer Inc with Wozniak’s Apple I personal computer in 1976. Wozniak was awarded the National Medal of Technology, the highest honor given to America’s leading innovators. In 2000, he was inducted into the Inventors Hall of Fame and was awarded the prestigious Heinz Award for designing the first personal computer. Wozniak is Chief Scientist at Primary Data.



Source: Fung Global Retail & Technology

When asked about how the process for innovation starts, Wozniak said that he has always competed with himself, trying to figure out how to make something simpler with fewer parts. He added, “I always tried to be the best. I did it to be proud of myself.” He said that every time he completed a project, he learned something new. That is part of the process of innovation.

## 2. Need-Based Retail Hit Hardest by Amazon

Amazon is a threat to “need-based” retail, which, according to its definition, provides for objective and basics needs, and uses the first dollars of every household income. Need-based purchase decisions are driven primarily by rational criteria and require a higher frequency of visits to retailers. Examples of need-based purchases include those from grocery stores and drugstores.

According to Andy Couch, Vice President, Restructuring Services, of real estate firm JLL, the margins in the grocery store industry are under pressure and independent chains are being hit hard by Amazon’s delivery services. Couch predicted that there will be store consolidations in the second- and third-tier grocery-store chains. Additionally, Amazon is continuing to move into more categories including auto parts and furniture. The question of how to compete against Amazon came up in every session, and the answer was, retailers must adjust what they are doing and focus on the customer experience.

## 3. Border Adjustment Tax Estimated to Tax Imports by 15%–20%, if Passed

The border adjustment tax (BAT) is a new type of consumption tax proposed by the House Republican tax reform plan, under which companies would no longer be able to deduct the cost of imports from their income, as they can under the current law. Under BAT, sales of exports would be tax free. A panel including Liz Holland, ICSC Trustee and ICSC Chairman; Ken Bernstein, ICSC Trustee and ICSC Vice Chairman (recently elected to the role of Chairman for 2017-2018); and Phillips Hinch, Vice President, Tax Policy, ICSC discussed the impact of BAT on retail real estate and consumer spending. BAT raises \$1 trillion dollars and would mostly impact imported goods from China. The panel estimated that the BAT would increase the tax on these goods by 15%–20%. The consensus among the panel was that the BAT could have a pervasive and negative impact on retail operators and consumers because it would hurt the economy. Proponents of BAT suggest that it could create jobs by spurring manufacturing in the US.

However, Holland highlighted that it is very difficult to produce, manufacture and grow such a wide variety of products in the US.



Source: Fung Global Retail & Technology

**4. Mall Anchor Spaces Are Pivoting to Serve a Bigger Purpose**

Department stores are closing and the mall anchor store is being replaced. In its place are subdivided smaller-format stores, restaurants, large-format value stores and entertainment venues, to name just a few examples. Retailers have been talking recently about the need for stores to fill a bigger purpose than just the sale of merchandise. New store formats have more space that allows for social interaction as well as the provision of various services. As people spend more time alone and on their devices, many find themselves craving human contact and interaction, and retailers that make the effort to build a sense of community will see benefits. In addition, because consumers are also craving more curated, regional experiences, those retailers that incorporate this personalized local flair into their services and offerings are seeing success.

**5. London Startup Dropit Consolidates Brick-and-Mortar Purchases in One On-Demand Home Delivery**

Dropit is a startup based in London that is providing consolidated same-day delivery for brick-and-mortar purchases. Customers who shop in Dropit partner stores can use the Dropit service to drop off all their purchases in one location after they are done shopping and schedule a single delivery of all items to their homes. A benefit to partner retailers and mall operators is that Dropit provides data analytics and shopper insights, since shoppers use the Dropit app to scan the receipts of the items they are dropping off. In addition, according to the company, shoppers using the app are shopping 140% more. The company is currently in operation in London only.



FLASH REPORT

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