



KEY TAKEAWAYS FROM ^{design:retail} FORUM

On Friday, September 23, we attended the design:retail Forum in Brooklyn, New York. The forum is the “longest-running event of its kind in the industry” and covers “the most pressing issues among thought leaders in the retail design community.”

- 1) Presenters at the forum noted that retailers are still focused on experience, but are struggling with exactly how to incorporate innovative experiences into their retail spaces.
- 2) One speaker noted that serendipity brings smiles to shopping. Retailers can tap into consumers’ emotions to enhance or manipulate the retail experience. As the brick-and-mortar shopping experience shifts, it should be more about serendipity—allowing shoppers to stumble upon something delightfully unexpected.
- 3) In-store technology can act as retailtainment, according to Deborah Weinswig, Managing Director of Fung Global Retail & Technology, in her presentation on 12 in-store technology trends. She noted that, to increase store traffic and boost spending, retailers need to make shopping more experiential. Experiences are especially important to today’s consumer because that is what many people use to define themselves across social media.
- 4) Authenticity and transparency are demanded by consumers with new, fluid identities, presenters said. Authenticity is attractive to consumers, who are increasingly seeking out and embracing new identities, rejecting the binary, restrictive codes of the past in favor of more fluid identities. Retailers are working to provide consumers with transparency, serving as a brand-authenticity checkpoint.
- 5) Finally, we toured Industry City, “an innovation ecosystem that serves to benefit its tenants and the wider community” located in the Sunset Park neighborhood of Brooklyn. The complex features a unique combination of manufacturing and retail space, allowing Industry City to foster innovation in various consumer goods areas including food, apparel and furniture.



On Friday, September 23, 2016, we attended the design:retail Forum in Brooklyn, New York. The forum is the “longest-running event of its kind in the industry” covering “the most pressing issues among thought leaders in the retail design community.” The three-day event, beginning Thursday, September 22 and running through Saturday, September 24 brought together store design, architecture and visual merchandising retail executives and design and architecture principals. Deborah Weinswig, Managing Director of Fung Global Retail & Technology, gave a presentation titled “In-Store Technology as Retailtainment: Bright Shiny Object or the New Normal?” on the second day of the forum.

RETAILERS FOCUSED ON EXPERIENCE

Retailers are still focused on experiential retail, and many creative tactics have been developed to enhance the customer’s in-store experience. However, retailers are struggling to incorporate these into their spaces. They have found great ways to engage the customer in flagship stores, but have not been able to effectively apply these techniques and innovations at all their locations. Presenter Tom Savigar, Chief Strategy Officer of The Future Laboratory, used a quote from William Gibson to sum up this phenomenon: “The future is already here—it’s just not very evenly distributed.”



Source: Fung Global Retail & Technology

SERENDIPITY BRINGS SMILES TO SHOPPING

In his presentation on how retailers can tap into consumers’ emotions to enhance or manipulate the retail experience, Savigar posed the question, “What’s the point of running stores?” The point, he argued, was “smiles per hour.” As the brick-and-mortar shopping experience is shifting, Savigar says it should be more about serendipity, about the customer stumbling upon something delightfully unexpected. He referred to this as “the deep end of retail,” contrasting it with the clearly marked “MEN’S” and “KIDS” sections often seen in stores today. We should be “using real estate in an interesting way,” he said.

The idea of serendipity is not limited to the physical, however. Savigar suggested using “moodographics” rather than the standard demographics or the increasingly popular psychographics that many retailers rely on. Artificial intelligence (AI) is increasingly playing a bigger role here, he said. AEI, or affective emotional intelligence, now makes up 60% of the AI industry, according to Savigar.



IN-STORE TECHNOLOGY ACTS AS RETAILTAINMENT

Consumers are spending more on services and experiences and less on goods. In her presentation, Weinswig stated that food and accommodations make up 6.58% of total personal consumption expenditure and that recreation services make up 3.86%—while clothing and footwear represent only 3.07%. In addition, store traffic is continuing to decrease, Weinswig noted, with malls seeing an average 9% year-over-year drop in traffic since January 2015.

Meanwhile, consumer spending is actually increasing. Market research firm Mintel forecasts that US consumer spending will grow by 22% over the next five years, with spending on nonessential categories such as vacations and dining out growing even faster, at 27%. These numbers suggest that, to boost retail spending, retailers need to make shopping more of an experience for the consumer. Experiences are highly important to today's consumer because they are what many people use to define themselves across social media, said Weinswig.



Source: Fung Global Retail & Technology

Weinswig suggested that in-store technology can serve as the key ingredient, creating retailtainment to draw in shoppers and engage with them in-store. She went on to identify 12 key in-store technology trends, which include augmented reality and virtual reality, interactive displays, robotics, and gamification.

AUTHENTICITY AND TRANSPARENCY DEMANDED BY NEW, FLUID IDENTITIES

We attended a panel on retail in Brooklyn with Adam Carmichael, Director of Store Design, Saks Fifth Avenue; Ryan St. Mary, Director of Stores, GANT; Clarence Nathan, Owner, Premium Goods; and Christopher J. DeCrosta, a real estate executive with Crown Retail Services. All Brooklyn residents, these retail experts discussed what makes Brooklyn so influential in retail. The consensus among the panelists was that Brooklyn breeds an authenticity that is attractive to consumers. It is a great place to experiment with one's brand before bringing it to the mass market because it is such a diverse community.

Nathan identified an important balance between small, mom-and-pop retailers and bigger companies that makes Brooklyn's retail environment unique. St. Mary agreed, saying, "It's important for us to make sure we are contributing to it authentically and fitting into the neighborhood." Brooklyn itself has become a brand, said the panelists. "A lot of it is hype driven," said Nathan of retailers rushing to open stores in Brooklyn's trendiest neighborhoods. "But once you're here, you can see that everything is here."



The idea of authenticity is not limited to the retailer. Consumers are increasingly seeking out and embracing authentic identities, rejecting the binary, restrictive codes of the past in favor of more fluid identities, according to Savigar. He stated that only 30% of Gen Zers believe that gender matters as much as past generations did, and only 45% of them buy clothing exclusively made for their gender. Racial identity is also in flux; there are 120 million multicultural people in the US, and that number is growing by 2.3 million people every year. So, multiculturalism is becoming a more flexible concept, and an estimated 30% of the population changes the definition of their racial identity in their lifetime, said Savigar.

In response to these changes, retailers are working to provide consumers with transparency, serving as a brand-authenticity checkpoint. Brands' transparency can be related to how retailers use customer data or how they are making and selling their product. Savigar cited Patagonia as an example. The outdoor clothing brand will actually discourage shoppers from buying a fleece they do not need, noting that their apparel is meant to last for up to four years, Savigar said. Patagonia is thinking long term, about building a 50-year relationship with its customers rather than just a seasonal one.

INDUSTRY CITY BRINGS INDUSTRY BACK TO BROOKLYN



Source: Fung Global Retail & Technology

After the day's presentations, we toured Industry City, "an innovation ecosystem that serves to benefit its tenants and the wider community" located in the Sunset Park neighborhood of Brooklyn. The complex provides a unique experiential retail environment by combining manufacturing, workspace and retail space.

Shoppers can wander through shops—peering through windows to see the production process in the next room—and grab a bite to eat in the complex's 40,000 square-foot food hall. Beyond its typical business hours, Industry City also often hosts events, offering



a community experience that brings neighbors together in an engaging environment where they can explore new brands, ideas and networks. Called “the SoHo of Sunset Park” by *The New York Times*, Industry City could be the first step in creating a new major retail district, transforming a historically industrial area into a destination for consumers.

Developed by Jamestown—the developer behind the trendy Chelsea Market—Industry City is made up of 6 million square feet of space in 16 buildings on 35 acres. Last year, the owners revealed their 12-year, \$1 billion plan to create the modern manufacturing and technology hub. The complex features tenants such as The Gap, BaubleBar, West Elm, Rag & Bone, Design Within Reach and MakerBot, as well as startups and local businesses such as Blue Marble Ice Cream, Li-Lac Chocolates, Brooklyn Brine and Merlette.

“This is the first time the private sector has tried this,” said Adam Kimball, CEO of Industry City, who also led the transformation of the abandoned Brooklyn Navy Yard into the modern industrial park it is today. According to Kimball, there were 125,000 industrial jobs in Brooklyn in the 1950s, but that number had shrunk to 5,000 by the 1990s. Today, Industry City has helped raise the number of jobs to 4,500, up from 1,900 when the project started four years ago. Industry City has a unique opportunity to revive industry in Brooklyn and foster innovation in various consumer goods areas, including food, apparel and furniture. Currently, Industry City’s developers are tackling the project’s next phase: a 125,000 square-foot retail hub called “Innovation Alley.” The \$8 million retail investment will run 1,200 feet long, spanning 33rd to 37th streets along Brooklyn’s waterfront.

Below are some pictures from our Industry City tour.



Views from Industry City’s courtyards. Each one is designed by a different landscape architect to create a unique, neighborhood-like feel. The space on the right is designed to resemble the High Line, which runs by Chelsea Market.

Source: Fung Global Retail & Technology



FLASH REPORT



Blue Marble Ice Cream production at Industry City

Source: Fung Global Retail & Technology



Industry City's Innovation Alley connects the complex's waterfront buildings.

Source: Fung Global Retail & Technology



Li-Lac Chocolates in production at Industry City

Source: Fung Global Retail & Technology



FLASH REPORT



Brooklyn Brine's shop entrance, production space and soon-to-open restaurant at Industry City
Source: Fung Global Retail & Technology



Open business space at Industry City
Source: Fung Global Retail & Technology



FLASH REPORT

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