

# Innovating Retail Real Estate

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The demise of retail has been greatly exaggerated. The last decade saw many retailers change their business models to better adapt to consumer expectations, those failing to adapt exiting the market all together. The pandemic accelerated trends that were already underway, validating which brands were resilient already and which had to evolve. The discussion used to be about bricks vs. clicks and the repercussions to the customer, landlord, or retailer. Now, digital native brands are adding bricks to their clicks, thus driving further integration and channels of choice for the customer.

The industry is also seeing store (re)openings (perhaps smaller but more optimal footprints) with a variety of formats. Industry participants are thinking more about **connecting business resiliency with innovation** to capture consumer attention in new ways leading to a few trends:

- **Increased digitization** of both product and experience, even though retailers are still at various points of their technology enhancement roadmaps according to McKinsey's [summary](#) of retailer progress and tech transformation
- **Digital clothes and accessories are on the rise** whether it's for your e-gaming persona (e.g. [metaverse fashion](#), [digital fashion x Vogue](#)), an Instagram picture (e.g. [Fabricant's digital marketplace](#)), your digital collection (e.g. [Nike's digital collectibles](#)), or just a way to [try on clothes](#) you might actually buy later ([platform examples](#) including Walmart!).
- **Increased use of AI** for both consumers (advisory capacity including chatbots or product recommendations), and retailers (machine learning across customer intelligence, optimization of inventory and production lines, security, customer service engagement, etc.); KPMG [reports](#) that AI will help optimize demand planning and supply management, a key pandemic challenge.
- **Increasing AR and VR capabilities** to better bridge the gap between in store and home (e.g. [Ikea](#), [Macy's](#), and [Sephora, Home Depot, and Wayfair](#))

Increased digitization of the retail ecosystem is finally helping **realize the potential of the Internet of Things** through increased digital connectedness, enhanced voice assisted

shopping, smart technology allowing for immersive and holistic “phygital” experiences (e.g. [Nike's Rise store](#), [WOW concept store in Madrid](#), [True Coffee with a robot barista](#)).

Optimization of distribution and channel fulfillment trends include:

- Stores as distribution hubs help leverage existing store space, enabling retailers to meet customer demand more effectively; this is also conducive in smaller markets like Canada where the vast geography challenges centralized distribution (see [RI's story](#)).
- Micro-fulfillment and dark stores accelerated through the pandemic with increased online order volumes and greater demand for shorter delivery times; this model helped streamline logistics for both consumer products and services (e.g., facilitate grocery deliveries, enhance restaurant production and delivery without impacting in-person service).

**Live e-commerce** (or livestream shopping) trends allowing customers to purchase virtually from physical locations across the globe:

- [Estimated](#) to be a \$770 billion USD industry in China by 2023, livestream shopping is an online evolution of teleshopping; pioneered by Taobao in 2013, it is already well established in China and has grown [up to 76% globally](#) through the pandemic alone.
- With the increased prominence of livestream influencers, this industry will grow. The North American market is well on this journey with the U.S. expected to grow to \$57 billion USD by 2025 (e.g. [TalkShopLive](#), [NTWRK](#)), and Europe is showing some interest.

While no one knows what retail will look like in the future—from shopping digitization to the nature of customer-to-retailer relationships—the fact that the industry and its participants are willing to continue re-thinking their business models and re-curating consumer experiences promises industry longevity and vibrancy.