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ADAPTING TO RETAIL 2.0: ADJUST YOUR SALES STRATEGY

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There has been a tectonic shift in the U.S. retail landscape, and it's far from over. According to Bankrate, 7,000 retail stores closed in the U.S. last year, with more than 1,700 store closures announced so far in 2018. The U.S. Commerce Department reported that 2017 ecommerce sales grew to 13% of total sales – that's a 16% increase over last year. With selective store closings by some anchor tenants, affected malls must adapt to prosper.

Surplus Mall Space

Green Street Advisory Group reported that 30% of malls are at risk of closing. With the continuing closure of retail stores, both publicly and in a quieter manner, malls that don't keep two major anchor tenants will not survive without a new strategy.

The private equity companies and landlords that own marginal retail space must consider new ways to use their real estate and massive associated parking facilities.

Repurposing

There are several new potential uses for the surplus space. As more people make purchases online, there is a growing need for warehouse space and a physical place to pick-up and return products. The major shift is where the customer buys products, but there will always be a need for distribution centers.

As leasing rates and terms ease, you will begin to see medical and dental offices, niche retailers, small service providers and deep discounters in malls. Expect to see higher-end fast food eateries as well as specialty grocery stores, like fish markets and ethnic food outlets. More fitness centers and small offices could fill unused space. "Eatertainment," dining with entertainment, is another growing category.

Malls that adjust can become desirable destinations for consumers to satisfy several needs in one trip. Consumers will increasingly demand a "retail experience" that is targeted to them. Properties that can't adapt quickly will need to seek rezoning to warehouse, multi-story or residential use.

Increased Competition

Major retailers and e-tailers are becoming more alike. After some e-tailers raised their minimum orders for free shipping, they were forced to drop them again in response to aggressive competition from

major retailers' ecommerce sites. While one e-tailer is purchasing a grocery chain, another large retailer acquired an established ecommerce company, improving their capabilities online with ecommerce sales up 63%. Several other successful retailers are currently in strip centers or at stand-alone locations.

Some retailers have responded by matching large e-retailer prices, offering free site-to-store delivery and increasing their online footprint. Customers at those retailers are more likely to buy in-store rather than "showroom" and purchase online. The largest retail office supply chain was acquired by a private equity firm in the wake of a blocked merger.

Adjusting to the New Normal

I recently shopped at the bustling la Rinascente; a large eight-story, flagship department store in Milan, Italy. With a contemporary ambiance, this retailer offers exclusive selections of fashion, accessories and home interiors. While the store closes at 9 pm, shoppers can dine until midnight at restaurants serving international cuisine, pick up specialty items at the food market and experience breathtaking views of the ornate Duomo Cathedral. Consider what experiences would motivate you to drive to your local mall.

What can you do to prosper in this new environment? If you provide a product or service that could be purchased online, you need to objectively review your customer's experience. Many consumers are driven online by poor retail customer service. However, going out of your way to satisfy your customers builds loyalty. And retaining existing customers is much easier than acquiring new ones. Be creative in upgrading your level of service and expanding the types of service you offer.

While the upheaval in retail is underway, those who adapt now to the changing landscape have an opportunity to be better positioned in their product and service offerings.

Leo Dardashti is president and CEO of Atlantic, Inc., a diversified product manufacturer and supplier of consumer electronic accessories, home storage and organizational products, urb SPACE fashionable home furnishings, and the exclusive North American supplier of Snowsound acoustic panels. Dardashti is also a member of CTA's Accessories Division Board.

