

Bricks and Clicks

A group of panelists tries to figure out where the retail industry is in the omni-channel evolution cycle.

By **MARIE DRISCOLL**
Contributing Writer

HOW WE SHOP and the way we make a purchase is evolving rapidly, we know that. But how is retailing making the most of “clicks” and how is new technology affecting “bricks?”

The RECon session, “Bricks and Clicks: Where Are We in the Evolutionary Process?” tackled just that subject. ICSC Trustee Holly Cohen, SVP-global real estate for Claire’s, moderated a knowledgeable panel that tried to shed light on the technology and sales equation.

The session opened with a thought-provoking video prepared by Saks, Inc., that showed how a body scanner, digital tape measure and digital stylist can tell a shopper which brands are best for her. Applications of this type are generating increased sales and fewer returns, which makes sense, but one surprising factoid is that in 2012 the Internet was accessed by more smart phones than PCs.

“We’re not in Kansas anymore,” said Vince Corno, SVP-real estate for Saks. “The digital revolution is real and we are investing a lot of money to be the best at it. Omni-channel is the

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– **Carrie Murray,**
marketing manager,
Weingarten Realty

buzz word at Saks. Winning means figuring out how to best integrate the channels to cross-sell and cross-promote.”

Ecommerce is unquestionably growing disproportionately to bricks and mortar, he said, adding that Saks’ multi-channel shopper spends four times more than when she just shops one channel. With ecommerce pushing huge comp increases, Saks is “trying to determine how long before this levels off and how large a piece of our overall business it will be when it stabilizes,” he said. “But bricks and mortar is an important piece of our business; it really reinforces the brand. When you are a retailer, it’s all about the brand. The feel of the merchandise and the personal service experience are pivotal, not how

navigable your website is.”

Carrie Murray, marketing manager at Weingarten Realty, said, “What we see changing is tenant mix. Now we have 15 percent space usage in medical and 33 percent in services. These operators want visibility and signage and the foot traffic of a grocery-anchored shopping center. It’s changing who we call on and want in our centers. We’re welcoming the service tenants, the urgent care and dental offices.”

Aiming at the shopper

Richard Childs, VP-business operations for entertainment giant Disney, said, “For us, it’s the experience that has to translate into ecommerce. Consumers know they can buy any product online, so as a bricks-and-mortar retailer we have to offer something more. We have created a destination through great product and great service. We aim at creating a magical moment for every guest who comes to our stores.”

Regardless of whether the channel is bricks or clicks, Corno said, the road to success is to “give the customer what she wants, when she wants it and where she wants it.”

Since 2010 Disney has integrated two channel-specific distribution centers into one, leading to a reevaluation of the supply chain. “The value of shared inventory is that we never run out of key product,” Childs said. “When we don’t have availability in-store, we can order for our guests and have it delivered for free. It has amplified our service to another level.”

Saks’ omni-channel financials are beginning to look the same as the retailers’ bricks and mortar, Corno said. “When we started our ecommerce, gross margins were eye-popping – low cost, low overhead, no store expenses or store labor,” he said. “But free shipping and free returns, same-day service and ship-from-store are changing the financial model dramatically by adding costs. From our perspective, it starts to look a lot like bricks and mortar and is indistinguishable on the basis of a return.”

With technology leading to efficiency,

“Disproportionate growth in the ecommerce channel reduces our appetite for new stores in the intermediate term.”

– **Vince Corno**
SVP-real estate, Saks



Ecommerce has boosted sales at Saks Fifth Avenue’s stores, though Internet customers tend to be younger and less affluent than bricks-and-mortar shoppers.

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Corno sees a future with less inventory and smaller stores. “But I see more brand-important stores with a real WOW experience,” he said, adding that ecommerce-only retailers will adopt the bricks-and-mortar model because of the competitive advantage.

Weingarten Realty’s meat and potatoes is the grocery-anchored center, thus the business model has yet to change dramatically. “Our 40,000-sf to 50,000-sf grocery stores pull about 1,600 shoppers daily,” Murray said. “On the Internet you can’t eat a burger, get a haircut or have a mani-pedi.”

Cohen contrasted the robust catalog and ecommerce businesses at J. Crew (which she left in January) with Claire’s small ecommerce channel. “We have a huge opportunity to build,” she said. “We launched ecommerce in Canada and Europe in the past year. That’s all new information for us – it will certainly help in our site selection and in our ability to create one integrated experience around the globe.”

Making the e-commitment

Corno said Saks was a little behind its competition, but that the company is investing \$100 million in a new Oracle platform that will impact every facet of the business. “We believe it’s necessary to revamp our systems to provide consistency and uniformity, to tear down old silos and totally integrate ecommerce with full line. It’s a little unnerving. This is our primary focus with respect to capital.”

As bricks and mortar become more important as a branding tool, he said, watching the model evolve will be intriguing.

“It’s about the draw and the traffic and capturing sales,” Corno said. “I would argue that the more appropriate benchmark is how many people you are bringing to the center. Internally, I think four-wall performance will become obsolete in our lifetime. Is it right to credit a store GM with only store sales or is it more appropriate to include the ecommerce sales within the store’s trading area?”

Cohen concurred. “It’s really hard to know where a sale originates: catalog, website or store? It could be any one of those. Ultimately we need all platforms working together to drive business – and drive business into the stores.”

Childs said Disney expects a lot from its stores. “We have fantastic



Disney, which operates 32 Disney Store Outlets and five Disney Character Warehouse Outlets, has far more product than space, so virtual shelves are critical.

franchises and brands to work with, but not enough space in the store,” he said. “Therefore, virtual shelves will be critical going forward, allowing for an infinite assortment. It’s incredibly exciting. What we can’t hold within bricks-and-mortar can be accessed with an iPad or smart phone.”

Claire’s plays up the fun of shopping, Cohen said. “Our new store design has an interactive mirror to gather information about the customer, to read their purchases and interests,” she said. “Instagram is a huge vehicle for this age set and we are incorporating it in as many ways as we can. It’s about bringing fun, as well as great product and great service, into the stores.”

At Disney the mom who comes into the store is armed with a lot of retail information on prices from Target and Wal-Mart.

Weingarten’s shopping centers see an increasing number of people who pre-shop

for fashion online but make their purchases in stores. Book shoppers, though, are show-rooming and buying online. “From our landlord perspective,” Murray said, “we see a lot more services and shrinking store size.”

Both Corno and Childs said that when they want to open new stores, they are now competing with their ecommerce divisions for capital.

“Our \$100 million investment in technology is the equivalent of three full-line stores,” Corno said. “Disproportionate growth in the ecommerce channel reduces our appetite for new stores in the intermediate term.”

Saks’ ecommerce has boosted sales at stores, Corno said, adding that the online customer is younger and less affluent than the brick-and-mortar shopper. “It’s somewhat generational,” he said. “We can reach out to a younger, aspirational customer online and maybe she’ll shop in the retail channel as well.” **V**

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