

Let's talk shops

Is it game over for stores, malls and high streets? Not according to these developers and place-makers who believe they have the formula that makes bricks-and-mortar retail work.

Edited by *Matt Alagiah*



How do you save the shopping mall from becoming a boring relic of the past? Is the future of retail more than minimum wage? Do train-station shops and cafés have to simply flog bad coffee and stale sandwiches, or can they be turned around and transformed into a display case for the best a city has to offer? These are some of the most intriguing questions currently facing the retail sector.

To provide some answers and debunk some widely held myths, we've assembled a panel of industry experts from around the world to give us their unique points of view. From the man at the helm of Poland's biggest fashion retailer to the developer who will soon cut the ribbon on one of the biggest new retail precincts

to open in London in years, these spokespeople know the sector and where it's heading.

Several common threads emerge from these diverse perspectives. Most importantly, the idea, so prevalent even a couple of years ago, that bricks-and-mortar retail is facing an existential threat is less all-pervasive. Just as the internet heralded the death of only poor-quality newspapers and magazines, and forced every other player to raise their game, so e-commerce is pushing physical stores to hit new heights.

The new (and far more interesting) question is: how do we make the most of these spaces and reach those new heights? For some answers to that question, read on. — (M)

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PROFILE

Markus Meijer
CEO of Meyer Bergman,
London

From the top-floor of Meyer Bergman's offices on Air Street, in London's Soho, the whole city feels like it's laid out beneath you. Just to the west, the Royal Academy peers over the tops of buildings; beside it lies Burlington Arcade, a luxury retail destination that was, until recently, part of this real-estate investment-management firm's portfolio.

Meyer Bergman makes the development of urban space its business, targeting under-exploited retail properties across Europe and the



US and maximising their value before eventual divestment. At the heart of Meyer Bergman's strategy lies savvy curation: by leasing to carefully chosen high-end retailers, the firm has hit on a formula for boosting its properties' fortunes. Burlington Arcade is a case in point – bought for £104m (€117m) in 2010, along with Thor Equities, the property was sold earlier this year for almost three times that much.

Overseeing this is its Dutch CEO and founder Markus Meijer. Alert and engaged, he seems unfazed after a long-haul flight with two children under five. Recently arrived from

the Seychelles, he'll be travelling to New York tomorrow. But first, he wants to talk about Oslo, where Meyer Bergman is spearheading the development of an ambitious new project, the Promenaden Fashion District.

"Oslo was lacking in international fashion brands," says Meijer, "even though the purchasing power is extremely strong compared with most European cities." Meyer Bergman put together a formidable portfolio: 12 properties, including two department stores, in the heart of Oslo. Today, the 800-brand-strong district is becoming the country's centre of luxury retail.

Meijer is practical when discussing the hard realities facing bricks-and-mortar retail. He raises the spectre of House of Fraser several times; the British department store went into administration earlier this year. With two department stores in the Promenaden portfolio, Eger and Steen & Strøm, Meijer is alert to the risks. Eger in particular has been subject to extensive reconfiguration – the interior has been remodelled for "a more logical customer journey".

While luxury fashion doesn't face the same threats as other corners of the industry (the market is on track to reach almost €490bn by 2020), Meijer understands that customers' tastes are shifting. "People want experiences, whether it's holidays, theatre, music or food and beverage. I think people want to spend their disposable income on those kinds of things rather than just buying stuff." F&B offerings are one way of future-proofing retail environments but with an art historian for a mother, Meijer sees value in delivering more cerebral consumer experiences. Meyer Bergman bought an Anthony Gormley sculpture for Burlington Arcade and it's in consultation with London's Serpentine Gallery about bringing a public-art offering to a new project.

But still, in major western cities, retail-property rents are in freefall. As consumer tastes shift, landlords are going to have to adapt. "The day of reckoning is still ahead of us, I think, in terms of rents really coming down." Far from the death of retail, however, he predicts a different, arguably more exciting, landscape. "I wouldn't be surprised if five years from now there will be a lot more tenant rollover and people will be on three-month, six-month or one-year leases." It's a dynamic future for the high street that he foresees, away from the homogeneity that has led it down a dead end. — AUM

83,000 sq m

Oslo Promenaden portfolio

150 sq m

Balenciaga shop on Nedre Slottsgate

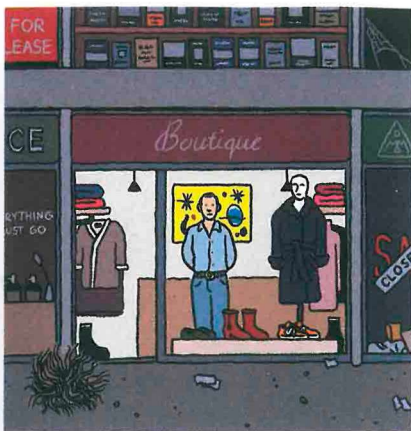
20

new shops opened in the past year

800

international brands in Promenaden





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ESSAY

Saving big-format retail

By Skye Fisher

Not long ago, there was something special about going to a mall. You were drawn to explore the layout, racks and shelves with hopeful hands (and a willing wallet). You could go home with something both tangible and intangible. These places were special and magnetic. We still go to these spaces – in America, there are 1.5 billion mall visits a month – but we aren't connecting with them as we used to. What has changed?

Online often gets the blame and, while it has certainly contributed, I think the cause lies in our much broader relationship to spaces and places. Studies show that the built environment can have a profound impact on us, psychologically and physiologically. Wherever we are, our brains respond either positively (attracted, engaged, animated) or negatively (bored, passive, stressed). There is no neutral. Our reactions can be immediate or develop over time, but even the briefest exposure to a "boring" environment has a negative effect.

The reality is that large-format retail spaces have a negative association. Perhaps this is due to the range of choice – too much or too little in one place can overwhelm or under-deliver. The success of direct-to-consumer (DTC) brands has proven how a focused curation can lead to mass sales and appeal. US mattress brand Casper has launched a nap café called Dreamery in New York as well as 15 small pop-ups across the country. It has created an intimate and flexible environment for people rather than

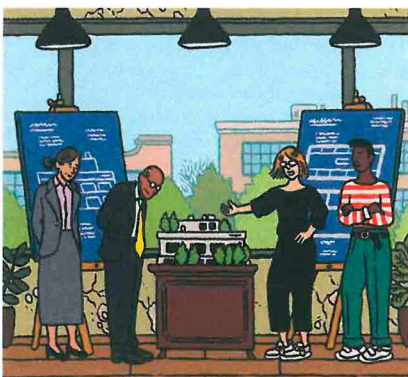
one big space with endless stacks of springs and memory foam.

Maybe it's a lack of personalisation that stops people connecting with large-format spaces. We are stepping into someone else's design and layout, with their curation of brands and goods that we then need to navigate and make sense of, and maybe that's why we gravitate towards online.

But what if we let customers lead on how they engage with a space? Nike is testing a new concept, Nike Live, with a space in Los Angeles. Created to be responsive and hyper-local, the experiences and goods on offer represent the specific geographic location. Based on learnings from Nike apps and online data, the brand is able to bridge digital and physical channels to provide 24/7 advice on what products to buy, to curate the best mix and offer services specifically for the LA consumer. This has allowed it to create a space that represents a distinct Nike LA culture – not just a broad Nike culture.

The point is that we have moved on, while large-format spaces have not. We still associate them with bland, monotonous experiences of the past that don't match our expectations today. For us at QIC GRE, it all comes down to people-environment fit. We understand that creating the "perfect" space is an impossible, and subjective, balancing act between form and function. That is why we adjust our spaces to suit the community that uses them. Our built environments and spaces must be designed around its occupants and users, the local community, the people who do and should be interacting with it regularly. — (M)

ABOUT THE WRITER: Skye Fisher is general manager of strategy at property firm QICGRE in Melbourne.



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Q&A

Greg Dukat
CEO, Revel Systems,
San Francisco



Revel Systems, an iPad point-of-sale (POS) system, was launched in San Francisco in 2010. It offers an intuitive method of payment as well as tools that help with inventory, work schedules and sales reporting. Its new CEO, Greg Dukat, joined the 200-strong firm, which also has a presence in the UK, Singapore and Lithuania, last February. We catch up with him as he puts the finishing touches to a new Atlanta technology office. — SZ

MONOCLE: How important are POS systems to independent retailers?

Greg Dukat: The current market is especially challenging for small retailers who are facing stiff competition from both larger and online stores. The right POS system can act as an important business partner to help them address and support each specific challenge, whether it's more flexible payment options or introducing a self-service model. Small retailers know their business better than anyone, and in particular the pain points for a specific store. For example, some retailers may have complex product offerings and need granular inventory tracking; others may rely on weekly promotions to drive sales. A well-designed POS gathers insights on sales, inventory and employee performance and distils this data in a friendly way.

M: How saturated is the market for POS software?

GD: It's true that there are a number of competitors but the fact remains that there is plenty of market share for them to operate in. That said, it is important to keep a finger on the pulse of the industry; as businesses begin to demand more from technology, the legacy POS software will be phased out. There is an increasing expectation among business owners and operators that technology be customised to their business.

M: What's the future of POS?

GD: POS technology will only become more advanced, efficient, secure and personalised. The issue of data security has come into the spotlight recently. Businesses are interested in solutions that don't require customers to jump through hoops to make safe and secure purchases. Enter biometric authentication. For example, Apple's Face ID and Touch ID have shown that we are getting closer to a seamless process where consumers can authenticate a purchase without a phone or wallet.

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Q&A
Marcelle Rademeyer
CEO and president,
Beauleigh, Toronto

Union Station, in the heart of Toronto's downtown financial district, is Canada's busiest transit hub. Some 250,000 commuters pass through the station daily and those numbers are expected to climb to half a million by 2021. While Union Station's beaux arts-style Great Hall, built in 1927, is a grand and airy space, decades of wear had left their mark on the station's subterranean retail complex. Its tired and dreary atmosphere failed to tempt commuters to open their wallets and offered little for local workers and residents.

In April, however, following nearly a decade of work, Union Station began unveiling its new retail spaces. While openings are still underway, offshoots of the city's favourite bakeries, coffee shops and juice bars are among those that have opened their doors, helping transform Union Station into a welcome stop for people passing through and a destination in its own right. Behind its carefully chosen tenant mix is Beauleigh, a Toronto-based retail consultancy headed by Jean-Francois Nault and Marcelle Rademeyer. — WK

MONOCLE: What was Beauleigh's vision for Union Station?

MARCELLE RADEMEYER: Our immediate reaction was to go in a very different direction from national cookie-cutter tenants; instead, we wanted to curate the station with the best of Toronto. Most of the people passing through may never become familiar with what's found in the city's neighbourhoods, so the idea was to bring the city to the station. Secondly, all the retail that you see at the bottom of condo towers is pretty bad. We wanted to create a destination where residents can hang out during weekends.

M: What has it been like working with a building that has such a storied history in the city?

MR: There are a lot of challenges when dealing with a heritage building and one with the magnitude of Union Station, which had been literally untouched for many years. On the Front Street Promenade, all the storefronts are restored to a 1930s heritage look. They're very beautiful, so we had to pick the right retailers to

do them justice. It's like you're walking down a main street from 50 years ago and you open a shop door and a bell rings. You're walking into these independent stores and if you live in a nearby condo, you're able to get your coffee, your newspaper and you can go to the barber. You can go downstairs to our curated market with the city's best butchers, bakers and fishmongers. You can go there and spend a day.

M: As a major transit hub, is it difficult to navigate the need for expediency and high-volume sales while also becoming a place where people want to spend time?

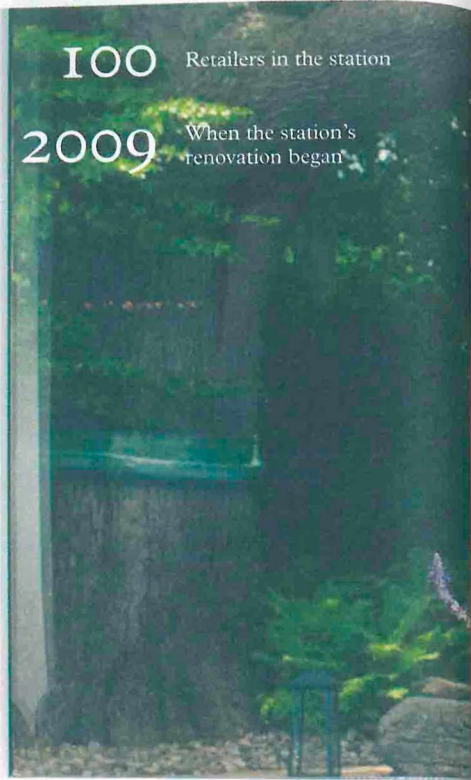
MR: It's a very painstaking process. There's no shortcut. We wanted to create 'neighbourhoods' in the station that are dictated by things such as the size of the space, whether it's a historical heritage [part of the building] or not, and also by the pace of the traveller. We have to take into account how people move through the station and if and how we can change their habits. Can we delay them? Can we make them leave their offices earlier so they can pick up a meal to take home on the train and put in the oven?

M: How do you pick the right tenants for the space?

MR: That's when you do what everyone has done in the past – you hit the pavement and start scouring the city. You're walking into stores and seeing if they're capable of opening a second location. Once they understand the amount of traffic that's passing through the station, they have to make a decision: is there a percentage of that traffic they can tap into and translate into dollars? The other challenge is they have to take whatever their concept is, condense it and edit it to a point where they're selling the best of what they have in a very small space.

For us, authenticity was really important too. We have The Danish Pastry House, whose owner works directly with the Danish Embassy to bring in chefs. We knew Pilot Coffee was the one we wanted. Amano is going to make its own fresh pasta on-site that you can take home. It's a great audience for businesses that would never get this kind of national recognition. They've worked their asses off to fit their counters, people and storage in small spaces. It's about getting the tenants you feel are passionate enough, have the ability and wherewithal to stick with it, and do this successfully.

100 Retailers in the station
2009 When the station's renovation began





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ESSAY

Transport retail

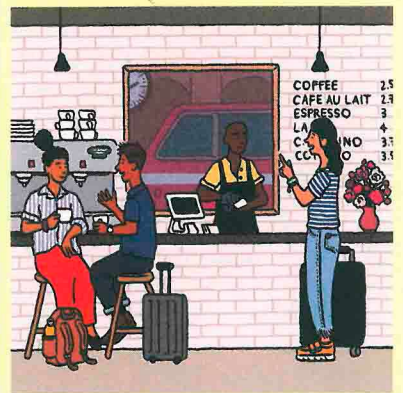
By Matt Alagiah

As Marcelle Rademeyer (*opposite*) and Jean-Francois Nault of Beauleigh have demonstrated in Toronto, transport-hub retail can do more than just make money for a transit authority. A central train station is the entry point into the city for the majority of visitors (and not only rail arrivals, as many airport links terminate there too – those flying into Toronto Pearson, for instance, can take the UP Express to Union Station, for instance). The retail in such a place can play an important role in representing the city and the wealth of brands, designers and independent operators based there.

Many stations fall short on this and one egregious offender is Copenhagen Central Station. Arrivals are deposited in a beautiful, historic red-brick building, where they will find two 7-Eleven outlets, a McDonald's and an Upper Crust. It's hardly the most inspiring welcome and feels like a huge missed opportunity, considering the plethora of Copenhagen brands that could be brought in here.

For inspiration, those in charge of the tenant mix at Copenhagen Central Station should head to Japan. In 2016, East Japan Railway (JR East) launched a retail add-on to Tokyo's Shinjuku station, the busiest railway terminal in the world. With nearly 100 fashion stores, restaurants and cafés, NEWoMan, which is focused on the female consumer, occupies eight floors of a new tower at the station's south exit.

They might also factor in a stop at King's Cross St Pancras International, where the station's Eurostar connections with the continent have raised the retail benchmark (which is otherwise fairly low across the UK). London brands and homegrown F&B operators do a good job here of representing the city to newcomers. These two examples alone demonstrate the potential rail-station retail has to not only persuade commuters to linger but also to help create a good first impression. — (M)



PHOTOGRAPHER: Christopher Wahl. ILLUSTRATOR: Ivo Miksevic

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PROFILE

Marek Piechocki
CEO of LPP, Gdansk

Today, Marek Piechocki is working at a desk in the men's shirts department. The CEO of LPP, Poland's biggest clothing company, likes to rotate about every six months so that he can get a range of perspectives. From LPP's headquarters, in a restored tobacco factory in Gdansk, on Poland's Baltic coast, Piechocki oversees the company's five clothes brands, from the trend-focused Reserved to women's brands Mohito and Sinsay, and youth-oriented Cropp and House.

Despite LPP's success at home and abroad, few Poles know what the 57-year-old Piechocki looks like; there are no pictures of him online and he declines to be photographed. "People would point and say, 'Look, that's the guy with 1,700 shops,'" he quips.

"Entering new markets slowly rather than all at once gives us time to learn. Every market requires patience, for customers to get to know us and vice versa"

The executive has been selling clothes for almost 30 years, since communism collapsed in Poland in 1989. "My business associate and I went to Turkey and came back with four sweaters to cover the cost of the trip," he says. They sold fast. The next time, they came back with 20. After importing clothes for a few years, they began designing their own clothes, with the first Reserved shops opening in 1998. Three years later, LPP debuted on the Warsaw Stock Exchange. Today, it has over 1,700 shops, 25,000 employees and sells 170 million items of clothing a year. Last year, sales were €1.7bn.

"Our development is linked to the rapid development of the Polish economy," Piechocki says. As incomes have risen, Polish consumers become

more like their counterparts in western Europe, readier to experiment with fashion.

Piechocki has also been bold with international expansion. "From early on I understood that if we wanted to be a big company, we needed to expand abroad," he says. He began with Central and Eastern Europe, opening the first Reserved shops outside Poland in 2002. LPP now has shops in 20 countries, from Russia to Egypt, and last year, it opened a Reserved on Oxford Street in London.

LPP is sensitive to variations between countries, big and small. "The Czech Republic and Poland might seem close but the customers are completely different," says Piechocki. "We deliberately employ people from different parts of the world [here in Gdansk] to get that international mix – the creative director is Japanese."

Piechocki says he is proud of Brand Poland: "I would like people to know that Reserved is a Polish brand, just as people know that H&M is Swedish and Zara is Spanish." Being based in Poland has also had its practical advantages. "Fashion is very fast now; people want things as soon as possible," says Piechocki. "Now a customer can be browsing trends

on the metro on their smartphone." To shorten lead times, LPP has been moving production of trendier clothes to Central Europe, including near Gdansk. VK trousers continue to be produced in Asia, where LPP has offices in Shanghai and Dhaka.

Piechocki plans to continue expanding to around two countries a year; Israel, Slovenia and Kazakhstan this year, Finland and Bosnia and Herzegovina in 2019. "Entering new markets slowly rather than all at once gives us time to learn," he says, explaining that it took the company a while to understand how the neighbouring Czechs buy clothes.

"Every market requires patience, for customers to get to know us, and vice versa." — ABC

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Q&A

Anna Strongman
Partner at Argent, London

Before joining top developer Argent in 2008, Strongman worked in the planning and development team at London engineering and design firm Arup. She now leads Argent's asset-management arm and has been in charge of the Coal Drops Yard (CDY), a new retail precinct designed by Thomas Heatherwick and formed of several converted historic warehouse buildings at the heart of the company's vast King's Cross estate. With CDY's official opening set for 26 October, we caught up with Strongman. — MAL

MONOCLE: How did you plan Coal Drops Yard?

Anna Strongman: We had to think about the site and the constraints and opportunities it brings. It's only about 9,300 sq m – smaller than a big department store – so we knew we couldn't compete with Oxford Street. We could have just started up the warehouses and made some serviceable shops but we knew we had to create something special. That's why we went for Heatherwick.

M: How did you sell it to retailers?

AS: King's Cross is an amazing estate – it's not a luxury destination; it's a place where different people come together. We've positioned Coal Drops as a contemporary street for London. It provides everything that a traditional street would provide – but with a twist.

M: Speaking of the tenant mix, what principles did you follow?

AS: We've done loads of market research but in the end you've just got to put your neck on the line and go for it. We've kept an eye on the category mix, so it's not all fashion; we really wanted to have some services in there, so we've got a chocolate shop and we're working with a health and well-being provider, for instance. We've thought about having brands that people know alongside lesser known brands, because you need some recognition to encourage people to come. We also thought about the location of retailers to create clusters of menswear in some areas, clusters of womenswear and accessories. But we've been flexible about that. There is a plan but it's more key principles that we respond to and then we see how we can fit everyone in.

M: When you were filling up the development, did you start with the big anchor spaces you have here and then use a few impressive names as your calling cards to get the rest signed up?

AS: That's traditionally how you would set up a shopping centre. Here, because this space is more unique, it's really been about finding the right retailer for the right space. The space that Samsung is taking to create its experiential shop is amazing – it's quite a large floor area and it just wouldn't lend itself to a more traditional shop with a lot of things on display. That space absolutely matches [Samsung's] idea of creating the experience rather than a product-led shop. Cos is taking the unit in the north of the East Coal Drops – they really wanted a heritage building within which they could create a white box and then display lots of different kinds of products and collaborations, so it's very different. We have also let the spaces at different points within the programme, so we haven't really said, 'Right, we've got to get the anchors in and then get everyone else'. It's been much more of an organic process. It has been stressful at times from a business perspective because people were saying, 'We've got 20,000 square foot unlet!' But we've managed that and it's been really interesting how different retailers have responded to the different spaces.

M: Are you willing to give smaller brands space for less money to get them in, if you think they deserve a presence here?

AS: We've always had a sophisticated business plan that has quite modest rents on day one on the basis that we will manage and grow rents and performance over time. Coal Drops Yard sits within a wider estate so it's not just what Coal Drops Yard can deliver; it's what it brings to the wider estate – does it drive residential sales or help with office lettings? So we've always positioned it in that sense and we've always felt that getting the right tenants on day one was the most important thing and ensuring that it was as fully let as possible was also really important. If you look at the history of the Bullring up in Birmingham or Elephant & Castle when it opened, they only opened with half the shops let; people come in and think, 'Oh, is that it?' So we've always built into our business plan a degree of flexibility and there are some units that we're going to ringfence for no rent or turnover rent to give us the ability to curate up-and-coming talents. We've focused that flexibility within the business plan on Lower Stable Street, where we've got the smaller units. Here we're doing three-month and six-month residencies, and pop-ups within pop-ups. So we've really tried to create something dynamic, interesting and new.

PHOTOGRAPHER: Kensington Laverne



9,290 sq m CDY development

1,860 sq m Samsung's "creative and digital playground"

200 million people passing through stations in this district a year



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ESSAY

Why retail must rise above minimum-wage culture

By Kirsty Kean

Retail is in crisis. But the main enemy isn't, as many argue, the threat of online. The problems lie much deeper within and it involves the way store staff are viewed and valued.

We've all experienced poor customer service in retail – indifference to our needs or a lack of product knowledge. It's a far cry from the idea that modern physical retail is "experiential" and a world away from the true expertise that's demonstrated by a skilled hotel GM or sommelier.

It's easy to blame store teams themselves. But is that fair? The short answer is no. What cannot be forgiven is the way most retailers undervalue the contribution of those who work at store level. Too often, those frontline professionals who deliver the brand experience are ill-regarded, paid hourly and often part-time.

Good examples do exist. From the skilled butchers at Cumbrae's in Toronto to the knowledgeable cycling enthusiasts at Stockholm's Bike ID, or the attentive service to be found at Tokyo department store Mitsukoshi, all offer real and meaningful value. In the UK, retail behemoth John Lewis offers concierge services at its new concept stores and has employed the services of actors to arm store teams with vital new skills.

The automotive industry, with its reputation for hard-nosed salesmen, is not a sector that comes to mind when you think of best practice but challenger brands such as Rockar are proving truly transformative. It has shunned the commission-based sales model in favour of "Angels" who are skilled in product knowledge and engaging customers. Meanwhile, the general manager of beauty retailer L'Occitane's new Regent Street flagship has been recruited from five-star hotel Claridge's.

Retailers should ask the question: "If we were charging customers for the service, would they buy it?" They should be creating experiences worth an admission fee, even if one is never charged. After all, service does have a monetary value attached – getting the essentials right helps to create a memorable shopping experience and foster brand loyalty.

Yet focusing on "the basics" such as attentive, knowledgeable staff doesn't excite shareholders or internal teams. Only when profits begin to haemorrhage do beleaguered retail leaders turn their attention to such lowly issues. And when normal performance is resumed? The taps of good old-fashioned service are turned off.

Good people and great service are the things that strengthen the bond and engagement with customers. And right now, that's what so many retailers need. — (M)

ABOUT THE WRITER: *Kirsty Kean is senior retail consultant at UK-based retail agency Visual Thinking.*

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ON THE HORIZON
Three developments
Global

From a vast mixed-use development in Bangkok to the latest outpost of Dover Street Market, here are three interesting retail happenings to keep an eye on.

1. **Icon Siam**

Bangkok

As you cross the Chao Phraya River in Bangkok, it's difficult to ignore the two buildings that will soon be the tallest structures in the city. These towers form the centrepiece of a development, Icon Siam, that has been years in the making and which is being constructed by high-end shopping mall-developer Siam Piwat, along with two other developers. The scheme, which is due to launch later this year, will include two shopping malls (in total five times the size of London's Harrods), as well as an amusement park and two residential condominium buildings (one run by hotel group Mandarin Oriental).

2. **Nordstrom**

USA

Nordstrom, the Seattle-based department-store group, is making waves on the East Coast. The business is in the process of opening its first New York flagship on Manhattan's West Side with four locations – the first grand department-store opening in the city in decades. The men's shop opened in April but the women's flagship won't launch until next year. When we spoke to Jamie Nordstrom, president of stores, earlier this year, he said: "A lot of the retail world is managed by real-estate developers or financial engineers or equity groups and they make decisions through a different lens. We want to make killer stores and give customers great experiences." Clearly the strategy is paying dividends.

3. **Dover Street Market**

Los Angeles

The City of Angels is fast becoming a fashion hub in its own right and there are even murmurs that it could overtake New York as the US's fashion capital. Designers such as Hedi Slimane and Tom Ford have relocated here and, if that weren't signal enough, now Dover Street Market, the luxury multi-brand store of Comme des Garçons designer Rei Kawakubo and her husband Adrian Joffe, is coming to town. The store, which is set to launch this autumn, will be the business's first-ever outpost on the West Coast.