

Physical in the age of digital



Omni-channel concept: Zara's flagship Milan store

Convergence has become the mantra for next-generation retail. **Mark Faithfull** looks at how MAPIC will reflect the coming together of online, offline and experience retail

BRICKS-and-mortar and e-commerce are converging everywhere: Walmart recently bought India's Flipkart; Alibaba is investing in malls; Amazon is opening physical stores and has acquired Whole Foods; Carrefour and Google have announced a collaboration; Ocado is to work with Kroger; Microsoft and Marks & Spencer are partnering up; and JD.com and Google are collaborating in China. The list goes on and on. And while traditional retailers are embracing e-commerce, a number of online retailers

— Missguided in the UK, Mi Stores across Asia and Europe, and Warby Parker in the US, to name just three — are opening physical stores. Meanwhile, in September Zara re-opened its flagship Milan store as the third — after Bilbao and London — to reflect its digital ambitions to sell online globally within two years.

So digital has not, as once predicted, killed physical retail. Instead, with online sales booming, traditional retail spaces — high streets, shopping centres, travel hubs — have no alternative but to completely re-examine their marketing and

leasing strategy. As a result, the impact of online development has drastically transformed the traditional retail format. Meanwhile, the 'browse offline, shop online' phenomenon is impacting on the relationship between tenants and locations. Online-to-offline (O2O) marketing solutions have become crucial to ensure both traffic and customer loyalty, while improving the customer experience.

One company that has stepped into the physical space is Made.com, whose CEO, Philippe Chainieux, insists: "We are an online business and will continue to be so. Our showrooms are

a place for customers to experience the Made brand. They are designed as an extension of our online business. We have learnt that the number-one thing consumers want from a showroom experience is great customer service, so that continues to be the focus."

Chainieux says showrooms will continue to be central to Made's strategy. The company will be increasing the number of showrooms it operates in the major cities of those countries in which it is already present, as well as expanding into new territories in order to achieve its "ambitious growth plan to complete the European footprint in the next three years".

Another company that began by focusing on online but has seen the benefits of opening physical locations is LDLC, based in France. "Our heritage is with



Online fashion retailer Missguided has opened stores with attitude

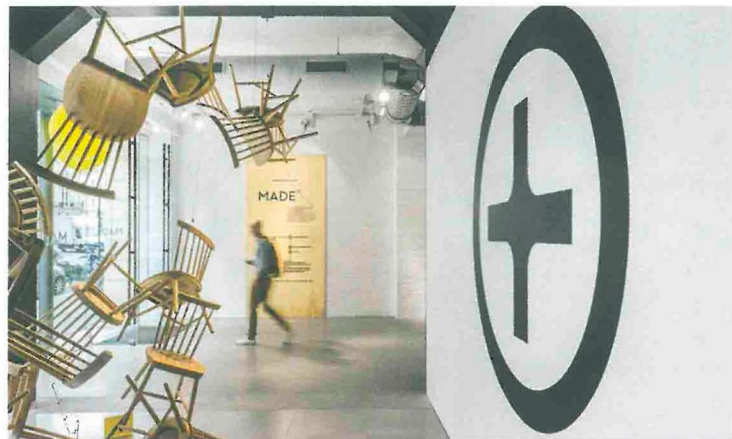
an entrepreneur who, in 1996, started an electrical-components business from a garage and became one of the biggest retailers of high-tech products. In keeping with a contrary approach, as we saw the market become increasingly competitive, four years ago we decided to open stores,” says Eric Schneider, general director of LDLC.

In fact, the decision was based on what LDLC saw as two specific customer requirements. The first is for customers who know what they want: for this group, online and a wide choice are optimal. The second is for customers who need advice.

LDLC’s estate has expanded to 33 stores, with 15-20 openings planned per year. The shops

serve as a way of providing detailed advice, being close to the customer and offering specialist services, such as a repair centre that will help consumers regardless of whether they bought the product from LDLC. “These are things you can’t offer online,” Schneider points out. He adds that the approach has created a strong and differentiated brand position for LDLC. The company has developed 300 sq m city formats and a 200 sq m format located on access routes into towns.

Meanwhile, for furniture and homewares retailer Habitat, e-commerce is very important and accounts for 10% of sales. Online and offline complement each other, says Alain Houli,



The Made.com showroom in Paris

Habitat’s Italy manager. He adds: “Where we have e-commerce, we record double-digit sales growth. The channels support each other.”

Also recently opened in Italy, Xiaomi was founded in 2010 by serial entrepreneur Lei Jun with the aim of offering high-quality technology at affordable prices. Achieving a turnover of more than \$1bn within two years, the pure player launched in Taiwan, Hong Kong, Singapore, Malaysia, Philippines, India, Indonesia and Brazil, before expanding its footprint to Europe to become a global brand with its Mi products [‘Mi’ stands for mobile internet].

Francesco Zhou, general manager of Mi Italia, says that, despite originating as an online retailer focused on mobile phones and tablets, Xiaomi now has more than 1,000 stores worldwide. “We are one of the few cases where an online company has been successful offline,” he adds. “We are not just about mobile phones.

We are an internet company, offering devices, luggage, household products and so on.”

Xiaomi’s approach has led to it being labelled the ‘Apple of the East’. Mi stores have now opened in 62 countries, with the company opening its first Italian outlet in the Il Centro shopping centre in Arese, Milan on May 26 — just a few days after making its debut in Paris.

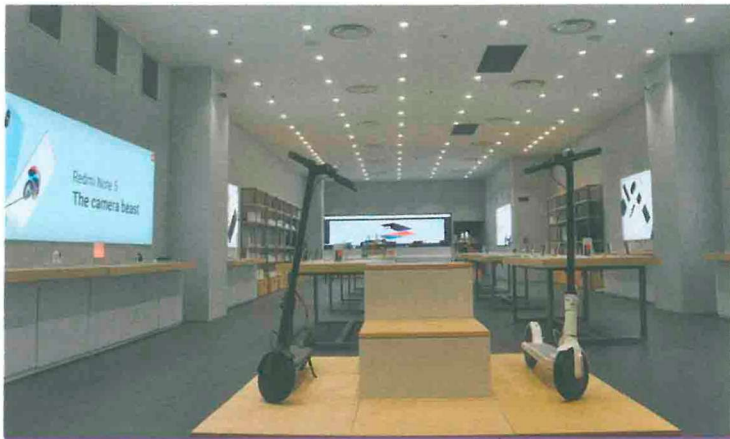
“Our strategy is for mall locations, because the model is working in other countries,” Zhou says. The retailer’s European push started in Spain last year, followed by France. “In Italy, we envisage opening around 30-40 stores, with the first 20 in the best malls over the next 24 months if possible. We’re looking at around 200-300 sq m for stores,” Zhou adds.

Xiaomi opened a second Milan store at the end of June at the Metropoli shopping centre in Novarte, to the north of the city. With expansion in France, Italy and Spain now under way, the company has also intimated



Habitat Milan: Part of a next gen, smaller format concept

Martin Urrutia, Lego Group: “When practicality and consumer experience fit together as perfectly as two Lego bricks, you have the right store experience”



The Apple of the East: Mi Stores has opened in Italy



Lego, clicks and (plastic) bricks

that it will look to open stores in the US next year.

Retailers need to use their physical stores to give customers memorable experiences, says Lego Group's head of global retail innovation, Martin Urrutia. "Think about what you want people to remember from their visit to your store," he advises. Lego, he adds, sees its stores as "another media channel" or a "brand experience centre" — which is why the company offers hands-on brick building at

its stores. "Our ambition is that, every time you come to a Lego store, you have the opportunity to play and to touch a brick," says Urrutia, who likens Lego stores to "large theatres". Urrutia believes that a store has two purposes: to meet fundamental, practical requirements and to create a consumer experience. "When these two fit together, just as perfectly as two Lego bricks, you have the right store experience," he adds. Indeed, legacy retailers can cre-

ate modern businesses if the old models are adapted to today's consumer, says Kingfisher CEO Veronique Laury. Kingfisher started the digitalisation of its business three years ago. Laury says there is a myth that DIY groups, which sell "projects not products", are unsuited to online. "Not true," she insists. "At Screwfix, 28% of sales are online. I really think you need to have both. Amazon has kicked every other retailer to go a little faster. Their key has been the

focus on customers, showing the way forward for all of us." To determine its future direction, Laury says Kingfisher will stick with what its customers want, not its business model. "It's a challenge, because you have to change the way you do everything," she says. Her advice is: "Be bold, brave, test and don't wait until you know the answer. No-one has the answer. The real difference is the pace and how fast you have to change. Either you change or you die."

MAPIC DELIVERS NEW LOGISTICS SESSIONS

The increasing importance of logistics will be highlighted at MAPIC, with a particular focus on the relationship between delivery, shopping centres and stores.

A special session, All You Need Is Logistics!, will take place between 14.30-15.30 on Wednesday 14 November and will cover turning delivery for shopping centres, city centres, retailers and customers into a business opportunity; last-mile retail and same-day delivery; delivery points and pick-up services to increase traffic in shopping centres; warehouses, platforms, plus hubs and pick-up points.

Confirmed speakers include Ronan Bole, operations director and president of Amazon France Logistics and Raimund Paetzmann, VP corporate real estate at Zalando.

The core infrastructure of the Amazon network is currently served by five fulfilment centres in France, which effectively run along a central spine from north to south. Towards the end of the year a sixth will open in Bretigny-sur-Orge and will be the first in the country to be packed with automation and robotics as part of the next generation of distribution centres.

"We have developed a very strong spine of large fulfilment centres from north to south in France, the next locations will see us expand to the east and west," says Bole. "We are also establishing Amazon Lockers at nearly 1,000 train stations across France, because we want to deliver to where the customer is on their journey." Amazon has increasingly been looking to pick-up points, as customer needs and



Rapid expansion: Amazon France

preferences evolve. There are currently more than 20,000 pick-up points and over 500 Amazon Lockers across France, located in shopping centres operated by Immochan, Klepierre, Unibail-Rodamco-Westfield, Hammerson, Apsys, Wereldhave and Frey among others, plus locations within stores such as G20, E. Leclerc and Cora. Lockers are also sited at universities and petrol stations through partnerships with Esso and BP.



The Kingfisher DIY group is embracing omni-channel



Emaar's Dubai Mall encourages user ratings

Veronique Laury, Kingfisher:

“Be bold, brave, test and don’t wait until you know the answer. No-one has the answer. Either you change or you die”

Laury says she considers Kingfisher “lucky to be in the UK” because digital is so well established in the country. She describes the UK market as “almost a lab for other countries”, adding: “Also, there are a lot of stores closing in the UK. Other markets may think this won’t happen to them, but I predict it will come to France in three years, Poland in five to six years — and Russia is catching up very fast.”

The pace of digital retail is largely being set by smart young people, according to the chairman of Emaar Properties. “I realised my way of doing business is obsolete,” Mohamed Ali Rashed Alabbar says. “These e-commerce people will take over the world. They are young; they are bright. So think how fast you respond to phone calls, emails, WhatsApp. These people have beds in the office.”

Mohamed Ali Rashed Alabbar, Emaar:

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THE APPLIANCE OF SCIENCE

AN INCREASING number of MAPIC exhibitors are focused on using technology, data and analysis to deliver insight. Nearbuy Group offers a large selection of products to guide, engage and advertise visitors in shopping malls, retail stores, hypermarkets and other large public areas. These include: interactive touch points (way-finder, smart directory); holograms; robotics; interactive applications and digital signage.

Using technology as a core value proposition against traditional media players, Nearbuy Group is building an exclusive digital advertising network across most sought-after venues in the Middle East region and beyond. It is the UAE’s largest operator of digital out-of-home screens. Advertisers have access to more than 2,800 digital screens in the UAE and over 3,200 screens across the Middle East, via the group’s own programmatic platform.

Retail environments all have subtle differences in the way they are managed but there must always be a requirement to measure performance and monitor against a clear and concise set of benchmark targets, says Reveal Systems. The company provides the data capture systems and reporting and analysis platform to support informed decisions from live and auditable data. The ability to quickly measure the effect of any decision and act on that information provides users with a return on investment when considered against elements such as management efficiency, maximising rental revenues, non-rental revenue opportunities and focused marketing activity.



Technology can engage and inform

Digital strategies need to focus on what customers are feeling and the challenge of getting shoppers into stores, he adds. At Emaar’s mall in Dubai, which receives 80 million visitors, shoppers give one-to-five ratings to questions about their visit. Emaar’s founder believes that, despite the pull of mobile phones and tablets, there is still a place for retail developments that offer a sense of tradition: “the old life of the square — people getting together by the church, the park or the synagogue”.

CONFERENCES & EVENTS AT MAPIC

RETAIL TRANSFORMATION: THE NEW DEAL WITH O2O

Wednesday 14 November - 9:00-10:00
Conference Room 1 - Palais -1

OMNICHANNEL: REINVENTING PHYSICAL!

Wednesday 14 November - 10:00-11:00
Conference Room 1 - Palais -1

ALL YOU NEED IS LOGISTICS!

Wednesday 14 November - 14:30-15:30
Conference Room 1 - Palais -1