POTENTIAL IMPACT OF EMERGENT TECHNOLOGIES ON LAND USE IN URBAN AREAS

May 9, 2019
RETAIL BACKGROUND

Having an understanding of retail trends will give some context to how freight systems are being impacted by an evolving retail environment.
“RETAIL … WHAT IS IT?

Let’s start at the very beginning…a very very good place to start!
“RETAIL” DEFINITION

re·tail
/ˈrē,tāl/

noun: *retail*; plural noun: *retails*
1. the sale of goods to the public in relatively small quantities for use or consumption rather than for resale.

https://en.oxforddictionaries.com/definition/retail
How Does Retail Organize Itself in Today’s World?

Let’s talk about BEHAVIORS!
TYPES: COMMODITY RETAIL

A retailer selling goods and services which are consumed without emotional connection by the consumer and for which the consumer's primary motivation is price and convenience.

Examples include grocery and drug stores, mass merchants such as CostCo, Target or Wal-Mart, office supply stores such as Staples or Office Depot, or electronics, books and music.
TYPES: SPECIALTY RETAIL

Retailers selling goods and services which are consumed on a discretionary or emotionally-driven basis using discretionary funds/income, and where experience and a sense of place is a primary component when deciding how and where to spend discretionary time.*

Examples include fine dining, clothing, luxury hard and soft goods, or electronic, books and music, and even specialty shopping districts.

* With the rise of platforms and influencers, the importance of “place is evolving.”
Retail Channels Explained

How does this translate into digital retail as opposed to bricks-and-mortar retail?
HOW ARE RETAIL CHANNELS USED?

Omnichannel strategies work differently for commodity and specialty retailers.
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- For example, multiple retail channels might be used by a consumer in purchasing a particular COMMODITY like a television (eg. research online at home, price checking on a phone while at a retail store).
TECH TITANS ... AND THE REALITY OF SHOWROOMING

“I’d Walk out of a Store and Purchase Online for a Discount of…”

Source: CitiBank Research/Weinswig
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- Commodity retail, where consumed through non-bricks-and-mortar channels, is driving freight activity.
HOW RETAIL IS EVOLVING

Generational Groups.
How do we spend our money?
What's different?
The shift toward enjoying experiences more than purchasing goods (commodity vs. specialty) will continue to move retail stores toward selling experiences rather than selling goods, and commodities will continue to dominate on-line.
RETAIL TRENDS

- The shift toward enjoying experiences more than purchasing goods (commodity vs. specialty) will continue to move retail stores toward selling experiences rather than selling goods, and commodities will continue to dominate online.

- Both consumers and cities want retail that is walkable from housing.
  - Retail and residential developers, and cities will need to work closely to create cohesive developments to satisfy this evolving consumer.
  - Suburban developments will replace shopping centers.
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- There will be an 86 percent surge in household formations to 12.5 million households over the coming decade in comparison with the prior decade.
URBAN VS. SUBURBAN

Source: John Burns Real Estate Consulting LLC calculations using U.S. Census Bureau data.
*projection
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Societal shifts by frame of reference, attitudes, and habit.
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- Stores and services catering to older buyers will flourish too, thanks to a 38 percent surge in the country's population 65 and older from 2015 to 2025.
New Era Demands New Thinking

“Real estate as an asset class has matured. Market participants need to realize this and make the appropriate adjustments.”

https://americas.uli.org/research/centers-initiatives/center-for-capital-markets/emerging-trends-in-real-estate/americas/
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ULI EMERGING TRENDS 2019 — PLATFORMS

- Retail isn’t dying, it has reoriented to more efficient platforms that give consumers one-stop shopping.
- The media routinely conflates all on-line shopping with Amazon, however, this is not the case.
- Retail is as or more robust and diversified than at any time in memory.
  - For example, the Canadian e-commerce platform Shopify started in 2004. As of 2017, it had 600,000 sellers.
  - According to the 2018 letter to shareholders, over 5 million Amazon Marketplace sellers account for over 50% of total sales.
  - Thredup, Craig’s List, and Ebay are examples of how an individual can easily conduct C2C transactions.
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RETAIL — THE OLD AND THE NEW ORDER

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- Influencers and Platforms are driving refinements.

Broadlines and Food & Drug Technology Continuum

The Tech Titans

Source: CitiBank Research/Weinwig
MOM AND POP IS EVOLVING
MORE PEOPLE THAN EVER ARE SELLERS
FREIGHT AND DELIVERY IMPLICATIONS

Each channel and behavior has its own unique freight and delivery system implication.
RETAIL DISTRIBUTION CHANNELS
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AND DELIVERY CHANNELS
BUY ONLINE, PICKUP IN STORE

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Source: Coresight Research and ICSC
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✓ The rankings for some major department stores were disappointing.
GROCERY AND MILLENNIALS

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The **Food Marketing Institute and the Hartman Group found children in the house also affect digital behavior**: Millennials with children under 18 are much more likely to use smartphones as part of their in-store grocery shopping trips than are those without children.
PLANNING ISSUES
◆ PUBLIC VS. PRIVATE SECTOR

Balancing competing interests.
PLANNING QUESTIONS WE’RE ADDRESSING

- There are implications for those who design public policy:
  - Rise of e-commerce has made retail planning more complex.
  - E-commerce will impact urban places.
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- Retail is NOT dead, however…
  - it is undergoing a period of reorganization
  - it is changing because of social commerce
  - it is changing because of evolving retail platforms
LAST MILE — DEFINING THE ISSUE

- Jose was kind enough to contribute to the retail section that I wrote.
LAST MILE — DEFINING THE ISSUE

- Jose was kind enough to contribute to the retail section that I wrote.
- So I am going to pay him back by plagiarizing his work.
LAST MILE — DEFINING THE ISSUE

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  - Consider that the New York MSA is home to about 20 million residents.
  - There are about 2.4 million commercial deliveries daily in the New York MSA, or about 12 per 100 residents.
  - Nationwide approximately ten years ago, about 4 private deliveries (such as on-line purchases) per 100 residents per day.
  - Today, the rate is about 12 per 100, a 3X increase in private deliveries...a nearly 2X increase in total deliveries...in under ten years.
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  - In Manhattan proper, as many as ¼ of all ZIP codes do not have enough street space for deliveries!
LAST MILE — WHAT TO DO?

- We live in a world where customers do not pay for the full cost of the convenience of deliveries.
- There is a conflict between the need to facilitate easy and inexpensive returns (in order to generate consumer confidence and in turn sales), and the economics of those returns.
- On-line retailers and delivery companies subsidize deliveries and returns in order to generate top line sales growth, a common side effect of Wall Street’s demands.
LAST MILE — WHAT TO DO?

- City planning departments need to start developing policy to address supply chains.
- There will be an increasing contest for space of all sorts, in particular public space.
- Should a city’s general plan add a demand management element?
  - Should deliveries be aggregated and delivered to each household once or twice a week (how many deliveries truly are urgent)?
  - Public works departments need to address managing deliveries holistically, as part of their overall transportation management plan.
Externalities and Market Failure

Externalities are a major cause of market failure and occur in nearly every market – be clear on effects for producers and consumers

- Externalities are **spill-over effects** arising from production and consumption for which no appropriate compensation is paid
- Externalities lie **outside the market transaction**
- Externalities cause **market failure** if the **price mechanism** does not take account of the **social costs** and **social benefits** of production and consumption
- Externalities can be **positive** and/or **negative**
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- The solution lies in managing externalities!
“That’s all Folks!”

THE END

(WHEW!)
QUESTIONS AND ANSWERS

RETAIL RESILIENCY CONSULTING
- STRATEGY AND PLANNING
- MARKET/LOCATION INTELLIGENCE
- DEVELOPMENT MANAGEMENT

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