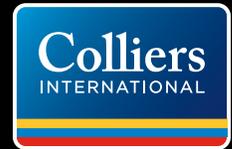


2018 Spring/Summer



Online
Shopping



Phone



Message



Internet



Chat



Colliers Retail Market Spotlight Report

The R/evolution Starts Now

Retail Refusing to Fail

“

Creating awareness through social communities and identifying what the customer is searching for through social sites is the next wave of customization.”

Anjee Solanki, National Director, Retail Services, Colliers International | USA

Anjee Solanki

National Director, Retail Services
Colliers International | USA

Andrew Nelson

Chief Economist, CRE
Colliers International | USA

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INTRODUCTION

In the past year, the CRE industry's retail sector has undergone a market revolution. The most notable highlights include the tumbling demise of iconic brands like Sears and Toys R Us, while underdog niche brands like ASOS and Daniel Wellington rose in popularity, and behemoths like Amazon and Jet.com claimed their stake offline.

Provoked by the influx of digital technology, e-commerce brands race to keep up with the not-so-gradual transformation of the modern consumer and the ever-changing ways they shop. The primary source of disruption stems from the changing behaviors of consumers as online shopping becomes as popular as in-store, with 51% of Americans citing online as their preferred way to shop. ([Source: Grow Big Commerce: Omni-Channel Retail in 2017: What Brands Need to Know](#))

As time spent online continues to increase, the shift has dramatically impacted the consumer perception of the store environment as the epicenter of the shopping experience. The physical space is no longer the final destination, but one of many touchpoints available for retailers and brands to woo consumers to engage with products and services.



"The role of physical stores may change, depending on the preference of the customer demographic, but they are still an important part of the retail landscape."

([Source: The Store of the Past Meets The Shopper of the Future: Can Retailers Adapt to Modern Consumer Expectations? Evolution of Retail: Consumer Survey Report - April 2018](#))

As the number of brick-and-mortar locations decrease, the pace of change at which landlords and tenants evolve their business models is moving faster and is more far-reaching than ever before. In fact, many of those hopeful ideas in future technology—point of sale (POS) registers, iBeacons, SMART mirrors and robots—are actively in practice today, often complementing a brand's omnichannel strategy.

This white paper explores some of the futuristic technologies that will reshape the CRE industry and how they will transform the property buying and leasing experience in the retail sector.

Get ready for the R/evolution!



The Future of Retail is Here

The CRE market is one of the most competitive segments in the world, and its future is largely dependent on how well we can innovate to think beyond what we know as reality.

“

As e-commerce and evolving retailing paradigms increasingly challenge traditional shopping patterns, digital technologies will enable innovative physical retailers to compete and thrive by combining the immediacy of the in-store experience with the virtually endless opportunities of the online marketplace.”

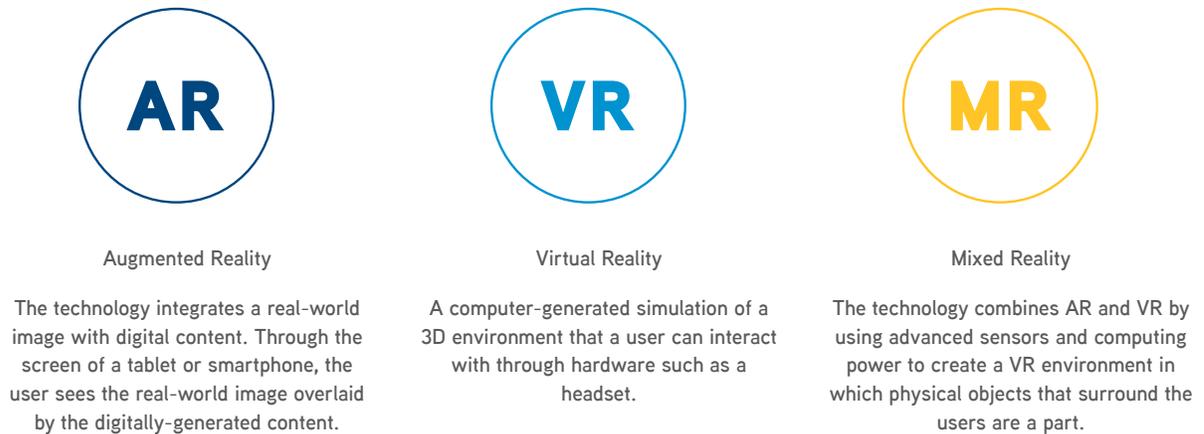
Andrew Nelson, Chief Economist, CRE, Colliers International | USA

Retail technologies have been stealthily invading the landlord and tenant space to expand the real estate market interdimensionally. The concept of an alternate or extended reality is concrete and palpable. It no longer exists in theory but is actively practiced by a handful of enterprising retailers and brands to captivate consumers' imagination and engage them with products and services on a cerebral level.



[Virtual Reality](#) refers to immersive multimedia or computer-simulated reality that inspires conceptual development using experiential technologies. The most popular segments (in CRE) are Virtual Reality (VR), [360-degree vision](#) and Computer Generated Virtual Reality (CG VR) tools that focus on spatial interiors and provide visual insight into a property undergoing a transformative overhaul.

Figure 1. AR, VR and MR: A Brief Description of Reality Technology



Source: Fung Global Retail Technology: The Mixed Reality Equation

VR technology is revolutionary because it allows prospective clients to experience site selection from the comfort of their headquarters without incurring any expense other than their time. VR enables the client to visualize the finished product with a simulated walk-through instead of relying solely on a two-dimensional rendering of its raw interior or construction site.

As VR technology, and its contemporary solutions, allow for greater viewability from ‘virtually’ anywhere in the world, the immediate benefit for CRE brokers and landlords is the potential to increase their reach and vastly expand the traditional prospect list. These conceptual tools are being [implemented today](#) by CRE firms to facilitate leasing and property sales.

The immediacy of this new technology is inspiring, and in some cases is forcing the industry’s hand toward a state of self-preservation. With it comes the possibility to conceive a newly expanded ecosystem that reinvents how we market future retail projects and spaces.

“Although the virtual reality industry is still in the early stages, its annual revenue is forecasted to grow from less than \$1 billion to \$30 billion by 2020, according to advisory firm Digi-Capital.”

[Source: How retail stores are using virtual reality to make shopping more fun](#)

The Mixed Reality Equation

Conceiving a new market and value network system is one thing; bringing it to life is a whole other universe. Luckily, the r/evolutionary technology solutions are paving the way.

Within VR is [Extended Reality \(ER\)](#), which touches on the idea of combining all environments and interactions — real, virtual and computer-generated — into an immersive, three-dimensional sensory experience. Experiential technologies include Augmented Reality (AR), a visual overlay of content on the real world, and [Mixed Reality \(MR\)](#), which takes AR and anchors it to physical objects in VR to generate interactions with users.

It’s a bit heavy to digest until you consider the potential revenue implications.

MR, comprised of augmented and virtual, is expected to grow into a \$95 billion market by 2025. Industries in the creative economy are the most active contributors and the most invested. Of that margin, retail accounts for 4.25% and real estate represents less than 1%.

[\(Source: McKinsey, Augmented and virtual reality: The promise and peril of immersive technologies, 10/2017\)](#)

Research indicates that 2018 is likely to be a year of progress and experimentation for AR, and that alone should be the clarion call that CRE needs to start playing catching up. ([Source: Deloitte, Augmented reality: on the cusp of reality, 11/2017](#))

The automotive industry has been [actively experimenting](#) with ER, with AR their medium of choice. Over 20% of the automotive industry has already made substantial investments in AR, with a focus on creating virtual showrooms for prospective car buyers. The life-like simulations of a three-dimensional shopping environment engages users to interact and test new models, providing an emotionally resonant connection to the experience; one that influences purchases.

The integration of ER into a retail omnichannel strategy can unwittingly expand a retailer's reach onto a whole new playing field, where consumers are willing to interact with brands. Global beauty company, Coty Inc. has been dabbling in the blended reality space with [the launch of a Magic Mirror](#) in their flagship Paris boutique. The mirror integrates physical products with digital content, for a first-of-its-kind augmented reality (AR) makeup experience: once a consumer picks up a lipstick, the selected color instantly appears on their lips.

([Source: https://www.coty.com/in-the-news/press-release/coty-magic-mirror](https://www.coty.com/in-the-news/press-release/coty-magic-mirror))

“New research from L.E.K. Consulting shows that 70% to 80% of “early tech adopter” consumers are eager to use virtual reality technology to design rooms, try on clothing, customize products and take virtual shopping “trips” with friends in different locations. In addition, 46% of consumers already have tried some form of VR.”

([Source: The Value Of Virtual Reality In Retail: Will New Use Cases Counter Skepticism?](#))

ER concepts have been largely dependent on user access to headsets and accessories. In 2017 however, [Mozilla launched WebXR](#), a web-enabled browser that streamlines access to AR and MR through SMART devices. This game-changing development allows users to interact with a controlled brand environment, a journey that is not dependent on one location or one device. It also opens the possibility for brands to incorporate a sensory overlay with visual, binaural and expression elements to enhance the user experience.

([Source: https://blog.mozilla.org/blog/2017/10/20/bringing-mixed-reality-web/](https://blog.mozilla.org/blog/2017/10/20/bringing-mixed-reality-web/))



Humanizing the Virtual Concierge

Amid the growing adoption of voice recognition (e.g. Alexa, Siri, Cortana, etc.) and voice-enabled technology services (e.g. voice to text search), there's the parallel goal of data collection and analysis. As technology enables businesses to curate an always-on environment that allows for the push/pull of information, brands will benefit from the troves of data gleaned from those conversations and the ability to use the data to intelligently enhance the overall customer service experience.

ER will play an integral part in creating these responsive, three-dimensional settings initiated through open-source platforms that manipulate time and place to bring a virtual scene to life for the end-user.

When using an immersive technology overlay on a 3-D experience, the key is in the implementation of sensorial impressions—visual (sight), binaural (sound) and expression (mood)—to mimic real life. Some of the biggest names in technology are driving innovation and exploring how to embellish sensory layers in hyper-reality environments.

Visually, there are several advancements available to enhance the user's experience in MR environments:



Snapchat's Lenses leads the pack with a portfolio of tools, objects and effects to complement their signature AR filter. The product, used by more than 70 million users per day, is a game-changer in the messaging app market. [\(Source: The Verge\)](#) Fashion brand Michael Kors launched the Kendall, a line of frames with a branded lens. Snapchat users were encouraged to try on sunglasses when they took a selfie, in celebration of "National Sunglasses Day."

[\(Source: https://storage.googleapis.com/snapchat-web/success-stories/pdf/pdf_michael_kors_en.pdf\)](https://storage.googleapis.com/snapchat-web/success-stories/pdf/pdf_michael_kors_en.pdf)
Image Credit: Michael Kors/Snapchat



The Weather Group, the parent company of The Weather Channel, partnered with The Future Group to offer an immersive MR environment to better educate its viewers on atmospheric science and how best to prepare against weather-related hazards. [\(Source: Newscast Studio\).](#)

Binaural audio changes the sonic experience based on the viewer's movement or point of view. It's best experienced when a listener is plugged in with headphones or another wearable technology.

- › **BOSE** has released AR-equipped wearables that, when paired with a smartphone and an app “lets you hear what you see” through the addition of a contextually audible layer of information and experiences to the real world. ([Source: The Verge](#))
- › **Facebook** released a 360 Spatial Workstation to create a three-dimensional sound sensation in videos where listeners are transported to a specific destination with ‘in-head’ 3D acoustics. ([Source: Facebook](#))

And then there is the element of expression to humanize the overall experience. Digital assistants have influenced the evolution of chatbots from text to voice-activated, focusing online conversations on how people talk to one another.

- › **The financial services industry** is testing voice-activated chatbots using conversational artificial intelligence (AI) to supplement its customer service management system. ([Source: Business2Community](#))
- › **With Amazon's Sumerian platform**, developers create immersive virtual worlds populated by a collection of 3D characters, or ‘hosts,’ leveraging the artificial intelligence that powers Alexa. ([Source: PC Mag](#)) Brands can enhance each of the digital characters with a suite of expressions, to emulate conversational gestures and emotions.

Brands are reinventing their approach to the 24-hour customer service cycle, making it more “lifelike” by providing relevant information and contextual data to shoppers. Imagine the power of a 24/7, automated concierge service that enables a seamless conversation exchange between a retailer and its target audience.

More than 60% of consumers expect companies to interact with them in real-time across any device and channel. ([Source:](#)

<https://www.salesforce.com/form/pdf/state-of-the-connected-customer.jsp; registration required.>

From a CRE perspective, there are exponential benefits to offering a convenient virtual network of assistants that operationalize your business across time zones.



Meeting Consumers Where They Are

Historically, retailers and service-oriented businesses have been hyper-focused on driving foot traffic to physical locations. And although online shopping is here to stay, Americans are almost evenly split on their preferred shopping channels with 51% shopping online, while 49% prefer shopping in-store.

[\(Source: Grow Big Commerce: Omni-Channel Retail in 2017 What Brands Need to Know\)](#)

ER technologies flip the equation with an opportunity for brands to reach consumers where they are: outside of your building, taking public transportation or charging their devices at a Wi-Fi station. As we mentioned earlier, the physical space is evolving from being a final destination to a touchpoint where consumers can engage with brands. Up until now, retailers have used low-tech beacons to track a consumer's behavior in-store. Early adopters have been using low-energy Bluetooth connections to push notifications to smart devices. The next generation involves manipulating the space around your business or building to target consumers at variable frequencies. Micro-location technology enables retailers to align digital triggers with a chosen set of parameters to focus on a consumer's location. Ultra-wideband technology and geofencing, which use GPS or Radio Frequency Identification (RFID) to create virtual boundaries to target a specific audience and offer precision and accuracy to their exact location. [\(Source: NED.com\)](#)

ER, AR, sensorial elements, virtual concierge—all these technologies, when blended, will extend the boundaries and r/evolutionize the relationship between retailers and consumers. Think of it as a three-dimensional collage that leverages the consumer’s desire for convenience and alters how your target audience engages with your brand, your property and your retail tenants.



As technology becomes part of our everyday language, customization of the consumer journey will be an invaluable asset to maintaining brand loyalty and increasing revenue. The r/evolutionary technology of MR offers more than a three-dimensional overlay. When implemented strategically, retailers will have the ability to collect a wealth of consumer data to inform smarter decision-making as they optimize their omnichannel strategies.

Innovators | PSFK’s insights into the world of innovation and understanding the brands are pioneers Source: PSFK.com

- > Amazon
- > Apple
- > Nike
- > IKEA
- > Adidas
- > Sephora
- > Starbucks
- > Lagunitas
- > eBay
- > Walmart
- > Zappos
- > Louis Vuitton
- > Target
- > Gucci

Source: PSFK.com



Image Source: Mandt Media

Spotlight: Mandt Media | Augmented Reality and the Future of Commercial Real Estate

Imagine your consumer walking by a building and using their phone, or another AR-enabling device, to view a brand advertisement superimposed over the building's facade.

Advertisers have been purchasing terrestrial billboards and building name rights for years. Now, retail brands are presented with an opportunity to seize the commercial value of having their brand associated with a building that capitalizes on the relevancy of a consumer's geolocation.

AR, VR & MR essentially represent the next evolution of the internet, as it grows to become three-dimensional in nature. We will all be able to see the internet as an overlay all around us; initially using smartphones and over time, wearables, like smart glasses will become common place.



Image Source: Mandt Media

This will allow users to scan everything from products to buildings in search of opportunities and deals, which will lead to commerce and additional revenue for property owners. All of this activity will generate important data, which will allow property owners to make more informed decisions and add measurement to the advertising associated with the building. Properties will become a two-way communication channel between brands and consumers, allowing for a new level of rich engagement.

“Location-based augmented reality is something that’s going to go beyond just events, it’s going to become part of our daily lives,” said Neil Mandt, CEO of Mandt Media. “Users can get information, content and benefits directly from real estate assets by using the device in their pocket.”

(Source: <https://knowledge-leader.colliers.com/karen-whitt/augmented-reality/>)

Mandt Media works with property owners to help the claim their digital AR rights and then protects and monetizes their assets. Pioneering efforts like the Mandt Media-Colliers partnership will help brands to engage with their consumers in incredible new ways, bringing indoor and outdoor facilities to life, and changing the way we experience our world.

GLOSSARY OF TERMS

Augmented Reality (AR) refers to the visual overlay of content on the physical, real-world environment.

Computer Generated Virtual Reality (CGVR) is a fantasy-based virtual reality environment generated by computer design and technology.

Geofencing uses GPS or RFID technology to create a virtual geographic boundary, enabling software to trigger a response when a mobile device enters or leaves a particular area.

Micro-location Technology has the capability of locating something or someone with a precision level accuracy within a specific parameter, building or room.

Mixed Reality (MR) takes elements from AR and anchors it to physical objects in VR to generate interactions with users.

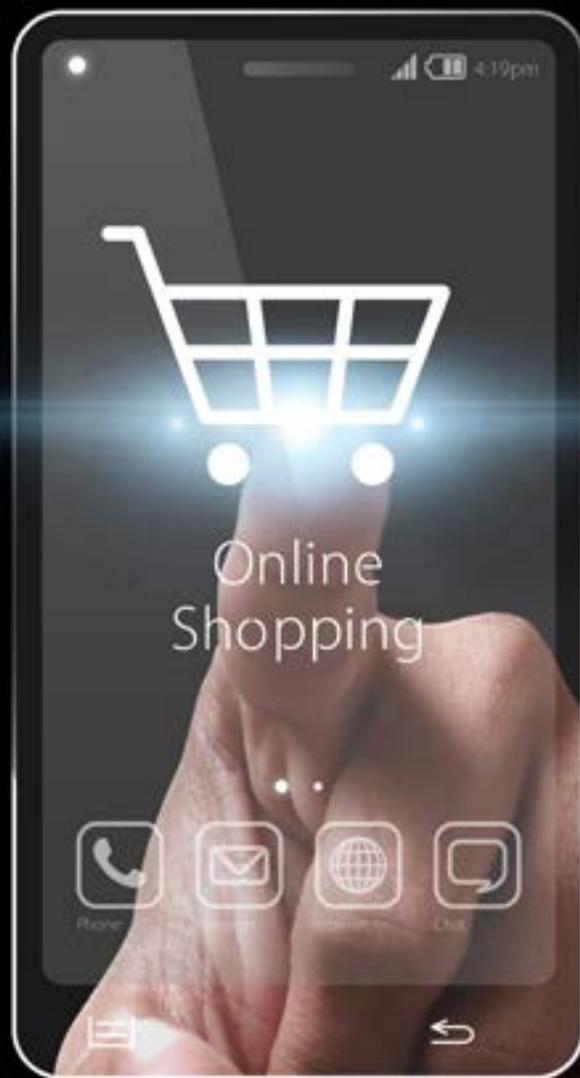
360° Video are immersive video recordings of a real-world scene where the view in every direction is recorded at the same time and the user is able to control the viewing direction during playback.

Virtual Reality (VR) is immersive multimedia or computer-simulated reality, that replicates an environment simulating a physical presence in the real world or an imagined world, allowing the user to engage and interact in that world.

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