



Finance and Economic Dev. Comm. Meeting

August 1, 2016

5:00 pm

Pinky Alder Room

-
- 1) ORAL COMMUNICATIONS
 - 2) PRESENTATION BY BARRY FOSTER OF HDL ON THE IMPACTS OF E-COMMERCE ON FUTURE SALES TAX REVENUE

NOTE: All Agenda items and back-up materials are available for public review at the Upland Public Library, downstairs reference desk at 450 North Euclid Avenue, the City Clerk's Office at 460 North Euclid Avenue and the City website at www.ci.upland.ca.us, subject to staff's ability to post the documents before the meeting.

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POSTING STATEMENT: On July 28, 2016 a true and correct copy of this agenda was posted on the bulletin boards at 450 N. Euclid Avenue (Upland Public Library) and 460 N. Euclid Avenue (Upland City Hall).



ECONSolutions

By HdL

Development **Driven By Data**

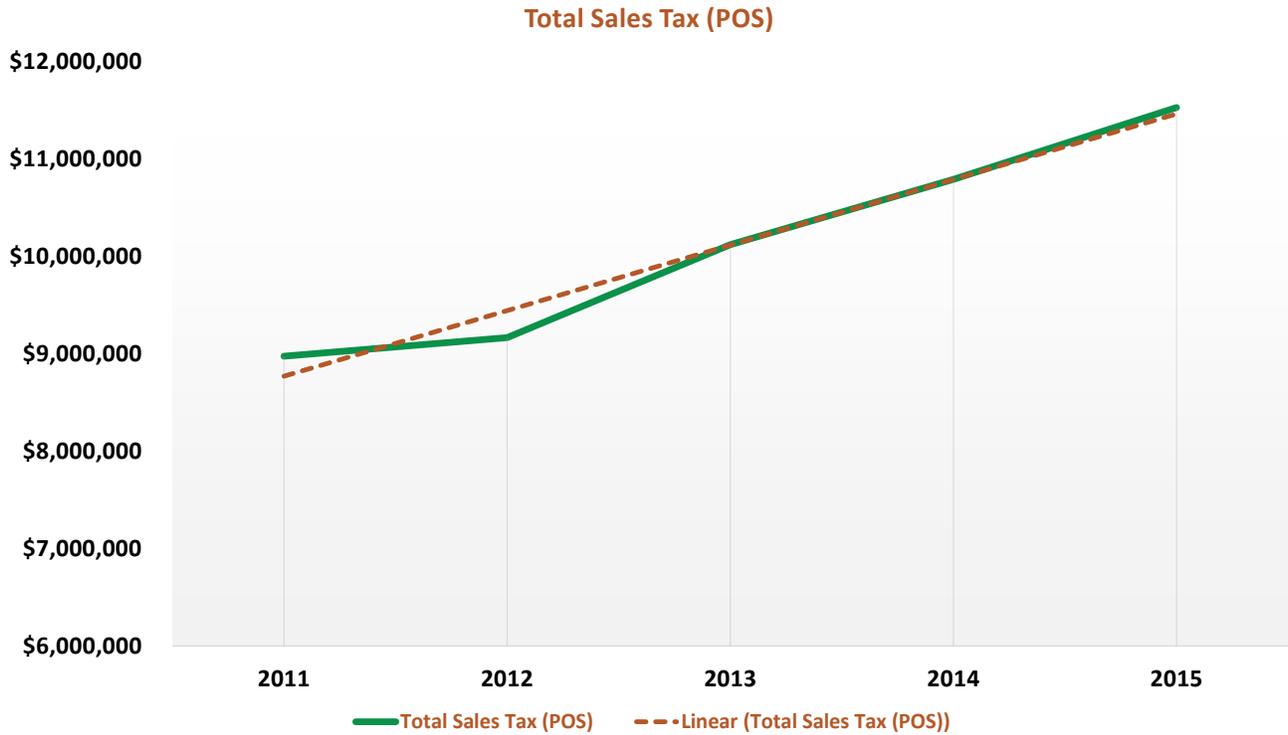
CITY OF UPLAND **Salest Tax Summary**



City of Upland

Total Sales Tax Revenue (2011 - 2015)
Point of Sale

	2011	2012	2013	2014	2015
Total Sales Tax (POS)	\$ 8,972,116	\$ 9,162,976	\$ 10,116,875	\$ 10,786,613	\$ 11,522,982
% Growth (YOY)	6%	2%	10%	7%	7%



Sales Tax by Major Industry Group

General Consumer Goods

Count: 1,213

Building And Construction

Count: 142

Autos And Transportation

Count: 308

Restaurants And Hotels

Count: 260

State & County Pools

Fuel And Service Stations

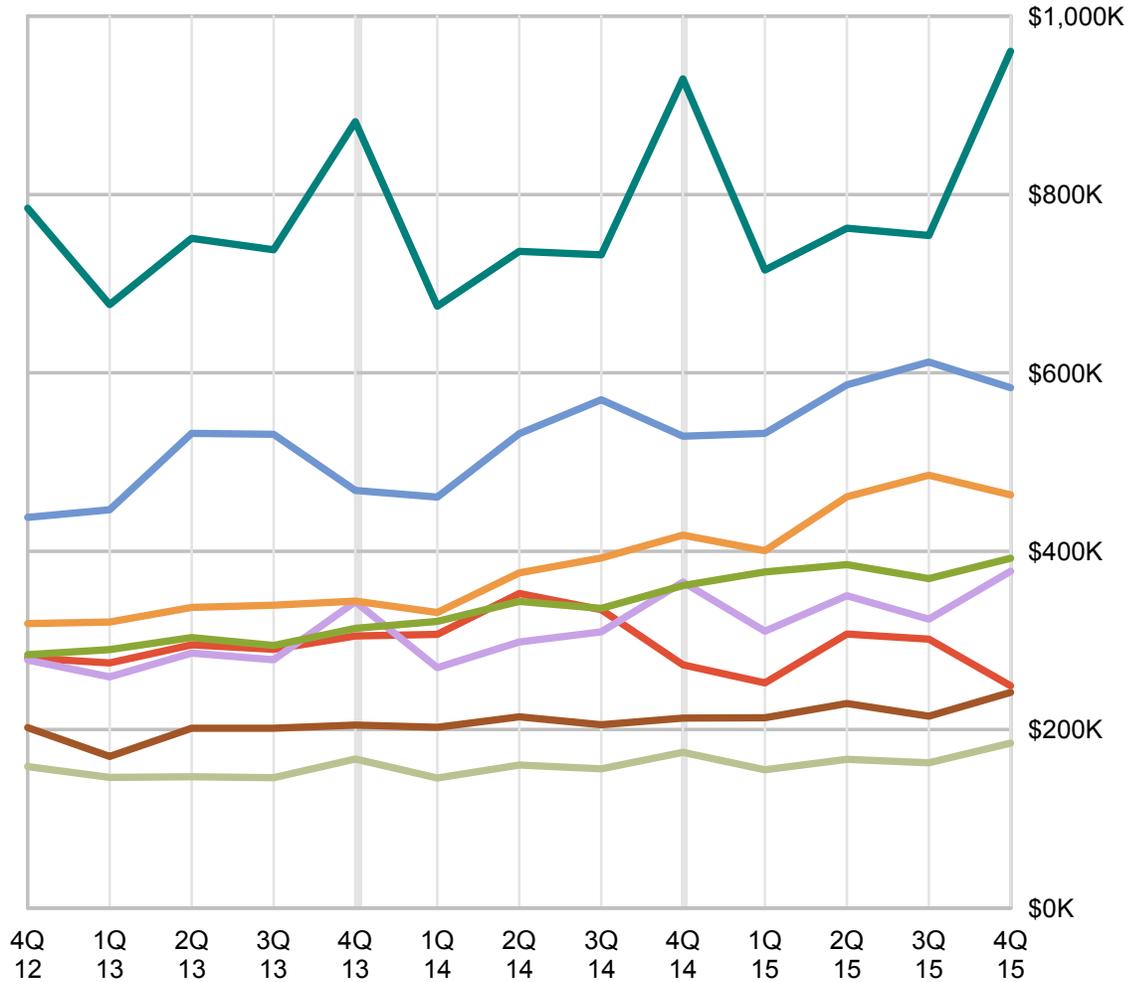
Count: 25

Business And Industry

Count: 717

Food And Drugs

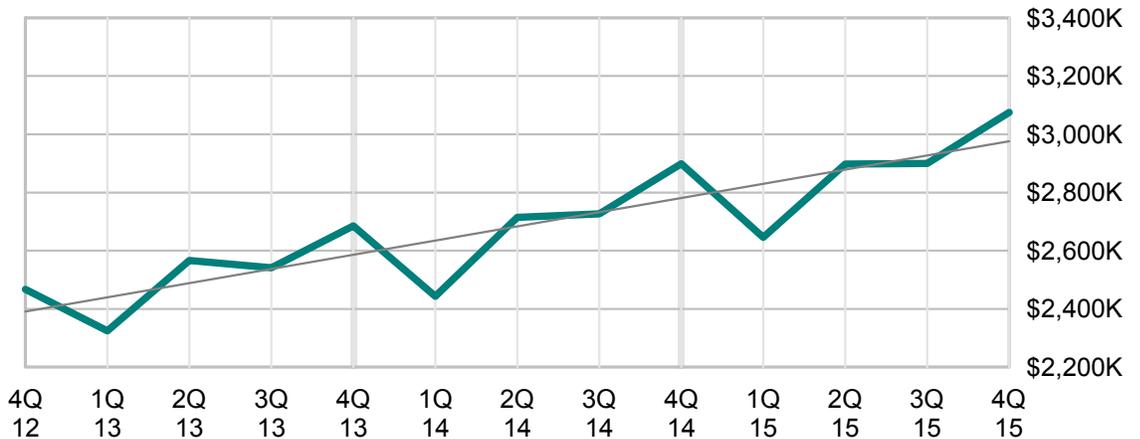
Count: 97



Agency Trend

Upland

13 Quarter Trend: +24.5%



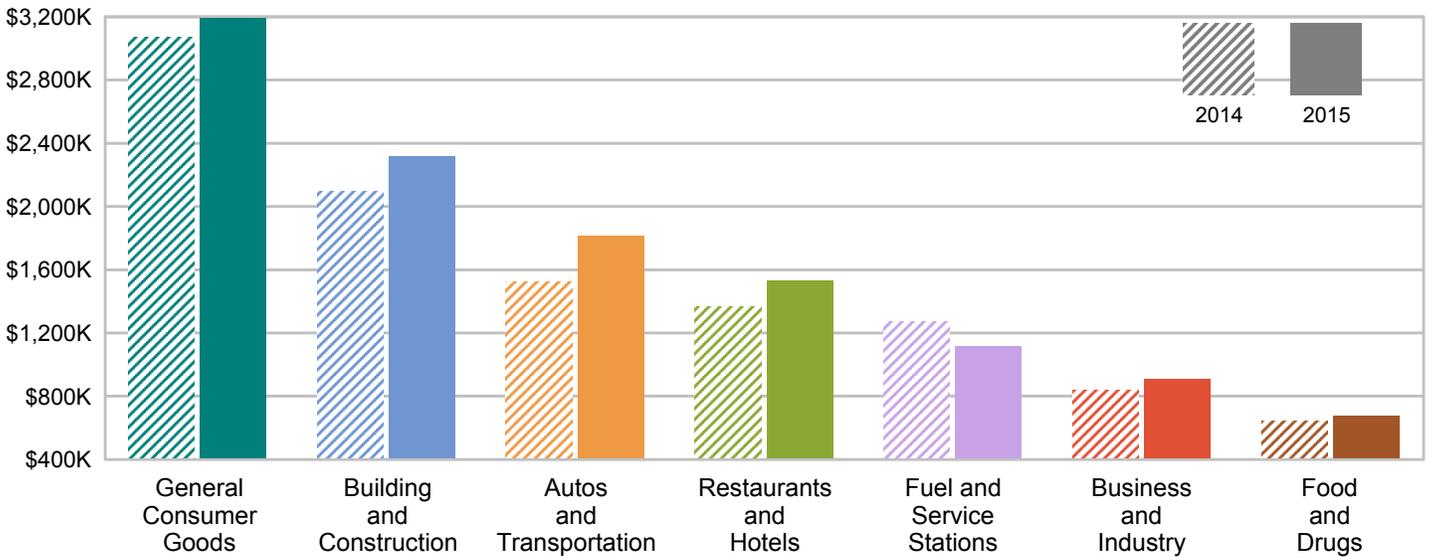
Periods shown reflect the period in which the sales occurred - Point of Sale

CITY OF UPLAND

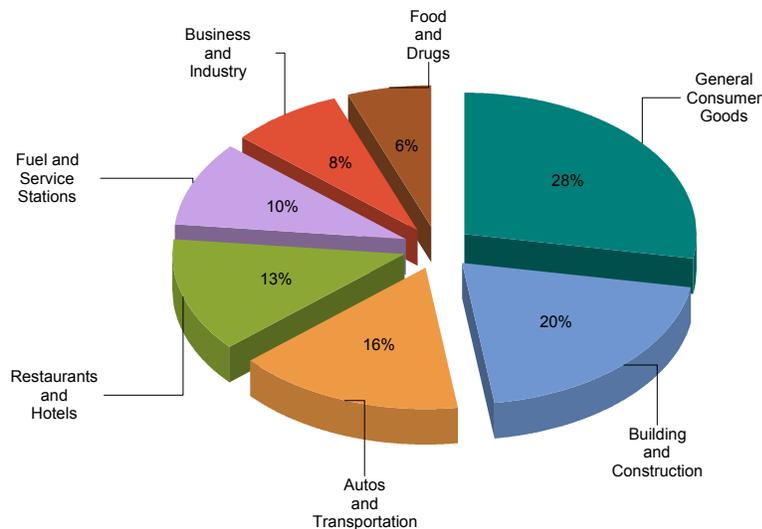
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	2015	2014	\$ Change	% Change
General Consumer Goods	1,213	3,192,278	3,073,202	119,076	3.9%
Building and Construction	142	2,314,064	2,091,436	222,628	10.6%
Autos and Transportation	308	1,810,247	1,517,400	292,847	19.3%
Restaurants and Hotels	260	1,523,540	1,362,371	161,168	11.8%
Fuel and Service Stations	25	1,110,270	1,266,532	(156,261)	-12.3%
Business and Industry	717	898,764	835,641	63,123	7.6%
Food and Drugs	97	669,011	636,542	32,469	5.1%
Transfers & Unidentified	7	4,807	3,487	1,320	37.8%
Total	2,769	11,522,982	10,786,613	736,369	6.8%

2014 Compared To 2015



2015 Percent of Total



ADJUSTED FOR
ECONOMIC DATA

Code	Business Type Description (Count)	AGENCY			COUNTY		HdL STATE	
		2015	2014	Change	2015	Change	2015	Change
50	Lumber/Building Materials	1,344,100	1,285,430	4.6%	14,011,121	3.9%	232,921,070	7.9%
60	New Motor Vehicle Dealers	1,269,446	1,041,652	21.9%	33,778,695	12.0%	616,059,027	9.1%
62	Service Stations	1,105,456	1,262,270	-12.4%	33,536,266	-12.6%	468,924,719	-14.1%
08	Discount Dept Stores	Confidential	Confidential	1.3%	23,139,761	2.5%	369,337,401	2.0%
82	Contractors	Confidential	Confidential	25.6%	10,442,300	16.1%	154,635,807	12.7%
24	Quick-Service Restaurants	730,569	659,304	10.8%	15,860,428	9.0%	276,597,156	7.8%
35	Casual Dining	547,229	483,062	13.3%	11,732,459	8.0%	285,201,523	6.9%
19	Specialty Stores	507,719	491,411	3.3%	6,154,308	6.3%	136,106,344	4.6%
07	Department Stores	Confidential	Confidential	0.8%	6,640,620	19.9%	136,042,672	0.1%
31	Electronics/Appliance Stores	298,840	285,293	4.7%	6,133,730	0.6%	136,809,489	1.0%
34	Grocery Stores Liquor	255,088	237,251	7.5%	8,227,543	1.7%	151,650,263	2.4%
99	Light Industrial/Printers	244,954	224,174	9.3%	9,725,075	10.3%	113,489,831	0.7%
03	Family Apparel	215,128	202,533	6.2%	8,545,799	3.1%	172,700,203	4.5%
12	Sporting Goods/Bike Stores	210,336	187,013	12.5%	2,410,370	0.9%	50,669,208	1.8%
30	Home Furnishings	192,811	191,277	0.8%	5,517,448	8.6%	115,497,916	5.5%
37	Fast-Casual Restaurants	180,546	156,416	15.4%	2,319,079	13.3%	47,386,974	12.0%
71	Auto Repair Shops	165,461	152,833	8.3%	2,855,824	3.5%	55,218,511	6.0%
61	Automotive Supply Stores	151,601	136,566	11.0%	4,957,394	5.4%	70,672,640	4.8%
33	Grocery Stores Beer/Wine	148,021	143,248	3.3%	1,801,321	0.3%	56,035,430	1.2%
18	Office Supplies/Furniture	142,471	133,078	7.1%	8,144,429	1.7%	84,480,741	0.7%
27	Drug Stores	128,276	128,074	0.2%	2,345,129	0.5%	62,309,677	0.0%
22	Liquor Stores	120,160	112,553	6.8%	1,470,094	7.1%	38,997,008	5.8%
52	Plumbing/Electrical Supplies	118,838	119,910	-0.9%	1,332,853	9.9%	58,097,553	8.9%
89	Business Services	111,655	90,699	23.1%	2,250,285	1.8%	54,214,308	3.2%
98	Heavy Industrial	100,047	93,559	6.9%	8,815,939	10.2%	85,085,865	6.3%
	All Others	1,075,625	988,786	8.8%	85,518,260	15.8%	1,516,247,612	2.8%
	TOTAL ALL TYPES	11,522,982	10,786,613	6.8%	317,666,529	6.8%	5,545,388,949	2.8%
Major Industry Groups								
	Autos And Transportation	1,810,247	1,517,400	19.3%	58,909,596	11.7%	1,002,487,130	9.4%
	Building And Construction	2,314,064	2,091,436	10.6%	27,455,373	9.0%	493,091,090	9.4%
	Business And Industry	898,764	835,641	7.6%	74,944,064	19.6%	941,189,848	3.3%
	Food And Drugs	669,011	636,542	5.1%	14,565,796	2.1%	333,480,320	3.0%
	Fuel And Service Stations	1,110,270	1,266,532	-12.3%	37,874,351	-15.1%	568,695,798	-16.9%
	General Consumer Goods	3,192,278	3,073,202	3.9%	71,861,981	5.0%	1,393,131,618	2.7%
	Restaurants And Hotels	1,523,540	1,362,371	11.8%	32,048,740	8.9%	812,105,192	8.0%
	Transfers & Unidentified	4,807	3,487	37.8%	6,627	-72.5%	1,207,953	-2.9%
	TOTAL ALL GROUPS	11,522,982	10,786,613	6.8%	317,666,529	6.8%	5,545,388,949	2.8%
TOTAL ALL BUSINESSES		11,522,982	10,786,613	6.8%	317,666,529	6.8%	5,545,388,949	2.8%
ALLOCATIONS FROM COUNTY POOL		1,354,030	1,234,836	9.7%				
ALLOCATIONS FROM STATE POOL		7,516	7,565	-0.6%				
GROSS RECEIPTS		12,884,529	12,029,014	7.1%				

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CITY OF UPLAND
TOP 25 SALES TAX PRODUCERS
FOR CALENDAR YEAR 2015

Business Name	Business Category
AT&T Mobility	Electronics/Appliance Stores
Bed Bath & Beyond	Home Furnishings
Campus Arco Ampm	Service Stations
Chevron	Service Stations
Circle K	Service Stations
Dick's Sporting Goods	Sporting Goods/Bike Stores
Euclid Arco	Service Stations
Ford of Upland	New Motor Vehicle Dealers
Holliday Rock	Contractors
Home Depot	Lumber/Building Materials
Kohls	Department Stores
Lowe's	Lumber/Building Materials
Marshalls	Family Apparel
Mountain View Chevrolet	New Motor Vehicle Dealers
Nordstrom Rack	Department Stores
Petsmart	Specialty Stores
Stater Bros	Grocery Stores Liquor
Stellar Industrial Supply	Light Industrial/Printers
Target	Discount Dept Stores
Tesoro Refining & Marketing	Service Stations
TJ Maxx	Family Apparel
Toys R Us	Specialty Stores
Verizon Wireless	Electronics/Appliance Stores
Vons Gasoline Sales	Service Stations
Walmart	Discount Dept Stores

Percent of Calendar Year Total Paid By Top 25 Accounts = 53.56%

* Firms Listed Alphabetically
 Period: January 2015 Thru December 2015
 Allocations Adjusted for Economic Data
 Source: Hinderliter, de Llamas & Associates, State Board of Equalization



ECONSolutions

By HdL

Development **Driven By Data**

Articles on Changing Retail & The Impact of Online Shopping



THE COMMON AREA

PRIMARK COMES TO THE U.S., LANDLORDS GO GREEN, DEPARTMENT STORES MAKE UP

More retailers use stores as delivery hubs



More retailers than ever are using their stores as hubs for online merchandise distribution. “All Macy’s stores today can fulfill merchandise orders direct to consumers’ homes, serve as convenient locations for customer pick up of merchandise bought online and are the origination point for same-day delivery in 17 local markets,” tMacy’s CEO Terry J. Lundgren said.

Target continues to integrate its stores and online operations, according to Chairman and CEO Brian Cornell. “We’re already shipping digital orders from approximately 140 stores, and by the end of this year, we’ll be shipping for more than 450 locations,” Cornell said on a second-quarter earnings call. “Ship-from-store capabilities allow us to balance inventory across the network, leverage the capital and labor already in our stores and reach guests more quickly,” he said.

Walmart’s second-quarter e-commerce sales grew by 13 percent year on year, thanks in part to the retailer’s use of integration of online commerce and in-store inventory, said President and CEO Doug McMillon. “We have been aggressively pursuing store-pickup options – and pickup, while on a very small base in Walmart terms, is growing very quickly,” McMillon said. “At Samsclub.com, we are also seeing stronger sales as members appreciate the convenience of our club pickup.”

Kohl’s, too, is enthusiastic about in-store pickups. In the second quarter the chain rolled out buy online, pick

up-in-store capability to all of its locations and will begin heavily marketing the feature this fall. “Based on these early results we now expect buy-online, pickup-in-store to be a significant percentage of our digital sales and a driver of incremental store traffic this holiday season,” said Kevin Mansell, president and CEO, on Kohl’s second-quarter earnings call.

The move is a response to consumers’ changing preferences. Shoppers still prefer traditional purchase options both in-store and online, but interest in in-store pickups of online merchandise is growing, according to a Zebra Technologies survey of 2,000 consumers around the world. About 62 percent of respondents who said they bought an item online wanted to have it shipped to their home. About 22 percent of online buyers said they wanted to pick up their purchase at a nearby store. Among those respondents who bought an item in a store, 52 percent said they wanted to take it home with them, while 18 percent said they preferred to ship the item home. And of those respondents who bought an item on a mobile device, 13 percent wanted the item shipped to their home, and 8 percent wanted to pick the item up in a store.

In further pursuit of omni-channel integration, this fall Target will begin testing what it calls “available to promise” delivery, through which customers will receive a specific delivery commitment for online orders, whether to the customer’s home or to a nearby Target store. Typically, Cornell says, the commitment will be somewhere around two or three business days.

“About 22 percent of online buyers said they wanted to pick up their purchase at a nearby store. Of those who bought an item in a store, 18 percent wanted it shipped home.”

THE COMMON AREA

READING IS FUNDAMENTAL



The world's best public library is in a Swedish mall, according to the International Federation of Library Associations and Institutions. The group named the library at landlord Citycon's Kista Galleria mall, in Stockholm, Public Library of the Year for 2015. The library moved into the mall in 2014. Since then, visits have increased 300 percent and book loans have doubled. Kista Galleria has, in turn, grown stronger as a meeting place ever since the library moved in,

says Magnus Åkesson, commercial director at Citycon. The 1 million-square-foot center is anchored by ICA, Coop, Åhlens, New Yorker and H&M.

are more open to embracing this type of technology, according to the survey. One in three Millennial respondents said they agree that making purchases with a mobile wallet (e.g., Apple Pay, Google Wallet, Visa PayWave) is important to them, compared with only 21 percent of the total respondents. Similarly, respondents who are parents with children under 18 living in their household said they are nearly twice as likely to feel that making purchases with a mobile wallet is important: 33 percent of parent respondents compared with just 17 percent of nonparent respondents.

As Millennials and parents demand the simplicity and speed of mobile payments, brick-and-mortar retailers can redefine the space and experience of their stores by moving — or even removing — cash registers, shortening checkout lines and satisfying this shift in demand, Schmidt says.

Millennials, young parents embrace mobile wallets

Mobile wallets are changing how Millennial consumers use stores and shopping centers, and the commercial real estate industry should capitalize on the trend, according to a report from Coldwell Banker Commercial Affiliates. The real estate advisory network surveyed 2,000 Americans about their shopping habits and found that despite the growing popularity of e-commerce, a large subset of the population continues to prefer the in-store shopping experience.

"Shoppers still value the traditional in-person experience but expect efficiency and expediency," said Fred Schmidt, president and COO of Coldwell Banker Commercial Affiliates, in a press release. "These generational trends help paint a clearer picture for com-

mercial real estate of where warehousing and inventory space may be headed, as well as how traditional retail space is evolving."

Overall, 69 percent of the respondents said they prefer to make their purchases in a store. About 72 percent of Millennials (ages 18-34), said they prefer shopping in a store, compared to 65 percent of Gen Xers (ages 35-49) and 68 percent of

baby boomers (ages 50-69). Among respondents, Millennials said they are much more likely (73 percent)

than other generations to enjoy the experience of being in a store or mall, compared with 58 percent of Gen Xers and just 48 percent of boomers.

While the concept of mobile wallets is still something of a novelty, Millennials and parents of young children



Simon's new lifestyle app drives mall traffic



Simon launched Simon Said, a lifestyle-focused digital platform that delivers editorial content on fashion, beauty, design, culture and food trends that links back to offerings available at Simon shopping centers around the U.S. Simon Said will tap influencers, bloggers and retail partners to create original content featuring products and offerings, all available at Simon centers. The site will feature curated lists of these tastemakers' favorite things of the moment — from clothing and accessories, to home decor and food.

HOLIDAY SHOPPERS PREFER BRICKS

More Americans are planning holiday-related purchases this year than last, and they will spend more over a longer time period. Roughly 90 percent of those surveyed in ICSC's Consumer Forecast this year say they plan to make holiday purchases, up from 82 percent of those surveyed last year. Some 80 percent say they will spend the same amount or more this year than last year. The survey, conducted between Sept. 29 and Oct. 1, polled about 2,000 consumers at least 18 years of age.

Holiday shoppers will spend an average of \$702 per household this season (up from \$677 last year), and broken down into \$575 for holiday gifts and \$127 for such things as decorations and greeting cards. The highest-income group polled — households earning at least \$100,000 per year — will be spending \$1,062 per household, on average, while those with annual income less than \$35,000 will be spending \$500 per household.

"With gas prices and unemployment down and housing prices up, holiday shoppers are heading into the season with increased confidence in their spending power," said ICSC spokesman Jesse Tron.

"While certain headwinds exist, such as uncertainty in global financial markets and minimal wage growth in the U.S., the positive macroeconomic trends are likely

“Nearly 50 percent of respondents said they like to be able to see, touch and try on the merchandise, while 40 percent said they don't want to pay shipping costs.”

to win out and propel retail sales throughout the holiday season. As a result, it appears to be shaping up as a solid season for retailers, and, if ICSC's forecast holds, one that would better the average of the previous 10 seasons by 1.5 percentage points.”

Americans are starting their holiday shopping earlier, and the stragglers are pushing later. This year two-thirds will begin shopping before Thanksgiving Day. Only 7 percent expect to be done by Thanksgiving, however, while 65 percent aim to have their holiday shopping completed by Dec. 15. Some are looking to do their holiday shopping on actual holidays: 12

percent plan on Thanksgiving Day and 8 percent on Christmas Eve. One of the year's biggest retail holidays, Black Friday, remains a big draw: 41 percent of the respondents said they plan to take advantage of promotional sales on that day.

About 95 percent of holiday shoppers intend to make a purchase in a physical store this year. Nearly 50 percent of the respondents said they like to be able to see, touch and try on the merchandise, while nearly 40 percent said they do not want to have to pay shipping costs. About 30 percent said the sales they want are typically offered only in-store, while nearly as many said they find it easier to return or exchange items at a store, and 27 percent said they enjoy the convenience of one-stop shopping.

Mr. Claus remains a top draw, with about half of the respondents who have young children saying they plan to take them to visit Santa at a shopping center this season.

ICSC is forecasting year-over-year growth of 3.3 percent for retail sales this season (November and December). Such a pace would be significantly ahead of the 10-year holiday sales-growth average of 1.8 percent, and slightly ahead of the current pace of 2.8 percent. Among the notable growth categories are furniture and home furnishings (at 4.9 percent), clothing and clothing-access stores (3.3 percent), health and personal-care stores (3.3 percent), and electronics and appliance stores (1.1 percent).



Shoppers visit a mall at least once a week: Report

The vast majority of Americans (about 83 percent) visit a shopping center at least once per week, and 20 percent go to a shopping center more than 10 times per week, according to a survey conducted for ICSC. On average, Americans visit a shopping center between six and seven times per week. "These results show unequivocally the vital role shopping centers play in the everyday lives of millions of Americans," said Christopher Gerlach, ICSC's director of public-policy research. "Whether it is to pick up a loaf of bread and gallon of milk, grab a slice of pizza or a whole pie to go, or [to] stop in for a haircut and drop off the dry cleaning, shopping centers are overwhelmingly the places that satisfy the daily needs of consumers across the U.S."

The survey found that Americans make, on average, 3.7 trips per week each to buy merchandise, and 2.8 times a week to obtain services. For goods, they go 1.3 times per week for convenience items such as milk, 1.1 times per week for health-and-beauty products, 0.6 percent times a week for household articles such as those for the garden, office or pets, and 0.6 times per week for durable and

"When it comes to services, shoppers will visit malls most often to eat out or to pick up food to go."

discretionary items such as apparel, electronics and furniture. When it comes to services, shoppers will visit malls most often to eat out or to pick up food to go (an average frequency of 1.3 times a week per person). This is followed by personal services, such as a haircut, dry cleaning or a manicure (0.7 times); entertainment or fitness, such as to a movie or the gym (0.4 times); and other services, including medical, financial or educational (0.3 times).

Broken down by race or ethnicity, the survey found that Hispanics hit the shopping center most often, at nine visits per week. Blacks visit 8.3 times per week, meanwhile, and non-Hispanic whites will visit 5.4 times weekly.

The survey asked respondents about their spending habits at the shopping center. The results indicate that those who visit at least once a week spend nearly \$150 per week, on average. This equates to approximately \$30 billion per week, or \$4.2 billion per day, in spending at U.S. shopping centers.

There are some 115,000 shopping centers in the U.S., nearly 90 percent of which are small neighborhood and convenience centers.



FIRST RESORT

Sandals Resorts will spend about \$1.2 million to open its first physical store, in London, on High Street Kensington. When the store opens in March, it will showcase the company's vacation and wedding packages while re-creating the look and feel of the company's Caribbean resorts, including a wooden bridge over a digital "lazy river," water features inspired by the hot tubs found at Sandals Resorts and a bar area that will show off the resorts' food-and-beverage offerings.



lends the company's real estate representatives considerable deal-making flexibility. "We're doing a little bit of everything now," said Steve Fiedler, Taco Bell's franchise development lead for the Eastern region. "We do end-cap with drive-through in certain situations. Obviously, stand-alone is our bread and butter, and for freestanding with drive-through we need about a half acre to 35,000 square feet of land. And we always look at pad sites of shopping centers, grocery-anchored centers and big-box." Taco Bell's urban restaurants, including the Cantinas, helped the company meet a goal of opening 200 stores nationwide last year, Fiedler says. "We're going through a pretty heavy growth spurt."

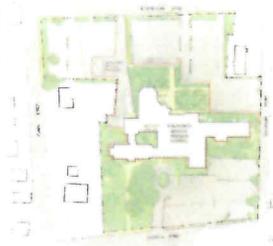
The number of store openings will accelerate this year, according to Prince. All told, Taco Bell wants to add some

2,000 new locations by 2022, atop the nearly 6,000 company-owned and franchised restaurants in the current portfolio. "We're striving to build and/or remodel around 600 restaurants per year, giving us 600 opportunities to do something different," Prince said. Several hundred of the stores to open this year could be part of the urban program. Another Taco Bell format, U.S. Taco Co., opened in 2014 in Huntington Beach, Calif., but closed its doors after just one year. Short-lived as the concept was, it enabled the company to experiment with local flavors, says Prince. Taco Bell Cantina reflects some of those initial U.S. Taco elements. "We will offer our complete standard menu, but with some unique additions," Prince said. "A tapas-style menu of localized, shareable appetizers will be available nightly, and food will be served in open-faced bas-

kets to better highlight the ingredients."

This is a good time to open restaurants in the U.S., says Jason Trombley, national director of retail brokerage at the Chicago headquarters of commercial real estate firm JLL. "The market is hot everywhere," Trombley said. "Throughout the country, there are new projects coming in that need tenants, and tenants are stepping up to pay the rent. Money is cheap for retailers as well, in terms of capital to build out space."

Among all the other Cantina advantages is that customers may enjoy the novelty of drinking a beer or a frozen alcoholic beverage at a Taco Bell, Trombley notes. "That's why I went," Trombley said, referring to his own visit to the Chicago Cantina during its first week. "I even thought about posting it on social media, like: 'Hey guys, look at me, I'm having a cocktail at Taco Bell!'" **SCT**



THE NEWNAN ADVANTAGE

3M SF Existing/Successful Commercial/Retail
 25 Minutes SW of Atlanta and H-J International Airport
 Development Sites Available Located along I-85
 1.5M Population within 45 Minutes
 2011 to 2015, Newnan has realized \$440M in private investment



Newnan, Georgia

Experience the Newnan Advantage

LIVE, WORK, STAY, INVEST

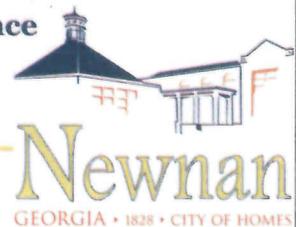


Site Information, Relocation and Expansion Assistance

Hasco W Craver IV, Business Development Director, City of Newnan

770-253-8283 • hcraver@cityofnewnan.org

www.developnewnan.org



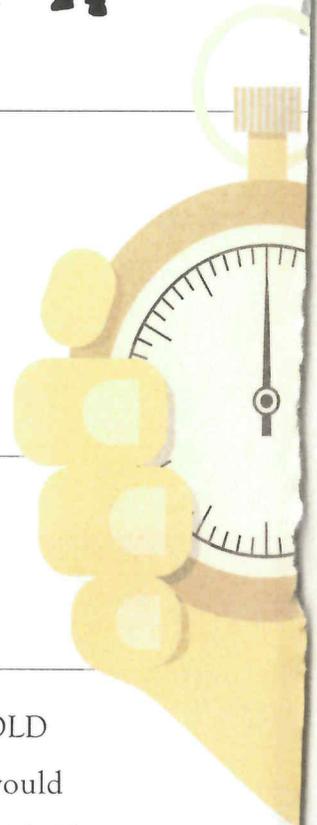


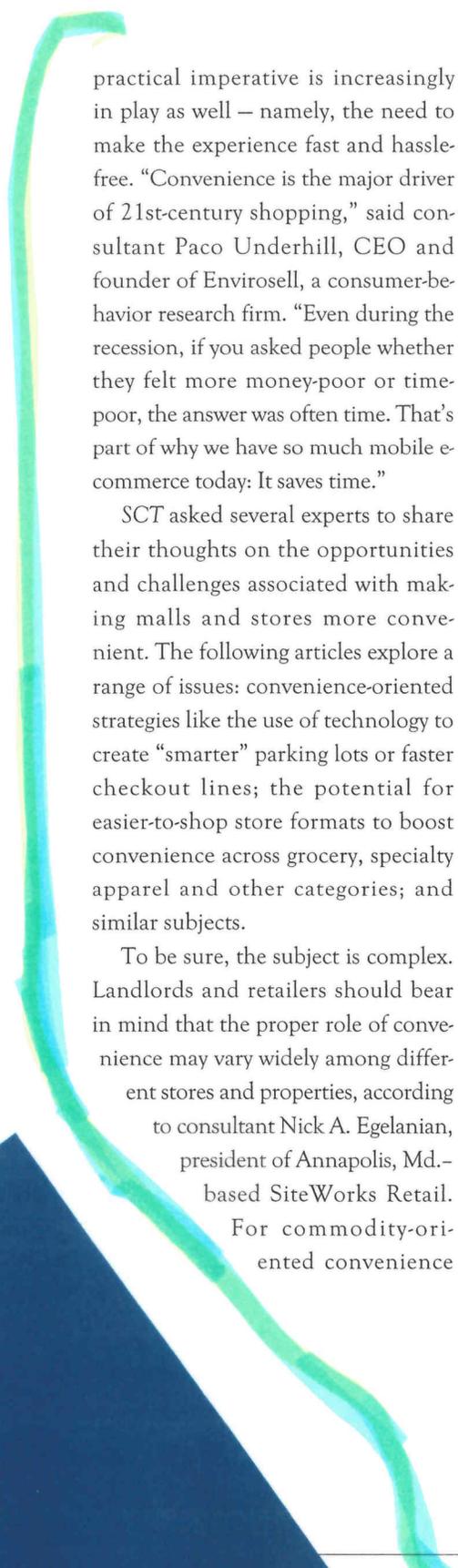
CONVENIENCE COUNTS

COMPETITION IS PUTTING OWNERS AND RETAILERS UNDER PRESSURE TO MAKE SHOPPING EVER QUICKER AND EASIER

By Joel Groover

IF THE GLOBAL REAL ESTATE INDUSTRY WERE TO HOLD its own Top Buzzwords contest, the term “experiential” would surely be in the running. After all, landlords and retailers worldwide are keen on exploring new ways to create the kinds of brick-and-mortar destinations shoppers love to visit. Often the goal is to boost the amount of time shoppers linger by offering them trendy bars and restaurants, outdoor cafes, special events, personal services and the like. But thanks to such factors as e-commerce and the near-ubiquity of smartphones, observers say, a





practical imperative is increasingly in play as well – namely, the need to make the experience fast and hassle-free. “Convenience is the major driver of 21st-century shopping,” said consultant Paco Underhill, CEO and founder of Envirosell, a consumer-behavior research firm. “Even during the recession, if you asked people whether they felt more money-poor or time-poor, the answer was often time. That’s part of why we have so much mobile e-commerce today: It saves time.”

SCT asked several experts to share their thoughts on the opportunities and challenges associated with making malls and stores more convenient. The following articles explore a range of issues: convenience-oriented strategies like the use of technology to create “smarter” parking lots or faster checkout lines; the potential for easier-to-shop store formats to boost convenience across grocery, specialty apparel and other categories; and similar subjects.

To be sure, the subject is complex. Landlords and retailers should bear in mind that the proper role of convenience may vary widely among different stores and properties, according to consultant Nick A. Egelanian, president of Annapolis, Md.-based SiteWorks Retail.

For commodity-oriented convenience

stores, drugstores, grocers, big-box discounters and warehouse clubs, in particular, striking the right balance between price and convenience is critical, Egelanian says. “Customers are constantly making subconscious choices between price and convenience,” he said. “Let’s say you have a gas station sitting right in front of a Walmart. The gas station sells gum for a dollar a pack. The Walmart sells six packs of gum for a dollar. Why would anybody not go to the Walmart to buy gum? Because they value their time more than the price.”

By contrast, convenience tends to be less important for specialty-focused stores and malls, Egelanian says. In these environments, people feel more comfortable slowing down and spending their discretionary time and money. “A Simon mall really cannot compete on convenience,” he said. “What they are competing on is exclusivity of merchandise.” Nonetheless, amid gridlocked roads, overscheduled kids, longer work hours and other pressures of modern life, some mall owners should consider ramping up convenience for their time-pressed shoppers, Underhill says. According to the World Health Organization, about 54 percent of the global population now lives in cities, up from 34 percent in 1960. As cities continue to grow, malls stand to benefit by functioning as one-stop-shop destinations that make life easier, Underhill says. “It’s common for malls in Asia and Australia to have locksmiths, supermarkets, day-care centers, medical offices and gyms to help drive traffic,” he said. “In most U.S. malls, the focus is still on apparel and gifts, not these edge-city functions.”

Thinking small

Ramping up convenience via smaller stores and showrooms

In response to the fiscal crisis of 2008, many retailers focused on slashing prices in their existing stores or even launching off-price spinoffs. But another strategy—shrinking store formats and merchandise offerings in a bid to make shopping more convenient—is gaining ground around the globe, experts say. “When both Macy’s and Lord & Taylor have value concepts, you know value is saturated,” said Rachel Elias Wein, founder of WeinPlus, a consultant firm specializing in competitive strategies for real estate owners and retailers. “People have been trained to continuously get 50 or 40 percent off. The alternative is convenience.”

The trend is perhaps most visible in food retailing. According to an April 2015 Nielsen report titled *The Future of Grocery: E-commerce, Digital Technology and Changing Shopping Preferences Around the World*, consumers are shifting toward smaller, easier-to-shop grocery formats. The 33-page report uses data from surveys of 30,000 consumers across 60 countries and other Nielsen market research. “Across the globe, we’re seeing the rise of proximity retailing,” said Patrick Dodd, Nielsen’s president of global retail, in the report. “In the eyes of global shoppers, small and simple is beautiful right now. While there is some growth for large stores, the real winners are mini markets, small supermarkets and convenience stores.”

According to Nielsen, the growth of smaller-format stores

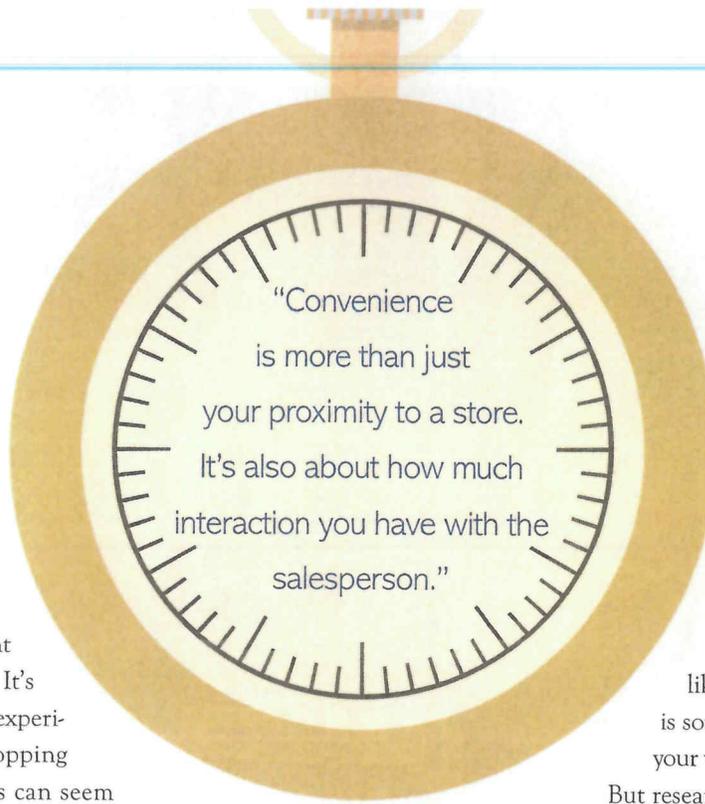
tends to be strongest in developed economies. Nonetheless, the authors write, “convenience and drug stores demonstrate strong growth potential in both developed and developing markets, which underscores consumers’ desire to use brick-and-mortar stores for quick trips and special (often urgent) purchases.”

Whole Foods Market’s 365 by Whole Foods Market spinoff typifies this trend, according to consultant Paco Underhill, CEO and founder of EnviroSell, a consumer-behavior research firm. The roughly 30,000-square-foot 365 by Whole Foods Market stores offer what Whole Foods says is a “curated”—meaning streamlined—product selection dominated by the chain’s 365 private-label brand. According to a press release, the company has signed eight leases for the smaller-format concept thus far, with the first stores opening this year and up to 10 additional ones set for next year. “In the United States, as in Europe, the fastest-growing chains are Aldi and Lidl,” Underhill said. “The idea is to have a smaller, curated store with your own branded products in it. Today people do not see house brands as a compromise. Part of what is driving the convenience factor is the recognition that we have reached the apogee of the big box.”

Cavernous stores filled with thousands of products can actually be inconvenient for some shoppers by requiring longer drives and overwhelming them with too many choices, says Jeff Green, who heads an eponymous retail consulting firm in Phoenix. By contrast, he says, smaller-format stores such as Trader Joe’s and Sprouts are all about a quicker and easier experience. Within the grocery industry, in fact, some even speculate about a future in which smaller stores supplant traditional supermarkets, according to Jeffrey S. Edison, a principal and the CEO of Phillips Edison & Co., which specializes in boosting the value of underperforming, grocery-anchored centers. “We’re not big believers in the model, but the idea is that the center of today’s supermarket will basically go away,” Edison said. “You’ll buy your Cheerios, Campbell’s Soup and other commodity items online, and then go to smaller-format stores to buy your perishables, prepared foods and meats.”

Fashion, electronics and other nonfood chains are also using so-called curated merchandise selections to make shopping more convenient, observers say. Wein cites British fashion retailer Ted Baker, which operates some 350 stores and concessions across 24 countries. “Ted Baker is my new





favorite store,” she said. “They have one of each size on the rack, with plenty more in the back for you. The customer service is fantastic, but the point is, you can breathe and see. It’s much more of a boutique experience.” By comparison, shopping at some department stores can seem like a chore, Wein says. “You walk through and the racks are just packed, with clothes falling off the hangers and onto the floor. If there are 10 places in a store where you can find a black skirt, that is not convenient for anyone.”

Though the specialty sector does not typically rely on convenience-oriented strategies, the showroom-style stores of such chains as Bonobos, Pirsch, Restoration Hardware and Warby Parker highlight the potential benefits of making shopping easy by eliminating clutter, Wein says. Restoration Hardware’s new RH showrooms feature multiple floors of carefully arranged furniture, lighting and other home furnishings — all of it sold as delivery-only, with no backroom for inventory. “RH, the new Restoration Hardware format, truly looks like a home you would never want to leave,” Wein said. “Affluent shoppers — RH’s target customers — can walk in and say, ‘I want all of this.’ That’s convenient. Customers don’t have to run around town and deal with an interior designer. They can just walk in, love it and have it.”

Formerly online-only retailers like Bonobos and Warby Parker, in particular, are adept at running showrooms in ways that please the customer, says

Green. “They’re already accustomed to delivering all of the merchandise,” he said. “We’re going to see this [showroom model] more and more as other online retailers go into the brick-and-mortar space.” Bonobos and Warby Parker take convenience a step further by focusing on personalized service as well, Green says. “Convenience is more than just your proximity to a store,” he said. “It’s also about how much interaction you have with the salesperson.”

The showroom model is certainly not appropriate for every retailer, cautions Jerry Hoffman, founder of Hoffman Strategy Group, an urban retail and integral-use consulting firm. “When people go shopping, they often still want to leave the store with their items,” Hoffman said, “but if you’re doing something like tailored clothing, then the showroom is a brilliant model.”

In adopting smaller store formats with fewer items on display, retailers also risk losing out on revenue from impulse purchases, notes Underhill. “Part of what we know is that in the grocery store and mass-merchandise sectors, half of what we buy we had no intention of buying when we walked in the door,” he said. Even something as seemingly be-

nign as removing clutter can, in some cases, carry unintended consequences, Underhill says. “If you stop somebody on the street or in the store and ask whether they like clutter,” Underhill said, “it is sort of like saying, ‘Do you beat your wife?’ The answer is always no. But research shows that once you take the clutter out, sales decline.”

In its own way, in other words, a “stack it high” merchandising approach can communicate messages about the balance between price and convenience at a given store. For Nick A. Egelanian, president of SiteWorks Retail, an Annapolis, Md.-based consultant firm, JCPenney’s failed reinvention is a cautionary tale about the need for such messages to be easily understood by consumers. “When Ron Johnson went to Penney [as CEO], he moved to everyday low prices trying to compete with the Walmarts and Targets of the world,” Egelanian said. “But Penney was never going to be as convenient as Walmart and Target, which are positioned much closer to the customer.”

Moreover, Egelanian observes, Johnson’s focus on bringing specialty store-in-store concepts to Penney sent a contradictory message — namely, that the chain aimed to focus on specialty retail, which is typically associated with higher prices. “Trying to be something that appeals to the discretionary income of the customer, that didn’t work, either,” Egelanian said. “If it doesn’t compute, you don’t go. Johnson confused customers, and they stopped going.”

ECT

THE COMMON AREA

NEWS FROM ALL CORNERS OF THE SHOPPING CENTER INDUSTRY

SIMON'S \$1.1 BILLION
VEGAS GEM
14

QUALITY MALL DEMAND
EXCEEDS SUPPLY
23

HUDSON'S BAY ROLLS
OUT THE ROBOTS
31

GETTING GREENER
AND GREENER
42

MILLENNIALS STICK TO
PHYSICAL STORES
48



SPRING FLING IN STORE

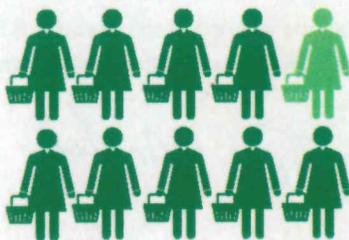
Americans prefer to buy clothes in physical stores, survey shows

Some 90 percent of Americans shopping for spring and summer apparel are doing so in physical stores this year, according to a survey from ICSC Research. Moreover, 97 percent of shoppers will visit either physical stores or online sites operated by retailers with such stores. On average, shoppers will spend \$193.70 each on this apparel, and only \$26.90 each will be spent at pure-play online retailers, says the report, which is based on

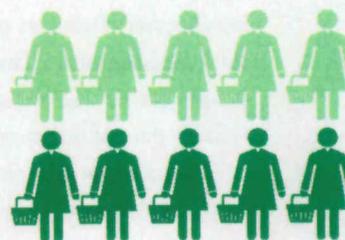
the survey of 1,000 adults, conducted March 4-6 by ORC International on behalf of ICSC.

Of those shopping for apparel, 49 percent say they plan to spend the same as they did last year, while the rest are about equally divided between those who will be spending more and those who will be spending less.

Nearly three-fifths of the respondents will shop for spring and summer apparel this year. Just over half of them will visit discount stores; nearly as many



Nine of 10
spring apparel
shoppers will visit
a physical store



Half of spring
apparel buyers will
check products
and prices online
before buying in a
store

AMERICANS TO SPEND TAX REFUNDS IN STORES

will shop in traditional department stores, about 28 percent will go to specialty apparel stores, and 21 percent will visit pure-play online retailers. Nearly four out of ten of these warm-weather shoppers said they would visit an enclosed mall, and 26 percent said they would hit a factory outlet, according to the survey.

About half of these buyers will research apparel online before visiting a store. Of those, 51 percent are Millennials, and 49 percent are baby boomers.

Almost seven out of ten people shopping or picking up online purchases in a store will use a mobile device. Of these, 51 percent will be price-checking, 43 percent obtaining coupons or digital discounts, 26 percent checking availability, 23 percent taking pictures, and 20 percent checking ratings or reviews.

The tax man is bringing some cheer to retailers this year, especially those with physical stores: Sixty-four percent of Americans will get refunds this year, and payments will average \$2,302, according to ICSC Research's latest Industry Conditions report. Almost one-third of recipients say they will spend their refunds on merchandise, and of these, four out of five will do their spending in physical stores.

Even purchases to be made online will favor those retailers that operate physical stores, according to the report. Purchases by omnichannel consumers will average \$834, six times more than will be spent on pure-play online retailers.

This year's refund spending will be up from last year's, with 77 percent of refund recipients expecting to spend either the same as or more than they did last year.

Not all the spending will occur at once, however. Much of the refund windfall will be spent over the months that follow its arrival in the mail, in the same way that holiday gift cards are redeemed over time. Just over a quarter of refund spenders say they will do so in June or thereafter, while 23 percent already did so before March 1.

So which stores will benefit most?



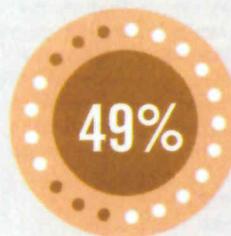
Nearly four out of ten refund recipients cited discount stores as their preferred venue, while 23 percent said they will head to the supermarket. Twenty-one percent indicated they would shop at building-equipment-and-supply stores.

Even the decision by some to use their refund to pay down debt rather than in stores will ultimately benefit retailers, the report indicates, because it will free up more money for spending with retailers later on.

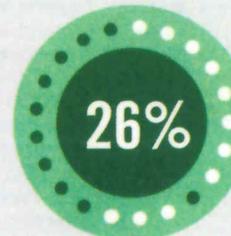
Just over 1,000 consumers were surveyed between April 1 and 3.



About 26 percent of spring apparel shoppers will visit a factory outlet center



Nearly half of spring apparel shoppers plan to spend more in 2016 than they did in 2015



Nearly 30 percent of Millennial spring apparel shoppers will order online and pick up in stores

THE COMMON AREA

NEWS FROM ALL CORNERS OF THE SHOPPING CENTER INDUSTRY

DEAL DIARY:
JACARANDA PLAZA
8

SHOPS AT RIVERCENTER
REVIVES SAN ANTONIO
10

GERMAN CENTER SETS
SUSTAINABLE TRENDS
12

FORTRESS MALLS GET
EVEN STRONGER
14

HIGH DEMAND OFFSETS
RETAIL CLOSURES
16



THE 'HALO' EFFECT

Physical retailers' online sales outperform pure-plays', report says

Retailers with robust omni-channel strategies backed by physical stores generate the most online sales, according to a survey of 1,000 consumers conducted April 8–10 by ICSC Research. “By now it has become readily apparent that the relationship between online retail and physical stores is not strictly an either-or proposition,” said Jean Lambert, ICSC’s director of research. “Omni-channel retail has integrated the platforms to a far greater extent than was deemed possible even a few years ago. Talk of one type of consumer versus another no longer makes sense, since each platform ends up being used on the consumer journey.”

Roughly 70 percent of those surveyed said they had

made a purchase online in the 30 days preceding the survey, with expenditures averaging \$178.30 each and made at all types of online retailers. Nearly 80 percent of the respondents between the ages of 35 and 44 said they had made a purchase online – the highest-represented age bracket to have done so.

Online retailers with physical stores tended to draw more traffic, according to the survey, and those with click-and-collect capabilities drew even more. Nearly 50 percent of the respondents said they had bought online from a retailer with a physical presence. Just over 36 percent used the click-and-collect method: buying online and picking up in-store. Roughly 35 percent of the re-

Physical stores have become fulfillment centers, showrooms, imagemakers and branding tools.

spondents purchased things online from those retailers and then had the merchandise shipped to their homes.

Respondents were more likely to spend higher amounts at those retailers that have physical stores. On average, they spent \$90.60 each online from retailers with a physical presence, versus an average expenditure of \$87.70 on the part of those buying from pure online retailers.

Respondents over age 18 said they had spent \$47.30 buying online and opting for in-store pickup, versus \$43.40 for those who bought online and then had the merchandise shipped

home. Of those buying online for in-store pickup, 42 percent said they had spent additional money at least once at the same store, at an adjacent establishment or at another store within the same shopping center. Among those who said they spent additional money when picking up online purchases in-store, 42.1 percent said their total spending was from the original purchase, while 57.9 percent said their total spending was from additional purchases.

As far as online shopping is

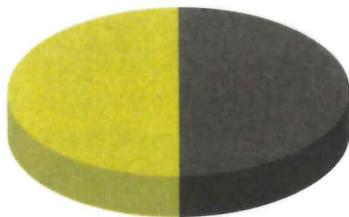
concerned, Amazon.com rules the barnyard – some 80 percent of the respondents' online-only spending occurred at Amazon. This equates to \$70.60 each spent during the 30 days previous. Only \$17.10 each on average was spent at all the other pure online retailers.

Men seem overwhelmingly to prefer Amazon, with expenditures there of \$102.70 each, on average, versus \$40.80 each among women. Respondents with household income of \$100,000 per year or higher spent three times as much on Amazon as those with household

income of \$35,000 per year or lower (\$131 versus \$43 each, on average, respectively).

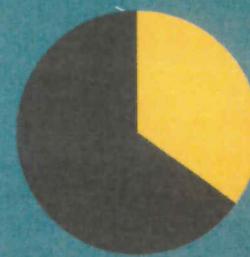
Lambert concluded: "It remains impossible not to think of physical locations as central to the whole enterprise – no longer merely a point of sale, but now transformed into a fulfillment center, a showroom for experiencing products, the creator of a 'halo effect' enhancing the retailer's image in its trade area and a powerful branding mechanism."

ECT



Nearly half of consumers buy from online retailers that also have a physical presence.

NOTABLE NUMBERS



36 percent buy online and pick up in-store

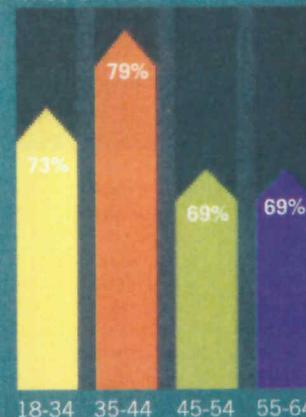
\$178.30

Average spent online

AVERAGE PURCHASE



MADE AN ONLINE PURCHASE IN 30 DAYS BEFORE SURVEY



[Home](#) > [Americans prefer malls to online shopping, report says](#)

Americans prefer malls to online shopping, report says

Publish Date: June 16, 2016

Americans prefer to shop in malls versus online, according to a Simon-sponsored survey of 1,200 respondents. The survey, conducted by Dreyfus Advisors LLC, an independent research firm, explored shopping-channel preferences and the underlying drivers of consumer behavior.

Nearly 80 percent of the respondents said they prefer to shop in a mall for special occasions, and 77 percent said they prefer mall shopping when they need to update wardrobe. Meanwhile, 72 percent said they head to the mall to shop for an important life event, such as the birth of a baby or moving into a new home.

"Malls are the destination of choice for the vast majority of today's shoppers," said Mikael Thygesen, Simon's chief marketing officer. "Mall shopping is a fun, social and rewarding experience that can't be replicated online, and we're investing in our assets to ensure we remain the preferred choice of shoppers for years to come."

[Home](#) > [NewsWire](#) > [Apparel shoppers favor off-price chains: Report](#)

Apparel shoppers favor off-price chains: Report

Publish Date: July 15, 2016

Topics: [apparel](#), [department store](#), [outlet](#), [retailers](#)

Two-thirds of U.S. shoppers buy their clothes at off-price stores such as Marshalls, Ross Stores and TJMaxx, according to research firm The NPD Group. Off-price buyers made 75 percent of apparel purchases across all retail channels in the past year, according to the firm. They are not a particularly loyal group, shopping at multiple off-price retailers as well as other retail outlets, says the firm's chief industry analyst Marshal Cohen.

Shopping visits made to off-price retail stores — whether a consumer made a purchase or not—increased by 4 percent in the year ending April 2016 compared to same period last year. In the same period, off-price retailers converted 50 percent of the shopping visits to their brick-and-mortar stores to a purchase, Cohen says.

In the first quarter of 2016, TJX said same-store sales jumped by 7 percent, on top of a 5 percent increase for the same period in 2015. The company expects same-store sales to grow 3 percent for 2016. Meanwhile, Ross Stores reported a 2 percent increase in same-store sales for the first quarter, on top of a 5 percent increase in the same period of 2015. The chain expects same-store sales to grow 2 percent this year after growing 4 percent in 2015.

“Off-price retailers are resonating with fashion and cost-conscious consumers alike, and are stealing department store business for good reason,” Cohen said. “Consumers are clearly looking for better deals and they know if they shop at an off-price retailer they will get them. Apparel shoppers are finding just what they want at off-price retailers at the right time and at the right price.”

Consumers ages 45 and above make up more than half of off-price apparel buyers, according to NPD's research. This age group, along with older Millennials (people who are ages 25 to 34 and represent 16 percent of off-price apparel buyers) both increased their share of off-price apparel purchases in the past year.

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E-tailers with physical stores outperform those without: Report

Publish Date: May 12, 2016

Retailers with robust omni-channel strategies backed by physical stores generate the most online sales, according to a survey of 1,000 consumers conducted April 8–10 by ICSC Research. “By now it has become readily apparent that the relationship between online retail and physical stores is not strictly an either-or proposition,” said Jean Lambert, ICSC’s director of research. “Omni-channel retail has integrated the platforms to a far greater extent than was deemed possible even a few years ago. Talk of one type of consumer versus another no longer makes sense, since each platform ends up being used on the consumer journey.”

Roughly 70 percent of those surveyed said they had made a purchase online in the 30 days previous, with expenditures averaging \$178.30 each and sales taking place at all types of online retailers. Nearly 80 percent of the respondents between the ages of 35 and 44 said they had made a purchase online — the survey’s highest-represented age bracket to do so.

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Respondents were likelier to spend more at those retailers that have physical stores. On average, they spent \$90.60 each online at retailers with a physical presence, versus an average expenditure of \$87.70 on the part of those buying from pure online retailers. Respondents over age 18 said they had spent \$47.30 on average, buying online and opting for in-store pickup, versus \$43.40 for those who bought online and then had the merchandise shipped home. Of those buying online for in-store pickup, 42 percent said they had spent additional money at least once at the same store, at an adjacent establishment, or at another store within the same shopping center. Among those who said they spent additional money when picking up online purchases in-store, 42.1 percent said their total spending came from the original purchase, while 57.9 percent said their total spending came from additional purchases.

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Is E-Commerce Really Killing Traditional Retail?

- By Billy Fink
- June 21, 2016

Share



Brick-and-mortar stores are quoting Mark Twain these days when they say “the reports of my death are greatly exaggerated.”

There is no shortage of data tracking the meteoric rise of e-commerce. Online sales in the U.S. are expected to reach \$523 billion in 2020 – up 56% from the \$335 billion in 2015, according to a report by [Forrester Research Inc.](#) The retail environment is evolving at a rapid clip as consumers rely on computers – and increasingly their mobile devices – to research and purchase products online.

But, don't count traditional retailers out just yet.

According to a [Total Retail 2016](#) report published by PwC, physical stores are still operating from a “position of strength” even as foot traffic at stores slows. Research shows that many consumers still desire a physical interaction with a product. They want to do more than look at photos on their computer screen. They want a hands-on experience to judge colors, fabrics and overall quality for themselves.

Aside from [groceries](#), those goods that consumers say they are most likely to buy in-store include furniture & housewares at 62%; appliances at 59%; do-it-yourself home improvement at 55% and clothing & footwear at 53%, according to PwC.

Research supporting the reality that many shoppers still prefer to make purchases inside a physical store is consistent with PwC's [2015 Total Retail](#) report that found that nearly 40 percent of consumers make purchases inside a physical store at least once a week compared to 27 percent who buy something online at least once a week. Three of the top reasons that consumers keep coming back to stores is to avoid delivery and shipping costs, get items immediately and try on items such as apparel and footwear, according to PwC.

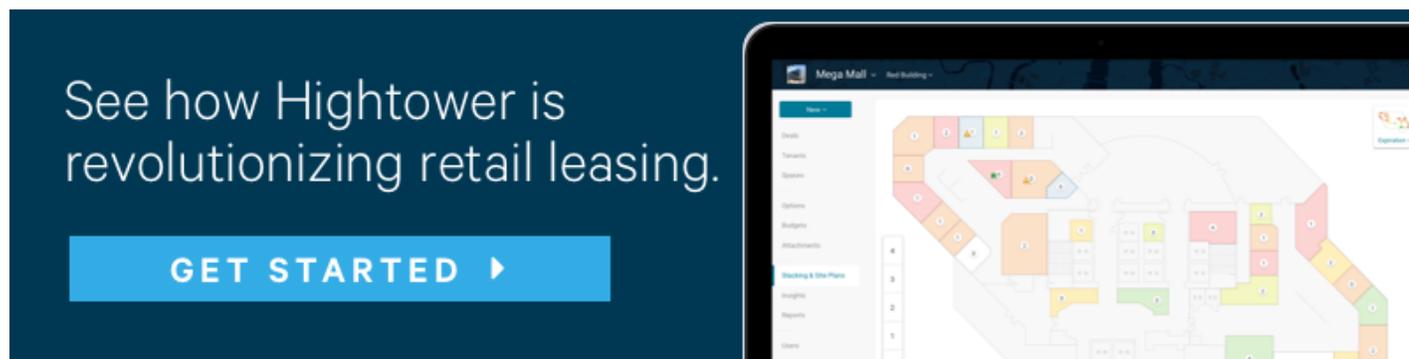
Clearly, the retail industry is battling stiff competition from formidable online opponents such as Amazon.

Retailers and shopping centers alike are working harder to attract shoppers to stores. Shopping center owners

are revamping their merchandise mix to reflect the new era of “shoppertainment” where it is all about creating an experience-rich environment. The mega-malls emerging around the globe have set the bar high in that regard with amenities that range from aquariums to indoor surfing. For example, American Dream Meadowlands in New Jersey now boasts a 12-story indoor ski slope, not to mention a water park, concert hall, amusement park and NHL-sized ice rink. Retail stores also are vying for retail sales in a more competitive environment, and that increasingly means developing a multi-faceted [omni-channel strategy](#) that reaches out to shoppers across physical stores, online, and via mobile devices. In fact, growing mobile-friendly platforms is the next big challenge for retailers as cell phones will play an even bigger role in retail sales in the future, especially among Millennials. Goldman Sachs is predicting that mobile devices will account for almost half of all e-commerce sales by 2018. According to PwC, some of the key factors that consumers are looking for to improve the in-store experience include:

- Knowledgeable sales associates
- Ease of checkout
- Ability to check online stock quickly
- Inviting store ambience
- In-store Wi-Fi

The lines are definitely blurring between the physical and digital shopping experience. In fact, more consumers are reaching for their phones in stores to access coupons, check availability or price shop items. Yet physical stores are not falling by the wayside. Although there continues to be shake-out in the retail sector with ongoing store closings, there also are thousands of new stores in the pipeline ranging from Costco and Walmart to Forever 21 and Sephora. Many of those retailers are finding that in order to survive and thrive, they have to stay on their toes in both the digital *and* physical space.



ABOUT

Billy Fink

Billy Fink is a marketing manager at Hightower focused on writing the best of CRE news and trends. He previously worked at Axial, and is a graduate of Columbia University.