

RESHAPING RETAIL REAL ESTATE

**Contemporary U.S. Retail Concepts and
their ability to disrupt Real Estate Markets.**



Die approbierte gedruckte Originalversion dieser Diplomarbeit ist an der TU Wien Bibliothek verfügbar.
The approved original version of this thesis is available in print at TU Wien Bibliothek.

DIPLOMARBEIT MASTER'S THESIS

RESHAPING RETAIL REAL ESTATE. Contemporary U.S. Retail Concepts and their ability to disrupt Real Estate Markets.

ausgeführt zum Zwecke der Erlangung des akademischen Grades eines Diplom-Ingenieurs
/ Diplom-Ingenieurin unter der Leitung

Dietmar WIEGAND

Univ. Prof. Prof. h.c. DI Arch.

E260-03, Forschungsbereich Projektentwicklung und -management
eingereicht an der Technischen Universität Wien
Fakultät für Architektur und Raumplanung von

Franziska TOSTMANN

B.Sc. 01326373



TECHNISCHE
UNIVERSITÄT
WIEN
Vienna University of Technology

ABSTRACT

Retail is standing at an inflection point. Experts state that the retail apocalypse, characterizing the closing of numerous brick-and-mortar stores, has been the previous decade and still is in full swing. While many retailers are not surviving the retail revolution, others are emerging out of innovation and transformation. Major U.S. cities are bringing out new retail concepts, which solve problems of online and brick-and-mortar trade and impact real estate markets subsequently. This dissertation project aims to identify and categorize new retail concepts. Furthermore, it targets the question, „Which problems do these concepts solve?“ and „how do these concepts impact real estate markets?“. Conclusively, this thesis discusses the potential of the new U.S. retail concepts to be transferred to other developed markets as for example Vienna, Austria, and their impact on the local real estate sector.

The thesis is designed as a qualitative study based on a literature review providing a theoretical basis, desktop research, and field investigations in New York City as well as Vienna and two in-depth case studies based on expert interviews concludingly giving answers to the above-posed research questions. The novelty of this research focuses on presenting a model for categorizing new retail concepts and investigates their impact on developed real estate markets. Furthermore, the transferability and impact of these emerging concepts on other mature markets are analyzed, leading to presumptions regarding the future of retail real estate.

Literature, desktop, and field research result in the categorization of ten main concepts shaping the contemporary retail market, namely:

Alternative Points-of-Sale, Community Spaces, Hybrid Spaces, Inspired by Online Retail, Last-mile-Solutions, Paid Experiences, Pop-up Stores, Rental Memberships, Retail-as-a-Service and Vivid Experiences.

The in-depth case study research investigates and illustrates the model behind retail-as-service and last-mile-solutions. New York City native company Showfields serves as the case example for the retail-as-service model, BOX, by Finish Posti to showcase a last-mile-solution. While the U.S. and German-speaking real estate markets are structured and operated differently, the statement is given that dense urban areas provide fertile ground for new concepts to sprout. The assumption is made that both case study examples, Showfields and BOX, are under certain key factors transferable to western-world markets like Vienna.

The general analysis of the above-listed concepts, and thorough examination of the two case examples, leads to final theses on the effects of the emerging retail trends on the property sector and conclusion in chapter 8 on the future of retail real estate linked to e-commerce and the role of physical space leading to changing valuation methods of real estate, altering retail leases and future roles of landlords.

Keywords: *New Retail Concepts, U.S. Retail Trend, E-Commerce and Brick-and-Morta, Retail Real Estate, Retail-as-a-Service, Last-mile-Solutions*

ABSTRACT GERMAN

Der Einzelhandel steht an einem Wendepunkt. Experten stellen fest, dass die Einzelhandels-Apokalypse, die die Schließung zahlreicher stationärer Händler bezeichnet, im vergangenen Jahrzehnt den Markt umgewälzt hat und noch immer in vollem Gange ist. Während viele Einzelhändler die Revolution nicht überleben, gehen andere aus der Innovation und Transformation innerhalb des Marktes hervor; Große US-Städte entwickeln neue Einzelhandelskonzepte, die die Probleme des Online- und des stationären Handels lösen und Auswirkungen auf die Immobilienmärkte zeigen. Ziel dieses Dissertationsprojekts ist es, neue Einzelhandelskonzepte zu identifizieren und zu kategorisieren. Darüber hinaus befasst sich die Arbeit mit der Frage, welche Probleme diese Konzepte lösen und wie sich die Konzepte auf Immobilienmärkte auswirken. Abschließend wird das Potential der neuen US-Einzelhandelskonzepte sich auf andere entwickelte Märkte wie Wien, Österreich, und deren lokalen Immobiliensektor auszuwirken diskutiert.

Um Antworten auf die oben gestellten Forschungsfragen zu geben, ist die Arbeit als qualitative Studie konzipiert, die auf einer theoretisch fundierten Literaturrecherche, Desktoprecherche und Felduntersuchungen in New York City sowie in Wien und zwei, auf Experteninterviews basierenden, vertiefenden Fallstudien basiert. Das Novum dieser Forschung ist der Fokus auf die Auflistung hochaktueller Einzelhandelskonzepte, ihre Auswirkungen auf Immobilienmärkte, wie sie in den USA zu beobachten sind, und ihr Potential, andere entwickelte Märkte zu verändern.

Literatur-, Desktop- und Feldforschung führen zu einer Kategorisierung von zehn Grundbegriffen, die den heutigen Einzelhandelsmarkt prägen, namentlich:

Einzelhandel als Dienstleistung, Pop-up Geschäfte, Erfahrungen als Geschäftsmodell, Räume der Gemeinschaft, Lösungen für die letzte Meile, Alternative Verkaufsstellen, Real-Life Erfahrungen, Mietabonnements und Mitgliedschaften, Inspiriert vom Online-Handel und Hybride Räume.

Die Fallstudien-Forschung untersucht und veranschaulicht das Retail-as-Service-Modell und Lösungen für die letzte Meile tiefgehend. Die aus New York City stammende Firma Showfields dient als Fallbeispiel für das Retail-as-Service-Modell, BOX von Posti als Vorzeige-Lösung für die letzte Meile. Während der US-amerikanische und der deutschsprachige Immobilienmarkt unterschiedlich strukturiert sind und betrieben werden, wird die Aussage gemacht, dass dichte städtische Gebiete einen fruchtbaren Boden für neue Konzepte bieten. Es wird die Annahme getroffen, dass beide Fallstudienbeispiele, sowohl Showfields als auch BOX, unter bestimmten Schlüsselfaktoren auf entwickelte Märkte, wie beispielweise Wien, übertragbar sind.

Die allgemeine Betrachtung der oben aufgeführten Konzepte und die gründliche Analyse der Fallbeispiele führt zu einer abschließenden These und Schlussfolgerung in Kapitel 8 über die Zukunft von Einzelhandelsimmobilien im Zusammenhang mit E-Commerce und die Rolle des physischen Raums, die zu einer Änderung der Bewertungsmethoden von Immobilien als auch zu einer Änderung der Einzelhandelspachtverträge und der künftigen Rolle der Vermieter führt.

Keywords: *Neue Einzelhandelskonzepte, U.S. Einzelhandelstrends, E-Commerce und Stationärer Handel, Einzelhandelsimmobilien, Einzelhandel-as-a-Service (Retail-as-a-Service), Lösungen für die letzte Meile (Last-mile-Solutions)*



Die approbierte gedruckte Originalversion dieser Diplomarbeit ist an der TU Wien Bibliothek verfügbar.
The approved original version of this thesis is available in print at TU Wien Bibliothek.

This diploma thesis was realized with funds from the Institute of Property Research (IPRE). My thank goes to the Institute of Property Research, especially Prof. Dietmar Wiegand, for supporting the research abroad.

IPRE

Institute of Property Research
Institut für Immobilienwirtschaftliche Forschung

Börsengasse 10/5
1010 Vienna, Austria





Die approbierte gedruckte Originalversion dieser Diplomarbeit ist an der TU Wien Bibliothek verfügbar.
The approved original version of this thesis is available in print at TU Wien Bibliothek.

ACKNOWLEDGMENT

My gratitude and thank goes to –

Prof. Dietmar Wiegand for his great support; may it be with the choice of my thesis topic, encouraging research travels and giving me the possibility to grow professionally. Thank you for being a great lecturer and mentor, and a wonderful person.

Amir Zwickel, founding partner of Showfields, and Jörg F. Bitzer, Recondo Real Estate, for the insightful interview.

My parents for their unconditional love, support, advice and for all the possibilities they give me. For showing me the world and helping me become the person I am. Thank you to my family, old and new.

Felix, my best friend and love, for being by my side and sharing all the precious moments throughout the last years. Thank you for being my best critic, for supporting me always and for bringing me so much laughter and joy.

My long-time friends, for our strong friendship, for sharing homes and many memories.

Laura F. and Alexander Z., my fellow students, for the university projects we completed together and for becoming precious friends.

TABLE OF 1 CONTENTS

1 TABLE OF CONTENT	11
2 GLOSSARY	15
3 INTRODUCTION	21
3.1 PROBLEM STATEMENT	22
3.2 OBJECTIVE	24
3.3 STRUCTURE	25
4 THESES AND THEORIES OF RETAIL AND REAL ESTATE	27
4.1 OBJECTIVE AND STRUCTURE	28
4.2 CONTEMPORARY CONSUMERS	29
4.3 THEORETICAL BASIS	32
4.4 SNAPSHOT OF THE RETAIL INDUSTRY	36
4.5 DATA AND DEFINITIONS ON E-COMMERCE AND BRICK-AND-MORTAR RETAIL	42
4.6 SEAMLESS COMMERCE	64
5 CASE STUDY RESERACH	71
5.1 INTRODUCTION	72
5.2 CATEGORIZATION OF EMERGING RETAIL CONCPETS	74
5.3 DISCUSSION OF FINDINGS	90
6 IN-DEPTH CASE STUDY ON TWO EXAMPLES	97
6.1 SELECTION OF CASES	98
6.2 CASE STUDY: SHOWFIELDS RETAIL-AS-A-SERVICE	100
6.3 CASE STUDY: BOX BY POSTI LAST-MILE-SOLUTION	124
7 ASSESSMENT OF TRANSFERABILITY	145
7.1 OBJECTIVE	146
7.2 RETAIL-AS-A-SERVICE IN CONTEXT	152
7.3 LAST-MILE SOLUTIONS IN CONTEXT	158
8 EFFECTS ON THE PROPERTY SECTOR – A SPECULATION	163
8.1 TECHNOLOGY & DATA	164
8.2 KEY RETAIL TRENDS	165
8.3 THE IMPACT ON THE REAL ESTATE SECTOR	166
8.4 TRANSFERABILITY	169
8.5 LIMITATIONS AND FUTURE RESEARCH	172
9 FINAL THOUGHTS – REFLECTION	177
10 LIST OF REFERENCES	179
11 LIST OF FIGURES	189
12 APPENDIX – TREND EXPLORER	195



Die approbierte gedruckte Originalversion dieser Diplomarbeit ist an der TU Wien Bibliothek verfügbar.
The approved original version of this thesis is available in print at TU Wien Bibliothek.

2 GLOSSARY

The short chapter 2 GLOSSARY presents fundamental terminology and common retail real estate industry jargon used within this diploma thesis.

TERM	DEFINITION
Anchor tenant	Major chain or department store in a shopping center produces foot-traffic for smaller stores
Asset Manager	Someone making important investment decisions, on behalf of the asset owner will help the client's portfolio grow
Average asking rent	Measured in an area, helps determine the price point of new development
Business-to-Business (B2B)	A business relationship between at least two companies
Business-to-Consumer (B2C)	The relationship between businesses and consumers
CAM (Common area maintenance) [1]	Charges paid in a shopping center in addition to the base rent to cover the cost of maintaining hallways, parking, and security
Capture rate [1]	Percentage of total demand within a targeted market segment that a project can capture
CBD (Central business district)	The center of commercial activity in a town
Commercial real estate	Real estate held for the production of income through leases for commercial or business use
Concessions	Discount given to a prospective tenant to induce them to sign a lease, in the form of free rent or cash
Credit tenant	Influential national retailers with solid credit ratings needed to acquire financing for a shopping center
GAFO [2]	In retailing, general merchandise, apparel, furniture, and other merchandise
Gravity model [2]	Reilly's „law of retail gravitation“ states that shoppers will travel to the largest retail center that can be reached most easily

TERM	DEFINITION
Gross lease	An agreement whereby the landlord pays for taxes, insurance, repair, and other costs for space occupied by a tenant
Hospitality	Hospitality is the relationship between a guest and a host, also divines the industry of hotels, events, restaurants & bars, entertainment
Inflow	Retail spending from consumers living outside the trade area
In-line tenant	Smaller shop paying more rent per square foot / m ²
Landlords	Someone owning real estate – property owner
Leakage	A portion of aggregate spendable income that is unsatisfied by existing retail offering and escapes to retailers beyond local trade area
Modified gross rent	The tenant pays a fixed monthly sum that includes a portion of taxes, insurances, and CAM
Net lease	The tenant pays monthly based rent and some share taxes, insurance, and CAM
Net leasable area	A commercial building floor area leased to a usable tenant, typically not including corridors, restrooms
Percentage rent	Percentage of gross revenue from a business taken as rent
Property Manager	deals with the day-to-day operations of a property, on behalf of the property owner
Property Operator	A person or company operating a business within a property does not have to be the property owner
Purchasing power	The financial means that people possess to purchase durable and non-durable goods

TERM	DEFINITION
Rentable area	The actual square footage / m ² for which a tenant will pay rent
Rental vacancy	When the rate is high, more space is empty; it indicates an oversupply of space
Shopping center	Integrated and self-contained shopping area under collective management, usually in the suburbs
Tenant	One who rents from a landlord
Tenant-mix	Variety of tenants, must complement each other and match consumers taste
Tenant improvement [1]	Customized alterations to a building to configure rental space for the need of the tenant
Trade area [2]	The geographic area from which a retail facility consistently draws most of its customers also called the market area
Usable square footage / m ² [1]	Actual space that can be occupied in a rental property
Warehouse	A building that is used for the storage of goods and used for order fulfillment and packaging

[1] **Nead, N. N.** (2017). Retail Real Estate – An Investor's Industry Overview. <https://Investmentbank.Com>. <https://investmentbank.com/retail-real-estate/>

[2] **Brett, D. L. B., & Schmitz, A. S.** (2015). Real Estate Market Analysis: Methods and Case Studies (2nd ed.). Urban Land Institute

3 INTRODUCTION

This chapter gives an introduction to the research topic and discusses the problem statement on which the following research is founded on. The research questions are presented in the sub-chapter, followed by an explanation of the papers' structure.

3.1 PROBLEM STATEMENT

„It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair.“
(Dickens 1859: 1)

In his book „The Tale of Two Cities“ Charles Dickens describes a period of upheaval – two major European cities in the face of cultural and political changes. *„It was the best of times, it was the worst of times (...)“*. Seeing Dickens’ description of the mid-19th century situation metaphorically, similarities can be found in our present-day atmosphere – the retail real estate industry is standing at an inflection point. While writing this thesis during lockdown caused by the CoVid-19 pandemic, this statement has never been more accurate than today. As shops had been closed for nearly two months, many retailers struggled under the pressure of monthly expenditure without revenue flowing into the cash registers. Experts predict a great wave of insolvencies of an unprecedented dimension threatening the retail sector. A study by the Cologne Institute for Retail Research (IFH) assumes the closing of one-fourth of all stationery retailers in Germany within this decade (Zeit Online 2020). Researchers of the IFH do not blame the Corona crisis for the leading share of physical stores’ demise.

Primary reasons for brick-and-mortar retailers going bankrupt are changing consumer behavior, altering shopping habits, and above all, the growing trend towards online shopping (Zeit Online 2020, cf. IFH). While older generations grew up with product-centric thinking – identifying themselves over the car that is driven or where the furniture is bought, younger generations of millennials or gen zeds value experiences, rather than products, as social currency (Stephens 2020). IFH Managing Director Boris Hedde explains: *„We need to reinterpret commerce as part of the leisure activities.“* Humans are longing for offline contact and interaction. Offering products is no longer the mere focus of modern retailing (Zeit Online 2020, own translation). Changing consumer behavior and shopping habits and a growing share of e-commerce on total retail sales impact how physical stores are planned, operated, how products are offered, and redistribute the tasks of retail to digital and offline channels. As the retail industry has a long history with many disruptions caused by innovation and cultural transformation, it is once again standing at a point of change. Antony Slumbers (2020) gets right to the point:

„What no one can deny, though, is that the world of retail, and therefore as sure as night follows day, retail real estate, is changing dramatically.

The only valid variance of opinion is in the degree of change. In my mind, the degree is very large, indeed.“ Not only do retailers have to adapt to these changes, but also the real estate industry providing and managing physical space, including developers, investors, landlords, property operators, facility managers, and everybody else involved in the real estate sector.

Major US cities have provided fertile ground for new retail concepts, that tackle the challenges of online and brick-and-mortar retail, to emerge. This thesis gives a general overview of how the retail and real estate industry in major U.S. cities have dealt with these developments, their impact on the property sector, and their potential to disrupt retail real estate markets in other western-world metropolises.

We really do not NEED shops anymore. In fact, we really do not NEED an awful lot of real estate. That is not to say we don't WANT these spaces, but what we do in them will change“ , states Slumbers (2019).

3.2 OBJECTIVE

The primary objective of this thesis is to provide an overview of currently emerging trends in the U.S. retail sector and its impact on the real estate industry. After carefully analyzing the developments in retail and their driving factors, a juxtaposition and prognosis of successful adoption of these new retail concepts within other western-world markets will be made. The Austrian metropolis Vienna will serve as the research example for transferability. Regarding the methodological approach, a literature review combined with qualitative case studies was selected to analyze novel concepts and ultimately contrasting these findings to the potential of development in other advanced markets.

Research questions:

- ***What are the new retail concepts disrupting the market in major US cities?***
- ***Which challenges of online and brick-and-mortar trade do they solve?***
- ***How do these concepts impact the retail real estate sector and the future of its participants?***
- ***Are the new U.S. retailing concepts transferable to other western-world cities, such as Vienna, Austria?***

3.3 STRUCTURE

The thesis starts with a short opening to the topic and a definition of objectives, followed by the main section split into two parts – a theoretical basis founded on a literature review and desktop research and an empirical case study analysis. The insights found through the research will be applied within the case study research. A short discussion puts the findings into contrast with a further western metropolis. The thesis closes off with a conclusion and indications for further research. A list of references used within the research can be found on the last pages, ending with an appendix providing supplementary information.

Providing an overview of underlying real estate principles will help to understand how the sector operates and will enable the reader to draw connections between the given information. The main focus of real estate principles information will lie in retail and retail-related asset classes. The real estate principles will be followed by giving insight to the retail industry from an economic and societal point of view, underlining the increasing growth of e-commerce compared to brick-and-mortar retail and their collective future leading to seamless commerce. Presenting successful retailers working with contemporary concepts will verify or falsify the assumption made in the literature review. The future of the retail real estate sector and the role of stakeholders participating in the industry, as well as interdisciplinary change as a by-product, will be assessed in a final review. A closer look at two selected case study examples will provide insight into the company's operations and innovative concept firing development in the associated business area. Facts from the literature review and the case study analysis serve as a basis for discussing the question of transferability of the examined new retail concepts to other large cities. An overall summary highlighting the essential findings and potential for further investigation will end the thesis.

THESES AND THEORIES OF RETAIL AND 4 REAL ESTATE

Chapter 4 investigates the state of the art theses and theories of retail and real estate and serves as a basis for developing a categorization model of contemporary concepts in chapter 5 and in-depth case study work in chapter 6.

4.1 OBJECTIVE AND STRUCTURE

The following chapter provides theories and theses on contemporary retail concepts that disrupt the retail real estate sector. This chapter is built on state of the art theories of experts and industry professionals, serving as a theoretical basis. Background knowledge on the drivers causing change and the basic principles of retail and real estate helps the reader of this diploma thesis understand how the industries are characterized and operate. The literature research was initially conducted using the online Database of the Technical University of Vienna and Vienna University of Economics, using accessible publishers like SpringerLink, ProQuest, or Routledge. Additionally, Google Scholar and the Google search engine were used to find further literature. Moreover, internet platforms of non-profit and for-profit businesses like ULI and CBRE. Search terms were „(future) retail real estate“, „real estate project development“, „trends, consumer“, „e-commerce vs. brick-and-mortar“, „retail trends“, etc. Moreover, much new literature was spotted through references of other authors, their papers, and the journals they published. Of great interest were the book by Dror Poleg „Rethinking real estate“ published in 2020, and „The reinvention of stationary retail trade“ (original German title „Die Neuerfindung des stationären Einzelhandels“) released 2017 at Springer publishing house by the author Gerrit Heinemann. Moreover, Doug Stephens, author of „The Retail Prophet“ and Antony Slumbers, both running a website and blog, provide valuable thoughts on future developments within the retail real estate sector and are a frequently used source of this diploma thesis.

4.2 CONTEMPORARY CONSUMERS

To buy is not to shop. Shopping is not about a matter of supply, but of emotion. It is not about necessity, but desire. According to Wolfgang Richter (2020), 80% of the products retail offers are not necessarily needed by consumers; still, 80% of the money flowing into retail gets spent on these items.

„I believe that young consumers come from a place now where experiences equal social currency. In my generation, it was about the product. It was about what you were driving, or you know, where you bought your furniture, or how much your shoes might have cost. You know, everything revolved around the product itself“, says Doug Stephens (2020).

He further explains that for the young generation of millennials and Gen Zeds „(...) *It's not so much about what you own, as it is about where you are, who you're with, and what you're doing. And so, in that light, it's abundantly important for retailers to consider that for those young consumers, the products that they're selling in their stores, the value isn't negated. However, the experience is what will be posted online*“. Customer values have changed. While once, as quoted above, earlier generations were focused on possessing items and accumulating valuables, society has shifted towards „being“ rather than „having“ (Richter 2020). An economy of sharing and on-demand services has established, replacing owning a car, bike, music, videos, or a holiday home. People spend less money on actual products, but more on passing pleasures like vacations, free-time activities or food and beverages. According to Richter (2020), consumption is no longer out of pure „need“ – developed societies are making purchases out of pleasure. Trying something new, experiencing unexpected, adventurous, and inspiring, prioritizing wellness, health, sustainability, and environmental concerns is often the primary objective of making a purchase. People are longing for more authenticity. „Pseudo-experience worlds“ and prescribed offers generated through false data analytics do not resonate with the majority of consumers. Shifts in societal and cultural values and consequent changing user demands count as the factors that affect the real estate industry the most (Just 2013: 2f, Gondring 2012: 19). With diversifying demand on the consumer side, supply entering the market must be aligned with the concepts driving change.

Nothing works in the retail industry without knowing the targeted customer . Psychographics, socio-economic data, data from mobile phones, and information gained through transactions provides insights into consumers' preferences. Although all the data, as mentioned above, are valuable sources, current and future ways of life often cannot be read in statistics (Richter 2020). With the dissolution of former social classes and stereotypes, various lifestyles have emerged in developed societies (Richter 2005: 112). A lifestyle, showing who a person wants to be and how it would like to be seen by others, becomes identity generating and can be understood as a social principle of affiliation and demarcation of a person within society (Chaney 1996: 12f). Consumption is a reflection of lifestyle. Retailing

companies work with lifestyle clusters targeting special consumer groups based on interest, opinion, activities, etc. Analyzing how consumption patterns change provides information on cultural shifts and vice versus (Klug 2008: 2f, Holt 1997: 333). Not only are retail spaces becoming hybrid, but also consumer behavior. An observed phenomenon is a tendency towards extreme purchasing choices – being very price-conscious and spendthrift at the same time. Symbolically this would be a customer „stowing a package of cage-rearing eggs in a Louis Vuitton bag.“ At the same time, people spend generously on products that contribute to the development of identity, aesthetics, or self-realization they save on goods of primary supply. In particular, younger generations consume more unpredictably and contradictorily than before. Neither income nor socio-demographic background alone determines what we buy (Marx 2016).

The picture below shows tents in front of an Apple Store. Customers are waiting for the launch of a new Apple product. Nobody buys an iPhone because of the fast processor – the reason for buying an Apple product is belonging to the community (Hunziker 2019: 71).

Figure 1: Customers camping outside an Apple store. Source: Dailyforest 2019



„(...) It’s not so much about what you own, as it is about where you are, who you’re with, and what you’re doing. (Doug Stephens 2020)

4.3 THEORETICAL BASIS

There is no universal definition for real estate as every scientific discipline working with real estate explains the characteristics of real property from their perspective. The figure shown below presents the different definitions. Commonly shared by all different approaches, it is two factors that distinguish real estate as an asset class from other asset classes: heterogeneity and immobility. Heterogeneity implies that no two properties are alike. Each property has a unique location, and characteristics and transactions are incomparable and sophisticated. Heterogeneity and site-dependency result in local markets with differentiated framework-conditions. Besides these two attributes, limited substitutability of physical space, a high investment volume, long-term capital commitment, and high transaction costs and long development and life cycles, are further characteristics of real estate (Vornholz 2014: 5). Due to these mentioned factors, real estate markets are less transparent than other markets, and market data are harder accessible, which in turn leads to higher uncertainties and transaction costs.

Moreover, the term real estate can be used in three ways: to describe a tangible asset, a bundle of rights, and the profession and industry of real estate. Real estate as a tangible asset can be raw land, improvements to the land in the form of infrastructure, and structures for improvement on the land. The bundle of rights that real estate bears include the right to shelter, security, privacy, and rights of business activity. It is from these services or benefits that the value of a real estate is derived. The profession of real estate incorporates several working areas. Besides property development and property management, brokerage, market consulting, investment management, asset management, and real estate law, government regulations and taxation are just a few (Schack Institute of Real Estate 2018: 12f). The following subsections discuss the basic principles of retail real estate and the retail asset class.

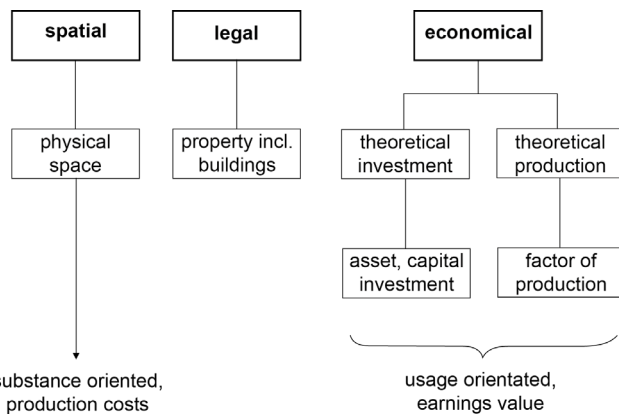


Figure 2 demonstrates the definitions of real estate from the perspective of the building sector, judiciary, and economy.

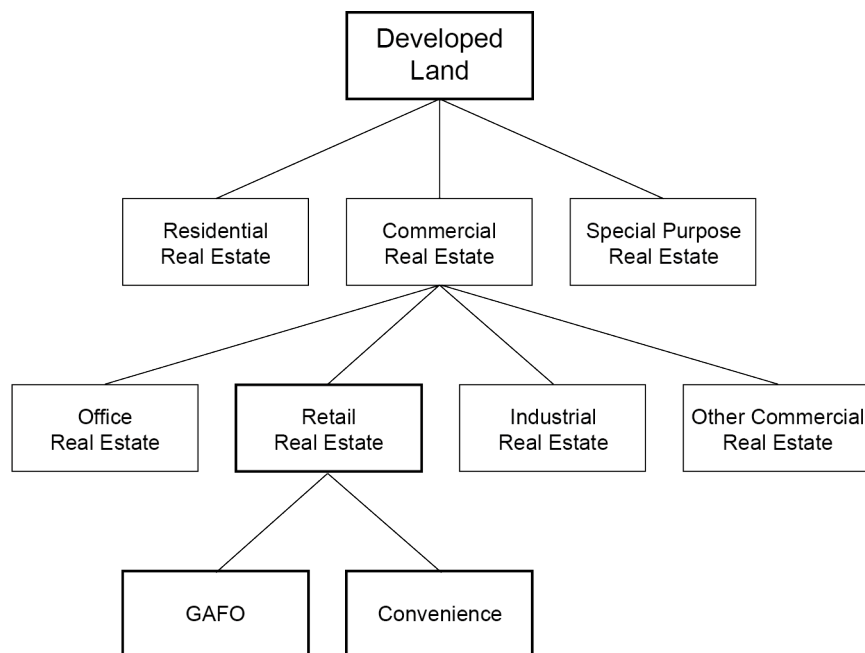
Figure 2: Definition of real estate. Source: Own Figure, cf. Vornholz 2014: 5

4.3.1 RETAIL REAL ESTATE PRINCIPLES

Retail real estate that is shopping centers, pedestrian-orientated business districts, and freestanding stores can generally be classified into two main groups: GAFO and convenience. GAFO is an acronym for stores selling general merchandise like apparel and accessories, furniture and home furnishings, and other goods such as books, toys, jewelry, etc. Convenience stores include food stores, drugstores, and hardware stores. Restaurants and bars are also considered as convenience purchases (Brett, Schmitz 2009: 115). Furthermore, some non-store retailers offer purchases made over the internet, catalog, or mail-order.

Figure 22 presents the sub-categorization of developed commercial property into retail, office, industrial, and other commercial real estate, as well as the subsections of retail real estate, according to the Urban Land Institute – GAFO and convenience.

Figure 3: Sub-categorization of retail real estate. Source: Own Figure 2020



The retail real estate market is shaped by supply as a response to demand. Knowledge of future market developments is crucial for assessing varying demand. High yields within the retail real estate market can only be earned when the overall retail sector generates rising sales. The retail market is not contested by the newly completed supply (Burkholz 2016: 26). According to Tobias Just, an expert in real estate economics from IREBS, the main influences on retail space demand are directly linked to the retail trade's overall economic development. Income, disposable income and income expectations, the level of consumption saturation that has been reached, the possibilities to consume as well as demographic trends are as per Just the drivers of new retail space demand (Just 2008: 254f). The retail real estate sector is characterized by a higher sensitivity to the economic cycle than the other asset classes. Economic factors like demographics, wages, and rising debt, real disposable income per capita, GDP growth, inflation rate, and interest rates are further critical external drivers.

Retail real estate is usually on-cycle with the movements of the economy. A downturn in the economy, in which consumers change spending habits or have less income to spend on non-essentials, impacts the demand for retail space and can lead to long vacancy periods (Gilmour 2019). Leasing space to tenants and collecting rent to generate income makes up most of the retail real estate industry revenue compared to the other services provided by retail real estate (Nead 2017). Retail real estate is characterized by long leases, typically longer than other asset classes at around 5-10 years. Common lease structures are gross, net, and modified gross rent (Nead 2017). Property management is an essential service in the industry. The property manager works on behalf of the property owner and collects a percentage of the rent, usually 10-15%, a fixed fee, or a revenue share. Other activities in the retail real estate industry include, for example, land development and acquisition. The barriers to enter the retail real estate are ranked medium to high, because of the capital necessary to acquire, develop, and maintain properties. Investors are often attracted by the high yields (5-6%) retail real estate offers (Nead 2017).

4.3.1.1 PERFORMANCE OF RETAIL ASSET CLASS

The NCREIF Property Index (NPI) states the value and performance of U.S. properties of all five asset classes owned by tax-exempt institutional investors. In Q1 of 2020, 20% of the NPI's value came from retail properties, being placed third behind office and apartment buildings. Combined with industrial properties, which often serve as logistic centers and storage for retailers, the combined weight is nearly 39% (ncreif.org). In the public real estate niche, where investors can buy shares in REITs, retail plays an even more significant role. The market cap rate in 2019 of retail REITs was scientifically higher than offices or apartments (reit.com). Retailers like Walmart, IKEA, and McDonald's or Amazon are among the world's largest property owners. The property portfolio of Walmart has estimated to be \$200 billion worth, which is ten times larger than the most extensive retail REIT, making Walmart a big player in real estate holdings (Poleg 2020: 15). Due to changing consumer behavior and continuously growing e-commerce sales, retail occupants are under pressure, and vacancy rates are increasing across Europe and the U.S., particularly in secondary locations. The Corona crisis has marked Q1 2020 with a downturn of 2,06% in the NPI.

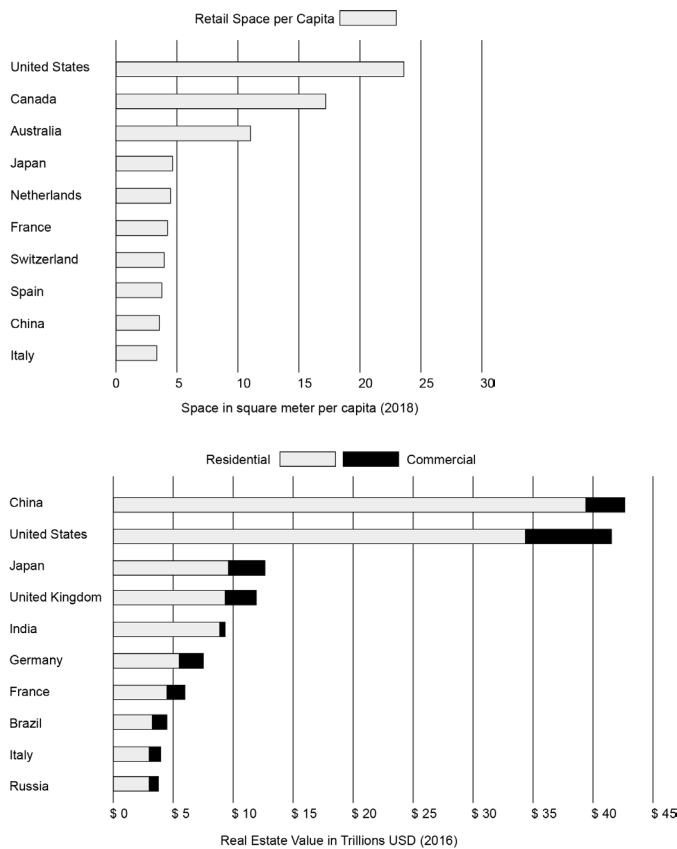


Figure 4 demonstrates the retail space per capita in selected worldwide countries in 2018.

The figure below shows the real estate value of the top 10 countries in 2016. It is striking that China and the United States lead by far.

Figure 4: Retail space per capita in selected worldwide countries in 2018. Source: Own Figure, cf. Statistika 2019

Figure 5: Real estate value in 2016 ranked by the top 10 countries. Source: Own Figure, cf. savills.co.uk 2017

SNAPSHOT OF THE 4.4 RETAIL INDUSTRY

„A lady walks into a store. It is different from any store she had ever seen. One could say it wasn't exactly a store at all. Instead of stacked shelves and busy shopkeepers, the place is laid out like the living room of an expensive residence. The store didn't look like it was designed to sell, in the traditional sense of the word. Instead, it was designed to generate an emotional response; to entertain, to create an experience. Shopkeepers from earlier generations would have been perplexed by what an auditorium, a restaurant, an exhibition, and a roof garden were doing inside a store. Shopping had never felt so free: For the first time, the lady could „circulate on her own, unattended, without interference from anyone.“ Her gaze falls on a pair of gloves. She reaches out, plucks them off the shelf, and tries them on. They feel good. She turns around and walks out without saying a word to anyone or paying for the goods she took. The street is full of people walking and cycling. There are no cars in sight. Is this the future of urban retail? Perhaps. But the scene above describes the department stores of London, Paris, and New York of the 1890s.“

Before getting to the question „**Is this the future of urban retail?**“ that the author Dror Poleg (2020) posed in his book „Rethinking Real Estate,“ a further step back in time should be made, giving a short introduction of the emergence of retail trade. During the Middle Ages, the time between the 6th and 15th century in present-day Europe, markets were set up to provide merchants with space to sell products. These markets were under the watch of the country's ruler and provided security and a court for settling disputes. Consumers commuted to the marketplace and were able to compare vendors' prices and exchange reviews with other people (Poleg 2002: 22). As villages grew and policing became more efficient the need for retail ground supervised by the government decreased. The number of individual shops grew and ultimately overtook the traditional village markets and fairs. When in the 16th and 17th-century European maritime empires like Portugal, Spain, the Netherlands, and the United Kingdom arose, the foundation of multinational trading companies was laid, and global trade developed. The second industrial revolution (1870-1914) was characterized by standardization and technologization. The traditional displaying of wealth and class was eroding, and consumers started spending money to show „that they could.“ New forms of credit were open to those, who did not have enough to spend. Consumption accelerated, global trade exploded, and new social anxieties arose. New retail concepts were driven by innovations, mass media, and transportation. City centers formed along high streets connected to a train station and those living in rural areas had the possibility to catalog-shop and have the goods delivered – without leaving the house. The advent of cash registers allowed family-run shops to trust external employees and open chains. New retail formats like branded chains, mail-order, high street shopping clusters and famous department stores such as Le Bon Marché, Saks, Macy's, and Barnes & Noble gained a foothold (Poleg 2020: 12f). Department stores served as cultural centers and exhibited new inventions that were not yet for sale. They were also cultural pioneers introducing the first women's only toilet and being at the heart of the world's largest cities, the place of debates and issues defining the 20th century. The department store long-time defended its position in the retailing environment, later introducing real estate

technologies such as elevators, escalators, massive glass windows, elaborate lighting, heating, etc. A middle-class consumer group with buying power emerged and commuted to different shopping places as the automobile became an assembly line product. These new production methods also enabled growth in several consumer goods and lower prices, which led to low-price retailers opening shops. Credit cards and financial innovation, paired with the new modes of transport, made it easy for consumers to spend money anywhere. After World War II increasing car-ownership, growing urbanization, middle-class families moving to suburbs and the impact of radio and later tv led to an emergence of further retail concepts like shopping malls, super- and hypermarkets, specialized category killer shops, fast-fashion chains and giants like Walmart, Ikea, and H&M. The shopping malls built in the last quarter of the 20th century reflect the mass consumption, manufacturing, and media peak. A few decades later, malls are closing down or restructuring their offer to meet modern consumer needs, which is based on individualism and shifting towards small-batch manufacturing (Poleg 2020: 49). At this present time, the beginning of the 21st century, with the world's largest retailer being a technology company operating a shopping website,

„(..) retail is at an inflection point similar to the one at the end of the nineteenth century. (...) But this time feels different. Department stores aren't the only ones fighting for their lives. Other retail concepts and companies that thrived over the past 150 years are struggling to remain relevant“ (Poleg 2020: 14).

The following sub-chapters give insight to the retail industry and provide an overview of retail principles, the social and economic significance of trade, drivers transforming the retail industry, the role of e-commerce and physical trade, omnichannel retailing, and new concept emerging in the retail landscape.

4.4.1 THEORIES ON THE RETAIL ASSET CLASS

Commercial trade can be differentiated by the relationship between businesses and consumers. Retail trade, as referred to in this thesis, is a business to consumer (B2C) trade, where goods and services are fitted to end-consumer groups. Wholesale, or business to a business sale (B2B), is addressing commercial customers re-selling products. In the classical distribution chain of goods, the retailer is a middleman between wholesale, receiving goods from the producer, and the private customer. Retail trade can also be taken over by the producer through direct distribution to the consumer (Burkholz 2016: 8).

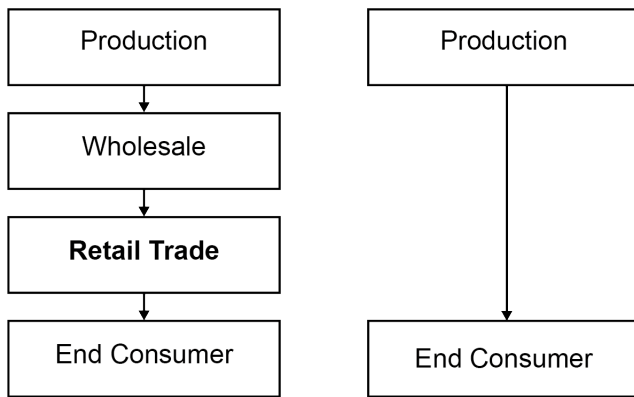


Figure 6 illustrates the classical distribution chain. The indirect sales channel via retailer on the left and direct distribution from producer to end consumer on the right.

Figure 6: Classical distribution chain and direct distribution. Source: Own Figure, cf. Achleitner, Thommen 2009: 207

Retail furthermore differs in characteristics like price, quality, customer group, product range, or point of sale, etc. The following figure systemizes retail sales by the point of sale, into mail order, stationary trade, and ambulant trade. Mail orders can be conducted via catalog, postal service, telephone, or electronic means, like online shops. Stationary trade in physical stores is, until today, most prominent in retail trade. Ambulant trade includes trading on markets and streets and events and is not bound to a permanent location (Burkholz 2016: 8f).

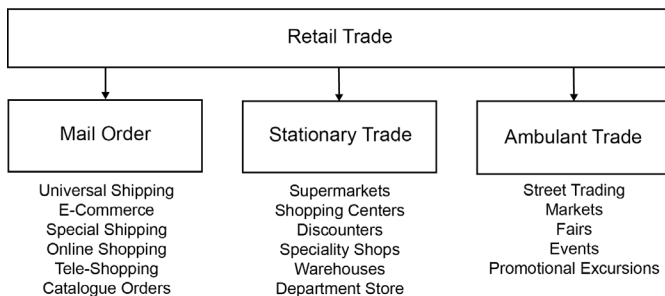


Figure 7 below shows the types of retail trade systemized by the location transaction.

Figure 7: Types of retail trade. Source Burkholz 2016: 9

4.4.1.1 SOCIAL AND ECONOMIC SIGNIFICANCE

Retail is one of the most critical industries of a country's economy. In Germany, retail is the third biggest sector after the manufacturing industry and craft sector, with nearly 8% of professionals working in the retail industry (Bundesagentur für Arbeit). Austria counts around 9% of professionals working in retail. The U.S. retail salesperson is (still) the most common job capturing 10% of the U.S. workforce, followed by retail-related categories such as cashiers, fast-food employees, and delivery truck drivers (Poleg 2020: 15). The U.S. share of retail on the country's GDP was 5,5% in 2019, in Germany, 16% of the GDP, which proves the great importance of the industry for the national economy. Essential retail market indexes and factors influencing sales are unemployment, GDP, economic growth, inflation, state budget, GDP per capita, purchasing power per capita, the number of physical stores and number of online shops, and sales development and revenue performance. Access to a highly skilled workforce is a critical factor for the retail industry.

Besides having an essential and formative meaning for a country's economy, retail also influences urban development as historically, cities often developed in places of trading. Until today retail trade is a significant factor in the attractiveness of a city. Due to its position between producer and consumer, retail has a market influencing point on which products are available to the customers and contributes to the transfer of knowledge and culture (Burkholz 2016: 10).

4.4.1.2 CATEGORIZATION OF RETAIL TYPES

Retail store types can be categorized according to different criteria – the systemization is not standardized. A distinction can be made regarding the location of a physical store, considering the company's size or area-related requirements. Referring to the development of real estate, objects with the same business type and strategy often share similar property requirements. However, it is important to keep in mind that real property is developed in heterogeneous markets and that external influences and consumer preferences change over time (Börsching, Sturmfeld 2010: 55).

Business Type	Sector	Product Range	Depth of Product Range	Centrality	Location	Price	Service	Design	Sales Floor	Sales Floor m ²	Example
Super-market	Food	big	small	average	Housing Area	o	average	good	average	400-1500	Spar
Hyper-market	Food	great	big	average	Car orientated	o	average	average	big	1500-5000	Costco, Tesco
Self-Service Warehouse	Food	great	great	decentral	Car orientated	o	average	average	great	5000-20000	E-center, Globus
Discounter	Food	average	small	average	Omni-present	--	bad	bad	average	600-1400	Aldi, Penny
Independent Retailer	Food	small	great	central	Housing Area	++	Very good	Very good	small	50-250	Butcher, Bakery...
Convenience Store	Food	average	minimal	central	Transport Hubs	++	average	good	Very small	<400	Kiosks, 7-Eleven
Specialist Retail Park	Non-Food	small	great	average	Car orientated	-	average	average	various	200-30000	Obi, Toys'R'Us
Warehouse	Non-Food	great	big	central	High Street	+	good	Very good	great	4000-20000	Marshalls
Department Store	Non-Food	small	great	focal point	High Street	+	good	Very good	big	>1000	Macys, Saturn
Factory Outlet Center	Non-Food	big	great	peripheral	Traffic favorable	--	bad	good	great	7000-21000	Mc Arthur Glen
Shopping Center	Non-Food	great	great	central	Car orientated	+	average	Very good	great	>10000	SCS, The Village
Specialist Retailer	Non-Food	small	great	central	High Street	++	Very good	Very good	small	20-1000	Bridal, Hunting...
Shopping Passage	Non-Food	average	average	focal point	High Street	++	average	Very good	average	various	Opem Passage

The table below shows a systemization based on properties and features of food and non-food retail formats that operate in a fixed physical store. Table 1: Properties and features of physical retail types. Source: Own Figure, based on Börsching, Sturmfels 2010: 55 and Pfeiffer 2009: 39f

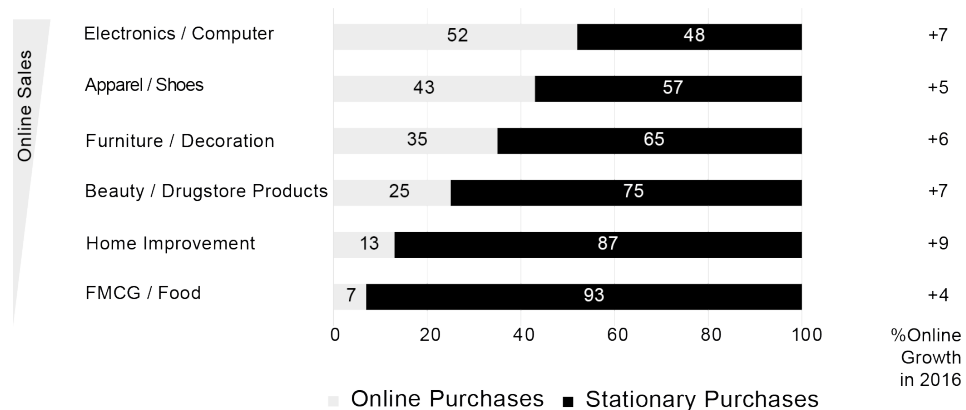
A further systemization used within the retail industry is based on product sectors, whereby categories differ in various literature. According to the German Trade Association (HDE, own translation) a distinction can be made between the categories fashion & accessories, jewelry & watches, consumer electronics and electrical appliances, hardware & garden, furniture & decoration, office & stationary, sport & leisure, fast-moving consumer goods (FMCG), health & wellness and other goods. The retail sector in the U.S. is divided into miscellaneous goods, sporting goods, hobby, musical instrument, and book stores, clothing and clothing accessories, health and personal care, food and beverage, building and garden supply, electronics and appliances and furniture (U.S. Census 2020). In a further step, these categories can be seen from a physical store and non-store / online retail point of view. The online or offline presence of stores is industry-specific as the study „trends in trade 2025“ (German: Trends in Handel 2025) by KPMG and Kantar TNS shows. The research paper differentiates between six main trade sectors: Food/beverages, textiles/shoes, drugstore/perfumery articles, DIY articles, electrical appliances, and furniture/furnishing/decoration. In the study, it is noticeable that online purchases of electrical appliances already exceed the share of physical store purchases. In the next five years, further online growth is expected in all sectors.

4.4.2 CHANGE IN RETAIL

Retail is linked directly to the economy, society, and culture of a country, and these in turn to technical progress and innovations in the fields of information and communication technology, like artificial intelligence and the internet of things. Its change is primarily driven by offerings provided to the consumers. Companies can only be successful in ever-changing markets if they match products and services to current and future trends. Trends emerge through substantial changes in values and preferences or structural change (Streibich 2018: 37). Demographic change is one of the most decisive trends for retail companies. Demographic factors like changing household sizes, aging society, and change in population structure are essential. The challenge and at the same time potential are satisfying an increasing number of different consumer wishes emerging through variant lifestyles. Hardly any other industry is so strongly affected by changes in the population structure as a business with the end consumer (KPMG 2016: 29). Consumer spending has steadily increased over the years due to higher real wages. Quality of life is often associated with material well-being. Over the last hundred years, consumer behavior has evolved from meeting basic needs to demonstrating wealth shifting on to consumer experience and durable consumer goods (Popp 2011: 63). Experience and convenience have overtaken the pure consumption of goods and services and are now disrupting the retail industry. One effect of the experience society is booming hospitality. Eating out is the new shopping, and hospitality areas in shopping centers increase steadily (EHL 2019: 3).

Shifting consumer demographics, new technology, the expansion of broadband, better and faster data access, and steadily improving infrastructure are transforming how the industry operates. The first generation of digital natives, Millennials, has now reached an age where they are increasingly active as a consumer group but also shaping the market as professionals (KPMG 2016; 17). However, technology does not merely change the way

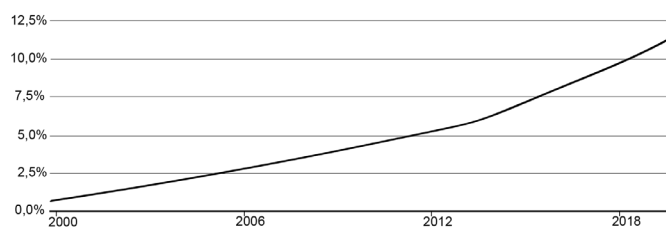
Figure 8 shows the share of online and offline sales by categories and the growth of online transactions in 2016.
Figure 8: Distribution of online and offline sales per category. Source: Own Figure, cf. KPMG, Kantar TNS 2016: 63



DATA AND DEFINITIONS ON E-COMMERCE AND BRICK- 4.5 AND-MORTAR RETAIL

„You'd better sell your shopping centers. In 2010, half of the retail stores in America will be closed because half of all purchasing will occur online. The whole notion of an automobile-based infrastructure is dead.“ (Lester Thurow 2001).

In April 2002, a few months after Lester Thurow's statement, Elaine M. Worzala explained to the Journal of Property Investment & Finance that: *„while some analysts predict a negative impact on retail sales due to the Internet, others argue that the internet has no real future and that physical space will continue to attract shoppers.“* While physical space still does attract shoppers, the situation regarding the future of the internet and online retailing has emerged differently to the predictions made by analysts twenty years ago. E-commerce is defined as sales of goods and services through digital channels and includes online sales of pure-play e-tailers, that operate solely online, and the online sales of brick-and-mortar vendors through their store's website (Dixon and Marston 2002: 19). A significant challenge regarding data acquisition of e-commerce sales is that there is not a standardized definition of what share of retail revenue belongs to online sales and which to brick-and-mortar. If an order is placed online and picked up and paid for in the physical store, some retailers, consider that an e-commerce sale while others classify it as a brick-and-mortar sale (CBRE 2018). The same goes for the other way around for products reserved in-store and purchased online. Due to the lack in definition and depending on chosen sources and methodology, the share of e-commerce sales on overall retail sales fluctuates by 20% (CBRE 2018). The most commonly used method of measuring e-commerce share is by comparing total online sales to total retail sales across all categories, excluding restaurants and bars. This method shows the steadily increasing share of e-commerce in total retail sales over the last years.



Figures 9, 10, and 11 indicate that e-commerce sales as a share of overall sales have been rising steadily over the last two decades.

Figure 9: E-commerce retail sales as a percent of total sales. Own figure, cf. Source: U.S. Census Bureau, FRED 2020

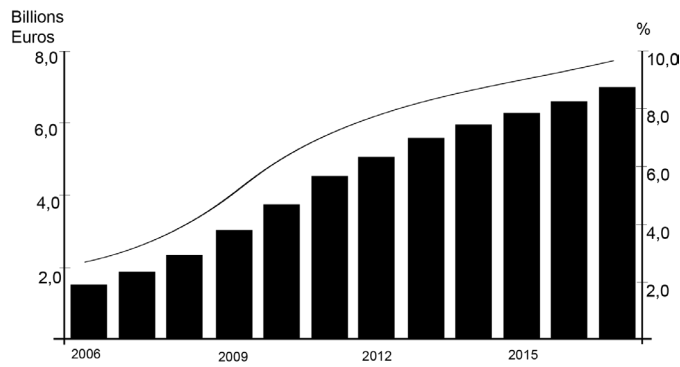
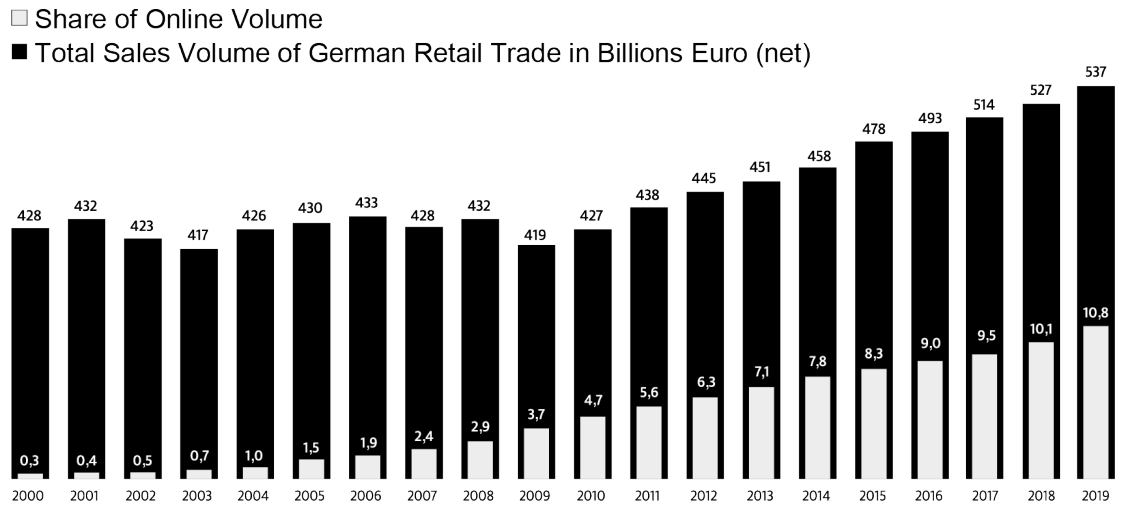


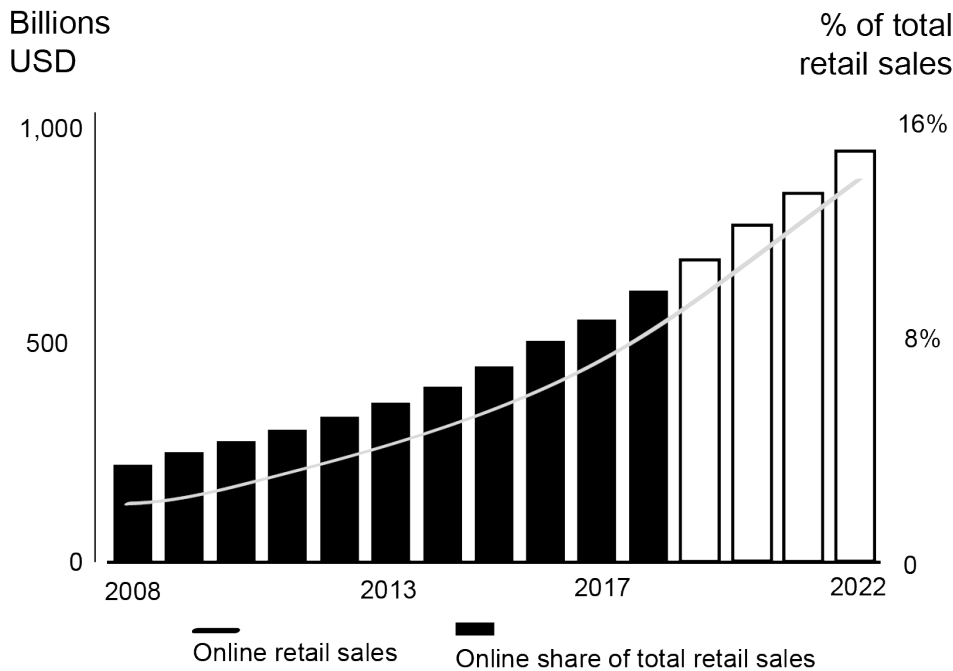
Figure 10: Share of revenue generated through online sales in Austria. Source: Own Figure, cf. KMU Forschung Austria 2018

Figure 11: Online share of German retail trade in the narrower sense. Source: Own Figure, cf. HDE 2019: 8



As e-commerce and digital-impacted retail sales continue to grow globally, the question is whether online retailing will eventually overtake and replace in-store sales and physical stores' function. According to CBRE, it is difficult to predict at which point e-commerce sales will peak – some forecast it about 25% of total U.S. retail sales, while others expect an even higher percentage. This development will be driven by technology advancements, retailers' ability to keep up with rising e-commerce fulfillment, and consumer behavior. It will vary significantly by digital channel, geography, and retailing category (CBRE). Chapter 4.5, DATA AND DEFINITIONS ON E-COMMERCE VS. BRICK-AND-MORTAR, and its sub-sections provide information on online and offline retailing, its categorizations, performance, and closes off with a present situation and an outlook on future development.

The figure below presents the expected further rise of e-commerce sales in the U.S. Numbers for the years 2019, 2020, 2021, and CBRE forecasted 2022. Figure 12: Forecast e-commerce sales and share of total retail in the U.S. Source: Own Figure, cf. CBRE / eMarketer 2018



„You‘d better sell your shopping centers. In 2010, half of the retail stores in America will be closed because half of all purchasing will occur online. The whole notion of an automobile-based infrastructure is dead.“ (Lester Thurow 2001).

4.5.1 E-COMMERCE

There is little doubt that e-commerce growth has driven disruption in the retail industry, and it will continue to grow in the future. Constant network infrastructure improvement and faster internet are paving the way for retailers entering the online market and adding to that a rising percentage of the population worldwide that gains access to the internet. Digital native millennials are becoming the dominant cohort regarding customer groups and workforce and are replacing the internet illiterate baby boomers (Heinemann 2017: 32). Online interaction and communication via social media platforms, with interactive functions as sharing content with friends and followers, make e-commerce more social. Smoothly operating smartphones are lowering the barrier for mobile commerce, and online shopping is becoming more accessible than ever. Interactive Customers love the speed and convenience of online retail. This includes fast and simple payment, delivery to the doorstep, a greater variety of products with nearly permanent availability, and a simple comparison of products and prices. The geocentric shopping pattern, based on distance and location, becomes less critical, while consumers shop online from anywhere they want (Dixon and Marston 2002: 24). Even though the future of trade is seen on the internet, it will not be easy for online retail as it is currently reaching its first growth limits (KPMG 2016: 94).

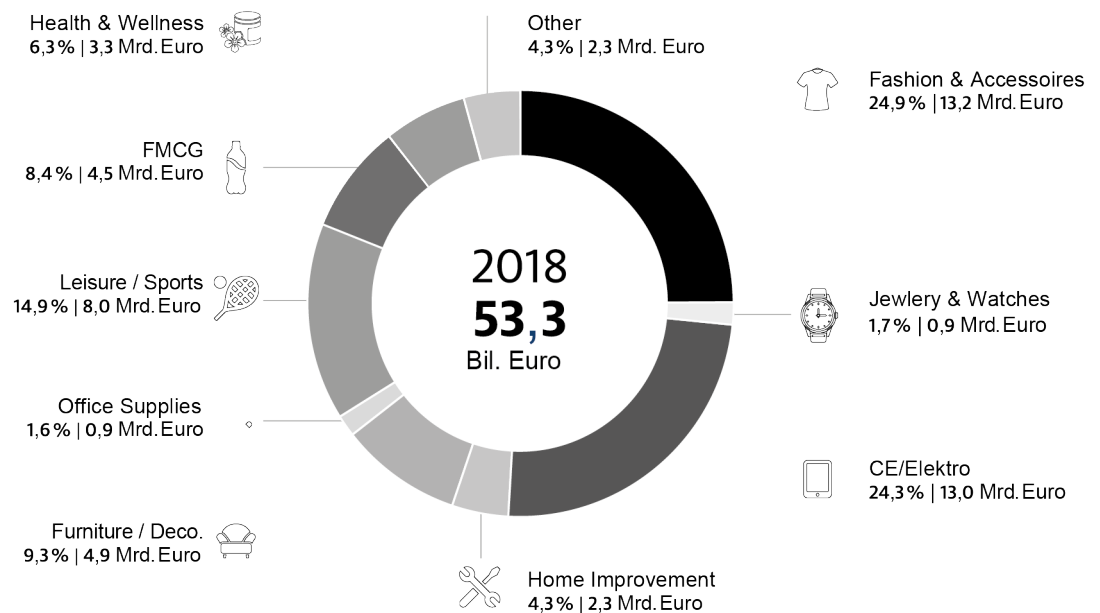
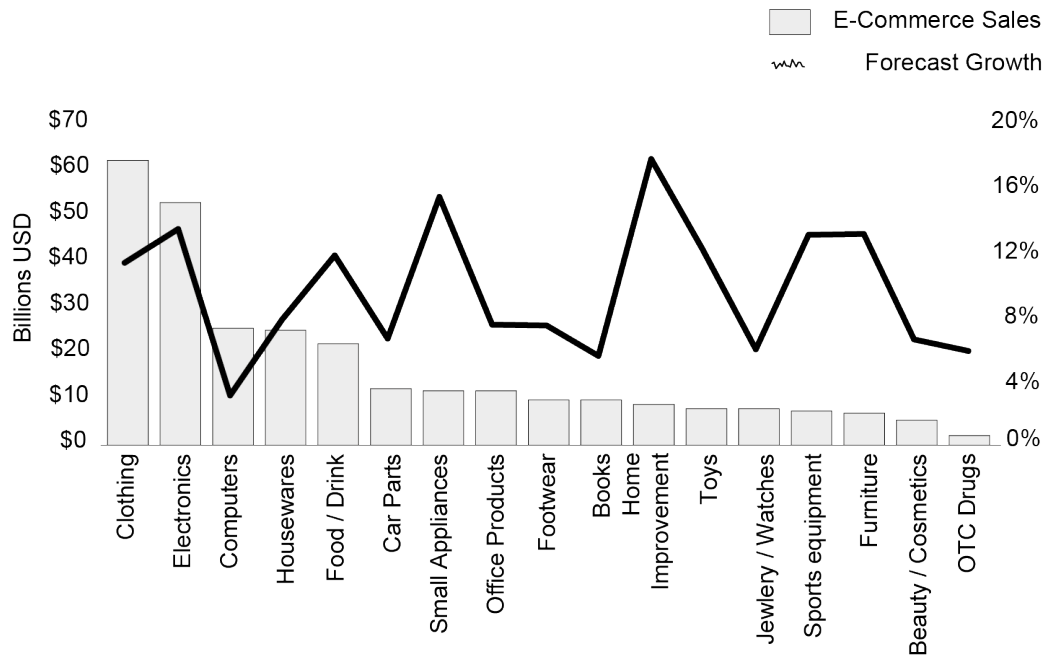
4.5.1.1 E-COMMERCE BY CATEGORY

For understanding the structure of e-commerce, analyzing the distribution of online sales by product category is a common approach. The importance of online sales is increasing in every category. The two largest categories are clothing and consumer electronics. A shift in the shares of online trading from the two largest core sectors fashion and consumer electronics to smaller sectors can be noticed (HDE 2019: 12f). According to the HDE online-monitor, 2019 growth drivers in e-commerce sales are the sectors FMCG, home-improvement & garden, as well as furniture and decoration. The same assumptions were made regarding the U.S. market by Forrester Research in 2018.

Figures 13 on the next page shows the U.S. e-commerce sales in 2017 by categories and a forecast of expected e-commerce growth. Figure 14 below visualizes the allocation of online retail sales into categories, in Germany in 2018.

Figure 13: E-Commerce sales by product category. Source: Own Figure, cf. CBRE / Forrester Research 2018

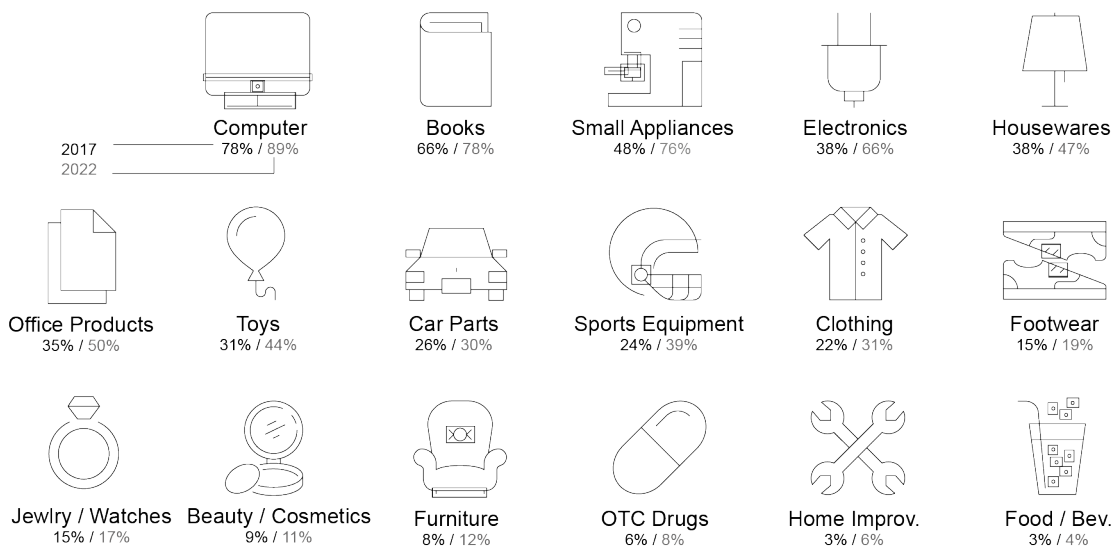
Figure 14: Share on total online volume in percent, and sector online volume 2018 in billion euros. Source: HDE 2019: 11



Analyzing e-commerce variations can also be done by looking at the share of each category's sales through the online channel. This allows for understanding the level of online penetration in each category (CBRE). A further distinction can be made between e-commerce sales in food and non-food fields. Compared to the non-food sector, e-commerce has not played such a significant role in food sales yet. This difference may be attributable to a high density of supermarket chains and a price sensibility of customers regarding food products, which has made it difficult for food suppliers to enter the online market. An increase in online grocery purchases is predicted, but online shopping in the food sector is analyzed to not reach the same importance as electronic goods or books (Heinemann 2017: 9). The figure below shows the percentage of non-food and food sales in the overall retail sales per year. Non-food categories' online sales made up about 15% of total retail turnover in Germany in 2018. In contrast, food and beverage sales over the internet only made up 1,2% of the total sales volume (HDE 2019: 8).

Figure 15 shows the share of e-commerce on all retail sales in 2017 and a preview for 2022 by product categories.

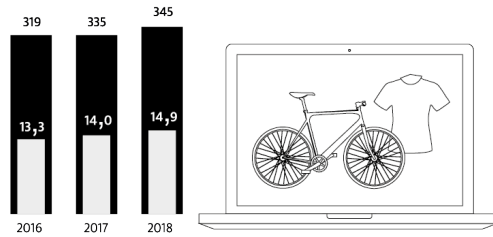
Figure 15: E-commerce share by product category. Source: Own Figure, cf. CBRE / Forrester Research 2018



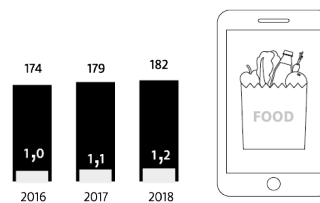
The graphs below show the share of online sales as a share of overall retail sales in Germany in 2016, 2017, and 2018.

Figure 16: Share of food and non-food sales on overall retail sales. Source: Own Figure, cf. HDE 2019

Non-Food



Food



- Share of online sales (%)
- Revenue volumen of German retail trade (Bil. Euro)

4.5.1.2 E-COMMERCE BY RETAIL FORMAT

Online retailers have a differentiated history and different business basis and backgrounds. The nature and origin of online traders can be revealed by dividing them into groups according to distribution and sales channels. E-commerce retailers can be internet-pure-players like eBay, and catalog mail-orders houses like Otto, stationary traders, and producers (HDE 2019: 19). In 2017-2018 the highest growth in online revenue in Germany was achieved by internet-pure-players with marketplaces, like Amazon and Zalando, followed by stationary retailers and producers. Predictions show that the share of internet-pure-players and stationary traders within online retailing will continue to grow.

Taking the word format in a different sense, it can describe the end-device used for electronic purchasing. The share of online purchases via mobile devices, including tablets, smartphones, and other portable technology, called m-commerce, is increasing at a rapid pace and is expected to account for more than 50% of e-commerce sales by 2021, bringing m-commerce sales above computer sales (CBRE 2018). This trend shows changing consumer behavior, using primarily smartphones, for online spending, based on the rapidly increasing number of people owning a smartphone during the last decade. Retailers have responded to these consumer preferences and have invested in mobile channels. That goes from marketing to social media, apps, and mobile-friendly websites. On the other side, e-commerce simplifies it for retailers to collect data on consumer profiles and shopping habits, enabling them to understand their consumers better and offer tailored products (CBRE 2018).

Figure 17 shows the steadily increasing share of m-commerce sales on total e-commerce sales. M-commerce is expected to account for a majority of online sales by 2021.

Figure 17: M-commerce to account for the majority of e-commerce sales by 2021. Source: Own Figure, cf. U.S. Census / eMarketer 2018

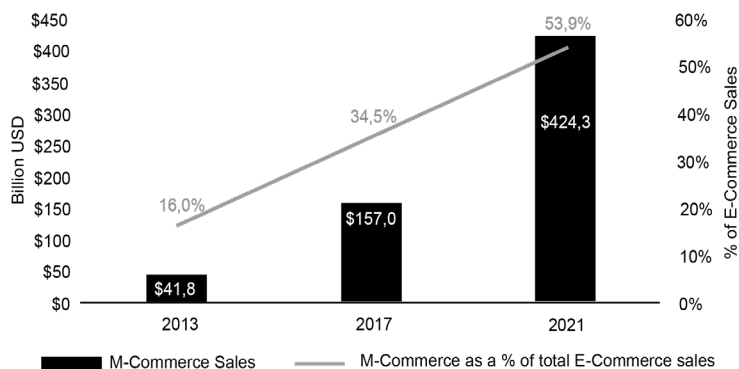
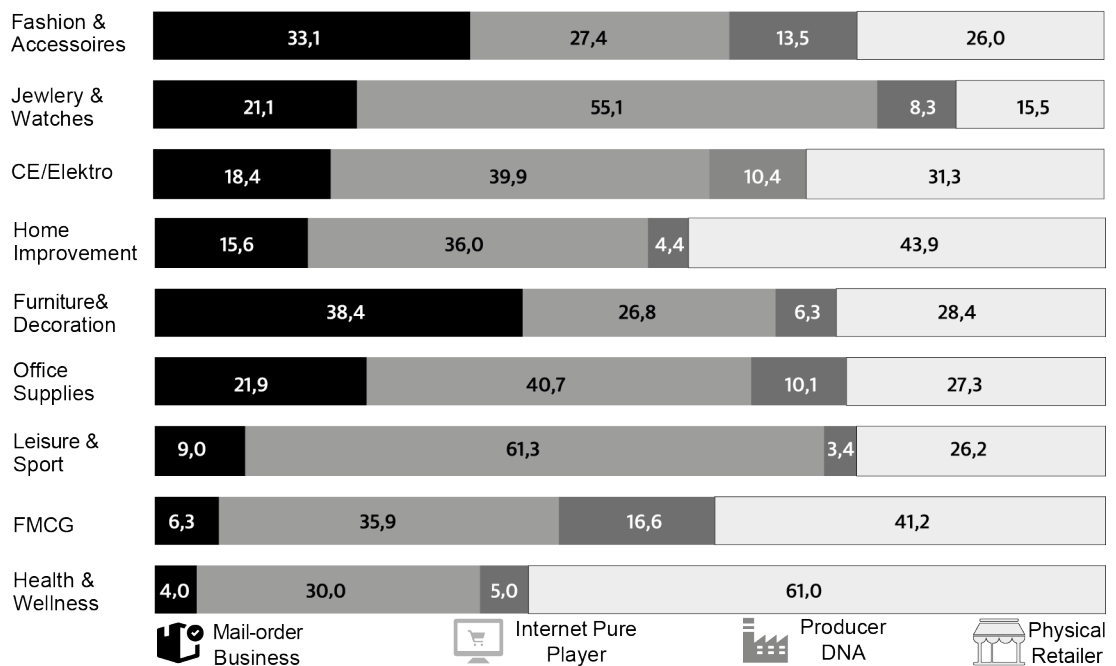


Figure 18 demonstrates the percentage share of four different trade formats on e-commerce revenue by product categories. Figure 18: M-commerce to account for the majority of e-commerce sales by 2021. Source: Own Figure, cf. U.S. Census / eMarketer 2018

Figure 18: The supplier structures in online trade differentiated by industry. Source: Own Figure, cf. HDE 2019: 21



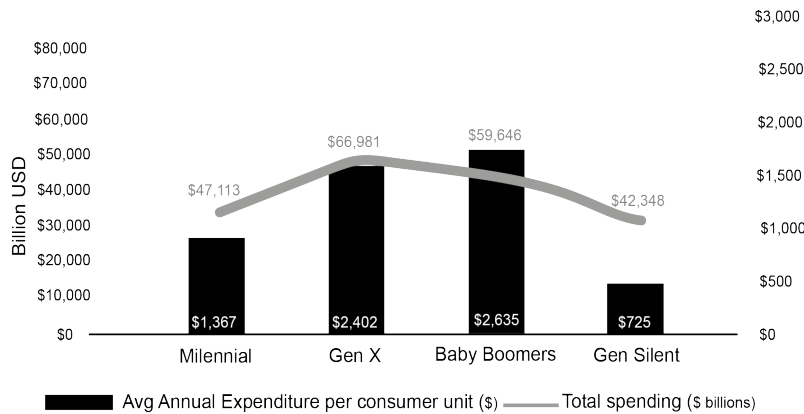
4.5.1.3 E-COMMERCE BY GENERATION

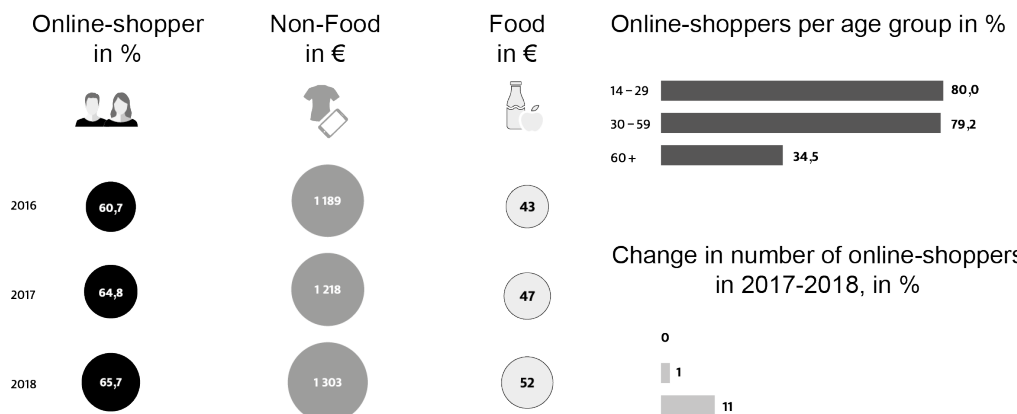
Shopping habits vary significantly by generation. Online shopping is relevant throughout all adult age groups but differs in how these groups interact with digital channels. According to the U.S. Census Bureau's categorization of the population into birth cohorts, the largest age groups are the baby boomers, ages 54-72, and the millennials, ages 22-37, followed by Gen Z, ages 7-22, and Gen X, ages 38-53 (U.S. Census Bureau 2018). An important indicator is the spending power of the different generations. The graph below shows the average annual expenditure per household in U.S. Dollars, which tends to peak between the ages of 35 and 55 and the total spending in Billions on the right x-axis of the graph. The highest total spending is within the baby boomer generation. Millennials are although, set to show the highest growth in spending.

Besides differences in purchasing power, different generations tend to show diverse lifestyle patterns and preferences that translate into shopping behaviors. While most Gen Zers check their devices at least hourly and feel they spend too much time on mobile devices, Gen Xers prefer viewing online content on Laptops. Millennials are more likely to purchase based on photos from others who use a product and believe that user-generated content is 50% more trustworthy than branded imagery. Nearly half of all baby boomers spend at least 11 hours per week online, but 84% still prefer to shop in-store (CBRE 2018).

Figure 19 illustrates the varying spending power by birth cohorts in U.S. dollars and the total spending power.

Figure 19: Spending power by generation. Source: Own Figure, cf. eMarketer 2018





The figure below highlights the increasing number of online shoppers on a percentage basis, especially among those over 60 years.

Figure 20: Online shoppers and their yearly expenditures per capita. Source: Own Figure, cf. HDE 2019: 25

4.5.1.4 E-COMMERCE AND INDUSTRIAL PROPERTY

The impact of e-commerce growth on the supply chain is profound. Due to steadily increasing online sales, more and more logistic space is needed to provide storage for products that were once shelved in-store. Adding to that, fast delivery and flexible returns pressure the supply chain even more. Chapter 5.3 dealing with findings of 5.2 and the future of retail real estate will provide a more in-depth insight into how industrial real estate will be affected by changes in retail trade. A 2018 study by CBRE, as shown in the following graph, found that *„for each incremental \$1 billion growth in e-commerce sales, an additional 1.25 million sq. ft. of distribution space is needed to support this growth“*.

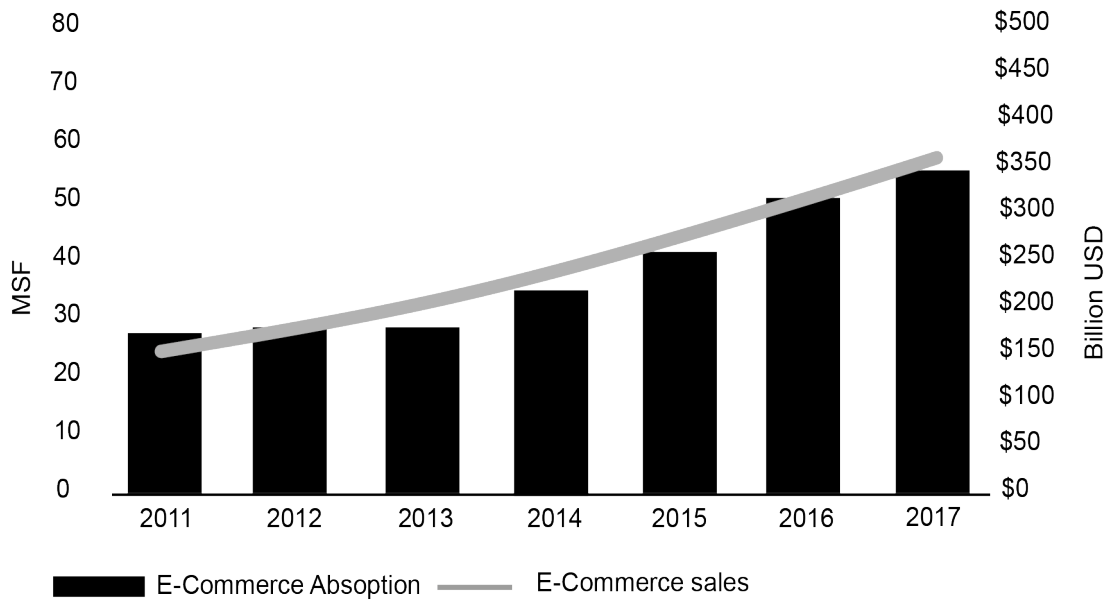
The demand for efficient logistics space that enables the quick movement of goods has led to a larger design of new warehouses in size and height. The size of an average U.S. warehouse increased by 143% when comparing the intense development period 2012-2017 with 2002-2007 (CBRE 2018: 46).

4.5.1.5 OPPORTUNITIES

E-commerce is often blamed for financial losses and brick-and-mortar closures – little attention is paid to the benefits online commerce provides. One of the most beneficial sides of digital shopping is the opportunity of several customer touchpoints across various platforms. The interaction with customers is no longer restricted to short in-store exchanges. Using apps, email, messages, and social media, retailers can engage with their customers instantly and continuously and market to them more individually, building closer and more loyal customer relationships as transactions shift online, the role of physical space changes. Retailers go can from stocking shelves and selling products in-store to driving innovative experiences in their brick-and-mortar shops. With products being stored in warehouses and shipped to the customers without being shelved in a physical store, retailers can develop creative new uses for real estate and develop places of experience and service. A further positive effect of online retailing was shown in a 2017 study by the Harvard Business Review. The study found that adding an online sales channel to a brick-and-mortar store can help a brand attract new customers and drive revenues. Combining channels helps consumers find products and transact faster. The opportunity that offers the most strategic benefit to retailers is the collection of data through online customer engagement. Data on how and when consumers shop, measuring conversion rates, predictive analytics, and tracking customer journey, now become accessible (CBRE 2018).

Figure 21 demonstrates the rising need for industrial space – 1,125 million square feet of industrial demand for each 1,0 billion dollars in e-commerce.

Figure 21: E-commerce and the demand for industrial space. Source: Own Figure, cf. CBRE / Forrester Research 2018



4.5.2 BRICK-AND-MORTAR STORES

Brick-and-mortar retail is an overall term describing retailers whose trading operations are tied to a fixed location. These businesses sell to consumers visiting the store, also called B2C commerce (Handelswissen 2016). How retailers and consumers interact physically can generally be split into three principles: residence, domicile, and meeting point. The classical retailing, as customers and vendors interacting in a brick-and-mortar shop, is seen as the residence principle. Domicile principles describe the interaction of a retailer with a customer at the customers' home, aka. doorstep selling. Suppose vendor and consumer meet at a place beside the customers' domicile and the shop's residence. In that case, the transaction is made via the meeting point principle, such as marketplaces or events, (Heinemann 2017: 4). Furthermore, physical stores can be categorized into serviced and self-service, food, and non-food shops. As presented in chapter 4.4.1.3, CATEGORIZATION OF RETAIL TYPES, a further distinction can then be made between different categories within the food and non-food sector. Chapter 4.6.2 provides further information on the future role of brick-and-mortar stores.

Physical retail is no longer purely about shopping. In the past, brick-and-mortar shops served as distribution channels. Today there are other ways to get products from a business to the consumer. For physical stores to remain relevant, one or more of the following functions have to apply (Slumbers 2019). A shop is an exciting, attractive destination, a well-designed space that attracts customers. Great places in the right location will remain substantial assets. Secondly, physical shops can fungate as fulfillment centers, providing customers with a quick and convenient delivery service.

Moreover, serving products that are well-tuned to local particularities is another way of participating in the brick-and-mortar game. Lastly, supplying people with every day, fast-turnover products build a stable business. A wild card played by developers and urban planners are creating great retail spaces „(...) *not to generate any great intrinsic growth, but to make surrounding residential assets more attractive. Creating and curating really interesting, attractive retail locations as lost leaders to entice people to pay more to live in an area is a valid goal. Clearly, this only makes sense when a large owner controls enough real estate to really be able to leverage this strategy,*“ says Antony Slumbers (2019).

The following figure shows the three main contact principles between a seller and consumer in physical retailing.

Figure 22: Contact principles in physical retailing. Source: Own Figure, cf. Heinemann 2017: 5



4.5.2.1 CURRENT SITUATION AND OUTLOOK

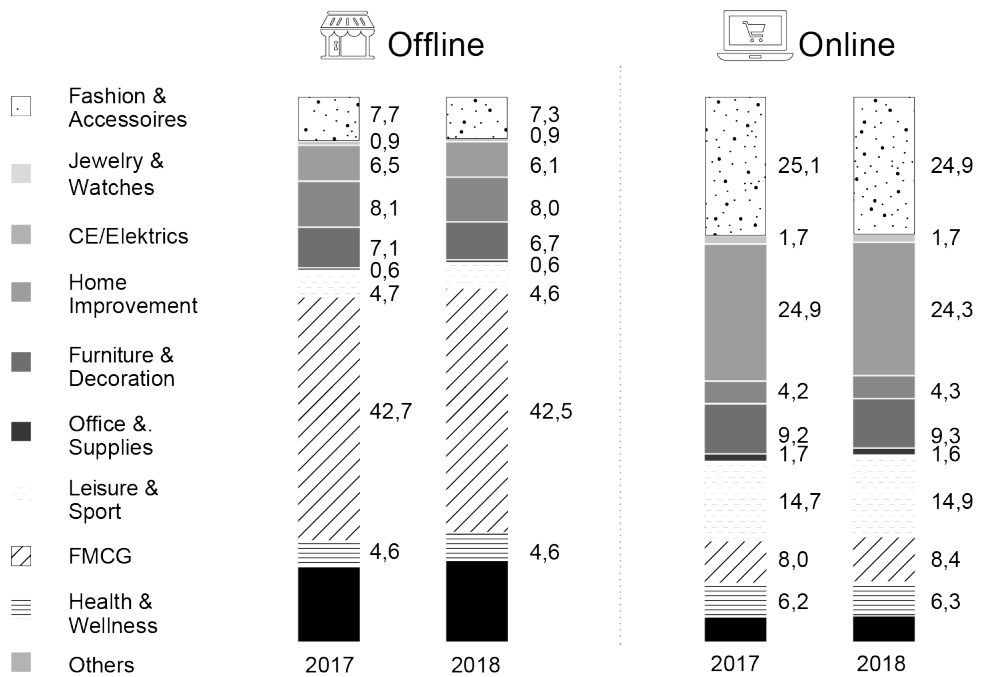
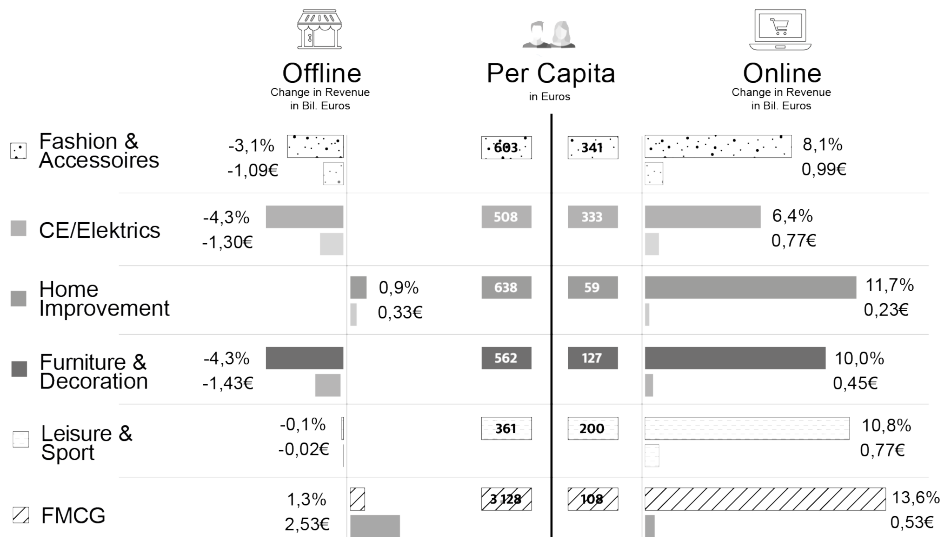
While online retail revenue is rising, brick-and-mortar trade is increasingly under pressure, especially non-food categories like apparel and electronics, as the following two figures show. While the impact of e-commerce is particularly strong in rural areas and small to medium-sized towns, even questioning the supply function of retail trade. It affects metropolises to a minor extent, which instead tend to grow in physical retail space (Heinemann 2017: 1, cf. Stadt + Handel 2014). The gap between A- and B-location is spreading severely, while brick-and-mortar rents are rising in attractive city centers, small and cities are facing vacancies. Brick-and-mortar retail has been a central function of city centers and often defines their attractiveness. The quality and stability of the inner-city retail locations are decreasing. Department stores and specialist shops that long time were magnets for people to visit the site is pushing city centers by discounter shops, brand shops, and fast-growing vertical stores with „click & brick“ concepts like IKEA and H&M (Heinemann 2017: 12). Adding to that, big chain store players generally have better conditions for making the step into becoming digitalized and staying relevant to the market. Small local businesses often already struggle running a professional operation, explained Gerrit Heinemann (2017: 10) in an interview with the company Locafox. He continued that being found on the internet is essential for physical stores to survive in the future. Heinemann (2017, own translation) added, „*digital adoption and transformation will most likely separate the wheat from the chaff in stationary trade.*“ Many small private retailers will have to close down stores or reinvent themselves quickly. According to a study by the German market research company IfH (2015), almost every tenth stationary shop is threatened with closure by 2020.

Figure 23 shows the rate of revenue change in offline and online sales 2018 by product sector. The middle columns show the expenditure per capita.

Figure 24 below demonstrates the percentage of sales among various product categories as a share of offline and online retail sales.

Figure 23: The percentage share of category on offline and online sales volume. Source: Own Figure, cf. HDE 2019: 14

Figure 24: Contact principles in physical retailing. Source: Own Figure, cf. Heinemann 2017: 5



If almost every product world-wide can be found and compared online, what advantages are left that make physical retail a viable option? Reasons that speak for shopping offline are the ability to try the products, the direct availability to take a product home, advice, and service of the staff (Heinemann 2017: 62). Customers are looking for a reason to visit a store, an experience to enjoy, and something to discover. Due to the human need for social interaction, the offline retail world will remain relevant. E-commerce has massively changed the way consumers shop. The speed and convenience offered by the internet have rising consumer expectations. Customers hope to get the same service in-store as they get online regarding customer engagement, prices, product options, and transaction speed (Spanke 2020: v). According to an interview with the Handelsjournal (2019), Marc Schumacher, Managing Partner of LIGANOVA, said that modern physical stores should be fully digitalized but should not feel so –also called „digital overlay.“ Brick-and-mortar shop can be digitally extended using displays that present products in different designs, intelligent mirrors, and other virtual services inspired by e-commerce, like social networks, in-store available apps, easy check-out as known from online shopping. He added that the core of physical shops should be similar to a factory, symbolizing traditional values and offering service, social interactions, and experiences.

Figure 25 highlights the reasons for Germans shopping online or offline, investigated in a survey from 2016 questioning 820 participants.

Figure 25: Reasons for shopping in-store or online. Source: Maier and Kirchgeorg 2016



According to Nils Busch-Petersen, Managing Director of the Berlin-Brandenburg Trade Association, how physical space will develop in the future is still often seen with a question mark (Hunziker 2019: 70). It can be said that retail spaces are expected to become smaller, and retailing concepts will change. The evolution in physical retail space is caused by significant structural shifts in the distribution of space among different store formats. Shops in the food category tend to grow in size, compromising decreasing space in non-food trade. Gerrit Heinemann (2017: 3, own translation) further explained that „*the ongoing new development of space in shopping centers and specialist retail parks, the unbroken demand from foreign retailers, the expansion of large areas in the furniture and DIY sectors, the continued strong expansion of drugstores and the development of shopping centers also fueled the growth in space.*“ Physical retail space has been measured to remain constant over the last decade, as the graph below shows, attributable to a boom of the food and beverage related sectors. Reasons for potentially reduced sales floor space requirements are according to Markus Wotruba (2016: 25f) not attributable to reduced retail demand but to the following factors:

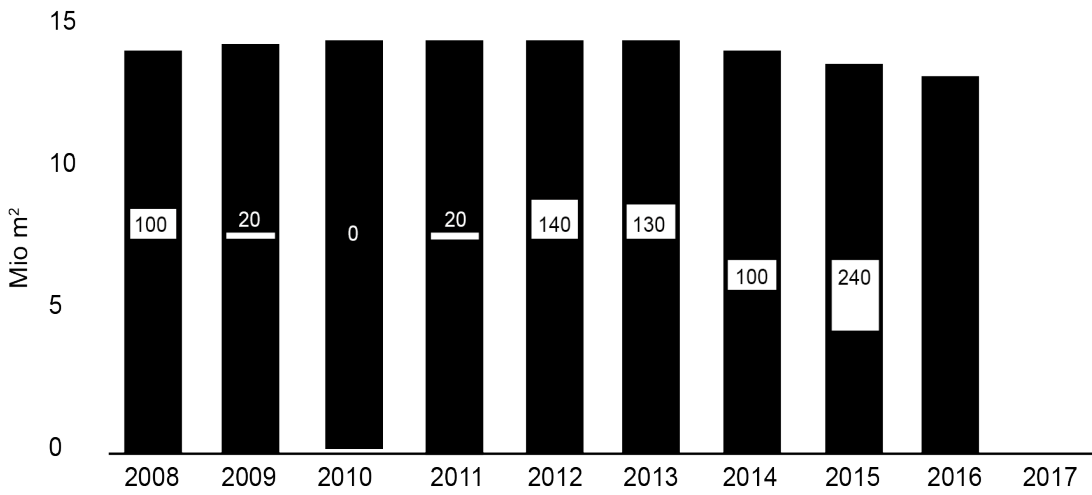
- Elimination of some stationary traders
- New concepts dominating the sales floor
- Demographic change and re-urbanization
- Concentration on fewer shops
- Showrooms opening up intensively
- Stagnation of retail sales
- Progressive digitalization
- New concepts emerging in big cities
- More experience in less space
- Online sale as a burden to stationary sale
- Less storage of products
- lower demand in smaller towns
- Owner-managed trade loses market share

Figures 26 and 27 on the next page present the change in retail space in Austria and Germany within the last decade.

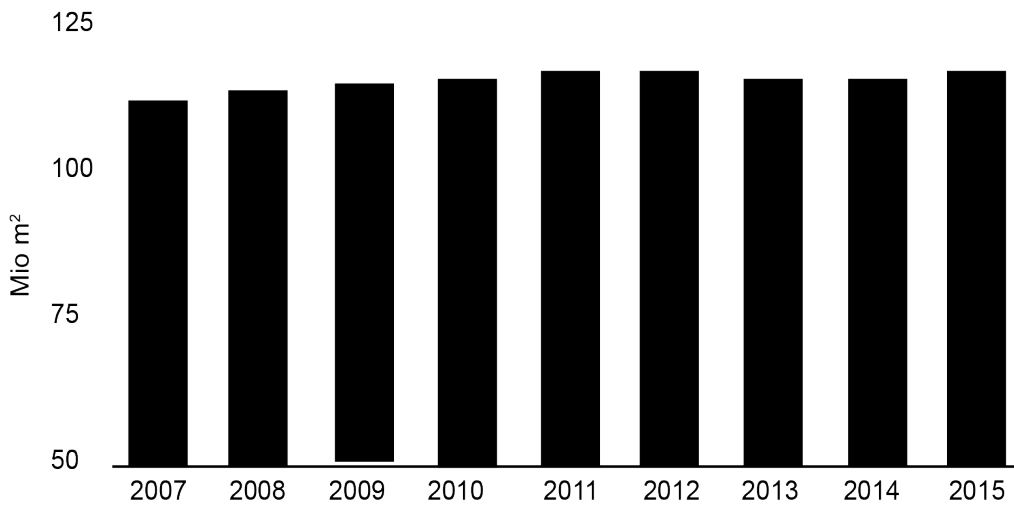
Figure 26: Trends in the Austrian physical retail space. Source: Own Figure, cf. KMU Austria 2018

Figure 27: Trend in German retail space
Source: GfK 2015

Development of Retail Space in Austria
(change in thousands of m², compared to previous year in white)



Development of Retail Space in Germany

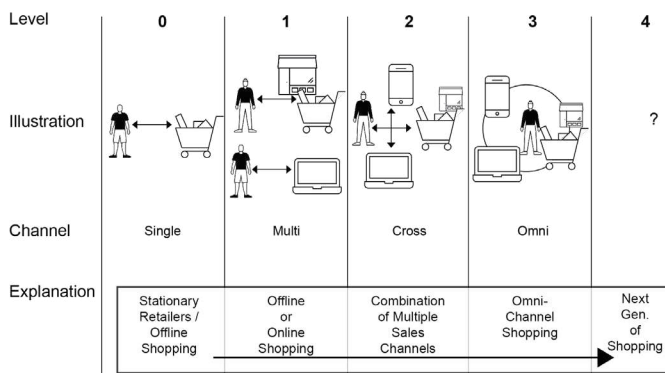


Physical retail is no longer purely about shopping. In the past, brick-and-mortar shops served as distribution channels. Today there are other ways to get products from a business to the consumer.

4.6 SEAMLESS COMMERCE

The discussion about online versus offline retail and which channel will „win the fight in sales“ is no longer relevant to the present day. While literature often discusses „online vs. offline,“ the theme of today’s and future retailing is „online & offline.“ The majority of consumers do not want to give up on physical channels, but neither on electronic commerce. Customers increasingly seek „no-line“ trading – retail without sales channel borders, also known as omnichannel or seamless commerce – the future of Retail (Brandeis 2014: 90f). Finding a product on YouTube, collecting information via an app, testing the product in-store, ordering it online afterward with shipment to a pickup point or directly to the doorstep, and if there are any questions using messenger services over social media or the web page’s chatbot – this is how a customer journey of the 21st century looks like (TrendOne 2020). Technology has removed borders between physical shops, online shopping, and m-commerce. The buzzword of retailing today is seamless commerce – describing a smooth customer experience across all possible channels. Besides technology megatrends like individualization, artificial intelligence, data technology, mobility, impact consumer behavior, and how retailers address their customers. Besides offering a smooth shopping journey, seamless commerce requests retailers to use a platform that offers and coordinates digital and physical channels and data. These options complement each other rather than compete, as commonly assumed (CBRE 2018: 8).

The following sub-chapters explain the evolution of commerce, currently dealing with seamless commerce and omnichannel experiences. Moreover, contemporary retail concepts answer the research question, „What are the new retail concepts disrupting the market in major US cities?“ will be presented at the end of this chapter.



The graphic besides shows the evolution of retail trade, beginning with physical, offline sales on level 0, transforming to multi-, cross- and omnichannel retailing over the next levels.

Figure 28: The evolution of retail trade. Source: Own Figure, cf. Stieninger et al. 2019: 48

4.6.1 OMNICHANNEL

Omnichannel shopping can take on many different forms. Generally speaking, it refers to retailers and consumers combining multiple channels while selling, buying, and delivering goods. Various forms of an omnichannel journey include buying a product online from a personal device and returning it in-store or researching in-store, purchasing online, and later returning the purchase in-store. What distinguishes omnichannel retailers from traditional operators is that they draw benefits from offline and online spaces to market their goods – positioning them on the interface of single-channel brick-and-mortar only retailer and pure-play „e-tailers“ (CBRE 2018: 7f). Besides omnichannel retailers using the best of both sides – online and offline, research by the Harvard Business Review (2017) revealed that their customers, those who shop across multiple channels, spend 4% more time browsing in-store and 10% more online than traditional single-channel shoppers. They are loyal customers and are reported to make 23% repeat shopping trips to a store after a first interaction. Omnichannel consumers favor the convenience that technology provides. The naturalness of service and comfort offered by the internet has raised customer expectations, may it be regarding price, service, product options, or experience. Beyond that, a study conducted by UPS (2017) pointed out that „64% of online shoppers expect orders placed by 5 p.m. to qualify for next-day shipping or delivery and 61% expect orders placed by noon to qualify for same-day shipping or delivery“. Studies show that omnichannel is mainly demanded by 16 to 39-year-olds, who are open-minded towards innovative shopping concepts and households with middle or higher income (KPMG 2016: 8).

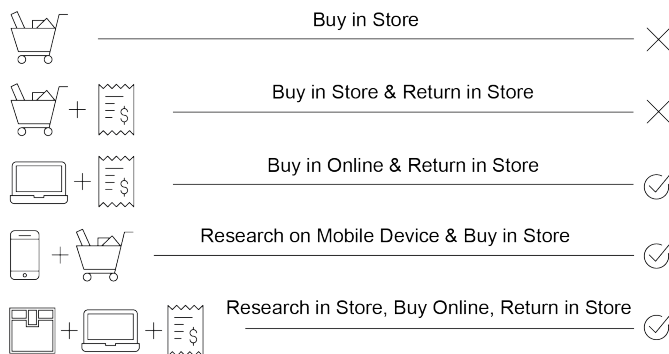


Figure 29 illustrates the definition of omnichannel retailing within different scenarios. Scenario one and two do not count as omnichannel purchases.

Figure 29: Omnichannel scenarios. Source: Own Figure, cf. CBRE 2018: 7

4.6.2 THE ROLE OF PHYSICAL SPACE

The physical store remains a significant value for consumers shopping omnichannel. However, brick-and-mortar retailing today is no longer about selling. More important is the relationship made with customers interacting in a physical space (Handelsjournal 2019: 54). Research by Forrester Research (2018) has shown that brick-and-mortar stores influence online purchases and vice versa. Retailers report that overall sales increase in markets where a new store opened and decreased if a physical store was closed. The founder of the retail consultancy Lionescape, Melissa Gonzales, explained in an interview that:

„the physical retail experience is often an anchor location that drives a halo effect across channels for brands and retailers. The „halo effect“ refers to the increase in online sales following the opening of a physical store“ (Poleg 2020: 37).

Digital brands, former pure e-players like Glossier, Everlane, Amazon, or Zalando, are taking in this fact and start opening physical stores to onboard new costumers, transforming retail from a product-centric to a consumer-centric approach – offering services and passing pleasure rather than shelved products. This trend also referred to as „clicks-to-bricks,“ offers consumers an interactive shopping journey, with the ability to test products in-store before deciding on a purchase. While retailers were once focused on the margin between the costs of producing and the sales price, modern-day retailers are now increasingly focusing on the price it takes to onboard new customers compared to the customer lifetime value (Proleg 2020: 38).

Anthony Slumbers (2019) says: *„The twenty twenties will see the primary purpose of physical retail becoming a customer acquisition cost. Stores will act like media being places where brands can demonstrate their values, products, attitudes and ethos compared to the cost of customer acquisition online“*. While Facebook and Google collect advertising taxes, good-located stores will present great financial value from a marketing perspective. While physical shops are shifting away from being distribution channels, towards counting as acquisition costs, sales per se are no longer the primary point, and turnover rents should be treated with caution (Slumbers 2019). Futurist and author of the „Retail Prophet“ Doug Stephens compares a physical shop to media and points towards a different way of evaluating physical space. Slumbers (2019) adds: *„If you combine the number of people who visit your store with how long, and then compare this to the cost of being able to keep their attention online in an immersive experience, then the value of that shop can be looked at in a very different way. How much does it cost to get a customer to watch a 20-minute branded piece of content online? Answer a lot“*.

Stephens (2020) describes a phenomenon that can recently be observed: *„We (the retailers) used to go buy media in order to drive people to stores, what was really happening in the marketplace is that brands were beginning to use stores to attract new customers and then move those customers into media channels where they could buy the product over the course of their lifetime.“* A complete reversal of roles between stores and media. The focus in retailing is too often set on the point of transaction, called „point of sale“ (POS),

pushing other key stages into the background. Even when making the final transaction online, consumers use the physical store for research and testing. Stores are becoming touchpoints for three-dimensional interaction with products.

Furthermore, many customers prefer returning products in stores, then taking them to postal service to ship them back (CBRE 2018: 7f). In omnichannel retailing, the role of physical space changes towards better complimenting the online shopping experience, and shops will be seamlessly connected to the online shopping platforms. This is possible through in-store technology, interactive screens, and the appropriate layout design of the shop, which makes the integration of electronic functions possible (Sivitanides 2017: 95). To sum up, the role of the physical retail store is experiencing a complete paradigm shift. It is no longer about the product – where is it going to be placed, stored, and merchandised, according to Stephens (2020):

„It’s not about product per square foot or sales per square foot. It should be about experiences per square foot“.

4.6.3 CHANGES IN RETAIL

With the hybrid „clicks-and-bricks“ retailing format, online and offline channels complement each other – e-commerce offering product search, discovery, and price comparison. In contrast, offline stores provide the possibility to test and interact with the goods, make three-dimensional experiences, purchases, and returns. Splitting these functions between different channels makes room for physical stores to re-structure their offering and change their appearance. Trough omnichannel-stores are becoming points of service and experience, with skilled staff being critical factors for success – concentration on clear orientation, essential goods, and high emotional value. Modern stores are curated, addressing a specific customer group, and concentrating on clear orientation, essential goods, and high emotional value, adding a sense of stability and reliability to a brand (KPMG 2016: 42). Like in the abstract from chapter 4.4's introduction to retail, the shop of the future will resemble stores of the early 19th century – feeling more like a staging ground and less like it was designed to sell in the traditional sense. Like the innovative department stores 200 years ago in Paris or London, contemporary shops create an emotional response and offer experiences and entertainment (Poleg 2020: 11). Stephan Gerhard, a co-founder of the hotel chain 25hours, explained in a speech that **„a hotel is not a hotel anymore, a shop not a shop. The boundaries of genres are dissolving, hybrid community spaces with experience-oriented character are evolving“** (Handelsjournal 2019: 55, own translation). Retail is shifting away from the product, towards branded shops that embody the lifestyle. According to Henning Beck, neuroscientist, and author, nobody buys an iPhone because of the fast processor, the reason for buying an Apple product is belonging to the community (Hunziker 2019: 71).

A question that is increasingly arising in professional circles is whether stores will be so-called „third places“ – places beside the workplace and home, for gathering, social interaction, and spending a vast amount of leisure time (Spanke 2020: 31). While e-commerce is gradually taking over more functions of the fundamental sales process, stores can become community places, offering free workshops, events, and space for gathering. In 2017 Apple announced the redesign of its retail stores as community spaces, eliminating the word store from descriptions, turning „Apple Store, Valley Fair“ into „Apple Valley Fair.“ They are avoiding the impression that stores are about selling. Apple's Senior Vice President of Sales Angela Ahrendts introduced the concept of „town squares“ a year later in 2018. She stated, *„we want to be more like a town square, where the best of Apple comes together, and everyone is welcome“* (Future Stores 2017). Heike Scholz (2018) commented this in an article, explaining that Apple's smart marketing strategy, offering customers an experience that does not feel like a big company trying to generate revenue, and creating „third places“ to revisit regularly, is high-level work – but in the end, Apple is running stores like any other retailer which are not public places.

What can be concluded from the shifts in retail due to seamless commerce is that new categories of shops are emerging. May it be testing and playing, pop-up shops, paid experiences within branded stores, or stores offering community hub feeling (Spanke

2020: xi). Physical stores will increasingly be transformed into curated showrooms where *„all products are displayed, but only one piece each. The customer can test, try out, and try on as he pleases. If the consumer has decided on a product, they can buy it easily and without waiting in the showroom with their smartphone, for example using a QR code. A new copy is then delivered directly to the store, to his home, or any other location of his choice“* (Heinemann 2017: 64, own translation). Seamless commerce and its omnichannel solutions unbundle the traditional shop individual parts connected by a digital layer – an infinite shelf on the web served by a logistic arm with a network of physical store locations that serve customers and build relationships and onboard new shoppers (Poleg 2020: 26). Antony Slumbers (2019) comments on the transformation of retail:

„Retail is not about multichannel or omnichannel but is just retail. Online and offline serve alternative purposes, but each has its place. Understanding what that purpose is is vital“.

CASE STUDY 5 RESEARCH

This chapter begins with an introduction to case study research as a scientific research method and presents the research design. The following sub-chapters explain the developed classification-structure of ten contemporary retail concepts and present each topic briefly. Chapter 5 ends with a discussion of findings and serves as a basis for further investigation in chapter 6.

5.1 INTRODUCTION

Chapter 5.2 presents ten contemporary U.S. retail concepts from which two are chosen for an in-depth case study research. By analyzing different retail concepts, a model is established which groups the cases based on essential characteristics. A case study is an empirical method that investigates a contemporary phenomenon. The phenomenon, or „case“, is analyzed in depth within its context. Whereas in other research techniques researchers influence the surrounding of investigated subjects, case study research explores the phenomenon and the context without influencing the circumstances. *„There are two ways to learn how to build a house. One might study the construction of many houses – perhaps a large subdivision or even hundreds of thousands of houses. Or one might study the construction of a particular house“*, as John Gerring states in his book *„Case Study Research: Principles and Practices (2007: 1)*. The metaphor above refers to the two common approaches in case study research, the cross-case method, and the case study method. Both strategies aim for the same goal: the case-based understanding of causation, embedded in a specific context, and details that are often lost in large data analysis (Gerring 2007: 5). Case study research can be qualitative or quantitative, or even both, giving researchers a spectrum of tools to investigate and explain causalities. However, case study research is seen controversial among scholars. Zeev Maoz (2002: 164f) explains: *„There is a nearly complete lack of documentation of the approach to data collection, data management, and data analysis and inference in case study research. (...) one often gets the impression that the use of case study (sic) absolves the author from any kind of methodological considerations“*. A frequently cited work is Robert K. Yin’s publication *„Case Study Research and Applications: Design and Methods“ (2018: 4)*. He presents case study research as a useful, integral, and suitable method when appropriate for a particular evaluation situation. Yin quotes, *„there is no formula, but your choice depends in large parts on your research question(s). The more that questions seek to explain some contemporary circumstances (e.g., „how“ or „why“ some social phenomenon works), the more that case study research will be relevant“*.

Method	Form of Research Question	Requires Control of Behavioral Events?	Focuses on Contemporary Events?
Experiment	How, why?	Yes	Yes
Survey	Who, what, where, how many, how much?	No	Yes
Archival Analysis	Who, what, where, how many, how much?	No	Yes/No
History	How, why?	No	No
Case Study	How, why?	No	Yes

Table 2: Different Research Methods. Source: Yin 2018: 9

5.1.1 RESEARCH DESIGN

The literature review provides information on changes in the retailing landscape and presents new retail concepts that disrupt the market in major, primarily U.S., cities, and the challenges they solve. Chapter 5 introduces key factors and participants shaping the industry prospectively. The case study research aims to give answers to the following questions:

- How do the investigated cases impact the retail real estate sector and the future of its participants?
- Are the new U.S. retailing concepts transferable to other western-world cities – for example, to Vienna, Austria, and do they potentially disrupt European retail real estate markets?

Data sources can be articles, papers, books, letters, etc. as well as archive data providing insights to documents, budgets, and organization charts. Interviews, field observations, guided observations, or the analysis of artifacts can deliver further information. Four criteria are commonly applied to ensure the quality of case studies: construct validity, internal validity, external validity, and reliability. These can be assured by using multiple sources of evidence, key informants reviewing reports, pattern matching, and explanation building, using theory in single-case studies, and replicating logic in multiple-case studies (Yin 2003: 41).

Data Source	Advantage	Disadvantage
Documents (Letters, articles, memoranda, etc.)	Non-volatile, exact, comprehensive	Access limited, possibly consciously biased
Archive data (Documents, organization charts, budgets, etc.)	Qualitative evaluable, non-volatile, exact, comprehensive	Access limited, possibly consciously biased
Interviews	Targeted, enables new dimensions of insight, tacit knowledge	Possibly consciously biased gives answers that the interviewer would like to hear, interpretable
Observations	Close to reality, contextual	Time-consuming
Guides Observations	Provides insight into interpersonal behavior and motives	Researcher impacts reality due to interactions
Artifacts (special computer print outs, etc.)	Additional impressions	Selected availability, not very profitable

Table 3: Data sources in case study research and their dis- /advantages. Source: Yin 2003: 86

CATEGORIZATION OF 5.2 EMERGING RETAIL CONCEPTS

Retailers are coming up with creative ways to offer customers a unique shopping experience. May it be apparel shops teaching sports classes, technology companies providing communal space, or logistic businesses participating in the battle of last-mile service solutions. The retailing landscape has begun to shed its skin and is transforming towards contemporary solutions, combining the best of the online and offline spheres. Disruptions within the retail industry are causing turbulence in the real estate landscape – retailers have come up with modern concepts and seek the support of property players to manifest a sustainable partnership. However, not only retailers developed contemporary strategies and offerings. Space providers themselves are getting involved in the distribution chain or logistics. The following sub-chapters give insight into particularly aspiring and innovative retail and real estate concepts and answer the research questions:

- „What are the new retail concepts disrupting the market in major US cities?“
- „What challenges of online and brick-and-mortar trade are being solved?“

The categorization of the ten contemporary retail concepts is based on a literature review, desktop research, and most significantly field investigations in New York City January and February 2020. Mathias Spanke's book „Retail isn't Dead“ was a helping guideline for listing new concepts. However, his work does not refer to the concepts' potential to influence the retail real estate market, but to general strategies for success in brick-and-mortar retail. The question of how these concepts impact the retail real estate sector and its participants' future will be discussed in chapter 8, EFFECTS ON THE PROPERTY SECTOR. This chapter is accompanied by the „trend explorer“ attached in chapter 12 APPENDIX, presenting a cross-category overview of emerging retail companies and concepts.

5.2.1 RETAIL-AS-A-SERVICE

Offering simple, intelligent, and easy access to brick-and-mortar retail space is a significant trend in today's retail real estate landscape. As explained in chapter 4.3.1, RETAIL REAL ESTATE PRINCIPLES, leasing space to tenants and collecting rent is the typical revenue model for landlords. This rigid model does not provide the flexibility modern-day retailers see and know from the digital world. The concept of retail-as-a-service allows brands to sign retail-space-memberships to test the offline market before they possibly open independent stores. Companies register online, choose their products to display, and then rent a space with a retail-as-a-service provider. The provider helps in placing the products in-store and tracks consumer behavior and product interaction. The brand receives a detailed analysis of anonymous data and can adapt its offer to match consumer preferences better. This data, for example, includes how often a product was touched, tried, and bought. The point of retail-as-a-service is not making sales in the first place – the space provider does not make a profit of the products sold but rents out space for companies to analyze customer behavior and allowing the customer to try new products (Spanke 2020: 11). Products are usually placed in themed booths that appear as the environment the product would typically be used in or within showrooms without shelves, racks, and packaging. „*We don't care where the customer ends up shopping, here on-site, on our website or at another retailer,*“ says Kevin Wilson, Business Developer at B8ta (Brandeis 2018).

Research Question „Which challenges of online and brick-and-mortar trade are being solved?“: Space-as-a-service, more specifically retail-as-a-service models, aims to provide digital native brands a physical touchpoint with customers. Online brands often cannot afford to be part of a physical retail world. The reason for this is that it is effortless to start a business online, but operating a physical store requires a skill set that most people do not have. Real estate and retail service providers like B8ta and Showfields make opening a physical retail space as easy as starting a website. „*We can solve a huge problem for online brands,*“ says Amir Zwickel of Showfields (2020).



Companies:

- B8ta
- Showfields

Figure 30 shows the inside of a B8ta store in California. Products are placed on wooden tables, each presenting one brand. Customers are encouraged to test and play.

Figure 30: B8ta. Source: brandeins 2018

5.2.2 POP-UP STORES

Pop-up shops display products for a limited time and draw customer traffic by regularly offering new products, surprising, and inspiring the consumers. Pop-ups are not new to the retailing landscape, but companies that incorporate pop-up shops as a fixed part of their sales strategy are emerging. Physical retailers dedicate one or more areas in their shop to alternating pop-up curations or rent external space for stand-alone pop-ups. Architects and Designers are asked to create highly flexible spaces that can be adapted frequently. Pop-up spaces draw new customers through interactive and creative experiences. The limited offer of products creates a feeling of urgency, and shoppers do not want to miss out on the exclusive offer. Besides being a magnet for new customers, brands often use pop-up stores to test out new markets and products. If a company is considering launching a new product, the „test lab pop-up shop“ makes it easy to interact with shoppers, gain valuable data and feedback on new products (Spanke 2020: 23). Shops increasingly rent out space to retailers at a profit. Many brands are willing to pay for being an extra present in a physical store. The shop renting out the area often takes over the designing and building process of the pop-up setting and provides skilled sales assistants. As discussed in chapter 4.6.2, THE ROLE OF PHYSICAL SPACE, retailers are reporting that sales increase in markets where a new physical shop opened. Pop-up stores can be the physical touchpoint that helps onboard new customers and maintaining customer relations.

Research Question „Which challenges of online and brick-and-mortar trade are being solved?“: Pop-up shops are advantageous for retailers testing new products or a new consumer market. Launching a pop-up store is cheaper than a traditional store which enables, not only but merely, online retail companies in their early stage of growth to connect with customers and build awareness by being present offline. Pop-up concepts tackle the challenge of the long-term rental commitment of physical retail space by providing the option of renting spaces for as temporary as a day, week, or months, allowing businesses to be flexible regarding the sales location. As mentioned in chapter 4.6.2, THE ROLE OF PHYSICAL SPACE, physical retail is seen to become a customer acquisition cost, with stores increasingly acting like media. Therefore, the impact of a pop-up shop in reaching customers could be compared to running a campaign in media, or as headed in chapter 4.6.2, even more influential.

Companies:

- John Lewis PLC – “The Residence”
- Brickspaces – “_blaenk”
- Google Pop-up Store

Picture 31 shows the modular and flexible design of _blaenks pop-up concept. _Blaenk provides easily adjustable furniture to suit different brands.

Figure 31: Blaenk pop-up store design.
Source: autobahn 2018



5.2.3 PAID EXPERIENCES

Analyzed in chapter 4.2, CONTEMPORARY CONSUMERS, younger generations of millennials and gen zeds are valuing experiences as social currency. Retailers react to this shift by creating experiences that go in hand with their products to connect customers with their brand – a strategy of adding products, new markets, and services to the company’s core business. The first thing to consider is which existing product the company offers has the potential of creating a new branded experience. This is seen in culinary magazines opening food markets or fitness centers offering boutique hotel experiences based on health and movement. Besides widening the horizon of an existing product service, there is also the possibility to create new experiences related to a product, but from a completely different industry. For example, a brand sells protein bars that offer personal training, or a furniture shop opening a hotel equipped with its products (Spanke 2020: 18).

Research Question „Which challenges of online and brick-and-mortar trade are being solved?“: Consumer preferences and behavior have changed. While in earlier times and older generations, it was the value of possessions that defined social reputation; young consumers nowadays consider experiences equaling social currency. Doug Stephens explains: „(...) *It’s abundantly important for retailers to consider that for those young consumers, the products that they’re selling in their stores, the value isn’t negated, but the experience is what will be posted online*“. For products targeting millennials or gen zeds or generally contemporary consumers, brands can drive up their revenue by selling product related experiences in both physical and digital worlds. Besides offering a branded experience and incorporating products in their natural setting, companies physically onboard customers who buy their core products.

Photo 32 is a shot taken in an Alo store in Los Angeles. The athletic apparel company Alo offers fashion and accessories and paid experiences like yoga classes, workshops, and a café.

Figure 32: Alo store in Los Angeles. Source: The Grove 2018



Companies:

- Alo Yoga Classes
- Equinox Hotels
- Time Out Market
- Standard Dose Workshops
- Muji Hotel
- The Dreamery by Casper

5.2.4 COMMUNITY SPACES

Although nowadays, many people are connected with friends and strangers on multiple social media platforms. Experts say that constant online connection leads to the decline of real relationships resulting in loneliness. The younger generation, digitally native, long for analog interaction, which provides retailers with an opportunity to satisfy this demand. Retailing concepts beyond general selling of products can become places of gathering and social interaction – also known as „third places.“ Giving the customer the feeling that the company’s primary focus is not only on selling them something is vital in gaining trust. With declining omnichannel in-store sales and curation of selected products, the free sales floor area can be transformed into a community space that welcomes customers to stay for some time and connect with other people visiting the store. Retail community spaces often additionally offer workshops, lectures, fitness courses, or co-working – giving clients good long-term reasons for visiting a store and adds value to the customer relationship (Spanke 2020: 31). A further trend that can be observed is a booming food & beverage scene. Restaurants, bars, and coffeehouses are becoming community spaces, where people not only meet to socialize, but work, study, or spend free time. Classic retail approaches fuse with gastronomic offers turning shops into meeting points and third places (KPMG 2016: 42). As touched on in chapter 4.5.1.1, E-COMMERCE BY CATEGORY, e-commerce has not played a significant role in food sales. While decreasing space in non-food trade can be observed, food and beverage related spaces tend to grow in size, presenting an opportunity for new concepts.

Research Question „Which challenges of online and brick-and-mortar trade are being solved?“: With stores shifting their range of products and purchasing transactions, online physical shops have freed areas to offer spaces for gathering. A cause for retail spaces becoming so-called „third places“ might lie in the transformation of society shifting towards „being“ rather than „having“ (Richter 2020). Dr. Christian Mikunda (2012) further explains the phenomena of third places being environments where people do not consume, but rather to soak up some emotional energy. Community spaces and third places are the answer to changing consumer behavior and societal values. Stephens (2020) underlines this fact, stating that for the younger generation, *„It’s not so much about what you own, as it is about where you are, who you’re with and what you’re doing.“*

Companies:

- Lululemon – “The Om Club”
- Apple’s “Town Squares”
- Capital One – “Community Banking”
- WeWork – “Made by We”

5.2.5 LAST-MILE-SOLUTIONS

The steady growth of e-commerce and consumer shopping omnichannel has caused shifts in customer behavior. Shoppers are used to the speed and convenience of online retailing and have high expectancies regarding purchase and delivery. Chapter 4.5.1.4, E-COMMERCE AND INDUSTRIAL REAL ESTATE, and the following chapter 5.3 discuss the connection between rising e-commerce sales and demand for logistic property. Consumers expect retailers to deliver anything within a blink of an eye, as research by UPS, referred to in chapter 4.6.1, OMNICHANNEL, has shown. Delivery and the logistics behind it will play an increasingly important role in the future, and retailers will have to develop efficient strategies to fulfill consumers' demand. Companies specializing in last-mile-delivery solutions are seeing the possibility this question of service brings. They have evolved business focusing on doorstep delivery. An example is a luxury company in China delivering designer parcels to customers by drivers in black premium vehicles dressed in white, or Amazon offering General Motor car drivers' delivery to a parked car without the owner's presence (Spanke 2002: 201). Delivery with drones, robots, and self-driving cars are also being tested in this context. Non-retail companies are forming out of the demand for services related to delivery. Besides focusing on shipment, some have seized the opportunity to create physical touchpoints as a last-mile solution, such as offering a place to ship deliveries to, try on, or test products on the spot and, if requested, ship back the order to the responsible company. Last-mile delivery is like retail, becoming a fun experience with space for social interaction.

Research Question „Which challenges of online and brick-and-mortar trade are being solved?“: As customers increasingly shop online, the number of parcels shipped has been growing. Last mile-solutions provide the missing piece in retail logistics between the online store and the end-consumer. A comprehensive discussion on last-mile solutions can be found in the case study chapter 6.2.



Companies:

- Posti Group "BOX"
- The Fitting Room Club
- Ohi
- Dropit

Picture 33 shows a Posti's BOX space in Helsinki. The Posti Groups operates in various fields of logistics, delivery, postal services, etc.

Figure 33: BOX with a fitting room in Helsinki. Source: Zukunftdeseinkaufens.de 2020

5.2.6 ALTERNATIVE POINTS-OF-SALE

Besides commonly known places of commerce, like the internet and physical stores, many new or modified points-of-sale, are emerging. The home is becoming a destination for deliveries and a place for retail – a place to pick, choose, and try out products. The retailer offers different options for the consumer, from small box retailing, voice-controlled purchases over Amazon's echo dot, or Google's voice assistant to technologized mirrors that support multiple applications (Proleg 2020: 31). As mentioned in chapter 4.6.1, studies show that especially 16 to 39-year-olds are open-minded towards innovative shopping concepts. Alternative consumer spaces are also evolving in virtual space. Online games like Fortnite are creating revenue through selling immaterial goods – attributes, emotions, and accessories for virtual game characters. Selling virtual goods in games is nothing new, but these purchased goods are usually skills or extra lives that provide an advantage within the game. In Fortnite, the purchased goods do not have any purpose from the games' point of view. They only influence the users' looks and show off their spending power. Online game-related events like e-sports competitions and live music performances in virtual spaces generate additional points-of-sale. Generally, it can be said that technology enables new retail formats and competitors and is redirecting consumer spending from traditional retail towards new assets and consumer landscapes (Poleg 2020: 32).

Research Question „Which challenges of online and brick-and-mortar trade are being solved?“: Alternative points-of-sale are closely linked to electronic retail, being detached from a traditional physical store. While these concepts count as online commerce, voice-controlled technology, online games, and e-sports are finding their way into homes and even event arenas, creating a physical touchpoint to the online world. During the Co-Vid19 pandemic, as people are requested to stay at home, alternative points-of-sale become more commonly used. With weddings, graduation ceremonies, and school being canceled during the lockdown, people are moving into the virtual world to celebrate and study online and subsequently spend money in the electronic landscape on intangible goods (CNN 2020). Alternative points-of-sale make purchases, and consumer experiences location-independent and reproduce similar social experiences brick-and-mortar stores offers.



Companies:

- Amazon Echo
- Fortnite
- Mirror – “Smart Mirror”
- Glossy Box

Figure 34 MIRROR created technological mirrors, working like a smart tablet, which provides apps for shopping on various channels.

Figure 34: MIRROR launches an alternative consumer space with at-home apps. Source: MIRROR 2020

5.2.7 VIVID EXPERIENCES

Physical retail, unlike online commerce, offers the advantage of testing and experiencing a product. Chapter 4.6.2, THE ROLE OF PHYSICAL SPACE, highlights that brick-and-mortar stores are becoming a customer acquisition cost, with stores acting like media and online media aiming at transactions. This is where vivid experiences come in – the best way of showing customers the benefits of a product is by letting them touch, feel, and experience it in a way they would use the item after purchase. Going further than shelves displaying the goods – companies have come up with creative ways of offering vivid experiences that show the value of products that would not be directly recognizable with conventional displaying methods. While showing the functionality and benefit of a product, customers learn something new. This strategy is used by sport shoe brands that offer running analysis or outdoor companies that install weather channels for clients to test the weatherproof gear. These playful experiences encourage interaction that cannot be provided online and leads to customers returning to the physical store (Spanke 2020: 2).

Research Question „Which challenges of online and brick-and-mortar trade are being solved?“: Vivid retail experiences provide an advantage to brick-and-mortar retail through physical and interactive customer experience, which cannot (yet) be reproduced virtually online. Vivid experiences, therefore, tackle the struggle of brick-and-mortar shops staying relevant by providing added value – toughing the material, testing a product on the spot, and experiencing its qualities in a setting comparable to the later use is something exclusive to physical retailing.

Companies:

- Nike „Test Zone“
- Canada Goose „Ice Age“
- Bose „Living Room“
- Samsung 837



Picture 35 shows the Globetrotter „Discovery Store.“ Customers can try out canoe, swim gear, etc. in the pool and get to experience products as they would after purchase.

Figure 35: Globetrotter discovery store in Cologne. Source: Oktalite 2020

5.2.8 RENTAL MEMBERSHIPS

New concepts that address the consumers' demand for sustainable and environmentally friendly alternatives to mass consumption are increasing. While almost every product within the fashion industry, and many products from other branches, can outlive their practical life span and can be used much longer than they are, consumers and companies are seeking for concepts that work towards considerate consumer behavior. Discussed in chapter 4.5.1.1 E-COMMERCE BY CATEGORY, fashion and accessories takes up the largest share of online purchased products. The distribution of online sales by category could be a point of reference when creating subscription models, as the barrier to the market is lower in e-commerce strong categories. People are demanding the expansion of product rental offers and subscription models, may it be for apparel, transportation, furniture, or home goods (KPMG 2016: 9). The consumers' mindset on renting goods has changed. In the past, borrowing things was related to not having the liquid means to afford a good and was linked to status. Nowadays, rental memberships have become successful business models. The customers have a better price-performance ratio and contribute to mindful consumption. Companies bind their shopper's long-time – a strategy that shows to have a future through rapid growth (Spanke 2020: 119).

Research Question „Which challenges of online and brick-and-mortar trade are being solved?“: Retail and property experts like Antony Slumbers predict a fast rise of shopping through subscription services in the coming years, particularly in replenishments of home goods, fridges, and wardrobes. Slumbers (2020) envisions: *„We'll receive two boxes a week, or a month; one full of items, the other empty. We'll simply keep what we like and send the rest back. Rinse and repeat, rinse and repeat.“* With data and algorithms analyzing recurring shopping patterns and preferences of consumers, retailers can market customized offerings to the customers and secure future transactions.



Companies:

- Ba&sh “Dream Closet”
- Rent The Runway
- REI “Used Gear Swap”
- Eileen Fisher “Upcycling”

Rent The Runway, as shown in the picture on the left, offers its customers a rental membership for fashion and accessories.

Figure 36: Rent The Runway store in America. Source: renttherunway.com 2017

5.2.9 INSPIRED BY ONLINE RETAIL

Technology is becoming part of physical retailing – may it be virtual reality, augmented reality, artificial intelligence, or radio frequency identification. The fact that these technologies manifest themselves in retail trade cannot be avoided and is still not clear to the majority of retailers (Spanke 2020: 39). Omnichannel stores are equipped with technologies that create unique, cutting-edge experiences, and on the other hand, collect data and information. Moreover, the physical store is connected to the online retailing sphere of a company and provides an infinite virtual shelf. Some stores are additionally linked to external websites like YouTube, Facebook, and other social networks. Well-known British drugstore Boots, for example, opened a store in London that offers besides 300 cosmetics brands a YouTube-studio where customers can record how-to tutorials and Instagram spaces for taking photos. Digital native retailing giants Amazon and Alibaba have launched physical stores inspired by the speed and convenience of online retail. Working with in-store apps, customer advisory service based on collected data via social networks or customer profile, easy check, and digitally managed pickup and returns, these retailers use the best of both sides – online and offline. Referring to Doug Stephens's quote in chapter 4.6.2, THE ROLE OF PHYSICAL SPACE, a complete reversal of roles between stores and media can be observed – a phenomenon that is seen in the concepts of Amazon, Alibaba or Boots listed below.

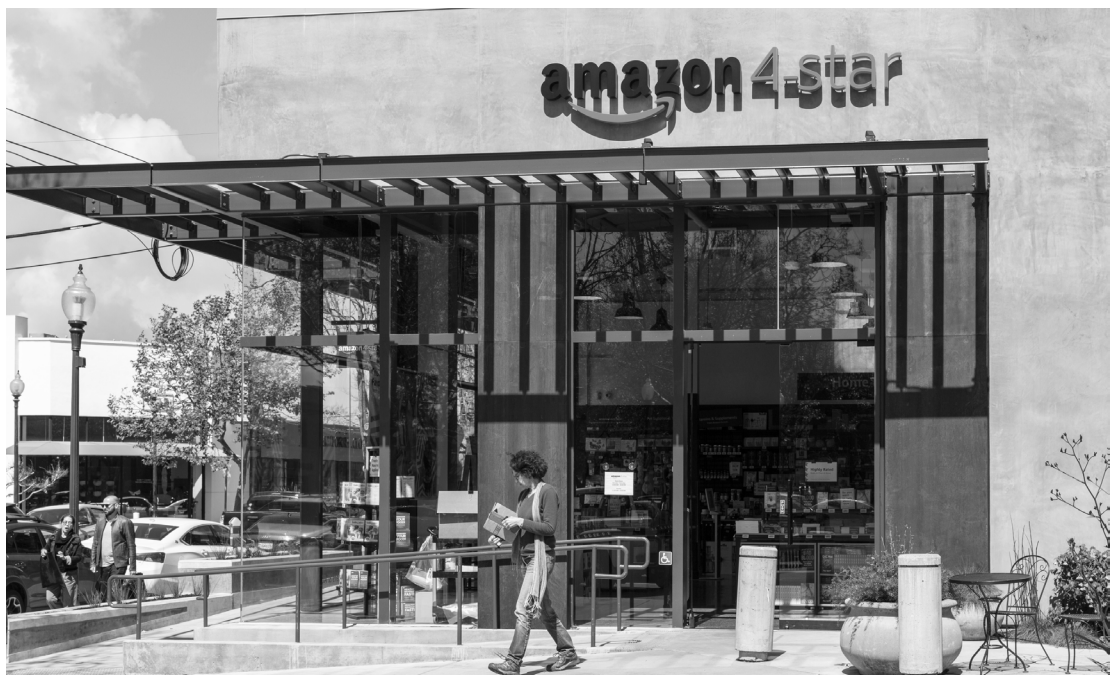
Research Question „Which challenges of online and brick-and-mortar trade are being solved?“: Physical stores are leveling up with technology known from e-commerce. These online inspired developments enable seamless commerce within omnichannel strategies and merge online and offline worlds, giving added value for retailers in sourcing data, improving sales, distribution strategies, and onboarding new customers as well as comprehensive services for the consumers.

Companies:

- Boots Convent Garden
- Re:store
- Amazon Books
- Amazon 4-star
- Amazon Go
- Alibaba Bingo Box

Amazon 4-Star shops, seen in figure 37, sell products rated with four or five stars on Amazon's website. Through data analysis, 4-star shops offer products which were purchased a lot online in specific locations.

Figure 37: Amazon 4-star in California. Source: Getty Images 2020



5.2.10 HYBRID SPACES

Brands are increasingly branching out from the traditional retail space concept to differentiate themselves from competitors and attract consumers. As mentioned in chapter 4.6.2 on physical retail stores, the barriers between retail asset groups, and usages blur. As it was formerly easy to categorize and differentiate usages, shops, restaurants, office space, and service providers are merging into one. The term „hybrid“ refers to a combination of things that becomes a new entity (Relia 2018). New retail formats, influenced by unique settings, are emerging. May it be a boxing club becoming a discotheque for fitness affine youngsters, an Airbnb apartment being accommodation and furniture showroom at once, or a lounge, like the ones at the airport, popping up in a shopping center. This underlines the fact that as retail is becoming more about lifestyle experience than transactional purchases, commerce spaces are breaking the traditional corset. Similarities can be seen between 4.6.4.4 COMMUNITY SPACES and hybrid spaces, as both concepts go beyond pure „selling“ and incorporate commercial aspects besides conventional retail.

Research Question „Which challenges of online and brick-and-mortar trade are being solved?“: The retail sectors of food and beverages, as well as paid experiences and service, are booming. Brick-and-mortar retailer merging their sales concept with non-product-centric attributes, and passing pleasure are meeting the zeitgeist. Hybrid spaces, which go beyond mixed-use development, as the cohesion of functions, are essential for hybrid spaces, and mixed-use developments have mutually independent functions. Physical retailers operating hybrid spaces need to be knowledgeable in different commercial real estate areas to successfully combine multiple asset classes and their special characteristics in one property.

Companies:

- 3den
- Grit Bxng
- An Aesthetic Pursuit – “Pieces”



Figure 38 shows the hybrid lounge space 3den – an office, café, boutique shop, and lounge, as known from airports. It is hard to classify 3den into a traditional product category, considering all the different offers the firm provides.

Figure 38: 3den Lounge at Hudson Yards in New York City. Source: 3den 2019

„A hotel is not a hotel anymore, a shop not a shop. The boundaries of genres are dissolving, hybrid community spaces with experience-oriented character are evolving.“ (Stephan Gerhard)

5.2.11 BREAKDOWN OF FACTORS

Concept	Description	Point-of-sale			Target Group		USP
		Principle of Residence	Principle of Domicile	Meeting-point Principle	Service for Customer Company (B2B)	Service for End-Consumer (B2C)	
Alternative Points-of-Sale			X			X	
	Spaces of commerce (online and offline) outside of regular commercial areas			Home, internet, alternative spaces differing from regular shops	Online affine shoppers using gadgets, smart devices, etc.		Offering innovative methods of purchasing, whether voice-controlled, via new types of devices or in alternative, virtual worlds
Community Spaces		X				X	
	Retail mixed with spaces of „third place“ character to spend free time in social surrounding			„Third places“, accessible in general areas of commerce	Millenials and Gen Zs, young professionals, customers looking for experience and social interaction		Aiming at the society's turn for real offline social interaction, often in combination with gastronomic offers and experiences
Hybrid Spaces		X				X	
	Mixing different usages / commercial categories to create exceptional retail atmospheres			General commercial areas mixed with	Various lifestyle cohorts depending on preferences		Creating a symbiosis of complementing uses that mostly address a particular lifestyle target group
Inspired by Online Retail		X			X	X	
	Physical spaces inspired by online retail (technology, design,...)			Online-known products sold offline	Online shoppers and digital native customers - especially Millenials and Gen Zs, online companies selling products		Bringing together the best of two worlds - online and offline, with technology and applications known from online shops
Last-mile-Solutions			X	X	X	X	
	Solving the link between pure online retailers and end-consumers by offering convenient and efficient solutions			Last mile between distribution center and customers home	Anyone making e-commerce purchases involving the sending of packages, also companies shipping their products		Satisfying the necessary logistics for growing on-line purchases and offer convenient solutions to both customers and online companies

Concept	Description	Point-of-sale			Target Group		USP
		Principle of Residence	Principle of Domicile	Meeting-point Principle	Service for Customer Company (B2B)	Consumer (B2C)	
Paid Experiences		X				X	
	Brands offering additional products and services linked to their core business	At the companies residence or external facilities			Various age groups interested in experiential commerce combined with a branded product		Offering experience along with a core product, aims at today's society considering experiences as social currency
Pop-up Stores		X			X		
	Flexible, short-term solution for testing new products and markets on little space	At the companies residence or external facilities			Companies wanting to test and enter a market, emerging brands wanting flexibility and little space		Inexpensive solution for emerging brands or companies to test a market or to use space temporarily
Rental Memberships			X			X	
	Serving customers with personalized continuing parcel commerce or in-store rentals	Purchases made online send to the consumer's home			Anybody interested in sharing economy concepts and abo-commerce		Aiming at a societal trend of sharing commodities rather than ownership and environmental awareness
Retail-as-a-Service				X	X		
	Real estate service companies offering flexible terms and all-inclusive shop set-ups to online retailers to test and scale their products	Online companies displaying products in physical store of external business			Pure e-player brands wanting to open a physical touchpoint with little effort and flexible leasing, all services provided		Giving online brands the possibility to open a physical touchpoint easily without much know-how on physical retailing
Vivid Experiences				X		X	
	Shops offering real-life experiences for customers to test and try products inside their brick-and-mortar shops	Within the store			Customers shopping in brick-and-mortar shops to test and play with products		Providing added value to brick-and-mortar shops through the advantage of testing and trying products live

Table 4: Model of ten contemporary retail concepts by factors. Source: Own Figure 2020

5.3 DISCUSSION OF FINDINGS

The model of categorization presented in 5.2 classifies retail concepts by their „points of innovation“. An fundamental discovery of analyzing contemporary concepts is that innovation and disruptive shifts address various points – this chapter highlights the areas in retail real estate that are primarily affected by or cause future change. The topics location, adaption, landlords & retail leases, industrial assets, and big players in the retail real estate landscape are discussed. This information serves as a basis for the literature review transition to the case study research in the next chapter.

E-commerce, socio-demographic shifts, and continuously developing technology are shaping future estate development patterns and impact retail space demand, as the figure below shows. The main drivers of change in the real estate market, impacting demand, value, and operation, are seen to come from innovations disrupting other areas of life – transportation, lifestyle preferences, or social-cultural shifts (Poleg 2020: 8). As an answer to changing consumer behavior, retailers change their sales channel matrix, showing effects on leasing strategy, space demand, rent, and property value within the real estate market (Dixon, Marston 2002: 24). According to the Chinese company Alibaba, the key to saving the physical retail business lies in the „complete digitalization of all commerce,“ leading to a seamless connection of offline and online sales (Alibaba 2020). Retail, and therefore also retail real estate, will not be based on stores anymore, but on „components of a digital ecosystem“ as Wolfgang Henseler, Professor for Digital Media at Pforzheim University and Creative Managing Director at the design studio Sensory-Minds, explains. Alibaba, a digitally native technology retail company, launched a model called BingoBox in 2016. Resembling the contactless Amazon-Go shops, where customers can buy groceries, and the purchases are automatically recorded when leaving the shop and afterward debited from an Amazon account, BingoBoxes work similarly, giving customers access through a QR-code scanned before entering. To the question, whether it is necessary to abandon the traditional concept of real estate in the retail sector, Wolfgang Henseler replied, „*not completely.*“ In his opinion, retail spaces will group dynamically in the future. This is what the retailing giant Alibaba has already been doing with its BingoBoxes. By loading the box onto a truck trailer, it can easily be moved from one place of the town to another, depending on demand. The retail real estate industry is facing significant changes. Sometimes it is not about transformation, but about disruption. „*It’s not that hard to create new ideas, it’s harder to let go of old success models*“ pointed Frank Dopheide, Spokesman of the Management Board of Handelsblatt Media Group out at the event „beyond retail“ (Handelsjournal 2019: 53, own translation).

5.3.1 LOCATION

The retail environment is developing into two extremes – while centers are booming, small-town retail is dying. Particularly affected by developments linked to e-commerce are small and medium-sized towns with individual specialist shops (KPMG 2016: 14). The gap between A and B-locations is spreading; rents are rising in attractive location locations while B locations are dealing with vacancies. In the future, a-locations will be mainly demanded by international retailing chains and online-pure-players entering the physical market. Big-box retailers are coming up with smaller, flexible store solutions to reach into urban markets (CBRE 2018: 45). Retail stores in prominent locations will increasingly work with curated showroom concepts displaying products and interactive experiences that invite customers to spend time in the shop, paired with a logistic wing located in a comparatively under demanded location for transactions, distribution, and delivery operating in the background (KPMG 2016: 27). As a result, sales areas decrease, and the small shops offer a reduced product range on-site, complemented by a full online range. This tactic helps reduce rental costs and, at the same time, raises questions of logistics. Business Improvement Districts (BIDs) or municipality groups can improve the attractiveness and frequency of shopping streets and neighborhoods. Landlords within a BID work actively and financially together, often-times supported by governmental development funds. Real property within a BID usually gains worth or at least maintains its value (Heinemann 2017: 141).

5.3.2 ADAPTION AND RE-USE

Flexible designs and uncomplicated adaption of store layouts are more important than ever. The boundaries between space functions and uses are fading – people are working in restaurants and coffeehouses, living in hotels, socializing at the office, or shopping malls. With this disruption of demand, some uses, including retail, can be adapted and re-purposed. Retail property owners need to consider whether adaptive re-use is the way to go with their premises (Dixon, Marston 2002: 25). While maintaining the original structure of the existing building, necessary retrofits are done to the inner workings. Besides building adaptations, considering other innovative concepts to re-use vacant space, for example, leasing it out to unconventional tenants and businesses, is a way to go. Creative concepts for interim use can help landlords generate income while considering a re-purposing of their property and provides a social and cultural benefit to the community (Heinemann 2017: 140). When analyzing the reusability of vacant space, current demographic trends should be based on decisions. The building envelope and the interior of a building have different lifespans. According to a study by KPMG (2016: 25), retail companies have noted an increased need of investments per store, while renovation cycles of physical stores have been reduced from 9 to 7,8 years on average. Separating the structural construction from the interior fixtures extends the lifecycle of a building. Uncomplicated and flexible adaptations, already considered during the planning or renovation of a building, enable sustainable and straightforward conversion at a later point.

5.3.3 LANDLORDS OF THE FUTURE

Significant shifts in the retailing landscape, fueled by increased growth of e-commerce and the emergence of omnichannel retailing, both leading to the alternative use of retail space, have changed the role of landlords and companies working on behalf of them. Landlords should take a close look at their existing tenaning mix and possibly need to reconsider those especially vulnerable to online penetration. Less e-commerce affected categories like food & beverage, health, beauty, and service providers are increasingly sought after, offering landlords a stable bussiness opportunity. (CBRE 2018: 39). As already suggested in a paper by Dixon and Marston in 2002 (25), landlords need to screen potential retail tenants on their ability to use technology effectively and integrate online retailing solutions into their business concept. Another possibility lies in the introduction of a new type of centralized intermediate landlord that offers services to unskilled tenants. Property owners need to encourage tenants to use a multichannel strategy while providing them with necessary infrastructural installations that enable online and offline action. Whether retail landlords of the future should integrate logistic space to offer tenants a holistic solution and offer services that were once provided to small shops by department stores arises within experts. Dynamical thinking is required to answer future questions. It is no longer the difference between demand and supply that is shaping market opportunities – analyzing the changing nature of demand and supply within society helps seeking new possibilities for industry participants. Another question property owners should consider is, whether network effects, could increase the value of the premise by integrating buildings or property into partnerships with other operators (Poleg 2020: 215). A prime example of how landlords take on curators' roles can be found in New York City's West Village. A project launched by Brookfield Properties in 2018 under the name „Love, Bleecker“ gives emerging artists, designers, and wellness savants the possibility to open first offline stores. The residency program within the store strip owned by Brookfield Properties lasts for one year, giving the digitally native brands time to experiment and analyze how their products work offline. At the end of the residency, the brands can decide to cancel or extend the lease or expand to other locations (Love Bleecker 2019). Landlords in the future need to provide services that help the emerging brand make the first experience in the physical retail world.

According to Dror Poleg (2020: 206), the real estate landscape is shifting from:

„(...) an industry governed by operational effectiveness to an industry governed by strategy.

It is evolving from an industry that thrives on well-run assets to an industry that thrives on well-run businesses.“

For landlords, just like developers, investors, and operators, this means catering to specific customers with a unique value proposition and planning business on regular activities that bring long-term profitability. Walking with the spirit of times helps to stay relevant to the market (Poleg 2020: 211). The word „landlord“ might not be appropriate anymore; instead, they are becoming businesses that provide services and capabilities and tie different

assets and infrastructure together. Doug Stephens (2020) visualizes the future role of landlords as following:

„I think it begins with ceasing to think of your business as being that of commercial real estate. You know, it would be, to use a Cirque du Soleil reference, it would be sort of like Cirque du Soleil thinking we're in the business of tents. You know, we put people in tents. No, you don't. The tent is important. That's the vehicle where we stage the show. But it's the show that people are coming for. It's the show that matters“. Owners and operators of real estate are no longer only in the commercial real estate business but also in the hospitality and entertainment business.

5.3.4 RETAIL LEASES

Retail leases are, as touched on in chapter 4.3.3, comparatively long leases at around 5-10 years. The current structure of retail leases, particularly long-term leases, is a barrier for companies to enter the market and pose an issue for the entire industry (Nead 2017). Tenants are requesting shorter and more flexible leases as opposed to the traditional 5-10 years. Contemporary leases facilitate more accessible entry to physical stores through minimal costs and commitment. Before signing a standard lease, online-pure-players often take their first steps in physical retail with pop-up locations (Poleg 2020: 25). At the turn of the century, Mark Borsuk suggested implementing „wired leases“ – referring to a combination of online and offline channels. Wired leases opt to give retailers sufficient flexibility while reconfiguring the sales channel matrix and capture internet sales that originate in stationary retail (Dixon, Marston 2002: 27). Today we are facing a revolution in how space is monetized. Formerly the value of retail space was derived from the revenue it could generate, and the rent was taken as a percentage of sales or as a fixed monthly amount. As nowadays retail space is not set out purely on direct sales between a seller and consumer, retailers see the opportunity in using physical stores to acquire omnichannel customers offline – a cost-efficient alternative as rents are stagnating or declining and online „space“ for advertising is increasing (Poleg 2020: 37). Before the coronavirus crisis, *„tenants were asking for more flexibility and service, but most landlords refused to give tenants what they wanted,“* says Dror Poleg.

„Landlords will now be willing to take on more of this risk because they simply no longer have a choice. When your building is suddenly 20% to 30% empty, you become much more open-minded about a lot of things“.

With commercial real estate no longer being a passive investment possibility, in which landlords could sign up tenants in the long-term *„(...) and then sit back and collect rent, investors and developers are being pushed by a series of disruptions to become much more active“* (Bloomberg 2020).

5.3.5 INDUSTRIAL REAL ESTATE AND LOGISTICS

Growing e-commerce is pushing the demand for industrial space to all-time highs. Traditional competence of industrial real estate landlords is no longer sufficient for succeeding in the technologized market. While once financing, development and maintenance of industrial assets were the main spheres of competence, nowadays and even increasingly in the future, the value of industrial assets will depend on the operator's ability to integrate hardware systems that can be linked to retailer's distribution channels (Poleg 2020: 185). Quiet Logistics, a provider of fulfillment services, recognized the opportunity to offer digitally native brands a service platform including „(...) *physical retail stores, physical fulfillment centers, and the service layer required to sell across multiple channels*“ (Poleg 2020: 289). Former pure e-tailers have taken note of the advantages that physical touchpoints offer. Digital native retailers like Bonobos or Away open up „guide-shops“ as points of service for their online web-shops. While the experience is physical, all transactions take place on the internet. The customer can try products and make alterations, and individual touches on the products via a screen. „*Digital and experiential commerce redefine the relationship between the warehouse and the store. Contrary to their historical name, many retail stores are no longer places where goods are stored.*“ (Poleg 2020: 190). Bonobos products are not stacked on shelves in the shop for shoppers to take home when walking out the door but promptly delivered from a warehouse, free of charge. Within urban agglomerations and large city regions, same-day delivery is increasingly demanded. Once the customer received its purchased goods, the physical store serves as a logistic contact point for returns, exchanges, etc. (Poleg 2020: 26). This is a new way of participating in the race to get products to the end customer ever faster, while unbundling the traditional store into the components shopping experience, logistics and last-mile solution, all connected by a digital layer.

5.3.6 BIG PLAYERS FORMING ECOSYSTEMS

Big Players of the retail industry are continually increasing their physical footprint, acquiring significant retail and industrial assets. Retail giants like Amazon, Walmart, and Alibaba are no longer only retailers. Due to their extensive real estate portfolios, they are becoming landlords, developers, and operators of physical space, providing infrastructure for other businesses. By including real property in their ecosystem, its value rises – according to Dror Poleg (2020: 40), *„this is a power that most traditional landlords don't have.“* A fact that can be drawn from this is that the value of physical space will increasingly depend on the ecosystem it is integrated into. Besides premises in close locational context, forming an ecosystem, as seen in „Love, Bleecker,“ ecosystems can also be branded networks and online spheres. Dror Poleg sees the role of landlords within significant ecosystems doubtful. He poses the question of whether „real estate companies“ are in future qualified for developing and operating physical retail spaces – to choose the tenant mix and place incentives for consumers to be drawn to the stores. It is clear to him that landlords need to understand businesses and technologies and find a way to position themselves on a market that is continuously transformed by structural and cultural changes (Poleg 2020: 40). Big, integrated players have an advantage over smaller landlords – these may not be able to withstand the battle of relevance. Joining third-party operators or finding companies to partner with is vital.

IN-DEPTH CASE STUDY ON TWO 6 EXAMPLES

Chapter 6 is based on the categorization of retail concepts as presented in the previous chapter 5 and investigates two of the classified concepts – „retail-as-a-service“ and „last-mile-solutions“ in-depth. Findings derived from the two case study examples provide factors on which basis transferability is discussed.

6.1 SELECTION OF CASES

Chapter 5.2 presents ten contemporary U.S. retail concepts from which two are chosen for an in-depth case study research. The selection of cases is primarily based on access to various data sources and secondly on actuality and disruptive character. The cases that dominantly illuminate in chapter 3.2 defined research questions that are then chosen. As explained in 5.1 INTRODUCTION to case study research, a distinction is made between single-case studies and cross-case studies – investigating multiple cases and comparing them. After the case is determined, its boundaries are defined. Depending on whether a case study is holistic or embedded, the entire organization is analyzed or particular aspects. The following empirical research works with holistic single-case studies from different fields of the retailing landscape. The cases are chosen to provide an overview of two dominant, emerging retail spheres, impacting the retail real estate sector: retail-as-a-service and last-mile solutions. The retail-as-a-service company „**Showfields**“ serves as the first case study. Last-mile-solution provider Posti with the concept „**BOX**“ as the other case.

SHOWFIELDS BOX BY POSTI

CASE STUDY: SHOWFIELDS | 6.2 RETAIL-AS-A-SERVICE

Technology has changed real estate fundamentals. In the 1980s, when the way for connectivity and information technology was paved, the newly introduced personal computer cost \$30 million. At that time, computer chips had about 100.000 transistors, controlling low voltages in electronic circuits within computing systems. Gordon Moore, a co-founder of Intel, discovered a law during the early stages of I.T. development, stating that the number of transistors on a computer chip doubles every two years. Now taking the 100.000 transistors from 1980, the conclusion can be drawn that by 2020 computers are equipped with more than 10 billion transistors. This underlines the exponential development technology has experienced within the last four decades, leaving us at a point where to an extent, all other industries have been transformed in consequence. The real estate industry is no longer about real estate.

Technological developments change the way we plan and monetize real estate. These include wide-ranging connectivity, the internet of things with sensors collecting data about physical space, and the shift from products to services. For the retail real estate sector, the shift from brick-and-mortar sales to online platforms is regarded particularly formative. Physical retail is suffering because technology has enabled all kinds of competitors to flourish. The real estate industry has longtime neglected this connection, as little attention is paid to developments within the technology sector. With many online-pure-players taking action on the retail market, new real estate concepts catering to these digital natives are emerging. It is hard to classify the companies behind these new business models – are they retailers themselves, real estate companies, prop-tech providers, or even real estate brands? This question will be addressed in more detail below. The customers' problem they are aiming to solve is the following: Pure online retailers see the value and advantages of physical shopping touchpoints. Long-term leases and skyrocketing property prices make it hard for small emerging companies to gain a foothold in brick-and-mortar retail markets in metropolitan areas – the answer to this dilemma: space-as-a-service, or more precisely retail-as-a-service.

This type of space utilization emerged due to technological development and altering consumer behavior – space-demand is changing and forces fundamental modifications on the supply side of real estate. In a post-consumer world, people concentrate on being provided with services, experiences, and passing pleasures. As an answer to these developments, the real estate industry is gradually moving from products to services, and ownership to access (Slumbers 2017). Prop-tech start-ups and other industry players have adapted the WeWork-model to retail and offer flexible terms and all-inclusive set-ups to online retailers. The question arises „**how does this service-based concept disrupt the traditionally product-centric real estate industry? Are real estate people still the best people to operate real estate?**“

An in-depth study on New York City-based company Showfields was selected to provide answers to the questions posed above.

6.2.1 OVERVIEW

Figure 38 shows a section of a map of New York City. Showfields is located in Manhattan's southern neighborhood NoHo. Picture 39 the entrance to the store on Lafayette Street. Figure 38: Map showing the location of Showfields. Source: Own Figure 2020. Figure 39: The entrance to Showfields. Source: The New York Times 2019.

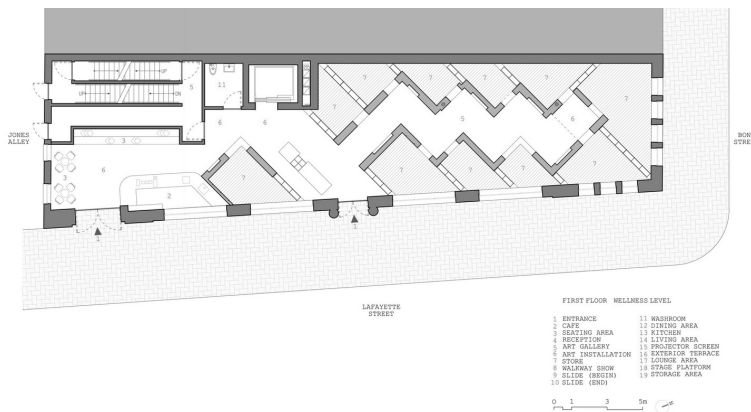


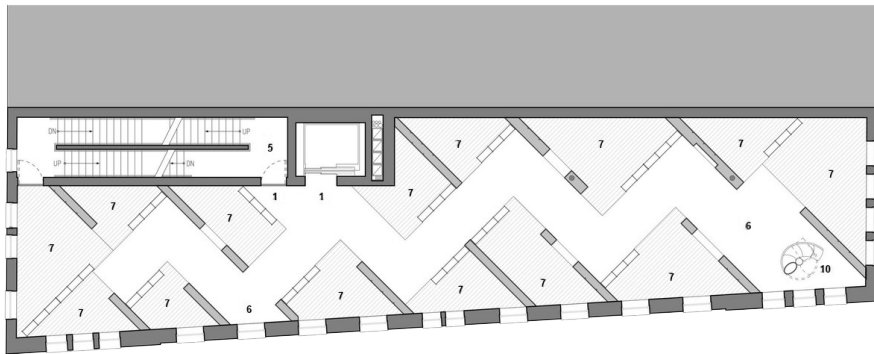
Name	Showfields
Team	Katie Hunt, Tal Zvi Nathanel, Amir Zwickel
Trend Category	Retail-as-a-Service
Location	11 Bond St, New York City, U.S.
Area	16.410 sqft (1525m ²)
Number of Floors	4 + Basement
Year	2018
Designers and Architects	LUK Studio and Marin Architects

Table 5: General data on Showfields. Source: Own Figure 2020

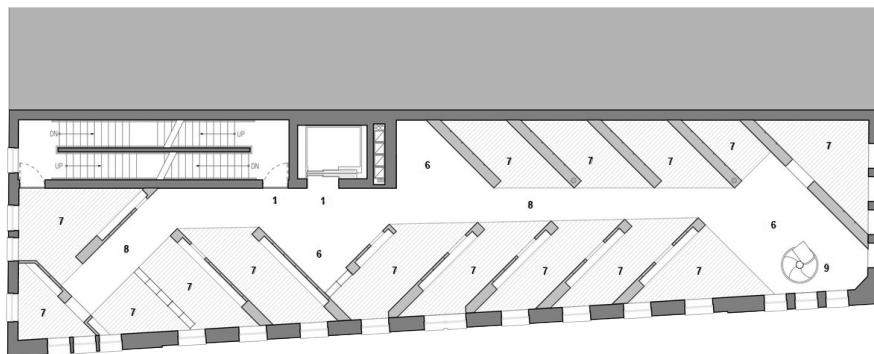
The corner retail space at 11 Bond Street, occupied by Showfields, has over 100 feet of frontage on Lafayette Street and 32 feet of frontage on Bond Street. The building provides 16.410 square feet of space on four floors and has a rooftop terrace and a basement. The location is close to the campus of New York University, Astor Place transportation, Greenwich Village, and the SoHo shopping district. In the surrounding area are many restaurants, bars, hotels, flagship stores, and luxury fashion retailers. The commercial property is owned and managed by RFR Realty, valued at \$26 million when acquired in 2015. The 4-story heritage brownstone, which was gut-renovated by Martin Architects, formerly served as a women's shelter. Before converted to a single retail tenant, a reconstruction approval from the Landmarks Preservation Commission was needed. The first three floors are dedicated to the showcase brands, while the fourth floor is designed as a public space for hosting events and gatherings.

Figures 40-43 show the layout of the first three floors of the building. Space contributed to the brands displaying products. Figure 40: First floor of the building. Source: Own Figure, cf. Archdaily 2019

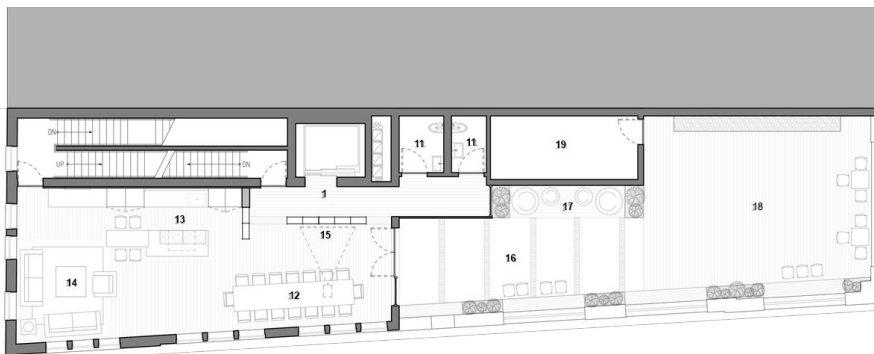




Second Floor



Third Floor



Fourth Floor

Figure 43 shows the fourth floor, hosting a co-working and event space equipped with a kitchen, and a rooftop terrace. Figure 41-43: Floor plans. Source: Own Figure, cf. Archdaily 2019.

„If we make having physical retail space as easy as opening a website, we can solve a huge problem for online brands“. (Showfields)

6.2.2 SHOWFIELDS

„When you look online, you can find more retail brands than at any other point in history. More innovation, more cool shit out there, and yet when you walk the streets of New York, London, Tokyo, or Tel Aviv, you find empty ground floors and shops that don't attract today's customers“, says Showfields co-founder Amir Zwickel (2020). Together with Katie Hunt and Tal Zvi Nathanel, Zwickel established the company in 2018. In an interview from February 2020, he explained, that the phenomena quoted above seemed strange to the three founders. They saw the problem: Online brands often can't afford to be part of a physical retail world. The reason for this is that it is really easy to start a business online. It is becoming harder to succeed online, but it is still easy compared to growing physically (Zwickel 2020). *„Opening your physical store requires an entire skill set that most people don't have“*, states Zwickel. The process of opening a physical retail space includes finding the right sized space, signing a long-term commitment – something most of the brands in the world cannot contemplate, as well as designing, building, staffing, and operating the store. These prerequisites are topped off with technological solutions helping to understand operations. All listed things are barriers for most online brands to enter the physical retail market and most of all prime locations. Showfields answer to this is:

„if we make having physical retail space as easy as opening a website, we can solve a huge problem for online brands“.

Their concept meets the spirit of the times – thousands of brands wanting to open a physical store have reached out to them, giving Showfields the possibility to pick the most interesting ones to create and curate a „museum“ full of brands nobody had ever connected with physically until visiting Showfields. While solving the problem of entering the physical retail landscape, Showfields also sells a sense of discovery. What the company addresses is the desire of costumers to discover the physical world. The three founders call their company Showfields „the most interesting store in the world“. *„We say we're the most interesting store in the world not because we're so interesting, but it's because once you lower the barriers for entry to the physical world, suddenly you have thousands of brands who can open their physical store“*, Zwickel explains (Apartment Therapy 2019). Walking through the different rooms displaying brands is almost like walking through a maze, or as the Business Insider (2019) says, a „museum made for millennials“. *„We try to rethink retail from top to bottom“*, the founders state.

Picture 44 shows the store's interior, focusing on a room / „field“ servicing an online brand and the alley connecting the different rooms. Picture 45 shows the front of the Showfields building with the entrance, located in 11 Bond Street, aka 348 Lafayette Street. Figure 44 and 45: Showfields. Source: Archdaily 2019.

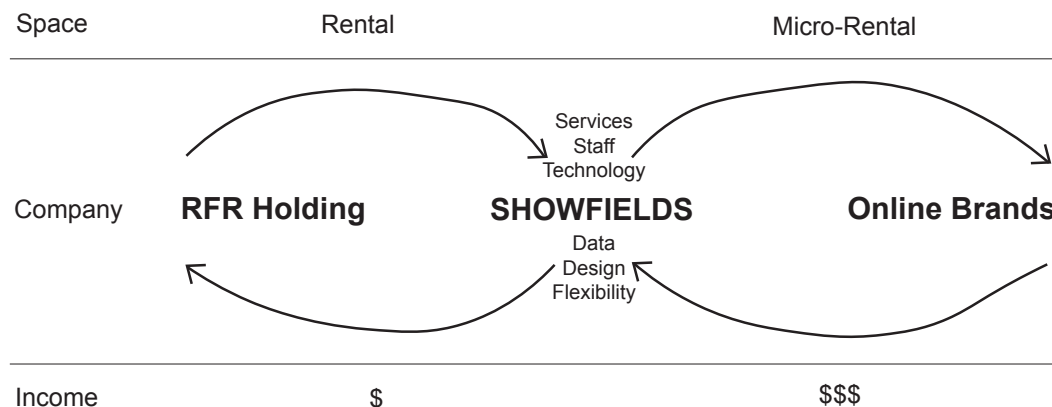


THE BUSINESS MODEL

Showfields provides a branded platform, a stage for other brands to tell stories. This business model is increasingly occurring in the real estate industry, due to customers asking for accessibility to services, rather than ownership. The trend is based on the emergence of a sharing economy, technological advancements, and the need for convenience, flexibility, and less liability. The space-as-a-service business model, transforming real estate business into technology platforms, can be understood in two ways: First of all, it can be seen as the space produced on demand, may it be by the hour, day, week, etc. Secondly, it refers to a „workplace“, in any way, that provides space and services for a „job to be done“ (Slumbers 2019). When asked if he sees any similarities between the co-working company WeWork and Showfields Amir Zwickel replied: „I think we are similar to WeWork. WeWork came to the market in 2009, at that time the most distressed real estate market in the U.S. was the office. Showfields entered the market roughly ten years later, in 2018 when the situation had changed, and the most distressed sector was retail. WeWork offers a holistic solution to somebody requiring office space, Showfields for brands wanting to open its store. The basic business model of both companies is based on creating an experience and providing extra services to charge a premium“. He adds that in the core, office and retail are still very different businesses, explaining that in the office branch, the space provider does not influence or manage its tenants' daily operations, whereas, in retail, curation is everything.

Illustration 46 explains the business model behind „space-as-a-service“ in the case of Showfields.

Picture 46: Space-as-a-service model.
Source: Own Figure 2020



OPERATIONS

The vast majority of real estate service providers operating a platform don't own any real estate assets. These companies sign leases with landlords and offers space and services to customers at higher rates, resulting in significant profitability (Marom 2019). Showfields operates by renting large spaces, around fifteen thousand square feet, and dividing the area into two categories: **50 percent of the space is attributed to „show“, the other 50 percent to „fields“**. The „show“ area works with experiences, art, and constantly changing content. „So even if you visited the shop two weeks ago, you still have a reason to come back“, explains Zwickel. „Show“ also includes a café, a place where people can „hang out“ – space to empower the brands presented in „fields“ and a place for them to host events. „Yoga lessons for local communities, dinners for influencers, workshops, movie nights, live shows, panels, anything you can think about the drives traffic“, says Amir Zwickel. The area called „fields“ consists of product-contained interconnected rooms. Each of the around 40 brands at Showfields can customize a room to „create an immersive experience around their brand“. According to Connie Chen (2019), from the Business Insider, a 1.500 square foot retail space in Manhattan's SoHo can cost up to \$25.000 per month. An average monthly membership at Showfields is \$10.000, including staffing, inventory management, events, a proprietary technology suite, and an innovative community. Showfields uses various technologies to capture and measure everything going on inside the shop. Cameras and sensors collect data, which helps to continually optimize the design and layout of the store, obtain better customer engagement, and give value to the hosted brands. The brands furthermore get access to a dashboard on which they can track everything going on in their space 24/7 – how many people entered the House of Showfields, subsequently the brands' space, at what time and which products were bought. Moreover, insight into the demographics e.g., age group, and gender of customers visiting.

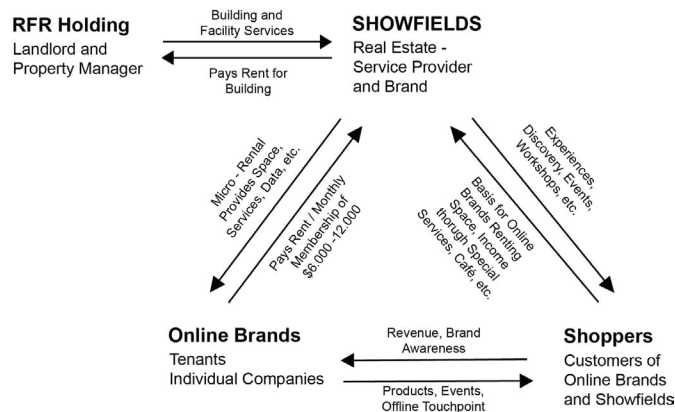


Illustration 47 demonstrates the stakeholders around Showfields and their relationship.

Figure 47: Stakeholders of the business model and their operations. Source: Own Figure 2020

„50 percent of the space is attributed to „show“, the other 50 percent to „fields“,“ explains Amir Zwickl.

THE FIVE C

While brick-and-mortars are struggling to stay afloat, Showfields bets on the retail industry's success in the long-term. The founders have a definite opinion in the debate about whether brick-and-mortar retail is dead. Tal Zvi Nathanel describes:

„I used to walk to investor meetings with a brick and I used to put this brick on the table. And I would be like, who do you think is going to die first? You or this brick? Because bricks are clearly here to stay“.

The only thing that he believes has died is the traditional consumer. Consumer behavior is changing, and contemporary retail has to meet the needs of the new customers (NRF 2019). „*In order to create successful physical touchpoints, you really need to place the customer in the center of everything*“, says Nathanel. He adds: „*I think that when you look at the most successful companies that we all use and know in the world today, they all started with asking ,how can we build a product which is completely consumer-centric*“. Showfields' mission on focusing on the customer breaks it down to their five C: convenience, curation, content, community, and connection. Convenience for the brands to „pop-up“ and convenience for the customer to discover new things. Curation helping the brands succeed within a vast market. Content because creating Instagram-able moments is not enough anymore. Today's consumers are smart, sophisticated, and want products with intellectual deepness. Community because successful brands build a community around them and connect, linking everything to achieve the best possible outcome. In 2019 Showfields ran a theatrical experience using actors instead of the regular sales staff. Katherine Schwab writing for Fast Company (2019) describes: „*I'm expecting a dreadful Instagram museum funhouse, with the added annoyance of people hawking products.*

It's an utterly new form of retail, where actors are playing characters who tell the stories of direct-to-consumer brands

—*the most extreme, logical conclusion of the trend toward experiential retail. But to my great surprise, I encounter an experience that just might make shopping fun again*“. The company Showfields wants to make it easier for customers to discover new brands by curating products. „*It is of course, about convenience for both the consumer and the brands, but it's also bringing back that magic of what am I gonna find? What am I gonna see? I've never heard of this before,*“ says co-founder Katie Hunt (Fast Company 2019).

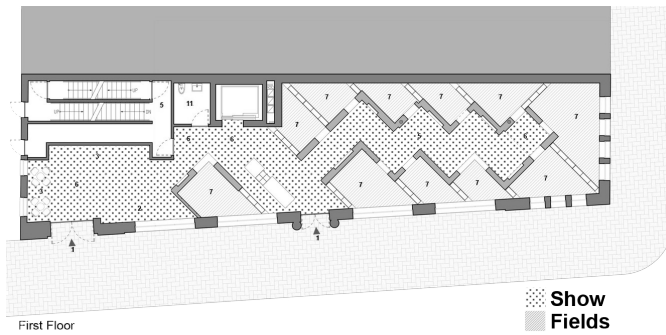


Illustration 48 shows the areas „show“, dotted, and „fields“, light grey, in the floor plan of the first floor.

Picture 49 shows Showfields' café „Coffee 'n Clothes“ located on the first floor, open to the community.

Figure 48: „Show“ and „fields“ marked in the floor plan. Source: Own Figure, cf. Archdaily 2019

Figure 49: Café situated on the first floor. Source: Archdaily 2019



USER EXPERIENCE

When tenants are free to leave a rental agreement at relatively short notice, as in space-as-a-service memberships, providing excellent customer experience is more crucial. Convenience is critical in the service industry. Partnering with other providers to deliver all services within one ecosystem, satisfies consumers' needs, and builds a good customer relationship. Real estate is going into the curation of space and user experience (Darbyshire 2020). **„User experience of your real estate is the most important factor in a space-as-a-service world. Ultimately the formula for success will be $UX = Brand \& Brand = value$. It has often been said that you cannot brand real estate (...). That is product industry thinking,“** explains Antony Slumbers (2019). He further explains that the most progressive landlords are going to turn their real estate business into consumer brands, and people will want to go into these places because they know what they're going to get – just like in a Hilton Hotel or at Starbucks, it is always the same setting. Time has come for real estate companies to reflect on what extend they can change from a product to a service company. Participants can remain a product provider or passive investor and limit their potential (and diminish over time), try to reform the business towards services themselves, or ask: *„how do we maximize the amount of money coming into this building, and how do we get more of it to come directly to us?“*, and partner with an operator.

„You are brave if you ignore all this and assume that people will keep coming along, wanting your long-lease space“ (Slumbers 2019).



Picture 50 shows Showfields' ground-level storefront, giving insight to the brand spaces.

Figure 50: Showfields Storefront. Source: Archdaily 2019

THE ROLE OF PROPERTY OPERATORS

The role of property managers and operators is gaining essential importance as they are becoming curators of experience. A great real estate user experience provider needs engineering skills, know-how on the internet of things and data, and is a hospitality expert. Knowledge about real estate is still fundamental, but no longer sufficient (Slumbers 2017). Showfields founders Katie Hunt, Tal Zvi Nathanel, and Amir Zwickel unite these properties as they come from various professional backgrounds. Nathanel co-founded an event production company at the age of fifteen, which grew to be one of Israel's biggest. His role as creative manager of the company gave him an understanding of how physical experiences are made. Later in his professional life, he worked at a mobile payment firm, which brought him from Tel Aviv to New York City. His inspiration for Showfields was influenced by his mother, who used to work as a window dresser in the retail industry for many years. Amir Zwickel, also born and raised in Israel, studied business law and has always had a connection to real estate through the family business. While studying law, he opened a bar with friends, which was so successful, that five other hospitality venues followed – one of them being the largest club of Israel at that time, hosting three-thousand people every evening. Zwickel continued his education in real estate development and had since been involved in property deals, giving him the toolkit for his position as Head of Real Estate at Showfields. Katie Hunt, the third employee of online native eyewear brand Warby Parker, is an experienced Customer Service and Operations Manager and grew professionally in a start-up environment. Hunt majored in theater arts and literature, which has shaped Showfields' unique theatrical and artistic strategy. The founders' skills gained in hospitality, business, law, customer service, and real estate build the foundation of Showfields' success and differentiate the company from conventional retailing and real estate companies.

The picture below shows the founding trio during the renovation of the building. Left to right: Amir Zwickel, Tal Zvi Nathanel, Katie Hunt.
Figure 51: Showfields founders. Source: Apartment Therapy/ India Sherman 2019



PROPERTY CRITERIA

Showfields' historically protected building, located in Manhattan's NoHo district, takes up nearly a full city block. To the question of whether it was challenging to find an appropriate building and the property acquisition criteria, Zwickel replied: „*We walked more than 80 buildings in New York to find the best location*“. Adding that there are some critical points consider: „*We are mostly looking for buildings that are one or two floors because the loss factor attributable to ancillary space is lower in these*“. He explains the ratio between fields and the entire space is the utilization rate. „*Fields*“ are the utilized areas for brands. A premium of the charge on a square foot basis goes to this area. The „*show*“ areas, in contrast, generate interest and experience. „*We try to achieve a utilization rate of 50 percent. In New York, we can't achieve these 50 percent because we lose floor space on each floor's stairwell and elevator space. That really devalues the utilization rate – that's something we learned*“. The company, of course, looks for space with very high traffic on a street level. That naturally brings in footfall, which is particularly essential for a flagship store. Another thing considered before signing a lease is the tenant improvement allowance, basically money a landlord pays to reimburse the tenant for improvements on the building. „*The ability of a landlord to be flexible with the security deposit is also important, just like the complexity of the construction of a building. To sum up, what we are looking for is an intersection of brand equity, cash share, and foot traffic*“, states co-founder Amir Zwickel.



Pictures 52 and 53 show the building after the re-purposing and before the transformation into a commercial property.

Figure 52: The building after the renovation. Source: YIMBY 2016

Figure 53: 11 Bond Street before renovation. Source: YIMBY 2016

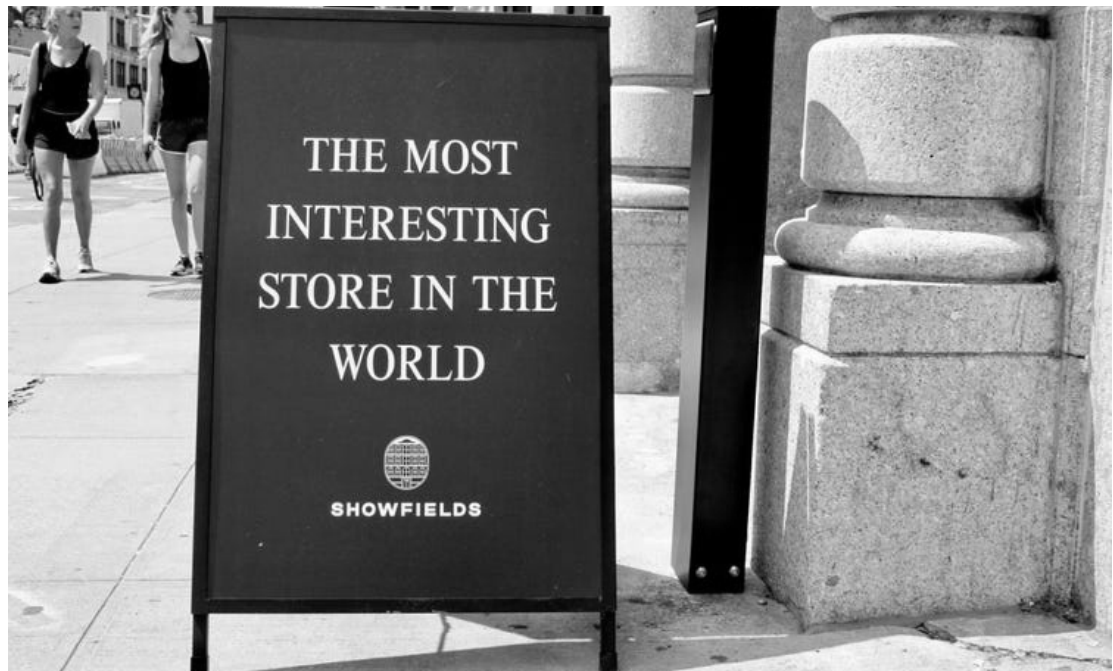


EXPANSION

Tal Zvi Nathanel said to the Business Insider (2019) that the team is considering expansion in the U.S. and abroad. Cities referred to were besides early 2020 opened Miami store, Chicago and Los Angeles, as well as Paris and Hong Kong. Amir Zwickel further explains: „We intend to transfer our concept to other markets very soon. I think in a couple of years we will be on the European market“. Showfields has proven everything it wanted in its first New York location. The question now is if it will be a successful multi-location business?

Picture 54 shows a put-up hinge in front of the store door, displaying Showfields slogan „the most interesting store in the world“.

Figure 54: Showfields motto. Source: Business Insider 2019



6.2.3 DISCUSSION OF RESULTS

TECHNOLOGY

Technology enables more efficient use of space. Technological development leads to a new way of planning and monetizing buildings and real estate and provides the information and data infrastructure needed to service property. In-depth know-how and understanding of I.T. and digital processes are crucial for efficient operations of space-as-a-service models, critical for success. Besides technology transforming the built environment through sensors, A.I., building information modeling (BIM), etc. the development of the internet and growing electronic commerce is affecting the property landscape on a further level. **While traditional retail brands are closing physical shops, the industry is experiencing former pure e-players and direct-to-consumer brands looking to scale their customer bases by opening physical stores.** Physical retail and digital platforms merge, combining the best of two worlds and making online brands physically perceptible.

SPACE-AS-A-SERVICE MODEL

„What a lot of brands, especially online-only brands, are realizing is that without the physical touchpoint, it becomes challenging to get a story across“, says Justin Kerzner of Naked Retail Group. He adds: *„Seeing something and actually experiencing it firsthand is super valuable“.* Building a successful brick-and-mortar presence is expensive and especially risky when requiring resources outside of a digital retail brand's core competency. Space-or retail-as-a-Service models offer a turnkey retail service – the complete life cycle of a brand's brick-and-mortar launch. Besides the flexible leasing of space, as opposed to traditional long-term retail leases, data analysis and information on customers, the design and fixing of the rented micro-show room, and staff maintain and service the space are included in the „membership“. As the companies demanding the space-as-a-service model are digital-first, they are born users of tools and platforms. The subject of online retail characterized the last decade, the 2020ies will probably be defined by retail-as-a-service. Taking away the costliness and uncertainty that has been keeping retail companies away from physical stores, the „as-a-service“ model can make brick-and-mortar retail an engine of growth for digital-native brands lucrative business for real estate operators.

BUSINESS-LIKE STRUCTURE

As mentioned earlier, the real estate service providers typically don't own real estate assets, but rent and sub-rent space to their clients through memberships. Space-as-a-service providers are not primarily real estate companies but rather consist of business-like structures offering services, not products. Real estate skills will no longer be sufficient for succeeding in the property industry. Extra know-how in hospitality, marketing, innovation, and creative areas is required, as user-experience is vital in the service industry. Progressive landlords and property managers are going to turn their real estate business into consumer brands. Prospectively, rent is only going to be a part of the total income a lessor can generate. **Monetizing services, forming a variable business-like income, influences the yield property is traded at.**

REAL ESTATE VALUATION

Historically real estate has been about a client paying rent checks regularly and a landlord collecting the rent. With the real estate industry-transforming to become more service orientated, landlords are shifting from collecting rent to being service providers. The real estate industry is moving away from traditional long-term leasing, and current property valuation models are questioned. The rulebook on how property is valued, viewed, and used is being rewritten. **The industry's former bond-like qualities are vanishing, and business-like characteristics are starting to show (Savills 2018).** While presently, the gross or net collectible rent matters to landlords, prospectively, the total obtainable income will be weightier. Rent is only going to be a part of the total income a lessor can generate. Monetizing services, hosting events, and selling food and beverages will add to the rent, forming a variable business-like income, in a broader sense comparable to the hotel industry. Hotels are typically traded at higher yields than commercial buildings. As income generated through retail real estate is becoming more variable, the nature of investment returns opts to change. An asset's value is likely soon-to-be determined by its flexibility, productivity, health, and sustainability. Adaptable property is demanded.

„What happens if this valuation change turns out to be true and, in five years, your (..) building comes off a long lease to arrive back on the market only for you discover it's no longer suitable for modern (..) requirements? What is it worth now? It will be a big drop in value“, says Slumbers, „that's my bet“.

This can already be observed in some parts of the retailing landscape – space that does not meet the demand anymore sits empty. A way that retail is fighting against vacancies is in turning towards a mixed-use approach (Slumbers 2019). „Blended real estate uses“ or hybrid spaces, going further than mixed-use where different uses are provided but differentiated, are emerging.

Picture 55 shows a „field“ displaying products.

Figure 55: Field. Source: Business Insider 2019



While traditional retail brands are closing physical shops, the industry is experiencing former pure e-players and direct-to-consumer brands looking to scale their customer bases by opening physical stores.

SHOWFIELDS

Showfields mission is making opening a physical retail touchpoint as easy and accessible as opening a store online. The company's mission is to solve the problem of online brands that cannot afford to commit to a long-term physical retail space. Showfields is said to be a modern, visionary concept of stationary retail. The concept is described to be more of a museum than a traditional shop. A place where contemporary online products are presented in micro-showrooms, accompanied by video displays providing information. Each called „field“ is furthermore equipped with a digital screen where consumers can then go online to order the product or demand an in-store purchase. With little inventory, brands only need a small space to promote their selected products. Showfields is a branded platform, a business that services and curates physical space, often described as the department store of the future. Convenience, curation, content, community, and connections are Showfields core values helping to provide exceptional and service user experience.

6.2.4 LIMITATIONS OF THE CASE STUDY

This case study research is limited to the company Showfields and its operations. It investigates the space-as-a-service model from Showfields point of view. Other retail real estate service providers operating in the space-as-a-service sector (B8ta, Naked Retail Group, Leap or Brickspaces, etc.) work with differentiated models. Company Leap provides a holistic solution for direct-to-consumer brands by owning the lease and financial commitments that come with the rented space and staffing, design, tech integration, and day-to-day operations. All on a percentage sales basis – minimizing the risk for its customer brands while incentivizing performance. Future research could examine differences and similarities between various space-as-a-service concepts in the retail sector to highlight the pros and cons of each company's business model and give recommendations for future developments. Furthermore, are the here led discussions limited and could use in-depth economic evaluation.



The photo below shows flags with the Showfields logo above the entrance of the store.

Figure 56: Flags above the entrance.
Source: Any Studios 2019

CASE STUDY: BOX BY POSTI |

6.3 LAST-MILE-SOLUTION

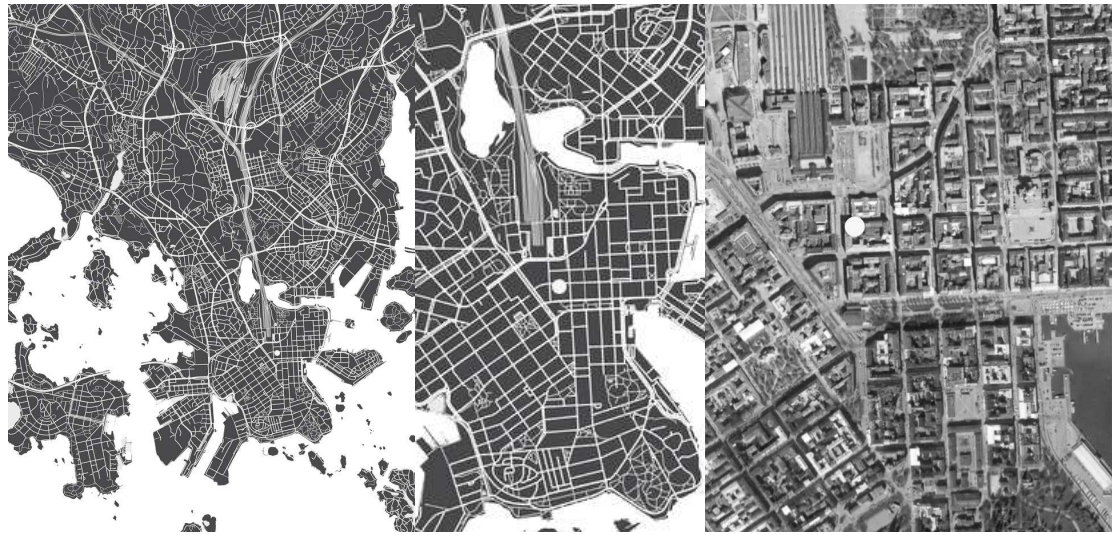
While in the 1990s, experts still questioned what extent online commerce would affect the retail industry, the last twenty years indicate a clear upward trend of e-commerce transactions. Electronic commerce snowballed over the previous years due to the fast expansion of broadband internet in various parts of the world. Interactive consumer behavior evolved, and purchasing patterns changed. These days mobile technology enables time and location independent shopping. Stores are no longer merely, as the name indicates, places where goods are stored, but rather serve as an element in the retail company's network. As a result of an increasing number of digital brands and decreasing physical product-displaying area, more logistic space is needed to provide storage for goods that were once shelved in-store. CBRE further explains: „*For each incremental \$1 billion growth in e-commerce sales, an additional 1.25 million sq. ft. of distribution space is needed to support this growth*“. Adding to the reallocation of space demand is the inquiry of adjusted and enhanced delivery and return solutions. Customer's expectations regarding product availability, payment options, delivery, and return policies are higher than ever. E-commerce is putting immense pressure on retail companies to seamlessly meet all these expectations across various devices, applications, and locations. **The one thing that has been keeping most retailers busy over the last years is the delivery of online purchased products.** Offering various shipping methods, while holding prices stable and increasing convenience and service pushes many businesses to their limit.

In the past, delivery had been primarily business-to-business (B2B) – shipping goods to distribution centers and then to larger retail stores (Godfrey and Skiver 2017). As digital businesses sprout, thanks to the fertile ground of the worldwide web, the structure of delivery are shifting to business-to-consumer fulfillment. The final destination of shipment is no longer a large physical store, but the customers' house making home delivery, or last-mile delivery an essential part of seamless commerce. Large shipping companies like FedEx, DHL, and UPS are experienced in moving orders over long distances, for business-to-business deals. However, they were not invented for shipping a package from a to b within a city – an opportunity for private third-party logistic suppliers (3PL) to set foot in the last-mile-delivery market. 3PL's are, just like big retailers, seeing the advantages of having items stored close to where consumers live. Nano-distribution and fulfillment centers, as well as merged retail-logistic hubs, looking very different from traditional industrial or retail assets, are emerging as an answer to delivery fulfillment in dense city areas (e.g., Ohi), serving mostly shipments of digital-native brands, but also e-commerce business of chain-retailers.

„**The last mile is the hardest to crack**“, says supply chain manager Burt White. Start-ups and established companies have taken on the mission of developing physical last-mile solutions. This case study aims to examine the concept behind „BOX“, a physical retail space and last-mile fulfillment center connected with a service layer offering multi-channel operations, to analyze further the business model's ability to disrupt the real estate sector.

6.3.1 OVERVIEW

Figure 57 shows a map of Finland's capital city Helsinki and BOX, by Posti located in Keskuskatu. The picture below shows the storefront of BOX. Figure 57: Location of BOX by Posti in Helsinki. Source: Own Figure 2020. Figure 58: Facade of the store facing a pedestrian area. Source: Frya 2020



Name	BOX by Posti
Company	Posti Group
Trend Category	Last-Mile-Solutions
Location	Keskuskatu 3, 00100 Helsinki, Finland
Area	1100m ²
Number of Floors	1 + Basement (8 + Basement in Building)
Year	2019
Designers and Architects	Motley and Frya

Table 6: Table with general information. Source: Own Figure 2020

The property in which BOX is situated was intended as an office building with retail space on the ground floor. It was designed in 1951 and built four years later by Finnish architect Alvar Aalto. The premise in Keskuskatu 3, also called „Rautatalo,“ meaning „Iron House, „ is the opposite of the famous department store Stockmann on a pedestrian street. Rautatalo Office Building is seen as a milestone in Finnish architecture. The facade on Keskuskatu Street was one of the primary metal facades built in Finland, made using copper as draping material. The building itself and some of its interiors are monumentally protected. In 2000 the building was renovated and later in 2017 by three private foundations owning the building since the acquisition in 2006. Presently the premise still serves office space from the first floor onwards while a restaurant and BOX occupy the ground floor by Posti. The Posti Group chose a central location in the capital city Helsinki for its flagship store, explaining that „it had been very difficult to find suitable premises in the area because grocery stores, for instance, that often have a parcel locker on their premises, are often small brick-and-mortar stores in the city center“. Posti aims at a sustainable approach by locating BOX in the heart of the city, with excellent access to public transport.

Figure 59 on the right shows the Rautatalo Building after completion in 1955. Figure 60 below is a current photograph of the property in Keskuskatu 3.

Figure 59: Rautatalo at the end of the 1950s. Source: Alvar Aalto Foundation, year unknown
 Figure 60: The building in the present time. Source: Alvar Aalto Foundation, year unknown



6.3.2 BOX BY POSTI

The market value of online native retail giants like Amazon and Alibaba is comparable to the gross domestic product (GDP) of Spain or Mexico (Hellström et al. 2018). This fact underlines the economic power captured in online business and the force behind change in the retailing landscape. Posti Group, Finland's leading postal, parcel and logistics service provider, is adjusting its business model to satisfy the demand e-commerce and growing online sales are generating. While Finland's share of online retailing on all commerce is still behind other European countries, Posti saw the need to reform its business. „*Posti has been part of people's daily life for centuries. But daily life has changed*“, says Kaisa Ilola, Posti's head of customer experience and channels. She adds: „*The consumer behavior of the Finnish people has changed significantly.*“ As customers increasingly shop online, the number of parcels shipped has been growing +150 percent since the year 2008, and letter volume is declining by nearly -50 percent within the same period (Posti 2019). A trend that can be seen globally, as the graph below indicates. The company Posti is aware of its customers' changing purchasing habits and is betting on the continuous growth of e-commerce in the future. Posti's strategy aiming at the current developments is to add significant business growth in the sectors of parcels, e-commerce, and logistics – the most significant structural change in the history of the company.

„There used to be a piece missing between the online store and the apartment. The BOX was created to complete the missing piece“,

says Kaisa Ilola. Posti's BOX is making shipping and pick-up of online orders as convenient and efficient as possible. Besides serving customers and digital brands with infrastructure, the retail-fulfillment hub is a test lab for digital services of Posti, whose insights aim to help the company develop new operations. BOX is the answer to the question „what the perfect self-service store and micro-logistic hub would be“ – a modern postal center featuring a cohesive and user-centric brand experience.

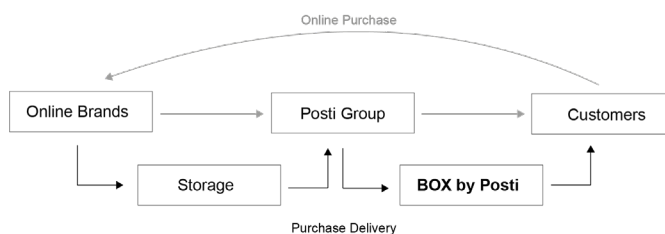


Illustration 61 Customers make an e-commerce transaction; the online brands partner with Posti for delivery fulfillment.

Figure 61: Purchase and Delivery Process. Source: Own Figure 2020

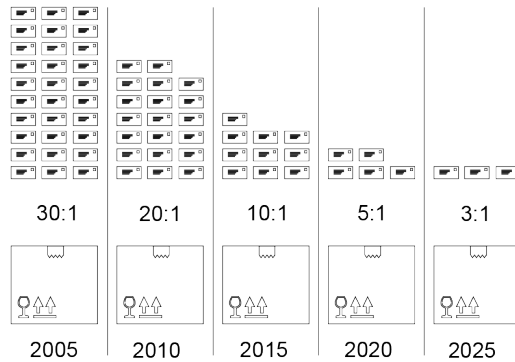
Exhibit 62-83: parcel is growing from a small fraction by volume to 1:1 parity with mail by 2025

Figure 62: Volume of parcels shipped is increasingly growing.
Source: Own Figure, cf. McKinsey & Company 2019

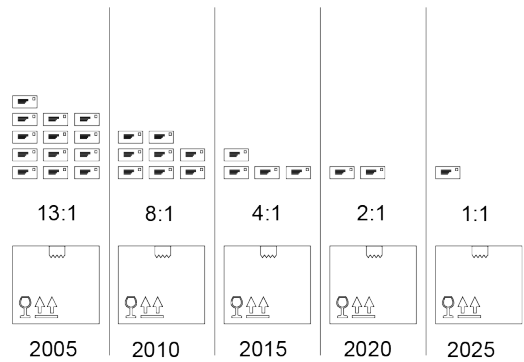
Figure 63: Parcel growth in comparison to mail volume, below the overall mail and parcel growth. Source: Own Figure, cf. McKinsey & Company 2019

Parcel is growing from a small fraction by volume to 1:1 parity with mail by 2025.

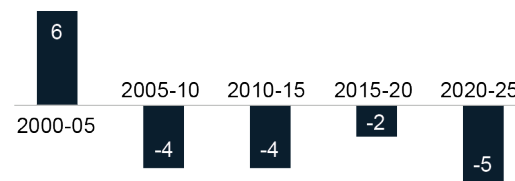
Typical postal incumbent mail-to-parcel volume (ratio)



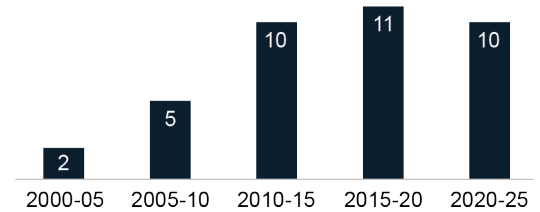
Overall market mail-to-parcel volume (ratio)



Mail overall market growth, 2000-25, compound annual growth rate (%)



Parcel overall market growth, 2000-25, compound annual growth rate (%)



LAST-MILE FULLFILMENT

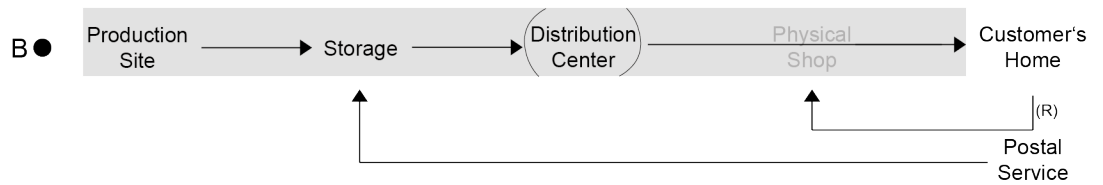
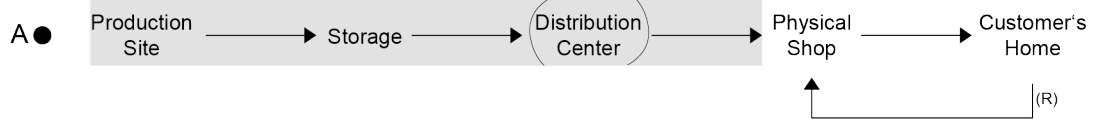
Postal networks are facing a turning point, under the rise of new technologies, and the inexorable trend towards e-commerce. With online sales increasing, the shipping industry is looking for adequate ways to deliver electronically made purchases. Parcel logistics, from pick-up to delivery, is becoming the most dominant enabler of business growth. It is estimated that 70-80 percent of all e-commerce purchases are delivered via networks rather than picked up in a retailer's physical shop (McKinsey & Company 2019). „*Click and collect is a fantasy of many retailers – people long for additional quick ways to receive orders,*“ says Antony Slumbers (2019). The entire logistic value chain of parcel shipment is undergoing immense change, as e-commerce super-giants, such as Alibaba, Amazon, and JD.com, are integrating delivery solutions into their core business. Extending their operation to logistics seems plausible as the three named companies alone account for more than 40% of online purchases globally (McKinsey & Company 2019). Amazon's answer to shipping billions of items to its customers is the launch of an internal shipping service aiming to solve the logistic problem the company is facing. Retail analyst Richie Siegel adds that **many independent businesses, although „reject Amazon fulfillment services, mainly avoiding sharing their data with a potential competitor.“**

Solving the last mile is said to be retail's next significant disruption. Last-mile delivery is considered as the shipment connecting the last point within a logistic chain and the end consumer. As there is minimal overlap between notable carriers who work on a national, as well as a regional level, getting the last mile right is imperative for big players like Amazon and small digital brands alike. The logistic transformation from B2B to B2C shipment comes with challenges regarding transparency, delivery charges, environmental issues, speed, and perishable items. A further drawback to last-mile delivery is the increased cost of transportation regarding vehicles, fuel, and driver costs.

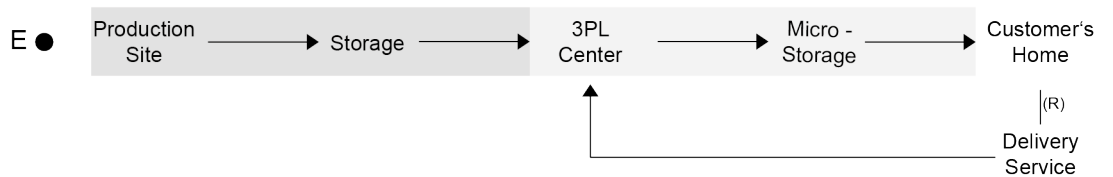
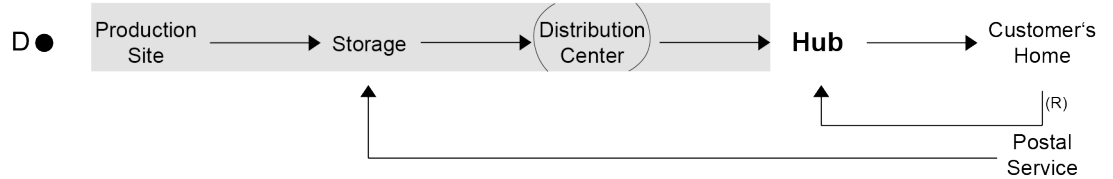
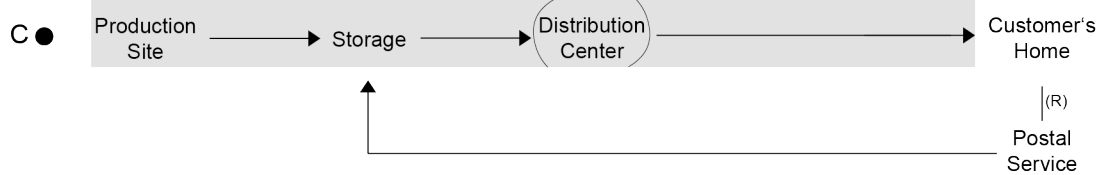
Illustration 64 and 65 show the delivery supply chain (SC) of pure online purchased products and purchases of brands with physical shops. (R) indicates the Return procedure.

Figure 64: SC including physical store. Source: Own Figure 2020
Figure 65: SC of pure e-player purchases. Source: Own Figure 2020

Physical Shop Purchase or Online Purchase



Online-Shop-Only Purchase



Current Challenge	Explanation of the Challenge
Transparency / Technology	On-time delivery, lack of ability for customer to input specifics on the item
Delivery Charges	Last-mile delivery costs more due to the vehicle's cost, maintenance to the vehicle, delivery driver pay, and fuel
Environmental	Less-than-truckload shipments, type of vehicle, repeat deliveries when the customer is not home, and inefficient travel routes can lead to higher emissions
Speed of Delivery	Significant demand for same-day delivery with timed delivery
Perishable Items	Preservation temperature regulations

Table 7: Challenges associated with last-mile delivery. Source: Godfrey and Skiver 2017

Drones, robotics, and automated vehicles are currently being tested to solve the problem of speed, security, and surety. Consulting firm McKinsey & Company advises that before companies focus on modern, „science-fiction-like fantasies of delivery drones and droids,“ logistic service providers should step up the game by improving their existing business structure – optimizing operations, transport, pick-up, and delivery as well as I.T. and business support functions. The present situation clearly shows delivery trucks clogging the streets of major cities like New York. Some see the solution to this problem in crowdsourcing – *„rather than commit to purchasing a fleet of trucks that must be maintained, retailers are Uberizing their fleet by hiring local couriers to handle final mile and same day deliveries,“* says Terese Kerrigan. The limit to crowd(out)sourcing is quickly addressed, as the concept only works in areas offering the moving „infrastructure“ and is not efficient in larger scales (Retail Dive 2017). In this case, brick-and-mortar retailers are in an advantageous position in the battle of order fulfillment, having locations close to consumers. This adds to the preference of many customers in returning items to physical stores rather than shipping them back.

„Amazon acquiring Whole Foods was a great chess move. The online player now has close access to a large share of customers, through Whole Foods well-dispersed stores“, says Slumbers (2019).

Digital brands see the advantage of physical stores as touchpoints in last-mile delivery, like Amazon in acquiring supermarket chain Whole Foods in 2017.

Figure 66: Amazon links online commerce and physical retailing.
Source: Shutterstock.com 2019

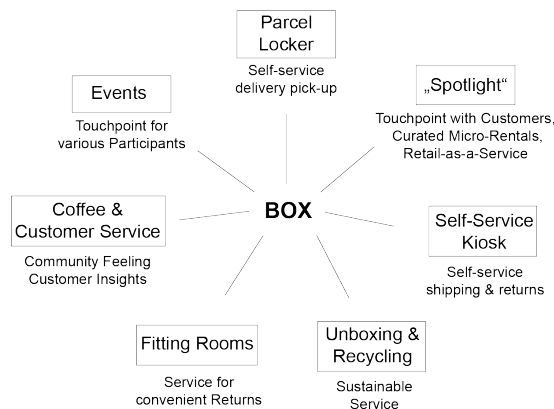


THE BOX

Being the largest postal service provider in Finland, Posti has a comprehensive logistics network, distribution centers, and connecting infrastructure. As many e-tailers struggle with profitably providing efficient last-mile solutions, third party logistic providers and contemporary concepts like BOX take over the order fulfillment.

BOX is a physical touchpoint for online brands, logistic services, and consumers – and the world’s largest parcel locker.

A significant challenge for Interior Studio Frya was designing the over 600 package storage space into something „more than just a row of parcel lockers“ – a holistic spatial experience. BOX can genuinely be called a Swiss-knife concept, combining several functions that can be used intuitively on a self-service basis. For a better overview of various services within BOX, different colors are assigned to different activity areas. Upon entering the brick-and-mortar store, customers are offered a rotating curation of online brands featured in the „spotlight“ section. „Spotlight“ is based on retail-as-a-service, as Posti sublets small spaces to digital brands. Acknowledging retail’s shift toward hospitality, Frya built a coffee lounge in the entrance for customers to relax and connect with the Posti service team. Furthermore, BOX is equipped with a presentable unboxing area targeting millennials’ preference for opening parcels of online purchased products while sharing the moment with followers on social media platforms and providing all customers with utensils conveniently get rid of packaging material before leaving the BOX. A recycling area is dedicated to the sustainable reuse of boxes which are freely available to all users. Customers pass fitting rooms and digital kiosks for shipping packages on their way to the modernly designed parcel lockers at the darker end of the store. BOX makes the return process efficient by reducing the number of touchpoints.



Graphic 67 explains the offered services.

Figure 67: Different services provided within BOX. Source: Own Figure 2020

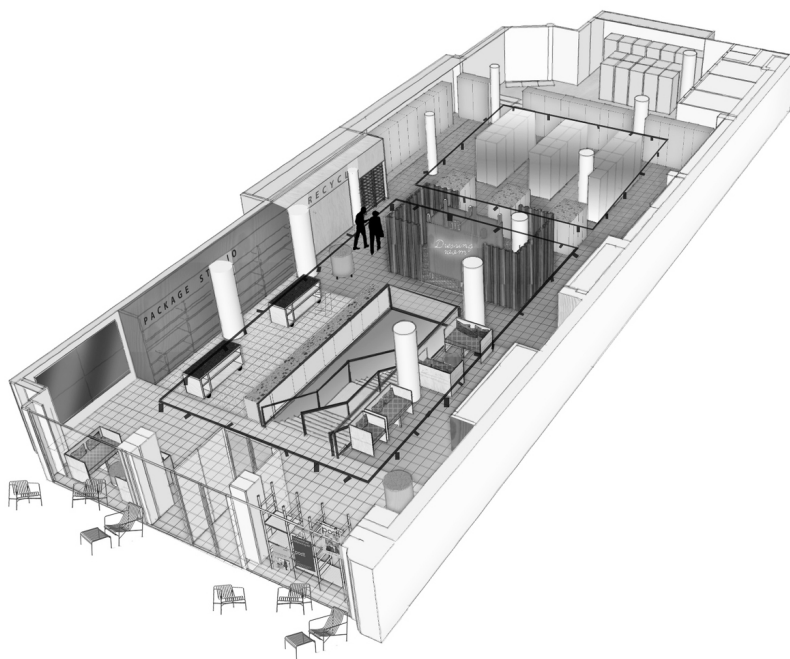


Figure 68 shows a 3D visualization of BOX and its different services areas.

Figure 68: Posti BOX retail space. Source: Frya 2019

BUSINESS SOLUTION

Posti recently carried out a survey in Finland, which revealed that **almost one-fifth of the respondents estimate that they will buy almost everything online in 2025**. A historical shift was also noticeable during the first half of 2019: Parcels, e-commerce, and logistics amounted to over half of Posti's total net sales. BOX is the postal service's answer to changing consumer demands, caused by the e-commerce industry. In response, Posti tripled the volume of its parcel locker network in the years 2017-2019, from 533 in 2017 to its current scope of about 1,600 parcel lockers. The lockers are popular with customers, with up to 59% of Finns reporting having used a parcel locker. A study showed that 35% of Finns preferring the self-service locker option. Delivery to pick-up and drop-off locations is not far behind at 32%, with home delivery lagging at 10% (Kerr and Różycki 2019). The company is enlarging the number of self-service lockers and intends to change the fundamental concept of parcel shipment and delivery. Posti (2019) states that online store emissions do not differ from physical store emissions, contrary to popular belief. By circumventing other delivery ways to the customers' door-step, ten percent of regular emissions can be avoided.

To create BOX within a short period of 6 months, service designers, architects and interior designers, Posti managers, and all those carrying out the project sat around a table during the entire project planning phase. The core value that BOX gives its customers is the efficiency of a self-service pick-up store and physical touchpoint for online retailers and consumers. Posti Group says:

„The purpose of Box is to make it as easy as possible to pick up and send online orders.“

According to supply chain manager Burton White, managing returns of online-ordered products needs to be a core part of a last-mile strategy. Finns return a smaller share of online purchases than consumers in other countries. The share of returns strongly depends on the product group. For example, up to 50% of clothing is returned, whereas the share of returns for electronics is only 1–2% (Posti Group 2019). With providing fitting rooms directly next to parcel lockers and shipping kiosks, Posti reacted to its customers' preferences and habits in wanting to try on online purchased apparel and having an uncomplicated process of shipping returns.

BOX plays, according the company, a key role in developing Posti's future business. Lessons learned in the flagship BOX shall serve as the basis for scaling the business model to other cities within Finland. By 2022 Posti is aiming at operating 4.000 parcel lockers across the country, supplying up ton 85% of Finns with parcel locker infrastructure less than a kilometer from their home. This would be the densest locker-network in the world to present day (Kerr and Różycki 2019).

Figure 69 shows the different areas from front to back, including an unboxing space, self-service shipping kiosks, fitting rooms, and parcel locker at the back end. Figure 70 shows the world's most abundant locker space with different sized compartments.

Figure 69: Different areas in the BOX store. Source: Posti 2020

Figure 70: Over 600 parcel lockers covered in silver foil and pink material. Source: Frya 2020



BOX by Posti can be seen as a prototype of a physical store retail-logistic hub.

6.3.3 DISCUSSION OF RESULTS

SHIFT IN REAL ESTATE

Retail is facing logistic problems caused by online trade. Growing e-commerce sales and consumer preference for increasingly fast delivery are bringing industrial properties to the fore. In-line with growing online purchases is the demand for industrial property. While once industrial assets were standing in the shadow of retail, residential and office properties, investors have been acquiring logistic property, fulfillment centers, and sites swiftly. This resulted in an appreciation of the industrial asset class with cap rates comparable to commercial assets. As tenants and users recognized the necessity of frictionless supply chain logistics to satisfy customers' expectations regarding product delivery, additional funds are being invested and new types of industrial assets and locations for logistical use are opened-up. Contrary, many small retailers and digital brands are unable to invest in sophisticated storage and fulfillment systems or commit to long term leases. As brands are going with the trend of offering personal product customization effects on inventory and warehousing are starting to show, as orders are increasingly individual in their delivery fulfillment. Companies like U.S. native micro-storage network operator Ohl are specializing on the missing link between major supply chain providers and customers' homes, offering third-party logistics solutions for last-mile delivery. A new category of „dark store“ fulfillment centers in urban areas is evolving as retailers and 3PL's are shifting away from more extensive facilities in remote locations. Dror Poleg (2019) explains: **„looking five years ahead, the way industrial properties are designed, operated, and valued might change more dramatically than urban office, multi-family, and even retail assets.“** The industrial real estate sector experienced a dynamic change. It moved from being considered traditional and dull to being „home to some of the world's largest and most sophisticated tenants,“ as Poleg (2020) visualizes – referring to Amazon, Alibaba, etc. operating in the industrial and logistic industry. Besides companies and financiers, increasingly seeing the potential in industrial assets, many investors are driven away from the retail category by the turbulences and uncertainties retail real estate is undergoing. They are looking for a haven for their liquid means in industrial premises.

With the disruption physical retail is experiencing, shops in prime locations could shift from being places to purchase goods towards becoming pick-up hubs, offering convenience and experiences. **BOX by Posti can be seen as a prototype of a physical store retail-logistic hub.** Its core purpose lies in the easy pick-up and return of parcels – a logistic function, combined with a curated space for digital brands to show and sell products and a hospitality area, all connected with physical experiences and customer service. The question that remains at the end is, to which asset class can this concept be attributed? As referred to earlier, *„the boundaries of genres are dissolving, hybrid community spaces with experience-oriented character are evolving“* (Handelsjournal 2019: 55, own translation). BOX can be seen as a hybrid store, satisfying modern-day consumer's needs.



Pictures 71 shows BOX's locker system, the picture, the picture below automatic pick-up and drop-off stations.

Figure 71: BOX contains over 600 parcel lockers. Source: Frya 2020

Figure 72: Self-service parcel stations. Source: Frya 2020



E-COMMERCE AND DELIVERY

Stores are no longer merely, as the name indicates, places where goods are stored, but rather serve as an element in the retail company's network. As e-commerce is increasing steadily and is expected to continue taking up shares on overall commerce, more and more logistic space is needed to provide storage for goods that were once shelved in-store. Delivery shifting from business-to-business to business-to-consumer (B2C), the final destination is no longer a retail store but the customers' home. The question arises on how logistics chains most adequately adapt to this change. New delivery and returns solutions enabling a seamless shopping experience are demanded.

NEW FULFILLMENT CONCEPTS

Last-mile-solutions are the answer to changing demand within the delivery. Last-mile delivery is considered as the shipment connecting the last point within a logistic chain and the end consumer. Well-known businesses like FedEx, DHL, UPS are not experienced with B2C fulfillment – a possibility for new concepts and businesses to emerge. Some emerging companies focus on delivery methods and storage solutions, while others are creating physical touchpoints between delivery companies and customers. Micro-storage and urban fulfillment centers and merged retail-logistic hubs, looking very different from traditional industrial or retail assets, are evolving on an interface function of retail and logistics. Physical retail stores are re-purposed as logistic hubs and becoming part of networks. Being a big player or incorporated into an ecosystem is advantageous; joining a network is a possibility for smaller operators to succeed.

6.3.4 LIMITATIONS OF THE CASE STUDY

The case study research on BOX by Posti Group is a prime example of an implemented last-mile solution. The discussed results solely refer to operations and insights gained by analysis of the concept BOX. Examination of related last-mile solution providers up could give a deeper understanding of the state-of-the-art. While some companies, for example, Ohi, primarily focus on new delivery concepts and micro-storage solutions, others, like the start-up The Fitting Room Club, design physical store touchpoints. Both developments are of interest to the real estate industry, the first considering the future of industrial assets the latter concerning commercial space and possible re-purposing of physical retail stores. Future research could concentrate on either of the two to provide an in-depth analysis of current developments.



Pictures 73 shows recycled packaging designed for Posti's BOX.

Figure 73: BOX by finnish postal company Posti. Source: Posti Group 2020

ASSESSMENT OF TRANSFER- 7 ABILITY

This chapter discusses whether in chapter 6 analyzed case study examples Showfields and Box are transferable to other developed markets, and which factors are critical. Experts' opinions lead to a conclusion in chapter 7.

7.1 OBJECTIVE

The objective of this chapter is illuminating the two case study examples „Showfields“ and „BOX“ from a European point of view, to examine their potential to disrupt retail real estate markets in European cities. After examining the two concepts „retail-as-a-service“ and „last-mile-solutions“ profoundly in chapter 6.2 and 6.3 the question of transferability is limited to these two concepts in order not to provide superficial arguments.

First of all, a short introduction to the fundamental differences and similarities between the U.S. and European retail real estate market is given to further detail the European retail real estate market of Austria’s capital city Vienna. Vienna serves as a specific context to analyze the potential of transferability of the in chapter 5.2 worked with case study examples, to answer further the as mentioned above question of the ability to impact the retail property market.

U.S. AND EUROPEAN 7.1.1 RETAIL REAL ESTATE MARKET

The U.S. economy entered 2020 in good condition. Outlooks are clouded by on-going U.S.-China trade conflicts and the Co-Vid19 pandemic, which has plunged the economy into recession. The federal reserve forecasts an economic decline of 6,5% in 2020, announcing to keep interest rates close to zero. The pandemic has ascended the U.S. unemployment rate to nearly 15% in April 2020 – the highest it has been since the 1940s. The Fed predicts the economy returning to growth in 2021, with employment falls in the GDP increasing in 8,5% until 2022 (The Guardian 2020). With shops being closed during the Corona lockdown, consumer spending went down. Consumer spending recently accounted for about two-thirds of the U.S. economic activity. Retail sales in the U.S. increased year-over-year until Q4 of 2019 (CBRE 2019). Europe's economy grew steadily over the last years. The year 2019 was ended with a GDP plus of 1,3%, being slightly below average growth. This can be attributed to uncertainties concerning the Brexit and slowing international trade and a struggling industrial sector. Besides geopolitical risks seen as the key downside to Europe's steady economic growth, the Co-Vid 19 pandemic overrode outlooks and expectations formulated at the start of 2020 (CBRE 2019). In May 2020, the New York Times claims that the E.U. is facing its worst recession ever, with forecasts of the European Commission predicting a 7,4% economic collapse in 2020. European Commissioner Paolo Gentiloni estimates that the economy will recover in 2021 by 6,1%, probably not making up for the year 2020s losses. As discussed earlier, the growth of the real estate sector is mainly the retail sector, which is closely linked to the overall economy of a country. **„2020 will be a pivotal year for reinventing the retail landscape with a slowdown in new supply, the integration of sectors and uses in abundant mixed-use redevelopment, and the emergence of new brands“**, states CBRE (2019). CBRE points out that besides economic fundamentals, the development of e-commerce will be a significant influencing factor of growth and performance of retail and logistics real estate.

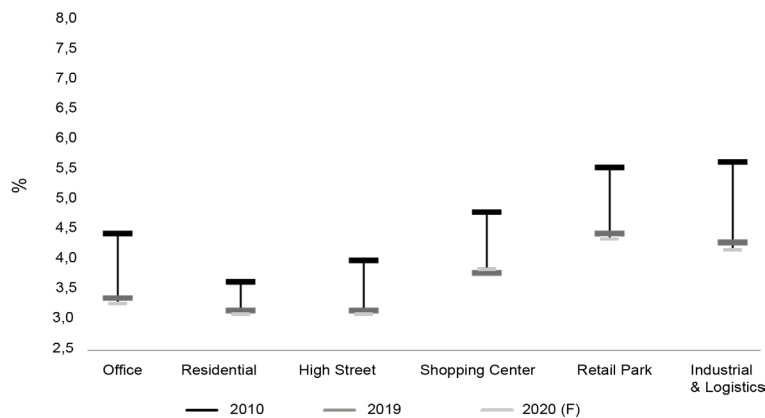
Comparing the U.S. commercial real estate sector, which incorporates retail, to the European, it can be concluded that the U.S. has a higher share of retail real estate within the said sector. Moreover, the U.S. retail industry is regarded as more venturesome than European retailers, who often hold their business privately and hand down companies to the next family generation. This results in rather conservative management and financing of European retail companies. It has been observed that U.S. retailers tend to take on debt, leaving them vulnerable as popular targets for leveraged buyout funds (Scope Reports 2018). The risk profiles of private and public companies tend to vary enormously. Scopes analysis shows that European retailers are more geographically diverse, which provides stability. At the same time, less of the revenue is generated online than in the U.S., making them robust but less dynamic business models. The U.S. retail market's main features are that it is a single market, whereas Europe consists of many countries with different input. Furthermore, the U.S. retail market is said to be „over-stored,“ having six times more retail space per inhabitant than Europe. Europe, on the other side, is geographically diversified, showing a low level of debt and more privately held and family-owned businesses in comparison with the U.S. (Scope Reports 2018).

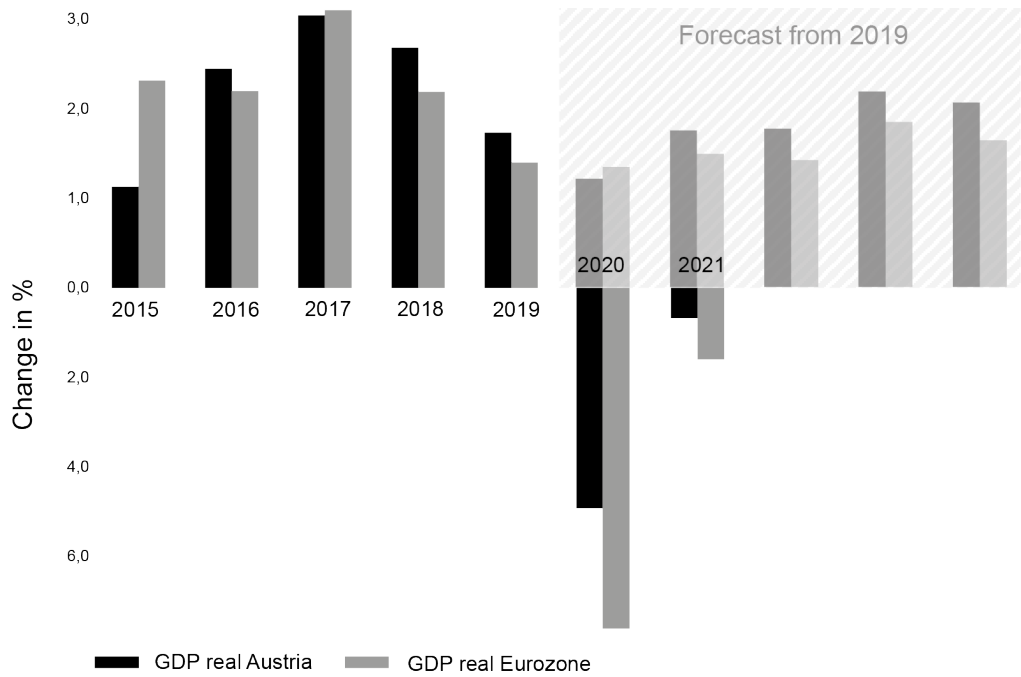
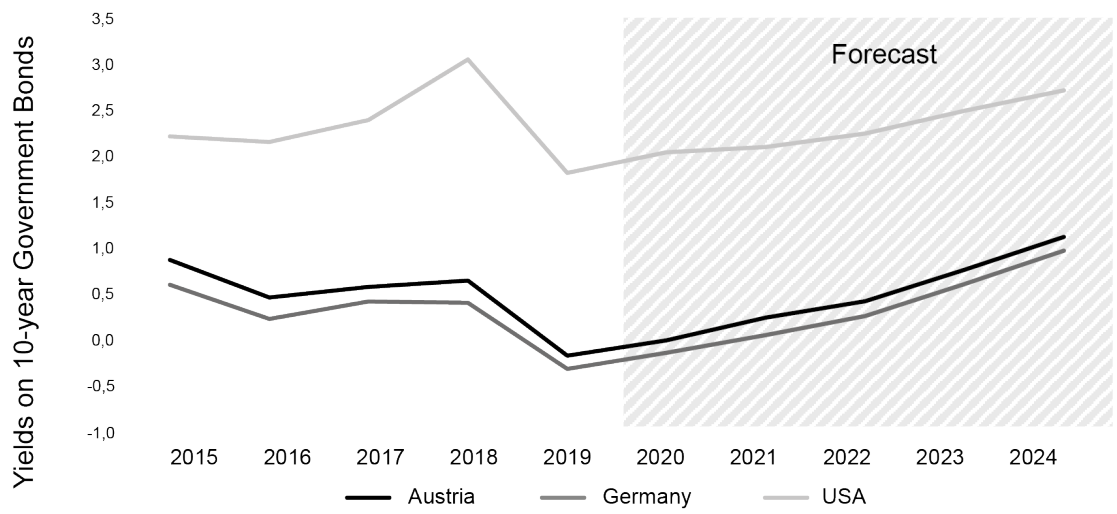
7.1.2 VIENNESE RETAIL REAL ESTATE MARKET

In an interview Jörg F. Bitzer, expert for the German-Austrian retail real estate industry, explained that the Austrian retail property market is currently experiencing a downward turn in the real estate cycle. *“This would have also been without the CoVid-19 pandemic”*, Bitzer states (2020, own translation). He adds: **“Reason for this is first of all a changing demographic structure in Austria – society is ageing. And those migrating to the country do not belong to the purchasing-strong sections of population”**. He continues to explain that regarding the Austrian spending power a relocation of financial means can be observed. Bitzer describes: *“Austrians are spending money for all sorts of things, but not for the conventional retail trade”*, referring to increasing expenditures for passing pleasures like restaurants and bars, as well as vacations and experiences (Bitzer 2020). According to Bitzer other European markets are experiencing similar shifts – Berlin and London just as well as Vienna, with the difference that the influx of population is younger and more academic. Despite economic growth slowing down, Austria exceeded the overall economic growth of the Eurozone and Germany in 2019. During the same year private consumption increased by 1,5% attributable to positive developments in the Austrian labor market. While at the beginning of 2020 CBRE still predicted a slowing down but continuous growth of 1% annually in future, the Co-Vid 19 pandemic has impacted the Austrian economy unforeseeably. Unemployment to a historic record of around 12% while the GDP is expected to go down by 5,5% - 7% in 2020 (Statista 2020).

Picture 74 shows the development of peak retail yields 2010-2019 and forecast 2020. Picture 75, on the right side, shows the 10-year government bond yields in international comparison. Graph 76 shows the economic conditions in Austria.

Figure 74: Development of retail yields in %. Source: Own Figure, cf. CBRE 2019: 11. Figure 75: Yields on 10-year government bonds. Source: Own Figure, cf. CBRE 2019: 7. Figure 76: GDP change in %. Source: Own Figure 2020

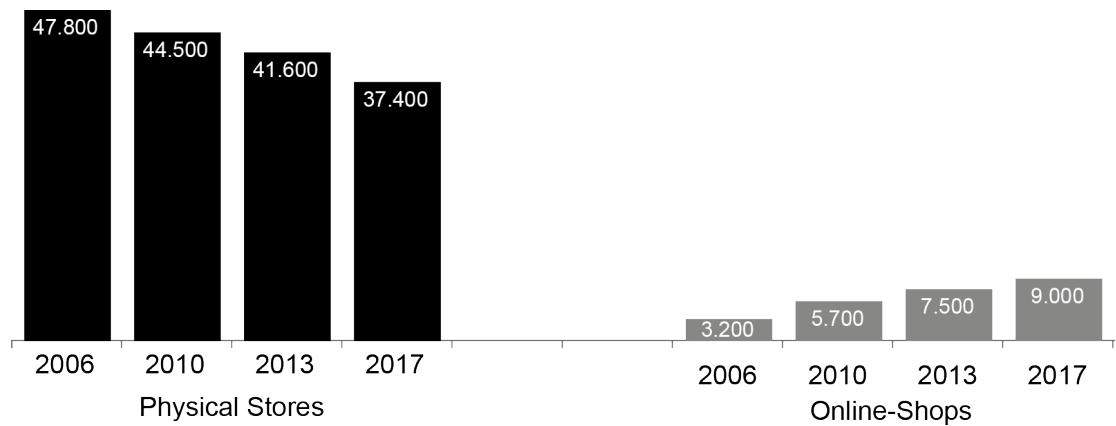




The Austrian retail property landscape is seeing a low level of new entries and completion in 2020. Contrary, rents for commercial space in Viennese prime locations, such as the Kohlmarkt and Graben, are reaching new record levels. The positive development of tourists visiting the city drives premium retailers to pay rent of around €350/m² per month for a retail space of 100-200 m². Jörg Bitzer (2020, own translation) describes the situation as following: „I have accompanied numerous retailers with entering the Austrian retail market over the last twenty years, which said that if they can be present of Kärntner Straße, with 15-17 million pedestrians per year, then expenses don't matter. If a retailer rents an 18 m² store on Kärntner Straße with seven meters of glass front - that's a license for printing money“. **To Bitzer's knowledge, overall retail rents will drop in the future.** The situation in second- and third-class locations remains difficult; he explains: „So called B and C locations in Vienna are already undergoing a two-figure percentage price decline“ (Bitzer 2020). Space in weaker retail locations is increasingly re-purposed for alternative use. The volume of transactions in industrial and logistic property has been rising steadily in Vienna. E-commerce is the most reliable driver of recent transactions and has led to increasing speculative developments. CBRE (2019) forecasts a growing conversion of properties near the city center for industrial and logistic use.

As mentioned before, Austria is experiencing a booming food and beverage scene. The share of culinary spaces in shopping streets is rising. The retail space requirement in Vienna is covered. While 2018 9.000 m² of new sales space entered the market, retail buildings are being re-purposed and taken off the market, leading to shrinking sales area per inhabitant. City tourists visiting Vienna are a vital driver of retail sales. Revenue generated through visitors is increasingly crucial for business in good and excellent city center locations. Many retailing companies focusing on prime Viennese locations is causing rents to rise to records. Square meter rentals of up to 400 euro in highly inquired areas in Vienna's first district make it the top ten of the global rent ranking. Jörg Bitzer (2020) commented that Vienna's retail landscape, most of all the top luxury segments in the first district, highly depends on tourists who also compensate for the spending weaker aging society. With the Co-Vid 19 pandemic, many Vienna-based retailers say that they never expected the number of tourists and, therefore, also foot traffic falling by 80-90% of usual business, affecting sales dramatically. Like many others globally, Viennese retailers are struggling under the Co-Vid 19 restrictions and monthly rent to pay, saying, „we have to reconsider how long we will still be able to pay our rent“ (Bitzer 2020, own translation).

Retail leases in Vienna are typically set at around ten years, not having minimum or maximum duration. Austria being a rather conservative retail environment, with opening hours limited to a shorter time than in other western-world cities and limited Sunday opening times, is resulting in purchasing power outflows to nearby cities of neighboring countries and the internet (EHL 2019).



Graph 77 shows the development of the number of physical stores and online shops in Austria for over ten years.

Figure 77: Number of physical shops declines, the number of online shops increases. Source: Own Figure, cf. KMU Austria 2018

RETAIL-AS-A-SERVICE 7.2 IN CONTEXT

According to innovators and real estate experts, **the future of space lies in the smart servicing of it**. Space-as-a-service models have established themselves in various fields of U.S. commercial real estate and are currently disrupting the retail and real estate sector. Landlords, property operators, and retailing companies alike are seeing the profitability and future of this business model. Brick-and-mortar retailers and REIT's are also welcoming the new concepts. As discussed in chapter 5.2, on case study example Showfields, the retail-as-a-service model provides a platform to e-commerce brands that lack the resources and competencies to move into physical Retail. The company providing the physical platform leases space from landlords and then sublets it while also offering services to take care of everything at a margin. Online native brands sign a membership or short-term contract with a real estate service provider to rent small blocks of floor space. This model abandons long-term leases; it enables many former pure e-players to enter the physical retail market and test and scale their business.

Critical factors for the retail-as-a-service model to be demanded are, therefore, determined through the case study research of Showfields:

- The existence of online-only retailers seeing the advantage of a physical touchpoint
- Digital brands wanting to engage with customers physically
- Online brands not having the competence of operating a physical store
- E-retailers without the financial ability to commit to a long-term retail lease
- Online retailers wanting to minimize the real estate, labor and investment risk
- Service providers offering all-inclusive model which costs are reasonable for online brands
- A trend towards online shopping
- A target group of digital affine customers

The online retailer requesting a physical touchpoint is not limited to Austrian native brands; therefore, potential demanders can be cross-boarded, foreign companies. 77% of Austrian online shoppers make purchases on international websites (DPD 2019). As highlighted in following chapter 7.2.1, many retail brands are interested in expanding their business to Vienna. The high number of tourists and local traffic make prime Viennese locations a much sought after expansion target (CBRE 2020: 23). Digital brands seeing the advantages of physical shops is a phenomenon not limited to the U.S. retail market. Discussed in chapter 4.6.2, THE ROLE OF PHYSICAL SPACE, companies have seen a halo effect – the opening of physical stores driving up online sales. Many digital-native brands are experts regarding internet platforms, social networks, online marketing, etc. but seldomly have the know-how of operating a physical shop, adding the commitment of a long-term lease, as Austrian retail leases are typically set at around ten years and the minimization of various related risks. Research conducted by PWC revealed that retailers are willing to pay more for shorter and flexible leases. Moreover, „shorter leases“ were ranked first in factors influencing real estate strategies over the next 3-5 years. Nearly 60% of respondents answered that flexible leases would impact the European real estate industry significantly or very significantly in the future (PWC 2019: 17).

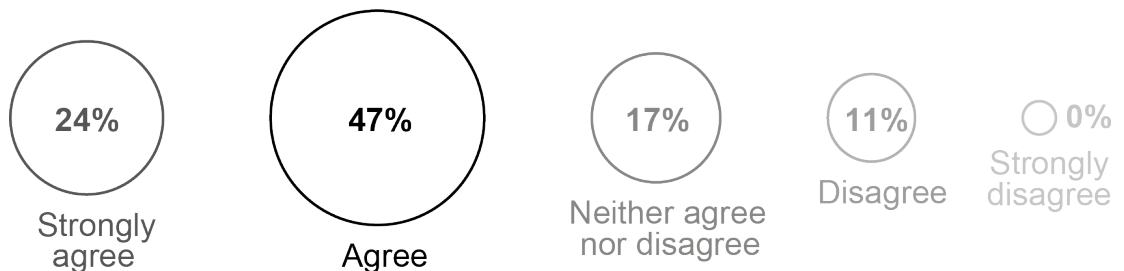
The CBRE 2020 retail outlook illustrates the increase in online sales in Austria. The company predicts that by 2023 e-commerce revenue will grow by 22% (CBRE 2020: 27). Compared to the U.K. or the Netherlands, Austria's online sales penetration is moderate, keeping rental values stable and making investments in retail real estate more attractive than in other European countries (CBRE 2019: 21). **„Innovative retail schemes, close to transport hubs, that introduce experiential, convenience and mixed-use elements will appeal to both consumers and investors“** (CBRE 2019: 23).

Further requirements for a retail-as-a-service model are:

- A real estate service provider experienced in the property business, retail, hospitality, and I.T.
- The ability of the retail-as-a-service provider to sign a lease in a prime location
- A vacant retail space in a prime location with natural footfall
- Real estate providers branding the service concept and premise e.g., Showfields as a brand
- A high number of brands are interested in signing memberships, so service providers can choose to pick and curate the most interesting ones
- A service team creating changing experiences with know-how on user experience
- A network of key-partners and professionals
- The needed technological infrastructure to connect online and offline shopping seamlessly
- The know-how of technological solutions and data analysis for in-store and offline actions
- Technology to create feedback loops to convey consumer reactions back to brands

Illustration 78 shows that according to a study by PWC, European occupiers are willing to pay for shorter retail leases and enhanced flexibility.

Figure 78: Occupiers are willing to pay for shorter leases and enhanced flexibility. Source: Own Figure, cf. PWC 2019: 28



Interpretation: According to Nikki Baird, a retail specialist from Forbes, **retail-as-a-service concepts flourish in environments with high real estate prices, many tourists visiting, great local footfall, and a high concentration of entrepreneurs**, referring to U.S. cities like New York, Chicago and Los Angeles (Forbes 2019). Comparing the Viennese real estate landscape to the U.S. it is visible that major cities in the United States operate under multiplied dimensions. Breaking it down to the first three factors, high property prices and local and foreign visitor footfalls, each of them applies to the Viennese real estate landscape, as discussed in 6.1.2, when narrowing down the area of examination. German-Austrian retail real estate expert Jörg Bitzer (2020) says major U.S. cities and Austria's capital Vienna are two different worlds that cannot be compared – due to the dimensions in area, inhabitants, and economy just to mention a few reasons. While the country Austria's total number of inhabitants marks just below 9 million people, the city of New York alone records a slightly smaller number, highlighting that a direct comparison between Vienna and New York City cannot be drawn. Bitzer (2020, own translation) further explains: „*I think the concept is cool. I also think it has a chance and potential. For me the question is always „what is relevant to the market?“*. **Cool concepts will always be successful and are also duplicated and reproducible.** Even if the Facebook, Twitter, and overall share of digital services in Vienna is lower than in New York – the business model will work. The question is how often or how many of these concepts will work, and what impact will it have on the overall market“.

Conclusion: The above-mentioned critical factors for the retail-as-a-service model to generally be demanded to apply to Vienna's market: Retail companies, not only Austrian but also international, showed a great interest in the Viennese retail landscape before the Corona pandemic (KPMG 2016:40). To the question of whether a concept like Showfields could be successful in Vienna and disrupt the retail real estate market, he replied: „*The potential is certainly there. It's cool, it'll work. It is something exclusive, something special. If I had five of these concepts in Vienna, then it would be bland.*“ Bitzer (2020, own translation) adds that even though the concept of Showfields would fit the Viennese market, **he doubts that the retail-as-a-service model will disrupt the retail real estate industry - „It is absolutely negligible for the entire retail market and property market,**“ he says. As space-as-a-service models are gradually entering the Viennese office market (e.g., Spaces, ImpactHub, CoCo-Quadrat), who knows which asset class will be next? Retailers demanding more flexible lease structures and service providers who are entering the real estate market establish a foundation for future retail-as-a-service models in Vienna. Mentioned in chapter 5.3.5, RETAIL LEASES, Dror Poleg (2020: 37) commented on property owners and operators maintaining traditional leases as followed:

„Landlords will now be willing to take on more of this risk because they simply no longer have a choice. When your building is suddenly 20% to 30% empty, you become much more open-minded about a lot of things“.

(Dror Poleg for Bloomberg 2020)

„It (space-as-a-service) is absolutely negligible for the entire retail market and property market.“ (Jörg Bitzer 2020)

LAST-MILE SOLUTIONS

7.3 IN CONTEXT

With retail sales gravitating online, carriers delivering electronically purchased goods no longer ship to a single warehouse or distribution center of a retail company. Instead, products shopped online need to be delivered to the customer directly. With rising e-commerce sales Austria has been experiencing, see chapter 4.5, solving business to consumer delivery is a hot topic, especially in urban agglomerations like Vienna. Experts predict a continuous rise over the next years, while Austrian online sales penetration made up nearly 8% of all retail sales in 2018. According to Harald Gutschi, Vice president of the Austrian trade association, this number rose to around 11% of the total retail trade expenditure of Austrian private households allocating to e-commerce – a record high of online sales growth promising a more rapid increase than expected in earlier years (Handelsverband 2019). While online turnover is growing, Austria's approximately 9000 webshops are only profiting to some extent – the significant majority of spending power gravitates to international online retailers (Handelsverband 2019). As discussed in the case study in chapter 6.3 on BOX by Finnish postal service provider Posti Group, logistic companies are working on new business models to satisfy the rising demand of B2C-deliveries. U.S. startup The Fitting Room Club and Finnish Posti Group see the solution to last-mile parcel shipment in creating physical retail-logistic hubs serving as delivery pick-up and return touchpoints. The bullet points listed below are general factors for a similar concept to be demanded by consumers.

Critical factors for a last-mile solution like BOX to be demanded:

- Growing e-commerce sales leading to a large parcel shipping volume
- Online brands shipping products direct to consumer, not via physical retail stores
- Consumers requesting alternatives to door-step delivery
- A dense urban area/capital city
- Good public transport infrastructure
- Customers seeking „hybrid“ retail experiences, linked to consumption of short-term pleasures (food & beverage, experiences, services, etc.)
- Key partners in the logistic sector
- A distribution and property network

The above-listed factors derived from the concept BOX by Posti, located in Helsinki, apply to Vienna's capital Austria with a significant difference in the percentage of e-commerce sales on the countries overall retail sales. While Finland showed an e-commerce penetration of around 11% in 2018, Austria lagged by about 3 % at a total of 8%, as graph 102 indicates. The following Illustration 103 presents considerable differences in e-commerce parcel penetration rates, with Austria counting 14 e-commerce relevant parcels per capita. As online brands ship their products to the end-consumer, not via physical retail stores, alternatives to door-step delivery will increasingly be demanded. Dense urban areas seek concepts avoiding motorized individual parcel fulfillment.

Country	GDP per Capita	The average income per capita	Av. household disp. income	Un-employ. rate (2019)	Online sales, as % (2019/2029)	Internet users / 1000 inhabit.	Av. citizen age	Inhabit. capitol city
U.S.	65.111 USD	45.404 USD	45.218 USD	3,6%	12% / *22%	873	37,4	705.749 ca. 5 mio in metr. area
Finland	49.241 USD	48.510 USD	29.943 USD	6,6%	11% / *16%	889	42,3	631.695
Austria	50.654 USD	49.560 USD	33.541 USD	4,7%	9% / *13%	875	42,7	ca. 2 mio

Table 8: presents economic and demographic data on the U.S., Finland, and Austria. Source: Own Figure, based on OECD, Länderdaten.org, FED, Statista, KMU, CBRE. *Prognose

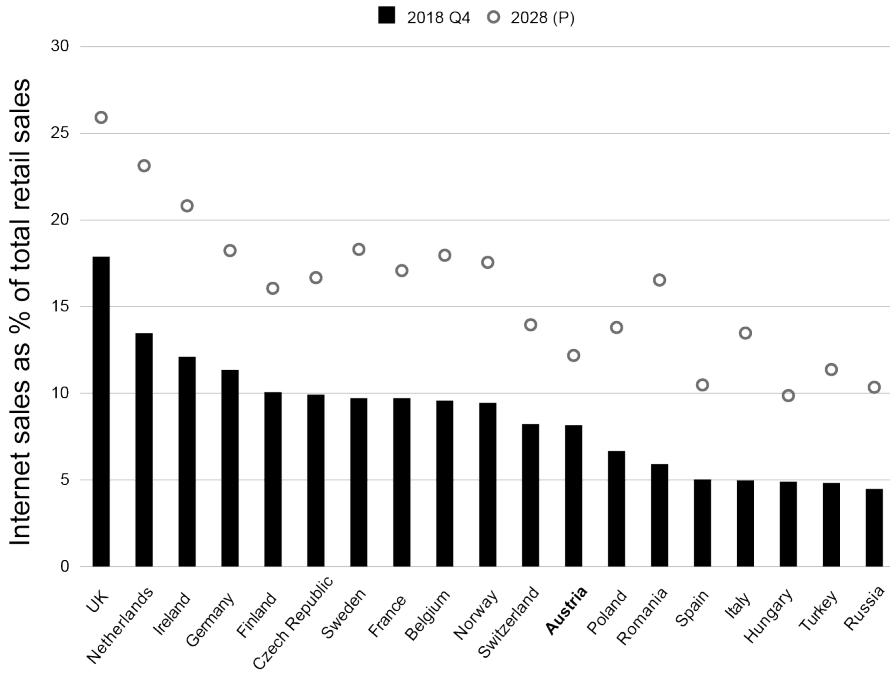
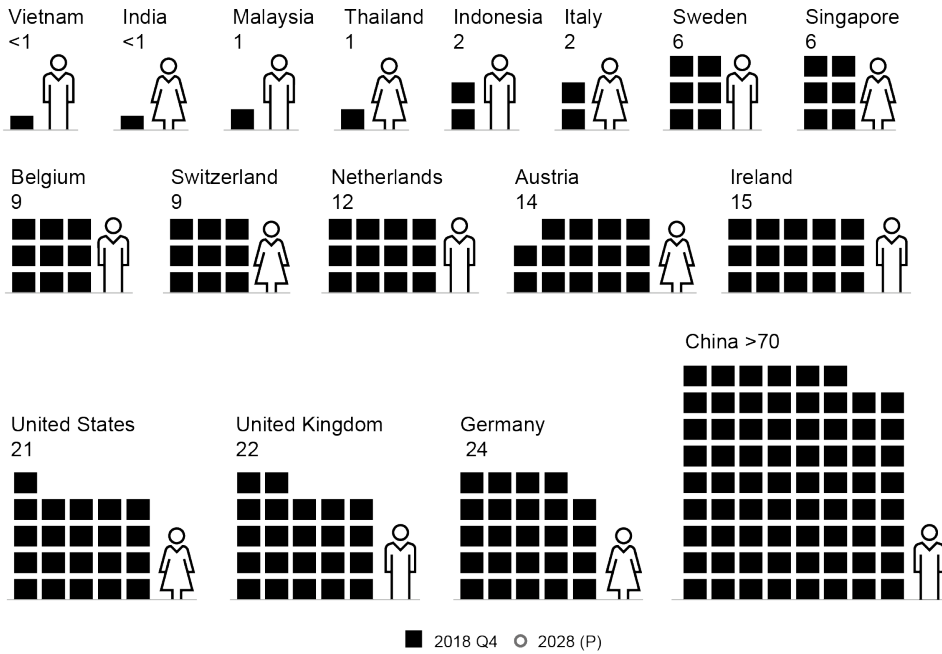
Further requirements for a last-mile solution like BOX:

- A service provider with the necessary logistics infrastructure and critical partners
- I.T. infrastructure to provide a seamless process of shipping and returns
- An accessible ground-floor property big enough to contain a locker system and various service areas
- A property located in a prime location close to a public transport hub
- Self-service devices
- Employees working at the interface of logistic strategy, hospitality, sales, etc. to develop and maintain various fields of operations
- Real estate developer and property manager with know-how on mixed-use real estate
- Belonging to an ecosystem is advantageous for scaling to multiple locations

Illustration 79, on the next page, presents considerable differences in e-commerce parcel penetration rates, which could translate into growth opportunities for companies in less developed markets. Graph 80 shows the 2018 e-commerce penetration and 2028 forecast of selected European countries.

Figure 79: E-commerce-relevant parcel penetration as of 2017, in the number of parcels per capita. Source: McKinsey & Company 2019
Figure 80: E-commerce in selected European countries. Source: Own Figure, cf. CBRE 2020: 22

E-commerce-relevant parcel penetration, 2017, number of parcels per capita



Interpretation: Comparing the U.S. and Finland, where last-mile-solutions like The Fitting Room Club and BOX by Posti emerged, to Austria, it can be observed that the Austrian average household disposable income lies between the U.S. and Finnish, leading to a median purchasing power in global comparison (OECD 2019). While the number of internet users per one thousand inhabitants is minimally different within the three compared countries, the U.S. average citizen age lies around five years below the Austrian and Finnish average, enabling a higher consumption of electronic commerce. Narrowing down the comparison to Finland, country of concept BOX, and Austria, it can be said that the demographic conditions are similar, besides the capital city of Vienna having three times as many inhabitants as Helsinki. Finland's relatively high e-commerce sales in European comparison (see figure 102) are attributable to educated internet users, the countries' geography and area, developed infrastructure, sporadic shopping facilities due to geography, and city agglomerations, and a lower number of international retailers with stationery shops. The above-mentioned critical factors for a concept like BOX apply to Finland and its capital city, Helsinki, and the Austrian capital Vienna. Austria lags behind Finland in e-commerce sales on all retail sales. **Vienna's twice as dense city center as Helsinki, although demands for new solutions for the final mile in parcel logistics.** A concept like BOX, incorporating a fitting room directly next to self-service parcel stations, offers a convenient solution for returns targeting Austrian online shoppers' consumer behavior, as three of four Austrians tend to return clothing (OTS 2020). Concepts like the DPD City Hub in Seestadt Aspern, parcel transportation with e-bikes, other sustainable mobility solutions, and parcel lockers and packet shops integrated into kiosks, petrol stations, and often cellphone shops are first steps towards parcel fulfillment.

Conclusion: E-commerce, being the driver for change and development in the retail-logistic and the industrial sector, is expected to see room for growth in the European retail market. In combination with economic fundamentals, e-commerce will be the significant driver of performance for the retail and logistics sectors (CBRE 2019: 23). According to CBRE, logistic and last-mile solutions will continue to flourish to meet consumer's demands and provide convenience efficiently. The number of online retailers and parcel service providers close to major population centers is expected to grow continuously. To provide the needed infrastructure, developers will seek the potential of converting space near city centers and retail properties into fulfillment hubs and innovative mixed-use retail concepts (CBRE 2019: 23). PwC (2020: 30) adds: „*It will come down to location, trading area and do you have the ability to create a mixed-use environment.*“ Like BOX, self-service micro-depots tackle the lack of logistics facilities in dense urban locations, as seen in major cities globally. The potential of this concept of a retail-logistic hub could impact how inner-city ground floor space is valued.

The ability to operate a logistic network paired with the physical infrastructure can create a not yet available service solution for Vienna.

EFFECTS ON THE PROPERTY 8 SECTOR – A SPECULATION

Chapter 8 leads to a speculative final statement regarding the effects of the in chapter 5.2 classified retail concepts on the real estate sector. The in chapter 3.2 posed research questions are repeatedly answered leading to an overall conclusion of the thesis.

8.1 TECHNOLOGY & DATA

Technology has experienced exponential development within the last four decades. Today we are standing at a point where to some extent, all other industries have been transformed in consequence. The real estate industry has longtime neglected this connection, as little attention is paid to developments within the technology sector. Technological developments change the way real estate is planned and monetized. **As the property industry is becoming more digital, competitors in the game are no longer traditional real estate companies, but non-industry players like Google, Amazon, and co.**

„The big question is whether real estate can learn software quicker than software can learn real estate,“ says Anthony Slumbers (2019).

Antony Slumbers (2019) further explains: *„Many people think that technologies develop to fulfill a human need. We want to do something, so the technology industry works out how to do it. (...) But that is not how it works; the reality is that behaviors change because some new technology has been invented“*. Technology is changing shopping habits – where people shop and how customers want to be served. As mentioned in chapter 4.6.4, technology enables new retail formats and competitors and is redirecting consumer spending from traditional Retail towards new assets and consumer landscapes (Poleg 2020: 32). While literature often discusses „online vs. offline,“ the theme of today’s and future retailing is „online & offline.“ The majority of consumers do not want to give up on physical channels, but neither on electronic commerce. Customers increasingly seek „no-line“ trading – retail without sales channel border and online and offline trade satisfying different motives. Besides, comprehensively discussed innovative e-commerce concepts as part of online retail trade have emerged. These will further be mentioned below in the conclusion concerning vital retail trends. The fact that new technologies are manifesting themselves in retail trade cannot be denied but still not apparent to the majority of retailers (Spanke 2020: 39). **„Completely new topics like A.I., IoT, neurotechnology will pulverize the retail trade in the next 30 years“** state Bosshart, Frick, Fetsch, and Wildgrube in the 2019 study „The End of Consumerism“ (Bosshart et al. 2019). Everything is connected to everything else – commerce, experience, marketing skills, mobile websites, artificial intelligence, payment, and delivery fulfillment. *„Build, measure, learn. Build, measure, learn. 24/7, three six five.“* That is the sequence, according to Slumbers (2019). He continues explaining that real estate participants – landlords, property managers, and operators, etc. should sign up retailers who are skilled data users. He states: *„They have a much greater chance of surviving and thriving.“* In the future, the real estate related industries need to increasingly work as per W. Edwards Deming’s statement *„In God we trust, all others must bring data.“*

8.2 KEY RETAIL TRENDS

„Retail is changing and changing fast and not in a linear way. We are not digitizing the past. It is being reinvented“, says Antony Slumbers (2019). With retail undergoing a major transformation, this thesis aims to answer the following questions: **What are the new retail concepts disrupting the market in major US cities? Which challenges of online and brick-and-mortar trade do they solve?** These two research questions are discussed fully in chapter 5.2, CATEGORIZATION OF EMERGING RETAIL CONCEPTS. The ten key retail concepts, transforming the U.S. industry, are:

- Alternative points-of-sale
- Community Spaces
- Hybrid Spaces
- Inspired by Online Retail
- Last-mile-solutions x
- Paid Experiences
- Pop-up Stores
- Rental Memberships
- Retail-as-a-service
- Vivid Experiences

To sum up: retailers and real estate participants should keep track of new developments under the term „alternative spaces of commerce“ dealing, for example, with e-games and -sports and related physical venues, as well as voice-driven commerce or smart devices that make the home point-of-sale. Further disruptive retail concepts work with rental memberships – increasingly in the fashion industry or physical stores that are becoming community spaces or hybrid places. As discussed to wider extend in the case study section, retail-as-a-service concepts and the shift from real estate as a primary product industry to becoming a service-providing sector, as well as last-mile solutions emerging out of a shift in Retail related to electronic commerce are hot topics in retail and retail real estate. The change caused by e-commerce impacts the retail asset class and also the industrial property sector.

THE IMPACT ON THE REAL 8.3 ESTATE SECTOR

Besides revealing disruptive retail concepts, this thesis also deals with the following question: **How do these concepts impact the retail real estate sector and its participants' future?** A speculation on the impact of each in chapter 5.2, CATEGORIZATION OF EMERGING RETAIL CONCEPTS mentioned concept on the property sector is given in the following:

RETAIL-AS-A-SERVICE – Research Question „How does this concept impact the retail real estate sector and the future of its participants?": Retail-as-a-service enables more flexible and shorter-term leases than traditional rental agreements of five to ten years. Property owners and operators need to adjust to business-like structures of income generated through the retail-as-a-service model, differing from long-standing bond-like characteristics of ownership. As physical Retail and digital platforms merge, property operators need to be skilled users of technology or outsource to specialists. Besides having real estate knowledge at their disposal, hospitality, and the service industry's skills are essential.

POP-UP STORES – Research Question „How do these concepts impact the retail real estate sector and the future of its participants?": Besides offering short leasing periods for retail space, which usually lie at five to ten years in the U.S. and many European countries, pop-up stores can word-for-word pop-up anywhere – may it be in a vacant space, old or abandoned warehouse facilities, or only partly used rooms of any kind. This enables property owners to transitionally rent out spaces in good locations that are vacant or going to be re-purposed. As pop-up shops and physical Retail, in general, are seen to gain medial character, and the point-of-sale and transaction-related properties move online, good-located stores will present great financial value from a marketing perspective. The valuation of the property will in order to change. In an interview on the future of retail stores, Doug Stephens explains an approach to value a store as media property in the marketplace (Floorplate 2020). The media value is added to in-store sales and the store's influence on online sales within the catchment area. He states that once landlords start considering the media value of physical space, a foundation for calculating appropriate retail rents as a mixture of online and offline is set.

PAID EXPERIENCES – Research Question „How do these concepts impact the retail real estate sector and the future of its participants?": Referring to Antony Slumbers (2019) stating that: „(...)It has often been said that you cannot brand real estate, (...). That is product industry thinking“, it can be observed that companies like fitness club Equinox, opening up a branded hotel chain and offering paid experiences, are taking on the direction of operating branded real estate. Moreover, hybrid spaces, emerging out of a product-based retail environment mixed with other experience-based commercial uses, are developing. Real estate participants need to apply a diverse skillset to plan such landscapes. Doug Stephens quoted a conversation he had with a fellow real estate industry partner: „I asked him how long he'd been in commercial real estate. He said „I'm not. I'm in the entertainment and hospitality business.“ It was at that point I knew; this guy really gets it“.

COMMUNITY SPACES – Research Question „How do these concepts impact the retail real estate sector and the future of its participants?": Architects, designers, and real estate developers are increasingly asked to shape mixed-use or hybrid spaces, which are flexible and adjustable in use. As mentioned in chapter 6.2.3, the value of an asset is likely soon-to-be determined by its flexibility, productivity, health, and sustainability. Adaptable property is demanded.

LAST-MILE SOLUTIONS – Research Question „How do these concepts impact the retail real estate sector and the future of its participants?": With the disruption of physical retail, shops in prime locations could shift from being places to purchase goods towards becoming pick-up hubs, integrated into a network for last-mile fulfillment. The growing demand for logistic and industrial space due to rising e-commerce transactions results in an appreciation of the industrial asset class with cap rates comparable to commercial assets (see chapter 6.3.2).

ALTERNATIVE POINTS-OF-SALE – Research Question „How do these concepts impact the retail real estate sector and the future of its participants?": E-sports, counting as an alternative point-of-sale, create demand for a physical structure resembling conventional sports arenas. Besides new building types, the alternative-points-of-sale requires hardware, e.g., servers, to support the electronic activities. The asset class of data centers is growing just as rapidly as the data volumes used worldwide. Data centers, managing, controlling, and storing data, are increasingly seen to have enormous potential for alternative real estate investments. As retail assets are becoming stressed, global investors turn to the data center market for asset diversification and risk-adjusted returns (Financial Times 2020).

VIVID EXPERIENCES – Research Question „How do these concepts impact the retail real estate sector and the future of its participants?": As mentioned earlier in this chapter, landlords, property managers, and operators, etc. should sign up retailers who are skilled data users – the same goes for retailers that are capable of producing vivid experiences. Landlords and real estate operators should see their business in providing spaces that match the retailer's needs, as Doug Stephens (2020) emphasizes: *„(...) the building is the vehicle where we stage the show. But it's the show that people are coming for. It's the show that matters“*.

RENTAL MEMBERSHIPS – Research Question „How do these concepts impact the retail real estate sector and the future of its participants?": Just like all other e-commerce transactions, rental memberships which get delivered by fulfillment service providers, will be sourced from micro-warehouses and fulfillment hubs. Integrated into a network, these small logistics centers increasingly emerge around dense cities. Slumbers (2020) explains: *„Using predictive stocking algorithms they will not need to be very large but will still be able to get us pretty much anything we want in an hour or two. The old school industrial real estate agent will now be an „as a service“ warehouse, robotics and logistics wizard.“*

INSPIRED BY ONLINE RETAIL – Research Question „How do these concepts impact the retail real estate sector and the future of its participants?“. Coming back once again to the fact that technology is manifesting itself in retail real estate and Bosshart's et al. (2019) statement that topics like A.I., IoT, and neurotechnology „*will pulverize the retail trade in the next 30 years*“. Landlords and property operators should choose their tenants wisely based on their ability to integrate new technological concepts into their business, as „*they have a much greater chance of surviving and thriving*“ (Slumbers 2019).

HYBRID SPACES – Research Question „How do these concepts impact the retail real estate sector and the future of its participants?“. Hybrid spaces, which go further beyond a mixed-use development, as the cohesion of functions, is essential for hybrid spaces, and mixed-use developments have mutually independent functions. Physical retailers operating hybrid spaces need to be knowledgeable in different commercial real estate areas to successfully combine multiple asset classes and their characteristics in one property. Investors are said to be restrained regarding significant hybrid developments, as these developments are complex, and financiers often specify one asset class.

The conclusion can be drawn that critical disruptions in retail real estate are said to be the comprehensive changes in landlord-tenant-relationships, leading to fewer turnover-linked rents and new forms of rental agreements. Also resulting in frequency-related instead of turnover-based rents. The overall income, rather than just rental income, becomes the metric that matters. Lease terms will need to become more flexible and shorter. Landlords, or property operators, renting out smaller units for mono-label stores and online-native brands are seen to be successful. Overall, declining demand for space from conventional goods suppliers will be observable (Richter 2020). Antony Slumbers (2019) explains: **„Much of the „as a service“ or „on-demand“ world of services requires relatively high density to make the unit economics work. So if you are selling to an audience that wants these services, you have to be operating in relatively dense locations“**. According to Lital Marom (2019), „*The future of space lies in the clever servicing of it – not, it would seem, its ownership.*“ The days when investors bought a conventional real property for capital appreciation or long-term security of their income stream with little asset management are therefore over.

The new formula for creating value in the real estate industry is real estate as hardware + software + services.

8.4 TRANSFERABILITY

The final research question is: Are the new U.S. retailing concepts transferable to other western-world cities – for example, to Vienna, Austria? Antony Slumbers (2019) states that there are trends that work in some parts of the world, but not in others. Retail has always been a very local business, but lessons can be learned by looking to a neighbor or overseas. He further explains: **„Different parts of the world are on different parts of the journey, but the direction of travel is clear.“** To the question, if the Viennese retail real estate industry has the know-how and mind-set to transfer disruptive retail concepts from major U.S. cities or other metropolises retail expert Jörg Bitzer (2020, own translation) answers: *„In Vienna 80 percent of retail real estate is ultimately privately owned. The main thing that counts at the end of each month is if rent has been paid. After about 8-9 years some asset manager, if there is one at all, or a property manager sits down and says, „your lease expires in one year.“ Then the owner hopes that rents will rise again, so that a new contract can be arranged. But the thought that everyone in the real estate industry is ready to come up with something new is an illusion“.* He further describes: *„It’s as if you have money on your bank account and have once decided that 0,5% income before capital gains taxes on a savings account is enough for me – then you don’t go to the bank every four weeks and say „Is there anything new I could do in America? I could do in Singapore?“ Or think „have I ever looked at the financial market in Botswana to see if there are any innovative financial investment products?“ People who invest their money in real estate therefore tend to do it because they think it very long-term – if I have a property for 15 years, then I don’t want much related work with it. (...) That’s the majority of the Viennese market“ (Bitzer 2020, own translation).*

Since the Viennese property owners presumably do not have the mind-set or will to follow up with innovative concepts, real estate companies like Jörg Bitzer’s help out with establishing new ideas and players in the market. Bitzer (2020) describes: *„One of my clients said to me „I’ve got five vacant lots. What do you think I can do with the vacant spaces?“ When I tell him, I had a nice conversation today about innovative New York concepts, he says „Super Jörg, let’s do something like that!“ The only thing that flashes in his eyes are the dollar signs“.* The conclusion is that new U.S. retail concepts are transferable to other western-world cities like Vienna. This assumption is reviewed in chapter 7 and the following subchapters placing the case study examples in the Viennese context. Jörg Bitzer (2020) described the privately-owned structure of Vienna’s retail real estate sector and the bond-like traditional characteristics of the industry. While the U.S. is already rearranging the property market towards providing services rather than buildings as final products. *„That means operationally, culturally, and financially real estate companies are changing,“* says Slumbers (2019). Austria, as one of many other countries, is still lagging. Bitzer (2020) evaluates the impact of the corona pandemic on the Viennese retail sector: *„When all these state subsidies expire at some point, consumer spending will be totally on the decline.“* In his opinion, the retail sector is going to go down massively. A similar assumption can be made for other countries. *„Even if you say tomorrow the vaccine will be there and the day after tomorrow, we can all be vaccinated, I would expect the retail vacancy rate to double at least once over the next two to three years,“* the retail expert says (2020, own translation).

Bitzer adds that the negative effects are already visible when you walk Viennese shopping streets: „*Mariahilfer Straße hasn't had as many vacancies as it does now in the last ten or 15 years*“. To the question of how far the downturn in the retail real estate branch will go, he states he is not sure – but what he is sure of is that it is a pretty bleak scenario (Bitzer 2020). Retail real estate is going to lose value, even become obsolete to some extent. „(...) *We really do not NEED shops anymore. In fact, we really do not NEED an awful lot of real estate. That is not to say we don't WANT these spaces, but what we do in them will change*“, states Slumbers (2019). Many shopping centers, high streets, small-town pedestrian zones will die.

„Don't bring a knife to a gunfight. If your retail real estate is not suited to how the market is changing. Then there is nothing you can do about it. Change the game or get out“ (Slumbers 2019).

There always lies a possibility within change and transformation. Retail real estate is seen as a great area of opportunity – but real estate skills alone will not be sufficient. The retail real estate game has changed.

LIMITATIONS AND 8.5 FUTURE RESEARCH

The here presented research is subject to certain limitations, of which the most critical constraints are outlined subsequently. Based on the principal results and research limitations, recommendations regarding future research are given.

First of all, the arguments posed in conclusion, generate some relevant hypotheses, although they need to be tested profoundly to gain generalizability and validity. As this research is based on qualitative methods, it lacks the reliability of analyzed data – a general drawback of qualitative research. It is suggested that researchers build upon the topic of contemporary retail concepts and their impact on retail real estate and conduct quantitative analyses that ultimately have the power to confirm or reject some of the hypotheses or findings. In this context, even though qualitative research may pose numerous challenges regarding the evaluation of data. It is a crucial method for investigating cultural and social contexts and inexperienced research fields. This leads to the second limitation of the present thesis – the lack of credible research studies in the field of retail real estate impacted by new retail concepts. It is showing a possibility for future research on this topic. As a result, access to data was partially limited to desktop research and field investigations.

Due to limited time, not all ten contemporary concepts, as listed in 4.6.4, could be studied in-depth. Moreover, the categorization of concepts is limited to those directly connected with and impact physical space. Further analysis could be carried out on the remaining concepts, leading to additional assumptions regarding the disruptive impact on the property industry. As U.S. concepts in the field of last-mile-solutions have not yet entered the market physically and therefor show insufficient information on operations, the choice was made to work with an equivalent concept from Finland for the case study 5.3 on BOX by Posti. As similar models to BOX occur in major U.S. cities, but do not yet provide the same scope of accessible data, the project which offers the best basis for making assumptions and deriving theses was selected. A possibility for further investigation could lie in comparing the Finish model to U.S. concepts once sufficient data is available.

Lastly, it needs to be noted that the statements presented in this work are based on qualitative findings. Expert opinions were compared with the made assumptions to strengthen the creditability. The research topic contemporary U.S. retail concepts and their ability to disrupt real estate markets show high potential for further scientific research – on the one side in the area of sociology, analyzing the forces impacting the consumer behavior and the resulting changes within the retail industry, on the other side in the field of real estate, on how changing values, emerging lifestyles and the transformation towards a service-industry impact the real estate sector.

FINAL 9 THOUGHTS

Chapter 9 presents a short personal reflection on challenges the retail industry is experiencing presently.

REFLECTION

When thinking about the challenges that brick-and-mortar and online commerce share, it becomes clear that the construct around contemporary retail is paradoxical. Shops are transforming into media; media is becoming the shop – this observation alone shows that the retail industry is turning 180 degrees. What once developed from the necessity to trade goods, has only peripherally something to do with the supply of needs. The retail industry is no longer merely responsible for getting products to the consumers but has the blessing and curse of serving a broader purpose, going beyond material values.

Especially city dwellers, but in general most consumers, have a strange relationship with retail. They like small shops for browsing but go to big warehouse stores for purchasing. Hate giant retailers like Amazon but order online for convenience and selection. Expect their products do be delivered within no time but do not like distribution or fulfillment centers that bring the stuff to their door. Consumers are increasingly trying to make conscious decisions but purchase the eco-friendly biodegradable disposable cutlery made in China. While younger generations seem to be more mindful about sustainability than their predecessor birth cohorts, they are also set up more globally. Finding an economical and ecological balance between global and local trade needs to be solved, especially in the light of developed countries economizing at the expense of disadvantaged countries and the global environment. It seems as there are too many options that make it hard to make plausible decisions, consumer values, and irrational decisions are disconnected. Each individual has the responsibility to rethink behavioral actions while contrasting choices with financial, educational, and cognitive resources. The retail industry needs to reflect on how progressive technology, innovation, societal values, and functioning models can go hand in hand.

How the internet, and presently CoVid-19, has impacted retail is changing our cities – negatively and positively. Trying to preserve the „old retail landscape“ and the idea behind it is no option. As many retailers go bankrupt, the industry can bring forth concepts that match contemporary consumers' preferences, are sustainable and adaptable, and improve city landscapes by rethinking public space. Retail and retail real estate can transform into their very best version by shedding outdated definitions and rules. The categorization of retail as it is presently (in the U.S. GAFO and convenience) will need to be rethought – a polarization between products and service will likely occur intensified, longing for adapted terms. The shift towards service-centric operations will sooner or later disrupt rigid business models and thinking and hast the power to change the retail game.

As quoted in the introduction of the problem:

„it was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair“ (Dickens 1859: 1).

The retail industry is experiencing a battle of change. It is paradoxical. Since every change comes possibility, this research aims to show the potential of emerging retail concepts and how they could impact the market and real estate sector in the near future.

LIST OF 10 REFERENCES

REFERENCES

- Apartment Therapy, & Rivas, M. R.** (2019, November 7). Class of 2020: Why Showfields Is Betting That Retail Will Survive After All. <https://www.apartmenttherapy.com/class-of-2020-showfields-36659758>
- Benjamin, T. B. (2020). The Future of Retail Stores. [Floorplate.Com. https://floorplate.com/radio/doug-stephens/](https://floorplate.com/radio/doug-stephens/)
- Biard, N. B.** (2019, July 31). Retail As A Service: The Fetch Journey. [Forbes. https://www.forbes.com/sites/nikkibaird/2019/07/31/retail-as-a-service-the-fetch-journey/#365fe0784ff2](https://www.forbes.com/sites/nikkibaird/2019/07/31/retail-as-a-service-the-fetch-journey/#365fe0784ff2)
- Börschig, D. B., & Sturmfels, D. S. (2010). Betriebsformen im Einzelhandel. In Einzelhandelsimmobilien: Stand - Entwicklung - Perspektiven; Grundlagen für erfolgreiches Investment und Management. (pp. 55–60). Haufe-Mediengruppe.
- Bosshart, D. B., KPMG, Frick, K. F., Fetsch, S. F., & Wildgrube, H. W.** (2019). The End of Consumption as We Know It. GDI Gottlieb Duttweiler Institute.
- Brand eins.** (2018). Anfassen erwünscht, Kaufen nicht nötig. <https://www.brandeins.de/magazine/brand-eins-wirtschaftsmagazin/2018/service/b8ta-anfassen-erwuenscht-kaufen-nicht-noetig>
- Brand eins, & Heinemann, G. H.** (2014). Das alles und noch viel mehr. Der Kunde ist ein unangenehmer Geselle. Und das ist gut so. Sagt der Handelsexperte Gerrit Heinemann. Brand Eins. Kunden Wollen Mehr, 5, 90–94. <https://kiosk.brandeins.de/products/brand-eins-heft-05-2014-app>
- Brett, D. L. B., & Schmitz, A. S.** (2015). Real Estate Market Analysis: Methods and Case Studies (2nd ed.). Urban Land Institute.
- Business Insider, & Biron, B. B.** (2019, June 30). I visited Showfields and saw why it lives up to its self-proclaimed title of “the most interesting store in the world.” [Http://www.businessinsider.de/?R=US&IR=T](http://www.businessinsider.de/?R=US&IR=T). <https://www.businessinsider.com/showfields-most-interesting-store-in-world-store-tour-photos-2019-6?r=DE&IR=T>
- CBRE.** (2018). The definitive guide to omnichannel real estate. <https://cbre.us/omnichannelguide>
- CBRE.** (2019). Real estate market outlook U.S. <https://www.cbre.us/research-and-reports/US-Real-Estate-Market-Outlook-2020>
- CBRE.** (2020). REAL ESTATE MARKET OUTLOOK 2020 EMEA. <https://www.cbre.com/research-and-reports/Europe-Real-Estate-Market-Outlook-2020>
- Chaney, D.** (1996). Lifestyles. Routledge.

Ciment, S. C., & Business Insider. (2019, September 12). We went to the first-ever “retail theater” show at “the most interesting store in the world” – here’s what we saw. [Http://Www.Businessinsider.de/?R=US&IR=T](http://www.businessinsider.de/?R=US&IR=T). <https://www.businessinsider.com/house-of-showfields-theater-experience-2019-8?r=DE&IR=T>

Derbyshire. (2019). Understanding real estate’s shift from product to service: In conversation with Antony Slumbers. Unissu.Com. <https://www.unissu.com/proptech-resources/in-conversation-with-antony-slumbers-real-estate-service>

Dickens, C. (1859). A Tale of Two Cities. Chapman & Hall.

DPD. (2019). E-shopper Barometer 2019. <https://www.dpd.com/at/de/2020/02/24/dpd-eshopper-barometer-2019/>

EHL. (2019). Wir leben Retail. Geschäftsflächenbericht Österreich | 2019. https://www.ehl.at/publikationen/geschaeftsflaechenbericht_2019/20/

Financial Times. (2020). Global capital shows commitment to booming data center market. <https://www.ft.com/brandsuite/jll/global-capital-shows-commitment-to-booming-data-center-market.html>

Forbes, & Marom, L. M. (2019, January 30). What “Space-As-A-Service” Could Mean For The Future Of Real Estate. <https://www.forbes.com/#7b7f85022254>. <https://www.forbes.com/sites/forbescoachescouncil/2019/01/30/what-space-as-a-service-could-mean-for-the-future-of-real-estate/>

Forrester Research. (2018). Retailers: Extend Omnichannel Capabilities To The Customer, Not Just Operations. Forrester. <https://www.forrester.com/report/Retailers+Extend+Omnichannel+Capabilities+To+The+Customer+Not+Just+Operations/-/E-RES142020>

Future Stores. (2017). Apple’s Customer Experience Strategy: Turn Stores into “Town Squares.” <https://futurestores.wbresearch.com>. <https://futurestores.wbresearch.com/blog/apple-store-town-square-customer-experience>

German Council of Shopping Places, & Hunziker, C. H. (2019). Eine Branche unter Transformationsdruck - German Council Congress 2019. German Council Magazine, 68–74. <https://docplayer.org/170849267-Eine-branche-unter-transformationsdruck.html>

Gerring, J. G. (2007). Case Study Research: Principles and Practices. Cambridge University Press.

Gilmour, E. G. (2019, February 22). What is retail real estate? Real Commercial. <https://>

www.realcommercial.com.au/news/what-is-retail-real-estate

Godfrey, R. L. G., & Skiver, M. S. (2017). Crowdserving: A Last Mile Delivery Method for Brick-and-Mortar Retailers. *Global Journal of Business Research*, 11(2), 67–77. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3043353

Gondrig, H. P. (2012). *Zukunft der Immobilie (Vol. 1)*. Immobilien Manager Verlag IMV.
Hackmann, M. H. (2019). Die Welt als Wille zum Wohnzimmer - Beyond Retail. *Handelsjournal*, 04/05, 53–55. <https://handelsjournal.de>

Handelsverband & KMU Austria. (2019). Bundesweite eCommerce Studie Österreich 2019. Handelsverband. <https://www.handelsverband.at/publikationen/studien/e-commerce-studie-oesterreich-2019/>

Handelsverband Deutschland & IFH Köln. (2019, June). Online-Monitor 2020. HDE. <https://einzelhandel.de/online-monitor>

Handelswissen. (n.d.). Handelswissen. Handelswissen.De. Retrieved 2016, from <http://www.handelswissen.de>

Hedde, B. H. (2020, March 19). Mit dem Handelsszenario 2030 zurück in die Zukunft – Die nächsten 10 Jahre gestalten, indem wir die letzten 10 Jahre verstehen! <https://www.ifhkoeln.de>. <https://www.ifhkoeln.de/blog/details/mit-dem-handelsszenario-2030-zurueck-in-die-zukunft-die-naechsten-10-jahre-gestalten-indem-wir-die-letzten-10-jahre-verstehen/?L=1%2523%2523%2523%2523%252%3Chtml%3E%20%3Chead%3E%20%3Cmeta%20http-equiv%3D&cHash=339af276ae7244ccbb7b0954cfd32254>

Heinemann, G. H. (2017). *Die Neuerfindung des stationären Einzelhandels (1st ed.)*. Springer Gabler. <https://doi.org/10.1007/978-3-658-15862-0>

Holt, D. B. H. (1997). Poststructuralist Lifestyle Analysis: Conceptualizing the Social Patterning of Consumption in Postmodernity. *Journal of Consumer Research*, 23(4), 326–350. <https://doi.org/10.1086/209487>

Jokinen, I. J., & Relia. (2018). Hybrid properties offer opportunities for investors. <https://www.realiamanagement.fi/en>. <https://www.realiamanagement.fi/en/news/hybrid-properties-offer-opportunities-investors>

Just, T. J. (2008). Einzelhandelsimmobilienmärkte. In *Immobilienökonomie*. Bd. 4. Volkswirtschaftliche Grundlagen (Vol. 4, pp. 254–272). Oldenbourg Verlag.

Just, T. J. (2013). *Demografie und Immobilien*. Oldenbourg Wissenschaftsverlag.

Klug, K. K. (2018). Vom Nischentrend zum Lebensstil (1st ed.). Springer Gabler.

KPMG. (2016). European Real SnapShot! <https://assets.kpmg/content/dam/kpmg/dk/pdf/DK-2016/10/dk-european-real-snapshot-autumn-2016-en.pdf>

KPMG, EHI, HDE, & Kantar TNS. (2016). Trends im Handel 2025. KPMG. <https://home.kpmg/de/de/home/themen/2016/11/trends-im-handel-2025.html>

Liao, S. L., & CNN Business. (2020). People are holding video game weddings and graduation ceremonies. <https://Edition.Cnn.Com/Business>. <https://edition.cnn.com/2020/03/27/tech/animal-crossing-wedding-half-life-alyx-school/index.html>

Love, Bleecker. (2019). Love, Bleecker. <https://Www.Lovebleecker.Com>. <https://www.lovebleecker.com>

Maoz, Z. M. (2002). Case Study Methodology in International Studies: From storytelling to hypothesis testing. In *Evaluating Methodology in International Studies: Millennial reflections on International Studies* (pp. 455–475). University of Michigan Press.

Marston, A. M., & Dixon, T. D. (2002). Retail Real Estate and the Effects of Online Shopping. *Journal of Urban Technology*, 9(3), 19–47. <https://doi.org/10.1080/1063073022000044279>

Marx, L. M. (2016, December 2). Paradoxes Konsumentenverhalten: Zwischen Unikat und Massenprodukt. <https://De.in-Mind.Org>. <https://de.in-mind.org/blog/post/paradoxes-konsumentenverhalten-zwischen-unikat-und-massenprodukt>

McKinsey. (2020). The future of parcel delivery: Drones and disruption. <https://Www.Mckinsey.Com>. <https://www.mckinsey.com/featured-insights/the-next-normal/parcel-delivery>

Mikunda, C. M., & Revue Magazin. (2012). Homes away from home. Interview mit Dr. Christian Mikunda. *Revue*, 11, 21–26. <http://www.mikunda.com/upload/73/download/homesawayfromhome.pdf>

NCREIF. (n.d.). NCREIF Property Index (NPI). Retrieved August 17, 2020, from <https://www.ncreif.org/data-products/property/>

Nead, N. N. (2017). Retail Real Estate – An Investor’s Industry Overview. <https://Investmentbank.Com>. <https://investmentbank.com/retail-real-estate/>

NRF. (2019, November 11). How Showfields redefines the store experience. <https://Nrf.Com>. <https://nrf.com/blog/how-showfields-redefines-store-experience>

OECD. (2019). OECD Economic Surveys: Austria 2019. <https://www.oecd.org/berlin/publikationen/economic-survey-austria-2019.htm>

Poleg, D. P. (2020). Rethinking Real Estate (1st ed.). Springer Nature Switzerland AG.

Popp, R. P. (2011). Denken auf Vorrat: Wege und Irrwege in die Zukunft (1st ed.). LIT.

Posti Group. (2019, October 29). Posti to open new premises focused on e-commerce in the city center of Helsinki as a new initiative. https://Www.Posti.Com/En/#_ga=2.260857737.549709349.1597863577-690211548.1597863577. <https://www.posti.com/en/media/media-news/2019/posti-to-open-new-premises-focused-on-e-commerce/>

PWC & ULI. (2019). Emerging Trends in Real Estate® Climate of change. PWC. <https://www.pwc.at/de/publikationen/branchen-und-wirtschaftsstudien/pwc-emerging-trends-real-estate-europe-2020.pdf>

Retail Dive, & Ewen, L. E. (2018, February 27). Solving for the last mile is retail's next big disruption. <https://Www.Retaildive.Com>. <https://www.retaildive.com/news/solving-for-the-last-mile-is-retails-next-big-disruption/514577/>

Retail REITs. (n.d.). Nareit. Retrieved August 17, 2020, from <https://www.reit.com/what-reit/reit-sectors/retail-reits>

Richter, R. R. (2005). Die Lebensstilgesellschaft (1st ed.). VS Verlag für Sozialwissenschaften. <https://doi.org/10.1007/978-3-322-80954-4>

Saner, E. S. (2020, February 17). Delivery disaster: the hidden environmental cost of your online shopping. Www.Theguardian.Com. <https://www.theguardian.com/news/shortcuts/2020/feb/17/hidden-costs-of-online-delivery-environment>

Savills, & Barnes, Y. B. (2018, June). 8 things to know about global real estate value. <https://Www.Savills.Com/Impacts/Index.Html>. <https://www.savills.com/impacts/market-trends/8-things-you-need-to-know-about-the-value-of-global-real-estate.html>

Scholz, H. S. (2018). Warum Apple seine Läden zu „Town Squares“ macht. <https://Zukunftdeseinkaufens.De>. <https://zukunftdeseinkaufens.de/apple-town-squares/>

Schwab, K. S., & Fast Company. (2019, August 1). The department store of the future is using actors to sell you stuff. <https://Www.Fastcompany.Com>. <https://www.fastcompany.com>

com/90384244/slides-actors-and-surveillance-cameras-my-day-at-the-department-store-of-the-future

Scopes. (2018). REPORT: Comparing the US and European retail sectors. <https://www.retailsector.co.uk>. <https://www.retailsector.co.uk/4380-report-comparing-the-us-and-european-retail-sectors/>

Scope Ratings GmbH. (2019). 2020 Retail Outlook. <https://www.scoperatings.com/ScopeRatingsApi/api/downloadstudy?id=f4cb1f80-3189-4650-8833-bb429527526b>
APA. (2020, April 7). Aktuelle Studie: Österreicher sind Retouren-Weltmeister. APA OTS. https://www.ots.at/presseaussendung/OTS_20200407_OTS0023/aktuelle-studie-oesterreicher-sind-retouren-weltmeister-bild

Sidders, J. S., Bloomberg, & Wong, N. W. (2020, May 15). Commercial Real Estate's Survival Plan Looks a Lot Like WeWork. <https://www.bloomberg.com/news/articles/2020-05-15/commercial-real-estate-s-coronavirus-survival-looks-like-wework>

Sivitanides, P. S. (2017). Coping with new frontiers in retailing. In Retail market analysis for development projects (p. 94). Routledge Handbooks Online. <https://doi.org/10.4324/9781315690889.ch8>

Slumbers, A. S. (2020a-01-21). 20 changes in the 2020s. www.anthonyslumbers.com. <https://www.anthonyslumbers.com/theblog/2020/1/21/20-changes-in-the-2020s>

Slumbers, A. S. (2020b-04-20). In Pursuit of Value - The changing drivers of Valuation. www.anthonyslumbers.com. <https://www.anthonyslumbers.com/theblog/2020/4/20/in-pursuit-of-value-the-changing-drivers-of-valuation>

Slumbers, A. S. (2019a-10-08). Retail Real Estate Tech Prop Tech Value Podcast (transcription). www.anthonyslumbers.com. <https://www.anthonyslumbers.com/theblog/2019/10/8/retail-real-estate-tech-proptech-value>

Slumbers, A. S. (2019c-01-30). Space as a Service: The Trillion Dollar Hashtag. www.anthonyslumbers.com. <https://www.anthonyslumbers.com/theblog/2019/1/30/space-as-a-service-the-trillion-dollar-hashtag>

Slumbers, A. S. (2019b-12-06). Technology, People, Retail & The Future of Shopping Centres. www.anthonyslumbers.com. <https://www.anthonyslumbers.com/theblog/2019/12/6/technology-people-retail-amp-the-future-of-shopping-centres>

Slumbers, A. S. (2017, May 12). New Business Models in Real Estate: Space as a Service. AnthonySlumbers.com. <https://www.anthonyslumbers.com/theblog/2017/5/12/new-business-models-in-real-estate-space-as-a-service>

Slumbers, A. S. (2020, May 4). Retail Real Estate after the Apocalypse. <https://www.anthonyslumbers.com/theblog/2020/5/4/retail-real-estate-after-the-apocalypse>

Sopadjieva, E. S., Dholakia, U. M. D., & Benjamin, B. B. (2017). A Study of 46,000 Shoppers Shows That Omnichannel Retailing Works. <https://hbr.org>. <https://hbr.org/2017/01/a-study-of-46000-shoppers-shows-that-omnichannel-retailing-works>

Spanke, M. S. (2020). Retail Isn't Dead (1st ed.). Palgrave Macmillan. <https://doi.org/10.1007/978-3-030-36650-6>

Statista. (2020). Arbeitslosenquote in Österreich nach Monaten bis Juli 2020 Veröffentlicht von Martin Mohr, 03.08.2020 <https://de.statista.com/statistik/daten/studie/288887/umfrage/arbeitslosenquote-in-oesterreich-nach-monaten/>

Statistik Arbeitsagentur. (n.d.). Einkaufs-, Vertriebs- und Handelsberufe. Bundesagentur Für Arbeit. Retrieved August 17, 2020, from <https://statistik.arbeitsagentur.de/DE/Navigation/Statistiken/Interaktive-Angebote/Berufe-auf-einen-Blick/Berufe-auf-einen-Blick-Anwendung-Nav.html?>

Streets, M. S. (2019, November 1). These Top Service Providers Are Helping Direct-to-Consumer Brands Open Stores. <https://footwearnews.com/2019/business/retail/naked-retail-leap-popup-physical-store-1202864477/>

Streibich, R. S. (2018). Erfolgsfaktoren im Bau- und Immobilien-Marketing: Immobilien-Atlas Deutschland (1st ed.). Diplomica Verlag.

Retail and Food Services, by Kind of Business. (2020). U.S. Census. https://www.census.gov/retail/marts/www/marts_current.pdf

Trend One. (n.d.). Trend One Trendexplorer Retail. <https://www.trendone.com>. Retrieved August 19, 2020, from <https://www.trendexplorer.com/de/>

TUMünchen. (2016). Trends und Entwicklungen im Einzelhandel und die damit verbundenen veränderten Anforderungen an die Objektkonzeption von Einzelhandelsimmobilien. Kilian Andreas Burkholz. <https://www.gcsc.de/files/gcsc/img/Downloads/Masterarbeit%20Burkholz.pdf>

UPS. (2018). UPS Pulse of the Online Shopper™ Study. <https://www.ups.com/assets/resources/media/knowledge-center/ups-pulse-of-the-online-shopper.PDF>

Vakulenko, Y. V., Shams, P. S., Hellström, D. H., & Hjort, K. H. (2019). Online retail experience and customer satisfaction: the mediating role of last mile delivery. *The International Review of Retail, Distribution and Consumer Research*, 29(3), 306–320. <https://doi.org/10.1080/09593969.2019.1598466>

Vornholz, G. (2014). *VWL für die Immobilienwirtschaft* (1st ed.). Walter de Gruyter GmbH & Co KG.

Worzala, E. W., McCarthy, A. C., Dixon, T. D., & Marston, A. M. (2002). E-commerce and retail property in the UK and USA. *Journal of Property Investment & Finance*, 20, 142–158. <https://doi.org/10.1108/14635780210420034>.

Wotruba, M. W. (2016). E-Impact -Auswirkungen des Online-Handels auf den Flächenbedarf im stationären Handel. In *Online-Handel ist Wandel* (pp. 23–37). Verlag MetaGIS Fachbuch. <https://opus.bibliothek.uni-wuerzburg.de/frontdoor/index/index/docId/18524>

Yin, R. K. Y. (2017). *Case Study Research and Applications: Design and Methods*. SAGE Publications.

Zeit Online. (2020, March 20). Experten sagen großes Ladensterben voraus – auch ohne Coronavirus. *Zeit.De*. <https://www.zeit.de/wirtschaft/unternehmen/2020-03/ifh-handelsforscher-prognostizieren-ladensterben-einzelhandel-deutschland-coronavirus>

Personal Communication:

Bitzer, J.F.B. (2020-06). Interview Jörg Bitzer and Franziska Tostmann, Vienna, Austria.

Richter, W.R. (2020). Presentation slides and lecture notes for the lecture Real Estate Economics (SS2020) at the TU Vienna. Vienna, Austria.

Zwickel, A.Z. for Showfields. (2020-02). Phone-Interview Amir Zwickel and Franziska Tostmann, New York City, U.S. / Vienna, Austria.

LIST OF 11 FIGURES

FIGURES AND TABLES

Figure 1: Customers camping outside an Apple store. Source: Dailyforest 2019	30
Figure 2: Definition of real estate. Source: Own Figure, cf. Vornholz 2014: 5	32
Figure 3: Sub-categorization of retail real estate. Source: Own Figure 2020	33
Figure 4: Retail space per capita in selected worldwide countries in 2018. Source: Own Figure, cf. Statistika 2019	35
Figure 5: Real estate value in 2016 ranked by the top 10 countries. Source: Own Figure, cf. savills.co.uk 2017	35
Figure 6: Classical distribution chain and direct distribution. Source: Own Figure, cf. Achleitner, Thommen 2009: 207	38
Figure 7: Types of retail trade. Source Burkholz 2016: 9	38
Figure 8: Distribution of online and offline sales per category. Source: Own Figure, cf. KPMG, Kantar TNS 2016: 63	41
Figure 9: E-commerce retail sales as a percent of total sales. Own figure, cf. Source: U.S. Census Bureau, FRED 2020	42
Figure 10: Share of revenue generated through online sales in Austria. Source: Own Figure, cf. KMU Forschung Austria 2018	43
Figure 11: Online share of German retail trade in the narrower sense. Source: Own Figure, cf. HDE 2019: 8	43
Figure 12: Forecast e-commerce sales and share of total retail in the U.S. Source: Own Figure, cf. CBRE / eMarketer 2018	44
Figure 13: E-Commerce sales by product category. Source: Own Figure, cf. CBRE / Forrester Research 2018	46
Figure 14: Share on total online volume in percent, and sector online volume 2018 in billion euros. Source: HDE 2019: 11	46
Figure 15: E-commerce share by product category. Source: Own Figure, cf. CBRE / Forrester Research 2018	48
Figure 16: Share of food and non-food sales on overall retail sales. Source: Own Figure, cf. HDE 2019	49
Figure 17: M-commerce to account for the majority of e-commerce sales by 2021. Source: Own Figure, cf. U.S. Census / eMarketer 2018	50
Figure 18: The supplier structures in online trade differentiated by industry. Source: Own Figure, cf. HDE 2019: 21	51
Figure 19: Spending power by generation. Source: Own Figure, cf. eMarketer 2018	52
Figure 20: Online shoppers and their yearly expenditures per capita. Source: Own Figure, cf. HDE 2019: 25	53
Figure 21: E-commerce and the demand for industrial space. Source: Own Figure, cf. CBRE / Forrester Research 2018	55

Figure 22: Contact principles in physical retailing. Source: Own Figure, cf. Heinemann 2017: 5	57
Figure 23: The percentage share of category on offline and online sales volume. Source: Own Figure, cf. HDE 2019: 14	58
Figure 24: Contact principles in physical retailing. Source: Own Figure, cf. Heinemann 2017: 5	58
Figure 25: Reasons for shopping in-store or online. Source: Maier and Kirchgeorg 2016	60
Figure 26: Trends in the Austrian physical retail space. Source: Own Figure, cf. KMU Austria 2018	61
Figure 27: Trend in German retail space Source: GfK 2015	61
Figure 28: The evolution of retail trade. Source: Own Figure, cf. Stieninger et al. 2019: 48	64
Figure 29: Omnichannel scenarios. Source: Own Figure, cf. CBRE 2018: 7	65
Figure 30: B8ta. Source: brandeins 2018	75
Figure 31: Blaenk pop-up store design. Source: autobahn 2018	77
Figure 32: Alo store in Los Angeles. Source: The Grove 2018	78
Figure 33: BOX with a fitting room in Helsinki. Source: Zukunftdeseinkaufens.de 2020	80
Figure 34: MIRROR launches an alternative consumer space with at-home apps. Source: MIRROR 2020	81
Figure 35: Globetrotter discovery store in Cologne. Source: Oktalite 2020	82
Figure 36: Rent The Runway store in America. Source: rentherunway.com 2017	83
Figure 37: Amazon 4-star in California. Source: Getty Images 2020	85
Figure 38: 3den Lounge at Hudson Yards in New York City. Source: 3den 2019	86
Figure 38: Map showing the location of Showfields. Source: Own Figure 2020	101
Figure 39: The entrance to Showfields. Source: The New York Times 2019	101
Figure 40: First floor of the building. Source: Own Figure, cf. Archdaily 2019	102
Figure 43 shows the fourth floor, hosting a co-working and event space equipped with a kitchen, and a rooftop terrace. Figure 41-43: Floor plans. Source: Own Figure, cf. Archdaily 2019	103
Figure 44 and 45: Showfields. Source: Archdaily 2019	106
Picture 46: Space-as-a-service model. Source: Own Figure 2020	108
Figure 47: Stakeholders of the business model and their operations. Source: Own Figure 2020	109
Figure 48: „Show“ and „fields“ marked in the floor plan. Source: Own Figure, cf. Archdaily 2019	113

Figure 49: Café situated on the first floor. Source: Archdaily 2019	113
Figure 50: Showfields Storefront. Source: Archdaily 2019	114
Figure 51: Showfields founders. Source: Apartment Therapy/ India Sherman 2019	115
Figure 52: The building after the renovation. Source: YIMBY 2016	116
Figure 53: 11 Bond Street before renovation. Source: YIMBY 2016	116
Figure 54: Showfields motto. Source: Business Insider 2019	117
Figure 55: Field. Source: Business Insider 2019	120
Figure 56: Flags above the entrance. Source: Any Studios 2019	123
Figure 57: Location of BOX by Posti in Helsinki. Source: Own Figure 2020	125
Figure 58: Facade of the store facing a pedestrian area. Source: Frya 2020	125
Figure 59: Rautatalo at the end of the 1950s. Source: Alvar Aalto Foundation, year unknown	126
Figure 60: The building in the present time. Source: Alvar Aalto Foundation, year unknown	126
Figure 61: Purchase and Delivery Process. Source: Own Figure 2020	128
Figure 62: Volume of parcels shipped is increasingly growing. Source: Own Figure, cf. McKinsey & Company 2019	129
Figure 63: Parcel growth in comparison to mail volume, below the overall mail and parcel growth. Source: Own Figure, cf. McKinsey & Company 2019	129
Figure 64: SC including physical store. Source: Own Figure 2020	131
Figure 65: SC of pure e-player purchases. Source: Own Figure 2020	131
Figure 66: Amazon links online commerce and physical retailing. Source: Shutterstock.com 2019	133
Figure 67: Different services provided within BOX. Source: Own Figure 2020	134
Figure 68: Posti BOX retail space. Source: Frya 2019	135
Figure 69: Different areas in the BOX store. Source: Posti 2020	137
Figure 70: Over 600 parcel lockers covered in silver foil and pink material. Source: Frya 2020	137
Figure 71: BOX contains over 600 parcel lockers. Source: Frya 2020	141
Figure 72: Self-service parcel stations. Source: Frya 2020	141
Figure 73: BOX by finnish postal company Posti. Source: Posti Group 2020	143
Figure 74: Development of retail yields in %. Source: Own Figure, cf. CBRE 2019: 11	148

Figure 75: Yields on 10-year government bonds. Source: Own Figure, cf. CBRE 2019: 7	148
Figure 76: GDP change in %. Source: Own Figure 2020	148
Figure 77: Number of physical shops declines, the number of online shops increases. Source: Own Figure, cf. KMU Austria 2018	151
Figure 78: Occupiers are willing to pay for shorter leases and enhanced flexibility. Source: Own Figure, cf. PWC 2019: 28	153
Figure 79: E-commerce-relevant parcel penetration as of 2017, in the number of parcels per capita. Source: McKinsey & Company 2019	159
Figure 80: E-commerce in selected European countries. Source: Own Figure, cf. CBRE 2020: 22	159

TABLES

Table 1: Properties and features of physical retail types. Source: Own Figure, based on Börsching, Sturmfels 2010: 55 and Pfeiffer 2009: 39f	40
Table 2: Different Research Methods. Source: Yin 2018: 9	72
Table 3: Data sources in case study research and their dis- /advantages. Source: Yin 2003: 86	73
Table 4: Model of ten contemporary retail concepts by factors. Source: Own Figure 2020	88-89
Table 5: General data on Showfields. Source: Own Figure 2020	102
Table 6: Table with general information. Source: Own Figure 2020	126
Table 7: Challenges associated with last-mile delivery. Source: Godfrey and Skiver 2017	132
Table 8: presents economic and demographic data on the U.S., Finland, and Austria. Source: Own Figure, based on OECD, Länderdaten.org, FED, Statista, KMU, CBRE. *Prognose	159

12 APPENDIX –

TREND EXPLORER

This chapter portrays a collection of contemporary retail concepts worldwide, based on the structure of the ten concepts presented in chapter 5.2. Icons on each page show the country of origin, the trend category and the companies website or online article.

MIRROR

Source: MIRROR



„This isn't just a mirror. It's a cardio class, it's a yoga studio, it's a boxing ring, it's your new personal trainer, and it's so much more“ (MIRROR.co). Company MIRROR has launched a personalizable smart home workout product that offers many workouts along with intelligent accessories. Once the customer has gotten the MIRROR shipped home, various fitness classes and add-on can be purchased from the comfort of the own four walls. MIRROR can serve as a channel to discover, try on, and purchase other goods.

USA
ALTERNATIVE POINT-OF-SALE
<https://www.mirror.co>

FORTNITE

Source: Epic Games

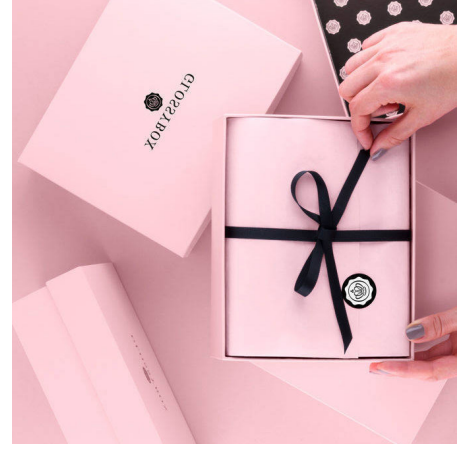


„On Boxing Day 2019, Tim Sweeney, founder and CEO of Epic Games was asked if he viewed Fortnite as a game or as a platform. His response? “Fortnite is a game. But please ask that question again in 12 months.” (Omdia.com). Fortnite has shifted from being a computer game towards a social event space, with celebrity music acts performing in the virtual world. The online game leads consumers to purchase intangible characteristics for their game avatar in virtual space - something new to the gaming world as prior purchases added to the characters skills.

WORLDWIDE
ALTERNATIVE POINT-OF-SALE
<http://www.epicgames.com>

EUROPE
ALTERNATIVE POINT-OF-SALE
<https://www.glossybox.com>

Glossybox is bringing the point-of-sale and unboxing experience right to the consumers' house by shipping small-box abonnements to the doorstep. The company is working with the trend of subscription models. Experts predict that shopping will to e great extend be done through subscription services (Antonyslumbers.com).



Source: Glossybox

GLOSSY BOX

WORLDWIDE
ALTERNATIVE POINT-OF-SALE
<https://www.amazon.com>

Amazon Echo is a voice-controlled cloud-driven smart device that offers multiple services besides voice-controlled shopping. Linked to an Amazon account or a saved payment method, the Amazon Echo device makes purchases, orders missing household products, and orders subscription items. Amazon also released Echo Look, a camera and smart speaker that analyses daily outfits and recommends new ones based on the customer's style (Proleg 2020).

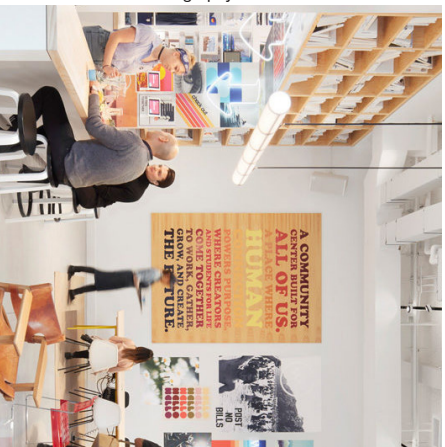


Source: Amazon

AMAZON ECHO

MADE BY WE

Source: Dave Burk Photography

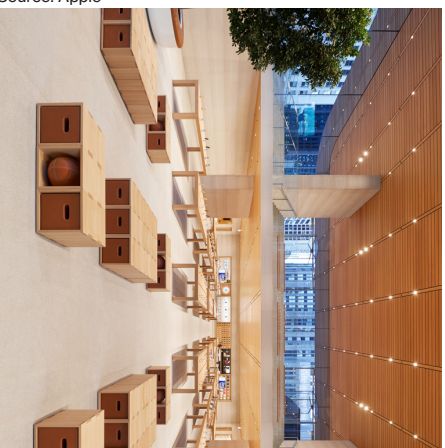


Co-working company WeWork debuted with a vibrant community space in New York City – all open to the public, no membership required. Made by we aims at acting as a new town square, a center of community where people come together, work together and support small businesses by weWork members. The community space offer retail areas that showcase products created by members of the We community, as well as a café.

USA
COMMUNITY SPACES
<https://www.wework.com>

APPLE TOWN SQUARE

Source: Apple

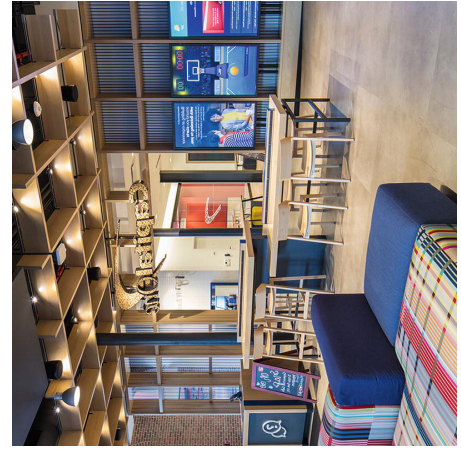


Taking inspiration from coffee shops, Apple aimed to create locations people want to hang-out in. “Starbucks figured it out, for being a gathering place. You know, ‘Meet me at Starbucks,’” says Angela Arendts, SVP of Retail, Apple. “And I’ve told the teams, I’ll know we’ve done a really really great job if the next generation, if gen Z says: ‘Meet me at Apple. Did you see what’s going on at Apple today?’” (futurestoreseast.wbresearch.com). Out of this intention Apple turned their stores into „town squares“.

WORLDWIDE
COMMUNITY SPACES
<https://www.apple.com>

USA
COMMUNITY SPACES
<https://www.capitalone.com>

Capital One is reimagining banking, and Cafés are a big part of the process. The concept behind them is simple: Design spaces with people and their needs in mind – even if they aren't Capital One customers. Cafés are meant to play an active role in the community. Some say brick and mortar retail banks are dead; however, if you look at retail with a different lens like Capital One has, it becomes clear that community banking can be reinvigorated without of the box thinking.



Source: Capital One

COMMUNITY BANKING

GERMANY
COMMUNITY SPACES
<https://mitte.hm.com>

The apparel chain H&M has opened a store in Berlin called „Mitte Garten“, which is to serve as a community meeting place. In addition to a selected range of H&M products, visitors can look forward to vintage fashion, events, a café and a garden. The concept store also offers yoga classes and exhibitions.



Source: Reuters

H&M MITTE GARTEN

USA
COMMUNITY SPACES
<https://info.lululemon.com>

Lululemon's strategy was to start offering fitness courses at its stores. Each week, employees move the furniture and products aside, roll out the yoga mats, and turn the stores into yoga studios. The courses are free of charge and are run by instructors from local studios of the community. Nowadays, this occurs at stores around the whole world. Customers come here to be inspired, and the stores become a meeting place with a great feel-good factor for like-minded people" (Spanke 2020).

THE OM CLUB

Source: Lululemon

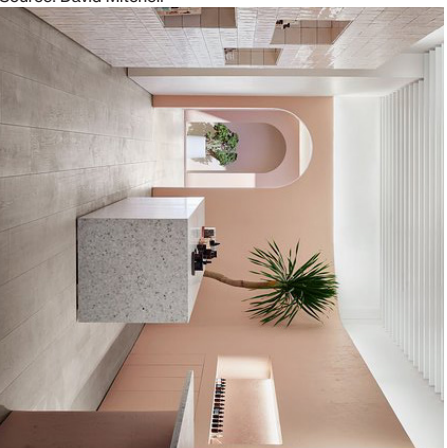


USA
COMMUNITY SPACES
<https://standarddose.com>

Standard Dose, a burgeoning CBD brand, has opened a store in New York's NoMad neighborhood. The companies' mission is to provide customers with a curated selection of carefully vetted plant-based products accompanied by yoga and meditation classes' daily practices. Retail concepts aiming at health styles and mindfulness are increasingly booming.

STANDARD DOSE

Source: David Mitchell



USA
HYBRID SPACES
<https://www.equinox.com>

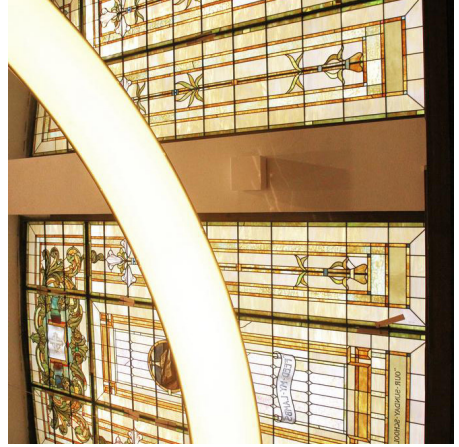
The luxury gym chain Equinox has launched its first Equinox Hotel and plans to open more. The hotel is located in New York's newly developed Hudson Yards neighborhood and features 200 luxury rooms and an almost 5,600 square meter fitness area with pools, terrace and spa. The next branch is now being built next to a former Methodist church in Seattle, to which a skyscraper made of steel and glass has been added and which is to serve as an event location (trendone).

USA
HYBRID SPACES
<https://www.gritbxng.com>

The US-American boutique fitness studio Grit Bxng wants to help members make contacts after their workout and has invested in a bar and a sophisticated light and sound system for this purpose. The system is said to have cost one million US dollars and creates a nightclub-like atmosphere for the exercise sessions of boxing, endurance and strength training. Grit is also the first gym to accept Bitcoin for payment. To retain the best trainers, the company offers hourly rates of up to \$1,000 (trendone).

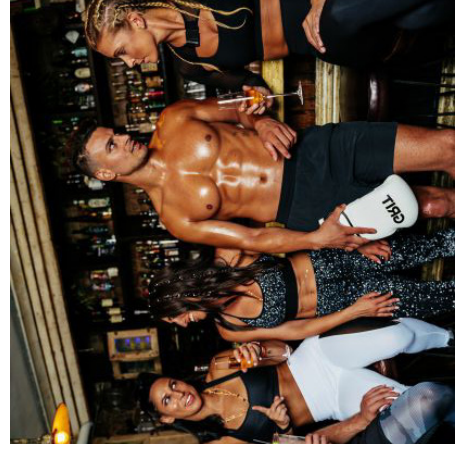
EQUINOX SEATTLE

Source: Anthony Bolante



GRIT BXNG

Source: GRIT BXNG

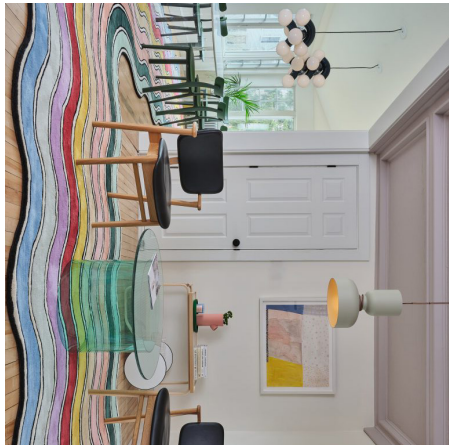


USA
HYBRID SPACES
<https://pieceshome.com>

Company An Aesthetic Pursuit offers a vacation home on Airbnb, furnished with furniture from their „Pieces“ collection. Guests of the nearly 280 square meter home in Kennebunkport, Maine can not only enjoy the extraordinary interior design during their stay, but if they like, they can also buy furniture from the collection as well as selected pieces by Vitra or Jasper Morrison and Alvar Aalto. To do so, customers visit the website of the vacation home. There they can click on individual rooms to order the marked items for sale online (trendone).

PIECES HOMES

Source: inattendu.net

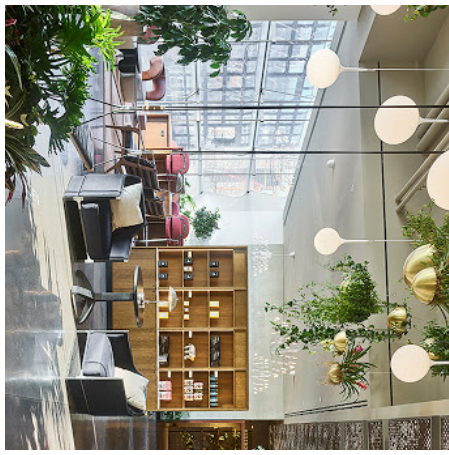


USA
HYBRID PLACES
<https://www.goto3den.com>

A coworking spa or lounge called „3den“ has opened in the New York Hudson Yards building complex, where visitors can work or relax. Interested parties log in via app and scan a QR code to gain access. The rooms are filled with many plants and invite visitors to relax - whether in sleeping cabins, doing yoga or taking a shower. There are also tables where visitors can work standing up. Designed as a „third place,“ the place also offers membership to stores in the mall so that their employees can take a break from the hustle and bustle of the big city (trendone).

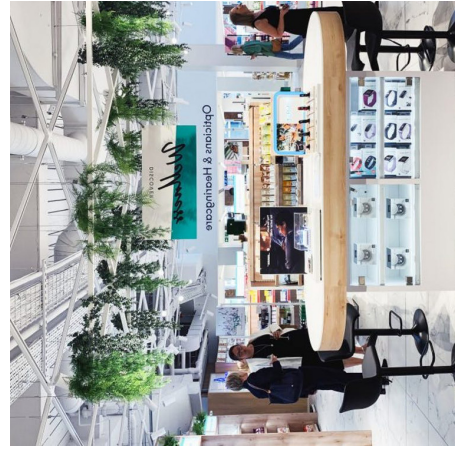
3DEN

Source: Frank Oudeman



USA
INSPIRED BY ONLINE RETAIL
<https://www.boots-uk.com>

The British drugstore and cosmetics chain Boots has opened a branch in London's Covent Garden, which houses 300 cosmetics brands, a YouTube studio and special Instagram areas. The store is thus aimed at millennials and Generation Z, who are offered an environment for social media activities. You can record your own cosmetics tutorial in the YouTube studio or create selfies against an attractive, Instagram-friendly background (trenddone).



Source: Boots

Boots London

USA
INSPIRED BY ONLINE RETAIL
<http://visitrestore.com>

In San Francisco, „Re-store“, a three-story store has opened, offering products from small brands that are very popular on Instagram. „Re-store“ aims to enable direct-to-consumer brands to showcase their products in the physical world and build closer relationships with customers. 200 brands are currently waiting to get a space to display and sell products.



Source: Re:store

RE:STORE

ALIBABA BINGO BOX

Source: pandaily.com



One approach for the future of retail is BingoBox, which has been around for about a year. It looks like a container with windows. The customer gets in by scanning a code at the entrance door with a smartphone. Inside he selects the articles. Self-scanning checkouts enables cashless payment. And out he comes again by scanning a code. The „self is the customer“ principle applies 100 percent: There are no employees on site at all. According to Alibaba an installation of the shopping boxes is possible nearly in any location.

CHINA
INSPIRED BY ONLINE RETAIL
<https://www.alibabaingroup.com>

AMAZON 4-STAR

Source: Amazon



„In 2018, the world's largest online retailer launched a chain of offline stores called Amazon 4-Star. Unlike the company's online "everything store", the physical stores only feature products that are rated four stars and above, are top sellers, or are new and trending on Amazon.com. The product mix covers popular categories such as consumer electronics, kitchenware, home goods, toys, games, and books. Goods are featured in a way that draws on data from the online mothership, including items that are popular with nearby shop-pers“ (Poleg 2020).

USA
INSPIRED BY ONLINE RETAIL
<https://www.amazon.com>

FINLAND
LAST MILE SOLUTIONS
<https://box.posti.com/en>

„Imagine picking up your packaged delivery at a self-service store equipped with fitting rooms for you to try your online purchases. Posti, Finland’s leading postal and logistics company recently opened its new self-service store, BOX, in the heart of Helsinki. With the growing popularity of online shopping in the country and internationally, the concept of a self-service postal office featuring a cohesive and user-centric brand experience was born“ (Pendulum 2020).



Source: Posti Group

Box by Posti

USA
LAST MILE SOLUTIONS
<http://fittingroomclub.com>

„The Fitting Room Club start-up wants to create places in cities like Amsterdam, New York and San Francisco where online shoppers can try on clothes and simply return them if they don’t like them. Instead of having an online order delivered to their home, they specify „The Fitting Room Club“ as their delivery address. Once the order has arrived, they are notified and can come in for a fitting. If the clothing does not fit, the company will take care of the return. According to the start-up company, this is intended to create „delivery hubs“ that would reduce transport distances“ (trendone).



Source: The Fitting Room Club

FITTING ROOM CLUB

USA
LAST MILE SOLUTIONS
<https://shipohi.com>

„The U.S. start-up Ohi has launched a smart warehouse and delivery service to offer even small companies fast and sustainable same-day delivery options at low cost. To do this, the start-up creates so-called „micro warehouses“ in unused retail spaces or offices in cities - starting with New York City and Los Angeles - and then uses special analysis software to help participating brands forecast demand so that each warehouse has the respective products in stock for same-day delivery, for example, via bicycle“ (trendone).

OHI

Source: Ohi



GREAT BRITAIN
PAID EXPERIENCES
<https://www.johnlewis.com>

„The Residence“ is a sales area of the John Lewis department store, which is a fully furnished apartment where customers can temporarily live and test all the products presented. The apartment consists of a bedroom, a living room and a dining room. The furniture can be rearranged by the customers as they wish. It is also possible to invite friends to the apartment for dinner, for example. To create an even more authentic living experience for the customers, John Lewis supplies the apartment with newspapers and seasonal products on a daily basis (trendone).

THE RESIDENCE

Source: John Lewis



USA

PAID EXPERIENCES

<https://dreamerybycasper.com>

The mattress start-up Casper has created an oasis of calm in New York, where people plagued by the big city can take a nap. „The Dreamery“ is equipped with Casper’s mattresses, which are in small round wooden pods. To rest here, customers can register online or simply drop by. For a three-quarter hour siesta in the cozy pods, there is a charge of 25 US dollars. After the nap, customers are given a coffee as a pick-me-up to resume work rested and full of energy.



Source: Casper

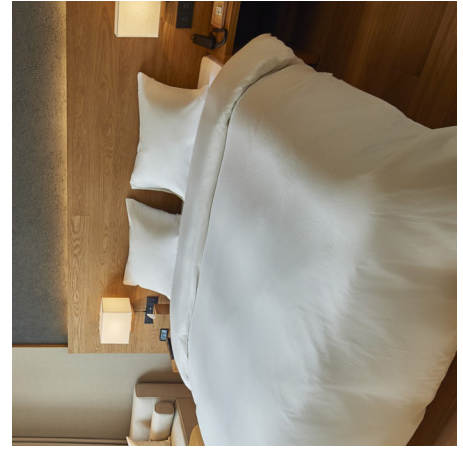
Casper The Dreamery

JAPAN

PAID EXPERIENCES

<https://hotel.muji.com>

MUJI HOTEL is a place where customers can fully enjoy MUJI products and services. It is more than just a place to rest - it is a mega flagship store, gallery, hotel, restaurant and creative hub all in one. A MUJI shop is located on the ground floor and offers all products used in the hotel. The hotel will also be a testing ground for Muji designers and creators. According to the company that owns Muji, it's a place for the brand to develop new lifestyle products, experiment with fresh ideas and expand the Muji influence beyond the everyday consumer goods (rethinktokyo.com).



Source: Muji

MUJI HOTEL

IKEA & JO AND JOE

Source: Ikea



The hotel brand Jo&Joe is opening a so-called Open House in an IKEA store in Vienna, which is intended to combine hospitality and shopping. An open house is open to both neighbors and travelers and combines formats such as Airbnb, hostel and hotel. The hybrid place of furniture store and hotel will have 345 beds on seven floors and will reflect the current furnishing trends with green walls and a bar on the roof. IKEA furniture can be purchased by guests either before, after or during their stay and delivered to their homes within 24 hours (trendone).

AUSTRIA
PAID EXPERIENCES
<https://globetrender.com/2019>

ALO YOGA CLASSES

Source: Alo Yoga



Retailers are looking for opportunities to expand the influence of their brands and have to come up with authentic new ways of connecting their brand with customers. Yoga apparel and sportswear brand ALO provides customers and people interested in fitness classes with paid in-house lessons and free online videos. This brand experience goes above and beyond the normal core business of ALO - sports clothing combines with a paid experience.

USA
PAID EXPERIENCES
<https://www.aloyoga.com>

GERMANY
POP-UP SHOPS
<https://brickspaces.de>

With its concept store „blaenk“ in Düsseldorf, the online platform for pop-up stores called Brickspaces shows the extent to which areas of temporarily unused retail real estate can be used in an innovative and contemporary way. Via „blaenk“, brands and startups from the health, nutrition, fashion and technology sectors have the opportunity to present their goods in a perfectly curated and futuristic environment. „blaenk“ receives a service flat rate as well as a sales commission per sold product of the participating companies“ (trendone).

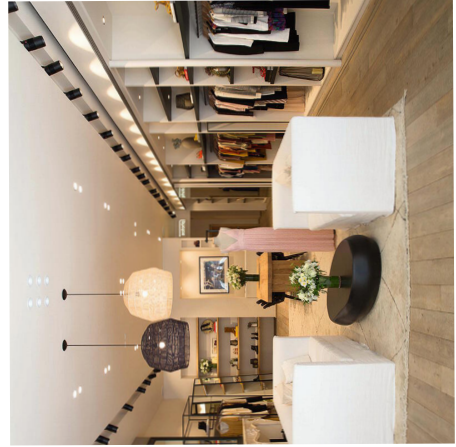


Source: Brickspaces

BRICKSPACES

USA
RENTAL MEMBERSHIPS
<https://ba-sh.com>

“The Dream Closet is an experiment that allows ba&sh customers at the New York store to help themselves on a whim to items from a “Dream Closet.” This is almost as if you were to borrow an outfit from your best friend for the weekend. The “Dream Closet” concept perfectly fits the modern lifestyle of New York women for whom a “sharing economy” is becoming more and more important. This means borrowing or renting clothes and other items instead of always having to own everything at once” (Spanke 2020).



Source: BA&SH

DREAM CLOSET BA&SH

RENT THE RUNWAY

Source: Rent The Runway



Members of Rent The Runway firstly have to choose how frequently they want to swap for new items - once a month, or constantly. After browsing the always-rotating selection of designer clothing and accessories a shipment of dry cleaned and ready to wear outfits will be made in a reusable garment bag. Members can keep items at home for as long as they want. When customers are ready to swap, they send the clothes back in the reusable garment bag they were delivered in.

USA
RENTAL MEMBERSHIPS
<https://www.renttherunway.com>

SHOWFIELDS

Source: Archdaily



Showfields goal is making having a physical retail touchpoint as easy as opening a website. The founders explain: „Once you lower the barriers for entry to the physical world, suddenly you have thousands of brands who can open their own physical store“. The principles that Showfields was built on are five things: community, curation, connection, comfort, and convenience. All those things together are what customers are looking for today. „And those who get them right are successful“, says Amir Zwickel of Showfields (Apartment Therapy).

USA
RETAIL-AS-A-SERVICE
<https://showfields.com>

USA
RETAIL-AS-A-SERVICE
<https://b8ta.com>

„The US start-up B8ta opened a store for its concept called „Forum“ with a focus on fashion and beauty products. The idea here is that fashion labels and other manufacturers pay a basic fee and in return the products are offered at „Forum“ and also get access to insights and sales trends. The focus lies on smaller brands, as they are either not yet present everywhere or have so far only focused on online direct sales. The reason for this is the lack of resources, which is why these brands use the cooperation and the resulting expansion potential“ (trendone).



Source: uvillage.com

B8TA

USA
VIVID EXPERIENCES
<https://www.canadagoose.com>

„How do I test a coat for arctic temperatures in a subtropical place like Hong Kong? Canada Goose took on this challenge. Its answer was to develop a very special test area for stores—the Cold Room. The name is self-explanatory. There is a room integrated into the store that has a temperature of minus 27 degrees Fahrenheit along with ice sculptures. This allows customers to test the products even during the summer months. The goal was to develop an in-store experience that would not just attract attention but keep the brand authentic“ (Spanke 2020).



Source: bringmethenews.com

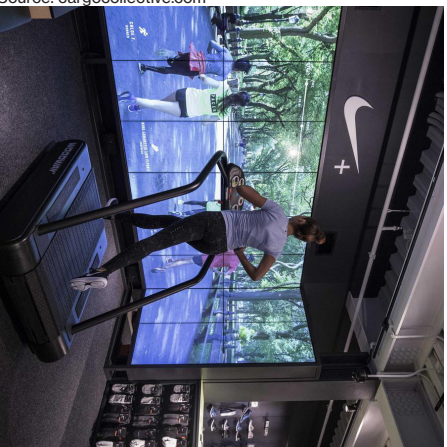
ICE-AGE CANADA GOOSE

USA
VIVID EXPERIENCES
<https://www.nike.com>

„Surveys of Nike customers show: They would like a place where they can play, test products, optimize their own performance, and meet other sports enthusiasts. This is exactly what Nike has done in the New York district of SoHo. Five floors covering an area of over 55,000 square feet beckon people to test, practice, play, and experience“ (Spanke 2020). There is a basketball court, a running zone with big screens and a soccer shoe test area, as well as a customization studio, a personal styling service, and a community meeting point with a seating area.

NIKE TEST-ZONE

Source: cargocollective.com

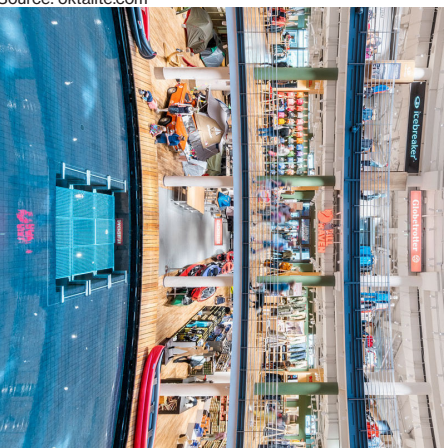


GERMANY
VIVID EXPERIENCES
<https://www.globetrotter.de>

Outdoor gear and clothing vendor Globetrotter operates several stores across Germany. New experience stores as the one in Cologne feature possibilities to try out products in their real usage situation. For example, canoes and stand-up paddleboards on the internal pond and tents and camping gear in their actual life set-up.

GLOBETROTTER

Source: oktalite.com





Die approbierte gedruckte Originalversion dieser Diplomarbeit ist an der TU Wien Bibliothek verfügbar.
The approved original version of this thesis is available in print at TU Wien Bibliothek.