





Retail is in turmoil and will continue to face challenges like the rise of e-commerce and the slow demise of many big box retailers. But brick and mortar isn't dead. In fact, CRE professionals recently ranked retail the third most valuable asset, over office and hotel properties.2

So, what will save brick and mortar? Technology.

Tech is completely revolutionizing the way we think about and use retail locations. New advancements in technology will create a bright future for retail properties and set the stage for the resurgence brick-and-mortar has been waiting for. Here's what you can expect.

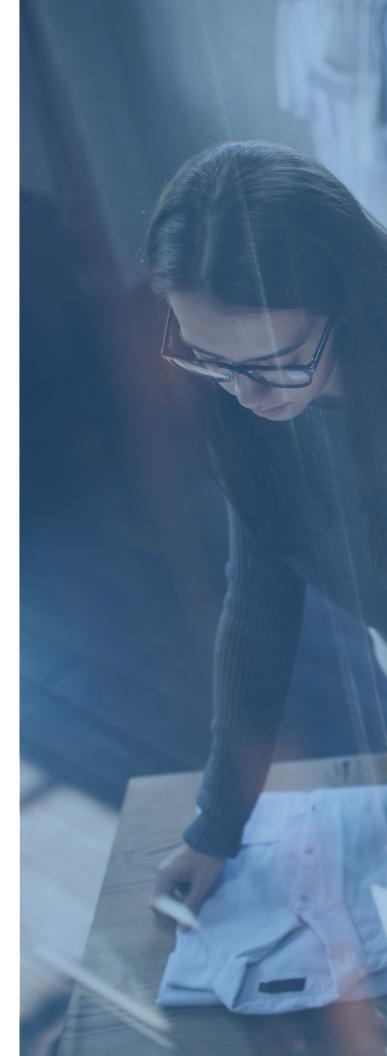
# Sensors and behavior tracking

Retailers are already beginning to utilize motion tracking through wifi, infrared sensors and cameras in order to better understand in-store physical customer behavior and create a seamless purchase processes.

This technology is already in play, most notably through Amazon Go's seamless purchasing beta test.<sup>3</sup> With Amazon Go, customers can simply walk into the grocery store, pick up their items, and walk out. Sensor technology automatically charges customers for the items they take out of the store. Amazon Go is currently stalled,<sup>4</sup> but once this technology is perfected, customers will be able to walk in and out of retail stores with their merchandise without dealing with checkout lines.

But that's not all retail will be able to achieve with sensors and behavior tracking. As cameras and sensors that track customer movements grow smarter, retailers will be able to optimize visual merchandising in their stores based on rich data. Customer patterns will inform the best placement for certain items, which will be beneficial for both consumers who are trying to find items, and stores that want to maximize sales.

Through this technology, some retailers may discover their current spaces are not actually optimized for their offerings. Adoption of in-store behavior tracking could lead to a surge in retailers moving from one location to another or redevelopment of existing storefronts to optimize them for customer behavior patterns.









### Virtual reality

We typically think of virtual reality in the context of Oculus Rift headsets and video games, but it will have a major impact on retail as well. With VR, we'll be able to have realistic experiences and interactions with products before purchasing them.

VR is becoming increasingly popular for leisure and even real estate transactions, but what about smaller-scale purchases? All signs point to a major impact from VR there, too. Soon, you'll be able to use VR in retail locations to test out products like clothes, shoes, tools and appliances, without actually going into the dressing room or taking them home to use in real conditions.

Today, you have to make an educated guess about whether a couch will look good in your living room or whether those snow boots will hold up in a blizzard, but with VR, you'll be able to actually see how products fit into your life and fulfill your needs before making a purchase decision.

Virtual reality will allow retailers to inhabit smaller storefronts because they won't have to have all physical merchandise on location at any given time. A greater percentage of a given retail space will also be able to be devoted to the shopping experience rather than to stock rooms. In the next few years, your retail CRE buyers and tenants will likely bring these considerations into their purchasing process.

### Natural language processing

Natural language processing is an artificial intelligence function that allows computers to understand our words, process them and complete an action as a result of requests or questions. In retail, NLP will allow customers to effectively interact and converse with computers to receive the same kind of assistance they might currently get from a sales associate.

This technology is an obvious choice for improved customer service in-store. As a customer, you'll be able to talk to virtual store representatives via kiosks and mobile apps and receive high quality service without waiting around.

NLP will likely have a large impact on retail businesses themselves in terms of staffing and service offerings. And because it will reduce the number of staff needed on-site in retail properties, buyers and tenants will have more freedom to choose properties with smaller break rooms and employee parking areas.

### Predictive analytics

Predictive analytics is another AI function in which a computer makes predictions based on past behavior or data. We already see predictive analytics in e-commerce, which recommends your next purchase based on your viewing or buying history, but until now, these predictions haven't been available in store. Instead, we've relied on human recommendations from customer service representatives. But with customer service kiosks and apps equipped with this technology, you'll be able to get targeted recommendations in-store. Add-ons and complementary product choices will be easier to find in stores because virtual customer service will do the work for you.

Inventory management will also be affected by predictive analytics. Stores will be able to better manage inventory and remained stocked with the right products at any given time thanks to this technology.

Retailers will need to optimize their brick and mortar locations to provide spots for customers to browse recommendations via smartphone or kiosk. Additionally, better inventory management will mean smaller stockrooms stocked with only the merchandise that will sell.

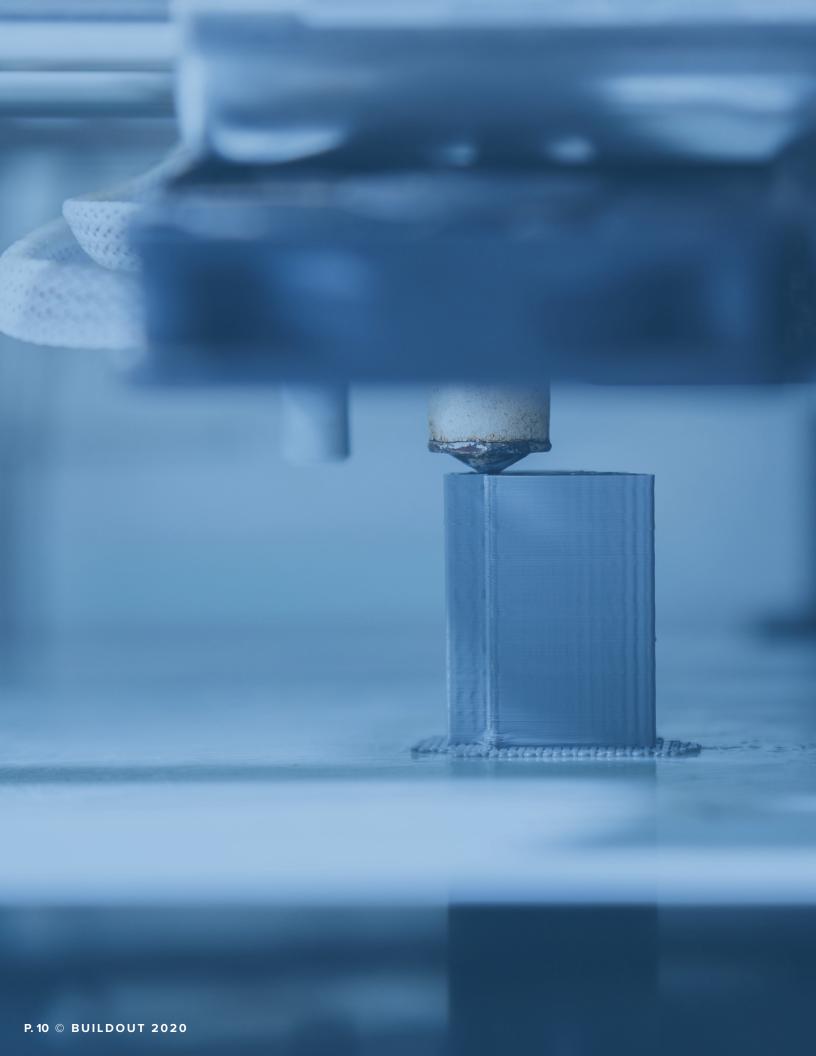
Predictive analytics will also be huge for brokers working with retail clients. Predictive analytics will make prospecting and location analysis easier for brokers when serving their clients, and retail clients will see the benefits of improved location selection.

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### 3D printing

3D printing is on the rise, and could be a gamechanger for personalized retail. Custom products designed based on desired specifications with tools like Autodesk's 5 drafting and design software will soon be created on the spot for retail customer with 3D printing.

And for items that come in different sizes, like shoes, no one will ever be between sizes again. You'll be able to get the exact size you need printed custom. Adidas is already testing a new method of mass-production 3D printing and plans to print 100,000 shoes by the end of 2018.6

Retail locations will need to be large enough to accommodate 3D printers, and will likely need separate rooms to house them. However, these printers could take the space previously used for excess inventory.

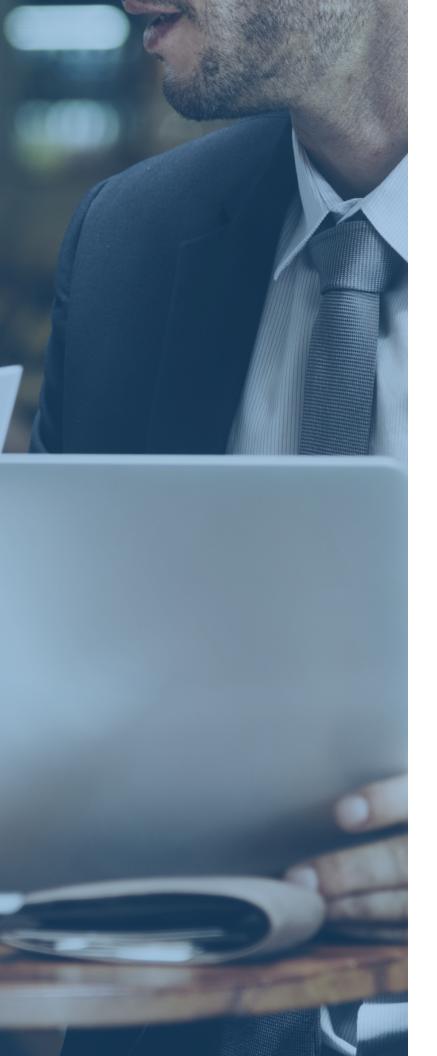
#### Autonomous vehicles

Self-driving vehicles will be beneficial to both consumers and retailers.

Mobile warehouses, combined with predictive tech, will assist with merchandising and ensure that stores are properly merchandised at all times.

Customers' ability to get around will drastically change the way they perceive store locations, and we all know location is the most important factor in real estate. But with self-driving cars, consumers will have a new interest in locations outside of urban hubs.





## What should I do to prepare for retail technology?

Keep paying attention to how these new technologies are impacting purchasing decisions in CRE, and how the consumer demand is evolving. As technology becomes more optimized for the consumer experience, demand for retail locations will increase dramatically. Buyers and investors will be looking for spaces that are ready to integrate with and optimize the use of new technology, and the brokerages that can point them in the right direction will be the ones that succeed.

As a trusted advisor, it's crucial for you to stay ahead of retail trends and be ready to make recommendations to your clients.

Contact Buildout to learn more about how technology can improve your brokerage and its marketing. 🏚





### Sources

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- <sup>5</sup> "Autodesk Homepage," Autodesk, 2018, accessed April 30, 2018, https://www.autodesk. com/.
- <sup>6</sup> "Adidas reveals the first 3D-printed shoe it'll mass-produce," The Verge, April 7, 2017, accessed April 30, 2018, https://www.theverge. com/2017/4/7/15216724/adidas-3d-printedsneaker-futurecraft.

