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With or Without RadioShack's Locations, Amazon Going Brick and Mortar

2015 Could Be the Year Omni-Channel Retailing Gives a Boost to Landlords

Unconfirmed reports emerged earlier this week linking Amazon.com and RadioShack Corp. in talks over Amazon taking over a chunk of Radio Shack's mall-based stores as the debt-straddled electronics retailer prepares for an expected bankruptcy reorganization.

However, whether or not such a deal materializes is immaterial. The fact is, sooner or later, Amazon, Google and several other online retailer will likely become much larger players in brick and mortar retail space.

The omni-channel phenomenon becoming increasingly prevalent among retailers is already starting to create new stores and bringing in new customers, as well as forcing retailers to freshen up their store offerings and space. This in turn, is bringing shoppers back in the door with their phones in hand.

An Amazon / RadioShack deal would not be a surprise, said Garrick Brown, vice president of Research, West US for DTZ.

"The rumor that Google will go this route continues to resurface every few months, and there is more talk as of late that Alibaba will also do this as they prep for a rapid brand launch in the United States," Brown said.

"Four years ago, most retailers didn't want to address the rising tide of e-commerce. Over the last few years, most have embraced omni-channel platforms," he added. "It's not about an 'if you can't beat them, join them,' mentality, so much as it is realizing that it doesn't matter anymore where you make the sale, so long as you make it."

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General Growth Properties' CEO, Sandeep Lakhmi Mathrani, spent the bulk of his quarterly earnings conference call this week discussing just that topic.

"To be successful retailers, we must embrace omni-channel. Complete transparency and real-time information of inventory in the store and warehouse is essential and must be seamless to the customer," Mathrani said. "Removing barriers to buying spurs customers to purchase more."

However, Mathrani agreed, implementing a seamless omni-channel system is easier said than done.

"Developing and implementing requires complex IT systems to support customer shopping in stores and online," he said. "Some retailers are there and some are not."

Mathrani pointed out that eBay has already been rolling out platforms for retailers to enhance their offline experience by tapping into the online world. Retailers DSW, Nine West and Aéropostale are among the retailers that have signed up for the new service.

If the store does not stock what the customers want, the retailer can turn to eBay to access the store's full line of inventory, in real-time, from the retailers' central fulfillment centers or other stores, so they

can complete the sale on the spot.

"People love in-store experiences," said Soozan Baxter, principal of New York-based retail landlord consultant, The Baxter Consulting Group. "It is one thing to order groceries from Fresh Direct. It is another to go to Wegmans and sample Gouda cheese with a fig spread, see that the tangelos are ripe, and decide among the different brands of Greek yogurt."

"I love that online retailers are embracing the bricks and mortar world," she said. "Birchbox's store in Soho is so engaging and well designed, and I imagine if they expanded to malls nationally, that teen girls everywhere would go bananas, opening up a large and probably not yet penetrated audience. The online-bricks convergence could work beautifully with such models."

Regardless of a potential Amazon / RadioShack deal, Amazon is already well on its way to a brick and mortar presence. At the end of 2014, the online retailer had already opened up 15 'sortation centers' (think big box store) across the country, Amazon CFO and senior vice president Tom Szkutak reported.

"In terms of sortation centers, there is a lot of different benefits of that," Szkutak said. "But certainly one of them is, as you get closer and closer [to the customer], certainly throughout the year, it's helped us with holiday deliveries, it's helped us with Sunday deliveries."

Meanwhile, the Seattle-based omni-channel retailer was busy laying down online and real estate roots in the college/university retail segment with the grand opening of Amazon@Purdue, its first-ever staffed customer order pickup and drop-off location, housed in the Krach Leadership Center at Purdue University's West Lafayette, Indiana campus.

"Whether students are ordering textbooks, laptops, or mac and cheese, Amazon and Purdue are now providing a convenient and secure spot for them to pick up their stuff at hours that work with their schedules," said Paul Ryder, vice president of media and student programs at Amazon. "We look forward to bringing this experience to more universities soon."

The move into text books and school supplies puts Amazon on track to compete with the likes of Barnes & Noble.

"Barnes & Noble had a huge opportunity to put textbooks on their Nook and get the college customer into their fold. That customer is currently up for grabs," Soozan Baxter said. "Barnes & Noble has floundered consistently: people still go to their stores but do not buy. They have 'library-ized' themselves."

"Amazon has trained people to buy books (and much more) online, rely on its readers for suggestions and an engaging experience... and now will add stores and go after the college bookstore segment with its textbook offerings," she said.

To GGP's Mathrani, one of the most fascinating aspects of why online retailers go offline is Zappos, he said.

Zappos, which began as an online reseller of footwear, recently opened its first-ever store, a 20,000-square-foot shop in Las Vegas. The store offers shoppers the same technology as its website, while offering the added dimension of actual goods.

Mathrani recounted Zappos' CEO, Tony Hsieh, telling him: "We've always been into focusing on customer emotion, and as much as technology has developed, nothing really replaces the actual experience of being able to touch an item. That's something they can do at the new store, and we see what it looks like matching with other different items."

Oh, and by the way, Mathrani added, Zappos is an Amazon company.

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"To these retailers and many others, the physical store is about advertising a business in a way not possible online. The store allows them not only to sell products but also sell their brand," the GGP CEO said. "They have all come to the conclusion that they need to have a brick-and-mortar presence to be profitable. Online is an incubator for brick-and-mortar. And they do this at the hub centers and urban retail."