

Retailers adopt multiple shopping channels

New York City embraces omnichannel retail

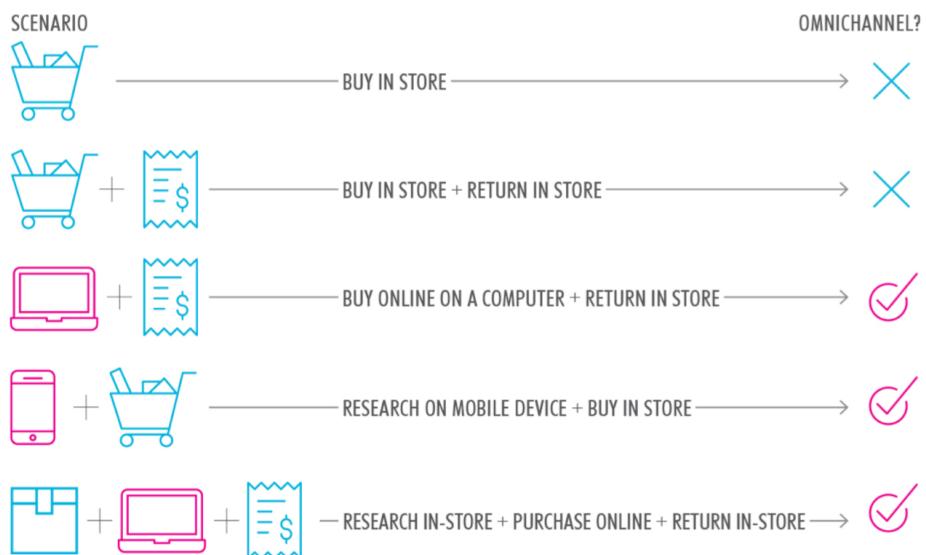


During the upcoming 2018 holiday period, forecasters are predicting a robust 5-5.6% increase in holiday spending from last year, with sales expected to exceed \$1.1 trillion nationally.¹ Early estimates suggest that retail sales over the Black Friday four-day weekend increased by 6.1% to \$60 billion, with apparel posting a 5.4% estimated increase – the highest growth rate since 2011. Consumer electronics and appliance sales also increased an estimated 6.4% compared to the same period last year.²

Meanwhile, with a 17-22% jump in e-commerce sales expected this year, online purchases in the United States are likely to increase by 15.5% in 2018 to \$120.0 billion, up from \$103.9 billion in 2017.³ A strong local economy bodes well for spending in the New York City market, where healthy demand drivers have buoyed local retail sales, which grew 3.1% during the first half of 2018, the highest H1 growth rate since 2014.⁴

The most important trend propelling the resurgence of retail locally and nationally is the rise of omnichannel marketing and sales strategies. Omnichannel retailing is defined as retailers and consumers combining multiple channels to market, buy, sell and deliver goods.⁵ This could include a shopper researching a product online, trying on in-store and then purchasing on their phone. As discussed in CBRE's [2018 Holiday Trends Guide](#), retailers are recognizing the interdependence of brick-and-mortar retailing and online sales growth. Following extensive experimentation, retailers are embracing omnichannel, learning to leverage mobile and online channels to drive in-store sales and vice-versa.

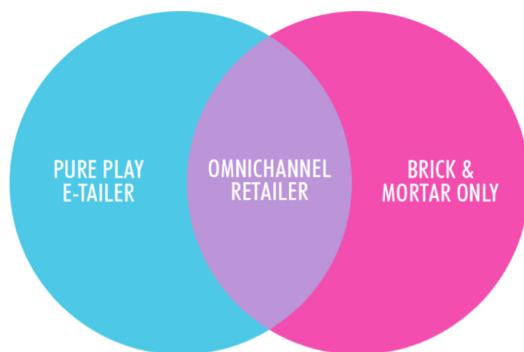
Omnichannel Scenarios



Source: CBRE Research

In tandem, through mobile data, e-commerce and traditional retail merchants are more effectively able to track and analyze data about their consumers. This information is then used to help inform their overall business strategy. This approach appears to be working. On Thanksgiving Day and Black Friday of 2018, ICSC estimates that omnichannel retailers captured 88% of total retail spending.⁶ In tandem, online sales reached \$6.2 billion, increasing by 23.6% from 2017.⁷ Sales from mobile devices reached an estimated 33.5% of total spending, increasing from 29.1% in 2017.⁸

Single Channel VS. Omnichannel Retailing



Source: CBRE Research

HOW IS OMNICHANNEL RETAILING AFFECTING THE MANHATTAN MARKET?

One noticeable implication of the rise of the omnichannel approach is that many pure e-tailers, or online-only merchants, are expanding their reach by adding physical brick-and-mortar locations. Manhattan has been among the biggest beneficiaries of this strategy, as the high-volume and density of the daytime population – which includes large numbers of residents, visitors and tourists – provides maximum exposure and strong foot traffic that expand e-tailers' market reach.

CBRE has tracked 18 pure-play e-tailers, who together have opened 38 stores in Manhattan. Examples include apparel brand Everlane, cosmetics newcomer Glossier and fashion subscription and rental service Rent the Runway. Not surprisingly, many of these physical shops offer a unique twist on the traditional store concept, incorporating experiential offerings that maximize the impact of “in-real-life” connections with

customers in ways not possible in the digital realm. For example, cosmetics e-tailer Glossier opened a New York showroom where customers can sample products and ask questions of a Glossier expert. Rent the Runway's storefront on West 15th Street allows customers to try on, pick up and return rental items, as well as book individual styling appointments.

MANHATTAN'S BRICK AND MORTAR RETAILERS EMBRACE OMNICHANNEL

The evolution of retailing can be seen throughout Manhattan, as more and more stores reconfigure to keep the physical presence fresh and engaging while integrating online and mobile sales channels into the in-store experience. As the trends of "buy online, pick up in store" and "buy online, ship to store" grow in popularity, stores such as Macy's, Zara and Target are designating staff and spaces for in-store fulfillment of online and mobile orders.

Nordstrom, which opened a 47,000-sq.-ft. men's store in April 2018 and will open its 320,000-sq.-ft. women's store flagship at 57th Street and Broadway in Fall 2019, is taking this concept a step further. The luxury department store allows customers to reserve items online to try on in the store, to make express returns at self-service kiosks and to pay a flat rate for delivery of items purchased instore. The store also offers a service which is exclusive to New York – 24-hour pick-up for online purchases.

The food and beverage sector, in particular quick-service restaurants, is also allocating more space and separate kitchens in some locations for the fulfillment and pick up of mobile orders. Popular quick-service chains Sweetgreen and Dig Inn, among others, have modified some of their New York locations to accommodate higher volumes of mobile ordering.

Across categories and product types, retailers are adapting to an omnichannel environment. Strategies that can seamlessly blend multiple channels, as well as create a brand-specific experience, take priority in the evolving retail landscape. We expect more retailers in Manhattan to invest in leveraging multiple channels to reach their customers.

SOURCES

1. Deloitte
 2. Customer Growth Partners
 3. Deloitte
 4. US Census Bureau
 5. CBRE Omni-Channel Real Estate Guide
 6. ICSC
 7. Adobe Analytics
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