

Bridging The Gap

NewMark Merrill creates new technology affiliate to bridge the gap between bricks and clicks.

Sandy Sigal and Mark Sigal

Peter Diamandis, CEO of XPRIZE, argues that ten years from now, 40 percent of the current Fortune 500 companies will not exist. That's a shockingly large number, yet to dismiss the possibility out of hand is to miss the larger point.

We are at a time of tremendous generational change and upheaval, and this will provide unprecedented challenges and opportunities for the shopping center industry. That is why we launched Bright-Street Ventures to capitalize on the power of technology to enhance the brick and mortar shopping center business. The platforms that we are working on we intend to utilize not only for our benefit, but for the industry at large.

CHANGE IS IN THE AIR

On the one hand, we are into the second decade of a world where Amazon, Apple, Google, Facebook, Uber, Airbnb and Netflix all set have changed the way their industries do business. In these companies, you can see the reinvention of commerce, computing, communications, media, advertising, transportation and hospitality in full bloom. Unlike the 'dotcom' period of the Internet, these are not simply cool web sites where clicks and eyeballs are the primary metrics of value. Rather, these companies are completely defining multi-billion dollar industries, delivering fantastic and innovative new experiences in the process.

The age of mobile has fully arrived, and mobile is transforming the way consumers shop and interact with retailers. We believe we are at the ground floor of mobile's transformation of how consumers interact with local merchants and do their shopping. Five billion mobile devices already dot the globe, and that number will double to ten billion mobile devices in the next decade. That's a game-changer.

Mobile is going to have an impact:

- 75 percent of all phones in the US are smartphones. There have been more than 46 billion mobile searches in the last 12 months.
- Three out of four mobile searches result in some sort of action (store visit, phone call).
- 55 percent of mobile consumers purchase within the hour.
- A one-star increase in a Yelp rating leads to a 5 to 9 percent increase in sales. For every customer who complains, there are 26 others who silently choose not to return.
- Walgreens customers who shop in-store and online spend three-and-a-half times as much as store-only customers – and six times as much when they shop in store, via mobile and on the web.

CREATIVE DESTRUCTION IS UPON US

There is a downside to such powerful transformations. The industries that the transformers disrupt are often irrevocably broken, and the pace and nature of change when disruption occurs is dramatic and unsettling.

Remember the record store, the computer store, and the video store? Entire retail segments that are almost completely gone. Consider how Amazon systematically disrupted the bookstore. With Kindle, it's now also disrupting the book. It's magical on one level, but there's also an impact. When bookstores go away, a lot of jobs also go away and never come back. When Amazon swallows up huge chunks of the book business, and those jobs all go away, Amazon doesn't hire a commensurate amount of new employees. They don't need to. Their model is hyper-efficient.

But we believe our strategies can keep shopping centers and retailers relevant with local consumers, stemming the impact of such disruption. We have always been heavy marketers of our shopping

centers within the communities where we own or manage properties. Our technology strategies take that marketing focus one level higher and give our partners and retailers a significant competitive advantage in their respective markets.

At a time when there is a lot of confusion about the impact of new technologies and the risk they pose to merchants, we believe it is crucial the industry embrace new vertical strategies which marry technology with the traditional shopping center business.

THE BIG PICTURE

There is a saying that software is eating the world. What this means is that slowly but surely, every industry is becoming defined and controlled by software technology. This is completely transforming numerous industries right now. This includes: retail, marketing, media, manufacturing, automotive and telecommunications.

Uber is one such example. It is redefining the taxi industry, posing challenges for existing stakeholders – cities, unions, cab drivers, etc. By removing the friction of the taxi transaction (wait times, quality of experience, cost uncertainty, ease of payment), Uber has given consumers a very viable alternative to owning a car, particularly in a busy downtown city with heavy travel and parking cost.

'Uber-ization,' the idea that you push a button on a smartphone, and all of the logistics of a service just work – from purpose, people and process, to product, payments and proximity – is a defining characteristic of the era that is ahead of us.

RETAIL IS GETTING A REBOOT

Making sense of what is happening in retail right now is best understood by looking at the plight of RadioShack, which announced that it is closing 1,000 stores, a seemingly massive number until you consider:

- Ecommerce is commoditizing many of the categories that were bread and butter for RadioShack;

- Many of the devices that RadioShack sold as standalone products now exists in some form as mobile apps — including radios;

- The generation that grew up read the newspaper, using the yellow pages, or paying attention to direct mail is fading.

An assessment of the retail market shows that there are five market segments representing \$609 billion of annual sales that are most susceptible to being disrupted.

The data shows a consumer willingness to buy online in these segments, and the net effect of this is that \$30 billion in sales have shifted from brick and mortar, and \$35 billion have shifted to online. That's a pretty dramatic shift in dollars.

MATCHING CLICKS TO BRICKS

We believe that the rise of mobile has significant offensive and defensive implications for shopping center owners and managers. It is our belief that the retail environment will not reflect bricks and mortar losing ground while the online world swallows up share. Towards that end, we

intend to provide our industry the tools it needs to make mobile-friendly and data-driven decisions about their business.

NewMark Merrill believes that successful retailers will use technology to supercharge their physical presence and that in most cases, those that don't, will gradually go out of business. It's a brave new world for retail, and so to get ahead of this wave, BrightStreet Ventures will have a mission to invest, advise and create leverage around their physical advantages as a shopping center developer.

These advantages include owning and/or managing over 75 shopping centers, tenant relationships with 1,500 merchants and a 10 million-square-foot footprint in three states.

BrightStreet's two primary projects are:

1. **Datex Property Solutions.** Datex has created a business intelligence system that enables real estate portfolio owners and operators to make smarter, data-driven decisions about their business, and be more productive. The Datex system does this by giving customers the ability to capture and warehouse their core business data so they can analyze, automate and optimize their businesses.

2. **Developing and rolling out a new product and mobile marketplace called BlueList.** BlueList allows tenants to advertise directly to on-line consumers on a real-time platform at disruptive pricing. These offers will go out to all consumers who are either in the shopping center, driving by it, or who have signed up for the app. It is a tool that can be used by any merchant in any center.

These first ventures are driven by our core learnings about the impact of the mobile consumer on the shopping center business; namely, the way we think about sales channels, customer reach, product delivery and market intelligence has changed forever, and you are only as strong as your weakest link.

Once upon a time, our job began and ended at building and leasing the shopping center. BrightStreet Ventures was created in recognition of the fact that those days are long gone. **SCB**

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Building a Bridge from Bricks to Clicks



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