

The (R)evolution of the commercial & retail destination



12 world-class experts share their perspectives that are meant to provoke an important conversation on how the commercial real estate industry needs to radically adapt to remain relevant.

Architects, designers, developers, business executives, data scientists, strategists & technologists from around the world shared their thoughts over 3 work sessions.

These are the **highlights** that we hope will **inspire others** to also contribute their thoughts & inspirations on how to **improve the purposes & business models of commercial centers.**



Carl Boutet

Montreal, CA, Chief Strategist &
Board Advisor, StudioRX

“Property owners need to rethink where & how they create & monetize the value they create”

The Commercial Real Estate sector is in distress. The recent pandemic that had shut down much of physical has put into focus a broken business model. One that shows how the chasm between two very different approaches to income generation can no longer coexist.

On one side we have the property owner/operators who require stable, foreseeable long-term financial commitments to be considered a predictable asset class investment.

On the other, we have the tenants who have traditionally been retailers and increasingly service & hospitality businesses whose revenue models are mostly variable.

The members who participated in this Think Tank Style discussion, all senior executives directly tied into the CRE ecosystem recognize an important opportunity for reinvention. Architects, developers, planners, retailers, scientists & technologists came together from the four corners of the world to share their perspectives. All recognized a need for deep change and how this crisis provides the best opportunity to reinvent what is clearly broken.

We know there will be discomfort created, as any major change can provoke. A sense of shared risk & reward will be instrumental. A confidence & trust to share in that variability is key. A recognition that more transparency is at the core of any successful partnership is crucial.

In these discussions, we raise how property owners need to rethink where & how they create & monetize the value they create. We see a platform approach to data sharing as one key element. A more sophisticated approach to measurement & reach is just one part of rebuilding the model. A broader vision of how commerce & revenue is created will follow.

We mostly hope this manifesto provokes and moves ahead of a much-needed conversation. May it also stimulate even greater new ideas and tangible paths forward.



Hussam Raouf

Dubai, United Arab Emirates.
Managing Director at Mont Hill.

“Malls’ Developers should become a ‘Solutions Providers’ above and beyond the Real estate aspect”

“Interesting how we are witnessing these bold moves by the retail industry players to capitalize on the current circumstances and their brand values.

Another reason to think the “RE-ENGINEERING OF THE LEASE AGREEMENT/ LANDLORD-TENANT RELATION” not merely the commercial terms but rather the entire roles and values each of the parties offer and how this relationship would respond to the new dynamics of the retail industry; to name only a few:

- Malls’ construction and the misalignment between base-build digital infrastructure investment and the projection of E-commerce –retail- growth in revenue.
- Malls e-commerce vs Brands E-commerce platforms (destination vs Brand engagement) and how these two can feed off each other, without complicating the supply chain
- The supply chain and Brand-Mall logistics
- The DATA sharing between Malls, brands, cities, Banks, etc. to allow for deep analysis benefiting all parties

One of my current projects is THE MALL IR4. It excites me to think of IBM’s success when they moved from Hardware to a solutions provider. How can the Mall developers become the solutions provider above and beyond the hardware-the mall- and what are the consequent changes for such a move?”

The challenge revolving around the CRE industry is to find the right balance between online and offline channels and remodel the broken business model to provide equal opportunities for both brick and mortar stores and e-retailers. Also, a major challenge is the relationship’ framework between tenants and landlords is fragile and there is a need for more transparency and liaison in terms of data sharing. The updated model should be based on more collaborative and integrated approach in response to the new dynamics of the retail industry.

Claude Sirois

Montreal, Canada. Consultant and former President,
Centres Commerciaux at Ivanhoé Cambridge



“Pre-COVID we were in a so-called
“Economy of peace”. COVID has taken us
into an “Economy of war” and we need to
establish new principles to win this war”

Albeit increasingly fragile in the last few years, the landlords and retailers have generally enjoyed a certain alignment of interest in growing their respective businesses. That was pre-COVID in a so-called “Economy of peace”. COVID has taken us in an “Economy of war” and establishing new principles:

- + Fight for survival rather than fight for growth.
- + Fight for margin rather than blind fully grow the top line.
- + Fight for differentiation and niche rather volume and scale.
- + Fight for client’s loyalty rather than fight new client’s acquisition.

The traditional CRE business model in the post-COVID era will definitely be under stress. No doubt. A well-known source of tension already between landlords and retailers was the origination of offline and online retail sales generated from the leased space helpful to determine the fair market value of the space. The surge of online sales during the crisis will only exacerbate this element of dispute.

The industry legacy metrics traditionally used will definitely need to be revisited forming part of the foundation of a new business model between landlords and retailers where the open sharing of consumer and financial data will be critical. An elevated notion of risk-sharing will also have to be tabled between the parties.

As and rightfully so the current focus for all stakeholders involved is to restore confidence in reopening stores and bringing back the consumers with heightened sanitary and security measures, the same notion of confidence between landlords and retailers will also need to be revisited. The concept of partnership between landlords and retailers will take a whole new meaning post-COVID and the ones that genuinely embrace this notion and work on win/win solutions will have a better chance to win this war.



Blondet- Gonté Isabelle

France. Manager of Architecture,
Decathlon International

The retail industry is facing new challenges due to change in consumer behavior especially among Millennials. To keep up with this challenge retailers need to continuously learn how millennials consume and transform retail experience accordingly to make it engaging for every generation. Additionally, retailers need to provide more local and personalized experiences to their customers to stay in the game.

“Get technology into buildings to make them more efficient not just energy wise but making it more experiential.”

“Data and partnership have a key role to play going forward”



Annie Daniel

Montreal, Canada. Partner at KIVA DESIGN + ARCHITECTURE | CEO/ Founder of KIVA TECHNOLOGIES A.I. LAB | Partner at NIHON DEVELOPMENT GROUP

Data has an important role to play in reimagining both online and offline retail and we are already moving farther away from the brick and mortar business model. To maintain their share of the market from e-commerce giants, retailers, and CRE developers need to get more access to demographical, socio-economic, and consumer behavior data. Doing so will provide perspective to CRE developers and retailers to position their respective products in the potential markets.



David Gester

London, UK.
Chief Development Officer, LCatterton

“It isn't enough just to create an experience; we need to create more experiences that are less repetitive ”

The CRE industry needs to rebuild the confidence not only among the consumers to visit a socializing place but also among retailers and financial institutions to move forward and invest in brick and mortar businesses without getting worried about shortcomings such as mortgage payments and long-term leases.

How to design new social spaces and experience?

“Why does time fly during this kind of pandemics? So much every day is repetitive here that one does not generate memories from new experiences at the rate one used to. It isn't enough just to create an experience; we need to create more experiences that are less repetitive so that every time you go back creates a new memory that expands one's horizon in one's memory. Creating an anchor that is somehow continually creating a great set of experiences and solving things like what kind of emotion do we want people to feel when they enter and leave because socializing is the reason they come together and that's what makes shopping different from buying. We need to create more hyperlocal concepts. Build a platform around some concepts such as memorable experiences, changing experiences, and hidden technology that one never sees and never has to engage with.”



Michel Lauzon

Montreal, Canada. President & CEO of LAAB
| Entrepreneur, Architect, Urban Designer,
MOAQ, MOAA, Fellow RAIC.

“The unicorns who will spur the next value leap in retail real estate will be platform creators as well as community and city builders.”

How do we resolve issues faced by the CRE due to COVID-19?

“The current commercial real estate dilemma is tricky since it concerns the short, the mid- and long terms. In the short term, is there a need to resolve social distancing, prioritize contagion confinement, and prevention. For the mid-term, we are working to safely reintegrate the other dimensions of the human experience such as socialization, collaboration, creativity – and pleasure into the equation of a post-covid19 world. As designers, we are rethinking our “toolkit” to address these new issues right now and for the coming months. For the long term of retail, I think that we could ask ourselves: Are we into incremental? Or are we into platform building and reinvention? Do we change or reposition the fundamental attributes of the retail destination? Or are we more about tinkering improving enhancing adding technology, managing social distancing which is more of an incremental mindset?”

How can we reinvent our existing CRE inventory.?

“To launch the next wave of sustained growth, the real estate industry needs to recapture the hearts of not only the consumers but also the citizens. The industry needs to rebrand and reposition its value proposal, between the online offering and the brands. To achieve this, we advocate transforming the assets into destinations that are not only about the retail experience but also become urban platforms to interface more meaningfully with the shoppers, consumers - and citizens. These platforms should target the well-being of communities and be about “city-building”: well-being, sustainability, health and wellness, social experience, exemplary density, and community. **Altruistic usefulness** is doing stuff that doesn't necessarily translate into an immediate revenue stream, but it ensures the platform will be only relevant and resilient but irresistible as it targets the common good as well as bottom lines.”



Eric Foster

Montreal, Canada. President,
Foster Real Estate Inc

“We need to rethink the financial model to unlock new opportunities for an asset rather than aiming to get a return on the asset’s theoretical value”

“While best brick & mortar retailers will survive by offering augmented store experiences, successful Landlords will act as merchants of living environments. All the ingredients leading to mall traffic will be properly measured by KPIs, including for example access satisfaction. They will not be managing stale commercial environments, but living entities, led by local managers with a marketing competence and supported by technology and data analysis. It is time to catch up”

The industry needs to build up nice to go places and accelerate the pace to redefine the retail business model as they were already dying in the pre-COVID era. We need to rethink the financial model to unlock new opportunities for an asset rather than aiming to get a return on the asset’s theoretical value. CRE developers should build new confidence and building a more flexible design architecture in leases. Also, retailers need to get creative and create an experience for the consumer so that they invest time in shopping in-store to get that experience, somewhat like what Apple did with their stores.



Jean Sebastien Bourdages

Singapore. Design Director Asia at B+H Architects

“We’ve evolved our built environment to support and facilitate this arbitrary, self-inflicted ‘normal.’”

The CRE industry should tackle short term challenges with long-term vision. There is a need to design architecture that is resilient and adaptable. As architects and designers of the built environment we are standing on the Bridge or our Spaceship, helping decide where we go - part of the problem, but also in the best place to be part of the solution. Confined in our homes we're rethinking our values. What do we really miss? Drinks with friends, hikes in the mountains, swimming in the sea, eating in a restaurant? And what are we gaining that we didn't realize we'd been missing before? Playing games with the kids, a shared meal and good conversation, time to read, time to think?

We're more reliant on our technology than ever to connect us but we're realizing that our arbitrary 8am to 6pm work days, our belief that work can only happen in the office, and our blind acceptance of the “normal” we've created for ourselves is, for very few of us, a “normal” we want to return to. We've evolved our built environment to support and facilitate this arbitrary, self-inflicted “normal.” We now have a gift of an opportunity to think about an urban design that would support and facilitate the things we've learned we really value.

<https://insights.bhadvancestrategy.com/insights/spaceship-earth-our-final-destination>

Maxime Cohen

Montreal, Canada. Associate Professor at McGill University | Expert in Pricing and Data Science | Advisor to Corporations+Startups



“It is now time to undertake a disruption to the landlord-tenant retail lease agreement by finding clever ways to share risks and benefit both parties”

“Several decades ago, suppliers and retailers understood that it's time to revamp their contractual agreements. Instead of engaging in simple wholesale price contracts, they started using risk-sharing contracts such as revenue sharing and buy-backs. These contracts allow suppliers to have "skin in the game" so that both players are bearing a portion of the uncertainty risk. Shifting from wholesale price contracts to risk-sharing contracts often leads to a win-win situation. It is now time to undertake a similar disruption to the landlord-tenant retail lease agreement by finding clever ways to share risks and benefit both parties.”

How can we use technology and data to improve the CRE business model?

We can design new types of contracts between owners of malls and retailers based on traffic and footfall. But the traffic driven intuition has an issue in terms of attribution of the traffic. However, we can use advanced data analytics to resolve the attribution issue and get a model to have an optimal contract between mall owners and retailers. To reinvent the model, we should use analytics to monetize the consumer data without compromising on the privacy of the consumer providing a more personalized experience to consumers. Active researches are going on to reassure and educate customers that there are new techniques that anonymize and preserve anonymity and privacy. Technology can also help quite a bit in terms of social distancing and contactless experiences and trends are moving towards frictionless stores such as the Amazon Go.



Matt Judge

San Francisco, USA. President and CCO at Eight Inc.

“Build a design where technology pulls people closer together and makes it more relevant and engaging rather than just convenient”

Changes in human behavior and habits post-COVID will play an important role in determining the future of the real estate industry. Predicted future urbanization trends might change due to change in an individual's habits and new opportunities might prevail. Build social spaces that are more value-driven space and are more altruistic and considerate of community.

Role that technology should play in reinventing CRE
“Technologies are a tremendous enabler and can be used in some incredible ways especially at retail. But to foster deeper meaningful engagement between people, design experiences in spaces that foster a better connection between people and use technology to foster those deeper connections. Build a design where technology pulls people closer together and makes it more relevant and engaging rather than just convenient. Matt suggests when coming up with the design it will be interesting to look at clinical psychology in terms of how human behaviors shift”.

Stacey Shulman

Santa Clara, USA. Vice President IoT group at Intel Corporation Chief Innovation Officer - Retail, Banking, Hospitality and Education



“Reinventing CRE industry goes beyond quantifying traffic, it about engagement and measuring what drives that traffic into stores”

“We’re seeing everybody rethink their anchor tenant which seems so obvious now as the large anchor tenants start to fold and go bankrupt. Not only just rethink anchor tenants but rethink the duration of time for tenants. Carefully curate to keep stability and rotated freshness. It goes beyond traffic and footfall counting, it goes into the engagement.”

Area 15 - Experiential Design

For Area 15 project, Intel started exploring and developing a framework for experiential design by collaborating with companies and individuals with expertise in commercial real estate, architecture, scientific R&D, art, and rebranding to get a well-rounded vantage point.

Intel partnered with one of the producers for the Broadway show (Wicked) to get a creative third eye view to design Area 15 space as experiential is about storytelling. Intel has an initial framework for A/B testing. After successfully testing this new framework, they plan to make operational metrics and learnings open source so that it can be extended to the rest of the industry.

Area 15 in general is building itself as an experience center and doesn't see themselves as retails. Area 15 is trying to make retail as much experiential and then measure everything they try using advanced technology and analytics while maintaining the privacy of the data collected. As an outcome of COVID, the Robotics industry is accelerating faster than expected.



Sarah Page

London, UK. Creative partner at Honest and Co-Founder of Household

“Technology is fantastic way to seamlessly and dramatically enhance a holistic customer journey”

Use technology to enable, not to detract from human connection, and we as human beings are genetically geared up to want connection. We are genetically geared to have touch., to be close to another. It's just been so alien for us to be living lives separately. I see that experiences for retail will be even more important post-COVID. Requiring memorable bold ideas, carefully curated, and considered partnership. Human-centric and crafted meaningful experiences.

Already retail brands are being called to offer people much more than just the products they sell. This will be even more in demand. People I think will be wiser on how and where they spend their time and money.

Technology is an important tool, a part of a bigger experience, not the experience itself.

In the physical and digital space, face to face interaction is irreplaceable, and now more people have become used to this.

Technology is a fantastic way to seamlessly and dramatically enhance a holistic customer journey, making it easier for people to engage with emotional relevance. It is also an incredible way to breathe life into brands, give them a voice, and facilitate a shared human experience. The key in retail is to use it wisely and purposefully

Brought to you by **StudioRx**



"Special thanks to all who contributed, including the team at **NewFrontiers.biz** that produced this report".