

NAI Harcourts Market Leader.

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Small footprint department stores could be the **next big thing**



The retail sector in New Zealand is going through a period of rapid and unprecedented change, and retailers need to adapt fast to stay afloat.

There are underlying pressures, the online phenomenon, logistics and cost infrastructure to name but a few. Looking to America we can take some pointers as to the trends that may impact us here in New Zealand – now and in the future.

When it comes to retail, is small the new black? If trends among some of the biggest retailers in the USA are any indication, the answer seems to be yes. Before you dismiss the idea, hear us out.

Today's retailers are opting to think small, foregoing the "go big or go home" mindset entirely. In fact, many of America's favourite retailers are shrinking, including Target, Macy's, Nordstrom and more. Even big-box giant retailer Walmart is experimenting with smaller concept stores. But why?

The retail industry is seeing a definite shift in big retailers' brick and mortar stores, as they continue to experiment with different store formats and models. Smaller footprint stores

are also popping up among smaller brands that have, until now, played only in the online world. So, when it comes to physical space, why the shift from big to small, or from non-existent to small? The answers vary and often aren't straightforward.

Typically, the downsizing of larger, more traditional formats is done in an effort to optimise and improve productivity. As more and more business is done online, these types of stores feel that less physical square meterage is necessary in order to take care of their customers. Conversely, other brands make the shift in an attempt to actually get closer to their customer base. Smaller versions of traditional store models allow brands like Target to open more stores with convenient locations.

To better understand this trend, let's take a closer look at some of the retailers who are choosing to make this leap:

Nordstrom

This brand is no stranger to staying on top of digital and technology shifts, so it comes as no surprise that Nordstrom was among the first retailers to announce plans to try out smaller stores and more experiential spaces for its customers. The brand unveiled its smaller concept store, Nordstrom Local, which focuses on customer service rather than stocking

inventory (and they ship to New Zealand). The footprint of these stores is approximately 2% of the typical Nordstrom store.

Kohl's

Sadly, this retailer is known for being among those that have struggled to navigate and stay afloat in the retail waters, however the brand is trying to shake things up and stay relevant. Today the brand is in the middle of shrinking hundreds of its stores which feature a standard footprint of around 8,300 square metres. In some cases, the retail brand plans to sub-lease the physical space that it is no longer using to other retail partners, such as niche budget grocer Aldi.

Macy's

No stranger to the smaller store concept, Macy's first dipped its toes into the smaller concept store waters in 2015 when it revealed plans for an off-price offshoot, Macy's Backstage, with stores averaging 2,700 square metres. With its success, Macy's CEO Jeff Gennette has revealed plans to take the concept one step further, adding more stores with an even smaller footprint (930 square metres on average). Macy's opened 30 Backstage locations in 2017 alone, and now boasts more than 50 stores.

Local retailers going small

The downsizing trend can be seen here too, particularly in the supermarket sector, where “metro” outlets are popping up in the CBD.

Both New World and Countdown have opened metro outlets in major centres like Auckland and Wellington to service the growing trend towards inner city living and to take advantage of commuter foot traffic in the CBDs.

In recent years, Farmers has also embraced the small footprint trend with its Farmers for You and Farmers Home offerings in the upmarket retail precinct of Newmarket in Auckland. These dramatically scaled back stores offer niche product lines, but also act as convenient pick up locations for customers who want to Click & Collect or do returns on their online shopping orders. It's just another incarnation of the hybrid model that encompasses both a bricks and mortar stores and an online approach.

As consumer demands continue to shift and evolve, retailers need to continue to evolve alongside them. Retailers that are strategic and flexible in their approach to size, location and channel type are more likely to come out on top, because nobody knows what the stores of the future will look like.

*Compiled by Tony Kidd, NAI Harcourts New Zealand.
Thank you for the contribution from NAI Global.*

Bryan Thomson joins Harcourts New Zealand as Managing Director



Harcourts New Zealand has appointed widely respected industry leader and former CEO Bryan Thomson as its new Managing Director.

“We are delighted Bryan has agreed to return to lead our New Zealand business,” says Managing Director of Harcourts International Ltd, Mike Green. “Bryan brings to this position an innate ability to draw exceptional performance from individuals and teams and

has a proven track record of success across all sectors of the real estate industry, both nationally and internationally.

In addition, Bryan will also bring his significant governance experience as Board Chair of Property Page (NZ) Ltd, and as a Director of realestate.co.nz and the Real Estate Institute of New Zealand.”

Mr Thomson says, “I am excited to return to Harcourts and to have the opportunity to combine the experience I have gained over a long career in this industry with the talented and committed people who make up this iconic New Zealand Company.”

Bryan started his role in April 2019.