The future of retail real estate
The changing role of physical stores in an online world

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Foreword

This paper is written as part of the Real Estate and Housing graduation track of the Faculty of Architecture at the TU Delft. It is the second of five mandatory reports in which the graduation subject will evolve from subject proposal to final product. In this research proposal I will elaborate on the subject and the intended direction and methods of research.

Olle Overbosch

Delft, 1/13/2012
Summary

The introduction of e-commerce has quickly changed the Dutch retail market. Within ten years the e-commerce industry went from nonexistent to a 10 billion euro industry, of which close to 5 billion euros are classic retail; goods sold. Due to the quick rise of online retailing many large scale retailers, especially in the electronics and book field, have strained due to new, online competitors and increasing price pressure.

Many large scale stores have not been able to adopt an online strategy into their current retail and real estate strategy, especially ‘category killers’, those store with a large and uniform product selection. Stores, or chains, which have successfully introduced online strategies, find a synergetic development which allows real estate to perform more than classic retail functions. Retailers who view e-commerce as ‘just another’ retail channel or a threat, instead of an opportunity, have not been able to adjust to this new development adequately and have seen dwindling revenue. In order to aid the research and the search for a suitable real estate strategy for these retailers the following research question was formulated:

*What kind of real estate strategy can large scale retailers deploy in a market where the physical store is no longer the only channel of sales, consumer contact or information?*

Using an adaptable research frame, aimed at designing a real estate transformation strategy, the demand for new e-commerce driven functions will allow the design of strategy which can transform the current real estate stock. Literature study, field work in the form on interviews and store analyses will feed the frame with data on the demands consumers have from retailers, now and in the future, for various functions. This is matched with the functions retailers provide and the typology which is associated with these functions. By then identifying the typology which allows the functions future consumers require it is possible to map the typological shortcomings of the stores.

When the disconnect between the typology which is needed to perform future functions and current typology is identified a transformation strategy is designed. This is done by testing various strategies in their ability to transform the retail real estate to the needs of the future consumer.

In the final report they outcomes will shed light on the ability of existing retail real estate to adept to house the functions which future consumers will demand.
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1. Research introduction

1.1 Motivation

Before starting my graduation period I held a position as an intern at the real estate department of METRO AG, in Düsseldorf, Germany. Among their assets is a large chain of electronics warehouses, with over 700 locations worldwide. In the year 2010, however, the chain booked its first ‘negative numbers’ in 20 years, which was, within the company, largely attributed to competition from internet retailers. Online retailers have, with the rise of e-commerce, aggressively gained ground in the retail industry. Online stores are able to offer products at increasingly low prices and the general notion was that the company should start its own internet branch, with which it would also offer products, for a lower rate, online. Having an online presence would allow the company to offer products to the internet consumer and to the traditional customer, who prefers the personal touch of a physical store. The same reason which kept MediaMarkt out of the online retail world for such a long time was the same which lead them purchasing a separate store, in a pursuit of an online strategy. Their business strategy entails individual store owners sharing in the produced profit of the stores, as a performance incentive. Having an ‘online’ MediaMarkt was therefore heavily opposed by the store owners. The internet is thus used as a spate store which would independently by which products would also be offered, in order to keep up with the competition. The ‘new’ strategy therefore consisted of continuing the old strategies for physical stores, while adding an internet store, instead of an integration solution which would allow the online presence to strengthen the physical stores and vice versa.

A question that immediately came to mind was whether the traditional formula of the electronics giant, with their many large stores on expensive inner-city plots, is still a viable strategy for the future and whether just opening a web-store was the result of not grasping the paradigm shift that e-commerce creates. After realizing that even large firms were unsure about the retailing future the internet creates, I realized that many retailers resided in uncertainty and exciting change, while innovation was happening at the very moment. As the market is changing volatilely under the influence of the internet as the domain of a younger generation, I saw an opportunity to immerse myself in a field whose repercussions are bound to expand greatly in the near future. From there on the ambition arose to acquaint myself with the rapidly evolving e-commerce market and its effect on traditional retail, ultimately leading to a graduation subject.
1.2 Problem introduction

While the financial world is slowly recovering from the financial crisis, some branches of retail have difficulty climbing back to the level of pre-crisis days. When looking at the results of the Dutch retail branch of the first quarter of 2011 only a marginal increase in turnover is visible, with a rise of 0.4% compared to the same quarter of the previous year (ING 2011). While certain branches of retail, such as electronics, have shown increases in volume, which the CBS, as quoted in the ING quarterly retail report (ING 2011) regards as clear evidence of recovery, their turnover has been decreasing since the start of 2011. Although volumes increased throughout 2010 pressure to lower prices increased (ING 2011) to such an extent that the first quarter of 2011 showed a 0.4% decrease in turnover in the electronics branch. As seen in figure 1, 2011 showed a steady drop in sales prices through its first months, with a corresponding decrease in turnover.

Lower prices are the result of stiff competition from the growing e-commerce branch, which has steadily been producing a turnover growth in the double figures for the last ten years. The branch saw a turnover of 8.2 billion euros in 2010, compared to 81.8 billion euros in classic retail, which experienced a decline of 0.5% in 2010 (ING 2011). It must be noted that only around half of this would be considered classic retail, as the other half is made up by services, produced online, such as the sale of tickets to concerts or air travel. E-commerce though, as seen in figure 2, experiences no apparent slowing effect caused by the state of the economy, as the ‘regular’ retail industry has endured. Even in 2011 this does not seem to stall, with a 10% growth in the first half of 2011 (Tritac 2011).

A part of e-commerce’s retail success resides in their competitive prices. Without the same amount of physical store space, salesmen or service centers, a large part of the traditional overhead is practically eliminated, which allows e-stores to offer their products even below the rates of traditional ‘retail giants’, which have long claimed a price advantage over smaller stores. Figure 1 shows the impact of lower prices is very visible in the electronics branch, whose price levels have been declining since the start of 2011. Real Estate Company Jones Lange Lasalle offers some insight into why some branches are affected more: “Retailers which offer standard products, which are easily comparable, will move towards the outskirts. Travel agencies, music- book and electronic stores will show a strong decrease in locations” (Weltevreden and Van Rietbergen 2004).

Figure 1 (ING 2011)

Figure 2 (ING 2011)

1 Quotes, freely translated from Dutch will be marked with “(f.t)” for freely translated.
1.3 Problem analysis

Easily comparable products are only susceptible to greater price pressure when there is an easy method of comparing prices and that is precisely where internet offers its greatest advantage. For many years consumers have not been able to adequately assess price differences and have retailers even been able to operate as ‘price fighters’, when their prices were in fact comparable to those of their competitors. For example “Mediamarkt gives the suggestion of low prices, but the gross of the assortment has comparable prices, compared to their competitors. The same applies to Kruidvat, compared to Etos.”(f.t)(JLL 2011). Internet has taken away the retailer’s ability to influence the consumers’ views on price levels, “internet has in a relatively short time become the most important medium for many people and their starting point for information and news” (f.t)(ING 2011). Jones Lange Lasalle, as a market analyst, has strong beliefs on the shifting of power towards the consumer. The firm attributes the increasing pressure on profit margins to “general availability of information on products and prices, which renders retailers unable to raise their prices.” (JLL 2011). Technological developments have tilted the balance of power towards the consumer and “they will decide on a retailer’s success in the future.” (f.t) (JLL 2011).

Just a few years ago the sector changing influence that e-commerce would have was hard to imagine, although predicted by some. New retail channels, like mail order- or TV shopping, have after all emerged before and its predicted success never panned out as planned, leveling out between 1 and 2% of the Dutch retail market. Likewise the e-commerce ‘revolution’ has known staunch support and skeptics, whose theories ranged from e-commerce only replacing or adding to the traditional home shopping channels on a small scale to e-commerce largely replacing the traditional retail sector. However large the predictions the general notion was that “The internet, at its most basic, represents another channel in which to market and sell goods and services “(Stern 1999). However, from the early 2000’s it became very clear that e-commerce was not “just another” retail channel. Its growth in the Netherlands compared to other home shopping channels such as catalogues or T.V. shopping channels can be seen in figure 3.

Figure 3. Groei van de thuiswinkelomzet in Nederland via internet en andere kanalen, in miljarden euro’s, 1998-2005.
Bron: Thuiswinkel.org (2006)

Figure 3(Weltevreden 2007)
While other shopping channels have already “topped off” and see their revenue declining from 2001 onward, e-commerce managed to expand from a nearly nonexistent branch in 1999 to more than 2 billion euros in just over 5 years. Although the expectations for e-commerce were imminently relative high; “Forrester research expects that e-commerce will comprise 7% of the total retail turnover in 2005 and 15% on long term”(ft)(Bodewes and Doedens 2000), its short term expectations have not paid off. Its growth had shown to be steady enough, however, that its long term expectations have often been scaled upwards to a point where experts “expect in five years a new balance between both ways of shopping, in which 20% of all purchases happen online”(f.t)(JLL 2009).

E-commerce has been growing very rapidly, as expected by some. Not only has the produced revenue in times of crisis, been able to continue to grow in the ‘double figures’, but the amount online stores has drastically increased the last few years. There are currently 20.000 registered online stores(Thuiswinkel.org 2011), but thuiswinkel.org figures, based on iDeal numbers, the Dutch online payment system which allows online purchases without credit cards, there to be at least 40,000 operating stores in the Netherlands. However, even though there is an enormous growth of stores, one of the more striking influences is on the way traditional and traditional mail-order, businesses are adopting an ‘e’ strategy in their ways of doing business. Wehkamp mas moved from a home-shopping business, which produced 8% of their revenue(25 million) online in 2000, to a situation in which a 100% of their 441 million euro revenue in 2011 is generated online (Keuning 2011). Companies like Wehkamp were of course no stranger to alternative retail channels and were able to ‘switch’ to the web relatively fast. Their ability to quickly switch to an online strategy did not go unnoticed in the retail world and some retailers decided that, instead of building up their own expertise, using existing online retailers to sell their products on the internet was the most profitable course of action. Miss Etam, was one of those retailers. The company decided to sell their good through Wehkamp for 3 and a half years before starting its own webshop. This period was needed to build up enough expertise to start their own shop, as stated by Etam, “because of our experience through Wehkamp, we had a good idea of our online performance and the additional revenue was an important reason to finally start on our own webshop”(f.t)(Purola 2011).

Not all retailers have partnered up with online stores, but almost all have opted to adopt an online strategy, one way or the other. Most classic large Dutch retail chains have currently successfully adopted their own online strategy, “the internet department of, for example, Hema produces substantial revenue within the chain, but needs less people to operate then the ‘rookworst’ division.” (ft)(Hanff and Wiegerink 2010). Not only Hema has a successful online store, but classic Dutch retailers like C&A and Bijenkorf currently have online stores which outperform their most productive physical location (Randstad 2011). E-commerce has quickly been adopted by the industry which it was predicted to compete with and has shown itself to have the power to change the way the retail branch operates.

1.3.1 Retail paradigm shift

Since the second half of the last century there has been a substantial shift towards ‘big, large and cheap’ in the retail world, which was, until then, dominated by small and local stores. “Peddlers and ‘mom and pop’ retailers controlled retail trade for hundreds of years. Then, the big department stores and mass merchants dominated retail for nearly 50 years, with the growth of regional malls and huge retail
concerns” (Stern 1999). This change of business sizes and practices affected every aspect of life and changed the way people did business and how the world looked. Fifty years ago “downtowns were actual places—with local stores and eateries unique to every community. Mickey D, Burger King, and Wendys? Not quite yet.” (Bryson 2006) This up scaling of stores meant the end of local retailers by offering price and assortment advantages that was achieved through large scale retailing. Beyond the scope of large department stores were the standardized chains of identical stores, which allowed for even greater increases of scale, like the MediaMarkt or the recently collapsed Dutch media chain IT’S. In the December 2011 e-commerce issue of Harvard Business Review identify large victims of the rise in e-commerce “‘Category killers, those highly focused retailers that specialize in a category of goods including Barnes & Noble, Best Buy, and Staples, were once the bane of mass-market retailers’ existence. Their wide assortment, aggressive pricing, large stores, extensive store network, and deep expertise in the categories they served proved a massive competitive advantage. Today, however, these same distinguishing characteristics may prove to be the undoing of the big-box stores” (Lai and Alvarez 2011) The trend, as seen in figure 1, which has caused the drastic turnover reduction in the MediaMarkt extends its grips to other large players in the field. “The Internet has created a daunting situation for category killers, one that will eventually impact almost all of retail. The focus that made category killers so powerful in the 1980s and ‘90s is creating the conditions for their struggles in 2011. The economics of a store can suddenly become negative when 5 to 10 percent of their total floor space (in high-margin categories) becomes unproductive”(Lai and Alvarez 2011). The speed of the paradigm shift can be seen in the figure(4) below, which in black show existing retail domain names and in red the newly registered, in 1999 to 2002 and 2003-2005. The landscape of online retail went from nonexistent to vibrant in the proverbial blink of an eye.

(figure 4)New and registered retail domain names in The Netherlands, 1999-2002 and 2003-2005

Like ‘category killers’, retailers which occupy large amounts of space in high quality urban areas are currently put under increasing pressure, as their overhead costs are relatively high and profit margins are shrinking. In retail, rents are a considerable amount compared to turnover, but can vary greatly, as will turnover rates. The average rental price in the clothing branch for example is 10.6% of the turnover, with huge differences being created by the popularity of a location(CBI-MITEX 2010). Rotterdam shows fine examples of this for stores with large amounts of floor space in quality locations as large inner-city clothing stores are having difficulty(Schutijser 2011), its largest
bookstore, Donner, is decreasing its floor area (Parool 2011) and its largest electronics store, Mediamarkt, has not produced any profit, for the first time in 20 years (Volkskrant 2011). Large retailers have had, due to their size, the competitive advantage of offering products at relatively low prices, or have at least created the illusion of lower prices. This advantage is disappearing alongside the rise of e-commerce. With such large overhead costs it becomes increasingly difficult to compete with internet-companies, whose main strategy consists of competitive pricing. Small internet companies can, despite their size, offer lower prices by cutting costs on employees, real estate, customer service and stock size.

The inner-city location which accommodates many of these companies has, despite the extra costs, clear advantages. The flow of shoppers has classically led to increased sales and therefore, even though the costs of inner city locations are high, companies are reluctant to leave their ‘grade A’ locations. However, with profit margins coming under pressure due to ready availability of price information, retailers have increasing trouble raising their prices to combat high overhead costs. To combat lower prices some large companies are cuttings costs. Media-Saturn, the mother company of MediaMarkt and Saturn electronics stores, is planning to cut costs by 500 million and reduce the FTEs by 3000 in the next three years (Volkskrant 2011), while retaining their entire stock of more than 700 store locations. This is a direct response to their 2nd quarter (of 2010) loss of 44 million (Volkskrant 2011); their first in twenty years. Through cost cutting the company is trying to remain competitive, while prices are dropping. A large part of their overhead, however, remains intact; real estate, which consists of large volumes on prime locations. Not only does that part of the overhead remain the same, their retail strategy, in a changing market, stays unchanged.

In a changing market retailers have the option of ‘going with the flow’ and try to adapt to a new environment or keep exploiting old strategies. However, there seems to be a consensus on the need for change and also on the haste which must be made with this process. Traditional physical stores are already losing ground and “players with the right change strategy will be the big winners of the retail branch. The ones who do not take action, in order to chance or make the wrong translation into a new strategy are not going to make it.” (f.t) (JLL 2011) It is unlikely that in the future there will be stores which are either internet or physically oriented, as successful hybrids are already developing. Internet stores are opening physical offices and many retailers have internet based stores, with varying success. “A good example of this is the consumer goods specialized company Coolblue. After successful growth on the internet the company currently owns 3 physical stores in the Netherlands and 1 in Belgium” (f.t) (JLL 2009). A successful exploitation of the future market will therefore lie in a successful exploitation of these different domains and media, as John van Haaren CEO of Corio Nederlands notes “I believe in the multi-channel model, a consumer buys something on the internet; he notices it in a physical store.” (f.t) (Hanff and Wiegerink 2010) When stores are transformed into portals which offer the advantages of the physical and virtual world, they can tailor to the needs of different consumer groups, whose differences have been growing rapidly since the start of the internet age. Linda Kruijt, managing director of the council for Dutch shopping centers notes that digital natives, people born after 1980, “live in a world which is unimaginable to people over 40. They do everything at the same time and all on the internet.” (f.t) (Hanff and Wiegerink 2010)

Adjusting to the needs of different consumer groups will be increasingly important, as not only digital natives have different wishes, but families and the elderly experience the same transformation,
“each of these groups has a different, new profile, when compared to several years ago. This will be an increasingly important factor in respect to change in customer approach and the allocation of retail real estate” (f.t)(JLL 2011). In the Vastgoedmarkt special on retail and e-commerce and its effect on the market, it is argued that the future of retailing lies in integration; it “is about the shopping street of the second generation, where ‘experience driven’ retailers are to be found, it is more important to offer an experience, to seduce the customer. It that is successful, it no longer matters which part of the revenue is generated on the internet.” (f.t) (Hanff and Wiegerink 2010) However, as seen in the MediaMarkt case, it is not this straightforward. Their entire model, with shared ownership and profits for individual locations, does not allow a central, integrated e-commerce solution. And as especially the large retailers are being pressed to adopt successful new strategies there are many examples of large chains going out of business such as the American retail chain Circuit City, which closed its 155 stores in 2008. Their main competitors, like Best Buy did not profit from their bankruptcy, as they expected. Rather, it was a warning sign for the turmoil of their market. "Best Buy and many similar businesses didn’t see the bullet coming. Category killers are being pressed to come up with solutions to keep their overall model afloat”. (Lai and Alvarez 2011). In the market the speed with which consumers adopted internet as a retail channel shows the vision early adopters of e-commerce had, “the inexorable adoption of technology by consumers has proven that e-commerce pioneers were ahead of their time”(Lai and Alvarez 2011). These retailers are able to offer advantages to consumers which the old retailers are unable to, for whatever reason. In order to adapt their stores to this new demand they must look towards new uses of their floor space, which sees dwindling revenues. The e-commerce revolution has already produced examples of this in practice, where stores are no longer just a place whose sole purpose is to ‘push’ products.

1.3.2 New developments
When different consumers are targeted through different channels, stores are no longer purely places of sale or revenue. Business models, and the traditional reliance on real estate, operate very differently. For example, commercial value through branding, trust and information channels, can lead to increased internet sales. Name recognition on the internet is hugely important, as seen by spending habits of large internet retailers “Bol.com and Wehkamp spend a relatively high percentage of their revenue on media messages. They spend substantially more than physical oriented stores” (f.t) (ING 2011).

<table>
<thead>
<tr>
<th>Bruto mediabestedingen (x 1 miljoen Euro)</th>
<th>2009</th>
<th>2010</th>
<th>10 vs 09</th>
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<tr>
<td>Bol.com</td>
<td>12.5</td>
<td>11.4</td>
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</tr>
<tr>
<td>Wehkamp</td>
<td>14.5</td>
<td>18.4</td>
<td>20.9%</td>
</tr>
<tr>
<td>Neckermann</td>
<td>1.9</td>
<td>1.8</td>
<td>-5.3%</td>
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<tr>
<td>Ahold NL*</td>
<td>84.9</td>
<td>99.6</td>
<td>17.3%</td>
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<tr>
<td>AS Watson</td>
<td>50.1</td>
<td>77.5</td>
<td>54.7%</td>
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<td>Intergamma</td>
<td>62.8</td>
<td>65.2</td>
<td>3.8%</td>
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<tr>
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<td>25.3</td>
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<tr>
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<th>Bruto mediabestedingen in % van de omzet</th>
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<tr>
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<td>3.6%</td>
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<td>Wehkamp</td>
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<td>Ahold NL*</td>
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<tr>
<td>HEMA</td>
<td>2.8%</td>
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<tr>
<td>C&amp;A</td>
<td>3.0%</td>
</tr>
</tbody>
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* Bron: Adformatie – Marcom 500 / Nielsen
* * inclusief AH, Eto en Gall & Gall
(Bij de berekening van de bruto mediabestedingen worden advertenties gewaardeerd tegen de geldende tariefkaart (=prijslijst) van het betreffende medium)

Table 1 (ING 2011)
When looking at table 1 the media spending disconnect between internet and physical companies becomes apparent. In 2010 MediaMarkt spend five times as much as bol.com, while there revenue was 65 times as large; 20.8 billion euros (Autoconnect 2011), compared to 318 million euros (Emerce 2011). When stores change in function and are able to produce revenue in different ways, these qualities are exploited in new and innovative ways. There are already many examples of this, for example as delivery return stations. H&M offers its customers the possibility of returning clothing, ordered through internet, to any of its stores. This does not generate revenue for the individual store, but nearby store locations lowers the threshold for internet purchases, as they are easily returned, without any additional cost. H&M has separate male and female locations, with only around 50% male stores. Clothes can be returned to both, meaning their affective e-commerce ready stores, for men, have instantly doubled. The stores and the web store therefore do not act as individual components but create synergy. When developing an online strategy synergy provides more than the individual added value, which is what businesses should strive for, as noted in Journal of Retailing and Consumer Services “adopting a synergy strategy is most positive for a retailer’s business. “(Weltevreden J and Boschma 2008)

An result of this synergy is increased revenue: “around 25 % of consumers who retrieve or return a package make a purchase in the store” (f.t) (JLL 2009) Some stores are taking this to the next level and developing their own delivery and distribution network. As the functions of stores are changing so are its uses by customers and employees. In 2012 it will be possible to safely and securely purchase products via mobile phone in various stores and it “is conceivable that within a few years the first unmanned 24 stores in the Netherlands will appear” (f.t)(JLL 2009). 24-hour stores and flexible delivery times make physical stores very well suited for integrating e-commerce with classic businesses. Current limits dictate a slower reaction however; opening times and dates in Dutch stores severely limit classic stores’ capabilities in competing with purely internet based stores. As Linda Kruijts says in Vastgoedmarkt, in response to the future of retailing; “Forget the classic classification of a work day, with a set 8-hour period” (f.t)(Hanff and Wiegerink 2010). Signs of a changing market is not only seen within the retail branch itself. E-commerce currently holds a 4 to 5 % share of the retail revenue in the Netherlands (figure 6) and the effect of this is seen in branches beyond retail.

![Pie chart showing online sales vs traditional sales in 2011](image)

*Figure 5 (CBS 2011)*
One of the most cited side effects is the growth in package delivery. Figure 7 shows the growth of delivery service points in the Netherlands, which are placed at places like magazine shops, at which people can pick up a delivered package at their convenience. There is, however, much room for better implementation of service point’s delivery. Only 1.4 percent (Weltevreden J 2008) of all online orders in The Netherlands were delivered at a service point. With other branches visibly affected and the 5% of the retail revenue e-commerce has already taken hold off the paradigm shift e-commerce creates is becoming apparent in all aspects of the market. As the average floor productivity is also declining (Randstad 2011), and stores are losing some of their ‘classic’ function, retailers are making adjustments to cope with the changing markets. The change of function has large implications for retail real estate. For example increased multi-channel sales have implications for the ratio of showroom vs. warehouse, store personnel, and opening hours. Online accessibility of information influences prices and the need for high quality locations. Sales made online need no longer come from a single store; central distribution centers are more useful. These examples all have a large impact on the type of real estate retailers will need in the near future. Smaller stores have been adjusting with relative ease, due to their small sizes and sheer number, in which the weaker concepts fail and a survival of the fittest is a relatively speedy process. Adjusting has shown to not be an easy task for large, single concept retailers, the ‘category killers’. Their stakes, and also means, are much higher and adjusting their real estate strategy will be a large part of their imminent struggle to stay afloat in a changing retail branch.

Figure 6 (Weltevreden 2007)
1.3.3 E-commerce as a separate retail channel
As noted in the first paragraphs the only solid retail opinion on e-commerce that could be given at the turn of the century was: “The internet, at its most basic, represents another channel in which to market and sell goods and services” (Stern 1999). It has developed as much more than just another retail channel. Even though in most literature there has been a consensus on the opportunities which the integration of e-business practices in traditional retail offers, e-commerce is still perceived as a threat, rather than an opportunity. The paradigm shift which it causes would lead to think that its integration is inevitable and it will only be a threat if one does not ‘get on board’. In the early e-commerce days this was already noticed and “despite excessive hype, spectacular failures and the myriad of conflicting views and crystal-ball gazing, e-commerce processes and procedures provide for a fundamental reassessment of how retailing operated and how retailers behave. Without doubt, the existing ways of operating and the associated cost structures within retailing will be reassessed under the onslaught of new technology and new retail structures” (Burt and Sparks 2004). The H&M example, in which a web store allows the immediate increase of usable stores for men by more than double, shows this with great success. The successful integration provides more than a synergetic business value. It also improves the general notion of improved business practices. This was noted in the Journal of Retailing and Consumer Services: “more sophisticated websites lead to a better perceived performance.” (Weltevreden J and Boschma 2008). The same authors also note that through integration, an online strategy becomes such a specific ordeal that “we expect retailers in more peripheral regions to embrace different Internet strategies than retailers in more urbanized settings” (Weltevreden J and Boschma R 2008). As e-commerce becomes integrated in virtually every part of traditional retail, strengthening each other and providing synergy, it can very well be questioned whether it should be viewed as a separate channel, must like T.V. or catalogue shopping has been. Even though there has been a general call to not view e-commerce as another one of these channels, strategies based on this view is still generally practiced among retailers. And while synergy becomes increasingly relevant in retail real estate; “The combining of real estate and e-commerce will promote real estate and e-commerce to develop to higher level” (Zan 2011), viewing it as such might be a symptom of retailer which will not survive the paradigm shift.

1.4 Problem statement
The retail market is in a revolution in which new sales channels are emerging and the role of physical stores is rapidly changing. “Classic” retailers, in fields with easily comparable products, have endured price pressure from e-tailers, leading to a decline in turnover. In this sector, many ‘category killers’ have been shown to be either unwilling or unable to change their strategy and continue to rely on their old, previously successful, strategies. These strategies are often comprised of mostly large, industrial sized, stores in which they pretend to offer ‘everything’ at the lowest price. The unwillingness or inability to adapt to a new, online world could be the result of not grasping the paradigm shift e-commerce creates. Although there has been a call to view it as such, plenty of retailers have opted to ‘battle it out’ with this new retail channel instead of adapting to the paradigm shift. Unless they adopt the possibilities which e-commerce strategy offer, survival in the future market seems very unlikely.
1.5 Objective

Besides the research and project goals, an objective is to show that e-commerce creates a paradigm shift, which goes beyond providing another retail channel, or change the way people shop. This retail shift which is now named e-commerce should not be viewed as one of the many home shopping opportunities which exist. Showing the possibilities of a future in which e-commerce and traditional retail are no longer separate concepts, but have merged seamlessly, is therefore the objective.

1.5.1 Project objective

The proposed end product will consist of a transformation design of, most likely, a small portfolio of buildings, which allows for enough detail to make a design or recommendations on a building scale and consist of enough buildings to test the applicability of the method on various buildings. It will be kept generic enough to be applicable to portfolios of the same size and stores which will experience the same paradigm shift in the coming years. This allows for the study to be used in similar cases. It will however be detailed enough to give building specific recommendations, to be useful for the selected research object and providing an example of applying the generic approach to a specific case. There are two main research parts which will each produce a product which are useable for retailers; the research framework, which is grounded in literature study and field work and the design of the transformation process, which uses this information to evaluate the future potential of a real estate portfolio. The framework will give the generic market information which is applicable to similar cases and the transformation process will provide a transformation which is, on building level, detailed enough to assist the re-development of current stores. The use of the research frame in the transformation should be able to serve as an example as how to use the gathered information to create a real estate strategy for similar cases.

1.5.2 Personal objectives

The main personal study target of the graduation phase is acquiring the skills and knowledge needed to guide the transformation process of a retail real estate portfolio or object. This requires a further understanding of the make-up of retail real estate; its buildings and their function, as well as an understanding of the market and its future development. Other major personal goals are the broadening of general real estate knowledge with the details of retail real estate and the repercussions of e-commerce such as development of internet trends, the difference in influence on different retail branches, the integration of on- and offline retail and the influence of mobile technology on the retail sector.

1.5.3 Research objectives

The project has some separate research goals which will allow the completion of the research, which are worth mentioning. The research framework (aims to match the research question with the final goal of composing a transformation strategy. This framework is based on a generic framework, the DAS frame, which is often referenced in the master phase of Real Estate & Housing department at the TU Delft, and allows linking the supply and demand side of real estate accommodation strategy. The frame is further elaborated on page 17. It is meant to give an overview of the most important areas of research, which are needed to compose this strategy, and the research question should reflect these areas. The research methods are meant to allow the answering of the research questions in terms which are required to design a real estate strategy.
1.6 Research questions
The research questions are derived from the used framework and have, like the framework, four sub-sections based on market positions and two sub-sections based on the (mis)match between these market positions. The main research question will act as the proverbial red line in the project and reads as follows:

What kind of real estate strategy can large scale retailers deploy in a market where the physical store is no longer the only channel of sales, consumer contact or information?

The sub-research questions all pertain to the main question, so the current stores are large scale retailers, with a standardized and uniform assortment of goods, known as category killers. Specifically, when an object is selected for further study the selected objects is representative of the stores and the consumers in the research questions.

Current consumers
1. What functions do current consumers require from stores?

Current stores
2. What functions do current stores serve?
3. What real estate characteristics (typology) are needed to perform these functions?

Current (mis)match
4. What functions do consumers miss in these stores?

Future consumers
5. What is the demographic composition of future consumer groups?
6. How will habits of future consumers differ from current consumers’?
7. What functions do future consumers require from stores?

Future stores
8. What functions will future stores require to perform well?
9. What real estate characteristics are needed to perform these functions?

Future (mis)match
10. What functions do current stores have to adopt to supply for future consumers?
1.7 Research frame
As stated in the objective the research is split up in two parts, the research framework, which lays the foundation for the second part; the transformation design. The framework, based on the DAS frame (Jonge and al 2009) is used to visualize and guide the transformation process. The (sub)research questions are each represented in the frame, showing their correlation and allowing for the answering of individual questions.

1.7.1 DAS frame
The research framework, as seen in is an adaptable systematic approach to distinguish between different market positions within the transformation process of a supply and demand driven process. It employs four steering events which determine the match or mismatches between the supply and demand side and allow the planning of a real estate strategy, based on the proposed match between the future demand and supply side. In figure 7 the correlation between the frame and the research questions can be seen.

1.7.2 Research questions in the frame
The current consumer represents the demand side of the current market. Their needs and wants are what are being catered for, but these attributes are rapidly changing. With the rise of the internet and the developing position of e-commerce information and access to products have become readily available and the consumers’ demands of stores are changing alongside them. By asking what functions current consumers require it is possible to achieve a vision of the current market and how it already differs from ‘traditional’ retailers.
The **current store** represents the supply side of the current situation. It is the answer retailers have provided for the wishes of the current consumer. The functions which are provided will be compared to the consumer’s wishes, in order to determine the mismatch. The typology represents the characteristics which allow the store to perform their functions. For example size will allow a store to carry many different products, while location will determine the accessibility of the store.

The **current (mis)match** shows the disparity between consumers and stores. It allows the analysis of the relationship between the current store and consumer. The selected object should show disconnect between the consumers ‘needs for functions and the functions which are provided for, in order to be worth researching.

The **future consumer** is the consumer who will have to be catered for in the future and whose (mis)match with the current supply leads to a strategy to adapt this supply of real estate. Its need for functions is, just like with the current consumer, the factor which needs to be catered for. As seen in the framework, there are two values in which the future consumer differs from the current consumer: demographics and habits. The group is demographically different; groups which are currently less important for retailers will be more important in the future or vice versa and their habits grow with them. As seen, current children, for example, who have grown up in an age of computers will behave very differently as adults as the current adult demographic. Not only do demographics shift, but the habits of people in general. The habits in terms of for example online purchasing, package delivery or pick up, product information gathering and showroom use will greatly influence the future consumer’s need for functions.

The **future (mis)match** is the disparity between future consumers and stores if the stores are not altered through a transformation strategy. It shows the need for a transformation strategy and allows the defining of the future store, for which a transformation strategy can then be planned.

The **future store** is the goal towards which the real estate strategy will lead. Its outcome is still unknown and will be the product of the future (mis)match and the designed real estate strategy, which aims to overcome this mismatch. It is defined by the same factors as the current stores, namely: Its functions and typologies. As the future consumer changes so will the functions it requires and the typology which enables these functions. The different typology will be the defining feature of the future store and it will be the aim of the transformation strategy to adapt the current store to future store, whose typology allows for the serving of new functions.

### 1.7.3 Steering events
The frame contains four steering events, which guide the creation of a real estate strategy. The weighing and selecting alternatives and the transformation strategy are based in the second part of the project in which a real estate strategy will be designed. Defining the (mis)matches has several important functions. Firstly, it creates a strict scope for the research, as consumer and stores are only explored and defined in as much depth as needed to create a transformation strategy. Also, the (mis)matches are the basis for the transformation strategy, as the current (mis)match shows the need for a real estate strategy and the future (mis)match provides the data needed to create a vision for the future store. The current and future (mis)match are the subject of the research methods, in the paragraph below.
1.8 Selecting a research object

When considering the selection of an object or portfolio, there should be eye for the closest possible resemblance to the described type of retailers, namely, the large chains of retailers which sell easily comparable products and have had trouble adjusting their stores and real estate to the new e-commerce driven market. Like with any graduation project, a serious challenge lies in finding a suitable research object on which enough detailed information can be retrieved to design a retail strategy with enough detail. A graduation company will have to be found with access to projects, objects or general information, which resembles this description. The selected portfolio or objects should allow for a real estate strategy on a building level, with enough detail to provide recommendations which match with generic real estate interventions. A small number of stores (5-12) would allow for this type of detail, while maintaining a scope which operates on a portfolio level.

1.9 Research methods

Just like individual research questions, which have their own place and use in the research frame, various research methods are connected to specific areas. During the dawn of the internet age there was much uncertainty over the flight e-commerce would take. Early sources (1999-2004) have widely varying approximation of its growth and development. Even though many predictions seemed well argued, reliable prognoses were rare, “it is remarkable how many sources reference each other and original material is hard to come by” (f.t) (Bodewes and Doedens 2000). It is not surprising that hard figures were not readily available during the early years of e-commerce. After all, markets are volatile and not easily predictable. Currently much has changed, but hard figures on the current state of e-commerce integration are still hard to come by. One of the largest bodies of continuous e-commerce research is the work of Jesse Weltevreden. His latest data on e-commerce and any large and well performed statistical analysis dates from 2007 or earlier. Although the raw data from large research projects such as Internet in de detailhandel (Weltevreden and Boschma 2005), Winkelen in het internettijdperk (Weltevreden 2007), City centers in the internet age (Weltevreden 2006), Geography of internet adoption and internet strategies (Weltevreden J, Atzema et al. 2008) and internet strategies and performance of dutch retailers (Weltevreden J and Boschma 2008), provide substantial amounts of data on the e-commerce integration and performance of Dutch retailers, they are already dated. Reliable analyses are only possible with enough hindsight and available information and are therefore not available from recent years, or more importantly, now.

E-commerce revenue equaled in 2007 little more than half (Thuiswinkel.org 2011) of its current revenue. E-commerce is still quickly taking flight and reliable data on current developments are therefore hard to come by. A large part of the research data will therefore have to be found ‘in the field’, through interviews and data accessed through a graduation company. Especially research into the future stores and consumers will have to benefit from interviews and observations done during the project phase, in order to document the most recent transitions and developments.

1.9.1 Current (mis)match

The selected research object and the current consumer exhibit a mismatch which, first of all, caused the object to be selected but more importantly creates a disconnect between the functions offered by the store and what the modern consumer has come to expect. “Everything, everywhere and
always. That is what today’s consumer wants and this has been accelerated through the internet. (f.t)(Q&A 2010). Without having adopted an online strategy the consumer is drawn to places which can offer the broad array of functions it desires.

**Consumer side**
The consumer side is defined by its need for functions. There are several e-commerce strategies which have been successfully exploited over the past years; many of which uses are well documented and therefore secondary sources analysis will provide a solid background into its implementation. An example of this is figure 8 in which the package delivery methods are analyzed for different retail product groups. Its data is part of a larger study8(Weltevreden 2007) on the implementation of e-commerce principles in traditional retail. Through this it can exactly be established which opportunities the research object has not exploited in the fullest, down to the exact matching per product type. Similar data can be found on the percentage of internet revenue generated online per product type, location information gathered per product type, revenue generated per package delivery, shops per type with home shopping functions etc., which will allow the determining the disconnect between the consumer and store.

**Figure 8, package delivery methods per product type(Weltevreden 2007)**

Even though there much written on the adoption of e-commerce and its supporting functions such as package delivery, many new functions are not well documented due to the very fact that they have only recently developed. A good example of this is the way H&M is using its stores as drop-off stations, which enables male (of female) oriented stores to be functional for members of the opposite sex, effectively doubling its stores which can be used for that purpose. To chart as many as
these new purposes interviews will be held with relevant market parties. Likely candidates are retail organizations which have a commanding view on new e-commerce related developments such as; The HBD(HoofdBedrijfschap Detailhandel) and Thuiswinkelwaarborg. Both are retail collectives which together represent the majority of online and traditional Dutch retailers. The goal of the interviews is to gather information on:

1. New e-commerce related functions
2. Extent of use of these functions
3. Store or product type associated with these functions
4. The integration of these functions in physical retail
5. Store typology which allows for these functions

Identifying newly developed retail features can further expose the (mis)match between the consumer and supply side. Before this can be done the new functions and their associating typology must be mapped, exemplified in figure 1, allowing for a comparison.

![figure 9 (typological features of new functions, using examples for the typological features)](image)

**Store side**

The store side is defined by the functions it performs and the typology which allows for these functions. Of the selected case or objects the defining functions are listed, in order to compare them to their typology and the consumer side. These functions require a certain typology which allow it to perform these functions. The store’s defining features are matched with their typology to understand the working of the functions of the store. When dealing with ‘category killers’, its defining features are “wide assortment, aggressive pricing, large stores, extensive store network, and deep expertise”(Stern 1999), which can be linked to certain typological features. Size of showroom and warehouse space, location, amount of salesmen, amount of stock held, ability to order online are all features which can be directly linked to typological features. The selected store(s) must be analyzed on its present features and linked to defining typology. This can be done in the same manner as figure 1, to allow easy comparison

After having mapped what typological features allow the current store to perform its functions, these stores must be matched with the possible new functions, which were found, to establish a possible
match. Through combining figure 1 and the existing stores’ typology, they can be tested to whether they perform these functions and whether their typology allows them to perform these functions. This is easily checked through applying a similar checklist as before, an example can be seen in figure 2, in which the new functions are matched with the required typology.

![Figure 10](Comparing store typology to new features. In this example the analyzed stores only allows feature 4 to be performed through its current typology)

### 1.9.2 Future (mis)match

The future (mis)match is based on the same store as the current (mis)match. Defining this will therefore follow the same steps as the current (mis)match. Defining the future consumer is difficult for a number of reasons. Firstly, any future event is difficult to plan. Market developments and conditions are notoriously difficult to plan and therefore deserve even more scrutiny.

**Consumer side**

Just like the current consumer, the future consumer is defined by his need for functions from a store. This need is different from the current need due to a shift in habits and changing demography. The development of demographics are well documented(figure 11) by the CBS. Younger people have shown to adopt new technology, and its uses, much faster than older demographics. Besides shifting habits of consumer, the population will shift in 30 years into a state in which every person under retirement age has grown up with the internet.

![Figure 11](Age pyramid; 1950, 2000, 2060)(CBS 2011)
Even though many analysts and experts predict to have a ‘24 hour’, ‘mobile’, ‘unmanned’ and ‘wireless’ retail industry, there is no clear time-frame on these developments and clear indication whether certain trends will catch on at all. Developing or transforming for a market whose arrival is uncertain is not the goal of trying to match consumer demand with store functions. A method which allows the development of different strategies which are applicable as soon as market developments unfold is scenario planning. Scenario planning provides a set of likely scenarios, which can be anticipated on, in order to be prepared for various future outcomes. It provides a flexible future strategy, which can be deployed as events unfold. In his review of scenario planning techniques Paul Schoemaker makes a case for scenario planning by noting that “scenario planning stands out for its ability to capture a whole range of possibilities in rich detail. By identifying basic trends and uncertainties, a manager can construct a series of scenarios that will help to compensate for the usual errors in decision making - overconfidence and tunnel vision.” (Schoemaker 1995). By constructing multiple scenarios it is possible to anticipate various outcomes, therefore remaining flexible in approach and open minded in policy. Schoemaker provides a ten step schema to formulate scenarios which are not only designed to provide the required accuracy, when possible, but also include the right parameters, which have to be known in order to formulate a fitting strategy. Three key aspects which allow the definition of these scenarios are occurring trends, uncertainties and themes. Much like with the current consumer there are several organizations that concern themselves with occurring trends and themes in the retail world. These organizations have developed their own scenarios and prognoses, whose background information and data will allow the creation of scenarios, specifically useful to this research. The information which is to be gained from market and e-commerce specialists is:

1. Growth of new functions and trends
2. Adoption of new functions by stores
3. Expected development of store functions
4. Expected distribution of revenue through different sales channels

Using this information and the 10 step process described by Schoeman, different scenarios will be described, in which different functions fit. In every scenario certain functions will come forward as being more or less dominant in that particular retail ‘universe’. These functions have earlier (figure 9) been linked to specific typology which enables their functioning. These typologies can then be matched with the scenarios, which allows a certain scenario to show the physical attributes which are store needs to functions within this retail scenario. In figure 12 an example can be seen in which four different scenarios are matched with different functions, which are in turn connected to specific typology. Once this is defined, it can then be compared to the store side, in order to determine the (mis)match.

![Figure 12 (scenarios' functions matched with their accompanying typological features)](image-url)
Store side

The analyzed store’s typological features are compared to the different possible scenarios of features. This is done in the same manner as the other comparisons, with the only exception being the indication whether the typology is present, not present or present but not adequate. This outcome will be used during the transformation phase to determine which interventions will allow the adjustment of the store in such a way as to supply the future consumer with the functions it requires.

![Figure 13 (comparing a single store’s typology to the typology needed to adapt to a certain scenario)](image)

1.10 Transformation strategy

The second part of the research project is the planning of a real estate transformation strategy for the selected object(s), which is based on the results of the research frame. The steps which the transformation strategy design entails are defined below. The implications of this design is very dependent on the selected object and since the selection of this object is planned further in the process, with possible aid through a graduation company, the method will be described using an example. In a 2011 graduation project (Yeo 2011) at the TU Delft a similar problem was tackled, in which different Bijenkorf stores were tested for their transformation capabilities.

Yeo employed four strategies (figure 14), differentiated on two values; the size of stores and the amount of stores. As well as these different strategies Yeo planned four different scenarios, which are based on four possible different directions the market is predicted to move towards. The strategies are weighed off against the scenarios, to see which strategy satisfies the demand of the different directions the market can move towards. After matching the scenarios to the different strategies they are also weighed off against eight standard (demolition, sell, renovate, (partial) divestiture, purchase, new building and do nothing) real estate strategies, which were selected to include every possible intervention. This was done on all selected Bijenkorf locations, to see what possible solutions were presented by the generic real estate interventions, which fit the requirements of all the requirements. Every location was independently looked at after which an intervention was chosen. This decision was based on the match (figure 9) of the different scenarios and the strategies. After these were chosen, a design (Figure 15) was made for the implementation
of the chosen intervention. The reason Yeo’s checklist was relatively simple and illustrated in a single figure(15) was the predetermined success factors which determined the appropriateness of different interventions. Without clearly defining, before the design gets underway, which factors are crucial to the success different options cannot be tested without bias.

1.10.1 Planning a strategy
In Yeo’s example there were two relatively simple factors which lead to four different strategies. In order to keep a transparent and as least complex as possible design process simple, generic factors must be noted by which different strategies can be created. For example, when a close proximity to a store becomes increasingly important for consumers the number of stores can, just like in Yeo’s case, be one of the differentiating factors in the strategies. One of the limitations of defining a strategy on a limited number of factors is the simplicity of the outcome and the omission of any other relevant features, which might as well just as important. It is, however, very easy to define more strategies based on different features and compare these to the same consumer or market scenarios and generic real estate interventions. In figure 14 there are four different strategies placed on a grid with two values; size of stores and number of stores. Due to the mentioned simplicity it becomes possible to fine tune any strategy when no desired outcome is achieved.

**Figure 14 (Yeo 2011)**

1.10.2 Possible intervention options
Once strategies are tested to the different scenarios the applicability of different interventions are tested for their ability to change the real estate as desired. Yeo selected 8 standard options for real estate intervention. These were applicable to the Bijenkorf case due to the ownership of the physical buildings, their iconic nature and their surroundings. Any options that should be chosen have to fit the particular case. For example, demolition is not an option when the building is not owned by the retailer. The options must be possible and provide a diverse field of outcomes, so their outcomes can be differentiated from each other. The possible interventions will therefore be composed of general options, adapted to specific conditions. For example when space is rented in an urban environment the options could be remodeling, renting additional space, renting less space or moving. Figure 15 shows a possible intervention proposed by Yeo.
1.10.3 Success criteria
When deciding if an intervention or strategy reaches a successful result, or a satisfactory outcome, there must be clear success criteria defined before any analysis of interventions or strategies can be done. Each scenario has its own success factors, which must be defined. In the case of adjusting real estate to incorporate a successful e-commerce strategy the criteria must be the added value that is achieved by incorporating that strategy. For example, adding more locations might allow more people to pick up good at a store, but when consumers will shift towards package delivery at home; this will have a very different effect. Just like the need for success criteria, there is a need for defining the opposite, failure. The added value which is the criteria for success assumes the present value is added on. When an adaptation adds a certain feature, but does damage to the original goal or value, this defeats the purpose of the intervention. The criteria for a poor intervention are therefore the loss of value in the existing functions. Whereas the success factors look at the success of the function introduced by the intervention, the failure criteria allow testing for the total value after the intervention. The success and failure criteria stem from the research frame, in which the future consumers’ habits and wishes are mapped, which creates the possibility to link them to the success criteria.

1.10.1 Testing
Like Yeo’s testing process (figure 16) each object or part of a portfolio should have its intervention options testes to interventions, strategies and weighed off against success factors. The first thing that is testes is the rate of success the different strategies have on the scenarios. It is therefore important to have a proper definition of success, at the scenario side, and have the strategies defined in such a way this can be easily compared. After the strategies are checked against the scenarios, the real estate interventions are tested to check whether they are able to bring about the typological change, demanded by the strategies. For example, adding an extra floor would satisfy the demands of extra floor space. Once the strategies, scenarios and the interventions are tested it is simple to see which interventions and strategies would bring about the wanted change, in every scenario. This will eventually allow implementing a real estate strategy to conform to current and future consumers’ demands.
1.11 Relevance

Under the influence of computers and the internet the world has undergone a dramatic revolution, due to the ability to openly communicate and share information with whomever and whenever people want. Within 10 to 15 years e-commerce grew from practically non-existent to a 10 billion euro industry, in the Netherlands alone. Its continuing growth has made clear that e-commerce is a reality from which retailers cannot escape. It is not just a relevant subject; the ways with which it is handled will define the success of retailers for years to come. Insight into the direction of the growth of e-commerce is critical information to retailers, advisors and investors, especially those in fields of easily comparable products, which have already faced strong e-commerce driven competition. During the first exploratory phases into the subject, its relevance received extra weight during interviews with retailing advisors (Koet 2011) and attended congress on retail developments (Randstad 2011), where future figures and trends were vigorously debated on. What become apparent was that there is no clear indication on the level at which the e-commerce turnover would, if ever, stop growing. There is no clear consensus on the place for physical stores in the future retail world, no reliable figures on internet compared to store generated turnover or the integratebility of online capabilities into classic retail. The general confusion which was found to surround e-commerce and the unreliability of its future indicates there is welcome need for strategies, designed to cope with this uncertainty.

1.11.1 Retail relevance

The retail industry is a large and dynamic field, which is subject to change, even without the influence of e-commerce. In order to be able to conduct relevant research the scope of the work is confined to the large ‘category killers’ in the retail market, which mostly focus on easily comparable products,
which are most affected by competition to e-commerce. These stores have proven to have difficulty adapting through their monotone, large scale, strategies, but owners are keen on preventing loss of profit or their possible demise. For research purposes other branches, like clothing companies, will be an important source of information. Clothing companies have, against expectations, quickly adopted e-strategies and popular stores like Zara and H&M have large, fully functional, web stores. Information on the impact on their real estate, their locations, revenue, numbers of stores etc. will provide valuable insight into the possibility and repercussion of internet adoption in retailing.

### 1.11.1 Scientific relevance
In this project a generic real estate transformation framework is used to determine an appropriate course for a retail company. This framework is the DAS frame(Jonge and al 2009) is developed at the TU Delft and provides the ability to match future and current demand and supply sides with each other. Its adaptive possibilities are tested by using it in this test case. And besides being the used tool, it is a test case for adapting the frame in such a manner. The outcome and success (or failure) of its use will allow future user to learn from the adaptation methods, the opportunities which it provides and

### 1.11.2 Potential
This project is meant to produce the first steps towards a new real estate strategy for large retailers which have struggled to utilize online strategies in their existing business. It allows the categorization of the problems which they have in common, in order to sketch a generic analysis of their opportunities in adopting an e-tail strategy. It can, in a later stage, be used to guide individual companies towards a new real estate strategy, suited to their individual needs. This will provide useful information for many different parties. Retailers, investors, real estate owners, developers, product producers and consumers all have an interest in the changing roles of real estate. So even through the generated research lies in the scope of the retailer’s interest, due to their shared interests consultants and all the previously listed parties will find ample use for the information.

### 1.11.3 Applicability
Since every business or case is unique the generic info, generated through use of the research framework, allows interested parties to immediately start designing a strategy catered to their specific situation, rather than performing general research. So even though this will be applied, in this project, to a specific case, this will be able to serve as an example as how to apply the gained knowledge about the development of the retail branch to a situation of choice. There is therefore room for further work, allowing for more detail, in specific cases.

### 1.11.4 Economic valorization
For many businesses the dawning of the internet is, or was, a make-or-break point. For some retailers this presented opportunities which allowed them to quickly grow and gain market share, while for others the newfound competition proved less profitable or even fatal. For retailers who have not been able to successfully incorporate online strategies into their business model and have struggled in competing with online retailers, an adjusted strategy will determine their success for the coming years. Large companies, whose strategies were carefully constructed to fully exploit their large scale nature, therefore stand to lose their means of existence if this new development is not successfully incorporated in a new, adjusted strategy.
2. Literature


Purola, J. (2011) Miss Etam start eigen webwinkel. Twinkle magazine

Q&A (2010). Retail 2020, Q&A research&consultancy.


3. Appendices

3.1 Content final report

The final report consists of an overview, outcomes and conclusions of all the work done. This is an overview of its content and makeup. The index and subject order will largely follow the makeup of this paper and the index on the first pages gives a general overview of the current state of the outline.

1. Problem analysis

The scope and relevance of the research and subject is described in the problem analysis. It provides background information on e-commerce and its implications on retail real estate, as well as show the importance of the research to retailers which have been unable to adept to the paradigm shift in retail which e-commerce has created.

2. Research frame

The research frame consists of the literature study, interviews and other findings which are presented and worked out. The research questions are answered in the two large chapters about the current (mis)match and future (mis)match. Both chapters include the typology associated with the (mis)match; the typological features of present and missing store functions. The chapter on future (mis)match also includes the creation of future scenarios which are used in the transformation strategy.

3. Transformation strategy

In the chapter on the transformation strategy, different strategies are tested against the created scenarios in the research frame. Appropriate strategies are created and explained, as well as real estate interventions which are to be tested, to suit the right strategy. This leads to a strategy which is tested on different market scenarios and has real estate interventions which give recommendations on a store level.

4. Conclusions and recommendations

In the final chapter final recommendations are given for the selected object’s real estate strategy. This contains information on the future supply of stores, including typological characteristics, such as size, location and number of stores. To transform current stores real estate interventions are shown which allow the satisfying of the real estate scenarios and strategies. Also, the importance of embracing the mindset of a changed world through online capabilities is shown, in which retailers are unable to survive if they chose to continue seeing e-commerce as a threat, or ‘just’ another retail channel.
3.2 Research/study schedule
The graduation project is split up in 5 separate phases named, incidentally, P1, P2, P3, P4 and P5.

**P1 3-08-2011 to 9-11-2012**  
During the first phase, which consisted of developing a research topic, conventions were visited, interviews were taken and literature was read in order to develop a view on the direction of the graduation project. During these weeks a report on the research subject was developed and presented.

**P2 9-11-2011 to 13-01-2012**  
The second phase of graduation is dedicated to the development of a research method, which maps out the steps taken during the project and the goals which will be accomplished. During this phase the subject analysis was worked out through literature study and interviews, the research questions were coupled to research methodology and a step-by-step plan formulated to be able to create the final product.

**P3 18-01-2012 to 04-2012**  
The p3 phase is the large research phase of the project in which data is gathered, interviews are done and, in combination with a graduation company, a study object is selected. The data supports the findings which are produced by the research frame and the development of a real estate strategy is started.

**P4 04-2012 – 07-2012**  
During the P4 phase the real estate transformation design is performed, based on the research done during the P3 phase. Conclusions are developed and described in the P4 report.

**P5 07-2012 – 08-2012**  
During the last phase of graduation the final report will be improved and a presentation developed, meant for family friends.
3.3 Planning

Figure 17 (research schedule)
3.4 Electives

Alongside this graduation topic several electives courses are studied, as apart of the Msc 3 curriculum. These electives are meant to support the graduation phase through theoretical knowledge and develop research skills. Some of these courses are followed during the graduation phase and some are already completed. These electives are:

**Real estate valuation**, completed.

**Architectural practice**, completed.

**Conflict resolution and negotiation skills**, completed.

**NexTGEN research methods**, Completed at the end of January

**Research methods and methodology**, completed at the end of January 2011.