Technology Takeover.

When is tech too much?

The essential guide to tech selection and application within retail and mixed-use commercial real estate.

Introduction

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As technology increasingly becomes a staple asset in commercial real estate, the question has shifted from ***'should we be using technology?'*** to ***'how can we get the most out of technology?'***.

This shift has opened up further discussions around:

- **How do I pick the right technology?**
- **How do I streamline my tech stack?**
- **Should I buy or build my own?**
- **What's the best way to keep costs down?**

The implementation of technology is in no doubt here to stay. However there have been many lessons learned over the past few years, due to the over adoption of technology, mass use of single point solutions that can be expensive, or simply choosing the wrong partners.

Mallcomm and **Coniq**, two of the longest serving and established technology solutions serving the retail sector, and wider commercial industry, have created this paper to address some of these questions, and provide insight into how to bring technology to life in a way that ultimately achieves goals and improves performance.

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How is retail shaping up?

2023 seemed to be a year where the industry suffered from a lot of uncertainty. In particular rising costs and management of debt were the key focus for real estate teams, which has of course had a trickle down impact on the whole industry. Everyone has felt pressure from times of uncertainty, rising costs of living, and the impact of global political and economic situations.

KEY CHALLENGES

- **Economic Environment**
- **Political Environment**
- **Increased Risk**
- **Changes in Consumer Habits**
- **Extreme Weather Conditions**

The reimaging of retail

Whilst the retail sector might have faced challenges, it has opened up areas of opportunity. The 2024 consumer is focused on experiences. This has led to a reimagining of retail, with a shift towards building destinations that people want to engage with. With the rise of flexible and hybrid-working, a new real estate strategy is being defined - one built around community.

Mixed-use developments like Battersea Power Station in London, Irvine Property in the US or Cadillac Fairview in Canada, are becoming centralized hubs where people want to live, work, shop and spend time, as people adjust to how they use a campus like space. Not only has this created a focus on larger leisure offers that are mixed with more traditional retail, it is also creating greater competition in physical retail in those properties.

In 2023, the visits to indoor malls in the United States compared to the previous year **increased in each quarter.** This growth was especially high in the first quarter, at **8%**. Open-air shopping centres also saw visits **increase in each quarter.** - Statista[1]

> *"The broad adoption of hybrid work has led to portfolio reductions and enabled planning efficiencies, including a* ***22% decrease*** *in the average square foot per person globally and a* ***28% increase*** *in occupancy rates, which measure the allocation of people to seats. -* ***CBRE****"*[2]

In fact, change is starting to become evident, with the last few quarters showing signs of growth.

[1] Statista - https://www.statista.com/statistics/1455850/annual-change-in-shopping-mall-quarterly-visits-us/#:~:text=In%202023%2C%20the%20visits%20to,visits%20increase%20in%20each%20quarter.

[2] CBRE - https://www.cbre.com/insights/books/2023-2024-cbre-global-workplace-and-occupancy-insights.

From challenge to opportunity

Shopping centers and outlets are seeing some of their best performance. This is particularly evident in outlets, where uncertainty has pushed budget conscious consumers towards outlet malls.

This month, Tanger Outlets said its 38 centres had a **97.2%** occupancy at the end of June, compared to **96.5%** in March and **94.9%** in June 2022[1]. The previous day, Simon Property Group — the largest owner of shopping malls in the United States — said its malls and premium outlets had a **94.7%** occupancy rate at the end of June, compared to **93.9%** a year prior[2].

The Changing Destination

Increased interest rates are having an impact, leading to a slow down of new builds coming to market. There has been a focus on maximizing returns on current assets - and building out their offering, as opposed to focusing on new development. The reimagining of spaces to reflect changing consumer habits is driving creativity, and a change in how assets are approached - connecting the physical and the digital.

Retail Experiences

It is not just the destination that is changing, but how retailers act as well. Consumers are now looking for better experiences, and new brands - especially new niche brands that step away from the conformity of mass marketing. There then becomes a great opportunity to connect niche consumers to niche brands. There is a shift to brands testing their products online, but then knowing what exactly they can bring into the physical retail space to have impact.

> *"Essentially this means we are seeing the beginning of the death of 'one size fits nobody marketing'."*

One Size Fits Nobody

The knock on effect of this, is that retailers need to be more targeted in their communications, building connections to brands as a way of drawing consumers to their location. Essentially this means we are seeing the beginning of the death of 'one size fits nobody marketing'.

People are being more discerning as to why they are going to a physical asset, so there is a real sense of the need to switch from a mass approach to a more personalized approach to communication and marketing.

Gen Z on location

Gen Z — people from the ages of 16 to 26 — prefer in-person as much as online shopping, if not more, according to a 2023 report by the **International Council of Shopping Centers.** According to the trade group, about 97% of survey respondents said they shop at brick-and-mortar stores; 95% said they shop online for convenience.- LA Times[3]

[1] Tanger Outlets - https://investors.tanger.com/news-events/press-releases/detail/570/tanger-reports-second-quarter-results-and-raises-full-year.

[2] Simon Property Group - https://ir.simon.com/news-releases/news-release-details/simonr-reports-second-quarter-2023-results-and-increases-full.

[3] LA Times - https://www.latimes.com/california/story/2024-01-19/gen-z-leads-the-charge-in-revitalizing-the-mall-experience#:~:text=%E2%80%9CGen%20Z%20shoppers%20are%20bringing,and%20shop%20in%2Dperson.%E2%80%9D

Right message. Right time.

In a mixed-use asset you need to find ways to bring people to the shopping center and then encourage them to stay. For example, they might go to the shopping center on their lunch break to buy a sandwich, but stay to get the most out of sale, or to buy a gift - this can then become habit forming.

It's important to take a new approach to communication - not simply sharing information for the sake of it.

You need to take reason A to be on location and transform that into reason B. This is where being targeted and personal has real impact. You need to deliver the right message at the right time.

For example, there is no use letting people know about a sale 10 mins after they have already left the store. You need to engage with them, about the things that are important to them, when it will have the most impact.

Activate through engagement

It's no longer just about having the right message (although that is important), it's about having the right timing of that message, and having it reach the right people - this is how you really start to drive traffic and build up loyalty.

Technology becomes a real enabler, when looked at not only through the lens of how consumers are engaged with, but finding out what interests them.

Communicate differently

- Personalization
- Targeted comms
- Location and send-time optimization

Communication isn't just for shoppers. It's not simply about a B2C app, it's for retailers too. It's important to allocate time and resource where it's needed the most to help build organizational trust.

The most important feedback loops are created when you have:

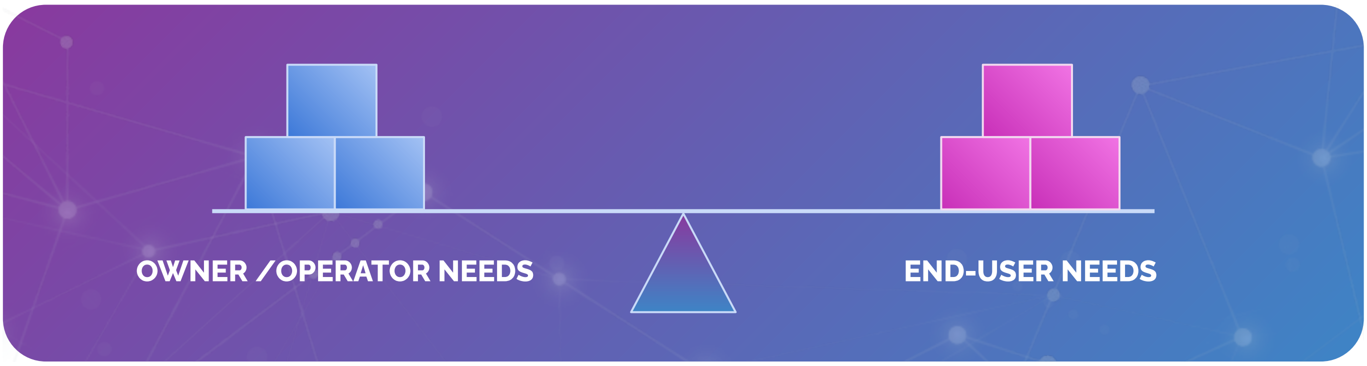
- Streamlined communication
- Actionable reporting
- Risk mitigation

Engage Your Community

Empowering the entire ecosystem to be successful, from operations, facilities management, retailers, security, through to end-users - is what activates a destination.

So, how does data help?

Technology enables the collection of data, creating slicker, lower friction ways to make decisions. It then can become actionable - painting a useable picture to drive targeted engagement, ensuring that a balance can be found between owner/operator needs and those of the end-user.



What we need to understand

Understanding an assets performance is key to being able to make strategic changes that can drive success. Understanding sales data, tenant sentiment, security issues, or the impact of operations is hugely important.

We are no longer in an era of best guess, experience, or gut-feel. With technology asset owners and operators can build a clear picture of what is happening at their asset. Not only that but they can communicate effectively with each of these groups of stakeholders, creating alignment and loyalty, in a way that wasn't previously possible.

Examples in practice

The use of technology and data for visibility has impact on the entirety of the community that touches any destination - including the end-user.

1. Imagine for example, being able to deliver timely communications, such as through the use of Geofencing, helping to disseminate information in a way that it becomes useful and relevant to a consumer. Wouldn't it be great to know that a specific lunch-time deal was on as you exit the train station, before you have gone and grabbed any old, uninspiring food instead?

2. This picture becomes even more powerful when done on mass, and you can really start to see behavioural trends. For example if you can understand the behaviour of 1 million people interacting with an asset or campus, you can really build-up a picture of what is working, what isn't working, and what can be improved upon - to target individuals.

How has tech been adopted?

There was a period during COVID-19 where the retail and wider commercial real estate industry realized that it needed to adopt technology- quickly. However, due to the speed of adoption, this was often done without any centralized technology strategy in place.

Point solution overload

This led to a tech overload with an increase in adoption of single point solutions. Many of these acted as sticking plaster, rather than solving for a deeper problem or challenge that the real estate industry was facing.

Whilst there is still some adoption of single point solutions, this is starting to be undone, in favor of taking a more centralized approach.

Like every business, real estate companies need to communicate effectively, provide real time information and drive customer loyalty in difficult times.

Partner for success

This has led to a more discerning approach to tech adoption, focused on partnering with more established tech companies that truly understand their needs.

There has also been a shift as more dominant technology players have emerged. These are the ones that focused on solving a problem, and were focused on understanding what's needed instead of what is new and shiny, or trying to discover the so-called 'silver bullet'.

Strategically integrated future

There is now a push to consolidate and build integrated data strategies, so that asset managers can get more information and insight into the performance of an asset.

Solutions that don't have data at the heart of what they do, or the ability to integrate with your ERP tech stack will gradually be phased out and replaced. Afterall, what is the point of having lots of data that you can't access, or use in an actionable way.

So, how do you pick the right tech?

As basic as it seems, you need to keep it simple, and find those solutions that have a great track record.

Look for vertical SaaS (VSaaS) - software that is purely focused on solving for your industry. Don't try and apply something from outside of the industry because it might not be able to properly understand how to support your vision.

The technology solutions that are having the biggest impact are those with a proven track record and a trusted customer base. They are the solutions that have been used in, and developed for CRE companies. They are the ones that are trusted, and therefore, have a **reduced risk of failure of adoption**.

Technology that is being paid for but not used, is a bigger detriment to a business than not having the technology in place at all. It's also important to plan for the journey. **Make sure that you have partners with a solid roadmap**, and that can flex with you as your business changes.

Your non-negotiables

- Proven track record.
- Trusted customer base.
- Developed for your sector.
- Solid road-map.
- Flex to your business.

"It's something we've seen particularly in the Middle East and the US, where clients had originally been looking into vast expenditure on technology, putting out extremely detailed RFPs that have all of the bells and whistles, instead of focusing on what problem it is that they were trying to solve. It's so important to start with the problem that needs to be solved, and apply technology to it, rather than starting with the solution." **- Ben Chesser, CEO, Coniq**

"We've seen it in the past, that businesses wary of overspending on technology choose, what they consider to be, a more cost effective solution to their problems. However, they end up with multiple solutions that aren't fit for purpose, don't properly integrate, and aren't used. Importantly, they aren't able to adapt to the changing real estate climate fast enough with the technology creating friction, and not always performing. Choosing a company that grows with you, understands the world in which you are operating is hugely important, as they will already be building what you are needing as the industry adapts over time. Whilst more established players might seem more expensive in the short term, they provide the ROI in the longer term, and prevent costly mistakes." **- David Fuller-Watts, CEO, Mallcomm**

Does adopting tech **have to be $$$?**

Ultimately choosing a technology company to partner with that is really going to work is going to require some budget. However, it doesn't have to break the bank, and importantly a good technology company that understands the importance of partnership and longevity will be open to variable pricing models, finding economies of scale or ways to grow together.

Take the leap

Equally it is important that real estate companies looking to adopt tech **don't cut corners.** If you look at this as part of the bigger picture, and the impact on NOI, having the RIGHT technology isn't expensive.

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The long-term vision

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Why A.I isn't just a fad

The real estate industry has gone through different stages of tech adoption, so it's important to learn from experience that having something new and shiny is not always the best option. It is better to look at the SLA, data security etc, and what the technology is bringing to the table.

For example, there is a lot of debate around AI. It is not a fad. It will improve how work is done, and become more prevalent in everyday work in the future. It will create more personalized experiences, and add efficiency.

However, it is important to pick those that are built for purpose, and not over promising things that are impossible to deliver.

How does tech help asset performance?

Improve NOI

When we think about a high performing retail asset, it is all about increasing income. This is achieved through driving sales, leading to increased rent, and therefore better overall performance. So **any asset subject to turnover based rent should be looking at technology to increase efficiencies**, and create an environment for increased sales.

Technology must support businesses by either increasing revenue or decreasing costs. One of the key things to consider is how technology can support retailers to drive more sales, as this will ultimately increase revenue.

One of the best ways to decrease costs is through the consolidation of multiple point solutions into a more enterprise solution that has multiple benefits through the property management lifecycle.

This technology can then decrease costs by increasing operational efficiency, and **providing the ability to reallocate resource** in a way that better serves the cost-effective management of an asset.

- Consolidation of point solutions.
- Increase operational efficiency.
- Reallocated resources.

Reduce costs

It's important to find efficiencies, save on capex and opex costs, and to do this it is important to understand asset usage and performance. Without that it wouldn't be possible to know how to effectively budget.

One of the biggest pitfalls is falling into the feeling that the only way to solve a problem for a specific asset, or portfolio is to build new technology from scratch.

There is often a belief that each business or asset is unique. However, whilst this may be the case in terms of brand or specific workflows etc. behind the scenes there are the same base problems that need solving.

Therefore, whilst it could seem sensible to build a solution from scratch, it is extremely expensive, and there are mature tech businesses that can already provide great partnerships that **deliver across every asset.**

The Great Debate: Build Vs Buy

There are a number of companies that have tried to build their own solutions as it can appear cheaper in the long-run, and can be a capitalized development cost rather than an ongoing operating cost. However, problems begin to arise after the initial MVP (minimum viable product) is built.

At this point, development teams become internal SaaS companies, but without the experience to iterate and deliver to their internal customer demands. This leads to rising maintenance and development costs, which outway the flexibility of using an existing SaaS solution that can adapt with you, or that you can change if needed.

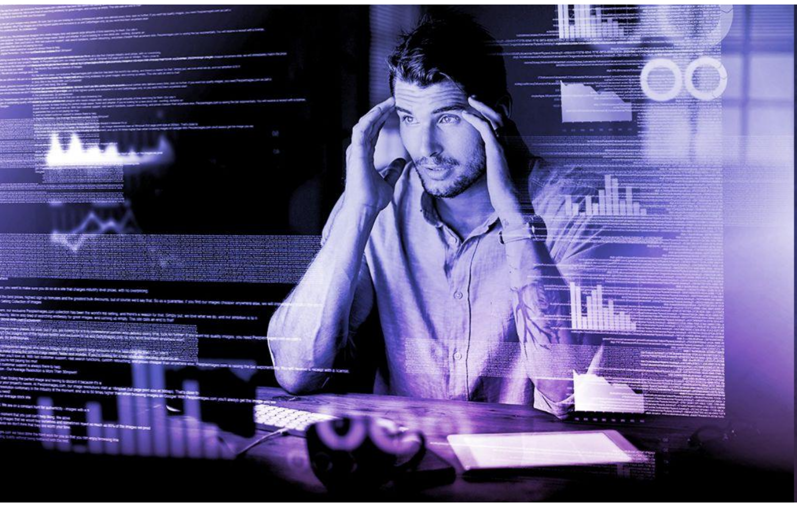
Partnering with tech companies that really understand how to work within the industry and understand what is needed to achieve specific goals, will be completely game changing. It's important to listen to experience, and see the transformation that is happening already with real estate companies who have successfully adopted technology, and have a working digital strategy.

It's interesting how companies will think so differently about operational or data led technologies than they will consumer facing ones. For example, an owner-operator wouldn't look to make its own lift, develop occupancy tracking sensors, or create AI that analyses user sentiment. That is because they are not technology companies. Their DNA isn't to build tech.

Whilst there was a momentary shift in real estate companies across the built environment looking at pivoting to becoming tech companies, or to having a tech arm to them, we are seeing this less and less, as they continue to learn that it is an expensive distraction.

In simple terms. If you want a Range Rover, would you start from scratch to build your own Range Rover, or would you go direct to the company that makes them, has a proven track record of doing it well, and can customize it to your needs?

Build vs Buy: The implications



Out of the small number who ultimately chose to go down the build route, many of them end up with burnt fingers, from spiralling costs and inability to continue to innovate.

It's a factor of **5 times more expensive to build your own technology**, it's difficult to control costs from increasing headcount and budget, all the way through to ongoing opex. To build great technology you need to run a team of people with a particular skill set, one that isn't usually within a real estate company - it's a great cost to any business. Budgets are often underestimated leading to significant problems in build and ongoing maintenance. Further to that there is the additional problem that most look to build something that answers one need, so doesn't have the flexibility that established tech companies with real nuanced understanding and clear roadmaps have.

Not only is there a cost implication, but many companies building their own product experience a **delayed time to market.** They might have a vision for how they would like technology to enhance their performance or operations, but the realities of building software that is fit for purpose and runs without downtime is much more challenging.

DIY tech

- ✗ 5x more expensive.
- ✗ Difficult to control costs.
- ✗ Requires team with specific skills.
- ✗ Not easily flexible, won't grow with you.
- ✗ Longer-term cost savings.
- ✗ Slower speed to market.

It also isn't scalable, as the architecture wouldn't exist to continue to build out bespoke functionality as your needs change. More established tech companies are so well versed in the industry that they already have the ability to configure what is needed to be successful, and take away the burden of delivery.

Build vs Buy: The way forward

The (mis) conception in SaaS product development is that when you build something that is tailor made to your business needs, it will ultimately be better and more custom fit to your company than anything you could buy.

ASK YOURSELF:

- Do you really have the time to maintain integrations?
- Does building your own solution really give you the agility to mould your tech stack to what you need?
- With secure solutions on the market, is the cost worth the control?

So what is the best way forward? **BUY A PARTNERSHIP**

- Cost effective, no additional staffing resource required.
- Customizable without risk.
- Product grows as you grow.
- Quick to deploy, meaning speed to market.
- Longer-term cost savings.
- Agile solution to fit your needs.

Get competitive

To gain a competitive edge through technology, it's crucial to develop a strategy that aligns with your existing strengths.

For example, a generic SaaS provider can address general needs like business information layers, accounting, or data warehousing, while in house development is necessary in cases where integration of multiple technologies is required and alternative solutions are not available.

Get innovating

However, if your aim is to create distinctive experiences or to operate within a specific business vertical, then you need a specialized SaaS provider.

For example, in the case of shopping centres and retail destinations generic technology falls short in delivering personalized or innovative customer experiences. This requires more complex solutions that are only offered by specialized providers.

Want to find out more?

We've only touched the surface, want to find out more about right sizing your tech stack, adopting an enterprise tech solution, using technology to increase asset performance - or simply continue the Build vs Buy debate? Get in touch!

mallcomm

Mallcomm is a leading enterprise software solution, delivering the complete suite of products to support property and asset management, portfolio-wide.

Working with +1000 retail destinations globally, it enables asset owners and operators to create communities that are empowered to be successful, transforming asset performance.

About Mallcomm

coniq

Coniq is the world's leading provider of customer engagement and loyalty solutions for shopping malls, mixed use, and retail destinations.

Working across hundreds of malls to bring loyal customers back time and time again, and to drive the performance of your entire portfolio.

About Coniq