

## RETAIL REINVENTED

In January 2020 annual retail sales in the U.S. were \$5 trillion strong, and then there was the arrival of COVID-19 which brought with it a potent and still-unfolding degree of distress on the world of retail. As a result, the industry is facing dramatic challenges some of which are painfully catastrophic and others are admirably innovative.

Either way adjustments are being made for both immediate survival and potential long term incremental growth by those who have been able to endure so far. The same is true for Landlord/Developers which need to re-imagine and reorient their retail assets.

We have all heard “online sales” are actively replacing bricks & mortar, however, prior to COVID-19, 85%-90% of sales still occurred within physical retail stores. With the forced shift in both retailer and consumer purchasing behaviors, fundamental shifts are taking place on both sides of the figurative transaction.

### Amazon – Bigger than Ever

The size and continued growth of Amazon is staggering by any measure. They were already changing the face of retail to a virtual landscape of availability and COVID-19 increased existing customer activity and funneled a throng of new customers their direction.

With this haul, now Amazon is positioning themselves across the country in an unprecedented way such that their platform is so superiorly positioned that it is hard to see how anyone can mobilize to legitimately compete with them - at least for the near term. Their moneyed coffers now allow them to move strategically, seemingly dismissive of cost. By way of example their acquisition of the Airport Industrial property in Honolulu from Servco at arguably twice the comparable market value.

### Takeout to Survive AND Thrive

Perhaps the most painful sector within retail has been Food & Beverage. The core of the business, outside of the food itself, is vibe, camaraderie and connection – none of which effectively happens with COVID-19 protocols. As a result, look at all of the takeout options that have been created.

Concepts you never thought of as “eat-at-home” possibilities are now everywhere. And while we all knew concepts like pizza would boom in this environment, menu re-engineering is taking place throughout the industry for survival. But it is more than survival for those who can make it through this crisis because they have simultaneously reoriented their consumer base for a different way of accessing their offerings.

Eating out has its place and will find its way back into our culture when the dust of COVID-19 settles, but the preparations made in homes across America for being comfortable and connected have never been so robust. Now the advent of being able to eat, or even have delivered, food options never before available opens substantial growth for F&B concepts well beyond this pandemic. It is additive growth – not 100% incremental, but still significantly positive.



223 S. King St, Ste 200  
Honolulu, HI 96813  
(808) 533-BLUE (2583)



**FRED M. NOA (S)**

*Principal*

T | (808) 533-BLUE x101  
F | (808) 369-8669  
frednoa@bluerockhi.com



**ANTHONY J. HUNT (B)**

*Principal*

T | (808) 533-BLUE x102  
F | (808) 369-8669  
anthonyhunt@bluerockhi.com

## The “Third Place” Replaced

This elemental shift in consumer expectations and offerings is poignantly exhibited in the shifts taking place at America’s favorite morning addiction – Starbucks. For those familiar with Howard Schultz’s philosophy of creating a “third place” for customers at any given Starbucks, COVID-19 has created operational upheaval for the company.

Mobile ordering and the percentage of customers utilizing takeout has been a growing sector of their business, but the unit density of the company’s retail units put unusual pressure on them to find ways to still connect with their customer base while attempting to keep as many units on life support as possible.

The answer: two different retail formats that are almost entirely driven by takeout. Dispense with the third place concept and just give the people what they want! There will likely always be a traditional format for many reasons, but across the country these new formats are being rolled out because of the success experienced during this pandemic.

In Hawaii our first of these is soon to commence construction, as it turns out, directly across the street from our Blue Rock Partners offices. Shocking since they are a 15+ year client of ours.

The old rules of retail are largely gone and the new rules are being created in real time as innovation, creativity and adaptation have never been more important.

223 S. King St, Ste 200  
Honolulu, HI 96813  
(808) 533-BLUE (2583)

