



Urban Land
Institute

How Today's E-commerce Trends Impact Commercial Real Estate

February 5, 2015

Jim Tompkins

CEO

Tompkins International

Your Supply Chain. The Right Way.





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The Global E-commerce Titans

- Alibaba
- Amazon
- Apple
- eBay
- Finish Line
- Google
- Jingdong Mall
- Macy's
- Otto
- Rakuten
- Staples
- Tesco
- Uber
- Xiaomi

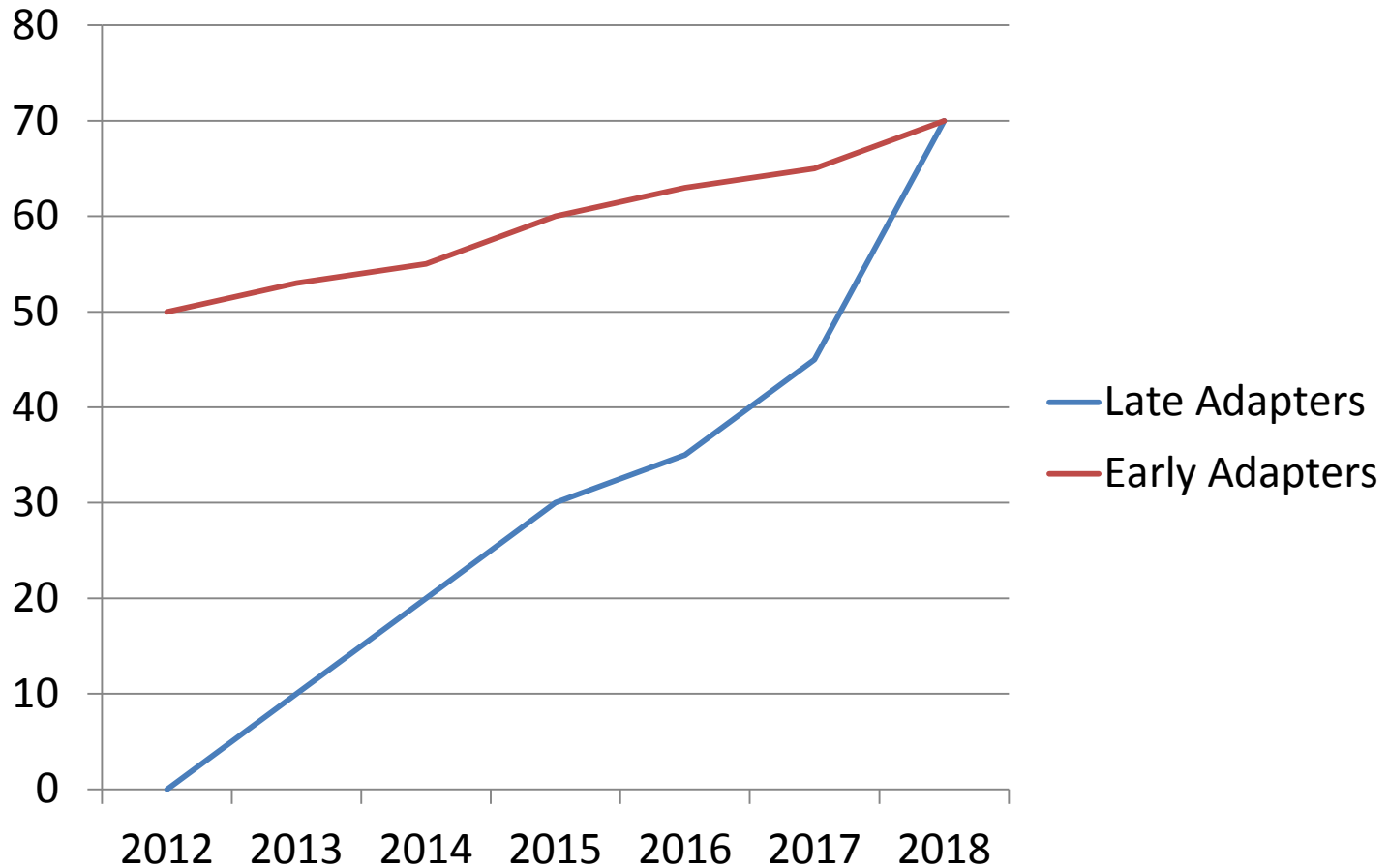


The Titans

- Growing
- Transforming
- Innovating
- Disrupting
- On the offense

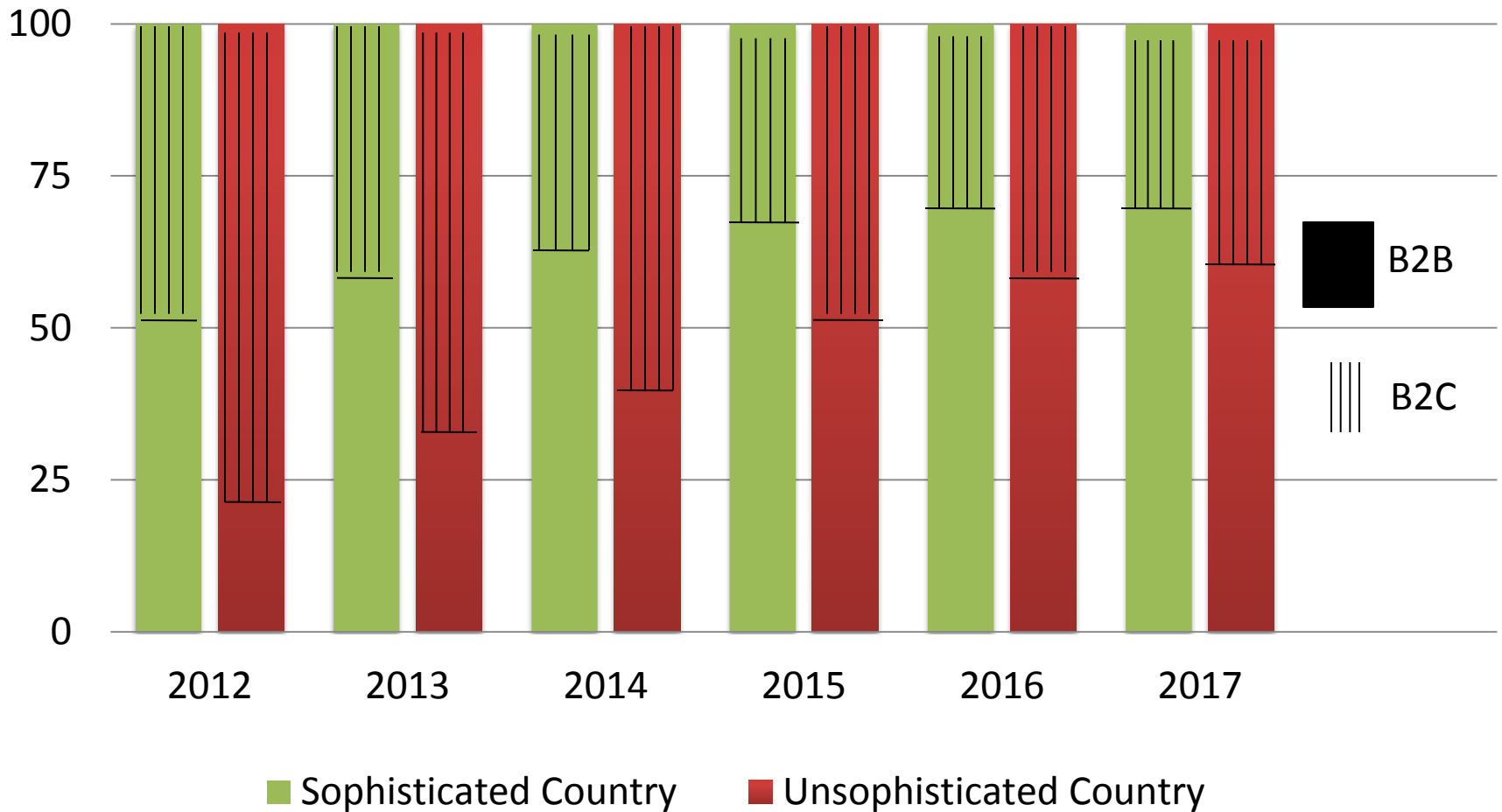


Consider: E-commerce–Influenced Retail



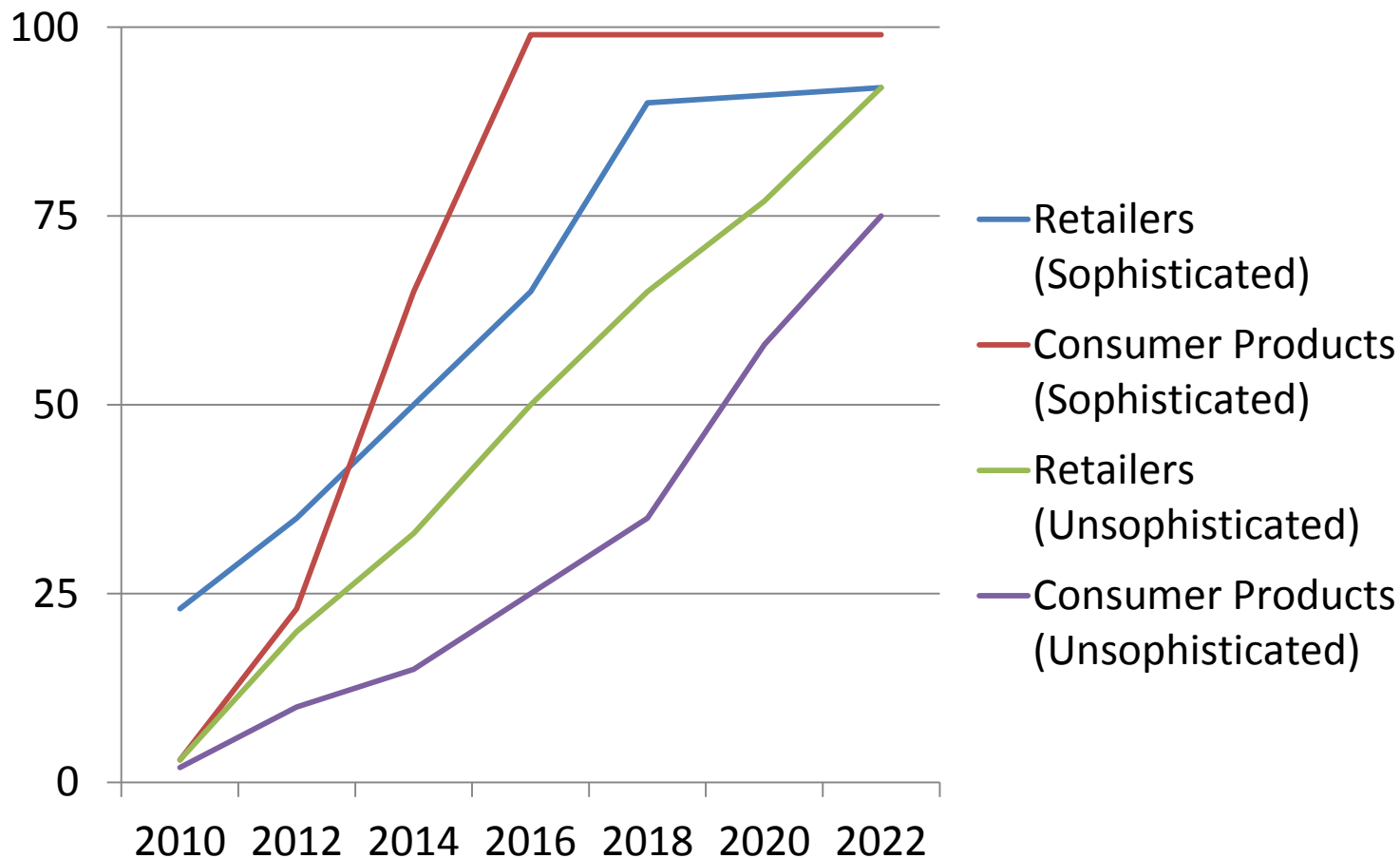


Consider: B2C E-commerce sales vs. B2B E-commerce Sales

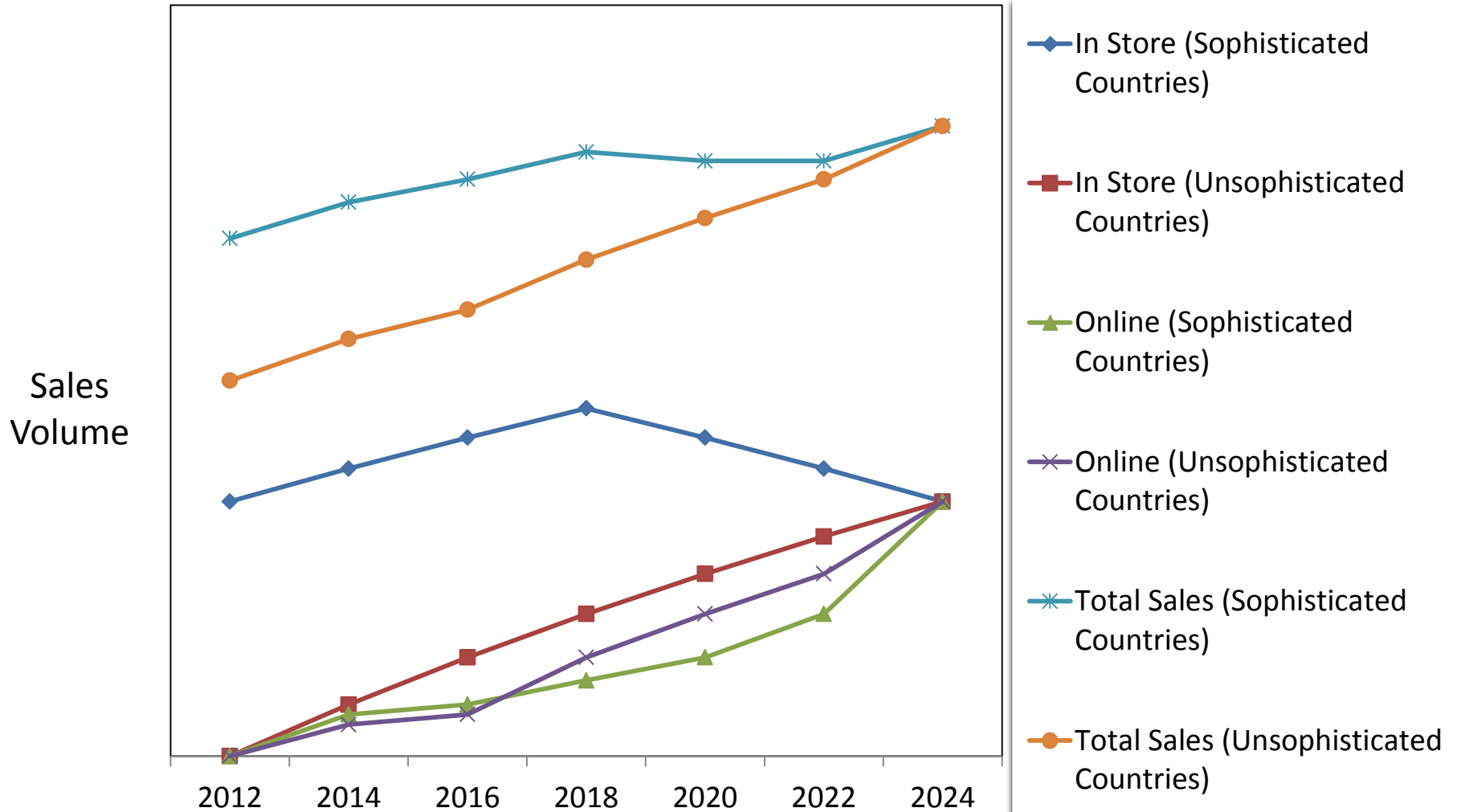




Consider: Retailers Doing Private Label and Consumer Product Companies Doing Retail



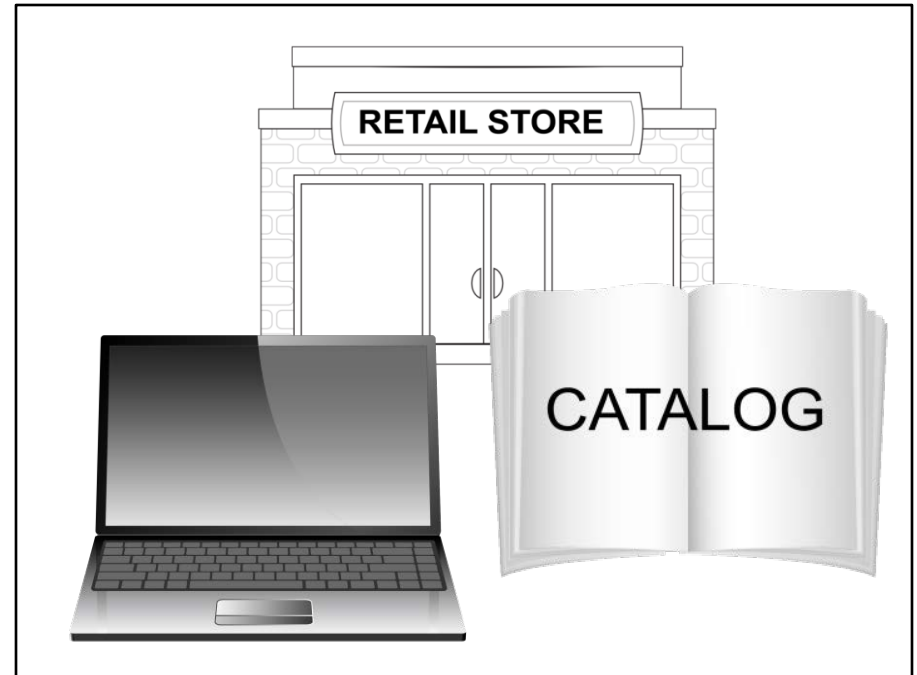
Consider: In-Store and Online Retail Sales Where Sale Is Made





The Impacts of the Titans on Retail and Real Estate

- Omnichannel
- Get Local



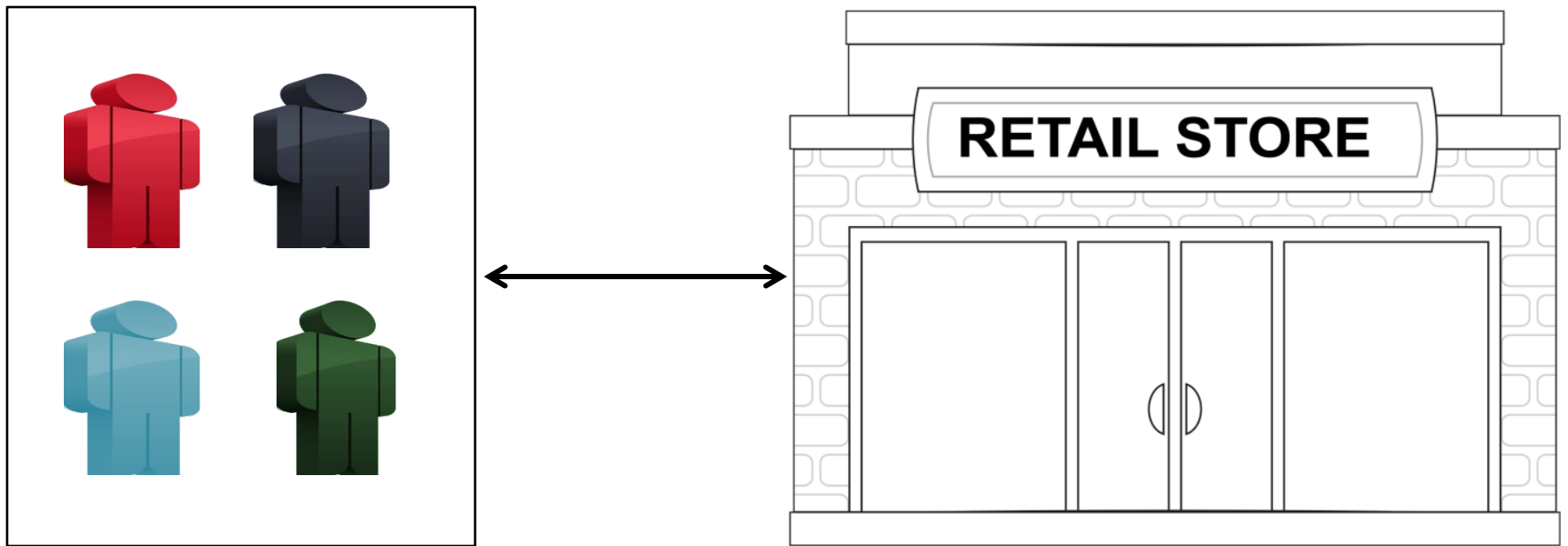
Omnichannel





The Evolution of the Customer Retail Connectivity

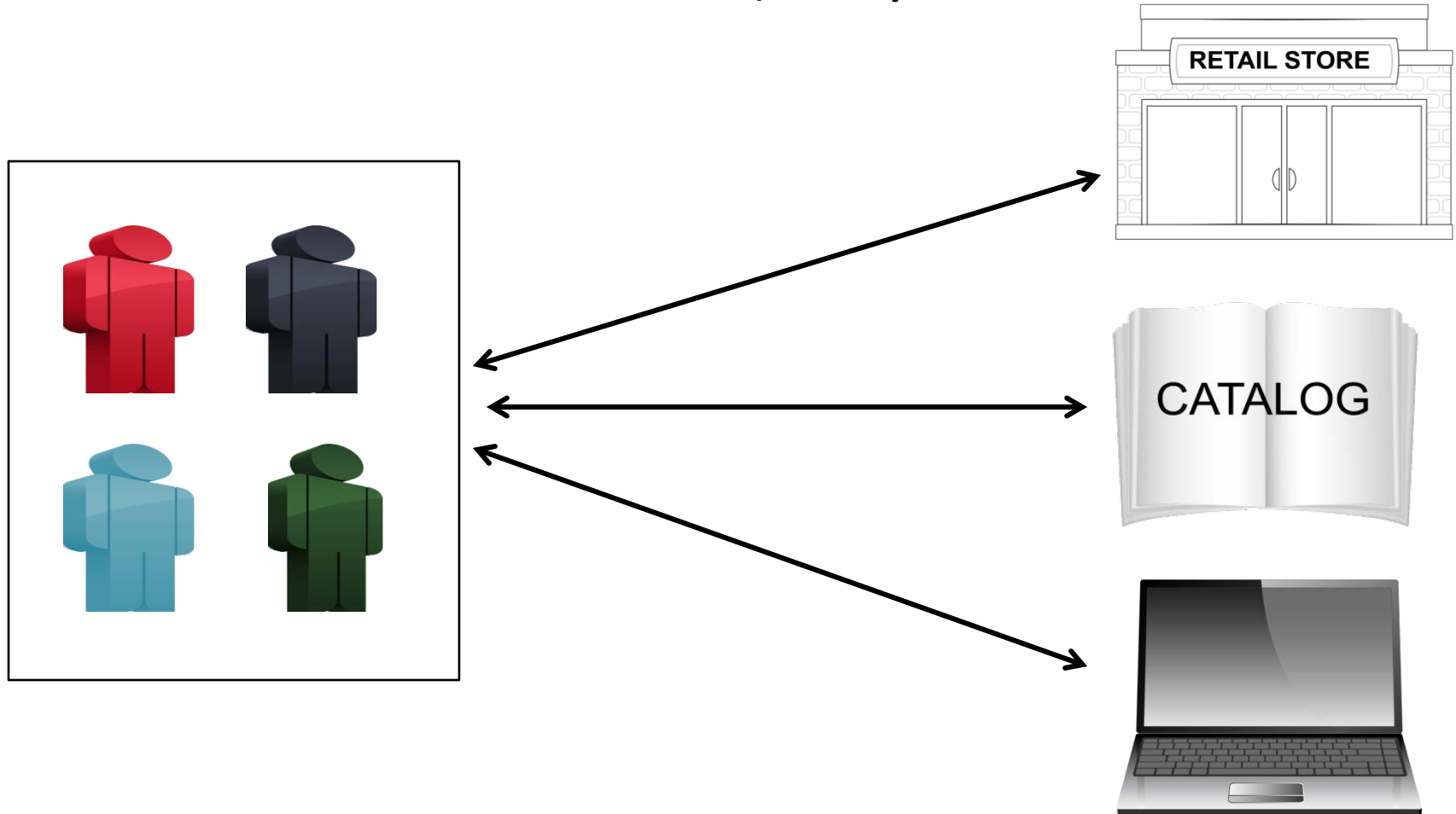
- Single Channel: Sales of \$100/Customer





The Evolution of the Customer Retail Connectivity

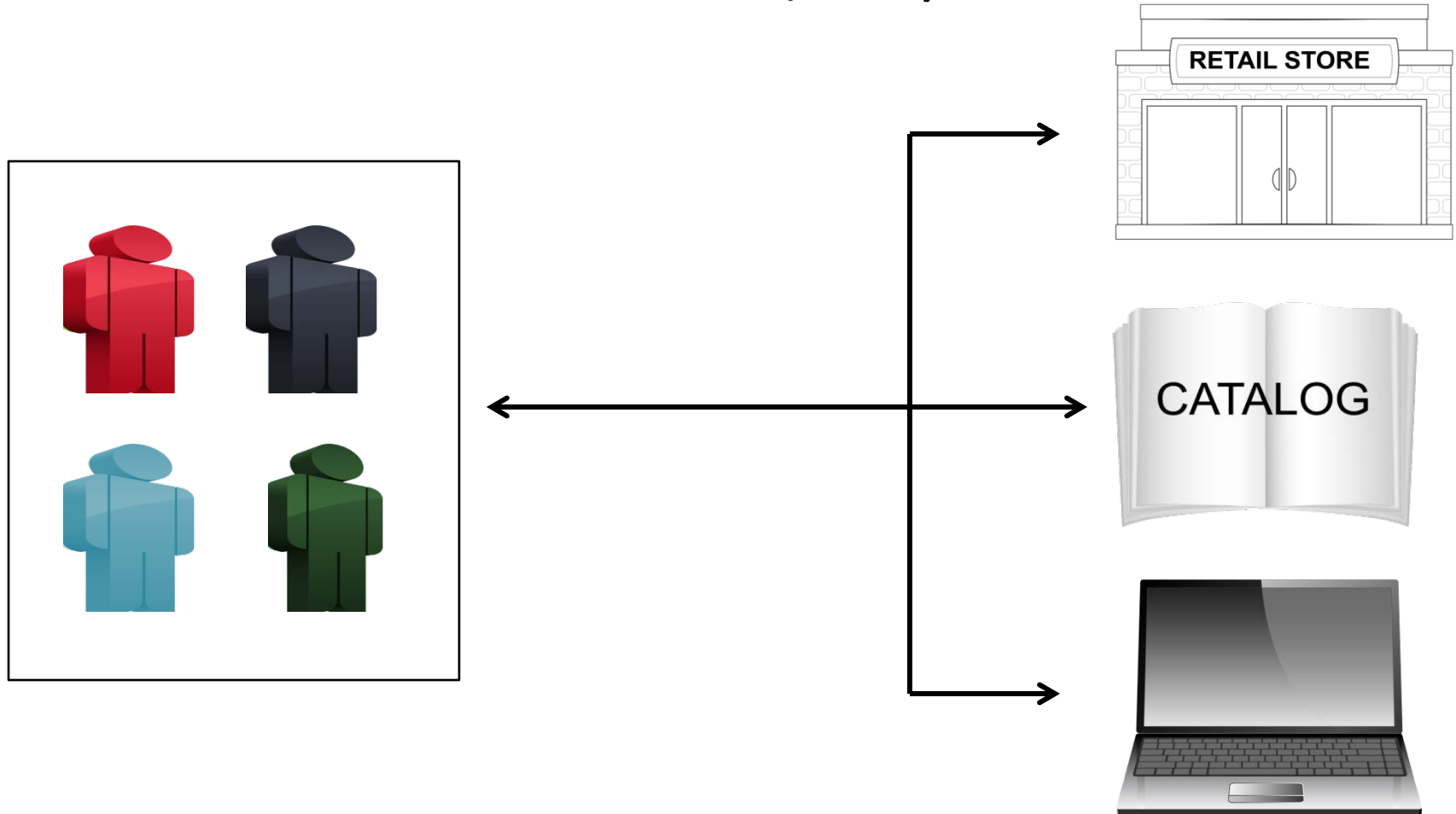
- Multichannel: Sales of \$120/Customer





The Evolution of the Customer Retail Connectivity

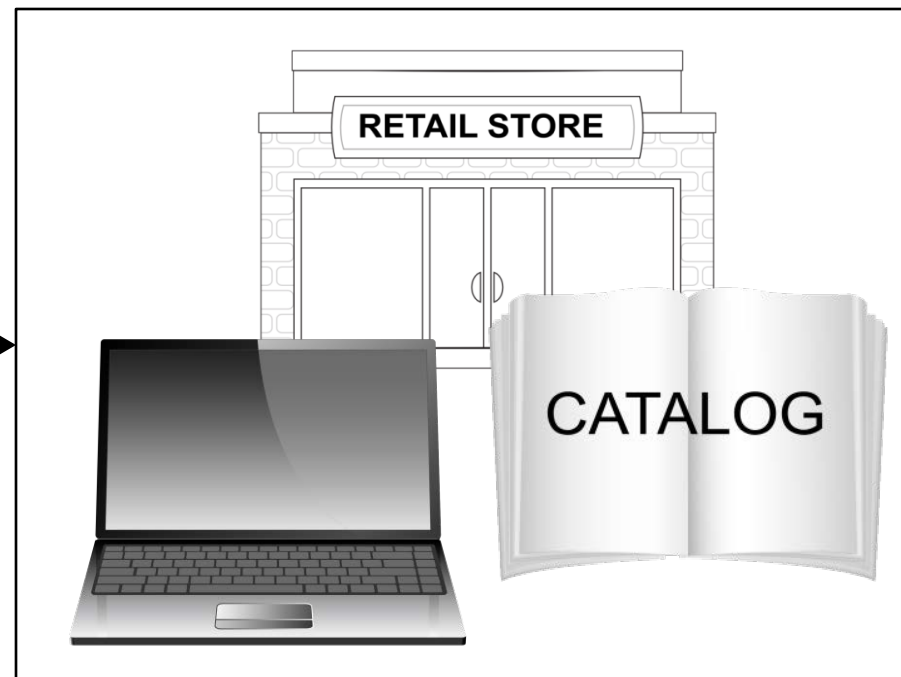
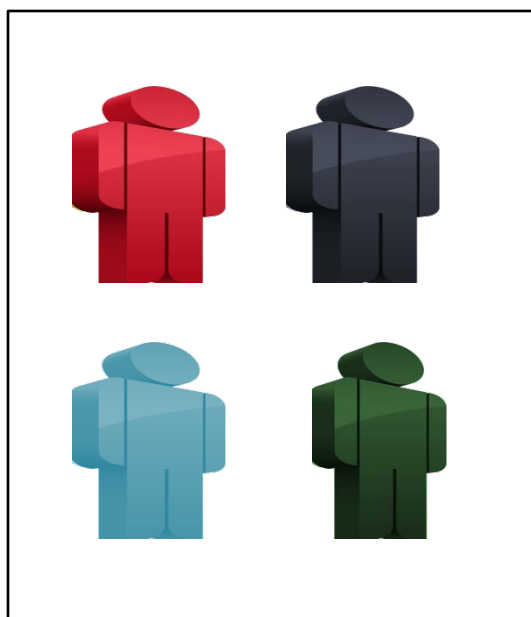
- Cross-Channel: Sales of \$160/Customer





The Evolution of the Customer Retail Connectivity

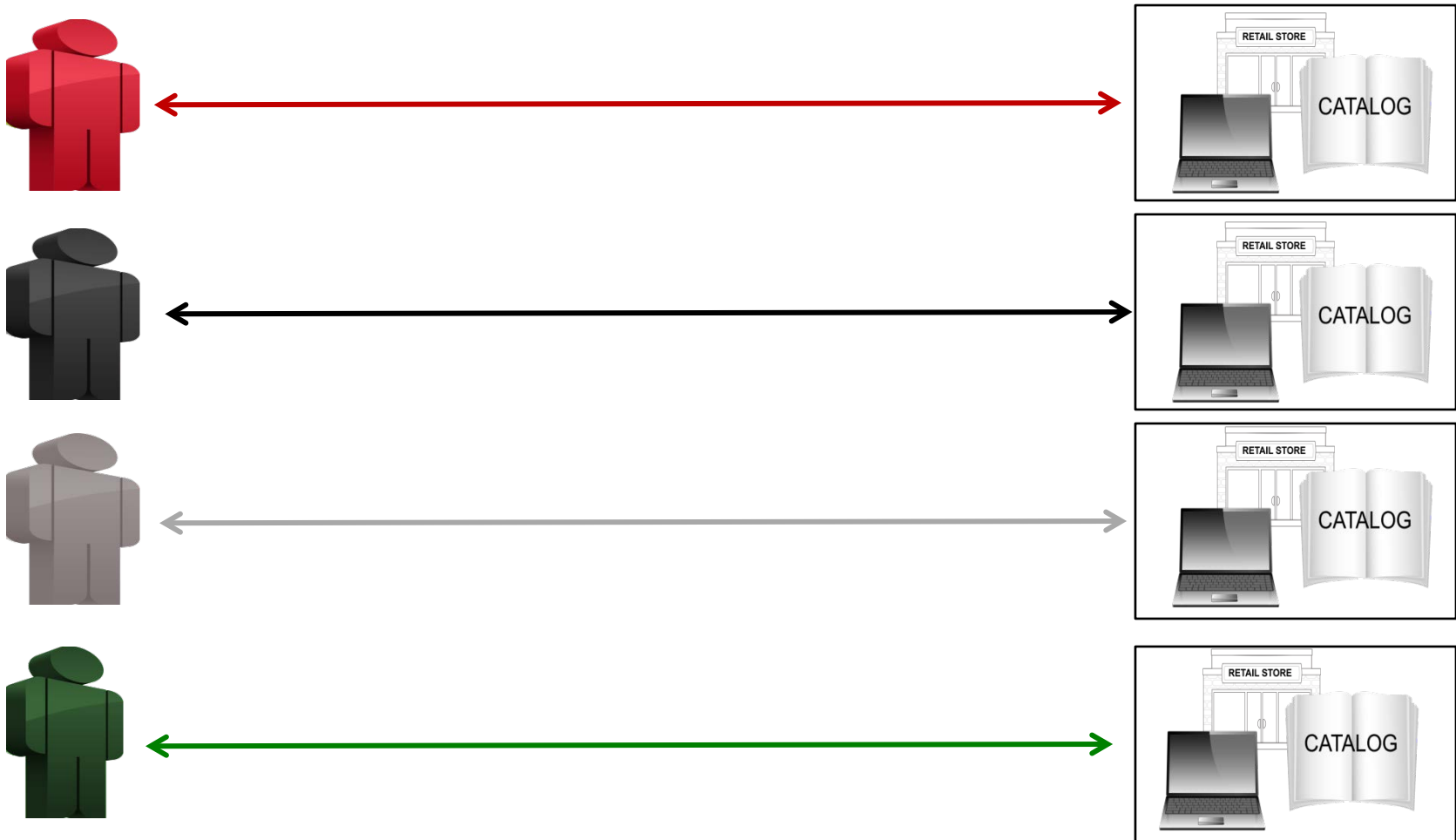
- Omnichannel: Sales of \$240/Customer





The Evolution of the Customer Retail Connectivity

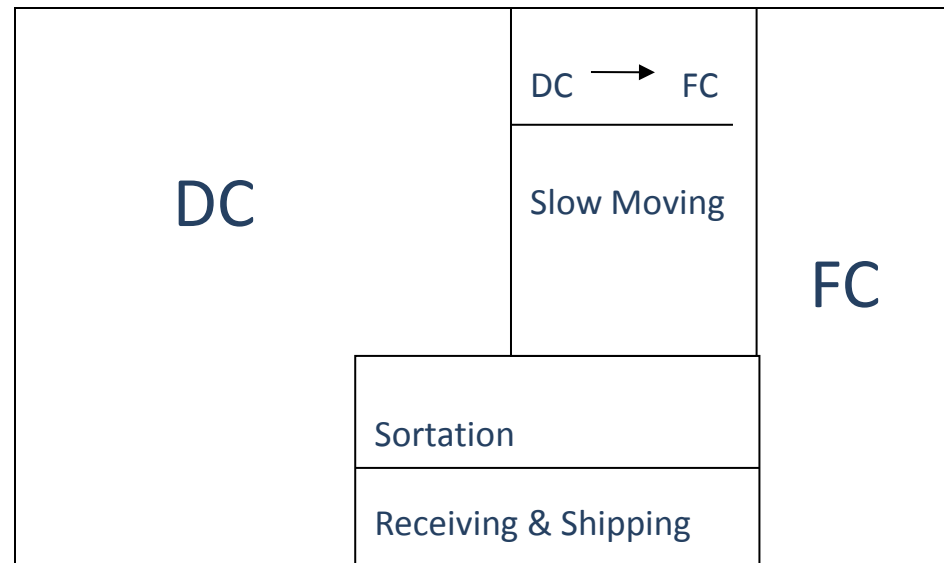
- Personalized Omnichannel: Sales of \$400/Customer





The Impact of Omnichannel on Real Estate

- 1995: Distribution Centers (DC)
- 2000: DC with Fulfillment Center (FC) in corner
- 2005: DC with FC as problem
- 2006: DC plus 3PL for FC
- 2009: DC and separate FC
- 2013: Combined DC/FC

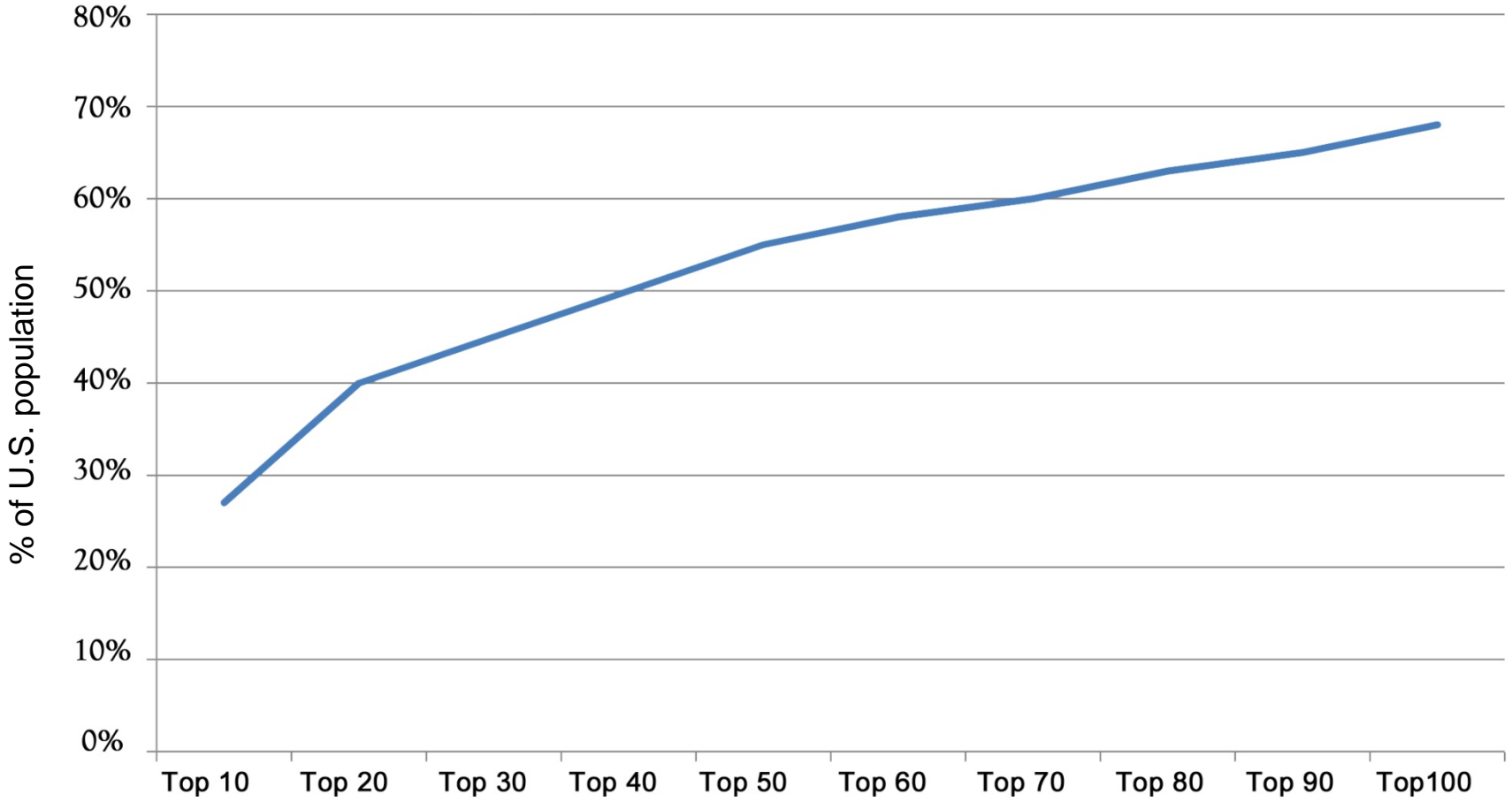


Get Local (GL)





U.S. Metropolitan Statistical Area Populations



Our View of Demand, Sales and Profit Maximization

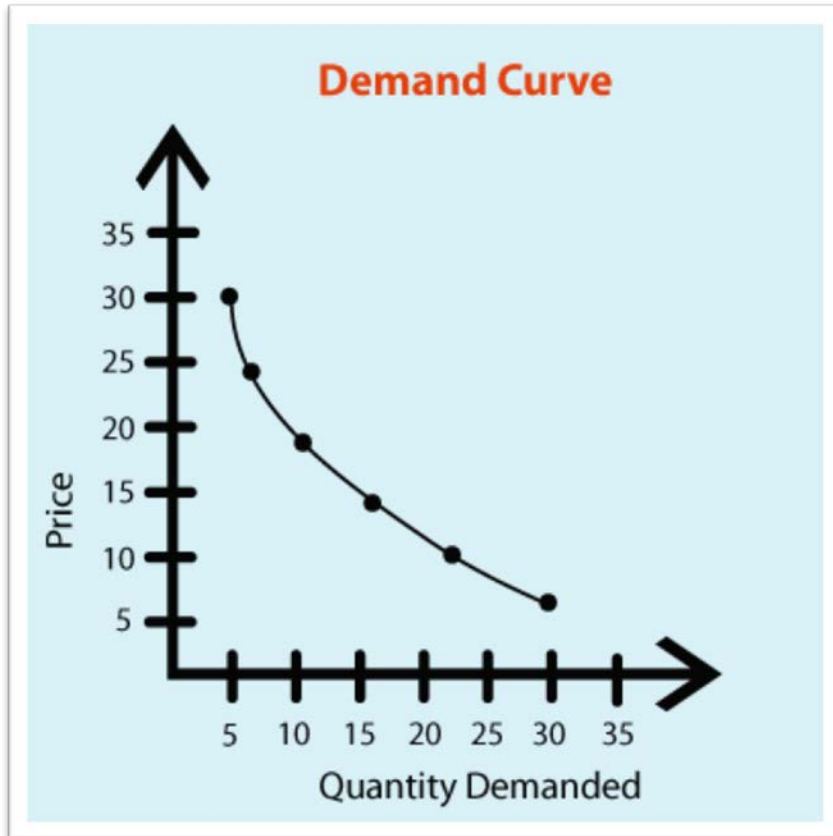


Figure 1: Traditional Demand Curve

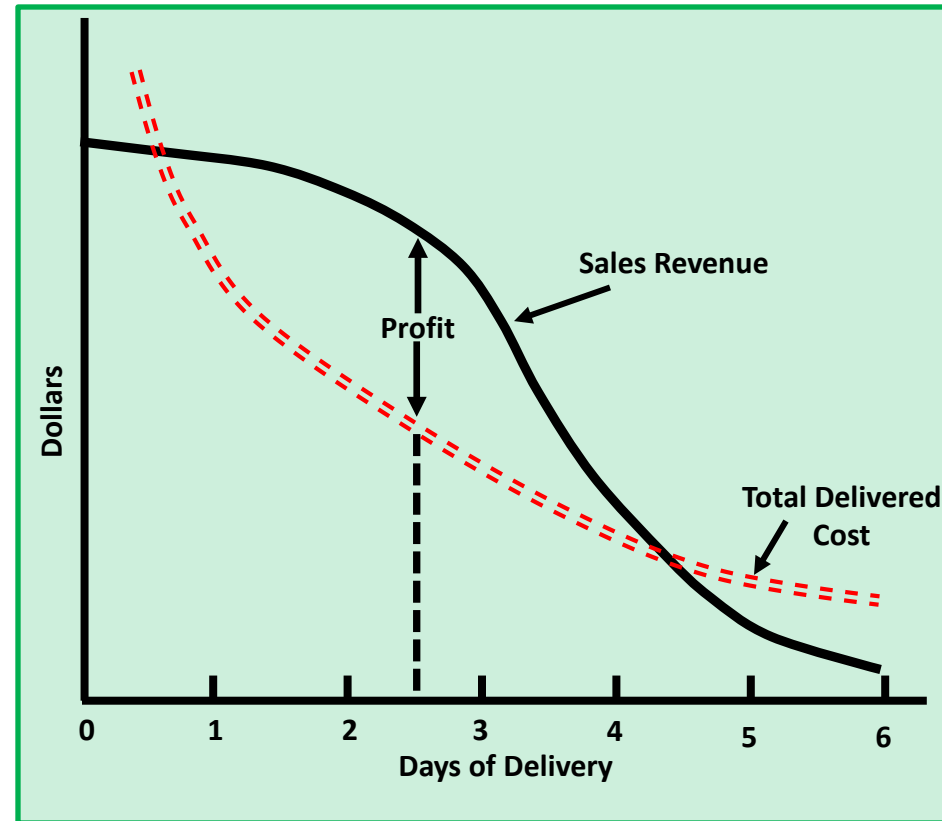


Figure 2: Demand Service Curve



Get Local

- What does Get Local (GL) mean?
- Why GL?
- How GL?



What Does GL Mean?

- Click to Doorbell: Instant Gratification
- Speed of Delivery: Delivery Expectations
- Personalization/Service/Loyalty



Why GL?

Direct-to-Consumer Delivery Expectations

- Factors
 - Location
 - Customer age
 - Type of product
 - Price point
 - When
- Today's View
 - Fast for 2015 is next day to 2 days.
 - Fast for 2016 will be same day to next day.



How to GL?

- Inventory
 - Distribution Centers
 - **Level 1: National Distribution Center (DC1):** Where all inventory will be stored and distributed to nearby stores, nearby local distribution centers, and regional distribution centers. Also, potentially distributed to fulfillment centers.
 - **Level 2: Regional Distribution Center (DC2):** Where some inventory will be stored (A and B items) and distributed to nearby local stores and local distribution centers. Also, potentially distributed to fulfillment centers.
 - **Level 3: Local Distribution Center (DC3):** Where some limited inventory (A items) will be stored and distributed to nearby stores.



How to GL?

- Inventory (continued)
 - Fulfillment Centers
 - **Level 1: National Fulfillment Center (FC1):** Where all inventory will be stored and fulfilled to nearby customers, nearby lights-out stores, nearby stores (click and collect) and regional fulfillment centers.
 - **Level 2: Regional Fulfillment Center (FC2):** Where some inventory will be stored (A and B items) and fulfilled to nearby customers, nearby lights-out stores, nearby stores (click and collect) and local fulfillment centers.
 - **Level 3: Local Fulfillment Center (FC3):** Where some limited inventory (A items) will be stored and fulfilled to nearby customers, nearby lights-out stores and nearby stores (click and collect).
 - **Level 4: Lights-Out Store (FC4):** Where customers can collect their online orders (click and collect) and for fulfillment to nearby customers.
 - **Level 5: Store (FC5):** Where customers can collect their online orders (click and collect) and for fulfillment to nearby customers.



How to GL?

- Inventory (continued)
 - Backrooms/Store Fulfillment
 - 3PLs
 - Combined DC/FC
 - Combined FC/Backrooms
- Delivery Locations
 - PuDo and Collect+
 - Home
 - Click and Collect
 - ShopRunner
 - Other



How to GL?

- Delivery
 - Uber
 - DHL
 - UPS
 - FedEx
 - Shuti
 - Rookie Network
 - Singapore Post
 - USPS
 - Brazilian Post
 - Yodel
 - My Parcel Place
 - Collect +



Impact of GL on Real Estate

- DCs, FCs and DCs/FCs should be located in highly populated areas.
- Speed of delivery drives revenue.
- Network of DCs, FCs and DCs/FCs is complex and different.
- 3PLs have a different role.



Conclusions

- E-commerce is changing retail, consumer products and distribution.
- The changes resulting from eCommerce are having huge impacts on real estate.
- The ULI Strawman Themes of adaptability, mobility and investment are 100% on target for the impacts of eCommerce on commercial real estate.
- The rate of change is accelerating. “Hang on to your hats.”



Contact Information

Jim Tompkins

jtompkins@tompkinsinc.com

Executive Assistant:

Debbie Flynn: dflynn@tompkinsinc.com or 919.855.5447

Alibaba Effect Video

<http://www.tompkinsinc.com/alibaba-effect/>