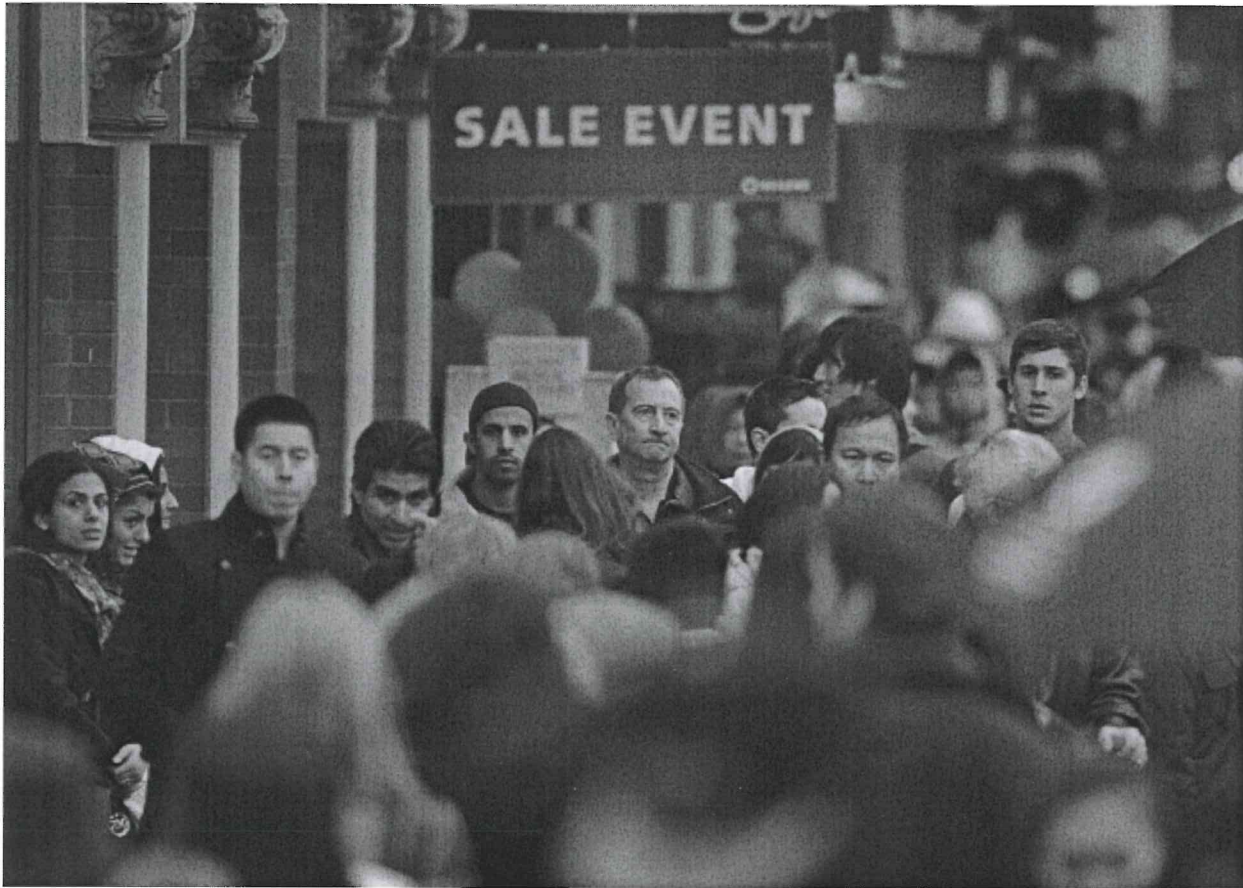


Online shopping won't kill bricks-and-mortar stores, Whistler conference told

BY JEFF LEE, VANCOUVER SUN JANUARY 24, 2012



Shoppers pack the sidewalks during Boxing Day on Robson street in Vancouver, B.C., December 26, 2011.

Photograph by: Arlen Redekop, PNG

WHISTLER - Shopping online is growing at an astronomical rate in North America, but that doesn't mean the imminent death of traditional bricks-and-mortar stores, panelists told a conference on shopping centres Monday.

In fact, smart retailers who have a strong presence online are finding themselves in better shape than many stores that stick to a traditional model, according to James Smerdon, director of retail and strategic planning for Colliers International.

"Development and store expansion is still going on despite losses to online. What that tells me is that the that stores that are expanding have online presence and they are capitalizing on online sales as well as bricks & mortar," he said a conference organized by the International Council of Shopping Centres.

"It also tells me that those who don't have that are still growing despite it. You can't buy a mattress online."

Retail sales pump more than \$415 billion annually into the Canadian economy, with growth this year predicted to be about four per cent, he said. B.C. accounts for about \$40 billion of that.

But online, consumers in Canada spend about \$15 billion a year in total purchases, with about a third of that being \$5 billion being converted from in-store to online. That impact is not to be trifled with; that's the equivalent to about 10 million square feet of lost retail space. Yet online retail sales is growing about 15 per cent per year, making it a significant issue for traditional stores.

In an introductory address, David Henry, the chairman of ICSC, told the audience growth of online spending in the U.S. outpaces traditional retail growth four-to-one. But he noted the U.S. is also vastly oversupplied with built retail space, an average of about 28 square feet for every man, woman and child. Canada, he said, which has weathered the recession better, has a tighter supply at 12 square feet per capita. That's helping to keep retail space booked at higher rates.

For all the modest growth of retail in Canada, B.C. remains flat, Smerdon said.

The ICSC conference drew more than 2,000 delegates around the theme of how to deal with the rapid growth of online retail markets and marketing.

Pollster Evi Mustel, of Mustel Group and Andrew Ramlo of Urban Futures said people may be buying more online, but retail stores are now leveraging that to their advantage.

"This conference told me that the Internet is not going to kill bricks-and-mortar retail. It will complement it," Mustel said. "I think the two will co-exist very well, with the Internet being a very powerful marketing tool for traditional retailers."

"One aspect of shopping certainly is the social side of it. That's hard to do while you are sitting at home behind a computer," Ramlo said. "You may do your research there, but inevitably you will get out and get into the social environment to complete the transaction."

What does this mean for developers and builders of retail space in Canada? According to Michael Penalosa of Thomas Consultants, which handles strategic planning for retail facilities around the world, the traditional enclosed shopping mall is fast becoming an anachronism.

Today's retail space builders recognize they have to build "leisure centres" that incorporate many social aspects, from more restaurants and non-traditional space to community functions, he said.

And Smerdon says builders of retail space are outpacing the increase in online sales despite the soft market.

"We know online sales are eroding (traditional markets)," he said. "But here's the crux of the issue. There is enough productivity coming out of shopping centres and retailers in Canada that they can absorb the online retail sales eroding (their market) and still build new stores."

Bill Frost, the general manager of Graham Construction, knows first-hand what Penalosa is talking about. When he started in the business 50 years ago, companies were building enclosed malls filled

with retail space.

Today, he's working on Shape Properties' 700,000 square foot High Street mall in Abbotsford.

"It's one of the major new malls being constructed in B.C. and it's a different format," he said. "To me, just as an observation as a contractor who sees what's going into these things, they are really mixing it up retail, a theatre, a WalMart, a London Drugs and several restaurants. We're trying to make it a destination place."

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Jeff Lee, The Sun's civic affairs reporter, was the moderator of the ICSC panel on the 2012 retail outlook. He was not paid for the service.

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