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Roman Schwarzenecker, Partner at Standort + Markt and Secretary General of the Austrian Council of Shopping Centers (ACSC). Credit: Standort + Markt

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## RETAIL – PAST ITS PRIME

**“The only good news for stationary retail is that the “digital natives” (can) seize their opportunities only to a certain extent.”**

**By Roman Schwarzenecker**

“You are well past your prime,” sings Austrian singer Rainhard Fendrich in his popular song “I Am From Austria”, which became synonymous with the first weeks of quarantine in Austria. However, this line also works for stationary retail. It truly seems like the time of constant growth, fueled by increased consumer spending and

population growth, is nearing a turning point. Even though retail and its asset class retail real estate—first and foremost shopping centers—have been very lucrative over the last decades, this development slowed down significantly in the last few years and could now clearly end due to the corona virus.

The all in all rather mellow e-commerce revolution, which reached a market share of just a bit over 10% over the last decade, could now grow faster and at the expense of stationary retail. Apart from currently more difficult international trade, paradise is just getting started for the e-commerce sector: less traffic on the streets and everybody is at home – what more could you ask for! The only good news for stationary retail is that the “digital natives” (can) seize their opportunities only to a certain extent. If one wants to order food, there are either no delivery windows available or one in two weeks. By then, the milk will definitely have turned. And if you ordered a present on March 20 to be delivered in time for Easter, a major internet group could not get to in time this year. When the food delivery finally arrives, one third is missing and some of the products you received you never ordered. Your appeal then takes yet another two weeks. I am speaking from experience here; this process is still ongoing.

Some e-commerce providers even talk about a decline in sales. The big opportunity to gain market share quickly may have been squandered to a certain degree. This is less of a criticism of e-commerce providers. It is understandable that one cannot satisfy this exponentially growing demand within a short period of time but it still remains a fact. Consumers are merciless in these situations, regardless of any crises. However, one thing already became clear: Multi-channeling, in other words using several different distribution channels, at least reduced the loss in revenue in this situation. Retailers, who do not have an online shop yet—and there are quite a few of them—face complete losses and are in a difficult situation where they have to pay for the goods they ordered but have no opportunity to sell them. A fatal predicament for entrepreneurs.

Right now, everything is still working. Shopping streets and malls are occupied by stores. However, that was before the shutdown. As the first restrictions are lifted now in Austria, there are additional smaller shops which are allowed to reopen, based on a decree that is highly controversial within the industry. There has yet to come a plausible explanation in what way it is better or healthier to have two customers in a 40-sq m boutique than having 200 customers in a 4,000-sq m department store. Maybe the two-week headstart in April is supposed help smaller retailers before the full-scale competition starts back up again. However, somebody will have to find out whether this is legal. We at Standort + Markt have been monitoring the retail situation in inner es and at shopping centers for decades and therefore we will most likely be in a position to report on big (and not only positive) changes. I believe, in conclusion, that the corona virus will most likely not change the retail landscape in a disruptive way. However, it will most definitely act as fire accelerant and speed up processes that were already in motion.

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