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Influencing Retail, Real Estate—Ode to the iPod

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It may seem completely counterintuitive, but the biggest influence on retail and real estate in the last 10 years is something technological—the introduction of the iPod. This small gadget has had a large and lasting effect on retailers well beyond music and electronics by redefining the way people interact with their computers. And that has affected retail—and other aspects of popular culture—tremendously.

Before the iPod's October 2001 introduction, personal computers were used mostly for business tasks, schoolwork and, for a few, gaming. People listened to music on large stereos with large speakers, or privately via compact discs and cassettes. Most important, the actual entertainment itself, whether it was music or video, was purchased or rented in any number of physical stores—Tower Records, Musicland, Blockbuster Video, HMV.

The iPod—or perhaps more accurately, the iTunes program—changed all that. Though there had been a number of mp3 players on the market, this is the item that caught the public's imagination, with its cool design and easy-to-use interface. With a quick, secure Internet connection, customers could buy an individual song or an entire album, a film or audio books, and receive the product nearly instantaneously. In a culture geared toward instant gratification, the iTunes store was the Holy Grail for music lovers.



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That has only increased as time has passed. Apple has sold billions of songs, books, television episodes, movies, podcast subscriptions and the like, and downloading has become the primary distribution of entertainment content. That has had extraordinary effects on the retailers that had been selling these items. Of the music retailers mentioned above, only a struggling Blockbuster remains. You can, of course, still buy CDs, DVDs and Blu-Ray discs at FYE, electronics stores, and small specialty stores. But the era of multiple major record store chains is about as over as vinyl records themselves.

The effect of the iPod extends beyond the entertainment sector. Customers who turned increasingly to the Web to purchase entertainment also increased their use of cyberspace for other shopping and for retail research. That is particularly true as consumers have introduced broadband Internet access, once the province of the office, into their homes. Smart retailers have employed multi-channel strategies that allow them to reduce the amount of back-room space in their physical stores and even to reduce the overall size of their brick-and-mortar units.

The iPod then led to the next evolution—the iPhone, which made easy-to-use Web access truly portable. Its 2007 launch is a watershed moment in smartphones, taking what had been business tools and extending them to the general public. The public’s overwhelming acceptance of the iPhone and later competitors have created yet another force for retailers to contend with. Before, shoppers used the Internet for shopping research before leaving the house. Now, they can check prices in one store while standing in a competitor with the Internet at their fingertips. Retailers thus must be smarter, savvier, and more aware of their competition. And they must operate their stores better—or they will vacate spaces faster.

This reliance on the Web for shopping and research, boosted by these Apple game-changers, has also created a new market for international retailers to enter the United States. Shoppers who might never have heard of a Uniqlo, Sermoneta, TopShop, AllSaints or ToyWatch now can learn all about them and their wares even before their U.S. flagships debut. That increases the diversity of our markets around the country as globalization extends beyond New York, Boston, Los Angeles and Chicago.

Is one little music player solely responsible for the globalization of retail and new stores coming to our shores? Of course not. But the changes that the iPod and iPhone have wrought in how retailers conduct their business—from diminishing a brick-and-mortar category, to different store configurations and sizes, to assisting the entry of new stores from around the globe—make the introduction this technology one of the seminal moments affecting retail real estate in the last decade.

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