



Outlets Implement E-commerce Platforms

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Contributor

More than 3 million people have visited The Village, in Villefontaine, France. Unlike most outlets, though, this one, by Compagnie de Phalsbourg and Freeport Retail, offers an additional way to shop: “We claim to be the first digital outlet in the world,” said Mathieu Boncour, director of institutional relations at Paris-based Compagnie de Phalsbourg. “We have worked with our brands to provide an online marketplace that is connected in real time to the actual shop stock at the Village.”

Along similar lines, Simon this past March announced plans for Shop Premium Outlets, an e-commerce platform designed to ramp up traffic and sales both online and at its Premium Outlets centers. At press time a beta test for loyalty-program members offered access to outlet discounts from nearly 2,000 product brands, according to Chidi Achara, Simon’s chief creative officer.

“We have over 200 retailers in our centers and aim to integrate all of them into our platform,” he said.

As outlet owners grapple with the realities of online shopping and ever-intensifying competition, such initiatives represent smart positioning for the future, experts say. “Outlets are farther from the eye of the storm — that storm being online shopping and Amazon.com,” said consultant Jan Rogers Kniffen, CEO of Greenwich, Conn.-based J Rogers Kniffen World Wide Enterprises. “They are younger and have faced fewer challenges than the regional and super-regional malls. They also have the advantage of not being overbuilt.” But e-commerce will continue to exert pressure on them as it grows, he says. In fact, they’re already feeling some pressure. They don’t have the same growth rate as before.”

These moves on the part of retail landlords could also be seen as opportu-

nistic rather than defensive. Steve Ferris, a vice chairman at JLL and co-leader of the firm’s national retail tenant services practice, sees good reason for Simon to leverage its Premium Outlets brand online. “From an outlet standpoint, Simon owns about a third of all of the outlet centers in the United States, and 50 out of their 70 properties perform at over \$500 a square foot,” he said. “My belief is that the combined force between physical and Internet will ultimately help both. With both a physical and online presence, Simon could create greater market share. Consumers could essentially be trained to do outlet shopping online through Simon’s website.”

Achara, for his part, puts the value of the online market for outlet fashions at about \$200 billion. “There’s a tremendous commercial opportunity for Simon, brands and retailers to drive incremental traffic and sales, both online and in our centers, by offering a convenient way to

discover the best outlet deals, anytime and anywhere,” he said.

Outlet owners and managers have been mulling the Internet’s potential role for nearly two decades, notes Karen Fluharty, founding partner and chief strategist of Strategy & Style Marketing Group, a Montville, N.J.–based firm with a raft of outlet-sector clients. Outlet mall REIT Chelsea Property Group, which Simon acquired in 2004 for \$3.5 billion, had sought to take its outlet brands online through a program it called Chelsea Interactive, says Fluharty, who was vice president of marketing at Chelsea and also at the post-acquisition Simon Chelsea International. “The concept, which was quite ahead of its time, was for Chelsea Interactive to provide a digital storefront for the brands,” noted Fluharty. “For the marketing department, there was certainly a lot of learning that came from it.”

In the same way, decision makers at Simon have carefully considered these questions, Ferris says. “This has been in the works for years, and, from the highest executive levels,” he said. “Simon has been spending a tremendous amount of time with retailers, explaining the platform and trying to get them on board with it. They want to create an online outlet mall so the brands can offer SKUs they want to sell online through the Simon platform.”

As concerns the 25,000-square-meter (about 270,000 square feet) Village, its platform relies on technologies that were unavailable in the early 2000s, when Chelsea first began experimenting with e-commerce. Machine learning, for example, is at the heart of the Village system, enabling it to be scalable, says Charlotte Journo-Baur, CEO of Paris-based Wishibam, the startup that created and runs the Village platform. “It allows us to reconcile and organize store inventory and client data for an omni-channel experience that unites the best of both worlds,” she said.

About half of the Village’s 100 retailers sell merchandise over the platform, says Journo-Baur, and roughly 40 percent of the rest have pledged to join. Joining the online marketplace has boosted retailers’ overall sales at the Village by anywhere from 8 to 15 percent, on average, she says.

For tenants, the system’s ability to drive sales at stores located on the property — as opposed to fulfilling orders from an off-site warehouse — has been a major selling point, notes Boncour. In describing how the platform works, he cites a hypothetical skier heading from Lyon-Saint Exupéry Airport to a resort in the French Alps. In the course of that trip, the skier might visit the Village and learn about its e-commerce platform. Once back home in Paris or Geneva, she could shop the Village’s online stores and enjoy all the same outlet discounts. Orders are available for delivery or, for those close to the property, in-store pickup.

Machine learning shapes the online experience from the outset, says Journo-Baur. When users log in, AI-powered chatbots pop up to answer basic questions. The system funnels more-complex queries to three customer-service specialists — actual humans — who work on-site at the Village. The digital channel is translating into tangible benefits for the property and its tenants, says Journo-Baur. “We have noticed an increase in the in-store footsteps,” she said, “and we multiplied by 100 the number of people enrolled in the loyalty program. It keeps increasing.” According to Steven Mohl, Wishibam’s business development director, the internal metrics indicate that 28 percent of the chatbot users, on average, actually buy something. “That is not a negligible conversion rate,” he said.

Mohl notes that machine learning also helps Wishibam avoid a dreaded scenario in online retailing: customer orders for items that are in fact no longer available from the store. At the Village, the most-proactive retailers supply Wishibam with up-to-date inventory information every 15 or 20 minutes, he explains, though others may lag in their ability or willingness to share such information. “Through machine learning, we can clearly identify those brands that have a harder time knowing exactly what is in their stores in real time,” Mohl said. After crunching a retailer’s inventory trends, for instance, machine-learning algorithms might advise Wishibam to withhold certain in-demand items by 10 or 20 percent. The resulting cushion reduces the likelihood of an online shopper’s ordering an out-of-stock item.

Ultimately, Wishibam would like to plug directly into the retailer’s point-of-sale system to gain perfect clarity about in-store inventory levels, Mohl says. “Right now retailers are a little wary of sharing that kind of data,” he said.

The Simon platform is organized differently, offering daily discounts of up to 65 percent, but the system is not specific to any one center, according to Achara. Instead, Simon’s e-commerce site is a way for thousands of outlet brands to offer about 300,000 products through a single online platform. “The exact merchandise available online and in-store is determined by each brand or retailer and may vary daily,” Achara said. Simon is running the beta test with the likes of Aéropostale, Cole Haan, Nautica and Saks Fifth Avenue OFF 5TH. The firm developed its platform through an in-house team rather than hiring a third-party tech company. For Kniffen, this highlights the potential for a digital divide in the sector: Large REITs could gain e-commerce capabilities that are beyond reach for the rest, he speculates.

But some independent landlords out there are determined to stay ahead of the game on technology. Ferris cites Rod Yates, owner of the 406,000-square-foot Nebraska Crossing Outlets, an 80-tenant outlet project located between Omaha and Lincoln on Interstate 80. “Rod is a bit unique in that he owns a single center and yet is invested heavily in this platform,” Ferris said. “The thought process behind that is to scale it to other developers and the industry.”

Using a jaunty “No Marketing. Just Data” slogan, Yates says he has invested about \$25 million in what he calls a data-mining platform. The key elements include digital kiosks, a shopping app that builds personalized experiences by capturing 85 consumer-data points, and a NEX Mastercard that provides 5 percent cash-back discounts for purchases made at the center or through the retailers’ e-commerce channels. “Each cash-back dollar earned is sent instantaneously as a push notification to customers’ mobile wallets for immediate redemption and gratification,” Yates said. “You’re talking about daily cash rewards with every purchase — no points, just cash.” ■