Adapting to the new reality in retail: Flexible and dynamic planning for modern cities

Written by Julie Levy-Abegnoli on 14 May 2015 in News

A Parliament Magazine event on modern cities and the future of the high street has highlighted how cooperation is needed to allow retailers to adapt to fast-changing technology.

The event was organised in cooperation with the Fraunhofer institute for industrial engineering IAO, which is part of the Fraunhofer society, one of the largest non-profit applied research organisations in Europe.

Opening the discussion, MEP host Jan Olbrycht said, "urban issues are very fashionable today, but some years ago there was a lot of debate around whether or not the EU should concentrate on the topic".

Underlining the importance the subject has now taken on, he pointed out that "one of the commission's directorates general changed from DG regional policy to DG regional and urban policy".
However, "there are still debates as to whether the EU should have an urban policy - some member states and heads of regions are against it".

The founder and president of parliament's urban intergroup explained that, "urban planning is very important. There is ongoing debate about commercial centres, whether they should be inside or outside city centres, how they influence the processes of city development, the relations between different partners in the city and how they influence city planning".

He added that there are further questions on the issue, such as, "does city planning decide on the localisation of city centres, or do city centres completely change the way of thinking on city planning? And what about the future of cities considering our new way of life?"

"There is ongoing and growing debate in Europe on city development, city planning, urban planning and commerce, and the problem of new methods of commerce, such as eCommerce."

"New realities and new conditions have changed our way of life", stressed Olbrycht.

The Market Place inside and outside the centre

The first speaker on the panel was Alexander Rieck, head of corporate projects at the Fraunhofer institute, who shared with the audience that a few years ago when he suggested researching cities, he had been told there was "no value for a research organisation to look into cities. […] cities are not the future".

However, now, he said, "everything happens in the city and everything happens at the same time, and that obviously makes the city very interesting", adding that as a result of this "we can no longer allow ourselves to look at different silos".

"Every European city started with a marketplace, doing trade there was the reason everything around it was developed [such as factories] and protection".

"Walls surrounded the whole city, so people were either within the walls and therefore inside the city, or outside", but later, with industrialisation, "suddenly the wall was torn down and we spread out the city".

This was followed by "the American model where the city has no centre". This trend has been exacerbated by eCommerce, which "not only happens in the city centre - it happens everywhere at the same time".

Rieck highlighted that the urban situation is becoming increasingly complex, and that many key features of city life are changing, including, "energy providers, construction, while mobility is set to be a main game changer".

There have also been considerable changes in the way people live their lives, as "in the 50s there was political will to have people living in one area and working in another, now people can work anywhere and communication is changing".

Similarly, "commercialisation is no longer about going to a marketplace, it's about distribution of goods happening at the same time".

This has proven to be a struggle for city planners and architects, who typically need "15, 20, 25
years" to complete their work, whereas the current innovation cycle "lasts three to six months".

A European digital single market strategy

Jasmin Battista, a member of European commission vice-president for the digital single market Andrus Ansip's cabinet, said, "The role of the digital single market and eCommerce is of crucial importance for modern cities".

Battista stressed that the commission's new digital single market strategy, which was unveiled earlier this month, aims at "making European companies more competitive through digital means".

At the moment, "an SME start-up that wants to sell cross-border looks at the different legislation in place and when it realises it needs to study 28 legal systems, all for a few customers abroad, they give up. Therefore, the idea is to have a key set of harmonised rules".

Combining online and traditional retail

Frédéric Godart, assistant professor of organisational behaviour at the INSEAD business school in Fontainebleau, France, explained that while some believe the retail sector is in decline, "20 million people work in retail in Europe - this is 15 per cent of the workforce, which is not bad in an economy that still has an unemployment rate of over 10 per cent and where many industries are quite rapidly being automated".

In terms of eCommerce, he said that among the "companies that operate online, it is retailers that are the big ones". He also underlined the robust nature of eCommerce, saying, "the economic crisis had almost no effect on online retail - it's here to stay".

For Godart, traditional shops are now moving to adapt to new technologies and integrate them into the shopping experience, giving the example of French retail chain Fnac, which sells cultural and electronic products.

Fnac has adopted an "omnichannel" approach, meaning customers can "order in the shop, order from home and collect in the shop, or order from home and have their goods delivered anywhere in the world".

Conversely, "a lot of eRetailers have decided to go back to physical space". Here, he gave the example of US menswear brand Bonobos, which has opened "guide shops" in which customers can "talk with a shop assistant, touch the clothes and fabric and see if they like it", then have the goods delivered to their home.

How to equip cities for omni-channel retail

The last speaker was Stephan Jung, shopping centre investment director for Savills Hamburg, who told the audience, "the product is not what matters anymore, what matters is the consumer".

Echoing Godart's comments on retailers adopting an 'omnichannel' approach, he explained, "customers are already 'omnichannel' and expect all retailers, cities and online players to be as well".
"[This] is just the opposite of playing online against offline - it is integrating and combining things, and making them easy and fast", said Jung.

He added, "some people say the new currency is time, and in our world, convenience and time are very important".

Cities must be careful not to overlook the changes retail is going through, which could result in disadvantages for brick and mortar stores. Jung gave an example of a local shoe store, which required years of getting permits, while a large distribution centre for eCommerce opened outside the city within a few month. There is considerable potential in integrating both formats, and authorities need to be ready to embrace these opportunities - customers are already doing it.

Jung pointed out that, "people who shop online want to have their product immediately, they love to click and collect in store, so retailers need to understand they will probably become a bit of a logistic company".

"Same day delivery is very important but extremely expensive. The last mile is the most expensive one, but two years ago no one would ever have thought about Uber, which in the US is already filling that last mile gap and is extremely cheap", he added.

As a result, "tomorrow's competition will not come from our neighbourhood store, it will come from Silicon Valley, from a start-up we have never heard of - there will be a lot of surprises".

During a fruitful Q&A session following the presentations, Olbrycht was asked what might be done to help cities adapt to fast-paced technological changes. He explained that "there is still a lot of debate about whether we should have some kind of European approach", and that the current dominant idea of 'leave it to the cities and we will see' is "wrong, because the process is not initiated by cities, it is coming from the outside, and cities should be prepared, helped and supported - they should have some sort of guidelines".

The problem is that cities "do not have enough money to adapt to new technology", despite the fact that "eCommerce is growing and will continue to grow". He added, "the question is not whether or not this is good - the process is ongoing, so the question is how to react".

As a result, this requires "new responses - cities should work in close cooperation with commercial centres".

Concluding the session, Jan Olbrycht said that previously there had been a gap between "big commercial centres and small shops", but that "we are now in a completely new reality and people hadn't even noticed the world is now completely different, with completely new challenges."

"The whole retail sector [is set to enter] a completely new situation, as are cities, and city planners who will have to rethink 'the city'."

"The future has already started, but it will go very fast", he warned.

About the author

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