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ABSTRACT

The proliferation of Internet shopping as a viable retail format has attracted a great deal of media attention about its potential impacts on place-based shopping. Specifically, the growing estimates of online retail sales have caused the real estate industry to become increasingly concerned about the ability of Internet shopping to replace shopping at bricks-and-mortar stores. However, the current research and literature lacks a systematic assessment of the potential impacts of this emerging retail format on the traditional models of shopping. Without such an assessment, planners and real estate professionals will find it difficult to navigate the various claims in the media and are faced with great uncertainty about their traditional practices.

This thesis develops a structured approach to explore the potential impacts of e-tailing on place-based shopping. The analysis focuses on the downtown regional shopping center as the prototype of study. The value chain concept is applied to disaggregate retailing into its fundamental components and their related real estate connections in order to identify traditional critical success factors of the downtown shopping center. Three additional factors are introduced to the analysis to reflect the changing nature of shopping. To inform the assessment of the potential impact of e-tailing on each factor, literature research and six qualitative interviews with experts from the field of planning, retailing, and real estate were conducted.

The analysis showed that Internet shopping will not replace place-based shopping at the downtown regional shopping center but will significantly modify the critical success factors and their relative importance. These changes reveal three themes for the future role of the downtown regional shopping center in the city. The themes are: i) there will be a strong interaction between e-tailing and the downtown shopping center; ii) technology will drive an increased demand for experiential activities in the city; and iii) convenience, task-oriented shopping for goods that require less touch and interaction will be done elsewhere. The thesis concludes with recommendations for planners and real estate professionals on how to address the future role of the downtown shopping center and prepare for the evolution of “e-commerce” into “experiential commerce.”

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CHAPTER 1

THE DEBATE OF INTERNET SHOPPING: E-TAILING VS. RETAILING

"Online shopping is a black rainbow, a negative miracle...It changes the geocentric pattern of shopping."

Shopping is everywhere. It is a necessary activity in urban life, and for many, it is also a leisure activity. Yet, the future role of shopping in urban life is being questioned by the emergence of telecommunications technology that now enables us to shop electronically in virtual shopping environments from remote locations. The traditional understanding of shopping often involves leaving one’s home to purchase something. Merriam-Webster defines the verb shop: “to hunt through a market in search of the best buy.” However, this definition does not include a more contemporary understanding of shopping as a leisure activity whereby one strolls through a mall, shopping center, or along Main Street, people-watching, searching for any number of items ranging from necessities to frivolous luxury items. Today, we shop to spend time with friends, entertain ourselves, even to re-invent ourselves. Shopping is a major social and economic function in urban life. Yet, the definition of shopping need not involve a ‘market’ away from home.

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2 Merriam-Webster Online Dictionary: http://www.m-w.com/cgi-bin/dictionary
The second version of the Merriam-Webster definition is “to examine goods or services with the intent to buy.” The separation of the act of shopping from a place in this definition hints at the ways our traditional understanding of shopping is evolving. The rapid development of the Internet has enabled electronic commerce, or e-commerce, whereby business transactions are carried out electronically via the Internet. This technology adds a new dimension to our understanding of shopping, providing a new, non-store, means of shopping. Although with catalogues and television, it is not the first type of non-store shopping, “now, for the first time, consumers are being presented with greater choices, convenience, lower prices, and more engaging graphics on the Internet.” Moreover, with the widespread and growing ownership and use of PC computers with Internet access, people can now browse goods on a computer screen at home, at the office, or anywhere a laptop computer can be taken.

The confluence of the Internet and shopping has spawned a new vocabulary. Shopping via the Internet is just one of the many activities e-commerce allows, and has come to be known as “online shopping”, “Internet shopping”, or “cyber-shopping.” Retailers who sell goods via the Internet now engage in “electronic retailing” or “e-tailing.” New ventures called “dot-com” companies or “pure-plays” sell products exclusively via the Internet and do not have any bricks-and-mortar, or physical, retail outlets. To compete, traditional retailers of all types are now trying e-tailing, in addition to their bricks-and-mortar stores. The economic, social and other repercussions of these developments are still unknown. However, it is certain that the previous reliance of traditional retailing solely on bricks-and-mortar stores, or real estate, for their

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3 Ibid.
operation is now being called into question. At the heart of this questioning is whether online retailing poses a threat to place-based shopping.

**Retailing, the Internet and Real Estate: Growth Trends and Literature Hype**

The proliferation of Internet shopping, in conjunction with the overwhelming and varied estimates of sales growth has spawned a heated debate about what the impacts of e-tailing will be on traditional place-based shopping. Between 1997 and 1998, most industry analysts estimated that e-commerce sales increased between 300% and 600%, from between $1.5 billion and $2.5 billion to $5 to $15 billion.⁵ Projections for the future were equally as varied. At the low end, Jupiter Communications, an Internet research and advisory firm, projected online sales to consumers will be 1.4% of total retail sales in 2002.⁶ At the high end, one consulting group even predicted that online sales to consumers would reach 7.5% of all retail sales by 2000.⁷ Estimates of 1999 consumer online sales ranged from $11 billion to $36 billion, a growth rate of 150-200% from 1998 (see Figure 1).⁸

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The widely varying number and magnitude of sales growth estimates are causing great concern and confusion among real estate professionals, particularly in the retail sector. The fear is that Internet retailing may erode physical store sales and that Internet shopping will render physical stores redundant.

However, it is now being acknowledged that there are several points that temper the hype around Internet sales estimates and projections. Firstly, due to varied definitions of e-commerce sales, methods of analysis, and data collection, the accuracy of many of the estimates is unclear, and many have been over-estimated.9 Furthermore, Internet sales still make up a very small share of total retail sales, claiming less than 1% of all retail sales in 199910, and even the current highest

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growth estimates project that it could reach just under 5% by 2003.\textsuperscript{11} Lastly, the pace of growth in e-commerce is slowing dramatically. As mentioned above, most sources cite the 1998 rate of growth of e-commerce revenues at nearly 400%. It is important to note, however, that in 1999, growth dropped to between 150\% and 250\%,\textsuperscript{12} and The Boston Consulting Group expects the market to grow only another 85\% in 2000.\textsuperscript{13} Over the next four years, other firms estimate Internet sales will expand between 40-75\%.\textsuperscript{14}

Nevertheless, at first glance, much of the current literature on the impact of Internet retailing indicates that the outlook for place-based shopping is grim, pitting e-tailing in a battle against traditional retailing. In a 1997 piece in the \textit{Journal of Property Management}, Mark Borsuk claims that “Online shopping is a black rainbow, a negative miracle...It changes the geocentric pattern of shopping.”\textsuperscript{15} He also asserts that “[the Internet] will restructure space demand by altering how retailers view the [use] of location.”\textsuperscript{16} The cover of the July 20, 1998 \textit{Time} magazine warned shoppers, “Kiss Your Mall Goodbye.” Others claim that with the advent of Internet shopping, perhaps the ancient economic history of going to the neighborhood store to buy the necessities of life is over.\textsuperscript{17} “Already, almost everything anyone could possibly want is available electronically. It would be easy to live the rest of one’s life and never step inside a

\textsuperscript{12}PPR, “E-retailing Update,” 5.
\textsuperscript{14}PPR, “E-Retailing Update,” 12.
\textsuperscript{17}Thurow, Lester. “5,000 More Years of Shopping,” D4.
These, of course are extreme views, and indeed, the Internet allows for many functions that were once served by tangible environments to now be served by virtual environments, but the question of the degree to which retailing functions will be affected by cyberspace remains unanswered. This is an important debate because e-tailing will affect not only shopping and retailers, but also the experience of urban life. As professionals whose careers revolve around urban life, the overarching question for planners and urbanists alike is how ‘e-tailing’ will change the urban form and function of shopping.

**Problem Statement**

In an environment of rapid social and economic change driven by technological advancements, the retailing industry is evolving into various new channels and formats in addition to Internet retailing - urban entertainment, Main Street retail, and big-box retail. At the same time, older formats such as second tier malls and outdated community shopping centers are fading out. Shopping remains a major activity with great social and economic importance to cities. As drivers, managers and regulators of the form and functions of the urban fabric, planners must concern themselves with these changes. Yet it is peculiar that much of the current planning literature fails to address the questions and concerns about the potential impacts of Internet shopping on place-based shopping. Without an understanding of the future implications of Internet shopping, urban planners and real estate professionals who shape and direct our urban environments will find it difficult to navigate the various claims in the media, and are faced with great uncertainty about their traditional practices.

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19 For the purposes of this paper, “Internet shopping” “cyber shopping” and “e-tailing” refer to shopping via the World Wide Web.
Retailing is the magnet that draws people to downtown and the glue that holds it together, and mayors, redevelopment chiefs and planners have an old tradition of using retail centers to revive weak downtowns. This role of retail as a reviving tool makes understanding the potential impacts of Internet retailing critical for planners and developers alike. Planners who have looked to retail to attract people and business to their cities and give the city a competitive advantage, must re-examine the role of shopping in the future city. This requires a comprehensive and critical assessment of the interconnected relationships between virtual and physical shopping and urban life. As a start, this thesis attempts to introduce varied perspectives and develop a foundation of understanding that identifies some of the critical issues of the debate.

**Audience and Purpose of Thesis**

The purpose of this thesis is to investigate the relationship between online retailing and retail real estate and its potential implications for planners. Real estate industry professionals and planners have recently become very concerned about the claims that online retailing threatens the very existence of the physical store and more specifically, the shopping center. The focus of this investigation is whether these claims are valid; whether “e-tailing” has the potential to replace the social and economic functions of shopping centers. The research herein will therefore investigate the following:

- *What is the role of shopping in urban life?*

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• What models can be used as analytical frameworks to understand the relationships between real estate, retailing, and e-commerce?

• What do the current literature and practitioners in the public and private sectors say about the relationships between real estate, retailing, and e-commerce?

• From the above research, what conclusions can be drawn about the impacts of e-commerce on the retail component of regional shopping centers?

• What are the implications of the relationship between retailing in downtown regional shopping centers, retail real estate, and e-commerce for planners?

• What role can planners expect the regional shopping center to play in cities in the future?

By addressing these questions, this thesis seeks to establish that, while it has some distinct advantages, e-tailing has some important disadvantages, and together, the physical and virtual forms of shopping can compliment each other in a hybrid form of retailing.

The Theories

A closer look at the current literature reveals three hypothetical scenarios that address the impacts that e-commerce may have on physical retailing:

1.) Internet shopping will completely replace place-based shopping in most of its forms.

This argument asserts that Internet shopping is a powerful and efficient enough technology to rapidly cannibalize in-store sales to the point that most retailers will not afford to maintain a physical presence. Mark Borsuk, the managing director of the Real Estate Transformation Group in San Francisco, CA, is one of the main proponents of this argument. He argues that as more and more store sales migrate to the Internet, traditional retail sales channels will be transformed, thereby decaying location values and the viability of bricks-and-mortar stores. He claims, “the present generation of shoppers is learning to avoid the store in favor of online
Further, he asserts that the Internet’s ability to “take the shop out of shopping” will force retailers to drastically reduce their physical presence. This argument was even given a degree of validity when Egghead Software closed its physical stores to become a pure online retailer. Moreover, when Time magazine’s cover claimed “Kiss Your Mall Goodbye,” online shopping is faster, cheaper and better,” excitement over the potential of Internet shopping to replace place-based shopping escalated. These assertions spawned a flurry of media hype and concern.

2.) Internet shopping will only serve as a compliment to physical shopping, playing a similar role as the catalogue. The above scenario also spawned a backlash against the “doomsday” school of thought, asserting that Internet shopping is nothing more than a new form of the catalogue. By this argument, place-based shopping is an ingrained activity in our culture, inextricably linked to physical place. Moreover, those who shop via the internet are those who rarely or never shopped at physical stores anyway.

3.) Virtual and physical shopping will merge resulting in “cyberphysical” shopping. At a talk on telecommunications and the future city, Bill Mitchell, the Dean of the School of Architecture at MIT, predicted telecommunications technology will initiate a “fragmentation and
recombination of familiar building types and urban patterns.” Similarly, this school of thought asserts that Internet technology will drive the evolution of the form and function of the downtown regional shopping center into a new model that integrates the virtual and physical worlds of shopping thereby creating a hybrid experience. For the downtown regional shopping center, this integration will result in a change in the type of goods offered and methods by which consumers shop for them. For example, place-based shopping will evolve into a digitally-mediated experience whereby consumers may use the Internet at a store to facilitate their shopping experience.

The degree to which planners, developers and the retailing industry understand and embrace the dynamics of the relationship between Internet shopping and physical shopping will determine the success of their endeavors. Some analysts assert that “the emergence of e-commerce and universal connectivity will have a dramatic impact on real estate development. Developers will find that either they must take advantage of the potential of the Internet to create properties of unprecedented value or they will soon see their developments falter.” Despite predictions presented above, that the Internet will revolutionize everything, or that it does not matter, the hypothesis of this thesis is that Internet shopping will merge with traditional shopping, driving the evolution of the downtown shopping center into a recombination of new flavors, experiences, and offerings.

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The Challenge of E-tailing

There are distinct characteristics of Internet shopping that significantly challenge the traditional, place-based retailing format. From the retailers’ perspective, there has been relatively cheap and available capital, a tax moratorium on goods sold on the Internet, and governmental support. Moreover, from the consumer perspective, despite the deterrents to the proliferation of Internet shopping, it must be recognized that, “In all instances the Internet provides an opportunity for enhanced customer understanding, service, and expanded market access.” Internet shopping offers a new kind of convenience, unprecedented richness in product and service information, and as stated above, access to markets well-beyond the reach of a single store. Specifically, Internet shopping enables customers to research and shop offering detailed price and product comparison, extensive, fast and personalized searching guidance and product information, store location capabilities, real-time stock information, and quick purchase or “check-out.” The following walks the reader through several virtual shopping experiences to exemplify some of these Internet shopping attributes.

Researching the product: Detailed price and product comparison

The Internet currently allow consumers to instantaneously research and compare products and prices, in ways that are impossible by shopping at a physical store. Suppose a shopper is thinking of purchasing a CD player. CNET.com is a website that allows consumers to research electronics products. Figure 7 (Appendix B) displays the screen that is presented from a search for CD players. CNET produces a list of all CD players that it finds, with the lowest price highlighted.

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The customer can click on the product name to learn more about the product, or on “Filter your results” to narrow the search. The search can be narrowed by brand, CD capacity, digital output, price range, and more. A key advantage of this site is that it allows the consumer to compare up-to-date pricing information. For example, the customer can click on “check latest prices” for a specific product and the site will produce a list like the one presented in Figure 8. The site sorts the findings from least expensive to most, listing the merchant, consumer rating, price, phone number to call, shipping costs and information, and whether the merchant conducts international sales. Furthermore, CNET offers access to “more company info,” user opinions, specifications, product information, or manufacturer profile at the click of the mouse.

Shopping for the product

While CNET is a site that provides access to a plethora of product information, it is not a retailer itself. Customers can still go directly to a retailer’s website to shop as well as obtain product information. Many Internet shopping sites now offer a richness of experience that eliminates waiting for salesclerks (sometimes of questionable knowledge), in long check-out lines, and the mad search from store to store when no store seems to have the product. For example, a good site to shop for a CD player is Circuitcity.com. It is the Internet shopping site for Circuit City, an electronics retailer that has large physical superstores.

Through the site’s “Shop & Learn” option (Figure 9), the customer can easily shop for CD players, even if she does not know the exact brand or type she wants. It provides extensive, fast searching guidance and the ability to personalize the search. Once the shopper indicates CD players as the product to shop for, Circuitcity.com helps guide the search with its “Feature
Selection” page that asks the shopper questions about preferences (Figure 10). Moreover, confusing and foreign technical terms are no longer an obstacle because a definition is only a click away before a glossary window pops onto the computer screen (Figure 10).

Once the customer completes narrowing the search for CD players by feature preferences, Circuitcity.com produces a page with “10 products were found that match your needs” (Figure 11). This page offers a richness of information on the products the retailer sells that is difficult to obtain as easily or quickly at a physical Circuit City. For example, several of the features are:

- **Item Description.** A brief description is displayed and by clicking on the product name, even more information appears.

- **In-store express pick-up** (Figure 12). Shopping at the Circuit City website adds a new dimension of convenience to the shopping experience. It allows the customer to not only locate the nearest store, but to purchase the item and have it waiting at the selected store. Once the customer selects the stores where they might want to do an express pick-up, the site then displays, by each CD Player where the particular item is available in stock, for fast-ship, etc. (Figure 13).

- **Add to Compare.** The site even offers the option to compare selected CD players. When specific items are selected and the “Compare Now” button is clicked, Circuitcity.com produces a chart that compares the selected items on up to 40 characteristics (Figure 15).

Even without sales people, the circuitcity.com offers elaborate customer assistance as well as quick purchase. Even if the experience becomes confusing, the shopper can always click the
“Help & Service” tab which presents a wide variety of help options and even links directly to manufacturer websites (Figure 14). Finally, online shopping entails no lines at the checkout. The Circuitcity.com page displays the shopping cart contents and offers a click-by-click guide through checkout (Figure 16).

This example of shopping for a CD player reveals how rich and easy the online shopping experience can be for electronics. However, other product types have been criticized as being too difficult to shop for over the Web. For example, many shoppers may think that clothing is still a product that must be purchased in person, or why not use a catalogue. Some Internet shopping sites, however, allow customers to do things that cannot be done in the store, even with apparel. Gap.com, for example, allows the shopper to compare different styles of jeans side-by-side from many angles, including views that would be difficult to see in a dressing room, or when the merchandise is folded on a table. Figures 17 and 18 show screen stills from Gap.com, where several styles of Gap jeans are compared. The site gives detailed characteristic information on each style, such as fly type and waist, leg, and ankle fit. Moreover, the shopper can "select a view" to view two different styles from the front, side, back, or in a sketch, right next to each other.

Clearly, there are significant benefits to Internet shopping, yet the question remains as to how these benefits compare to and affect place-based shopping. Nonetheless, it is certain that,

"[the Internet] is creating vast virtual marketplaces for labor, services, and goods that provide sellers with access to more potential buyers, but at the same time give buyers more choices and more detailed, accurate, and up-to-date price and availability of information."²⁹

E-tailing: Issues and Obstacles

There are several sub-issues that have drawn attention to the deterrents to e-tailing. These issues fuel debates in their own right and dominate much of the discourse comparing and contrasting the electronic and traditional retailing models. The debates address:

Product types. Many analysts and experts point out that the effects of Internet shopping on place-based shopping will depend on the type of product for sale. That is, some categories of goods are much more suitable for an Internet sales format and therefore, stores that sell these goods seem to be more vulnerable to influence of Internet shopping than other types. One study revealed that in terms of potential electronic retail influence, there is a general divide between standardized or homogenous goods and differentiated or heterogeneous goods. A central factor here is whether the good requires a shopper to touch or try the product, and generally, homogenous goods like commodities (i.e., books, music, video) are “low-touch.” Whereas, heterogeneous goods like apparel are “high-touch” – they require physical interaction. So far, “low-touch” item sales are the largest proportion of Internet retail sales, although it has been suggested that this may be changing.

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31 For a further discussion and product type analysis, also see Rosen, Kenneth and Amanda Howard, “E-retail: Gold rush or fool's gold?” (online version) pp. 6-9.
32 “E-commerce Survey,” The Economist, 12.
Distribution. A central issue that has emerged as Internet shopping has proliferated is distribution, or "getting the products to the customers." This issue calls into question the advantage of the original e-tailing model, which is based on the ability to sell goods cheaper by saving on physical store costs and shipping goods to consumers directly from manufacturers. It is now coming to light that "too many [e-tailing] companies started with the assumption that the challenge was getting people to buy things, when in fact, the real challenge is getting it to them." Online retailers are realizing that customers demand not only fast and efficient delivery, but also real-time inventory information, and as orders increase, are now "scrambling to build warehouses and find distributors." As Dr. John Konarski of the International Council of Shopping Centers (ICSC) stated, "it is much more cost efficient for a manufacturer to send, say 1,000 bottles of perfume to one store, versus sending 1,000 bottles to 1,000 different customers." Moreover, he points out that "the fundamental flaw of the Internet is the disconnect between ordering and delivering products – we still cannot get the products into the hands of the customer any faster than by current means." These distribution issues threaten to erode e-tailers pricing advantages, which they claimed as a key advantage over physical retailers.

Start-Up, Marketing, and Operating Costs. Although the Internet retail format was originally perceived to be more cost efficient than traditional retailing, there are significant expense obstacles associated with start-up and site construction, maintenance, advertising and marketing,

35 Ibid.
37 Ibid.
shipping and customer service.\textsuperscript{38} For example, brand image is proving to be a critical issue for e-tailers.\textsuperscript{39} It is coming to light that traditional retailers, having established reputations through their physical presence, have a distinct advantage over Internet-only retailers who have to create brand image from scratch. On average, Internet retailers spend $26 per online order for promotion, versus $2.50 per sale for the physical store.\textsuperscript{40} Moreover, this established brand recognition is allowing traditional retailers to dominate the online world as well. Other underestimated costs for the e-tailer include the costs of hiring live customer service staff, as well as maintaining the Web-sites themselves, and web designers are much more expensive than salesclerks.\textsuperscript{41}

**Technology.** In the long-term, it is predicted that technology will be an advance Internet shopping and its competitiveness with place-based shopping. It is asserted that technological advancements will improve customization, navigation, and ordering, while the increasing numbers of Web-ready computers and Web-TV will enhance customers’ comfort levels.\textsuperscript{42} Moreover, the proliferation of shop bots (Internet information assistants) will enhance navigation, price and product comparison abilities, and convenience.\textsuperscript{43} Nevertheless, the technological foundation for e-commerce is still evolving and is currently a significant obstacle

\textsuperscript{39} For further discussion on branding, see “Retailing for the Next Millennium,” by Sanford Stein in *VM+SD* (October 1999).
\textsuperscript{40} PPR, “Internet Retailing Revealed,” 12.
\textsuperscript{42} Rosen and Howard, “E-retail: Gold Rush or Fools Gold?,” p. 4 (online version).
\textsuperscript{43} For more on shop bots, see Bayers, Chip, “Capitalistic Econstruction,” *Wired* (March 2000).
to its success and proliferation. Limited bandwidth that slows Internet connections and Web site functions and underdeveloped security software are cited as key areas lacking in sophistication.44

Methodology of Thesis

To assess the potential impacts that e-tailing will have on place-based shopping, this thesis follows the methodology outlined below:

Context. In order to root this debate in a larger context, Chapter 2 explores the socio-cultural role of shopping, revealing its evolutionary character and its staying power with a central role in urban life. Chapter 3 explains why an understanding of the future relationship between e-tailing and traditional shopping is important to city planners, especially those involved in revitalization.

Analytical Framework. I selected the downtown regional shopping center as the prototype for study and established an analytical framework that reveals the critical links that physical shopping provides in the retailing industry. Rooted in this context, a set of critical factors that determine the success of the downtown regional shopping center were developed to frame the analysis to follow in Chapter 5.

Research. Based on the analytical framework established in Chapter 4, I conducted six interviews with practitioners in retailing, real estate and planning in both the public and private sectors. Data from the interviews were thematically analyzed with information from primary and secondary literature sources. Chapter 5 presents the central research methods and findings, and

Chapter 6 presents further analysis of the findings. The interview data, combined with information from literature sources, suggest that the impacts of Internet shopping on the future role of the downtown regional shopping center will depend on three key themes. The second part of Chapter six characterizes the hybridization of the virtual and physical shopping formats, identifying the characteristics of the downtown regional shopping center that will be most changed by the proliferation of Internet shopping.

Conclusions. Based on the research in the preceding chapters, Chapter 7 presents conclusions and recommendations to planners and real estate professionals on how to address the coming changes.
CHAPTER 2

SHOPPING: A SOCIO-CULTURAL PERSPECTIVE

Drivers of Place-Based Shopping

The questions around the vulnerability of bricks-and-mortar stores call into question the staying power of a centuries-old tradition of shopping and ultimately center on the factors that drive place-based shopping. Although there are many ways of looking at this issue, the current literature attempting to assess the impacts of the Internet on place-based shopping focuses heavily on consumer demand, sales and marketing, profits, and merchandising issues. However, since “the traditional economic model of free markets has very little to offer in understanding why consumers shop in the ways they do,” 45 one must turn to other models and perspectives. Shopping has deep roots in our society as both a social activity and a physical form. Yet the current assessments fail to fully recognize the critical role that shopping plays in the form and function of cities. A broader, more socio-cultural analysis than has been previously considered is necessary to set the stage for a more thorough understanding of the potential impacts of Internet shopping on place-based shopping. Therefore, this section explores shopping as part of a complex set of socio-cultural relationships between sociality, consumption practices, and urban form. Moreover by considering social factors such as habit formation, motivation and group belonging, consumer behavior can be better understood, facilitating an identification of its links to sociality and physical space. 46

45 Underhill, Paco, Why We Buy (New York: Simon & Schuster, 1999): 93
Sociality, Shopping, and Urban Space

Shopping is a much more important social activity in urban life than it might seem, and as an important practice of sociality, it has close connections with urban space. This has been discussed by several authors and thoroughly by Glennie and Thrift (1996):

*The identifications that people adopt are conditioned by specific public sites of social centrality around which crowds and constituent groups form. Such public sites have always been important in the formation of sociality because of its tactile constitution through... talking, gesturing, touching arguing, expressing and so on.*

As such sites, shopping places served and continue to serve as central facilitators and foci of social activity. Historically, the marketplace has been the center around which many cities developed, functioning as a key forum for critical human social interaction. Moreover, shopping centers that are more than just marketplaces have become increasingly important as public sites. The streets and marketplaces once served as key public gathering spaces. Yet, “in the 20th century, spaces of retailing, recreation, leisure, and entertainment have become increasingly significant as settings for group involvement and interaction.” Shopping venues provide these settings and therefore unite sociality and urban space.

As a link between urban space and sociality, shopping serves as a social facilitator. Historically, it has been the means by which social interaction could take place, where it might not have without it. For example, city streets in Paris around 1800 were no place for casual promenading.

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47 (O’Brien and Harris, 1991; Alexander and Muhlebach, 1992; Underhill, 1999)
49 Ibid. 227.
or window shopping with “narrow, crowded with horse-drawn traffic, slippery from greasy cart axels, spattered with slop and mud, and no sidewalks.” Again exhibiting its adaptability, retailing responded to this problem. “As an alternative to dangerous and unpleasant streets, some ingenious merchants cut passageways through large buildings and filled them with booths or shops on either side,” creating the early arcades, forerunners of the shopping mall. Even at this time shopping was establishing itself as an escape from the tedium of everyday life, for the success of the arcades “depended on the ability to build an arcade as bright as an open space, warm in winter, cool in summer, always dry and never dirty and dusty.” Most importantly, once established these arcades became more than shopping districts; they turned into public promenades and civic gathering places distinguished by a high quality of design. Today’s shopping centers and malls are no different for these purposes. Quincy Market in Boston, for example is a major public gathering place for the entire Boston area, as well as tourists.

**Consumption, Culture and Technology**

While the shopping center is a critical forum for social activity, as the new information economy continues to pervade society at all levels, people have more and more choice as to the social activities for which they leave the home. Understanding why one might make those choices is keys to understanding the future relationship between Internet and place-based shopping. A closer look into the relationships between human behavior and consumption patterns can shed light on the motivations that would drive people to choose to shop outside the home.

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50 Frieden and Sagalyn, 9-11.
51 Ibid.
52 Ibid.
First, it is important to examine the critical connections between changing retail spaces and changes in consumption cultures and practices. There are two main interpretations of what has happened (between the late 18th century and today) with consumption practices in general. One attempts to explain the mass spread of homogenous urban retail patterns such as the Starbucks on every corner in America, resulting in the apparent loss of individuality in our communities. In this interpretation, the speed of daily life, accelerated by the proliferation of technological advances such as the Internet, drains meaning from our activities and objects and is blamed for several perceived ills of society. The increased use of technology is homogenizing people and places, while simultaneously fragmenting our sense of community and resulting in a general sense of anomie. Moreover, the disappearance of place-specificity as part of everyday life is contributing to a process of cultural fragmentation by which distinct identities have dissolved to a considerable extent, at least in so far as cultural diversity shapes the structuring of consumer behavior. For example, in this view, by dissolving the importance of physical space, the Internet is breaking down cultural bonds which often shape our senses of self and community and therefore our consumer behavior.

Conversely, a more positive view focuses on technology’s potential to reshape our meanings of work, leisure and consumption, to redefine and reconstitute community, and to recognize and reorganize space and everyday life. In this view, technology, rather than breaking down the critical connections between sense of self and consumption, maintains and even strengthens them. The focus here is the effects of technology on the “ways in which human subjects and

53 Ibid.
54 Glennie and Thrift, “Consumption, Shopping and Gender,” 221.
55 Ibid, 222.
senses of self are not necessarily being emptied out or flattened, but may in fact be being
deprofiled, opening up many... possibilities for social relationships, through friendship, to work
relations, leisure, and not least, consumption." This view would suggest that the use of the
Internet does not dissolve our senses of self or the importance of place. Instead, it increases our
capacity and need to participate in the face-to-face physical world.

William Mitchell also questions the 'homogenization' view of consumption practices, also
suggesting that technology increases our capacity and need for face-to-face interaction. His
analysis in *E-Topia* (1999) asserts that the potential redundancy of place-based shopping
"depends on the questionable assumption that our capacities for social interaction are fixed and
thus set up zero-sum games for us; if you devote your attention to certain social opportunities,
you must correspondingly decrease your attention to others." Mitchell states that there is
growing evidence that "electronic telecommunication both increases our overall capacity for
social interaction and changes the structure of the game in complex ways." Thus this new
structure of 'the game,' or new potential for social interaction, must be considered when
assessing the impacts of e-commerce on shopping. In light of the latter views of technology's
facilitation of deeper social interaction, does this not counter the assertion that Internet shopping
has the power to kill place-based shopping as a central form of social interaction?

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56 Ibid.
57 Ibid.
58 Ibid.
59 Mitchell, 90.
Consumption and Human Sociality

The ‘cultural segmentation’ view emphasizes that consumption cultures and practices are inextricably linked to human sociality. Sociality can be defined as “the basic everyday ways in which people relate to one another and maintain an atmosphere of normality, even in the midst of antagonisms based on gender, race, class or other social fractures.”60 The significance of everyday direct human contact is a central feature of the definition of sociality.61 Therefore, this suggests that consumption practices (i.e., shopping) are a central way by which we experience this human contact so important to our sociality.

The interdependence of sociality and consumption is even more ingrained in American culture. Throughout most of human history, people based their identities on religion, class, and region, strengthened by family and tribal affiliations going back for centuries. Yet, it has been argued that American culture weakens those ties, if not severs them altogether, thereby necessitating individuals to discover who they are, even invent themselves.62 Therefore, this suggests that Americans select those products and pleasures most expressive of their personalities. The products and services we consume and wear combine to establish each of us as unique.63 Thus, the importance of shopping as a means of social interaction is that consumption is a central aspect of human social development and shopping is the primary means by which we consume.

60 Glennie and Thrift, “Consumption, Shopping and Gender,” 225.
61 Ibid.
63 Ibid.
The Shopping Environment and ‘Purchasing Fun’

This central social importance of shopping is further evidenced by the continued emphasis on the “shopping experience” which also links the act of shopping to sociality, as well as form. Since the 1960s, developers and planners openly acknowledged that “…an enjoyable total environment would bring people in [to shopping centers] and get them to stay.”64 They have long recognized the many “advantages of going beyond commercial needs by furnishing lavish public spaces” in shopping environments,65 and this reality is why the hot topic most recently in conventional retailing is “entertainment shopping.” Lester Thurow pointed out in The Boston Globe that “if shopping is thought of as an activity where one is purchasing fun as well as goods and services, goods sold in a fun context can be sold for more than goods that are simply sold.”66 This emphasis on shopping as experiential and fun increases its social role in urban life, and has emerged as a central theme defining the future of successful retail.

64 Frieden and Sagalyn, 65.
65 Ibid.
WHY THE E-TAILING DEBATE IS OF INTEREST TO PLANNERS

Importance of Shopping to City Planners: Retailing and Urban Economic Vitality

For centuries, the marketplace has been the focal point around which a city’s physical and economic development occurs, since “a vibrant retail core is an essential element of urban dynamism.” The retailing industry and urban form through which it manifests itself are dynamic in its responsiveness to society and has therefore long been a focus of planners for economic and social development of a city. In assessing its physical staying power, it must be recognized that retailing has evolved and continues to evolve in its form and function in the urban fabric, responding to a wide array of endogenous forces. To the point, “the structure of the retail system at any time mirrors the complex interrelationships between economic, social, technological, and political factors.” Specifically, downtown retail developments have been referred to as “yesterday’s arcades, adapted to today’s urban needs and opportunities.” Planners should realize and embrace that retailing evolves with societal changes and therefore it will be affected by e-tailing. They must be aware and have understanding of the role that e-tailing will play in the future downtown regional shopping center.

As established in Chapter 2, shopping’s form and function both play a critical social role in urban life, therefore the future prospects of place-based shopping take on great importance for

\[\text{\textsuperscript{67}}\text{O'brien and Harris, 117.}\]
\[\text{\textsuperscript{68}}\text{Ibid., 114.}\]
the planning profession. Planners whose central focus is to promote and maintain the social and economic vitality of cities have looked, at least since the 1950s, to shopping as a tool for social and economic revitalization, as well as an enhancement of competitive advantage. Friedan and Sagalyn in *Downtown, Inc.* state that “When mayors and their redevelopment chiefs looked to retail centers to revive their weak downtowns, they were returning to an old tradition. Retailing – and especially the department store as its key institution before the modern shopping mall – was the magnet that drew people to downtown and the glue that held it together.”\(^7^0\) Moreover, in developing effective incentives and policies for downtown development, planners must understand the market and the depth of demand for goods, as well as retail space.\(^7^1\) The role of the shopping center as a reviving tool makes understanding the potential impacts of Internet retailing critical for planners and developers alike.

Moreover, technology has had negative impacts on downtown before. In the 1950s, planners sought to combat the decline of America’s downtown’s, which, some argue, was largely driven by the rapid spread of car ownership and use between 1910 and 1930 that led to major changes in American’s lifestyles.\(^7^2\) Increased automobile traffic and narrow boulevards designed for horse-drawn carriages and the growth of the suburbs between 1920 and 1950 drew retail out of downtown and into the suburbs.\(^7^3\) This process of change, with negative effects on downtown life, driven by a new technology, is one that planners must be aware of. Just as the technology of cars led to changed lifestyles, rendering existing infrastructures inadequate or obsolete, and contributing ultimately to the decline or even failure of downtowns, Internet technology could

\(^7^0\) Frieden and Sagalyn. 7.
\(^7^1\) Hudnut, William III. “Urban is ‘In’” *Urban Land* online archive: July 2000.
trigger the same effects. Planners must be prepared so that the current infrastructures that
downtown retailers rely on do not become inadequate or obsolete in the face of the proliferation
of the Internet. Most importantly, planners must recognize that they will serve their communities
best by understanding what role retail will have in cities in the 21st century so that they can
effectively encourage the creation of “competitive, functional space for merchants, and exciting
environments for customers.”

An Urban Revitalization Model

Today, shopping centers are becoming increasingly important for the services they provide to
consumers and the many ways in which they benefit the communities in which they are located.
“No other property type has the impact on a community that a shopping center does. In
particular, it provides substantial revenue, a variety of employment opportunities, the
convenience of one-stop shopping, and a testing ground for new businesses.” Specifically, the
revenue that retail provides for cities in the form of sales taxes is critical. Many planners are
concerned about e-tailing because online shopping separates the sale from the place and
therefore has the potential to undercut sales taxes. One source stated that revenues from sales
taxes can compose up to 30% of a municipality's budget. As federal regulations and laws are
revisited, planners will have to keep this issue in mind.

73 Ibid.
74 Ibid., 29.
75 Alexander, Alan A. and Richard F. Muhlebach, Shopping Center Management (Chicago: Institute of Real Estate
76 Steele, Tim, City of San Jose, Office of Economic Development, telephone interview, July 14, 2000.
Participants in a 1998 ULI Mayor’s Forum “all agreed that if cities could create an environment friendly to retail, it would help revitalize their downtowns.” Furthermore, the role for planners is critical since,

...local planning agencies and public-spirited citizens will have a strong say in many aspects of shopping center development...it should improve a shopping center’s acceptance by the community and the likelihood of its financial success...The coming years will see many changes and offer many challenges to the shopping center...changes and challenges that provide opportunities to succeed.”

In using retail as a tool in building communities, planners must see that “the first step to stimulating retail downtown is to develop a vision and a strategy for implementing it...a well-conceived plan for downtown development makes it viable and predictable for developers as well as citizens.” In the 21st century, to create a well-conceived plan, the impacts of Internet shopping should be understood.

This chapter presented some arguments as to why the future relationship between e-tailing and place-based shopping is important to planners. The following chapter develops an analytical framework to assess the potential impacts of e-tailing on place-based shopping.

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77 Hudnut, “Urban is ‘In’”
78 Alexander and Muhlebach, 15.
79 Hudnut, “Urban is ‘In’”
Although a socio-cultural understanding of shopping is necessary to recognize the importance of place-based shopping in urban life, a more specific analysis from a retailing perspective will provide a more comprehensive assessment of the potential impacts of Internet shopping on place-based shopping. While there has been a great amount of literature and discussion about the impacts of the Internet on physical shopping centers, much of the discourse lacks a systematic method for assessing the potential impacts. Moreover, there are little or no assessments that consider the city planning perspective. Therefore, this thesis applied concepts of disaggregation and the value chain to establish a framework from which a systematic assessment could be conducted to yield insights particularly relevant to city planners.

Prototype of Study

Assessing the impacts of e-tailing on traditional shopping has received a great deal of attention, both in the media, and in research reports by research or consulting firms on e-tailing and traditional retailing. As previously stated, the real estate industry, in particular became vulnerable to speculation about potential threats to retail real estate posed by Internet shopping. Yet, only a small portion of the literature focused on the impact that e-tailing might have on shopping centers as a specific property type. Further, very little of this includes comprehensive

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80 Some examples are the newly initiated annual “Internet Shopping Study” by Ernst & Young LLP; links dedicated to the topic on both the International Council of Shopping Centers and Urban Land Institute websites, and The Economist dedicated a Survey in the February 26, 2000 issue to the topic.
and critical focus on the downtown regional shopping center. This is problematic for several reasons. First, there are at least eight types of shopping centers that all have different characteristics and success factors, as well as an estimated 44,426 centers nationwide. So, generalizing about them is difficult and may be inaccurate. Moreover, the experience that each provides for the consumer varies with the type of center. This thesis will focus specifically on the downtown regional shopping center as a retailing prototype since it is a central element in many cities in America. Most importantly, it is a well-established and understood prototype of shopping form and function with identifiable success factors.

A shopping center, as defined by the International Council of Shopping Centers (ICSC) is:

A group of retail and other commercial establishments that is planned, developed, owned and managed as a single property. On-site parking is provided. The center’s size and orientation are generally determined by the market characteristics of the trade area served by the center. The two main configurations of shopping centers are malls and open-air strip centers.

Since there are many types of shopping centers, to narrow the scope of the analysis, the thesis focused specifically on the regional shopping center type. It is a center type that ranges in size from 400,000 to 800,000 square feet of gross leasable area. Serving as its main attractions are two or more anchors that are typically full-line or junior department stores, mass merchants, discount department stores, or large fashion apparel stores. Apparel retailers occupy a large percentage of the smaller shop spaces, while the others are gift, jewelry, and food service retailers. A typical regional center is usually enclosed with an inward orientation of the stores.

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81 For brief discussions of the issue, see “E-Retail: Gold Rush or Fool’s Gold,” by Kenneth T. Rosen and Amanda Howard, “Real Estate and Retailing Today: Part Two,” Real Estate/Portfolio Strategist, v.3, no.4 (March 1999).
connected by a common walkway and parking surrounds the outside perimeter, although for the downtown location, a parking garage is usually attached or nearby.\textsuperscript{84}

This thesis is concerned only with the regional shopping center type in downtown locations for two reasons. First, the use of retail as a planning tool has been largely focused on downtown revitalization, therefore making the downtown center of special interest to planners. Second, there are a huge number of regional shopping centers in suburb locations, and they have different success factors to consider. By focusing on regional centers downtown, the unit of study is narrowed to a prototype in a specific type of location with one set of general characteristics. Examples of this prototype include San Francisco Center, San Francisco, California, Horton Plaza, San Diego California, Copley Place, Boston, Massachusetts, and Watertower Place, Chicago, Illinois.

**The Foundation Framework**

Telecommunications technologies and virtual communities will have spatial effects with implications for the built

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\textsuperscript{83} International Council of Shopping Centers Library online: http://www.icsc.org

\textsuperscript{84} Ibid.
environment and urban life. William Mitchell suggests these effects will be played out through a process of fragmentation of familiar places and urban patterns whereby some locational bonds to activities will be broken, others will remain, and new ones will emerge. He proposes that the way to understand this process is by disaggregating the functions of an activity, observing the impact of telecommunications on each function, identifying which locational bonds might be broken, and then aggregating the thus modified functions to get a sense of the new pattern of activity. Adapting this model for this thesis, the analytical framework developed herein aims to 1) disaggregate retailing into its various functions; 2) identify locational bonds related to the functions (to see what processes are linked to place); 3) guide the assessment of the effects of the Internet on the locational bond between the downtown regional shopping center and retailing.

**Disaggregating Retailing**

**A: The Value Chain.** Just as Mitchell proposes disaggregation to understand the effects of telecommunications on various patterns of urban life, Michael Porter extends this logic as well and argues that use of the concept of the value chain provides a valuable framework in the process of disaggregation. He asserts that

"a systematic way of examining all the activities a firm performs and how they interact is necessary for analyzing the sources of competitive advantage...the value chain disaggregates a [business] into its strategically relevant activities in order to understand the behavior of costs and the existing potential sources of differentiation.""85

The value chain is a fundamental conceptual building block of strategic business management that can be used to consider how value is added at each significant point of the process by which
enterprises create goods and services. Stephen E. Roulac in his article, “Real Estate Value Connections: Tangible and Transparent,” applies the value chain concept as a framework to disaggregate the strategically relevant activities of retailing and identify the links between real estate and commerce. Part (A) of Figure 4 lists the fundamental elements of making and delivering products and services as a value chain.

**B: Selling Products and Services.** The element ‘Sell Products and Services’ of the general value chain in (A) can be disaggregated into a separate value chain unto itself as the retail value chain. The points of value creation in the process of retailing are listed in part (B) of Figure 4. According to Roulac, consideration of the connection between real estate and the particular component of the value chain involved in making and delivering services and products can yield important strategic insights. Extending this idea, this thesis considers the real estate connections involved in selling products and services, specifically highlighting the role that the downtown shopping center plays as a real estate value connection in the retail value chain.

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87 Roulac, Stephen E., “Real Estate Value Chain,” 396.
88 Ibid., 394-5.
Figure 4: Analytical Framework for Assessing the Impacts of Internet shopping on Retailing

C: Providing an Appealing Shopping environment: The Critical Success Factors

Place and space are the essence of retailing strategy, as the critical means of goods and service delivery, because customers seek direct immediate access to consumer goods and services on a daily basis. Real Estate, as commodified place and space, plays an essential role as a locational bond for each element of the retail value chain. Moreover, within each of the elements in the retail value chain (see (B), Figure 4), there are important value connections that real estate fulfils. Specifically, shopping centers are central to the element of providing an appealing shopping environment, a key aspect of creating and maintaining value for retailers. Critical factors to
consider in providing an appealing shopping environment are proximity, accessibility, convenience, exterior, store layout, interior decor, merchandise presentation. Table 1 outlines some of the real estate considerations of these factors. The downtown regional shopping center plays special roles in the real estate considerations of each factor.

Table 1: Traditional Critical Factors of Success in Providing an Appealing Shopping Environment

<table>
<thead>
<tr>
<th>Factor 1</th>
<th>Real Estate Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proximity, Accessibility, Convenience</td>
<td>Close to major business centers and primary residential areas; Accessible to public transit, major roads; Adjacent to transit stop, easy parking</td>
</tr>
</tbody>
</table>

While these factors and considerations have been developed from a traditional real estate standpoint, place-based shopping is evolving and additional factors need to be introduced. New success factors must reflect the role of shopping as an increasingly cultural activity that goes beyond convenience and consumption. Therefore, drawing from current retailing and planning literature the critical factors of sense of place, community benefits, and experiential aspects were added to the analysis. These new factors were integrated into the list in an implicit priority sequence that reflects their relative importance (Figure 5).

89 Ibid.
90 Ibid., 401.
Figure 5: Traditional and New Critical Success Factors

The New Success Factors

In contrast to the traditional factors, the newly introduced factors encompass more than locational and physical characteristics of a shopping center. These new factors address the evolving socio-cultural role of shopping, and allow for a more comprehensive perspective on the downtown regional shopping center. Table 2 outlines some of the key aspects of the new factors.
Table 2: The New Critical Success Factors and Retailing Considerations

<table>
<thead>
<tr>
<th>Factor 3</th>
<th>Retailing Consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sense of place</td>
<td>Provides excitement, establishes connection to place, creates a unique identity of the place, emphasizes qualities not found elsewhere, human-scale environment with humanizing touches</td>
</tr>
<tr>
<td>Factor 4</td>
<td></td>
</tr>
<tr>
<td>Community Benefits</td>
<td>Provide programs and spaces that serve the community, a mixture of events and promotions that play civic role, creates safe environment</td>
</tr>
<tr>
<td>Factor 5</td>
<td></td>
</tr>
<tr>
<td>Experiential Components</td>
<td>Provide entertainment, unique experiences, interactive environments</td>
</tr>
</tbody>
</table>

The central idea is to understand how e-tailing can influence the five critical factors, specifically, to identify the potential of e-tailing to alter the real estate connections between the factors and the retail value chain, and thus the success of the downtown regional shopping center.

Interviews of six experts were conducted to assess the impact of e-tailing on each factor. Chapter 6 presents a discussion of the interview the findings. Based on these findings, the analysis in Chapter 7 reveals key themes for the future of downtown shopping. Finally, conclusions and recommendations for planners and real estate developers and owners on the future form and function of downtown shopping centers are presented in chapter 7.
In order to assess the impact of Internet shopping on each of the five fundamental factors that make the downtown regional shopping center successful, qualitative interviews of professionals selected from the fields of retail real estate and planning and economic development were conducted. In general, several points of conclusion can be drawn. First, although they are changing, the five factors: proximity; accessibility; convenience; exterior; store layout; interior decor; merchandise presentation; a sense of place; community benefits; and experiential components will continue to be the foundation of success for the downtown regional shopping center. Yet, Internet shopping will drive a re-organization of the implicit priority sequence of the factors so that different factors rise to the top (see Figure 5).

**Figure 6: Effect of E-tailing on Priority Sequence of Critical Success Factors**

![Diagram of Critical Success Factors](image)
Contrary to what some suggest, the Internet is having a positive effect because it is increasing the need for a sense of place, creating more of a demand for place-based experiences that are entertaining and convenient. Moreover, as this demand infuses vibrancy and vitality into downtowns as the focal point of these experiences, the civic qualities of the downtown shopping center become even more important. Experiential elements, a sense of place and community benefits will become the most important factors of the place-based shopping model.

**FACTOR 1: The Experience and Entertainment of Shopping**

![Diagram](image)

Figure 7: Impacts on the ‘Experiential Components’ Factor

The most important aspect differentiating the downtown regional shopping center from Internet shopping is the experience. As previously discussed, one component of the experience of shopping is place. Yet, by far, the interviewees referenced sociality and tactility as the most critical differentiating experiential factors of place-based shopping in relation to Internet shopping. First, they all strongly agreed that the social experience of shopping is the key factor that will keep place-based shopping alive and well as a central element in urban life. Further, they emphasized the increasing importance of integrating entertainment with shopping, citing the important role of downtown as a setting. Next, the experiential aspect of tactility that is exclusive to place-based shopping, especially at the downtown regional shopping center, also emerged as a central theme from the discussions.
The Sociality of Shopping: Downtown and Entertainment. The role of shopping as a fundamental social activity in our lives cannot be replaced by Internet shopping. Downtown plays a special role in the sociality of shopping and is becoming an increasingly popular place for social activity of all kinds. As one planner pointed out, the reason people go downtown is to be around other people and have a connection that won’t be replaced by e-tail.”\(^{91}\) This role will only intensify as retailers increase their efforts to make shopping a more varied and fun experience. Downtown strengthens physical shopping because it provides the most opportunity for robust, stimulating experiences. As one retail expert stated, “people want varied and entertaining experiences.”\(^{92}\) The variety of experiences downtown offers distinguishes the downtown regional shopping center from other shopping venues. Therefore, the downtown regional shopping center has special importance over Internet shopping just by nature of its location. Even Jeff Bezos, the chairman of Amazon.com, one of the pioneering Internet retailers, was quoted saying, “There is a need for public spaces where people can shop and be entertained.”\(^{93}\) The downtown regional shopping center is an ideal such place.

At the same time, shopping centers often provide the variety of experiences that downtowns need to attract people. As one economic development planner noted on his firm’s efforts at downtown revitalization, “we emphasize that people will go downtown for a varied experience....this is why entertainment is the new buzzword in retailing.”\(^{94}\) Another planner pointed to the value of shopping centers with entertainment to downtown life, “if you look, the most vibrant cities are


\(^{93}\) Rosen and Howard, p. 6 (online version).
cities of entertainment...where revitalization has worked has not where there is just shopping, but also entertainment."95 Instead of being drained of life because everyone is engaging in activities via the Internet, downtowns will become centers for entertainment, and regional shopping centers will reflect this. Libby Seifel said, “The sense is not that the downtown center will die, but it will move toward an entertainment focus.”96

**Shopping as Entertainment.** As a social activity, shopping is increasingly becoming a form of entertainment. Over the past twenty years, as shopping centers have become omnipresent elements in the urban landscape, and the competition between them for our business intensified, it seems that our attention spans as consumers have declined.97 In response, retailers try varied ways of enhancing the shopping experience and differentiating themselves from others. The most recent trend reflecting these efforts is to make shopping more entertaining. “Entertainment-oriented retailers are the fastest growing segment of physical retail...today customers are demanding more than just product selection and service to encourage consumption.”98 Retailers are attempting to respond to this demand and capitalize on the sociality of shopping, changing the retail tenant mix in shopping centers, as well as their forms. Entertainment- and experience-related centers now feature open-air, larger-scale, and theme-oriented concepts to showcase experience over product selection.99

The interviewees agreed that the increased speed of daily life and reduced daily human contact of our technology-driven society is at the root of consumers’ increased desire for entertainment.

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95 Seifel, July 6, 2000.
96 Ibid.
98 Rosen and Howard, “E-retail: Gold rush or fool's gold?” 72-100.
Libby Seifel, a planner and real estate economist in San Francisco cited “The Experiential Economy,” a topic discussed at the Urban Land Institute Spring 2000 Conference as particularly compelling in this respect. She reiterated its main idea in our interview:

We used to be a commodity-driven society, then we became a goods-driven society (Industrial Revolution), then a service-driven society (Information Revolution), and now we are becoming an experientially-driven society.\(^{100}\)

The other interviewees supported this idea, asserting that the gaps that are being created by our reduced interaction with each other will be filled by entertainment. Moreover, several of the experts felt that felt that the more we interact with machines and virtual realities, the easier we become bored and the more we crave face-to-face contact.\(^{101}\) John Konarski stated, “the future of society is entertainment...when you think about it, everything must be entertaining now.”\(^{102}\)

The type of entertainment that shopping at a downtown regional shopping center provides is rich because it is stimulating on many levels. The richness of experience offered by Internet shopping, however is questionable. As one retail expert stated, “with respect to the internet and entertainment and experience, the question is whether the experience is robust enough, stimulating enough.”\(^{103}\)

**Variety of Experience.** Again, the reason for the demand for varied experiences may ironically be due to the increased use of our computers. One literature source observed that shopping on the Internet can be isolating, unsatisfying and boring. Furthermore, it suggests that “in a digital

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\(^{99}\) Ibid., 79.
\(^{100}\) Seifel, July 6, 2000. “The Entertainment Economy” is a concept developed and promoted by Michael D. Beyard, the Urban Land Institute’s Senior Resident Fellow for Retail.
\(^{101}\) Seifel, Konarski, Waxman, Steele.
economy, where consumers spend most of their workday behind a computer, an additional hour shopping at the same computer may be unattractive." 104 Indeed, John Konarski said, "I sit in front of this computer all day long...why would I want to go home and do it to shop?" 105 The downtown shopping center is now becoming a perfect place for many people who want to escape from the monotony of their computer work and be stimulated by a variety of experiences.

The demand for a variety of experiences was also a theme discussed in the “Experiential Economy” concept that a planner found so compelling. As she interpreted, because of the “experiential economy,” in order to be successful, retailers and cities must hit a “sweet spot” that is the juxtaposition of entertainment education, escapism, and aesthetics.

“Where these come together, people will pay, and they will pay alot...for example, consider cake mix. It can be sold for say, $2, but if you bake the cake, you can sell it for, say $25...but if you throw the whole party, you can charge $500. The attraction and profits are according to the magnitude of the experience.”

This is testament to weakness of Internet shopping to erode the viability of the downtown shopping center as a venue for variety of experience. Lester Thurow, a professor of management and economics at MIT, argued in favor of the staying power of placed-based shopping because people are buying more than just things, they are buying an experience, which also benefits the retailer:

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103 Pastore, Ron, AEW Capital Management, personal interview, June 26, 2000, Boston, MA.
104 Rosen and Howard, “E-retail: Gold rush or fool’s gold?” 6.
In this sense, place-based retailing stands to be more profitable than Internet shopping.

The Tactile Advantage of Place-Based Shopping. Tactility is another major experiential aspect of place-based shopping unique to place-based shopping that Internet shopping cannot replicate. It is hard to imagine purchasing, especially if a product’s tactile qualities are what’s most important, without touching it, seeing it live, or even trying it. Moreover, this physical examination is an integral part of shopping, which for many, is a sort of ritualized event. As a tactile experience; physical shopping gives us the opportunity to engage our senses with merchandise.

The decision-making process in shopping is hard without the sensory aspect. It is especially critical to the impulsive nature of place-based shopping, “virtually all unplanned purchases – and many planned ones, too – come as a result of the shopper seeing, touching, smelling, or tasting something.” The experts agreed that understanding this issue is critical for retailers to survive the Internet. A planner noted the importance of tactility in attracting customers as Internet shopping proliferates, “you have to think about what kinds of goods will and won’t sell online...for which offerings is it about the goods, and which is it about the experience?” One of the retail experts also supported this in asserting that customers usually shop with more than

106 Thurow, Lester, “5,000 More Years of Shopping.” D4.
107 Ibid.
108 Underhill, 162.
one sense in two dimensions – in many cases they need something tangible to feel truly comfortable when making a purchase. Importantly, he highlighted that Web sites do little to address people’s desire to touch and feel an item to be sure it’s what they really want. ¹¹⁰

Survey results presented in Value Retail News highlight the importance of both the social and tactile elements of place-based shopping. The survey asked 975 consumers “Why do consumers like shopping in stores during the holidays?” The results are presented in Table 3.

Table 3: Top Reasons for In-Store Holiday Shopping

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can touch/feel merchandise</td>
<td>56%</td>
</tr>
<tr>
<td>Enjoy festive atmosphere</td>
<td>39%</td>
</tr>
<tr>
<td>Can shop with friends</td>
<td>36%</td>
</tr>
<tr>
<td>Wide assortment of goods</td>
<td>35%</td>
</tr>
<tr>
<td>Get good gift ideas</td>
<td>32%</td>
</tr>
<tr>
<td>It’s a tradition</td>
<td>29%</td>
</tr>
<tr>
<td>Can get help from store employees</td>
<td>6%</td>
</tr>
</tbody>
</table>


The survey results show that the top reasons why consumers engage in place-based holiday shopping are because of the ability to touch the merchandise and the festive and social experience.

**The Role of Tactility in Shopping for Apparel.** This sensory aspect to place-based shopping is especially significant for the downtown regional shopping center because of the goods typically

sold there. The retail experts agreed, revealing that because the regional mall has a high cost margin, (chiefly because of its location) it offers higher-margin goods like apparel which require a higher level of sensory experience than lower-margin merchandise like books or music. 

This is a major defense that the regional shopping center has against the substitution of Internet shopping where tactile experience is impossible.

One study revealed that “consumers tend to be wary of high-cost, non-standardized items that they cannot physically examine and test.” Because of this, it appears that differentiated, higher-priced products, such as those featured at the downtown regional shopping center, appear more protected from Internet competition. Moreover, the downtown regional mall often offers specialty apparel that is even more cushioned from Internet sales pressure, as few specialty (high-end, brand name) retailers sell online. Most importantly, apparel is proving to be one of the hardest types of products to sell successfully online. The difficulty of selling apparel via the Internet is primarily because try-on is extremely important in clothing purchase, immediate gratification is highly valued in apparel, and most clothing is not standard – differences in fit, feel and size make Internet purchasing very difficult. As Pastore noted, for apparel, the Web shopping experience may not be robust enough. Yet, there is a counterargument asserting that this will change, driven both by consumers’ increased experience in buying certain types of goods and by advances in Web technology.

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111 Pastore, June 26, 2000 and Steve Coyle, Property & Portfolio Research, personal interview, June 27, 2000, Boston, MA.
112 Rosen and Howard, “E-retail: Gold rush or fool’s gold?” 6.
113 Ibid, 8.
114 Ibid.
There has been indication that the distinctions between high-touch and low-touch goods are blurring – that catalogue experience suggests that consumers will buy clothes without trying them on.\textsuperscript{116} This implies there is a potential for basics and more standardized items of clothing, such as those that appear in catalogues, may be appropriate for virtual purchase.\textsuperscript{117} Moreover, one source also argues that as customers get more comfortable buying these basics, it will drive much more apparel volume on the Internet.\textsuperscript{118} However, although some Internet sites are selling apparel well, they are mainly those that have well-established catalogue operations and customer bases and much of their online business is from internal company transfers from one channel to another rather than pulling shoppers out of stores. In the apparel segment in particular, one source reported an estimate that two-thirds of all 1998 apparel sales online originated from six retailers, five of whom have top catalogue operations.\textsuperscript{119} But still, of the top 20 Internet retailers in September, 1999, only two sold apparel.

\textbf{The Limits of Technology.} An important argument in this debate suggests that the true potential to replace place-based shopping is only limited by the current technology. Several literature sources assert that as Internet technology advances, shopping via the Web will be able to whittle away at the social, experiential, and entertainment advantage of physical shopping.\textsuperscript{120} The second half of the counter-argument to the necessity of tactile experience when shopping for apparel is that this importance will diminish as Internet technology becomes more sophisticated. Specifically, this view asserts that the improvement of graphical imaging for an enhanced visual

\textsuperscript{117} Coyle, June 27, 2000, Rosen and Howard, 2000, p. 8., Seckler, 23.
\textsuperscript{118} Seckler, “The Shopping Click,” 23.
experience in Internet shopping will sharply boost consumers’ confidence when shopping online.

One source stated,

Key will be the implementation of Internet connections with broader bandwidths that can accommodate the data-intensive software necessary to convey three-dimensional, photographic images, on a 360-degree axis, in realistic color, and with a capacity to zoom in on fashion details.\textsuperscript{121}

Yet, this argument rests on the contention that the difficulty of visualizing apparel online is the central reason why apparel is not one of the most popular e-commerce categories and why consumers still prefer place-based shopping for apparel. Proponents of this assert that upgrades in the imaging of apparel online alone will drive many consumers to start buying online.

However, Paco Underhill, in \textit{Why We Buy} (1999), maintains that “we buy things today more than ever based on trial and touch.”\textsuperscript{122} He states that anything that comes in contact with our bodies, not just apparel, are touch-worthy. For example, in one of his studies, towels were touched on average by six different shoppers before they were purchased. And he cites non-textile products as well – anything one would wear, wield or carry: lotions, lipsticks, hammers, suitcases, umbrellas, and even knives. He states, “...nothing takes the place of your own hand.”\textsuperscript{123}

On the entertainment benefits of place-based shopping, Paco Underhill also projects, “someday, I believe, cybershopping will have an added attraction: It will be fun. It certainly is not that now, which is a real problem.”\textsuperscript{124} Yet the futurists predict that Internet and computer technology will


\textsuperscript{121} Seckler, “The Shopping Click,” 23.

\textsuperscript{122} Underhill, 162.

\textsuperscript{123} Ibid.

\textsuperscript{124} Ibid., 222.
build the virtual experience into something very close to the physical-world experience, even
making it fun. *The Economist* stated,

...a welter of new techniques that the Internet has made possible...will help
to make online shopping cheaper and often more entertaining than real-world shopping.¹²⁵

To get a sense of the validity of these claims, I discussed them with the interviewees. The
conversations focused again on the difficulty of replacing the experiential aspects of shopping,
especially the fun part. All the interviewees agreed that Internet shopping, as it is now, is not fun.
The verdict is out as to whether technological advances can change this. While it could be argued
that increased speed and functioning of websites might make the Internet shopping experience
more enjoyable because of its convenience, the fun aspects of shopping are still unique to the
physical experience because the entertainment shoppers seek is fundamentally social.
Responding to the suggestion that websites might become more interactive, allowing virtual
dressing rooms, for example, John Konarski exclaimed, “it’s not just interaction…it’s interaction
with other people that is critical!”¹²⁶

As Paco Underhill states, regardless of the type of good sold, there are ultimately three big things
that physical stores alone can offer shoppers: touch, trial, or any other sensory stimuli, immediate
gratification, and social interaction.¹²⁷

¹²⁷ Underhill, 217.
**FACTOR 2: A Sense of Place**

A 'sense of place' refers to a feeling that we are *somewhere* rather than *anywhere*. When we have a sense of place while engaging in an activity, the place becomes an integral part of the activity, and vice versa. A critical connection forms in our minds between the activity and the place where it occurs. In the context of shopping, when we have a sense of place while shopping, that shopping experience becomes tied to that place, differentiating it from other shopping experiences.

This concept of a ‘sense of place,’ while seemingly abstract, is critically important to the success of the downtown shopping center. An Urban Land Institute source claimed that the “prevailing trend in developing successful urban retail is creating a sense of place.”128 Creating a sense of place is part of providing an appealing shopping environment to which consumers will return time and again. In light of the proliferation of Internet shopping, the question is, why is a sense of place so important to the success of a downtown shopping center? If shopping centers do not

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128 Hudnut, “Urban is ‘In’”.

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reinforce the link between activity and place, then it seems that Internet shopping would provide a viable alternative.

To better understand a sense of place and its role in shopping, I spoke with the experts about their understanding of a sense of place and the demand consumers have for it. While there does not seem to be a "right" way of creating this sense of place, the literature and the interviewees agree that a sense of place is essential. While the interpretations of what a sense of place means were varied, they revealed important links between shopping, community, and physical place.

**Technology-induced Placelessness and Downtown.**

*In an economy where technology has spawned the notion and created the reality of "placelessness," the ultimate, telling irony is that place...matters now more than ever before.*

One of the central arguments against the power of Internet shopping to replace traditional shopping is that because telecommunications technology renders place unnecessary for many activities, including and especially shopping, the power of place to attract our attention will increase. As stated earlier, there is growing evidence that electronic communication increases our overall capacity for social interaction, that "online interaction actually stimulates demand for more familiar sorts of meetings and meeting places." Another observer takes this assertion further, linking it to downtown: "With the rise of mass-merchandising, the Internet, and telecommunications, downtwons, whether in small towns or big cities, offer one thing all too

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130 Mitchell, 90.
often missing: a sense of place.” From this, one explanation of a successful place is one that serves as a “gathering spot with special qualities and characteristics not found everywhere else that provides excitement, variety, and a range of choices.” The downtown location of a shopping center plays a critical role in a sense of place because it “supplies a unique sense of placeness, of history, of meaning that are themselves unique assets in an increasingly homogenized and cyber-dominated world.”

**Community through a Sense of Place.** The importance of a sense of place as it relates to the role of shopping in a community emerged as a theme in several interviews, and is important to the consideration of Internet shopping to place-based shopping. A shopping center with a sense of place, a relationship to its context, has the power to reinforce a sense of community among its users. On the subject of defining and understanding community, it has been asserted that, “communities are forged...through the dynamic of place, enterprise, and social exchange.”

John Konarski pointed out that a sense of place, such as is provided by the shopping center, is closely linked to a sense of community and in this way is very important as an urban element. He said that “a shopping center’s position in a community is much more than getting goods to consumers – it is part of a community that can never be replaced by the virtual.” This roots a sense of community in a place and reveals the important role that the shopping center plays as a unique community gathering place. Moreover, shopping centers often create a unique synergy with downtown that attracts people in a different way than Internet shopping – downtown

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132 Hudnut, “Urban is ‘In.’”
provides something unique - "the entertainment, meet and greet venue. This can’t be duplicated on the Internet at all." An article in the industry journal Urban Land, stated to the point, "In addition to quality, convenience, and price, people want a sense of community and a different and pleasant experience. Downtown can provide beneficial interactions that other forms of shopping do not." Further, yet another retail expert supported the importance of this synergy that results from a shopping center in a downtown location by commenting (although somewhat darkly) that "there’s nothing authentic about the regional shopping center except perhaps that it is one of the few gathering places we have downtown." In this sense, the shopping center benefits the downtown as well as the downtown benefits the shopping center, and together they create a very unique sense of place that is difficult, if not impossible to replicate in the physical world, let alone in the virtual.

The Demand for Authenticity.

*Authentic: worthy of acceptance or belief as conforming to or based on fact; paints an authentic picture of our society; conforming to an original so as to reproduce essential features; made or done the same way as an original; not false or imitation: REAL, ACTUAL*  

Authenticity characterizes something that is authentic. As defined above, ‘authentic’ in not inextricably linked to place, nor is it an easy concept to grasp and would seem subject to individual perspectives. However, authenticity, while an ambiguous concept, has been asserted as an integral part of a sense of place, as well as something that virtual experiences

137 Hudnut, “Urban is ‘In.’”  
fundamentally lack. Joel Kotkin links authenticity to place, stating that authenticity represents “a natural outgrowth of a place’s past or a reflection of its current distinct reality; for urban centers, this sense of the past constitutes among their greatest intangible assets.”\(^{139}\) So, to understand the role it plays in shopping, place, and the city, I questioned the experts about their understanding of authenticity and the demand shoppers have for it.

Ron Pastore, the retail expert from AEW Capital Management felt that there is a certain demand for authenticity, although it is hard to articulate or quantify, and said the following:

\[\text{I suppose it refers to history or heritage, it is rooted to a place.}\]
\[\text{Authenticity draws on cultural identity. Authenticity implies a feeling of trust...through character or uniqueness, something not homogenized.}\] \(^{140}\)

This idea of cultural identity as it relates to place, not only deepens the meaning of authenticity, it also brings to light a weakness of the Internet’s place-less shopping transactions.

Although the experts agreed that there was little truly authentic or drawing on cultural identity about retailing alone, once place is considered, then shopping takes on a whole new meaning as a social activity. Pastore stated with respect to the regional shopping center, “trying to make authenticity is more than just sticking something in a place...it is more about the sum total of the parts – it is a reflection of culture as well.” Thus it seems that a sense of place is important to place-based shopping because it often intertwines a social activity with cultural identity of a place. However, one retail expert asserted that “there is no cultural identity on the Internet... it is just there for the taking...shopping in Sante Fe with palm trees, southwest decor and warm

\(^{140}\) Pastore, June 26, 2000.
weather somehow draws on cultural identity related to place, while shopping on the Web does
not. 141

There were other sentiments among the interviewees about the meaning of authenticity, which
also brought to light disagreement about whether there is really a demand for it, and at first
seemed to undermine the importance of a sense of place in shopping. For example, Steve Coyle
of PPR felt that while authenticity is hard to define, “there is nothing authentic about a shopping
center -- it is entirely contrived.” 142 Moreover, he doesn’t think that people really want
authenticity... “they want ‘unique homogeneity’ – they want to know what they’re getting.” 143
However, perhaps the strength of the downtown regional shopping center is that it can provide
homogeneity in a unique way. It provides familiar stores that consumers trust, yet in a unique
setting.

**Authenticity and Uniqueness vs. Personalization and Specialization.** From the above
discussion, it is clear that uniqueness plays an important part of the meaning of authenticity, and
a shopping center’s sense of place. Yet, it seems that although the understanding of the
customers’ demand for uniqueness in a shopping experience is blurred, it is clear that uniqueness
has several implications not all of which are closely tied to place. The rise of new technologies
that allow people’s personal information such as buying preferences, sizes, and credit card
information to be recorded and stored electronically have the potential to provide an aspect of
uniqueness that typical place-based shopping cannot. One retail expert highlighted specifically

142 Coyle, June 27, 2000.
143 Ibid.
the chasm between uniqueness and authenticity versus personalization and specialization. He said,

...the web seems to extract authenticity...there's nothing special about the experience of shopping online. However, the experience [online] has the potential to be personalized, and in this sense it may be considered unique.\textsuperscript{144}

This understanding of uniqueness may reveal a benefit of Internet shopping over place-based shopping. Echoing this idea, another retail expert said, “In terms of uniqueness, the Internet provides service that is hard to get at a store...whereby the customer can control the pace, the amount of information, and speed of checkout.”\textsuperscript{145} An interesting issue arises here that illuminates an important difference between shopping at the downtown shopping center and on the Internet. The uniqueness that is offered by the experience of a place and the uniqueness offered by the personalization or specialization of the shopping via the Web are two very different issues. The two types of uniqueness would seem to appeal to different types of customers or perhaps, customers with very different goals in mind for their shopping experience. In this sense, the downtown shopping center becomes more about an experiential shopping trip, and the Internet shopping becomes about.

**Experience and a Sense of Place.** One concept that has not been explicitly discussed yet is that the experience of a place is inherent to a sense of place. There were varied views of experience as it contributes to a sense of place, but all agreed that experience is an integral part of forming the critical bond between activity and place. It is this experiential aspect of shopping, that the experts emphasized in discussing the areas where place-based shopping has the potential for

\textsuperscript{144} Pastore, June 26, 2000.
advantage over Internet shopping. When asked about customers’ demand for sense of place, John Konarski said, “people want varied and entertaining experiences.” This simple view highlights the critical experiential aspect of a sense of place. Creating a sense of place for shoppers depends directly on the experience they have while shopping. If I have a shopping experience that is unique to the place where I shopped, then I have an experiential sense of place. However, variety and entertainment are not the only defining aspects of experience. Steve Coyle discussed ambience as the defining element of the experience of a shopping center, “the ambience is critical to the regional center...it creates the experience of shopping there.” More importantly, ambience is a characteristic of a physical place that cannot be recreated through Internet shopping.

One of the planners had a more logical point about the importance of experience in defining one’s sense of place. He discussed that the experience of a shopping center is especially crucial in a downtown situation where it is often difficult and expensive to provide adequate and convenient parking, “To balance these potential inconveniences, you must ensure the experience is worth it for the customer.” Similarly, in light of the Internet, physical shopping experiences must be enough to keep attracting people. Yet, at the same time, Waxman pointed out that experience is more than convenience, “It’s not sufficient to provide huge and convenient parking facilities, if you have a crappy selection of stores and ambience, people still won’t go.”

146 Ibid.
148 Ibid.
These critical ideas of the experience of place is unique to place-based shopping, and is a key aspect of a sense of place. The juxtaposition of the experience and the task of shopping at the downtown shopping center differentiates place-based shopping from Internet shopping, and the topic of experience and entertainment in shopping is discussed more fully below.

**FACTOR 3: Community Benefits**

![Diagram](image)

**Figure 9: Impact on ‘Community Benefits’ Factor**

Shopping centers play an important cohesive role in communities by featuring special events or simply providing gathering space. It is impossible for Internet shopping, by virtue of its placelessness and individuality, to erode this aspect of downtown regional shopping centers that are critical to their success. To test this thinking, I asked the experts about the importance of the provision of community benefits to the success of a physical shopping center, and solicited their thoughts on the potential of Internet shopping to replace it. All the interviewees agreed that community benefits are indeed vital to the success of the downtown regional shopping center. They did, however, have different perspectives as to the meaning and purpose of community benefits.
Several experts emphasized a shopping centers’ provision of community benefits as a way to add to the shopping experience. A retail expert commented on the ability to create social capital, “while a center does not want to become the steps of City Hall, it is important to reach out [to the community]. This adds to the experience and generates traffic at the center.” This expert gave an example of how one of his firm’s centers in Washington, D.C. hosted a presidential inaugural ball. Most importantly, he highlighted the important link between the event and the place, he said, “Special events replicate the civic functions of downtown and fill a hole in the experience of the center...they tie it to a place.”

Two of the retail experts discussed their view that the primary goal of community events is to draw traffic to the centers. Presenting his view on the essence of why centers must provide community benefits, Ron Pastore asserted, “the more reason people have to go to a place, the more chance they will shop there.” Yet one of the planners added an interesting and important perspective. He pointed out that providing community benefits is very important, not just to increase traffic to the retailers, but that “‘community benefits’ also relates to things like a sense of safety and familiarity, which is good in and of itself and it helps the retailers... Any way that a center promotes a sense of safety will keep people coming back, and keep downtown vibrant.”

When asked about the potential for community benefits through Internet shopping, the experts were skeptical. Yet, one planner said, “you can turn the question around and ask, ‘how can e-

149 Seifel, July 6, 2000; Pastore, June 26, 2000.
151 Ibid.
commerce benefit the downtown centers?” In this way, the Web is seen as a tool to facilitate shopping. Two experts also suggested that the extent of the community benefit of the Internet would be to provide to serve as a community bulletin board for events at the center, “to reinforce that the idea that retail is more than just buying things, it’s the experience. In fact, General Growth Properties Inc, the nation’s second-largest shopping mall owner and developer, is launched a website that includes links to their 125 malls. The Wall Street Journal reported that, “rather than generate Internet commerce, the company hopes the site will drive shoppers to the brick-and-mortar stores.”155 This reveals that the emphasis is still on the physical place, and the cohesive community benefits provided by place-based shopping are unique and will remain a driving force in people’s choices for shopping.

FACTOR 4: Exterior/Interior Layout, Decor, Merchandise Presentation

Figure 10: Impact on ‘Physical Layout, etc.’ Factor

The interviews generally revealed that physical layout, interior decor, and merchandise presentation are all very important to the success of a downtown regional shopping center. They contribute to and often determine a center’s convenience, sense of place, and experience. Ultimately, they are increasingly key elements of the creation of an experience for shoppers.

Again, the experts agreed that these factors are being changed, not threatened by Internet shopping. They are becoming ever more important as Internet shopping proliferates, and the emphasis for place-based shopping becomes increasingly experiential.

The physical layout is critical in facilitating the shoppers’ movement through the center. According to Ron Pastore, the layout of the center must be “useful” in the sense that it serves the purpose of allowing customers to move through the center efficiently. Moreover, it is important that the stores be visible from many perspectives. The Interior decor and merchandise are also critical because the play and essential role in creating “excitement” and “the right impression.” Pastore also asserted that the interior of the center and its stores must support the quality of the merchandise for sale as well as the quality of the center itself. He said, “the design and decor must create a value proposition in the customer’s mind,” and he questioned the ability of the Internet to achieve this value proposition that largely results from the confluence of ambience and decor. Moreover, the decor and presentation of merchandise both contribute to conveying whether the center is high-end or low-end. Other sources suggest that this impression is critical to attracting many customers who shop at high-end stores for specialized treatment.

\[156 \text{ Pastore, Ron, June 26, 2000.}\]
The exterior design and layout of a regional shopping center is very important, especially in the context of downtown. The layout and physical orientation must draw in pedestrians with a sense of place, as well as fit in with the overall fabric of downtown. This is particularly important for enclosed shopping centers. If they are not positioned well, they simply turn their backs on the community and suck life from the streets.

**FACTOR 5: Proximity, Accessibility, and Convenience**

![Diagram showing factors](image)

Figure 12: Impact on ‘Proximity, Accessibility, Convenience’ Factor

The experts agreed that proximity, accessibility, and convenience are key to the success of a downtown regional shopping center. These factors are also important in e-tailing, yet in some ways take on new meanings when viewed through the e-tailing lens. There were varied insights on the convenience of a downtown regional shopping center and of Internet shopping. To be successful, both physical and Internet shopping must also be efficient and easy, but the degree to which these are achieved by both was debated. Ultimately, the interviews revealed that Internet shopping is increasing the importance of convenience, proximity, and accessibility as characteristics of the downtown regional shopping center, even highlighting the downtown center’s advantages over its suburban counterparts.
**Proximity.** Proximity, in this context refers to a center’s closeness to its market base. Shopping centers must be located in proximity to an adequate market base, easily accessible, and convenient. These factors are inextricably linked, since no matter how close a center is to its customers, if it is not accessible or convenient, no one will shop there. Since construction and land costs are typically higher at a downtown location, downtown regional shopping centers must draw from a large market base to achieve adequate sales.\(^{157}\) The successful downtown shopping center is located in proximity to tourist and worker traffic as part of its main market base. Importantly, the downtown regional center must also have the right location that makes it accessible to the many other types of customers that come from many different directions, using various means of transportation.

![Figure 13: Providence Place Mall Proximity](source: http://www.oso.com/partners/ppm/)

The center’s proximity is especially critical since it also determines its visibility and many downtown regional centers are located in dense city settings that stand out less from a car, as well as at the street level, than their suburban counterparts. With respect to pedestrian-scale visibility, Steven Coyle at PPR said, “at the downtown regional shopping center, visibility is crucial because its goal is to “create an ambiance”... it must draw people in.”\(^{158}\) Moreover, visibility is essential because it is what reminds the customers that the center is there, even when


\(^{158}\) Coyle, June 27, 2000.
they have no immediate need to shop. An excellent example of a downtown regional shopping
center where proximity is essential to both its accessibility and its visibility is Providence Place
Mall in Providence, Rhode Island. This mall is located in the heart of town at the intersection of
several major freeways, near the state capitol, the train station, and the river.

Individual retailers also rely on the visibility of the center and on the visibility offered by the
center. Steve Coyle stated that “the primary purpose [of the regional shopping center] is to
expose retailers to the nation. As a tenant, the only reason you locate at a center is so that
everyone knows who you are... it is the best way to advertise how and what you’re selling.”
Internet-only retailers are having difficulty competing with retailers who have established their
brands with bricks-and-mortar stores. Tim Steele discussed how brand recognition is difficult to
achieve on the Internet, stating that for shoppers, “out of sight, out of mind.” Internet retailers’
visibility is limited on the Web since a consumers focus can generally be on one website at a
time, versus the array of offerings a person is exposed to just strolling through a shopping center.
Internet-only retailers’ spending on marketing as a percentage of total revenues was up to ten
times more than multi-channel retailers’. However, there may be an exception for certain types
of goods from certain retailers. “The internet works well for retailers with an identifiable
brand...for example, certain Gap products have become commodities in the sense that everyone
knows what khakis, jeans, t-shirts, and jeans look like feel like, etc...and people have grown to

159 Alexander, Alan A. And Richard F Muhlebach, Shopping Center Management (Chicago: Institute of Real Estate
Management if the National Association of Realtors, 1992), 3-4.
161 Steele, Tim, City of San Jose Office of Economic Development, Telephone Interview, July 14, 2000.
162 Boston Consulting Group, “The State of Online Retailing 3.0,” (executive summary online); available from
trust the Gap.” Thus, a likely change in the current shopping center is that the offering move more toward differentiated goods rather than homogenous items.\(^{163}\)

**Accessibility: Critical On-and Off-Line.** Yet, the proximity of a downtown center to its customers and its visibility are undermined if it is not accessible. It must be easily accessible not only by car, but also by public transportation and pedestrian traffic. One planner pointed out that especially for the enclosed center, pedestrian and visual connections are key to the success of a center in a downtown location. Even if the center itself is profitable, if it does not integrate with the existing pedestrian-scale urban fabric, it merely sucks the life from the streets of downtown and is not successful from a planning perspective. This point brings to light the importance of shopping centers to the vibrancy of downtowns.

Similarly, accessibility is a big issue for Internet shopping. Dr. John Konarski of the International Council of Shopping Centers, pointed out that not even 50% of the American population is “hooked up to the Internet.” He stated that “this is an important issue of accessibility for the Internet...it is a socio-economic issue that will take time to play out.” This highlights an important advantage that the downtown center has over Internet shopping. Since downtown centers are located in central locations and accessible by public transportation or car, this form of shopping is available to a much broader spectrum of the population.

While everyone agreed that in one sense, convenience is inextricably related to proximity and accessibility for the downtown regional shopping center, there were varying opinions about the meaning of convenience and about the actual convenience of Internet shopping.

\(^{163}\) This idea is discussed further in Rosen and Howard’s “E-retail: Gold rush or fool's gold?”

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Convenience: Efficiency and Fulfillment. Both proximity to customers and accessibility contribute to the overall convenience of the experience of shopping in a downtown regional shopping center. Ron Pastore sees the central issues of convenience as efficiency and fulfillment: “The ways shoppers get around a shopping center must be efficient and they must be able to fulfil their goals easily.” For example, a convenient center is easy to navigate in the sense that the customer does not need to go out of his or her way to find stores, restrooms, or merchandise. Further, this is especially relevant to the downtown regional shopping center that offers higher-end merchandise, because, as one expert noted, the shopper is more discriminating the more they have to pay. The interviewees agreed that the actual convenience of Internet shopping as compared to physical shopping is questionable, citing shoppers’ limited patience, limitations of technology, and issues of immediate gratification.

It is agreed that the convenience issues of efficiency and fulfillment are equally applicable on the Internet. Paco Underhill asserts that “in a Web site, as in a store, you have to be able to figure out where you’re going and then get there with a minimal amount of guessing. This is the part that some Web sites screw up most royally.” A retail and real estate interviewee brought this issue to light as well, “on the web, [retail] sites must be easy to navigate, check, and re-arrange shopping carts...” Underhill also points out the benefits of physical shopping in the sense that it immediately and conveniently orients the shopper. He feels that currently, the physical store

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166 Coyle, June 27, 2000.
168 Ibid.
169 Ibid.
achieves convenience in this sense better than retail websites because, “the instant you walk into
a store in the real world, you know what it sells or services. In cyberspace, even this most
elemental aspect is sometimes a guessing game.”

Other research shows that convenience in terms of efficiency and fulfillment is especially critical
on the Internet, mainly because shoppers bring their off-line expectations to on-line shopping. In
a study based on surveys of roughly 12,000 North American consumers, the Boston Consulting
Group (BCG) found that “28% of consumers’ purchases failed when they could not finish their
transactions or didn’t complete their purchases to their satisfaction.” 169 Among the 43% of the
shoppers who decided not to complete purchases online, the most commonly cited problems
were “pages took so long to load” that users gave up and “the site was so confusing’ that they
couldn’t find what they wanted. 170 The other top reasons that shoppers cited as reasons why they
didn’t buy included “desired product was not available/in stock” and “system crashed before
completion.” 171 All of these reasons that shoppers decided not to purchase online have
counterparts in the physical world. It is equally inconvenient and frustrating to go to a store and
discover that they don’t have what you want or that some other distraction prevents you from
making your purchase in a timely fashion. So it seems that the same issues of convenience in
terms of efficiency and fulfillment are equally applicable in the physical world as online.

Convenience and the limits of technology. There was disagreement as whether the relative
inconvenience in terms of efficiency and fulfillment of on-line shopping is due to the current

169 Sliwa, Carol, “Survey: A quarter of all online purchase efforts fail,” Computerword, Inc. Website: March 7,
170 Ibid.
171
limits of technology (i.e., the restricted speed of the Internet, the limited graphics abilities of the typical PC, the inability to have a sensory experience of shopping online, etc.). It is suspected that as technology becomes better and better, Internet shopping will become more convenient. However, Dr. Konarski, of ICSC argued that “the physical convenience of bricks and mortar stores is irreplaceable.”

His input raised the important issue of immediate gratification as a critical consideration of convenience in shopping. Konarski stated, “If you can get it that day, the moment you pay for it, what is more convenient?!” And Underhill suggests there is something deeper involved in the convenience of immediate gratification, that shopping is really more about possession, which he argues is “an emotional and spiritual process, not a technical one.”

Possession begins when the shopper’s senses start to latch onto the object. It begins in the eyes and then the touch. Once the thing is in your hand or on your back or in your mouth, you can be said to have begun the process of taking it. Paying for it is a mere technicality, so the sooner a thing is placed in a shopper’s hand, or the easier it is for the shopper to try it or sip it or drive it around the block, the more easily it will change ownership, from the seller to the buyer. That’s shopping.

Adding to this, Konarski stated that “the fundamental flaw of the Internet is the disconnect between ordering and delivering products.” Further, he noted that this process of possession is limited not just by Internet technology, but by the technology of transport that prevents consumers from immediate gratification, “Delivery processes cannot go any faster...that is still the limiting factor in retailing technology.”

171 Ibid.
173 Ibid.
174 Underhill, 168.
175 Ibid.
177 Ibid.
The Changing Nature of Convenience and Downtown Shopping. Another theme on the topic of convenience from the interviewees was the dual role the downtown shopping center in the context of a changing nature of downtown shopping. First, the discussions with the experts revealed that there is a two-pronged function of the shopping center in downtown life. On the one hand, stated a planner, convenience is an important factor especially since in order to be viable, the downtown center must attract daytime customers who include workers, who mainly need convenience.” On the other hand, “the downtown center must attract tourists, who seek more entertainment.” He also noted something very interesting. He feels that the convenience needs of downtown are changing in light of the ease of buying commodities on the Internet: “Whereas historically people may have relied on downtown as a convenient place to get necessities, perhaps because of the Internet, this is changing. Now people go downtown more for the social aspects.” In this sense, then Internet shopping is not a replacement for physical shopping, it is an “add-on.”

However, the convenience shopping for necessary commodities is a too-simple view of convenience. The combination of efficiency and entertainment is another kind of convenience. Another planner, Libby Seifel, talked about how this duality of purpose gives the downtown shopping center an important place in downtown. She gave her personal experience as an example since she works in downtown San Francisco.

*We are all ‘time-squeezed.’ The nice thing about the downtown center is that it has a ton of shops all packed into an easy-to-navigate, central environment...and with many...you can send your husband off to eat or play golf at the putting center...and you and your girlfriend can shop.*

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179 Ibid.
180 Ibid.
In this way, the downtown shopping center is not only convenient, but caters to different tastes and ages. Libby went on to point out that the Web is extremely lacking in this respect.

Summary

In summary, Internet shopping will impact all five of the critical success factors for the downtown regional shopping center. Each of the factor considerations will be modified and there will be the emergence of a new priority sequencing of the factors (see Figure 14). In light of e-tailing, the experiential components, sense of place, and community benefits become the most important value factors of the downtown regional shopping center.

Figure 14: New Priority Sequence and Modifications to the Critical Factors

CHAPTER 6

THEMES OF THE FUTURE FOR THE DOWNTOWN REGIONAL SHOPPING CENTER

As discussed in Chapter 1, current literature suggests three possibilities for the impact of Internet shopping on traditional place-based shopping:

1) **Internet shopping will completely replace place-based shopping;**
2) **Internet shopping will only serve as a compliment to physical shopping;**
3) **Virtual and physical shopping will merge, resulting in a “cyberphysical” retailing format.**

By exploring the role of shopping in urban life, identifying the factors that make a downtown regional shopping center successful, and assessing the impacts of e-tailing on each, this thesis concludes that Internet shopping will not completely substitute for place-based shopping, yet it will serve as more than a compliment. The most likely scenario for the future is that the two retailing formats will merge, into a hybrid retail format in which some aspects of the downtown shopping center will be emphasized and others transformed.

The preceding research findings suggest that the impacts of Internet shopping on the future role of the downtown regional shopping center will depend on three key themes:

1) **There will be a Strong Interaction Between E-tailing and Downtown Regional Shopping Center.** Contrary to what critics may believe, there will be a strong interaction between Internet shopping and the downtown regional shopping center. As one interviewee
remarked, "the Web is pushing people into stores... e-tailing and retailing are connected, not in competition."\textsuperscript{182}

William Mitchell aptly predicted in \textit{Etopia},

\begin{quote}
The buildings, neighborhoods, towns, and cities that emerge from the unfolding digital revolution will retain much of what is familiar to us today. But superimposed on the residues and remnants of the past, like the newer neural structures over that old lizard brain of ours, will be global construction of high-speed telecommunications links, smart places, and increasingly indispensable software.\textsuperscript{183}
\end{quote}

Similarly, the downtown shopping center of the future will retain much of what is familiar to us today, offering interaction with others, entertainment, ambience, a place to see and be seen. Yet, shopping in the future will be different - superimposed on this familiarity will be new elements of virtual interaction. We will use the Internet in new ways to enhance our shopping experience; the virtual and physical will merge to create experiences heretofore impossible. For example, shoppers could use the Internet at the shopping center, or anywhere else, to see where particular items are in stock throughout a center. The Internet can even be used to collect information about shoppers' sizes and tastes from previous purchases to personalize future shopping experiences in the store. Imagine arriving at the shopping center, and first consulting the Internet for an update on the latest styles that fit your online profile. The Internet is emerging as a communication device for retailers as well as shoppers. "Whether it be providing service, product information, an additional ordering channel, or merely propaganda, the internet can become a tool to better

\textsuperscript{182} Konarski, July 10, 2000.
\textsuperscript{183} Mitchell, 7.
understand and respond to changing customer tastes, a way to forge a direct link with customers.”\(^{184}\)

Further, the virtual and physical retail formats are not independent of one another. While traditional retailers will likely dominate the future scene of shopping because of their established market clout, established distribution and fulfillment systems, and general savoir faire of the intensely competitive retailing business, they will not be able to do so without the Internet. Retailing is fundamentally a highly competitive, tight-margin business, and traditional retailers cannot afford to ignore the potential of e-tailing as an integral part of doing business in the future. Likewise, Internet-only retailers are beginning to recognize the power of place in retailing, forming alliances with well-established traditional retailers.\(^{185}\) Those that seamlessly integrate the two formats will serve consumers best, and the new model is integrated shopping. It seems that the virtual and physical need each other. Together, they accomplish a new level of reach and richness together. While traditional retailers venture online, Internet-only retailers are venturing off. Internet retailers need the richness of the traditional retailing model: face-to-face service, brand recognition, and higher visibility. Traditional retailers need to take advantage of the reach of the Internet model: extensive selection and product information, ability for customers to purchase from anywhere, anytime. The trend towards integration is further evidenced by increased attention that Multi-channel retailing, selling goods via multiple channels, is now receiving in current literature.\(^{186}\)

\(^{184}\) Pastore, June 26, 2000.


\(^{186}\) For example, see Baker, Michael, “Multi-Channel Retailing,” *ICSC Research Quarterly* (Fall 1999) v.6, no. 3; “The Real Internet Revolution,” *The Economist* (August 21, 1999) : p. 53.
2) **High Tech – High Touch.** This strong interaction between place-based shopping and Internet shopping is being driven by larger complex social forces. “High Tech-High Touch” is an idea introduced by John Naisbitt in his 1982 book, *Megatrends* that simply describes the way society responds to technology:

> What happens is that whenever a new technology is introduced into society, there must be a counterbalancing response – that is, high touch – or the technology is rejected. We must learn to balance the material wonders of technology with the spiritual demands of our human nature.  

In the debate about the impacts that Internet will have on traditional shopping, this high tech – high touch idea has particular relevance. “High-touch” refers to experientially rich activities. Telecommunications are making the pace of urban life faster with the ease and immediacy of the Internet. This new speed of information exchange will boost our demand for the flexibility and interactivity of shopping places. Moreover, technology permits our everyday lives to be increasingly low-touch, requiring less face-to-face interaction with people and things. This increased digital mediation of our daily experiences will propel our innate desire for human contact and interaction. That is, the more high-tech shopping becomes, the more we will value and desire high-touch shopping activities. As revealed by the preceding research, in creating high-touch shopping experiences, a sense of place, ambience, entertainment, and tactile interaction with products all take on increased importance. As Mitchell observed,

> ...it follows that place-based enterprises will compete for our presence, attention, and dollars in a digitally mediated world by attempting to add as much value as possible to the face-to-face experiences that they offer. They will emphasize the unusual, the elsewhere unobtainable, and the things that cannot be pumped through a wire. ”

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188 Mitchell, 142.
Downtown is a plethora of these ‘unusual and elsewhere unobtainable things’ that cannot be pumped through a wire because it offers the highest opportunity for high touch, experiential activities and engaging interaction. Downtown will continue to flourish because it has out-of-the ordinary, difficult-to-replicate local attractions to offer.\footnote{Ibid.} It holds the rich histories and varied backgrounds of the people and events that shaped the urban form and fabric giving meaning and a sense of place to activities there. This confluence of history and multi-culturalism of downtown make it the ideal place for high-touch activities. Therefore, the greatest advantage of the downtown regional shopping center is its location. The current revival of downtowns is not only being driven by a booming economy, but also by rapid technological advancements that increase the demand for actual, as opposed to digital, experiences.

3) **Not all shopping is experiential.** While a great deal of shopping is experientially-based, there is also a great deal that is not. As previously discussed, the Internet format is more ideal for certain types of shopping, which is driving place-based retailers to create their niches providing a format for shopping that cannot be done via the Web. The bifurcated picture of retailing that will emerge features on one hand, “stores that offer efficiency, and on the other, stores that provide the kind of entertainment that encourages lingering.”\footnote{Edelson, Sharon, “Survival Instincts,” *WWD*, March 24, 1999, 22, quoting Mary Farrell, senior investment strategist at Painewebber.} That is, shopping will evolve in two directions, convenience, task-oriented shopping and experience and entertainment-oriented shopping. The Internet will become the primary means of conducting the former. Internet shopping will be for making purchases that do not necessarily need to be touched or tried on,
goods with which we are familiar, or for which shopping for them currently is a chore that must be done. On the other hand, shopping for differentiated merchandise such as luxury goods and specialty apparel will take place primarily at the shopping center. Moreover, we are heading for a high service/low service retailing economy. There will be large growth in the low-service sector supported mainly by retailers selling standardized products largely via the Internet, and in the high end high service sector... “there will always be a group of people willing to pay for that.” Place-based shopping will offer very high and specialized service in an environment emphasizing fun and variety of entertainment options.

The types of shopping that are not experiential include, for example, shopping for everyday necessities, low-touch items. Examples of low-touch items are packaged foods, toothpaste, aspirin, books, cds, sporting goods, office supplies - basically any items that do not need to be touched, tried, smelled or tasted before purchase. As Internet access becomes more widely available and Internet technology improves, it is likely that consumers will become more comfortable using the Internet to shop for these types of goods. This will drive retailers at the downtown regional shopping center to change their offering. They will offer goods that are fun to buy, or that must be touched and tried, and stores that make purchasing fun. The whole downtown regional shopping center will continue its trend towards the experiential. An example provided by one of the interviewees is the Macy's in downtown San Francisco. Now that Macy's has a substantial website for their merchandise, they have incorporated restaurants into their offering, ranging from exclusive to convenient. The Macy's website provides the

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opportunity for customers to shop for goods that they do not need to try, or do not have time to
go out and buy, while the physical Macy’s offers a variety if experiences emphasizing the things
that “cannot be pumped through a wire.”

A New Shopping Hybrid:

The Future Downtown regional Shopping Center

As previously discussed, the Internet will transform place-based shopping at the downtown
regional shopping center. But, how will these changes play out and what will the future
downtown regional shopping center look like? It has been stated that, “Retailing 101 starts with
a notion that a store has three distinct aspects: design (the premises), merchandising (whatever
you put in [the store]), and operations (whatever the employees do). These are completely
interdependent.”

The Internet will redefine “Retailing 101” at the downtown regional
shopping center. “Traditional companies will need to learn how to use their bricks and mortar
differently.” The themes discussed above, will play out on three levels at the downtown
regional shopping center; the retail mix at the downtown center, the stores themselves, and the
convenience of shopping there.

The Retail Mix

Because the Internet will allow consumers to purchase just about anything online, and because
telecommunications is driving an increased demand for high-touch activities, the retail mix at the
downtown shopping center will change. Overall, the mix will be more experientially- and

193 Underhill, 184.
entertainment-oriented. The center will have a higher percentage of entertainment venues, like cinemas, restaurants, and interactive attractions presented in a setting with a strong sense of place, and the overall design will create a unique and stimulating ambience. An example is the Metreon in San Francisco, California. It offers a different sort of attraction than the traditional downtown shopping center: themed amusements, games, shopping, restaurants, and cinemas. The 350,000-square-foot urban entertainment center includes attractions based on Maurice Sendak's children's book *Where the Wild Things Are* and on David Macaulay's book *The Way Things Work*, as well as a games arcade based on the work of the French comic book author and graphic artist Jean Giraud, who is known as "Moebius." In addition to these paid admission attractions, Metreon has several unusual retail tenants, including Sony Style, microsoftSF, and a PlayStation store/video "bar." Adding to the mix are a 16-theater cineplex (including a SONY•IMAX theater), several restaurants, and a food court—Taste of San Francisco—that is worthy of a trip in its own right.195

The Stores

The individual retail spaces will change in form and function from the primary spaces for transactions to the primary places of interaction. The stores at the downtown shopping center will offer a changed array of goods in new and innovative ways. The merchandise will

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increasingly be high-touch, specialty items, that are less standardized and for which the tactile qualities are central. For example, at Horton Plaza in San Diego, there are stores like The Hologram Company that sells three-dimensional images and optical illusions and the KPBS Store of Knowledge, “where science, brain twisters and humor come together.”\footnote{Store of Knowledge homepage: http://www.storeofknowledge.com.} This store sells “innovative products designed to educate, enlighten and inspire.”\footnote{Ibid.}

Further, stores will attract customers by experiential and entertainment qualities that allow shoppers to interact with the merchandise in ways that cannot be done on the Internet. One retail expert proclaimed, “the prevailing trend in retail is to let the merchandise be the star… Stores focused on discovery.”\footnote{Edelson, Sharon, “Survival Instincts,” p. 22, quoting Paco Underhill, retail expert.} For example, an Urban Outfitters store in London offers listening stations with a computer terminal where customers can mix their own CDs. The store also offers diverse mix of merchandise, a home store, and a café. Another cited example is the Top Shop in London where apparel shares the stage with a café, playstations and neoprint machines where customers can have photos taken.\footnote{Ibid.}

There will be an increased emphasis on service. Other stores will be increasingly high-end and high service, offering the experience of highly specialized service and customized products. Perhaps these stores will take customers by appointment, or serve beverages, and hors d’oeuvres to shoppers in high-end environments with luxurious decor. The Internet will be used to help retailers customize their services and products. When a customer visits the store, all of their measurements and style preferences can be entered into an online database. When the store
receives items that match the online profile, they can email the customer. Or, the customer could email the merchant with information about the kinds of things they are looking for so that the merchant can have items ready for trial when the customer arrives in person. There are many possibilities.

Finally, some retailers may transform their stores into showrooms, and operate major Internet shopping sites. The showrooms would offer a way to physically interact with merchandise, and then order from the Internet, either in the store, or at home, enabling a higher level of interaction and focus on the merchandise. Again, the central role of the store is shifted to a place for touch and trial rather than transaction.

Convenience

The overall experience of shopping at the downtown center will be more convenient as Internet shopping is further integrated with place-based shopping. This integration will provide the shopper with access to more information, options, and service, and aid in solving the problem of the ignorant or unhelpful salesperson. As one interviewee stated, “The Internet can help where the labor market fails.”

This trend can already be observed as retailers are beginning to incorporate Internet kiosks into their physical stores. These Internet kiosks serve to provide real-time inventory information, enable shoppers to search and locate items, and purchase what they want, even if it is not in the store. The Gap has already begun to incorporate Internet shopping into their shops, with in-store “Web lounges” that have sofas and PCs logged on to gap.com. By closely coordinating its online effort with its store operations, Gap offers the following:

199 Ibid.
• If you can’t find your size at the store, walk over to the “Web Lounge” or log on at home. There’s greater selection and more sizes online.
• Bought some khakis on the Web that don’t fit? You can return them to any store. It’s convenient and gets shoppers into stores.
• Shoppers and users of in-store computers are encouraged to register for the site. That allows Gap to send weekly emails announcing sales, new styles and even birthday reminders.201

Another example is REI, Inc., an outdoor goods retailer. They placed Internet kiosks in 52 of their 53 stores and integrated Web access into its cash registers. The kiosks allow shoppers to look up detailed information on every product that REI carries, even if it is not available in the store.202 These ideas of the “Web lounge” and Internet kiosks will soon transfer to the downtown shopping center, making the shopper’s trip there ever more convenient. Kiosks at the center will allow customers to search a center-wide database for desired items, as well as locate the stores where the items can be found. The downtown worker can search for “gray wool suits, size 8” at a kiosk at the center’s entrance, or even from the office, and instantly be presented with the stores at the center that carry merchandise matching that description. Finally, the Internet allows customers to purchase online and pick the items up at the store, saving time for more entertaining experiences at the downtown center rather than in line at the checkout.

Figure 16: Example of Internet kiosk.
Source: www.first-impression.dk

201 Lee, Louise, “‘Clicks and Mortar’ at Gap.Com” Business Week (October 18, 1999) : p. 150.
The Future for Downtown Planning

The conducted research shows clearly the viability of the downtown regional shopping center. Based on the findings presented herein, planners need to understand the anticipated transformation of the downtown shopping center into the Digital Age. Such an understanding is crucial if they are to continue to shape and promote vital urban environments. As one interviewee stated, “Planners need to be aware of how we can use technology to make cities better.”203 With awareness and innovative approaches, the integration of the Internet and the downtown regional shopping center can greatly benefit consumers, businesses, and the city. Given the important socio-cultural and economic role in urban life, shopping as we know it will evolve within a larger context of rapid technologically-driven societal changes. As one retail expert observed,

It’s crucial to note that we cannot think about the future on a static way. The way we see things now won’t be the same in the future. Everything changes together...it evolves...cities are evolving at the same time as shopping technology. Retailing is not in a vacuum.204

Chapter 7

"E-COMMERCE" EVOLVES TO MEAN "EXPERIENTIAL COMMERCE"

The Experiential Economy is upon us. The Internet is the catalyst driving major changes in urban life, and just as they have in the past, shopping and the city eventually will evolve to meet the new needs and demands of this transformation. As the Internet becomes an integral part of shopping and our everyday lives, the experiential aspects of urban life will take the forefront.

The new focus of place-based shopping and the city will be on the experiential. This emphasis on experience will further delineate the distinction between Internet and physical shopping, creating a bifurcated retailing picture. Generally, convenience shopping for commodities will be done via the Web, while place-based shopping will become a more specialized, interactive and entertaining experience. Yet the Internet will become an integral part of place-based shopping, enhancing its convenience and specialization. The “e” in e-commerce will no longer distinguish ‘electronic’ retail commerce from ‘everyday,’ ‘old-fashioned’ shopping. More often than not the two will be indivisible. The retail commerce of the future will also be e-commerce, but in place-based retail shopping, the “e” will be for experiential commerce.

While planners and real estate owners and developers acknowledge the Internet as a new format for retailing, they have been reluctant to comprehensively think about change and this emergence of experiential commerce. In thinking about the future, rather than passively observing this evolution, and dismissing the Internet as a “non-threat,” planners and real estate professionals must recognize their common goal of attracting people to downtown and play active, fundamental roles in shaping the future city. The two disciplines must reframe their perspectives
and ask new questions about the role of the downtown regional shopping center in the experience of the city. As a start, they should:

- **Broaden their perspectives.** Answers and understanding about the future do not lie within the narrow scope of retailing, or planning, or real estate alone. Each profession must look beyond its own boundaries for ideas, understanding and perspective.

- **Recognize.** Technology is driving change at all levels in urban life.

- **Explore.** Initiate exchanges of ideas between the disciplines that combine playfulness and social dialogue. Planners and real estate professionals must think actively and creatively, across disciplines about technology-driven changes in the city.

- **Experiment.** Test new ideas, new technologies and new urban forms and activities.

- **Reconsider.** As the experience of shopping and the city become more integrated, the civic qualities of the downtown shopping center will become even more important.

- **Question.** How does the nature of place change in the experiential city? What functions do places serve? What are the implications for planners and real estate professionals?

The preceding research and analysis suggests that downtowns are now, more than ever, ideal forums for experience. Thus, in their own rights, each profession must consider new priorities in order to exploit the coming changes - the blending of the virtual and physical and the new experiential economy. For **planners** this means to:

- **Recognize** the raw experiential material of downtown, identifying locations where the cultural identity and the narrative aspects of the city can be transformed into an experience.

- **Allocate** investment for the development of experiential infrastructure to emphasize and support the creation of unique urban experiences in downtown
Open opportunities for the real estate community to contribute to the building of experiential infrastructure

For real estate owners and developers, questions and new priorities to consider are:

Contribution to the experiential infrastructure.

- How can new developments as well as existing, contribute to the experiential infrastructure and creation of narrative place in downtown?

- Where does the city offer a sense of place or uniqueness that can be exploited?

- Location decisions change: the new ideal location is where a shopping center can become an integral part of the experience of the city. Perhaps historic districts, riverfronts and park sides become more important than locating at the intersection of freeways.

- How can the story of the city weave into the shopping experience so that the shopping center becomes an outgrowth of the city as a place?

- What innovative civic qualities can be incorporated? Can space be provided that facilitates the experience of the surrounding community? For example, if at a river edge, how can the design of the center embrace the river in view or even orientation?

Changes in the usual considerations:

- What is the retail mix of the shopping development? Does it offer consumers more unique and experiential activities or a variety of specialized experiences and entertainment that incorporate new technology as an attraction?

- Who are the tenants? Are they Internet savvy? What are they selling and how?

- How does the development draw from and contribute to the experience of the city?

- How can the Internet be incorporated into the shopping experience at the shopping center?
These are just a few of the many issues that emerge as telecommunications technologies such as the Internet proliferate and mediate every aspect of urban life. The jobs of planners and developers center on anticipating the future. They must continue to question, search, and explore new ways to gain further understanding of the changes that lie ahead.

Areas for further research include:

- **Consumer perspective.** Consumers’ preferences and decisions will ultimately determine the future of shopping. The more consumer behavior is explored and understood, the better planners, developer, and retailers can plan and provide for the future. There is a need for comprehensive collection and analysis of consumer perspectives that targets users as well as non-users of the Internet and the research should be cognizant of demographic issues.

- **E-tailer perspective.** One of the major issues in this debate over virtual versus physical shopping is the competing business models of traditional retailers and e-tailers. While it seems that the two models are becoming fused and that traditional retailing practices and mantras remain critical, there is a need for further attention to the e-tailing model and its success factors. Moreover, as entrepreneurs of technology and business leaders of the future, Internet retailers’ perspective is critical. Planners, real estate professionals, and e-tailers must make efforts to engage in idea exchanges to understand and forge partnerships with each other.

- **Examine other elements of the retail value chain.** This thesis examined only one of the element of the retail value chain: “provide appealing shopping environment.” Yet in each element of this chain, there are real estate roles that stand to be influenced by technology.
This model can be useful to understand the impacts of the Internet and other technology on the real estate value connections that exist at each level of the retail value chain.

- **Other property types.** This thesis focused exclusively on the downtown regional shopping center as a prototype to assess the effects of the Internet on place-based shopping. Other prototypes should be studied to gain a broader understanding of the impacts that Internet will have on place-based shopping.

- **Develop and test new frameworks and models.** While disaggregating the functions of retailing and applying the value chain concept was useful in the scope of this study, other methodologies and theories for assessing the Web’s effects on shopping should be explored. Rather than disaggregation, other literatures sources suggest analytical models of “disintermediation,” “navigation,” and “infomediation”\(^\text{205}\) that should be empirically applied and tested.

Whatever these studies and probings uncover, the Internet is certainly opening a whole new world of fused business and social interactions. Yet, we should be careful not to spend too much time worrying, assessing, and analyzing, or we may miss something. As “e”-commerce evolves into experiential commerce, the new world is an “e”-world: an *experiential* world and the city of the future is the “e”-city: the *experiential* city. The life they hold for us is not one to be passively observed, and perhaps one of the best ways to understand them is to experience them.

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APPENDIX A: OBSERVATION AND DATA COLLECTION METHODOLOGY

Qualitative interviewing was the chosen method for collecting data for several reasons. When I began thinking about this topic in September, 1999, very little substantive quantitative was publicly available about e-tail sales or usage by consumers, and the data that was being publicly reported was controversial. Many analyses were largely supply-side, that is, from the retailers' perspective and focused narrowly on sales information, or via surveys to consumers. It seemed that very few people were looking to systematic qualitative methods to assess what e-tailing impacts might be on specific property types, and planning literature featured little, if any discussion of the topic. Interviewing provided insights to perspectives about the e-tailing versus retailing debate which could not be gained from the literature. Next, as new developments of Internet and e-commerce emerge daily, it is critical to have a method of collecting data that is up-to-date. At the same time, however, as Robert S. Weiss points out in Learning From Strangers: The Art and Method of Qualitative Interview Studies (1994), interviewing "gives us a window on the past." So much of the literature about Internet shopping is focused on the future. Interviewing allowed me to gain a snapshot of the most current thinking in the field. Finally, since the scope of this thesis is to test the validity of claims in the literature, interviewing established a sense of what practitioners are really dealing with and thinking about on a daily basis.

Six interviews of professionals selected from the fields of retail real estate and planning and economic development who have an overview of the issues involved in this debate were conducted. They included practitioners, researchers, and consultants. A number of the interviewees fit into more than one of these roles. The interviewees were selected because of their expertise, accessibility, varied perspectives. Four of the interviewees had been involved in retail, real estate, planning, or a combination thereof for more than 10 years each.

Although the set of interviewees did not include a sample of consumers, the interviewees were asked to consider the customer's point of view, and include their own experiences as consumers in the discussions. The Interviewees are outlined in Table 4.

**Table 4: Interviewee Summary Information**

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Title</th>
<th>Company/Organization</th>
<th>Location</th>
<th>Field</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ron Pastore</td>
<td>Retail Expert</td>
<td>AEW Capital Management</td>
<td>Boston, MA</td>
<td>Retail/Real Estate</td>
</tr>
<tr>
<td>Steve Coyle</td>
<td>Director, Market Research</td>
<td>Property and Portfolio Research (PPR)</td>
<td>Boston, MA</td>
<td>Retail/Real Estate</td>
</tr>
<tr>
<td>John Konarski, PhD</td>
<td>Senior Vice President, Research/ Government Relations</td>
<td>International Council of Shopping Centers (ICSC)</td>
<td>New York, NY</td>
<td>Retail/ Real Estate</td>
</tr>
<tr>
<td>Libby Seifel</td>
<td>Principal</td>
<td>Seifel Associates</td>
<td>San Francisco, CA</td>
<td>Planning, Real Estate, Redevelopment</td>
</tr>
<tr>
<td>Andy Waxman</td>
<td>Associate</td>
<td>Mt. Auburn Associates</td>
<td>Somerville, MA</td>
<td>Planning, Community Economic Development</td>
</tr>
<tr>
<td>Tim Steele</td>
<td>Director</td>
<td>City of San Jose Office of Economic Development</td>
<td>San Jose, CA</td>
<td>Planning, Economic Development</td>
</tr>
</tbody>
</table>

209 I would have liked to have spoken with more shopping center owners and planners involved in downtown shopping center development to provide a comprehensive data, however, the limits of time prevented me from doing so. Additionally, interviews with consumers, the people actually shopping, would add a critical perspective to this analysis. However the scope of this task is extensive to provide reliable and useful data.
The interviews provided me with a variety of opinions, perspectives, and professional insight as to the major issues of the relationship between e-tailing and retailing in relation to each factor. Generally speaking, the planners had less exposure in their professional work to these issues, but still had thought about them and gave rich insights. The professionals from the retail real estate field had more technical knowledge about retailing as well as the issues of e-tailing therein. Although each person interviewed had different input, and there were areas of disagreement, there were also important themes that emerged.

The interviews took place either in person or over the phone, lasting between one hour and one hour and-a-half each. Notes were recorded by hand during the interviews and afterwards important observation and information gained from the meetings were transcribed. An interview protocol was followed that began with a general question to get an overall sense of the interviewees’ opinions about the potential impacts of Internet shopping on place-based shopping. Then the purpose and the analytical framework of the thesis were briefly explained. This was followed by a series of questions intended to draw out information and stimulate conversation regarding the factor/scenario combinations.

After the interviews were completed and the information transcribed and organized, a thematic analysis was conducted of the information gleaned from the interviews to reveal the critical points in this debate, identifying common strains of thinking and areas of controversy, and where the practitioners stray from the literature. Since the framework was intended to help make sense out of the concern and happenings in the field as well as the literature, the information gleaned from these interviews was juxtaposed with the current relevant literature.
**APPENDIX B: INTERVIEW PROTOCOL**

**Interview Goals**

1.) Gain professional perspective on the general sentiments/concerns about e-tailing and physical shopping centers.

2.) Test the validity of proposed success factor framework.

3.) Identify critical aspects of each success factor in each scenario.

4.) From planners: Whether they think they should understand/be concerned about the issue, and why or why not, and what do they see as the most important aspects of the debate.

5.) Engage in a generally informative dialogue that will shed some light on what the real issues in this debate are and should be.

The following questions served as a guide for the interviews:

**General**

1.) What do you think about Internet shopping in relation to your job as a planner?

2.) How do the experiences of shopping via the Internet and at downtown regional shopping centers compare?

3.) What do you think will be the short- and long-term effects of Internet shopping on the downtown regional shopping center?

4.) What aspects of the downtown regional shopping center do you think are vulnerable to the proliferation of Internet shopping?
Specific

5.) Sense of place and authenticity
- How important is a sense of place to the success of the downtown regional shopping center?
- What do you think about the concept of authenticity and consumers’ demand for it?
- Does the Internet have a sense of place or authenticity?
- Do shopping centers?

6.) Proximity, accessibility, and convenience
- Discuss issues of proximity with respect to the success of the downtown regional shopping center.
- How would you rate proximity, accessibility, and convenience in relation to physical versus Internet shopping?

7.) Aesthetics: Exterior, Store layout, Interior decor, Merchandise Presentation
- How important are these elements in successful retailing?
- What roles do they play in the e-tailing-only scenario?
- What role do they play in the hybrid scenario?

8.) Community Benefits
- In what ways do downtown shopping centers benefit the community?
- How important is providing community benefits to the success of a downtown regional shopping center?
9.) **Entertainment/Experience**

- Discuss the retailing trend of “entertainment shopping”. Is this element critical to the success of a regional shopping center?

- To what degree might this be driven by the Internet?

- How does e-tailing compete on this factor?
APPENDIX C: A VIRTUAL SHOPPING TRIP

Figure 17: CNET, CD Player Feature Comparison

Figure 18: CNET, CD Player Price Comparison
Shop & Learn

You're in the right place to find great Circuit City values on the best name brand electronics, computers and appliances. Shop at home at your convenience and have the choice of buying right here or in our local stores.

Save time and shipping charges on many items by buying on-line and picking up at your local store!* Not all items are available for sale on our website due to manufacturer or size and weight restrictions. We don't yet have all our products on-line so please bear with us as we grow.

<table>
<thead>
<tr>
<th>Electronic Gaming</th>
<th>Satellite TV Systems</th>
<th>TV Video and Camcoders</th>
<th>Home Audio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Game Accessories</td>
<td>Satellite Accessories</td>
<td>Camcorders</td>
<td>&quot;C&quot; Planner</td>
</tr>
<tr>
<td>Game Machines</td>
<td>Satellite Dishes</td>
<td>DVR</td>
<td>&quot;C&quot; Camera</td>
</tr>
<tr>
<td></td>
<td>TV</td>
<td>Digital TV</td>
<td>Digital Recorder</td>
</tr>
<tr>
<td></td>
<td>Satlink TV</td>
<td>Portable TV</td>
<td>Home Speakers</td>
</tr>
<tr>
<td></td>
<td>Receiver TV</td>
<td>TV/VCR</td>
<td>Receiver</td>
</tr>
<tr>
<td></td>
<td>Audio Box TV</td>
<td>DVD-Video Recorder</td>
<td>Shelf System</td>
</tr>
<tr>
<td></td>
<td>Satellite Receivers</td>
<td>DVD-Video Recorder</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Portable Satellite TV</td>
<td>DVD Video Recorder</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DVD Player</td>
<td>DVD-Video Recorder</td>
<td></td>
</tr>
<tr>
<td></td>
<td>VCR</td>
<td>DVD-Video Recorder</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Audio Cassette</td>
<td>DVD-Video Recorder</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cassette Decks</td>
<td>DVD-Video Recorder</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Digital Recorders</td>
<td>DVD-Video Recorder</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shelf Systems</td>
<td>DVD-Video Recorder</td>
<td></td>
</tr>
</tbody>
</table>

---

**Figure 19: Circuit City, Shopping Guide**

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**Figure 20: Circuit City, Feature Selection**

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CD Players

10 products were found that meet your needs.

*Rebates are not included in the prices below.

Check our Rebates section for all Current Rebates.

Add to compare

**Onkyo DXC-370**

If you've always loved Onkyo, the DXC-370 lives up to its heritage. The 6-CD Changer allows you to change 5 discs while listening to one. And an optical digital output lets you make copies to MD or CDRW to make your own great mixes! Plus with 204-disc music file, 7-mode repeat, and 40-track programming keeps you in control of what you want to listen to.

$199.99

Add to compare

**Sony CDP-CES45**

For all you carousel CD Changer lovers out there, Sony hasn't forgotten about you. The CDP-CES45 5-Disc Changer has all the basics plus digital volume control, Jog Dial Direct Access, Peak Search, and an Optical Digital Output for making digital copies of your favorite CDs.

$149.99

Add to compare

**JVC XLFZ258BK**

Easy to use & future-ready! This 5 CD changer has direct access keys on the front panel & allows you to change any of 4 discs while one is being played. The optical digital output offers compatibility with digital recording components & digital receivers.

$129.99

Figure 21: Circuit City, Product List

Express Pickup is your ticket to savings.

For your protection when picking up your order:
- We require a valid photo ID and the credit card used to make the purchase.

To find Circuit City stores in your area:
- Enter City/State or Zip Code
- Select city from display

Step 1 - Search

Choose one method below to search for Express Pickup store(s) near you, then press Search.

Area Code

Zip Code 02119

City/State Massachusetts

Figure 22: Circuit City, Store Location Search
Figure 23: Circuit City, Product List with Store Availability

Figure 24: Circuit City, Help & Service
**CD Players**

Comparison of Selected CD Players

Number of items selected to Compare = 4

Click on any features link in the left hand column for a definition.

<table>
<thead>
<tr>
<th>Product Name</th>
<th>TECHNICS SL-P55S</th>
<th>RCA RP8070</th>
<th>KENWOOD CD5206</th>
<th>SONY CD1GEC346</th>
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</thead>
<tbody>
<tr>
<td>Price</td>
<td>$97.99</td>
<td>$99.99</td>
<td>$129.95</td>
<td>$149.99</td>
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<tr>
<td>Online</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Warranty</td>
<td>$12 $12 $12 $12</td>
<td>$12 $12</td>
<td>$12 $12</td>
<td>$12 $12</td>
</tr>
<tr>
<td>Warranty</td>
<td>Labor Months</td>
<td>Parts Months</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item Width</td>
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<td>0.0</td>
<td>4.9</td>
<td>0.0</td>
</tr>
<tr>
<td>Item Height</td>
<td>16.9</td>
<td>0.0</td>
<td>17.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Item Depth</td>
<td>14.7</td>
<td>0.0</td>
<td>15.6</td>
<td>0.0</td>
</tr>
<tr>
<td>Disc Capacity</td>
<td>Separate Single</td>
<td>Single</td>
<td>Single</td>
<td>Single</td>
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<tr>
<td>Disc Play</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Disc Mechanism</td>
<td>Carousel</td>
<td>Carousel</td>
<td>Carousel</td>
<td>Carousel</td>
</tr>
<tr>
<td>DAC Type</td>
<td>MASH™ 1 Bit</td>
<td>16.Bit Dual</td>
<td>Dual 1.Bit</td>
<td>Hybrid Pulse</td>
</tr>
</tbody>
</table>

Subtotal: $149.99

If you would like to increase the quantity of an item, please change the amount in its Qty box and then click the Update button.

*To change quantity: Change the quantity and click "Update" to see the new price subtotal.
*To delete an item: Set the quantity to 0 and click "Update" to verify its removal.

Please show me details on how I can extend and enhance my manufacturer's warranty to even cover power surges with Circuit City's ESP or CSP coverage.

If our store price is lower on the day you pick up your purchase, we will automatically adjust your purchase price to match the lower price.

We cannot ship items outside of the USA due to manufacturer agreements.

Note to our Hawaii customers: Hawaii store prices may vary. Website pricing does not apply to our Hawaii store.

We cannot ship items outside of the USA due to manufacturer agreements.

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Figure 27: The GAP, Style Comparison

Figure 28: The GAP, Style Comparison
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