The pop-up phenomenon is making its mark on 21st century retail. Here's what you need to know to determine how your business can embrace this modern retail approach.

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Affordable short-term leases and technology advancements are making it possible for companies to engage consumers through short-term retail operations called pop-ups. Pop-ups are quickly growing in popularity as retailers large and small are realizing the value of pop-up retail when it comes to encouraging customer loyalty.

Online and brick & mortar retailers who want to draw customers in and deliver on ever-more challenging consumer expectations through pop-up retail should consider both commerce and non-commerce aspects to ensure success.
Brick & Mortar is Not Dead

Consumers still desire physical interaction with brands and products. Pop-up stores offer retailers an affordable, flexible solution that meets customers where they are without the risks of traditional long-term retail.

Omni-channel Enablement is Key

During the 2018 holiday season, six out of ten shoppers planned to shop online and at brick-and-mortar stores. Retailers must stop limiting digital commerce developments to online spaces only and start seeking solutions for digitizing the complete commerce operation. Big dogs Alibaba and Amazon are leading the way.

Business Goals Shape the Experience

A successful pop-up venture requires brands to know their products AND their customers. Creativity is a major factor in pop-up success, but it is important to pursue avenues that make sense for you and your customers specifically. Clearly defined goals for your pop-up – whether that is revenue generation, brand awareness, product testing, etc. – should drive the creative process.

BOTTOM LINE
From lease agreements to marketing strategies and inventory management, the pop-up phenomenon is changing the way retailers approach operations across the board. While not a new concept – the modern pop-up dates back to 1999 – it has been picking up momentum in recent years across large and small retailers alike.

These temporary retail stores open quickly and only for a short time period, typically somewhere between three days and three months.

**Pop-ups can be located in:**

- storefronts
- kiosks / booths
- stores-within-stores
- pop-up tents in empty lots
- vacant retail space
- traveling retail space

The options are endless and that is part of their attraction. Consumers are drawn to these shops by their fleeting, “get it before it’s gone” nature as well as the originality and creativity that goes into designing each store.

More and more, large retailers are jumping on the “temporary” bandwagon. The U.S. department store chain Target Corporation was the first major corporation to embrace pop-up retail with their 2002 two-week Black Friday celebration on the Hudson River in a 220-foot boat at Chelsea Piers. Since that time, **pop-up stores have grown into a $50+ billion industry in the U.S.**
But how is this possible? Fifteen years ago, retailers would have scoffed at the idea that temporary retail could make a substantial difference for a brand. The influence of social media, the annihilation of long-term leases, and the continued strength of brick-and-mortar shopping are just a few contributing factors.

Ten years post-recession, The U.S. economy seems to have made a full recovery by many estimations. As of the end of 2018, unemployment has been below 5% for two years and counting (currently at 3.9%), housing prices are on the rise, and the S&P 500 is at a record high. Take a closer look, though, and one can easily find some lingering effects of the worst crash since the Great Depression, particularly in the realms of retail and commercial real estate.

The unprecedented number of retailers who closed their doors during the recession left huge holes in shopping centers and malls across America. These closures have not stopped with economic recovery. Nearly 5,000 store closures were announced in 2018, this following more than 5,000 traditional retail store closures in 2017. The unwavering growth of eCommerce continues to disrupt commercial real estate and landlords are dealing with the fallout. Spaces once occupied under 25, 50 and even 99-year leases are now settling for traditionally unthinkable short-term lease agreements to fill vacancies.

Despite the gloomy rate of store closures in 2017, the same year saw 87% of sales still occurring at physical locations. The expectation is that off-line sales will be no lower than 79% in five years’ time. There is still potential for these empty brick-and-mortar locations to turn a profit for retailers. The trick, though, is knowing how to make them attractive to modern consumers equipped with the unbeatable convenience of online shopping.

31% of retailers planned to close stores in 2018, but the overall sentiment remains positive with 55% planning to open new stores and 24% planning to open pop-up stores. Since 2002, pop-up stores have grown into a $50+ billion industry in the U.S.

| Which of the following, if any, does your company plan to do in 2018? |
|-------------------|-----------------|-----------------|-----------------|
| New Stores        | 55%             |
| Pop-Up Stores     | 24%             |
| Distribution Centers | 12%           |
| Close Stores      | 31%             |
| None of the Above | 29%             |
As “on-demand” availability continues to grow, consumer expectations are increasingly more challenging to satisfy. Retailers and advertisers today are navigating unchartered territory that includes increasingly shorter attention spans (12 seconds for millennials and a whopping 8 seconds for Gen Zers\(^5\)) and consumers who want and expect to be able to move fluidly between the digital and physical world (77% of U.S. shoppers own smartphones, 90% in the UK.\(^6\)). A good pop-up store provides the digital retail theater that captures consumer interests for just the right amount of time to be effective.

### Who’s Popping Up?

Retailers in a variety of industries across the globe are “popping up.” While there is still a good mix of traditional pop-ups from entrepreneurs and artists, more and more retailers are picking up on the strategy and trying their hand in temporary retail.

From Ikea pop-ups in Kuwait to Facebook pop-ups in Macy’s department stores across the U.S., to Amazon’s Black Friday pop-ups in the UK, and Adidas’ shoebox (literally) pop-up in Europe, retailers are embracing temporary retail in every form and fashion imaginable across the globe.

### Pop-up Planning

Pop-up stores get brands closer to customers quickly and cheaply. While it varies depending on location and design, pop-ups can require days, not months, to implement at a cost as little as $50 day\(^7\), with some more valuable locations (think Manhattan’s SoHo district) costing $30,000+ per week.\(^2\) A mix of fixed and variable costs typically go into planning temporary retail stores.

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<td>• Insurance</td>
<td>• Lighting, décor</td>
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<td>• Staff salaries</td>
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\(^5\) 12 seconds for millennials and 8 seconds for Gen Zers

\(^6\) 77% of U.S. shoppers own smartphones, 90% in the UK.

\(^7\) Cost as little as $50 per day
Retailers are implementing these flexible retail models for a variety of reasons. They can serve many different business purposes, depending on the goals of the retailer. For the most part, these goals fall under one of two categories: non-commerce and commerce.

- **Non-commerce:** Focus on customer engagement, providing experiences, and driving brand awareness.
- **Commerce:** Focus on creating seamless omni-channel operations, simplifying payment methods, faster and cheaper product fulfillment, and gathering data.

### Non-Commerce

**Customer Engagement**

A majority of shoppers (56%) still prefer to see, touch and feel products before ordering online.\(^8\) For many retailers, allowing customers to interact with their brand and products in real life is critical to clinching the final sale. Particularly for online-only brands, temporary retail solutions provide an opportunity to interact with customers in a responsible, affordable manner.

A growing number of small online retailers has increased the demand for affordable short-term space where they can interact with and get their products in front of customers. One pop-up real estate company, for example, saw demand for pop-up space in the U.S. increase by 300% in 2018.\(^{22}\) Dedicated areas for short-term retail are being established in malls and department stores to accommodate this demand.
For the 2018 holiday season, Facebook partnered with Macy's to feature 100 of the most-loved businesses on Facebook and Instagram within dedicated areas at Macy's stores called "The Market @ Macy's."

Simon Property Group's "The Edit @ Roosevelt Field," is a similar example. They have a dedicated pop-up area within the mall offering pop-up space for as low as $500 per month. In this win/win set up, The Edit benefits eCommerce startups with accessible space in high foot-traffic areas where they can exhibit their products and interact with customers, while Simon Property Group also benefits as these productive, attention-grabbing tenants fill empty space and draw in more traffic.

**The Cool Factor**

The rise of FOMO (fear of missing out) is a major booster for temporary retail. Successful pop-ups excel at compelling consumers through a "get it while it lasts" sentiment, appropriately termed “massclusivity”. The limited availability of short-term, small-scale retail has the effect of increasing traffic.

Instagram culture is another major driver for pop-up culture. Social media makes it possible to share a pop-up experience with 10X (often more) the number of actual visitors to the store. This is a key contributor to the success of pop-up shops that are blurring the line between shopping and pure entertainment. For example, the Museum of Ice Cream, not really a museum at all, excels at designing Instagram-worthy experiences that consumers pay as much as $45 a ticket to see. They enter the museum, snap a photo, post to social media, increase awareness of the shop, and attract more visitors and loyal followers – and so the cycle continues. Genius.

In recent years, as the pop-up scene has become more sophisticated, companies have begun embracing virtual and augmented reality technologies that are further elevating shopping experiences, particularly in the form of attention grabbing short-term retail operations. Ikea, for example, recently deployed VR pop-up booths in nearby mall locations and saw an increase in foot traffic by as much as 19% at one location as a result. The experience element remains a key component to temporary retail success.

**Brand Awareness / Education**

Pop-up stores are a very effective way to raise brand awareness and educate consumers. Particularly for online-only brands, a pop-up shop provides an opportunity to get their products in front of consumers who otherwise might never come across them.
While this has been an effective method for many smaller brands and startups, major corporations are embracing the approach as well. Walmart and Jet.com’s Manhattan-based pop-up, STORY, introduced shoppers to Jet Fresh, a new grocery delivery service available online in the area. The store was overwhelmingly well received by shoppers. 66% of surveyed mystery shoppers were not familiar with Jet Fresh before visiting STORY. Upon leaving the store, all but one mystery shopper said they were more likely to shop Jet Fresh online, many even said they would shop Jet Fresh over Amazon Fresh.\textsuperscript{12}

In the case of STORY, as is the case for many online-only brands, the temporary physical location was the first interaction most shoppers had with the brand. Temporary retail locations provide brands an opportunity to make meaningful, lasting impressions that encourage awareness of the brand and, ultimately, loyal customers.

\textbf{Seasonal & Event Oriented Pop-ups}

Seasonal products are the number one reason to shop pop-up stores for 61\% of consumers.\textsuperscript{13}

\textbf{What Attracts Shoppers to Pop-up Locations?}\textsuperscript{13}

- \textit{Seasonal Products (61\%)};
- \textit{Unique services/products (39\%)};
- \textit{Localized assortments (36\%)};
- \textit{Optimal pricing (34\%)};
- \textit{Convenience (33\%)};
- \textit{A fun experience (30\%)}.

Of course, the holidays remain one of the most popular times for seasonal pop-ups with 20\% of all retail sales occurring during this time.\textsuperscript{14} However, seasonal pop-ups extend well beyond the holidays.

UK fashion retailer Topshop implemented a virtual reality pop-up experience at their Oxford location to kick off the 2018 summer season. Shoppers took a virtual waterslide ride through Oxford Street, complete with the scent of sunscreen piped through the store’s air vents. The Topshop location set up multiple temporary, summer-themed pop-up booths throughout the store to reinforce the seasonal hype.

Seasonality is a great focus for temporary retail stores seeking to capitalize on the massclusivity effect.
Omni-channel is Key

Cyber Week 2018 revealed an uptick of nearly 40% in consumers (approximately 89 million) shopping both online and in-stores. On average, these consumers spent $93 more than single-channel consumers did.  

Converting online only or in-store only consumers into multi-channel shoppers has serious potential to increase revenue. Clearly, omni-channel commerce capabilities should be a central component to any modern pop-up strategy.

39% of all retail sales taking place offline today are influenced by digital. However, only 21% of retailers said their top customer facing in-store priority for 2018 was omni-channel efforts. Inventory optimization, faster & cheaper fulfillment, easy payment solutions – these are just a few of the commerce advantages retailers stand to gain through omni-channel enablement of pop-up solutions.

Inventory Optimization

Pop-up stores can help optimize inventory across channels in various ways. For instance, timely pop-ups provide an avenue for retailers to move old inventory that would otherwise take up valuable warehouse space.

Retailers can also make their DC inventory work harder by enabling online ordering within pop-up locations. Endless aisle solutions allow retailers to leverage inventory across channels to eliminate lost sales due to out-of-stock inventory in the store. The smaller footprint of most temporary shops can mean a tricky fit for large amounts of inventory on hand. By equipping pop-up shops with omni-channel ordering capabilities, brands with large product offerings (size and volume) are able to display more products in smaller footprints. Shoppers also benefit from the convenience of having products shipped directly to their home.

Pop-up Fulfillment

To better manage peak demand and satisfy faster fulfillment expectations, many retailers are embracing temporary pop-up models for order fulfillment. Temporary distribution centers can increase throughput during high volume periods and get product closer to customers for faster, in-region shipping, all at a fraction of the cost and time required to set up a permanent DC operation.

During peak week 2018 (Thanksgiving day, November 22nd, through November 30th), PFS set up two pop-up distribution centers for one client. The pop-ups accounted for more than 10% of the client’s overall order fulfillment volume for the week.
Long delivery times are one of the top reasons for shopping cart abandonment.\textsuperscript{37} With the right distributed order management solution — that is, an affordable, flexible, fully integrated system — companies can extend fulfillment operations to temporary in-region fulfillment locations during peak periods for faster, more cost effective shipping, ultimately increasing conversion rates as a result.

**Testing**

Many brands are utilizing pop-up stores to test how consumers interact with their products and better understand what drives sales. Brands like Wayfair, the online home goods store, who have no physical presence, realized a gap in their understanding of consumers. In response, they opened their first pop-up stores over the 2018 holiday season with a primary goal to test how consumers interact with their brand and products offline. The data gathered from these locations is being used to fine-tune their merchandising strategy. Any in-store sales through the pop-up store were a welcome benefit to the test program, but the primary goal for the company remains increasing traffic to the website.

Temporary retail operations also give brands an opportunity to test various locations before making more permanent commitments. The non-traditional lease terms today have enabled location flexibility that was unheard of before recent years. While in the past landlords would not consider anything other than a long term lease, short term leases with the option to extend the lease at the end of the term are becoming standard practice.

From 2016 to 2017, short-term retail deals in Manhattan more than quadrupled from 13 to 53, with 2018 on track to keep pace.\textsuperscript{48} This is allowing brands to test a location, or multiple locations, before making long-term commitments, though likely not the 50-year leases of old.

**New Retail**

*New Retail is the complete digitization of all commerce* by Alibaba, the online commerce giant that controls 80% of China’s online market. You can expect to see this term more in years to come. Utilizing its online model, Alibaba is working with third-party sellers to stock and operate pop-up stores as well as permanent locations.

Alibaba’s “New Retail” spans the breadth of retail categories. Their redefined grocery store, Hema, doubles as a distribution center, and even offers prepared foods delivery. The “New Retail” car shopping experience offers an auto
vending machine, no salesperson required. With "New Retail," mall shoppers can have out of stock sizes shipped directly to their homes and even virtually test out lipstick shades in the ladies' lounge, purchasing the one they like right then and there.

“New Retail” steps away from a path of complete ecommerce domination to the digitization of all commerce.\(^{19}\)

**GH Lab**

Along with Alibaba, Amazon is changing the retail landscape in dramatic ways through the implementation of omni-channel technology in pop-up locations.

In a recent collaboration with Good Housekeeping, Amazon opened a temporary showroom located in the Mall of America. Utilizing unique vignette style merchandising, the showroom displays products in various settings, as they would appear in a typical house. Every item in each vignette is a product that can be purchased through the Amazon app by simply snapping the SmileCode (Amazon's barcode) placed next to it – **no in-store POS terminal required**. Inventory, store labor and even theft are all greatly reduced through this unique model.\(^{20}\)
WHAT’S RIGHT FOR YOU?

Deciding on the right pop-up for your business is critical. It is important to consider both the commerce and non-commerce aspects of temporary retail when planning your store.

What to Consider

Considerations For Your Pop-up:

• **Goal of the shop:** Is your goal to implement another revenue driving operation, or is it to test a location, create brand awareness, or better understand your customers?

• **Time of year for your pop-up:** A back-to-school themed shop in December is not ideal for ensuring the most traffic. What is the seasonality of your products? When can you expect the most traffic to your location?

• **Ideal location:** Is this a storefront? A store-within-a-store? What makes most sense for your customer demographic?

• **Size of your store:** How much square footage is appropriate for the types of products you sell and the quantity you plan to have on hand? If you are planning a mobile pop-up, what size vehicle will be sufficient?

• **Timeframe:** How long will your pop-up remain open? Too long takes away the “get it while it lasts” element, but too short and you run the risk of disappointing customers.

• **Omni-channel capabilities:** Are you ready to compete with New Retail? How will your temporary shop encourage omni-channel capabilities? What payment solution will you employ? How will your customers receive their product? Buy in-store? Home delivery?
Getting all of these things right for your business will ensure you can deliver a positive experience that encourages brand loyalty, ultimately resulting in a positive ROI.

The pop up is affirmation that brick and mortar is still alive. Retailers who want to compete in an eCommerce world must learn to embrace digital and become omnipresent across channels. They must align their business plans with the expectations of today’s consumers if they hope to compete for long-term loyalty. With the right mix of creativity, strategic planning and omni-channel integrations, pop-up stores are a highly effective means to accomplishing retail omnipresence.