
OVERVIEW



MOTIVATION

Over the past two decades, the U.S. retail sector has undergone an enormous transformation. While retail sales are increasingly moving online and traditional brick-and-mortar stores have closed on a massive scale, new experiential retail concepts are proliferating throughout major cities.



CHALLENGE

Little is known about the strategic interaction of landlords and experiential tenants. This study explores potential market dynamics leading to brick-and-mortar retail's transformation and examines the value of experiential retail from landlords' perspectives.



APPROACH

In the theoretical section, this study expands the Grossman and Shapiro (1984) model of informative advertising to include experience amenities and e-commerce competition. In the empirical section, it assesses the value of experience in lease contracts.



FINDINGS

Consumers' growing preference for e-commerce results in experience creation and tenant vacancies. Moreover, while landlords perceive experiential retail as a substitute to non-experiential retail in terms of effective rent, experiential retail commands systematically higher tenant improvement concessions and longer leases.