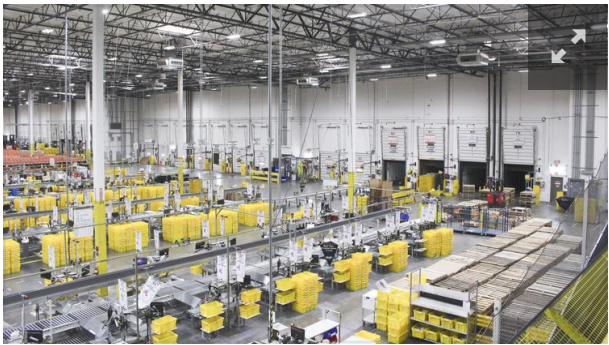


Retailing

My View: How Amazon's final-mile delivery is changing big-box retail



Busy, and getting busier: Inside an Amazon fulfillment center warehouse in Arizona.

STEVEN TOTTEN | PHOENIX BUSINESS JOURNAL

By Adam Baugh – Contributing writer
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COMPANIES IN THIS ARTICLE

Amazon.com
Seattle, WA
Retailer

\$280.5B
Revenue

840K
Employees

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The last time I was at Circuit City was 2006 when I bought a set of blank CDs to burn “mix-tapes” of my favorite, but little known, punk rock bands. It was around that same time I last visited a Sears when looking for a replacement Craftsman socket wrench.

Throughout Arizona and the nation, once mighty big-box retail titans now sit empty. The cavernous buildings are only outsized by the sea of asphalt that surround them, long past the days of retail parking ratios. While cities and towns have struggled to backfill and

occupy these spaces, developers and property owners are getting a second wind with the advent of final mile and same-day delivery from online retailers.

The push for online retail sales drives competition, not only virtually, but also physically within the marketplace.

Industrial distribution is enjoying its time in the light and there has never been a better time to be an industrial distribution facility.

The interesting change, though, is in the logistics aspect that is driving these warehouse buildings from city edges and freeway corridors to more urban, infill, and suburban areas where residents live. The key to this change is the need for final-mile delivery and same-day fulfillment. To guarantee delivery, and execute that properly, this is best achieved by reimagining old retail big box into final-mile distribution facilities.

'Headstone in a cemetery'

Take for example, Amazon's announcement earlier this year to experiment with deliveries bypassing traditional delivery companies which began

testing in San Francisco, Seattle and Los Angeles. The only way to make this possible is to establish a network of fulfillment and sorting centers that are designed to deliver to the ZIP code rather than a broad region.

When you consider my Arizona hometown of Gilbert, industrial land opportunities are available for more proximate delivery stations. But in more established areas like Phoenix, few, if any opportunities, exist for new distribution facilities given the acreage, building size and zoning requirements needed.

The key to this lies in the older, big-box retail stores that once populated these established areas but have remained vacant, like a headstone in a cemetery of dying retail. These oversized, vacant buildings present a unique opportunity to create more localized last-mile distribution facilities for hyper-specific areas without having to tear down buildings, rezone land or search for new vacant land.

Online retailers are in a commodity business that compete with traditional brick-and-mortar stores as well as

other online outfits. As with any retail market, what sets one apart are lower prices, wide assortment and free shipping. But to truly achieve distinction, quick delivery may be the best way to attract more customers and convert more purchases.

Increasing proximity

With all things being equal, the option to have items delivered today versus tomorrow or three days may be the sole factor in making a purchase, even when the cost of the product is more. The only way to ensure same-day delivery is by increasing the proximity of the distribution facility near areas where residents already live. And the sea of asphalt parking can be repurposed to accommodate the transport and delivery vans needed to serve our online shopping appetites.

In my land use and zoning practice, we are increasingly seeing more and more interest from property owners looking to reposition dormant assets into final-mile distribution facilities. Of course, some hurdles may exist with zoning, adaptive reuse of buildings built for different purposes, structural engineering, floorplans, transportation access

and more. Neighborhood pushback and outreach is another discussion unto itself. But it is doable, and it may be the only way to make this logistics push possible.

I am not suggesting that all former big-box stores are winners. Certainly, some are not set up for this and may be too costly to repurpose. But when the speed of delivery may be the sole driving factor in purchasing a product and competing in the marketplace, there may be no better option than repurposing old, big-box retail buildings.

Adam Baugh is a partner at Withey Morris PLC where he has been practicing land use and zoning law since 2007.



Adam Baugh

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drives
demand for
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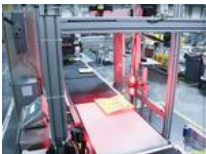
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