

TRANSCRIPT

Brian Sheehan: 0:04

Welcome to Retail Intel, the podcast where we dive deep into the dynamic world of commercial real estate. I'm your host, Brian Sheehan, and I'm thrilled to be your guide on this journey through the bustling streets of retail, the aisles of shopping centers and the world of commercial property investment. With me today is Melissa Gonzalez, principal and founder of MG2 Advisory, a strategy and insights practice focused on the integration of physical, retail and e-commerce. Drawing on her success working side-by-side with some of the fastest growing direct-to-consumer companies and well-established brands, she advises clients and design teams on how to leverage forward-thinking insights with innovative strategy, from concept through implementation, continually pushing the boundaries of experiential environments. MG2 sits at the forefront of integrating physical and digital with cutting-edge concepts that foster foundational consumer engagement and lifetime value. I'm excited to learn more, Melissa. Welcome. How are you?

Melissa Gonzalez: 1:15

I'm good, you know, enjoying the snow, but I'm very good.

Brian Sheehan: 1:20

It's that time of year right.

Melissa Gonzalez: 1:21

It's that time of year. It's that time of year. I just you know if it's going to happen. I want to be able to make snowmen and snow angels and all of that. It's much better than when it's like slushy and icy, but we'll roll with it.

Brian Sheehan: 1:31

Yeah, an inch of snow is not getting it done.

Melissa Gonzalez: 1:33

No when it comes to.

Brian Sheehan: 1:37

Well, I'd love to start with your background. Can you tell us about your career journey into the world of retail design and what inspired you to start MG2?

Melissa Gonzalez: 1:51

Yeah Well, I can't take credit for starting MG2, but I could take credit for MG2 Advisory.

Melissa Gonzalez: 1:53

But to go back, I have a kind of non-conventional background which is, I think, additive to the lens I could bring to the work.

Melissa Gonzalez: 1:57

But prior to being acquired by MG2, I worked on Wall Street, I was in institutional equities and so you know I was a generalist and spent my days, you know, at the trading desk and also road showing with management teams that were either IPO or secondary offering, et cetera, and so really spent the start of my career sitting at the table, hearing the stories, hearing the challenges, hearing what investors are poking at, and then transition that to a more creative avenue by starting the Lioness Group, which was known as an experiential agency.

Melissa Gonzalez: 2:35

We started with pop-up retail and then evolved from pop-up to also permanent and then were acquired by MG2. Right at the end of 2019, announced it beginning 2020, by MG2. Right at the end of 2019, announced it beginning 2020, just in time for COVID, and then last year we launched MG2 Advisory, which was a vision I had for the organization. So it's been an interesting progression and I think the through line in my career has been that lens of being a storyteller but also understanding the business aspects of it what are the drivers, what are the challenges and how we work with our clients to navigate that as the world continues to evolve really, and what's the elevator pitch for MG2 Advisory?

Brian Sheehan: 3:14

How do you explain what you do to potential clients?

Melissa Gonzalez: 3:18

Yeah, so we're constantly curious investigative research and insights on consumer behavior, evolving trends, and then we are partners to both our clients and design teams to support how that manifests, but creatively, but grounded in data and insights.

Brian Sheehan: 3:37

What are some of the most significant changes you've seen in retail design over the past five, 10 years?

Melissa Gonzalez: 3:44

You know it's interesting, right, because you're like what has been a game changer, like so much progresses and evolves, more so than is like this every year. It's like what's the new trend? I'm like, well, there's a continuum of some trends, some trends drop off right and then, once in a while, there's new. But for what I'm constantly watching right now is and it's not a new topic, but it's a progression is really how technology is shaping behavior and what does that mean for how it manifests in store on multiple levels. There's the way in which we as people integrate with technology reshapes our way of being, our expectations, how we interact, how we absorb information, how we discover, and so it changes kind of the expectation of the continuum when we go into physical spaces. So for me, it's the cross-generational influence, you know, and that yin and yang of that dynamic of the influencer being Gen Alpha, you know, even beyond Gen Z and their expectations and how they interact and discover, and so how is that manifesting? And I think you see a spectrum of that, like, for example, gen Alpha is having birthday parties at Sephora, you know, not just the American Girl store anymore. So like what are we learning from that? But then also that behavior of always being connected creates this desire for disconnection and for well-being. And so how does that manifest in store design?

Melissa Gonzalez: 5:07

You know, evaluating materiality isn't a new thing, but what it evokes and how we consider that within the design, I think has been a nice evolution. Everything from textures and colors to sound and lighting and like all of those things. It's always been like a brand conversation and I think now it's also bridging, like brand and wellbeing, and how does that coexist? Or or just energy you want to evoke in general. You know, maybe it is, sometimes it's a calming mood, sometimes it's an energetic one.

Melissa Gonzalez: 5:36

And just what I find overarching exciting is, again, not a new conversation, but I think, one that more and more brands are realizing that they have to. Again, not a new conversation, but I think one that more and more brands are realizing that they have to consider is what is the point of a store? And it's not what it used to be, because when consumers interact, it's a continuous relationship with the brand across all these touch points, and so as fulfillment gets more creative and discovery evolves, then what is the point of a physical store, instead of looking at it in this isolated P&L box and so slowly. That's giving us the opportunity to get more creative.

Brian Sheehan: 6:13

And the answer to that question what is the point of a store? Changes based on who you're working with, or do you feel like there's a global kind of change that's happened, that you know? That answers that question. What is the point of a store today?

Melissa Gonzalez: 6:29

I think it's a mix of the two. Right, because there's overarching changing behaviors. But then you do need to think about it from a brand point of view, because sometimes you know it's about different things that you can't satisfy on those other channels. It's about different things that you can't satisfy on those other channels. So I've brought this up in other interviews, but I love the example, like with our client Kizik.

Melissa Gonzalez: 6:51

You know, when we evaluate that and we think about what's the most important thing that has to happen in a physical environment, yes, we want the sale, but it's that the person puts their foot in the shoe for the first time because it unlocks fandom, because, no matter what we say online about that seamless slip in, you don't fully appreciate it until you experience it. And then it unlocks their belief for that product for themselves. But also, oh, this would be great for my mom, this would be great for my grandma, this would be great for my kids and that is super powerful. So if they don't do anything else in the store, that's the most important thing. So that becomes an important factor as we approach customer journey and store design.

Melissa Gonzalez: 7:33

And then another arena is maybe it's about community building and what's the opportunity of that as a brand, and I think brands like Arafa has done that for a long time and I always like it as an example, because, yes, they sell equipment for cyclers right, but if you ride a bike you don't need something new all the time. But the way that they've created this global network effect of like I feel like I'm part of something because I go to Arafa and we watch cycling together or we go biking together, whatever it creates a different emotional connection of the brand and then their top of mind for those you know, a few times a year you might need the equipment, but the loyalty it drives like that's the special part of their destination.

Brian Sheehan: 8:17

So you're talking about the things that you can't satisfy on other channels, and the example with Kizik is that you really need to be in the store to experience what it's like to put your foot into that shoe right.

Melissa Gonzalez: 8:29

Mm-hmm, and then with Rafa, it's the aha moment that happens, yeah.

Brian Sheehan: 8:32

It's an aha moment, and social media isn't going to ever fully convey to someone what that experience is like.

Melissa Gonzalez: 8:41

No, I mean you might experience by watching others through video content, but it's not the same as you physically doing it yourself.

Brian Sheehan: 8:48

And then the Rafa example. You hear a lot about community building. What do you think they've done really well in terms of building a community of cyclists? I mean, I get some of their communications. I'm not an avid cyclist, so a little bit washes over me, but I guess I understand your point. But what is it that you'd point to them, you know, having done really well? In terms of building a community. What is it that like they're world class at?

Melissa Gonzalez: 9:16

Yeah, I think the authenticity of it is important. You know, I think the authenticity, the programming which, again, authenticity should sit on top of that too the camaraderie it creates you know people that are enthusiasts of that. There's a strong passion, and so I think that there's always when you could be the nucleus of like-minded people coming together. That's pretty powerful.

Brian Sheehan: 9:42

And what do you mean? You said that what authenticity has to sit on top of program. What do you mean by that?

Melissa Gonzalez: 9:48

I think it's easy to just like you would look at different swipe if you were doing store design itself with programming. I think it's really easy for people to say like, oh, this friend did this, so we should do it. This friend did this, so we should do it. It doesn't mean that that is the right thing for your brand, or maybe it's an overarching idea, but the way in which you execute it needs to be about that. So I'll give you an example Years ago, when Lisa Mattress had physical stores they're now sold in partnership with West Elm right but when we helped open the Lisa Dream Gallery, probably a decade ago at this point, and we worked with them on programming, it was everything that we programmed was about supporting

their value proposition, which was either a great night's sleep or was giving back, because they had this partnership with the Bowery and Mission and for every 10 mattresses they sold, they donated one to homeless shelters, and so every time there was a discussion of programming in the space did it support either of those two?

Melissa Gonzalez: 10:48

And then everything you do furthers the message of your commitment to those missions and that's really important.

Brian Sheehan: 10:55

So you talked about store design a little bit. I guess I want to let's go back to that where you're thinking about how do you create a unique and memorable customer experience in retail and it sounds like it goes beyond that, which is not just to create something memorable, but it's really got to be aligned with the programming, has to be aligned with the value proposition. How do you determine what are those core things that have to happen in a retail space?

Melissa Gonzalez: 11:23

Yeah, so oftentimes you know, the brand's already been birthed when we work with them. Once in a while we have simultaneously opened their first location the same day their website goes live. So that's a whole different conversation because that's a first introduction. But there's the style guides so we immerse ourselves in like what's the voice, what's the colors, what's the meaning behind those? We assess materiality. What do we want it to evoke and say and message? And so an example Sorrel was a highly experiential pop-up we did in Williamsburg, Brooklyn, two years ago.

Melissa Gonzalez: 11:57

They used to have stores. They don't have stores anymore, but they were doing a pop-in shop campaign in partnership with Nordstrom. So they were going to be in dozens of locations. But a lot of that was going to be their brand in somebody else's environment, right? So you could only take your design so far.

Melissa Gonzalez: 12:16

And so we had this location in Williamsburg. That was more of a magnified experience of the brand's voice and all the things they wanted to pull forward. So from a design standpoint, for example with the materiality, the reason they wanted to do in Williamsburg was also the messaging of New York as our muse, and New York has a lot of textures and New York has grit and New York has a lot of different dimensions to it, so how were we

jumping off of their style guide and material palette to bring that to the space? You know concrete, the juxtaposition of hard and soft surfaces. You know extreme commitments to the saturation of orange, bringing in augmented reality, so as she put on the boot, she could insert herself into different weather conditions that happen throughout the year, for the messaging of this boot has durability in all seasons, and so you know, again, it's like the storytelling aspect of it. How can we pull that forward with design?

Brian Sheehan: 13:18

That's so incredible and there's so many questions I want to ask about that. You know, how do you balance the aesthetics and functionality of a space? And then within that there's a question of well, how do you do that inside somebody else's retail environment? But just kind of generally speaking, how do you find a balance between aesthetics and functionality when you're thinking about a physical retail store?

Melissa Gonzalez: 13:41

Yeah, so customer journey is always an early conversation and in the beginning we're kind of parallel pathing, as we're looking at materiality and what is the scale of those materials, how that's going to show up in space, you know what's going to be the primary, what's going to be the secondary, and it's a very high level mood board at that point. But at least we're aligning on that. And then simultaneously, yes, there is what is the narrative of the experience? And then how does that overlay with the customer journey? What is the story that starts from the outside in, you know, from the street, and then what is the first thing that happens as they enter the space? And then what are the little speed bumps or breadcrumbs along the way?

Melissa Gonzalez: 14:20

And we'll tie that to a business perspective, like I mentioned with Kizik. Right, because there's the ultimate conversion of the purchase, but there's micro conversions that happen along the way, points of engagement, points of education, points of demystification, and so how are we thinking about that along the journey? You know, some of it's going to be through digital content, some of it's going to be through storytelling, through visual merchandising strategies, and like, how are we helping guide them through that experience? So in those the early work. We're kind of addressing both at the same time and then, once we find the space, then we'll marry that all together.

Brian Sheehan: 14:58

Melissa, you talked about digital content and I guess I'm curious. Part of your expertise is how do you integrate technology in physical retail spaces? But talk about the role of technology overall in today's retail environment, if you can.

Melissa Gonzalez: 15:15

Yeah, I would say how do you integrate it? The most important thing is purposefully. So it's been a buzzword for a long time we're going to integrate technology. Technology is not easy. It takes programming, it takes upkeep, it takes consistent connectivity and it's most successful when it is furthering intuitive behavior and it's frictionless.

Melissa Gonzalez: 15:40

So, while I think we're still in very early stages of the fitting room, for example, and disclosure, you know I sit on the advisory board of Crave Retail, but the reason I was excited to join that was because I do think that the fitting room is this really intimate experience that's happening. There's a moment of intention and exploration and engagement. And how do we build off of that? But you have to do that in a way that's frictionless. Of course, I can't feel creepy, but I think people understand. You know there's no camera necessarily watching the person that's engaging with the product right, either through RFID technology, what increase example? It's RFID, but it can be, you know, qr codes, barcodes, things like that.

Melissa Gonzalez: 16:20

So it's about elevating that experience. I know I'm trying on this top and in a personalized way. Maybe you can tell me how to pair it and make the outfit come together or other sizes that are available or what store it is available with. Like everything is serving me, and I think that that's important and we have that conversation with our clients Like we really need to. What do we consider success? We really have to talk about that before we decide what the technology is. How does it fit in the journey, how is it additive to that journey, how is it going to be frictionless both to the store teams and to the consumer engaging with it? And then, is it operational, is it experiential? Because those are also different things too, and sometimes the most powerful technology the customer doesn't even see, but it's putting information and access in the store associate's hands to elevate the experience. So it's really like having a holistic mindset around it and then a pragmatic one on top of it, you know, so that you're really thinking about all those questions together.

Brian Sheehan: 17:26

Well, so how do you see the future of brick and mortar stores evolving in the age of, you know, technology, integration and e-commerce?

Melissa Gonzalez: 17:35

You know, I'm I'm very curious about it because I think whatever I answer today doesn't even it's like the tip of the iceberg of what it'll be in the next few years as Gen Alpha continues to rise and then everybody's talking about the betas right behind it, who they're literally born with AI now, and so when I I constantly study my daughter and her, her cousins and her friends and what I think is their seamless interaction online and offline, like for us, itlox and our creators and TikTok and all this stuff, right, and so how is the store going to create those seamless digital, physical pathways and also empower that creator, that creator?

Melissa Gonzalez: 18:44

And I'll give you an example Like, if I go to West Elm or Pottery Barn or any home store, my daughter walks in with her tablet and takes pictures and then gets into Roblox and builds out the room that she wants to create so that I could buy stuff for her, and she's not even thinking twice about it. That's how she's engaging, and so that's what I'm studying and curious about. What is that going to mean? Like you know, do they come to the store for fulfillment? Do they come to the store for different layers of discovery? Is it community first? And it's going to be an evolution.

Brian Sheehan: 19:15

So you talked about how important it is to seamlessly integrate the interaction between online and offline, so it feels seamless. Is there any retailer that you point to today that's doing a particularly good job of that, or is it a micro moment that you've seen somewhere that is a great example of that?

Melissa Gonzalez: 19:35

Yeah, I think that there's in varying degrees. You know, I always bring up Nike as like a best in class and I think you know there's a spectrum of why things position brands to be more successful at it. I think for Nike, because they have such an active in app community already, a digitally integrated community interacting with them as a brand, it becomes more seamless to then bridge that into the store you know. With them as a brand, it becomes more seamless to then bridge that into the store you know. And so for that it's like if you go to the house of innovation, you know you could put the items you want in your app and then go pick it up. There's a level of personalization and so in those environments with that brand, it's intuitive behavior. And then I think that there's others where you're seeing it in pieces.

Melissa Gonzalez: 20:17

I've been watching you know like, for example, with a with know like, for example, with a Crave Retail. They've done it with brands like a Victoria's Secret, and then they're also piloting something now with American Eagle, and so I also think it's like the opportunity they're going to have with outfitting is going to be different with an apparel brand right than with an intimates brand, for example, and so that's like varying degrees of successful integration, I think, just because of what the customer is looking for in those environments. I feel like when it comes to things like AR and VR, we probably have longer ways to go, but I think with endless aisle or integrated fitting rooms and things like that, I think we've started to see more and more success in that happening.

Brian Sheehan: 21:01

You work with a lot of fast growing brands and what advice do you give to them when you're talking about, you know, the creation of their physical environment? How do you, how do you help, guide them to get the most out of a physical store today?

Melissa Gonzalez: 21:16

Mm. Hmm, yeah, we always ask what do we consider success? For sure, and we also do a deep dive into what are the you know, what is the information? Because a lot of them that are coming to us to go into physical, they've been digital. So we're benefiting from data and we have deep dive conversations. How are people discovering you? You know what are the products they're going to first, what is the path that we're seeing them get to Like? How are they adding those plus ones into the cart we're seeing them get to like? How are they adding those plus ones into the cart?

Melissa Gonzalez: 21:43

How do we think, what information do you think or experience that you cannot manifest in digital platforms that we want to pull forward in physical retail?

Melissa Gonzalez: 21:50

And so it's really that study in the beginning and then, from an advisory standpoint, it's overlaying it with our library of insights or we'll commission customized research to dive deeper on overarching trends.

Melissa Gonzalez: 22:05

So, for example, there's a lot of overarching trends out there, right, we live in a digital, connected world and people are wanting community and wellbeing and there's a lot of themes. But then we'll take a deeper dive of OK, well, what does that mean for the opportunities of how it manifests in physical environments. When we say we want to evoke

a sense of community, ok, well, what kind of community? What does your community care about? How do they want to engage with that community? Deeper levels of insights and information so that we can pull those overarching themes forward in a way that feels unique and special and, again, authentic to the brand and speaks to the customer in the way in which you know they want to engage. So it's a pretty deep dive in the beginning and all of that then would guide how we think through the customer journey and all those breadcrumbs and the speed bumps and those moments of discovery and engagement.

Brian Sheehan: 23:06

I'm thinking about a brand like Supreme that built a skate park inside their store. Yeah, and that would be an example of how they decided they wanted to engage with their community.

Melissa Gonzalez: 23:18

Yeah, yeah, I was just in Shanghai at the end of last year because we have an office in Shanghai and I went to the Supreme store in Shanghai and so it was cool to see it there too.

Melissa Gonzalez: 23:27

But, yeah, it's okay. What is, when we think of streetwear and style and this community, and what are those activities that make sense that will speak to the audience, you know. So for that one, yeah, I think that's a great example. I think they've been really successful over the years of thinking about that, because it's like that brand, they have an opportunity to tap into both culture and subculture, which is even deeper, I think, and I think, on average, like a lot of the footwear brands have had that too. You know, it's like this one industry and it's evolved as a secondary market because kind of evolved. But you know, those are the kinds of brands where I know, when we've done pop ups, for example, in past years with Puma and others, we could put that location almost anywhere and that audience will find you because it has such a deep rooting in, like, not just culture but subculture around it and I think that's, you know, that's an even deeper opportunity to tap into.

Brian Sheehan: 24:26

It's kind of the definition of how you create a destination.

Melissa Gonzalez: 24:30

Yeah, absolutely.

Brian Sheehan: 24:32

I'm curious. So you talk about at the outset of the conversation, with the brand it's, you know, with the brand it's, you know, how do we define success? So once you've built the physical retail store, it's open and it's operating. Sure. Can you talk about some of the metrics that you're looking for that help you measure how successful you were in achieving you know those goals?

Melissa Gonzalez: 24:57

Yeah, and this is why what do we consider success? Conversation at the beginning is critical because it's not always going to be the same answer. There's plenty of brands where the store they recognize is for marketing, and so it's about how many new customers did we gain? How much more is the customer already had spending with us? How much more often are they visiting us now? Did we unlock a different level of fandom? Are we selling SKUs that we didn't move before?

Melissa Gonzalez: 25:23

So there's that aspect of it is understanding what is the purpose of it. If it's an individual store, sometimes it's also a network effect, like, if you look at companies like Dick's Sporting Goods, they have outlet stores, they have main stores, they have now like house of sports stores, right, and they all kind of serve different purposes. They have now like house of sports stores, right, and they all kind of serve different purposes. But the average customer who intersects and experiences them across those different formats versus just one, is spending more, is visiting the brand more often, is more loyal, right. So it's really understanding again, like either your standalone store or your playbook of formats, what does this format mean for the other formats? What does it mean holistically?

Melissa Gonzalez: 26:05

And so there's a lot of answers, but I think, as we continue to investigate what is the point of the store and understanding it's a touch point and a continuum of touch points in the relationship with the customer and the brand, then you're studying it a little bit differently. You're appreciating, you know, the halo effect. You're studying again, like I said, is it a new customer? That's number one. If it's an existing customer, are they spending more? Are they returning products less frequently? Are they coming back to your brand more often? Are they adding more products you know to the cart than they would have in the past? Are they becoming advocates for your brand? So there's a lot of different things you could measure, but really setting that up up front, I think, is critical. To tie it to the question of what do we consider success.

Brian Sheehan: 26:54

It kind of brings me back to the question that you already touched on a little bit. So how you see the future of brick and mortar stores evolving really has to be answered by a brand and within the subcategory of the type of retail store that they want to operate. And you're going to have different stores over time, maybe, depending on the size of your brand. Maybe the first, maybe a Supreme, for example, small shop operator, maybe they don't have as many types of stores, or do you think to be successful today, you really need to think about operating different kinds of stores in order to be able to engage customers in different ways? It's not an either or.

Melissa Gonzalez: 27:38

I think it's not a one size fits all answer, because I think for some brands their strategy might be we're only going to have eight to 10 stores in key cities and that's our playbook, and then we're going to have different kinds of marketing strategies and others, and that might be kind of what their plan is today. You need some sort of consistency when you want to scale, because having every single one completely differentiated becomes expensive because you don't get any economy as a scale right and building it out and how you operate it and stuff. So you probably need to be at a certain scale when you have a robust playbook, like the example I mentioned with Dick's or the way Nordstrom has with, like, their full line stores, their rack stores and their local Right. But either way, I think there's an opportunity. So, say you, you only going to have eight to 10 permanent stores. Maybe you're complementing that with a mobile retail strategy or pop up strategy or shop and shop strategy, you know, and then understanding how that all complements each other.

Brian Sheehan: 28:41

Well, this is. This is really incredible. Melissa, I noticed that you recently joined forces with Collier's Engineering and Design, which sounds like an exciting development. Can you talk about this partnership a little bit and what to expect?

Melissa Gonzalez: 28:57

Sure, it's very early stages, so we announced it at the end of last year. But you know, I think every transition Linus to MG2, mg2 to now partnering with Collier's Engineering and Design the spirit of it is really just continuing to expand our promise to our clients and being able to expand our geographic footprint, being able to expand our network of expertise. And you know, I think there's a lot of different elements of design where I said it's a lot of the interiors, but as an organization we also have ground up. We also have different sorts of environments outside of just retail. So it's being able to partner with landscape designers

and engineering and MEP and stuff that we didn't have in-house before. So it's going to be exciting to see how we continue to bring all of that together.

Brian Sheehan: 29:48

Well, melissa, it was great speaking with you today. Thank you for joining me on Retail Intel. Yeah, be sure to check out MG2 at [MG2.com](https://mg2.com) and on Instagram at MG to underscore design. Whether you're an aspiring real estate mogul, a seasoned pro or simply curious about the places where we shop, dine, play and work, this podcast is your all access pass to the world of commercial real estate. Connect with me on LinkedIn and, if you're interested in being a part of the Retail Intel podcast, send a message to nationalaccounts at phillipsdison.com. If you want to hear more about the business of retail and what makes a successful store, keep tuning in to Retail Intel and please subscribe, follow, like and repost. Talk to you next time.