

PRCH RETAIL RESEARCH FORUM

REPORT H1 2015

Tarasy Zamkowe, Lublin



**POLSKA RADA
CENTRÓW HANDLOWYCH**
POLISH COUNCIL
OF SHOPPING CENTRES

Report H1 2015

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Report H1 2015



Radosław Knap
General Director
Polish Council of Shopping Centres

Dear Readers,

We proudly present to you another issue of a report of PRCH Retail Research Forum. This volume is a landmark, since we have decided to widen our publication with new chapters, in order to provide you with the broadest scope of high quality knowledge about the market. Several acknowledged professionals with long-standing experience in the shopping centres industry have contributed to this issue of the PRCH RRF Report. In cooperation with the Polish Council of Shopping Centres they present actual data and analyze in depth the trade market in Poland and the changes it has undergone over the last six months.

In the first chapter we focus on the stock of modern retail at the end of the first half of 2015. The starting point is the supply of new retail space put into operation as well as under construction, followed with some statistics about formats of shopping centres. Another important elements of our scrutiny are retail space density and vacant space indicators. Special part of the chapter is dedicated to systemizing of definitions and classifications used in the market, based on international standards.

The new PRCH RRF Report is extended with two new articles written by experts in the field. Chapter 2. depicts shopping centres of the future, with emphasis put on understanding the needs of the consumers. The last chapter covers a review of the most important new technologies, that can significantly enhance the performance and managing of a shopping centre.



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General Director
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H1 2015 Report PRCH Retail Research Forum

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1 SHOPPING CENTRES TODAY – CURRENT CONDITION OF THE RETAIL MARKET IN POLAND

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SUPPLY OF NEW RETAIL SPACE IN H1 2015

In H1 2015, the stock of retail space in Poland increased by around 183,000 sqm, thus increasing the total existing supply to 10.5 million sqm.

Four of new retail schemes that were put into use in H1 2015 are conventional shopping centres, namely Tarasy Zamkowe in Lublin, with an area of 38,000 sqm, which is also the largest shopping centre opened in Poland in the respective period, Galeria Neptun in Starogard Gdański (25,000 sqm) and two smaller projects:

Galeria Corso in Świnoujście (10,000 sqm) and Galeria Sanok (7,500 sqm).

Another two schemes are small retail parks opened in Głowno (Galeria Głowno – 6,000 sqm) and Wieluń (Era Park Handlowy – 5,600 sqm), which are also first modern retail assets in these cities.

After the opening of Outlet Center Białystok, the outlet centre space stock in Poland increased by 8,000 sqm. Extensions of retail schemes, which have been operating

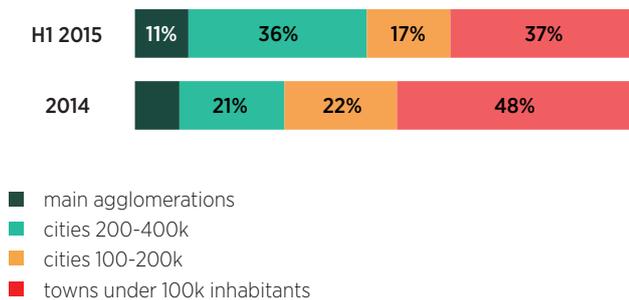
Fig. 1. Supply of retail space in shopping centres in Poland 1993-2015 (sqm GLA)



Source: PRCH Retail Research Forum, H1 2015.

in local markets for a few years, had a substantial share in new supply (45%). The majority of them were extensions of shopping centres, with a single retail park. Around 37% of retail space were delivered in cities with a population of up to 100,000, and only 11% in the main agglomerations.

Fig. 2. The structure of supply of retail space delivered in 2015



Source: PRCH Retail Research Forum, H1 2015.

New supply delivered in H1 2015 comprised around 38% of the total space put into use over the past year, which not necessarily means that the total supply by the end of 2015 will be lower than in 2014. In H2 2015 we can expect 450,000 sqm GLA to be put into use. Around 57% of that space is located in the largest agglomerations, and 20% in cities with a population of up to 100,000. High activity of developers continues; according to PRCH data, as of the end of H1 2015, there are nearly 830,000 sqm of retail space under construction, of which 58% are located in the main agglomerations, and 29% in cities with a population of up to 100,000. As much as 90% of space under construction is located in shopping centres, and further 8% in retail parks.

The largest projects under construction as of the end of June 2015 are: Posnania, developed by Apsys in Poznań (100,000 sqm, the opening scheduled for 2016) and Zielone Arkady, developed in Bydgoszcz by ECE (50,800 sqm by the end of 2015), as well as a project of Unibail-Rodamco: Wroclavia with its opening scheduled for 2017 (64,000 sqm).

Table 1. New openings in H1 2015 (in chronological order)

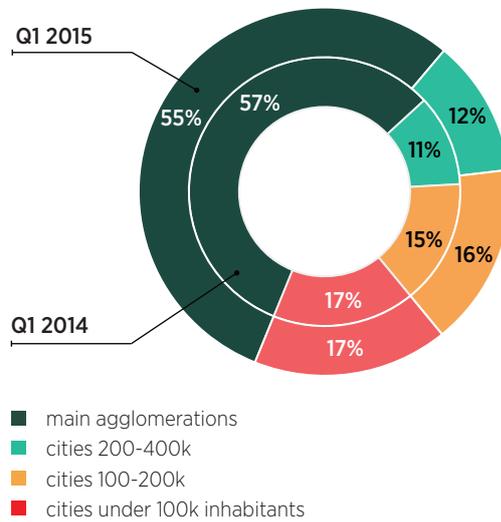
No.	Name	City	Format	GLA
1.	CH Ogrody (extension)	Elbląg	SC	22 500
2.	CH Morena (extension)	Gdańsk	SC	2900
3.	Galeria Głowno	Głowno	RP	6000
4.	Tarasy Zamkowe	Lublin	SC	38 000
5.	Galeria Sanok	Sanok	SC	7500
6.	Atrium Copernicus (extension)	Toruń	SC	17 000
7.	Era Park Handlowy Wieluń	Wieluń	RP	5600
8.	Magnolia Park (extension)	Wrocław	SC	16 600
9.	Outlet Center Białystok	Białystok	Outlet	8000
10.	Galeria Sudecka (extension)	Jelenia Góra	SC	12 900
11.	Atrium Koszalin (a stand alone sport market added)	Koszalin	SC	1100
12.	Galeria Neptun	Starogard Gdański	SC	25 000
13.	Rondo Bydgoszcz (extension)	Bydgoszcz	SC	2000
14.	Carrefour Olsztyn (remodelling)	Olsztyn	SC	3000
15.	Galeria Venus (extension)	Świdnik	SC	1100
16.	Park Graniczna (extension)	Płock	RP	3800
17.	Galeria Corso	Świnoujście	SC	10 000

Source: PRCH Retail Research Forum, H1 2015.

Over a half of total leasable space in Poland is concentrated in the largest agglomerations, where 5.8 million sqm are located (55% of the total stock). However, because of increased activity of developers in medium-sized cities and small towns, the share of the largest cities systematically decreases. Compared to the corresponding period of 2014, in H1 2015 a decrease by 2 percentage points in the share of the main agglomerations in the total supply in Poland was recorded.

In towns with population under 100,000 inhabitants, there are 1.9 million sqm of retail space, which is 17% of the total supply in Poland. Compared to the previous year, their share did not change; however, it increased by 2 p.p. over the past two years. Another 1.6 million sqm (16%) are located in cities with a population of 100,000 – 200,000, and the remaining 1.2 million sqm (12%) in large cities (inhabited by 200,000 – 400,000 residents). In the case of the two latter groups, the share of each increased by 1 p.p. over the past year.

Fig. 3. The structure of supply of retail space in Poland (H1 2014 and H1 2015)



Source: PRCH Retail Research Forum, H1 2015.

SHOPPING CENTRE FORMATS IN POLAND

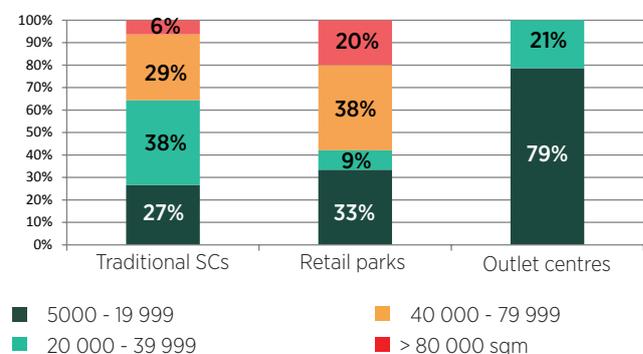
Modern retail supply can be classified into three formats of retail schemes: (traditional) shopping centres, retail parks, and outlet centres. Shopping centres prevail on the market with an aggregate area of 9.4 million sqm (89% of supply in Poland) as of the end of H1 2015. Retail parks constitute around 900,000 sqm (9%), and outlet centres – remaining 200,000 sqm (2%).

However, it can be expected that in the coming years we may be dealing with a greater diversification of shopping centres. The maturing market and increasingly demanding clients are elements that affect developers' decisions. This can be illustrated by the example of mixed-use projects in Warsaw (e.g. Art Norblin, Bohema, Koneser), where cultural, restaurant and entertainment functions are complemented by the retail offer.

The dominance of the shopping centre format translates into a high diversification among such projects. When looking from the size perspective, there are centres with an area of around 5,000 sqm as well as large-area assets, exceeding 80,000 sqm. The highest share is represented by shopping centres with an area between 20,000 and 40,000 sqm – 38% of the shopping centre stock. On the contrary, in the case of retail parks, the highest share (38%) can be attributed to large projects with an area

between 40,000 and 80,000 sqm and small schemes between 5,000 sqm and 20,000 sqm (33%). One can expect that the increased activity of developers in towns will advance with a higher share of smaller projects. Outlet centres contribute only 2% to the total retail space volume in Poland; therefore, they are the least diversified retail format. Nearly 80% of supply consists of small projects (under 10,000 sqm GLA). Nevertheless, given further extensions of already existing outlet centres, their share is going to decrease.

Fig. 4. Retail formats by their floorspace (sqm GLA) (H1 2015)



Source: PRCH Retail Research Forum, H1 2015.

Table 2. Modern retail space by formats

RETAIL FORMAT	New supply (H1 2015) (sqm)	Total stock (H1 2015) (sqm)	Share in the total stock	Example of a newly opened project
Traditional shopping centres	160,000	9.4 million	89%	Tarasy Zamkowe, Lublin
Retail Parks	15,000	0.9 million	9%	Galeria Głowno
Outlet centres	8,000	0.2 million	2%	Outlet Center Białystok
Total	183,000	10.5 million	100%	

Source: PRCH Retail Research Forum, H1 2015.

CLASSIFICATION AND DEFINITIONS OF SHOPPING CENTRES IN POLAND

Poland lacks both an exhaustive definition and a comprehensive classification of modern shopping centres. Central Statistical Office (GUS) uses the notion of „large format stores „, where the only criterion is the sales floorspace (over 2,000 sqm). In yearly reports on the internal market in Poland GUS distinguishes “department stores” among large format stores, as the “stores divided into separate departments, each selling a broad and universal assortment, particularly non-foodstuff goods, with a sales area of 2000 m2 or more. This kind of outlets usually conduct also subsidiary catering or service activity” (GUS, “Internal Market in 2013”, p. 13). However, one may consider that these definitions no longer meet the needs of the dynamically developing commercial real estate industry.

The need to apply a standardised classification and consistent definitions when describing the shopping centre market, especially in the case of international comparisons, was emphasised by J. DeLisle in a study for International Council of Shopping Centres (ICSC) (2009, p. 1): „Given the current state of data on the global shopping center industry, there is a lack of transparency regarding the retail market’s composition, structure, balance and trends. This void thwarts the efforts of analysts to conduct fundamental market analysis (i.e., spatial analysis, supply/demand balance) across country and/or regional boundaries. The end result of the ‚informational inefficiency’ results in segments of a particular market being oversaturated or underserved.”

International Council of Shopping Centres distinguishes two basic types of large-area retail schemes on the ground of their architectural consistency: conventional (or traditional) shopping centres or ‚galleries’ (called malls in the US) and the so-called open-air centers. However, a detailed subcategorization in the ICSC classification depends on heterogeneous criteria, which combine the size, concept (business strategy, market positioning), typical anchor tenants etc.

The commonly accepted defining features of a modern shopping centre (understood in the widest sense) are (following DeLisle, 2009):

- A consistent, comprehensive investment project (single owner, centrally managed) and architectural design (integrated layout and interior design placing an emphasis on common areas);
- Coherent asset management with respect to development and operation of the building (property lease and maintenance, etc.) as well as marketing of the asset as a single entity;
- At least 5000 sqm GLA (gross leasable area);
- Wide assortment of different goods and services categories, with a significant share of retail chains;
- A synergistic tenant-mix, mostly focused around the anchor tenant (e.g. a hypermarket / supermarket, cinema, etc.);
- Minimum 10 tenants (disputable criterion).

Table 3. International typology of shopping centres in Europe (ICSC)

Format	Scheme type	Subtype	GLA
Traditional SC	Very Large		80,000 sqm and above
	Large		40,000 – 80,000 sqm
	Medium		20,000 – 40,000 sqm
	Small	Comparison-based Convenience-based	5,000 – 20,000 sqm
Specialized SC	Retail Park	Large	20,000 sqm and above
		Medium	10,000 – 20,000 sqm
		Small	5,000 – 10,000 sqm
	Outlet Centre		5,000 sqm and above
	Theme Oriented SC	Non-/Leisure-based	5,000 sqm and above

Source: J. Lambert, „One Step Closer to a Pan-European Shopping Center Standard”, 2006.

According to the International Council of Shopping Centres classification (ICSC 1999; DeLisle 2007 and 2009; Lambert 2006), PRCH Retail Research Forum reports adopted the following definitions of the three basic types of shopping centres:

1. Traditional shopping centres, in Poland commonly referred to as „shopping galleries” – enclosed buildings with roofed shopping passages, which can be classified by size:

- Very large – over 80,000 sqm GLA – in the US nomenclature: Super-regional mall;
- Large shopping centres – between 40,000 and 80,000 sqm GLA – their equivalents in the US are called Regional malls (400,000 – 800,000 square feet, which is 37,000 – 74,000 sqm);
- Medium-sized – 20,000 – 40,000 sqm of leasable area (small regional shopping center or community center), with a relatively large share of the anchor tenant (super-/ hypermarket) in the total area;
- Small shopping centres (5,000 – 20,000 sqm), sometimes called Neighbourhood centres (together with small retail parks), or, depending on the offer and tenant-mix

(complementarity or synergy) Comparison-based or Convenience-based small SC.

2. Retail parks – complexes of stand alone buildings or units joint under one roof, but with separate entrances from a shared street or a parking lot. Following the ICSC guidelines (which used to have been adopted especially in the US market), it is useful to divide them into two subtypes according to combined size and layout criteria:

- Large retail park – the so-called power center, with a big box at its core, namely a stand alone hypermarket or specialised large-area retail scheme (in Poland represented mostly by IKEA Centres retail parks);
- Small retail park (under 20,000 sqm GLA) – mostly arranged in a single strip (hence the name strip mall), less frequently in the shape of a letter J or U around a shared parking lot. According to the European ICSC classification (Lambert, 2006), the threshold of 10,000 sqm separates small- and medium-sized retail parks, which can be considered to be an equivalent of the US distinction between Convenience-based and Comparison-based schemes.

3. ,Outlets', or Factory Outlet Centers, where manufacturers or retailers sell surplus stocks, end of line and discarded products or off-season collections at discounted prices. In cases of multi-format schemes, where distinct types of centres function in an integrated way (e.g. a mall with an attached retail park, or an outlet with a mall-like hypermarket), PRCH RRF classification applies the format of a dominant part of such a complex (in terms of GLA).

Debatable formats – a classification attempt

Recently, there has been an increase in the number of schemes (traditional shopping centres as well as retail parks) smaller than 5000 sqm GLA, which fulfil the other defining criteria of a shopping centre. The term “convenience centre” used to be applied in Poland to such subsized schemes, which has not been included into shopping centre stock.

None the less, it is possible in the future for the PRCH RRF classification and shopping centres database to be extended to reckon also selected centres between 2000 and 5000 sqm GLA.

Other (**theme-oriented**) shopping centres (e.g. DIY / homeware and home accessories, fashion, automotive) rarely meet all the criteria of a shopping centre. Moreover, because of their diversity and dependence (usually they are a part of larger retail parks), each case of such assets should be treated individually. In the PRCH RRF shopping centre supply database and in the PRCH Online Catalogue of Shopping Centres, there are several specialized shopping centres, which are considered to be subtypes of traditional shopping centres or their functional elements.

Table 4. Polish standard of shopping centre typology – PRCH RRF classification proposal

Format	Scheme type	GLA, notes
Shopping centre supply		
Traditional SC	Very Large	80,000 sqm and above
	Large	40,000 – 80,000 sqm
	Medium-sized	20,000 – 40,000 sqm
	Small	5,000 – 20,000 sqm
Retail Park	Large	20,000 sqm and above
	Small	5,000 – 20,000 sqm
Outlet Centre		above 5,000 sqm
Other formats existing in Polish market		
Very small shopping centre		2,000-5,000 sqm GLA and other SC criteria fulfilled
Specialized SC	Fashion	
	DIY / Furniture	
	Entertainment	
	Automotive	
Department Store, Merchant Department Store		In accordance with GUS definition, > 2,000 sqm GLA
Mixed-use		
Downtown		A scheme composed into a high street, without any internal walkways

Source: PRCH Retail Research Forum, HI 2015.

For clarity, it is worth mentioning formats present in international classifications, in the case of which it is difficult to find examples in the local market. Poland lacks a large leisure-based theme-oriented centre. In the ICSC nomenclature, there is also the term Theme/Festival centre, to describe a modern shopping centre with a diversified tenant-mix, placing emphasis on cultural and entertainment functions, with a high architectural value (e.g. a revitalised historic building), at the same time being a popular tourist attraction.

Retail schemes which partially meet the defining criteria of a shopping centre, challenging the above classification are, among others, traditional department stores, which are increasingly similar to conventional shopping centres

in terms of the tenant-mix or the management principles. Usually situated near major transportation routes (with a particular focus on pedestrian traffic) and integrated with a high street, department stores can form large passage-like complexes, like Pasaż Kaliski or Domy Towarowe Centrum located in the „Eastern Wall” in the centre of Warsaw. The so-called mixed-use projects, which are new retail schemes combining office, retail as well as cultural and entertainment functions, can be considered a newer ‚edition’ of downtown department stores. The format that owes a special mention is Merchant Department Store – managed as a single asset, but without an anchor tenant and with a negligible share of retail chains – e.g. Marywilka 44, CH Załęże in Katowice, CH Nowy Turzyn and CHR Kupiec in Szczecin.

VACANCY RATE INDICATORS IN SHOPPING CENTRES IN H1 2015

As of the end of H1 2015, the estimated amount of vacant space in shopping centres in the analysed 15 largest agglomerations in Poland was 3.1%, which is an increase by 0.4% compared to H2 2015 (based on PRRF / Colliers data).

Eight major agglomerations have been analysed for the needs of the report (their coverage has been defined at the end of the report), six cities with a population between 200,000 and 400,000 (Bydgoszcz, Lublin, Białystok, Częstochowa, Radom, Toruń) and four cities between 150,000 and 200,000 inhabitants (Kielce, Rzeszów, Olsztyn, Bielsko-Biała).

The average vacancy rate in all analysed cities in Poland was 3.1% as of the end of June 2015, which was a slight increase compared to the end of 2014, when it had been around 2.7%

The vacancy rate in eight largest agglomerations was lower than in six large cities and totalled 2.9% compared to 4.3%. These rates are higher than those recorded by the end of the past year, when they amounted to respectively 2.5% and 3.4%

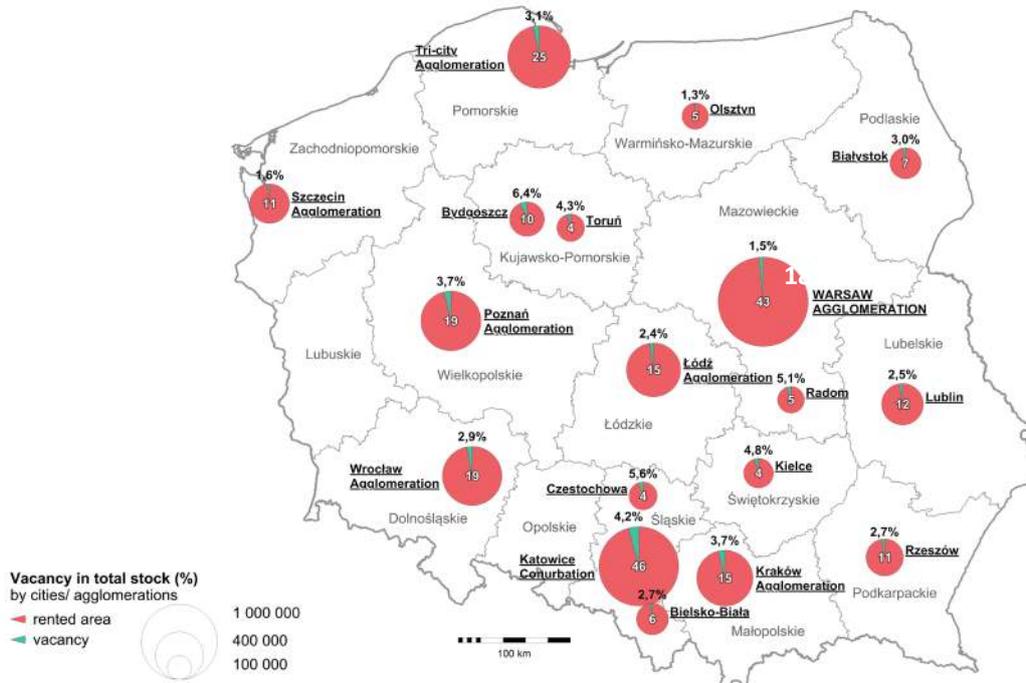
Among the main agglomerations, the highest vacancy rate was recorded in Katowice conurbation (4.2%), Kraków (3.7%) and in Poznań (3.7%) – in view of projects under construction and in the pipeline in these cities, vacancy rates may remain at the same level or even increase within

the next few years. On the other hand, the lowest vacancy rates in the main agglomerations were recorded in Szczecin (1.6%) and Warsaw (1.5%).

Among the analysed regional cities, the highest vacancy rate was recorded in Bydgoszcz (6.4%), Częstochowa (5.6%) and Radom (5.1%), whereas few vacancies can be found in Lublin and Białystok, where large projects with a high commercialization level were opened in the spring: Tarasy Zamkowe and Outlet Center Białystok.

Since 2013, the vacancy rate has remained at a stable level oscillating around 3%; the maturity of the Polish market gives rise to a presumption that this tendency will continue in the coming years.

Fig. 5. Vacancy rates in shopping centres in largest Polish agglomerations in H1 2015



Source: GfK based on PRRF / Colliers data.

Table 5. Vacancy rates in shopping centres in largest Polish agglomerations in H1 2015

Katowice Conurbation	4.2%
Kraków Agglomeration	3.7%
Łódź Agglomeration	2.4%
Poznań Agglomeration	3.7%
Tri-City Agglomeration	3.1%
Szczecin Agglomeration	1.6%
Warsaw Agglomeration	1.5%
Wrocław Agglomeration	2.9%
All Agglomerations	2.9%
Białystok	3.0%
Bydgoszcz	6.4%
Częstochowa	5.6%
Lublin	2.5%
Radom	5.1%
Toruń	4.3%
All cities with a population of 200,000 – 400,000	4.3%
Kielce	4.8%
Rzeszów	2.7%
Olsztyn	1.3%
Bielsko-Biała	3.9%

Source: PRCH based on PRRF / Colliers data.

RETAIL SPACE DENSITY AND ITS SUPPLY COMPARED TO THE PURCHASING POWER OF CITY INHABITANTS IN H1 2015

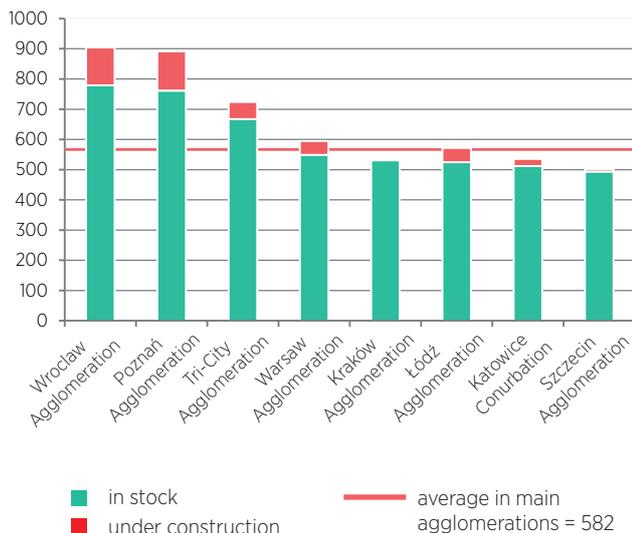
10,494,055 sqm of retail space in modern shopping centres operating in Poland in mid 2015 translated into retail space density of 273 sqm / 1,000 inhabitants. Compared to late 2014, it increased by 5 sqm / 1,000 inhabitants, mostly owing to retail space delivered in cities with a population below 100,000. The amount of space to be delivered to the market in the coming years by assets which currently are under construction will increase the density rate to 294 sqm / 1,000 inhabitants.

The density rate in the largest agglomerations taken collectively is nearly 582 sqm / 1,000 inhabitants. Taken individually, the Wrocław Agglomeration is again the leader with 779 sqm / 1,000 inhabitants; after the completion of Wroclavia and the extension of Park Handlowy Bielany (new name: Aleja Bielany) the density rate is to increase up to 905 sqm / 1,000 inhabitants. A slightly lower density was recorded in Poznań Agglomeration, though it is to increase soon, thanks to the construction of Posnania and Galeria A2.

The lowest density was recorded in Szczecin Agglomeration, where it totalled 493 sqm / 1000 inhabitants.

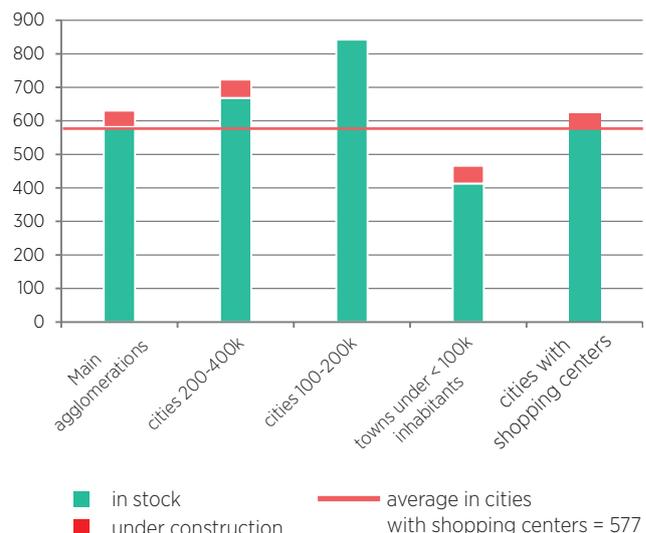
The highest average density among each size category was recorded in cities with a population between 100,000 - 200,000, where it amounted to 842 sqm / 1,000 inhabitants. This group contains cities characterised with a density rate close to record levels - Opole with 1,449 sqm / 1,000 inhabitants and Rzeszów with 1,307 sqm / 1,000 inhabitants. The highest density of all Polish cities was recorded in one of the cities with a population below 100,000 - Zgorzelec, where it totalled 1,655 sqm / 1,000 inhabitants and can be attributed to a specific location of the city. Just as in the largest agglomerations, there is a substantial diversification of density among particular cities in other size categories as well; therefore, each city should be treated individually. This approach provides examples of markets with high density rates, such as the above-mentioned Opole or highly saturated Lublin, as well as of destinations offering prospective investment conditions, particularly in the category of cities under 100,000 inhabitants, such as Chełm, Bolesławiec or Żyrardów.

Fig. 6. Retail space density in sqm per 1,000 inhabitants in main agglomerations



Source: PRCH Retail Research Forum, H1 2015.

Fig. 7. Average retail space density in sqm per 1,000 inhabitants in each size category



Source: PRCH Retail Research Forum, H1 2015.

Apart from saturation with modern retail space, there are many other factors which are significant during a general assessment of a local market or a destination considered as a place to launch an investment project. One of the most important elements is the evaluation of the spending potential of the inhabitants. GfK General Purchasing Power (GPP) demonstrates the level of this potential, allowing for an objective examination and comparison of the prosperity of each city.

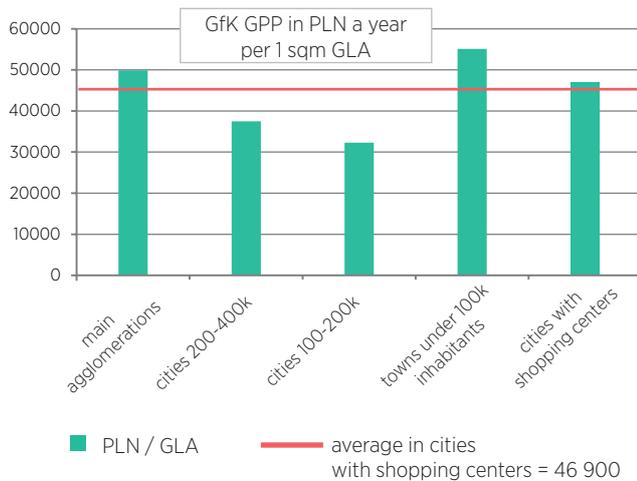
The average purchasing power per 1 sqm of retail space (both existing and under construction) in Poland is PLN 46,900. The nationwide value is an average which does not demonstrate the specificity of each size category of Polish cities. In the case of the main agglomerations, despite high supply of retail space, the ratio exceeds the average due to

a high purchasing power of the inhabitants. On the other hand, the high value of the ratio in cities under 100,000 inhabitants is a result of a low density of modern retail space.

The highest purchasing power per 1 sqm of retail space in all agglomerations was recorded in Warsaw Agglomeration. It is worth pointing out to Szczecin Agglomeration with a relatively high purchasing potential. At the opposite extreme, there are Poznań and Wrocław markets.

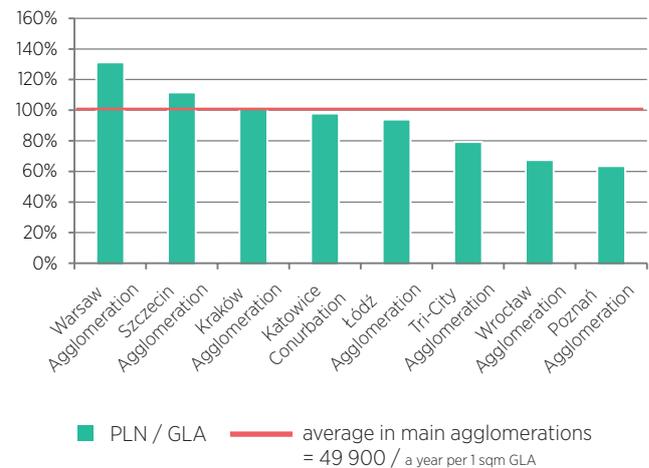
The most interesting in terms of purchasing power potential and of low retail space density are selected medium-sized cities (100,000 – 200,000 inhabitants), such as Elbląg or Rybnik, as well as numerous towns, e.g. the above-mentioned Chełm or Żyrardów.

Fig. 8. GfK General Purchasing Power in H1 2015 in thous. PLN against the retail space (existing and under construction) by category



Source: PRCH Retail Research Forum, H1 2015.

Fig. 9. GfK General Purchasing Power in H1 2015 compared to retail space stock (existing and under construction) in main agglomerations



Source: PRCH Retail Research Forum, H1 2015.

SALES EFFECTIVENESS IN SHOPPING CENTRES IN POLAND

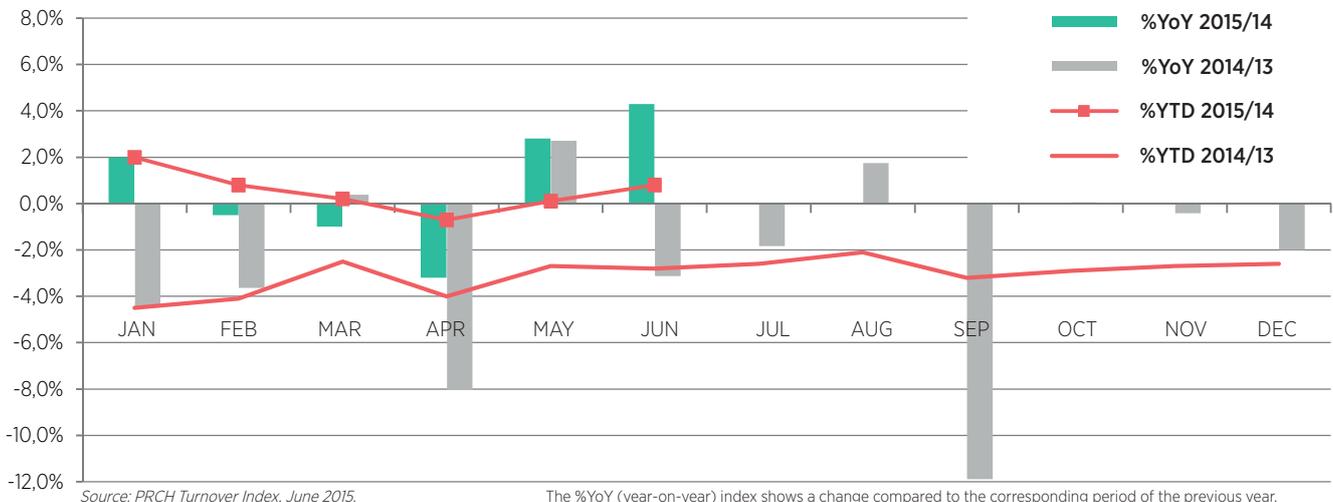
Since 2008, the Polish Council of Shopping Centres has been monitoring the Polish retail market in terms of sales trends and effectiveness changes measured by average turnover per a square metre of retail space. PRCH Turnover Index is the first such index in Poland and one of the few in Europe. Its basic aim is to provide transparent data about the condition of the retail market in Poland.

Over 80 shopping centres of various sizes and formats participate in the project. Monthly reports are made available to the PRCH members, and detailed results – to companies participating in the project, which report data from all centres in their portfolios. Detailed reports present results divided into six regions and six largest agglomerations and include eight retail categories: *Fashion and accessories, Health and beauty, Household appliances & accessories, Specialty goods, Foods/Groceries, Restaurants/Cafes/Foodcourt, Entertainment.*

Looking at the general results of the research, it is possible to analyse the most important trends and characteristics of the condition of the market in H1 2015:

- The beginning of 2015 was better than in 2014 (in January 2015, the average turnover per a sqm GLA value was 2.0% higher), but the three subsequent months saw worse results than in the corresponding period of the past year;
- May and June 2015 observed a strong rebound; the YTD change (H1 2015 against H1 2014) was +0.8%;
- Therefore, it is possible to speak about a systematic improvement of the long-term trend; the cumulative moving average for the past 12 months is slowly recovering after the crisis (construed as the -4.5% result in early 2014 compared to the year 2013); there are serious indications that 2015 will be significantly better in terms of average turnover than 2014;
- The sales volume trend is affected mostly by the condition of the dominating category Fashion and accessories, which constitutes 52% of leasable space reported to the PRCH Turnover Index. The clothing sales volume per floorspace is at a level a few percent lower than in 2014. This might be caused by a general development of the market, where supply of clothing stores growing faster than the purchasing power resulted in a decreased sales efficiency; it is possible that changes in consumer behaviour patterns are important as well (see Chapter 2).

Fig. 10. PRCH Turnover Index – average turnover in shopping centres per a sqm GLA (Poland, all retail categories, >80 centres which report data)



Source: PRCH Turnover Index, June 2015.

The %YoY (year-on-year) index shows a change compared to the corresponding period of the previous year. The %YTD (year-to-date) index is a change of cumulative value, starting from the beginning of the current year and continuing up to the end of the present month, compared to a corresponding period of time in the previous year.

The most important results and trends of sales efficiency in SC in the remaining categories in H1 2015 are:

- A consistent and very strong growth of sales effectiveness in the *Services* category (a dozen or so percent year-on-year every month – mostly thanks to a dynamic development of bank branches and travel agencies in shopping centres;
- The second category that has been recording a consistent growth compared to the previous year is *Household appliances & accessories* (YoY, YTD and 12-month cumulated indexes are in the black, growing at a few percent rate);
- Stabilisation of the turnover trend in categories *Health and Beauty*, *Entertainment* and *Restaurants/Cafes/Foodcourt* – the 12-month cumulated index remains at a level similar to the previous year period;
- A significant improvement of the condition of *Specialty goods* and *Foods/Groceries* (breaking the downward trend of the 12-month index change).

The monthly PRCH Turnover Index reports are prepared in compliance with data safety and confidentiality procedures – data aggregated by an external audit company (PwC) contain no information about specific shopping centres or their tenants. With over 80 reporting shopping centres, the market coverage is wide enough to present aggregated results

at a regional level (six NUTS-1 macro-regions) as well as at a single agglomeration level (six main agglomerations) to the participants in the project – including detailed average turnover values in each of eight industry categories. This provides the companies participating in the PRCH Turnover Index project with a number of measurable benefits:

- Benchmarking of their current shopping centre portfolio;
- An additional criterion for future decisions concerning a location of a shopping centre (developers), an investment (owners) or a store (tenants);
- Information about the condition of the retail industry in Poland – an indicator for tenants and managers of shopping centres.

Extending the report formula with a breakdown by city and retail scheme's size is expected in the near future.

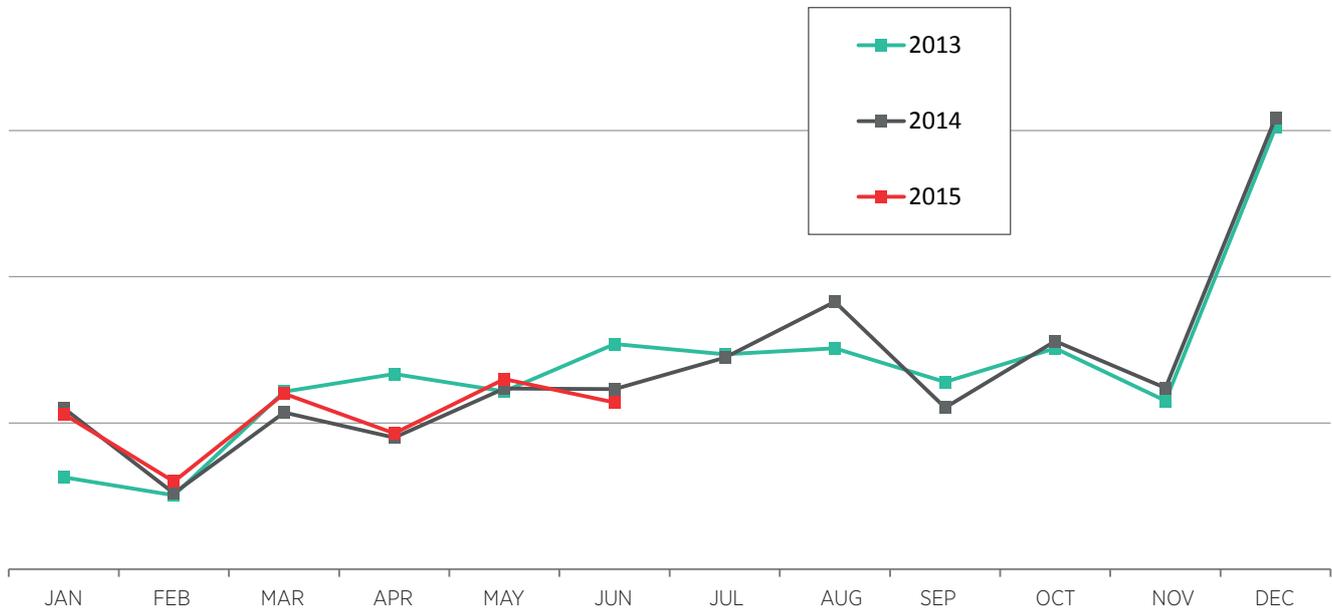
PRCH Turnover Index is complemented by the measurement of the average monthly footfall – an index called PRCH Footfall Trends (with over 60 shopping centres and retail parks involved across the country). The results of this index for H1 2015 remain at a nearly identical level as in the previous year, which corresponds to data collected by Reveal Systems (see Table 7.).

Table 6. Average annual turnover in shopping centres (per a sqm GLA) by industry in 2014

Industry	% of reported GLA	Average annual turnover per a sqm: PLN / sqm GLA	Average annual turnover per a sqm: EUR/ sqm GLA
Fashion & accessories	53%	8,424	2,015
Health & beauty	6%	19,128	4,576
Household appliances & accessories	10%	11,688	2,796
Services	1%	19,296	4,616
Specialty goods	10%	13,140	3,144
Food	7%	7,488	1,791
Restaurants/Cafes/Foodcourt	6%	12,480	3,986
Entertainment	7%	1,824	436
Total	100%	9,684	2,317

Source: PRCH Turnover Index, June 2015.

Fig. 11. PRCH Footfall Trends – dynamics of the average footfall trend in H1 2015 compared to previous years (Poland, ~60 centres which report data)



Source: PRCH Footfall Trends, June 2015.

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2 MALL OF THE FUTURE

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Many malls of today and those in pipeline are nothing like they were 10-15 years ago. In order to avoid decay or extinction many have undergone or are undergoing significant changes ranging from light face-liftings to major plastic surgeries. Every day we see, hear or read about novelties, gizmos or apps introduced in a store or a mall. The trend shall continue, along with challenges, including changing lifestyles and different spending habits.

We are back to basics in principles of retailing with the customer as central point of interest for both landlords and retailers. Thus, the future of a mall will be largely dependent on its relationship and bonds with its customers. Still, there is no “one-size-fits-all” solution for a mall of the future, as each asset needs to gauge consumer expectations for their particular offer. However one can be sure that the mall and its tenant-mix in 20 years time will look significantly different than it does today.

There are a few trends likely to emerge in short- to medium term that will shape retail schemes, externally, internally as well as socially.

One of them is a change in space utilization, size and concepts. Alterations to the layout and tenant-mix are underpinned by the idea that addressing the needs of customer groups, evolving spending patterns, as well as different expectations towards leisure time, will drive sales.

The social aspect of a mall is also gaining in importance. Its influence is gradually turning from a purely shopping destination to a place to hang out, entertain and relax. Malls are finally integrating with cities, providing external and internal common areas of high quality, which again give a reason to linger and socialize. In many cases the term “shopping centre” may no longer reflect the true character of the venue, given it serves many functions other than retailing.

Another key trend observed is new technologies, which have conquered the world of retailing, changing landlord, retailer and customer approaches to the business. E-commerce and its creation of omnichanneling have revolutionized the way people shop and especially how they spend time. This is a two-way interaction because shopper preferences influence the way retailers run their businesses. Retailers are obliged to interact with customers through social media presence and to customize offers. Background functions are obliged to change with close management of personal accounts (the big data effect), space efficiency and stocks. How effective retailers are at this helps asset managers improve tenant-mix and build loyalty to the mall. Increasing sophistication in usage of new technologies and smart data processing will be certainly an ongoing theme in mall development.

The mall of the future will be constantly evolving: more personalized and focused on its target groups. It will be there to surprise and entertain us and form part of social life, providing unique experience, supported by the clever use of new technologies. These changes in turn will impact tenant-mix, which will dedicate more time to leisure and service zones. All of this should give shoppers a reason to leave their couches and hit the aisles. The thriving shopping areas 25 years from now will focus on a unique experience that can't be duplicated online. This can either be done through innovative technologies and by offering something unexpected. Smart retailers and asset managers will be able to reinvent convenience, redefine loyalty, re-imagine experience and reposition the value.

BACK TO THE BASICS - UNDERSTANDING OF CONSUMER GROUPS

Proactive landlords, asset managers and retailers have been heavily investing in analytical tools and customer surveys, providing hints to tailor the offer better and stand out from the crowd. Not without reason, as consumers have never been so informed and demanding as they are today and the pace of changing consumer habits has never been so fast.

The typology of consumers is relatively straightforward, focused on the following age groups (Table 7).

Obviously, apart from the tailored retail and service offer, “the customer of tomorrow” will still appreciate good accessibility, amenities and experience, forming the full image of the scheme.

Table 7. Characteristics of main generational groups

Group (born)	Key features
<p>50+ “baby boomers” (1945-1965)</p>	<ul style="list-style-type: none"> - Practical, wary about the ways of spending time, home-loving, relatively well-off - 1/3 use internet - Satisfied with the current offer and not expecting changes from the mall - Convenience matters, shopping is a part of every-day life, prefer small- and mid-size malls - Leisure, relax and children care spots are of importance - Not really interested in new technologies
<p>X Generation (1965-1982)</p>	<ul style="list-style-type: none"> - Key consumer group for retail - Stable family status, high income, well-educated, career-driven, pragmatic with spending - Enjoy shopping centres, seeking information on products, fairly resistant to marketing, loyal to brands - Familiar with internet, ready for new technologies
<p>Y Generation (1983-1995)</p>	<ul style="list-style-type: none"> - Significant group for retail - Focused on quality of life, leisure time and entertainment, fit and eco-friendly, less attention to professional life - Acquainted with new technologies, heavy internet users and online shoppers - Influenced by trends, brand sensitive, requiring new excitements, demanding in terms of offer
<p>Z Generation (late 90s. and after)</p>	<ul style="list-style-type: none"> - Prospective group for shopping centres - Working to live, enjoying life at the expense of parents, late to settle, high self-esteem - Being a part of a social group is important, influenced by opinions of peers - Focused on consumption, enjoy shopping centres environs - Digital natives, subscribers to e-stores, familiar with omnichannel retailing; smart shoppers and discount hunters - Extremely brand sensitive, looking for unique products - Expect high degree of entertainment and emotions

Source: PRCH Retail Research Forum, H1 2015.

MORE CHANGES TO COME

Consumers' experience expectations and spending patterns have become more complex for retailers and asset managers to manage. But at the same time, brick-and-mortar retail is bound to stay, yet in a different shape and form.

In the digital era of omnichannel, consumer habits and spending have irreversibly changed from a one-dimensional pattern to a "3-D level". Based on the GFK's survey the following trends have been noted among digital natives:

- All of the distribution channels make an important contribution to the overall experience;
- Young people expected to shop in physical stores more;
- Shopping considered a social activity – and stores a crucial ingredient;
- Retailers focused on offering an experience in-store to differentiate their offer;

- Growth of webrooming – research online and purchase in a shop (ROPO effect, reverse of showrooming);

- A greater appetite for personalization in exchange of sharing personal data.

The consumer transformation is partly about the technology and partly about changing attitudes and habits. Shopping malls constitute an important point on the city life map, offering services and diversified attractions. This is where the current and the future customer would like to be to socialize and spend leisure time. In order to please customers even more, the offer will have to be unique and also personalized.

EMBRACE CUSTOMER CHANGE – MAKE THE BEST OUT OF YOUR SPACE

The changes in shopping patterns, as well as new ways of spending time will further impact size and types of space occupied by tenants. These trends are outlined in the tables.

Table 8. Key retailers categories with LESS space requirements in the future

Sector	Current trends	Opportunities	Threats
Hypermarkets	Less sales due to e-commerce leads to smaller stores The offer and the atmosphere will be more important in stores Much quicker, cheaper, and flexible home delivery solutions More tips based on individual needs	- Social meeting place; - Click & Collect to decrease high delivery costs; - Can offer large units for retail;	- Competition – online grocery retailers, niche shops and smaller shops - Strong growth of pick-up points - Out of town locations away from weekly visitors
Electronics	Mobile evolution Quicker home delivery and more flexible pick-up points More tips based on individual needs Price advantage High share of sales online Fewer retailers in the markets	- Click & Collect - Can offer large units for retail	- Less space needed in future
Sport	Sport fashion same as fashion Quite few pure e-tailers today High degree of online shopping for sport equipment	- Showrooms - Click & Collect - More (but smaller) retailers in the centres - More health oriented activities - Offer an exciting experience	- Showrooms = less transactions in the centre
Bookstores	Already downsized as specialized physical stores	- Click & Collect - Library atmosphere with café offer	- Only online/less space needed in future

Source: PRCH Retail Research Forum, H1 2015.

Table 9. Key retailers categories requiring MORE space in the future

Sector	Current trends	Opportunities	Threats
Fashion	<p>Still a shopping centre anchor category as “touch & feel” factor remain important</p> <p>Some stores will increase size and some stores will become showrooms</p> <p>Mobile evolution</p> <p>Quicker home delivery and more flexible</p> <p>Pick-up points</p> <p>More tips based on individual needs</p>	<ul style="list-style-type: none"> - Showrooms - Click & Collect - More (but smaller) retailers in the centres 	<ul style="list-style-type: none"> - Showrooms = less transactions in the centre
Leisure & Entertainment	<p>Other activities than cinemas and bowling</p> <p>Fitness clubs, o-cart, kids play areas, multimedia games, dance schools, edutainment, massage points, meeting boxes, art exhibitions, local markets, laser games, climbing walls, casinos, etc</p>	<ul style="list-style-type: none"> - Social meeting place - Increases dwell time and F&B sales - Create a destination 	<ul style="list-style-type: none"> - Growth of streaming media allowing to watch movies online - Unfavourable stats regarding box office sales - Out of town locations too far away from residential areas
Food & Beverages	<p>A must in shopping mall</p> <p>Not only restaurants – specialty food</p>	<ul style="list-style-type: none"> - Social meeting place - Increases dwell time and sales - Makes a destination 	<ul style="list-style-type: none"> - Out of town locations
Services	<p>All kinds of services are required, ie. Pick-up services, Tourist information, Medical services, Laundry, Municipality office, Library, Bike repair, etc.</p>	<ul style="list-style-type: none"> - Social meeting place - Have it all 	<ul style="list-style-type: none"> - Out of town locations too far away from weekly visitors

Source: PRCH Retail Research Forum, H1 2015.

Additionally, special food markets will gain in importance given growing trend to live and eat healthy and eco-friendly. Other sectors, which may increase space requirements in the future include: homeware and home accessories and decorations, health & beauty as well as jewellery & accessories.

Pop-up concepts can be a good option for temporary utilization of vacant floor-space.

One should also remember about changes in distribution channels and delivery patterns. Improved shipping capabilities will lessen the need to keep multiple versions (size and colour) of the same product, thus reducing store layouts and inventories.

CREATE EMOTIONS AND SENSE OF BELONGING, ALONG WITH A PLACE TO RELAX

The nature of malls becomes less retail and more multipurpose. Considering that shopping centres are part of urban life and an important point of social interactions, one can expect fusion of residential, commercial, retail and entertainment functions.

Almost everyone today is time-constrained, which is why many people expect to combine their self-care in with shopping routine. The increased demand for convenience is closely linked to increased urbanization and changing employment patterns. Time cautiousness and at the same time trend to live and eat healthy will direct landlords and asset managers towards reshuffling the tenant-mix into more service- and leisure-oriented types of retailing.

Despite their love of and ease within the online world, today's young people are not exclusively virtual shoppers, glued to their screens throughout the purchase journey. The new generation of digital natives enjoys the environment of the store, and values the interaction it offers. This is why elements of experience for shopping, entertainment and leisure are obvious levers to meet expectations and will play a key differential role. It is therefore also obvious that bricks and mortar can do things that pure-play digital competitors can't match.

It is clear that the mall of the future should focus on providing wide range of services, exciting leisure offer and unique experience. It is also likely 10-15% of space will be booked for rotating tenants, giving consumers a sense of urgency to head to the mall.

HARNESS MODERN TECHNOLOGIES TO IMPROVE SALES AND CUSTOMER SERVICE

Over the last few years these patterns have been changing really quickly. At the same time technologies are playing catch up with retailer and landlord requirements in coping with changes in how money and time are spent. The „best-in-class” brands, as well as asset managers, connect with consumers across both the digital and physical space to deliver a large assortment that builds customers' loyalty. Software applications and devices have been invented to support marketing and sales of shopping malls, providing for insightful research and data analysis.

These tools serve to improve conversion rate (footfall vs. turnover), allow the customer to linger longer in the scheme as well as enhancing customer loyalty. Some of the recent trends have been outlined below:

- **Omnichannelling** – Retailers and consumers meet anywhere, anytime as the purchase can take place either on the web or in a store. By applying this tool, retailers and landlords not only increase the sales but build up brand awareness and loyalty as well as collect the most valuable collection of customer's data and his/hers preferences.

- **Social media** - Social media may still only drive a small share of total retail sales, but its impact is huge. Social-driven retail sales and referral traffic are rising at a faster pace than all other online channels. One cannot imagine a well-managed scheme or retail chain without a Facebook or Twitter account.

- **“Big brother apps”** – smart data analysis has never been so vital as today. Beacon technologies for both asset managers and retailers allow the study of indoor traffic patterns. They help to understand and improve many operational aspects such as: tenant-mix; store and fixture layout; merchandise placement; in-store marketing; positioning staff; asset utilization and customer satisfaction.

By placing sensors around stores and in common areas, shoppers who opt in will be able to receive additional information about items that they walk past or pick up, as well as targeted promotions based on where they are in the store. Mobile devices will also have the capability to sync with store databases, enabling associates to already know what items shoppers are interested in as they cross the threshold.

- **“Wow apps”** – fancy new applications for customers to make shopping or lingering in a shopping mall longer, easy and fun. They are likely to take off in the near future, given the number of digital natives increases.

Retailers are experimenting with virtual stores. By using smartphones, shoppers can browse virtual aisles and add items to their cart by touching the screen. Also they have been testing „magic mirror” technologies, which allow customers to select items on a tablet and try them on virtually. They can also take snapshots of themselves wearing various outfits, which they can share with friends on social media. It is also applicable to other products such as eyeshadows and lipsticks.

Moreover, there are also body scanners where a circling wand collects more than 200,000 reference points from customer's body, who are then given a personalized list of recommended apparel brands and sizes available in a given shopping centre or by a particular retailer.

A different kind novelty that may enter shopping malls is 3-D printing addressing the need for personalized products

Not only does this create a more fun in-store experience for consumers, but it helps them build a relationship and trust with that brand.

Many of these technologies are in limited or experimental use, but we can expect them to become more commonplace in the foreseeable future.

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3 NEW TECHNOLOGIES IN SHOPPING CENTRES

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Geographic Information Systems, social media, beacons, and other innovations in shopping centres are not far in the future, but are already present in shopping centres industry, and their impact upon its functioning grows consequently.

GIS – HOW TO CONVERT BIG DATA INTO SOMETHING UNDERSTANDABLE FOR INVESTORS AND GENERAL PUBLIC – AND INTO REAL VALUE

Geographic Information Systems (GIS) help to organize the information better thanks to its functionality of integrating data from various sources, and as a result – to draw accurate fact-based conclusions. Hence, GIS systems are widely used in the research for shopping centers, where a thorough study of the scheme surroundings is one of the key drivers of a success of the investment.

Analyses based on GIS systems are commonly used in location studies for shopping facilities e.g.: generating drive-time zones, delimitation of catchment areas, checking scenarios of market development and the influence of competitive schemes with the use of Huff gravity modelling.

These functionalities of GIS systems may be supplemented by additional analyses using data from other sources. It is worth mentioning consumer studies, which when properly profiled to the needs of a shopping center's manager, help to get a more thorough knowledge about a retail facility's market environment.

The basis for further GIS work is a detailed address database which allows to localize potential customers of a shopping facility. This database serves to prepare more functional geolocated datasets. The next step is the development of the geolocated data with layers of information from official statistics and other sources such as e.g. nationwide panel studies.

What is more, conducting the consumer study in a particular zone allows for getting more thorough knowledge about characteristics of the market environment. Every study is individually profiled in order to obtain the desired information on a specified area.

The above mentioned methodology is helpful in correction of the official data so that it reflects an unregistered activities that are revealed in a consumer studies such as income generated in the "grey economy". This approach is crucial for better estimation of real economic potential of the analyzed area.

Furthermore, out of the total economic potential (named by GfK as Purchasing Power) it is possible to specify a part for retail expenditures which can be divided into particular product categories, e.g.: FMCG products, clothes, shoes, interior decoration articles, consumer electronics etc.

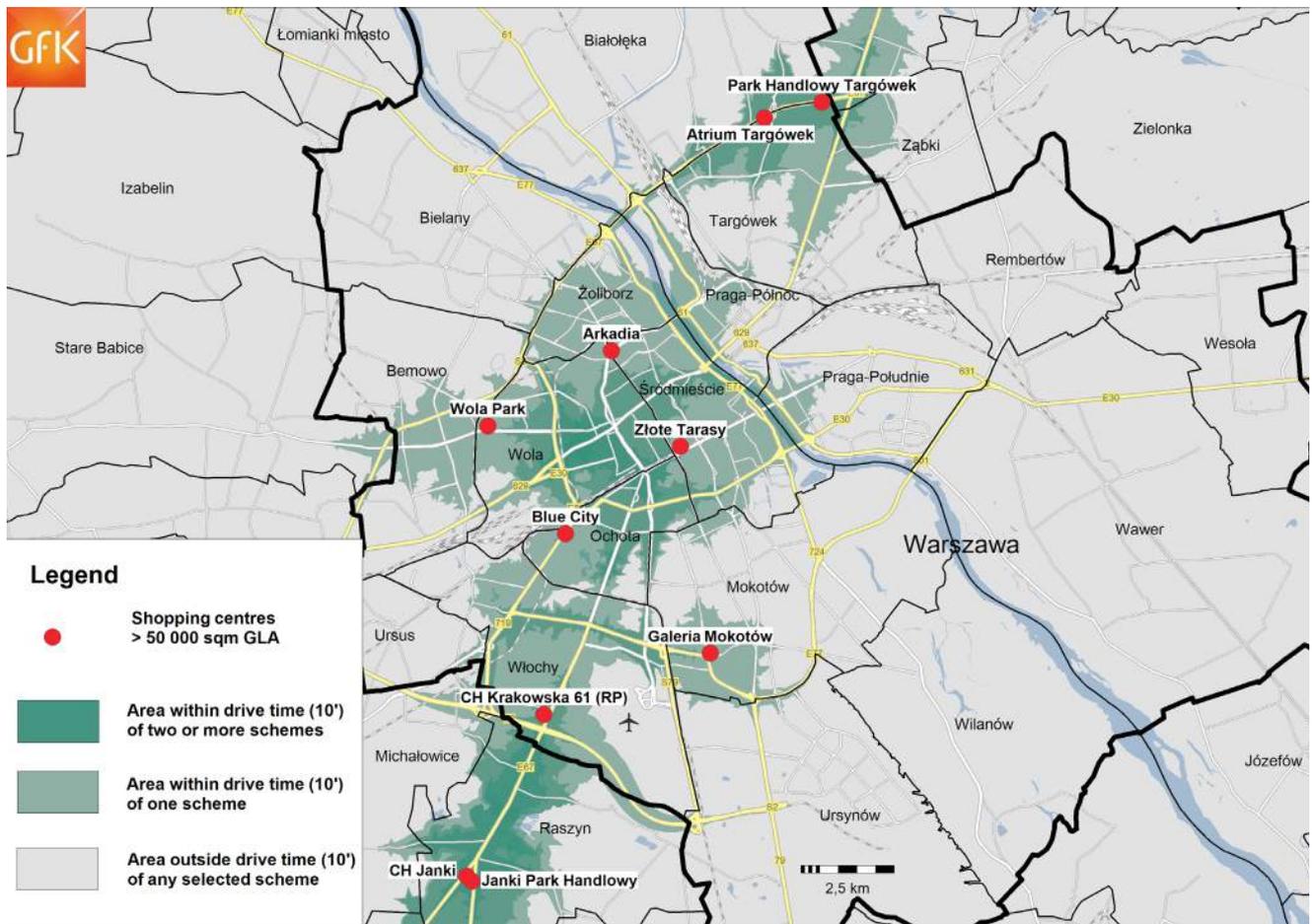
The use of properly prepared data and analyses provided by GIS systems allows to get a knowledge about the potential of such areas as: drive-time zones, catchment areas or any other specified area. Each area may be described by a detailed information characterizing its socio-demographic and economic profile that evaluates the surroundings of the shopping center. It is also possible to rank different areas of the city according to e.g. saturation of the target group customers based on the criteria revealed in the customer study. GIS systems enables to visualize the data that is helpful to draw better conclusions. Maps showing customers location or segmentation of the areas according to the characteristics of its inhabitants are just the examples. Huff gravity modelling (available in GIS systems) is a helpful tool in delimitation of catchment areas of analyzed facility on the local market. Combined with mentioned above demographic and economic data and knowledge about consumers acquired from the study, it is a good foundation to estimate a footfall and turnover of the analyzed facility.

Knowledge about consumer behavior, current market position of the facility and a detailed structure of the economic potential of the catchment area are helpful in a better adjustment of the offer to customers' needs and expectations. Analyses based on the above mentioned information allows to estimate present and forecasted market shares

divided into particular product categories offered by a shopping center.

Geographic Information Systems together with proper experience of its users are very valuable tool used to convert big data into smart data that help to make smart decisions on local markets.

Fig. 12. Example of GIS analysis: catchment area of selected shopping centres in Warsaw agglomeration



Source: GfK based on PRCH RRF data.

TECHNOLOGICAL COOPERATION BETWEEN TENANTS AND LANDLORDS

The technological cooperation between tenants and landlords should tighten. And the main reason is not that the technology is becoming widespread and easily available but the opportunities it creates for both parties. Shopping centers cannot offer discounts to consumers by themselves; but there are tenants which can. In simple words, landlords enable technologies and tools they have in their assets to retailers, which increases their sales per sq m and profits. In theory everybody is happy.

The good example of such cooperation can be well designed shopping center mobile app which uses geolocation. According to the research (SessionM, 2015) consumers are relying heavily on their mobile devices to help inform their bricks-and-mortar purchase decisions.

Potential shoppers get immediate mobile coupons valid only for a certain time based on which aisles they visit and past purchase data. The most widely used technique which lies behind this technology is Wi-Fi which intercepts signals emitted by shoppers' smartphones. Triangulating on that signal can estimate the phone's position to within a few meters. Stores also collect a unique identifier for each phone (MAC address). That allows them to build up behavioral information on return visitors. The application should also inform consumers about all the retailers' global promotions, convincing them to revisit the shopping center. It is worth to add that they will probably do shopping also in other stores in the shopping center.

It may be even more profitable if the application can be used in more shopping centers in the landlord's portfolio. But the real gain is with the greater number of retailers which take part in such program. For example, Starwood Retail Partners (owner of several shopping centers across Unites States) has started cooperation with StepsAway - high-tech company. Implemented software allows retailers to create and deliver promotions across multiple mall properties from their corporate headquarters. The tool also supports dynamic promotions, allowing real-time adjustments based on fluctuations in store inventory levels or sales trends.

A recent Deloitte study on in-store sales showed that consumers who use digital tools before and during their shopping experiences convert at a 40 percent higher rate than those who do not engage with such technologies.

However, there are some limitations for such tools to be used together by landlords and tenants. First of all, digital technologies they cannot exist as the only source of marketing. In order to be effective they need to be supported by more traditional forms of communications such as events, billboard campaigns etc. For majority of shopping centers the problem is even simpler. New technologies require investment (in purchase, maintenance as well as business development of applications) but they fail to show profits put in time frame. In the end landlords are reluctant to finance such projects. There are also some legal aspects with consumers that may arise. For example, Nordstrom, American department store retail chain suffered a claim after it began tracking customers in its stores using a Wi-Fi system. Some customers who read signs at store entrances complained about breaching their privacy.

FUTURE OF SOCIAL MEDIA IN SHOPPING CENTRES MARKETING

Social media is already a standard communication channel and all shopping centres providing regular marketing activity use this medium. Certainly it is a kind of fashion - mark of novelty, technology, nonstandard approach. However it is worth to form a simple question is it really so important?

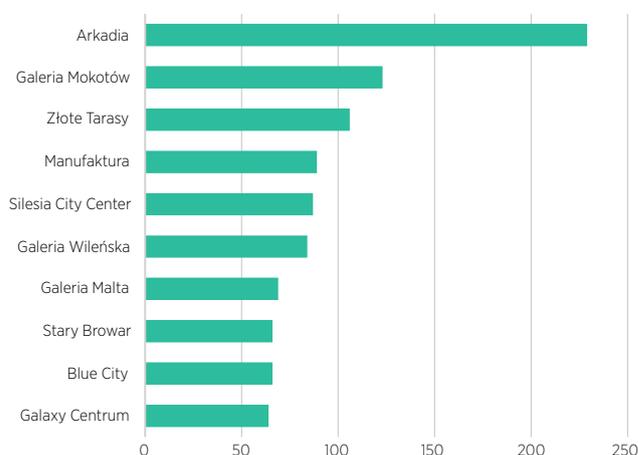
According to recent CBOS survey "Internauts 2015" 64% Poles use internet at least once weekly. When we recount it to the shopping centre target group, which means excluding villages, elderly people, low affluence, it leads us to over 90%. There is visible important change in use. Currently 60-70% Internet users are connected by mobile phones. Over recent years we have faced mobile revolution which opens completely new opportunities.

According to "Digital, Social and Mobile in 2015" research over 50% of Internet users are active social media users. Within this category Facebook is the undisputed leader. During last two years Twitter build strongly its position in Poland and currently both services collect 44% and 29% of posts published in Poland (IRCenter, "Social Media w Polsce 2014"). Moreover both services grow over 10% yearly. Other players like YouTube, Instagram, and all kinds of internet forums cover single digit percent. New concepts like Snapchat try to take over, first of all, the youngest clients, therefore the two leaders lost over 7% users up to 24 years old, compensating in older groups.

How visible is the shopping centre sector among other brands? Let's check Facebook fanpages as the main medium having well recognized statistics. Bear in mind, the centres compete against nationwide brands, therefore cannot build so big reach, which is always geographically limited to a city or a region. The most popular in Poland Orange's "Serce i rozum" has collected 2.3 million fans; moreover their main fanpage is third the most popular one with 1.6 million (Sotrender, "Fanpage Trends 07.2015").

In the top Polish fanpages we can find other telecoms, global brands like McDonald's or Coca-Cola, and three brands of LPP Group – Cropp, Reserved and House – over 1.3 million fans each. The largest shopping centre fanpage is Arkadia with 230,000 fans, which is almost two times more than the second Galeria Mokotów. The top 10 centre fanpages exceed 65,000 fans. It is remarkable that 5 of 10 are located in Warsaw. If we take into account catchment available for these centres (e.g. Warsaw region covers ca. 10%-15% internet users), the best centres are comparable locally to the most popular fanpages in Poland.

Fig. 13. The biggest Facebook fanpages in shopping centres category in Poland (in thousands of users)



Źródło: Sotrender Fanpage Trends 07.2015.

Table 10. Selected indices of effectiveness of the most engaging Facebook fanpages in shopping centres category in Warsaw agglomeration

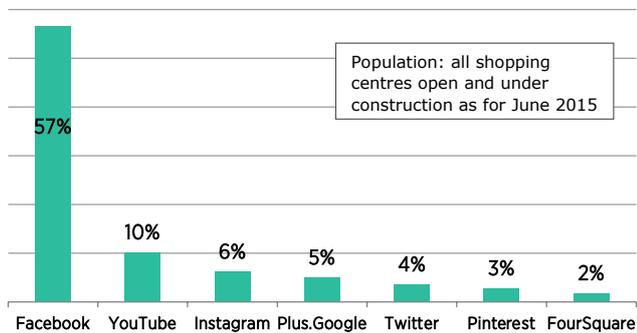
Scheme	Fans count	Engagement Index	Index of fans per GLA	„Talking About” index
Galeria Wileńska	84 083	4,37%	2,55	554
Arkadia	220 151	3,37%	2,14	5094
Fashion House Piaseczno	32 813	9,36%	1,94	681
Galeria Mokotów	119 767	7,98%	1,77	2677
Złote Tarasy	103 653	7,39%	1,63	1288
DM Klif	23 984	11,19%	1,35	244
Blue City	66 087	3,73%	1,10	285
Plac Unii	14 650	41,71%	0,95	475
Atrium Promenada	23 041	9,28%	0,62	120
Wola Park	34 985	7,65%	0,48	1208

Source: Toolbox Marketing, "i-engage leaderboard", June 2015 (indices calculated for H1 2015).

In shopping centres communication there are three media channels well recognized by clients: outdoor, custom publishing and leaflets, and Internet including display campaigns, websites and social media. Traditional media like radio and especially press limit their role. Social media as designed for conversation should be the best information source. Most of posts have indeed informational character e.g. tenant offers, event news, although client prefer rather to look for it in the website or find as an advertisement in www. However brand awareness and image is a strong domain of social media – for this goal, it is the second medium still beyond the traditional billboards.

Social media communication as a new concept develops extremely rapidly with absolutely new ideas, applications and unexpected changes. Therefore any futurology in this subject is a bit fortune telling. Let's take this risk and find possible trends.

Fig. 14. Social media profiles of shopping centres in Poland



Source: PRCH Shopping Centres Catalogue Online <http://prch.org.pl/katalog-ch>

Content is king. People love it. The best proof is Orange's "Serce i Rozum" fanpage. This is a new appearance of a soap opera, where millions of fans can follow their idols creating mass culture codes. Good storytelling will maintain clients engagement unless they will feel overloaded or get bored. Another developing concept is influencer marketing built through bloggers or celebrities. This way of more personal communication is strongly demanded in new social media channels e.g. Snapchat.

Motion pictures. Channels focused on pictures only do not grow significantly. Instagram collected large group of loyal users and seems to maintain its position (Facebook spent

billion dollars – they have to keep it alive) but Pinterest seems to be fading. In the same time video posts boosts rapidly. There is still popular YouTube as a standard place to locate video channels concentrating video clips also created by leading shopping centres for collection of image and event movies. Having well designed interior and organizing spectacular events, creation and publication of movies is more impactful than any text message. However recently more motion content is put directly into Facebook posts. For mobile users the news feed is the main way for browsing Facebook content and this method avoids redirecting to external services and accelerates interaction within this channel.

Mobile revolution. Internet users already moved to mobile and they use more strongly mobile devices than wired computers. Social media channels were leaders of this shift. Their applications are the top ones downloaded through Google Play, AppStore and Windows Store. Hardware change impacts a lot interaction with users. Everything is about simplifying the interfaces. Interaction is more linear than before, news feed is almost the only form commonly used as it needs just a single thumbing. Facebook applications built for contests, lotteries and gamification (and responsible for collection a huge number of fans) are currently not important. On the other hand social media applications easily employ all opportunities provided by mobile devices. Simple integration with all contacts and calendars, instant interaction everywhere and use of built-in sensors. First of all these are location capabilities but tracking of weather conditions, character of ambient noise or even user's mood provides new possibilities to serve appropriate content without complicated actions triggered manually by users.

Twitter goes up. There is still huge gap between Facebook and Twitter reach in Poland. Twitter with 3 million users is over 3 times smaller than the "big brother" but it has good perspective to grow. It already generates a huge number of posts and it has very active users – not only among celebrities but journalists, politicians and opinion leaders as well. An image of serious information medium attracts older, and better educated users living in larger cities. Twitter can therefore target attractive profile of shopping centre clients – those capable to spend more than typical Facebook followers.

Personalization. It seems strange that the concept initially designed for direct communication between human beings, after years of development as a mass medium broadcast (one-way communication in web 1.0), comes back to individualized messages tailored and addressed to particular client. Personalized communication means much better response and encouragement to interaction and bi-directional dialogue.

Direct sales machine. Social media are currently marketing and communication tools only. However they hold all the trumps to launch sales services. All the communication is personalized, and social media engines already provide convenient and reliable authorisation services, and track many pieces of information about its users. There is not a coincidence that new player - Snapchat innovation has focused on disappearing sometimes inconvenient history and also Snapcash payment service. Extension to sales service is just one step ahead.

Geo capabilities. If the world goes mobile, features providing information "when and where" become the basic and most demanded functionality. Mobile devices are designed to be always online, GPS system provides cheap and simple solution for universal navigation almost everywhere, Galileo should improve location accuracy (yes, it is European and it is public project, so nothing is certain), Google built all maps, photos and free tools to remove real world into its virtual model. All milestones are already built. The majority of the most popular and innovative mobile applications integrate location features. However social media applications like Foursquare has never built important position. Likely it was too early or they have focused on too narrow functionality. It does not mean that this idea is wrong. Services like Facebook Places are strongly promoted as the key new features and becomes very popular. Geolocation, geotrapping and similar approaches are recently quickly developing by marketing analytical tools.

There is still one missing element in this puzzle – indoor navigation, where GPS does not work and location accuracy is essential. One solution is WiFi navigation, although its accuracy is still not sufficient and system itself is complicated and expensive. The same issue is with GSM femtocells – moreover it is not open and should be supported by telecoms, but this technology works with all mobile phones,

even older and more primitive ones. Bluetooth Beacons is in theory the perfect solution: cheap, easy for installation, no hardware barriers. However currently it needs applications installed on mobile device and there is not any standard but each provider builds its own network of beacons supporting dedicated application. It is a strong barrier disabling development of popular solutions – beacons technology is still under development. Google joined Apple in this quest, therefore there is a chance these two giants will be able to convert beacons into standard similar to GPS. If not – probably something new will appear.

BEACONS & OTHER IN-STORE INNOVATIONS – HOW TO USE IT EFFICIENTLY

More and more frequently our industry has seen hundreds of technological service providers, all working on extending the life cycle of legacy technologies. In many ways this feels like a tired approach, relentlessly milking the same cow, leaving shopping centers professionals with increasingly engaging and beautiful interfaces which are fundamentally limited by the underpinning technologies. Initially invented for the needs of cinematography, data transferring, theft detection and triggering alarms, these technologies have been adapted to count people. Making Wi-Fi hotspots count users is an easy and cheap extension of features, covering basic needs of footfall measurement. More recently, beacons are being engineered to allow more direct communication with shoppers. However, low cost solutions come hand in hand with compromises and limitations: writing off discrepancies in data sets, limited associated value due to restrictions around how data can be actioned along with little to no product development or future innovation. The strategic direction of hyper-growth businesses have relied upon the experience of their management teams, gut feelings and subjective opinions – this approach is likely to create risk in cases where every percent counts and appearances may not always match the reality. Despite a considerable volume of industry exposure and attention, there has been very little in the way of a truly disruptive and revolutionary invention in this space apart from the emergence of Shopper Location Analytics. Technology is a means to optimize retail performance, it is not an end in its own right – without clear benefits to either retailers or landlords emerging technologies will end up being written about in scientific

news publications and not lighting up the retail industry. Viable applications and corresponding business insights are basic and fundamental requirements.

Shopping centers are by definition anchored businesses with varying degrees of relative “pull” driven by the respective attractiveness and unique features of that destination. Maximizing this pull is a complicated task, and one which is constantly being tweaked by the key decisions being made by every center team around their marketing, retail mix and local engagement strategies.,

Technology is a tool that can make decisions more effective as long as the actual application serves a higher purpose. I doubt that replacing manned information desks with touch screen tablets or installing navigation screens to overcome the ‘Gruen effect’ (i.e., a feeling of disorientation which may occur after entering a shopping centre due to stimuli overload) amounts to a revolutionary shopping center concept. Those professionals who do however embrace technology and integrate cutting edge analysis and capabilities into their strategic models are those who are most likely to pull away from the pack and stand out in the crowd.

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NOTES ON METHODOLOGY

For the purposes of the PRCH RRF statistics of shopping centers supply and density the particular agglomerations and urban areas shall include:

Warsaw Agglomeration: Warszawa, Brwinów, Konstancin-Jeziorna, Łomianki, Marki, Piaseczno, Piastów, Podkowa Leśna, Raszyn oraz Błonie, Grodzisk Mazowiecki, Józefów, Kobyłka, Legionowo, Milanówek, Otwock, Ożarów Mazowiecki, Pruszków, Radzymin, Sulejówkę, Wołomin, Ząbki, Zielonka, Halinów, Izabelin, Jabłonna, Lesznowola, Michałowice, Nadarzyn, Nieporęt, Stare Babice i Wiązowna.

Katowice Conurbation (Upper Silesia): Katowice, Bytom, Chorzów, Czeladź, Dąbrowa Górnicza, Gliwice, Knurów, Mikołów, Mysłowice, Piekary Śląskie, Ruda Śląska, Siemianowice Śląskie, Sosnowiec, Świętochłowice, Tarnowskie Góry, Tychy, Zabrze, Będzin, Jaworzno, Radzionków oraz Gierałtowice i Wojkowice.

Kraków Agglomeration: Kraków oraz Niepołomice, Skawina, Wieliczka i Zabierzów, Biskupice, Igołomia-Wawrzeńczyce, Kocmyrzów-Luborzyca, Koniusza, Liszki, Michałowice, Mogilany, Świątniki Górne, Wielka Wieś i Zielonki.

Łódź Agglomeration: Łódź, Pabianice, Rzgów i Zgierz, Aleksandrów Łódzki, Andrespol, Brojce, Konstantynów Łódzki, Ksawerów, Nowosolna, Ozorków i Stryków.

Poznań Agglomeration: Poznań, Swarzędz i Tarnowo Podgórne, Komorniki, Kórnik, Luboń, Mosina, Puszczykowo, Rokietnica, Suchy Las oraz Czerwonak, Dopiewo i Kleszczewo.

Szczecin Agglomeration: Szczecin i Kołbaskowo, Dobra, Goleniów, Gryfino, Kobyłanka, Police i Stare Czarnowo.

Tricity Agglomeration: Gdańsk, Gdynia, Rumia i Wejherowo, Pruszcz Gdański, Reda i Sopot, Cedry Wielkie, Kolbudy, Kosakowo, Szemud i Żukowo.

Wrocław Agglomeration: Wrocław, Kąty Wrocławskie i Kobierzyce, Czernica, Długołęka, Miękinia, Oborniki Śląskie, Siechnice, Wisznia Mała, Żórawina.

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ABOUT PRCH RETAIL RESEARCH FORUM

PRCH Retail Research Forum was initiated by Polish Council of Shopping Centers (PRCH) in 2009. PRCH RRF consists of the official representatives of those PRCH member companies which devote substantial part of their businesses to research and consultancy in the commercial real estate market. Participants of PRCH RRF have long-standing experience in the industry and fill key positions in their companies.

Objectives of PRCH Retail Research Forum:

- Share knowledge and views on the retail property market in Poland on a regular basis;
- Promote research and guide best practices in accordance with the standards and definitions of the International Council of Shopping Centers (ICSC) or set the definitions applicable for the Polish market;
- Create and promote a network of researchers for the retail real estate industry throughout Poland;
- Produce regularly-scheduled statements and reports in order to provide consistent and transparent information;
- Produce research seminars or other meeting to facilitate sharing of knowledge and experience;
- Encourage researchers to contribute articles for PRCH publications and other media;
- Review, discuss and recommend research initiatives that PRCH Research should support.

PRCH RRF will normally meet at least quarterly. Membership is individual and not based on company affiliation. Any PRCH corporate member can submit nominations of professionals for RRF membership; additionally the PRCH Research Director and PRCH Board members may recommend individuals to the chair of the PRCH Board. Individuals interested in engagement in PRCH RRF are welcomed to contact with Secretary of PRCH RRF.

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