

PRCH RETAIL RESEARCH FORUM

REPORT H2 2015

Zielone Arkady, Bydgoszcz



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

Report H2 2015

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Report H2 2015



Radosław Knap

Dyrektor generalny
Polska Rada Centrów Handlowych

Dear Readers,

We proudly present you another edition of the PRCH Retail Research Forum Report which is also the second edition extended with new chapters showing dynamic changes in the retail market. This publication, prepared by renowned experts with years of experience, presents the latest data and analyses based on them, concerning the modern retail market in Poland as well as the changes that took place in the market throughout the past six months.

The first part of the report contains the most important facts about the condition of the shopping centre market in Poland by the end of 2015. In the following subchapters, you will find statistics concerning shopping centres stock, among others: projects that have been delivered or are under construction, the retail space density, the vacancy rate and investment transactions in the market. According to data presented in our report, the previous year was very successful for the shopping centre industry – the investment transaction volume reached close to the record-breaking level of 2006, and the supply of new space also remains at a high level. The last part of the first section of the report contains detailed indicators of the condition of the shopping centre market based on PRCH Database indexes, with a macroeconomic summary of 2015 serving as an introduction from a broad perspective

In the second part of the PRCH Retail Research Forum Report, we would like to present further analyses of the retail property market in Poland from a broader view. The main theme of the chapter is the topic of generations – with respect to both shopping centres and their customers. In our search for a perfect shopping centre, we will use consumer research conducted among people from different age groups. The last section of the chapter contains case studies from Poland and other countries, which illustrate changes taking place in the formula of functioning and the image of shopping centres, and serve as a practical summary of social and technological trends.



Radosław Knap
General Director
Polish Council of Shopping Centres

H2 2015 Report PRCH Retail Research Forum

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1 CURRENT CONDITION OF THE RETAIL MARKET IN POLAND

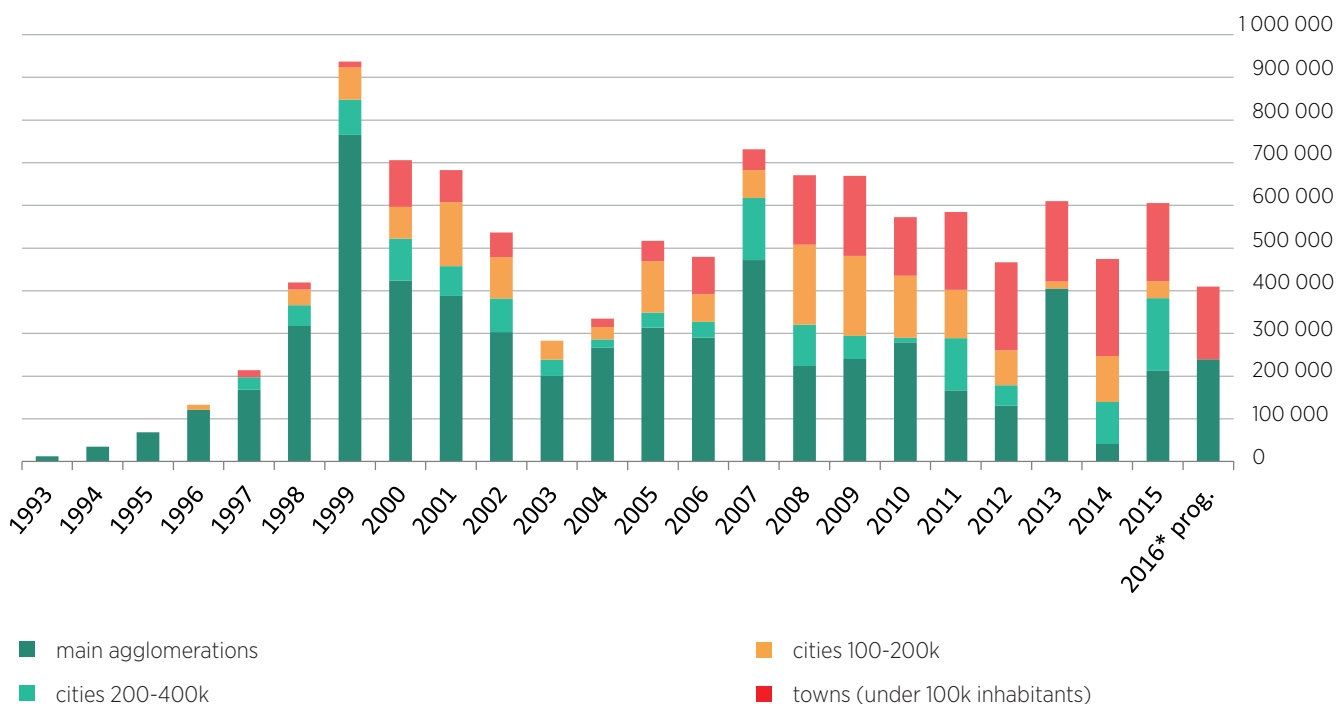
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1.1. SUPPLY OF NEW RETAIL SPACE IN 2015

In 2015, a total of 605,000 sqm of modern retail space was delivered to the market in Poland; thus, the total Polish stock of the shopping centre and retail park space exceeded 11,000,000 sqm. The clear majority of new supply GLA in 2015, namely 70%, was delivered in the second half of the year. The volume of new leasable space delivered throughout 2015 was around 125,000 sqm higher than in the previous year and 12% higher than the average of the past five years.

The supply delivered in 2015 comprises 45 projects, of which 27 are new retail schemes (443,340 sqm), and 18 are extensions of projects in stock (161,900 sqm). The majority of new investments (12) were completed in cities with a population above 100,000 inhabitants, whereas in the case of extensions, the majority (6) were opened in the largest agglomerations.

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



Source: PRCH Retail Research Forum, H2 2015.

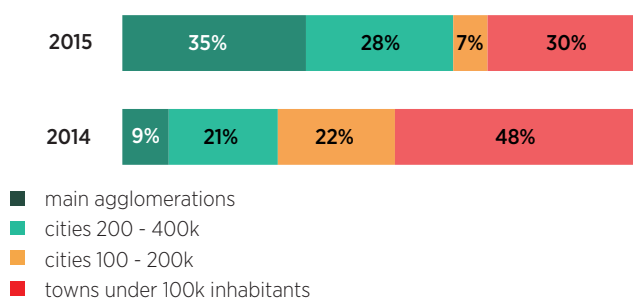
Analysing the new supply in terms of retail formats, shopping centres constituted the highest share (83%) of retail space delivered in 2015. There were 21 new shopping centres and 11 extensions, with a total area of 502,440 sqm. As many as 17 new shopping centres were opened in H2 2015. The largest regular shopping centres that were opened in 2015 are: Zielone Arkady in Bydgoszcz (50,800 sqm), Sukcesja in Łódź (46,300 sqm), Tarasy Zamkowe in Lublin (38,000 sqm), Vivo! Stalowa Wola (32,500 sqm) and Galeria Galena in Jaworzno (31,000 sqm).

Further 8 projects (5 new and 3 extensions) with a total area of 79,400 sqm, were retail parks – 13% of aggregate new supply. The largest projects in this format, completed in 2015, are: the extension of PH Aleja Bielany near Wrocław (35,000 sqm) and PH Kraśnicka in Lublin (15,000 sqm).

The remaining 4% of new supply delivered in 2015 (23,400 sqm) were factory outlet centres. In H1 2015, one new project of this kind was commissioned – Outlet Center Białystok (8,000 sqm), whereas in H2 2015, as many as four outlet centres were opened after extension – Factory Ursus (enlarged by 6,200 sqm), Szczecin Outlet Park (4,600 sqm), Outlet Center Białystok (former Galeria Białystok) (2,700 sqm) and Outlet Białystok (former Galeria Podlaska; 1,900 sqm).

Contrary to 2014, in 2015, the majority of retail space was delivered in the major agglomerations – 212,620 sqm. It consisted of 9 new retail schemes and 6 extensions. On the other hand, the lowest activity of developers was recorded in cities with a population between 100,000 and 200,000 inhabitants, where only 39,800 sqm GLA were completed. Just as in 2014, the cities between 200,000 and 400,000 inhabitants as well as towns with a population under 100,000 enjoyed a considerable interest of developers, where a total of 352,800 sqm was delivered. Taking into account projects that are currently under construction, the supply of new shopping centre space in 2016 will concentrate in towns and the largest cities.

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



Source: PRCH Retail Research Forum, H2 2015.

Table 1. List of openings of top retail projects in 2015

L.p.	Project name	City	Format	GLA (sqm)	Quarter 2015	Developer
1	Zielone Arkady	Bydgoszcz	SC	50,800	Q4	ECE Projektmanagement Polska
2	Sukcesja	Łódź	SC	46,300	Q3	Fabryka Biznesu
3	Tarasy Zamkowe	Lublin	SC	38,000	Q1	Immofinanz Group
4	Vivo! Stalowa Wola	Stalowa Wola	SC	32,500	Q4	Immofinanz Group
5	Galeria Galena	Jaworzno	SC	31,400	Q4	P.A. Nova
6	Galeria Jurowiecka	Białystok	SC	25,000	Q4	PB K. Strus
7	Nowy Rynek	Jelenia Góra	SC	24,400	Q4	TK Development
8	Galeria Neptun	Starogard Gdański	SC	25,000	Q2	Galeria Neptun
9	Supersam	Katowice	SC	19,700	Q4	Griffin RE
10	DM Modo	Warsaw	SC	16,000	Q4	Devin Investments

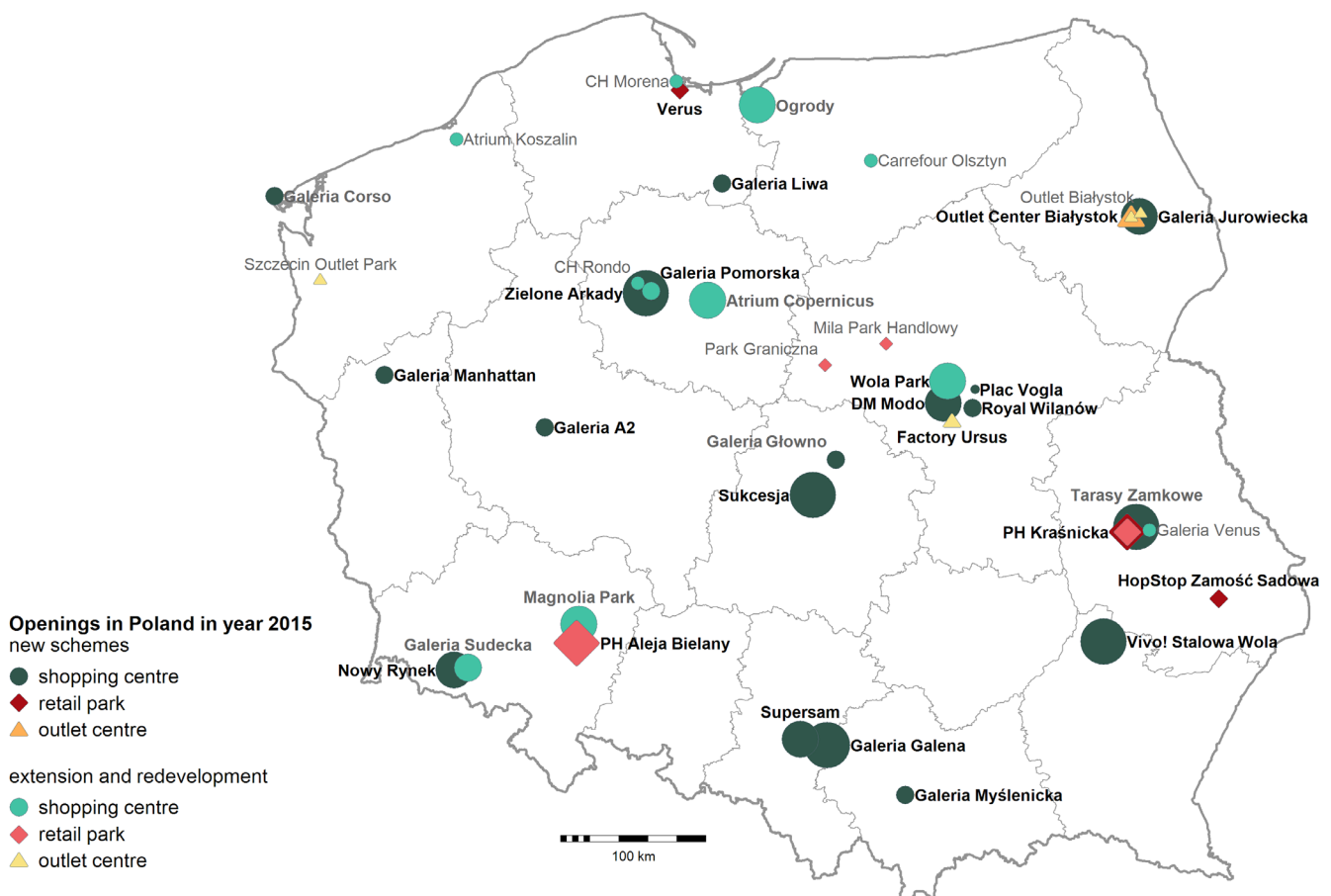
Source: PRCH Retail Research Forum, H2 2015.

As of the end of 2015, there were around 685,000 sqm of modern retail space under construction in total. This space is being delivered as part of 31 projects, of which 25 are new retail schemes, and only 6 are extensions. The majority (75%) of the supply under development is situated in the major agglomerations, including a few large-scale projects such as Posnania in Poznań (100,000 sqm), Galeria Północna in Warsaw's district of Białołęka (64,000 sqm), Wroclavia in the vicinity

of Wrocław Main Railway Station (64,000 sqm) and Forum Gdańsk (62,000 sqm).

According to the up-to-date schedules, around 60% of the space currently under construction is going to be delivered in 2016. However, given that fact that the recent years have witnessed an intensive development of minor retail projects, which are usually constructed in less than 12 months, the supply to be delivered next year may be much higher.

Fig. 3. Supply of new shopping centres in 2015



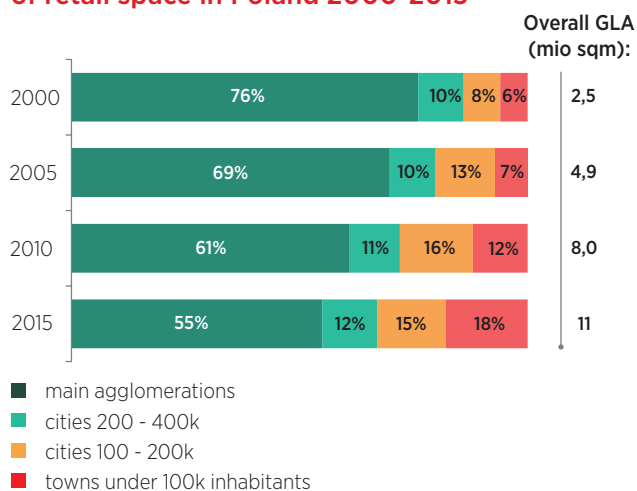
Source: PRCH Retail Research Forum, H2 2015 (map delivered by GfK).

1.2. SHOPPING CENTRES IN POLAND – FORMATS, DESTINATIONS, VACANCIES

As of the end of 2015, there were 482 shopping centres operating in Poland (regular shopping centres, retail parks and factory outlet centres) with a total area of 11,024,000 sqm GLA. Invariably, more than a half (55%) of retail space supply in Poland is located in the major agglomerations; however, it is worth noting that their share decreased by 3 percentage points throughout the past five years (cf. Fig. 4.). This shift is even more obvious if we compare the current state to the data from 15 years ago – the share of the major agglomerations in supply of shopping centres has dropped by more than 20 p.p since 2000. In turn, the share of towns under 100,000 inhabitants in the total supply of retail space increased from 6% in 2000 to 18% in 2015 – in the foreseeable future, that proportion is unlikely to change due to a relatively insignificant activity of developers in the smallest towns compared to previous years and the small scale of retail formats suitable for towns with a population lower than 100,000.

The supply structure of modern retail space by formats remains generally unchanged: the market is still dominated by traditional shopping centres, both in terms of their number (420 in total) and aggregate floor area (9.9 million sqm). The share of shopping centres remained at a practically unchanged level of 90% for a few years, in yearly periods, it was possible to observe some minor fluctuations of no more than $\pm 2\%$ (e.g. 92% in 2010 and 2012, 89% in 2015).

Fig. 4. Change in structure of supply of retail space in Poland 2000-2015



Source: PRCH Retail Research Forum, H2 2015.

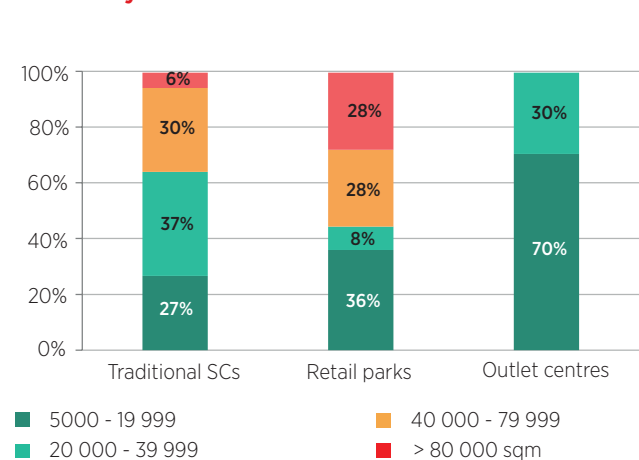
The share of 49 retail parks in the supply structure amounted to 8% in 2015, while 13 factory outlet centres constituted only 2% of the total supply of retail space.

The lowest variety in terms of the floor area of retail schemes was recorded in the category of outlet centres, where the smallest project totals 10,500 sqm (Outlet Center Lublin) and the largest ones oscillates at around 20,000 sqm (e.g. Factory Outlet Ursus and Outlet Park Szczecin, which were expanded in 2015).

Major differences in terms of size can be seen in the shopping centre segment, which is dominated by small projects up to 20,000 sqm (225 of 420 shopping centres), whereas shopping centres with an area between 20,000 and 40,000 sqm constitute further 31%. The statistic looks slightly different if we include not the number, but the supply of projects of a particular size: shopping centres up to 20,000 sqm concentrated 27% of the total of 9.9 million sqm GLA of shopping centre space, with further 37% being schemes between 20,000 and 40,000 sqm. The largest projects (exceeding 80,000 sqm), of which there are only six, constitute around 6% of the total stock of retail space.

It is worth adding that specialised (DIY / interior design, fashion, etc.) and mixed-use centres have an increasing, albeit still small, share in the market – by the end of 2015, more than 150,000 sqm of their space were included in the traditional shopping centre format (for more information and definitions about the classification of shopping centre formats in Poland, please see the PRCH RRF Report H1 2015.)

Fig. 5. The structure of retail space in Poland in 2015 by formats and scheme size



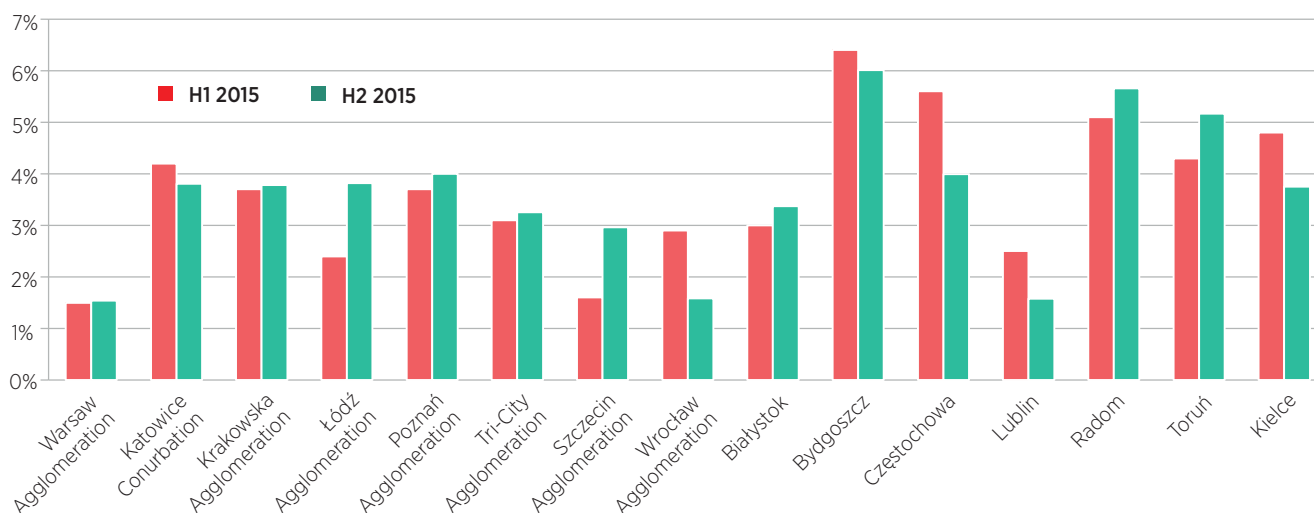
Source: PRCH Retail Research Forum, H2 2015.

By the end of 2015, the vacancy rate in shopping centres in the 15 analysed largest cities and agglomerations in Poland totalled 3.1%, which is exactly the same as in mid-2015.

In the 8 largest agglomerations, the average vacancy rate was lower than in the group of 7 large cities (respectively 2.9% and 4.0%). These values are practically identical to the rates recorded in mid-2015; however, since then, there have been some considerable differences between particular cities to be observed.

The vacancy rate increased the most in Łódź and Szczecin agglomerations (by 1.4 p.p. in each). The number of vacancies has clearly decreased in shopping centres in Częstochowa (-1.6 p.p.), Kielce (-1.0 p.p.) and Lublin (-0.9 p.p.), as well as in Wrocław agglomeration (by as much as -1.3 p.p., which can be perceived as a very good result given a considerable supply of new space). Invariably, the lowest shopping centre vacancy rate can be recorded in Warsaw agglomeration (1.5%).

Fig. 6. Vacancy rates in shopping centres in largest Polish agglomerations in 2015



Source: PRRF / CBRE, 2016.

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

By the end of 2015, the supply of retail space in modern shopping centres operating in Poland exceeded 11.0 million sqm, which translated into retail space density of 286 sqm /1000 inhabitants. Compared to late 2014, retail space density increased in the first half of 2015 by 5 sqm /1000 inhabitants, followed by another 13.6 sqm /1000 inhabitants in the second half of the year – this proportion reflected the bigger amount of new openings in the fall of 2015. The amount of space to be delivered to the market in the coming years by assets which currently are under construction

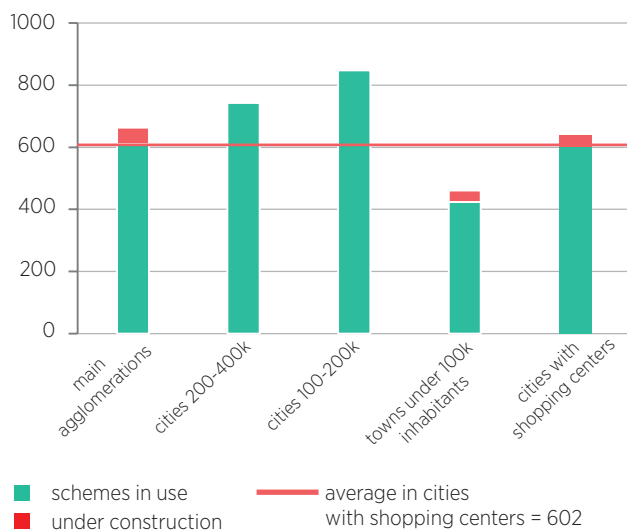
will increase the density rate to 304 sqm /1000 inhabitants.

The highest average density among each size category was recorded in large and medium-sized cities, i.e. with a population between 200–400 and 100–200 thousand inhabitants, respectively. Among the former, average density reaches 847 sqm /1000 inhabitants, and the latter groups density averages 743 sqm /1000 inhabitants. Openings of several new schemes increased retail space density, especially in cities with a population between 200,000 and 400,000 inhabitants – in 2015 the density indicator in these cities increased by record-breaking 112 sqm /1000 inhabitants. However, high density in these cities corresponds with recent slowdown and shortage of investments in progress.

The density rate in the eight largest agglomerations taken collectively equals 612 sqm /1000 inhabitants and is expected to reach the value of 663 in the wake of schemes currently under construction in the four already most saturated agglomerations. Taken individually, it is worth mentioning that in Wrocław Agglomeration the density increased considerably in 2015, reaching 869 sqm /1000 inhabitants as compared to 764 sqm /1000 inhabitants the year before. As a result, Wrocław Agglomeration replaced Poznań Aggl. as a leader in major agglomerations in Poland regarding to retail space density values.

Spending potential of the inhabitants of local markets can be evaluated as GfK General Purchasing Power (GPP). The average purchasing power per 1 sqm of retail space (both in stock and under construction) in cities with shopping malls in Poland is PLN 48,400 (for GLA in use solely: PLN 51,500 / sqm). Much lower average values were recorded in cities between 100,000 and 400,000 inhabitants. In these cities, the purchasing power per a sqm of retail space is lower than the Poland-wide average.

Fig. 7. Average retail space density in sqm per 1000 inhabitants in each city-size category



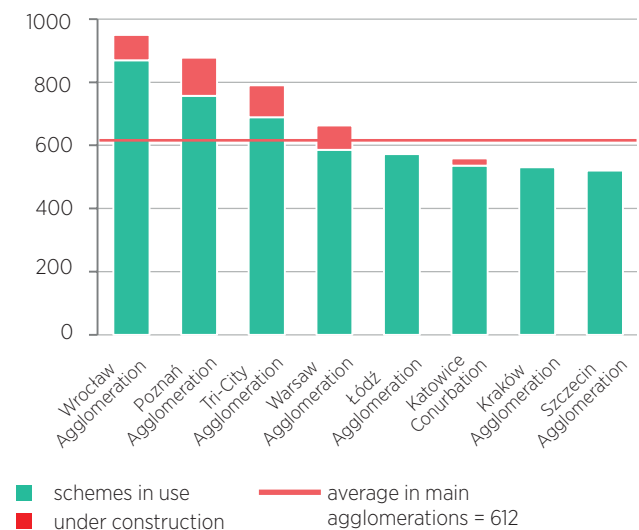
Source: PRCH Retail Research Forum, H2 2015.

The only exceptions are Częstochowa, Elbląg and Rybnik. The group of towns with a population under 100,000 is the most diversified one, containing cities both with high and low purchasing potential of their inhabitants.

Among the largest agglomerations, the highest purchasing power per 1 sqm of retail space was recorded in Warsaw Agglomeration, which is clearly ahead of Szczecin and Kraków agglomerations in this respect. A considerably lower amount of money per a square metre of shopping centre space can be observed in Tri-City, Poznań and Wrocław agglomerations, where a high purchasing power of the inhabitants is distributed among a record-high stock of retail space.

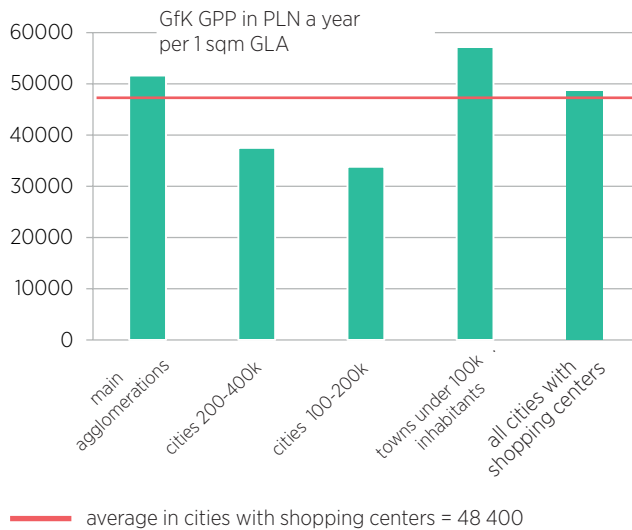
It is worth to remind that the synthetic indicator of GfK Purchasing Power and the saturation of the competition is only a starting point for further analysis. Neither the high density of retail space, nor weaker socio-economic conditions should outweigh the recognition of the city as unattractive for new investments.

Fig. 8. Retail space density in sqm per 1000 inhabitants in main agglomerations



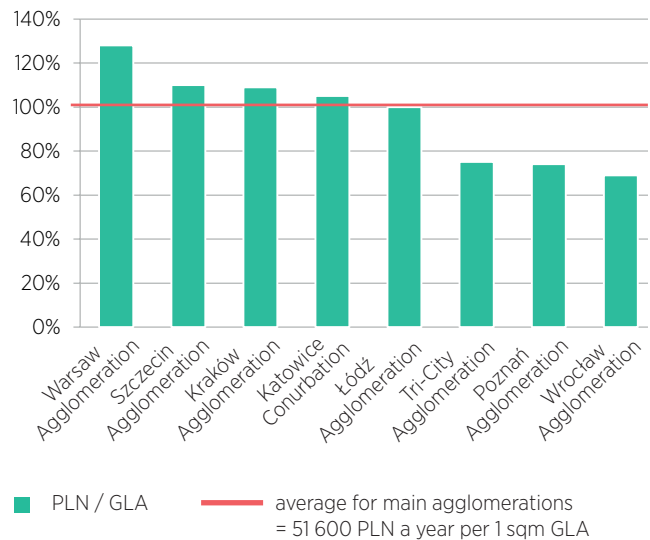
Source: PRCH Retail Research Forum, H2 2015.

Fig. 9. GfK General Purchasing Power (net yearly income in PLN) in H2 2015 in thousands PLN per 1 sqm of GLA (in stock and under construction) by city-size category



Source: PRCH Retail Research Forum, H2 2015.

Fig. 10. Index of GfK General Purchasing Power (net yearly income in PLN) in H2 2015 compared to retail space (in stock and under construction) in main agglomerations

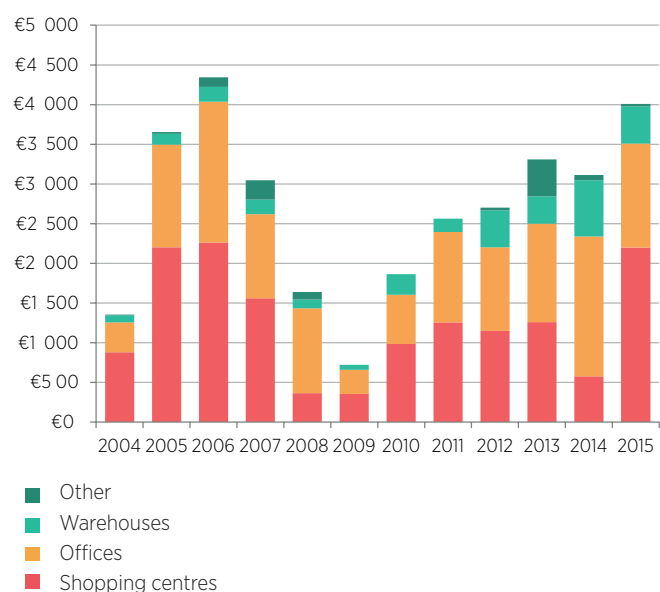


Source: PRCH Retail Research Forum, H2 2015.

1.4. INVESTMENT TRANSACTIONS IN THE SHOPPING CENTRE MARKET IN POLAND IN 2015

The aggregate value of the investments in 2015 (in total in the retail, office and industrial segments) was by around 30% higher compared to the previous year. The total investment transaction volume in 2015 reached more than EUR 4 billion, which is the second best result in history. It is worth noting that 61% of these transactions were concluded in the last quarter of the year. In 2015, the share of shopping centres in the investment market amounted to 55%. Shopping centres worth a total of 2.2 billion changed ownership, which is three times higher compared to 2014 (when the turnover volume in the shopping centre investment market totalled EUR 576 million).

Fig. 11. Investment volumes in real estate in Poland by sector (in mio Euro), 2004-2015

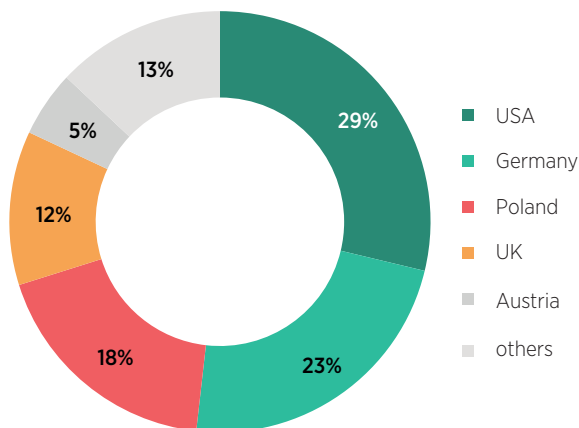


Source: BNP Paribas Real Estate.

In the market, there are many investors with different strategies; therefore, the portfolio of shopping centres which were traded last year is very diversified. There have been a few spectacular transactions on prime assets, including the sale of Stary Browar in Poznań to a German fund Deutsche Asset and Wealth Management, and the purchase of Riviera shopping centre in Gdynia by Union Investment. Apart from that, investors looking for more attractive yields, concluded a few transactions in smaller cities, e.g. Sfera in Bielsko-Biała or Karolinka in Opole. Another transaction worth looking at was the purchase of shares in Echo Investment by Griffin Real Estate, whose retail portfolio value totalled around EUR 290 million.

In terms of the origin of capital, the most active group of investors to purchase retail schemes were the American funds (29% of the transaction volume).

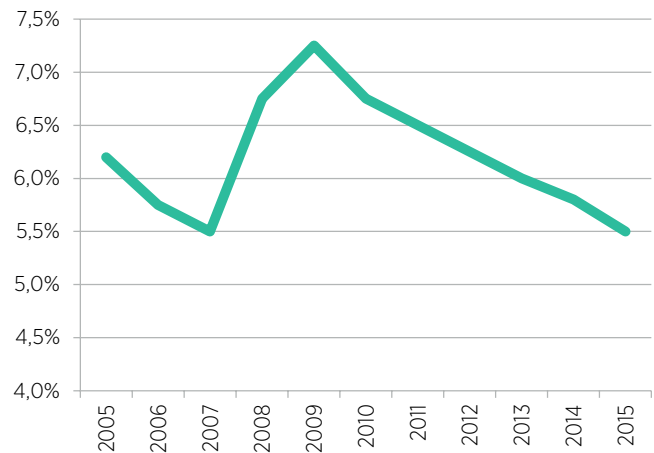
Fig. 12. Origin of capital in investment transactions in 2015



Source: BNP Paribas Real Estate.

Due to increased interest of investors in the retail market in Poland, within the past 12 months, yields dropped to 5.50% for prime assets. Yields for remaining buildings oscillate around 6.50-7.50%.

Fig. 13. Prime retail yields 2005-2015



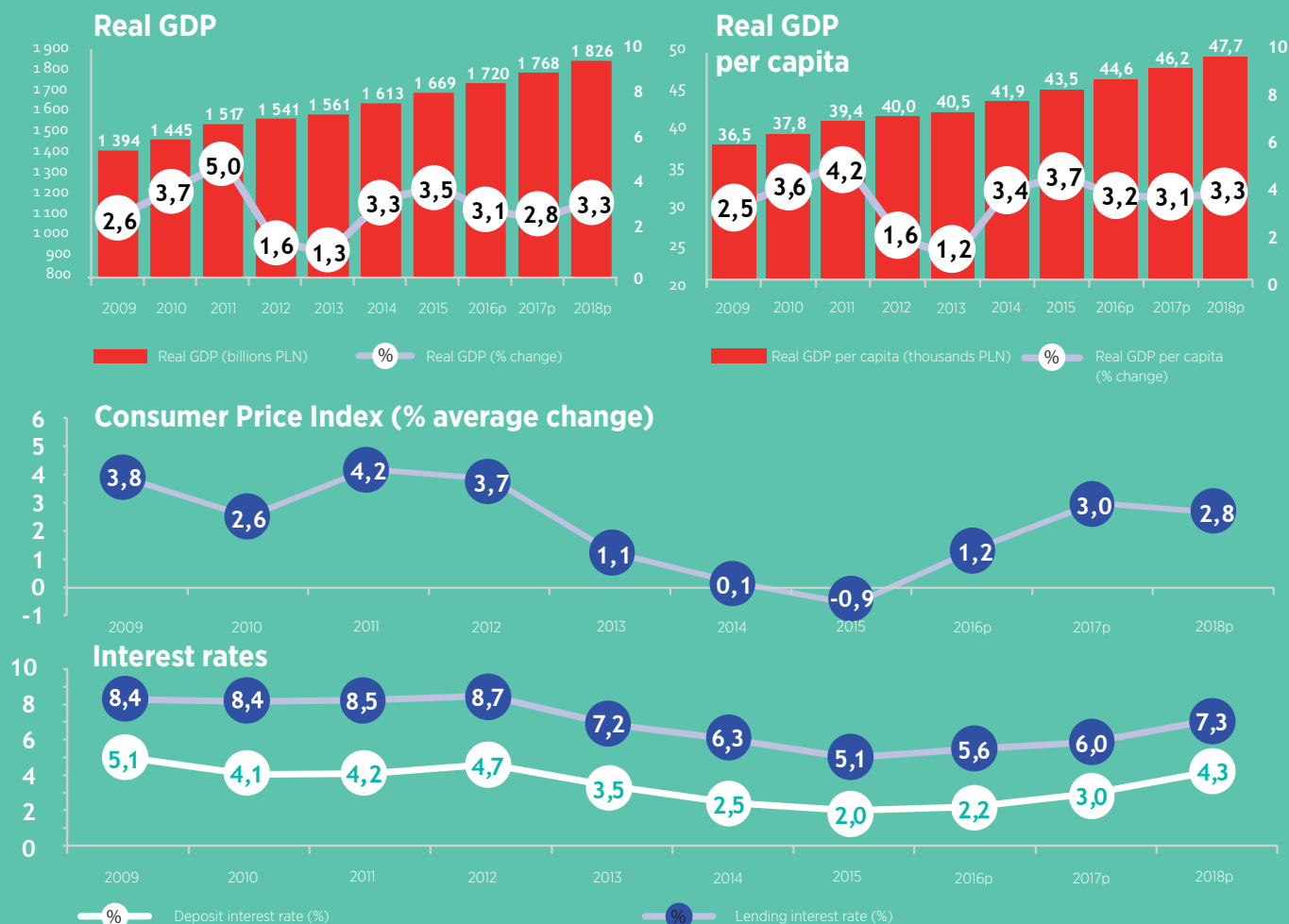
Source: BNP Paribas Real Estate.

BNP Paribas Real Estate forecasts that in the forthcoming quarters, the investment market in the retail sector will continue to develop dynamically. It is possible that a number of real estate portfolios will change ownership. Due to a few large projects under construction, it is expected that some spectacular deals will take place in 2017; however, it is possible that 2016 will also see some transactions. A further compression of yields is not expected.

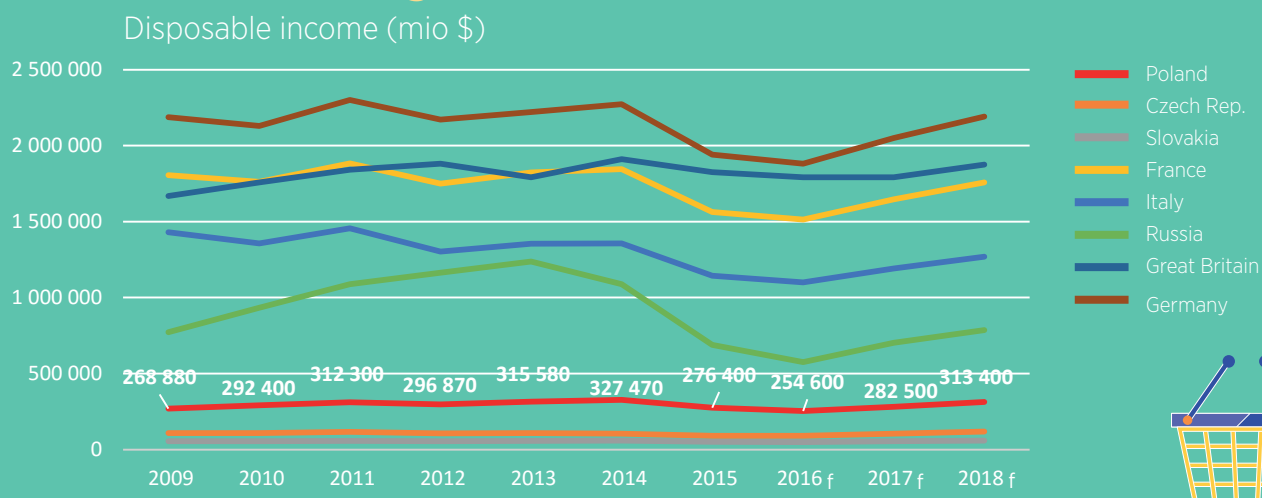
1.5. MACRO-ECONOMIC OVERVIEW OF 2015

Consumers' situation overview

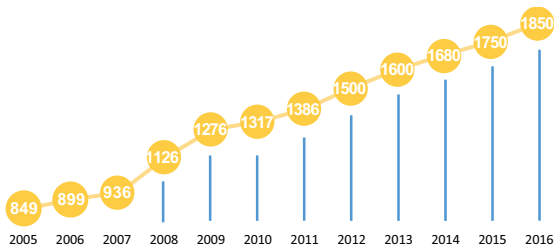
Key macroeconomic indices



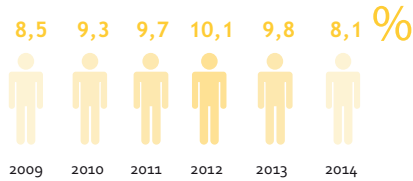
Factors determining consumer confidence



Minimal wage in Poland (PLN)



Unemployment rate in Poland (BAEL measure)



Since 2013 unemployment in Poland decreases. Predictions are to continue the trend in the years to come.

Source: KPMG Poland based on GUS data (Central Statistical Office, stat.gov.pl);

Above 1500 Euro /month
1001-1500 Euro /month

501-1000 Euro /month
250-500 Euro /month

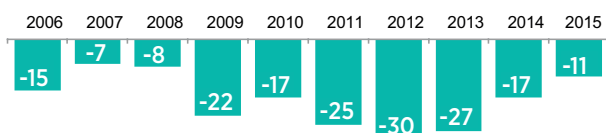
Less than 250 Euro /month
N/A

Source: KPMG in Poland based on Eurostat data

Consumer tendencies as measured by Consumer Confidence Indicators

(GUS – Central Statistical Office in Poland)

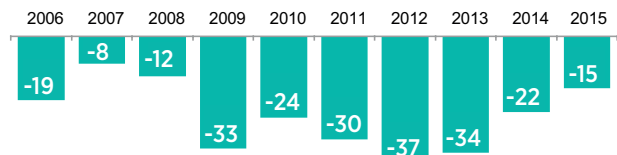
Current Consumer Confidence Indicator (BWUK)



Current consumer confidence indicator (BWUK) - being the arithmetic mean of the evaluations of the previous and predicted (over the following 12 months) changes concerning the households' financial condition as well as the general economic situation of the country and major purchases currently made.

In 2015 BWUK scored at -10.9 which was 6.1 p.p. higher than in 2014

Leading Consumer Confidence Indicator (WWUK)

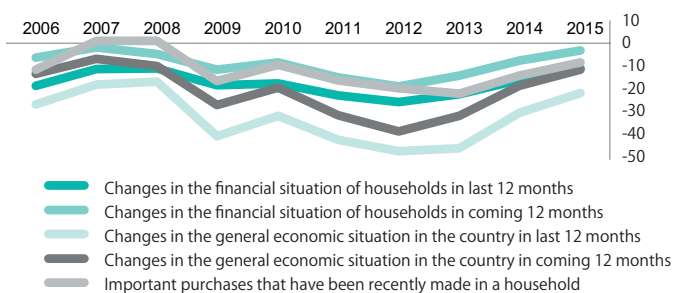


Leading consumer confidence indicator (WWUK) - being the arithmetic mean of the evaluations of changes in the household's financial condition, the economic situation of the country, trends in unemployment and saving propensity, all over the next 12 months.

In 2015 WWUK scored at -15.1 which was 6.7 p.p. higher than in 2014

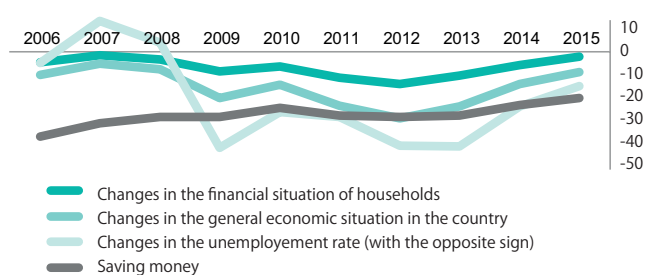
Consumer tendency indicators are calculated based on the results of the household survey (consumer opinion survey) with a set of questions directly addressing the consumers. The indicators may range from -100 to +100. The positive value means that the majority of the consumers express a positive attitude, while the negative value signifies the prevalence of the pessimistic attitudes.

Components of BWUK index



Source: KPMG Poland based on GUS data (Central Statistical Office, stat.gov.pl)

Components of WWUK index



1.6. SALES EFFECTIVENESS IN SHOPPING CENTRES IN POLAND IN 2015

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.

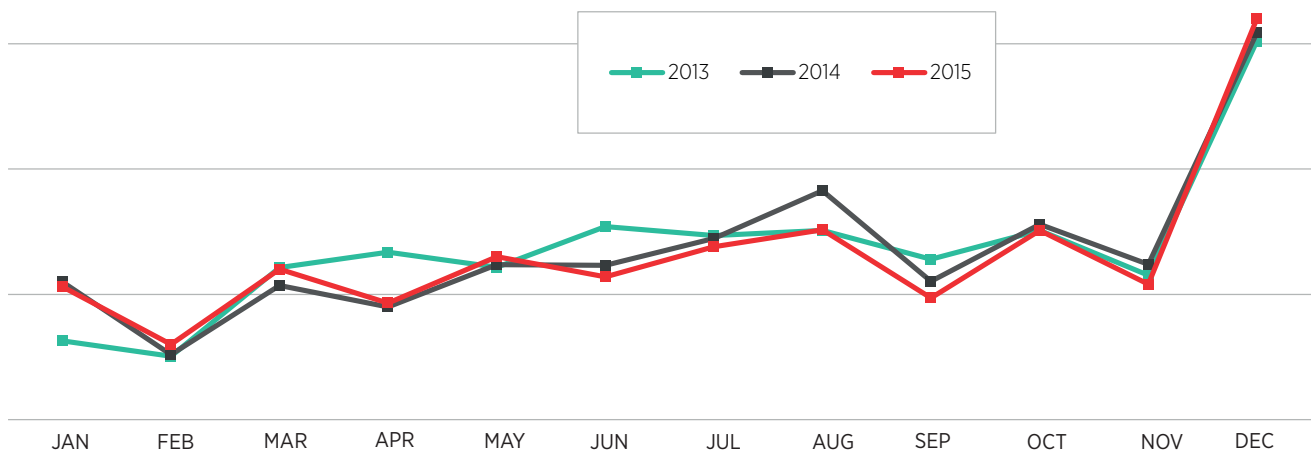
Monthly reports are made available to the PRCH members, and detailed results – to the companies participating in the project, which report data from all centres in their portfolios. Detailed reports present results divided into six regions and six largest agglomerations and include eight retail categories: *Fashion and accessories, Health and beauty, Household appliances & accessories, Specialty goods, Foods/Groceries, Restaurants/Cafes/Foodcourt, Entertainment*. The method of aggregation of data by the system administrator – a specialised audit company – guarantees that at no level it is possible to identify the sales results of individual shopping centres that report data. A detailed comparison of the contents made available to the participants in the PRCH Database and all PRCH members are presented in Table 3.

Since 2012, PRCH Turnover Index is complemented by the measurement of the average monthly footfall – an index named PRCH Footfall Trends.

Basing on the results of this research, it is valid to conclude that in H2 2015 the Year-on-Year footfall trend in shopping centres was slightly lower than in the first half of the year. In the process, 2015 ended at a minimally lower level than 2014: the cumulative change Year-to-Date was -0.5%. As can be seen in Fig. 14., long-term trends of footfall in 2015 according to PRCH Footfall Trends index, are virtually identical to the previous year, which corresponds to data collected by Reveal Systems.

Average monthly footfall and turnover results in 2015 were highly correlated ($r=0,94$) – higher than in previous years. It is possible to infer that the conversion rate in shopping centres in Poland, in general, is rising.

Fig. 14. PRCH Footfall Trends – dynamics of the average footfall trend in 2015 compared to previous years (Poland, ~60 centres which report data)



Source: PRCH Footfall Trends, December 2015.

The average efficiency of sales per a square metre of leasable space in shopping centres in 2015 was PLN 9,879 net, which is 2.1% more than in 2014. Second half of 2015 was particularly successful in terms of turnover – apart from

a temporary slowdown in August (which is nothing unusual in the holiday period), monthly results were consistently a few percent better than compared to the previous year.

Table 2. Average annual turnover in shopping centres (per sqm GLA) by category in 2015

Category	% of reported GLA	Average annual turnover in PLN per sqm GLA	Average annual turnover in EUR per sqm GLA
Fashion & accessories	54.1%	8,310	1986
Health & beauty	6.3%	19,311	4,616
Household appliances & accessories	9.9%	12,309	2,942
Services	1.3%	22,287	5,327
Specialty goods	9.4%	13,597	3,250
Groceries /Food	5.4%	8,096	1,935
Restaurants /Cafes /Foodcourt	6.1%	12,468	2,980
Entertainment	7.4%	1,818	434
Total	100%	9,879	2,361

Source: PRCH Turnover Index, December 2015.

Looking at each retail category, the sales efficiency rate has grown Year-on-Year in six out of eight product categories. **The most important results and trends in 2015 look as follows:**

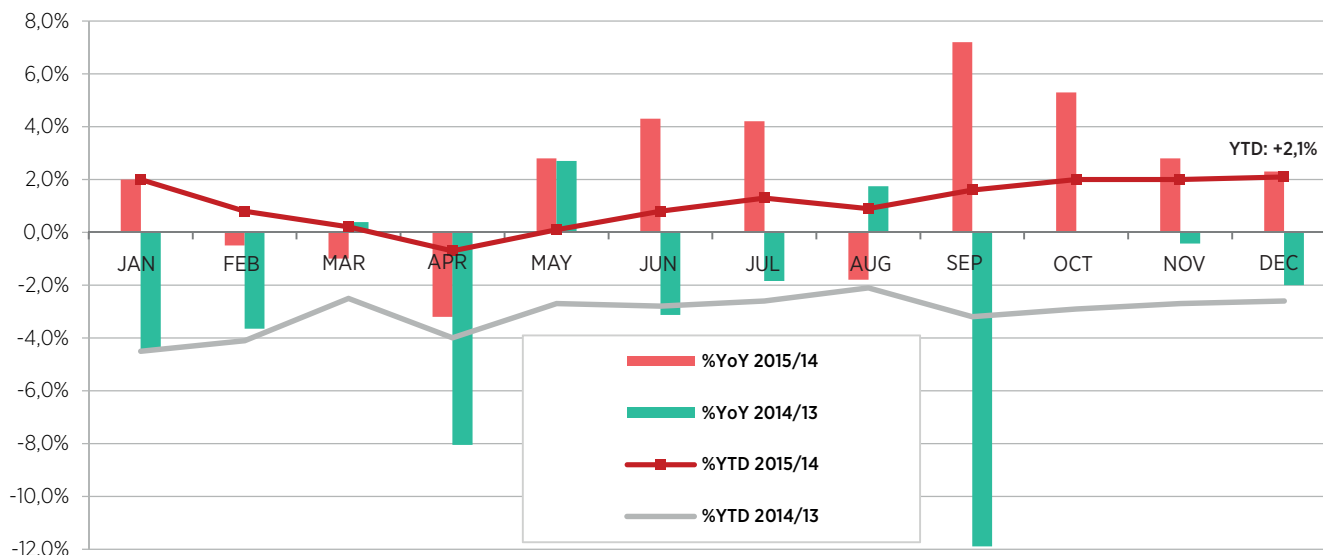
- The strongest long-term growth trend throughout 2015 was recorded in the **Groceries/Food** category. Since the PRCH Turnover Index does not include reporting of hypermarkets (and only few supermarkets) in shopping centres, this result can be attributed to the stronger position of small specialised stores with food products;
- Throughout the year, there was a strong increase in the sales efficiency in the **Services** category (several percent YoY every month, cumulative full-year result: +15.6%). It is likely that such a great result can be attributed to bank branches and travel agencies in shopping centres;
- Following a temporary decrease in spring, in H2 2015 there was a considerable increase in the **Household appliances & accessories** category – the average sales per a square metre of interior design and furniture products was 5.3% higher than in 2014;

- Stable increase in sales effectiveness in the categories **Health & beauty** as well as **Specialty goods** – a few percent YoY every month of 2015 (respectively: 0.9% and 3.5% YTD results);

- Judging on the average results of PRCH Turnover Index, it may be assumed that H2 2015 was less successful (compared to 2014) for tenants in the **Entertainment** and **Restaurants/Cafes/Foodcourt** categories. It is possible that sales results in these categories are strongly correlated to the footfall level, which was slightly lower in fall 2015 than in 2014. None the less, cumulated 12-month changes in these categories sum up to -0.4% and 0.2%, respectively.

- The most important sales category in shopping centres is **Fashion & Accessories** – its contribution to the lettable area reported to PRCH Turnover Index was 52%. Although the general clothing sales trend per square metre in 2015 was at a level 1.3% lower than in 2014. It is worth noting that the second half of the year resulted in a clear reversal of the downward trend, which bodes well for the future.

Fig. 15. PRCH Turnover Index – average turnover in shopping centres per a sqm GLA (Poland, all retail categories, >80 centres which report data)



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

Source: PRCH Turnover Index, December 2015.

Table 3. Contents of PRCH Database Reports (PRCH Turnover Index & PRCH Footfall Trends)

	Full PRCH Database Report (for Participants reporting data)	Monthly Brief for all PRCH Members
Current YoY & YTD results	✓	✓
Charts for general indexes	✓	✓
Complete historical data in Excel files	✓	-
Statistics of market coverage: Shopping centres reported as a part of Polish retail market	✓	✓
Eight retail categories: total reported GLA and average annual turnover	✓	-
Turnover Index in retail categories overview	✓	✓
Turnover Index in retail categories per 6 regions	✓	-
Turnover Index in categories per 8 agglomerations	✓	-
PRCH Turnover Index by shopping centre size	✓	-
PRCH Footfall Trends by shopping centre size	✓	-
List of shopping centres reported	✓	-
Downloadable for verified users from secure external server	✓	-
For all and only PRCH Members	-	✓
Reports for each month	✓	✓

Source: PRCH Turnover Index, December 2015.

The end of 2015 saw some significant changes in the functioning of PRCH Database. Following the joining of another participant – Atrium Real Estate, the total number of retail schemes reporting their data will exceed 90 in March 2016. It will also be possible to present data for two new agglomerations: the previous group of six cities will be extended by Bydgoszcz and Szczecin. The agenda for 2016 is to invite centres from the eastern and southwestern regions to join, thus ensuring that PRCH Turnover Index covers all 10 largest agglomerations in Poland.

The second major change is to introduce detailed statistics for industry categories, which will also be presented in short to the member companies. However, the biggest

novelty since the beginning of 2016 will be presenting the results of PRCH Turnover Index and PRCH Footfall Trends broken down into small and large shopping centres (threshold value of 40,000 sqm GLA). Previously, a large representation of the largest shopping centres was particularly important for the composition of PRCH Database results (around 50% of Poland-wide GLA stock in the segment of shopping centres with an area exceeding 40,000 sqm are reported to PRCH Turnover Index). Breaking down the results into two size categories of reported projects will allow to increase the functionality of the PRCH Database benchmark also for smaller shopping centres.

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He joined PRCH in 2009 as Development & Market Research Manager to deal with membership issues and develop pioneering projects related to the knowledge database. Radosław has also coordinated activities of thematic clubs and was a co-author of numerous market reports. He has been a member of the ICSC European Research Group for 4 years.



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2 MULTI-GENERATIONAL SHOPPING CENTRES – HOW SHOPPERS' EXPECTATIONS SHAPE RETAIL

Danuta Kowalska
Agnieszka Kowalewska
Mateusz Migut

It has been more than one generation since the start of the free-market economy in Poland. In this chapter, we will attempt to analyse how consumer behaviour of Poles was changing throughout that period of time. We claim that the demographic, economic and social changes had a considerable impact on shopping habits; however, the opposite is true as well – the most developed forms of traditional retail, namely shopping centres, played a crucial role in the evolution of consumer behaviour. The main theme of this chapter will be generations – both with respect to shopping centres and consumers. In our search for a perfect shopping centre we will use the results of surveys conducted among customers of shopping centres belonging to different generations. The last section of the chapter contains case studies from Poland and other countries, which will illustrate the changes taking place in the formula of functioning and the image of shopping centres, and serve as a practical summary of social and technological trends.

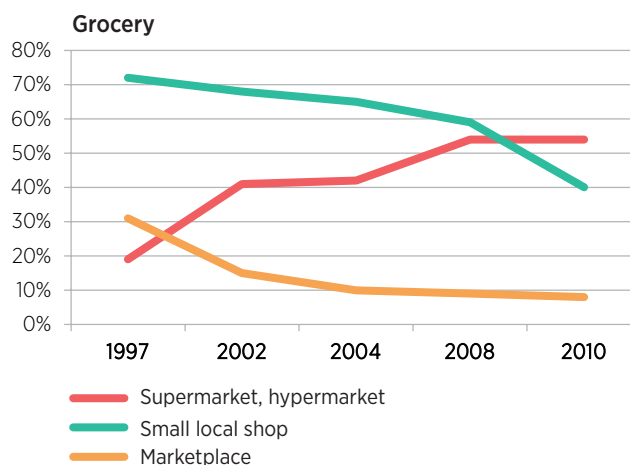
2.1. SHOPPING CENTRE GENERATIONS IN POLAND

There are few people who remember that the 90s were a period of the dominance of fragmented retail, and in the years 1990-2001, the number of all shops doubled (GUS – Central Statistical Office, Poland 1989-2014). In spite of that, the competitiveness of Polish trade establishments was far from the present reality. The beginning of the new century brought consolidation of the retail market, which meant a decrease in the number of traditional shops. In the following years, convenience and discount stores started developing more rapidly. Modern forms of retail gained popularity at the expense of small local shops. The role of marketplaces decreased (cf. Fig. 16. and 17.).

Undoubtedly, the popularity of a particular channel was and still is related to the local community. Buying in marketplaces has always been more popular among

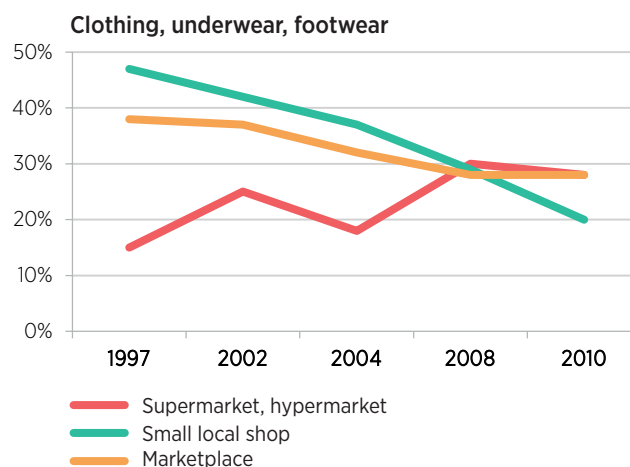
people living in the countryside and small towns than in large cities, which prefer super- and hypermarkets and, in the later period, shopping centres.

**Fig. 16. Where Poles buy groceries
– changes in the years 1997-2010**



Source: *Mania kupowania, czyli o postawach konsumenckich Polaków [Shopping mania, or consumer behaviour of Poles]*, CBOS 2011.

**Fig. 17. Where Poles buy clothing
– changes in the years 1997-2010**



Source: *Mania kupowania, czyli o postawach konsumenckich Polaków [Shopping mania, or consumer behaviour of Poles]*, CBOS 2011.

The first retail schemes to meet the defining criteria of a shopping centre (cf. Section 3 of the first chapter of the previous report PRCH RRF H1 2015) emerged in Poland in the second half of the 90s. After the period of intensive growth which took place at the beginning of the new century the shopping centre market recorded a temporary slowdown after 2003, only to enter another phase of strong development in 2007. In 2005, there were 220 shopping centres, which offered nearly 5 million sqm of retail space (see Fig. 1. and 4. in the previous chapter). By the end of 2015, there were already 482 shopping centres, with a total retail space of more than 11 million sqm. The retail space density per 1,000 inhabitants increased from 128 sqm in 2005 to 286 sqm in 2015, thus coming close to the European average.

In the case of the first shopping centres, which represented the so-called **first generation**, the share of the hypermarket in the entire project was more than 70%, and the few small shops were merely an addition. The key point for the vast majority of the customers was shopping in a hipermarket, the more that in the first years of the expansion of retail chains, shops and service points in a shopping gallery next had a heavily limited offer.

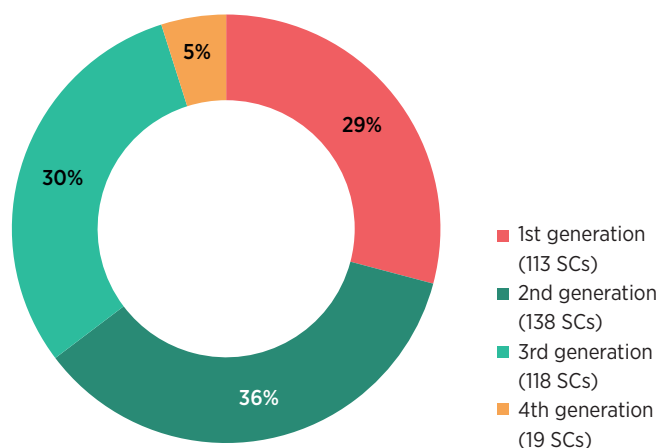
Soon, the **second generation of shopping centres** emerged, which were characterised by larger shopping gallery with a few dozen of stores of various sizes offering a wide range of products. That was a natural consequence of the market development and an answer to the new needs of Polish consumers. Nevertheless, it was still the hypermarket, covering about half of the floor area of a project, that was the main anchor attracting customers. Together with the arrival of the second generation shopping centres, customers started seeing the advantages of doing their shopping there. It was possible to go shopping with the entire family, as a form of spending free time. It is worth mentioning that many shopping centres of the first two generations were renovated or refurbished (renovation combined with extension) in the recent years.

The first years of the 21st century saw intensive development of **third generation shopping centres**, mostly in large agglomerations, where the purchasing power is the highest. The hypermarket is but one of a few large -area stores in such a shopping centre – the function of the anchor tenant is often taken over by other stores, including fashion brands.

What is important for a customer when choosing „their” shopping centre is a wide range of products in various categories, the prestige and the atmosphere of the scheme. New third generation shopping centres started beating subsequent floorage records and competing in terms of the attractiveness of the architecture and added value (marketing, CSR).

Throughout the past ten years, we have seen the coming of **fourth generation shopping centres**. A hyper- or supermarket does not exceed 1/4 of the floor area of that modern scheme. What characterises fourth generation shopping centres is a well-developed entertainment function – not only cinemas, but also bowling, gyms, playgrounds, etc., as well as services-related function (including medical centres, beauty salons etc.). A perfect model of a fourth generation shopping centre is a self-sustainable ‚city within a city’, where it is possible to spend a whole day in an attractive way (see below). Thanks to their versatility and impressive architectural design, modern fourth generation shopping centres often become landmarks of the cities they are located in.

Fig. 18. Generation of shopping centres in Poland – the structure of the number of assets



Statistics for 388 shopping centres operating in Poland, with GLA exceeding 8,000 sqm. (total GLA = 9.78 million sqm)

Source: PRCH Catalogue Of Shopping Centres.

At the same time, since 2005 there has been an intensive period of the development of discount stores, which are starting to lure customers of hypermarkets. The expansion of discount stores, including their quality-wise change in the past years has negatively affected the financial results of hypermarkets. There is no doubt that the shift from hypermarkets to discount stores is the result of the changing expectations of customers, who began paying attention to the time spent on shopping and how close to home they can do it. Discount stores are also starting to dominate the FMCG market and are entering segments such as fashion, sports and household equipment. Currently, as many as 81% of Poles use this format of stores (PBS Loyalty Benchmark, 2015). At the same time, there was a change in the image of discount stores following the change of the social profile of their customers, who practically do not differ from customers of hypermarkets or shopping centres nowadays.

The effect of the intensive expansion of shopping centres, especially in large agglomerations, was the increase in competition, which resulted in stronger efforts to gain customers, who, in turn, started becoming more and more aware with respect to their expectations, and more demanding regarding the offered products and services. This forced changes in the quality of functioning of shopping centres. Competitors began using more and more sophisticated forms of satisfying customers' demands, and modern technology solutions have become a standard. Connecting the past and the future, the managers and tenants of shopping centres are constantly looking for new forms of meeting customers' expectations (case study 1 & 2).

2.2. ECONOMIC AND SOCIAL TRANSFORMATIONS UNDERLYING THE EVOLUTION OF SHOPPING CENTRES IN POLAND

When the transformation period started in the Polish economy more than 25 years ago, it was difficult to imagine how deep changes it would bring. One of the first changes was the introduction of free trade and, together with the inflow of foreign capital – an intensive development of modern forms of retail. Together with subsequent generations of shopping centres the behaviour patterns of visitors were also changing. This was additionally enhanced by external factors, a few of which are worth mentioning:

Changing structure of households. We are observing an increase in the share of single-person domestic households – in 1988, the average number of people in a household was 3.1, whereas in 2011 it was 2.8 (GUS, Poland 1989-2014). At the same time, there was a drop in the number of people in a household resulting from the tendency to start a family later (GUS, 2015). One of the important effects of changes in the household model was the decrease in the number of customers doing the shopping with their families.

Children occupying a central position in the family life.

The decrease in the number of children in a household is correlated to their rising importance in a family. Nowadays, it is children who increasingly often decide what and where to buy. Seeing this trend, shopping centres are trying to offer as many amenities as possible to build the loyalty of customers with children, such as baby changing stations, playgrounds and playrooms for children, and special events aimed at the youngest.

Changing population age structure. The share of young people in the population is decreasing: in 1990, 39% Poles were 25 or younger, in 2000 it was 36%, in 2010 - 29%, and in 2015 there are only 27% of people under 24 years old. According to forecasts, in 2030 the share of people older than 65 will exceed 23%, whereas in 2015 it was less than 16% (GUS, Population Projection 2014-2050). The ageing society is accompanied by a shift of age categories – the limits of physical and mental age are moving. There has been a change in the lifestyle. The seniors remain active longer and enjoy better health; additionally, they have a considerable purchasing power, thus forming a huge marketing and economic potential.

Improving economic situation of Poles. In 2003, the unemployment rate in Poland was close to 20%; since then, we have been recording a systematic improvement on the labour market. Together with the growing wealth of the society, there has been a decrease in the share of food expenditures in total expenditures of households. In 1993, this share was 41.5%, whereas in 2014 it dropped to 24.4% (GUS, Household Budget Survey 2014). The expenses are shifting to another category of products – Poles spend more on free-time activities.

Improving education of Poles. This phenomenon translates into a different structure of expenses and spending more on leisure, culture and restaurants. According to the Central Statistical Office (GUS), in 2014, the expenses on recreation and culture, restaurants and hotels constituted around 15% of expenditures in households where the head of the family had higher education, whereas in households run by people with basic education, the expenses related to leisure did not exceed 7%.

Digital revolution. The spread of the Internet also resulted in major changes in retail. E-commerce is hitting traditional retail hard, forcing the introduction of numerous innovative solutions in the shopping centre market. A new challenge for retail schemes is to combine the traditional and digital form of retail. Omnichannel is the sign of our times – the use of modern technologies is becoming crucial in the shopping process (**case study 3 i 4**).

Growing consumer awareness. We are observing an ever decreasing susceptibility of consumers to marketing events, which are less and less of an incentive to visit a shopping centre (especially in the case of the Millennial generation, see below). In the context of the observed changes and the future of shopping centres the question how we spend time in a shopping centre is gaining in meaning. We are talking about the so-called 'shopping experience', related to emotions and feelings during a visit in a shopping centre. To answer this need, new functions are implemented in the newly-built and revitalised retail schemes. Even the most unique offer will not be enough if it is not accompanied by the wow factor (**case study 5**).

The changing lifestyle of the considerable share of the population and growing wealth resulted in creation of shopping centres which meet other needs than those related only to shopping. In order to ensure customer loyalty, it is necessary to offer products or services that cannot be bought on the Internet. Apart from entertainment, the popularity of the food court offer is also increasing (cf. the results of PRCH Turnover Index, presented in Chapter 1 of this Report). Building upon values that are important to a local community is becoming crucial; a close co-operation with local offices is another sign of the times. The shopping centre is becoming a place where shopping, service, entertainment and social (local integration) functions intertwine. It is new expectations of customers

and strong competition that have made the current trend of modernisations and redevelopment of shopping centres so popular (**case study 6**).

There is a clear tendency observed among consumers to spend less and less time for grocery shopping. In 1992, Poles would spend more than 5 hours a week on shopping, whereas in 2007, that time was reduced to 3 hours (Pentor Research International, 2007). Today, together with the development of e-shopping, it is difficult to estimate that time; it would be necessary to separately compare the time spent on traditional and online shopping. Nevertheless, there is no doubt that we buy differently – and faster. Shopping centres have become increasingly popular: already a few years ago up to 50% of the inhabitants of large cities have visited them at least twice a week (GfK Polonia, Centra handlowe w Polsce [Shopping centres in Poland] 2007); recently, the number have reached 70% (IQS segmentation research, see below). However, consumer expectations and behaviours differ considerably depending on the generation and the general attitude to shopping centres.

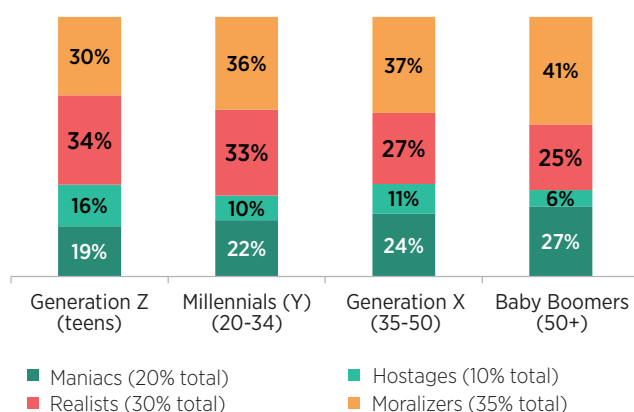
2.3. CONSUMER GENERATIONS – VARIOUS ATTITUDES AND EXPECTATIONS TOWARDS SHOPPING CENTRES

In autumn 2015, IQS conducted a survey of 1,000 adult Poles of different ages as part of a study concerning the shopping centre market in terms of demand. As a result, four types of customers were distinguished, characterised by different expectations and opinions on shopping centres. The breakdown into each generation group was presented in Fig. 18.

The most numerous group among all adult generations were the consumers who could be described as „**Moralizers**”. They are the customers who, despite the fact that they visit a shopping centre 4-5 times a month on average and generally like it as a place for shopping and spending free time, believe that shopping centres should do much more than they actually do, both for the customers and for the common good. For the „Moralizers”, a perfect shopping centre is one which brings profits to the local community and the city, and additionally is oriented on cultural activities and not only increasing revenue from sales. They expect lower prices, wider range of goods and services, better service quality, childcare, a car park and, primarily,

a bigger contribution to the domestic economy and the local community. The share of this kind of attitude in the structure of the customers of shopping centres is increasing as they grow older. On the other extreme, there are the „**Realists**”, who form the majority in younger generations. They do not have great expectations towards shopping centres – they believe that retail projects exist to make money. Although they consider prices in the stores in these assets to be too high, the „**Realists**” do not expect shopping centres to deliberately meet the expectations of customers or to be oriented on the needs of the local community. A smaller group of customers, who are very important to the functioning of a shopping centre is the „**Maniacs**” – they love shopping centres and the related lifestyle (nearly a half of them visit a shopping centre once a week or more frequently). As far as the retail offer and amenities are concerned, „**Maniacs**” are always satisfied. They think that prices in shopping centres are reasonable, the range of offered products is attractive, and the staff is nice and competent. In shopping centres they feel „at home”. The smallest segment is an interesting group, interpreted as „**Hostages**” – the name expresses their ambivalent attitude: generally they do not like shopping centres, but visit them 3-4 times a month. The representatives of the latter group do not have a very good opinion about shopping centres, neither as the consumers nor as the participants in public life. Nonetheless, they cannot help themselves from visiting shopping centres – either because they cannot find other, equally good places to do the shopping and spend free time, or because they just like complaining and expressing their dissatisfaction is part of their lifestyle.

Fig. 19. Segmentation of attitudes towards shopping centres by generation



Source IQS.

As already mentioned in the previous edition of the PRCH Retail Research Forum Report, the key to achieve success in the dynamic shopping centre market is to understand the needs of different target groups – mostly in terms of age. As the generation which no longer remembers the era „before shopping centres” is growing up, it increasingly often turns out that their expectations and consumer habits differ significantly from those of the representatives of previous generations. Therefore, what is crucial for the managers and tenants of shopping centres is to diversify marketing activities taking into consideration the needs of various generations of the consumers.

The 50+ generation (so-called „**Baby Boomers**” of the post-war era) – are a very attractive target group, possessing considerable resources. In return, they expect the traditional way of doing the shopping, but at a very high quality level (the range of products and services, the staff's competence, comfort during the time spent in a shopping centre). Therefore, it is not surprising that this generation is dominated by the segments referred to as „**Moralizers**” and „**Maniacs**”. Against the background of younger generations, „**baby boomers**” pay special attention to the range of services within a shopping centre (a laundry, a post office, a hairdresser) as well as the cultural offer (an art gallery, a library). An open issue is whether the representatives of that generation are ready to use e-commerce – it is likely that the coming years will radically change the stereotypical image of those “digitally excluded” because of their age.

Generation X (which used to be called the „**MTV generation**”), namely the consumers between 35 and 50 years. They enjoy comfort of shopping and a wide range of products available because they use online shopping rarely (in comparison to younger generations) and are not particularly interested in state-of-the-art technologies. Among “**X-ers**”, there are two types of attitude towards shopping centres: they either expect nothing apart from a wide range of products and services („**Realists**” and „**Maniacs**”), or have very specific requirements („**Moralizers**”). They pay a lot of attention to the size and appearance of the building: Thirty-years-olds and forty-years-olds often want a shopping centre to be „transparent”, namely open to the city and integrated with the surrounding space: shop windows and store entrances facing the street, open-air cafés and restaurants, etc., and, last but not least, convenient access by public transport and on foot.

What distinguishes a shopping centre in their eyes is the presence of a place where it would be possible to have lunch with the family or friends (but not a fast-food restaurant), as well as regional products fairs.

However, it is the **Millennials, or Generation Y** (people who are between 20 and 35 years old) who set the tone for changes in consumers' requirements towards shopping centres. They have a consumeristic attitude to life and do not like to restrict themselves; their shopping patterns differ from those of older generations (cf. JLL & Atrium RE's report *Enthusiasts and frequenters. Generation X and Y in shopping centres*, 2015). Although online shopping is an integral part of the Millennials' lives, according to the IQS research, they are interested in shopping in bricks-and-mortar stores, but expect some emotions and interaction. It is necessary to provide them with personalised services and products, which will emphasize their uniqueness. However, the Millennials also value the credibility of the message. Fast delivery of the purchased products and payment facilities are the key factors which determine which shopping destination they will choose. All that combined with their strong purchasing power makes the shopping centres' struggle to attract this group of customers particularly fierce. At the same time, they are a very demanding consumer group. They expect enhancing the entertainment function of shopping centres, but are fully aware of their egalitarian specificity – which was well reflected by a statement from the ethnographic module of the IQS research that „a shopping centre should be a place where everyone, regardless of their age, will find something interesting: kids – games, teens – cinema, adults – restaurants and fitness, seniors – benches and exhibitions”.

It is worth mentioning here that the children of the Millennials (born after 2010, the so-called **Generation Alpha**) are familiar with electronics and modern technologies from an early age (they are also called „the children of YouTube and smartphones”). In line with the above-mentioned trends, their influence on shopping decisions of Generation Y is tremendous; at the same time, it is expected that they will take the high requirements concerning the surrounding world after their parents and will set the tone for future changes as they will be growing up.

The current teenagers are the so-called **Generation Z**, which means those born at the turn of the century. Compared to older consumers, their expectations towards shopping centres can be classified as rather egocentric and hedonistic: although they are devoid of idealistic illusions (this generation is dominated by the „Realists” and „Hostages”) they generally like spending their time in shopping centres and enjoy its entertainment offer. In the IQS research, there is a characteristic statement of a surveyed twenty-year-old: „I perceive the shopping centre as a place where it is possible to spend a whole day, starting from coffee and some book in a café, then a lunch and a visit to co-working zones, where I can work in peace, waiting e.g. for my friends, followed by a visit to the gym, finishing with a dinner and cinema”.

However, according to the presented IQS research, **the most important qualities of a perfect shopping centre** are common for all generations:

- **accessible** (convenient access, a large, well-labelled, roofed car park);
- **comfortable** (a cloakroom / luggage storage, easily navigable interior and branch layout, good signage, spots where parents can leave their children under care);
- **attractive shopping** (a wide range of branches and prices, sales, discounts);
- **functional** (easy traffic flow between storeys and access to the car park, wide aisles);
- **relaxing** (resting spots: sofas, fountains, plants, patios, pleasant but not too loud music playing in the background);
- **aesthetic** (nice architecture, clean, in order);
- **safe**;
- **intimate, close**, that allows to build individual relationships (nice, competent staff in stores, loyalty programmes);
- **exciting** (events, contests, lotteries);
- **inspiring** (culinary and artistic workshops, courses of e.g. make-up, meetings with famous people);
- **socially involved**;
- **egalitarian** (a price level affordable for all customers, equal politeness to all customers, regardless of their wealth level).

2.4. TRENDS AND CHANGES - CASE STUDIES

Case study 1 - Retro and vintage trends in shopping centres: Supersam Katowice

The popularity of retro and vintage is coming back. However, using its elements in the image campaign of a shopping centre was something new; in the case of Supersam, opened in autumn 2015, it turned out to be an extraordinary surprise for the inhabitants of Katowice. Advertising catchwords dating back to the communist era showed the amusing contrast between the previous political system in Poland and the modern world of commerce. The used concept and language refer to iconic tag lines; visual materials were also presented in the retro style. For older inhabitants of Katowice, who still remember the former Supersam department store from, it was a sentimental trip down memory lane, whereas for the younger ones it was an interesting and funny experience. The concept included a number of details which take us back to 1960-80s, including the iconic Ikarus bus (commonly called a „cucumber”), floss candy, old newsreels or soda fountains.



Source: Knight Frank & KUC Advertising Agency.

Case study 2 - Mercado da Ribeira, Lisbon – can a marketplace be trendy?

Shopping centres have become a common sight in European cities, often decreasing the significance of high streets and traditional marketplaces or flea markets. Nowadays, with consumers trying to make conscious shopping decisions and coming back to traditional, ecological products, local items and handicraft, it might be worthwhile to cultivate this traditional form of retail. Is it possible to combine a traditional marketplace with a destination which will be a trendy and attractive „place-to-be” for the local community? This was the idea of the creators of an iconic location named Mercado da Ribeira in the capital of Portugal. In line with its name – „market near the river” – it is located in a beautiful, historic market hall of a former fish market next to the bank of the Tag river. The building has been divided into two parts. The first one, which operates since early morning hours, is a real market full of hustle and bustle, where merchants offer fresh fish, vegetables, fruit and Portuguese delicacies. The second part of the building does not go to sleep until late at night. It has been transformed into a characteristic food court, where, however, we will not find popular chain brands, but a true Mecca for the fans of Portuguese fine dining – branches of Lisbon’s top restaurants. There is also a delicatessen for connoisseurs, where it is possible to see rarities such as a one-hundred years old bottle of Port wine. Thirty food serving and retail venues operate in units of similar size with uniform signboards, offering a full range of Portuguese and international dishes, which are prepared in front of the customers and eaten at large food court benches. In this common dining area, local residents, who drop by for a morning coffee and market shopping, wealthy connoisseurs of good food and company and tourists looking for original attractions, can meet under one roof. The upper floor of the building additionally houses exhibition space and an information office.

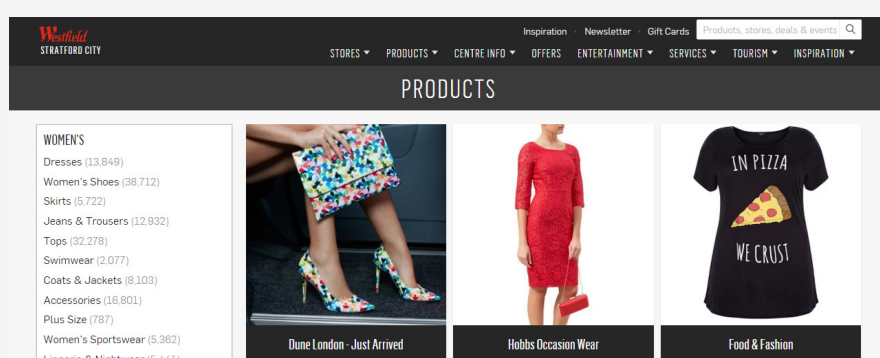


Submitted by: Milena Falicka, Mytiful Stores. Image: www.facebook.com/TimeOutMercadodaRibeira

Case study 3 - Integrated website of Westfield shopping centres

The leading international operator of Westfield shopping centres has been the leader in introducing cutting edge technological solutions for years. The website of Westfield, together with the extension of its functions for mobile use, is one of the best designed and optimised websites of shopping centres. All works on the website are conducted in Westfield Labs, established in San Francisco in 2012, and implemented in the entire portfolio of Westfield shopping centres in Australia, New Zealand, the US and the UK.

The Westfield shopping centres' website, apart from standard functions such as a search engine and a presentation of tenants, additional services or events, contains a wide range of products, which transforms it into a hub integrating the online offer of all tenants operating in Westfield shopping centres. For example, the website of two very large Westfield shopping centres in London (around 350 tenants each) presents a total of around half a million of products. It allows for searching for products by category, brand, store, price level, key words, etc. The search results can be shared with friends through social media channels. Most importantly, it is possible to go from the search results on the Westfield website directly to the site of a particular store in order to (depending on the supplier) buy a product online or use the click&collect option. Inside the Westfield centres in England, there are also Doodle click&collect points, which allow to pick up purchased products from regular online stores as well.



Submitted by: Andrzej Jarosz, Mayland Real Estate.
Image: <https://uk.westfield.com/london/stores/all-stores>

Case study 4 - Beacons in the point of sale – practical tips

1. Inform your customers about the possibility of collecting the completed order by sending a push directly to their smartphones.
2. Welcome your regular customers with a smartphone message. Based on their previous visits and knowing what they were looking for, you can inform them that a particular product is now available or on sale.
3. Offer the possibility of finding required products within a store using beacon-based navigation – a good solution in large-area stores.
4. Provide the customers with a possibility of communicating with the staff through a smartphone app, e.g. using a chat which opens when the customer is inside the store.
5. Send information about special offers or additional information when the customer is in the vicinity of a particular shelf or product and spends a predefined amount of time there – sales messages are much more successful when the product is at the fingertips.
6. When the customer has purchased something, send him or her a short survey directly to the smartphone, asking about feedback related to the shopping experience – the information will be accurate, as it will be delivered right after the purchase.
7. Use the application to inform the customers about their loyalty points balance – gamification increases involvement.
8. Use the data collected by beacons on the basis of the analysis of the traffic patterns of customers to determine which areas of the building are frequented more often than others. This will allow you to plan the product and shelf layout better as well as optimise the staff locations and even working hours.

Source: Linteri company: <http://www.linteri.pl/raport/>

Case study 5 - Boxpark Shoreditch, London – creative revolution

In a time of dwindling interest in traditional forms of retail, the potential of young fashion and lifestyle brands is increasing. Looking for solutions that will be able to answer the changes related to the dynamic development of young designers, an expert in the British retail market, Roger Wade, decided to revolutionise the concept of a traditional shopping centre, transforming it into a dynamic element of urban fabric and a place where young, trendy brands will be able to sell their products without the need to sign long-term and costly lease agreements.

Thus, the first pop-up shopping centre in the world was created from 60 connected... steel shipping containers. Boxpark in the Shoreditch district of London attracts customers from afar with its alternative design. Inside the containers, there are fashionably and creatively fitted out boutiques and cafés. The leasable area of a single container is 30 sqm. Thanks to their uncomplicated shape the containers are easy to arrange and can be freely connected – thus, creating a tenant mix resembles playing with Legos. The frequent tenant rotation causes Boxpark to evolve constantly and allows it to surprise customers with new fit-outs. It is also becoming a centre of social life for the local community.

Boxpark offers a flexible term of lease (from 1 week to 1 year, with a possibility of extension). The current rents (as of 2016) are the same for all tenants and range between EUR 1,000 net per a week and EUR 20,000 net per a year of lease. In order to simplify the leasing process for beginning designers, short-term lease rents include all additional costs (utilities, service charges, marketing, etc.). Boxpark Shoreditch is followed by other projects under the same trademark in the UK. Similar centres are also emerging in the US.



Submitted by: Milena Falicka, Mytiful Stores. Image: press release Boxpark Shoreditch.

Case study 6 - Generation leap – determinants of the refurbishment of Galeria Pomorska

The decision to extend Galeria Pomorska was a result of both macro- and microeconomic factors which were already or were about to start influencing the functioning of the shopping centre. The main one was the dynamic market situation in Bydgoszcz – the catchment of Galeria Pomorska was to change forever with the arrival of the new competition in 2015. Additionally, compared to a modern shopping centre nearby, Galeria Pomorska, being a scheme of the 2nd/3rd generation, required lifting and remodelling. The centre had also become too small to house the brands interested in joining the tenant-mix and to meet the expectations of tenants who wanted to enlarge and reconfigure their units. The evolving expectations of consumers were also important. Shopping patterns had been changing – Poles would spend more and more time out to make use of the ever increasing restaurant offer, which, combined with the growing popularity of e-commerce, forced landlords to invest in extending the food court and entertainment zones.

Even before the actual extension started, works on expanding the food court area had been conducted so that it could house new leading brands. A very important element of that stage was enhancing the mall's offer with a cinema. Two new multi-level car parks were built in the first two stages of extension (2013-2014). The key phase of the extension, which finished in 2015, involved the creation of a new shopping arcade with a total area of 10,000 sqm GLA, which housed 40 new retail units.



Source: Galeria Pomorska.

Case study 7 - Top 10 global consumer trends for the following years (Euromonitor)

1. Agnostic Shoppers – Well-oriented in the offer, smart shoppers who use a wide range of shopping techniques and search products that have the best price-quality relationship (not necessarily the cheapest ones). They repeatedly seek innovative and unique products but at the same time do not want to overpay.
2. Buying Time – The search for the solutions that will allow to find more time for oneself. Online shopping, ordering ready meals, local shopping. On the grounds that the time is extremely valuable, they require immediate answers in relations with client service etc.
3. Challenging Ageing – Mature persons' market is growing fast, but this is a splintered segment. Technology is no more reserved just for the youngest generations, that is to say, for a great deal of the elderly it becomes an everyday tool, especially when it comes to family relations.
4. Changemakers – More and more ordinary citizens (not only well-known persons or organizations) want to get involved in important issues concerning both the planet and inhabitants protection. Especially the Millennials expect from the brands, among other things, policies of sustainable development.
5. Gender Blurring – Products and brands become neutral in terms of the users' gender – fashion and toys are particular examples.
6. Greener Food – Along with the growing awareness about food condition and its importance for people's health, even in the case of the fast food we can observe resignation from the food additives as well as adding to the menu products considered to be especially healthy. The problem of food waste is debated more often.
7. Mental Wellbeing – Finding the balance between physical and mental health becomes extremely important value for the consumers. Gain in popularity is observed for meditative techniques as well as smartphone applications aimed at calming emotions.
8. Over-connected Consumers – Dissemination of Internet technologies and mobile devices causes more concern about its potential negative effects on wellbeing and health, especially for children. Addiction to mobile devices has become a real phenomenon.
9. Shopping for Control – Being connected also helps buying safer products and feeling empowered and being in control of house and family safety. The balance between two core values: liberty and security – is shifted.
10. Spending Singles – young people living alone are „supercharged” child-free spenders. Their warming to authenticity and individualistic experiences makes them perfect target group e.g. for tourism. Young urban singles are also keen to support the children of their siblings and cousins – some toys' manufacturers already make use of this trend.

Opracowanie: Danuta Kowalska i Mateusz Migut na podstawie: Kasriel-Alexander, 2016.

2.5. CONCLUSION

For the past 20 years, the key role in the development of retail has belonged to the consumer, who quickly accepted and learnt to like modern retail in the form of super- and hypermarkets and soon started frequenting shopping centres. On the other hand, it is impossible to forget about the significance of new formats of retail schemes, which influenced consumer behaviour. Consumers became accustomed to modern large-area stores, whereas higher generation shopping centres which soon appeared, allowed for making a comprehensive use of the retail and entertainment offer.

The past few years have been an incredibly dynamic period for the retail sector, mostly thanks to the intensive development of modern technologies. Changes in retail have never been so fast; additionally, they go in line with changing expectations and preferences of consumers. It is certain that there is no escape from new phenomena, and the retail market has already managed to successfully face the upcoming challenges. As can be seen, there are many new opportunities before manufacturers, service providers and retail chains. There are also many ways of using the emerging trends; however, it seems that a personalised offer, including the variety of expectations of different consumer groups, remains the key element. **(case study 7).**

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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, Sulejów, Wołomin, Ząbki, Zielonka, a także 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, a także Będzin, Jaworzno, Radzionków oraz Gierałtów i Wojkowice.

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

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

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

Szczecin Agglomeration: Szczecin i Kołbaskowo, a także Dobra, Goleniów, Gryfino, Kobyłka, Police i Stare Czarnowo.

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

Wrocław Agglomeration: Wrocław, Kąty Wrocławskie i Kobierzyce, a także Czernica, Długołęka, Miękinia, Oborniki Śląskie, Siechnice, Wisznia Mała oraz 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 PRCH RRF.

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