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SHOPPING CENTRE PRINCIPLES

CENTRE 4.0

INNOVATIONS IN SHOPPING CENTRES

CBRE | RESEARCH | POLAND | 2017

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This report reveals how shopping centres will need to adapt to win market share based on current and predicted shopper behaviour and changing market conditions.



TABLE OF CONTENTS

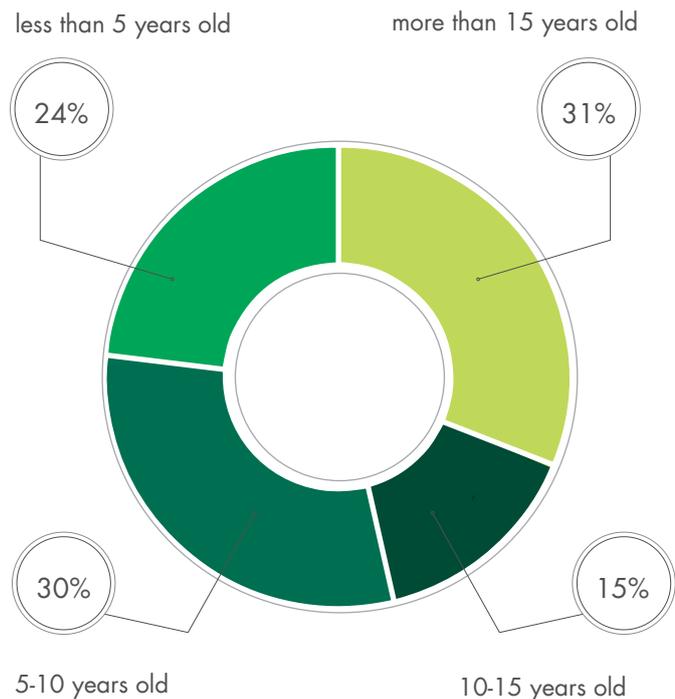
2	Introduction
4	Changing lifestyle and growing consumer needs
8	Growing tenants' requirements
12	E-commerce and m-commerce
16	Technological innovations
20	Summary
21	Contacts

INTRODUCTION

The total supply of shopping centre space, developing in Poland since the early 90's, amounted at the end of 2016 to 11.3 million sq. m. Looking at the growth of the market and the age of the existing stock, the Polish retail market is aging - about 50% of buildings are 10 years old or older. This means that there is a need for renovation and modernization of existing schemes, which now appears to be a serious issue for owners and property managers. Moreover, due to growing competition, shopping centres are forced to find their niche in order to stand out from others on the market.



The age of shopping centre stock in Poland



Source: CBRE

However, it is not only age that affects the decision on modernization or introducing changes to a scheme. Other important factors include: changing consumer expectations, the growing importance of gastronomy and entertainment, legal changes, the growing demand of tenants and the growing importance of m-commerce and e-commerce. In addition, the evolution of high streets and mixed-use schemes also impacts on the shopping centre picture.

Trends driving changes



Changing lifestyle and growing consumers' needs



Growing tenants' requirements



M-commerce and e-commerce integration with traditional retail



Technological innovations



Changing environment

CHANGING LIFESTYLE AND GROWING CONSUMER NEEDS

Contemporary retail is consumer-driven – clients' wants and needs should drive retailers' and landlords' decisions. Identifying needs and fulfilling them, as well as creating needs (in the way of being always one step ahead of the clients' ideas and interests, and two steps ahead of the competition) is the aim of everyone active on the retail market. These needs are evolving in line with changing lifestyle.

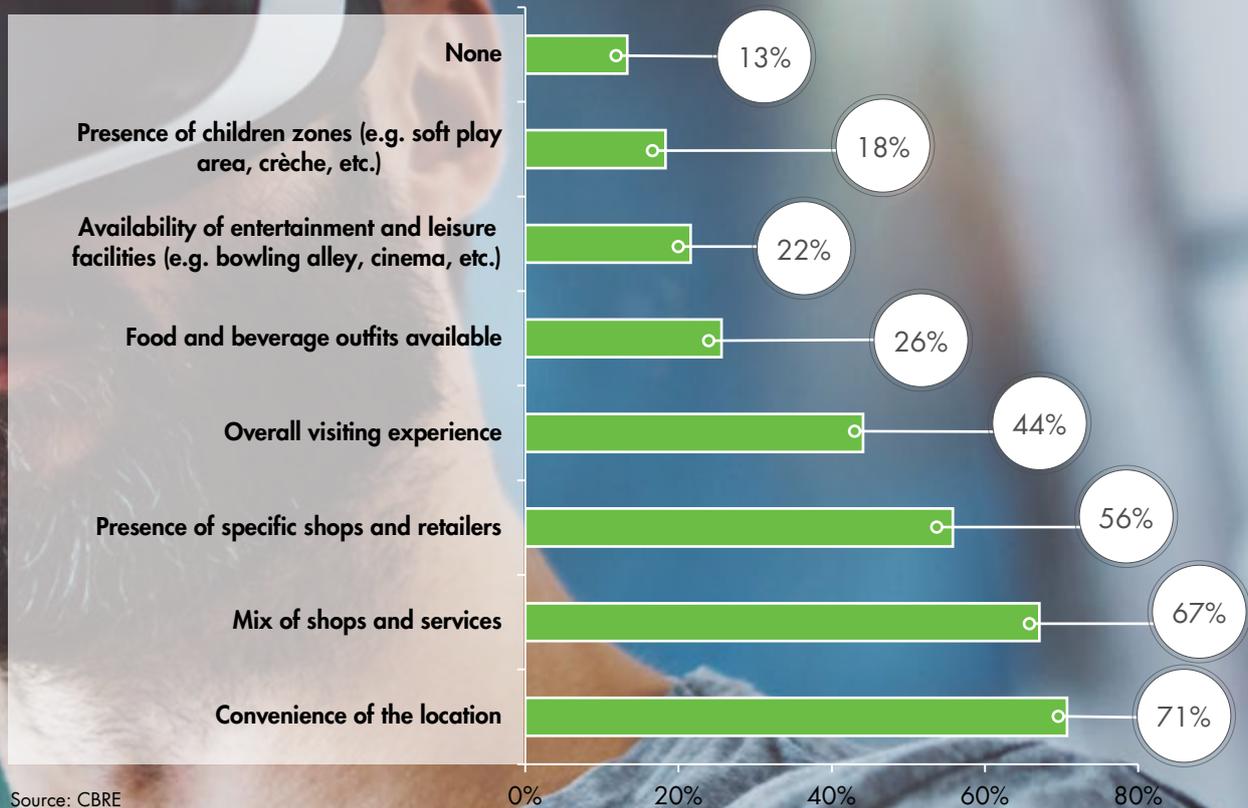
Lifestyle changes amongst the Polish population are increasingly more visible. Polish people are confident, well-educated and they understand the importance of a healthy lifestyle.

Shopping centres are continuously looking for solutions that will distinguish them from the competition and attract consumers by creating a tailored offer. In an era of change, shopping centres increasingly more frequently come up with an offer that extends well beyond the traditional shopping experience, offering for example outside attractions, i.e. artificial beaches, playgrounds, ice rinks, concerts and other artistic events organized in the open air.

The significance of leisure and food and beverage outfits in shopping centres is growing. Contemporary shopping centres are meant to be meeting places, independent 'cities within the city' with an 'all inclusive' offer that allow their visitors to spend their entire day there. Convenience and competitive advantage are the two qualities that will define a successful shopping centre of the future.



Extremely or very important features of a shopping centre - as per the opinion of the Polish population



Source: CBRE

'Contemporary shopping centres are continuously looking for solutions, that extend well beyond the traditional shopping experience.'



VANKE MALL*
- Shanghai, China

Based on the assumption that men do not enjoy the shopping experience as much as women do, a leisure zone for men was created in a Shanghai mall. The offer of this facility includes a room with comfortable seating, a massage chair, TV, magazines and newspapers and a fridge stocked with cold drinks.



BIRDS EYE*
- London, UK



The evolving consumer behaviour is being used by the Birds Eye restaurant chain to promote themselves. A significant part of the public regularly take photos of their meals. In the temporary restaurant in London Birds Eye allows customers to settle their bill by posting an Instagram picture with the hashtag #BirdsEyeInspirations.





A UNIQUE 'COFFEE SHRINE'



STARBUCKS ROASTERY* - Seattle, USA

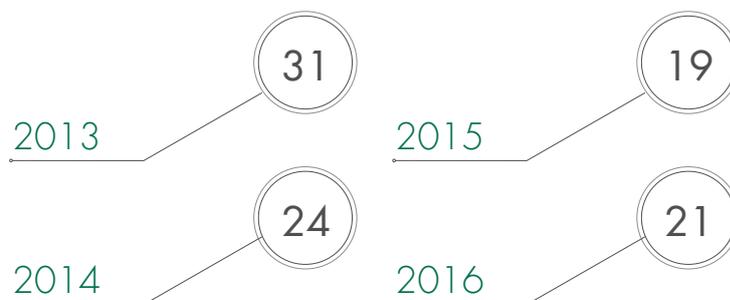
The Starbucks reserve roastery and tasting room occupies a premises of 1,400 sq. m. It allows the chain to offer a much wider range of goods and services as well as involve the customer into a unique experience. The average spend per customer is four times higher than in a standard Starbucks.



GROWING TENANTS' REQUIREMENTS

Just as in the case of consumers, retailers are also introducing changes and innovations to their own activities. Retail tenants bring in to the market new store concepts and formats, which forces the shopping centre to be more flexible and provide a tailored area to meet the given retailer's specific requirements. Mobile offer and pop-up stores are becoming increasingly more popular. New flagship stores are also introduced in order to encourage customers to visit a traditional store rather than just do on-line shopping.

NEW BRANDS IN POLAND



Source: CBRE

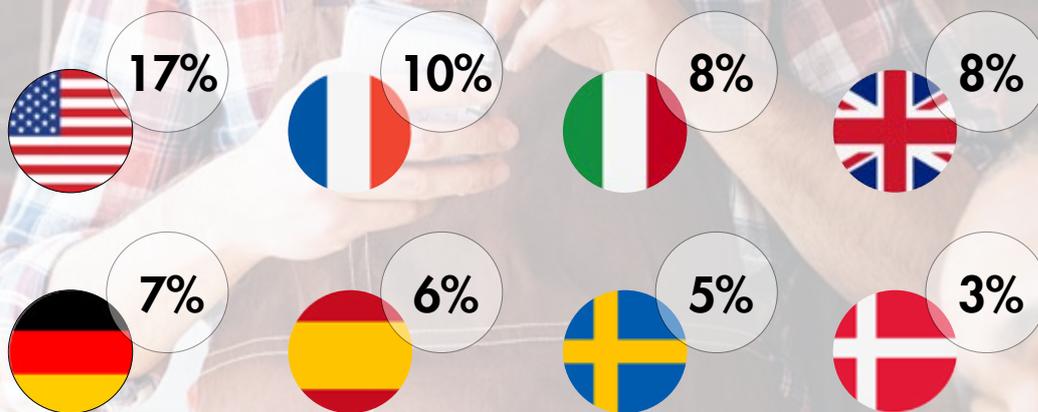
WHO ARE THE NEWCOMERS?

Main categories of brands entering the Polish market



Source: CBRE

WHERE DO THE NEW BRANDS COME FROM?



Source: CBRE

WHAT TECHNOLOGIES ARE CURRENTLY IN-STORE OR ARE RETAILERS PLANNING TO IMPLEMENT SOON?



Source: CBRE

*NFC - Near Field Communication
RFID - Radio-frequency identification

GROWING TENANTS' REQUIREMENTS



Source: 24 Kilates



24 KILATES - Bangkok

Safety deposit boxes function as display cabinets in this Bangkok shop for Spanish footwear brand 24 Kilates. It features a grand vault door with a big wheel that frames the shop logo.



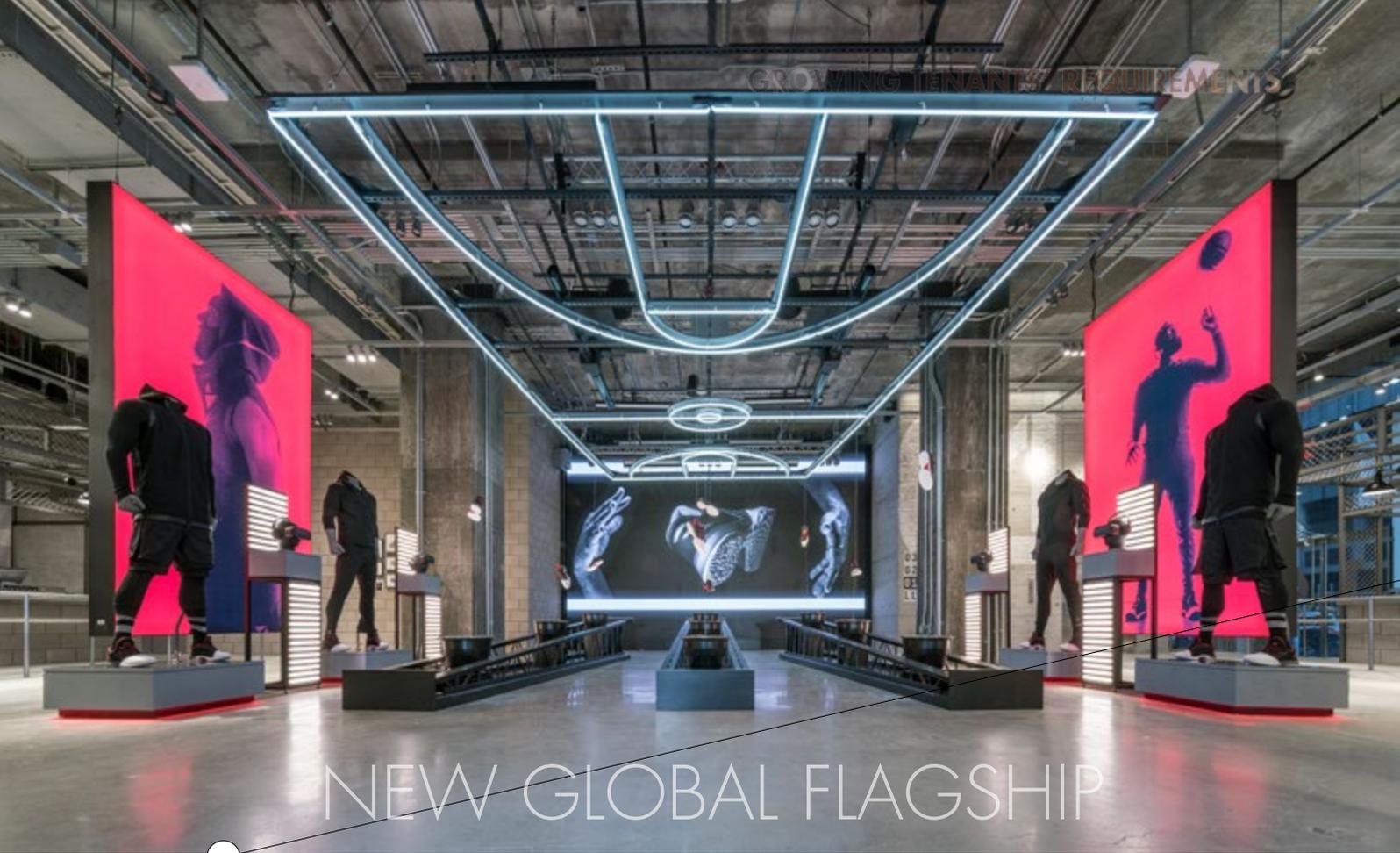
JAGUAR LAND ROVER STORE* - Stratford, UK

Innovative customer experience makes it possible for the customer to design the exact car they want, with every aspect customizable. Additionally, it is possible to agree a trade-in price for the old car.



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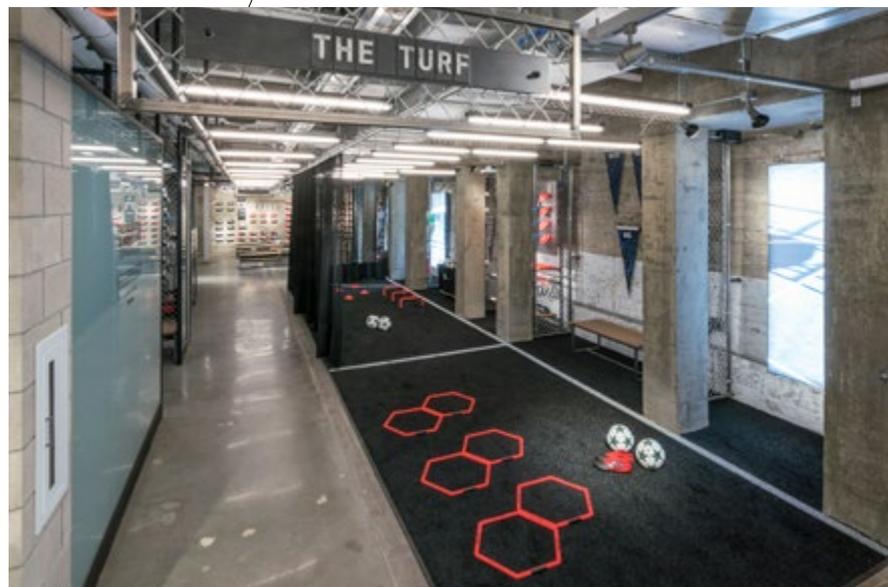
NEW GLOBAL FLAGSHIP

Source: Adidas



ADIDAS - New York, USA

4,200 sq.m. makes this space the biggest Adidas store in the world. The store follows a 'stadium' type design; customers walk in via players' tunnel, sit on bleachers and are offered locker rooms to try on their selected products. Additionally, the store offers a juice and snack bar, personalization, personal trainers, a concierge desk and same day hotel delivery service.



E-COMMERCE AND M-COMMERCE

The increasing share of online sales is putting pressure on traditional bricks-and-mortar retailers who now face the challenge of finding innovative ways to continuously attract customers. Older generation shopping centres are facing the biggest challenge – their existence depends not on the decision to change or not to change – as this one is essential, but on the direction of the change.

The requirement for integration of e-commerce with traditional retail has become one of the most important challenges faced by shopping centre owners and managers. The concerns include not only how to avoid 'showrooming' along with a consequent footfall and turnover decrease, but also how to take advantage of the new consumer behaviour, known as 'webrooming'.



'Without a doubt, older generation shopping centres need to implement significant changes, the only question is the direction of change.'



INTERNET SALES IN TOTAL RETAIL SALES IN POLAND [%]



Source: Euromonitor International, 2017

'One of the most important challenges faced by shopping centre owners and managers is the integration of e-commerce with traditional retail.'



SNIMITE ODEZHDU* - Russia

The app name translates as 'take off your clothes'. Customers take a photo of a desired item and upload it to the app. Next, a list of similar items is generated based on the style, colour, and personal information. This list will then direct the consumer to an online site to make the purchase.



LIDL* - United Kingdom

Lidl created a special discount campaign, in which the number of tweets #LidlSurprises influenced the price of a selected range of products. Customers could 'vote' for one of four products, a new set of products each week. The more tweets – the lower the price of the product. The first product was lobster at £5.99.



SOCIAL MEDIA SPECIAL OFFER



SCAN & GO NEW MOBILE APP*

Using the app, customers can shop at the store, using their smartphone, of any variety (as long as the phone has a camera and can use apps). Users link a bank account or credit card to the app. At checkout, they just scan the phone to pay. The app has other additional features: store shopping lists, wish lists, arrange online orders and ability to re-order repeat prescriptions.



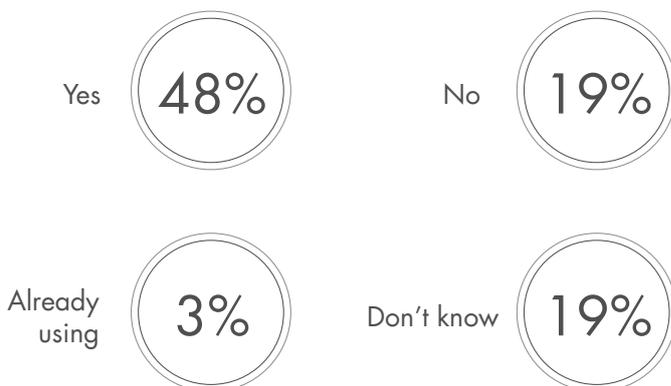
SHOP AND PAY BY YOUR
MOBILE AT THE STORE

TECHNOLOGICAL INNOVATIONS

The development of new technology has also influenced the shopping centre sector. Property managers and owners of retail schemes quickly and efficiently incorporate the emerging technological innovations in the daily functioning of the centre.

Examples of new interesting technical amenities for customers include an application that helps to find the shortest route to the shopping centre or getting personalized offers based on previous visits in the centre.

IF A SMARTPHONE APP WAS AVAILABLE FOR A SHOPPING CENTRE WOULD YOU BE LIKELY TO USE IT? THIS APP WOULD PROVIDE FULL DETAILS OF THE STORES AND FACILITIES, AS WELL AS OTHER FUNCTIONALITIES SUCH AS THE ABILITY TO BUY AND RESERVE GOODS AT DIFFERENT STORES.



Source: CBRE



By implementing innovation into their services, retailers will be able to hedge against competition from e-commerce and m-commerce that continue to gain market share. Innovation by retailers may take many forms, such as for example offering new technologies to view and buy products. Retailers and landlords need to think 'outside of the box' to find new ways to attract customers.

Engaging customers by offering an ever-changing experience is another way landlords and retailers may attract and keep clients satisfied.

'Innovative technologies and solutions allows traditional retailers to hedge against their e-commerce and m-commerce competitors.'



RIGBY AND PELLER* - Hong Kong

To measure a customer's bra size without any discomfort, the shop has invested in a technology that gauges the size. It takes 140 measurements and it has been shown to be more accurate than a human's measuring tape.

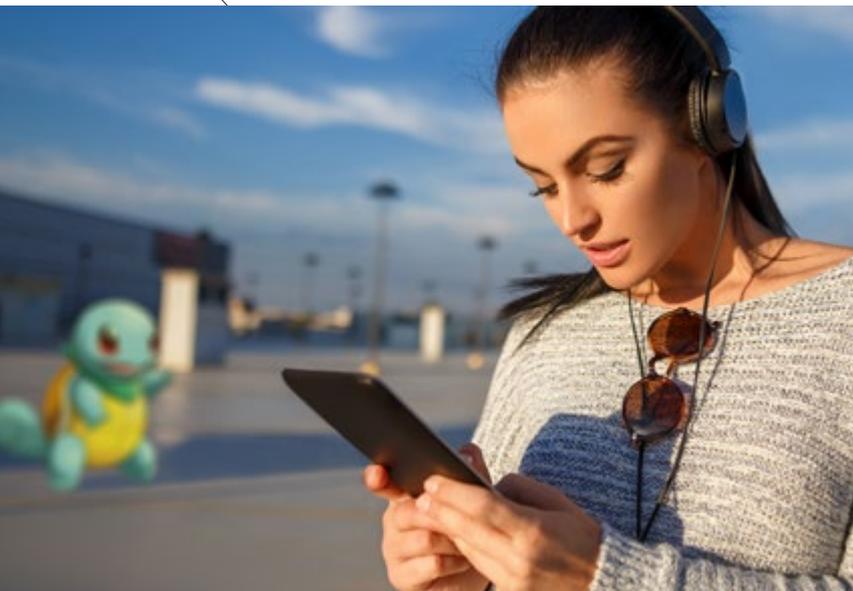


SMART FITTING ROOM MIRROR MEASURES BRA SIZE



POKEMONGO – UNIBAIL RODAMCO SHOPPING CENTRES* - (58 shopping centres in Europe)

Unibail-Rodamco decided to join forces with Niantic (the producer of Pokemon Go) and The Pokemon Company International, to include Pokestops and Gyms in 58 shopping centres in Europe. This way they can attract the attention of the younger generation, as they add one additional function – Pokemon Go gaming zones – to their shopping schemes.





JEJU FLYING BIKE



INNISFREE* - Shanghai, China

Innisfree is a company best known for its natural ingredients. To prove that they are eco-friendly, they created a 'journey' for customers to show them where the ingredients come from. Customers mount the Jeju flying bike, put on a pair of VR goggles and take a 'trip' around the company's base on Jeju island.



SUMMARY

Changes in consumer behaviour as well as the retail market maturity impact on the evolution of the retail projects. The growing popularity of shopping centres as places to spend free time in Poland is confirmed by a survey: nearly 90% of respondents said they visit shopping centres at least once a month.

Shopping centres worldwide have been increasingly developing into 'lifestyle centres', dedicated not just to shoppers but also local employees, residents and tourists. The Dubai Mall is an international example of such development, which, in addition to more than 1,200 retail stores, includes 120 restaurants and cafes, a SEGA games centre, the world's largest candy store, one of the world's largest aquariums, an ice skating rink, a 5 star luxury hotel and 22 cinema screens.

Additionally, there is an increasing interest in combining transport hubs with retail centres. The Manhattan's Oculus train station has been described as a 'shopping centre with some trains'.

By offering a number of functions such as shopping, entertainment, leisure, culture, education, integration as well as socializing, shopping centres have become important hubs of social life. This process probably will intensify and will become influenced by the style and pace of life: consumer needs continue to grow, and shopping centres have to adapt in order to meet this challenge.

'Thanks to various functions such as shopping, entertainment, leisure, culture, education as well as integration, retail schemes have become important centres of social life.'

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