THE FUTURE-PROOFED SHOPPING CENTRE

How can developers and investors future-proof their shopping centres for the new age of retail?

Contents

javelin group

INTRODUCTION

1

Across the US, the shopping centre dream has turned into a nightmare, with empty malls from Ohio to California haunting property investors around the world.

In this new age of retail, where online shopping is increasing and showrooming is commonplace, what do landlords, developers and their tenants need to do to keep consumers visiting and spending?

Unsurprisingly, there is no silver bullet solution, but this white paper explores six key areas to enable owner and investors to future-proof existing or new shopping centres.

SIX KEY AREAS

2

1 Original consumer insight

Understanding how consumers want to use their shopping centres (and who they are) has always been important, but is becoming harder to do effectively.

Traditional primary research (such as in-centre face-to-face exit surveys, telephone surveys and focus groups) can help draw out insight but its effectiveness tends to be at the mercy of too many uncertainties such as the weather or the ability of interviewers to speak to a truly representative sample of engaged respondents and, of course, the accuracy of their responses.

Mobile phone network providers such as Telefonica, EE and Vodafone have been capturing actual data about their network users for many years but are now using this data to deliver valuable insight not only about where people come from and what type of person they are but also how frequently they visit, where else they go (and how frequently), how they travel there and what interests they have - all without having to persuade the shopper to give up precious time to answer a survey more or less accurately. The deployment of signal "boost boxes" further enhances the ability for this data to drill down from venue level to zones and even individual shops. Data aggregation at all stages helps to avoid any privacy issues, turning huge volumes of data into genuine insight.

javelin group

2 Catchment and competitor research

Traditional catchment research remains valuable but needs to take account of how spend dynamics are changing.

Is the catchment growing or declining? Which retail categories will continue to be spent in-store over the next 5-10 years? Where are the battleground zones in which a shopping centre's valuable advertising spend might be best focused to prise shoppers away from vulnerable competitors? What role does public transport play and how different does the catchment look for different transport users? How does the catchment change by day of week and season? How will the future pipeline impact catchment dynamics?

Once again, the new wave of insight delivered by credit card and mobile network data as well as new generation travel time tools (e.g. from TomTom and iGeolise) are delivering a level of dynamic catchment insight that was previously impossible for centre owners to access. Allied with spatial analytics tools, these can deliver powerful models of shopping patterns to help owners understand what drive their scheme's performance today and into the future.

Credit card and mobile network data, as well as new generation travel time tools, is delivering a new level of dynamic catchment insight.

javelin group

3 Scheme optimisation

Getting the offer right – category mix, brands and services (both physical and digital) – will continue to be the most important aspect of ensuring the future of shopping centres.

Delivering an offer that sufficiently differentiates from the competition and is pitched correctly for the target audience with the right tenants in the right space in the right location, and with the right digital tools for enhanced customer engagement, is vital.

Logical considerations such as clustering of like-minded tenants as well as good way-finding (physical and digital) to help people navigate their way around, especially the bigger centres, seem obvious but are often forgotten.

Logical considerations such as clustering of like-minded tenants and good way-finding seem obvious but are often forgotten.

Also important is using the public realm to create a genuine sense of place, somewhere appropriate for the surroundings and profile of people being served, where people can meet, shop, eat, take part in leisure activities.

Understanding and recognising that the way consumers use a shopping destination can change over the course of a day (e.g. convenience shopping during the day and leisure focus in the evening) will help keep consumers coming back to fulfil different missions. Digital tools such as smart apps will help to deliver this evolving offer.

javelin group

Retailer space requirements are changing and so owners need to be able to offer flexible space. Converting units either into larger stores – the trend of recent years – or creating smaller units from large anchor stores that have lost their appeal, or space that can open out into mall areas or outside space, will mark out winning centres.

Research shows that 59% of people have visited shopping centres where a bad parking experience has led to them reconsider the idea of returning to that centre (or presumably recommending it to friends and family). Reasonable parking charges that link to shopper loyalty and value, allied with wayfinding tools directing you to areas where there are spaces to save you time, should be commonplace; the role of digital here will again be vital with the latest geo-fencing technology in apps enabling centres to identify frequent, loyal visitors on arrival.

Of course, the future-proofed shopping centre must also deliver a sustainable rental return. A new rental model, based on the footfall which a shopping centre can deliver and the support it provides to non-store channels, plus the sales taken directly through the tills, is needed. This will require tenants and landlords to become more collaborative in working together to understand the role different channels play in delivering consumer value in the omni-channel era.

Tenants and landlords need to work together to understand the role different channels play in delivering consumer value.

javelin group

4 Digital engagement

With the rapid growth in smartphones, digital engagement is key for landlords and tenants to reach consumers.

Recognising that shopping centres occupy both a physical and a highly competed digital environment is the first step. Dynamic websites, apps and social media integration can and should be so much more engaging than being simply offering a directory of shops and their opening times! With smart apps that self-optimise to ensure consumers are not bombarded by unwanted and irrelevant messages, engaging consumers with compelling offers sent to the right person at the right time in the right location is now leading to significantly higher conversion rates compared to other forms of direct marketing.

Although centre owners and retailers are still largely in the foothills of developing the agile marketing models that will make the most of this channel, the winning centres will move quickly to invest, experiment, learn and optimise their approach.

The winning shopping centres will move quickly to invest, experiment, learn and optimise their approach to digital engagement.

5 Business insight and analytics

Landlords are now having to deal with more and more data – the volume, velocity and variety of data now available from structured, semi-structured and unstructured sources has catapulted the shopping centre industry into the Big Data era.

Sales data, footfall, shopper survey, loyalty card, event participation, social media, digital assets – all offer the potential to differentiate through actionable insight. Finding a way to compile, blend, cleanse, analyse and visualise insight that can then lead to actions will rely on powerful Business Insight (BI) tools. A new breed of software providers – businesses such as Alteryx and Tableau – are leading the way here; allowing decision-makers easy and fast connection to data of all types in real-time, providing flexible analytics and compelling standardised reporting and management dashboards.

javelin group

6 Technology planning

Technology planning must encompass a range of activities that will be new to many centre owners.

These include UE (user experience) audits of the physical and digital assets, technology audits of current capabilities and potential enhancements, systems selection process covering (for example) CMS (Content Management Systems), CRM (Customer Relationship Management) and mobile technology (hardware and software).

Recruiting human resource and/or working with partner companies that are comfortable with technology, data and analytics will become a prerequisite for sustainable success in the shopping centre sector.

> The future-proofed shopping centre will be one that embraces change and builds this culture into the heart of its commercial model.

Getting the blend of all these different factors is far from easy and the right mix will differ location by location. Ultimately, there will be winners and losers. In this period of strategic shift in the retail sector, the winning shopping centres will be those that can adapt fastest and keep moving; the future-proofed shopping centre will be one that embraces change and builds this culture into the heart of its commercial model.

ABOUT JAVELIN GROUP

Javelin Group is Europe's leading – and largest – specialist firm of retail strategy consultants.

Javelin Group is Europe's leading specialist in strategic retail transformation with 230+ professionals based in London and Paris, providing advisory services for many of Europe's largest retailers and brands.

Our **Locations & Analytics** team harnesses our deep retail sector expertise and unique insight to advise on retail-led property developments and acquisitions across Europe and the Middle-East. We have advised on over 220 schemes including many well-known developments such as Battersea Power Station, Bluewater, Athens Mall, Buchanan Galleries, Bullring, Cabot Circus, Highcross Leicester, Westfield Stratford, Silverburn and Galeria Pomorska in the areas below:

- Commercial feasibility studies for new and extended retail schemes
- Optimised category and tenant mix
- Proactive asset strategies
- Sales potential and sustainable rent modelling
- Strategic rent scenario planning
- Pre-acquisition due diligence

- Strategic market studies
- Marketing and promotions optimisation
- Automated KPI reporting
- Advanced analytics and BI tools
- Technology strategy
- Marketing strategy
- Digital solutions (web and mobile)

Contact us

If you would like to discuss the future of your shopping centres and how we may help you, please contact Robin Bevan, Director of Locations & Analytics practice at Javelin Group, at robin.bevan@javelingroup.com or on +44 (0)20 7961 3200. For more information about Javelin Group, please visit www.javelingroup.com.

jʌvelin group

jʌvelin group

jʌvelin group