

“Large multi-purpose destination centres that appeal to the whole family will dominate in the future. However, size is not everything and there will be room for diversity, with small, well-focused urban galleries for example as well as more local convenience as a strong anchor in all catchments. The message is clear: centres need a clear ID and “reason to be””

SURVEY RESULTS

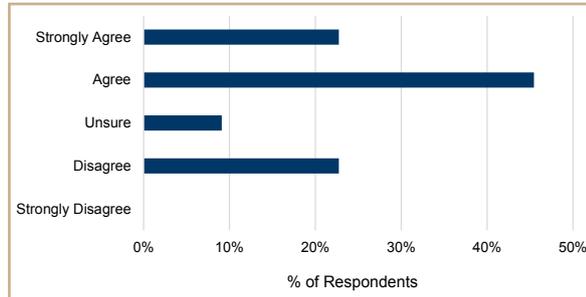
- The survey found strong support for the notion that e-tailing is a major force impacting on retailing but not that it is the most dominant – it is just one area of change.
- A clear view emerged that medium sized schemes would be most at risk while both larger destinations and smaller convenience centres have more potential to withstand or even benefit from e-tailing.

- Answering the threat of ecommerce is something all landlords have considered and all had a strategy in place. The top priorities overall were found to be improved centre design, followed by a stronger food and beverage offer and then more in-store and in-centre technology. The lowest priority among the possible initiatives outlined was assigned to providing more ancillary space in units, changing lease terms or having a stronger department store anchor.
- Landlords believe that retailers agree with them on the need for changes to the tenant mix to help generate higher footfall and also on a need to improve centre design and ambience. There are however some notable differences in the priorities of the two, at least based on the perceptions of landlords, with Wi-Fi and centre technology a more pressing issue for landlord than tenant but service charges and lease terms more concerning for retailers.
- The survey points to significant changes already taking place in the typical tenant mix with food & beverage and leisure the key winners alongside international brands and more local start-ups. Discount and value retailers are increasing but to a lesser degree while pick-up lockers are also expanding in number despite not being seen as a strategy priority among some landlords.
- The losers meanwhile appear to be mainly household goods, although supermarkets are not far behind. Department stores are stable to modestly negative, as are traditional anchors, but with a sizeable number pointing to either a decline or an increase, indicating uncertainty and ongoing change at the very least.
- Interactive screens are the most adopted technology in centre, closely followed by landlords operating their own transactional website and operating free Wi-Fi. Interactive mobile apps are next in line as mobile technology increases in importance.
- One area of strong agreement between respondents was on the increasing importance of logistics as well as a need for increasing efficiency in logistics and in all likelihood increased space needs – albeit this was not reflected in landlord views on whether retail units would need increased storage and ancillary space going forward. The relative value of logistics in absolute terms and to the success of the centre is expected to increase.
- There was also an agreement that leases would change further, certainly to become more flexible and probably shorter. There was a widely held view that some effort to capture non-store sales would be included in lease terms as the growth of e-commerce makes store sales a less significant indicator of store viability and relevance.
- There was meanwhile little support for leases to change to include other services such as delivery, broadband, analytics or marketing; perhaps because these are all areas retailers want to control to ensure a high quality and uniform customer service. Nonetheless, the rise in the number of retailers outsourcing or partnering in crucial areas including e-commerce shows there is potential for a trusted and reliable partner that offers the retailer a competitive edge.
- By country there was a majority citing the UK as most advanced in addressing e-commerce, followed by Germany, France and the USA. There was also a clear consensus for which retail sector was most advanced; fashion, followed by technology and then food.
- A broader range of responses however were reserved for which property sector was most advanced – overall shopping centres got most votes but department stores, retail warehouses, unit shops and factory outlets were all nominated; underlining the range of issues faced by the sector and the potential as well as the threat posed to each format.

SURVEY QUESTIONS

01

We asked respondents whether they thought that the growth and development of e-tailing is the most significant factor impacting on the operation, design and management of shopping centres

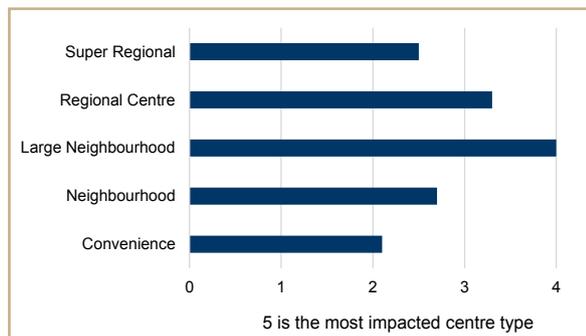


The answer is clear – with 68.2% of respondents agreeing or strongly agreeing that e-tail is the most significant factor impacting on the sector.

However the strength of the response is perhaps not as overwhelming as some might expect – with less than a quarter strongly believing the statement to be correct: the same number who strongly disagreed. Hence what is clear is that there is at least some diversity in views on the issue and a recognition that e-tailing is not the only factor driving the market.

02

Respondents were asked what type of centre they thought would be most affected by the growth of e-commerce

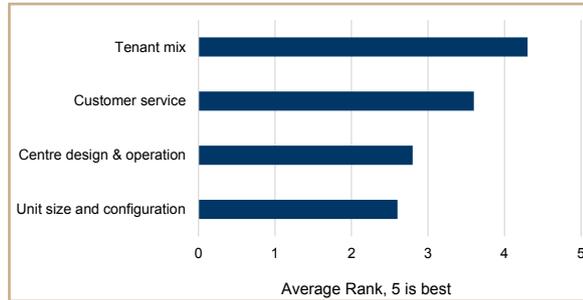


A clear view was expressed that mid-sized schemes would be most at risk while both larger destinations and smaller convenience centres have potential to withstand or even benefit from e-tailing. Larger community neighbourhood schemes of typically 10,000-24,999 m² ranked as the most affected centre size.

Regional centres of 25-39,999 m² were thought to be the second most at risk category although differences in opinion were more marked. In terms of which centres will be least impacted, convenience centres led the way, but with a relatively small lead over super regional centres, which were also felt by the majority of the sample to have more protection against the impacts.

03a

All respondents said they had a strategy to deal with the impact of e-commerce and were asked what aspect of that strategy they felt were most important



Tenant mix and customer service were deemed most important, followed by centre design and operation and then unit size and configuration.

All aspects attracted support however and a frequent comment was that getting the balance right between each was a key consideration. Other aspects of strategy suggested meanwhile included developing their own transactional website, organising events, collection space/lockers, loyalty programmes and having a multichannel marketing strategy.

03b

Under each aspect of strategy, respondents were asked what in their opinion are the key attributes or examples

With respect to the top priority, tenant mix, a stronger food and beverage offer is a clear target for most, rated number 1 by more than half of all respondents.

A more dynamic and fast changing tenant mix overall is rated second followed by an increase in leisure, both in terms of stores and services such as gyms and cinemas.