

MALLS GREAT Expectations

UNLOCKING SHOPPING CENTRE DATA
TO MEET RETAILERS' NEEDS



INTRODUCTION RETAIL COLLABORATION

The evolution of the retail store in the face of growing online sales has been much written about, but shopping centres also can't afford to be left behind in the age of ecommerce and changing technologies.

Landlords should continue to drive footfall and dwell time in centres but, as decisions at board level become more data-led, also consider ways of becoming more collaborative with retailers to enable greater data sharing.

This Retail Week report – produced in association with property technology firm Yardi – explores how retailers view shopping centres and ways that centres can create an environment in which retail doors not only remain open, but thrive in a digital era.

Based on interviews with 50 retail directors responsible for store portfolios – each representing a company with a turnover of between £50m and £10bn – the report finds strong similarities in what retailers want from shopping centres, and reflects changing shopper habits.

Key themes are explored around how shopping centres can better support retailers, including expectations about infrastructure for technology and data, as well as how they can attract new entrants.

The right mix between retail, leisure and dining is a fundamental attraction, while providing wi-fi is a prerequisite for retailers setting up shop in malls, which has both

METHODOLOGY

Retail Week surveyed 50 retail directors in April 2018 who are all responsible for store portfolios at companies with annual turnover of between £50m and £10bn.

customer-facing and operational benefits. The future opportunities for shopping centres to enhance their performance, while diverse, are all underpinned by robust data.

Decisions are increasingly data-led, and while current platforms – typically management software and spreadsheets – for data sharing have been well-received by retailers, there's a strong feeling centre owners could provide more information.

In particular, they want detail about footfall, dwell time and average spend, to better understand the local catchment and to adapt store space accordingly.

Common themes for shopping centre investment over the next 12 months, according to our surveyed retailers, include keeping up with new technology, integrating ecommerce and opening new stores – all of which are elements that new entrants such as brands and retailers are looking to invest in.

Throughout the report, best practice examples are considered that showcase how retailers are grappling with digital change and how centres should innovate.

SNAPSHOT: THE RETAILER VIEW

70% use
wi-fi to identify
customers



54% use
click and collect to
identify customers



70% view
cinemas as important
for a shopping centre to provide



28% believe
VR/AR are important
within shopping centres



72% view
dining as an important
element of shopping centres



70% of the
retailers set KPIs with
shopping centre managers

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74% feel they
are fully utilising data
currently available from
shopping centres

WHAT DATA ARE YOU CURRENTLY MISSING THAT YOUR CENTRE MANAGER/OPERATOR COULD PROVIDE?



“daily footfall
figures”

“average spend per head
across the shopping centre”

“dwell time in
the centres”



Retail and recreation cross at shopping centres and expectations of what landlords can provide in the way of experiences are high



CHAPTER ONE

CENTRE ESSENTIALS

Experience is a key part of any retailer's proposition. While stores struggle to compete with online competition on range, price and accessibility, shops can provide customers with other value-added services and convenience.

Providing shopping centres can pool a strong mix of retail and services under one roof, malls can trump other retail formats.

The development of casual and upmarket dining in centres, as well as leisure activities such as cinemas and theme parks, is not new, but expectations for attractions and events have grown.

In a recent bid to draw in the crowds, between March and April this year Intu partnered with Nickelodeon to create an immersive pop-up event across its centres that appealed to children – Slime Time.

Attractions included the 'slime-ulator',

in which groups of kids could get a slime drenching, and various themed arts and crafts.

Retailers have come to expect the staging of events and festivals from shopping centres, and the survey results show the diversity of the 'retail mix' was the most popular attraction of malls.

The makings of a family day out

Breaking down what is important within the retail mix, dining and cinemas are prerequisites for 72% and 70% of retailers respectively, while half consider live events a draw.

Less than a third (28%) consider virtual reality or augmented reality experiences a high priority, but the research indicates a growing appetite for these technologies.

Shopping centres should be seen as spaces where friends and families can

come together under one roof, and owners must encourage customers to extend a shopping trip into a day trip.

As futurist Will Higham said at a recent Retail Week event, gen Z shoppers – born after 1995 and an important target for retailers – are discerning, but loyal to those that create a community.

By combining complementary retail, catering and leisure activities, shopping centres are ripe to foster communities.

And this is where online engagement comes in.

In an age of social media on mobile, where being seen in the right places can unearth a realm of virtual likes, bricks-and-mortar retailers are increasingly looking to create spaces that have high visual appeal.

Retail meets recreation

Missguided opened its first standalone store across 21,000 sq ft of retail space in Westfield Stratford City at the end of 2016, and it is a feast for the eyes.

Anybody passing would be hard pushed not to notice it, with its glaring signage, risqué mannequins and pink monster truck.

Social media plays a key part in Missguided's store experience, as the fast-fashion retailer aims to create what it refers to as "Instagrammable moments", with occasional hashtags flashing up on store screens.

Much of the impact is underpinned by infrastructure, such as wi-fi which allows shoppers to stay connected, creating stores that integrate the physical and digital worlds.



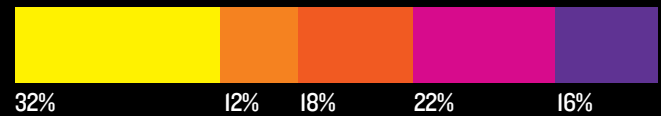
By combining complementary retail, catering and leisure activities, shopping centres are ripe to foster communities



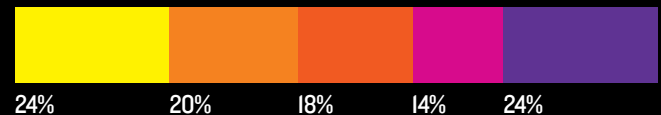
WHAT ATTRACTS YOU TO A SHOPPING CENTRE?

Most important ● ● ● ● ● Least important

Retail mix



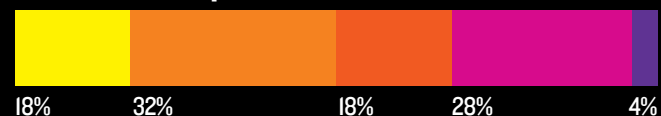
Technology available



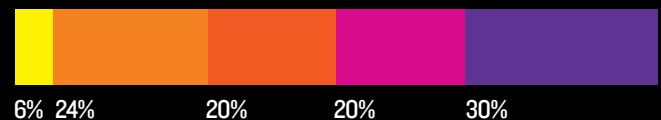
Leisure experiences



Location/transport



Shopping centre owner/operator



CHAPTER TWO

LAYING DIGITAL FOUNDATIONS

When it comes to retailers choosing which centres to open in, technology is a key draw.

Technology that allows shoppers to switch seamlessly between off- and online in particular is being called for to improve the customer experience.

Frictionless cross-channel experiences are underpinned by customer data and being able to identify when an online customer is in store.

Wi-fi log-in details are the most prevalent way of identifying customers in stores, used by 70% of the respondents for this purpose.

Providing free wi-fi in shopping centres stands to benefit retailers, shoppers and landlords alike. While costly to implement, it has become a hygiene factor – take it away and the centre experience becomes less satisfying and feels out of touch.

A shopping centre with a universal and wireless core allows retailers to better engage shoppers, aids store operations and supports security such as CCTV.

Click and collect is another important source of consumer data used by just over half (54%) of retailers surveyed to identify shoppers. The service has gradually become ingrained in shopping habits, while others such as reserve and collect and online returns in store are key ways to encourage customers to physical environments.



Zara opened a pop-up dedicated to ordering and collecting online purchases for its core audience of mobile-savvy shoppers



John Lewis' Westfield White City store has a raft of value-added services, such as a cookery demo space and create-your-own design service



Making room for digital services

Such services provide convenience for shoppers and an opportunity for retailers to upsell. John Lewis' new store as part of Westfield White City's recent expansion encapsulates this. With click-and-collect orders now accounting for more than half of all online orders at John Lewis, the 230,000 sq ft store centres around the fulfilment service.

The roomy and comfortable pick-up lounge area does not feel like a squeezed-in afterthought, like many collection points tend to.

Stores for your online customers

John Lewis has long been working on creating a seamless customer experience. Going beyond multichannel initiatives, its stores feature value-added services such as a customer technology training room, personal styling and cafes.

Zara's route to multichannel retail has taken the fulfilment role of stores one step further. At the start of the year, the fashion retailer opened a pop-up at London's Westfield Stratford dedicated to ordering and collecting online purchases, which chimes with its core audience of mobile-savvy shoppers. The pop-up



closed temporarily last month ahead of a full opening, but it was the first store at which Zara customers could collect online orders the same day or next day.

The shop featured RFID-enabled mirrors, which encouraged upsell by providing product recommendations.

Shoppers increasingly value convenience and guaranteed service. Offering collection at prime sites gives customers greater control of the last mile.

Zara's click-and-collect pop-up at Westfield Stratford

WHAT TECHNOLOGY DO YOU USE TO COLLECT CUSTOMER DATA IN STORE?

Click-and-collect services

54%



Wi-fi

70%



Loyalty apps/digital loyalty schemes

50%



Geofencing/beacon technology

42%

Footfall sensors

46%



Augmented reality/gamification

32%



Digital changing rooms

30%



Other
2%



CHAPTER THREE

SHARING DATA

While data collection and repurposing store space have become essential to multichannel retail, sharing data between shopping centres and retailers is an area that could improve retail performance and differentiate landlord offerings.

Landlords commonly capture data to understand their assets' catchment areas and demographics, as well as footfall and spending patterns, making shopping centres well positioned to provide their tenants with data around customer habits.

This proves valuable for analysing portfolio performance, which can feed into asset management strategies to benefit the retail mix.

Retailers highly value such information, too. Three quarters (74%) feel they are fully utilising the data currently available

from shopping centres. Of the retailers surveyed, data about customer profiles and shopping centre marketing spend is already obtained from shopping centres by 66% and 60% respectively, while less than half (42%) receive footfall data.

Demand for daily figures

Retailers are crying out for more data. When asked what data they feel they are currently missing that their shopping centre manager could provide, our research found that retailers are calling for daily figures on footfall, dwell time in the centres and average spend per head across the site.

This is where shopping centre owners can go one step further compared with other retail destinations. Combining such granular data from landlords with



Combining granular data from landlords with what retailers understand about their customers can inform decisions around product mix



what retailers understand about their customers can inform decisions around the product mix.

Shaping stores

Footwear retailer Dune uses data to shape its in-store experience, by measuring conversion rates, dwell time, frequency of visits and store hotspots.

Its focus on knowing more about customers when they visit the store, such as browsing and purchase history – information more readily accessible online – allows the retailer–shopper dialogue to become more targeted and specific in store.

Fashion retailer Hobbs has been able to amplify its brand within shopping centres through location-based digital marketing campaigns that utilise the centre’s communication channels in tandem with Hobbs’ own marketing to better target shoppers.

The platforms for sharing such data already exist between landlords and retailers, with management software (68%) and spreadsheets (60%) currently the most used platforms, followed closely by online portals (50%) and audited statements (50%). Beyond these four formats, no other methods of data sharing were mentioned by retailers.

With greater data sharing, more comprehensive performance measures can be set between retailers and shopping centre managers.

Seventy per cent of the retailers surveyed set KPIs with shopping centre managers, which are generally analysed at least once a week. However,

WHAT DATA CAN YOU OBTAIN BY COLLABORATING WITH YOUR CENTRE MANAGER ABOUT THE RETAIL CENTRE YOU’RE LOCATED IN?

Customer profile (demographic information)

66%



Retail centre marketing spend

60%



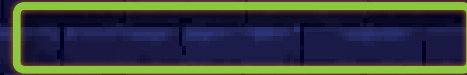
Overall turnover of centre

54%



Average sales per sq ft of centre

50%



Average annual rent increases

48%



Footfall

42%



Other

4%



22% do not set KPIs with their shopping centre managers. For those retailers that do, data is monitored on a daily basis by 46%, weekly by 31% and monthly by 20%.

Savvy centre operators will know that a better understanding of shopper habits, through data sharing between landlords and tenants, will help flesh out customer needs in order to make informed investment decisions.

CHAPTER FOUR

OPENING DOORS TO NEW ENTRANTS

Shopping centres should be operated as destinations in their own right. And, in order to provide reasons for customers to keep coming back to malls, landlords should be open to new entrants that energise retail.

Opening new stores, filling vacant spaces and pop-ups were seen as key investment opportunities for shopping centres among the retailers surveyed.

Centres are well placed to attract retailers looking to expand their physical footprint. And two groups that are turning their attention to bricks and mortar are online retailers and brands.

Farfetch, Missguided and Made.com were all established online but have since opened physical stores – and they are among the fastest-growing retailers in the UK, according to Retail Week’s UK Top 30 Growth Retailers report.

There has been a flurry of brands opening stores in the past year or so, including Smeg, Dyson and Microsoft, all of which represent potential shopping centre tenants.

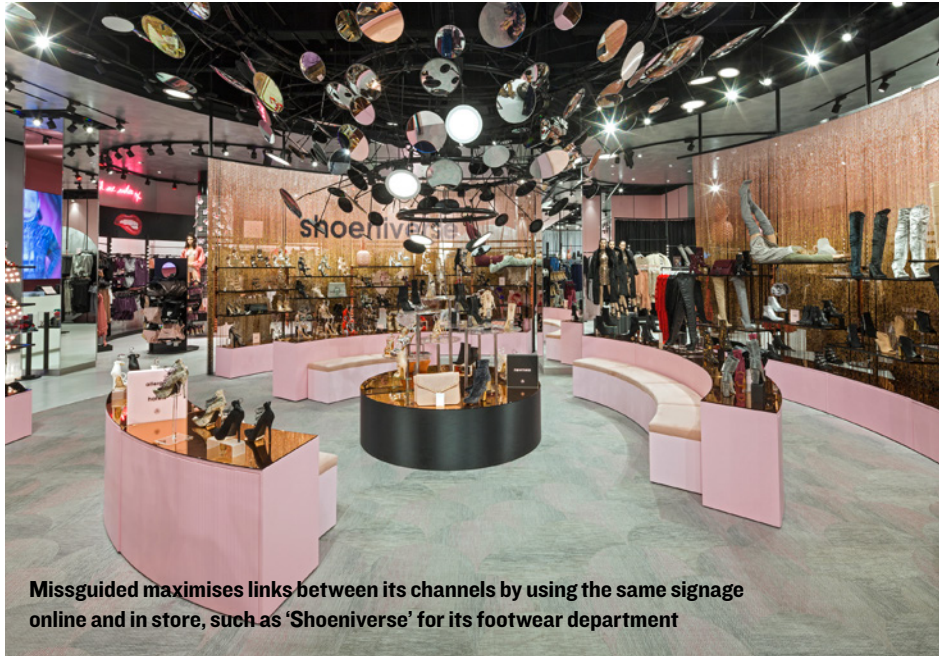
What links their interests in opening stores is the ability to interact with customers first-hand and – crucially – collect data.

Farfetch, which made a move into bricks and mortar through the acquisition of Browns boutique in 2015, uses this data to understand what customers are doing in store and to develop new experiences within its augmented retail concept.

Alone, in-store customer data is beneficial, but the online indie portal and retailer says combining it with ecommerce data is key.

It has trialled a universal login to recognise a customer as they enter a store, which can then link with its mobile app to tap into customers’ saved items and past purchases. Digital mirrors in fitting rooms allow shoppers to request items in different sizes or colours as well.

Car brands such as Volkswagen have been reinventing forecourts – which are more commonly associated with light industrial units than high streets – by putting cars at the heart of shopping centres.



Missguided maximises links between its channels by using the same signage online and in store, such as ‘Shoeverse’ for its footwear department

WHAT ARE THE BIGGEST INVESTMENT OPPORTUNITIES FOR SHOPPING CENTRES IN THE NEXT 12 MONTHS?



Ongoing technological advances
 Customer experience upgrades

Pop-up kiosks
 Continuing to maintain footfall in store
 Click-and-collect orders



Brands want to get physical

As with other mall car shops, Volkswagen’s Birmingham Bullring store provides a physical link between the brand and what can be viewed online. Shoppers can digitally configure cars and the centre has provided car parking space to facilitate immediate test drives.

Branching out into non-traditional retail sectors stands to enhance the retail mix without cannibalising other elements of the centre’s offering.



What links retailers’ and brands’ interests in stores is the ability to interact with customers first-hand



PARTNER COMMENT

Developing financially successful retail centres is challenging, but the findings of this report are both interesting and promising for the growth of the retail sector.

With fewer than 50% of retailers monitoring data daily, there is an opportunity for the sector to be more vigilant in processing the masses of data that retail provides.

Is the data not accessible to them on a daily basis? Do they not feel the need to analyse daily? Either way, technology is stronger than ever in delivering platforms that gather and digest data to optimise retail performance strategies.

Successful strategies are born out of understanding the best approach to engage shoppers with the right tenant and product mix to suit regional trends as demographics change and are impacted by regional economic, cultural and political circumstances.

With the retail sector generating more data per month than many other vertical real estate markets, the use of simple tools and spreadsheets is redundant as firms struggle to gain valuable insights into retail operations and trends.

Advances in technology are giving the retail sector a helping hand to define compelling offerings through the use of big data.

Do retailers have the tools to communicate easily with their centre managers and vice versa? Sharing data and performance statistics are essential when measuring and monitoring performance goals. Transparency is key to driving revenue in retail; gaps and downfalls should be easily identifiable and communicated to improve and rectify.

Cloud-based offerings now enable companies to host their data in a single secure database, providing a risk-free



environment that delivers real-time access to strategy-shaping analysis to desktop and mobile devices.

Adapting a retail offering and providing new ways of engaging retailers and consumers while delivering services that enhance relationships, drive down costs and deliver value for owners are undoubtedly key. However, at the very heart of any successful strategy is one mission-critical element – data.

Neal Gemassmer, vice-president of international, Yardi

KEY POINTS

- **Embrace technology to unleash the power of data to drive retail centre strategies.**
- **Use technology to enhance relationships between centre managers, owners and retailers.**
- **Use technology to streamline all aspects of centre management from marketing, leasing operations and maintenance, to analysis and stakeholder reporting.**

ABOUT YARDI

For retail property and asset managers with small portfolios or larger global enterprises, Yardi solutions combine property management and accounting with ownership, financials, budgets and forecasts to provide a holistic view of all your retail assets, enabling improved analysis and maximum transparency across your retail portfolio.

From attracting investors, managing centre budgets and costs, branding and marketing, engaging retailers, delivering online tenant services and accessing real-time business intelligence to help evolve strategy, Yardi's fully connected and cloud-based technology stitches together the success of retail centre performance for many operators across the world.

Yardi develops and supports industry-leading investment and property management software for all types and sizes of real estate companies. Established in 1984, Yardi is based in Santa Barbara, California, and serves clients worldwide from offices in Australia, Asia, the Middle East, Europe and North America.

CONTACT DETAILS

201-249 Avebury Boulevard, Milton Keynes MK9 1AX | 01908 308400 | Yardi.com/uk

RetailWeek CONNECT

Acting Head of Commercial Content Operations

James Knowles 020 7715 6167
james.knowles@retail-week.com

Creative Strategist

Isobel Chillman 020 3033 2996
isobel.chillman@retail-week.com

Commercial Production Editor

Abigail O'Sullivan 020 3033 2940
abigail.osullivan@retail-week.com

Contributors

Peter Collins, Nicholas Found, Rachel Horner

Production Manager

Paul Moran 020 3953 2676
paul.moran@emap.com

Account Manager

Jenni Edwards 020 3033 2968
jenni.edwards@retail-week.com

