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YEARS

Retail

Nordic Shopping Centre - a preview of the future

AUGUST 2017



A CUSHMAN & WAKEFIELD
RESEARCH & INSIGHT REPORT



GENERATIONS AND WHO THEY ARE



GENERATION Z MILLENIALS

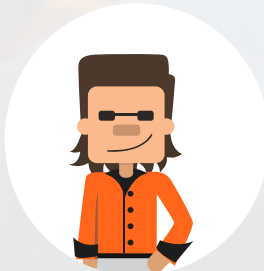
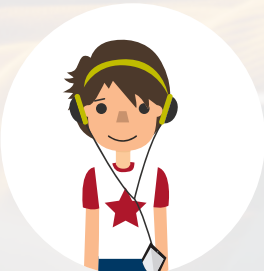
1995 to today

They have had Internet technology so readily available at a very young age, and social media is a normal way of socialising. Generation Z use on average 4 hours on social media a day, and prefer to use apps to fix their problems.

1980s to early 2000s

They expect more selectivity, personalisation and customisation in their products and services.

They are attracted by what credibility the product can add to their social media status and they use mobile technology to make informed decisions.



GENERATION X

1960s to early 1980s

Smaller demographic cohort sandwiched between the "Millennials" and "Baby Boomers".

Wants convenience and variety from their physical shopping experience.



BABY BOOMERS

1946 to early 1965

Demographic group born during post-World War II.

Place high importance on customer service, with high loyalty to the brands and products they like.



Nordic Shopping Centre - a preview of the future

Changing behaviour and new technologies are the two most important factors that will shake up the retail business in the coming decade. Millennials are demanding consumers who expect more selectivity, personalisation and customisation in their products and services compared to previous generations. Both Millennials and Generation Z are largely borne digital, and Generation Z are likely to accelerate the trend of the millennials further ahead.

For the Nordic, these changes are important to recognize as the region representing among Europe's highest shopping centre density. In Norway shopping centre density being exceptional with close to one square meter per citizen.

Inevitably, millennials are likely to form the largest consumer group in the years to come, when they reach their prime working and spending years. Given their distinctive upbringing in the digital age, retailers adjust and evolve quickly to keep pace with their changing needs, interests and tastes.

New technologies are also vastly transforming consumers' shopping experience. Today's smart consumers are a lot savvier than earlier generations, after being exposed to a multitude of options offline and online and are empowered to make informed decisions via "word-of-mouth" recommendations and online reviews.

Long gone are the days when shoppers simply relied on recommendations by sales assistants at brick-and-mortar stores.

Flyers and in-store advertisements are becoming a novelty of the past.

Traditional models of cultivating customer relationship via physical stores are being disrupted. Millennials are capable of completing any type of transaction from groceries shopping to bulky furniture through simple apps on a mobile device, from the comfort of their homes. It is less preferable to visit brick-and-mortar store when online purchases arrive within a few days and shipping is cheap. As such, retailers are losing grip on customer relationship with the new generation shoppers. They will have to re-think both online and offline advertising and promotion campaigns to engage customers on a more pro-active, interactive and frequent basis. Also, speed and convenience ranks high in creating great shopping experience.

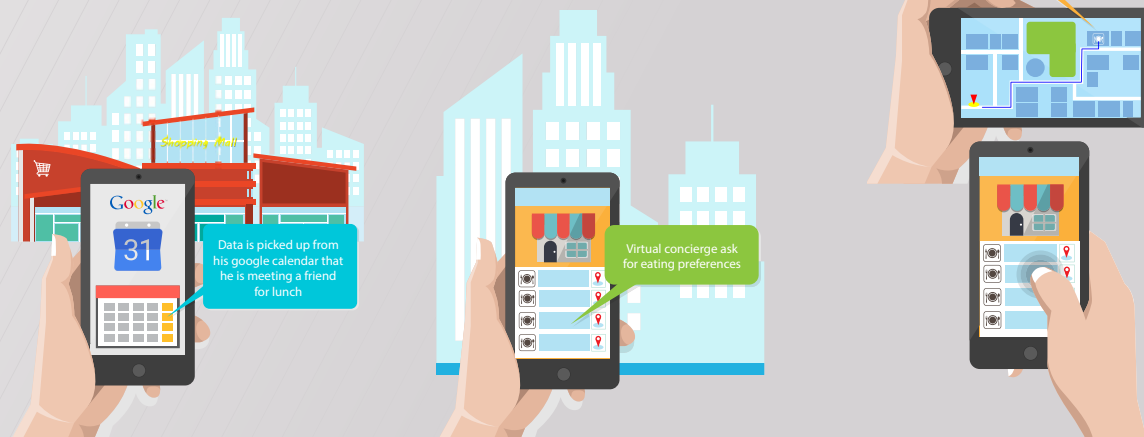
Millennials are among the most impatient group and willing to pay more for efficiency. Unfortunately, the inefficiencies in traditional shopping centres tend to create a poor shopping experience which frustrates the millennials. As a result, e-commerce players emerge as winners when filling the gap by creating seamless shopping experiences for these shoppers. The future shopping centre must be extremely targeted and engaging - retailers need to constantly fulfil what consumers want, rather than what consumers need.

In this report, we highlight how we envision a future shopping centre would look like, summarised into 10 key traits, including examples from around the world.

TRENDSPOTTING

TREND 1: PREDICTIVE COMMERCE

Predictive commerce enable landlords and retailers to gain insights to shoppers' behavior in a particular location and at a particular time.



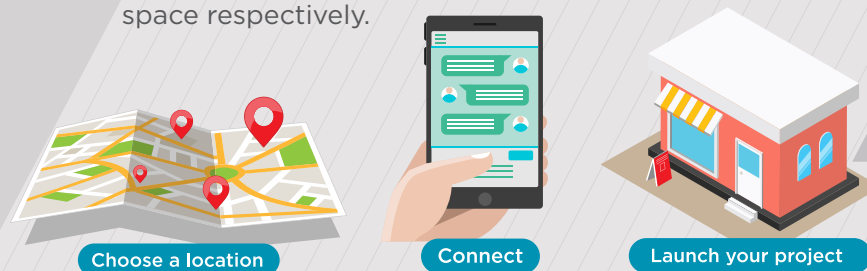
TREND 2: E-COMMERCE SHOWROOMS

Shoppers can browse, touch and test a product in these showrooms before buying the item online.



TREND 3: THE AIRBNB OF RETAIL

Just like the equivalent of Airbnb, online platforms now allow landlords and merchants to list and rent short-term space respectively.



TREND 4: ROBOT WORKERS

Customer-facing robots help ease manpower crunch and lift productivity.



TREND 5: FOOD & EXPERIENCE COMMUNITIES

Cooking classes, pop-up vendors, food delivery to lockers, specialty food stores and even food trucks could displace the traditional notion of a food court.



TREND 6: IMAGINARY RETAIL STORE

Virtual and augmented reality could bridge the gap between online and physical worlds into a single integrated platform.



TREND 7: PAY IN A SECOND

Mobile payments to become more diversified, such as contactless payments and virtual reality payment systems.



TREND 8: CUSTOMER AS PROMOTER

Via affiliate marketing, customers can share and promote their purchase. Any transaction made would result in a percentage of the retail profit credited to the customer as commission.



TREND 9: CROWDFUNDING SITES AS NEW TENANTS

Creative and innovative crowdfunding projects now have a physical showcase platform to allow investors to preview the product before making a purchase.



TREND 10: OMNICHANNEL

Physical stores are still important for online retailers to bridge the online and offline retail experience.



TREND 1

PREDICTIVE COMMERCE

In a world that is constantly connected, landlords and retailers are investing in technology such as Artificial Intelligence (AI) to gain insights to shoppers' behaviour, and to learn what matters to the consumer in a particular location at a particular time. Predictive retail could happen anywhere in the purchasing process, before, during and after a purchase.

Data such as product information, deals, discounts and product recommendation could be transmitted to the shopper's phone as they stroll through the shopping centre. Restaurateurs can use trend tracking software to track their clientele's eating habits and preferences.

For example, guest notes in restaurant reservation apps, like the Open Table (US origin), might indicate that their regular customer tends to order wine from Bordeaux or have his beef done medium-rare. This will help to make the ordering process more efficient and enjoyable.

TREND 2

E-COMMERCE SHOWROOMS

E-commerce giants could be the anchor tenants of tomorrow. They can easily be seen as the equivalent of tech giants such as Google, who are undeniably recognised as the darlings of office leasing landlords with space requirements in tens of thousands of square meters. In the context of retail space, e-commerce giants have the financial capacity to open a mega showroom, stocking all kinds of merchandises under one store.

This is not new in Southern California where Amazon's brick-and-mortar store acting as a showroom, and in addition being a magnet of complimentary retailers, riding on the traffic of the commerce giant. The showrooms could potentially take over department stores of today.

TREND 3

THE AIRBNB OF RETAIL

Disruptive technologies will aim to change the way how businesses work. Just like the equivalent of Airbnb, online platforms are now providing new ways for a special group of merchants to rent short term retail space and for landlords to list them. Storefront has helped to match over 1,000 merchants to retail spaces in US, London, Paris, Amsterdam and Hong Kong. The platform offers everything from full retail stores that can be used as pop-up shops to shelf spaces in boutiques available on a temporary basis.

Nevertheless, as the leasing landscape becomes more competitive, the “value-add” in a retail leasing transaction becomes increasingly important, both for merchants who are looking to rent for the long term and landlords aiming to attract higher-end and more credit worthy tenants. This can be done through the help of retail consultants who will advise retailers on locations and leasing strategies, bridging the gap between tenants and landlords, whilst taking care of each other’s interest.

TREND 4

ROBOT WORKERS

Robots are a change of the inevitable when out-competing labour. Already we are seeing flying drones at Timbré @ Sub-station in Singapore as they bring plates of food and drinks to customers. We could also see retailers use customer-facing robots that are designed to find products among the stockpile for customers and deliver the product to them. This way, front line retail employees can allocate more time interacting with customers, instead of spending time and effort on day-to-day manual tasks.

TREND 5

FOOD & EXPERIENCE COMMUNITIES

The shopping centre of tomorrow will be anchored by food and experience as these components of retail are unlikely to be replaced by online options. Restaurants, cooking classes, pop-up vendors, food delivery to lockers, specialty food stores or even food trucks. These concepts could displace the traditional notion of a food court, by evolving as a community gathering place.

Nordic shopping centres are on the F&B trend, yet often still in the shape of food courts. Kista Shopping Centre, just outside of Stockholm, report 25% of its turnover is generated from F&B. Paleet in Oslo have established high-end food court for fine dining and Mathallen at Vulkan in Oslo have established vine club. Street food continue to appear inside shopping centres. The list of examples are long. Top chefs are celebrities and it's very trendy to bring restaurants inside shopping centres which before were only to be found in cornerstone areas.

TREND 6

IMAGINARY RETAIL STORE

Taking technology further and we could envisage imaginary retail store. Virtual (VR) and augmented reality (AR) have the potential to change how retail stores are defined as they could integrate the online and physical worlds into a single platform.

VR engage the shopper in a simulated world, while AR makes virtual objects appear as if they are in the real world. China's e-commerce Alibaba has been the pioneers of the VR experience. US merchant Macy's partnered with Alibaba in its Singles Day shopping fun fair last November, selling affordable headsets that allowed Chinese shoppers to shop virtually at Macy's New York flagship store. Other brands such as Target, Costco, and Tokyo Otaku Mode are also collaborating with Alibaba to create a virtual shopping experience.

When Pokemon Go first came to town, some shopping centres quickly jumped onto the AR bandwagon to woo some new customers, increase shopper traffic and sales. Aker Brygge in Oslo have a "Pokemon stop" within the shopping centre. VR currently has higher barriers to entry as it requires shoppers to invest in a headset or controller that have yet to be common household items. On the other hand, AR technology is more accessible as it only requires a smartphone.

TREND 7

PAY IN A SECOND

Technology will change the way payments are made, and the number of contactless payments are on a steep increase, especially in the Nordic region. Consumers see the service as more convenient and secure than traditional payment methods.

Last year, 94% of all Scandinavian payments were made digitally, according to the Norwegian Central Bank.

Vipps, a Norwegian peer-to-peer payment service has made it easier to transfer money between friends and multiple persons. The service has 2,5 million users, with more than 9 million monthly transactions, and has become the "single mobile wallet" among Norwegians.

Similar, in Sweden Swish has become the mobile wallet with over 5 million users, and MobilePay with over 3 million users in Denmark and also represented in Finland and Norway.

In the future, we should expect to eventually reach the point shopping could be done entirely by computer-controlled systems. In late 2016 Amazon launched "Amazon go" a cashier-free convenience store "no lines, no register, no self-check-out machines". It works by using computer vision and sensors to detect what items you're taking out of the store.

TREND 8

CUSTOMERS AS PROMOTERS

Customers will also play an important role in terms of promoting a retail business. Satisfied customers can now take on a more active role in marketing via social media given the assertive presence in peoples lifestyle today.

This concept, also known as affiliate marketing has taken off in the travel booking and F&B industry.

Uber, Dropbox and Agoda are some of the companies which have been actively using affiliate marketing to promote their





products or services. In this instance of a future retail platform, a satisfied customer could share his purchase on social media by uploading a uniquely-coded product promotion link generated by the merchant. Any transaction made would result in a percentage of the retail profit credited to the customer in commission. The potential benefits are great. The merchant accumulate savings by doing away advertisement editorial and campaigns and customers are incentivised to spread the word, which in return can help retailers to maximise customer engagement and retention.

In the food and dining industry, “Atlis” app stood out because members of the app can ask for a specific kind of cuisine. Members of the app can put in their recommendations, and if their recommendation is chosen, they will be awarded with a commission, transferred directly to their PayPal account.

TREND 9

CROWDFUNDING SITES AS NEW TENANTS

The retail storefront scene will no longer be limited to simply conventional retailers. Kickstarter, a crowdfunding platform for creative projects, has entered the brick and mortar scene. Under Kickstarter, interested people or investors can pledge a sum of money to help fund the project and, in return, potentially receive the finished product once the idea has been successfully curated.

In Singapore Kickstarter opened physical stores in Orchard Central and millenia Walk, creative and innovative projects now have physical showcase platform, which allows investors to preview the product before making a purchase.

TREND 10

OMNI-CHANNEL

Consumers today can easily shop in the comfort of their homes with their smart phones and tablets. Retailers need to recognise that digital is the way to go across the full value chain.

Shaftesbury, a London property investment company collaborated with bloggers to launch a guide showcasing the diverse food offerings within their portfolio. From initiatives like this, the paradigm shift in shopping is becoming more evident, and the traditional retail model is gradually becoming inadequate in today’s context.

While brands have been going online, we have also seen online retailers opening physical stores. Such stores exist often not with the aim of in-store transactions, but to act as a platform to bridge the online and offline retail experience. It is evident that the omni channel route will be more popular in the years to come.

Not Just Another Mall

A must-have is to have office, residential, hospitality components, co-working areas and event spaces to create a work-live-play environment. Health clubs and other non-traditional tenants will also become more prevalent to appeal to trendy cus-

Flexible Themes

The shopping centre of tomorrow would have more pop-up/temporary stores with flexible leases. There will be constant rotation of stores depending on the theme or “what’s hot and what’s not” for the season.

Technology

Landlords and major retailers will be investing heavily in technology designed to provide insights in shoppers behavior. It also connects the physical and digital worlds of retailing. Geo fencing technology allows tenants to transmit offers to the shopper’s phone as they stroll through the shopping centre.

TRANSPORT CONNECTIVITY

Food Community

The shopping centre of tomorrow is anchored by food & experience. There could be restaurants, cooking classes, pop-up vendors, food delivery to lockers, specialty food stores or even food trucks. These concepts are likely to displace the traditional notion of a food court, evolving as a community gathering place.

Co-Working Space for Disruptors

Dedicated co-working space for retail and digital innovation that will connect retailers, digital innovators, shoppers and retailers all in one hub.

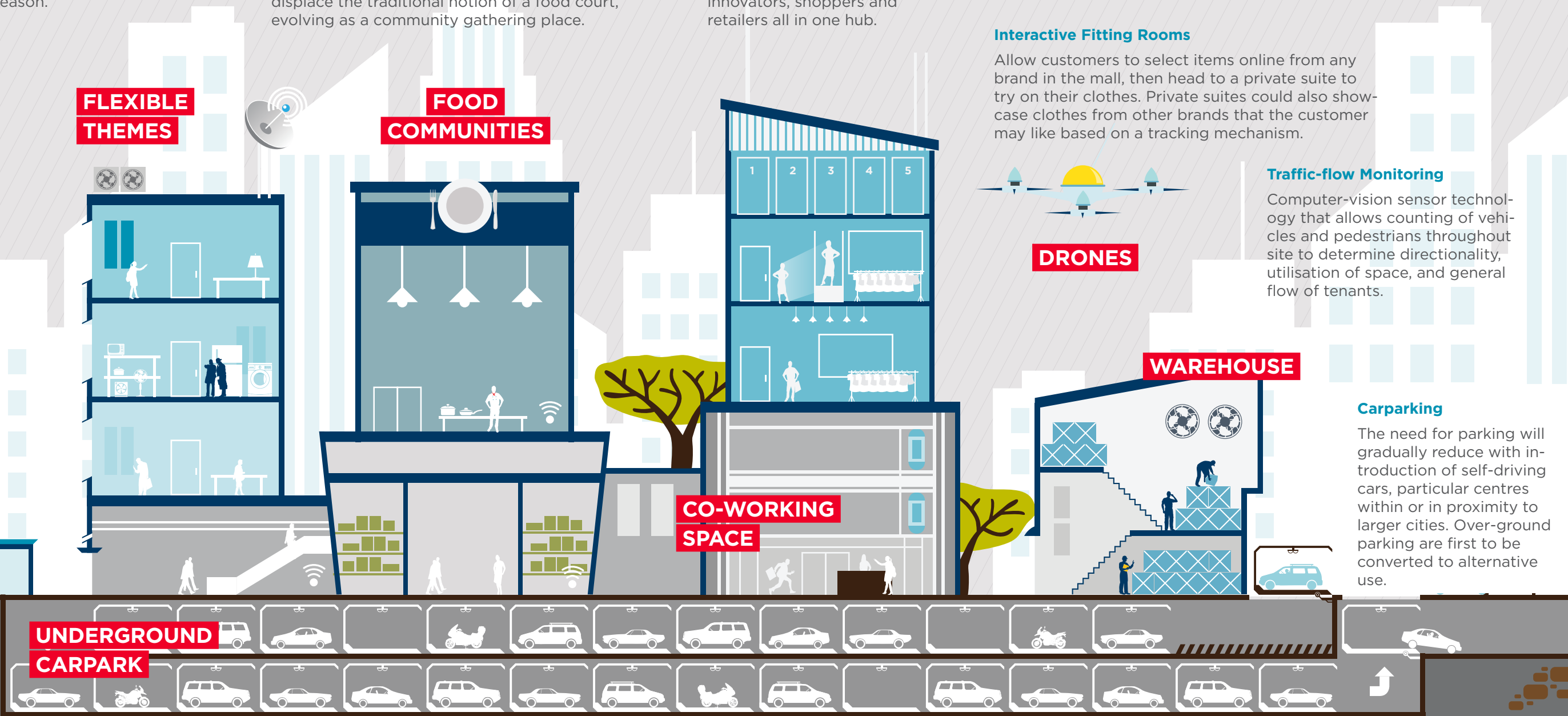
Interactive Fitting Rooms

Allow customers to select items online from any brand in the mall, then head to a private suite to try on their clothes. Private suites could also showcase clothes from other brands that the customer may like based on a tracking mechanism.

Traffic-flow Monitoring

Computer-vision sensor technology that allows counting of vehicles and pedestrians throughout site to determine directionality, utilisation of space, and general flow of tenants.

THE SHOPPING CENTRE OF THE FUTURE



**HÅVARD BJORÅ**

Head of Research, Nordics
+47 479 69 660
havard.bjora@cushwake .com

**MARIT JENSEN**

Head of Retail Services, Norway
+47 992 68 611
mej@cwrealkapital.com

**KRISTIAN VINGAARD**

Head of Retail Services, Denmark
+45 51 58 09 32
kv@red.dk

**JENS LINDERSTAM**

Head of Retail Services, Sweden
+46 (0) 70 246 21 81
jens.linderstam@cushwake.com

**JARI JANTTI**

Head of Retail Services, Finland
+358 (0) 50 337 5363
jari.jantti@cushwake.fi

**ERIK BRUUN-OLSEN**

Analyst Retail Transactions, Norway
+47 97 14 56 40
ebo@cwrealkapital.com

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Published by Cushman & Wakefield

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