

An exclusive report by Mark Faithfull for MAPIC

# RELOADING THE RETAIL MIX

The purpose of retail destinations has transformed. They are now vibrant, diverse places with client experience at their heart, offering services to attract visitors and broaden their customer base and increase dwell time. To deliver real experiences, owners must develop their F&B and leisure, and constantly refresh temporary sales and entertainment propositions with changing stores and events, so that something new and exciting is always happening. Art, culture, design, gastronomy, live entertainment, fashion... *just what is the new mix?*

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# RELOADING THE RETAIL MIX

**Retail has never faced more challenges nor had more opportunities. The world is changing, people are changing and what we understand about retail, work, leisure and free time is changing too.**

The reality is that the demand for traditional retail space is in decline in almost every mature market and that people are looking for different things when they leave their homes. The challenge is to identify a retail mix that goes beyond the clichés and delivers what they want, how they want it, where they want it.

At the heart of these changes is mobility, says Christian Dubois, Head of Retail Services, France, for advisor Cushman & Wakefield. He believes that the switch in urban areas from mass transit and cars to bicycles, scooters and walking has led to a requirement for living, working, socialising and retailing to be closer together in what he calls “urban villages”. The challenge for the industry is to create mixed use destinations that meet their aspirations, he says, “because for an Amazon generation that has been taught to be impatient when things take too long, now the journey time across a city is too much.”

Dubois believes that these villages can also be created outside cities, as out-of-town schemes are converted to include residential, perhaps

logistics, medical, leisure and entertainment facilities as the net need for existing retail space declines.

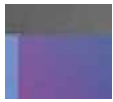
“Online growth may slow in the UK, where the maturity level is high, but in France, Germany and even more in Spain and Italy the shift to on-line still has some way to go,” he says. “This inevitably means that more square metres of retail will close, although at the same time there will be openings too from new players. To me, the answer is not to freeze the development of new space, because otherwise what you will have is only space that is stuck in the past and that will actually lead to more closures. Instead we need the new developments to encourage people to shop in physical locations but we have to transform the existing space.”

This also requires a re-think about financing, he says, because “we cannot expect leisure operators to be able to afford the large spaces they require”. Instead, he believes investors must treat leisure as the magnet to a destination and then make their profits from the other uses within a development. ■

## E-commerce sales by country, estimated 2019

Country	Total e-commerce sales (€bn)	E-shoppers (%)
UK	175	87
France	93	76
Germany	54	83
Spain	28	63
Italy	27	48

Source: Ecommerce Europe



# NEW RETAIL: CHANNEL AGNOSTIC

The lines between online and offline retail continue to blur, as retailers and brands come to market and sell across channels and platforms and adopt new ways of connecting with their consumers.

Internet sales continue to record double-digit growth. The €100 billion mark is expected to be reached this year. Mobile continues to develop and now represents 22% of the total figure.

The audience for the most visited e-commerce sites in France is increasing. This growth is accompanied by a surge in mobile visitors, with more than 50% of visitors to the top five sites having used their mobile device.

**€92,6 billion**

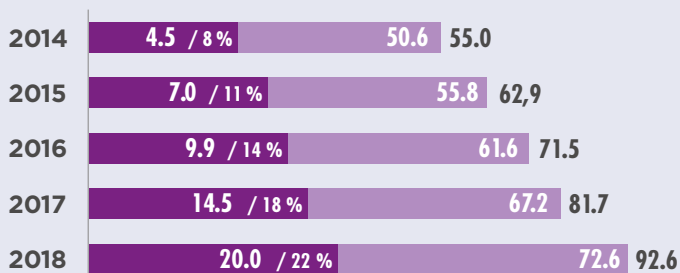
**+13,4 %** compared to 2017

**1,505 billion** online transactions in 2018  
**+20.7%** compared to 2017

**22%** on mobile devices

Source: Fevad iCE.

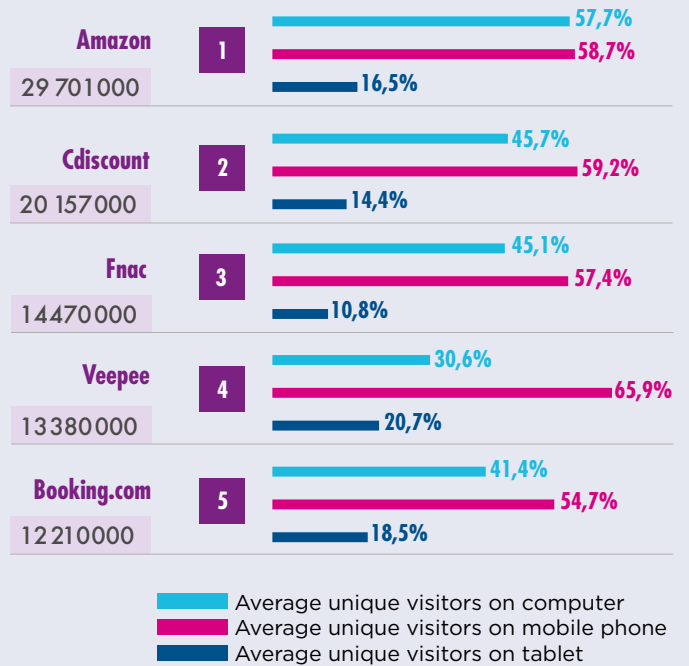
## E-commerce turnover (in billion €)



Legend:   
■ Share of mobile terminals   
■ Computers

Source: Fevad iCE iCM.

## Average unique visitors per months



Source: Médiamétrie // NetRatings- Average - Q1 2019 France - Internet audience / all screens.

## Delivery method are becoming more varied

**86%** at home  
**83%** in relay point  
**38%** in store (click and collect)  
**24%** with payment in store (e-book)  
**13%** at the workplace  
**9%** on deposit

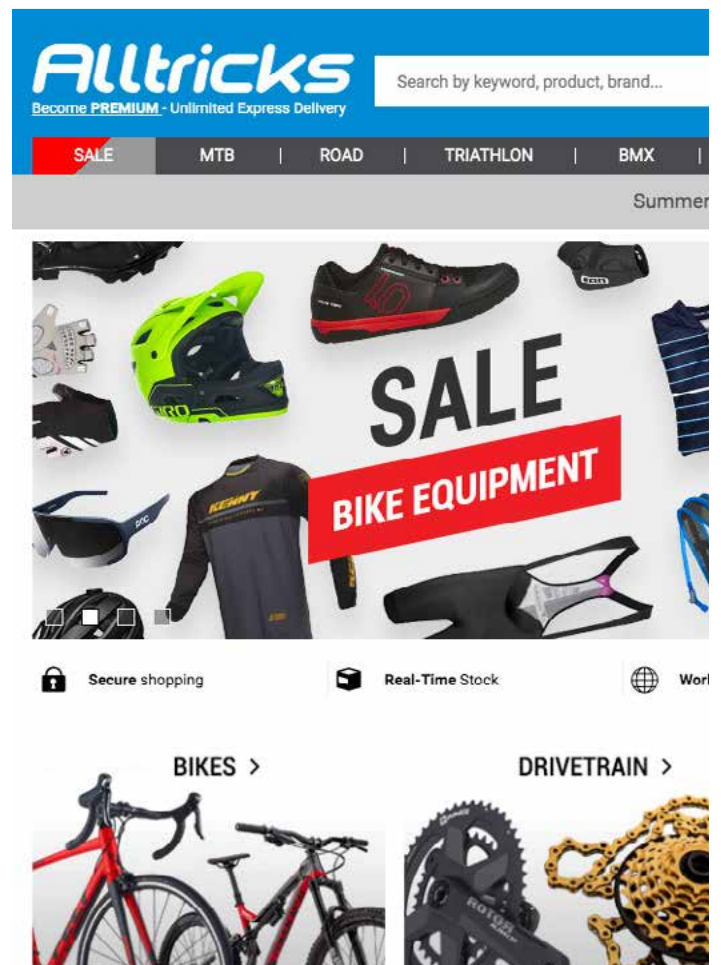
In % of e-shoppers  
Source: Fevad / CSA Barometer - January 2019.

# NEW RETAIL: CHANNEL AGNOSTIC

## SEPHORA: CHANNEL AGNOSTIC EXPANSION

Sephora has stepped back from rapid international expansion to focus on growing its core markets, with new country expansion at around two countries a year, according to CEO Christophe De Lapuente, with Hong Kong and Korea opening in 2019.

The company has become known as an omni-channel leader and De Lapuente says that Sephora wants to be thought of as: “Anytime, anywhere, any device, channel agnostic,” by its customers, though he continues to advocate the role of the store. “My feeling is that if they enjoy the environment then even if they don’t buy they will come back. We try and build trust and relationships. It’s about building a trust mark and investing in great stores. Boring stores are dead, people love coming to exciting stores so we have to stay interesting.”



## ALLTRICKS: FROM PURE PLAY TO OMNI-CHANNEL

Founded in 2008, cyber-merchant Alltricks is dedicated to the world of cycling, with bike lovers spending almost €2bn annually. It began as a pure player and has been developing both a range of private label accessories and tools and clothing and is now following an omni-channel strategy. Alltricks, which is also involved in the world of running, has opened of its own or franchise stores. A third store recently opened in Issy-les-Moulineaux, in the Paris region, while the goal remains to have a network of 12 to 15 shops by 2022.

Founder Gary Anssens describes the current stage as the “take-off phase” and also wants to develop the content and services online and has pledged to develop a kind of ‘Wikipedia of cycling’.

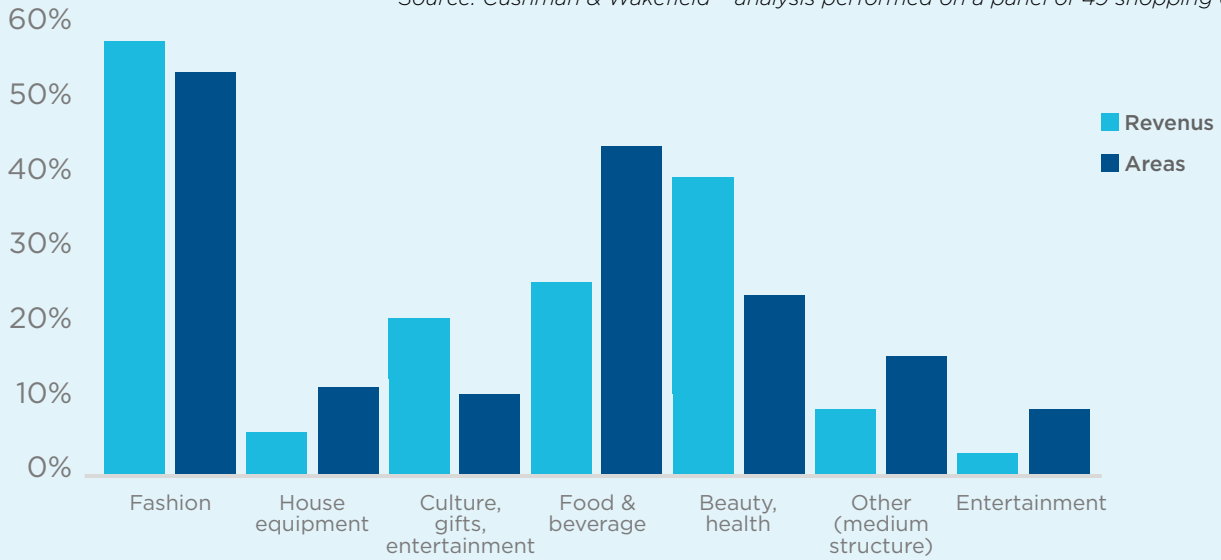


# DESTINATIONS: LET ME ENTERTAIN YOU

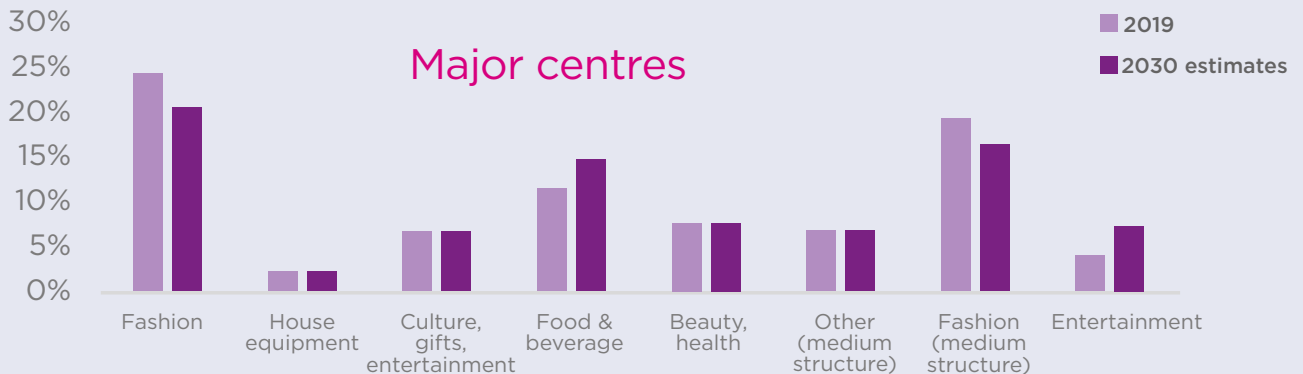
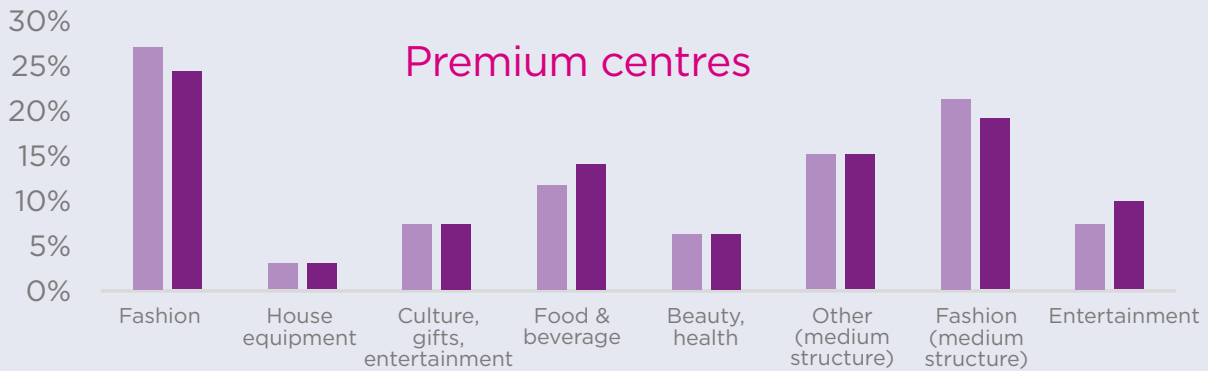
Retail destinations have evolved far beyond shops and F&B, with new generation leisure creating a host of new opportunities to entertain and engage visitors.

## Share of revenues and areas as % of total commercial activity

Source: Cushman & Wakefield - analysis performed on a panel of 49 shopping centres



## Estimated evolution in global income by 2030





# DESTINATIONS: LET ME ENTERTAIN YOU

## **DOLCE VITA TEJO: LISBON, PORTUGAL**

“The Dolce Vita Tejo shopping centre near Amadora is being reimagined as a retail ‘resort’, adding cultural and outdoor attractions to the traditional shopping experience,” says Cristina Cristovão, Retail Director, Savills Portugal. “The country’s second-largest shopping centre attracts 15 million visitors a year – but the ambition [by owner AXA Investments] is for it to become Portugal’s premier retail and leisure destination experience. The new concept will be renamed Ubbo and add activities including miniature golf, a climbing wall and a water park to the existing two-level, 80,000 sq m shopping centre. The central square will also host a variety of events and will be home to one of Europe’s largest permanent LED displays.”

## **HYPD AND INTU: LAKESIDE, UK**

Shopping centre owner intu has partnered with gaming company HYPD to launch a new gaming arena at intu Lakeside, on the periphery of London, transforming a 900 sq ft store into an immersive experience as part of a 12-month partnership.

HYPD Arena will offer a “celebration of all things gaming”, including an e-sports tournament, retro arcades and virtual reality. It began at intu Lakeside from 20 July and runs until 31 August. HYPD Arena is part of the centre’s new £72m leisure extension, which includes family entertainment centre Nickelodeon Adventure, indoor mini golf experience Puttshack Hollywood Bowl, trampolining operator Flip Out and food hall concept The Hall.

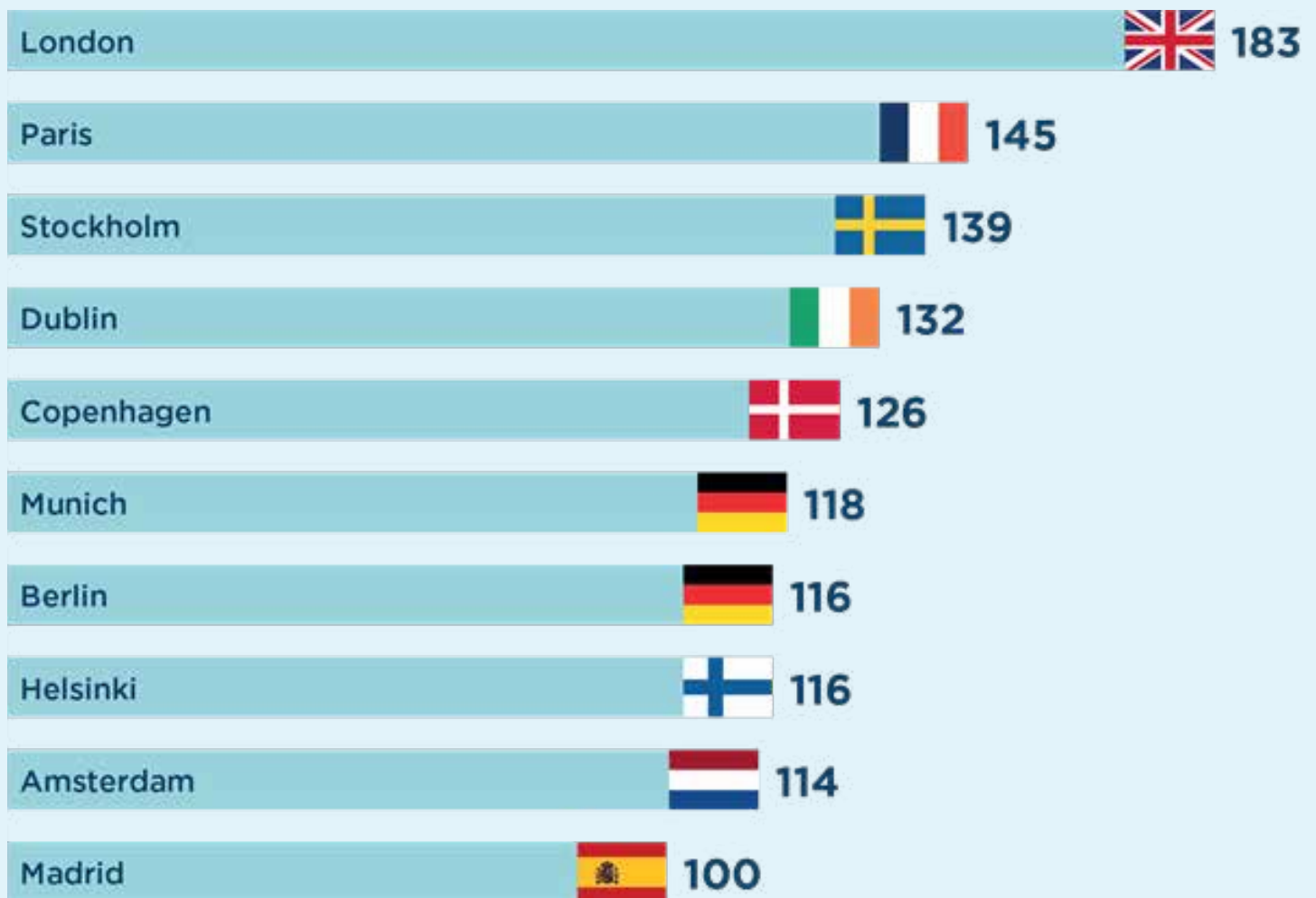
The concept is then set to be rolled out at more of intu’s shopping destinations over the next year, says Roger Binks, Customer Experience Director at Intu: “The gaming industry is experiencing explosive growth and popularity, making Intu’s destinations the ideal locations for this kind of attraction.”





# RETAIL MEETS HOSPITALITY AND WORK

Retail has increasingly become entwined with hospitality venues, integrating with other services, while co-working spaces are looking to retail destinations to entice business.



Europe's top 10 co-working cities: Cushman & Wakefield's European Coworking Hotspot Index is a ranking of key European cities based on a weighting of elements including scale, business environment, people and catalyst factors.



# RETAIL MEETS HOSPITALITY AND WORK

## M AVENUE, MARRAKESH, MOROCCO

Nabil Slitine, Founder and Managing Director of Downtown Hotel Corporation (DHC Morocco), is the initiator of M Avenue in Marrakesh. The idea is to offer a new mix of residences, hotels, offices, shops, restaurants, and also a cultural centre to make this avenue a sophisticated, modern and cultural downtown.

At 500m long, M Avenue connects the Palais des Congrès Avenue Menara with luxury apartments, aparthotel and 96 Four Seasons private residences, enjoying high-end hotel service. A business district will be added to the project, as well as retail distributed among restaurants, cafes and shops. These will showcase new brands in Morocco, and young designers. The avenue will also host green spaces, a temple of well-being, as well as a virtual exhibition centre.

“The avenue will be private but open to the public, meaning we can close the access to the avenue,” says Holger Frehde, Sales and Marketing Manager. “For example, we plan to create an event each semester. A cultural festival, a projection on the avenue... We will therefore have the right to prohibit access to cars during these special events. Fluidity is paramount.”



## CO-WORKING: ANNUAL GROWTH OF 25% PREDICTED



Co-working space is predicted to grow at retail properties by 25% annually through to 2023, according to a report from real estate advisor JLL. Shared office space is expected to account for roughly 3.4 million sq ft of retail space by then, JLL found in surveying 75 different co-working locations at malls, strip centres and within street-level retail shops across the US.

Macerich is the first mall owner to land a multi-property deal with a shared-office space provider. Industrious has roughly 50 locations in 33 cities across the US. Other popular co-working businesses popping up around existing retail centres include Regus and WeWork, which is starting to lease space from Hudson's Bay's Lord & Taylor and which has opened its own 'store' as it expands beyond co-working. Macerich CEO Art Coppola says his goal is to create “top-tier, built-in amenities for today's professionals” at its malls, which also includes Tyson's Corner in Virginia. Industrious' first mall location is set to open in Scottsdale in January, with a wider roll-out to follow.

Unibail-Rodamco-Westfield and GGP have already started experimenting with co-working in the mall. A start-up called Cowork at the Mall is taking the empty Sports Authority in Chicago's Water Tower Place mall, owned by GGP. In San Francisco, Westfield's Center on Market Street now rents space to a co-working company called Bespoke. In New York, Westfield has brought WeWork into the Fulton Center shops, an extension of Westfield's World Trade Center.

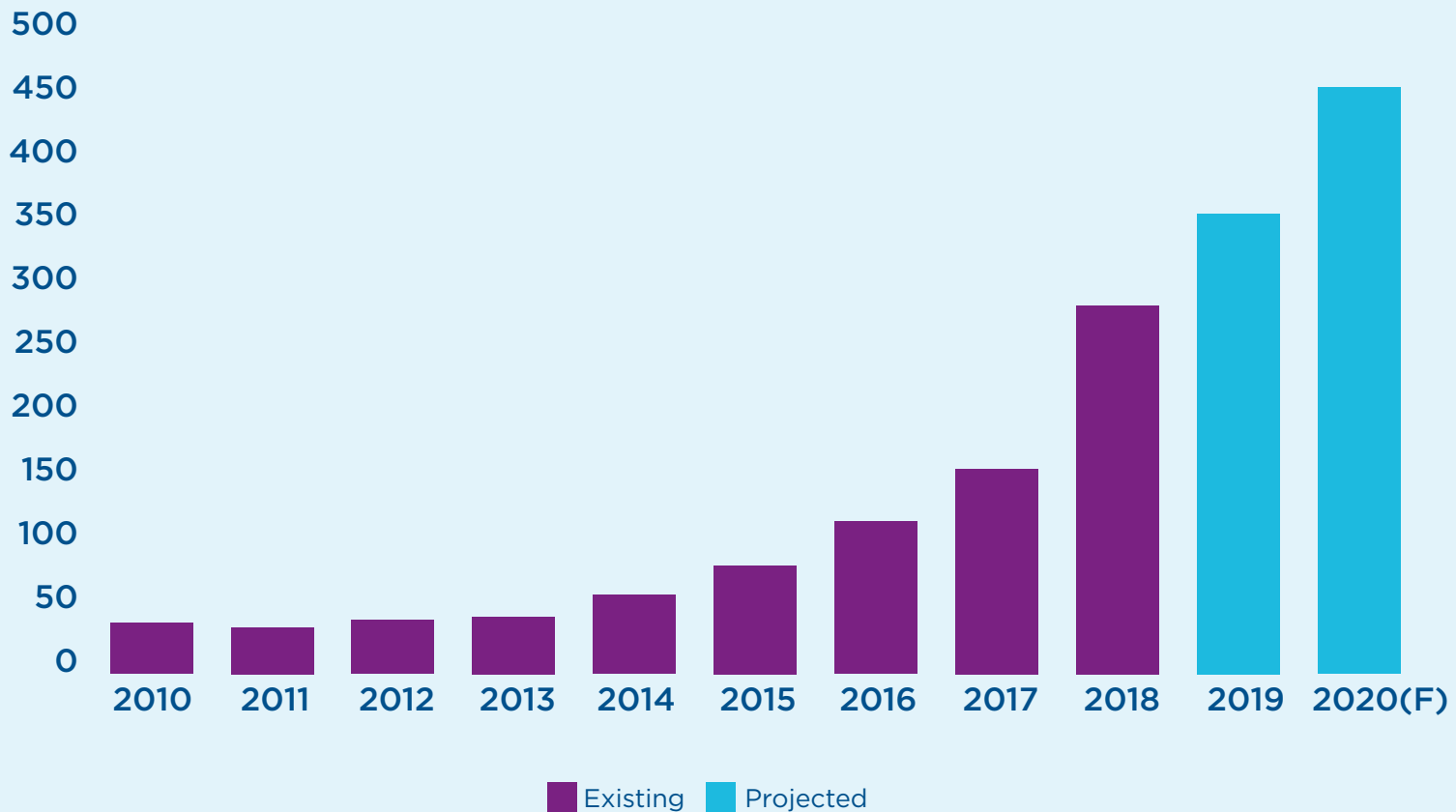




# EXPERIENCES CREATED BY DESIGN

High quality architecture and design are essential if blended uses are to work together and to ensure that destinations offer something new, fresh and original.

## North America: Food halls growth 2010-2020



Source: Cushman & Wakefield Research

## TIME OUT MARKET, NEW YORK



At the end of May, Time Out Market New York became the latest food hall to be opened by the entertainment publisher, featuring 21 eateries with food from some of New York's top chefs and restaurateurs, cocktails from renowned mixologists and cultural experiences by local talent – all handpicked by Time Out New York's editorial team.

It is situated across 21,000 sq ft and two floors of the historic Empire Stores at 55 Water Street, Brooklyn and, with Miami and Boston also open and Chicago to follow next, then Montreal in a collaboration with Canadian-based investor/developer Ivanhoe Cambridge towards the end of the year, openings will slow to one per year: Dubai in 2020, London in 2021 and Prague in 2022.

“All the design work has been handled in-house and we have retained the same signage and branding throughout each Market, echoing the strong brand signposting in the publications,” says Time Out Market Commercial Director Jessica Parrish. “However, each space is very architecturally different, so at each site we look at how we can best use the architecture and position.”

## ICONSIAM, BANGKOK, THAILAND

Everything about Bangkok's landmark \$1.6bn Iconsiam complex defies definition. The development on Chao Phraya River is a 750,000 sq m mega-destination, with a veranda inspired by the 12 indented corners design often found in Thai construction, and shaped to resemble a Thai decorated basket. It includes retail, residential, offices and dining but its retail areas blend the mall with an eclectic mix of international names and local Thai artefacts.

The plan of each of six floors draws inspiration from the shape of a budding lotus, featuring on the ground floor three major areas: Sook Siam, showcasing local products; luxury retail area Iconluxe; and Veranda, a multi-outlet dining experience.

Sook Siam has been designed to make visitors feel as if they are in a large city, complete with streets, canals, and modern structures. “Icons within Icon” is the design concept for the middle floors, featuring a set of four triplex retail towers, each of which has a 360-degree façade. The fourth and fifth floors make up the Iconcraft section, focused on creative design products and handicrafts.



# ART AND WELLBEING IN THE RETAIL SPACE

Once art and culture were considered periphery to the retail experience, but not anymore. Cultural experiences are becoming increasingly imaginative and popular within destinations.

## VANKE TIMES CENTER, BEIJING, CHINA

“A former shopping mall in Beijing’s busy Chaoyang district has been transformed into a 47,000 sq m mixed-use ‘urban complex’ that blends retail space with offices, exhibition space, art installations and a bamboo meditation garden,” says Lesley Wang, Retail Director, Savills Beijing. “Designed by architect Schmidt Hammer Lassen, the basement and ground levels of the four-storey building are dedicated to retail, while the upper floors house offices, event spaces and green spaces, including a second-floor meditation garden with its white stone gravel floors and bamboo forest. The entrance atrium is dominated by a striking suspended sculpture installation by French artist Charles Petillon.”



Image: Yuzhu Zheng

## ART VILLAGE AT NORMANDY DESIGNER OUTLET



In November 2018 designer outlet specialist McArthurGlen obtained final approval for the first luxury designer outlet in the western Paris area. Opening in 2021, the €200 million designer outlet will cover 20,000 sq m centre and 100 stores, a selection of restaurants and cafes, a luxury piazza and, to complement this, an artisan village will be created to showcase and celebrate art, local craftsmanship and culture called ‘Maison des Metiers d’Art’. Being developed in partnership with the Chamber of Commerce and Industry (The CCI), the Chamber of Crafts and Artisan-ship of the Eure (The CMA) and the French National Institute of Crafts (INMA), Maison des Métiers d’Art will promote French crafts and artisanship, and will include workshops and studios for craftspeople as well as exhibition and sales space. “While the centre will be very modern, it will be complemented with what is a first for us, an artisan village,” says Mike Natus, Joint Managing Director Development, McArthurGlen. Natus says that this is being established both to promote local goods and services but also to encourage repeat visits, with the area taking up around 2,000 sq m, around a third of the central courtyard area, and directly facing one frontage of the outlet retail.