

APLEONA RETAIL NEWS



REAL ESTATE RETAIL NEWS
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Dear readers, dear retailers!

“Big Data,” the concept of “shopping as an experience,” and “omni-channeling”¹ are just a few of the buzzwords we hear in the debates about the transformation processes that retail and trade are currently undergoing. Until a few years ago, holistic strategies

and concepts were few and far between, and no-one was really paying attention to the fact that European retail customers were becoming increasingly mobile, increasingly networked, and increasingly demanding.

We are seeing the consequences today: the decline of traditional department stores and mail-order companies like Hertie, Karstadt, and Quelle, stakeholders in the German retail landscape, who for decades had a decisive influence on how people shopped.



we have changed our name and in future will be doing business as “Apleona.” The new name of our company includes the Greek word “pleon,” meaning “much” and “plenty.” The “A” at the beginning and end of the name is intended to reflect the varied range of consultancy and management services that we provide over the entire life cycle of a property. Please navigate to our website www.apleona.com if you would like to find out more, or feel free to contact me at any time!

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Here’s hoping you will enjoy reading our newsletter!

Best wishes,
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what’s going on in retail can literally just close up shop. This is why this most recent edition of Retail News is dedicated to the future trends of the sector – in the traditional format of six retail specialists from our firm, deployed in six different countries of

Trends and challenges in Retail

by Dr. Katja Nies

In today’s society, saturated as it is with consumption and abundance, impulsive buying and comfort shopping are increasingly receding in importance. In the wake of contemporary megatrends such as growing individual autonomy, mobility, health and education, and the spread of globalization with all its consequences, consumers are placing more and more emphasis on filling needs for more intangible values, such as time, security, values, selfness, and adaptability.

Trend 1: The convergence of offline and online channels into omni-channeling

To take just one example: A “made-to-measure” economy based on the megatrend of growing individual autonomy will play an ever greater role in the premium and mid-range categories, thereby blurring the boundaries between offline and online retailing and causing them to converge into an omni-channel retailing approach that is not tied to a specific location. Over the coming decade, customers will expect not just same-day delivery but also the ability to pre-order products online in order to try them on at a local shop.

“customer expect not just same-day-delivery”

In the process, the customer’s smartphone will serve as a mobile concierge that bundles all of his interests, social media activities, wish lists, online shops visited, and goods purchased. At the same time, customers will share this information with their friends over various social networks, thereby turning into a marketer of the “person-to-person” economy as well as into a participating tastemaker for the fashion industry.

Trend 2: 3D printing for products designed and manufactured at home

Another technology that researchers believe is sure to revolutionize the retailing world of tomorrow is 3D printing. This will not only have an impact on how delivery chains and production plants are configured; it will also allow private households to design products such as appliances, textiles, and furniture according to their own tastes and to manufacture them at home.



Trend 3: Turing shopping into a multi-sensorial experience

The customers of tomorrow will also be more deliberate in their consumer choices and will favor a new urban lifestyle in which retailing and shopping are tailored to their individual preferences. Shopping centre operators who are able to identify future trends in time and respond appropriately will be in a position to create modern market places that combine a quality shopping experience with effective communication, thus providing an attractive alternative to our digitalized environment. This can be done, for example, by creating a shopping experience that appeals not just to the customer’s sense of sight and touch, but to all his faculties, including smell, hearing, and even taste. For 75 percent of consumers, this sort of holistic, sensually enriched shopping experience can serve as a decisive selling point in favor of stationary retail outlets.*

Stationary retailing must focus on providing outstanding shopping experiences and service

The main challenge going forward will be to boost the competitiveness of stationary retailing relative to online com-

merce. By providing exceptional service as well as supplementary event-based shopping offers, retailers can turn the consumer’s perceived shopping experience into something special while setting themselves apart from the competition. Retail shop owners as well as retail property owners and managers will be called upon to analyze the specific needs of their target customers if they hope to survive in a highly competitive environment as well as an increasingly digitalized shopping universe.

*Source: “How We Shop Now: What’s Next?”, a report published by Westfield Corp.

¹Omni-channeling: is a cross-channel business model that companies use to increase customer experience.



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Diagram: Service wish list of customers (internal insight study) Taken from: “Mit Liebe gebaut”, by Katja Nies, published in 2015 by Verlag Dr. Kovac, page 135.

Social media and customer service

Marketing and PR is changing, 20 years ago shoppers received advertising via TV and print and contacted shopping centres via the telephone or email or in person. Today the internet and social media in particular is changing the way customers expect information. by Janet Franklin

Today consumers demand instant responses at a place they chose (telephone, email, website, Twitter, Facebook, Instagram, print, etc).

As the trend for communication and marketing moves to social channels, and more mobile communication, centres are increasingly looking at how they use social media to its full effects and without fear of getting it wrong. At present it is sometimes questionable how much value is gained from the use of social media, however, that is mostly due to how it is measured and in most



cases centre management teams, landlords, retailers and customers, all agree that there is a benefit and it would be detrimental to not be engaged with the shopping centres customers and retailers via a social media platform. It is generally felt that there is also a benefit in terms of perception and expectation that a centre will be actively engaged with social media and utilising all communication platforms.

Bilfinger GVA is helping customers understand the role and place of social media in shopping centres, by helping to communicate, engage and learn from customers at shopping centres we manage across the UK.

Social media channels should be built in to any customer service strategy with staff trained on how to respond in much the same way they would have been if they were joining a call centre. HubSpot's 'state of inbound report 2016 on marketing trends states that "in the next five years, marketing and sales as you know it will no longer exist". HubSpot say that consumers want more blog type content and four billion people worldwide use messaging apps to communicate and search.

The biggest benefit for centres to add social media to their comms and PR channels is it offers easy and free ways for them to listen to their customers and respond in real time to queries. The channels also offer great ways to help support not only the centre but also the retailers, promoting offers, promotions, and events etc, all of which

will hopefully have a positive impact on footfall, engagement, dwell time and ultimately customer spend.

"A key consideration... is management of the platforms"

A key consideration when engaging with social media is management of the platforms; the commitment and skills involved. People expect an ever more instant response to comments on social media and it is therefore essential that one is given, all communication channels are pro-actively reviewed and the response is appropriate, for all to see. As we all know this is a very different skill to those of a traditional centre manager. There are so many different elements to a successfully run shopping centre, that whether outsourced or a member of the shopping centre management team, it is essential the right person or team is responsible for delivery the appropriate customer service messages. For example, we have a new retail liaison role at a number of our managed centres, who work alongside the general and operations managers, with a clear focus on customer service, communication and engagement via all channels and importantly including a targeted and measured social media plan.

Where centres have dedicated marketing teams in place, the addition of social media channels can be an easier process than for those that do not, where it has the potential to become a mind-field to understand and get right. An option for some shopping centres has been to invest in creating their own app to push out messages of promotions and events as well as blog around topics they believe their consumers are interested in.

One thing is clear, customer service and the use of social media has already changed significantly within the management of shopping centres and we can be confident that there will continue to be fast paced changes in this area. As we start to approach the key retailers trading time of Christmas, it will be particularly interesting to see how social media and seasonal campaigns are delivered, managed and measured in 2016.



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Trending: Regional Products

Besides organic products, a category of growing importance in the foodstuffs segment is that of regional products. by Christian Parpan



Bilfinger Real Estate AG has recently obtained management mandates for four shopping centers in Switzerland: three from Zürcher Kantonalbank and one from Zürich Gruppe. Thanks to these new mandates, Bilfinger Real Estate AG will now be responsible for the management of almost 25,000m² of shopping-center retail space.

These are local products made and consumed within the same region, and the goods available encompass practically all the daily food staples. To cite but one example, the Coop shopping center chain currently stocks over 450 varieties of cheese and 450 brands of wine from all regions of Switzerland. Among those riding the second wave of this trend is the Lidl chain, which is looking for small, artisanal producers whose specialties it can feature on its shelves.

Many convenience goods can be sourced from local providers. But the question of where goods originate has become an increasingly decisive factor for consumers of both sexes – not only when it comes to food but also other goods such as plants, flowers or even lumber. Thus, it will be possible to obtain Christmas

trees harvested from regional forests in the Yuletide season

Despite the increase in mobility and the options available to online shoppers, there is a growing tendency to favor local retailers. Food sellers, with their selection of staples, continue to serve as the key drivers of shopping centers. But the results of frequency and turnover analyses clearly demonstrate that customers of both sexes are increasingly looking to neighborhood shopping centers for their non-food needs as well.

We will be happy to perform an analysis of your specific location's catchment area in order to provide you with the relevant socio-demographic figures and other key parameters, and to explain where and how additional potential can be raised based on current movement profiles (vehicles and pedestrians).



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How Shopping Centers benefit from E-Commerce

The digital revolution we are currently experiencing has created a new type of consumer, one defined by his practically addictive appetite for the services and products on offer. by Onur Akyol

This manifests itself not just in his buying behavior – it is also evidenced by the fact that the digital media have become a constant companion. Thanks to digital interactivity, this new generation of customers takes

turnover was generated by e-commerce. By the end of 2016, the turnover volume attributable to e-commerce is expected to rise to EUR 9.5 billion. The number of internet users in Turkey is also on a rapid growth path, from a current level



its decisions more carefully – people will do research before they make a purchase, will exchange information with others about a given product, and generally will be more demanding.

In Turkey, shopping centers accounted for roughly EUR 30 billion of the total turnover volume in 2015. EUR 8 billion in

of 37.7 million to a projected 53 million. On the other hand, the statistics show that only 42 percent of consumers actually order a product online after having researched it on the internet, whereas 51 percent prefer to buy it in a retail outlet.

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Continuation: How Shopping Centers benefit from E-Commerce

This means that the benefits of e-commerce also trickle down in no small measure to stationary retail shop owners, who thus have gained access to a new distribution channel. Additional positive aspects of e-commerce include more efficient inventory management, lower personnel costs and operating overhead, as well as the possibility of accepting orders outside of normal business hours. This said, retail brands are still well-advised not to neglect their brand values and to work to strengthen their brands' recognition.

“Conceptual diversity instead of a fixed shop assortment“

Against this backdrop, it is advisable for shopping centers and retail shop operators to take a range of nuanced measures and to cooperate with one another in the process. It is a known fact that besides their purely physical requirements, shoppers also want to have their social and psychological needs looked after as well. In cases where the social status of the consumer plays a role, for example, the measures taken should foster a feeling of independence and of belonging to a select group. This is more likely to succeed where conceptual diversity, stories, events, and campaigns come into play rather than fixed shop assortments. The corresponding

marketing efforts should be directed at the respective target groups by way of social media and cross-sales techniques. In the process, a joint strategy should be applied to ensure that no customers are poached.

Shopping centers and individual retail shops that integrate e-commerce into their strategy both stand to benefit from its advantages and potentials. In order to keep pace with the demands of the digital age, they should work together and mutually support one another. This is the only way to ensure a win-win situation and long-term success for all involved.



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What's next: Big Data

Big Data, it's all in the name. The digitization of society, with key drivers the rise of social media and the use of mobile devices. The amount of data is growing exponentially as consumers increasingly store data themselves by way of files, photos and movies (eg via Facebook or YouTube). by Leon Timmerman

Furthermore the devices themselves also automatically store and exchange data. Did you know that as much as 80% of the available data originates from 'unstructured sources', such as social media? Also 90% of the available data has only been generated in the past two years. This clearly indicates the enormous growth, but also the complexity. (Source: CMSWire)



“the need for a better understanding“

As a property manager of retail property, we recognize the importance of these data. At the same time we are aware of the need for a better understanding and transparency. After all, this data is only valuable if it is linked to internal data. e.g. rental and sales data, energy use and footfall data. By combining all this information we can show our clients where improvement is possible and where successes have been achieved.

Another important area of Big Data is legislation. In the Netherlands there is clear legislation in place for the protection of personal data. Unfortunately this is not always clear regarding WiFi tracking. A tool that we frequently use in shopping malls. In order to find out more about the origination of our visitors, the frequency of their visits, the time they spend in the shopping centre and more interesting, what per-

sonal preferences that person has (eg likes, tweets, shares, downloads): the so-called "Consumer Profile". Agree to the terms for the use of free WiFi. People don't really think it over before they accept. Almost no one reads the complete general conditions. Automatically agreeing means we can use a lot of data from your phone. The same goes for Bluetooth or giving access to location based search engines such as Google. But what if someone does not agree explicitly. The Authority for Personal Data (AP) has set strict requirements regarding encryption and the storage of this data. Specifically for companies that follow shoppers behavior. And that's where the legislation does not yet provide sufficient clarity: when is collecting data for a longer term necessary for the business and why should we only keep the data for a limited time. The data is more valuable when we are able to measure over a long period of time.

Although WiFi tracking also provides benefits for consumers, companies and authorities which are using them have to pay close attention to the regulations on privacy and the collection and processing of personal data.

Conclusion, consumers can enjoy the practical conveniences that big data provides, but the business has to do it on a socially (and legally) responsible manner.



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Digital Technology in Retail: Insight

by Adrian Kaczynski

“RETEch”, “Intelligent Enterprise”, “Internet of Things”, “Internet of Me” are just some of the many phrases which embellish current discussions around the real estate world – digital technologies competing to change the way we invest in, use or manage properties.

Now we observe the shift to commercial real estate. In 2010 investors threw \$283 million at real estate tech startups, in 2015 it was already more than \$1,5 billion with an estimated increase up to \$ 2,3 billion until end of 2016. Today there are around 720 RETech (Real Estate Technology) companies, and the number is growing rapidly.

that customers prefer to research products online and check for availability in store to buy on-stock products.

Positive customer experience is the primary basis for competition. Leadership will be required on behalf of leading retailers and real estate providers. Mobile apps will have a heavy impact on the retail sector, not surprisingly considering more than a billion smartphones sold each year. Tiny sensors will gather data about the physical world and turn those into live action triggers to promote in-store promotions, offer digital directories and concierge services.

Polish shopping centers have started to adopt to the new trend. The Riviera mall



This advance in technology created new challenges but also new opportunities. Crowdfunding phenomenon is shaking up the way how investments are made. Crowdfunding investments platforms make it possible to begin investing with as little as \$1,000. Brokerage websites connect landlords directly with tenants and vice versa limiting the need for actual broker. But there is also technology which drives customer satisfaction and helps owners and investors to see trends while addressing their sales and costs challenges.

Positive customer experience

Over the perspective of offering Omni-Channel sales and rethinking distribution channels, an interconnected customer experience will be crucial for success. As the Internet of Things converges the physical and the digital world, it will create new channels to reach deeper into people's lives.

Another trend among others is the Outcome Economy where data from customers' smart appliances are analysed to understand how customers use products and services, and how a seamless in-store experience can be created. Trends show

in Gdansk started a "Social Wall" – small touch panels around the mall, all linked to a big wall in the common area - which gives customers the possibility to communicate with each other.

The popular app QPONY has already more than 500.000 active users on the polish market. A technology which is also used to get a better understanding of the traffic patterns within malls. Traffic heat maps inform about hot and cold spots within the mall, creating opportunities to improve the properties in terms of merchandising, revenue and amenities. These are just some of plenty examples how technology is influencing the way shopping centers are run in the future.

Bilfinger GVA Real Estate Services is a leading European real estate company operating from Warsaw with a specialized team for Research, Business Intelligence and Real Estate Technology Consultancy. Besides our core competencies in all traditional Real Estate disciplines for investors and occupiers, we bring valuable insight in our clients' portfolios and are a trusted advisor to led our clients successfully into the technology driven future.



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