

Shopping centres strategy for overcoming eCommerce





SHOPPING CENTRES STRATEGY FOR OVERCOMING ECOMMERCE

**asos**
discover fashion online**festival**
PLACE
BASINGSTOKE**amazon****very****cabot**
circus

Amazon, ASOS, Very; the list of big name eCommerce websites is growing by the day – but what does this mean for shopping centres? And how can they overcome these online giants?

The history of eCommerce dates back to the 1970's but really took off in the 90's with the development of internet security. With an incredibly fast growth rate, eCommerce has now become the biggest threat to shopping centre footfall in the modern world. For shopping centre managers, owners and the shop managers themselves, this means adapting strategies and even utilising online methods to drive footfall and keep the shopping centre experience alive. This whitepaper will delve into what motivates people to visit a shopping centre as well as detailing practical acquisition strategies for shopping centre managers.

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SHOPPING CENTRES VS eCOMMERCE

Shopping centres and online retailers have quite different business models, and both have their pros and cons. For shopping centre managers, the key is to discover and build on the strengths of the shopping centre experience whilst capitalising on the weaknesses of eCommerce.

The real power of eCommerce lies in the multitude of technology available to the shopper. Whether browsing on desktop or scrolling on their mobile phones, consumers have so many opportunities to shop on the go with eCommerce. The whole purchasing process is constantly being simplified too. Research suggests that people in the UK are spending on average over two hours per day on their mobile phones. That time is spent shopping, messaging and checking out the social media profiles of their favourite celebrities. Apps such as 'Like To Know It' take advantage of this scrolling time as they allow the user to screenshot a fashion style and the app then finds the clothes to purchase online. If shopping centres could replicate this kind of experience they would have a much better offering.

SHOPPING CENTRE PROS

- » Social activity – get out of the house
- » Face to face customer service
- » Try before you buy
- » Experience – events and activities
- » Store layout - upselling

eCOMMERCE PROS

- » Quick and easy
- » Voice search integration – order via Alexa
- » Store card details – quicker purchasing
- » Easy to check stock
- » Check reviews

SHOPPING CENTRE CONS

- » Limited stock
- » Time consuming
- » Potentially a hectic environment
- » Travel logistics
- » Competing stores in one location

eCOMMERCE CONS

- » Very transactional, robotic
- » Items more likely to be returned
- » No human interaction
- » Lack of experience
- » Highly competitive





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For me, visiting a shopping centre is as much about the experience as it is about buying goods. To get me through the door, a shopping centre needs to offer more than just shops, I like browsing market stalls, being entertained, having the opportunity to enter competitions and finding a place to rest and have lunch with a friend. That's the big difference between offline and online shopping really - online is quick, transactional and robotic, whilst offline is all about the experience, browsing the products and being out and about.

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WHAT DRIVES PEOPLE INTO SHOPPING CENTRES?

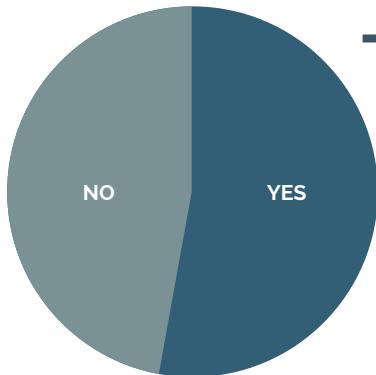
To know what drives people into visiting a shopping centre, you need to get into the mind of the consumer. We have conducted a consumer survey of people living in the UK to discover how they feel about the current shopping centre experience, how it compares to the online shopping experience and what can be done to drive footfall in store. The first thing we found was that 65% of consumers prefer to shop online than in a shopping centre, so shopping centre managers are already facing an uphill struggle.

Social Motivations

It is important to understand the specific motivations that make someone want to visit a shopping centre. For **52%** of our survey respondents, shopping is seen as a social activity, and therefore their motivation to visit a shopping centre lies in the added social benefits of the experience.

Would you go shopping as a social activity?

One survey respondent stated that they would like to see "**Options outside of shopping, so it becomes an experience**", with another stating that they would like to see "**Increased entertainment facilities**". Another told us that they want "**Samples to try (food), special events, something other than just shopping**". Already we are seeing a trend that consumers want much more than to just shop, they want an overall experience that entertains them and meets all of their needs.



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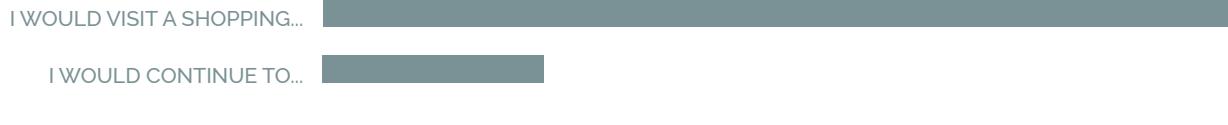
WHAT DRIVES PEOPLE INTO SHOPPING CENTRES?

52% of respondents stated that 'Events and Entertainment' at the shopping centre are more likely to convince them to visit. People see a visit to the shopping centre as a day out, so there needs to be much more than just shopping on offer. One respondent stated they would like to see shopping centres "**Offer more one-off experiences and then promote them more often to bring people out - food, entertainment, music etc.**"

Financial Motivations

Beyond socialising, there is also a theme of financial incentives being important to consumers when deciding to visit a shopping centre. When asked whether being given an 'in store only' discount would encourage them to visit a shopping centre, **87%** of respondents stated that this would persuade them to go in store instead of continuing to shop online. One respondent told us "**Promotions available on-line should be offered in store at the till to promote trust.**"

If you were given an 'in store only' discount, would this encourage you to visit a shopping centre, or would you continue to shop online?



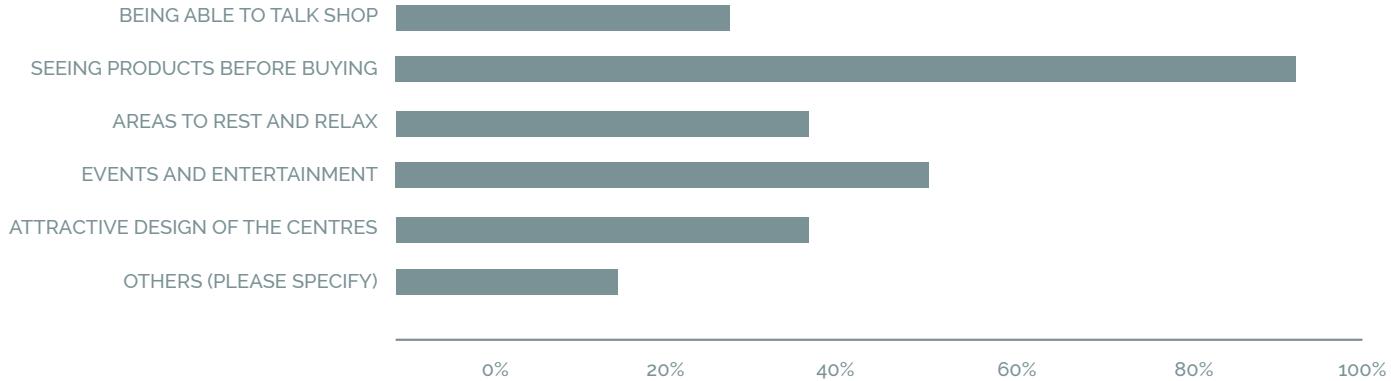
Another respondent told us why they prefer to visit shopping centres than buying online: "**Often it's cheaper to visit instead of online because you don't have to pay for postage & sometimes there's offers**", while others mentioned "**Smaller prices than online retailers**" and "**gifts/discounts**" as being their main motivation to shop in store. Interestingly, **52%** of respondents stated that they spend more when shopping online, compared to visiting a shopping centre, with **26%** spending more in store and **22%** seeing no difference in their spending habits online compared to in store. Financial motivations give shopping centres the opportunity to show that they offer real value to the consumer and can be capitalised on to increase footfall.

Convenience Motivations

One of the biggest motivations to visit a shopping centre for our survey respondents is that they get to see the products before purchasing them, with **91%** of respondents stating that this makes them want to visit a shopping centre. Respondents told us that "**The key is seeing the products**" and "**Try before you buy**" is a huge motivation for them to shop in store. This is something that the online experience just can't offer, but technological advancements in virtual and augmented reality may bring online shopping closer to this 'in store' experience in the future, but it still won't match the real thing. This offers a big opportunity for shopping centres to use this competitive advantage in their marketing and advertising.

One of our respondents told us that shopping centres need to "**Make walking around easier with less hustle and bustle and provide decent things to do for those waiting for others and maybe a crèche for children**". This combination of both convenience and entertainment is a reoccurring theme throughout the survey.

What is it about a shopping centre that makes you want to visit? Tick all that apply.



Parking was another big issue to come up throughout the survey. This occurs as both a financial and convenience motivation, as many respondents stated that they want shopping centres to offer free parking. One respondent stated that "Ample Parking Infrastructure around the centre" was very important to them, and when asked to name a particular shopping centre which they felt offered a great experience, parking came up over and over again:

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Bristol Cabot Circus Styling of the area is very relaxing and the range of shops available is great. Parking is easy and accessing the centre also straight forward from outside of Bristol

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Touchwood, Bullring, West Quays - I like shopping centres that have free parking, so I'm not rushed

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West Quay is good - good tenant mix, high quality fit outs, F&B available, covered, convenient parking

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West Quay Southampton, it's not very well know, large, great food options, parking underneath the centre and opens out on to a high street with shops and the occasional market

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Festival place Basingstoke and west quay Southampton, both have easy parking, undercover, places to eat, lots of variety of shops

Aesthetic motivations

Our survey revealed that consumers are motivated to visit shopping centres if they have an attractive design. **39%** of survey respondents stated that an 'attractive design of the shopping centre' is a reason for them wanting to visit. This was even more important to our survey respondents than being able to talk to shop assistants.

One respondent told us that they wanted a shopping centre to have a "**Well organised structure. Clear pricing. Uncrowded/space. Easy access to changing rooms**". Other respondents told us about their favourite shopping centres; "**Bluewater Kent is great - stunning design and there always seems to be something going on there**". Another said they liked "**Gunwharf Quays because of the open-air setting, reasonable choice of restaurants, good quality stores**".

BULLRING
BIRMINGHAM

cabot
circus

WESTQUAY
SOUTHAMPTON

festival
PLACE
BASINGSTOKE



Gunwharf
Quays
PREMIUM RETAIL OUTLET



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WHAT THE EXPERTS SAY



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Joel Shorto – Shopping Centres Rep for INTRAsystems

We spoke to Joel, the INTRAsystems Northern rep for Shopping Centres to find out what shopping centre managers feel about the industry, it's competitiveness with eCommerce and the future of shopping centres.

"People are spending more online and deserting particularly the smaller retail centres. Tenants are pulling out and not renewing leases, and there are many, many retail units available for lease, that are just standing empty. Pound shops, value outlets and small independents are taking precedence in the absence of the larger traditional 'Anchor' stores (M & S, Debenhams, Next, Primark, T K Maxx etc)

"Many stores that retain a presence in smaller centres (e.g. H Samuels Jewellers) are seeing a transition to just becoming a point for click and collect transactions, rather than the old browse and buy style of shopping.

"Clientele are becoming more noticeably the older generation, who would not be so computer literate, but typically have much less disposable income than other groups."

We asked Joel what he thought shopping centres could offer that the online experience cannot; "Ability to browse, ability to return goods cost effectively sometimes if return charge applies, for the older generation who do not like online shopping, ability to try

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WHAT THE EXPERTS SAY

clothes on, forum for spending time with friends, can plan your shop easier without having to make sure you're in for the parcels, although the new Amazon drop lockers have gone some way to alleviate that issue. Ability to use cash, and avoidance of potential online scams and fraud. Shopping centres are more of an event, chance to get some lunch, late night shopping, restaurants."

Joel went on to tell us how he had seen shopping centres competing to keep footfall flowing; Larger centres will continue to invest to make it more of an 'experience' - examples I have come across are where more restaurants are being added on another floor, later opening times, climbing walls, zip wires around the high atrium ceilings, more and more will be done to persuade people to treat a visit to the larger centres as a 'day-out'.

"Attractions will continue to play a big part of this, and the larger outlets will get smarter in how they link to online shopping so that it's more of a seamless and rewarding experience for people to order online and maybe go into the centre too. Shopping centres might even try having online shopping zones in the outlets".

Christopher Bailey – Chief Creative Officer of Burberry

Chief Creative Officer of Burberry, Christopher Bailey, understands just how important technology will be for driving footfall into stores going forward, and offers some insight on how Burberry are bringing the online experience in store, particularly in their Regent Street flagship which has integrated technology throughout, including the use of full length audio, video and mirror screens and radio-frequency identification tags.

"We put so much energy and design, and created all these unique experiences on Burberry.com, but we didn't have any physical version of them — Burberry Acoustic, for example, or our heritage archive, or Burberry Bespoke, or even our fragrance division.

"So, what we did was the exact opposite of the way people build physical spaces. We started looking at Burberry.com and making the experience you have there very rich,



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WHAT THE EXPERTS SAY

one that shows the whole world what Burberry is about. We wanted, when you walked into the Regent Street store, to feel exactly the same atmosphere, [for you to be] able to engage with it in the same way that you might be able to engage online. That meant silly as well as tangible things. We installed several hundred speakers and built a stage, as well as an in-and-out satellite link so we could stream live shows in, and stream out live gigs, all of which emulates the Burberry Acoustic site.

"We also did a lot of residential seating around the space, so you can sit down and relax as might you at home with your laptop or iPad."

"As for RFID: People are interested in what goes behind products now. You can show so much more on the web through video and text and moving imagery. So, what we wanted to do, for example, is if I try on a trench coat and approach one of the mirrors that we've enabled with RFID (radio-frequency identification), content comes up on the screen that shows how we've made that trench coat, what it looked like on the runway. We're putting stories behind clothes and fashion." (Mashable)

Mary Portas – Retailer Consultant and Broadcaster

In the 2011 'Portas Review', Mary Portas gave some advice to Britain's shopkeepers attempting to compete with the rise of eCommerce.

"Surviving in today's value-minded, aggressively-discounted, convenience-focused market means reappraising how to compete and doing things differently. It means standing for something. Connecting with our values as well as our sense of value. Consciously bringing something onto our high streets that the internet never can. And doing it with such creative flourish that people come back time and time again."

"In a world where the sheer sophistication, speed and scale of both the web and the major supermarkets will always be pushing new boundaries, you'll never be able to compete sustainably on price. You'll never be able to beat the sheer efficiency of

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WHAT THE EXPERTS SAY

the web. You'll never be able to compete with the range and diversity of the major multiples and supermarkets. Where you can compete and need to focus your efforts is in three core areas: Experience, Service and Specialism."

"Experience, in the truest sense of the word, is something which touches people on a deeper human level. Retail theatre when done well is surprising, challenging, uplifting, energising even mesmerising... Too many retailers start with the product and build outwards. Too few start with the customer experience and design the product to fit into it.

"I believe that good service is our basic right. Far too many businesses on our high streets don't prioritise good service as part of their offer, meaning that as a nation we've come to expect no better... From connecting with and really knowing and caring for your customers, to having an in-depth knowledge that guides and advises them; serving is quite simply the new selling.

"One thing most of us understand is the value of a real expert. Most of the better examples of new British retailing are guided by the hand of a specialist in one form or another. Specialist retailers know how to express and manifest their expertise across everything they do. And I don't just mean their products."

Mary also offers a few ideas for shops hoping to provide additional benefits to their customers:

"Big shops being more than just shops: Let's get some of the big brands on our high streets to think about incorporating more social and local activities into their in-store experience. We have had book shops bringing a coffee franchise inside for customers to relax, work or meet up while they browse and read. Why not turn that on its head? Get a coffee shop to bring in a bookshop. Put in Wi-Fi and make the high street the place to go for all those people working from home. Or ask the sports shop to offer a meeting point and drinking water for the local running club?"

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WHAT THE EXPERTS SAY

"Virtual" High Streets: Today we all live online too. I would like Town Teams to create an online 'bottom up' virtual version of their high street which is the easy automatic 'go to' for all things to do with your local area. We could use online tools and software to get people thinking and talking about their high street, not as a 'council of despair' but to contribute in a positive way. The Virtual High Street would show you all offers, across all shops and businesses. There could be a My Town Loyalty Card which joins up all businesses together. In addition, the Virtual High Street creates a powerful social forum for people to share and discuss. There's real potential in finding who lives locally and what skills they can offer to their town. (Gov.uk)

Deborah Weinswig – Founder and CEO of Coresight News

As a leading expert in retail technology, Deborah Weinswig recently spoke about the importance of retailers bridging the gap between online data and the in-store experience, especially when it comes to marketing campaign targeting to increase in-store revenue.

Deborah talks about the difficulties of traditional customer relationship management systems (CRM) as they cannot track real-time purchase data in store, where around **80%** of sales still occur. Her solution? Companies such as 'Spring Marketplace' who offer solutions that provide data on who the customer is, where they are on the buying journey, what they want, and which marketing strategies affect them most. Spring Marketplace partners with payment networks such as Visa, Mastercard and American Express to track real-time customer purchase data, allowing users to connect in-store and online commerce and execute effective marketing strategies.

Deborah speaks about how the Spring Marketplace platform works:

"The platform is designed to collect:

- » Identified profile with contact information and permission.
- » Real-time transaction data in-store and online.

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WHAT THE EXPERTS SAY

- » Geolocation information (through Wi-Fi and phone ID).
- » Purchase activity outside the retailer's own store at the category level across malls in the Spring Network.

"Spring engages customers in five primary ways, based on the data and analytics derived from the Customer Insights platform. These include promotions based on location, targeting based on purchase activity; real-time emails and text messages to solicit customer feedback; smart and flexible loyalty programs and incentives that tie purchase activity directly back to media and offer activation.

"E-commerce will continue to pressure brick-and-mortar retailers to maximize the value of their store assets by using them not only as distribution points, but also as a marketing channel." (Forbes)



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INCREASING FOOTFALL IN SHOPPING CENTRES

Looking at what motivates consumers to go to a shopping centre can help to create a strategy for increasing footfall. There are clearly some key areas consumers care most about when it comes to deciding whether to shop online or visit a shopping centre, and by capitalising on these areas, shopping centre managers can start to increase footfall and in turn increase revenue.

Facilities

Firstly, shopping centres need to get the basics right. Offering the right mix of facilities, including parking, toilets which are inclusive for everyone (disabled, baby change etc.) and places to get food and drink will be essential to the success of the shopping centre. One of our survey respondents stated that "**Stock availability and clean environment**" were very important factors to them. It might seem obvious, but these simple basics are the most important to get right first of all.

Aesthetics

At INTRAsystems, we know just how important aesthetical appeal is within a shopping centre. We have worked with countless shopping centres, such as INTU Derby, Festival Place Basingstoke, West Quay Southampton, Silverburn Glasgow and many more to create an entrance which is not only beautiful in design but practical in usability too. Consumers want an environment which stuns and amazes, so getting the aesthetics right is of vital importance.

Events

Our survey respondents stated that they wanted "**Options outside of shopping, so it becomes an experience**" and "**Free activities for kids**" throughout their shopping centres. There needs to be that little something extra to get people through the door, whether it's a book signing, indoor market stalls or any other form of entertainment that attracts real attention.

Westfield Shopping Centre in London is already embracing the experiential shopping approach which is going to be so vital in the fight against eCommercce. By offering experiences that cannot be replicated online, Westfield London benefits from one of the highest footfalls of all shopping centres in the UK, with **27.3 million** people visiting in 2016. With events such as Sunday morning yoga, 'Parent to Be' meetings, exercise sessions, talks from fashion experts, screenings of popular sporting event such as Wimbledon, fun fairs, wine tours and so much more, Westfield London uses dedicated events spaces to lure in the crowds and continue its success.

Variety

Consumers are getting bored of seeing the same old shops with the same old products. This was highlighted throughout our survey, with one respondent telling us shopping centres need to "Provide good coffee shops for breaks from shopping and have a good variety of shops including some that weren't the usual high street shops". Another said they were keen for shopping centres to "**Offer a better experience and wider range outside of fashion and traditional retail**". By offering this variety of shopping experiences all in one place, shopping centres have a real advantage over the online environment where everything seems to be structured in the same way.

Advertising and Offers

Consumers want a bargain, so if you are offering 'in store discounts', you're going to see more of them coming through the door, which creates more of an opportunity to upsell. Whilst eCommerce might be the physical shopping centre's biggest nemesis,

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INCREASING FOOTFALL IN SHOPPING CENTRES

online advertising is the secret weapon to success. Retailers report that **60-75%** of physical store sales are influenced by a digital channel, so it's essential to have an online presence. Whether it's Google Search ads, Display ads, Social Media ads, Email or content marketing, you can hit the consumer at all angles online in order to drive them in store. There's even an opportunity to double up on sales by offering an in-store discount after an online purchase.





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THE FUTURE OF SHOPPING CENTRES

Whilst eCommerce certainly is a threat to shopping centre footfall, shopping centres are by no means down and out, and the future holds a lot of opportunity for growth. First of all, technological advancements offer new opportunities and experiences for consumers. In our survey, we asked respondents "**Would further integration of technology in shopping centres, such as 'Bluetooth Beacons' which reward you with loyalty points when you enter the shopping centre and send personalised notifications such as discounts and savings to your phone throughout your shopping experience, persuade you to visit more often or would this technology not interest you?**" We found that **39%** of respondents would enjoy this technology and visit the shopping centre more often. Of course, there is always a risk with this sort of innovation though, and 9% said that the technology would put them off visiting as it felt too invasive.

Clearly, advancements in augmented and virtual reality offer an opportunity too, and while this technology isn't quite there yet and could be more of a gimmick than a time saving experience enhancer, retailers are already experimenting with what can be achieved. At their flagship store on Fifth Avenue, New York, Polo Ralph Lauren use 'Smart Mirrors' in their changing rooms, much like those used by Burberry. These touch screen mirrors allow you to alter lighting in the changing room and use radio-frequency identification tags to identify which products you've brought into the room, which are then shown on the mirror with additional information such as stock

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THE FUTURE OF SHOPPING CENTRES

and sizes. It also offers additional stylist recommendations, therefore working well as an upsell tool. With the option to call an assistant, change the language and get a message sent to your phone detailing the items you tried on, these smart mirrors really ramp up the in-store experience.

The future isn't all about technology though, it's about processes too. When we consider the 'sale and return' culture of eCommerce, we have to question how sustainable this model really is. With consumers often buying more than one size or colour of item online with the intention to send most items back, the retailer has to cover the cost of these returns in most cases. Perhaps this is a model which will not last, and shopping centres will be able to capitalise on this.

Retailers are going to really start to appreciate the difference between buying and shopping as the transactional, convenient online shopping approach starts to seek out the opportunities presented by social, experimental shoppers. Big online giants such as Amazon may start to increase their high-street presence, presenting an even bigger threat to shopping centres.

For shopping centres to really get ahead, they are going to need to listen to the consumer and adapt the shopping experience to meet their needs. It's going to be much less about just 'shopping' and more about 'experiences' in the shopping centre of the future.

INTRAS. SYSTEMS

14 Headlands Business Park, Salisbury Road, Blashford, Ringwood BH24 3PB.

t +44(0)1425 472000 f +44(0)1425 481981

e info@intrasystems.co.uk w www.intrasystems.co.uk