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Retail 2020 Going Beyond Retail



Real value in a changing world

Retail **2020**

Going Beyond Retail

Experience? What Experience?

European retailers got very excited in the 1980s looking across the pond at American concept retailers. Banana Republic had a jungle setting and real life Jeep. Crate and Barrel looked like a dock yard with ‘just off the ship’ discoveries in kitchenware and tabletop. Victoria’s Secret was a sensual French women’s boudoir.

Simultaneously, business author Tom Peters was talking about “service with a smile – and for a profit”. His book ‘In Search of Excellence’ picked on US department store Nordstrom saying; “nobody does it better; its service secrets make it a real winner”.

Forward wind to 2010 and the retail industry is still talking about the need to achieve the Holy Grail of sensational customer experiences and inspired in-store service. Does this talk to 25 years of laziness and lost opportunity or to an extreme difficulty in delivering these aspirations?

Again, what can be said is that these last 10 years have been very favourable for occupiers and owners and the real need to invest in ‘the icing on the cake’ has not been there. By and large, products have sold themselves and in-store environments and customer care has just had to be par with benchmark, no better.



Retail Grows Up

Looking to the next ten years, a different picture emerges. The saturation of clone stores selling similar products in similar ways is starting to look unsustainable.

Meanwhile, projections for a low growth European economy suggest competition is about to get much tougher. Finally, the growth online means that offline will simply have to offer something more. And whilst it used to be said that being able to touch and feel would be enough, the success of net-à-porter (*net-a-porter.com*) and so many other online fashion retailers somewhat disproves this hope.

So, **the focus will be back on experiences and services for the next decade.** In other words, retailers will have to *Go Beyond Retail* in the pure play sense of simply distributing tangible goods. **Retailers will have to become entertainers, compères, theatre producers, masters of ceremonies, butlers, concierge's, pamperers, flatterers, psychologists, social workers and more.**

The same applies to Shopping Centre managers, of course. A Shopping Centre can no longer simply be a "machine to sell goods". This is 20th Century reasoning. In fact, it is not even that. It is industrial age reasoning. It is treating the Shopping Centre as if it were a factory, with inputs (goods deliveries) and outputs (sales walking away with consumers). By this logic, customer service and community relations were just things you did in order to keep the 'factory' out of trouble. Now that the logistics can be handled without the factory (online with direct deliveries), the 'factory' has a hobbled engine. Suddenly, the power is in a different place and the value lies in all those things you used to do because you had to, not because you wanted to. Put another way, the 'icing on the cake', is becoming the cake.

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Over the next decade, the Shopping Centre will have to grow up; to become part of the leisure, service and information age, and leave behind the industrial age. This time around, they will simply have to deliver on experience and service or fall increasing victim to online, dis-intermediated, supply circuits.

To an extent, this is not news. Brand flagship stores are all about selling the experience. High Street Shopping Centres across Europe are creating new community feels. Libraries, conservatories, educational areas, quiet rooms – many initiatives are being tried to bring real life to shopping in order to bring shopping to life.

Meanwhile, the model of open-air lifestyle centres has attraction too. Lifestyle retail, eateries, free form markets in an urban setting of character and history have proven popular with consumers.



A multi-functional use of buildings on High Streets and Central Business Districts is also part of this movement. A specific space may be a coffee bar during the day but a wine bar in the early evening. **It's about selling the right service and the right experience at the right moment.**

Bringing leisure to shopping has been the other great thrust in Shopping Centre development over many years. From cinemas to food courts, passing via ice-rinks and mountaineering walls, Shopping Centres are more leisure destinations than ever before. The aquarium in the Forum Istanbul, Turkey (forumistanbul.com.tr) is winning many fans, as is the Kidzania concept in Dolce Vita Tejo, Lisbon (kidzania.pt) and in the Dubai Mall (as well as other global locations). Not forgetting the skiing in Xanadú, Madrid or the integration of casino's and fitness centres into Shopping Centres either!

The Latte Factor

Can we expect more of this ‘Latte Factor’ over the next 10 years? Absolutely we can; Shopping Centres represent a huge physical space and, with vision and courage, this can be adjusted to suit many purposes (retail, leisure, culture, health...).

Real developments will come both through the new ideas and through a more sophisticated execution of those ideas. Consumers want emotion and they want realness; a poor imitation will fall flatter than a bad joke. They want local and global, they want ethical, they want smooth seamlessness, they want great design. They want more authenticity (either something which is really authentic, or a great execution and staging of something which is not authentic). And they want more lively change.

What will this demand lead to?

- Resurgence of ‘old forms of retailing’ e.g. night markets, antique markets, flea markets
- Something new each day of the week, not the same market barrow year-in, year-out
- Retail in unexpected places and integrated into authentic settings e.g. villages within towns
- Much more playful, international eating (in the style of Yo! Sushi)
- Fewer ‘plastic’ food courts; more genuine offers (e.g. authentic street food, Wahaca Mexican market eating)
- More consumption with a conscience (e.g. fairtrade and equitrade)

- New diversity & professionalism of independents within Shopping Centres (e.g. selling genuine Peruvian knitwear)
- More ‘value for life’ experiences where consumers come away changed, rather than simply entertained
- Wider leisure activities (not just those that can be charged for)
- More pop-up retail: different brands, different places, different times
- Cross-activity promotions to encourage customers to stay longer
- New sparkle through the introduction of brands from China, Japan, Brazil etc..
- Older people’s clubs generating a sense of belonging

Meanwhile, from retailers, consumers are just waiting for more retail theatre and better service; service they remember and which they gossip about later. And they occasionally want the kind of involvement in-store that Build-a-Bear provide, for example.

Who Can Afford It?

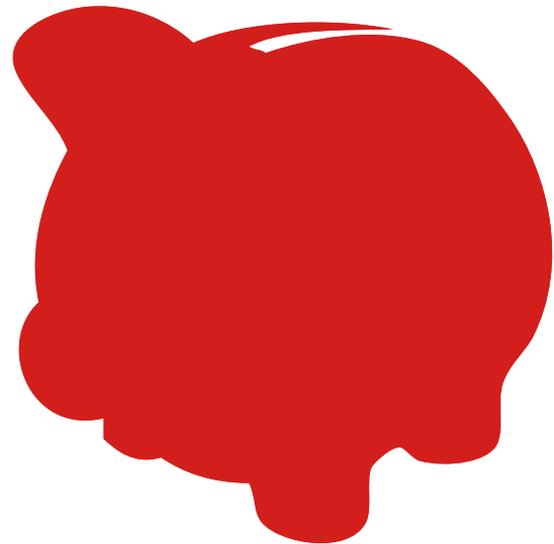
But here's the rub. Who pays for all of this?

The truth is that, even in the good times, retail could not afford the lifestyle consumers demanded, so what hope is there in the next ten years? Could a value retailer really recruit and pay for high quality front-line staff rather than the 18 year old school leaver in the future? Could a retail property owner really afford to think first and foremost about creating a Third Place people want to come to, before considering how many of those attracted will actually make purchases?

It is tempting to look at this as black and white i.e. the retail industry will either have to 'squeeze and please' (taking a margin hit in order to attract and satisfy consumers) or risk losing market share to online.

However we forecast that there will be a third way. **The very best and most agile Shopping Centres and retailers will find new, inventive, 'challenger' ways to get more 'bang' from the same cost base.** It will require smarter thinking, better marketing, rigorous execution, full use of technology but it will be possible to deliver expert service with a smile and a compelling brand experience and not suffer huge margin erosion.

Added to which, as a related activity, the next decade will see a significant tightening of loose operational practices which will yield efficiency savings that can be reinvested in the consumer experience. For example, Shopping Centre Managers will find economies in outsourcing, energy management, avoiding old-style blanket marketing etc. all of which will contribute to the new *Going Beyond Retail* budget pot.



If you have any questions about this report, please contact us at:
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