

Top Takeaways from The Connected Mall of the Future



The FGRT team attended “The Connected Mall of the Future,” the inaugural event of a series of collaboration events between FGRT and the Urban Land Institute Asia Pacific, which focus on innovation in retail and its applications to real estate.

The Key Takeaways

- 1) Chinese consumers are more tech-savvy and willing to try out new digital tools.
- 2) Consumers are not cautious about giving away data.
- 3) Shopping centers should have their own apps.
- 4) High-end malls outperform and there is opportunity in tier-2 and tier-3 cities.
- 5) Shopping in the connected mall of the future will be social and seamless.

The theme of the event series collaboration between FGRT and the ULI Asia Pacific is “Retail Revolution: Disrupt or be Disrupted,” and the various conferences and panels planned throughout the region are meant to showcase innovative solutions in the retail space. The inaugural event, The Connected Mall of the Future, focused on consumer-facing technologies that augment communication and engagement with customers.

During the first part of the event, Deborah Weinswig, Managing Director of FGRT, presented on the recent trends in retail technology. Her presentation is available [here](#).

In the second part of the event, Weinswig was joined by the Cofounder and CEO of ActiMirror Victor Ruiz and the Founder and CEO of Neoma Francois Chabaudie for a panel discussion, which focused on consumer-facing retail innovations that are relevant for real estate companies.

Company Background

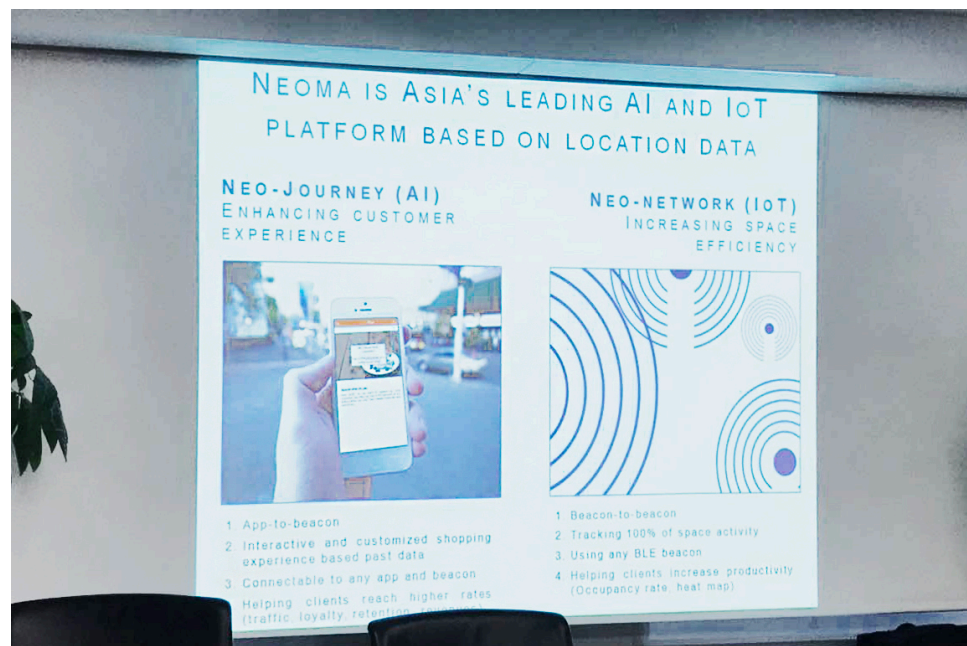
- **ActiMirror** helps stores become omnichannel hubs by creating a personalized consumer communication channel and enhancing the overall guest experience.
- **Neoma** helps shopping malls create, launch and promote beacon-powered and augmented reality (AR) applications, and helps retailers within the mall inspire and attract customers as soon as they enter the building.

Key Takeaways from the Panel Discussion

1) Chinese Consumers are More Tech-Savvy and Willing to Try Out New Digital Tools

The first question discussed by the panelists was related to the difference in shopping behaviors between markets. Both Ruiz and Chabaudie shared the opinion that consumers from Mainland China are more forward when it comes to interacting with technology during a retail experience, mostly because of their use of apps such as WeChat.

For example, last year Neoma supplied its beacon-powered technology solution to the deTour HK 2016 festival in Hong Kong, which hosted 110,000 local and international visitors, and found that Chinese visitors experienced significantly higher levels of engagement. However, consumers from Hong Kong, as pointed out by Ruiz, have benefited from and expect in-person assistance from sales staff. Chabaudie commented that, in markets such as India, connectivity is still a problem which prevents the adoption of retail technologies.

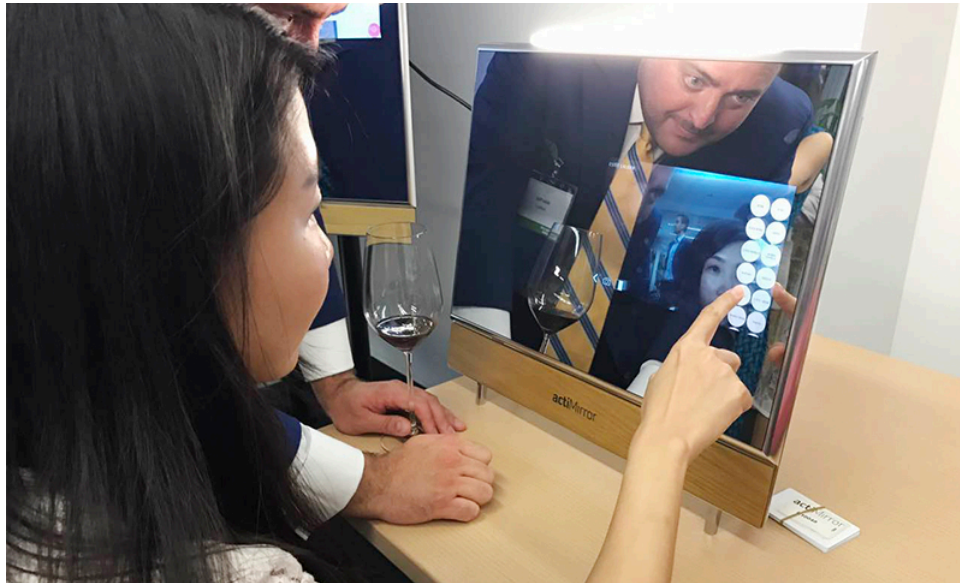


Source: FGRT

The panelists also agreed that retail experiences in the US lag behind in retailtainment, which presents a big opportunity for real estate operators, retailers and tech companies to make shopping fun and exciting.

2) Consumers Are Not Cautious About Giving Away Data

ActiMirror's digital mirrors use face-recognition technology to create personalized experiences for consumers. In one instance, the company ran a selfie application that required consumers to accept the terms and conditions on ActiMirror's website, and, not surprisingly, few consumers took the time to do so. From this perspective, Ruiz observed that consumers are not cautious about giving away data when engaged in interactive experiences. At the same time, startup companies need to pay particular attention to privacy laws and to make sure they are compliant with regulations, because any large fine or suit could dramatically impact the survival chance of a startup.



Source: FGRT

3) Shopping Centers Should Have Their Own Apps

The panelists discussed whether it makes sense for shopping centers to build their own apps. Users are reluctant to download and use multiple apps, so at the face it, the investment does not seem justified. However, if one takes the view that the shopping center is a retail platform, then a mobile app can add significant value to the consumer, especially if not all shopping center tenants have a digital footprint. Weinswig further elaborated that the case for building apps is even stronger for larger REITs which operate multiple locations. They can use an app to communicate with their visitors in a direct fashion and further establish their brands. In China, shopping centers can use WeChat to achieve the same purpose, while benefiting from the app's 963 million user base.

4) High-End Malls Tend to Outperform and there Is Opportunity in Tier-2 and Tier-3 Cities

When asked about the retail outlook for shopping centers, Weinswig commented that high-end malls tend to outperform the market. For example, A malls in the US have performed strongly, seeing double-digit sales growth in recent years. That being said, properties are still facing challenges from declining foot traffic, due to the expanding e-commerce segment. Weinswig also commented that there is an opportunity in tier-2 and tier-3 cities, especially in China, where the rising middle class, higher expected levels of urbanization and shift to a consumption-driven economy are expected to support retail projects.

5) Shopping in the Connected Mall of the Future Will Be Social and Seamless

The panel wrapped up with a discussion on what the shopping mall of the future might look like. Weinswig commented that the shopping center, while more connected, will be a place for social connections and community activities. Chabaudie remarked that the shopping center will provide a unified shopping and community experience to consumers, while technology solutions will be able to measure the satisfaction of visitors and supply relevant data to shopping center operators and retailers. Ruiz conveyed that with the help of innovative technologies, consumers will have to think less when shopping. Instead, they will get what they want, when they need it, in a seamless fashion. In addition, with a sizable millennial population globally, the focus on delivering meaningful experiences will only amplify going forward.



Source: FGRT

Deborah Weinswig: The Retail Revolution and the Future Outlook for Shopping Centers

At the event, Weinswig presented FGRT's work on the evolving retail market and the technological innovations in the space as they relate to the shopping center industry. She pointed out three global trends impacting the future of shopping centers: 1) urbanization; 2) demographic shifts; and 3) the hyper-connected consumer.



Source: FGRT

1. Urbanization

Urbanization is one of the most important demographic trends for the retail sector, with 66% of the global population forecast to become urbanized by 2050, according to the United Nations' *World Urbanization Prospects* report released in 2014. Urban areas will account for all population growth across the world. For example, people living in Chinese cities will grow by 100 million between 2014 and 2019, and by 292 million between 2014 and 2050, according to UN forecasts.

One impact of this urbanization trend is that new infrastructure projects such as metro lines create more local communities with new opportunities for retail development. At the same time, more people living in cities means smaller living spaces, and this necessitates more places where people can spend time together outside the home.

2. Demographic Shifts

Silvers

The silver population aged 65 and over is forecast to grow from 8% of the world's population in 2015 to 13% in 2035, and is expected to account for over 33% of total population growth through 2035, according to the Population Division of the UN. The size and growth rate of the silver population—and of the subgroups within it—vary considerably across key regions. By 2035, Japan, South Korea, Western Europe, North America and China will see silvers account for the highest share of their populations, at more than 20% of the total.

Silvers are driving a hugely disproportionate share of consumer-spending growth in many key regions globally. In some markets, they are driving nearly all such growth.

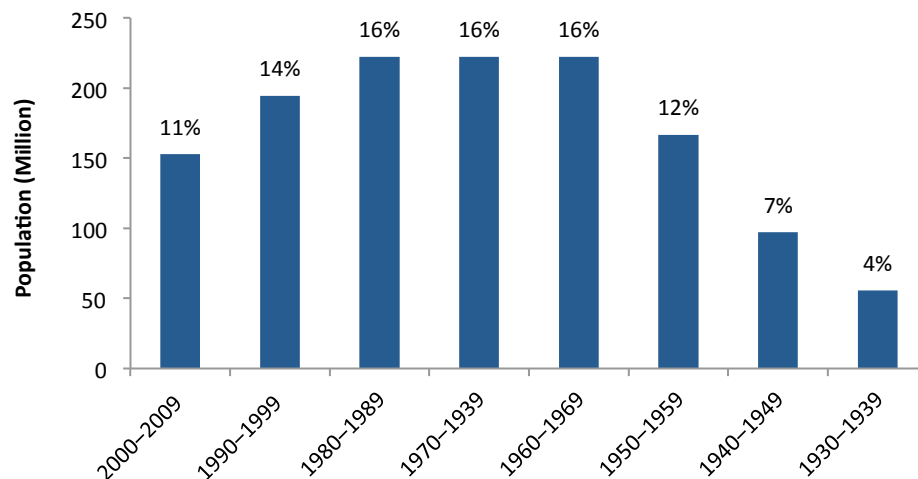
Retailers are optimizing store designs and layouts to cater to the needs of silvers, as well as opening smaller stores closer to where they live, as they tend to travel shorter distances. Silvers will also drive e-commerce growth, due to their limited mobility and, consequently, the need for delivery services.

Millennials and Gen Zers

These demographic groups comprise 43% of the population in the US and major European markets, according to data from Eurostat and the US Census Bureau. This is a segment of growing value, since millennials are entering the high-growth phase of their earnings potential, whereas Gen Zers have a great influence on family spending.

In China, millennials now account for over 30% of the population, representing 415 million consumers. This is more than the working population of the US and Western Europe combined—undoubtedly an economic force to be reckoned with.

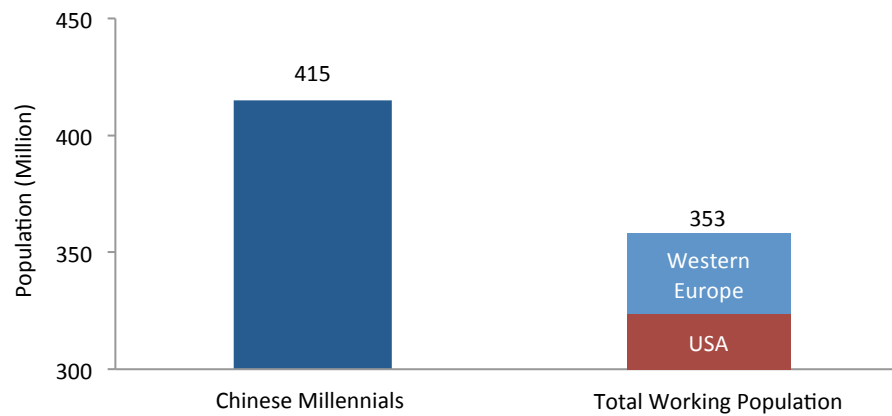
Figure 1. Population Size in 2014, by Year of Birth (Million)



Bar labels represent the % of the total population.

Source: NBS/Euromonitor/Goldman Sachs Global Investment Research

Figure 2. Chinese Millennials Are a Bigger Demographic than the Total Working Population of the US and Western Europe Combined, 2014



Source: Euromonitor

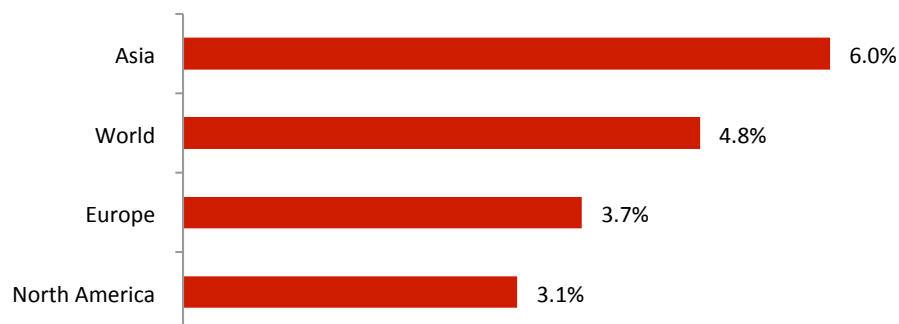
According to a study by Boston Consulting Group, by 2020, annual consumption by those aged 18–30 in China will increase by 14% per year. This is double the rate of the previous generation.

Chinese millennials do appear to be more willing to spend money on luxury products than their Asian counterparts. A report by MasterCard in 2015, found that Chinese millennials plan to spend an average of US\$4,362 on luxury goods over the coming year, far exceeding the luxury spending budgets of their counterparts in South Korea (US\$2,638) and the Asian average (US\$2,584).

3. The Hyper-Connected Consumer Is Always On: More Informed and with Greater Access

Consumers are ever more connected, both physically and digitally. According to research from Boeing, air traffic is expected to increase at an annual rate of 4.8% between 2016 and 2035. The GSM Association (GSMA) forecasts that by 2020, there will be 5.8 billion smartphones globally, leading to a 49% increase in data traffic between 2015 and 2020. This pace of growth in connectivity means an expanding consumer base for brands, retailers and shopping centers, yet it also spells a more competitive landscape as well as an increasingly sophisticated consumer.

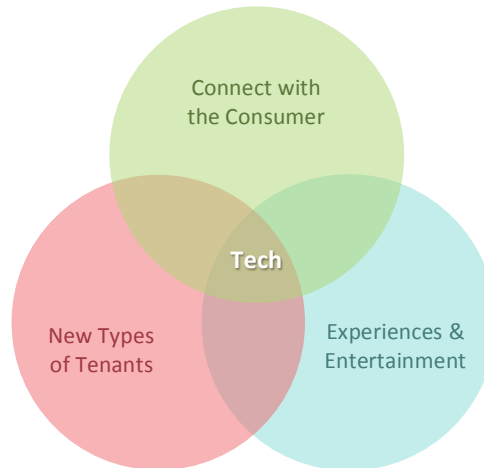
Figure 3. Estimated Annual Growth Rates for Passenger Air Traffic for 2016–2035, by Region



Source: Boeing

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The Evolving Retail Landscape and Changing Shopper Expectations Call for the Shopping Center to Reinvent Itself



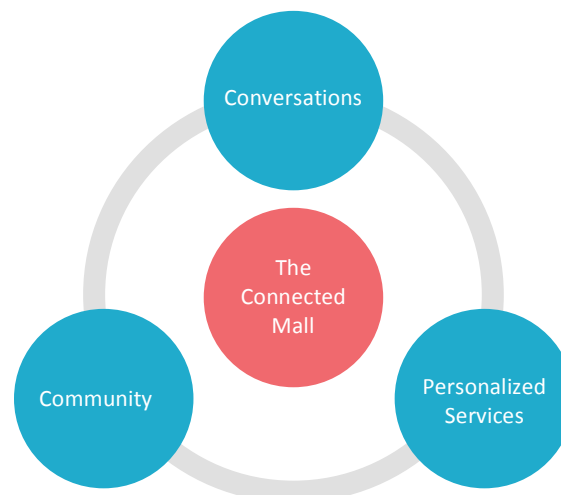
Reinventing the Mall Experience

Mall operators are rethinking how they deliver experiences to consumers and how to keep occupancy rates high.

- **Curation and novelty:** Pop-ups are used to create a curated mix of smaller stores that add a sense of novelty and urgency to the mall offering.
- **Content and events:** Art exhibitions, performances and exclusive events have proven effective in driving traffic to shopping locations.
- **Locally grown and made:** Consumers are seeking goods that are grown, made and produced locally, and that incorporate more regional, artisanal flavors and designs. Kimco Realty has expanded a program that offers small businesses one year of free rent and reduced property charges.
- **Convenience:** E-commerce companies are partnering with mall operators on more compelling omnichannel offerings, including a “drive up, pick up” service at malls.

Reinventing the Relationship with the Consumer

Mall operators must rethink how they engage and retain their visitors.



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Reevaluating How They Think About Their Tenants

Mall operators must reevaluate who their potential tenants might be.

- **Online going offline:** For e-commerce retailers, physical stores are marketing assets that support their online business models. They require more innovative leasing models.
- **Office and wellness service businesses:** Co-working spaces and gyms require flexible access schedules to offer more convenience to users.

Rethinking How They Approach Technology

REITs and shopping center operators are turning to investments in startups, and running accelerator programs as a way to access technology innovation and futureproof their business models. Over the past five years, companies such as Westfield, the Simon Property Group, GGP and Macerich have invested in retail startups, while Westfield Labs, partnering with R/GA Ventures on the Connected Commerce Accelerator, opened a retail lab in San Francisco.

Partnering with Technology Companies to Bridge the Gap: A Global Overview of Solutions

Entertainment: Location-Based, Fully-Immersive Virtual Reality (VR)



- **Dreamscape Immersive** is a new Los Angeles-based startup for location-based VR that is planning to open a VR Multiplex in Los Angeles.



- **Nomadic VR** is a California-based developer of VR games that can be touched and felt. The company received an investment from Horizon Ventures and demoed its technology at the Wonderful Worlds of the Whampoa mall in Hong Kong in July 2017.

Security: Robots in Shopping Centers



- The Prudential Center in Boston and the Westfield Valley Fair in San Jose have piloted security robots.
- The K-5 robot by Knightscope takes pictures and video, and can detect heat and CO2. It leases for a monthly fee of about \$8,000.

Security: Using Crowdsourcing to Catch Shoplifters



- **SpotCrowd** is an online platform that streams existing, real-time footage from retail stores' surveillance cameras.

Loyalty and Rewards



- **Spring Marketplace** is used at 75 live mall locations in the US to date. Clients include Simon, Taubman, Macerich, PREIT and GGP. When consumers use their credit or debit card, Spring tracks their spending in real time and offers personalized marketing and rewards.

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Flexible Spaces



- **WithMe:** Pop-up stores are designed to be assembled quickly from the ground up. The company has eight locations in the US.

Storefront

- **Storefront**, an Airbnb for retail, is a rental platform operating in eight markets, including Hong Kong.

Omnichannel Solutions: Solving the Issue of Same-Day Delivery and Easy Returns



Happy Returns

- **Happy Returns** accepts in-person returns from participating online retailers at six malls.



- **ShopRunBack** is an on-demand returns service for e-commerce businesses, which operates returns drop-off points as well as a network of delivery professionals. The company currently works with Mango in Europe.



- **ShopTurn**, a Techstars-backed company, is an on-demand, returns service enabling consumers to return purchases directly from home.



- **OLAM** is a technology-enabled logistics platform solution for mall-based retailers, providing convenient, same-day purchase options for shopping mall purchases. The cost per pickup is \$5.

Hassle-Free Checkouts



- **Shopic** is a QR code-based, express self-checkout app. The company collaborated with Tyco on an application that enables consumers to remove the security sensor on items at the point of sale—without requiring any assistance.



- **QueueHop** lets customers check out on their phones without having to wait in line. It uses QR-code scanning and RFID-powered security tags that automatically unlock after payment is made.

Personalized and Data-Driven Marketing



- **ActiMirror** helps stores become omnichannel hubs by creating a personalized consumer-communications channel and enhancing the overall guest experience.



- **Neoma** helps shopping malls create, launch and promote beacon-powered and AR applications, and helps retailers within the mall inspire and attract customers as soon as they enter the building.

About the ULI/FGRT Partnership

The Urban Land Institute (ULI) Asia Pacific and FGRT are collaborating on a series of educational conferences and panels in the APAC region, culminating with ULI's Asia Pacific Summit in June 2018. The partnership is part of a wide-ranging initiative to showcase the future of retail real estate, encourage greater integration of technology in shopping centers and provide a platform where industry professionals can learn and share about retail and technology.

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About the Urban Land Institute

The ULI is a nonprofit education and research institute supported by its members. Its mission is to provide leadership in the responsible use of land, and in creating and sustaining thriving communities worldwide. Established in 1936, the institute has more than 40,000 members worldwide, representing all aspects of land use and development disciplines, including more than 2,000 in the Asia Pacific Region. For more information, please visit uli.org or asia.uli.org.

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