

The Future of Retail Space

The role of physical space
in the digital-first retail future

In association with



**INSIDER
TRENDS**

Introduction

In an age of unprecedented change and disruption, much has been said about the future of physical retail. Naysayers see this as a battle between bricks-and-mortar and online retail as though there can only be one winner in the battle for survival. In reality, we live in an omni-channel environment, where both the physical and digital are intertwined – when retailers invest in brick-and-mortar stores, their online presence thrives and vice versa.

But there's another important dimension of retail success that's a direct result of retailers' physical retail ventures: brand perception and awareness. Physical locations are places where brands can make genuine connections with consumers who are more engaged and informed than ever before.

Consumers still want and need physical stores, however, they have become increasingly 'channel agnostic' – they expect a consistent experience across every possible touchpoint. As a result, retailers can no longer look at their online and store operations in silo.

Brands and landlords alike are embracing these challenges and are

literally 'thinking outside the box'. They use innovative and creative strategies to produce positive and memorable interactions that drive transactions across all channels.

This report showcases the latest, most original and inventive use of retail space that meets the demands of today's consumer: convenience, service and experience. It highlights the key factors that you should consider in order to make the most of your retail space.

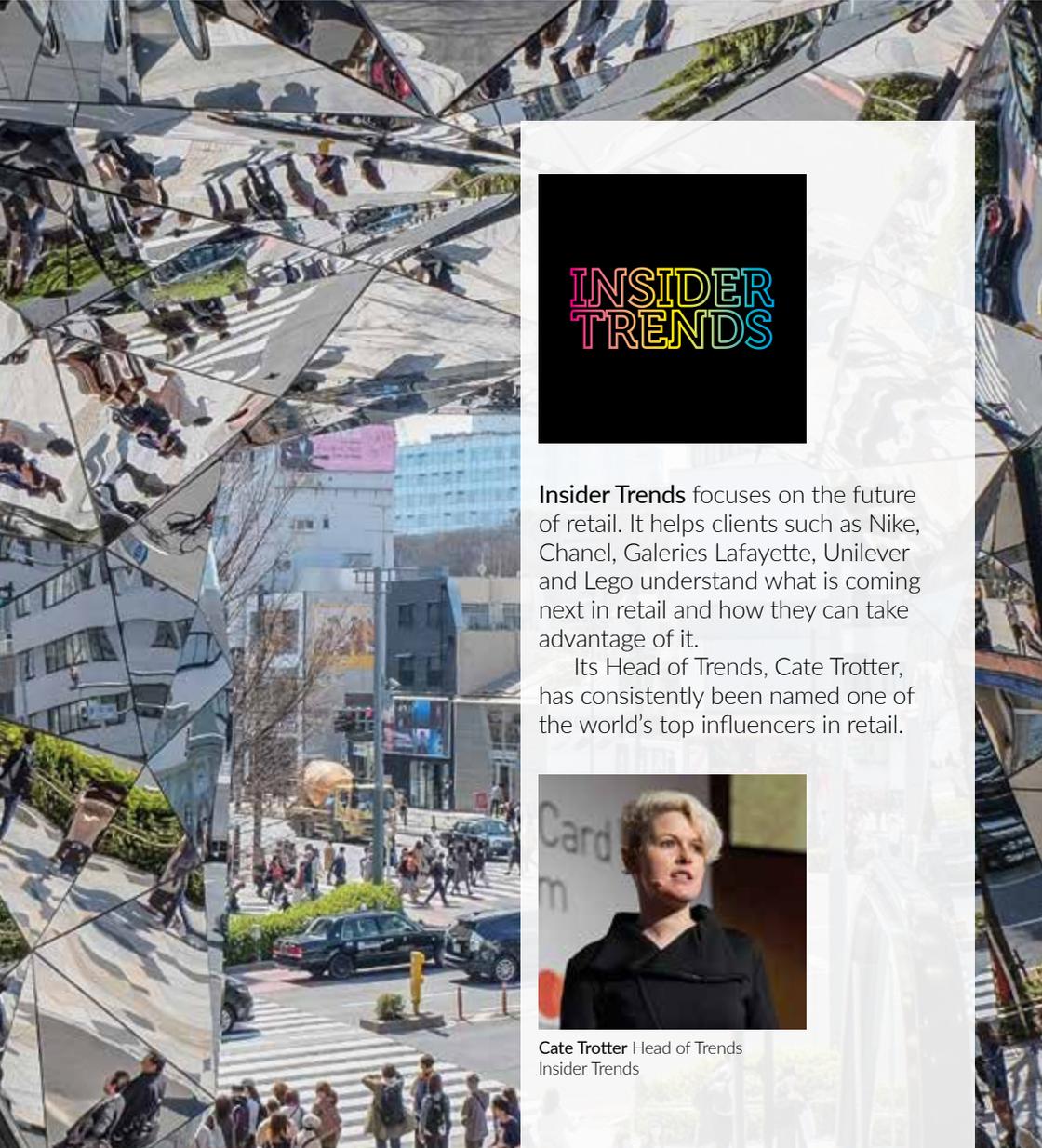
The case studies and views of industry insiders that feature in this report not only demonstrate that the future of physical retail is far from over, but also highlight the imaginative way in which the industry is embracing and adapting to the new digital era. Retail spaces are evolving at a rapid rate to meet consumers' changing needs and desires and, alongside a complementary mix of other uses, it will remain a fundamental element of successful places in the future.

Join us as we make this journey into 'Retail 2.0' together.

Tokyu Plaza Omotesando Harajuku Tokyo

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Insider Trends focuses on the future of retail. It helps clients such as Nike, Chanel, Galeries Lafayette, Unilever and Lego understand what is coming next in retail and how they can take advantage of it.

Its Head of Trends, Cate Trotter, has consistently been named one of the world's top influencers in retail.



Cate Trotter Head of Trends
Insider Trends

What we think about when we think about retail



When you think about your retailing, what pops into your mind first? Do you think about your stores? Do you think about your website or app? If you think your retail business only revolves around one part, we'd like to invite you to think differently.

As this guide will show, retail is fundamentally changing. Retail can now be everywhere in the world around us. Yes, it's in our pockets, on our phones, but retail can now be much more intuitive than that.

Retailers can scan our bodies over the internet, we can tap a billboard with our phone to buy, we can scan any image or object to buy. Digital channels now offer immersive experiences, sophisticated personalisation, enhanced recommendations and discovery opportunities. Physical retail is here to stay, but retail now goes much further than the four walls of the store.

So, when shopping can be everywhere in the world around us, what is the role of the store?

To answer this question, we drew on the latest research and thinking, as well as interviewing some of the world's leading authorities on the future of retail space.

In 2021, over
2.14bn
people worldwide
are expected to buy
goods and services online,
up from 1.66bn global
digital buyers in 2016.

Statista 2017

Ecommerce is now driving
90%
of growth in
American FMCG sales.

Nielsen June 2017

76%
of American shopping
journeys now begin online.

IRI, Consumer Connect Survey January 2018

67%
of global ecommerce brands
that received funding of
over \$6 million opened
a physical store within
the last 36 months.

Hero 2017

83%
of shoppers feel
stores are important as they
allow people to see, touch
and feel a product.

Mindshare 2017

78%
of shoppers globally
say an enjoyable in-store
atmosphere is a key factor
in their decision to choose
in-store over ecommerce.

Mood Media 2019

The digital-first ecosystem

What it is, and why leading retailers are thinking this way.

“The high street isn’t dead – it’s just different. Retail isn’t dead – it just needs to be different. It needs to adapt to the changing world around it. I don’t think retail can be just looked at as retail now, it’s actually a combination of so many different things.”

Tor Burrows Director of Placemaking, Grosvenor, UK

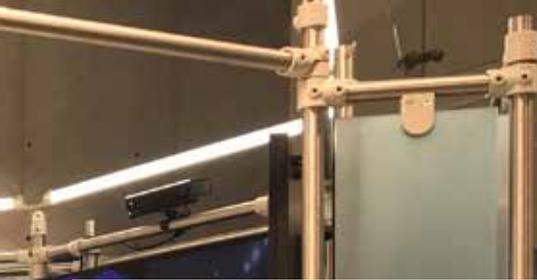
Niketown London

Does ecosystem sound more rainforest than retail to you? An ecosystem is just a network of interacting elements that together create something beyond any one part. If you think about it, the store, the website, the app, the chatbot... they’re all components of the much larger idea of retail.

The very best brands think of their retail channels in this way, with each channel playing to their strengths and working together. Retail is now about so much more than the store – it’s about seeing the store as one of many different channels. These channels all interconnect with and feed one another as different touchpoints in the shopping journey.

There’s no getting away from the fact that this ecosystem is digitally-led. Some of the world’s most forward-thinking retailers are now seeing 50% of their sales come through digital. This is only going to increase.

It will increase as customers become more confident buying online and as more tried-and-tested ecommerce



solutions are offered to retailers.

Most importantly, digital interactions are radically changing. They no longer need to be flat, silent, catalogue-style experiences. Through geolocation, augmented reality and scannable images, chips and codes, new types of immersive shopping experiences can be created. And with connected objects and trackable apps, brands can understand and serve customers better than ever before.

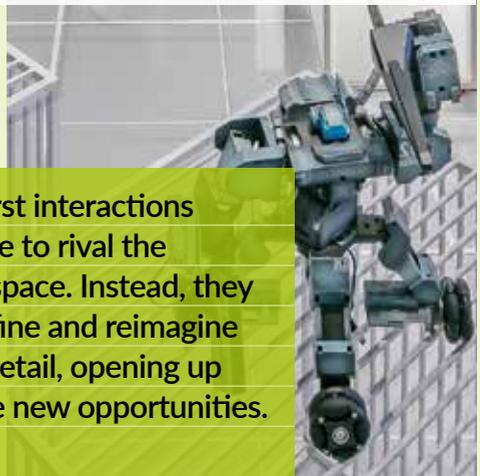
The great thing is that an ecosystem approach can naturally build relationships with customers. Take L'Oreal's smart hairbrush, for example. It connects to a partner app to analyse your hair type and condition. It then uses this information to recommend the best products in its range for your specific needs.

Naturally, L'Oreal can also harvest this information about users' hair to direct its product development. In the future it could even offer

a completely personalised hair product model à la the US's Function of Beauty.

Likewise, the US-based online custom menswear company MTailor uses digital to offer perfectly tailored clothes to customers shopping at home. Using just their smartphone they can be measured, customise their clothing and have it sent to them. From an ecosystem perspective that data could be used to enhance a complementary in-store experience of click-and-collect, fabric choosing and repairs.

Digital-first interactions don't have to rival the physical space. Instead, they can redefine and reimagine physical retail, opening up incredible new opportunities.





Nike House of Innovation New York

“The high street shouldn't be afraid of online. We really need to push the digital high street forward to attract a younger shopper profile, and that has to be a key element of any strategy for any town centre now.”

Dr. Steve Norris Head of
Regeneration, Lambert Smith
Hampton

Syte AI-powered image recognition app

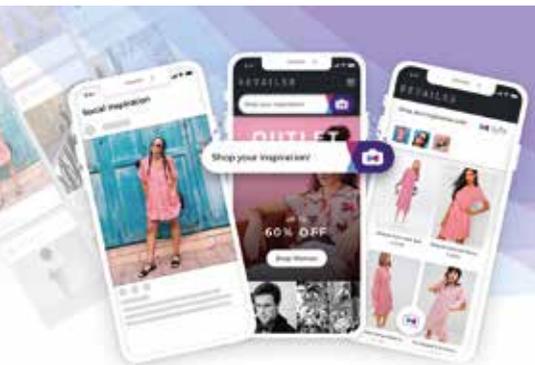


Image: courtesy Syte

These new channels let brands engage customers in space whilst thinking beyond the store. Nike has shown the world how spaces such as a park, restaurant or gig venue can become a store. It has utilised geolocation and augmented reality technology in its apps to turn new product drops into real-life treasure hunts, and to launch product at concerts.

New technologies mean that touchpoints such as billboards can now become interactive and shoppable, helping customers discover new products and offer a level of convenience to rival the store.

Solutions like Israeli tech-company Syte's AI-powered image recognition tech means that all of the images we see – in print, online and on social media – can now be shoppable. In the future, this could extend to any visual content anywhere with everything from adverts to films and TV shows becoming easily shoppable

As we all know, the store isn't dying. But brands would be wise to explore what they can do with digital interactions and experiences first. They can then use this to rethink what physical retailing means. This may well involve the store, but it may also involve a myriad of other physical touchpoints.

What does your brand's digital-first ecosystem look like?

An informal workshop task.

Now retailing is changing so fundamentally, we often suggest the following process to our clients:

- Invite your team to come together over lunch, pizza and/or beer. Provide them with flipchart paper and fat markers.
- Dream up your digital-first ecosystem.
 - How would you sell and communicate with customers if money was no object?
 - How would you get to know them better and sell in more intuitive ways, through apps, connected objects, geolocation, connected billboards and more?
 - How can these touchpoints learn about customers' body shapes and preferences, tailor products to them and let them sample things virtually?
- Sit back and look at what you've devised. Consider what your new ecosystem CAN'T do. What customer needs and desires can't be fulfilled by these touchpoints?
- Brainstorm and sketch out physical space to address these remaining customers needs and desires.
- Reflect on how your thinking has changed during this exercise and what you might like to do differently going forward.

What's the store's role in a digital-first ecosystem?

Image courtesy: Checkmate Knowledge

"We all have different tastes, styles and body types. You cannot make something to fit the entire mass market. Consumers are now more than ever looking for the experience. They want to feel special, be doted on and entertained or go to a new unique place and have fun."

Jessica Sarkissian Principal Planner
The Planning Center, US

Adidas Originals London

So, as digital-first retail becomes more intuitive and compelling, how can physical stores and spaces support this ecosystem in the most effective way?

The Boston Consulting Group found that the brands that engage customers emotionally are able to both charge customers more, and sell more. By engaging all five senses, and bringing the brand to life through staff and service, physical spaces will always be king of the emotional connection.

Way back in 2001, Apple rewrote the rules of retailing by creating a new retail format that drew its inspiration from a library. It invited customers in to spend time, experience and play. By putting selling second, it created a space with one of the world's highest sales per square foot.

As Steve Collis, Strategic Director of UK-based retail design agency JHP Design, says: *"If someone asks what makes an Apple store an Apple store, it's the fact that you can touch and play with every product and the fact that you can pay any way without having any cash desks. That is a business shift. Those two things are as*

important as all the other elements that make up the experience."

When asked if the role of the store has changed much, Raj Wilkinson, Creative Director of JHP Design, noted: "It hasn't really. Before, you had a space that was well designed and created an environment that was engaging and enticing and attractive to consumers. That hasn't changed. It's just the means by which you do it that has changed."

Paul West, Strategy Director at UK experience agency Dalziel & Pow, points out that as brands change, spaces need to, too: "How has the purpose of the brand changed? The role of the store should be a reflection of that shift in purpose. I think the store can be the most fundamental part of an ecosystem, but it can also be a complementary part depending on the business model and the purpose of the brand. There will be different ways of treating these channels to play to their strengths."

Jeff Kindleysides, Co-founder of UK-based design consultancy Checkland Kindleysides agrees: "There's no one approach – but one thing is for sure it now must be about more than a straight forward transaction."

Going to a store to stock up on essentials is now less of a necessity. But shopping as a form of social interaction, of entertainment, as a way of discovering something new, is very much thriving. It's one of the reasons experience has become the go-to buzzword for the retail industry.



From top: Alexander McQueen London; 10 Corso Como New York; Starbucks Reserve New York



Gucci SoHo New York

“Those very functional transactional journeys are the things that are reducing, but people will absolutely keep going for emotional reasons,” agrees Kathryn Malloch, Head of Customer Experience at UK property developer and operator Hammerson.

Chris Dewar-Dixon, Co-founder of UK graphic and interior design agency Studio Four IV, thought similar. *“The experience of a store is absolutely paramount. People are fighting for individuality and to really own the experience across every single touchpoint – from customer service to how you pay.”*

Jeff Kindleysides goes further, inviting us to think about the store differently:



“It’s thinking about what ‘fulfilment’ means – people go to the store to be fulfilled in some way or another; it might be to take something away with them, or just to touch and try something on.”



Gentle Monster is a leader in using its stores to create a brand experience. The spaces from this South Korean eyewear brand have more in common with art galleries than they do stores.

Although sales per square foot seem to be the last thing on Gentle Monster’s mind, it is continuing to open new stores – it started in South Korea in 2011, opened stores throughout Asia, opened New York and London branches in 2016 and 2018, and there are more to come.

“The way the consumer makes a decision on where to buy something is they intuitively think about time, touch and money. ‘How quickly do I need it? ‘Do I need to touch it and experience it?’ ‘How much am I willing to spend?’ I look at every individual shopping centre or retailer and then I’ll try to put myself in the shoes of their target consumer and answer those questions.”

James Cook Americas Director of Retail Research, JLL, US



Gentle Monster stores in various cities

The brand understands that Gentle Monster's physical spaces aren't about fulfilling orders – they're about bringing its brand to life. The spaces create the desire to purchase in the first place.

This is very much something that Ted Galperin, Design Director, Retail of design and branding studio Partners & Spade in New York, is exploring when it comes to the future of retail space.

"I really enjoy pushing clients and brands to find the minimal number of objects needed to define a 'store'. There really is an opportunity where retail is not just the act of buying, but a way of creating a memory," he notes. "For me, that's the ideal place that retail is going. I liken it to running a marathon and someone handing me a water. It's part of your journey. It's not a destination. I think retail can do the most good when it focuses on adding value, rather than trying to be the whole purpose."



Images courtesy: Gentle Monster



RH New York

“Retailers that are still doing well have proactively invested in their stores in the last 5-10 years to make them engaging, interesting experiences that people will want to visit and spend time and money in.”

Adam Bunn Associate Director
Urban Shape, UK

Shoppable apartments are also a twist on the experience model. Rather than just placing clothes on a rail or plates on a stand, the shoppable apartment places them in situ in a covetable living environment. The store behaves like a walk-in magazine. Rather than visiting with a specific purpose in mind, customers visit for inspiration and end up buying something they weren't even aware they wanted.

It's made even more compelling by the fact that the environment looks like the customer's dream home. Logically, customers know that buying a set of plates won't turn their home into this gorgeous Instagrammable paradise, but that won't stop them buying.

Meanwhile the shoppable hotel, such as Japanese homewares retailer



Bless Berlin



Maison Sarah Lavoine Paris



Gucci SoHo New York

Muji's locations in Shenzhen and Beijing in China, work on the basis that living with the products for a few nights will be inducement enough to buy. There's no better way to experience a toothbrush, for example, than using it and if you love it why shouldn't you be able to buy it?

Experience sells because if we enjoy ourselves, if we are entertained, if we are inspired, then we want to capture that feeling. We're willing to buy into a brand, or product, that makes us feel that way.

“Digital has been a substantial disruptor; however, research shows that 90% of retail transactions touch a store in some way. For in-store, experience is king and services necessary, giving consumers a compelling reason to visit and drawing in shoppers who are in ‘discovery’ mode.”

Kyle Monk Head of Insight
New West End Company, UK

Adidas Originals London

Image courtesy: Checkland Kinetic photo





Tommy Hilfiger Tommyland California

Experiences don't get much bigger than **Tommy Hilfiger's Tommyland**, which ran in February 2017 in California, US. This multi-day funfair, music festival and catwalk show couldn't feel less like a store if it tried and yet all of the catwalk designs were instantly shoppable via a smartphone. The event sold a perception of the brand first and its products off the back of that.

The pictures and video captured during visits also form a social currency that can be shared with others. The focus is on spending time with the brand, which creates the kind of relationship that keeps customers returning.

However, Dalziel & Pow's Paul West notes that a store experience isn't just about a big flagship production. *"Experience is often seen to be something that has to all-encompassing, super engaging, shareable, original, but it can also be something that's incredibly simple and convenient as well."*

Images courtesy Tommy Hilfiger



He reiterates the point that a store has to be fully connected to the brand and its experience across all touchpoints:

"For us, experience isn't something that is layered into existing stores; it's everything a brand does to connect with a customer."



Do your spaces sell more by putting experience before sales?

The retail industry is at an interesting point currently - everyone is talking about experience, yet few retailers are actually doing it well. You can ask yourself the following questions to see if your spaces truly offer a compelling, brand-building experience:

- **Would someone pay to come into your space?**
- **Do customers take photos in your space?**
- **If your family had the opportunity to visit your space or go to the cinema, what would they choose?**
- **Which features of the space make customers want to come back again and again?**

Good things in small packages



Big experiences aren't the only way to make use of physical space though. We don't always want this slower, wow offering when we're shopping. Sometimes we want to just get the job done. In these cases we may turn to physical retail as a faster option to online, which still has to factor in delivery, for convenience or because we need something that's not easily catered to online.

Micro spaces are a fantastic way for retailers to balance having a physical presence with something sustainable long-term. Not every town or city needs a large-scale, experience-heavy format. By combining smaller spaces that focus on services with these rich flagship experiences retailers can create an offering that serves customers needs on a day-by-day basis.

Some brands are already putting this into practice. **John Lewis** is well known for its large-format department stores, but the brand has also opened micro spaces in key locations like London's St Pancras train station. While the store does stock some product lines, it acts as a useful click-and-collect point for



thousands of commuters and travellers who pass through the station.

It's worth noting that the UK's Network Rail reported a 2.3% increase in train station retail sales over the 2018 festive period. The vast numbers of people who pass through transport hubs make them more consistent in terms of footfall than the high street and therefore a great opportunity for the right retail offering.

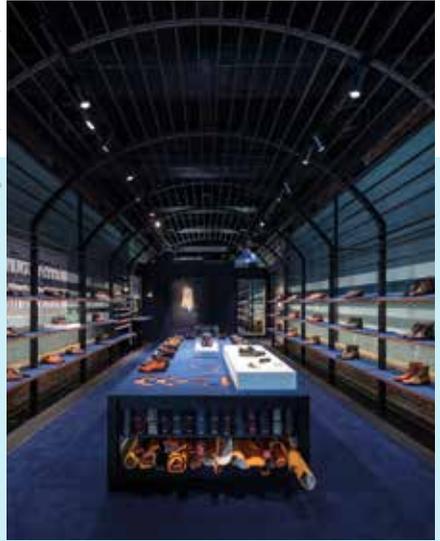
American high-end department store retailer Nordstrom is also experimenting with smaller spaces via Nordstrom Local. Instead of stocking inventory, these small-scale spaces are packed with services from on-site repairs and alterations to click-and-collect to personal stylists to manicures. It's about creating a single place for customers to come and have their needs met locally.

Image courtesy: Dale G. Poir



Argos is a brand making great use of small spaces.

Image courtesy: Checkland Kindleysides



Joseph Cheaney Coal Drops Yard, London

“The smallest space with the biggest message can become the loudest voice.”

Jeff Kindleysides Co-founder
Checkland Kindleysides, UK

In Thailand, fashion retailer Pomelo Pin is using small spaces for pick-up and discovery. A curated range of products are held in-store which customers can try on and then order digitally for collection or delivery. Customers can also shop online and collect from Pomelo Pin. The space acts as an easy physical returns point as well.

Swedish furniture and homeware giant **IKEA** is another brand that has downsized its large-scale out-of-town stores in order to reach city dwelling audiences. Starting with London, the Planning Studio model lets customers design their perfect IKEA spaces and shop products for delivery to their home.

The company is already planning to expand the model to New York this year. IKEA is taking a localised approach to each Studio to ensure the offering fits in with local demand. It's a smart concept that sees IKEA breaking away from selling £4 chopping boards bought on impulse to engaging high-income but time-poor customers on big ticket purchases.

If IKEA can break away from an approach to retail that has worked for it for decades then you might be able to do the same.

As our lives get busier and our time seems more squeezed, we're looking for ever more convenience. Brands that fit in with us, rather than expecting us to fit in with them, will have the edge.



IKEA Planning Studio London

Brainstorm your micro-retail space

We believe that micro-stores are the future. You can start to dream up your brand's micro-stores by discussing the following with your team:

- Which locations might be best for your micro-retail spaces? Consider areas that are currently not served by your stores, transport hubs and other places that your target customers spend time, such as football stadiums, gyms, creches etc.
- How might different spaces be tailored to different local audiences?
- What kind of technologies would help you do more from a smaller space?
- What services might you offer or sell to customers, in or from the space?
- How would your micro-spaces and larger, traditional spaces interact? What would be the role of each?
- Has your brand invested enough in digital and logistics to support a network of micro-stores? If not, what are the most important investments and changes to make?

Data-driven physical retail



Although data-driven retail certainly isn't new, its potential is increasing all the time. When data equals insight, and insight minimises risk, every retailer should be embracing data. Leading retailers are now using data, not just to decide where to sell, but what to sell. This comes from knowing what's going on outside the store – who lives in a certain area, how they move around, how much money they have to spend, what they do socially and more.

“The first step is to use data to truly understand what's the best experience that you can build for a specific location. In a sense, data is actually defining the format and the type of physical spaces that brands are building,”

says Rafa Pulido, Senior VP of Product & Growth at Spanish location intelligence company Geoblink. *“That's a big shift because it's not just expanding for the sake of expanding. It's more about understanding the location and the customer.”*

The better you know your target customer, and the customers around you, the better your physical stores can cater to them. Brands' insatiable thirst for data is another reason why they are investing in digital-first ecosystems. Customers who interact and buy via digital provide more data, possibly at lower prices than paying an external agency.

Nike's investment in ecommerce and apps have given it huge amounts of data to mine for **Nike by Melrose** – its new, optimised store concept in Los Angeles. It's called that because the company considers the space to have been 'shaped' by the local NikePlus members. Nike used insights into their behaviour to not only choose where to locate the store, but also what products and services to provide.

That product range changes regularly based on localised buying data – particularly that which comes via its app. Suddenly, it's no surprise that Nike is putting its app at the heart of a lot of its new store developments including the Houses of Innovation in Shanghai and New York.

Image courtesy Nike



Nike by Melrose
Los Angeles





Amazon 4-Star New York

In a similar approach, Chinese ecommerce giant Alibaba's Home Times furniture stores use information about the best selling products within five miles of the store to decide what to stock. It's a smart way of using limited in-store space by ensuring that the people who are most likely to go into the store can find what they want. The whole product range is available to order in-store for fast delivery should they need anything else.

Meanwhile **Amazon** has used data from across its entire ecommerce empire to determine the stock for its series of Amazon 4-Star stores in the US. As the name suggests, the stores only stock products that have been rated four stars or higher, are a top seller or trending on Amazon's website. The space aims to offer customers an opportunity to discover new products, while having the confidence that they'll be of a certain level of quality. It's an interesting use of review data that may well be employed by others in different models.

Locating and stocking stores using data is particularly important for retailers who will mix a network of smaller stores with a few big flagships. Endless aisle technologies and mobile web mean that once someone is in a store you can fulfil most of their needs, even if the product physically isn't stocked. Getting them through the door is the first piece of the puzzle and a localised approach is a good way of doing that.





Data provides a real opportunity to look at each store on a case-by-case basis and how it can be tweaked to maximise value to customers.

“It’s not only about the location, the consumers, their behaviour and what’s happening around the area. It’s also taking into account how big the store is, what’s the set-up of the space, what are the products, what are the marketing campaigns etc,” notes Geoblink’s Rafa Pulido.

“By taking those business insights and the location insights and crossing them, you are in a much better position to tell what the drivers of your success are. Then you can make decisions on how to optimise that.”

Warby Parker Century City, Los Angeles
Another brand using data to help make decisions when opening new stores.

Image courtesy Partners & Spade



Warby Parker Seattle

But what if I have a 20 year lease?

“Before you can design something, you need to think about its intended purposes and how it can be used if things change. We need to create designs that adapt to a faster, more agile and efficient lifestyle.”

Tina Qiu Senior Associate Partner
PLP Architecture, UK

As the world speeds up, it gets harder and harder to find any retailer to disagree with Tina Qiu’s statement (left). But knowing what to do is one thing. Making a success of yesterday’s decisions is quite another. Some traditional retailers have a large network of stores and a series of multi-decade leases left to run.

If you’re one of these retailers, knowledge is power. Before you do anything, you need to be aware of what you physically can and cannot do under the terms of your lease. That way, you’re having practical discussions rather than blue sky conversations.

Think of your space not as a store but as a place. What can you do to make it somewhere people would like to come and spend time? Could you add in a food and beverage element? Could you run classes where customers can get hands-on and make things themselves? It could be as simple as putting a few nice seating areas around the store where customers can stop and relax.

The idea of placemaking is likely to only become more important in the future as Jeff Kindleysides of Checkland Kindleysides notes: *“Retail is the last bastion of some form of community. There’s collectively a bigger thing to be thought about there in terms of shops as places in our lives.”*

Pop-ups or in-store concessions can be a great way to inject new life into a space while also sharing some of the risk. Getting the right new brand in can be a big attractor. You can also benefit from seeing how customers respond to them which may then guide your thinking on new products and services in the future.

While UK department store chain House of Fraser may not be flying high right now, the company did have some good ideas like working with Popertee to select great pop-ups through AI and location intelligence. In House of Fraser’s case it was perhaps too little, too late, but its loss could be your gain.



Louis Vuitton New York



American Eagle Las Vegas

Image: courtesy Checkland Kindleysides



Last year US department store chain Macy's launched a pop-up marketplace concept called **The Market @ Macy's** in a number of its locations. Brands are given a pod of space on the retailer's ground floor in exchange for a fee, with Macy's staff running the spaces and selling product.

Interestingly Macy's also partnered with Facebook over the Christmas period to bring 100 digitally-native brands to The Market. The featured brands were all successful sellers via Facebook and Instagram. Partnerships like this could be one way that you could benefit from the masses of data generated online as well.



The Market @ Macy's US

If you're really struggling, you could also consider whether parts of your store could be used to better serve the ecommerce side of your business. Partners & Spade's Ted Galperin notes:



"A lot of our clients are looking at 'dark stores' - mini non-customer facing distribution centres that allow for an incredible amount of inventory to be nearby so they can replenish the store if they need to but are also able to take on more interesting retail."



Other retailers have found opportunity in giving over some of their space to other methods of driving footfall such as gyms and flexible working spaces. A bar might suit your customers or an in-store hairdresser or fitness class.

Could you offer some added value services like personal shopping, jewellery cleaning, dry cleaning, product demonstrations? Aftercare often provides a lot of opportunity.

For example trainer fans are so passionate about their purchases and looking after them that a number of companies have opened up spaces for cleaning, refreshing and protecting their beloved shoes. But this could easily be part of the shoe brands' own in-store offering. Consider the success of Apple's tech support Genius bar and training model in giving existing customers a reason to return.



10 Corso Como New York



Gucci SoHo New York

What does the shopping centre of the future look like?

To put it in its simplest terms, the shopping centre of the future is a space that people will visit. “Why would someone come here?” This is the question kicking off strategy sessions for town centres, shopping centres and landlords. People spend money in places they spend time in.

“It’s almost a case of reverse engineering it,” says Alfred Bartlett partner at UK property and planning consultancy Rapleys. “It’s about asking ‘what is the goal for this centre?’, ‘what type of customers do you want to attract?’, ‘what type of brands do you want to see here?’ and then building a case that informs the design, layout and mix of operators in the scheme.”

JHP Design’s Steve Collis agrees. “We have a lot of friends in the architectural world who build shopping centres from scratch who have never really understood what makes a customer go into a store and pick a product up. We start with what people put in the bag. Once you understand that it’s easy to design the store and the building to put the stores in.”



There are a few ways of doing this:

Tech-driven

Westfield's OneMarket concept is one example of this. Having begun life within Westfield, last year it was spun out as its own business which aims to create a collaborative network around data and tech.

As a result, OneMarket has developed a number of products including engagement platform Hadley and co-marketing platform Shopper Exchange.

The traditional process involves retailers spending large amounts of time and money trying and testing different tech, before finding out that different systems don't play nicely in a live store setting. By contrast, Westfield has done all of this hard work once, letting it offer clients options that actually work.

Hammerson's Kathryn Malloch also believes that innovation doesn't require huge time and money investments. She advises an iterative test-and-learn approach. *"I think there's a lot of fear that you can only take a finished product to your customer."*

"Actually they love to test new technology, they like to give you opinions and they like to be involved and I think too many companies are scared about that and not getting the benefit of that test-and-learn approach."





Fünf Höfe
Munich

More efficient interactions

Alibaba Group's first brick-and-mortar shopping centre, the five-storey More Mall in Hangzhou, China, is uniquely built around the company's business ecosystem. The stores have unmanned checkouts that use its Alipay payment service and offer deliveries using Alibaba's logistics network. It's the sort of neat, one-stop-shop service that few companies can natively offer, but perhaps the shopping centres of the future will leverage a similar centralised system for certain tasks like payments.

For any sort of shopping centre, offering value-added services is also vital. Done right, these can be a win-win for both operator and customer as UK planning consultancy Urban Shape's Director Caroline Marginson notes: *"When you have a managed indoor shopping centre you could use one of the vacant units for click-and-collect where customers can buy online, get it delivered to that unit, try it on and either take it home or return it."*



Zeilgalerie Frankfurt



More to discover

The soon-to-open new 720,000 sq ft mall at the Hudson Yards development in Manhattan is taking an interesting approach to up-and-coming online brands by dedicating a floor to them. The spaces are bigger and the leases are longer than the standard pop-up-in-a-shopping-centre offering. Others are also looking to these ecommerce companies to bring something new to their spaces.

The 13,000 sq ft Neighborhood Goods in Texas is more of a department store than a shopping centre, but its model could easily be scaled into a larger space. Created by entrepreneur Matt Alexander, the company uses its physical space to host an ever-changing series of brands and experiences in order to drive visits.

Each featured brand is able to curate the experience of their pop-up, but Neighborhood Goods handles all the staffing, fit-out and tech. There's also a communal space for events and installations, plus a bar and restaurant. Neighborhood Goods also has an interesting app component that lets you learn about the brands, message staff, get products brought to you and, of course, buy.

It's an approach that Sean Prigmore, National Head of Retail at UK-based commercial property consultancy Lambert Smith Hampton, sees opportunity in. *"One of the trends we may see going forward is if landlords are going to let shops or shopping centres they almost have to give a turnkey option for those start-up businesses."*

Fourpost is a store-within-a-store concept at Minneapolis' Mall of America - the US's largest mall at nearly 5 million sq ft and owned by MOAC Mall Holdings LLC. Brands rent space within the unit on a monthly basis with the mix of brands on offer carefully curated to create a place to go and discover. Plus, the space hosts regular events. The concept is also coming to the 5.3 million sq ft West Edmonton Mall in Canada this year.

Whether it's a shopping centre or a town centre, having the right mix is essential. Sometimes brilliant insights around that can come from retailers themselves, via things like contingent lettings, as Rapley's Alfred Bartlett explains: *"We ask a retailer 'who do you want to sit by?' 'Who acts as a generator for your offer?' We then use this to build the mix and offer lettings dependent on securing other complementary brands."*

Laser-like focus

There's also something to be said about shopping centres that serve a niche. The 450,000 sq ft open-air Bal Harbour Shops in Miami is one of the most successful shopping centres out there. Still family-owned by the Whitman family, Bal Harbour targets the luxury end of the market and is one of the most productive shopping centres in the world.

It not only has a 340,000 sq ft multi-million expansion underway, but also a waiting list of brands who want to get inside it. Bal Harbour is successful because it's focused on serving a certain type of customer. In this case it's the deep pocketed, but there are a myriad of other niches that could be catered to.

The 286,000 sq ft Life Time Center in Boston, owned by The Bulfinch Companies, Inc., has pivoted to become a successful health, wellness and fitness-focused centre. An upcoming new shopping centre in Dubai from Viva City is going to be dedicated solely to sports, both in terms of the retail and



entertainment offering. The Sport Society will have three floors covering an area equivalent to 12 football pitches and host various sports events and activities within the space.

Creating a place that caters to a specific interest or way of life may be a way for shopping centres to secure their future.





More experience and leisure

If experience, leisure and discovery lie at the heart of physical space, it makes complete sense that they also lie at the heart of the shopping centre's future.

The proposed Miami supermall from Triple Five, American Dream Miami, is taking its leisure offer to the extreme with an amusement park, water park and indoor ski slope among the entertainment offering. Early plans allowed for 1.5 million sq ft for entertainment and 3.5 million sq ft for retail. However, those positions have now been reversed to give more room to entertainment. These sorts of developments mean that we may choose to spend a day at a shopping centre over a theme park in the future.

It also shows that retail alone isn't always considered enough to get people to make a trip to the shopping centre any more. Gyms, co-working spaces, offices, hotels, dining, residential and health and beauty services are all among the new shopping centre mix.



Posnania Poznań



The Bowl at Selfridges London

What should you do?

Image: courtesy Gentle Monster

Physical retail isn't dead!' cries just about every speaker at pretty much every retail conference. And the whole room sighs with relief. The statement may be true, but the reaction deeply concerns us.

Physical retail ISN'T going away. But physical retail is going to look radically different, very soon. We worry that retailers take too much comfort in the fact that physical retail isn't going away, and overlook the change they need to undergo to survive and thrive.

The key may lie in ceasing to think about the STORE, and starting to focus on SPACE instead.

The term 'space' encompasses two key changes – function and location.

Dalziel & Pow's Paul West observes that the space will do a lot more than selling. *"The space of the future will have a range of jobs to do – from instant fulfilment and convenience to full experience, education and community."*

And, of course, these physical spaces and experiences will connect with the brand's offerings in other channels. *"What will tie them all together is that they have to be smart, they have to*

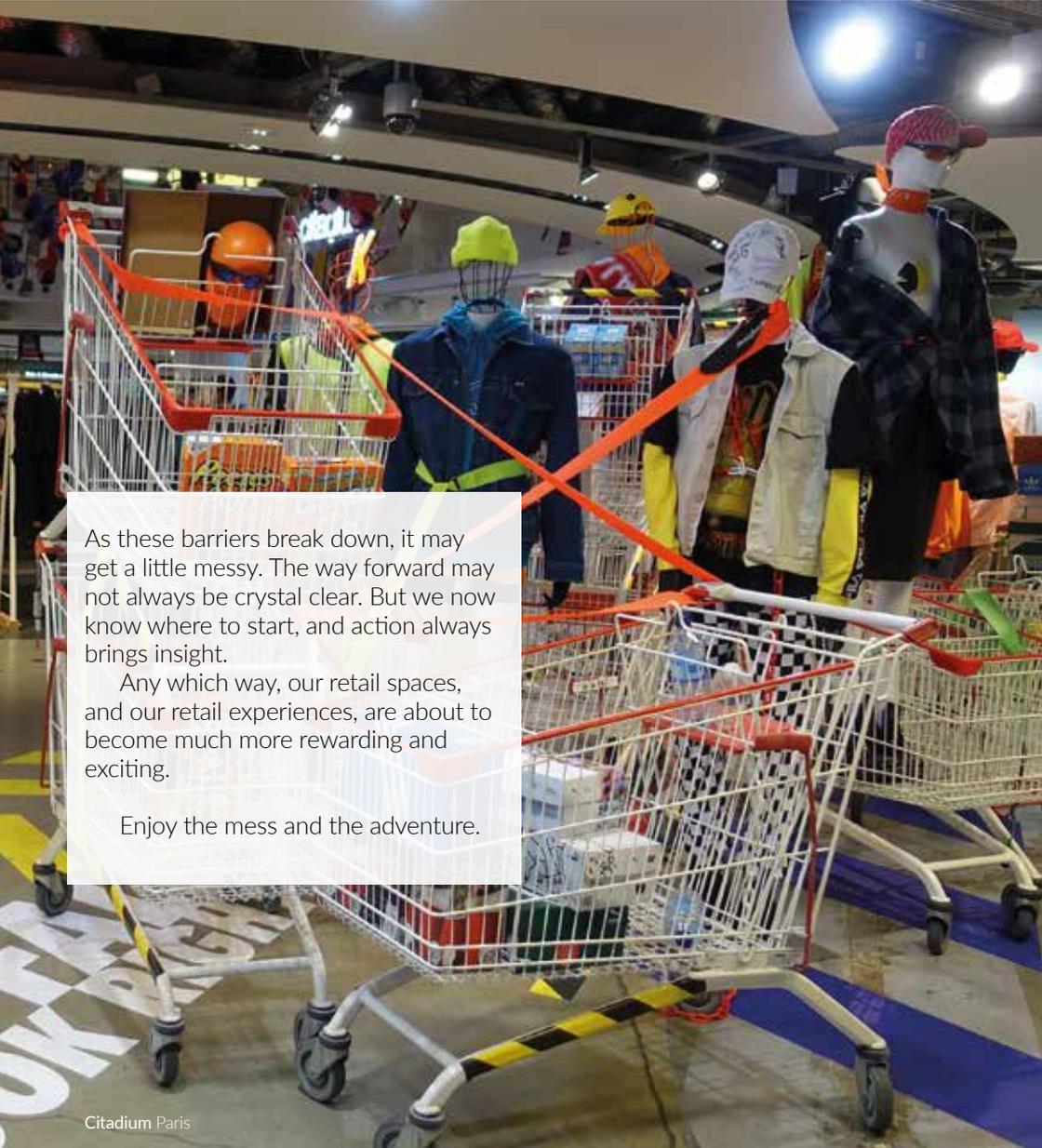
be original, they have to be informative and fulfilling, they have to be connected to the ecosystem of the full brand offer," Paul says.

An exciting new future also opens up, as immersive digital interactions change the location for physical retail. Shopping can exist inside AND outside the four walls of the store, spreading anywhere and everywhere into the world around us. Stores may be dotted around the world, but space is everywhere – in shops, pop-ups, the atrium of shopping centres, bus stops, parks, transport hubs, forests, mountain ranges... With this, everything can become a shop, and shopping can be much more intuitively integrated into our lives.

JHP Design's Steve Collis puts it brilliantly:

"Be prepared for everything to break down a bit. Expect the definition of the difference between the place that you go to buy and where you utilise what you have bought to dissolve and all worlds to become one. There's going to be a great breaking down of barriers because that's how we live our lives."





As these barriers break down, it may get a little messy. The way forward may not always be crystal clear. But we now know where to start, and action always brings insight.

Any which way, our retail spaces, and our retail experiences, are about to become much more rewarding and exciting.

Enjoy the mess and the adventure.

In conclusion

Having interviewed all our experts and considered numerous world-leading examples, here are some questions you could explore with your team to stay ahead:

- Run the exercise on digital-first (page 9). What kind of physical store ecosystem emerges?

- What kind of changes and investment do you need to make to support this ecosystem? What are the top priorities?

- What services and leisure experiences could you offer from your spaces to break down the boundaries between selling and experience?

- What can you do to make your physical spaces rival other leisure experiences to keep customers coming back?
 - It may help to imagine that your space wasn't allowed to sell a single product. How would you bring your brand to life and keep customers coming back?
 - How would you link the physical experience with digital to encourage online buying?

- What can you do to ensure every part of your space is as profitable as possible? Who might you partner with?

- How can you start to embrace the retail space that exists beyond the four walls of your stores?
 - What is the smallest, lowest-risk experiment you could run?

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